

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 21, 2025

NEW ISSUE – BOOK-ENTRY ONLY

Fitch Ratings: AA
Moody's Ratings: Aa1
S&P Global Ratings: AA+
See "Ratings" herein.

In the opinion of McGuireWoods LLP, Bond Counsel, under existing law and subject to the conditions described in "TAX MATTERS" herein, interest on the Bonds (i) is excludable from the gross income of the owners of the Bonds for purposes of federal income taxation, and (ii) is not a specific item of tax preference for purposes of the federal alternative minimum tax on individuals. However, such interest is included in the "adjusted financial statement income" (as defined in Section 56A of the Code (as defined herein)) of certain corporations in determining the applicability and amount of the federal corporate alternative minimum tax imposed under Section 55(b) of the Code. Bond Counsel is further of the opinion that under the existing law of the State of Maryland, the principal of and interest on the Bonds, the transfer of the Bonds, and any income derived from the Bonds, including profits made in their sale or transfer, are exempt from State and local taxes in the State of Maryland; however, the law of the State of Maryland does not expressly refer to, and no opinion is expressed concerning, estate or inheritance taxes or any other taxes not levied or assessed directly on the Bonds, the interest thereon, their transfer or the income therefrom. See "TAX MATTERS" herein regarding other tax considerations.



\$46,345,000*

Mayor and City Council of Ocean City, Maryland
General Obligation
Municipal Purpose Bonds of 2025

Dated:	Date of Initial Delivery
Due:	January 15, as shown on the inside front cover
Interest Payment Dates:	January 15 and July 15, beginning July 15, 2026
Denomination:	\$5,000 or any integral multiple thereof
Optional Redemption:	The Bonds maturing on or after January 15, 2037, are redeemable in whole or in part, at any time on or after January 15, 2036
Security:	General obligations of Mayor and City Council of Ocean City, Maryland
Purpose:	The proceeds are being used to finance or refinance certain costs of acquisition, construction and/or improvement of public projects
Closing/Settlement:	On or about December 11, 2025
Book-Entry Only Form:	The Depository Trust Company, New York, NY
Registrar/Paying Agent:	Manufacturers and Traders Trust Company, Baltimore, MD/Buffalo, NY
Bond Counsel:	McGuireWoods LLP, Baltimore, MD
Financial Advisor:	First Tryon Advisors, LLC, Annapolis, MD
Issuer Contact:	Ocean City Finance Director: (410) 289-8941

**FOR MATURITY SCHEDULE, INTEREST RATES, PRICES OR YIELDS AND CUSIP NUMBERS,
SEE INSIDE FRONT COVER**

The Bonds are offered for delivery when, as and if issued, and subject to the approving opinion of McGuireWoods LLP, Baltimore, Maryland, Bond Counsel, and certain other conditions. It is expected that the Bonds in definitive form will be available for delivery through the facilities of The Depository Trust Company in New York, New York and certain closing documents will be available for delivery on or about December 11, 2025.

* Preliminary, subject to change

\$46,345,000*

**MAYOR AND CITY COUNCIL OF OCEAN CITY, MARYLAND
GENERAL OBLIGATION
MUNICIPAL PURPOSE BONDS OF 2025**

Maturities, Amounts, Interest Rates, Prices or Yields and CUSIPs

<u>Maturing January 15</u>	<u>Principal Amount*</u>	<u>Interest Rate**</u>	<u>Price or Yield**</u>	<u>CUSIP***</u>	<u>Maturing January 15</u>	<u>Principal Amount*</u>	<u>Interest Rate**</u>	<u>Price or Yield**</u>	<u>CUSIP***</u>
2027	\$1,210,000				2037	\$2,300,000			
2028	1,480,000				2038	2,410,000			
2029	1,555,000				2039	2,535,000			
2030	1,635,000				2040	2,660,000			
2031	1,715,000				2041	2,795,000			
2032	1,800,000				2042	2,930,000			
2033	1,890,000				2043	3,080,000			
2034	1,985,000				2044	3,235,000			
2035	2,085,000				2045	3,360,000			
2036	2,190,000				2046	3,495,000			

* Preliminary, subject to change

** Interest rates and offering yields or prices will be set forth in the final Official Statement described herein.

*** CUSIP (Committee on Uniform Securities Identification Procedures) data is provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association (“ABA”) by FactSet Research Systems Inc. “CUSIP” is a registered trademark of the ABA. CUSIP numbers are included solely for the convenience of the holders of the Bonds. Neither the City nor the successful bidder takes any responsibility for the accuracy of CUSIP information. The CUSIP number for a specific maturity is subject to change after the issuance of the Bonds in certain circumstances. The City has not agreed to, and there is no duty or obligation to, update this Official Statement to reflect any change or correction in the assigned CUSIP numbers set forth herein. The use of CUSIP numbers in this Official Statement is not intended to create a database and does not serve in any way as a substitute for CUSIP Global Services.

MAYOR AND CITY COUNCIL OF OCEAN CITY

ELECTED OFFICIALS

MAYOR

Richard W. Meehan

CITY COUNCIL

Matthew M. James, President
Anthony J. DeLuca, Secretary
John F. Gehrig, Jr.
Jake Mitrecic
Carol L. Proctor
Will C. Savage
Larry Yates

CERTAIN APPOINTED OFFICIALS

Terence J. McGean - City Manager
Heather Stansbury – City Solicitor
Diana L. Chavis – City Clerk
Charles Bireley, CPA – Finance Director
Vacant – City Engineer
Raymond J. Austin – Chief of Police
Joseph J. Theobald – Emergency Services Director
Hal O. Adkins – Public Works Director

BOND COUNSEL

McGuireWoods LLP
Baltimore, Maryland

AUDITOR

SB & Company, LLC
Owings Mills, Maryland

FINANCIAL ADVISOR

First Tryon Advisors, LLC
Annapolis, Maryland

BOND REGISTRAR AND PAYING AGENT

Manufacturers and Traders Trust Company
Baltimore, Maryland / Buffalo, New York

No dealer, broker, sales representative or other person has been authorized by the City or the successful bidders to give any information or to make any representations with respect to the City or the Bonds other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City or the successful bidders. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

All quotations from and summaries and explanations of provisions of laws and documents herein do not purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of the Bonds shall under any circumstances create any implication that there has been no change in the affairs of the City since the respective dates as of which information is given herein. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or holders of any of the Bonds.

The information set forth herein has been obtained from the City and other sources that are deemed to be reliable. The information from sources other than the City is not guaranteed as to accuracy or completeness nor should it be construed as representations of the City or the successful bidders.

This Preliminary Official Statement is in a form deemed final as of its date for purposes of Securities and Exchange Commission Rule 15c2-12(b)(1) (the “Rule”) but is subject to minor revision or amendment in accordance with the Rule.

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CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS

This Official Statement contains statements which, to the extent they are not recitations of historical fact, constitute “forward-looking statements”. In this respect, the words “estimate,” “anticipate,” “expect,” and similar expressions are intended to identify forward-looking statements. A number of important factors affecting the City’s financial results could cause actual results to differ materially from those stated in the forward-looking statements.

**SUMMARY OF OFFERING
AND
SYNOPSIS OF STATISTICAL DATA**

Issuer

Mayor and City Council of Ocean City, Maryland.

Bonds

\$46,345,000* General Obligation Municipal Purpose Bonds of 2025, dated their date of initial delivery (the “Bonds”), maturing on January 15 in the years shown on the inside front cover hereof.

Interest Payment Dates

Semiannually on the fifteenth day of January and July until maturity or earlier redemption, commencing July 15, 2026.

Optional Redemption

The Bonds maturing on or after January 15, 2037 are subject to redemption prior to their stated maturities at any time on or after January 15, 2036, as a whole or in part, at the option of the City, at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption. See “THE BONDS – Redemption” herein.

Tax Matters

Information as to the tax status of the Bonds may be found in the section of this Official Statement captioned “TAX MATTERS.”

Payment Record

The City has never defaulted on the payment of the principal of or interest on any of its obligations for borrowed money.

*Preliminary, subject to change

STATISTICAL DATA

**at June 30, 2025
unless otherwise noted**

MAYOR AND CITY COUNCIL OF OCEAN CITY, MARYLAND

Population per 2020 (permanent residents)	6,915 ⁽¹⁾
Assessed value of all taxable real and personal property June 30, 2025	\$11,085,864,193 ⁽²⁾
Estimated market value of all taxable real and personal property June 30, 2025	\$11,085,864,193
Assessed value as a percentage of estimated market value	100.00%
City real property tax rate per \$100 of assessed value.....	\$0.4426 ⁽³⁾
City levy for fiscal year 2025 and percentage of fiscal year 2025 levy collected in year of levy	
Amount	\$50,720,938 ⁽⁴⁾
Percentage	97.60%
Legal debt margin ⁽⁵⁾	\$461,787,965

(1) Source: U.S. Bureau of the Census Estimates Branch; Ocean City Department of Planning and Community Development.

(2) Real estate and business personal property are, in general, assessed at 100% of estimated market value.

(3) Source: City Finance Office. Tax rate effective July 1, 2024 for 2025 fiscal year.

(4) Source: City Finance Office.

(5) See "CERTAIN DEBT INFORMATION-Legal Debt Margin"

**THE FOREGOING INFORMATION IS QUALIFIED IN ITS ENTIRETY
BY THE DETAILED INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT AND POTENTIAL
INVESTORS SHOULD REVIEW THE ENTIRE OFFICIAL STATEMENT.**

LOCATION MAP
OCEAN CITY, MARYLAND



OFFICIAL STATEMENT

\$46,345,000*

Mayor and City Council of Ocean City, Maryland General Obligation Municipal Purpose Bonds of 2025

INTRODUCTION

General

The purpose of this Official Statement, including the cover page and appendices, is to provide information with respect to the \$46,345,000* Mayor and City Council of Ocean City General Obligation Municipal Purpose Bonds of 2025 (the “Bonds”) issued by the Mayor and City Council of Ocean City (referred to herein as “Ocean City”, “City” or “Town”).

The information contained in this Official Statement has been assembled from various sources, including City, County and State records.

Description and Government

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

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

The City’s major industry is tourism. Visitor spending represented an estimated \$2.5 billion to the local and state economy. A destination resort, Ocean City is nationally recognized as a clean and safe community for its residents, vacation homeowners and visitors with tourism as the basis of its economy. The tourism industry can be broken down into four classifications: 1) hotels, motels, and condominium rentals, 2) restaurants and nightclubs, 3) retail shops, the boardwalk and malls, and 4) sport and recreational activities. On busy summer weekends, it is estimated that over 300,000 people visit the resort. Although the peak months are June, July and August, tourism is also strong in April, May, September and October. Depending on the weekend weather, these off-season months may average over 200,000 people.

The Town government, in conjunction with local businesses and non-profit groups, has sought to increase business with the use of festivals, entertainment, and sporting events. The largest events such as Sunfest, Winterfest of Lights, Springfest, the Ocean City Air Show, auto rallies, and motorcycle events attract thousands of visitors. Youth and family sporting events are encouraged and the Town hosts various tournaments and competitions such as softball, lacrosse, cheerleading, soccer, and skateboarding. The Town also sponsors family activities and movies on the beach, concerts, both on and off the beach, and various entertainment venues at Northside Park on 125th Street and at Sunset Park located on the bay front in downtown Ocean City. There are no less than 12 championship golf courses in the Ocean City area. Group business, meetings, and events held at the Roland E. Powell Convention Center and the Performing Arts Center have also maintained room occupancy levels and restaurant and retail sales.

To accommodate the large number of visitors each year, approximately 145 hotels and motels, with 10,000 rooms, are located in Ocean City. Approximately one-third of these rooms remain open throughout the year. Additionally, approximately 27,500 condominium and apartment units are located in the City; many of these units are rented daily, weekly or monthly.

* Preliminary; subject to change

While the traditional summer travel season provides the largest impact on the economy, the non-peak season is important due to its attractiveness to the meeting and convention industry. The City manages the operations of the 262,000 square foot convention center. The convention center contains an auditorium which can seat up to 6,000 people, a Performing Arts Center with 1,200 fixed seats and has various meeting and exhibit rooms. Construction of a 57,000 square foot addition to the convention center was completed in 2022. The convention center hosts a variety of events including conventions, tradeshows, local consumer shows and concerts. It gives the City a comprehensive, full-service facility that meets the expectations of convention groups and provides business that is not weather sensitive.

The Town uses advertising, promotions, and social media to publicize the vacation and leisure opportunities in Ocean City, with advertising costs in excess of \$12.2 million in fiscal year 2025. For the year ended June 30, 2025, room sales (based on room tax revenues) increased by 0.95% from the prior fiscal year. Food and beverage sales (also based on tax collections) also increased during FY 2025, with 3.60% more food tax revenue collected during the fiscal year.

The City is governed by an elected Mayor and a seven-member City Council who appoint a City Manager, who acts as the City's administrative head and chief financial officer (See "CITY GOVERNMENT AND ADMINISTRATION"). The City is authorized to issue debt, subject to certain indebtedness limitations, for the purpose of financing public projects. (See "CERTAIN DEBT INFORMATION").

The City's executive offices are located at City Hall, 301 Baltimore Avenue, Ocean City, Maryland 21842, and its central telephone number is (410) 289-8221. The Ocean City website is www.oceancitymd.gov.

All references in this Official Statement to the City's website are provided for convenience only. The information on the City's website is not incorporated herein, by reference or otherwise.

THE BONDS

General

The Bonds will be dated their date of initial delivery and will mature on January 15 in the years set forth on the inside front cover page of this Official Statement.

The Bonds will be general obligations of the City to the payment of which the full faith and credit and unlimited taxing power of the City will be pledged. (See "THE BONDS — Sources of Payment").

Application of Proceeds

The proceeds of the Bonds will be applied, after payment of costs of issuance of the Bonds, to finance or refinance, in whole or in part, the costs of certain capital projects of the City.

Form and Denominations

The Bonds will be issued in fully registered form in denominations of \$5,000 or any integral multiple thereof. The Bonds will initially be maintained under a book-entry system. Beneficial owners shall have no right to receive physical possession of the Bonds, and payment of the principal of and interest on the Bonds will be made as described below under "BOOK-ENTRY ONLY SYSTEM — The Depository Trust Company." Manufacturers & Traders Trust Company will act as Bond Registrar and Paying Agent (the "Bond Registrar" or the "Paying Agent") for the Bonds.

The principal of each Bond shall be paid upon presentment and surrender of such Bond on the date such principal is payable, or if such date is not a Business Day (hereinafter defined) then on the next succeeding Business Day, at the designated office of the Paying Agent.

The interest payable on each Bond, which shall be punctually paid or duly provided for on any interest payment date, will be paid semiannually on the fifteenth day of January and July in each year, commencing July 15, 2026, to the person in whose name such Bond is registered on the registration books (the "Bond Register") maintained by the Bond Registrar as of the close of business on the regular record date, which shall be the first (1st) day of the calendar month in which such regular interest payment date occurs (the "Regular Record Date"). Payment of the interest on each Bond shall be made by electronic funds transfer or by check mailed by the Paying Agent to such person's address as it appears on the Bond Register; provided, however, that so long as the

Bonds are registered in book-entry form, the principal of, redemption premium, if any, and interest on the Bonds shall be payable in accordance with the payment procedures of The Depository Trust Company, New York, New York (“DTC”) or the procedures of any successor depository for the Bonds. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the registered owner on the Regular Record Date, and may be paid to the person in whose name such Bond is registered as of the close of business on a date to be fixed by the Paying Agent for the payment of such defaulted interest (the “Special Record Date”), notice whereof being given by letter mailed first class, postage prepaid, to the registered owner at the address of the registered owner appearing on the Bond Register, not less than 10 days prior to such Special Record Date, or may be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Bonds may be listed and upon such notice as may be required by such exchange. Each Bond shall bear interest from the interest payment date next preceding the date on which it is authenticated, unless authenticated upon an interest payment date, in which event it shall bear interest from such interest payment date, or unless authenticated prior to the first interest payment date, in which event it shall bear interest from the date of the Bonds; provided, however, that if at the time of authentication of any Bond interest is in default, such Bond shall bear interest from the date to which interest has been paid.

“Business Day” means a day other than a Saturday, Sunday or day on which banking institutions under the laws of the State governing the Paying Agent are authorized or obligated by law or required by executive order to remain closed.

All payments of the principal of and interest on the Bonds shall be in such coin or currency of the United States of America, which at the time of payment is legal tender for the payment of public and private debts, subject to the provision for payment of interest by check, as set forth above. Interest on the Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

Authorization

The Bonds are issued under the authority of Sections 19-301 through 19-309, inclusive, of the Local Government Article of the Annotated Code of Maryland, as amended (the “Local Government Article”), and Section C-719 of the Charter of Mayor and City Council of Ocean City, as amended, and in accordance with Ordinance No. 2025-25 of the City, adopted and approved on October 6, 2025.

Redemption

Bonds which mature on or after January 15, 2037 are subject to redemption prior to their maturities at the option of the City at any time on or after January 15, 2036, as a whole or in part, at the option of the City, at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption. If less than all of the Bonds are called for redemption, the particular maturities to be redeemed shall be selected by the City. If less than all of the Bonds of any one maturity shall be called for redemption, the particular Bonds of that maturity to be redeemed shall be selected by lot by the Bond Registrar, except that so long as DTC or its nominee is the sole registered owner of the Bonds, the particular Bonds or portions to be redeemed shall be selected by lot by DTC, in such manner as DTC shall determine.

Sources of Payment

The Bonds are valid and legally binding general obligations of the City to which its full faith and credit and unlimited taxing power are irrevocably pledged. The principal of and interest on that portion of the Bonds that is attributable to the acquisition, construction and/or improvements to the wastewater-influent headworks improvements project, the water-radio read meters project and the water-14th street generator project (the “Water Projects Portion”) are payable in the first instance from the proceeds of the operations of such water projects, including but not limited to benefit assessments, connection, service and other charges as may be levied, imposed or collected by the City. If the proceeds of the operations of such water projects as collected by the City are insufficient to provide for the payment of the principal of and interest on the Water Projects Portion of the Bonds in any fiscal year, then the City shall also levy and collect *ad valorem* taxes upon all taxable property within the corporate limits of the City in rate and amount sufficient to provide for such deficiency in each such fiscal year. In the event the proceeds from the taxes so levied in any fiscal year shall prove inadequate for the above purposes, additional taxes shall be levied in the subsequent fiscal year to make up any deficiency.

The principal of and interest on that portion of the Bonds that is attributable to the tidal flooding remediation golf course project (the “Golf Course Portion”) are payable in the first instance from the proceeds of operations of the municipal golf course known as Eagles Landing Golf Course as collected by the City. If the proceeds of the operations of the municipal golf course as collected by the City are insufficient to provide for the payment of the principal of and interest on the Golf Course Portion of the Bonds in any fiscal year, then the City shall also levy and collect *ad valorem* taxes upon all taxable property within the corporate

limits of the City in rate and amount sufficient to provide for such deficiency in each such fiscal year. In the event the proceeds from the taxes so levied in each such fiscal year shall prove inadequate for the above purposes, additional taxes shall be levied in the subsequent fiscal year to make up any deficiency.

The rate of the ad valorem taxes described herein may be so computed in each fiscal year that the proceeds of such ad valorem taxes, together with funds from other sources, including, but not limited to, benefit assessments, connection, service and other charges as may be levied, imposed or collected by the City, shall provide sufficient funds to meet the maturing principal of and interest on the Water Projects Portion or the Golf Course Portion of the Bonds, the proceeds of the sale of which are to be applied in part to the costs of the City water and wastewater facilities and the golf course project. Taxes that might otherwise be levied may be reduced or not levied to the extent such other funds are received or receivable.

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company

The Depository Trust Company, New York, New York (“DTC”), will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may

wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Bond Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such Participant and not of DTC, its nominee, the Paying Agent or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

Termination of Book-Entry Only System

In the event that the Book-Entry Only System is discontinued, the Bonds will be delivered by DTC to the Bond Registrar and such Bonds will be exchanged for Bonds registered in the names of the Participants or the Beneficial Owners identified to the Bond Registrar. In such event, certain provisions of the Bonds pertaining to ownership of the Bonds will be applicable to the registered owners of the Bonds as described below. The City may designate another entity as Bond Registrar and Paying Agent upon thirty (30) days prior written notice to the registered owners of the Bonds.

The Bonds in full certificated form will be fully registered Bonds without coupons in the denomination of \$5,000 or any integral multiple thereof. The Bonds will be transferable only upon the registration books kept at the principal office of the Bond Registrar, by the registered owner thereof in person, or by its attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer in the form attached thereto and satisfactory to the Bond Registrar and duly executed by the registered owner or its duly authorized attorney. Upon any such transfer or exchange, within a reasonable time, the City shall execute and the Bond Registrar shall authenticate and deliver a new registered Bond or Bonds without coupons of any of the authorized denominations in an aggregate principal amount equal to the principal amount of the Bond exchanged or transferred, and maturing on the same date and bearing interest at the same rate. In each case, the Bond Registrar may require payment by any holder of the Bonds requesting exchange or transfer of Bonds of any tax, fee, or other governmental charge, shipping charges, and insurance that may be required to be paid with respect to such exchange or transfer, but otherwise no charge shall be made to the holder of the Bonds for such exchange or transfer. The City may deem and treat the person in whose name a Bond is registered as the absolute owner thereof for the purpose of receiving payment of or on account of the principal or redemption price thereof and interest due thereon and for all other purposes.

Miscellaneous

The information in this section concerning DTC and DTC's book-entry system has been obtained by the City from DTC. The City takes no responsibility for the accuracy or completeness thereof. None of the City, the Bond Registrar nor the Paying Agent will have any responsibility or obligations to the Direct or Indirect Participants or the persons for whom they act as nominees with respect to the payments to or in the providing of notice to the Direct Participants or Indirect Participants, or Beneficial Owners. The City cannot and does not give any assurance that Direct or Indirect Participants or others will distribute principal and interest payments paid to DTC or its nominees, as the registered owner, or any notices to the Beneficial Owners, or that they will do so on a timely basis or that they will serve and act in the manner described in this Official Statement.

RATINGS

Fitch Ratings, Moody's Ratings and S&P Global Ratings have assigned ratings to the Bonds as shown on the cover of this Official Statement. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Fitch Ratings, 33 Whitehall Street, New York, New York 10004; Moody's Ratings, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007; and S&P Global Ratings, 55 Water Street, New York, New York 10041. The City furnished to such rating agencies the information contained in a preliminary form of this Official Statement and other publicly available materials and information respecting the Bonds and the City. Generally, a rating agency bases its ratings on materials and information furnished to it, as well as investigations, studies and assumptions of its own. Such ratings may be changed at any time and no assurance can be given that they will not be revised downward or withdrawn entirely by any or all of the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have a material adverse effect on the market price of the Bonds.

LEGAL MATTERS

Approval of Legal Proceedings

McGuireWoods LLP, Baltimore, Maryland is acting as Bond Counsel in connection with the authorization, sale, issuance and delivery of the Bonds. The City has been advised by Bond Counsel in connection with the legal statements contained in this Official Statement; however, Bond Counsel has not passed on or assumed responsibility for the accuracy of the financial statements and economic data contained herein. Delivery of the Bonds is conditioned upon delivery by Bond Counsel of an opinion substantially in the form set forth in Appendix B of this Official Statement.

Official Statement

All quotations, summaries and explanations in this Official Statement of State, County and City laws do not purport to be complete and reference is made to pertinent provisions of the same for complete statements. All estimates and assumptions herein have been based upon information believed to be reliable and correct; however, statements made involving estimates and assumptions, whether or not expressly so stated, are intended merely as such and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances create any implication that there has been no change in the affairs of the City since the date as of which such information is stated or the date hereof. This Official Statement shall not be construed as part of any contract between the City and purchasers or holders of its Bonds. Bond Counsel has not participated in the preparation of this Official Statement, except for the section entitled "TAX MATTERS." The factual and financial information appearing herein has been supplied or reviewed by certain officials of the City and its certified public accountants, as referred to herein, and Bond Counsel expresses no opinion as to the accuracy or sufficiency thereof.

Bondholders' Remedies

A claim at law or in equity may be made against the City in the event that it fails to perform its obligations under the Bonds to the registered owners thereof and that any judgments or ruling by a Maryland court of competent jurisdiction resulting from such claim would be enforceable against the City. A Maryland court may have jurisdiction to entertain proceedings and power to grant additional relief, if necessary, to enforce the levy and collection of such taxes and payment of the proceeds thereof to the holders of general obligation bonds, subject to the inherent constitutional limitations referred to below. While remedies would be

available to bondholders and while the Bonds are entitled to constitutional protection against the impairment of the obligation of contracts, such constitutional protection and the enforcement of such remedies would not be absolute.

Enforcement of a claim for payment of the principal of or interest on the Bonds could be made subject to the provisions of federal bankruptcy laws or of any statutes that may hereafter be constitutionally enacted by the United States Congress or the Maryland General Assembly extending the time of payment or imposing other constraints upon enforcement.

TAX MATTERS

Opinion of Bond Counsel – Federal Income Tax Status of Interest

Bond Counsel's opinion regarding the federal income tax status of the interest on the Bonds will state that, under current law and assuming continuing compliance with the Covenants (as hereinafter defined), interest on the Bonds (i) is excludable from gross income for purposes of federal income taxation under Section 103 of the Code and (ii) is not a specific item of tax preference for purposes of the federal alternative minimum tax on individuals. In addition, such interest is included in the "adjusted financial statement income" (as defined in Section 56A of the Code) of certain corporations in determining the applicability and amount of the federal corporate alternative minimum tax imposed under Section 55(b) of the Code. See Appendix B – Proposed Form of Opinion of Bond Counsel.

Bond Counsel's opinion speaks as of its date, is based on current legal authority and precedent, covers certain matters not directly addressed by such authority and precedent, and represents Bond Counsel's judgment as to the excludability of interest on the Bonds for federal income tax purposes. Bond Counsel's opinion does not contain or provide any opinion or assurance regarding the future activities of the Town or about the effect of future changes in the Code, the applicable regulations, or the interpretation or the enforcement thereof by the Internal Revenue Service (the "IRS") and the courts.

Although Bond Counsel is of the opinion that interest on the Bonds is excludable from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, Bonds may otherwise affect the federal tax liability of an owner of the Bonds. The nature and extent of these other federal tax consequences depend on the owner's particular tax status and levels of other income or deductions. Bond Counsel will express no opinion regarding any such other tax consequences and prospective purchasers of the Bonds should consult their own tax advisors with respect thereto.

Reliance and Assumptions; Effect of Certain Changes

In delivering its opinion regarding the federal income tax treatment of interest on the Bonds, Bond Counsel is relying upon certifications of representatives of the Town, the underwriter, and other persons as to facts material to the opinion, which Bond Counsel has not independently verified.

In addition, Bond Counsel is assuming continuing compliance with the Covenants (as hereinafter defined) by the Town. The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the Bonds in order for interest on the Bonds to be and remain excludable from gross income for purposes of federal income taxation. These requirements include, by way of example and not limitation, restrictions on the use, expenditure and investment of the proceeds of the Bonds and the use of the property financed or refinanced by the Bonds, limitations on the source of the payment of and the security for the Bonds, and the obligation to rebate certain excess earnings on the gross proceeds of the Bonds to the United States Treasury. The tax compliance agreement for the Bonds contains covenants (the "Covenants") under which the Town has agreed to comply with such requirements. Failure by the Town to comply with the Covenants could cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactively to their date of issue. If such a failure were to occur, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Bonds from becoming includable in gross income for Federal income tax purposes.

Bond Counsel has no responsibility to monitor compliance with the Covenants after the date of issue of the Bonds.

Certain requirements and procedures contained, incorporated or referred to in the tax compliance agreement, including the Covenants, may be changed and certain actions may be taken or omitted subject to the terms and conditions set forth in such agreement. Bond Counsel expresses no opinion concerning any effect on the excludability of interest on the Bonds from gross income for federal income tax purposes of any such subsequent change or action that may be made, taken or omitted upon the advice or approval of counsel other than Bond Counsel.

Original Issue Discount

Bonds purchased in the initial public offering with yields higher than their applicable interest rates, as shown on the inside cover page hereof, have been sold with “original issue discount.” Each such Bond is referred to below as an “OID Bond.” The excess of (i) the stated amount payable at the maturity (excluding qualified stated interest) of any OID Bond over (ii) the issue price of the OID Bond as determined under Section 1273 of the Code (which may differ from the price shown on the inside front cover page of this Official Statement) constitutes the amount of original issue discount, which is treated in the same manner as interest on the Bonds for federal income tax purposes.

The Code provides that the amount of original issue discount accrues in accordance with a constant interest method based on the compounding of interest. In the case of an original owner of an OID Bond, the amount of original issue discount that is treated as having accrued on such OID Bond is added to the owner’s adjusted basis in determining, for federal income tax purposes, gain or loss upon the disposition of the OID Bond (including its sale, redemption or payment at maturity). The amounts received upon such disposition that are attributable to accrued original issue discount will be excludable from the gross income of the owner for federal income tax purposes.

The accrual of original issue discount and its effect on the redemption, sale or other disposition of OID Bonds that are not purchased in the initial public offering may be determined according to rules that differ from those described above.

In addition, original issue discount that accrues in each year to an owner of an OID Bond is included in the calculation of the distribution requirements of certain regulated investment companies and may result in some of the collateral federal income tax consequences discussed in this section. Consequently, the owner of an OID Bonds should be aware that the accrual of original issue discount in each year may result in additional distribution requirements or other collateral federal income tax consequences although such owner has not received cash attributable to such original issue discount in such year.

Prospective purchasers of OID Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of the original issue discount accrued upon sale or redemption of such OID Bonds (including OID Bonds not purchased in the initial public offering) and with respect to the state and local tax consequences of owning OID Bonds.

Original Issue Premium

Bonds purchased in the initial public offering with yields lower than their applicable interest rates, as shown on the inside cover page hereof, have been sold with “bond premium.” Each such Bond is referred to below as an “OIP Bond.” The excess of (i) the owner’s basis in the OIP Bond immediately after acquisition over (ii) the amount payable at maturity (excluding qualified stated interest) as determined under Section 171 of the Code constitutes the amount of the bond premium. Under the Code, the bond premium is amortized based on the owner’s yield over the remaining term of the OIP Bond (or, in the case of certain callable OIP Bonds, to an earlier call date that results in a lowest yield on the OIP Bond). The owner of an OIP Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period against the bond premium allocable to that period. No deduction is allowed for such amortization of bond premium even though the owner is required to decrease the adjusted basis in the owner’s OIP Bond by the amount of the amortizable bond premium, which will result in an increase in the gain (or decrease in the loss) recognized for federal income tax purposes upon a sale or disposition of the OIP Bond prior to its maturity.

Prospective purchasers of any OIP Bonds should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, sale, exchange, or other disposition of, and amortization of bond premium on, such OIP Bonds.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner thereof. Prospective purchasers of the Bonds, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning or disposing of the Bonds.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers including, without limitation, banks and other financial institutions, certain insurance companies, dealers in tax-exempt obligations, certain corporations (including S corporations and foreign corporations), certain foreign corporations subject to the “branch profits tax,” individual recipients of Social Security or Railroad Retirement

benefits, owners of an interest in a financial securitization trust, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers attempting to qualify for the earned income tax credit.

Information Reporting and Backup Withholding

Prospective purchasers should be aware that the interest on the Bonds is subject to information reporting to the IRS in a manner similar to interest paid on taxable obligations. In addition, interest on the Bonds may be subject to backup withholding if the interest is paid to an owner who or which (i) is not an “exempt recipient” and (ii) (A) fails to furnish an accurate U.S. taxpayer identification number in the manner required, (B) has been notified of a failure to report all interest and dividends required to be shown on federal income tax returns or (C) fails to certify under penalty of perjury that the owner is not subject to withholding. Individuals generally are not exempt recipients, although corporations and other entities generally are.

The reporting and backup withholding requirements do not in and of themselves affect the excludability of interest on the Bonds from gross income for federal income tax purposes, and amounts withheld under the backup withholding rules may be refunded or credited against the owner’s federal income tax liability, if any, provided that the required information is timely furnished to the IRS.

Opinion of Bond Counsel -- State Tax Exemption

Bond Counsel’s opinion will also state that, under existing law of the State of Maryland, the principal of and interest on the Bonds, the transfer of the Bonds, and any income derived from the Bonds, including profits made in their sale or transfer, are exempt from State and local taxes in the State of Maryland; however, the terms of the law of the State of Maryland does not expressly refer to, and no opinion is expressed concerning, estate or inheritance taxes or any other taxes not levied or assessed directly on the Bonds, the interest thereon, their transfer or the income therefrom.

Interest on the Bonds may be subject to state or local income taxes in jurisdictions other than the State of Maryland under applicable state or local tax laws. Such holders or prospective purchasers of the Bonds should consult their own tax advisors with respect to the tax status of the interest on Bonds in jurisdictions other than the State of Maryland.

Effects of Future Enforcement, Regulatory and Legislative Action

The IRS has established a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Bonds, the IRS will, under its current procedures, treat the City as the taxpayer. As such, the beneficial owners of the Bonds will have only limited rights, if any, to participate in the audit or any administrative or judicial review or appeal thereof. Any action of the IRS, including but not limited to the selection of the Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the marketability or market value of the Bonds.

Legislation affecting tax-exempt obligations is regularly considered by the U.S. Congress and various state legislatures. Such legislation may effect changes in federal or state income tax rates and the application of federal or state income tax laws (including the substitution of another type of tax), or may repeal or reduce the benefit of the excludability of interest on the tax-exempt obligations from gross income for federal or state income tax purposes.

The U.S. Department of the Treasury and the IRS and state regulatory authorities are continuously drafting regulations to interpret and apply the provisions of the Code and state law and court proceedings may be filed the outcome of which could modify the federal or state tax treatment of tax-exempt obligations.

There can be no assurance that legislation proposed or enacted after the date of issue of the Bonds, regulatory interpretation of the Code or state laws or actions by a court involving either the Bonds or other tax-exempt obligations will not have an adverse effect on the Bonds’ federal or state tax status, marketability or market price or on the economic value of the tax-exempt status of the interest on the Bonds.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential consequences of any such proposed or pending federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

CITY GOVERNMENT AND ADMINISTRATION

General

The City has a Council-Manager form of government, under which the legislative and executive powers of the City (except for certain designated mayoral powers) are vested in the Council. The Council is composed of seven members, each of whom is elected by an “at-large” vote of the City’s populace to serve a four-year term. The Council is empowered to elect one of its members as president, and the Mayor and Council appoint a Council member to serve as secretary. The Council has the power to: make all policy decisions for the City, subject to the provisions of the Charter; appoint the City Auditor, City Solicitor, City Manager, City Clerk and, in conjunction with the Mayor, the chief of police and members of all City boards, commissions and committees; establish salaries for all City officials and employees; and exercise direct supervision and control over the City Manager.

The Mayor is the chief representative of the City before all Federal, State and local governmental bodies, and is elected in a City-wide election every two years. The Mayor holds the power to veto all ordinances enacted by the Council as described below. The Mayor acts as the City Manager of the Town during any vacancy in the position of the City Manager and during such time is the chief administrative and financial officer of the Town.

The City Manager is the chief administrative officer of the City and is appointed by the Council. He is charged with the responsibility of hiring, supervising and discharging all City employees, except department heads, subject to personnel regulations and other City, State of Maryland and Federal laws. He also recommends to the Council the appointment and discharge of all department heads, supervises all department heads during the term of their appointment, makes reports and recommendations to the Council concerning any municipal matter which may deserve Council attention and carries out other duties assigned by the Council.

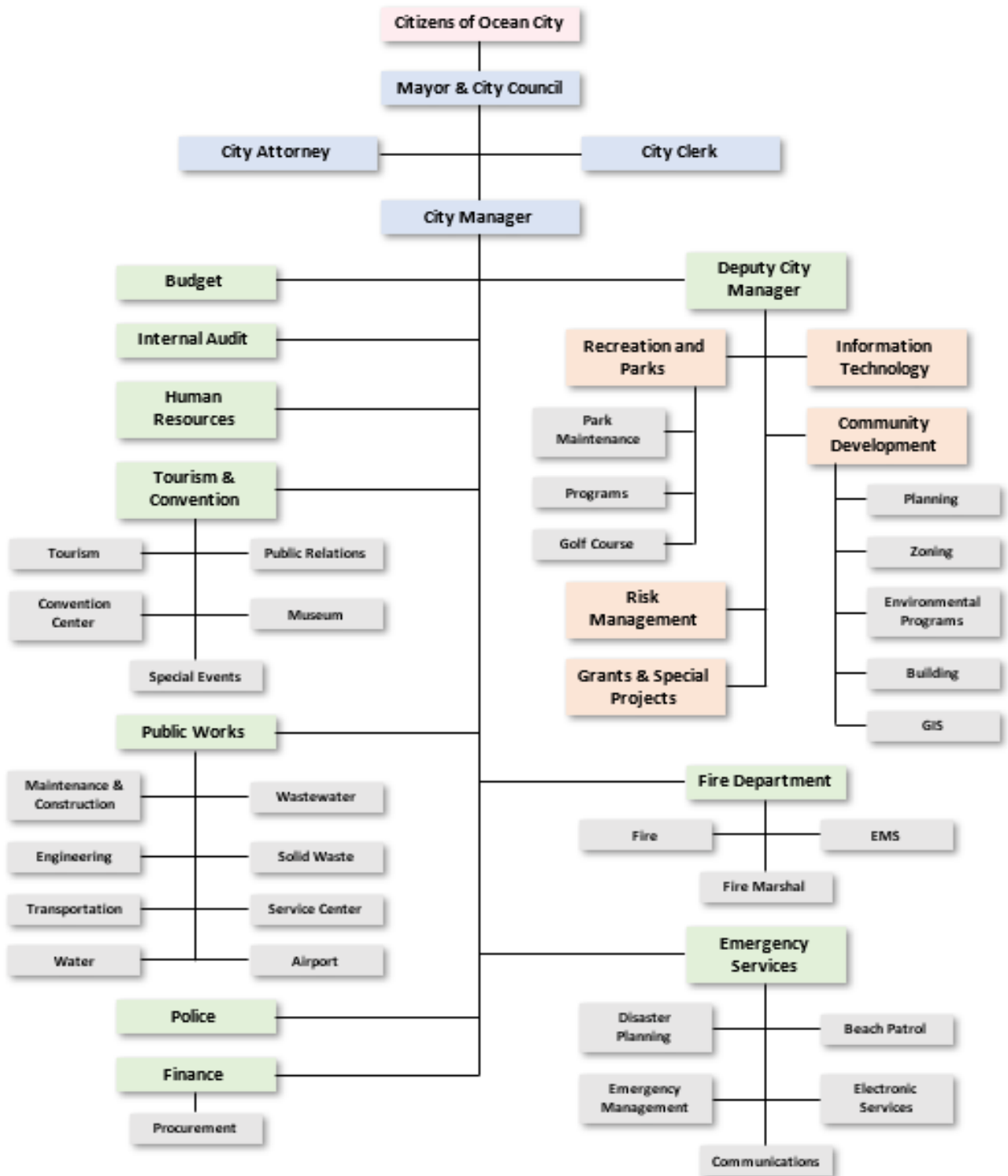
Additionally, the City Manager serves as the chief financial officer of the City and is responsible for all municipal financial affairs. Under the supervision of the Council, the City Manager has the authority and is required to (a) keep an accurate account of the receipts and disbursements of the funds of the City and to render annually to the Mayor and Council a succinct and detailed statement thereof, (b) prepare an annual budget to be submitted to the Council, (c) supervise and be responsible for the disbursement of all monies and have control over all expenditures to assure that budget appropriations are not exceeded, (d) maintain a general accounting system for the City in such form as the Council may require not contrary to State of Maryland law, (e) submit at the end of each fiscal year, and at such times as the Council may require, a complete financial report to the Council, (f) ascertain that all taxable property within the City is assessed for taxation, (g) collect all taxes, special assessments, license fees, liens, and all other revenues of the City, and all other revenues for which collection the City is responsible, and receive any funds receivable by the City, (h) have custody of all public monies belonging to or under the control of the City, and (i) do such other things in relation to the fiscal or financial affairs of the City as the Council may require or as may be required elsewhere in the Charter.

The Council appoints a City Clerk to serve as its clerk, under the supervision of the City Manager. The City Clerk acts as custodian of all records of the Council.

The City’s governmental services are carried out by various specialized departments, each of which is run by a department head, who is appointed by majority vote of the Council and supervised by the City Manager. A chart of the City’s governmental organization is set forth on the following page.

Each member of the Council has one vote, and in the absence of higher voting requirements, a simple majority of the Council is sufficient to pass legislation. All ordinances passed by the Council are delivered to the Mayor for his approval or disapproval. Any ordinance approved by the Mayor becomes law, and ordinances disapproved by the Mayor are returned to the Council and do not become law unless subsequently passed by a favorable vote of six members of the Council within 60 days of the time of the return of the ordinance. If, within 40 calendar days of such approval of any ordinance by the Mayor or passage of any ordinance over his veto, a petition, containing the signatures of not less than 40% of the number of voters at the most recent general election and requesting that the ordinance be submitted to a vote of the qualified voters for their approval or disapproval, is filed with the City Clerk, such a vote must be held, and the ordinance will not become law until it is approved by a majority of such qualified City voters.

**Town of Ocean City Organizational Chart
Fiscal Year 2025**



Certain City Officials

Mayor

RICHARD W. MEEHAN, Mayor — age 75, served on the Council since April 1985 and served as City Council President for 14 years until his election as Mayor in 2006. Mr. Meehan is a realtor with Coldwell Banker. He has a Bachelor of Science degree in Business Administration from the University of Baltimore and is President of the Delmarva Irish-American Club. He serves as a trustee on the Pension Boards, the Chairman of the Transportation Committee, the Police Commission, and the Tourism Commission, the Tri-County Council and the Humane Society Committee. He is a member of the Governors Economic Development Committee, Downtown Association and Chamber of Commerce.

City Council

MATTHEW M. JAMES, Council President — age 32, was elected to the Council in 2014. Mr. James worked in the Ocean City hotel industry for several years. He holds a management position with the Carousel Group Hotels where he oversees multiple hotels. He has been an active volunteer with the Ocean City Fire Department since 2006 and currently serves as a Lieutenant. In 2015, Mr. James was selected and honored by the Ocean City Chamber of Commerce as Ocean City's Young Professional of the Year. As a Council member, he is the Chairman on the Tourism Commission, serves on the Police Commission and is a liaison on the Noise Board.

ANTHONY J. DELUCA, Council Secretary — age 77, was elected to the Council in 2014. Mr. DeLuca has a business degree from the University of Baltimore and attended graduate school at Johns Hopkins University. Mr. DeLuca previously had a successful management career with KFC at Yum! Brands, Inc. for 46 years before his retirement. Prior to his election to the Council, Mr. DeLuca served on the Board of Port Wardens. He is currently the President of the Board of Directors of The Gateway Grand Condominium Homeowners Association and is a member of the Ocean City Marlin Club, American Legion Post 66, and the Delmarva Irish-American Club. As a Council member, he serves on the Transportation Committee, Risk Retention Committee, the MD Coastal Bays Foundation Board of Directors, Bicycle and Pedestrian Advisory Committee and the Coastal Resources Legislative Committee.

