

# TOWN OF OCEAN CITY, MARYLAND

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

# 2019

FISCAL YEAR ENDED JUNE 30, 2019



(cover photo by Chris Parypa)

Ocean City comes to life at night as the sun sets on the bay.

*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)

Golfing, skateboarding, softball, and tennis are just a few of the programs offered at the Recreation and Parks Department.

For more information, call 410-250-0125 or visit their website:  
<https://oceancitymd.gov/oc/departments/recreation-parks/>

Town of Ocean City, Maryland  
Comprehensive Annual Financial Report

For the Fiscal Year Ended  
June 30, 2019



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, 2019**

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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 27, 2019

## *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 2019 fiscal year addressed the quality of life for residents in a vibrant tourist resort. This report, which summarizes the financial results for the 2019 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, 2019. 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, 2019, are fairly presented in conformity with GAAP. Their report is presented as the first component of the financial section of this report.

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

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

**MAYOR**  
RICHARD W. MEEHAN

**CITY COUNCIL**

LLOYD MARTIN  
*President*

MARY P. KNIGHT  
*Secretary*

DENNIS W. DARE  
ANTHONY J. DELUCA  
JOHN F. GEHRIG, JR.  
MATTHEW M. JAMES  
MARK L. PADDACK

**CITY MANAGER**  
DOUGLAS R. MILLER

**CITY CLERK**  
DIANA L. CHAVIS, CMC

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

PO BOX 158 • OCEAN CITY, MARYLAND • 21843-0158



PH: (410) 289-8221 • FAX: (410) 289-8703

*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'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 can each attract thousands of visitors. Youth and family sporting events are encouraged and the Town hosts various tournaments and competitions such as softball, lacrosse, cheerleading, soccer, and skateboarding. The Town also sponsors family activities and movies on the beach, and concerts (both on and off the beach and at various entertainment venues at Northside Park on 125<sup>th</sup> Street and at Sunset Park located on the bay-front in downtown Ocean City). There are no less than 12 championship golf courses located within 10 miles of the Town. Group business, meetings, and events held at the Roland E. Powell Convention Center and the Performing Arts Center 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 just over \$3.6 million a decade ago to over \$6.4 million in fiscal year 2019. For the year ended June 30, 2019, room sales were 2.96% above the prior fiscal year and food and beverage sales were up 5.66%.

There were 1,852 construction permits issued in FY 2019, compared to 1,885 in FY 2018. The estimated value of construction in FY 2019 was \$54,474,168, compared to \$78,539,236 in FY 2018. 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 Ave.	133	Cambria	\$ 17,000,000
3401 Coastal Hwy.	105	Hilton Tru Hotel	10,400,000
12501 Assawoman Dr.	7	Island Waves Condo	1,700,000
10401 Coastal Hwy.	7	Ocean One LLC	1,325,000
1 Sunset Island Dr.	7	Sunset Island LLC	1,627,500
3 Sunset Island Dr.	6	Sunset Island LLC	1,395,000
3 Hidden Cove Way	7	Sunset Island LLC	1,627,500
107 – 146 <sup>th</sup> St.	N/A	Game World (Golf Ventures LLC)	275,000

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 2019 fiscal year. The Town’s assessable base for real property increased a modest 0.6%, primarily due to the Town’s last comprehensive reassessment in 2018, which is fully phased in over three years. 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**

***Boardwalk Access Control Barriers:***



In November 2017, the Town proposed to install barriers at all vehicle access points along the boardwalk. The initiative was developed to positively restrict unauthorized vehicle access on the boardwalk by constructing a combination of permanent, semi-permanent, and operable barriers at every potential vehicle access point. At the time of the initial proposal there were over 36 different vehicular entry points onto the boardwalk, primarily at the ends of the public streets, which were open with no barriers or gates of any type. After a request for proposals was submitted and received, Johnson, Mirmiran & Thompson, Inc. was

awarded the contract to design the two-phase project. The first phase consisted of temporary gates and barriers to restrict vehicle access in time for the 2018 summer season. The second phase replaced the temporary barricades with permanent gates, bollards, and cable barriers.

The total cost for the project was initially estimated to be \$4.6 million but the Town requested additional value engineering discussions to determine the best configuration of fixed barrier options and the most cost-efficient design. This value engineering reduced the cost \$2 million from the original proposal. In 2018, the Town approved financing the second phase of the project. Federal grants exist for this type of project; however, these grants are limited to “32 of the nation’s high-threat, high-density areas.” Ocean City is not one of these 32 areas and, therefore, was unable to secure federal grant funding. Financing for the second phase was secured through Bank of America under a 10-year capital lease.

The temporary barrier phase of the project was installed by Apex Construction starting in March 2018 and was completed in May 2018. A request for bid for the construction of the permanent barriers was completed and awarded to Hercules Fence of Maryland. Construction began in December 2018 with the installation of barriers at each street. The barriers consist of a combination of concrete-filled pipe bollards covered with a decorative sleeve, posts and cable systems, and operable gates to allow emergency responders and maintenance crews to gain access to the boardwalk. Two of the ten operable gates are powered and controlled through the Town’s city-wide access control system. The remaining gates are manually operated. The project was completed in June 2019.

***New Public Works South Building:***

In the early 1970s, the Town’s Department of Public Works constructed a building which came to be known as “Whiteside” (adopted from the previous owner’s last name) on South 1<sup>st</sup> Street near the inlet. Since its inception, the building housed the Public Works Maintenance and Transportation departments. Over the years, repairs have been made to the building to keep it operational. In January 2017, the Council voted to purchase land located at 200 St. Louis Avenue in order to construct a new Department of Public Works South Building. The cost of the land purchase was \$2 million, with the Town providing an initial down payment of \$400,000. The remaining \$1.6 million was financed by the sale of a 10-year general obligation bond. The cost of the building was just over \$3.8 million and was funded through a separate bond issue, which included other projects.



The new pole-style building was designed by Becker Morgan and constructed by Delmarva Veteran Builders, LLC. The building will be used in the same way as the old Whiteside building but with a better flow for each individual operation housed at the building. While the Maintenance Department and the Transportation Department are separate departments under Public Works, they work closely with each other. Thus, the

building has four major designated areas for each department with slightly overlapping work spaces. The first designated area is for the boardwalk trams. It allows the Jeeps, with the attached trams, to easily pull into the building at the end of the day and pull out in the morning. There will be enough room for ten completely outfitted trams to park inside the building. The second designated area is for the six beach tractors, with the beach sanitizers attached, which can be parked for easy exit when it's time for the nightly cleaning of the beach. The third designated area is a maintenance shop, which will be used for maintenance and repairs on the Maintenance Department's equipment. The fourth designated area is for the boardwalk cleaning equipment, which consists of mini brooms, garbage trucks, boardwalk scrubbers, gators, and a utility task vehicle. The building's remaining space will be used for offices for the Tram and Maintenance supervisors, a break room, and a boardwalk bathroom storage supply area.

Much thought went into the design of the outside of the building as well. The building was made to be more aesthetically pleasing to the surrounding area with its "coastal" architectural style. Special lighting was installed on the outside of the building so that it will not be offensive for nearby residents. A faux stone veneer was added and a picket fence will be installed to further enhance the building's aesthetics. The project is expected to be completed in November 2019.

***Recreational Activities and Special Events:***

The Town of Ocean City's Recreation and Parks Department is a hub of activity emphasizing positive lifestyle choices in the pursuit of healthy and active living, all while having fun! Recreation and Parks is responsible for managing and maintaining the cleanliness and utility of the Town's parks, sports fields, and public grounds and facilities, as well as coordinating a vast number of programs for individuals of all ages throughout the year. Many of its programs are designed to develop children's knowledge and skillset of a particular sport. Other educational programs allow children to explore their interests in science, nature, theater, dance, art, and more. The adult and senior programs offered by Ocean City Recreation and Parks consist of exercise, dance, and art classes, as well as sports leagues and social gatherings. The Department joined the Healthy Eating and Active Living (HEAL) Cities and Towns Campaign and, in 2016, Ocean City was officially named a HEAL city. In that same year, the Department was also recognized as a Maryland's Healthiest Business by providing healthy snack options in its vending and concession operations. The Town



*Town of Ocean City, Maryland*  
*Letter of Transmittal*

and Department have been granted both recognitions every year since then. The Recreation and Parks Department's staff continues to encourage physical activity and healthy lifestyles through the fun programs offered at its parks and facilities, among them, Eagle's Landing Golf Course, the Ocean Bowl Skate Park, the Ocean City Tennis Center and the Northside Park Recreation Complex.



The Special Events Department is responsible for most events that utilize public spaces within the Town. Although the Special Events Department often works closely with the Recreation and Parks Department, it is a separate entity. Throughout the year, Special Events coordinates several large-scale multi-day festivals including Springfest, Sunfest, Winterfest, and ArtX. They manage July 4<sup>th</sup> fireworks celebrations in two locations, the Town's Christmas Parade, and multiple summer-long free event series such as Sundaes in the Park, OC Beach Dance Parties, and Sunset Party Nights. All Town-sponsored events focus on family-oriented activities and

promote the family-friendly image that Ocean City has so carefully cultivated. Additionally, Special Events oversees the Town's interests with the more than 70 private events that occur in Ocean City each year, among them the Ocean City Air Show, Sand Soccer, and Bike Week. The Department also partners with local businesses and event promoters to bring in new attractions for all Town residents and visitors to enjoy.

### ***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: public works campus plan, street paving, boardwalk redecking, golf cart bridge redecking, 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, 2019, that reserve, unassigned fund balance, was \$21,329,235 (27.5% of General Fund expenditures), compared to \$20,387,666 (25.8%) in FY 2018.

***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.

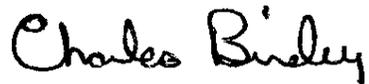
***AWARDS AND ACKNOWLEDGMENTS***

***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, 2018. This is the 31<sup>st</sup> consecutive year that the Town has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Charles Bireley, CPA  
Finance Director



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Town of Ocean City**  
**Maryland**

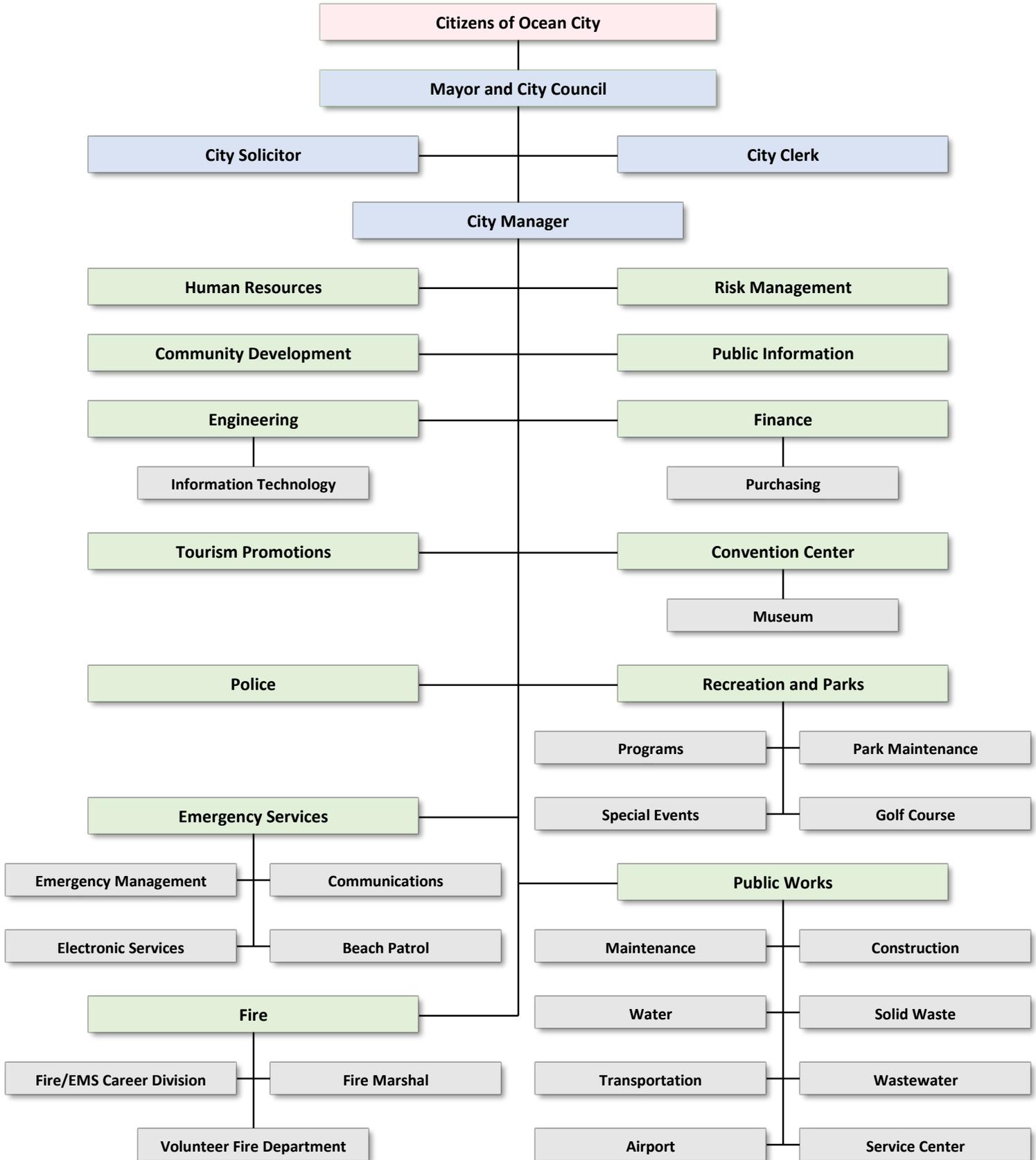
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2018**

*Christopher P. Morill*

Executive Director/CEO

Town of Ocean City Organizational Chart  
Fiscal Year 2019



**Town of Ocean City, Maryland  
List of Principal Officials and Directors  
June 30, 2019**

<u><b>Title</b></u>	<u><b>Name</b></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	Matthew M. James
Council Member	Mark L. Paddack
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	Richard Bowers
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**



## 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, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

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

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

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

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

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



### ***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, 2019, 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***

#### ***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.

#### ***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 nonmajor fund 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.



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

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

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.

Owings Mills, Maryland  
September 27, 2019

A handwritten signature in black ink that reads "SB &amp; Company, LLC". The signature is written in a cursive, flowing style.

# **MANAGEMENT'S DISCUSSION AND ANALYSIS**



Town of Ocean City, Maryland  
*Management's Discussion and Analysis*  
June 30, 2019

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, 2019, 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 2019**

- The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows at the close of the 2019 fiscal year, resulting in a net position of \$161,402,654. The Town implemented Governmental Accounting Standards Board (GASB) Statement No. 89 for accounting for interest cost incurred before the end of a construction period. Interest cost is no longer required to be capitalized during the construction period of an asset.
- The Town's overall financial position improved by \$10,397,761. Program revenues decreased \$1,870,121, including a decrease of \$2,130,220 in capital grants and contributions, and expenses increased \$2,931,562. However, a \$6,623,149 decrease in the net OPEB liability, as a result of the Town's most recent actuarial study, helped to improve the Town's net position. There were gains from governmental activities of \$1,790,377. Business-type activities contributed \$8,607,384 to net position.
- As of June 30, 2019, the Town's governmental funds reported a combined fund balance of \$34,506,867, a decrease of \$3,345,653 from the prior year. Of the total amount in fund balance, \$11,084,785 is committed for capital projects, \$877,203 is assigned to the fiscal year 2020 budget, \$260,324 is assigned to purchases on order, \$357,982 is assigned to fund the pension contribution for the Town's International Association of Fire Fighters (IAFF) members, \$597,289 is assigned for advertising and Tourism Advisory Board (TAB) purposes, and \$21,329,235 is available to meet the Town's current and future needs, and is unassigned fund balance. Unassigned General Fund balance at year-end was 27.5% of General Fund expenditures, compared to the percentage in FY 2018 of 25.8%, and is in excess of the Town's reserve policy of 15%.
- The Town's net debt decreased by \$5,345,691 in FY 2019.
- As of June 30, 2019, net pension liability of \$28,588,965, related deferred outflows of \$12,763,389 and deferred inflows of \$1,327,480 are recorded in the Statement of Net Position. The funded ratio is 83.5% for the General Employees Pension Plan and is 78.7% for the Public Safety Employees Pension Plan. The Town's net OPEB liability was \$21,590,265 as of June 30, 2019, with a funded ratio of 62.1%. Deferred outflows of resources related to OPEB totaled \$981,162 and related deferred inflows were \$7,640,801.

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## **Overview of the Financial Statements**

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

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Town'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*

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*Balances* provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town has two governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund. The Capital Projects Fund is used to report the funding and expenditures for the purchase or construction of capital assets, other than those reported in proprietary funds. The construction may span more than one fiscal year.

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

The basic governmental fund financial statements can be found on pages 36-39 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 40-47 of this report.

***Fiduciary funds.*** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The Town has three fiduciary funds, the General Employees Pension Fund, the Public Safety Employees Pension Fund, and the Other Post-Employment Benefits Trust Fund. The accounting used for these funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 48-49 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 50-84 of this report.

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**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Town's progress in funding its obligation to provide pension and OPEB benefits to its employees. Required supplementary information can be found on pages 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, 2019, 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 \$161,402,654 at the close of the fiscal year ended June 30, 2019, compared to \$151,004,893 for the year ended June 30, 2018.

99.5% of the Town's net position reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any outstanding principal balances on debt that was used to acquire those assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

	Governmental Activities		Business-Type Activities		Total Primary Government		% Change
	2019	2018	2019	2018	2019	2018	
Current and other assets	\$ 55,704,367	\$ 58,202,454	\$ 36,101,092	\$ 36,683,683	\$ 91,805,459	\$ 94,886,137	-3.2 %
Capital assets	109,621,919	103,765,945	138,006,318	133,188,396	247,628,237	236,954,341	4.5
Total assets	<u>165,326,286</u>	<u>161,968,399</u>	<u>174,107,410</u>	<u>169,872,079</u>	<u>339,433,696</u>	<u>331,840,478</u>	2.3
Deferred outflows of resources	<u>11,965,592</u>	<u>10,216,599</u>	<u>2,046,371</u>	<u>1,620,828</u>	<u>14,011,963</u>	<u>11,837,427</u>	18.4
Long-term liabilities outstanding	100,729,330	103,563,900	64,083,150	70,723,855	164,812,480	174,287,755	-5.4
Other liabilities	13,845,346	13,576,715	4,416,898	3,916,568	18,262,244	17,493,283	4.4
Total liabilities	<u>114,574,676</u>	<u>117,140,615</u>	<u>68,500,048</u>	<u>74,640,423</u>	<u>183,074,724</u>	<u>191,781,038</u>	-4.5
Deferred inflows of resources	<u>6,377,587</u>	<u>495,145</u>	<u>2,590,694</u>	<u>396,829</u>	<u>8,968,281</u>	<u>891,974</u>	905.4
Net position:							
Net investment in capital assets	63,840,069	59,880,188	96,802,988	88,271,380	160,643,057	148,151,568	8.4
Restricted	-	-	3,063,906	3,029,456	3,063,906	3,029,456	1.1
Unrestricted	(7,500,454)	(5,330,950)	5,196,145	5,154,819	(2,304,309)	(176,131)	1,208.3
Total net position	<u>\$ 56,339,615</u>	<u>\$ 54,549,238</u>	<u>\$ 105,063,039</u>	<u>\$ 96,455,655</u>	<u>\$ 161,402,654</u>	<u>\$ 151,004,893</u>	6.9 %

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.

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As shown in the following chart, the Town's net position increased \$10,397,761 for the year ended June 30, 2019. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

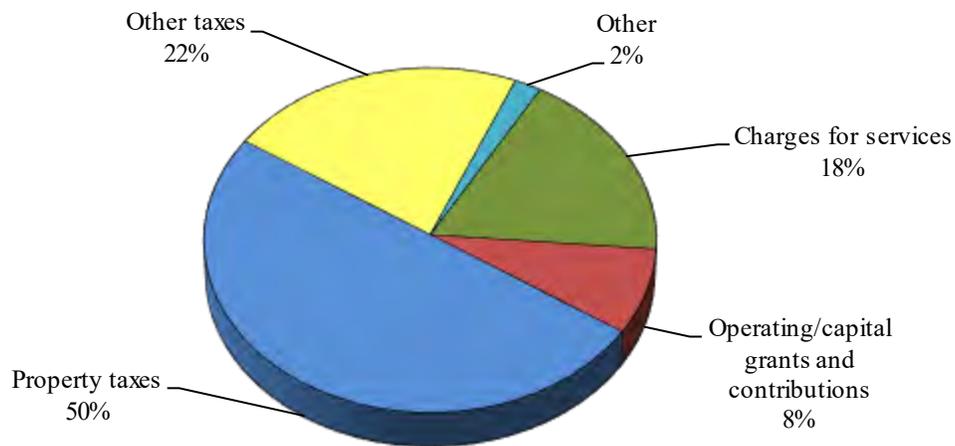
	Governmental Activities		Business-Type Activities		Total Primary Government		% Change
	2019	2018	2019	2018	2019	2018	
<b>REVENUES</b>							
Program revenues:							
Charges for services	\$ 16,128,068	\$ 16,193,454	\$ 29,674,209	\$ 29,264,473	\$ 45,802,277	\$ 45,457,927	0.8 %
Operating grants and contributions	3,087,434	3,302,181	3,951,925	3,821,429	7,039,359	7,123,610	-1.2
Capital grants and contributions	293,883	102,407	7,026,427	9,348,123	7,320,310	9,450,530	-22.5
General revenues:							
Property taxes	43,732,086	43,239,535	-	-	43,732,086	43,239,535	1.1
Other taxes	19,108,527	18,721,093	-	-	19,108,527	18,721,093	2.1
Grants and contributions not restricted to specific programs	3,533,530	3,345,442	-	-	3,533,530	3,345,442	5.6
Other revenues	2,237,302	1,156,499	714,857	243,267	2,952,159	1,399,766	110.9
<b>Total revenues</b>	<b>88,120,830</b>	<b>86,060,611</b>	<b>41,367,418</b>	<b>42,677,292</b>	<b>129,488,248</b>	<b>128,737,903</b>	<b>0.6</b>
<b>EXPENSES</b>							
General government	961,507	978,045	-	-	961,507	978,045	-1.7
Public safety	37,934,242	36,827,677	-	-	37,934,242	36,827,677	3.0
General public works and beach	8,038,416	8,190,991	-	-	8,038,416	8,190,991	-1.9
Sanitation and waste removal	6,578,821	6,353,497	-	-	6,578,821	6,353,497	3.5
Highways and streets	9,938,469	8,424,668	-	-	9,938,469	8,424,668	18.0
Economic development - tourism	8,649,731	9,389,746	-	-	8,649,731	9,389,746	-7.9
Recreation and culture	8,477,292	8,282,474	-	-	8,477,292	8,282,474	2.4
Interest on long-term debt	1,548,752	1,367,535	-	-	1,548,752	1,367,535	13.3
Water	-	-	6,036,469	5,826,613	6,036,469	5,826,613	3.6
Wastewater	-	-	11,847,685	12,000,680	11,847,685	12,000,680	-1.3
Transportation	-	-	8,104,072	8,476,581	8,104,072	8,476,581	-4.4
Convention Center	-	-	6,181,811	6,012,638	6,181,811	6,012,638	2.8
Airport	-	-	2,631,481	1,823,343	2,631,481	1,823,343	44.3
Golf Course	-	-	2,161,739	2,204,437	2,161,739	2,204,437	-1.9
<b>Total expenses</b>	<b>82,127,230</b>	<b>79,814,633</b>	<b>36,963,257</b>	<b>36,344,292</b>	<b>119,090,487</b>	<b>116,158,925</b>	<b>2.5</b>
Change in net position before transfers	5,993,600	6,245,978	4,404,161	6,333,000	10,397,761	12,578,978	-17.3
Transfers	(4,203,223)	(3,595,376)	4,203,223	3,595,376	-	-	
Change in net position	1,790,377	2,650,602	8,607,384	9,928,376	10,397,761	12,578,978	-17.3
Net position, prior year	54,549,238	51,898,636	96,455,655	86,527,279	151,004,893	138,425,915	9.1
<b>Net position, current year</b>	<b>\$ 56,339,615</b>	<b>\$ 54,549,238</b>	<b>\$ 105,063,039</b>	<b>\$ 96,455,655</b>	<b>\$ 161,402,654</b>	<b>\$ 151,004,893</b>	<b>6.9 %</b>

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**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 2018 and January 2019, which resulted in a 1% 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 increased \$492,551 due to an assessment increase. The real property tax rate remained constant at \$0.4656 per \$100 of assessed value in FY 2019 compared to FY 2018. Property taxes comprised 50% of revenue for governmental activities in FY 2019, the same percentage as FY 2018.

