

TOWN OF OCEAN CITY, MARYLAND

ANNUAL COMPREHENSIVE FINANCIAL REPORT



FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

(cover photo by Delmarva Aerial 360 [[@eye.on.delmarva](#)])

A full Inlet parking lot and beachgoers choosing their vantage points for the fireworks show is a typical scene each July 4th

(facing page)

The south-facing view of a nearly empty boardwalk, post-redecking

TOWN OF OCEAN CITY, MARYLAND

ANNUAL COMPREHENSIVE FINANCIAL REPORT

for the Fiscal Year Ended June 30, 2023



PREPARED BY:

Finance Department

Terence J. McGean, PE
City Manager

Charles Bireley, CPA
Finance Director



**Town of Ocean City, Maryland
Annual Comprehensive Financial Report
for the Fiscal Year Ended June 30, 2023**

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INTRODUCTORY SECTION

LOCATION MAP

LETTER OF TRANSMITTAL

GFOA CERTIFICATE OF ACHIEVEMENT

ORGANIZATIONAL CHART

LIST OF PRINCIPAL OFFICIALS AND DIRECTORS



BINGHAMTON, NY

CONNECTICUT

HARTFORD, CT

NEW YORK
PENNSYLVANIA

WILLIAMSPORT, PA

SCRANTON, PA



PITTSBURGH, PA



HARRISBURG, PA



ALLENTOWN, PA

NEW YORK

PHILADELPHIA, PA



WILMINGTON, DE

PENNSYLVANIA
MARYLAND



BALTIMORE, MD



WEST VIRGINIA
VIRGINIA



WASHINGTON
D.C.



OCEAN CITY, MD

ROANOKE, VA



RICHMOND, VA



Location Map

HAMPTON ROADS, VA

NORTH CAROLINA



RALEIGH, NC



TOWN OF OCEAN CITY

The White Marlin Capital of the World

October 4, 2023

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

The Town of Ocean City, Maryland (the “Town”), is a popular tourist destination as well as an active residential community of citizens who enjoy living on a slender barrier island between the Atlantic Ocean and wide coastal bays. This report, which details the financial results for the 2023 fiscal year, identifies the challenges and successes observed during this period.

I respectfully submit the Town’s Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2023. 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 government. The ACFR is produced to comply with Section 717 of the Town charter and the State of Maryland’s financial reporting requirements for local governments. 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, 2023, are fairly presented in conformity with GAAP. Their report is presented as the first component of the financial section of this report.

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

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

MAYOR
RICHARD W. MEEHAN

CITY COUNCIL

MATTHEW M. JAMES
President

ANTHONY J. DELUCA
Secretary

PETER S. BUAS
JOHN F. GEHRIG, JR.
J. FRANKLIN KNIGHT
CAROL L. PROCTOR
WILLIAM C. SAVAGE III

CITY MANAGER
TERENCE J. MCGEAN, PE

CITY CLERK
DIANA L. CHAVIS, CMC

Town of Ocean City, Maryland
Letter of Transmittal

This ACFR 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 Employees of Ocean City, Maryland Pension Plan and Trust; the Ocean City, Maryland Public Safety Employees Pension Plan and Trust; and the Ocean City, Maryland Other Post-Employment Benefits Trust are included in the ACFR as fiduciary funds of the Town. The Town's reporting entity is explained in Note 1.B. 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 around 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 Director 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 the 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) sports 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 weather, these off-season months may average over 200,000 visitors per weekend.

The Town government, in conjunction with local businesses and non-profit groups, has sought to increase business at non-peak visitor times with the use of festivals, entertainment, and sporting events. The largest events are Sunfest, Winterfest of Lights, Springfest, the Ocean City Air Show, concerts, auto rallies, and motorcycle events, which can each 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, and concerts (both on and off the beach and at various entertainment venues at Northside Park on 125th Street and at Sunset Park located on the bay-front in downtown Ocean City). There are 11 championship golf courses located within 10 miles of the Town. Group business, meetings, and events held at the Roland E. Powell Convention Center and the Performing Arts Center also help support room occupancy levels and restaurant and retail sales.

The Town uses advertising, promotions, and social media to publicize the vacation and leisure opportunities in Ocean City, with advertising costs in excess of \$11.4 million for fiscal year 2023. For the year ended June 30, 2023, room sales (based on room tax revenues) increased by 22.09% from the prior fiscal year. Food and beverage sales (also based on tax collections) also increased during FY 2023, with 20.07% more food tax revenue collected during the fiscal year.

There were 1,891 construction permits issued in FY 2023, compared to 1,684 in FY 2022. The estimated value of construction in FY 2023 was \$100,806,113, an increase of \$33,392,258 from FY 2022. The following is a sample of projects that are under construction or in the permitting process as of the fiscal year-end:

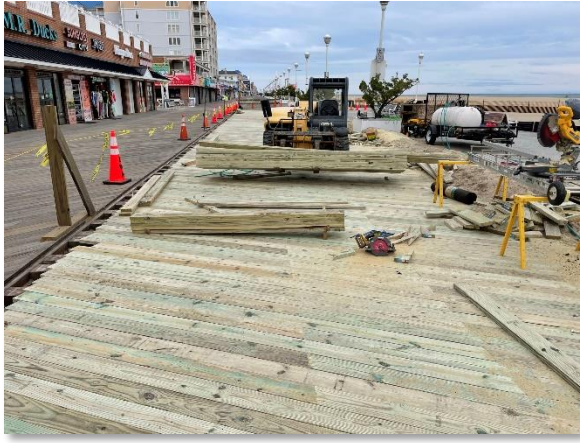
<u>Location</u>	<u>Number of Units</u>	<u>Construction Type</u>	<u>Construction Value</u>
143 rd St. to 144 th St.	56	Townhomes	\$ 11,200,000
2800 Baltimore Ave.	N/A	Hotel Renovation	11,037,040
10100 Coastal Hwy.	N/A	Hotel Remodel	4,000,000
82 nd St.	10	Multi-Family Homes	3,300,000
142 nd St.	16	Multi-Family Homes	3,200,000
144 th St.	22	Townhomes/Duplexes	2,552,000
1801 Philadelphia Ave.	N/A	Office Building	2,300,000
401 S. Atlantic Ave.	N/A	Pier Expansion	1,400,000

During FY 2023, the Town relied on property taxes for approximately 41% 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% 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. Properties in the State of Maryland are assessed on a triennial system. The Town's last comprehensive reassessment was completed in 2021 for FY 2022. This reassessment saw residential property values in Ocean City increase by about 3%, but commercial real property assessments decreased by an average of 4%. This reassessment is fully phased in over a three-year period. Overall, the Town's assessable base for real property increased 1.03% during FY 2023.

The Town maintains sound budgeting practices with a focus on multi-year planning, which ensures that the Town's financial position remains favorable.

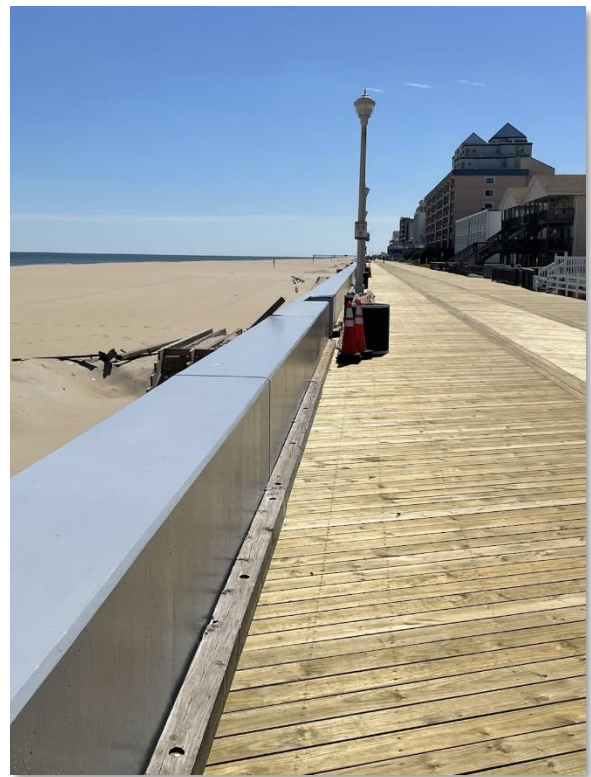
MAJOR INITIATIVES AND DEPARTMENTAL ACTIVITIES

Boardwalk Redecking:



Ocean City’s iconic 2 ¼ mile long Boardwalk, which extends from South 2nd Street north to 27th Street, requires frequent cyclical replacement as it is exposed to the beautiful yet harsh conditions of a coastal environment. Constant exposure to UV rays, salt air, coastal storms, temperature fluctuations, and loading from maintenance vehicles, trams, car parades, and several million visitors each year lead to warping, shrinking, splintering, and rotting, resulting in a maximum 10-year lifespan of the surface lumber. Based on its condition, and because the previous redecking project was completed in 2013, the Mayor and City Council decided during 2021 that it was again time to replace the Boardwalk decking.

The Boardwalk is comprised of more than 80,000 individual pieces of 2” x 6” pressure-treated Southern yellow pine decking boards and more than 1 million nails fastening the lumber to the wooden framing members below. As such, the task of removing and reinstalling 80,000 pieces of lumber is a significant effort that requires a two-year phased approach. Phase 1 of the Boardwalk redecking project included replacing the Boardwalk decking from 27th Street south to 15th Street as well as redecking the southern end of the Boardwalk from the Lifesaving Station Museum to the north side of the pier detour. Phase 1 was completed between October 2021 and May 2022. Phase 2 included redecking the Boardwalk from 15th Street south to the north side of the pier detour and was substantially completed between late October 2022 and April 2023.



While redecking the Boardwalk may seem like a straightforward endeavor, there were many nuances to the Boardwalk redecking project. The scope of work required the temporary removal and staging of all Boardwalk amenities, including trash cans, benches, and bike racks. In addition to replacing the Boardwalk surface lumber, the steel sheet piling that supports the concrete seawall along the Boardwalk was recoated as part of a separate but concurrent project to protect the sheet piling and prevent the steel from corroding. Close attention was also paid to the extremely volatile lumber market as it became time to request bids for the project. Town staff diligently kept an eye on the lumber market and managed to bid and ultimately purchase the needed lumber close to the commodity’s low point. Lumber was trading at over \$1,300 per thousand board feet in March 2022, and the Town was able to purchase the lumber for Phase 2 at less than \$600 per thousand board feet in late August 2022 thanks to good market timing.

Montego Bay Wastewater Pump Station:

The Montego Bay wastewater pump station, located on Sinepuxent Avenue between 130th Street and 131st Street, was originally put into operation in June 1984. The station was constructed to address inadequate sewer capacity in the north end of Ocean City from 122nd Street to the Delaware line due to the high-rise building boom of the 1970s. This pump station receives wastewater flow from the Montego Bay sewer shed then pumps the wastewater via a 30” force main to the wastewater treatment plant located at 64th Street and the bay.



Due to the seasonal nature of Ocean City, the pump station is typically only online during the summer season, which is the Town’s peak flow period. Historically the pump station is put in service at the beginning of May and is taken offline by mid-October. On an average day, the station will pump approximately 1.9 million gallons of wastewater. When the station is offline all sewer flows north of Jamestown Road are collected at the Jamestown Road wastewater pumping station and pumped to the wastewater treatment plant on 64th Street.



To ensure that this vital part of the Town’s infrastructure remains operational for many more years, nearly \$4 million was budgeted to reconstruct and enhance the Montego Bay wastewater pump station. The project includes architectural improvements to help the pump station blend in with the surrounding area and structural improvements to address concrete cracks/leaks, construct a generator canopy, and replace the station access doors. The pump station’s generator will be replaced and the height of the exterior electrical equipment will be raised above the 100-year flood plain elevation. New mechanical equipment including a flowmeter, surge relief valve, new motor control center electrical panels, and station instrumentation control equipment will be installed. The project also includes conducting a structural/operational evaluation of the 30” discharge force main and associated air relief valves. The new Montego Bay wastewater pump station is expected to be operational by May 2024.

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FINANCIAL INFORMATION AND PLANNING

Capital planning. The Town has adopted a capital improvement plan in conjunction with its strategic plan that includes scheduled replacement of infrastructure and improvements to public facilities. The following improvements are considered high priority: street paving; a 3rd Street recreation complex; a wastewater pump force main, generator switch upgrades, and pump station repairs; a new mid-town fire station; and Baltimore Avenue utility undergrounding.

Town of Ocean City, Maryland
Letter of Transmittal

General Fund reserve. The Town has a policy of maintaining a minimum reserve of 17% 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, 2023, that reserve, unassigned fund balance, was 32.5% of General Fund expenditures, up from 30.4% in FY 2022. The Town's consistently strong reserve position is often cited by bond rating agencies as a major factor in their high grading of the Town's debt issuances.

Bond ratings. In late 2021 the three major bond rating agencies, S&P Global Ratings, Fitch Ratings, and Moody's Investors Service, affirmed their ratings of AA+, AA, and Aa2, respectively, on the Town's general obligation bonds outstanding.

AWARDS AND ACKNOWLEDGMENTS

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 annual comprehensive financial report for the fiscal year ended June 30, 2022. This is the 35th 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 annual comprehensive 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 annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we will be submitting it to the 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. 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,



Charles Bireley, CPA
Finance Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Town of Ocean City
Maryland**

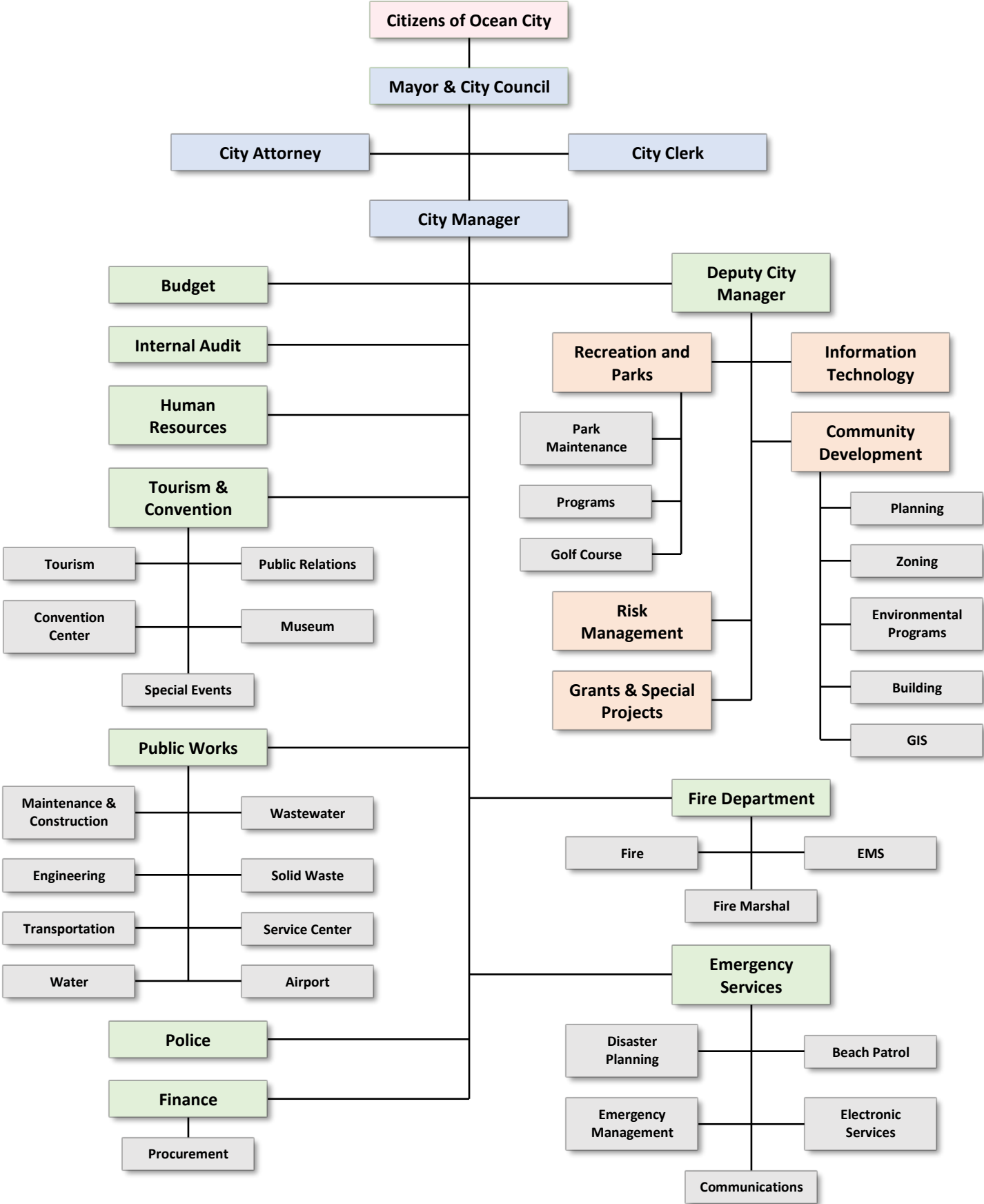
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO

Town of Ocean City Organizational Chart Fiscal Year 2023



**TOWN OF OCEAN CITY, MARYLAND
LIST OF PRINCIPAL OFFICIALS AND DIRECTORS
JUNE 30, 2023**

<u>Title</u>	<u>Name</u>
Mayor	Richard W. Meehan
Council President	Matthew M. James
Council Secretary	Anthony J. DeLuca
Council Member	Peter S. Buas
Council Member	John F. Gehrig, Jr.
Council Member	J. Franklin Knight
Council Member	Carol L. Proctor
Council Member	William C. Savage III
City Manager	Terence J. McGean, PE
Deputy City Manager	Elton C. Harmon, Jr.
City Solicitor	Ayres, Jenkins, Gordy & Almand, P.A.
City Clerk	Diana L. Chavis
Finance Director	Charles Bireley, CPA
City Engineer	Paul B. Mauser, PE
Public Works Director	Hal O. Adkins
Director of Tourism & Business Development	Thomas M. Perlozzo
Chief of Police	Ross C. Buzzuro
Fire Chief	Richard Bowers, Jr.
Emergency Services Director	Joseph J. Theobald
Human Resources Director	Kathleen Callan
Director of Budget & Management	Jennie T. Knapp
Recreation and Parks Director	Susan L. Petito, CPRP
Director of Planning & Community Development	William W. Neville
Fire Marshal	Joshua J. Bunting III
Information Technology Director	Christopher D. Burkey
Risk Manager	Christine L. Parks

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

Trustees

Richard W. Meehan	Timothy J. King
Matthew M. James	Bruce E. Peterson
Anthony J. DeLuca	Jeff M. Thaler
Karin A. Scott	



FINANCIAL SECTION



S B & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON THE AUDIT OF THE FINANCIAL STATEMENTS

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

Report on the Audit of the Financial Statements

Opinions

We have audited the 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, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under these standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The Town'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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the date the financial statements are available to be issued, including any currently known information that may raise substantial doubt shortly thereafter.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of changes in net pension liability and related ratios for the General Employees and Public Safety Employees Pension Plans, the schedule of changes in net Other Post-Employment Benefit (OPEB) liability (asset) and related ratios, and schedules of employer contributions for the OPEB Trust Fund, General Employees and Public Safety Employees Pension Plans, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.



SB & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

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.

Supplementary 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 combining and individual fund statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules are the responsibility of management and were 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 combining and individual fund statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the Annual Comprehensive Financial Report (ACFR). The other information comprises the introductory and statistical sections of the ACFR but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Owings Mills, Maryland
October 4, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

Town of Ocean City, Maryland
Management's Discussion and Analysis
June 30, 2023

This section of the Annual Comprehensive 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, 2023, 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 1-6 and the Town's financial statements, which follow this section.

Financial Highlights for FY 2023

- The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows at the close of the 2023 fiscal year, resulting in a net position of \$243,321,821. The Town's net position increased by \$24,855,929 during the fiscal year. \$11,202,137 of this increase was from governmental activities, with business-type activities providing the remaining \$13,653,792 increase in net position. Additional details and explanations can be found on pages 21-23 of this report.
- As of June 30, 2023, the Town's governmental funds reported a combined fund balance of \$69,288,495, an increase of \$4,042,403 from the prior year. The Town's unassigned fund balance, which is the portion of fund balance available to meet the Town's current and future needs, increased from \$25,604,250 in FY 2022 to \$31,671,459 at the end of FY 2023, an increase of \$6,067,209. Unassigned General Fund fund balance at year-end was 32.5% of General Fund expenditures, compared to 30.4% in FY 2022, and is in excess of the Town's reserve policy of 17%.
- The Town's net debt decreased by \$11,029,256 in FY 2023. Additional details can be found on page 28 and Note 8 of this report.
- As of June 30, 2023, a net pension liability of \$40,004,513, related deferred outflows of \$18,587,877 and deferred inflows of \$165,170 are recorded in the Statement of Net Position. The funded ratio is 79.56% for the General Employees Pension Plan and is 76.40% for the Public Safety Employees Pension Plan. The Town's net OPEB asset was \$7,513,092 as of June 30, 2023, with a funded ratio of 123.77%. Deferred outflows of resources related to OPEB totaled \$3,001,026 and related deferred inflows were \$30,359,544. Additional details can be found on pages 26-27 and Notes 10 and 11 of this report.

Town of Ocean City, Maryland
Management's Discussion and Analysis

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's 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, are 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, *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 and tourism, recreation and culture, and construction of capital assets. The business-type activities of the Town include water, wastewater, the bus and boardwalk tram operations, the Roland E. Powell Convention Center, the Ocean City Municipal Airport, and Eagle's Landing Golf Course.

The government-wide statements can be found on pages 33-35 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund *Balance Sheet* and the governmental fund *Statement of Revenues, Expenditures, and Changes in Fund*

Town of Ocean City, Maryland
Management's Discussion and Analysis

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 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 36-39 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, transportation (buses and boardwalk trams), and convention center, 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 nonmajor funds. 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 40-47 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 48-49 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 50-84 of this report.

Town of Ocean City, Maryland
Management's Discussion and Analysis

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 and retirees. Required supplementary information can be found on pages 86-97 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 related to internal service funds can be found on pages 106-111 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, 2023, 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. For the Town, assets and deferred outflows exceeded liabilities and deferred inflows by \$243,321,821 at the close of the fiscal year ended June 30, 2023, compared to \$218,465,892 for the year ended June 30, 2022.

82.3% of the Town's net position reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any outstanding principal balances on debt that was used to acquire those assets. 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
	2023	2022	2023	2022	2023	2022	
Current and other assets	\$ 102,992,162	\$ 93,966,398	\$ 33,167,084	\$ 37,372,245	\$ 136,159,246	\$ 131,338,643	3.7 %
Capital assets	111,689,642	111,494,138	176,675,641	166,650,272	288,365,283	278,144,410	3.7
Total assets	<u>214,681,804</u>	<u>205,460,536</u>	<u>209,842,725</u>	<u>204,022,517</u>	<u>424,524,529</u>	<u>409,483,053</u>	3.7
Deferred outflows of resources	<u>18,422,334</u>	<u>23,681,856</u>	<u>3,201,704</u>	<u>4,958,512</u>	<u>21,624,038</u>	<u>28,640,368</u>	-24.5
Long-term liabilities outstanding	94,926,394	101,785,363	59,318,747	64,901,174	154,245,141	166,686,537	-7.5
Other liabilities	14,057,190	12,073,900	3,999,701	5,494,441	18,056,891	17,568,341	2.8
Total liabilities	<u>108,983,584</u>	<u>113,859,263</u>	<u>63,318,448</u>	<u>70,395,615</u>	<u>172,302,032</u>	<u>184,254,878</u>	-6.5
Deferred inflows of resources	<u>23,974,324</u>	<u>26,339,036</u>	<u>6,550,390</u>	<u>9,063,615</u>	<u>30,524,714</u>	<u>35,402,651</u>	-13.8
Net position:							
Net investment in capital assets	72,954,505	68,381,960	127,335,450	117,599,334	200,289,955	185,981,294	7.7
Restricted	5,895,077	-	3,471,826	2,412,860	9,366,903	2,412,860	288.2
Unrestricted	21,296,648	20,562,133	12,368,315	9,509,605	33,664,963	30,071,738	11.9
Total net position	<u>\$ 100,146,230</u>	<u>\$ 88,944,093</u>	<u>\$ 143,175,591</u>	<u>\$ 129,521,799</u>	<u>\$ 243,321,821</u>	<u>\$ 218,465,892</u>	11.4 %

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.

Town of Ocean City, Maryland
Management's Discussion and Analysis

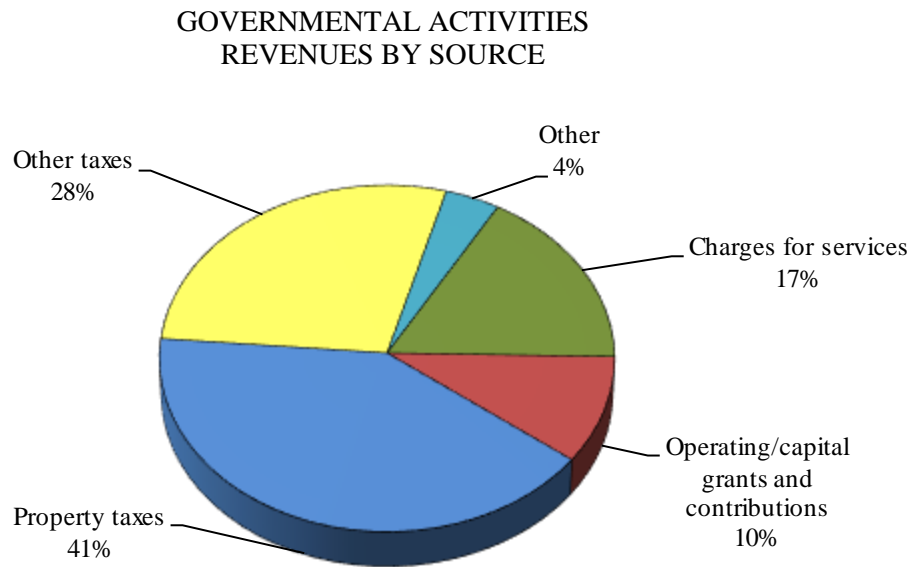
As shown in the following chart, the Town's net position increased \$24,855,929 for the year ended June 30, 2023. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

	Governmental Activities		Business-Type Activities		Total Primary Government		% Change
	2023	2022	2023	2022	2023	2022	
REVENUES							
Program revenues:							
Charges for services	\$ 19,488,317	\$ 19,166,957	\$ 32,276,067	\$ 30,823,442	\$ 51,764,384	\$ 49,990,399	3.5 %
Operating grants and contributions	6,028,839	3,753,811	7,050,144	6,129,034	13,078,983	9,882,845	32.3
Capital grants and contributions	1,402,362	732,217	10,128,781	2,528,559	11,531,143	3,260,776	253.6
General revenues:							
Property taxes	45,386,733	44,762,217	-	-	45,386,733	44,762,217	1.4
Other taxes	31,848,594	26,313,664	-	-	31,848,594	26,313,664	21.0
Grants and contributions not restricted to specific programs	3,888,866	3,808,700	-	-	3,888,866	3,808,700	2.1
Other revenues	3,972,792	995,290	999,179	39,332	4,971,971	1,034,622	380.6
Total revenues	<u>112,016,503</u>	<u>99,532,856</u>	<u>50,454,171</u>	<u>39,520,367</u>	<u>162,470,674</u>	<u>139,053,223</u>	16.8
EXPENSES							
General government	2,053,769	686,237	-	-	2,053,769	686,237	199.3
Public safety	43,969,174	41,853,089	-	-	43,969,174	41,853,089	5.1
General public works and beach	8,169,009	8,436,145	-	-	8,169,009	8,436,145	-3.2
Sanitation and waste removal	7,977,414	7,432,443	-	-	7,977,414	7,432,443	7.3
Highways and streets	9,661,508	9,215,575	-	-	9,661,508	9,215,575	4.8
Economic development - tourism	15,610,243	7,801,066	-	-	15,610,243	7,801,066	100.1
Recreation and culture	9,180,176	8,613,369	-	-	9,180,176	8,613,369	6.6
Interest on long-term debt	1,138,001	1,569,129	-	-	1,138,001	1,569,129	-27.5
Water	-	-	7,769,700	6,759,912	7,769,700	6,759,912	14.9
Wastewater	-	-	11,476,740	12,854,591	11,476,740	12,854,591	-10.7
Transportation	-	-	8,486,478	7,983,596	8,486,478	7,983,596	6.3
Convention Center	-	-	7,248,783	6,333,897	7,248,783	6,333,897	14.4
Airport	-	-	1,999,370	2,138,618	1,999,370	2,138,618	-6.5
Golf Course	-	-	2,874,380	2,431,796	2,874,380	2,431,796	18.2
Total expenses	<u>97,759,294</u>	<u>85,607,053</u>	<u>39,855,451</u>	<u>38,502,410</u>	<u>137,614,745</u>	<u>124,109,463</u>	10.9
Change in net position before transfers	14,257,209	13,925,803	10,598,720	1,017,957	24,855,929	14,943,760	66.3
Transfers	(3,055,072)	(2,688,681)	3,055,072	2,688,681	-	-	
Change in net position	11,202,137	11,237,122	13,653,792	3,706,638	24,855,929	14,943,760	66.3
Net position, prior year	88,944,093	77,706,971	129,521,799	125,815,161	218,465,892	203,522,132	7.3
Net position, current year	<u>\$ 100,146,230</u>	<u>\$ 88,944,093</u>	<u>\$ 143,175,591</u>	<u>\$ 129,521,799</u>	<u>\$ 243,321,821</u>	<u>\$ 218,465,892</u>	11.4 %

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

Governmental activities. There was an increase of \$11,202,137 in the Town's net position in FY 2023 attributed to governmental activities. Key elements of this change are as follows:

- Property tax revenues, and tax penalties and interest, are the largest single revenue source for the Town. The real property tax rate decreased from \$0.4561 per \$100 of assessed value in FY 2022 to \$0.4526 per \$100 in FY 2023. The personal and corporate property tax rate decreased from \$1.14 per \$100 of assessed value in FY 2022 to \$1.13 per \$100 in FY 2023. This resulted in a \$624,516 increase in property tax revenue due to a modest increase in the assessable base from the prior fiscal year. Property taxes comprised 41% of revenue for governmental activities in FY 2023, a decrease from 45% of revenue during FY 2022.

