

TOWN OF OCEAN CITY, MARYLAND

ANNUAL COMPREHENSIVE FINANCIAL REPORT



2022

FISCAL YEAR ENDED JUNE 30, 2022

(cover photo by Rapid Aerial Solutions [@lordstig])

A quiet evening commute on Coastal Highway, looking north from 73rd Street

(facing page)

A sunny, summer beach day, looking south towards the Ocean City Fishing Pier

TOWN OF OCEAN CITY, MARYLAND

ANNUAL COMPREHENSIVE FINANCIAL REPORT

for the Fiscal Year Ended June 30, 2022



PREPARED BY:

Finance Department

Terence J. McGean, PE
City Manager

Charles Bireley, CPA
Finance Director



**Town of Ocean City, Maryland
Annual Comprehensive Financial Report
for the Fiscal Year Ended June 30, 2022**

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INTRODUCTORY SECTION

LOCATION MAP

LETTER OF TRANSMITTAL

GFOA CERTIFICATE OF ACHIEVEMENT

ORGANIZATIONAL CHART

LIST OF PRINCIPAL OFFICIALS AND DIRECTORS



Location Map



TOWN OF OCEAN CITY

The White Marlin Capital of the World

October 7, 2022

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

The Town of Ocean City, Maryland (the “Town”), is a popular tourist destination as well as an active residential community of citizens who enjoy living on a slender barrier island between the Atlantic Ocean and wide coastal bays. This report, which details the financial results for the 2022 fiscal year, identifies the challenges and successes observed during this period.

I respectfully submit the Town’s Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2022. The purpose of this report is to provide citizens, the Mayor and City Council, management, representatives of financial institutions, and others with detailed information about the financial condition and performance of the Town government. The ACFR is produced to comply with Section 717 of the Town charter and the State of Maryland’s financial reporting requirements for local governments. The financial statements are presented in conformity with accounting principles generally accepted in the United States (GAAP).

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

In accordance with auditing standards generally accepted in the United States, SB & Company, LLC, independent public accountants, have issued an unmodified (“clean”) opinion. The independent public accountants concluded that the Town of Ocean City’s financial statements for the year ended June 30, 2022, are fairly presented in conformity with GAAP. Their report is presented as the first component of the financial section of this report.

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

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

MAYOR
RICHARD W. MEEHAN

CITY COUNCIL

MATTHEW M. JAMES
President

ANTHONY J. DELUCA
Secretary

PETER S. BUAS
JOHN F. GEHRIG, JR.
J. FRANKLIN KNIGHT
LLOYD MARTIN
MARK L. PADDACK

CITY MANAGER
TERENCE J. MCGEAN, PE

CITY CLERK
DIANA L. CHAVIS, CMC

www.oceancitymd.gov



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Town of Ocean City, Maryland
Letter of Transmittal

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

The financial statements of the Employees of Ocean City, Maryland Pension Plan and Trust; the Ocean City, Maryland Public Safety Employees Pension Plan and Trust; and the Ocean City, Maryland Other Post-Employment Benefits Trust are included in the ACFR as fiduciary funds of the Town. The Town's reporting entity is explained in Note 1.B. to the financial statements.

THE TOWN AND TOWN GOVERNMENT

Population, location, and government. Ocean City is a barrier island founded as a fishing village in 1875. Today, the Town has around 7,000 permanent residents, with over 6,000 registered voters and hosts millions of visitors annually to its beautiful wide beaches, 2.5-mile-long boardwalk, bays, and natural resources. The Town also offers a wide variety of activities including festivals, fishing tournaments, amusement parks, golf courses, restaurants, bars, and nightclubs.

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

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

The annual budget serves as the foundation for the Town's financial planning and control. The City Council is required to adopt a budget for the fiscal year no later than June 1 preceding the fiscal year beginning July 1. The City Manager and Finance Director may approve transfers of appropriations within a department or between departments. Transfers between funds or utilization of contingencies require approval of the Mayor and City Council. A budget-to actual comparison for the General Fund is presented in the financial section of this report.

ECONOMIC CONDITIONS

A destination resort, Ocean City is nationally recognized as a clean and safe community for its residents, vacation homeowners, and visitors with tourism as the basis of its economy. The tourism industry can be broken down into four classifications: 1) hotels, motels, and condominium rentals; 2) restaurants and nightclubs; 3) retail shops, the boardwalk, and malls; and 4) sports and recreational activities. On busy

summer weekends, it is estimated that over 300,000 people visit the resort. Although the peak months are June, July, and August, tourism is also strong in April, May, September, and October. Depending on the 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 also help support room occupancy levels and restaurant and retail sales.

The Town uses advertising, promotions, and social media to publicize the vacation and leisure opportunities in Ocean City, with advertising costs in excess of \$4.4 million for fiscal year 2022. For the year ended June 30, 2022, room sales (based on room tax revenues) increased by 17.99% from the prior fiscal year. Food and beverage sales (also based on tax collections) stayed nearly level from FY 2021, with a 0.2% decrease in food tax revenue collected during FY 2022.

There were 1,684 construction permits issued in FY 2022, compared to 2,166 in FY 2021. The estimated value of construction in FY 2022 was \$67,413,855, a decrease of \$1,480,485 from FY 2021. 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>
2305 Philadelphia Ave.	N/A	Embers LLC – Mixed Use	\$ 3,731,625
1548 Teal Dr.	N/A	Single Family Home	2,283,221
5001 Coastal Hwy.	N/A	Retail Store	2,076,775
7 57 th St.	4	57 th St. East of OC LLC Condominium	1,200,000
301 S. Heron Gull Ct.	N/A	Single Family Home	1,200,000
115 75 th St.	N/A	Restaurant	1,000,000

During FY 2022, the Town relied on property taxes for approximately 44% of its General Fund revenues. Property tax revenues are directly impacted by the value of homes and new construction. Although the Town has a 0% assessment increase cap for owner-occupied homes, only 5% of properties are eligible for the cap. The assessed value of the remaining business properties, second homes, and condominiums is at full market value, which is highly sensitive to changing market conditions. Properties in the State of Maryland are assessed on a triennial system. The Town’s last comprehensive reassessment was completed in 2021 for FY 2022. This reassessment saw residential property values in Ocean City increase by about 3%, but commercial real property assessments decreased by an average of 4%. This reassessment is fully phased in over a three-year period. Overall, the Town’s assessable base for real property increased a paltry 0.17% during FY 2022.

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

Ocean City Police Department:



The Ocean City Police Department (OCPD) is now fully equipped with body-worn cameras. All sworn law enforcement personnel and Public Safety Aides assigned to patrol can be seen wearing a body-worn camera.

Last year, the Maryland General Assembly passed legislation that mandated all Maryland law enforcement agencies use body-worn cameras by 2025. Chief Buzzuro quickly tasked members of the department with the job of researching the best vendor fit for the department. After several months of testing and evaluations, OCPD selected Axon as the Town’s vendor. The Department worked hard to ensure that all officers were trained, and the necessary

equipment ready, so that by June 2022 all OCPD personnel in the field were equipped with and qualified to use body-worn cameras.

Chief Buzzuro, with the Mayor and City Council’s enthusiastic encouragement and support for the body-worn camera program, was instrumental in implementing the program so quickly. It’s expected that the body-worn camera program will help to enhance the existing trust and relationship between the community and the police by greatly enhancing transparency and the community’s confidence in the OCPD. With over 47,000 videos recorded since Memorial Day, the cameras have already been instrumental in promoting de-escalation and enhancing the ability to resolve officer-involved incidents and complaints.



Ocean City Municipal Airport – Runway Rehabilitation Project:



After relocation of the Runway 14 Localizer last year, Runway 14/32 full-depth reconstruction at Ocean City Municipal Airport began in earnest during the summer of 2022. After preparatory site work and grading, the runway was closed and demolition of the existing pavement began. Runway 14/32 is the Airport’s longest runway and had reached the end of its service life. Intensive maintenance on the part of the Town’s Department of Public Works over the last few years had kept the surface fully operational until now. The runway’s length of 4,074 feet will remain the same; however, its geometry and surface features will be upgraded to meet current Federal Aviation Administration (FAA) design

and safety standards. The total duration for the project is anticipated to be just over 100 days. Runway 02/20, the Airport’s other main runway, which is 3,204 linear feet in length, will remain open for the bulk of this time. There will be a brief period during the month of October when the runway intersection is rebuilt, which will necessitate temporary closure of both runways.

The new runway surface will be grooved full-length for improved braking action in all weather conditions, and will also feature modern visual navigation aids. The visual approach slope indicator landing aids will be replaced with precision approach path indicators. This project also includes a “green” lighting component in the form of new LED edge and approach lighting. Older “direct-bury” cables and transformers will be replaced with “in-conduit” runs and pre-cast flush concrete lighting can bases. Other underground electrical infrastructure will be modernized, including the addition of concrete duct banks and underground junction plazas, as well as the replacement of both runway circuit’s constant current regulators. Standardized lighted directional signage will replace existing flat plate unlit signage. These improvements will reduce maintenance and electrical utility costs over the coming years.



The bulk of funding for this runway work comes from the FAA’s federal “Airport Improvement Program,” which is comprised mainly of fuel taxes and airline passenger fees. Two consecutive FAA discretionary grants have been awarded. The first is funded at 100%; the second at 90% FAA, 5% Maryland Department of Transportation (MDOT), and 5% is the responsibility of the Town. MDOT funds come from the State Transportation Trust Fund. The total cost for this project is around \$9 million.

Once completed, the new Runway 14/32, while no longer than before, will be compliant with the latest FAA runway safety area and surface standardization regulations. These improvements, combined with an optimized runway surface, will contribute to enhanced pilot situational awareness and improved overall operational safety.



FINANCIAL INFORMATION AND PLANNING

Capital planning. The Town has adopted a capital improvement plan in conjunction with its strategic plan that includes scheduled replacement of infrastructure and improvements to public facilities. The following improvements are considered high priority: street paving, boardwalk re-decking, a 3rd Street recreation complex, stormwater outfall replacements, a new mid-town fire station, and Baltimore Avenue utility undergrounding.

General Fund reserve. The Town has a policy of maintaining a minimum reserve of 17% of General Fund expenditures to handle potential revenue shortfalls, cash flows during peak employment in the summer season, and for emergencies. As of June 30, 2022, that reserve, unassigned fund balance, was 30.4% of General Fund expenditures, down from 36.9% in FY 2021. The Town's consistently strong reserve position is often cited by bond rating agencies as a major factor in their high grading of the Town's debt issuances.

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

AWARDS AND ACKNOWLEDGMENTS

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Ocean City for its comprehensive annual financial report for the fiscal year ended June 30, 2021. This is the 34th 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 annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we will be submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments. The preparation of this report depends on the skill and professionalism of the entire Finance Department. They performed their work for the year following the highest standards of governmental accounting. The Finance Department works very hard to maintain strong internal controls to provide accurate financial reporting to keep the public informed and to assist management decision making.

Respectfully submitted,



Charles Bireley, CPA
Finance Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Town of Ocean City
Maryland**

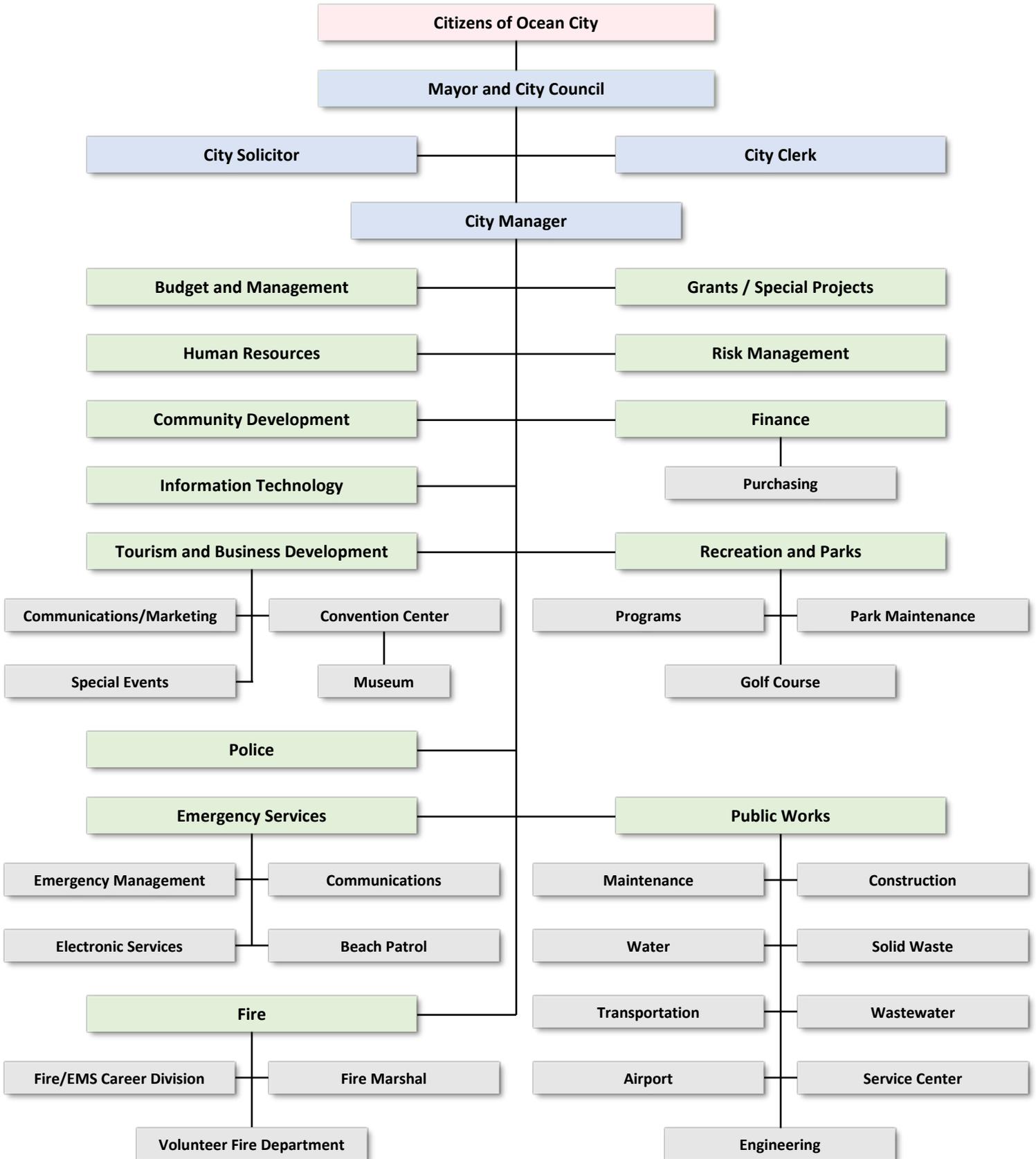
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morill

Executive Director/CEO

Town of Ocean City Organizational Chart Fiscal Year 2022



**TOWN OF OCEAN CITY, MARYLAND
LIST OF PRINCIPAL OFFICIALS AND DIRECTORS
JUNE 30, 2022**

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

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

Trustees

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



FINANCIAL SECTION



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

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

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

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ocean City, Maryland (the Town), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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



Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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



S B & COMPANY, LLC
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We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the Town's basic financial statements. The combining and individual fund statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Information

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

Owings Mills, Maryland
October 7, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

Town of Ocean City, Maryland
Management's Discussion and Analysis
June 30, 2022

This section of the Annual Comprehensive Financial Report provides a discussion and analysis of the financial performance of the Town of Ocean City (the "Town") and an overview of the Town's financial activities for the fiscal year ended June 30, 2022, provided by management. This information is best understood if read in conjunction with the transmittal letter at the front of this report found on pages 1-6 and the Town's financial statements, which follow this section.

Financial Highlights for FY 2022

- The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows at the close of the 2022 fiscal year, resulting in a net position of \$218,465,892. The Town's net position increased by \$14,943,760 during the fiscal year. \$11,237,122 of this increase was from governmental activities, with business-type activities providing the remaining \$3,706,638 increase in net position. Additional details and explanations can be found on pages 21-23 of this report.
- As of June 30, 2022, the Town's governmental funds reported a combined fund balance of \$65,246,092, an increase of \$26,614,566 from the prior year. The Town's unassigned fund balance, which is the portion of fund balance available to meet the Town's current and future needs, decreased from \$28,956,239 in FY 2021 to \$25,604,250 at the end of FY 2022, a decrease of \$3,351,989. Unassigned General Fund fund balance at year-end was 30.4% of General Fund expenditures, compared to 36.9% in FY 2021, and is in excess of the Town's reserve policy of 17%.
- The Town's net debt increased by \$19,251,500 in FY 2022. Additional details can be found on page 29 and Note 8 of this report.
- As of June 30, 2022, a net pension liability of \$42,019,073, related deferred outflows of \$23,520,128 and deferred inflows of \$323,967 are recorded in the Statement of Net Position. The funded ratio is 76.43% for the General Employees Pension Plan and is 74.47% for the Public Safety Employees Pension Plan. The Town's net OPEB asset was \$6,249,510 as of June 30, 2022, with a funded ratio of 120.47%. Deferred outflows of resources related to OPEB totaled \$5,066,953 and related deferred inflows were \$35,078,684. Additional details can be found on pages 26-27 and Notes 10 and 11 of this report.

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

Overview of the Financial Statements

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

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

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

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

Both of these government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues, *governmental activities*, from other functions that are intended to cover their costs primarily from user fees and charges, *business-type activities*. The governmental activities of the Town include general government, public safety, general public works and beach, sanitation and waste removal, highways and streets, economic development, 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
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Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

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

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

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

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

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

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

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

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

Town of Ocean City, Maryland
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Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Town's progress in funding its obligation to provide pension and OPEB benefits to its employees 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, 2022, 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 \$218,465,892 at the close of the fiscal year ended June 30, 2022, compared to \$203,522,132 for the year ended June 30, 2021.

85.1% 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
	2022	2021	2022	2021	2022	2021	
Current and other assets	\$ 93,966,398	\$ 62,221,216	\$ 37,372,245	\$ 32,105,410	\$ 131,338,643	\$ 94,326,626	39.2 %
Capital assets	111,494,138	112,279,678	166,650,272	159,817,861	278,144,410	272,097,539	2.2
Total assets	<u>205,460,536</u>	<u>174,500,894</u>	<u>204,022,517</u>	<u>191,923,271</u>	<u>409,483,053</u>	<u>366,424,165</u>	11.8
Deferred outflows of resources	<u>23,681,856</u>	<u>1,091,555</u>	<u>4,958,512</u>	<u>142,026</u>	<u>28,640,368</u>	<u>1,233,581</u>	2221.7
Long-term liabilities outstanding	101,785,363	64,344,419	64,901,174	55,347,519	166,686,537	119,691,938	39.3
Other liabilities	12,073,900	10,047,038	5,494,441	4,256,533	17,568,341	14,303,571	22.8
Total liabilities	<u>113,859,263</u>	<u>74,391,457</u>	<u>70,395,615</u>	<u>59,604,052</u>	<u>184,254,878</u>	<u>133,995,509</u>	37.5
Deferred inflows of resources	<u>26,339,036</u>	<u>23,494,021</u>	<u>9,063,615</u>	<u>6,646,084</u>	<u>35,402,651</u>	<u>30,140,105</u>	17.5
Net position:							
Net investment in capital assets	68,381,960	66,130,826	117,599,334	115,219,474	185,981,294	181,350,300	2.6
Restricted	-	-	2,412,860	2,925,283	2,412,860	2,925,283	-17.5
Unrestricted	20,562,133	11,576,145	9,509,605	7,670,404	30,071,738	19,246,549	56.2
Total net position	<u>\$ 88,944,093</u>	<u>\$ 77,706,971</u>	<u>\$ 129,521,799</u>	<u>\$ 125,815,161</u>	<u>\$ 218,465,892</u>	<u>\$ 203,522,132</u>	7.3 %

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
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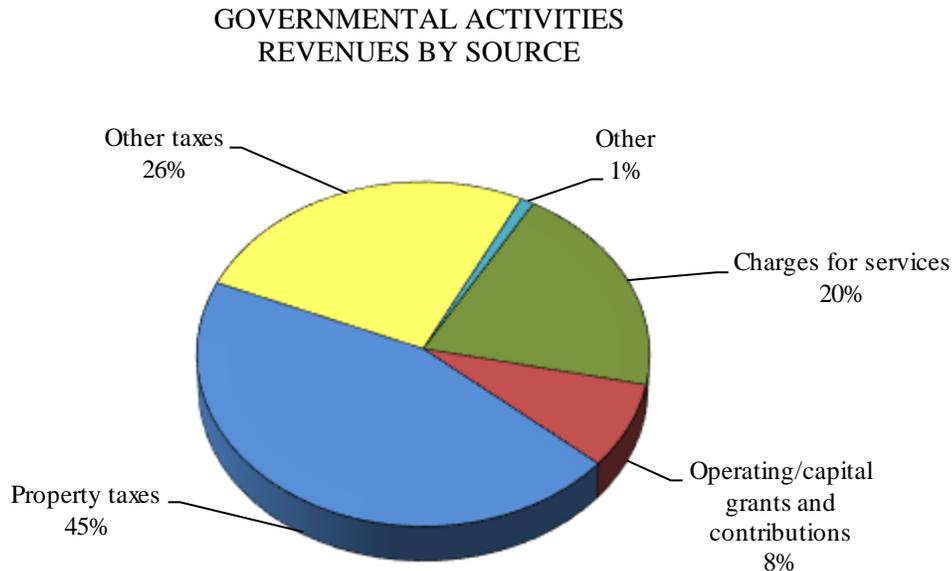
As shown in the following chart, the Town's net position increased \$14,943,760 for the year ended June 30, 2022. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

	Governmental Activities		Business-Type Activities		Total Primary Government		% Change
	2022	2021	2022	2021	2022	2021	
REVENUES							
Program revenues:							
Charges for services	\$ 19,166,957	\$ 16,375,491	\$ 30,823,442	\$ 26,682,400	\$ 49,990,399	\$ 43,057,891	16.1 %
Operating grants and contributions	3,753,811	4,145,643	6,129,034	5,230,089	9,882,845	9,375,732	5.4
Capital grants and contributions	732,217	164,623	2,528,559	7,239,346	3,260,776	7,403,969	-56.0
General revenues:							
Property taxes	44,762,217	44,753,212	-	-	44,762,217	44,753,212	0.0
Other taxes	26,313,664	22,049,614	-	-	26,313,664	22,049,614	19.3
Grants and contributions not restricted to specific programs	3,808,700	10,687,803	-	-	3,808,700	10,687,803	-64.4
Other revenues	995,290	1,208,640	39,332	49,507	1,034,622	1,258,147	-17.8
Total revenues	99,532,856	99,385,026	39,520,367	39,201,342	139,053,223	138,586,368	0.3
EXPENSES							
General government	686,237	258,640	-	-	686,237	258,640	165.3
Public safety	41,853,089	36,162,036	-	-	41,853,089	36,162,036	15.7
General public works and beach	8,436,145	7,565,437	-	-	8,436,145	7,565,437	11.5
Sanitation and waste removal	7,432,443	6,856,099	-	-	7,432,443	6,856,099	8.4
Highways and streets	9,215,575	7,578,264	-	-	9,215,575	7,578,264	21.6
Economic development - tourism	7,801,066	7,300,049	-	-	7,801,066	7,300,049	6.9
Recreation and culture	8,613,369	7,691,127	-	-	8,613,369	7,691,127	12.0
Interest on long-term debt	1,569,129	1,322,736	-	-	1,569,129	1,322,736	18.6
Water	-	-	6,759,912	5,600,246	6,759,912	5,600,246	20.7
Wastewater	-	-	12,854,591	11,284,560	12,854,591	11,284,560	13.9
Transportation	-	-	7,983,596	6,027,237	7,983,596	6,027,237	32.5
Convention Center	-	-	6,333,897	5,197,788	6,333,897	5,197,788	21.9
Airport	-	-	2,138,618	1,620,583	2,138,618	1,620,583	32.0
Golf Course	-	-	2,431,796	2,043,049	2,431,796	2,043,049	19.0
Total expenses	85,607,053	74,734,388	38,502,410	31,773,463	124,109,463	106,507,851	16.5
Change in net position before transfers	13,925,803	24,650,638	1,017,957	7,427,879	14,943,760	32,078,517	-53.4
Transfers	(2,688,681)	(3,848,044)	2,688,681	3,848,044	-	-	
Change in net position	11,237,122	20,802,594	3,706,638	11,275,923	14,943,760	32,078,517	-53.4
Net position, prior year	77,706,971	56,904,377	125,815,161	114,539,238	203,522,132	171,443,615	18.7
Net position, current year	\$ 88,944,093	\$ 77,706,971	\$ 129,521,799	\$ 125,815,161	\$ 218,465,892	\$ 203,522,132	7.3 %

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Governmental activities. There was an increase of \$11,237,122 in the Town's net position in FY 2022 attributed to governmental activities. Key elements of this change are as follows:

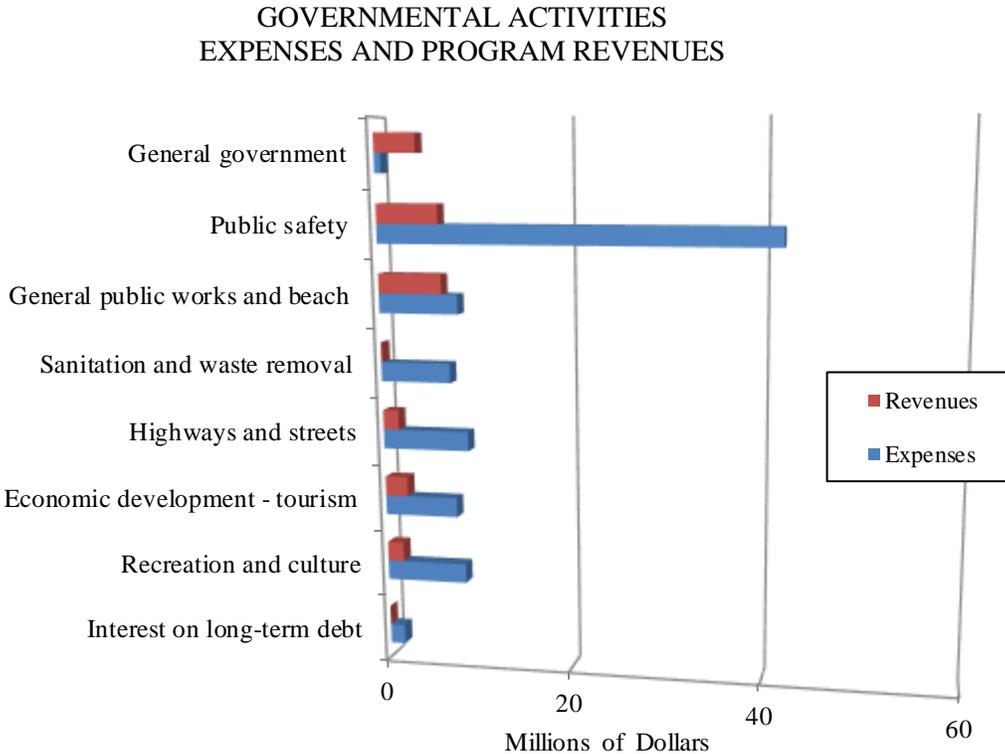
- Property tax revenues, and tax penalties and interest, are the largest single revenue source for the Town. The real property tax rate increased from \$0.4559 per \$100 of assessed value in FY 2021 to \$0.4561 per \$100 in FY 2022. The personal and corporate property tax rate was \$1.14 per \$100 of assessed value in FY 2022, which was unchanged from FY 2021. This resulted in a modest \$9,005 increase in property tax revenues with the assessable base staying relatively flat from the prior fiscal year. Property taxes comprised 45% of revenue for governmental activities in FY 2022, the same percentage as FY 2021.



