

TOWN OF OCEAN CITY, MARYLAND COMPREHENSIVE ANNUAL FINANCIAL REPORT



FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

(cover photo by Chris Parypa)

After a rainfall, Ocean City's iconic boardwalk ferris wheel stands tall above its surroundings as the sun rises, giving way to a sunny day.

*Note: the picture is used courtesy of the photographer and cannot be reproduced for any reason.
Please visit the photographer's webpage: <https://www.chrisparypaphotography.com/>*

(facing page)

Ocean City Police Department's Mounted Unit pose during the Open House at the Bay Point Equestrian Center in Ocean Pines hosted by the Ocean City Police Department.

L to R: Corporal Charles "Chip" Green riding Benson; PFC Jessica Johnson riding Scout; Officer Corwin "Corey" Vincent riding Tucker; and PFC Joseph Laughlin riding Trevor.

Town of Ocean City, Maryland
Comprehensive Annual Financial Report

For the Fiscal Year Ended
June 30, 2018



Prepared by:
Finance Department

Douglas R. Miller
City Manager

Charles Bireley, CPA
Finance Director



**Town of Ocean City, Maryland
Comprehensive Annual Financial Report
for the Fiscal Year Ended June 30, 2018**

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INTRODUCTORY SECTION

LOCATION MAP

LETTER OF TRANSMITTAL

GFOA CERTIFICATE OF ACHIEVEMENT

ORGANIZATIONAL CHART

LIST OF PRINCIPAL OFFICIALS AND DIRECTORS



Location Map



TOWN OF OCEAN CITY

The White Marlin Capital of the World

September 28, 2018

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

Always a tourist destination, Ocean City is also an active residential community of citizens that enjoy living on a slender barrier island between the Atlantic Ocean and wide coastal bays. Many of the Town government's efforts in the 2018 fiscal year addressed the quality of life for residents in a vibrant tourist resort. This report, which summarizes the financial results for the 2018 fiscal year, also identifies those efforts.

I respectfully submit the Comprehensive Annual Financial Report (CAFR) for the Town of Ocean City (the "Town") for the fiscal year ended June 30, 2018. 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 CAFR is produced to comply with Section 717 of the Town charter and Article 19, Section 40 of the Annotated Code of Maryland. The financial statements are presented in conformity with accounting principles generally accepted in the United States (GAAP).

This report consists of management's representations concerning the finances of the Town. Therefore, the Town's management takes full responsibility for both the completeness and accuracy of the information in this report, including all disclosures. We believe the data as presented is correct in all material respects and is reported to fairly present the financial position and results of operations of the various funds of the Town. However, because the cost of internal control should not exceed the estimated benefit of the control, the purpose of this report is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

In accordance with auditing standards generally accepted in the United States, SB & Company, LLC, independent public accountants, have issued an unmodified ("clean") opinion. The independent public accountants concluded that the Town of Ocean City's financial statements for the year ended June 30, 2018, 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 & CITY COUNCIL
P.O. BOX 158
OCEAN CITY,
MARYLAND 21843-0158*

www.oceancitymd.gov

*MAYOR
RICHARD W. MEEHAN*

CITY COUNCIL MEMBERS

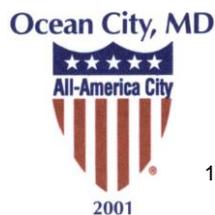
*LLOYD MARTIN
President*

*MARY P. KNIGHT
Secretary*

*DENNIS W. DARE
ANTHONY J. DELUCA
JOHN F. GEHRIG, JR.
WAYNE A. HARTMAN
MATTHEW M. JAMES*

*DOUGLAS R. MILLER
City Manager*

*DIANA L. CHAVIS
City Clerk*



Town of Ocean City, Maryland
Letter of Transmittal

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

The financial statements of the 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 CAFR as fiduciary funds of the Town. The Town implemented Governmental Accounting Standards Board (GASB) Statement No. 75 in this fiscal year and has provided required disclosures which improve understanding of other post-employment benefits fund assets and liabilities. 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 over 7,000 permanent residents, with over 6,000 registered voters and hosts millions of visitors annually to its beautiful wide beaches, 2.5 mile long boardwalk, bays, and natural resources. The Town also offers a wide variety of activities including festivals, fishing tournaments, amusement parks, golf courses, restaurants, bars, and nightclubs.

Incorporated by the State of Maryland in 1898, Ocean City is located approximately 150 miles from Washington, D.C., and 135 miles from Baltimore, Maryland. It is bordered on the north by Fenwick Island, Delaware, on the south by an inlet which separates Ocean City from Assateague Island state and national seashore parks, on the west by wide shallow bays, and on the east by the Atlantic Ocean. Ocean City is one of the premier seaside resorts on America's east coast due to a variety of attributes including its convenience to major metropolitan areas and access by automobile using US Route 50 to the west and US Route 13 and Delaware Route 1 to the north.

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

The annual budget serves as the foundation for the Town's financial planning and control. The City Council is required to adopt a budget for the fiscal year no later than June 1 preceding the fiscal year beginning July 1. The City Manager and Finance 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 weekend weather, these off-season months may average over 200,000 people.

The Town government, in conjunction with local businesses and non-profit groups, has sought to increase business 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, auto rallies, and motorcycle events, which 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 19 golf courses in the Ocean City area. Group business, meetings, and events held at the Roland E. Powell Convention Center and the Performing Arts Center have also maintained room occupancy levels and restaurant and retail sales.

The Town uses advertising, promotions, and social media to publicize the vacation and leisure opportunities in Ocean City, with marketing costs increasing from \$2.1 million a decade ago to \$7.6 million in fiscal year 2018. For the year ended June 30, 2018, room sales were 1.2% above the prior year and food and beverage sales were up 0.23%.

There were 1,885 construction permits issued in FY 2018, compared to 1,810 in FY 2017. However, the estimated value of construction in FY 2018 was \$78,539,236, compared to \$86,385,559 in FY 2017. The following projects are under construction or in the permitting process:

<u>Location</u>	<u>Number of Units</u>	<u>Building</u>	<u>Construction value</u>
13 St. Louis Avenue	133	Cambria	\$ 17,000,000
3 rd Street	15	Beach Bum Inn	700,000
16 th Street	105	Hyatt (Sea Scape) (east building)	15,090,000
45 th Street	120	Aloft Village (45 th St. Village)	10,100,000
67 th Street	100	Hilton Home 2 Suites	8,127,850

The Town relies on property taxes for 50% 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. As properties in the State of Maryland are assessed on a triennial system, stable property values were anticipated for the 2018 fiscal year. Properties were reassessed for the 2018 fiscal year, with a modest increase of 1.5% as increases in values have lagged behind other improvements in the economy. However, as the Town has maintained sound budgeting practices with a focus on multi-year planning, the Town’s financial position remains favorable.

MAJOR INITIATIVES AND DEPARTMENTAL ACTIVITIES

Public Works Campus Plan:

In 1984/1985, the Town constructed the Public Works complex, which consisted of the procurement department, stock room, locker facilities, restrooms, service center for fleet maintenance, a bus storage facility, and a fuel depot. The Town’s transit fleet consisted of approximately 13 buses and staffing consisted of approximately 20 employees. In 2006, the fleet had grown to over 60 buses and staffing was over 150 employees. Thus, the overall ability to store, maintain, and service the vehicles had surpassed the ability of the Town’s resource as well as its daily office facilities, restrooms, and locker room. At this time, the Town, working in conjunction with the Maryland Department of Transportation/Maryland Transit Administration (MTA), began discussing the overall inadequacies of the transit facility at the Public Works complex. In 2008, a transit needs assessment was completed by MTA. This assessment allowed the Town to proceed with site planning, spatial needs, and construction estimates for future capital improvements to the site.



In 2018, ten years after the initial study and exhaustive efforts on planning and funding, the Town solicited bids for the forthcoming construction and awarded the project to Harkins Contracting of Salisbury, Maryland. The project is valued in excess of \$25 million dollars, consisting of: 1) demolition of the existing bus storage facility, procurement department, and stock room fueling depot; 2) construction of a new bus storage facility, procurement department, stock room, bus dispatch center, lunch room, restrooms and locker rooms, bus washing facility, service facility for transit fare processing, two new fuel depots (one dedicated for transit fleet), storage facility for Fire, EMS, Police, and Public Safety, emergency standby generator to support the new facilities’ critical infrastructure, surface parking lot for both the police department and transit staff; and 3) expansion of the fleet service facility containing four additional service bays for fleet maintenance, and an office area for the State of Maryland Juvenile Services. It is expected the project will take approximately two years to complete.

64th Street Boat Ramp:

The 64th Street Boat Ramp project is the result of a collaborative effort between the Town of Ocean City and the Maryland Department of Natural Resources (MD DNR). Terry McGean, P.E., City Engineer, completed the extensive preliminary work for the project, including: acquisition of an easement through the private property that the actual boat ramp is located on; coordination of a private wetlands permit and wetland mitigation with the Maryland Department of the Environment (MDE) and the Army Corps of Engineers; critical area approval; stormwater management environmental site design approval; sediment

and erosion control approval through the Worcester Soil Conservation District; and securing of funding for the project through the MD DNR Waterway Improvement Fund. The Waterway Improvement Fund provided funding for 100% of the dredging activity, 50% of the site work, and 50% of the comfort station. Davis, Bowen & Friedel, Inc. was selected as the design consultant and successfully completed development of the plans for the site and boat ramp.



The construction of the 64th Street Boat Ramp was managed by Paul Mauser, P.E., Engineering Manager, as two separate projects; the site work and boat ramp portion, which was completed in May 2017 by Murtech Marine, Inc., and the comfort station portion, which was completed in July 2018 by Root Companies, Inc. Both projects were completed below budget. The boat ramp is located at the intersection of 64th Street and Seabay Drive, at the base of the Town's water tower. The site includes a 31-space parking lot with 10-foot wide by 50-foot long parking stalls, and is Americans with Disabilities Act (ADA) compliant. There are two launches, each 15 feet wide, and a 100-foot long aluminum floating dock. The channel leaving the boat ramp was dredged to a depth of minus 4.0 feet mean low water in September 2016. The new comfort station provides ADA accessible restrooms. Governor Larry Hogan, among other elected officials, spoke at the official ribbon cutting of the boat ramp on June 27, 2017.

Community Police Outreach:



In partnership with the community, the Ocean City Police Department (OCPD) held two community events to provide the community the opportunity to become better acquainted with the OCPD.

First, the OCPD hosted an open house at the Bay Point Equestrian Center in Ocean Pines, which featured the mounted unit. Attendees had the rare opportunity to meet each of the four police horses – Benson, Tucker, Trevor, and Scout. Mounted officers demonstrated the daily

procedure for grooming and tacking the horses and each horse exhibited their expertise on completing an obstacle course. The horses also played a 2-on-2 soccer game, which is used for de-sensitivity training. Additionally, the open house also included the K-9 unit, PFC Danielle Braniff and her K-9 partner, Klem, a Belgian Malinois, who performed two demonstrations. The K-9 demonstrations featured obedience skills, an overview of the specific training the dog has had in order to assist law enforcement personnel, and personal information about Klem such as his place of origin and daily life.

Town of Ocean City, Maryland
Letter of Transmittal

Secondly, the OCPD hosted several “Coffee with Cops” events at Starbucks on 16th Street in Ocean City. These events provided the opportunity for attendees to engage in casual conversation with the OCPD leadership and patrol officers while enjoying a cup of coffee. Coffee with Cops proved to be a relaxed environment where citizens had the opportunity to address the concerns that are unique to their neighborhoods. This allowed for a continuing, open conversation between the community and the police department, as well as the opportunity for the OCPD to form relationships with the citizens and visitors of Ocean City.



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: park improvements, public works campus plan, street paving, a public works tram storage building, and expansion of the convention center.

General Fund reserve. The Town has a policy of maintaining a reserve of 15% of General Fund expenditures to handle potential revenue shortfalls, cash flows during peak employment in the summer season, and for emergencies. As of June 30, 2018, that reserve, unassigned fund balance, was \$20,387,666 (25.8% of General Fund expenditures), compared to \$20,313,783 (25.7%) in FY 2017.

Bond ratings. Fitch Ratings upgraded the Town’s bond rating from “AA-” to “AA” on November 16, 2016, “based on the town's solid financial profile which is underscored by a superior degree of inherent budget flexibility in the form of revenue and spending control.” On March 31, 2017, Standard and Poor’s Rating Services upgraded the rating on the Town’s existing general obligation debt from “AA” to “AA+.” Per their report, “The rating upgrade reflects the Town's continued access to a broad and diverse economy which supports very strong economic metrics, and the Town's strong financial performance.” On May 18, 2017, Moody’s Investor Services Inc. maintained its bond rating of “Aa2” for the Town.

AWARDS AND ACKNOWLEDGMENTS

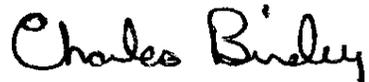
Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Ocean City for its comprehensive annual financial report for the fiscal year ended June 30, 2017. This is the 30th consecutive year that the Town has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

*Town of Ocean City, Maryland
Letter of Transmittal*

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

A handwritten signature in black ink that reads "Charles Bireley". The signature is written in a cursive style with a prominent initial "C".

Charles Bireley, CPA
Finance Director



Government Finance Officers Association

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

Presented to

**Town of Ocean City
Maryland**

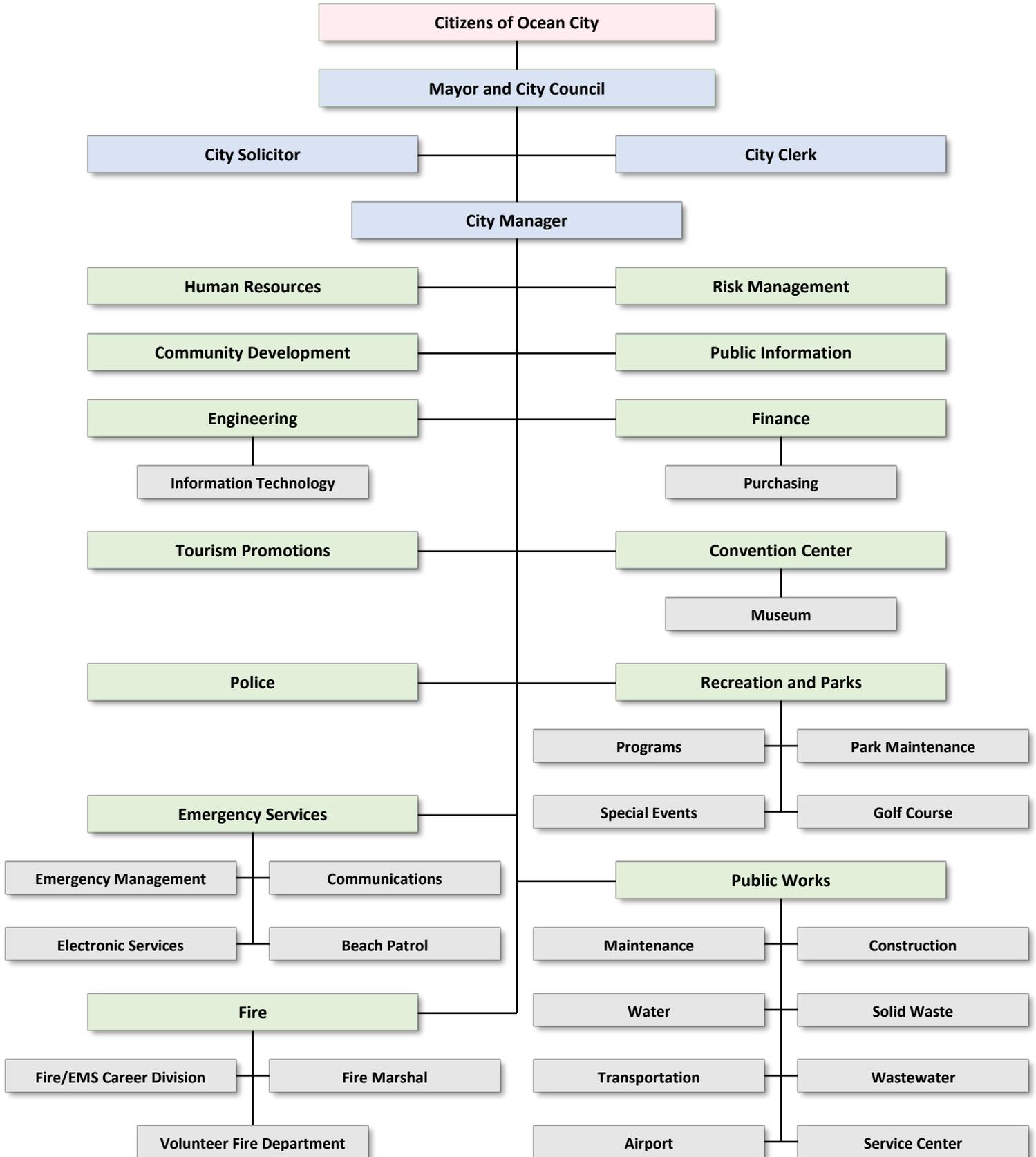
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

Executive Director/CEO

Town of Ocean City Organizational Chart
Fiscal Year 2018



**Town of Ocean City, Maryland
List of Principal Officials and Directors
June 30, 2018**

<u>Title</u>	<u>Name</u>
Mayor	Richard W. Meehan
Council President	Lloyd Martin
Council Secretary	Mary P. Knight
Council Member	Dennis W. Dare
Council Member	Anthony J. DeLuca
Council Member	John F. Gehrig, Jr.
Council Member	Wayne A. Hartman
Council Member	Matthew M. James
City Manager	Douglas R. Miller
City Solicitor	Guy R. Ayres III
City Clerk	Diana L. Chavis
Finance Director	Charles Bireley, CPA
City Engineer	Terence J. McGean, PE
Emergency Services Director	Joseph J. Theobald
Chief of Police	Ross C. Buzzuro
Fire Chief	Christopher Larmore
Fire Marshal	David W. Hartley
Public Works Director	Hal O. Adkins
Recreation and Parks Director	Susan L. Petito, CPRP

**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

Guy R. Ayres III	Timothy J. King
Lloyd Martin	Bruce E. Peterson
Richard W. Meehan	Jeff M. Thaler
Karin A. Scott	

FINANCIAL SECTION



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

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ocean City, Maryland (the Town) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, of the Town of Ocean City, Maryland, as of June 30, 2018, 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.

Other Matters

Emphasis of Matter

As discussed in Note 12 to the financial statements, during the year ended June 30, 2018, the Town adopted new accounting guidance from Government Accounting Standards Board (GASB) Statement No. 75, “*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*”. The implementation of GASB No. 75 by the Town required a restatement of the prior year net position to recognize the Town’s net Other Post-Employment Benefits (OPEB) liability. Our opinion is not modified with respect to this matter.

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 OPEB liability 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, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



SB & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

Other Information

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the Town's basic financial statements. The combining and individual fund financial statements and schedules, the introductory and statistical section 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 relate 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.

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

Hunt Valley, Maryland
September 28, 2018

SB & Company, LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS



Town of Ocean City, Maryland
Management's Discussion and Analysis
June 30, 2018

This section of the Comprehensive Annual Financial Report provides a discussion and analysis of the financial performance of the Town of Ocean City (the "Town") and an overview of the Town's financial activities for the fiscal year ended June 30, 2018, 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 1-7 and the Town's financial statements, which follow this section.

Financial Highlights for FY 2018

- The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows at the close of the 2018 fiscal year, resulting in a net position of \$151,004,893. The Town implemented Governmental Accounting Standards Board (GASB) Statement No. 75 for other post-employment benefits and recorded a negative prior period adjustment of \$27,874,352. This resulted in the Town having a negative unrestricted fund balance of \$176,131.
- The Town's overall financial position improved \$12,578,978. Program revenues increased \$7,572,179 including an increase of \$7,409,774 in capital grants and contributions. Expenses increased \$4,787,134. There were gains from governmental activities of \$2,650,602. Business-type activities contributed \$9,928,376 to net position.
- As of June 30, 2018, the Town's governmental funds reported a combined fund balance of \$37,852,520, an increase of \$13,512,437 from the prior year. Of the total amount in fund balance, \$15,577,690 is committed for capital projects, \$1,610,184 is assigned to the fiscal year 2019 budget, \$273,980 is assigned to purchases on order, and \$20,387,666 is available to meet the Town's current and future needs, and is unassigned fund balance. Unassigned General Fund balance at year-end was 25.8% of General Fund expenditures, compared to the percentage in FY 2017 of 25.7%, and is in excess of the Town's reserve policy of 15%.
- The Town's net debt increased by \$18,340,698 in FY 2018. The Town issued general obligation bonds for \$25,795,000 to fund the 65th Street Campus Plan, expansion of the Convention Center, and construction of a building on 2nd Street to house the boardwalk trams.
- As of June 30, 2018, net pension liability of \$26,225,195, related deferred outflows of \$11,199,428 and deferred inflows of \$891,974 are recorded in the Statement of Net Position. The funded ratio is 87.9% for the General Employees Pension Plan and is 82.6% for the Public Safety Employees Pension Plan. The Town implemented GASB Statement No. 75 for the Other Post-Employment Benefits Trust (OPEB) in FY 2018. The Town's net OPEB liability was \$28,213,414 at June 30, 2018, with a funded ratio of 53.98%. Deferred outflows of resources related to OPEB totaled \$235,766.

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, 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 50-83 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. 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 and schedules 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, 2018, 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 \$151,004,893 at the close of the fiscal year ended June 30, 2018, compared to \$166,300,267 for the year ended June 30, 2017, before the restatement for GASB Statement No. 75.

98% of the Town's net position reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

	Governmental Activities		Business-Type Activities		Total Primary Government		% Change
	2018	2017	2018	2017	2018	2017	
Current and other assets	\$ 58,202,454	\$ 44,101,373	\$ 36,683,683	\$ 27,278,782	\$ 94,886,137	\$ 71,380,155	32.9 %
Capital assets	103,765,945	102,355,191	133,188,396	123,066,796	236,954,341	225,421,987	5.1
Total assets	161,968,399	146,456,564	169,872,079	150,345,578	331,840,478	296,802,142	11.8
Deferred outflows of resources	10,216,599	10,386,056	1,620,828	1,672,817	11,837,427	12,058,873	-1.8
Long-term liabilities outstanding	103,563,900	71,614,255	70,723,855	53,116,461	174,287,755	124,730,716	39.7
Other liabilities	13,576,715	11,231,519	3,916,568	3,544,239	17,493,283	14,775,758	18.4
Total liabilities	117,140,615	82,845,774	74,640,423	56,660,700	191,781,038	139,506,474	37.5
Deferred inflows of resources	495,145	2,354,177	396,829	700,097	891,974	3,054,274	-70.8
Net position:							
Net investment in capital assets	59,880,188	58,962,839	88,271,380	77,976,227	148,151,568	136,939,066	8.2
Restricted	-	-	3,029,456	2,612,045	3,029,456	2,612,045	16.0
Unrestricted	(5,330,950)	12,679,830	5,154,819	14,069,326	(176,131)	26,749,156	-100.7
Total net position	\$ 54,549,238	\$ 71,642,669	\$ 96,455,655	\$ 94,657,598	\$ 151,004,893	\$ 166,300,267	-9.2 %

Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

As shown in the following chart, the Town's net position increased \$12,578,978 for the year ended June 30, 2018. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

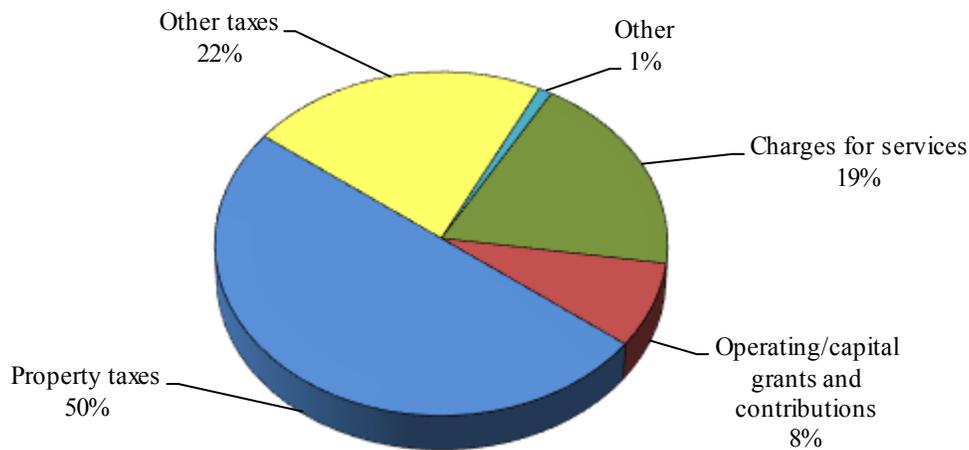
	Governmental Activities		Business-Type Activities		Total Primary Government		% Change
	2018	2017	2018	2017	2018	2017	
REVENUES							
Program revenues:							
Charges for services	\$ 16,193,454	\$ 15,989,689	\$ 29,264,473	\$ 29,235,669	\$ 45,457,927	\$ 45,225,358	0.5 %
Operating grants and contributions	3,302,181	3,370,747	3,821,429	3,823,027	7,123,610	7,193,774	-1.0
Capital grants and contributions	102,407	335,711	9,348,123	1,705,045	9,450,530	2,040,756	363.1
General revenues:							
Property taxes	43,239,535	42,938,816	-	-	43,239,535	42,938,816	0.7
Other taxes	18,721,093	18,645,893	-	-	18,721,093	18,645,893	0.4
Grants and contributions not restricted to specific programs	3,345,442	3,419,106	-	-	3,345,442	3,419,106	-2.2
Other revenues	1,156,499	1,252,210	243,267	82,619	1,399,766	1,334,829	4.9
Total revenues	86,060,611	85,952,172	42,677,292	34,846,360	128,737,903	120,798,532	6.6
EXPENSES							
General government	978,045	1,117,684	-	-	978,045	1,117,684	-12.5
Public safety	36,827,677	35,363,774	-	-	36,827,677	35,363,774	4.1
General public works and beach	8,190,991	7,026,384	-	-	8,190,991	7,026,384	16.6
Sanitation and waste removal	6,353,497	6,104,169	-	-	6,353,497	6,104,169	4.1
Highways and streets	8,424,668	7,660,939	-	-	8,424,668	7,660,939	10.0
Economic development - tourism	9,389,746	8,813,147	-	-	9,389,746	8,813,147	6.5
Recreation and culture	8,282,474	8,234,584	-	-	8,282,474	8,234,584	0.6
Interest on long-term debt	1,367,535	1,301,378	-	-	1,367,535	1,301,378	5.1
Water	-	-	5,826,613	5,751,275	5,826,613	5,751,275	1.3
Wastewater	-	-	12,000,680	12,331,189	12,000,680	12,331,189	-2.7
Transportation	-	-	8,476,581	7,929,546	8,476,581	7,929,546	6.9
Convention Center	-	-	6,012,638	5,670,317	6,012,638	5,670,317	6.0
Airport	-	-	1,823,343	1,985,010	1,823,343	1,985,010	-8.1
Golf Course	-	-	2,204,437	2,082,395	2,204,437	2,082,395	5.9
Total expenses	79,814,633	75,622,059	36,344,292	35,749,732	116,158,925	111,371,791	4.3
Change in net position before transfers	6,245,978	10,330,113	6,333,000	(903,372)	12,578,978	9,426,741	33.4
Transfers	(3,595,376)	(2,627,828)	3,595,376	2,627,828	-	-	0.0
Increase in net position	2,650,602	7,702,285	9,928,376	1,724,456	12,578,978	9,426,741	33.4
Net position, prior year, as restated	51,898,636	63,940,384	86,527,279	92,933,142	138,425,915	156,873,526	0.0
Net position, current year	\$ 54,549,238	\$ 71,642,669	\$ 96,455,655	\$ 94,657,598	\$ 151,004,893	\$ 166,300,267	-9.2 %

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

Governmental activities. The economy in the mid-Atlantic region is robust and the Town's continued advertising and tourism promotions have improved sales tax revenues. Employees received increments in January 2017 and January 2018, which resulted in a 2.8% increase in wages. Also, some variances occurred for specific revenue and expense types. Key elements in the net position for governmental activities are as follows:

- Property tax revenues and tax penalties and interest decreased \$100,919 due to an assessment increase offset by a decrease in the real property tax rate from \$0.4727 in FY 2017 to \$0.4656 per \$100 of assessed value in FY 2018. Property taxes comprised 50% of revenue for governmental activities in FY 2018, the same percentage as FY 2017.

