

# Town of Ocean City, Maryland Comprehensive Annual Financial Report



*The new Ocean City Beach Patrol Headquarters at the corner of Talbot Street and Philadelphia Avenue.*

For Fiscal Year Ending  
June 30, 2015

(Cover photo and facing page)

The Town of Ocean City Beach Patrol Headquarters opens as the new home of the Beach Patrol and the Ocean City Police Department bike patrol. The building can also be utilized for staging and managing a major emergency event in the south end of the island. The elite team of men and women who comprise the 2015 Ocean City Beach Patrol are pictured on the facing page.

Town of Ocean City, Maryland  
*Comprehensive Annual Financial Report*

For Fiscal Year Ended  
June 30, 2015



*Prepared by:*  
Finance Department  
  
Martha J. Bennett, CPA  
Finance Administrator



**Town of Ocean City, Maryland  
Comprehensive Annual Financial Report  
for the Fiscal Year Ended June 30, 2015**

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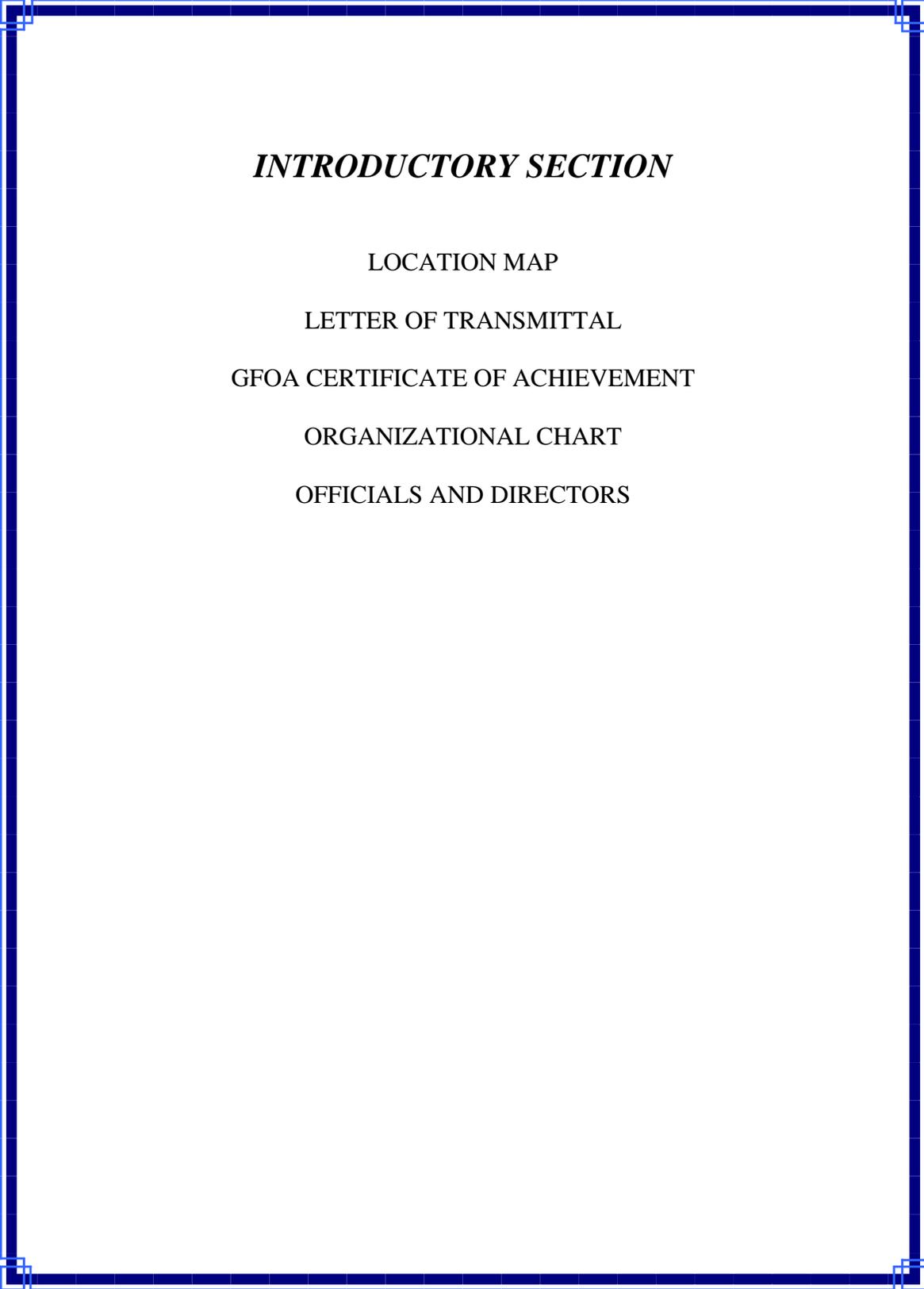
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***INTRODUCTORY SECTION***

LOCATION MAP

LETTER OF TRANSMITTAL

GFOA CERTIFICATE OF ACHIEVEMENT

ORGANIZATIONAL CHART

OFFICIALS AND DIRECTORS



**Location Map**



# TOWN OF OCEAN CITY

*The White Marlin Capital of the World*

September 30, 2015

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

When the Roland E. Powell Convention Center was renovated in 1995, it led to two decades of improved hotel and restaurant sales. The Performing Arts Center, which opened at the Convention Center in December 2014, is anticipated to similarly increase economic activity in the resort. It has greatly enhanced cultural and entertainment opportunities for both residents and visitors. While Ocean City has long been a successful and exciting summer resort, improvements such as the Performing Arts Center make it an even more attractive and lively year-round residential community.

It is with an emphasis on the community as a whole, that I respectfully submit the Comprehensive Annual Financial Report (CAFR) for the Town of Ocean City (the Town) for the fiscal year ended June 30, 2015. 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 unmodified ("clean") opinion. The independent public accountants concluded that the Town of Ocean City's financial statements for the year ended June 30, 2015, 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.

**MAYOR**  
RICHARD W. MEEHAN

**CITY COUNCIL**

LLOYD MARTIN  
*President*

MARY P. KNIGHT  
*Secretary*

DOUGLAS S. CYMEK  
DENNIS W. DARE  
ANTHONY J. DELUCA  
WAYNE A. HARTMAN  
MATTHEW M. JAMES

**ACTING CITY MANAGER**  
MAYOR RICHARD W. MEEHAN

**CITY CLERK**  
DIANA L. CHAVIS

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

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City Hall - (410) 289-8221 • FAX - (410) 289-8703

*Town of Ocean City  
Letter of Transmittal*

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

This 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 Statement 68 (GASB 68) 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, with over 6,000 registered voters 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 four classifications: 1) hotels, motels, and condominium rentals; 2) restaurants and nightclubs; 3) retail shops, the boardwalk and malls; and 4) sport and recreational activities. On busy summer weekends, it is estimated that over 300,000 people visit the resort. 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. Youth and family sporting events are encouraged and the Town hosts various tournaments and competitions such as softball, lacrosse, cheerleading, soccer, and skateboarding. 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 and the Performing Arts Center have also maintained room occupancy levels and restaurant and retail sales.

The Town widely uses advertising, promotions, and social media to publicize the vacation and leisure opportunities in Ocean City, increasing from \$2.1 million a decade ago to \$6.5 million in 2015. For the year ended June 30, 2015, room sales were 3.58% above the prior year and food and beverage sales were up 4.53%. Over the past five years, room sales have increased an average of 4.67% per year.

There were 1,472 construction permits issued in 2015, compared to 1,564 in 2014. However, the estimated value of construction in 2015 was \$58,999,098 compared to \$51,755,670 in 2014. A new hotel, the La Quinta at 32<sup>nd</sup> Street, opened in 2015 and is valued at \$10,235,300. The following projects are under construction or in the permitting process:

<u>Location</u>	<u>Number of units</u>	<u>Building</u>	<u>Estimated value</u>
16 <sup>th</sup> Street	165	Hyatt (Sea Scape)	\$18,150,000
25 <sup>th</sup> Street	113	Fairfield	12,430,000
26 <sup>th</sup> Street	68 redevelopment	Crystal Beach	7,480,000
34 <sup>th</sup> Street	100 additional	Hyatt (Quality Inn)	9,800,000
44 <sup>rd</sup> Street	100	45 <sup>th</sup> St Village	10,100,000
61 <sup>st</sup> Street	150	Marriott Residence	16,500,000

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 0%

*Town of Ocean City  
Letter of Transmittal*

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 which 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 for the 2015 fiscal year. Properties will be reassessed for the 2017 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***

***Flood insurance changes***

In 2015, FEMA released the Flood Insurance Study for Ocean City. The study resulted in significant changes to the flood maps. Furthermore, it meant that the oceanfront properties south of 143<sup>rd</sup> Street and most boardwalk front properties were completely out of the 1% flood zone. This was due to the Town's active beach replenishment efforts, the dune and the seawall. The flood map changes resulted in a decrease in their flood insurance costs for most Ocean City property owners. Despite these property's removal from the 1% flood zone, the Town encourages all property owners to maintain flood insurance.

***Emergency advisory radio station***

In August 2014, the Town's Emergency Services Department completed installation of an emergency advisory radio system, WPSB 99.5 FM from the 65th Street Radio Tower and WWOP 100.3 FM from the Race Track Road Ocean Pines Radio Tower. Funding of the \$54,019 project was provided by the FEMA sponsored Hazard Mitigation Grant Program (HMGP) which provides grants to states and local governments to implement long-term hazard mitigation measures, with a Federal Share of \$41,250, and a Town contribution of \$12,769.

A custom news station and studio was constructed in the Public Safety Building, located at 65th Street, by emergency services personnel under the direction of Electronics Services Manager, Robert Dimaio and Emergency Services Director, Joseph Theobald. The quality channel provides Ocean City residents and visitors real time information, including public service announcements, evacuation traffic management, and alerts for weather and emergency alerts. In addition, the radio station has the ability to automatically broadcast live dispatching and emergency responders operations.

***City Watch surveillance program***

In a continued effort to improve community safety, the Town's \$200,000 investment in boardwalk security cameras has already proven itself a success. The high quality surveillance cameras, which are placed in multiple locations from South First Street to 27th Street, were funded by savings realized by the boardwalk reconstruction project. They are directly linked to the 24 hour communications and dispatch center at the Public Safety Building and are part of the Town's emphasis on public safety. Their use has aided first responders in multiple instances and provide an additional level of security for boardwalk patrons.

***Performing Arts Center***



The Town proudly opened the Performing Arts Center (Arts Center) located at the Convention Center on 40th Street in December 2014 when it hosted the Texas Tenors as its first performance. The project was 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 was contributed by the Authority. The construction of the Arts Center was completed in two phases. The first phase of the project insured that there was not a loss in exhibit space by the addition of the new center, with a new bayside exhibit hall that replaced exhibit hall C. The facility was designed by Becker Morgan/GWWO Architects and construction was managed by Whiting Turner. The Arts Center has 1,200 fixed seats, professionally designed room acoustics with quality digital sound and light system with a full motorized fly gallery system with powered and standard line sets. 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. The Arts Center is an asset to the Convention Center and the community.

**Reconstruction of St. Louis Avenue**



St. Louis Avenue was reconstructed in three phases funded by \$4.9 million in bonds sold in 2012. The final phase, completed in 2015, encompassed St Louis Avenue from N. Division Street to 4th Street; N. Division Street from St. Louis to the Bay; 1st Street from Philadelphia to the Bay; 2nd Street from Philadelphia to St. Louis; and 3rd Street from Philadelphia to the bay. The improvements included

*Town of Ocean City  
Letter of Transmittal*

improved water and sewer lines, storm drains, raised pedestrian cross walks for better visibility, a bike lane, a wider street and improved lighting. Additionally, the St. Louis Avenue was narrowed near the 3rd Street recreation areas to improve pedestrian safety.

**Ocean City Beach Patrol Headquarters**



The Ocean City Beach Patrol (OCBP) is an elite team of men and women dedicated to ocean rescue and beach safety and is a year round operation as it takes months of preparation and time to recruit and train 186 seasonal beach patrol personnel. That task has become easier with the completion of the new Beach Patrol Headquarters building located on the corner of Talbot Street and Philadelphia Avenue, after many years occupying the

former Police Department buildings on Dorchester Street.

The three-story Beach Patrol building, featured on the cover of this report, utilizes the first floor for the operations, the second floor for training and the third floor for the administrative offices. The building also has an area for the police bike patrol and a garage which is used for storage of jet skis and ATVs. Additionally, the building can be utilized for staging in the event of a major emergency in the south end of Town. The \$2.2 million dollar project was funded from bonds sold in 2013 and contributions from the Ocean City Development Corporation.

**Fire Station 4**

The Ocean City Fire Department's Station 4, located at 129th Street and Coastal Highway was completed and occupied in mid-October 2014, within a year from the date of demolition of the old station. The \$3.3 million dollar project was funded by the sale of bonds in 2012. The building construction was awarded to Gillis Gilkerson. The new station contains a total of 11,500-square feet which increased the capacity of the engine



room by more than one third. It provides areas for both duty crews and the department's live-in program, an additional engine bay, an exercise room and a decontamination room.

### **Canal dredging**

Improving canals for boat navigation and access to the inland bays has been a major request from bayside property owners for the past decade. The difficulty of the complex State and Federal dredging permit process for property owners combined with the high cost of dredging has left the canal system in increasingly poor condition.



This project shifted the burden of canal maintenance from the property owners to the Town. The State Department of Natural Resources collected survey data for the depths of all Ocean City canals. This data was then used to formulate an annual dredging program, prioritize dredging needs, and establish a regular canal maintenance program administered by the Town to dredge canals within the city limits of Ocean City to an average depth of 4' below

mean low water, dredging approximately 6,000 cubic yards of material per year from canals. Permitting was obtained in 2014, and \$798,581 was spent in 2015 on canal dredging. The Town has committed additional funding in 2016 and intends to continue this program which enhances waterfront property values with annual General Fund contributions.

### ***FINANCIAL INFORMATION AND PLANNING***

***Capital planning.*** The Town has adopted a capital improvement plan that includes a six-year plan to repair 40 miles of town streets. Improvements to the Town's infrastructure have been continuous for over 30 years. Of high priority, a new water tower in south Ocean City, wastewater mains, and wastewater plant improvements that are anticipated to be funded by the sale of bonds in the 2016 fiscal year. A comprehensive water and wastewater rate study was presented to the Council in February 2015, which included a gradual increase in rates over five years to fund operating and capital costs of the two utilities which were adopted in April 2015.

***General fund reserve.*** The Town has a policy of maintaining a reserve of 15% of general fund expenditures to handle potential revenue shortfalls, cash flows during peak employment in the summer season, and for emergencies. As of June 30, 2015, that reserve, unassigned fund balance, was 21.6% or \$15,648,548 compared to 18.2% and \$13,602,038 in 2014.

*Town of Ocean City  
Letter of Transmittal*

**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, 2014. This is the 27<sup>th</sup> consecutive year that the Town 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.** The preparation of this report depends on the skill and professionalism of the entire Finance Department. They performed their work for the year following the highest standards of governmental accounting.

Accounting

Roger Baskerville, Assistant Finance Administrator  
Charles Bireley, Assistant Finance Administrator  
Jim Deptula, Accountant  
Sharon Sauer, Accountant  
Ioana Gudelsky, Accountant  
Brian Huntington, Accountant

Revenue and Collections

Beverly Sue Adkins, Revenue Supervisor  
Barbara Dahan, Revenue Specialist  
Brenda Lekites, Revenue Specialist  
Lori Calloway, Revenue Specialist  
Amanda Evans, Revenue Specialist  
Michael Sherman, License Inspector

Finance Administration

Yetive King, Payroll Manager  
Dawn Leonard, Administrative Office Associate II

The Finance Department works very hard to maintain strong internal controls to provide accurate financial reporting to keep the public informed and to 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

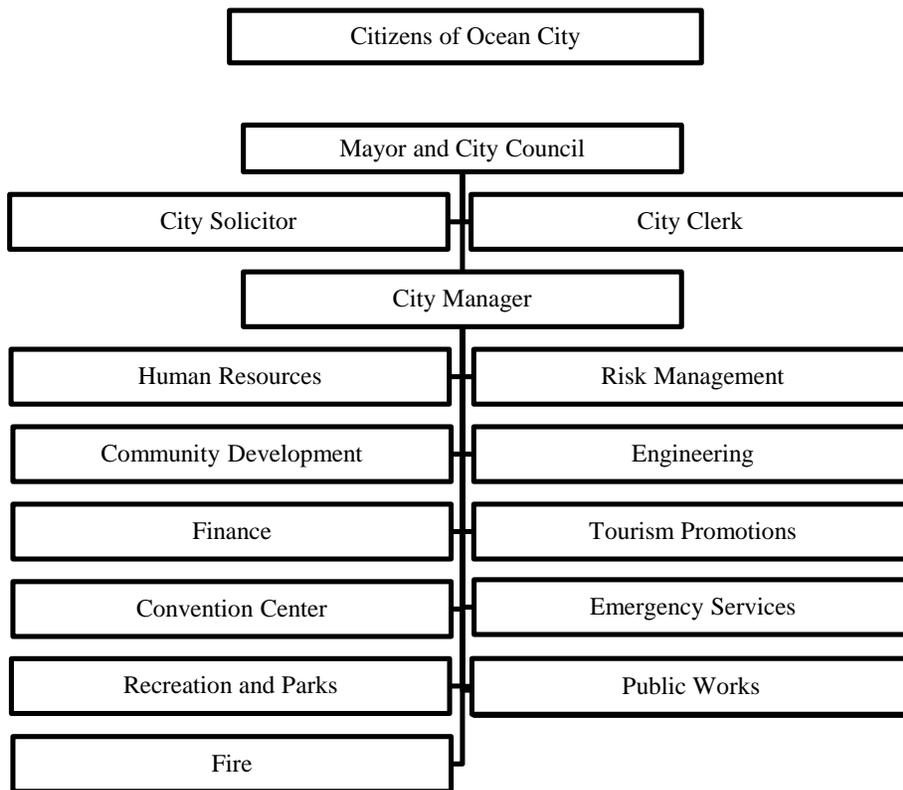
**Town of Ocean City  
Maryland**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**

Executive Director/CEO

Town of Ocean City Organizational Chart  
2015



**Town of Ocean City  
List of Principal Officials and Directors  
June 30, 2015**

<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	Doug Cymek
Council Member	Dennis W. Dare
Council Member	Tony DeLuca
Council Member	Matt James
Council Member	Wayne Hartman
City Solicitor	Guy R. Ayres III
City Clerk	Diana L. Chavis
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
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	Timothy J. King
Lloyd Martin	Michael S. Maykrantz
Richard W. Meehan	Geoffrey H. Robbins
Karin A. Scott	Jeff M. Thaler



***FINANCIAL SECTION***





**SB & COMPANY, LLC**  
KNOWLEDGE • 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, 2015, 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, 2015, 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.



***Emphasis of Matter***

As discussed in Note 1 to the financial statements, during the year ended June 30, 2015, the Town adopted new accounting guidance from Government Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions”. Our opinion is not modified with respect to this matter.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, the schedules 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  
September 28, 2015

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



Town of Ocean City  
*Management's Discussion and Analysis*  
June 30, 2015

---

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, 2015, 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 2015**

- The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows at the close of the 2015 fiscal year resulting in a net position of \$154,732,316. Of this amount, \$19,092,877 is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town implemented the Government Accounting Standards Board Statement 68 (GASB 68) and has recorded a net pension liability of \$20,055,020 and related deferred outflows of \$5,757,323 and deferred inflows of \$661,833 in the Statement of Net Position. This resulted in a decrease of \$14,959,530 in net position from 2014. Using the requirements of GASB 67 to measure the total pension liability utilizing the entry age normal actuarial funding method, the funded ratio is 83.9% for the General Employees Pension Plan and is 83.8% for the Public Safety Employees Pension Plan.
- The Town's overall financial position improved \$8,223,459 or 5.1% before the above pension adjustment. Although revenues decreased from 2014 by 2.7% or \$3,262,052, expenses decreased \$5,281,758 or 4.8%. There were gains from governmental activities of \$10,136,774 before transfers of \$3,022,929 to other funds, a net of \$7,113,845. Business-type activities contributed \$3,342,479 to net position.
- As of June 30, 2015, the Town's governmental funds reported a combined fund balance of \$21,148,697, a decrease of \$2,091,404 from the prior year. Of the total amount in fund balance, \$3,557,983 is restricted or committed for capital projects, \$1,640,027 is assigned to the fiscal year 2016 budget and \$15,648,548 is available to meet the Town's current and future needs, and is unassigned fund balance. Unassigned general fund balance at year-end was 21.6% of general fund expenditures and other uses, compared to the percentage in FY-2014 of 18.2%, and in excess of the Town's reserve policy of 15%.
- The Town's net debt decreased by \$9,714,607 due to scheduled principal retirements during the current fiscal year of general obligation bonds, loans and capital leases.

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**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 of resources, liabilities, and deferred inflows of resources 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, expensed but not paid interest, and pension related expenses.

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 39-41 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

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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 42-45 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 46-53 of this report.

***Fiduciary funds.*** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. 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 54-55 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 56-86 of this report.

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**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Town's progress in funding its obligation to provide pension and OPEB benefits to its employees. Required supplementary information can be found on pages 88-94 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 96-111 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, 2015 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 \$154,732,316 at the close of the fiscal year for June 30, 2015, compared to \$161,468,387 for the year ended June 30, 2014, a decrease of \$6,736,071. Recognition of net pension liability and related deferred inflows and outflows contributed \$14,959,530 to the decrease which was offset by net revenues and expenses of \$8,223,459 not related to the net pension liability.

By far the largest portion of the Town's net position, 84.9%, reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

	Governmental Activities		Business-type Activities		Total Primary Government		% Change
	2015	2014	2015	2014	2015	2014	
Current and other assets	\$ 35,461,905	\$ 35,244,048	\$ 24,373,448	\$ 31,170,138	\$ 59,835,353	\$ 66,414,186	\$ (9.9) %
Capital assets	96,579,348	94,687,042	115,639,287	112,248,228	212,218,635	206,935,270	2.6
Total assets	132,041,253	129,931,090	140,012,735	143,418,366	272,053,988	273,349,456	(0.5)
Deferred Outflows of Resources	5,071,141	118,622	1,116,532	432,132	6,187,673	550,754	1023.5
Long-term liabilities outstanding	61,982,148	48,465,330	45,590,993	49,227,772	107,573,141	97,693,102	10.1
Other liabilities	11,136,288	10,418,686	4,138,083	4,320,035	15,274,371	14,738,721	3.6
Total liabilities	73,118,436	58,884,016	49,729,076	53,547,807	122,847,512	112,431,823	9.3
Deferred Inflows of Resources	552,626	-	109,207	-	661,833	-	
Net position:							
Net investment in capital assets	57,685,894	57,349,894	73,668,728	70,435,192	131,354,622	127,785,086	2.8
Restricted	-	115,000	4,284,817	6,272,857	4,284,817	6,387,857	(32.9)
Unrestricted	5,755,438	13,700,802	13,337,439	13,594,642	19,092,877	27,295,444	(30.1)
Total net position	\$ 63,441,332	\$ 71,165,696	\$ 91,290,984	\$ 90,302,691	\$ 154,732,316	\$ 161,468,387	(4.2) %

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, \$4,284,817, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$19,092,877 may be used to meet the Town's ongoing obligations to citizens and creditors. This is a \$8,202,567 decrease from 2014, largely due to the amount of the net pension liability.

