

# Town of Ocean City, Maryland

## Comprehensive Annual Financial Report



*El Galeón Andalucía sails out of the Ocean City inlet as it passes the jetty.*

For Fiscal Year Ending  
June 30, 2014

(Cover photo by Robyn Phillips)

El Galeón Andalucía sails out of the Ocean City inlet after spending over ten days docked in the City. El Galeón Andalucía is the only galleon class vessel sailing today. See article page 4.

(facing page)

Photographer Robyn Phillips captures El Galeón Andalucía as it sails into the Ocean City inlet as seen from the pier.

Photos used with the permission of the artist. For additional photos, please visit Robyn Phillips  
Photography at: <http://robynphillipsphotography.smugmug.com/>

Town of Ocean City, Maryland  
*Comprehensive Annual Financial Report*  
For Fiscal Year Ended  
June 30, 2014



*Prepared by:*  
Finance Department

David L. Recor, ICMA-CM  
City Manager

Martha J. Bennett, CPA  
Finance Administrator



**Town of Ocean City, Maryland  
Comprehensive Annual Financial Report  
for the Fiscal Year Ended June 30, 2014**

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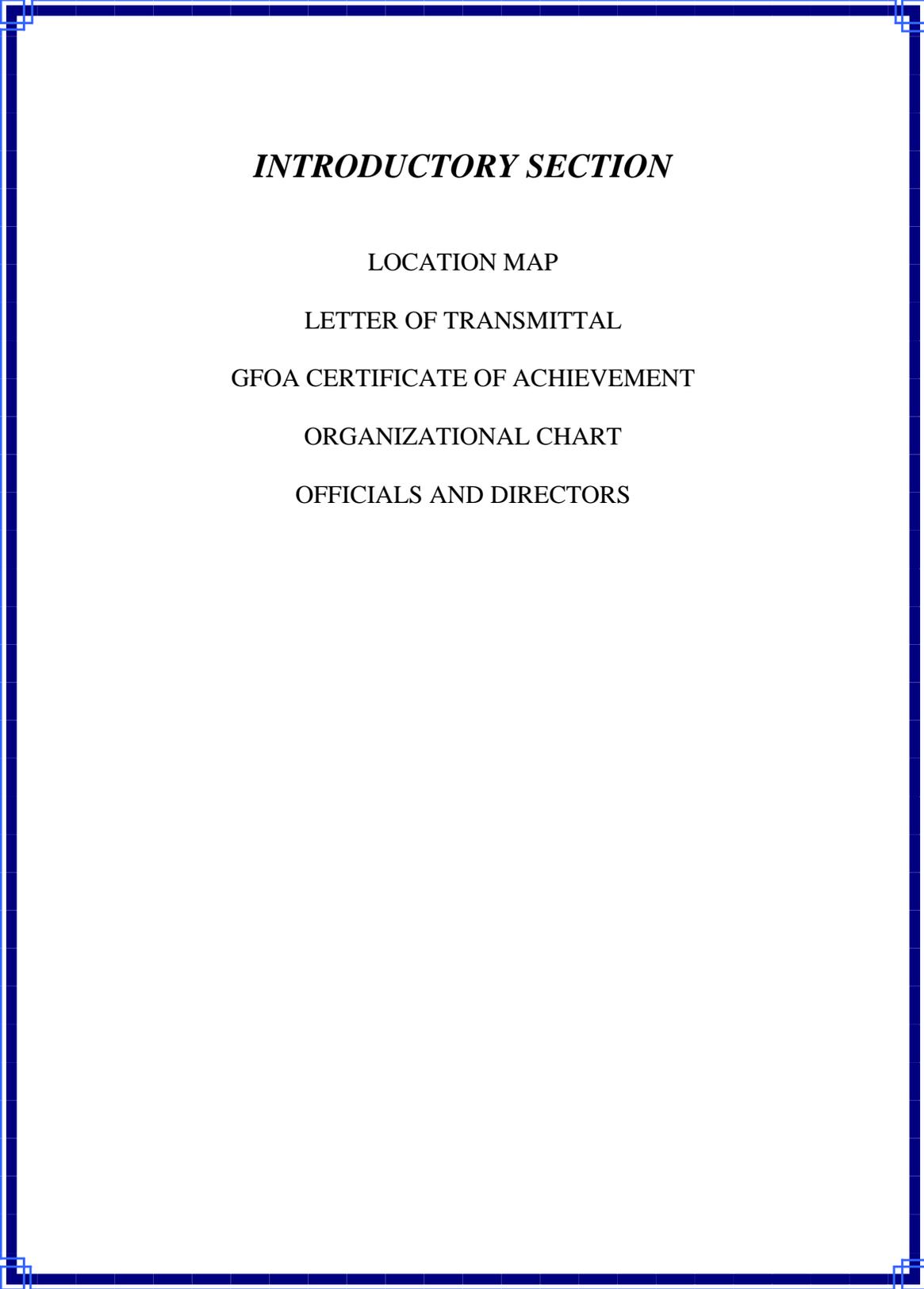
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***INTRODUCTORY SECTION***

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



RICHMOND, VA



**Location Map**

HAMPTON ROADS, VA

NORTH CAROLINA



RALEIGH, NC



TOWN OF  
**OCEAN CITY**

*The White Marlin Capital of the World*

October 7, 2014

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

With the opening of the Ocean City Art League Center in 2013 and current construction of the Performing Arts Center at the Roland E. Powell Convention Center, Ocean City has greatly enhanced cultural and entertainment opportunities for both residents and visitors. Always a vibrant resort, Ocean City is also an attractive and lively year-round residential community. Events such as the El Galeón Andalucía featured in this report and town and non-profit sponsored activities stimulate the local economy, but also enrich the lives of participants.

With a focus on the community as a whole, I respectfully submit the Comprehensive Annual Financial Report (CAFR) for the Town of Ocean City (the Town) for the fiscal year ended June 30, 2014. 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).

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 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. However, because the cost of internal control should not exceed the estimated benefit of the control, the purpose of this report is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

In accordance with auditing standards generally accepted in the United States, SB & Company, LLC, independent public accountants, have issued an unqualified ("clean") opinion. The independent public accountant concluded that the Town of Ocean City's financial statements for the year ended June 30, 2014, 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 accountants 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

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

[www.oceancitymd.gov](http://www.oceancitymd.gov)

MAYOR  
RICHARD W. MEEHAN

CITY COUNCIL MEMBERS

LLOYD MARTIN  
President

MARY P. KNIGHT  
Secretary

BRENT ASHLEY  
DOUGLAS S. CYMEK  
DENNIS W. DARE  
JOSEPH M. MITRECIC  
MARGARET PILLAS

DAVID L. RECOR, ICMA-CM  
City Manager

KELLY L. ALLMOND, CMC  
City Clerk

Ocean City, MD



*Town of Ocean City  
Letter of Transmittal*

be read in conjunction with it. The Town's MD&A can be found immediately following the report of the independent public accountants.

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; fire protection and emergency medical services; solid waste removal; community planning; construction and fire safety inspection; 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 has implemented Government Accounting Standards Board Statement 67 (GASB 67) and has provided required disclosures which improve understanding of pension fund assets and liabilities. 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 in 1875. Today, the Town has over 7,000 permanent residents and hosts millions of visitors annually to its beautiful wide beaches, 2.5 mile long boardwalk, bays and natural resources. The Town also offers a wide variety of activities including festivals, fishing tournaments, amusement parks, golf courses, restaurants, bars and nightclubs.

Incorporated by the State of Maryland in 1898, 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 Council is required to adopt a budget for the fiscal year no later than June 1 preceding the fiscal year beginning July 1. 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***

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 200,000 people.

The Town government, in conjunction with local businesses and non-profit groups, has sought to increase business with the use of festivals, entertainment, and sporting events. The largest events such as Sunfest, Winterfest of Lights, Springfest, the Ocean City Air Show, auto rallies, and motorcycle events attract thousands of visitors. The Dew Tour sporting event which has occurred for the past three years was broadcast live on NBC and NBC Sports Network as well as being distributed internationally. It provided significant economic impact to town businesses and brought the town national recognition. The Town also sponsors family activities and movies on the beach, concerts, both on and off the beach, and various entertainment venues at Northside Park on 125<sup>th</sup> 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 Roland E. Powell Convention Center have also maintained room occupancy levels and restaurant and retail sales.

To offset the effects of the national recession on the tourism industry, the Town increased the advertising and promotional budget each year since 2009, increasing from \$3.7 million in 2009 to \$6.3 million in 2014. The successful campaign included the use of social media, Facebook and Twitter, and television ads featuring “Rodney, the Lifeguard” and “Vacation Days” to promote the resort. For the year ended June 30, 2014, room sales were 3.54% above the prior year and food and beverage sales were up 4.13%. Over the past five years, room sales have increased an average of 4.27% per year.

There were 1,564 construction permits issued in 2014, compared to 1,660 in 2013. However, the estimated value of construction in 2014 was \$51,755,670 compared to \$36,287,285 in 2013. Several development projects were started in 2014 including two large hotels.

The Town relies on property taxes for 53% 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, stable property values were anticipated in 2014. Properties will be reassessed for the 2016 fiscal year and increases in values may lag behind other improvements in the economy. However, as the Town has maintained sound budgeting practices with a focus on multiyear planning, the Town’s financial position remains favorable.

**MAJOR INITIATIVES AND DEPARTMENTAL ACTIVITIES**

***El Galeón Andalucía Sails Into Ocean City***

El Galeón Andalucía, a replica of a Spanish Galleon from the 16<sup>th</sup> century of the New Spain and of Tierra Firme, sailed into Ocean City as part of the Tall Ship exhibit sponsored by National Air, Sea and Space Foundation in August 2013. In the 16<sup>th</sup> century, this type of ship was used for trading with various ports in America and Asia.



Galleons were originally constructed of oak, pine and various hardwoods for the hull and decking and required hundreds of expert tradesman working day and night to complete and were used mainly for importing and exporting goods. Harsh conditions on board coupled with long periods of time at sea, led to most of the crew perishing. It was due to this reality that advanced rigging systems were developed so that it could be sailed with a skeleton crew.

El Galeón Andalucía was built during 2009 and 2010 by the Fundación Nao Victoria and developed by Ignacion Fernández at the Punta Umbria shipyard located in Huelva, Spain. Its name refers to the land of the galleon's birth, Andalusia, which is located in the south of Central Madrid. The ship is constructed of iroko wood, oak and pine fiberglass and polyester resin, cast iron, wrought iron and galvanized iron nails and took 16 months to complete. The sails were made in Barcelona, Spain. Usually there is a 20 member crew, however, they can accommodate up to 30 crew members. Although it is primarily wind powered, it also has 2 – 400hp engines which assist during port arrivals and departures, during bad weather and improper wind direction. Additionally, it has 10 cannons, 4 anchors and 3 miles of rope. El Galeón Andalucía is the only galleon class vessel sailing today. The ship was featured in the recent NBC series *Crossbones* which starred John Malkovich as the legendary pirate Blackbeard. During the event in Ocean City, over 14,000 people toured the vessel.

***Boardwalk Comfort Station and Stage***



The newly constructed boardwalk comfort station and entertainment stage is located at Caroline Street and the boardwalk. The new building incorporates green technology such as high efficiency lighting and a unique system that uses a combination of chimneys and underground pipes to ventilate the building. Restroom facilities have been expanded and are fully accessible. An entertainment stage includes a private dressing room and provides a permanent location for concerts and entertainment on the beach throughout the summer season. The comfort station opened December 2013.

### ***Performing Arts Center***

The need for this facility was suggested by the Ocean City Performing Arts Committee and confirmed by an Economic and Market Analysis performed by Crossroads Consulting. The project is funded through a partnership with the Maryland Stadium Authority. The Town contributed \$8.3 million dollars through the sale of bonds in December 2013 and \$5.7 million is being contributed by the Authority. Construction for the 1,200 fixed seat performing arts center and general auditorium space within the Roland E. Powell Convention Center started in October 2013. The space will be used for live theatrical and musical entertainment for residents and visitors as well as for lectures, award ceremonies, competitive dance finals and other activities associated with events using the full convention center. In addition to the auditorium space and lobby, the project includes full “back of the house” infrastructure including dressing rooms, show docks, and storage areas.

### ***Communications***

Prior to 1994, Police and Fire/EMS each employed their own staff of dispatchers. In 1994, with the opening of the Public Safety Building at 6501 Coastal Highway, all communications functions were consolidated and all personnel were brought together into one department. Since then, this department has developed into a division within the Department of Emergency Services and has experienced technological, and educational advancements. Though never seen, Communications is an intricate part of the overall safety of individuals as well as the protection of life and property.



Extensive training is required for each Communication Operator which consists of classroom and “hands-on” training. They are required to attend an Emergency Medical Dispatch Certification course and a Maryland Electronic Telecommunications Enforcement Resource System (METERS), Criminal Justice Information System (CJIS) and National Crime Information Center (NCIC) Basic Assess Training class. During their employment, they must maintain all certifications and licensures required by the Division and are scheduled for training classes pertinent to public safety dispatching, emergency management and crisis communications. They are also required to attend at least twenty-four hours of in-service training each year through Emergency Management Exercises, and in-service training classes sponsored by the Police Department. At any given time they are able to operate emergency and non-emergency telephones, radios, radio consoles, alphanumeric paging, communications recording equipment, TTY, City Property Alarm Monitoring, camera monitoring and departmental computer aided dispatch.

*Town of Ocean City  
Letter of Transmittal*

***Fire Marshal***



*Multi-jurisdictional HAZMAT training.*

From the founding of the Ocean City Volunteer Fire Company in 1905, through 1964, the Ocean City Fire Department had the responsibilities of fire prevention and hazard mitigation. In 1964, in anticipation of building growth and the pending annexation of portions of what is now north Ocean City, the Council enacted Ordinance 124, which established three key foundations of fire protection for the town, still present today: the Office of the Fire Marshal, the Fire Prevention Commission and the Ocean City Fire Prevention Code.

The Fire Marshal's mission is the preservation of life and the protection of property from fire, explosion and other associated emergency conditions in an effort to make the town virtually fire-free, accomplished through the development and implementation of proactive programs and services in the areas of investigations, public education, inspections and regulation. The overall goal is focused on the prevention of death, injury and property loss to the residents and visitors to the Town of Ocean City.

After 2001, the Fire Marshal's bomb squad was identified as the primary response agency for terrorist incidents involving Chemical, Biological, Radiological, Nuclear and Explosive (CBRNE) threats. The Fire Marshals work closely with the Worcester County Fire Marshal's Office for CBRNE incidents. As a bomb squad member they are certified by the FBI and train and assist state, regional and federal agencies with responsibilities in improvised explosive device response and mitigation. In addition to the Town of Ocean City's contributions, the Fire Marshal's Office has received equipment funding from Homeland Security Grant programs for items such as: the robot, bomb suits, rigging kits, containment vessel, and several of the vehicles. Additionally, after their initial certification as bomb technicians, the FBI fully funds their recertification process which occurs every-3 years.

The Fire Marshal's Office has numerous programs focused on proactive fire prevention measures. Some of these programs are: sprinkler protection of common areas in high-rise structures and multi-unit structures, fire code updates for assembly structures, restructuring to support residential building inspections, certified bomb squad by the FBI, the Quality Assurance Program as well as other smaller programs and code revisions aimed at fire prevention and supportive of the residents and business owners in the Town of Ocean City.



**FINANCIAL INFORMATION AND PLANNING**

**Capital planning.** The Town has adopted a capital improvement plan that includes a seven-year plan to repair 45 miles of town streets. Improvements to the Town’s infrastructure have been continuous for over 30 years. Of high priority, the above auditorium for performing arts at the Convention Center, a new headquarters for the beach patrol, wastewater plant improvements, building improvements and street paving that were funded by the sale of bonds and are scheduled for completion in the 2015 fiscal year.

**Strategic planning.** In the spring of 2014, the Mayor and City Council updated their strategic plan which has a 15-year vision statement and 5-year goals for the Town. The strategic plan is designed to enable the Town to focus its limited resources on the most important priorities as established by the Mayor and City Council and continue to improve our visitor experience and the high quality of life our residents enjoy. After engaging staff, residents and business leaders in the community, the Mayor and City Council determined their 5-year strategic planning goals and policies for the following:

-  1st class resort and tourist destination
-  Financially sound town government
-  A more livable community for residents
-  Excellent service through a high performing town organization
-  Revitalized Ocean City: development and redevelopment

- **Fiscal policies.** The Town has incorporated the above capital and strategic plans 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. In 2014, the Town adopted funding policies for the pension trust funds that provide for annual Town contributions based an annual actuarial valuation and to finance the unfunded liability over a closed ten-year period. The Town also adopted a funding policy for the other post employment benefits trust fund to make annual contributions based on a biannual actuarial valuation and to amortize the initial or transitional unfunded actuarial liability over a closed 24 year period and to amortize any new incremental liability over a closed 15 year period.
- **General fund reserve.** The Town has a policy of maintaining a portion of general fund expenditures to handle potential revenue shortfalls, cash flows for the peak

*Town of Ocean City  
Letter of Transmittal*

employment in the summer season, and for emergencies. During the prior fiscal year, the City Council evaluated economic conditions and weather-related risks that the town could be exposed to and changed the policy from 12% of general fund expenditures to 15%. At June 30, 2014, that reserve, unassigned fund balance, was 18.2% or \$13,602,038 compared to 19.3% and \$13,949,931 in 2013.

**Bond ratings.** The Town maintained its ratings of AA- from Fitch Ratings and Aa2 from Moody's Investors Service when it issued the General Obligation Municipal Purpose Bonds of 2013 in December 2013. Prior to the sale, Standard & Poor's Ratings Services raised its rating of the Town's general obligation debt outstanding to 'AA/Stable' from AA-. Per their report, the improved rating was based on the Town's strong financial management practices, thorough budget preparation and capital improvement planning. In spite of assessment declines, other credit characteristics that supported the Town's rating upgrade included its stable, but limited, tourism-based economy coupled with the adequate wealth and income factors, manageable debt burden and the effectiveness of the governing process to manage performance and address problems.

**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, 2013. This is the 26<sup>th</sup> consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles 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.** This report could not have been prepared in a timely and accurate manner without the skill and professionalism of Roger Baskerville, CPA, the Assistant Finance Administrator. Under his leadership, the Accounting Division completed their work for the year following the highest standards of governmental accounting. The Finance Department has worked very hard to maintain strong internal controls to provide accurate financial reporting to keep the public informed and assist management decision making.

Respectfully submitted,



Martha J. Bennett, CPA, CGFM, CGMA  
Finance Administrator



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

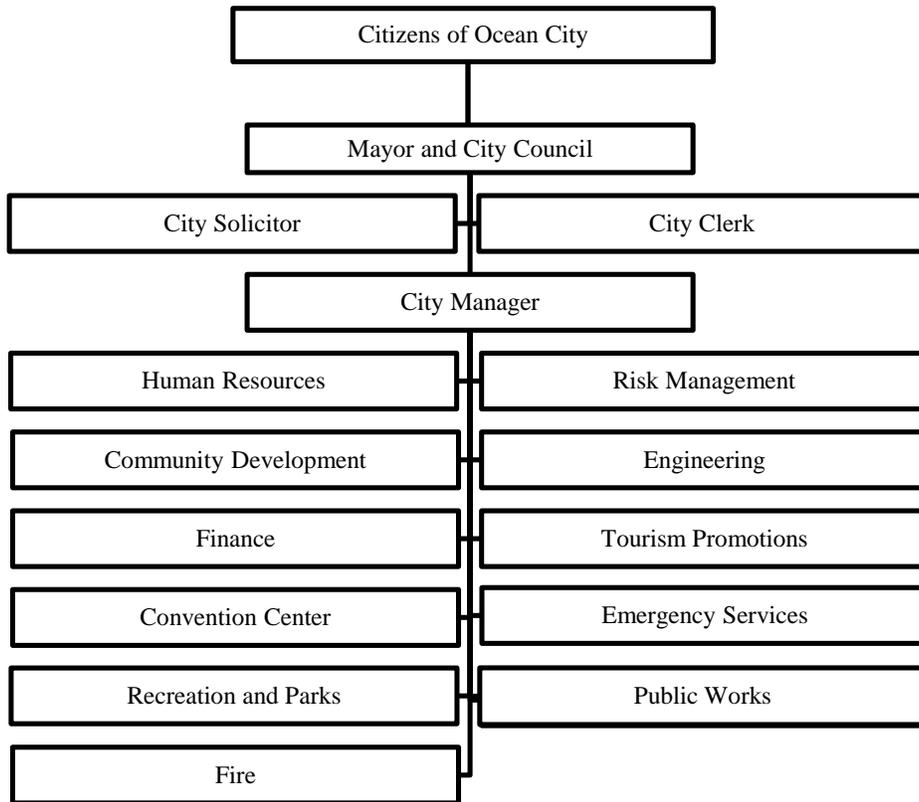
**Town of Ocean City  
Maryland**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**

Executive Director/CEO

Town of Ocean City Organizational Chart  
2014



**Town of Ocean City  
List of Principal Officials and Directors  
June 30, 2014**

<u><b>Title</b></u>	<u><b>Name</b></u>
Mayor	Richard W. Meehan
President of Council	Lloyd Martin
Secretary of Council	Mary P. Knight
Council Member	H. Brent Ashley
Council Member	Dennis W. Dare
Council Member	Douglas S. Cymek
Council Member	Joseph M. Mitrecic
Council Member	Margaret L. Pillas
City Manager	David L. Recor, ICMA-CM
City Solicitor	Guy R. Ayres III
City Clerk	Kelly L. Allmond
Finance Administrator	Martha J. Bennett, CPA
City Engineer	Terence J. McGean, PE
Emergency Services Director	Joseph J. Theobald
Chief of Police	Ross C. Buzzuro
Fire Chief	Christopher Larmore
Fire Marshal	David W. Hartley
Public Works Director	Hal O. Adkins
Planning/Community Dev Director	Matthew G. Margotta
Recreation and Parks Director	Susan Petito, CPRP

**General Employees of Ocean City, Maryland Pension Plan  
Public Safety Employees of Ocean City, Maryland Pension Plan  
Other Post Employment Benefits Trust**

**Trustees**

Guy R. Ayres III	Karin A. Scott
Lloyd Martin	Richard W. Meehan
Timothy J. King	Geoffrey H. Robbins
Michael S. Maykrantz	



***FINANCIAL SECTION***





**SB & COMPANY, LLC**  
EXPERIENCE • QUALITY • CLIENT SERVICE

## **REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**

The Honorable Mayor  
And Town Council of the Town of Ocean City, Maryland

### **Report on the Financial Statements**

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, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

The Town's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, of the Town of Ocean City, Maryland, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.



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### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in pension fund net pension liability and related ratios, the schedule of funding progress – OPEB Trust Fund, and schedules of employer contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

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 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying combining and individual fund statements and schedules are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying combining and individual fund statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Hunt Valley, Maryland  
October 6, 2014

*SB & Company, LLC*

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



Town of Ocean City  
*Management's Discussion and Analysis*  
June 30, 2014

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This section of the Comprehensive Annual Financial Report provides a 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, 2014, provided by management. This information is best understood if read in conjunction with the transmittal letter at the front of this report found on pages 1-8 and the Town's financial statements, which follow this section.

**Financial Highlights for FY 2014**

- The assets and deferred outflows of the Town exceeded its liabilities at the close of the 2014 fiscal year resulting in a net position of \$161,468,387. Of this amount, \$27,295,444 is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's overall financial position improved \$8,436,618 or 5.5%. Revenues increased from 2013 by 6.8% or \$7,603,313 more. There were gains from governmental activities of \$5,047,576 before transfers of \$3,363,267 to other funds, a net of \$1,684,309. Business-type activities contributed \$6,752,309 to net position.
- As of June 30, 2014, the Town's governmental funds reported a combined fund balance of \$23,240,101, a decrease of \$2,188,107 from the prior year. Of the total amount in fund balance, \$8,092,696 is restricted or committed for capital projects and \$13,602,038 is available to meet the Town's current and future needs, and is unassigned fund balance. Unassigned general fund balance at year-end was 18.2% of general fund expenditures and other uses, compared to the percentage in FY-2013 of 19.3%, and in excess of the Town's reserve policy of 15%.
- The Town's net debt increased by \$5,315,364 during the current fiscal year. The key factors in this change were the sale of \$13,300,000 in bonds for capital improvements with a premium of \$1,443,475; the sale of \$4,173,000 in bonds used to refund \$4,100,000 of 2004 Municipal Purpose Bonds; the reduction of a state loan by \$65,652; and scheduled principal retirements of general obligation bonds, loans and capital leases of \$9,094,003.
- The Town implemented the Government Accounting Standards Board Statement 67 (GASB 67) and has provided disclosures which improve understanding of pension fund assets and liabilities. However, the required disclosures are not consistent with the actuarial valuation method of projected unit credit that the Town uses for funding its two single-employer pension plans. GASB 67 determines the pension liability utilizing the entry age normal actuarial funding method. The net pension liability as of June 30, 2014, reported on page 87, is \$8,498,867 for the General Employees Pension Plan and \$8,693,528 for the Public Safety Employees Pension Plan. The funded ratio is 85.66% for the General Employees Pension Plan and is 85.49% for the Public Safety Employees Pension Plan.

## 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 which supports the basic financial statements.

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

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

The *statement of activities* presents information showing how the Town's net position changed during the past fiscal year. All changes in net position 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 expensed but not paid interest.

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, wastewater, the Roland E. Powell Convention Center, the Ocean City Municipal Airport, the bus and boardwalk tram operations, 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 of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town has two 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. The capital projects fund is used to report the funding and expenditures for the purchase or construction of capital assets, other than those reported in proprietary funds. The construction may span over more than one fiscal year.

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 (buses and boardwalk trams) which are major funds, and two nonmajor funds, which account for the operations of the municipal airport and the 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 for the non-major fund. Internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for 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 54-84 of this report.

**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

*Town of Ocean City  
Management's Discussion and Analysis*

funding its obligation to provide pension and OPEB benefits to its employees. Required supplementary information can be found on pages 87-92 of this report.

The combining statements referred to earlier in connection with internal service funds are presented immediately following the required supplementary information on pensions and OPEB. Combining and individual fund statements and schedules can be found on pages 94-109 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, 2014 with comparative information for the previous year.

**Statement of Net Position**

Net position may serve over time as a useful indicator of a government's financial position and condition. In the case of the Town, assets and deferred outflows exceeded liabilities by \$161,468,387 at the close of the fiscal year for June 30, 2014, compared to \$153,031,769 for the year ended June 30, 2013, an increase of \$8,436,618.