GOVERNMENTAL ACTIVITIES  
REVENUES BY SOURCE

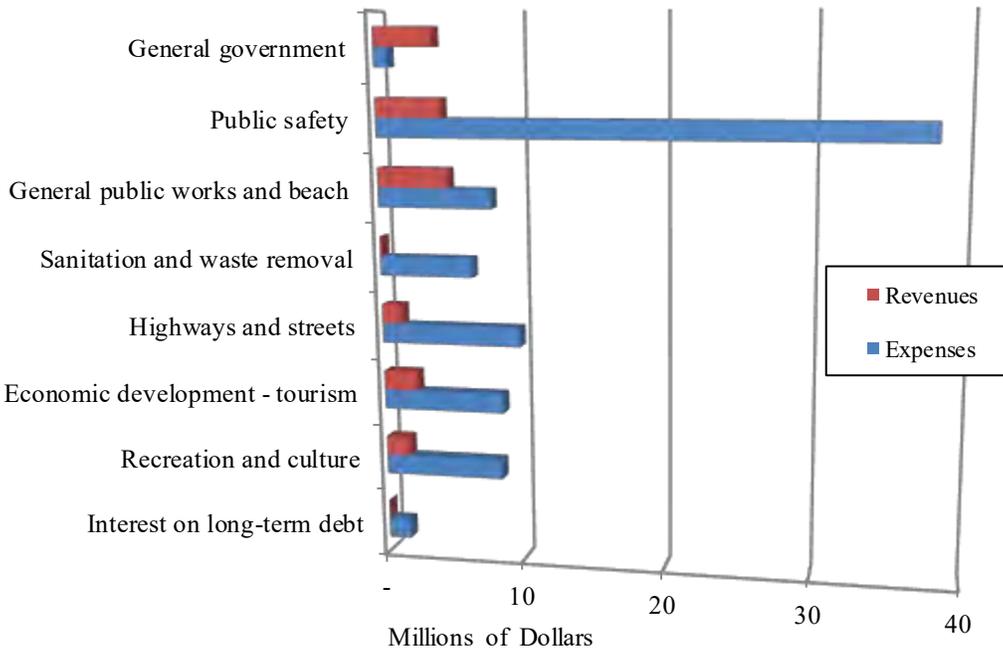


- The largest revenue increase in FY 2019 was in room taxes, which increased \$460,313. The “other taxes” category includes admissions taxes, income taxes, highway user taxes, and room taxes. Hotel sales in the resort have increased annually throughout the past decade.
- Revenue from charges for current services decreased \$322,901 in governmental activities. The largest single decrease in this category was the beach photo franchise, which decreased \$282,000. Building permit revenue also decreased by \$195,980. Those decreases were partially offset by increases in other revenue categories.

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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**



- Salaries increased \$337,790, as increments were given to employees on January 1, 2019, and police officers received a 2% cost of living adjustment. The cost of employee benefits decreased \$574,490, which was primarily due to decreases in retiree health and group health insurance premiums of \$634,856 and \$228,736, respectively. Those costs were partially offset by increases in other benefits.
- The Town paid claims of \$814,697 in the 2019 fiscal year compared to \$765,921 in FY 2018. Based on analysis as of June 30, 2019, the claims liability was increased \$129,795 in FY 2019 compared to an increase of \$510,612 in FY 2018 for claims reserves. There was a \$15,069 loss in the Risk Management Fund in FY 2019. In FY 2018, the fund reported a loss of \$223,538.
- Transfers to other funds increased \$607,847. The subsidy for the Transportation Fund decreased \$106,637. The Town's contribution to subsidize the convention center increased \$104,619 due to cost increases at the center from additional events. Transfers to the golf course decreased \$40,244 and transfers to the airport increased \$650,109.

**Business-type activities.** There was an increase of \$8,607,384 in the Town's net position in FY 2019 attributed to business-type activities. Key elements of this increase are as follows:

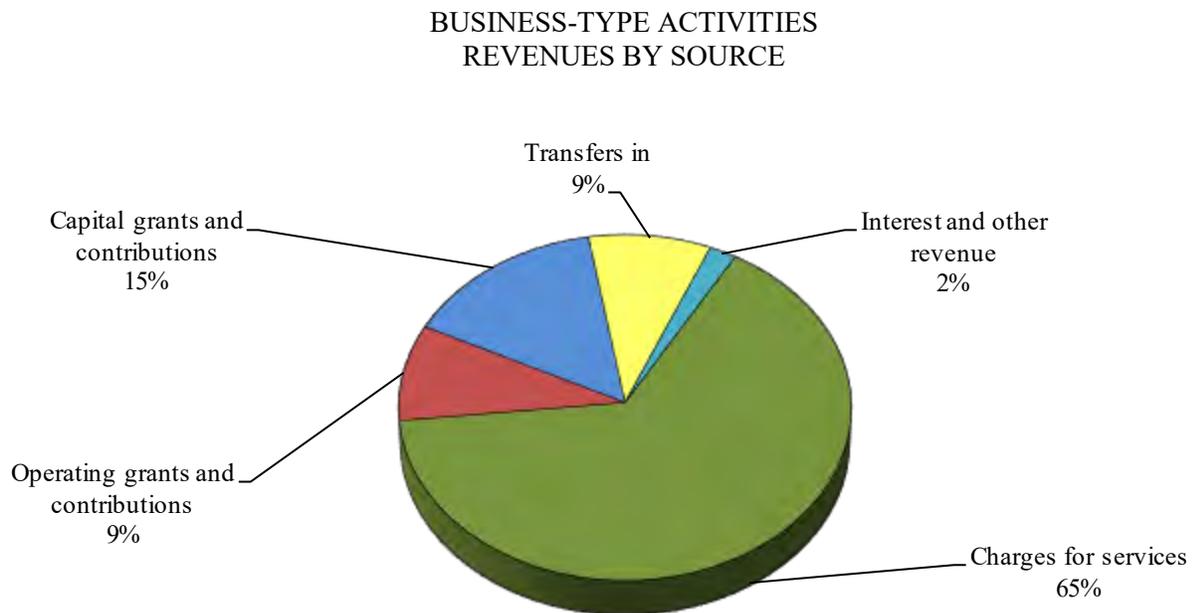
- Charges for services for business-type activities increased \$409,736. Wastewater revenue increased \$371,167 due to rate increases as scheduled from a 5-year rate study adopted in 2015 to fund capital

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improvements. Transportation revenue increased \$44,449. The convention center revenue from service fees decreased \$130,868.

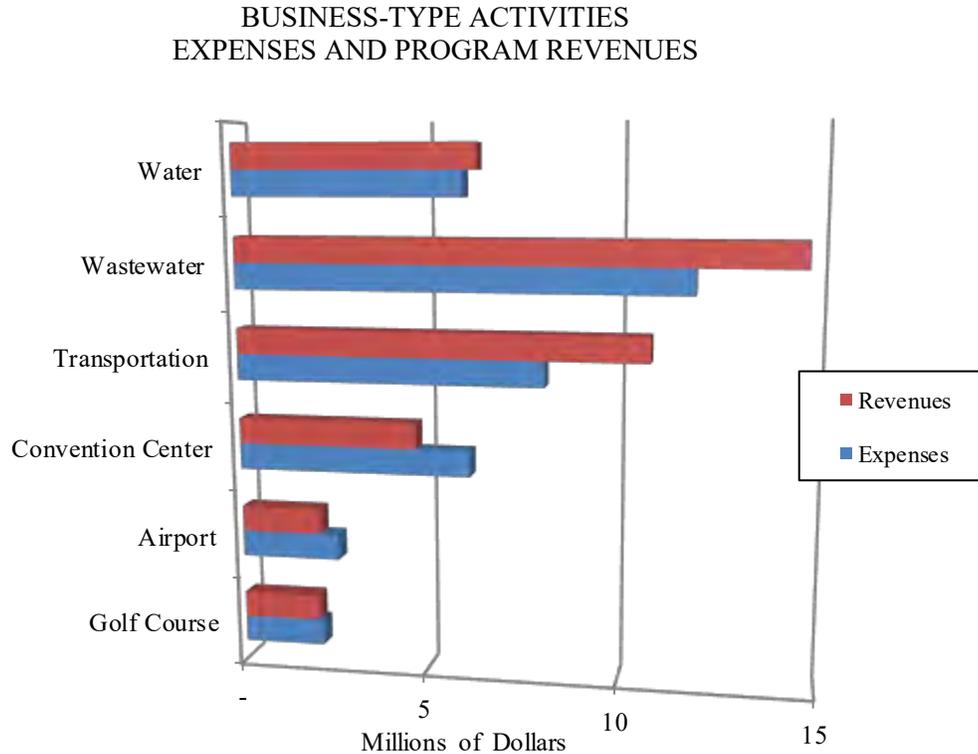
- There was a total of \$7,026,427 in capital grants and contributions for business-type activities. State and federal capital grants for the transportation portion of the campus plan were \$5,500,350. Capital improvements at the airport were funded with \$1,000,375 in federal and state grants in FY 2019.
- Expenses increased \$618,965 in FY 2019 for business-type activities compared to FY 2018. Expenses for water and the airport increased \$209,856 and \$808,138, respectively. There were decreases in wastewater of \$152,995 and transportation of \$372,509.

Charges for services were 65% of revenue for business-type activities in FY 2019, with operating grants and contributions making up 9% of revenue, and capital grants and contributions comprising 15% of revenue as shown in the following graph:



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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 42.9% of expenses from user charges in FY 2019 compared to 47.2% in FY 2018.



**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, 2019, the Town's governmental funds reported a combined ending fund balance of \$34,506,867 compared to \$37,852,520 at June 30, 2018. The fund balance for the governmental funds decreased \$3,345,653 primarily due to a decrease in the Capital Projects Fund balance.

The General Fund unassigned fund balance, which is available for spending, increased \$941,569 from \$20,387,666 in FY 2018, to \$21,329,235, although the City Council assigned \$877,203 to the 2020 fiscal year budget for capital improvements. Total General Fund balance increased \$1,147,252 during the fiscal year. The changes in both total and unassigned General Fund balance are important to evaluate the fund's liquidity.

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The tax rate remained constant at \$0.4656 per \$100 of valuation, resulting in an increase in property tax receipts of \$532,112 due to increases in assessments. Total General Fund revenues increased \$1,601,465 compared to FY 2018 primarily due to the increase in property taxes and other revenue.

- The category “other revenue” increased by \$749,425 due to increases in investment income from FY 2018.
- General Fund expenditures of \$77,632,430 before other financing sources and uses were \$1,424,863 less in FY 2019 compared to FY 2018. There were increases in public safety of \$572,120 and \$83,832 in sanitation, which were offset by decreases of \$736,174 in economic development – tourism and \$1,027,829 in general public works and beach.
- Debt principal in the amount of \$3,415,993 was retired in FY 2019, \$771,260 less than in FY 2018. Interest expenses were \$371,510 more than FY 2018 due to interest payments made on the 2018 Bonds.
- Transfers to other funds were \$8,375,962 in FY 2019 compared to \$7,071,656 in FY 2018, an increase of \$1,304,306.
- In FY 2019, the City Council voted to assign \$877,203 of fund balance to provide resources for the 2020 fiscal year for street paving, a contribution to Atlantic General Hospital, airport debt service, and golf course cart bridge repairs.

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, 2019, unassigned General Fund balance was \$21,329,235, which represents 27.5% of General Fund expenditures, compared to 25.8% in FY 2018. Total General Fund balance represents 30.2% of General Fund expenditures at year-end. At the prior year-end, the percentage was 28.1%.

**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 \$376,722 was reported in the Water Fund compared to \$609,136 in FY 2018. Impact fees from new construction were \$169,281, a decrease of \$53,361 from the amount received in FY 2018. Operating expenses increased \$216,112 compared to FY 2018.
- The Wastewater Fund had a gain of \$2,856,557 in FY 2019 compared to a gain of \$2,300,577 in FY 2018. Revenues from service charges increased \$371,167 as rates were increased in April 2018 to fund future capital improvements and related debt service. Expenses decreased \$357,381 as compared to FY 2018.
- The Convention Center Fund had an operating loss of \$3,881,789 in FY 2019 compared to a loss of \$3,758,859 in FY 2018. Operating revenue decreased \$130,868 and expenses decreased \$7,938. The Convention Center Fund received operating grants of \$2,940,696 and \$1,488,365 in transfers from the Town, permitting an increase in the net position of the fund of \$506,388. Debt service for the fund is supported by a tax on food and beverages in Ocean City. The debt sinking fund had a balance of \$3,063,906 at year-end and is shown as a restricted portion of net position.
- The Transportation Fund had \$44,449 more operating revenue in FY 2019 compared to FY 2018. Operating expenses were \$350,705 less than in FY 2018. The fund had an operating loss of \$2,736,937,

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which was \$395,154 less than the operating loss in FY 2018, but received \$905,782 in operating grants, capital grants of \$5,500,350, and a transfer from the General Fund of \$1,147,981.

- The Golf Course Fund, a nonmajor fund, had a loss in net position of \$22,575 for the year and the Airport Fund, a nonmajor fund, had a gain in net position of \$979,539 in FY 2019. The gain in net position was the result of capital grants of \$1,000,375 and transfers from the General Fund of \$1,469,149, which offset an operating loss of \$1,459,728.

**Fiduciary funds.**

In FY 2019, the pension funds had an average money-weighted rate of return on investments of 3.6%, compared to 6.6% in FY 2018. The actuarial value of assets is fair value as of June 30, 2019. 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 84.3% to 83.5%. Employees contribute 5% of pay to the plan, and the Town contributed \$2,152,737 to the plan with a 10-year amortization of the unfunded actuarial liability.

The funded ratio decreased from 79.3% to 78.7% for the Public Safety Employees Pension Plan. Employees contribute 8% of pay to the plan. The Town contributed \$3,414,817 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 76-84 of this report.

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

In 2008, the Town established a trust fund to provide for retiree health insurance benefits. The Other Post-Employment Benefits Trust (OPEB Trust) is a defined-benefit health care plan whose assets may be expended solely to pay for post-employment benefits and the costs of administering the trust fund. The Town had an actuarial study prepared in February 2018. The plan had investment gains of 3.9% for fiscal year 2019. The net liability for the plan is \$21,590,265 and has a remaining amortization of 20 years. The funded ratio is 62.09% of the total OPEB liability. The Town contributed \$2,249,822 to the plan in FY 2019. Additional information on the OPEB Trust can be found on pages 73-76 of this report.

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**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 2019. Differences between the original budget and final amended budget for the General Fund resulted in recognition of \$2,266,167 in additional revenues and increased the total expenditures in the original budget by \$1,962,230. Transfers to other funds increased \$1,845,206. Significant changes were made as follows:

- Increased federal, state, and county grants by \$958,811, which included \$373,225 from state tourism grants, \$122,875 in grants for beach mats, and \$115,000 for a Program Open Space grant.
- Increased anticipated revenue to recognize an additional \$78,000 for income taxes, \$449,250 for Corporation taxes, and \$371,226 interest on investments. Anticipated revenue from “charges for current services” was increased \$24,932 for special event sales, \$23,000 for tourism ad sales, and \$19,300 for street cut fees.
- The budget amendments increased expenditures \$531,440 for public safety, which included a \$163,527 increase in the pension contribution, \$13,861 for police radios, \$54,041 for a mass casualty trailer for the fire department, and a \$40,000 cardiac monitor.
- The budget was increased by \$1,030,618 for expenditures related to “economic development – tourism,” for additional advertising and promotions. A total of \$373,225 was from the aforementioned state tourism grant and to follow the Town’s advertising funding policy.

During the fiscal year, revenues were more than final budget estimates by \$1,327,361. Expenditures were \$2,911,957 less than anticipated. Other sources and uses variances were a favorable \$59,387. This resulted in an overall favorable variance from the budget of \$4,298,705. The key elements of this variance were:

- Revenue from “other taxes” was \$628,055 more than anticipated primarily due to additions in room taxes of \$460,313.
- Revenue from “other revenue” was \$589,261 above the final budget primarily due to investment income. Investment rate of return was higher in FY19 due to higher interest rates on investments.
- The largest variance to the final budget for expenditures was for “public safety,” which was \$1,148,487 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.
- “General government” expenditures were under budget by \$289,325 as a result of legal costs that were less than expected.
- The category “general public works and beach” had expenditures \$229,782 less than anticipated due to lower services and supplies costs.
- Expenditures for “economic development – tourism” were under budget by \$711,490 due to marketing and advertising costs that were lower than expectations.
- The category in other financing sources and uses, “transfers in,” was above budget by \$107,115 for reimbursements to the General Fund from the Capital Projects Fund for debt service for land purchases

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

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, 2019, were \$247,628,237 (net of accumulated depreciation) compared to \$236,954,341 in FY 2018. Capital assets include land, buildings, improvements, streets, infrastructure, and machinery and equipment.

A table of the Town's capital assets by type, net of depreciation, is listed below. Additional information can be found in Note 6 on pages 65-67 of this report.

**Capital Assets, Net of Accumulated Depreciation**

	Governmental Activities		Business-Type Activities		Total Primary Government		% Change
	2019	2018	2019	2018	2019	2018	
Land	\$ 26,075,318	\$ 26,075,318	\$ 16,871,602	\$ 15,351,891	\$ 42,946,920	\$ 41,427,209	3.7 %
Construction in progress	15,264,990	7,713,403	14,647,284	10,565,182	29,912,274	18,278,585	63.6
Buildings	24,126,958	25,372,979	45,072,913	43,788,821	69,199,871	69,161,800	0.1
Machinery and equipment	17,350,828	16,691,220	33,159,431	35,363,060	50,510,259	52,054,280	-3.0
Streets and infrastructure	18,430,160	18,888,885	25,175,656	24,995,016	43,605,816	43,883,901	-0.6
Other improvements	8,373,665	9,024,140	3,079,432	3,124,426	11,453,097	12,148,566	-5.7
	<u>\$ 109,621,919</u>	<u>\$ 103,765,945</u>	<u>\$ 138,006,318</u>	<u>\$ 133,188,396</u>	<u>\$ 247,628,237</u>	<u>\$ 236,954,341</u>	4.5 %

**Debt Administration**

As of June 30, 2019, the Town had total general obligation bonded debt, backed by the full faith and credit of the Town, outstanding of \$97,583,131, which is net of unamortized bond premiums. The remainder of the Town's debt is comprised of loans payable to the State of Maryland for \$317,960, notes payable of \$1,316,571, and capital leases of \$11,399,038.

The Town paid current maturities of \$8,309,619 in FY 2019. Outstanding general obligation debt represents 1.09% of the assessed valuation of property in the Town. The debt limit is 5.2% of assessments, leaving a legal debt margin of \$369,757,218.

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 67-71 of this report.

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

- For the FY 2020 budget, the Town sought to keep the real property tax rate at the same level as FY 2019, \$0.4656 per \$100 of assessed value, which should result in a modest increase in property tax revenues due to increased assessments.
- Hotel and rental sales increased 2.96% in FY 2019. Food and beverage sales increased 5.66% 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.

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

- 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, 2020. Firefighter union employees receive a step increment on July 1, 2019, and police union employees receive a step increase and 2% COLA on January 1, 2020.
- 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 2020 budget invests \$2,100,000 into maintaining the beach and boardwalk.
- To continue to maintain infrastructure, property values, and pedestrian safety, the FY 2020 budget funded \$2,500,000 for street paving and \$100,000 for storm drain cleaning.

All of these factors were considered in preparing the Town's budget for the 2020 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](mailto: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, 2019

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 25,631,438	\$ 22,327,882	\$ 47,959,320
Restricted cash and cash equivalents	-	867,725	867,725
Investments	20,480,532	4,500,000	24,980,532
Restricted investments	32,057	2,329,743	2,361,800
Receivables (net of allowance for uncollectibles)	2,803,784	2,815,871	5,619,655
Interest receivable	90,564	37,552	128,116
Intergovernmental receivable	5,379,835	2,899,967	8,279,802
Internal balances	598,655	(598,655)	-
Inventories	687,453	917,507	1,604,960
Other	49	3,500	3,549
Capital assets, not being depreciated:			
Land	26,075,318	16,871,602	42,946,920
Construction in progress	15,264,990	14,647,284	29,912,274
Capital assets, net of accumulated depreciation:			
Buildings	24,126,958	45,072,913	69,199,871
Machinery and equipment	17,350,828	33,159,431	50,510,259
Streets and infrastructure	18,430,160	25,175,656	43,605,816
Other improvements	8,373,665	3,079,432	11,453,097
Total capital assets	<u>109,621,919</u>	<u>138,006,318</u>	<u>247,628,237</u>
Total assets	<u>165,326,286</u>	<u>174,107,410</u>	<u>339,433,696</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	125,301	142,111	267,412
Deferred outflows related to pensions	11,121,851	1,641,538	12,763,389
Deferred outflows related to OPEB	718,440	262,722	981,162
Total deferred outflows of resources	<u>11,965,592</u>	<u>2,046,371</u>	<u>14,011,963</u>
<b>LIABILITIES</b>			
Accounts payable and other accrued liabilities	3,028,330	2,295,855	5,324,185
Accrued expenses	5,039,467	684,264	5,723,731
Compensated absences	2,100,047	572,538	2,672,585
Unearned revenue	2,227,935	604,092	2,832,027
Other	1,449,567	260,149	1,709,716
Long-term liabilities:			
Due within one year:			
Claims and judgments	1,005,952	-	1,005,952
Bonds, notes, and loans payable	4,518,711	4,653,240	9,171,951
Due in more than one year:			
Claims payable	3,010,598	-	3,010,598
Bonds, notes, and loans payable	51,050,732	50,394,017	101,444,749
Net pension liability	25,334,212	3,254,753	28,588,965
Net OPEB liability	15,809,125	5,781,140	21,590,265
Total long-term liabilities	<u>100,729,330</u>	<u>64,083,150</u>	<u>164,812,480</u>
Total liabilities	<u>114,574,676</u>	<u>68,500,048</u>	<u>183,074,724</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	782,733	544,747	1,327,480
Deferred inflows related to OPEB	5,594,854	2,045,947	7,640,801
Total deferred inflows of resources	<u>6,377,587</u>	<u>2,590,694</u>	<u>8,968,281</u>
<b>NET POSITION</b>			
Net investment in capital assets	63,840,069	96,802,988	160,643,057
Restricted for debt service	-	3,063,906	3,063,906
Unrestricted	(7,500,454)	5,196,145	(2,304,309)
Total net position	<u>\$ 56,339,615</u>	<u>\$ 105,063,039</u>	<u>\$ 161,402,654</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, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 961,507	\$ 4,181,017	\$ -	\$ -
Public safety	37,934,242	2,471,329	2,163,624	-
General public works and beach	8,038,416	4,836,090	2,071	178,883
Sanitation and waste removal	6,578,821	133,479	-	-
Highways and streets	9,938,469	1,424,559	-	-
Economic development - tourism	8,649,731	1,620,374	773,225	-
Recreation and culture	8,477,292	1,461,220	100,000	115,000
Interest on long-term debt	1,548,752	-	48,514	-
<b>Total governmental activities</b>	<b>82,127,230</b>	<b>16,128,068</b>	<b>3,087,434</b>	<b>293,883</b>
Business-type activities:				
Water	6,036,469	6,212,765	-	169,281
Wastewater	11,847,685	14,169,964	105,447	295,570
Transportation	8,104,072	4,368,102	905,782	5,500,350
Convention Center	6,181,811	1,767,935	2,940,696	50,000
Airport	2,631,481	1,128,058	-	1,000,375
Golf Course	2,161,739	2,027,385	-	10,851
<b>Total business-type activities</b>	<b>36,963,257</b>	<b>29,674,209</b>	<b>3,951,925</b>	<b>7,026,427</b>
<b>Total primary government</b>	<b>\$ 119,090,487</b>	<b>\$ 45,802,277</b>	<b>\$ 7,039,359</b>	<b>\$ 7,320,310</b>
General revenues:				
Property taxes				
Property tax penalties and interest				
Sales and income taxes				
State gaming contributions				
Grants and contributions not restricted to specific programs				
Investment earnings				
Other revenue				
Transfers				
Total general revenues, transfers, and other				
Change in net position				
Net position, beginning				
Net position, ending				