GOVERNMENTAL ACTIVITIES
REVENUES BY SOURCE

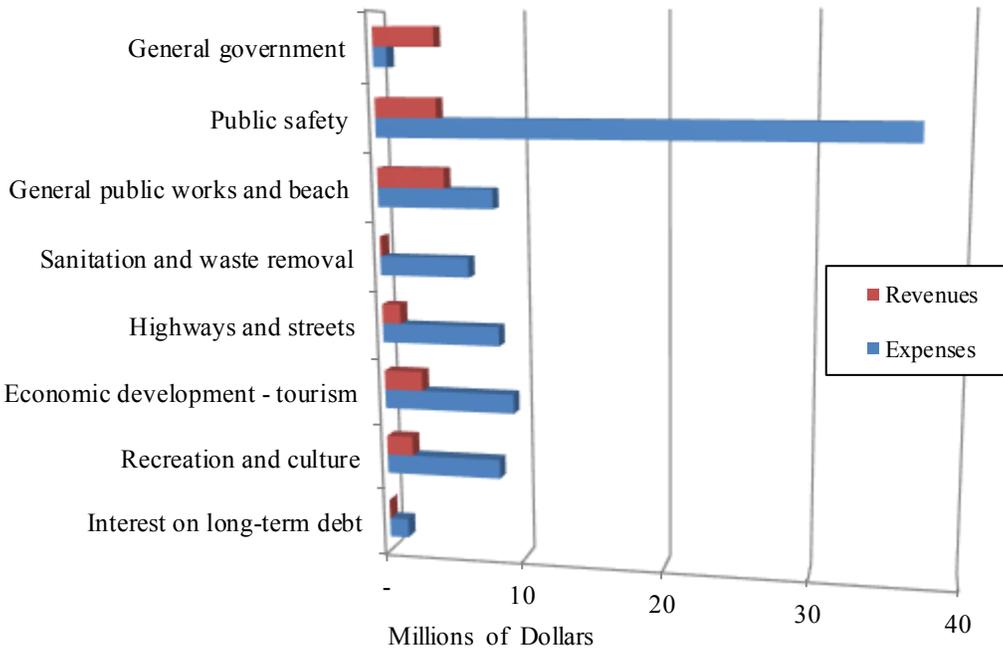


- The largest revenue increase in FY 2018 was in room taxes, which increased \$185,894. The “other taxes” category includes admissions taxes, income taxes, highway user taxes, and room taxes. Hotel sales in the resort have increased annually throughout the past decade.
- Revenue from charges for current services increased \$24,996 in governmental activities. The largest single increase in this category was beach stand franchises, which increased \$101,421. That increase was offset by decreases in other revenue categories.

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**



- Personnel costs for wages and employee benefits are 57.1% of total expenses for governmental activities. Salaries increased \$867,369, as increments were given to employees on January 1, 2018, and police officers received a 2% cost of living adjustment. The cost of employee benefits increased \$281,497 and pension costs increased \$652,909.
- The Town paid claims of \$765,921 in the 2018 fiscal year compared to \$1,066,197 in FY 2017. Based on an actuarial valuation performed as of June 30, 2018, the claims liability was increased \$510,612 in FY 2018 compared to a decrease of \$269,380 in FY 2017 for claims reserves. There was a \$223,538 loss in the Risk Management Fund in FY 2018. In FY 2017, the fund reported a gain of \$423,225.
- Transfers to other funds increased \$1,354,924. The subsidy for the Transportation Fund increased \$368,950 due to higher operating expenses for fuel and repairs. The Town's contribution to subsidize the convention center increased \$1,739 due to cost increases at the center from additional events. Transfers to the golf course increased \$69,126 and transfers to the airport increased \$527,733.

Business-type activities. There was an increase of \$9,928,376 in the Town's net position in FY 2018 attributed to business-type activities. Key elements of this increase are as follows:

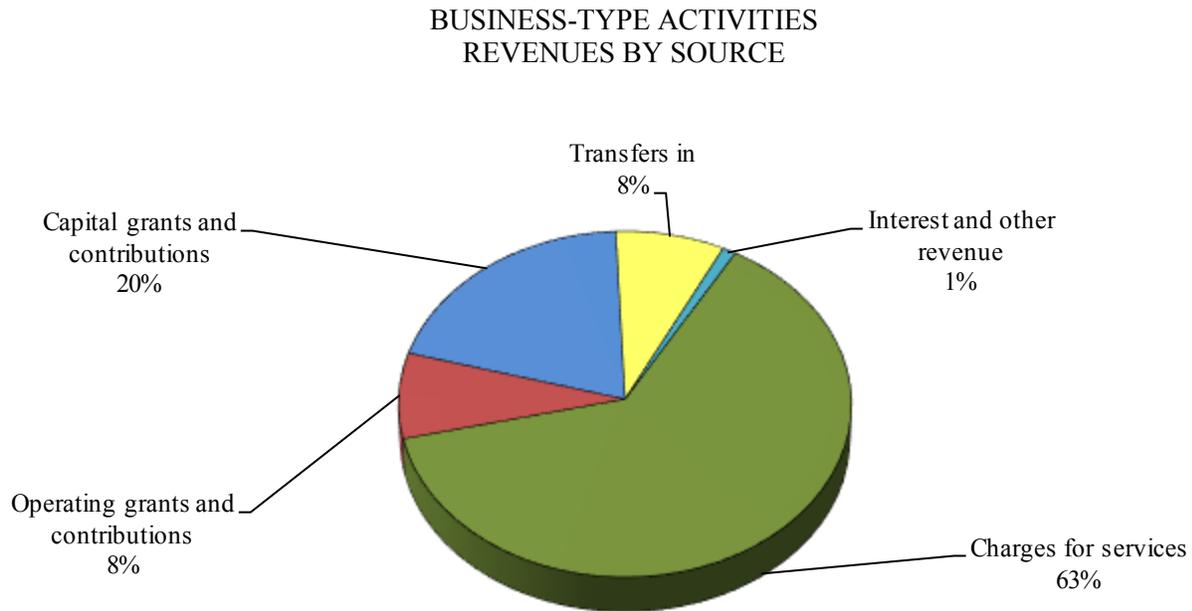
- Charges for services for business-type activities increased \$28,804. Wastewater revenue increased \$466,714 due to rate increases as scheduled from a 5-year rate study adopted in 2015 to fund capital improvements. Transportation revenue decreased \$265,980 due to a lower number of bus passengers.

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

The convention center revenue from service fees increased \$57,980 due to an increase in the number of events in the Performing Arts Center.

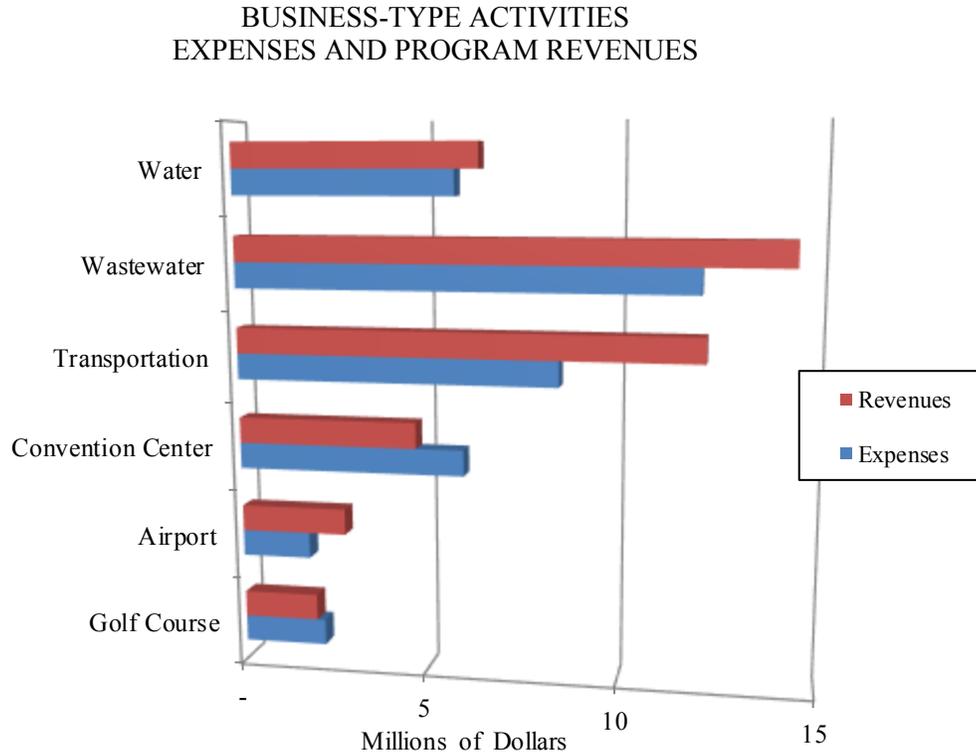
- There was a total of \$9,348,123 in capital grants and contributions for business-type activities. State and federal capital grants for new buses and the transportation portion of the campus plan were \$6,913,772. Capital improvements at the airport of \$1,772,969 were funded with \$1,072,612 in additional federal and state grants in FY 2018 than was received in FY 2017.
- Expenses increased \$484,756 in FY 2018 for business-type operations compared to FY 2017. Transportation increased \$549,885 and water increased \$93,211. These increases were partially offset by decreases in wastewater of \$206,844. The adjustment to reflect the consolidation of internal service funds activities to enterprise funds increased \$627,668 from the adjustment for FY 2017.

Charges for services were 63% of revenue for business-type activities in FY 2018, with operating grants and contributions making up 8% of revenue, and capital grants and contributions comprising 20% of revenue as shown in the following graph:



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

The following graph indicates the portion of expenses that are covered by charges for services to customers for business-type activities. The Water, Wastewater, and Golf Course Funds are self-supporting and users or reserves cover all costs. The operations of the Transportation, Convention Center, and Airport Funds recovered 47.2% of expenses from user charges in FY 2018 compared to 47.5% in FY 2017.



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, 2018, the Town's governmental funds reported a combined ending fund balance of \$37,852,520 compared to \$24,340,083 at June 30, 2017. The fund balance for the governmental funds increased \$13,512,446 primarily due to bond proceeds of \$14,282,743.

The General Fund unassigned fund balance, which is available for spending, increased \$73,893 from \$20,313,783 in FY 2017, to \$20,387,666, although the City Council assigned \$1,610,184 to the 2019 fiscal year budget for capital improvements. Total General Fund balance decreased \$628,744 during the fiscal year. The changes in both total and unassigned General Fund balance are important to evaluate the fund's liquidity.

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

The tax rate decreased from \$0.4727 to \$0.4656 per \$100 of valuation, resulting in a small decrease in property tax receipts of \$100,919. Total General Fund revenues decreased \$93,594 compared to FY 2017 primarily due to the decreases in property taxes and other revenue.

- The category “other revenue” decreased by \$244,652 due to decreases in donations from FY 2017.
- General Fund expenditures of \$79,057,284 before other financing sources and uses were \$148,014 more in FY 2018 compared to FY 2017. There were increases in public safety of \$1,073,620, \$443,209 in tourism, \$278,062 in sanitation, and \$265,869 in highways and streets, which were offset by a decrease in general public works of \$2,025,868.
- The increase of \$443,209 for economic development – tourism expenditures is by policy. The Town dedicates approximately 44% of all revenue from room occupancy taxes to tourism promotion.
- Debt principal in the amount of \$4,187,253 was retired in FY 2018, \$69,793 more than in FY 2017. Interest expenses were \$87,108 less than FY 2017 due to lower principal balances.
- Transfers to other funds were \$7,071,656 in FY 2018 compared to \$5,852,078 in FY 2017, an increase of \$1,219,578.
- In FY 2018, the City Council voted to assign \$2,500,000 of fund balance to provide resources for the 2019 fiscal year budget for canal dredging and street paving.

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, 2018, unassigned General Fund balance was \$20,387,666, which represents 25.8% of General Fund expenditures, compared to 25.7% in FY 2017. Total General Fund balance represents 28.1% of total expenditures at year-end. At the prior year-end, the percentage was 29%.

The fund balance for the Capital Projects Fund increased \$14,510,169 due to bond proceeds received to finance the 2nd Street tram building and the 65th Street campus plan.

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

- A change in net position of \$609,136 was reported in the Water Fund compared to \$848,430 in FY 2017. Impact fees from new construction were \$222,642, an increase of \$92,600 above the amount received in FY 2017. Operating expenses increased \$93,211 compared to FY 2017.
- The Wastewater Fund had a gain of \$2,300,577 in FY 2018 compared to a gain of \$1,306,388 in FY 2017. Revenues from service charges increased \$466,714 as rates were increased in April 2017 to fund future capital improvements and related debt service. Expenses decreased \$206,844 as compared to FY 2017.
- The Convention Center Fund had an operating loss of \$3,758,859 in FY 2018 compared to a loss of \$3,736,353 in FY 2017. Increased events in the Performing Arts Center and concession commissions caused operating revenue to increase \$57,980. Expenses increased \$80,486, which were primarily personnel costs. The Convention Center Fund received operating grants of \$2,806,718 and \$1,383,746 in transfers from the Town, permitting an increase in the net position of the fund of \$245,046. Debt

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

service for the fund is supported by a tax on food and beverages in Ocean City. The debt sinking fund had a balance of \$2,612,045 at year-end and is shown as a restricted portion of net position.

- The Transportation Fund had \$265,980 less operating revenue in FY 2018 compared to FY 2017 due to fewer passengers on the buses. Operating expenses were \$549,885 more than in FY 2017 due to higher contract services, utilities, repairs, and internal service charges. The fund had an operating loss of \$3,132,091, which was \$815,865 more than the operating loss in FY 2017, but received \$905,782 in operating grants, capital grants of \$6,913,772, and a transfer from the General Fund of \$1,254,618.
- The Golf Course Fund, a nonmajor fund, had a loss in net position of \$78,338 for the year and the Airport Fund, a nonmajor fund, had a gain in net position of \$1,805,687 in FY 2018. The gain in net position was the result of capital grants of \$1,762,089 and transfers from the General Fund of \$819,040, which offset an operating loss of \$729,023.

Fiduciary funds.

In FY 2018, the pension funds had an average money-weighted rate of return on investments of 6.6%, compared to 9.74% in FY 2017. The actuarial value of assets is fair value as of June 30, 2018. The recommended contribution calculation methodology uses a 10-year, level dollar, closed gain/loss basis.

The General Employees Pension Plan funded ratio based on GASB Statement No. 67, an indicator of funding status, decreased from 89.2% to 87.9%. Employees contribute 5% of pay to the plan, and the Town contributed \$1,926,923 to the plan with a 10-year amortization of the unfunded actuarial liability.

The funded ratio decreased from 83.6% to 82.6% for the Public Safety Employees Pension Plan. Employees contribute 8% of pay to the plan. The Town contributed \$2,973,495 to the plan, which includes a closed 10-year amortization of the unfunded actuarial liabilities for the plan. Additional information on the pension plans can be found on pages 75-82 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 the International City Managers Association Retirement Corporation (ICMA-RC) to administer the plan. Additional information on the defined contribution plan can be found on page 75 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 Town had an actuarial study prepared in March 2018. The plan had investment gains of 6.6% for the year. The net liability for the plan is \$28,213,414 and it is being amortized over 21 years. The funded ratio is 53.98% of the total OPEB liability. The Town contributed \$3,096,038 to the plan in FY 2018. Additional information on the OPEB Trust can be found on pages 72-75 of this report.

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

General Fund Budgetary Highlights

Amendments to the adopted budget may occur during the year by ordinance (see Note 1.F. on page 53). Two amendments were made in FY 2018. Differences between the original budget and final amended budget for the General Fund resulted in recognition of \$1,978,370 in additional revenues and increased the total expenditures in the original budget by \$3,109,885. Transfers to other funds increased \$689,930. Significant changes were made as follows:

- Recognized federal, state, and county grants of \$798,484 and expended grant proceeds which included grants of \$94,501 for a bike path; \$575,677 from state tourism grants; and \$52,723 in grants for the police department for a license plate reader, school bus safety, and highway safety.
- Increased anticipated revenue to recognize an additional \$101,552 for income taxes, \$100,000 for building permits, and \$50,000 for rental licenses. Anticipated revenue from “charges for current services” was increased \$90,500 for parking revenue, \$40,000 for tourism ad sales, \$46,313 for event revenue, and \$30,000 for a Coca-Cola® sponsorship.
- The budget amendments increased expenditures \$52,304 for boardwalk bench purchases and repairs and \$17,258 for alterations to the Caroline Street comfort station.
- The budget was increased by \$905,855 for the category “economic development – tourism,” for additional advertising and promotions. A total of \$575,677 was for the aforementioned state tourism grant and to follow the Town’s advertising funding policy. Expenses for festivals were increased by \$239,218, primarily for labor.
- Increased appropriations to capital projects for \$200,000 for the boardwalk access control project. Increased the transfer to the Golf Course Fund by \$90,952 and the Airport Fund by \$10,600. Decreased the appropriation to the Convention Center Fund by \$67,902 due to lower energy costs.

During the fiscal year, revenues were more than final budget estimates by \$1,276,956. Expenditures were \$2,147,568 less than anticipated. Other sources and uses variances were a favorable \$113,318. This resulted in an overall favorable variance from the budget of \$4,194,491. The key elements of this variance were:

- Revenue from “property taxes” was \$161,582 more than anticipated due to additions in prior year taxes and corporate taxes. The category “other taxes” was \$496,733 above budget due to additional room taxes of \$131,172 from increased hotel occupancy and rates.
- Revenue from “charges for current services” was \$147,023 above the final budget primarily due to additional parking fees, which were \$90,500 above the budget, and recreation program fees \$46,313 above budget due to fee increases.
- The largest variance to the final budget for expenditures was for “public safety,” which was \$1,043,487 under budget due to lower costs for part-time salaries, as some positions were not filled; reduced costs for energy and operation of vehicles due to lower fuel costs; and lower costs in building maintenance and supplies. The category “general public works and beach” had expenditures \$152,257 less than anticipated due to lower energy and fuel costs.
- The category “economic development – tourism” was under budget by \$374,461. Expenses for festival labor were \$193,541 less than anticipated. Other functional divisions also had reductions in employee

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

benefits, vehicle fuel, and had unspent grant funds. Additionally, spending was less for repairs, supplies, and purchased services.

- The category in other financing sources and uses, “transfers in,” was above budget by \$53,131 for reimbursements to the General Fund from the Capital Projects Fund for debt service for land purchases paid through a portion of the inlet parking lot revenues dedicated to land purchases by the Ocean City Development Corporation.

Capital Assets

The Town’s capital assets for its governmental and business-type activities as of June 30, 2018, were \$236,954,341 (net of accumulated depreciation) compared to \$225,421,987 in FY 2017. 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.

Town of Ocean City’s Capital Assets

	Governmental Activities		Business-Type Activities		Total Primary Government		% Change
	2018	2017	2018	2017	2018	2017	
Land	\$ 26,075,318	\$ 26,075,318	\$ 15,351,891	\$ 14,552,782	\$ 41,427,209	\$ 40,628,100	2.0 %
Construction in progress	7,713,403	3,730,491	10,565,182	4,296,757	18,278,585	8,027,248	127.7
Buildings	25,372,979	26,411,289	43,788,821	45,870,052	69,161,800	72,281,341	-4.3
Machinery and equipment	16,691,220	17,139,792	35,363,060	32,194,706	52,054,280	49,334,498	5.5
Streets and infrastructure	18,888,885	19,199,967	24,995,016	22,982,800	43,883,901	42,182,767	4.0
Other improvements	9,024,140	9,798,334	3,124,426	3,169,699	12,148,566	12,968,033	-6.3
	<u>\$ 103,765,945</u>	<u>\$ 102,355,191</u>	<u>\$ 133,188,396</u>	<u>\$ 123,066,796</u>	<u>\$ 236,954,341</u>	<u>\$ 225,421,987</u>	5.1 %

Debt Administration

As of June 30, 2018, the Town had total general obligation bonded debt, backed by the full faith and credit of the Town, outstanding of \$101,042,265. The remainder of the Town’s debt is comprised of notes payable to the State of Maryland for \$362,230 and capital leases of \$10,144,142.

The Town issued bonds in the amount of \$25,795,000 in January 2018. The proceeds will be used to fund the 65th Street campus plan, 2nd Street building for tram storage, and expansion of the convention center. The Town paid current maturities of \$9,326,558 in FY 2018. Outstanding general obligation debt represents 1.13% of the assessed valuation of property in the Town. The debt limit is 5.2% of assessments, leaving a legal debt margin of \$362,961,718.

The Town received upgrades in its bond ratings from Standard and Poor’s Rating Services on March 31, 2017, from “AA” to “AA+”; and from Fitch Ratings on November 16, 2016, from “AA-” to “AA.” Moody’s Investor Services Inc. affirmed their rating of “Aa2” on May 18, 2017. 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

- The Town sought to keep real property tax revenues at the same level as FY 2018 by maintaining the property tax rate of \$0.4656 per \$100 of assessed value. This was accomplished through a combination of increased fees and reductions in expenses.

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

- Hotel and rental sales increased 1.21% in FY 2018. Food and beverage sales increased 0.23% for the fiscal year. Ocean City remains a premier mid-Atlantic resort that is convenient from metropolitan areas. The Town has continued to dedicate over 44% of hotel room taxes to increased advertising of Ocean City as a resort destination.
- 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, 2019. Firefighter union employees receive a step increment and 1.5% cost of living adjustment (COLA) on July 1, 2018, and police union employees receive a step increase and 2% COLA on January 1, 2019.
- 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 2019 budget invests \$2.1 million into maintaining the beach and boardwalk and the Town has funded its share of the beach replenishment project for FY 2019. The federally managed project is scheduled to begin in September 2018.
- To continue to maintain infrastructure, property values and pedestrian safety, the FY 2019 budget funded \$2,200,000 for street paving and \$300,000 for canal dredging.