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Net position for the prior year was restated for 2015 for the net pension liability and was reduced \$14,838,209 for governmental activities and \$2,354,186 for business-type activities. The following table indicates the changes in net position for governmental and business-type activities after the restatement:

	Governmental Activities		Business-type Activities		Total Primary Government		%
	2015	2014	2015	2014	2015	2014	Change
<b>REVENUES</b>							
<b>Program Revenues:</b>							
Charges for current services	\$ 14,632,088	\$ 14,238,098	\$ 29,314,132	\$ 28,624,075	\$ 43,946,220	\$ 42,862,173	2.5%
Operating grants and contributions	3,026,042	3,432,044	3,680,145	3,593,254	6,706,187	7,025,298	(4.5)
Capital grants and contributions	190,351	105,000	1,530,415	6,501,328	1,720,766	6,606,328	(74.0)
<b>General revenues:</b>							
Property taxes	42,444,386	42,199,671	-	-	42,444,386	42,199,671	0.6
Other taxes	16,454,632	16,042,019	-	-	16,454,632	16,042,019	2.6
Grants and contributions not restricted to specific programs	3,139,620	3,055,727	-	-	3,139,620	3,055,727	2.7
Other revenue	968,599	865,918	64,038	49,366	1,032,637	915,284	12.8
Total revenues	<u>80,855,718</u>	<u>79,938,477</u>	<u>34,588,730</u>	<u>38,768,023</u>	<u>115,444,448</u>	<u>118,706,500</u>	(2.7)
<b>EXPENSES:</b>							
General government	852,529	1,314,758	-	-	852,529	1,314,758	(35.2)
Public safety	32,782,621	36,112,813	-	-	32,782,621	36,112,813	(9.2)
General public works and beach	7,240,368	6,329,540	-	-	7,240,368	6,329,540	14.4
Sanitation and waste removal	5,787,086	6,230,810	-	-	5,787,086	6,230,810	(7.1)
Highways and streets	7,102,511	7,787,410	-	-	7,102,511	7,787,410	(8.8)
Economic development - Tourism	8,139,166	7,998,815	-	-	8,139,166	7,998,815	1.8
Recreation and culture	7,479,558	7,654,518	-	-	7,479,558	7,654,518	(2.3)
Interest on long-term debt	1,335,105	1,462,237	-	-	1,335,105	1,462,237	(8.7)
Water	-	-	5,532,561	6,251,720	5,532,561	6,251,720	(11.5)
Transportation	-	-	8,213,299	8,036,903	8,213,299	8,036,903	2.2
Wastewater	-	-	11,299,812	11,966,765	11,299,812	11,966,765	(5.6)
Convention Center	-	-	5,341,279	5,438,689	5,341,279	5,438,689	(1.8)
Airport	-	-	1,832,178	1,615,099	1,832,178	1,615,099	13.4
Golf Course	-	-	2,050,051	2,069,805	2,050,051	2,069,805	(1.0)
Total expenses	<u>70,718,944</u>	<u>74,890,901</u>	<u>34,269,180</u>	<u>35,378,981</u>	<u>104,988,124</u>	<u>110,269,882</u>	(4.8)
Increase in net position before transfers	10,136,774	5,047,576	319,550	3,389,042	10,456,324	8,436,618	23.9
Transfers	(3,022,929)	(3,363,267)	3,022,929	3,363,267	-	-	-
Increase in net position	7,113,845	1,684,309	3,342,479	6,752,309	10,456,324	8,436,618	23.9
Net position, prior year as restated	<u>56,327,487</u>	<u>69,481,387</u>	<u>87,948,505</u>	<u>83,550,382</u>	<u>144,275,992</u>	<u>153,031,769</u>	
Net position, current year	<u>\$ 63,441,332</u>	<u>\$ 71,165,696</u>	<u>\$ 91,290,984</u>	<u>\$ 90,302,691</u>	<u>\$ 154,732,316</u>	<u>\$ 161,468,387</u>	(4.2)

For the year ended June 30, 2015, 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 two nonmajor funds, the airport and golf course funds. The airport fund reported an unrestricted net position of (\$423,926) and the golf course fund reported an unrestricted net position of (\$246,082).

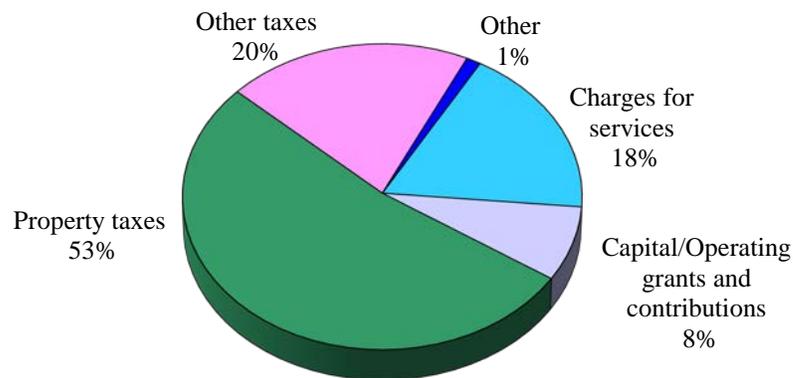
As a whole, the Town's net position increased \$10,456,324, after the restatement of the prior year, for the year ending June 30, 2015. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

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**Governmental activities:** The Town continued to increase advertising and tourism promotion expenses which improved sales tax revenues. Employees received increments resulting in a 0.3% increase in wages and benefits above 2014. Also, some variances occurred for specific revenue and expense types. Key elements in the net position increase of \$7,113,845 for governmental activities after the restatement of the prior year are as follows:

- Property tax revenues and tax penalties and interest increased only 0.6% or \$244,715 due to assessment increases 0.7% and an increase in the real property tax rate from \$0.472 in 2014 to \$0.474 per \$100 of assessed value in 2015, or a rate increase of 0.42%. Property taxes comprised 53% of revenue for governmental activities and 36.8% of all Town revenues in 2015.

**Governmental Activities - Revenue by Source**



- The largest revenue increase in 2015 was in the category, “Other Taxes”. It increased \$412,613 or 2.57%. 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 \$13,845,676 had an increase of \$477,961, or 3.57% from the prior year. Hotel sales in the resort have increased annually throughout the past decade. Income taxes were \$10,952 above 2014 or 1.31% and have increased 35.2% since 2010 due to the improvements in capital gains on real estate sales in Ocean City over the past five years.
- Revenue from charges for services increased \$393,990 in governmental activities. The largest contributors to the increase was emergency service fees, \$95,224, due to rate increases; increase in festival revenues of \$102,554 due to enhanced entertainment sales; and an increase in franchise fees of \$114,313 which were rebid in 2015.

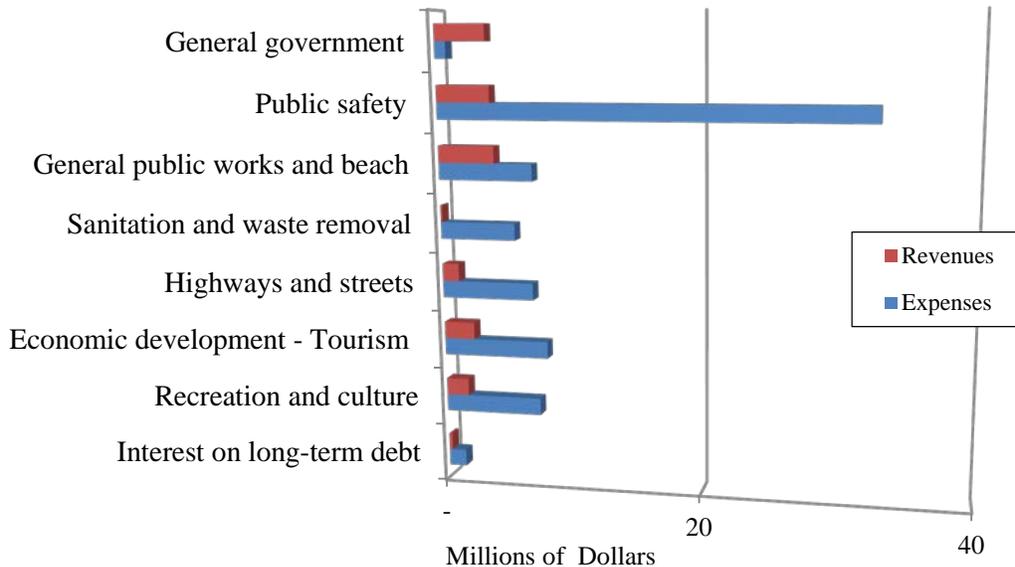
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- The revenue recognized from operating grants and other contributions decreased \$406,002 from 2014. This is primarily due to the decrease of \$258,228 in federal grants from FEMA as payments in 2014 for damages from hurricane Sandy that were not applicable to 2015. The Town was awarded \$87,397 less in state grants for tourism development in 2015 than in 2014 based on the state's allocation. Federal grants for highway safety, police training, and emergency management were \$77,158 less than in 2014. Revenue from capital grants and contributions increased \$83,893 primarily from contributions from the Ocean City Development Corporation for new lighting on St. Louis Avenue.
- The category "Other revenue" had an increase of \$102,681 in 2015 compared to 2014. This was due to increases from investment income of \$30,011 and impact fees applicable to the general fund which increased \$110,856 due to new construction of hotels. Building rental revenue decreased \$38,874 due to offices in the Public Safety Building no longer being rented to other governmental law enforcement agencies.
- Personnel costs for wages and employee benefits, which are 63.1% of total expenses, decreased 5.97% in governmental activities or \$2,954,757 from the prior year. Salaries increased 0.72% or \$232,574 as some employees received an increment on January 1, or for six months of the fiscal year. The cost of employee benefits decreased \$3,187,331 due to decreases in pension expense. The employer contribution to the pension and other post-employment benefit plans decreased \$1,423,216 due to actuarial gains in the prior year. The implementation of GASB 68 in 2015 resulted in a credit to pension expense in governmental activities of \$1,846,185 in 2015. Employer costs for health insurance decreased \$81,603 as more employees elected insurance plans with higher deductibles.
- Other operating expenses decreased \$1,217,200 or 4.79%. Decreases in fuel prices and repairs decreased expenses for vehicles \$248,241. The fire department replaced the self-contained breathing apparatus for firefighters at a cost of \$602,356 in 2014 that was not an expense in 2015. The Town made non-capital repairs and asphalt overlays of streets of \$809,985 in 2014 compared to \$318,801 in 2015. However, the Town capitalized \$2,896,935 in street renovations in 2015.
- Transfers to other funds decreased \$340,338. The subsidy for the transportation fund was reduced after fare increases were made and due to lower fuel costs.

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The following graph indicates the functional revenues and expenses of governmental activities to demonstrate the extent which the governmental functions produce revenues to offset program costs. Expenses not covered by direct program revenues are covered primarily by taxes, licenses, and state and county-shared revenues. Functional revenues covered 25.5% of governmental expenses in FY-2015 compared to 23.9% in FY-2014.

**GOVERNMENTAL ACTIVITIES  
EXPENSES AND PROGRAM REVENUES**



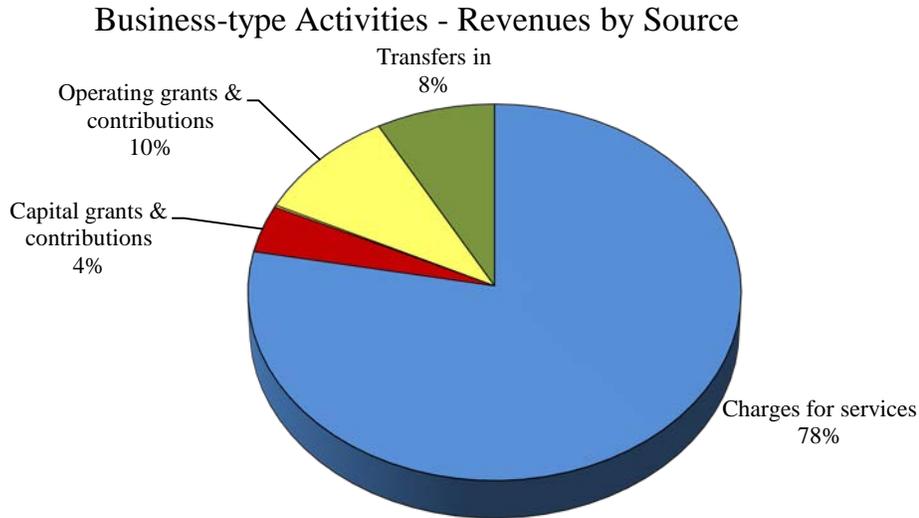
**Business-type activities.** There was an increase of \$3,342,479 in the Town's net position in FY-2015 attributed to business-type activities after the restatement of net position in the prior year due to recognition of net pension liability of \$2,354,186. Key elements of this increase are as follows:

- Charges for services for business-type activities increased 2.4%, or \$690,057. A rate study presented to the Council in February 2015 advised fee increases to be phased in over 5 years to cover capital improvements and debt service for water and wastewater utilities. The fee increase resolution was effective April 1, 2015. Revenue from water fees was \$57,369 above the prior year and wastewater revenue increased \$220,250. The bus fare was increased from \$1 dollar per boarding and \$2 dollars all day to \$3 dollars all day resulting in a revenue increase of \$458,176 from bus fares. The convention center revenue from service fees decreased \$47,679 as the building was being renovated for the performing arts center. Lower fuel prices at the airport resulted in \$37,919 less revenue collected in 2015 compared to 2014. Good weather and increased play at the golf course increased revenue \$39,860.
- There was a decrease of \$4,970,913 in capital grants and contributions for business-type activities. State and federal capital grants for new buses totaled \$3,843,957 in the transportation fund in 2014 compared to \$793,769 in 2015, a decrease of \$3,050,188. Also, Sunset Island Association donated land and a pumping station to the wastewater fund with a fair market value of \$1,366,696 in 2014. The runway was rebuilt at the airport and was funded with \$859,123 in federal and state grants in 2014 compared to \$327,864 in capital grants in 2015, or \$531,259 less.

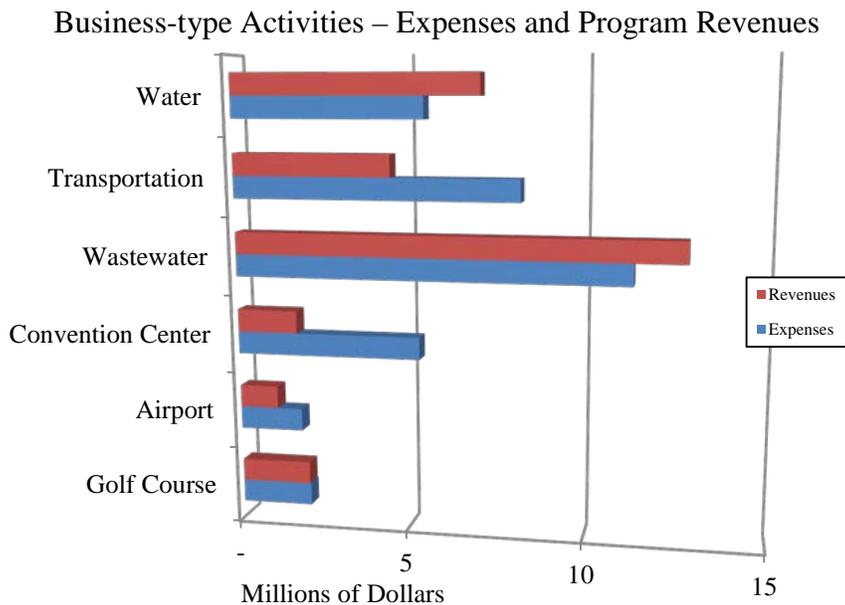
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- Expenses decreased 3.14% or \$1,109,801 in 2015 for business-type operations compared to 2014. There were significant reductions in operating costs of \$678,504 for the water fund and \$550,040 as there were costs for scheduled repairs and maintenance incurred in 2014 that were not spent in 2015.

Charges for services were 78% of revenue for business-type activities in 2015, with operating grants and contributions making up 10% of revenue, and capital grants 4% 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, convention center, and airport recovered 48.2% of expenses from user charges in 2015 compared to 46.6% in 2014.



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## **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, 2015, the Town's governmental funds reported a combined ending fund balance of \$21,148,697 compared to \$23,240,101 in 2014. The fund balance for the governmental funds decreased \$2,091,404 primarily due to the construction of capital improvements of \$6,082,562 and the purchase of capital equipment for \$154,928.

The General Fund unassigned fund balance, which is available for spending, increased \$2,046,510 from \$13,602,038 in 2014 to \$15,648,548 in 2015, although the City Council assigned \$1,640,027 to the 2016 fiscal year budget for capital improvements. Total general fund balance increased \$2,443,309 during the fiscal year. The changes in both total and unassigned general fund balance are important to evaluate the fund's liquidity.

- Although the tax rate increased from \$.4720 to \$.4740 per \$100 of valuation, assessment increases of 0.6% resulted in only a small increase in property tax receipts of \$95,957. Total General Fund revenues increased 0.71% or \$564,587 in 2015, primarily due to the increases in the category "Other taxes" of \$526,631 and "Charges for current services" of \$384,943. The increase in other taxes for room taxes of \$477,961 is an indicator of improvements in the economy. State-shared tax from casinos increased \$94,087 as deductions were no longer being made for Baltimore City after their casino opened. As noted above, service fees increased for emergency services, \$95,224, due to rate increases. Festival revenues increased \$102,554 due to enhanced entertainment sales and there was an increase in franchise fees of 114,313 which were rebid in 2015.
- The category "Revenue from other agencies" decreased \$446,196 or 7.4% due to decreases in federal grants for police training and emergency management. Revenue decreased 18.4% from "Fines and forfeitures" or \$131,055 due to a decrease in parking fines and forfeiture of funds. The category, "Other revenue" increased \$127,528 or 19.7% primarily due to impact fees applicable to the general fund which increased \$110,856 from fees to support infrastructure charged to new construction.
- General Fund expenditures of \$72,283,425, before other financing sources and uses, were 3.17% or \$2,367,663 less than in 2015 compared to 2014. The highest percentage change was for public safety which decreased \$1,888,743 or 5.46% due to lower expenditures for pension and OPEB contributions. Public safety comprised 45.2% of all general fund expenditures in 2015. In 2014, there were expenditures for a new roof on the public safety building for \$895,817 and self-contained breathing apparatus for firefighters costing \$602,351 compared to \$64,834 spent for equipment in 2015.

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- Expenditures for sanitation and waste removal decreased \$259,445 or 4.622% for contractual decreases in waste removal adjusted for lower fuel prices. Expenditures were 4.19% lower in 2015 than 2014 for highways and streets, or \$229,114. Street lighting cost \$50,684 less than the prior year and employee wages and benefits decreased \$226,274 due to work crews assignment to street construction projects.
- Principal in the amount of \$3,636,266 was retired in 2015, \$57, 844 less than in 2014. Interest expenses were \$83,252 below 2014 due to the final maturity of the Municipal Purpose Bonds of 2005 and lower interest rates due to refundings in the prior year.
- Transfers to other funds were \$5,521,674 in 2015 compared to \$6,103,515 in 2014, a decrease of \$581,841. Transfers to enterprise funds decreased \$340,338 as the subsidy to transportation operations was decreased due to fare increases and lower fuel costs. Additionally, \$249,829 less was transferred to the vehicle and equipment trust fund as funds were transferred in 2014 to purchase an ambulance.
- In 2015, the City Council voted to assign \$1,640,027 of fund balance to provide resources for the 2016 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, 2015, unassigned general fund balance was \$15,648,548 which represents 21.6% of general fund expenditures compared to 18.2% in 2014. Total general fund balance represents 24.3% of total expenditures at year-end. At the prior year end, the percentage was 20.2%.

The fund balance for the capital projects fund decreased \$4,534,713 primarily due to expenditures for the following projects which were funded by bond proceeds in 2012 and 2013 and a transfer of \$2,408,326 in 2015 from the general fund:

Street paving, sidewalks and storm drains	\$ 1,807,286
St. Louis Avenue improvements	1,408,450
Fire station construction	944,485
Beach patrol headquarters	2,116,041
Robin Drive bulkhead	24,944
Canal dredging	798,581
Fiber optic network	74,397
Animal shelter improvements	28,392
Land improvements	96,544
Boat ramp	29,516
Security cameras	<u>29,129</u>
Total	<u>\$ 7,357,765</u>

Remaining fund balance of \$3,557,983 is dedicated as follows:

Restricted for capital projects	\$ 3,020,069
Committed for capital projects	<u>537,914</u>
	<u>\$ 3,557,983</u>

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

**Proprietary funds.** The Town's proprietary funds provide the same information found in the government-wide financial statements but in more detail. The prior year net position for the funds were restated to recognize the net pension liability (NPL) as follows:

Total net position June 30, 2014 as previously reported	\$ 90,302,691
Water fund	(722,404)
Wastewater fund	(476,786)
Convention center fund	(645,064)
Transportation fund	(232,019)
Airport fund	(39,095)
Golf course fund	<u>(238,818)</u>
 Total net position June 30, 2014, as restated	 <u>\$ 87,948,505</u>

A change in net position of \$1,678,464 was reported in the water fund compared to \$890,906 in 2014. Rates for water usage were increased in 2015 based on a scheduled rate increase which increased sales by \$57,369. Operating expenses decreased \$678,504, a significant 11.1% as there was less spent on improvements to wells in 2015, depreciation expense decreased \$160,204, and interest expense decreased \$45,560. Cash flows from operations of \$2,868,659 enabled the construction of capital assets of \$1,209,324 in 2015; for water mains for \$573,321, a well at 42<sup>nd</sup> Street for \$245,276, and the purchase of a generator for \$33,292.

The wastewater fund had a gain of \$1,772,029 in 2015 compared to a gain of \$2,294,228 in 2014. The gain in 2014 was due in part to capital contributions of a pumping station and other infrastructure on Sunset Island valued at \$1,404,092. Rates were increased in April 2015 to fund future capital improvements and related debt service. Capital assets of \$2,689,976 were added for wastewater mains, plant improvements, and the pumping station on Duke Road.

