

**Town of  
Ocean City, Maryland**

**Comprehensive  
Annual  
Financial  
Report**

**For Fiscal Year  
Ended  
June 30, 2010**

(Cover photo by Ed Chambers)

Fireworks explode in brilliant color over the beach on July 4<sup>th</sup>. The Firemen's Memorial is located in the foreground. Ed Chambers is the house photographer at the de Lazy Lizard in Ocean City, Maryland.

(Facing Page)

(Photo by Andy Kazmierski)

Town of Ocean City, Maryland  
*Comprehensive Annual Financial Report*

For Fiscal Year Ended  
June 30, 2010



*Prepared by:*  
Finance Department

Dennis Dare, PE  
City Manager

Martha Bennett Lucey, CPA  
Finance Administrator



**Town of Ocean City, Maryland  
Comprehensive Annual Financial Report  
for the Fiscal Year Ended June 30, 2010**

**TABLE OF CONTENTS**

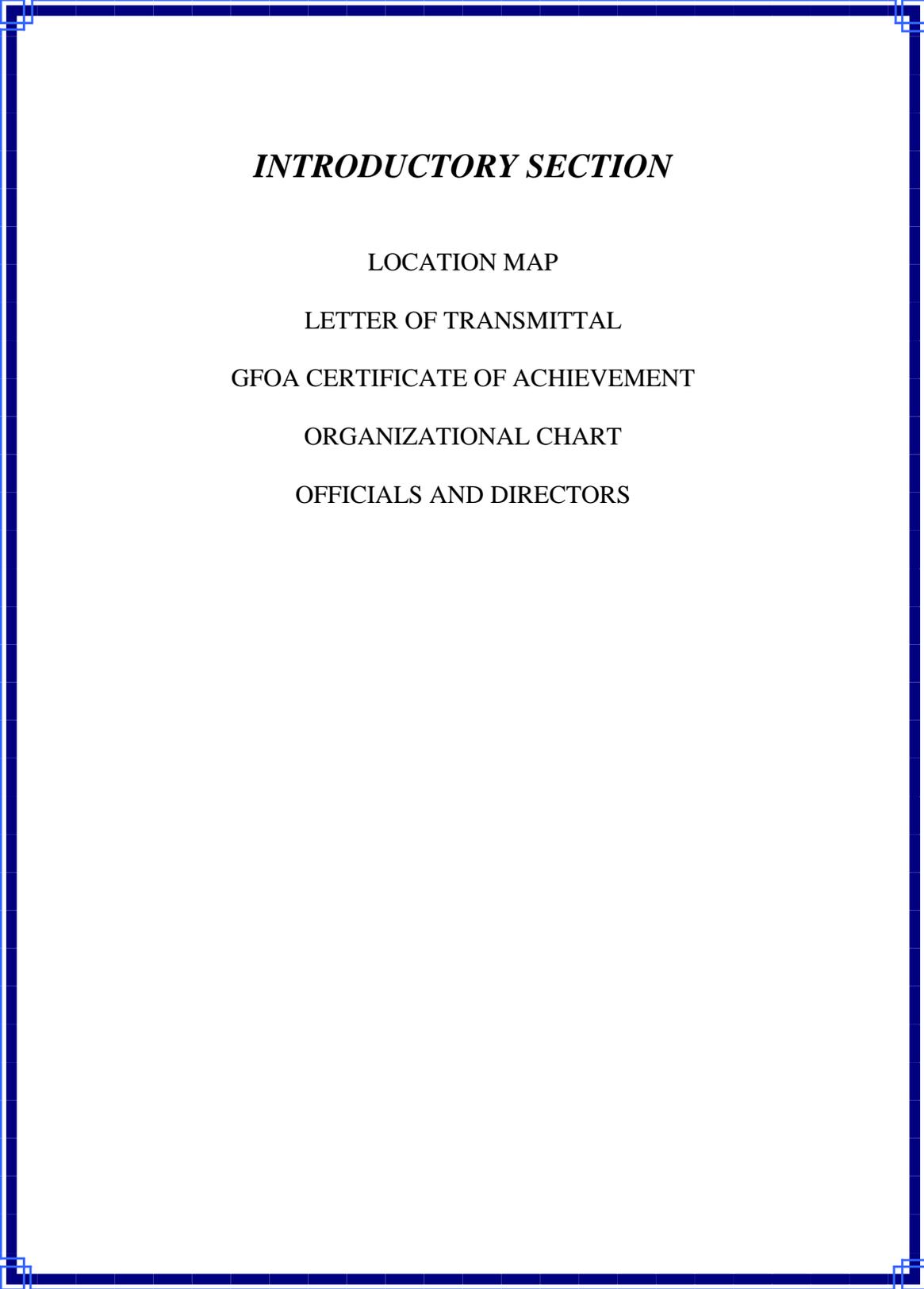
	<u>Page</u>
<b>INTRODUCTORY SECTION</b>	
Letter of Transmittal .....	1
GFOA Certificate of Achievement .....	8
Organizational Chart .....	9
List of Principal Officials and Directors .....	10
 <b>FINANCIAL SECTION</b>	
Report of Independent Public Accountants .....	13
Management’s Discussion and Analysis .....	17
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets .....	39
Statement of Activities .....	40
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	42
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	43
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	44
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Non-GAAP) – General Fund .....	45
Statement of Net Assets – Proprietary Funds .....	46
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds .....	48
Statement of Cash Flows – Proprietary Funds .....	50
Combined Statement of Plan Net Assets – Fiduciary Funds .....	54
Combined Statement of Changes in Plan Net Assets – Fiduciary Funds .....	55
Notes to the Financial Statements .....	56
Required Supplementary Information:	
Pension Trust Funds:	
General Employee Pension Fund - Schedule of Funding Progress .....	82
General Employee Pension Fund - Schedule of Employer Contributions .....	82
Public Safety Employee Pension Fund - Schedule of Funding Progress .....	83
Public Safety Employee Pension Fund - Schedule of Employer Contributions .....	83
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds .....	86
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non Major Governmental Funds .....	87
Combining Statement of Net Assets - Nonmajor Enterprise Funds .....	90
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets - Nonmajor Enterprise Funds .....	91
Combining Statement of Cash Flows – Nonmajor Enterprise Funds .....	92

	<u>Page</u>
Combining Statement of Net Assets - Internal Service Funds .....	96
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets - Internal Service Funds .....	97
Combining Statement of Cash Flows - Internal Service Funds.....	98
Combining Statement of Fiduciary Net Assets – Pension Funds .....	104
Combining Statement of Changes in Fiduciary Net Assets – Pension Funds .....	105

## **STATISTICAL SECTION**

### Fund information:

Net Assets by Component.....	108
Changes in Net Assets .....	110
Fund Balances, Governmental Funds .....	114
Changes in Fund Balances, Governmental Funds .....	116
Tax Revenues by Source, Governmental Funds .....	118
Assessed Valuation and Estimated Actual Values of Taxable Property .....	119
Property Tax Levies and Collections.....	120
Principal Taxpayers .....	121
Property Tax Rates – Direct and Overlapping Governments .....	122
Ratio of Outstanding Debt by Type .....	123
Ratio of General Obligation Bonds Outstanding.....	124
Computation of Direct and Overlapping Debt.....	125
Computation of Legal Debt Margin.....	126
Schedule of Legal Debt Margin.....	126
Demographic Statistics .....	127
Principal Employers.....	128
Full-Time City Government Employees by Function/Program.....	129
Operating Indicators by Function/Program .....	130
Capital Asset Statistics by Function/Program .....	132



***INTRODUCTORY SECTION***

LOCATION MAP

LETTER OF TRANSMITTAL

GFOA CERTIFICATE OF ACHIEVEMENT

ORGANIZATIONAL CHART

OFFICIALS AND DIRECTORS



BINGHAMTON, NY

MASSACHUSETTS  
CONNECTICUT

HARTFORD, CT

NEW YORK  
PENNSYLVANIA

WILLIAMSPORT, PA

SCRANTON, PA



PITTSBURGH, PA



HARRISBURG, PA



ALLENTOWN, PA

NEW YORK

PHILADELPHIA, PA



PENNSYLVANIA  
MARYLAND



WILMINGTON, DE

BALTIMORE, MD



WEST VIRGINIA  
VIRGINIA



WASHINGTON  
D.C.



OCEAN CITY, MD

ROANOKE, VA



RICHMOND, VA



**Location Map**

NORTH CAROLINA



HAMPTON ROADS, VA

RALEIGH, NC



TOWN OF  
**OCEAN CITY**

*The White Marlin Capital of the World*

September 27, 2010

MAYOR & CITY COUNCIL  
P.O. BOX 158  
OCEAN CITY,  
MARYLAND 21843-0158

[www.town.ocean-city.md.u](http://www.town.ocean-city.md.u)

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

As a tourist destination and second home community, the Ocean City economy has been impacted by both declines in real estate values and changes in discretionary spending in the current recession. However, Ocean City remains convenient to major metropolitan areas and decreases in visitor spending stabilized during the year. There were increases seen by the spring of 2010. Hotel room sales that declined 4.8% in 2009, increased 2% in 2010 with an increase of 6% in June 2010 compared to June 2009. In the 2010 fiscal year, advertising was increased and the Town and business community worked together to promote tourism development.

I respectfully submit the Comprehensive Annual Financial Report (CAFR) for the Town of Ocean City (the Town) for the fiscal year ended June 30, 2010. 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. The CAFR is produced to comply with Section 717 of the Town charter and Article 19, Section 40 of the Annotated Code of Maryland. The financial statements are presented in conformity with accounting principles generally accepted in the United States (GAAP).

In addition, the CAFR provides assurances that the Town fairly presents its financial position and results of operations as verified by SB & Company, LLC, independent public accountants, in accordance with auditing standards and accounting principles generally accepted in the United States. The independent public accountant concluded that the Town of Ocean City's financial statements for the year ended June 30, 2010, 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.

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.

Ocean City, MD



MAYOR  
RICHARD W. MEEHAN

CITY COUNCIL MEMBER:  
JOSEPH M. MITRECIC  
*President*

LLOYD MARTIN  
*Secretary*

DOUGLAS S. CYMEK  
JAMES S. HALL  
JOSEPH T. HALL, II  
MARY P. KNIGHT  
MARGARET PILLAS

DENNIS W. DARE  
*City Manager*

CAROL L. JACOBS  
*City Clerk*

*Town of Ocean City*  
*Letter of Transmittal*

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

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

**THE TOWN AND TOWN GOVERNMENT**

**Population, Location, and Government.** Ocean City is a barrier island founded as a fishing village in 1875. Today, the Town has over 7,500 permanent residents 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, and nightclubs.

Incorporated by the State of Maryland in 1880, 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 Manager and Finance Administrator 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 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 three classifications: 1) hotels, motels, and condominium rentals 2) restaurants and nightclubs and 3) retail shops, the boardwalk and malls. It is estimated that over eight million people visit the resort each year. 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 with the use of festivals, entertainment, and sporting events. The largest events such as Sunfest, Winterfest of Lights, Springfest, the Ocean City Air Show and auto rallies attract thousands of visitors. The Town also sponsors weekly bonfire storytelling sessions, family activities and movies on the beach, concerts, both on and off the beach, and various entertainment venues at Northside Park on 125<sup>th</sup> Street and at Sunset Park located on the bay front in downtown Ocean City. There are 19 golf courses in the Ocean City area. Group business, meetings, and events held at the Convention Center have also maintained room occupancy levels and restaurant and retail sales.

The Town increased the advertising budget from \$3.7 million in 2009 to \$4.1 million in 2010. The successful campaign included the use of social media, Facebook and Twitter, and television ads featuring "Rodney, the Lifeguard" to promote the resort. In a five month period, the number of Facebook fans increased from 13,000 to over 93,000. For the year ended June 30, 2010, room sales were 2% above the prior year and food and beverage sales were up 1.4%.

The number of construction permits was slightly more in 2010 at 1,482 compared to 1,441 in 2009, but the 2010 fiscal year saw a substantial decline in the estimated value of that construction. The estimated value of construction in 2010 was \$36,499,656 compared to \$49,544,208 in 2009. The decrease in real estate values has forced several scheduled development projects to be delayed, changed in scope, or withdrawn. Investors and developers are understandably applying more conservative strategies during this economic downturn.

The Town relies on property taxes for 58% of its general fund revenues. Property tax revenues are directly impacted by the value of homes and new construction. Although the Town has a 3% 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

*Town of Ocean City  
Letter of Transmittal*

value and is highly sensitive to changing market conditions. As properties in the State of Maryland are assessed on a triennial system, property tax decreases are anticipated for a number of years and may lag behind other improvements in the economy.

**MAJOR INITIATIVES**

***Solid Waste Transport and Disposal***

To reduce expenses, the Town changed its method of solid waste disposal. The Town continues to collect trash from residents and businesses, but privatized the hauling and disposal of solid waste and discontinued the separation of waste materials for recycling. Instead of going to the Worcester County landfill, the Town's annual 34,000 tons of waste is transported to Covanta Waste-to-Energy (WtE) facilities in Virginia and Pennsylvania. WtE is a process that burns municipal solid waste to generate electricity. WtE facilities meet or exceed the strictest federal standards set by the U.S. Environmental Protection Agency (EPA) and employ a multi-step process to achieve superior environmental performance. Covanta's WtE process also removes recyclable metals. They then convert what is left into energy, carefully filtering the emissions to ensure minimal impact on the environment. The Town saved approximately \$500,000 in waste disposal costs in 2010.

***Retirement Incentive Program***

In January 2010, the Town made a retirement incentive offer to 84 employees eligible to retire and receive a pension. Employees were eligible in public safety divisions if they had been employed at least 25 years or were over age 65. Non-public safety employees were eligible if they had worked 30 years and were over age 55 or were over age 65 with less than 30 years of service. Employees were offered up to six months salary to retire. Thirty-eight employees accepted the proposal which provided an estimated savings, after the payment of the incentive, of over \$2 million dollars in the 2011 budget. Of the 38 positions, 23 will remain vacant, as the duties were shifted to other employees or service levels were reduced.

***Cost Saving Measures and Reduction of Services***

In early 2009, when real estate values declined, the Town began a process to evaluate services to reduce and eliminate all that were not absolutely essential to the goal of maintaining a clean and safe resort community. A hiring freeze was adopted and employees were shifted between departments to focus on services determined to be essential. The number of seasonal positions was reduced and scheduled capital improvements for streets, parks, and restrooms were postponed. Maintenance and repairs of buildings was minimal and replacement of vehicles and equipment was reduced to one-fourth of the prior year. Solid waste collection was reduced to once-a-week in the off-season. Hours of operation for the impound lot, buses and the boardwalk trams were reduced. Summer concerts were not scheduled at the convention center. There were no raises or cost-of-living adjustments for non-union employees in 2010 or budgeted for 2011. The Town had contracts with two labor unions which included annual pay increases and a 3% cost-of-living adjustment. Both the Fraternal Order of Police and the International Association of Fire Fighters voluntarily gave up their wage increases for both 2010 and 2011. These measures and the above change in solid waste operations enabled the Town to reduce expenses by over \$6 million dollars or 5.5% in 2010 compared to 2009.

## **ACTIVITIES AND ACCOMPLISHMENTS**

### ***Junior Beach Patrol***



A junior lifeguard program was created in 1999 by Rick Cawthern, Matt McGinnis and Captain Butch Arbin. The program has grown since its inception and offers children ages 10-17 the opportunity to experience the training and daily routine of a real “Lifeguard” or Surf Rescue Technician (SRT). The program models itself after the duties and responsibilities of the SRT. It is designed to instruct boys and girls in the skills and techniques of beach safety, water safety, surf rescue and physical

fitness.

The program is offered in two types of sessions, a four-day academy from Tuesday through Friday from 8 until 11:30 a.m. and a one-day introductory session on Thursdays at 1 p.m. The four-day academy consists of five levels through which children can advance while learning new skills at each level. Once all levels are completed, a teen can apply for a paid position as a Junior Instructor. The programs are offered for six weeks during the summer.

In addition to the Junior Beach Patrol program, the Beach Patrol also provides special activities, programs, speakers and seminars to various groups such as scouts, church groups, camps, schools and civic organizations. They conduct water safety in Ocean City and throughout the region. The safety training focuses primarily on drowning prevention and safety around the water. These presentations and hands-on activities are critical in allowing the Beach Patrol to fulfill their three-part mission of



education, prevention and intervention. For more information on the Junior Beach Patrol or the Beach Patrol seminars, please contact the Ocean City Recreation and Parks Department (410) 250-0125, the Ocean City Beach Patrol (410) 289-7556 or email [ocbp@oceancitymd.gov](mailto:ocbp@oceancitymd.gov).

### ***Ocean City Police Department – Mounted Patrol***

The Ocean City Police Department’s Mounted Patrol was instituted 1988. The primary functions of the unit are: 1) the reduction of traffic and misdemeanor offenses by the detection and apprehension of violators through the employment of accepted enforcement practices and by acting as a high visibility deterrent; 2) to facilitate the movement and control of crowds; 3) to function as security and protection of V.I.P.’s; 4) to handle and/or assist district calls for service

*Town of Ocean City  
Letter of Transmittal*

when necessary; 5) for the use in search and/or rescue operations for subjects of an evidentiary nature; 6) to be utilized as a highly mobile tactical unit for selective enforcement, or for police and/or emergency services. The Mounted Patrol has also assisted other jurisdictions in the area. They have been utilized to break up large disorderly crowds, used as crowd control at local parades, and assisted with search and rescue.



Currently, there are five horses and five riders that are part of this tactical unit. Over the years, the horses have been purchased by the City, donated by private citizens, and most recently, purchased through a private endowment trust which was left specifically to the Ocean City Police Department Mounted Patrol for the acquisition of mounted police horses. The horses endure rigorous six to twelve week training in which they are conditioned for the environment of a beach resort. They are trained for the sounds on the road, the boardwalk and the beach. Since Ocean City offers a diverse environment, it is imperative that each horse is

desensitized to amusements, the kites on the boardwalk and beach, the sounds of the cars and bikes during Car Cruizin' and Bike Week, as well as the high density crowds. Additionally, the Mounted Patrol draws quite a crowd wherever they go. Visitors, young and old alike, are fond of the horses and the horses seem to love the attention. For more information, please contact the Ocean City Police Department (410) 723-6610 or visit [www.oceancitymd.gov](http://www.oceancitymd.gov) and click on Police under Town Departments.

***FINANCIAL INFORMATION AND PLANNING***

***Capital planning.*** The Town has adopted a capital improvement plan that includes a ten-year plan to repair 75 miles of town streets. Year 5 of the plan was postponed due to fiscal constraints. However, improvements to the Town's infrastructure have been continuous for over 30 years. Of high priority and in design are projects for the expansion of the convention center, new water and wastewater mains, wastewater plant improvements, and a mid-island boat ramp to be funded by municipal bonds in 2011.

***Fiscal policies.*** The Town has incorporated the above capital plan in its fiscal policies that encourage the use of surpluses in excess of reserve and cash flow requirements in the governmental activities to be invested in capital assets or to retire outstanding debt. The policy for business type activities is for their unrestricted net assets to be maintained at sufficient levels for working capital needs and to fund system improvements.

***Tax base.*** The State of Maryland Department of Assessments and Taxation is responsible for assessing property values in Ocean City. Reassessments are made on a triennial basis and real property is assessed at market value. Assessments were \$10.6 billion dollars for fiscal year 2010, a 13% decrease from 2009.

highly diversified portfolios. The pension plans experienced an investment rate of return of 36% for the plan year ended March 31, 2010. More conservatively invested, the OPEB Trust Fund had a return of 5.3% for the same period. The Town contributed 100% of its annual required contribution to each of the plans in 2010. Additional information on the Town's pension funds can be found in Note 10 in the notes to the financial statements on page 75.

**General fund reserve.** The Town has a policy of maintaining a reserve of 10% of general fund expenditures to handle potential revenue shortfalls, cash flows for the peak employment in the summer season, and for emergencies. At June 30, 2010, that reserve, unassigned fund balance, was 13.4% or \$10,590,252.

**Bond ratings.** The Town's bonds are insured and as such are designated with a AAA credit rating. For the Town's bonds sold in December 2009, the Town received underlying rates of A+ from Fitch Ratings and A1 from Moody's Investors Service. The Town's credit rating from Standard and Poor's was upgraded from A to AA-.

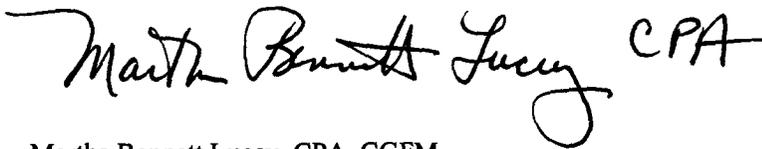
#### **AWARDS AND ACKNOWLEDGEMENTS**

**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, 2009. This is the 22<sup>nd</sup> consecutive year that the Town has received this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both GAAP and applicable legal requirements.

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

**Acknowledgments.** I would like to thank the Mayor and City Council and City Manager, Dennis Dare, for their leadership and support in planning and conducting the financial operations of the Town. In this time of budget constraints and economic uncertainty, I appreciate each employee who has taken on additional duties and responsibilities in providing Town services. With their help and the efforts of the entire finance department, we have maintained strong internal financial controls and accurate financial reporting to keep the public informed and to provide a foundation for future decisions.

Respectfully submitted,



Martha Bennett Lucey, CPA, CGFM  
Finance Administrator

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Ocean City  
Maryland

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2009

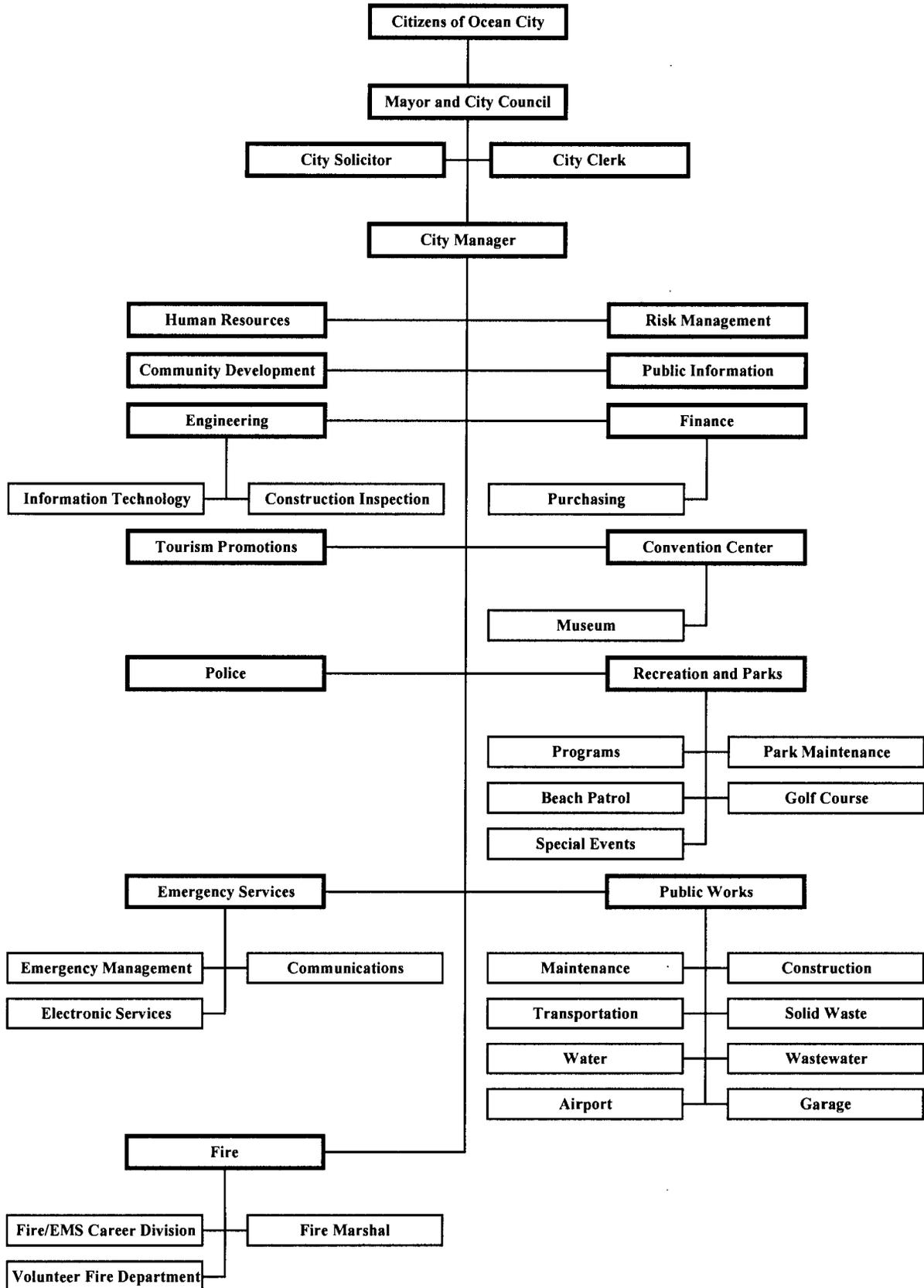
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

Town of Ocean City Organizational Chart  
2010



**Town of Ocean City**  
**List of Principal Officials and Directors**  
**June 30, 2010**

<u><b>Title</b></u>	<u><b>Name</b></u>
Mayor	Richard W. Meehan
President of Council	Joseph M. Mitrecic
Secretary of Council	Lloyd Martin
Council Member	Douglas S. Cymek
Council Member	James S. Hall
Council Member	Joseph T Hall, II
Council Member	Mary P. Knight
Council Member	Margaret Pillas
City Manager	Dennis W. Dare, PE
City Solicitor	Guy R. Ayres III
City Clerk	Kathleen A. P. Mathias
Finance Administrator	Martha Bennett Lucey, CPA
City Engineer	Terence J. McGean, PE
Emergency Services Director	Joseph J. Theobald
Chief of Police	Bernadette A. DiPino
Fire Chief	Christopher Larmore
Fire Marshal	Samuel E. Villani, Jr., CFI
Public Works Director	Hal O. Adkins
Planning/Community Dev Director	Jesse C. Houston
Recreation and Parks Director	Thomas J. Shuster, CPRP

**General Employees of Ocean City, Maryland Pension Plan**  
**Public Safety Employees of Ocean City, Maryland Pension Plan**

<u><b>Trustees</b></u>	<u><b>Employee Trustees</b></u>
Guy R. Ayres III	Pamela W. Marshall
Reese Cropper III	Michael Levy
Timothy J. King	
Richard W. Meehan	
Joseph M. Mitrecic	
Geoffrey Robbins	

***FINANCIAL SECTION***





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

## **REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ocean City, Maryland (the Town), as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated September 24, 2010, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



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EXPERIENCE • QUALITY • CLIENT SERVICE

The management's discussion and analysis, the budgetary comparison for the general fund and Pension Trust Funds - Required Supplementary Information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying introductory section, combining and individual nonmajor governmental funds, business-type funds and fiduciary funds statements and the statistical section of this report are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor governmental funds, business-type funds and fiduciary funds statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Hunt Valley, Maryland  
September 24, 2010

*SB & Company, LLC*

***MANAGEMENT'S DISCUSSION AND ANALYSIS***



Town of Ocean City  
*Management's Discussion and Analysis*  
June 30, 2010

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This section of the Comprehensive Annual Financial Report provides 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, 2010. This information is best understood if read in conjunction with the transmittal letter at the front of this report and the Town's financial statements, which follow this section.

**Financial highlights for FY 2010**

- The assets of the Town exceeded its liabilities at the close of the 2010 fiscal year resulting in net assets of \$137,946,039. Of this amount, \$20,402,754 is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors, \$9,667,139 is restricted for future debt service, \$972,022 is restricted for capital projects, \$250,000 is restricted for advances to other funds, and \$106,654,124 is invested in capital assets, net of related debt.
- Through the recession in 2009 and 2010, the Town's overall financial position decreased only slightly from the prior year, (\$28,627) or .02%. There were gains from governmental activities of \$4,428,167 before transfers of \$4,288,477 to other funds. Due to decreases in assessments from the economic downturn, revenue from property taxes decreased \$4,125,192 or 8.6%. Revenue from service charges decreased \$683,811, only 1.8% from the prior year. There was a significant 15.2% decrease in revenue from grants and contributions of \$1,661,943 below 2009. These decreases in revenues were offset by substantial decreases in expenditures of \$6,123,489, of 5.5%, serving to keep net assets stable.
- As of June 30, 2010, the Town's governmental funds reported combined ending fund balances of \$12,258,704 a decrease of \$3,053,497 from the prior year. Although the tax rate was increased from \$0.38 to \$0.395, tax receipts were \$4,073,784 less than 2009. The decline in revenue was anticipated and operating expenditures were reduced to offset the loss of revenue. However, an expenditure for land of \$3,236,038 resulted in the decrease in fund balance. The amount of the land purchase will be reimbursed from bond proceeds in the next fiscal year. Capital projects, a nonmajor governmental fund, had a net change in fund balance of (\$321,499) as reserves were used to pay \$500,000 in principal on two notes payable for land acquired in prior years. Of the total amount in fund balance, \$10,590,252 is available to meet the Town's current and future needs, and is unassigned fund balance. Unassigned general fund balance at year-end was 13.4% of general fund expenditures, below the percentage in FY-2009 of 16.9%, but in excess of Town reserve policy of 10%. After the reimbursement from bond proceeds in the next fiscal year, unassigned fund balance is anticipated to be 17.5% of general fund expenditures.
- The Town's net debt decreased by \$6,291,500 during the current fiscal year. The key factors in this change were scheduled principal retirements of general obligation bonds, loans and on capital leases of \$6,852,934 and payment of \$500,000 on notes payable. General obligation bonds were issued for \$12,745,000 to refund \$12,120,000 of bonds issued in 2001 to lower the interest rate from an interest rate of 4.80% to a net interest rate of 2.72%. The Town also

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

issued a bond for \$725,000 at 5.82% to construct an airplane hangar and received an interest free state loan for shoreline improvements of \$297,171.