All of these factors were considered in preparing the Town's budget for the 2019 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, 2018

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Cash and cash equivalents	\$ 25,387,916	\$ 22,657,966	\$ 48,045,882
Restricted cash and cash equivalents	-	1,167,529	1,167,529
Investments	18,482,828	5,000,000	23,482,828
Restricted investments	1,037,780	2,248,718	3,286,498
Receivables (net of allowance for uncollectibles)	2,822,592	2,573,308	5,395,900
Interest receivable	94,390	10,502	104,892
Intergovernmental receivable	4,970,646	6,785,435	11,756,081
Internal balances	4,651,347	(4,651,347)	-
Inventories	751,955	888,072	1,640,027
Other	3,000	3,500	6,500
Capital assets, not being depreciated:			
Land	26,075,318	15,351,891	41,427,209
Construction in progress	7,713,403	10,565,182	18,278,585
Capital assets, net of accumulated depreciation:			
Buildings	25,372,979	43,788,821	69,161,800
Machinery and equipment	16,691,220	35,363,060	52,054,280
Streets and infrastructure	18,888,885	24,995,016	43,883,901
Other improvements	9,024,140	3,124,426	12,148,566
Total capital assets	<u>103,765,945</u>	<u>133,188,396</u>	<u>236,954,341</u>
Total assets	<u>161,968,399</u>	<u>169,872,079</u>	<u>331,840,478</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	180,683	221,550	402,233
Deferred outflows related to pensions	9,853,071	1,346,357	11,199,428
Deferred outflows related to OPEB	182,845	52,921	235,766
Total deferred outflows of resources	<u>10,216,599</u>	<u>1,620,828</u>	<u>11,837,427</u>
LIABILITIES			
Accounts payable and other accrued liabilities	3,329,510	1,617,280	4,946,790
Accrued expenses	4,827,917	660,546	5,488,463
Compensated absences	2,088,975	565,424	2,654,399
Unearned revenue	2,208,790	768,325	2,977,115
Other	1,121,523	304,993	1,426,516
Long-term liabilities:			
Due within one year:			
Claims and judgments	1,155,749	-	1,155,749
Bonds, notes, and loans payable	4,133,441	4,099,031	8,232,472
Due in more than one year:			
Claims payable	2,731,006	-	2,731,006
Bonds, notes, and loans payable	52,286,451	55,443,468	107,729,919
Net pension liability	23,250,267	2,974,928	26,225,195
Net OPEB liability	20,006,986	8,206,428	28,213,414
Total long-term liabilities	<u>103,563,900</u>	<u>70,723,855</u>	<u>174,287,755</u>
Total liabilities	<u>117,140,615</u>	<u>74,640,423</u>	<u>191,781,038</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	495,145	396,829	891,974
Total deferred inflows of resources	<u>495,145</u>	<u>396,829</u>	<u>891,974</u>
NET POSITION			
Net investment in capital assets	59,880,188	88,271,380	148,151,568
Restricted for debt service	-	3,029,456	3,029,456
Unrestricted	(5,330,950)	5,154,819	(176,131)
Total net position	<u>\$ 54,549,238</u>	<u>\$ 96,455,655</u>	<u>\$ 151,004,893</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, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 978,045	\$ 4,325,274	\$ -	\$ -
Public safety	36,827,677	2,307,485	2,048,000	-
General public works and beach	8,190,991	4,639,991	52,243	82,407
Sanitation and waste removal	6,353,497	147,173	-	-
Highways and streets	8,424,668	1,312,803	-	-
Economic development - tourism	9,389,746	1,698,351	1,050,677	-
Recreation and culture	8,282,474	1,762,377	100,000	20,000
Interest on long-term debt	1,367,535	-	51,261	-
Total governmental activities	79,814,633	16,193,454	3,302,181	102,407
Business-type activities:				
Water	5,826,613	6,221,780	-	222,642
Wastewater	12,000,680	13,798,797	108,929	388,740
Transportation	8,476,581	4,323,653	905,782	6,913,772
Convention Center	6,012,638	1,898,803	2,806,718	50,000
Airport	1,823,343	1,046,766	-	1,762,089
Golf Course	2,204,437	1,974,674	-	10,880
Total business-type activities	36,344,292	29,264,473	3,821,429	9,348,123
Total primary government	\$ 116,158,925	\$ 45,457,927	\$ 7,123,610	\$ 9,450,530

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, as restated

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
\$ 3,347,229	\$ -	\$ 3,347,229
(32,472,192)	-	(32,472,192)
(3,416,350)	-	(3,416,350)
(6,206,324)	-	(6,206,324)
(7,111,865)	-	(7,111,865)
(6,640,718)	-	(6,640,718)
(6,400,097)	-	(6,400,097)
(1,316,274)	-	(1,316,274)
<u>(60,216,591)</u>	<u>-</u>	<u>(60,216,591)</u>
-	617,809	617,809
-	2,295,786	2,295,786
-	3,666,626	3,666,626
-	(1,257,117)	(1,257,117)
-	985,512	985,512
-	(218,883)	(218,883)
<u>-</u>	<u>6,089,733</u>	<u>6,089,733</u>
<u>(60,216,591)</u>	<u>6,089,733</u>	<u>(54,126,858)</u>
43,044,198	-	43,044,198
195,337	-	195,337
18,721,093	-	18,721,093
706,108	-	706,108
2,639,334	-	2,639,334
399,992	243,267	643,259
756,507	-	756,507
(3,595,376)	3,595,376	-
<u>62,867,193</u>	<u>3,838,643</u>	<u>66,705,836</u>
2,650,602	9,928,376	12,578,978
51,898,636	86,527,279	138,425,915
<u>\$ 54,549,238</u>	<u>\$ 96,455,655</u>	<u>\$ 151,004,893</u>

TOWN OF OCEAN CITY, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	Capital Projects Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 6,955,998	\$ 15,856,027	\$ 22,812,025
Investments	14,893,790	-	14,893,790
Accounts receivable (net of allowance for uncollectibles)	2,774,400	5,406	2,779,806
Interest receivable	44,098	40,107	84,205
Intergovernmental receivable	4,925,518	45,128	4,970,646
Due from other funds	5,000,000	-	5,000,000
Other	3,000	-	3,000
Total assets	<u>\$ 34,596,804</u>	<u>\$ 15,946,668</u>	<u>\$ 50,543,472</u>
LIABILITIES			
Accounts payable	\$ 2,097,450	\$ 368,978	\$ 2,466,428
Accrued expenses	6,231,710	-	6,231,710
Other	1,121,523	-	1,121,523
Unearned revenues	2,208,790	-	2,208,790
Total liabilities	<u>11,659,473</u>	<u>368,978</u>	<u>12,028,451</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property and income taxes	662,501	-	662,501
Total deferred inflows of resources	<u>662,501</u>	<u>-</u>	<u>662,501</u>
FUND BALANCES			
Nonspendable	3,000	-	3,000
Committed:			
Capital projects - purchases on order	-	9,803,404	9,803,404
Capital projects	-	5,774,286	5,774,286
Assigned:			
Purchases on order	273,980	-	273,980
Subsequent year's budget: appropriation of fund balance	1,610,184	-	1,610,184
Unassigned	20,387,666	-	20,387,666
Total fund balances	<u>22,274,830</u>	<u>15,577,690</u>	<u>37,852,520</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 34,596,804</u>	<u>\$ 15,946,668</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.			84,470,555
Other long-term assets are not available to pay for current-period expenditures and, therefore, are offset by deferred revenue in the governmental funds.			662,501
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, \$348,653.			13,876,179
Long-term liabilities, including bonds and notes payable, net pension liabilities, net OPEB liabilities, 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.			(82,312,517)
Net position - governmental activities			<u>\$ 54,549,238</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, 2018

	General Fund	Capital Projects Fund	Total Governmental Funds
REVENUES			
Property taxes	\$ 43,110,273	\$ -	\$ 43,110,273
Other taxes	19,427,201	-	19,427,201
Licenses and permits	4,605,622	-	4,605,622
Fines and forfeitures	768,157	-	768,157
Charges for current services	10,571,662	248,013	10,819,675
Revenue from other agencies	5,961,515	82,407	6,043,922
Other revenue	1,002,634	137,963	1,140,597
Total revenues	<u>85,447,064</u>	<u>468,383</u>	<u>85,915,447</u>
EXPENDITURES			
Current:			
General government	3,819,642	79,143	3,898,785
Public safety	34,754,558	163,476	34,918,034
General public works and beach	6,541,917	43,044	6,584,961
Sanitation and waste removal	5,928,648	-	5,928,648
Highways and streets	5,844,556	690,048	6,534,604
Economic development - tourism	9,107,849	-	9,107,849
Recreation and culture	7,650,141	133,621	7,783,762
Capital outlay	-	2,773,812	2,773,812
Debt service:			
Principal	4,187,253	-	4,187,253
Interest	1,222,729	-	1,222,729
Bond issuance costs	-	49,940	49,940
Total expenditures	<u>79,057,293</u>	<u>3,933,084</u>	<u>82,990,377</u>
Excess (deficiency) of revenues over expenditures	<u>6,389,771</u>	<u>(3,464,701)</u>	<u>2,925,070</u>
OTHER FINANCING SOURCES (USES)			
Bonds and notes issued	-	14,282,743	14,282,743
Transfers in	53,131	3,376,280	3,429,411
Transfers out	(7,071,656)	(53,131)	(7,124,787)
Total other financing sources (uses)	<u>(7,018,525)</u>	<u>17,605,892</u>	<u>10,587,367</u>
Net change in fund balances	(628,754)	14,141,191	13,512,437
Fund balances, beginning	22,903,584	1,436,499	24,340,083
Fund balances, ending	<u>\$ 22,274,830</u>	<u>\$ 15,577,690</u>	<u>\$ 37,852,520</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, 2018

Net change in fund balances - total governmental funds (page 37)	\$ 13,512,437
<p>Amounts reported for governmental activities in the Statement of Activities (pages 34 and 35) are different because:</p>	
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 depreciation expense exceeded capital outlays in the current period.	(1,173,141)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.	129,262
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 issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long- term debt and related items.	(10,095,490)
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.	(858,961)
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.	<u>1,136,495</u>
Change in net position - governmental activities (page 35)	<u><u>\$ 2,650,602</u></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
BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 42,848,691	\$ 42,948,691	\$ 43,110,273	\$ 161,582
Other taxes	18,454,636	18,930,468	19,427,201	496,733
Licenses and permits	4,321,632	4,533,661	4,605,622	71,961
Fines and forfeitures	783,865	765,905	768,157	2,252
Charges for current services	10,211,476	10,424,639	10,571,662	147,023
Revenue from other agencies	4,950,201	5,830,032	5,961,515	131,483
Other revenue	621,237	736,712	1,002,634	265,922
Total revenues	<u>82,191,738</u>	<u>84,170,108</u>	<u>85,447,064</u>	<u>1,276,956</u>
EXPENDITURES				
Current:				
General government	4,033,090	4,001,860	3,819,642	182,218
Public safety	35,354,450	35,798,045	34,754,558	1,043,487
General public works and beach	5,547,830	6,694,174	6,541,917	152,257
Sanitation and waste removal	6,068,265	6,053,865	5,928,648	125,217
Highways and streets	5,765,197	6,002,710	5,844,556	158,154
Economic development - tourism	8,000,394	9,482,310	9,107,849	374,461
Recreation and culture	7,915,638	7,761,785	7,650,141	111,644
Debt service:				
Principal	4,187,263	4,187,263	4,187,253	10
Interest	1,222,849	1,222,849	1,222,729	120
Total expenditures	<u>78,094,976</u>	<u>81,204,861</u>	<u>79,057,293</u>	<u>2,147,568</u>
Excess of revenues over expenditures	<u>4,096,762</u>	<u>2,965,247</u>	<u>6,389,771</u>	<u>3,424,524</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	53,131	(53,131)
Transfers out	(6,334,706)	(7,024,636)	(7,071,656)	47,020
Total other financing sources (uses)	<u>(6,334,706)</u>	<u>(7,024,636)</u>	<u>(7,018,525)</u>	<u>(6,111)</u>
Net change in fund balances	(2,237,944)	(4,059,389)	(628,754)	3,418,413
Fund balances, beginning	<u>22,903,584</u>	<u>22,903,584</u>	<u>22,903,584</u>	<u>-</u>
Fund balances, ending	<u>\$ 20,665,640</u>	<u>\$ 18,844,195</u>	<u>\$ 22,274,830</u>	<u>\$ 3,418,413</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, 2018

	Business-Type Activities		
	Water	Wastewater	Transportation
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,357,223	\$ 4,884,105	\$ 330,732
Investments	1,000,000	4,000,000	-
Receivables, net	1,129,784	1,092,479	61,107
Interest receivable	-	3,014	-
Intergovernmental receivable	-	53,474	5,027,067
Inventories	-	719,519	-
Other	-	-	-
Total current assets	<u>4,487,007</u>	<u>10,752,591</u>	<u>5,418,906</u>
Noncurrent assets:			
Restricted cash and cash equivalents	-	-	-
Restricted investments	-	-	-
Capital assets:			
Land	1,554,128	2,636,905	-
Buildings	18,674,452	45,274,751	2,835,349
Other improvements	4,181,727	1,314,357	81,837
Streets and infrastructure	30,116,616	10,574,541	-
Machinery and equipment	5,073,337	54,278,453	6,951,091
Construction in progress	1,487,968	6,791,510	1,590,288
Less: accumulated depreciation	(40,301,610)	(62,371,419)	(2,729,462)
Total noncurrent assets	<u>20,786,618</u>	<u>58,499,098</u>	<u>8,729,103</u>
Total assets	<u>25,273,625</u>	<u>69,251,689</u>	<u>14,148,009</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	51,718	169,832	-
Deferred outflows related to pensions	421,616	295,152	141,385
Deferred outflows related to OPEB	9,079	19,175	5,196
Total deferred outflows of resources	<u>482,413</u>	<u>484,159</u>	<u>146,581</u>
LIABILITIES			
Current liabilities:			
Accounts payable	215,573	954,710	31,958
Accrued expenses	49,406	215,939	97,132
Compensated absences	89,855	196,039	58,759
Due to other funds	-	-	4,000,000
Deferred revenue	-	-	-
Claims and judgments	-	-	-
Other	276,493	28,500	-
Current portion of long-term debt	479,224	2,659,253	-
Total current liabilities	<u>1,110,551</u>	<u>4,054,441</u>	<u>4,187,849</u>
Noncurrent liabilities:			
Claims and judgments	-	-	-
Bonds, notes, and loans payable	5,703,879	29,530,891	-
Net pension liability	916,391	626,422	303,894
Net OPEB liability	989,265	4,529,407	566,164
Total noncurrent liabilities	<u>7,609,535</u>	<u>34,686,720</u>	<u>870,058</u>
Total liabilities	<u>8,720,086</u>	<u>38,741,161</u>	<u>5,057,907</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	126,149	80,344	37,989
Total deferred inflows of resources	<u>126,149</u>	<u>80,344</u>	<u>37,989</u>
NET POSITION			
Net investment in capital assets	14,655,232	27,579,038	8,729,103
Restricted for debt service	-	-	-
Unrestricted	2,254,571	3,335,305	469,591
Total net position	<u>\$ 16,909,803</u>	<u>\$ 30,914,343</u>	<u>\$ 9,198,694</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 Activities
Convention Center	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ 14,875,571	\$ 210,335	\$ 22,657,966	\$ 2,575,891
-	-	5,000,000	3,589,038
129,050	160,888	2,573,308	42,786
7,488	-	10,502	10,185
261,460	1,443,434	6,785,435	-
-	168,553	888,072	751,955
-	3,500	3,500	-
<u>15,273,569</u>	<u>1,986,710</u>	<u>37,918,783</u>	<u>6,969,855</u>
780,738	386,791	1,167,529	-
2,248,718	-	2,248,718	1,037,780
7,456,616	3,704,242	15,351,891	-
41,209,984	5,300,376	113,294,912	1,447,083
190,728	627,874	6,396,523	31,545
-	11,858,057	52,549,214	-
1,469,069	1,035,797	68,807,747	46,000,410
695,416	-	10,565,182	5,305,800
(18,065,414)	(10,309,168)	(133,777,073)	(33,489,448)
<u>35,985,855</u>	<u>12,603,969</u>	<u>136,604,643</u>	<u>20,333,170</u>
<u>51,259,424</u>	<u>14,590,679</u>	<u>174,523,426</u>	<u>27,303,025</u>
-	-	221,550	-
322,368	165,836	1,346,357	520,757
14,708	4,763	52,921	12,082
<u>337,076</u>	<u>170,599</u>	<u>1,620,828</u>	<u>532,839</u>
73,293	341,746	1,617,280	863,082
272,312	25,757	660,546	79,519
150,076	70,695	565,424	134,025
-	1,000,000	5,000,000	-
116,510	651,815	768,325	-
-	-	-	1,155,749
-	-	304,993	-
861,751	98,803	4,099,031	717,458
<u>1,473,942</u>	<u>2,188,816</u>	<u>13,015,599</u>	<u>2,949,833</u>
-	-	-	2,731,006
19,320,495	888,203	55,443,468	5,379,584
776,487	351,734	2,974,928	1,070,392
1,602,608	518,984	8,206,428	1,319,485
<u>21,699,590</u>	<u>1,758,921</u>	<u>66,624,824</u>	<u>10,500,467</u>
<u>23,173,532</u>	<u>3,947,737</u>	<u>79,640,423</u>	<u>13,450,300</u>
100,224	52,123	396,829	160,732
<u>100,224</u>	<u>52,123</u>	<u>396,829</u>	<u>160,732</u>
26,077,835	11,230,172	88,271,380	13,198,348
3,029,456	-	3,029,456	-
(784,547)	(468,754)	4,806,166	1,026,484
<u>\$ 28,322,744</u>	<u>\$ 10,761,418</u>	<u>96,107,002</u>	<u>\$ 14,224,832</u>
		348,653	
		<u>\$ 96,455,655</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, 2018

	Business-Type Activities	
	Water	Wastewater
OPERATING REVENUES:		
Charges for sales and services	\$ 6,221,780	\$ 13,798,797
Total operating revenues	<u>6,221,780</u>	<u>13,798,797</u>
OPERATING EXPENSES:		
Personal services	2,079,932	4,112,687
Contractual services	190,789	502,576
Utilities	434,290	656,803
Repairs and maintenance	531,390	502,688
Other supplies and expenses	518,652	776,231
Internal services	827,073	1,138,442
Insurance claims and expenses	-	-
Depreciation	1,096,999	3,391,397
Total operating expenses	<u>5,679,125</u>	<u>11,080,824</u>
Operating income (loss)	542,655	2,717,973
NONOPERATING REVENUES (EXPENSES):		
Interest and investment revenue	36,763	64,645
Operating grants	-	108,929
Interest expense	(192,924)	(946,435)
Gain (loss) on disposal of assets	-	(33,275)
Total nonoperating revenues (expenses)	<u>(156,161)</u>	<u>(806,136)</u>
Income (loss) before capital contributions and transfers	386,494	1,911,837
Capital contributions	222,642	388,740
Transfers in	-	-
Change in net position	<u>609,136</u>	<u>2,300,577</u>
Net position, beginning	17,276,875	33,115,596
Prior period adjustment	(976,208)	(4,501,830)
Net position, beginning, as restated	<u>16,300,667</u>	<u>28,613,766</u>
Net position, ending	<u>\$ 16,909,803</u>	<u>\$ 30,914,343</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.

Business-Type Activities				Governmental
Transportation	Convention Center	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ 4,323,653	\$ 1,898,803	\$ 3,021,440	\$ 29,264,473	\$ 11,998,662
4,323,653	1,898,803	3,021,440	29,264,473	11,998,662
3,654,394	2,929,060	1,427,552	14,203,625	2,962,787
251,193	166,238	529,937	1,640,733	1,132,657
78,845	562,923	95,155	1,828,016	114,661
2,035,094	342,447	209,224	3,620,843	635,316
197,584	257,427	872,745	2,622,639	2,503,871
951,711	348,885	307,573	3,573,684	988,807
-	-	-	-	1,280,891
286,923	1,050,682	538,040	6,364,041	2,580,170
7,455,744	5,657,662	3,980,226	33,853,581	12,199,160
(3,132,091)	(3,758,859)	(958,786)	(4,589,108)	(200,498)
15,371	122,780	3,708	243,267	15,902
905,782	2,806,718	-	3,821,429	-
-	(359,816)	(47,554)	(1,546,729)	(21,851)
3,001	477	-	(29,797)	156,757
924,154	2,570,159	(43,846)	2,488,170	150,808
(2,207,937)	(1,188,700)	(1,002,632)	(2,100,938)	(49,690)
6,913,772	50,000	1,772,969	9,348,123	172,000
1,254,618	1,383,746	957,012	3,595,376	100,000
5,960,453	245,046	1,727,349	10,842,561	222,310
3,796,932	29,659,154	9,546,203		15,304,632
(558,691)	(1,581,456)	(512,134)		(1,302,110)
3,238,241	28,077,698	9,034,069		14,002,522
\$ 9,198,694	\$ 28,322,744	\$ 10,761,418		\$ 14,224,832
			(914,185)	
			\$ 9,928,376	

TOWN OF OCEAN CITY, MARYLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Business-Type Activities	
	Water	Wastewater
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	\$ 6,297,903	\$ 13,751,098
Payments to suppliers	(1,681,619)	(2,383,334)
Payments to employees	(2,061,166)	(4,172,997)
Payments for interfund services used	(827,073)	(1,138,442)
Net cash provided (used) by operating activities	1,728,045	6,056,325
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Advances from other funds	-	-
Subsidies from county, state, and federal grants	-	-
Transfers from other funds	-	-
Net cash provided by noncapital financing activities	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from capital grants	-	55,457
Capital contributions	222,642	388,740
Acquisition and construction of capital assets	(1,680,160)	(5,112,916)
Proceeds from bond issuance	-	-
Principal paid on capital debt	(605,201)	(2,921,823)
Interest paid on capital debt	(229,653)	(1,098,298)
Capital lease payments	-	-
Proceeds from sales of capital assets	-	(33,275)
Net cash provided (used) by capital and related financing activities	(2,292,372)	(8,722,115)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	1,000,000	-
Purchases of investments	-	(4,000,000)
Sales of investments	-	-
Interest and dividends received	36,763	66,210
Net cash provided (used) by investing activities	1,036,763	(3,933,790)
Net increase (decrease) in cash and cash equivalents	472,436	(6,599,580)
Cash and cash equivalents, beginning of the fiscal year	1,884,787	11,483,685
Cash and cash equivalents, end of the fiscal year	\$ 2,357,223	\$ 4,884,105

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
\$ 4,389,604	\$ 1,930,526	\$ 2,939,078	\$ 29,308,209	\$ 11,974,208
(2,550,717)	(1,416,663)	(1,675,725)	(9,708,058)	(5,254,958)
(3,629,647)	(2,894,908)	(1,409,222)	(14,167,940)	(2,939,290)
(951,711)	(348,885)	(307,573)	(3,573,684)	(988,807)
<u>(2,742,471)</u>	<u>(2,729,930)</u>	<u>(453,442)</u>	<u>1,858,527</u>	<u>2,791,153</u>
4,000,000	-	845,000	4,845,000	-
982,242	2,841,164	-	3,823,406	-
1,254,618	1,383,746	957,012	3,595,376	100,000
<u>6,236,860</u>	<u>4,224,910</u>	<u>1,802,012</u>	<u>12,263,782</u>	<u>100,000</u>
1,937,663	50,000	-	2,043,120	172,000
-	-	763,311	1,374,693	-
(6,665,635)	(753,069)	(2,114,745)	(16,326,525)	(5,016,112)
-	13,883,823	-	13,883,823	-
-	(834,501)	(94,894)	(4,456,419)	-
-	(259,575)	(48,046)	(1,635,572)	(27,062)
-	-	-	-	(682,886)
3,001	477	-	(29,797)	156,757
<u>(4,724,971)</u>	<u>12,087,155</u>	<u>(1,494,374)</u>	<u>(5,146,677)</u>	<u>(5,397,303)</u>
-	903,542	-	1,903,542	-
-	(903,276)	-	(4,903,276)	(531,785)
-	-	-	-	2,779,971
15,371	120,374	3,708	242,426	52,801
<u>15,371</u>	<u>120,640</u>	<u>3,708</u>	<u>(2,757,308)</u>	<u>2,300,987</u>
(1,215,211)	13,702,775	(142,096)	6,218,324	(205,163)
1,545,943	1,953,534	739,222	17,607,171	2,781,054
<u>\$ 330,732</u>	<u>\$ 15,656,309</u>	<u>\$ 597,126</u>	<u>\$ 23,825,495</u>	<u>\$ 2,575,891</u>

TOWN OF OCEAN CITY, MARYLAND
STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Business-Type Activities	
	Water	Wastewater
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 542,655	\$ 2,717,973
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	1,096,999	3,391,397
EFFECT OF CHANGES IN OPERATING ASSETS AND LIABILITIES:		
Accounts receivable	39,862	(58,699)
Due from other governmental agencies	-	-
Inventories	-	(61,975)
Deferred outflows related to pensions	7,272	4,531
Deferred outflows related to OPEB	(9,079)	(19,175)
Compensated absences	206	9,541
Customer deposits	36,261	11,000
Accounts payable	(6,498)	116,939
Accrued expenses	3,883	(84,920)
Unearned revenue	-	-
Claims liability	-	-
Net pension liability	100,229	62,457
Net OPEB liability	13,057	27,577
Deferred inflows related to pensions	(96,802)	(60,321)
Total adjustments	<u>1,185,390</u>	<u>3,338,352</u>
Net cash provided (used) by operating activities	<u>\$ 1,728,045</u>	<u>\$ 6,056,325</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Decrease in fair value of investments	\$ -	\$ -
Gain (loss) on disposal of assets	-	(33,275)

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
\$ (3,132,091)	\$ (3,758,859)	\$ (958,786)	\$ (4,589,108)	\$ (200,498)
286,923	1,050,682	538,040	6,364,041	2,580,170
65,951	76,110	(63,115)	60,109	(24,454)
-	-	22	22	-
-	-	(10,209)	(72,184)	39,876
2,082	5,689	3,206	22,780	8,671
(5,196)	(14,708)	(4,763)	(52,921)	(12,082)
5,739	16,677	6,843	39,006	(760)
-	-	-	47,261	-
11,999	(87,628)	41,545	76,357	(138,050)
13,667	2,660	4,682	(60,028)	6,205
-	(44,387)	(19,269)	(63,656)	-
-	-	-	-	510,612
28,703	78,416	44,202	314,007	119,518
7,473	21,152	6,850	76,109	17,375
(27,721)	(75,734)	(42,690)	(303,268)	(115,430)
<u>389,620</u>	<u>1,028,929</u>	<u>505,344</u>	<u>6,447,635</u>	<u>2,991,651</u>
<u>\$ (2,742,471)</u>	<u>\$ (2,729,930)</u>	<u>\$ (453,442)</u>	<u>\$ 1,858,527</u>	<u>\$ 2,791,153</u>
\$ -	\$ (31,585)	\$ -	\$ (31,585)	\$ (37,828)
3,001	477	-	(29,797)	-

TOWN OF OCEAN CITY, MARYLAND
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	Pension Trust Funds	OPEB Trust Fund
ASSETS		
Cash and cash equivalents	\$ 5,169,495	\$ 1,215,094
Interest and dividends receivable	150,174	40,442
Investments, at fair value:		
Domestic equities	40,938,049	12,249,633
Domestic fixed income	26,251,841	7,397,751
International equities	27,487,251	7,951,770
Alternative investments	17,107,647	4,347,118
Total assets	117,104,457	33,201,808
LIABILITIES		
Accounts payable	22,008	107,795
Total liabilities	22,008	107,795
NET POSITION		
Net position restricted for pensions/OPEB	\$ 117,082,449	\$ 33,094,013

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

TOWN OF OCEAN CITY, MARYLAND
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Pension Trust Funds	OPEB Trust Fund
Additions		
Contributions:		
Employer	\$ 4,900,418	\$ 3,034,000
Plan members	1,575,533	294,975
Total contributions	<u>6,475,951</u>	<u>3,328,975</u>
Miscellaneous income	-	62,038
Investment earnings:		
Net increase in fair value of investments	4,781,614	1,375,072
Interest	552,254	160,074
Dividends	1,781,500	497,181
Total investment income	<u>7,115,368</u>	<u>2,032,327</u>
Less: investment expense	681,202	196,914
Net investment income	<u>6,434,166</u>	<u>1,835,413</u>
Total additions	<u>12,910,117</u>	<u>5,226,426</u>
Deductions		
Benefits and refunds paid	6,759,529	1,584,061
Administrative expenses	85,368	-
Total deductions	<u>6,844,897</u>	<u>1,584,061</u>
Change in net position	6,065,220	3,642,365
Net position, beginning	<u>111,017,229</u>	<u>29,451,648</u>
Net position, ending	<u>\$ 117,082,449</u>	<u>\$ 33,094,013</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, 2018

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

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2018

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 services funds, while business-type activities includes data from the Town's enterprise funds. Separate financial statements are shown for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements.