The convention center fund had an operating loss of \$3,570,477 compared to a loss of \$3,697,660 in 2014 due to less spent on building repairs. The convention center fund received subsidies of \$1,431,581 from the Maryland Stadium Authority and \$1,520,710 from the Town, permitting an increase in the net position of the convention center of \$732,025. Debt service for the fund is supported by a tax on food and beverages in Ocean City which contributed \$1,290,324 in 2015, an increase of \$55,920. The debt sinking fund had a balance of \$4,284,817 at year-end and is shown as a restricted portion of net position.

Due to fare changes to ride-all-day for \$3 and increased advertising rates, sales for the Transportation fund increased \$458,174 above 2014. To improve service, additional buses were deployed in 2015 which increased operating costs \$158,229, resulting in an operating loss which was \$299,945 less than in 2014. Even after the above restatement for NPL of \$232,019, the fund had an unrestricted net position of \$930,995 in 2015 compared to \$787,938 in 2014.

Two non-major funds, the airport fund and the golf course fund, reported deficits in unrestricted net position of \$423,926 and \$246,082 respectively. The airport fund had a loss of \$67,588 in 2015 due to an increase of \$179,524 in depreciation expense and repairs and contracted services \$46,392 above 2014, not fully offset by contributions from federal grants and a transfer from the General Fund. The golf course fund had losses throughout the recession as leisure recreation activities such as golf were down, with losses in 2014 of \$16,075 and \$46,331 in 2015.

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

**Fiduciary funds.** The Town implemented GASB Statement 67, *Financial Reporting for Pension Plans* (GASB 67) in 2014 and GASB 68, *Accounting and Financial Reporting for Pensions* (GASB 68) in 2015. GASB 67 required 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 2015, the pension funds had a money weighted rate of return on investments of 2.23% compared to 15.36% in 2014. The actuarial value of assets is fair value as of June 30, 2015. The recommended contribution calculation methodology uses a 10-year, level dollar, closed gain/loss basis.

The General Employees Pension Plan funded ratio based on GASB 67, an indicator of funding status, decreased from 85.6% to 83.9%. Employees contribute 5% of pay to the plan and the Town contributed \$2,036,678, or 12.9% 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 decreased from 85.5% to 83.8% for the Public Safety Employees Pension Plan. Employees contribute 8% of pay to the plan. The Town contributed \$2,588,214 to the plan, or 20.2% 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 79-93 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 79 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 1.97% for the year. The unfunded accrued liability for the plan is \$29,000,000 and it is being amortized over 25 years. The Town made the annual required contribution to the plan of \$3,083,000 in 2015 and made the annual required contribution in 2012, 2013, and 2014. Additional information on the OPEB Trust can be found on pages 77-78 of this report.

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

**General Fund Budgetary Highlights**

Amendments to the adopted budget may occur during the year by ordinance (see Note 1.F. on page 59). Two amendments were made in FY-2015. Differences between the original budget and final amended budget for the general fund resulted in recognition of \$734,199 in additional revenues and decreased the amount appropriated from fund balance in the original budget by \$22,119. Appropriations were decreased \$142,345 for operations, and increased \$854,425 for transfers to other funds. Significant appropriation changes were made as follows:

- Recognized federal, state and county grants of \$702,084 and expended grant proceeds which included grants of \$135,647 for a network backup appliance, \$42,773 for tactical video equipment, \$89,369 for emergency training, \$362,603 from the state of Maryland for tourism development, \$27,703 for smoking restrictions, \$23,190 for a variable message sign, and \$25,675 for hazardous materials.
- Increased anticipated revenue to recognize an additional \$100,000 for admissions taxes and \$108,326 for state-shared casino revenue in the category "Other taxes" and \$153,296 in "Other revenue" for donations. Anticipated revenue from "Fines and forfeitures" was decreased \$119,543 for parking fines and tow fines due to improved signage and compliance.
- Increase expenditures for an upgrade to the auto-visual system in the Council meeting room for \$140,000 and boardwalk benches for \$127,000. Increase the budget for the category "Economic development-tourism" for advertising and promotion for \$464,090 for the above state grant and local Tourism Advisory Board initiatives and expenses for festivals by \$304,109 for labor and new displays. The budgets for other categories were reduced primarily due to lower contributions to pension and OPEB trusts than were anticipated in the original budget.
- Increase appropriations to capital projects for \$807,606 for street paving and \$50,000 for furnishing for the beach patrol building; to the Airport fund for \$66,000 for the local match for runway paving; to the Convention Center for \$40,400 from donations for a water feature; and \$90,419 to the Vehicle and Equipment fund for the purchase of trucks. Decrease the appropriation to the Transportation Fund due to reductions in the cost of fuel.

During the year, revenues were more than final budget estimates by \$1,026,420. Expenditures were \$2,215,677 less than anticipated. Other sources and uses variances were a favorable \$110,921. This resulted in a favorable variance from the budget of \$3,353,018. The key elements of this variation were:

- The category of "Property taxes" was \$291,471 more than anticipated due to additions in prior year taxes and corporate tax. The category of "Revenue from other taxes" was \$295,867 above budget due to additional room taxes of \$245,676 from increased hotel occupancy and rates. Income taxes and admission taxes also exceeded the final budget.

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

- Revenue from “Charges for current services” was \$253,974 above the final budget primarily due to increased ticket sales at festivals, \$105,750; an increase in emergency service fees, \$54,580; an increase in service fees for private events held on city property, \$35,985; and a new fee for advertising sales on the Town’s tourism web site for \$21,000.
- The largest variance to the final budget for expenditures was for “Public safety”, which was \$779,746 under budget due to lower costs for health insurance, unemployment expense, and operational supplies. The category of “General public works and beach” had expenditures \$334,271 less than anticipated also due to the lower health insurance costs and the repair to a bulkhead which was \$55,743 under budget. Expenses were less than anticipated for boardwalk benches and scheduled repairs to City Hall which were not completed during the fiscal year.
- The category “Recreation and culture” was under budget by \$381,495. Salaries and wages were \$128,395 were under the budget for the beach patrol as there were staff vacancies at the end of the season. Expenses for supplies were \$84,058 below the budget as some purchases for the beach patrol were delayed until the opening of the new headquarters. Other functional divisions had also reductions in employee benefits and limited spending for repairs, supplies, and purchased services, saving \$589,579.
- The category in other financing sources and uses, “Transfer in”, was above budget by \$184,284 for reimbursements to the General Fund from the capital improvement fund for debt service for land purchases paid through a portion of the inlet parking lot revenues dedicated to land purchases by the Ocean City Development Company.

**Capital Assets**

The Town’s investment in capital assets for its governmental and business-type activities as of June 30, 2015, was \$212,218,635 (net of accumulated depreciation) compared to \$206,935,270 in 2014. 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 2.6% comprised of a 2.0% increase for governmental activities and 3.0% increase for business-type activities. Additions exceeded depreciation of \$11,266,781 in FY-2015 by \$14,975,305. The total value of all capital assets has been reduced 49.8% by depreciation.

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

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 71 of this report.

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

	Governmental Activities		Business-type Activities		Total Primary Government		%
	2015	2014	2015	2014	2015	2014	
							Change
Land	\$ 24,667,031	\$ 24,641,271	\$ 14,552,782	\$ 14,552,782	\$ 39,219,813	\$ 39,194,053	0.1%
Buildings	26,379,379	21,949,199	51,152,338	42,575,542	77,531,717	64,524,741	20.2
Other improvements	10,469,632	11,245,583	3,204,983	2,999,407	13,674,615	14,244,990	(4.0)
Streets and infrastructure	16,107,911	16,772,103	19,084,436	19,603,341	35,192,347	36,375,444	(3.3)
Machinery and equipment	15,931,443	16,832,009	26,546,962	25,426,670	42,478,405	42,258,679	0.5
Construction in progress	3,023,952	3,246,877	1,097,786	7,090,486	4,121,738	10,337,363	(60.1)
	<u>\$ 96,579,348</u>	<u>\$ 94,687,042</u>	<u>\$ 115,639,287</u>	<u>\$ 112,248,228</u>	<u>\$ 212,218,635</u>	<u>\$ 206,935,270</u>	2.6

**Debt Administration**

As of June 30, 2015, the Town had total general obligation bonded debt, backed by the full faith and credit of the Town, outstanding of \$81,613,612. The remainder of the Town's debt is comprised of notes payable to the State of Maryland for \$503,283.

The Town paid current maturities of \$9,714,607 in 2015. Outstanding general obligation debt represents 0.95% of the assessed valuation of property in the Town. The debt limit is 5.2% of assessments, leaving a legal debt margin of \$370,152,947.

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 73-75 of this report.

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

- The Town has experienced a slight decrease in assessments of 0.24% from 2015 to the 2016 fiscal year. There has been a stabilization of market values for second homes and vacation properties.
- Hotel and rental sales increased 3.58% in 2015. Food and beverage sales increased 4.53% 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.
- Promotional expenditures were below the budgeted amount. 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.

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

- The Town will continue to promote the town as a vacation destination and support promotional events and festivals to attract visitors such as the Air Show, weekly beach concerts and fireworks for the 2016 fiscal year. These events improve business for hotels and restaurants while offering free, family centered activities.
- The \$14 million dollar performing arts center at the Roland E. Powell Convention Center opened in December 2014. It is anticipated to provide year-round entertainment and cultural events for local residents and resort visitors.
- Employees had not received a cost-of-living adjustment since 2008. An increase of 2% is scheduled for January 1, 2016.

All of these factors were considered in preparing the Town's budget for the 2016 fiscal year. To maintain service levels, the real property tax rate was increased slightly from \$0.4704 per \$100 of valuation to \$0.4780, 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, 2015

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 8,336,684	\$ 4,383,083	\$ 12,719,767
Investments	22,162,688	7,537,328	29,700,016
Restricted investments	-	4,664,097	4,664,097
Receivables (net of allowance for uncollectibles)	2,737,640	2,766,227	5,503,867
Interest receivable	39,483	6,549	46,032
Intergovernmental receivable	4,753,213	861,237	5,614,450
Internal balances	(3,375,055)	3,375,055	-
Inventories	807,252	777,372	1,584,624
Other	-	2,500	2,500
Capital assets not being depreciated:			
Land	24,667,031	14,552,782	39,219,813
Construction in progress	3,023,952	1,097,786	4,121,738
Capital assets, net of accumulated depreciation			
Buildings	26,379,379	51,152,338	77,531,717
Machinery and equipment	15,931,443	26,546,962	42,478,405
Streets and infrastructure	16,107,911	19,084,436	35,192,347
Other improvements	10,469,632	3,204,983	13,674,615
Total capital assets	<u>96,579,348</u>	<u>115,639,287</u>	<u>212,218,635</u>
Total assets	<u>132,041,253</u>	<u>140,012,735</u>	<u>272,053,988</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	98,707	331,643	430,350
Deferred outflows related to pensions	4,972,434	784,889	5,757,323
Total deferred outflows of resources	<u>5,071,141</u>	<u>1,116,532</u>	<u>6,187,673</u>
<b>LIABILITIES</b>			
Accounts payable and other accrued liabilities	2,743,785	1,476,392	4,220,177
Accrued expenses	4,115,059	874,611	4,989,670
Compensated absences	1,926,256	502,795	2,429,051
Unearned revenue	1,674,659	1,096,649	2,771,308
Other	676,529	187,636	864,165
Long-Term liabilities:			
Due within one year:			
Claims payable	773,064	-	773,064
Bonds and notes payable	3,566,514	6,049,391	9,615,905
Due in more than one year:			
Claims payable	2,309,378	-	2,309,378
Bonds and notes payable	38,021,803	36,797,971	74,819,774
Net pension liability	17,311,389	2,743,631	20,055,020
Total long-term liabilities	<u>61,982,148</u>	<u>45,590,993</u>	<u>107,573,141</u>
Total liabilities	<u>73,118,436</u>	<u>49,729,076</u>	<u>122,847,512</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	552,626	109,207	661,833
Total deferred inflows of resources	<u>552,626</u>	<u>109,207</u>	<u>661,833</u>
<b>NET POSITION</b>			
Net investments in capital assets	57,685,894	73,668,728	131,354,622
Restricted for:			
Debt service	-	4,284,817	4,284,817
Unrestricted	5,755,438	13,337,439	19,092,877
Total Net Position	<u>\$ 63,441,332</u>	<u>\$ 91,290,984</u>	<u>\$ 154,732,316</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, 2015

<u>Functions/Programs</u>	<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
<b>Primary government:</b>			
Governmental activities:			
General government	\$ 852,529	\$ 3,892,295	\$ -
Public safety	32,782,621	2,038,976	2,068,774
General public works and beach	7,240,368	4,314,242	13,117
Sanitation and waste removal	5,787,086	115,232	-
Highway and streets	7,102,511	1,054,220	26,363
Economic development - Tourism	8,139,166	1,589,455	762,603
Recreation and culture	7,479,558	1,627,668	100,000
Interest on long-term debt	1,335,105	-	55,185
<b>Total governmental activities</b>	<b>70,718,944</b>	<b>14,632,088</b>	<b>3,026,042</b>
Business-type activities:			
Water	5,532,561	7,107,376	-
Transportation	8,213,299	4,558,857	826,032
Wastewater	11,299,812	12,771,316	117,961
Convention Center	5,341,279	1,745,001	2,736,152
Airport	1,832,178	1,108,590	-
Golf Course	2,050,051	2,022,992	-
<b>Total business-type activities</b>	<b>34,269,180</b>	<b>29,314,132</b>	<b>3,680,145</b>
<b>Total primary government</b>	<b>\$ 104,988,124</b>	<b>\$ 43,946,220</b>	<b>\$ 6,706,187</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
- Transfers

Change in net position

- Net position - beginning as restated
- Net position - ending

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

<u>Net (Expense) Revenue and Changes in Net Assets</u>			
<u>Primary Government</u>			
<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ -	\$ 3,039,766	\$ -	\$ 3,039,766
-	(28,674,871)	-	(28,674,871)
-	(2,913,009)	-	(2,913,009)
-	(5,671,854)	-	(5,671,854)
190,351	(5,831,577)	-	(5,831,577)
-	(5,787,108)	-	(5,787,108)
-	(5,751,890)	-	(5,751,890)
-	(1,279,920)	-	(1,279,920)
<u>190,351</u>	<u>(52,870,463)</u>	<u>-</u>	<u>(52,870,463)</u>
130,662	-	1,705,477	1,707,172
793,769	-	(2,034,641)	352,617
228,120	-	1,817,585	1,822,655
50,000	-	(810,126)	(809,861)
327,864	-	(395,724)	(395,724)
-	-	(27,059)	(27,059)
<u>1,530,415</u>	<u>-</u>	<u>255,512</u>	<u>255,512</u>
<u>\$ 1,720,766</u>	<u>\$ (52,870,463)</u>	<u>\$ 255,512</u>	<u>\$ (52,614,951)</u>
	42,203,972	-	42,203,972
	240,414	-	240,414
	16,454,632	-	16,454,632
	563,517	-	563,517
	2,576,103	-	2,576,103
	199,294	49,470	248,764
	769,305	14,568	783,873
	(3,022,929)	3,022,929	-
	<u>59,984,308</u>	<u>3,086,967</u>	<u>63,071,275</u>
	7,113,845	3,342,479	10,456,324
	<u>56,327,487</u>	<u>87,948,505</u>	<u>144,275,992</u>
	<u>\$ 63,441,332</u>	<u>\$ 91,290,984</u>	<u>\$ 154,732,316</u>

TOWN OF OCEAN CITY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2015

	General	Capital Projects	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 7,536,119	\$ 76,075	\$ 7,612,194
Investments	12,256,022	4,642,260	16,898,282
Accounts Receivables ( net of allowance for uncollectibles)	2,706,609	3,534	2,710,143
Intergovernmental Receivable	4,662,862	90,351	4,753,213
Due from other funds	182,000	-	182,000
Interest Receivable	27,358	168	27,526
	<u>27,370,970</u>	<u>4,812,388</u>	<u>32,183,358</u>
Total assets	<u>\$ 27,370,970</u>	<u>\$ 4,812,388</u>	<u>\$ 32,183,358</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 1,111,379	\$ 1,254,405	\$ 2,365,784
Accrued liabilities	5,553,146	-	5,553,146
Other	676,529	-	676,529
Unearned revenues	1,674,658	-	1,674,658
	<u>9,015,712</u>	<u>1,254,405</u>	<u>10,270,117</u>
Total liabilities	<u>9,015,712</u>	<u>1,254,405</u>	<u>10,270,117</u>
<b>Deferred inflows of resources</b>			
Unavailable revenue-property and income taxes	764,544	-	764,544
Total deferred inflow of resources	<u>764,544</u>	<u>-</u>	<u>764,544</u>
<b>FUND BALANCES</b>			
Nonspendable:			
Restricted:			
Capital projects	-	3,020,069	3,020,069
Committed:			
Capital projects	-	537,914	537,914
Assigned:			
Purchases on order	302,139	-	302,139
Subsequent year's budget: appropriation of fund balance	1,640,027	-	1,640,027
Unassigned	15,648,548	-	15,648,548
Total fund balances	<u>17,590,714</u>	<u>3,557,983</u>	<u>21,148,697</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 27,370,970</u>	<u>\$ 4,812,388</u>	
Reconciliation to the Statement of Net Position:			
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.			82,264,806
Other long-term assets are not available to pay for current-period expenditures and therefore are offset by deferred revenue in the governmental funds.			764,544
Internal service funds are used by management to charge the costs of equipment replacement, and insured risks; and, therefore, the assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position, net of the portion assigned to business-type activities, \$3,407,55.			13,194,434
Long-term liabilities, including bonds payable and net pension liability and related deferred inflows and outflows, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.			(53,931,149)
Net position of governmental activities			<u>\$ 63,441,332</u>

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

TOWN OF OCEAN CITY  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General	Capital Projects	Total Governmental Funds
<b>REVENUES</b>			
Property taxes	\$ 42,429,988	\$ -	\$ 42,429,988
Other taxes	17,024,793	-	17,024,793
Licenses and permits	4,190,527	137,282	4,327,809
Fines and forfeitures	583,087	-	583,087
Charges for services	9,457,304	263,887	9,721,191
Revenue from other agencies	5,602,145	-	5,602,145
Other revenue	776,280	197,841	974,121
<b>Total revenues</b>	<b>80,064,124</b>	<b>599,010</b>	<b>80,663,134</b>
<b>EXPENDITURES</b>			
Current:			
General government	3,817,132	-	3,817,132
Public Safety	32,700,162	28,392	32,728,554
General public works and beach	4,991,829	928,010	5,919,839
Sanitation and waste removal	5,353,919	-	5,353,919
Highways and streets	5,241,405	318,801	5,560,206
Economic development- Tourism	7,889,134	-	7,889,134
Recreation and culture	7,090,260	-	7,090,260
Capital Outlay	-	6,082,562	6,082,562
Debt service:			-
Principal	3,636,266	-	3,636,266
Interest	1,563,318	-	1,563,318
<b>Total expenditures</b>	<b>72,283,425</b>	<b>7,357,765</b>	<b>79,641,190</b>
Excess (deficiency) of revenues over expenditures	7,780,699	(6,758,755)	1,021,944
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	184,284	2,408,326	2,592,610
Transfers out	(5,521,674)	(184,284)	(5,705,958)
<b>Total other financing sources and (uses)</b>	<b>(5,337,390)</b>	<b>2,224,042</b>	<b>(3,113,348)</b>
Net change in fund balance	2,443,309	(4,534,713)	(2,091,404)
Fund balances-beginning	15,147,405	8,092,696	23,240,101
Fund balances-ending	<u>\$ 17,590,714</u>	<u>\$ 3,557,983</u>	<u>\$ 21,148,697</u>

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

TOWN OF OCEAN CITY  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Amounts reported for governmental activities in the statement of activities  
(pages 40 and 41) are different because:

Net change in fund balances for total governmental funds (page 43)	\$ (2,091,404)
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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 exceeded depreciation in the current period by:	2,742,237
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.	7,754
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The repayment of the principal of long term debt consumes the current financial resources of governmental funds. It does not have any effect on net assets.

Principal payments on general obligation debt	3,636,266
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Some (expenses) and credits reported in the statement of activities do not require the use of current financial resources and are not reported as (expenditures) or credits in governmental funds.	2,074,398
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Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of internal service funds is reported with governmental activities.	744,594
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Change in net assets of governmental activities (page 41)	\$ 7,113,845
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The notes to the financial statements are an integral part of this statement.