JOHN F. GEHRIG, JR., Council Member — age 55, was elected to the City Council in November 2016. Mr. Gehrig earned a marketing degree from Lehigh University, where he also played football as a four-year scholar-athlete. Mr. Gehrig is the Owner and President of D3 Corp., a digital marketing agency based in Ocean City and serving clients around the world. He has served on the Ocean City Chamber of Commerce executive committee since 2003 and has held many positions, including being elected president in 2010, 2016 and 2017. Since being elected to the City Council, Mr. Gehrig is the Chairman of the Recreation and Parks Committee and has served on the Tourism Committee.

JAKE MITRECIC, Council Member — age 34, was elected to the City Council in November 2024. Mr. Mitrecic is a lifelong Ocean City resident and a third-generation builder. He graduated from Stephen Decatur High School and attended Georgia Tech. Mr. Mitrecic resides with his wife, Melissa, and their two dogs, Bronson and Bailey.

CAROL L. PROCTOR, Council Member — age 58, was elected to the City Council in November 2022. This is her first term serving on the Council. Carol is widely recognized for a successful career in mortgage banking and as a realtor. She is the associate broker and team lead for Berkshire Hathaway Home Services PenFed Realty and has been with Berkshire since 2011. Carol has won numerous awards and maintains a five-star rating because of her dedication to clients. Carol resides in Ocean City with her husband, children, mother and newest 4-legged family member Koda, a Boykin Spaniel. When not working, Carol enjoys being with family, boating, fishing and just enjoying all the reasons she loves Ocean City. As a council member, Carol serves on the Sports Complex Task Force, Transportation Committee and Recreation and Parks Committee.

WILLIAM C. (WILL) SAVAGE III, Council Member — age 55, was elected to the City Council in November 2022. Mr. Savage is an Ocean City native and assisted with the family business at the oceanfront Majestic Hotel, eventually becoming general manager until April 2022 when the family sold the hotel. Mr. Savage is a Gold Badge Life Member of the Ocean City Volunteer Fire Company and is currently a firefighter, emergency medical technician, U.S. Coast Guard licensed boat captain, rescue swimmer, rescue diver and a member of the Evergreen Masonic Lodge 153 A.F.A.M. Mr. Savage obtained an associate degree in Hotel-Motel-Restaurant Management and Business from Wor-Wic Community College and continued his education at Salisbury University, graduating from the Perdue School of Business with a Bachelor of Science degree in finance. Mr. Savage, his wife and two children reside in Ocean City and successfully run two Ocean City boardwalk retail locations. As a council member, Mr. Savage serves on the Tourism Commission and the Recreation and Parks Committee.

LARRY YATES, Council Member — age 75, was elected to the City Council in November 2024. Mr. Yates is a retired Deputy Police Chief from Rockville, Maryland. He and his wife made their permanent home in Ocean City, Maryland in 2016, but have been frequent visitors as part-time property owners since 2001. Mr. Yates's background includes a position with American Trucking Associations in Alexandria, Virginia, Manager of Homeland Security, post the 9/11 attacks. Mr. Yates has served and continues to serve our community in numerous positions on committees, work groups and task forces.

Administrative

TERENCE J. MCGEAN, City Manager — age 60, received a B.S. degree in Engineering from Texas A&M University and is a registered professional engineer. He has been employed with the City since 1990 and prior to being appointed City Manager in 2022, served as City Engineer for 30 years. He is a member of the American Society of Civil Engineers and the American Public Works Association. Prior to employment with the City, Mr. McGean was employed by Post, Buckley, Schuh and Jernigan, Civil Engineer Consultants, as a Design Engineer and Construction Manager.

HEATHER STANSBURY, City Solicitor — age 45, holds a B.A. degree from Towson University and a J.D. degree from University of Baltimore School of Law. She is admitted to practice before the United States District Court for the District of Maryland and the State of Maryland. In addition to her private practice, Ms. Stansbury represents the Town of Ocean City and the Worcester County Board of Education. She has previously served as the attorney for the Board of Zoning Appeals and the Board of Adjustments and Appeals for the Town of Ocean City from 2009 to 2019; the Shoreline Commission for Worcester County; and the Worcester County Pro Se Family Law Clinic. Ms. Stansbury was on the Board of Trustees for Atlantic General Hospital from 2014 to 2018 serving as the Vice-Chairperson in 2017-2018. She is also a member of the Women's Fund of the Community Foundation of the Eastern Shore and previously served on the Board for the Rackliffe House Trust, the Ocean City, Maryland Paramedic's Foundation and Diakonia.

DIANA L. CHAVIS, City Clerk — age 61, has been employed by the City since 1997, serving as administrative assistant to the Finance Director and executive associate to the City Manager prior to her 2015 appointment as city clerk. Mrs. Chavis received a Bachelor of Arts degree in Communications from Salisbury University. She is a Certified Municipal Clerk and an active member of the Maryland Municipal League, the International Institute of Municipal Clerks Association, and the Maryland Municipal Clerks Association, currently serving as its Education Committee chairman.

CHARLES BIRELEY, Finance Director — age 61, received a B.S. degree in Accounting from the University of Delaware and is a Certified Public Accountant. He has served as the Finance Director since 2018 and has been employed in the City's Finance Department since 2015, holding the position of Assistant Finance Director. He is a member of the Government Finance Officers Association and a member of the American Institute of Certified Public Accountants, Delaware Society of Certified Public Accountants and the Maryland Association of Certified Public Accountants.

RICHARD J. AUSTIN, Chief of Police — age 56, joined the Ocean City Police Department (OCPD) in 1991 as a seasonal officer and became full-time in 1994. He has held numerous leadership roles, including Commander of the Criminal Investigation Division, Patrol Lieutenant, and head of various specialty units. In 2013, he graduated from the 254th Session of the Federal Bureau of Investigation National Academy, an elite law enforcement leadership academy. Upon his retirement from OCPD in 2022, he continued serving the community as a Special Investigator with the Worcester County State's Attorney's Office. In addition to his law enforcement expertise, he has been deeply involved in community policing efforts such as National Night Out, Citizen's Police Academy, Play It Safe, and Coffee with Cops. In April 2025, he returned to the City to lead the OCPD, focusing on public safety, accountability, and community partnership. Chief Austin brings not only decades of experience to the OCPD but a deep understanding of the City and its values.

JOSEPH J. THEOBALD, Emergency Services Director — age 70, received a B.A. degree in Psychology and M.A. degree in Education/Criminal Justice from William Paterson University. Before becoming the Emergency Services Director in 1988, he retired after 28 years of services as a Lieutenant of the West Caldwell Police Department in the State of New Jersey, also serving as Chief of the Fire Department. He is a graduate of Northeastern University School of Police Staff and Command, as well as the National Fire Service Staff and Command. Mr. Theobald is the current President of the Maryland Emergency Management Association and is an active member of the International Association of Fire Chiefs.

HAL O. ADKINS, ICMA-CM, Public Works Director — age 62, received a B.S. degree from the University of Maryland in Construction Management and Engineering. Prior to becoming the Public Works Director in 1988, he served as Project Manager for the City's Engineering Department for four years. He is presently an active member of the American Public Works Association, the American Water Works Association, the Solid Waste Association of North America.

Employee Retirement Plans

The City has two mandatory contributory single employer defined benefit pension plans, the Employees of Ocean City, Maryland Pension Plan and Trust (the “General Employees Pension Plan”) and the Ocean City, Maryland Public Safety Employee Pension Plan and Trust (the “PSEPP”). The Employees of Ocean City, Maryland Pension Plan and Trust functions as the administrator for both plans. The Trustees have engaged the investment adviser services of Morgan Stanley since 2004.

Wastewater employees who were transferred to the City from the Worcester County Department of Water and Wastewater Services in 1994 participate in a mandatory contributory defined benefit plan maintained by Worcester County and administered by Nationwide Financial Company, a multi-employer cost sharing plan.

Employees hired after April 1, 2011, other than those operating under the Fraternal Order of Police (FOP) or International Association of Firefighters (IAFF) collective bargaining agreements, participate in a mandatory defined contribution plan. Nationwide functions as the administrator for the plan.

General Employees Pension Plan

All full-time employees hired before April 1, 2011, who completed one year of continuous service and attained the age of 21 years, were automatically enrolled in the plan except those enrolled in the PSEPP. An annual review and actuarial valuation of the pension plan is made as of April 1. The plan provides a benefit of 50% of final average pay accrued evenly over 30 years. The final benefit is based on average compensation of the three highest consecutive years in the last ten years prior to retirement. The benefit is a fixed life annuity. It does not provide a COLA or post retirement increases. Full-time employees contribute 5% of pay. 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.

At June 30, 2025, the plan’s market value of assets was \$77,904,829 and the unfunded actuarial liability was \$10,412,439 using entry age normal actuarial method. The amortization of the net pension liability is 10 years, closed gain/loss except for losses due to plan changes, which are amortized over 20 years.

The General Employees Pension Plan provides retirement benefits, disability benefits, and death benefits. A member may retire at age 55 with 10 years of continuous service (early retirement), retire with unreduced benefits at age 55 with 30 years of service, retire 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 employer contribution for the plan for fiscal year 2025 of \$3,202,844 was made in accordance with actuarially determined contributions computed through an actuarial valuation performed as of April 1, 2024. Employer contributions represented 31.48% of the current year covered payroll. The Town implemented GASB 67 in fiscal year 2014 and the actuarial liability was calculated using entry age normal for 2014-2024. For fiscal years 2025, 2024, and 2023, available assets were sufficient to fund 88.21%, 83.00%, and 79.56%, of the pension liability, respectively. Net pension liability represented 102.33%, 134.38%, and 150.50% of the annual payroll for employees covered by the plan for 2025, 2024, and 2023. In addition, for the years 2025, 2024, and 2023, the City’s contributions to the plan, all made in accordance with actuarially determined contributions, were 31.48%, 32.49%, and 28.26%, respectively, of annual covered payroll. Employee contributions were \$514,523 for fiscal year 2025.

Public Safety Employees Pension Plan

All of the City’s full-time fire marshals, communication personnel and certified emergency medical technicians hired before April 1, 2011 and sworn police officers and firefighters participate in the PSEPP, a single employer, defined benefit pension plan. At June 30, 2025, the plan’s actuarial value of assets was \$95,711,690 and the unfunded actuarial liability was \$15,072,189. For fiscal year 2025, the City’s total covered payroll for public safety employees was \$15,919,238.

The PSEPP provides retirement benefits, disability benefits and death benefits. A member may retire at age 55 with 10 years of continuous service (reduced early retirement), retire at age 65 (normal retirement), retire 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.

The benefit formula provides full 60% benefit earned evenly over 25 years; all employees accrue 2.4 percent per year. Final benefit is based on average compensation of the three highest consecutive years in the last ten years prior to retirement. The PSEPP also provides death and disability benefits. Disability benefits entitle a participant to his accrued pension actuarially reduced if

payments begin before normal retirement date. If death occurs while actively employed and after becoming 100% vested, the surviving spouse is entitled to 50% of amount payable to the participant on the day before death. Additionally, retiring employees receive one month of additional service credit for each 176 hours of unused sick leave for the benefit amount, but not for retirement eligibility, with a credit assumption equal of 3% of other service. The benefit is a fixed life annuity. The plan does not provide COLA or post-retirement increases. Participants are required to contribute 9% of their annual salary to the PSEPP. During fiscal year 2025, employer contributions totaling \$5,076,749 based on a ten-year amortization cost, were made in accordance with actuarially determined contributions computed through an actuarial valuation performed as of April 1, 2024 and equaled 31.89% of covered payroll. Employee contributions in fiscal year 2025 were \$1,410,960. For the three years ended 2025, 2024, and 2023, available assets were sufficient to fund 86.39%, 81.62%, and 76.40% of the pension liability. Net pension liability represented 94.68%, 122.18%, and 162.79% of the annual payroll for employees covered by the plan for 2025, 2024, and 2023, respectively. In addition, for the years 2025, 2024, and 2023, the City's contributions to the plan, all made in accordance with actuarially determined requirements, were 31.89%, 36.46%, and 33.38%, respectively, of annual covered payroll.

Worcester County Supplemental Pension Plan

Eighteen wastewater employees who transferred to the City from Worcester County participate in a mandatory contributory defined benefit plan managed by Worcester County and administered by Nationwide Financial Company. The City does not have any unfunded pension liability with respect to this plan.

Defined Contribution Pension Plan

Employees hired after April 1, 2011, other than those under the FOP or IAFF collective bargaining agreements, are enrolled in a mandatory defined contribution pension plan (401(a)) managed by Nationwide. Employees are required to contribute 5% of pay to the plan. The City matches the 5% of pay contribution and will match up to an additional 2% of pay at the option of the employee. The City's contribution is vested at 20% per year with vesting of 100% after five years. Employee contributions were \$1,001,955 for the year ended June 30, 2025. The market value of the 401(a) plan assets totaled \$13,390,817 as of June 30, 2025.

Accounting for Sick Leave, Compensatory Leave Time, and Annual Vacation Leave

Sick leave is accrued at the rate of one day (eight hours) per month for full-time employees of the City with a maximum of 30 days (240 hours) of total accumulated sick leave. No payment is made for the accumulated amount of sick leave upon an employee's termination of employment with the City. The City provides short-term disability up to 100% of an employee's salary based on length of service for a maximum of 180 days. After 180 days, disability payments are reduced to up to 60% of such employee's salary based on length of service and such disability payments continue until the employee reaches age 65 or returns to work.

Non-exempt general employees receive overtime pay for work in excess of 40 hours per week. Sworn police officers and emergency medical personnel receive overtime pay for work in excess of 42 and 48 hours per week, respectively. Exempt general and public safety employees receive compensatory leave time in lieu of overtime pay which may be accumulated up to 120 hours. Upon termination of employment, exempt employees are paid for their accumulated compensatory leave time.

Each year, full-time employees earn between 10 and 25 days of annual vacation leave based on their length of service. An employee may carry over up to 10 vacation days (80 hours) into a new anniversary year. Upon termination of employment, an employee is paid for unused accumulated annual vacation leave.

Accounting for Post-Employment Benefits

The City offers post-employment health insurance benefits ("OPEB") for employees in addition to pensions. The City provides 80% of the cost of health insurance for employees who (a) retire after January 1, 1998 with 15 years of service and (b) retire with 25 years of service if hired after July 1, 2005. Employees hired after April 1, 2011 receive a fixed benefit until age 65 after retiring after 25 years of service. For the year ended June 30, 2025, 245 employees were eligible for and receiving the benefit at an actual cost of \$1,337,888, which was net of employee contributions.

In 2008, the City created a trust fund to fund the unfunded OPEB liability. As of June 30, 2025, the liability for benefits was \$34,573,160 and the value of assets, at market, was \$45,645,696 resulting in a net OPEB asset of \$11,072,536. The City implemented GASB 75 in fiscal year 2018 and the actuarial liability was calculated using entry age normal actuarial method for 2025 and 2024. The City did not make contributions for fiscal years 2025, 2024 and 2023. The City is amortizing the net OPEB liability over 20 years.

Labor Relations

As of June 30, 2025, the City employed 604 persons full-time. During the summer season, the City work force increased to 1,165 persons through the use of seasonal employees. The members of the Ocean City Police and Career Fire/EMS Departments have the right to collective bargaining and have contracts through June 30, 2028 and 2027, respectively. The City has never experienced a work stoppage due to labor relations; Ocean City considers its relationship with its employees to be satisfactory.

Leases and Other Contracts

The City is a party to various leases and contracts for goods and services pertinent to the normal course of business and, in addition, is a party to numerous other contracts with engineers, architects and contractors relating to capital projects.

Insurance

The City has established a Risk Management Fund (an internal service fund) to account for and finance its uninsured risks of loss, with a \$250,000 per occurrence self-insured retention for general liability, \$10,000 for each property claim, and \$600,000 for each workers' compensation claim. Excess third-party insurance is purchased to cover losses which exceed these amounts and for all other risks of loss.

All funds of the City participate in the program and make payments to the Risk Management Fund based on actuarial estimates of the amounts needed to pay prior and current year claims and pay premiums to insurance carriers for excess coverage. 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. At June 30, 2025, the claims liability was \$4,046,005, and the fund had cash and investments of \$5,639,703 to pay claims.

Cybersecurity

The City's approach to cybersecurity includes training staff, ensuring that all systems are maintained and updated on an ongoing basis, building partner relationships with vendors and outside consultants and preparing and updating disaster testing programs and recovery plans to current industry standards.

ACCOUNTING AND FINANCIAL OPERATIONS

The City's financial system is administered by the City Manager and has an integrated, centralized and comprehensive base for all budgetary and accounting information for all of its offices, departments, agencies, boards, bureaus, divisions and activities. The system begins with the budget and progresses into the recognition of all revenues and the expensing of disbursements of all funds. An accounting is provided for all revenues and expenditures, regardless of source or charge. The financial system enables the City's management to produce monthly accounting reports.

Basis of Accounting

The City prepares financial statements in conformity with generally accepted accounting principles as applied to governmental units in the United States. Funds are used to report its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Government-wide, business-type, 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 recorded amounts of business-type fund financial instruments, including cash, investments, receivables, payables, and long-term debt approximate fair value.

Governmental fund statements are presented using the flow of current financial resources measurement focus and the modified basis of accrual. Under the modified accrual 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 under accrual accounting. Interest on 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 City, 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 City and are recognized as revenue at that time.

The City has one major governmental fund, the General Fund. It is used to account for all activities of the government not accounted for in some other fund. The General Fund accounts for the normal recurring activities of the City such as police, public works, recreation and parks, general government, etc. These activities are financed primarily by property taxes, other taxes, service charges, and grants from other governmental units.

Business-type 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. Business-type funds distinguish operating revenues and expenses from non-operating 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 non-operating revenues and expenses.

The City has four major business-type funds. The Water Fund operates the water treatment plants and distribution system. The Wastewater Fund operates the sewage treatment plant, pumping stations and collection system. The Transportation Fund operates the buses and boardwalk trams. The Convention Center Fund accounts for the activities of the Roland E. Powell Convention Center. There are two non-major funds: the Airport Fund, which accounts for the operations of the Ocean City Municipal Airport; and the Golf Course Fund, which accounts for the operations of Eagle’s Landing Golf Course.

The City also reports internal service funds, capital improvement funds and fiduciary funds. The City maintains four internal service funds: the Information Technology Fund accounts for the City's computer operations; the Service Center Fund accounts for the maintenance of City vehicles and operates a central purchasing warehouse; the Vehicle Equipment Trust Fund accounts for the purchase and use (lease) of City vehicles, equipment and radios; and the Risk Management Fund accounts for insurance expenses and claims liability.

The City utilizes capital improvements funds to account for all financial resources used for acquisition or construction of major capital facilities not financed by proprietary funds. The City has three fiduciary funds: the Employees of Ocean City, Maryland Pension Plan and Trust; the Ocean City, Maryland Public Safety Employees Pension Plan and Trust; and the Other Post-Employment Benefits Trust Fund for post-retirement health insurance benefits. 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 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

BUDGET

The City’s budget is prepared each year for the Council by the City Manager. At least 32 days before the beginning of any fiscal year, the City Manager is required to submit the budget to the Council. The budget must provide a complete financial plan for the budget year and contain estimates of anticipated revenues and planned expenditures for the coming year. Before adopting the budget, the Council must hold a public hearing thereon after two weeks’ prior notice in one or more newspapers having general circulation within the City. The Council may insert new items or may increase or decrease the items of the budget. In instances in which the Council increases the total proposed expenditures, it must also increase the total anticipated revenues in an amount at least equal to such total proposed expenditures. The budget must be prepared and adopted in the form of an ordinance. A favorable vote of at least a majority of the total elected membership of the Council is necessary for the adoption of the budget.

The City’s Charter provides that no City money be expended without having been appropriated by the Council. The Council (by a two-thirds vote), however, is empowered to make supplementary appropriations from (1) unexpended and unencumbered

funds set aside for contingencies in the City's budget, (2) Federal, State or private grants which were not included in the budget for the current fiscal year, (3) revenues received from anticipated sources but in excess of budget estimates therefor, and (4) revenue received or to be received from sources not anticipated in the budget for the current fiscal year, including, but not limited to, the proceeds from the public or private sale of general obligation bonds and bond anticipation notes authorized and issued after the adoption of the budget for capital improvements, capital projects and capital expenditures of any nature whatsoever to be financed in whole or in part by such general obligation bonds or bond anticipation notes, and the proceeds from the sale of tax anticipation notes authorized and issued after the adoption of the budget in accordance with the City's Charter.

The City's Charter also provides that the Council may (by a two-thirds vote), to the extent that there are no unappropriated revenues therefor, authorize the issuance of tax anticipation notes in order to provide revenue to deal with (1) public emergencies affecting the City's health, welfare, property or safety, or (2) occurrences, circumstances, conditions or events that were unforeseen or unanticipated, in whole or in part, at the time the budget was adopted by the Council. Such tax anticipation notes may be sold by public or private sale.

The City budget is prepared on a "line item" basis, specifying the division and activity involved. Transfers of budgeted items may be accomplished with the approval of the City Manager within a fund. 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 Mayor and City Council in the form of an ordinance. All expenditures for supplies, materials, equipment, and construction of public improvements or contractual services involving more than \$100,000 must be bid on in a written contract.

Budgetary Guidelines and Policies

The City has certain established guidelines and policies relating to the operating budget and the City's capital budget which are used by the City Manager in allocating the City's resources and by the Council and the Mayor in assessing proposed spending plans. The operating budget policies provide, among other things, for: the City to pay for all current expenditures with current revenues; the budget to provide for adequate maintenance of capital plant and for its orderly replacement; the City to maintain a budgetary control system to help it adhere to the budget; the City Manager to prepare regular reports comparing actual revenues and expenditures to budgeted amounts; and neither the Council, the Mayor nor the City Manager to take any budgetary action which would unbalance the budget, unless additional revenues can be secured. As a result of the guidelines relating to the capital budget, the City currently makes all capital improvements in accordance with an adopted capital improvements plan; the City has a multi-year plan of capital improvements which is updated annually; the City has an annual capital budget in which expenditures are accounted for in a separate capital projects fund; a maintenance and replacement schedule is followed in the preparation of City budgets; and for each capital project, the City Manager identifies potential funding sources before a request for its approval is submitted to the Council.

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CITY REVENUES AND EXPENDITURES

General Fund

The City's principal source of general fund revenues is taxes. Taxes comprised approximately 70% of General Fund revenues in fiscal year 2025. Real and personal property tax revenues provided approximately 43% of total General Fund revenues with room taxes and income taxes providing an additional 23% of such revenues. Revenues from licenses and permits provided approximately 5% of total General Fund revenues in fiscal year 2025. The following table indicates the City's governmental funds' activities for each of the five most recent fiscal years ended June 30:

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

	2025	2024	2023	2022	2021
Revenues					
Property taxes	\$50,720,938	\$45,858,260	\$45,303,438	\$45,068,278	\$44,644,085
Other taxes	32,229,233	32,386,155	32,831,876	27,250,010	22,874,243
Licenses and permits	5,957,408	5,252,579	5,484,819	4,651,042	4,704,685
Fines and forfeitures	1,704,117	1,586,057	1,325,477	2,023,412	2,050,475
Charges for current services	13,342,818	13,686,553	12,678,021	12,492,503	9,620,331
Revenue from other agencies	9,753,373	8,144,601	10,186,785	10,729,203	10,587,619
Other revenue	4,950,283	5,828,710	3,995,844	1,057,940	1,367,948
<i>Total revenues</i>	<i>\$118,658,170</i>	<i>\$112,742,915</i>	<i>\$111,806,260</i>	<i>\$103,272,388</i>	<i>\$95,849,386</i>
Expenditures					
Current:					
General government	\$6,305,483	\$5,330,844	\$5,056,744	\$3,825,713	\$3,757,020
Public safety	47,476,435	46,211,906	42,388,977	40,508,410	37,624,679
General public works and beach	8,035,579	7,842,040	6,516,942	7,021,976	5,933,224
Sanitation and waste removal	7,902,945	7,472,988	7,296,019	6,900,994	6,458,895
Highways and streets	7,560,574	6,716,715	6,676,974	6,582,153	5,653,334
Economic development - tourism	17,935,704	17,195,978	15,640,246	7,520,991	7,073,068
Recreation and culture	9,014,394	8,298,975	9,027,997	8,250,889	7,610,511
Capital outlay	14,062,455	17,481,976	5,557,264	6,555,386	4,857,648
Debt service:					
Principal retirement	4,488,086	4,493,706	4,635,894	3,848,029	3,841,053
Interest and fiscal charges	2,550,630	1,371,892	1,719,773	1,308,261	1,480,367
Bond issuance costs	-	96,549	27,376	161,625	26,437
<i>Total expenditures</i>	<i>\$125,332,285</i>	<i>\$122,513,569</i>	<i>\$104,544,206</i>	<i>\$92,484,427</i>	<i>\$84,316,236</i>
<i>Excess (deficiency) of revenues over expenditures</i>	<i>\$(6,674,115)</i>	<i>\$(9,770,654)</i>	<i>\$7,262,054</i>	<i>\$10,787,961</i>	<i>\$11,533,150</i>
Other financing sources (uses)					
Bonds and notes issued	-	\$8,109,444	\$11,366,104	\$16,725,979	\$2,142,355
Premium on bonds issued	-	750,227	-	1,789,3007	507,687
Payment to refunded bond escrow agent	-	-	(11,180,683)	-	(2,554,963)
Transfers in	\$3,537,014	7,528,926	5,389,600	6,533,178	4,361,427
Transfers out	(8,650,229)	(12,129,500)	(8,794,672)	(9,221,859)	(8,209,471)
<i>Total other financing sources (uses)</i>	<i>\$(5,113,215)</i>	<i>\$4,259,097</i>	<i>\$(3,219,651)</i>	<i>\$15,826,605</i>	<i>\$(3,752,965)</i>
<i>Net change in fund balances</i>	<i>\$ (11,787,330)</i>	<i>\$(5,511,557)</i>	<i>\$4,042,403</i>	<i>\$26,614,566</i>	<i>\$ 7,780,185</i>
Debt service as a % of noncapital expenditures	6.3%	5.7%	6.5%	6.0%	6.7%

Source: Ocean City Finance Department

Allocation of Tax Revenues

The following table sets forth the City's governmental funds' tax revenues by source for each of the five most recent fiscal years ended June 30:

Tax Revenues by Source, Governmental Funds

Fiscal Year	Property Taxes ⁽¹⁾	Room Occupancy Taxes	Admissions & Amusement Taxes	Income Taxes	Shared Taxes ⁽²⁾	Total
2025	\$50,720,938	\$25,636,773	\$3,224,919	\$1,446,353	\$1,921,188	\$82,950,171
2024	\$45,858,260	\$25,394,524	\$3,166,891	\$2,170,731	\$1,654,008	\$78,244,414
2023	\$45,303,438	\$26,872,726	\$2,555,444	\$1,681,224	\$1,722,482	\$78,135,314
2022	\$45,068,278	\$22,010,166	\$2,177,307	\$1,242,945	\$1,819,591	\$72,318,287
2021	\$44,644,085	\$18,654,180	\$1,254,785	\$1,594,336	\$1,370,942	\$67,518,328

(1) Comprised of taxes on real property, tangible personal property, ordinary business corporations and financial corporations, adjusted for deferred taxes, additions, and abatements.

(2) Comprised of taxes on casinos, highway users, and trailer parks.

Source: The Audited Financial Statements for the City for each year set forth.

Property Taxes and Assessments

The assessment of all real and tangible personal property for purposes of property taxation by the City is the sole responsibility of the State Department of Assessment and Taxation, an independent State agency.

For State and City real property tax purposes, real property is valued and assessed at full cash value ("value"). All real property is reassessed once every three years and any increase in value arising from this reassessment is phased in over the ensuing three taxable years in equal annual installments. Tangible personal property is assessed at full cash value.

Assessed Values, Tax Rates, Tax Levies and Collections

The following tables set forth the assessed value of all taxable property in the City as of July 1, 2025, and for each of the four most recent fiscal years ended June 30, as well as the City's tax rate and tax levy in each such year. The assessed value of tax-exempt properties owned by Federal, State of Maryland and City governments, churches, schools, fraternal organizations, cemeteries, disabled veterans and the blind is not included. The assessed value is equal to the market value in Maryland.

Fiscal Year	Real Property	Personal Property	Corporate Property	Total	Tax Rate
2025	\$10,858,645,827	\$5,569,760	\$221,648,606	\$11,085,864,193	\$0.4426
2024	\$9,618,420,159	\$6,200,112	\$208,726,676	\$9,833,346,947	\$0.4526
2023	\$9,480,575,996	\$9,339,519	\$216,472,050	\$9,706,387,565	\$0.4526
2022	\$9,383,818,766	\$8,795,575	\$205,737,482	\$9,598,351,823	\$0.4561
2021	\$9,367,774,293	\$9,860,133	\$228,098,369	\$9,605,732,795	\$0.4559

	<u>Direct Rate</u>	<u>Overlapping Rates</u>		
	Town of Ocean City	Worcester County	State of Maryland	Total
2025	\$0.4426	\$0.8450	\$0.1120	\$1.3996
2024	\$0.4526	\$0.8450	\$0.1120	\$1.4096
2023	\$0.4526	\$0.8450	\$0.1120	\$1.4096
2022	\$0.4561	\$0.8450	\$0.1120	\$1.4131
2021	\$0.4559	\$0.8450	\$0.1120	\$1.4129

Source: Ocean City Finance Department

The fiscal year 2026 real property tax rate is maintained at \$0.4426 per \$100 based on an assessable base of \$12,164,652,906 estimated by the State Department of Assessment and Taxation at market value on July 1, 2025. Under applicable law, there are no tax limits on real and personal property taxes levied by the City. City taxes are payable July 1 for the current fiscal year and become delinquent on October 1. A one percent penalty is charged monthly from and after October 1 for the nonpayment of such taxes. All penalty charges are governed by State of Maryland statutes; such statutes also grant the City the right to conduct a tax sale of real and personal property for which taxes have not been paid. Tax sales are generally held in June each year. The City does not levy taxes in excess of actual requirements to provide a margin against delinquencies. In the opinion of the City, the tax rate established by it for each fiscal year when applied to the assessed value of the real and personal property subject thereto is sufficient to provide revenues to discharge the City's obligations to pay the principal of and interest maturing on its issued and outstanding indebtedness for each fiscal year. Maryland governments are required to provide a semiannual payment schedule for property taxes due on owner-occupied residential property. Less than 5% of Ocean City properties qualify for the semiannual payment schedule.

The following table sets forth certain information with respect to the City's tax levies and tax collections for each of the five most recent fiscal years ended June 30:

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2025	\$50,720,938	\$49,503,587	97.60%	\$ -	\$49,503,587	97.60%
2024	45,858,260	45,319,408	98.82	538,647	45,858,055	100.00
2023	45,303,438	44,837,095	98.97	466,343	45,303,438	100.00
2022	45,068,278	44,601,454	98.96	466,824	45,068,278	100.00
2021	44,644,085	44,390,394	99.43	253,691	44,644,085	100.00

Source: Ocean City Finance Department

The table below, for fiscal year 2025, sets forth the ten largest taxpayers in the City and gives the assessed valuation of their respective real, personal and corporate property and the percentage of total assessed valuation. [

2025		
Taxpayer	Taxable Assessed Value	Percentage of Total Taxable Assessed Value
Americana Stowaway Motel, Inc.	\$77,145,390	0.70%
Delmarva Power	63,646,730	0.57
Harrison Inn Stardust, Inc.	58,341,133	0.53
91 st Street Joint Venture, LLC	41,089,190	0.37
Ocean City Hotels LLC	37,241,576	0.34
OCMD Hotel Owner LLC	30,647,260	0.28
Ocean I Hospitality LLC	26,816,380	0.24
Inns of Ocean City, LLC	25,291,633	0.23
Harrison 15 th Street LLC	24,733,290	0.22
Harrison QI 33 LLC	24,236,133	0.22
	<u>\$409,188,715</u>	<u>3.70%</u>
Total taxable assessed value	<u>\$11,085,864,193</u>	

Source: Ocean City Finance Department

Other Local Taxes

In addition to property taxes, the City collects other miscellaneous taxes, the largest of which are room taxes and admissions and amusement taxes, which totaled \$25,636,773 and \$3,224,919, respectively, for fiscal year 2025.

STATE AND FEDERAL ASSISTANCE

During fiscal year 2025, the City's General Fund revenues from the Federal government, the State of Maryland, and Worcester County aggregated \$9,334,382. The City's General Fund operating budget for fiscal year 2026 includes approximately \$7.57 million in federal, State of Maryland and Worcester County aid.

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$50,406,171	\$50,482,706	\$50,720,938	\$238,232
Other taxes	31,092,000	31,515,063	32,229,233	714,170
Licenses and permits	4,828,200	6,008,872	5,957,408	(51,464)
Fines and forfeitures	1,426,000	1,552,000	1,704,117	152,097
Charges for current services	12,989,517	13,473,850	13,034,678	(439,172)
Revenue from other agencies	7,055,557	8,819,854	9,334,382	514,528
Other revenue	1,698,141	3,536,665	3,929,347	392,682
<i>Total revenues</i>	<i>\$109,495,586</i>	<i>\$115,389,030</i>	<i>\$116,910,103</i>	<i>\$1,521,073</i>
Expenditures				
Current:				
General government	\$5,446,650	\$6,090,812	\$5,984,273	\$106,539
Public safety	48,951,239	48,701,268	47,476,435	1,224,833
General public works and beach	7,425,645	7,474,437	7,220,153	254,284
Sanitation and waste removal	8,040,213	8,006,642	7,896,026	110,616
Highways and streets	6,806,261	6,483,167	6,292,385	190,782
Economic development - tourism	15,103,918	18,355,419	17,935,704	419,715
Recreation and culture	9,193,321	9,017,523	8,862,813	154,710
Debt service:				
Principal	4,765,238	4,765,238	4,488,086	277,152
Interest	1,371,994	1,371,994	1,648,966	(276,972)
<i>Total expenditures</i>	<i>\$107,104,479</i>	<i>\$110,266,500</i>	<i>\$107,804,841</i>	<i>\$2,461,659</i>
<i>Excess (deficiency) of revenues over expenditures</i>	<i>\$2,391,107</i>	<i>\$5,122,530</i>	<i>\$9,105,262</i>	<i>\$3,982,732</i>
Other financing sources (uses)				
Transfers in	-	-	\$46,064	\$46,064
Transfers out	\$(7,117,761)	\$(8,466,008)	(8,604,165)	(138,157)
<i>Total other financing sources (uses)</i>	<i>\$(7,117,761)</i>	<i>\$(8,466,008)</i>	<i>\$(8,558,101)</i>	<i>\$(92,093)</i>
<i>Net change in fund balances</i>	<i>\$(4,726,654)</i>	<i>\$(3,343,478)</i>	<i>\$547,161</i>	<i>\$3,890,639</i>

CERTAIN DEBT INFORMATION

General

Under its Charter, “general obligation indebtedness” of the City may not exceed 5.2% of the assessable base of the City. General obligation indebtedness expressly excludes (1) tax anticipation notes or other evidences of indebtedness having a maturity of not in excess of 12 months, (2) bonds, notes or other evidences of indebtedness issued or guaranteed by the City and payable primarily or exclusively from taxes levied in or on, or other revenues of, special taxing areas or districts heretofore or hereafter established by law, (3) bonds, notes or other evidences of indebtedness issued for self-liquidating and other projects payable primarily or exclusively from the proceeds of assessments or charges for special benefits or services, and (4) revenue bonds, notes or other evidences of indebtedness not constituting general obligations of or a pledge of or involving the faith and credit of the City, or an indebtedness of or a charge against the general credit or taxing powers of the City. The Bonds will constitute general obligation indebtedness for purposes of applying the 5.2% debt limitation; as shown below, the City satisfies this debt restriction.

Bonded Indebtedness of the City

The following table sets forth the City’s direct bonded debt issued and outstanding at June 30, 2025, applicable to the 5.2% general obligation debt limit described above.

Bond Issue	Final Maturity	Interest Rates to Maturity	Original Issue	Outstanding Balance
Airport Improvement Bond of 2006	2026	3.496%	\$ 4,100,000	\$ 590,000
Municipal Purpose Bonds of 2015	2035	2.00-5.00%	16,760,000	10,790,000
Municipal Refunding Bond of 2016A	2027	1.92%	5,266,000	1,923,000
Property Acquisition Bond of 2016B	2027	2.70%	1,350,000	300,000
Municipal Purpose Bond of 2017A	2027	2.50%	1,600,000	352,564
Municipal Purpose Bond of 2018	2038	3.00-5.00%	25,795,000	21,320,000
Municipal Purpose Bonds of 2020	2040	2.00-5.00%	6,650,000	6,295,000
Refunding Bonds of 2020	2031	5.00%	6,750,000	4,050,000
Municipal Purpose Bonds of 2021	2042	2.00-5.00%	26,115,000	23,510,000
Municipal Refunding Bonds of 2022	2033	1.71%	16,900,000	9,015,000
Municipal Purpose Bonds of 2023	2044	4.00-5.00%	26,115,000	25,385,000
Municipal Purpose Bonds of 2024	2045	4.00-5.00%	4,815,000	4,815,000
Total Bonds			<u>\$142,216,000</u>	<u>\$108,345,564</u>

Source: Ocean City Finance Department

Legal Debt Margin

The table sets forth the City’s legal debt margin at June 30, 2025 as adjusted to reflect the issuance of the Bonds.

Calculation of Legal Debt Margin

Assessed basis of taxable real and personal property	\$11,085,864,193
Maximum general obligation debt (limited to 5.2% of assessed valuation*)	\$576,464,938
Outstanding bonds including premium to be amortized	\$114,676,973
Bonds issued as described in this Official Statement	<u>\$46,345,000 **</u>
Net chargeable to bond limit	\$161,021,973 **
Legal debt margin at June 30, 2025, as adjusted	\$415,442,965 **

* Section C-719 of the Code of the Town of Ocean City

** Preliminary, subject to change

Source: Ocean City Finance Department

Other Long-Term Commitments

The City has entered into certain long-term financing agreements with the State of Maryland for bulkhead construction and lighting improvements. The following table sets forth such commitments and amounts outstanding at June 30, 2025:

	<u>Original Issue</u>	<u>Amount Outstanding as of 6/30/2025</u>
Total DNR Soil Erosion Control Loans	\$297,171	\$80,550

The Town has entered into certain agreements with Bank of America to finance certain equipment and services for the Town: a lease agreement for radio equipment valued at \$5,500,000, which matures in July 2026; an energy performance contract valued at \$4,460,000, which matures in March 2031; and an agreement for boardwalk access controls valued at \$2,202,048, which matures in March 2029.

Overlapping Debt

The table below represents the total direct and overlapping long-term debt of the City as June 30, 2025. Overlapping debt is not bonded debt of the City on either a direct or contingent basis but represents the share of debt of other governmental units that owners of property in the City are obligated to pay through direct tax levies of other governmental units

<u>Jurisdiction</u>	<u>Debt Outstanding</u>	<u>Percentage Applicable to the Town ⁽¹⁾</u>	<u>Amount Applicable to the Town</u>
Direct			
Town of Ocean City	\$51,237,760	100.0%	\$51,237,760
Overlapping			
Worcester County	<u>66,842,603</u>	53.6%	<u>35,860,486</u>
Total direct and overlapping debt	<u>\$118,080,363</u>		<u>\$87,098,246</u>

(1) Percentages were determined by dividing each overlapping subdivision's assessed value within the Town by each subdivision's total assessed value.
Source: Ocean City Finance Department.

The following table sets forth the City's debt per capita and percentages of short-term and long-term debt outstanding as a percentage of the City's assessed property value and estimated market value of the City's assessed property at June 30 of each of the City's last five fiscal years:

<u>Fiscal Year</u>	<u>Debt⁽¹⁾</u>	<u>Estimated Population⁽²⁾</u>	<u>Assessed Value⁽³⁾</u>	<u>Debt per Capita⁽⁴⁾</u>	<u>Percentage of Assessed Value⁽⁴⁾</u>
2025	\$118,810,315	6,915	\$11,085,864,193	\$17,182	1.07%
2024	\$124,167,411	6,915	\$9,833,346,947	\$17,956	1.26%
2023	\$106,862,882	6,925	\$9,706,387,565	\$15,454	1.10%
2022	\$117,892,138	6,929	\$9,598,351,823	\$17,086	1.23%
2021	\$ 98,640,638	6,944	\$9,605,732,795	\$14,205	1.03%

Sources: (1) Audited Financial Statements of the City for each year set forth. Includes premium to be amortized.
(2) U.S. Census Bureau, Population Estimates Branch; Department of Planning and Community Development. Permanent residents only.
(3) City Finance Office; and State Department of Assessment and Taxation of Maryland. Assessed Value = Market Value.
(4) Reflects financial information calculated by the City Finance Office.

TOWN OF OCEAN CITY
PRINCIPAL AND INTEREST PAYMENTS ON OUTSTANDING OBLIGATIONS
BY TYPE OF DEBT

Fiscal Year	General Obligation Bonds		Lease Purchases		Intergovernmental Loans		Principal	Interest	
Ending	Principal	Interest	Principal	Interest	Principal	Interest	Total	Total	Total *
June 30,									
2026	\$ 7,257,092	\$ 3,821,073	\$ 1,165,972	\$ 84,947	\$ 16,110	\$ -	\$ 8,439,174	\$ 3,906,020	\$ 12,345,194
2027	7,566,472	3,518,377	877,268	61,283	16,110	-	8,459,850	3,579,660	12,039,510
2028	7,207,000	3,232,274	593,573	44,509	16,110	-	7,816,683	3,276,783	11,093,466
2029	6,840,000	2,948,145	619,823	29,568	16,110	-	7,475,933	2,977,713	10,453,646
2030	7,130,000	2,662,157	391,186	15,783	16,110	-	7,537,296	2,677,940	10,215,236
2031	7,420,000	2,375,851	404,970	6,864	-	-	7,824,970	2,382,715	10,207,685
2032	6,925,000	2,096,656	-	-	-	-	6,925,000	2,096,656	9,021,656
2033	7,155,000	1,863,467	-	-	-	-	7,155,000	1,863,467	9,018,467
2034	6,180,000	1,646,025	-	-	-	-	6,180,000	1,646,025	7,826,025
2035	6,395,000	1,426,388	-	-	-	-	6,395,000	1,426,388	7,821,388
2036	6,605,000	1,217,924	-	-	-	-	6,605,000	1,217,924	7,822,924
2037	5,635,000	1,019,688	-	-	-	-	5,635,000	1,019,688	6,654,688
2038	5,825,000	831,950	-	-	-	-	5,825,000	831,950	6,656,950
2039	3,940,000	657,200	-	-	-	-	3,940,000	657,200	4,597,200
2040	4,055,000	541,300	-	-	-	-	4,055,000	541,300	4,596,300
2041	3,660,000	421,600	-	-	-	-	3,660,000	421,600	4,081,600
2042	3,770,000	308,300	-	-	-	-	3,770,000	308,300	4,078,300
2043	2,170,000	191,200	-	-	-	-	2,170,000	191,200	2,361,200
2044	2,255,000	104,400	-	-	-	-	2,255,000	104,400	2,359,400
2045	355,000	14,200	-	-	-	-	355,000	14,200	369,200
	<u>\$108,345,564</u>	<u>\$ 30,898,175</u>	<u>\$ 4,052,792</u>	<u>\$ 242,954</u>	<u>\$ 80,550</u>	<u>\$ -</u>	<u>\$ 112,478,906</u>	<u>\$ 31,141,129</u>	<u>\$ 143,620,035</u>

* Totals may not add due to rounding.
Source: Ocean City Finance Department.

