

TOWN OF OCEAN CITY, MARYLAND

COMPREHENSIVE ANNUAL FINANCIAL REPORT



2020

FISCAL YEAR ENDED JUNE 30, 2020

(cover photo by Chris Parypa)

Sergeant Charles “Chip” Green and his horse, Benson, take a break in the waves.

*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)

Rendering of the Ocean City Convention Center, as seen from the Assawoman Bay, after phase III of its expansion is completed.

Town of Ocean City, Maryland

Comprehensive Annual Financial Report

For the Fiscal Year Ended
June 30, 2020



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, 2020**

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
Letter of Transmittal	1
GFOA Certificate of Achievement	7
Organizational Chart.....	8
List of Principal Officials and Directors.....	9
 FINANCIAL SECTION	
Report of Independent Public Accountants	12
Management’s Discussion and Analysis.....	15
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	33
Statement of Activities.....	34
Fund Financial Statements:	
Balance Sheet – Governmental Funds	36
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	37
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	38
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	39
Statement of Net Position – Proprietary Funds.....	40
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds.....	42
Statement of Cash Flows – Proprietary Funds.....	44
Statement of Fiduciary Net Position – Benefit Trust Funds	48
Statement of Changes in Fiduciary Net Position – Benefit Trust Funds	49
Notes to the Financial Statements.....	50
Required Supplementary Information:	
Pension Trust Funds:	
Schedule of Changes in Net Pension Liability and Related Ratios – General Employees Pension Plan	86
Schedule of Changes in Net Pension Liability and Related Ratios – Public Safety Employees Pension Plan.....	88
Schedule of Employer Contributions – General Employees Pension Plan.....	90
Schedule of Employer Contributions – Public Safety Employees Pension Plan.....	92
Other Post-Employment Benefits (OPEB) Trust Fund:	
Schedule of Changes in Net Other Post-Employment Benefits Liability and Related Ratios.....	94
Schedule of Employer Contributions – Other Post-Employment Benefits Trust.....	96

	<u>Page</u>
Combining and Individual Fund Statements and Schedules:	
Combining Statement of Net Position – Nonmajor Enterprise Funds	100
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position – Nonmajor Enterprise Funds	101
Combining Statement of Cash Flows – Nonmajor Enterprise Funds	102
Combining Statement of Net Position – Internal Service Funds	106
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position – Internal Service Funds	107
Combining Statement of Cash Flows – Internal Service Funds	108
Combining Statement of Fiduciary Net Position – Pension and OPEB Trust Funds	114
Combining Statement of Changes in Fiduciary Net Position – Pension and OPEB Trust Funds.....	115

STATISTICAL SECTION

Financial Trends:	
Net Position by Component	118
Changes in Net Position.....	120
Fund Balances of Governmental Funds	124
Changes in Fund Balances of Governmental Funds	126
Revenue Capacity:	
Tax Revenues by Source, Governmental Funds	128
Assessed Value and Estimated Actual Values of Taxable Property	129
Property Tax Levies and Collections	130
Principal Property Taxpayers	131
Real Property Tax Rates – Direct and Overlapping Governments	132
Debt Capacity:	
Ratios of Outstanding Debt by Type.....	133
Ratios of General Obligation Bonds Outstanding.....	134
Direct and Overlapping Governmental Activities Debt.....	135
Legal Debt Margin Calculation.....	136
Schedule of Legal Debt Margin	136
Demographic and Economic Information:	
Demographic and Economic Statistics	137
Principal Employers.....	138
Operating Information:	
Full-Time Government Employees by Function/Program.....	139
Operating Indicators by Function/Program.....	140
Capital Asset Statistics by Function/Program.....	142

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 25, 2020

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

The Town of Ocean City, Maryland (the “Town”) is a popular tourist destination as well as an active residential community of citizens who enjoy living on a slender barrier island between the Atlantic Ocean and wide coastal bays. The 2020 fiscal year was an especially challenging time, as the Town sought to balance the quality of life for its residents during an unprecedented global pandemic with the needs of businesses and individuals who rely on an influx of visitors, primarily during the summer, to support their economic livelihoods. This report, which details the financial results for the 2020 fiscal year, identifies those efforts.

I respectfully submit the Town’s Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2020. 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 the State of Maryland’s financial reporting requirements for local governments. The financial statements are presented in conformity with accounting principles generally accepted in the United States (GAAP).

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

In accordance with auditing standards generally accepted in the United States, SB & Company, LLC, independent public accountants, have issued an unmodified (“clean”) opinion. The independent public accountants concluded that the Town of Ocean City’s financial statements for the year ended June 30, 2020, 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

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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 125th Street and at Sunset Park located on the bay-front in downtown Ocean City). There are 11 championship golf courses located within 10 miles of the Town. Group business, meetings, and events held at the Roland E. Powell Convention Center and the Performing Arts Center have also maintained room occupancy levels and restaurant and retail sales. Due to the COVID-19 pandemic and limitations on gatherings, many special events, tournaments, Town-provided activities, and scheduled conferences were cancelled during fiscal year 2020, and many events that were held were scaled-down versions of the events held during a “typical” fiscal year.

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 \$4 million a decade ago to \$6.2 million in fiscal year 2020. For the year ended June 30, 2020, room sales (based on room tax revenues) were down 5.38% from the prior fiscal year. This decrease was mitigated slightly by an increase in the room tax rate, from 4.5% to 5.0%, halfway through the fiscal year. Food and beverage sales (also based on tax collections) were down 13.87%. Both of these decreases are attributable to the effects of the pandemic on travel and restaurant capacity. Prior to the pandemic, room sales through February 2020 were up 8.12% compared to the same period in fiscal year 2019. Food and beverage sales were also up 3.94% prior to the pandemic.

There were 1,501 construction permits issued in FY 2020, compared to 1,852 in FY 2019. The estimated value of construction in FY 2020 was \$48,800,979, compared to \$54,474,168 in FY 2019. The following projects are under construction or in the permitting process as of the fiscal year-end:

<u>Location</u>	<u>Number of Units</u>	<u>Building</u>	<u>Construction Value</u>
13 St. Louis Ave.	137 (revised)	Cambria	\$ 17,000,000
3401 Coastal Hwy.	108 (revised)	Hilton Tru Hotel	10,400,000
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 th St.	N/A	Game World (Golf Ventures LLC)	275,000

During FY 2020, the Town relied on property taxes for approximately 51% 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 2020 fiscal year. The Town’s assessable base for real property increased 2.36%, primarily due to the Town’s last comprehensive reassessment in 2018, which is fully phased in over three years. The Town maintains sound budgeting practices with a focus on multi-year planning, which ensures that the Town’s financial position remains favorable.

MAJOR INITIATIVES AND DEPARTMENTAL ACTIVITIES

Emergency Operations Center:



On November 5, 1984, the Mayor and City Council of Ocean City, Maryland, approved Resolution 1984-7, to establish a local organization for Emergency Management, otherwise known as the Emergency Operations Center (EOC). At its inception, the EOC was located at the Fire Headquarters on 15th Street. When the new Public Safety Building opened on 65th Street in 1994, the EOC and the Town’s 9-1-1 Communications Center were moved to this new building, centralizing these services. In 2019, a two-year renovation of the Communications Center and a radio system upgrade were completed.

Emergency Management established the Town’s first Emergency Operations Plan (EOP) in 1988. The plan was adopted to provide guidance on civil preparedness activities for all Town departments as well as various support agencies and organizations as outlined in the Comprehensive Emergency Operations Plan (CEOP). This plan not only detailed the specific steps to be taken in the event of an emergency situation, it also established the EOC. The EOC plays a vital role in the overall plan by supplementing the Town’s capabilities to respond to major emergencies or disasters (technological, man-made, or natural). The EOC functions as a multi-agency coordination system, providing policy, coordination, and support to the command structure created to facilitate incident management operations. This system helps to ensure seamless coordination across jurisdictions and between the various levels of government in support of common objectives. In the event of an emergency, the EOC is able to activate quickly and has the capability to set up operations anywhere in Town with the use of the Mobile Command Center, which serves as a hub for all agency’s operations.



The EOC is responsible for strategic direction and operational decisions, with planning being a major component. The common functions of the EOC, while it’s operational, are to gather and analyze data; make decisions that protect life and property; maintain continuity of the Town’s operations (within the scope of applicable laws); communicate with allied agencies, including state and federal governments; and disseminate timely, relevant incident information to necessary organizations and individuals. Personnel from many Town departments must complete multiple levels of training, developed by the Federal Emergency Management Agency, prior to staffing the EOC. Under the leadership of the Incident Commander, staffers must exercise critical thinking during a crisis, while also having an open mind, sound judgement, and the ability to “think outside of the box.” To hone these skills, prospective EOC staffers are required to attend training and mock exercises during the Town’s “off season.”

In March 2020, the Town’s EOC was activated in response to the COVID-19 pandemic. The EOC was instrumental in tracking the local and regional spread of COVID-19 cases. Daily briefings were held with officials from the State of Maryland, Worcester County, and the Town. The EOC gathered information presented by the President of the United States, the Centers for Disease Control and Prevention, the

Governor of Maryland, and local health representatives, and was prepared in the event that COVID-19 spread rapidly in Ocean City. In response to the national shortage of personal protective equipment and disinfecting supplies, the EOC worked closely with vendors to secure essential supplies needed for the Town's first responders and front-line personnel. Additionally, the EOC drafted policies and procedures to update the Town's EOP. The EOC's extensive information gathering, planning, and coordinating was a critical part of the Town's efforts to mitigate the threat of COVID-19.

Ocean City Convention Center Expansion:



Built in 1970, the Town's Convention Center has proven it's more than just a conference center, but a hub for entertainment as well. Situated in the heart of Ocean City, the Convention Center offers a picturesque view of the Assawoman Bay and is a backdrop for corporate meetings, competitive events, festivals, and elite entertainment. It has achieved this distinction due to the careful planning of the City Engineer, approval by the Mayor and City Council, and through the Town's partnership with the Maryland Stadium Authority (MSA).

With eyes on the future, the expansion of the Roland E. Powell Convention Center entered Phase III in April 2020. However, the evolution of the Convention Center has been an ongoing process. After the completion of the original expansion in 1997, subsequent renovations have been completed in phases. Ten years after the original expansion, the MSA conducted a feasibility study related to further expansion of the Convention Center. The study focused on the existing structure, the current convention market, options for capital improvements, and the possibility of a performing arts center. That same year, the City Council approved the Phase I expansion plans and construction began in August 2011. Additionally, in November 2011, the City Council approved Phase II expansion plans for a \$14 million auditorium, complete with state-of-the-art technology. Phase II construction was completed in December 2014 and is now known as the Performing Arts Center. Currently, the building has over 60,000 square feet of exhibit space, 21 meeting rooms, two executive rooms, 788 auditorium seats, and 1,200 parking spaces. The costs for the first two expansions were shared by the MSA. The first and second phases cost the Town \$12 million, with the MSA contributing \$11.1 million.

With Phase III, the cost-sharing ratio changed to a 60/40 split agreement, with the MSA paying the larger share. Of the \$37.5 million total cost, the Town will be responsible for \$15 million and the MSA will pay \$22.5 million. The Town's portion is funded through the food tax, which was reduced from 1% to 0.5% in 2009. Although the renovations will have cost \$60.6 million in total once Phase III is completed, the Convention Center has, directly and indirectly, created many jobs and generated a large amount of revenue, which continues to show an upward trend. Phase III will add 30,000 square feet of exhibit hall space, a bayfront gallery, two meeting rooms, and a business center. The actual revenue growth from Phase I and II was \$56.9 million and 490 jobs, which far exceeded the projected revenue growth of \$34 million and 410 jobs. Phase III is expected to surpass Phases I and II with a projected increase of \$57 million in revenue and creation of 570 jobs. Completion of Phase III is anticipated to be in December 2021.



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, expansion of the convention center, wastewater mains, and secondary clarifier rehabilitation.

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, 2020, that reserve, unassigned fund balance, was \$23,048,068 (29.6% of General Fund expenditures), compared to \$21,329,235 (27.5%) in FY 2019.

Bond ratings. In February 2020, S&P Global Ratings affirmed its “AA+” rating on the Town’s general obligation bonds outstanding, with a “stable” outlook. S&P Global Ratings “believe[s] the Town has very strong financial flexibility to address potential cyclical revenue declines or severe weather-related events.” Fitch Ratings affirmed its “AA” rating on the Town’s outstanding general obligation bonds in February 2020, “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.” Also during February 2020, Moody’s Investors Service maintained their rating of “Aa2” on the Town’s rated outstanding parity debt, which “reflects the Town’s sizable, growing tax base that serves as a regional tourism destination, strong reserve position that benefits from prudent fiscal oversight, and manageable debt and pension liabilities.”

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, 2019. This is the 32nd 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,



Charles Bireley, CPA
Finance Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Town of Ocean City
Maryland**

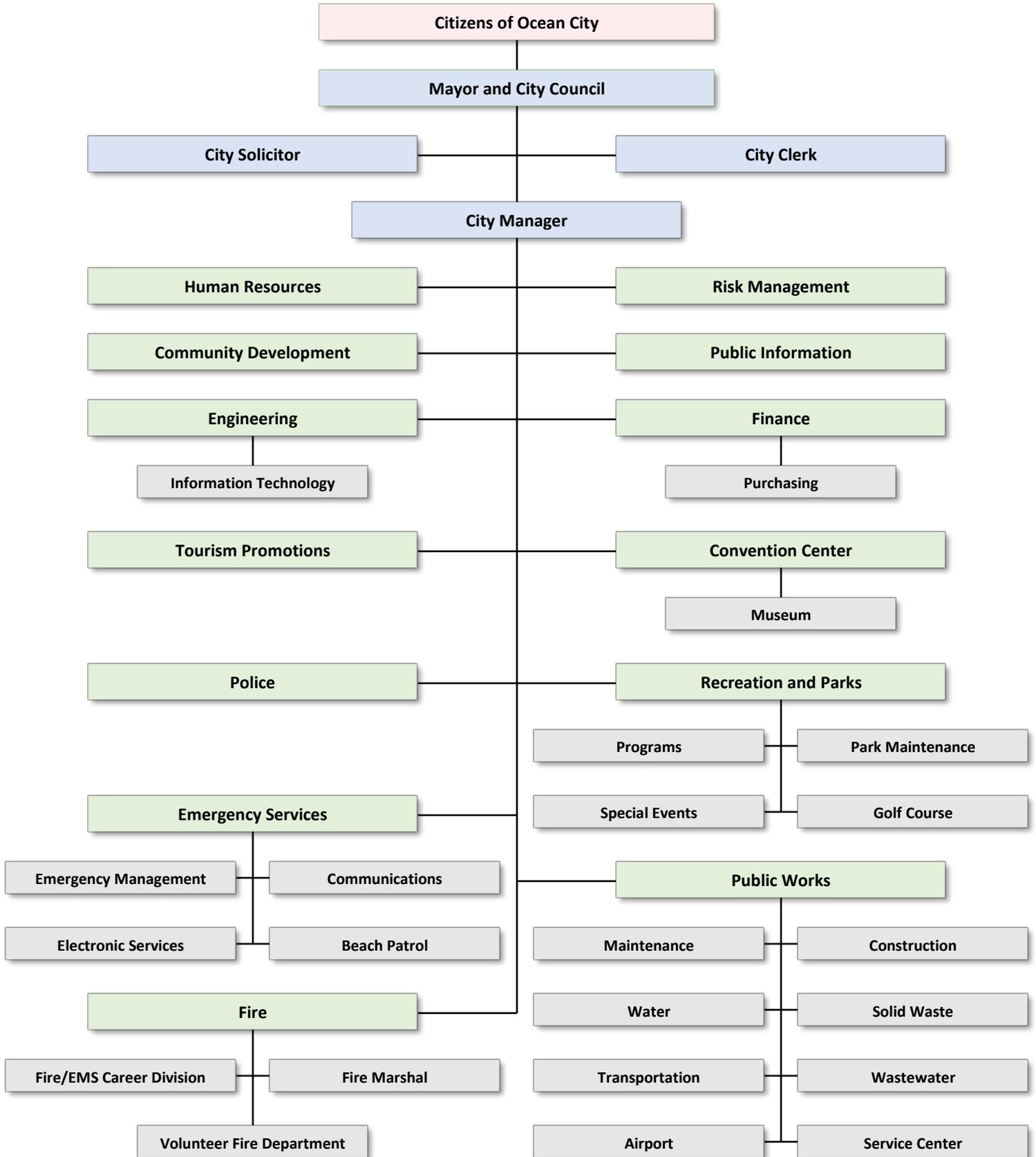
For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morill

Executive Director/CEO

Town of Ocean City Organizational Chart
Fiscal Year 2020



**Town of Ocean City, Maryland
List of Principal Officials and Directors
June 30, 2020**

<u>Title</u>	<u>Name</u>
Mayor	Richard W. Meehan
Council President	Lloyd Martin
Council Secretary	Mary P. Knight
Council Member	Dennis W. Dare
Council Member	Anthony J. DeLuca
Council Member	John F. Gehrig, Jr.
Council Member	Matthew M. James
Council Member	Mark L. Paddack
City Manager	Douglas R. Miller
City Solicitor	Ayres, Jenkins, Gordy & Almand, P.A.
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, Jr.
Fire Marshal	Josh Bunting
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

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



FINANCIAL SECTION



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

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Honorable Mayor
And City 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, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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, 2020, 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 Other Post-Employment Benefit (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 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 25, 2020

SB & Company, LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS



Town of Ocean City, Maryland
Management's Discussion and Analysis
June 30, 2020

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, 2020, provided by management. This information is best understood if read in conjunction with the transmittal letter at the front of this report found on pages 1-6 and the Town's financial statements, which follow this section.

Any discussion of the Town's financial performance during the year has to include the impact of COVID-19 during the months of March through June. The COVID-19 pandemic had a material impact on the Town's revenues and expenditures. Many of the year-to-year variances in revenues and expenditures referenced in the following paragraphs were influenced by the COVID-19 pandemic.

Financial Highlights for FY 2020

- The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows at the close of the 2020 fiscal year, resulting in a net position of \$171,443,615.
- The Town's overall financial position improved by \$10,040,961. Property tax revenue increased by \$1,363,466. Program revenues increased \$2,029,706, primarily due to an increase of \$3,509,007 in capital grants and contributions. Expenses increased \$2,905,620; however, a \$939,330 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 \$564,762. Business-type activities contributed \$9,476,199 to net position.
- As of June 30, 2020, the Town's governmental funds reported a combined fund balance of \$30,851,341, a decrease of \$3,655,526 from the prior year. Of the total amount in fund balance, \$5,394,231 is committed for capital projects, \$1,707,477 is assigned to the fiscal year 2021 budget, \$701,565 is assigned to purchases on order, and \$23,048,068 is available to meet the Town's current and future needs, and is unassigned fund balance. Unassigned General Fund balance at year-end was 29.6% of General Fund expenditures, compared to the percentage in FY 2019 of 27.5%, and is in excess of the Town's reserve policy of 15%.
- The Town's net debt decreased by \$2,216,359 in FY 2020.
- As of June 30, 2020, a net pension liability of \$31,352,060, related deferred outflows of \$9,371,993 and deferred inflows of \$828,962 are recorded in the Statement of Net Position. The funded ratio is 82.1% for the General Employees Pension Plan and is 77.7% for the Public Safety Employees Pension Plan. The Town's net OPEB liability was \$20,650,935 as of June 30, 2020, with a funded ratio of 64.1%. Deferred outflows of resources related to OPEB totaled \$2,114,020 and related deferred inflows were \$9,292,031.

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

Overview of the Financial Statements

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

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

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

The *Statement of Activities* presents information showing how the Town's net position changed during the past fiscal year. All changes in net position are reported when the underlying event or transaction occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in a future fiscal period such as uncollected income taxes, expensed but not paid interest, and pension-related expenses.

Both of these government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues, *governmental activities*, from other functions that are intended to cover their costs primarily from user fees and charges, *business-type activities*. The governmental activities of the Town include general government, public safety, general public works and beach, sanitation and waste removal, highways and streets, economic development, recreation and culture, and construction of capital assets. The business-type activities of the Town include water, wastewater, the bus and boardwalk tram operations, the Roland E. Powell Convention Center, the Ocean City Municipal Airport, and Eagle's Landing Golf Course.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Town's progress in funding its obligation to provide pension and OPEB benefits to its employees and retirees. Required supplementary information can be found on pages 86-97 of this report.

The combining statements referred to earlier in connection with internal service funds are presented immediately following the required supplementary information on pensions and OPEB. Combining and individual fund statements related to internal service funds can be found on pages 106-111 of this report.

Government-Wide Financial Analysis

The following tables, graphs, and analysis discuss the financial position and changes to the financial position for the Town as a whole as of and for the year ended June 30, 2020, 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 \$171,443,615 at the close of the fiscal year ended June 30, 2020, compared to \$161,402,654 for the year ended June 30, 2019.

101.5% 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
	2020	2019	2020	2019	2020	2019	
Current and other assets	\$ 50,746,745	\$ 55,704,367	\$ 42,449,482	\$ 36,101,092	\$ 93,196,227	\$ 91,805,459	1.5 %
Capital assets	113,439,580	109,621,919	145,626,893	138,006,318	259,066,473	247,628,237	4.6
Total assets	<u>164,186,325</u>	<u>165,326,286</u>	<u>188,076,375</u>	<u>174,107,410</u>	<u>352,262,700</u>	<u>339,433,696</u>	3.8
Deferred outflows of resources	<u>9,756,628</u>	<u>11,965,592</u>	<u>1,886,698</u>	<u>2,046,371</u>	<u>11,643,326</u>	<u>14,011,963</u>	-16.9
Long-term liabilities outstanding	99,928,177	100,729,330	67,283,814	64,083,150	167,211,991	164,812,480	1.5
Other liabilities	9,624,259	13,845,346	5,505,168	4,416,898	15,129,427	18,262,244	-17.2
Total liabilities	<u>109,552,436</u>	<u>114,574,676</u>	<u>72,788,982</u>	<u>68,500,048</u>	<u>182,341,418</u>	<u>183,074,724</u>	-0.4
Deferred inflows of resources	<u>7,486,140</u>	<u>6,377,587</u>	<u>2,634,853</u>	<u>2,590,694</u>	<u>10,120,993</u>	<u>8,968,281</u>	12.9
Net position:							
Net investment in capital assets	66,099,041	63,840,069	107,928,456	96,802,988	174,027,497	160,643,057	8.3
Restricted	-	-	3,062,035	3,063,906	3,062,035	3,063,906	-0.1
Unrestricted	(9,194,664)	(7,500,454)	3,548,747	5,196,145	(5,645,917)	(2,304,309)	145.0
Total net position	<u>\$ 56,904,377</u>	<u>\$ 56,339,615</u>	<u>\$ 114,539,238</u>	<u>\$ 105,063,039</u>	<u>\$ 171,443,615</u>	<u>\$ 161,402,654</u>	6.2 %

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

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

As shown in the following chart, the Town's net position increased \$10,040,961 for the year ended June 30, 2020. 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
	2020	2019	2020	2019	2020	2019	
REVENUES							
Program revenues:							
Charges for services	\$ 16,408,322	\$ 16,128,068	\$ 27,790,625	\$ 29,674,209	\$ 44,198,947	\$ 45,802,277	-3.5 %
Operating grants and contributions	3,335,627	3,087,434	3,827,761	3,951,925	7,163,388	7,039,359	1.8
Capital grants and contributions	-	293,883	10,829,317	7,026,427	10,829,317	7,320,310	47.9
General revenues:							
Property taxes	45,095,552	43,732,086	-	-	45,095,552	43,732,086	3.1
Other taxes	18,675,635	19,108,527	-	-	18,675,635	19,108,527	-2.3
Grants and contributions not restricted to specific programs	3,456,150	3,533,530	-	-	3,456,150	3,533,530	-2.2
Other revenues	2,149,731	2,237,302	468,348	714,857	2,618,079	2,952,159	-11.3
Total revenues	<u>89,121,017</u>	<u>88,120,830</u>	<u>42,916,051</u>	<u>41,367,418</u>	<u>132,037,068</u>	<u>129,488,248</u>	2.0
EXPENSES							
General government	1,005,541	961,507	-	-	1,005,541	961,507	4.6
Public safety	41,931,460	37,934,242	-	-	41,931,460	37,934,242	10.5
General public works and beach	7,947,190	8,038,416	-	-	7,947,190	8,038,416	-1.1
Sanitation and waste removal	6,709,292	6,578,821	-	-	6,709,292	6,578,821	2.0
Highways and streets	8,901,892	9,938,469	-	-	8,901,892	9,938,469	-10.4
Economic development - tourism	8,346,286	8,649,731	-	-	8,346,286	8,649,731	-3.5
Recreation and culture	7,933,083	8,477,292	-	-	7,933,083	8,477,292	-6.4
Interest on long-term debt	1,496,052	1,548,752	-	-	1,496,052	1,548,752	-3.4
Water	-	-	6,030,102	6,036,469	6,030,102	6,036,469	-0.1
Wastewater	-	-	12,873,389	11,847,685	12,873,389	11,847,685	8.7
Transportation	-	-	7,276,681	8,104,072	7,276,681	8,104,072	-10.2
Convention Center	-	-	5,918,274	6,181,811	5,918,274	6,181,811	-4.3
Airport	-	-	3,255,852	2,631,481	3,255,852	2,631,481	23.7
Golf Course	-	-	2,371,013	2,161,739	2,371,013	2,161,739	9.7
Total expenses	<u>84,270,796</u>	<u>82,127,230</u>	<u>37,725,311</u>	<u>36,963,257</u>	<u>121,996,107</u>	<u>119,090,487</u>	2.4
Change in net position before transfers	4,850,221	5,993,600	5,190,740	4,404,161	10,040,961	10,397,761	-3.4
Transfers	(4,285,459)	(4,203,223)	4,285,459	4,203,223	-	-	
Change in net position	564,762	1,790,377	9,476,199	8,607,384	10,040,961	10,397,761	-3.4
Net position, prior year	56,339,615	54,549,238	105,063,039	96,455,655	161,402,654	151,004,893	6.9
Net position, current year	<u>\$ 56,904,377</u>	<u>\$ 56,339,615</u>	<u>\$ 114,539,238</u>	<u>\$ 105,063,039</u>	<u>\$ 171,443,615</u>	<u>\$ 161,402,654</u>	6.2 %

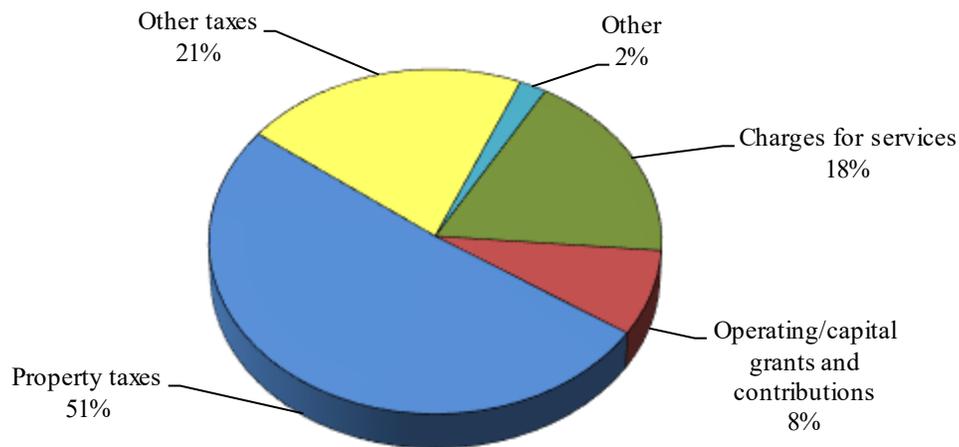
Town of Ocean City, Maryland
Management's Discussion and Analysis

Governmental activities. The economy in the mid-Atlantic region during FY 2020 was robust until March, when the COVID-19 pandemic began to have a major negative impact. Government mandates intended to suppress the spread of the coronavirus limited travel and required many businesses to close or severely reduce their capacities. These restrictions directly affected many of the Town's tourism-dependent lodging establishments, restaurants, and amusements from March 2020 through the end of the fiscal year.