The effect of interfund activity has been eliminated from the government-wide financial statements except for charges between the Water, 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 Convention Center Fund accounts for the activities of the Roland E. Powell Convention Center; and the Transportation Fund accounts for the operations of the Town's bus system and boardwalk trams. The Town has two 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.

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

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2018

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 capital leases 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.

Town of Ocean City, Maryland
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June 30, 2018

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 Administrator such that the net effect on total expenditures for the fund equals zero. Budget amendments, which establish additional revenue (equal to or in excess of new appropriations) or move appropriations from one fund to another, must be approved by 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, 2018 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.

Town of Ocean City, Maryland
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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. Proceeds from the sale of airport land restricted by the Federal Aviation Administration for future airport improvements are recorded in a nonmajor fund, the Airport Fund, and are invested in the MLGIP.

Proceeds from a capital lease agreement set aside for the purchase of radios and communication equipment in an internal service fund, the Vehicle and Equipment Trust Fund, are comprised of cash and cash equivalents in the Town's name and are recorded as a restricted asset, "capital lease escrows."

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.

Town of Ocean City, Maryland
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Expenditures for major assets and improvements are capitalized as projects are constructed. Interest on project-related debt during the construction period is capitalized. The amount of interest to be capitalized is offset by interest income earned on invested proceeds over the same period. Exhaustible capital assets of the primary government are depreciated, which is charged as an expense against their operations. Land and construction in progress are not depreciated. Depreciation has been provided over the estimated useful lives using the straight-line method. Estimated useful lives are generally as follows:

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

5) Deferred outflows/inflows of resources

The Statement of Net Position reports a separate section for deferred outflows of resources representing a consumption of net position that applies to a future period and is not recognized as an outflow of resources in the current period. The Town has two items that qualify for reporting in this category. The deferred charge on refunding is reported in the government-wide Statement of Net Position and the proprietary funds Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the life of refunded debt. Changes in total pension liabilities arising from the differences between expected and actual experience and changes of assumptions of future economic and demographic factors are recognized as deferred outflows of resources or deferred inflows of resources. They are amortized over five years and included in pension expenses.

The Statement of Net Position reports a separate section for deferred inflows of resources representing an acquisition of net position that applies to a future period and is not recognized as an inflow of resources in the current period. The Town has one item that occurs under a modified accrual basis of accounting and qualifies for reporting in this category, “unavailable revenue,” which is reported in the governmental funds Balance Sheet. The governmental funds report unavailable revenue from property and income taxes. These amounts are deferred and recognized as an inflow of revenue in the period that the amounts become available.

6) Long-term obligations

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

Bond premiums, discounts, and issuance costs 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, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension expense; 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
Notes to the Financial Statements
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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 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:

	Real	Personal and Corporate
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. All vacation leave is classified as a current liability as a maximum of 10 days of accumulated and/or current vacation leave may be carried forward into the next year. All other vacation leave must be used by the employee in the current year or forfeited. The Town pays all outstanding vacation leave at separation on a one-for-one basis. Compensated absences related to governmental activities for current and prior years are generally liquidated from the General Fund. A liability for vacation 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
Notes to the Financial Statements
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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 \$84,470,555 difference are as follows:

Land	\$ 26,075,318
Construction in progress	2,407,603
Buildings	45,632,696
Less: accumulated depreciation - buildings	(20,391,110)
Machinery and equipment	7,026,038
Less: accumulated depreciation - machinery and equipment	(4,189,729)
Streets and infrastructure	50,025,572
Less: accumulated depreciation - streets and infrastructure	(31,136,687)
Other improvements	23,108,929
Less: accumulated depreciation - other improvements	<u>(14,088,075)</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	<u><u>\$ 84,470,555</u></u>

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 \$13,876,179 difference are as follows:

Net position of the internal service funds	\$ 14,224,832
Less: internal payable representing charges in excess of costs to business-type activities - prior years	(1,262,838)
Add: internal payable representing charges in excess of costs to business-type activities - current year	<u>914,185</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	<u><u>\$ 13,876,179</u></u>

Town of Ocean City, Maryland
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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, 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 \$82,312,517 difference are as follows:

Bonds payable	\$ 44,764,656
Less: deferred charge on refunding (to be amortized as interest expense)	(180,683)
Add: issuance premium (to be amortized over life of debt)	1,796,400
Notes payable	362,230
Capital leases	3,399,564
Accrued interest payable	471,638
Net pension liability	22,179,875
Less: deferred outflows of resources - difference between projected and actual earnings on pension plan investments	(6,838,137)
Less: deferred outflows of resources - changes in pension plan assumptions and benefits	(2,494,177)
Add: deferred inflows of resources - difference between expected and actual experience	334,413
Net OPEB liability	18,687,501
Less: deferred outflows of resources - difference between projected and actual earnings on OPEB plan investments	(167,714)
Less: deferred outflows of resources - difference between expected and actual experience	(3,049)
Net adjustment to decrease fund balance - total governmental funds	\$ 82,312,517
to arrive at net position - governmental activities	\$ 82,312,517

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 depreciation expense exceeded capital outlays in the current period are as follows:

Capital outlay	\$ 3,053,321
Depreciation expense	(4,226,462)
Net adjustment to decrease net change in fund balances - total governmental funds to arrive at change in net position - governmental activities	\$ (1,173,141)

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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 issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.” The details of this \$10,095,490 difference in the treatment of long-term debt and related items are as follows:

Principal repayments:	
General obligation debt	\$ 4,187,253
Debt issued or incurred:	
General obligation bonds	<u>(14,282,743)</u>
Net adjustment to decrease net change in fund balances - total governmental funds to arrive at change in net position - governmental activities	<u>\$ (10,095,490)</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 \$858,961 difference are as follows:

Accrued interest on debt	\$ (185,053)
Amortization of bond premiums	158,863
Amortization of deferred charge on refunding	(46,825)
Loss on disposal of assets	(99,139)
Change in net pension liability	(2,058,790)
Amortization of effect of difference between projected and actual earnings on pension plan investments	(1,296,156)
Amortization of changes in pension plan assumptions and benefits	1,488,528
Amortization of pension plan difference between expected and actual experience	1,254,426
Change in net OPEB liability	(245,578)
Amortization of effect of difference between projected and actual earnings on OPEB plan investments	167,714
Amortization of OPEB plan difference between expected and actual experience	<u>3,049</u>
Net adjustment to decrease net change in fund balances - total governmental funds to arrive at change in net position - governmental activities	<u>\$ (858,961)</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 \$1,136,495 difference are as follows:

Change in net position of the internal service funds	\$ 222,310
Plus: loss from charges to business-type activities	<u>914,185</u>
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net position - governmental activities	<u>\$ 1,136,495</u>

C. Explanation of certain differences between the proprietary fund Statement of Net Position and the government-wide Statement of Net Position

The proprietary fund Statement of Net Position includes 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

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balance for the net effect of the activity between the internal service funds and the enterprise funds over time.” The details of this \$348,653 difference are as follows:

Internal receivable representing charges in excess of costs to business-type activities - prior years	\$ 1,262,838
Internal receivable representing charges in excess of costs to business-type activities - current year	<u>(914,185)</u>
Net adjustment to increase net position - total enterprise funds to arrive at net position - business-type activities	<u><u>\$ 348,653</u></u>

Note 3: Stewardship, compliance, and accountability

For the fiscal year ended June 30, 2018, the Council approved two budget amendments to recognize additional revenues of \$1,978,370 to increase appropriations by \$3,799,815 and to increase the amount of appropriated prior year fund balance by \$1,821,445, from \$2,237,944 to \$4,059,389.

Note 4: Deposits and investments

A. Cash on hand

At fiscal year-end, cash on hand for petty cash and change funds was \$17,990.

B. Deposits

At fiscal year-end, the carrying amount of the Town's deposits was \$10,293,567 and the bank balance was \$10,425,766. The deposits of the Town were not exposed to custodial credit risk as of June 30, 2018.

C. Investments

As of June 30, 2018, 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	\$ 3,152,924	\$ 1,489,408	\$ 1,663,516	\$ -	1.81 %
State investment pool	36,927,643	36,927,643	-	-	1.50
U.S. government money market	1,490,982	1,490,982	-	-	0.45
Money market mutual fund	4,792,467	4,792,467	-	-	0.41
U.S. Treasuries	15,303,191	6,121,296	7,778,205	1,403,690	1.57
U.S. agencies	26,937,870	10,411,264	15,234,807	1,291,799	1.18
Domestic equities	53,187,682	53,187,682	-	-	-
Domestic fixed income	13,963,054	1,462,340	7,432,986	5,067,728	2.64
International equities	35,439,021	35,439,021	-	-	-
Alternative investments	21,454,765	-	21,454,765	-	-
	<u>\$ 212,649,599</u>	<u>\$ 151,322,103</u>	<u>\$ 53,564,279</u>	<u>\$ 7,763,217</u>	

The fair value GAAP hierarchy is based on the valuation of inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. U.S. Treasuries, U.S. agencies, equities, fixed income investments, and alternative investments are considered to be Level 2 inputs.

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Notes to the Financial Statements
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Reconciliation of cash and investments as shown on the Statement of Net Position:

Cash on hand	\$ 17,990
Carrying amount of deposits	13,430,797
Carrying amount of investments (above)	<u>212,649,599</u>
Total cash and investments	226,098,386
Less: amounts in fiduciary funds	<u>(150,115,649)</u>
Total cash and investments per Statement of Net Position	<u><u>\$ 75,982,737</u></u>
Cash and cash equivalents	\$ 48,045,882
Restricted cash and cash equivalents	1,167,529
Investments	23,482,828
Restricted investments	<u>3,286,498</u>
Total cash and investments per Statement of Net Position	<u><u>\$ 75,982,737</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, 2018, met the Town's investment policy as of that date.

Investment income included the following for the fiscal year ended June 30, 2018:

Net interest and dividends	\$ 3,828,340
Net increase in fair value of investments	<u>5,962,614</u>
Total investment gain	9,790,954
Less: investment gain in fiduciary funds	<u>(9,147,695)</u>
Total net investment income per Statement of Activities	<u><u>\$ 643,259</u></u>

Credit risk. Town investment policy does not permit investments in commercial paper or corporate bonds except in fiduciary funds or if they are permitted under state law in the state investment pool. The Town invests in the 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, 2018, \$10,008,344 of fiduciary fund investments were rated "BBB" and \$310,421 were unrated, with 30.7% of total fiduciary fund fixed-income securities below single "A" quality.

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The \$56,204,115 in fixed-income investments as of June 30, 2018, are listed below using the Standard and Poor's rating scale:

Investment Type	Credit Rating	Domestic Amount	International Amount	Total
U.S. Treasuries	AA	\$ 15,303,191	\$ -	\$ 15,303,191
U.S. agencies	AA	26,937,870	-	26,937,870
Corporate and international bonds	AAA	256,586	-	256,586
	AA	518,780	-	518,780
	A	2,868,923	-	2,868,923
	BBB	10,008,344	-	10,008,344
Bond mutual funds	Unrated	310,421	-	310,421
Totals		<u>\$ 56,204,115</u>	<u>\$ -</u>	<u>\$ 56,204,115</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, 2018, 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.

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 65% 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 23.3% at fiscal year-end, or \$35,027,005.

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The foreign currency risk as of June 30, 2018, is presented in the following table:

Currency	U.S. dollars
Euro	\$ 8,001,731
British Pound	5,659,552
Japanese Yen	4,234,820
Chinese Yuan	3,519,842
Swiss Franc	2,857,959
Canadian Dollar	1,592,836
South African Rand	1,495,505
Hong Kong Dollar	1,091,810
Brazilian Real	843,467
Russian Ruble	725,908
Taiwanese Dollar	662,269
South Korean Won	635,945
Indonesian Rupiah	539,191
Indian Rupee	524,788
Swedish Krona	465,980
Mexican Peso	429,569
Argentine Peso	247,459
Singapore Dollar	245,192
Israeli New Shekel	240,691
Danish Krone	224,071
Turkish Lira	221,765
Australian Dollar	152,020
Egyptian Pound	144,851
Chilean Peso	119,706
Thai Baht	91,282
Philippine Peso	58,796
Total foreign currencies	<u><u>\$ 35,027,005</u></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, 2018, was \$8,923,153,518. The Town's real property tax rate was \$0.4656 per \$100 of assessed value. The Town tax rate for personal and corporate property was \$1.29 per \$100 of assessed value. The Town collected 97.8% of current year property taxes levied in the current year. Total property tax collections were 99.7% of current taxes levied.

Town of Ocean City, Maryland
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June 30, 2018

B. Receivables

Receivables as of June 30, 2018, 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	\$ 1,014,457	\$ -	\$ 1,014,457
Emergency medical Accounts	213,459	-	213,459
	1,602,354	2,573,308	4,175,662
Gross receivables	2,830,270	2,573,308	5,403,578
Less: allowance	(7,678)	-	(7,678)
Total	<u>\$ 2,822,592</u>	<u>\$ 2,573,308</u>	<u>\$ 5,395,900</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, 2018:

	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	3,730,491	3,982,912	-	7,713,403
Total capital assets, not being depreciated	<u>29,805,809</u>	<u>3,982,912</u>	<u>-</u>	<u>33,788,721</u>
Capital assets, being depreciated:				
Buildings	46,988,404	119,590	(28,215)	47,079,779
Machinery and equipment	53,970,653	2,710,709	(3,654,914)	53,026,448
Streets and infrastructure	49,117,036	1,424,064	(515,528)	50,025,572
Other improvements	23,878,477	80,582	(818,585)	23,140,474
Total capital assets, being depreciated	<u>173,954,570</u>	<u>4,334,945</u>	<u>(5,017,242)</u>	<u>173,272,273</u>
Less accumulated depreciation for:				
Buildings	(20,577,115)	(1,295,900)	166,215	(21,706,800)
Machinery and equipment	(36,830,861)	(2,983,035)	3,478,668	(36,335,228)
Streets and infrastructure	(29,917,069)	(1,735,146)	515,528	(31,136,687)
Other improvements	(14,080,143)	(792,551)	756,360	(14,116,334)
Total accumulated depreciation	<u>(101,405,188)</u>	<u>(6,806,632)</u>	<u>4,916,771</u>	<u>(103,295,049)</u>
Total capital assets, being depreciated, net	<u>72,549,382</u>	<u>(2,471,687)</u>	<u>(100,471)</u>	<u>69,977,224</u>
Governmental activities capital assets, net	<u>\$102,355,191</u>	<u>\$ 1,511,225</u>	<u>\$ (100,471)</u>	<u>\$103,765,945</u>

Town of Ocean City, Maryland
Notes to the Financial Statements
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The following is a summary of business-type capital assets activity for the fiscal year ended June 30, 2018:

	Beginning Balance	Transfers and Increases	Transfers and Deletions	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 14,552,782	\$ 799,109	\$ -	\$ 15,351,891
Construction in progress	4,296,757	6,923,595	(655,170)	10,565,182
Total capital assets, not being depreciated	<u>18,849,539</u>	<u>7,722,704</u>	<u>(655,170)</u>	<u>25,917,073</u>
Capital assets, being depreciated:				
Buildings	112,799,132	499,429	(3,649)	113,294,912
Machinery and equipment	63,334,906	5,564,637	(91,796)	68,807,747
Streets and infrastructure	49,158,249	3,390,965	-	52,549,214
Other improvements	6,396,523	-	-	6,396,523
Total capital assets, being depreciated	<u>231,688,810</u>	<u>9,455,031</u>	<u>(95,445)</u>	<u>241,048,396</u>
Less accumulated depreciation for:				
Buildings	(66,929,080)	(2,577,011)	-	(69,506,091)
Machinery and equipment	(31,140,200)	(2,363,008)	58,521	(33,444,687)
Streets and infrastructure	(26,175,449)	(1,378,749)	-	(27,554,198)
Other improvements	(3,226,824)	(45,273)	-	(3,272,097)
Total accumulated depreciation	<u>(127,471,553)</u>	<u>(6,364,041)</u>	<u>58,521</u>	<u>(133,777,073)</u>
Total capital assets, being depreciated, net	<u>104,217,257</u>	<u>3,090,990</u>	<u>(36,924)</u>	<u>107,271,323</u>
Business-type activities capital assets, net	<u>\$123,066,796</u>	<u>\$ 10,813,694</u>	<u>\$ (692,094)</u>	<u>\$133,188,396</u>

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

General government	\$ 179,099
Public safety	506,373
General public works and beach	1,240,174
Sanitation and waste removal	296,594
Highways and streets	1,757,877
Economic development - tourism	5,824
Recreation and culture	240,521
Capital assets held by the Town's internal service funds are charged to the various functions based on their usage of the assets	<u>2,580,170</u>
Total depreciation expense - governmental activities	<u>\$ 6,806,632</u>

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

Water Fund	\$ 1,096,999
Wastewater Fund	3,391,397
Transportation Fund	286,923
Convention Center Fund	1,050,682
Airport Fund	500,765
Golf Course Fund	<u>37,275</u>
Total depreciation expense - business-type activities	<u>\$ 6,364,041</u>

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The Town has ongoing construction projects as of June 30, 2018. The projects include the “campus” plan, a tram facility, the convention center expansion, the radio system, street improvements, and wastewater main and pumping station improvements. At fiscal year-end, the Town’s obligations with contractors were as follows:

Project	Spent to Date	Remaining Commitment
Public works campus plan	\$ 3,314,054	\$ 10,109,849
2nd Street tram facility	65,815	2,950,723
Convention center expansion	613,205	13,261,117
700 MHz radio system	5,305,799	194,201
Street paving	2,076,669	568,312
Wastewater mains	923,425	1,056,436
Wastewater pumping stations	2,964,019	42,567
Total	<u>\$ 15,262,986</u>	<u>\$ 28,183,205</u>

Note 7: Interfund receivables, payables, and transfers

Interfund balances exist between the General Fund and the Transportation Fund, for \$4,000,000, and between the General Fund and the Airport Fund, for \$1,000,000, until grants are received from other governments. The Transportation Fund and Airport Fund had intergovernmental receivables of \$5,027,067 and \$1,443,163, respectively, at June 30, 2018.

In governmental funds, a transfer of \$3,376,280 was made from the General Fund to the Capital Projects Fund for capital expenditures.

Net transfers of \$3,595,376 are shown in the Statement of Activities. Transfers were made from the General Fund to subsidize operations and for capital expenditures, detailed as follows:

Transportation Fund	\$ 1,254,618
Convention Center Fund	1,383,746
Airport Fund	819,040
Golf Course Fund	137,972
Total	<u>\$ 3,595,376</u>

Note 8: Long-term debt

A. General obligation bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities in prior years in the amount of \$130,856,000. In January 2018, the Town issued general obligation bonds for \$25,795,000 with interest rates ranging from 3% to 5%, maturing in 2038, to finance capital projects related to public works and the convention center. 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 interest is paid semi-annually.

Town of Ocean City, Maryland
Notes to the Financial Statements
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General obligation bonds outstanding at June 30, 2018, are as follows:

Bond Issue	Maturity	Interest Rate	Original Issue	Outstanding Balance
Airport Improvement Bond of 2005	2024	3.20%	\$ 1,025,000	\$ 457,405
Airport Improvement Bond of 2006	2016	3.50%	4,100,000	2,365,000
Municipal Refunding Bonds of 2007	2027	3.50 - 5.00%	22,320,000	450,000
Municipal Refunding Bonds of 2009	2021	2.00 - 4.00%	12,745,000	4,350,000
Airport Improvement Bond of 2010	2020	5.82%	725,000	529,600
Municipal Purpose Bonds of 2010	2028	1.00 - 5.60%	18,105,000	9,245,000
Municipal Refunding Bonds of 2012	2032	0.50 - 3.08%	33,560,000	26,000,000
Municipal Purpose Bonds of 2013	2023	0.20 - 2.85%	12,700,000	8,100,000
Municipal Purpose Bond of 2014B	2020	2.00%	600,000	207,972
Municipal Purpose Bond of 2015	2035	2.89%	16,760,000	15,585,000
Municipal Refunding Bonds of 2016A	2027	1.92%	5,266,000	5,266,000
Municipal Purpose Bond of 2016B	2027	2.70%	1,350,000	1,234,000
Municipal Purpose Bond of 2017A	2027	2.50%	1,600,000	1,457,288
Municipal Purpose Bond of 2018	2038	3.00 - 5.00%	25,795,000	25,795,000
Total			<u>\$156,651,000</u>	<u>\$101,042,265</u>

Annual debt service requirements to maturity for general obligation bonds are listed below. Future federal subsidies of \$1,248,963 for Build America Bonds issued in 2010 are not netted with interest.