- The Town offered a retirement incentive program to employees eligible to retire as of June 30, 2010. The plan offered up to six months pay to 84 employees to retire and was accepted by 38 employees at a cost of \$1,103,603. The annual net savings in salaries and benefits are estimated to be \$2,150,128.

**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 in addition to the basic financial statements.

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

The *statement of net assets* presents information on all the Town's assets and liabilities, with the difference between the two reported as *net assets*. Increases or decreases in net assets, over time, are indicators as to whether the financial position of the Town is improving or declining.

The *statement of activities* presents information showing how the Town's assets changed during the past fiscal year. All changes in net assets 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 and earned, but unused, vacation leave.

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 and are *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, transportation, wastewater, 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 39-41 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*

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

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

The Town has five 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, which is considered to be a major fund. Capital projects funds comprise the other four governmental funds. Data for these funds is combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* on pages 86-87 of this report.

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 42-45 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, convention center, and transportation system, which are major funds, and for two nonmajor funds, which account for the operations of the airport and 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 combined information for the non-major funds. Internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for non-major enterprise funds and 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 46-53 of this report.

***Fiduciary funds.*** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the Town's own programs. 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

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

accounting used for these funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 54-55 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 56-79 of this report.

**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 benefits to its employees. Required supplementary information can be found on pages 82-83 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds, nonmajor proprietary funds and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 86-105 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, 2010 with comparative information for the previous year.

**Statement of Net Assets**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position and condition. In the case of the Town, assets exceeded liabilities by \$137,946,039 at the close of the fiscal year for June 30, 2010, compared to \$137,974,666 for the year ended June 30, 2009, a decrease of \$28,627.

By far the largest portion of the Town's net assets, 77.3%, reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

	Governmental Activities		Business-type Activities		Total Primary Government		%
	2010	2009	2010	2009	2010	2009	
Current and other assets	\$ 30,066,925	\$ 30,319,869	\$ 20,278,134	\$ 21,799,773	\$ 50,345,059	\$ 52,119,642	(3.4)
Capital assets	79,195,979	77,041,968	98,267,261	104,218,146	177,463,240	181,260,114	(2.1)
Total assets	109,262,904	107,361,837	118,545,395	126,017,919	227,808,299	233,379,756	(2.4)
Long-term liabilities outstanding	32,292,257	31,813,306	34,827,273	41,859,368	67,119,530	73,672,674	(8.9)
Other liabilities	13,612,449	12,330,023	9,130,281	9,402,393	22,742,730	21,732,416	4.6
Total liabilities	45,904,706	44,143,329	43,957,554	51,261,761	89,862,260	95,405,090	(5.8)
Net assets:							
Invested in capital assets, net of debt	46,393,277	44,851,930	60,260,847	58,489,349	106,654,124	103,341,279	3.2
Restricted	1,222,022	1,543,521	9,667,139	9,406,011	10,889,161	10,949,532	(0.6)
Unrestricted	15,742,899	16,823,057	4,659,855	6,860,798	20,402,754	23,683,855	(13.9)
Total net assets	\$ 63,358,198	\$ 63,218,508	\$ 74,587,841	\$ 74,756,158	\$ 137,946,039	\$ 137,974,666	(0.02)

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

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.

A portion of the Town's net assets, \$10,889,161, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$20,402,754, may be used to meet the Town's ongoing obligations to citizens and creditors. This is a (\$3,281,101) decrease from 2009.

The following table indicates the changes in net assets for governmental and business-type activities:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Primary Government</u>		<u>% Change</u>
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	
<b>REVENUES</b>							
<b>Program Revenues:</b>							
Charges for current services	\$ 12,592,238	\$ 12,712,954	\$ 25,203,633	\$ 25,766,728	\$ 37,795,871	\$ 38,479,682	(1.8)
Operating grants and contributions	2,705,797	2,932,577	3,401,683	4,539,925	6,107,480	7,472,502	(18.3)
Capital grants and contributions	80,000	218,551	671,195	756,286	751,195	974,837	(22.9)
<b>General revenues:</b>							
Property taxes	43,900,041	48,025,233	-	-	43,900,041	48,025,233	(8.6)
Other taxes	13,031,401	13,757,540	-	-	13,031,401	13,757,540	(5.3)
Grants and contributions not restricted to specific programs	2,436,638	2,509,917	-	-	2,436,638	2,509,917	(2.9)
Other revenue	<u>835,277</u>	<u>1,304,437</u>	<u>396,303</u>	<u>410,228</u>	<u>1,231,580</u>	<u>1,714,665</u>	(28.2)
Total revenues	<u>75,581,392</u>	<u>81,461,209</u>	<u>29,672,814</u>	<u>31,473,167</u>	<u>105,254,206</u>	<u>112,934,376</u>	(6.8)
<b>EXPENSES:</b>							
General government	1,621,071	1,673,926	-	-	1,621,071	1,673,926	(3.2)
Public safety	33,961,816	34,517,293	-	-	33,961,816	34,517,293	(1.6)
General public works and beach	6,055,716	6,675,942	-	-	6,055,716	6,675,942	(9.3)
Sanitation and waste removal	7,081,833	7,587,896	-	-	7,081,833	7,587,896	(6.7)
Highways and streets	7,036,697	8,008,372	-	-	7,036,697	8,008,372	(12.1)
Economic development - Tourism	6,243,797	5,739,043	-	-	6,243,797	5,739,043	8.8
Recreation and culture	7,890,492	8,795,235	-	-	7,890,492	8,795,235	(10.3)
Interest on long-term debt	1,261,803	1,397,984	-	-	1,261,803	1,397,984	(9.7)
Water	-	-	6,978,781	7,333,521	6,978,781	7,333,521	(4.8)
Transportation	-	-	7,715,464	8,324,858	7,715,464	8,324,858	(7.3)
Wastewater	-	-	10,337,839	11,075,781	10,337,839	11,075,781	(6.7)
Convention Center	-	-	5,669,798	6,265,962	5,669,798	6,265,962	(9.5)
Other enterprise operations	-	-	<u>3,427,726</u>	<u>4,010,509</u>	<u>3,427,726</u>	<u>4,010,509</u>	(14.5)
Total expenses	<u>71,153,225</u>	<u>74,395,691</u>	<u>34,129,608</u>	<u>37,010,631</u>	<u>105,282,833</u>	<u>111,406,322</u>	(5.5)
Increase (decrease) in net assets before transfers	4,428,167	7,065,518	(4,456,794)	(5,537,464)	(28,627)	1,528,054	(101.9)
Transfers	<u>(4,288,477)</u>	<u>(5,145,366)</u>	<u>4,288,477</u>	<u>5,145,366</u>	-	-	
Increase (decrease) in net assets	139,690	1,920,152	(168,317)	(392,098)	(28,627)	1,528,054	(101.9)
Net assets prior year	<u>63,218,508</u>	<u>61,298,356</u>	<u>74,756,158</u>	<u>75,148,256</u>	<u>137,974,666</u>	<u>136,446,612</u>	
Net assets current year	<u>\$ 63,358,198</u>	<u>\$ 63,218,508</u>	<u>\$ 74,587,841</u>	<u>\$ 74,756,158</u>	<u>\$137,946,039</u>	<u>\$137,974,666</u>	(0.02)

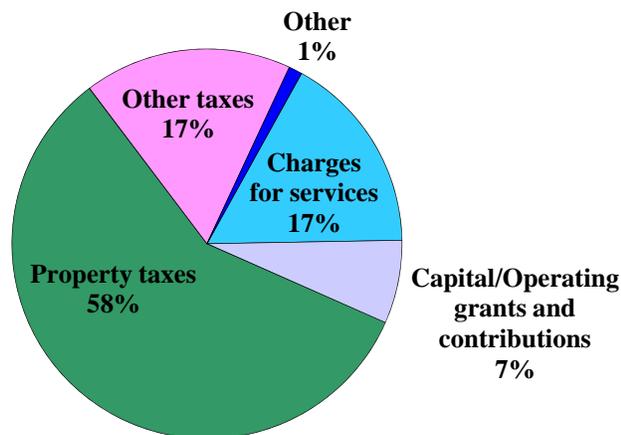
*Town of Ocean City  
Management's Discussion and Analysis*

For the year ended June 30, 2010, the Town reported positive balances in all three categories of net assets, both for the Town as a whole, as well as its separate governmental activities. For business-type activities, balances were positive as a whole, except in the Transportation Fund, which reported unrestricted net deficit of (\$35,084) and two nonmajor funds, the airport fund and the golf course fund, which reported unrestricted net deficits of (\$68,149) and (\$147,901) respectively. This was an improvement from the prior year for these funds except the airport fund whose deficit increased \$13,995. As a whole, the Town's net assets decreased \$28,627 for the year ending June 30, 2010. The majority of the decrease is due to losses before transfers in internal service fund activities of \$905,324 allocated to governmental and business-type activities. Total revenues for governmental activities decreased \$5,879,817 while expenses decreased \$3,242,466.

**Governmental activities:** Key elements in the revenue decrease of \$5,879,817 for governmental activities are as follows:

- Most of the revenue decrease was from property taxes. Property tax revenues decreased 8.64% or \$4,125,192 as a result of assessment decreases of 13%, although the tax rate was increased from \$0.38 to \$0.395 per \$100 of assessed value in FY-10. Property taxes comprise 58% of revenue for governmental activities and 41.7% of all Town revenues.
- Revenues in the category, "Other Taxes" decreased \$726,139 or 5.3%. This category includes admissions taxes, income taxes, highway user taxes, and room taxes. Room taxes, the largest revenue source in this category with receipts of \$11,226,904 had an increase of \$210,859, or 1.9% from the prior year, an indicator that hotel sales in the resort remained stable during the recession. Income taxes were \$105,876 below 2009 as capital gains declined with the decline in real estate values. Highway user taxes decreased \$724,869 due to a decision by the State of Maryland to withhold this shared tax from local jurisdictions. Admissions and amusement taxes decreased \$104,828 due to a refund of prior year over-payments by the State of Maryland.

**Revenue by Source - Governmental Activities**



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

- Revenue for current services decreased \$120,716 in governmental activities. There was a decline in fees from building permits of \$108,263, but this was offset by a new revenue source, the sale of taxi medallions for \$162,562. There was decrease in receipts from liquor board sales \$113,740, waste collection and recycling sales \$118,171, and special events revenues, (\$214,157). Rates for parking lots and meters were increased resulting in additional revenue of \$260,347 from this source.
- The revenue recognized from operating and capital grants and other contributions decreased 7.7%, or \$438,610. Worcester County decreased its grant in lieu of tax differential by \$240,000. The grant reimburses the Town for services the Town provides in lieu of Worcester County providing the services or reducing the county tax rate for municipal taxpayers. Other grants were below the prior year for tourism development \$100,833, street aid \$121,300, and state and county police aid, \$192,185. Federal grants increased \$342,272 for emergency response and forfeitures shared by the US Justice Department. In the prior fiscal year there was a one-time \$194,603 private contribution for the trash transfer station not received in 2010.
- Other revenue includes investment earnings, \$413,595 below the prior year due to lower interest rates, decreasing from a weighted average of 1.8% in FY-2009 to .94% in FY-2010.

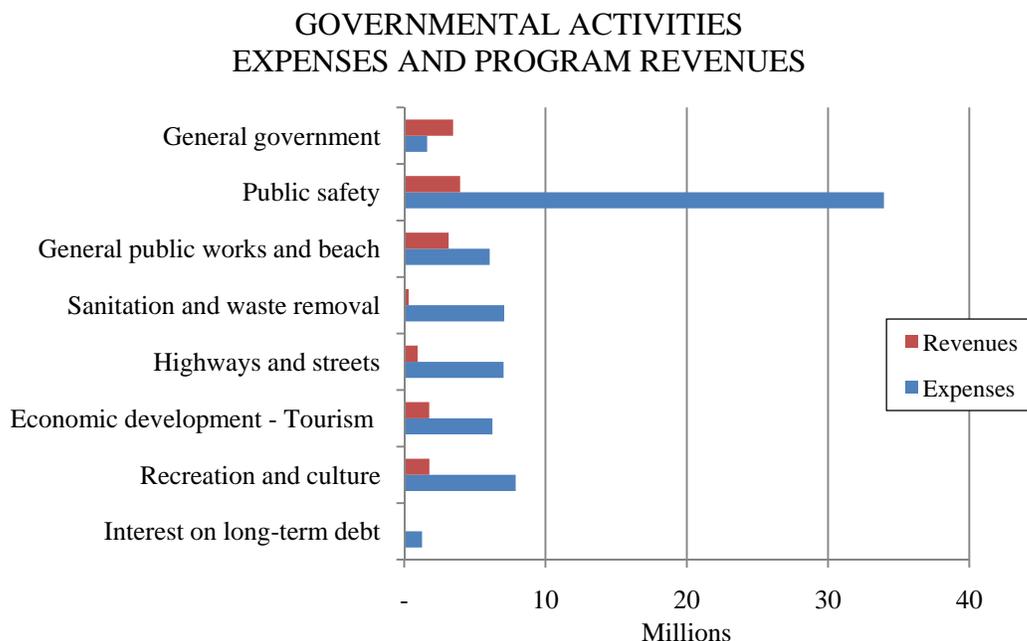
Expenses for governmental activities decreased 4.4% or \$3,242,466 in FY-2010 compared to FY-2009 primarily due to the following:

- Wages and employee benefits, which are 67% of total expenses, were stable in 2010 with a minor increase of only .12% from the prior year. Wages declined 2.4%, or (\$848,474), as there were no wage increases, a hiring freeze, and the Town offered a retirement incentive program which was accepted by 23 governmental activity employees. The number of full-time governmental positions was decreased 24, from 488 to 464. The cost of employee benefits increased \$909,214 or 6.13%. This was due to the increase in health insurance expense of \$740,011. There was an increase for workers compensation insurance costs of \$127,269 based on the Town's experience ratings in 2009.
- Other operating expenses decreased \$3,303,206 or 13.8% as all department budgets were reduced to offset the loss of funding from property taxes. All categories had less expense for depreciation, \$392,841, and \$581,450 less was spent on internal services. Expenses for public safety were reduced \$555,477 from 2009. The police and fire fighter unions worked cooperatively with town officials and agreed not to accept contractual salary increases. Due to reductions in overtime, salary expense decreased \$128,905. The annual Town contribution the Ocean City Volunteer Fire Company equipment fund was reduced \$270,161 from 2009, and radio and vehicle lease payments were reduced \$149,430.
- The most significant operational change was in sanitation and waste removal. The Town entered into a contract with East Coast Resources to haul the Town's trash to waste-to-energy plants in Pennsylvania and Virginia instead of the Town taking it to the Worcester County landfill. The Town also eliminated its recycling program as source separation of trash from recyclables was no longer necessary. This change resulted in savings of \$506,063 for the year.

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

- Street repairs were deferred in 2010. In 2009, the Town expensed \$577,537 to underground electric lines and \$250,406 for street repairs compared to \$42,447 in 2010. Total expenses for highways and streets decreased \$971,675 or 12.1%. Maintenance of Town buildings was \$228,472 less than in 2009. The Town's contribution to the State of Maryland for beach replenishment was reduced \$326,827. These two items were the primary reasons for the 9.3% reduction in expenditures for the category general public works and beach of \$620,226.
- The expense category of recreation and culture decreased 10.3%, or \$904,743 from 2009. Seasonal employment was reduced except in peak periods. Wages for beach patrol and recreational program employees decreased \$127,606 and summer concerts were eliminated at a savings of \$206,676. Supplies were reduced \$52,533 and internal service charges declined \$75,399 as vehicles and radios were not replaced. In 2009, extensive repairs were made to the museum and historic watch tower of \$307,541 which were not expended in 2010.
- There was an 8.8% increase in expenses for economic development, tourism, in 2010 above 2009, or \$504,754. With the support of the hotel industry, the room tax was increased from 4.0% to 4.5% in January 2008 specifically to increase the resort advertising expenditures starting in 2009. As a result, the Town spent over \$600,000 more on advertising in 2010 than in 2009. A partnership was formed with the Chamber of Commerce for a combined visitor's guide which reduced printing and mailing costs for the Town by \$129,237.

The following graph indicates the functional revenues and expenses of governmental activities to demonstrate the extent 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. Functional revenues covered 21.6% of governmental expenses in FY-2010 compared to 21.3% in FY-2009 and 23.1% in FY-2008.



**Business-type activities.** There was a decrease of \$168,317 in the Town's net assets in FY-2010 attributed to business-type activities compared to a decrease of \$392,098 in FY-2009. Key elements of this decrease are as follows:

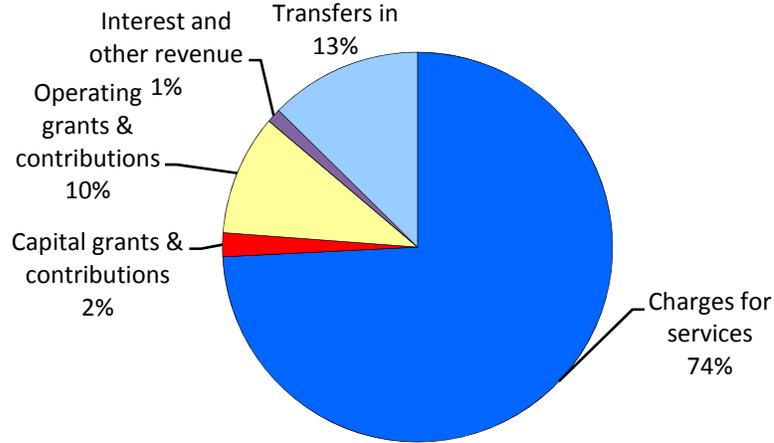
- Service fees for business-type activities decreased 2.2%, or \$563,095. A scheduled rate increase to cover capital improvements and debt service for water and wastewater utilities was cancelled to provide relief to customers by stabilizing rates. Revenue from metered water usage charges was \$157,867 less than the prior year. Due to the decline in new construction, fees for new connections were \$145,080 below 2009. Bus and tram ticket sales decreased \$122,824, but advertising revenue on the buses and trams increased \$47,285, so there was a net loss of \$75,539 in revenue from service fees for the transportation system. Revenue decreased \$61,678 at the convention center for food and beverage commissions and sales to exhibitors as groups sought to reduce their fees, however, hall rentals were stable and no group meeting or conventions were cancelled during the year.
- Service fees at the airport decreased by \$301,798. Airport fuel prices varied widely over the year reducing the dollar amount of sales by \$102,718. Sales for an auxiliary business operation on airport property, concrete recycling, decreased by \$196,631 due to the decline in construction on the island. A decrease in sales at the golf course pro shop and concession stand made up \$34,655 of the decrease in service fee revenue at the golf course of \$38,783, as discretionary spending by customers fell. By offering discounts for afternoon play and other incentives, revenue from greens fees was only \$2,545 below the prior year.
- Revenue from operating grants and contributions for business-type activities was \$1,138,242 less than in 2009. The local sales tax rate on food and beverages dedicated to pay debt service on the convention center was reduced from 1% to .5% as the sinking fund had sufficient reserves to pay the debt service due through 2015 at the reduced rate. Tax revenue was \$887,539 less than the prior year. As operating costs were reduced at the convention center by \$596,164, the state grant for operations was reduced by \$245,983.
- Capital grants declined \$85,091 during the year. State and federal grants for buses, transit equipment and bus shelters increased \$312,028. Contributions from impact fees for water and wastewater service was \$256,670 less than in 2009. The airport received \$119,305 less in federal and state grants than in 2009.
- Expenses decreased \$2,881,023 or 7.8% for business-type operations below 2009. Of this, \$638,697 resulted from the decrease in the charge to business-type operations for their related losses in internal service funds. Other operating expenses decreased \$1,785,584 or 5.3%. Interest, a non-operating expense, declined \$506,613 from the prior year due to both principal retirements and refunding of debt to lower interest rates.

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

- In the water fund, operating expenses were \$136,733 below the prior year which included a decrease of \$161,734 in depreciation expense. Debt of \$2,052,079 was refunded resulting in a refunding loss of \$194,757 which is being amortized over the life of the bonds.
- Of the \$422,859 reduction in expenses in the transportation fund, \$265,507 was attributed to reduction in salary expenses for full-time and part-time bus and tram drivers. Operations were reduced in the off-season and between the hours of midnight and 6:00 am. Fuel expenses were reduced \$221,784 and vehicle repairs and leases decreased \$57,506. The cost of supplies increased \$143,798 for bus shelter parts and building repairs funded by operating grants. As the operating loss was reduced due to the reductions in expenses, there was a \$441,598 reduction in the general fund transfer to the transportation fund.
- Operating expenses for the wastewater fund decreased \$419,822 or 4.24%. There were significant electrical system repairs made in 2009, not required in 2010, that reduced contracted services \$259,812. As wastewater flows were less than the prior year, expenses for chemicals were reduced by \$115,321 and energy by \$18,941.
- The convention center expenses decreased \$596,164, or 9.5%. The largest decrease was maintenance and repair of the building, \$374,474 below 2009, as carpet and interior signs were replaced in the prior year. Personnel costs for salaries and benefits were \$118,959 below 2009 due to vacancies and retirements. Energy costs for the building decreased \$24,744.
- Expenses decreased \$582,783 in 2010 for nonmajor funds. Expenses decreased \$300,096 for the airport fund. The cost to purchase fuel decreased \$127,027 and repairs to hangars and lighting were \$38,283 below 2009. Contracted services for concrete crushing, an ancillary operation on airport property, were \$130,229 less than the prior year due to the decline in construction. To subsidize airport operations there was a transfer from the general fund of \$308,023, an increase of \$53,794 from 2009.
- Operating expenses at the other nonmajor fund, the golf course, decreased \$139,723 enabling the golf course to substantially break-even with operating income of \$1,017. This is an improvement over 2009 when it had an operating loss of \$99,923. Golf course operating income, net of depreciation was \$42,357. The golf course had a net gain of \$45,627 from the transfer of land and debt to the general fund.

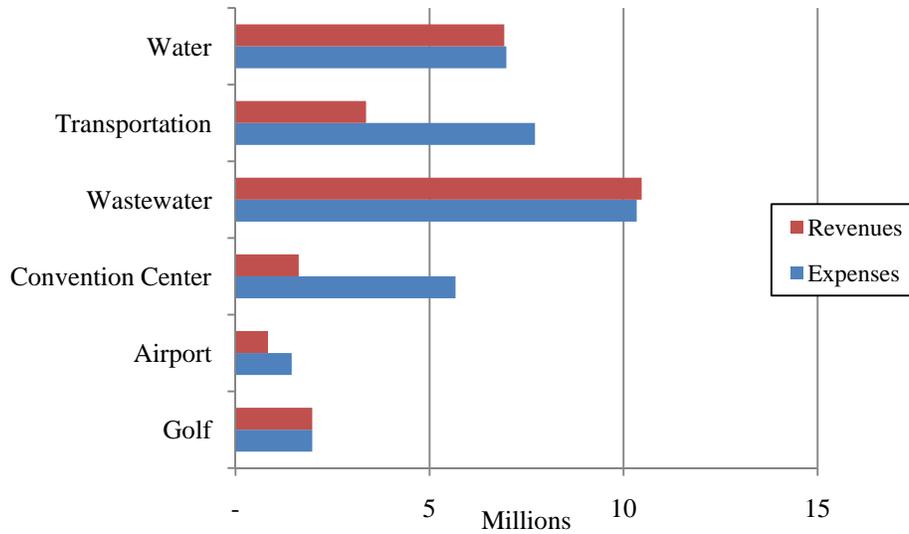
As shown in the following graph, 74% of revenues for business-type activities are from service charges:

**Business-type Activities - Revenues by Source**



The following graph indicates the portion of expenses that are covered by service charges to customers for business-type activities. The water, wastewater and golf course funds are self-supporting and users or reserves cover all costs. The operations of the transportation, airport, and convention center recovered 43% of expenses from user charges.

**Business-type Activities – Expenses and Program Revenues**



### **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.

At June 30, 2010, the Town's governmental funds reported a combined ending fund balance of \$12,258,704 compared to \$15,312,201 in 2009. The change in fund balance for the governmental funds was a loss of \$3,053,497. The key factors in this decrease were:

- Although the tax rate was increased 1.5 cents from \$.38 to \$.395 per \$100 of valuation, assessment decreases of 13% resulted in a decrease in tax receipts of \$4,073,784.
- Other taxes decreased \$859,767 as income tax receipts were \$239,505 less than the prior year and the State of Maryland did not distribute highway user taxes to local governments resulting in \$724,868 less revenue from this source. Room taxes increased \$210,859 for the fiscal year, a 2% gain, which is an indicator of the stability of the Ocean City hotel market.
- The revenue category licenses and permits increased \$47,139 from 2009. A new revenue source, the sale of taxi medallions, generated \$162,562. There were decreases in revenues for business and room licenses \$42,335 and from building permits of \$102,773. However, cable television franchise fees increased \$21,422.
- Revenue from other agencies was \$302,844 below receipts in 2009. Worcester County decreased all of their grants to municipalities by 10% due to their decrease in property tax revenues as follows: grant in lieu of tax differential by \$240,000; recreation, \$10,000; tourism, \$30,000; and economic development, \$10,000. County grants for police and street aid were eliminated resulting in a \$151,383 loss of revenue. Federal grants increased \$342,272 for emergency response and forfeitures shared by the US Justice Department. State aid for police protection was decreased \$156,902 and a state grant for tourism by \$70,833 due to state budget cuts.
- Charges for current services were \$304,794 less than in 2009. Although an increase in parking fees generated an additional \$271,419 in receipts, there were decreases in liquor board sales \$113,740, in solid waste fees \$118,171 due to the elimination of the recycling program, and advertising revenue of \$113,510. One category, special event fees, decreased \$214,157 as the town eliminated summer concerts held at the convention center.
- The category of fines and forfeitures had revenue increases of \$129,332 from parking fines which were up \$34,898, tow fines \$16,916, forfeitures of vehicles and assets of \$56,861, and court and false alarm fines by \$20,657.

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

- General Fund expenditures, before other financing sources and uses, increased \$3,578,379 or 5.03% in 2010. Most of this increase was from the purchase of land adjacent to the public works complex at 65<sup>th</sup> Street in the amount of \$3,282,636. This is an expense in governmental funds. The Town has passed an ordinance since the close of the fiscal year to sell bonds to reimburse the General Fund for this expense in the 2011 fiscal year. As stated previously, all other expenses and services were tightly controlled and increased only \$295,743 or 0.4%.
- Expenses in the category of general government increased \$121,008 for the retirement incentive program and employee benefits. Public safety comprises 43.5% of all general fund expenditures. The cost of public safety decreased only \$5,645, but that was significant as personnel costs are 81% of public safety expenditures. As stated previously, police and firefighter unions agreed not to receive their contractual increases for increments and cost-of-living adjustments. Salaries and overtime were reduced \$128,905 from the prior year, however, employee benefits increased \$584,629. The Town funded only half of its annual contribution to the Ocean City Volunteer Fire Company equipment fund, a reduction of \$270,161. The building inspection division had an expense of \$116,072 in 2009 for scanning building plans which was not incurred in 2010. Radio and communication equipment lease was reduced by \$90,779.
- After adjusting for the land purchase noted above, the three categories of public works had an overall decrease of \$768,075; general public works and beach decreased \$589,432, sanitation and waste removal decreased \$357,169; however, and highways and streets increased by \$178,526. There were decreases from the prior year for vehicle maintenance and fuel, \$182,283, supplies \$229,893, and tipping fees \$1,331,477 as the solid waste disposal and boardwalk and other repairs were contracted at an increased cost of \$1,549,041. There was no contribution for beach replenishment for the year, a savings of \$326,828. Capital purchases, other than the above land acquisition, were for construction of Tuna Lane for \$28,251. This is \$183,338 lower than was expensed in 2009 for capital improvements.
- Expenses for the category recreation and culture decreased \$675,878. Major repairs and improvements totaling \$307,541 were made in 2009 to preserve the historic Coast Guard watch tower and life saving station which was not done in 2010. The beach patrol, the largest division in this category, was able to reduce expenses by \$198,579 compared to 2009. Over 75% of the employees returned from the prior season which reduced training and recruitment costs. With some reduction in activities and service levels, use of seasonal employees was limited in recreation programs and park maintenance at a savings of \$34,256. There was a decrease of \$195,888 for cost of the summer concerts as they were not held in 2010.
- Economic development and tourism continued to be a major focus in 2010 due to the recession. In FY-2008, community leaders in the hotel industry supported an increase in the hotel room tax of .5% to be dedicated to advertising and promotion of the Ocean City as a tourist destination. An additional \$2,203,879 was spent on advertising since 2008, including an increase of over \$600,000 in 2010. Expenses for free concerts and festivals were reduced in 2010, however, limiting overall increases in this category to \$475,608.

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

- The Town retired principal in the amount of \$3,282,636, an increase of \$1,118,458 above 2009. A transfer of \$545,310 was made from the capital project fund from inlet parking revenues dedicated for downtown improvement to pay additional principal of \$500,000 and interest of \$45,310 on notes for downtown land purchases made in prior years. The Town issued \$4,388,662 in bonds to advance refund the 2001 Municipal Bonds. A payment of \$4,495,824 was made to the bond escrow agent and issuance costs of \$73,711 were expensed. Interest expenses were \$43,444 less in 2010 than in 2009.
- Transfers to other funds were \$4,357,291 in 2010 compared to \$6,019,382 in 2009, a decrease of \$1,662,091. Transfers to capital projects were decreased \$831,076 reducing pay-as-you-go projects in 2010 to only \$126,859. In addition to the above transfer of \$545,310 from capital projects funds to pay debt service, there was a transfer from the vehicle equipment fund of \$592,948 to reimburse the general fund for transfers made prior years to purchase additional vehicles.