Employees received budgeted wage increase increments in January 2020. Other key elements of the change in net position for governmental activities are as follows:

- Property tax revenues, and tax penalties and interest, increased \$1,363,466 due to an increase in the assessed value of real property. The real property tax rate remained constant at \$0.4656 per \$100 of assessed value in FY 2020 compared to FY 2019. Property taxes comprised 51% of revenue for governmental activities in FY 2020, an increase of 1% compared to FY 2019.

GOVERNMENTAL ACTIVITIES
REVENUES BY SOURCE

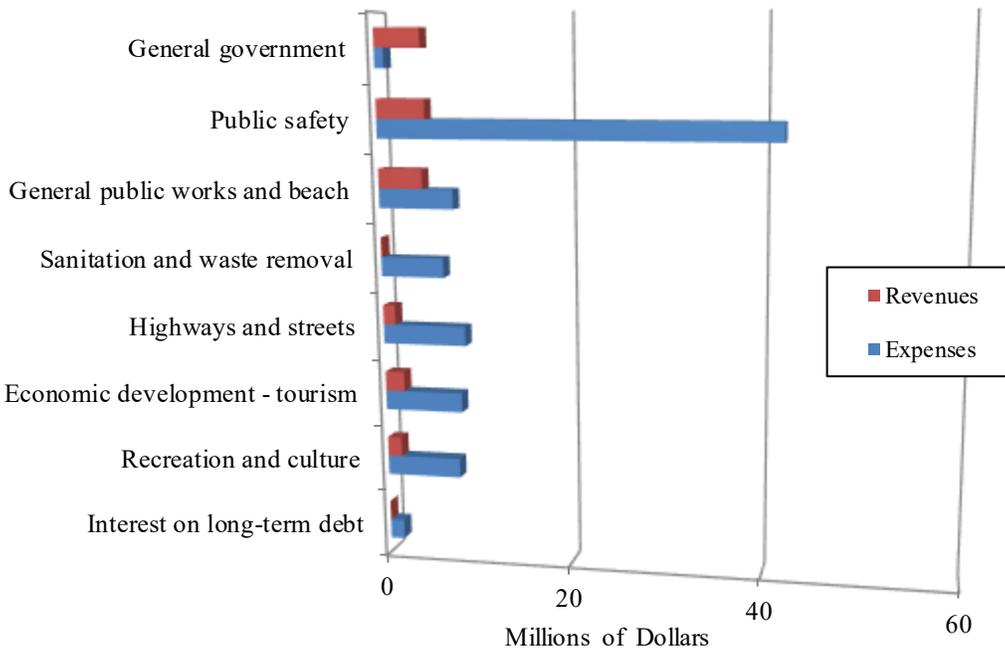


- The “other taxes” category includes admissions taxes, income taxes, highway user taxes, and room taxes. Room taxes decreased \$863,227 in FY 2020 compared to the prior fiscal year. Room tax revenues increased the first eight months of FY 2020, compared to FY 2019, but decreased significantly during the final four months of the fiscal year due to the COVID-19 pandemic. This decrease in revenue occurred in spite of the room tax rate increasing from 4.5% to 5.0% on January 1, 2020.
- Revenue from charges for current services decreased \$775,985 for governmental funds. License and permit fees as well as other charges decreased due to the impact of the pandemic. A one-time receipt of \$1,000,000 to extend the pier franchise agreement helped to offset the negative effects of the pandemic on the Town's revenues from governmental activities.

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

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

**GOVERNMENTAL ACTIVITIES
EXPENSES AND PROGRAM REVENUES**



- The Town paid claims of \$894,928 in the 2020 fiscal year compared to \$814,697 in FY 2019. Based on analysis as of June 30, 2020, the claims liability was increased \$111,515 in FY 2020 compared to an increase of \$129,795 in FY 2019 for claims reserves. There was a \$62,586 gain in the Risk Management Fund in FY 2020. In FY 2019, the fund reported a loss of \$15,069.
- Transfers to other funds increased \$82,236. The subsidy for the Transportation Fund increased \$86,628. The Town's contribution to subsidize the convention center increased \$228,835 due to the cancellation of events because of COVID-19. Transfers to the golf course increased \$544,758 due to the course being closed more than three months, and transfers to the airport decreased \$777,985.

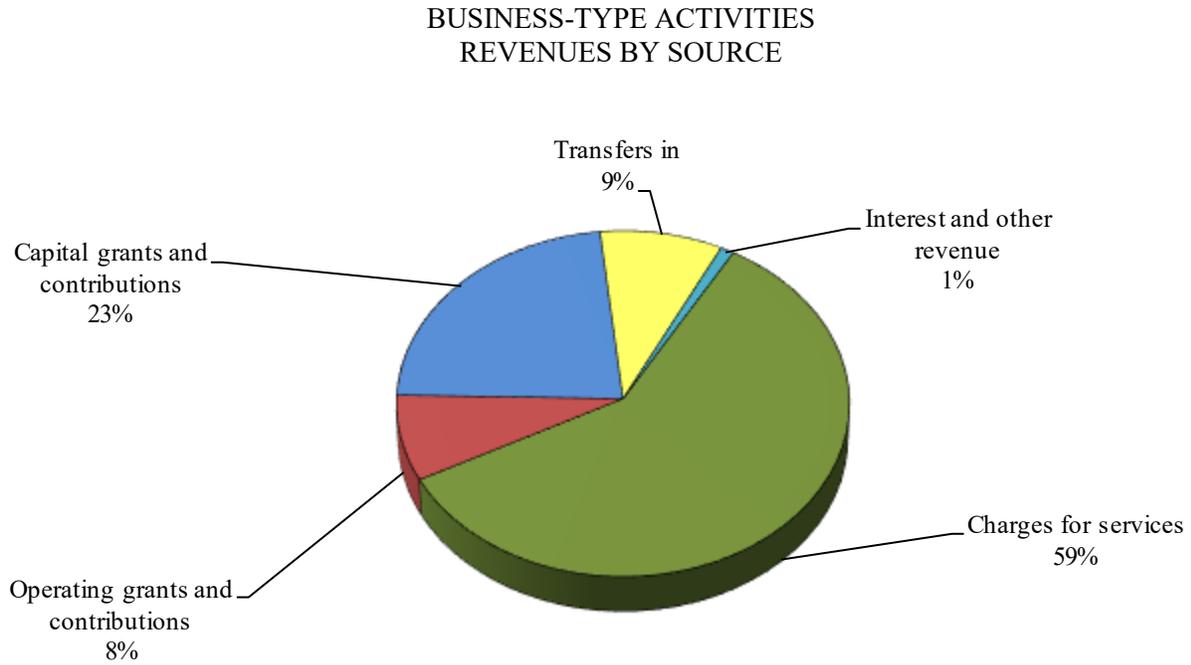
Business-type activities. There was an increase of \$9,476,199 in the Town's net position in FY 2020 attributed to business-type activities. Key elements of this increase are as follows:

- Charges for services for business-type activities decreased \$1,883,584. Wastewater revenue increased \$224,046 due to rate increases as scheduled from a 5-year rate study adopted in 2015 to fund capital improvements. Transportation revenue decreased \$1,179,545 due to a significant decrease in bus deployments and not operating the boardwalk trams. The convention center revenue from service fees decreased \$567,386 due to the facility being closed in response to the pandemic.
- There was a total of \$10,829,317 in capital grants and contributions for business-type activities. State and federal capital grants for the transportation portion of the campus plan were \$9,401,465.

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

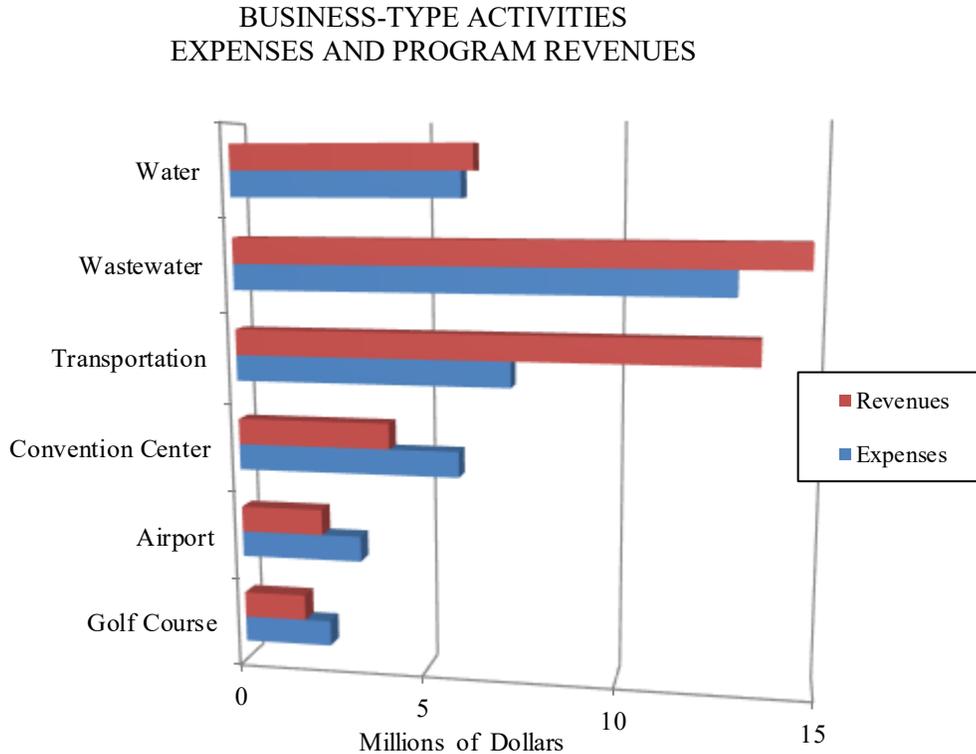
- Expenses increased \$762,054 in FY 2020 for business-type activities compared to FY 2019, primarily due to an increase of \$1,025,704 in expenses for the Wastewater Fund. Expenses for the golf course and the airport increased \$209,274 and \$624,371, respectively. Expenses decreased for the convention center and for transportation by \$263,537 and \$827,391, respectively.

Charges for services were 59% of revenue for business-type activities in FY 2020, with operating grants and contributions making up 8% of revenue, and capital grants and contributions comprising 23% of revenue as shown in the following graph:



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

The following graph indicates the portion of expenses that are covered by charges for services to customers for business-type activities. The Water and Wastewater Funds are self-supporting and users or reserves cover all costs. The operations of the Transportation, Convention Center, Airport, and Golf Course Funds are subsidized by the General Fund.



Financial Analysis of the Town's Funds

As noted previously, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Town's governmental funds is to provide information on current inflows, outflows, and balances of available, spendable resources. Such information is useful in assessing the Town's financing requirements. The amount of unassigned fund balance is a measure of the Town's net resources available at fiscal year-end. Unassigned fund balance provides a reserve for emergencies, enables the City Council to stabilize tax rates, and provides working capital from which to pay Town bills between tax collection due dates.

As of June 30, 2020, the Town's governmental funds reported a combined ending fund balance of \$30,851,341 compared to \$34,506,867 at June 30, 2019. The fund balance for the governmental funds decreased \$3,655,526, primarily due to a decrease in the Capital Projects Fund balance.

The General Fund unassigned fund balance, which is available for spending, increased \$1,718,833; from \$21,329,235 in FY 2019, to \$23,048,068, although the City Council assigned \$1,707,477 to the 2021 fiscal year budget for capital improvements. Total General Fund balance increased \$2,035,028 during the fiscal year. The changes in both total and unassigned General Fund balance are important to evaluate the fund's liquidity.

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

The real property tax rate was held constant for FY 2020 at \$0.4656 per \$100 of valuation. An increase in the assessed value of real property resulted in property tax revenues increasing by \$1,495,148 during the fiscal year. Total General Fund revenues increased \$1,616,644 compared to FY 2019 primarily due to the increase in property taxes and other revenue.

- General Fund expenditures of \$77,776,844 before other financing sources and uses were \$144,414 more in FY 2020 compared to FY 2019. There was an increase in public safety expenditures of \$888,386, which was partially offset by decreases of \$356,047 in economic development – tourism and \$86,193 in highways and streets.
- Debt principal in the amount of \$3,587,935 was retired in FY 2020, \$171,942 more than in FY 2019. Interest expense was \$42,768 less than FY 2019.
- Transfers to other funds were \$8,960,416 in FY 2020 compared to \$8,375,962 in FY 2019, an increase of \$584,454.
- In FY 2020, the City Council voted to assign \$1,707,477 of fund balance to provide resources for the 2021 fiscal year for street paving, a contribution to Atlantic General Hospital, airport debt service, and storm drain cleaning.

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, 2020, unassigned General Fund balance was \$23,048,068, which represents 29.6% of General Fund expenditures, compared to 27.5% in FY 2019. Total General Fund balance represents 32.7% of General Fund expenditures at year-end. At the prior year-end, the percentage was 30.2%.

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 \$341,831 was reported in the Water Fund compared to \$376,722 in FY 2019. Impact fees from new construction were \$92,358, a decrease of \$76,923 from the amount received in FY 2019. Operating expenses decreased \$64,761 compared to FY 2019.
- The Wastewater Fund had a gain of \$1,877,279 in FY 2020 compared to a gain of \$2,856,557 in FY 2019. Revenues from service charges increased \$224,046 as rates were increased in April 2018 to fund future capital improvements and related debt service. Operating expenses increased \$1,120,919 as compared to FY 2019, primarily due to a large increase in pension and OPEB expenses for FY 2020.
- The Convention Center Fund had an operating loss of \$4,221,220 in FY 2020 compared to a loss of \$3,881,789 in FY 2019. Operating revenue decreased \$567,386 and expenses decreased \$227,955. The Convention Center Fund received operating grants of \$2,822,010 and \$1,717,200 in transfers from the Town, resulting in an increase in the net position of the fund of \$157,024. 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 \$3,062,035 at year-end and is shown as a restricted portion of net position.
- The Transportation Fund had \$1,179,545 less operating revenue in FY 2020 compared to FY 2019. Operating expenses were \$821,528 less than in FY 2019. The fund had an operating loss of \$3,094,954, which was \$358,017 more than the operating loss in FY 2019, but received \$905,782 in operating grants, capital grants of \$9,401,465, and a transfer from the General Fund of \$1,234,609.

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

- The Golf Course Fund, a nonmajor fund, had a loss in net position of \$50,478 for the year and the Airport Fund, a nonmajor fund, had a loss in net position of \$357,822 in FY 2020.

Fiduciary funds.

In FY 2020, the pension funds had an average money-weighted rate of return on investments of 1.9%, compared to 3.6% in FY 2019. The actuarial value of assets is fair value as of June 30, 2020. 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 83.5% to 82.1%. Employees contribute 5% of pay to the plan. The Town contributed \$2,403,037 to the plan during FY 2020, which was \$250,300 more than the prior fiscal year. The unfunded actuarial liability is amortized over 10 years.

The funded ratio decreased from 78.7% to 77.7% for the Public Safety Employees Pension Plan. Employees contribute 8% of pay to the plan (9% for IAFF members). The Town contributed \$3,785,451 to the plan during FY 2020, \$370,634 more than FY 2019, 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 2020. The plan had investment gains of 1.7% for fiscal year 2020. The net liability for the plan is \$20,650,935 and has a remaining amortization of 19 years. The funded ratio is 64.09% of the total OPEB liability. The Town contributed \$2,297,361 to the plan in FY 2020, which was an increase of \$47,539 over the FY 2019 contribution. Additional information on the OPEB Trust can be found on pages 72-76 of this report.

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

General Fund Budgetary Highlights

Amendments to the adopted budget may occur during the year by ordinance (see Note 1.F. on page 53). Two amendments were made in FY 2020. Differences between the original budget and final amended budget for the General Fund resulted in recognition of \$651,679 in additional revenues and increased the total expenditures in the original budget by \$93,137. Transfers to other funds increased \$2,451,443. Significant changes were made as follows:

- Reduced “other taxes” by \$1,700,632, which included a reduction of the room tax estimate by \$1,980,056, the estimate for casino revenue by \$170,000, and a reduction in the estimate for highway user tax by \$90,376. All three of these revenue sources were affected by COVID-19. To partially offset these reductions, income tax estimates were increased \$316,000.
- Increased “licenses and permits” revenue by \$527,356. This reflects revenue from the new pier franchise of \$1,100,000; and reductions in Planning & Zoning Department fees of \$209,000; and room, business, and trader’s licenses of \$158,367. Estimates for alcoholic beverage licenses and the cable TV franchise were also reduced by a total of \$215,000.
- Increased federal, state, and county grant estimates by \$1,109,026, which included \$373,225 from state tourism grants, \$132,774 in COVID-19 reimbursement grants, and \$539,188 in public safety grants.
- Increased fines and forfeitures by \$760,593, which included an increase in parking fines of \$572,000.
- The budget amendments increased expenditures by \$696,497 for public safety, which reflects federal, state, and county grants received and a \$300,000 General Fund transfer to cover fire engine motor replacements in three vehicles.
- The budget amendments decreased expenditures by \$567,784 for expenses related to “recreation and culture.” Salaries, benefits, and operating expenses were all reduced due to COVID-19, as many programs were canceled or held virtually, which decreased staffing requirements.
- Transfers to other funds increased \$2,451,443. Transfers to the Capital Projects Fund increased \$1,784,303 and included the boardwalk renovations funded through the pier franchise of \$1,100,000, \$380,000 for street paving, and \$304,303 to replace underground fuel tanks at 65th Street. Transfers to the Golf Course Fund and the Convention Center Fund increased due to COVID-19 and totaled \$554,301. A transfer of \$148,848 was made to the Vehicle and Equipment Trust Fund to purchase four police vehicles. Transfers to the Transportation Fund were reduced \$36,009 to reflect the lower level of service due to COVID-19.

During the fiscal year, revenues were more than final budget estimates by \$2,605,794. Expenditures were \$2,127,408 less than anticipated. Other sources and uses variances were a favorable \$71,930. This resulted in an overall favorable variance from the budget of \$4,805,132. The key elements of this variance were:

- Revenue from property taxes was \$981,307 more than anticipated due to increased assessments.
- Revenue from “other revenue” was \$439,077 above the final budget primarily due to investment income in excess of budgeted estimates.

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

- The largest variance to the final budget for expenditures was for “public safety,” which was \$1,008,637 under budget due to lower costs for part-time salaries, as some positions were not filled, and lower costs for maintenance and supplies.
- The category “general public works and beach” had expenditures \$191,464 less than anticipated due to lower services and supplies costs.
- Expenditures for “economic development – tourism” were under budget by \$167,258 due to marketing and advertising costs that were lower than expectations.
- “Recreation and culture” expenditures were under budget by \$314,608 due to lower contracted service costs for programs impacted by COVID-19.
- 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 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, 2020, were \$259,066,473 (net of accumulated depreciation) compared to \$247,628,237 in FY 2019. 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
	2020	2019	2020	2019	2020	2019	
Land	\$ 26,075,318	\$ 26,075,318	\$ 17,977,224	\$ 16,871,602	\$ 44,052,542	\$ 42,946,920	2.6 %
Construction in progress	9,970,077	15,264,990	26,742,017	14,647,284	36,712,094	29,912,274	22.7
Buildings	26,822,805	24,126,958	42,394,880	45,072,913	69,217,685	69,199,871	0.0
Machinery and equipment	24,331,080	17,350,828	31,163,660	33,159,431	55,494,740	50,510,259	9.9
Streets and infrastructure	18,603,272	18,430,160	24,311,583	25,175,656	42,914,855	43,605,816	-1.6
Other improvements	7,637,028	8,373,665	3,037,529	3,079,432	10,674,557	11,453,097	-6.8
	<u>\$ 113,439,580</u>	<u>\$ 109,621,919</u>	<u>\$ 145,626,893</u>	<u>\$ 138,006,318</u>	<u>\$ 259,066,473</u>	<u>\$ 247,628,237</u>	4.6 %

Debt Administration

In March 2020, the Town issued tax-exempt general obligation bonds for \$6,650,000 to finance capital projects related to water and wastewater and to refinance a note payable in the Vehicle and Equipment Trust Fund. In March 2020, the Town issued taxable general obligation bonds for \$1,115,000 to purchase land for a water treatment plant.

As of June 30, 2020, the Town had total general obligation bonded debt, backed by the full faith and credit of the Town, outstanding of \$93,807,285, 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 \$273,700, and capital leases of \$10,224,909.

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

The Town paid debt principal of \$10,293,880 in FY 2020. Outstanding general obligation debt represents 1.06% of the assessed valuation of property in the Town. The debt limit is 5.2% of assessments, leaving a legal debt margin of \$382,288,996.

In February 2020, S&P Global Ratings affirmed its “AA+” rating on the Town’s general obligation bonds outstanding, Fitch Ratings affirmed its “AA” rating on the Town’s outstanding general obligation bonds, and Moody’s Investors Service maintained their rating of “Aa2” on the Town’s rated outstanding parity debt. Additional information on the Town’s debt can be found in Note 8 on pages 67-70 of this report.

Economic Factors and Next Year’s Budget and Rates

- For the FY 2021 budget, the Town adopted the constant yield real property tax rate of \$0.4559 per \$100 of assessed value and reduced the corporate and personal property tax rate from \$1.29 per \$100 of assessed value to \$1.14 per \$100 of assessed value. Corporate and personal property tax revenues are expected to remain relatively stable, even with the lower tax rate, due to increased assessments.
- Ocean City remains a premier mid-Atlantic resort that is convenient from metropolitan areas. The Town has continued to dedicate over 44% of hotel room taxes to increased advertising of Ocean City as a resort destination.
- Service is a primary function of a Town government in a resort community. Non-union employees are budgeted to receive an increment on January 1, 2021. Police union employees receive a step increase and 2% cost-of-living adjustment on January 1, 2021.
- 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 2021 budget invests \$2,100,000 into maintaining the beach and boardwalk.
- To continue to maintain infrastructure, property values, and pedestrian safety, the FY 2021 budget funded \$2,100,000 for street paving and \$100,000 for storm drain cleaning.