Year Ending June 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2019	\$ 3,178,780	\$ 1,518,548	\$ 4,062,280	\$ 2,113,524
2020	3,219,940	1,437,048	4,614,436	1,968,207
2021	3,320,394	1,333,396	4,339,987	1,777,631
2022	3,426,821	1,211,783	3,980,748	1,597,672
2023	3,551,884	1,080,550	4,136,045	1,425,355
2024 - 2028	13,980,094	3,681,864	15,175,856	4,908,258
2029 - 2033	9,326,743	1,611,280	11,993,257	2,301,458
2034 - 2038	4,760,000	461,163	7,975,000	601,162
	<u>\$ 44,764,656</u>	<u>\$ 12,335,632</u>	<u>\$ 56,277,609</u>	<u>\$ 16,693,267</u>

B. Intergovernmental loans

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

Town of Ocean City, Maryland
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A summary of state loans, with balances at June 30, 2018, is as follows:

<u>Loan</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Outstanding Balance</u>
Soil erosion control - 1st Street	2018	0.00%	\$ 106,112	\$ -
Soil erosion control - South Ocean Drive	2023	0.00%	548,115	168,900
Soil erosion control - Robin Drive	2029	0.00%	297,171	193,330
Total intergovernmental loans			<u>\$ 951,398</u>	<u>\$ 362,230</u>

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

<u>Year Ending June 30,</u>	<u>Principal</u>
2019	\$ 44,260
2020	44,260
2021	44,260
2022	44,260
2023	44,260
2024 - 2028	108,700
2029 - 2030	32,230
	<u>\$ 362,230</u>

C. Capital leases

The Town has three lease agreements, as lessee, with Bank of America for radio equipment valued at \$5,500,000, construction equipment valued at \$1,655,483, and an energy performance contract valued at \$4,460,000. These lease agreements qualify as capital leases for accounting purposes and have been recorded at the present value of future minimum lease payments as of June 30, 2018, as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2019	\$ 1,083,351	\$ 51,178
2020	1,096,374	52,389
2021	1,109,919	53,926
2022	1,112,383	53,389
2023	1,127,707	54,957
2024 - 2028	3,949,726	295,882
2029 - 2031	1,019,864	194,260
Total payments	10,499,324	755,981
Less: amounts representing interest	(1,002,718)	(108,445)
Present value of capital lease obligations	<u>\$ 9,496,606</u>	<u>\$ 647,536</u>

D. Legal debt margin

The Town's legal debt margin as of June 30, 2018, based on 5.2% of assessable property, was \$362,961,718. As of June 30, 2018, the total outstanding debt applicable to the limit was \$101,042,265, which is 1.13% of assessable property.

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2018

E. Changes in long-term liabilities

During the fiscal year ended June 30, 2018, the following changes occurred in long-term liabilities reported for governmental and business-type activities:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General obligation bonds	\$ 35,642,285	\$ 13,080,000	\$ (3,957,629)	\$ 44,764,656	\$ 3,178,780
Bond premiums	752,520	1,202,743	(158,863)	1,796,400	-
Intergovernmental loans	410,725	-	(48,495)	362,230	44,260
Total bonds and loans payable	36,805,530	14,282,743	(4,164,987)	46,923,286	3,223,040
Capital leases	10,360,623	-	(864,017)	9,496,606	910,401
Claims and losses	3,376,143	1,276,533	(765,921)	3,886,755	1,155,749
Governmental activities long-term liabilities	<u>\$ 50,542,296</u>	<u>\$ 15,559,276</u>	<u>\$ (5,794,925)</u>	<u>\$ 60,306,647</u>	<u>\$ 5,289,190</u>
<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General obligation bonds	\$ 47,984,525	\$ 12,715,000	\$ (4,421,916)	\$ 56,277,609	\$ 4,062,280
Bond premiums	1,788,977	1,168,823	(340,446)	2,617,354	-
Total bonds payable	49,773,502	13,883,823	(4,762,362)	58,894,963	4,062,280
Capital leases	682,037	-	(34,501)	647,536	36,751
Business-type activities long-term liabilities	<u>\$ 50,455,539</u>	<u>\$ 13,883,823</u>	<u>\$ (4,796,863)</u>	<u>\$ 59,542,499</u>	<u>\$ 4,099,031</u>

The liability for pension-related debt of governmental activities is 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 80% of insurance costs and business-type activities assume approximately 20%.

Note 9: Other information

A. Risk management

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; and acts of God. The Town established the Risk Management Fund (an internal service fund) to account for and finance its uninsured risks of loss.

Under this program, the Risk Management Fund provides coverage for up to a maximum of \$250,000 for each general and auto liability claim, \$10,000 for each property claim, and \$600,000 for each workers' compensation claim. The Town purchases commercial insurance for claims in excess of these amounts and for all other risks of loss. Settled claims from these risks have not exceeded commercial coverage for the past three fiscal years, and there has not been a reduction in insurance coverage in the past fiscal year.

All funds of the Town participate in the program and make payments to the Risk Management Fund based on estimates of the amounts needed to pay prior and current year claims, pay premiums to insurance carriers for excess coverage, and to establish a reserve for catastrophic losses. The fund establishes claims liabilities based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported.

Town of Ocean City, Maryland
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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 July 1, 2018.

Changes in the Risk Management Fund's claims liability over two years since June 30, 2016, were as follows:

Claims liability at June 30, 2016	\$ 3,645,523
Claims incurred	748,537
Claims paid	(1,066,197)
Changes to prior year estimates	<u>48,280</u>
Claims liability at June 30, 2017	3,376,143
Claims incurred	1,276,533
Claims paid	(765,921)
Changes to prior year estimates	<u>-</u>
Claims liability at June 30, 2018	<u><u>\$ 3,886,755</u></u>

As of June 30, 2018, the Risk Management Fund had cash and investments of \$4,429,215 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 \$273,980 in the General Fund and \$9,803,404 in the Capital Projects Fund.

C. Intergovernmental assistance

In 1995, 2010, and 2013, 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, 2018, the amount of the contribution was \$1,330,693.

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% in 2008. The Town issued an additional \$5,000,000 of bonds in 2010 and \$8,470,000 in 2013 for the expansion of the Convention Center. Food and beverage sales tax receipts of \$1,426,025 were \$381,670 more than debt service for the fiscal year ended June 30, 2018. Cumulative receipts and interest in excess of debt service totaled \$3,029,456 at June 30, 2018, and is shown on the Statement of Net Position – Proprietary Funds as net position "restricted for debt service." The balance of the debt was \$5,400,000 as of June 30, 2018.

Town of Ocean City, Maryland
Notes to the Financial Statements
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D. New accounting pronouncements

The GASB has issued Statement No. 85, *Omnibus 2017*; and Statement No. 86, *Certain Debt Extinguishment Issues*, which the Town has implemented in the current fiscal year.

The GASB has also issued Statement No. 83, *Certain Asset Retirement Obligations*; Statement No. 84, *Fiduciary Activities*; Statement No. 87, *Leases*; Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*; Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*; and Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*, which will require adoption in the future, if applicable. These statements may or will have a material effect on the Town’s financial statements once implemented. The Town will be analyzing the effects of these pronouncements and plans to adopt them, as applicable, by their effective 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, 2018, OPEB Trust membership consisted of the following:

Active employees	505
Retirees and beneficiaries receiving benefits	152
Total	657

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.

B. Net OPEB liability

The Town’s net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

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Actuarial assumptions. The total OPEB liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation rates	2.2%
Salary increases	5-10%, including inflation
Investment rate of return	7%, net of OPEB plan investment expense, including inflation
Mortality	RP-2014 fully generational combined mortality table projected from 2014 using scale MP-2014
Health care cost trend rates	5.4% for 2018, increasing to 5.5% in 2020, then decreasing to an ultimate rate of 3.8% in 2075

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2016 to June 30, 2018.

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 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, 2018 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, 2018, were as follows:

Asset Class	Target Allocation
Domestic equity	33 %
International equity	20
Fixed income	35
Alternatives	12
Total	100 %

Asset Class	Percentage of Portfolio	Assumed Rate of Return	Inflation	Real Rate of Return
Domestic equities	40.0 %	9.3 %	2.1 %	7.2 %
Developed market international equities	20.0	8.8	1.6	7.2
Emerging markets equities	5.0	11.4	2.1	9.3
U.S. investment-grade fixed income	27.0	4.8	2.1	2.7
TIPS	3.0	5.7	2.1	3.6
Alternative investments	5.0	5.8	2.1	3.7
Total	100.0 %	7.8 %	2.0 %	5.8 %

Rate of return. For the fiscal year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 6.6%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Town of Ocean City, Maryland
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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.

Changes in the net OPEB liability and the OPEB plan's fiduciary net position for the year ended June 30, 2018, were as follows:

	Total OPEB Liability	Plan's Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2017	\$ 57,326,000	\$ 29,451,648	\$ 27,874,352
Increases (decreases) in balances during the fiscal year:			
Service cost	1,593,050	-	1,593,050
Interest	3,967,702	-	3,967,702
Differences between expected and actual experience	4,736	-	4,736
Contributions - employer	-	3,096,038	(3,096,038)
Contributions - member	-	294,975	(294,975)
Net investment income	-	1,835,413	(1,835,413)
Benefit payments, including refunds of member contributions	(1,584,061)	(1,584,061)	-
Administrative expense	-	-	-
Net change in balance	<u>3,981,427</u>	<u>3,642,365</u>	<u>339,062</u>
Balance at June 30, 2018	<u><u>\$ 61,307,427</u></u>	<u><u>\$ 33,094,013</u></u>	<u><u>\$ 28,213,414</u></u>

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the Town, calculated using the discount rate of 7%, as well as what the Town's net OPEB liability 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 liability	<u>\$ 38,887,489</u>	<u>\$ 28,213,414</u>	<u>\$ 21,953,074</u>

Sensitivity of the net OPEB liability to changes in the health care cost trend rate. The following presents the net OPEB liability of the Town, calculated using the trend rate of 3.8%, as well as what the Town's net OPEB liability would be if it were calculated using a health care cost trend rate that is 1-percentage point lower (2.8%) or 1-percentage point higher (4.8%) than the current health care cost trend rate:

	1% decrease (2.8%)	Current trend rate (3.8%)	1% increase (4.8%)
Net other post-employment benefit liability	<u>\$ 20,065,744</u>	<u>\$ 28,213,414</u>	<u>\$ 41,517,653</u>

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2018

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

For the year ended June 30, 2018, the Town recognized OPEB expense of \$3,199,334. At June 30, 2018, 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	\$ 4,210	\$ -
Net difference between projected and actual earnings on pension plan investments	231,556	-
Total	\$ 235,766	\$ -

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,		
2019	\$	58,415
2020		58,415
2021		58,415
2022		58,415
2023		526
Thereafter		1,580
Total	\$	235,766

D. Payable to the OPEB plan

At June 30, 2018, the Town reported a payable of \$107,795 for the outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2018.

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 the International City Management Retirement Corporation (ICMA-RC). The assets are held in the name of each participant by the ICMA-RC. 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, 2018, there were 155 employees actively participating in the plan. Employee contributions totaled \$373,455 and the Town recognized pension expense of \$373,455. The market value of the 401(a) plan assets totaled \$3,411,348 at June 30, 2018.

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.

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2018

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 78. 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, 2018, was as follows:

Asset Class	Target Allocation
Domestic equity	30 %
International equity	19
Fixed income	28
Alternatives	23
Total	100 %

Rate of return. For the fiscal year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 6.63% for the EPP and 6.58% for the PSEPP. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of April 1, 2018, and was rolled forward using appropriate techniques to June 30, 2018, utilizing the “entry age normal” actuarial funding method. Since the previous valuations, various economic and demographic assumptions have been revised to reflect the results of the experience investigation for the five-year period ended April 1, 2018. The changes adopted by the Board of Trustees on May 30, 2017, include the various economic and demographic assumptions summarized below:

- The investment return assumption decreased from 7.50% to 7.00%.
- The price inflation assumption decreased from 3.00% to 2.75%.
- The wage inflation assumption decreased from 3.50% to 3.25%.
- The mortality assumption changed from the RP-2000 Combined Mortality Table, with mortality improvements projected to 2018 using Scale AA, to the more recent RP-2014 Blue Collar Mortality Table, with mortality improvements projected to 2020 using Scale BB, adjusted 130% for males and 100% for females.
- The rates of withdrawal were changed to a service-based table to more closely reflect experience since this is a closed plan.
- The rates of retirement were changed to more closely reflect actual experience.
- The salary scale merit and promotion rates were decreased to more closely reflect actual experience.

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2018

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.

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, 2018, were as follows:

Asset Class	Percentage of Portfolio	Assumed Rate of Return	Inflation	Real Rate of Return
Domestic equities	39.0 %	9.3 %	2.1 %	7.2 %
Developed market international equities	20.0	8.8	1.6	7.2
Emerging markets equities	5.0	11.4	2.1	9.3
Domestic fixed income	27.0	4.8	2.1	2.7
TIPS	3.0	5.7	2.1	3.6
Hedge funds	5.0	5.8	2.1	3.7
Private equity	1.0	11.7	2.1	9.6
Total	<u>100.0 %</u>	<u>7.8 %</u>	<u>2.0 %</u>	<u>5.8 %</u>

Discount rate. The discount rate used to measure the total pension liability was 7%. 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.

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	\$ 2,707,782	\$ 2,611,887	\$ 5,319,669
Investments	54,958,564	56,826,224	111,784,788
Total assets	<u>57,666,346</u>	<u>59,438,111</u>	<u>117,104,457</u>
LIABILITIES			
Total liabilities	<u>9,289</u>	<u>12,719</u>	<u>22,008</u>
NET POSITION			
Restricted for pensions	<u>\$ 57,657,057</u>	<u>\$ 59,425,392</u>	<u>\$117,082,449</u>

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2018

Condensed Statement of Changes in Fiduciary Net Position

	General Employees Pension Fund	Public Safety Employees Pension Fund	Total
Additions:			
Contributions	\$ 2,643,046	\$ 3,832,905	\$ 6,475,951
Investment gains	3,176,166	3,258,000	6,434,166
Total additions	<u>5,819,212</u>	<u>7,090,905</u>	<u>12,910,117</u>
Deductions:			
Benefits and refunds paid	3,035,268	3,724,261	6,759,529
Administrative expenses	42,547	42,821	85,368
Total deductions	<u>3,077,815</u>	<u>3,767,082</u>	<u>6,844,897</u>
Change in net position	2,741,397	3,323,823	6,065,220
Net position, beginning of the fiscal year	54,915,660	56,101,569	111,017,229
Net position, end of the fiscal year	<u>\$ 57,657,057</u>	<u>\$ 59,425,392</u>	<u>\$ 117,082,449</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, 2018, the valuation date:

Retirees and beneficiaries receiving benefits	197
Terminated, vested employees entitled to but not yet receiving benefits	45
Inactive nonvested members	12
Active members	225
Total	<u>479</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 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, enters DROP on January 1, 2018, 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 January 1, 2018, 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 2018 fiscal year was determined using the

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2018

projected unit credit actuarial cost method. The contribution to the EPP for fiscal year 2018 was \$1,926,923, computed through an actuarial valuation performed as of April 1, 2018, which represented 13.72% of covered payroll. Members contributed \$716,123, 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, 2018, were as follows:

	Plan's Total Pension Liability	Plan's Fiduciary Net Position	Plan's Net Pension Liability
Balance at June 30, 2017	\$ 64,501,924	\$ 54,915,660	\$ 9,586,264
Increases (decreases) in balances during the fiscal year:			
Service cost	971,590	-	971,590
Interest	4,410,697	-	4,410,697
Differences between expected and actual experience	495,027	-	495,027
Changes in assumptions	703,076	-	703,076
Changes in benefit terms	344,379	-	344,379
Contributions - employer	-	1,926,923	(1,926,923)
Contributions - member	-	716,123	(716,123)
Net investment income	-	3,176,166	(3,176,166)
Benefit payments, including refunds of member contributions	(3,035,268)	(3,035,268)	-
Administrative expense	-	(42,547)	42,547
Net change in balance	<u>3,889,501</u>	<u>2,741,397</u>	<u>1,148,104</u>
Balance at June 30, 2018	<u>\$ 68,391,425</u>	<u>\$ 57,657,057</u>	<u>\$ 10,734,368</u>

EPP net position as a percentage of the total pension liability 84.30%

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

	1% decrease (6%)	Current rate 7%	1% increase (8%)
Net pension liability	<u>\$ 17,656,055</u>	<u>\$ 10,734,368</u>	<u>\$ 4,755,928</u>

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2018

- g) *Pension expense, deferred outflows of resources, and deferred inflows of resources related to pensions.* For the fiscal year ended June 30, 2018, the Town recognized pension expense of \$2,049,477 for the EPP. As of June 30, 2018, 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	\$ -	\$ 620,942
Changes in assumptions	(265,377)	-
Changes in benefit terms	275,503	-
Net difference between projected and actual earnings on pension plan investments	4,036,501	-
Total	\$ 4,046,627	\$ 620,942

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,		
2019	\$	1,751,464
2020		1,141,641
2021		(22,824)
2022		555,404
Total	\$	3,425,685

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.

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 following table summarizes the membership of the PSEPP as of April 1, 2018, the valuation date:

Retirees and beneficiaries receiving benefits	82
Terminated, vested employees entitled to but not yet receiving benefits	3
Inactive nonvested members	10
Active members	144
Total	239

- 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

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2018

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.
- 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 2018 fiscal year was determined using the projected unit credit actuarial cost method. The contribution to the PSEPP for fiscal year 2018 was \$2,973,495, computed through an actuarial valuation performed as of April 1, 2018, which represented 27.78% of covered payroll. Members contributed \$859,410, a rate of 8% of annual base pay.
- e) *Net pension liability of the Town for the PSEPP*. The changes in the net pension liability for the fiscal year ended June 30, 2018, were as follows:

	Plan's Total Pension Liability	Plan's Fiduciary Net Position	Plan's Net Pension Liability
Balance at June 30, 2017	\$ 70,248,183	\$ 56,101,569	\$ 14,146,614
Increases (decreases) in balances during the fiscal year:			
Service cost	1,411,198	-	1,411,198
Interest	4,789,229	-	4,789,229
Differences between expected and actual experience	78,425	-	78,425
Changes in assumptions	788,493	-	788,493
Changes in benefit terms	1,324,949	-	1,324,949
Contributions - employer	-	2,973,495	(2,973,495)
Contributions - member	-	859,410	(859,410)
Net investment income	-	3,258,000	(3,258,000)
Benefit payments, including refunds of member contributions	(3,724,261)	(3,724,261)	-
Administrative expense	-	(42,821)	42,821
Net change in balance	4,668,033	3,323,823	1,344,210
Balance at June 30, 2018	<u>\$ 74,916,216</u>	<u>\$ 59,425,392</u>	<u>\$ 15,490,824</u>

PSEPP net position as a percentage of the total pension liability 79.32%

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

	1% decrease (6%)	Current rate 7%	1% increase (8%)
Net pension liability	\$ 24,019,044	\$ 15,490,824	\$ 8,314,620

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2018

- g) *Pension expense, deferred outflows of resources, and deferred inflows of resources related to pensions.* For the fiscal year ended June 30, 2018, the Town recognized pension expense of \$3,509,210 for the PSEPP. As of June 30, 2018, 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	\$ -	\$ 271,032
Changes in assumptions	1,218,460	-
Changes in benefit terms	1,593,420	-
Net difference between projected and actual earnings on pension plan investments	4,340,921	-
Total	\$ 7,152,801	\$ 271,032

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,		
2019	\$	2,914,601
2020		2,250,551
2021		971,997
2022		744,620
Total	\$	6,881,769

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.

Note 12: Restatement of net position

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB Statement No. 75 established standards of accounting and financial reporting for other post-employment benefits provided to the employees of state and local governments. The requirements of GASB Statement No. 75 were effective for fiscal years beginning after June 15, 2017. The implementation of GASB Statement No. 75 by the Town required a restatement of the prior year net position to recognize the Town's net OPEB liability, the liability to employees for benefits provided through the Town's OPEB plan. The Town's net OPEB liability of \$27,874,352 was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. A restatement to recognize the net OPEB liability decreased the Town's beginning net position from \$166,300,267 to \$138,425,915. Before this restatement, the Town's government-wide financial statements did not reflect the liability.

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2018

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

Total net position at June 30, 2017, as previously reported	\$ 71,642,669
Governmental funds	(18,441,923)
Internal service funds	(1,302,110)
Total net position at June 30, 2017, as restated	<u>\$ 51,898,636</u>

The decrease in net position for business-type activities for the net OPEB liability was as follows:

Total net position at June 30, 2017, as previously reported	\$ 94,657,598
Water Fund	(976,208)
Wastewater Fund	(4,501,830)
Transportation Fund	(1,581,456)
Convention Center Fund	(558,691)
Airport Fund	(139,673)
Golf Course Fund	(372,461)
Total net position at June 30, 2017, as restated	<u>\$ 86,527,279</u>



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 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
For the Fiscal Years Ended June 30, 2018, 2017, 2016, 2015, and 2014

	2018	2017	2016
Total pension liability:			
Service cost	\$ 971,590	\$ 1,033,828	\$ 1,044,701
Interest	4,410,697	4,705,358	4,528,555
Differences between expected and actual experience	495,027	(1,208,856)	(482,721)
Changes in assumptions	703,076	(1,379,730)	-
Changes in benefit terms	344,379	-	-
Benefit payments, including refunds of member contributions, deaths, and terminations	(3,035,268)	(2,724,322)	(2,741,672)
Net change in total pension liability	3,889,501	426,278	2,348,863
Total pension liability, beginning	64,501,924	64,075,646	61,726,783
Total pension liability, ending (a)	\$ 68,391,425	\$ 64,501,924	\$ 64,075,646
Plan fiduciary net position:			
Contributions - employer	\$ 1,926,923	\$ 2,012,896	\$ 1,927,595
Contributions - member	716,123	748,721	743,259
Net investment income (loss)	3,176,166	5,007,901	(1,776,489)
Benefit payments, including refunds of member contributions	(3,035,268)	(2,724,322)	(2,741,672)
Administrative expense	(42,547)	(49,226)	(54,980)
Net change in plan fiduciary net position	2,741,397	4,995,970	(1,902,287)
Plan fiduciary net position, beginning	54,915,660	49,919,690	51,821,977
Plan fiduciary net position, ending (b)	\$ 57,657,057	\$ 54,915,660	\$ 49,919,690
Town's net pension liability, ending [(a) - (b)]	\$ 10,734,368	\$ 9,586,264	\$ 14,155,956
Plan fiduciary net position as a percentage of total pension liability	84.30%	85.14%	77.91%
Covered employee payroll	\$ 14,040,732	\$ 14,324,756	\$ 14,515,114
Net pension liability as a percentage of covered employee payroll	76.45%	66.92%	97.53%
Annual money-weighted rate of return, net of investment expense	6.63%	9.74%	-3.72%

NOTES TO SCHEDULE:

This information is not available for previous years

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

Effective April 1, 2017, the following assumption changes were made:

- The investment return assumption decreased from 7.50% to 7.00%
- The price inflation assumption decreased from 3.00% to 2.75%
- The wage inflation assumption decreased from 3.50% to 3.25%
- The mortality assumption changed from the RP-2000 Combined Mortality Table, with mortality improvements projected to 2018 using Scale AA, to the more recent RP-2014 Blue Collar Mortality Table, with mortality improvements projected to 2020 using Scale BB, adjusted 130% for males and 100% for females
- The rates of withdrawal were changed to a service-based table to more closely reflect experience since this is a closed plan
- The rates of retirement were changed to more closely reflect actual experience
- The salary scale merit and promotion rates were decreased to more closely reflect actual experience

2015	2014
\$ 1,106,267	\$ 1,106,190
4,352,810	4,137,554
(492,667)	-
-	-
-	-
<u>(2,508,830)</u>	<u>(2,283,852)</u>
2,457,580	2,959,892
59,269,203	56,309,311
<u>\$ 61,726,783</u>	<u>\$ 59,269,203</u>
\$ 2,036,678	\$ 2,351,375
755,591	781,220
810,888	6,750,912
(2,508,830)	(2,283,852)
<u>(42,686)</u>	<u>(75,228)</u>
1,051,641	7,524,427
50,770,336	43,245,909
<u>\$ 51,821,977</u>	<u>\$ 50,770,336</u>
<u>\$ 9,904,806</u>	<u>\$ 8,498,867</u>
83.95%	85.66%
\$ 15,091,207	\$ 15,073,776
65.63%	56.38%
2.16%	15.77%

Town of Ocean City, Maryland
Schedule of Changes in Net Pension Liability and Related Ratios - Public Safety Employees Pension Plan
For the Fiscal Years Ended June 30, 2018, 2017, 2016, 2015, and 2014

	2018	2017	2016
Total pension liability:			
Service cost	\$ 1,411,198	\$ 1,476,450	\$ 1,517,325
Interest	4,789,229	4,824,250	4,599,559
Differences between expected and actual experience	78,425	(488,687)	65,842
Changes in assumptions	788,493	979,444	-
Changes in benefit terms	1,324,949	889,100	-
Benefit payments, including refunds of member contributions, deaths, and terminations	(3,724,261)	(3,449,052)	(2,933,975)
Net change in total pension liability	4,668,033	4,231,505	3,248,751
Total pension liability, beginning	70,248,183	66,016,678	62,767,927
Total pension liability, ending (a)	\$ 74,916,216	\$ 70,248,183	\$ 66,016,678
Plan fiduciary net position:			
Contributions - employer	\$ 2,973,495	\$ 2,493,724	\$ 2,390,758
Contributions - member	859,410	879,276	875,258
Net investment income (loss)	3,258,000	5,067,220	(1,727,374)
Benefit payments, including refunds of member contributions	(3,724,261)	(3,449,051)	(2,933,975)
Administrative expense	(42,821)	(61,065)	(50,915)
Net change in plan fiduciary net position	3,323,823	4,930,104	(1,446,248)
Plan fiduciary net position, beginning	56,101,569	51,171,465	52,617,713
Plan fiduciary net position, ending (b)	\$ 59,425,392	\$ 56,101,569	\$ 51,171,465
Town's net pension liability, ending [(a) - (b)]	\$ 15,490,824	\$ 14,146,614	\$ 14,845,213
Plan fiduciary net position as a percentage of total pension liability	79.32%	79.86%	77.51%
Covered employee payroll	\$ 10,702,208	\$ 10,591,890	\$ 10,835,080
Net pension liability as a percentage of covered employee payroll	144.74%	133.56%	137.01%
Annual money-weighted rate of return, net of investment expense	6.58%	9.53%	-3.63%