TOWN OF OCEAN CITY  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30,2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 42,089,670	\$ 42,138,517	\$ 42,429,988	\$ 291,471
Other taxes	16,520,600	16,728,926	17,024,793	295,867
Licenses and permits	4,062,570	4,098,062	4,190,527	92,465
Fines and forfeitures	710,000	590,457	583,087	(7,370)
Charges for current services	9,497,633	9,203,330	9,457,304	253,974
Revenue from other agencies	4,855,273	5,557,357	5,602,145	44,788
Other revenue	567,759	721,055	776,280	55,225
	<u>78,303,505</u>	<u>79,037,704</u>	<u>80,064,124</u>	<u>1,026,420</u>
<b>EXPENDITURES</b>				
Current:				
General government	4,000,086	4,103,907	3,817,132	(286,775)
Public safety	34,216,710	33,479,908	32,700,162	(779,746)
General public works and beach	5,302,911	5,326,100	4,991,829	(334,271)
Sanitation and waste removal	5,616,940	5,505,047	5,353,919	(151,128)
Highways and streets	5,402,696	5,393,081	5,241,405	(151,676)
Economic development - Tourism	7,184,880	7,999,141	7,889,134	(110,007)
Recreation and culture	7,697,061	7,471,755	7,090,260	(381,495)
Debt service				
Principal	3,656,845	3,656,845	3,636,266	(20,579)
Interest	1,563,318	1,563,318	1,563,318	-
	<u>74,641,447</u>	<u>74,499,102</u>	<u>72,283,425</u>	<u>(2,215,677)</u>
Excess of revenues over expenditures	<u>3,662,058</u>	<u>4,538,602</u>	<u>7,780,699</u>	<u>3,242,097</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	184,284	184,284
Transfers out	(4,593,886)	(5,448,311)	(5,521,674)	(73,363)
	<u>(4,593,886)</u>	<u>(5,448,311)</u>	<u>(5,337,390)</u>	<u>110,921</u>
Net change in fund balances	(931,828)	(909,709)	2,443,309	3,353,018
Fund balance-beginning	<u>15,147,405</u>	<u>15,147,405</u>	<u>15,147,405</u>	<u>-</u>
Fund balance-ending	<u>\$ 14,215,577</u>	<u>\$ 14,237,696</u>	<u>\$ 17,590,714</u>	<u>\$ 3,353,018</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, 2015

	<b>Business Type Activities</b>	
	Water	Wastewater
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 373,501	\$ 2,371,387
Investments	3,500,000	2,665,877
Receivables, net	1,058,075	1,127,801
Interest receivable	-	-
Intergovernmental receivable	-	-
Inventories	-	631,590
Other	-	-
Total current assets	<u>4,931,576</u>	<u>6,796,655</u>
Noncurrent assets:		
Restricted investments	-	-
Capital assets:		
Land	755,019	2,636,905
Buildings	18,674,452	45,563,688
Other Improvements	4,126,142	1,314,357
Streets and infrastructure	23,707,900	9,857,881
Machinery and equipment	4,863,991	46,995,256
Construction in progress	342,137	466,628
Less accumulated depreciation	<u>(37,168,659)</u>	<u>(53,333,025)</u>
Total noncurrent assets	<u>15,300,982</u>	<u>53,501,690</u>
Total assets	<u>20,232,558</u>	<u>60,298,345</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred charge on refunding	91,395	225,005
Deferred outflows related to pensions	<u>240,851</u>	<u>158,961</u>
Total deferred outflows of resources	<u>332,246</u>	<u>383,966</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	178,477	642,547
Accrued expenses	80,998	312,362
Compensated absences	86,171	172,351
Due to other funds	-	-
Unearned revenue	-	-
Claims and judgments	-	-
Other	187,636	-
Current portion of long-term debt	<u>639,495</u>	<u>2,281,455</u>
Total current liabilities	<u>1,172,777</u>	<u>3,408,715</u>
Noncurrent liabilities:		
Claims and judgments	-	-
Bonds, notes, and loans payable	2,509,181	25,481,484
Net pension liability	<u>841,909</u>	<u>555,659</u>
Total other noncurrent liabilities	<u>3,351,090</u>	<u>26,037,143</u>
Total liabilities	<u>4,523,867</u>	<u>29,445,858</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows related to pensions	<u>33,512</u>	<u>22,117</u>
Total deferred inflows of resources	<u>33,512</u>	<u>22,117</u>
<b>NET POSITION</b>		
Net investment in capital assets	12,243,699	26,129,635
Restricted for debt service	-	-
Unrestricted	<u>3,763,726</u>	<u>5,084,701</u>
Total net position	<u>\$ 16,007,425</u>	<u>\$ 31,214,336</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
Convention Center	Transportation	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ 510,633	\$ 1,013,238	\$ 114,324	\$ 4,383,083	\$ 724,490
1,371,451	-	-	7,537,328	5,264,407
316,669	136,761	126,921	2,766,227	27,498
6,549	-	-	6,549	11,957
425,245	356,746	79,246	861,237	-
-	-	145,782	777,372	807,252
-	-	2,500	2,500	-
<u>2,630,547</u>	<u>1,506,745</u>	<u>468,773</u>	<u>16,334,296</u>	<u>6,835,604</u>
4,284,817	-	379,280	4,664,097	-
7,456,616	-	3,704,242	14,552,782	-
40,746,535	2,835,349	5,221,496	113,041,520	1,447,083
190,728	81,837	627,874	6,340,938	31,545
-	-	9,051,072	42,616,853	-
1,255,186	385,188	830,877	54,330,498	44,413,852
-	-	289,021	1,097,786	-
(14,962,291)	(2,095,834)	(8,781,281)	(116,341,090)	(31,577,940)
<u>38,971,591</u>	<u>1,206,540</u>	<u>11,322,581</u>	<u>120,303,384</u>	<u>14,314,540</u>
<u>41,602,138</u>	<u>2,713,285</u>	<u>11,791,354</u>	<u>136,637,680</u>	<u>21,150,144</u>
15,243	-	-	331,643	-
215,065	77,355	92,657	784,889	275,420
<u>230,308</u>	<u>77,355</u>	<u>92,657</u>	<u>1,116,532</u>	<u>275,420</u>
349,881	16,028	289,459	1,476,392	378,001
120,240	304,902	56,109	874,611	100,747
119,801	51,011	73,461	502,795	111,818
-	-	32,000	32,000	150,000
653,023	-	443,626	1,096,649	-
-	-	-	-	773,064
-	-	-	187,636	-
3,040,766	-	87,675	6,049,391	-
<u>4,283,711</u>	<u>371,941</u>	<u>982,330</u>	<u>10,219,474</u>	<u>1,513,630</u>
-	-	-	-	2,309,378
7,634,254	-	1,173,052	36,797,971	-
751,775	270,401	323,887	2,743,631	962,746
8,386,029	270,401	1,496,939	39,541,602	3,272,124
<u>12,669,740</u>	<u>642,342</u>	<u>2,479,269</u>	<u>49,761,076</u>	<u>4,785,754</u>
29,923	10,763	12,892	109,207	38,321
<u>29,923</u>	<u>10,763</u>	<u>12,892</u>	<u>109,207</u>	<u>38,321</u>
24,026,996	1,206,540	10,061,858	73,668,728	14,314,541
4,284,817	-	-	4,284,817	-
820,970	930,995	(670,008)	9,930,384	2,286,948
<u>\$ 29,132,783</u>	<u>\$ 2,137,535</u>	<u>\$ 9,391,850</u>	<u>87,883,929</u>	<u>\$ 16,601,489</u>
			3,407,055	
			<u>\$ 91,290,984</u>	

TOWN OF OCEAN CITY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Business-type Activities</u>	
	<u>Water</u>	<u>Wastewater</u>
Operating revenues:		
Charges for sales and services	\$ 7,107,377	\$ 12,771,316
Total operating revenues	<u>7,107,377</u>	<u>12,771,316</u>
Operating expenses:		
Personal services	1,771,374	3,875,843
Contractual services	309,952	757,939
Utilities	405,652	593,470
Repairs and maintenance	725,334	641,672
Other supplies and expenses	471,946	601,098
Internal services	740,338	1,023,705
Insurance claims and expenses	-	-
Depreciation	1,016,841	2,807,903
Total operating expenses	<u>5,441,437</u>	<u>10,301,630</u>
Operating income (loss)	<u>1,665,940</u>	<u>2,469,686</u>
Nonoperating revenues (expenses)		
Interest and investment revenue	3,548	3,365
Operating grants	-	117,961
Interest expense	(121,686)	(1,047,106)
Gain on disposal of assets	-	-
Total nonoperating revenues (expenses)	<u>(118,138)</u>	<u>(925,780)</u>
Income (loss) before capital contributions and transfers	1,547,802	1,543,906
Capital contributions	130,662	228,123
Transfers in	-	-
Change in net position	<u>1,678,464</u>	<u>1,772,029</u>
Net position-beginning, as restated	<u>14,328,961</u>	<u>29,442,307</u>
Net position-ending	<u>\$ 16,007,425</u>	<u>\$ 31,214,336</u>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.  
Change in net position of business-type activities (page 41)

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
\$ 1,745,001	\$ 4,558,857	\$ 3,131,580	\$ 29,314,131	\$ 11,186,202
<u>1,745,001</u>	<u>4,558,857</u>	<u>3,131,580</u>	<u>29,314,131</u>	<u>11,186,202</u>
2,753,817	3,681,047	1,307,535	13,389,616	2,806,026
216,450	54,909	468,571	1,807,821	1,196,010
676,447	84,271	98,576	1,858,416	149,539
368,034	2,290,031	133,759	4,158,830	590,312
189,898	102,955	982,527	2,348,424	2,814,392
293,879	706,531	292,983	3,057,436	930,269
-	-	-	-	834,350
816,953	99,926	540,015	5,281,638	2,489,890
<u>5,315,478</u>	<u>7,019,670</u>	<u>3,823,966</u>	<u>31,902,181</u>	<u>11,810,788</u>
<u>(3,570,477)</u>	<u>(2,460,813)</u>	<u>(692,386)</u>	<u>(2,588,050)</u>	<u>(624,586)</u>
41,654	806	97	49,470	78,512
2,736,150	826,032	-	3,680,143	-
(46,012)	-	(58,264)	(1,273,068)	-
-	14,568	-	14,568	106,318
<u>2,731,792</u>	<u>841,406</u>	<u>(58,167)</u>	<u>2,471,113</u>	<u>184,830</u>
(838,685)	(1,619,407)	(750,553)	(116,937)	(439,756)
50,000	793,769	327,864	1,530,418	90,419
<u>1,520,710</u>	<u>1,100,787</u>	<u>401,432</u>	<u>3,022,929</u>	<u>-</u>
732,025	275,149	(21,257)	4,436,410	(349,337)
<u>28,400,758</u>	<u>1,862,386</u>	<u>9,413,107</u>	<u>-</u>	<u>16,950,826</u>
<u>\$ 29,132,783</u>	<u>\$ 2,137,535</u>	<u>\$ 9,391,850</u>		<u>\$ 16,601,489</u>
			(1,093,931)	
			<u>\$ 3,342,479</u>	

TOWN OF OCEAN CITY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Business-type Activities	
	Water	Wastewater
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers and users	\$ 7,254,963	\$ 12,644,390
Payments to suppliers	(1,793,545)	(2,948,624)
Payments to employees	(1,852,421)	(3,924,741)
Payments for interfund services used	(740,338)	(1,023,705)
Net cash provided (used) by operating activities	<u>2,868,659</u>	<u>4,747,320</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Advances from other funds	-	-
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	-	117,961
Capital contributions	130,662	228,123
Acquisition and construction of capital assets	(1,209,324)	(2,893,690)
Principal paid on capital debt	(617,747)	(2,484,902)
Interest paid on capital debt	(113,324)	(1,099,239)
Proceeds from sales of capital assets	-	-
Net cash provided (used) by capital and related financing activities	<u>(1,809,733)</u>	<u>(6,131,747)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sales and maturities of investments	-	-
Purchase of investments	(3,500,000)	(4,500,000)
Sale of investments	1,800,000	5,734,289
Interest and dividends received	3,548	3,419
Net cash provided (used) by investing activities	<u>(1,696,452)</u>	<u>1,237,708</u>
Net increase (decrease) in cash and cash equivalents	(637,526)	(146,719)
Cash and cash equivalents at beginning of the year	1,011,027	2,518,106
Cash and cash equivalents at end of the year	<u>\$ 373,501</u>	<u>\$ 2,371,387</u>

(Continued)

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
\$ 2,198,152	\$ 4,523,509	\$ 3,160,399	\$ 29,781,413	\$ 11,208,680
(1,372,670)	(2,526,843)	(1,598,261)	(10,239,943)	(5,400,733)
(2,829,015)	(3,650,619)	(1,313,675)	(13,570,471)	(2,893,066)
(293,879)	(706,531)	(293,894)	(3,058,347)	(930,269)
(2,297,412)	(2,360,484)	(45,431)	2,912,652	1,984,612
(125,000)	-	-	(125,000)	-
-	-	(83,000)	(83,000)	(155,000)
2,730,111	716,112	-	3,446,223	-
1,520,710	1,100,787	401,432	3,022,929	90,419
4,125,821	1,816,899	318,432	6,261,152	(64,581)
14,247	793,769	196,019	1,121,996	-
50,000	-	-	408,785	-
(4,823,404)	-	(329,440)	(9,255,858)	(1,648,531)
(2,891,432)	-	(84,258)	(6,078,339)	-
(227,002)	-	(58,707)	(1,498,272)	-
-	14,568	-	14,568	106,318
(7,877,591)	808,337	(276,386)	(15,287,120)	(1,542,213)
-	-	-	-	789,000
(351,200)	500,000	-	(7,851,200)	(1,475,651)
6,845,548	-	88,579	14,468,416	230,000
60,159	806	97	68,029	51,079
6,554,507	500,806	88,676	6,685,245	(405,572)
505,325	765,558	85,291	571,929	(27,754)
5,308	247,680	29,033	3,811,154	752,244
\$ 510,633	\$ 1,013,238	\$ 114,324	\$ 4,383,083	\$ 724,490

TOWN OF OCEAN CITY  
STATEMENT OF CASH FLOWS (Continued)  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Business-type Activities	
	Water	Wastewater
RECONCILIATION OF OPERATING INCOME(LOSS) TO NET CASH PROVIDED BY OPERATIONS		
Operating income (loss)	\$ 1,665,940	\$ 2,469,686
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	1,016,841	2,807,903
EFFECT OF CHANGES IN OPERATING ASSETS & LIABILITIES:		
Accounts receivable	220,423	(115,926)
Inventories	-	(16,735)
Prepaid expenses	-	-
Deferred outflow - pension investment activity	(240,851)	(158,961)
Compensated absences	7,319	(953)
Customer deposits	(72,837)	(11,000)
Accounts payable	119,339	(337,710)
Accrued expenses	(532)	10,026
Unearned revenue	-	-
Claims liability	-	-
Net pension liability	119,505	78,873
Deferred inflow - pension experience	33,512	22,117
Total adjustments	1,202,719	2,277,634
Net cash provided (used) by operating activities	\$ 2,868,659	\$ 4,747,320

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

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

Enterprise Funds				Governmental
Convention		Nonmajor		Activities
Center	Transportation	Enterprise	Total	Internal
		Funds		Service
				Funds
\$ (3,570,477)	\$ (2,460,813)	\$ (692,386)	\$ (2,588,050)	\$ (624,585)
816,953	99,927	540,014	5,281,638	2,489,889
(68,718)	(35,348)	16,998	17,429	22,478
-	-	(8,803)	(25,538)	85,890
-	-	-	-	42,000
(215,065)	(77,355)	(92,657)	(784,889)	(275,420)
(1,737)	(9,200)	10,993	6,422	2,531
-	-	-	(83,837)	-
78,159	5,322	107,305	(27,585)	(17,171)
4,970	67,838	2,418	84,720	10,872
521,869	-	11,821	533,690	-
-	-	-	-	73,151
106,711	38,382	45,974	389,445	136,656
29,923	10,763	12,892	109,207	38,321
1,273,065	100,329	646,955	5,500,702	2,609,197
\$ (2,297,412)	\$ (2,360,484)	\$ (45,431)	\$ 2,912,652	\$ 1,984,612

\$ (15,948) \$ - \$ - \$ (15,948) \$ 24,166

TOWN OF OCEAN CITY  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2015

	Pension Trust Funds	OPEB Trust Fund
<b>ASSETS</b>		
Cash and cash equivalents	\$ 5,145,841	\$ 766,143
Interest and dividends receivable	105,696	22,936
Investments:		
Domestic equities	36,163,659	8,672,844
Domestic fixed income	25,022,817	5,860,924
International equities	19,488,654	4,672,511
International fixed income	5,098,586	1,170,284
Alternative investments	13,440,794	2,290,301
Total assets	104,466,047	23,455,943
 <b>LIABILITIES</b>		
Accounts payable	26,356	131,166
Total liabilities	26,356	131,166
 <b>NET POSITION</b>		
Net position held in trust for pension benefits and other purposes	\$ 104,439,691	\$ 23,324,777

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, 2015

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	Pension Trust Funds	OPEB Trust Fund
<b>Additions</b>		
Contributions:		
Employer	\$ 4,624,892	\$ 3,083,000
Plan members	1,609,730	245,923
Total contributions	6,234,622	3,328,923
Miscellaneous Income	-	49,358
Investment earnings:		
Net increase in fair value of investments	367,202	48,493
Interest	591,456	111,071
Dividends	1,282,609	290,687
Total investment income	2,241,267	450,251
Less investment expense	692,536	162,318
Net investment earnings	1,548,731	287,933
Total additions	7,783,353	3,666,214
<b>Deductions</b>		
Benefits and refunds paid	5,257,350	1,328,105
Administrative expenses	80,192	28
Total deductions	5,337,542	1,328,133
Change in net position	2,445,811	2,338,081
Net position-beginning	101,993,880	20,986,696
Net position-ending	\$ 104,439,691	\$ 23,324,777

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

TOWN OF OCEAN CITY  
*Notes to the Financial Statements*  
June 30, 2015

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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, General Employees Pension Plan and Trust (EPPT) 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 non-police 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.

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, 2015 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.

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

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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. Changes in total pension liability arising from the differences between expected and actual experience and changes of assumption of future economic and demographic factors are recognized as deferred outflows or inflows of resources. They are amortized over five years and included in pension expenses.

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 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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Notes to the Financial Statements  
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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, net pension liability 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.

The measurement of net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Towns two employee pension plans (EPPT) and (PSEPP) and additions and deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

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 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 in the general fund 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.

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H. Revenues and expenditures/expenses

1. *Program revenues*

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.

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 Notification
Owner-occupied residential: 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.

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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.

J. Restatement of net position

In June 2012, GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions ("GASB 68"). GASB 68 established standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers. The requirements of GASB 68 were effective for fiscal years beginning after June 15, 2014. The implementation of GASB 68 by the Town required a restatement of the prior year net position to recognize the Town's net pension liability (NPL), the liability to employees for benefits provided through the Town's two pension plans. The Town's NPL of \$17,192,395 was measured as of June 30, 2014, and the total pension liability used to calculate the NPL was determined by an actuarial valuation as of that date. A restatement to recognize the NPL decreased the Town's beginning net position from \$161,468,387 to \$144,275,992. Before this restatement, the Town's government-wide financial statements did not reflect the liability.

The decrease in net position for governmental activities for the NPL was as follows:

Total net position June 30, 2014 as previously reported	\$ 71,165,696
Governmental funds	(14,012,119)
Internal service funds	<u>(826,090)</u>
Total net position June 30, 2014, as restated	<u>\$ 56,327,487</u>

The decrease in net position for business type activities for the NPL was as follows:

Total net position June 30, 2014 as previously reported	\$ 90,302,691
Water fund	(722,404)
Wastewater fund	(476,786)
Convention center fund	(645,064)
Transportation fund	(232,019)
Airport fund	(39,095)
Golf course fund	<u>(238,818)</u>
Total net position June 30, 2014, as restated	<u>\$ 87,948,505</u>

**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

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governmental funds.” The details of this \$82,264,806 adjustment are as follows:

Land	\$ 24,667,031
Construction in progress	3,023,952
Buildings	43,868,596
Less: Accumulated depreciation-buildings	(17,733,114)
Machinery and equipment	5,998,904
Less: Accumulated depreciation-machinery, and equipment	(4,130,086)
Streets and infrastructure	44,389,605
Less: Accumulated depreciation-infrastructure	(28,281,696)
Other improvements	22,968,152
Less: Accumulated depreciation- other improvements	<u>(12,506,538)</u>
Net adjustment to increase fund balance – total governmental funds to arrive at new position- governmental activities	<u>\$ 82,264,806</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 \$13,194,434 difference are as follows:

Net position of the internal service funds	\$ 16,601,489
Less: Internal payable representing charges in excess of cost to business-type activities – prior years	(4,500,986)
Add: Internal payable representing costs in less than charges to business-type activities – current year	<u>1,093,931</u>
Net adjustment to increase fund balance – total governmental funds to arrive at net position – governmental activities	<u>\$ 13,194,434</u>

The final element of that reconciliation explains that “long-term liabilities, including bonds payable and net pension liability, are not due and payable in the current period and therefore are not reported in the funds.” The detail of this \$53,931,149 difference is as follows:

Bonds payable	\$ 39,944,178
Less: Deferred charge on refunding (to be amortized as interest expense)	(98,707)
Add: issuance premium (to be amortized over life to debt)	1,140,856
Notes payable	503,283
Accrued interest payable	275,605
Net pension liability	16,348,643
Less: Deferred outflow of resources – difference between projected and actual earnings on pension plan investments	(4,697,014)
Add: Deferred inflow of resources – difference between expected and actual experience	<u>514,305</u>
Net adjustment to reduce fund balance – total governmental funds to arrive at net position – governmental activities	<u>\$ 53,931,149</u>

**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

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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	\$ 6,237,490
Depreciation expense	<u>(3,495,253)</u>
Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net position - governmental activities	<u>\$ 2,742,237</u>

Also, the reconciliation states that “some expenses or credits reported in the statement of activities do not require or provide current financial resources and therefore are not reported as expenditures or credits in governmental funds.” The details of this \$2,074,398 difference are as follows:

Accrued interest on debt	\$ 16,672
Amortization of bond premiums	231,456
Amortization of deferred charge on refunding	(19,915)
Change in net pension liability	2,891,862
Amortization of effect of difference between projected and actual earnings on pension plan investments	(1,174,253)
Amortization of difference between expected and actual experience	<u>128,576</u>
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net position - governmental activities	<u>\$ 2,074,398</u>

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 \$744,594 difference are as follows:

Change in net position of the internal service funds	\$ (349,337)
Less: net expenses from charges to business-type activities	<u>1,093,931</u>
Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 744,594</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 \$3,407,055 difference are as follows:

Internal receivable representing in excess of cost to business-type activities – prior years	\$ 4,500,986
Internal receivable representing costs in excess of charges to business-type activities – current year	<u>(1,093,931)</u>
Net adjustment to increase net position – total enterprise funds to arrive at net position – business-type activities	<u>\$ 3,407,055</u>

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

For year ended June 30, 2015, the Council approved two budget amendments to recognize additional revenues of \$734,199 to increase appropriations by \$712,080 and to decrease the amount of appropriated prior year fund balance by \$22,119, from \$931,828 to \$909,709.

**Note 4: Deposits and investments**

**A. Cash on hand**

At year-end, cash on hand for petty cash and change funds was \$44,746.

**B. Deposits**

At year-end, the carrying amount of the Town's deposits and cash on hand was \$6,751,539 and the bank balance was \$6,622,342. The deposits of the Town were not exposed to custodial credit risk as of June 30, 2015.

**C. Investments**

As of June 30, 2015, the Town's investment balances by type and maturity were as follows:

Investment Type	Fair Value	Investment Maturities (in Years)			Interest Rate as of June 30
		Less than 1	1-5	6-10	
Certificates of deposit	\$ 9,193,583	\$ 6,486,997	\$ 2,706,586	\$ -	.65 %
State investment pool	12,121,379	12,121,379	-	-	.07
U.S. government money market	8,504,903	8,504,903	-	-	.08
Money market mutual fund	6,057,447	6,057,447	-	-	.05
U.S. treasuries	8,450,949	6,451,806	1,007,566	991,577	1.29
U.S. agencies	15,269,617	6,149,811	7,909,840	1,209,966	1.06
Domestic equities	44,836,503	44,836,503	-	-	-
Domestic fixed income	17,485,442	6,547,563	4,444,902	6,492,977	3.38
International equities	24,161,165	21,161,165	-	-	-
International fixed income	6,268,870	6,268,870	-	-	3.21
Alternative investments	15,731,095	-	15,731,095	-	-
	<u>\$ 168,080,953</u>	<u>\$ 127,586,444</u>	<u>\$ 31,799,989</u>	<u>\$ 8,694,520</u>	

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

Cash on hand	\$ 44,746
Carrying amount of deposits	6,751,539
Carrying amount of investments - (above)	<u>168,080,953</u>
Total cash and investments	174,877,238
Less: amounts in fiduciary funds	<u>(127,793,358)</u>
Total cash and investments per statement of net position	<u>\$ 47,083,880</u>
Cash and cash equivalents	\$ 12,719,767
Investments	29,700,016
Restricted investments	<u>4,664,097</u>
Total cash and investments per statement of net position	<u>\$ 47,083,880</u>

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*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, 2015, met the Town's investment policy as of that date.