All of these factors were considered in preparing the Town’s budget for the 2021 fiscal year.

Request for Information

This financial report is designed to provide a general overview of the Town of Ocean City’s finances for all those with an interest in the Town’s finances. Questions concerning any information provided in this report or requests for additional information should be addressed to the Finance Director, Town of Ocean City, PO Box 158, Ocean City, Maryland 21843; or cbireley@oceancitymd.gov.

BASIC FINANCIAL STATEMENTS

The basic financial statements provide an overview of the various financial schedules in this report. The information can be used to obtain a summary of the Town's financial transactions.



TOWN OF OCEAN CITY, MARYLAND
STATEMENT OF NET POSITION
JUNE 30, 2020

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Cash and cash equivalents	\$ 17,596,297	\$ 28,876,566	\$ 46,472,863
Restricted cash and cash equivalents	-	752,833	752,833
Investments	22,700,873	5,000,000	27,700,873
Restricted investments	-	2,376,495	2,376,495
Receivables (net of allowance for uncollectibles)	3,173,696	2,869,552	6,043,248
Interest receivable	75,661	11,647	87,308
Intergovernmental receivable	4,457,109	3,662,021	8,119,130
Internal balances	2,050,882	(2,050,882)	-
Inventories	692,227	947,750	1,639,977
Other	-	3,500	3,500
Capital assets, not being depreciated:			
Land	26,075,318	17,977,224	44,052,542
Construction in progress	9,970,077	26,742,017	36,712,094
Capital assets, net of accumulated depreciation:			
Buildings	26,822,805	42,394,880	69,217,685
Machinery and equipment	24,331,080	31,163,660	55,494,740
Streets and infrastructure	18,603,272	24,311,583	42,914,855
Other improvements	7,637,028	3,037,529	10,674,557
Total capital assets	<u>113,439,580</u>	<u>145,626,893</u>	<u>259,066,473</u>
Total assets	<u>164,186,325</u>	<u>188,076,375</u>	<u>352,262,700</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	79,579	77,734	157,313
Deferred outflows related to pensions	8,112,978	1,259,015	9,371,993
Deferred outflows related to OPEB	1,564,071	549,949	2,114,020
Total deferred outflows of resources	<u>9,756,628</u>	<u>1,886,698</u>	<u>11,643,326</u>
LIABILITIES			
Accounts payable and other accrued liabilities	2,332,739	4,131,826	6,464,565
Accrued expenses	4,238,518	684,752	4,923,270
Unearned revenue	2,322,212	507,318	2,829,530
Other	730,790	181,272	912,062
Long-term liabilities:			
Due within one year:			
Compensated absences	1,775,533	452,095	2,227,628
Claims and judgments	1,066,492	-	1,066,492
Bonds, notes, and loans payable	4,609,250	4,696,219	9,305,469
Due in more than one year:			
Compensated absences	356,160	96,802	452,962
Claims payable	3,061,573	-	3,061,573
Bonds, notes, and loans payable	46,311,181	52,783,691	99,094,872
Net pension liability	27,469,265	3,882,795	31,352,060
Net OPEB liability	15,278,723	5,372,212	20,650,935
Total long-term liabilities	<u>99,928,177</u>	<u>67,283,814</u>	<u>167,211,991</u>
Total liabilities	<u>109,552,436</u>	<u>72,788,982</u>	<u>182,341,418</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	611,373	217,589	828,962
Deferred inflows related to OPEB	6,874,767	2,417,264	9,292,031
Total deferred inflows of resources	<u>7,486,140</u>	<u>2,634,853</u>	<u>10,120,993</u>
NET POSITION			
Net investment in capital assets	66,099,041	107,928,456	174,027,497
Restricted for debt service	-	3,062,035	3,062,035
Unrestricted	(9,194,664)	3,548,747	(5,645,917)
Total net position	<u>\$ 56,904,377</u>	<u>\$ 114,539,238</u>	<u>\$ 171,443,615</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, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 1,005,541	\$ 4,887,614	\$ -	\$ -
Public safety	41,931,460	2,848,882	2,312,342	-
General public works and beach	7,947,190	4,686,163	3,016	-
Sanitation and waste removal	6,709,292	133,343	-	-
Highways and streets	8,901,892	1,290,408	-	-
Economic development - tourism	8,346,286	1,165,587	873,225	-
Recreation and culture	7,933,083	1,396,325	100,000	-
Interest on long-term debt	1,496,052	-	47,044	-
Total governmental activities	84,270,796	16,408,322	3,335,627	-
Business-type activities:				
Water	6,030,102	6,254,649	-	92,358
Wastewater	12,873,389	14,394,010	99,969	161,261
Transportation	7,276,681	3,188,557	905,782	9,401,465
Convention Center	5,918,274	1,200,549	2,822,010	50,000
Airport	3,255,852	1,090,680	-	1,113,593
Golf Course	2,371,013	1,662,180	-	10,640
Total business-type activities	37,725,311	27,790,625	3,827,761	10,829,317
Total primary government	\$ 121,996,107	\$ 44,198,947	\$ 7,163,388	\$ 10,829,317
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
\$ 3,882,073	\$ -	\$ 3,882,073
(36,770,236)	-	(36,770,236)
(3,258,011)	-	(3,258,011)
(6,575,949)	-	(6,575,949)
(7,611,484)	-	(7,611,484)
(6,307,474)	-	(6,307,474)
(6,436,758)	-	(6,436,758)
(1,449,008)	-	(1,449,008)
<u>(64,526,847)</u>	<u>-</u>	<u>(64,526,847)</u>
-	316,905	316,905
-	1,781,851	1,781,851
-	6,219,123	6,219,123
-	(1,845,715)	(1,845,715)
-	(1,051,579)	(1,051,579)
-	(698,193)	(698,193)
<u>-</u>	<u>4,722,392</u>	<u>4,722,392</u>
<u>(64,526,847)</u>	<u>4,722,392</u>	<u>(59,804,455)</u>
44,886,189	-	44,886,189
209,363	-	209,363
18,675,635	-	18,675,635
579,115	-	579,115
2,877,035	-	2,877,035
1,155,677	468,348	1,624,025
994,054	-	994,054
(4,285,459)	4,285,459	-
<u>65,091,609</u>	<u>4,753,807</u>	<u>69,845,416</u>
564,762	9,476,199	10,040,961
56,339,615	105,063,039	161,402,654
<u>\$ 56,904,377</u>	<u>\$ 114,539,238</u>	<u>\$ 171,443,615</u>

TOWN OF OCEAN CITY, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

	General Fund	Capital Projects Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 8,669,077	\$ 6,293,226	\$ 14,962,303
Investments	18,857,801	-	18,857,801
Accounts receivable (net of allowance for uncollectibles)	3,156,070	7,391	3,163,461
Interest receivable	67,370	1,069	68,439
Intergovernmental receivable	4,457,109	-	4,457,109
Due from other funds	500,000	-	500,000
Total assets	<u>\$ 35,707,427</u>	<u>\$ 6,301,686</u>	<u>\$ 42,009,113</u>
LIABILITIES			
Accounts payable	\$ 1,205,334	\$ 907,455	\$ 2,112,789
Accrued expenditures	5,281,760	-	5,281,760
Other	730,790	-	730,790
Unearned revenues	2,322,212	-	2,322,212
Total liabilities	<u>9,540,096</u>	<u>907,455</u>	<u>10,447,551</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property and income taxes	710,221	-	710,221
Total deferred inflows of resources	<u>710,221</u>	<u>-</u>	<u>710,221</u>
FUND BALANCES			
Committed:			
Capital projects - purchases on order	-	2,941,160	2,941,160
Capital projects	-	1,349,498	1,349,498
Pier franchise	-	1,103,573	1,103,573
Assigned:			
Purchases on order	701,565	-	701,565
Subsequent year's budget: appropriation of fund balance	1,707,477	-	1,707,477
Unassigned	23,048,068	-	23,048,068
Total fund balances	<u>25,457,110</u>	<u>5,394,231</u>	<u>30,851,341</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 35,707,427</u>	<u>\$ 6,301,686</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.	94,031,937
Other long-term assets are not available to pay for current-period expenditures and, therefore, are offset by deferred revenue in the governmental funds.	710,221
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, (\$1,550,882).	15,310,415
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.	(83,999,537)
Net position - governmental activities	<u>\$ 56,904,377</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, 2020

	General Fund	Capital Projects Fund	Total Governmental Funds
REVENUES			
Property taxes	\$ 45,137,533	\$ -	\$ 45,137,533
Other taxes	19,254,750	-	19,254,750
Licenses and permits	5,153,640	-	5,153,640
Fines and forfeitures	1,533,893	-	1,533,893
Charges for current services	9,457,419	263,370	9,720,789
Revenue from other agencies	6,207,104	-	6,207,104
Other revenue	1,920,834	151,264	2,072,098
Total revenues	<u>88,665,173</u>	<u>414,634</u>	<u>89,079,807</u>
EXPENDITURES			
Current:			
General government	3,974,398	58,433	4,032,831
Public safety	36,215,064	-	36,215,064
General public works and beach	5,524,543	615,471	6,140,014
Sanitation and waste removal	5,980,097	-	5,980,097
Highways and streets	5,668,721	973,078	6,641,799
Economic development - tourism	8,015,628	-	8,015,628
Recreation and culture	7,248,149	20,947	7,269,096
Capital outlay	-	8,856,253	8,856,253
Debt service:			
Principal	3,587,935	-	3,587,935
Interest	1,551,471	-	1,551,471
Bond issuance costs	10,838	-	10,838
Total expenditures	<u>77,776,844</u>	<u>10,524,182</u>	<u>88,301,026</u>
Excess (deficiency) of revenues over expenditures	<u>10,888,329</u>	<u>(10,109,548)</u>	<u>778,781</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	107,115	4,526,109	4,633,224
Transfers out	(8,960,416)	(107,115)	(9,067,531)
Total other financing sources (uses)	<u>(8,853,301)</u>	<u>4,418,994</u>	<u>(4,434,307)</u>
Net change in fund balances	2,035,028	(5,690,554)	(3,655,526)
Fund balances, beginning	<u>23,422,082</u>	<u>11,084,785</u>	<u>34,506,867</u>
Fund balances, ending	<u>\$ 25,457,110</u>	<u>\$ 5,394,231</u>	<u>\$ 30,851,341</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, 2020

Net change in fund balances - total governmental funds (page 37) \$ (3,655,526)

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. 4,915,248

Revenues in the Statement of Activities that do not provide current financial resources are not
reported as revenues in the governmental funds. (41,981)

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. 3,587,935

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. (4,736,198)

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. 495,284

Change in net position - governmental activities (page 35) \$ 564,762

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, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 44,106,226	\$ 44,156,226	\$ 45,137,533	\$ 981,307
Other taxes	20,116,558	18,415,926	19,254,750	838,824
Licenses and permits	4,403,875	4,931,231	5,153,640	222,409
Fines and forfeitures	774,400	1,534,993	1,533,893	(1,100)
Charges for current services	10,132,725	9,454,070	9,457,419	3,349
Revenue from other agencies	4,976,150	6,085,176	6,207,104	121,928
Other revenue	897,766	1,481,757	1,920,834	439,077
Total revenues	<u>85,407,700</u>	<u>86,059,379</u>	<u>88,665,173</u>	<u>2,605,794</u>
EXPENDITURES				
Current:				
General government	3,878,514	4,050,000	3,974,398	75,602
Public safety	36,567,204	37,223,701	36,215,064	1,008,637
General public works and beach	5,975,442	5,716,007	5,524,543	191,464
Sanitation and waste removal	6,237,212	6,104,839	5,980,097	124,742
Highways and streets	5,666,039	5,833,705	5,668,721	164,984
Economic development - tourism	8,125,806	8,182,886	8,015,628	167,258
Recreation and culture	8,130,541	7,562,757	7,248,149	314,608
Debt service:				
Principal	3,663,392	3,663,392	3,587,935	75,457
Interest	1,566,965	1,566,965	1,551,471	15,494
Bond issuance costs	-	-	10,838	(10,838)
Total expenditures	<u>79,811,115</u>	<u>79,904,252</u>	<u>77,776,844</u>	<u>2,127,408</u>
Excess of revenues over expenditures	<u>5,596,585</u>	<u>6,155,127</u>	<u>10,888,329</u>	<u>4,733,202</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	107,115	107,115
Transfers out	(6,473,788)	(8,925,231)	(8,960,416)	(35,185)
Total other financing sources (uses)	<u>(6,473,788)</u>	<u>(8,925,231)</u>	<u>(8,853,301)</u>	<u>71,930</u>
Net change in fund balances	(877,203)	(2,770,104)	2,035,028	4,805,132
Fund balances, beginning	<u>23,422,082</u>	<u>23,422,082</u>	<u>23,422,082</u>	<u>-</u>
Fund balances, ending	<u>\$ 22,544,879</u>	<u>\$ 20,651,978</u>	<u>\$ 25,457,110</u>	<u>\$ 4,805,132</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, 2020

	Business-Type Activities		
	Water	Wastewater	Transportation
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 4,296,640	\$ 8,329,045	\$ 174,626
Investments	-	5,000,000	-
Receivables, net	1,351,418	1,294,988	105,225
Interest receivable	446	975	-
Intergovernmental receivable	8	-	2,922,419
Inventories	-	817,783	-
Other	-	-	-
Total current assets	<u>5,648,512</u>	<u>15,442,791</u>	<u>3,202,270</u>
Noncurrent assets:			
Restricted cash and cash equivalents	-	-	-
Restricted investments	-	-	-
Capital assets:			
Land	3,871,317	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	31,041,872	11,938,192	-
Machinery and equipment	5,005,844	54,027,743	6,947,885
Construction in progress	1,878,207	5,911,629	16,210,968
Less: accumulated depreciation	<u>(42,349,172)</u>	<u>(68,029,639)</u>	<u>(3,987,248)</u>
Total noncurrent assets	<u>22,304,247</u>	<u>56,935,581</u>	<u>22,108,666</u>
Total assets	<u>27,952,759</u>	<u>72,378,372</u>	<u>25,310,936</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	16,206	61,528	-
Deferred outflows related to pensions	339,584	311,867	87,118
Deferred outflows related to OPEB	70,170	299,344	33,414
Total deferred outflows of resources	<u>425,960</u>	<u>672,739</u>	<u>120,532</u>
LIABILITIES			
Current liabilities:			
Accounts payable	110,895	828,535	1,549,372
Accrued expenses	74,607	240,877	47,267
Compensated absences	76,894	179,947	38,102
Due to other funds	-	-	500,000
Deferred revenue	-	-	-
Claims and judgments	-	-	-
Other	174,772	6,500	-
Current portion of long-term debt	835,016	2,868,345	-
Total current liabilities	<u>1,272,184</u>	<u>4,124,204</u>	<u>2,134,741</u>
Noncurrent liabilities:			
Compensated absences	-	14,017	22,379
Claims and judgments	-	-	-
Bonds, notes, and loans payable	7,378,337	28,009,104	-
Net pension liability	1,047,275	961,796	268,670
Net OPEB liability	685,453	2,924,165	326,406
Total noncurrent liabilities	<u>9,111,065</u>	<u>31,909,082</u>	<u>617,455</u>
Total liabilities	<u>10,383,249</u>	<u>36,033,286</u>	<u>2,752,196</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	58,689	53,898	15,056
Deferred inflows related to OPEB	308,425	1,315,748	146,869
Total deferred inflows of resources	<u>367,114</u>	<u>1,369,646</u>	<u>161,925</u>
NET POSITION			
Net investment in capital assets	16,033,226	30,296,405	22,108,667
Restricted for debt service	-	-	-
Unrestricted	1,595,130	5,351,774	408,680
Total net position	<u>\$ 17,628,356</u>	<u>\$ 35,648,179</u>	<u>\$ 22,517,347</u>

Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds over time
Net position of business-type activities

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

Business-Type Activities			Governmental
Convention Center	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ 15,274,418	\$ 801,837	\$ 28,876,566	\$ 2,633,994
-	-	5,000,000	3,843,072
79,440	38,481	2,869,552	10,235
10,226	-	11,647	7,222
291,252	448,342	3,662,021	-
-	129,967	947,750	692,227
-	3,500	3,500	-
<u>15,655,336</u>	<u>1,422,127</u>	<u>41,371,036</u>	<u>7,186,750</u>
685,540	67,293	752,833	-
2,376,495	-	2,376,495	-
7,456,616	4,012,386	17,977,224	-
41,209,984	5,300,376	117,176,430	1,447,083
190,728	627,874	6,396,523	31,545
-	11,858,057	54,838,121	-
1,706,932	1,051,171	68,739,575	51,172,003
2,080,795	660,418	26,742,017	-
<u>(20,245,187)</u>	<u>(11,631,751)</u>	<u>(146,242,997)</u>	<u>(33,242,988)</u>
<u>35,461,903</u>	<u>11,945,824</u>	<u>148,756,221</u>	<u>19,407,643</u>
<u>51,117,239</u>	<u>13,367,951</u>	<u>190,127,257</u>	<u>26,594,393</u>
-	-	77,734	-
354,078	166,368	1,259,015	469,153
110,266	36,755	549,949	96,901
<u>464,344</u>	<u>203,123</u>	<u>1,886,698</u>	<u>566,054</u>
1,187,172	455,852	4,131,826	219,950
288,110	33,891	684,752	115,612
110,460	46,692	452,095	142,916
-	-	500,000	-
190,344	316,974	507,318	-
-	-	-	1,066,492
-	-	181,272	-
921,232	71,626	4,696,219	753,914
<u>2,697,318</u>	<u>925,035</u>	<u>11,153,482</u>	<u>2,298,884</u>
36,081	24,325	96,802	21,903
-	-	-	3,061,573
17,147,052	249,198	52,783,691	5,118,108
1,091,975	513,079	3,882,795	1,446,866
1,077,141	359,047	5,372,212	946,579
<u>19,352,249</u>	<u>1,145,649</u>	<u>62,135,500</u>	<u>10,595,029</u>
<u>22,049,567</u>	<u>2,070,684</u>	<u>73,288,982</u>	<u>12,893,913</u>
61,193	28,753	217,589	81,082
484,667	161,555	2,417,264	425,919
<u>545,860</u>	<u>190,308</u>	<u>2,634,853</u>	<u>507,001</u>
27,865,159	11,624,999	107,928,456	13,535,621
3,062,035	-	3,062,035	-
<u>(1,941,038)</u>	<u>(314,917)</u>	<u>5,099,629</u>	<u>223,912</u>
<u>\$ 28,986,156</u>	<u>\$ 11,310,082</u>	<u>116,090,120</u>	<u>\$ 13,759,533</u>
		<u>(1,550,882)</u>	
		<u>\$ 114,539,238</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, 2020

	Business-Type Activities	
	Water	Wastewater
OPERATING REVENUES		
Charges for sales and services	\$ 6,254,649	\$ 14,394,010
Miscellaneous	-	-
Total operating revenues	<u>6,254,649</u>	<u>14,394,010</u>
OPERATING EXPENSES		
Personal services	2,121,165	4,088,144
Contractual services	198,776	453,482
Utilities	231,972	514,671
Repairs and maintenance	751,583	912,733
Other supplies and expenses	557,155	1,282,876
Internal services	886,445	1,237,708
Insurance claims and expenses	-	-
Depreciation	1,083,380	3,354,748
Total operating expenses	<u>5,830,476</u>	<u>11,844,362</u>
Operating income (loss)	424,173	2,549,648
NONOPERATING REVENUES (EXPENSES)		
Interest and investment revenue	41,875	114,988
Operating grants	-	99,969
Interest expense	(177,925)	(993,151)
Bond issuance costs	(38,650)	(55,436)
Gain on disposal of assets	-	-
Total nonoperating revenues (expenses)	<u>(174,700)</u>	<u>(833,630)</u>
Income (loss) before capital contributions and transfers	249,473	1,716,018
Capital contributions	92,358	161,261
Transfers in	-	-
Change in net position	341,831	1,877,279
Net position, beginning	<u>17,286,525</u>	<u>33,770,900</u>
Net position, ending	<u>\$ 17,628,356</u>	<u>\$ 35,648,179</u>

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

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

Business-Type Activities				Governmental
Transportation	Convention Center	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ 3,188,557	\$ 1,200,549	\$ 2,752,860	\$ 27,790,625	\$ 12,231,021
-	-	-	-	2,001
<u>3,188,557</u>	<u>1,200,549</u>	<u>2,752,860</u>	<u>27,790,625</u>	<u>12,233,022</u>
3,032,546	2,993,907	1,499,624	13,735,386	3,327,345
134,104	139,001	1,864,781	2,790,144	1,407,103
94,888	343,799	93,608	1,278,938	116,879
1,398,339	323,450	113,993	3,500,098	494,821
74,505	184,800	1,020,532	3,119,868	2,489,012
913,581	342,146	334,695	3,714,575	1,113,613
-	-	-	-	1,010,801
635,548	1,094,666	660,931	6,829,273	3,012,235
<u>6,283,511</u>	<u>5,421,769</u>	<u>5,588,164</u>	<u>34,968,282</u>	<u>12,971,809</u>
(3,094,954)	(4,221,220)	(2,835,304)	(7,177,657)	(738,787)
13,690	289,973	7,822	468,348	83,191
905,782	2,822,010	-	3,827,761	-
-	(500,939)	(38,701)	(1,710,716)	(130,610)
-	-	-	(94,086)	-
-	-	-	-	180,415
<u>919,472</u>	<u>2,611,044</u>	<u>(30,879)</u>	<u>2,491,307</u>	<u>132,996</u>
(2,175,482)	(1,610,176)	(2,866,183)	(4,686,350)	(605,791)
9,401,465	50,000	1,124,233	10,829,317	-
<u>1,234,609</u>	<u>1,717,200</u>	<u>1,333,650</u>	<u>4,285,459</u>	<u>148,848</u>
8,460,592	157,024	(408,300)	10,428,426	(456,943)
<u>14,056,755</u>	<u>28,829,132</u>	<u>11,718,382</u>		<u>14,216,476</u>
<u>\$ 22,517,347</u>	<u>\$ 28,986,156</u>	<u>\$ 11,310,082</u>		<u>\$ 13,759,533</u>
			(952,227)	
			<u>\$ 9,476,199</u>	

TOWN OF OCEAN CITY, MARYLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Business-Type Activities	
	Water	Wastewater
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	\$ 6,019,872	\$ 14,265,381
Payments to suppliers	(1,759,457)	(3,106,012)
Payments to employees	(2,059,830)	(3,959,059)
Payments for interfund services used	(886,445)	(1,237,708)
Net cash provided (used) by operating activities	<u>1,314,140</u>	<u>5,962,602</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Advances from other funds	-	-
Subsidies from county, state, and federal grants	-	-
Transfers from other funds	-	-
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from capital grants	-	99,969
Capital contributions	92,358	161,261
Acquisition and construction of capital assets	(1,622,682)	(1,887,924)
Proceeds from bond issuance	3,094,903	4,362,352
Bond issuance costs	(38,650)	(55,436)
Principal paid on capital debt	(490,613)	(2,706,445)
Interest paid on capital debt	(188,486)	(1,069,751)
Capital lease payments	-	-
Proceeds from sales of capital assets	-	-
Net cash provided (used) by capital and related financing activities	<u>846,830</u>	<u>(1,095,974)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	-	-
Purchases of investments	-	(500,000)
Sales of investments	-	-
Interest and dividends received	41,429	114,013
Net cash provided (used) by investing activities	<u>41,429</u>	<u>(385,987)</u>
Net increase (decrease) in cash and cash equivalents	2,202,399	4,480,641
Cash and cash equivalents, beginning of the fiscal year	<u>2,094,241</u>	<u>3,848,404</u>
Cash and cash equivalents, end of the fiscal year	<u>\$ 4,296,640</u>	<u>\$ 8,329,045</u>

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

(Continued)