By far the largest portion of the Town's net position, 79.1%, 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.

	Governmental Activities		Business-type Activities		Total Primary Government		% Change
	2014	2013	2014	2013	2014	2013	
Current and other assets	\$ 35,244,048	\$ 38,536,189	\$ 31,170,138	\$ 24,715,478	\$ 66,414,186	\$ 63,251,667	5.0%
Capital assets	94,687,042	88,696,464	112,248,228	107,245,192	206,935,270	195,941,656	5.6
Total assets	129,931,090	127,232,653	143,418,366	131,960,670	273,349,456	259,193,323	5.5
Deferred Outflows of Resources	118,622	135,520	432,132	517,090	550,754	652,610	-15.6
Long-term liabilities outstanding	48,465,330	48,737,265	49,227,772	43,860,933	97,693,102	92,598,198	5.5
Other liabilities	10,418,686	9,149,521	4,320,035	5,066,445	14,738,721	14,215,966	3.7
Total liabilities	58,884,016	57,886,786	53,547,807	48,927,378	112,431,823	106,814,164	5.3
Net position:							
Invested in capital assets, net of debt	57,349,894	53,768,043	70,435,192	65,917,836	127,785,086	119,685,879	6.8
Restricted	115,000	165,000	6,272,857	7,474,542	6,387,857	7,639,542	-16.4
Unrestricted	13,700,802	15,548,344	13,594,642	10,158,004	27,295,444	25,706,348	6.2
Total net position	\$ 71,165,696	\$ 69,481,387	\$ 90,302,691	\$ 83,550,382	\$ 161,468,387	\$ 153,031,769	5.5%

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.

A portion of the Town's net position, \$6,387,857, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$26,295,444, may be used to meet the Town's ongoing obligations to citizens and creditors. This is a \$1,589,096 increase from 2013, largely due to the receipt of capital grants.

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Management's Discussion and Analysis*

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

	Governmental Activities		Business-type Activities		Total Primary Government		%
	2014	2013	2014	2013	2014	2013	
<b>REVENUES</b>							
Program Revenues:							
Charges for current services	\$ 14,238,098	\$ 13,843,347	\$ 28,624,075	\$ 27,936,713	\$ 42,862,173	\$ 41,780,060	2.6%
Operating grants and contributions	3,432,044	3,223,755	3,593,254	3,627,269	7,025,298	6,851,024	2.5
Capital grants and contributions	105,000	551,735	6,501,328	1,988,370	6,606,328	2,540,105	160.1
General revenues:							
Property taxes	42,199,671	41,425,378	-	-	42,199,671	41,425,378	1.9
Other taxes	16,042,019	15,069,904	-	-	16,042,019	15,069,904	6.5
Grants and contributions not restricted to specific programs							
	3,055,727	2,827,684	-	-	3,055,727	2,827,684	8.1
Other revenue	865,918	462,672	49,366	146,360	915,284	609,032	50.3
Total revenues	<u>79,938,477</u>	<u>77,404,475</u>	<u>38,768,023</u>	<u>33,698,712</u>	<u>118,706,500</u>	<u>111,103,187</u>	6.8
<b>EXPENSES:</b>							
General government	1,314,758	1,118,606	-	-	1,314,758	1,118,606	17.5
Public safety	36,112,813	34,030,231	-	-	36,112,813	34,030,231	6.1
General public works and beach	6,329,540	5,315,570	-	-	6,329,540	5,315,570	19.1
Sanitation and waste removal	6,230,810	6,034,146	-	-	6,230,810	6,034,146	3.3
Highways and streets	7,787,410	7,157,008	-	-	7,787,410	7,157,008	8.8
Economic development - Tourism	7,998,815	8,055,355	-	-	7,998,815	8,055,355	(0.7)
Recreation and culture	7,654,518	7,685,116	-	-	7,654,518	7,685,116	(0.4)
Interest on long-term debt	1,462,237	1,640,586	-	-	1,462,237	1,640,586	(10.9)
Water	-	-	6,251,720	6,428,575	6,251,720	6,428,575	(2.8)
Transportation	-	-	8,036,903	8,007,909	8,036,903	8,007,909	0.4
Wastewater	-	-	11,966,765	11,710,740	11,966,765	11,710,740	2.2
Convention Center	-	-	5,438,689	5,221,549	5,438,689	5,221,549	4.2
Airport	-	-	1,615,099	1,906,293	1,615,099	1,906,293	(15.3)
Golf Course	-	-	2,069,805	2,071,155	2,069,805	2,071,155	(0.1)
Total expenses	<u>74,890,901</u>	<u>71,036,618</u>	<u>35,378,981</u>	<u>35,346,221</u>	<u>110,269,882</u>	<u>106,382,839</u>	3.7
Increase in net position before transfers	5,047,576	6,367,857	3,389,042	(1,647,509)	8,436,618	4,720,348	78.7
Transfers	<u>(3,363,267)</u>	<u>(3,480,205)</u>	<u>3,363,267</u>	<u>3,480,205</u>	-	-	
Increase in net position	1,684,309	2,887,652	6,752,309	1,832,696	8,436,618	4,720,348	78.7
Net position, prior year	<u>69,481,387</u>	<u>65,593,735</u>	<u>83,550,382</u>	<u>81,717,686</u>	<u>153,031,769</u>	<u>148,311,421</u>	
Net position, current year	<u>\$ 71,165,696</u>	<u>\$ 68,481,387</u>	<u>\$ 90,302,691</u>	<u>\$ 83,550,382</u>	<u>\$ 161,468,387</u>	<u>\$ 153,031,769</u>	5.5

For the year ended June 30, 2014, the Town reported positive balances in all three categories of net position, for the Town as a whole, as well as its separate governmental activities. For business-type activities, balances were positive as a whole, except for the convention center fund which reported an unrestricted net position of (\$155,099) and in the two nonmajor funds, the airport and golf course funds. The airport fund reported an unrestricted net position of (\$44,760) and the golf course fund reported an unrestricted net position of (\$73,109).

As a whole, the Town's net position increased \$8,436,618 for the year ending June 30, 2014. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

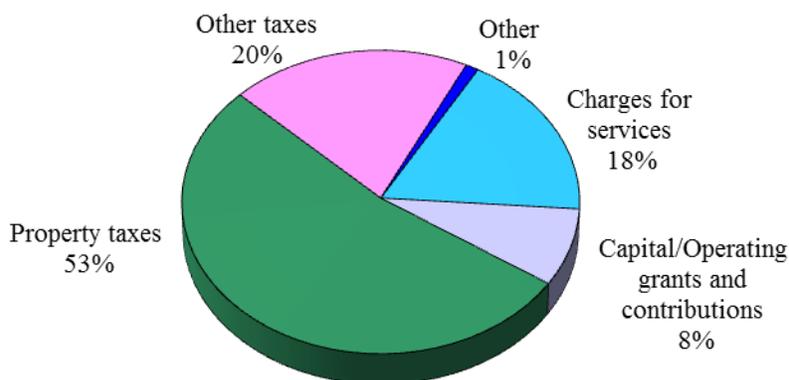
**Governmental activities:** The Town was able to continued actions taken during the recession, such as increasing advertising and tourism promotion expenses which improved sales tax revenues. Other actions, such as freezing wages from 2009-2013 were not continued. Employees received increments

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resulting in a 1.50% increase in wages and benefits above 2013. Also, some variances occurred for specific revenue and expense types. Key elements in the net position increase of \$1,684,309 for governmental activities are as follows:

- Property tax revenues and tax penalties and interest increased 1.87% or \$774,293. Assessment decreases of 0.8% were offset by an increase in the real property tax rate from \$0.4585 in 2012 to \$0.472 per \$100 of assessed value in 2014, or a rate increase of 2.86%. Property taxes comprised 53% of revenue for governmental activities and 36% of all Town revenues in 2014.

### Governmental Activities - Revenues by Source

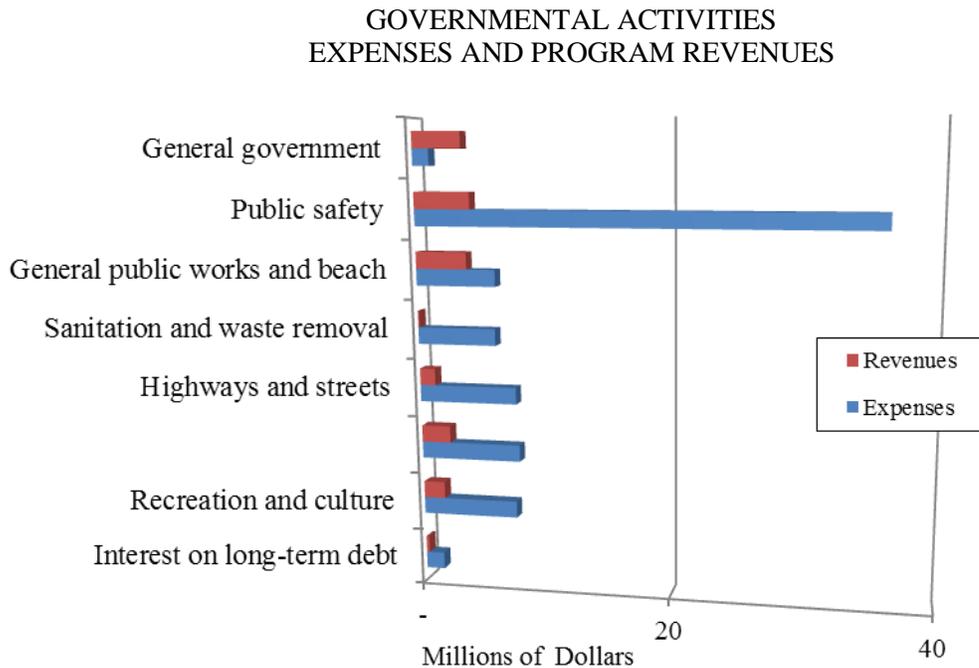


- The largest revenue increase in 2014 was in the category, “Other Taxes”. It increased \$972,115 or 6.45%. This category includes admissions taxes, income taxes, highway user taxes, and room taxes. Room taxes, the largest revenue source in this category with receipts of \$13,367,715 had an increase of \$456,943, or 3.54% from the prior year, an indicator that hotel sales in the resort have continued to increase since the recession. Highway user taxes were \$309,770 above 2013 as the State of Maryland returned more funds to local jurisdictions in 2014 that had been directed to the state budget during the recession.
- Revenue from charges for services increased \$394,751 in governmental activities primarily due to an increase of \$232,431 from increases in parking rates and from new parking lots. Revenues from fines decreased \$71,837 from 2013 as revenue from two fines and forfeited vehicles decreased due to improved compliance from a new towing ordinance and improved signage in parking lots.
- The revenue recognized from operating grants and other contributions increased \$208,289 from 2013. This is primarily due to the reinstatement of the county grant of \$300,000 for tourism and an increase in the county grant in lieu of tax differential of \$251,956 to the level before the recession. Revenue from capital grants decreased \$446,735. In 2013, the Town received a \$250,000 grant for the arts building, \$107,735 for the boardwalk, and \$84,289 for street construction.

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- The category “Other revenue” had a decrease of \$403,246 in 2014 compared to 2013. This was due to increases from investment income of \$352,169 and gains on the sale of vehicles of \$118,221 compared to a loss of \$86,430 in 2013.
- Personnel costs for wages and employee benefits, which are 63.6% of total expenses, increased 2.04% in governmental funds or \$996,372 from the prior year. Full-time employees were given two increments in 2014 in accordance with contracts with the police and fire fighter unions. The unions worked cooperatively with town officials during the recession and agreed not to accept contractual salary increases from 2009 to 2012.
- Other operating expenses increased \$2,857,911 or 12.8%. Increases in fuel prices and repairs increased expenses for vehicles \$254,141. The roofs of the public safety building and the service center were repaired at a cost of \$895,817. The fire department replaced the self-contained breathing apparatus for firefighters at a cost of \$602,356. The Town made repairs and asphalt overlays of streets of \$809,985 in 2014 in addition to capitalizing \$2.7 million in street renovations in 2014.
- Transfers to other funds decreased \$116,938. The subsidy for the transportation fund was reduced after fare increases were made.

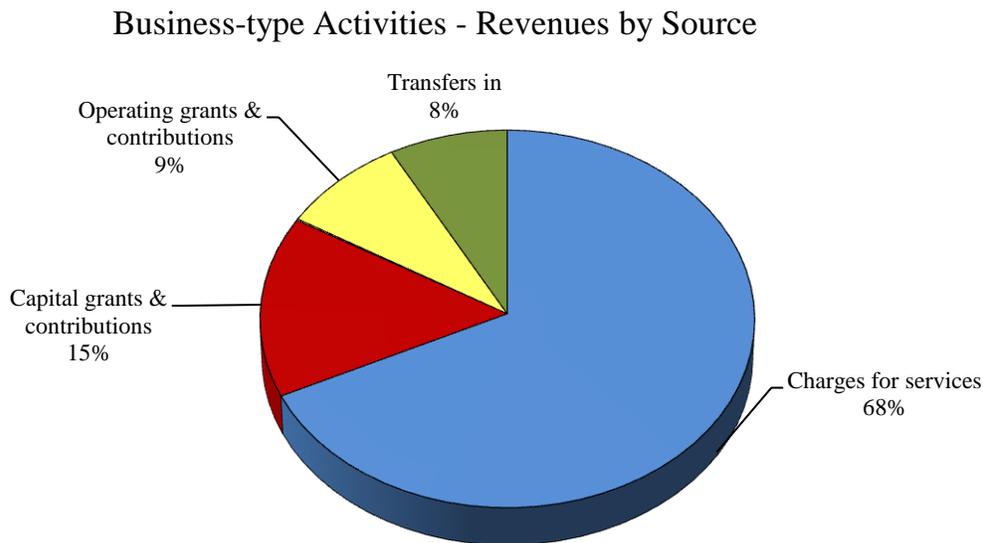
The following graph indicates the functional revenues and expenses of governmental activities to demonstrate the extent which the governmental functions produce revenues to offset program costs. Expenses not covered by direct program revenues are covered primarily by taxes, licenses, and state and county-shared revenues. Functional revenues covered 23.9% of governmental expenses in FY-2014 compared to 24.8% in FY-2013.



**Business-type activities.** There was an increase of \$6,752,309 in the Town's net position in FY-2014 attributed to business-type activities. Key elements of this increase are as follows:

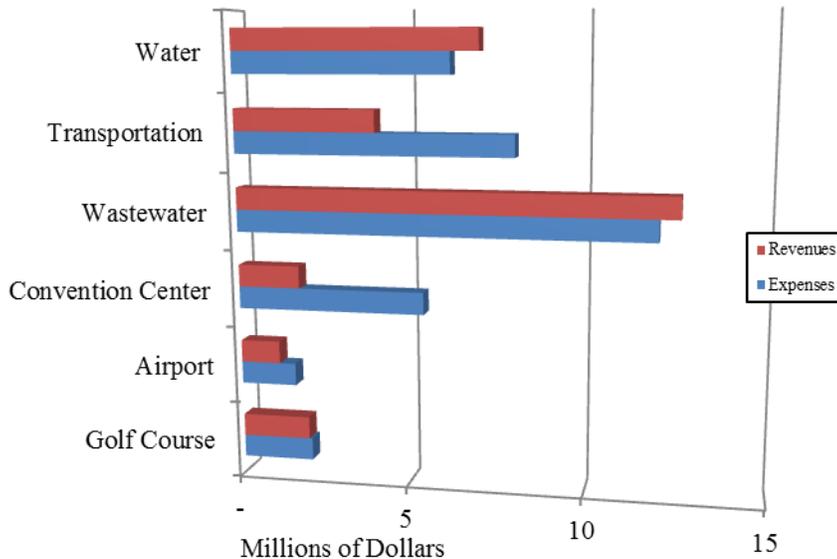
- Charges for services for business-type activities increased 2.465%, or \$687,362. A 2010 rate study advised fee increases to be phased in over 5 years to cover capital improvements and debt service for water and wastewater utilities. The fourth year of the 5-year rate increase was effective April 1, 2013. Revenue from water fees was \$29,302 above the prior year and wastewater revenue increased \$389,573. The bus fare was increased from \$1 dollar per boarding and \$2 dollars all day to \$3 dollars all day. Revenue from bus and tram fares increased \$165,822. The convention center increased service fees \$114,283 although the building is being renovated for the performing arts center. Lower fuel prices at the airport resulted in \$35,041 less revenue collected in 2014 compared to 2013. Good weather and increased play at the golf course increased revenue \$23,423.
- An increase of \$4,512,958 in capital grants and contributions made up most of the above increase in net position for business-type activities. State and federal capital grants for new buses totaled \$3,843,957 in the transportation fund. Sunset Island Association donated land and a pumping station to the wastewater fund with a fair market value of \$1,366,696. The runway was rebuilt at the airport and was funded with \$859,123 in federal and state grants.
- Expenses increased less than 1% or only \$32,760 in 2014 for business-type operations compared to 2013. Significant gains in operating costs of \$256,025 for wastewater and \$217,140 at the convention center for scheduled repairs, maintenance and contracted services were offset by a reduction costs for repairs and contracted services for the water fund of \$176,855 and airport fund of \$291,194.

Charges for services were 68% of revenue for business-type activities in 2014, with operating grants and contributions of 9% of revenue, and capital grants 15% of revenue as shown in the following graph:



The following graph indicates the portion of expenses that are covered by charges for services to customers for business-type activities. The water, wastewater and golf course funds are self-supporting and users or reserves cover all costs. The operations of the transportation, airport, and convention center recovered 46.6% of expenses from user charges.

**Business-type Activities – Expenses and Program Revenues**



**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.

As of June 30, 2014, the Town’s governmental funds reported a combined ending fund balance of \$23,240,101 compared to \$25,428,208 in 2013. The fund balance for the governmental funds decreased \$2,188,107, primarily due to the construction of capital improvements of \$6,586,308 and the purchase of capital equipment for \$111,109.

The General Fund unassigned fund balance, which is available for spending, decreased from \$13,949,931 in 2013 to \$13,602,038 in 2014 as the City Council assigned \$931,828 to the 2015 fiscal year budget. Total general fund balance decreased \$106,863 during the fiscal year. The

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changes in both total and unassigned general fund balance are important to evaluate the fund's liquidity.

- Although the tax rate increased from \$.4585 to \$.472 per \$100 of valuation, assessment decreases of 0.8% resulted in only a small increase in property tax receipts of \$715,574. However, total General Fund revenues increased 3.12% or \$2,408,940 in 2014, primarily due to the increases in the category "Other taxes" of \$886,283 and "Charges for current services" of \$333,979. The increase in other taxes for room taxes of \$456,943 is an indicator of improvements in the economy. Highway user taxes increased \$309,770 as the State of Maryland restored some of the funding for local governments for highways to prerecession levels. Rates were increased for parking service fees and there was an increase in building permits of \$202,990 due to new construction in 2014.
- General Fund expenditures of \$74,651,088, before other financing sources and uses, were 3.46% or \$2,497,093 higher in 2014 compared to 2013. The highest percentage change was for debt service which increased \$871,651 or 31.7% due to new debt in 2012 and 2013 for the boardwalk, fire houses, and roads. The category of public safety increased \$2,042,731 or 6.35%. Public safety comprised 48% of all general fund expenditures in 2014. The increase in expenditures was primarily due to wage increases of 3.4% per new contracts for police and firefighter unions, a new roof on the public safety building for \$895,817 and self-contained breathing apparatus for firefighters costing \$602,351.
- Expenditures for sanitation and waste removal increased \$224,190 or 4.2% for contractual increases in waste removal. All other divisions had decreases in costs compared to 2013.
- The Town entered into a loan agreement in 2010 for \$297,171 with the State of Maryland Department of Natural Resources for an interest-free loan to replace a bulkhead on Robin Drive. Proceeds of \$122,061 were received in this fiscal year and are shown as "other financing sources" in the General Fund. Long-term debt was issued for the repairs to the public safety and service centers roofs for \$979,578 and in the amount of \$1,008,422 to refund the 2004 municipal bonds. Principal in the amount of \$3,694,110 was retired in 2014. Interest expenses were \$49,871 above 2013 due to interest on the 2013 general obligation bonds issued in fiscal 2014.
- Transfers to other funds were \$6,103,515 in 2014 compared to \$5,942,848 in 2013, an increase of \$160,667. Transfers to capital projects were increased \$400,000 for street paving. Transfers to enterprise funds decreased \$91,581 as the subsidy to transportation operations was decreased due to fare increases. Additionally, \$340,248 was transferred to the vehicle and equipment trust fund to an ambulance.
- In 2014, the City Council voted to assign \$931,828 of fund balance to provide resources for the 2015 fiscal year budget.

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. As of June 30, 2014, unassigned general fund balance was \$13,602,038, which represents 18.2% of general fund expenditures and other uses compared to 19.3% in 2013. Total general fund balance represents 20.2% of total expenditures and other uses at year-end. As of the end of the prior year, the percentage was 21.2%.

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The fund balance for the capital projects fund decreased \$2,081,244 primarily due to expenditures for the following capital projects which were funded by bond proceeds in 2012 and 2013 and a transfer of \$2,400,000 in 2014 from the general fund:

Street paving, sidewalks and storm drains	\$ 3,578,849
Fire station construction	2,408,646
Beach patrol headquarters	113,484
Caroline St restroom	241,139
Boardwalk	239,679
Robin Drive bulkhead	49,247
Canal dredging	24,861
Fiber optic network	128,629
Animal shelter improvements	25,571
Land purchase	821,225
Boat ramp & bulkheads	<u>58,736</u>
Total	<u>\$ 7,690,066</u>

Remaining fund balance of \$8,092,696 is dedicated as follows:

Restricted for capital projects	\$ 5,333,799
Committed for capital projects	2,758,897

**Proprietary funds.** The Town's proprietary funds provide the same information found in the government-wide financial statements but in more detail.

A gain of \$890,906 was reported in the water fund compared to \$613,950 in 2013. Rates for water usage were increased in 2014 based on a rate study through 2015 which increased sales by \$29,302. Operating expenses decreased \$134,401, a significant 2.14% as there were major repairs to the 44<sup>th</sup> Street water plant in 2013 that were not expended in 2014. Cash flows from operations of \$2,264,491 enabled the construction of capital assets of \$825,275 in 2014 for a well at 53<sup>rd</sup> Street and the water main on St. Louis Avenue.

The wastewater fund had a gain of \$2,294,228 in 2014 compared to a gain of \$631,321 in 2013 due to an increase in revenue from service fees of \$389,572 and capital contributions from impact fees of \$218,720 and a pumping station and other infrastructure on Sunset Island valued at \$1,404,092. Rates were increased in April 2013 to fund future capital improvements and related debt service. In addition to the above pumping station, capital assets of \$4,346,585 for wastewater mains, plant improvements, and pumping stations.

The convention center fund had an operating loss of \$3,697,660 compared to a loss of \$3,385,580 in 2013 due to cost of building repairs. The convention center fund received subsidies of \$1,335,359 from the Maryland Stadium Authority and \$1,313,060 from the Town, but permitting an increase in the net position of the convention center of \$315,711. However, the fund ended the year with an unrestricted net position of (\$155,099). Debt service for the fund is supported by a tax on food and beverages in Ocean City, however, the food tax proceeds of \$1,234,404 are restricted. The debt sinking fund had a balance of \$6,272,857 at year-end and is shown as a restricted portion of net position.

*Town of Ocean City  
Management's Discussion and Analysis*

Due to fare changes to ride-all-day for \$3 and increased advertising rates, sales for the Transportation fund increased \$165,824 above 2013. Twenty-four hour service was reduced in the winter months; thus, lower fuel costs resulted in a decrease in operating costs of \$138,878. The fund had an unrestricted net position of \$787,938 compared to \$354,282 in 2013.

Two non-major funds, the airport fund and the golf course fund, reported deficits in unrestricted net position of \$44,760 and \$73,109 respectively. The airport fund had a change in net position of \$647,467 in 2014 due to capital contributions from federal grants that offset operating losses of \$407,061. The golf course fund had operating losses throughout the recession as leisure recreation activities such as golf were down, with losses in 2013 of \$36,826 and \$16,075 in 2014.

**Fiduciary funds.** The Town implemented GASB Statement 67, *Financial Reporting for Pension Plans* in 2014 which requires the use of the entry age normal actuarial valuation method to determine the total pension liability. The Town had previously used the projected unit credit actuarial valuation method to determine the liability. Per its adopted funding policy, the Town uses the projected unit credit method to determine its annual pension contribution.

In 2014, the pension funds had a money weighted rate of return on investments of 15.3% compared to 7.2% in 2013. The actuarial value of assets is fair value as of June 30, 2014. The recommended contribution calculation methodology uses a 10-year, level dollar, closed gain/loss basis.

The General Employees Pension Plan funded ratio, an indicator of funding status, increased from 85.2% to 85.6%. Employees contribute 5% of pay to the plan and the Town contributed \$2,351,375, or 15.3% of pay, to the plan with a 10-year 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 increased from 78.4% to 85.5% for the Public Safety Employees Pension Plan. Employees contribute 8% of pay to the plan. The Town contributed \$3,331,311 to the plan, or 34.4% of pay, which includes a closed 10-year amortization of the unfunded liabilities for the plans. Additional information on the pension plans can be found on pages 78-83 of this report.

The General Employees Pension Plan was closed to new entrants in May 2011 and all new general and non-police public safety employees were required to participate in a defined contribution plan. The council selected the International City Managers Association Retirement Corporation (ICMA-RC) to administer the plan. Additional information on the defined contribution plan can be found on page 78 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 May 2014. The plan had investment gains of 15.7% for the year. The unfunded accrued liability for the plan is \$30,360,057 and it is being amortized over 26 years. The Town made the annual required contribution to the plan of \$3,617,000 in 2014 and made the annual required contribution in 2011, 2012, and 2013. Additional information on the OPEB Trust can be found on pages 76-77 of this report.