The fund balance for nonmajor funds, capital projects, decreased \$321,499 as \$545,310 was transferred to the general fund to pay debt service. In 2010, revenues of \$350,670 were received from service charges, a grant for shoreline improvements, interest income and a transfer from the general fund of \$43,607. The following pay-as-you-go improvements were made:

Street paving and repairs	\$ 13,648
Shoreline improvements	8,875
Montego Bay fire house	12,094
Public works shop expansion	45,692
Undergrounding utilities	37,113
Northside park concessions	8,472
Public safety building	<u>965</u>
Total	<u>\$ 126,859</u>

Remaining fund balance of \$972,022 is dedicated as follows:

Restricted for capital projects	\$ 129,990
Committed for contracts and purchase orders	61,546
Committed for capital projects	780,486

The general fund is the chief operating fund of the Town and accounts for major functions of the government including public safety, highways and streets, solid waste disposal, parks and recreation, economic development and general administrative services. 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. At June 30, 2010, unassigned general fund balance was \$10,590,252, which represents 13.4% of general fund expenditures and other uses. Total general fund balance represents 14.2% of total expenditures and other uses at year-end. At the end of the prior year, the percentage was 18.2%.

**Proprietary funds.** The Town's proprietary funds provide the same information found in the government-wide financial statements but in more detail. A major fund, transportation and two non-major funds, the airport and golf course funds, reported deficits in unrestricted net assets of (\$35,084), (\$68,149), and (\$147,901) respectively. The transportation fund receives operating grants from the state and federal governments and a subsidy from the general fund, but grants have not

increased in proportion to increases in wages, fuel and vehicle maintenance. Due to the recession, private air travel and leisure recreation activities such as golf were down which reduced profits for these enterprises.

A gain of only \$14,215 was reported in the water fund. Rates for water service were not increased in 2010 as scheduled. To reduce costs, only \$248,813 in infrastructure improvements were made in 2010 compared to \$1,605,910 of infrastructure improvements on a pay-as-you-go basis in 2009. However, a rate study for water and wastewater services completed in February 2010 advised moderate rate increases over the next five years to fund capital improvements and moderate increases in operating costs. The rates were increased in April 2010. Proceeds from a bond issue of \$2,246,836 were used to pay issuance costs and a payment of \$2,210,593 to a bond escrow agent to refund the 2001 Municipal Bonds to affect a net present value of savings of \$113,590 in future interest costs.

The wastewater fund had a gain of \$274,387, with investment in capital assets of \$2,873,240 which was \$218,399 above the charge to depreciation indicating the continual improvements to the plant and collection system. The capital asset acquisitions included \$1,755,496 for land at 64<sup>th</sup> Street for future expansion of the wastewater plant. Bonds will be issued in the next fiscal year to reimburse the wastewater fund for the purchase. Service fees were increased 7.8% in April 2010 to fund future capital improvements and related debt service. Proceeds from the refunding bond issue of \$6,453,899 were used to pay issuance costs and a payment of \$6,349,792 to a bond escrow agent to refund the 2001 Municipal Bonds to affect a net present value of savings of \$326,345 in future interest costs.

The convention center had an operating loss of \$3,716,914 compared to a loss of \$4,021,587 in 2009. The convention center received subsidies of \$1,507,125 from the Maryland Stadium Authority and \$1,546,811 from the Town, limiting the decrease in the unrestricted net assets of the convention center to \$123,037. Debt service for the fund is supported by a tax on food and beverages in Ocean City. The debt sinking fund had a balance of \$9,667,139 at year-end and is shown as a restricted net asset. Other factors concerning proprietary funds are addressed in the discussion of the Town's business-type activities.

**Fiduciary funds.** Due to the global recession and the crises in financial markets in 2008 and 2009, the pension plans had combined investment losses for those years of \$12,066,775 or 29.1% based on the fair value of the investments. In 2010, the funds had investment gains of 37.2%. The actuarial value of assets is calculated using a 5-year average actuarial valuation of assets that reflects a five-year phase-in of actual versus expected return. This reduces large fluctuations in the contributions due to temporary or one-year changes in the market value of investments as was seen in 2009. This is both rational and responsible for pension plans, which have both long-term investments and long-term liabilities. The required contribution calculation methodology uses a 10-year, level percent of pay, open gain/loss basis. This resulted in a smoothing of payments compared to the closed gain/loss methodology by netting actuarial gains and losses. Using the 5-year average actuarial valuation of assets, the General Employees Pension Plan had an actuarial loss of \$1,585,684. The Public Safety Employees Pension Plan experienced an actuarial loss of \$2,290,914.

The General Employees Pension Plan funded ratio, an indicator of funding status, increased from 71.8% to 77.1% due to the above investment gains. Employees contribute 5% of pay to the plan and the Town contributed \$2,472,916, or 12% of pay, to the plan with a ten-amortization of the unfunded actuarial liability with the exception of plan improvements made in 2004 that are being amortized over 20 years.

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

The funded ratio increased from 68.1% to 70.9% for the Public Safety Employees Pension Plan due to the above investment gains. Employees contribute 8% of pay to the plan. The Town contributed \$2,771,852 to the plan, or 23% of pay, which includes a 10-year amortization of the unfunded liabilities for the plans. Additional information on the pension plans can be found on pages 75-79 of this report.

An experience study was completed for the plans in December 2009 which recommended changes in demographic and economic assumptions to reflect trends in actual experience. The changes were adopted by the trustees and are reflected in the actuarial liability for each plan.

In 2009, 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 healthcare plan whose assets may be expended solely to pay for post employment benefits and the costs of administering the trust fund. The Town had an actuarial study prepared in March 2009. The accrued liability for the plan is \$28,958,000 and it is being amortized over 30 years. The Town made the annual required contribution of \$3,104,000 to the plan in 2009 and 2010. Additional information on the OPEB Trust can be found on pages 73-75 of this report.

**General Fund Budgetary Highlights**

Amendments to the adopted budget may occur during the year in a legally permissible procedure (see Note 3.A. on page 62). Two amendments were made in FY-2010. Differences between the original budget and final amended budget for the general fund resulted in recognition of \$8,619,621 in additional revenues and other sources comprised of a decrease of \$390,652 in revenues, the addition of \$7,872,682 in bond proceeds, and an additional \$1,137,591 for transfers from other funds. Appropriations were increased \$1,510,697 for operations, \$3,260,208 for a capital expenditure for land, and an increase of \$8,046 for transfers to other funds. Significant appropriation changes were made as follows:

- Recognized state and federal grants of \$1,013,754 and to expend grant proceeds which included \$613,556 from Homeland Security, \$234,478 from the US Justice Department, \$41,110 from Federal Emergency Management (FEMA), Program Open Space for \$80,000, \$116,667 from the State for tourism development and miscellaneous grants of \$65,747. State Aid for Police was reduced by \$137,804.
- Decreased anticipated revenue from property taxes by \$775,00 due to assessment changes; state highway taxes of \$687,556 not passed to local governments by the state; mitigation fees \$40,423; building permits and fire inspection fees \$238,250; and liquor board sales, \$176,426. Increases were recognized for room taxes of \$576,904; taxi medallion sales of \$162,561; parking fees \$346,000; and donations of \$294,535 for boardwalk benches, wheelchairs, the mounted unit, and trees.
- To approve additional expenditures of \$537,544 for retiree health insurance, \$200,000 for workers compensation, \$96,000 for the retiree incentive program, boardwalk benches for \$35,000. To reduce appropriations for repairs, part-time wages, supplies, energy, vehicle parts and fuel by \$1,503,872 and to fund the air show for \$50,000.

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

- To increase transfer to the Airport fund by \$35,477 to offset decrease in fuel sales. To decrease the transfer to the Transportation Fund by \$43,021 as expenses and services had been reduced for the year.
- To recognize the sale of bonds to advance refund the 2001 Municipal bonds and to purchase land at 64<sup>th</sup> Street for \$7,872,682. To recognize transfers from capital projects funds for \$544,643 for debt service for notes payable on land and \$592,948 from the vehicle trust fund.

During the year, revenues were less than final budget estimates by \$150,056 and bond proceeds were \$3,303,147 less than projected as the bonds had not been sold for the land purchase by year end. Expenditures were \$929,929 less than anticipated, resulting in an unfavorable variance from the budget of (\$2,523,274). The key elements of this variation were:

- The category of revenue from other agencies was \$214,732 less than anticipated due to FEMA grant funded projects not completed or funds received by year-end. Other revenue was \$99,539 under budget as interest income and donations were less than anticipated.
- The largest variances for expenditures were for public safety, which was \$529,076 under budget for the following divisions, police, \$192,621; fire department and emergency services, \$126,777; communications and emergency management, \$142,182; and inspections, \$67,496. As the financial crises deepened over the fiscal year, cost cutting measures were made which froze hiring, and reduced expenditures for repairs and supplies. Capital equipment for the grant funded expenditures is anticipated to be purchased in the next fiscal year.
- Other functional divisions were restricted from hiring, and limited spending for repairs, supplies, and purchased services, saving \$400,853.
- An unfavorable variance is recorded in other financing sources of (\$3,303,147), as bonds were not issued to reimburse the general fund for the purchase of the land at 64<sup>th</sup> Street. A bond ordinance has been passed by the City Council and bonds are scheduled to be issued in November 2010 to restore general fund balance.

### **Capital Assets**

The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2010, was \$177,463,240 (net of accumulated depreciation). The investment in capital assets includes land, buildings, improvements, streets, infrastructure, machinery and equipment. The total decrease in capital assets for the current fiscal year was 2.1% comprised of a 2.7% increase for governmental activities and a 5.7% decrease for business-type activities. Depreciation exceeded additions of \$7,580,186 in FY-2010 by \$4,088,503 or 54%. The total value of all capital assets has been reduced 49.4% by depreciation.

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

Major capital asset additions for the year ending June 30, 2010, included the following:

Medical and protective equipment	\$ 301,449
Land at 64 <sup>th</sup> Street – general fund	3,259,379
Land at 64 <sup>th</sup> Street – wastewater fund	1,755,496
Playground equipment and park improvements	109,048
Public works shops	45,692
Bulkhead on Old Landing Road	47,684
Wastewater plant headworks	91,478
Wastewater plant clarifier	203,800
Sewer main at 64 <sup>th</sup> Street	615,214
Airport hangar	37,706
Airport precision approach	72,395
Convention center expansion design	99,784
Bus wash system	84,906
Water plant roof	241,780
Vehicles and heavy equipment	422,312

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 page 66 of this report.

**Town of Ocean City's Capital Assets**

	Governmental Activities		Business-type Activities		Total Primary Government		% Change
	2010	2009	2010	2009	2010	2009	
Land	\$ 22,053,098	\$ 14,739,346	\$ 14,091,718	\$ 16,390,595	\$ 36,144,816	\$ 31,129,941	16.1%
Buildings	24,059,619	24,072,689	44,674,321	45,045,715	68,733,940	69,118,404	(0.6)
Other improvements	8,691,651	6,049,130	1,928,564	1,988,507	10,620,215	8,037,637	32.1
Streets and infrastructure	13,263,881	13,560,378	14,754,358	15,178,644	28,018,239	28,739,022	(2.5)
Machinery and equipment	11,127,730	16,663,289	22,680,809	23,909,287	33,808,539	40,572,576	(16.7)
Construction in progress	-	1,957,136	137,491	1,705,398	137,491	3,662,534	(96.2)
	<u>\$ 79,195,979</u>	<u>\$ 77,041,968</u>	<u>\$ 98,267,261</u>	<u>\$ 104,218,146</u>	<u>\$ 177,463,240</u>	<u>\$ 181,260,114</u>	(2.1)

**Debt Administration.** At June 30, 2010, the Town had total general obligation bonded debt, backed by the full faith and credit of the Town, outstanding of \$70,244,671, net of deferred amounts. The remainder of the Town's debt is comprised of notes payable to the State of Maryland for \$789,275, mortgage notes payable of \$500,000 and capital leases for equipment with the present value of future minimum lease payments totaling \$93,389.

In 2010, the Town issued bonds in the amount of \$12,745,000 to advance refund \$12,120,000 of the 2001 Municipal bonds and a bond for \$725,000 to construct an airport hangar. The Town received an interest free loan for \$297,171 from the Maryland Department of Natural Resources to build a

revetment on Robin Drive. The Town also paid current maturities of \$6,852,934 and \$500,000 on two notes payable. Outstanding general obligation debt represents 0.66% of the assessed valuation of property in the Town. The debt limit is 5.2% of assessments, leaving a legal debt margin of \$483 million dollars.

The Town's bonds are insured by the Municipal Bond Insurance Association (MBIA), the Financial Guaranty Insurance Company (FGIC), and Assured Guaranty. FGIC is rated AA, MBIA's rating is A2, and Assured Guaranty is rated AAA by Standard and Poor's.

The Town has obtained underlying ratings on its bonds in 2009 from Moody's Investor Services Inc, "A1", Standard and Poor's Corporation, "AA-", and Fitch Ratings, "A+". Additional information on the Town's debt can be found in Note 8 on pages 68-72 of this report.

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

- The Town has experienced a two-year decline in assessments of 15% from 2010 to 2011 due to national economic conditions. The market value of property in the resort decreased 13% for the 2010 fiscal year, but only 2% in 2011.
- Town services are evaluated to determine effectiveness, value, and cost efficiencies. Non-public safety services have been reduced or changed in the 2011 budget where feasible to reduce costs.
- Hotel and rental sales decreased (4.76%) in 2009, but was stable in 2010 with an increase of 1.9%. Ocean City remains a convenient travel destination from metropolitan areas. The Town has continued to dedicate a portion of hotel room taxes to increased advertising of Ocean City as a resort destination. Sales from food and beverages increased 1.4% in 2010.
- Non-union employees did not receive wage increases or cost-of-living adjustments in fiscal year 2010 or 2011. Also, the police and fire fighter unions voluntarily agreed to forgo contracted wage increases and a 3% cost-of-living adjustment for the 2010 and 2011 fiscal years.
- The Town will continue to encourage events and festivals to attract visitors such as the Air Show staged in June of 2009 and 2010. These events have greatly improved business in the spring and fall.
- Legislation was passed by the General Assembly to permit the Town to borrow \$5 million dollars for convention center improvements with debt service paid from food tax receipts. The Town has received approval that the State of Maryland will participate in the convention center improvements through the oversight of the Maryland Stadium Authority for an equal \$5 million.
- The Town has passed a bond ordinance after the fiscal year end for \$18,105,000 to finance capital improvements for the wastewater plant, expansion of the convention center, land purchases and a boat ramp.

All of these factors were considered in preparing the Town's budget for the 2011 fiscal year. With reduced service levels, the real property tax rate was maintained at \$0.395 per \$100 of valuation. However, assessment decreases of 2% reduced anticipated tax revenues \$1,251,525 from 2010.

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

**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 Administrator, Town of Ocean City, PO Box 158, Ocean City, Maryland, 21843; or [MLucey@oceancitymd.gov](mailto:MLucey@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  
STATEMENT OF NET ASSETS  
JUNE 30, 2010

	Primary Government		Total
	Governmental	Business-type	
	Activities	Activities	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,727,504	\$ 2,072,505	\$ 6,800,009
Investments	14,834,408	3,505,188	18,339,596
Receivables, net	2,916,629	2,469,335	5,385,964
Interest receivable	32,227	48,725	80,952
Intergovernmental receivable	4,325,043	686,359	5,011,402
Internal balances	2,017,621	(2,017,621)	-
Inventories	963,493	616,597	1,580,090
Other	-	9,176	9,176
Total current assets	<u>29,816,925</u>	<u>7,390,264</u>	<u>37,207,189</u>
Noncurrent assets:			
Restricted investments	-	13,137,870	13,137,870
Advances to other funds	250,000	(250,000)	-
Capital assets:			
Land	22,053,098	14,091,718	36,144,816
Buildings	37,512,090	94,646,775	132,158,865
Other improvements	21,536,105	4,899,046	26,435,151
Streets and infrastructure	38,831,550	32,323,512	71,155,062
Machinery and equipment	41,810,522	42,809,525	84,620,047
Construction in progress	-	137,491	137,491
Less accumulated depreciation	<u>(82,547,386)</u>	<u>(90,640,806)</u>	<u>(173,188,192)</u>
Total noncurrent assets	<u>79,445,979</u>	<u>111,155,131</u>	<u>190,601,110</u>
Total assets	<u>109,262,904</u>	<u>118,545,395</u>	<u>227,808,299</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	1,937,107	1,029,513	2,966,620
Accrued expenses	1,730,901	683,092	2,413,993
Compensated absences	1,915,912	433,585	2,349,497
Unearned revenue	1,588,658	2,996,432	4,585,090
Claims and judgments	740,544	-	740,544
Other	2,314,031	120,289	2,434,320
Current portion of long-term debt	3,385,296	3,867,370	7,252,666
Total current liabilities	<u>13,612,449</u>	<u>9,130,281</u>	<u>22,742,730</u>
Noncurrent liabilities:			
Bonds, notes, and loans payable	29,547,396	34,827,273	64,374,669
Other noncurrent liabilities	2,744,861	-	2,744,861
Total noncurrent liabilities	<u>32,292,257</u>	<u>34,827,273</u>	<u>67,119,530</u>
Total liabilities	<u>45,904,706</u>	<u>43,957,554</u>	<u>89,862,260</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	46,393,277	60,260,847	106,654,124
Restricted for debt service	-	9,667,139	9,667,139
Restricted for capital projects	972,022	-	972,022
Restricted for other purposes	250,000	-	250,000
Unrestricted	15,742,899	4,659,855	20,402,754
Total net assets	<u>\$ 63,358,198</u>	<u>\$ 74,587,841</u>	<u>\$ 137,946,039</u>

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

TOWN OF OCEAN CITY  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Indirect Expenses Allocation</u>	<u>Charges for Services</u>	<u>Program Revenues Operating Grants and Contributions</u>
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 6,320,862	\$ (4,699,791)	\$ 3,464,313	\$ -
Public safety	32,634,335	1,327,481	1,859,508	2,097,308
General public works and beach	6,009,418	46,298	3,123,547	20,659
Sanitation and waste removal	6,700,766	381,067	312,364	-
Highways and streets	6,665,386	371,311	926,911	21,163
Economic development - Tourism	6,005,591	238,206	1,294,913	476,667
Recreation and culture	7,568,707	321,785	1,610,682	90,000
Interest on long-term debt	1,261,803	-	-	-
Total governmental activities	<u>73,166,868</u>	<u>(2,013,643)</u>	<u>12,592,238</u>	<u>2,705,797</u>
Business-type activities:				
Water	6,378,196	600,585	6,926,482	-
Transportation	7,291,446	424,018	3,363,679	825,782
Wastewater	9,670,450	667,389	10,466,562	-
Convention Center	5,499,011	170,787	1,630,172	2,575,901
Airport	1,366,517	83,021	837,533	-
Golf Course	1,910,345	67,843	1,979,205	-
Total business-type activities	<u>32,115,965</u>	<u>2,013,643</u>	<u>25,203,633</u>	<u>3,401,683</u>
Total primary government	<u>\$ 105,282,833</u>	<u>\$ -</u>	<u>\$ 37,795,871</u>	<u>\$ 6,107,480</u>

General revenues:

- Property taxes
- Property tax penalties and interest
- Sales and income taxes
- Grants and contributions not restricted to specific programs
- Investment earnings
- Other revenue

Transfers

- Total general revenues and transfers
- Increase (decrease) in net assets
- Net assets - beginning
- Net assets - ending

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

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets		
	Primary Government		
	Governmental Activities	Business-type Activities	Total
\$ -	\$ 1,843,242	\$ -	\$ 1,843,242
-	(30,005,000)	-	(30,005,000)
-	(2,911,510)	-	(2,911,510)
-	(6,769,469)	-	(6,769,469)
-	(6,088,623)	-	(6,088,623)
-	(4,472,217)	-	(4,472,217)
80,000	(6,109,810)	-	(6,109,810)
-	(1,261,803)	-	(1,261,803)
<u>80,000</u>	<u>(55,775,190)</u>	<u>-</u>	<u>(55,775,190)</u>
86,151	-	33,852	33,852
343,682	-	(3,182,321)	(3,182,321)
142,205	-	270,928	270,928
50,000	-	(1,413,725)	(1,413,725)
49,157	-	(562,848)	(562,848)
-	-	1,017	1,017
<u>671,195</u>	<u>-</u>	<u>(4,853,097)</u>	<u>(4,853,097)</u>
<u>\$ 751,195</u>	<u>(55,775,190)</u>	<u>(4,853,097)</u>	<u>(60,628,287)</u>
	43,363,911	-	43,363,911
	536,130	-	536,130
	13,031,401	-	13,031,401
	2,436,638	-	2,436,638
	297,072	310,128	607,200
	538,205	86,175	624,380
	<u>(4,288,477)</u>	<u>4,288,477</u>	<u>-</u>
	<u>55,914,880</u>	<u>4,684,780</u>	<u>60,599,660</u>
	139,690	(168,317)	(28,627)
	<u>63,218,508</u>	<u>74,756,158</u>	<u>137,974,666</u>
	<u>\$ 63,358,198</u>	<u>\$ 74,587,841</u>	<u>\$ 137,946,039</u>

TOWN OF OCEAN CITY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2010

	Major Fund	Nonmajor Funds	Total Governmental Funds
	General	Capital Projects	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,881,493	\$ 132,756	\$ 4,014,249
Investments	9,651,204	837,546	10,488,750
Accounts receivable, net of allowances for uncollectibles	2,916,604	-	2,916,604
Intergovernmental receivable	4,023,922	3,950	4,027,872
Due from other funds	588,759	-	588,759
Interest receivable	21,584	85	21,669
Advances to other funds	250,000	-	250,000
	<u>\$ 21,333,566</u>	<u>\$ 974,337</u>	<u>\$ 22,307,903</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 4,901,739	\$ 2,315	\$ 4,904,054
Other	2,314,031	-	2,314,031
Deferred revenue	2,831,114	-	2,831,114
	<u>10,046,884</u>	<u>2,315</u>	<u>10,049,199</u>
<b>FUND BALANCES</b>			
Fund balance: Restricted for capital projects	-	129,990	129,990
Committed for encumbrances	-	61,546	61,546
Committed for capital projects	-	780,486	780,486
Assigned for advances	250,000	-	250,000
Assigned for encumbrances	446,430	-	446,430
Unassigned	10,590,252	-	10,590,252
	<u>11,286,682</u>	<u>972,022</u>	<u>12,258,704</u>
Total liabilities and fund balances	<u>\$ 21,333,566</u>	<u>\$ 974,337</u>	
Adjustments for the Statement of Net Assets:			
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.			69,576,727
Other long-term assets are not available to pay for current-period expenditures and therefore are offset by deferred revenue in the governmental funds. (Note 5)			1,242,456
Loan proceeds not received in current period			297,171
Internal service funds are used by management to charge the costs of equipment replacement; and, therefore, the assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Assets, net of portion credited to business-type activities, \$1,769,862			13,045,768
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. (Note 2)			<u>(33,062,628)</u>
Net assets of governmental activities			<u>\$ 63,358,198</u>

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

TOWN OF OCEAN CITY  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Major Fund	Nonmajor Funds	Total Governmental Funds
	General	Capital Projects	
<b>REVENUES</b>			
Property taxes	\$ 43,808,149	\$ -	\$ 43,808,149
Other taxes	13,062,376	-	13,062,376
Licenses and permits	3,858,142	-	3,858,142
Fines and forfeitures	741,763	-	741,763
Charges for current services	7,691,958	300,375	7,992,333
Revenue from other agencies	5,218,485	3,950	5,222,435
Other revenue	712,087	2,738	714,825
<b>Total revenues</b>	<b>75,092,960</b>	<b>307,063</b>	<b>75,400,023</b>
<b>EXPENDITURES</b>			
Current:			
General government	3,990,472	-	3,990,472
Public safety	32,523,984	13,059	32,537,043
General public works and beach	7,949,005	54,567	8,003,572
Sanitation and waste removal	6,423,476	-	6,423,476
Highways and streets	5,670,074	50,761	5,720,835
Economic development - Tourism	5,999,877	-	5,999,877
Recreation and culture	7,459,650	8,472	7,468,122
Debt service:			
Principal	3,282,636	-	3,282,636
Interest	1,306,084	-	1,306,084
Bond issuance costs	73,711	-	73,711
<b>Total expenditures</b>	<b>74,678,969</b>	<b>126,859</b>	<b>74,805,828</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>413,991</b>	<b>180,204</b>	<b>594,195</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Bonds and notes issued	4,388,662	-	4,388,662
Premium on bonds issued	180,873	-	180,873
Payment to refunded bond escrow agent	(4,495,824)	-	(4,495,824)
Transfers in	1,137,591	43,607	1,181,198
Transfers out	(4,357,291)	(545,310)	(4,902,601)
<b>Total other financing sources and (uses)</b>	<b>(3,145,989)</b>	<b>(501,703)</b>	<b>(3,647,692)</b>
<b>Net change in fund balance</b>	<b>(2,731,998)</b>	<b>(321,499)</b>	<b>(3,053,497)</b>
Fund balance at beginning of year	14,018,680	1,293,521	15,312,201
Fund balance at end of year	<u>\$ 11,286,682</u>	<u>\$ 972,022</u>	<u>\$ 12,258,704</u>

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

TOWN OF OCEAN CITY  
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, 2010

Amounts reported for governmental activities in the statement of activities  
(pages 40 and 41) are different because:

Net change in fund balances for total governmental funds (page 43) \$ (3,053,497)

Governmental funds report capital outlays as expenditures. However, in the  
statement of activities the costs of capital assets are allocated over their useful life  
and reported as depreciation expense.

Capital outlay	\$ 3,764,227	
Depreciation expense	(3,236,038)	
Capital outlay exceeded depreciation in the current period by:		528,189

Revenues in the statement of activities that do not provide current financial  
resources are not reported as revenues in governmental funds.

Local income tax deferred in prior year	\$ (30,975)	
Transfer of assets and liabilities from other funds, net	(19,752)	
Deferred uncollected property taxes	91,892	41,165

The issuance of long-term debt 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  
has any effect on net assets. Also, governmental funds report the effect of issuance  
costs, premiums, discounts, and similar items when debt is first issued, whereas  
these amounts are deferred and amortized in the statement of activities. This amount  
is the net effect of these differences in the treatment of long-term debt and related  
items.

Principal payments on general obligation debt	\$ 3,282,636	
Issuance costs	73,711	
Issuance of long-term debt	(4,388,662)	
Premium on sale of bonds	(180,873)	
Payment to Bond Escrow Agent to refund debt	4,495,824	
Amortization of gain on refunding of debt	6,022	3,288,658

Some expenses reported in the statement of activities do not require the use of  
current financial resources and are not reported as expenditures in governmental  
funds.