NOTES TO SCHEDULE:

This information is not available for previous years

Effective April 1, 2017, the following assumption changes were made:

- The investment return assumption decreased from 7.50% to 7.00%
- The price inflation assumption decreased from 3.00% to 2.75%
- The wage inflation assumption decreased from 3.50% to 3.25%
- The mortality assumption changed from the RP-2000 Combined Mortality Table, with mortality improvements projected to 2018 using Scale AA, to the more recent RP-2014 Blue Collar Mortality Table, with mortality improvements projected to 2020 using Scale BB, adjusted 130% for males and 100% for females
- The rates of withdrawal were changed to a service-based table to more closely reflect experience since this is a closed plan
- The rates of retirement were changed to more closely reflect actual experience
- The salary scale merit and promotion rates were decreased to more closely reflect actual experience

<u>2015</u>	<u>2014</u>
\$ 1,541,283	\$ 1,559,854
4,392,574	4,165,353
(334,481)	-
-	-
-	-
<u>(2,748,521)</u>	<u>(2,692,361)</u>
2,850,855	3,032,846
59,917,072	56,884,226
<u>\$ 62,767,927</u>	<u>\$ 59,917,072</u>
\$ 2,588,214	\$ 3,331,311
854,139	1,007,839
737,843	6,828,365
(2,748,521)	(3,049,533)
<u>(37,506)</u>	<u>(77,691)</u>
1,394,169	8,040,291
51,223,544	43,183,253
<u>\$ 52,617,713</u>	<u>\$ 51,223,544</u>
<u>\$ 10,150,214</u>	<u>\$ 8,693,528</u>
83.83%	85.49%
\$ 10,671,545	\$ 10,540,564
95.11%	82.48%
2.29%	14.96%

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined contribution	\$ 1,926,923	\$ 2,012,896	\$ 1,927,595
Contributions in relation to the actuarially determined contribution	<u>1,926,923</u>	<u>2,012,896</u>	<u>1,927,595</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 14,040,732	\$ 14,324,756	\$ 14,515,114
Contributions as a percentage of covered employee payroll	13.72%	14.05%	13.28%

NOTES TO SCHEDULE:

Valuation date:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level dollar closed
Remaining amortization period	8.1 years
Asset valuation method	Five-year smoothed market value
Inflation	2.75%
Salary increases	3.25% to 7.5%, including inflation
Investment rate of return	7.0%, net of investment expenses, including inflation
Retirement age	25% of employees eligible for unreduced benefits before age 65 are assumed to retire in the year when eligible (30 years of service), 50% by age 65, and 100% by age 70
Mortality	RP-2014 Blue Collar Mortality Table

Other information:

Sick leave credit	Retiring employees receive an additional one month of benefit service, but not eligibility service, for each 176 hours of unused sick leave
Cost of living adjustment	None
DROP interest assumption	3.5% per year interest on DROP balances for those in DROP

2015	2014	2013	2012	2011	2010	2009
\$ 2,036,678	\$ 2,351,375	\$ 2,468,399	\$ 2,473,662	\$ 2,135,538	\$ 2,472,916	\$ 2,474,479
<u>2,036,678</u>	<u>2,351,375</u>	<u>2,468,399</u>	<u>2,473,662</u>	<u>2,135,538</u>	<u>2,472,916</u>	<u>2,474,479</u>
<u>\$ -</u>						
\$ 15,091,207	\$ 15,073,776	\$ 15,370,687	\$ 16,162,237	\$ 17,316,053	\$ 19,517,323	\$ 20,595,416
13.50%	15.60%	16.06%	15.31%	12.33%	12.67%	12.01%

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

	2018	2017	2016
Actuarially determined contribution	\$ 2,973,495	\$ 2,493,724	\$ 2,390,758
Contributions in relation to the actuarially determined contribution	<u>2,973,495</u>	<u>2,493,724</u>	<u>2,390,758</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 10,702,208	\$ 10,591,890	\$ 10,835,080
Contributions as a percentage of covered employee payroll	27.78%	23.54%	22.06%

NOTES TO SCHEDULE:

Valuation date:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level dollar closed
Remaining amortization period	8.1 years
Asset valuation method	Five-year smoothed market value
Inflation	2.75%
Salary increases	4.00% to 8.75%, including inflation
Investment rate of return	7.0%, net of investment expenses, including inflation
Retirement age	75% of police employees and 25% of non-police employees eligible for unreduced benefits are assumed to retire in the year when eligible (25 years of service), and 100% by age 62
Mortality	RP-2014 Blue Collar Mortality Table

Other information:

Sick leave credit	Retiring employees receive an additional one month of benefit service, but not eligibility service, for each 176 hours of unused sick leave at 3.0% of other service
Cost of living adjustment	None
DROP interest assumption	3.5% per year interest on DROP balances for those in DROP

2015	2014	2013	2012	2011	2010	2009
\$ 2,588,214	\$ 3,331,311	\$ 3,228,530	\$ 3,380,743	\$ 2,917,210	\$ 2,771,852	\$ 2,721,333
<u>2,588,214</u>	<u>3,331,311</u>	<u>3,228,530</u>	<u>3,380,743</u>	<u>2,917,210</u>	<u>2,771,852</u>	<u>2,721,333</u>
<u>\$ -</u>						
\$ 10,671,545	\$ 10,540,564	\$ 9,690,975	\$ 10,248,502	\$ 11,260,790	\$ 12,119,371	\$ 12,064,994
24.25%	31.60%	33.31%	32.99%	25.91%	22.87%	22.56%



Town of Ocean City, Maryland
Schedule of Changes in Net Other Post-Employment Benefits Liability and Related Ratios
For the Fiscal Years Ended June 30, 2018, 2017, and 2016

	2018	2017	2016
Total OPEB liability:			
Service cost	\$ 1,593,050	\$ 1,251,000	\$ 1,251,000
Interest	3,967,702	3,775,299	3,566,000
Differences between expected and actual experience	4,736	(191,945)	(1,127,000)
Benefit payments	(1,584,061)	(1,441,197)	(1,404,157)
Net change in total OPEB liability	<u>3,981,427</u>	<u>3,393,157</u>	<u>2,285,843</u>
Total OPEB liability, beginning	<u>57,326,000</u>	<u>53,932,843</u>	<u>51,647,000</u>
Total OPEB liability, ending (a)	<u><u>\$ 61,307,427</u></u>	<u><u>\$ 57,326,000</u></u>	<u><u>\$ 53,932,843</u></u>
Plan fiduciary net position:			
Contributions - employer	\$ 3,096,038	\$ 2,965,000	\$ 3,207,000
Contributions - member	294,975	264,541	312,537
Net investment income (loss)	1,835,413	2,513,536	(341,661)
Benefit payments	(1,584,061)	(1,441,197)	(1,404,157)
Administrative expense and other additions	-	51,271	-
Net change in plan fiduciary net position	<u>3,642,365</u>	<u>4,353,151</u>	<u>1,773,719</u>
Plan fiduciary net position, beginning	<u>29,451,648</u>	<u>25,098,497</u>	<u>23,324,778</u>
Plan fiduciary net position, ending (b)	<u><u>\$ 33,094,013</u></u>	<u><u>\$ 29,451,648</u></u>	<u><u>\$ 25,098,497</u></u>
Town's net OPEB liability, ending [(a) - (b)]	<u><u>\$ 28,213,414</u></u>	<u><u>\$ 27,874,352</u></u>	<u><u>\$ 28,834,346</u></u>
Plan fiduciary net position as a percentage of total OPEB liability	53.98%	51.38%	46.54%
Covered employee payroll	\$ 24,742,940	\$ 24,915,966	\$ 25,350,194
Net OPEB liability as a percentage of covered employee payroll	114.03%	111.87%	113.74%
Annual money-weighted rate of return, net of investment expense	6.56%	9.20%	-1.70%

NOTES TO SCHEDULE:

This information is not available for previous years

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined contribution	\$ 3,034,000	\$ 2,965,000	\$ 3,207,000
Contributions in relation to the actuarially determined contribution	<u>3,096,038</u>	<u>2,965,000</u>	<u>3,207,000</u>
Contribution deficiency (excess)	<u>\$ (62,038)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 24,742,940	\$ 24,915,966	\$ 26,642,752
Contributions as a percentage of covered employee payroll	12.51%	11.90%	12.04%

NOTES TO SCHEDULE:

Valuation date: February 27, 2018

Actuarially determined contribution rates are calculated as of July 1st, 12 months prior to the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Closed, level percentage of payroll
Remaining amortization period	21 years for initial transitional UAAL, 15 years for new experience gains and losses
Asset valuation method	Fair value of assets at year end
Inflation	2.2%
Salary increases	5.0%
Investment rate of return	7.0%, net of investment expenses, including inflation
Mortality	RP-2014 fully generational combined mortality table projected from 2014 using scale MP-2014
Health care cost trend rates	Initial 5.4%, increasing to 5.5% in 2020, decreasing to an ultimate rate of 3.8% in 2075

2015	2014	2013	2012	2011	2010	2009
\$ 3,083,000	\$ 3,617,000	\$ 3,475,000	\$ 3,675,000	\$ 3,516,000	\$ 3,104,000	\$ 3,104,000
<u>3,083,000</u>	<u>3,617,000</u>	<u>3,475,000</u>	<u>3,675,000</u>	<u>3,516,000</u>	<u>3,104,000</u>	<u>3,104,000</u>
<u>\$ -</u>						
\$ 26,484,340	\$ 25,951,662	\$ 27,310,739	\$ 29,451,843	\$ 32,511,694	\$ 33,535,410	\$ 32,883,565
11.64%	13.94%	12.72%	12.48%	10.81%	9.26%	9.44%



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, 2018

	Airport	Golf Course	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 26,367	\$ 183,968	\$ 210,335
Receivables, net	6,312	154,576	160,888
Intergovernmental receivable	1,443,163	271	1,443,434
Inventories	83,874	84,679	168,553
Other	-	3,500	3,500
Total current assets	<u>1,559,716</u>	<u>426,994</u>	<u>1,986,710</u>
Noncurrent assets:			
Restricted cash and cash equivalents	386,791	-	386,791
Capital assets:			
Land	1,174,102	2,530,140	3,704,242
Buildings	4,587,345	713,031	5,300,376
Other improvements	-	627,874	627,874
Streets and infrastructure	11,858,057	-	11,858,057
Machinery and equipment	369,557	666,240	1,035,797
Less: accumulated depreciation	(8,556,603)	(1,752,565)	(10,309,168)
Total capital assets	<u>9,432,458</u>	<u>2,784,720</u>	<u>12,217,178</u>
Total noncurrent assets	<u>9,819,249</u>	<u>2,784,720</u>	<u>12,603,969</u>
Total assets	<u>11,378,965</u>	<u>3,211,714</u>	<u>14,590,679</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	23,231	142,605	165,836
Deferred outflows related to OPEB	1,299	3,464	4,763
Total deferred outflows of resources	<u>24,530</u>	<u>146,069</u>	<u>170,599</u>
LIABILITIES			
Current liabilities:			
Accounts payable	307,097	34,649	341,746
Accrued expenses	9,225	16,532	25,757
Compensated absences	18,987	51,708	70,695
Due to other funds	1,000,000	-	1,000,000
Deferred revenue	386,791	265,024	651,815
Current portion of long-term debt	98,803	-	98,803
Total current liabilities	<u>1,820,903</u>	<u>367,913</u>	<u>2,188,816</u>
Noncurrent liabilities:			
Bonds, notes, and loans payable	888,203	-	888,203
Net pension liability	49,825	301,909	351,734
Net OPEB liability	141,541	377,443	518,984
Total noncurrent liabilities	<u>1,079,569</u>	<u>679,352</u>	<u>1,758,921</u>
Total liabilities	<u>2,900,472</u>	<u>1,047,265</u>	<u>3,947,737</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	6,976	45,147	52,123
Total deferred inflows of resources	<u>6,976</u>	<u>45,147</u>	<u>52,123</u>
NET POSITION			
Net investment in capital assets	8,445,452	2,784,720	11,230,172
Unrestricted	50,595	(519,349)	(468,754)
Total net position	<u>\$ 8,496,047</u>	<u>\$ 2,265,371</u>	<u>\$ 10,761,418</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, 2018

	Airport	Golf Course	Total
OPERATING REVENUES:			
Charges for sales and services	\$ 1,046,766	\$ 1,974,674	\$ 3,021,440
Total operating revenues	<u>1,046,766</u>	<u>1,974,674</u>	<u>3,021,440</u>
OPERATING EXPENSES:			
Personal services	352,296	1,075,256	1,427,552
Contractual services	274,714	255,223	529,937
Utilities	41,528	53,627	95,155
Repairs and maintenance	114,394	94,830	209,224
Other supplies and expenses	404,805	467,940	872,745
Internal services	87,287	220,286	307,573
Depreciation	500,765	37,275	538,040
Total operating expenses	<u>1,775,789</u>	<u>2,204,437</u>	<u>3,980,226</u>
Operating loss	(729,023)	(229,763)	(958,786)
NONOPERATING REVENUES (EXPENSES):			
Interest and investment revenue	1,135	2,573	3,708
Interest expense	(47,554)	-	(47,554)
Total nonoperating revenues (expenses)	<u>(46,419)</u>	<u>2,573</u>	<u>(43,846)</u>
Loss before capital contributions and transfers	(775,442)	(227,190)	(1,002,632)
Capital contributions	1,762,089	10,880	1,772,969
Transfers in	819,040	137,972	957,012
Change in net position	<u>1,805,687</u>	<u>(78,338)</u>	<u>1,727,349</u>
Net position, beginning	6,830,033	2,716,170	9,546,203
Prior period adjustment	(139,673)	(372,461)	(512,134)
Net position, beginning, as restated	<u>6,690,360</u>	<u>2,343,709</u>	<u>9,034,069</u>
Net position, ending	<u>\$ 8,496,047</u>	<u>\$ 2,265,371</u>	<u>\$ 10,761,418</u>

TOWN OF OCEAN CITY, MARYLAND
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR ENTERPRISE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Airport	Golf Course	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users	\$ 1,049,763	\$ 1,889,315	\$ 2,939,078
Payments to suppliers	(800,368)	(875,357)	(1,675,725)
Payments to employees	(344,171)	(1,065,051)	(1,409,222)
Payments for interfund services used	(87,287)	(220,286)	(307,573)
Net cash used by operating activities	<u>(182,063)</u>	<u>(271,379)</u>	<u>(453,442)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Advances from other funds	845,000	-	845,000
Transfers from other funds	819,040	137,972	957,012
Net cash provided by noncapital financing activities	<u>1,664,040</u>	<u>137,972</u>	<u>1,802,012</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Capital contributions	752,431	10,880	763,311
Acquisition and construction of capital assets	(2,078,766)	(35,979)	(2,114,745)
Principal paid on capital debt	(94,894)	-	(94,894)
Interest paid on capital debt	(48,046)	-	(48,046)
Net cash used by capital and related financing activities	<u>(1,469,275)</u>	<u>(25,099)</u>	<u>(1,494,374)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of investments	-	-	-
Interest and dividends received	1,135	2,573	3,708
Net cash provided by investing activities	<u>1,135</u>	<u>2,573</u>	<u>3,708</u>
Net increase (decrease) in cash and cash equivalents	13,837	(155,933)	(142,096)
Cash and cash equivalents, beginning of the fiscal year	<u>399,321</u>	<u>339,901</u>	<u>739,222</u>
Cash and cash equivalents, end of the fiscal year	<u>\$ 413,158</u>	<u>\$ 183,968</u>	<u>\$ 597,126</u>

(Continued)

TOWN OF OCEAN CITY, MARYLAND
 COMBINING STATEMENT OF CASH FLOWS (Continued)
 NONMAJOR ENTERPRISE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Airport	Golf Course	Total
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES			
Operating loss	\$ (729,023)	\$ (229,763)	\$ (958,786)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation	500,765	37,275	538,040
EFFECT OF CHANGES IN OPERATING ASSETS AND LIABILITIES:			
Accounts receivable	2,997	(66,112)	(63,115)
Due from other governmental agencies	-	22	22
Inventories	(651)	(9,558)	(10,209)
Deferred outflows related to pensions	424	2,782	3,206
Deferred outflows related to OPEB	(1,299)	(3,464)	(4,763)
Compensated absences	5,666	1,177	6,843
Accounts payable	35,724	5,821	41,545
Accrued expenses	1,266	3,416	4,682
Unearned revenue	-	(19,269)	(19,269)
Net pension liability	5,855	38,347	44,202
Net OPEB liability	1,868	4,982	6,850
Deferred inflows related to pensions	(5,655)	(37,035)	(42,690)
Total adjustments	546,960	(41,616)	505,344
Net cash used by operating activities	\$ (182,063)	\$ (271,379)	\$ (453,442)



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 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, 2018

	Information Technology	Service Center	Vehicle & Equipment Trust	Risk Management	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 442,335	\$ 103,647	\$ 1,189,732	\$ 840,177	\$ 2,575,891
Investments	-	-	-	3,589,038	3,589,038
Receivables, net	-	-	42,786	-	42,786
Interest receivable	-	-	-	10,185	10,185
Inventories	-	751,955	-	-	751,955
Total current assets	<u>442,335</u>	<u>855,602</u>	<u>1,232,518</u>	<u>4,439,400</u>	<u>6,969,855</u>
Noncurrent assets:					
Restricted investments	-	-	1,037,780	-	1,037,780
Capital assets:					
Buildings	-	1,373,223	73,860	-	1,447,083
Other improvements	-	31,545	-	-	31,545
Machinery and equipment	665,294	269,080	45,066,036	-	46,000,410
Construction in progress	-	-	5,305,800	-	5,305,800
Less: accumulated depreciation	(582,871)	(1,471,569)	(31,435,008)	-	(33,489,448)
Total capital assets	<u>82,423</u>	<u>202,279</u>	<u>19,010,688</u>	<u>-</u>	<u>19,295,390</u>
Total noncurrent assets	<u>82,423</u>	<u>202,279</u>	<u>20,048,468</u>	<u>-</u>	<u>20,333,170</u>
Total assets	<u>524,758</u>	<u>1,057,881</u>	<u>21,280,986</u>	<u>4,439,400</u>	<u>27,303,025</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pensions	154,924	313,008	-	52,825	520,757
Deferred outflows related to OPEB	3,897	7,319	-	866	12,082
Total deferred outflows of resources	<u>158,821</u>	<u>320,327</u>	<u>-</u>	<u>53,691</u>	<u>532,839</u>
LIABILITIES					
Current liabilities:					
Accounts payable	43,411	280,089	490,930	48,652	863,082
Accrued expenses	12,543	21,065	45,911	-	79,519
Compensated absences	40,902	68,108	-	25,015	134,025
Claims and judgments	-	-	-	1,155,749	1,155,749
Current portion of long-term debt	-	-	717,458	-	717,458
Total current liabilities	<u>96,856</u>	<u>369,262</u>	<u>1,254,299</u>	<u>1,229,416</u>	<u>2,949,833</u>
Noncurrent liabilities:					
Claims and judgments	-	-	-	2,731,006	2,731,006
Loans payable	-	-	5,379,584	-	5,379,584
Net pension liability	298,775	662,614	-	109,003	1,070,392
Net OPEB liability	424,622	800,503	-	94,360	1,319,485
Total noncurrent liabilities	<u>723,397</u>	<u>1,463,117</u>	<u>5,379,584</u>	<u>2,934,369</u>	<u>10,500,467</u>
Total liabilities	<u>820,253</u>	<u>1,832,379</u>	<u>6,633,883</u>	<u>4,163,785</u>	<u>13,450,300</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions	57,457	86,679	-	16,596	160,732
Total deferred inflows of resources	<u>57,457</u>	<u>86,679</u>	<u>-</u>	<u>16,596</u>	<u>160,732</u>
NET POSITION					
Net investment in capital assets	82,423	202,279	12,913,646	-	13,198,348
Unrestricted	(276,554)	(743,129)	1,733,457	312,710	1,026,484
Total net position	<u>\$ (194,131)</u>	<u>\$ (540,850)</u>	<u>\$ 14,647,103</u>	<u>\$ 312,710</u>	<u>\$ 14,224,832</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, 2018

	Information Technology	Service Center	Vehicle & Equipment Trust	Risk Management	Total
OPERATING REVENUES:					
Charges for sales and services	\$ 2,213,849	\$ 4,431,022	\$ 3,006,509	\$ 2,347,282	\$ 11,998,662
Total operating revenues	<u>2,213,849</u>	<u>4,431,022</u>	<u>3,006,509</u>	<u>2,347,282</u>	<u>11,998,662</u>
OPERATING EXPENSES:					
Personal services	1,005,941	1,688,590	-	268,256	2,962,787
Contractual services	100,118	24,028	101,198	907,313	1,132,657
Utilities	67,818	45,091	-	1,752	114,661
Repairs and maintenance	562,559	71,200	-	1,557	635,316
Other supplies and expenses	311,261	2,183,946	6,589	2,075	2,503,871
Internal services	63,899	266,384	533,646	124,878	988,807
Insurance claims and expenses	-	-	-	1,280,891	1,280,891
Depreciation	18,229	41,243	2,520,698	-	2,580,170
Total operating expenses	<u>2,129,825</u>	<u>4,320,482</u>	<u>3,162,131</u>	<u>2,586,722</u>	<u>12,199,160</u>
Operating income (loss)	84,024	110,540	(155,622)	(239,440)	(200,498)
NONOPERATING REVENUES (EXPENSES):					
Interest and investment revenue	-	-	-	15,902	15,902
Interest expense	-	-	(21,851)	-	(21,851)
Gain (loss) on disposal of assets	-	-	156,757	-	156,757
Total nonoperating revenues (expenses)	<u>-</u>	<u>-</u>	<u>134,906</u>	<u>15,902</u>	<u>150,808</u>
Income (loss) before capital contributions and transfers	84,024	110,540	(20,716)	(223,538)	(49,690)
Capital contributions	-	-	172,000	-	172,000
Transfers in	-	-	100,000	-	100,000
Change in net position	<u>84,024</u>	<u>110,540</u>	<u>251,284</u>	<u>(223,538)</u>	<u>222,310</u>
Net position, beginning	140,863	138,587	14,395,819	629,363	15,304,632
Prior period adjustment	(419,018)	(789,977)	-	(93,115)	(1,302,110)
Net position, beginning, as restated	<u>(278,155)</u>	<u>(651,390)</u>	<u>14,395,819</u>	<u>536,248</u>	<u>14,002,522</u>
Net position, ending	<u>\$ (194,131)</u>	<u>\$ (540,850)</u>	<u>\$ 14,647,103</u>	<u>\$ 312,710</u>	<u>\$ 14,224,832</u>

TOWN OF OCEAN CITY, MARYLAND
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Information Technology	Service Center
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	\$ 2,213,849	\$ 4,431,022
Payments to suppliers	(1,141,951)	(2,331,621)
Payments to employees	(997,418)	(1,676,388)
Payments for interfund services used	(63,899)	(266,384)
Net cash provided by operating activities	<u>10,581</u>	<u>156,629</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:		
Proceeds from capital grants	-	-
Acquisition and construction of capital assets	(41,171)	(65,862)
Interest paid on capital debt	-	-
Capital lease payments	-	-
Proceeds from sales of capital assets	-	-
Net cash used by capital and related financing activities	<u>(41,171)</u>	<u>(65,862)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	-	-
Proceeds from sales and maturities of investments	-	-
Interest and dividends received	-	-
Net cash provided by investing activities	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(30,590)	90,767
Cash and cash equivalents, beginning of the fiscal year	<u>472,925</u>	<u>12,880</u>
Cash and cash equivalents, end of the fiscal year	<u>\$ 442,335</u>	<u>\$ 103,647</u>

(Continued)

Vehicle & Equipment Trust	Risk Management	Total
\$ 2,982,055	\$ 2,347,282	\$ 11,974,208
(107,787)	(1,673,599)	(5,254,958)
-	(265,484)	(2,939,290)
(533,646)	(124,878)	(988,807)
<u>2,340,622</u>	<u>283,321</u>	<u>2,791,153</u>
100,000	-	100,000
<u>100,000</u>	<u>-</u>	<u>100,000</u>
172,000	-	172,000
(4,909,079)	-	(5,016,112)
(27,062)	-	(27,062)
(682,886)	-	(682,886)
156,757	-	156,757
<u>(5,290,270)</u>	<u>-</u>	<u>(5,397,303)</u>
-	(531,785)	(531,785)
2,281,006	498,965	2,779,971
-	52,801	52,801
<u>2,281,006</u>	<u>19,981</u>	<u>2,300,987</u>
(568,642)	303,302	(205,163)
<u>1,758,374</u>	<u>536,875</u>	<u>2,781,054</u>
<u>\$ 1,189,732</u>	<u>\$ 840,177</u>	<u>\$ 2,575,891</u>

TOWN OF OCEAN CITY, MARYLAND
 COMBINING STATEMENT OF CASH FLOWS (Continued)
 INTERNAL SERVICE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Information Technology	Service Center
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 84,024	\$ 110,540
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	18,229	41,243
EFFECT OF CHANGES IN OPERATING ASSETS AND LIABILITIES:		
Accounts receivable	-	-
Inventories	-	39,876
Deferred outflows related to pensions	2,865	4,806
Deferred outflows related to OPEB	(3,897)	(7,319)
Compensated absences	316	(1,998)
Accounts payable	(100,195)	(47,232)
Accrued expenses	2,284	3,921
Claims liability	-	-
Net pension liability	39,495	66,246
Net OPEB liability	5,604	10,526
Deferred inflows related to pensions	(38,144)	(63,980)
Total adjustments	(73,443)	46,089
Net cash provided by operating activities	\$ 10,581	\$ 156,629
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Decrease in fair value of investments	\$ -	\$ -

Vehicle & Equipment Trust	Risk Management	Total
\$ (155,622)	\$ (239,440)	\$ (200,498)
2,520,698	-	2,580,170
(24,454)	-	(24,454)
-	-	39,876
-	1,000	8,671
-	(866)	(12,082)
-	922	(760)
-	9,377	(138,050)
-	-	6,205
-	510,612	510,612
-	13,777	119,518
-	1,245	17,375
-	(13,306)	(115,430)
2,496,244	522,761	2,991,651
\$ 2,340,622	\$ 283,321	\$ 2,791,153
\$ -	\$ (37,828)	\$ (37,828)



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 pension 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.