### **General Fund Budgetary Highlights**

Amendments to the adopted budget may occur during the year by ordinance (see Note 1.F. on page 57). Two amendments were made in FY-2014. Differences between the original budget and final amended budget for the general fund resulted in recognition of \$1,995,126 in additional revenues and \$979,579 in other financing sources. Appropriations were increased \$3,772,485 for operations, and increased \$1,315,811 for transfers to other funds. Significant appropriation changes were made as follows:

- Recognized state and federal grants of \$1,508,514 and expended grant proceeds which included a \$383,325 federal grant for self-contained breathing apparatus, a grant of \$450,000 from the state of Maryland and \$30,000 from Worcester County for tourism development, and a federal emergency management grant for a FM radio station used for emergency broadcasts.
- Increased anticipated revenue was recognized for highway user taxes of \$113,353 room taxes of \$150,252, and \$40,000 for admissions taxes.
- Appropriated fund balance to provide for additional expenditures of \$500,000 for canal dredging; \$383,410 for street paving, \$410,092 to fund purchases for boardwalk planters, benches, and a power washer; and \$315,000 to purchase an ambulance and boardwalk sweeper. The budget for tourism advertising was increased \$1,057,639 from the above state grant and additional room taxes.
- Recognize bond proceeds of \$979,579 to fund roof repairs to the public safety building and service center.
- Increased appropriations to the Airport fund by \$21,000 to making heating and air conditioner repairs, and to decrease the transfer to the Convention Center fund by \$42,200 as expenses were less than anticipated for the year.

During the year, revenues were more than final budget estimates by \$705,146. Expenditures were \$2,155,754 less than anticipated. Other sources and uses variances were \$98,037. This resulted in a favorable variance from the budget of \$2,253,791. The key elements of this variation were:

- The category of property taxes was \$221,891 more than anticipated due to additions in prior year taxes. The category of revenue from other taxes was \$534,757 above budget due to additional room taxes of \$217,463, admissions taxes of \$163,832, casino shared taxes of \$19,430 due to increased hotel occupancy and rates and increased bar and restaurant sales.
- The largest variances for expenditures were for public safety, which was \$609,305 under budget. Building repairs were \$109,893 less than budgeted and capital equipment of \$79,765 for grant funded expenditures is expected to be purchased in the next fiscal year. Employee wages and benefits were \$269,523 below estimates primary due to less than anticipated recommended contributions to the pension and retiree health funds.
- The category of general public works had expenditures \$217,548 less than anticipated as expenses were under budget for boardwalk benches and scheduled repairs to City Hall were not done during the fiscal year.

*Town of Ocean City  
Management's Discussion and Analysis*

- The category economic development – tourism was under budget by \$215,908 as promotional expenditures were below the budgeted amount. Other functional divisions had also reductions in pension and retiree health contributions and limited spending for repairs, supplies, and purchased services, saving \$423,103.

**Capital Assets**

The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2014, was \$206,935,270 (net of accumulated depreciation) compared to \$195,941,656 in 2013. The investment in capital assets includes land, buildings, improvements, streets, infrastructure, machinery and equipment. The total increase in capital assets for the current fiscal year was 5.6% comprised of a 6.75% increase for governmental activities and 4.67% increase for business-type activities. Additions exceeded depreciation of \$11,100,690 in FY-2014 by \$11,017,541. The total value of all capital assets has been reduced 49.45% by depreciation.

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 69 of this report.

**Town of Ocean City's Capital Assets**

	Governmental Activities		Business-type Activities		Total Primary Government		%
	2014	2013	2014	2013	2014	2013	
	Change						
Land	\$ 24,641,271	\$ 23,825,271	\$ 14,552,782	\$ 14,421,087	\$ 39,194,053	\$ 38,246,358	2.5%
Buildings	21,949,199	21,999,712	42,575,542	44,809,997	64,524,741	66,809,709	(3.4)
Other improvements	11,245,583	11,819,262	2,999,407	1,975,428	14,244,990	13,794,690	3.3
Streets and infrastructure	16,772,103	15,541,606	19,603,341	16,381,670	36,375,444	31,923,276	13.9
Machinery and equipment	16,832,009	14,214,242	25,426,670	25,237,911	42,258,679	39,452,153	7.1
Construction in progress	\$ 3,246,877	1,296,371	7,090,486	4,419,099	10,337,363	5,715,470	80.9
	<u>\$ 94,687,042</u>	<u>\$ 88,696,464</u>	<u>\$ 112,248,228</u>	<u>\$ 107,245,192</u>	<u>\$ 206,935,270</u>	<u>\$ 195,941,656</u>	5.6

**Debt Administration**

At June 30, 2014, the Town had total general obligation bonded debt, backed by the full faith and credit of the Town, outstanding of \$91,292,985. The remainder of the Town's debt is comprised of notes payable to the State of Maryland for \$538,517.

The Town issued 10-year serial bonds of \$12,700,000 in December 2013 at a true interest rate of 2.29% to finance a new beach patrol headquarters, roof repairs, a performing arts center, and an effluent disinfection system at the wastewater treatment plant. A bond for \$600,000 was issued in June 2014 at an interest rate of 2.0% to purchase land. In March 2014, the Town issued a 3-year bond in the amount of \$4,173,000 at a true interest rate of .82% to refund the outstanding 2004 municipal bonds.

The Town paid current maturities of \$9,094,003 in 2014. Outstanding general obligation debt represents 1.1% of the assessed valuation of property in the Town. The debt limit is 5.2% of assessments, leaving a legal debt margin of \$357.3 million dollars.

The Town obtained ratings on its bond issuance in 2013. Standard and Poors Rating Services upgraded the Town's rating from AA- to AA. Moody's Investor Services Inc. and Fitch Ratings affirmed their ratings of "Aa2" and "AA-". Additional information on the Town's debt can be found in Note 8 on pages 71-73 of this report.

### **Economic Factors and Next Year's Budget and Rates**

- The Town has experienced an increase in assessments of 0.33% from 2014 to 2015 indicating a stabilization of market values for second homes and vacation properties.
- Hotel and rental sales increased 3.54% in 2014. Food and beverage sales increased 4.13% for the fiscal year. Ocean City remains a convenient travel destination from metropolitan areas. The Town has continued to dedicate a portion of hotel room taxes to increased advertising of Ocean City as a resort destination.
- Public safety and emergency preparedness continue to be a major focus and all town departments have written disaster, post-disaster, and continuity of operations plans. All town employees attend biannual training sessions and meetings are held quarterly with regional representatives.
- The Town will continue to promote the town as a vacation destination and supported promotional events and festivals to attract visitors such as the Dew Tour, Air Show, and weekly beach concerts and fireworks for the 2015 fiscal year. These events improve business for hotels and restaurants while offering free, family centered activities.
- The performing arts center at the Roland E. Powell Convention Center is under construction and is scheduled to open in December 2014. The total project is cost \$14 million dollars. It is anticipated to provide year-round entertainment and cultural events for local residents and resort visitors.
- The bus fare increase is anticipated to reduce the amount needed from the General fund to subsidize operations by over \$400,000.

All of these factors were considered in preparing the Town's budget for the 2015 fiscal year. To maintain service levels, the real property tax rate was decreased slightly from \$0.472 per \$100 of valuation to \$0.4704, the constant yield rate.

### **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; or MBennett@oceancitymd.gov.



## ***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 POSITION  
JUNE 30, 2014

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 8,968,960	\$ 3,811,154	\$ 12,780,114
Investments	21,970,568	12,093,873	34,064,441
Restricted investments	-	6,740,716	6,740,716
Receivables (net of allowance for uncollectibles)	2,846,809	2,783,691	5,630,500
Interest receivable	19,627	9,160	28,787
Intergovernmental receivable	4,763,928	716,224	5,480,152
Internal balances	(4,375,986)	4,375,986	-
Inventories	893,142	751,834	1,644,976
Other	42,000	2,500	44,500
Advances to other funds	115,000	(115,000)	-
Capital assets not being depreciated:			
Land	24,641,271	14,552,782	39,194,053
Construction in progress	3,246,877	7,090,486	10,337,363
Capital assets, net of accumulated depreciation			
Buildings	21,949,199	42,575,542	64,524,741
Machinery and equipment	16,832,009	25,426,670	42,258,679
Streets and infrastructure	16,772,103	19,603,341	36,375,444
Other improvements	11,245,583	2,999,407	14,244,990
Total capital assets	<u>94,687,042</u>	<u>112,248,228</u>	<u>206,935,270</u>
Total assets	<u>129,931,090</u>	<u>143,418,366</u>	<u>273,349,456</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	<u>118,622</u>	<u>432,132</u>	<u>550,754</u>
<b>LIABILITIES</b>			
Accounts payable and other accrued liabilities	3,256,611	2,087,136	5,343,747
Accrued expenses	3,035,996	813,513	3,849,509
Compensated absences	1,932,564	496,373	2,428,937
Unearned revenues	1,880,484	651,538	2,532,022
Other	313,031	271,475	584,506
Long-Term liabilities:			
Due within one year:			
Claims payable	874,797	-	874,797
Bonds and notes payable	3,642,244	6,078,343	9,720,587
Due in more than one year:			
Claims payable	2,134,494	-	2,134,494
Bonds and notes payable	41,813,795	43,149,429	84,963,224
Total long-term liabilities	<u>48,465,330</u>	<u>49,227,772</u>	<u>97,693,102</u>
Total liabilities	<u>58,884,016</u>	<u>53,547,807</u>	<u>112,431,823</u>
<b>NET POSITION</b>			
Net investments in capital assets	57,349,894	70,435,192	127,785,086
Restricted for:			
Debt service	-	6,272,857	6,272,857
Other purposes	115,000	-	115,000
Unrestricted	13,700,802	13,594,642	27,295,444
Total net position	<u>\$ 71,165,696</u>	<u>\$ 90,302,691</u>	<u>\$ 161,468,387</u>

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

TOWN OF OCEAN CITY  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	Program Revenues	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
<b>Primary government:</b>			
Governmental activities:			
General government	\$ 1,314,758	\$ 3,870,984	\$ -
Public safety	36,112,813	2,056,556	2,393,757
General public works and beach	6,329,540	4,044,925	6,304
Sanitation and waste removal	6,230,810	99,350	-
Highway and streets	7,787,410	1,126,770	26,363
Economic development - Tourism	7,998,815	1,465,927	850,000
Recreation and culture	7,654,518	1,573,586	100,000
Interest on long-term debt	1,462,237	-	55,620
<b>Total governmental activities</b>	<b>74,890,901</b>	<b>14,238,098</b>	<b>3,432,044</b>
Business-type activities:			
Water	6,251,720	7,050,007	-
Transportation	8,036,903	4,100,681	899,207
Wastewater	11,966,765	12,551,066	118,463
Convention Center	5,438,689	1,792,680	2,575,584
Airport	1,615,099	1,146,509	-
Golf Course	2,069,805	1,983,132	-
<b>Total business-type activities</b>	<b>35,378,981</b>	<b>28,624,075</b>	<b>3,593,254</b>
<b>Total primary government</b>	<b>\$ 110,269,882</b>	<b>\$ 42,862,173</b>	<b>\$ 7,025,298</b>

General revenues:  
Property taxes  
Property tax penalties and interest  
Sales and income taxes  
State gaming contributions  
Grants and contributions not restricted  
Investment earnings  
Other revenue (expenses)  
Transfers  
Total general revenues and transfers  
Change in net position  
Net position - beginning  
Net position - 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 Position		
	Primary Government		
	Governmental Activities	Business-type Activities	Total
\$ -	\$ 2,556,226	\$ -	\$ 2,556,226
-	(31,662,500)	-	(31,662,500)
-	(2,278,311)	-	(2,278,311)
-	(6,131,460)	-	(6,131,460)
75,000	(6,559,277)	-	(6,559,277)
-	(5,682,888)	-	(5,682,888)
30,000	(5,950,932)	-	(5,950,932)
-	(1,406,617)	-	(1,406,617)
105,000	(57,115,759)	-	(57,115,759)
125,436	-	923,723	923,723
3,843,957	-	806,942	806,942
1,622,812	-	2,325,576	2,325,576
50,000	-	(1,020,425)	(1,020,425)
859,123	-	390,533	390,533
-	-	(86,673)	(86,673)
6,501,328	-	3,339,676	3,339,676
\$ 6,606,328	\$ (57,115,759)	3,339,676	(53,776,083)
	41,973,156	-	41,973,156
	226,515	-	226,515
	16,042,019	-	16,042,019
	469,430	-	469,430
	2,586,297	-	2,586,297
	181,668	56,399	238,067
	684,250	(7,033)	677,217
	(3,363,267)	3,363,267	-
	58,800,068	3,412,633	62,212,701
	1,684,309	6,752,309	8,436,618
	69,481,387	83,550,382	153,031,769
	\$ 71,165,696	\$ 90,302,691	\$ 161,468,387

TOWN OF OCEAN CITY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014

	General	Capital Projects	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 8,198,185	\$ 18,531	\$ 8,216,716
Investments	7,637,938	9,549,040	17,186,978
Accounts receivables ( net of allowance for uncollectibles)	2,791,216	5,617	2,796,833
Intergovernmental receivable	4,763,928	-	4,763,928
Due from other funds	430,000	-	430,000
Interest receivable	10,887	50	10,937
Advances to other funds	115,000	-	115,000
Total assets	<u>\$ 23,947,154</u>	<u>\$ 9,573,238</u>	<u>\$ 33,520,392</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 1,372,467	\$ 1,480,399	\$ 2,852,866
Accrued liabilities	4,476,977	143	4,477,120
Other	313,031	-	313,031
Unearned revenues	1,880,484	-	1,880,484
Total liabilities	<u>8,042,959</u>	<u>1,480,542</u>	<u>9,523,501</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue-property and income taxes	756,790	-	756,790
Total deferred inflows of resources	<u>756,790</u>	<u>-</u>	<u>756,790</u>
<b>FUND BALANCES</b>			
Nonspendable:			
Advances to other fund	115,000	-	115,000
Restricted:			
Capital projects	-	5,333,799	5,333,799
Committed:			
Capital projects	-	2,758,897	2,758,897
Assigned:			
Purchases on order	498,539	-	498,539
Subsequent year's budget:appropriation of fund balance	931,828	-	931,828
Unassigned:	13,602,038	-	13,602,038
Total fund balances	<u>15,147,405</u>	<u>8,092,696</u>	<u>23,240,101</u>
Total liabilities,deferred inflows of resources, and fund balances	<u>\$ 23,947,154</u>	<u>\$ 9,573,238</u>	
Reconciliation to Statement of Net Position:			
Capital assets used in governmental activitites are not current financial resources and therefore are not reported in the governmental funds.			79,522,569
Other long-term assets are not available to pay for current-period expenditures and therefore are offset by unearned revenue in the governmental funds. (Note 5)			756,790
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 position, net of portion assigned to business-type activities, \$4,500,986			13,275,930
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>(45,629,694)</u>
Net position of governmental activities			<u>\$ 71,165,696</u>

The notes to the financial statements are an intergral 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, 2014

	General	Capital Projects	Total Governmental Funds
<b>REVENUES</b>			
Property taxes	\$ 42,334,031	\$ -	\$ 42,334,031
Other taxes	16,498,162	-	16,498,162
Licenses and permits	4,183,957	-	4,183,957
Fines and forfeitures	714,142	-	714,142
Charges for services	9,072,361	267,638	9,339,999
Revenue from other agencies	6,048,341	-	6,048,341
Other revenue	648,543	87,184	735,727
<b>Total revenues</b>	<b>79,499,537</b>	<b>354,822</b>	<b>79,854,359</b>
<b>EXPENDITURES</b>			
<b>Current:</b>			
General government	3,824,796	-	3,824,796
Public Safety	34,588,905	31,724	34,620,629
General public works and beach	4,929,733	239,572	5,169,305
Sanitation and waste removal	5,613,364	-	5,613,364
Highways and streets	5,470,519	809,987	6,280,506
Economic development- Tourism	7,737,415	-	7,737,415
Recreation and culture	7,131,635	-	7,131,635
Capital Outlay	-	6,586,308	6,586,308
<b>Debt service:</b>			
Principal	3,694,110	-	3,694,110
Interest	1,646,570	-	1,646,570
Bond issuance costs	14,041	22,475	36,516
<b>Total expenditures</b>	<b>74,651,088</b>	<b>7,690,066</b>	<b>82,341,154</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>4,848,449</b>	<b>(7,335,244)</b>	<b>(2,486,795)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Bonds and notes issued	2,010,483	2,885,000	4,895,483
Premium on bonds issued	99,578	-	99,578
Payment to refunded bond escrow agent	(992,858)	-	(992,858)
Transfers in	31,000	2,400,000	2,431,000
Transfers out	(6,103,515)	(31,000)	(6,134,515)
<b>Total other financing sources (uses)</b>	<b>(4,955,312)</b>	<b>5,254,000</b>	<b>298,688</b>
<b>Net change in fund balance</b>	<b>(106,863)</b>	<b>(2,081,244)</b>	<b>(2,188,107)</b>
<b>Fund balances-beginning</b>	<b>15,254,268</b>	<b>10,173,940</b>	<b>25,428,208</b>
<b>Fund balances-ending</b>	<b>\$ 15,147,405</b>	<b>\$ 8,092,696</b>	<b>\$ 23,240,101</b>

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, 2014

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) \$ (2,188,107)

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	\$ 6,697,417	
Depreciation expense	(3,318,684)	
Capital outlay exceeded depreciation in the current period by:		3,378,733

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

Local income tax deferred in prior year	\$ 13,287	
Deferred uncollected property taxes	(134,360)	
		(121,073)

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	\$ 3,694,110	
Issuance of long-term debt	(4,640,483)	
Premium on sale of bonds	(354,578)	
Payment to refund debt	992,858	
		(308,093)

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	\$ 29,340	
Amortization of gain on refunding of debt and premium	154,992	
		184,332

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.

738,517

Change in net assets of governmental activities (page 39)	\$	<u><u>1,684,309</u></u>
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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  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 42,112,140	\$ 42,112,140	\$ 42,334,031	\$ 221,891
Other taxes	15,659,800	15,963,405	16,498,162	534,757
Licenses and permits	3,933,750	4,106,323	4,183,957	77,634
Fines and forfeitures	735,000	725,216	714,142	(11,074)
Charges for current services	9,459,955	9,333,579	9,072,361	(261,218)
Revenue from other agencies	4,483,944	5,992,458	6,048,341	55,883
Other revenue	414,676	561,270	648,543	87,273
<b>Total revenues</b>	<u>76,799,265</u>	<u>78,794,391</u>	<u>79,499,537</u>	<u>705,146</u>
<b>EXPENDITURES</b>				
Current:				
General government	3,927,693	3,890,285	3,824,796	(65,489)
Public safety	33,223,791	35,198,210	34,588,905	(609,305)
General public works and beach	4,950,449	5,147,281	4,929,733	(217,548)
Sanitation and waste removal	5,622,596	5,645,750	5,613,364	(32,386)
Highways and streets	4,935,383	5,592,055	5,470,519	(121,536)
Economic development - Tourism	6,895,684	7,953,323	7,737,415	(215,908)
Recreation and culture	7,459,174	7,335,327	7,131,635	(203,692)
Debt service				
Principal	3,714,657	3,714,657	3,694,110	(20,547)
Interest	1,599,787	1,624,811	1,646,570	21,759
Bond issuance costs	-	-	14,041	14,041
<b>Total expenditures</b>	<u>72,329,214</u>	<u>76,101,699</u>	<u>74,651,088</u>	<u>(1,450,611)</u>
Excess of revenues over expenditures	<u>4,470,051</u>	<u>2,692,692</u>	<u>4,848,449</u>	<u>2,155,757</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bonds and notes issued	-	979,579	2,010,483	1,030,904
Premium on bonds issued	-	-	99,578	99,578
Payment to refund bonds	-	-	(992,858)	(992,858)
Transfers in	-	-	31,000	31,000
Transfers out	(4,717,117)	(6,032,928)	(6,103,515)	(70,587)
<b>Total other financing sources (uses)</b>	<u>(4,717,117)</u>	<u>(5,053,349)</u>	<u>(4,955,312)</u>	<u>98,037</u>
Net change in fund balances	(247,066)	(2,360,657)	(106,863)	2,253,794
Fund balance, beginning of year	<u>15,254,268</u>	<u>15,254,268</u>	<u>15,254,268</u>	<u>-</u>
Fund balance, end of year	<u>\$ 15,007,202</u>	<u>\$ 12,893,611</u>	<u>\$ 15,147,405</u>	<u>\$ 2,253,794</u>

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

TOWN OF OCEAN CITY  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2014

	Business Type Activities	
	Water	Wastewater
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,011,027	\$ 2,518,106
Investments	1,800,000	3,900,166
Receivables, net	1,278,498	1,011,865
Interest receivable	-	54
Intergovernmental receivable	-	10
Inventories	-	614,855
Other	-	-
Total current assets	<u>4,089,525</u>	<u>8,045,056</u>
Noncurrent assets:		
Restricted investments	-	-
Capital assets:		
Land	755,019	2,636,905
Buildings	18,674,452	43,952,947
Other improvements	3,875,651	1,314,357
Streets and infrastructure	23,134,579	9,613,189
Machinery and equipment	4,830,699	44,643,279
Construction in progress	21,648	1,917,752
Less accumulated depreciation	(36,151,819)	(50,702,101)
Total noncurrent assets	<u>15,140,229</u>	<u>53,376,328</u>
Total assets	<u>19,229,754</u>	<u>61,421,384</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred charge on refunding	111,393	284,670
Total deferred outflows of resources	<u>111,393</u>	<u>284,670</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	90,866	940,682
Accrued expenses	83,912	316,639
Compensated absences	78,852	173,304
Due to other funds	-	-
Unearned revenue	-	-
Claims and judgments	-	-
Other	260,473	11,000
Current portion of long-term debt	617,747	2,484,904
Total current liabilities	<u>1,131,850</u>	<u>3,926,529</u>
Noncurrent liabilities:		
Claims and judgments	-	-
Advances from other funds	-	-
Bonds, notes, and loans payable	3,157,932	27,860,432
Total other noncurrent liabilities	<u>3,157,932</u>	<u>27,860,432</u>
Total liabilities	<u>4,289,782</u>	<u>31,786,961</u>
<b>NET POSITION</b>		
Net investment in capital assets	11,475,943	24,915,829
Restricted for debt service	-	-
Unrestricted	3,575,422	5,003,264
Total net position	<u>\$ 15,051,365</u>	<u>\$ 29,919,093</u>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.

Net position of business-type activities

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

Business Type Activities				Governmental Activities
Convention Center	Transportation	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ 5,308	\$ 247,680	\$ 29,033	\$ 3,811,154	\$ 752,244
5,893,707	500,000	-	12,093,873	4,783,590
247,951	101,413	143,964	2,783,691	49,976
9,106	-	-	9,160	8,690
433,453	246,826	35,935	716,224	-
-	-	136,979	751,834	893,142
-	-	2,500	2,500	42,000
<u>6,589,525</u>	<u>1,095,919</u>	<u>348,411</u>	<u>20,168,436</u>	<u>6,529,642</u>
6,272,857	-	467,859	6,740,716	-
7,456,616	-	3,704,242	14,552,782	-
31,429,301	2,835,349	5,221,496	102,113,545	1,447,083
190,728	81,837	627,874	6,090,447	31,545
-	-	9,023,202	41,770,970	-
1,188,936	385,188	818,328	51,866,430	45,174,617
5,151,086	-	-	7,090,486	-
(14,145,338)	(1,995,907)	(8,241,267)	(111,236,432)	(31,488,772)
<u>37,544,186</u>	<u>1,306,467</u>	<u>11,621,734</u>	<u>118,988,944</u>	<u>15,164,473</u>
<u>44,133,711</u>	<u>2,402,386</u>	<u>11,970,145</u>	<u>139,157,380</u>	<u>21,694,115</u>
36,069	-	-	432,132	-
<u>36,069</u>	<u>-</u>	<u>-</u>	<u>432,132</u>	<u>-</u>
862,728	10,706	182,154	2,087,136	403,745
121,766	237,062	54,134	813,513	89,876
121,538	60,211	62,468	496,373	109,287
125,000	-	-	125,000	305,000
131,154	-	520,384	651,538	-
-	-	-	-	874,797
-	2	-	271,475	-
2,891,433	-	84,259	6,078,343	-
<u>4,253,619</u>	<u>307,981</u>	<u>903,399</u>	<u>10,523,378</u>	<u>1,782,705</u>
-	-	-	-	2,134,494
-	-	115,000	115,000	-
10,870,339	-	1,260,726	43,149,429	-
<u>10,870,339</u>	<u>-</u>	<u>1,375,726</u>	<u>43,264,429</u>	<u>2,134,494</u>
<u>15,123,958</u>	<u>307,981</u>	<u>2,279,125</u>	<u>53,787,807</u>	<u>3,917,199</u>
22,928,064	1,306,467	9,808,889	70,435,192	15,164,472
6,272,857	-	-	6,272,857	-
(155,099)	787,938	(117,869)	9,093,656	2,612,444
<u>\$ 29,045,822</u>	<u>\$ 2,094,405</u>	<u>\$ 9,691,020</u>	<u>85,801,705</u>	<u>\$ 17,776,916</u>
			4,500,986	
			<u>\$ 90,302,691</u>	

TOWN OF OCEAN CITY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Business-type Activities	
	Water	Wastewater
Operating revenues:		
Charges for sales and services	\$ 7,049,496	\$ 12,551,065
Total operating revenues	<u>7,049,496</u>	<u>12,551,065</u>
Operating expenses:		
Personal services	1,849,047	3,880,033
Contractual services	1,416,305	823,018
Utilities	385,325	532,523
Repairs and maintenance	191,644	1,206,153
Other supplies and expenses	420,320	578,075
Internal services	680,255	986,910
Insurance claims and expenses	-	-
Depreciation	1,177,045	2,844,958
Total operating expenses	<u>6,119,941</u>	<u>10,851,670</u>
Operating income (loss)	<u>929,555</u>	<u>1,699,395</u>
Nonoperating revenues (expenses)		
Interest and investment revenue	2,649	4,277
Operating grants	-	118,463
Miscellaneous revenue	512	-
Interest expense	(167,246)	(1,142,436)
Gain (loss) on disposal of assets	-	(8,283)
Total nonoperating revenues (expenses)	<u>(164,085)</u>	<u>(1,027,979)</u>
Income (loss) before capital contributions and transfers	765,470	671,416
Capital contributions	125,436	1,622,812
Transfers in	-	-
Change in net position	<u>890,906</u>	<u>2,294,228</u>
Net position - beginning	<u>14,160,459</u>	<u>27,624,865</u>
Net position - ending	<u>\$ 15,051,365</u>	<u>\$ 29,919,093</u>