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

Net (Expense) Revenues and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ 3,219,510	\$ -	\$ 3,219,510
(33,299,289)	-	(33,299,289)
(3,021,372)	-	(3,021,372)
(6,445,342)	-	(6,445,342)
(8,513,910)	-	(8,513,910)
(6,256,132)	-	(6,256,132)
(6,801,072)	-	(6,801,072)
(1,500,238)	-	(1,500,238)
<u>(62,617,845)</u>	<u>-</u>	<u>(62,617,845)</u>
-	345,577	345,577
-	2,723,296	2,723,296
-	2,670,162	2,670,162
-	(1,423,180)	(1,423,180)
-	(503,048)	(503,048)
-	(123,503)	(123,503)
<u>-</u>	<u>3,689,304</u>	<u>3,689,304</u>
<u>(62,617,845)</u>	<u>3,689,304</u>	<u>(58,928,541)</u>
43,506,180	-	43,506,180
225,906	-	225,906
19,108,527	-	19,108,527
768,971	-	768,971
2,764,559	-	2,764,559
1,420,639	714,857	2,135,496
816,663	-	816,663
(4,203,223)	4,203,223	-
<u>64,408,222</u>	<u>4,918,080</u>	<u>69,326,302</u>
1,790,377	8,607,384	10,397,761
54,549,238	96,455,655	151,004,893
<u>\$ 56,339,615</u>	<u>\$ 105,063,039</u>	<u>\$ 161,402,654</u>

TOWN OF OCEAN CITY, MARYLAND  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2019

	General Fund	Capital Projects Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 10,033,737	\$ 12,405,149	\$ 22,438,886
Investments	17,409,676	-	17,409,676
Accounts receivable (net of allowance for uncollectibles)	2,773,682	8,818	2,782,500
Interest receivable	56,870	20,211	77,081
Intergovernmental receivable	5,356,689	23,146	5,379,835
Other	49	-	49
Total assets	<u>\$ 35,630,703</u>	<u>\$ 12,457,324</u>	<u>\$ 48,088,027</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 1,347,239	\$ 1,372,539	\$ 2,719,778
Accrued expenditures	6,431,678	-	6,431,678
Other	1,449,567	-	1,449,567
Unearned revenues	2,227,935	-	2,227,935
Total liabilities	<u>11,456,419</u>	<u>1,372,539</u>	<u>12,828,958</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property and income taxes	752,202	-	752,202
Total deferred inflows of resources	<u>752,202</u>	<u>-</u>	<u>752,202</u>
<b>FUND BALANCES</b>			
Nonspendable	49	-	49
Committed:			
Capital projects - purchases on order	-	9,030,165	9,030,165
Capital projects	-	2,054,620	2,054,620
Assigned:			
Purchases on order	260,324	-	260,324
Subsequent year's budget: appropriation of fund balance	877,203	-	877,203
IAFF pension contribution	357,982	-	357,982
Advertising and TAB funding	597,289	-	597,289
Unassigned	21,329,235	-	21,329,235
Total fund balances	<u>23,422,082</u>	<u>11,084,785</u>	<u>34,506,867</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 35,630,703</u>	<u>\$ 12,457,324</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.	89,116,688
Other long-term assets are not available to pay for current-period expenditures and, therefore, are offset by deferred revenue in the governmental funds.	752,202
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, (\$598,655).	14,815,131
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.	(82,851,273)
Net position - governmental activities	<u>\$ 56,339,615</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, 2019

	General Fund	Capital Projects Fund	Total Governmental Funds
<b>REVENUES</b>			
Property taxes	\$ 43,642,385	\$ -	\$ 43,642,385
Other taxes	19,877,498	-	19,877,498
Licenses and permits	4,537,397	-	4,537,397
Fines and forfeitures	1,093,897	-	1,093,897
Charges for current services	10,178,300	318,474	10,496,774
Revenue from other agencies	5,966,993	178,883	6,145,876
Other revenue	1,752,059	344,666	2,096,725
Total revenues	<u>87,048,529</u>	<u>842,023</u>	<u>87,890,552</u>
<b>EXPENDITURES</b>			
Current:			
General government	3,849,575	5,090	3,854,665
Public safety	35,326,678	-	35,326,678
General public works and beach	5,514,088	736,956	6,251,044
Sanitation and waste removal	6,012,480	-	6,012,480
Highways and streets	5,754,914	2,063,510	7,818,424
Economic development - tourism	8,371,675	-	8,371,675
Recreation and culture	7,792,788	145,907	7,938,695
Capital outlay	-	8,440,939	8,440,939
Debt service:			
Principal	3,415,993	-	3,415,993
Interest	1,594,239	-	1,594,239
Total expenditures	<u>77,632,430</u>	<u>11,392,402</u>	<u>89,024,832</u>
Excess (deficiency) of revenues over expenditures	<u>9,416,099</u>	<u>(10,550,379)</u>	<u>(1,134,280)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Bonds and notes issued	-	2,202,048	2,202,048
Transfers in	107,115	3,962,541	4,069,656
Transfers out	(8,375,962)	(107,115)	(8,483,077)
Total other financing sources (uses)	<u>(8,268,847)</u>	<u>6,057,474</u>	<u>(2,211,373)</u>
Net change in fund balances	1,147,252	(4,492,905)	(3,345,653)
Fund balances, beginning	<u>22,274,830</u>	<u>15,577,690</u>	<u>37,852,520</u>
Fund balances, ending	<u>\$ 23,422,082</u>	<u>\$ 11,084,785</u>	<u>\$ 34,506,867</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, 2019

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Net change in fund balances - total governmental funds (page 37) \$ (3,345,653)

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

Governmental funds report capital outlays as expenditures. However, in the Statement of  
Activities, the costs of these assets are allocated over their estimated useful lives and reported as  
depreciation expense. This is the amount by which capital outlays exceeded depreciation expense  
in the current period. 4,655,128

Revenues in the Statement of Activities that do not provide current financial resources are not  
reported as revenues in the governmental funds. 89,701

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. 1,213,945

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. (1,761,696)

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. 938,952

Change in net position - governmental activities (page 35) \$ 1,790,377

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, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 43,128,394	\$ 43,577,644	\$ 43,642,385	\$ 64,741
Other taxes	18,703,377	19,249,443	19,877,498	628,055
Licenses and permits	4,460,782	4,532,307	4,537,397	5,090
Fines and forfeitures	705,450	1,004,807	1,093,897	89,090
Charges for current services	10,793,190	10,254,528	10,178,300	(76,228)
Revenue from other agencies	4,980,830	5,939,641	5,966,993	27,352
Other revenue	682,978	1,162,798	1,752,059	589,261
Total revenues	<u>83,455,001</u>	<u>85,721,168</u>	<u>87,048,529</u>	<u>1,327,361</u>
<b>EXPENDITURES</b>				
Current:				
General government	4,102,219	4,138,900	3,849,575	289,325
Public safety	35,943,725	36,475,165	35,326,678	1,148,487
General public works and beach	5,550,645	5,743,870	5,514,088	229,782
Sanitation and waste removal	6,127,597	6,112,160	6,012,480	99,680
Highways and streets	5,762,741	5,986,738	5,754,914	231,824
Economic development - tourism	8,052,547	9,083,165	8,371,675	711,490
Recreation and culture	8,032,410	7,994,116	7,792,788	201,328
Debt service:				
Principal	3,415,984	3,415,984	3,415,993	(9)
Interest	1,594,289	1,594,289	1,594,239	50
Total expenditures	<u>78,582,157</u>	<u>80,544,387</u>	<u>77,632,430</u>	<u>2,911,957</u>
Excess of revenues over expenditures	<u>4,872,844</u>	<u>5,176,781</u>	<u>9,416,099</u>	<u>4,239,318</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	107,115	107,115
Transfers out	(6,483,028)	(8,328,234)	(8,375,962)	(47,728)
Total other financing sources (uses)	<u>(6,483,028)</u>	<u>(8,328,234)</u>	<u>(8,268,847)</u>	<u>59,387</u>
Net change in fund balances	(1,610,184)	(3,151,453)	1,147,252	4,298,705
Fund balances, beginning	<u>22,274,830</u>	<u>22,274,830</u>	<u>22,274,830</u>	<u>-</u>
Fund balances, ending	<u>\$ 20,664,646</u>	<u>\$ 19,123,377</u>	<u>\$ 23,422,082</u>	<u>\$ 4,298,705</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, 2019

	Business-Type Activities		
	Water	Wastewater	Transportation
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 2,094,241	\$ 3,848,404	\$ 339,462
Investments	-	4,500,000	-
Receivables, net	1,185,026	1,176,845	144,951
Interest receivable	-	-	-
Intergovernmental receivable	-	14	2,044,142
Inventories	-	777,533	-
Other	-	-	-
Total current assets	<u>3,279,267</u>	<u>10,302,796</u>	<u>2,528,555</u>
Noncurrent assets:			
Restricted cash and cash equivalents	-	-	-
Restricted investments	-	-	-
Capital assets:			
Land	2,765,695	2,636,905	-
Buildings	18,674,452	49,136,394	2,855,224
Other improvements	4,181,727	1,314,357	81,837
Streets and infrastructure	30,787,454	11,558,942	-
Machinery and equipment	4,983,717	53,449,419	6,947,885
Construction in progress	1,637,692	4,922,504	6,834,960
Less: accumulated depreciation	(41,265,792)	(64,674,891)	(3,351,700)
Total noncurrent assets	<u>21,764,945</u>	<u>58,343,630</u>	<u>13,368,206</u>
Total assets	<u>25,044,212</u>	<u>68,646,426</u>	<u>15,896,761</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	32,085	110,026	-
Deferred outflows related to pensions	509,637	358,826	160,651
Deferred outflows related to OPEB	33,822	141,931	16,105
Total deferred outflows of resources	<u>575,544</u>	<u>610,783</u>	<u>176,756</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	130,866	671,760	992,976
Accrued expenses	48,878	206,226	110,785
Compensated absences	78,423	195,802	63,379
Deferred revenue	-	-	-
Claims and judgments	-	-	-
Other	243,149	17,000	-
Current portion of long-term debt	490,613	2,706,445	-
Total current liabilities	<u>991,929</u>	<u>3,797,233</u>	<u>1,167,140</u>
Noncurrent liabilities:			
Claims and judgments	-	-	-
Bonds, notes, and loans payable	5,163,589	26,661,605	-
Net pension liability	999,833	686,784	322,158
Net OPEB liability	744,237	3,123,151	354,399
Total noncurrent liabilities	<u>6,907,659</u>	<u>30,471,540</u>	<u>676,557</u>
Total liabilities	<u>7,899,588</u>	<u>34,268,773</u>	<u>1,843,697</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	170,257	112,252	47,644
Deferred inflows related to OPEB	263,386	1,105,284	125,421
Total deferred inflows of resources	<u>433,643</u>	<u>1,217,536</u>	<u>173,065</u>
<b>NET POSITION</b>			
Net investment in capital assets	16,142,828	29,085,607	13,368,206
Restricted for debt service	-	-	-
Unrestricted	1,143,697	4,685,293	688,549
Total net position	<u>\$ 17,286,525</u>	<u>\$ 33,770,900</u>	<u>\$ 14,056,755</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
\$ 15,111,290	\$ 934,485	\$ 22,327,882	\$ 3,192,552
-	-	4,500,000	3,070,856
155,832	153,217	2,815,871	21,284
37,552	-	37,552	13,483
372,464	483,347	2,899,967	-
-	139,974	917,507	687,453
-	3,500	3,500	-
<u>15,677,138</u>	<u>1,714,523</u>	<u>33,502,279</u>	<u>6,985,628</u>
734,163	133,562	867,725	-
2,329,743	-	2,329,743	32,057
7,456,616	4,012,386	16,871,602	-
41,209,984	5,300,376	117,176,430	1,447,083
190,728	627,874	6,396,523	31,545
-	11,858,057	54,204,453	-
1,706,932	1,035,797	68,123,750	44,532,240
695,416	556,712	14,647,284	5,822,128
(19,150,521)	(10,970,820)	(139,413,724)	(31,327,765)
<u>35,173,061</u>	<u>12,553,944</u>	<u>141,203,786</u>	<u>20,537,288</u>
<u>50,850,199</u>	<u>14,268,467</u>	<u>174,706,065</u>	<u>27,522,916</u>
-	-	142,111	-
402,665	209,759	1,641,538	627,610
53,148	17,716	262,722	45,096
<u>455,813</u>	<u>227,475</u>	<u>2,046,371</u>	<u>672,706</u>
87,765	412,488	2,295,855	308,552
289,440	28,935	684,264	80,304
162,365	72,569	572,538	148,125
224,034	380,058	604,092	-
-	-	-	1,005,952
-	-	260,149	-
888,803	567,379	4,653,240	855,320
<u>1,652,407</u>	<u>1,461,429</u>	<u>9,070,138</u>	<u>2,398,253</u>
-	-	-	3,010,598
18,247,999	320,824	50,394,017	5,840,835
852,606	393,372	3,254,753	1,171,686
1,169,515	389,838	5,781,140	992,317
<u>20,270,120</u>	<u>1,104,034</u>	<u>59,429,910</u>	<u>11,015,436</u>
<u>21,922,527</u>	<u>2,565,463</u>	<u>68,500,048</u>	<u>13,413,689</u>
140,461	74,133	544,747	214,276
413,892	137,964	2,045,947	351,181
<u>554,353</u>	<u>212,097</u>	<u>2,590,694</u>	<u>565,457</u>
26,540,604	11,665,743	96,802,988	13,841,132
3,063,906	-	3,063,906	-
(775,378)	52,639	5,794,800	375,344
<u>\$ 28,829,132</u>	<u>\$ 11,718,382</u>	<u>105,661,694</u>	<u>\$ 14,216,476</u>
		(598,655)	
		<u>\$ 105,063,039</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, 2019

	Business-Type Activities	
	Water	Wastewater
<b>OPERATING REVENUES:</b>		
Charges for sales and services	\$ 6,212,765	\$ 14,169,964
Miscellaneous	-	-
Total operating revenues	6,212,765	14,169,964
<b>OPERATING EXPENSES:</b>		
Personal services	2,072,858	3,583,000
Contractual services	187,337	510,007
Utilities	432,112	607,986
Repairs and maintenance	664,276	722,259
Other supplies and expenses	591,325	854,120
Internal services	862,391	1,146,935
Insurance claims and expenses	-	-
Depreciation	1,084,938	3,299,136
Total operating expenses	5,895,237	10,723,443
Operating income (loss)	317,528	3,446,521
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Interest and investment revenue	64,520	174,765
Operating grants	-	105,447
Interest expense	(174,607)	(1,044,757)
Gain (loss) on disposal of assets	-	(120,989)
Total nonoperating revenues (expenses)	(110,087)	(885,534)
Income (loss) before capital contributions and transfers	207,441	2,560,987
Capital contributions	169,281	295,570
Transfers in	-	-
Change in net position	376,722	2,856,557
Net position, beginning	16,909,803	30,914,343
Net position, ending	\$ 17,286,525	\$ 33,770,900

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

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

Transportation	Business-Type Activities			Governmental
	Convention Center	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ 4,368,102	\$ 1,767,935	\$ 3,155,443	\$ 29,674,209	\$ 11,976,051
-	-	-	-	969
<u>4,368,102</u>	<u>1,767,935</u>	<u>3,155,443</u>	<u>29,674,209</u>	<u>11,977,020</u>
3,475,547	2,922,519	1,468,871	13,522,795	2,964,335
141,762	174,554	918,109	1,931,769	1,194,994
80,964	551,701	96,247	1,769,010	108,273
1,810,585	327,043	117,475	3,641,638	590,738
65,696	238,102	1,169,274	2,918,517	2,452,184
887,847	350,698	317,898	3,565,769	1,055,707
-	-	-	-	1,196,982
642,638	1,085,107	661,651	6,773,470	2,766,374
<u>7,105,039</u>	<u>5,649,724</u>	<u>4,749,525</u>	<u>34,122,968</u>	<u>12,329,587</u>
(2,736,937)	(3,881,789)	(1,594,082)	(4,448,759)	(352,567)
16,079	442,855	16,638	714,857	140,577
905,782	2,940,696	-	3,951,925	-
-	(533,739)	(43,695)	(1,796,798)	(126,977)
24,806	-	-	(96,183)	120,413
<u>946,667</u>	<u>2,849,812</u>	<u>(27,057)</u>	<u>2,773,801</u>	<u>134,013</u>
(1,790,270)	(1,031,977)	(1,621,139)	(1,674,958)	(218,554)
5,500,350	50,000	1,011,226	7,026,427	-
<u>1,147,981</u>	<u>1,488,365</u>	<u>1,566,877</u>	<u>4,203,223</u>	<u>210,198</u>
4,858,061	506,388	956,964	9,554,692	(8,356)
<u>9,198,694</u>	<u>28,322,744</u>	<u>10,761,418</u>		<u>14,224,832</u>
<u>\$ 14,056,755</u>	<u>\$ 28,829,132</u>	<u>\$ 11,718,382</u>		<u>\$ 14,216,476</u>
			(947,308)	
			<u>\$ 8,607,384</u>	

TOWN OF OCEAN CITY, MARYLAND  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Business-Type Activities	
	Water	Wastewater
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers and users	\$ 6,124,179	\$ 14,074,098
Payments to suppliers	(1,959,757)	(2,873,073)
Payments to employees	(2,047,530)	(3,968,767)
Payments for interfund services used	(862,391)	(1,146,935)
Net cash provided (used) by operating activities	<u>1,254,501</u>	<u>6,085,323</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Advances from (to) other funds	-	-
Subsidies from county, state, and federal grants	-	-
Transfers from other funds	-	-
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Proceeds from capital grants	-	158,907
Capital contributions	169,281	295,570
Acquisition and construction of capital assets	(2,063,265)	(3,426,920)
Proceeds from note issuance	-	-
Principal paid on capital debt	(479,223)	(2,659,254)
Interest paid on capital debt	(208,796)	(1,167,106)
Capital lease payments	-	-
Proceeds from sales of capital assets	-	-
Net cash provided (used) by capital and related financing activities	<u>(2,582,003)</u>	<u>(6,798,803)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sales and maturities of investments	1,000,000	-
Purchases of investments	-	(500,000)
Sales of investments	-	-
Interest and dividends received	64,520	177,779
Net cash provided (used) by investing activities	<u>1,064,520</u>	<u>(322,221)</u>
Net increase (decrease) in cash and cash equivalents	(262,982)	(1,035,701)
Cash and cash equivalents, beginning of the fiscal year	<u>2,357,223</u>	<u>4,884,105</u>
Cash and cash equivalents, end of the fiscal year	<u>\$ 2,094,241</u>	<u>\$ 3,848,404</u>

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

(Continued)

Business-Type Activities				Governmental
Transportation	Convention Center	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ 4,284,258	\$ 1,848,677	\$ 3,144,486	\$ 29,475,698	\$ 11,998,522
(1,137,989)	(1,276,928)	(2,201,784)	(9,449,531)	(5,413,096)
(3,545,874)	(2,924,265)	(1,447,719)	(13,934,155)	(2,904,998)
(887,847)	(350,698)	(317,898)	(3,565,769)	(1,055,707)
<u>(1,287,452)</u>	<u>(2,703,214)</u>	<u>(822,915)</u>	<u>2,526,243</u>	<u>2,624,721</u>
(4,000,000)	-	(1,000,000)	(5,000,000)	-
954,324	2,829,692	-	3,784,016	-
1,147,981	1,488,365	1,566,877	4,203,223	210,198
<u>(1,897,695)</u>	<u>4,318,057</u>	<u>566,877</u>	<u>2,987,239</u>	<u>210,198</u>
8,434,733	50,000	-	8,643,640	-
-	-	1,718,184	2,183,035	-
(5,281,741)	(237,863)	(864,855)	(11,874,644)	(4,466,523)
-	-	-	-	1,393,708
-	(861,751)	(98,803)	(4,099,031)	(77,137)
-	(707,851)	(44,205)	(2,127,958)	(132,445)
-	-	-	-	(717,458)
24,806	-	-	24,806	120,413
<u>3,177,798</u>	<u>(1,757,465)</u>	<u>710,321</u>	<u>(7,250,152)</u>	<u>(3,879,442)</u>
-	29,418	-	1,029,418	-
-	(110,443)	-	(610,443)	(695,596)
-	-	-	-	2,266,847
16,079	412,791	16,638	687,807	89,933
<u>16,079</u>	<u>331,766</u>	<u>16,638</u>	<u>1,106,782</u>	<u>1,661,184</u>
8,730	189,144	470,921	(629,888)	616,661
330,732	15,656,309	597,126	23,825,495	2,575,891
<u>\$ 339,462</u>	<u>\$ 15,845,453</u>	<u>\$ 1,068,047</u>	<u>\$ 23,195,607</u>	<u>\$ 3,192,552</u>

TOWN OF OCEAN CITY, MARYLAND  
STATEMENT OF CASH FLOWS (Continued)  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Business-Type Activities	
	Water	Wastewater
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ 317,528	\$ 3,446,521
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	1,084,938	3,299,136
EFFECT OF CHANGES IN OPERATING ASSETS AND LIABILITIES:		
Accounts receivable	(55,242)	(84,366)
Due from other governmental agencies	-	-
Inventories	-	(58,014)
Deferred outflows related to pensions	(88,021)	(63,674)
Deferred outflows related to OPEB	(24,743)	(122,756)
Compensated absences	(11,432)	(237)
Customer deposits	(33,344)	(11,500)
Accounts payable	(84,707)	(120,687)
Accrued expenses	3,616	9,602
Unearned revenue	-	-
Claims liability	-	-
Net pension liability	83,442	60,362
Net OPEB liability	(245,028)	(1,406,256)
Deferred inflows related to pensions	44,108	31,908
Deferred inflows related to OPEB	263,386	1,105,284
Total adjustments	936,973	2,638,802
Net cash provided (used) by operating activities	\$ 1,254,501	\$ 6,085,323
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>		
Increase in fair value of investments	\$ -	\$ -
Loss on disposal of assets	-	(120,989)

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
\$ (2,736,937)	\$ (3,881,789)	\$ (1,594,082)	\$ (4,448,759)	\$ (352,567)
642,638	1,085,107	661,651	6,773,470	2,766,374
(83,844)	(26,782)	7,671	(242,563)	21,502
-	-	(100)	(100)	-
-	-	28,579	(29,435)	64,502
(19,266)	(80,297)	(43,923)	(295,181)	(106,853)
(10,909)	(38,440)	(12,953)	(209,801)	(33,014)
4,620	12,289	1,874	7,114	14,100
-	-	-	(44,844)	-
961,018	14,472	70,742	840,838	(64,222)
13,653	7,547	3,688	38,106	6,253
-	107,524	(18,528)	88,996	-
-	-	-	-	129,795
18,264	76,119	41,638	279,825	101,294
(211,765)	(433,093)	(129,146)	(2,425,288)	(327,168)
9,655	40,237	22,010	147,918	53,544
125,421	413,892	137,964	2,045,947	351,181
<u>1,449,485</u>	<u>1,178,575</u>	<u>771,167</u>	<u>6,975,002</u>	<u>2,977,288</u>
<u>\$ (1,287,452)</u>	<u>\$ (2,703,214)</u>	<u>\$ (822,915)</u>	<u>\$ 2,526,243</u>	<u>\$ 2,624,721</u>
\$ -	\$ 35,957	\$ -	\$ 35,957	\$ 47,346
-	-	-	(120,989)	-

TOWN OF OCEAN CITY, MARYLAND  
STATEMENT OF FIDUCIARY NET POSITION  
BENEFIT TRUST FUNDS  
JUNE 30, 2019

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**ASSETS**

Cash and cash equivalents	\$ 6,164,044
Accounts receivable	715,964
Interest and dividends receivable	240,311
Investments, at fair value:	
Domestic equities	44,405,565
Domestic fixed income	47,136,328
International equities	38,774,038
Alternative investments	19,674,328
Total assets	<u>157,110,578</u>

**LIABILITIES**

Accounts payable	<u>47,723</u>
Total liabilities	<u>47,723</u>

**NET POSITION**

Net position restricted for pensions/OPEB	<u>\$ 157,062,855</u>
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The notes to the financial statements are an integral part of this statement.