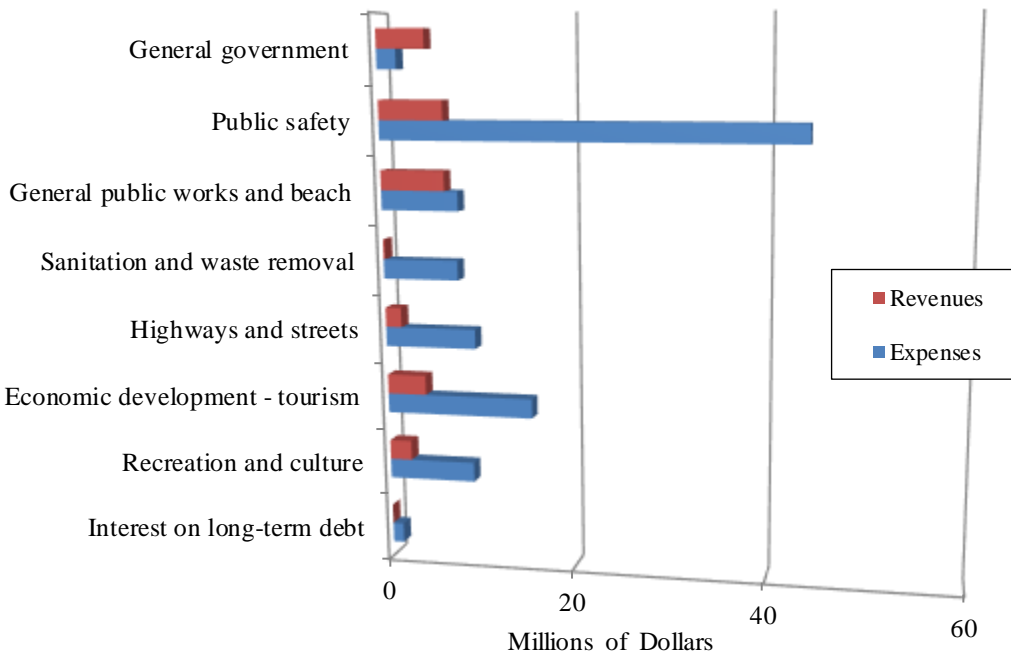


- “Sales and income taxes” includes admissions taxes, income taxes, highway user taxes, and room taxes. Room taxes increased by \$4,862,560 in FY 2023, primarily due to increased lodging rates and the first year of receipts from online room rental platforms.
- “General government” charges for services increased by \$656,416 in FY 2023, driven by a \$488,108 increase in building permit revenue due to increased construction activity during the fiscal year.
- Operating grants and contributions increased by \$2,275,028 during FY 2023. A majority of the increase was related to grants for “Economic development – tourism,” which were \$1,491,344 more in FY 2023 than FY 2022 as a result of increased tourism marketing support from the State of Maryland.
- “Investment earnings” increased by \$2,881,936 for FY 2023, which was primarily due to higher interest rates paid on Town bank deposits, which were also higher during FY 2023. The majority of the Town's deposits are held with the Maryland Local Government Investment Pool, which paid an average yield of 3.8% for the year ended June 30, 2023, compared to an average yield of 0.2% for the previous fiscal year.

Town of Ocean City, Maryland
Management's Discussion and Analysis

The following graph indicates the functional revenues and expenses of governmental activities to demonstrate the extent to 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.

**GOVERNMENTAL ACTIVITIES
EXPENSES AND PROGRAM REVENUES**



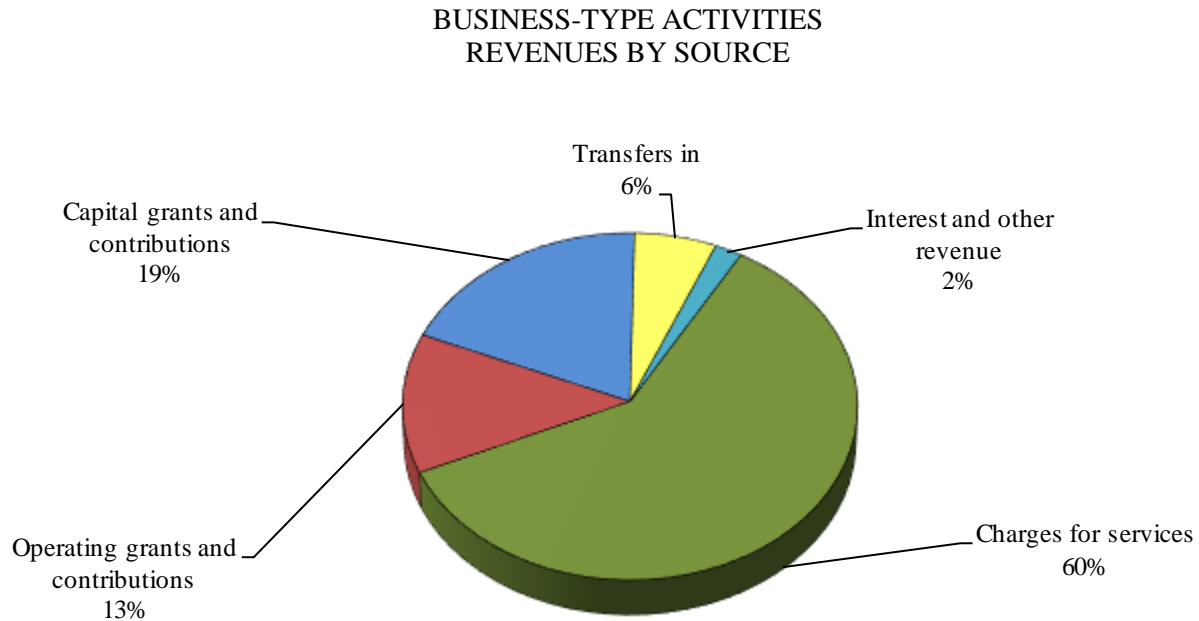
- Total governmental activities' expenses were \$97,759,294 during FY 2023, which was an increase of \$12,152,241 from FY 2022. The most significant increase was for the “economic development – tourism” function, with \$8,083,511 more in expenses during FY 2023 than the prior fiscal year. This increase was the result of a brand new marketing campaign for the Town, additional advertising, and an expansion of the tourism and business development department.
- Expenses for “public safety” increased by \$1,838,206 between FY 2022 and FY 2023. Most of the increase is attributable to higher wage and pension costs. Higher pay scales were included in the Fraternal Order of Police’s collective bargaining agreement that commenced on July 1, 2022, as well as a 7% cost-of-living adjustment implemented on January 1, 2023. The number of full-time paid emergency medical technicians and firefighters also increased substantially during FY 2023. These fire department personnel are eligible to participate in the Town’s public safety pension plan under collective bargaining through the International Association of Fire Fighters. This combination of increased wages and personnel contributed to an increase in expenses for the Town’s public safety pension plan.

Town of Ocean City, Maryland
Management's Discussion and Analysis

Business-type activities. There was an increase of \$13,653,792 in the Town's net position in FY 2023 attributed to business-type activities. Key elements of this change are as follows:

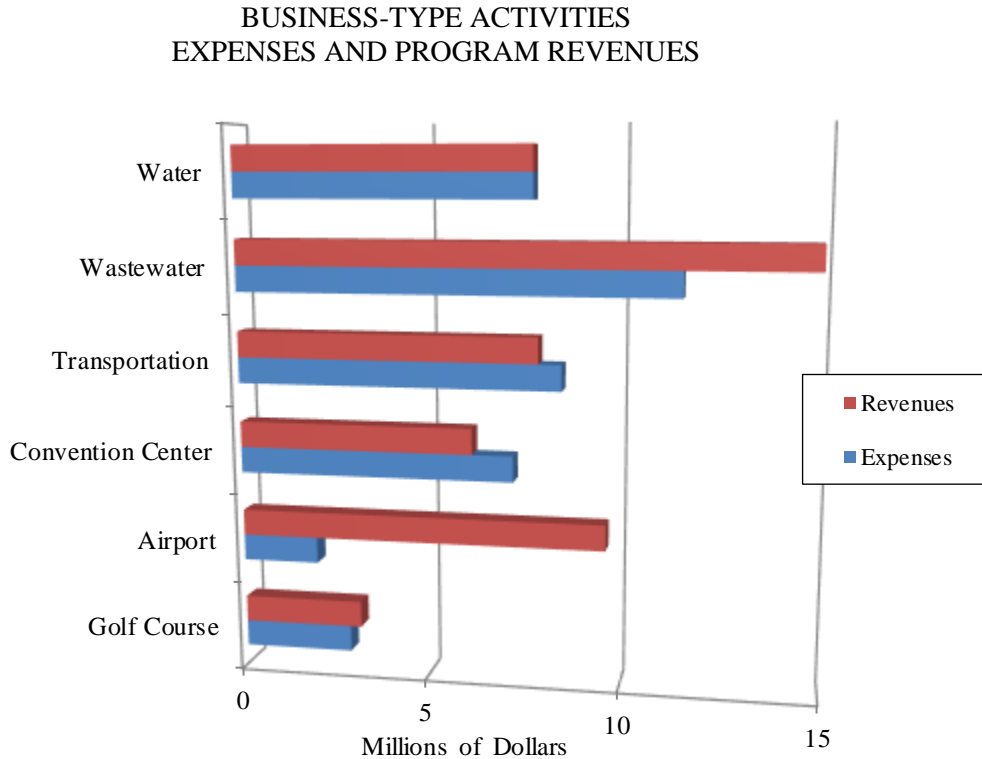
- Capital grants and contributions for business-type activities totaled \$10,128,781 during FY 2023, which was an increase of \$7,600,222 from the prior fiscal year. Nearly all of this increase, \$7,072,461, was attributable to federal capital grants received during FY 2023 for Airport Fund runway safety projects.
- Investment earnings for business-type activities increased from \$39,332 during FY 2022 to \$999,179 in FY 2023, a \$959,847 increase. As previously mentioned for governmental activities, this increase is due to a substantial jump in the Town's savings rate.
- Total expenses for business-type activities stayed relatively flat between FY 2022 and FY 2023, with an increase of only \$1,353,041 (3.51%). Water Fund expenses increased by \$1,009,788, mostly due to higher chemical costs, and Convention Center Fund expenses increased by \$914,886 as more events continue to return post-Covid. These increases were partially offset by a \$1,377,851 decrease in Wastewater Fund expenses due to lower pension and OPEB expense allocations as well as more capitalizable costs, which will be depreciated over the lives of the relevant projects, during FY 2023.

Charges for services were 60% of revenue for business-type activities in FY 2023 (down from 73% in FY 2022), with operating grants and contributions making up 13% of revenue, and capital grants and contributions comprising 19% of revenue (up from 6% for FY 2022 due to the increased Airport projects) as shown in the following graph:



Town of Ocean City, Maryland
Management's Discussion and Analysis

The following graph indicates the degree to which expenses are covered by charges for services to customers, operating grants, and capital grants for business-type activities. The Water, Wastewater, Airport, and Golf Course Funds were self-supporting and user fees, grants, or reserves covered all costs during FY 2023. The operations of the Transportation and Convention Center Funds were subsidized by the General Fund.



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, 2023, the Town's governmental funds reported a combined ending fund balance of \$69,288,495, compared to \$65,246,092 at June 30, 2022. This \$4,042,403 increase in fund balance was primarily due to an increase in room taxes as detailed previously in this report.

The General Fund unassigned fund balance, which is available for spending, increased \$6,067,209; from \$25,604,250 in FY 2022 to \$31,671,459 in FY 2023. Total General Fund fund balance increased \$3,386,037 during the fiscal year.

Town of Ocean City, Maryland
Management's Discussion and Analysis

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, 2023, unassigned General Fund fund balance was equal to 32.5% of General Fund expenditures, an increase from 30.4% at June 30, 2022. Total General Fund fund balance represents 48.0% of General Fund expenditures at year-end. At the prior year-end, the percentage was 51.6%.

Key elements of the change in fund balance for governmental funds are as follows:

- General Fund revenue increased by \$7,246,740 during FY 2023. The main drivers of this change were increases in room taxes, building permits, and interest earnings on bank deposits, which have been detailed previously. Income taxes also contributed \$438,279 to the increase in General Fund revenue.
- General Fund expenditures of \$97,452,761 before other financing sources and uses were \$13,362,861 more in FY 2023 compared to FY 2022. Public safety expenditures increased \$1,838,206 during FY 2023, partly due to increased personnel costs associated with police pay raises and the addition of fire department staff. Economic development and tourism expenditures increased by \$8,083,511 for additional department staff and a large increase in advertising and marketing costs.
- In FY 2023, \$2.5 million of fund balance has been assigned for increasing pension costs, \$1.9 million for salary and benefit increases resulting from a recent pay study and rising inflation, and over \$4.2 million is committed for advertising, which is based on a percentage of room tax revenue.

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

- A change in net position of \$167,486 was reported in the Water Fund, which was \$1,043,571 less than the change in net position reported in FY 2022. Operating revenues decreased by \$245,046 due to less recorded usage, and operating expenses increased by \$1,079,084 over FY 2022. Other supplies and expenses were \$943,819 higher in FY 2023 due to supply chain disruptions driving up the costs of chemicals.
- The Wastewater Fund had a change in net position of \$3,912,136 in FY 2023 compared to \$1,808,134 in FY 2022, an increase of \$2,104,002. Wastewater Fund operating revenues were nearly flat from the prior fiscal year, but interest revenue increased by \$557,015 and "other supplies and expenses" decreased by \$954,529 due to reduced treatment costs.
- Net position for the Transportation Fund increased by \$945,992 in FY 2023, which was \$818,953 more than the change in net position during FY 2022. Operating revenue increased by \$296,057 from the prior fiscal year because of higher bus fares and tram activity. Operating expenses were \$594,936 more than FY 2022, primarily due to increased personnel costs resulting from incentives offered to assist with driver recruitment. Although no transfer was made from the General Fund to subsidize Transportation Fund operations during FY 2022, \$725,086 was contributed by the General Fund during FY 2023.
- The Convention Center Fund had a change in net position of \$1,020,702 in FY 2023, which was \$915,637 more than the change in net position of \$105,065 in FY 2022. The Fund's operating revenues increased by \$588,795 during FY 2023. All of the revenue drivers for the convention center (e.g., hall rentals, the Performing Arts Center, concessions) saw substantial revenue increases from the prior fiscal year; however, operating expenses more than offset the higher revenue, increasing by \$954,775 during the fiscal year. Building costs, such as repairs and maintenance and depreciation on the newly

Town of Ocean City, Maryland
Management's Discussion and Analysis

completed expansion, were the primary driver of the increase in expenses, accounting for \$641,261 of the change. Debt service for the fund is supported by a tax on food and beverages in Ocean City. The debt sinking account had a balance of \$1,853,811 at year-end and is shown as a restricted portion of net position.

- The Airport Fund, a nonmajor fund, had an increase in net position of \$7,954,473 in FY 2023, which was \$7,152,224 more than the \$802,249 increase in net position during FY 2022. While operating revenue showed a modest increase during FY 2023, capital contributions/grants related to runway safety projects were the primary cause of the variance, increasing by \$7,210,474. This helped to offset a decrease in General Fund contributions of \$602,583.
- The Golf Course Fund, a nonmajor fund, had a change in net position of \$396,650 for FY 2023, a slight drop from the \$492,693 increase in net position in the prior fiscal year. Greens fees, cart fees, and other operating revenues increased by \$316,442 during the fiscal year, but operating expenses increased by \$440,074 due to increases in personnel costs, repairs, and course improvements. For the third straight fiscal year, the Golf Course Fund did not require a subsidy from the General Fund to sustain its operations.

Fiduciary funds.

The Town's fiduciary funds rebounded from a challenging FY 2022 by posting investment gains for all post-employment benefit plans during the current fiscal year.

The pension funds had an average money-weighted rate of return on investments of 9.89%, a substantial increase from the -15.17% return seen in FY 2022. The actuarial value of assets is fair value as of June 30, 2023. The recommended contribution calculation methodology uses a 10-year, level dollar, closed gain/loss basis.

The General Employees Pension Plan funded ratio based on Governmental Accounting Standards Board (GASB) Statement No. 67, an indicator of funding status, increased from 76.43% to 79.56%. Employees contribute 5% of pay to the plan. The Town contributed \$3,161,368 to the plan during FY 2023, which was \$521,709 more than the prior fiscal year. The unfunded actuarial liability is amortized over 10 years.

The funded ratio increased from 74.47% to 76.40% for the Public Safety Employees Pension Plan. Employees contribute 8% of pay to the plan (9% for International Association of Fire Fighters [IAFF] members). The Town contributed \$4,751,032 to the plan during FY 2023, \$344,940 more than FY 2022, which includes a closed 10-year amortization of the unfunded actuarial liabilities for the plan. Town contributions for both pension plans were based on actuarial analyses performed in early 2022; therefore, employer contributions don't necessarily correlate to other investment and actuarial results observed during the current fiscal year. Additional information on the pension plans can be found on pages 76-84 of this report.

The General Employees Pension Plan was closed to new entrants in April 2011, and all new general and non-police public safety employees were required to participate in a defined contribution plan. The council selected Nationwide to administer the plan. Additional information on the defined contribution plan can be found on page 76 of this report.

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 defined-benefit health care plan whose assets may be expended solely to pay for post-employment benefits and the costs of administering the trust fund. The plan

Town of Ocean City, Maryland
Management's Discussion and Analysis

had an average money-weighted rate of return on investments of 9.65% for fiscal year 2023, which was a large increase from the -15.26% return during FY 2022. Changes implemented to the insurance plan offered to retirees in FY 2022 reduced the OPEB liability substantially, creating a net asset for the Town's OPEB plan. This net OPEB asset increased from \$6,249,510 in FY 2022 to \$7,513,092 at June 30, 2023 and has an open amortization of 20 years due to the plan becoming 100% or more overfunded. The funded ratio of the total OPEB liability increased to 123.77% in FY 2023 (from 120.47% in the prior fiscal year). The Town contributed \$107,605 from drug subsidies to the plan in FY 2023, which was similar to the contribution in the prior fiscal year. Additional information on the OPEB Trust can be found on pages 72-76 of this report.

General Fund Budgetary Highlights

Amendments to the adopted budget may occur during the year by ordinance (see Note 1.F. on page 53). Two amendments were made to the FY 2023 budget. Differences between the original budget and final amended budget for the General Fund resulted in recognition of \$7,286,204 in additional revenue and increased the total expenditures in the original budget by \$11,418,811. Transfers to other funds increased \$2,093,282. Significant changes made to the original budget were as follows:

- Increased "other taxes" by \$4,599,646, which included raising the room tax estimate by \$3,500,000 and the estimate for admissions and amusement taxes by \$551,364.
- Increased "licenses and permits" by \$874,222, including a \$435,000 increase for building permits.
- Increased "other revenue" by \$1,420,393, which included an additional \$1,200,000 for interest on investments.
- The budget amendments increased expenditures by \$1,754,736 for public safety, mostly for prior year purchase orders, but also included \$316,478 for four additional emergency medical technicians. Budgeted expenditures for "economic development – tourism" increased by \$8,357,360, which included \$1,400,000 for additional room taxes dedicated to advertising, \$4,785,332 in advertising costs remaining from FY 2022, and \$1,803,776 for State of Maryland tourism grants.
- Transfers to other funds increased \$2,093,282. The primary changes involved transfers to the Capital Projects Fund, which increased \$1,500,000, and an additional \$350,000 transferred to the Vehicle & Equipment Trust Fund.

During the fiscal year, revenues were more than final budget estimates by \$2,139,200. Expenditures were \$7,422,494 less than anticipated. Other sources and uses variances were a favorable \$174,364. This resulted in an overall favorable variance from the budget of \$9,736,058. The key elements of this variance were:

- Revenue from "other taxes" was \$1,191,823 more than anticipated, primarily due to actual room taxes exceeding budget estimates by \$872,726 as a result of increased room rates and remittances from online booking platforms.
- "Other revenue" was \$804,094 more than anticipated due to interest and investment revenue exceeding expectations by \$512,885.
- The expenditures for "public safety" were \$1,645,515 under budget due to lower expenditures for supplies and capital outlay than anticipated.

Town of Ocean City, Maryland
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- The largest variance between the final budget and actual expenditures was for “economic development – tourism,” which were under budget by \$4,167,846, nearly all of which was due to advertising costs that were lower than what was budgeted based on the percentage of room taxes that must be dedicated to advertising by ordinance.

Capital Assets

The Town’s capital assets for its governmental and business-type activities as of June 30, 2023, were a combined \$288,365,283 (net of accumulated depreciation) compared to \$278,144,410 in FY 2022. Capital assets include land, buildings, improvements, streets, infrastructure, and machinery and equipment.

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 pages 65-67 of this report.

Capital Assets, Net of Accumulated Depreciation

	Governmental Activities		Business-Type Activities		Total Primary Government		% Change
	2023	2022	2023	2022	2023	2022	
Land	\$ 26,075,318	\$ 26,075,318	\$ 18,863,087	\$ 18,863,087	\$ 44,938,405	\$ 44,938,405	0.0 %
Construction in progress	6,819,060	3,789,717	25,450,223	20,674,598	32,269,283	24,464,315	31.9
Buildings	34,752,408	36,399,835	68,582,521	70,980,089	103,334,929	107,379,924	-3.8
Machinery and equipment	17,820,977	18,772,990	27,388,977	27,297,939	45,209,954	46,070,929	-1.9
Streets and infrastructure	19,036,533	19,534,188	33,401,320	25,862,272	52,437,853	45,396,460	15.5
Other improvements	7,185,346	6,922,090	2,989,513	2,972,287	10,174,859	9,894,377	2.8
	<u>\$ 111,689,642</u>	<u>\$ 111,494,138</u>	<u>\$ 176,675,641</u>	<u>\$ 166,650,272</u>	<u>\$ 288,365,283</u>	<u>\$ 278,144,410</u>	3.7 %

Debt Administration

In July 2022, the Town issued General Obligation Municipal Purpose and Refunding Bonds of 2022 for \$16,900,000. The proceeds were used to refund the Town’s General Obligation Municipal Purpose and Refunding Bonds of 2012, which will result in a net present value savings of \$781,288.

As of June 30, 2023, the Town had total general obligation bonded debt, backed by the full faith and credit of the Town, outstanding of \$94,570,949, which is net of unamortized bond premiums. The remainder of the Town’s debt is comprised of loans payable to the State of Maryland for \$140,920, and financed purchases totaling \$6,500,143.

The Town paid debt principal of \$26,725,180 in FY 2023, which includes the payoff of the refunded bonds. Outstanding general obligation debt represents 1.03% of the assessed valuation of property in the Town. The debt limit is 5.2% of assessments, leaving a legal debt margin of \$404,510,334.

In October 2021, S&P Global Ratings affirmed its “AA+” rating on the Town’s general obligation debt outstanding, and Fitch Ratings affirmed its “AA” rating on the Town’s outstanding general obligation bonds. In November 2021, Moody’s Investors Service maintained their rating of “Aa2” on the Town’s outstanding general obligation unlimited tax debt. Additional information on the Town’s debt can be found in Note 8 on pages 67-70 of this report.

Economic Factors and Next Year’s Budget and Rates

- For the FY 2024 budget, the Town maintained the same real property tax rate of \$0.4526 per \$100 of assessed value and corporate and personal property tax rates of \$1.13 per \$100 of assessed value.

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Management's Discussion and Analysis*

- Ocean City remains a premier mid-Atlantic resort that is convenient from metropolitan areas. During FY 2023, the Town dedicated 40% of room taxes towards advertising Ocean City as a resort destination. During FY 2024, 42% of room taxes will be committed to this same purpose.
- Service is a primary function of a Town government in a resort community. Non-union employees are budgeted to receive an increment on January 1, 2024, which will be based on a new pay scale, plus an additional wage increase to be determined during FY 2024. Police union employees receive a step increase on July 1, 2023, and a 4% cost-of-living adjustment on January 1, 2024. Firefighters' union employees receive a step increase on July 1, 2023.
- The Town works closely with state and federal emergency agencies and preparedness continues to be a major focus for the Town. All Town departments have written disaster, post-disaster, and continuity of operations plans. The FY 2024 budget invests a cumulative \$600,000 into maintaining the beach and boardwalk.
- To continue to maintain infrastructure, property values, and pedestrian safety, the FY 2024 budget funds \$1,755,000 for street paving and \$1,500,000 for capital maintenance.

All of these factors were considered in preparing the Town's budget for the 2024 fiscal year.

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 Director, Town of Ocean City, PO Box 158, Ocean City, Maryland 21843; or cbireley@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, MARYLAND
STATEMENT OF NET POSITION
JUNE 30, 2023

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Cash and cash equivalents	\$ 37,524,611	\$ 22,015,777	\$ 59,540,388
Restricted cash and cash equivalents	15,559,992	4,316,361	19,876,353
Investments	26,441,392	-	26,441,392
Restricted investments	-	1,653,660	1,653,660
Receivables (net of allowance for uncollectibles)	3,848,817	3,113,187	6,962,004
Interest receivable	498,589	43,101	541,690
Intergovernmental receivable	8,342,614	3,115,309	11,457,923
Internal balances	3,915,661	(3,915,661)	-
Inventories	965,409	1,121,335	2,086,744
Other	-	86,000	86,000
Net OPEB asset	5,895,077	1,618,015	7,513,092
Capital assets, not being depreciated:			
Land	26,075,318	18,863,087	44,938,405
Construction in progress	6,819,060	25,450,223	32,269,283
Capital assets, net of accumulated depreciation:			
Buildings	34,752,408	68,582,521	103,334,929
Machinery and equipment	17,820,977	27,388,977	45,209,954
Streets and infrastructure	19,036,533	33,401,320	52,437,853
Other improvements	7,185,346	2,989,513	10,174,859
Total capital assets	<u>111,689,642</u>	<u>176,675,641</u>	<u>288,365,283</u>
Total assets	<u>214,681,804</u>	<u>209,842,725</u>	<u>424,524,529</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	20,387	14,748	35,135
Deferred outflows related to pensions	16,047,220	2,540,657	18,587,877
Deferred outflows related to OPEB	2,354,727	646,299	3,001,026
Total deferred outflows of resources	<u>18,422,334</u>	<u>3,201,704</u>	<u>21,624,038</u>
LIABILITIES			
Accounts payable and other accrued liabilities	4,473,336	2,368,848	6,842,184
Accrued expenses	5,664,987	820,995	6,485,982
Unearned revenue	2,454,168	522,284	2,976,452
Other	1,464,699	287,574	1,752,273
Long-term liabilities:			
Due within one year:			
Compensated absences	135,145	486,568	621,713
Claims and judgments	953,336	-	953,336
Bonds, notes, and loans payable	5,354,628	4,872,610	10,227,238
Due in more than one year:			
Compensated absences	2,196,932	55,268	2,252,200
Claims payable	3,550,497	-	3,550,497
Bonds, notes, and loans payable	48,622,586	48,013,058	96,635,644
Net pension liability	34,113,270	5,891,243	40,004,513
Total long-term liabilities	<u>94,926,394</u>	<u>59,318,747</u>	<u>154,245,141</u>
Total liabilities	<u>108,983,584</u>	<u>63,318,448</u>	<u>172,302,032</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	152,992	12,178	165,170
Deferred inflows related to OPEB	23,821,332	6,538,212	30,359,544
Total deferred inflows of resources	<u>23,974,324</u>	<u>6,550,390</u>	<u>30,524,714</u>
NET POSITION			
Net investment in capital assets	72,954,505	127,335,450	200,289,955
Restricted for debt service	-	1,853,811	1,853,811
Restricted for OPEB	5,895,077	1,618,015	7,513,092
Unrestricted	21,296,648	12,368,315	33,664,963
Total net position	<u>\$ 100,146,230</u>	<u>\$ 143,175,591</u>	<u>\$ 243,321,821</u>

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

TOWN OF OCEAN CITY, MARYLAND
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 2,053,769	\$ 5,062,158	\$ -	\$ -
Public safety	43,969,174	3,410,131	3,382,200	-
General public works and beach	8,169,009	5,623,375	210	1,136,962
Sanitation and waste removal	7,977,414	168,525	-	-
Highways and streets	9,661,508	1,686,665	-	-
Economic development - tourism	15,610,243	1,630,665	2,496,429	-
Recreation and culture	9,180,176	1,906,798	150,000	265,400
Interest on long-term debt	1,138,001	-	-	-
Total governmental activities	<u>97,759,294</u>	<u>19,488,317</u>	<u>6,028,839</u>	<u>1,402,362</u>
Business-type activities:				
Water	7,769,700	7,620,824	-	147,357
Wastewater	11,476,740	14,576,440	-	253,845
Transportation	8,486,478	3,213,954	2,937,483	1,736,073
Convention Center	7,248,783	2,099,078	4,080,661	-
Airport	1,999,370	1,614,893	32,000	7,979,230
Golf Course	2,874,380	3,150,878	-	12,276
Total business-type activities	<u>39,855,451</u>	<u>32,276,067</u>	<u>7,050,144</u>	<u>10,128,781</u>
Total primary government	<u>\$ 137,614,745</u>	<u>\$ 51,764,384</u>	<u>\$ 13,078,983</u>	<u>\$ 11,531,143</u>

General revenues:

Property taxes

Property tax penalties and interest

Sales and income taxes

State gaming contributions

Grants and contributions not restricted to specific programs

Investment earnings

Other revenue

Transfers

Total general revenues, transfers, and other

Change in net position

Net position, beginning

Net position, ending

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

Net (Expense) Revenues and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ 3,008,389	\$ -	\$ 3,008,389
(37,176,843)	-	(37,176,843)
(1,408,462)	-	(1,408,462)
(7,808,889)	-	(7,808,889)
(7,974,843)	-	(7,974,843)
(11,483,149)	-	(11,483,149)
(6,857,978)	-	(6,857,978)
(1,138,001)	-	(1,138,001)
<u>(70,839,776)</u>	<u>-</u>	<u>(70,839,776)</u>
-	(1,519)	(1,519)
-	3,353,545	3,353,545
-	(598,968)	(598,968)
-	(1,069,044)	(1,069,044)
-	7,626,753	7,626,753
-	288,774	288,774
<u>-</u>	<u>9,599,541</u>	<u>9,599,541</u>
<u>(70,839,776)</u>	<u>9,599,541</u>	<u>(61,240,235)</u>
45,215,385	-	45,215,385
171,348	-	171,348
31,848,594	-	31,848,594
983,282	-	983,282
2,905,584	-	2,905,584
2,893,871	999,179	3,893,050
1,078,921	-	1,078,921
(3,055,072)	3,055,072	-
<u>82,041,913</u>	<u>4,054,251</u>	<u>86,096,164</u>
11,202,137	13,653,792	24,855,929
88,944,093	129,521,799	218,465,892
<u>\$ 100,146,230</u>	<u>\$ 143,175,591</u>	<u>\$ 243,321,821</u>