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

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

Business-type Activities				Governmental Activities
Convention Center	Transportation	Nonmajor Enterprise Funds	Total	Internal Service Funds
\$ 1,629,789	\$ 4,100,683	\$ 3,129,642	\$ 28,460,675	\$ 11,279,687
<u>1,629,789</u>	<u>4,100,683</u>	<u>3,129,642</u>	<u>28,460,675</u>	<u>11,279,687</u>
2,860,568	3,584,013	1,327,086	13,500,747	2,972,322
169,017	71,315	450,153	2,929,808	1,360,931
579,231	80,236	92,703	1,670,018	84,763
453,619	2,205,621	113,951	4,170,988	526,472
164,572	76,012	974,729	2,213,708	3,312,840
275,003	748,034	293,894	2,984,096	900,862
-	-	-	-	605,734
825,439	96,210	370,858	5,314,510	2,467,496
<u>5,327,449</u>	<u>6,861,441</u>	<u>3,623,374</u>	<u>32,783,875</u>	<u>12,231,420</u>
<u>(3,697,660)</u>	<u>(2,760,758)</u>	<u>(493,732)</u>	<u>(4,323,200)</u>	<u>(951,733)</u>
49,187	274	12	56,399	86,970
2,575,584	896,427	-	3,590,474	58,265
162,888	2,780	-	166,180	-
(137,348)	-	(61,530)	(1,508,560)	-
-	1,250	-	(7,033)	118,221
<u>2,650,311</u>	<u>900,731</u>	<u>(61,518)</u>	<u>2,297,460</u>	<u>263,456</u>
(1,047,349)	(1,860,027)	(555,250)	(2,025,740)	(688,277)
50,000	507,510	859,123	3,164,881	3,336,447
<u>1,313,060</u>	<u>1,722,688</u>	<u>327,519</u>	<u>3,363,267</u>	<u>340,248</u>
315,711	370,171	631,392	4,502,408	2,988,418
<u>28,730,111</u>	<u>1,724,234</u>	<u>9,059,628</u>		<u>14,788,498</u>
<u>\$ 29,045,822</u>	<u>\$ 2,094,405</u>	<u>\$ 9,691,020</u>		<u>\$ 17,776,916</u>
			<u>2,249,901</u>	
			<u>\$ 6,752,309</u>	

TOWN OF OCEAN CITY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Business-type Activities	
	Water	Wastewater
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers and users	\$ 7,194,636	\$ 12,721,619
Payments to suppliers	(2,410,717)	(2,662,571)
Payments to employees	(1,839,173)	(3,851,357)
Payments for interfund services used	(680,255)	(986,910)
Net cash provided (used) by operating activities	<u>2,264,491</u>	<u>5,220,781</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Advances to other funds	-	-
Subsidy from county, state and federal grants	-	-
Transfers from other funds	-	-
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Proceeds from capital grant	-	178,468
Capital contributions	125,436	256,116
Acquisition and construction of capital assets	(825,275)	(3,307,561)
Proceeds from bond issue	752,380	1,470,127
Payment to refund bonds	(740,767)	-
Insurance claim payment	512	-
Principal paid on capital debt	(898,029)	(2,300,861)
Interest paid on capital debt	(172,299)	(1,160,432)
Proceeds from sales of capital assets	-	4,455
Net cash provided (used) by capital and related financing activities	<u>(1,758,042)</u>	<u>(4,859,688)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sales and maturities of investments	-	-
Purchase of investments	(1,800,000)	(1,880,452)
Interest and dividends received	2,649	4,223
Net cash provided (used) by investing activities	<u>(1,797,351)</u>	<u>(1,876,229)</u>
Net increase (decrease) in cash and cash equivalents	(1,290,902)	(1,515,136)
Cash and cash equivalents at beginning of the year	<u>2,301,929</u>	<u>4,033,242</u>
Cash and cash equivalents at end of the year	<u>\$ 1,011,027</u>	<u>\$ 2,518,106</u>

(Continued)

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

Enterprise Funds				Governmental Activities
Convention Center	Transportation	Nonmajor Enterprise Funds	Total	Internal Service Funds
\$ 1,528,162	\$ 4,076,294	\$ 3,146,962	\$ 28,667,673	\$ 11,279,616
(1,032,025)	(2,432,187)	(1,607,661)	(10,145,161)	(5,835,387)
(2,850,524)	(3,568,733)	(1,325,222)	(13,435,009)	(2,978,315)
(275,003)	(748,034)	(293,894)	(2,984,096)	(900,862)
(2,629,390)	(2,672,660)	(79,815)	2,103,407	1,565,052
100,000	-	(1,133,000)	(1,033,000)	(110,000)
2,301,728	847,733	-	3,149,461	58,265
1,313,060	1,722,688	327,519	3,363,267	340,248
3,714,788	2,570,421	(805,481)	5,479,728	288,513
17,606	752,756	144,345	1,093,175	3,336,447
50,000	-	-	431,552	-
(4,206,494)	-	(702,633)	(9,041,963)	(5,072,461)
11,820,968	-	-	14,043,475	-
(2,475,621)	-	-	(3,216,388)	-
162,888	2,780	-	166,180	-
(2,120,000)	-	(81,002)	(5,399,892)	-
(137,034)	-	(61,958)	(1,531,723)	-
-	1,250	-	5,705	117,773
3,112,313	756,786	(701,248)	(3,449,879)	(1,618,241)
7,028,901	-	1,607,680	8,636,581	864,000
(11,337,783)	(500,000)	-	(15,518,235)	(439,000)
99,183	274	12	106,341	45,924
(4,209,699)	(499,726)	1,607,692	(6,775,313)	470,924
(11,988)	154,821	21,148	(2,642,057)	706,248
17,296	92,859	7,885	6,453,211	45,996
\$ 5,308	\$ 247,680	\$ 29,033	\$ 3,811,154	\$ 752,244

TOWN OF OCEAN CITY  
STATEMENT OF CASH FLOWS (Continued)  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Business-type Activities	
	Water	Wastewater
<b>RECONCILIATION OF OPERATING INCOME(LOSS) TO NET CASH PROVIDED BY OPERATIONS</b>		
Operating income (loss)	\$ 929,555	\$ 1,699,395
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	1,177,045	2,844,958
<b>EFFECT OF CHANGES IN OPERATING ASSETS &amp; LIABILITIES:</b>		
Accounts receivable	36,011	164,054
Inventories	-	(41,981)
Prepaid expenses	-	-
Compensated absences	1,263	17,179
Customer deposits	109,129	-
Accounts payable	2,877	525,679
Accrued expenses	8,611	11,497
Unearned revenue	-	-
Claims liability	-	-
Total adjustments	1,334,936	3,521,386
Net cash provided (used) by operating activities	\$ 2,264,491	\$ 5,220,781

**NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES**

Increase (Decrease) in fair value of investments	\$ -	\$ -
Contribution of capital asset	-	1,366,696
Loss on disposal of asset	-	(12,738)

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

Enterprise Funds				Governmental
Convention Center	Transportation	Nonmajor Enterprise Funds	Total	Internal Service Funds
\$ (3,697,660)	\$ (2,760,758)	\$ (493,732)	\$ (4,323,200)	\$ (951,733)
825,439	96,210	370,858	5,314,510	2,467,496
(75,148)	(24,389)	28,757	129,285	(71)
-	-	19,507	(22,474)	(9,431)
-	-	-	-	96,000
6,860	7,978	(3,499)	29,781	(853)
-	-	-	109,129	-
334,414	997	4,368	868,335	189,244
3,184	7,302	5,363	35,957	(5,140)
(26,479)	-	(11,437)	(37,916)	-
-	-	-	-	(220,460)
1,068,270	88,098	413,917	6,426,607	2,516,785
\$ (2,629,390)	\$ (2,672,660)	\$ (79,815)	\$ 2,103,407	\$ 1,565,052

\$ (27,857)	\$ -	\$ -	\$ (27,857)	\$ 43,405
-	-	-	1,366,696	-
-	-	-	(12,738)	(11,189)

TOWN OF OCEAN CITY  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2014

	Pension Trust Funds	OPEB Trust Fund
<b>ASSETS</b>		
Cash and cash equivalents	\$ 4,893,917	\$ 907,942
Interest and dividends receivable	124,612	28,884
Investments:		
Domestic equities	35,754,092	7,860,467
Domestic fixed income	24,260,987	4,028,245
Real estate investment trusts	2,930,088	607,582
International equities	20,433,628	4,415,943
International fixed income	4,899,729	1,004,733
Alternative investments	8,730,435	2,220,683
Total assets	102,027,488	21,074,479
<b>LIABILITIES</b>		
Accounts payable	33,608	87,783
Total liabilities	33,608	87,783
<b>NET POSITION</b>		
Net position held in trust for pension benefits and other purposes	\$ 101,993,880	\$ 20,986,696

The notes to financial statements are an intergral part of this statement

TOWN OF OCEAN CITY  
STATEMENT OF CHANGES IN NET POSITION  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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	Pension Trust Funds	OPEB Trust Fund
<b>Additions</b>		
Contributions:		
Employer	\$ 5,682,686	\$ 3,617,000
Plan members	1,789,059	222,920
Total contributions	7,471,745	3,839,920
Miscellaneous income	-	70,516
Investment earnings:		
Net increase in fair value of investments	12,172,835	2,349,688
Interest	969,684	170,456
Dividends	1,125,975	240,983
Total investment income	14,268,494	2,761,127
Less investment expense	689,217	127,827
Net investment earnings	13,579,277	2,633,300
Total additions	21,051,022	6,543,736
<b>Deductions</b>		
Benefits and refunds paid	5,333,385	1,275,983
Administrative expenses	152,919	-
Total deductions	5,486,304	1,275,983
Change in net position	15,564,718	5,267,753
Net position-beginning	86,429,162	15,718,943
Net position- ending	\$ 101,993,880	\$ 20,986,696

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

TOWN OF OCEAN CITY  
*Notes to the Financial Statements*  
June 30, 2014

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**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 (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. Description of government-wide financial statements**

The government-wide financial statements, the statement of net position and the statement of activities, report information on all of the nonfiduciary activities of the Town. Fiduciary activities are reported only in the fund financial statements. Governmental activities, which are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities that are supported primarily by fees and charges to external customers.

**B. 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 hired before July 1, 2011, 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 to approve 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.

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The Town provides a 401(a) self-directed defined contribution plan for employees hired after July 1, 2011. The contribution and funding requirements are established by and may be amended by the Town. The plan is administered by the International City Management Retirement Corporation.

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 financial statements are 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 Human Resource office, City Hall Room 220, 301 Baltimore Avenue, Ocean City, Maryland 21842.

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.

#### C. Basis of presentation - government-wide financial statements

Although separate government-wide and fund financial statements are presented in the report, they are interconnected. The governmental activities column includes data from governmental and internal services funds, while business-type activities includes data from the Town's enterprise funds. 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.

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.

#### D. Basis of presentation – fund financial statements

The fund financial statements provide information about the Town's funds, including its fiduciary funds. Separate statements for each fund category; governmental, proprietary, and fiduciary are presented. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are combined and included in a single column and reported as nonmajor funds.

The Town has two major governmental funds, the General Fund and Capital Projects Fund. The General Fund 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.

The Town utilizes a capital projects fund 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. 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.

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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 and 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 the golf course fund. The airport fund accounts for the operations of the Ocean City Municipal Airport and the golf course fund accounts for the operations of Eagle's Landing Golf Course.

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 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.

During the course of operations, the Town has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds, the non-current portion of interfund loans. 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.

While these balances are reported in the fund financial statements, eliminations are made in the presentation of the government-wide financial statements. Balances between governmental and internal service funds are eliminated so that only the net amount is included in the governmental activities column. Balances between the funds in business-type activities and internal service funds are eliminated so that only the net amount is included in the business-type activities column.

Transfers of resources occur between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in or transfers out. Eliminations are made in the preparation of government-wide statements so that only the net amounts are included as transfers in the government activities column and the business-type activities column.

#### E. Measurement focus and basis of accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis for accounting. Measurement focus determines the type of resource measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions for recognition in the financial statements.

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.

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Governmental fund statements are presented using the 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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 and are recognized as revenue at that time. Revenue from grants based on expenditures is recognized when the qualifying expenditures have incurred and all eligibility requirements have been met, the amount is received in the period of within 60 days of year end.

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.

#### F. Budgetary basis of accounting

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. All annual appropriations lapse at fiscal year-end even if they have been encumbered. Encumbrances are commitments to buy goods and services that have not been executed or performed yet. Encumbrance accounting is used as necessary to assure effective budgetary control and accountability while enabling control of cash. While appropriations and encumbrances lapse at year end, encumbrances for goods and services expected to be received in the next year are re-appropriated and become part of the next year's budget.
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.

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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, 2014 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 which sometimes span more than one fiscal year.

**G. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance**

*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 Maryland Local Government Investment Pool (MLGIP) created by the State of Maryland and subject to regulatory oversight of the state treasurer. The MLGIP operates in a manner consistent with the requirements of the Securities and Exchange Commission Rule 2a7 of the Investment Company Act of 1940, as amended. The MLGIP operates as a 2a7-like pool and reports all investments at amortized cost (carrying value).

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. 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. Inventories and prepaid items*

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.

Prepaid items record payments to vendors that apply to future accounting periods in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than purchased.

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3. *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 major fund, the airport fund, and are invested at the Maryland Local Government Investment Pool.

4. *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. All items have been included regardless of their acquisition date or cost. For the initial capitalization of general infrastructure, assets were valued at historical or estimated historical cost if actual historical cost was not available using the producer price index to deflate the cost to the actual or estimated acquisition year. 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 primary government are depreciated, which is charged as an expense against their operations. Land and construction in progress are not depreciated. 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

5. *Deferred outflows/inflows of resources*

The statement of financial position reports a separate section for deferred outflows of resources representing a consumption of net position that applies to a future period and is not recognized as an outflow of resources in the current period. The Town has two items that qualify for reporting in this category. The deferred charge on refunding is reported in the government-wide statement of net position and the proprietary funds statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the life of refunded debt.

The statement of financial position reports a separate section of deferred inflows of resources which represents an acquisition of net position that applies to a future period and is not recognized as an inflow of resources or revenue until that time. The Town has one type of resource, which occurs under a modified accrual basis of accounting in this category, unavailable revenue, reported in the governmental funds balance sheet. The governmental funds report unavailable revenue from property and income taxes. These amounts are deferred and recognized as an inflow of revenue in the period that the amounts become available.

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6. *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 position. Bond premiums, discounts, and issuance costs, are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of amounts for bond premiums and discounts.

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.

7. *Net position, fund balance policies, and fund balance flow assumptions*

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

- *Net investment in capital assets* – This category groups all capital assets including infrastructure into one component of net position. 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* – This category presents external restrictions imposed by creditors, grantors, or laws and regulations of other governments.
- *Unrestricted* – This category presents the net position 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 an ordinance or resolution approved by a majority vote of the City Council. Assignments of fund balance reflect tentative plans by the City Council or City Manager, per Title VII of the Town Charter, 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. It is the Town's policy to consider restricted fund balances to have been depleted before using any of the components of unrestricted fund balance. When the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

H. Revenues and expenditures/expenses

1. Direct revenues and 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.

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2. *Property taxes*

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	12.0%	18.0%

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. Worcester County, Maryland bills and collects real property taxes for the Town and remits cash collections to the Town weekly in July, August, and September and monthly from October to June. 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.

3. *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. Full-time, permanent employees earn annual vacation leave at the following rates: 1-5 years of service, 10 days; 6-10 years of service, 15 days; 11-19 years of service, 20 days; 20 years of service and over, 25 days. All vacation leave is classified as a current liability as 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. 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, if applicable.

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, no monetary obligation exists.

4. *Proprietary funds operating and nonoperating revenues and expenses*

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.

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**Note 2: Reconciliation of government-wide and fund financial statements**

**A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position**

The governmental fund balance sheet includes a reconciliation between *fund balances – total governmental funds* and *net positions – governmental activities* as reported in the government-wide statement of net position. One aspect of that reconciliation on page 40 explains that “capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.” The details of this \$79,522,569 adjustment are as follows:

Land	\$ 24,641,271
Construction in progress	3,246,877
Buildings	38,316,603
Less: Accumulated depreciation-buildings	(16,648,802)
Machinery and equipment	5,787,611
Less: Accumulated depreciation-machinery, and equipment	(3,829,082)
Infrastructure	44,324,918
Less: Accumulated depreciation-infrastructure	(27,552,815)
Other improvements	22,943,207
Less: Accumulated depreciation- other improvements	<u>(11,707,219)</u>
Net adjustment to increase fund balance – total governmental funds to arrive at new position- governmental activities	<u>\$ 79,522,569</u>

The reconciliation also explains that “internal service funds are used by management to charge the costs of replacement; and, therefore, the assets and liabilities of the internal service fund are included in governmental activities in the statement of net position..” The details of this \$13,275,930 difference are as follows:

Net position of the internal service funds	\$ 17,776,916
Less: Internal payable representing charges in excess of cost to business-type activities – prior years	(2,251,085)
Add: Internal payable representing costs in excess of charges to business-type activities – current year	<u>(2,249,901)</u>
Net adjustment to increase fund balance – total governmental funds to arrive at net position – governmental activities	<u>\$ 13,275,930</u>

The final element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The detail of this \$45,629,694 difference is as follows:

Bonds payable	\$ 43,545,210
Less: Deferred charge on refunding (to be amortized as interest expense)	(118,622)
Add issuance premium (to be amortized over life to debt)	1,372,310
Notes payable	538,517
Accrued interest payable	<u>292,279</u>
Net adjustment to reduce fund balance – total governmental funds to arrive at net position – governmental activities	<u>\$ 45,629,694</u>

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B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenue, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One component of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.”

Capital outlay	\$ 6,697,417
Depreciation expense	<u>(3,318,684)</u>
Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net position - governmental activities	<u>\$ 3,378,733</u>

Another component of that reconciliation states that “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 position. 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. The net effect of these differences in the treatment of long-term debt and related items of (\$308,093) is as follows:

Principal repayments on general obligation debt	\$ 3,694,110
Issuance of long-term debt	(4,518,422)
Receipt of debt proceeds for debt issued in prior year	(122,061)
Premium on sale of bonds	(354,578)
Payment to refund bonds	<u>992,858</u>
Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net position - governmental activities	<u>\$ (308,093)</u>

Also, the reconciliation states that “some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$184,332 difference are as follows:

Accrued interest	\$ 29,340
Amortization of bond premiums	176,830
Amortization of deferred charge on refunding	<u>(21,838)</u>
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net position - governmental activities	<u>\$ 184,332</u>

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Another component of that reconciliation states that “internal service funds are used by management to charge the costs of information technology, service center, vehicle and equipment, and risk management to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.” The details of this \$738,517 difference are as follows:

Change in net position of the internal service funds	\$ 2,988,418
Less: net revenue from charges to business-type activities	<u>(2,249,901)</u>
Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 738,517</u>

**C. Explanation of certain differences between the proprietary fund statement of net position and the government-wide statement of net position**

The proprietary fund statement of net position includes reconciliation between net position – total enterprise funds and net position of business-type activities as reported in the government-wide statement of net position. The description of the sole element of that reconciliation is “adjustment to report the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds over time.” The details of the \$4,500,986 difference are as follows:

Internal receivable representing in excess of cost to business-type activities – prior years	\$ 2,251,085
Internal receivable representing costs in excess of charges to business-type activities – current year	<u>2,249,901</u>
Net adjustment to increase net position – total enterprise funds to arrive at net position – business-type activities	<u>\$ 4,500,986</u>

***Note 3: Stewardship, compliance, and accountability***

For year ended June 30, 2014, the Council approved two budget amendments to recognize additional revenues of \$3,679,851 to increase appropriations by \$3,708,272 and to appropriate prior year fund balance of \$2,113,591.

***Note 4: Deposits and investments***

**A. Cash on hand**

At year-end, cash on hand for petty cash and change funds was \$45,656.

**B. Deposits**

At year-end, the carrying amount of the Town's deposits was \$6,739,978 and the bank balance was \$6,686,501. The deposits of the Town were not exposed to custodial credit risk as of June 30, 2014.

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C. Investments

As of June 30, 2014, 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	\$ 4,655,686	\$ 1,395,309	\$ 3,260,377	\$ -	.91 %
State investment pool	21,507,785	21,507,785	-	-	.08
U.S. government money market	12,689,742	12,689,742	-	-	.11
Money market mutual fund	4,994,198	4,994,198	-	-	.09
U.S. treasuries	6,685,941	2,760,368	3,635,045	290,528	1.09
U.S. agencies	12,943,391	2,141,802	10,265,537	536,052	1.18
Domestic equities	43,614,559	43,614,559	-	-	-
Domestic fixed income	17,413,985	5,724,465	4,839,521	6,849,999	3.91
International equities	24,849,571	24,849,571	-	-	-
International fixed income	5,904,462	5,904,462	-	-	6.22
Real estate investment trust	3,537,670	-	3,537,670	-	-
Alternative investments	10,951,118	-	10,951,118	-	-
	<u>\$ 169,748,108</u>	<u>\$ 125,582,261</u>	<u>\$ 36,489,268</u>	<u>\$ 7,676,579</u>	

Reconciliation of cash and investments as shown on statement of net position:

Cash on hand	\$ 45,656
Carrying amount of deposits	6,739,978
Carrying amount of investments - (above)	<u>169,748,108</u>
Total cash and investments	
Less: amounts in fiduciary funds	<u>(122,948,471)</u>
Total cash and investments per statement of net position	<u>\$ 53,585,271</u>
Cash and cash equivalents	\$ 12,780,114
Investments	34,064,441
Restricted investments	<u>6,740,716</u>
Total cash and investments per statement of net position	<u>\$ 53,585,271</u>

*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 70.0% of investments mature in less than one year and permits 30.0% 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 as of June 30, 2014, met the Town's investment policy as of that date.

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Investment income includes the following for the year ended June 30, 2014:

Net interest and dividends	\$ 2,710,268
Net increase in fair value of investments	<u>14,557,753</u>
Total investment revenue	17,268,021
Less: investment gain in fiduciary funds	<u>(17,027,954)</u>
Total net investment income per statement of activities	<u>\$ 238,067</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 Poor's, 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, domestic fixed income securities must be rated "B" or above. The trustees permit the purchase of international fixed income securities below a rating of "B" or to be unrated. As of June 30, 2014, \$3,329,786 of fiduciary fund investments were rated "BB" or "B" and \$7,287,984 were unrated, with 56.5% of total fixed income securities below single "A" quality.

The \$42,947,779 in fixed income investments as of June 30, 2014, are listed below using the Standard and Poor's rating scale:

Investment Type	Credit Rating	Domestic Amount	International Amount	Total
US treasuries	AA	\$ 6,685,941	\$ -	\$ 6,685,941
US agencies	AA	12,943,391	-	12,943,391
Corporate and international bonds	AA	830,054	-	830,054
	A	3,171,102	-	3,171,102
	BBB	8,576,504	120,017	8,696,521
	BB	-	120,664	120,664
	B	-	3,209,122	3,209,122
	Unrated	4,833,325	2,454,659	7,287,984
Totals		<u>\$ 37,040,317</u>	<u>\$ 5,904,462</u>	<u>\$ 42,944,779</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 102.0%. As of June 30, 2014, 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.

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*Foreign currency risk.* Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The investment policy for the fiduciary, pension trust and OPEB trust funds, permits up to 65.0% of total investments in foreign currency denominated equities, fixed income and natural resource investments. The investment position was 25.0% at year-end, or \$30,754,033. As of June 30, 2014, the pension and OPEB trust funds did not hold any hedging foreign investment positions.

The foreign currency risk as of June 30, 2014 is presented in the following table:

Currencies	U.S. Dollars
Euro	\$ 6,427,984
British Pound	3,760,741
Canadian Dollar	2,569,689
Brazilian Real	2,284,699
South African Rand	1,268,553
Chinese Yuan	1,103,908
Swiss Franc	939,465
Russian Ruble	863,192
Indonesian Rupiah	673,944
Japanese Yen	620,626
Mexican Peso	554,483
Norwegian Krone	457,091
Swedish Krona	447,588
Danish Krone	424,318
Turkish Lira	414,441
Australian Dollar	390,268
South Korean Won	352,219
Argentine Peso	271,386
Taiwanese Dollar	223,292
Other: Emerging	215,385
Chilean Peso	215,509
Philippine Peso	161,022
Hong Kong Dollar	136,878
Other: Developed	68,045
Polish Zloty	39,480
Hungarian Forint	19,740
Malaysian Ringgit	18,506
Peruvian Nuevo Sol	16,656
Ukrainian Hryvnia	13,572
Colombian Peso	11,104
Other	<u>34,545</u>
Total foreign currency securities	24,998,329
U.S. Dollars held by international investment managers	<u>5,755,704</u>
Total foreign currency exposure	<u>\$ 30,754,033</u>

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**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, 2014, was \$8,627,255,200. The Town's real property tax rate was \$0.472 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 97.8% of current year property taxes levied in the current year. Total property tax collections were 100.0% of current taxes levied.