**Schedule of Debt Service Requirements for Outstanding Municipal Obligations
as Adjusted for Issuance of the Bonds**

**General Obligation Municipal
Purpose Bonds of 2025***

Fiscal Year	Total Town Debt Service	Principal	Interest⁽¹⁾	Adjusted Total Town Debt Service⁽²⁾
2025 - 26	\$12,345,194			
2026 - 27	12,039,510			
2027 - 28	11,093,466			
2028 - 29	10,453,646			
2029 - 30	10,215,236			
2030 - 31	10,207,685			
2031 - 32	9,021,656			
2032 - 33	9,018,467			
2033 - 34	7,826,025			
2034 - 35	7,821,388			
2035 - 36	7,822,924			
2036 - 37	6,654,688			
2037 - 38	6,656,950			
2038 - 39	4,597,200			
2039 - 40	4,596,300			
2040 - 41	4,081,600			
2041 - 42	4,078,300			
2042 - 43	2,361,200			
2043 - 44	2,359,400			
2044 - 45	369,200			
	\$143,620,035			

* Preliminary, subject to change.

(1) Interest rates estimated from __% to __%.

(2) Totals may not add due to rounding.

Source: Ocean City Finance Department and First Tryon Advisors LLC

The following table sets forth the City's General Fund debt service expenditures for long-term debt as a percentage of Governmental Fund revenues for each of its five most recent fiscal years ended June 30.

Annual General Fund Debt Service as a Percentage of General Fund Revenues

Fiscal Year	Debt Service Expenditure	General Fund Revenues	Debt Service as a Percentage of Total General Fund Revenues
2025	\$6,137,052	\$116,910,103	5.25%
2024	5,865,598	110,528,114	5.31%
2023	6,355,667	109,355,413	5.81%
2022	5,156,290	102,108,673	5.05%
2021	5,321,420	95,364,120	5.58%

Source: Audited Financial Statements of the City for each year.

Future Plans to Issue City Debt and Capital Improvements for Fiscal Year 2026

The City does not intend to issue additional general obligation debt in the 2026 fiscal year to finance capital projects.

CERTAIN GOVERNMENT SERVICES AND RESPONSIBILITIES

Recreation and Parks

Ocean City is located on the southern end of an almost continuous beach which runs north to Rehoboth Beach, Delaware and is the closest oceanfront to the Baltimore and Washington, D.C. areas. Ocean City's main recreational attraction is its beach, which has drawn up to 300,000 visitors on busy summer weekends. Commencing Memorial Day weekend and ending before October 1 each year, the beach is protected by approximately 190 lifeguards and is cleaned nightly by five beach cleaning machines. The beach is a dynamic environment, and Ocean City has sought to keep the beach a showplace with various erosion control measures. The Ocean City Beach Replenishment and Hurricane Protection Project ("OCBRHPP") was a \$45 million project, constructed in two phases over a period of three years which consisted of pumping sand from offshore borrow areas to widen and elevate the beach. A dune was constructed from 27th Street north to the Delaware line; south of 27th Street, a seawall was built east of the Boardwalk. The OCBHPP, ongoing since 1990, provides 100-year storm protection to the City. A maintenance fund is contributed to annually by the City, Worcester County and the State of Maryland. This fund is used to periodically renourish the beach as sand erodes and was last replenished in 2014.

In addition to swimming, sport fishing, water-skiing, jet-skiing and other water-related activities, visitors and residents also engage in golf, tennis, softball, basketball, soccer, volleyball, skateboarding and other outdoor activities, which are available in and around the City. Several parks are located inside the City limits in which such activities can be pursued. The City also owns the 58-acre Northside Park Recreation Complex at which the Recreation and Parks Department is headquartered. This complex has three gymnasiums, staff offices, a multi-purpose room and a conference room, and offers more than 150 programs for citizens of all ages, year-round.

The City's golf course, "Eagle's Landing", is adjacent to Ocean City's Municipal Airport. The course offers championship golf with a variety of water holes, large white sand bunkers, unique mounding and beautiful bay views.

Education

School age children who reside in the City attend public schools maintained by the Board of Education of Worcester County. The Worcester County school system operates 14 schools, including five elementary schools, three middle schools, one intermediate school, three high schools, a career and technology high school and a school for students with special needs. The total enrollment for the 2023-2024 school year was approximately 6,850. The school system employs approximately 1,150 professional and support staff.

The Worcester County school system is governed by a seven-member board of education with elected members. The superintendent of schools acts as secretary/treasurer to the board of education and serves in the capacity of chief administrative officer. The school system has an operating budget for fiscal year 2026 of \$142.2 million, of which \$113.8 million is appropriated by Worcester County.

Public Safety

The Ocean City Police Department ("OCPD"), directed by the Chief of Police under the supervision of the Police Commission and the City Manager, is a full-service municipal law enforcement agency employing 120 year-round sworn Police Officers and 27 civilians. During the summer season, an additional 74 civilians supplement the full-time force. Community policing concepts are the focus of police patrol operations and are supported by criminal investigation, narcotics enforcement, traffic safety, crime prevention, K-9, equestrian, special response, community service, training, and records units.

The Police Department Headquarters is centrally located on the island at 65th Street and Coastal Highway in the Public Safety Building, opened in 1994, which it shares with Emergency Services and the District Court of Maryland. The detention center in the Public Safety Building is a modern, short-term holding facility that houses prisoners awaiting bail hearings and/or transfer to other law enforcement agencies or detention operations. The ratio of Police Officers to resident/visitors ranges from 1 to 100 during the off-season months to 1 to 1,500 at the height of the summer season.

The Emergency Services department has three major areas of responsibility: operation of an Emergency Management program, the Emergency Communications Center; and maintenance of the citywide- radio system. Located in the Public Safety Building at 65th Street, Emergency Management coordinates all planning, response and recovery for potential emergencies or

disasters. A key part of this program is the development of the Emergency Operations Plan and the management of the Emergency Operations Center during events.

The Communications Center operates 24 hours per day, receiving and dispatching calls for service for the Police, EMS, the Fire Company, and other City departments. In addition, the Center monitors weather radar and is linked with other Federal, State and local agencies to provide information or warnings to response agencies and the public. Maintenance of the city-wide radio system is managed by a two-person staff that provides overall radio technology support to the departments.

The Ocean City Fire Company has three divisions, which operate under the Fire Chief to provide coordinated emergency service responses. The Emergency Medical Services Division (“EMS”) provides 24-hour ambulance protection and employs 73 certified fire/paramedic personnel year-round with about 32 additional personnel added during the summer season. EMS has a fleet of ten advanced life support ambulances. The Fire Marshal Division is responsible for fire prevention and life safety through building plan review and approval and an on-going inspection program. The Division employs arson investigators and inspectors, with a total of six Deputy Fire Marshals. Three members of the staff are certified as police officers by the Maryland Police Training Commission. Fire protection within the municipality is provided by the Fire/EMS Division and the Ocean City Volunteer Fire Company, Inc. (“OCVFC”), an independent community service organization. The OCVFC has 57 active firefighters, all certified to national training standards, and operates a fleet of 24 pieces of modern fire-fighting apparatus.

During the summer visitor season, the Ocean City Beach Patrol (“OCBP”), operated by the Department of Recreation and Parks, promotes beach and water safety along the ocean and provides lifeguard protection for beach patrons. The OCBP employs about 200 trained Surf Rescue Technicians seasonally.

Hospitals, Medical Care and Public Health

The nearest hospital to the City is Atlantic General Hospital in Berlin, Maryland, approximately 10 miles from the City. TidalHealth Peninsula Regional is located in Salisbury, Maryland, 35 miles away. During the summer, there are several medical centers located within the City limits.

Planning and Zoning

The Department of Planning and Community Development (the “Department”) consists of the Planning, Zoning, and Code Enforcement divisions. The Department is responsible for preparing general and specific plans for the development of the City, and for the administration and enforcement of the codes and regulations which implement those plans. These regulations include, among others, the City Zoning Code, the Standard Building Code, Standard Housing Code, Property Maintenance Code, Coastal Bays Regulations and the Flood Protection Regulations. Building permits and construction inspections are handled by the Department. The Department also administers and provides staff support to the Planning Commission, the Board of Zoning Appeals, the Board of Port Wardens, and the Board of Adjustments and Appeals.

Various Department staff members also represent the City on intergovernmental planning-related efforts, including the Maryland Coastal Bays Program, Maryland Municipal League committees, and the Governor’s Rehabilitation Code Committee. Staff support is also provided to the Ocean City Development Corporation, which is a nonprofit corporation partially funded by the Mayor and City Council of Ocean City and Worcester County Commissioners, whose mission is to facilitate the revitalization of downtown Ocean City. In accordance with the Maryland Economic Growth, Resource Protection and Planning Act of 1992, the Comprehensive Plan for Ocean City is reviewed and updated every six years. The Plan addresses all areas of growth and development, including population, the economy, land use, transportation, community facilities, housing, sensitive areas and the environment, downtown revitalization, and serves as the basis of all public and private development-related decisions.

Beach Renourishment

In 1994, the State of Maryland, Worcester County and Ocean City accepted responsibility for operation and maintenance of the completed Atlantic Coast of Maryland Storm Protection Project. The project consists of the Beach Renourishment program, dunes, dune crossovers, dune planting and fencing along with the seawall along the boardwalk. Ocean City’s Public Works Department maintains all the items mentioned above and the Office of Engineering keeps constant watch on the project.

The State of Maryland, Worcester County, and Ocean City have a long term (50 year) written partnership agreement with the Army Corps of Engineers to perform periodic beach renourishment as needed to maintain adequate storm protection. Per this agreement, the Army Corps of Engineers designs and manages the needed renourishment dredging operations and pays for 53% of the cost of renourishment. To date the project has prevented an estimated \$900 million in storm damage.

Water and Wastewater Systems

The water supply system contains 22 wells, three water treatment plants and 96 miles of distribution pipes throughout the City. All treatment processes are strictly monitored, and all water plant operators have Class 4 State of Maryland certification. The plants have 18 million gallons per day (“mgd”) capacity. This is the maximum daily system demand projected to be required at peak season population through the year 2025 based upon the “residential holding capacity” method adopted by the Department of Planning and Community Development.

The City’s wastewater collection, treatment, and disposal system is designed to handle 14 mgd with a peak capacity of 22 mgd. The treatment plant, located at 64th Street, was constructed in 1969, with expansions and secondary treatment upgrades completed through 2015. The wastewater system is made up of one treatment plant, ten pumping stations and 152 miles of force mains and gravity collection mains. Treated effluent is pumped one mile offshore in the Atlantic Ocean. Two flow equalization tanks and associated equipment were built in 2006 which significantly improved treatment plant performance during maximum wastewater flow periods, such as large storm events and peak summer weekends. In 2020, a secondary clarifier was added to provide redundancy and ensure optimum treatment during high flow volume in the summer season.

Solid Waste Transport and Disposal

To reduce expenses, the City changed its method of solid waste disposal in 2010. The City continued 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 City’s approximately 32,000 annual 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 City has saved approximately \$500,000 annually in waste disposal costs since 2010.

Transportation

The City’s Transportation Department is responsible for a year-round Municipal Bus Service with complementary ADA Paratransit and a summer seasonal Park-N-Ride shuttle (the “Service”). The Service typically has ridership in the summer in excess of 19,000 passengers a day, with 50+ buses in service at 10 to 30-minute intervals and a winter service of 2 to 10 buses running at 15 to 40-minute intervals. The Service operates out of a centrally located bus storage/office building which has enclosed storage capacity for 65 buses and a separate wash bay.

The Ocean City Airport, owned and operated by the City, is located three miles southwest of Ocean City. Private planes and charter flights are served by the airport. The terminal building was built in 1995 and was funded by the Federal Aviation Administration, the Maryland Aviation Administration and the City. Located 27 miles west of the City, the Salisbury Ocean City Wicomico Airport serves Ocean City and provides commercial airline service. The airport is second in the State in total number of airline passengers, total tonnage and total acreage.

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SELECTED DEMOGRAPHIC AND ECONOMIC INFORMATION

Population

Year-Round Population

<u>Year</u>	<u>Ocean City</u>	<u>Percentage Change</u>	<u>Worcester County</u>	<u>Percentage Change</u>	<u>State of Maryland</u>	<u>Percentage Change</u>
2020	6,884	(3.07%)	52,460	1.96%	6,177,224	5.99%
2010	7,102	(0.99%)	51,454	10.55%	5,828,289	10.04%
2000	7,173	39.39%	46,543	32.87%	5,296,486	10.77%
1990	5,146	4.04%	35,028	13.40%	4,781,468	13.40%
1980	4,946	231.28%	30,889	26.38%	4,216,446	7.46%
1970	1,493	-	24,442	-	3,923,897	-

Source: U.S. Census Bureau, Population Census

Seasonal Population and Tourism Development

Visitors to Ocean City, whether here on vacation or attending a convention, are the basis of Ocean City's economy and, throughout the City's history, have been its reason for existence. There has been a steady growth of seasonal visitors to the resort, with slight downturns during recessionary periods. When measured in peak periods, tourism has grown by 50% since 1980.

Ocean City experiences seasonal fluctuations in tourism. The average number of people in the City during weekends, January through March, is 86,000. The average rises during April through June weekends to 181,000 people in the City during the warmer weekends. The average summer weekend population often exceeds 300,000. From October to December, the average number of visitors on weekends reaches 95,000 people in Ocean City for business meetings, a convention, or a relaxing weekend away.

The resort experiences a 190% average increase in weekend visitors from April (117,150) to a peak week in July or August when numbers reach as high as 340,000. During the summer season, from Memorial Day through Labor Day, vacationers flock to Ocean City and now instead of staying a weekend, 50% of visitors stay a week in Ocean City. Their second choice is a four-day weekend stay with up to 30% of visitors staying in the resort from Thursday through Sunday or Friday through Monday.

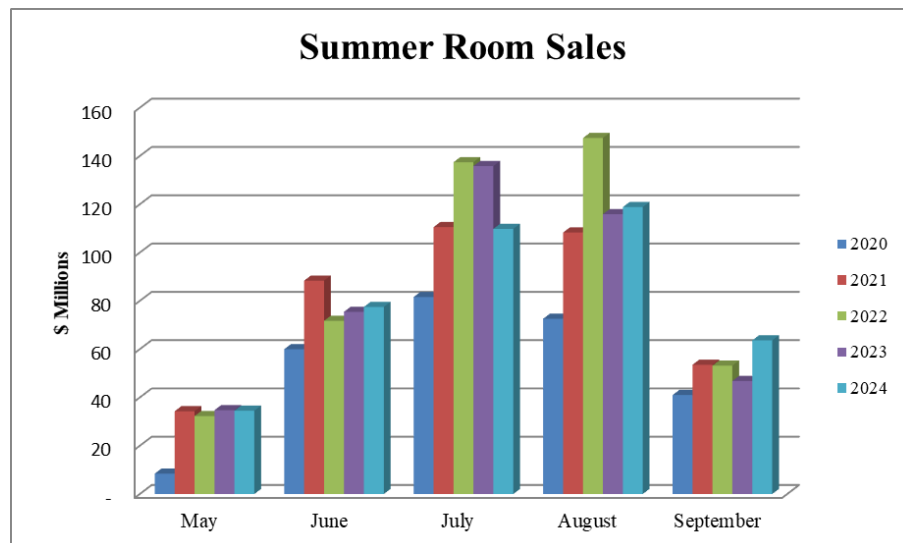
The weekend shoulder season continues to grow with an average of 107,000 visitors in Ocean City weekends in March and April, and 140,000 people in the resort during weekends in September and October.

Approximately eight million people visit the resort each year with four million visiting between Memorial Day and Labor Day. The number of visitors to Ocean City increased during the last decade, in part due to the proximity of the areas from which these visitors travel to Ocean City and highway improvements on Route 50 in Maryland and Route 1 in Delaware. Analysis of supporting statistics suggests that two seasonal components of Ocean City – the shoulder months, and the winter months – are stable. Off-season trends can be attributed to several factors, primarily reduced rental rates, an increasing number of activities and conventions and the greater number of hotel rooms, restaurants and shops that remain open throughout the off-season.

HOTEL, MOTEL AND CONDOMINIUM RENTALS

A review of monthly and seasonal contribution to the total year's business indicates that 65% of the overall lodging industry business is conducted during the months of June, July and August with another 29% in April, May, September, and October, for a total of 94% in those seven months. Shoulder-season occupancy has benefited from increases in group/convention business due to the expansion of the convention center.

Hotel/motel/condo rentals for 2020-2024 are shown in the below chart.



Source: Ocean City Finance Department.

Retail Sales

Utilizing retail sales tax collections as an indicator for retail sales, retail sales have experienced an increase over the most recent available fiscal years. Listed below is a comparison of the experience of Worcester County, the three contiguous Eastern Shore counties and the State of Maryland.

Sales and Use Tax Collections (\$000s)

	2023	2022	% Change
Dorchester County	\$21,860	\$22,179	-1.44%
Somerset County	5,644	5,163	9.32%
Wicomico County	83,946	86,819	-3.31%
Worcester County	125,335	141,274	-11.28%
State of Maryland	6,787,620	7,013,070	-3.21%

Source: Comptroller of Maryland Revenue Administration Division, Sales and Use Tax by County and Principal Business Activity, Fiscal Years 2022-2023

Education

The following table sets forth the years of school completed by persons 25 years and older as a percentage of the population described in the American Community Survey for the City, Worcester County and the three contiguous Eastern Shore counties and the State of Maryland.

	<u>Ocean City</u>	<u>Worcester</u>	<u>Dorchester</u>	<u>Somerset</u>	<u>Wicomico</u>	<u>State</u>
Elementary (Grades K-8)	1.2%	1.7%	4.3%	3.5%	2.8%	4.1%
High School						
No Diploma	3.7%	4.6%	8.9%	11.6%	6.0%	4.8%
Diploma (Graduate)	25.4%	30.2%	40.1%	40.4%	36.2%	23.9%
College						
No degree.....	20.7%	22.5%	20.2%	19.2%	20.4%	16.5%
Associate's degree	8.5%	8.3%	7.7%	8.2%	8.0%	7.0%
Bachelor's degree	24.4%	19.9%	10.7%	11.3%	17.1%	22.4%
Graduate/Professional degree	15.6%	12.8%	8.1%	5.9%	9.4%	21.3%

Source: U.S. Census Bureau, 2023 American Community Survey, 1-Year Estimates (S1501)

Survey results of the number of high school students from Worcester County and the three other contiguous Eastern Shore counties and the State of Maryland who graduated in 2024, as a percentage of their ninth-grade enrollment, four years earlier, are represented below:

Dorchester County.....	84.42%
Somerset County	82.20%
Wicomico County.....	85.23%
Worcester County.....	95.00%
State of Maryland	87.55%

Source: Maryland Report Card 2024 Performance Report. 4-Year Adjusted Cohort. Maryland State Department of Education

Personal Income

A comparison of Worcester County and State of Maryland personal income is presented in the following table:

Calendar Year	Personal Income (\$000s)		Percentage Change from Previous Year	
	Worcester County	State of Maryland	Worcester County	State of Maryland
2023	\$3,692,431	\$465,936,759	2.9%	6.0%
2022	\$3,589,409	\$439,741,284	4.5%	3.1%
2021	\$3,434,395	\$426,578,341	10.0%	6.5%
2020	\$3,122,458	\$400,576,357	5.8%	5.3%
2019	\$2,950,003	\$380,447,191	2.6%	3.4%
2018	\$2,876,205	\$367,831,289	1.7%	3.3%
2017	\$2,828,355	\$356,078,970	4.2%	3.5%

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Updated February 20, 2025.

Construction Activity

Building permit data for the fiscal years 2016-2025 are shown below:

Number and Valuation of Building Permits Issued		
Fiscal Year	Number	Valuation
2025	1,780	\$104,594,804
2024	1,943	99,047,556
2023	1,891	100,806,113
2022	1,684	67,413,855
2021	2,166	68,894,340
2020	1,501	48,800,979
2019	1,852	54,474,168
2018	1,885	78,539,236
2017	1,810	86,385,559
2016	1,855	61,003,886

Source: Ocean City Department of Planning and Community Development

LITIGATION

The City is a party to various legal proceedings of the type which normally occur in governmental operations. The pending proceedings are not, in the opinion of the City Solicitor, likely to have a material adverse impact on the City's financial condition.

EXPERTS

The financial statements included in Appendix A have been audited by SB & Company, LLC, independent public accountants, as indicated in their report with respect thereto, and are included in reliance upon the authority of said firm as experts in giving said report. The independent accountants were not requested to review or update such financial statements or their report in connection with the issuance of the Bonds and such report speaks only as of its date. The independent accountants have not performed any audit procedures subsequent to the date of their report and have not audited any financial statements of the City as of any date, or for any period, subsequent to June 30, 2025.

FINANCIAL ADVISOR

First Tryon Advisors, LLC is acting as financial advisor (the "Financial Advisor") to the City in connection with the sale and issuance of the Bonds. The Financial Advisor does not assume any responsibility for the information, covenants, and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds or the possible impact of any present, pending, or future actions taken by any legislative or judicial bodies. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the City and, as applicable, to the investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

CONTINUING DISCLOSURE

In order to enable participating underwriters (as defined in Rule 15c2-12 of the Securities and Exchange Commission) to comply with the requirements of paragraph (b)(5) of Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12"), the City will execute and deliver a continuing disclosure agreement (the "Continuing Disclosure Agreement") on or before the date of issuance and delivery of the Bonds in the form of Appendix C hereto.

In the previous five years, the City has not failed to comply in any material respect with any prior continuing disclosure undertaking made pursuant to Rule 15c2-12.

SALE AT COMPETITIVE BIDDING

The Bonds will be offered for sale by the City at a competitive bidding on December 4, 2025, in accordance with the official Notice of Sale (the form of which is attached hereto as Appendix D).

The execution of this Official Statement, and its delivery, has been approved by Mayor and City Council of Ocean City.

MAYOR AND CITY COUNCIL OF OCEAN CITY

BY: _____

Richard W. Meehan
Mayor

TOWN OF OCEAN CITY, MARYLAND

ANNUAL COMPREHENSIVE FINANCIAL REPORT

for the Fiscal Year Ended June 30, 2025



PREPARED BY:

Finance Department

Terence J. McGean, PE
City Manager

Charles Bireley, CPA
Finance Director



Town of Ocean City, Maryland

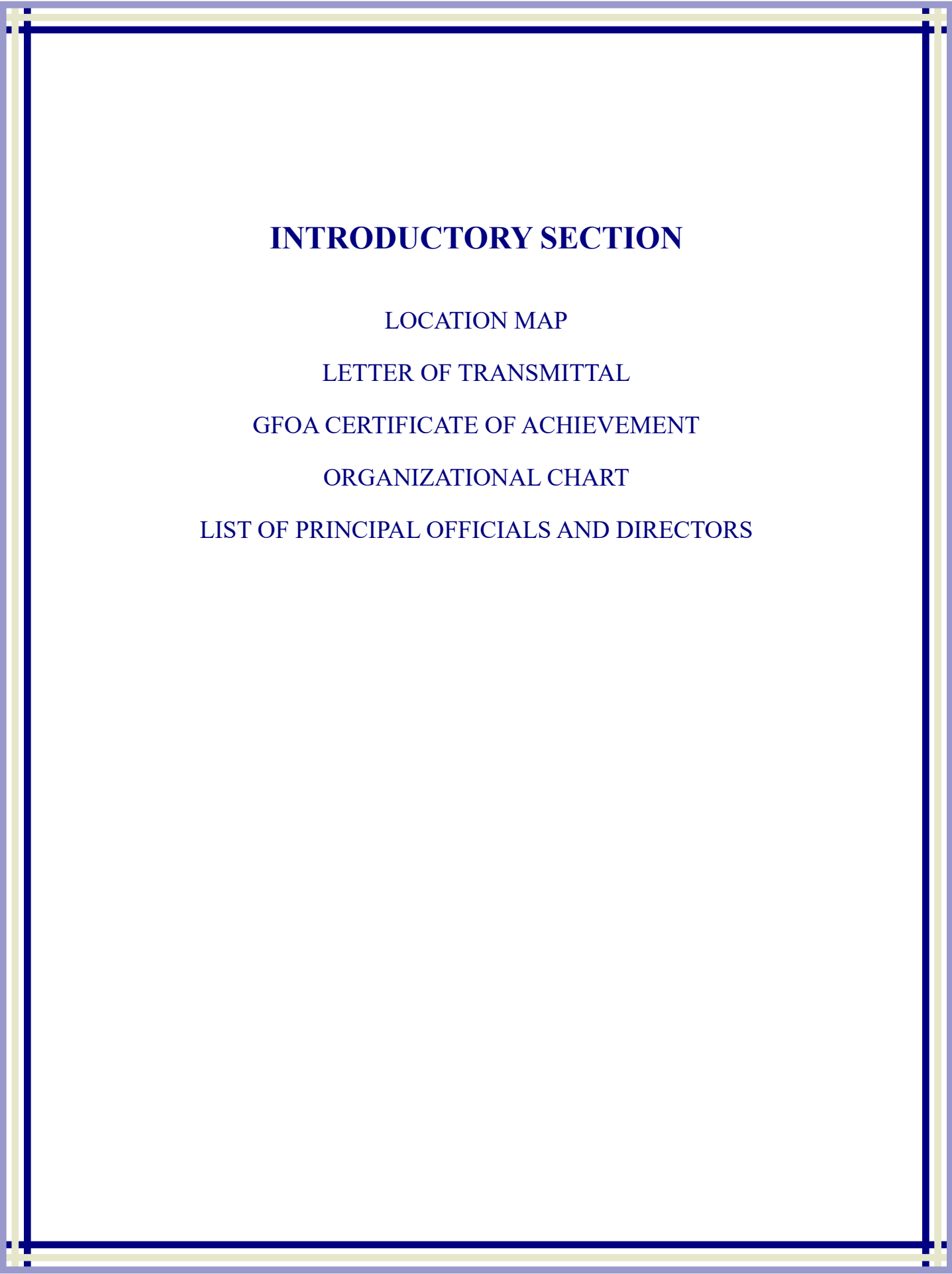
Annual Comprehensive Financial Report

for the Fiscal Year Ended June 30, 2025

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INTRODUCTORY SECTION

LOCATION MAP

LETTER OF TRANSMITTAL

GFOA CERTIFICATE OF ACHIEVEMENT

ORGANIZATIONAL CHART

LIST OF PRINCIPAL OFFICIALS AND DIRECTORS



Location Map



TOWN OF OCEAN CITY

The White Marlin Capital of the World

October 8, 2025

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

The Town of Ocean City, Maryland (the “Town”), is a popular tourist destination as well as an active residential community of citizens who enjoy living on a slender barrier island between the Atlantic Ocean and wide coastal bays. This report, which details the financial results for the 2025 fiscal year, identifies the challenges and successes observed during this period.

I respectfully submit the Town’s Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2025. The purpose of this report is to provide citizens, the Mayor and City Council, management, representatives of financial institutions, and others with detailed information about the financial condition and performance of the Town government. The ACFR is produced to comply with Section 717 of the Town charter and the State of Maryland’s financial reporting requirements for local governments. The financial statements are presented in conformity with U.S. generally accepted accounting principles (GAAP).

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

In accordance with auditing standards generally accepted in the United States, SB & Company, LLC, independent public accountants, have issued an unmodified (“clean”) opinion. The independent public accountants concluded that the Town of Ocean City’s financial statements for the year ended June 30, 2025, are fairly presented in conformity with GAAP. Their report is presented as the first component of the financial section of this report.

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

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

MAYOR
RICHARD W. MEEHAN

CITY COUNCIL

MATTHEW M. JAMES
President

ANTHONY J. DELUCA
Secretary

JOHN F. GEHRIG, JR.
JACOB H. MITRECIC
CAROL L. PROCTOR
WILLIAM C. SAVAGE III
LARRY R. YATES

CITY MANAGER
TERENCE J. MCGEAN, PE

CITY CLERK
DIANA L. CHAVIS, MMC

Town of Ocean City, Maryland
Letter of Transmittal

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

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

THE TOWN AND TOWN GOVERNMENT

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

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

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

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

ECONOMIC CONDITIONS

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

Town of Ocean City, Maryland
Letter of Transmittal

summer weekends, it is estimated that over 300,000 people visit the resort. Although the peak months are June, July, and August, tourism is also strong in April, May, September, and October. Depending on the weather, these off-season months may average over 200,000 visitors per weekend.

The Town government, in conjunction with local businesses and non-profit groups, has sought to increase business at non-peak visitor times with the use of festivals, entertainment, and sporting events. The largest events are Sunfest, Winterfest of Lights, Springfest, the Ocean City Air Show, concerts, auto rallies, and motorcycle events, which can each attract tens of thousands of visitors. Youth and family sporting events are encouraged and the Town hosts various tournaments and competitions such as softball, lacrosse, cheerleading, soccer, and skateboarding. The Town also sponsors family activities and movies on the beach, and concerts (both on and off the beach and at various entertainment venues at Northside Park on 125th Street and at Sunset Park located on the bay-front in downtown Ocean City). There are 11 championship golf courses located within 10 miles of the Town. Group business, meetings, and events held at the Roland E. Powell Convention Center and the Performing Arts Center also help support room occupancy levels and restaurant and retail sales.

The Town uses advertising, promotions, and social media to publicize the vacation and leisure opportunities in Ocean City, with advertising costs in excess of \$12.2 million for fiscal year 2025. For the year ended June 30, 2025, room sales (based on room tax revenues) increased by 0.95% from the prior fiscal year, generating room taxes of over \$25.6 million. Food and beverage sales (also based on tax collections) increased during FY 2025, with 3.60% more food tax revenue collected during the fiscal year.

There were 1,780 construction permits issued in FY 2025, compared to 1,943 in FY 2024. The estimated value of construction in FY 2025 was \$104.6 million, \$5.5 million more than in FY 2024. The following is a sample of projects that are under construction or in the permitting process as of June 30, 2025:

<u>Location</u>	<u>Number of Units</u>	<u>Construction Type</u>	<u>Construction Value</u>
112 100 th St.	N/A	Battery Energy Storage System	\$ 4,700,000
9900 Coastal Hwy.	N/A	Residential Renovation	4,700,000
700 S. Philadelphia Ave.	N/A	Hotel Foundation	2,000,000
315 S. Heron Gull Ct.	1	Single Family Home	1,700,000
3 Atlantic Ave.	N/A	Building Renovation	1,500,000
8800 Coastal Hwy.	N/A	Condominium Renovation	1,500,000
313 Old Landing Rd.	1	Single Family Home	1,500,000
1935 Marlin Dr.	1	Single Family Home	1,500,000
801 Baltimore Ave.	4	Condominiums	1,200,000

During FY 2025, the Town relied on property taxes for 43% of its General Fund revenues. Property tax revenues are directly impacted by the value of homes and new construction. Although the Town has a 0% assessment increase cap for owner-occupied homes, only about 5% of properties are eligible for the cap. The assessed value of the remaining business properties, second homes, and condominiums is at full market value, which is highly sensitive to changing market conditions. Properties in the State of Maryland are assessed triennially (performed every three years with any resulting increases phased in equally over three years). The Town's most recent comprehensive reassessment applicable to FY 2025 was completed in 2024. This reassessment saw residential property values in Ocean City increase by almost 48%, and commercial real property assessments increased by over 32%. This reassessment will be phased in evenly over three years. Overall, the Town's assessable base for real property increased 12.89% during FY 2025.

The Town maintains sound budgeting practices with a focus on multi-year planning, which ensures that the Town's financial position remains favorable.

MAJOR INITIATIVES AND DEPARTMENTAL ACTIVITIES

New Fire Station 3 – A Pillar of Public Safety:

Ocean City's commitment to public safety reached a new milestone in October 2024 with the official opening of the Town's new Midtown Fire Station, located at 65th Street in front of the existing Public Safety Building and Public Works Campus. The modern, state-of-the-art facility replaced the longstanding 74th Street Fire Station, which served the community with distinction since 1969.



For more than half a century, the 74th Street station was home base for countless emergency responses, but the aging building no longer met the needs of today's fire and EMS operations. Recognizing the importance of modern facilities to keep pace with a growing community and rising call volumes, the Town

invested in a complete rebuild designed to support the health, safety, and readiness of its first responders.

The new Midtown Fire Station has been carefully designed to improve both emergency response and firefighter wellness. There are drive-through apparatus bays and each bay is outfitted with a vehicle exhaust system, ensuring harmful emissions are safely removed from the work environment. With regards to wellness amenities, the station is equipped with a large gym that provides space for physical fitness, supporting both the mental and physical well-being of firefighters and EMS providers.

For the first time in Ocean City's history, a multi-story training tower has been incorporated into a fire station. This tower gives firefighters the ability to practice real-world scenarios such as ladder operations, high-angle rescues, and fire alarm system operations without leaving the Town. A dedicated classroom complements the tower, offering a professional learning environment where members can complete certification courses, continuing education, and team-based training. The training classroom has also been used by other Town departments, showing collaboration and joint sharing of resources.

The Fire Station's construction was led by Delmarva Veteran Builders, with Dean Dashiell serving as the Town's project manager. From groundbreaking to ribbon cutting, the project reflects Ocean City's broader commitment to capital improvements that directly benefit both residents and visitors.



The Midtown Fire Station is expected to serve as a pillar of public safety for decades ahead, not only as a response hub, but also as a place for training, education, and community connection. For the men and women of the Fire Department, the new station is more than bricks and mortar—it is a symbol of the Town of Ocean City’s ongoing investment in the people who answer the call, day or night, to protect lives and property.

Somerset Street Police Substation:

The Ocean City Police Department is looking forward to settling into its new Somerset Street Substation after the summer 2025 season winds down, with plans to officially open the facility to the public in time for the summer 2026 season.

The three-story substation, located at the corner of Baltimore Avenue and Somerset Street, will replace the OCPD’s current downtown location on the Boardwalk at Worcester Street. The first and second floors of the building will include a public lobby and public restrooms, interview rooms, office space for the Police Department, and bicycle storage. The third floor will provide sorely needed affordable seasonal housing for public safety and other Town employees. The substation will serve as a central hub for officers and public safety aides, providing much-needed space and resources. It will also offer residents and visitors a welcoming area to connect with officers, ask questions, and seek assistance.



Town of Ocean City, Maryland
Letter of Transmittal



To bring this project to fruition, the Town partnered with the Ocean City Development Corporation (OCDC), who will assist with the repayment of debt service on the building, and who were instrumental in securing grants to help cover project design and construction costs.

This project reflects what makes the Town of Ocean City strong: teamwork across departments and a shared commitment to serving the community. From planning and design, to construction and logistics, to the men and women of the OCPD

who will soon call it “home,” the Somerset Street Police Substation is the result of true collaboration.

FINANCIAL INFORMATION AND PLANNING

Capital planning. The Town has adopted a capital improvement plan in conjunction with its strategic plan that includes scheduled replacement of infrastructure and improvements to public facilities. Projects included on the most recently updated capital improvement plan include street paving, a fleet garage renovation, airport hangar construction, tidal flooding remediation for the Eagle’s Landing Golf Course, a wastewater headworks/influent replacement project, radio-read water meters, and ocean outfall repairs.

General Fund reserve. The Town has a policy of maintaining a minimum reserve of 17% of General Fund expenditures to handle potential revenue shortfalls, cash flows during peak employment in the summer season, and for emergencies. As of June 30, 2025, that reserve, unassigned fund balance, was 27.7% of General Fund expenditures, up from 23.5% in FY 2024. The Town’s consistently strong reserve position is often cited by bond rating agencies as a major factor in their high grading of the Town’s debt issuances.

Bond ratings. In November 2024, the three major bond rating agencies, S&P Global Ratings, Fitch Ratings, and Moody’s Investors Service, affirmed their ratings of AA+, AA, and Aa1, respectively, on the Town’s general obligation bonds outstanding.

AWARDS AND ACKNOWLEDGMENTS

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Ocean City for its annual comprehensive financial report for the fiscal year ended June 30, 2024. This is the 37th consecutive year that the Town has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,

A handwritten signature in black ink that reads "Charles Bireley". The signature is written in a cursive, slightly slanted style.

Charles Bireley, CPA
Finance Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Town of Ocean City
Maryland**

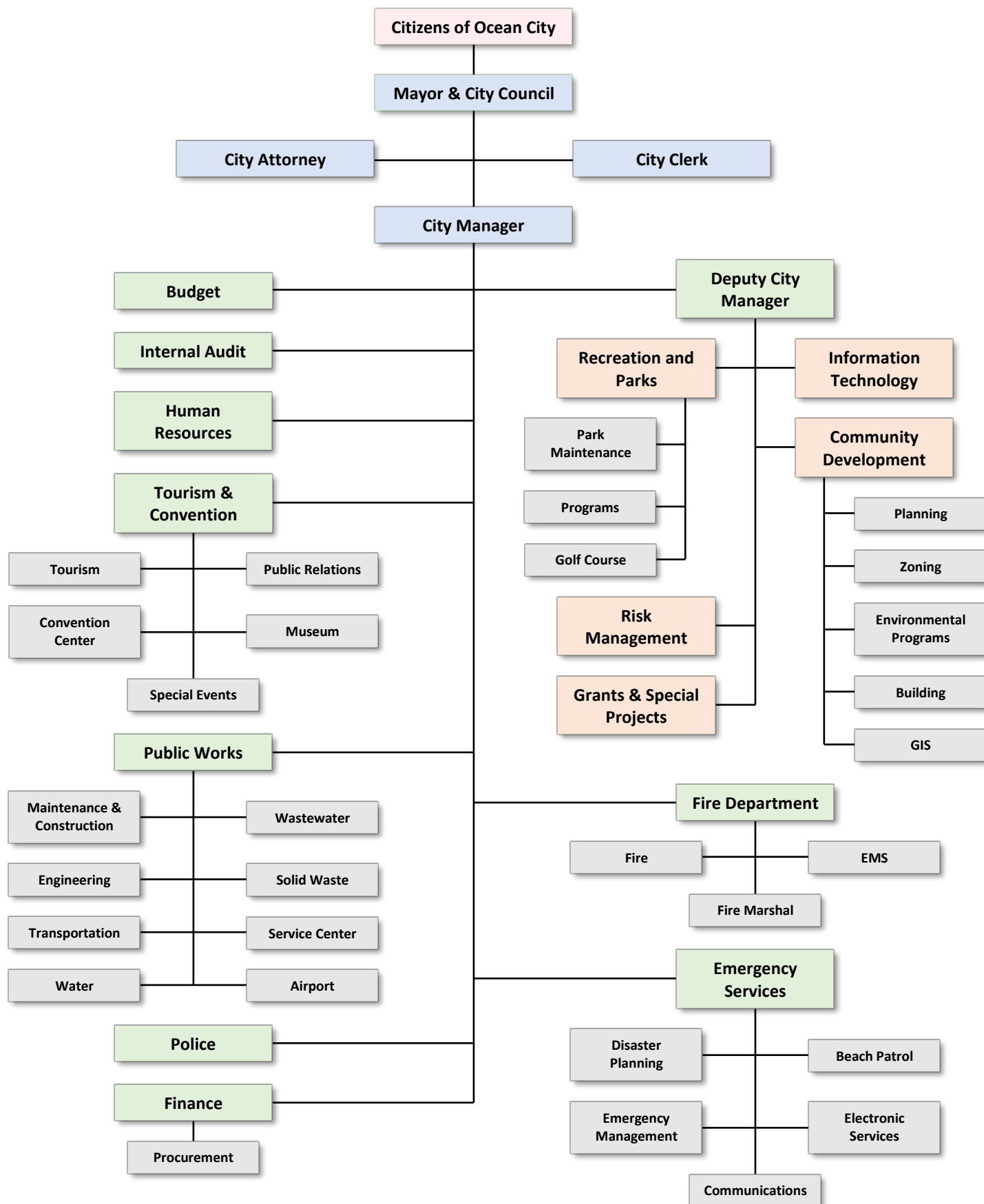
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2024

Christopher P. Morill

Executive Director/CEO

Town of Ocean City Organizational Chart Fiscal Year 2025



**TOWN OF OCEAN CITY, MARYLAND
LIST OF PRINCIPAL OFFICIALS AND DIRECTORS
JUNE 30, 2025**

<u>Title</u>	<u>Name</u>
Mayor	Richard W. Meehan
Council President	Matthew M. James
Council Secretary	Anthony J. DeLuca
Council Member	John F. Gehrig, Jr.
Council Member	Jake Mitrecic
Council Member	Carol L. Proctor
Council Member	William C. Savage III
Council Member	Larry Yates
City Manager	Terence J. McGean, PE
Deputy City Manager	Elton C. Harmon, Jr.
City Solicitor	Ayres, Jenkins, Gordy & Almand, P.A.
City Clerk	Diana L. Chavis
Finance Director	Charles Bireley, CPA
City Engineer	VACANT
Public Works Director	Hal O. Adkins
Director of Tourism & Business Development	Thomas M. Perlozzo
Chief of Police	Raymond J. Austin
Fire Chief (<i>Interim at June 30, 2025</i>)	Joshua J. Bunting III
Emergency Services Director	Joseph J. Theobald
Human Resources Director	Kathleen Callan
Director of Budget & Management	Jennie T. Knapp
Recreation and Parks Director	Kathryn Y. Gaddis
Director of Planning & Community Development	George M. Bendler
Fire Marshal (<i>Interim at June 30, 2025</i>)	Joseph E. Sexauer
Information Technology Director	Christopher D. Burkey
Risk Manager	Kathleen S. Keyes

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

Trustees

Richard W. Meehan	Timothy J. King
Matthew M. James	Sean M. McHugh
Anthony J. DeLuca	Jeff M. Thaler
Karin A. Scott	

FINANCIAL SECTION

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

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ocean City, Maryland (the Town), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of changes in net pension liability and related ratios for the General Employees and Public Safety Employees Pension Plans, the schedule of changes in net Other Post-Employment Benefit (OPEB) liability (assets) and related ratios, and the schedules of employer contributions for the General Employees and Public Safety Employees Pension Plans, and OPEB Trust Fund, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the

basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

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

Supplementary Information

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

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

Other Information

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

Owings Mills, Maryland
October 8, 2025



MANAGEMENT'S DISCUSSION AND ANALYSIS

Town of Ocean City, Maryland
Management's Discussion and Analysis
June 30, 2025

This section of the Annual Comprehensive Financial Report provides a discussion and analysis of the financial performance of the Town of Ocean City (the "Town") and an overview of the Town's financial activities for the fiscal year ended June 30, 2025, provided by management. This information is best understood if read in conjunction with the transmittal letter at the front of this report found on pages 1-7 and the Town's financial statements, which follow this section.