- “Sales and income taxes” includes admissions taxes, income taxes, highway user taxes, and room taxes. Room taxes increased by \$3,355,986 in FY 2022, primarily due to favorable weather, increased lodging rates, and a full year of operations for a few new hotels in Ocean City. Admissions and amusement tax increased by \$922,522, a 73.5% increase from FY 2021, due to the continued easing of COVID-19 restrictions on arcades, nightclubs, etc. during the latter part of the 2021 summer season.
- “Grants and contributions not restricted to specific programs” decreased by \$6,990,820 during FY 2022. The Town's American Rescue Plan Act (ARPA) award of \$6,841,642, recognized in FY 2021, was a one-time award and accounts for nearly the entire decrease during the current fiscal year.
- “Charges for services” for “General public works and beach” increased by \$1,045,165 for FY 2022, which was due to an increase in parking revenue aided, once again, by good summer weather and increased visitors post-COVID.

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



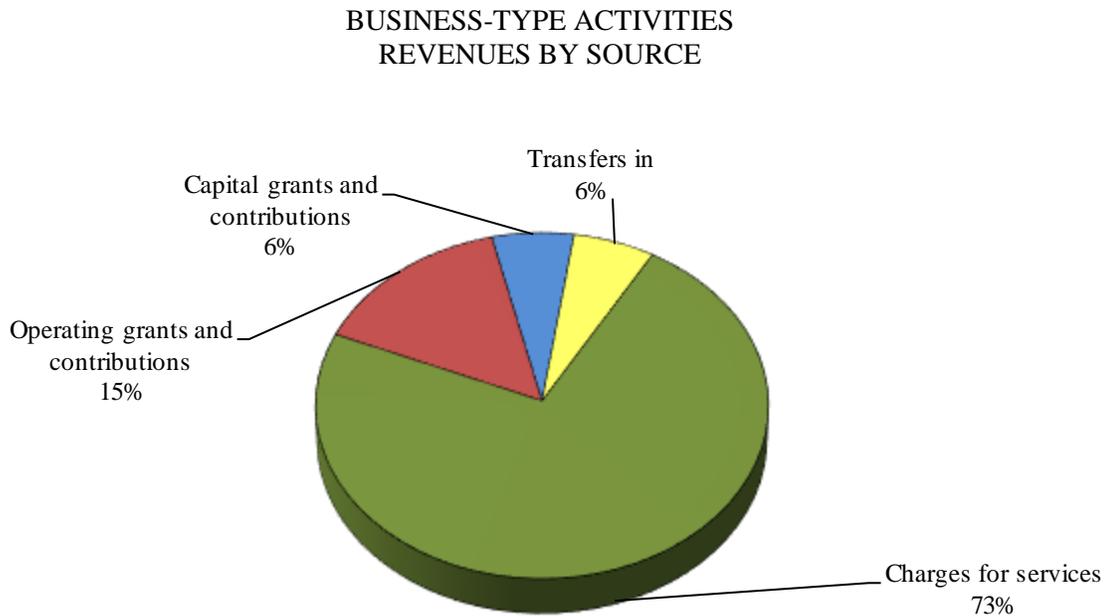
- Total governmental activities' expenses were \$85,607,053 during FY 2022, which was an increase of \$10,872,665 from FY 2021. The most significant increase was for the public safety function, with \$5,691,053 more in expenses during FY 2022 than the prior fiscal year. This increase was partially due to higher salary and overtime figures for police and fire personnel; however, the primary cause for the variance was the substantial increase in pension expenses during FY 2022. Fiscal year 2021 pension expenses were negative \$3,187,434 due to favorable actuarial adjustments and strong investment returns for the pension plans during the measurement period, but pension expenses for public safety increased by \$3,832,906 for FY 2022 as a result of unfavorable adjustments and significant losses on pension plan investments.
- Pension and OPEB expenses for all governmental activities totaled negative \$567,378 for FY 2022. During FY 2021, these same expenses totaled negative \$6,168,216, which is an increase of \$5,600,838 in post-employment expenses for governmental activities during FY 2022 compared to the prior fiscal year. OPEB expenses for all governmental activities totaled negative \$1,764,273 during the current fiscal year, a decrease of \$598,649 from the negative \$1,165,624 OPEB expense during the prior fiscal year. This decrease was due to a substantial reduction in the Town's total OPEB liability caused by cost savings the Town will realize by switching to a Medicare Advantage insurance plan for its retirees.

*Town of Ocean City, Maryland
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Business-type activities. There was an increase of \$3,706,638 in the Town's net position in FY 2022 attributed to business-type activities. Key elements of this change are as follows:

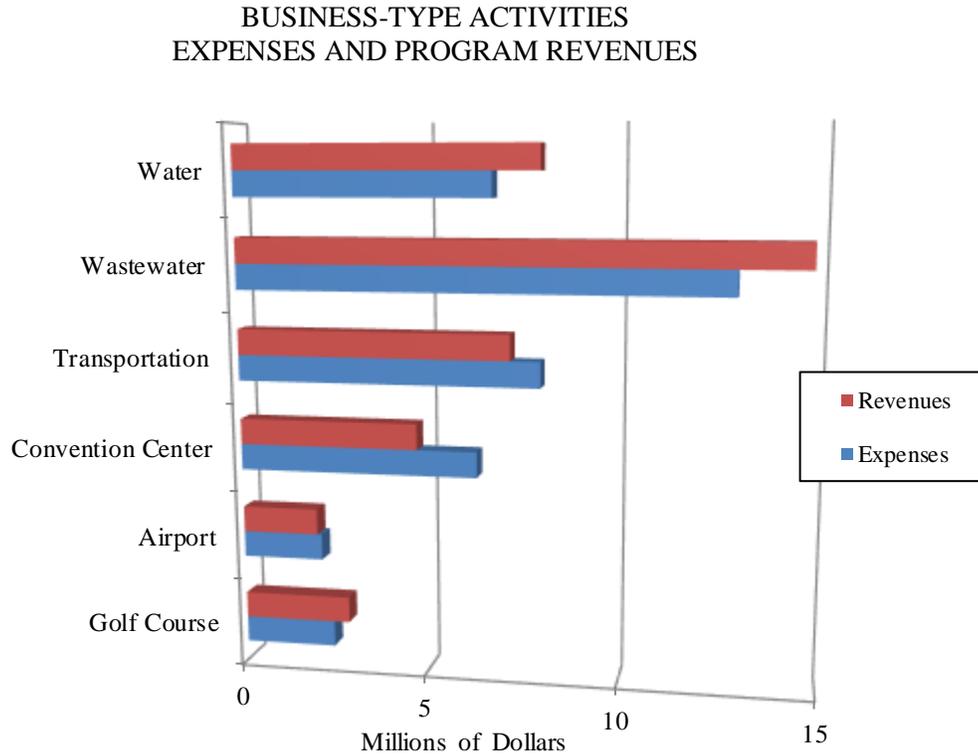
- Charges for services for business-type activities increased \$4,408,925 in FY 2022 compared to FY 2021 revenue. Water revenue increased by \$1,282,902 due to a scheduled rate increase. Transportation charges for services rebounded from lingering COVID-19 impacts on bus and boardwalk tram deployments during FY 2021, with revenue increasing by \$1,497,708 from the prior fiscal year. The Convention Center, also still impacted by COVID-19 during FY 2021, saw a turnaround in the number of events it hosted during the current fiscal year and posted \$789,701 more in charges for services during FY 2022.
- Capital grants and contributions for business-type activities totaled \$2,528,559 during FY 2022, which was a decrease of \$4,710,787 from the prior fiscal year. State and federal capital grants decreased during FY 2022, primarily because funding for the Transportation portion of the campus plan ended during FY 2021 when that project was completed. Capital grants for various Airport Fund projects also decreased substantially, from \$2,566,156 during FY 2021 to \$768,756 in FY 2022, which was a result of less activity related to runway safety projects during the current fiscal year compared to FY 2021.
- Expenses for every function classified as a business-type activity increased in FY 2022 compared to FY 2021. Two of the largest variances were in the Wastewater Fund and the Transportation Fund, with increases in expenses of \$1,570,031 and \$1,956,359, respectively. Increased expenses in the Wastewater Fund were due to an increase in average daily treatment. Transportation Fund expenses increased due to the costs associated with higher ridership figures in the current fiscal year. Additional details are provided later in the MD&A.

Charges for services were 73% of revenue for business-type activities in FY 2022, with operating grants and contributions making up 15% of revenue, and capital grants and contributions comprising 6% of revenue (down from 17% for FY 2021 due to the completion of the aforementioned campus plan project) as shown in the following graph:



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The following graph indicates the degree to which expenses are covered by charges for services to customers, operating grants, and capital grants for business-type activities. The Water, Wastewater, and Golf Course Funds were self-supporting and user fees, grants, or reserves covered all costs during FY 2022. The operations of the Transportation, Convention Center, and Airport Funds were subsidized by the General Fund.



Financial Analysis of the Town's Funds

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

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

As of June 30, 2022, the Town's governmental funds reported a combined ending fund balance of \$65,246,092, compared to \$38,631,526 at June 30, 2021. This \$26,614,566 increase in fund balance was primarily due to an increase in room taxes as detailed previously in this report, the Town's recognition of its second tranche of ARPA funds, totaling over \$3.4 million, as well as over \$18.5 million in bond proceeds allocated to the Capital Projects Fund for the Town's General Obligation Municipal Purpose Bonds of 2021.

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The General Fund unassigned fund balance, which is available for spending, decreased \$3,351,989; from \$28,956,239 in FY 2021 to \$25,604,250 in FY 2022. Total General Fund fund balance increased \$8,887,928 during the fiscal year.

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, 2022, unassigned General Fund fund balance was equal to 30.4% of General Fund expenditures, a decrease from 36.9% at June 30, 2021. Total General Fund fund balance represents 51.6% of General Fund expenditures at year-end. At the prior year-end, the percentage was 44.0%.

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

- General Fund expenditures of \$84,089,900 before other financing sources and uses were \$5,615,222 more in FY 2022 compared to FY 2021. Public safety expenditures increased \$2,882,313 during FY 2022, partly due to increased personnel costs associated with the hiring of additional patrol officers. General public works and beach expenditures increased by \$887,541 for higher vehicle fuel and parts expenses, and for increased credit card fees related to parking facilities.
- General Fund transfers to subsidize other funds were \$9,176,352 in FY 2022 compared to \$8,055,935 in FY 2021, an increase of \$1,120,417. The General Fund's transfer to the Capital Projects Fund increased by \$2,279,780, to cover project costs and capital maintenance. There was no General Fund contribution to the Transportation Fund during FY 2022, whereas \$1,865,685 was contributed in the prior fiscal year to help offset losses from bus and tram operations.
- In FY 2022, the City Council voted to assign \$1.5 million of fund balance to provide resources for the 2023 fiscal year for projects, and \$3.4 million in ARPA funds are included as an "appropriation of fund balance" to balance the FY 2023 budget. Additionally, \$2.5 million of fund balance has been assigned for increasing pension costs, \$1.9 million for salary and benefit increases resulting from a new pay study and rising inflation, and nearly \$4.8 million for advertising, which is based on a percentage of room tax revenue.

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

- A change in net position of \$1,211,057 was reported in the Water Fund, which was similar to the change in net position reported in FY 2021. Operating revenues increased by \$1,282,902 due to a usage rate increase, but this was offset by an increase in operating expenses of \$1,045,106 compared to FY 2021, driven largely by an increase in repairs and maintenance expenses of \$924,995. Repairs and maintenance expenses were higher in FY 2022 primarily due to a water tower repainting project that began in FY 2021 but concluded, and for which the bulk of the expenses occurred, during the current fiscal year.
- The Wastewater Fund had a change in net position of \$1,808,134 in FY 2022 compared to \$3,442,116 in FY 2021, a decrease of \$1,633,982. Wastewater Fund revenue was nearly flat from the prior fiscal year, but "other supplies and expenses" increased by \$1,243,368 due to increased treatment costs.
- Net position for the Transportation Fund increased by \$127,039 in FY 2022, which was \$3,990,485 less than the change in net position during FY 2021. Operating revenue increased by \$1,497,708 from the prior fiscal year because of renewed bus and tram activity. Personnel costs increased by \$827,699 and repairs and maintenance expenses increased by \$748,327, both due to increased bus and tram

*Town of Ocean City, Maryland
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deployments during FY 2022. Transportation Fund depreciation also increased by \$417,185 as a result of the first full year of depreciation on the Town's new campus plan at 65th Street. No transfer was made from the General Fund to subsidize Transportation Fund operations during FY 2022, which also contributed to the decreased change in net position during the current fiscal year.

- The Convention Center Fund had a change in net position of \$105,065 in FY 2022, which was a modest decrease from the change in net position of \$650,135 in FY 2021. The Fund's operating revenues rebounded from pandemic-related closures and cancellations, increasing by \$789,701 during FY 2022; however, operating expenses more than offset the higher revenue, increasing by \$1,137,762 during the fiscal year. Increased staffing needs due to more events were the primary driver of the increase in expenses, accounting for \$783,441 of the change. Debt service for the fund is supported by a tax on food and beverages in Ocean City. The debt sinking account had a balance of \$2,412,860 at year-end and is shown as a restricted portion of net position.
- The Airport Fund, a nonmajor fund, had an increase in net position of \$802,249 in FY 2022, which was a large reduction from the \$2,141,257 increase in net position during FY 2021. While operating revenue actually increased slightly during FY 2022, and General Fund contributions increased by \$788,195, a large decrease in capital contributions/grants due to a slow-down in project activity (from \$2,566,156 in FY 2021 to \$768,756 in FY 2022) more than offset the increase in revenue from operations and transfers in.
- The Golf Course Fund, a nonmajor fund, had a change in net position of \$492,693 for FY 2022, a slight drop from the \$554,286 increase in net position in the prior fiscal year. Greens fees, cart fees, and other operating revenues increased by \$302,645 during the fiscal year, but operating expenses increased by \$388,747, mostly due to an increase in personnel costs of \$253,178. Similar to FY 2021, the Golf Course Fund did not require a subsidy from the General Fund to sustain its operations during the current fiscal year.

Fiduciary funds.

FY 2022 was a tough year for the Town's fiduciary funds, with investment losses recognized on all post-employment benefit plans.

The pension funds had an average money-weighted rate of return on investments of -15.17%, a substantial decrease from the 22.05% return seen in FY 2021. The actuarial value of assets is fair value as of June 30, 2022. The recommended contribution calculation methodology uses a 10-year, level dollar, closed gain/loss basis.

The General Employees Pension Plan funded ratio based on Governmental Accounting Standards Board (GASB) Statement No. 67, an indicator of funding status, decreased from 97.06% to 76.43%. Employees contribute 5% of pay to the plan. The Town contributed \$2,639,659 to the plan during FY 2022, which was \$69,567 less than the prior fiscal year. The unfunded actuarial liability is amortized over 10 years.

The funded ratio decreased from 93.19% to 74.47% for the Public Safety Employees Pension Plan. Employees contribute 8% of pay to the plan (9% for International Association of Fire Fighters [IAFF] members). The Town contributed \$4,406,092 to the plan during FY 2022, \$5,382 less than FY 2021, which includes a closed 10-year amortization of the unfunded actuarial liabilities for the plan. Town contributions for both pension plans were based on actuarial analyses performed in early 2020; therefore, employer contributions don't necessarily correlate to other investment and actuarial results observed during the current fiscal year. Additional information on the pension plans can be found on pages 76-84 of this report.

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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 2022. The plan had an average money-weighted rate of return on investments of -15.26% for fiscal year 2022, which was a drastic departure from the 21.49% return during FY 2021. In spite of the dismal investment returns, changes implemented to the insurance plan offered to retirees reduced the total OPEB liability by over \$20 million, which created a net asset for the Town's OPEB plan. This net OPEB asset is measured at \$6,249,510 and has a remaining amortization of 17 years. The change in the net OPEB liability (asset) from FY 2021 was a reduction of \$12,530,009. \$20,387,185 of the decrease in the net liability (asset) was due to a reduction in the total OPEB liability, mostly related to favorable differences between expected and actual experience from the Town's switch to a Medicare Advantage plan for new retirees. This was offset by a \$7,857,176 decrease in the plan's fiduciary net position, which was driven by a \$6,359,890 net investment loss for the plan during FY 2022. The funded ratio of the total OPEB liability increased to 120.47% in FY 2022 (from 87.67% in the prior fiscal year). The Town contributed \$96,128 from drug subsidies to the plan in FY 2022, which was \$1,139,872 less than the actuarially determined contribution (ADC) for the fiscal year (based on advice from the Town's actuary subsequent to the determination of the original ADC). Additional information on the OPEB Trust can be found on pages 72-76 of this report.

General Fund Budgetary Highlights

Amendments to the adopted budget may occur during the year by ordinance (see Note 1.F. on page 53). Two amendments were made to the FY 2022 budget. Differences between the original budget and final amended budget for the General Fund resulted in recognition of \$7,828,397 in additional revenue and increased the total expenditures in the original budget by \$6,963,358. Transfers to other funds increased \$2,054,452. Significant changes made to the original budget were as follows:

- Increased "other taxes" by \$4,209,138, which included raising the room tax estimate by \$3,800,000 and the estimate for admissions and amusement taxes by \$438,918.
- Increased "fines and forfeitures" by \$991,169, which consisted of increases in parking fines of \$664,052 and tow fines of \$250,000.
- Increased "charges for current services" by \$916,891, including additional parking revenue estimates of \$858,793.
- Increased "revenue from other agencies" by \$1,065,660. Worcester County grants for Town-provided fire and ambulance services increased \$202,800 and State of Maryland tourism grants increased by \$419,585.
- The budget amendments increased expenditures by \$2,005,161 for public safety, which reflects federal, state, and county grants received, \$566,514 for body cameras, \$192,000 for fire boat repairs, and nearly \$500,000 in total police and fire overtime. Budgeted expenditures for "economic development – tourism" also increased by \$3,714,889, which included \$2,935,951 of increases in advertising costs and \$419,585 for State of Maryland tourism grants.

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

- Transfers to other funds increased \$2,054,452. The primary changes involved transfers to the Capital Projects Fund, which increased \$1,525,000 (including \$950,000 to fund Boardwalk re-decking in lieu of bonding the project), and transfers to the Airport Fund, which increased \$529,452 to purchase two parcels of land near the airport.

During the fiscal year, revenues were more than final budget estimates by \$5,757,766. Expenditures were \$7,751,098 less than anticipated. Other sources and uses variances were an unfavorable \$31,523. This resulted in an overall favorable variance from the budget of \$13,477,341. The key elements of this variance were:

- Revenue from “other taxes” was \$1,780,201 more than anticipated, primarily due to actual room taxes exceeding budget estimates by \$1,010,166 as a result of increased room rates, a continually expanding “season” for the Town, and overall good weather during the fiscal year.
- “Revenue from other agencies” was \$3,313,877 more than anticipated due to ARPA funds received within 60 days of fiscal year-end and recognized as FY 2022 revenue.
- The expenditures for “public safety” were \$1,872,646 under budget due to lower expenditures for the Volunteer Fire Company’s supplies and capital outlay than anticipated, as well as personnel costs for police patrol and dispatchers that were less than budgeted.
- The largest variance between the final budget and actual expenditures was for “economic development – tourism,” which were under budget by \$4,497,271, nearly all of which was due to advertising costs that were lower than expectations as a result of changing advertising agencies during FY 2022.

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

Capital Assets

The Town's capital assets for its governmental and business-type activities as of June 30, 2022, were a combined \$278,144,410 (net of accumulated depreciation) compared to \$272,097,539 in FY 2021. 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
	2022	2021	2022	2021	2022	2021	
Land	\$ 26,075,318	\$ 26,075,318	\$ 18,863,087	\$ 17,977,224	\$ 44,938,405	\$ 44,052,542	2.0 %
Construction in progress	3,789,717	50,847	20,674,598	27,027,708	24,464,315	27,078,555	-9.7
Buildings	36,399,835	37,904,849	70,980,089	59,081,340	107,379,924	96,986,189	10.7
Machinery and equipment	18,772,990	22,214,793	27,297,939	28,576,591	46,070,929	50,791,384	-9.3
Streets and infrastructure	19,534,188	18,859,763	25,862,272	24,148,504	45,396,460	43,008,267	5.6
Other improvements	6,922,090	7,174,108	2,972,287	3,006,494	9,894,377	10,180,602	-2.8
	<u>\$ 111,494,138</u>	<u>\$ 112,279,678</u>	<u>\$ 166,650,272</u>	<u>\$ 159,817,861</u>	<u>\$ 278,144,410</u>	<u>\$ 272,097,539</u>	2.2 %

Debt Administration

In December 2021, the Town issued General Obligation Municipal Purpose Bonds of 2021 for \$26,115,000. The proceeds will primarily be used to fund a new fire station, a recreation complex at 3rd Street, a portion of the Baltimore Avenue utility undergrounding project, and several water and wastewater capital projects.

As of June 30, 2022, the Town had total general obligation bonded debt, backed by the full faith and credit of the Town, outstanding of \$103,073,878, 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 \$185,180, and financed purchases totaling \$7,778,134.

The Town paid debt principal of \$8,823,233 in FY 2022. Outstanding general obligation debt represents 1.15% of the assessed valuation of property in the Town. The debt limit is 5.2% of assessments, leaving a legal debt margin of \$389,185,471.

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

Economic Factors and Next Year's Budget and Rates

- For the FY 2023 budget, the Town adopted the constant yield real property tax rate of \$0.4526 per \$100 of assessed value and lowered the corporate and personal property tax rate from \$1.14 per \$100 of assessed value to \$1.13 per \$100 of assessed value.
- Ocean City remains a premier mid-Atlantic resort that is convenient from metropolitan areas. The Town has continued to dedicate over 44% of hotel room taxes to increased advertising of Ocean City as a resort destination.

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

- Service is a primary function of a Town government in a resort community. Non-union employees are budgeted to receive an increment on January 1, 2023, which will be based on a new pay scale, plus an additional 2% wage increase. Police union employees receive a step increase on July 1, 2022, and a 7% cost-of-living adjustment on January 1, 2023. Firefighters' union employees receive a step increase on July 1, 2022.
- 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 2023 budget invests a cumulative \$600,000 into maintaining the beach and boardwalk.
- To continue to maintain infrastructure, property values, and pedestrian safety, the FY 2023 budget funds \$2,000,000 for street paving and \$1,500,000 for capital maintenance.