TOWN OF OCEAN CITY, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

	General Fund	Capital Projects Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 25,225,816	\$ 7,109,241	\$ 32,335,057
Restricted cash and cash equivalents	-	15,559,992	15,559,992
Investments	22,514,680	-	22,514,680
Accounts receivable (net of allowance for uncollectibles)	3,822,028	8,470	3,830,498
Interest receivable	406,926	71,854	478,780
Intergovernmental receivable	7,495,955	846,659	8,342,614
Total assets	<u>\$ 59,465,405</u>	<u>\$ 23,596,216</u>	<u>\$ 83,061,621</u>
LIABILITIES			
Accounts payable	\$ 3,087,652	\$ 1,120,918	\$ 4,208,570
Accrued expenditures	5,049,108	-	5,049,108
Other	1,464,699	-	1,464,699
Unearned revenue	2,454,168	-	2,454,168
Total liabilities	<u>12,055,627</u>	<u>1,120,918</u>	<u>13,176,545</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	596,581	-	596,581
Total deferred inflows of resources	<u>596,581</u>	<u>-</u>	<u>596,581</u>
FUND BALANCES			
Committed:			
Advertising	4,202,070	-	4,202,070
Capital projects	-	8,794,793	8,794,793
Pier franchise	-	263,955	263,955
Other purposes	-	13,416,550	13,416,550
Assigned:			
Subsequent year's budget: appropriation of fund balance	3,219,260	-	3,219,260
Capital reserve	1,575,703	-	1,575,703
Pension costs	2,500,000	-	2,500,000
Salary and benefit increases	1,900,000	-	1,900,000
Other purposes	1,744,705	-	1,744,705
Unassigned	31,671,459	-	31,671,459
Total fund balances	<u>46,813,197</u>	<u>22,475,298</u>	<u>69,288,495</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 59,465,405</u>	<u>\$ 23,596,216</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.	98,060,253
Other long-term assets are not available to pay for current-period expenditures and, therefore, are offset by unavailable revenue in the governmental funds.	596,581
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, (\$3,915,661).	17,687,378
Long-term liabilities, including bonds and notes payable, net pension liabilities, net OPEB liabilities (assets), 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.	(85,486,477)
Net position - governmental activities	<u>\$ 100,146,230</u>

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

TOWN OF OCEAN CITY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	General Fund	Capital Projects Fund	Total Governmental Funds
REVENUES			
Property taxes	\$ 45,303,438	\$ -	\$ 45,303,438
Other taxes	32,831,876	-	32,831,876
Licenses and permits	5,484,819	-	5,484,819
Fines and forfeitures	1,325,477	-	1,325,477
Charges for current services	12,393,843	284,178	12,678,021
Revenue from other agencies	9,049,823	1,136,962	10,186,785
Other revenue	2,966,137	1,029,707	3,995,844
Total revenues	<u>109,355,413</u>	<u>2,450,847</u>	<u>111,806,260</u>
EXPENDITURES			
Current:			
General government	4,597,100	459,644	5,056,744
Public safety	42,345,198	43,779	42,388,977
General public works and beach	6,401,090	115,852	6,516,942
Sanitation and waste removal	7,272,259	23,760	7,296,019
Highways and streets	5,966,272	710,702	6,676,974
Economic development - tourism	15,604,502	35,744	15,640,246
Recreation and culture	8,883,297	144,700	9,027,997
Capital outlay	-	5,557,264	5,557,264
Debt service:			
Principal	4,635,894	-	4,635,894
Interest	1,719,773	-	1,719,773
Bond issuance costs	27,376	-	27,376
Total expenditures	<u>97,452,761</u>	<u>7,091,445</u>	<u>104,544,206</u>
Excess (deficiency) of revenues over expenditures	<u>11,902,652</u>	<u>(4,640,598)</u>	<u>7,262,054</u>
OTHER FINANCING SOURCES (USES)			
Bonds and notes issued	11,366,104	-	11,366,104
Payment to refunded bond escrow agent	(11,180,683)	-	(11,180,683)
Transfers in	46,318	5,343,282	5,389,600
Transfers out	(8,748,354)	(46,318)	(8,794,672)
Total other financing sources (uses)	<u>(8,516,615)</u>	<u>5,296,964</u>	<u>(3,219,651)</u>
Net change in fund balances	3,386,037	656,366	4,042,403
Fund balances, beginning	<u>43,427,160</u>	<u>21,818,932</u>	<u>65,246,092</u>
Fund balances, ending	<u>\$ 46,813,197</u>	<u>\$ 22,475,298</u>	<u>\$ 69,288,495</u>

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

TOWN OF OCEAN CITY, MARYLAND
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, 2023

Net change in fund balances - total governmental funds (page 37) \$ 4,042,403

Amounts reported for governmental activities in the Statement of Activities
(pages 34 and 35) are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of
Activities, the costs of these assets are 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. 1,224,600

Revenues in the Statement of Activities that do not provide current financial resources are not
reported as revenues in the governmental funds. This is the change in unavailable revenue related
to property and income taxes during the current period. 83,295

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to
governmental funds, while the repayment of the principal of long-term debt consumes the current
financial resources of governmental funds. Neither transaction, however, has any effect on net
position. Also, governmental funds report the effect of premiums, discounts, and similar items
when debt is first issued, whereas these amounts are deferred and amortized in the Statement of
Activities. This amount is the net effect of these differences in the treatment of long-term debt and
related items. 4,450,473

Some expenses reported in the Statement of Activities do not require the use of current financial
resources and, therefore, are not reported as expenditures in the governmental funds. 371,306

The internal service funds are used by management to charge the costs of certain activities to
individual funds. The net revenue of certain activities of internal service funds is reported with
governmental activities. 1,030,060

Change in net position - governmental activities (page 35) \$ 11,202,137

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

TOWN OF OCEAN CITY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 45,117,024	\$ 45,117,024	\$ 45,303,438	\$ 186,414
Other taxes	27,040,407	31,640,053	32,831,876	1,191,823
Licenses and permits	4,579,925	5,454,147	5,484,819	30,672
Fines and forfeitures	1,139,500	1,324,977	1,325,477	500
Charges for current services	11,940,333	12,477,780	12,393,843	(83,937)
Revenue from other agencies	9,371,170	9,040,189	9,049,823	9,634
Other revenue	741,650	2,162,043	2,966,137	804,094
Total revenues	<u>99,930,009</u>	<u>107,216,213</u>	<u>109,355,413</u>	<u>2,139,200</u>
EXPENDITURES				
Current:				
General government	4,583,008	4,742,212	4,597,100	145,112
Public safety	42,235,977	43,990,713	42,345,198	1,645,515
General public works and beach	6,635,752	6,942,487	6,401,090	541,397
Sanitation and waste removal	7,241,003	7,601,509	7,272,259	329,250
Highways and streets	6,032,836	6,194,804	5,966,272	228,532
Economic development - tourism	11,414,988	19,772,348	15,604,502	4,167,846
Recreation and culture	9,146,911	9,465,213	8,883,297	581,916
Debt service:				
Principal	4,635,894	4,635,894	4,635,894	-
Interest	1,530,075	1,530,075	1,719,773	(189,698)
Bond issuance costs	-	-	27,376	(27,376)
Total expenditures	<u>93,456,444</u>	<u>104,875,255</u>	<u>97,452,761</u>	<u>7,422,494</u>
Excess of revenues over expenditures	<u>6,473,565</u>	<u>2,340,958</u>	<u>11,902,652</u>	<u>9,561,694</u>
OTHER FINANCING SOURCES (USES)				
Bonds and notes issued	-	-	11,366,104	11,366,104
Payment to refunded bond escrow agent	-	-	(11,180,683)	(11,180,683)
Transfers in	-	-	46,318	46,318
Transfers out	(7,973,565)	(8,690,979)	(8,748,354)	(57,375)
Total other financing sources (uses)	<u>(7,973,565)</u>	<u>(8,690,979)</u>	<u>(8,516,615)</u>	<u>174,364</u>
Net change in fund balances	(1,500,000)	(6,350,021)	3,386,037	9,736,058
Fund balances, beginning	<u>43,427,160</u>	<u>43,427,160</u>	<u>43,427,160</u>	<u>-</u>
Fund balances, ending	<u>\$ 41,927,160</u>	<u>\$ 37,077,139</u>	<u>\$ 46,813,197</u>	<u>\$ 9,736,058</u>

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

TOWN OF OCEAN CITY, MARYLAND
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2023

	Business-Type Activities		
	Water	Wastewater	Transportation
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,538,728	\$ 12,623,150	\$ 2,191,119
Investments	-	-	-
Receivables, net	1,413,252	1,076,323	25,516
Interest receivable	2,170	16,478	-
Intergovernmental receivable	5	14	1,727,221
Inventories	-	939,050	-
Prepaid expenses	-	-	-
Total current assets	<u>3,954,155</u>	<u>14,655,015</u>	<u>3,943,856</u>
Noncurrent assets:			
Restricted cash and cash equivalents	424,149	3,692,061	-
Restricted investments	-	-	-
Net OPEB asset	179,257	936,838	95,604
Capital assets:			
Land	3,871,317	2,636,905	-
Buildings	18,674,452	49,136,394	20,535,684
Other improvements	4,181,727	1,314,357	117,412
Streets and infrastructure	35,133,386	13,473,032	-
Machinery and equipment	5,062,353	56,106,141	9,016,721
Construction in progress	7,566,916	13,913,516	-
Less: accumulated depreciation	<u>(45,123,627)</u>	<u>(78,311,577)</u>	<u>(5,248,111)</u>
Total noncurrent assets	<u>29,969,930</u>	<u>62,897,667</u>	<u>24,517,310</u>
Total assets	<u>33,924,085</u>	<u>77,552,682</u>	<u>28,461,166</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	1,873	12,875	-
Deferred outflows related to pensions	612,676	589,905	143,946
Deferred outflows related to OPEB	71,602	374,210	38,188
Total deferred outflows of resources	<u>686,151</u>	<u>976,990</u>	<u>182,134</u>
LIABILITIES			
Current liabilities:			
Accounts payable	630,378	715,890	16,382
Accrued expenses	132,378	240,668	147,043
Compensated absences	83,276	180,505	43,393
Unearned revenue	-	-	-
Claims and judgments	-	-	-
Other	258,574	29,000	-
Current portion of long-term debt	701,657	2,479,653	-
Total current liabilities	<u>1,806,263</u>	<u>3,645,716</u>	<u>206,818</u>
Noncurrent liabilities:			
Compensated absences	-	1,631	7,786
Claims and judgments	-	-	-
Bonds, notes, and loans payable	10,496,977	24,915,415	-
Net pension liability	1,420,666	1,367,862	333,780
Total noncurrent liabilities	<u>11,917,643</u>	<u>26,284,908</u>	<u>341,566</u>
Total liabilities	<u>13,723,906</u>	<u>29,930,624</u>	<u>548,384</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	2,937	2,827	690
Deferred inflows related to OPEB	724,356	3,785,656	386,324
Total deferred inflows of resources	<u>727,293</u>	<u>3,788,483</u>	<u>387,014</u>
NET POSITION			
Net investment in capital assets	18,575,614	34,313,255	24,421,707
Restricted for debt service	-	-	-
Restricted for OPEB	179,257	936,838	95,604
Unrestricted	1,404,166	9,560,472	3,190,591
Total net position	<u>\$ 20,159,037</u>	<u>\$ 44,810,565</u>	<u>\$ 27,707,902</u>

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
Net position of business-type activities

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

Business-Type Activities			Governmental
Convention Center	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ 2,634,120	\$ 2,028,660	\$ 22,015,777	\$ 5,189,554
-	-	-	3,926,712
427,572	170,524	3,113,187	18,319
24,453	-	43,101	19,809
584,415	803,654	3,115,309	-
-	182,285	1,121,335	965,409
82,500	3,500	86,000	-
<u>3,753,060</u>	<u>3,188,623</u>	<u>29,494,709</u>	<u>10,119,803</u>
200,151	-	4,316,361	-
1,653,660	-	1,653,660	-
286,811	119,505	1,618,015	286,811
7,456,616	4,898,249	18,863,087	-
57,128,920	5,300,376	150,775,826	1,447,083
190,728	678,990	6,483,214	-
-	19,621,753	68,228,171	-
1,683,558	1,108,247	72,977,020	48,806,217
-	3,969,791	25,450,223	-
(23,882,880)	(13,535,705)	(166,101,900)	(36,623,911)
<u>44,717,564</u>	<u>22,161,206</u>	<u>184,263,677</u>	<u>13,916,200</u>
<u>48,470,624</u>	<u>25,349,829</u>	<u>213,758,386</u>	<u>24,036,003</u>
-	-	14,748	-
888,572	305,558	2,540,657	526,462
114,564	47,735	646,299	114,563
<u>1,003,136</u>	<u>353,293</u>	<u>3,201,704</u>	<u>641,025</u>
570,861	435,337	2,368,848	264,558
263,448	37,458	820,995	65,033
133,319	46,075	486,568	135,145
296,774	225,510	522,284	-
-	-	-	953,336
-	-	287,574	-
1,612,487	78,813	4,872,610	860,922
<u>2,876,889</u>	<u>823,193</u>	<u>9,358,879</u>	<u>2,278,994</u>
30,606	15,245	55,268	-
-	-	-	3,550,497
12,580,567	20,099	48,013,058	2,693,572
2,060,410	708,525	5,891,243	1,220,754
<u>14,671,583</u>	<u>743,869</u>	<u>53,959,569</u>	<u>7,464,823</u>
<u>17,548,472</u>	<u>1,567,062</u>	<u>63,318,448</u>	<u>9,743,817</u>
4,259	1,465	12,178	2,523
1,158,971	482,905	6,538,212	1,158,971
<u>1,163,230</u>	<u>484,370</u>	<u>6,550,390</u>	<u>1,161,494</u>
28,104,539	21,920,335	127,335,450	10,074,895
1,853,811	-	1,853,811	-
286,811	119,505	1,618,015	286,811
516,897	1,611,850	16,283,976	3,410,011
<u>\$ 30,762,058</u>	<u>\$ 23,651,690</u>	<u>147,091,252</u>	<u>\$ 13,771,717</u>
		(3,915,661)	
		<u>\$ 143,175,591</u>	

TOWN OF OCEAN CITY, MARYLAND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Business-Type Activities	
	Water	Wastewater
OPERATING REVENUES		
Charges for sales and services	\$ 7,595,581	\$ 14,576,186
Miscellaneous	25,243	254
Total operating revenues	<u>7,620,824</u>	<u>14,576,440</u>
OPERATING EXPENSES		
Personal services	2,036,786	3,158,560
Contractual services	247,337	563,719
Utilities	433,883	531,819
Repairs and maintenance	1,458,116	698,231
Other supplies and expenses	1,517,076	1,217,355
Internal services	985,319	1,287,665
Insurance claims and expenses	-	-
Depreciation	901,537	3,477,504
Total operating expenses	<u>7,580,054</u>	<u>10,934,853</u>
Operating income (loss)	40,770	3,641,587
NONOPERATING REVENUES (EXPENSES)		
Interest and investment revenue	190,466	582,455
Operating grants	-	-
Interest expense	(210,740)	(553,187)
Bond issuance costs	(367)	(12,962)
Gain (loss) on disposal of assets	-	398
Total nonoperating revenues (expenses)	<u>(20,641)</u>	<u>16,704</u>
Income (loss) before capital contributions and transfers	20,129	3,658,291
Capital contributions	147,357	253,845
Transfers in	-	-
Change in net position	167,486	3,912,136
Net position, beginning	<u>19,991,551</u>	<u>40,898,429</u>
Net position, ending	<u>\$ 20,159,037</u>	<u>\$ 44,810,565</u>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds
Change in net position of business-type activities (page 35)

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

Transportation	Business-Type Activities			Governmental
	Convention Center	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ 3,192,211	\$ 2,098,306	\$ 4,534,392	\$ 31,996,676	\$ 15,133,575
21,743	772	231,379	279,391	4,007
<u>3,213,954</u>	<u>2,099,078</u>	<u>4,765,771</u>	<u>32,276,067</u>	<u>15,137,582</u>
3,322,919	3,292,214	1,698,376	13,508,855	2,571,572
126,657	218,535	590,263	1,746,511	2,216,085
115,648	613,246	91,255	1,785,851	129,483
2,036,831	584,560	233,418	5,011,156	893,665
44,301	229,395	1,265,132	4,273,259	3,265,619
832,382	440,558	335,036	3,880,960	1,181,540
-	-	-	-	1,701,778
1,222,502	1,458,837	653,571	7,713,951	3,531,635
<u>7,701,240</u>	<u>6,837,345</u>	<u>4,867,051</u>	<u>37,920,543</u>	<u>15,491,377</u>
(4,487,286)	(4,738,267)	(101,280)	(5,644,476)	(353,795)
31,125	138,367	56,766	999,179	126,948
2,937,483	4,080,661	32,000	7,050,144	-
-	(411,215)	(4,189)	(1,179,331)	(71,610)
-	-	-	(13,329)	-
3,511	-	(2,510)	1,399	234,870
<u>2,972,119</u>	<u>3,807,813</u>	<u>82,067</u>	<u>6,858,062</u>	<u>290,208</u>
(1,515,167)	(930,454)	(19,213)	1,213,586	(63,587)
1,736,073	-	7,991,506	10,128,781	-
<u>725,086</u>	<u>1,951,156</u>	<u>378,830</u>	<u>3,055,072</u>	<u>350,000</u>
945,992	1,020,702	8,351,123	14,397,439	286,413
<u>26,761,910</u>	<u>29,741,356</u>	<u>15,300,567</u>		<u>13,485,304</u>
<u>\$ 27,707,902</u>	<u>\$ 30,762,058</u>	<u>\$ 23,651,690</u>		<u>\$ 13,771,717</u>
			(743,647)	
			<u>\$ 13,653,792</u>	

TOWN OF OCEAN CITY, MARYLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Business-Type Activities	
	Water	Wastewater
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	\$ 7,599,183	\$ 14,645,507
Payments to suppliers	(3,693,322)	(3,304,981)
Payments to employees	(2,189,965)	(3,877,301)
Payments for interfund services used	(985,319)	(1,287,665)
Net cash provided (used) by operating activities	<u>730,577</u>	<u>6,175,560</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Subsidies from county, state, and federal grants	-	-
Transfers from other funds	-	-
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from capital grants	-	-
Capital contributions	147,357	253,845
Acquisition and construction of capital assets	(3,899,277)	(4,234,527)
Proceeds from bond issuance	152,375	5,381,521
Bond issuance costs	(367)	(12,962)
Principal paid on capital debt	(859,092)	(7,638,947)
Interest paid on capital debt	(378,591)	(973,857)
Financed purchase payments	-	-
Proceeds from sales of capital assets	-	398
Net cash used by capital and related financing activities	<u>(4,837,595)</u>	<u>(7,224,529)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	-	-
Purchases of investments	-	-
Sales of investments	-	-
Interest and dividends received	191,674	570,439
Net cash provided (used) by investing activities	<u>191,674</u>	<u>570,439</u>
Net increase (decrease) in cash and cash equivalents	(3,915,344)	(478,530)
Cash and cash equivalents, beginning of the fiscal year	<u>6,878,221</u>	<u>16,793,741</u>
Cash and cash equivalents, end of the fiscal year	<u>\$ 2,962,877</u>	<u>\$ 16,315,211</u>

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

(Continued)

Business-Type Activities				Governmental
Transportation	Convention Center	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ 3,233,115	\$ 2,084,018	\$ 4,704,343	\$ 32,266,166	\$ 15,139,975
(2,656,160)	(1,615,645)	(2,300,677)	(13,570,785)	(8,058,872)
(3,423,326)	(3,447,632)	(1,684,109)	(14,622,333)	(2,776,951)
(832,382)	(440,558)	(335,036)	(3,880,960)	(1,181,540)
<u>(3,678,753)</u>	<u>(3,419,817)</u>	<u>384,521</u>	<u>192,088</u>	<u>3,122,612</u>
3,917,061	4,032,914	32,000	7,981,975	-
725,086	1,951,156	378,830	3,055,072	350,000
<u>4,642,147</u>	<u>5,984,070</u>	<u>410,830</u>	<u>11,037,047</u>	<u>350,000</u>
659,919	-	-	659,919	-
-	-	7,525,116	7,926,318	-
(1,137,976)	(818,960)	(8,375,355)	(18,466,095)	(2,539,391)
-	-	-	5,533,896	-
-	-	-	(13,329)	-
-	(1,498,265)	(76,339)	(10,072,643)	-
-	(564,225)	(4,698)	(1,921,371)	(79,677)
-	(44,152)	-	(44,152)	(791,808)
3,511	-	-	3,909	234,870
<u>(474,546)</u>	<u>(2,925,602)</u>	<u>(931,276)</u>	<u>(16,393,548)</u>	<u>(3,176,006)</u>
-	2,289,749	-	2,289,749	-
-	(1,835,583)	-	(1,835,583)	(4,571,438)
-	-	-	-	4,244,591
31,125	128,668	56,766	978,672	91,442
<u>31,125</u>	<u>582,834</u>	<u>56,766</u>	<u>1,432,838</u>	<u>(235,405)</u>
519,973	221,485	(79,159)	(3,731,575)	61,201
1,671,146	2,612,786	2,107,819	30,063,713	5,128,353
<u>\$ 2,191,119</u>	<u>\$ 2,834,271</u>	<u>\$ 2,028,660</u>	<u>\$ 26,332,138</u>	<u>\$ 5,189,554</u>

TOWN OF OCEAN CITY, MARYLAND
STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Business-Type Activities	
	Water	Wastewater
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 40,770	\$ 3,641,587
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	901,537	3,477,504
EFFECT OF CHANGES IN OPERATING ASSETS AND LIABILITIES:		
Accounts receivable	1,797	64,571
Due from other governmental agencies	(5)	(4)
Inventories	-	(62,934)
Prepaid expenses	-	-
Deferred outflows related to pensions	279,350	353,938
Deferred outflows related to OPEB	97,356	323,680
Compensated absences	10,579	(1,697)
Customer deposits	(23,433)	4,500
Accounts payable	(36,910)	(230,923)
Accrued expenses	(2,897)	(8,717)
Unearned revenue	-	-
Claims liability	-	-
Net pension liability	(110,897)	(252,669)
Net OPEB liability	29,134	(76,070)
Deferred inflows related to pensions	(10,456)	(11,344)
Deferred inflows related to OPEB	(445,348)	(1,045,862)
 Total adjustments	 689,807	 2,533,973
 Net cash provided (used) by operating activities	 \$ 730,577	 \$ 6,175,560
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:		
Increase in fair value of investments	\$ -	\$ -
Gain (loss) on disposal of assets	-	398

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

Transportation	Business-Type Activities			Governmental
	Convention Center	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ (4,487,286)	\$ (4,738,267)	\$ (101,280)	\$ (5,644,476)	\$ (353,795)
1,222,502	1,458,837	653,571	7,713,951	3,531,635
19,161	(5,273)	(55,660)	24,596	2,393
-	-	3,617	3,608	-
-	-	(27,783)	(90,717)	(233,586)
-	(17,500)	-	(17,500)	18,555
84,313	290,062	87,040	1,094,703	247,275
42,268	150,942	40,767	655,013	118,761
(2,816)	15,296	(4,263)	17,099	13,126
-	-	-	(18,933)	-
(332,723)	47,591	(92,826)	(645,791)	(75,181)
3,741	3,440	844	(3,589)	(12,366)
-	(9,787)	(9,385)	(19,172)	-
-	-	-	-	437,970
(58,128)	36,755	34,454	(350,485)	(107,713)
3,630	40,660	(10,348)	(12,994)	968
(2,737)	(13,437)	(4,430)	(42,404)	(9,094)
(170,678)	(679,136)	(129,797)	(2,470,821)	(456,336)
808,533	1,318,450	485,801	5,836,564	3,476,407
\$ (3,678,753)	\$ (3,419,817)	\$ 384,521	\$ 192,088	\$ 3,122,612
\$ -	\$ 12,366	\$ -	\$ 12,366	\$ 33,916
3,511	-	(2,510)	1,399	-

TOWN OF OCEAN CITY, MARYLAND
STATEMENT OF FIDUCIARY NET POSITION
BENEFIT TRUST FUNDS
JUNE 30, 2023

ASSETS

Cash and cash equivalents	\$ 8,730,468
Interest and dividends receivable	260,280
Investments, at fair value:	
Domestic equities	59,996,081
Domestic fixed income	54,835,437
International equities	44,611,730
Alternative investments	11,278,490
Total assets	179,712,486

LIABILITIES

Accounts payable	33,732
Total liabilities	33,732

NET POSITION

Net position restricted for pensions	140,554,545
Net position restricted for OPEB	39,124,209
Total net position - benefit trust funds	\$ 179,678,754

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

TOWN OF OCEAN CITY, MARYLAND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
BENEFIT TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

ADDITIONS

Contributions:	
Employer	\$ 8,020,005
Plan members	1,775,987
Total contributions	<u>9,795,992</u>
Investment earnings:	
Net change in fair value of investments	12,149,897
Interest	1,224,584
Dividends	3,128,028
Total investment income	<u>16,502,509</u>
Less: investment expense	<u>(853,888)</u>
Net investment income	<u>15,648,621</u>
Total additions	<u>25,444,613</u>

DEDUCTIONS

Benefits and refunds paid	11,120,189
Administrative expenses	104,513
Total deductions	<u>11,224,702</u>
Change in net position	14,219,911
Net position, beginning	<u>165,458,843</u>
Net position, ending	<u>\$ 179,678,754</u>

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

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2023

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 Town’s significant 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 non-fiduciary 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 “State”). 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, Maryland (the “County”).

For financial reporting purposes, in conformance with GAAP, 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, the Employees Pension Plan and Trust (EPP), 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 to approve the actuarial assumptions used in the 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). The 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 the determination of contribution levels.

Ocean City, Maryland Other Post-Employment Benefits Trust. The Town provides a defined benefit health care 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 to approve the actuarial assumptions used in the determination of contribution levels.

The Town provides an Internal Revenue Code Section 457(b) deferred compensation plan, which is a voluntary tax-deferred plan available to all Town employees. The Town contributes a 25% match on employee contributions, with a maximum match (\$500 or \$200) for each employee based on class (public safety employee versus general employee) and hire date (before or on/after January 1, 2011). The plan is administered by Nationwide.

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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 Nationwide.

There are no organizations for which the Town is financially accountable or organizations which 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 service 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, Wastewater, Transportation, 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 the 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, general government, etc. These activities are financed primarily by property taxes, other taxes, service charges, and grants from other governmental units. The Town utilizes the Capital Projects Fund to account for all financial resources that are restricted, committed, or assigned to expenditures 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. 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 Transportation Fund accounts for the operations of the Town's bus system and boardwalk trams; and the Convention Center Fund accounts for the activities of the Roland E. Powell Convention Center. The Town has two nonmajor 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 workers' compensation, vehicle, and general claims.

The Town has three fiduciary funds: the General Employees Pension Fund accounts for activities of the EPP; the Public Safety Employees Pension Fund accounts for activities of the PSEPP, and the Other Post-Employment Benefits (OPEB) Trust Fund accounts for activities of the OPEB 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.

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During the course of operations, the Town has activity between funds for various purposes. Any residual balances outstanding at fiscal year-end are reported as “due from/to other funds” and “advances from/to 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 governmental 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 of accounting. Measurement focus determines the type of resources measured such as current financial resources or economic resources. The basis of accounting determines 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.

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 fiscal 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 financed purchases are reported as other financing sources.

Those revenues susceptible to accrual include 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 been incurred, all eligibility requirements have been met, and the amount is received within 60 days of fiscal year-end.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and 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.

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F. Budgetary basis of accounting

The Town adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- 1) On or before January 15 of each year, all Town departments submit requests for appropriations to the City Manager. The budget is prepared by fund, function, and activity, and includes information for the past fiscal year, current fiscal 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 the 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 fiscal year-end, encumbrances for goods and services expected to be received in the next fiscal year are re-appropriated and become part of the next fiscal 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 Director 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 a two-thirds vote of the City Council after holding public hearings.
- 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 ended June 30, 2023, 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 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 full faith and credit of the United States of America are pledged, or in obligations of federal government agencies issued pursuant to acts of Congress, or in the Maryland Local Government Investment Pool (MLGIP) created by the State and subject to regulatory oversight by 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, 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.

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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, which 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 consist of spare parts, fuel, and merchandise for resale to the public. Inventories held for resale are valued at the lower of average cost or market, adjusted for obsolescence, using the first-in/first-out method. Inventories of materials and supplies are valued at cost using the first-in/first-out method. 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. The cost of such inventories is recorded as an expenditure/expense when consumed, not when purchased.

Prepaid items are 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 an expenditure/expense when consumed, not when purchased.

3) Restricted assets

Food tax receipts collected by the County and granted to the Town for the sole purpose of paying debt service on bonds issued to renovate the Convention Center are invested in the MLGIP and in fixed-income securities and are recorded in the Convention Center Fund.

Unspent bond proceeds, whose intent is to finance municipal projects and not to fund current operations, are invested in the MLGIP and are recorded in the Capital Projects Fund, Water Fund, and Wastewater Fund as “restricted cash and cash equivalents” based on estimated project allocations.

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. For the initial capitalization of general infrastructure, assets were valued at historical cost (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 acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date, on the date donated. The costs of normal maintenance and repairs that do not add to the value of an asset or extend an asset’s life are not capitalized.

Expenditures for major assets and improvements are capitalized as projects are constructed. 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

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5) Deferred outflows/inflows of resources

The Statement of Net Position reports a separate section for deferred outflows of resources representing a consumption of net assets that applies to a future period and is not recognized as an outflow of resources in the current period. The Town has three 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. Certain changes in pension and OPEB liabilities arising from the differences between expected and actual experience, changes of assumptions of future economic and demographic factors, and the difference between projected and actual earnings on plan investments are recognized as deferred outflows of resources. These amounts are amortized and included in pension or OPEB expenses.

The Statement of Net Position reports a separate section for deferred inflows of resources representing an acquisition of net assets that applies to a future period and is not recognized as an inflow of resources in the current period. The Town has three items that qualify for reporting in this category. One item, “unavailable revenue,” occurs under a modified accrual basis of accounting and is reported in the governmental funds Balance Sheet. The governmental funds report unavailable revenue from property and income taxes which are expected to be received during fiscal year 2024. These unavailable revenues are deferred and recognized as an inflow of revenue in the period that the amounts become available. Certain changes in pension and OPEB liabilities arising from the differences between expected and actual experience, changes of assumptions of future economic and demographic factors, and the difference between projected and actual earnings on plan investments are recognized as deferred inflows of resources. These amounts are amortized and included in pension or OPEB expenses.

6) Long-term obligations

In the government-wide financial statements and business-type activities fund financial statements, long-term debt, net pension liabilities, net OPEB liabilities (assets), and other long-term obligations are reported as liabilities in the applicable statements of net position.

Bond premiums and discounts are amortized over the lives of the related 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 debt issued is reported as an other financing source. Issuance costs are reported as expenditures in the period they are incurred.

The measurement of net pension and OPEB liabilities (assets), deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expenses; information about the fiduciary net position of the Town’s two employee pension plans (EPP and PSEPP) and OPEB plan; 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.