Financial Highlights for FY 2025

- The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows at the close of the 2025 fiscal year, resulting in a net position of \$268,005,506. The Town's net position increased by \$12,351,620 during the fiscal year. \$7,514,570 of this increase was from governmental activities, with business-type activities providing the remaining \$4,837,050 increase in net position. Additional details and explanations can be found on pages 21-23 of this report.
- As of June 30, 2025, the Town's governmental funds reported a combined fund balance of \$51,989,608, a decrease of \$11,787,330 from the prior year. The Town's unassigned fund balance, which is the portion of fund balance available to meet the Town's current and future needs, increased from \$24,276,671 in FY 2024 to \$29,818,527 at the end of FY 2025, an increase of \$5,541,856. Unassigned General Fund fund balance at year-end was 27.7% of General Fund expenditures, compared to 23.5% in FY 2024, and is in excess of the Town's reserve policy of 17%.
- The Town's net debt decreased by \$5,357,096 in FY 2025. Additional details can be found on page 28 and Note 8 of this report.
- As of June 30, 2025, a net pension liability of \$25,484,628, related deferred outflows of \$9,575,749 and deferred inflows of \$4,382,135 are recorded in the Statement of Net Position. The funded ratio is 88.21% for the General Employees Pension Plan and is 86.39% for the Public Safety Employees Pension Plan. The Town's net OPEB asset was \$11,072,536 as of June 30, 2025, with a funded ratio of 132.03%. Deferred outflows of resources related to OPEB totaled \$2,364,388 and related deferred inflows were \$23,808,466. Additional details can be found on pages 26-27 and Notes 10 and 11 of this report.

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

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 50-85 of this report.

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Town's progress in funding its obligation to provide pension and OPEB benefits to its employees and retirees. Required supplementary information can be found on pages 88-99 of this report.

The combining statements referred to earlier in connection with internal service funds are presented immediately following the required supplementary information on pensions and OPEB. Combining and individual fund statements related to internal service funds can be found on pages 108-113 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, 2025, with comparative information for the previous year.

Statement of Net Position

Net position may serve, over time, as a useful indicator of a government's financial position and condition. For the Town, assets and deferred outflows exceeded liabilities and deferred inflows by \$268,005,506 at the close of the fiscal year ended June 30, 2025, compared to \$255,653,886 (as restated) for the year ended June 30, 2024.

81.9% of the Town's net position reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any outstanding principal balances on debt that was used to acquire those assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

	Governmental Activities		Business-Type Activities		Total Primary Government		% Change
	2025	2024 restated	2025	2024 restated	2025	2024 restated	
Current and other assets	\$ 90,514,790	\$ 100,985,936	\$ 36,576,694	\$ 44,800,909	\$ 127,091,484	\$ 145,786,845	-12.8 %
Capital assets	132,306,200	124,540,618	200,088,685	187,046,904	332,394,885	311,587,522	6.7
Total assets	<u>222,820,990</u>	<u>225,526,554</u>	<u>236,665,379</u>	<u>231,847,813</u>	<u>459,486,369</u>	<u>457,374,367</u>	0.5
Deferred outflows of resources	<u>10,892,255</u>	<u>13,546,110</u>	<u>1,055,733</u>	<u>2,101,288</u>	<u>11,947,988</u>	<u>15,647,398</u>	-23.6
Long-term liabilities outstanding	82,448,950	94,506,623	71,873,339	73,043,470	154,322,289	167,550,093	-7.9
Other liabilities	15,516,601	16,222,652	5,399,360	5,715,148	20,915,961	21,937,800	-4.7
Total liabilities	<u>97,965,551</u>	<u>110,729,275</u>	<u>77,272,699</u>	<u>78,758,618</u>	<u>175,238,250</u>	<u>189,487,893</u>	-7.5
Deferred inflows of resources	<u>21,857,173</u>	<u>21,967,438</u>	<u>6,333,428</u>	<u>5,912,548</u>	<u>28,190,601</u>	<u>27,879,986</u>	1.1
Net position:							
Net investment in capital assets	82,543,401	80,487,389	137,019,107	133,380,635	219,562,508	213,868,024	2.7
Restricted	8,391,283	6,651,628	5,042,326	3,484,672	13,433,609	10,136,300	32.5
Unrestricted	22,955,837	19,236,934	12,053,552	12,412,628	35,009,389	31,649,562	10.6
Total net position	<u>\$ 113,890,521</u>	<u>\$ 106,375,951</u>	<u>\$ 154,114,985</u>	<u>\$ 149,277,935</u>	<u>\$ 268,005,506</u>	<u>\$ 255,653,886</u>	4.8 %

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

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

As shown in the following chart, the Town's net position increased \$12,351,620 for the year ended June 30, 2025. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

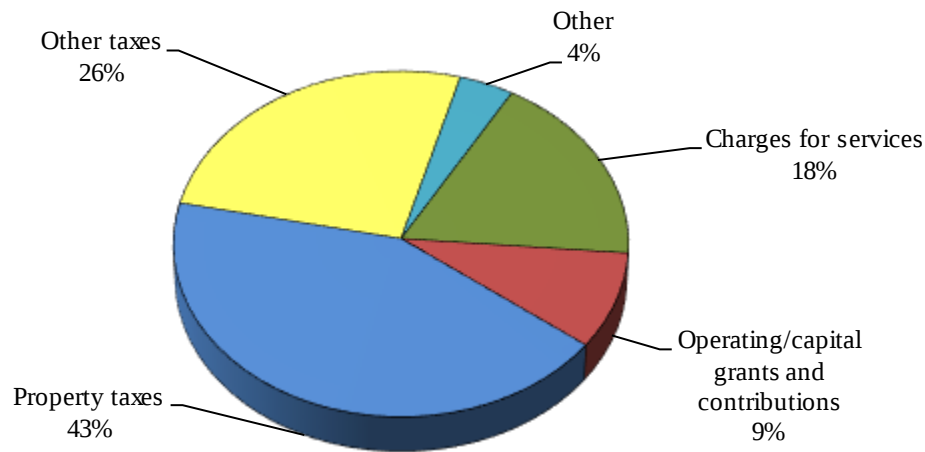
	Governmental Activities		Business-Type Activities		Total Primary Government		%
	2025	2024 restated	2025	2024 restated	2025	2024 restated	Change
REVENUES							
Program revenues:							
Charges for services	\$ 21,004,343	\$ 20,525,189	\$ 35,623,640	\$ 34,304,738	\$ 56,627,983	\$ 54,829,927	3.3 %
Operating grants and contributions	6,066,390	4,869,786	5,408,473	5,207,389	11,474,863	10,077,175	13.9
Capital grants and contributions	418,991	99,695	1,982,042	4,477,971	2,401,033	4,577,666	-47.5
General revenues:							
Property taxes	50,790,944	45,849,616	-	-	50,790,944	45,849,616	10.8
Other taxes	31,290,016	31,448,992	-	-	31,290,016	31,448,992	-0.5
Grants and contributions not restricted to specific programs	4,207,209	4,112,283	-	-	4,207,209	4,112,283	2.3
Other revenues	5,169,836	6,055,731	1,842,379	1,908,276	7,012,215	7,964,007	-12.0
Total revenues	<u>118,947,729</u>	<u>112,961,292</u>	<u>44,856,534</u>	<u>45,898,374</u>	<u>163,804,263</u>	<u>158,859,666</u>	3.1
EXPENSES							
General government	2,304,688	2,100,264	-	-	2,304,688	2,100,264	9.7
Public safety	45,640,251	45,104,774	-	-	45,640,251	45,104,774	1.2
General public works and beach	9,844,887	9,279,626	-	-	9,844,887	9,279,626	6.1
Sanitation and waste removal	8,752,100	8,050,949	-	-	8,752,100	8,050,949	8.7
Highways and streets	10,679,902	9,665,584	-	-	10,679,902	9,665,584	10.5
Economic development - tourism	18,168,895	17,377,640	-	-	18,168,895	17,377,640	4.6
Recreation and culture	9,422,993	8,445,849	-	-	9,422,993	8,445,849	11.6
Interest on long-term debt	2,055,364	1,249,237	-	-	2,055,364	1,249,237	64.5
Water	-	-	7,597,115	8,349,677	7,597,115	8,349,677	-9.0
Wastewater	-	-	13,546,457	12,531,183	13,546,457	12,531,183	8.1
Transportation	-	-	9,001,053	8,532,635	9,001,053	8,532,635	5.5
Convention Center	-	-	8,914,363	8,404,170	8,914,363	8,404,170	6.1
Airport	-	-	2,865,493	2,428,583	2,865,493	2,428,583	18.0
Golf Course	-	-	2,659,082	2,520,824	2,659,082	2,520,824	5.5
Total expenses	<u>106,869,080</u>	<u>101,273,923</u>	<u>44,583,563</u>	<u>42,767,072</u>	<u>151,452,643</u>	<u>144,040,995</u>	5.1
Change in net position before transfers	12,078,649	11,687,369	272,971	3,131,302	12,351,620	14,818,671	-16.6
Transfers	<u>(4,564,079)</u>	<u>(3,393,960)</u>	<u>4,564,079</u>	<u>3,393,960</u>	<u>-</u>	<u>-</u>	
Change in net position	7,514,570	8,293,409	4,837,050	6,525,262	12,351,620	14,818,671	-16.6
Net position, prior year	106,375,951	100,146,230	149,277,935	143,175,591	255,653,886	243,321,821	5.1
Adjustment to restate net position	-	(2,063,688)	-	(422,918)	-	(2,486,606)	
Net position, current year	<u>\$ 113,890,521</u>	<u>\$ 106,375,951</u>	<u>\$ 154,114,985</u>	<u>\$ 149,277,935</u>	<u>\$ 268,005,506</u>	<u>\$ 255,653,886</u>	4.8 %

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

Governmental activities. There was an increase of \$7,514,570 in the Town's net position in FY 2025 attributed to governmental activities. This increase was \$778,839 less than the governmental activities' change in net position for FY 2024. Key elements of this change are as follows:

- Property tax revenues, and tax penalties and interest, are the largest single revenue source for the Town. The real property tax rate decreased from \$0.4526 per \$100 of assessed value in FY 2024 to \$0.4426 per \$100 of assessed value in FY 2025. The personal and corporate property tax rates decreased from \$1.13 per \$100 in FY 2024 to \$1.11 per \$100 in FY 2025. Despite the tax rate reductions, the Town realized a \$4,941,328 increase in property tax revenue due to an over \$1.2 billion increase in the assessable base from the prior fiscal year. Property taxes comprised 43% of revenue for governmental activities in FY 2025, compared to 41% of revenue in FY 2024.

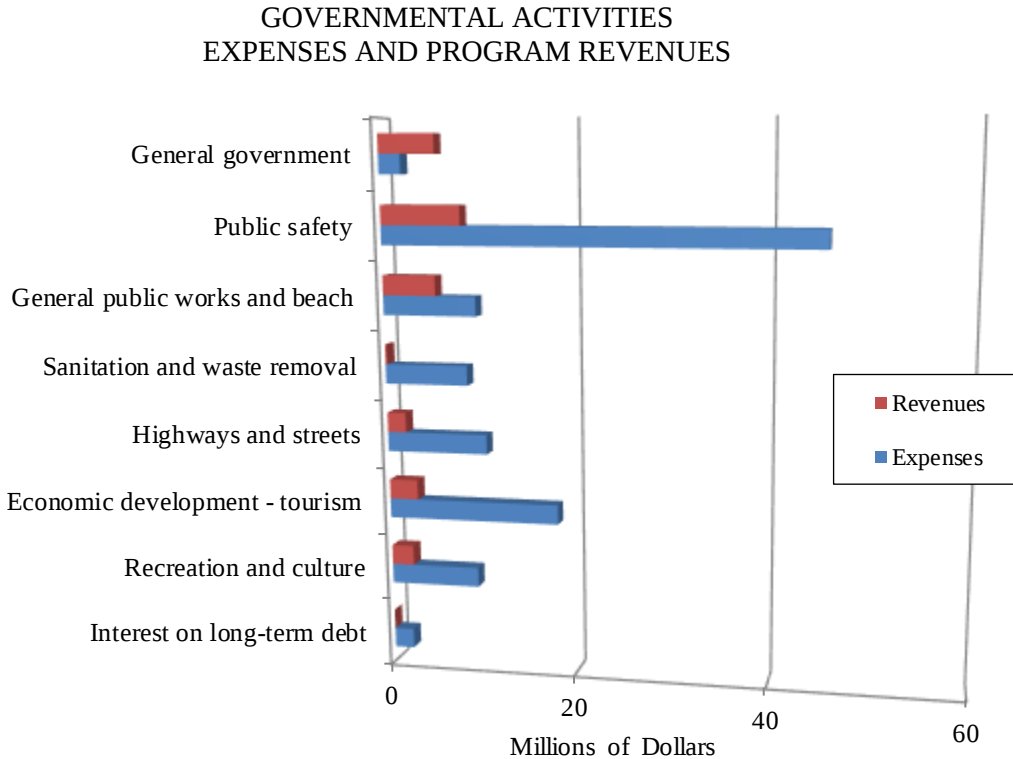
GOVERNMENTAL ACTIVITIES
REVENUES BY SOURCE



- Charges for services related to governmental activities increased by \$479,154 in FY 2025, driven by a \$922,324 increase in "General government" charges primarily from increased room rental licenses during the fiscal year.
- Operating grants and contributions for "Public safety" increased by \$1,030,499 during FY 2025 due to an increase in grants from Worcester County for ambulance services provided by the Town.
- "Investment earnings" decreased by \$1,070,658 for FY 2025, which was due to a decrease in average yields on Town bank deposits during FY 2025, as well as decreased deposit balances during the fiscal year.

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

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



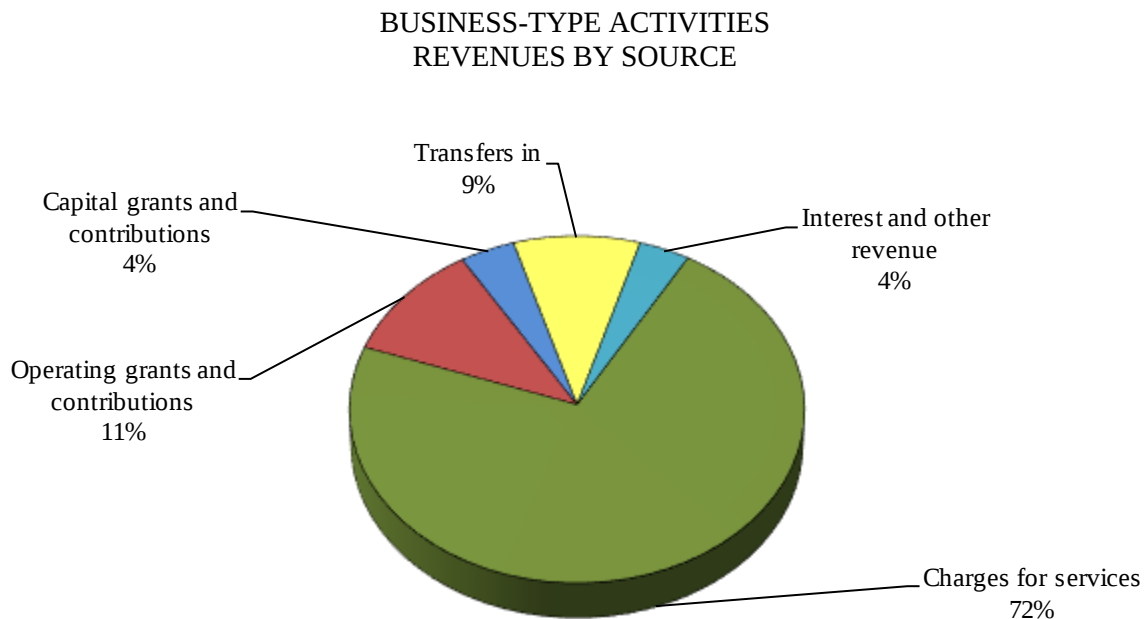
- Total governmental activities' expenses were \$106,869,080 during FY 2025, which was an increase of \$5,595,157 from FY 2024.
- "Highways and streets" expenses increased by \$1,014,318, driven largely by personnel cost increases and additional street paving and related work performed during FY 2025.
- "Recreation and culture" expenses were up by \$977,144, primarily due to increased salaries and wages.
- "Interest on long-term debt" expenses increased by \$806,127, caused by the recognition and payment of arbitrage liabilities calculated on the Town's General Obligation Municipal Purpose Bonds of 2021.

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

Business-type activities. There was an increase of \$4,837,050 in the Town's net position in FY 2025 attributed to business-type activities, which was \$1,688,212 less than the business-type activities' change in net position for FY 2024. Key elements of this change are as follows:

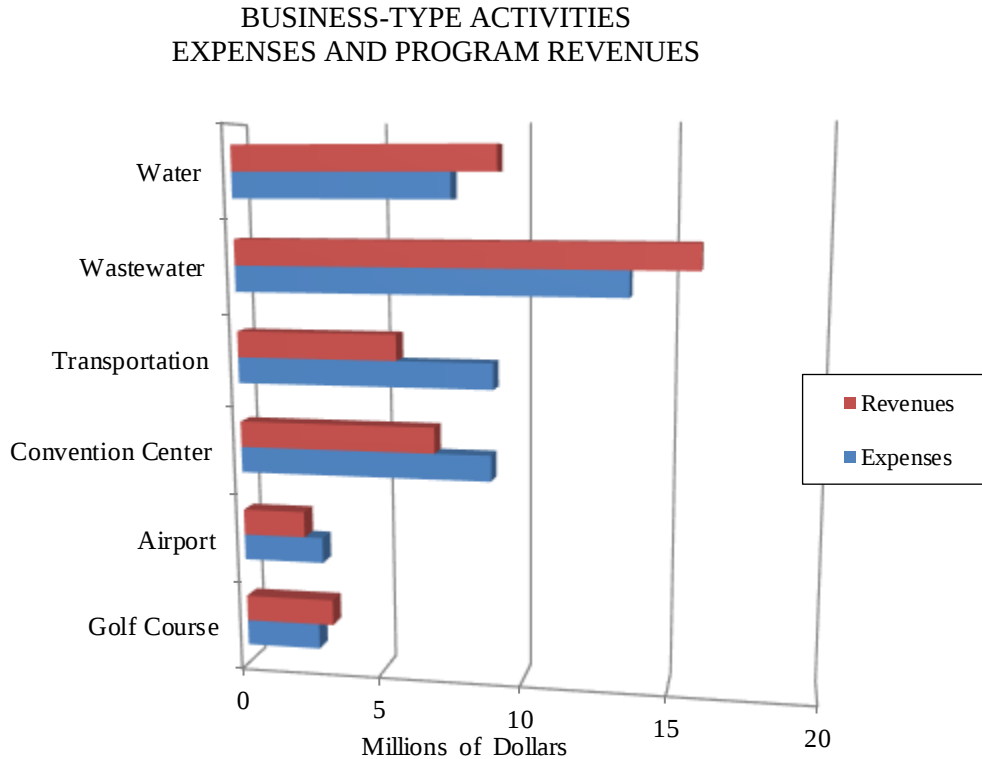
- Charges for services for business-type activities increased from \$34,304,738 in FY 2024 to \$35,623,640 in FY 2025, an increase of \$1,318,902. Charges for services for the Water Fund and Wastewater Fund increased by \$742,446 and \$822,476 during FY 2025, respectively, due to utility rate increases. These increases offset a \$668,136 decrease in Transportation Fund charges for services caused by the discontinuance of Boardwalk tram operations in August 2024.
- Capital grants and contributions for business-type activities totaled \$1,982,042 during FY 2025, which was a decrease of \$2,495,929 from the prior fiscal year. This overall decrease for business-type activities was mostly due to a decrease of \$2,327,073 in state and federal capital grants received by the Transportation Fund during FY 2025 compared to the higher level of capital funding received in FY 2024 for multiple bus purchase reimbursements.
- Total expenses for business-type activities increased between FY 2024 and FY 2025 by \$1,816,491. Wastewater Fund expenses increased by \$1,015,274 due to high chemical costs for the treatment plant, system repairs, and an 8% increase in depreciation for capital assets recently put in service. Convention Center Fund expenses increased by \$510,193 for higher maintenance, insurance, energy, and debt-related costs.

Charges for services were 72% of revenue for business-type activities in FY 2025 (up slightly from 70% in FY 2024), with operating grants and contributions making up 11% of revenue, and capital grants and contributions comprising 4% of revenue (down from 9% in FY 2024 due to the decreased bus reimbursement grants) as shown in the following graph:



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

The following graph indicates the degree to which expenses are covered by charges for services to customers, operating grants, and capital grants for business-type activities. The Water, Wastewater, and Golf Course Funds were self-supporting and user fees, grants, or reserves covered all costs during FY 2025. The operations of the Transportation, Convention Center, and Airport Funds were subsidized by the General Fund.



Financial Analysis of the Town's Funds

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

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

As of June 30, 2025, the Town's governmental funds reported a combined ending fund balance of \$51,989,608, compared to \$63,776,938 at June 30, 2024. An analysis of this \$11,787,330 decrease in fund balance is provided on the subsequent page.

The General Fund unassigned fund balance, which is available for spending, increased by \$5,541,856; from \$24,276,671 in FY 2024 to \$29,818,527 in FY 2025. The total fund balance for the General Fund increased by \$547,161 during the fiscal year.

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

As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to General Fund expenditures. As of June 30, 2025, unassigned General Fund fund balance was equal to 27.7% of General Fund expenditures, an increase from 23.5% at June 30, 2024. Total General Fund fund balance represents 39.6% of General Fund expenditures at year-end. At the prior year-end, the percentage was 40.9%.

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

- General Fund revenue increased by \$6,381,989 over FY 2024, primarily due to a large increase in property taxes as well as increases in rental licenses and Worcester County grants for EMS services.
- General Fund expenditures of \$107,804,841 before other financing sources and uses were \$4,678,909 more in FY 2025 compared to FY 2024. General government expenditures increased by \$775,042 during FY 2025, primarily for legal costs associated with the Town's opposition to offshore wind farms, and costs for a new timekeeping system. Public safety expenditures increased by \$1,264,529, mostly for higher police patrol and EMS personnel costs. Economic development and tourism expenditures increased by \$747,856, primarily due to higher advertising expenditures and for contracted services related to concerts, special event sponsorships, and celebrations for the Town's 150th anniversary.
- For FY 2025, assignments of General Fund balance decreased by \$2,788,475 for appropriations to balance the subsequent year's budget, \$1,434,900 for capital reserves, \$600,401 for pension costs, and \$535,582 for projected salary and benefit increases. Fund balance committed for advertising, which is based on a percentage of room tax revenue per Town ordinance, decreased by \$1,552,126 from the prior fiscal year.
- The Capital Projects Fund balance decreased by \$12,334,491 during FY 2025. Capital outlay expenditures of \$14,062,455 were \$3,419,521 less in FY 2025 than in the prior fiscal year. Contributions from the General Fund were \$3,990,897 less than the transfers made in FY 2024.

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

- A change in net position of \$2,125,503 was reported in the Water Fund, which was \$1,362,103 more than the change in net position reported in FY 2024. Operating revenues increased by \$742,446, aided by a \$495,041 increase in metered usage charges. Operating expenses decreased by \$730,794 during FY 2025, primarily due to a higher percentage of "other supplies and expenses" being capitalized as fixed assets in the current year.
- The Wastewater Fund had a change in net position of \$2,812,323 in FY 2025 compared to \$3,483,985 in FY 2024, a decrease of \$671,662. Wastewater Fund revenue from service charges increased by \$822,476 during FY 2025, but operating expenses also increased during FY 2025, by \$1,047,878, from higher costs for personnel, repairs and maintenance, supplies, and depreciation.
- Net position for the Transportation Fund decreased by \$1,323,760 in FY 2025, compared to an increase in net position of \$1,310,083 during FY 2024. There was a loss from operations of \$5,414,883 during FY 2025, worse than the \$4,252,001 operating loss during the prior fiscal year. Operating revenue decreased by \$668,136 from the prior fiscal year, mainly due to the discontinuation of the Boardwalk tram, traditionally a revenue generator for the Town. Capital grants decreased by \$2,327,073 from a significant reduction in reimbursements for bus purchases during FY 2025. Operating expenses were

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

\$494,746 more than FY 2024, due to an 18% increase in depreciation, higher unemployment costs, and an increase in contracted services for additional bus deployments during music festivals.

- The Convention Center Fund had a change in net position of \$923,914 in FY 2025, which was \$107,428 more than the change in net position of \$816,486 in FY 2024. The Fund's operating revenues increased by \$267,137 during FY 2025, primarily from convention space rentals (15% increase) and concession sales (22% increase). Operating expenses increased by \$425,522 during the fiscal year. Salary increases, a higher insurance allocation, and rising energy costs were the primary drivers of the increase in expenses. General Fund contributions to the Convention Center increased by \$391,219 during FY 2025. Debt service for the fund is supported by a tax on certain food and beverages sold in Ocean City. The debt sinking account had a balance of \$2,361,073 at year-end, which was an increase of \$674,939 from the prior fiscal year, and is shown as a restricted portion of net position.
- The Airport Fund, a nonmajor fund, had a decrease in net position of \$286,510 in FY 2025, which was a \$189,744 improvement from the \$476,254 decrease in net position during FY 2024. This change is a result of \$358,006 in additional capital grants and a 24% increase in the Airport's contribution from the General Fund in FY 2025.
- The Golf Course Fund, a nonmajor fund, had a change in net position of \$811,045 for FY 2025, a slight decrease from the \$861,492 change in net position in the prior fiscal year. Operating revenues such as greens fees were basically level from the prior fiscal year, but investment earnings increased by 34% and amusement tax proceeds more than tripled to \$138,157 in FY 2025. Operating expenses stayed relatively flat during FY 2025. For the fifth straight fiscal year, the Golf Course Fund did not require a subsidy from the General Fund to sustain its operations.

Fiduciary funds. The Town's fiduciary funds recognized investment gains for all post-employment benefit plans for the third straight fiscal year.

The pension funds had an annual money-weighted rate of return on investments of 12.06%, an increase from the 10.40% return seen in FY 2024. The actuarial value of assets is fair value as of June 30, 2025. The recommended contribution calculation methodology uses a 10-year, level dollar, closed gain/loss basis.

The General Employees Pension Plan funded ratio based on Governmental Accounting Standards Board (GASB) Statement No. 67, an indicator of funding status, increased from 83.00% to 88.21%. Employees contribute 5% of pay to the plan. The Town contributed \$3,202,844 to the plan during FY 2025, which was \$330,599 less than the prior fiscal year. The unfunded actuarial liability is amortized over 10 years.

The funded ratio increased from 81.62% to 86.39% for the Public Safety Employees Pension Plan. Employees who are not command staff contribute 9% of pay to the plan. The Town contributed \$5,076,749 to the plan during FY 2025, \$628,234 less than FY 2024, which includes a closed 10-year amortization of the unfunded actuarial liabilities for the plan. Town contributions for both pension plans were based on actuarial analyses performed on April 1, 2024. Additional information on the defined benefit pension plans can be found on pages 77-84 of this report.

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

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Management's Discussion and Analysis

In 2008, the Town established a trust fund to provide for retiree health insurance benefits. The Other Post-Employment Benefits Trust (OPEB Trust) is a defined-benefit health care plan whose assets may be expended solely to pay for post-employment benefits and the costs of administering the trust fund. The plan had an annual money-weighted rate of return on investments of 11.87% for fiscal year 2024, an increase from the 10.33% return during FY 2024. Changes implemented to the insurance plan offered to retirees in FY 2022 reduced the total OPEB liability substantially, creating a net asset for the Town's OPEB plan. This net OPEB asset increased from \$8,450,166 in FY 2024 to \$11,072,536 at June 30, 2025, and has an open amortization of 20 years due to the plan becoming 100% or more overfunded. The funded ratio of the total OPEB liability increased to 132.03% in FY 2025 (from 125.21% in the prior fiscal year). The Town made no contribution to the plan in FY 2025 for the second consecutive fiscal year. Additional information on the OPEB Trust can be found on pages 72-76 of this report.

General Fund Budgetary Highlights

Amendments to the adopted budget may occur during the year by ordinance (see Note 1.F. on page 53). Two amendments were made to the FY 2025 budget. Differences between the original budget and final amended budget for the General Fund resulted in recognition of \$5,893,444 in additional revenue and increased the total expenditures in the original budget by \$4,510,268. Transfers to other funds increased \$1,348,247. Significant changes made to the original budget were as follows:

- Increased "licenses and permits" by \$1,180,672, nearly all of which was for additional room rental license revenue.
- Increased "revenue from other agencies" by \$1,764,297, which included an increase of \$587,729 for county fire and ambulance grants and \$697,417 in additional tourism grants.
- Increased "other revenue" by \$1,838,524, which was primarily for a \$1,316,807 increase in interest on investments.
- The budget amendments increased expenditures by \$644,162 for general government, mostly for legal fees and consulting services related to stopping the construction of offshore wind farms. Budgeted expenditures for "economic development – tourism" increased by \$3,251,501, which included \$2,453,213 in prior year advertising funds (required to be spent on advertising by ordinance), \$377,000 for sponsorships and concert expenses, and \$222,417 for State of Maryland tourism grants.

During the fiscal year, revenues were more than final budget estimates by \$1,521,073. Expenditures were \$2,461,659 less than anticipated. The other sources and uses variance was an unfavorable \$92,093. This resulted in an overall favorable variance from the budget of \$3,890,639. The key elements of this variance were:

- Revenue from "other taxes" was \$714,170 more than anticipated, primarily due to room taxes finishing the fiscal year strongly and exceeding expectations.
- "Revenue from other agencies" was \$514,528 more than budgeted, primarily due to tourism and firefighter grants.
- The expenditures for "public safety" were \$1,224,833 under budget due to a combination of factors including personnel costs in several divisions coming in less than budgeted, equipment purchases being lower than anticipated, and contracted service costs below expectations.

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

Capital Assets

The Town's capital assets for its governmental and business-type activities as of June 30, 2025, were a combined \$332,394,885 (net of accumulated depreciation) compared to \$311,587,522 in FY 2024. Capital assets include land, buildings, improvements, streets, infrastructure, and machinery and equipment.

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

Capital Assets, Net of Accumulated Depreciation

	Governmental Activities		Business-Type Activities		Total Primary Government		% Change
	2025	2024	2025	2024	2025	2024	
Land	\$ 26,075,318	\$ 26,075,318	\$ 19,079,999	\$ 19,079,999	\$ 45,155,317	\$ 45,155,317	0.0 %
Construction in progress	13,399,421	17,242,153	30,845,618	25,636,564	44,245,039	42,878,717	3.2
Buildings	45,137,991	34,046,456	68,213,984	65,630,249	113,351,975	99,676,705	13.7
Machinery and equipment	16,750,597	17,591,983	33,761,996	36,282,004	50,512,593	53,873,987	-6.2
Streets and infrastructure	20,833,653	18,708,878	45,206,930	37,370,012	66,040,583	56,078,890	17.8
Other improvements	10,109,220	10,875,830	2,980,158	3,048,076	13,089,378	13,923,906	-6.0
	<u>\$ 132,306,200</u>	<u>\$ 124,540,618</u>	<u>\$ 200,088,685</u>	<u>\$ 187,046,904</u>	<u>\$ 332,394,885</u>	<u>\$ 311,587,522</u>	6.7 %

Debt Administration

In December 2024, the Town issued General Obligation Municipal Purpose Bonds of 2024 for \$4,815,000, with serial interest rates ranging from 4% to 5% and a final maturity in January 2045, to finance golf course clubhouse renovations and Convention Center capital maintenance.

As of June 30, 2025, the Town had total general obligation bonded debt, backed by the full faith and credit of the Town, outstanding of \$108,345,564, which is net of unamortized bond premiums. The remainder of the Town's debt is comprised of a loan payable to the State of Maryland for \$80,550, and financed purchases totaling \$4,052,792.

The Town paid debt principal of \$9,435,870 in FY 2025. Outstanding general obligation debt represents 1.03% of the assessed valuation of property in the Town. The debt limit is 5.2% of assessments, leaving a legal debt margin of \$461,787,965.

In November 2024, S&P Global Ratings affirmed its "AA+" rating, Fitch Ratings affirmed its "AA" rating, and Moody's Investors Service maintained its "Aa1" rating on the Town's outstanding general obligation debt. Additional information on the Town's debt can be found in Note 8 on pages 67-70 of this report.

Economic Factors and Next Year's Budget and Rates

- For the FY 2026 budget, the Town kept the real property tax rate at \$0.4426 per \$100 of assessed value, and held the corporate and personal property tax rates at \$1.11 per \$100 of assessed value.
- Ocean City remains a premier mid-Atlantic resort that is convenient from metropolitan areas. By ordinance, the Town dedicates 44% of room taxes towards advertising Ocean City as a resort destination.
- Service is a primary function of a Town government in a resort community. Non-union employees are budgeted to receive an increment and a 3% cost-of-living adjustment on January 1, 2026. Police union employees receive a step increase on July 1, 2025, and the pay scale will be adjusted as outlined in the

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

FOP Collective Bargaining Agreement. Firefighters' union employees will also receive a step increase on July 1, 2025, and a 3% cost-of-living adjustment on January 1, 2026.

- The Town works closely with state and federal emergency agencies and preparedness continues to be a major focus for the Town. All Town departments have written disaster, post-disaster, and continuity of operations plans. The FY 2026 budget invests \$430,000 into maintaining the beach through regular renourishment operations.
- To continue to maintain infrastructure, property values, and pedestrian safety, the FY 2025 budget funds \$1,773,500 for street paving, \$1,500,000 for capital maintenance, and \$100,000 for Boardwalk maintenance.

All of these factors were considered in preparing the Town's budget for the 2026 fiscal year.

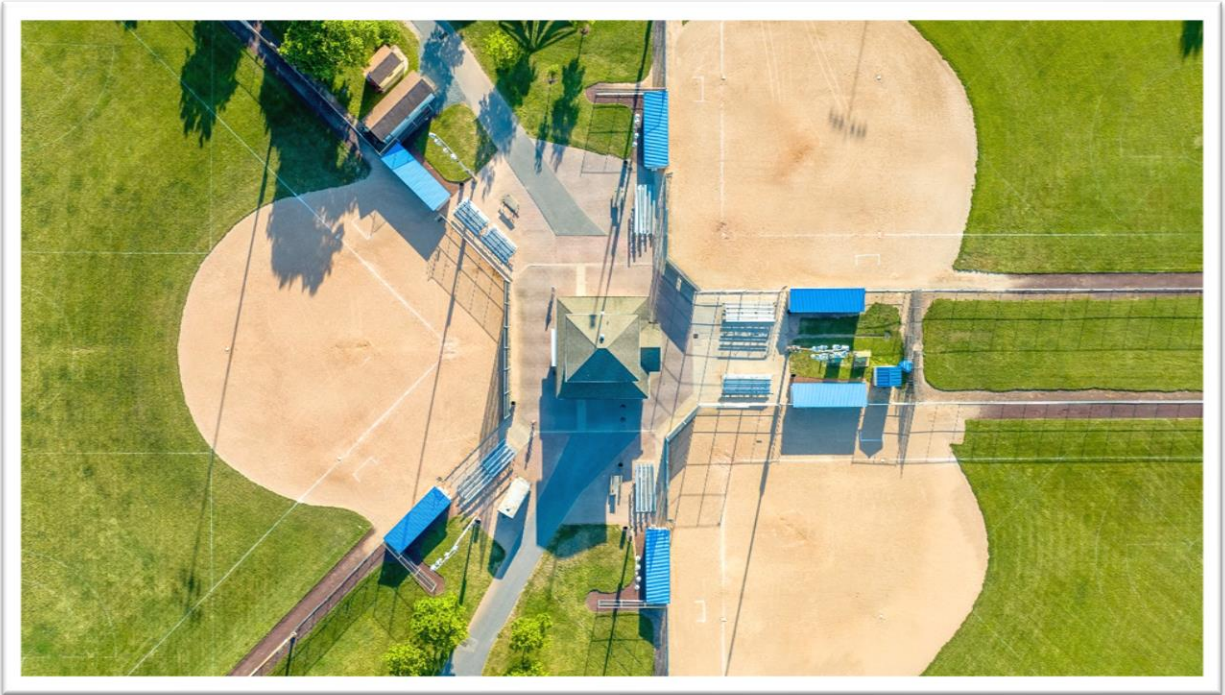
Request for Information

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



BASIC FINANCIAL STATEMENTS

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



TOWN OF OCEAN CITY, MARYLAND
STATEMENT OF NET POSITION
JUNE 30, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 31,402,932	\$ 23,879,493	\$ 55,282,425
Restricted cash and cash equivalents	2,453,225	6,348,730	8,801,955
Investments	30,737,069	-	30,737,069
Restricted investments	-	1,551,922	1,551,922
Receivables (net of allowance for uncollectibles)	3,296,766	3,860,817	7,157,583
Interest receivable	283,560	13,346	296,906
Intergovernmental receivable	8,353,532	1,345,456	9,698,988
Internal balances	4,375,056	(4,375,056)	-
Inventories	1,221,367	1,267,233	2,488,600
Other	-	3,500	3,500
Net OPEB asset	8,391,283	2,681,253	11,072,536
Capital assets, not being depreciated:			
Land	26,075,318	19,079,999	45,155,317
Construction in progress	13,399,421	30,845,618	44,245,039
Capital assets, net of accumulated depreciation:			
Buildings	45,137,991	68,213,984	113,351,975
Machinery and equipment	16,750,597	33,761,996	50,512,593
Streets and infrastructure	20,833,653	45,206,930	66,040,583
Other improvements	10,109,220	2,980,158	13,089,378
Total capital assets	132,306,200	200,088,685	332,394,885
Total assets	222,820,990	236,665,379	459,486,369
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	4,387	3,464	7,851
Deferred outflows related to pensions	9,096,024	479,725	9,575,749
Deferred outflows related to OPEB	1,791,844	572,544	2,364,388
Total deferred outflows of resources	10,892,255	1,055,733	11,947,988
LIABILITIES			
Accounts payable and other accrued liabilities	5,168,523	3,078,020	8,246,543
Accrued expenses	4,667,425	1,525,357	6,192,782
Unearned revenue	3,212,917	434,820	3,647,737
Other	2,467,736	361,163	2,828,899
Long-term liabilities:			
Due within one year:			
Compensated absences	220,212	848,427	1,068,639
Claims and judgments	714,798	-	714,798
Bonds, notes, and loans payable	4,893,210	3,545,964	8,439,174
Due in more than one year:			
Compensated absences	4,701,772	210,930	4,912,702
Claims payable	3,331,207	-	3,331,207
Bonds, notes, and loans payable	46,344,550	64,026,591	110,371,141
Net pension liability	22,243,201	3,241,427	25,484,628
Total long-term liabilities	82,448,950	71,873,339	154,322,289
Total liabilities	97,965,551	77,272,699	175,238,250
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	3,814,009	568,126	4,382,135
Deferred inflows related to OPEB	18,043,164	5,765,302	23,808,466
Total deferred inflows of resources	21,857,173	6,333,428	28,190,601
NET POSITION			
Net investment in capital assets	82,543,401	137,019,107	219,562,508
Restricted for debt service	-	2,361,073	2,361,073
Restricted for OPEB	8,391,283	2,681,253	11,072,536
Unrestricted	22,955,837	12,053,552	35,009,389
Total net position	\$ 113,890,521	\$ 154,114,985	\$ 268,005,506

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

TOWN OF OCEAN CITY, MARYLAND
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 2,304,688	\$ 5,919,251	\$ -	\$ -
Public safety	45,640,251	4,055,723	4,364,568	-
General public works and beach	9,844,887	5,179,200	-	418,991
Sanitation and waste removal	8,752,100	195,599	-	-
Highways and streets	10,679,902	1,873,964	105,452	-
Economic development - tourism	18,168,895	1,535,850	1,496,370	-
Recreation and culture	9,422,993	2,244,756	100,000	-
Interest on long-term debt	2,055,364	-	-	-
Total governmental activities	106,869,080	21,004,343	6,066,390	418,991
Business-type activities:				
Water	7,597,115	9,034,547	-	128,142
Wastewater	13,546,457	15,636,595	-	223,740
Transportation	9,001,053	3,277,473	1,334,524	1,035,982
Convention Center	8,914,363	2,771,498	4,073,949	100,000
Airport	2,865,493	1,732,500	-	482,800
Golf Course	2,659,082	3,171,027	-	11,378
Total business-type activities	44,583,563	35,623,640	5,408,473	1,982,042
Total primary government	\$ 151,452,643	\$ 56,627,983	\$ 11,474,863	\$ 2,401,033
General revenues:				
Property taxes				
Property tax penalties and interest				
Sales and income taxes				
State gaming contributions				
Grants and contributions not restricted to specific programs				
Investment earnings				
Other revenue				
Transfers				
Total general revenues, transfers, and other				
Change in net position				
Net position, beginning, as restated				
Net position, ending				

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

Net (Expense) Revenues and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ 3,614,563	\$ -	\$ 3,614,563
(37,219,960)	-	(37,219,960)
(4,246,696)	-	(4,246,696)
(8,556,501)	-	(8,556,501)
(8,700,486)	-	(8,700,486)
(15,136,675)	-	(15,136,675)
(7,078,237)	-	(7,078,237)
(2,055,364)	-	(2,055,364)
(79,379,356)	-	(79,379,356)
-	1,565,574	1,565,574
-	2,313,878	2,313,878
-	(3,353,074)	(3,353,074)
-	(1,968,916)	(1,968,916)
-	(650,193)	(650,193)
-	523,323	523,323
-	(1,569,408)	(1,569,408)
(79,379,356)	(1,569,408)	(80,948,764)
50,592,787	-	50,592,787
198,157	-	198,157
31,290,016	-	31,290,016
939,217	-	939,217
3,267,992	-	3,267,992
3,766,141	1,842,379	5,608,520
1,403,695	-	1,403,695
(4,564,079)	4,564,079	-
86,893,926	6,406,458	93,300,384
7,514,570	4,837,050	12,351,620
106,375,951	149,277,935	255,653,886
\$ 113,890,521	\$ 154,114,985	\$ 268,005,506

TOWN OF OCEAN CITY, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2025

	General Fund	Capital Projects Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 16,663,705	\$ 9,190,612	\$ 25,854,317
Restricted cash and cash equivalents	-	2,453,225	2,453,225
Investments	26,438,714	-	26,438,714
Accounts receivable (net of allowance for uncollectibles)	3,256,937	30,771	3,287,708
Interest receivable	252,657	-	252,657
Intergovernmental receivable	8,258,791	94,741	8,353,532
Total assets	<u>\$ 54,870,804</u>	<u>\$ 11,769,349</u>	<u>\$ 66,640,153</u>
LIABILITIES			
Accounts payable	\$ 1,927,695	\$ 2,503,172	\$ 4,430,867
Accrued expenditures	3,877,314	3,767	3,881,081
Other	2,467,736	-	2,467,736
Unearned revenue	3,212,917	-	3,212,917
Total liabilities	<u>11,485,662</u>	<u>2,506,939</u>	<u>13,992,601</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	657,944	-	657,944
Total deferred inflows of resources	<u>657,944</u>	<u>-</u>	<u>657,944</u>
FUND BALANCES			
Committed:			
Advertising	958,486	-	958,486
Capital projects	-	7,092,116	7,092,116
Pier franchise	-	500,278	500,278
Other purposes	-	1,670,016	1,670,016
Assigned:			
Subsequent year's budget: appropriation of fund balance	1,938,179	-	1,938,179
Capital reserve	3,060,803	-	3,060,803
Pension costs	3,079,191	-	3,079,191
Salary and benefit increases	1,345,677	-	1,345,677
Other purposes	2,526,335	-	2,526,335
Unassigned	29,818,527	-	29,818,527
Total fund balances	<u>42,727,198</u>	<u>9,262,410</u>	<u>51,989,608</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 54,870,804</u>	<u>\$ 11,769,349</u>	
Reconciliation to the Statement of Net Position:			
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.			119,618,214
Other long-term assets are not available to pay for current-period expenditures and, therefore, are offset by unavailable revenue in the governmental funds.			657,944
Internal service funds are used by management to charge the costs of equipment replacement and insured risks and, therefore, the assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position, net of the portion assigned to business-type activities, (\$4,375,056).			19,799,488
Long-term liabilities, including bonds and notes payable, net pension liabilities, net OPEB assets, related deferred inflows and outflows, and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.			(78,174,733)
Net position - governmental activities			<u>\$ 113,890,521</u>