Investment income includes the following for the year ended June 30, 2015:

Net interest and dividends	\$	2,563,140
Net increase in fair value of investments		<u>377,142</u>
Total investment revenue		2,940,282
Less: investment gain in fiduciary funds		<u>(2,691,518)</u>
Total net investment income per statement of activities	\$	<u>248,764</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, 2015, \$8,262,223 of fiduciary fund investments were rated "BBB" or "BB" and \$12,554,041 were unrated, with 49.8% of total fixed income securities below single "A" quality.

The \$47,474,878 in fixed income investments as of June 30, 2015, are listed below using the Standard and Poor's rating scale:

Investment Type	Credit Rating	Domestic Amount	International Amount	Total
US treasuries	AA	\$ 8,450,949	\$ -	\$ 8,450,949
US agencies	AA	15,269,617	-	15,269,617
Corporate and international bonds	AAA	257,713	-	257,713
	AA	388,029	-	388,029
	A	2,292,306	-	2,292,306
	BBB	8,047,020	-	8,047,020
	BB	215,203	-	215,203
	Unrated	<u>6,285,171</u>	<u>6,268,870</u>	<u>12,554,041</u>
Totals		<u>\$ 41,206,008</u>	<u>\$ 6,268,870</u>	<u>\$ 47,474,878</u>

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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 24.2% at year-end, or \$30,430,035,. As of June 30, 2015, the pension and OPEB trust funds did not hold any hedging foreign investment positions.

The foreign currency risk as of June 30, 2015 is presented in the following table:

Currency	U.S. dollars
Euro	\$ 7,177,412
British Pound	4,855,030
Chinese Yuan	2,655,009
Canadian Dollar	1,801,749
Mexican Peso	1,716,331
Brazilian Real	1,411,822
Swiss Franc	1,396,672
South Korean Won	1,123,522
Swedish Krona	715,214
Indian Rupee	675,883
Hungarian Forint	647,574
Japanese Yen	559,091
Polish Zloty	523,451
Danish Krone	489,468
Taiwanese Dollar	473,686
South African Rand	435,350
Malaysian Ringgit	428,791
Australian Dollar	402,967
Norwegian Krone	244,734
Indonesian Rupiah	222,962
Singapore Dollar	215,022
Thai Baht	203,418
Other	788,878
Total foreign currency securities	29,164,037
U.S. Dollars held by international investment managers	1,265,998
Total foreign currency exposure	\$ 30,430,035

Town of Ocean City  
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*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, 2015, 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.

**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, 2015, was \$8,687,818,439. The Town's real property tax rate was \$0.4704 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, 2015 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
Taxes	\$ 1,093,178	\$ -	\$ 1,093,178
Emergency medical	363,197	-	363,197
Accounts	<u>1,346,651</u>	<u>2,785,376</u>	<u>4,132,027</u>
Gross receivables	2,803,026	2,785,376	5,588,402
Less allowance	<u>(65,386)</u>	<u>(19,149)</u>	<u>(84,535)</u>
Total	<u>\$ 2,737,640</u>	<u>\$ 2,766,227</u>	<u>\$ 5,503,867</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, 2015:

	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	\$ 24,641,271	\$ 25,760	\$ -	\$ 24,667,031
Construction in progress	<u>3,246,877</u>	<u>2,334,876</u>	<u>(2,557,801)</u>	<u>3,023,952</u>
Total capital assets, not being depreciated	<u>27,888,148</u>	<u>2,360,636</u>	<u>(2,557,801)</u>	<u>27,690,983</u>
<i>Capital assets, being depreciated:</i>				
Buildings	39,763,686	5,551,992	-	45,315,679
Machinery and equipment	50,962,228	1,869,283	(2,418,755)	50,412,756
Streets and infrastructure	44,324,918	628,393	(563,706)	44,389,605
Other improvements	<u>22,974,752</u>	<u>24,945</u>	<u>-</u>	<u>22,999,697</u>
Total capital assets, being depreciated	<u>158,025,584</u>	<u>8,074,613</u>	<u>(2,982,461)</u>	<u>163,117,737</u>
<i>Less accumulated depreciation for:</i>				
Buildings	(17,814,487)	(1,121,813)	-	(18,936,300)
Machinery and equipment	(34,130,219)	(2,751,815)	2,400,721	(34,481,313)
Streets and infrastructure	(27,552,815)	(1,310,619)	581,740	(28,281,694)
Other improvements	<u>(11,729,169)</u>	<u>(800,896)</u>	<u>-</u>	<u>(12,530,065)</u>
Total accumulated depreciation	<u>(91,226,690)</u>	<u>(5,985,143)</u>	<u>2,982,461</u>	<u>(94,229,372)</u>
Total capital assets being depreciated, net	<u>66,798,894</u>	<u>2,089,471</u>	<u>-</u>	<u>68,888,364</u>
Governmental activities capital assets, net	<u>\$ 94,687,042</u>	<u>\$ 4,450,107</u>	<u>\$ (2,557,801)</u>	<u>\$ 96,579,348</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	\$ 14,552,782	\$ -	\$ -	\$ 14,552,782
Construction in progress	<u>7,090,486</u>	<u>980,420</u>	<u>(6,973,120)</u>	<u>1,097,786</u>
Total capital assets, not being depreciated	<u>21,643,268</u>	<u>980,420</u>	<u>(6,973,120)</u>	<u>15,650,568</u>
<i>Capital assets, being depreciated:</i>				
Buildings	102,113,545	10,927,975	-	113,041,520
Machinery and equipment	51,866,430	2,802,068	(338,000)	54,330,498
Streets and infrastructure	41,770,970	845,883	-	42,616,853
Other improvements	<u>6,090,447</u>	<u>250,491</u>	<u>-</u>	<u>6,340,938</u>
Total capital assets, being depreciated	<u>201,841,392</u>	<u>14,826,417</u>	<u>(338,000)</u>	<u>216,329,809</u>
<i>Less accumulated depreciation for:</i>				
Buildings	(59,538,002)	(2,351,180)	-	(61,889,182)
Machinery and equipment	(26,439,761)	(1,520,755)	176,980	(27,783,536)
Streets and infrastructure	(22,167,631)	(1,364,786)	-	(23,532,417)
Other improvements	<u>(3,091,038)</u>	<u>(44,917)</u>	<u>-</u>	<u>(3,135,955)</u>
Total accumulated depreciation	<u>(111,236,432)</u>	<u>(5,281,638)</u>	<u>176,980</u>	<u>(116,341,090)</u>
Total capital assets being depreciated, net	<u>90,604,960</u>	<u>9,544,779</u>	<u>(161,020)</u>	<u>99,988,719</u>
Business-type activities capital assets, net	<u>\$ 112,248,228</u>	<u>\$ 10,525,199</u>	<u>\$ (7,134,140)</u>	<u>\$ 115,639,287</u>

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

General government	\$ 125,661
Public safety	432,527
General public works and beach	1,073,572
Highways and streets	1,323,271
Sanitation and waste removal	313,201
Economic development	5,824
Recreation and culture	<u>221,197</u>
	3,495,253
Capital assets held by the Town's internal service funds are charged to the various functions based on usage	<u>2,489,890</u>
Total depreciation – governmental activities	<u>\$ 5,985,143</u>

Depreciation expense was charged to business type activities as follows:

Water fund	\$ 1,016,841
Wastewater fund	2,807,903
Convention Center fund	816,953
Transportation fund	99,926
Airport fund	507,949
Golf Course fund	<u>32,066</u>
Total depreciation – business-type activities	<u>\$ 5,281,638</u>

The Town has on-going construction projects as of June 30, 2015. The projects include the fire houses at 15<sup>th</sup> St, boat ramp, street improvements, water and wastewater plant improvements, and water storage tower. At year-end, the Town's obligations with contractors were as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
15 <sup>th</sup> fire house	\$ 314,342	\$ 41,394
St. Louis Avenue phase III	1,785,768	223,026
Street paving	860,092	161,501
Boat ramp	63,750	1,500
Airport improvements	289,022	
Water plant improvements	173,033	301,290
Water storage tower	169,104	35,528
Wastewater plant improvements	<u>466,627</u>	<u>195,330</u>
Total	<u>\$ 4,121,738</u>	<u>\$959,569</u>

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

Interfund balances exist between the general fund and the golf course fund of \$32,000 and between the general fund and an internal service fund, the service center fund, of \$150,000 to purchase inventory. Net transfers of \$3,022,929 are shown in the statement of activities. Transfers were made from the general fund to subsidize operations and for capital expenditures.

Convention Center fund	\$ 1,520,710
Transportation fund	1,100,787
Airport fund	328,069
Golf Course fund	<u>73,363</u>
Total	<u>\$ 3,022,929</u>

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**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 in prior years in the amount of \$131,103,000. General obligation bonds are direct obligations and pledge the full faith and credit of the Town. These bonds generally are issued as 20-year serial bonds, except for refunding issues or issues less than \$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, 2015</u>
Airport Improvement Bond of 2005	2024	3.20%	\$ 1,025,000	\$ 646,627
Airport Improvement Bond of 2006	2016	3.50%	4,100,000	3,005,000
Municipal Refunding Bonds of 2007	2027	3.50 – 5.00%	22,320,000	10,805,000
Municipal Refunding Bonds of 2009	2021	2.00 – 4.00%	12,745,000	8,255,000
Airport Improvement Bond of 2010	2020	5.82%	725,000	614,100
Municipal Purpose Bonds of 2010	2028	1.00 – 5.60%	18,105,000	11,960,000
Municipal Refunding Bonds of 2012	2032	0.50 – 3.08%	33,560,000	31,750,000
Municipal Purpose Bonds of 2013	2023	0.20 – 2.85%	12,700,000	11,590,000
Municipal Refunding Bonds of 2014A	2017	0.82%	4,173,000	2,483,000
Municipal Purpose Bond of 2014B	2020	2.00%	600,000	504,885
Total			<u>\$ 110,053,000</u>	<u>\$ 81,613,612</u>

Annual debt service requirements to maturity for general obligation bonds are below. Future federal subsidy for Build America Bonds issued in 2010 of \$1,787,516 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>
2016	\$ 3,525,301	\$ 1,438,423	\$ 6,049,391	\$ 1,574,487
2017	3,900,410	1,304,783	3,952,700	1,407,599
2018	3,698,915	1,152,589	3,826,916	1,251,556
2019	2,909,479	1,027,804	3,447,280	1,108,824
2020	2,993,700	933,081	4,023,695	978,377
2021-2025	12,891,029	3,039,119	14,059,795	2,785,146
2026-2030	6,971,990	1,094,237	4,808,010	868,492
2031-2032	<u>3,053,354</u>	<u>137,966</u>	<u>1,491,647</u>	<u>59,787</u>
Total	<u>\$ 39,944,178</u>	<u>\$ 10,128,002</u>	<u>\$ 41,669,434</u>	<u>\$ 10,034,268</u>

**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.

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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, 2015</u>
Soil erosion control 1 <sup>st</sup> Street	2017	-	\$ 106,112	\$ 12,734
Soil erosion control 6 <sup>th</sup> Street	2016	-	71,000	5,680
Soil erosion control South Ocean Drive	2023	-	548,115	253,350
Soil erosion control Robin Drive	2029	-	<u>297,171</u>	<u>231,519</u>
Total intergovernmental loans			<u>\$ 1,022,398</u>	<u>\$ 503,283</u>

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

Year Ending <u>June 30</u>	<u>Principal</u>
2016	\$ 41,213
2017	51,345
2018	48,504
2019	44,260
2020	44,260
2021-2025	193,150
2026	<u>80,550</u>
Total	<u>\$ 503,283</u>

C. Legal debt margin

The Town's legal debt margin as of June 30, 2015 based on 5.2% of assessable property was \$370,152,947.

D. Changes in long-term liabilities

During the year ended June 30, 2015, the following changes occurred in long term liabilities reported for governmental and business-type activities:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General obligation bonds	\$ 43,545,210	\$ -	\$ (3,601,032)	\$ 39,944,178	\$ 3,525,301
Intergovernmental loans	538,517	-	(35,234)	503,283	41,213
Premium	<u>1,372,312</u>	-	<u>(231,456)</u>	<u>1,140,856</u>	-
Total long-term debt	45,456,039	-	(3,867,722)	41,588,317	3,566,514
Claims and losses	<u>3,009,291</u>	<u>837,166</u>	<u>(764,015)</u>	<u>3,082,442</u>	<u>773,064</u>
Governmental activities					
Long-term liabilities	<u>\$ 48,645,330</u>	<u>\$ 837,166</u>	<u>\$ (4,631,737)</u>	<u>\$ 44,670,759</u>	<u>\$ 4,339,578</u>
<u>Business-type activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General obligation bonds	\$ 47,747,775	\$ -	\$ (6,078,341)	\$ 41,669,434	\$ 6,049,391
Premium	<u>1,479,997</u>	-	<u>(302,069)</u>	<u>1,177,928</u>	-
Business-type activities					
Long-term liabilities	<u>\$ 49,227,772</u>	<u>\$ -</u>	<u>\$ (6,380,410)</u>	<u>\$ 42,847,362</u>	<u>\$ 6,049,391</u>

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Internal service funds primarily serve the governmental funds, the general fund and, accordingly, their long-term liabilities are included in the above totals for governmental activities. For internal service funds, a claims and losses liability will be liquidated through the Town's risk management internal service fund (See Note 9.A. 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%.

**Note 9: Other information**

**A. 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, 2013 were:

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		3,009,291
Current year claims		826,767
Changes in estimates		10,399
Claim payments		<u>(764,015)</u>
Claims liability as of June 30, 2015	\$	<u><u>3,082,442</u></u>

As of June 30, 2015, the risk management fund had cash and investments of \$4,471,037 to pay claims.

**B. 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

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collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

The Town is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Town's attorney and management, the resolution of these matters will not have a material adverse effect on the financial condition of the Town. As of year end, the amount of encumbrances expected to be paid in the following year totaled \$302,139 in the General Fund and \$537,914 in the capital projects fund.

### C. Intergovernmental assistance

In 1995, 2010, and 2013 the Mayor and City Council entered into an agreement with the State of Maryland for the construction, operation, and contributions for the expansion and improvement of the Roland E. Powell Convention Center. Construction costs were shared 50.0% 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, 2015, the amount of the contribution was \$1,381,581.

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 \$1,290,324 were \$2,016,988 less than debt service for year ended June 30, 2015. Cumulative receipts and interest of \$4,284,817 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 \$10,015,766 as of June 30, 2015.

### D. New accounting pronouncements

The Town has adopted the provision of Governmental Accounting Standard Board (GASB Statement No. 68, entitled *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As part of GASB 68 the Town is required to record its net funded pension liability.

GASB also issued Statement No. 69, entitled *Government Combinations and Disposals of Government Operation*, and GASB Statement No. 70, entitled *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Both statements were adopted this fiscal year but had no effect on these accompanying financial statements.

The, GASB has issued Statement No. 72, entitled *Fair Value Measurement and Application*; Statement No. 73, entitled, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to certain Provisions of GASB Statements 67 and 68*; GASB Statement No. 74 entitled, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*; GASB Statement No. 75, entitled, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; GASB Statement No. 76; entitled, *The Hierarchy of Generally Accepted Accounting Principles for State and Local*

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*Government; and GASB Statement No. 77; entitled, Tax Abatement Disclosures, which will require adoption in the future, if applicable.* These statements may or will have a material effect on the Town's financial statements once implemented. The Town will be analyzing the effects of these pronouncements and plans to adopt them as applicable by their effective date.

**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 an 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 June 30, 2015 consisted of the following:

Active employees	502
Retirees and beneficiaries receiving benefits	<u>128</u>
Total	<u>630</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 is being amortized over a closed 23 year period beginning in 2015 and each new incremental UAAL will be amortized over a closed 15 year period beginning with the year it is incurred. For the fiscal year 2015, the Town contributed \$3,083,000 to the plan, including \$1,082,180 for current premiums, 81.5% of total premiums, and an additional \$2,000,820 to amortize the UAAL and pay administrative costs. Plan members receiving benefits contributed \$245,923, or 18.5% of total premiums through their required contribution.

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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 fiscal year 2015 was based on an actuarial valuation for fiscal year beginning July 1, 2014 and ending June 30, 2015, dated May 2, 2014. The ARC and the net OPEB obligation as of July 1, 2012, for fiscal year 2013; July 1, 2013, for fiscal year 2014; and July 1, 2014, for fiscal year 2015, are as follows:

	<u>2013</u>	<u>2014</u>	<u>2015</u>
Annual required contribution (ARC)	\$ 3,475,000	\$ 3,617,000	\$ 3,083,000
Contribution made	100.0% <u>(3,475,000)</u>	<u>(3,617,000)</u>	<u>(3,083,000)</u>
Net OPEB obligation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

D. Funding status and funding progress

As of July 1, 2014, the most recent actuarial valuation date, the plan was 40.0% funded. The actuarial accrued liability for benefits was \$48,305,000 and the actuarial value of assets, at market, was \$19,305,000, resulting in an unfunded actuarial liability (UAAL) of \$29,000,000. The covered payroll (annual payroll of active employees covered by the plan) was \$26,746,476, and the ratio of the UAAL to the covered payroll was 102.1%. The market value of assets as of June 30, 2015, was \$23,324,777.

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 2013, 2014 and 2015.

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 23 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%

Town of Ocean City  
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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, except sworn police officers. 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, 2015, there were 98 employees in the plan. Employee contributions totaled \$209,886 and the Town recognized pension expense of \$209,886. The market value of the 401(a) plan assets totaled \$1,128,588 as of June 30, 2015.

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 and all police sworn officers; 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. Separate reports for the pension plans are not available. 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.

Town of Ocean City  
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June 30, 2015

The following was the Trustees' adopted asset policy as of June 30, 2015:

Asset Class	Target Allocation
Domestic equity	28 %
International equity	20
Fixed income	33
Alternatives	19
	100 %

For the year ended June 30, 2015, the annual money weighted rate of return on pension plan investments, net of investment expense was 2.16% for the EPPT and 2.29% 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, 2015 and rolled forward using appropriate techniques to June 30, 2015, 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, 2015 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, 2015 is as follows:

Asset Class	% of Portfolio	Assumed Rate of Return	Inflation	Real Rate of Return
Domestic equities	37.0%	10.0%	2.0%	8.0%
Developed international equities	17.0	10.10	2.0	8.1
Emerging markets equities	3.0	11.9	2.0	9.9
US investment grade fixed	22.0	4.9	2.0	2.9
International fixed	5.0	5.1	2.0	3.1
TIPS	3.0	4.30	2.0	2.3
Hedge funds	10.0	6.0	2.0	4.2
Private equity	3.0	13.40	2.0	11.4
Total	100.0%	8.30%	2.0%	6.2%

Town of Ocean City  
Notes to the Financial Statements  
June 30, 2015

*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
<b>Assets:</b>			
Cash and receivables	\$ 2,126,241	\$ 3,125,296	\$ 5,251,537
Investments	<u>49,708,492</u>	<u>49,506,018</u>	<u>99,214,510</u>
Total assets	<u>51,834,733</u>	<u>52,631,314</u>	<u>104,466,047</u>
<b>Liabilities:</b>			
Total liabilities	<u>12,756</u>	<u>13,600</u>	<u>26,356</u>
<b>Net position:</b>			
Held in trust for pension benefits	<u>\$ 51,821,977</u>	<u>\$ 52,617,714</u>	<u>\$ 104,439,691</u>

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

	General Employees Pension Fund	Public Safety Employees Pension Fund	Total
<b>Additions:</b>			
Contributions	\$ 2,792,269	\$ 3,442,353	\$ 6,234,622
Investment income	<u>810,888</u>	<u>737,843</u>	<u>1,548,731</u>
Total additions	<u>3,603,157</u>	<u>4,180,196</u>	<u>7,783,353</u>
<b>Deductions:</b>			
Benefits and refunds paid	2,508,830	2,748,520	5,257,350
Administrative expenses	<u>42,686</u>	<u>37,506</u>	<u>80,192</u>
Total deductions	<u>2,551,516</u>	<u>2,786,026</u>	<u>5,337,542</u>
Change in net position	1,051,641	1,394,170	2,445,811
Net position - beginning of year	<u>50,770,336</u>	<u>51,223,544</u>	<u>101,993,880</u>
Net position - end of year	<u>\$ 51,821,977</u>	<u>\$ 52,617,714</u>	<u>\$ 104,439,691</u>

Town of Ocean City  
Notes to the Financial Statements  
June 30, 2015

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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, 2015, the valuation date:

Retirees and survivors currently receiving benefits	170
Terminated vested employees entitled to but not yet receiving benefits	63
Active members	<u>266</u>
Total	499

- 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 2015 was \$2,036,678 computed through an actuarial valuation performed as of April 1, 2014 and represented 12.98% of covered payroll. Members contributed \$755,591, a rate of 5.0% of annual base pay.

Town of Ocean City  
Notes to the Financial Statements  
June 30, 2015

- d. *Net Pension Liability of the Town for the EPPT.* The changes in the net pension liability for year ended June 30, 2015 is as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2014	\$ 59,269,203	\$ 50,770,336	\$ 8,498,867
Changes for the year:			
Service cost	1,106,267	-	1,106,267
Interest	4,352,810	-	4,352,810
Differences between expected and actual experience	(492,667)	-	(492,667)
Contributions - employer	-	2,036,678	(2,036,678)
Contributions - employee	-	755,591	(755,591)
Net investment income	-	810,888	(810,888)
Benefit payments, including refunds of employee contributions	(2,508,830)	(2,508,830)	-
Administrative expense	-	(42,686)	42,686
Net changes	2,457,580	1,051,641	1,405,939
Balance at June 30, 2015	\$ 61,726,783	\$ 51,821,977	\$ 9,904,806

EEPT net position as a percentage of total pension liability      83.95%

- 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:

	1.0% decrease (6.50%)	Current rate 7.50%	1.0% increase (8.50%)
Net pension liability	\$ 16,662,510	\$ 9,904,806	\$ 4,104,132

- f. *Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions.* For the year ended June 30, 2015, the Town recognized pension expense of \$1,475,479 for the EEPT. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to the EEPT from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 394,248
Net difference between projected actual earnings on pension plan investments	2,833,538	-
Total	\$ 2,833,538	\$ 394,248

Town of Ocean City  
Notes to the Financial Statements  
June 30, 2015

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The above amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	
2016	\$ 609,823
2017	609,823
2018	609,823
2019	<u>609,823</u>
Total	<u>\$ 2,439,290</u>

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 88 and 90-91.

## 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, 2015, the valuation date:

Retirees and survivors currently receiving benefits	69
Terminated vested employees entitled to but not yet receiving benefits	8
Active members	<u>154</u>
Total	<u>231</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

Town of Ocean City  
Notes to the Financial Statements  
June 30, 2015

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 2015 was \$2,588,214 computed through an actuarial valuation performed as of April 1, 2014 and represented 20.21% of covered payroll. Members contributed \$854,139, a rate of 8.0% of annual base pay.