Town of Ocean City, Maryland
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7) Net position, fund balance policies, and fund balance flow assumptions

The government-wide financial statements and business-type activities fund financial statements utilize a net position presentation. The components of net position are categorized as net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets – This category of net position includes all capital assets, including infrastructure, net of accumulated depreciation and reduced by the outstanding balances of any borrowings (excluding unspent borrowings) that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted – This category presents net position with external restrictions imposed by creditors, grantors, or laws and regulations of other governments.
- Unrestricted – This category presents net position of the Town that is not restricted for any purpose.

In the fund financial statements, governmental funds report fund balance using classifications that comprise a hierarchy based on the extent to which there are constraints imposed on these balances. Fund balances are classified as nonspendable, restricted, committed, assigned, and unassigned.

- Nonspendable – Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- Restricted – Amounts that have imposed limitations set by enabling legislation or are restricted by external creditors, grantors, contributors, or other governments for a specific purpose.
- Committed – Amounts that have imposed limitations pursuant to (and removable by) an ordinance approved by a majority vote of the City Council.
- Assigned – Amounts that reflect tentative plans by the City Council or City Manager, per Title VII of the Town Charter, which may be subject to change.
- Unassigned – Amounts in excess of nonspendable, restricted, committed, and assigned fund balances.

It is the Town's policy to consider restricted fund balances to have been depleted before using any of the components of unrestricted fund balance. When the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

H. Revenues and expenditures/expenses

1) 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.

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2) Property taxes

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

	<u>Real</u>	<u>Personal and Corporate</u>
Assessment roll validated:	December 31	January 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:	July 1	On State notification
Property taxes payable:		
Delinquent	October 1	After 30 days
Owner-occupied (semi- annual installments)	October 1 and January 1	
Terms	60 days	60 days
Delinquent interest (per annum)	12%	18%

Information presented is for a "full year" levy. "Half year" levy dates are each six months later, and relate to new construction in the last 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. The County bills and collects real property taxes for the Town and remits cash collections to the Town weekly in July and August, and monthly from September to June. Receivables are shown net of allowances for uncollectible accounts, which are maintained on all types of receivables that historically experience bad debt. 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 financial statements and business-type activities fund financial 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 or more of service, 25 days. Certain other types of paid time-off, such as personal 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 leave is recorded in governmental funds only if they have matured as the result of retirement or resignation, if applicable.

No liability is recorded for non-vested accumulated rights to receive sick pay benefits. As the Town does not pay these amounts when employees separate from service, no monetary obligation exists.

4) Proprietary funds operating and nonoperating revenues and expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and delivering goods in connection with the fund's principal ongoing operations such as charges to customers for sales and services and expenses such as salaries, product costs, administrative expenses, and depreciation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Town of Ocean City, Maryland
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Note 2: Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund Balance Sheet and the government-wide Statement of Net Position

The governmental fund Balance Sheet includes a reconciliation between “fund balances – total governmental funds” and “net position – governmental activities” as reported in the government-wide Statement of Net Position. One component of that reconciliation on page 36 explains that “Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.” The details of this difference are as follows:

Land	\$ 26,075,318
Construction in progress	6,819,060
Buildings	62,235,181
Less: accumulated depreciation - buildings	(27,508,268)
Machinery and equipment	10,976,621
Less: accumulated depreciation - machinery and equipment	(6,759,538)
Streets and infrastructure	57,960,947
Less: accumulated depreciation - streets and infrastructure	(38,924,414)
Other improvements	24,701,816
Less: accumulated depreciation - other improvements	(17,516,470)
Net adjustment to increase fund balances - total governmental funds	
to arrive at net position - governmental activities	\$ 98,060,253

The reconciliation also explains that “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.” The details of this difference are as follows:

Net position of the internal service funds	\$ 13,771,717
Add: internal receivable representing costs in excess of charges to business-type activities - prior years	3,172,014
Add: internal receivable representing costs in excess of charges to business-type activities - current year	743,647
Net adjustment to increase fund balances - total governmental funds	
to arrive at net position - governmental activities	\$ 17,687,378

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The final component of the reconciliation explains that “Long-term liabilities, including bonds and notes payable, net pension liabilities, net OPEB liabilities (assets), 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.” The details of this difference are as follows:

Bonds payable	\$ 43,217,291
Less: deferred charge on refunding (to be amortized as interest expense)	(20,387)
Add: issuance premium (to be amortized over life of debt)	2,524,334
Intergovernmental loans	140,920
Financed purchases	4,540,175
Accrued interest payable	551,054
Accrued obligation for compensated absences (not due within one year)	2,196,932
Net pension liability	32,892,516
Less: deferred outflows of resources - difference between expected and actual experience	(2,452,875)
Less: deferred outflows of resources - changes of pension plan assumptions and benefits	(4,671,984)
Less: deferred outflows of resources - difference between projected and actual earnings on pension plan investments	(8,395,899)
Add: deferred inflows of resources - difference between expected and actual experience	150,469
Net OPEB liability (asset)	(5,608,266)
Less: deferred outflows of resources - difference between expected and actual experience	(1,179)
Less: deferred outflows of resources - difference between projected and actual earnings on OPEB plan investments	(2,238,985)
Add: deferred inflows of resources - difference between expected and actual experience	20,093,250
Add: deferred inflows of resources - changes of OPEB plan assumptions and benefits	2,569,111
Net adjustment to decrease fund balances - total governmental funds	\$ 85,486,477
to arrive at net position - governmental activities	\$ 85,486,477

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 Revenues, Expenditures, and Changes in Fund Balances includes a reconciliation between “net change in fund balances – total governmental funds” and “change in net position – governmental activities” as reported in the government-wide Statement of Activities. One component of that reconciliation on page 38 explains that “Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of these assets are allocated over their estimated useful lives and reported as depreciation expense.” The details for the amount by which capital outlays exceeded depreciation expense in the current period are as follows:

Capital outlay	\$ 6,613,632
Depreciation expense	(5,389,032)
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net position - governmental activities	\$ 1,224,600

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Another component of the reconciliation explains that “The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.” The details of this difference in the treatment of long-term debt and related items are as follows:

Principal repayments:	
General obligation debt	\$ 4,635,894
Payment to escrow agent for refunding	11,180,683
Debt issued or incurred:	
General obligation refunding bonds	<u>(11,366,104)</u>
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net position - governmental activities	<u>\$ 4,450,473</u>

Also, the reconciliation explains that “Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.” The details of this difference are as follows:

Accrued interest on debt	\$ 153,888
Amortization of bond premiums	537,934
Amortization of deferred charge on refunding	(11,064)
Change in accrued obligation for compensated absences (not due within one year)	(134,226)
Change in net pension liability	1,556,363
Amortization of effect of difference between projected and actual earnings on pension plan investments	(6,015,689)
Amortization of changes in pension plan assumptions and benefits	1,400,933
Amortization of pension plan difference between expected and actual experience	1,131,781
Change in net OPEB liability (asset)	1,251,556
Amortization of effect of difference between projected and actual earnings on OPEB plan investments	(1,291,864)
Amortization of OPEB plan difference between expected and actual experience	1,532,398
Amortization of changes in OPEB plan assumptions and benefits	<u>259,296</u>
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net position - governmental activities	<u>\$ 371,306</u>

Another component of the reconciliation explains that “The internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.” The details of this difference are as follows:

Change in net position of the internal service funds	\$ 286,413
Plus: loss from charges to business-type activities	<u>743,647</u>
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net position - governmental activities	<u>\$ 1,030,060</u>

Town of Ocean City, Maryland
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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 a reconciliation between “net position – total enterprise funds” and “net position – business-type activities” as reported in the government-wide Statement of Net Position. The description of the sole component of that reconciliation on page 40 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 this difference are as follows:

Internal payable representing costs in excess of charges to business-type activities - prior years	\$ (3,172,014)
Internal payable representing costs in excess of charges to business-type activities - current year	<u>(743,647)</u>
Net adjustment to decrease net position - total enterprise funds to arrive at net position - business-type activities	<u><u>\$ (3,915,661)</u></u>

Note 3: Stewardship, compliance, and accountability

For the fiscal year ended June 30, 2023, the Council approved two budget amendments to recognize additional revenue of \$7,286,204 and to increase the amount of appropriated prior year fund balance by \$4,850,021 (from \$1,500,000 to \$6,350,021) in order to increase appropriations by \$12,136,225.

Note 4: Deposits and investments

A. Cash on hand

At fiscal year-end, cash on hand for petty cash and change funds was \$29,155.

B. Deposits

At fiscal year-end, the carrying amount of the Town's deposits was \$7,143,221 and the bank balance was \$8,141,172. The deposits of the Town were not exposed to custodial credit risk as of June 30, 2023.

C. Investments and fair value measurements

As of June 30, 2023, the Town's investment balances by type and maturity were as follows:

Investment Type	Fair Value	Investment Maturities (in Years)			Interest Rate
		Less than 1	1 - 5	6 - 10	
Certificates of deposit	\$ 4,724,085	\$ 4,724,085	\$ -	\$ -	4.09 %
State investment pool	67,230,278	67,230,278	-	-	4.95
U.S. government money market	7,409,478	7,409,478	-	-	0.66
Money market mutual fund	6,335,075	6,335,075	-	-	0.01
U.S. Treasuries	44,502,651	26,874,513	12,669,628	4,958,510	3.67
U.S. agencies	6,315,388	2,079,944	-	4,235,444	4.20
Domestic equities	59,996,081	59,996,081	-	-	-
Domestic fixed income	27,388,367	10,224,883	10,391,945	6,771,539	3.30
International equities	44,611,730	44,611,730	-	-	-
Alternative investments	11,278,490	-	11,278,490	-	-
Totals	<u><u>\$ 279,791,623</u></u>	<u><u>\$ 229,486,067</u></u>	<u><u>\$ 34,340,063</u></u>	<u><u>\$ 15,965,493</u></u>	

Town of Ocean City, Maryland
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Reconciliation of cash and investments as shown on the Statement of Net Position:

Cash on hand	\$ 29,155
Carrying amount of deposits	7,143,221
Carrying amount (fair value) of investments	<u>279,791,623</u>
Total cash and investments	286,963,999
Less: amounts in fiduciary funds	<u>(179,452,206)</u>
Total cash and investments per Statement of Net Position	<u><u>\$ 107,511,793</u></u>
Cash and cash equivalents	\$ 59,540,388
Restricted cash and cash equivalents	19,876,353
Investments	26,441,392
Restricted investments	<u>1,653,660</u>
Total cash and investments per Statement of Net Position	<u><u>\$ 107,511,793</u></u>

Investment rate risk. Fair value fluctuates with interest rates, and increasing interest rates could cause fair value to decline below original cost. To limit the Town's exposure to fair value losses arising from increasing interest rates, the Town's investment policy limits the term of investment maturities except for funds in the Risk Management Fund and fiduciary funds, for which longer term maturities are allowed to match the cash flow of liabilities. For other Town funds, the policy requires that 70% of investments mature in less than one year and permits 30% to be invested from one to five years. Town management believes the liquidity in the portfolio is adequate to meet cash flow requirements and to preclude the Town from having to sell investments below original cost for that purpose. The investments as of June 30, 2023, met the Town's investment policy as of that date.

Investment income included the following for the fiscal year ended June 30, 2023:

Net interest and dividends	\$ 7,955,442
Net increase (decrease) in fair value of investments	<u>12,440,117</u>
Total investment gain (loss)	20,395,559
Less: investment gain (add investment loss) in fiduciary funds	<u>(16,502,509)</u>
Total net investment income per Statement of Activities	<u><u>\$ 3,893,050</u></u>

Credit risk. The Town's 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 MLGIP, which is under the administration of the State Treasurer. The MLGIP was established in 1982 under Article 95 Section 22G of the Code 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 unrated. As of June 30, 2023, \$11,676,666 of fiduciary fund investments were rated "BBB" and \$9,173,341 were unrated, with 26.7% of total fiduciary fund fixed-income securities below single "A" quality.

Town of Ocean City, Maryland
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Fixed-income investments as of June 30, 2023, are listed below using the Standard and Poor's rating scale:

Investment Type	Credit Rating	Domestic Amount	International Amount	Total
U.S. Treasuries	AA	\$ 44,502,651	\$ -	\$ 44,502,651
U.S. agencies	AA	6,315,388	-	6,315,388
Corporate and international bonds	AA	697,162	-	697,162
	A	5,841,198	-	5,841,198
	BBB	11,676,666	-	11,676,666
Bond mutual funds	Unrated	9,173,341	-	9,173,341
Totals		<u>\$ 78,206,406</u>	<u>\$ -</u>	<u>\$ 78,206,406</u>

Custodial credit risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover all or a portion of the value of its investments or collateral securities that are in the possession of an outside party. The Town's policy to control custodial risk on investments requires collateralization at 102%. As of June 30, 2023, all of the Town's investments were insured or registered, and the securities were held by the Town or its agent in the Town's name or were invested in the MLGIP.

Fair value measurements. The Town uses the fair value hierarchy established by GAAP to measure the fair value of its assets. The hierarchy is based on the valuation inputs used to measure the fair value of the assets and gives the highest priority to unadjusted, quoted market prices in active markets for identical assets (Level 1 measurements) and gives the lowest priority to unobservable inputs (Level 3 measurements). The levels of the fair value hierarchy are as follows: Level 1 inputs are quoted market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs, such as quoted market prices for similar assets or identical assets in less active markets; and Level 3 inputs are significant unobservable inputs, such as pricing models.

The Town has the following recurring fair value measurements as of June 30, 2023:

- Amounts invested in certificates of deposit of \$4,724,085 are valued using quoted market prices (Level 1 inputs)
- Amounts invested in money market funds of \$7,409,478 are valued using quoted market prices (Level 1 inputs)
- Amounts invested in fixed income investments of \$78,206,406 and alternative investments of \$11,278,490 are comprised of securities priced by industry standard vendors, using significant observable inputs such as benchmark yields, reported trades, and broker/dealer quotes (Level 2 inputs), which are then allocated to position holders on a per unit basis
- Amounts invested in domestic and international equities of \$104,607,811 are comprised of securities valued using quoted market prices (Level 1 inputs)

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 pension trust and OPEB trust funds permits up to 40% of total investments to be in foreign currency denominated equities, fixed-income, and natural resource investments. The Town's exposure to foreign currency denominated investments related to these trust funds was 22.9% at fiscal year-end, or \$41,084,838.

Town of Ocean City, Maryland
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The foreign currency risk as of June 30, 2023, is presented in the following table:

Currency	U.S. Dollars
Euro	\$ 11,991,781
Hong Kong Dollar	4,635,701
Japanese Yen	4,385,112
British Pound	3,803,644
Swiss Franc	2,850,260
Taiwanese Dollar	2,488,452
Indian Rupee	1,751,375
Danish Krone	1,395,867
Canadian Dollar	1,323,853
Mexican Peso	1,047,501
Swedish Krona	990,973
Chinese Yuan	840,144
Brazilian Real	754,230
Singapore Dollar	629,658
Indonesian Rupiah	512,431
Australian Dollar	479,111
South Korean Won	447,413
Chilean Peso	228,526
Thai Baht	144,754
South African Rand	129,738
Peruvian Nuevo Sol	108,550
Norwegian Krone	96,955
Israeli New Shekel	48,809
Total foreign currencies	<u>\$ 41,084,838</u>

Note 5: Receivables

A. Property taxes receivable

Property taxes are reported at their estimated collectible value. The total assessed value on which levies were made for the fiscal year ended June 30, 2023, was \$9,706,387,565. The Town's real property tax rate was \$0.4526 per \$100 of assessed value. The Town tax rate for personal and corporate property was \$1.13 per \$100 of assessed value. The Town collected 99.0% of current year property taxes levied in the current year. Total property tax collections were 100.0% of current year taxes levied, which includes prior year tax assessments collected during FY 2023.

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B. Receivables

Receivables as of June 30, 2023, for the Town's major and nonmajor funds in the aggregate, including applicable allowances for uncollectible accounts, were as follows:

	Governmental Activities	Business-Type Activities	Total
Taxes	\$ 814,226	\$ -	\$ 814,226
Emergency medical Accounts	55,020	-	55,020
	3,113,154	3,113,187	6,226,341
Gross receivables	3,982,400	3,113,187	7,095,587
Less: allowance	(133,583)	-	(133,583)
Total	<u>\$ 3,848,817</u>	<u>\$ 3,113,187</u>	<u>\$ 6,962,004</u>

The allowance for uncollectible accounts for governmental activities is for emergency medical transport receivables.

Note 6: Capital assets

The following is a summary of governmental capital assets activity for the fiscal year ended June 30, 2023:

	Beginning Balance	Transfers and Increases	Transfers and Deletions	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 26,075,318	\$ -	\$ -	\$ 26,075,318
Construction in progress	3,789,717	3,729,109	(699,766)	6,819,060
Total capital assets, not being depreciated	<u>29,865,035</u>	<u>3,729,109</u>	<u>(699,766)</u>	<u>32,894,378</u>
Capital assets, being depreciated:				
Buildings	63,682,264	-	-	63,682,264
Machinery and equipment	57,578,910	3,226,451	(1,022,523)	59,782,838
Streets and infrastructure	56,152,300	2,061,651	(253,004)	57,960,947
Other improvements	23,903,090	798,726	-	24,701,816
Total capital assets, being depreciated	<u>201,316,564</u>	<u>6,086,828</u>	<u>(1,275,527)</u>	<u>206,127,865</u>
Less accumulated depreciation for:				
Buildings	(27,282,429)	(1,647,427)	-	(28,929,856)
Machinery and equipment	(38,805,920)	(4,178,464)	1,022,523	(41,961,861)
Streets and infrastructure	(36,618,112)	(2,559,306)	253,004	(38,924,414)
Other improvements	(16,981,000)	(535,470)	-	(17,516,470)
Total accumulated depreciation	<u>(119,687,461)</u>	<u>(8,920,667)</u>	<u>1,275,527</u>	<u>(127,332,601)</u>
Total capital assets, being depreciated, net	<u>81,629,103</u>	<u>(2,833,839)</u>	<u>-</u>	<u>78,795,264</u>
Governmental activities capital assets, net	<u>\$111,494,138</u>	<u>\$ 895,270</u>	<u>\$ (699,766)</u>	<u>\$111,689,642</u>

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2023

The following is a summary of business-type capital assets activity for the fiscal year ended June 30, 2023:

Business-type activities:	Beginning Balance	Transfers and Increases	Transfers and Deletions	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 18,863,087	\$ -	\$ -	\$ 18,863,087
Construction in progress	20,674,598	9,933,047	(5,157,422)	25,450,223
Total capital assets, not being depreciated	<u>39,537,685</u>	<u>9,933,047</u>	<u>(5,157,422)</u>	<u>44,313,310</u>
Capital assets, being depreciated:				
Buildings	149,816,432	959,394	-	150,775,826
Machinery and equipment	70,078,630	2,937,425	(39,035)	72,977,020
Streets and infrastructure	59,245,476	8,982,695	-	68,228,171
Other improvements	6,396,523	86,691	-	6,483,214
Total capital assets, being depreciated	<u>285,537,061</u>	<u>12,966,205</u>	<u>(39,035)</u>	<u>298,464,231</u>
Less accumulated depreciation for:				
Buildings	(78,836,343)	(3,356,962)	-	(82,193,305)
Machinery and equipment	(42,780,691)	(2,843,877)	36,525	(45,588,043)
Streets and infrastructure	(33,383,204)	(1,443,647)	-	(34,826,851)
Other improvements	(3,424,236)	(69,465)	-	(3,493,701)
Total accumulated depreciation	<u>(158,424,474)</u>	<u>(7,713,951)</u>	<u>36,525</u>	<u>(166,101,900)</u>
Total capital assets, being depreciated, net	<u>127,112,587</u>	<u>5,252,254</u>	<u>(2,510)</u>	<u>132,362,331</u>
Business-type activities capital assets, net	<u>\$166,650,272</u>	<u>\$ 15,185,301</u>	<u>\$ (5,159,932)</u>	<u>\$176,675,641</u>

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

General government	\$ 160,209
Public safety	552,475
General public works and beach	1,176,218
Sanitation and waste removal	291,899
Highways and streets	2,920,916
Economic development - tourism	10,948
Recreation and culture	276,367
Capital assets held by the Town's internal service funds are charged to the various functions based on their usage of the assets	<u>3,531,635</u>
Total depreciation expense - governmental activities	<u>\$ 8,920,667</u>

Depreciation expense was charged to business-type activities as follows:

Water Fund	\$ 901,537
Wastewater Fund	3,477,504
Transportation Fund	1,222,502
Convention Center Fund	1,458,837
Airport Fund	630,044
Golf Course Fund	<u>23,527</u>
Total depreciation expense - business-type activities	<u>\$ 7,713,951</u>

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The Town has ongoing construction projects as of June 30, 2023. The projects include the 3rd Street recreation complex, Fire Station #3, street improvements, and various water, wastewater, and airport improvements. At fiscal year-end, the Town's obligations with contractors were as follows:

Project	Spent to Date	Remaining Commitment
3rd Street recreation complex	\$ 892,554	\$ 2,684,154
Airport apron expansion	228,607	259,129
Airport runway 14/32 D & E	4,885,697	7,987
Airport runway reconstruction	3,726,769	100,337
Airport runway safety zone	3,038,210	59
Baltimore Avenue utility undergrounding	993,036	709,435
Boardwalk replacement	2,287,956	6,657
Convention center expansion	15,958,340	6,500
Fire Station #3	1,345,063	9,270,112
Raw water mains 33rd Street North	5,225,676	46,965
Seawall repairs	1,376,871	32,865
Street paving	2,531,763	526,698
Wastewater 2nd Street pump force main	1,225,706	1,904,156
Wastewater generator switch upgrade	343,387	2,820,654
Wastewater main repairs	789,520	43,062
Wastewater Montego Bay pump station	1,675,137	2,292,648
Wastewater primary influent building rehab	97,378	14,435
Wastewater secondary clarifier	3,990,440	100,589
Water Gorman Avenue arch upgrades	31,133	143,843
Water mains	429,478	66,325
Total	<u>\$ 51,072,721</u>	<u>\$ 21,036,610</u>

Note 7: Interfund receivables, payables, and transfers

In governmental funds, total transfers of \$5,343,282 were made from the General Fund to the Capital Projects Fund for capital expenditures.

Net transfers of \$3,055,072 are shown in the Statement of Activities. Transfers were made from the General Fund to subsidize operations, for capital expenditures, and for admissions and amusement taxes allocable to the golf course, detailed as follows:

Transportation Fund	\$ 725,086
Convention Center Fund	1,951,156
Airport Fund	321,455
Golf Course Fund	57,375
Total	<u>\$ 3,055,072</u>

Note 8: Long-term debt

A. General obligation bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Town. These bonds are generally issued as 20-year serial bonds, except for refunding issues or issues less than \$5 million. All

Town of Ocean City, Maryland
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June 30, 2023

interest is paid semi-annually. General obligation bonds have been issued for both governmental and business-type activities in prior years in the amount of \$109,226,000.

In July 2022, the Town issued General Obligation Municipal Purpose and Refunding Bonds of 2022 for \$16,900,000 with serial interest rates of 1.71% and a final maturity in fiscal year 2033, to refund the remaining \$16,555,000 of the Town's General Obligation Municipal Purpose and Refunding Bonds of 2012. This refunding qualified as a current refunding. The new debt service of \$18,114,480 represents a total savings of \$857,423 compared to the prior debt service of \$18,971,903. The economic gain (the difference between the present value of the old and new debt service payments) totals \$781,288. The unamortized premium and gain on refunding from the old bonds, which total \$242,634, will be recognized over six years, the remaining term related to the old bonds.

General obligation bonds outstanding at June 30, 2023, are as follows:

Bond Issue	Final Maturity	Interest Rates to Maturity	Original Issue	Outstanding Balance
Airport Improvement Bond of 2005	2024	3.20%	\$ 1,025,000	\$ 98,911
Airport Improvement Bond of 2006	2026	3.496%	4,100,000	1,140,000
Municipal Purpose Bonds of 2013	2023	4.00 - 5.00%	12,700,000	1,480,000
Municipal Purpose Bonds of 2015	2035	2.00 - 5.00%	16,760,000	12,295,000
Municipal Refunding Bond of 2016A	2027	1.92%	5,266,000	3,143,000
Property Acquisition Bond of 2016B	2027	2.70%	1,350,000	586,000
Municipal Purpose Bond of 2017A	2027	2.50%	1,600,000	688,038
Municipal Purpose Bonds of 2018	2038	3.00 - 5.00%	25,795,000	23,670,000
Municipal Purpose Bonds of 2020, Taxable	2024	2.00 - 3.00%	1,115,000	235,000
Municipal Purpose Bonds of 2020, Tax-Exempt	2040	2.00 - 5.00%	6,650,000	6,650,000
Refunding Bonds of 2020	2031	5.00%	6,750,000	5,165,000
Municipal Purpose Bonds of 2021	2042	2.00 - 5.00%	26,115,000	25,355,000
Municipal Refunding Bonds of 2022	2033	1.71%	16,900,000	14,065,000
Total bonds			<u>\$126,126,000</u>	<u>\$ 94,570,949</u>

Note: Principal balances do not include net unamortized bond premiums of \$2,524,334 and \$3,126,536 in governmental and business-type activities, respectively.

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

Year Ending June 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2024	\$ 4,037,637	\$ 1,310,591	\$ 4,825,830	\$ 1,646,907
2025	4,017,965	1,201,938	3,543,954	1,479,992
2026	3,501,096	1,100,684	2,780,996	1,332,051
2027	3,618,495	985,554	2,907,977	1,213,274
2028	3,090,456	872,130	3,021,544	1,092,594
2029 - 2033	13,242,084	2,881,947	15,887,916	3,603,079
2034 - 2038	9,553,948	1,181,664	12,991,052	1,251,561
2039 - 2042	4,195,104	211,805	3,354,895	148,995
Total	<u>\$ 45,256,785</u>	<u>\$ 9,746,313</u>	<u>\$ 49,314,164</u>	<u>\$ 11,768,453</u>

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2023

B. Intergovernmental loans

The Town has agreements with the Maryland Department of Natural Resources for two non-interest bearing loans that financed the construction of bulkheads along the Sinepuxent Bay.

A summary of state loans, with balances at June 30, 2023, is as follows:

Loan	Maturity	Interest Rate	Original Issue	Outstanding Balance
Soil erosion control - South Ocean Drive	2024	0.00%	\$ 548,115	\$ 28,150
Soil erosion control - Robin Drive	2030	0.00%	297,171	112,770
Total intergovernmental loans			<u>\$ 845,286</u>	<u>\$ 140,920</u>

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

Year Ending June 30,	Principal
2024	\$ 44,260
2025	16,110
2026	16,110
2027	16,110
2028	16,110
2029 - 2030	32,220
Total	<u>\$ 140,920</u>

C. Financed purchases

The Town has four financed purchase agreements with Bank of America for radio equipment valued at \$5,500,000, construction equipment valued at \$1,655,483, an energy performance contract valued at \$4,460,000, and equipment and services valued at \$2,202,048.

Annual debt service requirements to maturity for these financed purchase agreements are as follows:

Year Ending June 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2024	\$ 1,272,731	\$ 123,398	\$ 46,780	\$ 9,792
2025	1,078,325	99,148	49,515	8,719
2026	1,113,608	77,363	52,364	7,584
2027	823,978	54,888	53,290	6,396
2028	537,305	39,335	56,268	5,174
2029 - 2031	1,229,228	44,706	186,751	7,509
Total	<u>\$ 6,055,175</u>	<u>\$ 438,838</u>	<u>\$ 444,968</u>	<u>\$ 45,174</u>

D. Legal debt margin

The Town's legal debt margin as of June 30, 2023, based on 5.2% of assessable property, was \$404,510,334. As of June 30, 2023, the total outstanding debt applicable to the limit was \$100,221,819, which is 1.03% of assessable property.

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2023

E. Changes in long-term liabilities

During the fiscal year ended June 30, 2023, the following changes occurred in long-term liabilities reported for governmental and business-type activities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General obligation bonds	\$ 49,220,967	\$ 11,366,104	\$ (15,330,286)	\$ 45,256,785	\$ 4,037,637
Bond premiums	3,062,268	-	(537,934)	2,524,334	-
Intergovernmental loans	185,180	-	(44,260)	140,920	44,260
Total bonds, notes, and loans payable	52,468,415	11,366,104	(15,912,480)	47,922,039	4,081,897
Financed purchases	7,289,014	-	(1,233,839)	6,055,175	1,272,731
Accrued obligations for compensated absences	2,184,726	1,945,008	(1,797,657)	2,332,077	135,145
Claims and judgments	4,065,863	1,276,579	(838,609)	4,503,833	953,336
Net pension liability	35,777,345	27,484,161	(29,148,236)	34,113,270	-
Net OPEB liability (asset)	(4,644,489)	3,804,581	(5,055,169)	(5,895,077)	-
Governmental activities long-term liabilities	\$ 97,140,874	\$ 45,876,433	\$ (53,985,990)	\$ 89,031,317	\$ 6,443,109
Business-Type Activities					
General obligation bonds	\$ 53,852,911	\$ 5,533,896	\$ (10,072,643)	\$ 49,314,164	\$ 4,825,830
Bond premiums	3,792,678	-	(666,142)	3,126,536	-
Total bonds payable	57,645,589	5,533,896	(10,738,785)	52,440,700	4,825,830
Financed purchases	489,120	-	(44,152)	444,968	46,780
Accrued obligations for compensated absences	524,737	536,882	(519,783)	541,836	486,568
Net pension liability	6,241,728	2,232,375	(2,582,860)	5,891,243	-
Net OPEB liability (asset)	(1,605,021)	39,529	(52,523)	(1,618,015)	-
Business-type activities long-term liabilities	\$ 63,296,153	\$ 8,342,682	\$ (13,938,103)	\$ 57,700,732	\$ 5,359,178

The liabilities for pension and OPEB-related debts of governmental activities are fully liquidated by the General Fund. Internal service funds primarily serve the governmental funds and, accordingly, their long-term liabilities are included in the above totals for governmental activities. For internal service funds, claims liabilities are liquidated through the Town's Risk Management Fund (see Note 9.A. below). This fund finances the payment of claims by charging other funds based on management's assessment of the relative insurance risk that should be assumed by individual funds. Currently, governmental activities assume approximately 70% of insurance costs and business-type activities assume approximately 30%.

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.

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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 workers' compensation losses incurred are estimated at the fixed or reasonably determinable payment expected to be incurred over a period of time discounted at its present value using a 3.5% discount rate. The workers' compensation and property and casualty costs are based on separately determined actuarial valuations performed as of June 30, 2021.

Changes in the Risk Management Fund's claims liability over two years since June 30, 2021, were as follows:

Claims liability at June 30, 2021	\$ 4,085,425
Claims incurred	979,493
Claims paid	<u>(999,055)</u>
Claims liability at June 30, 2022	4,065,863
Claims incurred	1,276,579
Claims paid	<u>(838,609)</u>
Claims liability at June 30, 2023	<u><u>\$ 4,503,833</u></u>

As of June 30, 2023, the Risk Management Fund had cash and investments of \$4,853,785 available to pay claims.