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

TOWN OF OCEAN CITY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	General Fund	Capital Projects Fund	Total Governmental Funds
REVENUES			
Property taxes	\$ 50,720,938	\$ -	\$ 50,720,938
Other taxes	32,229,233	-	32,229,233
Licenses and permits	5,957,408	-	5,957,408
Fines and forfeitures	1,704,117	-	1,704,117
Charges for current services	13,034,678	308,140	13,342,818
Revenue from other agencies	9,334,382	418,991	9,753,373
Other revenue	3,929,347	1,020,936	4,950,283
Total revenues	<u>116,910,103</u>	<u>1,748,067</u>	<u>118,658,170</u>
EXPENDITURES			
Current:			
General government	5,984,273	321,210	6,305,483
Public safety	47,476,435	-	47,476,435
General public works and beach	7,220,153	815,426	8,035,579
Sanitation and waste removal	7,896,026	6,919	7,902,945
Highways and streets	6,292,385	1,268,189	7,560,574
Economic development - tourism	17,935,704	-	17,935,704
Recreation and culture	8,862,813	151,581	9,014,394
Capital outlay	-	14,062,455	14,062,455
Debt service:			
Principal	4,488,086	-	4,488,086
Interest	1,648,966	901,664	2,550,630
Total expenditures	<u>107,804,841</u>	<u>17,527,444</u>	<u>125,332,285</u>
Excess (deficiency) of revenues over expenditures	<u>9,105,262</u>	<u>(15,779,377)</u>	<u>(6,674,115)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	46,064	3,490,950	3,537,014
Transfers out	<u>(8,604,165)</u>	<u>(46,064)</u>	<u>(8,650,229)</u>
Total other financing sources (uses)	<u>(8,558,101)</u>	<u>3,444,886</u>	<u>(5,113,215)</u>
Net change in fund balances	547,161	(12,334,491)	(11,787,330)
Fund balances, beginning	<u>42,180,037</u>	<u>21,596,901</u>	<u>63,776,938</u>
Fund balances, ending	<u>\$ 42,727,198</u>	<u>\$ 9,262,410</u>	<u>\$ 51,989,608</u>

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

TOWN OF OCEAN CITY, MARYLAND
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

Net change in fund balances - total governmental funds (page 37) \$ (11,787,330)

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of these assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period. 8,530,242

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds. This is the change in unavailable revenue related to property and income taxes during the current period. 70,006

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 4,488,086

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. 5,895,879

The internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities. 317,687

Change in net position - governmental activities (page 35) \$ 7,514,570

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

TOWN OF OCEAN CITY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 50,406,171	\$ 50,482,706	\$ 50,720,938	\$ 238,232
Other taxes	31,092,000	31,515,063	32,229,233	714,170
Licenses and permits	4,828,200	6,008,872	5,957,408	(51,464)
Fines and forfeitures	1,426,000	1,552,020	1,704,117	152,097
Charges for current services	12,989,517	13,473,850	13,034,678	(439,172)
Revenue from other agencies	7,055,557	8,819,854	9,334,382	514,528
Other revenue	1,698,141	3,536,665	3,929,347	392,682
Total revenues	<u>109,495,586</u>	<u>115,389,030</u>	<u>116,910,103</u>	<u>1,521,073</u>
EXPENDITURES				
Current:				
General government	5,446,650	6,090,812	5,984,273	106,539
Public safety	48,951,239	48,701,268	47,476,435	1,224,833
General public works and beach	7,425,645	7,474,437	7,220,153	254,284
Sanitation and waste removal	8,040,213	8,006,642	7,896,026	110,616
Highways and streets	6,806,261	6,483,167	6,292,385	190,782
Economic development - tourism	15,103,918	18,355,419	17,935,704	419,715
Recreation and culture	9,193,321	9,017,523	8,862,813	154,710
Debt service:				
Principal	4,765,238	4,765,238	4,488,086	277,152
Interest	1,371,994	1,371,994	1,648,966	(276,972)
Total expenditures	<u>107,104,479</u>	<u>110,266,500</u>	<u>107,804,841</u>	<u>2,461,659</u>
Excess of revenues over expenditures	<u>2,391,107</u>	<u>5,122,530</u>	<u>9,105,262</u>	<u>3,982,732</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	46,064	46,064
Transfers out	(7,117,761)	(8,466,008)	(8,604,165)	(138,157)
Total other financing sources (uses)	<u>(7,117,761)</u>	<u>(8,466,008)</u>	<u>(8,558,101)</u>	<u>(92,093)</u>
Net change in fund balances	(4,726,654)	(3,343,478)	547,161	3,890,639
Fund balances, beginning	<u>42,180,037</u>	<u>42,180,037</u>	<u>42,180,037</u>	<u>-</u>
Fund balances, ending	<u>\$ 37,453,383</u>	<u>\$ 38,836,559</u>	<u>\$ 42,727,198</u>	<u>\$ 3,890,639</u>

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

TOWN OF OCEAN CITY, MARYLAND
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2025

	Business-Type Activities		
	Water	Wastewater	Transportation
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 3,048,440	\$ 10,430,994	\$ 2,537,670
Investments	-	-	-
Receivables, net	1,800,690	1,216,340	49,206
Interest receivable	-	-	-
Intergovernmental receivable	3	17	882,321
Inventories	-	1,105,922	-
Prepaid expenses	-	-	-
Total current assets	<u>4,849,133</u>	<u>12,753,273</u>	<u>3,469,197</u>
Noncurrent assets:			
Restricted cash and cash equivalents	2,339,121	-	-
Restricted investments	-	-	-
Net OPEB asset	301,752	1,558,065	201,168
Capital assets:			
Land	3,871,317	2,636,905	-
Buildings	18,674,452	52,946,293	20,535,684
Other improvements	4,181,727	1,314,357	117,412
Streets and infrastructure	41,881,692	18,710,262	-
Machinery and equipment	6,573,453	63,847,685	12,215,938
Construction in progress	15,435,455	9,571,859	-
Less: accumulated depreciation	<u>(47,043,444)</u>	<u>(84,880,406)</u>	<u>(7,989,526)</u>
Total noncurrent assets	<u>46,215,525</u>	<u>65,705,020</u>	<u>25,080,676</u>
Total assets	<u>51,064,658</u>	<u>78,458,293</u>	<u>28,549,873</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	226	3,238	-
Deferred outflows related to pensions	116,923	107,304	32,077
Deferred outflows related to OPEB	64,435	332,703	42,957
Total deferred outflows of resources	<u>181,584</u>	<u>443,245</u>	<u>75,034</u>
LIABILITIES			
Current liabilities:			
Accounts payable	934,142	1,179,405	12,622
Accrued expenses	453,578	312,283	155,204
Compensated absences	142,903	294,575	89,428
Unearned revenue	-	-	-
Claims and judgments	-	-	-
Other	323,163	38,000	-
Current portion of long-term debt	930,767	1,675,652	-
Total current liabilities	<u>2,784,553</u>	<u>3,499,915</u>	<u>257,254</u>
Noncurrent liabilities:			
Compensated absences	-	60,611	36,295
Claims and judgments	-	-	-
Bonds, notes, and loans payable	23,905,767	20,181,267	-
Net pension liability	790,025	725,038	216,737
Total noncurrent liabilities	<u>24,695,792</u>	<u>20,966,916</u>	<u>253,032</u>
Total liabilities	<u>27,480,345</u>	<u>24,466,831</u>	<u>510,286</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	138,468	127,077	37,988
Deferred inflows related to OPEB	648,835	3,350,194	432,557
Total deferred inflows of resources	<u>787,303</u>	<u>3,477,271</u>	<u>470,545</u>
NET POSITION			
Net investment in capital assets	20,751,892	41,810,485	24,879,509
Restricted for debt service	-	-	-
Restricted for OPEB	301,752	1,558,065	201,168
Unrestricted	1,924,950	7,588,886	2,563,399
Total net position	<u>\$ 22,978,594</u>	<u>\$ 50,957,436</u>	<u>\$ 27,644,076</u>
Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds over time			
Net position of business-type activities			

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

Business-Type Activities			Governmental Activities
Convention Center	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ 3,842,682	\$ 4,019,707	\$ 23,879,493	\$ 5,548,615
-	-	-	4,298,355
656,229	138,352	3,860,817	9,058
13,346	-	13,346	30,903
383,317	79,798	1,345,456	-
-	161,311	1,267,233	1,221,367
-	3,500	3,500	-
4,895,574	4,402,668	30,369,845	11,108,298
4,009,609	-	6,348,730	-
1,551,922	-	1,551,922	-
452,628	167,640	2,681,253	402,336
7,456,616	5,115,161	19,079,999	-
57,121,045	7,194,248	156,471,722	73,860
138,928	802,890	6,555,314	-
-	22,967,468	83,559,422	-
1,791,449	964,551	85,393,076	48,598,502
5,152,047	686,257	30,845,618	-
(26,741,891)	(15,161,199)	(181,816,466)	(35,984,376)
50,932,353	22,737,016	210,670,590	13,090,322
55,827,927	27,139,684	241,040,435	24,198,620
-	-	3,464	-
191,224	32,197	479,725	134,915
96,652	35,797	572,544	85,914
287,876	67,994	1,055,733	220,829
558,796	393,055	3,078,020	737,656
506,189	98,103	1,525,357	152,091
239,263	82,258	848,427	220,212
211,512	223,308	434,820	-
-	-	-	714,798
-	-	361,163	-
909,058	30,487	3,545,964	875,000
2,424,818	827,211	9,793,751	2,699,757
81,628	32,396	210,930	59,992
-	-	-	3,331,207
18,734,369	1,205,188	64,026,591	967,572
1,292,073	217,554	3,241,427	911,599
20,108,070	1,455,138	67,478,948	5,270,370
22,532,888	2,282,349	77,272,699	7,970,127
226,462	38,131	568,126	159,777
973,252	360,464	5,765,302	865,113
1,199,714	398,595	6,333,428	1,024,890
28,250,513	21,326,708	137,019,107	10,845,415
2,361,073	-	2,361,073	-
452,628	167,640	2,681,253	402,336
1,318,987	3,032,386	16,428,608	4,176,681
\$ 32,383,201	\$ 24,526,734	158,490,041	\$ 15,424,432
		(4,375,056)	
		\$ 154,114,985	

TOWN OF OCEAN CITY, MARYLAND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Business-Type Activities	
	Water	Wastewater
OPERATING REVENUES		
Charges for sales and services	\$ 8,998,563	\$ 15,636,557
Miscellaneous	35,984	38
Total operating revenues	<u>9,034,547</u>	<u>15,636,595</u>
OPERATING EXPENSES		
Personal services	2,012,866	3,902,665
Contractual services	257,325	575,862
Utilities	483,871	530,222
Repairs and maintenance	719,078	1,077,231
Other supplies and expenses	1,316,798	2,220,505
Internal services	1,083,633	1,375,700
Insurance claims and expenses	-	-
Depreciation	1,059,365	3,463,372
Total operating expenses	<u>6,932,936</u>	<u>13,145,557</u>
Operating income (loss)	2,101,611	2,491,038
NONOPERATING REVENUES (EXPENSES)		
Interest and investment revenue	575,727	514,744
Operating grants	-	-
Interest expense	(679,977)	(417,199)
Bond issuance costs	-	-
Gain on disposal of assets	-	-
Total nonoperating revenues (expenses)	<u>(104,250)</u>	<u>97,545</u>
Income (loss) before capital contributions and transfers	1,997,361	2,588,583
Capital contributions	128,142	223,740
Transfers in	-	-
Change in net position	2,125,503	2,812,323
Net position, beginning, as restated	<u>20,853,091</u>	<u>48,145,113</u>
Net position, ending	<u>\$ 22,978,594</u>	<u>\$ 50,957,436</u>

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

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

Business-Type Activities				Governmental Activities
Transportation	Convention Center	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ 3,197,805	\$ 2,771,403	\$ 4,487,198	\$ 35,091,526	\$ 15,545,484
79,668	95	416,329	532,114	3,558
<u>3,277,473</u>	<u>2,771,498</u>	<u>4,903,527</u>	<u>35,623,640</u>	<u>15,549,042</u>
3,641,973	3,765,336	1,517,745	14,840,585	3,189,950
273,026	273,332	639,206	2,018,751	3,102,273
116,790	658,897	96,453	1,886,233	142,968
2,038,682	809,486	226,723	4,871,200	958,772
56,491	714,216	1,444,266	5,752,276	3,166,325
1,072,418	737,418	373,592	4,642,761	1,355,184
-	-	-	-	902,006
1,492,976	1,459,642	1,164,507	8,639,862	3,463,708
<u>8,692,356</u>	<u>8,418,327</u>	<u>5,462,492</u>	<u>42,651,668</u>	<u>16,281,186</u>
(5,414,883)	(5,646,829)	(558,965)	(7,028,028)	(732,144)
129,923	402,253	219,732	1,842,379	219,553
1,334,524	4,073,949	-	5,408,473	-
-	(547,405)	(27,844)	(1,672,425)	(38,090)
-	-	(34,239)	(34,239)	-
234	-	-	234	93,767
<u>1,464,681</u>	<u>3,928,797</u>	<u>157,649</u>	<u>5,544,422</u>	<u>275,230</u>
(3,950,202)	(1,718,032)	(401,316)	(1,483,606)	(456,914)
1,035,982	100,000	494,178	1,982,042	-
<u>1,590,460</u>	<u>2,541,946</u>	<u>431,673</u>	<u>4,564,079</u>	<u>549,136</u>
(1,323,760)	923,914	524,535	5,062,515	92,222
<u>28,967,836</u>	<u>31,459,287</u>	<u>24,002,199</u>		<u>15,332,210</u>
<u>\$ 27,644,076</u>	<u>\$ 32,383,201</u>	<u>\$ 24,526,734</u>		<u>\$ 15,424,432</u>
			(225,465)	
			<u>\$ 4,837,050</u>	

TOWN OF OCEAN CITY, MARYLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Business-Type Activities	
	Water	Wastewater
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	\$ 8,790,240	\$ 15,631,196
Payments to suppliers	(2,501,769)	(4,407,417)
Payments to employees	(2,190,348)	(4,408,090)
Payments for interfund services used	(1,083,633)	(1,375,700)
Net cash provided (used) by operating activities	3,014,490	5,439,989
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Subsidies from county, state, and federal grants	-	-
Transfers from other funds	-	-
Net cash provided by noncapital financing activities	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from capital grants	-	-
Capital contributions	128,142	223,740
Acquisition and construction of capital assets	(11,260,287)	(4,735,526)
Proceeds from bond issuance	-	-
Bond issuance costs	-	-
Principal paid on capital debt	(895,807)	(2,416,360)
Interest paid on capital debt	(1,005,052)	(739,382)
Financed purchase payments	-	-
Proceeds from sales of capital assets	-	-
Net cash provided (used) by capital and related financing activities	(13,033,004)	(7,667,528)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	-	-
Purchases of investments	-	-
Sales of investments	-	-
Interest and dividends received	630,104	519,321
Net cash provided by investing activities	630,104	519,321
Net increase (decrease) in cash and cash equivalents	(9,388,410)	(1,708,218)
Cash and cash equivalents, beginning of the fiscal year	14,775,971	12,139,212
Cash and cash equivalents, end of the fiscal year	\$ 5,387,561	\$ 10,430,994

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

(Continued)

Business-Type Activities				Governmental Activities
Transportation	Convention Center	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ 3,259,282	\$ 2,579,704	\$ 4,918,451	\$ 35,178,873	\$ 15,561,777
(2,489,491)	(2,506,105)	(2,356,081)	(14,260,863)	(8,159,458)
(3,686,686)	(3,972,119)	(1,661,038)	(15,918,281)	(3,226,192)
(1,072,418)	(737,418)	(373,592)	(4,642,761)	(1,355,184)
(3,989,313)	(4,635,938)	527,740	356,968	2,820,943
1,177,104	4,271,278	-	5,448,382	-
1,590,460	2,541,946	431,673	4,564,079	549,136
2,767,564	6,813,224	431,673	10,012,461	549,136
2,356,083	100,000	-	2,456,083	-
-	-	418,467	770,349	-
(652,182)	(3,218,938)	(2,314,865)	(22,181,798)	(2,718,423)
-	4,033,451	1,235,675	5,269,126	-
-	-	(34,239)	(34,239)	-
-	(715,004)	(20,099)	(4,047,270)	-
-	(624,801)	(161)	(2,369,396)	(44,811)
-	(49,515)	-	(49,515)	(851,000)
234	-	-	234	210,856
1,704,135	(474,807)	(715,222)	(20,186,426)	(3,403,378)
-	1,494,301	-	1,494,301	-
-	(1,563,226)	-	(1,563,226)	(4,317,941)
-	-	-	-	4,190,086
129,923	423,860	219,732	1,922,940	181,190
129,923	354,935	219,732	1,854,015	53,335
612,309	2,057,414	463,923	(7,962,982)	20,036
1,925,361	5,794,877	3,555,784	38,191,205	5,528,579
\$ 2,537,670	\$ 7,852,291	\$ 4,019,707	\$ 30,228,223	\$ 5,548,615

TOWN OF OCEAN CITY, MARYLAND
STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Business-Type Activities	
	Water	Wastewater
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 2,101,611	\$ 2,491,038
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	1,059,365	3,463,372
EFFECT OF CHANGES IN OPERATING ASSETS AND LIABILITIES:		
Accounts receivable	(211,422)	(14,395)
Due from other governmental agencies	12	(4)
Inventories	-	(88,633)
Deferred outflows related to pensions	209,459	188,349
Deferred outflows related to OPEB	22,428	108,986
Compensated absences	1,201	11,491
Customer deposits	(32,897)	9,000
Accounts payable	275,303	85,036
Accrued expenses	(1,420)	2,644
Unearned revenue	-	-
Claims liability	-	-
Net pension liability	(431,665)	(381,628)
Net OPEB liability	(99,325)	(528,750)
Deferred inflows related to pensions	138,468	127,077
Deferred inflows related to OPEB	(16,628)	(33,594)
Total adjustments	912,879	2,948,951
Net cash provided (used) by operating activities	\$ 3,014,490	\$ 5,439,989
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:		
Increase (decrease) in fair value of investments	\$ -	\$ -
Gain (loss) on disposal of assets	-	-

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

Transportation	Business-Type Activities			Governmental Activities
	Convention Center	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ (5,414,883)	\$ (5,646,829)	\$ (558,965)	\$ (7,028,028)	\$ (732,144)
1,492,976	1,459,642	1,164,507	8,639,862	3,463,708
(18,191)	(67,334)	5,547	(305,795)	12,735
-	-	7,365	7,373	-
-	-	9,603	(79,030)	(237,400)
51,482	314,623	77,348	841,261	167,754
3,370	42,330	22,112	199,226	53,067
23,770	14,176	24,898	75,536	49,812
-	-	-	(23,897)	-
(4,502)	(50,174)	40,964	346,627	360,033
(49,723)	17,236	2,573	(28,690)	32,757
-	(124,460)	2,012	(122,448)	-
-	-	-	-	(9,747)
(96,036)	(601,377)	(192,488)	(1,703,194)	(221,328)
(93,207)	(128,744)	(32,689)	(882,715)	(78,453)
37,988	226,462	38,131	568,126	159,777
77,643	(91,489)	(83,178)	(147,246)	(199,628)
1,425,570	1,010,891	1,086,705	7,384,996	3,553,087
<u>\$ (3,989,313)</u>	<u>\$ (4,635,938)</u>	<u>\$ 527,740</u>	<u>\$ 356,968</u>	<u>\$ 2,820,943</u>
\$ - 234	\$ (10,135) -	\$ - -	\$ (10,135) 234	\$ 36,277 (117,089)

TOWN OF OCEAN CITY, MARYLAND
STATEMENT OF FIDUCIARY NET POSITION
BENEFIT TRUST FUNDS
JUNE 30, 2025

ASSETS

Cash and cash equivalents	\$ 5,400,120
Interest and dividends receivable	484,527
Investments, at fair value:	
Domestic equities	79,480,052
Domestic fixed income	75,167,506
International equities	44,568,902
Alternative investments	14,171,741
Total assets	<u>219,272,848</u>

LIABILITIES

Accounts payable	10,633
Total liabilities	<u>10,633</u>

NET POSITION

Net position restricted for pensions	173,616,519
Net position restricted for OPEB	45,645,696
Total net position - benefit trust funds	<u><u>\$ 219,262,215</u></u>

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

TOWN OF OCEAN CITY, MARYLAND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
BENEFIT TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

ADDITIONS

Contributions:	
Employer	\$ 8,279,593
Plan members	1,925,483
Total contributions	<u>10,205,076</u>
Investment earnings:	
Net change in fair value of investments	18,488,182
Interest	2,181,349
Dividends	3,715,532
Total investment income	<u>24,385,063</u>
Less: investment expense	<u>(1,008,369)</u>
Net investment income	<u>23,376,694</u>
Total additions	<u>33,581,770</u>

DEDUCTIONS

Benefits and refunds paid	12,437,366
Administrative expenses	65,939
Total deductions	<u>12,503,305</u>
Change in net position	21,078,465
Net position, beginning	<u>198,183,750</u>
Net position, ending	<u><u>\$ 219,262,215</u></u>

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

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2025

Note 1: Summary of significant accounting policies

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

A. Description of government-wide financial statements

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

B. Reporting entity

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

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

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

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

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

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

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

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2025

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

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

C. Basis of presentation – government-wide financial statements

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

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

D. Basis of presentation – fund financial statements

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

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

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

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

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

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2025

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

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

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

E. Measurement focus and basis of accounting

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

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

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

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

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

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2025

F. Budgetary basis of accounting

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

- 1) On or before January 15 of each year, all Town departments submit requests for appropriations to the City Manager. The budget is prepared by fund, function, and activity, and includes information for the past fiscal year, current fiscal year estimates, and requested appropriations for the next fiscal year.
- 2) On or before May 28, the proposed budget is presented to the City Council for review.
- 3) The City Council holds two public hearings on the proposed budget and may insert new line items into the budget and increase or decrease the amounts in existing line items.
- 4) Prior to July 1, the budget is legally enacted through the passage of an ordinance.
- 5) All annual appropriations lapse at fiscal year-end even if they have been encumbered. Encumbrances are commitments to buy goods and services that have not been executed or performed yet. Encumbrance accounting is used as necessary to assure effective budgetary control and accountability while enabling control of cash. While appropriations and encumbrances lapse at fiscal year-end, encumbrances for goods and services expected to be received in the next fiscal year are re-appropriated and become part of the next fiscal year's budget.
- 6) Transfers of budgeted amounts between line items or departments within a fund may be accomplished with the approval of the City Manager and Finance Director such that the net effect on total expenditures for the fund equals zero. Budget amendments, which establish additional revenue (equal to or in excess of new appropriations) or move appropriations from one fund to another, must be approved by a two-thirds vote of the City Council after holding public hearings.
- 7) The budget information presented in the accompanying financial statements includes all budget ordinances and amendments as approved by the Mayor and City Council for the fiscal year ended June 30, 2025, for the General Fund, the governmental fund type for which an annual budget is adopted. No annual budget and actual comparisons are presented in the financial statements for governmental funds utilizing project ordinances which sometimes span more than one fiscal year.

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

1) Cash equivalents and investments

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

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

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

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2025

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

2) Inventories and prepaid items

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

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

3) Restricted assets

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

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

4) Capital assets

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

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

Buildings	20 – 40 years
Infrastructure	40 – 50 years
Water distribution system	40 – 50 years
Land improvements	25 – 50 years
Equipment and vehicles	4 – 12 years

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2025

5) Deferred outflows/inflows of resources

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

The Statement of Net Position reports a separate section for deferred inflows of resources representing an acquisition of net assets that applies to a future period and is not recognized as an inflow of resources in the current period. The Town has three items that qualify for reporting in this category. One item, “unavailable revenue,” occurs under a modified accrual basis of accounting and is reported in the governmental funds Balance Sheet. The governmental funds report unavailable revenue from property and income taxes which are expected to be received during fiscal year 2026. These unavailable revenues are deferred and recognized as an inflow of revenue in the period that the amounts become available. Certain changes in pension and OPEB liabilities arising from the differences between expected and actual experience, changes of assumptions of future economic and demographic factors, and the difference between projected and actual earnings on plan investments are recognized as deferred inflows of resources. These amounts are amortized and included in pension or OPEB expenses.

6) Long-term obligations

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

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

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

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2025

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

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

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

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

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

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

H. Revenues and expenditures/expenses

1) Program revenues

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

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2025

2) Property taxes

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

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

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

3) Compensated absences

Vested or accumulated vacation leave is accrued when earned by employees and a liability is recorded in the government-wide financial statements and business-type activities fund financial statements. Full-time, permanent employees earn annual vacation leave at the following rates: less than 5 years of service, 10 days; 5 to less than 10 years of service, 15 days; 10 to less than 19 years of service, 20 days; 19 years or more of service, 25 days. Certain employees are also eligible to earn compensatory time for hours worked in excess of required service each pay period, with a maximum accrual of 15 days of compensatory time. The Town pays all outstanding vacation leave, compensatory time, and unused holiday pay at separation on a one-for-one basis.

Certain other types of paid time-off, such as personal leave, must be used by the employee in the current year or forfeited. A liability for vacation leave, compensatory time, and/or holiday pay is recorded in governmental funds only if they have matured as the result of retirement or resignation, if applicable.

Full-time, permanent employees earn sick leave at the rate of eight hours each month. The Town uses a three-year look-back period to estimate the amount of sick leave that has been earned and will be used as sick pay over the employee's service period. The Town does not pay out accumulated and unused sick leave balances when employees separate from service.

4) Proprietary funds operating and nonoperating revenues and expenses

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

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2025

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

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

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

Land	\$ 26,075,318
Construction in progress	13,399,421
Buildings	75,359,414
Less: accumulated depreciation - buildings	(30,219,734)
Machinery and equipment	10,735,864
Less: accumulated depreciation - machinery and equipment	(6,674,942)
Streets and infrastructure	64,979,895
Less: accumulated depreciation - streets and infrastructure	(44,146,242)
Other improvements	28,679,543
Less: accumulated depreciation - other improvements	(18,570,323)
Net adjustment to increase fund balances - total governmental funds	
to arrive at net position - governmental activities	<u><u>\$ 119,618,214</u></u>

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

Net position of the internal service funds	\$ 15,424,432
Add: internal receivable representing costs in excess of charges	
to business-type activities - prior years	4,149,591
Add: internal receivable representing costs in excess of charges	
to business-type activities - current year	225,465
Net adjustment to increase fund balances - total governmental funds	
to arrive at net position - governmental activities	<u><u>\$ 19,799,488</u></u>

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2025

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

Bonds payable	\$ 43,550,371
Less: deferred charge on refunding (to be amortized as interest expense)	(4,387)
Add: issuance premium (to be amortized over life of debt)	2,369,148
Intergovernmental loans	80,550
Financed purchases	3,395,119
Accrued interest payable	634,253
Accrued obligation for compensated absences (not due within one year)	4,641,780
Net pension liability	21,331,602
Less: deferred outflows of resources - difference between expected and actual experience	(3,065,630)
Less: deferred outflows of resources - changes of pension plan assumptions and benefits	(5,895,479)
Add: deferred inflows of resources - difference between projected and actual earnings on pension plan investments	3,583,119
Add: deferred inflows of resources - difference between expected and actual experience	71,113
Net OPEB liability (asset)	(7,988,947)
Less: deferred outflows of resources - difference between expected and actual experience	(381)
Less: deferred outflows of resources - changes of OPEB plan assumptions and benefits	(1,705,549)
Add: deferred inflows of resources - difference between projected and actual earnings on OPEB plan investments	840,227
Add: deferred inflows of resources - difference between expected and actual experience	14,742,819
Add: deferred inflows of resources - changes of OPEB plan assumptions and benefits	<u>1,595,005</u>
Net adjustment to decrease fund balances - total governmental funds	
to arrive at net position - governmental activities	<u><u>\$ 78,174,733</u></u>

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

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

Capital outlay	\$ 14,317,005
Depreciation expense	<u>(5,786,763)</u>
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net position - governmental activities	<u><u>\$ 8,530,242</u></u>

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

Principal repayments:	
General obligation debt	\$ 4,488,086
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net position - governmental activities	<u>\$ 4,488,086</u>

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

Accrued interest on debt	\$ 64,706
Amortization of bond premiums	475,538
Amortization of deferred charge on refunding	(6,888)
Loss on disposal of assets	(4,732)
Change in accrued obligation for compensated absences (not due within one year)	(261,447)
Change in net pension liability	6,323,236
Amortization of effect of difference between projected and actual earnings on pension plan investments	(5,955,107)
Amortization of changes in pension plan assumptions and benefits	1,003,974
Amortization of pension plan difference between expected and actual experience	(19,141)
Change in net OPEB liability (asset)	1,661,203
Amortization of effect of difference between projected and actual earnings on OPEB plan investments	(1,489,581)
Amortization of OPEB plan difference between expected and actual experience	3,942,401
Amortization of changes in OPEB plan assumptions and benefits	<u>161,717</u>
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net position - governmental activities	<u>\$ 5,895,879</u>

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

Change in net position of the internal service funds	\$ 92,222
Plus: loss from charges to business-type activities	<u>225,465</u>
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net position - governmental activities	<u>\$ 317,687</u>

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

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

Internal payable representing costs in excess of charges to business-type activities - prior years	\$ (4,149,591)
Internal payable representing costs in excess of charges to business-type activities - current year	<u>(225,465)</u>
Net adjustment to decrease net position - total enterprise funds to arrive at net position - business-type activities	<u><u>\$ (4,375,056)</u></u>

Note 3: Stewardship, compliance, and accountability

For the fiscal year ended June 30, 2025, the Council approved two budget amendments to recognize additional revenue of \$5,893,444 and to decrease the amount of appropriated prior year fund balance by \$1,383,176 (from \$4,726,654 to \$3,343,478) in order to increase appropriations by \$4,510,268.

Note 4: Deposits and investments

A. Cash on hand

At fiscal year-end, cash on hand for petty cash and change funds was \$24,748.

B. Deposits

At fiscal year-end, the carrying amount of the Town's deposits was \$4,024,196 and the bank balance was \$5,543,750. The deposits of the Town were not exposed to custodial credit risk as of June 30, 2025.

C. Investments and fair value measurements

As of June 30, 2025, the Town's investment balances by type and maturity were as follows:

Investment Type	Fair Value	Investment Maturities (in Years)			Interest Rate
		Less than 1	1 - 5	6 - 10	
Certificates of deposit	\$ 439,318	\$ 439,318	\$ -	\$ -	4.63 %
State investment pool	61,403,472	61,403,472	-	-	4.80
U.S. government money market	1,076,590	1,076,590	-	-	1.55
Money market mutual fund	2,955,494	2,955,494	-	-	4.51
U.S. Treasuries	64,642,219	36,597,154	20,466,525	7,578,540	3.80
U.S. agencies	5,664,578	-	-	5,664,578	3.54
Domestic equities	79,480,052	79,480,052	-	-	-
Domestic fixed income	36,710,382	10,684,981	17,198,143	8,827,258	4.59
International equities	44,568,902	44,568,902	-	-	-
Alternative investments	14,171,741	-	14,171,741	-	-
Totals	<u>\$ 311,112,748</u>	<u>\$ 237,205,963</u>	<u>\$ 51,836,409</u>	<u>\$ 22,070,376</u>	

Town of Ocean City, Maryland
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Reconciliation of cash and investments as shown on the Statement of Net Position:

Cash on hand	\$ 24,748
Carrying amount of deposits	4,024,196
Carrying amount (fair value) of investments and cash equivalents	311,112,748
Total cash and investments	315,161,692
Less: amounts in fiduciary funds	(218,788,321)
Total cash and investments per Statement of Net Position	<u>\$ 96,373,371</u>
Cash and cash equivalents	\$ 55,282,425
Restricted cash and cash equivalents	8,801,955
Investments	30,737,069
Restricted investments	1,551,922
Total cash and investments per Statement of Net Position	<u>\$ 96,373,371</u>

Investment rate risk. Fair value fluctuates with interest rates, and increasing interest rates could cause fair value to decline below original cost. To limit the Town's exposure to fair value losses arising from increasing interest rates, the Town's investment policy limits the term of investment maturities except for funds in the Risk Management Fund and fiduciary funds, for which longer term maturities are allowed to match the cash flow of liabilities. For other Town funds, the policy requires that 70% of investments mature in less than one year and permits 30% to be invested from one to five years. Town management believes the liquidity in the portfolio is adequate to meet cash flow requirements and to preclude the Town from having to sell investments below original cost for that purpose. The investments as of June 30, 2025, met the Town's investment policy as of that date.

Investment income included the following for the fiscal year ended June 30, 2025:

Net interest and dividends	\$ 11,324,134
Net increase (decrease) in fair value of investments	18,669,449
Total investment gain (loss)	29,993,583
Less: investment gain (add investment loss) in fiduciary funds	(24,385,063)
Total net investment income per Statement of Activities	<u>\$ 5,608,520</u>

Credit risk. The Town's investment policy does not permit investments in commercial paper or corporate bonds except in fiduciary funds or if they are permitted under state law in the state investment pool. The Town invests in the MLGIP, which is under the administration of the State Treasurer. The MLGIP was established in 1982 under Article 95 Section 22G of the Code and is rated AAAM by Standard and Poor's, their highest rating for money market mutual funds. The MLGIP seeks to maintain a constant unit value of \$1.00 per unit. Unit value is computed using the amortized cost method. In addition, the net asset value of the pool, marked to market, is calculated and maintained on a weekly basis to ensure a \$1.00 per unit constant value. In the fiduciary funds, domestic fixed-income securities must be rated "B" or above. The trustees permit the purchase of international fixed-income securities below a rating of "B" or unrated. As of June 30, 2025, \$16,643,215 of fiduciary fund investments were rated "BBB" and \$10,658,213 were unrated, with 25.5% of total fiduciary fund fixed-income securities below single "A" quality.

Town of Ocean City, Maryland
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Fixed-income investments as of June 30, 2025, are listed below using the Standard and Poor's rating scale:

Investment Type	Credit Rating	Domestic Amount	International Amount	Total
U.S. Treasuries	AA	\$ 64,642,219	\$ -	\$ 64,642,219
U.S. agencies	AA	5,664,578	-	5,664,578
Corporate and international bonds	AA	1,267,510	-	1,267,510
	A	8,141,444	-	8,141,444
	BBB	16,643,215	-	16,643,215
Bond mutual funds	Unrated	10,658,213	-	10,658,213
Totals		<u>\$ 107,017,179</u>	<u>\$ -</u>	<u>\$ 107,017,179</u>

Custodial credit risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover all or a portion of the value of its investments or collateral securities that are in the possession of an outside party. The Town's policy to control custodial risk on investments requires collateralization at 102%. As of June 30, 2025, all of the Town's investments were insured or registered, and the securities were held by the Town or its agent in the Town's name or were invested in the MLGIP.

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

The Town has the following recurring fair value measurements as of June 30, 2025:

- Amounts invested in certificates of deposit of \$439,318 are valued using quoted market prices (Level 1 inputs)
- Amounts invested in money market funds of \$4,032,084 are valued using quoted market prices (Level 1 inputs)
- Amounts invested in fixed income investments of \$107,017,179 and alternative investments of \$14,171,741 are comprised of securities priced by industry standard vendors, using significant observable inputs such as benchmark yields, reported trades, and broker/dealer quotes (Level 2 inputs), which are then allocated to position holders on a per unit basis
- Amounts invested in domestic and international equities of \$124,048,954 are comprised of securities valued using quoted market prices (Level 1 inputs)

Foreign currency risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The investment policy for the pension trust and OPEB trust funds permits up to 40% of total investments to be in foreign currency denominated equities, fixed-income, and natural resource investments. The Town's exposure to foreign currency denominated investments related to these trust funds was 18.0% at fiscal year-end, or \$39,376,855.

Town of Ocean City, Maryland
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The foreign currency risk as of June 30, 2025, is presented in the following table:

Currency	U.S. Dollars
Euro	\$ 11,441,437
British Pound	5,683,386
Hong Kong Dollar	4,982,624
Japanese Yen	4,739,379
Taiwanese Dollar	3,115,291
Indian Rupee	1,780,343
Swiss Franc	1,406,791
Danish Krone	833,853
Brazilian Real	742,793
South Korean Won	699,566
Singapore Dollar	626,135
Indonesian Rupiah	485,548
Canadian Dollar	474,799
Chinese Yuan	462,620
Australian Dollar	305,457
Swedish Krona	298,880
South African Rand	298,016
Phillipine Peso	263,295
Venezuelan Bolivar	244,486
Mexican Peso	235,444
Chilean Peso	190,250
Argentine Peso	66,462
Total foreign currencies	<u>\$ 39,376,855</u>

Note 5: Receivables

A. Property taxes receivable

Property taxes are reported at their estimated collectible value. The total assessed value on which levies were made for the fiscal year ended June 30, 2025, was \$11,085,864,193. The Town's real property tax rate was \$0.4426 per \$100 of assessed value. The Town tax rate for personal and corporate property was \$1.11 per \$100 of assessed value. The Town collected 97.6% of current year property taxes levied in the current year. Total property tax collections were 98.7% of current year taxes levied, which includes prior year tax assessments collected during fiscal year 2025.

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2025

B. Receivables

Receivables as of June 30, 2025, for the Town's major and nonmajor funds in the aggregate, including applicable allowances for uncollectible accounts, were as follows:

	Governmental Activities	Business-Type Activities	Total
Taxes	\$ 1,250,951	\$ -	\$ 1,250,951
Emergency medical	318,187	-	318,187
Accounts	1,867,630	3,860,817	5,728,447
Gross receivables	3,436,768	3,860,817	7,297,585
Less: allowance	(140,002)	-	(140,002)
Total	<u>\$ 3,296,766</u>	<u>\$ 3,860,817</u>	<u>\$ 7,157,583</u>

The allowance for uncollectible accounts for governmental activities is for emergency medical transport receivables.

Note 6: Capital assets

The following is a summary of governmental capital assets activity for the fiscal year ended June 30, 2025:

	Beginning Balance	Transfers and Increases	Transfers and Deletions	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 26,075,318	\$ -	\$ -	\$ 26,075,318
Construction in progress	17,242,153	6,201,070	(10,043,802)	13,399,421
Total capital assets, not being depreciated	<u>43,317,471</u>	<u>6,201,070</u>	<u>(10,043,802)</u>	<u>39,474,739</u>
Capital assets, being depreciated:				
Buildings	64,621,323	12,798,787	(1,986,836)	75,433,274
Machinery and equipment	62,433,665	3,009,271	(6,108,570)	59,334,366
Streets and infrastructure	60,242,705	4,737,190	-	64,979,895
Other improvements	28,711,620	435,360	(467,437)	28,679,543
Total capital assets, being depreciated	<u>216,009,313</u>	<u>20,980,608</u>	<u>(8,562,843)</u>	<u>228,427,078</u>
Less accumulated depreciation for:				
Buildings	(30,574,867)	(1,666,442)	1,946,026	(30,295,283)
Machinery and equipment	(44,841,682)	(4,180,072)	6,437,985	(42,583,769)
Streets and infrastructure	(41,533,827)	(2,612,415)	-	(44,146,242)
Other improvements	(17,835,790)	(791,542)	57,009	(18,570,323)
Total accumulated depreciation	<u>(134,786,166)</u>	<u>(9,250,471)</u>	<u>8,441,020</u>	<u>(135,595,617)</u>
Total capital assets, being depreciated, net	<u>81,223,147</u>	<u>11,730,137</u>	<u>(121,823)</u>	<u>92,831,461</u>
Governmental activities capital assets, net	<u>\$124,540,618</u>	<u>\$ 17,931,207</u>	<u>\$ (10,165,625)</u>	<u>\$132,306,200</u>

Town of Ocean City, Maryland
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The following is a summary of business-type capital assets activity for the fiscal year ended June 30, 2025:

	Beginning Balance	Transfers and Increases	Transfers and Deletions	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 19,079,999	\$ -	\$ -	\$ 19,079,999
Construction in progress	25,636,564	15,522,657	(10,313,603)	30,845,618
Total capital assets, not being depreciated	44,716,563	15,522,657	(10,313,603)	49,925,617
Capital assets, being depreciated:				
Buildings	150,865,554	5,641,474	(35,306)	156,471,722
Machinery and equipment	84,809,353	882,776	(299,053)	85,393,076
Streets and infrastructure	74,079,431	9,948,339	(468,348)	83,559,422
Other improvements	6,607,114	-	(51,800)	6,555,314
Total capital assets, being depreciated	316,361,452	16,472,589	(854,507)	331,979,534
Less accumulated depreciation for:				
Buildings	(85,235,305)	(3,057,739)	35,306	(88,257,738)
Machinery and equipment	(48,527,349)	(3,402,784)	299,053	(51,631,080)
Streets and infrastructure	(36,709,419)	(2,111,421)	468,348	(38,352,492)
Other improvements	(3,559,038)	(67,918)	51,800	(3,575,156)
Total accumulated depreciation	(174,031,111)	(8,639,862)	854,507	(181,816,466)
Total capital assets, being depreciated, net	142,330,341	7,832,727	-	150,163,068
Business-type activities capital assets, net	<u>\$187,046,904</u>	<u>\$ 23,355,384</u>	<u>\$ (10,313,603)</u>	<u>\$200,088,685</u>

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

General government	\$ 147,286
Public safety	625,529
General public works and beach	1,348,791
Sanitation and waste removal	340,278
Highways and streets	3,014,038
Economic development - tourism	41,638
Recreation and culture	269,203
Capital assets held by the Town's internal service funds are charged to the various functions based on their usage of the assets	3,463,708
Total depreciation expense - governmental activities	<u>\$ 9,250,471</u>

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

Water Fund	\$ 1,059,365
Wastewater Fund	3,463,372
Transportation Fund	1,492,976
Convention Center Fund	1,459,642
Airport Fund	1,123,832
Golf Course Fund	40,675
Total depreciation expense - business-type activities	<u>\$ 8,639,862</u>

Town of Ocean City, Maryland
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The Town has ongoing construction projects as of June 30, 2025. The projects include the 3rd Street recreation complex, a Somerset Street police substation, convention center upgrades to elevators/escalators, and various water, wastewater, and airport improvements. At fiscal year-end, the Town's obligations with contractors were as follows:

Project	Spent to Date	Remaining Commitment
3rd Street recreation complex	\$ 6,438,656	\$ 147,051
Airport apron expansion	435,260	63,799
Baltimore Avenue utility undergrounding	1,902,424	501,710
Convention center expansion	16,070,806	21,240
Convention center elevator/escalators	3,740,749	378,457
Ferric chloride improvement	2,289,864	73,634
Inlet lot paving	123,941	532,170
Montego Bay street reconstruction	3,160,575	8,795
Somerset Street police substation	4,357,194	25,450
Street paving	3,931,711	324,280
Wastewater main repairs	1,351,516	604,261
Wastewater ocean outfall repair	793,431	133,325
Wastewater primary influent building rehab	1,693,650	719,884
Water Gorman Avenue arch upgrades	41,659	103,317
Water mains	1,069,654	7,921
Water plant clarifier rehabilitation	9,829,221	1,019,792
Total	<u>\$ 57,230,311</u>	<u>\$ 4,665,086</u>

Note 7: Interfund receivables, payables, and transfers

In governmental funds, total transfers of \$3,490,950 were made from the General Fund to the Capital Projects Fund for capital expenditures.