All of these factors were considered in preparing the Town's budget for the 2023 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, 2022

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Cash and cash equivalents	\$ 29,648,758	\$ 20,596,928	\$ 50,245,686
Restricted cash and cash equivalents	16,725,066	9,466,785	26,191,851
Investments	25,224,611	-	25,224,611
Restricted investments	-	2,107,826	2,107,826
Receivables (net of allowance for uncollectibles)	2,872,892	3,137,783	6,010,675
Interest receivable	127,696	22,594	150,290
Intergovernmental receivable	10,800,494	2,508,204	13,308,698
Internal balances	3,172,014	(3,172,014)	-
Inventories	731,823	1,030,618	1,762,441
Other	18,555	68,500	87,055
Net OPEB asset	4,644,489	1,605,021	6,249,510
Capital assets, not being depreciated:			
Land	26,075,318	18,863,087	44,938,405
Construction in progress	3,789,717	20,674,598	24,464,315
Capital assets, net of accumulated depreciation:			
Buildings	36,399,835	70,980,089	107,379,924
Machinery and equipment	18,772,990	27,297,939	46,070,929
Streets and infrastructure	19,534,188	25,862,272	45,396,460
Other improvements	6,922,090	2,972,287	9,894,377
Total capital assets	<u>111,494,138</u>	<u>166,650,272</u>	<u>278,144,410</u>
Total assets	<u>205,460,536</u>	<u>204,022,517</u>	<u>409,483,053</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	31,447	21,840	53,287
Deferred outflows related to pensions	19,884,768	3,635,360	23,520,128
Deferred outflows related to OPEB	3,765,641	1,301,312	5,066,953
Total deferred outflows of resources	<u>23,681,856</u>	<u>4,958,512</u>	<u>28,640,368</u>
LIABILITIES			
Accounts payable and other accrued liabilities	3,408,801	3,738,904	7,147,705
Accrued expenses	5,009,392	907,574	5,916,966
Unearned revenue	2,601,674	541,456	3,143,130
Other	1,054,033	306,507	1,360,540
Long-term liabilities:			
Due within one year:			
Compensated absences	119,563	477,629	597,192
Claims and judgments	972,109	-	972,109
Bonds, notes, and loans payable	5,272,309	4,642,871	9,915,180
Due in more than one year:			
Compensated absences	2,065,163	47,108	2,112,271
Claims payable	3,093,754	-	3,093,754
Bonds, notes, and loans payable	54,485,120	53,491,838	107,976,958
Net pension liability	35,777,345	6,241,728	42,019,073
Total long-term liabilities	<u>101,785,363</u>	<u>64,901,174</u>	<u>166,686,537</u>
Total liabilities	<u>113,859,263</u>	<u>70,395,615</u>	<u>184,254,878</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	269,385	54,582	323,967
Deferred inflows related to OPEB	26,069,651	9,009,033	35,078,684
Total deferred inflows of resources	<u>26,339,036</u>	<u>9,063,615</u>	<u>35,402,651</u>
NET POSITION			
Net investment in capital assets	68,381,960	117,599,334	185,981,294
Restricted for debt service	-	2,412,860	2,412,860
Unrestricted	20,562,133	9,509,605	30,071,738
Total net position	<u>\$ 88,944,093</u>	<u>\$ 129,521,799</u>	<u>\$ 218,465,892</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, 2022

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 686,237	\$ 4,405,742	\$ -	\$ -
Public safety	41,853,089	3,936,737	2,615,360	-
General public works and beach	8,436,145	5,985,865	6,983	732,217
Sanitation and waste removal	7,432,443	157,379	-	-
Highways and streets	9,215,575	1,641,443	26,383	-
Economic development - tourism	7,801,066	1,409,512	1,005,085	-
Recreation and culture	8,613,369	1,630,279	100,000	-
Interest on long-term debt	1,569,129	-	-	-
Total governmental activities	<u>85,607,053</u>	<u>19,166,957</u>	<u>3,753,811</u>	<u>732,217</u>
Business-type activities:				
Water	6,759,912	7,865,870	-	120,141
Wastewater	12,854,591	14,460,501	-	209,770
Transportation	7,983,596	2,917,897	2,921,474	1,368,401
Convention Center	6,333,897	1,510,283	3,194,560	50,000
Airport	2,138,618	1,234,455	13,000	768,756
Golf Course	2,431,796	2,834,436	-	11,491
Total business-type activities	<u>38,502,410</u>	<u>30,823,442</u>	<u>6,129,034</u>	<u>2,528,559</u>
Total primary government	<u>\$ 124,109,463</u>	<u>\$ 49,990,399</u>	<u>\$ 9,882,845</u>	<u>\$ 3,260,776</u>
General revenues:				
Property taxes				
Property tax penalties and interest				
Sales and income taxes				
State gaming contributions				
Grants and contributions not restricted to specific programs				
Investment earnings				
Other revenue				
Transfers				
Total general revenues, transfers, and other				
Change in net position				
Net position, beginning				
Net position, ending				

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

Net (Expense) Revenues and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ 3,719,505	\$ -	\$ 3,719,505
(35,300,992)	-	(35,300,992)
(1,711,080)	-	(1,711,080)
(7,275,064)	-	(7,275,064)
(7,547,749)	-	(7,547,749)
(5,386,469)	-	(5,386,469)
(6,883,090)	-	(6,883,090)
(1,569,129)	-	(1,569,129)
<u>(61,954,068)</u>	<u>-</u>	<u>(61,954,068)</u>
-	1,226,099	1,226,099
-	1,815,680	1,815,680
-	(775,824)	(775,824)
-	(1,579,054)	(1,579,054)
-	(122,407)	(122,407)
-	414,131	414,131
<u>-</u>	<u>978,625</u>	<u>978,625</u>
<u>(61,954,068)</u>	<u>978,625</u>	<u>(60,975,443)</u>
44,546,574	-	44,546,574
215,643	-	215,643
26,313,664	-	26,313,664
936,346	-	936,346
2,872,354	-	2,872,354
11,935	39,332	51,267
983,355	-	983,355
(2,688,681)	2,688,681	-
<u>73,191,190</u>	<u>2,728,013</u>	<u>75,919,203</u>
11,237,122	3,706,638	14,943,760
77,706,971	125,815,161	203,522,132
<u>\$ 88,944,093</u>	<u>\$ 129,521,799</u>	<u>\$ 218,465,892</u>

TOWN OF OCEAN CITY, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

	General Fund	Capital Projects Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 18,988,281	\$ 5,532,124	\$ 24,520,405
Restricted cash and cash equivalents	-	16,725,066	16,725,066
Investments	21,658,662	-	21,658,662
Accounts receivable (net of allowance for uncollectibles)	2,843,774	8,406	2,852,180
Interest receivable	94,229	15,248	109,477
Intergovernmental receivable	10,378,861	421,633	10,800,494
Total assets	<u>\$ 53,963,807</u>	<u>\$ 22,702,477</u>	<u>\$ 76,666,284</u>
LIABILITIES			
Accounts payable	\$ 2,148,459	\$ 883,545	\$ 3,032,004
Accrued expenditures	4,219,194	-	4,219,194
Other	1,054,033	-	1,054,033
Unearned revenue	2,601,674	-	2,601,674
Total liabilities	<u>10,023,360</u>	<u>883,545</u>	<u>10,906,905</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	513,287	-	513,287
Total deferred inflows of resources	<u>513,287</u>	<u>-</u>	<u>513,287</u>
FUND BALANCES			
Committed:			
Capital projects	-	19,136,467	19,136,467
Pier franchise	-	157,401	157,401
Other purposes	-	2,525,064	2,525,064
Assigned:			
Subsequent year's budget: appropriation of fund balance	4,920,821	-	4,920,821
Capital reserve	1,643,910	-	1,643,910
Pension costs	2,500,000	-	2,500,000
Salary and benefit increases	1,900,000	-	1,900,000
Advertising	4,785,332	-	4,785,332
Other purposes	2,072,847	-	2,072,847
Unassigned	25,604,250	-	25,604,250
Total fund balances	<u>43,427,160</u>	<u>21,818,932</u>	<u>65,246,092</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 53,963,807</u>	<u>\$ 22,702,477</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.			96,835,655
Other long-term assets are not available to pay for current-period expenditures and, therefore, are offset by unavailable revenue in the governmental funds.			513,287
Internal service funds are used by management to charge the costs of equipment replacement and insured risks and, therefore, the assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position, net of the portion assigned to business-type activities, (\$3,172,014).			16,657,318
Long-term liabilities, including bonds and notes payable, net pension liabilities, net OPEB liabilities (assets), and related deferred inflows and outflows, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.			(90,308,259)
Net position - governmental activities			<u>\$ 88,944,093</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, 2022

	General Fund	Capital Projects Fund	Total Governmental Funds
REVENUES			
Property taxes	\$ 45,068,278	\$ -	\$ 45,068,278
Other taxes	27,250,010	-	27,250,010
Licenses and permits	4,651,042	-	4,651,042
Fines and forfeitures	2,023,412	-	2,023,412
Charges for current services	12,152,287	340,216	12,492,503
Revenue from other agencies	9,996,986	732,217	10,729,203
Other revenue	966,658	91,282	1,057,940
Total revenues	<u>102,108,673</u>	<u>1,163,715</u>	<u>103,272,388</u>
EXPENDITURES			
Current:			
General government	3,718,280	107,433	3,825,713
Public safety	40,506,992	1,418	40,508,410
General public works and beach	6,355,678	666,298	7,021,976
Sanitation and waste removal	6,900,994	-	6,900,994
Highways and streets	5,679,786	902,367	6,582,153
Economic development - tourism	7,520,991	-	7,520,991
Recreation and culture	8,250,889	-	8,250,889
Capital outlay	-	6,555,386	6,555,386
Debt service:			
Principal	3,848,029	-	3,848,029
Interest	1,308,261	-	1,308,261
Bond issuance costs	-	161,625	161,625
Total expenditures	<u>84,089,900</u>	<u>8,394,527</u>	<u>92,484,427</u>
Excess (deficiency) of revenues over expenditures	<u>18,018,773</u>	<u>(7,230,812)</u>	<u>10,787,961</u>
OTHER FINANCING SOURCES (USES)			
Bonds and notes issued	-	16,725,979	16,725,979
Premium on bonds issued	-	1,789,307	1,789,307
Transfers in	45,507	6,487,671	6,533,178
Transfers out	(9,176,352)	(45,507)	(9,221,859)
Total other financing sources (uses)	<u>(9,130,845)</u>	<u>24,957,450</u>	<u>15,826,605</u>
Net change in fund balances	8,887,928	17,726,638	26,614,566
Fund balances, beginning	<u>34,539,232</u>	<u>4,092,294</u>	<u>38,631,526</u>
Fund balances, ending	<u>\$ 43,427,160</u>	<u>\$ 21,818,932</u>	<u>\$ 65,246,092</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, 2022

Net change in fund balances - total governmental funds (page 37) \$ 26,614,566

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. 2,156,189

Revenues in the Statement of Activities that do not provide current financial resources are not
reported as revenues in the governmental funds. This is the change in unavailable revenue related
to property and income taxes, and American Rescue Plan Act funds, during the current period. (3,726,882)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to
governmental funds, while the repayment of the principal of long-term debt consumes the current
financial resources of governmental funds. Neither transaction, however, has any effect on net
position. Also, governmental funds report the effect of premiums, discounts, and similar items
when debt is first issued, whereas these amounts are deferred and amortized in the Statement of
Activities. This amount is the net effect of these differences in the treatment of long-term debt and
related items. (14,667,257)

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. 197,949

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. 662,557

Change in net position - governmental activities (page 35) \$ 11,237,122

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, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 44,692,082	\$ 44,729,030	\$ 45,068,278	\$ 339,248
Other taxes	21,260,671	25,469,809	27,250,010	1,780,201
Licenses and permits	4,240,850	4,581,799	4,651,042	69,243
Fines and forfeitures	961,000	1,952,169	2,023,412	71,243
Charges for current services	10,992,648	11,909,539	12,152,287	242,748
Revenue from other agencies	5,617,449	6,683,109	9,996,986	3,313,877
Other revenue	757,810	1,025,452	966,658	(58,794)
Total revenues	<u>88,522,510</u>	<u>96,350,907</u>	<u>102,108,673</u>	<u>5,757,766</u>
EXPENDITURES				
Current:				
General government	3,902,096	3,955,169	3,718,280	236,889
Public safety	40,374,477	42,379,638	40,506,992	1,872,646
General public works and beach	6,102,932	6,698,025	6,355,678	342,347
Sanitation and waste removal	6,225,115	6,984,375	6,900,994	83,381
Highways and streets	6,059,731	5,899,575	5,679,786	219,789
Economic development - tourism	8,303,373	12,018,262	7,520,991	4,497,271
Recreation and culture	8,698,495	8,694,533	8,250,889	443,644
Debt service:				
Principal	3,848,029	3,848,029	3,848,029	-
Interest	1,363,392	1,363,392	1,308,261	55,131
Total expenditures	<u>84,877,640</u>	<u>91,840,998</u>	<u>84,089,900</u>	<u>7,751,098</u>
Excess of revenues over expenditures	<u>3,644,870</u>	<u>4,509,909</u>	<u>18,018,773</u>	<u>13,508,864</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	45,507	45,507
Transfers out	(7,044,870)	(9,099,322)	(9,176,352)	(77,030)
Total other financing sources (uses)	<u>(7,044,870)</u>	<u>(9,099,322)</u>	<u>(9,130,845)</u>	<u>(31,523)</u>
Net change in fund balances	(3,400,000)	(4,589,413)	8,887,928	13,477,341
Fund balances, beginning	<u>34,539,232</u>	<u>34,539,232</u>	<u>34,539,232</u>	<u>-</u>
Fund balances, ending	<u>\$ 31,139,232</u>	<u>\$ 29,949,819</u>	<u>\$ 43,427,160</u>	<u>\$ 13,477,341</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, 2022

	Business-Type Activities		
	Water	Wastewater	Transportation
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,917,144	\$ 11,781,975	\$ 1,671,146
Investments	-	-	-
Receivables, net	1,415,049	1,140,894	44,677
Interest receivable	3,378	4,462	-
Intergovernmental receivable	-	10	1,630,645
Inventories	-	876,116	-
Prepaid expenses	-	-	-
Total current assets	<u>4,335,571</u>	<u>13,803,457</u>	<u>3,346,468</u>
Noncurrent assets:			
Restricted cash and cash equivalents	3,961,077	5,011,766	-
Restricted investments	-	-	-
Net OPEB asset	208,391	860,768	99,234
Capital assets:			
Land	3,871,317	2,636,905	-
Buildings	18,674,452	49,136,394	20,535,684
Other improvements	4,181,727	1,314,357	81,837
Streets and infrastructure	34,703,907	12,683,512	-
Machinery and equipment	5,062,353	54,686,246	7,580,357
Construction in progress	4,469,814	12,218,732	333,963
Less: accumulated depreciation	(44,222,090)	(74,860,558)	(4,025,609)
Total noncurrent assets	<u>30,910,948</u>	<u>63,688,122</u>	<u>24,605,466</u>
Total assets	<u>35,246,519</u>	<u>77,491,579</u>	<u>27,951,934</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	3,041	18,799	-
Deferred outflows related to pensions	892,026	943,843	228,259
Deferred outflows related to OPEB	168,958	697,890	80,456
Total deferred outflows of resources	<u>1,064,025</u>	<u>1,660,532</u>	<u>308,715</u>
LIABILITIES			
Current liabilities:			
Accounts payable	1,039,984	1,250,656	349,105
Accrued expenses	158,210	291,657	143,302
Compensated absences	72,697	183,833	39,467
Unearned revenue	-	-	-
Claims and judgments	-	-	-
Other	282,007	24,500	-
Current portion of long-term debt	710,641	2,313,474	-
Total current liabilities	<u>2,263,539</u>	<u>4,064,120</u>	<u>531,874</u>
Noncurrent liabilities:			
Compensated absences	-	-	14,528
Claims and judgments	-	-	-
Bonds, notes, and loans payable	11,340,794	27,723,342	-
Net pension liability	1,531,563	1,620,531	391,908
Total noncurrent liabilities	<u>12,872,357</u>	<u>29,343,873</u>	<u>406,436</u>
Total liabilities	<u>15,135,896</u>	<u>33,407,993</u>	<u>938,310</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	13,393	14,171	3,427
Deferred inflows related to OPEB	1,169,704	4,831,518	557,002
Total deferred inflows of resources	<u>1,183,097</u>	<u>4,845,689</u>	<u>560,429</u>
NET POSITION			
Net investment in capital assets	18,649,597	32,755,571	24,506,233
Restricted for debt service	-	-	-
Unrestricted	1,341,954	8,142,858	2,255,677
Total net position	<u>\$ 19,991,551</u>	<u>\$ 40,898,429</u>	<u>\$ 26,761,910</u>

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

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

Business-Type Activities			Governmental
Convention Center	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ 2,118,844	\$ 2,107,819	\$ 20,596,928	\$ 5,128,353
-	-	-	3,565,949
422,299	114,864	3,137,783	20,712
14,754	-	22,594	18,219
536,668	340,881	2,508,204	-
-	154,502	1,030,618	731,823
65,000	3,500	68,500	18,555
<u>3,157,565</u>	<u>2,721,566</u>	<u>27,364,627</u>	<u>9,483,611</u>
493,942	-	9,466,785	-
2,107,826	-	2,107,826	-
327,471	109,157	1,605,021	287,779
7,456,616	4,898,249	18,863,087	-
56,169,526	5,300,376	149,816,432	1,447,083
190,728	627,874	6,396,523	-
-	11,858,057	59,245,476	-
1,683,558	1,066,116	70,078,630	47,297,764
-	3,652,089	20,674,598	-
(22,424,044)	(12,892,173)	(158,424,474)	(34,086,364)
<u>46,005,623</u>	<u>14,619,745</u>	<u>179,829,904</u>	<u>14,946,262</u>
<u>49,163,188</u>	<u>17,341,311</u>	<u>207,194,531</u>	<u>24,429,873</u>
-	-	21,840	-
1,178,634	392,598	3,635,360	773,737
265,506	88,502	1,301,312	233,324
<u>1,444,140</u>	<u>481,100</u>	<u>4,958,512</u>	<u>1,007,061</u>
382,835	716,324	3,738,904	376,589
277,282	37,123	907,574	85,466
130,450	51,182	477,629	119,563
306,561	234,895	541,456	-
-	-	-	972,109
-	-	306,507	-
1,542,416	76,340	4,642,871	791,808
<u>2,639,544</u>	<u>1,115,864</u>	<u>10,614,941</u>	<u>2,345,535</u>
18,179	14,401	47,108	2,456
-	-	-	3,093,754
14,328,791	98,911	53,491,838	3,554,494
2,023,655	674,071	6,241,728	1,328,467
<u>16,370,625</u>	<u>787,383</u>	<u>59,780,674</u>	<u>7,979,171</u>
<u>19,010,169</u>	<u>1,903,247</u>	<u>70,395,615</u>	<u>10,324,706</u>
17,696	5,895	54,582	11,617
1,838,107	612,702	9,009,033	1,615,307
<u>1,855,803</u>	<u>618,597</u>	<u>9,063,615</u>	<u>1,626,924</u>
27,394,085	14,293,848	117,599,334	10,312,181
2,412,860	-	2,412,860	-
(65,589)	1,006,719	12,681,619	3,173,123
<u>\$ 29,741,356</u>	<u>\$ 15,300,567</u>	<u>132,693,813</u>	<u>\$ 13,485,304</u>
		(3,172,014)	
		<u>\$ 129,521,799</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, 2022

	Business-Type Activities	
	Water	Wastewater
OPERATING REVENUES		
Charges for sales and services	\$ 7,844,849	\$ 14,460,464
Miscellaneous	21,021	37
Total operating revenues	7,865,870	14,460,501
OPERATING EXPENSES		
Personal services	2,045,860	3,625,583
Contractual services	368,265	540,853
Utilities	454,881	566,359
Repairs and maintenance	1,268,220	650,976
Other supplies and expenses	573,257	2,171,884
Internal services	930,658	1,212,527
Insurance claims and expenses	-	-
Depreciation	859,829	3,441,228
Total operating expenses	6,500,970	12,209,410
Operating income (loss)	1,364,900	2,251,091
NONOPERATING REVENUES (EXPENSES)		
Interest and investment revenue	12,426	25,440
Operating grants	-	-
Interest expense	(239,725)	(638,529)
Bond issuance costs	(46,685)	(39,638)
Gain on disposal of assets	-	-
Total nonoperating revenues (expenses)	(273,984)	(652,727)
Income (loss) before capital contributions and transfers	1,090,916	1,598,364
Capital contributions	120,141	209,770
Transfers in	-	-
Change in net position	1,211,057	1,808,134
Net position, beginning	18,780,494	39,090,295
Net position, ending	\$ 19,991,551	\$ 40,898,429
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
\$ 2,906,975	\$ 1,509,441	\$ 4,059,574	\$ 30,781,303	\$ 13,941,844
10,922	842	9,317	42,139	3,527
<u>2,917,897</u>	<u>1,510,283</u>	<u>4,068,891</u>	<u>30,823,442</u>	<u>13,945,371</u>
2,797,326	3,086,371	1,461,836	13,016,976	2,284,600
118,569	191,743	722,608	1,942,038	1,899,626
121,396	578,008	86,311	1,806,955	126,488
1,883,683	286,619	144,615	4,234,113	711,749
147,742	238,455	1,177,686	4,309,024	2,912,701
947,610	385,857	341,750	3,818,402	1,284,857
-	-	-	-	1,353,801
1,089,978	1,115,517	629,008	7,135,560	3,581,332
<u>7,106,304</u>	<u>5,882,570</u>	<u>4,563,814</u>	<u>36,263,068</u>	<u>14,155,154</u>
(4,188,407)	(4,372,287)	(494,923)	(5,439,626)	(209,783)
1,699	(2,383)	2,150	39,332	(12,650)
2,921,474	3,194,560	13,000	6,129,034	-
-	(452,438)	(6,600)	(1,337,292)	(89,019)
-	-	-	(86,323)	-
23,872	-	-	23,872	134,410
<u>2,947,045</u>	<u>2,739,739</u>	<u>8,550</u>	<u>4,768,623</u>	<u>32,741</u>
(1,241,362)	(1,632,548)	(486,373)	(671,003)	(177,042)
1,368,401	50,000	780,247	2,528,559	-
-	1,687,613	1,001,068	2,688,681	-
127,039	105,065	1,294,942	4,546,237	(177,042)
<u>26,634,871</u>	<u>29,636,291</u>	<u>14,005,625</u>		<u>13,662,346</u>
<u>\$ 26,761,910</u>	<u>\$ 29,741,356</u>	<u>\$ 15,300,567</u>		<u>\$ 13,485,304</u>
			(839,599)	
			<u>\$ 3,706,638</u>	

TOWN OF OCEAN CITY, MARYLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Business-Type Activities	
	Water	Wastewater
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	\$ 7,738,329	\$ 14,649,811
Payments to suppliers	(2,568,555)	(3,704,014)
Payments to employees	(2,060,219)	(3,832,968)
Payments for interfund services used	(930,658)	(1,212,527)
Net cash provided (used) by operating activities	<u>2,178,897</u>	<u>5,900,302</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Subsidies from county, state, and federal grants	-	-
Transfers from other funds	-	-
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from capital grants	-	-
Capital contributions	120,141	209,770
Acquisition and construction of capital assets	(2,774,724)	(3,047,475)
Proceeds from bond issuance	5,348,079	4,540,822
Bond issuance costs	(46,685)	(39,638)
Principal paid on capital debt	(554,111)	(2,113,710)
Interest paid on capital debt	(214,601)	(908,161)
Financed purchase payments	-	-
Proceeds from sales of capital assets	-	-
Net cash provided (used) by capital and related financing activities	<u>1,878,099</u>	<u>(1,358,392)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	-	-
Purchases of investments	-	-
Sales of investments	-	-
Interest and dividends received	9,053	21,048
Net cash provided (used) by investing activities	<u>9,053</u>	<u>21,048</u>
Net increase (decrease) in cash and cash equivalents	4,066,049	4,562,958
Cash and cash equivalents, beginning of the fiscal year	<u>2,812,172</u>	<u>12,230,783</u>
Cash and cash equivalents, end of the fiscal year	<u>\$ 6,878,221</u>	<u>\$ 16,793,741</u>

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

(Continued)

Transportation	Business-Type Activities			Governmental
	Convention Center	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ 2,904,468	\$ 1,268,827	\$ 4,014,789	\$ 30,576,224	\$ 13,934,848
(1,949,363)	(1,212,999)	(1,941,865)	(11,376,796)	(6,984,763)
(2,780,495)	(2,962,031)	(1,464,791)	(13,100,504)	(2,639,258)
(947,610)	(385,857)	(341,750)	(3,818,402)	(1,284,857)
<u>(2,773,000)</u>	<u>(3,292,060)</u>	<u>266,383</u>	<u>2,280,522</u>	<u>3,025,970</u>
1,873,853	3,084,873	13,000	4,971,726	-
-	1,687,613	1,001,068	2,688,681	-
<u>1,873,853</u>	<u>4,772,486</u>	<u>1,014,068</u>	<u>7,660,407</u>	<u>-</u>
1,141,713	50,000	-	1,191,713	-
-	-	667,439	997,350	-
(1,068,218)	(5,672,855)	(1,447,725)	(14,010,997)	(595,854)
-	504,536	-	10,393,437	-
-	-	-	(86,323)	-
-	(1,420,001)	(73,947)	(4,161,769)	-
-	(611,136)	(7,093)	(1,740,991)	(96,857)
-	(41,629)	-	(41,629)	(771,806)
23,872	-	-	23,872	134,410
<u>97,367</u>	<u>(7,191,085)</u>	<u>(861,326)</u>	<u>(7,435,337)</u>	<u>(1,330,107)</u>
-	2,454,197	-	2,454,197	-
-	(2,615,339)	-	(2,615,339)	(3,865,617)
-	-	-	-	3,759,422
1,699	(15,892)	2,150	18,058	34,152
<u>1,699</u>	<u>(177,034)</u>	<u>2,150</u>	<u>(143,084)</u>	<u>(72,043)</u>
(800,081)	(5,887,693)	421,275	2,362,508	1,623,820
2,471,227	8,500,479	1,686,544	27,701,205	3,504,533
<u>\$ 1,671,146</u>	<u>\$ 2,612,786</u>	<u>\$ 2,107,819</u>	<u>\$ 30,063,713</u>	<u>\$ 5,128,353</u>

TOWN OF OCEAN CITY, MARYLAND
STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Business-Type Activities	
	Water	Wastewater
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 1,364,900	\$ 2,251,091
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	859,829	3,441,228
EFFECT OF CHANGES IN OPERATING ASSETS AND LIABILITIES:		
Accounts receivable	(146,389)	180,315
Due from other governmental agencies	-	(5)
Inventories	-	(8,077)
Prepaid expenses	-	-
Deferred outflows related to pensions	(861,326)	(915,232)
Deferred outflows related to OPEB	(168,870)	(697,528)
Compensated absences	(550)	(19,549)
Customer deposits	18,848	9,000
Accounts payable	96,068	234,135
Accrued expenses	(6,539)	(10,223)
Unearned revenue	-	-
Claims liability	-	-
Net pension liability	1,344,821	1,446,498
Net OPEB liability	(417,815)	(1,725,804)
Deferred inflows related to pensions	(411,605)	(381,905)
Deferred inflows related to OPEB	507,525	2,096,358
Total adjustments	813,997	3,649,211
Net cash provided (used) by operating activities	\$ 2,178,897	\$ 5,900,302
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:		
Decrease in fair value of investments	\$ -	\$ -
Gain on disposal of assets	-	-

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

Transportation	Business-Type Activities			Governmental
	Convention Center	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ (4,188,407)	\$ (4,372,287)	\$ (494,923)	\$ (5,439,626)	\$ (209,783)
1,089,978	1,115,517	629,008	7,135,560	3,581,332
(13,429)	(365,247)	(41,811)	(386,561)	(10,523)
-	-	(13,556)	(13,561)	-
-	-	2,667	(5,410)	(19,388)
-	(65,000)	-	(65,000)	(18,555)
(221,273)	(1,146,564)	(379,289)	(3,523,684)	(731,170)
(80,414)	(265,368)	(88,456)	(1,300,636)	(233,203)
(5,195)	(1,959)	(2,213)	(29,466)	(3,136)
-	-	-	27,848	-
322,027	146,826	186,688	985,744	77,107
24,866	(5,053)	5,252	8,303	(2,889)
-	123,791	1,265	125,056	-
-	-	-	-	(19,562)
349,413	1,828,579	593,114	5,562,425	1,069,533
(198,960)	(656,566)	(218,856)	(3,218,001)	(576,984)
(93,285)	(426,269)	(178,354)	(1,491,418)	(577,678)
241,679	797,540	265,847	3,908,949	700,869
1,415,407	1,080,227	761,306	7,720,148	3,235,753
\$ (2,773,000)	\$ (3,292,060)	\$ 266,383	\$ 2,280,522	\$ 3,025,970
\$ -	\$ (25,966)	\$ -	\$ (25,966)	\$ (58,138)
23,872	-	-	23,872	-

TOWN OF OCEAN CITY, MARYLAND
STATEMENT OF FIDUCIARY NET POSITION
BENEFIT TRUST FUNDS
JUNE 30, 2022

ASSETS

Cash and cash equivalents	\$ 7,754,914
Interest and dividends receivable	194,013
Investments, at fair value:	
Domestic equities	51,492,674
Domestic fixed income	54,947,668
International equities	38,832,736
Alternative investments	12,260,054
Total assets	165,482,059

LIABILITIES

Accounts payable	23,216
Total liabilities	23,216

NET POSITION

Net position restricted for pensions	128,675,926
Net position restricted for OPEB	36,782,917
Total net position - benefit trust funds	\$ 165,458,843

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, 2022

ADDITIONS

Contributions:		
Employer	\$	7,141,879
Plan members		1,648,605
Total contributions		<u>8,790,484</u>
Investment earnings:		
Net change in fair value of investments		(31,441,790)
Interest		924,898
Dividends		3,138,251
Total investment loss		<u>(27,378,641)</u>
Less: investment expense		<u>(960,898)</u>
Net investment loss		<u>(28,339,539)</u>
Total additions		<u>(19,549,055)</u>

DEDUCTIONS

Benefits and refunds paid		10,862,531
Administrative expenses		122,532
Total deductions		<u>10,985,063</u>
Change in net position		(30,534,118)
Net position, beginning		<u>195,992,961</u>
Net position, ending	\$	<u><u>165,458,843</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, 2022

Note 1: Summary of significant accounting policies

The financial statements of the Town of Ocean City (the "Town") have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Town's significant accounting policies are described below. These policies should be recognized by the reader as integral to the preparation and use of the accompanying financial statements.