Business-Type Activities				Governmental
Transportation	Convention Center	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ 3,228,283	\$ 1,243,251	\$ 2,857,340	\$ 27,614,127	\$ 12,244,071
(1,675,747)	(1,035,216)	(3,039,543)	(10,615,975)	(5,504,999)
(3,135,359)	(2,878,348)	(1,403,313)	(13,435,909)	(3,004,837)
(913,581)	(342,146)	(334,695)	(3,714,575)	(1,113,613)
<u>(2,496,404)</u>	<u>(3,012,459)</u>	<u>(1,920,211)</u>	<u>(152,332)</u>	<u>2,620,622</u>
500,000	-	-	500,000	-
907,316	2,903,222	-	3,810,538	-
1,234,609	1,717,200	1,333,650	4,285,459	148,848
<u>2,641,925</u>	<u>4,620,422</u>	<u>1,333,650</u>	<u>8,595,997</u>	<u>148,848</u>
8,521,654	50,000	-	8,671,623	-
-	-	1,106,410	1,360,029	-
(8,845,701)	(241,806)	(119,080)	(12,717,193)	(1,910,125)
-	-	-	7,457,255	1,228,572
-	-	-	(94,086)	-
-	(888,804)	(567,379)	(4,653,241)	(1,316,571)
-	(683,395)	(40,129)	(1,981,761)	(123,478)
-	-	-	-	(736,134)
-	-	-	-	180,415
<u>(324,047)</u>	<u>(1,764,005)</u>	<u>379,822</u>	<u>(1,957,374)</u>	<u>(2,677,321)</u>
-	2,037,653	-	2,037,653	-
-	(2,084,405)	-	(2,584,405)	(3,384,098)
-	-	-	-	2,649,734
13,690	317,299	7,822	494,253	83,657
<u>13,690</u>	<u>270,547</u>	<u>7,822</u>	<u>(52,499)</u>	<u>(650,707)</u>
(164,836)	114,505	(198,917)	6,433,792	(558,558)
339,462	15,845,453	1,068,047	23,195,607	3,192,552
<u>\$ 174,626</u>	<u>\$ 15,959,958</u>	<u>\$ 869,130</u>	<u>\$ 29,629,399</u>	<u>\$ 2,633,994</u>

TOWN OF OCEAN CITY, MARYLAND
STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Business-Type Activities	
	Water	Wastewater
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 424,173	\$ 2,549,648
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	1,083,380	3,354,748
EFFECT OF CHANGES IN OPERATING ASSETS AND LIABILITIES:		
Accounts receivable	(166,392)	(118,143)
Due from other governmental agencies	(8)	14
Inventories	-	(40,250)
Deferred outflows related to pensions	170,053	46,959
Deferred outflows related to OPEB	(36,348)	(157,413)
Compensated absences	(1,529)	(1,838)
Customer deposits	(68,377)	(10,500)
Accounts payable	(19,971)	98,000
Accrued expenses	7,030	13,241
Unearned revenue	-	-
Claims liability	-	-
Net pension liability	47,442	275,012
Net OPEB liability	(58,784)	(198,986)
Deferred inflows related to pensions	(111,568)	(58,354)
Deferred inflows related to OPEB	45,039	210,464
Total adjustments	889,967	3,412,954
Net cash provided (used) by operating activities	\$ 1,314,140	\$ 5,962,602
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:		
Increase (decrease) in fair value of investments	\$ -	\$ -

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

Transportation	Business-Type Activities			Governmental
	Convention Center	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ (3,094,954)	\$ (4,221,220)	\$ (2,835,304)	\$ (7,177,657)	\$ (738,787)
635,548	1,094,666	660,931	6,829,273	3,012,235
39,726	76,392	114,736	(53,681)	11,049
-	-	(2,594)	(2,588)	-
-	-	10,007	(30,243)	(4,774)
73,533	48,587	43,391	382,523	158,457
(17,309)	(57,118)	(19,039)	(287,227)	(51,805)
(2,898)	(15,824)	(1,552)	(23,641)	16,694
-	-	-	(78,877)	-
26,089	(44,166)	43,364	103,316	(93,124)
(63,518)	1,412	6,384	(35,451)	28,176
-	(33,690)	(7,662)	(41,352)	-
-	-	-	-	111,515
(53,488)	239,369	119,707	628,042	275,180
(27,993)	(92,374)	(30,791)	(408,928)	(45,738)
(32,588)	(79,268)	(45,380)	(327,158)	(133,194)
21,448	70,775	23,591	371,317	74,738
598,550	1,208,761	915,093	7,025,325	3,359,409
<u>\$ (2,496,404)</u>	<u>\$ (3,012,459)</u>	<u>\$ (1,920,211)</u>	<u>\$ (152,332)</u>	<u>\$ 2,620,622</u>
\$ -	\$ (2,147)	\$ -	\$ (2,147)	\$ 5,795

TOWN OF OCEAN CITY, MARYLAND
STATEMENT OF FIDUCIARY NET POSITION
BENEFIT TRUST FUNDS
JUNE 30, 2020

ASSETS

Cash and cash equivalents	\$ 4,359,273
Interest and dividends receivable	198,475
Investments, at fair value:	
Domestic equities	49,960,408
Domestic fixed income	55,936,224
International equities	39,210,578
Alternative investments	10,906,066
Total assets	<u>160,571,024</u>

LIABILITIES

Accounts payable	<u>105,414</u>
Total liabilities	<u>105,414</u>

NET POSITION

Net position restricted for pensions/OPEB	<u><u>\$ 160,465,610</u></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, 2020

ADDITIONS

Contributions:		
Employer	\$	8,766,470
Plan members		1,685,112
Total contributions		<u>10,451,582</u>
 Miscellaneous income		 77,361
 Investment earnings:		
Net change in fair value of investments		4,518
Interest		1,196,782
Dividends		2,808,297
Total investment income		<u>4,009,597</u>
Less: investment expense		<u>(1,042,950)</u>
Net investment income		<u>2,966,647</u>
Total additions		<u>13,495,590</u>

DEDUCTIONS

Benefits and refunds paid		10,011,097
Administrative expenses		81,738
Total deductions		<u>10,092,835</u>
 Change in net position		 3,402,755
 Net position, beginning		 <u>157,062,855</u>
 Net position, ending	\$	 <u><u>160,465,610</u></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, 2020

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 Nationwide.

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2020

There are no organizations for which the Town is financially accountable or organizations which would be described as a component unit or a discretely presented component unit of the Town during the fiscal year.

C. Basis of presentation – government-wide financial statements

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

The effect of interfund activity has been eliminated from the government-wide financial statements except for charges between the Water, Wastewater, Transportation, and Convention Center Funds and the General Fund for indirect services. Elimination of these charges would distort the costs and program revenues reported for the various services.

D. Basis of presentation – fund financial statements

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

The Town has two major governmental funds, the General Fund and the Capital Projects Fund. The General Fund is used to account for and report all financial resources of the government not accounted for and reported in another fund. The General Fund accounts for the normal recurring activities of the Town such as police, public works, recreation and parks, general government, etc. These activities are financed primarily by property taxes, other taxes, service charges, and grants from other governmental units. The Town utilizes the Capital Projects Fund to account for all financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of major capital facilities and other capital assets not financed by proprietary funds.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. The Town has four major proprietary funds: the Water Fund operates the water treatment plants and distribution system; the Wastewater Fund operates the sewage treatment plant, pumping stations, and collection system; the Convention Center Fund accounts for the activities of the Roland E. Powell Convention Center; and the Transportation Fund accounts for the operations of the Town's bus system and boardwalk trams. The Town has two nonmajor proprietary funds, the Airport Fund and the Golf Course Fund. The Airport Fund accounts for the operations of the Ocean City Municipal Airport and the Golf Course Fund accounts for the operations of Eagle's Landing Golf Course.

The Town maintains four internal service funds: the Information Technology Fund accounts for the Town's computer operations; the Service Center Fund accounts for the maintenance of Town vehicles and operates a central purchasing warehouse; the Vehicle and Equipment Trust Fund accounts for the purchase and use (lease) of Town vehicles, equipment, and radios; and the Risk Management Fund accounts for insurance expenses and claims liabilities for workers' compensation, vehicle, and general claims.

The Town has three fiduciary funds: the General Employees Pension Fund accounts for activities of the EPP; the Public Safety Employees Pension Fund accounts for activities of the PSEPP, and the Other Post-Employment Benefits (OPEB) Trust Fund accounts for activities of the OPEB Trust. As fiduciary funds, these funds are used to account for assets held on behalf of outside parties under the terms of a formal trust agreement.

During the course of operations, the Town has activity between funds for various purposes. Any residual balances outstanding at fiscal year-end are reported as "due from/to other funds" and "advances from/to other funds," the non-current portion of interfund loans. Advances between funds reported in the fund financial statements are offset by a

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2020

fund balance reserve account in the General Fund to indicate that they are not available for appropriation and are not expendable financial resources.

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

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

E. Measurement focus and basis of accounting

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

Government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year of levy. Grants are recognized as revenue when all eligibility requirements are met. For pension trust funds, employee and employer contributions are recognized as revenues in the period in which employee services are performed.

Governmental fund statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collected within 60 days of fiscal year-end. Expenditures are recorded when the related liability is incurred as under accrual accounting. Principal and interest on general long-term debt and expenditures for compensated absences are recorded when the payments are due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Those revenues susceptible to accrual include property taxes, taxes collected by the State and County on behalf of the Town, franchise taxes, special assessments, revenue from other agencies, interest revenue, and charges for services. Fines and forfeitures, licenses, permits, penalties and interest (on property taxes), and other revenues become measurable and available when cash is received by the Town and are recognized as revenue at that time. Revenue from grants based on expenditures is recognized when the qualifying expenditures have been incurred, all eligibility requirements have been met, and the amount is received within 60 days of fiscal year-end.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2020

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, 2020, for the General Fund, the governmental fund type for which an annual budget is adopted. No annual budget and actual comparisons are presented in the financial statements for governmental funds utilizing project ordinances which sometimes span more than one fiscal year.

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

1) Cash equivalents and investments

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

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

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

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2020

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.

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2020

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, 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.

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2020

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.

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2020

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.

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2020

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

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

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

Land	\$ 26,075,318
Construction in progress	9,970,077
Buildings	49,690,467
Less: accumulated depreciation - buildings	(22,924,053)
Machinery and equipment	9,896,166
Less: accumulated depreciation - machinery and equipment	(4,916,206)
Streets and infrastructure	52,314,682
Less: accumulated depreciation - streets and infrastructure	(33,711,410)
Other improvements	23,267,104
Less: accumulated depreciation - other improvements	(15,630,208)
Net adjustment to increase fund balance - total governmental funds	
to arrive at net position - governmental activities	\$ 94,031,937

The reconciliation also explains that “Internal service funds are used by management to charge the costs of equipment replacement and insured risks and, therefore, the assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position, net of the portion assigned to business-type activities.” The details of this difference are as follows:

Net position of the internal service funds	\$ 13,759,533
Add: internal receivable representing costs in excess of charges to business-type activities - prior years	598,655
Add: internal receivable representing costs in excess of charges to business-type activities - current year	952,227
Net adjustment to increase fund balance - total governmental funds	
to arrive at net position - governmental activities	\$ 15,310,415

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2020

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 difference are as follows:

Bonds payable	\$ 37,687,478
Less: deferred charge on refunding (to be amortized as interest expense)	(79,579)
Add: issuance premium (to be amortized over life of debt)	1,323,839
Intergovernmental loans	273,700
Capital leases	5,763,392
Accrued interest payable	473,763
Accrued obligation for compensated absences (not due within one year)	334,257
Net pension liability	26,022,399
Less: deferred outflows of resources - difference between projected and actual earnings on pension plan investments	(5,870,226)
Less: deferred outflows of resources - difference between expected and actual experience	(1,095,952)
Less: deferred outflows of resources - changes of pension plan assumptions and benefits	(677,647)
Add: deferred inflows of resources - difference between expected and actual experience	367,056
Add: deferred inflows of resources - changes of pension plan assumptions and benefits	163,235
Net OPEB liability	14,332,144
Less: deferred outflows of resources - difference between projected and actual earnings on OPEB plan investments	(1,464,978)
Less: deferred outflows of resources - difference between expected and actual experience	(2,192)
Add: deferred inflows of resources - difference between expected and actual experience	4,858,285
Add: deferred inflows of resources - changes of OPEB plan assumptions and benefits	1,590,563
Net adjustment to decrease fund balance - total governmental funds	\$ 83,999,537
to arrive at net position - governmental activities	\$ 83,999,537

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	\$ 9,270,678
Depreciation expense	(4,355,430)
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net position - governmental activities	\$ 4,915,248

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2020

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 difference in the treatment of long-term debt and related items are as follows:

Principal repayments:	
General obligation debt	\$ 3,587,935
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net position - governmental activities	<u>\$ 3,587,935</u>

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

Accrued interest on debt	\$ 5,648
Amortization of bond premiums	236,943
Amortization of deferred charge on refunding	(45,724)
Accrued obligation for compensated absences (not due within one year)	(334,257)
Change in net pension liability	(1,859,873)
Amortization of effect of difference between projected and actual earnings on pension plan investments	(874,227)
Amortization of changes in pension plan assumptions and benefits	514,412
Amortization of pension plan difference between expected and actual experience	(2,452,435)
Change in net OPEB liability	484,664
Amortization of effect of difference between projected and actual earnings on OPEB plan investments	794,162
Amortization of OPEB plan difference between expected and actual experience	385,052
Amortization of changes in OPEB plan assumptions and benefits	<u>(1,590,563)</u>
Net adjustment to decrease net change in fund balances - total governmental funds to arrive at change in net position - governmental activities	<u>\$ (4,736,198)</u>

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

Change in net position of the internal service funds	\$ (456,943)
Plus: loss from charges to business-type activities	<u>952,227</u>
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net position - governmental activities	<u>\$ 495,284</u>

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2020

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

The proprietary fund Statement of Net Position includes a reconciliation between “net position – total enterprise funds” and “net position – business-type activities” as reported in the government-wide Statement of Net Position. The description of the sole component of that reconciliation on page 40 is “Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds over time.” The details of this difference are as follows:

Internal payable representing costs in excess of charges to business-type activities - prior years	\$ (598,655)
Internal payable representing costs in excess of charges to business-type activities - current year	<u>(952,227)</u>
Net adjustment to decrease net position - total enterprise funds to arrive at net position - business-type activities	<u><u>\$ (1,550,882)</u></u>

Note 3: Stewardship, compliance, and accountability

For the fiscal year ended June 30, 2020, the Council approved two budget amendments to recognize additional revenues of \$651,679 and to increase the amount of appropriated prior year fund balance by \$1,892,901 (from \$877,203 to \$2,770,104) in order to increase appropriations by \$2,544,580.

Note 4: Deposits and investments

A. Cash on hand

At fiscal year-end, cash on hand for petty cash and change funds was \$27,652.

B. Deposits

At fiscal year-end, the carrying amount of the Town's deposits was \$7,495,748 and the bank balance was \$8,069,917. The deposits of the Town were not exposed to custodial credit risk as of June 30, 2020.

C. Investments and fair value measurements

As of June 30, 2020, 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	\$ 12,233,605	\$ 9,494,108	\$ 2,739,497	\$ -	0.99 %
State investment pool	34,900,149	34,900,149	-	-	0.23
U.S. government money market	6,059,500	6,059,500	-	-	0.14
Money market mutual fund	3,069,232	3,069,232	-	-	0.01
U.S. Treasuries	38,045,302	20,587,490	12,715,065	4,742,747	1.38
U.S. agencies	10,694,642	4,538,937	1,871,997	4,283,708	1.78
Domestic equities	49,960,408	49,960,408	-	-	-
Domestic fixed income	25,072,731	10,131,863	5,873,913	9,066,955	3.69
International equities	39,210,578	39,210,578	-	-	-
Alternative investments	10,906,066	-	10,906,066	-	-
Totals	<u><u>\$ 230,152,213</u></u>	<u><u>\$ 177,952,265</u></u>	<u><u>\$ 34,106,538</u></u>	<u><u>\$ 18,093,410</u></u>	

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2020

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

Cash on hand	\$ 27,652
Carrying amount of deposits	7,495,748
Carrying amount (fair value) of investments	230,152,213
Total cash and investments	237,675,613
Less: amounts in fiduciary funds	(160,372,549)
Total cash and investments per Statement of Net Position	\$ 77,303,064
Cash and cash equivalents	\$ 46,472,863
Restricted cash and cash equivalents	752,833
Investments	27,700,873
Restricted investments	2,376,495
Total cash and investments per Statement of Net Position	\$ 77,303,064

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, 2020, met the Town's investment policy as of that date.

Investment income included the following for the fiscal year ended June 30, 2020:

Net interest and dividends	\$ 5,404,542
Net increase in fair value of investments	229,080
Total investment gain	5,633,622
Less: investment gain in fiduciary funds	(4,009,597)
Total net investment income per Statement of Activities	\$ 1,624,025

Credit risk. The Town's investment policy does not permit investments in commercial paper or corporate bonds except in fiduciary funds or if they are permitted under state law in the state investment pool. The Town invests in the MLGIP, which is under the administration of the State Treasurer. The MLGIP was established in 1982 under Article 95 Section 22G of the Code and is rated AAAM by Standard and Poor's, their highest rating for money market mutual funds. The MLGIP seeks to maintain a constant unit value of \$1.00 per unit. Unit value is computed using the amortized cost method. In addition, the net asset value of the pool, marked to market, is calculated and maintained on a weekly basis to ensure a \$1.00 per unit constant value. In the fiduciary funds, domestic fixed-income securities must be rated "B" or above. The trustees permit the purchase of international fixed-income securities below a rating of "B" or unrated. As of June 30, 2020, \$8,135,955 of fiduciary fund investments were rated "BBB" and \$9,979,681 were unrated, with 32.4% of total fiduciary fund fixed-income securities below single "A" quality.

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2020

Fixed-income investments as of June 30, 2020, are listed below using the Standard and Poor's rating scale:

Investment Type	Credit Rating	Domestic Amount	International Amount	Total
U.S. Treasuries	AA	\$ 38,045,302	\$ -	\$ 38,045,302
U.S. agencies	AA	10,694,642	-	10,694,642
Corporate and international bonds	AAA	665,499	-	665,499
	AA	948,604	-	948,604
	A	5,342,992	-	5,342,992
	BBB	8,135,955	-	8,135,955
Bond mutual funds	Unrated	9,979,681	-	9,979,681
Totals		<u>\$ 73,812,675</u>	<u>\$ -</u>	<u>\$ 73,812,675</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, 2020, 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, 2020:

- Amounts invested in certificates of deposit of \$12,233,605 are valued using quoted market prices (Level 1 inputs)
- Amounts invested in money market funds of \$6,059,500 are valued using quoted market prices (Level 1 inputs)
- Amounts invested in fixed income investments of \$73,812,675 and alternative investments of \$10,906,066 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 \$89,170,986 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 23.7% at fiscal year-end, or \$38,020,596.

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2020

The foreign currency risk as of June 30, 2020, is presented in the following table:

Currency	U.S. Dollars
Euro	\$ 10,676,933
Japanese Yen	5,119,305
Hong Kong Dollar	3,785,597
Swiss Franc	3,498,375
British Pound	3,469,483
Chinese Yuan	1,605,934
Danish Krone	1,265,168
Taiwanese Dollar	1,236,170
Russian Ruble	1,098,450
Brazilian Real	815,792
Canadian Dollar	770,797
Indian Rupee	745,018
Swedish Krona	733,865
Mexican Peso	575,274
South African Rand	543,722
Indonesian Rupiah	511,818
South Korean Won	321,910
Singapore Dollar	286,013
Israeli New Shekel	263,927
Egyptian Pound	169,470
Turkish Lira	143,371
Thai Baht	110,605
Australian Dollar	103,768
Chilean Peso	75,488
Other: Developed	50,836
Norwegian Krone	43,507
Total foreign currencies	<u><u>\$ 38,020,596</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, 2020, was \$9,234,437,074. 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 97.2% of current year property taxes levied in the current year. Total property tax collections were 99.7% of current taxes levied.

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2020

B. Receivables

Receivables as of June 30, 2020, 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	\$ 1,230,705	\$ -	\$ 1,230,705
Emergency medical Accounts	251,994	-	251,994
	1,799,027	2,869,552	4,668,579
Gross receivables	3,281,726	2,869,552	6,151,278
Less: allowance	(108,030)	-	(108,030)
Total	<u>\$ 3,173,696</u>	<u>\$ 2,869,552</u>	<u>\$ 6,043,248</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, 2020:

	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	15,264,990	4,779,707	(10,074,620)	9,970,077
Total capital assets, not being depreciated	<u>41,340,308</u>	<u>4,779,707</u>	<u>(10,074,620)</u>	<u>36,045,395</u>
Capital assets, being depreciated:				
Buildings	47,133,701	4,003,849	-	51,137,550
Machinery and equipment	51,863,974	10,387,409	(1,183,214)	61,068,169
Streets and infrastructure	50,263,201	2,051,481	-	52,314,682
Other improvements	23,261,149	37,500	-	23,298,649
Total capital assets, being depreciated	<u>172,522,025</u>	<u>16,480,239</u>	<u>(1,183,214)</u>	<u>187,819,050</u>
Less accumulated depreciation for:				
Buildings	(23,006,743)	(1,308,002)	-	(24,314,745)
Machinery and equipment	(34,513,146)	(3,407,157)	1,183,214	(36,737,089)
Streets and infrastructure	(31,833,041)	(1,878,369)	-	(33,711,410)
Other improvements	(14,887,484)	(774,137)	-	(15,661,621)
Total accumulated depreciation	<u>(104,240,414)</u>	<u>(7,367,665)</u>	<u>1,183,214</u>	<u>(110,424,865)</u>
Total capital assets, being depreciated, net	<u>68,281,611</u>	<u>9,112,574</u>	<u>-</u>	<u>77,394,185</u>
Governmental activities capital assets, net	<u>\$109,621,919</u>	<u>\$ 13,892,281</u>	<u>\$ (10,074,620)</u>	<u>\$113,439,580</u>

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2020

The following is a summary of business-type capital assets activity for the fiscal year ended June 30, 2020:

	Beginning Balance	Transfers and Increases	Transfers and Deletions	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 16,871,602	\$ 1,105,622	\$ -	\$ 17,977,224
Construction in progress	14,647,284	12,094,733	-	26,742,017
Total capital assets, not being depreciated	<u>31,518,886</u>	<u>13,200,355</u>	<u>-</u>	<u>44,719,241</u>
Capital assets, being depreciated:				
Buildings	117,176,430	-	-	117,176,430
Machinery and equipment	68,123,750	615,825	-	68,739,575
Streets and infrastructure	54,204,453	633,668	-	54,838,121
Other improvements	6,396,523	-	-	6,396,523
Total capital assets, being depreciated	<u>245,901,156</u>	<u>1,249,493</u>	<u>-</u>	<u>247,150,649</u>
Less accumulated depreciation for:				
Buildings	(72,103,517)	(2,678,033)	-	(74,781,550)
Machinery and equipment	(34,964,319)	(2,611,596)	-	(37,575,915)
Streets and infrastructure	(29,028,797)	(1,497,741)	-	(30,526,538)
Other improvements	(3,317,091)	(41,903)	-	(3,358,994)
Total accumulated depreciation	<u>(139,413,724)</u>	<u>(6,829,273)</u>	<u>-</u>	<u>(146,242,997)</u>
Total capital assets, being depreciated, net	<u>106,487,432</u>	<u>(5,579,780)</u>	<u>-</u>	<u>100,907,652</u>
Business-type activities capital assets, net	<u>\$138,006,318</u>	<u>\$ 7,620,575</u>	<u>\$ -</u>	<u>\$145,626,893</u>

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

General government	\$ 178,146
Public safety	533,948
General public works and beach	1,195,511
Sanitation and waste removal	296,514
Highways and streets	1,902,388
Economic development - tourism	5,824
Recreation and culture	243,099
Capital assets held by the Town's internal service funds are charged to the various functions based on their usage of the assets	<u>3,012,235</u>
Total depreciation expense - governmental activities	<u>\$ 7,367,665</u>

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

Water Fund	\$ 1,083,380
Wastewater Fund	3,354,748
Transportation Fund	635,548
Convention Center Fund	1,094,666
Airport Fund	619,944
Golf Course Fund	40,987
Total depreciation expense - business-type activities	<u>\$ 6,829,273</u>

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2020

The Town has ongoing construction projects as of June 30, 2020. The projects include the “campus” plan, the convention center expansion, street improvements, and various water and wastewater improvements. At fiscal year-end, the Town’s obligations with contractors were as follows:

Project	Spent to Date	Remaining Commitment
Public works campus plan	\$ 14,021,364	\$ 5,708,603
Street paving	3,011,607	851,296
Convention center expansion	1,448,006	12,384,920
Water disinfection by-product	1,774,569	85,041
Gorman Avenue water filter project	135,773	1,945,814
Water mains	254,419	30,670
66th Street water treatment plant	1,315,952	116,220
Wastewater cure-in-place pipe project	5,446,955	1,392,558
Wastewater effluent disinfection	3,232,399	48,908
Wastewater mains	379,250	566,452
Wastewater secondary clarifier	160,896	4,558,735
Total	<u>\$ 31,181,190</u>	<u>\$ 27,689,217</u>

Note 7: Interfund receivables, payables, and transfers

The Transportation Fund and Airport Fund had intergovernmental receivables of \$2,922,419 and \$445,377, respectively, at June 30, 2020.