TOWN OF OCEAN CITY, MARYLAND  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
BENEFIT TRUST FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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**Additions**

Contributions:	
Employer	\$ 7,744,554
Plan members	2,204,320
Total contributions	<u>9,948,874</u>
Miscellaneous income	72,822
Investment earnings:	
Net increase in fair value of investments	3,078,109
Interest	911,135
Dividends	2,789,256
Total investment income	<u>6,778,500</u>
Less: investment expense	<u>992,860</u>
Net investment income	<u>5,785,640</u>
Total additions	<u>15,807,336</u>

**Deductions**

Benefits and refunds paid	8,840,721
Administrative expenses	80,222
Total deductions	<u>8,920,943</u>
Change in net position	6,886,393
Net position, beginning	<u>150,176,462</u>
Net position, ending	<u>\$ 157,062,855</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, 2019*

**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, 2019*

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

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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.

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F. Budgetary basis of accounting

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

- 1) On or before January 15 of each year, all Town departments submit requests for appropriations to the City Manager. The budget is prepared by fund, function, and activity, and includes information for the past fiscal year, current fiscal year estimates, and requested appropriations for the next fiscal year.
- 2) On or before May 28, the proposed budget is presented to the City Council for review.
- 3) The City Council holds two public hearings on the proposed budget and may insert new line items into the budget and increase or decrease the amounts in existing line items.
- 4) Prior to July 1, the budget is legally enacted through the passage of an ordinance.
- 5) All annual appropriations lapse at fiscal year-end even if they have been encumbered. Encumbrances are commitments to buy goods and services that have not been executed or performed yet. Encumbrance accounting is used as necessary to assure effective budgetary control and accountability while enabling control of cash. While appropriations and encumbrances lapse at fiscal year-end, encumbrances for goods and services expected to be received in the next fiscal year are re-appropriated and become part of the next fiscal year's budget.
- 6) Transfers of budgeted amounts between line items or departments within a fund may be accomplished with the approval of the City Manager and Finance Director such that the net effect on total expenditures for the fund equals zero. Budget amendments, which establish additional revenue (equal to or in excess of new appropriations) or move appropriations from one fund to another, must be approved by a two-thirds vote of the City Council after holding public hearings.
- 7) The budget information presented in the accompanying financial statements includes all budget ordinances and amendments as approved by the Mayor and City Council for the fiscal year ended June 30, 2019, for the General Fund, the governmental fund type for which an annual budget is adopted. No annual budget and actual comparisons are presented in the financial statements for governmental funds utilizing project ordinances which sometimes span more than one fiscal year.

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

1) Cash equivalents and investments

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

Excess funds are also permitted to be invested either in bonds or other obligations for the payment of principal and interest of which the full faith and credit of the United States of America are pledged, or in obligations of federal government agencies issued pursuant to acts of Congress, or in the Maryland Local Government Investment Pool (MLGIP) created by the State and subject to regulatory oversight by the State Treasurer. The MLGIP operates in a manner consistent with the requirements of the Securities and Exchange Commission Rule 2a7 of the Investment Company Act of 1940, as amended, and reports all investments at amortized cost (carrying value).

The fiduciary funds are also authorized to invest in corporate bonds and notes, preferred stocks, common stocks, real estate investment trusts, and commodities. Investments are reported at fair value. Assets available for benefits used to calculate the unfunded pension benefit obligation in the Pension Trust Funds are reported at their actuarial value that reflects a five-year phase-in of actual versus expected return.

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

2) Inventories and prepaid items

Inventories are recorded in proprietary funds and consist of spare parts, fuel, and merchandise for resale to the public. Inventories held for resale are valued at the lower of average cost or market, adjusted for obsolescence, using the first-in/first-out method. Inventories of materials and supplies are valued at cost using the first-in/first-out method. Internal service funds maintain inventories of auto parts, water meters and connections, gasoline, and diesel fuel, which are maintained for consumption by other Town departments. The cost of such inventories is recorded as an expenditure/expense when consumed, not when purchased.

Prepaid items are payments to vendors that apply to future accounting periods in both the government-wide and fund financial statements. The cost of prepaid items is recorded as an expenditure/expense when consumed, not when purchased.

3) Restricted assets

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

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.

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.

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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 three items that qualify for reporting in this category. The deferred charge on refunding is reported in the government-wide Statement of Net Position and the proprietary funds Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the life of refunded debt. Certain changes in pension and OPEB liabilities arising from the differences between expected and actual experience, changes of assumptions of future economic and demographic factors, changes in benefits, and the difference between projected and actual earnings on plan investments are recognized as deferred outflows of resources. These amounts are amortized and included in pension or OPEB expenses.

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

6) Long-term obligations

In the government-wide financial statements and business-type activities fund financial statements, long-term debt, net pension liabilities, net OPEB liabilities, 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 and OPEB expenses; information about the fiduciary net position of the Town’s two employee pension plans (EPP and PSEPP) and OPEB plan; and additions and deductions from the plans’ fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

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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:

	<u>Real</u>	<u>Personal and Corporate</u>
Assessment roll validated:	December 31	January 1
Tax rate ordinance approved:	June 30	June 30
Beginning of fiscal year for which taxes have been levied:	July 1	July 1
Tax bills rendered:	July 1	On State notification
Property taxes payable:		
Delinquent	October 1	After 30 days
Owner-occupied (semi- annual installments)	October 1 and January 1	
Terms	60 days	60 days
Delinquent interest (per annum)	12%	18%

Information presented is for a "full year" levy. "Half year" levy dates are each six months later, and relate to new construction in the last six months of the calendar year. A lien is attached to property on the billing date, becomes delinquent October 1, and is sold at tax sale by the end of 18 months. The County bills and collects real property taxes for the Town and remits cash collections to the Town weekly in July and August, and monthly from September to June. Receivables are shown net of allowances for uncollectible accounts, which are maintained on all types of receivables that historically experience bad debt. Real property taxes are generally fully collectible.

3) Compensated absences

Vested or accumulated vacation leave is accrued when earned by employees and a liability is recorded in the government-wide financial statements and business-type activities fund financial statements. Full-time, permanent employees earn annual vacation leave at the following rates: 1-5 years of service, 10 days; 6-10 years of service, 15 days; 11-19 years of service, 20 days; 20 years or more of service, 25 days. All vacation leave is classified as a current liability due to the limit on the maximum number of days of accumulated and/or current vacation leave that 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.

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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 \$89,116,688 difference are as follows:

Land	\$ 26,075,318
Construction in progress	9,442,862
Buildings	45,686,618
Less: accumulated depreciation - buildings	(21,653,552)
Machinery and equipment	7,331,734
Less: accumulated depreciation - machinery and equipment	(4,568,408)
Streets and infrastructure	50,263,201
Less: accumulated depreciation - streets and infrastructure	(31,833,042)
Other improvements	23,229,604
Less: accumulated depreciation - other improvements	(14,857,647)
Net adjustment to increase fund balance - total governmental funds	
to arrive at net position - governmental activities	\$ 89,116,688

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 \$14,815,131 difference are as follows:

Net position of the internal service funds	\$ 14,216,476
Less: internal payable representing charges in excess of costs to business-type activities - prior years	(348,653)
Add: internal payable representing charges in excess of costs to business-type activities - current year	947,308
Net adjustment to increase fund balance - total governmental funds	
to arrive at net position - governmental activities	\$ 14,815,131

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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 \$82,851,273 difference are as follows:

Bonds payable	\$ 41,585,877
Less: deferred charge on refunding (to be amortized as interest expense)	(125,301)
Add: issuance premium (to be amortized over life of debt)	1,560,782
Intergovernmental loans	317,960
Capital leases	5,408,669
Accrued interest payable	479,407
Net pension liability	24,162,526
Less: deferred outflows of resources - difference between projected and actual earnings on pension plan investments	(6,744,453)
Less: deferred outflows of resources - difference between expected and actual experience	(691,969)
Less: deferred outflows of resources - changes in pension plan assumptions and benefits	(3,057,819)
Add: deferred inflows of resources - difference between expected and actual experience	234,121
Add: deferred inflows of resources - changes in pension plan assumptions and benefits	334,336
Net OPEB liability	14,816,808
Less: deferred outflows of resources - difference between projected and actual earnings on OPEB plan investments	(670,816)
Less: deferred outflows of resources - difference between expected and actual experience	(2,528)
Add: deferred inflows of resources - difference between expected and actual experience	5,243,673
Net adjustment to decrease fund balance - total governmental funds	\$ 82,851,273
to arrive at net position - governmental activities	\$ 82,851,273

B. Explanation of certain differences between the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the government-wide Statement of Activities

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

Capital outlay	\$ 8,941,663
Depreciation expense	(4,286,535)
Net adjustment to increase net change in fund balances - total governmental funds	\$ 4,655,128
to arrive at change in net position - governmental activities	\$ 4,655,128

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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 \$1,213,945 difference in the treatment of long-term debt and related items are as follows:

Principal repayments:	
General obligation debt	\$ 3,415,993
Debt issued or incurred:	
General obligation bonds	<u>(2,202,048)</u>
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net position - governmental activities	<u>\$ 1,213,945</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 \$1,761,696 difference are as follows:

Accrued interest on debt	\$ (7,766)
Amortization of bond premiums	235,618
Amortization of deferred charge on refunding	(55,388)
Loss on disposal of assets	(8,993)
Change in net pension liability	(1,982,651)
Amortization of effect of difference between projected and actual earnings on pension plan investments	(82,270)
Amortization of changes in pension plan assumptions and benefits	(94,532)
Amortization of pension plan difference between expected and actual experience	1,104,684
Change in net OPEB liability	3,870,693
Amortization of effect of difference between projected and actual earnings on OPEB plan investments	503,102
Amortization of OPEB plan difference between expected and actual experience	<u>(5,244,193)</u>
Net adjustment to decrease net change in fund balances - total governmental funds to arrive at change in net position - governmental activities	<u>\$ (1,761,696)</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 \$938,952 difference are as follows:

Change in net position of the internal service funds	\$ (8,356)
Plus: loss from charges to business-type activities	<u>947,308</u>
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net position - governmental activities	<u>\$ 938,952</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 \$598,655 difference are as follows:

Internal receivable representing charges in excess of costs to business-type activities - prior years	\$ 348,653
Internal receivable representing charges in excess of costs to business-type activities - current year	(947,308)
Net adjustment to decrease net position - total enterprise funds to arrive at net position - business-type activities	\$ (598,655)

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

For the fiscal year ended June 30, 2019, the Council approved two budget amendments to recognize additional revenues of \$2,266,167 and to increase the amount of appropriated prior year fund balance by \$1,541,269 (from \$1,610,184 to \$3,151,453) in order to increase appropriations by \$3,807,436.

**Note 4: Deposits and investments**

A. Cash on hand

At fiscal year-end, cash on hand for petty cash and change funds was \$25,517.

B. Deposits

At fiscal year-end, the carrying amount of the Town's deposits was \$9,781,581 and the bank balance was \$9,810,535. The deposits of the Town were not exposed to custodial credit risk as of June 30, 2019.

C. Investments and fair value measurements

As of June 30, 2019, 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	\$ 1,776,135	\$ 668,448	\$ 1,107,687	\$ -	2.15 %
State investment pool	32,398,576	32,398,576	-	-	2.27
U.S. government money market	8,048,272	8,048,272	-	-	1.13
Money market mutual fund	4,810,096	4,810,096	-	-	0.50
U.S. Treasuries	35,754,269	13,827,059	19,735,043	2,192,167	1.90
U.S. agencies	20,084,683	3,169,816	15,052,474	1,862,393	1.73
Domestic equities	44,405,565	44,405,565	-	-	-
Domestic fixed income	16,790,620	911,570	8,364,238	7,514,812	3.60
International equities	38,774,038	38,774,038	-	-	-
Alternative investments	19,674,328	-	19,674,328	-	-
	\$ 222,516,582	\$ 147,013,440	\$ 63,933,770	\$ 11,569,372	

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Reconciliation of cash and investments as shown on the Statement of Net Position:

Cash on hand	\$ 25,517
Carrying amount of deposits	9,781,581
Carrying amount of investments (above)	<u>222,516,582</u>
Total cash and investments	232,323,680
Less: amounts in fiduciary funds	<u>(156,154,303)</u>
Total cash and investments per Statement of Net Position	<u><u>\$ 76,169,377</u></u>
Cash and cash equivalents	\$ 47,959,320
Restricted cash and cash equivalents	867,725
Investments	24,980,532
Restricted investments	<u>2,361,800</u>
Total cash and investments per Statement of Net Position	<u><u>\$ 76,169,377</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, 2019, met the Town's investment policy as of that date.

Investment income included the following for the fiscal year ended June 30, 2019:

Net interest and dividends	\$ 5,450,172
Net increase in fair value of investments	3,463,824
Total investment gain	<u>8,913,996</u>
Less: investment gain in fiduciary funds	<u>(6,778,500)</u>
Total net investment income per Statement of Activities	<u><u>\$ 2,135,496</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, 2019, \$9,726,098 of fiduciary fund investments were rated "BBB" and \$326,939 were unrated, with 21.3% of total fiduciary fund fixed-income securities below single "A" quality.

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The \$72,629,572 in fixed-income investments as of June 30, 2019, are listed below using the Standard and Poor's rating scale:

Investment Type	Credit Rating	Domestic Amount	International Amount	Total
U.S. Treasuries	AA	\$ 35,754,269	\$ -	\$ 35,754,269
U.S. agencies	AA	20,084,683	-	20,084,683
Corporate and international bonds	AAA	264,995	-	264,995
	AA	644,667	-	644,667
	A	5,827,921	-	5,827,921
	BBB	9,726,098	-	9,726,098
Bond mutual funds	Unrated	326,939	-	326,939
Totals		<u>\$ 72,629,572</u>	<u>\$ -</u>	<u>\$ 72,629,572</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, 2019, all of the Town's investments were insured or registered, and the securities were held by the Town or its agent in the Town's name or were invested in the MLGIP.

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

The Town has the following recurring fair value measurements as of June 30, 2019:

- Amounts invested in certificates of deposit of \$1,776,135 are valued using quoted market prices (Level 1 inputs)
- Amounts invested in money market funds of \$12,858,368 are valued using quoted market prices (Level 1 inputs)
- Amounts invested in fixed income investments of \$72,629,572 and alternative investments of \$19,674,328 are comprised of securities priced by industry standard vendors, using significant observable inputs such as benchmark yields, reported trades, and broker/dealer quotes (Level 2 inputs), which are then allocated to position holders on a per unit basis
- Amounts invested in domestic and international equities of \$83,179,603 are comprised of securities valued using quoted market prices (Level 1 inputs)

*Foreign currency risk.* Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The investment policy for the pension trust and OPEB trust funds permits up to 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 24.2% at fiscal year-end, or \$37,725,368.

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The foreign currency risk as of June 30, 2019, is presented in the following table:

Currency	U.S. dollars
Euro	\$ 8,579,862
British Pound	5,611,475
Chinese Yuan	4,174,550
Swiss Franc	3,773,173
Japanese Yen	3,720,398
Canadian Dollar	1,468,311
South African Rand	1,142,705
Russian Ruble	1,135,366
Brazilian Real	1,096,281
Hong Kong Dollar	912,787
Taiwanese Dollar	798,730
Indian Rupee	768,825
South Korean Won	671,504
Indonesian Rupiah	629,270
Swedish Krona	626,167
Mexican Peso	517,927
Argentine Peso	388,667
Israeli New Shekel	354,688
Singapore Dollar	310,792
Danish Krone	267,890
Egyptian Pound	173,213
Turkish Lira	167,936
Thai Baht	132,068
Philippine Peso	114,192
Norwegian Krone	98,569
Chilean Peso	90,022
Total foreign currencies	<u><u>\$ 37,725,368</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, 2019, was \$8,987,314,412. 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 97.1% of current year property taxes levied in the current year. Total property tax collections were 99.2% of current taxes levied.

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B. Receivables

Receivables as of June 30, 2019, 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	\$ 1,214,111	\$ -	\$ 1,214,111
Emergency medical Accounts	227,051	-	227,051
	1,441,609	2,815,871	4,257,480
Gross receivables	2,882,771	2,815,871	5,698,642
Less: allowance	(78,987)	-	(78,987)
Total	<u>\$ 2,803,784</u>	<u>\$ 2,815,871</u>	<u>\$ 5,619,655</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, 2019:

	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	7,713,403	7,696,687	(145,100)	15,264,990
Total capital assets, not being depreciated	<u>33,788,721</u>	<u>7,696,687</u>	<u>(145,100)</u>	<u>41,340,308</u>
Capital assets, being depreciated:				
Buildings	47,079,779	53,922	-	47,133,701
Machinery and equipment	53,026,448	3,850,195	(5,012,669)	51,863,974
Streets and infrastructure	50,025,572	1,378,360	(1,140,731)	50,263,201
Other improvements	23,140,474	120,675	-	23,261,149
Total capital assets, being depreciated	<u>173,272,273</u>	<u>5,403,152</u>	<u>(6,153,400)</u>	<u>172,522,025</u>
Less accumulated depreciation for:				
Buildings	(21,706,800)	(1,299,943)	-	(23,006,743)
Machinery and equipment	(36,335,228)	(3,153,724)	4,975,806	(34,513,146)
Streets and infrastructure	(31,136,687)	(1,828,092)	1,131,738	(31,833,041)
Other improvements	(14,116,334)	(771,150)	-	(14,887,484)
Total accumulated depreciation	<u>(103,295,049)</u>	<u>(7,052,909)</u>	<u>6,107,544</u>	<u>(104,240,414)</u>
Total capital assets, being depreciated, net	<u>69,977,224</u>	<u>(1,649,757)</u>	<u>(45,856)</u>	<u>68,281,611</u>
Governmental activities capital assets, net	<u>\$103,765,945</u>	<u>\$ 6,046,930</u>	<u>\$ (190,956)</u>	<u>\$109,621,919</u>

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The following is a summary of business-type capital assets activity for the fiscal year ended June 30, 2019:

	Beginning Balance	Transfers and Increases	Transfers and Deletions	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 15,351,891	\$ 1,519,711	\$ -	\$ 16,871,602
Construction in progress	10,565,182	7,778,200	(3,696,098)	14,647,284
Total capital assets, not being depreciated	<u>25,917,073</u>	<u>9,297,911</u>	<u>(3,696,098)</u>	<u>31,518,886</u>
Capital assets, being depreciated:				
Buildings	113,294,912	3,881,518	-	117,176,430
Machinery and equipment	68,807,747	573,812	(1,257,809)	68,123,750
Streets and infrastructure	52,549,214	1,655,239	-	54,204,453
Other improvements	6,396,523	-	-	6,396,523
Total capital assets, being depreciated	<u>241,048,396</u>	<u>6,110,569</u>	<u>(1,257,809)</u>	<u>245,901,156</u>
Less accumulated depreciation for:				
Buildings	(69,506,091)	(2,597,426)	-	(72,103,517)
Machinery and equipment	(33,444,687)	(2,656,451)	1,136,819	(34,964,319)
Streets and infrastructure	(27,554,198)	(1,474,599)	-	(29,028,797)
Other improvements	(3,272,097)	(44,994)	-	(3,317,091)
Total accumulated depreciation	<u>(133,777,073)</u>	<u>(6,773,470)</u>	<u>1,136,819</u>	<u>(139,413,724)</u>
Total capital assets, being depreciated, net	<u>107,271,323</u>	<u>(662,901)</u>	<u>(120,990)</u>	<u>106,487,432</u>
Business-type activities capital assets, net	<u>\$133,188,396</u>	<u>\$ 8,635,010</u>	<u>\$ (3,817,088)</u>	<u>\$138,006,318</u>

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

General government	\$ 178,146
Public safety	550,840
General public works and beach	1,166,824
Sanitation and waste removal	296,594
Highways and streets	1,849,597
Economic development - tourism	5,824
Recreation and culture	238,710
Capital assets held by the Town's internal service funds are charged to the various functions based on their usage of the assets	<u>2,766,374</u>
Total depreciation expense - governmental activities	<u>\$ 7,052,909</u>

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

Water Fund	\$ 1,084,938
Wastewater Fund	3,299,136
Transportation Fund	642,638
Convention Center Fund	1,085,107
Airport Fund	621,977
Golf Course Fund	39,674
Total depreciation expense - business-type activities	<u>\$ 6,773,470</u>

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The Town has ongoing construction projects as of June 30, 2019. The projects include the “campus” plan, a tram facility, the convention center expansion, a radio system upgrade, street improvements, and wastewater main and pumping station improvements. At fiscal year-end, the Town’s obligations with contractors were as follows:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Public works campus plan	\$ 8,238,355	\$ 13,379,467
2nd Street tram facility	2,131,648	1,857,784
Convention center expansion	-	13,585,654
700 MHz radio system	516,328	203,698
Street paving	3,355,224	86,429
Wastewater mains	984,401	245,702
Wastewater pumping stations	165,545	156
Total	<u>\$ 15,391,501</u>	<u>\$ 29,358,890</u>

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

The Transportation Fund and Airport Fund had intergovernmental receivables of \$2,044,142 and \$482,976, respectively, at June 30, 2019.

In governmental funds, a transfer of \$3,962,541 was made from the General Fund to the Capital Projects Fund for capital expenditures.

Net transfers of \$4,203,223 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	\$ 1,147,981
Convention Center Fund	1,488,365
Airport Fund	1,469,149
Golf Course Fund	97,728
Total	<u>\$ 4,203,223</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 \$134,331,000. 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.

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General obligation bonds outstanding at June 30, 2019, are as follows:

Bond Issue	Maturity	Interest Rate	Original Issue	Outstanding Balance
Airport Improvement Bond of 2005	2024	3.20%	\$ 1,025,000	\$ 390,202
Airport Improvement Bond of 2006	2026	2.45%	4,100,000	2,135,000
Municipal Refunding Bonds of 2009	2021	2.00 - 4.00%	12,745,000	2,960,000
Airport Improvement Bond of 2010	2020	5.82%	725,000	498,000
Build America Bonds of 2010	2030	1.00 - 5.75%	18,105,000	8,655,000
Municipal Refunding Bonds of 2012	2032	0.40 - 3.20%	33,560,000	23,740,000
Municipal Purpose Bonds of 2013	2023	0.20 - 2.85%	12,700,000	6,865,000
Municipal Purpose Bond of 2014B	2020	2.00%	600,000	105,016
Municipal Purpose Bonds of 2015	2035	2.89%	16,760,000	14,970,000
Municipal Refunding Bond of 2016A	2027	1.92%	5,266,000	5,266,000
Property Acquisition Bond of 2016B	2027	2.70%	1,350,000	1,111,000
Municipal Purpose Bond of 2017A	2027	2.50%	1,600,000	1,310,987
Municipal Purpose Bonds of 2018	2038	3.00 - 5.00%	25,795,000	25,795,000
Total bonds			<u>\$134,331,000</u>	<u>\$ 93,801,205</u>

Note: Principal balances do not include net unamortized bond premiums of \$1,560,782 and \$2,221,144 in governmental and business-type activities, respectively.

Annual debt service requirements to maturity for general obligation bonds are listed below. Future federal subsidies of \$1,084,466 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
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	3,383,996	950,078	4,294,470	1,246,289
2025 - 2029	12,437,318	3,198,986	13,345,166	4,314,573
2030 - 2034	8,380,524	1,296,243	11,479,476	1,881,017
2035 - 2038	3,865,000	309,000	6,025,000	369,000
	<u>\$ 41,585,877</u>	<u>\$ 10,817,084</u>	<u>\$ 52,215,328</u>	<u>\$ 14,579,744</u>

B. Notes payable

During the fiscal year, the Town issued a 10-year promissory note to the Calvin B. Taylor Banking Company for \$1,393,708, with interest at 3.9%, to finance the purchase of Boardwalk jeeps and trams. Principal and interest payments of \$14,046 are due monthly.