B. Commitments and contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, primarily the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by grantors 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 is not expected to have a material adverse effect on the Town's financial condition.

As of fiscal year-end, the amount of encumbrances expected to be paid in the following fiscal year totaled \$1,744,705 in the General Fund and \$13,416,550 in the Capital Projects Fund.

C. Intergovernmental assistance

In 1995, 2010, 2013, and 2017, the Mayor and City Council entered into agreements with the State for the construction, operation, and contributions for the expansion and improvement of the Roland E. Powell Convention Center through the Maryland Stadium Authority (the "Authority"). The Authority pays 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 fiscal year ended June 30, 2023, the amount of the contribution was \$1,851,155.

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 to finance the construction, reconstruction, repair, renovation, and equipping of a convention center. As a result, the County implemented a 1% tax on the sale of food and beverages, which was reduced to 0.5%

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in 2008. The Town issued \$8,470,000 of bonds in 2013, \$12,715,000 of bonds in 2018, and \$455,778 of bonds in 2021 for the expansion of the Convention Center. Food and beverage sales tax receipts of \$1,869,434 were \$182,251 less than debt service for the fiscal year ended June 30, 2023. Cumulative receipts and interest in excess of debt service totaled \$1,853,811 at June 30, 2023, and is shown on the Statement of Net Position – Proprietary Funds as net position “restricted for debt service.” The principal balance of the debt was \$13,097,514 as of June 30, 2023.

D. New accounting pronouncements

The GASB issued Statement No. 91, *Conduit Debt Obligations*; Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; Statement No. 96, *Subscription-Based Information Technology Arrangements*; Statement No. 99, *Omnibus 2022*; which all took effect during FY 2023. The Town implemented all Statements and Implementation Guides that were applicable and material to the Town’s financial statements during the fiscal year.

The GASB has issued Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*; and Statement No. 101, *Compensated Absences*; which will require adoption in the future, if applicable. The Town will be analyzing the effects of these pronouncements and plans to adopt them, as applicable, by their effective dates.

Note 10: Other post-employment benefits (OPEB)

A. General information and plan description

Plan administration. In 2008, the Town established a trust fund to provide for retiree health insurance benefits. The OPEB Trust is a single-employer defined benefit health care 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 Trust is governed by a Board of Trustees whose members are the trustees of the Town’s pension plans. There are seven trustees: the Mayor, City Council President, three trustees appointed by the Mayor and approved by the City Council, and two trustees elected by active plan members. The City Council has the authority to establish and amend benefits. Separate financial statements are not issued for the OPEB Trust.

Benefits provided. The OPEB Trust offers post-retirement medical, dental, vision, and prescription drug coverage for employees. Benefits are provided through a third-party insurer. Any full-time, pension eligible employee of the Town is eligible to participate in the plan, which subsidizes a portion of its members’ health insurance premiums. A closed group of Wastewater Fund employees who transferred from Worcester County in 1994 receive a 90% subsidy for post-retirement health benefits for retirees and their dependents. Employees who retired after January 1, 1998, with at least 15 years of service receive an 80% subsidy. Employees hired between July 1, 2006, and June 30, 2011, have a 25-year service requirement to receive an 80% subsidy. Employees hired on or after July 1, 2011, who retire after 25 years of service, receive the current benefit amount of \$644 (increased a maximum of 3% per year) until they reach age 65. The Town’s retirees under age 65 pay a higher rate based on the retirees’ 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 retirees’ experience, there is no implicit subsidy.

Plan membership. As of June 30, 2023, OPEB Trust membership consisted of the following:

Active employees	457
Retirees and beneficiaries receiving benefits	198
Total	655

Summary of significant accounting policies. Contributions to the plan are recognized in the period in which they are made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value based on published securities data. The actuarial valuation method is based on the market value of plan assets.

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B. Net OPEB liability (asset)

Actuarial assumptions. The Town's net OPEB liability (asset) was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of February 1, 2022, using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation rates	2.50%
Salary increases	4.00%
Investment rate of return	7.00%
Mortality	Pub-2010 General Employees Headcount-Weighted Mortality - MP 2019 for "healthy - actives"; Pub-2010 General Retirees Headcount-Weighted Mortality - MP 2019 for "healthy - retirees"
Health care cost trend rates	6.00% in 2022; the ultimate trend is 3.94%

The Board of Trustees establishes and can amend the investment policy for the plan's assets by a majority vote of its members. The policy defines major asset classes, asset allocations, and acceptable ranges that are to be employed. The policy requires asset classes with low correlations to each other to provide sufficient diversification to minimize overall portfolio volatility. The Board of Trustees' adopted asset policy as of June 30, 2023, is shown below.

The long-term expected rate of return on OPEB 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 OPEB 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of June 30, 2023, were as follows:

<u>Asset Class</u>	<u>Target Allocation</u>			
Domestic equity	30 %			
International equity	24			
Fixed income	28			
Real estate investment trusts	3			
Private equity	3			
Alternatives	12			
Total	100 %			

<u>Asset Class</u>	<u>Percentage of Portfolio</u>	<u>Assumed Rate of Return</u>	<u>Inflation</u>	<u>Real Rate of Return</u>
Domestic equities	37.0 %	8.3 %	2.4 %	5.9 %
Developed market international equities	18.0	7.2	2.4	4.8
Emerging markets equities	8.0	8.4	2.4	6.0
Domestic investment-grade fixed income	32.0	3.8	2.4	1.4
Hedge funds	5.0	6.0	2.4	3.6
Total	100.0 %	6.6 %	2.4 %	4.2 %

Rate of return. For the fiscal year ended June 30, 2023, the annual money-weighted rate of return on investments, net of investment expense, was 9.65%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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Discount rate. The discount rate used to measure the total OPEB liability was 7%. The projection of cash flows used to determine the discount rate assumed that Town contributions will be made at rates determined by the funding policy, equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use a municipal bond rate.

The condensed financial statements of the plan are as follows:

Condensed Statement of Net Position

	OPEB Trust Fund
ASSETS	
Cash and receivables	\$ 1,289,700
Investments	37,834,509
Total assets	39,124,209
NET POSITION	
Restricted for OPEB	\$ 39,124,209

Condensed Statement of Changes in Fiduciary Net Position

	OPEB Trust Fund
ADDITIONS	
Contributions	\$ 107,605
Investment gains	3,479,894
Total additions	3,587,499
DEDUCTIONS	
Benefits and refunds paid	1,246,207
Total deductions	1,246,207
Change in net position	2,341,292
Net position, beginning of the fiscal year	36,782,917
Net position, end of the fiscal year	\$ 39,124,209

Town of Ocean City, Maryland
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Changes in the net OPEB liability (asset) and the OPEB plan's fiduciary net position for the year ended June 30, 2023, were as follows:

	Total OPEB Liability	Plan's Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2022	\$ 30,533,407	\$ 36,782,917	\$ (6,249,510)
Increases (decreases) in balances during the fiscal year:			
Service cost	513,771	-	513,771
Interest	2,084,132	-	2,084,132
Differences between expected and actual experience	(273,986)	-	(273,986)
Contributions - employer	-	107,605	(107,605)
Net investment income	-	3,479,894	(3,479,894)
Benefit payments, including refunds of member contributions	(1,246,207)	(1,246,207)	-
Net change in balance	1,077,710	2,341,292	(1,263,582)
Balance at June 30, 2023	\$ 31,611,117	\$ 39,124,209	\$ (7,513,092)

Plan's fiduciary net position as a percentage of the total OPEB liability: 123.77%

Sensitivity of the net OPEB liability (asset) to changes in the discount rate. The following presents the net OPEB liability (asset) of the Town, calculated using the discount rate of 7%, as well as what the Town's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6%) or 1-percentage point higher (8%) than the current discount rate:

	1% decrease (6%)	Current rate (7%)	1% increase (8%)
Net other post-employment benefit asset	\$ (3,604,154)	\$ (7,513,092)	\$ (10,781,593)

Sensitivity of the net OPEB liability (asset) to changes in the health care cost trend rate. The following presents the net OPEB liability (asset) of the Town, calculated using the trend rate of 3.94%, as well as what the Town's net OPEB liability (asset) would be if it were calculated using a health care cost trend rate that is 1-percentage point lower (2.94%) or 1-percentage point higher (4.94%) than the current health care cost trend rate:

	1% decrease (2.94%)	Current trend rate (3.94%)	1% increase (4.94%)
Net other post-employment benefit asset	\$ (11,443,568)	\$ (7,513,092)	\$ (2,722,755)

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C. OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB

For the year ended June 30, 2023, the Town recognized an OPEB expense of negative \$3,809,190. At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,580	\$ 26,917,844
Changes of assumptions	-	3,441,700
Net difference between projected and actual earnings on OPEB plan investments	2,999,446	-
Total	\$ 3,001,026	\$ 30,359,544

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,		
2024	\$	(4,073,090)
2025		(4,421,147)
2026		(3,295,126)
2027		(5,182,116)
2028		(4,038,020)
Thereafter		(6,349,019)
Total	\$	(27,358,518)

Note 11: Employee retirement plans

A. Defined contribution plan

Effective July 1, 2011, the Town established an Internal Revenue Code (IRC) Section 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 Nationwide. The assets are held in the name of each participant by Nationwide. All administrative fees are borne by the participants.

Defined contribution plan participants are required to contribute 5% of their salaries to the 401(a) plan, which is matched by the Town. Participants may also contribute up to an additional 2% of their salaries to the plan. These contributions are also matched by the Town, for a potential Town contribution of 7% of each participant's base annual salary. For the fiscal year ended June 30, 2023, there were 319 employees actively participating in the plan. Employee contributions totaled \$738,162 and the Town recognized contribution expense of \$738,162. The market value of the 401(a) plan assets totaled \$8,171,417 at June 30, 2023.

Employees are immediately vested in their own contributions and earnings on those contributions. Employer contributions vest at 20% per year with contributions fully vested at five years. Nonvested Town contributions are forfeited upon termination of employment and are used to pay administrative expenses of the plan, with any remainder being applied to reduce employer contributions.

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B. Single-employer defined benefit pension plans

The Town contributes to two single-employer defined benefit pension plans: the Employees of Ocean City, Maryland Pension Plan and Trust (EPP) 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 beginning on page 79. 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 they are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans. Investments are reported at fair value based on published securities data. The actuarial method for valuing plan assets is five-year smoothed market value.

Administration. Pursuant to §C-1006 of the Town Charter, a seven-member Board of Trustees functions as the investment and administrative agent for the Town with respect to the EPP and PSEPP. Trustees include the Mayor, City Council President, three trustees appointed by the Mayor and approved by the City Council, and two trustees elected by active plan members. The City Council has the authority to establish and amend benefits.

Investments. The Board of Trustees establishes and can amend the investment policy for the plans’ assets by a majority vote of its members. The policy defines various major asset classes, asset allocations, and acceptable ranges that are to be employed. The policy requires asset classes with low correlations to each other to provide sufficient diversification to minimize overall portfolio volatility. The Board of Trustees’ adopted asset policy as of June 30, 2023, was as follows:

Asset Class	Target Allocation
Domestic equity	30 %
International equity	24
Fixed income	28
Real estate investment trusts	3
Private equity	3
Alternatives	12
Total	100 %

Rate of return. For the fiscal year ended June 30, 2023, the annual money-weighted rate of return on investments, net of investment expense, was 9.89% for both pension plans. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of April 1, 2023, and was rolled forward using appropriate techniques to June 30, 2023, utilizing the “entry age normal” actuarial funding method. The assumptions and methods used in the valuation were selected based on the actuarial experience study prepared as of April 1, 2021. Changes adopted by the Board of Trustees on May 18, 2022, include the various economic and demographic assumptions summarized below:

- The investment return assumption decreased from 6.90% to 6.80%.
- The price inflation assumption decreased from 2.75% to 2.50%.
- The wage inflation assumption decreased from 3.25% to 3.00%.
- The rates of withdrawal and retirement were changed to reflect actual experience more closely.
- The rates of retirement for DROP employees were changed to reflect actual experience more closely.
- The salary merit scale was changed to reflect actual experience more closely.
- The rates of mortality changed from the RP-2014 Blue Collar Mortality Table (adjusted and with mortality improvements projected to 2020 using Scale BB) to various PubG.H-2010 tables adjusted and with mortality improvements projected generationally using the MP-2021 projection scale.

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- The load for unused sick leave was increased from 1.0% to 2.0%.
- For married members, the assumption that a male is four years older than his spouse was changed to assume that a male is two years older than his spouse.
- The assumption that 60% of retirees choose a life annuity and 40% choose a joint and survivor annuity was changed to assume that 50% choose each.

Effective January 1, 2018, the EPP was amended to include a special Deferred Retirement Option Program (DROP) for any participant who held the office of Director of Public Works as of December 31, 2017.

Effective October 1, 2020, the EPP was amended to extend the special DROP to include the participant who held the office of City Engineer on October 1, 2020.

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, 2023, were as follows:

Asset Class	Percentage of Portfolio	Assumed Rate of Return	Inflation	Real Rate of Return
Domestic equities	37.0 %	8.3 %	2.4 %	5.9 %
Developed market international equities	18.0	7.2	2.4	4.8
Emerging markets equities	8.0	8.4	2.4	6.0
Domestic investment-grade fixed income	31.0	3.8	2.4	1.4
Hedge funds	5.0	6.0	2.4	3.6
Cash and equivalents	1.0	3.1	2.4	0.7
Total	100.0 %	6.6 %	2.4 %	4.2 %

Discount rate. The discount rate used to measure the total pension liability was 6.8%. 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, equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan 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.

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The condensed financial statements of the plans are as follows:

Condensed Statement of Net Position

	General Employees Pension Fund	Public Safety Employees Pension Fund	Total
ASSETS			
Cash and receivables	\$ 2,990,720	\$ 4,710,328	\$ 7,701,048
Investments	62,564,099	70,323,130	132,887,229
Total assets	<u>65,554,819</u>	<u>75,033,458</u>	<u>140,588,277</u>
LIABILITIES			
Total liabilities	<u>14,854</u>	<u>18,878</u>	<u>33,732</u>
NET POSITION			
Restricted for pensions	<u>\$ 65,539,965</u>	<u>\$ 75,014,580</u>	<u>\$140,554,545</u>

Condensed Statement of Changes in Fiduciary Net Position

	General Employees Pension Fund	Public Safety Employees Pension Fund	Total
ADDITIONS			
Contributions	\$ 3,714,030	\$ 5,974,357	\$ 9,688,387
Investment gains	5,724,917	6,443,810	12,168,727
Total additions	<u>9,438,947</u>	<u>12,418,167</u>	<u>21,857,114</u>
DEDUCTIONS			
Benefits and refunds paid	4,666,773	5,207,209	9,873,982
Administrative expenses	38,652	65,861	104,513
Total deductions	<u>4,705,425</u>	<u>5,273,070</u>	<u>9,978,495</u>
Change in net position	4,733,522	7,145,097	11,878,619
Net position, beginning of the fiscal year	60,806,443	67,869,483	128,675,926
Net position, end of the fiscal year	<u>\$ 65,539,965</u>	<u>\$ 75,014,580</u>	<u>\$140,554,545</u>

1) General Employees Pension Plan (EPP)

- a) *Membership.* The EPP covers all non–public safety employees, and wastewater employees hired after July 1, 1994, and was closed to new entrants as of May 11, 2011. The following table summarizes the membership of the EPP as of April 1, 2023, the valuation date:

Retirees and beneficiaries receiving benefits	237
Terminated, vested employees entitled to but not yet receiving benefits	46
Inactive nonvested members	9
Active members	152
Total	<u>444</u>

- b) *Benefits.* The EPP provides retirement, disability, and death benefits. A member may retire at age 55 with 10 years of continuous service (reduced 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 EPP provides retirement benefits in the form of a monthly

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income payable for life in an amount equal to 50% of final average monthly compensation, reduced 1/360th for each month of service less than 360. The final benefit is based on the average compensation of the three highest consecutive years in the last ten years prior to retirement. Additionally, for each 176 hours of unused sick leave, retiring employees receive one month of additional service credit for determining the benefit amount, not for determining retirement eligibility, with a credit assumption equal to 1% of other service.

- c) *Deferred Retirement Option Program (DROP)*. Any participant who held the office of Director of Public Works as of December 31, 2017, or City Engineer on October 1, 2020, enters DROP on January 1, 2018, or January 1, 2021, respectively, and must retire within the next three years (of, if agreed to by the special DROP participant and the Town, within seven years). At retirement, the benefit is the accrued benefit as of the beginning of the DROP participation date, plus the lump sum (or annuity equivalent) of the monthly benefits not received during the three-year (or seven-year) DROP period.
- d) *Funding policy and contributions*. In 2014, the City Council adopted a funding policy for the EPP that provides for annual Town contributions based on 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 EPP. The contribution for the 2023 fiscal year was determined using the entry age normal actuarial cost method. The contribution to the EPP for fiscal year 2023 was \$3,161,368, computed through an actuarial valuation performed as of April 1, 2022, which represented 28.26% of covered payroll. Members contributed \$552,662, a rate of 5% of annual base pay.
- e) *Net pension liability of the Town for the EPP*. The changes in the net pension liability for the fiscal year ended June 30, 2023, were as follows:

	Plan's Total Pension Liability	Plan's Fiduciary Net Position	Plan's Net Pension Liability
Balance at June 30, 2022	\$ 79,556,632	\$ 60,806,443	\$ 18,750,189
Increases (decreases) in balances during the fiscal year:			
Service cost	846,826	-	846,826
Interest	5,331,090	-	5,331,090
Differences between expected and actual experience	544,268	-	544,268
Changes in assumptions	764,015	-	764,015
Contributions - employer	-	3,161,368	(3,161,368)
Contributions - member	-	552,662	(552,662)
Net investment income	-	5,724,917	(5,724,917)
Benefit payments, including refunds of member contributions	(4,666,773)	(4,666,773)	-
Administrative expense	-	(38,652)	38,652
Net change in balance	<u>2,819,426</u>	<u>4,733,522</u>	<u>(1,914,096)</u>
Balance at June 30, 2023	<u>\$ 82,376,058</u>	<u>\$ 65,539,965</u>	<u>\$ 16,836,093</u>

EPP fiduciary net position as a percentage of the total pension liability: 79.56%

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- 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 6.8%, 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 (5.8%) or 1-percentage point higher (7.8%) than the current rate:

	1% decrease (5.8%)	Current rate (6.8%)	1% increase (7.8%)
Net pension liability	\$ 25,135,416	\$ 16,836,093	\$ 9,687,373

- g) *Pension expense, deferred outflows of resources, and deferred inflows of resources related to pensions.* For the fiscal year ended June 30, 2023, the Town recognized a pension expense of \$4,778,018 for the EPP. As of June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to the EPP from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 740,679	\$ 34,799
Changes of assumptions	1,596,825	-
Net difference between projected and actual earnings on pension plan investments	4,923,227	-
Total	\$ 7,260,731	\$ 34,799

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,	
2024	\$ 2,935,773
2025	1,743,978
2026	2,858,876
2027	(312,695)
Total	\$ 7,225,932

The Schedule of Changes in Net Pension Liability and Related Ratios and the Schedule of Employer Contributions are presented as required supplementary information (RSI) following the notes to the financial statements on pages 86-87 and 90-91, respectively.

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2) Public Safety Employees Pension Plan (PSEPP)

- a) *Membership.* All of the Town's full-time police officers, firefighters, emergency medical technicians, fire marshals, and communication employees participate in the PSEPP. The plan was closed to new entrants on April 1, 2011; however, it was reopened to sworn police officers effective July 1, 2013, and those sworn police officers hired on or after April 1, 2011, were allowed to enter the plan. Effective July 1, 2019, the plan was reopened to allow certified EMS personnel, fire marshal, and paid firefighters hired on or after July 1, 2013, to enter the plan. The following table summarizes the membership of the PSEPP as of April 1, 2023, the valuation date:

Retirees and beneficiaries receiving benefits	114
Terminated, vested employees entitled to but not yet receiving benefits	3
Inactive nonvested members	10
Active members	189
Total	316

- b) *Benefits.* The PSEPP provides retirement, disability, and death benefits. A member may retire at age 55 with 10 years of continuous service (reduced early retirement), after completion of 25 years of service but prior to attaining age 65 (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 PSEPP provides retirement benefits in the form of a monthly income payable for life in an amount equal to 60% of final average monthly compensation, reduced 1/300th for each month of service less than 300. The final benefit is based on the average compensation of the three highest consecutive years in the last ten years prior to retirement. Additionally, for each 176 hours of unused sick leave, retiring employees receive one month of additional service credit for determining the benefit amount, not for determining retirement eligibility, with a credit assumption equal to 3% of other service.
- c) *Deferred Retirement Option Program (DROP).* Participants who are sworn police officers can elect to enter DROP when they reach or are reasonably close to reaching 25 years of service, and they must continue making employee contributions and retire within three years of making the DROP election. At retirement, the DROP benefit is the 25-year benefit plus the lump sum (or annuity equivalent) of the monthly benefits not received during the three-year DROP period. Effective July 1, 2018, the DROP was enhanced to allow sworn police officers to enter the DROP when they reach 25, 26, or 27 years of service. Participants who enter the DROP when they reach 26 years of service must retire within the next two years. Participants who enter the DROP when they reach 27 years of service must retire within the next year.
- d) *Funding policy and contributions.* In 2014, the City Council adopted a funding policy for the PSEPP that provides for annual Town contributions based on 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 PSEPP. The contribution for the 2023 fiscal year was determined using the entry age normal actuarial cost method. The contribution to the PSEPP for fiscal year 2023 was \$4,751,032, computed through an actuarial valuation performed as of April 1, 2022, which represented 33.38% of covered payroll. Members contributed \$1,223,325, a rate of 8% of annual base pay (9% for certified EMS personnel, fire marshal, and paid firefighters, as noted below).

Effective July 1, 2019, certified EMS personnel, fire marshal, and paid firefighters hired on or after July 1, 2013, contribute 9% of annual base pay and such contributions will be “picked up” by the Town. For each such participant hired prior to July 1, 2019, periods of service earned under the 401(a) money purchase plan were transferred to this plan and counted as service under this plan as if the participant had participated in the plan from his or her date of full-time employment. Furthermore, the participant’s employee contribution account was credited with an amount equal to the amount that would have been credited had he or she

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2023

participated in this plan from his or her date of full-time employment and contributed 9% of salary. Each participant's account balance under the 401(a) money purchase plan was transferred to the assets of this plan on July 1, 2019.

- e) *Net pension liability of the Town for the PSEPP.* The changes in the net pension liability for the fiscal year ended June 30, 2023, were as follows:

	Plan's Total Pension Liability	Plan's Fiduciary Net Position	Plan's Net Pension Liability
Balance at June 30, 2022	\$ 91,138,367	\$ 67,869,483	\$ 23,268,884
Increases (decreases) in balances during the fiscal year:			
Service cost	2,144,570	-	2,144,570
Interest	6,111,895	-	6,111,895
Differences between expected and actual experience	1,521,641	-	1,521,641
Changes in assumptions	2,202,332	-	2,202,332
Changes in benefit terms	271,404	-	271,404
Contributions - employer	-	4,751,032	(4,751,032)
Contributions - member	-	1,223,325	(1,223,325)
Net investment income	-	6,443,810	(6,443,810)
Benefit payments, including refunds of member contributions	(5,207,209)	(5,207,209)	-
Administrative expense	-	(65,861)	65,861
Net change in balance	<u>7,044,633</u>	<u>7,145,097</u>	<u>(100,464)</u>
Balance at June 30, 2023	<u>\$ 98,183,000</u>	<u>\$ 75,014,580</u>	<u>\$ 23,168,420</u>

PSEPP fiduciary net position as a percentage of the total pension liability: 76.40%

- 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 6.8%, 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 (5.8%) or 1-percentage point higher (7.8%) than the current rate:

	1% decrease (5.8%)	Current rate (6.8%)	1% increase (7.8%)
Net pension liability	\$ 35,225,021	\$ 23,168,420	\$ 13,141,229

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2023

- g) *Pension expense, deferred outflows of resources, and deferred inflows of resources related to pensions.* For the fiscal year ended June 30, 2023, the Town recognized pension expense of \$5,893,276 for the PSEPP. As of June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to the PSEPP from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,025,078	\$ 130,371
Changes of assumptions	3,749,699	-
Net difference between projected and actual earnings on pension plan investments	5,552,369	-
Total	\$ 11,327,146	\$ 130,371

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,			
2024	\$	2,697,153	
2025		2,046,885	
2026		4,031,461	
2027		548,465	
2028		913,569	
Thereafter		959,242	
Total		\$ 11,196,775	

The Schedule of Changes in Net Pension Liability and Related Ratios and the Schedule of Employer Contributions are presented as RSI on pages 88-89 and 92-93, respectively.

The aggregate expense/expenditure recognized by the Town for its two pension plans during fiscal year 2023 was \$10,671,294. The aggregate expense/expenditure recognized by the Town for all benefit trust plans (the OPEB plan and both pension plans) during the year ended June 30, 2023, was \$6,862,104.

C. Deferred compensation plan

The Town provides an IRC Section 457(b) plan, which is a voluntary plan eligible to all employees. The plan is administered by Nationwide. The assets are held in the name of each participant by Nationwide. All administrative fees are borne by the participants.

Plan participants elect to contribute a portion of their pay (subject to annual maximums established by the IRS), pre-tax, to the plan. The Town matches 25% of employee contributions, up to a maximum annual match of \$500 for all public safety employees and general employees hired prior to January 1, 2011. For general employees hired on or after January 1, 2011, the Town will contribute a maximum match of \$200 per year. For the fiscal year ended June 30, 2023, there were 519 employees actively participating in the plan. Employee contributions totaled \$1,668,039 and the Town recognized a contribution expense of \$177,899. The market value of the 457(b) plan assets totaled \$40,463,290 at June 30, 2023.

Employees are immediately vested in their own contributions and earnings on those contributions. Employer contributions vest at 20% per year with contributions fully vested at five years. Nonvested Town contributions are forfeited upon termination of employment and are used to pay administrative expenses of the plan, with any remainder being applied to reduce employer contributions.

REQUIRED SUPPLEMENTARY INFORMATION

PENSION TRUST FUNDS

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

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

Schedule of Employer Contributions - General Employees Pension Plan

Schedule of Employer Contributions - Public Safety Employees Pension Plan

OTHER POST-EMPLOYMENT BENEFITS (OPEB) TRUST FUND

Schedule of Changes in Net Other Post-Employment Benefits
Liability (Asset) and Related Ratios

Schedule of Employer Contributions - Other Post-Employment Benefits Trust

Town of Ocean City, Maryland
Schedule of Changes in Net Pension Liability and Related Ratios - General Employees Pension Plan
Last Ten Fiscal Years

	2023	2022	2021
Total pension liability:			
Service cost	\$ 846,826	\$ 724,632	\$ 802,422
Interest	5,331,090	5,076,332	4,962,599
Differences between expected and actual experience	544,268	890,059	(208,802)
Changes of assumptions/methods	764,015	2,602,373	-
Changes of benefit terms	-	-	323,982
Benefit payments, including refunds of member contributions, deaths, and terminations	(4,666,773)	(4,436,543)	(4,080,378)
Net change in total pension liability	2,819,426	4,856,853	1,799,823
Total pension liability, beginning	79,556,632	74,699,779	72,899,956
Total pension liability, ending (a)	\$ 82,376,058	\$ 79,556,632	\$ 74,699,779
Plan fiduciary net position:			
Contributions - employer	\$ 3,161,368	\$ 2,639,659	\$ 2,709,226
Contributions - member	552,662	573,405	622,121
Net investment income (loss)	5,724,917	(10,418,494)	13,426,746
Benefit payments, including refunds of member contributions	(4,666,773)	(4,436,543)	(4,080,378)
Administrative expense	(38,652)	(56,104)	(24,708)
Net change in plan fiduciary net position	4,733,522	(11,698,077)	12,653,007
Plan fiduciary net position, beginning	60,806,443	72,504,520	59,851,513
Plan fiduciary net position, ending (b)	\$ 65,539,965	\$ 60,806,443	\$ 72,504,520
Town's net pension liability, ending [(a) - (b)]	\$ 16,836,093	\$ 18,750,189	\$ 2,195,259
Plan fiduciary net position as a percentage of total pension liability	79.56%	76.43%	97.06%
Covered payroll	\$ 11,187,060	\$ 11,005,512	\$ 11,950,404
Net pension liability as a percentage of covered payroll	150.50%	170.37%	18.37%
Annual money-weighted rate of return, net of investment expense	9.89%	-15.17%	22.05%

NOTES TO SCHEDULE (information for FYE 2013 and earlier is not available):

Effective April 1, 2011, the General Employees Pension Plan was closed to new entrants.

Effective April 1, 2022, the following assumption changes were made:

- The investment return assumption decreased from 7.00% to 6.90%.
- The price inflation assumption decreased from 2.75% to 2.50%.
- The wage inflation assumption decreased from 3.25% to 3.00%.
- The rates of withdrawal and retirement were changed to reflect actual experience more closely.
- The rates of retirement for DROP employees were changed to reflect actual experience more closely.
- The salary merit scale was changed to reflect actual experience more closely.
- The rates of mortality were changed from the RP-2014 Blue Collar Mortality Table (adjusted and with mortality improvements projected to 2020 using Scale BB) to various PubG.H-2010 tables adjusted and with mortality improvements projected generationally using the MP-2021 projection scale.
- The load for unused sick leave was increased from 1.0% to 2.0%.
- For married members, the assumption that a male is four years older than his spouse was changed to assume that a male is two years older than his spouse.
- The assumption that 60% of retirees choose a Life Annuity and 40% choose a Joint & Survivor Annuity was changed to assume that 50% choose each.

Effective April 1, 2023, the invested return assumption decreased from 6.90% to 6.80%.