Accrued interest on debt	\$ 47,865	
Loss on disposal of equipment	(4,897)	42,968

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

(707,793)

Change in net assets of governmental activities (page 41)

\$ 139,690

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

TOWN OF OCEAN CITY  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual	Encumbrances	Actual Amounts Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final				
<b>REVENUES</b>						
Property taxes	\$ 44,579,769	\$ 43,804,769	\$ 43,808,149	\$ -	\$ 43,808,149	\$ 3,380
Other taxes	13,392,372	13,039,500	13,062,376	-	13,062,376	22,876
Licenses and permits	3,879,700	3,835,434	3,858,142	-	3,858,142	22,708
Fines and forfeitures	620,400	695,435	741,763	-	741,763	46,328
Charges for current services	7,372,834	7,623,035	7,691,958	-	7,691,958	68,923
Revenue from other agencies	4,419,463	5,433,217	5,218,485	-	5,218,485	(214,732)
Other revenue	1,369,130	811,626	712,087	-	712,087	(99,539)
<b>Total revenues</b>	<b>75,633,668</b>	<b>75,243,016</b>	<b>75,092,960</b>	<b>-</b>	<b>75,092,960</b>	<b>(150,056)</b>
<b>EXPENDITURES</b>						
Current:						
General government	3,933,661	4,039,070	3,990,472	21,827	4,012,299	26,771
Public safety	32,541,310	33,259,178	32,523,984	206,118	32,730,102	529,076
General public works and beach	4,953,960	7,963,978	7,949,005	47,146	7,996,151	(32,173)
Sanitation and waste removal	6,643,447	6,592,992	6,423,476	51,191	6,474,667	118,325
Highways and streets	5,906,480	5,686,929	5,670,074	17,641	5,687,715	(786)
Economic development - Tourism	5,708,068	6,070,818	5,999,877	13,914	6,013,791	57,027
Recreation and culture	7,660,678	7,681,135	7,459,650	88,593	7,548,243	132,892
Debt service:						
Principal	2,639,878	3,304,878	3,282,636	-	3,282,636	22,242
Interest	1,296,941	1,382,639	1,306,084	-	1,306,084	76,555
Bond issuance costs	-	73,711	73,711	-	73,711	-
<b>Total expenditures</b>	<b>71,284,423</b>	<b>76,055,328</b>	<b>74,678,969</b>	<b>446,430</b>	<b>75,125,399</b>	<b>929,929</b>
Excess (deficiency) of revenues over expenditures	4,349,245	(812,312)	413,991	(446,430)	(32,439)	779,873
<b>OTHER FINANCING SOURCES (USES)</b>						
Bonds and notes issued	-	7,872,682	4,388,662	-	4,388,662	(3,484,020)
Premium on bonds issued	-	-	180,873	-	180,873	180,873
Payment to Bond Escrow Agent	-	(4,495,824)	(4,495,824)	-	(4,495,824)	-
Transfers in	-	1,137,591	1,137,591	-	1,137,591	-
Transfers out	(4,349,245)	(4,357,291)	(4,357,291)	-	(4,357,291)	-
<b>Total other financing sources (uses)</b>	<b>(4,349,245)</b>	<b>157,158</b>	<b>(3,145,989)</b>	<b>-</b>	<b>(3,145,989)</b>	<b>(3,303,147)</b>
<b>Net change in fund balances</b>	<b>-</b>	<b>(655,154)</b>	<b>(2,731,998)</b>	<b>(446,430)</b>	<b>(3,178,428)</b>	<b>(2,523,274)</b>
Fund balance, beginning of year	14,018,680	14,018,680	14,018,680	-	14,018,680	-
Fund balance, end of year	\$ 14,018,680	\$ 13,363,526	\$ 11,286,682	\$ (446,430)	\$ 10,840,252	\$ (2,523,274)

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

TOWN OF OCEAN CITY  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2010

	Business-type Activities - Enterprise Funds	
	Water	Transportation
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 2,059,124	\$ 1,978
Investments	576,000	8,679
Receivables, net	1,244,635	78,882
Interest receivable	-	-
Intergovernmental receivable	-	96,185
Inventories	-	-
Other	-	-
Total current assets	3,879,759	185,724
Noncurrent assets:		
Restricted investments	-	-
Capital assets:		
Land	755,019	-
Buildings	18,674,452	2,835,349
Other improvements	3,245,712	81,837
Streets and infrastructure	21,532,815	-
Machinery and equipment	4,831,774	369,012
Construction in progress	-	-
Less accumulated depreciation	(31,011,439)	(1,847,116)
Total noncurrent assets	18,028,333	1,439,082
Total assets	21,908,092	1,624,806
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	203,242	25,698
Accrued expenses	99,818	152,359
Compensated absences	67,371	42,751
Due to other funds	-	-
Deferred revenue	-	-
Claims and judgments	-	-
Other	120,289	-
Current portion of long-term debt	1,116,466	-
Total current liabilities	1,607,186	220,808
Noncurrent liabilities:		
Claims and judgments	-	-
Advanced from other funds	-	-
Bonds, notes, and loans payable	6,513,308	-
Total noncurrent liabilities	6,513,308	-
Total liabilities	8,120,494	220,808
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	10,398,559	1,439,082
Restricted for debt service	-	-
Unrestricted	3,389,039	(35,084)
Total net assets	\$ 13,787,598	\$ 1,403,998

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.  
Net assets of business-type activities

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

Business-type Activities - Enterprise Funds				Governmental Activities
Wastewater	Convention Center	Nonmajor Enterprise Funds	Total	Internal Service
\$ 505	\$ 3,254	\$ 7,644	\$ 2,072,505	\$ 713,255
1,953,000	849,482	118,027	3,505,188	4,345,658
939,125	68,957	137,736	2,469,335	25
-	48,179	546	48,725	10,558
8	567,536	22,630	686,359	-
461,255	-	155,342	616,597	963,493
-	-	9,176	9,176	-
<u>3,353,893</u>	<u>1,537,408</u>	<u>451,101</u>	<u>9,407,885</u>	<u>6,032,989</u>
-	9,666,535	3,471,335	13,137,870	-
2,175,841	7,456,616	3,704,242	14,091,718	-
42,704,809	25,937,286	4,494,879	94,646,775	1,447,083
884,357	59,266	627,874	4,899,046	31,545
4,890,317	-	5,900,380	32,323,512	-
35,773,083	1,118,455	717,201	42,809,525	37,044,164
-	99,785	37,706	137,491	-
<u>(39,818,509)</u>	<u>(11,101,678)</u>	<u>(6,862,064)</u>	<u>(90,640,806)</u>	<u>(28,903,540)</u>
<u>46,609,898</u>	<u>33,236,265</u>	<u>12,091,553</u>	<u>111,405,131</u>	<u>9,619,252</u>
<u>49,963,791</u>	<u>34,773,673</u>	<u>12,542,654</u>	<u>120,813,016</u>	<u>15,652,241</u>
444,474	80,063	276,036	1,029,513	269,412
233,046	149,814	48,055	683,092	75,652
159,813	117,795	45,855	433,585	111,477
-	247,759	-	247,759	341,000
-	166,121	2,830,311	2,996,432	-
-	-	-	-	740,544
-	-	-	120,289	-
<u>1,711,478</u>	<u>984,113</u>	<u>55,313</u>	<u>3,867,370</u>	<u>93,389</u>
<u>2,548,811</u>	<u>1,745,665</u>	<u>3,255,570</u>	<u>9,378,040</u>	<u>1,631,474</u>
-	-	-	-	2,744,861
-	-	250,000	250,000	-
<u>21,269,248</u>	<u>5,488,336</u>	<u>1,556,381</u>	<u>34,827,273</u>	<u>-</u>
<u>21,269,248</u>	<u>5,488,336</u>	<u>1,806,381</u>	<u>35,077,273</u>	<u>2,744,861</u>
<u>23,818,059</u>	<u>7,234,001</u>	<u>5,061,951</u>	<u>44,455,313</u>	<u>4,376,335</u>
23,629,172	17,097,281	7,696,753	60,260,847	9,525,863
-	9,667,139	-	9,667,139	-
<u>2,516,560</u>	<u>775,252</u>	<u>(216,050)</u>	<u>6,429,717</u>	<u>1,750,043</u>
<u>\$ 26,145,732</u>	<u>\$ 27,539,672</u>	<u>\$ 7,480,703</u>	<u>76,357,703</u>	<u>\$ 11,275,906</u>
			(1,769,862)	
			<u>\$ 74,587,841</u>	

TOWN OF OCEAN CITY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Business-type Activities - Enterprise Funds	
	Water	Transportation
Operating revenues:		
Charges for sales and services	\$ 6,926,482	\$ 3,360,704
Miscellaneous	-	2,975
Total operating revenues	<u>6,926,482</u>	<u>3,363,679</u>
Operating expenses:		
Personal services	2,203,326	3,569,350
Contractual services	52,595	115,955
Utilities	478,516	89,639
Repairs and maintenance	892,501	1,964,581
Other supplies and expenses	801,472	197,033
Internal services	833,524	858,771
Insurance claims and expenses	-	-
Depreciation	1,420,741	81,513
Total operating expenses	<u>6,682,675</u>	<u>6,876,842</u>
Operating income (loss)	<u>243,807</u>	<u>(3,513,163)</u>
Nonoperating revenues (expenses)		
Interest and investment revenue	5,560	684
Operating grants	-	825,782
Miscellaneous revenue	-	40,548
Interest expense	(295,429)	-
Gain (loss) on disposal of assets	-	-
Total nonoperating revenues (expenses)	<u>(289,869)</u>	<u>867,014</u>
Income (loss) before contributions and transfers	(46,062)	(2,646,149)
Capital contributions	86,151	292,870
Transfers in	-	2,459,517
Transfers out	(25,874)	-
Change in net assets	14,215	106,238
Total net assets - beginning	<u>13,773,383</u>	<u>1,297,760</u>
Total net assets - ending	<u>\$ 13,787,598</u>	<u>\$ 1,403,998</u>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.  
Change in net assets of business-type activities (page 41)

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

Business-type Activities - Enterprise Funds				Governmental Activities
Wastewater	Convention Center	Nonmajor Enterprise Funds	Total	Internal Service Funds
\$ 10,466,562	\$ 1,630,172	\$ 2,816,738	\$ 25,200,658	\$ 11,120,626
-	-	-	2,975	-
<u>10,466,562</u>	<u>1,630,172</u>	<u>2,816,738</u>	<u>25,203,633</u>	<u>11,120,626</u>
3,924,364	2,892,743	1,366,725	13,956,508	2,910,757
270,885	187,427	388,344	1,015,206	1,089,179
613,861	691,611	100,201	1,973,828	93,699
668,444	283,048	93,833	3,902,407	728,085
369,693	195,574	794,238	2,358,010	2,656,976
974,913	343,458	294,915	3,305,581	946,100
-	-	-	-	963,128
<u>2,654,841</u>	<u>753,225</u>	<u>339,013</u>	<u>5,249,333</u>	<u>2,885,598</u>
<u>9,477,001</u>	<u>5,347,086</u>	<u>3,377,269</u>	<u>31,760,873</u>	<u>12,273,522</u>
<u>989,561</u>	<u>(3,716,914)</u>	<u>(560,531)</u>	<u>(6,557,240)</u>	<u>(1,152,896)</u>
5,655	297,671	558	310,128	125,350
-	2,575,901	-	3,401,683	-
-	-	-	40,548	-
(852,398)	(318,524)	(50,457)	(1,516,808)	(9,606)
(10,636)	-	45,627	34,991	81,016
<u>(857,379)</u>	<u>2,555,048</u>	<u>(4,272)</u>	<u>2,270,542</u>	<u>196,760</u>
132,182	(1,161,866)	(564,803)	(4,286,698)	(956,136)
142,205	50,000	49,157	620,383	50,812
-	1,546,811	308,023	4,314,351	-
-	-	-	(25,874)	(592,948)
<u>274,387</u>	<u>434,945</u>	<u>(207,623)</u>	<u>622,162</u>	<u>(1,498,272)</u>
<u>25,871,345</u>	<u>27,104,727</u>	<u>7,688,326</u>		<u>12,774,178</u>
<u>\$ 26,145,732</u>	<u>\$ 27,539,672</u>	<u>\$ 7,480,703</u>		<u>\$ 11,275,906</u>
			(790,479)	
			<u>\$ (168,317)</u>	

TOWN OF OCEAN CITY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Business-type Activities	
	Water	Transportation
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers and users	\$ 7,032,414	\$ 3,361,885
Payments to suppliers	(2,158,406)	(2,366,404)
Payments to employees	(2,227,078)	(3,564,848)
Payments for interfund services used	(833,524)	(858,771)
Net cash provided (used) by operating activities	<u>1,813,406</u>	<u>(3,428,138)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Advances from other funds	-	-
Advances to other funds	-	(135,000)
Subsidy from county, state and federal grants	-	871,748
Transfers to other funds	-	-
Transfers from other funds	-	2,459,517
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>3,196,265</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Proceeds from capital grant	-	333,418
Capital contributions	86,151	-
Cash received from other government agencies	-	-
Acquisition and construction of capital assets	(248,813)	(98,553)
Proceeds from bond issue	2,246,836	-
Payment to bond escrow agent	(2,210,593)	-
Bond issuance costs	(36,243)	-
Principal paid on capital debt	(1,067,328)	-
Interest paid on capital debt and leases	(327,481)	-
Capital lease payment	-	-
Proceeds from sales of capital assets	-	-
Net cash provided (used) by capital and related financing activities	<u>(1,557,471)</u>	<u>234,865</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sales and maturities of investments	1,761,046	-
Purchase of investments	-	(8,679)
Interest and dividends received	5,560	684
Net cash provided (used) by investing activities	<u>1,766,606</u>	<u>(7,995)</u>
Net increase (decrease) in cash and cash equivalents	2,022,541	(5,003)
Cash and cash equivalents at beginning of the year	<u>36,583</u>	<u>6,981</u>
Cash and cash equivalents at end of the year	<u>\$ 2,059,124</u>	<u>\$ 1,978</u>

(Continued)

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

Enterprise Funds				Governmental
Wastewater	Convention Center	Nonmajor Enterprise Funds	Total	Internal Service Funds
\$ 10,435,131	\$ 1,656,681	\$ 2,852,491	\$ 25,338,602	\$ 11,120,602
(9,988,978)	(1,352,374)	(1,330,400)	(17,196,562)	(5,501,569)
3,932,352	(2,894,074)	(1,366,129)	(6,119,777)	(2,917,804)
(974,913)	(343,458)	(323,511)	(3,334,177)	(946,100)
3,403,592	(2,933,225)	(167,549)	(1,311,914)	1,755,129
-	-	-	-	181,000
-	(77,241)	-	(212,241)	(50,000)
-	2,752,149	-	3,623,897	-
-	-	-	-	(592,948)
-	1,546,811	308,023	4,314,351	-
-	4,221,719	308,023	7,726,007	(461,948)
-	-	-	333,418	50,812
142,205	50,000	-	278,356	-
-	-	53,519	53,519	-
(2,873,240)	(147,505)	(59,087)	(3,427,198)	(399,228)
6,453,899	-	725,000	9,425,735	-
(6,349,792)	-	-	(8,560,385)	-
(104,107)	-	-	(140,350)	-
(1,663,382)	(938,934)	(34,784)	(3,704,428)	-
(925,321)	(297,809)	(83,278)	(1,633,889)	(10,756)
-	-	-	-	(365,859)
1,545	-	-	1,545	64,843
(5,318,193)	(1,334,248)	601,370	(7,373,677)	(660,188)
(1,576,941)	8,427,022	-	8,611,127	6,067,792
-	(8,724,116)	(777,244)	(9,510,039)	(6,186,670)
5,675	336,593	1,215	349,727	161,155
(1,571,266)	39,499	(776,029)	(549,185)	42,277
(3,485,867)	(6,255)	(34,185)	(1,508,769)	675,270
3,486,372	9,509	41,829	3,581,274	37,985
\$ 505	\$ 3,254	\$ 7,644	\$ 2,072,505	\$ 713,255

TOWN OF OCEAN CITY  
STATEMENT OF CASH FLOWS (Continued)  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Business-type Activities	
	Water	Transportation
RECONCILIATION OF OPERATING INCOME(LOSS) TO NET CASH PROVIDED BY OPERATIONS		
Operating income (loss)	\$ 243,807	\$ (3,513,163)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	1,420,741	81,513
EFFECT OF CHANGES IN OPERATING ASSETS & LIABILITIES:		
Accounts Receivable	118,875	(1,794)
Inventories	-	-
Prepaid expenses	-	-
Compensated absences	(15,386)	3,009
Customer deposits	(12,943)	-
Accounts payable	66,678	804
Accrued expenses	(8,366)	1,493
Deferred revenue	-	-
Claims liability	-	-
Total adjustments	1,569,599	85,025
Net cash provided (used) by operating activities	\$ 1,813,406	\$ (3,428,138)

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Increase in fair value of investments	\$ -	\$ -
Transfer of asset	(25,874)	-
Transfer of debt	-	-
Gain on disposal of asset	-	-

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

Enterprise Funds				Governmental
Wastewater	Convention Center	Nonmajor Enterprise Funds	Total	Internal Service Funds
\$ 989,561	\$ (3,716,914)	\$ (560,531)	\$ (6,557,240)	\$ (1,152,896)
2,654,841	753,225	339,013	5,249,333	2,885,598
(31,431)	23,517	33,899	143,066	(24)
(70,068)	-	(28,693)	(98,761)	3,443
-	-	(6,676)	(6,676)	-
520	(5,644)	(80)	(17,581)	(4,171)
-	-	-	(12,943)	-
(147,299)	5,286	52,989	(21,542)	16,348
7,468	4,313	676	5,584	(2,876)
-	2,992	1,854	4,846	-
-	-	-	-	9,707
2,414,031	783,689	392,982	5,245,326	2,908,025
\$ 3,403,592	\$ (2,933,225)	\$ (167,549)	\$ (1,311,914)	\$ 1,755,129
\$ -	\$ 5,174	\$ -	\$ 5,174	\$ 23,643
-	-	(4,054,374)	(4,080,248)	-
-	-	4,100,000	4,100,000	-
-	-	45,627	45,627	16,173

TOWN OF OCEAN CITY  
 COMBINED STATEMENT OF PLAN NET ASSETS  
 FIDUCIARY FUNDS  
 JUNE 30, 2010

	Pension Trust Funds	OPEB Trust Fund	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,740,643	\$ 200,042	\$ 1,940,685
Interest and dividends receivable	196,020	19,951	215,971
Investments, at fair value:			
Domestic equities	15,812,236	1,683,360	17,495,596
Domestic fixed income	16,973,247	1,697,281	18,670,528
Real estate investment trusts	1,747,200	168,249	1,915,449
International equities	11,449,968	1,004,334	12,454,302
International fixed income	3,091,116	268,882	3,359,998
Alternative investments	7,385,012	-	7,385,012
Natural resources	2,640,077	232,598	2,872,675
Total investments	<u>59,098,856</u>	<u>5,054,704</u>	<u>64,153,560</u>
 Total assets	 <u>61,035,519</u>	 <u>5,274,697</u>	 <u>66,310,216</u>
<b>LIABILITIES</b>			
Accounts payable	-	65,048	65,048
Accrued liabilities	793,178	-	793,178
 Total liabilities	 <u>793,178</u>	 <u>65,048</u>	 <u>858,226</u>
<b>NET ASSETS</b>			
Held in trust for pension benefits and other post employment benefits	 <u>\$ 60,242,341</u>	 <u>\$ 5,209,649</u>	 <u>\$ 65,451,990</u>

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

TOWN OF OCEAN CITY  
 COMBINED STATEMENT OF CHANGES IN PLAN NET ASSETS  
 FIDUCIARY FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Pension Trust Funds	OPEB Trust Fund	Total
<b>Additions</b>			
Contributions:			
Employer	\$ 5,244,768	\$ 3,104,000	\$ 8,348,768
Members	1,975,068	92,494	2,067,562
Total contributions	7,219,836	3,196,494	10,416,330
Miscellaneous Income	554	-	554
Investment earnings:			
Net appreciation (depreciation) in fair value of investments	5,703,753	(223,495)	5,480,258
Interest	935,501	56,645	992,146
Dividends	681,360	23,881	705,241
Total investment income (loss)	7,320,614	(142,969)	7,177,645
Less investment expense	229,022	13,579	242,601
Net investment income (loss)	7,091,592	(156,548)	6,935,044
Total additions	14,311,982	3,039,946	17,351,928
<b>Deductions</b>			
Benefits and refunds paid	2,664,870	578,662	3,243,532
Administrative expenses	133,416	2,912	136,328
Total deductions	2,798,286	581,574	3,379,860
Changes in net assets	11,513,696	2,458,372	13,972,068
Total net assets - beginning	48,728,645	2,751,277	51,479,922
Total net assets - ending	\$ 60,242,341	\$ 5,209,649	\$ 65,451,990

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

TOWN OF OCEAN CITY  
*Notes to the Financial Statements*  
June 30, 2010

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***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 (US 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 more significant of the Town's 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. 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 "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.

For financial reporting purposes, in conformance with accounting principles generally accepted in the United States, 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 which are governed by a seven-member Board of Trustees appointed by the Mayor and Council. The Town is authorized to establish benefit levels and approves the actuarial assumptions used in 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). 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 approves the actuarial assumptions used in determination of contribution levels.

*Ocean City, Maryland Other Post-Employment Benefits Trust.* The Town provides a defined benefit healthcare 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 approves the actuarial assumptions used in determination of contribution levels.

The Town participates in a multiple employer cost sharing pension plan with Worcester County for wastewater employees transferred to the Town from the County in 1994, under the "Sewerage Treatment Facilities Transfer Agreement" between the Town and the Worcester County Commissioners. The pension plan is not included in this report because it is completely managed by Worcester County. Additional financial information and actuarial reports for each of the pension

and trust plans may be obtained at the City Clerk's office, City Hall Room 220, 301 Baltimore Avenue, Ocean City, Maryland 21842.

The Town is not financially accountable for the Ocean City Development Corporation and it has not been included in the Town's financial statements. There are no organizations for which the Town is financially accountable or would be described as a component unit or a discretely presented component unit of the Town during the fiscal year.

## B. Government-wide and fund financial statements

The statement of net assets and the statement of changes in net assets report information on all of the non-fiduciary activities of the Town. Eliminations have been made to remove the effect of interfund activity from these statements. Governmental activities, which are supported by taxes and intergovernmental revenues, are reported separately from business-type activities that are supported primarily by customer service charges.

The statement of activities presents a comparison between direct expenses and program revenues for each of the business-type activities of the Town and for each function of the Town's governmental activities. Direct 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.

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. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

## C. Measurement focus, basis of accounting, and financial statement presentation

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. 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. The Town has elected not to follow private-sector standards of accounting and financial reporting pronouncements issued by the Financial Accounting Standards Board (FASB) issued after November 30, 1989, generally followed in both government-wide and proprietary fund financial statements if those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation and the Town has elected not to follow subsequent private sector guidance.

Governmental fund statements are presented using the flow of 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 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.

Those revenues susceptible to accrual are 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.

*Town of Ocean City*  
*Notes to the Financial Statements*

The Town has one major governmental fund, the general fund. It 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, and general government, etc. These activities are financed primarily by property taxes, other taxes, service charges, and grants from other governmental units.

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. 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.

The Town has four major proprietary funds. The Water Fund operates the water treatment plants and distribution system. The Wastewater Fund operates the sewage treatment plant, pumping stations and collection system. The Convention Center Fund accounts for the activities of the Roland E. Powell Convention Center. The Transportation Fund accounts for the operations of the Town's bus system and boardwalk trams. The Town has two non-major proprietary funds, the Airport Fund and Golf Course Fund, which account for the operations of the Ocean City Municipal Airport and Eagle's Landing Golf Course.

The Town also reports internal service funds, capital projects funds and pension and other post employment benefit trust funds. 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 worker's compensation, vehicle and general claims.

The Town utilizes capital projects funds to account for all financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of major capital facilities and other capital assets not financed by proprietary funds and are non-major governmental funds. The Town has three fiduciary funds; the Employees of Ocean City, Maryland Pension Plan and Trust and the Ocean City, Maryland Public Safety Employees Pension Plan and Trust, and the Ocean City, Maryland Other Post-employment Benefits 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.

The effect of interfund activity has been eliminated from the government-wide financial statements except for charges between the water, transportation, wastewater, 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. Amounts reported as program revenues include charges to customers for goods and services, operating grants and contributions and capital grants and contributions. Internally dedicated resources are reported as general revenues rather than program revenues. General revenues include all taxes.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets, 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.

D. Assets, liabilities, and net assets or equity

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 and forthcoming, when required, 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 faith and credit of the United States of America are pledged, or in obligations of Federal governmental agencies issued pursuant to acts of Congress, or in the local government investment pool created by the State of Maryland. 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. Net 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.

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 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. *Receivables and Payables*

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:	Dec. 31	Jan. 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 and Due:	July 1	On State
Owner-occupied residential:	July 1 and Jan. 1	Notification
Property Taxes Payable:		
Delinquent	Oct. 1& Feb. 1	After 30 days
Terms	60 days	30 days
Delinquent Interest	18%	18%

Information presented is for "full year" levy. "Half year" levy dates are each six months later, and relate to new construction in the first 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. Allowances for uncollectible accounts are maintained on all types of receivables that historically experience bad debt. Receivables are shown net of such an allowance for uncollectibles. Real property taxes are generally fully collectible.

The non-current portion of interfund loans are classified as "advances to/from other funds". 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.

*Town of Ocean City*  
*Notes to the Financial Statements*

*3. Inventories*

Inventories are recorded in proprietary funds and are valued at the lower of average cost or market, adjusted for obsolescence. These inventories consist of spare parts, fuel, and merchandise for resale to the public. 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.

*4. Restricted assets*

Food tax receipts collected by Worcester County and granted to the Town for the sole purpose of paying debt service on bonds issued to renovate the convention center are invested at the Maryland Local Government Investment Pool and in fixed income securities and are recorded in the Convention Center fund. Proceeds from the sale of airport land restricted by the Federal Aviation Administration for future airport improvements and bond proceeds restricted for the construction of a hangar are recorded in a non-major fund, the Airport Fund, and are invested at the Maryland Local Government Investment Pool.

*5. 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. Infrastructure acquired prior to implementation of GASB Statement 34 has been reported. Such assets are valued at historical or estimated historical cost if actual historical cost was not available. Donated assets are stated at their fair market value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or extend asset lives are not capitalized.

Expenditures for major assets and improvements are capitalized as projects are constructed. Interest on debt during the construction period is capitalized. The amount of interest to be capitalized is offset by interest income earned on invested proceeds over the same period. Exhaustible capital assets of the general fund and proprietary funds are depreciated, which is charged as an expense against their operations. Accumulated depreciation is reported in the statement of net assets. 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

*6. Compensated absences*

Vested or accumulated vacation leave is accrued when earned by employees and a liability is recorded in the government-wide and business-type activities statements. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits, as the Town does not pay these amounts when employees separate from service.

Full-time, permanent employees earn annual vacation leave at the following rates: 1-5 years service, 10 days; 6-10 years service, 15 days; 11-19 years service, 20 days; 20 years service and over, 25 days. A maximum of 10 days accumulated and/or current vacation leave may be carried forward into the next year. All other vacation leave must be used by the employee in the current year or forfeited. The Town pays all outstanding vacation leave at separation on a one-for-one basis. The accrual in each fund type is included in "Compensated absences" in the government-wide statements and is \$1,915,912 for governmental activities funds and \$433,585 for business-type activities, respectively, as of June 30, 2010. Compensated absences related to governmental activities for current and prior years are generally liquidated from the general fund. A liability for vacation pay is recorded in

governmental funds only if they have matured as the result of retirement or resignation.

*7. Long-term obligations*

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net assets. Bond premiums, discounts, issuance costs, and losses on refunding of debt are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of deferred amounts.

In the governmental fund financial statements, the face amount of the debt issued is reported as other financing sources. Issuance costs are reported as expenditures.

*8. Fund Equity*

The government-wide and business-type activities fund financial statements utilize a net asset presentation. Net assets are categorized as invested capital assets (net of related debt), restricted and unrestricted.

- *Invested in capital assets, net of related debt* – This category groups all capital assets including infrastructure into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributed to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted net assets* – This category presents external restrictions imposed by creditors, grantors, or laws and regulations of other governments.
- *Unrestricted net assets* – This category presents the net assets of the Town, not restricted for any purpose.

In the fund financial statements, governmental funds report limitations of fund balance for amounts that are nonspendable and are not available for appropriation or are legally restricted by outside parties or creditors for use for a specific purpose. Commitments of fund balance represent limitations placed on spending that are imposed by and may be removed by formal action of the City Council. Assignments of fund balance reflect tentative plans by management that may be subject to change. Residual net resources are reported as unassigned fund balance and are the excess of nonspendable, restricted, committed, and assigned fund balance.

**Note 2: Reconciliation of government-wide statement of net assets and governmental fund balance sheet**

The governmental fund balance sheet includes a reconciliation between *fund balances – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One aspect of that reconciliation is long-term liabilities. Long-term liabilities applicable to the Town’s governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net assets. The summary of the \$33,062,628 difference is as follows:

Bonds and loans payable	\$ 32,893,799
Add deferred amounts (to be amortized and credited to interest expense)	
Deferred loss on refunding	(277,942)
Issuance premiums	223,446
Accrued interest payable	<u>223,325</u>
Net adjustment to reduce fund balance- total governmental funds to arrive at net assets – governmental activities	<u><u>\$ 33,062,628</u></u>

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

**A. Budgetary information**

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On or before January 15 of each year, all agencies of the Town submit requests for appropriations to the City Manager. The budget is prepared by fund, function and activity, and includes information on the past year, current 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 passage of an ordinance.
5. The annual appropriated budget is adopted on a non-GAAP basis as it includes lawfully encumbered amounts. All annual appropriations lapse at fiscal year-end to the extent that they have not been expended or lawfully encumbered. Each year the original annual appropriated budget is amended by ordinance to include lawfully encumbered appropriations from the previous year.
6. Transfers of budgeted amounts between line items or departments within a fund may be accomplished with the approval of the City Manager and Finance Administrator such that the net effect on total expenditures for the Fund equals zero. Budget amendments, which establish additional revenue, equal to or in excess of new appropriations or move appropriations from one fund to another must be approved by the City Council after holding public hearings by a two-thirds vote. For year ended June 30, 2010, the Council approved two budget amendments to increase appropriations by \$9,302,125 primarily to refund bonds for \$4,495,824 and to purchase land for \$3,259,379.
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 ending June 30, 2010 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.
8. Encumbrances represent intentions related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other obligations for the expenditure of resources are recorded to disclose that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year-end are reported as commitments or assignments of fund balances and do not constitute expenditures or liabilities because the obligation will be honored during the subsequent year.

**B. Reconciliation of expenditures-budgetary basis and GAAP basis**

Expenditures – budgetary basis	\$ 75,125,399
Encumbrances	(446,430)
Expenditures – GAAP basis	<u>\$ 74,678,969</u>

**Note 4: Deposits and Investments**

**A. Cash on Hand.**

At year-end, cash on hand for petty cash and change funds was \$50,396.

**B. Deposits.**

At year-end, the carrying amount of the Town's deposits was \$547,198 and the bank balance was \$1,013,176. The deposits of the Town were not exposed to custodial credit risk at June 30, 2010.

The Town has a contractual arrangement with the bank for funds to be transferred daily from investment in a repurchase agreement to cover checks as presented.