In governmental funds, a transfer of \$4,526,109 was made from the General Fund to the Capital Projects Fund for capital expenditures.

Net transfers of \$4,285,459 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	\$ 1,234,609
Convention Center Fund	1,717,200
Airport Fund	691,164
Golf Course Fund	642,486
Total	<u>\$ 4,285,459</u>

Note 8: Long-term debt

A. General obligation bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Town. These bonds are generally issued as 20-year serial bonds, except for refunding issues or issues less than \$5 million. All interest is paid semi-annually. General obligation bonds have been issued for both governmental and business-type activities in prior years in the amount of \$133,006,000.

In March 2020, the Town issued tax-exempt general obligation bonds for \$6,650,000 with interest rates ranging from 2% to 5%, maturing in 2040, to finance capital projects related to water and wastewater and to refinance a note payable in the Vehicle and Equipment Trust Fund. In March 2020, the Town issued taxable general obligation bonds for \$1,115,000 with interest at 1.5%, maturing in 2024, to purchase land for a water treatment plant.

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2020

General obligation bonds outstanding at June 30, 2020, are as follows:

Bond Issue	Maturity	Interest Rate	Original Issue	Outstanding Balance
Airport Improvement Bond of 2005	2024	3.20%	\$ 1,025,000	\$ 320,824
Airport Improvement Bond of 2006	2026	2.45%	4,100,000	1,900,000
Municipal Refunding Bonds of 2009	2021	2.00 - 4.00%	12,745,000	1,510,000
Build America Bonds of 2010	2030	1.00 - 5.75%	18,105,000	8,050,000
Municipal Refunding Bonds of 2012	2032	0.40 - 3.20%	33,560,000	21,425,000
Municipal Purpose Bonds of 2013	2023	0.20 - 2.85%	12,700,000	5,590,000
Municipal Purpose Bonds of 2015	2035	2.89%	16,760,000	14,340,000
Municipal Refunding Bond of 2016A	2027	1.92%	5,266,000	4,890,000
Property Acquisition Bond of 2016B	2027	2.70%	1,350,000	985,000
Municipal Purpose Bond of 2017A	2027	2.50%	1,600,000	1,236,461
Municipal Purpose Bonds of 2018	2038	3.00 - 5.00%	25,795,000	25,795,000
Municipal Purpose Bonds of 2020, Taxable	2024	1.50%	1,115,000	1,115,000
Municipal Purpose Bonds of 2020, Tax-Exempt	2040	2.00 - 5.00%	6,650,000	6,650,000
Total bonds			<u>\$140,771,000</u>	<u>\$ 93,807,285</u>

Note: Principal balances do not include net unamortized bond premiums of \$1,323,839 and \$2,770,608 in governmental and business-type activities, respectively.

Annual debt service requirements to maturity for general obligation bonds are listed below. Future federal subsidies 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
2021	\$ 3,395,851	\$ 1,383,092	\$ 4,654,987	\$ 1,942,802
2022	3,426,821	1,248,357	4,260,748	1,793,299
2023	3,551,884	1,112,852	4,421,045	1,621,052
2024	3,433,996	977,940	4,539,470	1,442,151
2025	3,414,724	850,768	3,262,195	1,278,208
2026 - 2030	12,118,337	2,800,987	13,477,228	4,588,027
2031 - 2035	7,383,351	1,030,342	13,081,648	1,928,024
2036 - 2040	2,945,000	185,925	6,440,000	345,538
Total	<u>\$ 39,669,964</u>	<u>\$ 9,590,263</u>	<u>\$ 54,137,321</u>	<u>\$ 14,939,101</u>

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2020

B. Intergovernmental loans

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

A summary of state loans, with balances at June 30, 2020, is as follows:

Loan	Maturity	Interest Rate	Original Issue	Outstanding Balance
Soil erosion control - South Ocean Drive	2024	0.00%	\$ 548,115	\$ 112,600
Soil erosion control - Robin Drive	2030	0.00%	297,171	161,100
Total intergovernmental loans			<u>\$ 845,286</u>	<u>\$ 273,700</u>

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

Year Ending June 30,	Principal
2021	\$ 44,260
2022	44,260
2023	44,260
2024	44,260
2025	16,110
2026 - 2030	80,550
Total	<u>\$ 273,700</u>

C. Capital leases

The Town has four existing lease agreements, as lessee, with Bank of America for radio equipment valued at \$5,500,000, construction equipment valued at \$1,655,483, an energy performance contract valued at \$4,460,000, and equipment and services valued at \$2,202,048. 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, 2020, as follows:

Year Ending June 30,	Governmental Activities	Business-Type Activities
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	1,177,473	58,235
2026 - 2030	3,574,471	309,441
2031	345,941	65,893
Total payments	<u>10,606,234</u>	<u>652,413</u>
Less: amounts representing interest	(953,306)	(80,432)
Present value of capital lease obligations	<u>\$ 9,652,928</u>	<u>\$ 571,981</u>

D. Legal debt margin

The Town's legal debt margin as of June 30, 2020, based on 5.2% of assessable property, was \$382,288,996. As of June 30, 2020, the total outstanding debt applicable to the limit was \$97,901,732, which is 1.06% of assessable property.

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2020

E. Changes in long-term liabilities

During the fiscal year ended June 30, 2020, 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	\$ 41,585,877	\$ 1,228,572	\$ (3,144,485)	\$ 39,669,964	\$ 3,395,851
Bond premiums	1,560,782	-	(236,943)	1,323,839	-
Notes payable	1,316,571	-	(1,316,571)	-	-
Intergovernmental loans	317,960	-	(44,260)	273,700	44,260
Total bonds, notes, and loans payable	44,781,190	1,228,572	(4,742,259)	41,267,503	3,440,111
Capital leases	10,788,253	-	(1,135,325)	9,652,928	1,169,139
Accrued obligations for compensated absences	2,083,852	1,842,822	(1,794,981)	2,131,693	1,775,533
Claims and losses	4,016,550	1,006,443	(894,928)	4,128,065	1,066,492
Net pension liability	25,334,212	17,583,042	(15,447,989)	27,469,265	-
Net OPEB liability	15,809,125	3,733,776	(4,264,178)	15,278,723	-
Governmental activities long-term liabilities	<u>\$102,813,182</u>	<u>\$ 25,394,655</u>	<u>\$ (28,279,660)</u>	<u>\$ 99,928,177</u>	<u>\$ 7,451,275</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Business-Type Activities</u>					
General obligation bonds	\$ 52,215,328	\$ 6,536,428	\$ (4,614,435)	\$ 54,137,321	\$ 4,654,987
Bond premiums	2,221,144	920,828	(371,364)	2,770,608	-
Total bonds payable	54,436,472	7,457,256	(4,985,799)	56,907,929	4,654,987
Capital leases	610,785	-	(38,804)	571,981	41,232
Accrued obligations for compensated absences	572,538	492,403	(516,044)	548,897	452,095
Net pension liability	3,254,753	4,351,778	(3,723,736)	3,882,795	-
Net OPEB liability	5,781,140	2,878,652	(3,287,580)	5,372,212	-
Business-type activities long-term liabilities	<u>\$ 64,655,688</u>	<u>\$ 15,180,089</u>	<u>\$ (12,551,963)</u>	<u>\$ 67,283,814</u>	<u>\$ 5,148,314</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.

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2020

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

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

Changes in the Risk Management Fund's claims liability over two years since June 30, 2018, were as follows:

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	4,016,550
Claims incurred	1,006,443
Claims paid	<u>(894,928)</u>
Claims liability at June 30, 2020	<u><u>\$ 4,128,065</u></u>

As of June 30, 2020, the Risk Management Fund had cash and investments of \$4,797,045 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 \$701,565 in the General Fund and \$2,941,160 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, 2020, the amount of the contribution was \$1,474,261.

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%

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2020

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 \$1,297,749 were \$222,063 less than debt service for the fiscal year ended June 30, 2020. Cumulative receipts and interest in excess of debt service totaled \$3,062,035 at June 30, 2020, 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 \$16,440,000 as of June 30, 2020.

D. New accounting pronouncements

The GASB has 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, 2020, OPEB Trust membership consisted of the following:

Active employees	497
Retirees and beneficiaries receiving benefits	170
Total	667

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, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2018.

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2020

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	2.5%
Salary increases	5-10%, including inflation
Investment rate of return	7%, net of OPEB plan investment expense, including inflation
Mortality	Pub-2010 General Employees Headcount-Weighted Mortality - MP 2019 for "healthy - actives"; Pub-2010 General Retirees Headcount-Weighted Mortality - MP 2019 for "healthy - retirees"
Health care cost trend rates	5.5% for 2020, then decreasing to an ultimate rate of 3.9% pre-medicare and 3.8% post-medicare

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, 2020, 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, 2020, were as follows:

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

Asset Class	Percentage of Portfolio	Assumed Rate of Return	Inflation	Real Rate of Return
Domestic equities	31.0 %	7.8 %	1.8 %	6.0 %
Developed market international equities	20.0	6.7	1.8	4.9
Emerging markets equities	6.0	8.3	1.8	6.5
U.S. investment-grade fixed income	34.0	3.5	1.8	1.7
TIPS	3.0	4.2	1.8	2.4
Alternative investments	6.0	6.3	1.8	4.5
Total	100.0 %	6.0 %	1.8 %	4.2 %

Rate of return. For the fiscal year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 1.67%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2020

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

The condensed financial statements of the plan are as follows:

Condensed Statement of Net Position

	OPEB Trust Fund
ASSETS	
Cash and receivables	\$ 794,102
Investments	36,137,410
Total assets	36,931,512
LIABILITIES	
Total liabilities	78,054
NET POSITION	
Restricted for OPEB	\$ 36,853,458

Condensed Statement of Changes in Fiduciary Net Position

	OPEB Trust Fund
ADDITIONS	
Contributions	\$ 2,220,000
Miscellaneous income	77,361
Investment gains	760,482
Total additions	3,057,843
DEDUCTIONS	
Benefits and refunds paid	1,561,793
Total deductions	1,561,793
Change in net position	1,496,050
Net position, beginning of the fiscal year	35,357,408
Net position, end of the fiscal year	\$ 36,853,458

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2020

Changes in the net OPEB liability and the OPEB plan's fiduciary net position for the year ended June 30, 2020, were as follows:

	Total OPEB Liability	Plan's Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2019	\$ 56,947,673	\$ 35,357,408	\$ 21,590,265
Increases (decreases) in balances during the fiscal year:			
Service cost	1,131,345	-	1,131,345
Interest	3,919,290	-	3,919,290
Differences between expected and actual experience	(353,831)	-	(353,831)
Changes of assumptions	(2,578,291)	-	(2,578,291)
Contributions - employer	-	2,297,361	(2,297,361)
Net investment income	-	760,482	(760,482)
Benefit payments, including refunds of member contributions	(1,561,793)	(1,561,793)	-
Administrative expense	-	-	-
Net change in balance	<u>556,720</u>	<u>1,496,050</u>	<u>(939,330)</u>
Balance at June 30, 2020	<u>\$ 57,504,393</u>	<u>\$ 36,853,458</u>	<u>\$ 20,650,935</u>

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

	1% decrease (6%)	Current rate (7%)	1% increase (8%)
Net other post-employment benefit liability	<u>\$ 29,475,456</u>	<u>\$ 20,650,935</u>	<u>\$ 13,481,007</u>

Sensitivity of the net OPEB liability to changes in the health care cost trend rate. The following presents the net OPEB liability of the Town, calculated using the trend rate of 4%, 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 (3%) or 1-percentage point higher (5%) than the current health care cost trend rate:

	1% decrease (3.00%)	Current trend rate (4.00%)	1% increase (5.00%)
Net other post-employment benefit liability	<u>\$ 11,765,568</u>	<u>\$ 20,650,935</u>	<u>\$ 31,865,232</u>

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2020

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

For the year ended June 30, 2020, the Town recognized OPEB expense of \$1,876,403. At June 30, 2020, 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	\$ 3,158	\$ 7,000,217
Changes of assumptions	-	2,291,814
Net difference between projected and actual earnings on OPEB plan investments	2,110,862	-
Total	\$ 2,114,020	\$ 9,292,031

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,	
2021	\$ (673,468)
2022	(673,468)
2023	(731,358)
2024	(932,308)
2025	(1,280,366)
Thereafter	(2,887,043)
Total	\$ (7,178,011)

D. Payable to the OPEB plan

At June 30, 2020, the Town reported a payable of \$78,054 for the outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2020.

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, 2020, there were 190 employees actively participating in the plan. Employee contributions totaled \$409,077 and the Town recognized pension expense of \$409,077. The market value of the 401(a) plan assets totaled \$4,459,903 at June 30, 2020.

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

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2020

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, 2020, 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, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 1.86% for both pension plans. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of April 1, 2020, and was rolled forward using appropriate techniques to June 30, 2020, 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 adjusted to more closely reflect experience (and changed to a service-based table for the EPP plan, which is a closed plan).
- The rates of retirement were changed to more closely reflect actual experience.
- The salary scale merit and promotion rates were decreased to more closely reflect actual experience.

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2020

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, 2020, were as follows:

Asset Class	Percentage of Portfolio	Assumed Rate of Return	Inflation	Real Rate of Return
Domestic equities	31.0 %	7.8 %	1.8 %	6.0 %
Developed market international equities	20.0	6.7	1.8	4.9
Emerging markets equities	6.0	8.3	1.8	6.5
Domestic fixed income	33.0	3.5	1.8	1.7
TIPS	3.0	4.2	1.8	2.4
Hedge funds	5.0	6.3	1.8	4.5
Private equity	1.0	11.3	1.8	9.5
Cash and equivalents	1.0	2.7	1.8	0.9
Total	100.0 %	6.0 %	1.8 %	4.2 %

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

The condensed financial statements of the plans are as follows:

Condensed Statement of Net Position

	General Employees Pension Fund	Public Safety Employees Pension Fund	Total
ASSETS			
Cash and receivables	\$ 1,818,745	\$ 1,944,901	\$ 3,763,646
Investments	58,045,878	61,829,988	119,875,866
Total assets	<u>59,864,623</u>	<u>63,774,889</u>	<u>123,639,512</u>
LIABILITIES			
Total liabilities	<u>13,110</u>	<u>14,250</u>	<u>27,360</u>
NET POSITION			
Restricted for pensions	<u>\$ 59,851,513</u>	<u>\$ 63,760,639</u>	<u>\$123,612,152</u>

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2020

Condensed Statement of Changes in Fiduciary Net Position

	General Employees Pension Fund	Public Safety Employees Pension Fund	Total
ADDITIONS			
Contributions	\$ 3,085,023	\$ 5,146,559	\$ 8,231,582
Investment gains	1,079,768	1,126,397	2,206,165
Total additions	<u>4,164,791</u>	<u>6,272,956</u>	<u>10,437,747</u>
DEDUCTIONS			
Benefits and refunds paid	3,538,599	4,910,705	8,449,304
Administrative expenses	36,433	45,305	81,738
Total deductions	<u>3,575,032</u>	<u>4,956,010</u>	<u>8,531,042</u>
Change in net position	589,759	1,316,946	1,906,705
Net position, beginning of the fiscal year	<u>59,261,754</u>	<u>62,443,693</u>	<u>121,705,447</u>
Net position, end of the fiscal year	<u>\$ 59,851,513</u>	<u>\$ 63,760,639</u>	<u>\$123,612,152</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, 2020, the valuation date:

Retirees and beneficiaries receiving benefits	206
Terminated, vested employees entitled to but not yet receiving benefits	45
Inactive nonvested members	10
Active members	<u>205</u>
Total	<u><u>466</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 2020 fiscal year was determined using the entry age normal actuarial cost method. The contribution to the EPP for fiscal year 2020 was \$2,403,037,

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2020

computed through an actuarial valuation performed as of April 1, 2019, which represented 17.70% of covered payroll. Members contributed \$681,986, 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, 2020, were as follows:

	Plan's Total Pension Liability	Plan's Fiduciary Net Position	Plan's Net Pension Liability
Balance at June 30, 2019	\$ 70,962,938	\$ 59,261,754	\$ 11,701,184
Increases (decreases) in balances during the fiscal year:			
Service cost	914,641	-	914,641
Interest	4,845,650	-	4,845,650
Differences between expected and actual experience	(284,674)	-	(284,674)
Contributions - employer	-	2,403,037	(2,403,037)
Contributions - member	-	681,986	(681,986)
Net investment income	-	1,079,768	(1,079,768)
Benefit payments, including refunds of member contributions	(3,538,599)	(3,538,599)	-
Administrative expense	-	(36,433)	36,433
Net change in balance	<u>1,937,018</u>	<u>589,759</u>	<u>1,347,259</u>
Balance at June 30, 2020	<u>\$ 72,899,956</u>	<u>\$ 59,851,513</u>	<u>\$ 13,048,443</u>

EPP net position as a percentage of the total pension liability: 82.10%

- 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>\$ 19,970,003</u>	<u>\$ 13,048,443</u>	<u>\$ 7,049,059</u>

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2020

- g) *Pension expense, deferred outflows of resources, and deferred inflows of resources related to pensions.* For the fiscal year ended June 30, 2020, the Town recognized pension expense of \$2,591,538 for the EPP. As of June 30, 2020, 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	\$ 379,920	\$ 455,277
Changes of assumptions	281,231	275,946
Net difference between projected and actual earnings on pension plan investments	3,569,875	-
Total	\$ 4,231,026	\$ 731,223

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,		
2021	\$	572,832
2022		1,343,426
2023		973,264
2024		610,281
Total	\$	3,499,803

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

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, 2020, the valuation date:

Retirees and beneficiaries receiving benefits	96
Terminated, vested employees entitled to but not yet receiving benefits	4
Inactive nonvested members	9
Active members	163
Total	272

- b) *Benefits.* The PSEPP provides retirement, disability, and death benefits. A member may retire at age 55 with 10 years of continuous service (reduced early retirement), after completion of 25 years of service but prior to attaining age 65 (unreduced early retirement), at age 65 (normal retirement), or postpone retirement. Benefits begin to vest after 5 years of continuous employment, and participants are fully vested after 15 years of continuous employment, or at retirement age (if sooner). The PSEPP provides retirement benefits in the form of a monthly income payable for life in an amount equal to 60% of final average monthly compensation, reduced 1/300th for each month of service less than 300. The final benefit is based on the average

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2020

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 2020 fiscal year was determined using the entry age normal actuarial cost method. The contribution to the PSEPP for fiscal year 2020 was \$3,785,451, computed through an actuarial valuation performed as of April 1, 2019, which represented 30.86% of covered payroll. Members contributed \$1,003,126, a rate of 8% of annual base pay (9% for certified EMS personnel, fire marshal, and paid firefighters, as noted below).

Effective July 1, 2019, certified EMS personnel, fire marshal, and paid firefighters hired on or after July 1, 2013, 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.

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2020

- e) *Net pension liability of the Town for the PSEPP.* The changes in the net pension liability for the fiscal year ended June 30, 2020, were as follows:

	Plan's Total Pension Liability	Plan's Fiduciary Net Position	Plan's Net Pension Liability
Balance at June 30, 2019	\$ 79,331,474	\$ 62,443,693	\$ 16,887,781
Increases (decreases) in balances during the fiscal year:			
Service cost	1,819,581	-	1,819,581
Interest	5,384,235	-	5,384,235
Differences between expected and actual experience	439,671	-	439,671
Contributions - employer	-	3,785,451	(3,785,451)
Contributions - member	-	1,003,126	(1,003,126)
Net investment income	-	1,126,397	(1,126,397)
Benefit payments, including refunds of member contributions	(4,910,705)	(4,910,705)	-
Administrative expense	-	(45,305)	45,305
Other	-	357,982	(357,982)
Net change in balance	<u>2,732,782</u>	<u>1,316,946</u>	<u>1,415,836</u>
Balance at June 30, 2020	<u>\$ 82,064,256</u>	<u>\$ 63,760,639</u>	<u>\$ 18,303,617</u>

PSEPP net position as a percentage of the total pension liability: 77.70%

- 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>\$ 27,669,728</u>	<u>\$ 18,303,617</u>	<u>\$ 10,427,727</u>

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2020

- g) *Pension expense, deferred outflows of resources, and deferred inflows of resources related to pensions.* For the fiscal year ended June 30, 2020, the Town recognized pension expense of \$4,065,208 for the PSEPP. As of June 30, 2020, 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	\$ 871,211	\$ 97,739
Changes of assumptions	511,284	-
Net difference between projected and actual earnings on pension plan investments	3,758,472	-
Total	\$ 5,140,967	\$ 97,739

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,	
2021	\$ 1,404,898
2022	1,553,649
2023	1,245,983
2024	713,077
Thereafter	125,621
Total	\$ 5,043,228

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

Note 12: Subsequent events

On August 4, 2020, the Town issued General Obligation Refunding Bonds of 2020 in the amount of \$6,750,000. The proceeds were used to refund \$8,050,000 of the General Obligation Build America Bonds of 2010. The Town will recognize over \$1.1 million in net interest savings over the next ten years as a result of this refunding.

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, 2020, 2019, 2018, 2017, 2016, 2015, and 2014

	2020	2019	2018
Total pension liability:			
Service cost	\$ 914,641	\$ 963,748	\$ 971,590
Interest	4,845,650	4,671,549	4,410,697
Differences between expected and actual experience	(284,674)	303,180	495,027
Changes of assumptions/methods	-	-	703,076
Changes of benefit terms	-	-	344,379
Benefit payments, including refunds of member contributions, deaths, and terminations	(3,538,599)	(3,366,964)	(3,035,268)
Net change in total pension liability	1,937,018	2,571,513	3,889,501
Total pension liability, beginning	70,962,938	68,391,425	64,501,924
Total pension liability, ending (a)	\$ 72,899,956	\$ 70,962,938	\$ 68,391,425
Plan fiduciary net position:			
Contributions - employer	\$ 2,403,037	\$ 2,152,737	\$ 1,926,923
Contributions - member	681,986	699,907	716,123
Net investment income (loss)	1,079,768	2,149,361	3,176,166
Benefit payments, including refunds of member contributions	(3,538,599)	(3,366,964)	(3,035,268)
Administrative expense	(36,433)	(30,344)	(42,547)
Net change in plan fiduciary net position	589,759	1,604,697	2,741,397
Plan fiduciary net position, beginning	59,261,754	57,657,057	54,915,660
Plan fiduciary net position, ending (b)	\$ 59,851,513	\$ 59,261,754	\$ 57,657,057
Town's net pension liability, ending [(a) - (b)]	\$ 13,048,443	\$ 11,701,184	\$ 10,734,368
Plan fiduciary net position as a percentage of total pension liability	82.10%	83.51%	84.30%
Covered payroll	\$ 13,573,824	\$ 13,930,362	\$ 14,040,732
Net pension liability as a percentage of covered payroll	96.13%	84.00%	76.45%
Annual money-weighted rate of return, net of investment expense	1.86%	3.60%	6.63%

NOTES TO SCHEDULE:

This information is not available for previous years

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

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

- The actuarial cost method changed from Projected Unit Credit to Entry Age Normal.
- 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.