2020	2019	2018	2017	2016	2015	2014
\$ 914,641	\$ 963,748	\$ 971,590	\$ 1,033,828	\$ 1,044,701	\$ 1,106,267	\$ 1,106,190
4,845,650	4,671,549	4,410,697	4,705,358	4,528,555	4,352,810	4,137,554
(284,674)	303,180	495,027	(1,208,856)	(482,721)	(492,667)	-
-	-	703,076	(1,379,730)	-	-	-
-	-	344,379	-	-	-	-
(3,538,599)	(3,366,964)	(3,035,268)	(2,724,322)	(2,741,672)	(2,508,830)	(2,283,852)
1,937,018	2,571,513	3,889,501	426,278	2,348,863	2,457,580	2,959,892
70,962,938	68,391,425	64,501,924	64,075,646	61,726,783	59,269,203	56,309,311
<u>\$ 72,899,956</u>	<u>\$ 70,962,938</u>	<u>\$ 68,391,425</u>	<u>\$ 64,501,924</u>	<u>\$ 64,075,646</u>	<u>\$ 61,726,783</u>	<u>\$ 59,269,203</u>
\$ 2,403,037	\$ 2,152,737	\$ 1,926,923	\$ 2,012,896	\$ 1,927,595	\$ 2,036,678	\$ 2,351,375
681,986	699,907	716,123	748,721	743,259	755,591	781,220
1,079,768	2,149,361	3,176,166	5,007,901	(1,776,489)	810,888	6,750,912
(3,538,599)	(3,366,964)	(3,035,268)	(2,724,322)	(2,741,672)	(2,508,830)	(2,283,852)
(36,433)	(30,344)	(42,547)	(49,226)	(54,980)	(42,686)	(75,228)
589,759	1,604,697	2,741,397	4,995,970	(1,902,287)	1,051,641	7,524,427
59,261,754	57,657,057	54,915,660	49,919,690	51,821,977	50,770,336	43,245,909
<u>\$ 59,851,513</u>	<u>\$ 59,261,754</u>	<u>\$ 57,657,057</u>	<u>\$ 54,915,660</u>	<u>\$ 49,919,690</u>	<u>\$ 51,821,977</u>	<u>\$ 50,770,336</u>
<u>\$ 13,048,443</u>	<u>\$ 11,701,184</u>	<u>\$ 10,734,368</u>	<u>\$ 9,586,264</u>	<u>\$ 14,155,956</u>	<u>\$ 9,904,806</u>	<u>\$ 8,498,867</u>
82.10%	83.51%	84.30%	85.14%	77.91%	83.95%	85.66%
\$ 13,573,824	\$ 13,930,362	\$ 14,040,732	\$ 14,324,756	\$ 14,515,114	\$ 15,091,207	\$ 15,073,776
96.13%	84.00%	76.45%	66.92%	97.53%	65.63%	56.38%
1.86%	3.60%	6.63%	9.74%	-3.72%	2.16%	15.77%

Town of Ocean City, Maryland
Schedule of Changes in Net Pension Liability and Related Ratios - Public Safety Employees Pension Plan
Last Ten Fiscal Years

	2023	2022	2021
Total pension liability:			
Service cost	\$ 2,144,570	\$ 1,983,445	\$ 1,917,802
Interest	6,111,895	5,756,209	5,581,496
Differences between expected and actual experience	1,521,641	706,215	(219,258)
Changes of assumptions/methods	2,202,332	2,510,469	-
Changes of benefit terms	271,404	407,628	-
Benefit payments, including refunds of member contributions, deaths, and terminations	(5,207,209)	(4,832,574)	(4,737,321)
Net change in total pension liability	7,044,633	6,531,392	2,542,719
Total pension liability, beginning	91,138,367	84,606,975	82,064,256
Total pension liability, ending (a)	\$ 98,183,000	\$ 91,138,367	\$ 84,606,975
Plan fiduciary net position:			
Contributions - employer	\$ 4,751,032	\$ 4,406,092	\$ 4,411,474
Contributions - member	1,223,325	1,075,200	1,024,980
Net investment income (loss)	6,443,810	(11,561,155)	14,409,846
Benefit payments, including refunds of member contributions	(5,207,209)	(4,832,574)	(4,737,321)
Administrative expense	(65,861)	(66,428)	(21,270)
Other	-	-	-
Net change in plan fiduciary net position	7,145,097	(10,978,865)	15,087,709
Plan fiduciary net position, beginning	67,869,483	78,848,348	63,760,639
Plan fiduciary net position, ending (b)	\$ 75,014,580	\$ 67,869,483	\$ 78,848,348
Town's net pension liability, ending [(a) - (b)]	\$ 23,168,420	\$ 23,268,884	\$ 5,758,627
Plan fiduciary net position as a percentage of total pension liability	76.40%	74.47%	93.19%
Covered payroll	\$ 14,231,799	\$ 13,142,698	\$ 12,522,812
Net pension liability as a percentage of covered payroll	162.79%	177.05%	45.99%
Annual money-weighted rate of return, net of investment expense	9.89%	-15.17%	22.05%

NOTES TO SCHEDULE (information for FYE 2013 and earlier is not available):

Effective April 1, 2022, the following assumption changes were made:

- The investment return assumption decreased from 7.00% to 6.90%.
- The price inflation assumption decreased from 2.75% to 2.50%.
- The wage inflation assumption decreased from 3.25% to 3.00%.
- The rates of withdrawal and retirement were changed to reflect actual experience more closely.
- The rates of retirement for DROP employees were changed to reflect actual experience more closely.
- The salary merit scale was changed to reflect actual experience more closely.
- The salary merit scale will implement the Fraternal Order of Police (FOP) Negotiated Scale from 2022 through 2024.
- The rates of mortality were changed from the RP-2014 Blue Collar Mortality Table (adjusted and with mortality improvements projected to 2020 using Scale BB) to various PubS.H-2010 tables adjusted and with mortality improvements projected generationally using the MP-2021 projection scale.
- For married members, the assumption that a male is four years older than his spouse was changed to assume that a male is two years older than his spouse.
- The assumption that 60% of retirees choose a Life Annuity and 40% choose a Joint & Survivor Annuity was changed to assume that 50% choose each.

Effective April 1, 2023, the investment return assumption decreased from 6.90% to 6.80%. The salary merit scale and rates of retirement for police officers were slightly changed due to recent experience and discussions with staff.

2020	2019	2018	2017	2016	2015	2014
\$ 1,819,581	\$ 1,561,166	\$ 1,411,198	\$ 1,476,450	\$ 1,517,325	\$ 1,541,283	\$ 1,559,854
5,384,235	5,111,457	4,789,229	4,824,250	4,599,559	4,392,574	4,165,353
439,671	771,634	78,425	(488,687)	65,842	(334,481)	-
-	-	788,493	979,444	-	-	-
-	827,009	1,324,949	889,100	-	-	-
(4,910,705)	(3,856,008)	(3,724,261)	(3,449,052)	(2,933,975)	(2,748,521)	(2,692,361)
2,732,782	4,415,258	4,668,033	4,231,505	3,248,751	2,850,855	3,032,846
79,331,474	74,916,216	70,248,183	66,016,678	62,767,927	59,917,072	56,884,226
<u>\$ 82,064,256</u>	<u>\$ 79,331,474</u>	<u>\$ 74,916,216</u>	<u>\$ 70,248,183</u>	<u>\$ 66,016,678</u>	<u>\$ 62,767,927</u>	<u>\$ 59,917,072</u>
\$ 3,785,451	\$ 3,414,817	\$ 2,973,495	\$ 2,493,724	\$ 2,390,758	\$ 2,588,214	\$ 3,331,311
1,003,126	859,105	859,410	879,276	875,258	854,139	1,007,839
1,126,397	2,292,283	3,258,000	5,067,220	(1,727,374)	737,843	6,828,365
(4,910,705)	(3,856,008)	(3,724,261)	(3,449,051)	(2,933,975)	(2,748,521)	(3,049,533)
(45,305)	(49,878)	(42,821)	(61,065)	(50,915)	(37,506)	(77,691)
357,982	357,982	-	-	-	-	-
1,316,946	3,018,301	3,323,823	4,930,104	(1,446,248)	1,394,169	8,040,291
62,443,693	59,425,392	56,101,569	51,171,465	52,617,713	51,223,544	43,183,253
<u>\$ 63,760,639</u>	<u>\$ 62,443,693</u>	<u>\$ 59,425,392</u>	<u>\$ 56,101,569</u>	<u>\$ 51,171,465</u>	<u>\$ 52,617,713</u>	<u>\$ 51,223,544</u>
<u>\$ 18,303,617</u>	<u>\$ 16,887,781</u>	<u>\$ 15,490,824</u>	<u>\$ 14,146,614</u>	<u>\$ 14,845,213</u>	<u>\$ 10,150,214</u>	<u>\$ 8,693,528</u>
77.70%	78.71%	79.32%	79.86%	77.51%	83.83%	85.49%
\$ 12,267,793	\$ 10,703,993	\$ 10,702,208	\$ 10,591,890	\$ 10,835,080	\$ 10,671,545	\$ 10,540,564
149.20%	157.77%	144.74%	133.56%	137.01%	95.11%	82.48%
1.86%	3.68%	6.58%	9.53%	-3.63%	2.29%	14.96%

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

	2023	2022	2021
Actuarially determined contribution	\$ 3,161,368	\$ 2,639,659	\$ 2,709,226
Contributions in relation to the actuarially determined contribution	<u>3,161,368</u>	<u>2,639,659</u>	<u>2,709,226</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 11,187,060	\$ 11,005,512	\$ 11,950,404
Contributions as a percentage of covered payroll	28.26%	23.98%	22.67%

NOTES TO SCHEDULE:

Valuation date:

Actuarially determined contribution rates are calculated as of April 1st, 15 months prior to the end of the fiscal year in which contributions are reported

Actuarial methods and assumptions used to determine actuarial contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level dollar, closed
Remaining amortization period	5.5 years
Asset valuation method	Five-year smoothed market value
Inflation	2.50%
Salary increase	3.00% to 4.50%, including inflation
Investment rate of return	6.90%, net of pension plan investment expense, and including inflation
Retirement age	10% of employees eligible for unreduced benefits before age 65 are assumed to retire in the year when eligible (30 years of service), and 100% by age 72
Mortality	PubG.H-2010 Healthy Retiree Mortality Table for retirees (adjusted); PubG.H-2010 Disabled Retiree Mortality Table for disabled retirees (adjusted); PubG.H-2010 Healthy Contingent Annuitants Mortality Table for beneficiaries

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 2.0% of other service
Cost of living adjustment	None
DROP interest assumption	3.5% per year of interest on DROP balances for those in DROP

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 2,403,037	\$ 2,152,737	\$ 1,926,923	\$ 2,012,896	\$ 1,927,595	\$ 2,036,678	\$ 2,351,375
<u>2,403,037</u>	<u>2,152,737</u>	<u>1,926,923</u>	<u>2,012,896</u>	<u>1,927,595</u>	<u>2,036,678</u>	<u>2,351,375</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 13,573,824	\$ 13,930,362	\$ 14,040,732	\$ 14,324,756	\$ 14,515,114	\$ 15,091,207	\$ 15,073,776
17.70%	15.45%	13.72%	14.05%	13.28%	13.50%	15.60%

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

	2023	2022	2021
Actuarially determined contribution	\$ 4,751,032	\$ 4,406,092	\$ 4,411,474
Contributions in relation to the actuarially determined contribution	4,751,032	4,406,092	4,411,474
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered payroll	\$ 14,231,799	\$ 13,142,698	\$ 12,522,812
Contributions as a percentage of covered payroll	33.38%	33.53%	35.23%

NOTES TO SCHEDULE:

Valuation date:

Actuarially determined contribution rates are calculated as of April 1st, 15 months prior to the end of the fiscal year in which contributions are reported

Actuarial methods and assumptions used to determine actuarial contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level dollar, closed
Remaining amortization period	5.0 years
Asset valuation method	Five-year smoothed market value
Inflation	2.50%
Salary increase	3.25% to 8.00%, including inflation
Investment rate of return	6.90%, net of pension plan investment expense, and including inflation
Retirement age	40% of police employees and 40% 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 65
Mortality	PubS.H-2010 Healthy Retiree Mortality Table for retirees (adjusted); PubS.H-2010 Disabled Retiree Mortality Table for disabled retirees (adjusted); PubS.H-2010 Healthy Contingent Annuitants Mortality Table for beneficiaries

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 of interest on DROP balances for those in DROP

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 3,785,451	\$ 3,414,817	\$ 2,973,495	\$ 2,493,724	\$ 2,390,758	\$ 2,588,214	\$ 3,331,311
<u>3,785,451</u>	<u>3,414,817</u>	<u>2,973,495</u>	<u>2,493,724</u>	<u>2,390,758</u>	<u>2,588,214</u>	<u>3,331,311</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 12,267,793	\$ 10,703,993	\$ 10,702,208	\$ 10,591,890	\$ 10,835,080	\$ 10,671,545	\$ 10,540,564
30.86%	31.90%	27.78%	23.54%	22.06%	24.25%	31.60%

Town of Ocean City, Maryland
Schedule of Changes in Net Other Post-Employment Benefits Liability (Asset) and Related Ratios
For the Fiscal Years Ended June 30, 2023, 2022, 2021, 2020, 2019, 2018, 2017, and 2016

	2023	2022	2021
Total OPEB liability:			
Service cost	\$ 513,771	\$ 896,961	\$ 1,128,165
Interest	2,084,132	3,492,425	3,951,191
Differences between expected and actual experience	(273,986)	(22,867,909)	(7,306,767)
Changes of assumptions	-	(315,248)	(2,646,188)
Benefit payments	(1,246,207)	(1,593,414)	(1,710,202)
Net change in total OPEB liability	<u>1,077,710</u>	<u>(20,387,185)</u>	<u>(6,583,801)</u>
Total OPEB liability, beginning	<u>30,533,407</u>	<u>50,920,592</u>	<u>57,504,393</u>
Total OPEB liability, ending (a)	<u><u>\$ 31,611,117</u></u>	<u><u>\$ 30,533,407</u></u>	<u><u>\$ 50,920,592</u></u>
Plan fiduciary net position:			
Contributions - employer	\$ 107,605	\$ 96,128	\$ 1,301,375
Contributions - member	-	-	-
Net investment income (loss)	3,479,894	(6,359,890)	8,195,520
Benefit payments (net of retiree contributions)	(1,246,207)	(1,593,414)	(1,710,202)
Administrative expense and other additions	-	-	(58)
Net change in plan fiduciary net position	<u>2,341,292</u>	<u>(7,857,176)</u>	<u>7,786,635</u>
Plan fiduciary net position, beginning	<u>36,782,917</u>	<u>44,640,093</u>	<u>36,853,458</u>
Plan fiduciary net position, ending (b)	<u><u>\$ 39,124,209</u></u>	<u><u>\$ 36,782,917</u></u>	<u><u>\$ 44,640,093</u></u>
Town's net OPEB liability (asset), ending [(a) - (b)]	<u><u>\$ (7,513,092)</u></u>	<u><u>\$ (6,249,510)</u></u>	<u><u>\$ 6,280,499</u></u>
Plan fiduciary net position as a percentage of total OPEB liability	123.77%	120.47%	87.67%
Covered employee payroll	\$ 25,418,859	\$ 24,148,210	\$ 24,473,216
Net OPEB liability (asset) as a percentage of covered employee payroll	-29.56%	-25.88%	25.66%
Annual money-weighted rate of return, net of investment expense	9.65%	-15.26%	21.49%

NOTES TO SCHEDULE:

Benefit changes: None.

Changes of assumptions: The discount rate was changed as follows:
The discount rate changes year-to-year: 7.00% 7.00% 7.00%

Information for FYE 2015 and earlier is not available.

2020	2019	2018	2017	2016
\$ 1,131,345	\$ 1,347,402	\$ 1,298,075	\$ 1,251,000	\$ 1,251,000
3,919,290	4,219,168	3,967,702	3,775,299	3,566,000
(353,831)	(8,595,901)	4,736	(191,945)	(1,127,000)
(2,578,291)	-	-	-	-
(1,561,793)	(1,330,423)	(1,289,086)	(1,441,197)	(1,404,157)
556,720	(4,359,754)	3,981,427	3,393,157	2,285,843
56,947,673	61,307,427	57,326,000	53,932,843	51,647,000
<u>\$ 57,504,393</u>	<u>\$ 56,947,673</u>	<u>\$ 61,307,427</u>	<u>\$ 57,326,000</u>	<u>\$ 53,932,843</u>
\$ 2,297,361	\$ 2,249,822	\$ 3,096,038	\$ 2,965,000	\$ 3,207,000
-	-	-	264,541	312,537
760,482	1,343,996	1,835,413	2,513,536	(341,661)
(1,561,793)	(1,330,423)	(1,289,086)	(1,441,197)	(1,404,157)
-	-	-	51,271	-
1,496,050	2,263,395	3,642,365	4,353,151	1,773,719
35,357,408	33,094,013	29,451,648	25,098,497	23,324,778
<u>\$ 36,853,458</u>	<u>\$ 35,357,408</u>	<u>\$ 33,094,013</u>	<u>\$ 29,451,648</u>	<u>\$ 25,098,497</u>
<u>\$ 20,650,935</u>	<u>\$ 21,590,265</u>	<u>\$ 28,213,414</u>	<u>\$ 27,874,352</u>	<u>\$ 28,834,346</u>
64.09%	62.09%	53.98%	51.38%	46.54%
\$ 25,841,617	\$ 24,634,355	\$ 24,742,940	\$ 24,915,966	\$ 25,350,194
79.91%	87.64%	114.03%	111.87%	113.74%
1.67%	3.92%	6.56%	9.20%	-1.70%
7.00%	7.00%	7.00%	7.00%	7.00%

Town of Ocean City, Maryland
Schedule of Employer Contributions - Other Post-Employment Benefits Trust
Last Ten Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Actuarially determined contribution	\$ -	\$ 1,236,000	\$ 1,219,000
Contributions in relation to the actuarially determined contribution	<u>107,605</u>	<u>96,128</u>	<u>1,301,375</u>
Contribution deficiency (excess)	<u>\$ (107,605)</u>	<u>\$ 1,139,872</u>	<u>\$ (82,375)</u>
Covered employee payroll	\$ 25,418,859	\$ 24,148,210	\$ 24,473,216
Contributions as a percentage of covered employee payroll	0.42%	0.40%	5.32%

NOTES TO SCHEDULE:

Benefit changes None.
Changes of assumptions The long-term healthcare cost trend was updated to the latest model released by the SOA on October 30, 2021.
The election rate assumption for employees hired on or after July 1, 2022, electing retiree medical coverage was reduced from 100% to 80%.

Methods and assumptions used to determine contribution rates:

Valuation date 2/1/2022
Actuarial cost method Projected Unit Credit
Amortization method Level percentage of payroll, open
Remaining amortization period 20 years open (due to plan becoming 100% or more overfunded)
Asset valuation method Market value of assets
Investment rate of return 7.00%
Payroll growth rate 4.00%
Inflation 2.50%
Healthcare cost trend rate The trend is 6.00% in 2022 and the ultimate trend is 3.94%.

2020	2019	2018	2017	2016	2015	2014
\$ 2,220,000	\$ 2,177,000	\$ 3,034,000	\$ 2,965,000	\$ 3,207,000	\$ 3,083,000	\$ 3,617,000
<u>2,297,361</u>	<u>2,249,822</u>	<u>3,096,038</u>	<u>2,965,000</u>	<u>3,207,000</u>	<u>3,083,000</u>	<u>3,617,000</u>
<u><u>\$ (77,361)</u></u>	<u><u>\$ (72,822)</u></u>	<u><u>\$ (62,038)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
\$ 25,841,617	\$ 24,634,355	\$ 24,742,940	\$ 24,915,966	\$ 26,642,752	\$ 26,484,340	\$ 25,951,662
8.89%	9.13%	12.51%	11.90%	12.04%	11.64%	13.94%



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 as nonmajor enterprise funds:

AIRPORT FUND

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

GOLF COURSE FUND

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

TOWN OF OCEAN CITY, MARYLAND
 COMBINING STATEMENT OF NET POSITION
 NONMAJOR ENTERPRISE FUNDS
 JUNE 30, 2023

	Airport	Golf Course	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 381,627	\$ 1,647,033	\$ 2,028,660
Receivables, net	11,643	158,881	170,524
Intergovernmental receivable	793,360	10,294	803,654
Inventories	51,857	130,428	182,285
Prepaid expenses	-	3,500	3,500
Total current assets	<u>1,238,487</u>	<u>1,950,136</u>	<u>3,188,623</u>
Noncurrent assets:			
Net OPEB asset	23,901	95,604	119,505
Capital assets:			
Land	2,368,109	2,530,140	4,898,249
Buildings	4,587,345	713,031	5,300,376
Other improvements	-	678,990	678,990
Streets and infrastructure	19,621,753	-	19,621,753
Machinery and equipment	369,557	738,690	1,108,247
Construction in progress	3,969,791	-	3,969,791
Less: accumulated depreciation	<u>(11,630,000)</u>	<u>(1,905,705)</u>	<u>(13,535,705)</u>
Total capital assets	<u>19,286,555</u>	<u>2,755,146</u>	<u>22,041,701</u>
Total noncurrent assets	<u>19,310,456</u>	<u>2,850,750</u>	<u>22,161,206</u>
Total assets	<u>20,548,943</u>	<u>4,800,886</u>	<u>25,349,829</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	-	305,558	305,558
Deferred outflows related to OPEB	9,547	38,188	47,735
Total deferred outflows of resources	<u>9,547</u>	<u>343,746</u>	<u>353,293</u>
LIABILITIES			
Current liabilities:			
Accounts payable	317,396	117,941	435,337
Accrued expenses	9,129	28,329	37,458
Compensated absences	5,484	40,591	46,075
Unearned revenue	-	225,510	225,510
Current portion of long-term debt	78,813	-	78,813
Total current liabilities	<u>410,822</u>	<u>412,371</u>	<u>823,193</u>
Noncurrent liabilities:			
Compensated absences	15,245	-	15,245
Bonds, notes, and loans payable	20,099	-	20,099
Net pension liability	-	708,525	708,525
Total noncurrent liabilities	<u>35,344</u>	<u>708,525</u>	<u>743,869</u>
Total liabilities	<u>446,166</u>	<u>1,120,896</u>	<u>1,567,062</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	-	1,465	1,465
Deferred inflows related to OPEB	96,581	386,324	482,905
Total deferred inflows of resources	<u>96,581</u>	<u>387,789</u>	<u>484,370</u>
NET POSITION			
Net investment in capital assets	19,165,189	2,755,146	21,920,335
Restricted for OPEB	23,901	95,604	119,505
Unrestricted	826,653	785,197	1,611,850
Total net position	<u>\$ 20,015,743</u>	<u>\$ 3,635,947</u>	<u>\$ 23,651,690</u>

TOWN OF OCEAN CITY, MARYLAND
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 NONMAJOR ENTERPRISE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Airport	Golf Course	Total
OPERATING REVENUES			
Charges for sales and services	\$ 1,384,559	\$ 3,149,833	\$ 4,534,392
Miscellaneous	230,334	1,045	231,379
Total operating revenues	<u>1,614,893</u>	<u>3,150,878</u>	<u>4,765,771</u>
OPERATING EXPENSES			
Personal services	283,639	1,414,737	1,698,376
Contractual services	196,425	393,838	590,263
Utilities	43,875	47,380	91,255
Repairs and maintenance	113,324	120,094	233,418
Other supplies and expenses	621,276	643,856	1,265,132
Internal services	106,598	228,438	335,036
Depreciation	630,044	23,527	653,571
Total operating expenses	<u>1,995,181</u>	<u>2,871,870</u>	<u>4,867,051</u>
Operating income (loss)	(380,288)	279,008	(101,280)
NONOPERATING REVENUES (EXPENSES)			
Interest and investment revenue	6,265	50,501	56,766
Operating grants	32,000	-	32,000
Interest expense	(4,189)	-	(4,189)
Loss on disposal of assets	-	(2,510)	(2,510)
Total nonoperating revenues (expenses)	<u>34,076</u>	<u>47,991</u>	<u>82,067</u>
Income (loss) before capital contributions and transfers	(346,212)	326,999	(19,213)
Capital contributions	7,979,230	12,276	7,991,506
Transfers in	<u>321,455</u>	<u>57,375</u>	<u>378,830</u>
Change in net position	7,954,473	396,650	8,351,123
Net position, beginning	<u>12,061,270</u>	<u>3,239,297</u>	<u>15,300,567</u>
Net position, ending	<u>\$ 20,015,743</u>	<u>\$ 3,635,947</u>	<u>\$ 23,651,690</u>

TOWN OF OCEAN CITY, MARYLAND
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR ENTERPRISE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Airport	Golf Course	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users	\$ 1,616,312	\$ 3,088,031	\$ 4,704,343
Payments to suppliers	(1,074,696)	(1,225,981)	(2,300,677)
Payments to employees	(327,649)	(1,356,460)	(1,684,109)
Payments for interfund services used	(106,598)	(228,438)	(335,036)
Net cash provided by operating activities	<u>107,369</u>	<u>277,152</u>	<u>384,521</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Subsidies from county, state, and federal grants	32,000	-	32,000
Transfers from other funds	321,455	57,375	378,830
Net cash provided by noncapital financing activities	<u>353,455</u>	<u>57,375</u>	<u>410,830</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Capital contributions	7,512,840	12,276	7,525,116
Acquisition and construction of capital assets	(8,269,559)	(105,796)	(8,375,355)
Principal paid on capital debt	(76,339)	-	(76,339)
Interest paid on capital debt	(4,698)	-	(4,698)
Net cash used by capital and related financing activities	<u>(837,756)</u>	<u>(93,520)</u>	<u>(931,276)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and dividends received	6,265	50,501	56,766
Net cash provided by investing activities	<u>6,265</u>	<u>50,501</u>	<u>56,766</u>
Net increase (decrease) in cash and cash equivalents	(370,667)	291,508	(79,159)
Cash and cash equivalents, beginning of the fiscal year	<u>752,294</u>	<u>1,355,525</u>	<u>2,107,819</u>
Cash and cash equivalents, end of the fiscal year	<u>\$ 381,627</u>	<u>\$ 1,647,033</u>	<u>\$ 2,028,660</u>

(Continued)

TOWN OF OCEAN CITY, MARYLAND
 COMBINING STATEMENT OF CASH FLOWS (Continued)
 NONMAJOR ENTERPRISE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Airport	Golf Course	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (380,288)	\$ 279,008	\$ (101,280)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	630,044	23,527	653,571
EFFECT OF CHANGES IN OPERATING ASSETS AND LIABILITIES:			
Accounts receivable	1,419	(57,079)	(55,660)
Due from other governmental agencies	-	3,617	3,617
Inventories	8,035	(35,818)	(27,783)
Deferred outflows related to pensions	-	87,040	87,040
Deferred outflows related to OPEB	14,590	26,177	40,767
Compensated absences	4,876	(9,139)	(4,263)
Accounts payable	(107,831)	15,005	(92,826)
Accrued expenses	1,175	(331)	844
Unearned revenue	-	(9,385)	(9,385)
Net pension liability	-	34,454	34,454
Net OPEB liability (asset)	5,869	(16,217)	(10,348)
Deferred inflows related to pensions	-	(4,430)	(4,430)
Deferred inflows related to OPEB	(70,520)	(59,277)	(129,797)
Total adjustments	487,657	(1,856)	485,801
Net cash provided by operating activities	\$ 107,369	\$ 277,152	\$ 384,521
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:			
Loss on disposal of assets	\$ -	\$ (2,510)	\$ (2,510)



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 as internal service funds:

INFORMATION TECHNOLOGY

To account for the costs of operating computers, networks, and data processing systems used by other Town departments. Such costs are billed to the 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 for goods used by other departments. Charges for these goods are at cost plus a markup to cover employee costs, depreciation, and the amortization of long-term debt.

VEHICLE AND EQUIPMENT TRUST FUND

To account for the costs of acquiring vehicles and equipment used by other Town 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 the 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 programs.