Net transfers of \$4,564,079 are shown in the Statement of Activities. Transfers were made from the General Fund to subsidize operations, for capital expenditures, and for admissions and amusement taxes allocable to the golf course, detailed as follows:

Transportation Fund	\$ 1,590,460
Convention Center Fund	2,541,946
Airport Fund	293,516
Golf Course Fund	138,157
Total	<u>\$ 4,564,079</u>

Note 8: Long-term debt

A. General obligation bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Town. These bonds are generally issued as 20-year serial bonds, except for refunding issues or issues less than \$5 million. All interest is paid semi-annually. General obligation bonds have been issued for both governmental and business-type activities in prior years in the amount of \$137,401,000.

In December 2024, the Town issued General Obligation Municipal Purpose Bonds of 2024 for \$4,815,000 with serial interest rates ranging from 4% to 5% and a final maturity in January 2045, to finance certain costs of acquisition,

Town of Ocean City, Maryland
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June 30, 2025

construction, and/or improvement of public projects, specifically for golf course clubhouse renovations and upgrades to the convention center's elevators, escalators, roof, and other capital maintenance items.

General obligation bonds outstanding at June 30, 2025, are as follows:

Bond Issue	Final Maturity	Interest Rates to Maturity	Original Issue	Outstanding Balance
Airport Improvement Bond of 2006	2026	3.496%	\$ 4,100,000	\$ 590,000
Municipal Purpose Bonds of 2015	2035	2.00 - 5.00%	16,760,000	10,790,000
Municipal Refunding Bond of 2016A	2027	1.92%	5,266,000	1,923,000
Property Acquisition Bond of 2016B	2027	2.70%	1,350,000	300,000
Municipal Purpose Bond of 2017A	2027	2.50%	1,600,000	352,564
Municipal Purpose Bonds of 2018	2038	3.00 - 5.00%	25,795,000	21,320,000
Municipal Purpose Bonds of 2020, Tax-Exempt	2040	2.00 - 5.00%	6,650,000	6,295,000
Refunding Bonds of 2020	2031	5.00%	6,750,000	4,050,000
Municipal Purpose Bonds of 2021	2042	2.00 - 5.00%	26,115,000	23,510,000
Municipal Refunding Bonds of 2022	2033	1.71%	16,900,000	9,015,000
Municipal Purpose Bonds of 2023	2044	4.00 - 5.00%	26,115,000	25,385,000
Municipal Purpose Bonds of 2024	2045	4.00 - 5.00%	4,815,000	4,815,000
Total bonds			<u>\$142,216,000</u>	<u>\$108,345,564</u>

NOTE: Principal balances do not include net unamortized bond premiums of \$2,369,148 and \$3,962,261 in governmental and business-type activities, respectively.

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

Year Ending June 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2026	\$ 3,763,492	\$ 1,457,657	\$ 3,493,600	\$ 2,363,416
2027	3,893,313	1,329,417	3,673,159	2,188,960
2028	3,379,248	1,202,253	3,827,752	2,030,021
2029	2,938,827	1,084,034	3,901,173	1,864,111
2030	2,955,632	966,847	4,174,368	1,695,310
2031 - 2035	13,483,944	3,320,591	20,591,056	6,087,796
2036 - 2040	10,283,632	1,455,387	15,776,368	2,812,675
2041 - 2045	4,385,855	293,413	7,824,145	746,287
Total	<u>\$ 45,083,943</u>	<u>\$ 11,109,599</u>	<u>\$ 63,261,621</u>	<u>\$ 19,788,576</u>

Town of Ocean City, Maryland
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B. Intergovernmental loans

The Town has an agreement with the Maryland Department of Natural Resources for a non-interest bearing loan used to finance the construction of a bulkhead along the Sinepuxent Bay.

A summary of this state loan, with its balance at June 30, 2025, is as follows:

Loan	Maturity	Interest Rate	Original Issue	Outstanding Balance
Soil erosion control - Robin Drive	2030	0.00%	\$ 297,171	\$ 80,550
Total intergovernmental loans			<u>\$ 297,171</u>	<u>\$ 80,550</u>

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

Year Ending June 30,	Principal
2026	\$ 16,110
2027	16,110
2028	16,110
2029	16,110
2030	16,110
Total	<u>\$ 80,550</u>

C. Financed purchases

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

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

Year Ending June 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2026	\$ 1,113,608	\$ 77,363	\$ 52,364	\$ 7,584
2027	823,978	54,888	53,290	6,395
2028	537,305	39,335	56,268	5,174
2029	560,457	25,683	59,366	3,885
2030	328,596	13,258	62,590	2,525
2031	340,175	5,766	64,795	1,098
Total	<u>\$ 3,704,119</u>	<u>\$ 216,293</u>	<u>\$ 348,673</u>	<u>\$ 26,661</u>

D. Legal debt margin

The Town's legal debt margin as of June 30, 2025, based on 5.2% of assessable property, was \$461,787,965. As of June 30, 2025, the total outstanding debt applicable to the limit was \$114,676,973, which is 1.03% of assessable property.

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2025

E. Changes in long-term liabilities

During the fiscal year ended June 30, 2025, the following changes occurred in long-term liabilities reported for governmental and business-type activities:

Governmental Activities	Beginning Balance *	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 49,328,593	\$ -	\$ (4,244,650)	\$ 45,083,943	\$ 3,763,492
Bond premiums	2,844,686	-	(475,538)	2,369,148	-
Intergovernmental loans	96,660	-	(16,110)	80,550	16,110
Total bonds, notes, and loans payable	52,269,939	-	(4,736,298)	47,533,641	3,779,602
Financed purchases	4,782,444	-	(1,078,325)	3,704,119	1,113,608
Accrued obligations for compensated absences	4,610,723	311,261	-	4,921,984	220,212
Claims and judgments	4,055,752	579,717	(589,464)	4,046,005	714,798
Net pension liability	28,787,765	26,051,115	(32,595,679)	22,243,201	-
Net OPEB liability (asset)	(6,651,628)	2,626,871	(4,366,526)	(8,391,283)	-
Governmental activities long-term liabilities	<u>\$ 87,854,995</u>	<u>\$ 29,568,964</u>	<u>\$ (43,366,292)</u>	<u>\$ 74,057,667</u>	<u>\$ 5,828,220</u>
Business-Type Activities	Beginning Balance *	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 62,493,891	\$ 4,815,000	\$ (4,047,270)	\$ 63,261,621	\$ 3,493,600
Bond premiums	4,222,949	454,126	(714,814)	3,962,261	-
Total bonds payable	66,716,840	5,269,126	(4,762,084)	67,223,882	3,493,600
Financed purchases	398,188	-	(49,515)	348,673	52,364
Accrued obligations for compensated absences	983,821	75,536	-	1,059,357	848,427
Net pension liability	4,944,621	5,369,554	(7,072,748)	3,241,427	-
Net OPEB liability (asset)	(1,798,538)	1,332,893	(2,215,608)	(2,681,253)	-
Business-type activities long-term liabilities	<u>\$ 71,244,932</u>	<u>\$ 12,047,109</u>	<u>\$ (14,099,955)</u>	<u>\$ 69,192,086</u>	<u>\$ 4,394,391</u>

* The "accrued obligations for compensated absences" beginning balance has been restated for fiscal year 2025 due to the implementation of GASB 101

NOTE: The change in accrued obligations for compensated absences is presented as a net change.

The liabilities for pension and OPEB-related debts of governmental activities are fully liquidated by the General Fund. Internal service funds primarily serve the governmental funds and, accordingly, their long-term liabilities are included in the above totals for governmental activities. For internal service funds, claims liabilities are liquidated through the Town's Risk Management Fund (see Note 9.A. on the following page). This fund finances the payment of claims by charging other funds based on management's assessment of the relative insurance risk that should be assumed by individual funds. Currently, governmental activities assume approximately 70% of insurance costs and business-type activities assume approximately 30%.

Town of Ocean City, Maryland
Notes to the Financial Statements
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Note 9: Other information

A. Risk management

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

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

All funds of the Town participate in the program and make payments to the Risk Management Fund based on estimates of the amounts needed to pay prior and current year claims, pay premiums to insurance carriers for excess coverage, and to establish a reserve for catastrophic losses. The fund establishes claims liabilities based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. Liabilities for workers' compensation losses incurred are estimated at the fixed or reasonably determinable payment expected to be incurred over a period of time discounted at its present value using a 3.5% discount rate. The workers' compensation and property and casualty costs are based on separately determined actuarial valuations performed as of June 30, 2024.

Changes in the Risk Management Fund's claims liability over two years since June 30, 2023, were as follows:

Claims liability at June 30, 2023	\$ 4,503,833
Claims incurred	268,236
Claims paid	(716,317)
Claims liability at June 30, 2024	<u>4,055,752</u>
Claims incurred	579,717
Claims paid	(589,464)
Claims liability at June 30, 2025	<u><u>\$ 4,046,005</u></u>

As of June 30, 2025, the Risk Management Fund had cash and investments of \$5,639,703 available to pay claims.

B. Commitments and contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, primarily the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by grantors cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

The Town is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Town's attorney and management, the resolution of these matters is not expected to have a material adverse effect on the Town's financial condition.

As of fiscal year-end, the amount of encumbrances expected to be paid in the following fiscal year totaled \$2,526,335 in the General Fund and \$1,670,016 in the Capital Projects Fund.

C. Intergovernmental assistance

In 1995, 2010, 2013, 2017, and 2019, the Mayor and City Council entered into agreements with the State for the construction, operation, and contributions for the expansion and improvement of the Roland E. Powell Convention

Town of Ocean City, Maryland
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Center through the Maryland Stadium Authority (the “Authority”). The Authority pays one-half of the annual operating deficit, if any, of the Convention Center from the time of construction until the bonded debt is repaid. For the fiscal year ended June 30, 2025, the amount of the contribution was \$1,997,072.

Chapter 641 of the Laws of Maryland of 1995 authorized the County Commissioners of Worcester County to impose a tax on the sale of food and beverages in the Town for the purposes of paying the principal and interest on bonds issued by the Town to finance the construction, reconstruction, repair, renovation, and equipping of a convention center. As a result, the County implemented a 1% tax on the sale of food and beverages, which was reduced to 0.5% in 2008. The Town issued \$8,470,000 of bonds in 2013, \$12,715,000 of bonds in 2018, \$455,778 of bonds in 2021, \$3,702,942 in 2023, and \$3,685,823 in 2024 for the expansion and renovation of the Convention Center. Food and beverage sales tax receipts of \$1,914,877 were \$583,794 more than debt service for the fiscal year ended June 30, 2025. Cumulative receipts and interest in excess of debt service totaled \$2,361,073 at June 30, 2025, and is shown on the Statement of Net Position – Proprietary Funds as net position “restricted for debt service.” The principal balance of the debt was \$18,205,569 as of June 30, 2025.

D. New accounting pronouncements

The GASB has issued Statement No. 101, *Compensated Absences* (see Note 12), and Statement No. 102, *Certain Risk Disclosures*, both of which the Town implemented during fiscal year 2025, as applicable.

Note 10: Other post-employment benefits (OPEB)

A. General information and plan description

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

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

Plan membership. As of June 30, 2025, OPEB Trust membership consisted of the following:

Active employees	493
Retirees and beneficiaries receiving benefits	245
Total	<u>738</u>

Summary of significant accounting policies. Contributions to the plan are recognized in the period in which they are made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value based on published securities data. The actuarial valuation method is based on the market value of plan assets.

Town of Ocean City, Maryland
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B. Net OPEB liability (asset)

Actuarial assumptions. The Town's net OPEB liability (asset) was measured as of June 30, 2025, and the total OPEB liability used to calculate the net OPEB liability (asset) was based on October 1, 2023, valuation data, using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation rates	2.60%
Salary increases	4.00%
Investment rate of return	6.80%
Mortality	SOA Pub-2010 General Employees Headcount-Weighted Mortality Tables - scale MP-2019 for "Active Employees"; SOA Pub-2010 General Retirees Headcount-Weighted Mortality Tables - scale MP-2019 for "Healthy Retirees and Spouses"
Health care cost trend rates	The trend for 2024 is 7.50%. The ultimate trend is 4.04%. 3.00% annual increase assumption for dollar subsidy for post 7/1/11 hires with 25+ years of service.

The Board of Trustees establishes and can amend the investment policy for the plan's assets by a majority vote of its members. The policy defines major asset classes, asset allocations, and acceptable ranges that are to be employed. The policy requires asset classes with low correlations to each other to provide sufficient diversification to minimize overall portfolio volatility. The Board of Trustees' adopted asset policy as of June 30, 2025, is shown below.

The long-term expected rate of return on OPEB plan investments was determined using log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of June 30, 2025, were as follows:

Asset Class	Target Allocation			
Domestic equity	30 %			
International equity	24			
Fixed income	28			
Real estate investment trusts	3			
Private equity	3			
Alternatives	12			
Total	100 %			

Asset Class	Percentage of Portfolio	Assumed Rate of Return	Inflation	Real Rate of Return
Domestic equities	39.0 %	8.5 %	2.4 %	6.1 %
Developed market international equities	13.0	7.4	2.4	5.0
Emerging markets equities	8.0	8.4	2.4	6.0
Domestic investment-grade fixed income	35.0	3.8	2.4	1.4
Hedge funds	5.0	6.0	2.4	3.6
Total	100.0 %	6.6 %	2.4 %	4.2 %

Town of Ocean City, Maryland
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Rate of return. For the fiscal year ended June 30, 2025, the annual money-weighted rate of return on investments, net of investment expense, was 11.87%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate. The discount rate used to measure the total OPEB liability was 6.8%. The projection of cash flows used to determine the discount rate assumed that Town contributions will be made at rates determined by the funding policy, equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use a municipal bond rate.

The condensed financial statements of the plan are as follows:

Condensed Statement of Net Position

	OPEB Trust Fund
ASSETS	
Cash and receivables	\$ 659,846
Investments	44,985,850
Total assets	<u>45,645,696</u>
NET POSITION	
Restricted for OPEB	<u><u>\$ 45,645,696</u></u>

Condensed Statement of Changes in Fiduciary Net Position

	OPEB Trust Fund
ADDITIONS	
Investment gains	\$ 5,012,821
Total additions	<u>5,012,821</u>
DEDUCTIONS	
Benefits and refunds paid	1,337,888
Total deductions	<u>1,337,888</u>
Change in net position	3,674,933
Net position, beginning of the fiscal year	41,970,763
Net position, end of the fiscal year	<u><u>\$ 45,645,696</u></u>

Town of Ocean City, Maryland
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June 30, 2025

Changes in the net OPEB liability (asset) and the OPEB plan's fiduciary net position for the year ended June 30, 2025, were as follows:

	Total OPEB Liability	Plan's Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2024	\$ 33,520,597	\$ 41,970,763	\$ (8,450,166)
Increases (decreases) in balances during the fiscal year:			
Service cost	370,629	-	370,629
Interest	2,251,247	-	2,251,247
Differences between expected and actual experience	(231,425)	-	(231,425)
Net investment income	-	5,012,821	(5,012,821)
Benefit payments, including refunds of member contributions	(1,337,888)	(1,337,888)	-
Net change in balance	1,052,563	3,674,933	(2,622,370)
Balance at June 30, 2025	\$ 34,573,160	\$ 45,645,696	\$ (11,072,536)

Plan's fiduciary net position as a percentage of the total OPEB liability: 132.03%

Sensitivity of the total OPEB liability and the net OPEB liability (asset) to changes in the discount rate. The following presents the total OPEB liability and the net OPEB liability (asset) of the Town, calculated using the discount rate of 6.8%, as well as what the Town's total OPEB liability and net OPEB liability (asset) would be if they were calculated using a discount rate that is 1-percentage point lower (5.8%) or 1-percentage point higher (7.8%) than the current discount rate:

	1% decrease (5.80%)	Baseline (6.80%)	1% increase (7.80%)
Total other post-employment benefit liability	\$ 39,056,369	\$ 34,573,160	\$ 30,861,500
Net other post-employment benefit asset	(6,589,327)	(11,072,536)	(14,784,196)

Sensitivity of the total OPEB liability and the net OPEB liability (asset) to changes in the health care cost trend rate. The following presents the total OPEB liability and the net OPEB liability (asset) of the Town, calculated using the trend rate of 4.04%, as well as what the Town's total OPEB liability and net OPEB liability (asset) would be if they were calculated using a health care cost trend rate that is 1-percentage point lower (3.04%) or 1-percentage point higher (5.04%) than the current health care cost trend rate:

	1% decrease (3.04%)	Baseline rate (4.04%)	1% increase (5.04%)
Total other post-employment benefit liability	\$ 30,183,789	\$ 34,573,160	\$ 39,937,615
Net other post-employment benefit asset	(15,461,907)	(11,072,536)	(5,708,081)

Town of Ocean City, Maryland
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C. OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB

For the year ended June 30, 2025, the Town recognized an OPEB expense of negative \$5,331,489. At June 30, 2025, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 528	\$ 20,433,278
Changes of assumptions	2,363,860	2,210,648
Net difference between projected and actual earnings on OPEB plan investments	-	1,164,540
Total	<u>\$ 2,364,388</u>	<u>\$ 23,808,466</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	
2026	\$ (4,018,820)
2027	(5,905,810)
2028	(4,761,714)
2029	(4,132,734)
2030	(2,585,984)
Thereafter	(39,016)
Total	<u>\$ (21,444,078)</u>

Note 11: Employee retirement plans

A. Defined contribution plan

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

Defined contribution plan participants are required to contribute 5% of their salaries to the 401(a) plan, which is matched by the Town. Participants may also contribute up to an additional 2% of their salaries to the plan. These contributions are also matched by the Town, for a potential Town contribution of 7% of each participant's base annual salary. For the fiscal year ended June 30, 2025, there were 324 employees actively participating in the plan. Employee contributions totaled \$1,001,955 and the Town recognized contribution expense of \$1,001,955. The market value of the 401(a) plan assets totaled \$13,390,817 at June 30, 2025.

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

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B. Single-employer defined benefit pension plans

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

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

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

Investments. The Board of Trustees establishes and can amend the investment policy for the plans' assets by a majority vote of its members. The policy defines various major asset classes, asset allocations, and acceptable ranges that are to be employed. The policy requires asset classes with low correlations to each other to provide sufficient diversification to minimize overall portfolio volatility. The Board of Trustees' adopted asset policy as of June 30, 2025, was as follows:

Asset Class	Target Allocation
Domestic equity	30 %
International equity	24
Fixed income	28
Real estate investment trusts	3
Private equity	3
Alternatives	12
Total	<u>100 %</u>

Rate of return. For the fiscal year ended June 30, 2025, the annual money-weighted rate of return on investments, net of investment expense, was 12.06% for both pension plans. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of April 1, 2025, and was rolled forward using appropriate techniques to June 30, 2025, utilizing the "entry age normal" actuarial funding method. The assumptions and methods used in the valuation were selected based on the actuarial experience study prepared as of April 1, 2021, submitted to and adopted by the Board of Trustees on May 18, 2022.

Changes to economic and demographic assumptions for both the EPP and PSEPP since the previous measurement date of June 30, 2024, are summarized below:

- Effective April 1, 2025, the investment return assumption decreased to from 6.70% to 6.60%.
- Ordinance 2024-16 was adopted, improving the surviving spouse benefit for the surviving spouse of an active participant who is past their normal retirement age from 50% of the amount payable to the participant on the day of death, to 100% of the amount payable to the participant on the day of death.

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

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

PSEPP amendments. Relevant plan amendments are summarized below:

- Effective July 1, 2022, police participants who are not command staff will contribute 9.00% of salary.
- Effective March 1, 2023, the PSEPP offered a temporary DROP for employees of the Fire/EMS Division or Office of Fire Marshal as defined in the IAFF (Local 4269) Collective Bargaining Agreement (CBA). The temporary DROP provisions mirror those of the ongoing DROP but apply only to plan participants who complete 25 years of service prior to June 30, 2027, and who elect to enter the temporary DROP between March 1, 2023, and June 30, 2027.
- Effective July 1, 2023, certified EMS personnel, Fire Marshal, and paid firefighter participants hired prior to July 1, 2013, who are not command staff, will contribute 9.00% of salary.
- Effective July 1, 2023, the salary merit scale will reflect the IAFF (Local 4269) CBA from 2023 through 2027.
- Effective April 1, 2024, the retirement rates for Police have been temporarily increased by 5% for the next three years.
- Effective April 1, 2025, the salary merit scale will reflect the FOP CBA effective July 1, 2025.

The long-term expected rate of return on pension plan investments was determined using log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2025, were as follows:

Asset Class	Percentage of Portfolio	Assumed Rate of Return	Inflation	Real Rate of Return
Domestic equities	39.0 %	8.5 %	2.4 %	6.1 %
Developed market international equities	13.0	7.4	2.4	5.0
Emerging markets equities	8.0	8.4	2.4	6.0
Domestic investment-grade fixed income	35.0	3.8	2.4	1.4
Hedge funds	5.0	6.0	2.4	3.6
Total	100.0 %	6.6 %	2.4 %	4.2 %

Discount rate. The discount rate used to measure the total pension liability was 6.6%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Town contributions will be made at rates determined by the funding policy, equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use a municipal bond rate.

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The condensed financial statements of the plans are as follows:

Condensed Statement of Net Position

	General Employees Pension Fund	Public Safety Employees Pension Fund	Total
ASSETS			
Cash and receivables	\$ 2,336,646	\$ 2,888,155	\$ 5,224,801
Investments	75,573,699	92,828,652	168,402,351
Total assets	77,910,345	95,716,807	173,627,152
LIABILITIES			
Total liabilities	5,516	5,117	10,633
NET POSITION			
Restricted for pensions	\$ 77,904,829	\$ 95,711,690	\$173,616,519

Condensed Statement of Changes in Fiduciary Net Position

	General Employees Pension Fund	Public Safety Employees Pension Fund	Total
ADDITIONS			
Contributions	\$ 3,717,367	\$ 6,487,709	\$ 10,205,076
Investment gains	8,305,702	10,058,171	18,363,873
Total additions	12,023,069	16,545,880	28,568,949
DEDUCTIONS			
Benefits and refunds paid	5,420,186	5,679,292	11,099,478
Administrative expenses	26,204	39,735	65,939
Total deductions	5,446,390	5,719,027	11,165,417
Change in net position	6,576,679	10,826,853	17,403,532
Net position, beginning of the fiscal year	71,328,150	84,884,837	156,212,987
Net position, end of the fiscal year	\$ 77,904,829	\$ 95,711,690	\$173,616,519

1) General Employees Pension Plan (EPP)

- a) *Membership.* The EPP covers all non–public safety employees, and wastewater employees hired after July 1, 1994, and was closed to new entrants as of May 11, 2011. The following table summarizes the membership of the EPP as of April 1, 2025, the valuation date:

Retirees and beneficiaries receiving benefits	252
Terminated, vested employees entitled to but not yet receiving benefits	44
Inactive nonvested members	9
Active members	123
Total	428

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

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

- c) *Deferred Retirement Option Program (DROP).* Any participant who held the office of Director of Public Works as of December 31, 2017, or City Engineer on October 1, 2020, enters DROP on January 1, 2018, or January 1, 2021, respectively, and must retire within the DROP period (of, if agreed to by the special DROP participant and the Town, by the end of any extended DROP periods). At retirement, the benefit is the accrued benefit as of the beginning of the DROP participation date, plus the lump sum (or annuity equivalent) of the monthly benefits not received during the DROP period.
- d) *Funding policy and contributions.* In 2014, the City Council adopted a funding policy for the EPP that provides for annual Town contributions based on an annual actuarial valuation. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance the unfunded liability over a closed ten-year period. All administrative costs are paid by the EPP. The contribution for the 2025 fiscal year was determined using the entry age normal actuarial cost method. The contribution to the EPP for fiscal year 2025 was \$3,202,844, computed through an actuarial valuation performed as of April 1, 2024, which represented 31.48% of covered payroll. Members contributed \$514,523, a rate of 5% of annual base pay.
- e) *Net pension liability of the Town for the EPP.* The changes in the net pension liability for the fiscal year ended June 30, 2025, were as follows:

	Plan's Total Pension Liability	Plan's Fiduciary Net Position	Plan's Net Pension Liability
Balance at June 30, 2024	\$ 85,941,114	\$ 71,328,150	\$ 14,612,964
Increases (decreases) in balances during the fiscal year:			
Service cost	759,541	-	759,541
Interest	5,579,422	-	5,579,422
Differences between expected and actual experience	516,417	-	516,417
Changes in assumptions	797,617	-	797,617
Changes in benefit terms	143,343	-	143,343
Contributions - employer	-	3,202,844	(3,202,844)
Contributions - member	-	514,523	(514,523)
Net investment income	-	8,305,702	(8,305,702)
Benefit payments, including refunds of member contributions	(5,420,186)	(5,420,186)	-
Administrative expense	-	(26,204)	26,204
Net change in balance	2,376,154	6,576,679	(4,200,525)
Balance at June 30, 2025	<u>\$ 88,317,268</u>	<u>\$ 77,904,829</u>	<u>\$ 10,412,439</u>

EPP fiduciary net position as a percentage of the total pension liability: 88.21%

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2025

- f) *Sensitivity of the net pension liability to changes in the discount rate.* The following presents the net pension liability of the plan, calculated using the discount rate of 6.6%, as well as what the plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.6%) or 1-percentage point higher (7.6%) than the current rate:

	1% decrease (5.6%)	Current rate (6.6%)	1% increase (7.6%)
Net pension liability	\$ 19,084,667	\$ 10,412,439	\$ 2,924,378

- g) *Pension expense, deferred outflows of resources, and deferred inflows of resources related to pensions.* For the fiscal year ended June 30, 2025, the Town recognized a pension expense of \$3,190,234 for the EPP. As of June 30, 2025, the Town reported deferred outflows of resources and deferred inflows of resources related to the EPP from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 789,978	\$ -
Changes of assumptions	751,044	-
Net difference between projected and actual earnings on pension plan investments	-	1,824,993
Total	<u>\$ 1,541,022</u>	<u>\$ 1,824,993</u>

The above amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2026	\$ 2,864,498
2027	(1,240,717)
2028	(1,190,826)
2029	(716,926)
Total	<u>\$ (283,971)</u>

The Schedule of Changes in Net Pension Liability and Related Ratios and the Schedule of Employer Contributions are presented as required supplementary information (RSI) following the notes to the financial statements on pages 88-89 and 92-93, respectively.

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2025

2) Public Safety Employees Pension Plan (PSEPP)

- a) *Membership.* All of the Town's full-time police officers, firefighters, emergency medical technicians, fire marshals, and communication employees participate in the PSEPP. The plan was closed to new entrants on April 1, 2011; however, it was reopened to sworn police officers effective July 1, 2013, and those sworn police officers hired on or after April 1, 2011, were allowed to enter the plan. Effective July 1, 2019, the plan was reopened to allow certified EMS personnel, fire marshal, and paid firefighters hired on or after July 1, 2013, to enter the plan. The following table summarizes the membership of the PSEPP as of April 1, 2025, the valuation date:

Retirees and beneficiaries receiving benefits	121
Terminated, vested employees entitled to but not yet receiving benefits	3
Inactive nonvested members	19
Active members	194
Total	<u><u>337</u></u>

- b) *Benefits.* The PSEPP provides retirement, disability, and death benefits. A member may retire at age 55 with 10 years of continuous service (reduced early retirement), after completion of 25 years of service but prior to attaining age 65 (unreduced early retirement), at age 65 (normal retirement), or postpone retirement. Benefits begin to vest after 5 years of continuous employment, and participants are fully vested after 15 years of continuous employment, or at retirement age (if sooner). The PSEPP provides retirement benefits in the form of a monthly income payable for life in an amount equal to 60% of final average monthly compensation, reduced 1/300th for each month of service less than 300. The final benefit is based on the average compensation of the three highest consecutive years in the last ten years prior to retirement. Additionally, for each 176 hours of unused sick leave, retiring employees receive one month of additional service credit for determining the benefit amount, not for determining retirement eligibility, with a credit assumption equal to 3% of other service.
- c) *Deferred Retirement Option Program (DROP).* Participants who are sworn police officers can elect to enter DROP when they reach or are reasonably close to reaching 25 years of service, and they must continue making employee contributions and retire within three years of making the DROP election. At retirement, the DROP benefit is the 25-year benefit plus the lump sum (or annuity equivalent) of the monthly benefits not received during the three-year DROP period. Effective July 1, 2018, the DROP was enhanced to allow sworn police officers to enter the DROP when they reach 25, 26, or 27 years of service. Participants who enter the DROP when they reach 26 years of service must retire within the next two years. Participants who enter the DROP when they reach 27 years of service must retire within the next year. See "PSEPP amendments" under Note 11.B. for details regarding the temporary DROP offered to IAFF members.
- d) *Funding policy and contributions.* In 2014, the City Council adopted a funding policy for the PSEPP that provides for annual Town contributions based on an annual actuarial valuation. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance the unfunded liability over a closed ten-year period. All administrative costs are paid by the PSEPP. The contribution for the 2025 fiscal year was determined using the entry age normal actuarial cost method. The contribution to the PSEPP for fiscal year 2025 was \$5,076,749, computed through an actuarial valuation performed as of April 1, 2024, which represented 31.89% of covered payroll. Members contributed \$1,410,960, a rate of 9% of annual base pay.

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

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2025

participated in this plan from his or her date of full-time employment and contributed 9% of salary. Each participant's account balance under the 401(a) money purchase plan was transferred to the assets of this plan on July 1, 2019.

- e) *Net pension liability of the Town for the PSEPP.* The changes in the net pension liability for the fiscal year ended June 30, 2025, were as follows:

	Plan's Total Pension Liability	Plan's Fiduciary Net Position	Plan's Net Pension Liability
Balance at June 30, 2024	\$104,004,259	\$ 84,884,837	\$ 19,119,422
Increases (decreases) in balances during the fiscal year:			
Service cost	2,532,758	-	2,532,758
Interest	6,781,113	-	6,781,113
Differences between expected and actual experience	823,940	-	823,940
Changes in assumptions	2,321,101	-	2,321,101
Contributions - employer	-	5,076,749	(5,076,749)
Contributions - member	-	1,410,960	(1,410,960)
Net investment income	-	10,058,171	(10,058,171)
Benefit payments, including refunds of member contributions	(5,679,292)	(5,679,292)	-
Administrative expense	-	(39,735)	39,735
Net change in balance	6,779,620	10,826,853	(4,047,233)
Balance at June 30, 2025	<u>\$110,783,879</u>	<u>\$ 95,711,690</u>	<u>\$ 15,072,189</u>

PSEPP fiduciary net position as a percentage of the total pension liability: 86.39%

- f) *Sensitivity of the net pension liability to changes in the discount rate.* The following presents the net pension liability of the plan, calculated using the discount rate of 6.6%, as well as what the plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.6%) or 1-percentage point higher (7.6%) than the current rate:

	1% decrease (5.6%)	Current rate (6.6%)	1% increase (7.6%)
Net pension liability	\$ 28,976,590	\$ 15,072,189	\$ 3,533,613

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2025

- g) *Pension expense, deferred outflows of resources, and deferred inflows of resources related to pensions.* For the fiscal year ended June 30, 2025, the Town recognized pension expense of \$3,548,792 for the PSEPP. As of June 30, 2025, the Town reported deferred outflows of resources and deferred inflows of resources related to the PSEPP from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,590,736	\$ 71,113
Changes of assumptions	5,443,991	-
Net difference between projected and actual earnings on pension plan investments	-	2,486,029
Total	<u>\$ 8,034,727</u>	<u>\$ 2,557,142</u>

The above amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2026	\$ 3,303,757
2027	(179,239)
2028	185,860
2029	561,755
Thereafter	1,605,452
Total	<u>\$ 5,477,585</u>

The Schedule of Changes in Net Pension Liability and Related Ratios and the Schedule of Employer Contributions are presented as RSI on pages 90-91 and 94-95, respectively.

The aggregate expense/expenditure recognized by the Town for its two pension plans during fiscal year 2025 was \$6,739,026. The aggregate expense/expenditure recognized by the Town for all benefit trust plans (the OPEB plan and both pension plans) during the year ended June 30, 2025, was \$1,407,537.

C. Deferred compensation plan

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

Plan participants elect to contribute a portion of their pay (subject to annual maximums established by the IRS), pre-tax, to the plan. The Town matches 25% of employee contributions, up to a maximum annual match of \$500 for all public safety employees and general employees hired prior to January 1, 2011. For general employees hired on or after January 1, 2011, the Town will contribute a maximum match of \$200 per year. For the fiscal year ended June 30, 2025, there were 427 employees actively participating in the plan. Employee contributions totaled \$1,971,031 and the Town recognized a contribution expense of \$208,783. The market value of the 457(b) plan assets totaled \$47,633,189 at June 30, 2025.

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

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2025

Note 12: Prior period restatement

As a result of implementing GASB Statement No. 101, *Compensated Absences*, the Town determined that it would include leave balances for compensatory time and accumulated holiday pay, which are paid out to employees at separation, as well as an estimate for sick leave that is expected to be utilized during employees' service periods, in the accrued obligations for compensated absences balances at June 30, 2025.

This change in accounting principle required the Town to restate its ending balances at June 30, 2024. The impact of these changes on the Town's ending balances at June 30, 2024, are as follows:

Governmental activities net position at June 30, 2024, as previously reported	\$108,439,639
Restatement attributable to:	
General government	(1,960,666)
Information Technology Fund	(49,420)
Service Center Fund	(52,819)
Risk Management Fund	(783)
Governmental activities net position at June 30, 2024, as restated	<u>\$106,375,951</u>
Business-type activities net position at June 30, 2024, as previously reported	\$149,700,853
Restatement attributable to:	
Water Fund	(69,346)
Wastewater Fund	(149,437)
Transportation Fund	(50,149)
Convention Center Fund	(119,257)
Airport Fund	(6,546)
Golf Course Fund	(28,183)
Business-type activities net position at June 30, 2024, as restated	<u>\$149,277,935</u>



REQUIRED SUPPLEMENTARY INFORMATION

PENSION TRUST FUNDS

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

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

Schedule of Employer Contributions - General Employees Pension Plan

Schedule of Employer Contributions - Public Safety Employees Pension Plan

OTHER POST-EMPLOYMENT BENEFITS (OPEB) TRUST FUND

Schedule of Changes in Net Other Post-Employment Benefits
Liability (Asset) and Related Ratios

Schedule of Employer Contributions - Other Post-Employment Benefits Trust

Town of Ocean City, Maryland
Schedule of Changes in Net Pension Liability and Related Ratios - General Employees Pension Plan
Last Ten Fiscal Years

	2025	2024	2023
Total pension liability:			
Service cost	\$ 759,541	\$ 808,279	\$ 846,826
Interest	5,579,422	5,433,542	5,331,090
Differences between expected and actual experience	516,417	1,561,394	544,268
Changes of assumptions/methods	797,617	786,536	764,015
Changes of benefit terms	143,343	-	-
Benefit payments, including refunds of member contributions, deaths, and terminations	(5,420,186)	(5,024,695)	(4,666,773)
Net change in total pension liability	2,376,154	3,565,056	2,819,426
Total pension liability, beginning	85,941,114	82,376,058	79,556,632
Total pension liability, ending (a)	\$ 88,317,268	\$ 85,941,114	\$ 82,376,058
Plan fiduciary net position:			
Contributions - employer	\$ 3,202,844	\$ 3,533,443	\$ 3,161,368
Contributions - member	514,523	541,659	552,662
Net investment income (loss)	8,305,702	6,792,083	5,724,917
Benefit payments, including refunds of member contributions	(5,420,186)	(5,024,695)	(4,666,773)
Administrative expense	(26,204)	(54,305)	(38,652)
Net change in plan fiduciary net position	6,576,679	5,788,185	4,733,522
Plan fiduciary net position, beginning	71,328,150	65,539,965	60,806,443
Plan fiduciary net position, ending (b)	\$ 77,904,829	\$ 71,328,150	\$ 65,539,965
Town's net pension liability, ending [(a) - (b)]	\$ 10,412,439	\$ 14,612,964	\$ 16,836,093
Plan fiduciary net position as a percentage of total pension liability	88.21%	83.00%	79.56%
Covered payroll	\$ 10,175,010	\$ 10,874,577	\$ 11,187,060
Net pension liability as a percentage of covered payroll	102.33%	134.38%	150.50%
Annual money-weighted rate of return, net of investment expense	12.06%	10.40%	9.89%

NOTES TO SCHEDULE:

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

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

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

Effective April 1, 2025, the investment return assumption decreased from 6.70% to 6.60%.

2022	2021	2020	2019	2018	2017	2016
\$ 724,632	\$ 802,422	\$ 914,641	\$ 963,748	\$ 971,590	\$ 1,033,828	\$ 1,044,701
5,076,332	4,962,599	4,845,650	4,671,549	4,410,697	4,705,358	4,528,555
890,059	(208,802)	(284,674)	303,180	495,027	(1,208,856)	(482,721)
2,602,373	-	-	-	703,076	(1,379,730)	-
-	323,982	-	-	344,379	-	-
(4,436,543)	(4,080,378)	(3,538,599)	(3,366,964)	(3,035,268)	(2,724,322)	(2,741,672)
4,856,853	1,799,823	1,937,018	2,571,513	3,889,501	426,278	2,348,863
74,699,779	72,899,956	70,962,938	68,391,425	64,501,924	64,075,646	61,726,783
<u>\$ 79,556,632</u>	<u>\$ 74,699,779</u>	<u>\$ 72,899,956</u>	<u>\$ 70,962,938</u>	<u>\$ 68,391,425</u>	<u>\$ 64,501,924</u>	<u>\$ 64,075,646</u>
\$ 2,639,659	\$ 2,709,226	\$ 2,403,037	\$ 2,152,737	\$ 1,926,923	\$ 2,012,896	\$ 1,927,595
573,405	622,121	681,986	699,907	716,123	748,721	743,259
(10,418,494)	13,426,746	1,079,768	2,149,361	3,176,166	5,007,901	(1,776,489)
(4,436,543)	(4,080,378)	(3,538,599)	(3,366,964)	(3,035,268)	(2,724,322)	(2,741,672)
(56,104)	(24,708)	(36,433)	(30,344)	(42,547)	(49,226)	(54,980)
(11,698,077)	12,653,007	589,759	1,604,697	2,741,397	4,995,970	(1,902,287)
72,504,520	59,851,513	59,261,754	57,657,057	54,915,660	49,919,690	51,821,977
<u>\$ 60,806,443</u>	<u>\$ 72,504,520</u>	<u>\$ 59,851,513</u>	<u>\$ 59,261,754</u>	<u>\$ 57,657,057</u>	<u>\$ 54,915,660</u>	<u>\$ 49,919,690</u>
<u>\$ 18,750,189</u>	<u>\$ 2,195,259</u>	<u>\$ 13,048,443</u>	<u>\$ 11,701,184</u>	<u>\$ 10,734,368</u>	<u>\$ 9,586,264</u>	<u>\$ 14,155,956</u>
76.43%	97.06%	82.10%	83.51%	84.30%	85.14%	77.91%
\$ 11,005,512	\$ 11,950,404	\$ 13,573,824	\$ 13,930,362	\$ 14,040,732	\$ 14,324,756	\$ 14,515,114
170.37%	18.37%	96.13%	84.00%	76.45%	66.92%	97.53%
-15.17%	22.05%	1.86%	3.60%	6.63%	9.74%	-3.72%

Town of Ocean City, Maryland
Schedule of Changes in Net Pension Liability and Related Ratios - Public Safety Employees Pension Plan
Last Ten Fiscal Years

	2025	2024	2023
Total pension liability:			
Service cost	\$ 2,532,758	\$ 2,420,731	\$ 2,144,570
Interest	6,781,113	6,502,675	6,111,895
Differences between expected and actual experience	823,940	789,152	1,521,641
Changes of assumptions/methods	2,321,101	1,305,020	2,202,332
Changes of benefit terms	-	-	271,404
Benefit payments, including refunds of member contributions, deaths, and terminations	(5,679,292)	(5,196,319)	(5,207,209)
Net change in total pension liability	6,779,620	5,821,259	7,044,633
Total pension liability, beginning	104,004,259	98,183,000	91,138,367
Total pension liability, ending (a)	\$110,783,879	\$104,004,259	\$ 98,183,000
Plan fiduciary net position:			
Contributions - employer	\$ 5,076,749	\$ 5,704,983	\$ 4,751,032
Contributions - member	1,410,960	1,367,256	1,223,325
Net investment income (loss)	10,058,171	8,055,126	6,443,810
Benefit payments, including refunds of member contributions	(5,679,292)	(5,196,319)	(5,207,209)
Administrative expense	(39,735)	(60,789)	(65,861)
Other	-	-	-
Net change in plan fiduciary net position	10,826,853	9,870,257	7,145,097
Plan fiduciary net position, beginning	84,884,837	75,014,580	67,869,483
Plan fiduciary net position, ending (b)	\$ 95,711,690	\$ 84,884,837	\$ 75,014,580
Town's net pension liability, ending [(a) - (b)]	\$ 15,072,189	\$ 19,119,422	\$ 23,168,420
Plan fiduciary net position as a percentage of total pension liability	86.39%	81.62%	76.40%
Covered payroll	\$ 15,919,238	\$ 15,648,570	\$ 14,231,799
Net pension liability as a percentage of covered payroll	94.68%	122.18%	162.79%
Annual money-weighted rate of return, net of investment expense	12.06%	10.40%	9.89%

NOTES TO SCHEDULE:

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

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

Effective July 1, 2022, police participants who are not command staff will contribute 9.00% of salary.

Effective April 1, 2023, the salary merit scale and rates of retirement for police officers were slightly changed due to recent experience and discussions with staff.

Effective July 1, 2023, certified EMS personnel, fire marshal, and paid firefighter participants hired prior to July 1, 2023, who are not command staff will contribute 9.00% of salary. The salary merit scale will reflect the IAFF (Local 4269) collective bargaining agreement from 2023 through 2027.

Effective April 1, 2024, the retirement rates for police have been temporarily increased by 5% for the next three years.

Effective April 1, 2025, the investment return assumption decreased from 6.70% to 6.60% and the salary merit scale will reflect the FOP Collective Bargaining Agreement effective July 1, 2025.