2017	2016	2015	2014
\$ 1,033,828	\$ 1,044,701	\$ 1,106,267	\$ 1,106,190
4,705,358	4,528,555	4,352,810	4,137,554
(1,208,856)	(482,721)	(492,667)	-
(1,379,730)	-	-	-
-	-	-	-
(2,724,322)	(2,741,672)	(2,508,830)	(2,283,852)
426,278	2,348,863	2,457,580	2,959,892
64,075,646	61,726,783	59,269,203	56,309,311
<u>\$ 64,501,924</u>	<u>\$ 64,075,646</u>	<u>\$ 61,726,783</u>	<u>\$ 59,269,203</u>
\$ 2,012,896	\$ 1,927,595	\$ 2,036,678	\$ 2,351,375
748,721	743,259	755,591	781,220
5,007,901	(1,776,489)	810,888	6,750,912
(2,724,322)	(2,741,672)	(2,508,830)	(2,283,852)
(49,226)	(54,980)	(42,686)	(75,228)
4,995,970	(1,902,287)	1,051,641	7,524,427
49,919,690	51,821,977	50,770,336	43,245,909
<u>\$ 54,915,660</u>	<u>\$ 49,919,690</u>	<u>\$ 51,821,977</u>	<u>\$ 50,770,336</u>
<u>\$ 9,586,264</u>	<u>\$ 14,155,956</u>	<u>\$ 9,904,806</u>	<u>\$ 8,498,867</u>
85.14%	77.91%	83.95%	85.66%
\$ 14,324,756	\$ 14,515,114	\$ 15,091,207	\$ 15,073,776
66.92%	97.53%	65.63%	56.38%
9.74%	-3.72%	2.16%	15.77%

Town of Ocean City, Maryland
Schedule of Changes in Net Pension Liability and Related Ratios - Public Safety Employees Pension Plan
For the Fiscal Years Ended June 30, 2020, 2019, 2018, 2017, 2016, 2015, and 2014

	2020	2019	2018
Total pension liability:			
Service cost	\$ 1,819,581	\$ 1,561,166	\$ 1,411,198
Interest	5,384,235	5,111,457	4,789,229
Differences between expected and actual experience	439,671	771,634	78,425
Changes of assumptions/methods	-	-	788,493
Changes of benefit terms	-	827,009	1,324,949
Benefit payments, including refunds of member contributions, deaths, and terminations	(4,910,705)	(3,856,008)	(3,724,261)
Net change in total pension liability	2,732,782	4,415,258	4,668,033
Total pension liability, beginning	79,331,474	74,916,216	70,248,183
Total pension liability, ending (a)	\$ 82,064,256	\$ 79,331,474	\$ 74,916,216
Plan fiduciary net position:			
Contributions - employer	\$ 3,785,451	\$ 3,414,817	\$ 2,973,495
Contributions - member	1,003,126	859,105	859,410
Net investment income (loss)	1,126,397	2,292,283	3,258,000
Benefit payments, including refunds of member contributions	(4,910,705)	(3,856,008)	(3,724,261)
Administrative expense	(45,305)	(49,878)	(42,821)
Other	357,982	357,982	-
Net change in plan fiduciary net position	1,316,946	3,018,301	3,323,823
Plan fiduciary net position, beginning	62,443,693	59,425,392	56,101,569
Plan fiduciary net position, ending (b)	\$ 63,760,639	\$ 62,443,693	\$ 59,425,392
Town's net pension liability, ending [(a) - (b)]	\$ 18,303,617	\$ 16,887,781	\$ 15,490,824
Plan fiduciary net position as a percentage of total pension liability	77.70%	78.71%	79.32%
Covered payroll	\$ 12,267,793	\$ 10,703,993	\$ 10,702,208
Net pension liability as a percentage of covered payroll	149.20%	157.77%	144.74%
Annual money-weighted rate of return, net of investment expense	1.86%	3.68%	6.58%

NOTES TO SCHEDULE:

This information is not available for previous years

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

- The actuarial cost method changed from Projected Unit Credit to Entry Age Normal.
- 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 adjusted to more closely reflect experience.
- The rates of retirement were increased at most ages to more closely reflect experience.
- The salary scale merit and promotion rates were decreased to more closely reflect actual experience.

2017	2016	2015	2014
\$ 1,476,450	\$ 1,517,325	\$ 1,541,283	\$ 1,559,854
4,824,250	4,599,559	4,392,574	4,165,353
(488,687)	65,842	(334,481)	-
979,444	-	-	-
889,100	-	-	-
<u>(3,449,052)</u>	<u>(2,933,975)</u>	<u>(2,748,521)</u>	<u>(2,692,361)</u>
4,231,505	3,248,751	2,850,855	3,032,846
66,016,678	62,767,927	59,917,072	56,884,226
<u>\$ 70,248,183</u>	<u>\$ 66,016,678</u>	<u>\$ 62,767,927</u>	<u>\$ 59,917,072</u>
\$ 2,493,724	\$ 2,390,758	\$ 2,588,214	\$ 3,331,311
879,276	875,258	854,139	1,007,839
5,067,220	(1,727,374)	737,843	6,828,365
(3,449,051)	(2,933,975)	(2,748,521)	(3,049,533)
(61,065)	(50,915)	(37,506)	(77,691)
-	-	-	-
<u>4,930,104</u>	<u>(1,446,248)</u>	<u>1,394,169</u>	<u>8,040,291</u>
51,171,465	52,617,713	51,223,544	43,183,253
<u>\$ 56,101,569</u>	<u>\$ 51,171,465</u>	<u>\$ 52,617,713</u>	<u>\$ 51,223,544</u>
<u>\$ 14,146,614</u>	<u>\$ 14,845,213</u>	<u>\$ 10,150,214</u>	<u>\$ 8,693,528</u>
79.86%	77.51%	83.83%	85.49%
\$ 10,591,890	\$ 10,835,080	\$ 10,671,545	\$ 10,540,564
133.56%	137.01%	95.11%	82.48%
9.53%	-3.63%	2.29%	14.96%

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

	2020	2019	2018
Actuarially determined contribution	\$ 2,403,037	\$ 2,152,737	\$ 1,926,923
Contributions in relation to the actuarially determined contribution	<u>2,403,037</u>	<u>2,152,737</u>	<u>1,926,923</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 13,573,824	\$ 13,930,362	\$ 14,040,732
Contributions as a percentage of covered payroll	17.70%	15.45%	13.72%

NOTES TO SCHEDULE:

Valuation date:

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

Actuarial methods and assumptions used to determine actuarial contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level dollar, closed
Remaining amortization period	7.1 years
Asset valuation method	Five-year smoothed market value
Inflation	2.75%
Salary increase	3.25% to 7.50%, including inflation
Investment rate of return	7.00%, net of pension plan investment expense, and 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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 2,012,896	\$ 1,927,595	\$ 2,036,678	\$ 2,351,375	\$ 2,468,399	\$ 2,473,662	\$ 2,135,538
<u>2,012,896</u>	<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>\$ -</u>						
\$ 14,324,756	\$ 14,515,114	\$ 15,091,207	\$ 15,073,776	\$ 15,370,687	\$ 16,162,237	\$ 17,316,053
14.05%	13.28%	13.50%	15.60%	16.06%	15.31%	12.33%

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 3,785,451	\$ 3,414,817	\$ 2,973,495
Contributions in relation to the actuarially determined contribution	<u>3,785,451</u>	<u>3,414,817</u>	<u>2,973,495</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 12,267,793	\$ 10,703,993	\$ 10,702,208
Contributions as a percentage of covered payroll	30.86%	31.90%	27.78%

NOTES TO SCHEDULE:

Valuation date:

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

Actuarial methods and assumptions used to determine actuarial contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level dollar, closed
Remaining amortization period	6.9 years
Asset valuation method	Five-year smoothed market value
Inflation	2.75%
Salary increase	4.00% to 8.75%, including inflation
Investment rate of return	7.00%, net of pension plan investment expense, and 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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 2,493,724	\$ 2,390,758	\$ 2,588,214	\$ 3,331,311	\$ 3,228,530	\$ 3,380,743	\$ 2,917,210
<u>2,493,724</u>	<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>\$ -</u>						
\$ 10,591,890	\$ 10,835,080	\$ 10,671,545	\$ 10,540,564	\$ 9,690,975	\$ 10,248,502	\$ 11,260,790
23.54%	22.06%	24.25%	31.60%	33.31%	32.99%	25.91%

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, 2020, 2019, 2018, 2017, and 2016

	2020	2019	2018
Total OPEB liability:			
Service cost	\$ 1,131,345	\$ 1,347,402	\$ 1,298,075
Interest	3,919,290	4,219,168	3,967,702
Differences between expected and actual experience	(353,831)	(8,595,901)	4,736
Changes of assumptions	(2,578,291)	-	-
Benefit payments	(1,561,793)	(1,330,423)	(1,289,086)
Net change in total OPEB liability	<u>556,720</u>	<u>(4,359,754)</u>	<u>3,981,427</u>
Total OPEB liability, beginning	<u>56,947,673</u>	<u>61,307,427</u>	<u>57,326,000</u>
Total OPEB liability, ending (a)	<u><u>\$ 57,504,393</u></u>	<u><u>\$ 56,947,673</u></u>	<u><u>\$ 61,307,427</u></u>
Plan fiduciary net position:			
Contributions - employer	\$ 2,297,361	\$ 2,249,822	\$ 3,096,038
Net investment income (loss)	760,482	1,343,996	1,835,413
Benefit payments (net of retiree contributions)	(1,561,793)	(1,330,423)	(1,289,086)
Administrative expense and other additions	-	-	-
Net change in plan fiduciary net position	<u>1,496,050</u>	<u>2,263,395</u>	<u>3,642,365</u>
Plan fiduciary net position, beginning	<u>35,357,408</u>	<u>33,094,013</u>	<u>29,451,648</u>
Plan fiduciary net position, ending (b)	<u><u>\$ 36,853,458</u></u>	<u><u>\$ 35,357,408</u></u>	<u><u>\$ 33,094,013</u></u>
Town's net OPEB liability, ending [(a) - (b)]	<u><u>\$ 20,650,935</u></u>	<u><u>\$ 21,590,265</u></u>	<u><u>\$ 28,213,414</u></u>
Plan fiduciary net position as a percentage of total OPEB liability	64.09%	62.09%	53.98%
Covered employee payroll	\$ 25,841,617	\$ 24,634,355	\$ 24,742,940
Net OPEB liability as a percentage of covered employee payroll	79.91%	87.64%	114.03%
Annual money-weighted rate of return, net of investment expense	1.67%	3.92%	6.56%

NOTES TO SCHEDULE:

This information is not available for previous years

2017	2016
\$ 1,251,000	\$ 1,251,000
3,775,299	3,566,000
(191,945)	(1,127,000)
-	-
(1,441,197)	(1,404,157)
<u>3,393,157</u>	<u>2,285,843</u>
53,932,843	51,647,000
<u>\$ 57,326,000</u>	<u>\$ 53,932,843</u>

\$ 2,965,000	\$ 3,207,000
2,513,536	(341,661)
(1,441,197)	(1,404,157)
51,271	-
<u>4,353,151</u>	<u>1,773,719</u>
25,098,497	23,324,778
<u>\$ 29,451,648</u>	<u>\$ 25,098,497</u>

<u>\$ 27,874,352</u>	<u>\$ 28,834,346</u>
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51.38%	46.54%
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\$ 24,915,966	\$ 25,350,194
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111.87%	113.74%
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9.20%	-1.70%
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<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 2,965,000	\$ 3,207,000	\$ 3,083,000	\$ 3,617,000	\$ 3,475,000	\$ 3,675,000	\$ 3,516,000
<u>2,965,000</u>	<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>\$ -</u>						
\$ 24,915,966	\$ 26,642,752	\$ 26,484,340	\$ 25,951,662	\$ 27,310,739	\$ 29,451,843	\$ 32,511,694
11.90%	12.04%	11.64%	13.94%	12.72%	12.48%	10.81%



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, 2020

	Airport	Golf Course	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 423,704	\$ 378,133	\$ 801,837
Receivables, net	14,728	23,753	38,481
Intergovernmental receivable	445,377	2,965	448,342
Inventories	47,174	82,793	129,967
Other	-	3,500	3,500
Total current assets	<u>930,983</u>	<u>491,144</u>	<u>1,422,127</u>
Noncurrent assets:			
Restricted cash and cash equivalents	67,293	-	67,293
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	681,614	1,051,171
Construction in progress	660,418	-	660,418
Less: accumulated depreciation	(9,798,525)	(1,833,226)	(11,631,751)
Total capital assets	<u>9,159,098</u>	<u>2,719,433</u>	<u>11,878,531</u>
Total noncurrent assets	<u>9,226,391</u>	<u>2,719,433</u>	<u>11,945,824</u>
Total assets	<u>10,157,374</u>	<u>3,210,577</u>	<u>13,367,951</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	25,429	140,939	166,368
Deferred outflows related to OPEB	10,024	26,731	36,755
Total deferred outflows of resources	<u>35,453</u>	<u>167,670</u>	<u>203,123</u>
LIABILITIES			
Current liabilities:			
Accounts payable	425,327	30,525	455,852
Accrued expenses	9,183	24,708	33,891
Compensated absences	8,381	38,311	46,692
Deferred revenue	78,140	238,834	316,974
Current portion of long-term debt	71,626	-	71,626
Total current liabilities	<u>592,657</u>	<u>332,378</u>	<u>925,035</u>
Noncurrent liabilities:			
Compensated absences	8,406	15,919	24,325
Bonds, notes, and loans payable	249,198	-	249,198
Net pension liability	78,425	434,654	513,079
Net OPEB liability	97,922	261,125	359,047
Total noncurrent liabilities	<u>433,951</u>	<u>711,698</u>	<u>1,145,649</u>
Total liabilities	<u>1,026,608</u>	<u>1,044,076</u>	<u>2,070,684</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	4,395	24,358	28,753
Deferred inflows related to OPEB	44,060	117,495	161,555
Total deferred inflows of resources	<u>48,455</u>	<u>141,853</u>	<u>190,308</u>
NET POSITION			
Net investment in capital assets	8,905,566	2,719,433	11,624,999
Unrestricted	212,198	(527,115)	(314,917)
Total net position	<u>\$ 9,117,764</u>	<u>\$ 2,192,318</u>	<u>\$ 11,310,082</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, 2020

	Airport	Golf Course	Total
OPERATING REVENUES			
Charges for sales and services	\$ 1,090,680	\$ 1,662,180	\$ 2,752,860
Total operating revenues	<u>1,090,680</u>	<u>1,662,180</u>	<u>2,752,860</u>
OPERATING EXPENSES			
Personal services	344,347	1,155,277	1,499,624
Contractual services	1,645,242	219,539	1,864,781
Utilities	45,776	47,832	93,608
Repairs and maintenance	64,374	49,619	113,993
Other supplies and expenses	395,648	624,884	1,020,532
Internal services	101,820	232,875	334,695
Depreciation	619,944	40,987	660,931
Total operating expenses	<u>3,217,151</u>	<u>2,371,013</u>	<u>5,588,164</u>
Operating loss	(2,126,471)	(708,833)	(2,835,304)
NONOPERATING REVENUES (EXPENSES)			
Interest and investment revenue	2,593	5,229	7,822
Interest expense	(38,701)	-	(38,701)
Total nonoperating revenues (expenses)	<u>(36,108)</u>	<u>5,229</u>	<u>(30,879)</u>
Loss before capital contributions and transfers	(2,162,579)	(703,604)	(2,866,183)
Capital contributions	1,113,593	10,640	1,124,233
Transfers in	691,164	642,486	1,333,650
Change in net position	(357,822)	(50,478)	(408,300)
Net position, beginning	<u>9,475,586</u>	<u>2,242,796</u>	<u>11,718,382</u>
Net position, ending	<u>\$ 9,117,764</u>	<u>\$ 2,192,318</u>	<u>\$ 11,310,082</u>

TOWN OF OCEAN CITY, MARYLAND
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR ENTERPRISE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Airport	Golf Course	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users	\$ 1,084,981	\$ 1,772,359	\$ 2,857,340
Payments to suppliers	(2,092,445)	(947,098)	(3,039,543)
Payments to employees	(329,035)	(1,074,278)	(1,403,313)
Payments for interfund services used	(101,820)	(232,875)	(334,695)
Net cash used by operating activities	<u>(1,438,319)</u>	<u>(481,892)</u>	<u>(1,920,211)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers from other funds	691,164	642,486	1,333,650
Net cash provided by noncapital financing activities	<u>691,164</u>	<u>642,486</u>	<u>1,333,650</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Capital contributions	1,095,770	10,640	1,106,410
Acquisition and construction of capital assets	(103,706)	(15,374)	(119,080)
Principal paid on capital debt	(567,379)	-	(567,379)
Interest paid on capital debt	(40,129)	-	(40,129)
Net cash provided (used) by capital and related financing activities	<u>384,556</u>	<u>(4,734)</u>	<u>379,822</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and dividends received	2,593	5,229	7,822
Net cash provided by investing activities	<u>2,593</u>	<u>5,229</u>	<u>7,822</u>
Net increase (decrease) in cash and cash equivalents	(360,006)	161,089	(198,917)
Cash and cash equivalents, beginning of the fiscal year	<u>851,003</u>	<u>217,044</u>	<u>1,068,047</u>
Cash and cash equivalents, end of the fiscal year	<u>\$ 490,997</u>	<u>\$ 378,133</u>	<u>\$ 869,130</u>

(Continued)

TOWN OF OCEAN CITY, MARYLAND
 COMBINING STATEMENT OF CASH FLOWS (Continued)
 NONMAJOR ENTERPRISE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Airport	Golf Course	Total
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:			
Operating loss	\$ (2,126,471)	\$ (708,833)	\$ (2,835,304)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation	619,944	40,987	660,931
EFFECT OF CHANGES IN OPERATING ASSETS AND LIABILITIES:			
Accounts receivable	(5,699)	120,435	114,736
Due from other governmental agencies	-	(2,594)	(2,594)
Inventories	12,896	(2,889)	10,007
Deferred outflows related to pensions	3,592	39,799	43,391
Deferred outflows related to OPEB	(5,192)	(13,847)	(19,039)
Compensated absences	(120)	(1,432)	(1,552)
Accounts payable	45,699	(2,335)	43,364
Accrued expenses	1,367	5,017	6,384
Unearned revenue	-	(7,662)	(7,662)
Net pension liability	23,111	96,596	119,707
Net OPEB liability	(8,397)	(22,394)	(30,791)
Deferred inflows related to pensions	(5,482)	(39,898)	(45,380)
Deferred inflows related to OPEB	6,433	17,158	23,591
Total adjustments	688,152	226,941	915,093
Net cash used by operating activities	\$ (1,438,319)	\$ (481,892)	\$ (1,920,211)



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, 2020

	Information Technology	Service Center	Vehicle & Equipment Trust	Risk Management	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 495,448	\$ 278,672	\$ 905,901	\$ 953,973	\$ 2,633,994
Investments	-	-	-	3,843,072	3,843,072
Receivables, net	2,279	-	7,956	-	10,235
Interest receivable	-	-	-	7,222	7,222
Inventories	-	692,227	-	-	692,227
Total current assets	<u>497,727</u>	<u>970,899</u>	<u>913,857</u>	<u>4,804,267</u>	<u>7,186,750</u>
Noncurrent assets:					
Capital assets:					
Buildings	-	1,373,223	73,860	-	1,447,083
Other improvements	-	31,545	-	-	31,545
Machinery and equipment	686,634	372,373	50,112,996	-	51,172,003
Less: accumulated depreciation	(617,602)	(1,576,330)	(31,049,056)	-	(33,242,988)
Total capital assets	<u>69,032</u>	<u>200,811</u>	<u>19,137,800</u>	<u>-</u>	<u>19,407,643</u>
Total noncurrent assets	<u>69,032</u>	<u>200,811</u>	<u>19,137,800</u>	<u>-</u>	<u>19,407,643</u>
Total assets	<u>566,759</u>	<u>1,171,710</u>	<u>20,051,657</u>	<u>4,804,267</u>	<u>26,594,393</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pensions	175,263	231,435	-	62,455	469,153
Deferred outflows related to OPEB	30,073	60,145	-	6,683	96,901
Total deferred outflows of resources	<u>205,336</u>	<u>291,580</u>	<u>-</u>	<u>69,138</u>	<u>566,054</u>
LIABILITIES					
Current liabilities:					
Accounts payable	9,449	159,143	5,144	46,214	219,950
Accrued expenses	19,720	32,036	47,575	16,281	115,612
Compensated absences	52,625	75,952	-	14,339	142,916
Claims and judgments	-	-	-	1,066,492	1,066,492
Current portion of long-term debt	-	-	753,914	-	753,914
Total current liabilities	<u>81,794</u>	<u>267,131</u>	<u>806,633</u>	<u>1,143,326</u>	<u>2,298,884</u>
Noncurrent liabilities:					
Compensated absences	7,057	4,628	-	10,218	21,903
Claims and judgments	-	-	-	3,061,573	3,061,573
Bonds, notes, and loans payable	-	-	5,118,108	-	5,118,108
Net pension liability	540,511	713,743	-	192,612	1,446,866
Net OPEB liability	293,766	587,532	-	65,281	946,579
Total noncurrent liabilities	<u>841,334</u>	<u>1,305,903</u>	<u>5,118,108</u>	<u>3,329,684</u>	<u>10,595,029</u>
Total liabilities	<u>923,128</u>	<u>1,573,034</u>	<u>5,924,741</u>	<u>4,473,010</u>	<u>12,893,913</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions	30,290	39,998	-	10,794	81,082
Deferred inflows related to OPEB	132,182	264,363	-	29,374	425,919
Total deferred inflows of resources	<u>162,472</u>	<u>304,361</u>	<u>-</u>	<u>40,168</u>	<u>507,001</u>
NET POSITION					
Net investment in capital assets	69,032	200,811	13,265,778	-	13,535,621
Unrestricted	(382,537)	(614,916)	861,138	360,227	223,912
Total net position	<u>\$ (313,505)</u>	<u>\$ (414,105)</u>	<u>\$ 14,126,916</u>	<u>\$ 360,227</u>	<u>\$ 13,759,533</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, 2020

	Information Technology	Service Center	Vehicle & Equipment Trust	Risk Management	Total
OPERATING REVENUES					
Charges for sales and services	\$ 2,234,376	\$ 4,289,311	\$ 3,201,461	\$ 2,505,873	\$ 12,231,021
Miscellaneous	-	-	2,001	-	2,001
Total operating revenues	<u>2,234,376</u>	<u>4,289,311</u>	<u>3,203,462</u>	<u>2,505,873</u>	<u>12,233,022</u>
OPERATING EXPENSES					
Personal services	1,236,736	1,751,815	-	338,794	3,327,345
Contractual services	100,721	22,240	226,348	1,057,794	1,407,103
Utilities	76,163	39,048	-	1,668	116,879
Repairs and maintenance	466,183	26,239	-	2,399	494,821
Other supplies and expenses	446,415	2,036,012	5,265	1,320	2,489,012
Internal services	72,403	306,674	620,834	113,702	1,113,613
Insurance claims and expenses	-	-	-	1,010,801	1,010,801
Depreciation	18,763	58,226	2,935,246	-	3,012,235
Total operating expenses	<u>2,417,384</u>	<u>4,240,254</u>	<u>3,787,693</u>	<u>2,526,478</u>	<u>12,971,809</u>
Operating income (loss)	(183,008)	49,057	(584,231)	(20,605)	(738,787)
NONOPERATING REVENUES (EXPENSES)					
Interest and investment revenue	-	-	-	83,191	83,191
Interest expense	-	-	(130,610)	-	(130,610)
Gain on disposal of assets	-	-	180,415	-	180,415
Total nonoperating revenues (expenses)	<u>-</u>	<u>-</u>	<u>49,805</u>	<u>83,191</u>	<u>132,996</u>
Income (loss) before capital contributions and transfers	(183,008)	49,057	(534,426)	62,586	(605,791)
Transfers in	-	-	148,848	-	148,848
Change in net position	(183,008)	49,057	(385,578)	62,586	(456,943)
Net position, beginning	<u>(130,497)</u>	<u>(463,162)</u>	<u>14,512,494</u>	<u>297,641</u>	<u>14,216,476</u>
Net position, ending	<u>\$ (313,505)</u>	<u>\$ (414,105)</u>	<u>\$ 14,126,916</u>	<u>\$ 360,227</u>	<u>\$ 13,759,533</u>

TOWN OF OCEAN CITY, MARYLAND
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Information Technology	Service Center
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	\$ 2,232,097	\$ 4,289,311
Payments to suppliers	(1,111,633)	(2,193,187)
Payments to employees	(1,060,564)	(1,668,392)
Payments for interfund services used	(72,403)	(306,674)
Net cash provided (used) by operating activities	<u>(12,503)</u>	<u>121,058</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers from other funds	-	-
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	-	(46,955)
Proceeds from bond 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>-</u>	<u>(46,955)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	-	-
Sales of investments	-	-
Interest and dividends received	-	-
Net cash provided (used) by investing activities	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(12,503)	74,103
Cash and cash equivalents, beginning of the fiscal year	<u>507,951</u>	<u>204,569</u>
Cash and cash equivalents, end of the fiscal year	<u>\$ 495,448</u>	<u>\$ 278,672</u>

(Continued)

Vehicle & Equipment Trust	Risk Management	Total
\$ 3,216,790	\$ 2,505,873	\$ 12,244,071
(231,613)	(1,968,566)	(5,504,999)
-	(275,881)	(3,004,837)
(620,834)	(113,702)	(1,113,613)
<u>2,364,343</u>	<u>147,724</u>	<u>2,620,622</u>
148,848	-	148,848
<u>148,848</u>	<u>-</u>	<u>148,848</u>
(1,863,170)	-	(1,910,125)
1,228,572	-	1,228,572
(1,316,571)	-	(1,316,571)
(123,478)	-	(123,478)
(736,134)	-	(736,134)
180,415	-	180,415
<u>(2,630,366)</u>	<u>-</u>	<u>(2,677,321)</u>
-	(3,384,098)	(3,384,098)
32,057	2,617,677	2,649,734
-	83,657	83,657
<u>32,057</u>	<u>(682,764)</u>	<u>(650,707)</u>
(85,118)	(535,040)	(558,558)
991,019	1,489,013	3,192,552
<u>\$ 905,901</u>	<u>\$ 953,973</u>	<u>\$ 2,633,994</u>