A. Description of government-wide financial statements

The government-wide financial statements, the Statement of Net Position and the Statement of Activities, report information on all of the non-fiduciary activities of the Town. Fiduciary activities are reported only in the fund financial statements. Governmental activities, which are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities that are supported primarily by fees and charges to external customers.

B. Reporting entity

The "Mayor and City Council of Ocean City" is the corporate name for the inhabitants of the Town of Ocean City, Maryland, under the laws of the State of Maryland (the "State"). The "Town of Ocean City" shall be construed to mean both the Town and its inhabitants.

The Town is governed by an elected seven-member City Council and operates under a Council-Manager form of government. The Town provides the following services as authorized by its charter: public safety, public works and utilities, solid waste, highways and streets, recreation and culture, planning, zoning, economic development, and general administrative services. Schools, libraries, courts, and social services are operated by Worcester County, Maryland (the "County").

For financial reporting purposes, in conformance with GAAP, the reporting entity includes the Mayor and City Council of Ocean City, the primary government, its proprietary funds, and the following fiduciary funds:

Employees of Ocean City, Maryland Pension Plan and Trust. The Town of Ocean City provides a single-employer defined benefit plan for its general employees, the Employees Pension Plan and Trust (EPP), hired before July 1, 2011, which is governed by a seven-member Board of Trustees appointed by the Mayor and Council. The Town is authorized to establish benefit levels and to approve the actuarial assumptions used in the determination of contribution levels.

Ocean City, Maryland Public Safety Employees Pension Plan and Trust. The Town's public safety employees participate in the Public Safety Employees Pension Plan (PSEPP). The PSEPP functions for the benefit of these employees and is governed by a seven-member Board of Trustees appointed by the Mayor and Council. The Town and PSEPP participants are obligated to fund all PSEPP costs based upon actuarial valuations. The Town is authorized to establish benefit levels and to approve the actuarial assumptions used in the determination of contribution levels.

Ocean City, Maryland Other Post-Employment Benefits Trust. The Town provides a defined benefit health care plan whose assets may be expended solely to pay for post-employment health care benefits and the costs of administering the trust fund. The operation of the trust is governed by a Board of Trustees whose members are the trustees of the Town's pension plans. The Town is authorized to establish benefit levels and to approve the actuarial assumptions used in the determination of contribution levels.

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

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

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

C. Basis of presentation – government-wide financial statements

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

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

D. Basis of presentation – fund financial statements

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

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

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

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

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

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During the course of operations, the Town has activity between funds for various purposes. Any residual balances outstanding at fiscal year-end are reported as “due from/to other funds” and “advances from/to other funds,” the non-current portion of interfund loans. Advances between funds reported in the fund financial statements are offset by a fund balance reserve account in the General Fund to indicate that they are not available for appropriation and are not expendable financial resources.

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

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

E. Measurement focus and basis of accounting

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

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

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

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

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

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F. Budgetary basis of accounting

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

- 1) On or before January 15 of each year, all Town departments submit requests for appropriations to the City Manager. The budget is prepared by fund, function, and activity, and includes information for the past fiscal year, current fiscal year estimates, and requested appropriations for the next fiscal year.
- 2) On or before May 28, the proposed budget is presented to the City Council for review.
- 3) The City Council holds two public hearings on the proposed budget and may insert new line items into the budget and increase or decrease the amounts in existing line items.
- 4) Prior to July 1, the budget is legally enacted through the passage of an ordinance.
- 5) All annual appropriations lapse at fiscal year-end even if they have been encumbered. Encumbrances are commitments to buy goods and services that have not been executed or performed yet. Encumbrance accounting is used as necessary to assure effective budgetary control and accountability while enabling control of cash. While appropriations and encumbrances lapse at fiscal year-end, encumbrances for goods and services expected to be received in the next fiscal year are re-appropriated and become part of the next fiscal year's budget.
- 6) Transfers of budgeted amounts between line items or departments within a fund may be accomplished with the approval of the City Manager and Finance Director such that the net effect on total expenditures for the fund equals zero. Budget amendments, which establish additional revenue (equal to or in excess of new appropriations) or move appropriations from one fund to another, must be approved by a two-thirds vote of the City Council after holding public hearings.
- 7) The budget information presented in the accompanying financial statements includes all budget ordinances and amendments as approved by the Mayor and City Council for the fiscal year ended June 30, 2022, for the General Fund, the governmental fund type for which an annual budget is adopted. No annual budget and actual comparisons are presented in the financial statements for governmental funds utilizing project ordinances which sometimes span more than one fiscal year.

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

1) Cash equivalents and investments

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

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

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

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

2) Inventories and prepaid items

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

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

3) Restricted assets

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

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

4) Capital assets

Capital assets, which include property, plant, equipment, and infrastructure such as roads, storm drains, and pipe systems, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The Town defines capital assets as assets that cost more than \$10,000 and have an estimated useful life in excess of three years. For the initial capitalization of general infrastructure, assets were valued at historical cost (or estimated historical cost if actual historical cost was not available) using the producer price index to deflate the cost to the actual or estimated acquisition year. Donated assets are stated at their acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date, on the date donated. The costs of normal maintenance and repairs that do not add to the value of an asset or extend an asset’s life are not capitalized.

Expenditures for major assets and improvements are capitalized as projects are constructed. Exhaustible capital assets of the primary government are depreciated, which is charged as an expense against their operations. Land and construction in progress are not depreciated. Depreciation has been provided over the estimated useful lives using the straight-line method. Estimated useful lives are generally as follows:

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

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5) Deferred outflows/inflows of resources

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

The Statement of Net Position reports a separate section for deferred inflows of resources representing an acquisition of net assets that applies to a future period and is not recognized as an inflow of resources in the current period. The Town has three items that qualify for reporting in this category. One item, “unavailable revenue,” occurs under a modified accrual basis of accounting and is reported in the governmental funds Balance Sheet. The governmental funds report unavailable revenue from property and income taxes and, during fiscal year 2022, from uncollected American Rescue Plan Act (ARPA) funds, which are expected to be received during fiscal year 2023. These unavailable revenues are deferred and recognized as an inflow of revenue in the period that the amounts become available. Certain changes in pension and OPEB liabilities arising from the differences between expected and actual experience, changes of assumptions of future economic and demographic factors, and the difference between projected and actual earnings on plan investments are recognized as deferred inflows of resources. These amounts are amortized and included in pension or OPEB expenses.

6) Long-term obligations

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

Bond premiums and discounts are amortized over the lives of the related bonds using the effective interest method. Bonds payable are reported net of amounts for bond premiums and discounts. In the governmental fund financial statements, the face amount of debt issued is reported as an other financing source. Issuance costs are reported as expenditures in the period they are incurred.

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

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7) Net position, fund balance policies, and fund balance flow assumptions

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

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

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

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

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

H. Revenues and expenditures/expenses

1) Program revenues

Direct revenues and expenses are those specifically associated with a program or function. Program revenues include charges to customers and grants and contributions restricted to the capital or operational requirements of particular programs. Revenues that are not classified as program revenues, such as taxes, are reported as general revenues.

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2) Property taxes

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

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

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

3) Compensated absences

Vested or accumulated vacation leave is accrued when earned by employees and a liability is recorded in the government-wide financial statements and business-type activities fund financial statements. Full-time, permanent employees earn annual vacation leave at the following rates: 1-5 years of service, 10 days; 6-10 years of service, 15 days; 11-19 years of service, 20 days; 20 years or more of service, 25 days. Certain other types of paid time-off, such as personal leave, must be used by the employee in the current year or forfeited. The Town pays all outstanding vacation leave at separation on a one-for-one basis. Compensated absences related to governmental activities for current and prior years are generally liquidated from the General Fund. A liability for vacation leave is recorded in governmental funds only if they have matured as the result of retirement or resignation, if applicable.

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

4) Proprietary funds operating and nonoperating revenues and expenses

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

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

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

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

Land	\$ 26,075,318
Construction in progress	3,789,717
Buildings	62,235,181
Less: accumulated depreciation - buildings	(25,866,189)
Machinery and equipment	10,281,146
Less: accumulated depreciation - machinery and equipment	(6,135,796)
Streets and infrastructure	56,152,300
Less: accumulated depreciation - streets and infrastructure	(36,618,112)
Other improvements	23,903,090
Less: accumulated depreciation - other improvements	(16,981,000)
Net adjustment to increase fund balances - total governmental funds	
to arrive at net position - governmental activities	\$ 96,835,655

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	\$ 13,485,304
Add: internal receivable representing costs in excess of charges to business-type activities - prior years	2,332,415
Add: internal receivable representing costs in excess of charges to business-type activities - current year	839,599
Net adjustment to increase fund balances - total governmental funds	
to arrive at net position - governmental activities	\$ 16,657,318

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The final component of the reconciliation explains that “Long-term liabilities, including bonds and notes payable, net pension liabilities, net OPEB liabilities (assets), and related deferred inflows and outflows, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.” The details of this difference are as follows:

Bonds payable	\$ 47,200,587
Less: deferred charge on refunding (to be amortized as interest expense)	(31,447)
Add: issuance premium (to be amortized over life of debt)	3,062,268
Intergovernmental loans	185,180
Financed purchases	4,963,092
Accrued interest payable	704,940
Accrued obligation for compensated absences (not due within one year)	2,062,707
Net pension liability	34,448,878
Less: deferred outflows of resources - difference between expected and actual experience	(1,428,392)
Less: deferred outflows of resources - changes of pension plan assumptions and benefits	(3,271,052)
Less: deferred outflows of resources - difference between projected and actual earnings on pension plan investments	(14,411,587)
Add: deferred inflows of resources - difference between expected and actual experience	257,768
Net OPEB liability (asset)	(4,356,710)
Less: deferred outflows of resources - difference between expected and actual experience	(1,468)
Less: deferred outflows of resources - difference between projected and actual earnings on OPEB plan investments	(3,530,849)
Add: deferred inflows of resources - difference between expected and actual experience	21,625,937
Add: deferred inflows of resources - changes of OPEB plan assumptions and benefits	2,828,407
Net adjustment to decrease fund balances - total governmental funds	\$ 90,308,259
to arrive at net position - governmental activities	\$ 90,308,259

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

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

Capital outlay	\$ 6,995,528
Depreciation expense	(4,839,339)
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net position - governmental activities	\$ 2,156,189

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

Principal repayments:	
General obligation debt	\$ 3,848,029
Debt issued or incurred:	
General obligation refunding bonds	(16,725,979)
Premium on general obligation refunding bonds	(1,789,307)
Net adjustment to decrease net change in fund balances - total governmental funds to arrive at change in net position - governmental activities	<u>\$ (14,667,257)</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	\$ (275,003)
Amortization of bond premiums	277,627
Amortization of deferred charge on refunding	(12,848)
Change in accrued obligation for compensated absences (not due within one year)	(10,574)
Change in net pension liability	(27,433,229)
Amortization of effect of difference between projected and actual earnings on pension plan investments	22,200,599
Amortization of changes in pension plan assumptions and benefits	3,032,837
Amortization of pension plan difference between expected and actual experience	763,583
Change in net OPEB liability (asset)	8,735,024
Amortization of effect of difference between projected and actual earnings on OPEB plan investments	5,622,308
Amortization of OPEB plan difference between expected and actual experience	(12,911,707)
Amortization of changes in OPEB plan assumptions and benefits	209,332
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net position - governmental activities	<u>\$ 197,949</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	\$ (177,042)
Plus: loss from charges to business-type activities	839,599
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net position - governmental activities	<u>\$ 662,557</u>

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

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

Internal payable representing costs in excess of charges to business-type activities - prior years	\$ (2,332,415)
Internal payable representing costs in excess of charges to business-type activities - current year	<u>(839,599)</u>
Net adjustment to decrease net position - total enterprise funds to arrive at net position - business-type activities	<u><u>\$ (3,172,014)</u></u>

Note 3: Stewardship, compliance, and accountability

For the fiscal year ended June 30, 2022, the Council approved two budget amendments to recognize additional revenue of \$7,828,397 and to increase the amount of appropriated prior year fund balance by \$1,189,413 (from \$3,400,000 to \$4,589,413) in order to increase appropriations by \$9,017,810.

Note 4: Deposits and investments

A. Cash on hand

At fiscal year-end, cash on hand for petty cash and change funds was \$28,211.

B. Deposits

At fiscal year-end, the carrying amount of the Town's deposits was \$5,387,226 and the bank balance was \$6,859,210. The deposits of the Town were not exposed to custodial credit risk as of June 30, 2022.

C. Investments and fair value measurements

As of June 30, 2022, 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	\$ 6,637,339	\$ 6,637,339	\$ -	\$ -	1.33 %
State investment pool	64,643,385	64,643,385	-	-	0.64
U.S. government money market	8,712,323	8,712,323	-	-	0.13
Money market mutual fund	5,421,305	5,421,305	-	-	0.01
U.S. Treasuries	35,546,809	22,105,197	9,536,188	3,905,424	1.83
U.S. agencies	7,842,352	4,222,750	-	3,619,602	2.76
Domestic equities	51,492,674	51,492,674	-	-	-
Domestic fixed income	32,253,606	15,444,511	9,362,634	7,446,461	3.20
International equities	38,832,736	38,832,736	-	-	-
Alternative investments	12,260,054	-	12,260,054	-	-
Totals	<u><u>\$ 263,642,583</u></u>	<u><u>\$ 217,512,220</u></u>	<u><u>\$ 31,158,876</u></u>	<u><u>\$ 14,971,487</u></u>	

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2022

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

Cash on hand	\$ 28,211
Carrying amount of deposits	5,387,226
Carrying amount (fair value) of investments	263,642,583
Total cash and investments	269,058,020
Less: amounts in fiduciary funds	(165,288,046)
Total cash and investments per Statement of Net Position	\$ 103,769,974
Cash and cash equivalents	\$ 50,245,686
Restricted cash and cash equivalents	26,191,851
Investments	25,224,611
Restricted investments	2,107,826
Total cash and investments per Statement of Net Position	\$ 103,769,974

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, 2022, met the Town's investment policy as of that date.

Investment income included the following for the fiscal year ended June 30, 2022:

Net interest and dividends	\$ 4,501,527
Net increase (decrease) in fair value of investments	(31,828,901)
Total investment gain (loss)	(27,327,374)
Less: investment gain (loss) in fiduciary funds	27,378,641
Total net investment income per Statement of Activities	\$ 51,267

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, 2022, \$11,189,118 of fiduciary fund investments were rated "BBB" and \$15,723,023 were unrated, with 35.6% of total fiduciary fund fixed-income securities below single "A" quality.

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2022

Fixed-income investments as of June 30, 2022, are listed below using the Standard and Poor's rating scale:

Investment Type	Credit Rating	Domestic Amount	International Amount	Total
U.S. Treasuries	AA	\$ 35,546,809	\$ -	\$ 35,546,809
U.S. agencies	AA	7,842,352	-	7,842,352
Corporate and international bonds	AA	848,186	-	848,186
	A	4,493,279	-	4,493,279
	BBB	11,189,118	-	11,189,118
Bond mutual funds	Unrated	15,723,023	-	15,723,023
Totals		<u>\$ 75,642,767</u>	<u>\$ -</u>	<u>\$ 75,642,767</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, 2022, 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, 2022:

- Amounts invested in certificates of deposit of \$6,632,671 are valued using quoted market prices (Level 1 inputs)
- Amounts invested in money market funds of \$8,712,364 are valued using quoted market prices (Level 1 inputs)
- Amounts invested in fixed income investments of \$75,641,402 and alternative investments of \$12,260,054 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 \$90,325,410 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 21.6% at fiscal year-end, or \$35,631,407.

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2022

The foreign currency risk as of June 30, 2022, is presented in the following table:

Currency	U.S. Dollars
Euro	\$ 8,599,488
Hong Kong Dollar	5,538,859
Japanese Yen	3,198,754
British Pound	3,188,606
Swiss Franc	2,662,171
Taiwanese Dollar	2,200,224
Indian Rupee	1,989,482
Chinese Yuan	1,198,914
Danish Krone	1,178,110
Canadian Dollar	1,144,620
Swedish Krona	957,160
South Korean Won	903,994
Brazilian Real	691,569
Singapore Dollar	572,522
Mexican Peso	523,705
Australian Dollar	382,390
Indonesian Rupiah	271,355
Chilean Peso	197,281
South African Rand	103,199
Norwegian Krone	91,492
Israeli New Shekel	37,512
Total foreign currencies	<u>\$ 35,631,407</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, 2022, was \$9,598,351,823. The Town's real property tax rate was \$0.4561 per \$100 of assessed value. The Town tax rate for personal and corporate property was \$1.14 per \$100 of assessed value. The Town collected 99.0% of current year property taxes levied in the current year. Total property tax collections were 99.5% of current year taxes levied, which includes prior year tax assessments collected during FY 2022.

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2022

B. Receivables

Receivables as of June 30, 2022, 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	\$ 733,393	\$ -	\$ 733,393
Emergency medical Accounts	336,993	-	336,993
	1,923,849	3,137,783	5,061,632
Gross receivables	2,994,235	3,137,783	6,132,018
Less: allowance	(121,343)	-	(121,343)
Total	<u>\$ 2,872,892</u>	<u>\$ 3,137,783</u>	<u>\$ 6,010,675</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, 2022:

	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	50,847	3,738,870	-	3,789,717
Total capital assets, not being depreciated	<u>26,126,165</u>	<u>3,738,870</u>	<u>-</u>	<u>29,865,035</u>
Capital assets, being depreciated:				
Buildings	63,548,177	134,087	-	63,682,264
Machinery and equipment	59,750,401	751,813	(2,923,304)	57,578,910
Streets and infrastructure	54,245,030	2,682,428	(775,158)	56,152,300
Other improvements	23,577,677	476,625	(151,212)	23,903,090
Total capital assets, being depreciated	<u>201,121,285</u>	<u>4,044,953</u>	<u>(3,849,674)</u>	<u>201,316,564</u>
Less accumulated depreciation for:				
Buildings	(25,643,328)	(1,639,101)	-	(27,282,429)
Machinery and equipment	(37,535,608)	(4,193,616)	2,923,304	(38,805,920)
Streets and infrastructure	(35,385,267)	(2,008,003)	775,158	(36,618,112)
Other improvements	(16,403,569)	(579,951)	2,520	(16,981,000)
Total accumulated depreciation	<u>(114,967,772)</u>	<u>(8,420,671)</u>	<u>3,700,982</u>	<u>(119,687,461)</u>
Total capital assets, being depreciated, net	<u>86,153,513</u>	<u>(4,375,718)</u>	<u>(148,692)</u>	<u>81,629,103</u>
Governmental activities capital assets, net	<u>\$112,279,678</u>	<u>\$ (636,848)</u>	<u>\$ (148,692)</u>	<u>\$111,494,138</u>

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2022

The following is a summary of business-type capital assets activity for the fiscal year ended June 30, 2022:

	Beginning Balance	Transfers and Increases	Transfers and Deletions	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 17,977,224	\$ 885,863	\$ -	\$ 18,863,087
Construction in progress	27,027,708	6,019,646	(12,372,756)	20,674,598
Total capital assets, not being depreciated	<u>45,004,932</u>	<u>6,905,509</u>	<u>(12,372,756)</u>	<u>39,537,685</u>
Capital assets, being depreciated:				
Buildings	134,856,890	14,959,542	-	149,816,432
Machinery and equipment	68,675,492	1,403,138	-	70,078,630
Streets and infrastructure	56,172,938	3,072,538	-	59,245,476
Other improvements	6,396,523	-	-	6,396,523
Total capital assets, being depreciated	<u>266,101,843</u>	<u>19,435,218</u>	<u>-</u>	<u>285,537,061</u>
Less accumulated depreciation for:				
Buildings	(75,775,550)	(3,060,793)	-	(78,836,343)
Machinery and equipment	(40,098,901)	(2,681,790)	-	(42,780,691)
Streets and infrastructure	(32,024,434)	(1,358,770)	-	(33,383,204)
Other improvements	(3,390,029)	(34,207)	-	(3,424,236)
Total accumulated depreciation	<u>(151,288,914)</u>	<u>(7,135,560)</u>	<u>-</u>	<u>(158,424,474)</u>
Total capital assets, being depreciated, net	<u>114,812,929</u>	<u>12,299,658</u>	<u>-</u>	<u>127,112,587</u>
Business-type activities capital assets, net	<u>\$159,817,861</u>	<u>\$ 19,205,167</u>	<u>\$ (12,372,756)</u>	<u>\$166,650,272</u>

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

General government	\$ 173,972
Public safety	515,716
General public works and beach	1,191,989
Sanitation and waste removal	291,899
Highways and streets	2,401,694
Economic development - tourism	5,824
Recreation and culture	258,245
Capital assets held by the Town's internal service funds are charged to the various functions based on their usage of the assets	<u>3,581,332</u>
Total depreciation expense - governmental activities	<u>\$ 8,420,671</u>

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

Water Fund	\$ 859,829
Wastewater Fund	3,441,228
Transportation Fund	1,089,978
Convention Center Fund	1,115,517
Airport Fund	600,117
Golf Course Fund	28,891
Total depreciation expense - business-type activities	<u>\$ 7,135,560</u>

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2022

The Town has ongoing construction projects as of June 30, 2022. The projects include the 3rd Street recreation complex, Fire Station #3, 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
3rd Street recreation complex	\$ 251,698	\$ 96,827
66th Street water treatment plant	1,964,340	74,656
Convention center expansion	14,998,945	328,963
Fire Station #3	458,137	141,591
Raw water mains 33rd Street North	2,128,645	2,982,395
Street paving	2,665,923	179,085
Wastewater 2nd Street pump force main	1,109,882	2,002,833
Wastewater biosolids process rehabilitation	1,411,218	29,980
Wastewater generator switch upgrade	142,799	10,291
Wastewater main repairs	314,591	14,434
Wastewater Montego Bay pump station	384,799	9,767
Wastewater secondary clarifier	2,997,246	1,014,506
Total	<u>\$ 28,828,223</u>	<u>\$ 6,885,328</u>

Note 7: Interfund receivables, payables, and transfers

In governmental funds, total transfers of \$6,487,671 were made from the General Fund to the Capital Projects Fund for capital expenditures.

Net transfers of \$2,688,681 are shown in the Statement of Activities. Transfers were made from the General Fund to subsidize operations and for capital expenditures, detailed as follows:

Convention Center Fund	\$ 1,687,613
Airport Fund	924,038
Golf Course Fund	77,030
Total	<u>\$ 2,688,681</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 \$116,671,000.

In December 2021, the Town issued General Obligation Municipal Purpose Bonds of 2021 for \$26,115,000 with serial interest rates ranging from 2% to 5% and a final maturity in 2042, to finance certain costs of acquisition, construction, and/or improvement of public projects.

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2022

General obligation bonds outstanding at June 30, 2022, are as follows:

<u>Bond Issue</u>	<u>Final Maturity</u>	<u>Interest Rates to Maturity</u>	<u>Original Issue</u>	<u>Outstanding Balance</u>
Airport Improvement Bond of 2005	2024	3.20%	\$ 1,025,000	\$ 175,252
Airport Improvement Bond of 2006	2026	3.496%	4,100,000	1,400,000
Municipal Refunding Bonds of 2012	2032	2.00 - 4.00%	33,560,000	16,555,000
Municipal Purpose Bonds of 2013	2023	4.00 - 5.00%	12,700,000	2,905,000
Municipal Purpose Bonds of 2015	2035	2.00 - 5.00%	16,760,000	13,005,000
Municipal Refunding Bond of 2016A	2027	1.92%	5,266,000	3,736,000
Property Acquisition Bond of 2016B	2027	2.70%	1,350,000	723,000
Municipal Purpose Bond of 2017A	2027	2.50%	1,600,000	849,626
Municipal Purpose Bonds of 2018	2038	3.00 - 5.00%	25,795,000	24,760,000
Municipal Purpose Bonds of 2020, Taxable	2024	2.00 - 3.00%	1,115,000	520,000
Municipal Purpose Bonds of 2020, Tax-Exempt	2040	2.00 - 5.00%	6,650,000	6,650,000
Refunding Bonds of 2020	2031	5.00%	6,750,000	5,680,000
Municipal Purpose Bonds of 2021	2042	2.00 - 5.00%	26,115,000	26,115,000
Total bonds			<u>\$142,786,000</u>	<u>\$103,073,878</u>

Note: Principal balances do not include net unamortized bond premiums of \$3,062,268 and \$3,792,678 in governmental and business-type activities, respectively.

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

Year Ending June 30,	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 3,994,209	\$ 1,700,454	\$ 4,598,719	\$ 1,907,146
2024	3,967,575	1,477,752	4,770,891	1,682,434
2025	3,978,712	1,323,861	3,513,207	1,506,834
2026	3,470,892	1,187,337	2,771,201	1,360,154
2027	3,599,618	1,062,496	2,901,854	1,238,227
2028 - 2032	13,753,637	3,574,040	15,828,363	4,270,876
2033 - 2037	10,247,080	1,455,886	14,082,920	1,632,905
2038 - 2042	6,209,244	346,140	5,385,756	266,560
Total	<u>\$ 49,220,967</u>	<u>\$ 12,127,966</u>	<u>\$ 53,852,911</u>	<u>\$ 13,865,136</u>

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2022

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, 2022, is as follows:

Loan	Maturity	Interest Rate	Original Issue	Outstanding Balance
Soil erosion control - South Ocean Drive	2024	0.00%	\$ 548,115	\$ 56,300
Soil erosion control - Robin Drive	2030	0.00%	297,171	128,880
Total intergovernmental loans			<u>\$ 845,286</u>	<u>\$ 185,180</u>

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

Year Ending June 30,	Principal
2023	\$ 44,260
2024	44,260
2025	16,110
2026	16,110
2027	16,110
2028 - 2030	48,330
Total	<u>\$ 185,180</u>

C. Financed purchases

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

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

Year Ending June 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2023	\$ 1,233,840	\$ 147,938	\$ 44,152	\$ 10,805
2024	1,272,731	123,398	46,780	9,792
2025	1,078,325	99,148	49,515	8,720
2026	1,113,607	77,363	52,364	7,584
2027	823,978	54,888	53,290	6,395
2028 - 2031	1,766,533	84,041	243,019	12,683
Total	<u>\$ 7,289,014</u>	<u>\$ 586,776</u>	<u>\$ 489,120</u>	<u>\$ 55,979</u>

D. Legal debt margin

The Town's legal debt margin as of June 30, 2022, based on 5.2% of assessable property, was \$389,185,471. As of June 30, 2022, the total outstanding debt applicable to the limit was \$109,928,824, which is 1.15% of assessable property.