- e. *Net Pension Liability of the Town for the PSEPP:* The changes in the net pension liability for year ended June 30, 2015 is as follows:

	Total Pension Liability	Increase (Decrease Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2014	\$ 59,917,072	\$ 51,223,544	\$ 8,693,528
Changes for the year:			
Service cost	1,541,283	-	1,541,283
Interest	4,392,574	-	4,392,574
Differences between expected and actual experience	(334,481)	-	(334,481)
Contributions - employer	-	2,588,214	(2,588,214)
Contributions - employee	-	854,139	(854,139)
Net investment income	-	737,843	(737,843)
Benefit payments, including refunds of employee contributions	(2,748,521)	(2,748,521)	-
Administrative expense	-	(37,506)	37,506
Net changes	2,850,855	1,394,169	1,456,686
Balance at June 30, 2015	\$ 62,767,927	\$ 52,617,713	\$ 10,150,214

EEPT net position as a percentage of total pension liability 83.83%

- 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	\$ 17,641,112	\$ 10,150,214	\$ 3,831,196

- g. *Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions.* For the year ended June 30, 2015, the Town recognized pension expense of \$1,388,700 for the EEPT.

Town of Ocean City  
Notes to the Financial Statements  
June 30, 2015

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At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to the EEPT from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 267,585
Net difference between projected actual earnings on pension plan investments	<u>2,923,785</u>	<u>-</u>
Total	<u>\$ 2,923,785</u>	<u>\$ 267,585</u>

The above amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	
2016	\$ 664,050
2017	664,050
2018	664,050
2019	<u>664,050</u>
Total	<u>\$ 2,656,200</u>

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) on pages 88-93.

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

Schedule of Changes in Net Pension Liability and Related Ratios  
General Employees Pension Fund

Schedule of Changes in Net Pension Liability and Related Ratios  
Public Safety Employees Pension Fund

Schedule of Employer Contributions  
General Employees Pension Fund

Schedule of Employer Contributions  
Public Safety Employees Pension Fund

***OPEB TRUST FUNDS***

Schedules of Funding Progress

Schedules of Employer Contributions

TOWN OF OCEAN CITY  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
GENERAL EMPLOYEES PENSION FUND  
FOR FISCAL YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
Total pension liability		
Service cost	\$ 1,106,267	\$ 1,106,190
Interest	4,352,810	4,137,554
Differences between expected and actual experiences	(492,667)	-
Benefit payments, including refunds of member contributions, deaths, & terminations	(2,508,830)	(2,283,852)
<b>Net change in total pension liability</b>	<b>2,457,580</b>	<b>2,959,892</b>
Total pension liability - beginning	59,269,203	56,309,311
Total pension liability - ending (a)	<u>\$ 61,726,783</u>	<u>\$ 59,269,203</u>
<b>Plan fiduciary net position</b>		
Contributions - employer	\$ 2,036,678	\$ 2,351,375
Contributions - member	755,591	781,220
Net investment income	810,888	6,750,912
Benefit payments, including refunds of member contributions	(2,508,830)	(2,283,852)
Administrative expense	(42,686)	(75,228)
<b>Net change in plan fiduciary net position</b>	<b>1,051,641</b>	<b>7,524,427</b>
Plan fiduciary net position - beginning	50,770,336	43,245,909
Plan fiduciary net position - ending (b)	<u>\$ 51,821,977</u>	<u>\$ 50,770,336</u>
<b>Town's net pension - liability - ending (a) - (b)</b>	<u>\$ 9,904,806</u>	<u>\$ 8,498,867</u>
Plan fiduciary net position as a percentage of total pension liability	83.95%	85.66%
Covered employee payroll	\$ 15,694,855	\$ 15,676,727
Net liability as a percentage of covered payroll	63.11%	54.21%
Annual money-weighted rate of return, net of investment expense	2.16%	15.77%

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  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
PUBLIC SAFETY EMPLOYEES PENSION FUND  
FOR FISCAL YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
Total pension liability		
Service cost	\$ 1,541,283	\$ 1,559,854
Interest	4,392,574	4,165,353
Differences between expected and actual experiences	(334,481)	-
Benefit payments, including refunds of member contributions, deaths, & terminations	<u>(2,748,521)</u>	<u>(2,692,361)</u>
<b>Net change in total pension liability</b>	<b>2,850,855</b>	<b>3,032,846</b>
Total pension liability - beginning	<u>59,917,072</u>	<u>56,884,226</u>
Total pension liability - ending (a)	<u><u>\$ 62,767,927</u></u>	<u><u>\$ 59,917,072</u></u>
<b>Plan fiduciary net position</b>		
Contributions - employer	\$ 2,588,214	\$ 3,331,311
Contributions - member	854,139	1,007,839
Net investment income	737,843	6,828,365
Benefit payments, including refunds of member contributions	(2,748,521)	(3,049,533)
Administrative expense	<u>(37,506)</u>	<u>(77,691)</u>
<b>Net change in plan fiduciary net position</b>	<b>1,394,169</b>	<b>8,040,291</b>
Plan fiduciary net position - beginning	<u>51,223,544</u>	<u>43,183,253</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 52,617,713</u></u>	<u><u>\$ 51,223,544</u></u>
<b>Town's net pension - liability - ending (a) - (b)</b>	<u><u>\$ 10,150,214</u></u>	<u><u>\$ 8,693,528</u></u>
Plan fiduciary net position as a percentage of total pension liability	83.83%	85.49%
Covered employee payroll	\$ 12,805,854	\$ 12,648,677
Net liability as a percentage of covered payroll	79.26%	68.73%
Annual money-weighted rate of return, net of investment expense	2.29%	14.96%

This information is not available for previous years.

TOWN OF OCEAN CITY  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
GENERAL EMPLOYEES PENSION PLAN  
LAST TEN FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Actuarially determined contribution	\$ 2,036,678	\$ 2,351,375	\$ 2,468,399
Contributions in relation to the actuarially determined contribution	<u>2,036,678</u>	<u>2,351,375</u>	<u>2,468,399</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 15,694,855	\$ 15,676,727	\$ 15,370,687
Contributions as a percentage of covered employee payroll	12.98%	15.00%	16.06%

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

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<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 2,473,662	\$ 2,135,538	\$ 2,472,916	\$ 2,474,479	\$ 2,348,529	\$ 2,255,718	\$ 1,969,055
<u>2,473,662</u>	<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>\$ -</u>						
\$16,162,237	\$ 17,316,053	\$19,517,323	\$20,595,416	\$ 20,666,347	\$19,043,583	\$17,475,494
15.31%	12.33%	12.67%	12.01%	11.36%	11.85%	11.27%

TOWN OF OCEAN CITY  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
PUBLIC SAFETY EMPLOYEES PENSION PLAN  
LAST TEN FISCAL YEARS

	2015	2014	2013
Actuarially determined contribution	\$ 2,588,214	\$ 3,331,311	\$ 3,228,530
Contributions in relation to the actuarially determined contribution	<u>2,588,214</u>	<u>3,331,311</u>	<u>3,228,530</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 12,805,854	\$ 12,648,677	\$ 11,629,170
Contributions as a percentage of covered employee payroll	20.21%	26.34%	27.76%

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
DROP Interest Assumption	3.5% per year interest on DROP balances for those in DROP

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<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 3,380,743	\$ 2,917,210	\$ 2,771,852	\$ 2,721,333	\$ 2,709,034	\$ 2,371,215	\$ 1,569,865
<u>3,380,743</u>	<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>\$ -</u>						
\$12,298,202	\$ 13,512,948	\$ 14,543,245	\$ 14,477,993	\$ 13,640,662	\$12,891,348	\$ 12,160,717
27.49%	21.59%	19.06%	18.80%	19.86%	18.39%	12.91%

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
7/1/2014	\$ 19,305,000	\$ 48,305,000	\$ 29,000,000	40.0 %	\$ 28,500,709	101.8 %
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, 2015", 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
2015	\$ 3,083,000	100 %
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  
NON-MAJOR ENTERPRISE FUNDS  
JUNE 30,2015

	Airport	Golf Course	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 109,968	\$ 4,356	\$ 114,324
Receivables,net	4,084	122,837	126,921
Intergovernmental receivable	78,971	275	79,246
Inventories	70,878	74,904	145,782
Other	-	2,500	2,500
Total current assets	<u>263,901</u>	<u>204,872</u>	<u>468,773</u>
Noncurrent assets:			
Restricted Investments	379,280	-	379,280
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	9,051,072	-	9,051,072
Machinery, equipment, and vehicles	164,637	666,240	830,877
Construction in progress	289,021	-	289,021
Less accumulated depreciation	(7,133,138)	(1,648,143)	(8,781,281)
Total noncurrent assets	<u>8,512,319</u>	<u>2,810,262</u>	<u>11,322,581</u>
Total assets	<u>\$ 8,776,220</u>	<u>\$ 3,015,134</u>	<u>\$ 11,791,354</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred outflow pension investment activity	13,034	79,623	92,657
Total deferred outflows of resources	<u>13,034</u>	<u>79,623</u>	<u>92,657</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 242,676	\$ 46,783	\$ 289,459
Accrued expense	16,104	40,005	56,109
Compensated absences	15,423	58,038	73,461
Due to other funds	-	32,000	32,000
Unearned Revenue	379,280	64,346	443,626
Current portion of long-term debt	87,675	-	87,675
Total current liabilities	<u>741,158</u>	<u>241,172</u>	<u>982,330</u>
Noncurrent liabilities:			
Bonds, notes, and loans payable	1,173,052	-	1,173,052
Net Pension Liability	45,562	278,325	323,887
Total noncurrent liabilities	<u>1,218,614</u>	<u>278,325</u>	<u>1,496,939</u>
Total liabilities	<u>1,959,772</u>	<u>519,497</u>	<u>2,479,269</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources	1,814	11,078	12,892
Total deferred inflows of resources	<u>1,814</u>	<u>11,078</u>	<u>12,892</u>
<b>NET POSITION</b>			
Net investment in capital assets	7,251,594	2,810,264	10,061,858
Unrestricted	(423,926)	(246,082)	(670,008)
Total net position	<u>\$ 6,827,668</u>	<u>\$ 2,564,182</u>	<u>\$ 9,391,850</u>

TOWN OF OCEAN CITY  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
 NON-MAJOR ENTERPRISE FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Airport</u>	<u>Golf Course</u>	<u>Total</u>
Operating revenues:			
Charges for sales and services	\$ 1,108,590	\$ 2,022,990	\$ 3,131,580
 Total operating revenues	 <u>1,108,590</u>	 <u>2,022,990</u>	 <u>3,131,580</u>
Operating expenses:			
Personal services	297,507	1,010,028	1,307,535
Contractual services	214,986	253,585	468,571
Utilities	46,125	52,451	98,576
Repairs and maintenance	75,246	58,513	133,759
Other supplies and expenses	530,246	452,281	982,527
Internal services	101,855	191,128	292,983
Depreciation	507,949	32,066	540,015
 Total operating expenses	 <u>1,773,914</u>	 <u>2,050,052</u>	 <u>3,823,966</u>
 Operating loss	 <u>(665,324)</u>	 <u>(27,062)</u>	 <u>(692,386)</u>
Nonoperating revenues:			
Interest and investment revenue	67	30	97
Interest expense	(58,264)	-	(58,264)
 Total nonoperating revenues (expenses)	 <u>(58,197)</u>	 <u>30</u>	 <u>(58,167)</u>
 Loss before contributions and transfers	 (723,521)	 (27,032)	 (750,553)
Capital contributions	327,864	-	327,864
Transfers in	328,069	73,363	401,432
 Change in net position	 (67,588)	 46,331	 (21,257)
 Total net position-beginning, as restated	 <u>6,895,256</u>	 <u>2,517,851</u>	 <u>9,413,107</u>
 Total net position-ending	 <u>\$ 6,827,668</u>	 <u>\$ 2,564,182</u>	 <u>\$ 9,391,850</u>

TOWN OF OCEAN CITY  
 COMBINING STATEMENT OF CASH FLOWS  
 NONMAJOR ENTERPRISE FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Airport	Golf Course	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers and users	\$ 1,130,561	\$ 2,029,838	\$ 3,160,399
Payments to suppliers	(805,623)	(792,638)	(1,598,261)
Payments to employees	(290,154)	(1,023,521)	(1,313,675)
Payments for interfund services used	(99,353)	(194,541)	(293,894)
Net cash provided (used) by operating activities	<u>(64,569)</u>	<u>19,138</u>	<u>(45,431)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Advances to other funds	-	(83,000)	(83,000)
Transfers from other funds	328,069	73,363	401,432
Net cash provided (used) by noncapital financing activities	<u>328,069</u>	<u>(9,637)</u>	<u>318,432</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Proceeds from capital grant	196,019	-	196,019
Acquisition and construction of capital assets	(316,891)	(12,549)	(329,440)
Principal paid on capital debt	(84,258)	-	(84,258)
Interest paid on capital debt	(58,707)	-	(58,707)
Net cash used by capital and related financing activities	<u>(263,837)</u>	<u>(12,549)</u>	<u>(276,386)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Sale of investments	88,579	-	88,579
Interest and dividends received	67	30	97
Net cash provided by investing activities	<u>88,646</u>	<u>30</u>	<u>88,676</u>
Net increase (decrease) in cash and cash equivalents	88,309	(3,018)	85,291
Cash and cash equivalents at beginning of the year	<u>21,659</u>	<u>7,374</u>	<u>29,033</u>
Cash and cash equivalents at end of the year	<u>\$ 109,968</u>	<u>\$ 4,356</u>	<u>\$ 114,324</u>

(Continued)

TOWN OF OCEAN CITY  
 COMBINING STATEMENT OF CASH FLOWS (Continued)  
 NONMAJOR ENTERPRISE FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Airport	Golf Course	Total
<b>RECONCILIATION OF OPERATING INCOME(LOSS) TO NET CASH PROVIDED BY OPERATIONS</b>			
Operating loss	\$ (665,324)	\$ (27,062)	\$ (692,386)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	507,949	32,065	540,014
<b>EFFECT OF CHANGES IN OPERATING ASSETS &amp; LIABILITIES:</b>			
Accounts receivable	21,971	(4,973)	16,998
Inventories	(17,389)	8,586	(8,803)
Deferred outflow - pension investment activity	(13,034)	(79,623)	(92,657)
Compensated absences	764	10,229	10,993
Accounts payable	91,366	15,939	107,305
Accrued expenses	847	1,571	2,418
Unearned revenue	-	11,821	11,821
Net pension liability	6,467	39,507	45,974
Deferred inflow - pension experience	1,814	11,078	12,892
Total adjustments	600,755	46,200	646,955
Net cash provided (used) by operating activities	\$ (64,569)	\$ 19,138	\$ (45,431)



## ***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, 2015

	Information Technology	Service Center	Vehicle Trust	Risk Mangement	Total Internal Service Funds
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 264,719	\$ 2,769	\$ 250,372	\$ 206,630	\$ 724,490
Investments	-	-	1,000,000	4,264,407	5,264,407
Receivables, net	-	-	27,498	-	27,498
Interest receivable	-	-	-	11,957	11,957
Inventories	-	807,252	-	-	807,252
<b>Total current assets</b>	<b>264,719</b>	<b>810,021</b>	<b>1,277,870</b>	<b>4,482,994</b>	<b>6,835,604</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	43,648,433	-	44,413,852
Less accumulated depreciation	(543,815)	(1,351,602)	(29,682,523)	-	(31,577,940)
<b>Total noncurrent assets</b>	<b>18,385</b>	<b>256,385</b>	<b>14,039,770</b>	<b>-</b>	<b>14,314,540</b>
<b>Total assets</b>	<b>\$ 283,104</b>	<b>\$ 1,066,406</b>	<b>\$ 15,317,640</b>	<b>\$ 4,482,994</b>	<b>\$ 21,150,144</b>
<b>DEFERRED OUTFLOW OF RESOURCES</b>					
Deferred outflows related to pensions	78,489	168,596	-	28,335	275,420
<b>Total deferred outflows of resources</b>	<b>78,489</b>	<b>168,596</b>	<b>-</b>	<b>28,335</b>	<b>275,420</b>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	\$ 25,782	\$ 242,111	\$ 13,939	\$ 96,169	378,001
Accrued expense	30,477	53,078	-	17,192	100,747
Compensated absences	34,263	61,407	-	16,148	111,818
Due to other funds	-	150,000	-	-	150,000
Claims and judgments	-	-	-	773,064	773,064
<b>Total current liabilities</b>	<b>90,522</b>	<b>506,596</b>	<b>13,939</b>	<b>902,573</b>	<b>1,513,630</b>
Noncurrent liabilities:					
Claims and judgments	-	-	-	2,309,378	2,309,378
Net Pension Liability	274,362	589,336	-	99,048	962,746
<b>Total noncurrent liabilities</b>	<b>274,362</b>	<b>589,336</b>	<b>-</b>	<b>2,408,426</b>	<b>3,272,124</b>
<b>Total liabilities</b>	<b>364,884</b>	<b>1,095,932</b>	<b>13,939</b>	<b>3,310,999</b>	<b>4,785,754</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred inflows related to pensions	10,921	23,458	-	3,942	38,321
<b>Total deferred inflows of resources</b>	<b>10,921</b>	<b>23,458</b>	<b>-</b>	<b>3,942</b>	<b>38,321</b>
<b>NET POSITION</b>					
Net investment in capital assets	18,386	256,383	14,039,772	-	14,314,541
Unrestricted	(32,598)	(140,771)	1,263,929	1,196,388	2,286,948
<b>Total net position</b>	<b>\$ (14,212)</b>	<b>\$ 115,612</b>	<b>\$ 15,303,701</b>	<b>\$ 1,196,388</b>	<b>\$ 16,601,489</b>

TOWN OF OCEAN CITY  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 INTERNAL SERVICE FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Information Technology	Service Center	Vehicle Trust	Risk Mangement	Total
Operating revenues:					
Charges for sales and services	\$ 1,985,041	\$ 4,658,288	\$ 2,251,172	\$ 2,291,701	\$ 11,186,202
Total operating revenues	<u>1,985,041</u>	<u>4,658,288</u>	<u>2,251,172</u>	<u>2,291,701</u>	<u>11,186,202</u>
Operating expenses:					
Personal services	928,384	1,631,997	-	245,645	2,806,026
Contractual services	45,219	18,483	213,635	918,673	1,196,010
Utilities	83,803	64,652	-	1,084	149,539
Repairs and maintenance	492,053	69,013	27,780	1,466	590,312
Other supplies and expenses	230,098	2,472,527	110,560	1,207	2,814,392
Internal services	57,363	287,504	495,444	89,958	930,269
Insurance claims and expenses	-	-	-	834,350	834,350
Depreciation	7,354	51,664	2,430,872	-	2,489,890
Total operating expenses	<u>1,844,274</u>	<u>4,595,840</u>	<u>3,278,291</u>	<u>2,092,383</u>	<u>11,810,788</u>
Operating income (loss)	<u>140,767</u>	<u>62,448</u>	<u>(1,027,119)</u>	<u>199,318</u>	<u>(624,586)</u>
Nonoperating revenues:					
Interest and investment revenue	-	-	-	78,512	78,512
Gain on disposal of assets	-	-	106,318	-	106,318
Total nonoperating revenues	<u>-</u>	<u>-</u>	<u>106,318</u>	<u>78,512</u>	<u>184,830</u>
Income (loss) before contributions and transfers	140,767	62,448	(920,801)	277,830	(439,756)
Transfers In	<u>-</u>	<u>-</u>	<u>90,419</u>	<u>-</u>	<u>90,419</u>
Change in net position	140,767	62,448	(830,382)	277,830	(349,337)
Net position-beginning, as restated	<u>(154,979)</u>	<u>53,163</u>	<u>16,134,084</u>	<u>918,558</u>	<u>16,950,826</u>
Net position-ending	<u>\$ (14,212)</u>	<u>\$ 115,612</u>	<u>\$ 15,303,701</u>	<u>\$ 1,196,388</u>	<u>\$ 16,601,489</u>

TOWN OF OCEAN CITY  
 COMBINING STATEMENT OF CASH FLOWS  
 INTERNAL SERVICE FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Information Technology
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Receipts from customers and users	\$ 1,985,232
Payments to suppliers	(858,495)
Payments to employees	(958,330)
Payments for interfund services used	(57,363)
	111,044
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Advances to other funds	-
Transfers from other funds	-
	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
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	100,000
Purchase of investments	-
Sale of investments	-
Interest and dividends received	-
	100,000
Net increase (decrease) in cash and cash equivalents	211,044
Cash and cash equivalents at beginning of the year	53,675
Cash and cash equivalents at end of the year	\$ 264,719

(Continued)

Service Center	Vehicle & Equipment Trust	Risk Management	Total
\$ 4,658,288	\$ 2,273,459	\$ 2,291,701	\$ 11,208,680
(2,526,526)	(309,975)	(1,705,737)	(5,400,733)
(1,689,495)	-	(245,241)	(2,893,066)
(287,504)	(495,444)	(89,958)	(930,269)
154,763	1,468,040	250,765	1,984,612
(155,000)	-	-	(155,000)
-	90,419	-	90,419
(155,000)	90,419	-	(64,581)
-	(1,648,531)	-	(1,648,531)
-	106,318	-	106,318
-	(1,542,213)	-	(1,542,213)
-	-	689,000	789,000
-	-	(1,475,651)	(1,475,651)
-	230,000	-	230,000
-	-	51,079	51,079
-	230,000	(735,572)	(405,572)
(237)	246,246	(484,807)	(27,754)
3,006	4,126	691,437	752,244
<u>\$ 2,769</u>	<u>\$ 250,372</u>	<u>\$ 206,630</u>	<u>\$ 724,490</u>

TOWN OF OCEAN CITY  
 COMBINING STATEMENT OF CASH FLOWS (Continued)  
 INTERNAL SERVICE FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

		Information Technology
<b>RECONCILIATION OF OPERATING INCOME(LOSS) TO NET CASH PROVIDED BY OPERATIONS</b>		
Operating income (loss)	\$	140,767
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation		7,353
<b>EFFECT OF CHANGES IN OPERATING ASSETS &amp; LIABILITIES:</b>		
Accounts receivable		191
Inventories		-
Prepaid expenses		-
Deferred outflow - pension investment activity		(78,489)
Compensated absences		(570)
Accounts payable		(7,321)
Accrued expenses		(752)
Claims liability		-
Net pension liability		38,944
Deferred inflow - pension experience		10,921
Total adjustments		(29,723)
Net cash provided by operating activities	\$	111,044