TOWN OF OCEAN CITY, MARYLAND
 COMBINING STATEMENT OF NET POSITION
 INTERNAL SERVICE FUNDS
 JUNE 30, 2023

	Information Technology	Service Center	Vehicle & Equipment Trust	Risk Management	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 901,499	\$ 743,929	\$ 2,617,053	\$ 927,073	\$ 5,189,554
Investments	-	-	-	3,926,712	3,926,712
Receivables, net	72	-	18,247	-	18,319
Interest receivable	-	-	-	19,809	19,809
Inventories	-	965,409	-	-	965,409
Total current assets	<u>901,571</u>	<u>1,709,338</u>	<u>2,635,300</u>	<u>4,873,594</u>	<u>10,119,803</u>
Noncurrent assets:					
Net OPEB asset	83,653	179,257	-	23,901	286,811
Capital assets:					
Buildings	-	1,373,223	73,860	-	1,447,083
Machinery and equipment	686,634	428,675	47,690,908	-	48,806,217
Less: accumulated depreciation	(666,820)	(1,656,287)	(34,300,804)	-	(36,623,911)
Total capital assets	<u>19,814</u>	<u>145,611</u>	<u>13,463,964</u>	<u>-</u>	<u>13,629,389</u>
Total noncurrent assets	<u>103,467</u>	<u>324,868</u>	<u>13,463,964</u>	<u>23,901</u>	<u>13,916,200</u>
Total assets	<u>1,005,038</u>	<u>2,034,206</u>	<u>16,099,264</u>	<u>4,897,495</u>	<u>24,036,003</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pensions	209,299	280,234	-	36,929	526,462
Deferred outflows related to OPEB	33,414	71,602	-	9,547	114,563
Total deferred outflows of resources	<u>242,713</u>	<u>351,836</u>	<u>-</u>	<u>46,476</u>	<u>641,025</u>
LIABILITIES					
Current liabilities:					
Accounts payable	4,236	189,628	7,008	63,686	264,558
Accrued expenses	14,189	20,897	29,947	-	65,033
Compensated absences, current	49,587	71,491	-	14,067	135,145
Claims and judgments, current	-	-	-	953,336	953,336
Current portion of long-term debt	-	-	860,922	-	860,922
Total current liabilities	<u>68,012</u>	<u>282,016</u>	<u>897,877</u>	<u>1,031,089</u>	<u>2,278,994</u>
Noncurrent liabilities:					
Claims and judgments	-	-	-	3,550,497	3,550,497
Bonds, notes, and loans payable	-	-	2,693,572	-	2,693,572
Net pension liability	485,319	649,805	-	85,630	1,220,754
Total noncurrent liabilities	<u>485,319</u>	<u>649,805</u>	<u>2,693,572</u>	<u>3,636,127</u>	<u>7,464,823</u>
Total liabilities	<u>553,331</u>	<u>931,821</u>	<u>3,591,449</u>	<u>4,667,216</u>	<u>9,743,817</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions	1,003	1,343	-	177	2,523
Deferred inflows related to OPEB	338,033	724,357	-	96,581	1,158,971
Total deferred inflows of resources	<u>339,036</u>	<u>725,700</u>	<u>-</u>	<u>96,758</u>	<u>1,161,494</u>
NET POSITION					
Net investment in capital assets	19,814	145,611	9,909,470	-	10,074,895
Restricted for OPEB	83,653	179,257	-	23,901	286,811
Unrestricted	251,917	403,653	2,598,345	156,096	3,410,011
Total net position	<u>\$ 355,384</u>	<u>\$ 728,521</u>	<u>\$ 12,507,815</u>	<u>\$ 179,997</u>	<u>\$ 13,771,717</u>

TOWN OF OCEAN CITY, MARYLAND
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 INTERNAL SERVICE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Information Technology	Service Center	Vehicle & Equipment Trust	Risk Management	Total
OPERATING REVENUES					
Charges for sales and services	\$ 2,318,943	\$ 5,402,912	\$ 3,953,305	\$ 3,458,415	\$ 15,133,575
Miscellaneous	-	3,518	4	485	4,007
Total operating revenues	<u>2,318,943</u>	<u>5,406,430</u>	<u>3,953,309</u>	<u>3,458,900</u>	<u>15,137,582</u>
OPERATING EXPENSES					
Personal services	902,411	1,466,020	-	203,141	2,571,572
Contractual services	118,859	22,648	439,277	1,635,301	2,216,085
Utilities	54,659	73,065	-	1,759	129,483
Repairs and maintenance	752,416	140,137	-	1,112	893,665
Other supplies and expenses	209,630	3,014,495	40,495	999	3,265,619
Internal services	63,775	348,005	627,904	141,856	1,181,540
Insurance claims and expenses	-	-	-	1,701,778	1,701,778
Depreciation	11,692	36,932	3,483,011	-	3,531,635
Total operating expenses	<u>2,113,442</u>	<u>5,101,302</u>	<u>4,590,687</u>	<u>3,685,946</u>	<u>15,491,377</u>
Operating income (loss)	205,501	305,128	(637,378)	(227,046)	(353,795)
NONOPERATING REVENUES (EXPENSES)					
Interest and investment revenue	-	-	-	126,948	126,948
Interest expense	-	-	(71,610)	-	(71,610)
Gain on disposal of assets	-	-	234,870	-	234,870
Total nonoperating revenues (expenses)	<u>-</u>	<u>-</u>	<u>163,260</u>	<u>126,948</u>	<u>290,208</u>
Income (loss) before capital contributions and transfers	205,501	305,128	(474,118)	(100,098)	(63,587)
Transfers in	-	-	350,000	-	350,000
Change in net position	205,501	305,128	(124,118)	(100,098)	286,413
Net position, beginning	<u>149,883</u>	<u>423,393</u>	<u>12,631,933</u>	<u>280,095</u>	<u>13,485,304</u>
Net position, ending	<u>\$ 355,384</u>	<u>\$ 728,521</u>	<u>\$ 12,507,815</u>	<u>\$ 179,997</u>	<u>\$ 13,771,717</u>

TOWN OF OCEAN CITY, MARYLAND
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Information Technology	Service Center
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	\$ 2,319,560	\$ 5,406,430
Payments to suppliers	(1,149,996)	(3,482,930)
Payments to employees	(1,035,469)	(1,534,169)
Payments for interfund services used	(63,775)	(348,005)
Net cash provided by operating activities	<u>70,320</u>	<u>41,326</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers from other funds	-	-
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	-	-
Interest paid on capital debt	-	-
Financed purchase payments	-	-
Proceeds from sales of capital assets	-	-
Net cash used by capital and related financing activities	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	-	-
Sales of investments	-	-
Interest and dividends received	-	-
Net cash used by investing activities	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	70,320	41,326
Cash and cash equivalents, beginning of the fiscal year	<u>831,179</u>	<u>702,603</u>
Cash and cash equivalents, end of the fiscal year	<u><u>\$ 901,499</u></u>	<u><u>\$ 743,929</u></u>

(Continued)

Vehicle & Equipment Trust	Risk Management	Total
\$ 3,955,085	\$ 3,458,900	\$ 15,139,975
(479,772)	(2,946,174)	(8,058,872)
-	(207,313)	(2,776,951)
(627,904)	(141,856)	(1,181,540)
<u>2,847,409</u>	<u>163,557</u>	<u>3,122,612</u>
350,000	-	350,000
<u>350,000</u>	<u>-</u>	<u>350,000</u>
(2,539,391)	-	(2,539,391)
(79,677)	-	(79,677)
(791,808)	-	(791,808)
234,870	-	234,870
<u>(3,176,006)</u>	<u>-</u>	<u>(3,176,006)</u>
-	(4,571,438)	(4,571,438)
-	4,244,591	4,244,591
-	91,442	91,442
<u>-</u>	<u>(235,405)</u>	<u>(235,405)</u>
21,403	(71,848)	61,201
<u>2,595,650</u>	<u>998,921</u>	<u>5,128,353</u>
<u>\$ 2,617,053</u>	<u>\$ 927,073</u>	<u>\$ 5,189,554</u>

TOWN OF OCEAN CITY, MARYLAND
 COMBINING STATEMENT OF CASH FLOWS (Continued)
 INTERNAL SERVICE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Information Technology	Service Center
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 205,501	\$ 305,128
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	11,692	36,932
EFFECT OF CHANGES IN OPERATING ASSETS AND LIABILITIES:		
Accounts receivable	617	-
Inventories	-	(233,586)
Prepaid expenses	18,555	-
Deferred outflows related to pensions	180,842	52,885
Deferred outflows related to OPEB	38,997	73,220
Compensated absences	(3,644)	13,731
Accounts payable	(32,987)	1,001
Accrued expenses	(2,254)	(3,300)
Claims liability	-	-
Net pension liability	(184,533)	77,857
Net OPEB liability (asset)	5,658	(636)
Deferred inflows related to pensions	(4,855)	(3,659)
Deferred inflows related to OPEB	(163,269)	(278,247)
Total adjustments	(135,181)	(263,802)
Net cash provided by operating activities	\$ 70,320	\$ 41,326
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:		
Increase in fair value of investments	\$ -	\$ -

Vehicle & Equipment Trust	Risk Management	Total
\$ (637,378)	\$ (227,046)	\$ (353,795)
3,483,011	-	3,531,635
1,776	-	2,393
-	-	(233,586)
-	-	18,555
-	13,548	247,275
-	6,544	118,761
-	3,039	13,126
-	(43,195)	(75,181)
-	(6,812)	(12,366)
-	437,970	437,970
-	(1,037)	(107,713)
-	(4,054)	968
-	(580)	(9,094)
-	(14,820)	(456,336)
<u>3,484,787</u>	<u>390,603</u>	<u>3,476,407</u>
<u>\$ 2,847,409</u>	<u>\$ 163,557</u>	<u>\$ 3,122,612</u>
\$ -	\$ 33,916	\$ 33,916



FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the Town in a trustee capacity for individuals, private organizations, other governments, or other funds. The following activities of the Town are benefit trust funds reported as fiduciary funds:

GENERAL EMPLOYEES PENSION PLAN FUND

To account for the accumulation of resources to be used for pension benefit payments to general Town employees. The Town and participating employees contribute resources as determined by an annual actuarial study.

PUBLIC SAFETY EMPLOYEES PENSION PLAN FUND

To account for the accumulation of resources to be used for pension benefit payments to qualified public safety employees. The Town and participating employees contribute resources as determined by an annual actuarial study.

OTHER POST-EMPLOYMENT BENEFITS TRUST FUND

To account for the accumulation of resources to be used for health insurance benefits for eligible retirees. The Town contributes resources as determined by a biennial actuarial study.

TOWN OF OCEAN CITY, MARYLAND
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 PENSION AND OPEB TRUST FUNDS
 JUNE 30, 2023

	General Employees Pension Trust Fund	Public Safety Employees Pension Trust Fund	OPEB Trust Fund	Total Benefit Trust Funds
ASSETS				
Cash and cash equivalents	\$ 2,894,991	\$ 4,605,716	\$ 1,229,761	\$ 8,730,468
Interest and dividends receivable	95,729	104,612	59,939	260,280
Investments, at fair value:				
Domestic equities	21,802,196	24,847,826	13,346,059	59,996,081
Domestic fixed income	20,152,944	22,490,040	12,192,453	54,835,437
International equities	16,436,818	18,270,793	9,904,119	44,611,730
Alternative investments	4,172,141	4,714,471	2,391,878	11,278,490
Total investments	<u>62,564,099</u>	<u>70,323,130</u>	<u>37,834,509</u>	<u>170,721,738</u>
Total assets	<u>65,554,819</u>	<u>75,033,458</u>	<u>39,124,209</u>	<u>179,712,486</u>
LIABILITIES				
Accounts payable	<u>14,854</u>	<u>18,878</u>	<u>-</u>	<u>33,732</u>
Total liabilities	<u>14,854</u>	<u>18,878</u>	<u>-</u>	<u>33,732</u>
NET POSITION				
Net position restricted for pensions/OPEB	<u>\$ 65,539,965</u>	<u>\$ 75,014,580</u>	<u>\$ 39,124,209</u>	<u>\$ 179,678,754</u>

TOWN OF OCEAN CITY, MARYLAND
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 PENSION AND OPEB TRUST FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	General Employees Pension Trust Fund	Public Safety Employees Pension Trust Fund	OPEB Trust Fund	Total Benefit Trust Funds
ADDITIONS				
Contributions:				
Employer	\$ 3,161,368	\$ 4,751,032	\$ 107,605	\$ 8,020,005
Plan members	552,662	1,223,325	-	1,775,987
Total contributions	<u>3,714,030</u>	<u>5,974,357</u>	<u>107,605</u>	<u>9,795,992</u>
Investment earnings:				
Net change in fair value of investments	4,447,573	4,978,526	2,723,798	12,149,897
Interest	452,454	496,113	276,017	1,224,584
Dividends	1,136,930	1,318,405	672,693	3,128,028
Total investment income	6,036,957	6,793,044	3,672,508	16,502,509
Less: investment expense	<u>(312,040)</u>	<u>(349,234)</u>	<u>(192,614)</u>	<u>(853,888)</u>
Net investment income	<u>5,724,917</u>	<u>6,443,810</u>	<u>3,479,894</u>	<u>15,648,621</u>
Total additions	<u>9,438,947</u>	<u>12,418,167</u>	<u>3,587,499</u>	<u>25,444,613</u>
DEDUCTIONS				
Benefits and refunds paid	4,666,773	5,207,209	1,246,207	11,120,189
Administrative expenses	38,652	65,861	-	104,513
Total deductions	<u>4,705,425</u>	<u>5,273,070</u>	<u>1,246,207</u>	<u>11,224,702</u>
Change in net position	4,733,522	7,145,097	2,341,292	14,219,911
Net position, beginning	<u>60,806,443</u>	<u>67,869,483</u>	<u>36,782,917</u>	<u>165,458,843</u>
Net position, ending	<u>\$ 65,539,965</u>	<u>\$ 75,014,580</u>	<u>\$ 39,124,209</u>	<u>\$ 179,678,754</u>



STATISTICAL SECTION

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

<u>Contents</u>	<u>Pages</u>
Financial Trends These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.	118-127
Revenue Capacity These schedules contain information to help the reader assess the Town's most significant local revenue sources including property taxes and room taxes.	128-132
Debt Capacity These schedules contain 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.	133-136
Demographic and Economic Information These schedules contain demographic and economic indicators to help the reader assess the environment within which the Town's financial activities take place.	137-138
Operating Information These schedules contain service and infrastructure data to help the reader assess how the information in the Town's financial report relates to the services the Town provides and the activities it performs.	139-143

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

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

	2023	2022	2021	2020
Governmental activities				
Net investment in capital assets	\$ 72,954,505	\$ 68,381,960	\$ 66,130,826	\$ 66,099,041
Restricted	5,895,077	-	-	-
Unrestricted	21,296,648	20,562,133	11,576,145	(9,194,664)
<i>Total governmental activities net position</i>	<u>100,146,230</u>	<u>88,944,093</u>	<u>77,706,971</u>	<u>56,904,377</u>
Business-type activities				
Net investment in capital assets	127,335,450	117,599,334	115,219,474	107,928,456
Restricted	3,471,826	2,412,860	2,925,283	3,062,035
Unrestricted	12,368,315	9,509,605	7,670,404	3,548,747
<i>Total business-type activities net position</i>	<u>143,175,591</u>	<u>129,521,799</u>	<u>125,815,161</u>	<u>114,539,238</u>
Primary government				
Net investment in capital assets	200,289,955	185,981,294	181,350,300	174,027,497
Restricted	9,366,903	2,412,860	2,925,283	3,062,035
Unrestricted	33,664,963	30,071,738	19,246,549	(5,645,917)
<i>Total primary government net position</i>	<u>\$ 243,321,821</u>	<u>\$ 218,465,892</u>	<u>\$ 203,522,132</u>	<u>\$ 171,443,615</u>

2019	2018	2017	2016	2015	2014
\$ 63,840,069	\$ 59,880,188	\$ 58,962,839	\$ 55,670,509	\$ 57,685,894	\$ 57,349,894
-	-	-	-	-	115,000
(7,500,454)	(5,330,950)	12,679,830	8,269,875	5,755,438	13,700,802
<u>56,339,615</u>	<u>54,549,238</u>	<u>71,642,669</u>	<u>63,940,384</u>	<u>63,441,332</u>	<u>71,165,696</u>
96,802,988	88,271,380	77,976,227	77,730,796	73,668,728	70,435,192
3,063,906	3,029,456	2,612,045	2,289,651	4,284,817	6,272,857
5,196,145	5,154,819	14,069,326	12,912,695	13,337,439	13,594,642
<u>105,063,039</u>	<u>96,455,655</u>	<u>94,657,598</u>	<u>92,933,142</u>	<u>91,290,984</u>	<u>90,302,691</u>
160,643,057	148,151,568	136,939,066	133,401,305	131,354,622	127,785,086
3,063,906	3,029,456	2,612,045	2,289,651	4,284,817	6,387,857
(2,304,309)	(176,131)	26,749,156	21,182,570	19,092,877	27,295,444
<u>\$ 161,402,654</u>	<u>\$ 151,004,893</u>	<u>\$ 166,300,267</u>	<u>\$ 156,873,526</u>	<u>\$ 154,732,316</u>	<u>\$ 161,468,387</u>

Town of Ocean City, Maryland

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

	2023	2022	2021	2020
Expenses				
Governmental activities:				
General government	\$ 2,053,769	\$ 686,237	\$ 258,640	\$ 1,005,541
Public safety	43,969,174	41,853,089	36,162,036	41,931,460
General public works and beach	8,169,009	8,436,145	7,565,437	7,947,190
Sanitation and waste removal	7,977,414	7,432,443	6,856,099	6,709,292
Highways and streets	9,661,508	9,215,575	7,578,264	8,901,892
Economic development - tourism	15,610,243	7,801,066	7,300,049	8,346,286
Recreation and culture	9,180,176	8,613,369	7,691,127	7,933,083
Interest on long-term debt	1,138,001	1,569,129	1,322,736	1,496,052
Total governmental activities expenses	<u>97,759,294</u>	<u>85,607,053</u>	<u>74,734,388</u>	<u>84,270,796</u>
Business-type activities:				
Water	7,769,700	6,759,912	5,600,246	6,030,102
Wastewater	11,476,740	12,854,591	11,284,560	12,873,389
Transportation	8,486,478	7,983,596	6,027,237	7,276,681
Convention Center	7,248,783	6,333,897	5,197,788	5,918,274
Airport	1,999,370	2,138,618	1,620,583	3,255,852
Golf	2,874,380	2,431,796	2,043,049	2,371,013
Total business-type activities expenses	<u>39,855,451</u>	<u>38,502,410</u>	<u>31,773,463</u>	<u>37,725,311</u>
Total primary government expenses	<u>\$137,614,745</u>	<u>\$124,109,463</u>	<u>\$106,507,851</u>	<u>\$121,996,107</u>
Program revenues				
Governmental activities:				
Charges for services:				
General government	\$ 5,062,158	\$ 4,405,742	\$ 4,403,216	\$ 4,887,614
Public safety	3,410,131	3,936,737	3,517,311	2,848,882
General public works and beach	5,623,375	5,985,865	4,940,700	4,686,163
Sanitation and waste removal	168,525	157,379	157,745	133,343
Highways and streets	1,686,665	1,641,443	1,549,319	1,290,408
Economic development - tourism	1,630,665	1,409,512	728,887	1,165,587
Recreation and culture	1,906,798	1,630,279	1,078,313	1,396,325
Operating grants and contributions	6,028,839	3,753,811	4,145,643	3,335,627
Capital grants and contributions	1,402,362	732,217	164,623	-
Total governmental activities program revenues	<u>26,919,518</u>	<u>23,652,985</u>	<u>20,685,757</u>	<u>19,743,949</u>
Business-type activities:				
Charges for services:				
Water	7,620,824	7,865,870	6,582,968	6,254,649
Wastewater	14,576,440	14,460,501	14,397,655	14,394,010
Transportation	3,213,954	2,917,897	1,420,189	3,188,557
Convention Center	2,099,078	1,510,283	720,582	1,200,549
Airport	1,614,893	1,234,455	1,029,215	1,090,680
Golf	3,150,878	2,834,436	2,531,791	1,662,180
Operating grants and contributions	7,050,144	6,129,034	5,230,089	3,827,761
Capital grants and contributions	10,128,781	2,528,559	7,239,346	10,829,317
Total business-type activities program revenues	<u>49,454,992</u>	<u>39,481,035</u>	<u>39,151,835</u>	<u>42,447,703</u>
Total primary government program revenues	<u>\$ 76,374,510</u>	<u>\$ 63,134,020</u>	<u>\$ 59,837,592</u>	<u>\$ 62,191,652</u>

2019	2018	2017	2016	2015	2014
\$ 961,507	\$ 978,045	\$ 1,117,684	\$ 1,019,892	\$ 852,529	\$ 1,314,758
37,934,242	36,827,677	35,363,774	35,138,306	32,782,621	36,112,813
8,038,416	8,190,991	7,026,384	7,261,653	7,240,368	6,329,540
6,578,821	6,353,497	6,104,169	6,256,386	5,787,086	6,230,810
9,938,469	8,424,668	7,660,939	10,501,844	7,102,511	7,787,410
8,649,731	9,389,746	8,813,147	8,343,211	8,139,166	7,998,815
8,477,292	8,282,474	8,234,584	7,862,334	7,479,558	7,654,518
1,548,752	1,367,535	1,301,378	1,307,810	1,335,105	1,462,237
<u>82,127,230</u>	<u>79,814,633</u>	<u>75,622,059</u>	<u>77,691,436</u>	<u>70,718,944</u>	<u>74,890,901</u>
6,036,469	5,826,613	5,751,275	5,869,793	5,532,561	6,251,720
11,847,685	12,000,680	12,331,189	12,740,636	11,299,812	11,966,765
8,104,072	8,476,581	7,929,546	8,228,957	8,213,299	8,036,903
6,181,811	6,012,638	5,670,317	6,364,714	5,341,279	5,438,689
2,631,481	1,823,343	1,985,010	1,506,936	1,832,178	1,615,099
2,161,739	2,204,437	2,082,395	2,106,675	2,050,051	2,069,805
<u>36,963,257</u>	<u>36,344,292</u>	<u>35,749,732</u>	<u>36,817,711</u>	<u>34,269,180</u>	<u>35,378,981</u>
<u>\$ 119,090,487</u>	<u>\$ 116,158,925</u>	<u>\$ 111,371,791</u>	<u>\$ 114,509,147</u>	<u>\$ 104,988,124</u>	<u>\$ 110,269,882</u>
\$ 4,181,017	\$ 4,325,274	\$ 4,285,248	\$ 4,207,093	\$ 3,892,295	\$ 3,870,984
2,471,329	2,307,485	2,130,314	2,171,345	2,038,976	2,056,556
4,836,090	4,639,991	4,704,486	4,238,386	4,314,242	4,044,925
133,479	147,173	116,257	134,390	115,232	99,350
1,424,559	1,312,803	1,355,098	1,129,247	1,054,220	1,126,770
1,620,374	1,698,351	1,593,428	1,652,093	1,589,455	1,465,927
1,461,220	1,762,377	1,804,858	1,791,371	1,627,668	1,573,586
3,087,434	3,302,181	3,370,747	3,301,092	3,026,042	3,432,044
293,883	102,407	335,711	152,732	190,351	105,000
<u>19,509,385</u>	<u>19,598,042</u>	<u>19,696,147</u>	<u>18,777,749</u>	<u>17,848,481</u>	<u>17,775,142</u>
6,212,765	6,221,780	6,494,646	6,209,726	7,107,376	7,050,007
14,169,964	13,798,797	13,332,083	13,202,701	12,771,316	12,551,066
4,368,102	4,323,653	4,589,633	4,650,181	4,558,857	4,100,681
1,767,935	1,898,803	1,840,823	1,705,782	1,745,001	1,792,680
1,128,058	1,046,766	969,381	978,545	1,108,590	1,146,509
2,027,385	1,974,674	2,009,103	2,022,149	2,022,992	1,983,132
3,951,925	3,821,429	3,823,027	3,652,214	3,680,145	3,593,254
7,026,427	9,348,123	1,705,045	2,894,257	1,530,415	6,501,328
<u>40,652,561</u>	<u>42,434,025</u>	<u>34,763,741</u>	<u>35,315,555</u>	<u>34,524,692</u>	<u>38,718,657</u>
<u>\$ 60,161,946</u>	<u>\$ 62,032,067</u>	<u>\$ 54,459,888</u>	<u>\$ 54,093,304</u>	<u>\$ 52,373,173</u>	<u>\$ 56,493,799</u>

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

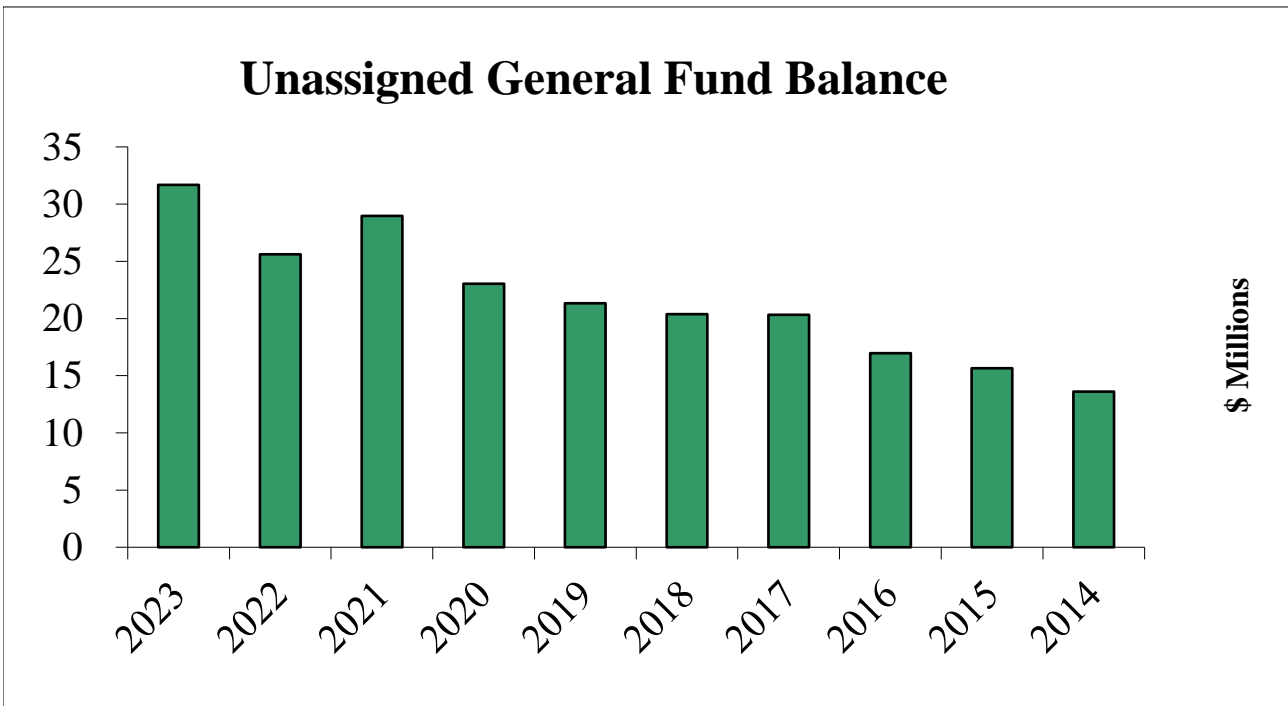
	2023	2022	2021	2020
Net (expenses) revenues				
Governmental activities	\$ (70,839,776)	\$ (61,954,068)	\$ (54,048,631)	\$ (64,526,847)
Business-type activities	9,599,541	978,625	7,378,372	4,722,392
Total primary government net expenses	<u>\$ (61,240,235)</u>	<u>\$ (60,975,443)</u>	<u>\$ (46,670,259)</u>	<u>\$ (59,804,455)</u>
General revenues and other changes in net position				
Governmental activities:				
Taxes:				
Property and other local taxes levied for:				
General purposes	\$ 45,386,733	\$ 44,762,217	\$ 44,753,212	\$ 45,095,552
Sales and income taxes	31,848,594	26,313,664	22,049,614	18,675,635
State gaming contributions	983,282	936,346	824,629	579,115
Grants and contributions not restricted to specific programs	2,905,584	2,872,354	9,863,174	2,877,035
Investment earnings	2,893,871	11,935	5,784	1,155,677
Loss on sales of capital assets	-	-	-	-
Other revenue	1,078,921	983,355	1,202,856	994,054
Transfers	(3,055,072)	(2,688,681)	(3,848,044)	(4,285,459)
Total governmental activities	<u>82,041,913</u>	<u>73,191,190</u>	<u>74,851,225</u>	<u>65,091,609</u>
Business-type activities:				
Investment earnings	999,179	39,332	49,507	468,348
Loss on sales of capital assets	-	-	-	-
Other revenue (expense)	-	-	-	-
Transfers	3,055,072	2,688,681	3,848,044	4,285,459
Total business-type activities	<u>4,054,251</u>	<u>2,728,013</u>	<u>3,897,551</u>	<u>4,753,807</u>
Total primary government	<u>86,096,164</u>	<u>75,919,203</u>	<u>78,748,776</u>	<u>69,845,416</u>
Changes in net position				
Governmental activities	11,202,137	11,237,122	20,802,594	564,762
Business-type activities	13,653,792	3,706,638	11,275,923	9,476,199
Total primary government	<u>\$ 24,855,929</u>	<u>\$ 14,943,760</u>	<u>\$ 32,078,517</u>	<u>\$ 10,040,961</u>

2019	2018	2017	2016	2015	2014
\$ (62,617,845)	\$ (60,216,591)	\$ (55,925,912)	\$ (58,913,687)	\$ (52,870,463)	\$ (57,115,759)
3,689,304	6,089,733	(985,991)	(1,502,156)	255,512	3,339,676
<u>\$ (58,928,541)</u>	<u>\$ (54,126,858)</u>	<u>\$ (56,911,903)</u>	<u>\$ (60,415,843)</u>	<u>\$ (52,614,951)</u>	<u>\$ (53,776,083)</u>
\$ 43,732,086	\$ 43,239,535	\$ 42,938,816	\$ 42,717,221	\$ 42,444,386	\$ 42,199,671
19,108,527	18,721,093	18,645,893	17,205,888	16,454,632	16,042,019
768,971	706,108	655,254	633,268	563,517	469,430
2,764,559	2,639,334	2,763,852	2,720,894	2,576,103	2,586,297
1,420,639	399,992	111,056	192,920	199,294	181,668
-	-	-	(1,482,918)	-	-
816,663	756,507	1,141,154	583,485	769,305	684,250
(4,203,223)	(3,595,376)	(2,627,828)	(3,158,019)	(3,022,929)	(3,363,267)
<u>64,408,222</u>	<u>62,867,193</u>	<u>63,628,197</u>	<u>59,412,739</u>	<u>59,984,308</u>	<u>58,800,068</u>
714,857	243,267	82,619	47,816	49,470	56,399
-	-	-	(61,521)	-	-
-	-	-	-	14,568	(7,033)
4,203,223	3,595,376	2,627,828	3,158,019	3,022,929	3,363,267
<u>4,918,080</u>	<u>3,838,643</u>	<u>2,710,447</u>	<u>3,144,314</u>	<u>3,086,967</u>	<u>3,412,633</u>
<u>69,326,302</u>	<u>66,705,836</u>	<u>66,338,644</u>	<u>62,557,053</u>	<u>63,071,275</u>	<u>62,212,701</u>
1,790,377	2,650,602	7,702,285	499,052	7,113,845	1,684,309
8,607,384	9,928,376	1,724,456	1,642,158	3,342,479	6,752,309
<u>\$ 10,397,761</u>	<u>\$ 12,578,978</u>	<u>\$ 9,426,741</u>	<u>\$ 2,141,210</u>	<u>\$ 10,456,324</u>	<u>\$ 8,436,618</u>

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

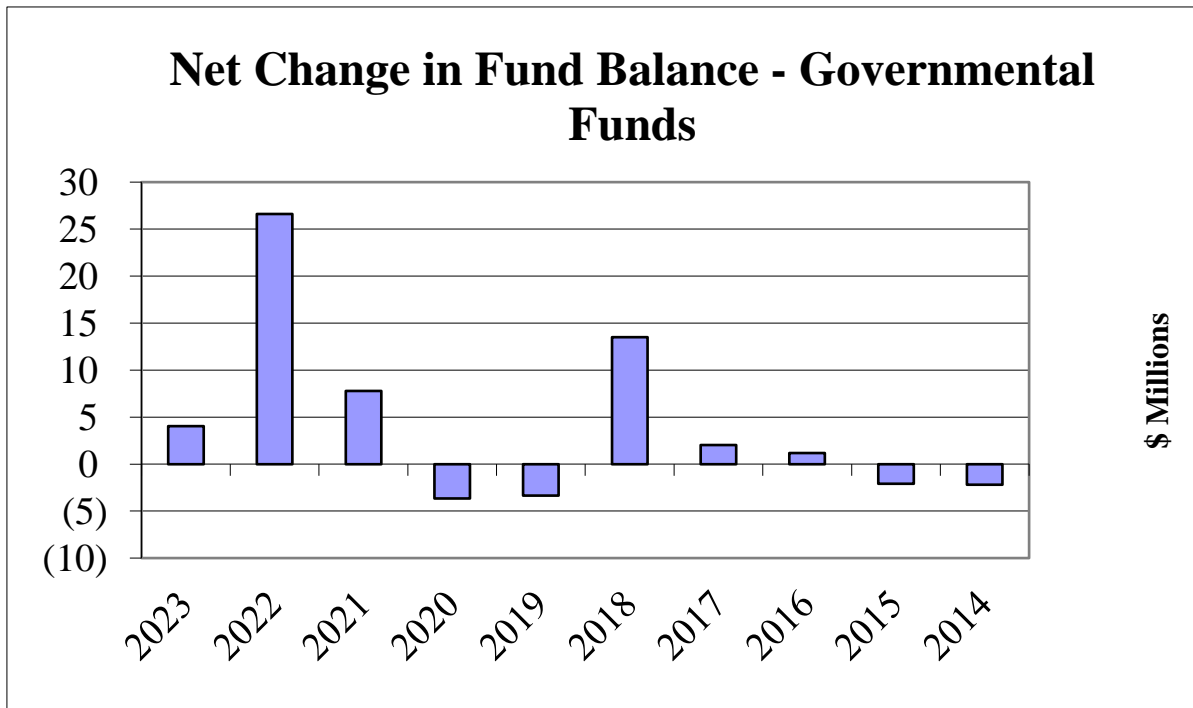
	2023	2022	2021	2020
General Fund				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Committed	4,202,070	-	-	-
Assigned	10,939,668	17,822,910	5,582,993	2,409,042
Unassigned	31,671,459	25,604,250	28,956,239	23,048,068
Total General Fund	<u>\$ 46,813,197</u>	<u>\$ 43,427,160</u>	<u>\$ 34,539,232</u>	<u>\$ 25,457,110</u>
All other governmental funds				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Committed	22,475,298	21,818,932	4,092,294	5,394,231
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total all other governmental funds	<u>22,475,298</u>	<u>21,818,932</u>	<u>4,092,294</u>	<u>5,394,231</u>
Total governmental funds	<u>\$ 69,288,495</u>	<u>\$ 65,246,092</u>	<u>\$ 38,631,526</u>	<u>\$ 30,851,341</u>