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2022

E. Changes in long-term liabilities

During the fiscal year ended June 30, 2022, the following changes occurred in long-term liabilities reported for governmental and business-type activities:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General obligation bonds	\$ 35,875,788	\$ 16,725,979	\$ (3,380,800)	\$ 49,220,967	\$ 3,994,209
Bond premiums	1,550,588	1,789,307	(277,627)	3,062,268	-
Intergovernmental loans	229,440	-	(44,260)	185,180	44,260
Total bonds, notes, and loans payable	37,655,816	18,515,286	(3,702,687)	52,468,415	4,038,469
Financed purchases	8,483,789	-	(1,194,775)	7,289,014	1,233,840
Accrued obligations for compensated absences	2,177,287	1,761,685	(1,754,246)	2,184,726	119,563
Claims and judgments	4,085,425	979,493	(999,055)	4,065,863	972,109
Net pension liability	7,274,583	43,895,982	(15,393,220)	35,777,345	-
Net OPEB liability (asset)	4,667,519	9,172,796	(18,484,804)	(4,644,489)	-
Governmental activities long-term liabilities	<u>\$ 64,344,419</u>	<u>\$ 74,325,242</u>	<u>\$ (41,528,787)</u>	<u>\$ 97,140,874</u>	<u>\$ 6,363,981</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-Type Activities					
General obligation bonds	\$ 48,625,659	\$ 9,389,021	\$ (4,161,769)	\$ 53,852,911	\$ 4,598,719
Bond premiums	3,344,625	1,004,416	(556,363)	3,792,678	-
Total bonds payable	51,970,284	10,393,437	(4,718,132)	57,645,589	4,598,719
Financed purchases	530,749	-	(41,629)	489,120	44,152
Accrued obligations for compensated absences	554,203	461,462	(490,928)	524,737	477,629
Net pension liability	679,303	8,132,678	(2,570,253)	6,241,728	-
Net OPEB liability (asset)	1,612,980	3,169,894	(6,387,895)	(1,605,021)	-
Business-type activities long-term liabilities	<u>\$ 55,347,519</u>	<u>\$ 22,157,471</u>	<u>\$ (14,208,837)</u>	<u>\$ 63,296,153</u>	<u>\$ 5,120,500</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 70% of insurance costs and business-type activities assume approximately 30%.

Note 9: Other information

A. Risk management

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

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2022

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

All funds of the Town participate in the program and make payments to the Risk Management Fund based on estimates of the amounts needed to pay prior and current year claims, pay premiums to insurance carriers for excess coverage, and to establish a reserve for catastrophic losses. The fund establishes claims liabilities based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. Liabilities for workers' compensation losses incurred are estimated at the fixed or reasonably determinable payment expected to be incurred over a period of time discounted at its present value using a 3.5% discount rate. The workers' compensation and property and casualty costs are based on separately determined actuarial valuations performed as of June 30, 2021.

Changes in the Risk Management Fund's claims liability over two years since June 30, 2020, were as follows:

Claims liability at June 30, 2020	\$ 4,128,065
Claims incurred	979,702
Claims paid	<u>(1,022,342)</u>
Claims liability at June 30, 2021	4,085,425
Claims incurred	979,493
Claims paid	<u>(999,055)</u>
Claims liability at June 30, 2022	<u><u>\$ 4,065,863</u></u>

As of June 30, 2022, the Risk Management Fund had cash and investments of \$4,564,870 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 \$2,072,847 in the General Fund and \$2,525,064 in the Capital Projects Fund.

C. Intergovernmental assistance

In 1995, 2010, 2013, and 2017, the Mayor and City Council entered into agreements with the State for the construction, operation, and contributions for the expansion and improvement of the Roland E. Powell Convention Center through the Maryland Stadium Authority (the "Authority"). The Authority pays one-half of the annual operating deficit, if any, of the Convention Center from the time of construction until the bonded debt is repaid. For the fiscal year ended June 30, 2022, the amount of the contribution was \$1,587,600.

Chapter 641 of the Laws of Maryland of 1995 authorized the County Commissioners of Worcester County to impose a tax on the sale of food and beverages in the Town for the purposes of paying the principal and interest on bonds issued by the Town to finance the construction, reconstruction, repair, renovation, and equipping of a convention center. As a result, the County implemented a 1% tax on the sale of food and beverages, which was reduced to 0.5%

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in 2008. The Town issued \$8,470,000 of bonds in 2013, \$12,715,000 of bonds in 2018, and \$455,778 in bonds in 2021 for the expansion of the Convention Center. Food and beverage sales tax receipts of \$1,556,960 were \$462,417 less than debt service for the fiscal year ended June 30, 2022. Cumulative receipts and interest in excess of debt service totaled \$2,412,860 at June 30, 2022, 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 \$14,595,778 as of June 30, 2022.

D. New accounting pronouncements

The GASB issued Statement No. 87, *Leases*; Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*; Statement No. 92, *Omnibus 2020*; Statement No. 93, *Replacement of Interbank Offered Rates*; Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*; Statement No. 98, *The Annual Comprehensive Financial Report*; Implementation Guide No. 2019-1, *Implementation Guidance Update—2019*; and Implementation Guide No. 2019-3, *Leases*; which all took effect during FY 2022. The Town implemented all Statements and Implementation Guides that were applicable and material to the Town’s financial statements during the fiscal year.

The GASB has issued Statement No. 91, *Conduit Debt Obligations*; Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; Statement No. 96, *Subscription-Based Information Technology Arrangements*; Statement No. 99, *Omnibus 2022*; Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*; and Statement No. 101, *Compensated Absences*; which will require adoption in the future, if applicable. The Town will be analyzing the effects of these pronouncements and plans to adopt them, as applicable, by their effective dates.

Note 10: Other post-employment benefits (OPEB)

A. General information and plan description

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

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

Plan membership. As of June 30, 2022, OPEB Trust membership consisted of the following:

Active employees	497
Retirees and beneficiaries receiving benefits	170
Total	667

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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 (asset)

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

Inflation rates	2.5%
Salary increases	4.0%
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	4.9% for 2021; the ultimate trend is 4.0%

The Board of Trustees establishes and can amend the investment policy for the plan's assets by a majority vote of its members. The policy defines major asset classes, asset allocations, and acceptable ranges that are to be employed. The policy requires asset classes with low correlations to each other to provide sufficient diversification to minimize overall portfolio volatility. The Board of Trustees' adopted asset policy as of June 30, 2022, 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, 2022, were as follows:

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

Asset Class	Percentage of Portfolio	Assumed Rate of Return	Inflation	Real Rate of Return
Domestic equities	35.0 %	8.4 %	2.3 %	6.1 %
Developed market international equities	17.0	7.2	2.3	4.9
Emerging markets equities	9.0	8.6	2.3	6.3
U.S. investment-grade fixed income	34.0	3.8	2.3	1.5
Alternative investments	5.0	6.6	2.3	4.3
Total	<u>100.0 %</u>	<u>6.6 %</u>	<u>2.3 %</u>	<u>4.3 %</u>

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Rate of return. For the fiscal year ended June 30, 2022, the annual money-weighted rate of return on investments, net of investment expense, was -15.26%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

The condensed financial statements of the plan are as follows:

Condensed Statement of Net Position

	OPEB Trust Fund
ASSETS	
Cash and receivables	\$ 1,315,223
Investments	35,467,694
Total assets	36,782,917
LIABILITIES	
Total liabilities	-
NET POSITION	
Restricted for OPEB	\$ 36,782,917

Condensed Statement of Changes in Fiduciary Net Position

	OPEB Trust Fund
ADDITIONS	
Contributions	\$ 96,128
Investment gains (losses)	(6,359,890)
Total additions	(6,263,762)
DEDUCTIONS	
Benefits and refunds paid	1,593,414
Total deductions	1,593,414
Change in net position	(7,857,176)
Net position, beginning of the fiscal year	44,640,093
Net position, end of the fiscal year	\$ 36,782,917

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Changes in the net OPEB liability (asset) and the OPEB plan's fiduciary net position for the year ended June 30, 2022, were as follows:

	Total OPEB Liability	Plan's Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2021	\$ 50,920,592	\$ 44,640,093	\$ 6,280,499
Increases (decreases) in balances during the fiscal year:			
Service cost	896,961	-	896,961
Interest	3,492,425	-	3,492,425
Differences between expected and actual experience	(22,867,909)	-	(22,867,909)
Changes of assumptions	(315,248)	-	(315,248)
Contributions - employer	-	96,128	(96,128)
Net investment income (loss)	-	(6,359,890)	6,359,890
Benefit payments, including refunds of member contributions	(1,593,414)	(1,593,414)	-
Net change in balance	(20,387,185)	(7,857,176)	(12,530,009)
Balance at June 30, 2022	<u>\$ 30,533,407</u>	<u>\$ 36,782,917</u>	<u>\$ (6,249,510)</u>

Plan's fiduciary net position as a percentage of the total OPEB liability: 120.47%

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

	1% decrease (6%)	Current rate (7%)	1% increase (8%)
Net other post-employment benefit asset	\$ (2,416,612)	\$ (6,249,510)	\$ (9,449,480)

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

	1% decrease (2.94%)	Current trend rate (3.94%)	1% increase (4.94%)
Net other post-employment benefit asset	\$ (9,850,779)	\$ (6,249,510)	\$ (1,866,763)

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

For the year ended June 30, 2022, the Town recognized an OPEB expense of negative \$2,277,835. At June 30, 2022, 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	\$ 2,106	\$ 31,021,458
Changes of assumptions	-	4,057,226
Net difference between projected and actual earnings on OPEB plan investments	5,064,847	-
Total	\$ 5,066,953	\$ 35,078,684

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,		
2023	\$	(3,652,709)
2024		(3,853,659)
2025		(4,201,716)
2026		(3,075,695)
2027		(4,962,684)
Thereafter		(10,265,268)
Total		\$ (30,011,731)

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, 2022, there were 284 employees actively participating in the plan. Employee contributions totaled \$583,550 and the Town recognized contribution expense of \$583,550. The market value of the 401(a) plan assets totaled \$6,106,483 at June 30, 2022.

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

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B. Single-employer defined benefit pension plans

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

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

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

Investments. The Board of Trustees establishes and can amend the investment policy for the plans’ assets by a majority vote of its members. The policy defines various major asset classes, asset allocations, and acceptable ranges that are to be employed. The policy requires asset classes with low correlations to each other to provide sufficient diversification to minimize overall portfolio volatility. The Board of Trustees’ adopted asset policy as of June 30, 2022, 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, 2022, the annual money-weighted rate of return on investments, net of investment expense, was -15.17% 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, 2022, and was rolled forward using appropriate techniques to June 30, 2022, utilizing the “entry age normal” actuarial funding method. The assumptions and methods used in the valuation were selected based on the actuarial experience study prepared as of April 1, 2021. Changes adopted by the Board of Trustees on May 18, 2022, include the various economic and demographic assumptions summarized below:

- The investment return assumption decreased from 7.00% to 6.90%.
- The price inflation assumption decreased from 2.75% to 2.50%.
- The wage inflation assumption decreased from 3.25% to 3.00%.
- The rates of withdrawal and retirement were changed to reflect actual experience more closely.
- The rates of retirement for DROP employees were changed to reflect actual experience more closely.
- The salary merit scale was changed to reflect actual experience more closely.
- The rates of mortality changed from the RP-2014 Blue Collar Mortality Table (adjusted and with mortality improvements projected to 2020 using Scale BB) to various PubG.H-2010 tables adjusted and with mortality improvements projected generationally using the MP-2021 projection scale.
- The load for unused sick leave was increased from 1.0% to 2.0%.

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

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

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

The long-term expected rate of return on pension plan investments was determined using log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2022, were as follows:

Asset Class	Percentage of Portfolio	Assumed Rate of Return	Inflation	Real Rate of Return
Domestic equities	34.0 %	8.4 %	2.3 %	6.1 %
Developed market international equities	17.0	7.2	2.3	4.9
Emerging markets equities	9.0	8.6	2.3	6.3
Domestic fixed income	34.0	3.8	2.3	1.5
Hedge funds	5.0	6.6	2.3	4.3
Cash and equivalents	1.0	3.0	2.3	0.7
Total	100.0 %	6.5 %	2.3 %	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.

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The condensed financial statements of the plans are as follows:

Condensed Statement of Net Position

	General Employees Pension Fund	Public Safety Employees Pension Fund	Total
ASSETS			
Cash and receivables	\$ 3,007,117	\$ 3,626,587	\$ 6,633,704
Investments	57,810,739	64,254,699	122,065,438
Total assets	<u>60,817,856</u>	<u>67,881,286</u>	<u>128,699,142</u>
LIABILITIES			
Total liabilities	<u>11,413</u>	<u>11,803</u>	<u>23,216</u>
NET POSITION			
Restricted for pensions	<u>\$ 60,806,443</u>	<u>\$ 67,869,483</u>	<u>\$128,675,926</u>

Condensed Statement of Changes in Fiduciary Net Position

	General Employees Pension Fund	Public Safety Employees Pension Fund	Total
ADDITIONS			
Contributions	\$ 3,213,064	\$ 5,481,292	\$ 8,694,356
Investment gains (losses)	(10,418,494)	(11,561,155)	(21,979,649)
Total additions	<u>(7,205,430)</u>	<u>(6,079,863)</u>	<u>(13,285,293)</u>
DEDUCTIONS			
Benefits and refunds paid	4,436,543	4,832,574	9,269,117
Administrative expenses	56,104	66,428	122,532
Total deductions	<u>4,492,647</u>	<u>4,899,002</u>	<u>9,391,649</u>
Change in net position	<u>(11,698,077)</u>	<u>(10,978,865)</u>	<u>(22,676,942)</u>
Net position, beginning of the fiscal year	<u>72,504,520</u>	<u>78,848,348</u>	<u>151,352,868</u>
Net position, end of the fiscal year	<u>\$ 60,806,443</u>	<u>\$ 67,869,483</u>	<u>\$128,675,926</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, 2022, the valuation date:

Retirees and beneficiaries receiving benefits	236
Terminated, vested employees entitled to but not yet receiving benefits	47
Inactive nonvested members	10
Active members	158
Total	<u>451</u>

- b) *Benefits.* The EPP provides retirement, disability, and death benefits. A member may retire at age 55 with 10 years of continuous service (reduced early retirement), at age 55 with 30 years of continuous service (unreduced early retirement), at age 65 (normal retirement), or postpone retirement. Benefits begin to vest after 5 years of continuous employment, and participants are fully vested after 15 years of continuous employment, or at retirement age (if sooner). The EPP provides retirement benefits in the form of a monthly

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

- c) *Deferred Retirement Option Program (DROP)*. Any participant who held the office of Director of Public Works as of December 31, 2017, or City Engineer on October 1, 2020, enters DROP on January 1, 2018, or January 1, 2021, respectively, and must retire within the next three years (of, if agreed to by the special DROP participant and the Town, within seven years). At retirement, the benefit is the accrued benefit as of the beginning of the DROP participation date, plus the lump sum (or annuity equivalent) of the monthly benefits not received during the three-year (or seven-year) DROP period.
- d) *Funding policy and contributions*. In 2014, the City Council adopted a funding policy for the EPP that provides for annual Town contributions based on an annual actuarial valuation. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance the unfunded liability over a closed ten-year period. All administrative costs are paid by the EPP. The contribution for the 2022 fiscal year was determined using the entry age normal actuarial cost method. The contribution to the EPP for fiscal year 2022 was \$2,639,659, computed through an actuarial valuation performed as of April 1, 2021, which represented 23.98% of covered payroll. Members contributed \$573,405, 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, 2022, were as follows:

	Plan's Total Pension Liability	Plan's Fiduciary Net Position	Plan's Net Pension Liability
Balance at June 30, 2021	\$ 74,699,779	\$ 72,504,520	\$ 2,195,259
Increases (decreases) in balances during the fiscal year:			
Service cost	724,632	-	724,632
Interest	5,076,332	-	5,076,332
Differences between expected and actual experience	890,059	-	890,059
Changes in assumptions	2,602,373	-	2,602,373
Contributions - employer	-	2,639,659	(2,639,659)
Contributions - member	-	573,405	(573,405)
Net investment income (loss)	-	(10,418,494)	10,418,494
Benefit payments, including refunds of member contributions	(4,436,543)	(4,436,543)	-
Administrative expense	-	(56,104)	56,104
Net change in balance	<u>4,856,853</u>	<u>(11,698,077)</u>	<u>16,554,930</u>
Balance at June 30, 2022	<u>\$ 79,556,632</u>	<u>\$ 60,806,443</u>	<u>\$ 18,750,189</u>

EPP fiduciary net position as a percentage of the total pension liability: 76.43%

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- f) *Sensitivity of the net pension liability to changes in the discount rate.* The following presents the net pension liability of the plan, calculated using the discount rate of 6.9%, as well as what the plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.9%) or 1-percentage point higher (7.9%) than the current rate:

	1% decrease (5.9%)	Current rate (6.9%)	1% increase (7.9%)
Net pension liability	\$ 26,840,311	\$ 18,750,189	\$ 11,793,177

- g) *Pension expense, deferred outflows of resources, and deferred inflows of resources related to pensions.* For the fiscal year ended June 30, 2022, the Town recognized a pension expense of \$3,802,704 for the EPP. As of June 30, 2022, 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	\$ 688,913	\$ 163,967
Changes of assumptions	1,836,969	-
Net difference between projected and actual earnings on pension plan investments	8,394,763	-
Total	\$ 10,920,645	\$ 163,967

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,	
2023	\$ 3,179,410
2024	2,839,629
2025	1,647,834
2026	3,089,805
Total	\$ 10,756,678

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

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2) Public Safety Employees Pension Plan (PSEPP)

- a) *Membership.* All of the Town's full-time police officers, firefighters, emergency medical technicians, fire marshals, and communication employees participate in the PSEPP. The plan was closed to new entrants on April 1, 2011; however, it was reopened to sworn police officers effective July 1, 2013, and those sworn police officers hired on or after April 1, 2011, were allowed to enter the plan. Effective July 1, 2019, the plan was reopened to allow certified EMS personnel, fire marshal, and paid firefighters hired on or after July 1, 2013, to enter the plan. The following table summarizes the membership of the PSEPP as of April 1, 2022, the valuation date:

Retirees and beneficiaries receiving benefits	107
Terminated, vested employees entitled to but not yet receiving benefits	4
Inactive nonvested members	9
Active members	180
Total	300

- b) *Benefits.* The PSEPP provides retirement, disability, and death benefits. A member may retire at age 55 with 10 years of continuous service (reduced early retirement), after completion of 25 years of service but prior to attaining age 65 (unreduced early retirement), at age 65 (normal retirement), or postpone retirement. Benefits begin to vest after 5 years of continuous employment, and participants are fully vested after 15 years of continuous employment, or at retirement age (if sooner). The PSEPP provides retirement benefits in the form of a monthly income payable for life in an amount equal to 60% of final average monthly compensation, reduced 1/300th for each month of service less than 300. The final benefit is based on the average compensation of the three highest consecutive years in the last ten years prior to retirement. Additionally, for each 176 hours of unused sick leave, retiring employees receive one month of additional service credit for determining the benefit amount, not for determining retirement eligibility, with a credit assumption equal to 3% of other service.
- c) *Deferred Retirement Option Program (DROP).* Participants who are sworn police officers can elect to enter DROP when they reach or are reasonably close to reaching 25 years of service, and they must continue making employee contributions and retire within three years of making the DROP election. At retirement, the DROP benefit is the 25-year benefit plus the lump sum (or annuity equivalent) of the monthly benefits not received during the three-year DROP period. Effective July 1, 2018, the DROP was enhanced to allow sworn police officers to enter the DROP when they reach 25, 26, or 27 years of service. Participants who enter the DROP when they reach 26 years of service must retire within the next two years. Participants who enter the DROP when they reach 27 years of service must retire within the next year.
- d) *Funding policy and contributions.* In 2014, the City Council adopted a funding policy for the PSEPP that provides for annual Town contributions based on an annual actuarial valuation. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance the unfunded liability over a closed ten-year period. All administrative costs are paid by the PSEPP. The contribution for the 2022 fiscal year was determined using the entry age normal actuarial cost method. The contribution to the PSEPP for fiscal year 2022 was \$4,406,092, computed through an actuarial valuation performed as of April 1, 2021, which represented 33.53% of covered payroll. Members contributed \$1,075,200, 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

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2022

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.

- e) *Net pension liability of the Town for the PSEPP.* The changes in the net pension liability for the fiscal year ended June 30, 2022, were as follows:

	Plan's Total Pension Liability	Plan's Fiduciary Net Position	Plan's Net Pension Liability
Balance at June 30, 2021	\$ 84,606,975	\$ 78,848,348	\$ 5,758,627
Increases (decreases) in balances during the fiscal year:			
Service cost	1,983,445	-	1,983,445
Interest	5,756,209	-	5,756,209
Differences between expected and actual experience	706,215	-	706,215
Changes in assumptions	2,510,469	-	2,510,469
Changes in benefit terms	407,628	-	407,628
Contributions - employer	-	4,406,092	(4,406,092)
Contributions - member	-	1,075,200	(1,075,200)
Net investment income (loss)	-	(11,561,155)	11,561,155
Benefit payments, including refunds of member contributions	(4,832,574)	(4,832,574)	-
Administrative expense	-	(66,428)	66,428
Net change in balance	<u>6,531,392</u>	<u>(10,978,865)</u>	<u>17,510,257</u>
Balance at June 30, 2022	<u>\$ 91,138,367</u>	<u>\$ 67,869,483</u>	<u>\$ 23,268,884</u>

PSEPP fiduciary net position as a percentage of the total pension liability: 74.47%

- f) *Sensitivity of the net pension liability to changes in the discount rate.* The following presents the net pension liability of the plan, calculated using the discount rate of 6.9%, as well as what the plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.9%) or 1-percentage point higher (7.9%) than the current rate:

	1% decrease (5.9%)	Current rate (6.9%)	1% increase (7.9%)
Net pension liability	<u>\$ 34,300,098</u>	<u>\$ 23,268,884</u>	<u>\$ 14,079,065</u>

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2022

- g) *Pension expense, deferred outflows of resources, and deferred inflows of resources related to pensions.* For the fiscal year ended June 30, 2022, the Town recognized pension expense of \$4,987,266 for the PSEPP. As of June 30, 2022, 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	\$ 1,017,620	\$ 160,000
Changes of assumptions	2,175,740	-
Net difference between projected and actual earnings on pension plan investments	9,406,123	-
Total	\$ 12,599,483	\$ 160,000

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,	
2023	\$ 3,080,854
2024	2,547,948
2025	1,897,680
2026	3,882,256
Thereafter	1,030,745
Total	\$ 12,439,483

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

The aggregate expense/expenditure recognized by the Town for its two pension plans during fiscal year 2022 was \$8,789,970. The aggregate expense/expenditure recognized by the Town for all benefit trust plans (the OPEB plan and both pension plans) during the year ended June 30, 2022, was \$6,512,135.

C. Deferred compensation plan

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

Plan participants elect to contribute a portion of their pay (subject to annual maximums established by the IRS), pre-tax, to the plan. The Town matches 25% of employee contributions, up to a maximum annual match of \$500 for all public safety employees and general employees hired prior to January 1, 2011. For general employees hired on or after January 1, 2011, the Town will contribute a maximum match of \$200 per year. For the fiscal year ended June 30, 2022, there were 477 employees actively participating in the plan. Employee contributions totaled \$1,614,063 and the Town recognized a contribution expense of \$152,402. The market value of the 457(b) plan assets totaled \$37,875,093 at June 30, 2022.