A summary of notes payable, with balances at June 30, 2019, is as follows:

Note	Maturity	Interest Rate	Original Issue	Outstanding Balance
Calvin B. Taylor Banking Company	2028	3.90%	\$ 1,393,708	\$ 1,316,571
Total notes payable			<u>\$ 1,393,708</u>	<u>\$ 1,316,571</u>

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Annual debt service requirements to maturity for notes payable in governmental activities are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>
2020	\$ 119,186	\$ 49,370
2021	124,052	44,505
2022	128,977	39,579
2023	134,098	34,458
2024	139,345	29,211
2025 - 2029	670,913	59,501
	<u>\$ 1,316,571</u>	<u>\$ 256,624</u>

C. Intergovernmental loans

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

A summary of state loans, with balances at June 30, 2019, is as follows:

<u>Loan</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Outstanding Balance</u>
Soil erosion control - South Ocean Drive	2024	0.00%	\$ 548,115	\$ 140,750
Soil erosion control - Robin Drive	2030	0.00%	297,171	177,210
Total intergovernmental loans			<u>\$ 845,286</u>	<u>\$ 317,960</u>

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

Year Ending June 30,	<u>Principal</u>
2020	\$ 44,260
2021	44,260
2022	44,260
2023	44,260
2024	44,260
2025 - 2029	80,550
2030	16,110
	<u>\$ 317,960</u>

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D. Capital leases

During the fiscal year, the Town entered into a lease agreement, as lessee, with Bank of America to finance a Boardwalk access project. Equipment and services with a 10-year useful life are valued at \$2,202,048. The Town also has three existing 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, 2019, as follows:

Year Ending June 30,	Governmental Activities	Business-Type Activities
2020	\$ 1,350,445	\$ 52,388
2021	1,363,990	53,926
2022	1,366,453	53,389
2023	1,381,777	54,957
2024	1,396,129	56,572
2025 - 2029	4,410,090	302,561
2030 - 2031	687,795	131,009
Total payments	11,956,679	704,802
Less: amounts representing interest	(1,168,426)	(94,017)
Present value of capital lease obligations	<u>\$ 10,788,253</u>	<u>\$ 610,785</u>

E. Legal debt margin

The Town's legal debt margin as of June 30, 2019, based on 5.2% of assessable property, was \$369,757,218. As of June 30, 2019, the total outstanding debt applicable to the limit was \$97,583,131, which is 1.09% of assessable property.

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F. Changes in long-term liabilities

During the fiscal year ended June 30, 2019, 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	\$ 44,764,656	\$ -	\$ (3,178,779)	\$ 41,585,877	\$ 3,219,940
Bond premiums	1,796,400	-	(235,618)	1,560,782	-
Notes payable	-	1,393,708	(77,137)	1,316,571	119,186
Intergovernmental loans	362,230	-	(44,270)	317,960	44,260
Total bonds, notes, and loans payable	46,923,286	1,393,708	(3,535,804)	44,781,190	3,383,386
Capital leases	9,496,606	2,202,048	(910,401)	10,788,253	1,135,325
Claims and losses	3,886,755	944,492	(814,697)	4,016,550	1,005,952
Net pension liability	23,250,266	18,810,866	(16,726,920)	25,334,212	-
Net OPEB liability	20,006,986	4,735,653	(8,933,514)	15,809,125	-
Governmental activities long-term liabilities	<u>\$103,563,899</u>	<u>\$ 28,086,767</u>	<u>\$ (30,921,336)</u>	<u>\$100,729,330</u>	<u>\$ 5,524,663</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	\$ 56,277,609	\$ -	\$ (4,062,281)	\$ 52,215,328	\$ 4,614,436
Bond premiums	2,617,354	-	(396,210)	2,221,144	-
Total bonds payable	58,894,963	-	(4,458,491)	54,436,472	4,614,436
Capital leases	647,536	-	(36,751)	610,785	38,804
Net pension liability	2,974,926	2,702,071	(2,422,244)	3,254,753	-
Net OPEB liability	8,206,428	2,735,992	(5,161,280)	5,781,140	-
Business-type activities long-term liabilities	<u>\$ 70,723,853</u>	<u>\$ 5,438,063</u>	<u>\$ (12,078,766)</u>	<u>\$ 64,083,150</u>	<u>\$ 4,653,240</u>

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

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All funds of the Town participate in the program and make payments to the Risk Management Fund based on estimates of the amounts needed to pay prior and current year claims, pay premiums to insurance carriers for excess coverage, and to establish a reserve for catastrophic losses. The fund establishes claims liabilities based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. Liabilities for workers' compensation losses incurred are estimated at the fixed or reasonably determinable payment expected to be incurred over a period of time discounted at its present value using a 3.5% discount rate. The workers' compensation and property and casualty costs are based on separately determined actuarial valuations performed as of July 1, 2018.

Changes in the Risk Management Fund's claims liability over two years since June 30, 2017, were as follows:

Claims liability at June 30, 2017	\$ 3,376,143
Claims incurred	1,276,533
Claims paid	<u>(765,921)</u>
Claims liability at June 30, 2018	3,886,755
Claims incurred	944,492
Claims paid	<u>(814,697)</u>
Claims liability at June 30, 2019	<u><u>\$ 4,016,550</u></u>

As of June 30, 2019, the Risk Management Fund had cash and investments of \$4,559,869 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 \$260,324 in the General Fund and \$9,030,165 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, 2019, the amount of the contribution was \$1,383,901.

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 \$8,470,000 of bonds in 2013 and \$12,715,000 of bonds in 2018 for the expansion of the Convention Center. Food and beverage sales tax receipts of \$1,506,795 were \$11,629 less than debt service for the fiscal year ended June 30, 2019. Cumulative receipts and interest in excess of debt service totaled \$3,063,906 at June 30, 2019, and is shown on the Statement of Net Position – Proprietary Funds as net position "restricted for debt service." The principal balance of the debt was \$17,290,000 as of June 30, 2019.

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D. New accounting pronouncements

The GASB has issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, and Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which the Town has implemented in the current fiscal year. The GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, which the Town deems to be not materially applicable to its financial statements.

The GASB has also issued Statement No. 84, *Fiduciary Activities*; Statement No. 87, *Leases*; Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*; and Statement No. 91, *Conduit Debt Obligations*; 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, 2019, 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, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2018.

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*Actuarial assumptions.* The total OPEB liability in the January 1, 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	5.5% for 2019 and 2020, then decreasing to an ultimate rate of 3.8% in 2075

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, 2019 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, 2019, were as follows:

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

<u>Asset Class</u>	<u>Percentage of Portfolio</u>	<u>Assumed Rate of Return</u>	<u>Inflation</u>	<u>Real Rate of Return</u>
Domestic equities	31.0 %	7.7 %	1.9 %	5.8 %
Developed market international equities	20.0	7.1	1.3	5.8
Emerging markets equities	6.0	8.8	1.9	6.9
U.S. investment-grade fixed income	34.0	3.7	1.9	1.8
TIPS	3.0	4.7	1.9	2.8
Alternative investments	6.0	5.5	1.9	3.6
Total	100.0 %	6.1 %	1.8 %	4.3 %

*Rate of return.* For the fiscal year ended June 30, 2019, the annual money-weighted rate of return on investments, net of investment expense, was 3.92%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*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

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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, 2019, were as follows:

	Total OPEB Liability	Plan's Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2018	\$ 61,307,427	\$ 33,094,013	\$ 28,213,414
Increases (decreases) in balances during the fiscal year:			
Service cost	1,634,728	-	1,634,728
Interest	4,219,168	-	4,219,168
Differences between expected and actual experience	(8,595,901)	-	(8,595,901)
Contributions - employer	-	2,249,822	(2,249,822)
Contributions - member	-	287,326	(287,326)
Net investment income	-	1,343,996	(1,343,996)
Benefit payments, including refunds of member contributions	(1,617,749)	(1,617,749)	-
Administrative expense	-	-	-
Net change in balance	(4,359,754)	2,263,395	(6,623,149)
Balance at June 30, 2019	<u>\$ 56,947,673</u>	<u>\$ 35,357,408</u>	<u>\$ 21,590,265</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	\$ 30,397,911	\$ 21,590,265	\$ 14,428,192

*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 3.9%, 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 (2.9%) or 1-percentage point higher (4.9%) than the current health care cost trend rate:

	1% decrease (2.9%)	Current trend rate (3.9%)	1% increase (4.9%)
Net other post-employment benefit liability	\$ 13,156,580	\$ 21,590,265	\$ 32,187,236

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

For the year ended June 30, 2019, the Town recognized OPEB expense of \$2,522,078. At June 30, 2019, 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	\$ 3,684	\$ 7,640,801
Net difference between projected and actual earnings on OPEB plan investments	977,478	-
Total	\$ 981,162	\$ 7,640,801

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,		
2020	\$	(695,732)
2021		(695,732)
2022		(695,732)
2023		(753,622)
2024		(954,574)
Thereafter		(2,864,247)
Total	\$	(6,659,639)

D. Payable to the OPEB plan

At June 30, 2019, the Town reported a payable of \$19,622 for the outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2019.

**Note 11: Employee retirement plans**

A. Defined contribution plan

Effective July 1, 2011, the Town established an Internal Revenue Code (IRC) Section 401(a) plan for employees hired after April 1, 2011, except sworn police officers. The contribution and funding requirements of the plan are established by the Town and may be amended by the Town. The plan is administered by Nationwide. The assets are held in the name of each participant by Nationwide. All administrative fees are borne by the participants.

Defined contribution plan participants are required to contribute 5% of their salaries to the 401(a) plan, which is matched by the Town. Participants may also contribute up to an additional 2% of their salaries to the plan. These contributions are also matched by the Town, for a potential Town contribution of 7% of each participant's base annual salary. For the fiscal year ended June 30, 2019, there were 178 employees actively participating in the plan. Employee contributions totaled \$444,735 and the Town recognized pension expense of \$444,735. The market value of the 401(a) plan assets totaled \$3,693,853 at June 30, 2019.

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

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B. Single-employer defined benefit pension plans

The Town contributes to two single-employer defined benefit pension plans: the Employees of Ocean City, Maryland Pension Plan and Trust (EPP) and the Ocean City, Maryland Public Safety Employees Pension Plan and Trust (PSEPP). Descriptions of the two plans and their net pension liabilities are provided separately beginning on page 79. Separate reports for the pension plans are not available. Disclosures for accounting policies, administration, investments, and actuarial assumptions for the Town’s two single-employer plans are as follows:

*Summary of significant accounting policies.* The accounts of the two single-employer plans, including benefits and refunds, are maintained using the accrual basis of accounting. Contributions are recognized in the period in which they are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans. Investments are reported at fair value based on published securities data. The actuarial method for valuing plan assets is five-year smoothed market value.

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

*Investments.* The Board of Trustees establishes and can amend the investment policy for the plans’ assets by a majority vote of its members. The policy defines various major asset classes, asset allocations, and acceptable ranges that are to be employed. The policy requires asset classes with low correlations to each other to provide sufficient diversification to minimize overall portfolio volatility. The Board of Trustees’ adopted asset policy as of June 30, 2019, 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, 2019, the annual money-weighted rate of return on investments, net of investment expense, was 3.60% for the EPP and 3.68% 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, 2019, and was rolled forward using appropriate techniques to June 30, 2019, utilizing the “entry age normal” actuarial funding method. The assumptions and methods used in the valuation were selected based on the actuarial experience study prepared as of April 1, 2016. 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.

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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, 2019, were as follows:

Asset Class	Percentage of Portfolio	Assumed Rate of Return	Inflation	Real Rate of Return
Domestic equities	31.0 %	7.7 %	1.9 %	5.8 %
Developed market international equities	20.0	7.1	1.3	5.8
Emerging markets equities	6.0	8.8	1.9	6.9
Domestic fixed income	33.0	3.7	1.9	1.8
TIPS	3.0	4.7	1.9	2.8
Hedge funds	5.0	5.5	1.9	3.6
Private equity	1.0	12.8	1.9	10.9
Cash and equivalents	1.0	2.9	1.9	1.0
Total	100.0 %	6.1 %	1.8 %	4.3 %

*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
<b>ASSETS</b>			
Cash and receivables	\$ 2,592,780	\$ 3,426,681	\$ 6,019,461
Investments	56,680,323	59,033,764	115,714,087
Total assets	<u>59,273,103</u>	<u>62,460,445</u>	<u>121,733,548</u>
<b>LIABILITIES</b>			
Total liabilities	<u>11,349</u>	<u>16,752</u>	<u>28,101</u>
<b>NET POSITION</b>			
Restricted for pensions	<u>\$ 59,261,754</u>	<u>\$ 62,443,693</u>	<u>\$121,705,447</u>

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**Condensed Statement of Changes in Fiduciary Net Position**

	General Employees Pension Fund	Public Safety Employees Pension Fund	Total
Additions:			
Contributions	\$ 2,852,644	\$ 4,631,904	\$ 7,484,548
Investment gains	2,149,361	2,292,283	4,441,644
Total additions	<u>5,002,005</u>	<u>6,924,187</u>	<u>11,926,192</u>
Deductions:			
Benefits and refunds paid	3,366,964	3,856,008	7,222,972
Administrative expenses	30,344	49,878	80,222
Total deductions	<u>3,397,308</u>	<u>3,905,886</u>	<u>7,303,194</u>
Change in net position	1,604,697	3,018,301	4,622,998
Net position, beginning of the fiscal year	<u>57,657,057</u>	<u>59,425,392</u>	<u>117,082,449</u>
Net position, end of the fiscal year	<u>\$ 59,261,754</u>	<u>\$ 62,443,693</u>	<u>\$121,705,447</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, 2019, the valuation date:

Retirees and beneficiaries receiving benefits	202
Terminated, vested employees entitled to but not yet receiving benefits	46
Inactive nonvested members	11
Active members	<u>217</u>
Total	<u><u>476</u></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 2019 fiscal year was determined using the entry age normal actuarial cost method. The contribution to the EPP for fiscal year 2019 was \$2,152,737,

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computed through an actuarial valuation performed as of April 1, 2018, which represented 15.45% of covered payroll. Members contributed \$699,907, 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, 2019, were as follows:

	Plan's Total Pension Liability	Plan's Fiduciary Net Position	Plan's Net Pension Liability
Balance at June 30, 2018	\$ 68,391,425	\$ 57,657,057	\$ 10,734,368
Increases (decreases) in balances during the fiscal year:			
Service cost	963,748	-	963,748
Interest	4,671,549	-	4,671,549
Differences between expected and actual experience	303,180	-	303,180
Contributions - employer	-	2,152,737	(2,152,737)
Contributions - member	-	699,907	(699,907)
Net investment income	-	2,149,361	(2,149,361)
Benefit payments, including refunds of member contributions	(3,366,964)	(3,366,964)	-
Administrative expense	-	(30,344)	30,344
Net change in balance	<u>2,571,513</u>	<u>1,604,697</u>	<u>966,816</u>
Balance at June 30, 2019	<u>\$ 70,962,938</u>	<u>\$ 59,261,754</u>	<u>\$ 11,701,184</u>

EPP net position as a percentage of the total pension liability: 83.51%

- 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>\$ 18,682,549</u>	<u>\$ 11,701,184</u>	<u>\$ 5,665,249</u>

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- g) *Pension expense, deferred outflows of resources, and deferred inflows of resources related to pensions.* For the fiscal year ended June 30, 2019, the Town recognized pension expense of \$2,610,751 for the EPP. As of June 30, 2019, 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	\$ 539,560	\$ 580,113
Changes in assumptions	421,846	551,892
Changes in benefit terms	206,627	-
Net difference between projected and actual earnings on pension plan investments	3,898,460	-
Total	\$ 5,066,493	\$ 1,132,005

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,		
2020	\$	1,706,688
2021		542,250
2022		1,120,476
2023		565,074
Total	\$	3,934,488

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 plan was closed to new entrants on April 1, 2011; however, it was reopened to sworn police officers effective July 1, 2013, and those sworn police officers hired on or after April 1, 2011, were allowed to enter the plan. Effective July 1, 2019, the plan was reopened to allow certified EMS personnel, fire marshal, and paid firefighters hired on or after July 1, 2013, to enter the plan. The following table summarizes the membership of the PSEPP as of April 1, 2019, the valuation date:

Retirees and beneficiaries receiving benefits	90
Terminated, vested employees entitled to but not yet receiving benefits	3
Inactive nonvested members	8
Active members	142
Total	243

- 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,

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reduced 1/300th for each month of service less than 300. The final benefit is based on the average compensation of the three highest consecutive years in the last ten years prior to retirement. Additionally, for each 176 hours of unused sick leave, retiring employees receive one month of additional service credit for determining the benefit amount, not for determining retirement eligibility, with a credit assumption equal to 3% of other service.

- c) *Deferred Retirement Option Program (DROP).* Participants who are sworn police officers can elect to enter DROP when they reach or are reasonably close to reaching 25 years of service, and they must continue making employee contributions and retire within three years of making the DROP election. At retirement, the DROP benefit is the 25-year benefit plus the lump sum (or annuity equivalent) of the monthly benefits not received during the three-year DROP period. Effective July 1, 2018, the DROP was enhanced to allow sworn police officers to enter the DROP when they reach 25, 26, or 27 years of service. Participants who enter the DROP when they reach 26 years of service must retire within the next two years. Participants who enter the DROP when they reach 27 years of service must retire within the next year.
  
- d) *Funding policy and contributions.* In 2014, the City Council adopted a funding policy for the PSEPP that provides for annual Town contributions based on an annual actuarial valuation. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance the unfunded liability over a closed ten-year period. All administrative costs are paid by the PSEPP. The contribution for the 2019 fiscal year was determined using the entry age normal actuarial cost method. The contribution to the PSEPP for fiscal year 2019 was \$3,414,817, computed through an actuarial valuation performed as of April 1, 2018, which represented 31.90% of covered payroll. Members contributed \$859,105, a rate of 8% of annual base pay.

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

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- e) *Net pension liability of the Town for the PSEPP.* The changes in the net pension liability for the fiscal year ended June 30, 2019, were as follows:

	Plan's Total Pension Liability	Plan's Fiduciary Net Position	Plan's Net Pension Liability
Balance at June 30, 2018	\$ 74,916,216	\$ 59,425,392	\$ 15,490,824
Increases (decreases) in balances during the fiscal year:			
Service cost	1,561,166	-	1,561,166
Interest	5,111,457	-	5,111,457
Differences between expected and actual experience	771,634	-	771,634
Changes in benefit terms	827,009	-	827,009
Contributions - employer	-	3,414,817	(3,414,817)
Contributions - member	-	859,105	(859,105)
Net investment income	-	2,292,283	(2,292,283)
Benefit payments, including refunds of member contributions	(3,856,008)	(3,856,008)	-
Administrative expense	-	(49,878)	49,878
Other	-	357,982	(357,982)
Net change in balance	<u>4,415,258</u>	<u>3,018,301</u>	<u>1,396,957</u>
Balance at June 30, 2019	<u>\$ 79,331,474</u>	<u>\$ 62,443,693</u>	<u>\$ 16,887,781</u>

PSEPP net position as a percentage of the total pension liability: 78.71%

- 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>\$ 25,949,730</u>	<u>\$ 16,887,781</u>	<u>\$ 9,268,351</u>

*Town of Ocean City, Maryland*  
*Notes to the Financial Statements*  
*June 30, 2019*

- g) *Pension expense, deferred outflows of resources, and deferred inflows of resources related to pensions.* For the fiscal year ended June 30, 2019, the Town recognized pension expense of \$4,192,122 for the PSEPP. As of June 30, 2019, 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	\$ 677,531	\$ 195,475
Changes in assumptions	864,873	-
Changes in benefit terms	1,812,217	-
Net difference between projected and actual earnings on pension plan investments	4,342,275	-
Total	\$ 7,696,896	\$ 195,475

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,		
2020	\$	3,134,113
2021		1,855,560
2022		1,628,184
2023		883,564
Total	\$	7,501,421

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.

## **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, 2019, 2018, 2017, 2016, 2015, and 2014

	2019	2018	2017
<b>Total pension liability:</b>			
Service cost	\$ 963,748	\$ 971,590	\$ 1,033,828
Interest	4,671,549	4,410,697	4,705,358
Differences between expected and actual experience	303,180	495,027	(1,208,856)
Changes in assumptions	-	703,076	(1,379,730)
Changes in benefit terms	-	344,379	-
Benefit payments, including refunds of member contributions, deaths, and terminations	(3,366,964)	(3,035,268)	(2,724,322)
<b>Net change in total pension liability</b>	<b>2,571,513</b>	<b>3,889,501</b>	<b>426,278</b>
<b>Total pension liability, beginning</b>	<b>68,391,425</b>	<b>64,501,924</b>	<b>64,075,646</b>
<b>Total pension liability, ending (a)</b>	<b>\$ 70,962,938</b>	<b>\$ 68,391,425</b>	<b>\$ 64,501,924</b>
<b>Plan fiduciary net position:</b>			
Contributions - employer	\$ 2,152,737	\$ 1,926,923	\$ 2,012,896
Contributions - member	699,907	716,123	748,721
Net investment income (loss)	2,149,361	3,176,166	5,007,901
Benefit payments, including refunds of member contributions	(3,366,964)	(3,035,268)	(2,724,322)
Administrative expense	(30,344)	(42,547)	(49,226)
<b>Net change in plan fiduciary net position</b>	<b>1,604,697</b>	<b>2,741,397</b>	<b>4,995,970</b>
<b>Plan fiduciary net position, beginning</b>	<b>57,657,057</b>	<b>54,915,660</b>	<b>49,919,690</b>
<b>Plan fiduciary net position, ending (b)</b>	<b>\$ 59,261,754</b>	<b>\$ 57,657,057</b>	<b>\$ 54,915,660</b>
<b>Town's net pension liability, ending [(a) - (b)]</b>	<b>\$ 11,701,184</b>	<b>\$ 10,734,368</b>	<b>\$ 9,586,264</b>
Plan fiduciary net position as a percentage of total pension liability	83.51%	84.30%	85.14%
Covered payroll	\$ 13,930,362	\$ 14,040,732	\$ 14,324,756
Net pension liability as a percentage of covered payroll	84.00%	76.45%	66.92%
Annual money-weighted rate of return, net of investment expense	3.60%	6.63%	9.74%

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

2016	2015	2014
\$ 1,044,701	\$ 1,106,267	\$ 1,106,190
4,528,555	4,352,810	4,137,554
(482,721)	(492,667)	-
-	-	-
-	-	-
(2,741,672)	(2,508,830)	(2,283,852)
2,348,863	2,457,580	2,959,892
61,726,783	59,269,203	56,309,311
<u>\$ 64,075,646</u>	<u>\$ 61,726,783</u>	<u>\$ 59,269,203</u>
\$ 1,927,595	\$ 2,036,678	\$ 2,351,375
743,259	755,591	781,220
(1,776,489)	810,888	6,750,912
(2,741,672)	(2,508,830)	(2,283,852)
(54,980)	(42,686)	(75,228)
(1,902,287)	1,051,641	7,524,427
51,821,977	50,770,336	43,245,909
<u>\$ 49,919,690</u>	<u>\$ 51,821,977</u>	<u>\$ 50,770,336</u>
<u>\$ 14,155,956</u>	<u>\$ 9,904,806</u>	<u>\$ 8,498,867</u>
77.91%	83.95%	85.66%
\$ 14,515,114	\$ 15,091,207	\$ 15,073,776
97.53%	65.63%	56.38%
-3.72%	2.16%	15.77%

Town of Ocean City, Maryland  
Schedule of Changes in Net Pension Liability and Related Ratios - Public Safety Employees Pension Plan  
For the Fiscal Years Ended June 30, 2019, 2018, 2017, 2016, 2015, and 2014

	2019	2018	2017
<b>Total pension liability:</b>			
Service cost	\$ 1,561,166	\$ 1,411,198	\$ 1,476,450
Interest	5,111,457	4,789,229	4,824,250
Differences between expected and actual experience	771,634	78,425	(488,687)
Changes in assumptions	-	788,493	979,444
Changes in benefit terms	827,009	1,324,949	889,100
Benefit payments, including refunds of member contributions, deaths, and terminations	(3,856,008)	(3,724,261)	(3,449,052)
<b>Net change in total pension liability</b>	<b>4,415,258</b>	<b>4,668,033</b>	<b>4,231,505</b>
<b>Total pension liability, beginning</b>	<b>74,916,216</b>	<b>70,248,183</b>	<b>66,016,678</b>
<b>Total pension liability, ending (a)</b>	<b>\$ 79,331,474</b>	<b>\$ 74,916,216</b>	<b>\$ 70,248,183</b>
<b>Plan fiduciary net position:</b>			
Contributions - employer	\$ 3,414,817	\$ 2,973,495	\$ 2,493,724
Contributions - member	859,105	859,410	879,276
Net investment income (loss)	2,292,283	3,258,000	5,067,220
Benefit payments, including refunds of member contributions	(3,856,008)	(3,724,261)	(3,449,051)
Administrative expense	(49,878)	(42,821)	(61,065)
Other	357,982	-	-
<b>Net change in plan fiduciary net position</b>	<b>3,018,301</b>	<b>3,323,823</b>	<b>4,930,104</b>
<b>Plan fiduciary net position, beginning</b>	<b>59,425,392</b>	<b>56,101,569</b>	<b>51,171,465</b>
<b>Plan fiduciary net position, ending (b)</b>	<b>\$ 62,443,693</b>	<b>\$ 59,425,392</b>	<b>\$ 56,101,569</b>
<b>Town's net pension liability, ending [(a) - (b)]</b>	<b>\$ 16,887,781</b>	<b>\$ 15,490,824</b>	<b>\$ 14,146,614</b>
Plan fiduciary net position as a percentage of total pension liability	78.71%	79.32%	79.86%
Covered payroll	\$ 10,703,993	\$ 10,702,208	\$ 10,591,890
Net pension liability as a percentage of covered payroll	157.77%	144.74%	133.56%
Annual money-weighted rate of return, net of investment expense	3.68%	6.58%	9.53%