**C. Investments.**

At June 30, 2010, the Town's investment balances by type and maturity were as follows:

Investment Type	Fair Value	Investment Maturities (in Years)			Interest Rate At June 30
		Less than 1	1-5	6-10	
Certificates of deposit	\$ 2,670,842	\$ 2,186,901	\$ 483,941	\$ -	1.00%
Repurchase agreements	3,606,072	3,606,072	-	-	0.21%
State investment pool	12,725,380	12,725,380	-	-	0.20%
U.S. government money market	2,942,797	2,942,797	-	-	0.08%
Money market mutual fund	1,594,231	1,594,231	-	-	1.00%
U.S. Treasuries	7,116,642	-	5,244,801	1,871,841	3.65%
U.S. agencies	20,702,150	4,263,271	8,332,665	8,106,214	2.10%
Domestic equities	17,495,596	17,495,596	-	-	-
Domestic fixed income	6,932,980	-	4,052,232	2,880,748	5.71%
International equities	12,454,302	14,454,302	-	-	-
International fixed income	3,359,998	3,359,998	-	-	7.14%
Natural resources	2,872,675	2,872,675	-	-	-
Real estate investment trust	1,915,449	1,915,449	-	-	-
Alternative investments	7,385,012	-	7,385,012	-	-
	<u>\$ 103,774,126</u>	<u>\$ 65,416,672</u>	<u>\$ 25,498,651</u>	<u>\$ 12,858,803</u>	

Reconciliation of cash and investments as shown on Statement of Net Assets:

Cash on hand	\$ 50,396
Carrying amount of deposits	547,198
Carrying amount of investments-above	<u>103,774,126</u>
Total cash and investments	104,371,720
Less: amounts in fiduciary funds	<u>(66,094,245)</u>
Total cash and investments per statement of net assets	<u>\$ 38,277,475</u>
Cash and cash equivalents	\$ 6,800,009
Investments	18,339,596
Restricted investments	<u>13,137,870</u>
Total cash and investments per statement of net assets	<u>\$ 38,277,475</u>

Town of Ocean City  
Notes to the Financial Statements

*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 at June 30, 2010, met the Town's investment policy as of that date.

Investment income includes the following for the year ended June 30, 2010:

Net interest and dividends	\$ 2,268,557
Net increase in fair value of investments	<u>5,516,288</u>
Total investment income	7,784,845
Less: investment income in fiduciary funds	<u>(7,177,645)</u>
Total net investment income per statement of activities	<u>\$ 607,200</u>

*Credit Risk.* Town investment policy does not permit investments in commercial paper or corporate bonds except in fiduciary funds or if they are permitted under state law in the state investment pool. The Town invests in the Maryland Local Government Investment Pool (MLGIP) which is under the administration of the State Treasurer. The MLGIP was established in 1982 under Article 95 Section 22G of the Annotated Code of Maryland and is rated AAAM by Standard and Poors, 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, fixed income securities must be rated "BBB" or above, with no more than 20% rated less than single "A" quality. Of the Town's debt investments as of June 30, 2010, \$7,116,642 was in US Treasuries that do not require disclosure of credit quality. The remaining \$34,601,200 in investments are listed below using the Standard and Poor's rating scale:

<u>Investment Type and Fair Value</u>	<u>Credit Rating</u>	<u>Amount</u>
Repurchase agreements	Unrated	\$ 3,606,072
US agencies	AAA	20,702,150
Corporate and international bonds	AAA	61,433
	AA	3,016,454
	A	3,748,442
	BBB	2,200,820
	BB	133,138
	B	756,917
	<u>Unrated</u>	<u>375,774</u>
Totals		<u>\$ 34,601,200</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%. For the Town's \$3,606,072 in repurchase agreements, \$5,000,000 of underlying securities were held by the Bankers Trust Company in the Town's name. At June 30, 2010 all of the Town's investments were insured or registered, or for which the securities were held by the Town or its agent in the Town's name or were invested the MLGIP.

*Foreign Currency Risk.* The investment policy for the fiduciary, pension trust funds permits up to 65% of total investments in foreign currency denominated equities, fixed income and natural resource investments. The investment position was 28.4% at year-end, or \$18,686,975. The investments were in 186 international firms with 12.5% of the value of these investments in firms that are rated A- to AA+ and 23.9% in firms that are rated B- to BBB by Standard and Poor's and the remainder in firms that are unrated.

**Note 5: Receivables**

**A. Property Taxes Receivable**

Property taxes are reported at their estimated collectible value. Total assessed value on which levies were made for the year ended June 30, 2010, was \$10,648,750,360. The Town's real property tax rate was \$0.395 per \$100 of assessed value. The Town tax rate for personal and corporate property was \$1.29 per \$100 of assessed value. The Town collected 97.33% of current year property taxes levied in the current year. Total property tax collections were 100.39% of current taxes levied.

**Receivables**

Receivables as of year end for the government's major and nonmajor funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	<u>Governmental</u>	<u>Water</u>	<u>Transportation</u>	<u>Wastewater</u>	<u>Convention Center</u>	<u>Non-major Funds</u>	<u>Total</u>
Taxes	\$ 1,365,816	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,365,816
Emergency Medical Accounts	610,661 1,317,349	- 1,293,546	- 78,882	- 939,150	- 69,007	- 142,956	610,661 3,840,890
Gross Receivables	3,293,826	1,293,546	78,882	939,150	69,007	142,956	5,817,367
Less Allowance	(377,197)	(48,911)	-	(25)	(50)	(5,220)	(431,403)
	<u>\$ 2,916,629</u>	<u>\$ 1,244,635</u>	<u>\$ 78,882</u>	<u>\$ 939,125</u>	<u>\$ 68,957</u>	<u>\$ 137,736</u>	<u>\$ 5,385,964</u>

The allowance for uncollectibles for governmental activities is for emergency medical transport receivables.

Town of Ocean City  
Notes to the Financial Statements

Governmental funds report deferred revenue in relation to receivables for revenues that are not considered to be available to liquidate liabilities of the current period such as property taxes not collected within 60 days after fiscal year end. Deferred revenue also includes rental and program advances, franchise fees and similar prepayments received by the Town, grant revenue received prior to the incurrence of qualifying expenditures, and governmental fund nonexchange contributions which did not meet the GASB Statement No. 33 time restriction. Deferred revenue for governmental activities, general fund at June 30, 2010 is summarized as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Property tax receivables	\$ 1,084,151	\$ -	\$ 1,084,151
Income tax	158,305	-	158,305
Grants	-	253,756	253,756
Mitigation fees	-	246,478	246,478
Rental and program advances	-	589,696	589,696
Franchise payments	<u>-</u>	<u>498,728</u>	<u>498,728</u>
	<u>\$ 1,242,456</u>	<u>\$ 1,588,658</u>	<u>\$ 2,831,114</u>

**Note 6: Capital Assets**

The following is a summary of governmental capital assets activity for the year ended June 30, 2010:

	<u>Beginning Balance</u>	<u>Transfers and Increases</u>	<u>Transfers and Deletions</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 14,739,346	\$ 7313,752	\$ -	\$ 22,053,098
Construction in progress	<u>1,957,136</u>	<u>-</u>	<u>(1,957,136)</u>	<u>-</u>
Total capital assets, not being depreciated	16,696,482	7,313,752	(1,957,136)	22,053,098
<i>Capital assets, being depreciated:</i>				
Buildings	36,298,526	1,213,564	-	37,512,090
Other Improvements	20,683,148	852,957	-	21,536,105
Streets and infrastructure	38,769,111	62,439	-	38,831,550
Machinery and equipment	<u>41,557,023</u>	<u>762,070</u>	<u>(508,571)</u>	<u>41,810,522</u>
Total capital assets, being depreciated	<u>137,307,808</u>	<u>2,891,030</u>	<u>(508,571)</u>	<u>139,690,267</u>
<i>Less accumulated depreciation for:</i>				
Buildings	(12,397,780)	(1,068,933)	14,242	(13,452,471)
Other Improvements	(12,006,930)	(837,524)	-	(12,844,454)
Streets and infrastructure	(24,507,054)	(1,060,615)	-	(25,567,669)
Machinery and equipment	<u>(28,050,558)</u>	<u>(3,154,564)</u>	<u>522,330</u>	<u>(30,682,792)</u>
Total accumulated depreciation	<u>(76,962,322)</u>	<u>(6,121,636)</u>	<u>536,572</u>	<u>(82,547,386)</u>
Total capital assets being depreciated, net	<u>60,345,486</u>	<u>(3,230,606)</u>	<u>28,001</u>	<u>57,142,881</u>
Governmental activities capital assets, net	<u>\$ 77,041,968</u>	<u>\$ 4,083,146</u>	<u>\$ (1,929,135)</u>	<u>\$ 79,195,979</u>

Town of Ocean City  
Notes to the Financial Statements

The following is a summary of business-type capital assets activity for the year ended June 30, 2010:

	<u>Beginning Balance</u>	<u>Transfers and Increases</u>	<u>Transfers and Deletions</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 16,390,595	\$ 1,755,496	\$ (4,054,373)	\$ 14,091,718
Construction in progress	<u>1,705,398</u>	<u>137,491</u>	<u>(1,705,398)</u>	<u>137,491</u>
Total capital assets, not being depreciated	18,095,993	1,892,987	(5,759,771)	14,229,209
<i>Capital assets, being depreciated:</i>				
Buildings	92,831,691	1,989,063	(173,979)	94,646,775
Other improvements	4,851,362	47,684	-	4,899,046
Infrastructure	31,674,861	648,651	-	32,323,512
Machinery and equipment	<u>42,569,240</u>	<u>513,926</u>	<u>(273,641)</u>	<u>42,809,525</u>
Total capital assets, being depreciated	<u>171,927,154</u>	<u>3,199,324</u>	<u>(447,620)</u>	<u>174,678,858</u>
<i>Less accumulated depreciation for:</i>				
Buildings	(47,785,976)	(2,360,456)	173,978	(49,972,454)
Other Improvements	(2,862,855)	(107,627)	-	(2,970,482)
Infrastructure	(16,496,217)	(1,072,937)	-	(17,569,154)
Machinery and equipment	<u>(18,659,953)</u>	<u>(1,708,313)</u>	<u>239,550</u>	<u>(20,128,716)</u>
Total accumulated depreciation	<u>(85,805,001)</u>	<u>(5,249,333)</u>	<u>413,528</u>	<u>(90,640,806)</u>
Total capital assets being depreciated, net	<u>86,122,153</u>	<u>(2,050,009)</u>	<u>(34,092)</u>	<u>84,038,052</u>
Business-type activities capital assets, net	<u>\$ 104,218,146</u>	<u>\$ (157,022)</u>	<u>\$ (5,793,863)</u>	<u>\$ 98,267,261</u>

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

General government	\$ 115,424
Public safety	483,145
General public works and beach	1,101,309
Highways and streets	999,263
Sanitation and waste removal	317,240
Economic Development	5,823
Recreation and culture	<u>213,834</u>
	3,236,038
Capital assets held by the Town's internal service funds are charged to the various functions based on usage	<u>2,885,598</u>
Total depreciation – governmental activities	<u>\$ 6,121,636</u>

Depreciation expense was charged to business type activities as follows:

Water fund	\$ 1,420,741
Transportation fund	81,513
Wastewater fund	2,654,841
Convention Center fund	753,225
Airport fund	297,673
Golf Course fund	<u>41,340</u>
Total depreciation – business-type activities	<u>\$ 5,249,333</u>

*Town of Ocean City*  
*Notes to the Financial Statements*

The Town has on-going construction projects as of June 30, 2010. The projects include building improvements, street construction, water and wastewater improvements, and an airplane hangar. At year-end, the Town's obligations with contractor's are as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Street improvements	\$ 50,761	\$ 57,596
Shoreline improvements	8,825	3,950
St. Louis Ave water main design	73,500	21,500
St. Louis Ave wastewater design	51,500	14,500
Convention Center expansion	99,785	383,108
Airplane hangar	<u>37,706</u>	<u>643,655</u>
Total	<u>\$ 322,077</u>	<u>\$ 1,124,309</u>

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

The General Fund made an advance of \$250,000 to the Golf Course Fund, a non-major business-type activity to meet cash flows for operations at year-end. Interfund balances also exist between the General Fund and the Convention Center Fund of \$247,759, for working capital until grant funded expenditures are reimbursed and between the General Fund and internal service funds, the Service Center Fund of \$341,000 to purchase inventory.

Net transfers of \$4,288,477 are shown in the Statement of Activities. A capital asset valued at \$25,874 was transferred from the Water Fund to the General Fund. Transfers were made from (to) the General Fund to subsidize operations, for capital expenditures, and to pay principle on debt.

Water Fund	\$ (25,874)
Transportation Fund	2,459,517
Convention Center Fund	1,546,811
Airport Fund	<u>308,023</u>
Total	<u>\$4,288,477</u>

**Note 8: Long-term Debt**

**A. General Obligation Bonds**

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. The original amount of general obligation bonds issued in prior years was \$99,520,000.

General obligation bonds are direct obligations and pledge the full faith and credit of the Town. These bonds generally are issued as 20-year serial bonds, except for refunding issues or issues less than

*Town of Ocean City  
Notes to the Financial Statements*

\$5 million. All interest is paid semi-annually. General obligation bonds currently outstanding are as follows:

<u>Bond Issue</u>	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Amount Outstanding June 30, 2010</u>
Recreation Complex Bond of 1998	4.64%	\$ 1,200,000	\$ 403,324
Municipal Purpose Bonds of 2001	4.125 – 5.00%	18,500,000	925,000
Municipal Refunding Bonds of 2004	2.00 – 5.00%	31,325,000	14,580,000
Municipal Purpose Bonds of 2005	3.00 – 5.00%	21,050,000	16,985,000
Airport Improvement Bond of 2005	5.43%	1,025,000	886,692
Airport Improvement Bond of 2006	3.50%	4,100,000	3,935,000
Municipal Refunding Bonds of 2007	3.50 – 5.00%	22,320,000	19,640,000
Municipal Refunding Bonds of 2009	2.00 – 4.00%	12,745,000	12,745,000
Airport Improvement Bond of 2010	5.82%	<u>725,000</u>	<u>725,000</u>
Total General Obligation Bonds		112,990,000	70,825,016
Less deferred amounts:			
For issuance premiums		629,236	597,897
On refunding		<u>(2,323,283)</u>	<u>(1,178,242)</u>
Total		<u>\$ 111,295,953</u>	<u>\$ 70,244,671</u>

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

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 2,871,152	\$ 1,203,998	\$ 3,858,257	\$ 1,500,310
2012	2,945,401	1,100,956	3,927,909	1,362,338
2013	2,665,707	994,435	3,885,619	1,220,475
2014	2,758,979	900,900	3,850,615	1,087,974
2015	2,335,697	779,146	4,356,581	887,032
2016-2020	10,215,220	2,588,025	12,513,880	2,754,251
2021-2025	6,205,942	996,263	5,984,056	837,040
2026-2028	1,629,553	88,260	820,448	53,240
Deferred amounts:				
For premiums	223,446	-	374,451	-
On refunding	<u>(277,942)</u>	-	<u>(900,300)</u>	-
Total	<u>\$ 31,573,155</u>	<u>\$ 8,651,983</u>	<u>\$ 38,671,516</u>	<u>\$ 9,702,660</u>

## B. Intergovernmental Loans

The Town has agreements with the State of Maryland Department of Natural Resources for six non-interest bearing loans that financed the construction of bulkheads along the Sinepuxent Bay and a loan from the Maryland Energy Administration for energy efficiency improvements in the Convention Center at an interest rate of 2.0%.

A summary of state loans is as follows:

<u>Loan</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Amount Outstanding June 30, 2010</u>
Soil erosion control 1 <sup>st</sup> Street	2017	-	\$ 106,112	\$ 33,956
Soil erosion control 6 <sup>th</sup> Street	2016	-	71,000	19,880
Soil erosion control Bayshore Drive	2012	-	157,810	21,041
Soil erosion control South Ocean Drive	2023	-	548,115	394,100
Soil erosion control Robin Drive	2026	-	297,171	297,171
Community energy loan program	2013	2.00%	<u>45,132</u>	<u>23,127</u>
Total intergovernmental loans			<u>\$ 1,225,340</u>	<u>\$ 789,275</u>

Town of Ocean City  
Notes to the Financial Statements

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

Year Ending <u>June 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>		<u>Principal</u>	<u>Interest</u>
2011	\$ 45,755		\$ 9,113	\$ 417
2012	54,806		9,297	234
2013	55,814		4,717	950
2014	55,814		-	-
2015	55,814		-	-
2016-2020	262,063		-	-
2021-2025	215,500		-	-
2026	<u>20,582</u>		<u>-</u>	<u>-</u>
Total	<u>\$ 766,148</u>		<u>\$ 23,127</u>	<u>\$ 1,601</u>

C. Notes Payable

The Town issued a 5-year note payable in December 2005 for the purchase of land adjacent to other Town property in the amount of \$1,000,000 with an interest rate of 5.5%. Interest only is due quarterly with the principal due in full in December 2010. In 2007, a grant from the State of Maryland for \$250,000 was applied to principal and in February 2010. In October 2007, the Town purchased an adjacent lot for \$520,000. A payment of \$270,000 was made at settlement and the Town issued a note payable for \$250,000 with an interest rate of 4.5% due in full in 2012. While the notes pledge the full faith and credit of the Town, interest and principal payments are being made from receipts from the inlet parking lot allocated to redevelopment of south Ocean City in conjunction with the Ocean City Development Corporation (OCDC). In February 2010, the Town made principle payments of \$500,000 as recommended by OCDC. At June 30, 2010, the amount outstanding for the two notes was \$500,000.

D. Capitalized Lease Obligations

The Town is committed to a capital lease agreement under which the related equipment will become the property of the Town when all terms of the lease agreements are met. The capital lease was a computer aided dispatch system and record management system for \$1,800,000. The future lease payments, together with the present value of the net minimum lease payments at June 30, 2010, are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2011	\$ 94,156
Less amount representing interest	<u>( 767)</u>
Present value of future minimum lease payments	<u>\$ 93,389</u>

E. Advance refunding of debt and prior years defeasance of debt

On December 3, 2009, the Town issued \$12,745,000 of general obligation refunding bonds at 2.71% to provide funds for the advance refunding of \$12,120,000 of general obligation bonds issued in 2001. The amount of \$13,056,208 was issued to provide resources to purchase direct obligations of the U.S. government that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$13,098,544 of the 2001 general obligation bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net assets. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,150,269. This difference, reported in the accompanying financial

*Town of Ocean City  
Notes to the Financial Statements*

statements as a deduction from bonds payable, is being charged to operations through 2021 using the effective-interest method. This advance refunding was undertaken to reduce total debt service payments over the next 10 years by \$688,883 and resulted in an economic gain of \$670,938, which includes the bond premium.

In prior years, the Town defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. All of the remaining defeased bonds have been refunded. The refundings resulted in a difference between the reacquisition price and the net carrying amount of the old debt, which is being charged to operations through 2018 using the effective-interest method. The unamortized amount of the deferred amount for refunding in prior years and the above advance refunding at June 30, 2010, was (\$277,942) in governmental activities and (\$900,300) in business-type activities.

#### F. Legal Debt Margin

The Town's legal debt margin at June 30, based on 5.2% of assessable property, was \$483,490,348.

#### G. Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the United States Treasury at least every five years. The Town had excess investment earnings on the 2005 General Obligation Bonds and paid \$17,186 for arbitrage rebate for year ended June 30, 2010. The Town has no liability for bonds issued in 2007 and 2009.

#### H. Changes in Long-Term Liabilities

During the year ended June 30, 2010, 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	\$ 30,061,650	\$ 8,488,662	\$ (6,922,661)	\$ 31,627,651	\$ 2,871,152
Intergovernmental loans	502,400	297,171	( 33,423)	766,148	45,755
Note payable	1,000,000	-	(500,000)	500,000	375,000
Capital leases	459,247	-	(365,858)	93,389	93,389
Deferred amounts:					
Bond issuance premium	51,834	180,873	(9,261)	223,446	-
On refunding	<u>114,907</u>	<u>(396,088)</u>	<u>3,239</u>	<u>(277,942)</u>	<u>-</u>
Total long-term debt	32,190,038	8,570,618	(7,827,964)	32,932,692	3,385,296
Claims and losses	<u>3,475,698</u>	<u>961,566</u>	<u>(951,859)</u>	<u>3,485,405</u>	<u>740,544</u>
Governmental activities					
Long-term liabilities	<u>\$ 35,665,736</u>	<u>\$ 9,532,184</u>	<u>\$ (8,779,823)</u>	<u>\$ 36,418,097</u>	<u>\$ 4,125,840</u>

*Town of Ocean City  
Notes to the Financial Statements*

<u>Business-type activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General Obligation Bonds	\$ 45,858,074	\$ 9,081,339	\$ (15,742,048)	\$ 39,197,365	\$ 3,858,257
Intergovernmental loans	32,061	-	(8,934)	\$23,127	9,113
Deferred amounts:					
Bond issuance premium	40,908	344,396	(10,853)	374,451	-
On refunding	<u>(202,246)</u>	<u>(754,181)</u>	<u>56,127</u>	<u>(900,300)</u>	<u>-</u>
Total long-term debt	<u>45,728,797</u>	<u>8,671,554</u>	<u>(15,705,708)</u>	<u>38,694,643</u>	<u>3,867,370</u>
Business-type activities Long-term liabilities	<u>\$ 45,728,797</u>	<u>\$ 8,671,554</u>	<u>\$ (15,705,708)</u>	<u>\$ 38,694,643</u>	<u>\$ 3,867,370</u>

Internal service funds primarily serve the governmental funds, the general fund and, accordingly, their long-term liabilities are included in the above totals for governmental activities. For internal service funds, a capital lease of \$93,389 is included in the above amounts at year-end. The claims and losses liability will be liquidated through the Town's Risk Management internal service fund. (See Note 9.B. below.) That fund will finance the payment of those claims by charging the other funds based on management's assessment of the relative insurance risk that should be assumed by individual funds. Currently, governmental activities assume approximately 80% of insurance cost and business-type activities 20%.

**Note 9: Other Information**

**A. Advances to/from other funds**

Interfund advances of \$250,000 are reported in the general fund. The advance to a nonmajor fund, the golf course fund, has been offset by a reserve of fund balance, as it is not anticipated that the amount will be repaid within one year. The advance is reported as a non-current liability in the statement of net assets of business-type activities.

**B. Risk management**

The Town is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets, errors or omissions, injuries to employees, and acts of God. The Town established the Risk Management Fund (an Internal Service Fund) to account for and finance its uninsured risks of loss. Under this program, the Risk Management Fund provides coverage for up to a maximum of \$250,000 for each general and auto liability claim, \$10,000 for each property claim, and \$600,000 for each workers compensation claim. The Town purchases commercial insurance for claims in excess of these amounts and for all other risks of loss. Settled claims from these risks have not exceeded commercial coverage for the past three fiscal years, and there has not been a reduction in insurance coverage in the past fiscal year.

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

*Town of Ocean City  
Notes to the Financial Statements*

Changes in the Fund's claims liability amount since June 30, 2008 were:

Claims Liability at June 30, 2008	\$ 1,910,781
Current year claims	470,336
Changes in estimates	1,738,027
Claim Payments	<u>(643,446)</u>
Claims Liability at June 30, 2009	\$ 3,475,698
Current year claims	671,832
Changes in estimates	289,734
Claim Payments	<u>(951,859)</u>
Claims Liability at June 30, 2010	<u>\$ 3,485,405</u>

At June 30, 2010, the Risk Management fund had cash and investments of \$3,586,917 to pay claims.

**C. Commitments and contingencies**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally 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 the grantor 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 will not have a material adverse effect on the financial condition of the Town.

**D. Intergovernmental assistance**

In 1995, the Mayor and City Council entered into an agreement with the State of Maryland for the construction, operation, and contributions for the expansion and improvement of the Roland E. Powell Convention Center. Construction costs were shared 50% each by the Town and the State of Maryland. Overall project construction management was through the Maryland Stadium Authority (the Authority). The agreement provides that the Town control and operate the facility. Chapter 603 of the Laws of Maryland of 1995 authorized the Authority to pay 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 year ended June 30, 2010 the amount of the contribution was \$1,457,125.

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 for its share of the expansion and improvement cost of the Roland E. Powell Convention Center, which the County implemented for a 1% tax on the sale of food and beverages. The tax was reduced to 0.5% in 2008 when the Town was authorized to sell an additional \$5 million of bonds for future convention center improvements. Sales tax receipts of \$1,073,776 were \$153,436 less than debt service for year ended June 30, 2010. Cumulative receipts and interest of \$9,667,139 in excess of debt service is shown on the statement of net assets for proprietary funds as net assets, restricted for debt service.

**Note 10: Other Post Employment Benefits (OPEB)**

**A. Plan description**

The Town offers postretirement medical, dental, vision, and prescription coverage for employees in addition to pensions. With the exception of Wastewater Fund employees noted below, the Town provides 80% of such costs for employees who retire after January 1, 1998, with fifteen years of service, and with 25 years of service if hired after July 1, 2006. Retirees may elect coverage for their eligible dependents at 100% of cost. Wastewater Fund employees who transferred to the Town from Worcester County in 1994 receive coverage for retirees and their dependents which the Town pays 90% of costs.

*Town of Ocean City*  
*Notes to the Financial Statements*

In 2008, the Town established trust fund to provide for retiree health insurance benefits. The Other Post employment Benefits Trust (OPEB Trust) is a single employer defined benefit healthcare 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 is governed by a Board of Trustees whose members are the Trustees of the Town's Pension Plans. Separate financial statements are not issued for the OPEB Trust.

Plan membership at June 30, 2010 consisted of the following:

Active employees		545
Retirees and beneficiaries receiving benefits		<u>92</u>
	Total	<u>637</u>

*Funding policy and contributions*

The City Council has the authority to establish and amend contribution requirements of the plan members and the Town. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined biannually by an actuarial valuation. For the fiscal year 2010, the Town contributed \$3,104,000 to the plan, including \$486,168 for current premiums, 84% of total premiums, and an additional \$2,617,832 to prefund benefits. Plan members receiving benefits contributed \$92,494, or 16% of total premiums through their required contribution.

**B. Annual OPEB cost and net OPEB obligation**

The Town's annual OPEB cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the methodology of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liability over a period up to thirty years. The ARC for FY10 was based on an actuarial valuation for fiscal year ended June 30, 2009, dated March 31, 2009. The ARC and the net OPEB obligation as of June 30, 2009 and June 30, 2010 is as follows:

		<u>2009</u>	<u>2010</u>
Annual required contribution (ARC)		\$ 3,104,000	\$ 3,104,000
Contribution made	100%	(3,104,000)	(3,104,000)
Net OPEB obligation		<u>\$ -</u>	<u>\$ -</u>

**C. Funding Status and Funding Progress**

As of June 30, 2009, the plan was 9.5 percent funded. The actuarial accrued liability for benefits was \$28,958,000 and the actuarial value of assets, at market, was \$2,751,277, resulting in an unfunded actuarial liability (UAAL) of \$26,206,723. The covered payroll (annual payroll of active employees covered by the plan) was \$34,660,410, and the ratio of the UAAL to the covered payroll was 75.6 percent.

As of June 30, 2010, the plan was 18 percent funded. The actuarial accrued liability for benefits was \$28,958,000 and the actuarial value of assets, at market, was \$5,209,649, resulting in an UAAL of \$23,748,351. The covered payroll was \$31,636,694, and the ratio of the UAAL to the covered payroll was 75.1 percent.

The actuarial valuation of the OPEB plan is performed using estimates of the value of reported amounts and assumptions about the probability of the occurrence of events in the future including assumptions about future employment, mortality, and healthcare costs. The actuarially determined amounts regarding the funded status of the OPEB plan and the ARC of the Town are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The Town made 100% of the ARC for fiscal years 2009 and 2010, the first and second years of the plan.

*D. Actuarial Methods and Assumptions*

The calculations of projected benefits are based on the terms of the OPEB plan in effect at the time of the valuation and on the historical pattern of sharing costs between the employer and retired plan members to that point. The actuarial calculations reflect a long-term perspective and the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in the actuarial accrued value of assets.

Actuarial assumptions used in the actuarial valuation were:

Valuation date	March 31, 2009
Actuarial method	Projected unit credit
Amortization method	Level percentage of projected payroll
Amortization period	30 years, open gain/loss
Investment rate of return	7.5%
Asset valuation method	Fair value of assets at year end
Salary scale	4.0%
Mortality	1994 Group Annuity Mortality Table
Health care cost trend rates:	Initial 9.5%
	Ultimate 5.2%

***Note 11: Employee Retirement Systems***

The Town contributes to two single employer pension plans in which all eligible employees participate, the Employees of Ocean City, Maryland Pension Plan and Trust (PERS) and the Ocean City, Maryland Public Safety Employees Pension Plan and Trust (PSEPP) with the exception of Wastewater Fund employees who were transferred to the Town from the Worcester County Department of Water and Wastewater Services. The transfer agreement between the Town and the Worcester County Commissioners requires that the Town contribute to a multi-employer cost sharing plan to permit the 41 transferred wastewater employees to continue to participate in a mandatory contributory defined benefit plan administered by Nationwide Financial Company for County water and wastewater employees. The plan had assets in excess of the pension benefit obligation as of June 30, 2009. The investments of the plans represent primarily U.S. Government securities and commercial paper.

*Summary of Significant Accounting Policies:* The accounts of the plans, including benefits and refunds, are maintained using the accrual basis of accounting. Contributions are recognized in the period in which the contributions are due and the Town has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The investments are reported at fair value based on published securities data. The actuarial method for valuing the assets is 5-year smoothed market value.

*Trend Information:* Trend information gives an indication of progress made in accumulating sufficient assets to pay benefits when due. Trend information is presented following the information presented for the two plans. Based on an experience study completed in December 2009, there were changes to actuarial assumptions during the valuation year ended March 31, 2010 for each plan. Also, beginning April 1, 2009, actuarial value of assets reflects a five-year phase-in of expected return vs. actual return. Prior to that date, the actuarial value of assets was set to market value.