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

Increase in fair value of investments	\$	-
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Service Center	Vehicle & Equipment Trust	Risk Management	Total
\$ 62,449	\$ (1,027,119)	\$ 199,318	\$ (624,585)
51,664	2,430,872	-	2,489,889
-	22,287	-	22,478
85,890	-	-	85,890
-	42,000	-	42,000
(168,596)	-	(28,335)	(275,420)
(447)	-	3,548	2,531
12,258	-	(22,108)	(17,171)
4,434	-	7,190	10,872
-	-	73,151	73,151
83,653	-	14,059	136,656
23,458	-	3,942	38,321
92,314	2,495,159	51,447	2,609,197
\$ 154,763	\$ 1,468,040	\$ 250,765	\$ 1,984,612

\$ -	\$ -	\$ 24,166	\$ 24,166
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## ***FIDUCIARY FUNDS***

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

### **GENERAL EMPLOYEES PENSION 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, 2015

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	<u>General Employees Pension Fund</u>	<u>Public Safety Employees Pension Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,072,674	\$ 3,073,167	\$ 5,145,841
Interest and dividends receivable	53,567	52,129	105,696
Investments, at fair value:			
Domestic equities	18,123,818	18,039,841	36,163,659
Domestic fixed income	12,568,169	12,454,648	25,022,817
International equities	9,766,420	9,722,234	19,488,654
International fixed income	2,558,016	2,540,570	5,098,586
Alternative investments	6,692,069	6,748,725	13,440,794
Total investments	<u>49,708,492</u>	<u>49,506,018</u>	<u>99,214,510</u>
Total assets	<u>51,834,733</u>	<u>52,631,314</u>	<u>104,466,047</u>
<b>LIABILITIES</b>			
Accounts Payable	<u>12,756</u>	<u>13,600</u>	<u>26,356</u>
Total liabilities	<u>12,756</u>	<u>13,600</u>	<u>26,356</u>
<b>NET POSITION</b>			
Net Position held in trust for pension benefits	<u><u>\$ 51,821,977</u></u>	<u><u>\$ 52,617,714</u></u>	<u><u>\$ 104,439,691</u></u>

TOWN OF OCEAN CITY  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 PENSION TRUST FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General Employees Pension Fund	Public Safety Employees Pension Fund	Total
<b>Additions</b>			
Contributions:			
Employer	\$ 2,036,678	\$ 2,588,214	\$ 4,624,892
Members	755,591	854,139	1,609,730
Total contributions	<u>2,792,269</u>	<u>3,442,353</u>	<u>6,234,622</u>
Investment earnings:			
Net appreciation in fair value of investments	210,224	156,978	367,202
Interest	294,014	297,442	591,456
Dividends	645,778	636,831	1,282,609
Total investment income	<u>1,150,016</u>	<u>1,091,251</u>	<u>2,241,267</u>
Less investment expense	<u>339,128</u>	<u>353,408</u>	<u>692,536</u>
Net investment income	<u>810,888</u>	<u>737,843</u>	<u>1,548,731</u>
Total additions	<u>3,603,157</u>	<u>4,180,196</u>	<u>7,783,353</u>
<b>Deductions</b>			
Benefits and refunds paid	2,508,830	2,748,520	5,257,350
Administrative expenses	42,686	37,506	80,192
Total deductions	<u>2,551,516</u>	<u>2,786,026</u>	<u>5,337,542</u>
Changes in net position	1,051,641	1,394,170	2,445,811
Net Position-beginning	<u>50,770,336</u>	<u>51,223,544</u>	<u>101,993,880</u>
Net Position-ending	<u>\$ 51,821,977</u>	<u>\$ 52,617,714</u>	<u>\$ 104,439,691</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)*

	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>Governmental Activities</b>			
Net investment in capital assets	\$ 57,685,894	\$ 57,349,894	\$ 53,768,043
Restricted	-	115,000	165,000
Unrestricted	<u>5,755,438</u>	<u>13,700,802</u>	<u>15,548,344</u>
<i>Total Governmental Activities Net Position</i>	<u>63,441,332</u>	<u>71,165,696</u>	<u>69,481,387</u>
<b>Business-Type Activities</b>			
Net investment in capital assets	73,668,728	70,435,192	65,917,836
Restricted	4,284,817	6,272,857	7,474,542
Unrestricted	<u>13,337,439</u>	<u>13,594,642</u>	<u>10,158,004</u>
<i>Total Business-Type Activities Net Position</i>	<u>91,290,984</u>	<u>90,302,691</u>	<u>83,550,382</u>
<b>Primary government</b>			
Net investment in capital assets	131,354,622	127,785,086	119,685,879
Restricted	4,284,817	6,387,857	7,639,542
Unrestricted	<u>19,092,877</u>	<u>27,295,444</u>	<u>25,706,348</u>
<i>Total Primary Government Net Position</i>	<u>\$ 154,732,316</u>	<u>\$ 161,468,387</u>	<u>\$ 153,031,769</u>

2012	2011	2010	2009	2008	2007	2006
\$ 35,032,961	\$ 47,390,589	\$ 46,393,277	\$ 44,851,930	\$ 43,313,477	\$ 44,411,771	\$ 41,652,909
16,140,004	1,713,579	1,222,022	1,543,521	4,383,493	1,406,804	3,690,935
15,420,770	16,213,407	15,742,899	16,823,057	13,601,386	14,081,801	11,491,400
66,593,735	65,317,575	63,358,198	63,218,508	61,298,356	59,900,376	56,835,244
55,645,888	58,001,891	60,260,847	58,489,349	55,116,392	52,958,492	49,172,981
8,551,119	9,638,746	9,667,139	9,406,011	8,199,752	7,094,064	5,852,828
17,520,679	11,466,523	4,659,855	6,860,798	11,832,112	10,049,458	13,255,951
81,717,686	79,107,160	74,587,841	74,756,158	75,148,256	70,102,014	68,281,760
90,678,849	105,392,480	106,654,124	103,341,279	98,429,869	97,370,263	90,825,890
24,691,123	11,352,325	10,889,161	10,949,532	12,583,245	8,500,868	9,543,763
32,941,449	27,679,930	20,402,754	23,683,855	25,433,498	24,131,259	24,747,351
<u>\$ 148,311,421</u>	<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>

**Town of Ocean City, Maryland**

Changes in Net Position

Last Ten Fiscal Years

*(accrual basis of accounting)*

	2015	2014	2013
<b>Expenses</b>			
<b>Governmental Activities:</b>			
General Government	\$ 852,529	\$ 1,314,758	\$ 1,118,606
Public Safety	32,782,621	36,112,813	34,030,231
General Public Works and Beach	7,240,368	6,329,540	5,315,570
Sanitation and Waste Removal	5,787,086	6,230,810	6,034,146
Highways and Streets	7,102,511	7,787,410	7,157,008
Economic Development - Tourism	8,139,166	7,998,815	8,055,355
Recreation and Culture	7,479,558	7,654,518	7,685,116
Interest on Long-Term Debt	1,335,105	1,462,237	1,640,586
<i>Total Governmental Activities Expenses</i>	<u>70,718,944</u>	<u>74,890,901</u>	<u>71,036,618</u>
<b>Business-Type Activities:</b>			
Water	5,532,561	6,251,720	6,428,575
Transportation	8,213,299	8,036,903	8,007,909
Wastewater	11,299,812	11,966,765	11,710,740
Convention Center	5,341,279	5,438,689	5,221,549
Airport	1,832,178	1,615,099	1,906,293
Golf	2,050,051	2,069,805	2,071,155
<i>Total Business-Type Activities Expenses</i>	<u>34,269,180</u>	<u>35,378,981</u>	<u>35,346,221</u>
<i>Total Primary Government Expenses</i>	<u>\$ 104,988,124</u>	<u>\$ 110,269,882</u>	<u>\$ 106,382,839</u>
<b>Program Revenues</b>			
<b>Governmental Activities:</b>			
<b>Charges for Services:</b>			
General government	\$ 3,892,295	\$ 3,870,984	\$ 3,748,747
Public safety	2,038,976	2,056,556	2,068,706
General public works and beach	4,314,242	4,044,925	3,810,298
Sanitation and waste removal	115,232	99,350	85,418
Highways and streets	1,054,220	1,126,770	1,108,543
Economic development - Tourism	1,589,455	1,465,927	1,465,695
Recreation and culture	1,627,668	1,573,586	1,555,940
Operating Grants and Contributions	3,026,042	3,432,044	3,223,755
Capital Grants and Contributions	190,351	105,000	551,735
<i>Total Governmental Activities Program Revenues</i>	<u>17,848,481</u>	<u>17,775,142</u>	<u>17,618,837</u>
<b>Business-Type Activities:</b>			
<b>Charges for Services:</b>			
Water	7,107,376	7,050,007	7,020,705
Transportation	4,558,857	4,100,681	3,934,859
Wastewater	12,771,316	12,551,066	12,161,493
Convention Center	1,745,001	1,792,680	1,678,397
Airport	1,108,590	1,146,509	1,181,550
Golf	2,022,992	1,983,132	1,959,709
Operating Grants and Contributions	3,680,145	3,593,254	3,627,269
Capital Grants and Contributions	1,530,415	6,501,328	1,988,370
<i>Total Business-Type Activities Program Revenues</i>	<u>34,524,692</u>	<u>38,718,657</u>	<u>33,552,352</u>
<i>Total Primary Government Program Revenues</i>	<u>\$ 52,373,173</u>	<u>\$ 56,493,799</u>	<u>\$ 51,171,189</u>

2012	2011	2010	2009	2008	2007	2006
\$ 335,703	\$ 751,333	\$ 1,621,071	\$ 1,673,926	\$ 2,299,373	\$ 2,354,011	\$ 2,260,255
35,440,373	34,297,859	33,961,816	34,517,293	32,345,385	29,202,378	25,347,862
6,257,840	6,205,643	6,055,716	6,675,942	6,090,271	6,175,410	6,112,945
6,776,510	6,193,273	7,081,833	7,587,896	7,127,947	6,849,196	6,112,945
7,250,787	6,763,540	7,036,697	8,008,372	7,338,573	6,964,317	6,112,945
7,692,558	6,671,972	6,243,797	5,739,043	5,600,101	4,227,250	4,067,088
7,873,652	7,783,123	7,890,492	8,795,235	8,109,675	7,098,691	6,580,404
1,352,400	1,296,137	1,261,803	1,397,984	1,449,018	1,538,808	1,638,477
<u>72,979,823</u>	<u>69,962,880</u>	<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>
6,419,219	7,597,787	6,978,781	7,333,521	7,193,221	7,045,220	6,994,515
7,936,422	7,493,620	7,715,464	8,324,858	8,036,740	8,014,968	7,387,915
11,642,169	11,045,110	10,337,839	11,075,781	9,622,464	8,839,617	8,499,404
5,173,147	5,533,018	5,669,798	6,265,962	6,003,335	5,896,177	5,038,307
1,681,333	1,503,697	1,449,538	1,749,959	1,614,880	1,627,726	1,515,485
2,092,046	1,981,914	1,978,188	2,260,550	2,164,803	2,124,943	2,046,530
<u>34,944,336</u>	<u>35,155,146</u>	<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>\$ 107,924,159</u>	<u>\$ 105,118,026</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>
\$ 3,647,286	\$ 3,758,744	\$ 3,464,313	\$ 3,699,975	\$ 3,987,939	\$ 4,555,293	\$ 4,854,842
2,005,130	1,965,631	1,859,508	1,696,096	1,745,958	1,701,398	1,629,703
3,662,776	3,651,107	3,123,547	2,888,571	3,007,666	3,118,017	3,079,825
91,608	109,543	312,364	430,535	552,864	306,433	166,076
1,086,162	982,101	926,911	715,568	823,938	753,772	721,049
1,600,439	1,321,806	1,294,913	1,675,547	1,452,035	1,359,916	1,346,673
1,382,413	1,334,262	1,610,682	1,606,662	1,575,344	1,496,451	1,525,757
2,805,472	2,807,769	2,705,797	2,932,577	2,810,084	2,794,189	2,429,558
-	75,000	80,000	218,551	292,244	787,782	683,127
<u>16,281,286</u>	<u>16,005,963</u>	<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>
6,846,684	6,772,436	6,926,482	7,204,163	7,162,687	6,840,989	6,937,909
3,854,314	3,558,571	3,363,679	3,439,218	3,605,466	3,511,131	3,543,393
11,761,802	11,311,636	10,466,562	10,274,178	9,746,366	9,129,355	8,808,583
1,663,028	1,758,112	1,630,172	1,691,850	1,638,928	1,923,673	1,742,303
1,307,014	1,034,475	837,533	1,139,331	1,038,623	1,070,152	995,840
2,105,886	1,962,632	1,979,205	2,017,988	2,055,393	1,931,502	2,152,506
3,413,436	3,414,926	3,401,683	4,539,925	4,606,116	4,309,687	4,195,060
3,269,491	5,960,662	671,195	756,286	3,607,552	885,908	2,601,934
<u>34,221,655</u>	<u>35,773,450</u>	<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>\$ 50,502,941</u>	<u>\$ 51,779,413</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>

**Town of Ocean City, Maryland**

Changes in Net Position (continued)

Last Ten Fiscal Years

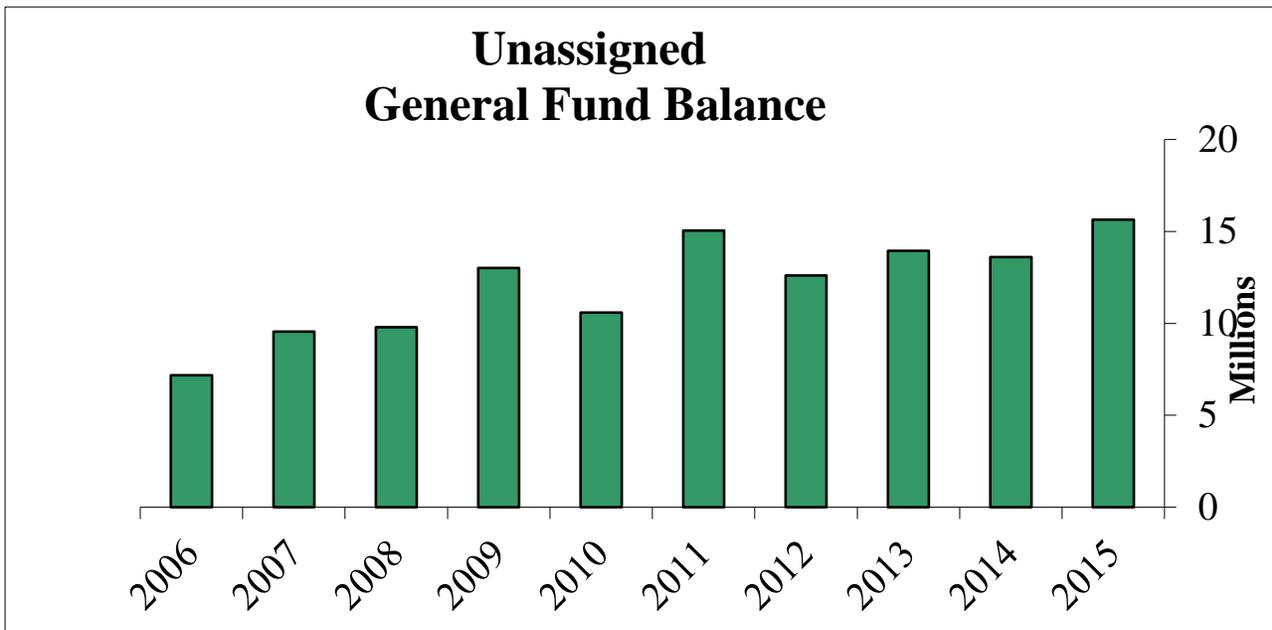
(accrual basis of accounting)

	2015	2014	2013
<b>Net (Expense)/Revenue</b>			
Governmental Activities	\$ (52,870,463)	\$ (57,115,759)	\$ (53,417,781)
Business-Type Activities	255,512	3,339,676	(1,793,869)
<i>Total Primary Government Net Expense</i>	<u>\$ (52,614,951)</u>	<u>\$ (53,776,083)</u>	<u>\$ (55,211,650)</u>
 <b>General Revenues and Other Changes in Net Position</b>			
Governmental Activities:			
Taxes:			
Property and Other Local Taxes Levied For:			
General Purposes	\$ 42,444,386	\$ 42,199,671	\$ 41,425,378
Sales and Income Taxes	16,454,632	16,042,019	15,069,904
State gaming contributions	563,517	469,430	454,949
Grants and Entitlements not Restricted to Specific Programs	2,576,103	2,586,297	2,372,735
Investment Earnings	199,294	181,668	(45,412)
Loss on Sale of Capital Assets	-	-	-
Other Revenue	769,305	684,250	508,084
Transfers	(3,022,929)	(3,363,267)	(3,480,205)
<i>Total Governmental Activities</i>	<u>59,984,308</u>	<u>58,800,068</u>	<u>56,305,433</u>
Business-Type Activities:			
Investment Earnings	49,470	56,399	60,354
Gain (loss) on Sale of Capital Assets	-	-	-
Other Revenue	14,568	(7,033)	86,006
Transfers	3,022,929	3,363,267	3,480,205
<i>Total Business-Type Activities</i>	<u>3,086,967</u>	<u>3,412,633</u>	<u>3,626,565</u>
<i>Total Primary Government</i>	<u>\$ 63,071,275</u>	<u>\$ 62,212,701</u>	<u>\$ 59,931,998</u>
 <b>Change in Net Position</b>			
Governmental Activities	\$ 7,113,845	\$ 1,684,309	\$ 2,887,652
Business-Type Activities	3,342,479	6,752,309	1,832,696
<i>Total Primary Government</i>	<u>\$ 10,456,324</u>	<u>\$ 8,436,618</u>	<u>\$ 4,720,348</u>

2012	2011	2010	2009	2008	2007	2006
\$ (56,698,537) (722,681)	\$ (53,956,917) 618,304	\$ (55,775,190) (4,853,097)	\$ (58,531,609) (5,947,692)	\$ (54,112,271) (1,174,312)	\$ (47,536,810) (3,946,254)	\$ (41,561,589) (504,628)
<u>\$ (57,421,218)</u>	<u>\$ (53,338,613)</u>	<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>
\$ 42,509,186 14,649,416 433,060	\$ 42,660,709 13,703,686 224,791	\$ 43,900,041 13,031,401 -	\$ 48,025,233 13,757,540 -	\$ 44,320,692 13,789,976 -	\$ 38,714,874 13,696,456 -	\$ 33,317,113 12,836,646 -
2,660,866 163,704 -	2,411,597 124,288 -	2,436,638 297,072 -	2,509,917 683,113 -	628,833 1,175,057 -	704,624 1,498,827 -	483,032 1,023,963 -
764,234 (3,205,769)	587,179 (3,795,956)	538,205 (4,288,477)	621,324 (5,145,366)	936,421 (5,340,728)	914,535 (4,927,374)	705,999 (3,363,384)
<u>57,974,697</u>	<u>55,916,294</u>	<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>
124,938 - 2,500 3,205,769	100,789 - 4,270 3,795,956	310,128 - 86,175 4,288,477	410,228 - - 5,145,366	872,247 - 7,579 5,340,728	839,134 - - 4,927,374	581,545 - - 3,363,384
<u>3,333,207</u>	<u>3,901,015</u>	<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>\$ 61,307,904</u>	<u>\$ 59,817,309</u>	<u>\$ 60,599,660</u>	<u>\$ 66,007,355</u>	<u>\$ 61,730,805</u>	<u>\$ 56,368,450</u>	<u>\$ 48,948,298</u>
\$ 1,276,160 2,610,526	\$ 1,959,377 4,519,319	\$ 139,690 (168,317)	\$ 1,920,152 (392,098)	\$ 1,397,980 5,046,242	\$ 3,065,132 1,820,254	\$ 3,441,780 3,440,301
<u>\$ 3,886,686</u>	<u>\$ 6,478,696</u>	<u>\$ (28,627)</u>	<u>\$ 1,528,054</u>	<u>\$ 6,444,222</u>	<u>\$ 4,885,386</u>	<u>\$ 6,882,081</u>

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

	2015	2014	2013	2012
<b>General Fund</b>				
Nonspendable advances to other funds	\$ -	\$ 115,000	\$ 165,000	\$ 235,000
Assigned - purchases on order	302,139	498,539	427,271	566,585
Assigned - subsequent year's budget	1,640,027	931,828	247,066	2,749,395
Assigned - other purposes	-	-	465,000	-
Unassigned	<u>15,648,548</u>	<u>13,602,038</u>	<u>13,949,931</u>	<u>12,605,645</u>
<i>Total General Fund</i>	<u>\$ 17,590,714</u>	<u>\$ 15,147,405</u>	<u>\$ 15,254,268</u>	<u>\$ 16,156,625</u>
<b>All Other Governmental Funds</b>				
Restricted for capital projects	\$ 3,020,069	\$ 5,333,799	\$ 8,656,416	\$ 14,031,244
Assigned - purchases on order	-	-	-	1,272,334
Committed for capital projects	<u>537,914</u>	<u>2,758,897</u>	<u>1,517,524</u>	<u>601,426</u>
<b>Total All Other Governmental Funds</b>	<u>3,557,983</u>	<u>8,092,696</u>	<u>10,173,940</u>	<u>15,905,004</u>
<i>Total Governmental Funds</i>	<u><u>\$ 21,148,697</u></u>	<u><u>\$ 23,240,101</u></u>	<u><u>\$ 25,428,208</u></u>	<u><u>\$ 32,061,629</u></u>
 Unassigned General Fund Balance as a Percentage of Expenditures	 21.6%	 18.2%	 19.3%	 17.5%



2011	2010	2009	2008	2007	2006
\$ 130,000	\$ 250,000	\$ 250,000	\$ 260,000	\$ 270,000	\$ 715,000
998,595	446,430	762,998	456,351	699,721	983,295
-	-	-	-	-	-
-	-	-	-	-	-
15,049,478	10,590,252	13,005,682	9,795,646	9,549,272	7,179,410
<u>\$ 16,178,073</u>	<u>\$ 11,286,682</u>	<u>\$ 14,018,680</u>	<u>\$ 10,511,997</u>	<u>\$ 10,518,993</u>	<u>\$ 8,877,705</u>
\$ 747,437	\$ 129,990	\$ 166,068	\$ 3,138,153	\$ 450,319	\$ 2,521,307
52,343	61,546	118,881	785,960	166,548	474,628
783,799	780,486	1,008,572	199,380	519,937	-
1,583,579	972,022	1,293,521	4,123,493	1,136,804	2,995,935
<u>\$ 17,761,652</u>	<u>\$ 12,258,704</u>	<u>\$ 15,312,201</u>	<u>\$ 14,635,490</u>	<u>\$ 11,655,797</u>	<u>\$ 11,873,640</u>