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

2016	2015	2014
\$ 1,517,325	\$ 1,541,283	\$ 1,559,854
4,599,559	4,392,574	4,165,353
65,842	(334,481)	-
-	-	-
-	-	-
(2,933,975)	(2,748,521)	(2,692,361)
3,248,751	2,850,855	3,032,846
62,767,927	59,917,072	56,884,226
<u>\$ 66,016,678</u>	<u>\$ 62,767,927</u>	<u>\$ 59,917,072</u>
\$ 2,390,758	\$ 2,588,214	\$ 3,331,311
875,258	854,139	1,007,839
(1,727,374)	737,843	6,828,365
(2,933,975)	(2,748,521)	(3,049,533)
(50,915)	(37,506)	(77,691)
-	-	-
(1,446,248)	1,394,169	8,040,291
52,617,713	51,223,544	43,183,253
<u>\$ 51,171,465</u>	<u>\$ 52,617,713</u>	<u>\$ 51,223,544</u>
<u>\$ 14,845,213</u>	<u>\$ 10,150,214</u>	<u>\$ 8,693,528</u>
77.51%	83.83%	85.49%
\$ 10,835,080	\$ 10,671,545	\$ 10,540,564
137.01%	95.11%	82.48%
-3.63%	2.29%	14.96%

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 2,152,737	\$ 1,926,923	\$ 2,012,896
Contributions in relation to the actuarially determined contribution	<u>2,152,737</u>	<u>1,926,923</u>	<u>2,012,896</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 13,930,362	\$ 14,040,732	\$ 14,324,756
Contributions as a percentage of covered payroll	15.45%	13.72%	14.05%

NOTES TO SCHEDULE:

Valuation date:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Remaining amortization period	7.6 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 of interest on DROP balances for those in DROP

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 1,927,595	\$ 2,036,678	\$ 2,351,375	\$ 2,468,399	\$ 2,473,662	\$ 2,135,538	\$ 2,472,916
<u>1,927,595</u>	<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>\$ -</u>						
\$ 14,515,114	\$ 15,091,207	\$ 15,073,776	\$ 15,370,687	\$ 16,162,237	\$ 17,316,053	\$ 19,517,323
13.28%	13.50%	15.60%	16.06%	15.31%	12.33%	12.67%

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 3,414,817	\$ 2,973,495	\$ 2,493,724
Contributions in relation to the actuarially determined contribution	<u>3,414,817</u>	<u>2,973,495</u>	<u>2,493,724</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 10,703,993	\$ 10,702,208	\$ 10,591,890
Contributions as a percentage of covered payroll	31.90%	27.78%	23.54%

NOTES TO SCHEDULE:

Valuation date:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Remaining amortization period	7.5 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	85% of police employees and 50% of non-police employees eligible for unreduced benefits are assumed to retire in the year when eligible (25 years of service), and 100% by age 65
Mortality	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 of interest on DROP balances for those in DROP

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 2,390,758	\$ 2,588,214	\$ 3,331,311	\$ 3,228,530	\$ 3,380,743	\$ 2,917,210	\$ 2,771,852
<u>2,390,758</u>	<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>\$ -</u>						
\$ 10,835,080	\$ 10,671,545	\$ 10,540,564	\$ 9,690,975	\$ 10,248,502	\$ 11,260,790	\$ 12,119,371
22.06%	24.25%	31.60%	33.31%	32.99%	25.91%	22.87%

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, 2019, 2018, 2017, and 2016

	2019	2018	2017
<b>Total OPEB liability:</b>			
Service cost	\$ 1,634,728	\$ 1,593,050	\$ 1,251,000
Interest	4,219,168	3,967,702	3,775,299
Differences between expected and actual experience	(8,595,901)	4,736	(191,945)
Benefit payments	(1,617,749)	(1,584,061)	(1,441,197)
<b>Net change in total OPEB liability</b>	<b>(4,359,754)</b>	<b>3,981,427</b>	<b>3,393,157</b>
<b>Total OPEB liability, beginning</b>	<b>61,307,427</b>	<b>57,326,000</b>	<b>53,932,843</b>
<b>Total OPEB liability, ending (a)</b>	<b>\$ 56,947,673</b>	<b>\$ 61,307,427</b>	<b>\$ 57,326,000</b>
<b>Plan fiduciary net position:</b>			
Contributions - employer	\$ 2,249,822	\$ 3,096,038	\$ 2,965,000
Contributions - member	287,326	294,975	264,541
Net investment income (loss)	1,343,996	1,835,413	2,513,536
Benefit payments	(1,617,749)	(1,584,061)	(1,441,197)
Administrative expense and other additions	-	-	51,271
<b>Net change in plan fiduciary net position</b>	<b>2,263,395</b>	<b>3,642,365</b>	<b>4,353,151</b>
<b>Plan fiduciary net position, beginning</b>	<b>33,094,013</b>	<b>29,451,648</b>	<b>25,098,497</b>
<b>Plan fiduciary net position, ending (b)</b>	<b>\$ 35,357,408</b>	<b>\$ 33,094,013</b>	<b>\$ 29,451,648</b>
<b>Town's net OPEB liability, ending [(a) - (b)]</b>	<b>\$ 21,590,265</b>	<b>\$ 28,213,414</b>	<b>\$ 27,874,352</b>
Plan fiduciary net position as a percentage of total OPEB liability	62.09%	53.98%	51.38%
Covered employee payroll	\$ 24,634,355	\$ 24,742,940	\$ 24,915,966
Net OPEB liability as a percentage of covered employee payroll	87.64%	114.03%	111.87%
Annual money-weighted rate of return, net of investment expense	3.92%	6.56%	9.20%

NOTES TO SCHEDULE:

This information is not available for previous years

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2016

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\$ 1,251,000  
3,566,000  
(1,127,000)  
(1,404,157)  
2,285,843  
51,647,000  
\$ 53,932,843

\$ 3,207,000  
312,537  
(341,661)  
(1,404,157)  
-  
1,773,719  
23,324,778  
\$ 25,098,497

\$ 28,834,346

46.54%

\$ 25,350,194

113.74%

-1.70%

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 2,177,000	\$ 3,034,000	\$ 2,965,000
Contributions in relation to the actuarially determined contribution	<u>2,249,822</u>	<u>3,096,038</u>	<u>2,965,000</u>
Contribution deficiency (excess)	<u>\$ (72,822)</u>	<u>\$ (62,038)</u>	<u>\$ -</u>
Covered employee payroll	\$ 24,634,355	\$ 24,742,940	\$ 24,915,966
Contributions as a percentage of covered employee payroll	9.13%	12.51%	11.90%

NOTES TO SCHEDULE:

Valuation date: January 1, 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	20 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	5-10%, including inflation
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	5.5% in 2019 and 2020, decreasing to an ultimate rate of 3.8% in 2075

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 3,207,000	\$ 3,083,000	\$ 3,617,000	\$ 3,475,000	\$ 3,675,000	\$ 3,516,000	\$ 3,104,000
<u>3,207,000</u>	<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>\$ -</u>						
\$ 26,642,752	\$ 26,484,340	\$ 25,951,662	\$ 27,310,739	\$ 29,451,843	\$ 32,511,694	\$ 33,535,410
12.04%	11.64%	13.94%	12.72%	12.48%	10.81%	9.26%



## **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, 2019

	Airport	Golf Course	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 717,441	\$ 217,044	\$ 934,485
Receivables, net	9,029	144,188	153,217
Intergovernmental receivable	482,976	371	483,347
Inventories	60,070	79,904	139,974
Other	-	3,500	3,500
Total current assets	<u>1,269,516</u>	<u>445,007</u>	<u>1,714,523</u>
Noncurrent assets:			
Restricted cash and cash equivalents	133,562	-	133,562
Capital assets:			
Land	1,482,246	2,530,140	4,012,386
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
Construction in progress	556,712	-	556,712
Less: accumulated depreciation	<u>(9,178,581)</u>	<u>(1,792,239)</u>	<u>(10,970,820)</u>
Total capital assets	<u>9,675,336</u>	<u>2,745,046</u>	<u>12,420,382</u>
Total noncurrent assets	<u>9,808,898</u>	<u>2,745,046</u>	<u>12,553,944</u>
Total assets	<u>11,078,414</u>	<u>3,190,053</u>	<u>14,268,467</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	29,021	180,738	209,759
Deferred outflows related to OPEB	4,832	12,884	17,716
Total deferred outflows of resources	<u>33,853</u>	<u>193,622</u>	<u>227,475</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	379,628	32,860	412,488
Accrued expenses	9,244	19,691	28,935
Compensated absences	16,907	55,662	72,569
Deferred revenue	133,562	246,496	380,058
Current portion of long-term debt	567,379	-	567,379
Total current liabilities	<u>1,106,720</u>	<u>354,709</u>	<u>1,461,429</u>
Noncurrent liabilities:			
Bonds, notes, and loans payable	320,824	-	320,824
Net pension liability	55,314	338,058	393,372
Net OPEB liability	106,319	283,519	389,838
Total noncurrent liabilities	<u>482,457</u>	<u>621,577</u>	<u>1,104,034</u>
Total liabilities	<u>1,589,177</u>	<u>976,286</u>	<u>2,565,463</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	9,877	64,256	74,133
Deferred inflows related to OPEB	37,627	100,337	137,964
Total deferred inflows of resources	<u>47,504</u>	<u>164,593</u>	<u>212,097</u>
<b>NET POSITION</b>			
Net investment in capital assets	8,920,696	2,745,047	11,665,743
Unrestricted	554,890	(502,251)	52,639
Total net position	<u>\$ 9,475,586</u>	<u>\$ 2,242,796</u>	<u>\$ 11,718,382</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, 2019

	Airport	Golf Course	Total
<b>OPERATING REVENUES:</b>			
Charges for sales and services	\$ 1,128,058	\$ 2,027,385	\$ 3,155,443
Total operating revenues	<u>1,128,058</u>	<u>2,027,385</u>	<u>3,155,443</u>
<b>OPERATING EXPENSES:</b>			
Personal services	349,036	1,119,835	1,468,871
Contractual services	665,778	252,331	918,109
Utilities	44,935	51,312	96,247
Repairs and maintenance	63,661	53,814	117,475
Other supplies and expenses	748,327	420,947	1,169,274
Internal services	94,072	223,826	317,898
Depreciation	621,977	39,674	661,651
Total operating expenses	<u>2,587,786</u>	<u>2,161,739</u>	<u>4,749,525</u>
Operating loss	(1,459,728)	(134,354)	(1,594,082)
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Interest and investment revenue	13,438	3,200	16,638
Interest expense	(43,695)	-	(43,695)
Total nonoperating revenues (expenses)	<u>(30,257)</u>	<u>3,200</u>	<u>(27,057)</u>
Loss before capital contributions and transfers	(1,489,985)	(131,154)	(1,621,139)
Capital contributions	1,000,375	10,851	1,011,226
Transfers in	1,469,149	97,728	1,566,877
Change in net position	979,539	(22,575)	956,964
Net position, beginning	<u>8,496,047</u>	<u>2,265,371</u>	<u>10,761,418</u>
Net position, ending	<u>\$ 9,475,586</u>	<u>\$ 2,242,796</u>	<u>\$ 11,718,382</u>

TOWN OF OCEAN CITY, MARYLAND  
 COMBINING STATEMENT OF CASH FLOWS  
 NONMAJOR ENTERPRISE FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Airport	Golf Course	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers and users	\$ 1,125,341	\$ 2,019,145	\$ 3,144,486
Payments to suppliers	(1,426,366)	(775,418)	(2,201,784)
Payments to employees	(349,115)	(1,098,604)	(1,447,719)
Payments for interfund services used	(94,072)	(223,826)	(317,898)
Net cash used by operating activities	<u>(744,212)</u>	<u>(78,703)</u>	<u>(822,915)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Advances from other funds	(1,000,000)	-	(1,000,000)
Transfers from other funds	1,469,149	97,728	1,566,877
Net cash provided by noncapital financing activities	<u>469,149</u>	<u>97,728</u>	<u>566,877</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Capital contributions	1,707,333	10,851	1,718,184
Acquisition and construction of capital assets	(864,855)	-	(864,855)
Principal paid on capital debt	(98,803)	-	(98,803)
Interest paid on capital debt	(44,205)	-	(44,205)
Net cash provided by capital and related financing activities	<u>699,470</u>	<u>10,851</u>	<u>710,321</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest and dividends received	13,438	3,200	16,638
Net cash provided by investing activities	<u>13,438</u>	<u>3,200</u>	<u>16,638</u>
Net increase in cash and cash equivalents	437,845	33,076	470,921
Cash and cash equivalents, beginning of the fiscal year	<u>413,158</u>	<u>183,968</u>	<u>597,126</u>
Cash and cash equivalents, end of the fiscal year	<u>\$ 851,003</u>	<u>\$ 217,044</u>	<u>\$ 1,068,047</u>

(Continued)

TOWN OF OCEAN CITY, MARYLAND  
 COMBINING STATEMENT OF CASH FLOWS (Continued)  
 NONMAJOR ENTERPRISE FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Airport	Golf Course	Total
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>			
Operating loss	\$ (1,459,728)	\$ (134,354)	\$ (1,594,082)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation	621,977	39,674	661,651
EFFECT OF CHANGES IN OPERATING ASSETS AND LIABILITIES:			
Accounts receivable	(2,717)	10,388	7,671
Due from other governmental agencies	-	(100)	(100)
Inventories	23,804	4,775	28,579
Deferred outflows related to pensions	(5,790)	(38,133)	(43,923)
Deferred outflows related to OPEB	(3,533)	(9,420)	(12,953)
Compensated absences	(2,080)	3,954	1,874
Accounts payable	72,531	(1,789)	70,742
Accrued expenses	529	3,159	3,688
Unearned revenue	-	(18,528)	(18,528)
Net pension liability	5,489	36,149	41,638
Net OPEB liability	(35,222)	(93,924)	(129,146)
Deferred inflows related to pensions	2,901	19,109	22,010
Deferred inflows related to OPEB	37,627	100,337	137,964
Total adjustments	715,516	55,651	771,167
Net cash used by operating activities	\$ (744,212)	\$ (78,703)	\$ (822,915)



## **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, 2019

	Information Technology	Service Center	Vehicle & Equipment Trust	Risk Management	Total
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 507,951	\$ 204,569	\$ 991,019	\$ 1,489,013	\$ 3,192,552
Investments	-	-	-	3,070,856	3,070,856
Receivables, net	-	-	21,284	-	21,284
Interest receivable	-	-	-	13,483	13,483
Inventories	-	687,453	-	-	687,453
Total current assets	<u>507,951</u>	<u>892,022</u>	<u>1,012,303</u>	<u>4,573,352</u>	<u>6,985,628</u>
Noncurrent assets:					
Restricted investments	-	-	32,057	-	32,057
Capital assets:					
Buildings	-	1,373,223	73,860	-	1,447,083
Other improvements	-	31,545	-	-	31,545
Machinery and equipment	686,634	325,417	43,520,189	-	44,532,240
Construction in progress	-	-	5,822,128	-	5,822,128
Less: accumulated depreciation	(598,839)	(1,518,103)	(29,210,823)	-	(31,327,765)
Total capital assets	<u>87,795</u>	<u>212,082</u>	<u>20,205,354</u>	<u>-</u>	<u>20,505,231</u>
Total noncurrent assets	<u>87,795</u>	<u>212,082</u>	<u>20,237,411</u>	<u>-</u>	<u>20,537,288</u>
Total assets	<u>595,746</u>	<u>1,104,104</u>	<u>21,249,714</u>	<u>4,573,352</u>	<u>27,522,916</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred outflows related to pensions	194,665	366,029	-	66,916	627,610
Deferred outflows related to OPEB	14,495	27,380	-	3,221	45,096
Total deferred outflows of resources	<u>209,160</u>	<u>393,409</u>	<u>-</u>	<u>70,137</u>	<u>672,706</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	31,600	224,017	622	52,313	308,552
Accrued expenses	15,051	24,810	40,443	-	80,304
Compensated absences	43,093	70,028	-	35,004	148,125
Claims and judgments	-	-	-	1,005,952	1,005,952
Current portion of long-term debt	-	-	855,320	-	855,320
Total current liabilities	<u>89,744</u>	<u>318,855</u>	<u>896,385</u>	<u>1,093,269</u>	<u>2,398,253</u>
Noncurrent liabilities:					
Claims and judgments	-	-	-	3,010,598	3,010,598
Notes and loans payable	-	-	5,840,835	-	5,840,835
Net pension liability	336,449	712,877	-	122,360	1,171,686
Net OPEB liability	318,959	602,478	-	70,880	992,317
Total noncurrent liabilities	<u>655,408</u>	<u>1,315,355</u>	<u>5,840,835</u>	<u>3,203,838</u>	<u>11,015,436</u>
Total liabilities	<u>745,152</u>	<u>1,634,210</u>	<u>6,737,220</u>	<u>4,297,107</u>	<u>13,413,689</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred inflows related to pensions	77,371	113,248	-	23,657	214,276
Deferred inflows related to OPEB	112,880	213,217	-	25,084	351,181
Total deferred inflows of resources	<u>190,251</u>	<u>326,465</u>	<u>-</u>	<u>48,741</u>	<u>565,457</u>
<b>NET POSITION</b>					
Net investment in capital assets	87,795	212,081	13,541,256	-	13,841,132
Unrestricted	(218,292)	(675,243)	971,238	297,641	375,344
Total net position	<u>\$ (130,497)</u>	<u>\$ (463,162)</u>	<u>\$ 14,512,494</u>	<u>\$ 297,641</u>	<u>\$ 14,216,476</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, 2019

	Information Technology	Service Center	Vehicle & Equipment Trust	Risk Management	Total
<b>OPERATING REVENUES:</b>					
Charges for sales and services	\$ 2,186,577	\$ 4,335,903	\$ 3,082,593	\$ 2,370,978	\$ 11,976,051
Miscellaneous	-	-	969	-	969
Total operating revenues	<u>2,186,577</u>	<u>4,335,903</u>	<u>3,083,562</u>	<u>2,370,978</u>	<u>11,977,020</u>
<b>OPERATING EXPENSES:</b>					
Personal services	1,039,902	1,653,142	-	271,291	2,964,335
Contractual services	118,205	21,275	111,143	944,371	1,194,994
Utilities	73,323	33,364	-	1,586	108,273
Repairs and maintenance	520,230	68,773	-	1,735	590,738
Other supplies and expenses	290,931	2,152,843	6,671	1,739	2,452,184
Internal services	64,384	282,283	600,120	108,920	1,055,707
Insurance claims and expenses	-	-	-	1,196,982	1,196,982
Depreciation	15,968	46,535	2,703,871	-	2,766,374
Total operating expenses	<u>2,122,943</u>	<u>4,258,215</u>	<u>3,421,805</u>	<u>2,526,624</u>	<u>12,329,587</u>
Operating income (loss)	63,634	77,688	(338,243)	(155,646)	(352,567)
<b>NONOPERATING REVENUES (EXPENSES):</b>					
Interest and investment revenue	-	-	-	140,577	140,577
Interest expense	-	-	(126,977)	-	(126,977)
Gain on disposal of assets	-	-	120,413	-	120,413
Total nonoperating revenues (expenses)	<u>-</u>	<u>-</u>	<u>(6,564)</u>	<u>140,577</u>	<u>134,013</u>
Income (loss) before capital contributions and transfers	63,634	77,688	(344,807)	(15,069)	(218,554)
Transfers in	-	-	210,198	-	210,198
Change in net position	63,634	77,688	(134,609)	(15,069)	(8,356)
Net position, beginning	<u>(194,131)</u>	<u>(540,850)</u>	<u>14,647,103</u>	<u>312,710</u>	<u>14,224,832</u>
Net position, ending	<u>\$ (130,497)</u>	<u>\$ (463,162)</u>	<u>\$ 14,512,494</u>	<u>\$ 297,641</u>	<u>\$ 14,216,476</u>

TOWN OF OCEAN CITY, MARYLAND  
 COMBINING STATEMENT OF CASH FLOWS  
 INTERNAL SERVICE FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Information Technology	Service Center
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers and users	\$ 2,186,577	\$ 4,335,903
Payments to suppliers	(1,014,500)	(2,267,825)
Payments to employees	(1,020,737)	(1,628,535)
Payments for interfund services used	(64,384)	(282,283)
Net cash provided (used) by operating activities	<u>86,956</u>	<u>157,260</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Transfers from other funds	-	-
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition and construction of capital assets	(21,340)	(56,338)
Proceeds from note issuance	-	-
Principal paid on capital debt	-	-
Interest paid on capital debt	-	-
Capital lease payments	-	-
Proceeds from sales of capital assets	-	-
Net cash used by capital and related financing activities	<u>(21,340)</u>	<u>(56,338)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
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	65,616	100,922
Cash and cash equivalents, beginning of the fiscal year	<u>442,335</u>	<u>103,647</u>
Cash and cash equivalents, end of the fiscal year	<u>\$ 507,951</u>	<u>\$ 204,569</u>

(Continued)

Vehicle & Equipment Trust	Risk Management	Total
\$ 3,105,064	\$ 2,370,978	\$ 11,998,522
(117,814)	(2,012,957)	(5,413,096)
-	(255,726)	(2,904,998)
(600,120)	(108,920)	(1,055,707)
<u>2,387,130</u>	<u>(6,625)</u>	<u>2,624,721</u>
210,198	-	210,198
<u>210,198</u>	<u>-</u>	<u>210,198</u>
(4,388,845)	-	(4,466,523)
1,393,708	-	1,393,708
(77,137)	-	(77,137)
(132,445)	-	(132,445)
(717,458)	-	(717,458)
120,413	-	120,413
<u>(3,801,764)</u>	<u>-</u>	<u>(3,879,442)</u>
-	(695,596)	(695,596)
1,005,723	1,261,124	2,266,847
-	89,933	89,933
<u>1,005,723</u>	<u>655,461</u>	<u>1,661,184</u>
(198,713)	648,836	616,661
<u>1,189,732</u>	<u>840,177</u>	<u>2,575,891</u>
<u>\$ 991,019</u>	<u>\$ 1,489,013</u>	<u>\$ 3,192,552</u>

TOWN OF OCEAN CITY, MARYLAND  
 COMBINING STATEMENT OF CASH FLOWS (Continued)  
 INTERNAL SERVICE FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Information Technology	Service Center
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ 63,634	\$ 77,688
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	15,968	46,535
<b>EFFECT OF CHANGES IN OPERATING ASSETS AND LIABILITIES:</b>		
Accounts receivable	-	-
Inventories	-	64,502
Deferred outflows related to pensions	(39,741)	(53,021)
Deferred outflows related to OPEB	(10,598)	(20,061)
Compensated absences	2,191	1,920
Accounts payable	(11,811)	(56,072)
Accrued expenses	2,508	3,745
Claims liability	-	-
Net pension liability	37,674	50,263
Net OPEB liability	(105,663)	(198,025)
Deferred inflows related to pensions	19,914	26,569
Deferred inflows related to OPEB	112,880	213,217
Total adjustments	23,322	79,572
Net cash provided (used) by operating activities	\$ 86,956	\$ 157,260
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>		
Increase in fair value of investments	\$ -	\$ -

Vehicle & Equipment Trust	Risk Management	Total
\$ (338,243)	\$ (155,646)	\$ (352,567)
2,703,871	-	2,766,374
21,502	-	21,502
-	-	64,502
-	(14,091)	(106,853)
-	(2,355)	(33,014)
-	9,989	14,100
-	3,661	(64,222)
-	-	6,253
-	129,795	129,795
-	13,357	101,294
-	(23,480)	(327,168)
-	7,061	53,544
-	25,084	351,181
<u>2,725,373</u>	<u>149,021</u>	<u>2,977,288</u>
<u>\$ 2,387,130</u>	<u>\$ (6,625)</u>	<u>\$ 2,624,721</u>
\$ -	\$ 47,346	\$ 47,346