Unassigned General Fund balance as a percentage of expenditures	32.5%	30.4%	36.9%	29.6%
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2019	2018	2017	2016	2015	2014
\$ 49	\$ 3,000	\$ -	\$ -	\$ -	\$ 115,000
-	-	-	-	-	-
-	-	-	-	-	-
2,092,798	1,884,164	2,589,801	2,046,085	1,942,166	1,430,367
21,329,235	20,387,666	20,313,783	16,968,006	15,648,548	13,602,038
<u>\$ 23,422,082</u>	<u>\$ 22,274,830</u>	<u>\$ 22,903,584</u>	<u>\$ 19,014,091</u>	<u>\$ 17,590,714</u>	<u>\$ 15,147,405</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	3,020,069	5,333,799
11,084,785	15,577,690	1,436,499	3,312,381	537,914	2,758,897
-	-	-	-	-	-
-	-	-	-	-	-
<u>11,084,785</u>	<u>15,577,690</u>	<u>1,436,499</u>	<u>3,312,381</u>	<u>3,557,983</u>	<u>8,092,696</u>
<u>\$ 34,506,867</u>	<u>\$ 37,852,520</u>	<u>\$ 24,340,083</u>	<u>\$ 22,326,472</u>	<u>\$ 21,148,697</u>	<u>\$ 23,240,101</u>

27.5% 25.8% 25.7% 23.1% 21.6% 18.2%



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

	2023	2022	2021	2020
Revenues				
Property taxes	\$ 45,303,438	\$ 45,068,278	\$ 44,644,085	\$ 45,137,533
Other taxes	32,831,876	27,250,010	22,874,243	19,254,750
Licenses and permits	5,484,819	4,651,042	4,704,685	5,153,640
Fines and forfeitures	1,325,477	2,023,412	2,050,475	1,533,893
Charges for current services	12,678,021	12,492,503	9,620,331	9,720,789
Revenue from other agencies	10,186,785	10,729,203	10,587,619	6,207,104
Other revenue	3,995,844	1,057,940	1,367,948	2,072,098
<i>Total revenues</i>	<u>111,806,260</u>	<u>103,272,388</u>	<u>95,849,386</u>	<u>89,079,807</u>
Expenditures				
Current:				
General government	5,056,744	3,825,713	3,757,020	4,032,831
Public safety	42,388,977	40,508,410	37,624,679	36,215,064
General public works and beach	6,516,942	7,021,976	5,933,224	6,140,014
Sanitation and waste removal	7,296,019	6,900,994	6,458,895	5,980,097
Highways and streets	6,676,974	6,582,153	5,653,334	6,641,799
Economic development - tourism	15,640,246	7,520,991	7,073,068	8,015,628
Recreation and culture	9,027,997	8,250,889	7,610,511	7,269,096
Capital outlay	5,557,264	6,555,386	4,857,648	8,856,253
Debt service:				
Principal retirement	4,635,894	3,848,029	3,841,053	3,587,935
Interest and fiscal charges	1,719,773	1,308,261	1,480,367	1,551,471
Bond issuance costs	27,376	161,625	26,437	10,838
<i>Total expenditures</i>	<u>104,544,206</u>	<u>92,484,427</u>	<u>84,316,236</u>	<u>88,301,026</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>7,262,054</u>	<u>10,787,961</u>	<u>11,533,150</u>	<u>778,781</u>
Other financing sources (uses)				
Bonds and notes issued	11,366,104	16,725,979	2,142,355	-
Premium on bonds issued	-	1,789,307	507,687	-
Payment to refunded bond escrow agent	(11,180,683)	-	(2,554,963)	-
Transfers in	5,389,600	6,533,178	4,361,427	4,633,224
Transfers out	(8,794,672)	(9,221,859)	(8,209,471)	(9,067,531)
<i>Total other financing sources (uses)</i>	<u>(3,219,651)</u>	<u>15,826,605</u>	<u>(3,752,965)</u>	<u>(4,434,307)</u>
<i>Net change in fund balances</i>	<u>\$ 4,042,403</u>	<u>\$ 26,614,566</u>	<u>\$ 7,780,185</u>	<u>\$ (3,655,526)</u>
Debt service as a percentage of noncapital expenditures	6.5%	6.0%	6.7%	6.5%

2019	2018	2017	2016	2015	2014
\$ 43,642,385	\$ 43,110,273	\$ 43,211,192	\$ 42,550,867	\$ 42,429,988	\$ 42,334,031
19,877,498	19,427,201	19,301,147	17,949,706	17,024,793	16,498,162
4,537,397	4,605,622	4,537,307	4,486,927	4,327,809	4,183,957
1,093,897	768,157	657,703	694,761	583,087	714,142
10,496,774	10,819,675	10,794,679	10,142,237	9,721,191	9,339,999
6,145,876	6,043,922	6,296,552	6,066,514	5,602,145	6,048,341
2,096,725	1,140,597	1,440,276	860,055	974,121	735,727
<u>87,890,552</u>	<u>85,915,447</u>	<u>86,238,856</u>	<u>82,751,067</u>	<u>80,663,134</u>	<u>79,854,359</u>
3,854,665	3,898,785	4,003,674	3,803,848	3,817,132	3,824,796
35,326,678	34,918,034	33,837,807	33,479,223	32,728,554	34,620,629
6,251,044	6,584,961	8,897,994	5,545,600	5,919,839	5,169,305
6,012,480	5,928,648	5,650,586	5,635,304	5,353,919	5,613,364
7,818,424	6,534,604	5,945,407	8,733,929	5,560,206	6,280,506
8,371,675	9,107,849	8,664,640	8,094,041	7,889,134	7,737,415
7,938,695	7,783,762	7,918,927	7,268,485	7,090,260	7,131,635
8,440,939	2,773,812	4,178,826	4,507,498	6,082,562	6,586,308
3,415,993	4,187,253	4,117,460	3,566,514	3,636,266	3,694,110
1,594,239	1,222,729	1,309,827	1,438,175	1,563,318	1,646,570
-	49,940	22,269	33,585	-	36,516
<u>89,024,832</u>	<u>82,990,377</u>	<u>84,547,417</u>	<u>82,106,202</u>	<u>79,641,190</u>	<u>82,341,154</u>
(1,134,280)	2,925,070	1,691,439	644,865	1,021,944	(2,486,795)
2,202,048	14,282,743	2,950,000	6,689,567	-	4,895,483
-	-	-	-	-	99,578
-	-	-	(2,914,784)	-	(992,858)
4,069,656	3,429,411	3,384,414	4,609,257	2,592,610	2,431,000
(8,483,077)	(7,124,787)	(6,012,242)	(7,851,130)	(5,705,958)	(6,134,515)
<u>(2,211,373)</u>	<u>10,587,367</u>	<u>322,172</u>	<u>532,910</u>	<u>(3,113,348)</u>	<u>298,688</u>
<u>\$ (3,345,653)</u>	<u>\$ 13,512,437</u>	<u>\$ 2,013,611</u>	<u>\$ 1,177,775</u>	<u>\$ (2,091,404)</u>	<u>\$ (2,188,107)</u>

6.2%

6.7%

6.8%

6.4%

7.1%

7.0%

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	Admissions & Amusement Taxes	Income Taxes	Shared Taxes	Total
2023	\$ 45,303,438	\$ 26,872,726	\$ 2,555,444	\$ 1,681,224	\$ 1,722,482	\$ 78,135,314
2022	45,068,278	22,010,166	2,177,307	1,242,945	1,819,591	72,318,287
2021	44,644,085	18,654,180	1,254,785	1,594,336	1,370,942	67,518,328
2020	45,137,533	15,168,258	1,441,949	1,446,685	1,197,858	64,392,283
2019	43,642,385	16,031,485	1,526,898	1,008,338	1,310,777	63,519,883
2018	43,110,273	15,571,172	1,483,851	1,170,291	1,201,887	62,537,474
2017	43,211,192	15,385,278	1,454,882	1,329,862	1,131,125	62,512,339
2016	42,550,867	14,574,627	1,405,802	854,817	1,114,460	60,500,573
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	58,832,193
Change 2014 - 2023	7.0%	101.0%	84.7%	101.9%	88.5%	32.8%

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	% Change
2023	\$9,480,575,996	\$ 9,339,519	\$216,472,050	\$9,706,387,565	\$0.4526	\$9,706,387,565	1.1 %
2022	9,383,818,766	8,795,575	205,737,482	9,598,351,823	0.4561	9,598,351,823	-0.1
2021	9,367,774,293	9,860,133	228,098,369	9,605,732,795	0.4559	9,605,732,795	4.0
2020	9,001,284,772	11,502,803	221,649,499	9,234,437,074	0.4656	9,234,437,074	2.7
2019	8,793,778,022	12,319,881	181,216,509	8,987,314,412	0.4656	8,987,314,412	0.7
2018	8,742,711,658	13,116,744	167,325,116	8,923,153,518	0.4656	8,923,153,518	2.0
2017	8,574,801,497	15,043,721	160,689,225	8,750,534,443	0.4727	8,750,534,443	1.8
2016	8,430,184,989	13,595,814	156,230,465	8,600,011,268	0.4780	8,600,011,268	-1.0
2015	8,526,614,796	13,646,124	147,557,519	8,687,818,439	0.4704	8,687,818,439	0.7
2014	8,481,052,332	12,670,775	133,532,093	8,627,255,200	0.4720	8,627,255,200	-0.8

* Real property tax rate per \$100 of assessed value

Source: Uniform Financial Report of the Town of Ocean City to the Maryland Department of Fiscal Services, 2014 - 2023

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
2023	\$ 45,303,438	\$ 44,837,095	98.97 %	\$ -	\$ 44,837,095	98.97 %
2022	45,068,278	44,601,454	98.96	464,331	45,065,785	99.99
2021	44,644,085	44,390,394	99.43	251,481	44,641,875	100.00
2020	45,137,533	43,853,190	97.15	1,284,343	45,137,533	100.00
2019	43,642,385	42,391,804	97.13	1,250,581	43,642,385	100.00
2018	43,110,273	42,171,748	97.82	927,994	43,099,742	99.98
2017	43,211,192	42,391,814	98.10	795,247	43,187,061	99.94
2016	42,550,867	41,471,737	97.46	1,049,811	42,521,548	99.93
2015	42,429,988	41,277,350	97.28	1,152,635	42,429,985	100.00
2014	41,916,584	41,005,847	97.83	887,438	41,893,285	99.94

* Represents the original tax levy, less real property tax credits for civic associations, elderly and disabled taxpayers, and other adjustments.

Source: Uniform Financial Report of the Town of Ocean City to the Maryland Department of Fiscal Services, 2014 - 2023

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

2023

Taxpayer	Taxable Assessed Value (1)	Percentage of Total Taxable Assessed Value
Americana Stowaway Motel, Inc.	\$ 72,676,610	0.75%
Delmarva Power	58,363,750	0.60
Harrison Inn Stardust, Inc.	52,818,797	0.54
91st Street Joint Venture, LLC	36,755,120	0.38
Ocean I Hospitality LLC	30,456,333	0.31
Ocean City Hotels LLC	26,451,827	0.27
Harrison HI 18 LLC	25,664,473	0.26
Inns of Ocean City, LLC	23,677,343	0.24
Harrison Inn Ocean View SPE, LLC	22,792,633	0.23
Harrison Inn 66 Business Trust	22,265,100	0.23
	<u>\$ 371,921,986</u>	<u>3.81%</u>
Total taxable assessed value	<u>\$ 9,706,387,565</u>	

2014

Taxpayer	Taxable Assessed Value (1)	Percentage of Total Taxable Assessed Value
Harrison Inn Stardust, Inc.	\$ 56,619,130	0.66%
Americana Stowaway Motel, Inc.	48,766,587	0.57
91st Street Joint Venture, LLC	35,742,200	0.41
Delmarva Power	28,098,470	0.33
Genesar, Inc.	25,431,403	0.29
L.P.B.-O.C. Hotel Limited Partnership	22,306,640	0.26
Harrison HI 18 LLC	21,351,137	0.25
Harrison Inn - Sixty-Six, Inc.	19,611,570	0.23
Harrison Inn Ocean View SPE, LLC	19,575,367	0.23
Harrison QI 17 LLC	15,968,100	0.19
	<u>\$ 293,470,604</u>	<u>3.42%</u>
Total taxable assessed value	<u>\$ 8,627,255,200</u>	

(1) Assessed value is based on the value of property for taxes collected in 2023 and 2014, respectively, and a review of the ten largest taxpayers for the Town.

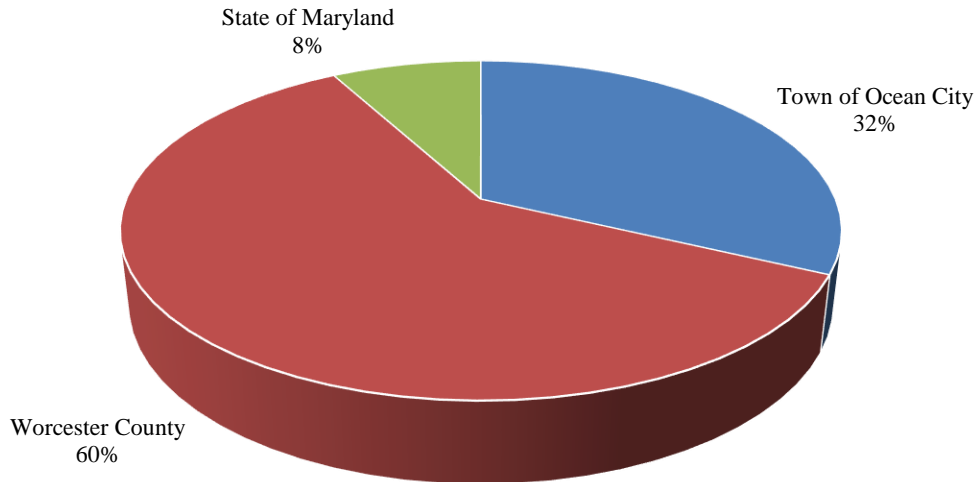
Source: Town of Ocean City Finance Department

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

Year	Direct Rate	Overlapping Rates		Total
	Town of Ocean City	Worcester County	State of Maryland	
2023	\$ 0.4526	\$ 0.845	\$ 0.112	\$ 1.4096
2022	0.4561	0.845	0.112	1.4131
2021	0.4559	0.845	0.112	1.4129
2020	0.4656	0.845	0.112	1.4226
2019	0.4656	0.835	0.112	1.4126
2018	0.4656	0.835	0.112	1.4126
2017	0.4727	0.835	0.112	1.4197
2016	0.4780	0.835	0.112	1.4250
2015	0.4704	0.770	0.112	1.3524
2014	0.4720	0.770	0.112	1.3540

Source: Town of Ocean City Finance Department

Percentage of Total Tax Bill by Overlapping Governments



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

Fiscal Year	Governmental Activities				Business-Type Activities			Total Primary Government	% of Actual Property Value	Per Capita	Estimated % of Personal Income *
	General Obligation Bonds	Bond Premiums (Discounts)	Inter-Governmental Loans	Notes, Loans, and Financed Purchases	General Obligation Bonds	Bond Premiums (Discounts)	Loans and Financed Purchases				
2023	\$45,256,785	\$2,524,334	\$ 140,920	\$ 6,055,175	\$49,314,164	\$3,126,536	\$444,968	\$106,862,882	1.10%	\$15,454	19.9%
2022	49,220,967	3,062,268	185,180	7,289,014	53,852,911	3,792,678	489,120	117,892,138	1.23	17,086	29.7
2021	35,875,788	1,550,588	229,440	8,483,789	48,625,659	3,344,625	530,749	98,640,638	1.03	14,205	19.4
2020	39,669,964	1,323,839	273,700	9,652,928	54,137,321	2,770,608	571,981	108,400,341	1.17	15,735	23.5
2019	41,585,877	1,560,782	317,960	12,104,824	52,215,328	2,221,144	610,785	110,616,700	1.23	15,739	34.4
2018	44,764,656	1,796,400	362,230	9,496,606	56,277,609	2,617,354	647,536	115,962,391	1.30	16,328	31.0
2017	35,642,285	752,520	410,725	10,360,623	47,984,525	1,788,977	682,037	97,621,692	1.10	13,545	22.7
2016	36,592,696	936,121	462,069	5,401,883	52,517,225	2,166,829	713,600	98,790,423	1.15	13,910	36.2
2015	39,944,178	1,140,856	503,283	-	41,669,434	1,177,928	-	84,435,679	0.97	11,906	31.3
2014	43,545,210	1,372,312	538,517	-	47,747,775	1,479,997	-	94,683,811	1.10	13,351	35.6

* Town residents occupy ~8% of total properties

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
Ratios of General Obligation Bonds Outstanding
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds Outstanding	% of Actual Property Value	Per Capita
2023	\$ 100,221,819	1.03%	\$ 14,493
2022	109,928,824	1.15	15,932
2021	89,396,660	0.93	12,874
2020	97,901,732	1.06	14,211
2019	97,583,131	1.09	13,885
2018	105,456,019	1.18	14,849
2017	86,168,307	0.96	11,775
2016	92,212,871	1.07	12,984
2015	83,932,396	0.97	11,835
2014	94,145,294	1.09	13,275

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, 2023

Jurisdiction	Debt Outstanding	Percentage Applicable to the Town *	Amount Applicable to the Town
Direct			
Town of Ocean City	\$ 53,977,214	100.0%	\$ 53,977,214
Overlapping			
Worcester County	<u>83,912,238</u>	54.9%	<u>46,043,969</u>
Total direct and overlapping debt	<u>\$ 137,889,452</u>		<u>\$ 100,021,183</u>

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

Sources:

Town of Ocean City Finance Department
 Worcester County Finance Department

Town of Ocean City, Maryland
Legal Debt Margin Calculation
As of June 30, 2023

Assessed value		<u>\$ 9,706,387,565</u>
Maximum general obligation debt (limited to 5.2% of assessed value) *		\$ 504,732,153
Outstanding bonds	<u>\$ 100,221,819</u>	
Net chargeable to bond limit		<u>100,221,819</u>
Legal debt margin at June 30, 2023		<u>\$ 404,510,334</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
2014 - 2023

Fiscal Year	Assessed Value	Legal Debt Limitation	Legal Borrowing Limitation	Debt Subject to Limitation	Legal Debt Margin
2023	\$ 9,706,387,565	5.2 %	\$ 504,732,153	\$ 100,221,819	\$ 404,510,334
2022	9,598,351,823	5.2	499,114,295	109,928,824	389,185,471
2021	9,605,732,795	5.2	499,498,105	89,396,660	410,101,445
2020	9,234,437,074	5.2	480,190,728	97,901,732	382,288,996
2019	8,987,314,412	5.2	467,340,349	97,583,131	369,757,218
2018	8,923,153,518	5.2	464,003,983	101,042,265	362,961,718
2017	8,750,534,443	5.2	455,027,791	83,626,810	371,400,981
2016	8,600,011,268	5.2	447,200,586	92,212,871	354,987,715
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

Town of Ocean City, Maryland
Demographic and Economic Statistics
Calendar Years 2013 - 2022

Year	(1) Population	(2) Median Household Income	(3) Worcester County Personal Income	(4) Median Age	(5) School Enrollment	(6) Unemployment Rate
2022	6,915	\$ 71,262	\$ 3,518,430	50.4	6,803	5.4 %
2021	6,900	65,396	3,390,411	50.5	6,811	8.2
2020	6,944	63,499	3,169,769	50.4	6,882	11.2
2019	6,889	61,145	2,986,853	50.1	6,810	5.5
2018	7,028	59,458	2,919,220	49.7	6,745	5.9
2017	7,102	57,227	2,885,518	54.0	6,667	6.4
2016	7,102	52,276	2,785,739	54.0	6,660	7.7
2015	7,102	58,820	2,787,415	54.0	6,649	7.8
2014	7,092	56,279	2,555,242	48.1	6,684	7.9
2013	7,092	58,138	2,466,752	48.1	6,649	8.1

Sources (for the most recent calendar year presented):

- (1) Maryland State Data Center - Maryland Department of Planning (estimated)
- (2) U.S. Census Bureau, 2021 American Community Survey 5-Year Estimates (figure is for Worcester County)
- (3) U.S. Department of Commerce Bureau of Economic Analysis (in thousands of dollars). 2022 figure was not available from the BEA. The 2022 figure was calculated by multiplying the 2021 Worcester County personal income by the average growth in personal income for the nine preceding years. All prior years presented were adjusted to actual.
- (4) U.S. Census Bureau, 2021 American Community Survey 5-Year Estimates (figure is for Worcester County)
- (5) Figure is for Worcester County Public Schools, which includes Ocean City
- (6) Bureau of Labor Statistics, 2022 (figure is for Worcester County)

Town of Ocean City, Maryland
Principal Employers
Current Fiscal Year and Nine Years Ago
Number of Employees for the Quarter Ended June 30,

2023

Employer	Employees	Percentage of Total County Employment
Town of Ocean City	1,169	4.56 %
Harrison Group	1,015	3.96
Bayshore Development	595	2.32
OC Seacrets, Inc.	455	1.77
Carousel Resort Hotel & Condominiums	335	1.31
Fagers Island, Ltd.	275	1.07
KTG LLC	225	0.88
Castle in the Sand, Inc.	215	0.84
Clarion Resort Fontainebleau	200	0.78
Trimpers Rides, Inc.	175	0.68
Total	4,659	18.17 %
Total Worcester County employees (Data available for County only)	25,655	

2014

Employer	Employees	Percentage of Total County Employment
Town of Ocean City	1,405	4.90 %
Harrison Group	1,100	3.84
OC Seacrets, Inc.	500	1.75
Bayshore Development	473	1.65
KTG LLC	368	1.28
Trimpers Rides, Inc.	350	1.22
Clarion Resort Fontainebleau	294	1.03
Fagers Island, Ltd.	290	1.01
91st Street Joint Venture, LLC	246	0.86
Candy Kitchen	189	0.66
Total	5,215	18.20 %
Total Worcester County employees (Data available for County only)	28,647	

Sources:

Town of Ocean City Finance Department - used figures from FY22 for FY23 as reliable data was not available in time
Total County employment figures are from Maryland Department of Labor,
Licensing and Regulation Career and Workforce Information.

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

Function/Program	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
General Government	36	35	33	36	36	36	36	36	37	37
Public Safety	265	240	220	217	216	216	213	213	213	213
General Public Works	50	50	47	48	48	48	47	47	47	45
Solid Waste	20	21	21	21	21	21	21	21	21	22
Highway and Streets	26	24	27	23	23	22	23	23	23	23
Economic Development	13	6	4	4	4	4	4	4	4	4
Recreation	45	45	44	44	43	43	42	42	43	42
Water	23	21	21	21	21	21	21	21	21	21
Wastewater	37	38	39	46	46	46	46	46	46	46
Transportation	17	19	12	13	13	13	13	13	13	13
Convention Center	34	33	34	34	34	34	34	34	33	32
Airport	3	3	2	3	3	3	3	3	3	3
Internal Service	29	29	31	30	30	30	30	30	30	30
Total full-time employees	598	564	535	540	538	537	533	533	534	531
Total part-time employees	571	627	641	623	885	829	904	850	911	874
Total employees	1,169	1,191	1,176	1,163	1,423	1,366	1,437	1,383	1,445	1,405

Source: Town of Ocean City's fiscal year 2014 - 2023 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	2023	2022	2021	2020
General Information				
Area (square miles)	5	5	5	5
Year-round residents	6,915	6,900	6,944	6,889
Registered voters	7,045	6,765	6,523	6,470
Average summer population	279,899	290,575	301,275	250,173
General Government				
Construction permits issued	1,891	1,684	2,166	1,501
Estimated value of construction	\$100,806,113	\$ 67,413,855	\$ 68,894,340	\$ 48,800,979
Public Safety - Police				
Total arrests	2,151	2,482	3,032	1,937
Parking violations	1,170	2,115	2,659	2,913
Classified officers	116	116	112	107
Seasonal officers	50	50	45	51
Public Safety - Fire and Emergency Services				
Fire responses	1,160	1,258	1,118	1,265
Ambulance responses	5,042	5,329	5,194	3,222
* Plan reviews/permits/special event reviews	4,163	4,312	4,072	1,347
* Fire marshal inspections	1,439	1,859	1,395	1,152
* Fire marshal field operations/investigations	743	711	675	564
* Fire marshal complaints/referrals/fire protection system deficiencies	525	621	483	691
* Fire safety inspections/re-inspections	-	-	-	-
* Fire investigations	-	-	-	-
Classified fire personnel	3	3	3	3
Volunteer officers, firemen, life honor, gold badge	237	223	225	240
Classified emergency medical technicians	73	50	44	44
Seasonal emergency medical technicians	34	63	68	73
Solid Waste				
Trash processed (tons)	32,304	35,454	34,432	31,758
Trash recycled (tons)	130	127	171	138
Tourism and Recreation				
Seasonal beach patrol personnel	172	185	203	204
Water				
Average daily consumption (gallons)	3,475,872	3,900,000	4,030,000	3,843,260
Plants' daily capacity (gallons)	18,000,000	18,000,000	18,000,000	18,000,000
Transportation				
Bus passengers	1,515,279	1,297,940	697,703	1,610,823
Wastewater				
Average daily treatment (gallons)	5,700,222	5,855,000	5,713,000	5,276,046
Average daily treatment - summer (gallons)	9,441,239	9,859,000	8,938,000	9,058,337
Plant's daily treatment capacity (gallons)	14,000,000	14,000,000	14,000,000	14,000,000
Customer accounts	28,338	28,316	28,296	28,287
Airport				
Based aircraft	72	65	65	65
Aircraft fueled	3,650	3,100	3,100	3,100

* The Fire Marshal's office changed its method of tracking and reporting operational data in fiscal year 2016.

Source: Town of Ocean City Finance Department

	2019	2018	2017	2016	2015	2014
	5	5	5	5	5	5
	7,028	7,102	7,102	7,102	7,092	7,092
	5,740	6,227	6,067	5,703	6,141	5,267
	277,932	276,812	275,509	258,330	242,611	253,561
	1,852	1,885	1,810	1,855	1,472	1,564
\$	\$ 54,474,168	\$ 78,539,236	\$ 86,385,559	\$ 61,003,886	\$ 57,890,098	\$ 51,755,670
	2,271	2,338	2,252	2,312	3,568	2,921
	3,358	4,821	9,619	9,344	7,934	10,460
	106	105	105	105	105	105
	56	80	80	100	100	100
	1,245	1,348	1,323	1,158	1,278	1,262
	4,855	4,658	5,006	4,698	4,518	4,157
	1,062	854	930	935	-	-
	1,529	1,389	1,778	1,556	-	-
	756	718	757	755	-	-
	734	720	666	795	-	-
	-	-	-	-	2,659	2,423
	-	-	-	-	65	98
	3	3	3	3	3	3
	240	215	215	226	231	235
	44	44	44	42	41	44
	82	74	67	69	65	67
	34,749	34,479	35,823	33,794	32,603	32,814
	208	242	229	279	202	185
	186	207	194	175	186	190
	3,966,756	4,282,348	4,278,040	4,179,104	4,156,608	4,637,616
	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000
	2,391,312	2,563,434	2,554,385	2,495,014	2,588,189	2,737,568
	5,713,227	5,895,466	5,699,000	5,528,000	5,378,000	5,445,000
	9,426,935	10,254,228	9,743,000	9,330,000	9,194,000	9,603,000
	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000
	28,416	28,403	28,417	28,698	28,804	28,739
	65	63	67	76	67	64
	3,100	3,100	3,100	2,900	2,900	3,165

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

Function/Program	2023	2022	2021	2020
Public Safety - Police				
Stations	2	2	2	2
Vehicles	82	82	82	82
Public Safety - Fire and Emergency Services				
Stations	5	5	5	5
Ambulances	10	10	10	10
Highways and Streets				
Streets (miles)	69	69	69	69
Streetlights	3,078	3,078	3,078	3,078
Storm sewers (miles)	43	43	43	43
Catch basins	2,315	2,315	2,315	2,315
Heavy equipment	48	48	48	48
Solid Waste				
Heavy equipment	32	32	32	32
Economic Development - Tourism, Recreation, and Culture				
Parks/playgrounds	12 / 7	12 / 7	12 / 7	12 / 7
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/pickleball courts	13	12	12	12
Museums	1	1	1	1
Golf courses	1	1	1	1
Water				
Water mains (miles)	150	150	150	150
Treatment plants	3	3	3	3
Service connections	7,249	7,214	7,210	7,212
Fire hydrants	900	850	850	847
Transportation				
Buses	48	52	63	67
Handicapped buses	3	3	3	3
Boardwalk trams	8	8	8	9
Wastewater				
Sanitary sewers (miles)	152	152	152	152
Treatment plants	1	1	1	1
Pumping stations	10	10	10	10
Convention Center				
Convention Center (functional sq. ft.)	146,796	146,796	118,451	118,101
Airport				
Runways (2) (linear feet)	7,278	7,278	7,278	7,278
Hangars (square feet)	115,064	115,064	115,064	115,064

Source: Town of Ocean City Finance Department

2019	2018	2017	2016	2015	2014
2	2	2	2	2	2
82	82	83	81	84	84
5	5	5	5	5	5
10	10	10	10	10	9
69	69	69	69	69	69
3,078	3,078	3,078	3,078	3,078	3,054
43	43	43	43	43	43
2,315	2,315	2,315	2,315	2,315	2,315
48	48	48	48	48	48
32	32	32	32	32	32
12 / 7	13 / 7	13 / 7	13 / 6	13 / 6	13 / 6
77	77	77	77	77	77
1	1	1	1	1	1
3	3	3	3	3	3
10	10	10	10	10	10
12	14	14	14	14	14
1	1	1	1	1	1
1	1	1	1	1	1
150	150	150	150	150	150
3	3	3	3	3	3
7,500	7,216	7,074	7,074	7,068	7,237
847	847	847	847	847	847
62	61	62	62	61	62
3	3	3	3	3	3
8	8	8	8	8	8
152	152	152	152	152	152
1	1	1	1	1	1
10	10	10	10	10	10
118,101	118,101	118,101	118,101	118,101	117,101
7,278	7,278	7,273	7,273	7,273	7,270
115,064	115,064	115,064	115,064	115,064	115,064