2022	2021	2020	2019	2018	2017	2016
\$ 1,983,445	\$ 1,917,802	\$ 1,819,581	\$ 1,561,166	\$ 1,411,198	\$ 1,476,450	\$ 1,517,325
5,756,209	5,581,496	5,384,235	5,111,457	4,789,229	4,824,250	4,599,559
706,215	(219,258)	439,671	771,634	78,425	(488,687)	65,842
2,510,469	-	-	-	788,493	979,444	-
407,628	-	-	827,009	1,324,949	889,100	-
(4,832,574)	(4,737,321)	(4,910,705)	(3,856,008)	(3,724,261)	(3,449,052)	(2,933,975)
6,531,392	2,542,719	2,732,782	4,415,258	4,668,033	4,231,505	3,248,751
84,606,975	82,064,256	79,331,474	74,916,216	70,248,183	66,016,678	62,767,927
<u>\$ 91,138,367</u>	<u>\$ 84,606,975</u>	<u>\$ 82,064,256</u>	<u>\$ 79,331,474</u>	<u>\$ 74,916,216</u>	<u>\$ 70,248,183</u>	<u>\$ 66,016,678</u>
\$ 4,406,092	\$ 4,411,474	\$ 3,785,451	\$ 3,414,817	\$ 2,973,495	\$ 2,493,724	\$ 2,390,758
1,075,200	1,024,980	1,003,126	859,105	859,410	879,276	875,258
(11,561,155)	14,409,846	1,126,397	2,292,283	3,258,000	5,067,220	(1,727,374)
(4,832,574)	(4,737,321)	(4,910,705)	(3,856,008)	(3,724,261)	(3,449,051)	(2,933,975)
(66,428)	(21,270)	(45,305)	(49,878)	(42,821)	(61,065)	(50,915)
-	-	357,982	357,982	-	-	-
(10,978,865)	15,087,709	1,316,946	3,018,301	3,323,823	4,930,104	(1,446,248)
78,848,348	63,760,639	62,443,693	59,425,392	56,101,569	51,171,465	52,617,713
<u>\$ 67,869,483</u>	<u>\$ 78,848,348</u>	<u>\$ 63,760,639</u>	<u>\$ 62,443,693</u>	<u>\$ 59,425,392</u>	<u>\$ 56,101,569</u>	<u>\$ 51,171,465</u>
<u>\$ 23,268,884</u>	<u>\$ 5,758,627</u>	<u>\$ 18,303,617</u>	<u>\$ 16,887,781</u>	<u>\$ 15,490,824</u>	<u>\$ 14,146,614</u>	<u>\$ 14,845,213</u>
74.47%	93.19%	77.70%	78.71%	79.32%	79.86%	77.51%
\$ 13,142,698	\$ 12,522,812	\$ 12,267,793	\$ 10,703,993	\$ 10,702,208	\$ 10,591,890	\$ 10,835,080
177.05%	45.99%	149.20%	157.77%	144.74%	133.56%	137.01%
-15.17%	22.05%	1.86%	3.68%	6.58%	9.53%	-3.63%

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

	2025	2024	2023
Actuarially determined contribution	\$ 3,202,844	\$ 3,533,443	\$ 3,161,368
Contributions in relation to the actuarially determined contribution	3,202,844	3,533,443	3,161,368
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 10,175,010	\$ 10,874,577	\$ 11,187,060
Contributions as a percentage of covered payroll	31.48%	32.49%	28.26%

NOTES TO SCHEDULE:

Valuation date:

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

Actuarial methods and assumptions used to determine actuarial contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level dollar, closed
Remaining amortization period	6.5 years
Asset valuation method	Five-year smoothed market value
Inflation	2.50%
Salary increase	3.00% to 4.50%, including inflation
Investment rate of return	6.70%, net of pension plan investment expense, and including inflation
Retirement age	10% of employees eligible for unreduced benefits before age 65 are assumed to retire in the year when eligible (30 years of service), and 100% by age 72
Mortality	PubG.H-2010 Healthy Retiree Mortality Table for retirees (adjusted); PubG.H-2010 Disabled Retiree Mortality Table for disabled retirees (adjusted); PubG.H-2010 Healthy Contingent Annuitants Mortality Table for beneficiaries

Other information:

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

2022	2021	2020	2019	2018	2017	2016
\$ 2,639,659	\$ 2,709,226	\$ 2,403,037	\$ 2,152,737	\$ 1,926,923	\$ 2,012,896	\$ 1,927,595
2,639,659	2,709,226	2,403,037	2,152,737	1,926,923	2,012,896	1,927,595
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 11,005,512	\$ 11,950,404	\$ 13,573,824	\$ 13,930,362	\$ 14,040,732	\$ 14,324,756	\$ 14,515,114
23.98%	22.67%	17.70%	15.45%	13.72%	14.05%	13.28%

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

	2025	2024	2023
Actuarially determined contribution	\$ 5,076,749	\$ 5,704,983	\$ 4,751,032
Contributions in relation to the actuarially determined contribution	5,076,749	5,704,983	4,751,032
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 15,919,238	\$ 15,648,570	\$ 14,231,799
Contributions as a percentage of covered payroll	31.89%	36.46%	33.38%

NOTES TO SCHEDULE:

Valuation date:

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

Actuarial methods and assumptions used to determine actuarial contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level dollar, closed
Remaining amortization period	6.2 years
Asset valuation method	Five-year smoothed market value
Inflation	2.50%
Salary increase	3.25% to 8.00%, including inflation
Investment rate of return	6.70%, net of pension plan investment expense, and including inflation
Retirement age	For the next three years, 45% of police employees and 40% of non-police employees eligible for unreduced benefits are assumed to retire in the year when eligible (25 years of service), and 100% by age 65
Mortality	PubS.H-2010 Healthy Retiree Mortality Table for retirees (adjusted); PubS.H-2010 Disabled Retiree Mortality Table for disabled retirees (adjusted); PubS.H-2010 Healthy Contingent Annuitants Mortality Table for beneficiaries

Other information:

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

2022	2021	2020	2019	2018	2017	2016
\$ 4,406,092	\$ 4,411,474	\$ 3,785,451	\$ 3,414,817	\$ 2,973,495	\$ 2,493,724	\$ 2,390,758
4,406,092	4,411,474	3,785,451	3,414,817	2,973,495	2,493,724	2,390,758
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 13,142,698	\$ 12,522,812	\$ 12,267,793	\$ 10,703,993	\$ 10,702,208	\$ 10,591,890	\$ 10,835,080
33.53%	35.23%	30.86%	31.90%	27.78%	23.54%	22.06%

Town of Ocean City, Maryland
Schedule of Changes in Net Other Post-Employment Benefits Liability (Asset) and Related Ratios
Last Ten Fiscal Years

	2025	2024	2023
Total OPEB liability:			
Service cost	\$ 370,629	\$ 534,013	\$ 513,771
Interest	2,251,247	2,156,548	2,084,132
Changes in benefit terms	-	110,758	-
Differences between expected and actual experience	(231,425)	(2,757,515)	(273,986)
Changes of assumptions	-	3,151,814	-
Benefit payments	(1,337,888)	(1,286,138)	(1,246,207)
Net change in total OPEB liability	1,052,563	1,909,480	1,077,710
Total OPEB liability, beginning	33,520,597	31,611,117	30,533,407
Total OPEB liability, ending (a)	\$ 34,573,160	\$ 33,520,597	\$ 31,611,117
Plan fiduciary net position:			
Contributions - employer	\$ -	\$ -	\$ 107,605
Contributions - member	-	-	-
Net investment income (loss)	5,012,821	4,132,692	3,479,894
Benefit payments (net of retiree contributions)	(1,337,888)	(1,286,138)	(1,246,207)
Administrative expense and other additions	-	-	-
Net change in plan fiduciary net position	3,674,933	2,846,554	2,341,292
Plan fiduciary net position, beginning	41,970,763	39,124,209	36,782,917
Plan fiduciary net position, ending (b)	\$ 45,645,696	\$ 41,970,763	\$ 39,124,209
Town's net OPEB liability (asset), ending [(a) - (b)]	\$ (11,072,536)	\$ (8,450,166)	\$ (7,513,092)
Plan fiduciary net position as a percentage of total OPEB liability	132.03%	125.21%	123.77%
Covered employee payroll	\$ 26,094,248	\$ 26,523,147	\$ 25,418,859
Net OPEB liability (asset) as a percentage of covered employee payroll	-42.43%	-31.86%	-29.56%
Annual money-weighted rate of return, net of investment expense	11.87%	10.33%	9.65%

NOTES TO SCHEDULE:

Benefit changes: None.

Changes of assumptions: The discount rate was changed as follows:
The discount rate changes year-to-year: 6.80% 6.80% 7.00%

2022	2021	2020	2019	2018	2017	2016
\$ 896,961	\$ 1,128,165	\$ 1,131,345	\$ 1,347,402	\$ 1,298,075	\$ 1,251,000	\$ 1,251,000
3,492,425	3,951,191	3,919,290	4,219,168	3,967,702	3,775,299	3,566,000
-	-	-	-	-	-	-
(22,867,909)	(7,306,767)	(353,831)	(8,595,901)	4,736	(191,945)	(1,127,000)
(315,248)	(2,646,188)	(2,578,291)	-	-	-	-
(1,593,414)	(1,710,202)	(1,561,793)	(1,330,423)	(1,289,086)	(1,441,197)	(1,404,157)
(20,387,185)	(6,583,801)	556,720	(4,359,754)	3,981,427	3,393,157	2,285,843
50,920,592	57,504,393	56,947,673	61,307,427	57,326,000	53,932,843	51,647,000
<u>\$ 30,533,407</u>	<u>\$ 50,920,592</u>	<u>\$ 57,504,393</u>	<u>\$ 56,947,673</u>	<u>\$ 61,307,427</u>	<u>\$ 57,326,000</u>	<u>\$ 53,932,843</u>
\$ 96,128	\$ 1,301,375	\$ 2,297,361	\$ 2,249,822	\$ 3,096,038	\$ 2,965,000	\$ 3,207,000
-	-	-	-	-	264,541	312,537
(6,359,890)	8,195,520	760,482	1,343,996	1,835,413	2,513,536	(341,661)
(1,593,414)	(1,710,202)	(1,561,793)	(1,330,423)	(1,289,086)	(1,441,197)	(1,404,157)
-	(58)	-	-	-	51,271	-
(7,857,176)	7,786,635	1,496,050	2,263,395	3,642,365	4,353,151	1,773,719
44,640,093	36,853,458	35,357,408	33,094,013	29,451,648	25,098,497	23,324,778
<u>\$ 36,782,917</u>	<u>\$ 44,640,093</u>	<u>\$ 36,853,458</u>	<u>\$ 35,357,408</u>	<u>\$ 33,094,013</u>	<u>\$ 29,451,648</u>	<u>\$ 25,098,497</u>
<u>\$ (6,249,510)</u>	<u>\$ 6,280,499</u>	<u>\$ 20,650,935</u>	<u>\$ 21,590,265</u>	<u>\$ 28,213,414</u>	<u>\$ 27,874,352</u>	<u>\$ 28,834,346</u>
120.47%	87.67%	64.09%	62.09%	53.98%	51.38%	46.54%
\$ 24,148,210	\$ 24,473,216	\$ 25,841,617	\$ 24,634,355	\$ 24,742,940	\$ 24,915,966	\$ 25,350,194
-25.88%	25.66%	79.91%	87.64%	114.03%	111.87%	113.74%
-15.26%	21.49%	1.67%	3.92%	6.56%	9.20%	-1.70%
7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%

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

	2025	2024	2023
Actuarially determined contribution	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	-	-	107,605
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (107,605)</u>
Covered employee payroll	\$ 26,094,248	\$ 26,523,147	\$ 25,418,859
Contributions as a percentage of covered employee payroll	0.00%	0.00%	0.42%

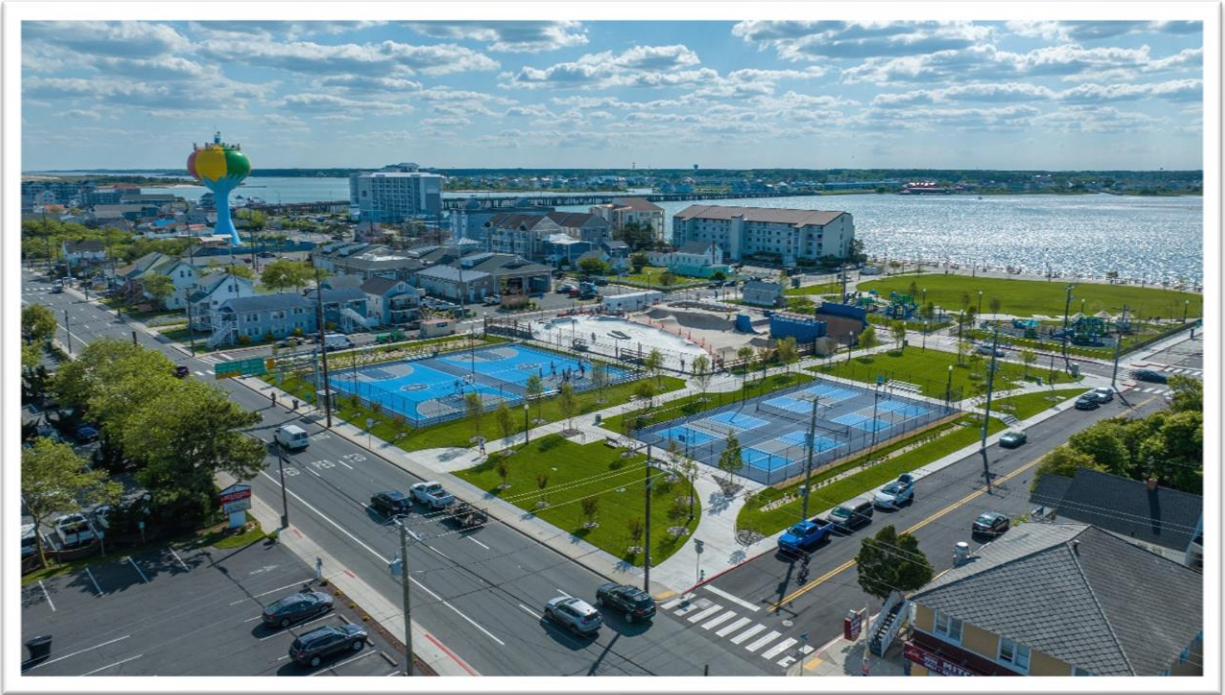
NOTES TO SCHEDULE:

Benefit changes: None.
Changes of assumptions: None.

Methods and assumptions used to determine contribution rates:

Valuation date	10/1/2023
Actuarial cost method	Entry age normal funding method
Amortization method	Level percentage of payroll, open
Remaining amortization period	20 years open (due to plan becoming 100% or more funded)
Asset valuation method	Market value of assets
Investment rate of return	6.80%
Payroll growth rate	4.00%
Inflation	2.60%
Healthcare cost trend rate	The trend for 2024 is 7.50%. The ultimate trend is 4.04%. 3.00% annual increase assumption for dollar subsidy for post 7/1/2011 hires with 25+ years of service.

2022	2021	2020	2019	2018	2017	2016
\$ 1,236,000	\$ 1,219,000	\$ 2,220,000	\$ 2,177,000	\$ 3,034,000	\$ 2,965,000	\$ 3,207,000
96,128	1,301,375	2,297,361	2,249,822	3,096,038	2,965,000	3,207,000
<u>\$ 1,139,872</u>	<u>\$ (82,375)</u>	<u>\$ (77,361)</u>	<u>\$ (72,822)</u>	<u>\$ (62,038)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 24,148,210	\$ 24,473,216	\$ 25,841,617	\$ 24,634,355	\$ 24,742,940	\$ 24,915,966	\$ 26,642,752
0.40%	5.32%	8.89%	9.13%	12.51%	11.90%	12.04%



NONMAJOR ENTERPRISE FUNDS

Enterprise funds are used to account for the acquisition, operation, and maintenance of governmental facilities, and services which are entirely or predominantly self-supporting by user charges. The operation of enterprise funds is accounted for in such a manner as to show a profit or loss, similar to comparable private enterprises. The following activities of the Town are reported as nonmajor enterprise funds:

AIRPORT FUND

To account for the activities and construction projects of the municipally owned airport.

GOLF COURSE FUND

To account for the activities of the municipally owned golf course, Eagle's Landing.

TOWN OF OCEAN CITY, MARYLAND
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2025

	Airport	Golf Course	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,126,013	\$ 2,893,694	\$ 4,019,707
Receivables, net	15,816	122,536	138,352
Intergovernmental receivable	75,951	3,847	79,798
Inventories	46,402	114,909	161,311
Prepaid expenses	-	3,500	3,500
Total current assets	<u>1,264,182</u>	<u>3,138,486</u>	<u>4,402,668</u>
Noncurrent assets:			
Net OPEB asset	33,528	134,112	167,640
Capital assets:			
Land	2,585,021	2,530,140	5,115,161
Buildings	5,177,415	2,016,833	7,194,248
Other improvements	-	802,890	802,890
Streets and infrastructure	22,967,468	-	22,967,468
Machinery and equipment	351,607	612,944	964,551
Construction in progress	624,078	62,179	686,257
Less: accumulated depreciation	(13,328,855)	(1,832,344)	(15,161,199)
Total capital assets	<u>18,376,734</u>	<u>4,192,642</u>	<u>22,569,376</u>
Total noncurrent assets	<u>18,410,262</u>	<u>4,326,754</u>	<u>22,737,016</u>
Total assets	<u>19,674,444</u>	<u>7,465,240</u>	<u>27,139,684</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	-	32,197	32,197
Deferred outflows related to OPEB	7,159	28,638	35,797
Total deferred outflows of resources	<u>7,159</u>	<u>60,835</u>	<u>67,994</u>
LIABILITIES			
Current liabilities:			
Accounts payable	311,203	81,852	393,055
Accrued expenses	15,016	83,087	98,103
Compensated absences	11,390	70,868	82,258
Unearned revenue	-	223,308	223,308
Current portion of long-term debt	-	30,487	30,487
Total current liabilities	<u>337,609</u>	<u>489,602</u>	<u>827,211</u>
Noncurrent liabilities:			
Compensated absences	25,468	6,928	32,396
Bonds, notes, and loans payable	-	1,205,188	1,205,188
Net pension liability	-	217,554	217,554
Total noncurrent liabilities	<u>25,468</u>	<u>1,429,670</u>	<u>1,455,138</u>
Total liabilities	<u>363,077</u>	<u>1,919,272</u>	<u>2,282,349</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	-	38,131	38,131
Deferred inflows related to OPEB	72,093	288,371	360,464
Total deferred inflows of resources	<u>72,093</u>	<u>326,502</u>	<u>398,595</u>
NET POSITION			
Net investment in capital assets	18,369,741	2,956,967	21,326,708
Restricted for OPEB	33,528	134,112	167,640
Unrestricted	843,164	2,189,222	3,032,386
Total net position	<u>\$ 19,246,433</u>	<u>\$ 5,280,301</u>	<u>\$ 24,526,734</u>

TOWN OF OCEAN CITY, MARYLAND
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 NONMAJOR ENTERPRISE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Airport	Golf Course	Total
OPERATING REVENUES			
Charges for sales and services	\$ 1,316,876	\$ 3,170,322	\$ 4,487,198
Miscellaneous	415,624	705	416,329
Total operating revenues	<u>1,732,500</u>	<u>3,171,027</u>	<u>4,903,527</u>
OPERATING EXPENSES			
Personal services	365,437	1,152,308	1,517,745
Contractual services	185,922	453,284	639,206
Utilities	43,924	52,529	96,453
Repairs and maintenance	149,465	77,258	226,723
Other supplies and expenses	871,058	573,208	1,444,266
Internal services	125,828	247,764	373,592
Depreciation	1,123,832	40,675	1,164,507
Total operating expenses	<u>2,865,466</u>	<u>2,597,026</u>	<u>5,462,492</u>
Operating income (loss)	(1,132,966)	574,001	(558,965)
NONOPERATING REVENUES (EXPENSES)			
Interest and investment revenue	70,167	149,565	219,732
Interest expense	(27)	(27,817)	(27,844)
Bond issuance costs	-	(34,239)	(34,239)
Total nonoperating revenues (expenses)	<u>70,140</u>	<u>87,509</u>	<u>157,649</u>
Income (loss) before capital contributions and transfers	(1,062,826)	661,510	(401,316)
Capital contributions	482,800	11,378	494,178
Transfers in	<u>293,516</u>	<u>138,157</u>	<u>431,673</u>
Change in net position	(286,510)	811,045	524,535
Net position, beginning, as restated	<u>19,532,943</u>	<u>4,469,256</u>	<u>24,002,199</u>
Net position, ending	<u>\$ 19,246,433</u>	<u>\$ 5,280,301</u>	<u>\$ 24,526,734</u>

TOWN OF OCEAN CITY, MARYLAND
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Airport	Golf Course	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users	\$ 1,728,042	\$ 3,190,409	\$ 4,918,451
Payments to suppliers	(1,206,279)	(1,149,802)	(2,356,081)
Payments to employees	(375,033)	(1,286,005)	(1,661,038)
Payments for interfund services used	(125,828)	(247,764)	(373,592)
Net cash provided by operating activities	<u>20,902</u>	<u>506,838</u>	<u>527,740</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers from other funds	293,516	138,157	431,673
Net cash provided by noncapital financing activities	<u>293,516</u>	<u>138,157</u>	<u>431,673</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Capital contributions	407,089	11,378	418,467
Acquisition and construction of capital assets	(953,510)	(1,361,355)	(2,314,865)
Proceeds from bond issuance	-	1,235,675	1,235,675
Bond issuance costs	-	(34,239)	(34,239)
Principal paid on capital debt	(20,099)	-	(20,099)
Interest paid on capital debt	(161)	-	(161)
Net cash used by capital and related financing activities	<u>(566,681)</u>	<u>(148,541)</u>	<u>(715,222)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and dividends received	70,167	149,565	219,732
Net cash provided by investing activities	<u>70,167</u>	<u>149,565</u>	<u>219,732</u>
Net increase (decrease) in cash and cash equivalents	(182,096)	646,019	463,923
Cash and cash equivalents, beginning of the fiscal year	<u>1,308,109</u>	<u>2,247,675</u>	<u>3,555,784</u>
Cash and cash equivalents, end of the fiscal year	<u><u>\$ 1,126,013</u></u>	<u><u>\$ 2,893,694</u></u>	<u><u>\$ 4,019,707</u></u>

(Continued)

TOWN OF OCEAN CITY, MARYLAND
COMBINING STATEMENT OF CASH FLOWS (Continued)
NONMAJOR ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Airport	Golf Course	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	<u>\$ (1,132,966)</u>	<u>\$ 574,001</u>	<u>\$ (558,965)</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	1,123,832	40,675	1,164,507
EFFECT OF CHANGES IN OPERATING ASSETS AND LIABILITIES:			
Accounts receivable	(4,458)	10,005	5,547
Due from other governmental agencies	-	7,365	7,365
Inventories	2,468	7,135	9,603
Deferred outflows related to pensions	-	77,348	77,348
Deferred outflows related to OPEB	4,423	17,689	22,112
Compensated absences	8,729	16,169	24,898
Accounts payable	41,622	(658)	40,964
Accrued expenses	425	2,148	2,573
Unearned revenue	-	2,012	2,012
Net pension liability	-	(192,488)	(192,488)
Net OPEB liability (asset)	(6,538)	(26,151)	(32,689)
Deferred inflows related to pensions	-	38,131	38,131
Deferred inflows related to OPEB	<u>(16,635)</u>	<u>(66,543)</u>	<u>(83,178)</u>
Total adjustments	<u>1,153,868</u>	<u>(67,163)</u>	<u>1,086,705</u>
Net cash provided by operating activities	<u>\$ 20,902</u>	<u>\$ 506,838</u>	<u>\$ 527,740</u>



INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by one department of a government to other departments on a cost-reimbursement basis. Services accounted for in internal service funds are tangible, and it is possible to determine the extent to which they benefit individual departments of the government. The following activities of the Town are reported as internal service funds:

INFORMATION TECHNOLOGY

To account for the costs of operating computers, networks, and data processing systems used by other Town departments. Such costs are billed to the other departments.

SERVICE CENTER FUND

To account for the costs of operating a fuel depot and maintenance facility for automotive equipment used by Town departments. Such costs are billed to the other departments. The fund also includes a centralized purchasing facility. The facility contracts for goods used by other departments. Charges for these goods are at cost plus a markup to cover employee costs, depreciation, and the amortization of long-term debt.

VEHICLE AND EQUIPMENT TRUST FUND

To account for the costs of acquiring vehicles and equipment used by other Town departments. The fund owns all rolling stock in the Town and receives its operating revenue from the various departments through vehicle and equipment lease charges.

RISK MANAGEMENT FUND

To account for the costs of providing workers' compensation and liability insurance coverage to other departments and to provide funds to pay claims, premiums, reserves, and administrative costs of the programs.

TOWN OF OCEAN CITY, MARYLAND
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2025

	Information Technology	Service Center	Vehicle & Equipment Trust	Risk Management	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,046,159	\$ 720,936	\$ 2,440,172	\$ 1,341,348	\$ 5,548,615
Investments	-	-	-	4,298,355	4,298,355
Receivables, net	203	-	8,855	-	9,058
Interest receivable	-	-	-	30,903	30,903
Inventories	-	1,221,367	-	-	1,221,367
Total current assets	<u>1,046,362</u>	<u>1,942,303</u>	<u>2,449,027</u>	<u>5,670,606</u>	<u>11,108,298</u>
Noncurrent assets:					
Net OPEB asset	134,112	251,460	-	16,764	402,336
Capital assets:					
Buildings	-	-	73,860	-	73,860
Machinery and equipment	373,404	244,520	47,980,578	-	48,598,502
Less: accumulated depreciation	<u>(369,282)</u>	<u>(175,420)</u>	<u>(35,439,674)</u>	<u>-</u>	<u>(35,984,376)</u>
Total capital assets	<u>4,122</u>	<u>69,100</u>	<u>12,614,764</u>	<u>-</u>	<u>12,687,986</u>
Total noncurrent assets	<u>138,234</u>	<u>320,560</u>	<u>12,614,764</u>	<u>16,764</u>	<u>13,090,322</u>
Total assets	<u>1,184,596</u>	<u>2,262,863</u>	<u>15,063,791</u>	<u>5,687,370</u>	<u>24,198,620</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pensions	55,083	69,949	-	9,883	134,915
Deferred outflows related to OPEB	<u>28,638</u>	<u>53,696</u>	<u>-</u>	<u>3,580</u>	<u>85,914</u>
Total deferred outflows of resources	<u>83,721</u>	<u>123,645</u>	<u>-</u>	<u>13,463</u>	<u>220,829</u>
LIABILITIES					
Current liabilities:					
Accounts payable	7,598	550,939	139,845	39,274	737,656
Accrued expenses	43,175	64,806	14,885	29,225	152,091
Compensated absences, current	103,186	111,515	-	5,511	220,212
Claims and judgments, current	-	-	-	714,798	714,798
Current portion of long-term debt	-	-	875,000	-	875,000
Total current liabilities	<u>153,959</u>	<u>727,260</u>	<u>1,029,730</u>	<u>788,808</u>	<u>2,699,757</u>
Noncurrent liabilities:					
Compensated absences	12,374	45,938	-	1,680	59,992
Claims and judgments	-	-	-	3,331,207	3,331,207
Bonds, notes, and loans payable	-	-	967,572	-	967,572
Net pension liability	<u>372,184</u>	<u>472,636</u>	<u>-</u>	<u>66,779</u>	<u>911,599</u>
Total noncurrent liabilities	<u>384,558</u>	<u>518,574</u>	<u>967,572</u>	<u>3,399,666</u>	<u>5,270,370</u>
Total liabilities	<u>538,517</u>	<u>1,245,834</u>	<u>1,997,302</u>	<u>4,188,474</u>	<u>7,970,127</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions	65,233	82,840	-	11,704	159,777
Deferred inflows related to OPEB	<u>288,371</u>	<u>540,696</u>	<u>-</u>	<u>36,046</u>	<u>865,113</u>
Total deferred inflows of resources	<u>353,604</u>	<u>623,536</u>	<u>-</u>	<u>47,750</u>	<u>1,024,890</u>
NET POSITION					
Net investment in capital assets	4,123	69,100	10,772,192	-	10,845,415
Restricted for OPEB	134,112	251,460	-	16,764	402,336
Unrestricted	<u>237,961</u>	<u>196,578</u>	<u>2,294,297</u>	<u>1,447,845</u>	<u>4,176,681</u>
Total net position	<u>\$ 376,196</u>	<u>\$ 517,138</u>	<u>\$ 13,066,489</u>	<u>\$ 1,464,609</u>	<u>\$ 15,424,432</u>

TOWN OF OCEAN CITY, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Information Technology	Service Center	Vehicle & Equipment Trust	Risk Management	Total
OPERATING REVENUES					
Charges for sales and services	\$ 2,597,145	\$ 5,100,392	\$ 4,173,822	\$ 3,674,125	\$ 15,545,484
Miscellaneous	-	2,101	1,457	-	3,558
Total operating revenues	<u>2,597,145</u>	<u>5,102,493</u>	<u>4,175,279</u>	<u>3,674,125</u>	<u>15,549,042</u>
OPERATING EXPENSES					
Personal services	1,238,065	1,737,468	-	214,417	3,189,950
Contractual services	142,285	28,683	787,832	2,143,473	3,102,273
Utilities	54,425	86,948	-	1,595	142,968
Repairs and maintenance	785,366	172,359	-	1,047	958,772
Other supplies and expenses	231,688	2,921,601	10,453	2,583	3,166,325
Internal services	72,669	399,490	715,467	167,558	1,355,184
Insurance claims and expenses	-	-	-	902,006	902,006
Depreciation	6,236	24,689	3,432,783	-	3,463,708
Total operating expenses	<u>2,530,734</u>	<u>5,371,238</u>	<u>4,946,535</u>	<u>3,432,679</u>	<u>16,281,186</u>
Operating income (loss)	66,411	(268,745)	(771,256)	241,446	(732,144)
NONOPERATING REVENUES (EXPENSES)					
Interest and investment revenue	-	-	-	219,553	219,553
Interest expense	-	-	(38,090)	-	(38,090)
Gain (loss) on disposal of assets	-	(16,934)	110,701	-	93,767
Total nonoperating revenues (expenses)	<u>-</u>	<u>(16,934)</u>	<u>72,611</u>	<u>219,553</u>	<u>275,230</u>
Income (loss) before capital contributions and transfers	66,411	(285,679)	(698,645)	460,999	(456,914)
Transfers in	<u>-</u>	<u>-</u>	<u>549,136</u>	<u>-</u>	<u>549,136</u>
Change in net position	66,411	(285,679)	(149,509)	460,999	92,222
Net position, beginning, as restated	<u>309,785</u>	<u>802,817</u>	<u>13,215,998</u>	<u>1,003,610</u>	<u>15,332,210</u>
Net position, ending	<u>\$ 376,196</u>	<u>\$ 517,138</u>	<u>\$ 13,066,489</u>	<u>\$ 1,464,609</u>	<u>\$ 15,424,432</u>

TOWN OF OCEAN CITY, MARYLAND
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Information Technology	Service Center
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	\$ 2,597,145	\$ 5,102,493
Payments to suppliers	(1,228,397)	(3,085,008)
Payments to employees	(1,220,355)	(1,798,303)
Payments for interfund services used	(72,669)	(399,490)
Net cash provided (used) by operating activities	<u>75,724</u>	<u>(180,308)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers from other funds	-	-
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	-	-
Interest paid on capital debt	-	-
Financed purchase payments	-	-
Proceeds from sales of capital assets	-	-
Net cash used by capital and related financing activities	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	-	-
Sales of investments	-	-
Interest and dividends received	-	-
Net cash provided by investing activities	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	75,724	(180,308)
Cash and cash equivalents, beginning of the fiscal year	<u>970,435</u>	<u>901,244</u>
Cash and cash equivalents, end of the fiscal year	<u><u>\$ 1,046,159</u></u>	<u><u>\$ 720,936</u></u>

(Continued)

Vehicle & Equipment Trust	Risk Management	Total
\$ 4,188,014	\$ 3,674,125	\$ 15,561,777
(798,285)	(3,047,768)	(8,159,458)
-	(207,534)	(3,226,192)
(715,467)	(167,558)	(1,355,184)
<u>2,674,262</u>	<u>251,265</u>	<u>2,820,943</u>
549,136	-	549,136
<u>549,136</u>	<u>-</u>	<u>549,136</u>
(2,718,423)	-	(2,718,423)
(44,811)	-	(44,811)
(851,000)	-	(851,000)
210,856	-	210,856
<u>(3,403,378)</u>	<u>-</u>	<u>(3,403,378)</u>
-	(4,317,941)	(4,317,941)
-	4,190,086	4,190,086
-	181,190	181,190
<u>-</u>	<u>53,335</u>	<u>53,335</u>
(179,980)	304,600	20,036
<u>2,620,152</u>	<u>1,036,748</u>	<u>5,528,579</u>
<u>\$ 2,440,172</u>	<u>\$ 1,341,348</u>	<u>\$ 5,548,615</u>

TOWN OF OCEAN CITY, MARYLAND
COMBINING STATEMENT OF CASH FLOWS (Continued)
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Information Technology	Service Center
RECONCILIATION OF OPERATING INCOME (LOSS) TO		
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 66,411	\$ (268,745)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	6,236	24,689
EFFECT OF CHANGES IN OPERATING		
ASSETS AND LIABILITIES:		
Accounts receivable	-	-
Inventories	-	(237,400)
Deferred outflows related to pensions	66,658	89,056
Deferred outflows related to OPEB	11,898	33,167
Compensated absences	16,146	28,437
Accounts payable	(14,633)	361,983
Accrued expenses	3,106	2,006
Claims liability	-	-
Net pension liability	(83,507)	(122,541)
Net OPEB liability (asset)	(39,646)	(49,033)
Deferred inflows related to pensions	65,233	82,840
Deferred inflows related to OPEB	(22,178)	(124,767)
Total adjustments	9,313	88,437
Net cash provided (used) by operating activities	\$ 75,724	\$ (180,308)
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:		
Increase in fair value of investments	\$ -	\$ -
Loss on disposal of assets	-	(16,934)

Vehicle & Equipment Trust	Risk Management	Total
\$ (771,256)	\$ 241,446	\$ (732,144)
3,432,783	-	3,463,708
12,735	-	12,735
-	-	(237,400)
-	12,040	167,754
-	8,002	53,067
-	5,229	49,812
-	12,683	360,033
-	27,645	32,757
-	(9,747)	(9,747)
-	(15,280)	(221,328)
-	10,226	(78,453)
-	11,704	159,777
-	(52,683)	(199,628)
3,445,518	9,819	3,553,087
\$ 2,674,262	\$ 251,265	\$ 2,820,943
\$ -	\$ 36,277	\$ 36,277
(100,155)	-	(117,089)



FIDUCIARY FUNDS

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

GENERAL EMPLOYEES PENSION PLAN FUND

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

PUBLIC SAFETY EMPLOYEES PENSION PLAN FUND

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

OTHER POST-EMPLOYMENT BENEFITS TRUST FUND

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

TOWN OF OCEAN CITY, MARYLAND
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 PENSION AND OPEB TRUST FUNDS
 JUNE 30, 2025

	General Employees Pension Trust Fund	Public Safety Employees Pension Trust Fund	OPEB Trust Fund	Total Benefit Trust Funds
ASSETS				
Cash and cash equivalents	\$ 2,165,528	\$ 2,678,217	\$ 556,375	\$ 5,400,120
Interest and dividends receivable	171,118	209,938	103,471	484,527
Investments, at fair value:				
Domestic equities	27,983,349	34,765,763	16,730,940	79,480,052
Domestic fixed income	26,641,753	32,670,571	15,855,182	75,167,506
International equities	15,776,624	19,392,351	9,399,927	44,568,902
Alternative investments	5,171,973	5,999,967	2,999,801	14,171,741
Total investments	<u>75,573,699</u>	<u>92,828,652</u>	<u>44,985,850</u>	<u>213,388,201</u>
Total assets	<u>77,910,345</u>	<u>95,716,807</u>	<u>45,645,696</u>	<u>219,272,848</u>
LIABILITIES				
Accounts payable	<u>5,516</u>	<u>5,117</u>	<u>-</u>	<u>10,633</u>
Total liabilities	<u>5,516</u>	<u>5,117</u>	<u>-</u>	<u>10,633</u>
NET POSITION				
Net position restricted for pensions/OPEB	<u>\$ 77,904,829</u>	<u>\$ 95,711,690</u>	<u>\$ 45,645,696</u>	<u>\$ 219,262,215</u>

TOWN OF OCEAN CITY, MARYLAND
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION AND OPEB TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	General Employees Pension Trust Fund	Public Safety Employees Pension Trust Fund	OPEB Trust Fund	Total Benefit Trust Funds
ADDITIONS				
Contributions:				
Employer	\$ 3,202,844	\$ 5,076,749	\$ -	\$ 8,279,593
Plan members	514,523	1,410,960	-	1,925,483
Total contributions	3,717,367	6,487,709	-	10,205,076
Investment earnings:				
Net change in fair value of investments	6,578,513	7,913,428	3,996,241	18,488,182
Interest	760,080	956,148	465,121	2,181,349
Dividends	1,326,775	1,622,879	765,878	3,715,532
Total investment income	8,665,368	10,492,455	5,227,240	24,385,063
Less: investment expense	(359,666)	(434,284)	(214,419)	(1,008,369)
Net investment income	8,305,702	10,058,171	5,012,821	23,376,694
Total additions	12,023,069	16,545,880	5,012,821	33,581,770
DEDUCTIONS				
Benefits and refunds paid	5,420,186	5,679,292	1,337,888	12,437,366
Administrative expenses	26,204	39,735	-	65,939
Total deductions	5,446,390	5,719,027	1,337,888	12,503,305
Change in net position	6,576,679	10,826,853	3,674,933	21,078,465
Net position, beginning	71,328,150	84,884,837	41,970,763	198,183,750
Net position, ending	\$ 77,904,829	\$ 95,711,690	\$ 45,645,696	\$ 219,262,215



STATISTICAL SECTION

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

<u>Contents</u>	<u>Pages</u>
Financial Trends These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.	120-129
Revenue Capacity These schedules contain information to help the reader assess the Town's most significant local revenue sources including property taxes and room taxes.	130-134
Debt Capacity These schedules contain information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.	135-138
Demographic and Economic Information These schedules contain demographic and economic indicators to help the reader assess the environment within which the Town's financial activities take place.	139-140
Operating Information These schedules contain service and infrastructure data to help the reader assess how the information in the Town's financial report relates to the services the Town provides and the activities it performs.	141-145

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

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

	2025	2024	2023	2022
Governmental activities				
Net investment in capital assets	\$ 82,543,401	\$ 80,487,389	\$ 72,954,505	\$ 68,381,960
Restricted	8,391,283	6,651,628	5,895,077	-
Unrestricted	22,955,837	19,236,934	21,296,648	20,562,133
<i>Total governmental activities net position</i>	<u>113,890,521</u>	<u>106,375,951</u>	<u>100,146,230</u>	<u>88,944,093</u>
Business-type activities				
Net investment in capital assets	137,019,107	133,380,635	127,335,450	117,599,334
Restricted	5,042,326	3,484,672	3,471,826	2,412,860
Unrestricted	12,053,552	12,412,628	12,368,315	9,509,605
<i>Total business-type activities net position</i>	<u>154,114,985</u>	<u>149,277,935</u>	<u>143,175,591</u>	<u>129,521,799</u>
Primary government				
Net investment in capital assets	219,562,508	213,868,024	200,289,955	185,981,294
Restricted	13,433,609	10,136,300	9,366,903	2,412,860
Unrestricted	35,009,389	31,649,562	33,664,963	30,071,738
<i>Total primary government net position</i>	<u>\$ 268,005,506</u>	<u>\$ 255,653,886</u>	<u>\$ 243,321,821</u>	<u>\$ 218,465,892</u>

2021	2020	2019	2018	2017	2016
\$ 66,130,826	\$ 66,099,041	\$ 63,840,069	\$ 59,880,188	\$ 58,962,839	\$ 55,670,509
-	-	-	-	-	-
11,576,145	(9,194,664)	(7,500,454)	(5,330,950)	12,679,830	8,269,875
77,706,971	56,904,377	56,339,615	54,549,238	71,642,669	63,940,384
115,219,474	107,928,456	96,802,988	88,271,380	77,976,227	77,730,796
2,925,283	3,062,035	3,063,906	3,029,456	2,612,045	2,289,651
7,670,404	3,548,747	5,196,145	5,154,819	14,069,326	12,912,695
125,815,161	114,539,238	105,063,039	96,455,655	94,657,598	92,933,142
181,350,300	174,027,497	160,643,057	148,151,568	136,939,066	133,401,305
2,925,283	3,062,035	3,063,906	3,029,456	2,612,045	2,289,651
19,246,549	(5,645,917)	(2,304,309)	(176,131)	26,749,156	21,182,570
<u>\$ 203,522,132</u>	<u>\$ 171,443,615</u>	<u>\$ 161,402,654</u>	<u>\$ 151,004,893</u>	<u>\$ 166,300,267</u>	<u>\$ 156,873,526</u>

Town of Ocean City, Maryland

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

	2025	2024	2023	2022
Expenses				
Governmental activities:				
General government	\$ 2,304,688	\$ 2,100,264	\$ 2,053,769	\$ 686,237
Public safety	45,640,251	45,104,774	43,969,174	41,853,089
General public works and beach	9,844,887	9,279,626	8,169,009	8,436,145
Sanitation and waste removal	8,752,100	8,050,949	7,977,414	7,432,443
Highways and streets	10,679,902	9,665,584	9,661,508	9,215,575
Economic development - tourism	18,168,895	17,377,640	15,610,243	7,801,066
Recreation and culture	9,422,993	8,445,849	9,180,176	8,613,369
Interest on long-term debt	2,055,364	1,249,237	1,138,001	1,569,129
Total governmental activities expenses	<u>106,869,080</u>	<u>101,273,923</u>	<u>97,759,294</u>	<u>85,607,053</u>
Business-type activities:				
Water	7,597,115	8,349,677	7,769,700	6,759,912
Wastewater	13,546,457	12,531,183	11,476,740	12,854,591
Transportation	9,001,053	8,532,635	8,486,478	7,983,596
Convention Center	8,914,363	8,404,170	7,248,783	6,333,897
Airport	2,865,493	2,428,583	1,999,370	2,138,618
Golf	2,659,082	2,520,824	2,874,380	2,431,796
Total business-type activities expenses	<u>44,583,563</u>	<u>42,767,072</u>	<u>39,855,451</u>	<u>38,502,410</u>
Total primary government expenses	<u>\$151,452,643</u>	<u>\$144,040,995</u>	<u>\$137,614,745</u>	<u>\$124,109,463</u>
Program revenues				
Governmental activities:				
Charges for services:				
General government	\$ 5,919,251	\$ 4,996,927	\$ 5,062,158	\$ 4,405,742
Public safety	4,055,723	4,192,438	3,410,131	3,936,737
General public works and beach	5,179,200	5,938,491	5,623,375	5,985,865
Sanitation and waste removal	195,599	175,104	168,525	157,379
Highways and streets	1,873,964	1,582,013	1,686,665	1,641,443
Economic development - tourism	1,535,850	1,717,222	1,630,665	1,409,512
Recreation and culture	2,244,756	1,922,994	1,906,798	1,630,279
Operating grants and contributions	6,066,390	4,869,786	6,028,839	3,753,811
Capital grants and contributions	418,991	99,695	1,402,362	732,217
Total governmental activities program revenues	<u>27,489,724</u>	<u>25,494,670</u>	<u>26,919,518</u>	<u>23,652,985</u>
Business-type activities:				
Charges for services:				
Water	9,034,547	8,292,101	7,620,824	7,865,870
Wastewater	15,636,595	14,814,119	14,576,440	14,460,501
Transportation	3,277,473	3,945,609	3,213,954	2,917,897
Convention Center	2,771,498	2,504,361	2,099,078	1,510,283
Airport	1,732,500	1,532,439	1,614,893	1,234,455
Golf	3,171,027	3,216,109	3,150,878	2,834,436
Operating grants and contributions	5,408,473	5,207,389	7,050,144	6,129,034
Capital grants and contributions	1,982,042	4,477,971	10,128,781	2,528,559
Total business-type activities program revenues	<u>43,014,155</u>	<u>43,990,098</u>	<u>49,454,992</u>	<u>39,481,035</u>
Total primary government program revenues	<u>\$ 70,503,879</u>	<u>\$ 69,484,768</u>	<u>\$ 76,374,510</u>	<u>\$ 63,134,020</u>