**B. Receivables**

Receivables as of June 30, 2014 for the government's major and nonmajor funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities	Business-type Activities	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Taxes	\$ 1,087,886	\$ -	\$ 1,087,886
Emergency medical	921,679	-	921,679
Accounts	<u>1,275,433</u>	<u>2,830,433</u>	<u>4,105,866</u>
Gross receivables	3,284,998	2,830,433	6,115,431
Less allowance	<u>(438,189)</u>	<u>(46,742)</u>	<u>(484,931)</u>
Total	<u>\$ 2,846,809</u>	<u>\$ 2,783,691</u>	<u>\$ 5,630,500</u>

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

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**Note 6: Capital assets**

The following is a summary of governmental capital assets activity for the year ended June 30, 2014:

	Beginning <u>Balance</u>	Transfers and <u>Increases</u>	Transfers and <u>Deletions</u>	Ending <u>Balance</u>
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 23,825,271	\$ 816,000	\$ -	\$ 24,641,271
Construction in progress	<u>1,296,371</u>	<u>2,919,875</u>	<u>(969,369)</u>	<u>3,246,877</u>
Total capital assets, not being depreciated	<u>25,121,642</u>	<u>3,735,875</u>	<u>(969,369)</u>	<u>27,888,148</u>
<i>Capital assets, being depreciated:</i>				
Buildings	38,698,175	1,065,511	-	39,763,686
Other improvements	22,740,569	234,183	-	22,974,752
Streets and infrastructure	42,484,706	2,391,479	(551,267)	44,324,918
Machinery and equipment	<u>46,819,647</u>	<u>5,330,267</u>	<u>(1,187,686)</u>	<u>50,962,228</u>
Total capital assets, being depreciated	<u>150,743,097</u>	<u>9,021,440</u>	<u>(1,738,953)</u>	<u>158,025,584</u>
<i>Less accumulated depreciation for:</i>				
Buildings	(16,698,463)	(1,116,024)	-	(17,814,487)
Other improvements	(10,921,307)	(807,862)	-	(11,729,169)
Streets and infrastructure	(26,943,100)	(1,160,982)	551,267	(27,552,815)
Machinery and equipment	<u>(32,605,405)</u>	<u>(2,701,311)</u>	<u>1,176,497</u>	<u>(34,130,219)</u>
Total accumulated depreciation	<u>(87,168,275)</u>	<u>(5,786,179)</u>	<u>1,727,764</u>	<u>(91,226,690)</u>
Total capital assets being depreciated, net	<u>63,574,822</u>	<u>3,235,261</u>	<u>(11,189)</u>	<u>66,798,894</u>
Governmental activities capital assets, net	<u>\$ 88,696,464</u>	<u>\$ 6,971,136</u>	<u>\$ (980,558)</u>	<u>\$ 94,687,042</u>

The following is a summary of business-type capital assets activity for the year ended June 30, 2014:

	Beginning <u>Balance</u>	Transfers and <u>Increases</u>	Transfers and <u>Deletions</u>	Ending <u>Balance</u>
<b>Business-type activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 14,421,087	\$ 131,695	\$ -	\$ 14,552,782
Construction in progress	<u>4,419,099</u>	<u>6,220,488</u>	<u>(3,549,101)</u>	<u>7,090,486</u>
Total capital assets, not being depreciated	<u>18,840,186</u>	<u>6,352,183</u>	<u>(3,549,101)</u>	<u>21,643,268</u>
<i>Capital assets, being depreciated:</i>				
Buildings	101,850,293	263,252	-	102,113,545
Other improvements	5,030,508	1,059,939	-	6,090,447
Infrastructure	37,391,519	4,379,451	-	41,770,970
Machinery and equipment	<u>50,185,254</u>	<u>1,824,558</u>	<u>(143,382)</u>	<u>51,866,430</u>
Total capital assets, being depreciated	<u>194,457,574</u>	<u>7,527,200</u>	<u>(143,382)</u>	<u>201,841,392</u>
<i>Less accumulated depreciation for:</i>				
Buildings	(57,040,296)	(2,497,706)	-	(59,538,002)
Other improvements	(3,055,080)	(35,958)	-	(3,091,038)
Infrastructure	(21,009,849)	(1,157,785)	-	(22,167,631)
Machinery and equipment	<u>(24,947,343)</u>	<u>(1,623,064)</u>	<u>130,646</u>	<u>(26,439,761)</u>
Total accumulated depreciation	<u>(106,052,568)</u>	<u>(5,314,510)</u>	<u>130,646</u>	<u>(111,236,432)</u>
Total capital assets being depreciated, net	<u>88,405,006</u>	<u>2,212,690</u>	<u>(12,736)</u>	<u>90,604,960</u>
Business-type activities capital assets, net	<u>\$ 107,245,192</u>	<u>\$ 8,564,873</u>	<u>\$ (3,561,837)</u>	<u>\$ 112,248,228</u>

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

General government	\$ 125,947
Public safety	436,385
General public works and beach	1,031,574
Highways and streets	1,175,457
Sanitation and waste removal	315,557
Economic development	5,824
Recreation and culture	<u>227,939</u>
	3,318,683
Capital assets held by the Town's internal service funds are charged to the various functions based on usage	<u>2,467,496</u>
Total depreciation – governmental activities	<u>\$ 5,786,179</u>

Depreciation expense was charged to business type activities as follows:

Water fund	\$ 1,177,045
Wastewater fund	2,844,958
Convention Center fund	825,439
Transportation fund	96,210
Airport fund	328,425
Golf Course fund	<u>42,433</u>
Total depreciation – business-type activities	<u>\$ 5,314,510</u>

The Town has on-going construction projects as of June 30, 2014. The projects include the fire houses at 15<sup>th</sup> St and 130<sup>th</sup> St, boat ramp, street improvements, Beach Patrol headquarters, wells, wastewater plant improvements, pumping stations, and expansion of the convention center. At year-end, the Town's obligations with contractor's were as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Fire houses	\$ 2,709,574	\$ 735,243
St. Louis Avenue phase III	377,318	1,350,665
Boat ramp	63,750	5,000
Beach Patrol headquarters	96,235	28,766
St. Louis Avenue water main	21,648	24
Wastewater plant improvements	392,338	400,531
Wastewater pumping stations	1,502,069	88,080
Convention Center expansion	<u>5,151,085</u>	<u>3,494,155</u>
Total	<u>\$ 10,314,017</u>	<u>\$ 6,102,464</u>

***Note 7: Interfund receivables, payables and transfers***

The general fund made an advance of \$115,000 to the golf course fund, non-major business-type activities for working capital. It is anticipated that the advances will be repaid within two years. Interfund balances also exist between the general fund and the convention center fund of \$125,000, between the general fund and an internal service fund, the service center fund, of \$305,000 to purchase inventory.

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Net transfers of \$3,363,267 are shown in the statement of activities. Transfers were made from the general fund to subsidize operations and for capital expenditures.

Convention Center fund	\$ 1,313,060
Transportation fund	1,722,688
Airport fund	256,932
Golf Course fund	<u>70,587</u>
Total	<u>\$ 3,363,267</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 \$113,630. In December 2013, the Town issued general obligation bonds of \$12,700,000 with a true interest rate of 2.09% maturing in 2023. In April 2014, the issued a bond to PNC Bank for \$4,173,000 at 0.82%, maturing in 2017 to refund the remaining outstanding 2004 municipal bonds. In June 2014, the Town issued a bond for \$600,000 at 2.0% maturing in 2020 to purchase land. 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 \$5 million. All interest is paid semi-annually. General obligation bonds currently outstanding are as follows:

<u>Bond Issue</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Amount Outstanding June 30, 2014</u>
Municipal Purpose Bonds of 2005	2025	2.00 – 5.00%	\$ 21,050,000	\$ 1,000,000
Airport Improvement Bond of 2005	2024	3.20%	1,025,000	705,785
Airport Improvement Bond of 2006	2016	3.50%	4,100,000	3,205,000
Municipal Refunding Bonds of 2007	2027	3.50 – 5.00%	22,320,000	12,595,000
Municipal Refunding Bonds of 2009	2021	2.00 – 4.00%	12,745,000	9,495,000
Airport Improvement Bond of 2010	2020	5.82%	725,000	639,200
Municipal Purpose Bonds of 2010	2028	1.00 – 5.60%	18,105,000	13,515,000
Municipal Refunding Bonds of 2012	2032	0.50 – 3.08%	33,560,000	32,665,000
Municipal Purpose Bonds of 2013	2023	0.20 – 2.85%	12,700,000	12,700,000
Municipal Refunding Bonds of 2014A	2017	0.82%	4,173,000	4,173,000
Municipal Purpose Bond of 2014B	2020	2.00%	<u>600,000</u>	<u>600,000</u>
Total			<u>\$ 131,103,000</u>	<u>\$ 91,292,985</u>

Annual debt service requirements to maturity for general obligation bonds are below. Future federal subsidy for Build America Bonds issued in 2010 of \$1,989,666 is not netted with interest.

<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>
2015	\$ 3,601,032	\$ 1,563,317	\$ 6,078,342	\$ 1,755,751
2016	3,525,301	1,438,423	6,049,391	1,574,487
2017	3,900,410	1,304,783	3,952,701	1,407,598
2018	3,698,916	1,152,588	3,826,916	1,251,556
2019	2,909,479	1,027,804	3,447,280	1,108,824
2020-2024	13,676,095	3,568,341	16,257,025	3,436,393
2024-2029	8,043,454	1,376,033	5,791,644	1,111,430
2030-2032	<u>4,190,523</u>	<u>260,030</u>	<u>2,344,476</u>	<u>143,979</u>
Total	<u>\$ 43,545,210</u>	<u>\$ 11,691,319</u>	<u>\$ 47,747,775</u>	<u>\$ 11,790,018</u>

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**B. Intergovernmental loans**

The Town has agreements with the State of Maryland Department of Natural Resources for six non-interest bearing loans that financed the construction of bulkheads along the Sinepuxent Bay. In March 2014, the State of Maryland amended the soil erosion control loan for Robin Drive, reducing the loan from \$297,171 to \$231,519, the actual final cost of the bulkhead construction project.

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, 2013</u>
Soil erosion control 1 <sup>st</sup> Street	2017	-	\$ 106,112	\$ 16,978
Soil erosion control 6 <sup>th</sup> Street	2016	-	71,000	8,520
Soil erosion control South Ocean Drive	2023	-	548,115	281,500
Soil erosion control Robin Drive	2029	-	<u>297,171</u>	<u>231,519</u>
Total intergovernmental loans			<u>\$ 1,022,398</u>	<u>\$ 538,517</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>
2015	\$ 41,213
2016	51,345
2017	51,345
2018	48,504
2019	44,260
2020-2024	221,300
2025-2029	<u>80,550</u>
Total	<u>\$ 538,517</u>

**C. Current and advance refunding of debt and prior years defeasance of debt**

On April 9, 2014, the Town issued at par \$4,173,000 of general obligation bonds for the purpose of refunding \$4,100,000 outstanding 2004 general obligation bonds. The 2014 bonds bear an interest rate of 0.82% and will be repaid in March 2017. The refunded 2004 bonds carried an interest rate of 4.0% and were due in March 2017. To accomplish the refunding, the Town paid a 0.5% call premium of \$20,500 to the holders of the outstanding 2004 bonds.

The reacquisition price exceeded the net carrying amount of the old debt by \$55,225, and is reported in the accompanying financial statements as an addition to bonds payable. It is being credited to operations through 2017 using the effective interest method. This advance refunding was undertaken to reduce total debt service payments over the next 3 years by \$154,406 and resulted in an economic gain of \$153,406.

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. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the government's financial statements. As of June 30, 2014, \$12,300,000 of defeased bonds remain outstanding. 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 2025 using the

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effective-interest method. The unamortized amount of the deferred charge on refunding in prior years is \$118,622 in governmental activities and \$432,132 in business-type activities.

**D. Legal debt margin**

The Town's legal debt margin as of June 30, 2014 based on 5.2% of assessable property was \$357,324,285.

**E. 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 no arbitrage liability for its bonds.

**F. Changes in long-term liabilities**

During the year ended June 30, 2014, the following changes occurred in long term liabilities reported for governmental and business-type activities:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
<u>Governmental Activities</u>					
General obligation bonds	\$ 43,673,549	\$4,518,422	\$ (4,646,761)	\$ 43,545,210	\$ 3,601,031
Intergovernmental loans	639,403	-	(100,886)	538,517	41,213
Premium	<u>1,194,562</u>	<u>354,578</u>	<u>(176,828)</u>	<u>1,372,312</u>	-
Total long-term debt	45,507,514	4,873,000	(4,924,475)	45,456,039	3,642,244
Claims and losses	<u>3,229,751</u>	<u>615,756</u>	<u>(836,216)</u>	<u>3,009,291</u>	<u>874,797</u>
Governmental activities					
Long-term liabilities	<u>\$ 48,737,265</u>	<u>\$5,488,756</u>	<u>\$ (5,760,691)</u>	<u>\$ 48,465,330</u>	<u>\$ 4,517,041</u>
<u>Business-type activities</u>					
General obligation bonds	\$ 43,305,171	\$12,954,578	\$ (8,511,974)	\$ 47,747,775	\$ 6,078,343
Premium	<u>555,762</u>	<u>1,088,897</u>	<u>(164,662)</u>	<u>1,479,997</u>	-
Business-type activities					
Long-term liabilities	<u>\$ 43,860,933</u>	<u>\$14,043,475</u>	<u>\$ (8,676,636)</u>	<u>\$ 49,227,772</u>	<u>\$ 6,078,343</u>

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, a 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 80.0% of insurance cost and business-type activities 20.0%.

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**Note 9: Other information**

**A. Advances to/from other funds**

An interfund advance in the amount of \$115,000 is reported in the general fund. The advance is to a non-major business type activity, the Golf Course Fund. The advance is reported as a non-current liability in the statement of net position of business-type activities and has been offset by a nonspendable component of general fund balance as it is not anticipated that the amounts will be repaid within one year.

**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 reasonably determinable payment expected to be incurred over a long period of time discounted at their present value using a 3.5% discount rate. The worker's compensation and property and casualty costs are based on separately determined actuarial valuations performed as of July 1, 2012.

Changes in the fund's claims liability amount since June 30, 2012 were:

Claims liability as of June 30, 2012	\$ 3,669,903
Current year claims	496,020
Changes in estimates	217,211
Claim payments	<u>(718,961)</u>
Claims liability as of June 30, 2013	3,229,751
Current year claims	543,249
Changes in estimates	72,507
Claim payments	<u>(836,216)</u>
Claims liability as of June 30, 2014	<u>\$ 3,009,291</u>

As of June 30, 2014, the risk management fund had cash and investments of \$4,145,027 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

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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. As of year end, the amount of encumbrances expected to be paid in the following year totaled \$498,539 in the General Fund and \$2,758,897 in the capital projects fund.

#### D. Intergovernmental assistance

In 1995, 2010, and 2013 the Mayor and City Council entered into an agreements 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 50.0% 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 ended June 30, 2013, the amount of the contribution was \$1,285,359.

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 1.0% tax on the sale of food and beverages. The tax was reduced to 0.5% in 2008. The Town sold an additional \$5 million of bonds in 2010 and \$8,470,000 in 2013 for the expansion of the convention center. Sales tax receipts of \$1,234,404 were \$1,264,941 less than debt service for year ended June 30, 2014. Cumulative receipts and interest of \$6,272,857 in excess of debt service is shown on the statement of net position for proprietary funds as net position, restricted for debt service. The balance of the debt was \$13,761,772 as of June 30, 2014.

#### E. New accounting pronouncements

The Government Accounting Standards Board (GASB) issued Statement No. 67, entitled *Financial Reporting for Pension Plans* and Statement No. 68, entitled *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, in 2012. In 2013, it issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. The Town implemented GASB 67 in the current report and is analyzing the effects of GASB 68 and 71. The Town expects GASB 68 to have a material effect on the Town's financial statements when implemented. The Town plans to adopt this statement for the fiscal year ended June 30, 2015, the applicable effective date. GASB 71 will not have a material effect on the Town's financial statements.

In 2013, GASB also issued Statement No. 69, entitled *Government Combinations and Disposals of Government Operations*; Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. These statements did not have a material effect on the Town's financial statements.

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**Note 10: Other Post Employment Benefits (OPEB)**

**A. Plan description**

The Town offers post retirement medical, dental, vision, and prescription coverage for employees in addition to pensions. Any full-time eligible employee of the Town of Ocean City is eligible to participate in the plan. A closed group of wastewater fund employees who transferred from Worcester County in 1994 receive post retirement health benefits for retirees and their dependents.

The Town subsidizes a portion of the premiums. For wastewater fund employees, the subsidy is 90.0%. Employees who have retired after January 1, 1998 with 15 years of service receive an 80.0% subsidy. Employees who have a date of hire from July 1, 2006 to June 30, 2011, have a 25 year service requirement to receive the 80.0% subsidy. Employees hired after July 1, 2011, who retire after 25 years of service, receive the current benefit amount of \$644 increased a maximum of 3.0% per year until they reach age 65. The Town's retirees under age 65 pay a higher rate based on the retiree's actual experience that is higher than the premium for employees. In addition, there is a separate rate for retirees over age 65. Because the Town of Ocean City charges a premium for retirees under age 65 based on the Town's retiree's experience, there is no implicit subsidy.

In 2008, the Town established a trust fund to provide for retiree health insurance benefits. The Other Post Employment Benefits Trust (OPEB Trust) is a single employer 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 as of January 1, 2014 consisted of the following:

Active employees	496
Retirees and beneficiaries receiving benefits	<u>125</u>
Total	<u>621</u>

**B. Funding policy and contributions**

In 2014, the City Council adopted a funding policy for the OPEB Trust to make annual contributions based on projected pay-as-you-go financing requirements, with an additional amount to amortize the unfunded actuarial accrued liability (UAAL) as determined biannually by an actuarial valuation. The transitional UAAL will be amortized over a closed 24 year period beginning in 2014 and each new incremental UAAL shall be amortized over a closed 15 year period beginning with the year it is incurred. For the fiscal year 2014, the Town contributed \$3,617,000 to the plan, including \$1,053,063 for current premiums, 82.5% of total premiums, and an additional \$2,563,937 to amortize the UAAL and pay administrative costs. Plan members receiving benefits contributed \$222,920, or 17.5% of total premiums through their required contribution.

**C. 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 No. 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

Town of Ocean City  
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fiscal year 2014 was based on an actuarial valuation for fiscal year beginning July 1, 2012 and ending June 30, 2013, dated February 13, 2013. The ARC and the net OPEB obligation as of July 1, 2011, for fiscal year 2012; July 1, 2012, for fiscal year 2013; and July 1, 2013, for fiscal year 2014, are as follows:

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Annual required contribution (ARC)	\$ 3,675,000	\$ 3,475,000	\$ 3,617,000
Contribution made	100.0% <u>(3,675,000)</u>	<u>(3,475,000)</u>	<u>(3,617,000)</u>
Net OPEB obligation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**D. Funding status and funding progress**

As of July 1, 2013, the most recent actuarial valuation date, the plan was 34.1% funded. The actuarial accrued liability for benefits was \$46,079,000 and the actuarial value of assets, at market, was \$15,718,943, resulting in an unfunded actuarial liability (UAAL) of \$30,360,057. The covered payroll (annual payroll of active employees covered by the plan) was \$25,614,340, and the ratio of the UAAL to the covered payroll was 118.5%. The market value of assets as of June 30, 2014, was \$20,986,696.

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 100.0% of the ARC for fiscal years 2012, 2013 and 2014.

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.

**E. 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	May 2, 2014
Actuarial method	Projected unit credit
Amortization method	Closed, level percentage of payroll
Amortization period	Closed 26 year period
Inflation rate	3.0%
Investment rate of return	7.0%
Discount rate	7.0%
Asset valuation method	Fair value of assets at year end
Salary scale	5.0%
Mortality	RP2000 Combined Healthy Table
Health care cost trend rates:	Initial 7.0%
	Ultimate 4.34%

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**Note 11: Employee retirement systems**

**A. Defined contribution plan**

Effective July 1, 2011, the Town established an IRC 401(a) plan for employees hired after April 1, 2011. The contribution and funding requirements of the plan are established by the Town and may be amended by the Town. The plan is administered by the International City Management Retirement Corporation (ICMA-RC). The assets are held in the name of each participant with the ICMA-RC. All administrative fees are borne by the participants.

The Town provides a 5.0% match of the employees required contribution to the 401(a) plan and up to an additional 2.0% to the plan for a potential total contribution of 7.0% of base annual salary, if the employee contributes the additional 2.0%. For the year ended June 30, 2014, there were 75 employees in the plan. Employee contributions totaled \$280,055 and the Town recognized pension expense of \$280,055. The market value of the 401(a) plan assets totaled \$ 716,191 as of June 30, 2014.

Employees are immediately vested in their own contributions and earnings on those contributions. Employer contributions vest at 20.0% per year with vesting of 100.0% at five years. Nonvested Town contributions are forfeited upon termination of employment and used to pay administrative expenses of the plan, with any remainder being applied to reduce employer contributions.

**B. Single employer defined benefit pension plans**

The Town contributes to two single employer pension plans in which all eligible employees participate who were hired before April 1, 2011; the Employees of Ocean City, Maryland Pension Plan and Trust (EPPT) and the Ocean City, Maryland Public Safety Employees Pension Plan and Trust (PSEPP). Descriptions of the two plans and their net pension liabilities are provided separately below. Disclosures for accounting policies, administration, investments, and actuarial assumptions for the Town's two single employer plans are as follows:

*Summary of significant accounting policies:* The accounts of the two single employer 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. 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.

*Administration:* Per Code Chapter §C-1006 of the Town of Ocean City, the Trustees of Employees of Ocean City, Maryland Pension Plans function as the investment and administrative agent for the Town with respect to the single-employer defined benefit plans, the EPPT and PESPP. There are seven trustees: the mayor, City Council president, four trustees appointed by the Mayor and approved by the City Council and one trustee elected by active plan members. The City Council has the authority to establish and amend benefits.

*Investments:* The Trustees establish and can amend the investment policy for the plans' assets by a majority vote of the members. The policy defines various major asset classes, asset allocations and acceptable ranges that are to be employed. The policy requires asset classes with low correlations to each other to provide sufficient diversification to minimize overall portfolio volatility. The following was the Trustees' adopted asset policy as of June 30, 2014:

Town of Ocean City  
Notes to the Financial Statements  
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Asset Class	Target Allocation
Domestic equity	28%
International equity	20
Fixed income	33
Alternatives	<u>19</u>
Total	<u>100%</u>

For the year ended June 30, 2014, the annual money weighted rate of return on pension plan investments, net of investment expense was 15.77% for the EPPT and 14.96% for the PSEPP. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Actuarial Assumptions.* Total pension liability was determined by an actuarial valuation as of April 1, 2014 and rolled forward using appropriate techniques to June 30, 2014, utilizing the Entry Age Normal actuarial funding method and the following actuarial assumptions applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	5.0 – 10.0%, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
No post-retirement benefit increases	None

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2018. The actuarial assumptions used in the April 1, 2014 valuation were based on the results of an actuarial experience study for the period April 1, 2004 through April 1, 2009.

The long-term expected rate of return on pension plan investments was determined using log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2014 is as follows:

Asset Class	% of Portfolio	Assumed Rate of Return	Inflation	Real Rate of Return
Domestic equities	37.0%	9.80%	2.0%	7.80%
Developed international equities	16.0	9.70	2.0	7.70
Emerging international equities	5.0	9.90	2.0	7.90
Domestic fixed income	20.0	4.30	2.0	2.30
International fixed income	5.0	4.50	2.0	2.50
International high yield	5.0	7.80	2.0	5.80
Real estate investment trusts	3.0	9.20	2.0	7.20
Hedge funds	6.0	7.30	2.0	5.30
Private equity	3.0	13.90	2.0	11.90
<b>Total</b>	100.0%	8.30%	2.0%	6.30%

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*Discount rate.* The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Town contributions will be made at rates determined by the funding policy, a rate equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use a municipal bond rate.

The condensed financial statements of the plans are as follows:

**Condensed statement of net position**

	General Employees Pension Fund	Public Safety Employees Pension Fund	Total
Assets:			
Cash and receivables	\$ 2,553,246	\$ 2,465,283	\$ 5,018,529
Investments	<u>48,233,118</u>	<u>48,775,841</u>	<u>97,008,959</u>
Total assets	<u>50,786,364</u>	<u>51,241,124</u>	<u>102,027,488</u>
Liabilities:			
Total liabilities	<u>16,028</u>	<u>17,580</u>	<u>33,608</u>
Net position:			
Held in trust for pension benefits	<u>\$ 50,770,336</u>	<u>\$ 51,223,544</u>	<u>\$ 101,993,880</u>

**Condensed statement of changes in fiduciary net position**

	General Employees Pension Fund	Public Safety Employees Pension Fund	Total
Additions:			
Contributions	\$ 3,132,595	\$ 4,339,150	\$ 7,471,745
Investment income	<u>6,750,912</u>	<u>6,828,365</u>	<u>13,579,277</u>
Total additions	<u>9,883,507</u>	<u>11,167,515</u>	<u>21,051,022</u>
Deductions:			
Benefits and refunds paid	2,283,852	3,049,533	5,333,385
Administrative expenses	<u>75,228</u>	<u>77,691</u>	<u>152,919</u>
Total deductions	<u>2,359,080</u>	<u>3,127,224</u>	<u>5,486,304</u>
Change in net position	7,524,427	8,040,291	15,564,718
Net position - beginning of year	<u>43,245,909</u>	<u>43,183,253</u>	<u>86,429,162</u>
Net position - end of year	<u>\$ 50,770,336</u>	<u>\$ 51,223,544</u>	<u>\$ 101,993,880</u>

Town of Ocean City  
Notes to the Financial Statements  
June 30, 2014

1. General Employees Pension Plan (EPPT)

- a. *Membership.* The plan covers all non-public safety employees and wastewater employees hired after July 1, 1994. The plan was closed to new entrants as of April 1, 2011. The following table summarizes the membership of the system as of April 1, 2014, the valuation date:

Retirees and survivors currently receiving benefits	165
Terminated vested employees entitled to but not yet receiving benefits	54
Inactive nonvested members	11
Active members	<u>277</u>
Total	507

- b. *Benefits.* 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 50.0% 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. Participants contribute 5.0% of pay. 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 1.0% of other service.
- c. *Funding policy and contributions.* The City Council adopted a funding policy for the EPPT in 2014 that provides for annual Town contributions based upon an annual actuarial valuation. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance the unfunded liability over a closed ten-year period. All administrative costs are paid by the EPPT. The contribution is determined using the projected unit credit actuarial cost method. The contribution to the EPPT for 2014 was \$2,351,375 computed through an actuarial valuation performed as of April 1, 2013 and represented 15.3% of covered payroll. Members contributed \$781,200, a rate of 5.0% of annual pay.
- d. *Net Pension Liability of the Town for the EPPT:*

The net pension liability is equal to the total pension liability minus the net position of the plan. The result as of June 30, 2014 is as follows:

Total pension liability	\$ 59,269,203
EPPT net position	<u>(50,770,336)</u>
Town's net pension liability	<u>\$ 8,498,867</u>

EEPT net position as a percentage of total pension liability      85.66%

- e. *Sensitivity of the net pension liability to changes in the discount rate.* The following presents the net pension liability of the plan, calculated using the discount rate of 7.50%, as well as what the plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.50%) or 1-percentage point higher (8.50%) than the current rate:

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Notes to the Financial Statements  
June 30, 2014

	1.0% decrease (6.50%)	Current rate 7.50%	1.0% increase (8.50%)
Net pension liability	\$15,188,710	\$8,498,867	\$2,771,413

The schedule of changes in the net pension liability, schedule of Town contributions, and a schedule of investment returns is presented as Required Supplementary Information (RSI) following the notes to the financial statements on pages 87-89.

**2. Public Safety Employees Pension Plan (PSEPP)**

- a. *Membership.* 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). The following table summarizes the membership of the system as of April 1, 2014, the valuation date:

Retirees and survivors currently receiving benefits	64
Terminated vested employees entitled to but not yet receiving benefits	3
Inactive nonvested members	5
Active members	<u>157</u>
Total	<u>229</u>

- b. *Benefits.* The pension 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 60.0% of final average monthly compensation, reduced for years of service less than 25 at exit age. Final benefit is based on average compensation of the three highest consecutive years in the last ten years prior to retirement. 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 3.0% of other service. The plan was closed to new entrants on April 1, 2011, then reopened to new entrants as of July 1, 2013.