TOWN OF OCEAN CITY, MARYLAND
 COMBINING STATEMENT OF CASH FLOWS (Continued)
 INTERNAL SERVICE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Information Technology	Service Center
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (183,008)	\$ 49,057
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	18,763	58,226
EFFECT OF CHANGES IN OPERATING ASSETS AND LIABILITIES:		
Accounts receivable	(2,279)	-
Inventories	-	(4,774)
Deferred outflows related to pensions	19,402	134,594
Deferred outflows related to OPEB	(15,578)	(32,765)
Compensated absences	16,589	10,552
Accounts payable	(22,151)	(64,874)
Accrued expenses	4,669	7,226
Claims liability	-	-
Net pension liability	204,062	866
Net OPEB liability	(25,193)	(14,946)
Deferred inflows related to pensions	(47,081)	(73,250)
Deferred inflows related to OPEB	19,302	51,146
Total adjustments	170,505	72,001
Net cash provided (used) by operating activities	\$ (12,503)	\$ 121,058
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:		
Increase in fair value of investments	\$ -	\$ -

Vehicle & Equipment Trust	Risk Management	Total
\$ (584,231)	\$ (20,605)	\$ (738,787)
2,935,246	-	3,012,235
13,328	-	11,049
-	-	(4,774)
-	4,461	158,457
-	(3,462)	(51,805)
-	(10,447)	16,694
-	(6,099)	(93,124)
-	16,281	28,176
-	111,515	111,515
-	70,252	275,180
-	(5,599)	(45,738)
-	(12,863)	(133,194)
-	4,290	74,738
2,948,574	168,329	3,359,409
\$ 2,364,343	\$ 147,724	\$ 2,620,622
\$ -	\$ 5,795	\$ 5,795



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, 2020

	General Employees Pension Trust Fund	Public Safety Employees Pension Trust Fund	OPEB Trust Fund	Total Benefit Trust Funds
ASSETS				
Cash and cash equivalents	\$ 1,744,096	\$ 1,863,993	\$ 751,184	\$ 4,359,273
Interest and dividends receivable	74,649	80,908	42,918	198,475
Investments, at fair value:				
Domestic equities	18,378,322	19,645,160	11,936,926	49,960,408
Domestic fixed income	20,754,046	22,278,657	12,903,521	55,936,224
International equities	14,744,497	15,604,918	8,861,163	39,210,578
Alternative investments	4,169,013	4,301,253	2,435,800	10,906,066
Total investments	<u>58,045,878</u>	<u>61,829,988</u>	<u>36,137,410</u>	<u>156,013,276</u>
Total assets	<u>59,864,623</u>	<u>63,774,889</u>	<u>36,931,512</u>	<u>160,571,024</u>
LIABILITIES				
Accounts payable	<u>13,110</u>	<u>14,250</u>	<u>78,054</u>	<u>105,414</u>
Total liabilities	<u>13,110</u>	<u>14,250</u>	<u>78,054</u>	<u>105,414</u>
NET POSITION				
Net position restricted for pensions/OPEB	<u>\$ 59,851,513</u>	<u>\$ 63,760,639</u>	<u>\$ 36,853,458</u>	<u>\$ 160,465,610</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, 2020

	General Employees Pension Trust Fund	Public Safety Employees Pension Trust Fund	OPEB Trust Fund	Total Benefit Trust Funds
ADDITIONS				
Contributions:				
Employer	\$ 2,403,037	\$ 4,143,433	\$ 2,220,000	\$ 8,766,470
Plan members	681,986	1,003,126	-	1,685,112
Total contributions	<u>3,085,023</u>	<u>5,146,559</u>	<u>2,220,000</u>	<u>10,451,582</u>
Miscellaneous income	-	-	77,361	77,361
Investment earnings:				
Net change in fair value of investments	(16,242)	(19,532)	40,292	4,518
Interest	453,130	470,411	273,241	1,196,782
Dividends	1,036,574	1,090,193	681,530	2,808,297
Total investment income	1,473,462	1,541,072	995,063	4,009,597
Less: investment expense	<u>(393,694)</u>	<u>(414,675)</u>	<u>(234,581)</u>	<u>(1,042,950)</u>
Net investment income	<u>1,079,768</u>	<u>1,126,397</u>	<u>760,482</u>	<u>2,966,647</u>
Total additions	<u>4,164,791</u>	<u>6,272,956</u>	<u>3,057,843</u>	<u>13,495,590</u>
DEDUCTIONS				
Benefits and refunds paid	3,538,599	4,910,705	1,561,793	10,011,097
Administrative expenses	36,433	45,305	-	81,738
Total deductions	<u>3,575,032</u>	<u>4,956,010</u>	<u>1,561,793</u>	<u>10,092,835</u>
Change in net position	589,759	1,316,946	1,496,050	3,402,755
Net position, beginning	<u>59,261,754</u>	<u>62,443,693</u>	<u>35,357,408</u>	<u>157,062,855</u>
Net position, ending	<u>\$ 59,851,513</u>	<u>\$ 63,760,639</u>	<u>\$ 36,853,458</u>	<u>\$ 160,465,610</u>



STATISTICAL SECTION

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

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

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

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

	2020	2019	2018	2017
Governmental activities				
Net investment in capital assets	\$ 66,099,041	\$ 63,840,069	\$ 59,880,188	\$ 58,962,839
Restricted	-	-	-	-
Unrestricted	(9,194,664)	(7,500,454)	(5,330,950)	12,679,830
<i>Total governmental activities net position</i>	<u>56,904,377</u>	<u>56,339,615</u>	<u>54,549,238</u>	<u>71,642,669</u>
Business-type activities				
Net investment in capital assets	107,928,456	96,802,988	88,271,380	77,976,227
Restricted	3,062,035	3,063,906	3,029,456	2,612,045
Unrestricted	3,548,747	5,196,145	5,154,819	14,069,326
<i>Total business-type activities net position</i>	<u>114,539,238</u>	<u>105,063,039</u>	<u>96,455,655</u>	<u>94,657,598</u>
Primary government				
Net investment in capital assets	174,027,497	160,643,057	148,151,568	136,939,066
Restricted	3,062,035	3,063,906	3,029,456	2,612,045
Unrestricted	(5,645,917)	(2,304,309)	(176,131)	26,749,156
<i>Total primary government net position</i>	<u>\$ 171,443,615</u>	<u>\$ 161,402,654</u>	<u>\$ 151,004,893</u>	<u>\$ 166,300,267</u>

2016	2015	2014	2013	2012	2011
\$ 55,670,509	\$ 57,685,894	\$ 57,349,894	\$ 53,768,043	\$ 35,032,961	\$ 47,390,589
-	-	115,000	165,000	16,140,004	1,713,579
8,269,875	5,755,438	13,700,802	15,548,344	15,420,770	16,213,407
<u>63,940,384</u>	<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>
77,730,796	73,668,728	70,435,192	65,917,836	55,645,888	58,001,891
2,289,651	4,284,817	6,272,857	7,474,542	8,551,119	9,638,746
12,912,695	13,337,439	13,594,642	10,158,004	17,520,679	11,466,523
<u>92,933,142</u>	<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>
133,401,305	131,354,622	127,785,086	119,685,879	90,678,849	105,392,480
2,289,651	4,284,817	6,387,857	7,639,542	24,691,123	11,352,325
21,182,570	19,092,877	27,295,444	25,706,348	32,941,449	27,679,930
<u>\$ 156,873,526</u>	<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>

Town of Ocean City, Maryland

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

	2020	2019	2018	2017
Expenses				
Governmental activities:				
General government	\$ 1,005,541	\$ 961,507	\$ 978,045	\$ 1,117,684
Public safety	41,931,460	37,934,242	36,827,677	35,363,774
General public works and beach	7,947,190	8,038,416	8,190,991	7,026,384
Sanitation and waste removal	6,709,292	6,578,821	6,353,497	6,104,169
Highways and streets	8,901,892	9,938,469	8,424,668	7,660,939
Economic development - tourism	8,346,286	8,649,731	9,389,746	8,813,147
Recreation and culture	7,933,083	8,477,292	8,282,474	8,234,584
Interest on long-term debt	1,496,052	1,548,752	1,367,535	1,301,378
Total governmental activities expenses	<u>84,270,796</u>	<u>82,127,230</u>	<u>79,814,633</u>	<u>75,622,059</u>
Business-type activities:				
Water	6,030,102	6,036,469	5,826,613	5,751,275
Wastewater	12,873,389	11,847,685	12,000,680	12,331,189
Transportation	7,276,681	8,104,072	8,476,581	7,929,546
Convention Center	5,918,274	6,181,811	6,012,638	5,670,317
Airport	3,255,852	2,631,481	1,823,343	1,985,010
Golf	2,371,013	2,161,739	2,204,437	2,082,395
Total business-type activities expenses	<u>37,725,311</u>	<u>36,963,257</u>	<u>36,344,292</u>	<u>35,749,732</u>
Total primary government expenses	<u>\$121,996,107</u>	<u>\$119,090,487</u>	<u>\$116,158,925</u>	<u>\$111,371,791</u>
Program revenues				
Governmental activities:				
Charges for services:				
General government	\$ 4,887,614	\$ 4,181,017	\$ 4,325,274	\$ 4,285,248
Public safety	2,848,882	2,471,329	2,307,485	2,130,314
General public works and beach	4,686,163	4,836,090	4,639,991	4,704,486
Sanitation and waste removal	133,343	133,479	147,173	116,257
Highways and streets	1,290,408	1,424,559	1,312,803	1,355,098
Economic development - tourism	1,165,587	1,620,374	1,698,351	1,593,428
Recreation and culture	1,396,325	1,461,220	1,762,377	1,804,858
Operating grants and contributions	3,335,627	3,087,434	3,302,181	3,370,747
Capital grants and contributions	-	293,883	102,407	335,711
Total governmental activities program revenues	<u>19,743,949</u>	<u>19,509,385</u>	<u>19,598,042</u>	<u>19,696,147</u>
Business-type activities:				
Charges for services:				
Water	6,254,649	6,212,765	6,221,780	6,494,646
Wastewater	14,394,010	14,169,964	13,798,797	13,332,083
Transportation	3,188,557	4,368,102	4,323,653	4,589,633
Convention Center	1,200,549	1,767,935	1,898,803	1,840,823
Airport	1,090,680	1,128,058	1,046,766	969,381
Golf	1,662,180	2,027,385	1,974,674	2,009,103
Operating grants and contributions	3,827,761	3,951,925	3,821,429	3,823,027
Capital grants and contributions	10,829,317	7,026,427	9,348,123	1,705,045
Total business-type activities program revenues	<u>42,447,703</u>	<u>40,652,561</u>	<u>42,434,025</u>	<u>34,763,741</u>
Total primary government program revenues	<u>\$ 62,191,652</u>	<u>\$ 60,161,946</u>	<u>\$ 62,032,067</u>	<u>\$ 54,459,888</u>

2016	2015	2014	2013	2012	2011
\$ 1,019,892	\$ 852,529	\$ 1,314,758	\$ 1,118,606	\$ 335,703	\$ 751,333
35,138,306	32,782,621	36,112,813	34,030,231	35,440,373	34,297,859
7,261,653	7,240,368	6,329,540	5,315,570	6,257,840	6,205,643
6,256,386	5,787,086	6,230,810	6,034,146	6,776,510	6,193,273
10,501,844	7,102,511	7,787,410	7,157,008	7,250,787	6,763,540
8,343,211	8,139,166	7,998,815	8,055,355	7,692,558	6,671,972
7,862,334	7,479,558	7,654,518	7,685,116	7,873,652	7,783,123
1,307,810	1,335,105	1,462,237	1,640,586	1,352,400	1,296,137
<u>77,691,436</u>	<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>
5,869,793	5,532,561	6,251,720	6,428,575	6,419,219	7,597,787
12,740,636	11,299,812	11,966,765	11,710,740	11,642,169	11,045,110
8,228,957	8,213,299	8,036,903	8,007,909	7,936,422	7,493,620
6,364,714	5,341,279	5,438,689	5,221,549	5,173,147	5,533,018
1,506,936	1,832,178	1,615,099	1,906,293	1,681,333	1,503,697
2,106,675	2,050,051	2,069,805	2,071,155	2,092,046	1,981,914
<u>36,817,711</u>	<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>\$ 114,509,147</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>
\$ 4,207,093	\$ 3,892,295	\$ 3,870,984	\$ 3,748,747	\$ 3,647,286	\$ 3,758,744
2,171,345	2,038,976	2,056,556	2,068,706	2,005,130	1,965,631
4,238,386	4,314,242	4,044,925	3,810,298	3,662,776	3,651,107
134,390	115,232	99,350	85,418	91,608	109,543
1,129,247	1,054,220	1,126,770	1,108,543	1,086,162	982,101
1,652,093	1,589,455	1,465,927	1,465,695	1,600,439	1,321,806
1,791,371	1,627,668	1,573,586	1,555,940	1,382,413	1,334,262
3,301,092	3,026,042	3,432,044	3,223,755	2,805,472	2,807,769
152,732	190,351	105,000	551,735	-	75,000
<u>18,777,749</u>	<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>
6,209,726	7,107,376	7,050,007	7,020,705	6,846,684	6,772,436
13,202,701	12,771,316	12,551,066	12,161,493	11,761,802	11,311,636
4,650,181	4,558,857	4,100,681	3,934,859	3,854,314	3,558,571
1,705,782	1,745,001	1,792,680	1,678,397	1,663,028	1,758,112
978,545	1,108,590	1,146,509	1,181,550	1,307,014	1,034,475
2,022,149	2,022,992	1,983,132	1,959,709	2,105,886	1,962,632
3,652,214	3,680,145	3,593,254	3,627,269	3,413,436	3,414,926
2,894,257	1,530,415	6,501,328	1,988,370	3,269,491	5,960,662
<u>35,315,555</u>	<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>\$ 54,093,304</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>

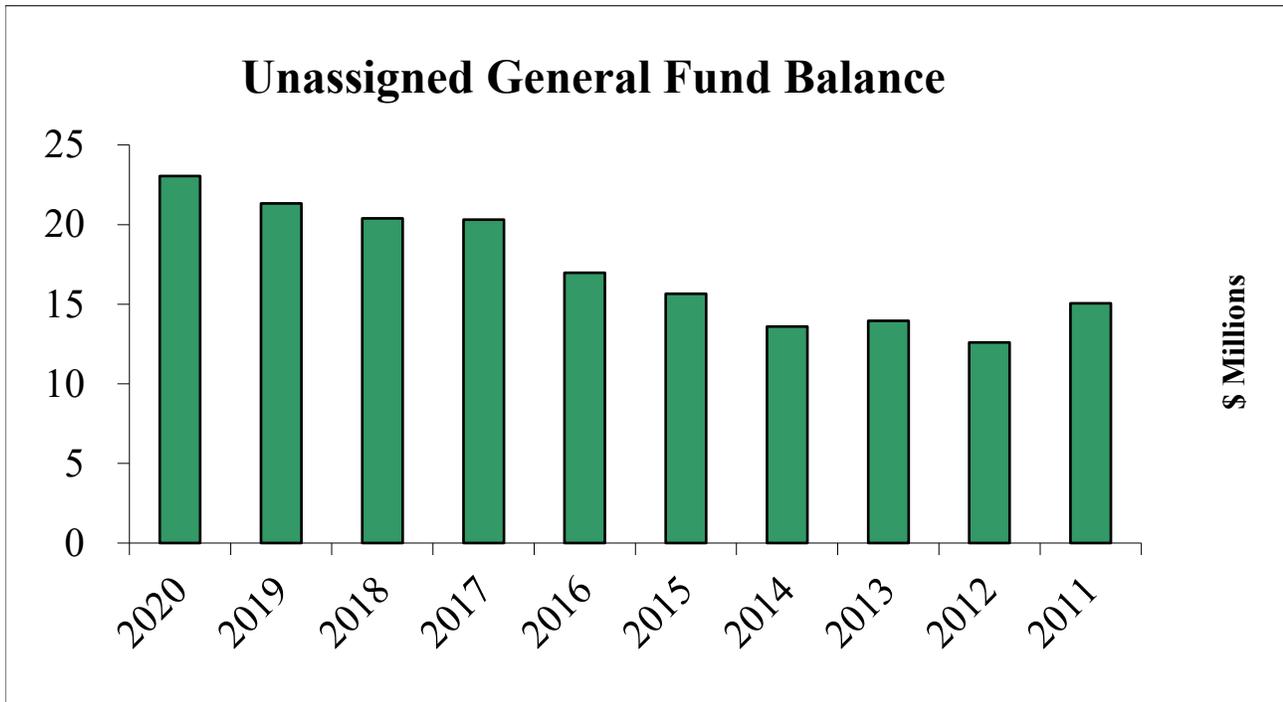
Town of Ocean City, Maryland
Changes in Net Position (Continued)
Last Ten Fiscal Years
(accrual basis of accounting)

	2020	2019	2018	2017
Net (expenses) revenues				
Governmental activities	\$ (64,526,847)	\$ (62,617,845)	\$ (60,216,591)	\$ (55,925,912)
Business-type activities	4,722,392	3,689,304	6,089,733	(985,991)
Total primary government net expenses	<u>\$ (59,804,455)</u>	<u>\$ (58,928,541)</u>	<u>\$ (54,126,858)</u>	<u>\$ (56,911,903)</u>
General revenues and other changes in net position				
Governmental activities:				
Taxes:				
Property and other local taxes levied for:				
General purposes	\$ 45,095,552	\$ 43,732,086	\$ 43,239,535	\$ 42,938,816
Sales and income taxes	18,675,635	19,108,527	18,721,093	18,645,893
State gaming contributions	579,115	768,971	706,108	655,254
Grants and contributions not restricted to specific programs	2,877,035	2,764,559	2,639,334	2,763,852
Investment earnings (losses)	1,155,677	1,420,639	399,992	111,056
Loss on sales of capital assets	-	-	-	-
Other revenue	994,054	816,663	756,507	1,141,154
Transfers	(4,285,459)	(4,203,223)	(3,595,376)	(2,627,828)
Total governmental activities	<u>65,091,609</u>	<u>64,408,222</u>	<u>62,867,193</u>	<u>63,628,197</u>
Business-type activities:				
Investment earnings	468,348	714,857	243,267	82,619
Loss on sales of capital assets	-	-	-	-
Other revenue (expense)	-	-	-	-
Transfers	4,285,459	4,203,223	3,595,376	2,627,828
Total business-type activities	<u>4,753,807</u>	<u>4,918,080</u>	<u>3,838,643</u>	<u>2,710,447</u>
Total primary government	<u>69,845,416</u>	<u>69,326,302</u>	<u>66,705,836</u>	<u>66,338,644</u>
Changes in net position				
Governmental activities	564,762	1,790,377	2,650,602	7,702,285
Business-type activities	9,476,199	8,607,384	9,928,376	1,724,456
Total primary government	<u>\$ 10,040,961</u>	<u>\$ 10,397,761</u>	<u>\$ 12,578,978</u>	<u>\$ 9,426,741</u>

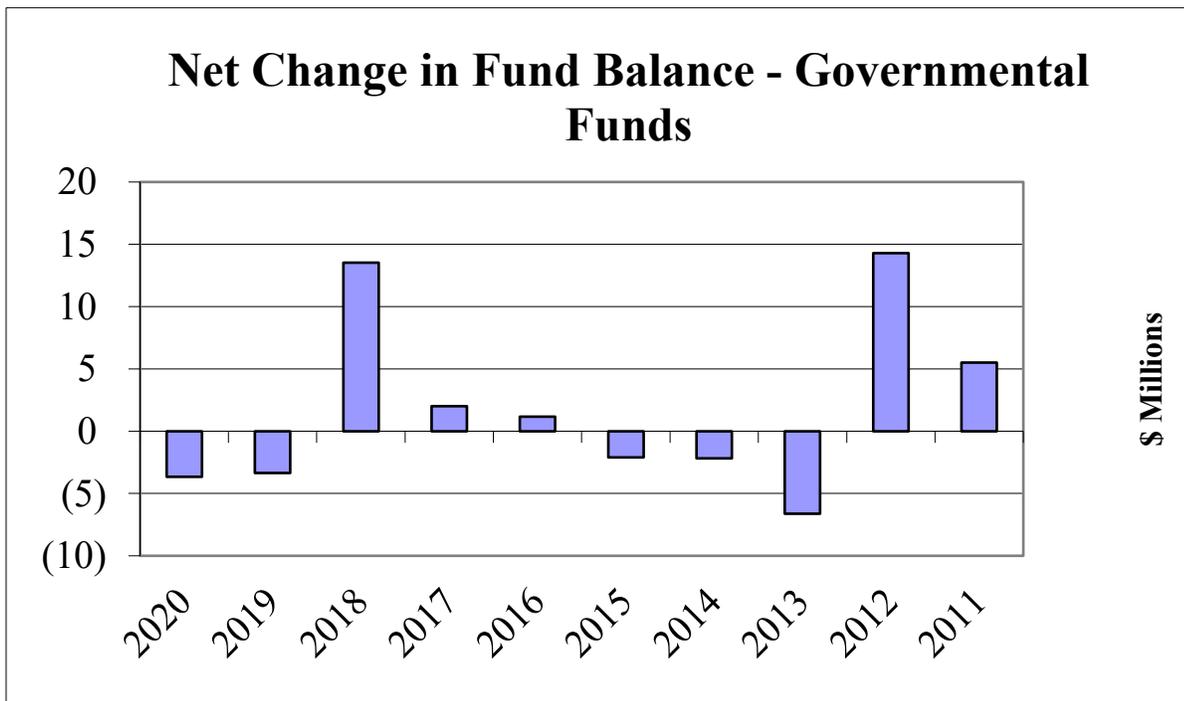
2016	2015	2014	2013	2012	2011
\$ (58,913,687)	\$ (52,870,463)	\$ (57,115,759)	\$ (53,417,781)	\$ (56,698,537)	\$ (53,956,917)
(1,502,156)	255,512	3,339,676	(1,793,869)	(722,681)	618,304
<u>\$ (60,415,843)</u>	<u>\$ (52,614,951)</u>	<u>\$ (53,776,083)</u>	<u>\$ (55,211,650)</u>	<u>\$ (57,421,218)</u>	<u>\$ (53,338,613)</u>
\$ 42,717,221	\$ 42,444,386	\$ 42,199,671	\$ 41,425,378	\$ 42,509,186	\$ 42,660,709
17,205,888	16,454,632	16,042,019	15,069,904	14,649,416	13,703,686
633,268	563,517	469,430	454,949	433,060	224,791
2,720,894	2,576,103	2,586,297	2,372,735	2,660,866	2,411,597
192,920	199,294	181,668	(45,412)	163,704	124,288
(1,482,918)	-	-	-	-	-
583,485	769,305	684,250	508,084	764,234	587,179
(3,158,019)	(3,022,929)	(3,363,267)	(3,480,205)	(3,205,769)	(3,795,956)
<u>59,412,739</u>	<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>
47,816	49,470	56,399	60,354	124,938	100,789
(61,521)	-	-	-	-	-
-	14,568	(7,033)	86,006	2,500	4,270
3,158,019	3,022,929	3,363,267	3,480,205	3,205,769	3,795,956
<u>3,144,314</u>	<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>62,557,053</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>
499,052	7,113,845	1,684,309	2,887,652	1,276,160	1,959,377
1,642,158	3,342,479	6,752,309	1,832,696	2,610,526	4,519,319
<u>\$ 2,141,210</u>	<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>

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

	2020	2019	2018	2017
General Fund				
Nonspendable	\$ -	\$ 49	\$ 3,000	\$ -
Assigned - purchases on order	701,565	260,324	273,980	351,857
Assigned - subsequent year's budget	1,707,477	877,203	1,610,184	2,237,944
Assigned - other purposes	-	955,271	-	-
Unassigned	23,048,068	21,329,235	20,387,666	20,313,783
Total General Fund	\$ 25,457,110	\$ 23,422,082	\$ 22,274,830	\$ 22,903,584
All other governmental funds				
Restricted - capital projects	\$ -	\$ -	\$ -	\$ -
Committed - purchases on order	2,941,160	9,030,165	9,803,404	783,864
Committed - capital projects	1,349,498	2,054,620	5,774,286	652,635
Committed - pier franchise	1,103,573	-	-	-
Total all other governmental funds	5,394,231	11,084,785	15,577,690	1,436,499
Total governmental funds	\$ 30,851,341	\$ 34,506,867	\$ 37,852,520	\$ 24,340,083
Unassigned General Fund balance as a percentage of expenditures	29.6%	27.5%	25.8%	25.7%