20.2%

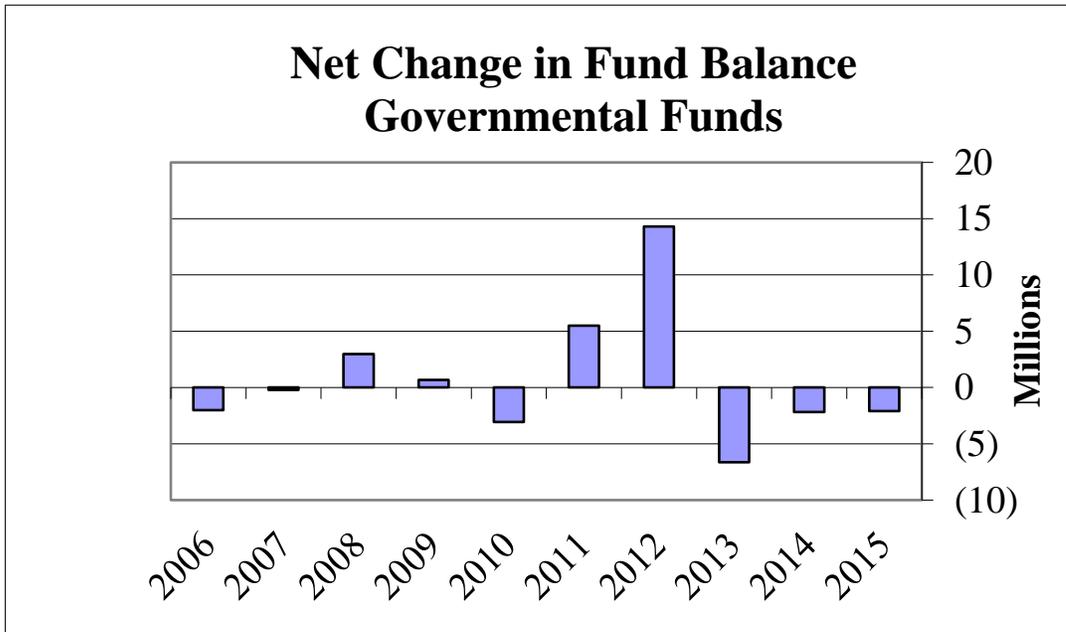
13.4%

16.9%

12.8%

13.7%

11.6%



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

	2015	2014	2013
<b>Revenues</b>			
Property Taxes	\$ 42,429,988	\$ 42,334,031	\$ 41,618,457
Other Taxes	17,024,793	16,498,162	15,611,879
Licenses and Permits	4,327,809	4,183,957	4,061,716
Fines and Forfeitures	583,087	714,142	785,979
Charges for Services	9,721,191	9,339,999	8,995,653
Revenue from Other Agencies	5,602,145	6,048,341	6,073,225
Other Revenue	974,121	735,727	653,618
<i>Total Revenues</i>	<u>80,663,134</u>	<u>79,854,359</u>	<u>77,800,527</u>
<b>Expenditures</b>			
Current:			
General Government	3,817,132	3,824,796	3,860,291
Public Safety	32,728,554	34,620,629	32,546,489
General Public Works and Beach	5,919,839	5,169,305	5,109,638
Sanitation and Waste Removal	5,353,919	5,613,364	5,389,174
Highways and Streets	5,560,206	6,280,506	5,867,104
Economic Development - Tourism	7,889,134	7,737,415	7,792,309
Recreation and Culture	7,090,260	7,131,635	7,259,523
Capital Outlay	6,082,562	6,586,308	8,301,432
Debt service:			
Principal Retirement	3,636,266	3,694,110	2,872,330
Interest and Fiscal Charges	1,563,318	1,646,570	1,596,699
Bond Issuance Costs	-	36,516	-
<i>Total Expenditures</i>	<u>79,641,190</u>	<u>82,341,154</u>	<u>80,594,989</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,021,944</u>	<u>(2,486,795)</u>	<u>(2,794,462)</u>
<b>Other Financing Sources (Uses)</b>			
Bonds and notes issued	-	4,895,483	103,889
Premium on bonds issued	-	99,578	-
Payment to refunded bond escrow agent	-	(992,858)	-
Transfers In	2,592,610	2,431,000	2,000,000
Transfers Out	(5,705,958)	(6,134,515)	(5,942,848)
<i>Total Other Financing Sources (Uses)</i>	<u>(3,113,348)</u>	<u>298,688</u>	<u>(3,838,959)</u>
<i>Net Change in Fund Balances</i>	<u>\$ (2,091,404)</u>	<u>\$ (2,188,107)</u>	<u>\$ (6,633,421)</u>
Debt Service as a Percentage of Noncapital Expenditures	7.1%	7.0%	6.2%

	2012	2011	2010	2009	2008	2007	2006
\$	42,555,644	\$ 42,731,367	\$ 43,808,149	\$ 47,881,933	\$ 44,112,396	\$ 38,553,222	\$ 33,281,605
	15,069,260	13,909,064	13,062,376	13,922,143	13,831,745	13,706,607	12,751,463
	4,050,517	3,921,106	3,858,142	3,811,003	4,072,860	4,711,672	4,895,070
	856,672	780,018	741,763	612,431	632,554	570,709	3,291,522
	8,568,625	8,422,070	7,992,333	8,289,520	8,440,330	8,008,899	3,291,522
	5,466,338	5,294,366	5,222,435	5,521,329	3,640,661	4,015,590	3,291,522
	743,082	664,892	714,825	1,128,148	1,911,742	2,488,030	1,752,771
	<u>77,310,138</u>	<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>62,555,475</u>
	3,051,546	3,320,277	3,990,472	3,869,464	4,401,856	4,336,014	3,607,775
	33,355,683	32,301,718	32,223,500	32,467,482	31,104,717	28,185,979	24,517,032
	5,026,883	4,908,045	4,698,501	5,063,642	4,973,218	4,984,240	4,711,047
	5,871,647	5,332,518	6,423,476	6,784,236	6,659,892	6,328,058	5,873,562
	5,621,764	5,263,430	5,684,270	6,319,490	6,084,432	5,448,588	4,588,339
	7,428,498	6,420,490	5,999,877	5,507,535	5,400,974	4,053,155	3,946,216
	7,239,149	7,167,738	7,359,074	8,048,173	7,544,679	6,580,642	6,147,126
	5,468,269	1,145,147	3,764,227	3,718,202	4,350,085	3,242,665	6,408,284
	3,160,956	3,416,907	3,282,636	2,164,178	2,245,407	2,750,168	3,077,627
	1,279,997	1,295,164	1,306,084	1,402,028	1,361,330	1,435,689	1,502,910
	149,245	43,746	73,711	-	118,485	-	-
	<u>77,653,637</u>	<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>(343,499)</u>	<u>5,107,703</u>	<u>594,195</u>	<u>5,822,077</u>	<u>2,397,213</u>	<u>4,709,531</u>	<u>325,563</u>
	22,018,939	4,159,350	4,388,662	-	12,642,381	-	1,020,000
	1,738,770	-	180,873	-	406,051	-	-
	(5,908,464)	-	(4,495,824)	-	(7,125,224)	-	-
	1,737,430	1,548,567	1,181,198	916,016	2,064,944	623,463	1,492,722
	(4,943,199)	(5,312,672)	(4,902,601)	(6,061,382)	(7,405,672)	(5,550,837)	(4,856,106)
	<u>14,643,476</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>14,299,977</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>
	6.2%	6.8%	6.5%	5.0%	5.2%	6.5%	7.9%

**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
2015	\$ 42,429,988	\$ 13,845,675	\$ 1,329,978	\$ 843,596	\$ 975,483	\$ 59,424,720
2014	42,334,031	13,367,715	1,383,833	832,644	913,970	59,704,682
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	63,041,891
2008	43,744,359	10,719,678	1,302,455	918,144	891,468	59,062,546
2007	38,200,651	10,345,545	1,238,744	1,183,634	938,684	52,525,809
2006	33,079,077	9,752,224	1,208,606	939,754	850,879	45,830,540
Change 2006-2015	28.3%	42.0%	10.0%	-10.2%	14.6%	29.7%

\* 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

Fiscal Year	Real Property	Personal Property	Corporate Property	Total	Total Direct Tax Rate	Estimated Actual Taxable Value	Percentage Of Change
2015	\$ 8,526,614,796	\$ 13,646,124	\$ 147,557,519	\$ 8,687,818,439	\$ 0.474	\$ 8,687,818,439	0.7 %
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

Source: Uniform Financial Report of Town of Ocean City to Maryland Department of Fiscal Services, 2006-2015.

**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
2015	\$ 42,429,988	\$ 41,277,350	97.28 %	\$ -	\$ 41,277,350	97.28 %
2014	41,916,584	41,005,847	97.83	872,489	41,878,336	99.91
2013	41,096,168	40,149,344	97.70	923,492	41,072,836	99.94
2012	42,178,831	41,115,724	97.48	1,032,387	42,148,111	99.93
2011	42,451,063	41,381,958	97.48	1,040,996	42,422,954	99.93
2010	43,222,775	42,215,437	97.67	962,163	43,177,600	99.90
2009	47,645,761	46,401,667	97.39	1,237,815	47,639,482	99.99
2008	43,751,440	42,264,998	96.60	1,486,442	43,751,440	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

Source: Uniform Financial Report of Town of Ocean City to Maryland Department of Fiscal Services, 2006 - 2015.

\* "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 Taxpayers  
Current Fiscal Year and Nine Years Ago

Taxpayer	2015	
	Taxable Assessed Value (1)	Percentage of Total Taxable Assessed Value
Harrison Inn Stardust Inc	\$ 56,707,980	0.65
Americana Stowaway Motel, Inc.	49,969,133	0.58
91st Street Joint Venture	35,742,200	0.41
Delmarva Power	32,932,270	0.38
Genesar	23,933,900	0.28
Harrison HI 18 LLC	20,448,233	0.24
Harrison Inn Ocean View	20,438,533	0.24
LPBOC Hotel Limited Partnership	20,435,300	0.24
Harrison Inn 66	17,652,400	0.20
Harrison QI 17 LLC	16,047,800	0.18
	<u>\$ 294,307,749</u>	<u>3.40%</u>
Total Assessed Valuation	\$ 8,687,818,439	
Taxpayer	2006	
	Taxable Assessed Value (1)	Percentage of Total Taxable Assessed Value
Americana Stowaway Motel, Inc.	\$ 49,103,245	0.72%
91st Street Joint Venture	38,840,660	0.57
Ocean View Inc.	23,876,332	0.35
Delmarva Power	20,182,170	0.30
Harrison HI 18 LLC	19,819,756	0.29
Windsor Resorts Inc.	19,754,322	0.29
Genesar, Inc.	18,123,000	0.27
Harrison Inn Stardust Inc.	17,237,100	0.25
Harrison QI 17 LLC	16,569,432	0.24
LPBOC Hotel Limited Partnership	16,522,000	0.24
	<u>\$ 240,028,017</u>	<u>3.52%</u>
Total Assessed Valuation	\$ 6,788,413,243	

(1) Assessed valuation based on the valuation of property for taxes collected in 2015 and 2006 respectively, and a review of the ten largest taxpayers for the City.

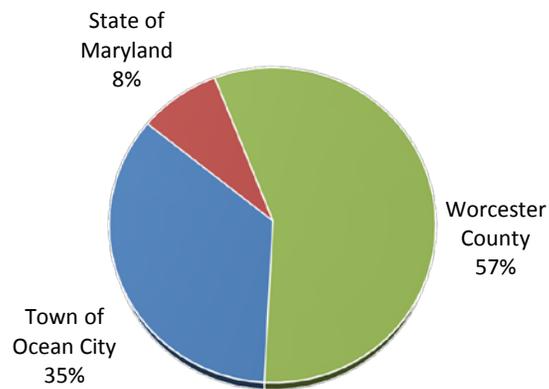
Source: Town of Ocean City Finance Department

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

Year	Direct Rate		Overlapping Rates		Total	
	Town of Ocean City		Worcester County	State of Maryland		
2015	\$	0.4740	\$	0.77	\$ 0.112	\$ 1.3560
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

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			Total Primary Government	% 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	Capital Leases				
2015	\$ 41,085,034	\$ 503,283	\$ -	\$ 42,847,362	\$ -	\$ -	\$ 84,435,679	0.97%	\$ 11,906	31.3 %
2014	44,917,522	538,517	-	49,227,772	-	-	94,683,811	1.10	13,351	35.6
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

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

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Tax Year	General Obligation Bonds Outstanding	% of Actual Property Value	Per Capita
2015	\$ 83,932,396	0.97%	\$ 11,835
2014	94,145,294	1.09	13,275
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

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, 2015

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Jurisdiction	Debt Outstanding	Percentage Applicable to City *	Amount Applicable to Town of Ocean City
<b>Direct</b>			
Town of Ocean City	<u>\$ 83,932,396</u>	100.0%	<u>\$ 83,932,396</u>
<b>Overlapping</b>			
Worcester County	<u>101,944,407</u>	58.7%	<u>60,453,033</u>
<b>Total Direct and Overlapping Debt</b>	<b><u><u>\$ 185,876,803</u></u></b>		<b><u><u>\$ 144,385,429</u></u></b>

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, 2015

Assessed Value		<u><u>\$ 8,687,818,439</u></u>
Maximum general obligation debt limited to 5.2% of assessed valuation *		\$ 451,766,559
Outstanding bonds	<u>\$ 83,932,396</u>	
Net Chargeable to Bond Limit		<u>83,932,396</u>
LEGAL DEBT MARGIN at JUNE 30, 2015		<u><u>\$ 367,834,163</u></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

2006 - 2015

Fiscal Year	Assessed Value	Legal Debt Limitation	Legal Borrowing Limitation	Debt Subject to Limitation	Legal Debt Margin
2015	\$ 8,687,818,439	5.2 %	\$ 451,766,559	\$ 83,932,396	\$ 367,834,163
2014	8,627,255,200	5.2	448,617,270	94,145,294	354,471,976
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

**Town of Ocean City, Maryland**  
Demographic and Economic Statistics  
Calendar Years 2005 - 2014

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Year	(1) Population	(2) Median Household Income	(3) Worcester County Personal Income	(4) Median Age	(5) School Enrollment	(6) Unemployment Rate
2014	7,092	\$ 56,279	\$ 2,541,372	48.1	6,684	7.9 %
2013	7,092	58,138	2,493,986	48.1	6,649	8.1
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

- (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.

**Town of Ocean City, Maryland**  
Principal Employers  
Current Fiscal Year  
Number of employees for quarter ending June 30, 2014

2015		
Employer	Employees	Percentage of Total County Employment
Harrison Group	1,050	3.67 %
OC Seacrets, Inc.	502	1.75
Bayshore Development	480	1.68
KTG LLC	342	1.19
Clarion Resort Fontaine Bleau	342	1.19
Fagers Island, Ltd.	285	0.99
Candy Kitchen	232	0.81
91st St. Joint Venture	222	0.78
Phillips	210	0.73
Trimpers Rides, Inc.	200	0.70
Total	3,865	13.49 %
Total Worcester County Employees (Data available for county only)	28,647	

2006		
Employer	Employees	Percentage of Total County Employment
Harrison Group	1,200	3.93 %
Phillips	725	2.37
Bayshore Development	500	1.64
OC Seacrets, Inc.	490	1.60
KTG LLC	455	1.49
Clarion Resort Fontaine Bleau	300	0.98
Fagers Island, Ltd.	281	0.92
Trimpers Rides, Inc.	250	0.82
Genesar, Inc.	165	0.54
Dough Roller, Inc.	155	0.51
Total	4,521	14.80 %
Total Worcester County Employees (Data available for county only)	30,538	

**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><u>Function/program</u></b>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
General Government	37	37	36	36	37	38	39	39	40	40
Public Safety	213	213	207	211	210	215	218	223	213	196
General Public Works	47	45	45	45	46	49	55	54	53	52
Solid Waste	21	22	23	23	25	40	44	44	44	44
Highway and Streets	23	23	22	22	22	33	36	36	36	36
Tourism	4	4	4	4	4	8	9	9	9	11
Recreation	43	42	42	42	42	48	51	51	48	50
Water	21	21	21	21	21	23	24	25	25	25
Transportation	13	13	13	13	13	16	17	17	17	17
Wastewater	46	46	46	45	45	46	49	48	48	48
Convention Center	33	32	32	33	34	35	40	40	40	40
Airport	3	3	3	3	3	3	4	4	3	3
Internal Service	30	30	30	30	30	33	36	36	36	36
Full-Time Employee Totals:	534	531	524	528	532	587	622	626	612	598
Part-Time Employees	911	874	867	837	814	755	799	871	841	793
Total Employees	<u>1,445</u>	<u>1,405</u>	<u>1,391</u>	<u>1,365</u>	<u>1,346</u>	<u>1,342</u>	<u>1,421</u>	<u>1,497</u>	<u>1,453</u>	<u>1,391</u>

**Source:** Town of Ocean City, Maryland 2006-2015 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	2015	2014	2013	2012
<b>General Information</b>				
Area in Square Miles	5	5	5	5
Year-round Residents	7,092	7,092	7,173	7,110
Registered Voters	6,141	5,267	6,184	6,034
Average Summer Population	242,611	253,561	254,906	276,809
<b>General Government</b>				
Construction Permits Issued	1,472	1,564	1,660	1,525
Estimated Value of Construction	\$ 57,999,098	\$ 51,755,670	\$ 36,287,285	\$ 35,460,786
<b>Public Safety - Police</b>				
Total Arrests	3,568	2,921	3,614	3,879
Parking Violations	7,934	10,460	11,237	13,045
Classified Officers	105	105	105	103
Seasonal Officers	100	100	100	96
<b>Fire and Emergency Services</b>				
Fire responses	1,278	1,262	1,190	1,303
Ambulance responses	4,518	4,157	4,634	6,025
Fire Safety Inspections/Re-Inspections	2,659	2,423	1,935	2,050
Fire Investigations	65	98	107	115
Classified Fire Personnel	3	3	3	4
Volunteer Officers, Firemen, Life Honor, Gold Badge	231	235	135	235
Classified Emergency Medical Technicians	41	44	37	36
Seasonal Emergency Medical Technicians	65	67	65	54
<b>Solid Waste</b>				
Trash Processed (tons)	32,603	32,814	39,640	36,069
Trash Recycled (tons)	202	185	190	205
<b>Tourism and Recreation</b>				
Seasonal Beach Patrol Personnel	186	190	194	182
<b>Water</b>				
Daily Average Consumption (gallons)	4,156,608	4,637,616	4,891,890	5,243,506
Plants Daily Capacity (gallons)	18,000,000	18,000,000	18,000,000	18,000,000
<b>Transportation</b>				
Bus Passengers	2,588,189	2,737,568	2,852,639	2,872,472
<b>Wastewater</b>				
Daily Average Treatment (gallons)	5,378,000	5,445,000	5,700,000	5,747,000
Summer Daily Treatment Average (gallons)	9,194,000	9,603,000	9,200,000	1,050,000
Plants Daily Treatment Capacity (gallons)	14,000,000	14,000,000	14,000,000	14,000,000
Number of Customer Accounts	28,804	28,739	28,775	28,772
<b>Airport</b>				
Based Aircraft	67	64	77	75
Aircraft Fueled	2,900	3,165	3,544	4,092

Source: Town of Ocean City Finance Department

2011	2010	2009	2008	2007	2006
5	5	5	5	5	5
7,102	7,715	7,638	7,562	7,487	7,413
5,166	6,549	5,417	6,550	5,447	6,783
263,765	257,479	256,169	258,726	259,105	259,761
1,622	1,501	1,407	1,795	2,065	1,837
\$ 25,521,294	\$ 36,525,292	\$ 49,378,207	\$ 69,597,628	\$ 164,614,258	\$ 184,582,285
3,572	4,213	3,515	3,599	3,925	3,287
14,705	13,859	12,871	11,749	9,284	12,728
102	107	107	107	107	104
102	90	82	110	110	94
1,224	1,254	1,429	1,344	1,460	1,589
5,935	5,776	5,529	5,680	5,580	5,244
2,068	2,010	2,310	3,176	2,990	3,042
136	144	202	257	171	142
4	4	4	3	3	3
221	219	220	230	237	229
36	40	42	42	42	42
74	58	54	41	34	29
34,253	33,149	28,959	31,635	33,447	33,656
283	2,742	3,285	3,603	3,096	3,049
189	189	194	208	190	198
5,591,287	5,026,025	5,434,695	5,555,219	5,582,958	5,117,781
18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000
2,997,578	3,099,117	3,315,614	3,481,330	3,423,798	3,476,654
5,731,000	5,766,000	5,428,814	5,442,071	5,691,945	5,514,000
9,986,000	9,595,000	9,237,300	9,720,000	9,795,522	9,762,000
14,000,000	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000
28,781	28,792	28,777	28,481	28,284	27,964
67	67	66	68	63	48
4,081	3,838	3,738	3,661	7,500	6,936

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

<b>Function/program</b>	2015	2014	2013	2012
<b>Public Safety - Police</b>				
Stations	2	2	2	2
Vehicles	84	84	82	83
<b>Public Safety - Fire and Emergency Services</b>				
Stations	5	5	5	5
Ambulances	10	9	10	9
<b>Highways and Streets</b>				
Streets (miles)	69	69	69	69
Number of Streetlights	3,078	3,054	3,054	3,024
Storm Sewers (miles)	43	43	43	43
Catch Basins	2,315	2,315	2,315	2,315
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	13 / 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	150
Treatment Plants	3	3	3	3
Service Connections	7,584	7,155	7,584	7,584
Fire Hydrants	847	847	847	847
<b>Transportation</b>				
Buses	61	62	60	62
Handicapped Buses	3	3	3	3
Trolleys	-	-	-	4
Boardwalk Trams	8	8	8	8
<b>Wastewater</b>				
Sanitary sewers (miles)	152	152	152	152
Treatment Plants	1	1	1	1
Pumping Stations	10	10	9	9
<b>Convention Center</b>				
Convention Center (7,000 seats)	1	1	1	1
<b>Airport</b>				
Runway (2) (feet)	7,273	7,270	7,270	7,270
Square feet of Hangars	115,064	115,064	115,064	140,080

Source: Town of Ocean City Finance Department

2011	2010	2009	2008	2007	2006
2	2	2	2	2	2
84	83	84	81	81	85
5	5	5	5	5	
9	9	9	9	9	
69	69	69	69	69	69
3,024	3,024	3,024	3,006	2,997	2,942
43	43	43	43	43	43
2,310	2,307	2,307	2,307	2,305	2,289
48	50	50	50	50	50
32	28	28	30	28	28
14 / 6	14 / 6	14 / 6	14 / 6	14 / 6	13 / 6
77	77	77	77	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
141	150	150	150	150	150
3	3	3	3	3	3
7,131	7,125	7,121	7,121	7,096	7,093
847	846	915	915	915	912
69	55	56	55	56	56
4	4	3	3	3	2
8	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
140,080	120,860	120,860	120,860	120,860	90,860