- c. *Deferred Retirement Option Program (DROP).* Participants can elect to enter DROP when they reach 25 years of service, continue making employee contributions and retire within the next three years. At retirement, the benefit is the 25-year benefit plus the lump sum (or annuity equivalent) of the monthly benefits not received during the DROP period.
- d. *Funding policy and contributions.* The City Council adopted a funding policy for the PSEPP in 2014 that provides for annual Town contributions based upon an annual actuarial valuation. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance the unfunded liability over a closed ten-year period. All administrative costs are paid by the EPPT. The contribution is determined using the projected unit credit actuarial cost method. The contribution to the PSEPP for 2014 was \$3,331,311 computed through an actuarial valuation performed as of April 1, 2013 and represented 34.4% of covered payroll. Members contributed \$1,007,839, a rate of 8.0% of annual pay.

Town of Ocean City  
Notes to the Financial Statements  
June 30, 2014

e. *Net Pension Liability of the Town for the PSEPP:*

The net pension liability is equal to the total pension liability minus the net position of the plan. The result as of June 30, 2014 is as follows:

Total pension liability	\$ 59,917,072
PSEPP net position	<u>(51,223,544)</u>
Town's net pension liability	<u>\$ 8,693,528</u>

EEPT net position as a percentage of total pension liability                      85.49%

f. *Sensitivity of the net pension liability to changes in the discount rate.* The following presents the net pension liability of the plan, calculated using the discount rate of 7.50%, as well as what the plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.50%) or 1-percentage point higher (8.50%) than the current rate:

	1.0% decrease (6.50%)	Current rate 7.50%	1.0% increase (8.50%)
Net pension liability	\$16,016,791	\$8,693,528	\$2,718,915

The schedule of changes in the net pension liability, schedule of Town contributions, and a schedule of investment returns is presented as Required Supplementary Information (RSI) following the notes to the financial statements on page 87, and 90-91.

### 3. Cost sharing multiple-employer pension plan

a. *Plan description*

Wastewater fund employees who were transferred to the Town from the Worcester County Department of Water and Wastewater Services participate in a mandatory contributory defined benefit plan administered by Nationwide Financial Company. 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 remain in the County plan for water and wastewater employees. 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, 2014, the total covered payroll was \$1,132,857. 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.

b. *Funding policy*

Plan members are required to contribute 4.0% of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The rate for the fiscal year 2014 contribution was 7.49% of annual covered payroll. The contribution requirements of plan members and the Town are established and may be amended by the County Commissioners of Worcester County.

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Notes to the Financial Statements  
June 30, 2014

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The actuarial accrued liability was computed as part of an actuarial valuation performed as of July 1, 2013. 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, 2013, for the plan as a whole, determined by an actuarial valuation performed on that date, was \$5,727,813. The actuarial value of assets, at fair value, as of that date was \$7,277,877 with assets in excess of the actuarial accrued liability by \$1,550,064.

c. *Annual pension cost and three-year trend information*

In addition to employee contributions of 4.0% 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 2014.

Employee contributions totaled \$43,263. The Town's actuarially determined contribution as the employer was \$84,797 or 7.49% of covered payroll for the plan year beginning July 1, 2013. This contribution covers the Town's total liability for funding, as determined by Worcester County. The Town's contribution for its employees represents 48.7% 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 100.0% of the required contribution for the past three years. The contribution was \$84,797, \$74,734, and \$87,243 for the years ended June 30 for 2014, 2013 and 2012, respectively.

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

Schedules of Changes in Net Position Liability

Schedules of Employer Contributions



Town of Ocean City, Maryland  
Schedule of Changes in Pension Fund Net Pension Liability and Related Ratios  
For Fiscal Year Ended June 30, 2014

	General Employees Pension Fund	Public Safety Employees Pension Fund
Total pension liability		
<b>Service cost:</b> Retirement benefits	\$ 1,106,190	\$ 1,559,854
Administration		
Interest	4,137,554	4,165,353
Differences between expected and actual experiences	-	-
Benefit payments, including refunds of member contributions, deaths, & terminations	(2,283,852)	(2,692,361)
<b>Net change in total pension liability</b>	<u>2,959,892</u>	<u>3,032,846</u>
Total pension liability - beginning	56,309,311	56,884,226
Total pension liability - ending (a)	<u>\$ 59,269,203</u>	<u>\$ 59,917,072</u>
<b>Plan fiduciary net position</b>		
Contributions - employer	\$ 2,351,375	\$ 3,331,311
Contributions - member	781,220	1,007,839
Net investment income	6,750,912	6,828,365
Benefit payments, including refunds of member contributions	(2,283,852)	(3,049,533)
Administrative expense	(75,228)	(77,691)
<b>Net change in plan fiduciary net position</b>	<u>7,524,427</u>	<u>8,040,291</u>
Plan fiduciary net position - beginning	43,245,909	43,183,253
Plan fiduciary net position - ending (b)	<u>\$ 50,770,336</u>	<u>\$ 51,223,544</u>
<b>Town's net pension - liability - ending (a) - (b)</b>	<u>\$ 8,498,867</u>	<u>\$ 8,693,528</u>
Plan fiduciary net position as a percentage of total pension liability	85.66%	85.49%
Covered employee payroll	\$ 15,073,776	\$ 10,540,564
Net liability as a percentage of covered payroll	56.38%	82.48%
Annual money-weighted rate of return, net of investment expense	15.77%	14.96%

Notes to schedule:

This information is not available for previous years.

The General Employees Pension Plan was closed to new entrants effective April 1, 2011.

Town of Ocean City, Maryland  
Schedule of General Employees Pension Fund Employer Contributions  
Last Ten Fiscal Years

	2014	2013	2012
Actuarially determined contribution	\$ 2,351,375	\$ 2,468,399	\$ 2,473,662
Contributions in relation to the actuarially determined contribution	\$ 2,351,375	\$ 2,468,399	\$ 2,473,662
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered employee payroll	15,073,776	15,370,687	16,162,237
Contributions as a percentage of covered employee payroll	15.60%	16.06%	15.31%

Notes to schedule:

Valuation date

Actuarially determined contribution rates are calculated as of March 31,  
15 months prior to the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Projected unit credit
Amortization method	Level dollar open
Remaining amortization period	10 years
Asset valuation method	Five-year smoothed market value
Inflation	3.00%
Salary increases	Varies (ultimately 5.0%)
Investment rate of return	7.5% , net of investment expenses, including inflation
Retirement age	25% of employees eligible for unreduced benefits before age 65 are assumed to retire in the year when eligible (30 years of service), 50% by age 65 and 100% by age 70.
Mortality	RP2000 Combined Healthy Table
Other information:	
Sick leave credit	Retiring employees receive an additional one month of benefit service, but not eligibility service, for each 176 hours of unused sick leave
Cost of living adjustment	None

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 2,135,538	\$ 2,472,916	\$ 2,474,479	\$ 2,348,529	\$ 2,255,718	\$ 1,969,055	\$ 1,671,266
<u>\$ 2,135,538</u>	<u>\$ 2,472,916</u>	<u>\$ 2,474,479</u>	<u>\$ 2,348,529</u>	<u>\$ 2,255,718</u>	<u>\$ 1,969,055</u>	<u>\$ 1,671,266</u>
<u>\$ -</u>						
17,316,053	19,517,323	20,595,416	20,666,347	19,043,583	17,475,494	14,427,102
12.33%	12.67%	12.01%	11.36%	11.85%	11.27%	11.58%

Town of Ocean City, Maryland  
Schedule of Public Safety Employees Pension Fund Employer Contributions  
Last Ten Fiscal Years

	2014	2013	2012
Actuarially determined contribution	\$ 3,331,311	\$ 3,228,530	\$ 3,380,743
Contributions in relation to the actuarially determined contribution	\$ 3,331,311	\$ 3,228,530	\$ 3,380,743
Contribution deficiency (excess)	\$ -	\$ -	\$ -

Covered employee payroll	10,540,564	9,690,975	10,248,502
Contributions as a percentage of covered employee payroll	31.60%	33.31%	32.99%

Notes to schedule:

Valuation date

Actuarially determined contribution rates are calculated as of March 31,  
15 months prior to the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Projected unit credit
Amortization method	Level dollar open
Remaining amortization period	10 years
Asset valuation method	Five-year smoothed market value
Inflation	3.00%
Salary increases	Varies (ultimately 5.0%)
Investment rate of return	7.5% , net of investment expenses, including inflation
Retirement age	75% of police employees and 25% of non-police employees eligible for unreduced benefits are assumed to retire in the year when eligible (25 years of service); and 100% by age 62.
Mortality	RP2000 Combined Healthy Table
Other information:	
Sick leave credit	Retiring employees receive an additional one month of benefit service, but not eligibility service, for each 176 hours of unused sick leave at 3.0% of other service
Cost of living adjustment	None

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 2,917,210	\$ 2,771,852	\$ 2,721,333	\$ 2,709,034	\$ 2,371,215	\$ 1,569,865	\$ 1,094,655
<u>\$ 2,917,210</u>	<u>\$ 2,771,852</u>	<u>\$ 2,721,333</u>	<u>\$ 2,709,034</u>	<u>\$ 2,371,215</u>	<u>\$ 1,569,865</u>	<u>\$ 1,094,655</u>
<u>\$ -</u>						
11,260,790	12,119,371	12,064,994	11,367,218	10,742,790	10,133,931	8,236,439
25.91%	22.87%	22.56%	23.83%	22.07%	15.49%	13.29%

TOWN OF OCEAN CITY  
OPEB TRUST FUND  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS

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
7/1/2013	\$ 15,718,943	\$ 46,079,000	\$ 30,360,057	34.1 %	\$ 25,614,340	118.5 %
7/1/2012	12,151,386	42,383,000	30,231,614	28.7	25,061,662	120.6
7/1/2011	9,384,092	40,674,000	\$ 31,289,908	23.1	26,410,739	118.5
7/1/2010	5,209,649	37,010,000	31,800,351	14.1	28,576,843	111.3
7/1/2009	2,751,277	28,958,000	26,206,723	9.5	31,636,694	82.8
7/1/2008	-	28,958,000	28,958,000	0.0	32,660,410	88.7

Source: "Town of Ocean City, Maryland Post Employment Medical Benefits Actuarial Valuation for Fiscal Year Ended June 30, 2014", Bolton Partners, Inc.

TOWN OF OCEAN CITY  
OPEB TRUST FUND  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2014	\$3,617,000	100 %
2013	3,475,000	100
2012	3,675,000	100
2011	3,516,000	100
2010	3,104,000	100
2009	3,104,000	100

## ***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 is 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 accounts for the activities and construction projects of the municipality-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 POSITION  
 NONMAJOR ENTERPRISE FUNDS  
 JUNE 30, 2014

	Airport	Golf Course	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 21,659	\$ 7,374	\$ 29,033
Receivables, net	26,055	117,909	143,964
Intergovernmental receivable	35,705	230	35,935
Inventories	53,489	83,490	136,979
Other	-	2,500	2,500
Total current assets	<u>136,908</u>	<u>211,503</u>	<u>348,411</u>
Noncurrent assets:			
Restricted investments	467,859	-	467,859
Capital assets:			
Land	1,174,102	2,530,140	3,704,242
Buildings	4,587,345	634,151	5,221,496
Other improvements	-	627,874	627,874
Streets and infrastructure	9,023,202	-	9,023,202
Machinery and equipment	164,637	653,691	818,328
Less accumulated depreciation	<u>(6,625,189)</u>	<u>(1,616,078)</u>	<u>(8,241,267)</u>
Total noncurrent assets	<u>8,791,956</u>	<u>2,829,778</u>	<u>11,621,734</u>
Total assets	<u>8,928,864</u>	<u>3,041,281</u>	<u>11,970,145</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	151,310	30,844	182,154
Accrued expenses	15,700	38,434	54,134
Compensated absences	14,659	47,809	62,468
Unearned revenue	467,859	52,525	520,384
Current portion of long-term debt	84,259	-	84,259
Total current liabilities	<u>733,787</u>	<u>169,612</u>	<u>903,399</u>
Noncurrent liabilities:			
Advances from other funds	-	115,000	115,000
Bonds, notes, and loans payable	1,260,726	-	1,260,726
Total other noncurrent liabilities	<u>1,260,726</u>	<u>115,000</u>	<u>1,375,726</u>
Total liabilities	<u>1,994,513</u>	<u>284,612</u>	<u>2,279,125</u>
<b>NET POSITION</b>			
Net investment in capital assets	6,979,111	2,829,778	9,808,889
Unrestricted	(44,760)	(73,109)	(117,869)
Total net position	<u>\$ 6,934,351</u>	<u>\$ 2,756,669</u>	<u>\$ 9,691,020</u>

TOWN OF OCEAN CITY  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 NONMAJOR ENTERPRISE FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Airport</u>	<u>Golf Course</u>	<u>Total</u>
Operating revenues:			
Charges for sales and services	\$ 1,146,508	\$ 1,983,134	\$ 3,129,642
Total operating revenues	<u>1,146,508</u>	<u>1,983,134</u>	<u>3,129,642</u>
Operating expenses:			
Personal services	291,765	1,035,321	1,327,086
Contractual services	187,177	262,976	450,153
Utilities	42,374	50,329	92,703
Repairs and maintenance	56,663	57,288	113,951
Other supplies and expenses	547,812	426,917	974,729
Internal services	99,353	194,541	293,894
Depreciation	328,425	42,433	370,858
Total operating expenses	<u>1,553,569</u>	<u>2,069,805</u>	<u>3,623,374</u>
Operating loss	<u>(407,061)</u>	<u>(86,671)</u>	<u>(493,732)</u>
Nonoperating revenues (expenses)			
Interest and investment revenue	3	9	12
Interest expense	(61,530)	-	(61,530)
Total nonoperating revenues (expenses)	<u>(61,527)</u>	<u>9</u>	<u>(61,518)</u>
Loss before capital contributions and transfers	(468,588)	(86,662)	(555,250)
Capital contributions	859,123	-	859,123
Transfers in	256,932	70,587	327,519
Change in net position	647,467	(16,075)	631,392
Net position - beginning	<u>6,286,884</u>	<u>2,772,744</u>	<u>9,059,628</u>
Net position - ending	<u>\$ 6,934,351</u>	<u>\$ 2,756,669</u>	<u>\$ 9,691,020</u>

TOWN OF OCEAN CITY  
 COMBINING STATEMENT OF CASH FLOWS  
 NONMAJOR ENTERPRISE FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Airport	Golf Course	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers and users	\$ 1,129,115	\$ 2,017,847	\$ 3,146,962
Payments to suppliers	(804,266)	(803,395)	(1,607,661)
Payments to employees	(287,881)	(1,037,341)	(1,325,222)
Payments for interfund services used	(99,353)	(194,541)	(293,894)
Net cash used by operating activities	<u>(62,385)</u>	<u>(17,430)</u>	<u>(79,815)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Advances to other funds	(1,083,000)	(50,000)	(1,133,000)
Transfers from other funds	256,932	70,587	327,519
Net cash provided (used) by noncapital financing activities	<u>(826,068)</u>	<u>20,587</u>	<u>(805,481)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Proceeds from capital grant	144,345	-	144,345
Acquisition and construction of capital assets	(702,633)	-	(702,633)
Principal paid on capital debt	(81,002)	-	(81,002)
Interest paid on capital debt	(61,958)	-	(61,958)
Net cash used by capital and related financing activities	<u>(701,248)</u>	<u>-</u>	<u>(701,248)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Proceeds from sales and maturities of investments	1,607,680	-	1,607,680
Interest and dividends received	3	9	12
Net cash provided by investing activities	<u>1,607,683</u>	<u>9</u>	<u>1,607,692</u>
Net increase in cash and cash equivalents	17,982	3,166	21,148
Cash and cash equivalents at beginning of the year	<u>3,677</u>	<u>4,208</u>	<u>7,885</u>
Cash and cash equivalents at end of the year	<u>\$ 21,659</u>	<u>\$ 7,374</u>	<u>\$ 29,033</u>

(Continued)

TOWN OF OCEAN CITY  
 COMBINING STATEMENT OF CASH FLOWS (Continued)  
 NONMAJOR ENTERPRISE FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Airport</u>	<u>Golf Course</u>	<u>Total</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATIONS			
Operating loss	\$ (407,061)	\$ (86,671)	\$ (493,732)
Adjustments to reconcile operating income to net cash provided (used)			
by operating activities:			
Depreciation	328,425	42,433	370,858
EFFECT OF CHANGES IN OPERATING ASSETS & LIABILITIES:			
Accounts receivable	(17,393)	46,150	28,757
Inventories	31,736	(12,229)	19,507
Compensated absences	2,686	(6,185)	(3,499)
Accounts payable	(1,976)	6,344	4,368
Accrued expenses	1,198	4,165	5,363
Unearned revenue	-	(11,437)	(11,437)
Total adjustments	<u>344,676</u>	<u>69,241</u>	<u>413,917</u>
Net cash used by operating activities	<u>\$ (62,385)</u>	<u>\$ (17,430)</u>	<u>\$ (79,815)</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 POSITION  
 INTERNAL SERVICE FUNDS  
 JUNE 30, 2014

	Information Technology	Service Center	Vehicle Trust	Risk Mangement	Total Internal Service Funds
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 53,675	\$ 3,006	\$ 4,126	\$ 691,437	\$ 752,244
Investments	100,000	-	1,230,000	3,453,590	4,783,590
Receivables, net	191	-	49,785	-	49,976
Interest receivable	-	-	-	8,690	8,690
Inventories	-	893,142	-	-	893,142
Other	-	-	42,000	-	42,000
<b>Total current assets</b>	<b>153,866</b>	<b>896,148</b>	<b>1,325,911</b>	<b>4,153,717</b>	<b>6,529,642</b>
Noncurrent assets:					
Capital assets:					
Buildings	-	1,373,223	73,860	-	1,447,083
Other improvements	-	31,545	-	-	31,545
Machinery, equipment, and vehicles	562,200	203,219	44,409,198	-	45,174,617
Less accumulated depreciation	(536,461)	(1,299,938)	(29,652,373)	-	(31,488,772)
<b>Total noncurrent assets</b>	<b>25,739</b>	<b>308,049</b>	<b>14,830,685</b>	<b>-</b>	<b>15,164,473</b>
<b>Total assets</b>	<b>\$ 179,605</b>	<b>\$ 1,204,197</b>	<b>\$ 16,156,596</b>	<b>\$ 4,153,717</b>	<b>\$ 21,694,115</b>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	\$ 33,103	\$ 229,853	\$ 22,512	\$ 118,277	\$ 403,745
Accrued expense	31,230	48,644	-	10,002	89,876
Compensated absences	34,833	61,854	-	12,600	109,287
Due to other funds	-	305,000	-	-	305,000
Claims and judgments	-	-	-	874,797	874,797
<b>Total current liabilities</b>	<b>99,166</b>	<b>645,351</b>	<b>22,512</b>	<b>1,015,676</b>	<b>1,782,705</b>
Noncurrent liabilities:					
Claims and judgments	-	-	-	2,134,494	2,134,494
<b>Total noncurrent liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,134,494</b>	<b>2,134,494</b>
<b>Total liabilities</b>	<b>99,166</b>	<b>645,351</b>	<b>22,512</b>	<b>3,150,170</b>	<b>3,917,199</b>
<b>NET POSITION</b>					
Net investment in capital assets	25,738	308,049	14,830,685	-	15,164,472
Unrestricted	54,701	250,797	1,303,399	1,003,547	2,612,444
<b>Total net position</b>	<b>\$ 80,439</b>	<b>\$ 558,846</b>	<b>\$ 16,134,084</b>	<b>\$ 1,003,547</b>	<b>\$ 17,776,916</b>

TOWN OF OCEAN CITY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
INTERNAL SERVICE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Information Technology	Service Center	Vehicle Trust	Risk Mangement	Total
Operating revenues:					
Charges for sales and services	\$ 1,857,764	\$ 5,084,123	\$ 2,105,279	\$ 2,232,521	\$ 11,279,687
Total operating revenues	<u>1,857,764</u>	<u>5,084,123</u>	<u>2,105,279</u>	<u>2,232,521</u>	<u>11,279,687</u>
Operating expenses:					
Personal services	956,119	1,771,765	-	244,438	2,972,322
Contractual services	43,686	25,622	346,783	944,840	1,360,931
Utilities	19,292	64,574	-	897	84,763
Repairs and maintenance	454,059	65,656	5,515	1,242	526,472
Other supplies and expenses	299,603	2,856,165	155,106	1,966	3,312,840
Internal services	57,383	262,826	459,905	120,748	900,862
Insurance claims and expenses	-	-	-	605,734	605,734
Depreciation	7,354	52,421	2,407,721	-	2,467,496
Total operating expenses	<u>1,837,496</u>	<u>5,099,029</u>	<u>3,375,030</u>	<u>1,919,865</u>	<u>12,231,420</u>
Operating income (loss)	<u>20,268</u>	<u>(14,906)</u>	<u>(1,269,751)</u>	<u>312,656</u>	<u>(951,733)</u>
Nonoperating revenues:					
Interest and investment revenue	-	-	-	86,970	86,970
Operating grants	-	-	58,265	-	58,265
Gain on disposal of assets	-	-	118,221	-	118,221
Total nonoperating revenues	<u>-</u>	<u>-</u>	<u>176,486</u>	<u>86,970</u>	<u>263,456</u>
Income (loss) before contributions and transfers	20,268	(14,906)	(1,093,265)	399,626	(688,277)
Capital contributions	-	-	3,336,447	-	3,336,447
Transfers In	-	-	340,248	-	340,248
Change in net position	<u>20,268</u>	<u>(14,906)</u>	<u>2,583,430</u>	<u>399,626</u>	<u>2,988,418</u>
Net position- beginning	<u>60,171</u>	<u>573,752</u>	<u>13,550,654</u>	<u>603,921</u>	<u>14,788,498</u>
Net position - ending	<u>\$ 80,439</u>	<u>\$ 558,846</u>	<u>\$ 16,134,084</u>	<u>\$ 1,003,547</u>	<u>\$ 17,776,916</u>

TOWN OF OCEAN CITY  
 COMBINING STATEMENT OF CASH FLOWS  
 INTERNAL SERVICE FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Information Technology
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Receipts from customers and users	\$ 1,857,693
Payments to suppliers	(804,402)
Payments to employees	(942,835)
Payments for interfund services used	(57,383)
	53,073
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Advances to other funds	-
Subsidy from county, state and federal grants	-
Transfers from other funds	-
	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Proceeds from capital grant	-
Acquisition and construction of capital assets	-
Proceeds from sales of capital assets	-
	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Proceeds from sales and maturities of investments	-
Purchase of investments	-
Interest and dividends received	-
	-
Net increase (decrease) in cash and cash equivalents	53,073
Cash and cash equivalents at beginning of the year	602
Cash and cash equivalents at end of the year	\$ 53,675

(Continued)

Service Center	Vehicle Trust	Risk Management	Total
\$ 5,084,123	\$ 2,105,279	\$ 2,232,521	\$ 11,279,616
(2,917,825)	(411,404)	(1,701,756)	(5,835,387)
(1,792,161)	-	(243,319)	(2,978,315)
(262,826)	(459,905)	(120,748)	(900,862)
111,311	1,233,970	166,698	1,565,052
(110,000)	-	-	(110,000)
-	58,265	-	58,265
-	340,248	-	340,248
(110,000)	398,513	-	288,513
-	3,336,447	-	3,336,447
-	(5,072,461)	-	(5,072,461)
-	117,773	-	117,773
-	(1,618,241)	-	(1,618,241)
-	-	864,000	864,000
-	(30,000)	(409,000)	(439,000)
-	-	45,924	45,924
-	(30,000)	500,924	470,924
1,311	(15,758)	667,622	706,248
1,695	19,884	23,815	45,996
<u>\$ 3,006</u>	<u>\$ 4,126</u>	<u>\$ 691,437</u>	<u>\$ 752,244</u>

TOWN OF OCEAN CITY  
 COMBINING STATEMENT OF CASH FLOWS (Continued)  
 INTERNAL SERVICE FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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	Information Technology
<b>RECONCILIATION OF OPERATING INCOME(LOSS) TO NET CASH PROVIDED BY OPERATIONS</b>	
Operating income (loss)	\$ 20,268
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	7,354
<b>EFFECT OF CHANGES IN OPERATING ASSETS &amp; LIABILITIES:</b>	
Accounts receivable	(71)
Inventories	-
Prepaid expenses	-
Compensated absences	8,918
Accounts payable	12,238
Accrued expenses	4,366
Claims liability	-
Total adjustments	32,805
Net cash provided by operating activities	\$ 53,073

**NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES**

Increase in fair value of investments	\$	-
Loss on disposal of asset		-

Service Center	Vehicle Trust	Risk Management	Total
\$ (14,906)	\$ (1,269,751)	\$ 312,656	\$ (951,733)
52,421	2,407,721	-	2,467,496
-	-	-	(71)
(9,431)	-	-	(9,431)
-	96,000	-	96,000
(9,771)	-	-	(853)
103,623	-	73,383	189,244
(10,625)	-	1,119	(5,140)
-	-	(220,460)	(220,460)
126,217	2,503,721	(145,958)	2,516,785
\$ 111,311	\$ 1,233,970	\$ 166,698	\$ 1,565,052

\$ -	\$ -	\$ 43,405	\$ 43,405
-	(11,189)	-	(11,189)



## ***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 TRUST 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 TRUST 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  
 COMBINING STATEMENT OF NET POSITION  
 FIDUCIARY FUNDS  
 PENSION TRUST FUNDS  
 JUNE 30, 2014

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	General Employees Pension Fund	Public Safety Employees Pension Fund	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,490,790	\$ 2,403,127	\$ 4,893,917
Interest and dividends receivable	62,456	62,156	124,612
Investments, at fair value:			
Domestic equities	17,773,179	17,980,913	35,754,092
Domestic fixed income	12,049,113	12,211,874	24,260,987
Real estate investment trusts	1,455,565	1,474,523	2,930,088
International equities	10,200,833	10,232,795	20,433,628
International fixed income	2,432,353	2,467,376	4,899,729
Alternative investments	4,322,075	4,408,360	8,730,435
Total investments	<u>48,233,118</u>	<u>48,775,841</u>	<u>97,008,959</u>
Total assets	<u>50,786,364</u>	<u>51,241,124</u>	<u>102,027,488</u>
<b>LIABILITIES</b>			
Accounts payable	<u>16,028</u>	<u>17,580</u>	<u>33,608</u>
Total liabilities	<u>16,028</u>	<u>17,580</u>	<u>33,608</u>
<b>NET POSITION</b>			
Net position held in trust for pension benefits	<u>\$ 50,770,336</u>	<u>\$ 51,223,544</u>	<u>\$ 101,993,880</u>

TOWN OF OCEAN CITY  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 PENSION TRUST FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	General Employees Pension Fund	Public Safety Employees Pension Fund	Total
<b>Additions</b>			
Contributions:			
Employer	\$ 2,351,375	\$ 3,331,311	\$ 5,682,686
Members	781,220	1,007,839	1,789,059
Total contributions	<u>3,132,595</u>	<u>4,339,150</u>	<u>7,471,745</u>
Investment earnings:			
Net appreciation in fair value of investments	6,035,204	6,137,631	12,172,835
Interest	503,573	466,111	969,684
Dividends	555,334	570,641	1,125,975
Total investment income	<u>7,094,111</u>	<u>7,174,383</u>	<u>14,268,494</u>
Less investment expense	<u>343,199</u>	<u>346,018</u>	<u>689,217</u>
Net investment income	<u>6,750,912</u>	<u>6,828,365</u>	<u>13,579,277</u>
Total additions	<u>9,883,507</u>	<u>11,167,515</u>	<u>21,051,022</u>
<b>Deductions</b>			
Benefits and refunds paid	2,283,852	3,049,533	5,333,385
Administrative expenses	75,228	77,691	152,919
Total deductions	<u>2,359,080</u>	<u>3,127,224</u>	<u>5,486,304</u>
Changes in net position	7,524,427	8,040,291	15,564,718
Net Position-beginning	<u>43,245,909</u>	<u>43,183,253</u>	<u>86,429,162</u>
Net Position- ending	<u>\$ 50,770,336</u>	<u>\$ 51,223,544</u>	<u>\$ 101,993,880</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.