2016	2015	2014	2013	2012	2011
\$ -	\$ -	\$ 115,000	\$ 165,000	\$ 235,000	\$ 130,000
810,280	302,139	498,539	427,271	566,585	998,595
1,235,805	1,640,027	931,828	247,066	2,749,395	-
-	-	-	465,000	-	-
16,968,006	15,648,548	13,602,038	13,949,931	12,605,645	15,049,478
<u>\$ 19,014,091</u>	<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>
\$ -	\$ 3,020,069	\$ 5,333,799	\$ 8,656,416	\$ 14,031,244	\$ 747,437
1,389,255	-	-	-	1,272,334	52,343
1,923,126	537,914	2,758,897	1,517,524	601,426	783,799
-	-	-	-	-	-
3,312,381	3,557,983	8,092,696	10,173,940	15,905,004	1,583,579
<u>\$ 22,326,472</u>	<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>
23.1%	21.6%	18.2%	19.3%	17.5%	20.2%



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

	2020	2019	2018	2017
Revenues				
Property taxes	\$ 45,137,533	\$ 43,642,385	\$ 43,110,273	\$ 43,211,192
Other taxes	19,254,750	19,877,498	19,427,201	19,301,147
Licenses and permits	5,153,640	4,537,397	4,605,622	4,537,307
Fines and forfeitures	1,533,893	1,093,897	768,157	657,703
Charges for current services	9,720,789	10,496,774	10,819,675	10,794,679
Revenue from other agencies	6,207,104	6,145,876	6,043,922	6,296,552
Other revenue	2,072,098	2,096,725	1,140,597	1,440,276
<i>Total revenues</i>	<u>89,079,807</u>	<u>87,890,552</u>	<u>85,915,447</u>	<u>86,238,856</u>
Expenditures				
Current:				
General government	4,032,831	3,854,665	3,898,785	4,003,674
Public safety	36,215,064	35,326,678	34,918,034	33,837,807
General public works and beach	6,140,014	6,251,044	6,584,961	8,897,994
Sanitation and waste removal	5,980,097	6,012,480	5,928,648	5,650,586
Highways and streets	6,641,799	7,818,424	6,534,604	5,945,407
Economic development - tourism	8,015,628	8,371,675	9,107,849	8,664,640
Recreation and culture	7,269,096	7,938,695	7,783,762	7,918,927
Capital outlay	8,856,253	8,440,939	2,773,812	4,178,826
Debt service:				
Principal retirement	3,587,935	3,415,993	4,187,253	4,117,460
Interest and fiscal charges	1,551,471	1,594,239	1,222,729	1,309,827
Bond issuance costs	10,838	-	49,940	22,269
<i>Total expenditures</i>	<u>88,301,026</u>	<u>89,024,832</u>	<u>82,990,377</u>	<u>84,547,417</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>778,781</u>	<u>(1,134,280)</u>	<u>2,925,070</u>	<u>1,691,439</u>
Other financing sources (uses)				
Bonds and notes issued	-	2,202,048	14,282,743	2,950,000
Premium on bonds issued	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Transfers in	4,633,224	4,069,656	3,429,411	3,384,414
Transfers out	(9,067,531)	(8,483,077)	(7,124,787)	(6,012,242)
<i>Total other financing sources (uses)</i>	<u>(4,434,307)</u>	<u>(2,211,373)</u>	<u>10,587,367</u>	<u>322,172</u>
<i>Net change in fund balances</i>	<u>\$ (3,655,526)</u>	<u>\$ (3,345,653)</u>	<u>\$ 13,512,437</u>	<u>\$ 2,013,611</u>
Debt service as a percentage of noncapital expenditures	6.5%	6.3%	6.7%	6.8%

2016	2015	2014	2013	2012	2011
\$ 42,550,867	\$ 42,429,988	\$ 42,334,031	\$ 41,618,457	\$ 42,555,644	\$ 42,731,367
17,949,706	17,024,793	16,498,162	15,611,879	15,069,260	13,909,064
4,486,927	4,327,809	4,183,957	4,061,716	4,050,517	3,921,106
694,761	583,087	714,142	785,979	856,672	780,018
10,142,237	9,721,191	9,339,999	8,995,653	8,568,625	8,422,070
6,066,514	5,602,145	6,048,341	6,073,225	5,466,338	5,294,366
860,055	974,121	735,727	653,618	743,082	664,892
<u>82,751,067</u>	<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>
3,803,848	3,817,132	3,824,796	3,860,291	3,051,546	3,320,277
33,479,223	32,728,554	34,620,629	32,546,489	33,355,683	32,301,718
5,545,600	5,919,839	5,169,305	5,109,638	5,026,883	4,908,045
5,635,304	5,353,919	5,613,364	5,389,174	5,871,647	5,332,518
8,733,929	5,560,206	6,280,506	5,867,104	5,621,764	5,263,430
8,094,041	7,889,134	7,737,415	7,792,309	7,428,498	6,420,490
7,268,485	7,090,260	7,131,635	7,259,523	7,239,149	7,167,738
4,507,498	6,082,562	6,586,308	8,301,432	5,468,269	1,145,147
3,566,514	3,636,266	3,694,110	2,872,330	3,160,956	3,416,907
1,438,175	1,563,318	1,646,570	1,596,699	1,279,997	1,295,164
33,585	-	36,516	-	149,245	43,746
<u>82,106,202</u>	<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>
644,865	1,021,944	(2,486,795)	(2,794,462)	(343,499)	5,107,703
6,689,567	-	4,895,483	103,889	22,018,939	4,159,350
-	-	99,578	-	1,738,770	-
(2,914,784)	-	(992,858)	-	(5,908,464)	-
4,609,257	2,592,610	2,431,000	2,000,000	1,737,430	1,548,567
(7,851,130)	(5,705,958)	(6,134,515)	(5,942,848)	(4,943,199)	(5,312,672)
532,910	(3,113,348)	298,688	(3,838,959)	14,643,476	395,245
<u>\$ 1,177,775</u>	<u>\$ (2,091,404)</u>	<u>\$ (2,188,107)</u>	<u>\$ (6,633,421)</u>	<u>\$ 14,299,977</u>	<u>\$ 5,502,948</u>

6.4%

7.1%

7.0%

6.2%

6.2%

6.8%

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
2020	\$ 45,137,533	\$ 15,168,258	\$ 1,441,949	\$ 1,446,685	\$ 1,197,858	\$ 64,392,283
2019	43,642,385	16,031,485	1,526,898	1,008,338	1,310,777	63,519,883
2018	43,110,273	15,571,172	1,483,851	1,170,291	1,201,887	62,537,474
2017	43,211,192	15,385,278	1,454,882	1,329,862	1,131,125	62,512,339
2016	42,550,867	14,574,627	1,405,802	854,817	1,114,460	60,500,573
2015	42,429,988	13,845,675	1,329,978	843,596	975,483	59,424,720
2014	42,334,031	13,367,715	1,383,833	832,644	913,970	58,832,193
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
Change 2011 - 2020	5.6%	27.4%	22.3%	175.6%	302.5%	13.7%

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
2020	\$9,001,284,772	\$11,502,803	\$221,649,499	\$9,234,437,074	\$0.4656	\$9,234,437,074	2.7 %
2019	8,793,778,022	12,319,881	181,216,509	8,987,314,412	0.4656	8,987,314,412	0.7
2018	8,742,711,658	13,116,744	167,325,116	8,923,153,518	0.4656	8,923,153,518	2.0
2017	8,574,801,497	15,043,721	160,689,225	8,750,534,443	0.4727	8,750,534,443	1.8
2016	8,430,184,989	13,595,814	156,230,465	8,600,011,268	0.4780	8,600,011,268	-1.0
2015	8,526,614,796	13,646,124	147,557,519	8,687,818,439	0.4704	8,687,818,439	0.7
2014	8,481,052,332	12,670,775	133,532,093	8,627,255,200	0.4720	8,627,255,200	-0.8
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

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

Source: Uniform Financial Report of the Town of Ocean City to the Maryland Department of Fiscal Services, 2011 - 2020

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
2020	\$ 45,137,533	\$ 43,853,190	97.15 %	\$ -	\$ 43,853,190	97.15 %
2019	43,642,385	42,391,804	97.13	1,142,760	43,534,564	99.75
2018	43,110,273	42,171,748	97.82	927,994	43,099,742	99.98
2017	43,211,192	42,391,814	98.10	795,247	43,187,061	99.94
2016	42,550,867	41,471,737	97.46	1,049,811	42,521,548	99.93
2015	42,429,988	41,277,350	97.28	1,152,635	42,429,985	100.00
2014	41,916,584	41,005,847	97.83	887,438	41,893,285	99.94
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

* 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, 2011 - 2020

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

2020

Taxpayer	Taxable Assessed Value (1)	Percentage of Total Taxable Assessed Value
Harrison Inn Stardust, Inc.	\$ 68,440,020	0.74%
Americana Stowaway Motel, Inc.	65,689,245	0.71
Delmarva Power	44,806,100	0.49
91st Street Joint Venture, LLC	36,446,690	0.39
Genesar, Inc.	31,271,016	0.34
Harrison Inn - Sixty-Six, Inc.	26,338,900	0.29
Inns of Ocean City, LLC	26,089,507	0.28
Harrison HI 18 LLC	24,937,267	0.27
Harrison Inn Ocean View SPE, LLC	23,137,234	0.25
L.P.B.-O.C. Hotel Limited Partnership	22,417,000	0.24
	<u>\$ 369,572,979</u>	<u>4.00%</u>
Total taxable assessed value	<u>\$ 9,234,437,074</u>	

2011

Taxpayer	Taxable Assessed Value (1)	Percentage of Total Taxable Assessed Value
Americana Stowaway Motel, Inc.	\$ 66,778,747	0.64%
Harrison Inn Stardust, Inc.	64,692,188	0.62
91st Street Joint Venture, LLC	39,050,850	0.38
L.P.B.-O.C. Hotel Limited Partnership	33,911,766	0.33
Genesar, Inc.	29,734,328	0.29
Harrison HI 18 LLC	25,830,470	0.25
Harrison Inn Ocean View SPE, LLC	24,099,100	0.23
Harrison QI 17 LLC	23,356,766	0.22
Delmarva Power	21,843,840	0.21
Harrison Inn - Sixty-Six, Inc.	21,643,970	0.21
	<u>\$ 350,942,025</u>	<u>3.38%</u>
Total taxable assessed value	<u>\$10,413,493,746</u>	

(1) Assessed value is based on the value of property for taxes collected in 2020 and 2011, respectively, and a review of the ten largest taxpayers for the Town.

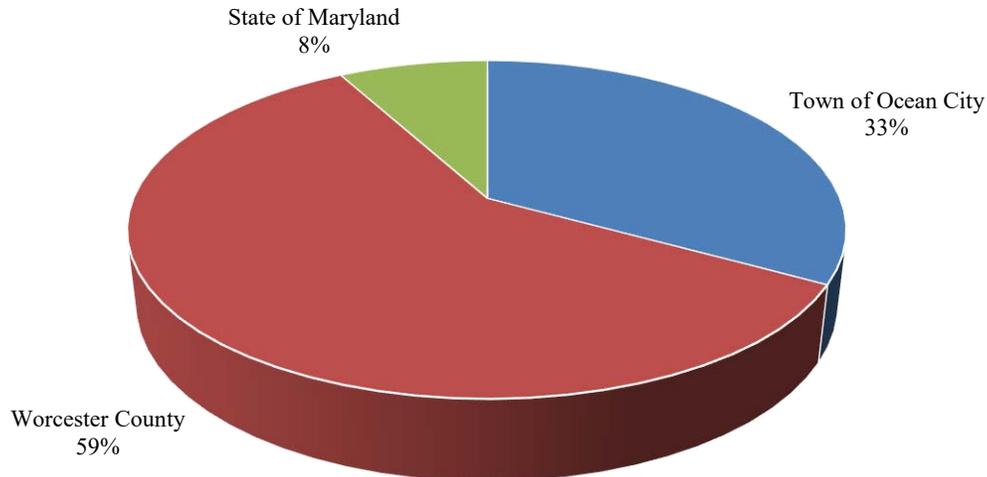
Source: Town of Ocean City Finance Department

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

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

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				
2020	\$39,669,964	\$1,323,839	\$ 273,700	\$ 9,652,928	\$54,137,321	\$2,770,608	\$571,981	\$108,400,341	1.17%	\$15,735	23.5%
2019	41,585,877	1,560,782	317,960	12,104,824	52,215,328	2,221,144	610,785	110,616,700	1.23	15,739	34.4
2018	44,764,656	1,796,400	362,230	9,496,606	56,277,609	2,617,354	647,536	115,962,391	1.30	16,328	31.0
2017	35,642,285	752,520	410,725	10,360,623	47,984,525	1,788,977	682,037	97,621,692	1.10	13,545	22.7
2016	36,592,696	936,121	462,069	5,401,883	52,517,225	2,166,829	713,600	98,790,423	1.15	13,910	36.2
2015	39,944,178	1,140,856	503,283	-	41,669,434	1,177,928	-	84,435,679	0.97	11,906	31.3
2014	43,545,210	1,372,312	538,517	-	47,747,775	1,479,997	-	94,683,811	1.10	13,351	35.6
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

* 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
2020	\$ 97,901,732	1.06%	\$ 14,211
2019	97,583,131	1.09	13,885
2018	105,456,019	1.18	14,849
2017	86,168,307	0.96	11,775
2016	92,212,871	1.07	12,984
2015	83,932,396	0.97	11,835
2014	94,145,294	1.09	13,275
2013	88,729,044	1.02	12,370
2012	96,090,583	0.93	13,530
2011	81,688,603	0.78	11,502

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, 2020

Jurisdiction	Debt Outstanding	Percentage Applicable to the Town *	Amount Applicable to the Town
Direct			
Town of Ocean City	\$ 50,920,431	100.0%	\$ 50,920,431
Overlapping			
Worcester County	<u>93,304,315</u>	56.7%	<u>52,872,573</u>
Total direct and overlapping debt	<u>\$ 144,224,746</u>		<u>\$ 103,793,004</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, 2020

Assessed value		<u>\$ 9,234,437,074</u>
Maximum general obligation debt (limited to 5.2% of assessed value) *		\$ 480,190,728
Outstanding bonds	<u>\$ 97,901,732</u>	
Net chargeable to bond limit		<u>97,901,732</u>
Legal debt margin at June 30, 2020		<u>\$ 382,288,996</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
2011 - 2020

Fiscal Year	Assessed Value	Legal Debt Limitation	Legal Borrowing Limitation	Debt Subject to Limitation	Legal Debt Margin
2020	\$ 9,234,437,074	5.2 %	\$ 480,190,728	\$ 97,901,732	\$ 382,288,996
2019	8,987,314,412	5.2	467,340,349	97,583,131	369,757,218
2018	8,923,153,518	5.2	464,003,983	101,042,265	362,961,718
2017	8,750,534,443	5.2	455,027,791	83,626,810	371,400,981
2016	8,600,011,268	5.2	447,200,586	92,212,871	354,987,715
2015	8,687,818,439	5.2	451,766,559	83,932,396	367,834,163
2014	8,627,255,200	5.2	448,617,270	94,145,294	354,471,976
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

Town of Ocean City, Maryland
Demographic and Economic Statistics
Calendar Years 2010 - 2019

Year	(1) Population	(2) Median Household Income	(3) Worcester County Personal Income	(4) Median Age	(5) School Enrollment	(6) Unemployment Rate
2019	6,889	\$ 61,145	\$ 3,236,923	50.1	6,810	5.5 %
2018	7,028	59,458	3,109,753	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

Sources:

- (1) Maryland State Data Center - Maryland Department of Planning (estimated)
- (2) US Census Bureau (figures are for Worcester County)
- (3) U.S. Department of Commerce Bureau of Economic Analysis (in thousands of dollars). 2019 figure was not available from the BEA. The 2019 figure was calculated by multiplying the 2018 Worcester County personal income by the average growth in personal income for the eight preceding years.
- (4) U.S. Census Bureau, 2018 American Community Survey 5-Year Estimates (figures are for Worcester County)
- (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,

2020

Employer	Employees	Percentage of Total County Employment
Town of Ocean City	1,163	5.12 %
Harrison Group	774	3.41
OC Seacrets, Inc.	308	1.36
Bayshore Development	237	1.04
KTG LLC	219	0.96
Fagers Island, Ltd.	206	0.91
Castle in the Sand, Inc.	206	0.91
Clarion Resort Fontainebleau	150	0.66
Trimpers Rides, Inc.	120	0.53
91st Street Joint Venture, LLC	111	0.49
Total	3,494	15.39 %
Total Worcester County employees (Data available for County only)	22,716	

2011

Employer	Employees	Percentage of Total County Employment
Town of Ocean City	1,346	4.68 %
Harrison Group	1,100	3.83
Phillips	550	1.91
OC Seacrets, Inc.	515	1.79
Bayshore Development	500	1.74
KTG LLC	371	1.29
Clarion Resort Fontainebleau	324	1.13
Fagers Island, Ltd.	292	1.02
91st Street Joint Venture, LLC	266	0.93
Trimpers Rides, Inc.	250	0.87
Total	5,514	19.19 %
Total Worcester County employees (Data available for County only)	28,733	

Sources:

Town of Ocean City Finance Department
Total County employment figures are from Maryland Department of Labor,
Licensing and Regulation Career and Workforce Information.

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

Function/Program	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
General Government	36	36	36	36	36	37	37	36	36	37
Public Safety	217	216	216	213	213	213	213	207	211	210
General Public Works	48	48	48	47	47	47	45	45	45	46
Solid Waste	21	21	21	21	21	21	22	23	23	25
Highway and Streets	23	23	22	23	23	23	23	22	22	22
Tourism	4	4	4	4	4	4	4	4	4	4
Recreation	44	43	43	42	42	43	42	42	42	42
Water	21	21	21	21	21	21	21	21	21	21
Wastewater	46	46	46	46	46	46	46	46	45	45
Transportation	13	13	13	13	13	13	13	13	13	13
Convention Center	34	34	34	34	34	33	32	32	33	34
Airport	3	3	3	3	3	3	3	3	3	3
Internal Service	30	30	30	30	30	30	30	30	30	30
Total full-time employees	540	538	537	533	533	534	531	524	528	532
Total part-time employees	623	885	829	904	850	911	874	867	837	814
Total employees	1,163	1,423	1,366	1,437	1,383	1,445	1,405	1,391	1,365	1,346

Source: Town of Ocean City's fiscal year 2011 - 2020 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	2020	2019	2018	2017
General Information				
Area (square miles)	5	5	5	5
Year-round residents	6,889	7,028	7,102	7,102
Registered voters	6,470	5,740	6,227	6,067
Average summer population	250,173	277,932	276,812	275,509
General Government				
Construction permits issued	1,501	1,852	1,885	1,810
Estimated value of construction	\$ 48,800,979	\$ 54,474,168	\$ 78,539,236	\$ 86,385,559
Public Safety - Police				
Total arrests	1,937	2,271	2,338	2,252
Parking violations	2,913	3,358	4,821	9,619
Classified officers	107	106	105	105
Seasonal officers	51	56	80	80
Public Safety - Fire and Emergency Services				
Fire responses	1,265	1,245	1,348	1,323
Ambulance responses	3,222	4,855	4,658	5,006
* Plan reviews/permits/special event reviews	1,347	1,062	854	930
* Fire marshal inspections	1,152	1,529	1,389	1,778
* Fire marshal field operations/investigations	564	756	718	757
* Fire marshal complaints/referrals/fire protection system deficiencies	691	734	720	666
* Fire safety inspections/re-inspections	-	-	-	-
* Fire investigations	-	-	-	-
Classified fire personnel	3	3	3	3
Volunteer officers, firemen, life honor, gold badge	240	240	215	215
Classified emergency medical technicians	44	44	44	44
Seasonal emergency medical technicians	73	82	74	67
Solid Waste				
Trash processed (tons)	31,758	34,749	34,479	35,823
Trash recycled (tons)	138	208	242	229
Tourism and Recreation				
Seasonal beach patrol personnel	204	186	207	194
Water				
Average daily consumption (gallons)	3,843,260	3,966,756	4,282,348	4,278,040
Plants' daily capacity (gallons)	18,000,000	18,000,000	18,000,000	18,000,000
Transportation				
Bus passengers	1,610,823	2,391,312	2,563,434	2,554,385
Wastewater				
Average daily treatment (gallons)	5,276,046	5,713,227	5,895,466	5,699,000
Average daily treatment - summer (gallons)	9,058,337	9,426,935	10,254,228	9,743,000
Plant's daily treatment capacity (gallons)	14,000,000	14,000,000	14,000,000	14,000,000
Customer accounts	28,287	28,416	28,403	28,417
Airport				
Based aircraft	65	65	63	67
Aircraft fueled	3,100	3,100	3,100	3,100

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

Source: Town of Ocean City Finance Department

	2016	2015	2014	2013	2012	2011
	5	5	5	5	5	5
	7,102	7,092	7,092	7,110	7,110	7,102
	5,703	6,141	5,267	6,184	6,034	5,166
	258,330	242,611	253,561	254,906	276,809	263,765
	1,855	1,472	1,564	1,660	1,525	1,622
\$	\$ 61,003,886	\$ 57,890,098	\$ 51,755,670	\$ 36,287,285	\$ 35,460,786	\$ 25,521,294
	2,312	3,568	2,921	3,614	3,879	3,572
	9,344	7,934	10,460	11,237	13,045	14,705
	105	105	105	105	103	102
	100	100	100	100	96	102
	1,158	1,278	1,262	1,190	1,303	1,224
	4,698	4,518	4,157	4,634	6,025	5,935
	935	-	-	-	-	-
	1,556	-	-	-	-	-
	755	-	-	-	-	-
	795	-	-	-	-	-
	-	2,659	2,423	1,935	2,050	2,068
	-	65	98	107	115	136
	3	3	3	3	4	4
	226	231	235	235	235	221
	42	41	44	37	36	36
	69	65	67	65	54	74
	33,794	32,603	32,814	39,640	36,069	34,253
	279	202	185	190	205	283
	175	186	190	194	182	189
	4,179,104	4,156,608	4,637,616	4,891,890	5,243,506	5,591,287
	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000
	2,495,014	2,588,189	2,737,568	2,852,639	2,872,472	2,997,578
	5,528,000	5,378,000	5,445,000	5,700,000	5,747,000	5,731,000
	9,330,000	9,194,000	9,603,000	9,200,000	10,050,000	9,986,000
	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000
	28,698	28,804	28,739	28,775	28,772	28,781
	76	67	64	77	75	67
	2,900	2,900	3,165	3,544	4,092	4,081

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

Function/Program	2020	2019	2018	2017
Public Safety - Police				
Stations	2	2	2	2
Vehicles	82	82	82	83
Public Safety - Fire and Emergency Services				
Stations	5	5	5	5
Ambulances	10	10	10	10
Highways and Streets				
Streets (miles)	69	69	69	69
Streetlights	3,078	3,078	3,078	3,078
Storm sewers (miles)	43	43	43	43
Catch basins	2,315	2,315	2,315	2,315
Heavy equipment	48	48	48	48
Solid Waste				
Heavy equipment	32	32	32	32
Economic Development - Tourism, Recreation, and Culture				
Parks/playgrounds	12 / 7	12 / 7	13 / 7	13 / 7
Park acreage	77	77	77	77
Recreation centers	1	1	1	1
Boardwalk (miles)	3	3	3	3
Beach (miles)	10	10	10	10
Tennis courts	12	12	14	14
Museums	1	1	1	1
Golf courses	1	1	1	1
Water				
Water mains (miles)	150	150	150	150
Treatment plants	3	3	3	3
Service connections	7,212	7,500	7,216	7,074
Fire hydrants	847	847	847	847
Transportation				
Buses	67	62	61	62
Handicapped buses	3	3	3	3
Trolleys	-	-	-	-
Boardwalk trams	9	8	8	8
Wastewater				
Sanitary sewers (miles)	152	152	152	152
Treatment plants	1	1	1	1
Pumping stations	10	10	10	10
Convention Center				
Convention Center (functional sq. ft.)	118,101	118,101	118,101	118,101
Airport				
Runways (2) (linear feet)	7,278	7,278	7,278	7,273
Hangars (square feet)	115,064	115,064	115,064	115,064

Source: Town of Ocean City Finance Department

2016	2015	2014	2013	2012	2011
2	2	2	2	2	2
81	84	84	82	83	84
5	5	5	5	5	5
10	10	9	10	9	9
69	69	69	69	69	69
3,078	3,078	3,054	3,054	3,024	3,024
43	43	43	43	43	43
2,315	2,315	2,315	2,315	2,315	2,310
48	48	48	48	48	48
32	32	32	32	32	32
13 / 6	13 / 6	13 / 6	13 / 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
7,074	7,068	7,237	7,143	7,584	7,131
847	847	847	847	847	847
62	61	62	60	62	69
3	3	3	3	3	4
-	-	-	-	4	8
8	8	8	8	8	8
152	152	152	152	152	150
1	1	1	1	1	1
10	10	10	9	9	9
118,101	118,101	117,101	117,101	106,557	106,557
7,273	7,273	7,270	7,270	7,270	7,270
115,064	115,064	115,064	115,064	140,080	140,080