## **FIDUCIARY FUNDS**

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

### **GENERAL EMPLOYEES PENSION PLAN FUND**

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

### **PUBLIC SAFETY EMPLOYEES PENSION PLAN FUND**

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

### **OTHER POST-EMPLOYMENT BENEFITS TRUST FUND**

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

TOWN OF OCEAN CITY, MARYLAND  
 COMBINING STATEMENT OF FIDUCIARY NET POSITION  
 PENSION AND OPEB TRUST FUNDS  
 JUNE 30, 2019

	General Employees Pension Trust Fund	Public Safety Employees Pension Trust Fund	OPEB Trust Fund	Total Benefit Trust Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,501,496	\$ 2,614,283	\$ 1,048,265	\$ 6,164,044
Accounts receivable	-	715,964	-	715,964
Interest and dividends receivable	91,284	96,434	52,593	240,311
Investments, at fair value:				
Domestic equities	16,875,870	17,594,876	9,934,819	44,405,565
Domestic fixed income	17,833,440	18,517,800	10,785,088	47,136,328
International equities	14,536,384	15,240,167	8,997,487	38,774,038
Alternative investments	7,434,629	7,680,921	4,558,778	19,674,328
Total investments	<u>56,680,323</u>	<u>59,033,764</u>	<u>34,276,172</u>	<u>149,990,259</u>
Total assets	<u>59,273,103</u>	<u>62,460,445</u>	<u>35,377,030</u>	<u>157,110,578</u>
<b>LIABILITIES</b>				
Accounts payable	<u>11,349</u>	<u>16,752</u>	<u>19,622</u>	<u>47,723</u>
Total liabilities	<u>11,349</u>	<u>16,752</u>	<u>19,622</u>	<u>47,723</u>
<b>NET POSITION</b>				
Net position restricted for pensions/OPEB	<u>\$ 59,261,754</u>	<u>\$ 62,443,693</u>	<u>\$ 35,357,408</u>	<u>\$ 157,062,855</u>

TOWN OF OCEAN CITY, MARYLAND  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 PENSION AND OPEB TRUST FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	General Employees Pension Trust Fund	Public Safety Employees Pension Trust Fund	OPEB Trust Fund	Total Benefit Trust Funds
<b>Additions</b>				
Contributions:				
Employer	\$ 2,152,737	\$ 3,414,817	\$ 2,177,000	\$ 7,744,554
Plan members	699,907	1,217,087	287,326	2,204,320
Total contributions	2,852,644	4,631,904	2,464,326	9,948,874
Miscellaneous income	-	-	72,822	72,822
Investment earnings:				
Net increase in fair value of investments	1,127,809	1,228,116	722,184	3,078,109
Interest	349,498	362,566	199,071	911,135
Dividends	1,051,774	1,096,491	640,991	2,789,256
Total investment income	2,529,081	2,687,173	1,562,246	6,778,500
Less: investment expense	379,720	394,890	218,250	992,860
Net investment income	2,149,361	2,292,283	1,343,996	5,785,640
Total additions	5,002,005	6,924,187	3,881,144	15,807,336
<b>Deductions</b>				
Benefits and refunds paid	3,366,964	3,856,008	1,617,749	8,840,721
Administrative expenses	30,344	49,878	-	80,222
Total deductions	3,397,308	3,905,886	1,617,749	8,920,943
Change in net position	1,604,697	3,018,301	2,263,395	6,886,393
Net position, beginning	57,657,057	59,425,392	33,094,013	150,176,462
Net position, ending	\$ 59,261,754	\$ 62,443,693	\$ 35,357,408	\$ 157,062,855



## 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.

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

**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)*

	2019	2018	2017	2016
<b>Governmental activities</b>				
Net investment in capital assets	\$ 63,840,069	\$ 59,880,188	\$ 58,962,839	\$ 55,670,509
Restricted	-	-	-	-
Unrestricted	(7,500,454)	(5,330,950)	12,679,830	8,269,875
<i>Total governmental activities net position</i>	<u>56,339,615</u>	<u>54,549,238</u>	<u>71,642,669</u>	<u>63,940,384</u>
<b>Business-type activities</b>				
Net investment in capital assets	96,802,988	88,271,380	77,976,227	77,730,796
Restricted	3,063,906	3,029,456	2,612,045	2,289,651
Unrestricted	5,196,145	5,154,819	14,069,326	12,912,695
<i>Total business-type activities net position</i>	<u>105,063,039</u>	<u>96,455,655</u>	<u>94,657,598</u>	<u>92,933,142</u>
<b>Primary government</b>				
Net investment in capital assets	160,643,057	148,151,568	136,939,066	133,401,305
Restricted	3,063,906	3,029,456	2,612,045	2,289,651
Unrestricted	(2,304,309)	(176,131)	26,749,156	21,182,570
<i>Total primary government net position</i>	<u>\$ 161,402,654</u>	<u>\$ 151,004,893</u>	<u>\$ 166,300,267</u>	<u>\$ 156,873,526</u>

2015	2014	2013	2012	2011	2010
\$ 57,685,894	\$ 57,349,894	\$ 53,768,043	\$ 35,032,961	\$ 47,390,589	\$ 46,393,277
-	115,000	165,000	16,140,004	1,713,579	1,222,022
5,755,438	13,700,802	15,548,344	15,420,770	16,213,407	15,742,899
<u>63,441,332</u>	<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>
73,668,728	70,435,192	65,917,836	55,645,888	58,001,891	60,260,847
4,284,817	6,272,857	7,474,542	8,551,119	9,638,746	9,667,139
13,337,439	13,594,642	10,158,004	17,520,679	11,466,523	4,659,855
<u>91,290,984</u>	<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>
131,354,622	127,785,086	119,685,879	90,678,849	105,392,480	106,654,124
4,284,817	6,387,857	7,639,542	24,691,123	11,352,325	10,889,161
19,092,877	27,295,444	25,706,348	32,941,449	27,679,930	20,402,754
<u>\$ 154,732,316</u>	<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>

**Town of Ocean City, Maryland**

Changes in Net Position

Last Ten Fiscal Years

*(accrual basis of accounting)*

	2019	2018	2017	2016
<b>Expenses</b>				
Governmental activities:				
General government	\$ 961,507	\$ 978,045	\$ 1,117,684	\$ 1,019,892
Public safety	37,934,242	36,827,677	35,363,774	35,138,306
General public works and beach	8,038,416	8,190,991	7,026,384	7,261,653
Sanitation and waste removal	6,578,821	6,353,497	6,104,169	6,256,386
Highways and streets	9,938,469	8,424,668	7,660,939	10,501,844
Economic development - tourism	8,649,731	9,389,746	8,813,147	8,343,211
Recreation and culture	8,477,292	8,282,474	8,234,584	7,862,334
Interest on long-term debt	1,548,752	1,367,535	1,301,378	1,307,810
Total governmental activities expenses	<u>82,127,230</u>	<u>79,814,633</u>	<u>75,622,059</u>	<u>77,691,436</u>
Business-type activities:				
Water	6,036,469	5,826,613	5,751,275	5,869,793
Wastewater	11,847,685	12,000,680	12,331,189	12,740,636
Transportation	8,104,072	8,476,581	7,929,546	8,228,957
Convention Center	6,181,811	6,012,638	5,670,317	6,364,714
Airport	2,631,481	1,823,343	1,985,010	1,506,936
Golf	2,161,739	2,204,437	2,082,395	2,106,675
Total business-type activities expenses	<u>36,963,257</u>	<u>36,344,292</u>	<u>35,749,732</u>	<u>36,817,711</u>
Total primary government expenses	<u>\$119,090,487</u>	<u>\$116,158,925</u>	<u>\$111,371,791</u>	<u>\$114,509,147</u>
<b>Program revenues</b>				
Governmental activities:				
Charges for services:				
General government	\$ 4,181,017	\$ 4,325,274	\$ 4,285,248	\$ 4,207,093
Public safety	2,471,329	2,307,485	2,130,314	2,171,345
General public works and beach	4,836,090	4,639,991	4,704,486	4,238,386
Sanitation and waste removal	133,479	147,173	116,257	134,390
Highways and streets	1,424,559	1,312,803	1,355,098	1,129,247
Economic development - tourism	1,620,374	1,698,351	1,593,428	1,652,093
Recreation and culture	1,461,220	1,762,377	1,804,858	1,791,371
Operating grants and contributions	3,087,434	3,302,181	3,370,747	3,301,092
Capital grants and contributions	293,883	102,407	335,711	152,732
Total governmental activities program revenues	<u>19,509,385</u>	<u>19,598,042</u>	<u>19,696,147</u>	<u>18,777,749</u>
Business-type activities:				
Charges for services:				
Water	6,212,765	6,221,780	6,494,646	6,209,726
Wastewater	14,169,964	13,798,797	13,332,083	13,202,701
Transportation	4,368,102	4,323,653	4,589,633	4,650,181
Convention Center	1,767,935	1,898,803	1,840,823	1,705,782
Airport	1,128,058	1,046,766	969,381	978,545
Golf	2,027,385	1,974,674	2,009,103	2,022,149
Operating grants and contributions	3,951,925	3,821,429	3,823,027	3,652,214
Capital grants and contributions	7,026,427	9,348,123	1,705,045	2,894,257
Total business-type activities program revenues	<u>40,652,561</u>	<u>42,434,025</u>	<u>34,763,741</u>	<u>35,315,555</u>
Total primary government program revenues	<u>\$ 60,161,946</u>	<u>\$ 62,032,067</u>	<u>\$ 54,459,888</u>	<u>\$ 54,093,304</u>

2015	2014	2013	2012	2011	2010
\$ 852,529	\$ 1,314,758	\$ 1,118,606	\$ 335,703	\$ 751,333	\$ 1,621,071
32,782,621	36,112,813	34,030,231	35,440,373	34,297,859	33,961,816
7,240,368	6,329,540	5,315,570	6,257,840	6,205,643	6,055,716
5,787,086	6,230,810	6,034,146	6,776,510	6,193,273	7,081,833
7,102,511	7,787,410	7,157,008	7,250,787	6,763,540	7,036,697
8,139,166	7,998,815	8,055,355	7,692,558	6,671,972	6,243,797
7,479,558	7,654,518	7,685,116	7,873,652	7,783,123	7,890,492
1,335,105	1,462,237	1,640,586	1,352,400	1,296,137	1,261,803
<u>70,718,944</u>	<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>
5,532,561	6,251,720	6,428,575	6,419,219	7,597,787	6,978,781
11,299,812	11,966,765	11,710,740	11,642,169	11,045,110	10,337,839
8,213,299	8,036,903	8,007,909	7,936,422	7,493,620	7,715,464
5,341,279	5,438,689	5,221,549	5,173,147	5,533,018	5,669,798
1,832,178	1,615,099	1,906,293	1,681,333	1,503,697	1,449,538
2,050,051	2,069,805	2,071,155	2,092,046	1,981,914	1,978,188
<u>34,269,180</u>	<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>\$ 104,988,124</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>
\$ 3,892,295	\$ 3,870,984	\$ 3,748,747	\$ 3,647,286	\$ 3,758,744	\$ 3,464,313
2,038,976	2,056,556	2,068,706	2,005,130	1,965,631	1,859,508
4,314,242	4,044,925	3,810,298	3,662,776	3,651,107	3,123,547
115,232	99,350	85,418	91,608	109,543	312,364
1,054,220	1,126,770	1,108,543	1,086,162	982,101	926,911
1,589,455	1,465,927	1,465,695	1,600,439	1,321,806	1,294,913
1,627,668	1,573,586	1,555,940	1,382,413	1,334,262	1,610,682
3,026,042	3,432,044	3,223,755	2,805,472	2,807,769	2,705,797
190,351	105,000	551,735	-	75,000	80,000
<u>17,848,481</u>	<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>
7,107,376	7,050,007	7,020,705	6,846,684	6,772,436	6,926,482
12,771,316	12,551,066	12,161,493	11,761,802	11,311,636	10,466,562
4,558,857	4,100,681	3,934,859	3,854,314	3,558,571	3,363,679
1,745,001	1,792,680	1,678,397	1,663,028	1,758,112	1,630,172
1,108,590	1,146,509	1,181,550	1,307,014	1,034,475	837,533
2,022,992	1,983,132	1,959,709	2,105,886	1,962,632	1,979,205
3,680,145	3,593,254	3,627,269	3,413,436	3,414,926	3,401,683
1,530,415	6,501,328	1,988,370	3,269,491	5,960,662	671,195
<u>34,524,692</u>	<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>\$ 52,373,173</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>

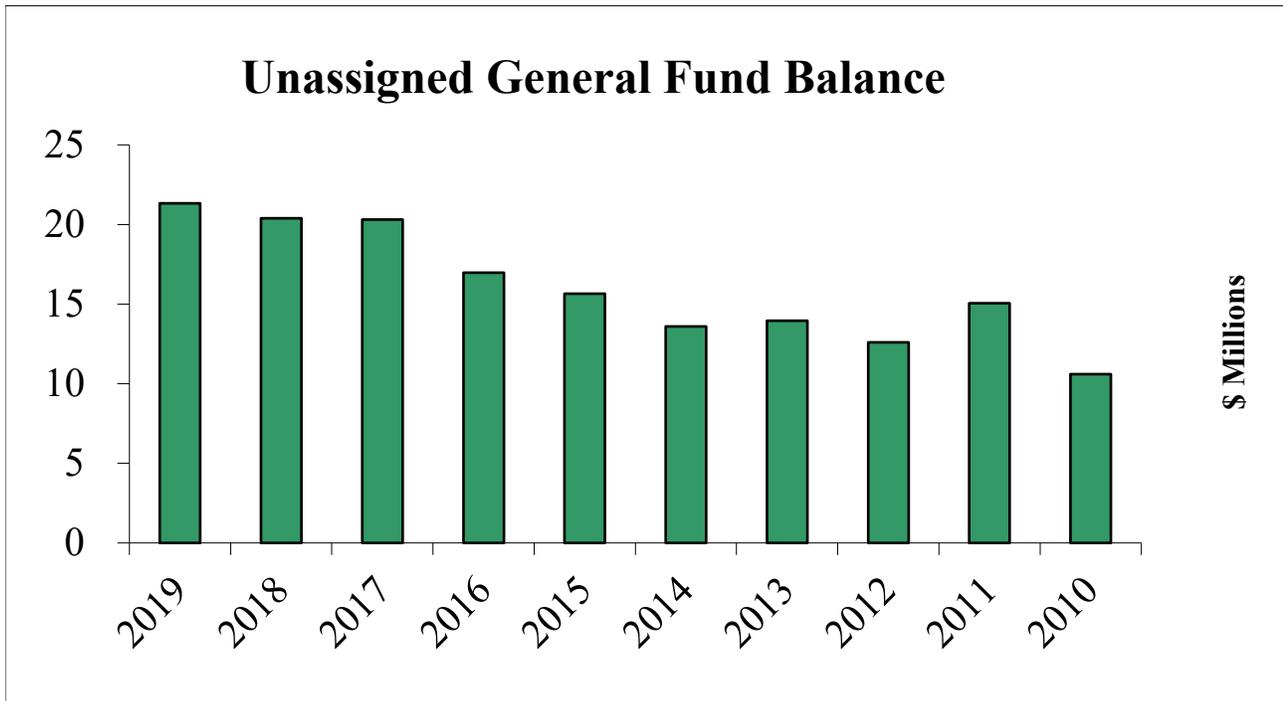
**Town of Ocean City, Maryland**  
**Changes in Net Position (Continued)**  
**Last Ten Fiscal Years**  
*(accrual basis of accounting)*

	2019	2018	2017	2016
<b>Net (expenses) revenues</b>				
Governmental activities	\$ (62,617,845)	\$ (60,216,591)	\$ (55,925,912)	\$ (58,913,687)
Business-type activities	3,689,304	6,089,733	(985,991)	(1,502,156)
Total primary government net expenses	<u>\$ (58,928,541)</u>	<u>\$ (54,126,858)</u>	<u>\$ (56,911,903)</u>	<u>\$ (60,415,843)</u>
<b>General revenues and other changes in net position</b>				
Governmental activities:				
Taxes:				
Property and other local taxes levied for:				
General purposes	\$ 43,732,086	\$ 43,239,535	\$ 42,938,816	\$ 42,717,221
Sales and income taxes	19,108,527	18,721,093	18,645,893	17,205,888
State gaming contributions	768,971	706,108	655,254	633,268
Grants and contributions not restricted to specific programs	2,764,559	2,639,334	2,763,852	2,720,894
Investment earnings (losses)	1,420,639	399,992	111,056	192,920
Loss on sales of capital assets	-	-	-	(1,482,918)
Other revenue	816,663	756,507	1,141,154	583,485
Transfers	(4,203,223)	(3,595,376)	(2,627,828)	(3,158,019)
Total governmental activities	<u>64,408,222</u>	<u>62,867,193</u>	<u>63,628,197</u>	<u>59,412,739</u>
Business-type activities:				
Investment earnings	714,857	243,267	82,619	47,816
Loss on sales of capital assets	-	-	-	(61,521)
Other revenue (expense)	-	-	-	-
Transfers	4,203,223	3,595,376	2,627,828	3,158,019
Total business-type activities	<u>4,918,080</u>	<u>3,838,643</u>	<u>2,710,447</u>	<u>3,144,314</u>
Total primary government	<u>69,326,302</u>	<u>66,705,836</u>	<u>66,338,644</u>	<u>62,557,053</u>
<b>Changes in net position</b>				
Governmental activities	1,790,377	2,650,602	7,702,285	499,052
Business-type activities	8,607,384	9,928,376	1,724,456	1,642,158
Total primary government	<u>\$ 10,397,761</u>	<u>\$ 12,578,978</u>	<u>\$ 9,426,741</u>	<u>\$ 2,141,210</u>

2015	2014	2013	2012	2011	2010
\$ (52,870,463)	\$ (57,115,759)	\$ (53,417,781)	\$ (56,698,537)	\$ (53,956,917)	\$ (55,775,190)
255,512	3,339,676	(1,793,869)	(722,681)	618,304	(4,853,097)
<u>\$ (52,614,951)</u>	<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>
\$ 42,444,386	\$ 42,199,671	\$ 41,425,378	\$ 42,509,186	\$ 42,660,709	\$ 43,900,041
16,454,632	16,042,019	15,069,904	14,649,416	13,703,686	13,031,401
563,517	469,430	454,949	433,060	224,791	-
2,576,103	2,586,297	2,372,735	2,660,866	2,411,597	2,436,638
199,294	181,668	(45,412)	163,704	124,288	297,072
-	-	-	-	-	-
769,305	684,250	508,084	764,234	587,179	538,205
(3,022,929)	(3,363,267)	(3,480,205)	(3,205,769)	(3,795,956)	(4,288,477)
<u>59,984,308</u>	<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>
49,470	56,399	60,354	124,938	100,789	310,128
-	-	-	-	-	-
14,568	(7,033)	86,006	2,500	4,270	86,175
3,022,929	3,363,267	3,480,205	3,205,769	3,795,956	4,288,477
<u>3,086,967</u>	<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>63,071,275</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>
7,113,845	1,684,309	2,887,652	1,276,160	1,959,377	139,690
3,342,479	6,752,309	1,832,696	2,610,526	4,519,319	(168,317)
<u>\$ 10,456,324</u>	<u>\$ 8,436,618</u>	<u>\$ 4,720,348</u>	<u>\$ 3,886,686</u>	<u>\$ 6,478,696</u>	<u>\$ (28,627)</u>

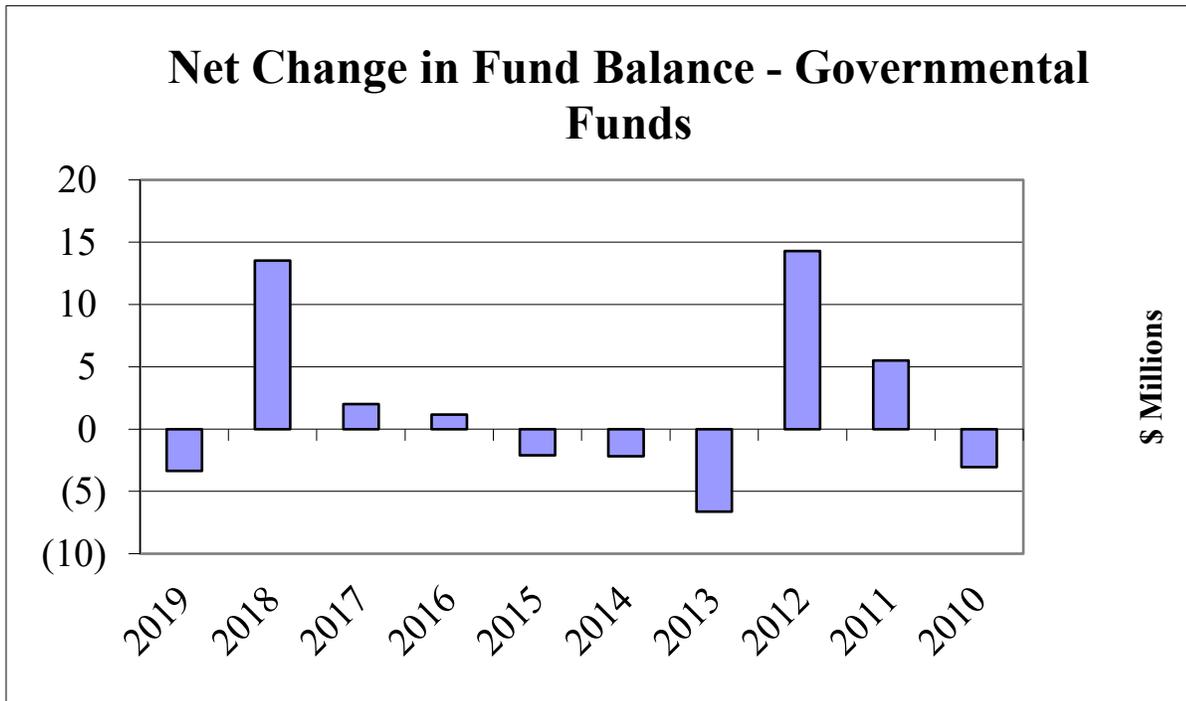
**Town of Ocean City, Maryland**  
**Fund Balances of Governmental Funds**  
 Last Ten Fiscal Years  
*(modified accrual basis of accounting)*

	2019	2018	2017	2016
<b>General Fund</b>				
Nonspendable	\$ 49	\$ 3,000	\$ -	\$ -
Assigned - purchases on order	260,324	273,980	351,857	810,280
Assigned - subsequent year's budget	877,203	1,610,184	2,237,944	1,235,805
Assigned - other purposes	955,271	-	-	-
Unassigned	21,329,235	20,387,666	20,313,783	16,968,006
<b>Total General Fund</b>	<b>\$ 23,422,082</b>	<b>\$ 22,274,830</b>	<b>\$ 22,903,584</b>	<b>\$ 19,014,091</b>
<b>All other governmental funds</b>				
Restricted - capital projects	\$ -	\$ -	\$ -	\$ -
Committed - purchases on order	9,030,165	9,803,404	783,864	1,389,255
Committed - capital projects	2,054,620	5,774,286	652,635	1,923,126
<b>Total all other governmental funds</b>	<b>11,084,785</b>	<b>15,577,690</b>	<b>1,436,499</b>	<b>3,312,381</b>
<b>Total governmental funds</b>	<b>\$ 34,506,867</b>	<b>\$ 37,852,520</b>	<b>\$ 24,340,083</b>	<b>\$ 22,326,472</b>
 Unassigned General Fund balance as a percentage of expenditures	 27.5%	 25.8%	 25.7%	 23.1%



2015	2014	2013	2012	2011	2010
\$ -	\$ 115,000	\$ 165,000	\$ 235,000	\$ 130,000	\$ 250,000
302,139	498,539	427,271	566,585	998,595	446,430
1,640,027	931,828	247,066	2,749,395	-	-
-	-	465,000	-	-	-
15,648,548	13,602,038	13,949,931	12,605,645	15,049,478	10,590,252
<u>\$ 17,590,714</u>	<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>
\$ 3,020,069	\$ 5,333,799	\$ 8,656,416	\$ 14,031,244	\$ 747,437	\$ 129,990
-	-	-	1,272,334	52,343	61,546
537,914	2,758,897	1,517,524	601,426	783,799	780,486
3,557,983	8,092,696	10,173,940	15,905,004	1,583,579	972,022
<u>\$ 21,148,697</u>	<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>

21.6%                      18.2%                      19.3%                      17.5%                      20.2%                      13.4%