Town of Ocean City  
Notes to the Financial Statements

The condensed financial statements of the plans are as follows:

**Condensed Statement of Net Assets**

	General Employees <u>Pension Fund</u>	Public Safety Employees <u>Pension Fund</u>	<u>Total</u>
Assets:			
Cash and receivables	\$ 1,075,101	\$ 861,562	\$ 1,936,663
Investments	<u>29,752,710</u>	<u>29,346,146</u>	<u>59,098,856</u>
Total assets	<u>30,827,811</u>	<u>30,207,708</u>	<u>61,035,519</u>
Liabilities:			
Total liabilities	<u>-</u>	<u>793,178</u>	<u>793,178</u>
Net Assets:			
Held in trust for pension benefits	<u>\$ 30,827,811</u>	<u>\$ 29,414,530</u>	<u>\$ 60,242,341</u>

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

	General Employees <u>Pension Fund</u>	Public Safety Employees <u>Pension Fund</u>	<u>Total</u>
Additions:			
Contributions	\$ 3,457,753	\$ 3,762,637	\$ 7,220,390
Investment income	<u>3,585,354</u>	<u>3,506,238</u>	<u>7,091,592</u>
Total additions	7,043,107	7,268,875	14,311,982
Deductions:			
Benefits and refunds paid	1,054,507	1,610,363	2,664,870
Administrative expenses	<u>70,121</u>	<u>63,295</u>	<u>133,416</u>
Total deductions	1,124,628	1,673,658	2,798,286
Change in net assets	<u>5,918,479</u>	<u>5,595,217</u>	<u>11,513,696</u>
Net Assets - beginning of year	<u>24,909,332</u>	<u>23,819,313</u>	<u>48,728,645</u>
Net Assets - end of year	<u>\$ 30,827,811</u>	<u>\$ 29,414,530</u>	<u>\$ 60,242,341</u>

**A. General Employees Pension Plan (PERS)**

*1. Plan description*

Per Code Chapter §C-1006 of the Town of Ocean City, the Trustees of Employees of Ocean City, Maryland Pension Plan (PERS) function as the investment and administrative agent for the Town with respect to the single-employer defined benefit plan. The plan covers all non-public safety employees and wastewater employees hired after July 1, 1994. The pension plan provides retirement, disability, and death benefits. A member may retire at age 55 with 10 years of continuous service (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 plan provides retirement benefits which are a monthly income payable for life in an amount equal to 50% of final average monthly compensation reduced 1/30th for each year of service less than 30. Final benefit is based on average compensation of the three highest consecutive years in the last ten

years prior to retirement. The benefit is unreduced at age 55 with 30 years of service. Full-time employees participate immediately at hire. Participants contribute 5% of pay. Any pre-April 1, 1996 participant whose retirement benefit was not increased by a benefit formula change made in October 2004 will receive an additional annuity equal in value to 130% of their accumulated employee contributions with interest. Additionally, retiring employees receive one month of additional service credit for each 176 hours of unused sick leave for the benefit amount, not retirement eligibility, with a credit assumption equal to 1% of other service.

*2: Funding policy and contributions*

Funding policy for the PERS provides for annual Town contributions based upon actuarial valuations. The contribution and actuarial accrued liability is determined using the projected unit credit actuarial cost method. All administrative costs are paid by the PERS. At April 1, 2010, the plan's actuarial value of assets was \$34,048,462, using a five-year phase-in smoothing of expected versus actual return. The market value of the assets was \$32,955,843. The actuarial accrued liability was \$44,188,307. The unfunded actuarial liability was \$10,139,845. The plan was 77.05% funded. The annual covered payroll was \$19,517,323 and the unfunded actuarial liability was 51.95% of covered payroll. The significant actuarial assumptions used to compute the actuarially determined contribution requirement are the same as those used to compute the actuarial accrued liability.

The contribution to the PERS for 2010 of \$2,472,916 was made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of April 1, 2009 and represented 12.0% of covered payroll. Employee contributions of 5% of pay totaled \$984,343. Significant actuarial assumptions used in the valuation included (a) a rate of return on the investment of present and future assets of 7.5% a year compounded annually, (b) projected salary increases of 3% a year compounded annually, attributable to inflation, (c) additional projected salary increases of 7% annually for the first five years, 4% for years 5-10 and 2% annually thereafter, attributable to seniority/merit, and (c) no post-retirement benefit increases. The mortality assumption is the RP2000 Combined Healthy No-Collar Table projected to 2010, separate for males and females. The actuarial value of assets reflects a five-year phase-in of actual versus expected result.

The amortization of the unfunded liability is 10-year, level percent of pay, open gain/loss except for losses due to plan changes, which are amortized over 20 years. The Town has contributed 100% of the required contribution for the past three years. The contribution was \$2,472,916, \$2,474,479, and \$2,348,529 for the years ended June 30 for 2010, 2009 and 2008, respectively. The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

## **B. Public Safety Employees Pension Plan (PSEPP)**

*1. Plan description*

All of the Town's full-time police officers, firefighter/emergency medical technicians, fire marshals and communication employees participate in the Public Safety Employees Pension Plan (PSEPP), a single-employer, defined benefit pension plan. The plan provides retirement, disability, and death benefits. A member may retire at age 55 with 10 years of continuous service (reduced early retirement), at age 65 (normal retirement), after completion of 25 years of service (unreduced 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.

*Town of Ocean City*  
*Notes to the Financial Statements*

Normal retirement benefits are a monthly income payable for life in an amount equal to 60% of final average monthly compensation reduced 1/15th for each year of service less than 15 at normal retirement date for employees hired before April 1, 1996. For employees hired after that date benefit formula is 60% of final average compensation reduced for years of service less than 25 at exit age. Employees hired before April 1, 1996, receive the benefit under whichever formula produces the largest benefit. Final benefit is based on average compensation of the three highest consecutive years in the last ten years prior to retirement. Retiring employees receive one month of additional service credit for each 176 hours of unused sick leave for the benefit amount, not retirement eligibility, with a credit assumption equal to 3% of other service. There were changes to actuarial assumptions during the valuation year ended March 31, 2010 based on an experience study completed in December 2009.

*2. Funding policy and contributions*

Annual Town contributions are based upon the PSEPP trust agreement that requires the Town to make remaining actuarially determined periodic contributions using the projected unit credit actuarial cost method. All administrative costs are paid by the PERS. At April 1, 2010, the plan's actuarial value of assets was \$32,552,514, using a five-year phase-in smoothing of expected versus actual return. The market value of assets was \$31,589,392. The actuarial accrued liability was \$45,893,274 and the unfunded actuarial liability was \$13,340,760. The plan was 70.93% funded. The annual covered payroll was \$12,119,371 and the unfunded actuarial liability was 110.08% of covered payroll. The significant actuarial assumptions used to compute the actuarially determined contribution requirement are the same as those used to compute the actuarial accrued liability.

Employer contributions totaling \$2,771,852 were made in 2010 in accordance with actuarially determined requirements computed through an actuarial valuation performed as of April 1, 2009, and represented 23.0% of current covered payroll. Participants are required to contribute 8% of pay. Employee contributions totaled \$990,725. Significant actuarial assumptions used in the valuation included (a) a rate of return on the investment of present and future assets of 7.5% a year compounded annually, (b) projected salary increases of 3% a year compounded annually, attributable to inflation, (c) additional projected salary increases of 7% annually for the first five years, 4% for years 5-10 and 2% annually thereafter, attributable to seniority/merit, and (d) no post-retirement benefit increases, (e) the RP2000 Combined Healthy No-Collar Table mortality assumption projected to 2010 separate for males and females. The actuarial value of assets reflects a five-year phase-in of actual versus expected result.

The amortization of the unfunded liability is 10-year, level percent of pay, open gain/loss except for losses due to plan changes, which are amortized over 20 years. The Town has contributed 100% of the required contribution for the past three years. The contribution was \$2,771,852, \$2,721,333, and \$2,709,034 for the years ended June 30 for 2010, 2009 and 2008, respectively. The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**C. Cost Sharing Multiple-Employer Pension Plan**

*1. Plan description*

Wastewater employees who transferred to the Town from Worcester County participate in a mandatory contributory defined benefit plan managed by the County and administered by Nationwide Financial Company. The financial information for the plan is included in the Worcester County Financial Report. The report may be obtained at the Office of the Treasurer, 1 W. Market Street, Snow Hill, Maryland, 21863.

For the plan year ended June 30, 2010, the total covered payroll was \$1,216,838. The pension plan provides pension, death, and disability benefits. Normal retirement age is 65. Early retirement, with reduced benefits, may be taken at age 55 with the completion of 10 years of service. An employee is fully vested after five years of service.

*2. Funding policy*

Plan members are required to contribute 4% of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The rate for the fiscal year 2010 contribution was 7.23% of annual covered payroll. The contribution requirements of plan members and the Town is established and may be amended by the County Commissioners of Worcester County.

The actuarial accrued liability was computed as part of an actuarial valuation performed as of July 1, 2009. The County's plan does not make separate measurement of assets and actuarial accrued liability for individual employers. The actuarial accrued liability at July 1, 2009, for the plan as a whole, determined by an actuarial valuation performed on that date, was \$4,338,399. The actuarial value of assets, at fair value, as of that date was \$6,219,138 with assets in excess of the actuarial accrued liability by \$1,880,739.

*3. Annual pension cost and three-year trend information*

In addition to employee contributions of 4% of annual salary, the Town makes actuarially determined periodic contributions to the plan using the aggregate cost method. There were no changes in actuarial assumptions or benefit provisions that significantly affected the valuation of the actuarial accrued liability during fiscal year 2010.

Employee contributions totaled \$51,168. The Town's actuarially determined contribution as the employer was \$88,033 or 7.23% of covered payroll for the plan year beginning July 1, 2009. This contribution covers the Town's total liability for funding, as determined by Worcester County. The Town's contribution for its employees represents 50.1% of the actuarially determined contribution requirement for all employers. The Town does not have any unfunded actuarial accrued liability with respect to this plan. The Town has contributed 100% of the required contribution for the past three years. The contribution was \$88,033, \$113,022, and \$116,304 for the years ended June 30 for 2010, 2009 and 2008, respectively.



***PENSION TRUST FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION***

Schedules of Funding Progress

Schedules of Employer Contributions

TOWN OF OCEAN CITY  
GENERAL EMPLOYEE PENSION FUND  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS  
2001 - 2010

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
4/1/2010	\$ 34,048,462	\$ 44,188,307	\$ 10,139,845	77.1 %	\$ 19,517,323	52.0 %
4/1/2009	30,699,087 *	42,734,316	12,035,229	71.8	20,595,416	58.4
4/1/2008	28,220,231	39,178,031	10,957,800	72.0	20,666,347	53.0
4/1/2007	26,243,723	35,094,768	8,851,045	74.8	19,043,583	46.5
4/1/2006	20,938,052	30,856,957	9,918,905	67.9	17,475,494	56.8
4/1/2005	16,126,315	25,982,098	9,855,783	62.1	14,427,102	68.3
4/1/2004(1)	13,571,986	23,687,917	10,115,931	57.3	13,780,405	73.4
4/1/2003	9,823,084	14,696,821	4,873,737	66.8	12,831,139	38.0
4/1/2002	10,288,830	13,303,464	3,014,634	77.3	12,216,780	24.7
4/1/2001	9,586,990	11,930,884	2,343,894	80.4	11,233,664	20.9

Source: "The Employees of Ocean City, Maryland Pension Plan Actuarial Valuation for the Plan Year Beginning April 1, 2010", William M. Mercer, Inc..

(1) In 2004, the benefit formula was changed, see Note 10a.

\*Actuarial value of assets was set equal to market value prior to April 1, 2009, actuarial value of assets reflects a five-year phase-in of expected vs. actual return.

TOWN OF OCEAN CITY  
GENERAL EMPLOYEE PENSION FUND  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
2001 - 2010

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2010	\$ 2,472,916	100%
2009	2,474,479	100%
2008	2,348,529	100%
2007	2,255,718	100%
2006	1,969,055	100%
2005	1,671,266	100%
2004	1,519,435	100%
2003	1,058,140	100%
2002	908,973	100%
2001	664,214	100%

TOWN OF OCEAN CITY  
PUBLIC SAFETY EMPLOYEE PENSION FUND  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS  
2001 - 2010

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
4/1/2010	\$ 32,552,514	\$ 45,893,274	\$ 13,340,760	70.9 %	\$ 12,119,371	110.1 %
4/1/2009	29,568,757 *	43,434,805	13,866,048	68.1	12,064,994	114.9
4/1/2008	27,416,007	39,492,370	12,076,363	69.4	11,367,218	106.2
4/1/2007	25,595,150	35,149,787	9,554,637	72.8	10,742,790	88.9
4/1/2006	20,488,803	29,572,838	9,084,035	69.3	10,133,931	89.6
4/1/2005	16,444,865	22,320,763	5,875,898	73.7	8,236,439	71.3
4/1/2004	14,591,505	18,831,022	4,239,517	77.5	7,595,561	55.8
4/1/2003	10,457,554	17,068,738	6,611,184	61.3	7,131,592	92.7
4/1/2002	11,268,287	16,319,019	5,050,732	69.1	6,540,995	77.2
4/1/2001	10,298,987	13,658,663	3,359,676	75.4	6,702,342	50.1

Source: "Ocean City, Maryland Public Safety Employees Pension Plan Actuarial Valuation Report for the Plan Year Beginning April 1, 2010", William M. Mercer, Inc.

\*Actuarial value of assets was set equal to market value prior to April 1, 2009, actuarial value of assets reflects a five-year phase-in of expected vs. actual return.

TOWN OF OCEAN CITY  
PUBLIC SAFETY EMPLOYEE PENSION FUND  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
2001 - 2010

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2010	\$ 2,771,852	100%
2009	2,721,333	100%
2008	2,709,034	100%
2007	2,371,215	100%
2006	1,569,865	100%
2005	1,094,655	100%
2004	1,368,283	100%
2003	836,816	100%
2002	660,998	100%
2001	406,008	100%



## ***NONMAJOR GOVERNMENTAL FUNDS***

### ***CAPITAL PROJECTS FUNDS***

The Capital Projects Funds account for all resources used for the acquisition and/or construction of capital facilities by the Town except those financed by Enterprise Funds.

The following activities of the Town are reported in this section:

#### **PUBLIC SAFETY**

To account for the construction of a fire house and building improvements used for public safety activities financed by the sale of bonds, federal grants, and general fund contribution.

#### **BUILDINGS AND GROUNDS**

To account for the construction of a solid waste transfer station, municipal buildings funded from bond proceeds, parking lot revenue, donations and general fund contribution.

#### **STREET IMPROVEMENTS**

To account for the construction and major renovation of streets funded by state grants, bond proceeds, and general fund contribution.

#### **RECREATION IMPROVEMENTS**

To account for park improvements and shoreline stabilization projects funded by state grants, bond proceeds and general fund contribution.

TOWN OF OCEAN CITY  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2010

	Capital Projects				Total
	Public Safety	Buildings & Grounds	Street Improvements	Recreation Improvements	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 21,319	\$ 778	\$ 96,623	\$ 14,036	\$ 132,756
Investments	3,077	704,582	129,468	419	837,546
Intragovernmental receivable	-	3,950	-	-	3,950
Interest receivable	-	85	-	-	85
<b>Total assets</b>	<b>\$ 24,396</b>	<b>\$ 709,395</b>	<b>\$ 226,091</b>	<b>\$ 14,455</b>	<b>\$ 974,337</b>
<b>LIABILITIES</b>					
Accounts payables	\$ -	\$ 1,975	\$ 340	\$ -	\$ 2,315
<b>Total liabilities</b>	<b>-</b>	<b>1,975</b>	<b>340</b>	<b>-</b>	<b>2,315</b>
<b>FUND BALANCE</b>					
Restricted for capital projects	2,753	-	96,623	30,614	129,990
Committed for encumbrances	-	3,950	57,596	-	61,546
Committed for capital projects	21,643	703,470	71,532	(16,159)	780,486
<b>Total fund balances</b>	<b>24,396</b>	<b>707,420</b>	<b>225,751</b>	<b>14,455</b>	<b>972,022</b>
<b>Total liabilities and fund balances</b>	<b>\$ 24,396</b>	<b>\$ 709,395</b>	<b>\$ 226,091</b>	<b>\$ 14,455</b>	<b>\$ 974,337</b>

TOWN OF OCEAN CITY  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Capital Projects				Total
	Public Safety	Buildings & Grounds	Street Improvements	Recreation Improvements	
<b>REVENUES</b>					
Charges for current services	\$ -	\$ 300,375	\$ -	\$ -	\$ 300,375
Revenue from other agencies	-	3,950	-	-	3,950
Other revenue	135	1,598	1,005	-	2,738
<b>Total revenues</b>	<u>135</u>	<u>305,923</u>	<u>1,005</u>	<u>-</u>	<u>307,063</u>
<b>EXPENDITURES</b>					
Current:					
Operating expenses	965	8,875	42,447	-	52,287
Capital outlay	12,094	45,692	8,314	8,472	74,572
<b>Total expenditures</b>	<u>13,059</u>	<u>54,567</u>	<u>50,761</u>	<u>8,472</u>	<u>126,859</u>
Excess (deficiency) of revenues over(under) expenditures	<u>(12,924)</u>	<u>251,356</u>	<u>(49,756)</u>	<u>(8,472)</u>	<u>180,204</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in:					
General Fund	106	43,291	-	210	43,607
Transfers out:					
Capital projects funds	-	(544,643)	(667)	-	(545,310)
<b>Total other financing sources and (uses)</b>	<u>106</u>	<u>(501,352)</u>	<u>(667)</u>	<u>210</u>	<u>(501,703)</u>
Net change in fund balances	(12,818)	(249,996)	(50,423)	(8,262)	(321,499)
Fund balances at beginning of year	37,214	957,416	276,174	22,717	1,293,521
Fund balances at end of year	<u>\$ 24,396</u>	<u>\$ 707,420</u>	<u>\$ 225,751</u>	<u>\$ 14,455</u>	<u>\$ 972,022</u>



## ***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 are 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 in this section:

### **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  
 COMBINING STATEMENT OF NET ASSETS  
 NONMAJOR ENTERPRISE FUNDS  
 JUNE 30, 2010

	Business-type Activities - Enterprise Funds		
	Airport	Golf Course	Total
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 2,864	\$ 4,780	\$ 7,644
Investments	72,400	45,627	118,027
Receivables, net	17,092	120,644	137,736
Interest receivable	546	-	546
Intergovernmental receivable	22,411	219	22,630
Inventories	73,216	82,126	155,342
Other	6,676	2,500	9,176
Total current assets	<u>195,205</u>	<u>255,896</u>	<u>451,101</u>
Noncurrent assets:			
Restricted investments	3,471,335	-	3,471,335
Capital assets:			
Land	1,174,102	2,530,140	3,704,242
Buildings	3,860,729	634,150	4,494,879
Other improvements	-	627,874	627,874
Streets and infrastructure	5,900,380	-	5,900,380
Machinery and equipment	164,637	552,564	717,201
Construction in progress	37,706	-	37,706
Less accumulated depreciation	(5,368,221)	(1,493,843)	(6,862,064)
Total noncurrent assets	<u>9,240,668</u>	<u>2,850,885</u>	<u>12,091,553</u>
Total assets	<u>9,435,873</u>	<u>3,106,781</u>	<u>12,542,654</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	233,003	43,033	276,036
Accrued expenses	20,049	28,006	48,055
Compensated absences	9,827	36,028	45,855
Deferred revenue	2,783,581	46,730	2,830,311
Current portion of long-term debt	55,313	-	55,313
Total current liabilities	<u>3,101,773</u>	<u>153,797</u>	<u>3,255,570</u>
Noncurrent liabilities:			
Advanced from other funds	-	250,000	250,000
Bonds, notes, and loans payable	1,556,381	-	1,556,381
Total noncurrent liabilities	<u>1,556,381</u>	<u>250,000</u>	<u>1,806,381</u>
Total liabilities	<u>4,658,154</u>	<u>403,797</u>	<u>5,061,951</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	4,845,868	2,850,885	7,696,753
Unrestricted	(68,149)	(147,901)	(216,050)
Total net assets	<u>\$ 4,777,719</u>	<u>\$ 2,702,984</u>	<u>\$ 7,480,703</u>

TOWN OF OCEAN CITY  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
 NONMAJOR ENTERPRISE FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Airport</u>	<u>Golf Course</u>	<u>Total</u>
Operating revenues:			
Charges for sales and services	\$ 837,533	\$ 1,979,205	\$ 2,816,738
Total operating revenues	<u>837,533</u>	<u>1,979,205</u>	<u>2,816,738</u>
Operating expenses:			
Personal services	356,799	1,009,926	1,366,725
Contractual services	143,545	244,799	388,344
Utilities	42,603	57,598	100,201
Repairs and maintenance	40,249	53,584	93,833
Other supplies and expenses	394,669	399,569	794,238
Internal services	123,543	171,372	294,915
Depreciation	297,673	41,340	339,013
Total operating expenses	<u>1,399,081</u>	<u>1,978,188</u>	<u>3,377,269</u>
Operating income (loss)	<u>(561,548)</u>	<u>1,017</u>	<u>(560,531)</u>
Nonoperating revenues (expenses)			
Interest and investment revenue	257	301	558
Interest expense	(50,457)	-	(50,457)
Gain on disposal of assets	-	45,627	45,627
Total nonoperating revenues (expenses)	<u>(50,200)</u>	<u>45,928</u>	<u>(4,272)</u>
Income (loss) before contributions and transfers	(611,748)	46,945	(564,803)
Capital contributions	49,157	-	49,157
Transfers in	308,023	-	308,023
Change in net assets	<u>(254,568)</u>	<u>46,945</u>	<u>(207,623)</u>
Total net assets - beginning	<u>5,032,287</u>	<u>2,656,039</u>	<u>7,688,326</u>
Total net assets - ending	<u>\$ 4,777,719</u>	<u>\$ 2,702,984</u>	<u>\$ 7,480,703</u>

TOWN OF OCEAN CITY  
 COMBINING STATEMENT OF CASH FLOWS  
 NONMAJOR ENTERPRISE FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Airport	Golf Course	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers and users	\$ 843,184	\$ 2,009,307	\$ 2,852,491
Payments to suppliers	(606,993)	(723,407)	(1,330,400)
Payments to employees	(358,577)	(1,007,552)	(1,366,129)
Payments for interfund services used	(120,935)	(202,576)	(323,511)
Net cash provided (used) by operating activities	(243,321)	75,772	(167,549)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Transfers from other funds	308,023	-	308,023
Net cash provided by noncapital financing activities	308,023	-	308,023
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Cash received from other government agencies	53,519	-	53,519
Acquisition and construction of capital assets	(59,087)	-	(59,087)
Proceeds from bond issue	725,000	-	725,000
Principal paid on capital debt	(34,784)	-	(34,784)
Interest paid on capital debt and leases	(49,336)	(33,942)	(83,278)
Net cash provided (used) by capital and related financing activities	635,312	(33,942)	601,370
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of investments	(731,617)	(45,627)	(777,244)
Interest and dividends received	914	301	1,215
Net cash used by investing activities	(730,703)	(45,326)	(776,029)
Net decrease in cash and cash equivalents	(30,689)	(3,496)	(34,185)
Cash and cash equivalents at beginning of the year	33,553	8,276	41,829
Cash and cash equivalents at end of the year	\$ 2,864	\$ 4,780	\$ 7,644

(Continued)

TOWN OF OCEAN CITY  
 COMBINING STATEMENT OF CASH FLOWS (Continued)  
 NONMAJOR ENTERPRISE FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Airport	Golf Course	Total
<b>RECONCILIATION OF OPERATING INCOME(LOSS) TO NET CASH PROVIDED BY OPERATIONS</b>			
Operating income (loss)	\$ (561,548)	\$ 1,017	\$ (560,531)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	297,673	41,340	339,013
<b>EFFECT OF CHANGES IN OPERATING ASSETS &amp; LIABILITIES:</b>			
Accounts Receivable	5,651	28,248	33,899
Inventories	(22,901)	(5,792)	(28,693)
Prepaid expenses	(6,676)	-	(6,676)
Compensated absences	(2,177)	2,097	(80)
Accounts payable	46,258	6,731	52,989
Accrued expenses	399	277	676
Deferred revenue	-	1,854	1,854
Total adjustments	318,227	74,755	392,982
Net cash provided (used) by operating activities	\$ (243,321)	\$ 75,772	\$ (167,549)

**NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES**

Transfer of Asset	\$ -	\$ (4,054,374)	\$ (4,054,374)
Transfer of debt	-	4,100,000	4,100,000
Gain on Disposal of Asset	-	45,627	45,627



## ***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 in this section:

### **INFORMATION TECHNOLOGY**

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

### **VEHICLE AND EQUIPMENT TRUST FUND**

To account for costs of acquiring vehicles and equipment used by other city 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 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 program.

TOWN OF OCEAN CITY  
 COMBINING STATEMENT OF NET ASSETS  
 INTERNAL SERVICE FUNDS  
 JUNE 30, 2010

	Information Technology	Service Center	Vehicle & Equipment Trust	Risk Management	Total
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 1,349	\$ 385	\$ 4,880	\$ 706,641	\$ 713,255
Investments	100,000	-	1,365,382	2,880,276	4,345,658
Receivables, net	25	-	-	-	25
Interest receivable	-	-	-	10,558	10,558
Inventories	-	963,493	-	-	963,493
Total current assets	<u>101,374</u>	<u>963,878</u>	<u>1,370,262</u>	<u>3,597,475</u>	<u>6,032,989</u>
Noncurrent assets:					
Capital assets:					
Buildings	-	1,373,223	73,860	-	1,447,083
Other improvements	-	31,545	-	-	31,545
Machinery and equipment	609,957	184,154	36,250,053	-	37,044,164
	609,957	1,588,922	36,323,913	-	38,522,792
Less accumulated depreciation	(601,306)	(1,096,606)	(27,205,628)	-	(28,903,540)
Total capital Assets	<u>8,651</u>	<u>492,316</u>	<u>9,118,285</u>	<u>-</u>	<u>9,619,252</u>
Total noncurrent assets	<u>8,651</u>	<u>492,316</u>	<u>9,118,285</u>	<u>-</u>	<u>9,619,252</u>
Total assets	<u>110,025</u>	<u>1,456,194</u>	<u>10,488,547</u>	<u>3,597,475</u>	<u>15,652,241</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	19,935	141,470	20,669	87,338	269,412
Accrued expenses	23,206	40,955	294	11,197	75,652
Compensated absences	29,050	68,892	-	13,535	111,477
Due to other funds	-	341,000	-	-	341,000
Claims and judgments	-	-	-	740,544	740,544
Current portion of long-term debt	-	-	93,389	-	93,389
Total current liabilities	<u>72,191</u>	<u>592,317</u>	<u>114,352</u>	<u>852,614</u>	<u>1,631,474</u>
Noncurrent liabilities:					
Claims and judgments	-	-	-	2,744,861	2,744,861
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,744,861</u>	<u>2,744,861</u>
Total liabilities	<u>72,191</u>	<u>592,317</u>	<u>114,352</u>	<u>3,597,475</u>	<u>4,376,335</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	8,651	492,316	9,024,896	-	9,525,863
Unrestricted	29,183	371,561	1,349,299	-	1,750,043
Total net assets	<u>\$ 37,834</u>	<u>\$ 863,877</u>	<u>\$ 10,374,195</u>	<u>\$ -</u>	<u>\$ 11,275,906</u>

TOWN OF OCEAN CITY  
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
 INTERNAL SERVICE FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Information Technology	Service Center	Vehicle & Equipment Trust	Risk Management	Total
Operating revenues:					
Charges for sales and services	\$ 1,926,496	\$ 4,360,724	\$ 2,717,011	\$ 2,116,395	\$ 11,120,626
Total operating revenues	<u>1,926,496</u>	<u>4,360,724</u>	<u>2,717,011</u>	<u>2,116,395</u>	<u>11,120,626</u>
Operating expenses:					
Personal services	986,844	1,703,101	-	220,812	2,910,757
Contractual services	41,471	8,073	80,297	959,338	1,089,179
Utilities	32,376	60,422	-	901	93,699
Repairs and maintenance	656,389	69,638	-	2,058	728,085
Other supplies and expenses	224,928	2,427,262	2,548	2,238	2,656,976
Internal services	63,389	287,327	502,114	93,270	946,100
Insurance claims and expenses	-	-	-	963,128	963,128
Depreciation	12,976	47,655	2,824,967	-	2,885,598
Total operating expenses	<u>2,018,373</u>	<u>4,603,478</u>	<u>3,409,926</u>	<u>2,241,745</u>	<u>12,273,522</u>
Operating loss	<u>(91,877)</u>	<u>(242,754)</u>	<u>(692,915)</u>	<u>(125,350)</u>	<u>(1,152,896)</u>
Nonoperating revenues (expenses)					
Interest and investment revenue	-	-	-	125,350	125,350
Interest expense	-	-	(9,606)	-	(9,606)
Gain on disposal of assets	-	-	81,016	-	81,016
Total nonoperating revenues	<u>-</u>	<u>-</u>	<u>71,410</u>	<u>125,350</u>	<u>196,760</u>
Loss before contributions and transfers	(91,877)	(242,754)	(621,505)	-	(956,136)
Capital contributions	-	-	50,812	-	50,812
Transfers out	-	-	(592,948)	-	(592,948)
Change in net assets	<u>(91,877)</u>	<u>(242,754)</u>	<u>(1,163,641)</u>	<u>-</u>	<u>(1,498,272)</u>
Total net assets - beginning, as previously reported	<u>129,711</u>	<u>1,106,631</u>	<u>11,537,836</u>	<u>-</u>	<u>12,774,178</u>
Total net assets - ending	<u>\$ 37,834</u>	<u>\$ 863,877</u>	<u>\$ 10,374,195</u>	<u>\$ -</u>	<u>\$ 11,275,906</u>

TOWN OF OCEAN CITY  
 COMBINING STATEMENT OF CASH FLOWS  
 INTERNAL SERVICE FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Information Technology
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Receipts from customers and users	\$ 1,926,472
Payments to suppliers	(963,435)
Payments to employees	(984,696)
Payments for interfund services used	(63,389)
	(85,048)
Net cash provided (used) by operating activities	(85,048)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Advances from other funds	-
Advances to other funds	-
Transfers to other funds	-
	-
Net cash provided (used) by noncapital financing activities	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Proceeds from capital grant	-
Acquisition and construction of capital assets	-
Interest paid on capital debt and leases	-
Capital lease payment	-
Proceeds from sales of capital assets	-
	-
Net cash used by capital and related financing activities	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Proceeds from sales and maturities of investments	-
Purchase of investments	75,000
Interest and dividends received	-
	75,000
Net cash provided (used) by investing activities	75,000
Net increase (decrease) in cash and cash equivalents	(10,048)
Cash and cash equivalents at beginning of the year	11,397
Cash and cash equivalents at end of the year	\$ 1,349

(Continued)

Service Center	Vehicle & Equipment Trust	Risk Management	Total
\$ 4,360,724	\$ 2,717,011	\$ 2,116,395	\$ 11,120,602
(2,556,060)	(82,845)	(1,899,229)	(5,501,569)
(1,706,238)	-	(226,870)	(2,917,804)
(287,327)	(502,114)	(93,270)	(946,100)
(188,901)	2,132,052	(102,974)	1,755,129
181,000	-	-	181,000
-	-	(50,000)	(50,000)
-	(592,948)	-	(592,948)
181,000	(592,948)	(50,000)	(461,948)
-	50,812	-	50,812
-	(399,228)	-	(399,228)
-	(10,756)	-	(10,756)
-	(365,859)	-	(365,859)
-	64,843	-	64,843
-	(660,188)	-	(660,188)
-	-	6,067,792	6,067,792
-	(890,382)	(5,371,288)	(6,186,670)
-	8,070	153,085	161,155
-	(882,312)	849,589	42,277
(7,901)	(3,396)	696,615	675,270
8,286	8,276	10,026	37,985
<u>\$ 385</u>	<u>\$ 4,880</u>	<u>\$ 706,641</u>	<u>\$ 713,255</u>

TOWN OF OCEAN CITY  
 COMBINING STATEMENT OF CASH FLOWS (Continued)  
 INTERNAL SERVICE FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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	<u>Information Technology</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATIONS</b>	
Operating loss	<u>\$ (91,877)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	12,976
<b>EFFECT OF CHANGES IN OPERATING ASSETS &amp; LIABILITIES:</b>	
Accounts Receivable	(24)
Inventories	-
Compensated absences	2,063
Accounts payable	(8,271)
Accrued expenses	85
Claims liability	<u>-</u>
Total adjustments	<u>6,829</u>
Net cash provided (used) by operating activities	<u><u>\$ (85,048)</u></u>

**NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES**

Increase in fair value of investments	\$ -
Gain on Disposal of Asset	-

Service Center	Vehicle & Equipment Trust	Risk Management	Total
\$ (242,754)	\$ (692,915)	\$ (125,350)	\$ (1,152,896)
47,655	2,824,967	-	2,885,598
-	-	-	(24)
3,443	-	-	3,443
(6,234)	-	-	(4,171)
5,892	-	18,727	16,348
3,097	-	(6,058)	(2,876)
-	-	9,707	9,707
53,853	2,824,967	22,376	2,908,025
\$ (188,901)	\$ 2,132,052	\$ (102,974)	\$ 1,755,129

\$ -	\$ -	\$ 23,643	\$ 23,643
-	16,173	-	16,173



## ***FIDUCIARY FUNDS***

Fiduciary Funds are used to account for assets held by the Town in a trustee capacity for individual, private, organization, other government or other funds.