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

REQUIRED SUPPLEMENTARY INFORMATION

PENSION TRUST FUNDS

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

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

Schedule of Employer Contributions - General Employees Pension Plan

Schedule of Employer Contributions - Public Safety Employees Pension Plan

OTHER POST-EMPLOYMENT BENEFITS (OPEB) TRUST FUND

Schedule of Changes in Net Other Post-Employment Benefits
Liability 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, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015, and 2014

	2022	2021	2020
Total pension liability:			
Service cost	\$ 724,632	\$ 802,422	\$ 914,641
Interest	5,076,332	4,962,599	4,845,650
Differences between expected and actual experience	890,059	(208,802)	(284,674)
Changes of assumptions/methods	2,602,373	-	-
Changes of benefit terms	-	323,982	-
Benefit payments, including refunds of member contributions, deaths, and terminations	(4,436,543)	(4,080,378)	(3,538,599)
Net change in total pension liability	4,856,853	1,799,823	1,937,018
Total pension liability, beginning	74,699,779	72,899,956	70,962,938
Total pension liability, ending (a)	\$ 79,556,632	\$ 74,699,779	\$ 72,899,956
Plan fiduciary net position:			
Contributions - employer	\$ 2,639,659	\$ 2,709,226	\$ 2,403,037
Contributions - member	573,405	622,121	681,986
Net investment income (loss)	(10,418,494)	13,426,746	1,079,768
Benefit payments, including refunds of member contributions	(4,436,543)	(4,080,378)	(3,538,599)
Administrative expense	(56,104)	(24,708)	(36,433)
Net change in plan fiduciary net position	(11,698,077)	12,653,007	589,759
Plan fiduciary net position, beginning	72,504,520	59,851,513	59,261,754
Plan fiduciary net position, ending (b)	\$ 60,806,443	\$ 72,504,520	\$ 59,851,513
Town's net pension liability, ending [(a) - (b)]	\$ 18,750,189	\$ 2,195,259	\$ 13,048,443
Plan fiduciary net position as a percentage of total pension liability	76.43%	97.06%	82.10%
Covered payroll	\$ 11,005,512	\$ 11,950,404	\$ 13,573,824
Net pension liability as a percentage of covered payroll	170.37%	18.37%	96.13%
Annual money-weighted rate of return, net of investment expense	-15.17%	22.05%	1.86%

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

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

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

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

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

Town of Ocean City, Maryland
Schedule of Changes in Net Pension Liability and Related Ratios - Public Safety Employees Pension Plan
For the Fiscal Years Ended June 30, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015, and 2014

	2022	2021	2020
Total pension liability:			
Service cost	\$ 1,983,445	\$ 1,917,802	\$ 1,819,581
Interest	5,756,209	5,581,496	5,384,235
Differences between expected and actual experience	706,215	(219,258)	439,671
Changes of assumptions/methods	2,510,469	-	-
Changes of benefit terms	407,628	-	-
Benefit payments, including refunds of member contributions, deaths, and terminations	(4,832,574)	(4,737,321)	(4,910,705)
Net change in total pension liability	6,531,392	2,542,719	2,732,782
Total pension liability, beginning	84,606,975	82,064,256	79,331,474
Total pension liability, ending (a)	\$ 91,138,367	\$ 84,606,975	\$ 82,064,256
Plan fiduciary net position:			
Contributions - employer	\$ 4,406,092	\$ 4,411,474	\$ 3,785,451
Contributions - member	1,075,200	1,024,980	1,003,126
Net investment income (loss)	(11,561,155)	14,409,846	1,126,397
Benefit payments, including refunds of member contributions	(4,832,574)	(4,737,321)	(4,910,705)
Administrative expense	(66,428)	(21,270)	(45,305)
Other	-	-	357,982
Net change in plan fiduciary net position	(10,978,865)	15,087,709	1,316,946
Plan fiduciary net position, beginning	78,848,348	63,760,639	62,443,693
Plan fiduciary net position, ending (b)	\$ 67,869,483	\$ 78,848,348	\$ 63,760,639
Town's net pension liability, ending [(a) - (b)]	\$ 23,268,884	\$ 5,758,627	\$ 18,303,617
Plan fiduciary net position as a percentage of total pension liability	74.47%	93.19%	77.70%
Covered payroll	\$ 13,142,698	\$ 12,522,812	\$ 12,267,793
Net pension liability as a percentage of covered payroll	177.05%	45.99%	149.20%
Annual money-weighted rate of return, net of investment expense	-15.17%	22.05%	1.86%

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

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

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

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

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

	2022	2021	2020
Actuarially determined contribution	\$ 2,639,659	\$ 2,709,226	\$ 2,403,037
Contributions in relation to the actuarially determined contribution	<u>2,639,659</u>	<u>2,709,226</u>	<u>2,403,037</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 11,005,512	\$ 11,950,404	\$ 13,573,824
Contributions as a percentage of covered payroll	23.98%	22.67%	17.70%

NOTES TO SCHEDULE:

Valuation date:

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

Actuarial methods and assumptions used to determine actuarial contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level dollar, closed
Remaining amortization period	5.6 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	10% of employees eligible for unreduced benefits before age 65 are assumed to retire in the year when eligible (30 years of service), and 100% by age 70
Mortality	PubG.H-2010 Healthy Retiree Mortality Table for retirees (adjusted); PubG.H-2010 Disabled Retiree Mortality Table for disabled retirees (adjusted); PubG.H-2010 Healthy Contingent Annuitants Mortality Table for beneficiaries

Other information:

Sick leave credit	Retiring employees receive an additional one month of benefit service, but not eligibility service, for each 176 hours of unused sick leave at 2.0% of other service
Cost of living adjustment	None
DROP interest assumption	3.5% per year of interest on DROP balances for those in DROP

2019	2018	2017	2016	2015	2014	2013
\$ 2,152,737	\$ 1,926,923	\$ 2,012,896	\$ 1,927,595	\$ 2,036,678	\$ 2,351,375	\$ 2,468,399
<u>2,152,737</u>	<u>1,926,923</u>	<u>2,012,896</u>	<u>1,927,595</u>	<u>2,036,678</u>	<u>2,351,375</u>	<u>2,468,399</u>
<u>\$ -</u>						
\$ 13,930,362	\$ 14,040,732	\$ 14,324,756	\$ 14,515,114	\$ 15,091,207	\$ 15,073,776	\$ 15,370,687
15.45%	13.72%	14.05%	13.28%	13.50%	15.60%	16.06%

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

	2022	2021	2020
Actuarially determined contribution	\$ 4,406,092	\$ 4,411,474	\$ 3,785,451
Contributions in relation to the actuarially determined contribution	4,406,092	4,411,474	3,785,451
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered payroll	\$ 13,142,698	\$ 12,522,812	\$ 12,267,793
Contributions as a percentage of covered payroll	33.53%	35.23%	30.86%

NOTES TO SCHEDULE:

Valuation date:

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

Actuarial methods and assumptions used to determine actuarial contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level dollar, closed
Remaining amortization period	5.4 years
Asset valuation method	Five-year smoothed market value
Inflation	2.50%
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	25% of police employees and 40% of non-police employees eligible for unreduced benefits are assumed to retire in the year when eligible (25 years of service), and 100% by age 65
Mortality	PubS.H-2010 Healthy Retiree Mortality Table for retirees (adjusted); PubS.H-2010 Disabled Retiree Mortality Table for disabled retirees (adjusted); PubS.H-2010 Healthy Contingent Annuitants Mortality Table for beneficiaries

Other information:

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

2019	2018	2017	2016	2015	2014	2013
\$ 3,414,817	\$ 2,973,495	\$ 2,493,724	\$ 2,390,758	\$ 2,588,214	\$ 3,331,311	\$ 3,228,530
<u>3,414,817</u>	<u>2,973,495</u>	<u>2,493,724</u>	<u>2,390,758</u>	<u>2,588,214</u>	<u>3,331,311</u>	<u>3,228,530</u>
<u>\$ -</u>						
\$ 10,703,993	\$ 10,702,208	\$ 10,591,890	\$ 10,835,080	\$ 10,671,545	\$ 10,540,564	\$ 9,690,975
31.90%	27.78%	23.54%	22.06%	24.25%	31.60%	33.31%

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

	2022	2021	2020
Total OPEB liability:			
Service cost	\$ 896,961	\$ 1,128,165	\$ 1,131,345
Interest	3,492,425	3,951,191	3,919,290
Differences between expected and actual experience	(22,867,909)	(7,306,767)	(353,831)
Changes of assumptions	(315,248)	(2,646,188)	(2,578,291)
Benefit payments	(1,593,414)	(1,710,202)	(1,561,793)
Net change in total OPEB liability	<u>(20,387,185)</u>	<u>(6,583,801)</u>	<u>556,720</u>
Total OPEB liability, beginning	<u>50,920,592</u>	<u>57,504,393</u>	<u>56,947,673</u>
Total OPEB liability, ending (a)	<u><u>\$ 30,533,407</u></u>	<u><u>\$ 50,920,592</u></u>	<u><u>\$ 57,504,393</u></u>
Plan fiduciary net position:			
Contributions - employer	\$ 96,128	\$ 1,301,375	\$ 2,297,361
Contributions - member	-	-	-
Net investment income (loss)	(6,359,890)	8,195,520	760,482
Benefit payments (net of retiree contributions)	(1,593,414)	(1,710,202)	(1,561,793)
Administrative expense and other additions	-	(58)	-
Net change in plan fiduciary net position	<u>(7,857,176)</u>	<u>7,786,635</u>	<u>1,496,050</u>
Plan fiduciary net position, beginning	<u>44,640,093</u>	<u>36,853,458</u>	<u>35,357,408</u>
Plan fiduciary net position, ending (b)	<u><u>\$ 36,782,917</u></u>	<u><u>\$ 44,640,093</u></u>	<u><u>\$ 36,853,458</u></u>
Town's net OPEB liability (asset), ending [(a) - (b)]	<u><u>\$ (6,249,510)</u></u>	<u><u>\$ 6,280,499</u></u>	<u><u>\$ 20,650,935</u></u>
Plan fiduciary net position as a percentage of total OPEB liability	120.47%	87.67%	64.09%
Covered employee payroll	\$ 24,148,210	\$ 24,473,216	\$ 25,841,617
Net OPEB liability (asset) as a percentage of covered employee payroll	-25.88%	25.66%	79.91%
Annual money-weighted rate of return, net of investment expense	-15.26%	21.49%	1.67%

NOTES TO SCHEDULE:

Benefit changes: None.

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

The long-term healthcare cost trend was updated to the latest model released by the SOA on October 30, 2021.

The election rate assumption for employees hired on or after July 1, 2011, electing retiree medical coverage was reduced from 100% to 80%.

Information for FYE 2015 and earlier is not available.

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

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Actuarially determined contribution	\$ 1,236,000	\$ 1,219,000	\$ 2,220,000
Contributions in relation to the actuarially determined contribution	<u>96,128</u>	<u>1,301,375</u>	<u>2,297,361</u>
Contribution deficiency (excess)	<u>\$ 1,139,872</u>	<u>\$ (82,375)</u>	<u>\$ (77,361)</u>
Covered employee payroll	\$ 24,148,210	\$ 24,473,216	\$ 25,841,617
Contributions as a percentage of covered employee payroll	0.40%	5.32%	8.89%

NOTES TO SCHEDULE:

Benefit changes None.
Changes of assumptions The medical trend was updated to the latest model released by the SOA and excludes the impact of the Cadillac Tax.
The mortality assumption was updated to the latest SOA public sector experience study rates.

Methods and assumptions used to determine contribution rates:

Valuation date 2/1/2020
Actuarial cost method Projected Unit Credit
Amortization method Level percentage of payroll (closed)
Remaining amortization period For FYE 2022 ADC: FYE 2021 (G)/L - 14 years, FYE 2019 (G)/L - 12 years, FYE 2017 (G)/L - 10 years, FYE 2015 (G)/L - 17 years
Asset valuation method Market value of assets
Investment rate of return 7.00%
Payroll growth rate 4.00%
Inflation 2.50%
Healthcare cost trend rate The trend is 4.90% in 2021, 5.10% in 2022, and the ultimate trend is 4.00%.

2019	2018	2017	2016	2015	2014	2013
\$ 2,177,000	\$ 3,034,000	\$ 2,965,000	\$ 3,207,000	\$ 3,083,000	\$ 3,617,000	\$ 3,475,000
<u>2,249,822</u>	<u>3,096,038</u>	<u>2,965,000</u>	<u>3,207,000</u>	<u>3,083,000</u>	<u>3,617,000</u>	<u>3,475,000</u>
<u>\$ (72,822)</u>	<u>\$ (62,038)</u>	<u>\$ -</u>				
\$ 24,634,355	\$ 24,742,940	\$ 24,915,966	\$ 26,642,752	\$ 26,484,340	\$ 25,951,662	\$ 27,310,739
9.13%	12.51%	11.90%	12.04%	11.64%	13.94%	12.72%



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, 2022

	Airport	Golf Course	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 752,294	\$ 1,355,525	\$ 2,107,819
Receivables, net	13,062	101,802	114,864
Intergovernmental receivable	326,970	13,911	340,881
Inventories	59,892	94,610	154,502
Prepaid expenses	-	3,500	3,500
Total current assets	<u>1,152,218</u>	<u>1,569,348</u>	<u>2,721,566</u>
Noncurrent assets:			
Net OPEB asset	29,770	79,387	109,157
Capital assets:			
Land	2,368,109	2,530,140	4,898,249
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	696,559	1,066,116
Construction in progress	3,652,089	-	3,652,089
Less: accumulated depreciation	<u>(10,999,956)</u>	<u>(1,892,217)</u>	<u>(12,892,173)</u>
Total capital assets	<u>11,835,201</u>	<u>2,675,387</u>	<u>14,510,588</u>
Total noncurrent assets	<u>11,864,971</u>	<u>2,754,774</u>	<u>14,619,745</u>
Total assets	<u>13,017,189</u>	<u>4,324,122</u>	<u>17,341,311</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	-	392,598	392,598
Deferred outflows related to OPEB	24,137	64,365	88,502
Total deferred outflows of resources	<u>24,137</u>	<u>456,963</u>	<u>481,100</u>
LIABILITIES			
Current liabilities:			
Accounts payable	613,388	102,936	716,324
Accrued expenses	8,463	28,660	37,123
Compensated absences	7,879	43,303	51,182
Unearned revenue	-	234,895	234,895
Current portion of long-term debt	76,340	-	76,340
Total current liabilities	<u>706,070</u>	<u>409,794</u>	<u>1,115,864</u>
Noncurrent liabilities:			
Compensated absences	7,974	6,427	14,401
Bonds, notes, and loans payable	98,911	-	98,911
Net pension liability	-	674,071	674,071
Total noncurrent liabilities	<u>106,885</u>	<u>680,498</u>	<u>787,383</u>
Total liabilities	<u>812,955</u>	<u>1,090,292</u>	<u>1,903,247</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	-	5,895	5,895
Deferred inflows related to OPEB	167,101	445,601	612,702
Total deferred inflows of resources	<u>167,101</u>	<u>451,496</u>	<u>618,597</u>
NET POSITION			
Net investment in capital assets	11,618,461	2,675,387	14,293,848
Unrestricted	442,809	563,910	1,006,719
Total net position	<u>\$ 12,061,270</u>	<u>\$ 3,239,297</u>	<u>\$ 15,300,567</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, 2022

	Airport	Golf Course	Total
OPERATING REVENUES			
Charges for sales and services	\$ 1,227,034	\$ 2,832,540	\$ 4,059,574
Miscellaneous	7,421	1,896	9,317
Total operating revenues	<u>1,234,455</u>	<u>2,834,436</u>	<u>4,068,891</u>
OPERATING EXPENSES			
Personal services	247,287	1,214,549	1,461,836
Contractual services	414,099	308,509	722,608
Utilities	39,138	47,173	86,311
Repairs and maintenance	71,381	73,234	144,615
Other supplies and expenses	655,533	522,153	1,177,686
Internal services	104,463	237,287	341,750
Depreciation	600,117	28,891	629,008
Total operating expenses	<u>2,132,018</u>	<u>2,431,796</u>	<u>4,563,814</u>
Operating income (loss)	(897,563)	402,640	(494,923)
NONOPERATING REVENUES (EXPENSES)			
Interest and investment revenue	618	1,532	2,150
Operating grants	13,000	-	13,000
Interest expense	(6,600)	-	(6,600)
Total nonoperating revenues (expenses)	<u>7,018</u>	<u>1,532</u>	<u>8,550</u>
Income (loss) before capital contributions and transfers	(890,545)	404,172	(486,373)
Capital contributions	768,756	11,491	780,247
Transfers in	<u>924,038</u>	<u>77,030</u>	<u>1,001,068</u>
Change in net position	802,249	492,693	1,294,942
Net position, beginning	<u>11,259,021</u>	<u>2,746,604</u>	<u>14,005,625</u>
Net position, ending	<u>\$ 12,061,270</u>	<u>\$ 3,239,297</u>	<u>\$ 15,300,567</u>

TOWN OF OCEAN CITY, MARYLAND
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR ENTERPRISE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Airport	Golf Course	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users	\$ 1,226,998	\$ 2,787,791	\$ 4,014,789
Payments to suppliers	(1,033,475)	(908,390)	(1,941,865)
Payments to employees	(297,688)	(1,167,103)	(1,464,791)
Payments for interfund services used	(104,463)	(237,287)	(341,750)
Net cash provided (used) by operating activities	<u>(208,628)</u>	<u>475,011</u>	<u>266,383</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Subsidies from county, state, and federal grants	13,000	-	13,000
Transfers from other funds	924,038	77,030	1,001,068
Net cash provided by noncapital financing activities	<u>937,038</u>	<u>77,030</u>	<u>1,014,068</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Capital contributions	655,948	11,491	667,439
Acquisition and construction of capital assets	(1,432,780)	(14,945)	(1,447,725)
Principal paid on capital debt	(73,947)	-	(73,947)
Interest paid on capital debt	(7,093)	-	(7,093)
Net cash used by capital and related financing activities	<u>(857,872)</u>	<u>(3,454)</u>	<u>(861,326)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and dividends received	618	1,532	2,150
Net cash provided by investing activities	<u>618</u>	<u>1,532</u>	<u>2,150</u>
Net increase (decrease) in cash and cash equivalents	(128,844)	550,119	421,275
Cash and cash equivalents, beginning of the fiscal year	<u>881,138</u>	<u>805,406</u>	<u>1,686,544</u>
Cash and cash equivalents, end of the fiscal year	<u>\$ 752,294</u>	<u>\$ 1,355,525</u>	<u>\$ 2,107,819</u>

(Continued)

TOWN OF OCEAN CITY, MARYLAND
 COMBINING STATEMENT OF CASH FLOWS (Continued)
 NONMAJOR ENTERPRISE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Airport	Golf Course	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO			
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (897,563)	\$ 402,640	\$ (494,923)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	600,117	28,891	629,008
EFFECT OF CHANGES IN OPERATING ASSETS AND LIABILITIES:			
Accounts receivable	(7,457)	(34,354)	(41,811)
Due from other governmental agencies	-	(13,556)	(13,556)
Inventories	8,891	(6,224)	2,667
Deferred outflows related to pensions	2,330	(381,619)	(379,289)
Deferred outflows related to OPEB	(24,124)	(64,332)	(88,456)
Compensated absences	3,467	(5,680)	(2,213)
Accounts payable	137,785	48,903	186,688
Accrued expenses	1,546	3,706	5,252
Unearned revenue	-	1,265	1,265
Net pension liability	(14,175)	607,289	593,114
Net OPEB liability (asset)	(59,688)	(159,168)	(218,856)
Deferred inflows related to pensions	(32,261)	(146,093)	(178,354)
Deferred inflows related to OPEB	72,504	193,343	265,847
Total adjustments	688,935	72,371	761,306
Net cash provided (used) by operating activities	\$ (208,628)	\$ 475,011	\$ 266,383



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, 2022

	Information Technology	Service Center	Vehicle & Equipment Trust	Risk Management	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 831,179	\$ 702,603	\$ 2,595,650	\$ 998,921	\$ 5,128,353
Investments	-	-	-	3,565,949	3,565,949
Receivables, net	689	-	20,023	-	20,712
Interest receivable	-	-	-	18,219	18,219
Inventories	-	731,823	-	-	731,823
Prepaid items	18,555	-	-	-	18,555
Total current assets	<u>850,423</u>	<u>1,434,426</u>	<u>2,615,673</u>	<u>4,583,089</u>	<u>9,483,611</u>
Noncurrent assets:					
Net OPEB asset	89,311	178,621	-	19,847	287,779
Capital assets:					
Buildings	-	1,373,223	73,860	-	1,447,083
Machinery and equipment	686,634	428,675	46,182,455	-	47,297,764
Less: accumulated depreciation	(655,128)	(1,619,355)	(31,811,881)	-	(34,086,364)
Total capital assets	<u>31,506</u>	<u>182,543</u>	<u>14,444,434</u>	<u>-</u>	<u>14,658,483</u>
Total noncurrent assets	<u>120,817</u>	<u>361,164</u>	<u>14,444,434</u>	<u>19,847</u>	<u>14,946,262</u>
Total assets	<u>971,240</u>	<u>1,795,590</u>	<u>17,060,107</u>	<u>4,602,936</u>	<u>24,429,873</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pensions	390,141	333,119	-	50,477	773,737
Deferred outflows related to OPEB	72,411	144,822	-	16,091	233,324
Total deferred outflows of resources	<u>462,552</u>	<u>477,941</u>	<u>-</u>	<u>66,568</u>	<u>1,007,061</u>
LIABILITIES					
Current liabilities:					
Accounts payable	37,223	188,627	43,858	106,881	376,589
Accrued expenses	16,443	24,197	38,014	6,812	85,466
Compensated absences, current	50,775	57,760	-	11,028	119,563
Claims and judgments, current	-	-	-	972,109	972,109
Current portion of long-term debt	-	-	791,808	-	791,808
Total current liabilities	<u>104,441</u>	<u>270,584</u>	<u>873,680</u>	<u>1,096,830</u>	<u>2,345,535</u>
Noncurrent liabilities:					
Compensated absences	2,456	-	-	-	2,456
Claims and judgments	-	-	-	3,093,754	3,093,754
Bonds, notes, and loans payable	-	-	3,554,494	-	3,554,494
Net pension liability	669,852	571,948	-	86,667	1,328,467
Total noncurrent liabilities	<u>672,308</u>	<u>571,948</u>	<u>3,554,494</u>	<u>3,180,421</u>	<u>7,979,171</u>
Total liabilities	<u>776,749</u>	<u>842,532</u>	<u>4,428,174</u>	<u>4,277,251</u>	<u>10,324,706</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions	5,858	5,002	-	757	11,617
Deferred inflows related to OPEB	501,302	1,002,604	-	111,401	1,615,307
Total deferred inflows of resources	<u>507,160</u>	<u>1,007,606</u>	<u>-</u>	<u>112,158</u>	<u>1,626,924</u>
NET POSITION					
Net investment in capital assets	31,506	182,543	10,098,132	-	10,312,181
Unrestricted	118,377	240,850	2,533,801	280,095	3,173,123
Total net position	<u>\$ 149,883</u>	<u>\$ 423,393</u>	<u>\$ 12,631,933</u>	<u>\$ 280,095</u>	<u>\$ 13,485,304</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, 2022

	Information Technology	Service Center	Vehicle & Equipment Trust	Risk Management	Total
OPERATING REVENUES					
Charges for sales and services	\$ 2,282,547	\$ 5,005,869	\$ 3,772,646	\$ 2,880,782	\$ 13,941,844
Miscellaneous	-	3,527	-	-	3,527
Total operating revenues	<u>2,282,547</u>	<u>5,009,396</u>	<u>3,772,646</u>	<u>2,880,782</u>	<u>13,945,371</u>
OPERATING EXPENSES					
Personal services	925,005	1,258,764	-	100,831	2,284,600
Contractual services	81,120	25,155	290,613	1,502,738	1,899,626
Utilities	59,197	66,052	-	1,239	126,488
Repairs and maintenance	596,504	114,214	-	1,031	711,749
Other supplies and expenses	312,559	2,582,501	16,640	1,001	2,912,701
Internal services	77,720	324,113	745,592	137,432	1,284,857
Insurance claims and expenses	-	-	-	1,353,801	1,353,801
Depreciation	18,763	36,071	3,526,498	-	3,581,332
Total operating expenses	<u>2,070,868</u>	<u>4,406,870</u>	<u>4,579,343</u>	<u>3,098,073</u>	<u>14,155,154</u>
Operating income (loss)	211,679	602,526	(806,697)	(217,291)	(209,783)
NONOPERATING REVENUES (EXPENSES)					
Interest and investment revenue	-	-	-	(12,650)	(12,650)
Interest expense	-	-	(89,019)	-	(89,019)
Gain on disposal of assets	-	-	134,410	-	134,410
Total nonoperating revenues (expenses)	<u>-</u>	<u>-</u>	<u>45,391</u>	<u>(12,650)</u>	<u>32,741</u>
Income (loss) before capital contributions and transfers	211,679	602,526	(761,306)	(229,941)	(177,042)
Change in net position	211,679	602,526	(761,306)	(229,941)	(177,042)
Net position, beginning	<u>(61,796)</u>	<u>(179,133)</u>	<u>13,393,239</u>	<u>510,036</u>	<u>13,662,346</u>
Net position, ending	<u>\$ 149,883</u>	<u>\$ 423,393</u>	<u>\$ 12,631,933</u>	<u>\$ 280,095</u>	<u>\$ 13,485,304</u>

TOWN OF OCEAN CITY, MARYLAND
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Information Technology	Service Center
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	\$ 2,282,408	\$ 5,009,396
Payments to suppliers	(1,051,489)	(2,780,544)
Payments to employees	(982,453)	(1,477,471)
Payments for interfund services used	(77,720)	(324,113)
Net cash provided (used) by operating activities	<u>170,746</u>	<u>427,268</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	-	(36,135)
Interest paid on capital debt	-	-
Financed purchase payments	-	-
Proceeds from sales of capital assets	-	-
Net cash used by capital and related financing activities	<u>-</u>	<u>(36,135)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	-	-
Sales of investments	-	-
Interest and dividends received	-	-
Net cash used by investing activities	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	170,746	391,133
Cash and cash equivalents, beginning of the fiscal year	<u>660,433</u>	<u>311,470</u>
Cash and cash equivalents, end of the fiscal year	<u>\$ 831,179</u>	<u>\$ 702,603</u>

(Continued)

Vehicle & Equipment Trust	Risk Management	Total
\$ 3,762,262	\$ 2,880,782	\$ 13,934,848
(307,253)	(2,845,477)	(6,984,763)
-	(179,334)	(2,639,258)
(745,592)	(137,432)	(1,284,857)
<u>2,709,417</u>	<u>(281,461)</u>	<u>3,025,970</u>
(559,719)	-	(595,854)
(96,857)	-	(96,857)
(771,806)	-	(771,806)
134,410	-	134,410
<u>(1,293,972)</u>	<u>-</u>	<u>(1,330,107)</u>
-	(3,865,617)	(3,865,617)
-	3,759,422	3,759,422
-	34,152	34,152
<u>-</u>	<u>(72,043)</u>	<u>(72,043)</u>
1,415,445	(353,504)	1,623,820
<u>1,180,205</u>	<u>1,352,425</u>	<u>3,504,533</u>
<u>\$ 2,595,650</u>	<u>\$ 998,921</u>	<u>\$ 5,128,353</u>

TOWN OF OCEAN CITY, MARYLAND
 COMBINING STATEMENT OF CASH FLOWS (Continued)
 INTERNAL SERVICE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Information Technology	Service Center
RECONCILIATION OF OPERATING INCOME (LOSS) TO		
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 211,679	\$ 602,526
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	18,763	36,071
EFFECT OF CHANGES IN OPERATING		
ASSETS AND LIABILITIES:		
Accounts receivable	(139)	-
Inventories	-	(19,388)
Prepaid expenses	(18,555)	-
Deferred outflows related to pensions	(374,196)	(312,256)
Deferred outflows related to OPEB	(72,373)	(144,747)
Compensated absences	(6,521)	1,797
Accounts payable	16,446	26,766
Accrued expenses	(780)	(1,617)
Claims liability	-	-
Net pension liability	572,859	445,041
Net OPEB liability (asset)	(179,065)	(358,127)
Deferred inflows related to pensions	(214,883)	(283,820)
Deferred inflows related to OPEB	217,511	435,022
Total adjustments	(40,933)	(175,258)
Net cash provided (used) by operating activities	\$ 170,746	\$ 427,268
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:		
Decrease in fair value of investments	\$ -	\$ -