TOWN OF OCEAN CITY, MARYLAND
 COMBINING STATEMENT OF NET POSITION
 FIDUCIARY FUNDS
 PENSION TRUST FUNDS
 JUNE 30, 2018

	General Employees Pension Fund	Public Safety Employees Pension Fund	Total
ASSETS			
Cash and cash equivalents	\$ 2,634,974	\$ 2,534,521	\$ 5,169,495
Interest and dividends receivable	72,808	77,366	150,174
Investments, at fair value:			
Domestic equities	20,275,479	20,662,570	40,938,049
Domestic fixed income	12,765,043	13,486,798	26,251,841
International equities	13,479,515	14,007,736	27,487,251
Alternative investments	8,438,527	8,669,120	17,107,647
Total investments	<u>54,958,564</u>	<u>56,826,224</u>	<u>111,784,788</u>
Total assets	<u>57,666,346</u>	<u>59,438,111</u>	<u>117,104,457</u>
LIABILITIES			
Accounts payable	<u>9,289</u>	<u>12,719</u>	<u>22,008</u>
Total liabilities	<u>9,289</u>	<u>12,719</u>	<u>22,008</u>
NET POSITION			
Net position restricted for pensions	<u>\$ 57,657,057</u>	<u>\$ 59,425,392</u>	<u>\$ 117,082,449</u>

TOWN OF OCEAN CITY, MARYLAND
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 PENSION TRUST FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General Employees Pension Fund	Public Safety Employees Pension Fund	Total
Additions			
Contributions:			
Employer	\$ 1,926,923	\$ 2,973,495	\$ 4,900,418
Plan members	716,123	859,410	1,575,533
Total contributions	<u>2,643,046</u>	<u>3,832,905</u>	<u>6,475,951</u>
Investment earnings:			
Net increase in fair value of investments	2,357,146	2,424,468	4,781,614
Interest	272,357	279,897	552,254
Dividends	881,265	900,235	1,781,500
Total investment income	<u>3,510,768</u>	<u>3,604,600</u>	<u>7,115,368</u>
Less: investment expense	<u>334,602</u>	<u>346,600</u>	<u>681,202</u>
Net investment income	<u>3,176,166</u>	<u>3,258,000</u>	<u>6,434,166</u>
Total additions	<u>5,819,212</u>	<u>7,090,905</u>	<u>12,910,117</u>
Deductions			
Benefits and refunds paid	3,035,268	3,724,261	6,759,529
Administrative expenses	42,547	42,821	85,368
Total deductions	<u>3,077,815</u>	<u>3,767,082</u>	<u>6,844,897</u>
Change in net position	2,741,397	3,323,823	6,065,220
Net position, beginning	<u>54,915,660</u>	<u>56,101,569</u>	<u>111,017,229</u>
Net position, ending	<u>\$ 57,657,057</u>	<u>\$ 59,425,392</u>	<u>\$ 117,082,449</u>



STATISTICAL SECTION

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

<u>Contents</u>	<u>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 Comprehensive Annual Financial Report for the relevant year.

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

	2018	2017	2016	2015
Governmental activities				
Net investment in capital assets	\$ 59,880,188	\$ 58,962,839	\$ 55,670,509	\$ 57,685,894
Restricted	-	-	-	-
Unrestricted	(5,330,950)	12,679,830	8,269,875	5,755,438
<i>Total governmental activities net position</i>	<u>54,549,238</u>	<u>71,642,669</u>	<u>63,940,384</u>	<u>63,441,332</u>
Business-type activities				
Net investment in capital assets	88,271,380	77,976,227	77,730,796	73,668,728
Restricted	3,029,456	2,612,045	2,289,651	4,284,817
Unrestricted	5,154,819	14,069,326	12,912,695	13,337,439
<i>Total business-type activities net position</i>	<u>96,455,655</u>	<u>94,657,598</u>	<u>92,933,142</u>	<u>91,290,984</u>
Primary government				
Net investment in capital assets	148,151,568	136,939,066	133,401,305	131,354,622
Restricted	3,029,456	2,612,045	2,289,651	4,284,817
Unrestricted	(176,131)	26,749,156	21,182,570	19,092,877
<i>Total primary government net position</i>	<u>\$ 151,004,893</u>	<u>\$ 166,300,267</u>	<u>\$ 156,873,526</u>	<u>\$ 154,732,316</u>

2014	2013	2012	2011	2010	2009
\$ 57,349,894	\$ 53,768,043	\$ 35,032,961	\$ 47,390,589	\$ 46,393,277	\$ 44,851,930
115,000	165,000	16,140,004	1,713,579	1,222,022	1,543,521
13,700,802	15,548,344	15,420,770	16,213,407	15,742,899	16,823,057
<u>71,165,696</u>	<u>69,481,387</u>	<u>66,593,735</u>	<u>65,317,575</u>	<u>63,358,198</u>	<u>63,218,508</u>
70,435,192	65,917,836	55,645,888	58,001,891	60,260,847	58,489,349
6,272,857	7,474,542	8,551,119	9,638,746	9,667,139	9,406,011
13,594,642	10,158,004	17,520,679	11,466,523	4,659,855	6,860,798
<u>90,302,691</u>	<u>83,550,382</u>	<u>81,717,686</u>	<u>79,107,160</u>	<u>74,587,841</u>	<u>74,756,158</u>
127,785,086	119,685,879	90,678,849	105,392,480	106,654,124	103,341,279
6,387,857	7,639,542	24,691,123	11,352,325	10,889,161	10,949,532
27,295,444	25,706,348	32,941,449	27,679,930	20,402,754	23,683,855
<u>\$ 161,468,387</u>	<u>\$ 153,031,769</u>	<u>\$ 148,311,421</u>	<u>\$ 144,424,735</u>	<u>\$ 137,946,039</u>	<u>\$ 137,974,666</u>

Town of Ocean City, Maryland

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

	2018	2017	2016	2015
Expenses				
Governmental activities:				
General government	\$ 978,045	\$ 1,117,684	\$ 1,019,892	\$ 852,529
Public safety	36,827,677	35,363,774	35,138,306	32,782,621
General public works and beach	8,190,991	7,026,384	7,261,653	7,240,368
Sanitation and waste removal	6,353,497	6,104,169	6,256,386	5,787,086
Highways and streets	8,424,668	7,660,939	10,501,844	7,102,511
Economic development - tourism	9,389,746	8,813,147	8,343,211	8,139,166
Recreation and culture	8,282,474	8,234,584	7,862,334	7,479,558
Interest on long-term debt	1,367,535	1,301,378	1,307,810	1,335,105
Total governmental activities expenses	<u>79,814,633</u>	<u>75,622,059</u>	<u>77,691,436</u>	<u>70,718,944</u>
Business-type activities:				
Water	5,826,613	5,751,275	5,869,793	5,532,561
Wastewater	12,000,680	12,331,189	12,740,636	11,299,812
Transportation	8,476,581	7,929,546	8,228,957	8,213,299
Convention Center	6,012,638	5,670,317	6,364,714	5,341,279
Airport	1,823,343	1,985,010	1,506,936	1,832,178
Golf	2,204,437	2,082,395	2,106,675	2,050,051
Total business-type activities expenses	<u>36,344,292</u>	<u>35,749,732</u>	<u>36,817,711</u>	<u>34,269,180</u>
Total primary government expenses	<u>\$116,158,925</u>	<u>\$111,371,791</u>	<u>\$114,509,147</u>	<u>\$104,988,124</u>
Program revenues				
Governmental activities:				
Charges for services:				
General government	\$ 4,325,274	\$ 4,285,248	\$ 4,207,093	\$ 3,892,295
Public safety	2,307,485	2,130,314	2,171,345	2,038,976
General public works and beach	4,639,991	4,704,486	4,238,386	4,314,242
Sanitation and waste removal	147,173	116,257	134,390	115,232
Highways and streets	1,312,803	1,355,098	1,129,247	1,054,220
Economic development - tourism	1,698,351	1,593,428	1,652,093	1,589,455
Recreation and culture	1,762,377	1,804,858	1,791,371	1,627,668
Operating grants and contributions	3,302,181	3,370,747	3,301,092	3,026,042
Capital grants and contributions	102,407	335,711	152,732	190,351
Total governmental activities program revenues	<u>19,598,042</u>	<u>19,696,147</u>	<u>18,777,749</u>	<u>17,848,481</u>
Business-type activities:				
Charges for services:				
Water	6,221,780	6,494,646	6,209,726	7,107,376
Wastewater	13,798,797	13,332,083	13,202,701	12,771,316
Transportation	4,323,653	4,589,633	4,650,181	4,558,857
Convention Center	1,898,803	1,840,823	1,705,782	1,745,001
Airport	1,046,766	969,381	978,545	1,108,590
Golf	1,974,674	2,009,103	2,022,149	2,022,992
Operating grants and contributions	3,821,429	3,823,027	3,652,214	3,680,145
Capital grants and contributions	9,348,123	1,705,045	2,894,257	1,530,415
Total business-type activities program revenues	<u>42,434,025</u>	<u>34,763,741</u>	<u>35,315,555</u>	<u>34,524,692</u>
Total primary government program revenues	<u>\$ 62,032,067</u>	<u>\$ 54,459,888</u>	<u>\$ 54,093,304</u>	<u>\$ 52,373,173</u>

2014	2013	2012	2011	2010	2009
\$ 1,314,758	\$ 1,118,606	\$ 335,703	\$ 751,333	\$ 1,621,071	\$ 1,673,926
36,112,813	34,030,231	35,440,373	34,297,859	33,961,816	34,517,293
6,329,540	5,315,570	6,257,840	6,205,643	6,055,716	6,675,942
6,230,810	6,034,146	6,776,510	6,193,273	7,081,833	7,587,896
7,787,410	7,157,008	7,250,787	6,763,540	7,036,697	8,008,372
7,998,815	8,055,355	7,692,558	6,671,972	6,243,797	5,739,043
7,654,518	7,685,116	7,873,652	7,783,123	7,890,492	8,795,235
1,462,237	1,640,586	1,352,400	1,296,137	1,261,803	1,397,984
<u>74,890,901</u>	<u>71,036,618</u>	<u>72,979,823</u>	<u>69,962,880</u>	<u>71,153,225</u>	<u>74,395,691</u>
6,251,720	6,428,575	6,419,219	7,597,787	6,978,781	7,333,521
11,966,765	11,710,740	11,642,169	11,045,110	10,337,839	11,075,781
8,036,903	8,007,909	7,936,422	7,493,620	7,715,464	8,324,858
5,438,689	5,221,549	5,173,147	5,533,018	5,669,798	6,265,962
1,615,099	1,906,293	1,681,333	1,503,697	1,449,538	1,749,959
2,069,805	2,071,155	2,092,046	1,981,914	1,978,188	2,260,550
<u>35,378,981</u>	<u>35,346,221</u>	<u>34,944,336</u>	<u>35,155,146</u>	<u>34,129,608</u>	<u>37,010,631</u>
<u>\$ 110,269,882</u>	<u>\$ 106,382,839</u>	<u>\$ 107,924,159</u>	<u>\$ 105,118,026</u>	<u>\$ 105,282,833</u>	<u>\$ 111,406,322</u>
\$ 3,870,984	\$ 3,748,747	\$ 3,647,286	\$ 3,758,744	\$ 3,464,313	\$ 3,699,975
2,056,556	2,068,706	2,005,130	1,965,631	1,859,508	1,696,096
4,044,925	3,810,298	3,662,776	3,651,107	3,123,547	2,888,571
99,350	85,418	91,608	109,543	312,364	430,535
1,126,770	1,108,543	1,086,162	982,101	926,911	715,568
1,465,927	1,465,695	1,600,439	1,321,806	1,294,913	1,675,547
1,573,586	1,555,940	1,382,413	1,334,262	1,610,682	1,606,662
3,432,044	3,223,755	2,805,472	2,807,769	2,705,797	2,932,577
105,000	551,735	-	75,000	80,000	218,551
<u>17,775,142</u>	<u>17,618,837</u>	<u>16,281,286</u>	<u>16,005,963</u>	<u>15,378,035</u>	<u>15,864,082</u>
7,050,007	7,020,705	6,846,684	6,772,436	6,926,482	7,204,163
12,551,066	12,161,493	11,761,802	11,311,636	10,466,562	10,274,178
4,100,681	3,934,859	3,854,314	3,558,571	3,363,679	3,439,218
1,792,680	1,678,397	1,663,028	1,758,112	1,630,172	1,691,850
1,146,509	1,181,550	1,307,014	1,034,475	837,533	1,139,331
1,983,132	1,959,709	2,105,886	1,962,632	1,979,205	2,017,988
3,593,254	3,627,269	3,413,436	3,414,926	3,401,683	4,539,925
6,501,328	1,988,370	3,269,491	5,960,662	671,195	756,286
<u>38,718,657</u>	<u>33,552,352</u>	<u>34,221,655</u>	<u>35,773,450</u>	<u>29,276,511</u>	<u>31,062,939</u>
<u>\$ 56,493,799</u>	<u>\$ 51,171,189</u>	<u>\$ 50,502,941</u>	<u>\$ 51,779,413</u>	<u>\$ 44,654,546</u>	<u>\$ 46,927,021</u>

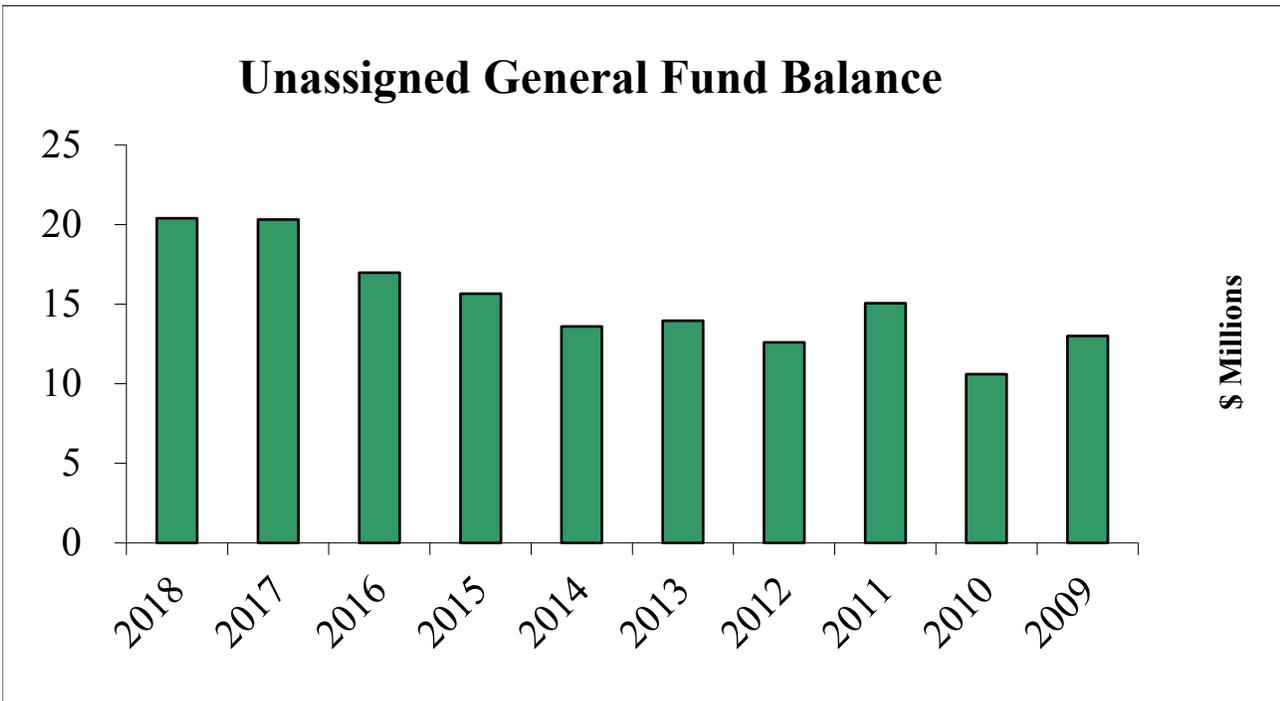
Town of Ocean City, Maryland
Changes in Net Position (Continued)
Last Ten Fiscal Years
(accrual basis of accounting)

	2018	2017	2016	2015
Net (expenses) revenues				
Governmental activities	\$ (60,216,591)	\$ (55,925,912)	\$ (58,913,687)	\$ (52,870,463)
Business-type activities	6,089,733	(985,991)	(1,502,156)	255,512
Total primary government net expenses	<u>\$ (54,126,858)</u>	<u>\$ (56,911,903)</u>	<u>\$ (60,415,843)</u>	<u>\$ (52,614,951)</u>
General revenues and other changes in net position				
Governmental activities:				
Taxes:				
Property and other local taxes levied for:				
General purposes	\$ 43,239,535	\$ 42,938,816	\$ 42,717,221	\$ 42,444,386
Sales and income taxes	18,721,093	18,645,893	17,205,888	16,454,632
State gaming contributions	706,108	655,254	633,268	563,517
Grants and contributions not restricted to specific programs	2,639,334	2,763,852	2,720,894	2,576,103
Investment earnings (losses)	399,992	111,056	192,920	199,294
Loss on sales of capital assets	-	-	(1,482,918)	-
Other revenue	756,507	1,141,154	583,485	769,305
Transfers	(3,595,376)	(2,627,828)	(3,158,019)	(3,022,929)
Total governmental activities	<u>62,867,193</u>	<u>63,628,197</u>	<u>59,412,739</u>	<u>59,984,308</u>
Business-type activities:				
Investment earnings	243,267	82,619	47,816	49,470
Loss on sales of capital assets	-	-	(61,521)	-
Other revenue (expense)	-	-	-	14,568
Transfers	3,595,376	2,627,828	3,158,019	3,022,929
Total business-type activities	<u>3,838,643</u>	<u>2,710,447</u>	<u>3,144,314</u>	<u>3,086,967</u>
Total primary government	<u>66,705,836</u>	<u>66,338,644</u>	<u>62,557,053</u>	<u>63,071,275</u>
Changes in net position				
Governmental activities	2,650,602	7,702,285	499,052	7,113,845
Business-type activities	9,928,376	1,724,456	1,642,158	3,342,479
Total primary government	<u>\$ 12,578,978</u>	<u>\$ 9,426,741</u>	<u>\$ 2,141,210</u>	<u>\$ 10,456,324</u>

2014	2013	2012	2011	2010	2009
\$ (57,115,759)	\$ (53,417,781)	\$ (56,698,537)	\$ (53,956,917)	\$ (55,775,190)	\$ (58,531,609)
3,339,676	(1,793,869)	(722,681)	618,304	(4,853,097)	(5,947,692)
<u>\$ (53,776,083)</u>	<u>\$ (55,211,650)</u>	<u>\$ (57,421,218)</u>	<u>\$ (53,338,613)</u>	<u>\$ (60,628,287)</u>	<u>\$ (64,479,301)</u>
\$ 42,199,671	\$ 41,425,378	\$ 42,509,186	\$ 42,660,709	\$ 43,900,041	\$ 48,025,233
16,042,019	15,069,904	14,649,416	13,703,686	13,031,401	13,757,540
469,430	454,949	433,060	224,791	-	-
2,586,297	2,372,735	2,660,866	2,411,597	2,436,638	2,509,917
181,668	(45,412)	163,704	124,288	297,072	683,113
-	-	-	-	-	-
684,250	508,084	764,234	587,179	538,205	621,324
(3,363,267)	(3,480,205)	(3,205,769)	(3,795,956)	(4,288,477)	(5,145,366)
<u>58,800,068</u>	<u>56,305,433</u>	<u>57,974,697</u>	<u>55,916,294</u>	<u>55,914,880</u>	<u>60,451,761</u>
56,399	60,354	124,938	100,789	310,128	410,228
-	-	-	-	-	-
(7,033)	86,006	2,500	4,270	86,175	-
3,363,267	3,480,205	3,205,769	3,795,956	4,288,477	5,145,366
<u>3,412,633</u>	<u>3,626,565</u>	<u>3,333,207</u>	<u>3,901,015</u>	<u>4,684,780</u>	<u>5,555,594</u>
<u>62,212,701</u>	<u>59,931,998</u>	<u>61,307,904</u>	<u>59,817,309</u>	<u>60,599,660</u>	<u>66,007,355</u>
1,684,309	2,887,652	1,276,160	1,959,377	139,690	1,920,152
6,752,309	1,832,696	2,610,526	4,519,319	(168,317)	(392,098)
<u>\$ 8,436,618</u>	<u>\$ 4,720,348</u>	<u>\$ 3,886,686</u>	<u>\$ 6,478,696</u>	<u>\$ (28,627)</u>	<u>\$ 1,528,054</u>

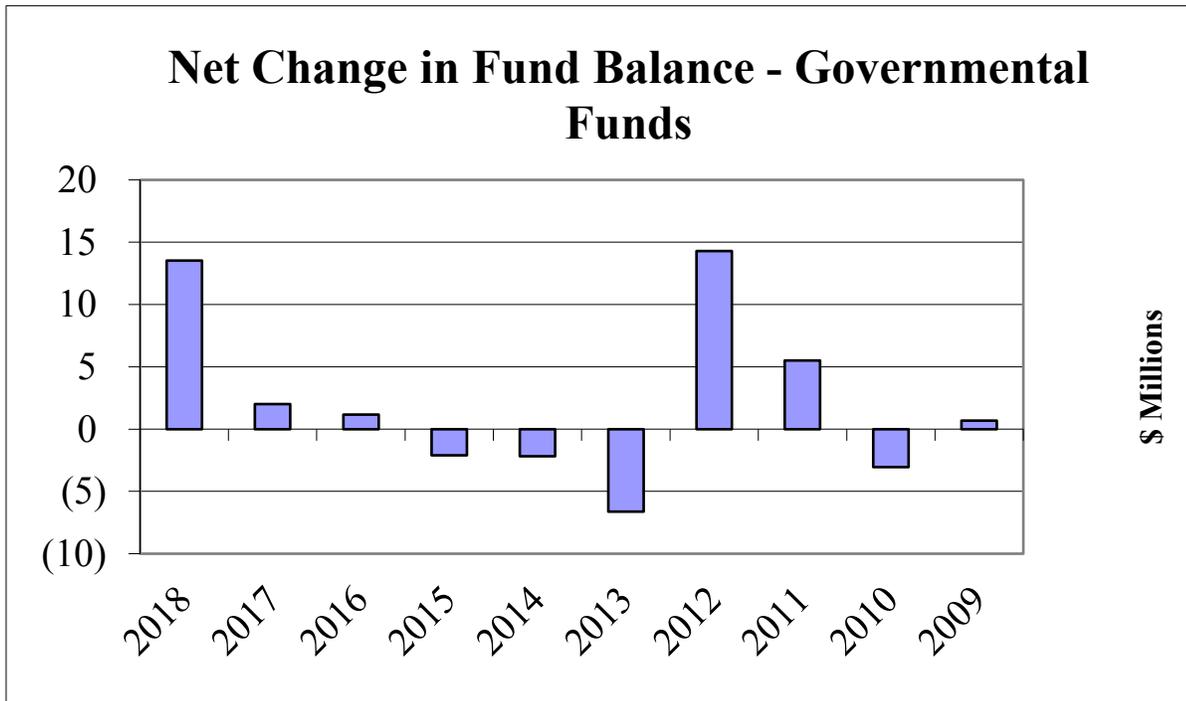
Town of Ocean City, Maryland
Fund Balances of Governmental Funds
 Last Ten Fiscal Years
(modified accrual basis of accounting)