<b><u>Contents</u></b>	<b><u>Page(s)</u></b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.	112-121
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the Town's most significant local revenue sources, the property tax and the room tax.	122-126
<b>Debt Capacity</b> 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.	127-130
<b>Economic and Demographic Information</b> These schedules offer economic and demographic indicators to help the reader understand the environment within which the Town's financial activities take place.	131-132
<b>Operating Information</b> 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.	133-137

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

**Town of Ocean City, Maryland**

Net Position by Component

Last Ten Fiscal Years

(accrual basis of accounting)

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	<u>2014</u>	<u>2013</u>	<u>2012</u>
Governmental Activities			
Net investment in capital assets	\$ 57,349,894	\$ 53,768,043	\$ 35,032,961
Restricted	115,000	165,000	16,140,004
Unrestricted	<u>13,700,802</u>	<u>15,548,344</u>	<u>15,420,770</u>
<i>Total Governmental Activities Net Position</i>	<u>71,165,696</u>	<u>69,481,387</u>	<u>66,593,735</u>
Business-Type Activities			
Net investment in capital assets	70,435,192	65,917,836	55,645,888
Restricted	6,272,857	7,474,542	8,551,119
Unrestricted	<u>13,594,642</u>	<u>10,158,004</u>	<u>17,520,679</u>
<i>Total Business-Type Activities Net Position</i>	<u>90,302,691</u>	<u>83,550,382</u>	<u>81,717,686</u>
Primary government			
Net investment in capital assets	127,785,086	119,685,879	90,678,849
Restricted	6,387,857	7,639,542	24,691,123
Unrestricted	<u>27,295,444</u>	<u>25,706,348</u>	<u>32,941,449</u>
<i>Total Primary Government Net Position</i>	<u>\$ 161,468,387</u>	<u>\$ 153,031,769</u>	<u>\$ 148,311,421</u>

2011	2010	2009	2008	2007	2006	2005
\$ 47,390,589	\$ 46,393,277	\$ 44,851,930	\$ 43,313,477	\$ 44,411,771	\$ 41,652,909	\$ 35,404,193
1,713,579	1,222,022	1,543,521	4,383,493	1,406,804	3,690,935	7,055,810
16,213,407	15,742,899	16,823,057	13,601,386	14,081,801	11,491,400	10,933,461
65,317,575	63,358,198	63,218,508	61,298,356	59,900,376	56,835,244	53,393,464
58,001,891	60,260,847	58,489,349	55,116,392	52,958,492	49,172,981	43,074,509
9,638,746	9,667,139	9,406,011	8,199,752	7,094,064	5,852,828	5,699,656
11,466,523	4,659,855	6,860,798	11,832,112	10,049,458	13,255,951	16,067,294
79,107,160	74,587,841	74,756,158	75,148,256	70,102,014	68,281,760	64,841,459
105,392,480	106,654,124	103,341,279	98,429,869	97,370,263	90,825,890	78,478,702
11,352,325	10,889,161	10,949,532	12,583,245	8,500,868	9,543,763	12,755,466
27,679,930	20,402,754	23,683,855	25,433,498	24,131,259	24,747,351	27,000,755
<u>\$ 144,424,735</u>	<u>\$ 137,946,039</u>	<u>\$ 137,974,666</u>	<u>\$ 136,446,612</u>	<u>\$ 130,002,390</u>	<u>\$ 125,117,004</u>	<u>\$ 118,234,923</u>

**Town of Ocean City, Maryland**

Changes in Net Position

Last Ten Fiscal Years

*(accrual basis of accounting)*

	2014	2013	2012	2011
<b>Expenses</b>				
Governmental Activities:				
General Government	\$ 1,314,758	\$ 1,118,606	\$ 335,703	\$ 751,333
Public Safety	36,112,813	34,030,231	35,440,373	34,297,859
General Public Works and Beach	6,329,540	5,315,570	6,257,840	6,205,643
Sanitation and Waste Removal	6,230,810	6,034,146	6,776,510	6,193,273
Highways and Streets	7,787,410	7,157,008	7,250,787	6,763,540
Economic Development - Tourism	7,998,815	8,055,355	7,692,558	6,671,972
Recreation and Culture	7,654,518	7,685,116	7,873,652	7,783,123
Interest on Long-Term Debt	1,462,237	1,640,586	1,352,400	1,296,137
<i>Total Governmental Activities Expenses</i>	<u>74,890,901</u>	<u>71,036,618</u>	<u>72,979,823</u>	<u>69,962,880</u>
Business-Type Activities:				
Water	6,251,720	6,428,575	6,419,219	7,597,787
Transportation	8,036,903	8,007,909	7,936,422	7,493,620
Wastewater	11,966,765	11,710,740	11,642,169	11,045,110
Convention Center	5,438,689	5,221,549	5,173,147	5,533,018
Airport	1,615,099	1,906,293	1,681,333	1,503,697
Golf	2,069,805	2,071,155	2,092,046	1,981,914
<i>Total Business-Type Activities Expenses</i>	<u>35,378,981</u>	<u>35,346,221</u>	<u>34,944,336</u>	<u>35,155,146</u>
<i>Total Primary Government Expenses</i>	<u>\$ 110,269,882</u>	<u>\$ 106,382,839</u>	<u>\$ 107,924,159</u>	<u>\$ 105,118,026</u>
<b>Program Revenues</b>				
Governmental Activities:				
Charges for Services:				
General government	\$ 3,870,984	\$ 3,748,747	\$ 3,647,286	\$ 3,758,744
Public safety	2,056,556	2,068,706	2,005,130	1,965,631
General public works and beach	4,044,925	3,810,298	3,662,776	3,651,107
Sanitation and waste removal	99,350	85,418	91,608	109,543
Highways and streets	1,126,770	1,108,543	1,086,162	982,101
Economic development - Tourism	1,465,927	1,465,695	1,600,439	1,321,806
Recreation and culture	1,573,586	1,555,940	1,382,413	1,334,262
Operating Grants and Contributions	3,432,044	3,223,755	2,805,472	2,807,769
Capital Grants and Contributions	105,000	551,735	-	75,000
<i>Total Governmental Activities Program Revenues</i>	<u>17,775,142</u>	<u>17,618,837</u>	<u>16,281,286</u>	<u>16,005,963</u>
Business-Type Activities:				
Charges for Services:				
Water	7,050,007	7,020,705	6,846,684	6,772,436
Transportation	4,100,681	3,934,859	3,854,314	3,558,571
Wastewater	12,551,066	12,161,493	11,761,802	11,311,636
Convention Center	1,792,680	1,678,397	1,663,028	1,758,112
Airport	1,146,509	1,181,550	1,307,014	1,034,475
Golf	1,983,132	1,959,709	2,105,886	1,962,632
Operating Grants and Contributions	3,593,254	3,627,269	3,413,436	3,414,926
Capital Grants and Contributions	6,501,328	1,988,370	3,269,491	5,960,662
<i>Total Business-Type Activities Program Revenues</i>	<u>38,718,657</u>	<u>33,552,352</u>	<u>34,221,655</u>	<u>35,773,450</u>
<i>Total Primary Government Program Revenues</i>	<u>\$ 56,493,799</u>	<u>\$ 51,171,189</u>	<u>\$ 50,502,941</u>	<u>\$ 51,779,413</u>

2010	2009	2008	2007	2006	2005
\$ 1,621,071	\$ 1,673,926	\$ 2,299,373	\$ 2,354,011	\$ 2,260,255	\$ 2,210,767
33,961,816	34,517,293	32,345,385	29,202,378	25,347,862	22,603,945
6,055,716	6,675,942	6,090,271	6,175,410	5,795,271	5,319,516
7,081,833	7,587,896	7,127,947	6,849,196	6,195,897	5,894,297
7,036,697	8,008,372	7,338,573	6,964,317	6,112,945	5,818,748
6,243,797	5,739,043	5,600,101	4,227,250	4,067,088	3,995,845
7,890,492	8,795,235	8,109,675	7,098,691	6,580,404	6,386,759
1,261,803	1,397,984	1,449,018	1,538,808	1,638,477	1,376,678
<u>71,153,225</u>	<u>74,395,691</u>	<u>70,360,343</u>	<u>64,410,061</u>	<u>57,998,199</u>	<u>53,606,555</u>
6,978,781	7,333,521	7,193,221	7,045,220	6,994,515	6,125,859
7,715,464	8,324,858	8,036,740	8,014,968	7,387,915	6,661,378
10,337,839	11,075,781	9,622,464	8,839,617	8,499,404	8,228,078
5,669,798	6,265,962	6,003,335	5,896,177	5,038,307	5,124,371
1,449,538	1,749,959	1,614,880	1,627,726	1,515,485	1,120,307
1,978,188	2,260,550	2,164,803	2,124,943	2,046,530	2,034,905
<u>34,129,608</u>	<u>37,010,631</u>	<u>34,635,443</u>	<u>33,548,651</u>	<u>31,482,156</u>	<u>29,294,898</u>
<u>\$ 105,282,833</u>	<u>\$ 111,406,322</u>	<u>\$ 104,995,786</u>	<u>\$ 97,958,712</u>	<u>\$ 89,480,355</u>	<u>\$ 82,901,453</u>
\$ 3,464,313	\$ 3,699,975	\$ 3,987,939	\$ 4,555,293	\$ 4,854,842	\$ 4,948,199
1,859,508	1,696,096	1,745,958	1,701,398	1,629,703	1,649,218
3,123,547	2,888,571	3,007,666	3,118,017	3,079,825	3,030,546
312,364	430,535	552,864	306,433	166,076	175,918
926,911	715,568	823,938	753,772	721,049	661,496
1,294,913	1,675,547	1,452,035	1,359,916	1,346,673	1,234,497
1,610,682	1,606,662	1,575,344	1,496,451	1,525,757	1,488,875
2,705,797	2,932,577	2,810,084	2,794,189	2,429,558	2,681,396
80,000	218,551	292,244	787,782	683,127	906,195
<u>15,378,035</u>	<u>15,864,082</u>	<u>16,248,072</u>	<u>16,873,251</u>	<u>16,436,610</u>	<u>16,776,340</u>
6,926,482	7,204,163	7,162,687	6,840,989	6,937,909	6,095,087
3,363,679	3,439,218	3,605,466	3,511,131	3,543,393	3,226,897
10,466,562	10,274,178	9,746,366	9,129,355	8,808,583	8,162,626
1,630,172	1,691,850	1,638,928	1,923,673	1,742,303	1,619,021
837,533	1,139,331	1,038,623	1,070,152	995,840	848,819
1,979,205	2,017,988	2,055,393	1,931,502	2,152,506	2,199,883
3,401,683	4,539,925	4,606,116	4,309,687	4,195,060	3,911,853
671,195	756,286	3,607,552	885,908	2,601,934	1,661,427
<u>29,276,511</u>	<u>31,062,939</u>	<u>33,461,131</u>	<u>29,602,397</u>	<u>30,977,528</u>	<u>27,725,613</u>
<u>\$ 44,654,546</u>	<u>\$ 46,927,021</u>	<u>\$ 49,709,203</u>	<u>\$ 46,475,648</u>	<u>\$ 47,414,138</u>	<u>\$ 44,501,953</u>

**Town of Ocean City, Maryland**  
Changes in Net Position (continued)  
Last Ten Fiscal Years  
*(accrual basis of accounting)*

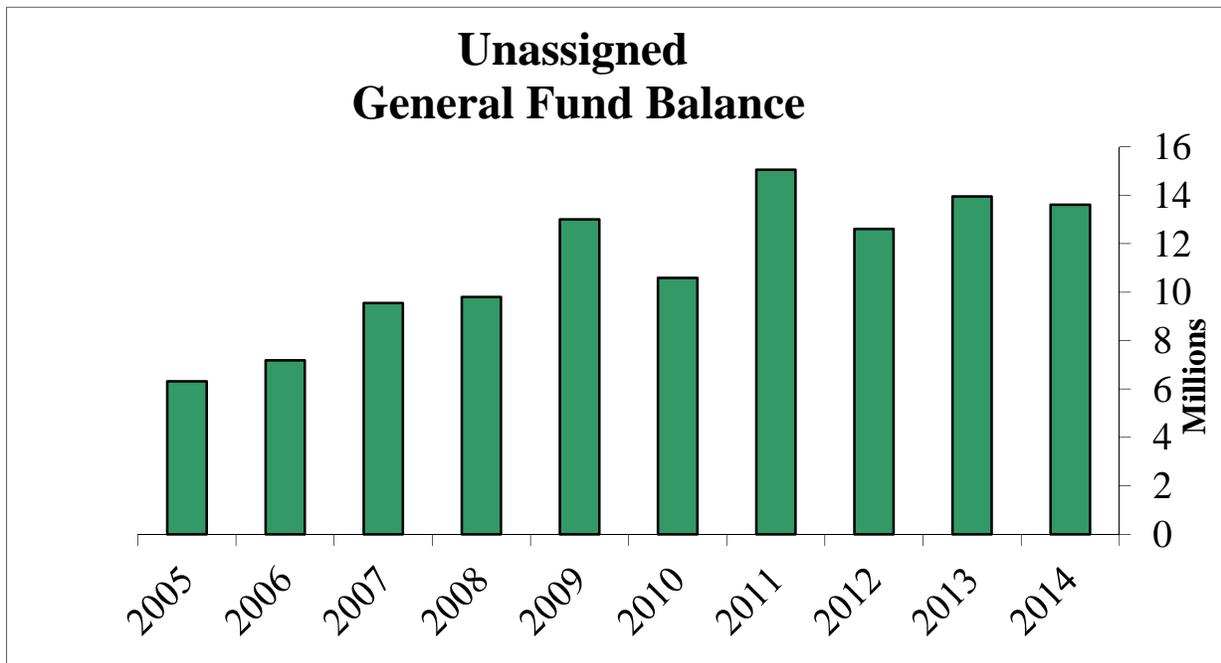
	2014	2013	2012	2011
<b>Net (Expense)/Revenue</b>				
Governmental Activities	\$ (57,115,759)	\$ (53,417,781)	\$ (56,698,537)	\$ (53,956,917)
Business-Type Activities	3,339,676	(1,793,869)	(722,681)	618,304
<i>Total Primary Government Net Expense</i>	<u>\$ (53,776,083)</u>	<u>\$ (55,211,650)</u>	<u>\$ (57,421,218)</u>	<u>\$ (53,338,613)</u>
<b>General Revenues and Other Changes in Net Position</b>				
Governmental Activities:				
Taxes:				
Property and Other Local Taxes Levied For:				
General Purposes	\$ 42,199,671	\$ 41,425,378	\$ 42,509,186	\$ 42,660,709
Sales and Income Taxes	16,042,019	15,069,904	14,649,416	13,703,686
State gaming contributions	469,430	454,949	433,060	224,791
Grants and Entitlements not Restricted to Specific Programs	2,586,297	2,372,735	2,660,866	2,411,597
Investment Earnings	181,668	(45,412)	163,704	124,288
Loss on Sale of Capital Assets	-	-	-	-
Other Revenue	684,250	508,084	764,234	587,179
Transfers	(3,363,267)	(3,480,205)	(3,205,769)	(3,795,956)
<i>Total Governmental Activities</i>	<u>58,800,068</u>	<u>56,305,433</u>	<u>57,974,697</u>	<u>55,916,294</u>
Business-Type Activities:				
Investment Earnings	56,399	60,354	124,938	100,789
Gain (loss) on Sale of Capital Assets	-	-	-	-
Other Revenue	(7,033)	86,006	2,500	4,270
Transfers	3,363,267	3,480,205	3,205,769	3,795,956
<i>Total Business-Type Activities</i>	<u>3,412,633</u>	<u>3,626,565</u>	<u>3,333,207</u>	<u>3,901,015</u>
<i>Total Primary Government</i>	<u>\$ 62,212,701</u>	<u>\$ 59,931,998</u>	<u>\$ 61,307,904</u>	<u>\$ 59,817,309</u>
<b>Change in Net Position</b>				
Governmental Activities	\$ 1,684,309	\$ 2,887,652	\$ 1,276,160	\$ 1,959,377
Business-Type Activities	6,752,309	1,832,696	2,610,526	4,519,319
<i>Total Primary Government</i>	<u>\$ 8,436,618</u>	<u>\$ 4,720,348</u>	<u>\$ 3,886,686</u>	<u>\$ 6,478,696</u>

2010	2009	2008	2007	2006	2005
\$ (55,775,190)	\$ (58,531,609)	\$ (54,112,271)	\$ (47,536,810)	\$ (41,561,589)	\$ (36,830,215)
(4,853,097)	(5,947,692)	(1,174,312)	(3,946,254)	(504,628)	(1,569,285)
<u>\$ (60,628,287)</u>	<u>\$ (64,479,301)</u>	<u>\$ (55,286,583)</u>	<u>\$ (51,483,064)</u>	<u>\$ (42,066,217)</u>	<u>\$ (38,399,500)</u>
\$ 43,900,041	\$ 48,025,233	\$ 44,320,692	\$ 38,714,874	\$ 33,317,113	\$ 29,232,197
13,031,401	13,757,540	13,789,976	13,696,456	12,836,646	12,587,732
-	-	-	-	-	-
2,436,638	2,509,917	628,833	704,624	483,032	157,080
297,072	683,113	1,175,057	1,498,827	1,023,963	552,485
-	-	-	-	-	(374,265)
538,205	621,324	936,421	914,535	705,999	362,460
(4,288,477)	(5,145,366)	(5,340,728)	(4,927,374)	(3,363,384)	(2,906,049)
<u>55,914,880</u>	<u>60,451,761</u>	<u>55,510,251</u>	<u>50,601,942</u>	<u>45,003,369</u>	<u>39,611,640</u>
310,128	410,228	872,247	839,134	581,545	221,788
-	-	-	-	-	(75,636)
86,175	-	7,579	-	-	-
4,288,477	5,145,366	5,340,728	4,927,374	3,363,384	2,906,049
<u>4,684,780</u>	<u>5,555,594</u>	<u>6,220,554</u>	<u>5,766,508</u>	<u>3,944,929</u>	<u>3,052,201</u>
\$ 60,599,660	\$ 66,007,355	\$ 61,730,805	\$ 56,368,450	\$ 48,948,298	\$ 42,663,841
\$ 139,690	\$ 1,920,152	\$ 1,397,980	\$ 3,065,132	\$ 3,441,780	\$ 2,781,425
(168,317)	(392,098)	5,046,242	1,820,254	3,440,301	1,482,916
<u>\$ (28,627)</u>	<u>\$ 1,528,054</u>	<u>\$ 6,444,222</u>	<u>\$ 4,885,386</u>	<u>\$ 6,882,081</u>	<u>\$ 4,264,341</u>

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

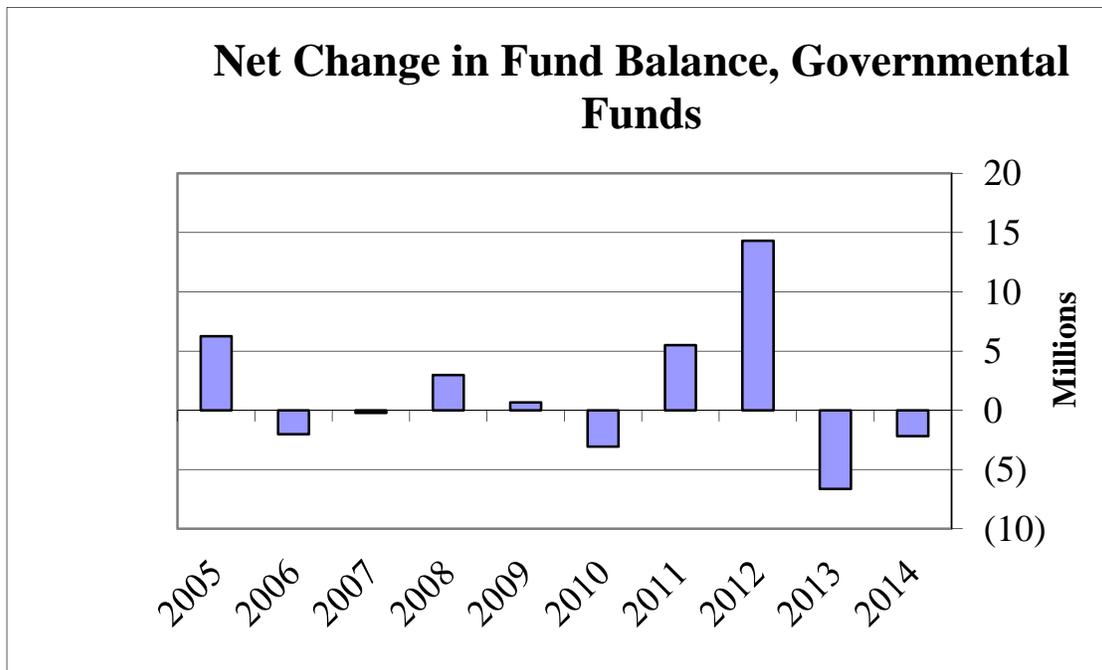
	2014	2013	2012	2011
<b>General Fund</b>				
Nondisposable advances to other funds	\$ 115,000	\$ 165,000	\$ 235,000	\$ 130,000
Assigned - purchases on order	498,539	427,271	566,585	998,595
Assigned - subsequent year's budget	931,828	247,066	2,749,395	-
Assigned - other purposes	-	465,000	-	-
Unassigned	<u>13,602,038</u>	<u>13,949,931</u>	<u>12,605,645</u>	<u>15,049,478</u>
<i>Total General Fund</i>	<u>\$ 15,147,405</u>	<u>\$ 15,254,268</u>	<u>\$ 16,156,625</u>	<u>\$ 16,178,073</u>
<b>All Other Governmental Funds</b>				
Restricted for capital projects	\$ 5,333,799	\$ 8,656,416	\$ 14,031,244	\$ 747,437
Assigned - purchases on order	-	-	1,272,334	52,343
Committed for capital projects	<u>2,758,897</u>	<u>1,517,524</u>	<u>601,426</u>	<u>783,799</u>
<b>Total All Other Governmental Funds</b>	<u>8,092,696</u>	<u>10,173,940</u>	<u>15,905,004</u>	<u>1,583,579</u>
<i>Total Governmental Funds</i>	<u><u>\$ 23,240,101</u></u>	<u><u>\$ 25,428,208</u></u>	<u><u>\$ 32,061,629</u></u>	<u><u>\$ 17,761,652</u></u>

Unassigned General Fund Balance as a Percentage of Expenditures	18.2%	19.3%	17.5%	20.2%
--	-------	-------	-------	-------



2010	2009	2008	2007	2006	2005
\$ 250,000	\$ 250,000	\$ 260,000	\$ 270,000	\$ 715,000	\$ 530,000
446,430	762,998	456,351	699,721	983,295	524,370
-	-	-	-	-	-
-	-	-	-	-	-
10,590,252	13,005,682	9,795,646	9,549,272	7,179,410	6,311,281
\$ 11,286,682	\$ 14,018,680	\$ 10,511,997	\$ 10,518,993	\$ 8,877,705	\$ 7,365,651
\$ 129,990	\$ 166,068	\$ 3,138,153	\$ 450,319	\$ 2,521,307	\$ 4,328,931
61,546	118,881	785,960	166,548	474,628	2,196,879
780,486	1,008,572	199,380	519,937	-	-
972,022	1,293,521	4,123,493	1,136,804	2,995,935	6,525,810
\$ 12,258,704	\$ 15,312,201	\$ 14,635,490	\$ 11,655,797	\$ 11,873,640	\$ 13,891,461

13.4%                      16.9%                      12.8%                      13.7%                      11.6%                      11.2%