Vehicle & Equipment Trust	Risk Management	Total
\$ (806,697)	\$ (217,291)	\$ (209,783)
3,526,498	-	3,581,332
(10,384)	-	(10,523)
-	-	(19,388)
-	-	(18,555)
-	(44,718)	(731,170)
-	(16,083)	(233,203)
-	1,588	(3,136)
-	33,895	77,107
-	(492)	(2,889)
-	(19,562)	(19,562)
-	51,633	1,069,533
-	(39,792)	(576,984)
-	(78,975)	(577,678)
-	48,336	700,869
3,516,114	(64,170)	3,235,753
\$ 2,709,417	\$ (281,461)	\$ 3,025,970
\$ -	\$ (58,138)	\$ (58,138)



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, 2022

	General Employees Pension Trust Fund	Public Safety Employees Pension Trust Fund	OPEB Trust Fund	Total Benefit Trust Funds
ASSETS				
Cash and cash equivalents	\$ 2,935,994	\$ 3,548,752	\$ 1,270,168	\$ 7,754,914
Interest and dividends receivable	71,123	77,835	45,055	194,013
Investments, at fair value:				
Domestic equities	18,742,693	20,753,832	11,996,149	51,492,674
Domestic fixed income	20,201,299	22,535,211	12,211,158	54,947,668
International equities	14,330,676	15,883,161	8,618,899	38,832,736
Alternative investments	4,536,071	5,082,495	2,641,488	12,260,054
Total investments	<u>57,810,739</u>	<u>64,254,699</u>	<u>35,467,694</u>	<u>157,533,132</u>
Total assets	<u>60,817,856</u>	<u>67,881,286</u>	<u>36,782,917</u>	<u>165,482,059</u>
LIABILITIES				
Accounts payable	<u>11,413</u>	<u>11,803</u>	-	<u>23,216</u>
Total liabilities	<u>11,413</u>	<u>11,803</u>	-	<u>23,216</u>
NET POSITION				
Net position restricted for pensions/OPEB	<u>\$ 60,806,443</u>	<u>\$ 67,869,483</u>	<u>\$ 36,782,917</u>	<u>\$ 165,458,843</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, 2022

	General Employees Pension Trust Fund	Public Safety Employees Pension Trust Fund	OPEB Trust Fund	Total Benefit Trust Funds
ADDITIONS				
Contributions:				
Employer	\$ 2,639,659	\$ 4,406,092	\$ 96,128	\$ 7,141,879
Plan members	573,405	1,075,200	-	1,648,605
Total contributions	<u>3,213,064</u>	<u>5,481,292</u>	<u>96,128</u>	<u>8,790,484</u>
Investment earnings:				
Net change in fair value of investments	(11,559,607)	(12,810,228)	(7,071,955)	(31,441,790)
Interest	344,440	370,307	210,151	924,898
Dividends	1,149,805	1,267,949	720,497	3,138,251
Total investment loss	<u>(10,065,362)</u>	<u>(11,171,972)</u>	<u>(6,141,307)</u>	<u>(27,378,641)</u>
Less: investment expense	<u>(353,132)</u>	<u>(389,183)</u>	<u>(218,583)</u>	<u>(960,898)</u>
Net investment loss	<u>(10,418,494)</u>	<u>(11,561,155)</u>	<u>(6,359,890)</u>	<u>(28,339,539)</u>
Total additions	<u>(7,205,430)</u>	<u>(6,079,863)</u>	<u>(6,263,762)</u>	<u>(19,549,055)</u>
DEDUCTIONS				
Benefits and refunds paid	4,436,543	4,832,574	1,593,414	10,862,531
Administrative expenses	56,104	66,428	-	122,532
Total deductions	<u>4,492,647</u>	<u>4,899,002</u>	<u>1,593,414</u>	<u>10,985,063</u>
Change in net position	(11,698,077)	(10,978,865)	(7,857,176)	(30,534,118)
Net position, beginning	<u>72,504,520</u>	<u>78,848,348</u>	<u>44,640,093</u>	<u>195,992,961</u>
Net position, ending	<u>\$ 60,806,443</u>	<u>\$ 67,869,483</u>	<u>\$ 36,782,917</u>	<u>\$ 165,458,843</u>



STATISTICAL SECTION

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

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

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

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Governmental activities				
Net investment in capital assets	\$ 68,381,960	\$ 66,130,826	\$ 66,099,041	\$ 63,840,069
Restricted	-	-	-	-
Unrestricted	<u>20,562,133</u>	<u>11,576,145</u>	<u>(9,194,664)</u>	<u>(7,500,454)</u>
<i>Total governmental activities net position</i>	<u>88,944,093</u>	<u>77,706,971</u>	<u>56,904,377</u>	<u>56,339,615</u>
Business-type activities				
Net investment in capital assets	117,599,334	115,219,474	107,928,456	96,802,988
Restricted	2,412,860	2,925,283	3,062,035	3,063,906
Unrestricted	<u>9,509,605</u>	<u>7,670,404</u>	<u>3,548,747</u>	<u>5,196,145</u>
<i>Total business-type activities net position</i>	<u>129,521,799</u>	<u>125,815,161</u>	<u>114,539,238</u>	<u>105,063,039</u>
Primary government				
Net investment in capital assets	185,981,294	181,350,300	174,027,497	160,643,057
Restricted	2,412,860	2,925,283	3,062,035	3,063,906
Unrestricted	<u>30,071,738</u>	<u>19,246,549</u>	<u>(5,645,917)</u>	<u>(2,304,309)</u>
<i>Total primary government net position</i>	<u>\$ 218,465,892</u>	<u>\$ 203,522,132</u>	<u>\$ 171,443,615</u>	<u>\$ 161,402,654</u>

2018	2017	2016	2015	2014	2013
\$ 59,880,188	\$ 58,962,839	\$ 55,670,509	\$ 57,685,894	\$ 57,349,894	\$ 53,768,043
-	-	-	-	115,000	165,000
(5,330,950)	12,679,830	8,269,875	5,755,438	13,700,802	15,548,344
<u>54,549,238</u>	<u>71,642,669</u>	<u>63,940,384</u>	<u>63,441,332</u>	<u>71,165,696</u>	<u>69,481,387</u>
88,271,380	77,976,227	77,730,796	73,668,728	70,435,192	65,917,836
3,029,456	2,612,045	2,289,651	4,284,817	6,272,857	7,474,542
5,154,819	14,069,326	12,912,695	13,337,439	13,594,642	10,158,004
<u>96,455,655</u>	<u>94,657,598</u>	<u>92,933,142</u>	<u>91,290,984</u>	<u>90,302,691</u>	<u>83,550,382</u>
148,151,568	136,939,066	133,401,305	131,354,622	127,785,086	119,685,879
3,029,456	2,612,045	2,289,651	4,284,817	6,387,857	7,639,542
(176,131)	26,749,156	21,182,570	19,092,877	27,295,444	25,706,348
<u>\$ 151,004,893</u>	<u>\$ 166,300,267</u>	<u>\$ 156,873,526</u>	<u>\$ 154,732,316</u>	<u>\$ 161,468,387</u>	<u>\$ 153,031,769</u>

Town of Ocean City, Maryland

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

	2022	2021	2020	2019
Expenses				
Governmental activities:				
General government	\$ 686,237	\$ 258,640	\$ 1,005,541	\$ 961,507
Public safety	41,853,089	36,162,036	41,931,460	37,934,242
General public works and beach	8,436,145	7,565,437	7,947,190	8,038,416
Sanitation and waste removal	7,432,443	6,856,099	6,709,292	6,578,821
Highways and streets	9,215,575	7,578,264	8,901,892	9,938,469
Economic development - tourism	7,801,066	7,300,049	8,346,286	8,649,731
Recreation and culture	8,613,369	7,691,127	7,933,083	8,477,292
Interest on long-term debt	1,569,129	1,322,736	1,496,052	1,548,752
Total governmental activities expenses	<u>85,607,053</u>	<u>74,734,388</u>	<u>84,270,796</u>	<u>82,127,230</u>
Business-type activities:				
Water	6,759,912	5,600,246	6,030,102	6,036,469
Wastewater	12,854,591	11,284,560	12,873,389	11,847,685
Transportation	7,983,596	6,027,237	7,276,681	8,104,072
Convention Center	6,333,897	5,197,788	5,918,274	6,181,811
Airport	2,138,618	1,620,583	3,255,852	2,631,481
Golf	2,431,796	2,043,049	2,371,013	2,161,739
Total business-type activities expenses	<u>38,502,410</u>	<u>31,773,463</u>	<u>37,725,311</u>	<u>36,963,257</u>
Total primary government expenses	<u>\$124,109,463</u>	<u>\$106,507,851</u>	<u>\$121,996,107</u>	<u>\$119,090,487</u>
Program revenues				
Governmental activities:				
Charges for services:				
General government	\$ 4,405,742	\$ 4,403,216	\$ 4,887,614	\$ 4,181,017
Public safety	3,936,737	3,517,311	2,848,882	2,471,329
General public works and beach	5,985,865	4,940,700	4,686,163	4,836,090
Sanitation and waste removal	157,379	157,745	133,343	133,479
Highways and streets	1,641,443	1,549,319	1,290,408	1,424,559
Economic development - tourism	1,409,512	728,887	1,165,587	1,620,374
Recreation and culture	1,630,279	1,078,313	1,396,325	1,461,220
Operating grants and contributions	3,753,811	4,145,643	3,335,627	3,087,434
Capital grants and contributions	732,217	164,623	-	293,883
Total governmental activities program revenues	<u>23,652,985</u>	<u>20,685,757</u>	<u>19,743,949</u>	<u>19,509,385</u>
Business-type activities:				
Charges for services:				
Water	7,865,870	6,582,968	6,254,649	6,212,765
Wastewater	14,460,501	14,397,655	14,394,010	14,169,964
Transportation	2,917,897	1,420,189	3,188,557	4,368,102
Convention Center	1,510,283	720,582	1,200,549	1,767,935
Airport	1,234,455	1,029,215	1,090,680	1,128,058
Golf	2,834,436	2,531,791	1,662,180	2,027,385
Operating grants and contributions	6,129,034	5,230,089	3,827,761	3,951,925
Capital grants and contributions	2,528,559	7,239,346	10,829,317	7,026,427
Total business-type activities program revenues	<u>39,481,035</u>	<u>39,151,835</u>	<u>42,447,703</u>	<u>40,652,561</u>
Total primary government program revenues	<u>\$ 63,134,020</u>	<u>\$ 59,837,592</u>	<u>\$ 62,191,652</u>	<u>\$ 60,161,946</u>

2018	2017	2016	2015	2014	2013
\$ 978,045	\$ 1,117,684	\$ 1,019,892	\$ 852,529	\$ 1,314,758	\$ 1,118,606
36,827,677	35,363,774	35,138,306	32,782,621	36,112,813	34,030,231
8,190,991	7,026,384	7,261,653	7,240,368	6,329,540	5,315,570
6,353,497	6,104,169	6,256,386	5,787,086	6,230,810	6,034,146
8,424,668	7,660,939	10,501,844	7,102,511	7,787,410	7,157,008
9,389,746	8,813,147	8,343,211	8,139,166	7,998,815	8,055,355
8,282,474	8,234,584	7,862,334	7,479,558	7,654,518	7,685,116
1,367,535	1,301,378	1,307,810	1,335,105	1,462,237	1,640,586
<u>79,814,633</u>	<u>75,622,059</u>	<u>77,691,436</u>	<u>70,718,944</u>	<u>74,890,901</u>	<u>71,036,618</u>
5,826,613	5,751,275	5,869,793	5,532,561	6,251,720	6,428,575
12,000,680	12,331,189	12,740,636	11,299,812	11,966,765	11,710,740
8,476,581	7,929,546	8,228,957	8,213,299	8,036,903	8,007,909
6,012,638	5,670,317	6,364,714	5,341,279	5,438,689	5,221,549
1,823,343	1,985,010	1,506,936	1,832,178	1,615,099	1,906,293
2,204,437	2,082,395	2,106,675	2,050,051	2,069,805	2,071,155
<u>36,344,292</u>	<u>35,749,732</u>	<u>36,817,711</u>	<u>34,269,180</u>	<u>35,378,981</u>	<u>35,346,221</u>
<u>\$ 116,158,925</u>	<u>\$ 111,371,791</u>	<u>\$ 114,509,147</u>	<u>\$ 104,988,124</u>	<u>\$ 110,269,882</u>	<u>\$ 106,382,839</u>
\$ 4,325,274	\$ 4,285,248	\$ 4,207,093	\$ 3,892,295	\$ 3,870,984	\$ 3,748,747
2,307,485	2,130,314	2,171,345	2,038,976	2,056,556	2,068,706
4,639,991	4,704,486	4,238,386	4,314,242	4,044,925	3,810,298
147,173	116,257	134,390	115,232	99,350	85,418
1,312,803	1,355,098	1,129,247	1,054,220	1,126,770	1,108,543
1,698,351	1,593,428	1,652,093	1,589,455	1,465,927	1,465,695
1,762,377	1,804,858	1,791,371	1,627,668	1,573,586	1,555,940
3,302,181	3,370,747	3,301,092	3,026,042	3,432,044	3,223,755
102,407	335,711	152,732	190,351	105,000	551,735
<u>19,598,042</u>	<u>19,696,147</u>	<u>18,777,749</u>	<u>17,848,481</u>	<u>17,775,142</u>	<u>17,618,837</u>
6,221,780	6,494,646	6,209,726	7,107,376	7,050,007	7,020,705
13,798,797	13,332,083	13,202,701	12,771,316	12,551,066	12,161,493
4,323,653	4,589,633	4,650,181	4,558,857	4,100,681	3,934,859
1,898,803	1,840,823	1,705,782	1,745,001	1,792,680	1,678,397
1,046,766	969,381	978,545	1,108,590	1,146,509	1,181,550
1,974,674	2,009,103	2,022,149	2,022,992	1,983,132	1,959,709
3,821,429	3,823,027	3,652,214	3,680,145	3,593,254	3,627,269
9,348,123	1,705,045	2,894,257	1,530,415	6,501,328	1,988,370
<u>42,434,025</u>	<u>34,763,741</u>	<u>35,315,555</u>	<u>34,524,692</u>	<u>38,718,657</u>	<u>33,552,352</u>
<u>\$ 62,032,067</u>	<u>\$ 54,459,888</u>	<u>\$ 54,093,304</u>	<u>\$ 52,373,173</u>	<u>\$ 56,493,799</u>	<u>\$ 51,171,189</u>

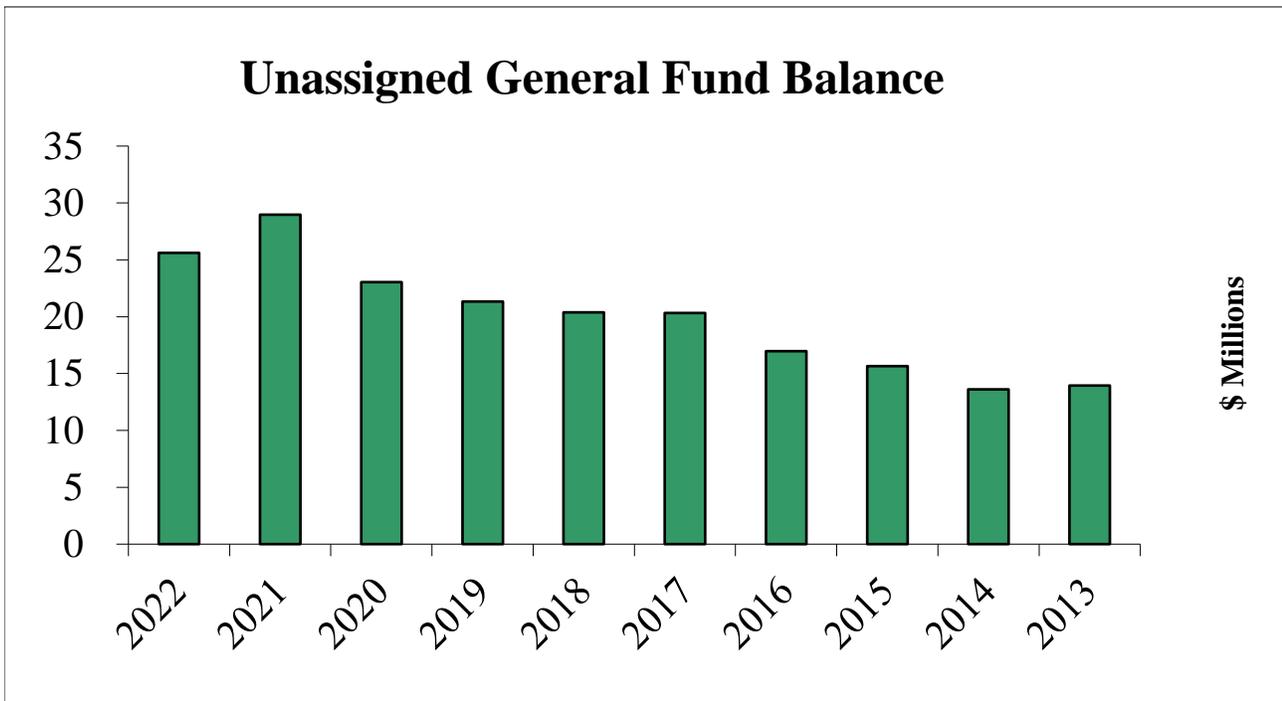
Town of Ocean City, Maryland
Changes in Net Position (Continued)
Last Ten Fiscal Years
(accrual basis of accounting)

	2022	2021	2020	2019
Net (expenses) revenues				
Governmental activities	\$ (61,954,068)	\$ (54,048,631)	\$ (64,526,847)	\$ (62,617,845)
Business-type activities	978,625	7,378,372	4,722,392	3,689,304
Total primary government net expenses	<u>\$ (60,975,443)</u>	<u>\$ (46,670,259)</u>	<u>\$ (59,804,455)</u>	<u>\$ (58,928,541)</u>
General revenues and other changes in net position				
Governmental activities:				
Taxes:				
Property and other local taxes levied for:				
General purposes	\$ 44,762,217	\$ 44,753,212	\$ 45,095,552	\$ 43,732,086
Sales and income taxes	26,313,664	22,049,614	18,675,635	19,108,527
State gaming contributions	936,346	824,629	579,115	768,971
Grants and contributions not restricted to specific programs	2,872,354	9,863,174	2,877,035	2,764,559
Investment earnings (losses)	11,935	5,784	1,155,677	1,420,639
Loss on sales of capital assets	-	-	-	-
Other revenue	983,355	1,202,856	994,054	816,663
Transfers	(2,688,681)	(3,848,044)	(4,285,459)	(4,203,223)
Total governmental activities	<u>73,191,190</u>	<u>74,851,225</u>	<u>65,091,609</u>	<u>64,408,222</u>
Business-type activities:				
Investment earnings	39,332	49,507	468,348	714,857
Loss on sales of capital assets	-	-	-	-
Other revenue (expense)	-	-	-	-
Transfers	2,688,681	3,848,044	4,285,459	4,203,223
Total business-type activities	<u>2,728,013</u>	<u>3,897,551</u>	<u>4,753,807</u>	<u>4,918,080</u>
Total primary government	<u>75,919,203</u>	<u>78,748,776</u>	<u>69,845,416</u>	<u>69,326,302</u>
Changes in net position				
Governmental activities	11,237,122	20,802,594	564,762	1,790,377
Business-type activities	3,706,638	11,275,923	9,476,199	8,607,384
Total primary government	<u>\$ 14,943,760</u>	<u>\$ 32,078,517</u>	<u>\$ 10,040,961</u>	<u>\$ 10,397,761</u>

2018	2017	2016	2015	2014	2013
\$ (60,216,591)	\$ (55,925,912)	\$ (58,913,687)	\$ (52,870,463)	\$ (57,115,759)	\$ (53,417,781)
6,089,733	(985,991)	(1,502,156)	255,512	3,339,676	(1,793,869)
<u>\$ (54,126,858)</u>	<u>\$ (56,911,903)</u>	<u>\$ (60,415,843)</u>	<u>\$ (52,614,951)</u>	<u>\$ (53,776,083)</u>	<u>\$ (55,211,650)</u>
\$ 43,239,535	\$ 42,938,816	\$ 42,717,221	\$ 42,444,386	\$ 42,199,671	\$ 41,425,378
18,721,093	18,645,893	17,205,888	16,454,632	16,042,019	15,069,904
706,108	655,254	633,268	563,517	469,430	454,949
2,639,334	2,763,852	2,720,894	2,576,103	2,586,297	2,372,735
399,992	111,056	192,920	199,294	181,668	(45,412)
-	-	(1,482,918)	-	-	-
756,507	1,141,154	583,485	769,305	684,250	508,084
<u>(3,595,376)</u>	<u>(2,627,828)</u>	<u>(3,158,019)</u>	<u>(3,022,929)</u>	<u>(3,363,267)</u>	<u>(3,480,205)</u>
<u>62,867,193</u>	<u>63,628,197</u>	<u>59,412,739</u>	<u>59,984,308</u>	<u>58,800,068</u>	<u>56,305,433</u>
243,267	82,619	47,816	49,470	56,399	60,354
-	-	(61,521)	-	-	-
-	-	-	14,568	(7,033)	86,006
<u>3,595,376</u>	<u>2,627,828</u>	<u>3,158,019</u>	<u>3,022,929</u>	<u>3,363,267</u>	<u>3,480,205</u>
<u>3,838,643</u>	<u>2,710,447</u>	<u>3,144,314</u>	<u>3,086,967</u>	<u>3,412,633</u>	<u>3,626,565</u>
<u>66,705,836</u>	<u>66,338,644</u>	<u>62,557,053</u>	<u>63,071,275</u>	<u>62,212,701</u>	<u>59,931,998</u>
2,650,602	7,702,285	499,052	7,113,845	1,684,309	2,887,652
9,928,376	1,724,456	1,642,158	3,342,479	6,752,309	1,832,696
<u>\$ 12,578,978</u>	<u>\$ 9,426,741</u>	<u>\$ 2,141,210</u>	<u>\$ 10,456,324</u>	<u>\$ 8,436,618</u>	<u>\$ 4,720,348</u>

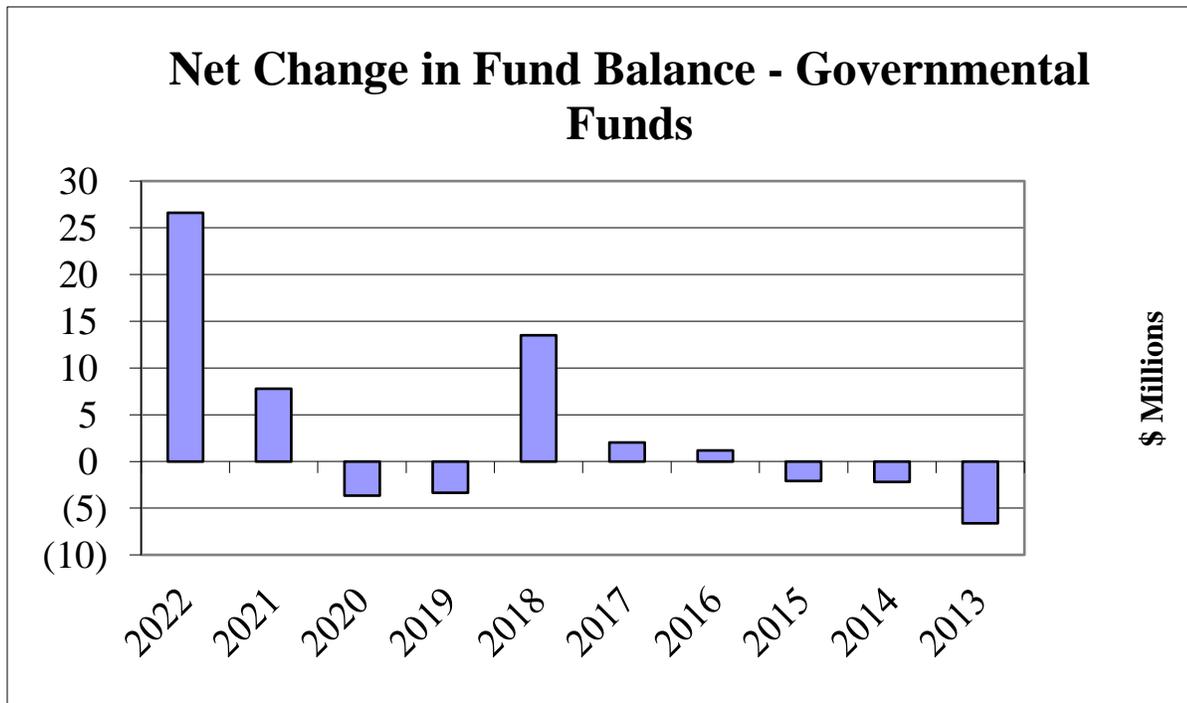
Town of Ocean City, Maryland
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2022	2021	2020	2019
General Fund				
Nonspendable	\$ -	\$ -	\$ -	\$ 49
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	17,822,910	5,582,993	2,409,042	2,092,798
Unassigned	25,604,250	28,956,239	23,048,068	21,329,235
Total General Fund	\$ 43,427,160	\$ 34,539,232	\$ 25,457,110	\$ 23,422,082
All other governmental funds				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Committed	21,818,932	4,092,294	5,394,231	11,084,785
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total all other governmental funds	21,818,932	4,092,294	5,394,231	11,084,785
Total governmental funds	\$ 65,246,092	\$ 38,631,526	\$ 30,851,341	\$ 34,506,867
Unassigned General Fund balance as a percentage of expenditures	30.4%	36.9%	29.6%	27.5%



2018	2017	2016	2015	2014	2013
\$ 3,000	\$ -	\$ -	\$ -	\$ 115,000	\$ 165,000
-	-	-	-	-	-
-	-	-	-	-	-
1,884,164	2,589,801	2,046,085	1,942,166	1,430,367	1,139,337
20,387,666	20,313,783	16,968,006	15,648,548	13,602,038	13,949,931
<u>\$ 22,274,830</u>	<u>\$ 22,903,584</u>	<u>\$ 19,014,091</u>	<u>\$ 17,590,714</u>	<u>\$ 15,147,405</u>	<u>\$ 15,254,268</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	3,020,069	5,333,799	8,656,416
15,577,690	1,436,499	3,312,381	537,914	2,758,897	1,517,524
-	-	-	-	-	-
-	-	-	-	-	-
<u>15,577,690</u>	<u>1,436,499</u>	<u>3,312,381</u>	<u>3,557,983</u>	<u>8,092,696</u>	<u>10,173,940</u>
<u>\$ 37,852,520</u>	<u>\$ 24,340,083</u>	<u>\$ 22,326,472</u>	<u>\$ 21,148,697</u>	<u>\$ 23,240,101</u>	<u>\$ 25,428,208</u>