### **GENERAL EMPLOYEES PENSION PLAN**

To account for the accumulation of resources to be used for retirement annuity payments at appropriate amounts and times in the future. The Town contributes resources that are determined by an annual actuarial study.

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

To account for the accumulation of resources for pension benefit payments to qualified public safety employees. Resources are contributed by the Town as determined by an annual actuarial study and by participating employees.

TOWN OF OCEAN CITY  
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
 PENSION FUNDS  
 JUNE 30, 2010

	General Employees Pension Fund	Public Safety Employees Pension Fund	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 976,359	\$ 764,284	\$ 1,740,643
Interest and dividends receivable	98,742	97,278	196,020
Investments, at fair value:			
Domestic equities	7,998,311	7,813,925	15,812,236
Domestic fixed income	8,518,595	8,454,652	16,973,247
Real estate investment trusts	883,814	863,386	1,747,200
International equities	5,785,567	5,664,401	11,449,968
International fixed income	1,540,808	1,550,308	3,091,116
Alternative investments	3,692,506	3,692,506	7,385,012
Natural resources	1,333,109	1,306,968	2,640,077
Total investments	<u>29,752,710</u>	<u>29,346,146</u>	<u>59,098,856</u>
Total assets	<u>30,827,811</u>	<u>30,207,708</u>	<u>61,035,519</u>
<b>LIABILITIES</b>			
Accrued liabilities	<u>-</u>	<u>793,178</u>	<u>793,178</u>
Total liabilities	<u>-</u>	<u>793,178</u>	<u>793,178</u>
<b>NET ASSETS</b>			
Held in trust for pension benefits or other purposes	<u>\$ 30,827,811</u>	<u>\$ 29,414,530</u>	<u>\$ 60,242,341</u>

TOWN OF OCEAN CITY  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 PENSION FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	General Employees Pension Fund	Public Safety Employees Pension Fund	Total
<b>Additions</b>			
Contributions:			
Employer	\$ 2,472,916	\$ 2,771,852	\$ 5,244,768
Members	984,343	990,725	1,975,068
Total contributions	<u>3,457,259</u>	<u>3,762,577</u>	<u>7,219,836</u>
Miscellaneous Income	<u>494</u>	<u>60</u>	<u>554</u>
Investment earnings:			
Net appreciation in fair value of investments	2,884,216	2,819,537	5,703,753
Interest	471,921	463,580	935,501
Dividends	344,235	337,125	681,360
Total investment income	<u>3,700,372</u>	<u>3,620,242</u>	<u>7,320,614</u>
Less investment expense	<u>115,018</u>	<u>114,004</u>	<u>229,022</u>
Net investment income	<u>3,585,354</u>	<u>3,506,238</u>	<u>7,091,592</u>
Total additions	<u>7,043,107</u>	<u>7,268,875</u>	<u>14,311,982</u>
<b>Deductions</b>			
Benefits and refunds paid	1,054,507	1,610,363	2,664,870
Administrative expenses	70,121	63,295	133,416
Total deductions	<u>1,124,628</u>	<u>1,673,658</u>	<u>2,798,286</u>
Changes in net assets	5,918,479	5,595,217	11,513,696
Total net assets - beginning	<u>24,909,332</u>	<u>23,819,313</u>	<u>48,728,645</u>
Total net assets - ending	<u>\$ 30,827,811</u>	<u>\$ 29,414,530</u>	<u>\$ 60,242,341</u>



## ***STATISTICAL SECTION***

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

### **Contents**

### **Page(s)**

#### **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.

108-115

#### **Revenue Capacity**

These schedules contain information to help the reader assess the Town's most significant local revenue sources, the property tax and the room tax.

116-122

#### **Debt Capacity**

These schedules present 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.

123-126

#### **Economic and Demographic Information**

These schedules offer economic and demographic indicators to help the reader understand the environment within which the Town's financial activities take place.

127-128

#### **Operating Information**

These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.

129-133

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The Town implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information beginning in that year.

**Town of Ocean City, Maryland**

Net Assets by Component

Last Nine Fiscal Years

*(accrual basis of accounting)*

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	<u>2010</u>	<u>2009</u>
<b>Governmental Activities</b>		
Invested in Capital Assets, Net of Related Debt	\$ 46,393,277	\$ 44,851,930
Restricted	1,222,022	1,543,521
Unrestricted	<u>15,742,899</u>	<u>16,823,057</u>
<i>Total Governmental Activities Net Assets</i>	<u>63,358,198</u>	<u>63,218,508</u>
<b>Business-Type Activities</b>		
Invested in Capital Assets, Net of Related Debt	60,260,847	58,489,349
Restricted	9,667,139	9,406,011
Unrestricted	<u>4,659,855</u>	<u>6,860,798</u>
<i>Total Business-Type Activities Net Assets</i>	<u>74,587,841</u>	<u>74,756,158</u>
<b>Primary government</b>		
Invested in Capital Assets, Net of Related Debt	106,654,124	103,341,279
Restricted	10,889,161	10,949,532
Unrestricted	<u>20,402,754</u>	<u>23,683,855</u>
<i>Total Primary Government Net Assets</i>	<u>\$ 137,946,039</u>	<u>\$ 137,974,666</u>

2008	2007	2006	2005	2004	2003	2002
\$ 43,313,477	\$ 44,411,771	\$ 41,652,909	\$ 35,404,193	\$ 37,237,850	\$ 37,862,154	\$ 36,231,648
4,383,493	1,406,804	3,690,935	7,055,810	2,359,090	1,683,025	2,191,500
13,601,386	14,081,801	11,491,400	10,933,461	11,015,099	8,870,904	8,294,848
61,298,356	59,900,376	56,835,244	53,393,464	50,612,039	48,416,083	46,717,996
55,116,392	52,958,492	49,172,981	43,074,509	54,280,575	52,188,549	45,823,019
8,199,752	7,094,064	5,852,828	5,699,656	4,039,108	3,138,088	2,535,382
11,832,112	10,049,458	13,255,951	16,067,294	5,038,860	8,025,419	13,404,361
75,148,256	70,102,014	68,281,760	64,841,459	63,358,543	63,352,056	61,762,762
98,429,869	97,370,263	90,825,890	78,478,702	91,518,425	90,050,703	82,054,667
12,583,245	8,500,868	9,543,763	12,755,466	6,398,198	4,821,113	4,726,882
25,433,498	24,131,259	24,747,351	27,000,755	16,053,959	16,896,323	21,699,209
<u>\$ 136,446,612</u>	<u>\$ 130,002,390</u>	<u>\$ 125,117,004</u>	<u>\$ 118,234,923</u>	<u>\$ 113,970,582</u>	<u>\$ 111,768,139</u>	<u>\$ 108,480,758</u>

**Town of Ocean City, Maryland**

Changes in Net Assets

Last Nine Fiscal Years

*(accrual basis of accounting)*

	2010	2009	2008
<b>Expenses</b>			
Governmental Activities:			
General Government	\$ 1,621,071	\$ 1,673,926	\$ 2,299,373
Public Safety	33,961,816	34,517,293	32,345,385
General Public Works and Beach	6,055,716	6,675,942	6,090,271
Sanitation and Waste Removal	7,081,833	7,587,896	7,127,947
Highways and Streets	7,036,697	8,008,372	7,338,573
Economic Development - Tourism	6,243,797	5,739,043	5,600,101
Recreation and Culture	7,890,492	8,795,235	8,109,675
Interest on Long-Term Debt	1,261,803	1,397,984	1,449,018
<i>Total Governmental Activities Expenses</i>	<u>71,153,225</u>	<u>74,395,691</u>	<u>70,360,343</u>
Business-Type Activities:			
Water	6,978,781	7,333,521	7,193,221
Transportation	10,337,839	11,075,781	9,622,464
Wastewater	5,669,798	6,265,962	6,003,335
Convention Center	7,715,464	8,324,858	8,036,740
Airport	1,449,538	1,749,959	1,614,880
Golf	1,978,188	2,260,550	2,164,803
<i>Total Business-Type Activities Expenses</i>	<u>34,129,608</u>	<u>37,010,631</u>	<u>34,635,443</u>
<i>Total Primary Government Expenses</i>	<u>\$ 105,282,833</u>	<u>\$ 111,406,322</u>	<u>\$ 104,995,786</u>
<b>Program Revenues</b>			
Governmental Activities:			
Charges for Services:			
General government	\$ 3,464,313	\$ 3,699,975	\$ 3,987,939
Public safety	1,859,508	1,696,096	1,745,958
General public works and beach	3,123,547	2,888,571	3,007,666
Sanitation and waste removal	312,364	430,535	552,864
Highways and streets	926,911	715,568	823,938
Economic development - Tourism	1,294,913	1,675,547	1,452,035
Recreation and culture	1,610,682	1,606,662	1,575,344
Operating Grants and Contributions	2,705,797	2,932,577	2,810,084
Capital Grants and Contributions	80,000	218,551	292,244
<i>Total Governmental Activities Program Revenues</i>	<u>15,378,035</u>	<u>15,864,082</u>	<u>16,248,072</u>
Business-Type Activities:			
Charges for Services:			
Water	6,926,482	7,204,163	7,162,687
Transportation	3,363,679	3,439,218	3,605,466
Wastewater	10,466,562	10,274,178	9,746,366
Convention Center	1,630,172	1,691,850	1,638,928
Airport	837,533	1,139,331	1,038,623
Golf	1,979,205	2,017,988	2,055,393
Operating Grants and Contributions	3,401,683	4,539,925	4,606,116
Capital Grants and Contributions	671,195	756,286	3,607,552
<i>Total Business-Type Activities Program Revenues</i>	<u>29,276,511</u>	<u>31,062,939</u>	<u>33,461,131</u>
<i>Total Primary Government Program Revenues</i>	<u>\$ 44,654,546</u>	<u>\$ 46,927,021</u>	<u>\$ 49,709,203</u>

2007	2006	2005	2004	2003	2002
\$ 2,354,011	\$ 2,260,255	\$ 2,210,767	\$ 1,239,176	\$ 1,269,701	\$ 1,479,107
29,202,378	25,347,862	22,603,945	20,741,305	18,470,579	18,243,992
6,175,410	5,795,271	5,319,516	4,771,177	4,438,373	4,171,943
6,849,196	6,195,897	5,894,297	5,476,452	5,436,051	5,267,148
6,964,317	6,112,945	5,818,748	5,601,371	4,529,054	5,486,120
4,227,250	4,067,088	3,995,845	3,631,068	3,663,523	3,218,854
7,098,691	6,580,404	6,386,759	5,556,411	5,193,597	5,205,370
1,538,808	1,638,477	1,376,678	1,240,314	1,692,600	2,281,406
<u>64,410,061</u>	<u>57,998,199</u>	<u>53,606,555</u>	<u>48,257,274</u>	<u>44,693,478</u>	<u>45,353,940</u>
7,045,220	6,994,515	6,125,859	5,654,993	5,756,055	5,406,838
8,839,617	7,387,915	6,661,378	6,026,428	5,340,275	5,407,188
5,896,177	8,499,404	8,228,078	8,022,887	7,388,163	7,470,129
8,014,968	5,038,307	5,124,371	4,779,005	4,717,868	4,660,544
1,627,726	1,515,485	1,120,307	976,559	1,014,601	763,823
2,124,943	2,046,530	2,034,905	2,041,027	2,061,708	2,229,549
<u>33,548,651</u>	<u>31,482,156</u>	<u>29,294,898</u>	<u>27,500,899</u>	<u>26,278,670</u>	<u>25,938,071</u>
\$ <u>97,958,712</u>	\$ <u>89,480,355</u>	\$ <u>82,901,453</u>	\$ <u>75,758,173</u>	\$ <u>70,972,148</u>	\$ <u>71,292,011</u>
\$ 4,555,293	\$ 4,854,842	\$ 4,948,199	\$ 4,318,966	\$ 4,012,359	\$ 3,936,492
1,701,398	1,629,703	1,649,218	1,449,006	1,369,093	1,258,517
3,118,017	3,079,825	3,030,546	2,730,553	2,251,321	2,306,148
306,433	166,076	175,918	163,223	190,935	141,924
753,772	721,049	661,496	658,007	637,637	496,286
1,359,916	1,346,673	1,234,497	940,819	1,166,254	1,191,352
1,496,451	1,525,757	1,488,875	1,468,705	1,405,025	1,116,947
2,794,189	2,429,558	2,681,396	2,256,497	1,404,388	1,309,463
787,782	683,127	906,195	263,406	493,704	764,563
<u>16,873,251</u>	<u>16,436,610</u>	<u>16,776,340</u>	<u>14,249,182</u>	<u>12,930,716</u>	<u>12,521,692</u>
6,840,989	6,937,909	6,095,087	5,930,548	5,958,881	5,593,694
3,511,131	3,543,393	3,226,897	3,118,675	3,084,148	2,555,143
9,129,355	8,808,583	8,162,626	7,663,559	7,560,447	7,168,085
1,923,673	1,742,303	1,619,021	1,466,416	1,413,910	1,405,386
1,070,152	995,840	848,819	608,093	518,180	540,616
1,931,502	2,152,506	2,199,883	2,324,673	2,240,263	2,415,904
4,309,687	4,195,060	3,911,853	3,870,590	4,005,436	4,055,940
885,908	2,601,934	1,661,427	161,322	1,052,812	939,428
<u>29,602,397</u>	<u>30,977,528</u>	<u>27,725,613</u>	<u>25,143,876</u>	<u>25,834,077</u>	<u>24,674,196</u>
\$ <u>46,475,648</u>	\$ <u>47,414,138</u>	\$ <u>44,501,953</u>	\$ <u>39,393,058</u>	\$ <u>38,764,793</u>	\$ <u>37,195,888</u>

**Town of Ocean City, Maryland**

Changes in Net Assets (continued)

Last Nine Fiscal Years

*(accrual basis of accounting)*

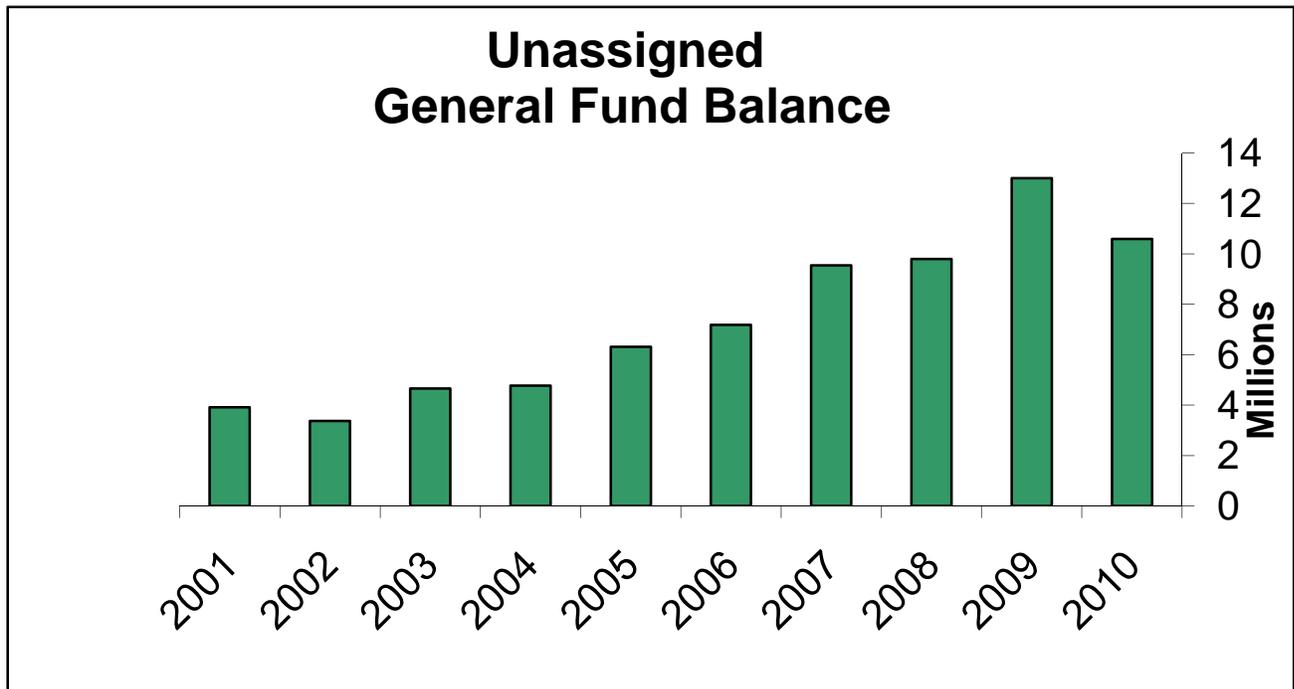
	2010	2009	2008
<b>Net (Expense)/Revenue</b>			
Governmental Activities	\$ (55,775,190)	\$ (58,531,609)	\$ (54,112,271)
Business-Type Activities	(4,853,097)	(5,947,692)	(1,174,312)
<i>Total Primary Government Net Expense</i>	<u>\$ (60,628,287)</u>	<u>\$ (64,479,301)</u>	<u>\$ (55,286,583)</u>
 <b>General Revenues and Other Changes in Net Assets</b>			
Governmental Activities:			
Taxes:			
Property and Other Local Taxes Levied For:			
General Purposes	\$ 43,900,041	\$ 48,025,233	\$ 44,320,692
Sales and Income Taxes	13,031,401	13,757,540	13,789,976
Grants and Entitlements not Restricted to Specific Programs	2,436,638	2,509,917	628,833
Investment Earnings	297,072	683,113	1,175,057
Gain (loss) on Sale of Capital Assets	-	-	-
Other Revenue	538,205	621,324	936,421
Transfers	(4,288,477)	(5,145,366)	(5,340,728)
<i>Total Governmental Activities</i>	<u>55,914,880</u>	<u>60,451,761</u>	<u>55,510,251</u>
Business-Type Activities:			
Investment Earnings	310,128	410,228	872,247
Gain (loss) on Sale of Capital Assets	-	-	-
Other Revenue	86,175	-	7,579
Transfers	4,288,477	5,145,366	5,340,728
<i>Total Business-Type Activities</i>	<u>4,684,780</u>	<u>5,555,594</u>	<u>6,220,554</u>
<i>Total Primary Government</i>	<u>\$ 60,599,660</u>	<u>\$ 66,007,355</u>	<u>\$ 61,730,805</u>
 <b>Change in Net Assets</b>			
Governmental Activities	\$ 139,690	\$ 1,920,152	\$ 1,397,980
Business-Type Activities	(168,317)	(392,098)	5,046,242
<i>Total Primary Government Change in Net Assets</i>	<u>\$ (28,627)</u>	<u>\$ 1,528,054</u>	<u>\$ 6,444,222</u>

2007	2006	2005	2004	2003	2002
\$ (47,536,810)	\$ (41,561,589)	\$ (36,830,215)	\$ (34,008,092)	\$ (31,762,762)	\$ (32,832,248)
(3,946,254)	(504,628)	(1,569,285)	(2,357,023)	(444,593)	(1,263,875)
<u>\$ (51,483,064)</u>	<u>\$ (42,066,217)</u>	<u>\$ (38,399,500)</u>	<u>\$ (36,365,115)</u>	<u>\$ (32,207,355)</u>	<u>\$ (34,096,123)</u>
\$ 38,714,874	\$ 33,317,113	\$ 29,232,197	\$ 26,126,491	\$ 21,986,998	\$ 20,933,199
13,696,456	12,836,646	12,587,732	11,659,670	12,065,800	12,747,991
704,624	483,032	157,080	142,808	155,872	96,451
1,498,827	1,023,963	552,485	153,722	344,434	1,026,411
-	-	(374,265)	-	-	-
914,535	705,999	362,460	381,001	549,882	-
(4,927,374)	(3,363,384)	(2,906,049)	(2,259,644)	(1,642,137)	(1,906,702)
<u>50,601,942</u>	<u>45,003,369</u>	<u>39,611,640</u>	<u>36,204,048</u>	<u>33,460,849</u>	<u>32,897,350</u>
839,134	581,545	221,788	103,866	144,750	223,384
-	-	(75,636)	-	247,000	-
-	-	-	-	-	-
4,927,374	3,363,384	2,906,049	2,259,644	1,642,137	1,906,702
<u>5,766,508</u>	<u>3,944,929</u>	<u>3,052,201</u>	<u>2,363,510</u>	<u>2,033,887</u>	<u>2,130,086</u>
\$ 56,368,450	\$ 48,948,298	\$ 42,663,841	\$ 38,567,558	\$ 35,494,736	\$ 35,027,436
\$ 3,065,132	\$ 3,441,780	\$ 2,781,425	\$ 2,195,956	\$ 1,698,087	\$ 65,102
1,820,254	3,440,301	1,482,916	6,487	1,589,294	866,211
<u>\$ 4,885,386</u>	<u>\$ 6,882,081</u>	<u>\$ 4,264,341</u>	<u>\$ 2,202,443</u>	<u>\$ 3,287,381</u>	<u>\$ 931,313</u>

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

	2010	2009	2008	2007
<b>General Fund</b>				
Assigned for advances & other	\$ 250,000	\$ 250,000	\$ 260,000	\$ 270,000
Assigned for encumbrances	446,430	762,998	456,351	699,721
Unassigned	10,590,252	13,005,682	9,795,646	9,549,272
<b>Total General Fund</b>	<b>\$ 11,286,682</b>	<b>\$ 14,018,680</b>	<b>\$ 10,511,997</b>	<b>\$ 10,518,993</b>
<b>All Other Governmental Funds</b>				
Restricted for capital projects	\$ 129,990	\$ 166,068	\$ 3,138,153	\$ 450,319
Committed for encumbrances	61,546	118,881	785,960	166,548
Committed for capital projects	780,486	1,008,572	199,380	519,937
<b>Total All Other Governmental Funds</b>	<b>972,022</b>	<b>1,293,521</b>	<b>4,123,493</b>	<b>1,136,804</b>
<b>Total Governmental Funds</b>	<b>\$ 12,258,704</b>	<b>\$ 15,312,201</b>	<b>\$ 14,635,490</b>	<b>\$ 11,655,797</b>

Unassigned General Fund Balance as a Percentage of Expenditures	13.4%	16.9%	12.8%	13.7%
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2006	2005	2004	2003	2002	2001
\$ 715,000	\$ 530,000	\$ 288,727	\$ 301,447	\$ 399,674	\$ 256,357
983,295	524,370	499,915	262,975	444,898	365,289
7,179,410	6,311,281	4,771,502	4,659,944	3,374,729	3,907,384
\$ 8,877,705	\$ 7,365,651	\$ 5,560,144	\$ 5,224,366	\$ 4,219,301	\$ 4,529,030
\$ 2,521,307	\$ 4,328,931	\$ 1,025,736	\$ 1,119,750	\$ 1,855,195	\$ 3,336,644
474,628	2,196,879	635,074	199,056	336,305	2,530,098
-	-	409,553	364,219	-	-
2,995,935	6,525,810	2,070,363	1,683,025	2,191,500	5,866,742
\$ 11,873,640	\$ 13,891,461	\$ 7,630,507	\$ 6,907,391	\$ 6,410,801	\$10,395,772

11.6%

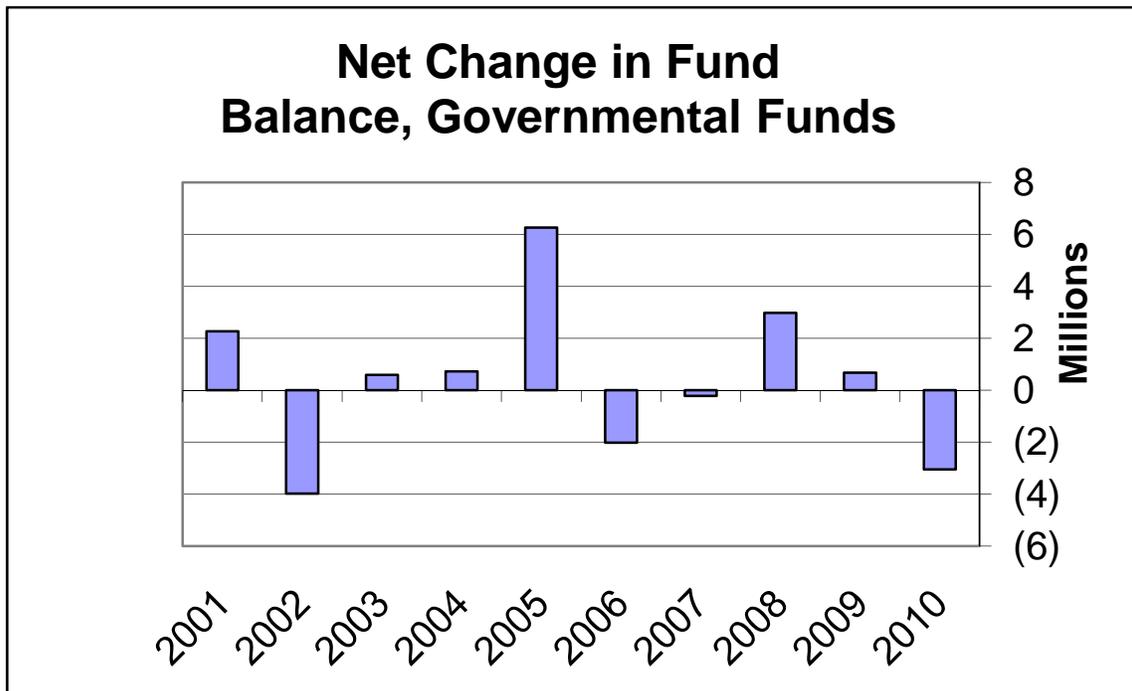
11.2%

9.2%

10.0%

7.3%

8.9%



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

	2010	2009	2008
<b>Revenues</b>			
Property Taxes	\$ 43,808,149	\$ 47,881,933	\$ 43,744,359
Penalties and Interest	-	-	368,037
Other Taxes	13,062,376	13,922,143	13,831,745
Licenses and Permits	3,858,142	3,811,003	4,072,860
Fines and Forfeitures	741,763	612,431	632,554
Charges for Services	7,992,333	8,289,520	8,440,330
Revenue from Other Agencies	5,222,435	5,521,329	3,640,661
Other Revenue	714,825	1,128,148	1,911,742
<i>Total Revenues</i>	<u>75,400,023</u>	<u>81,166,507</u>	<u>76,642,288</u>
<b>Expenditures</b>			
Current:			
General Government	3,990,472	3,869,464	4,401,856
Public Safety	32,223,500	32,467,482	31,104,717
General Public Works and Beach	4,698,501	5,063,642	4,973,218
Sanitation and Waste Removal	6,423,476	6,784,236	6,659,892
Highways and Streets	5,684,270	6,319,490	6,084,432
Economic Development - Tourism	5,999,877	5,507,535	5,400,974
Recreation and Culture	7,359,074	8,048,173	7,544,679
Capital Outlay	3,764,227	3,718,202	4,350,085
Debt service:			
Principal Retirement	3,282,636	2,164,178	2,245,407
Interest and Fiscal Charges	1,306,084	1,402,028	1,361,330
Bond Issuance Costs	73,711	-	118,485
<i>Total Expenditures</i>	<u>74,805,828</u>	<u>75,344,430</u>	<u>74,245,075</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>594,195</u>	<u>5,822,077</u>	<u>2,397,213</u>
<b>Other Financing Sources (Uses)</b>			
Bonds and notes issued	4,388,662	-	12,642,381
Premium on bonds issued	180,873	-	406,051
Payment to refunded bond escrow agent	(4,495,824)	-	(7,125,224)
Transfers In	1,181,198	916,016	2,064,944
Transfers Out	(4,902,601)	(6,061,382)	(7,405,672)
<i>Total Other Financing Sources (Uses)</i>	<u>(3,647,692)</u>	<u>(5,145,366)</u>	<u>582,480</u>
<i>Net Change in Fund Balances</i>	<u>\$ (3,053,497)</u>	<u>\$ 676,711</u>	<u>\$ 2,979,693</u>
Debt Service as a Percentage of Noncapital Expenditures	6.5%	5.0%	5.2%