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

	2019	2018	2017	2016
<b>Revenues</b>				
Property taxes	\$ 43,642,385	\$ 43,110,273	\$ 43,211,192	\$ 42,550,867
Other taxes	19,877,498	19,427,201	19,301,147	17,949,706
Licenses and permits	4,537,397	4,605,622	4,537,307	4,486,927
Fines and forfeitures	1,093,897	768,157	657,703	694,761
Charges for current services	10,496,774	10,819,675	10,794,679	10,142,237
Revenue from other agencies	6,145,876	6,043,922	6,296,552	6,066,514
Other revenue	2,096,725	1,140,597	1,440,276	860,055
<i>Total revenues</i>	<u>87,890,552</u>	<u>85,915,447</u>	<u>86,238,856</u>	<u>82,751,067</u>
<b>Expenditures</b>				
Current:				
General government	3,854,665	3,898,785	4,003,674	3,803,848
Public safety	35,326,678	34,918,034	33,837,807	33,479,223
General public works and beach	6,251,044	6,584,961	8,897,994	5,545,600
Sanitation and waste removal	6,012,480	5,928,648	5,650,586	5,635,304
Highways and streets	7,818,424	6,534,604	5,945,407	8,733,929
Economic development - tourism	8,371,675	9,107,849	8,664,640	8,094,041
Recreation and culture	7,938,695	7,783,762	7,918,927	7,268,485
Capital outlay	8,440,939	2,773,812	4,178,826	4,507,498
Debt service:				
Principal retirement	3,415,993	4,187,253	4,117,460	3,566,514
Interest and fiscal charges	1,594,239	1,222,729	1,309,827	1,438,175
Bond issuance costs	-	49,940	22,269	33,585
<i>Total expenditures</i>	<u>89,024,832</u>	<u>82,990,377</u>	<u>84,547,417</u>	<u>82,106,202</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,134,280)</u>	<u>2,925,070</u>	<u>1,691,439</u>	<u>644,865</u>
<b>Other financing sources (uses)</b>				
Bonds and notes issued	2,202,048	14,282,743	2,950,000	6,689,567
Premium on bonds issued	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	(2,914,784)
Transfers in	4,069,656	3,429,411	3,384,414	4,609,257
Transfers out	(8,483,077)	(7,124,787)	(6,012,242)	(7,851,130)
<i>Total other financing sources (uses)</i>	<u>(2,211,373)</u>	<u>10,587,367</u>	<u>322,172</u>	<u>532,910</u>
<i>Net change in fund balances</i>	<u>\$ (3,345,653)</u>	<u>\$ 13,512,437</u>	<u>\$ 2,013,611</u>	<u>\$ 1,177,775</u>
Debt service as a percentage of noncapital expenditures				
	6.3%	6.7%	6.8%	6.4%

	2015	2014	2013	2012	2011	2010
\$	42,429,988	\$ 42,334,031	\$ 41,618,457	\$ 42,555,644	\$ 42,731,367	\$ 43,808,149
	17,024,793	16,498,162	15,611,879	15,069,260	13,909,064	13,062,376
	4,327,809	4,183,957	4,061,716	4,050,517	3,921,106	3,858,142
	583,087	714,142	785,979	856,672	780,018	741,763
	9,721,191	9,339,999	8,995,653	8,568,625	8,422,070	7,992,333
	5,602,145	6,048,341	6,073,225	5,466,338	5,294,366	5,222,435
	974,121	735,727	653,618	743,082	664,892	714,825
	<u>80,663,134</u>	<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>
	3,817,132	3,824,796	3,860,291	3,051,546	3,320,277	3,990,472
	32,728,554	34,620,629	32,546,489	33,355,683	32,301,718	32,223,500
	5,919,839	5,169,305	5,109,638	5,026,883	4,908,045	4,698,501
	5,353,919	5,613,364	5,389,174	5,871,647	5,332,518	6,423,476
	5,560,206	6,280,506	5,867,104	5,621,764	5,263,430	5,684,270
	7,889,134	7,737,415	7,792,309	7,428,498	6,420,490	5,999,877
	7,090,260	7,131,635	7,259,523	7,239,149	7,167,738	7,359,074
	6,082,562	6,586,308	8,301,432	5,468,269	1,145,147	3,764,227
	3,636,266	3,694,110	2,872,330	3,160,956	3,416,907	3,282,636
	1,563,318	1,646,570	1,596,699	1,279,997	1,295,164	1,306,084
	-	36,516	-	149,245	43,746	73,711
	<u>79,641,190</u>	<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>1,021,944</u>	<u>(2,486,795)</u>	<u>(2,794,462)</u>	<u>(343,499)</u>	<u>5,107,703</u>	<u>594,195</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)
	2,592,610	2,431,000	2,000,000	1,737,430	1,548,567	1,181,198
	<u>(5,705,958)</u>	<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>(3,113,348)</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><u>(2,091,404)</u></u>	<u><u>(2,188,107)</u></u>	<u><u>(6,633,421)</u></u>	<u><u>14,299,977</u></u>	<u><u>5,502,948</u></u>	<u><u>(3,053,497)</u></u>

7.1%

7.0%

6.2%

6.2%

6.8%

6.5%

**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
2019	\$ 43,642,385	\$ 16,031,485	\$ 1,526,898	\$ 1,008,338	\$ 1,310,777	\$ 63,519,883
2018	43,110,273	15,571,172	1,483,851	1,170,291	1,201,887	62,537,474
2017	43,211,192	15,385,278	1,454,882	1,329,862	1,131,125	62,512,339
2016	42,550,867	14,574,627	1,405,802	854,817	1,114,460	60,500,573
2015	42,429,988	13,845,675	1,329,978	843,596	975,483	59,424,720
2014	42,334,031	13,367,715	1,383,833	832,644	913,970	58,832,193
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
Change 2010 - 2019	-0.4%	42.8%	37.1%	61.6%	1241.7%	11.7%

**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
2019	\$8,793,778,022	\$12,319,881	\$181,216,509	\$8,987,314,412	\$0.4656	\$8,987,314,412	0.7 %
2018	8,742,711,658	13,116,744	167,325,116	8,923,153,518	0.4656	8,923,153,518	2.0
2017	8,574,801,497	15,043,721	160,689,225	8,750,534,443	0.4727	8,750,534,443	1.8
2016	8,430,184,989	13,595,814	156,230,465	8,600,011,268	0.4780	8,600,011,268	-1.0
2015	8,526,614,796	13,646,124	147,557,519	8,687,818,439	0.4704	8,687,818,439	0.7
2014	8,481,052,332	12,670,775	133,532,093	8,627,255,200	0.4720	8,627,255,200	-0.8
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

\* Per \$100 of assessed value

**Source:** Uniform Financial Report of the Town of Ocean City to the Maryland Department of Fiscal Services, 2010 - 2019

**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
2019	\$ 43,642,385	\$ 42,391,804	97.13 %	\$ -	\$ 42,391,804	97.13 %
2018	43,110,273	42,171,748	97.82	910,290	43,082,038	99.93
2017	43,211,192	42,391,814	98.10	795,247	43,187,061	99.94
2016	42,550,867	41,471,737	97.46	1,031,793	42,503,530	99.89
2015	42,429,988	41,277,350	97.28	1,132,774	42,410,124	99.95
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

\* 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, 2010 - 2019

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

2019

Taxpayer	Taxable Assessed Value (1)	Percentage of Total Taxable Assessed Value
Harrison Inn Stardust, Inc.	\$ 64,145,107	0.71%
Americana Stowaway Motel, Inc.	61,644,700	0.69
Delmarva Power	42,412,410	0.47
91st Street Joint Venture, LLC	34,792,740	0.39
Genesar, Inc.	26,377,854	0.29
Harrison Inn - Sixty-Six, Inc.	24,773,460	0.28
Harrison HI 18 LLC	23,431,940	0.26
Inns of Ocean City, LLC	22,126,733	0.25
L.P.B.-O.C. Hotel Limited Partnership	21,363,880	0.24
Harrison Inn Ocean View SPE, LLC	20,868,000	0.23
	<u>\$ 341,936,824</u>	<u>3.81%</u>
Total taxable assessed value	<u>\$ 8,987,314,412</u>	

2010

Taxpayer	Taxable Assessed Value (1)	Percentage of Total Taxable Assessed Value
Americana Stowaway Motel, Inc.	\$ 67,708,220	0.64%
Harrison Inn Stardust, Inc.	64,900,869	0.61
91st Street Joint Venture, LLC	39,147,810	0.37
Harrison Inn Ocean View SPE, LLC	33,080,900	0.31
L.P.B.-O.C. Hotel Limited Partnership	28,560,633	0.27
Harrison HI 18 LLC	28,480,260	0.27
Delmarva Power	22,356,610	0.21
Harrison QI 17 LLC	20,000,000	0.19
OC Hotel Holdings, Inc.	16,217,093	0.15
Harrison QI 54 LLC	16,205,990	0.15
	<u>\$ 336,658,385</u>	<u>3.17%</u>
Total taxable assessed value	<u>\$10,648,750,360</u>	

(1) Assessed value is based on the value of property for taxes collected in 2019 and 2010, respectively, and a review of the ten largest taxpayers for the Town.

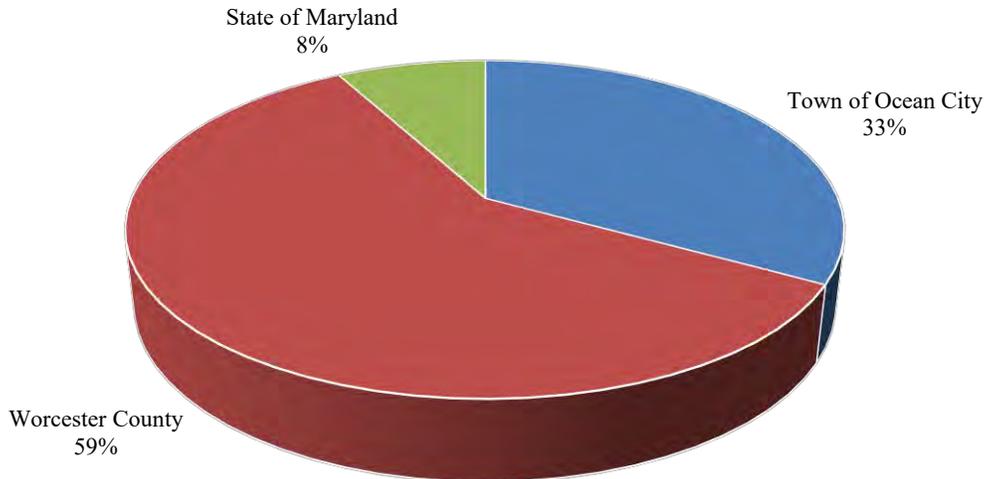
**Source:** Town of Ocean City Finance Department

**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	
2019	\$ 0.4656	\$ 0.835	\$ 0.112	\$ 1.4126
2018	0.4656	0.835	0.112	1.4126
2017	0.4727	0.835	0.112	1.4197
2016	0.4780	0.835	0.112	1.4250
2015	0.4704	0.770	0.112	1.3524
2014	0.4720	0.770	0.112	1.3540
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

**Source:** Town of Ocean City Finance Department

**Percentage of Total Tax Bill by Overlapping Governments**



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

Fiscal Year	Governmental Activities				Business-Type Activities			Total Primary Government	% of Actual Property Value	Per Capita	Estimated % of Personal Income *
	General Obligation Bonds	Bond Premiums (Discounts)	Inter-Governmental Loans	Notes, Loans, and Capital Leases	General Obligation Bonds	Bond Premiums (Discounts)	Loans and Capital Leases				
2019	\$41,585,877	\$1,560,782	\$ 317,960	\$12,104,824	\$52,215,328	\$2,221,144	\$610,785	\$110,616,700	1.23%	\$15,739	34.4%
2018	44,764,656	1,796,400	362,230	9,496,606	56,277,609	2,617,354	647,536	115,962,391	1.30	16,328	31.0
2017	35,642,285	752,520	410,725	10,360,623	47,984,525	1,788,977	682,037	97,621,692	1.10	13,545	22.7
2016	36,592,696	936,121	462,069	5,401,883	52,517,225	2,166,829	713,600	98,790,423	1.15	13,910	36.2
2015	39,944,178	1,140,856	503,283	-	41,669,434	1,177,928	-	84,435,679	0.97	11,906	31.3
2014	43,545,210	1,372,312	538,517	-	47,747,775	1,479,997	-	94,683,811	1.10	13,351	35.6
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

\* 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
2019	\$ 97,583,131	1.09%	\$ 13,885
2018	105,456,019	1.18	14,849
2017	86,168,307	0.96	11,775
2016	92,212,871	1.07	12,984
2015	83,932,396	0.97	11,835
2014	94,145,294	1.09	13,275
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

**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, 2019

Jurisdiction	Debt Outstanding	Percentage Applicable to the Town *	Amount Applicable to the Town
<b>Direct</b>			
Town of Ocean City	\$ 55,569,443	100.0%	\$ 55,569,443
<b>Overlapping</b>			
Worcester County	<u>102,716,437</u>	56.5%	<u>58,047,118</u>
Total direct and overlapping debt	<u>\$ 158,285,880</u>		<u>\$ 113,616,561</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, 2019

Assessed value		<u>\$ 8,987,314,412</u>
Maximum general obligation debt (limited to 5.2% of assessed value) *		\$ 467,340,349
Outstanding bonds	<u>\$ 97,583,131</u>	
Net chargeable to bond limit		<u>97,583,131</u>
Legal debt margin at June 30, 2019		<u>\$ 369,757,218</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**  
2010 - 2019

Fiscal Year	Assessed Value	Legal Debt Limitation	Legal Borrowing Limitation	Debt Subject to Limitation	Legal Debt Margin
2019	\$ 8,987,314,412	5.2 %	\$ 467,340,349	\$ 97,583,131	\$ 369,757,218
2018	8,923,153,518	5.2	464,003,983	101,042,265	362,961,718
2017	8,750,534,443	5.2	455,027,791	83,626,810	371,400,981
2016	8,600,011,268	5.2	447,200,586	92,212,871	354,987,715
2015	8,687,818,439	5.2	451,766,559	83,932,396	367,834,163
2014	8,627,255,200	5.2	448,617,270	94,145,294	354,471,976
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

**Town of Ocean City, Maryland**  
Demographic and Economic Statistics  
Calendar Years 2009 - 2018

Year	(1) Population	(2) Median Household Income	(3) Worcester County Personal Income	(4) Median Age	(5) School Enrollment	(6) Unemployment Rate
2018	7,028	\$ 59,458	\$ 3,133,546	49.7	6,745	5.9 %
2017	7,102	57,227	3,007,897	54.0	6,667	6.4
2016	7,102	52,276	2,877,143	54.0	6,660	7.7
2015	7,102	58,820	2,862,469	54.0	6,649	7.8
2014	7,092	56,279	2,631,795	48.1	6,684	7.9
2013	7,092	58,138	2,540,567	48.1	6,649	8.1
2012	7,110	49,943	2,509,986	54.2	6,643	8.2
2011	7,110	55,492	2,369,982	54.2	6,699	10.4
2010	7,102	54,750	2,276,138	54.2	6,659	9.8
2009	7,715	54,750	2,172,785	47.2	6,673	9.0

**Sources:**

- (1) Maryland State Data Center - Maryland Department of Planning (estimated)
- (2) American Fact Finder, US Census Bureau (figures are for Worcester County)
- (3) U.S. Department of Commerce Bureau of Economic Analysis (in thousands of dollars). 2018 figure was not available from the BEA. The 2018 figure was calculated by multiplying the 2017 Worcester County personal income by the average growth in personal income for the eight preceding years.
- (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,

2019

Employer	Employees	Percentage of Total County Employment
Harrison Group	1,098	4.42 %
Bayshore Development	557	2.24
OC Seacrets, Inc.	509	2.05
Clarion Resort Fontainebleau	380	1.53
Fagers Island, Ltd.	292	1.18
KTG LLC	284	1.14
Castle in the Sand, Inc.	210	0.85
Trimpers Rides, Inc.	200	0.81
91st Street Joint Venture, LLC	191	0.77
Phillips	190	0.77
<b>Total</b>	<b>3,911</b>	<b>15.76 %</b>
Total Worcester County employees (Data available for County only)	<b>24,816</b>	

2010

Employer	Employees	Percentage of Total County Employment
Harrison Group	1,100	3.85 %
Phillips	595	2.08
OC Seacrets, Inc.	510	1.78
Bayshore Development	500	1.75
KTG LLC	352	1.23
Clarion Resort Fontainebleau	300	1.05
Trimpers Rides, Inc.	300	1.05
Fagers Island, Ltd.	267	0.93
91st Street Joint Venture, LLC	230	0.80
Castle in the Sand, Inc.	168	0.59
<b>Total</b>	<b>4,322</b>	<b>15.11 %</b>
Total Worcester County employees (Data available for County only)	<b>28,577</b>	

**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**

<b>Function/Program</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
General Government	36	36	36	36	37	37	36	36	37	38
Public Safety	216	216	213	213	213	213	207	211	210	215
General Public Works	48	48	47	47	47	45	45	45	46	49
Solid Waste	21	21	21	21	21	22	23	23	25	40
Highway and Streets	23	22	23	23	23	23	22	22	22	33
Tourism	4	4	4	4	4	4	4	4	4	8
Recreation	43	43	42	42	43	42	42	42	42	48
Water	21	21	21	21	21	21	21	21	21	23
Wastewater	46	46	46	46	46	46	46	45	45	46
Transportation	13	13	13	13	13	13	13	13	13	16
Convention Center	34	34	34	34	33	32	32	33	34	35
Airport	3	3	3	3	3	3	3	3	3	3
Internal Service	30	30	30	30	30	30	30	30	30	33
Total full-time employees	538	537	533	533	534	531	524	528	532	587
Total part-time employees	885	829	904	850	911	874	867	837	814	755
Total employees	1,423	1,366	1,437	1,383	1,445	1,405	1,391	1,365	1,346	1,342

**Source:** Town of Ocean City's fiscal year 2010 - 2019 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	2019	2018	2017	2016
<b>General Information</b>				
Area (square miles)	5	5	5	5
Year-round residents	7,028	7,102	7,102	7,102
Registered voters	5,740	6,227	6,067	5,703
Average summer population	277,932	276,812	275,509	258,330
<b>General Government</b>				
Construction permits issued	1,852	1,885	1,810	1,855
Estimated value of construction	\$ 54,474,168	\$ 78,539,236	\$ 86,385,559	\$ 61,003,886
<b>Public Safety - Police</b>				
Total arrests	2,271	2,338	2,252	2,312
Parking violations	3,358	4,821	9,619	9,344
Classified officers	106	105	105	105
Seasonal officers	56	80	80	100
<b>Public Safety - Fire and Emergency Services</b>				
Fire responses	1,245	1,348	1,323	1,158
Ambulance responses	4,855	4,658	5,006	4,698
* Plan reviews/permits/special event reviews	1,062	854	930	935
* Fire marshal inspections	1,529	1,389	1,778	1,556
* Fire marshal field operations/investigations	756	718	757	755
* Fire marshal complaints/referrals/fire protection system deficiencies	734	720	666	795
* Fire safety inspections/re-inspections	-	-	-	-
* Fire investigations	-	-	-	-
Classified fire personnel	3	3	3	3
Volunteer officers, firemen, life honor, gold badge	240	215	215	226
Classified emergency medical technicians	44	44	44	42
Seasonal emergency medical technicians	82	74	67	69
<b>Solid Waste</b>				
Trash processed (tons)	34,749	34,479	35,823	33,794
Trash recycled (tons)	208	242	229	279
<b>Tourism and Recreation</b>				
Seasonal beach patrol personnel	186	207	194	175
<b>Water</b>				
Average daily consumption (gallons)	3,966,756	4,282,348	4,278,040	4,179,104
Plants' daily capacity (gallons)	18,000,000	18,000,000	18,000,000	18,000,000
<b>Transportation</b>				
Bus passengers	2,391,312	2,563,434	2,554,385	2,495,014
<b>Wastewater</b>				
Average daily treatment (gallons)	5,713,227	5,895,466	5,699,000	5,528,000
Average daily treatment - summer (gallons)	9,426,935	10,254,228	9,743,000	9,330,000
Plant's daily treatment capacity (gallons)	14,000,000	14,000,000	14,000,000	14,000,000
Customer accounts	28,416	28,403	28,417	28,698
<b>Airport</b>				
Based aircraft	65	63	67	76
Aircraft fueled	3,100	3,100	3,100	2,900

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

Source: Town of Ocean City Finance Department

	2015	2014	2013	2012	2011	2010
	5	5	5	5	5	5
	7,092	7,092	7,110	7,110	7,102	7,715
	6,141	5,267	6,184	6,034	5,166	6,549
	242,611	253,561	254,906	276,809	263,765	257,479
	1,472	1,564	1,660	1,525	1,622	1,501
\$	\$ 57,890,098	\$ 51,755,670	\$ 36,287,285	\$ 35,460,786	\$ 25,521,294	\$ 36,525,292
	3,568	2,921	3,614	3,879	3,572	4,213
	7,934	10,460	11,237	13,045	14,705	13,859
	105	105	105	103	102	107
	100	100	100	96	102	90
	1,278	1,262	1,190	1,303	1,224	1,254
	4,518	4,157	4,634	6,025	5,935	5,776
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	2,659	2,423	1,935	2,050	2,068	2,010
	65	98	107	115	136	144
	3	3	3	4	4	4
	231	235	235	235	221	219
	41	44	37	36	36	40
	65	67	65	54	74	58
	32,603	32,814	39,640	36,069	34,253	33,149
	202	185	190	205	283	2,742
	186	190	194	182	189	189
	4,156,608	4,637,616	4,891,890	5,243,506	5,591,287	5,026,025
	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000
	2,588,189	2,737,568	2,852,639	2,872,472	2,997,578	3,099,117
	5,378,000	5,445,000	5,700,000	5,747,000	5,731,000	5,766,000
	9,194,000	9,603,000	9,200,000	1,050,000	9,986,000	9,595,000
	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000
	28,804	28,739	28,775	28,772	28,781	28,792
	67	64	77	75	67	67
	2,900	3,165	3,544	4,092	4,081	3,838

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

Function/Program	2019	2018	2017	2016
<b>Public Safety - Police</b>				
Stations	2	2	2	2
Vehicles	82	82	83	81
<b>Public Safety - Fire and Emergency Services</b>				
Stations	5	5	5	5
Ambulances	10	10	10	10
<b>Highways and Streets</b>				
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
<b>Solid Waste</b>				
Heavy equipment	32	32	32	32
<b>Economic Development - Tourism, Recreation, and Culture</b>				
Parks/playgrounds	12 / 7	13 / 7	13 / 7	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	12	14	14	14
Museums	1	1	1	1
Golf courses	1	1	1	1
<b>Water</b>				
Water mains (miles)	150	150	150	150
Treatment plants	3	3	3	3
Service connections	7,500	7,216	7,074	7,074
Fire hydrants	847	847	847	847
<b>Transportation</b>				
Buses	62	61	62	62
Handicapped buses	3	3	3	3
Trolleys	-	-	-	-
Boardwalk trams	8	8	8	8
<b>Wastewater</b>				
Sanitary sewers (miles)	152	152	152	152
Treatment plants	1	1	1	1
Pumping stations	10	10	10	10
<b>Convention Center</b>				
Convention Center (functional sq. ft.)	118,101	118,101	118,101	118,101
<b>Airport</b>				
Runways (2) (linear feet)	7,278	7,278	7,273	7,273
Hangars (square feet)	115,064	115,064	115,064	115,064

Source: Town of Ocean City Finance Department

2015	2014	2013	2012	2011	2010
2	2	2	2	2	2
84	84	82	83	84	83
5	5	5	5	5	5
10	9	10	9	9	9
69	69	69	69	69	69
3,078	3,054	3,054	3,024	3,024	3,024
43	43	43	43	43	43
2,315	2,315	2,315	2,315	2,310	2,307
48	48	48	48	48	50
32	32	32	32	32	28
13 / 6	13 / 6	13 / 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
7,068	7,237	7,143	7,584	7,131	7,125
847	847	847	847	847	846
61	62	60	62	69	55
3	3	3	3	4	4
-	-	-	4	8	8
8	8	8	8	8	8
152	152	152	152	150	150
1	1	1	1	1	1
10	10	9	9	9	9
118,101	117,101	117,101	106,557	106,557	106,557
7,273	7,270	7,270	7,270	7,270	7,270
115,064	115,064	115,064	140,080	140,080	120,860