25.8% 25.7% 23.1% 21.6% 18.2% 19.3%



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

	2022	2021	2020	2019
Revenues				
Property taxes	\$ 45,068,278	\$ 44,644,085	\$ 45,137,533	\$ 43,642,385
Other taxes	27,250,010	22,874,243	19,254,750	19,877,498
Licenses and permits	4,651,042	4,704,685	5,153,640	4,537,397
Fines and forfeitures	2,023,412	2,050,475	1,533,893	1,093,897
Charges for current services	12,492,503	9,620,331	9,720,789	10,496,774
Revenue from other agencies	10,729,203	10,587,619	6,207,104	6,145,876
Other revenue	1,057,940	1,367,948	2,072,098	2,096,725
<i>Total revenues</i>	<u>103,272,388</u>	<u>95,849,386</u>	<u>89,079,807</u>	<u>87,890,552</u>
Expenditures				
Current:				
General government	3,825,713	3,757,020	4,032,831	3,854,665
Public safety	40,508,410	37,624,679	36,215,064	35,326,678
General public works and beach	7,021,976	5,933,224	6,140,014	6,251,044
Sanitation and waste removal	6,900,994	6,458,895	5,980,097	6,012,480
Highways and streets	6,582,153	5,653,334	6,641,799	7,818,424
Economic development - tourism	7,520,991	7,073,068	8,015,628	8,371,675
Recreation and culture	8,250,889	7,610,511	7,269,096	7,938,695
Capital outlay	6,555,386	4,857,648	8,856,253	8,440,939
Debt service:				
Principal retirement	3,848,029	3,841,053	3,587,935	3,415,993
Interest and fiscal charges	1,308,261	1,480,367	1,551,471	1,594,239
Bond issuance costs	161,625	26,437	10,838	-
<i>Total expenditures</i>	<u>92,484,427</u>	<u>84,316,236</u>	<u>88,301,026</u>	<u>89,024,832</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>10,787,961</u>	<u>11,533,150</u>	<u>778,781</u>	<u>(1,134,280)</u>
Other financing sources (uses)				
Bonds and notes issued	16,725,979	2,142,355	-	2,202,048
Premium on bonds issued	1,789,307	507,687	-	-
Payment to refunded bond escrow agent	-	(2,554,963)	-	-
Transfers in	6,533,178	4,361,427	4,633,224	4,069,656
Transfers out	(9,221,859)	(8,209,471)	(9,067,531)	(8,483,077)
<i>Total other financing sources (uses)</i>	<u>15,826,605</u>	<u>(3,752,965)</u>	<u>(4,434,307)</u>	<u>(2,211,373)</u>
<i>Net change in fund balances</i>	<u>\$ 26,614,566</u>	<u>\$ 7,780,185</u>	<u>\$ (3,655,526)</u>	<u>\$ (3,345,653)</u>
Debt service as a percentage of noncapital expenditures	6.0%	6.7%	6.5%	6.2%

2018	2017	2016	2015	2014	2013
\$ 43,110,273	\$ 43,211,192	\$ 42,550,867	\$ 42,429,988	\$ 42,334,031	\$ 41,618,457
19,427,201	19,301,147	17,949,706	17,024,793	16,498,162	15,611,879
4,605,622	4,537,307	4,486,927	4,327,809	4,183,957	4,061,716
768,157	657,703	694,761	583,087	714,142	785,979
10,819,675	10,794,679	10,142,237	9,721,191	9,339,999	8,995,653
6,043,922	6,296,552	6,066,514	5,602,145	6,048,341	6,073,225
1,140,597	1,440,276	860,055	974,121	735,727	653,618
<u>85,915,447</u>	<u>86,238,856</u>	<u>82,751,067</u>	<u>80,663,134</u>	<u>79,854,359</u>	<u>77,800,527</u>
3,898,785	4,003,674	3,803,848	3,817,132	3,824,796	3,860,291
34,918,034	33,837,807	33,479,223	32,728,554	34,620,629	32,546,489
6,584,961	8,897,994	5,545,600	5,919,839	5,169,305	5,109,638
5,928,648	5,650,586	5,635,304	5,353,919	5,613,364	5,389,174
6,534,604	5,945,407	8,733,929	5,560,206	6,280,506	5,867,104
9,107,849	8,664,640	8,094,041	7,889,134	7,737,415	7,792,309
7,783,762	7,918,927	7,268,485	7,090,260	7,131,635	7,259,523
2,773,812	4,178,826	4,507,498	6,082,562	6,586,308	8,301,432
4,187,253	4,117,460	3,566,514	3,636,266	3,694,110	2,872,330
1,222,729	1,309,827	1,438,175	1,563,318	1,646,570	1,596,699
49,940	22,269	33,585	-	36,516	-
<u>82,990,377</u>	<u>84,547,417</u>	<u>82,106,202</u>	<u>79,641,190</u>	<u>82,341,154</u>	<u>80,594,989</u>
<u>2,925,070</u>	<u>1,691,439</u>	<u>644,865</u>	<u>1,021,944</u>	<u>(2,486,795)</u>	<u>(2,794,462)</u>
14,282,743	2,950,000	6,689,567	-	4,895,483	103,889
-	-	-	-	99,578	-
-	-	(2,914,784)	-	(992,858)	-
3,429,411	3,384,414	4,609,257	2,592,610	2,431,000	2,000,000
(7,124,787)	(6,012,242)	(7,851,130)	(5,705,958)	(6,134,515)	(5,942,848)
<u>10,587,367</u>	<u>322,172</u>	<u>532,910</u>	<u>(3,113,348)</u>	<u>298,688</u>	<u>(3,838,959)</u>
<u>\$ 13,512,437</u>	<u>\$ 2,013,611</u>	<u>\$ 1,177,775</u>	<u>\$ (2,091,404)</u>	<u>\$ (2,188,107)</u>	<u>\$ (6,633,421)</u>

6.7%

6.8%

6.4%

7.1%

7.0%

6.2%

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
2022	\$ 45,068,278	\$ 22,010,166	\$ 2,177,307	\$ 1,242,945	\$ 1,819,591	\$ 72,318,287
2021	44,644,085	18,654,180	1,254,785	1,594,336	1,370,942	67,518,328
2020	45,137,533	15,168,258	1,441,949	1,446,685	1,197,858	64,392,283
2019	43,642,385	16,031,485	1,526,898	1,008,338	1,310,777	63,519,883
2018	43,110,273	15,571,172	1,483,851	1,170,291	1,201,887	62,537,474
2017	43,211,192	15,385,278	1,454,882	1,329,862	1,131,125	62,512,339
2016	42,550,867	14,574,627	1,405,802	854,817	1,114,460	60,500,573
2015	42,429,988	13,845,675	1,329,978	843,596	975,483	59,424,720
2014	42,334,031	13,367,715	1,383,833	832,644	913,970	58,832,193
2013	41,618,457	12,910,772	1,296,619	814,384	590,104	57,230,336
Change 2013 - 2022	8.3%	70.5%	67.9%	52.6%	208.4%	26.4%

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
2022	\$9,383,818,766	\$ 8,795,575	\$205,737,482	\$9,598,351,823	\$0.4561	\$9,598,351,823	-0.1 %
2021	9,367,774,293	9,860,133	228,098,369	9,605,732,795	0.4559	9,605,732,795	4.0
2020	9,001,284,772	11,502,803	221,649,499	9,234,437,074	0.4656	9,234,437,074	2.7
2019	8,793,778,022	12,319,881	181,216,509	8,987,314,412	0.4656	8,987,314,412	0.7
2018	8,742,711,658	13,116,744	167,325,116	8,923,153,518	0.4656	8,923,153,518	2.0
2017	8,574,801,497	15,043,721	160,689,225	8,750,534,443	0.4727	8,750,534,443	1.8
2016	8,430,184,989	13,595,814	156,230,465	8,600,011,268	0.4780	8,600,011,268	-1.0
2015	8,526,614,796	13,646,124	147,557,519	8,687,818,439	0.4704	8,687,818,439	0.7
2014	8,481,052,332	12,670,775	133,532,093	8,627,255,200	0.4720	8,627,255,200	-0.8
2013	8,551,832,279	12,670,775	133,532,093	8,698,035,147	0.4585	8,698,035,147	-16.0

* 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, 2013 - 2022

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
2022	\$ 45,068,278	\$ 44,601,454	98.96 %	\$ -	\$ 44,601,454	98.96 %
2021	44,644,085	44,390,394	99.43	251,481	44,641,875	100.00
2020	45,137,533	43,853,190	97.15	1,284,343	45,137,533	100.00
2019	43,642,385	42,391,804	97.13	1,250,581	43,642,385	100.00
2018	43,110,273	42,171,748	97.82	927,994	43,099,742	99.98
2017	43,211,192	42,391,814	98.10	795,247	43,187,061	99.94
2016	42,550,867	41,471,737	97.46	1,049,811	42,521,548	99.93
2015	42,429,988	41,277,350	97.28	1,152,635	42,429,985	100.00
2014	41,916,584	41,005,847	97.83	887,438	41,893,285	99.94
2013	41,096,168	40,149,344	97.70	933,852	41,083,196	99.97

* 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, 2013 - 2022

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

2022

Taxpayer	Taxable Assessed Value (1)	Percentage of Total Taxable Assessed Value
Americana Stowaway Motel, Inc.	\$ 71,230,220	0.74%
Delmarva Power	53,957,560	0.56
Harrison Inn Stardust, Inc.	52,937,833	0.55
91st Street Joint Venture, LLC	36,385,490	0.38
Ocean I Hospitality LLC	29,724,700	0.31
Harrison HI 18 LLC	24,855,190	0.26
Inns of Ocean City, LLC	24,556,153	0.26
Ocean City Hotels LLC	24,052,233	0.25
Harrison Inn Ocean View SPE, LLC	23,748,500	0.25
Harrison 15th Street LLC	22,481,600	0.23
	<u>\$ 363,929,479</u>	<u>3.79%</u>
Total taxable assessed value	<u>\$ 9,598,351,823</u>	

2013

Taxpayer	Taxable Assessed Value (1)	Percentage of Total Taxable Assessed Value
Harrison Inn Stardust, Inc.	\$ 65,068,800	0.75%
Americana Stowaway Motel, Inc.	51,737,470	0.59
91st Street Joint Venture, LLC	36,579,160	0.42
Delmarva Power	25,655,620	0.29
Genesar, Inc.	24,994,887	0.29
Harrison Inn - Sixty-Six, Inc.	21,965,330	0.25
Harrison HI 18 LLC	21,100,720	0.24
L.P.B.-O.C. Hotel Limited Partnership	20,179,300	0.23
Harrison Inn Ocean View SPE, LLC	19,168,500	0.22
Harrison QI 17 LLC	16,113,800	0.19
	<u>\$ 302,563,587</u>	<u>3.47%</u>
Total taxable assessed value	<u>\$ 8,698,035,147</u>	

(1) Assessed value is based on the value of property for taxes collected in 2022 and 2013, respectively, and a review of the ten largest taxpayers for the Town.

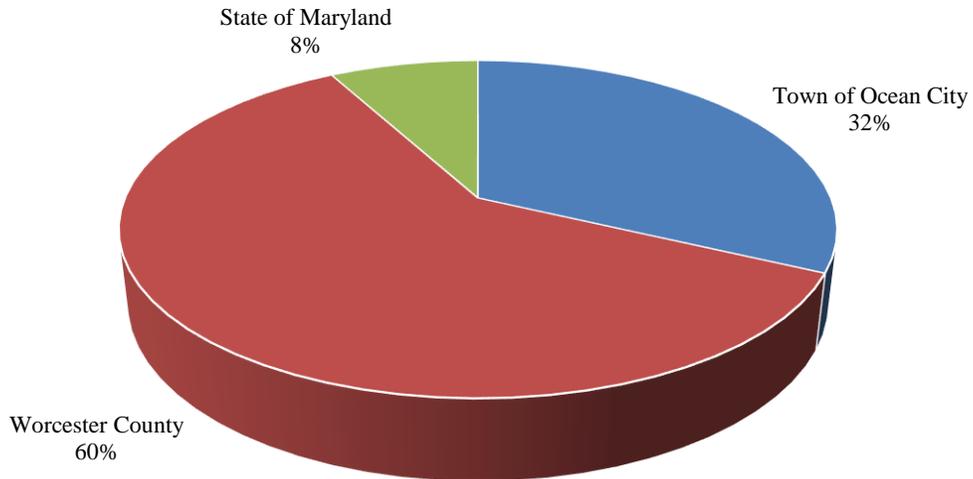
Source: Town of Ocean City Finance Department

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				
2022	\$	0.4561	\$	0.845	\$	0.112	\$	1.4131
2021		0.4559		0.845		0.112		1.4129
2020		0.4656		0.845		0.112		1.4226
2019		0.4656		0.835		0.112		1.4126
2018		0.4656		0.835		0.112		1.4126
2017		0.4727		0.835		0.112		1.4197
2016		0.4780		0.835		0.112		1.4250
2015		0.4704		0.770		0.112		1.3524
2014		0.4720		0.770		0.112		1.3540
2013		0.4585		0.770		0.112		1.3405

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				
2022	\$49,220,967	\$3,062,268	\$ 185,180	\$ 7,289,014	\$53,852,911	\$3,792,678	\$489,120	\$117,892,138	1.23%	\$17,086	29.7%
2021	35,875,788	1,550,588	229,440	8,483,789	48,625,659	3,344,625	530,749	98,640,638	1.03	14,205	19.4
2020	39,669,964	1,323,839	273,700	9,652,928	54,137,321	2,770,608	571,981	108,400,341	1.17	15,735	23.5
2019	41,585,877	1,560,782	317,960	12,104,824	52,215,328	2,221,144	610,785	110,616,700	1.23	15,739	34.4
2018	44,764,656	1,796,400	362,230	9,496,606	56,277,609	2,617,354	647,536	115,962,391	1.30	16,328	31.0
2017	35,642,285	752,520	410,725	10,360,623	47,984,525	1,788,977	682,037	97,621,692	1.10	13,545	22.7
2016	36,592,696	936,121	462,069	5,401,883	52,517,225	2,166,829	713,600	98,790,423	1.15	13,910	36.2
2015	39,944,178	1,140,856	503,283	-	41,669,434	1,177,928	-	84,435,679	0.97	11,906	31.3
2014	43,545,210	1,372,312	538,517	-	47,747,775	1,479,997	-	94,683,811	1.10	13,351	35.6
2013	43,673,549	1,194,562	639,403	-	43,305,171	555,762	-	89,368,447	1.03	12,569	34.4

* 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
2022	\$ 109,928,824	1.15%	\$ 15,932
2021	89,396,660	0.93	12,874
2020	97,901,732	1.06	14,211
2019	97,583,131	1.09	13,885
2018	105,456,019	1.18	14,849
2017	86,168,307	0.96	11,775
2016	92,212,871	1.07	12,984
2015	83,932,396	0.97	11,835
2014	94,145,294	1.09	13,275
2013	88,729,044	1.02	12,370

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, 2022

Jurisdiction	Debt Outstanding	Percentage Applicable to the Town *	Amount Applicable to the Town
Direct			
Town of Ocean City	\$ 59,757,429	100.0%	\$ 59,757,429
Overlapping			
Worcester County	<u>72,651,570</u>	56.2%	<u>40,825,145</u>
Total direct and overlapping debt	<u>\$ 132,408,999</u>		<u>\$ 100,582,574</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, 2022

Assessed value		<u>\$ 9,598,351,823</u>
Maximum general obligation debt (limited to 5.2% of assessed value) *		\$ 499,114,295
Outstanding bonds	<u>\$ 109,928,824</u>	
Net chargeable to bond limit		<u>109,928,824</u>
Legal debt margin at June 30, 2022		<u>\$ 389,185,471</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
2013 - 2022

Fiscal Year	Assessed Value	Legal Debt Limitation	Legal Borrowing Limitation	Debt Subject to Limitation	Legal Debt Margin
2022	\$ 9,598,351,823	5.2 %	\$ 499,114,295	\$ 109,928,824	\$ 389,185,471
2021	9,605,732,795	5.2	499,498,105	89,396,660	410,101,445
2020	9,234,437,074	5.2	480,190,728	97,901,732	382,288,996
2019	8,987,314,412	5.2	467,340,349	97,583,131	369,757,218
2018	8,923,153,518	5.2	464,003,983	101,042,265	362,961,718
2017	8,750,534,443	5.2	455,027,791	83,626,810	371,400,981
2016	8,600,011,268	5.2	447,200,586	92,212,871	354,987,715
2015	8,687,818,439	5.2	451,766,559	83,932,396	367,834,163
2014	8,627,255,200	5.2	448,617,270	94,145,294	354,471,976
2013	8,698,035,147	5.2	452,297,828	88,729,044	363,568,784

Town of Ocean City, Maryland
Demographic and Economic Statistics
Calendar Years 2012 - 2021

Year	(1) Population	(2) Median Household Income	(3) Worcester County Personal Income	(4) Median Age	(5) School Enrollment	(6) Unemployment Rate
2021	6,900	\$ 65,396	\$ 3,238,900	50.5	6,811	8.2 %
2020	6,944	63,499	3,137,940	50.4	6,882	11.2
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

Sources (for the most recent calendar year presented):

- (1) Maryland State Data Center - Maryland Department of Planning (estimated)
- (2) U.S. Census Bureau, 2020 American Community Survey 5-Year Estimates (figure is for Worcester County)
- (3) U.S. Department of Commerce Bureau of Economic Analysis (in thousands of dollars). 2021 figure was not available from the BEA. The 2021 figure was calculated by multiplying the 2020 Worcester County personal income by the average growth in personal income for the nine preceding years. The 2020 figure was adjusted to actual.
- (4) U.S. Census Bureau, 2020 American Community Survey 5-Year Estimates (figure is for Worcester County)
- (5) Figure is for Worcester County Public Schools, which includes Ocean City
- (6) Bureau of Labor Statistics, 2021 (figure is for Worcester County)

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

2022

<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total County Employment</u>
Town of Ocean City	1,191	4.82 %
Harrison Group	1,015	4.11
Bayshore Development	595	2.41
OC Seacrets, Inc.	455	1.84
Carousel Resort Hotel & Condominiums	335	1.36
Fagers Island, Ltd.	275	1.11
KTG LLC	225	0.91
Castle in the Sand, Inc.	215	0.87
Clarion Resort Fontainebleau	200	0.81
Trimpers Rides, Inc.	175	0.71
Total	4,681	18.95 %
Total Worcester County employees (Data available for County only)	24,699	

2013

<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total County Employment</u>
Town of Ocean City	1,391	4.84 %
Harrison Group	900	3.13
OC Seacrets, Inc.	498	1.73
Bayshore Development	441	1.53
Clarion Resort Fontainebleau	350	1.22
KTG LLC	350	1.22
Phillips	345	1.20
Fagers Island, Ltd.	278	0.97
Trimpers Rides, Inc.	250	0.87
Candy Kitchen	250	0.87
Total	5,053	17.58 %
Total Worcester County employees (Data available for County only)	28,739	

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	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
General Government	35	33	36	36	36	36	36	37	37	36
Public Safety	240	220	217	216	216	213	213	213	213	207
General Public Works	50	47	48	48	48	47	47	47	45	45
Solid Waste	21	21	21	21	21	21	21	21	22	23
Highway and Streets	24	27	23	23	22	23	23	23	23	22
Economic Development	6	4	4	4	4	4	4	4	4	4
Recreation	45	44	44	43	43	42	42	43	42	42
Water	21	21	21	21	21	21	21	21	21	21
Wastewater	38	39	46	46	46	46	46	46	46	46
Transportation	19	12	13	13	13	13	13	13	13	13
Convention Center	33	34	34	34	34	34	34	33	32	32
Airport	3	2	3	3	3	3	3	3	3	3
Internal Service	29	31	30	30	30	30	30	30	30	30
Total full-time employees	564	535	540	538	537	533	533	534	531	524
Total part-time employees	627	641	623	885	829	904	850	911	874	867
Total employees	1,191	1,176	1,163	1,423	1,366	1,437	1,383	1,445	1,405	1,391

Source: Town of Ocean City's fiscal year 2013 - 2022 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	2022	2021	2020	2019
General Information				
Area (square miles)	5	5	5	5
Year-round residents	6,900	6,944	6,889	7,028
Registered voters	6,765	6,523	6,470	5,740
Average summer population	290,575	301,275	250,173	277,932
General Government				
Construction permits issued	1,684	2,166	1,501	1,852
Estimated value of construction	\$ 67,413,855	\$ 68,894,340	\$ 48,800,979	\$ 54,474,168
Public Safety - Police				
Total arrests	2,482	3,032	1,937	2,271
Parking violations	2,115	2,659	2,913	3,358
Classified officers	116	112	107	106
Seasonal officers	50	45	51	56
Public Safety - Fire and Emergency Services				
Fire responses	1,258	1,118	1,265	1,245
Ambulance responses	5,329	5,194	3,222	4,855
* Plan reviews/permits/special event reviews	4,312	4,072	1,347	1,062
* Fire marshal inspections	1,859	1,395	1,152	1,529
* Fire marshal field operations/investigations	711	675	564	756
* Fire marshal complaints/referrals/fire protection system deficiencies	621	483	691	734
* Fire safety inspections/re-inspections	-	-	-	-
* Fire investigations	-	-	-	-
Classified fire personnel	3	3	3	3
Volunteer officers, firemen, life honor, gold badge	223	225	240	240
Classified emergency medical technicians	50	44	44	44
Seasonal emergency medical technicians	63	68	73	82
Solid Waste				
Trash processed (tons)	35,454	34,432	31,758	34,749
Trash recycled (tons)	127	171	138	208
Tourism and Recreation				
Seasonal beach patrol personnel	185	203	204	186
Water				
Average daily consumption (gallons)	3,900,000	4,030,000	3,843,260	3,966,756
Plants' daily capacity (gallons)	18,000,000	18,000,000	18,000,000	18,000,000
Transportation				
Bus passengers	1,297,940	697,703	1,610,823	2,391,312
Wastewater				
Average daily treatment (gallons)	5,855,000	5,713,000	5,276,046	5,713,227
Average daily treatment - summer (gallons)	9,859,000	8,938,000	9,058,337	9,426,935
Plant's daily treatment capacity (gallons)	14,000,000	14,000,000	14,000,000	14,000,000
Customer accounts	28,316	28,296	28,287	28,416
Airport				
Based aircraft	65	65	65	65
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

	2018	2017	2016	2015	2014	2013
	5	5	5	5	5	5
	7,102	7,102	7,102	7,092	7,092	7,110
	6,227	6,067	5,703	6,141	5,267	6,184
	276,812	275,509	258,330	242,611	253,561	254,906
	1,885	1,810	1,855	1,472	1,564	1,660
\$	\$ 78,539,236	\$ 86,385,559	\$ 61,003,886	\$ 57,890,098	\$ 51,755,670	\$ 36,287,285
	2,338	2,252	2,312	3,568	2,921	3,614
	4,821	9,619	9,344	7,934	10,460	11,237
	105	105	105	105	105	105
	80	80	100	100	100	100
	1,348	1,323	1,158	1,278	1,262	1,190
	4,658	5,006	4,698	4,518	4,157	4,634
	854	930	935	-	-	-
	1,389	1,778	1,556	-	-	-
	718	757	755	-	-	-
	720	666	795	-	-	-
	-	-	-	2,659	2,423	1,935
	-	-	-	65	98	107
	3	3	3	3	3	3
	215	215	226	231	235	235
	44	44	42	41	44	37
	74	67	69	65	67	65
	34,479	35,823	33,794	32,603	32,814	39,640
	242	229	279	202	185	190
	207	194	175	186	190	194
	4,282,348	4,278,040	4,179,104	4,156,608	4,637,616	4,891,890
	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000
	2,563,434	2,554,385	2,495,014	2,588,189	2,737,568	2,852,639
	5,895,466	5,699,000	5,528,000	5,378,000	5,445,000	5,700,000
	10,254,228	9,743,000	9,330,000	9,194,000	9,603,000	9,200,000
	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000
	28,403	28,417	28,698	28,804	28,739	28,775
	63	67	76	67	64	77
	3,100	3,100	2,900	2,900	3,165	3,544

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

Function/Program	2022	2021	2020	2019
Public Safety - Police				
Stations	2	2	2	2
Vehicles	82	82	82	82
Public Safety - Fire and Emergency Services				
Stations	5	5	5	5
Ambulances	10	10	10	10
Highways and Streets				
Streets (miles)	69	69	69	69
Streetlights	3,078	3,078	3,078	3,078
Storm sewers (miles)	43	43	43	43
Catch basins	2,315	2,315	2,315	2,315
Heavy equipment	48	48	48	48
Solid Waste				
Heavy equipment	32	32	32	32
Economic Development - Tourism, Recreation, and Culture				
Parks/playgrounds	12 / 7	12 / 7	12 / 7	12 / 7
Park acreage	77	77	77	77
Recreation centers	1	1	1	1
Boardwalk (miles)	3	3	3	3
Beach (miles)	10	10	10	10
Tennis courts	12	12	12	12
Museums	1	1	1	1
Golf courses	1	1	1	1
Water				
Water mains (miles)	150	150	150	150
Treatment plants	3	3	3	3
Service connections	7,214	7,210	7,212	7,500
Fire hydrants	850	850	847	847
Transportation				
Buses	52	63	67	62
Handicapped buses	3	3	3	3
Boardwalk trams	8	8	9	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.)	146,796	118,451	118,101	118,101
Airport				
Runways (2) (linear feet)	7,278	7,278	7,278	7,278
Hangars (square feet)	115,064	115,064	115,064	115,064

Source: Town of Ocean City Finance Department

2018	2017	2016	2015	2014	2013
2	2	2	2	2	2
82	83	81	84	84	82
5	5	5	5	5	5
10	10	10	10	9	10
69	69	69	69	69	69
3,078	3,078	3,078	3,078	3,054	3,054
43	43	43	43	43	43
2,315	2,315	2,315	2,315	2,315	2,315
48	48	48	48	48	48
32	32	32	32	32	32
13 / 7	13 / 7	13 / 6	13 / 6	13 / 6	13 / 6
77	77	77	77	77	77
1	1	1	1	1	1
3	3	3	3	3	3
10	10	10	10	10	10
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
7,216	7,074	7,074	7,068	7,237	7,143
847	847	847	847	847	847
61	62	62	61	62	60
3	3	3	3	3	3
8	8	8	8	8	8
152	152	152	152	152	152
1	1	1	1	1	1
10	10	10	10	10	9
118,101	118,101	118,101	118,101	117,101	117,101
7,278	7,273	7,273	7,273	7,270	7,270
115,064	115,064	115,064	115,064	115,064	115,064