	2007	2006	2005	2004	2003	2002	2001
\$	38,200,651	\$ 33,079,077	\$ 28,893,748	\$ 25,978,629	\$ 21,942,128	\$ 20,696,935	\$ 19,737,580
	352,571	202,528	203,681	179,328	175,312	132,179	172,961
	13,706,607	12,751,463	12,561,124	11,682,536	11,998,532	12,498,382	10,255,011
	4,711,672	4,895,070	5,017,242	4,407,455	4,089,698	3,915,003	3,424,712
	570,709	614,863	523,136	586,518	560,924	557,494	541,977
	8,008,899	8,118,187	8,429,121	6,885,403	6,382,002	5,975,169	5,705,058
	4,015,590	3,291,522	2,963,921	2,512,614	2,053,964	2,170,477	6,294,469
	2,488,030	1,752,771	747,846	535,614	677,625	813,167	1,258,288
	<u>72,054,729</u>	<u>64,705,481</u>	<u>59,339,819</u>	<u>52,768,097</u>	<u>47,880,185</u>	<u>46,758,806</u>	<u>47,390,056</u>
	4,336,014	3,607,775	3,892,257	2,865,191	2,023,593	2,021,219	3,349,923
	28,185,979	24,517,032	21,756,557	19,794,752	17,626,862	16,870,305	15,794,581
	4,984,240	4,711,047	4,016,271	3,531,469	3,325,515	2,993,469	2,775,508
	6,328,058	5,873,562	5,606,629	5,207,178	5,331,082	4,978,310	4,557,518
	5,448,588	4,588,339	4,160,215	3,983,490	3,423,427	4,053,572	3,474,429
	4,053,155	3,946,216	3,861,408	3,495,989	3,495,288	3,132,924	3,227,213
	6,580,642	6,147,126	6,182,466	5,081,905	4,828,920	4,761,308	4,815,820
	3,242,665	6,408,284	6,586,267	1,976,492	900,326	5,246,199	8,863,247
	2,750,168	3,077,627	1,878,426	2,757,452	3,033,997	2,956,469	2,780,396
	1,435,689	1,502,910	1,208,203	1,243,195	1,665,365	1,823,300	1,533,120
	-	-	100,217	99,331	-	-	142,456
	<u>67,345,198</u>	<u>64,379,918</u>	<u>59,248,916</u>	<u>50,036,444</u>	<u>45,654,375</u>	<u>48,837,075</u>	<u>51,314,211</u>
	<u>4,709,531</u>	<u>325,563</u>	<u>90,903</u>	<u>2,830,984</u>	<u>2,225,810</u>	<u>(2,078,269)</u>	<u>(3,924,155)</u>
	-	1,020,000	9,076,100	11,990,767	-	-	6,377,632
	-	-	-	-	-	-	-
	-	-	-	(11,739,660)	-	-	-
	623,463	1,492,722	1,353,440	1,897,676	35,000	752,373	2,862,501
	<u>(5,550,837)</u>	<u>(4,856,106)</u>	<u>(4,259,489)</u>	<u>(4,157,320)</u>	<u>(1,677,137)</u>	<u>(2,659,075)</u>	<u>(3,044,131)</u>
	<u>(4,927,374)</u>	<u>(2,343,384)</u>	<u>6,170,051</u>	<u>(2,107,868)</u>	<u>(1,642,137)</u>	<u>(1,906,702)</u>	<u>6,196,002</u>
\$	<u>(217,843)</u>	<u>(2,017,821)</u>	<u>6,260,954</u>	<u>723,116</u>	<u>583,673</u>	<u>(3,984,971)</u>	<u>2,271,847</u>
	6.5%	7.9%	5.9%	8.3%	10.5%	11.0%	10.2%

**Town of Ocean City, Maryland**  
Tax Revenues by Source, Governmental Funds  
Last Ten Fiscal Years  
*(modified accrual basis of accounting)*

Year	Property Taxes	Room Occupancy Taxes *	Admission & Amusement Taxes*	Income Taxes	Other Taxes	Total
2010	\$ 43,808,149	\$ 11,226,904	\$ 1,113,965	\$ 623,813	\$ 97,694	\$ 56,870,525
2009	47,881,933	11,016,045	1,218,792	863,318	823,988	61,804,076
2008	43,744,359	10,719,678	1,302,455	918,144	891,468	57,576,104
2007	38,200,651	10,345,545	1,238,744	1,183,634	938,684	51,907,258
2006	33,079,077	9,752,224	1,208,606	939,754	850,879	45,830,540
2005	28,893,748	9,593,436	1,252,422	953,168	762,098	41,454,872
2004	25,978,629	9,595,457	812,599	635,662	638,818	37,661,165
2003	21,942,128	9,231,935	1,286,896	703,880	775,821	33,940,660
2002	20,696,935	9,136,047	1,550,202	959,692	852,441	33,195,317
2001	19,895,825	7,301,543	1,155,310	895,660	744,253	29,992,591
Change 2001-2010	120.2%	53.8%	-3.6%	-30.4%	-86.9%	89.6%

\* In fiscal year 2001, the room tax rate was increased from 3% to 4% and the admission and amusement tax rate was increased from 2% to 3%. In 2003, state court ruled that a portion of prior years amusement taxes for restaurants be refunded. Refunds were made in 2003 and 2004. In 2008 the room tax rate was increased from 4% to 4.5%.

**Town of Ocean City, Maryland**  
 Assessed Valuation and Estimated Actual Values of Taxable Property  
 Last Ten Fiscal Years

Year	Real Property	Personal Property	Corporate Property	Total	Total Direct Tax Rate	Estimated * Actual Values of Taxable Property	Percentage Of Change
2010	\$10,501,239,662	\$ 14,338,062	\$ 133,172,636	\$10,648,750,360	\$ 0.395	\$ 10,648,750,360	(13.0) %
2009	12,090,447,495	16,500,853	135,247,984	12,242,196,332	0.38	12,242,196,332	17.0
2008	10,309,041,337	15,670,379	140,104,253	10,464,815,969	0.41	10,464,815,969	21.1
2007	8,491,695,814	15,500,465	135,395,271	8,642,591,550	0.43	8,642,591,550	27.3
2006	6,642,584,042	15,395,878	130,433,323	6,788,413,243	0.47	6,788,413,243	17.3
2005	5,640,578,371	14,789,786	131,293,900	5,786,662,057	0.48	5,786,662,057	19.2
2004	4,710,176,078	21,171,008	124,356,279	4,855,703,365	0.51	4,855,703,365	20.9
2003	3,861,432,196	21,336,512	131,963,798	4,014,732,506	0.52	4,014,732,506	5.2
2002	3,676,122,698	20,072,259	119,241,289	3,815,436,246	0.52	3,815,436,246	3.7
2001*	1,416,305,245	23,902,636	114,299,612	1,554,507,493	1.29	3,678,965,361	3.7

Source: Uniform Financial Report of Town of Ocean City to Maryland Department of Fiscal Services, 2001-2010.

\* Property in the Town is reassessed every three years. Property has been assessed at actual value since 2002. Real property was assessed at forty percent of market value for fiscal year 2001 and earlier.

\* For State, County and Town real property purposes, real property was assessed at forty percent of market value for fiscal year 2001 and earlier. In fiscal year 2002 and later, real property was assessed at market value and tax rates were adjusted proportionately.

**Town of Ocean City, Maryland**  
Property Tax Levies And Collections  
Last Ten Fiscal Years

<u>Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Current Tax Collections To Tax Levy</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections*</u>	<u>Percent of Total Tax Collections To Tax Levy</u>
2010	\$43,372,951	\$42,215,437	97.33 %	\$ 1,327,031	\$ 43,542,468	100.39 %
2009	47,821,733	46,401,667	97.03	960,231	47,361,898	99.04
2008	43,241,505	42,264,998	97.74	635,613	42,900,611	99.21
2007	38,309,963	37,639,139	98.25	598,678	38,237,817	99.81
2006	33,101,342	32,495,310	98.17	394,993	32,890,303	99.36
2005	28,981,665	28,582,990	98.62	362,383	28,945,373	99.87
2004	25,916,042	25,508,356	98.43	386,257	25,894,613	99.92
2003	21,927,723	21,593,909	98.48	319,667	21,913,576	99.94
2002	20,655,837	20,217,245	97.88	336,608	20,553,853	99.51
2001	20,004,812	19,643,710	98.19	414,009	20,057,719	100.26

Source: Uniform Financial Report of Town of Ocean City to Maryland Department of Fiscal Services, 2001 - 2010.

\* "Total Tax Levy" and "Current Tax Collections" represent the original tax levy, less real property tax credits for civic associations, elderly and disabled taxpayers, and other adjustments.

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

Taxpayer	2010	
	Property Assessed Valuation (1)	Percentage of Total Assessed Valuation
Americana Stowaway Motel, Inc.	\$ 67,708,220	0.64
Harrison Inn Stardust Inc	64,900,869	0.61
91st Street Joint Venture	39,147,810	0.37
Harrison Inn Ocean View	33,080,900	0.31
LPBOC Hotel Limited Partnership	28,560,633	0.27
Harrison HI 18 LLC	28,480,260	0.27
Delmarva Power	22,356,610	0.21
Harrison QI 17 LLC	20,000,000	0.19
OC Hotel Holdings, Inc.	16,217,093	0.15
Harrison QI 54 LLC	16,205,990	0.15
	<u>\$ 336,658,385</u>	<u>3.17%</u>
<b>Total Assessed Valuation</b>	<b>\$ 10,648,750,360</b>	
Taxpayer	2001	
	Property Assessed Valuation (1)	Percentage of Total Assessed Valuation
Connectiv	\$ 25,775,740	0.70%
Verizon - Maryland	10,951,840	0.30
Bayshore Development Corporation	8,669,870	0.24
LPBOC Hotel Limited Partnership	8,601,070	0.23
Genesar, Inc.	7,460,740	0.20
Windsor Resorts Inc.	7,147,180	0.19
Harrison QI 17 LLC	6,086,980	0.17
William & Anna Esham Sr.	5,306,340	0.14
Harrison Inn 66, Inc	4,842,350	0.13
Ocean City Plaza, LLC	4,741,680	0.13
	<u>\$ 89,583,790</u>	<u>2.43%</u>
<b>Total Assessed Valuation</b>	<b>\$ 3,678,965,361</b>	

(1) Assessed valuation based on the valuation of property for taxes collected in 2010 and 2001 respectively, and a review of the 10 largest taxpayers for the City.

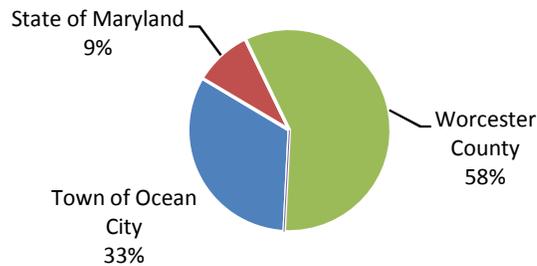
Source: Town of Ocean City Finance Department

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

Year	Direct Rate		Overlapping Rates		Total
	Town of Ocean City		Worcester County	State of Maryland	
2010	\$	0.395	\$	0.70	\$ 1.207
2009		0.380		0.70	1.192
2008		0.410		0.70	1.222
2007		0.430		0.70	1.242
2006		0.470		0.73	1.332
2005		0.480		0.73	1.342
2004		0.510		0.73	1.372
2003		0.516		0.73	1.330
2002		0.516		0.73	1.330
2001		1.29		1.74	3.24

Source: Town of Ocean City Finance Department

\* For State, County and Town real property purposes, real property was assessed at forty percent of market value for fiscal year 2001 and earlier. In fiscal year 2002 and later, real property was assessed at market value and tax rates were adjusted proportionately.



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

Tax Year	Governmental Activities			Business-Type Activities			Total Primary Government	% of Actual Property Value	Per Capita
	General Obligation Bonds	Inter-Governmental Loans	Loans & Capital Leases	General Obligation Bonds	Inter-Governmental Loans	Capital Leases			
2010	\$ 31,573,155	\$ 766,148	\$ 593,389	\$ 38,671,516	\$ 23,127	\$ -	\$ 71,627,335	0.67%	\$ 9,284
2009	30,228,391	502,400	1,459,247	45,696,736	32,061	-	77,918,835	0.64	10,304
2008	32,369,874	672,150	2,498,372	48,954,815	40,819	-	84,536,030	0.81	10,249
2007	29,496,156	173,855	3,610,632	48,532,564	45,132	-	81,858,339	0.95	10,933
2006	31,952,059	203,459	5,398,554	48,226,831	-	-	85,780,903	1.26	10,400
2005	34,730,583	468,716	3,985,354	52,149,050	-	-	91,333,703	1.58	12,443
2004	27,356,573	740,868	5,111,382	42,909,983	-	34,616	76,153,422	1.57	10,481
2003	29,613,860	1,077,666	2,657,412	45,471,198	-	66,741	78,886,877	1.96	10,964
2002	32,306,307	1,557,632	1,664,716	48,259,211	-	175,950	83,963,816	2.20	11,688
2001	34,852,054	2,016,559	312,818	50,941,025	-	356,623	88,479,079	2.40	12,330

Note: Details regarding the Town's outstanding debt can be found in the notes to the financial statements.

**Town of Ocean City**  
**Ratios of General Obligation Bonds Outstanding**  
**Last Ten Fiscal Years**

Tax Year	General Obligation Bonds Outstanding	% of Actual Property Value	Per Capita
2010	\$ 70,244,671	0.66%	\$ 9,105
2009	75,925,127	0.62	9,940
2008	81,324,689	0.78	10,754
2007	78,028,722	0.90	10,422
2006	80,178,890	1.18	9,721
2005	86,879,633	1.50	11,836
2004	70,266,556	1.45	9,671
2003	75,085,058	1.87	10,436
2002	80,565,518	2.11	11,215
2001	85,793,079	2.33	11,956

Note: Details regarding the Town's outstanding debt can be found in the notes to the financial statements.

**Town of Ocean City, Maryland**  
 Computation of Direct and Overlapping Debt  
 June 30, 2010

Jurisdiction	Total Debt Outstanding	Percentage Applicable to City (1)	Amount Applicable to Town of Ocean City
<b>Direct</b>			
Town of Ocean City	<u>\$ 71,627,335</u>	100.0%	<u>\$ 71,627,335</u>
<b>Overlapping</b>			
Worcester County	<u>100,599,092</u>	55.2%	<u>59,655,262</u>
Total Direct and Overlapping Debt	<u><u>\$ 172,226,427</u></u>		<u><u>\$ 131,282,597</u></u>

Source:

(1) Percentages were determined by dividing each overlapping subdivision's assessed valuation within the Town by its total assessed valuation.  
 The debt outstanding includes general obligation bonds and note debt.

**Town of Ocean City, Maryland**  
 Computation of Legal Debt Margin  
 As of June 30, 2010

Assessed Value		<u>\$ 10,648,750,360</u>
Maximum General Obligation Debt limited to 5.2% of assessed valuation *		\$ 553,735,019
Outstanding bonds	<u>\$ 70,244,671</u>	
Net Chargeable to Bond Limit		<u>70,244,671</u>
LEGAL DEBT MARGIN at JUNE 30, 2010		<u>\$ 483,490,348</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  
 2001 - 2010

Fiscal Year	Assessed Value	Legal Debt Limitation	Legal Borrowing Limitation	Debt Subject to Limitation	Legal Debt Margin
2010	\$ 10,648,750,360	5.2 %	\$ 553,735,019	\$ 70,244,671	\$ 483,490,348
2009	12,242,196,332	5.2	636,594,209	75,925,127	560,669,082
2008	10,464,815,969	5.2	544,170,430	81,324,689	462,845,741
2007	8,642,591,550	5.2	449,414,761	78,028,722	371,386,039
2006	6,788,413,243	5.2	352,997,489	80,178,890	272,818,599
2005	5,786,662,057	5.2	300,906,427	86,879,633	214,026,794
2004	4,855,703,365	5.2	252,496,575	70,266,556	182,230,019
2003	4,014,732,506	5.2	208,766,090	78,886,877	129,879,213
2002	3,815,436,246	5.2	198,402,685	83,963,816	114,438,869
2001	1,554,507,493	13	202,085,974	85,793,079	116,292,895

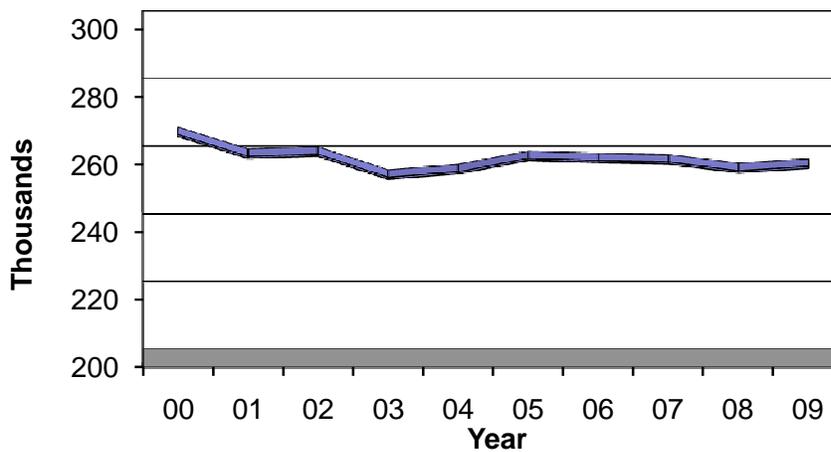
## Town of Ocean City, Maryland

Demographic Statistics  
Calendar Years 2000 - 2009

Year	(1) Population	(2) Median Household Income	(2) Worcester County Personal Income	(3) Median Age	(4) School Enrollment	(5) Unemployment Rate
2009	7,715	\$ 54,750	\$ 2,013,834	47.2	6,693	9.0 %
2008	7,638	54,200	1,933,772	47.2	6,747	7.5
2007	7,562	52,950	1,853,434	47.2	6,745	6.6
2006	7,487	50,950	1,754,329	47.2	6,830	6.4
2005	7,413	49,000	1,679,509	47.2	6,727	6.4
2004	7,340	47,700	1,543,311	47.2	6,600	6.7
2003	7,266	44,700	1,513,368	47.2	6,539	6.5
2002	7,195	44,350	1,455,769	47.2	6,850	6.2
2001	7,184	43,800	1,310,398	47.2	6,850	6.6
2000	7,173	42,200	1,299,036	47.2	6,665	6.2

- (1) Dept. of Planning and Community Development, Town of Ocean City(est.).
- (2) Maryland State Data Center (Figures are for Worcester County).
- (3) U.S. Census Bureau, Census 2000; MD State Data Center.
- (4) Figures are for Worcester County Public Schools which include Ocean City.
- (5) U.S. Department of Labor, Bureau of Labor Statistics (Information available for Worcester County only).

### Estimated Average Summer Population



**Town of Ocean City, Maryland**  
Principal Employers  
Current Fiscal Year  
Number of employees for quarter ending June 30, 2010

<b>2010</b>		
<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total County Employment</u>
Harrison Group	1,100	3.85 %
Phillips	595	2.08
OC Seacrets, Inc.	510	1.78
Bayshore Development	500	1.75
KTG LLC	352	1.23
Clarion Resort Fontaine Bleau	300	1.05
Trimpers Rides, Inc.	300	1.05
Fagers Island, Ltd.	267	0.93
91st St. Joint Venture	230	0.80
Castle in the Sand, Inc.	168	0.59
<b>Total</b>	<u><u>4,322</u></u>	<u><u>15.12 %</u></u>
Total Worcester County Employees (Data available for county only)	<u><u>28,577</u></u>	

**Source:** Town of Ocean City, Maryland, Department of Planning of Economic Development - amounts are estimates. Total County employment figures from the Maryland Department of Labor, Licensing & Regulation Career and Workforce Information. Data for 2001 is unavailable.

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

<b>Function/program</b>	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
General Government	38	39	39	40	40	39	37	36	37	36
Public Safety	215	218	223	213	196	187	187	180	182	182
General Public Works	49	55	54	53	52	50	50	48	48	46
Solid Waste	40	44	44	44	44	44	44	44	44	45
Highway and Streets	33	36	36	36	36	34	34	34	35	35
Tourism	8	9	9	9	11	11	11	11	11	11
Recreation	48	51	51	48	50	48	47	47	47	48
Water	23	24	25	25	25	25	25	25	25	25
Transportation	16	17	17	17	17	13	13	13	13	13
Wastewater	46	49	48	48	48	47	47	47	47	48
Convention Center	35	40	40	40	40	35	35	35	35	36
Airport	3	4	4	3	3	3	3	3	3	3
Internal Service	33	36	36	36	36	35	31	30	30	31
Full Time Employee Totals:	587	622	626	612	598	571	564	553	557	559
Seasonal Employee Totals:	755	799	871	841	793	808	809	863	890	892
Total Employees	<u>1,342</u>	<u>1,421</u>	<u>1,497</u>	<u>1,453</u>	<u>1,391</u>	<u>1,379</u>	<u>1,373</u>	<u>1,416</u>	<u>1,447</u>	<u>1,451</u>

**Source:** Town of Ocean City, Maryland 2001-2010 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	2010	2009	2008	2007
<b>General Information</b>				
Year-round Residents	7,715	7,638	7,562	7,487
Registered Voters	6,549	5,417	6,550	5,447
Average Summer Population	257,479	256,169	258,726	259,105
<b>General Government</b>				
Construction Permits Issued	1,482	1,407	1,795	2,065
Estimated Value of Construction	\$ 36,499,656	\$ 49,378,207	\$ 69,597,628	\$ 164,614,258
<b>Public Safety - Police</b>				
Total Arrests	4,213	3,515	3,599	3,925
Parking Violations	13,859	12,871	11,749	9,284
Classified Officers	107	107	107	107
Seasonal Officers	90	82	110	110
<b>Fire and Emergency Services</b>				
Fire responses	1,254	1,429	1,344	1,460
Ambulance responses	5,776	5,529	5,680	5,580
Fire Safety Inspections/Re-Inspections	2,010	2,310	3,176	2,990
Fire Investigations	144	202	257	171
Classified Fire Personnel	4	4	3	3
Volunteer Officers, Firemen, Life Honor, Gold Badge	219	220	230	237
Classified Emergency Medical Technicians	40	42	42	42
Seasonal Emergency Medical Technicians	58	54	41	34
<b>Solid Waste</b>				
Trash Processed (tons)	33,149	28,959	31,635	33,447
Trash Recycled (tons)	2,742	3,285	3,603	3,096
<b>Tourism and Recreation</b>				
Seasonal Beach Patrol Personnel	189	194	208	190
<b>Water</b>				
Daily Average Consumption (gallons)	5,026,025	5,434,695	5,555,219	5,582,958
Plants Daily Capacity (gallons)	18,000,000	18,000,000	18,000,000	18,000,000
<b>Transportation</b>				
Bus Passengers	3,099,117	3,315,614	3,481,330	3,423,798
<b>Wastewater</b>				
Daily Average Treatment (gallons)	5,766,000	5,428,814	5,442,071	5,691,945
Summer Daily Treatment Average (gallons)	9,595,000	9,237,300	9,720,000	9,795,522
Plants Daily Treatment Capacity (gallons)	14,000,000	14,000,000	14,000,000	14,000,000
<b>Airport</b>				
Based Aircraft	67	66	68	63
Aircraft Fueled	3,838	3,738	3,661	7,500

Source: Town of Ocean City Finance Department

2006	2005	2004	2003	2002	2001
7,413	7,340	7,266	7,195	7,184	7,176
6,783	5,718	6,251	5,565	5,758	6,426
259,761	255,858	254,251	261,014	260,381	266,901
1,837	1,545	1,245	1,335	1,280	1,161
\$ 184,582,285	\$ 123,622,811	\$ 133,358,845	\$ 104,643,832	\$ 68,236,839	\$ 65,317,266
3,287	4,258	4,450	4,817	4,120	3,918
12,728	10,309	14,153	13,859	15,868	20,927
104	96	96	96	96	96
94	105	105	105	105	105
1,589	1,428	1,621	1,451	1,370	1,500
5,244	5,030	4,981	5,108	4,947	5,172
3,042	4,067	2,110	2,173	1,956	2,152
142	251	368	162	150	228
3	3	3	3	3	3
229	218	234	234	209	225
42	33	32	35	36	36
29	32	27	28	20	17
33,656	33,027	33,941	33,567	33,572	38,182
3,049	3,106	3,283	3,095	3,167	3,502
198	185	181	166	216	216
5,117,781	4,572,410	4,706,273	4,900,000	5,123,370	5,123,370
18,000,000	18,000,000	18,000,000	18,000,000	17,000,000	17,000,000
3,476,654	3,275,891	3,224,130	3,280,193	3,928,445	3,666,151
5,514,000	5,484,652	5,587,333	5,611,000	5,540,000	5,670,000
9,762,000	9,737,000	10,080,000	10,070,000	10,050,000	9,940,000
14,000,000	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000
48	48	45	45	45	43
6,936	6,960	6,913	6,975	6,850	6,700

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

<b>Function/program</b>	2010	2009	2008	2007
<b>General Information</b>				
Area in Square Miles	5	5	5	5
<b>Public Safety - Police</b>				
Stations	2	2	2	2
Vehicles	83	84	81	81
<b>Public Safety - Fire and Emergency Services</b>				
Stations	5	5	5	5
Ambulances	9	9	9	9
<b>Highways and Streets</b>				
Streets (miles)	69	69	69	69
Number of Streetlights	3,024	3,024	3,006	2,997
Storm Sewers (miles)	43	43	43	43
Catch Basins	2,307	2,307	2,307	2,305
Heavy Equipment	50	50	50	50
<b>Economic Development - Tourism, Recreation, and Culture</b>				
Number of Parks / Playgrounds	14 / 6	14 / 6	14 / 6	14 / 6
Park Acreage	77	77	77	79
Recreation Centers	1	1	1	1
Boardwalk (miles)	3	3	3	3
Beach (miles)	10	10	10	10
Tennis Courts	14	14	14	14
Museum	1	1	1	1
Golf Course	1	1	1	1
<b>Water</b>				
Water Mains (miles)	150	150	150	150
Treatment Plants	3	3	3	3
Service Connections	7,077	7,121	7,121	7,096
Fire Hydrants	846	915	915	915
<b>Transportation</b>				
Buses	55	56	55	56
Handicapped Buses	4	3	3	3
Trolleys	8	8	8	8
Boardwalk Trams	8	8	8	8
<b>Wastewater</b>				
Sanitary sewers (miles)	150	150	150	150
Treatment Plants	1	1	1	1
Pumping Stations	9	9	9	9
Number of Customer Accounts	28,792	28,777	28,481	28,284
<b>Convention Center</b>				
Convention Center (7,000 seats)	1	1	1	1
<b>Airport</b>				
Runway (2) (feet)	7,270	7,270	7,270	7,270
Square feet of Hangars	120,860	120,860	120,860	120,860

Source: Town of Ocean City Finance Department

2006	2005	2004	2003	2002	2001
5	5	5	5	5	5
2	2	2	2	2	2
85	79	78	75	74	74
5	5	5	5	5	6
9	9	9	9	9	8
69	67	67	67	67	67
2,942	2,906	2,884	2,884	2,849	2,849
43	43	42	42	42	42
2,289	2,286	2,284	2,284	2,280	2,280
50	50	50	49	49	49
13 / 6	13 / 7	13 / 7	13 / 7	13 / 8	13 / 8
79	79	79	79	79	78
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
7,093	7,069	7,073	7,030	7,003	6,975
912	817	699	699	695	685
56	56	54	58	53	53
2	3	3	2	2	2
7	-	-	-	-	-
8	8	8	8	8	8
150	150	150	150	150	150
1	1	1	1	1	1
9	9	10	9	9	9
27,964	28,708	28,720	28,717	28,713	28,708
1	1	1	1	1	1
7,270	7,270	7,270	7,270	7,270	7,270
90,860	90,860	90,860	90,860	90,860	90,860