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

	2014	2013	2012
<b>Revenues</b>			
Property Taxes	\$ 42,334,031	\$ 41,618,457	\$ 42,555,644
Other Taxes	16,498,162	15,611,879	15,069,260
Licenses and Permits	4,183,957	4,061,716	4,050,517
Fines and Forfeitures	714,142	785,979	856,672
Charges for Services	9,339,999	8,995,653	8,568,625
Revenue from Other Agencies	6,048,341	6,073,225	5,466,338
Other Revenue	735,727	653,618	743,082
<i>Total Revenues</i>	<u>79,854,359</u>	<u>77,800,527</u>	<u>77,310,138</u>
<b>Expenditures</b>			
Current:			
General Government	3,824,796	3,860,291	3,051,546
Public Safety	34,620,629	32,546,489	33,355,683
General Public Works and Beach	5,169,305	5,109,638	5,026,883
Sanitation and Waste Removal	5,613,364	5,389,174	5,871,647
Highways and Streets	6,280,506	5,867,104	5,621,764
Economic Development - Tourism	7,737,415	7,792,309	7,428,498
Recreation and Culture	7,131,635	7,259,523	7,239,149
Capital Outlay	6,586,308	8,301,432	5,468,269
Debt service:			
Principal Retirement	3,694,110	2,872,330	3,160,956
Interest and Fiscal Charges	1,646,570	1,596,699	1,279,997
Bond Issuance Costs	36,516	-	149,245
<i>Total Expenditures</i>	<u>82,341,154</u>	<u>80,594,989</u>	<u>77,653,637</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(2,486,795)</u>	<u>(2,794,462)</u>	<u>(343,499)</u>
<b>Other Financing Sources (Uses)</b>			
Bonds and notes issued	4,895,483	103,889	22,018,939
Premium on bonds issued	99,578	-	1,738,770
Payment to refunded bond escrow agent	(992,858)	-	(5,908,464)
Transfers In	2,431,000	2,000,000	1,737,430
Transfers Out	(6,134,515)	(5,942,848)	(4,943,199)
<i>Total Other Financing Sources (Uses)</i>	<u>298,688</u>	<u>(3,838,959)</u>	<u>14,643,476</u>
<i>Net Change in Fund Balances</i>	<u>\$ (2,188,107)</u>	<u>\$ (6,633,421)</u>	<u>\$ 14,299,977</u>
Debt Service as a Percentage of Noncapital Expenditures	7.0%	6.2%	6.2%

	2011	2010	2009	2008	2007	2006	2005
\$	42,731,367	\$ 43,808,149	\$ 47,881,933	\$ 44,112,396	\$ 38,553,222	\$ 33,281,605	\$ 29,097,429
	13,909,064	13,062,376	13,922,143	13,831,745	13,706,607	12,751,463	12,561,124
	3,921,106	3,858,142	3,811,003	4,072,860	4,711,672	4,895,070	5,017,242
	780,018	741,763	612,431	632,554	570,709	614,863	523,136
	8,422,070	7,992,333	8,289,520	8,440,330	8,008,899	8,118,187	8,429,121
	5,294,366	5,222,435	5,521,329	3,640,661	4,015,590	3,291,522	2,963,921
	664,892	714,825	1,128,148	1,911,742	2,488,030	1,752,771	747,846
	<u>75,722,883</u>	<u>75,400,023</u>	<u>81,166,507</u>	<u>76,642,288</u>	<u>72,054,729</u>	<u>64,705,481</u>	<u>59,339,819</u>
	3,320,277	3,990,472	3,869,464	4,401,856	4,336,014	3,607,775	3,892,257
	32,301,718	32,223,500	32,467,482	31,104,717	28,185,979	24,517,032	21,756,557
	4,908,045	4,698,501	5,063,642	4,973,218	4,984,240	4,711,047	4,016,271
	5,332,518	6,423,476	6,784,236	6,659,892	6,328,058	5,873,562	5,606,629
	5,263,430	5,684,270	6,319,490	6,084,432	5,448,588	4,588,339	4,160,215
	6,420,490	5,999,877	5,507,535	5,400,974	4,053,155	3,946,216	3,861,408
	7,167,738	7,359,074	8,048,173	7,544,679	6,580,642	6,147,126	6,182,466
	1,145,147	3,764,227	3,718,202	4,350,085	3,242,665	6,408,284	6,586,267
	3,416,907	3,282,636	2,164,178	2,245,407	2,750,168	3,077,627	1,878,426
	1,295,164	1,306,084	1,402,028	1,361,330	1,435,689	1,502,910	1,208,203
	43,746	73,711	-	118,485	-	-	100,217
	<u>70,615,180</u>	<u>74,805,828</u>	<u>75,344,430</u>	<u>74,245,075</u>	<u>67,345,198</u>	<u>64,379,918</u>	<u>59,248,916</u>
	5,107,703	594,195	5,822,077	2,397,213	4,709,531	325,563	90,903
	4,159,350	4,388,662	-	12,642,381	-	1,020,000	9,076,100
	-	180,873	-	406,051	-	-	-
	-	(4,495,824)	-	(7,125,224)	-	-	-
	1,548,567	1,181,198	916,016	2,064,944	623,463	1,492,722	1,353,440
	<u>(5,312,672)</u>	<u>(4,902,601)</u>	<u>(6,061,382)</u>	<u>(7,405,672)</u>	<u>(5,550,837)</u>	<u>(4,856,106)</u>	<u>(4,259,489)</u>
	<u>395,245</u>	<u>(3,647,692)</u>	<u>(5,145,366)</u>	<u>582,480</u>	<u>(4,927,374)</u>	<u>(2,343,384)</u>	<u>6,170,051</u>
\$	<u>5,502,948</u>	<u>\$ (3,053,497)</u>	<u>\$ 676,711</u>	<u>\$ 2,979,693</u>	<u>\$ (217,843)</u>	<u>\$ (2,017,821)</u>	<u>\$ 6,260,954</u>
	6.8%	6.5%	5.0%	5.2%	6.5%	7.9%	5.9%

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

Fiscal Year	Property Taxes	Room Occupancy Taxes *	Admission & Amusement Taxes	Income Taxes	Shared Taxes	Total
2014	\$ 42,334,031	\$ 13,367,715	\$ 1,383,833	\$ 832,644	\$ 913,970	\$ 58,832,193
2013	41,618,457	12,910,772	1,296,619	814,384	590,104	57,230,336
2012	42,555,644	12,566,287	1,162,299	694,774	645,900	57,624,904
2011	42,731,367	11,907,434	1,179,152	524,878	297,600	56,640,431
2010	43,808,149	11,226,904	1,113,965	623,813	97,694	56,870,525
2009	47,881,933	11,016,045	1,218,792	863,318	823,988	61,804,076
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
Change 2005-2014	46.5%	39.3%	10.5%	-12.6%	19.9%	41.9%

\* In 2008 the room tax rate was increased from 4% to 4.5%.

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

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Fiscal Year	Real Property	Personal Property	Corporate Property	Total	Total Direct Tax Rate	Estimated Actual Taxable Value	Percentage Of Change
2014	\$ 8,481,052,332	\$ 12,670,775	\$ 133,532,093	\$ 8,627,255,200	\$ 0.472	\$ 8,627,255,200	(0.8) %
2013	8,551,832,279	12,670,775	133,532,093	8,698,035,147	0.459	8,698,035,147	(16.0)
2012	10,209,869,114	13,553,101	129,845,969	10,353,268,184	0.395	10,353,268,184	(0.6)
2011	10,268,325,607	13,650,155	131,517,984	10,413,493,746	0.395	10,413,493,746	(2.2)
2010	10,501,239,662	14,338,062	133,172,636	10,648,750,360	0.395	10,648,750,360	(13.0)
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

Source: Uniform Financial Report of Town of Ocean City to Maryland Department of Fiscal Services, 2005-2014.

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

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2014	\$ 41,916,584	\$ 41,005,847	97.83 %	-	\$ 41,005,847	97.83 %
2013	41,096,168	40,149,344	97.70	911,209	41,060,553	99.91
2012	42,178,831	41,115,724	97.48	1,022,639	42,138,363	99.90
2011	42,451,063	41,381,958	97.48	1,028,975	42,410,933	99.91
2010	43,222,775	42,215,437	97.67	955,622	43,171,059	99.88
2009	47,645,761	46,401,667	97.39	1,235,120	47,636,787	99.98
2008	43,751,440	42,264,998	96.60	1,486,198	43,751,196	100.00
2007	38,257,770	37,639,139	98.38	618,551	38,257,690	100.00
2006	33,014,184	32,495,310	98.43	518,874	33,014,184	100.00
2005	28,909,936	28,582,990	98.87	326,946	28,909,936	100.00

Source: Uniform Financial Report of Town of Ocean City to Maryland Department of Fiscal Services, 2005 - 2014.

\* "Total Tax Levy" 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 Property Tax Payers  
Current Fiscal Year and Nine Years Ago

Taxpayer	2014	
	Taxable Assessed Value (1)	Percentage of Total Taxable Assessed Value
Harrison Inn Stardust Inc	\$ 56,619,130	0.66
Americana Stowaway Motel, Inc.	48,766,587	0.57
91st Street Joint Venture	35,742,200	0.41
Delmarva Power	28,098,470	0.33
Genesar	25,431,403	0.29
LPBOC Hotel Limited Partnership	22,306,640	0.26
Harrison HI 18 LLC	21,351,137	0.25
Harrison Inn 66	19,611,570	0.23
Harrison Inn Ocean View	19,575,367	0.23
Harrison QI 17 LLC	15,968,100	0.19
	<u>\$ 293,470,604</u>	<u>3.42%</u>
Total Assessed Valuation	\$ 8,627,255,200	
Taxpayer	2005	
	Taxable Assessed Value (1)	Percentage of Total Taxable Assessed Value
Americana Stowaway Motel, Inc.	\$ 42,879,575	0.74%
91st Street Joint Venture	37,684,264	0.65
Ocean View Inc.	22,904,867	0.40
Bayshore Development Corp	22,286,125	0.39
Harrison HI 18 LLC	19,722,214	0.34
Delmarva Power	19,696,810	0.34
Genesar, Inc.	19,330,567	0.33
Harrison Inn Stardust Inc.	17,293,804	0.30
LPBOC Hotel Limited Partnership	16,454,600	0.28
Harrison QI 17 LLC	15,561,367	0.27
	<u>\$ 233,814,193</u>	<u>4.04%</u>
Total Assessed Valuation	\$ 5,786,662,057	

(1) Assessed valuation based on the valuation of property for taxes collected in 2014 and 2005 respectively, and a review of the ten largest taxpayers for the City.

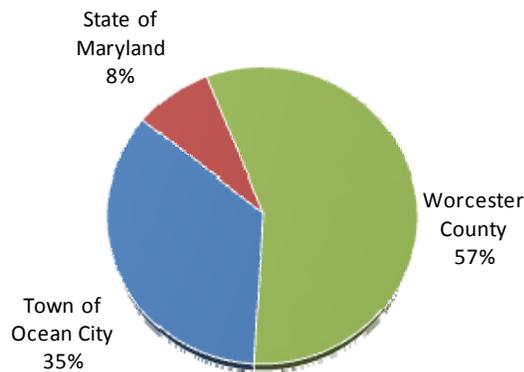
Source: Town of Ocean City Finance Department

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

Year	<u>Direct Rate</u>	<u>Overlapping Rates</u>		Total
	Town of Ocean City	Worcester County	State of Maryland	
2014	\$ 0.4720	\$ 0.77	\$ 0.112	\$ 1.3540
2013	0.4585	0.77	0.112	1.3405
2012	0.3950	0.70	0.112	1.2070
2011	0.3950	0.70	0.112	1.2070
2010	0.3950	0.70	0.112	1.2070
2009	0.3800	0.70	0.112	1.1920
2008	0.4100	0.70	0.112	1.2220
2007	0.4300	0.70	0.112	1.2420
2006	0.4700	0.73	0.132	1.3320
2005	0.4800	0.73	0.132	1.3420

Source: Town of Ocean City Finance Department

**Percentage of Total TaxBill by Overlapping Governments**



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

Tax Year	Governmental Activities			Business-type Activities			% of Actual Property Value	Per Capita	Estimated Percentage of Personal Income*
	General Obligation Bonds	Inter-Governmental Loans	Loans & Capital Leases	General Obligation Bonds	Inter-Governmental Loans	Total Primary Government			
2014	\$ 43,545,210	\$ 538,517	\$ -	\$ 47,747,775	\$ -	\$ 91,831,502	1.06%	12,949	34.5 %
2013	44,868,111	639,403	-	43,860,933	-	89,368,447	1.03	12,459	34.4
2012	47,564,219	674,638	-	48,526,364	4,718	96,769,939	0.93	13,610	43.6
2011	32,866,092	720,393	-	48,822,511	14,014	82,423,010	0.79	11,606	49.2
2010	31,573,155	766,148	593,389	38,671,516	23,127	71,627,335	0.67	9,284	36.0
2009	30,228,391	502,400	1,459,247	45,696,736	32,061	77,918,835	0.64	10,304	28.3
2008	32,369,874	672,150	2,498,372	48,954,815	40,819	84,536,030	0.81	10,249	28.8
2007	29,496,156	173,855	3,610,632	48,532,564	45,132	81,858,339	0.95	10,933	21.7
2006	31,952,059	203,459	5,398,554	48,226,831	-	85,780,903	1.26	10,400	28.6
2005	34,730,583	468,716	3,985,354	52,149,050	-	91,333,703	1.58	12,443	30.0

Source: Town of Ocean City Finance Department

\*Ocean City residents occupy 8% of total properties

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
2014	\$ 91,292,985	1.06%	12,873
2013	88,729,044	1.02	12,370
2012	96,090,583	0.93	13,515
2011	81,688,603	0.78	11,502
2010	70,244,671	0.66	9,105
2009	75,925,127	0.62	9,940
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

Source: Town of Ocean City Finance Department

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

**Town of Ocean City, Maryland**  
 Direct and Overlapping Governmental Activities Debt  
 June 30, 2014

Jurisdiction	Debt Outstanding	Percentage Applicable to City *	Amount Applicable to Town of Ocean City
<b>Direct</b>			
Town of Ocean City	<u>\$ 44,083,727</u>	100.0%	<u>\$ 44,083,727</u>
<b>Overlapping</b>			
Worcester County	<u>102,921,291</u>	57.3%	<u>61,032,326</u>
Total Direct and Overlapping Debt	<u><u>\$ 147,005,018</u></u>		<u><u>\$ 105,116,053</u></u>

Source: Town of Ocean City Finance and Worcester County Finance Departments

\* Percentages were determined by dividing each overlapping subdivision's assessed valuation within the Town by its total assessed valuation.

**Town of Ocean City, Maryland**  
 Legal Debt Margin Calculation  
 As of June 30, 2014

Assessed Value		<u>\$ 8,627,255,200</u>
Maximum general obligation debt limited to 5.2% of assessed valuation *		\$ 448,617,270
Outstanding bonds	<u>\$ 91,292,985</u>	
Net Chargeable to Bond Limit		<u>91,292,985</u>
LEGAL DEBT MARGIN at JUNE 30, 2011		<u>\$ 357,324,285</u>

\* 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  
 2005 - 2014

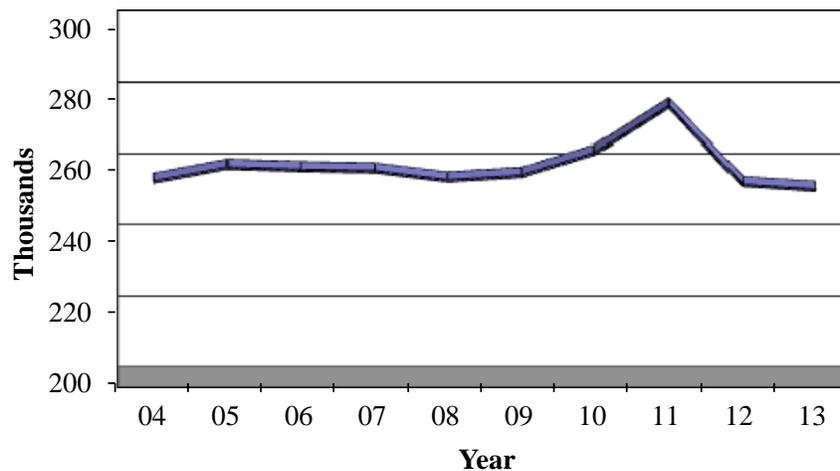
Fiscal Year	Assessed Value	Legal Debt Limitation	Legal Borrowing Limitation	Debt Subject to Limitation	Legal Debt Margin
2014	\$ 8,627,255,200	5.2 %	\$ 448,617,270	\$ 91,292,985	\$ 357,324,285
2013	8,698,035,147	5.2	452,297,828	88,729,044	363,568,784
2012	10,353,268,184	5.2	538,369,946	96,090,583	442,279,363
2011	10,413,493,746	5.2	541,501,675	81,688,603	459,813,072
2010	10,648,750,360	5.2	553,735,019	70,244,671	483,490,348
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

**Town of Ocean City, Maryland**  
Demographic and Economic Statistics  
Calendar Years 2004 - 2013

Year	(1) Population	(2) Median Household Income	(3) Worcester County Personal Income	(4) Median Age	(5) School Enrollment	(6) Unemployment Rate
2013	7,092	\$ 58,138	\$ 2,493,986	48.1	6,649	11.2 %
2012	7,110	49,943	1,938,695	54.2	6,643	8.2
2011	7,110	55,492	2,154,123	54.2	6,699	10.4
2010	7,102	54,750	2,036,635	54.2	6,659	9.8
2009	7,715	54,750	2,013,834	47.2	6,673	9.0
2008	7,638	54,200	1,933,772	47.2	6,747	7.5
2007	7,562	52,950	1,853,434	47.2	6,830	6.6
2006	7,487	50,950	1,754,329	47.2	6,830	6.4
2005	7,413	49,000	1,679,509	47.2	6,727	6.4
2004	7,340	47,700	1,543,311	47.2	6,600	6.7

- (1) Maryland State Data Center, Dept of State Planning(est.).
- (2) Maryland State Data Center (figures are for Worcester County).
- (3) Maryland State Data Center (figures are for Worcester County) in thousands of dollars.
- (4) U.S. Census Bureau, Census 2010; Maryland State Data Center.
- (5) Figures are for Worcester County Public Schools which includes Ocean City.
- (6) Maryland Department of Labor, Licensing and Regulation.

**Estimated Average Summer Weekend Population**



**Town of Ocean City, Maryland**

Principal Employers

Current Fiscal Year

Number of employees for quarter ending June 30, 2014

2014		
Employer	Employees	Percentage of Total County Employment
Harrison Group	1,100	3.84 %
OC Seacrets, Inc.	500	1.75
Bayshore Development	473	1.65
KTG LLC	368	1.28
Trimpers Rides, Inc.	350	1.22
Clarion Resort Fontaine Bleau	294	1.03
Fagers Island, Ltd.	290	1.01
91st St. Joint Venture	246	0.86
Candy Kitchen	189	0.66
Castle In the Sand	178	0.62

Total	3,988	13.92 %
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Total Worcester County Employees (Data available for county only)	28,647
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2005		
Employer	Employees	Percentage of Total County Employment
Harrison Group	875	3.05 %
Phillips	725	2.53
Bayshore Development	500	1.75
OC Seacrets, Inc.	475	1.66
KTG LLC	350	1.22
Clarion Resort Fontaine Bleau	300	1.05
Fagers Island, Ltd.	260	0.91
Trimpers Rides, Inc.	250	0.87
Dough Roller, Inc.	200	0.70
Genesar, Inc.	160	0.56

Total	4,095	14.29 %
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Total Worcester County Employees (Data available for county only)	30,592
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**Source:** Town of Ocean City, Maryland, Finance Department. Total County employment figures from the Maryland Department of Labor, Licensing & Regulation Career and Workforce Information.

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

<b>Function/program</b>	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Government	37	36	36	37	38	39	39	40	40	39
Public Safety	213	207	211	210	215	218	223	213	196	187
General Public Works	45	45	45	46	49	55	54	53	52	50
Solid Waste	22	23	23	25	40	44	44	44	44	44
Highway and Streets	23	22	22	22	33	36	36	36	36	34
Tourism	4	4	4	4	8	9	9	9	11	11
Recreation	42	42	42	42	48	51	51	48	50	48
Water	21	21	21	21	23	24	25	25	25	25
Transportation	13	13	13	13	16	17	17	17	17	13
Wastewater	46	46	45	45	46	49	48	48	48	47
Convention Center	32	32	33	34	35	40	40	40	40	35
Airport	3	3	3	3	3	4	4	3	3	3
Internal Service	30	30	30	30	33	36	36	36	36	35
Full-Time Employee Totals:	531	524	528	532	587	622	626	612	598	571
Part-Time Employees	874	867	837	814	755	799	871	841	793	808
Total Employees	1,405	1,391	1,365	1,346	1,342	1,421	1,497	1,453	1,391	1,379

**Source:** Town of Ocean City, Maryland 2005-2014 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	2014	2013	2012	2011
<b>General Information</b>				
Area in Square Miles	5	5	5	5
Year-round Residents	7,092	7,173	7,110	7,102
Registered Voters	5,267	6,184	6,034	5,166
Average Summer Population	253,561	254,906	276,809	263,765
<b>General Government</b>				
Construction Permits Issued	1,564	1,660	1,525	1,622
Estimated Value of Construction	\$ 51,755,670	\$ 36,287,285	\$ 35,460,786	\$ 25,521,294
<b>Public Safety - Police</b>				
Total Arrests	2,921	3,614	3,879	3,572
Parking Violations	10,460	11,237	13,045	14,705
Classified Officers	105	105	103	102
Seasonal Officers	100	100	96	102
<b>Fire and Emergency Services</b>				
Fire responses	1,262	1,190	1,303	1,224
Ambulance responses	4,157	4,634	6,025	5,935
Fire Safety Inspections/Re-Inspections	2,423	1,935	2,050	2,068
Fire Investigations	98	107	115	136
Classified Fire Personnel	3	3	4	4
Volunteer Officers, Firemen, Life Honor, Gold Badge	235	135	235	221
Classified Emergency Medical Technicians	44	37	36	36
Seasonal Emergency Medical Technicians	67	65	54	74
<b>Solid Waste</b>				
Trash Processed (tons)	33,895	39,640	36,069	34,253
Trash Recycled (tons)	189	190	205	283
<b>Tourism and Recreation</b>				
Seasonal Beach Patrol Personnel	190	194	182	189
<b>Water</b>				
Daily Average Consumption (gallons)	4,637,616	4,891,890	5,243,506	5,591,287
Plants Daily Capacity (gallons)	18,000,000	18,000,000	18,000,000	18,000,000
<b>Transportation</b>				
Bus Passengers	2,737,568	2,852,639	2,872,472	2,997,578
<b>Wastewater</b>				
Daily Average Treatment (gallons)	5,445,000	5,700,000	5,747,000	5,731,000
Summer Daily Treatment Average (gallons)	9,603,000	9,200,000	1,050,000	9,986,000
Plants Daily Treatment Capacity (gallons)	14,000,000	14,000,000	14,000,000	14,000,000
Number of Customer Accounts	28,739	28,775	28,772	28,781
<b>Airport</b>				
Based Aircraft	64	77	75	67
Aircraft Fueled	3,165	3,544	4,092	4,081

Source: Town of Ocean City Finance Department

2010	2009	2008	2007	2006	2005
5	5	5	5	5	5
7,715	7,638	7,562	7,487	7,413	7,340
6,549	5,417	6,550	5,447	6,783	5,718
257,479	256,169	258,726	259,105	259,761	255,858
1,501	1,407	1,795	2,065	1,837	1,545
\$ 36,525,292	\$ 49,378,207	\$ 69,597,628	\$ 164,614,258	\$ 184,582,285	\$ 123,622,811
4,213	3,515	3,599	3,925	3,287	4,258
13,859	12,871	11,749	9,284	12,728	10,309
107	107	107	107	104	96
90	82	110	110	94	105
1,254	1,429	1,344	1,460	1,589	1,428
5,776	5,529	5,680	5,580	5,244	5,030
2,010	2,310	3,176	2,990	3,042	4,067
144	202	257	171	142	251
4	4	3	3	3	3
219	220	230	237	229	218
40	42	42	42	42	33
58	54	41	34	29	32
33,149	28,959	31,635	33,447	33,656	33,027
2,742	3,285	3,603	3,096	3,049	3,106
189	194	208	190	198	185
5,026,025	5,434,695	5,555,219	5,582,958	5,117,781	4,572,410
18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000
3,099,117	3,315,614	3,481,330	3,423,798	3,476,654	3,275,891
5,766,000	5,428,814	5,442,071	5,691,945	5,514,000	5,484,652
9,595,000	9,237,300	9,720,000	9,795,522	9,762,000	9,737,000
14,000,000	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000
28,792	28,777	28,481	28,284	27,964	28,708
67	66	68	63	48	48
3,838	3,738	3,661	7,500	6,936	6,960

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

<b>Function/program</b>	2014	2013	2012	2011
<b>Public Safety - Police</b>				
Stations	2	2	2	2
Vehicles	84	82	83	84
<b>Public Safety - Fire and Emergency Services</b>				
Stations	5	5	5	5
Ambulances	9	10	9	9
<b>Highways and Streets</b>				
Streets (miles)	69	69	69	69
Number of Streetlights	3,054	3,054	3,024	3,024
Storm Sewers (miles)	43	43	43	43
Catch Basins	2,315	2,315	2,315	2,310
Heavy Equipment	48	48	48	48
<b>Solid Waste</b>				
Heavy Equipment	32	32	32	32
<b>Economic Development - Tourism, Recreation, and Culture</b>				
Number of Parks / Playgrounds	13 / 6	13 / 6	14 / 6	14 / 6
Park Acreage	77	77	77	77
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
<b>Water</b>				
Water Mains (miles)	150	150	150	141
Treatment Plants	3	3	3	3
Service Connections	7,155	7,143	7,138	7,131
Fire Hydrants	847	847	847	847
<b>Transportation</b>				
Buses	62	60	62	69
Handicapped Buses	3	3	3	4
Trolleys	-	-	4	8
Boardwalk Trams	8	8	8	8
<b>Wastewater</b>				
Sanitary sewers (miles)	152	152	152	150
Treatment Plants	1	1	1	1
Pumping Stations	10	9	9	9
<b>Convention Center</b>				
Convention Center (7,000 seats)	1	1	1	1
<b>Airport</b>				
Runway (2) (feet)	7,270	7,270	7,270	7,270
Square feet of Hangars	115,064	115,064	140,080	140,080

Source: Town of Ocean City Finance Department

2010	2009	2008	2007	2006	2005
2	2	2	2	2	2
83	84	81	81	85	79
5	5	5	5	5	5
9	9	9	9	9	9
69	69	69	69	69	67
3,024	3,024	3,006	2,997	2,942	2,906
43	43	43	43	43	43
2,307	2,307	2,307	2,305	2,289	2,286
50	50	50	50	50	50
28	28	30	28	28	28
14 / 6	14 / 6	14 / 6	14 / 6	13 / 6	13 / 7
77	77	77	79	79	79
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
7,125	7,121	7,121	7,096	7,093	7,069
846	915	915	915	912	817
55	56	55	56	56	56
4	3	3	3	2	3
8	8	8	8	7	-
8	8	8	8	8	8
150	150	150	150	150	150
1	1	1	1	1	1
9	9	9	9	9	9
1	1	1	1	1	1
7,270	7,270	7,270	7,270	7,270	7,270
120,860	120,860	120,860	120,860	90,860	90,860