	2018	2017	2016	2015
General Fund				
Nonspendable	\$ 3,000	\$ -	\$ -	\$ -
Assigned - purchases on order	273,980	351,857	810,280	302,139
Assigned - subsequent year's budget	1,610,184	2,237,944	1,235,805	1,640,027
Assigned - other purposes	-	-	-	-
Unassigned	20,387,666	20,313,783	16,968,006	15,648,548
<i>Total General Fund</i>	<u>\$ 22,274,830</u>	<u>\$ 22,903,584</u>	<u>\$ 19,014,091</u>	<u>\$ 17,590,714</u>
All other governmental funds				
Restricted - capital projects	\$ -	\$ -	\$ -	\$ 3,020,069
Committed - purchases on order	9,803,404	783,864	1,389,255	-
Committed - capital projects	5,774,286	652,635	1,923,126	537,914
<i>Total all other governmental funds</i>	<u>15,577,690</u>	<u>1,436,499</u>	<u>3,312,381</u>	<u>3,557,983</u>
<i>Total governmental funds</i>	<u>\$ 37,852,520</u>	<u>\$ 24,340,083</u>	<u>\$ 22,326,472</u>	<u>\$ 21,148,697</u>
 Unassigned General Fund balance as a percentage of expenditures	25.8%	25.7%	23.1%	21.6%



2014	2013	2012	2011	2010	2009
\$ 115,000	\$ 165,000	\$ 235,000	\$ 130,000	\$ 250,000	\$ 250,000
498,539	427,271	566,585	998,595	446,430	762,998
931,828	247,066	2,749,395	-	-	-
-	465,000	-	-	-	-
13,602,038	13,949,931	12,605,645	15,049,478	10,590,252	13,005,682
<u>\$ 15,147,405</u>	<u>\$ 15,254,268</u>	<u>\$ 16,156,625</u>	<u>\$ 16,178,073</u>	<u>\$ 11,286,682</u>	<u>\$ 14,018,680</u>
\$ 5,333,799	\$ 8,656,416	\$ 14,031,244	\$ 747,437	\$ 129,990	\$ 166,068
-	-	1,272,334	52,343	61,546	118,881
2,758,897	1,517,524	601,426	783,799	780,486	1,008,572
8,092,696	10,173,940	15,905,004	1,583,579	972,022	1,293,521
<u>\$ 23,240,101</u>	<u>\$ 25,428,208</u>	<u>\$ 32,061,629</u>	<u>\$ 17,761,652</u>	<u>\$ 12,258,704</u>	<u>\$ 15,312,201</u>

18.2% 19.3% 17.5% 20.2% 13.4% 16.9%



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

	2018	2017	2016	2015
Revenues				
Property taxes	\$ 43,110,273	\$ 43,211,192	\$ 42,550,867	\$ 42,429,988
Other taxes	19,427,201	19,301,147	17,949,706	17,024,793
Licenses and permits	4,605,622	4,537,307	4,486,927	4,327,809
Fines and forfeitures	768,157	657,703	694,761	583,087
Charges for current services	10,819,675	10,794,679	10,142,237	9,721,191
Revenue from other agencies	6,043,922	6,296,552	6,066,514	5,602,145
Other revenue	1,140,597	1,440,276	860,055	974,121
<i>Total revenues</i>	<u>85,915,447</u>	<u>86,238,856</u>	<u>82,751,067</u>	<u>80,663,134</u>
Expenditures				
Current:				
General government	3,898,785	4,003,674	3,803,848	3,817,132
Public safety	34,918,034	33,837,807	33,479,223	32,728,554
General public works and beach	6,584,961	8,897,994	5,545,600	5,919,839
Sanitation and waste removal	5,928,648	5,650,586	5,635,304	5,353,919
Highways and streets	6,534,604	5,945,407	8,733,929	5,560,206
Economic development - tourism	9,107,849	8,664,640	8,094,041	7,889,134
Recreation and culture	7,783,762	7,918,927	7,268,485	7,090,260
Capital outlay	2,773,812	4,178,826	4,507,498	6,082,562
Debt service:				
Principal retirement	4,187,253	4,117,460	3,566,514	3,636,266
Interest and fiscal charges	1,222,729	1,309,827	1,438,175	1,563,318
Bond issuance costs	49,940	22,269	33,585	-
<i>Total expenditures</i>	<u>82,990,377</u>	<u>84,547,417</u>	<u>82,106,202</u>	<u>79,641,190</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>2,925,070</u>	<u>1,691,439</u>	<u>644,865</u>	<u>1,021,944</u>
Other financing sources (uses)				
Bonds and notes issued	14,282,743	2,950,000	6,689,567	-
Premium on bonds issued	-	-	-	-
Payment to refunded bond escrow agent	-	-	(2,914,784)	-
Transfers in	3,429,411	3,384,414	4,609,257	2,592,610
Transfers out	(7,124,787)	(6,012,242)	(7,851,130)	(5,705,958)
<i>Total other financing sources (uses)</i>	<u>10,587,367</u>	<u>322,172</u>	<u>532,910</u>	<u>(3,113,348)</u>
<i>Net change in fund balances</i>	<u>\$ 13,512,437</u>	<u>\$ 2,013,611</u>	<u>\$ 1,177,775</u>	<u>\$ (2,091,404)</u>
Debt service as a percentage of noncapital expenditures	6.7%	6.8%	6.4%	7.1%

2014	2013	2012	2011	2010	2009
\$ 42,334,031	\$ 41,618,457	\$ 42,555,644	\$ 42,731,367	\$ 43,808,149	\$ 47,881,933
16,498,162	15,611,879	15,069,260	13,909,064	13,062,376	13,922,143
4,183,957	4,061,716	4,050,517	3,921,106	3,858,142	3,811,003
714,142	785,979	856,672	780,018	741,763	612,431
9,339,999	8,995,653	8,568,625	8,422,070	7,992,333	8,289,520
6,048,341	6,073,225	5,466,338	5,294,366	5,222,435	5,521,329
735,727	653,618	743,082	664,892	714,825	1,128,148
<u>79,854,359</u>	<u>77,800,527</u>	<u>77,310,138</u>	<u>75,722,883</u>	<u>75,400,023</u>	<u>81,166,507</u>
3,824,796	3,860,291	3,051,546	3,320,277	3,990,472	3,869,464
34,620,629	32,546,489	33,355,683	32,301,718	32,223,500	32,467,482
5,169,305	5,109,638	5,026,883	4,908,045	4,698,501	5,063,642
5,613,364	5,389,174	5,871,647	5,332,518	6,423,476	6,784,236
6,280,506	5,867,104	5,621,764	5,263,430	5,684,270	6,319,490
7,737,415	7,792,309	7,428,498	6,420,490	5,999,877	5,507,535
7,131,635	7,259,523	7,239,149	7,167,738	7,359,074	8,048,173
6,586,308	8,301,432	5,468,269	1,145,147	3,764,227	3,718,202
3,694,110	2,872,330	3,160,956	3,416,907	3,282,636	2,164,178
1,646,570	1,596,699	1,279,997	1,295,164	1,306,084	1,402,028
36,516	-	149,245	43,746	73,711	-
<u>82,341,154</u>	<u>80,594,989</u>	<u>77,653,637</u>	<u>70,615,180</u>	<u>74,805,828</u>	<u>75,344,430</u>
<u>(2,486,795)</u>	<u>(2,794,462)</u>	<u>(343,499)</u>	<u>5,107,703</u>	<u>594,195</u>	<u>5,822,077</u>
4,895,483	103,889	22,018,939	4,159,350	4,388,662	-
99,578	-	1,738,770	-	180,873	-
(992,858)	-	(5,908,464)	-	(4,495,824)	-
2,431,000	2,000,000	1,737,430	1,548,567	1,181,198	916,016
<u>(6,134,515)</u>	<u>(5,942,848)</u>	<u>(4,943,199)</u>	<u>(5,312,672)</u>	<u>(4,902,601)</u>	<u>(6,061,382)</u>
<u>298,688</u>	<u>(3,838,959)</u>	<u>14,643,476</u>	<u>395,245</u>	<u>(3,647,692)</u>	<u>(5,145,366)</u>
<u>\$ (2,188,107)</u>	<u>\$ (6,633,421)</u>	<u>\$ 14,299,977</u>	<u>\$ 5,502,948</u>	<u>\$ (3,053,497)</u>	<u>\$ 676,711</u>

7.0%

6.2%

6.2%

6.8%

6.5%

5.0%

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
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
2013	41,618,457	12,910,772	1,296,619	814,384	590,104	57,230,336
2012	42,555,644	12,566,287	1,162,299	694,774	645,900	57,624,904
2011	42,731,367	11,907,434	1,179,152	524,878	297,600	56,640,431
2010	43,808,149	11,226,904	1,113,965	623,813	97,694	56,870,525
2009	47,881,933	11,016,045	1,218,792	863,318	823,988	61,804,076
Change 2009 - 2018	-10.0%	41.3%	21.7%	35.6%	45.9%	1.2%

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
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
2013	8,551,832,279	12,670,775	133,532,093	8,698,035,147	0.4585	8,698,035,147	-16.0
2012	10,209,869,114	13,553,101	129,845,969	10,353,268,184	0.3950	10,353,268,184	-0.6
2011	10,268,325,607	13,650,155	131,517,984	10,413,493,746	0.3950	10,413,493,746	-2.2
2010	10,501,239,662	14,338,062	133,172,636	10,648,750,360	0.3950	10,648,750,360	-13.0
2009	12,090,447,495	16,500,853	135,247,984	12,242,196,332	0.3800	12,242,196,332	17.0

* Per \$100 of assessed value

Source: Uniform Financial Report of the Town of Ocean City to the Maryland Department of Fiscal Services, 2009 - 2018

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
2018	\$ 43,110,273	\$ 42,171,748	97.82 %	\$ -	\$ 42,171,748	97.82 %
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	980,794	42,452,531	99.77
2015	42,429,988	41,277,350	97.28	876,645	42,153,995	99.35
2014	41,916,584	41,005,847	97.83	887,438	41,893,285	99.94
2013	41,096,168	40,149,344	97.70	933,852	41,083,196	99.97
2012	42,178,831	41,115,724	97.48	1,058,781	42,174,505	99.99
2011	42,451,063	41,381,958	97.48	1,065,691	42,447,649	99.99
2010	43,222,775	42,215,437	97.67	1,004,983	43,220,420	99.99
2009	47,645,761	46,401,667	97.39	1,241,335	47,643,002	99.99

* 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, 2009 - 2018

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

2018

Taxpayer	Taxable Assessed Value (1)	Percentage of Total Taxable Assessed Value
Harrison Inn Stardust, Inc.	\$ 63,351,100	0.71%
Americana Stowaway Motel, Inc.	62,546,540	0.70
Delmarva Power	36,844,570	0.41
91st Street Joint Venture, LLC	34,851,830	0.39
Genesar, Inc.	24,454,567	0.27
Harrison HI 18 LLC	23,402,580	0.26
Inns of Ocean City, LLC	22,126,733	0.25
Harrison Inn Ocean View	20,868,000	0.23
L.P.B.-O.C. Hotel Limited Partnership	20,714,710	0.23
Ocean Jetty, LLC	19,025,340	0.21
	<u>\$ 328,185,970</u>	<u>3.66%</u>
Total taxable assessed value	<u>\$ 8,923,153,518</u>	

2009

Taxpayer	Taxable Assessed Value (1)	Percentage of Total Taxable Assessed Value
Harrison Inn Stardust, Inc.	\$ 65,373,860	0.53%
Americana Stowaway Motel, Inc.	59,781,626	0.49
91st Street Joint Venture, LLC	42,128,901	0.34
Harrison Inn Ocean View	30,336,532	0.25
Harrison HI 18 LLC	25,619,196	0.21
Harrison Inn - Sixty-Six, Inc.	25,005,700	0.20
L.P.B.-O.C. Hotel Limited Partnership	23,393,900	0.19
Atlantic Hotel, Inc.	23,364,976	0.19
Delmarva Power	21,485,520	0.18
Harrison QI 17 LLC	19,184,164	0.16
	<u>\$ 335,674,375</u>	<u>2.74%</u>
Total taxable assessed value	<u>\$12,242,196,332</u>	

(1) Assessed value is based on the value of property for taxes collected in 2018 and 2009, respectively, and a review of the ten largest taxpayers for the Town

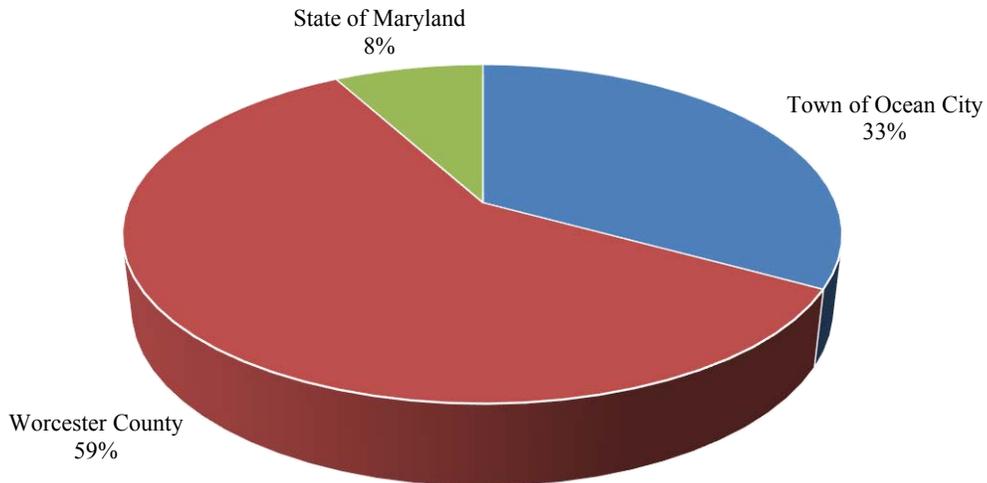
Source: Town of Ocean City Finance Department

Town of Ocean City, Maryland
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		
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	
2013	0.4585	0.770	0.112	1.3405	
2012	0.3950	0.700	0.112	1.2070	
2011	0.3950	0.700	0.112	1.2070	
2010	0.3950	0.700	0.112	1.2070	
2009	0.3800	0.700	0.112	1.1920	

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	Loans and Capital Leases	General Obligation Bonds	Bond Premiums (Discounts)	Loans and Capital Leases				
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
2013	43,673,549	1,194,562	639,403	-	43,305,171	555,762	-	89,368,447	1.03	12,569	34.4
2012	46,510,644	1,053,575	674,638	-	48,556,653	(30,289)	4,718	96,769,939	0.93	13,610	43.6
2011	32,915,849	(49,757)	720,393	-	49,284,758	(462,247)	14,014	82,423,010	0.79	11,606	49.2
2010	31,627,651	(54,496)	766,148	593,389	39,197,365	(525,849)	23,127	71,627,335	0.67	9,284	36.0
2009	30,061,650	166,741	502,400	1,459,247	45,858,074	(161,338)	32,061	77,918,835	0.64	10,304	28.3

* 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
2018	\$ 101,042,265	1.13%	\$ 14,227
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
2013	88,729,044	1.02	12,370
2012	96,090,583	0.93	13,530
2011	81,688,603	0.78	11,502
2010	70,244,671	0.66	9,105
2009	75,925,127	0.62	9,940

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, 2018

Jurisdiction	Debt Outstanding	Percentage Applicable to the Town *	Amount Applicable to the Town
Direct			
Town of Ocean City	\$ 56,419,892	100.0%	\$ 56,419,892
Overlapping			
Worcester County	<u>77,305,768</u>	57.4%	<u>44,373,398</u>
Total direct and overlapping debt	<u>\$ 133,725,660</u>		<u>\$ 100,793,290</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, 2018

Assessed value		<u>\$ 8,923,153,518</u>
Maximum general obligation debt (limited to 5.2% of assessed value) *		\$ 464,003,983
Outstanding bonds	<u>\$ 101,042,265</u>	
Net chargeable to bond limit		<u>101,042,265</u>
Legal debt margin at June 30, 2018		<u>\$ 362,961,718</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
2009 - 2018

Fiscal Year	Assessed Value	Legal Debt Limitation	Legal Borrowing Limitation	Debt Subject to Limitation	Legal Debt Margin
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
2013	8,698,035,147	5.2	452,297,828	88,729,044	363,568,784
2012	10,353,268,184	5.2	538,369,946	96,090,583	442,279,363
2011	10,413,493,746	5.2	541,501,675	81,688,603	459,813,072
2010	10,648,750,360	5.2	553,735,019	70,244,671	483,490,348
2009	12,242,196,332	5.2	636,594,209	75,925,127	560,669,082

Town of Ocean City, Maryland
Demographic and Economic Statistics
Calendar Years 2008 - 2017

Year	(1) Population	(2) Median Household Income	(3) Worcester County Personal Income	(4) Median Age	(5) School Enrollment	(6) Unemployment Rate
2017	7,102	\$ 57,227	\$ 2,651,336	54.0	6,667	6.4 %
2016	7,102	52,276	2,490,404	54.0	6,660	7.7
2015	7,102	58,820	2,348,795	54.0	6,649	7.8
2014	7,092	56,279	2,541,372	48.1	6,684	7.9
2013	7,092	58,138	2,493,986	48.1	6,649	8.1
2012	7,110	49,943	1,938,695	54.2	6,643	8.2
2011	7,110	55,492	2,154,123	54.2	6,699	10.4
2010	7,102	54,750	2,036,635	54.2	6,659	9.8
2009	7,715	54,750	2,013,834	47.2	6,673	9.0
2008	7,638	54,200	1,933,772	47.2	6,747	7.5

Sources:

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

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

2018

Employer	Employees	Percentage of Total County Employment
Harrison Group	1,495	6.16 %
Bayshore Development	535	2.20
OC Seacrets, Inc.	517	2.13
Clarion Resort Fontainebleau	350	1.44
Fagers Island, Ltd.	281	1.16
KTG LLC	280	1.15
91st Street Joint Venture, LLC	241	0.99
Candy Kitchen	221	0.91
Trimpers Rides, Inc.	200	0.82
Phillips	195	0.80
Total	4,315	17.76 %
Total Worcester County employees (Data available for County only)	<u>24,272</u>	

2009

Employer	Employees	Percentage of Total County Employment
Harrison Group	1,100	4.35 %
Phillips	595	2.35
OC Seacrets, Inc.	530	2.10
Bayshore Development	500	1.98
Clarion Resort Fontainebleau	448	1.77
KTG LLC	400	1.58
Fagers Island, Ltd.	266	1.05
Trimpers Rides, Inc.	250	0.99
91st Street Joint Venture, LLC	206	0.81
Castle in the Sand, Inc.	155	0.61
Total	4,450	17.59 %
Total Worcester County employees (Data available for County only)	<u>25,290</u>	

Sources:

Town of Ocean City Finance Department
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	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Government	36	36	36	37	37	36	36	37	38	39
Public Safety	216	213	213	213	213	207	211	210	215	218
General Public Works	48	47	47	47	45	45	45	46	49	55
Solid Waste	21	21	21	21	22	23	23	25	40	44
Highway and Streets	22	23	23	23	23	22	22	22	33	36
Tourism	4	4	4	4	4	4	4	4	8	9
Recreation	43	42	42	43	42	42	42	42	48	51
Water	21	21	21	21	21	21	21	21	23	24
Wastewater	46	46	46	46	46	46	45	45	46	49
Transportation	13	13	13	13	13	13	13	13	16	17
Convention Center	34	34	34	33	32	32	33	34	35	40
Airport	3	3	3	3	3	3	3	3	3	4
Internal Service	30	30	30	30	30	30	30	30	33	36
Total full-time employees	537	533	533	534	531	524	528	532	587	622
Total part-time employees	829	904	850	911	874	867	837	814	755	799
Total employees	1,366	1,437	1,383	1,445	1,405	1,391	1,365	1,346	1,342	1,421

Source: Town of Ocean City's fiscal year 2009 - 2018 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	2018	2017	2016	2015
General Information				
Area (square miles)	5	5	5	5
Year-round residents	7,102	7,102	7,102	7,092
Registered voters	6,227	6,067	5,703	6,141
Average summer population	276,812	275,509	258,330	242,611
General Government				
Construction permits issued	1,885	1,810	1,855	1,472
Estimated value of construction	\$ 78,539,236	\$ 86,385,559	\$ 61,003,886	\$ 57,890,098
Public Safety - Police				
Total arrests	2,338	2,252	2,312	3,568
Parking violations	4,821	9,619	9,344	7,934
Classified officers	105	105	105	105
Seasonal officers	80	80	100	100
Public Safety - Fire and Emergency Services				
Fire responses	1,348	1,323	1,158	1,278
Ambulance responses	4,658	5,006	4,698	4,518
Fire safety inspections/re-inspections	2,216	2,269	2,308	2,659
Fire investigations	39	26	45	65
Classified fire personnel	3	3	3	3
Volunteer officers, firemen, life honor, gold badge	215	215	226	231
Classified emergency medical technicians	44	44	42	41
Seasonal emergency medical technicians	74	67	69	65
Solid Waste				
Trash processed (tons)	34,479	35,823	33,794	32,603
Trash recycled (tons)	242	229	279	202
Tourism and Recreation				
Seasonal beach patrol personnel	207	194	175	186
Water				
Average daily consumption (gallons)	4,282,348	4,278,040	4,179,104	4,156,608
Plants' daily capacity (gallons)	18,000,000	18,000,000	18,000,000	18,000,000
Transportation				
Bus passengers	2,563,434	2,554,385	2,495,014	2,588,189
Wastewater				
Average daily treatment (gallons)	5,895,466	5,699,000	5,528,000	5,378,000
Average daily treatment - summer (gallons)	10,254,228	9,743,000	9,330,000	9,194,000
Plant's daily treatment capacity (gallons)	14,000,000	14,000,000	14,000,000	14,000,000
Customer accounts	28,403	28,417	28,698	28,804
Airport				
Based aircraft	63	67	76	67
Aircraft fueled	3,100	3,100	2,900	2,900

Source: Town of Ocean City Finance Department

2014	2013	2012	2011	2010	2009
5	5	5	5	5	5
7,092	7,110	7,110	7,102	7,715	7,638
5,267	6,184	6,034	5,166	6,549	5,417
253,561	254,906	276,809	263,765	257,479	256,169
1,564	1,660	1,525	1,622	1,501	1,407
\$ 51,755,670	\$ 36,287,285	\$ 35,460,786	\$ 25,521,294	\$ 36,525,292	\$ 49,378,207
2,921	3,614	3,879	3,572	4,213	3,515
10,460	11,237	13,045	14,705	13,859	12,871
105	105	103	102	107	107
100	100	96	102	90	82
1,262	1,190	1,303	1,224	1,254	1,429
4,157	4,634	6,025	5,935	5,776	5,529
2,423	1,935	2,050	2,068	2,010	2,310
98	107	115	136	144	202
3	3	4	4	4	4
235	235	235	221	219	220
44	37	36	36	40	42
67	65	54	74	58	54
32,814	39,640	36,069	34,253	33,149	28,959
185	190	205	283	2,742	3,285
190	194	182	189	189	194
4,637,616	4,891,890	5,243,506	5,591,287	5,026,025	5,434,695
18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000
2,737,568	2,852,639	2,872,472	2,997,578	3,099,117	3,315,614
5,445,000	5,700,000	5,747,000	5,731,000	5,766,000	5,428,814
9,603,000	9,200,000	1,050,000	9,986,000	9,595,000	9,237,300
14,000,000	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000
28,739	28,775	28,772	28,781	28,792	28,777
64	77	75	67	67	66
3,165	3,544	4,092	4,081	3,838	3,738

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

Function/Program	2018	2017	2016	2015
Public Safety - Police				
Stations	2	2	2	2
Vehicles	82	83	81	84
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	13 / 7	13 / 7	13 / 6	13 / 6
Park acreage	77	77	77	77
Recreation centers	1	1	1	1
Boardwalk (miles)	3	3	3	3
Beach (miles)	10	10	10	10
Tennis courts	14	14	14	14
Museum	1	1	1	1
Golf course	1	1	1	1
Water				
Water mains (miles)	150	150	150	150
Treatment plants	3	3	3	3
Service connections	7,216	7,074	7,074	7,068
Fire hydrants	847	847	847	847
Transportation				
Buses	61	62	62	61
Handicapped buses	3	3	3	3
Trolleys	-	-	-	-
Boardwalk trams	8	8	8	8
Wastewater				
Sanitary sewers (miles)	152	152	152	152
Treatment plants	1	1	1	1
Pumping stations	10	10	10	10
Convention Center				
Convention Center (7,000 seats)	1	1	1	1
Airport				
Runway (2) (feet)	7,278	7,273	7,273	7,273
Hangars (square feet)	115,064	115,064	115,064	115,064

Source: Town of Ocean City Finance Department

2014	2013	2012	2011	2010	2009
2	2	2	2	2	2
84	82	83	84	83	84
5	5	5	5	5	5
9	10	9	9	9	9
69	69	69	69	69	69
3,054	3,054	3,024	3,024	3,024	3,024
43	43	43	43	43	43
2,315	2,315	2,315	2,310	2,307	2,307
48	48	48	48	50	50
32	32	32	32	28	28
13 / 6	13 / 6	14 / 6	14 / 6	14 / 6	14 / 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
14	14	14	14	14	14
1	1	1	1	1	1
1	1	1	1	1	1
150	150	150	150	150	150
3	3	3	3	3	3
7,237	7,143	7,584	7,131	7,125	7,121
847	847	847	847	846	915
62	60	62	69	55	56
3	3	3	4	4	3
-	-	4	8	8	8
8	8	8	8	8	8
152	152	152	150	150	150
1	1	1	1	1	1
10	9	9	9	9	9
1	1	1	1	1	1
7,270	7,270	7,270	7,270	7,270	7,270
115,064	115,064	140,080	140,080	120,860	120,860