2021	2020	2019	2018	2017	2016
\$ 258,640	\$ 1,005,541	\$ 961,507	\$ 978,045	\$ 1,117,684	\$ 1,019,892
36,162,036	41,931,460	37,934,242	36,827,677	35,363,774	35,138,306
7,565,437	7,947,190	8,038,416	8,190,991	7,026,384	7,261,653
6,856,099	6,709,292	6,578,821	6,353,497	6,104,169	6,256,386
7,578,264	8,901,892	9,938,469	8,424,668	7,660,939	10,501,844
7,300,049	8,346,286	8,649,731	9,389,746	8,813,147	8,343,211
7,691,127	7,933,083	8,477,292	8,282,474	8,234,584	7,862,334
1,322,736	1,496,052	1,548,752	1,367,535	1,301,378	1,307,810
74,734,388	84,270,796	82,127,230	79,814,633	75,622,059	77,691,436
5,600,246	6,030,102	6,036,469	5,826,613	5,751,275	5,869,793
11,284,560	12,873,389	11,847,685	12,000,680	12,331,189	12,740,636
6,027,237	7,276,681	8,104,072	8,476,581	7,929,546	8,228,957
5,197,788	5,918,274	6,181,811	6,012,638	5,670,317	6,364,714
1,620,583	3,255,852	2,631,481	1,823,343	1,985,010	1,506,936
2,043,049	2,371,013	2,161,739	2,204,437	2,082,395	2,106,675
31,773,463	37,725,311	36,963,257	36,344,292	35,749,732	36,817,711
\$ 106,507,851	\$ 121,996,107	\$ 119,090,487	\$ 116,158,925	\$ 111,371,791	\$ 114,509,147
\$ 4,403,216	\$ 4,887,614	\$ 4,181,017	\$ 4,325,274	\$ 4,285,248	\$ 4,207,093
3,517,311	2,848,882	2,471,329	2,307,485	2,130,314	2,171,345
4,940,700	4,686,163	4,836,090	4,639,991	4,704,486	4,238,386
157,745	133,343	133,479	147,173	116,257	134,390
1,549,319	1,290,408	1,424,559	1,312,803	1,355,098	1,129,247
728,887	1,165,587	1,620,374	1,698,351	1,593,428	1,652,093
1,078,313	1,396,325	1,461,220	1,762,377	1,804,858	1,791,371
4,145,643	3,335,627	3,087,434	3,302,181	3,370,747	3,301,092
164,623	-	293,883	102,407	335,711	152,732
20,685,757	19,743,949	19,509,385	19,598,042	19,696,147	18,777,749
6,582,968	6,254,649	6,212,765	6,221,780	6,494,646	6,209,726
14,397,655	14,394,010	14,169,964	13,798,797	13,332,083	13,202,701
1,420,189	3,188,557	4,368,102	4,323,653	4,589,633	4,650,181
720,582	1,200,549	1,767,935	1,898,803	1,840,823	1,705,782
1,029,215	1,090,680	1,128,058	1,046,766	969,381	978,545
2,531,791	1,662,180	2,027,385	1,974,674	2,009,103	2,022,149
5,230,089	3,827,761	3,951,925	3,821,429	3,823,027	3,652,214
7,239,346	10,829,317	7,026,427	9,348,123	1,705,045	2,894,257
39,151,835	42,447,703	40,652,561	42,434,025	34,763,741	35,315,555
\$ 59,837,592	\$ 62,191,652	\$ 60,161,946	\$ 62,032,067	\$ 54,459,888	\$ 54,093,304

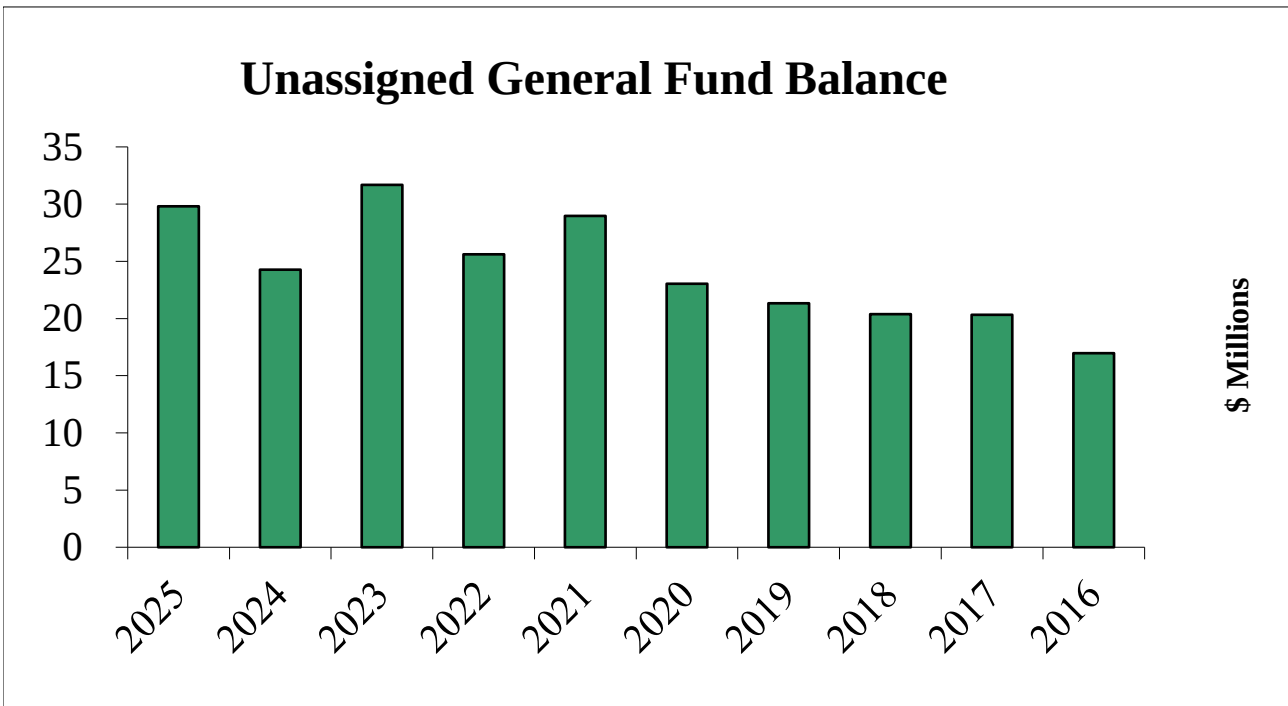
Town of Ocean City, Maryland
Changes in Net Position (Continued)
Last Ten Fiscal Years
(accrual basis of accounting)

	2025	2024	2023	2022
Net (expenses) revenues				
Governmental activities	\$ (79,379,356)	\$ (75,779,253)	\$ (70,839,776)	\$ (61,954,068)
Business-type activities	(1,569,408)	1,223,026	9,599,541	978,625
Total primary government net expenses	<u>\$ (80,948,764)</u>	<u>\$ (74,556,227)</u>	<u>\$ (61,240,235)</u>	<u>\$ (60,975,443)</u>
General revenues and other changes in net position				
Governmental activities:				
Taxes:				
Property and other local taxes levied for:				
General purposes	\$ 50,790,944	\$ 45,849,616	\$ 45,386,733	\$ 44,762,217
Sales and income taxes	31,290,016	31,448,992	31,848,594	26,313,664
State gaming contributions	939,217	937,163	983,282	936,346
Grants and contributions not restricted to specific programs	3,267,992	3,175,120	2,905,584	2,872,354
Investment earnings	3,766,141	4,836,799	2,893,871	11,935
Loss on sales of capital assets	-	-	-	-
Other revenue	1,403,695	1,218,932	1,078,921	983,355
Transfers	(4,564,079)	(3,393,960)	(3,055,072)	(2,688,681)
Total governmental activities	<u>86,893,926</u>	<u>84,072,662</u>	<u>82,041,913</u>	<u>73,191,190</u>
Business-type activities:				
Investment earnings	1,842,379	1,908,276	999,179	39,332
Loss on sales of capital assets	-	-	-	-
Transfers	4,564,079	3,393,960	3,055,072	2,688,681
Total business-type activities	<u>6,406,458</u>	<u>5,302,236</u>	<u>4,054,251</u>	<u>2,728,013</u>
Total primary government	<u>93,300,384</u>	<u>89,374,898</u>	<u>86,096,164</u>	<u>75,919,203</u>
Changes in net position				
Governmental activities	7,514,570	8,293,409	11,202,137	11,237,122
Business-type activities	4,837,050	6,525,262	13,653,792	3,706,638
Total primary government	<u>\$ 12,351,620</u>	<u>\$ 14,818,671</u>	<u>\$ 24,855,929</u>	<u>\$ 14,943,760</u>

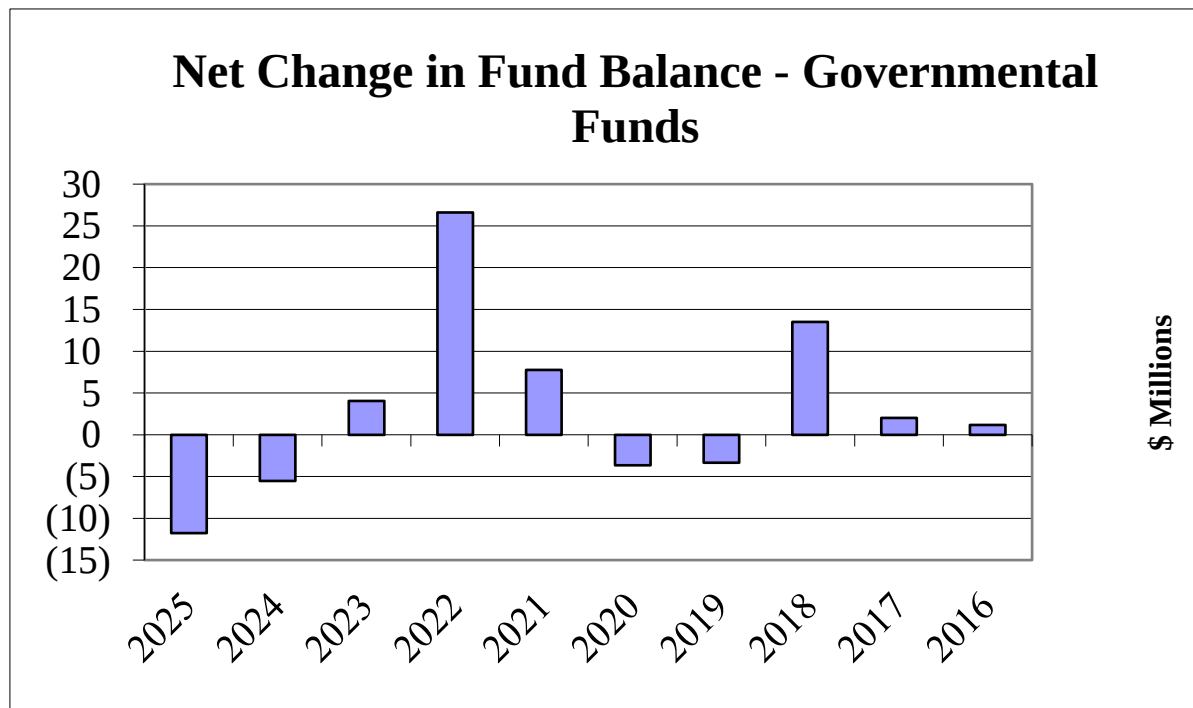
2021	2020	2019	2018	2017	2016
\$ (54,048,631)	\$ (64,526,847)	\$ (62,617,845)	\$ (60,216,591)	\$ (55,925,912)	\$ (58,913,687)
7,378,372	4,722,392	3,689,304	6,089,733	(985,991)	(1,502,156)
<u>\$ (46,670,259)</u>	<u>\$ (59,804,455)</u>	<u>\$ (58,928,541)</u>	<u>\$ (54,126,858)</u>	<u>\$ (56,911,903)</u>	<u>\$ (60,415,843)</u>
\$ 44,753,212	\$ 45,095,552	\$ 43,732,086	\$ 43,239,535	\$ 42,938,816	\$ 42,717,221
22,049,614	18,675,635	19,108,527	18,721,093	18,645,893	17,205,888
824,629	579,115	768,971	706,108	655,254	633,268
9,863,174	2,877,035	2,764,559	2,639,334	2,763,852	2,720,894
5,784	1,155,677	1,420,639	399,992	111,056	192,920
-	-	-	-	-	(1,482,918)
1,202,856	994,054	816,663	756,507	1,141,154	583,485
<u>(3,848,044)</u>	<u>(4,285,459)</u>	<u>(4,203,223)</u>	<u>(3,595,376)</u>	<u>(2,627,828)</u>	<u>(3,158,019)</u>
<u>74,851,225</u>	<u>65,091,609</u>	<u>64,408,222</u>	<u>62,867,193</u>	<u>63,628,197</u>	<u>59,412,739</u>
49,507	468,348	714,857	243,267	82,619	47,816
-	-	-	-	-	(61,521)
3,848,044	4,285,459	4,203,223	3,595,376	2,627,828	3,158,019
<u>3,897,551</u>	<u>4,753,807</u>	<u>4,918,080</u>	<u>3,838,643</u>	<u>2,710,447</u>	<u>3,144,314</u>
<u>78,748,776</u>	<u>69,845,416</u>	<u>69,326,302</u>	<u>66,705,836</u>	<u>66,338,644</u>	<u>62,557,053</u>
20,802,594	564,762	1,790,377	2,650,602	7,702,285	499,052
11,275,923	9,476,199	8,607,384	9,928,376	1,724,456	1,642,158
<u>\$ 32,078,517</u>	<u>\$ 10,040,961</u>	<u>\$ 10,397,761</u>	<u>\$ 12,578,978</u>	<u>\$ 9,426,741</u>	<u>\$ 2,141,210</u>

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

	2025	2024	2023	2022
General Fund				
Nonspendable	\$ -	\$ 8,184	\$ -	\$ -
Restricted	-	-	-	-
Committed	958,486	2,510,612	4,202,070	-
Assigned	11,950,185	15,384,570	10,939,668	17,822,910
Unassigned	29,818,527	24,276,671	31,671,459	25,604,250
Total General Fund	\$ 42,727,198	\$ 42,180,037	\$ 46,813,197	\$ 43,427,160
All other governmental funds				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Committed	9,262,410	21,596,901	22,475,298	21,818,932
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total all other governmental funds	9,262,410	21,596,901	22,475,298	21,818,932
Total governmental funds	\$ 51,989,608	\$ 63,776,938	\$ 69,288,495	\$ 65,246,092
Unassigned General Fund balance as a percentage of expenditures	27.7%	23.5%	32.5%	30.4%



2021	2020	2019	2018	2017	2016
\$ -	\$ -	\$ 49	\$ 3,000	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
5,582,993	2,409,042	2,092,798	1,884,164	2,589,801	2,046,085
28,956,239	23,048,068	21,329,235	20,387,666	20,313,783	16,968,006
<u>\$ 34,539,232</u>	<u>\$ 25,457,110</u>	<u>\$ 23,422,082</u>	<u>\$ 22,274,830</u>	<u>\$ 22,903,584</u>	<u>\$ 19,014,091</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
4,092,294	5,394,231	11,084,785	15,577,690	1,436,499	3,312,381
-	-	-	-	-	-
-	-	-	-	-	-
<u>4,092,294</u>	<u>5,394,231</u>	<u>11,084,785</u>	<u>15,577,690</u>	<u>1,436,499</u>	<u>3,312,381</u>
<u>\$ 38,631,526</u>	<u>\$ 30,851,341</u>	<u>\$ 34,506,867</u>	<u>\$ 37,852,520</u>	<u>\$ 24,340,083</u>	<u>\$ 22,326,472</u>
36.9%	29.6%	27.5%	25.8%	25.7%	23.1%



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

	2025	2024	2023	2022
Revenues				
Property taxes	\$ 50,720,938	\$ 45,858,260	\$ 45,303,438	\$ 45,068,278
Other taxes	32,229,233	32,386,155	32,831,876	27,250,010
Licenses and permits	5,957,408	5,252,579	5,484,819	4,651,042
Fines and forfeitures	1,704,117	1,586,057	1,325,477	2,023,412
Charges for current services	13,342,818	13,686,553	12,678,021	12,492,503
Revenue from other agencies	9,753,373	8,144,601	10,186,785	10,729,203
Other revenue	4,950,283	5,828,710	3,995,844	1,057,940
<i>Total revenues</i>	<u>118,658,170</u>	<u>112,742,915</u>	<u>111,806,260</u>	<u>103,272,388</u>
Expenditures				
Current:				
General government	6,305,483	5,330,844	5,056,744	3,825,713
Public safety	47,476,435	46,211,906	42,388,977	40,508,410
General public works and beach	8,035,579	7,842,040	6,516,942	7,021,976
Sanitation and waste removal	7,902,945	7,472,988	7,296,019	6,900,994
Highways and streets	7,560,574	6,716,715	6,676,974	6,582,153
Economic development - tourism	17,935,704	17,195,978	15,640,246	7,520,991
Recreation and culture	9,014,394	8,298,975	9,027,997	8,250,889
Capital outlay	14,062,455	17,481,976	5,557,264	6,555,386
Debt service:				
Principal retirement	4,488,086	4,493,706	4,635,894	3,848,029
Interest and fiscal charges	2,550,630	1,371,892	1,719,773	1,308,261
Bond issuance costs	-	96,549	27,376	161,625
<i>Total expenditures</i>	<u>125,332,285</u>	<u>122,513,569</u>	<u>104,544,206</u>	<u>92,484,427</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(6,674,115)</u>	<u>(9,770,654)</u>	<u>7,262,054</u>	<u>10,787,961</u>
Other financing sources (uses)				
Bonds and notes issued	-	8,109,444	11,366,104	16,725,979
Premium on bonds issued	-	750,227	-	1,789,307
Payment to refunded bond escrow agent	-	-	(11,180,683)	-
Transfers in	3,537,014	7,528,926	5,389,600	6,533,178
Transfers out	(8,650,229)	(12,129,500)	(8,794,672)	(9,221,859)
<i>Total other financing sources (uses)</i>	<u>(5,113,215)</u>	<u>4,259,097</u>	<u>(3,219,651)</u>	<u>15,826,605</u>
<i>Net change in fund balances</i>	<u>\$ (11,787,330)</u>	<u>\$ (5,511,557)</u>	<u>\$ 4,042,403</u>	<u>\$ 26,614,566</u>
Debt service as a percentage of noncapital expenditures	6.3%	5.6%	6.5%	6.0%

2021	2020	2019	2018	2017	2016
\$ 44,644,085	\$ 45,137,533	\$ 43,642,385	\$ 43,110,273	\$ 43,211,192	\$ 42,550,867
22,874,243	19,254,750	19,877,498	19,427,201	19,301,147	17,949,706
4,704,685	5,153,640	4,537,397	4,605,622	4,537,307	4,486,927
2,050,475	1,533,893	1,093,897	768,157	657,703	694,761
9,620,331	9,720,789	10,496,774	10,819,675	10,794,679	10,142,237
10,587,619	6,207,104	6,145,876	6,043,922	6,296,552	6,066,514
1,367,948	2,072,098	2,096,725	1,140,597	1,440,276	860,055
95,849,386	89,079,807	87,890,552	85,915,447	86,238,856	82,751,067
3,757,020	4,032,831	3,854,665	3,898,785	4,003,674	3,803,848
37,624,679	36,215,064	35,326,678	34,918,034	33,837,807	33,479,223
5,933,224	6,140,014	6,251,044	6,584,961	8,897,994	5,545,600
6,458,895	5,980,097	6,012,480	5,928,648	5,650,586	5,635,304
5,653,334	6,641,799	7,818,424	6,534,604	5,945,407	8,733,929
7,073,068	8,015,628	8,371,675	9,107,849	8,664,640	8,094,041
7,610,511	7,269,096	7,938,695	7,783,762	7,918,927	7,268,485
4,857,648	8,856,253	8,440,939	2,773,812	4,178,826	4,507,498
3,841,053	3,587,935	3,415,993	4,187,253	4,117,460	3,566,514
1,480,367	1,551,471	1,594,239	1,222,729	1,309,827	1,438,175
26,437	10,838	-	49,940	22,269	33,585
84,316,236	88,301,026	89,024,832	82,990,377	84,547,417	82,106,202
11,533,150	778,781	(1,134,280)	2,925,070	1,691,439	644,865
2,142,355	-	2,202,048	14,282,743	2,950,000	6,689,567
507,687	-	-	-	-	-
(2,554,963)	-	-	-	-	(2,914,784)
4,361,427	4,633,224	4,069,656	3,429,411	3,384,414	4,609,257
(8,209,471)	(9,067,531)	(8,483,077)	(7,124,787)	(6,012,242)	(7,851,130)
(3,752,965)	(4,434,307)	(2,211,373)	10,587,367	322,172	532,910
\$ 7,780,185	\$ (3,655,526)	\$ (3,345,653)	\$ 13,512,437	\$ 2,013,611	\$ 1,177,775
6.7%	6.5%	6.2%	6.7%	6.8%	6.4%

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

Fiscal Year	Property Taxes	Room Occupancy Taxes	Admissions & Amusement Taxes	Income Taxes	Shared Taxes	Total
2025	\$ 50,720,938	\$ 25,636,773	\$ 3,224,919	\$ 1,446,353	\$ 1,921,188	\$ 82,950,171
2024	45,858,260	25,394,524	3,166,891	2,170,731	1,654,008	78,244,414
2023	45,303,438	26,872,726	2,555,444	1,681,224	1,722,482	78,135,314
2022	45,068,278	22,010,166	2,177,307	1,242,945	1,819,591	72,318,287
2021	44,644,085	18,654,180	1,254,785	1,594,336	1,370,942	67,518,328
2020	45,137,533	15,168,258	1,441,949	1,446,685	1,197,858	64,392,283
2019	43,642,385	16,031,485	1,526,898	1,008,338	1,310,777	63,519,883
2018	43,110,273	15,571,172	1,483,851	1,170,291	1,201,887	62,537,474
2017	43,211,192	15,385,278	1,454,882	1,329,862	1,131,125	62,512,339
2016	42,550,867	14,574,627	1,405,802	854,817	1,114,460	60,500,573
Change 2016 - 2025	19.2%	75.9%	129.4%	69.2%	72.4%	37.1%

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

Fiscal Year	Real Property	Personal Property	Corporate Property	Total	Total Direct Tax Rate *	Estimated Actual Taxable Value	% Change
2025	\$10,858,645,827	\$5,569,760	\$221,648,606	\$11,085,864,193	\$0.4426	\$11,085,864,193	12.7%
2024	9,618,420,159	6,200,112	208,726,676	9,833,346,947	0.4526	9,833,346,947	1.3
2023	9,480,575,996	9,339,519	216,472,050	9,706,387,565	0.4526	9,706,387,565	1.1
2022	9,383,818,766	8,795,575	205,737,482	9,598,351,823	0.4561	9,598,351,823	-0.1
2021	9,367,774,293	9,860,133	228,098,369	9,605,732,795	0.4559	9,605,732,795	4.0
2020	9,001,284,772	11,502,803	221,649,499	9,234,437,074	0.4656	9,234,437,074	2.7
2019	8,793,778,022	12,319,881	181,216,509	8,987,314,412	0.4656	8,987,314,412	0.7
2018	8,742,711,658	13,116,744	167,325,116	8,923,153,518	0.4656	8,923,153,518	2.0
2017	8,574,801,497	15,043,721	160,689,225	8,750,534,443	0.4727	8,750,534,443	1.8
2016	8,430,184,989	13,595,814	156,230,465	8,600,011,268	0.4780	8,600,011,268	-1.0

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

Source: Uniform Financial Report of the Town of Ocean City to the Maryland Department of Fiscal Services, 2016 - 2025

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

Fiscal Year	Taxes Levied for the Fiscal Year *	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2025	\$ 50,720,938	\$ 49,503,587	97.60 %	\$ -	\$ 49,503,587	97.60 %
2024	45,858,260	45,319,408	98.82	538,647	45,858,055	100.00
2023	45,303,438	44,837,095	98.97	466,343	45,303,438	100.00
2022	45,068,278	44,601,454	98.96	466,824	45,068,278	100.00
2021	44,644,085	44,390,394	99.43	253,691	44,644,085	100.00
2020	45,137,533	43,853,190	97.15	1,284,343	45,137,533	100.00
2019	43,642,385	42,391,804	97.13	1,250,581	43,642,385	100.00
2018	43,110,273	42,171,748	97.82	927,994	43,099,742	99.98
2017	43,211,192	42,391,814	98.10	795,247	43,187,061	99.94
2016	42,550,867	41,471,737	97.46	1,049,811	42,521,548	99.93

* Represents the original tax levy, less real property tax credits for civic associations, elderly and disabled taxpayers, and other adjustments.

Source: Uniform Financial Report of the Town of Ocean City to the Maryland Department of Fiscal Services, 2016 - 2025

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

2025		
Taxpayer	Taxable Assessed Value (1)	Percentage of Total Taxable Assessed Value
Americana Stowaway Motel, Inc.	\$ 77,145,390	0.70%
Delmarva Power	63,646,730	0.57
Harrison Inn Stardust, Inc.	58,341,133	0.53
91st Street Joint Venture, LLC	41,089,190	0.37
Ocean City Hotels LLC	37,241,576	0.34
OCMD Hotel Owner LLC	30,647,260	0.28
Ocean I Hospitality LLC	26,816,380	0.24
Inns of Ocean City, LLC	25,291,633	0.23
Harrison 15th Street LLC	24,733,290	0.22
Harrison QI 33 LLC	24,236,133	0.22
	<u>\$ 409,188,715</u>	<u>3.70%</u>
Total taxable assessed value	<u>\$ 11,085,864,193</u>	

2016		
Taxpayer	Taxable Assessed Value (1)	Percentage of Total Taxable Assessed Value
Harrison Inn Stardust, Inc.	\$ 57,898,430	0.67%
Americana Stowaway Motel, Inc.	53,656,130	0.62
Delmarva Power	35,413,550	0.41
91st Street Joint Venture, LLC	33,123,800	0.39
Genesar, Inc.	23,813,637	0.28
Harrison HI 18 LLC	22,875,170	0.27
Harrison Inn Ocean View SPE, LLC	21,301,700	0.25
L.P.B.-O.C. Hotel Limited Partnership	20,923,900	0.24
Harrison Inn - Sixty-Six, Inc.	19,796,323	0.23
Harrison QI 17 LLC	16,127,500	0.19
	<u>\$ 304,930,140</u>	<u>3.55%</u>
Total taxable assessed value	<u>\$ 8,600,011,268</u>	

(1) Assessed value is based on the value of property for taxes collected in 2025 and 2016, respectively, and a review of the ten largest taxpayers for the Town.

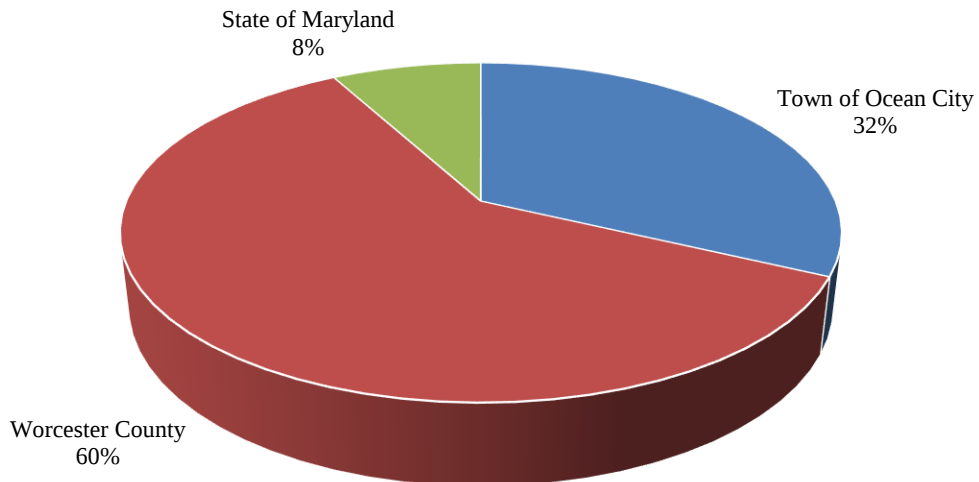
Source: Town of Ocean City Finance Department

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

Year	Direct Rate		Overlapping Rates		Total
	Town of Ocean City	Worcester County	State of Maryland		
2025	\$ 0.4426	\$ 0.845	\$ 0.112	\$ 1.3996	
2024	0.4526	0.845	0.112	1.4096	
2023	0.4526	0.845	0.112	1.4096	
2022	0.4561	0.845	0.112	1.4131	
2021	0.4559	0.845	0.112	1.4129	
2020	0.4656	0.845	0.112	1.4226	
2019	0.4656	0.835	0.112	1.4126	
2018	0.4656	0.835	0.112	1.4126	
2017	0.4727	0.835	0.112	1.4197	
2016	0.4780	0.835	0.112	1.4250	

Source: Town of Ocean City Finance Department

Percentage of Total Tax Bill by Overlapping Governments



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

Fiscal Year	Governmental Activities				Business-Type Activities			Total Primary Government	% of Actual Property Value	Per Capita	Estimated % of Personal Income *
	General Obligation Bonds	Bond Premiums (Discounts)	Inter-Governmental Loans	Notes, Loans, and Financed Purchases	General Obligation Bonds	Bond Premiums (Discounts)	Loans and Financed Purchases				
2025	\$45,083,943	\$2,369,148	\$ 80,550	\$ 3,704,119	\$63,261,621	\$3,962,261	\$348,673	\$118,810,315	1.07%	\$17,174	25.7%
2024	49,328,593	2,844,686	96,660	4,782,444	62,493,891	4,222,949	398,188	124,167,411	1.26	17,956	17.9
2023	45,256,785	2,524,334	140,920	6,055,175	49,314,164	3,126,536	444,968	106,862,882	1.10	15,454	19.9
2022	49,220,967	3,062,268	185,180	7,289,014	53,852,911	3,792,678	489,120	117,892,138	1.23	17,086	29.7
2021	35,875,788	1,550,588	229,440	8,483,789	48,625,659	3,344,625	530,749	98,640,638	1.03	14,205	19.4
2020	39,669,964	1,323,839	273,700	9,652,928	54,137,321	2,770,608	571,981	108,400,341	1.17	15,735	23.5
2019	41,585,877	1,560,782	317,960	12,104,824	52,215,328	2,221,144	610,785	110,616,700	1.23	15,739	34.4
2018	44,764,656	1,796,400	362,230	9,496,606	56,277,609	2,617,354	647,536	115,962,391	1.30	16,328	31.0
2017	35,642,285	752,520	410,725	10,360,623	47,984,525	1,788,977	682,037	97,621,692	1.10	13,545	22.7
2016	36,592,696	936,121	462,069	5,401,883	52,517,225	2,166,829	713,600	98,790,423	1.15	13,910	36.2

* Town residents occupy ~8% of total properties

Source: Town of Ocean City Finance Department

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

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

Fiscal Year	General Obligation Bonds Outstanding	% of Actual Property Value	Per Capita
2025	\$ 114,676,973	1.03%	\$ 16,577
2024	118,890,119	1.21	17,193
2023	100,221,819	1.03	14,493
2022	109,928,824	1.15	15,932
2021	89,396,660	0.93	12,874
2020	97,901,732	1.06	14,211
2019	97,583,131	1.09	13,885
2018	105,456,019	1.18	14,849
2017	86,168,307	0.96	11,775
2016	92,212,871	1.07	12,984

Source: Town of Ocean City Finance Department

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

Town of Ocean City, Maryland
Direct and Overlapping Governmental Activities Debt
June 30, 2025

Jurisdiction	Debt Outstanding	Percentage Applicable to the Town *	Amount Applicable to the Town
Direct			
Town of Ocean City	\$ 51,237,760	100.0%	\$ 51,237,760
Overlapping			
Worcester County	<u>66,842,603</u>	53.6%	<u>35,860,486</u>
Total direct and overlapping debt	<u>\$ 118,080,363</u>		<u>\$ 87,098,246</u>

* Percentages were determined by dividing each overlapping subdivision's assessed value within the Town by each subdivision's total assessed value.

Sources:

Town of Ocean City Finance Department
Worcester County Finance Department

Town of Ocean City, Maryland
Legal Debt Margin Calculation
As of June 30, 2025

Assessed value	<u>\$11,085,864,193</u>
Maximum general obligation debt (limited to 5.2% of assessed value) *	\$ 576,464,938
Outstanding bonds	<u>\$ 114,676,973</u>
Net chargeable to bond limit	<u>114,676,973</u>
Legal debt margin at June 30, 2025	<u>\$ 461,787,965</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
2016 - 2025

Fiscal Year	Assessed Value	Legal Debt Limitation	Legal Borrowing Limitation	Debt Subject to Limitation	Legal Debt Margin
2025	\$11,085,864,193	5.2 %	\$ 576,464,938	\$ 114,676,973	\$ 461,787,965
2024	9,833,346,947	5.2	511,334,041	118,890,119	392,443,922
2023	9,706,387,565	5.2	504,732,153	100,221,819	404,510,334
2022	9,598,351,823	5.2	499,114,295	109,928,824	389,185,471
2021	9,605,732,795	5.2	499,498,105	89,396,660	410,101,445
2020	9,234,437,074	5.2	480,190,728	97,901,732	382,288,996
2019	8,987,314,412	5.2	467,340,349	97,583,131	369,757,218
2018	8,923,153,518	5.2	464,003,983	101,042,265	362,961,718
2017	8,750,534,443	5.2	455,027,791	83,626,810	371,400,981
2016	8,600,011,268	5.2	447,200,586	92,212,871	354,987,715

Town of Ocean City, Maryland
Demographic and Economic Statistics
Calendar Years 2015 - 2024

Year	(1) Population	(2) Median Household Income	(3) Worcester County Personal Income	(4) Median Age	(5) School Enrollment	(6) Unemployment Rate
2024	6,918	\$ 81,455	\$ 3,857,326	50.7	6,848	4.2 %
2023	6,915	76,689	3,692,431	50.6	6,841	3.3
2022	6,915	71,262	3,589,409	50.4	6,803	5.4
2021	6,900	65,396	3,434,395	50.5	6,811	8.2
2020	6,944	63,499	3,122,458	50.4	6,882	11.2
2019	6,889	61,145	2,950,003	50.1	6,810	5.5
2018	7,028	59,458	2,876,205	49.7	6,745	5.9
2017	7,102	57,227	2,828,355	54.0	6,667	6.4
2016	7,102	52,276	2,713,983	54.0	6,660	7.7
2015	7,102	58,820	2,729,980	54.0	6,649	7.8

Sources (for the most recent calendar year presented):

- (1) Maryland State Data Center - Maryland Department of Planning (estimated)
- (2) U.S. Census Bureau, 2023 American Community Survey 5-Year Estimates (figure is for Worcester County)
- (3) U.S. Department of Commerce Bureau of Economic Analysis (in thousands of dollars). 2024 figure was not available from the BEA. The 2024 figure was calculated by multiplying the 2023 Worcester County personal income by the average growth in personal income for the nine preceding years.
- (4) U.S. Census Bureau, 2023 American Community Survey 5-Year Estimates (figure is for Worcester County)
- (5) Figure is for Worcester County Public Schools, which includes Ocean City
- (6) Bureau of Labor Statistics, 2024 (figure is for Worcester County)

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

2025		
Employer	Employees	Percentage of Total County Employment
Town of Ocean City	1,165	4.43 %
Harrison Group	975	3.71
Bayshore Development	600	2.28
OC Seacrets, Inc.	500	1.90
Fagers Island, Ltd.	325	1.24
Carousel Resort Hotel & Condominiums	300	1.14
Ashore Resort and Beach Club	300	1.14
KTG LLC	275	1.05
91st Street Joint Venture, LLC	250	0.95
Trimpers Rides, Inc.	250	0.95
Total	4,940	18.79 %
Total Worcester County employees (Data available for County only)	26,303	

2016		
Employer	Employees	Percentage of Total County Employment
Town of Ocean City	1,383	5.10 %
Harrison Group	1,172	4.32
Bayshore Development	519	1.91
OC Seacrets, Inc.	469	1.73
KTG LLC	360	1.33
Clarion Resort Fontainebleau	340	1.25
Phillips	303	1.12
Fagers Island, Ltd.	299	1.10
91st Street Joint Venture, LLC	292	1.08
Trimpers Rides, Inc.	244	0.90
Total	5,381	19.84 %
Total Worcester County employees (Data available for County only)	27,110	

Sources:

Total County employment figures for FY 2025 are from Maryland Department of Labor, "Worcester County - County Industry Series - Calendar year averages - Maryland's Quarterly Census of Employment and Wages (QCEW) - Workforce Information & Performance" table

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

Function/Program	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
General Government	36	36	36	35	33	36	36	36	36	36
Public Safety	264	266	265	240	220	217	216	216	213	213
General Public Works	50	51	50	50	47	48	48	48	47	47
Solid Waste	19	21	20	21	21	21	21	21	21	21
Highway and Streets	25	27	26	24	27	23	23	22	23	23
Economic Development	13	13	13	6	4	4	4	4	4	4
Recreation	46	45	45	45	44	44	43	43	42	42
Water	21	20	23	21	21	21	21	21	21	21
Wastewater	38	39	37	38	39	46	46	46	46	46
Transportation	19	18	17	19	12	13	13	13	13	13
Convention Center	38	34	34	33	34	34	34	34	34	34
Airport	3	3	3	3	2	3	3	3	3	3
Internal Service	32	32	29	29	31	30	30	30	30	30
Total full-time employees	604	605	598	564	535	540	538	537	533	533
Total part-time employees	561	606	571	627	641	623	885	829	904	850
Total employees	1,165	1,211	1,169	1,191	1,176	1,163	1,423	1,366	1,437	1,383

Source: Town of Ocean City's respective fiscal year 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	2025	2024	2023	2022
General Information				
Area (square miles)	5	5	5	5
Year-round residents	6,918	6,915	6,925	6,929
Active registered voters	6,422	6,415	6,425	6,765
Average summer population	284,750	288,235	279,899	290,575
General Government				
Construction permits issued	1,780	1,943	1,891	1,684
Estimated value of construction	\$104,594,804	\$ 99,047,556	\$100,806,113	\$ 67,413,855
Public Safety - Police				
Total arrests	1,594	1,830	2,151	2,482
* Parking violations	40,251	2,752	1,170	2,115
Classified officers	117	120	116	116
Seasonal officers	-	22	50	50
Public Safety - Fire and Emergency Services				
Fire responses	1,293	822	1,160	1,258
Ambulance responses	4,795	6,505	5,042	5,329
Plan reviews/permits/special event reviews	3,877	4,254	4,163	4,312
Fire marshal inspections	1,186	1,487	1,439	1,859
Fire marshal field operations/investigations	1,080	858	743	711
Fire marshal complaints/referrals/fire protection system deficiencies	695	546	525	621
Classified fire personnel	2	3	3	3
Volunteer officers, firemen, life honor, gold badge	234	223	237	223
Classified emergency medical technicians	73	73	73	50
Seasonal emergency medical technicians	36	32	34	63
Solid Waste				
Trash processed (tons)	30,773	31,245	32,304	35,454
Trash recycled (tons)	139	119	130	127
Tourism and Recreation				
Seasonal beach patrol personnel	224	214	172	185
Water				
Average daily consumption (gallons)	3,076,409	3,324,741	3,475,872	3,900,000
Plants' daily capacity (gallons)	18,000,000	18,000,000	18,000,000	18,000,000
Transportation				
Bus passengers	1,404,997	1,406,467	1,515,279	1,297,940
Wastewater				
Average daily treatment (gallons)	5,551,000	6,039,560	5,700,222	5,855,000
Average daily treatment - summer (gallons)	9,628,000	9,769,989	9,441,239	9,859,000
Plant's daily treatment capacity (gallons)	14,000,000	14,000,000	14,000,000	14,000,000
Customer accounts	28,509	28,450	28,338	28,316
Airport				
Based aircraft	72	72	72	65
Aircraft fueled	3,672	3,650	3,650	3,100

* Includes violations from the Town's Parking Division beginning in FY 2025 (the Division commenced in late FY 2024)

Source: Town of Ocean City Finance Department

2021	2020	2019	2018	2017	2016
5	5	5	5	5	5
6,944	6,889	7,028	7,102	7,102	7,102
6,523	6,470	5,740	6,227	6,067	5,703
301,275	250,173	277,932	276,812	275,509	258,330
2,166	1,501	1,852	1,885	1,810	1,855
\$ 68,894,340	\$ 48,800,979	\$ 54,474,168	\$ 78,539,236	\$ 86,385,559	\$ 61,003,886
3,032	1,937	2,271	2,338	2,252	2,312
2,659	2,913	3,358	4,821	9,619	9,344
112	107	106	105	105	105
45	51	56	80	80	100
1,118	1,265	1,245	1,348	1,323	1,158
5,194	3,222	4,855	4,658	5,006	4,698
4,072	1,347	1,062	854	930	935
1,395	1,152	1,529	1,389	1,778	1,556
675	564	756	718	757	755
483	691	734	720	666	795
3	3	3	3	3	3
225	240	240	215	215	226
44	44	44	44	44	42
68	73	82	74	67	69
34,432	31,758	34,749	34,479	35,823	33,794
171	138	208	242	229	279
203	204	186	207	194	175
4,030,000	3,843,260	3,966,756	4,282,348	4,278,040	4,179,104
18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000
697,703	1,610,823	2,391,312	2,563,434	2,554,385	2,495,014
5,713,000	5,276,046	5,713,227	5,895,466	5,699,000	5,528,000
8,938,000	9,058,337	9,426,935	10,254,228	9,743,000	9,330,000
14,000,000	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000
28,296	28,287	28,416	28,403	28,417	28,698
65	65	65	63	67	76
3,100	3,100	3,100	3,100	3,100	2,900

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

Function/Program	2025	2024	2023	2022
Public Safety - Police				
Stations	2	2	2	2
Vehicles	111	86	82	82
Public Safety - Fire and Emergency Services				
Stations	5	5	5	5
Ambulances	11	10	10	10
Highways and Streets				
Streets (miles)	69	69	69	69
Streetlights	3,104	3,104	3,078	3,078
Storm sewers (miles)	43	43	43	43
Catch basins	2,315	2,315	2,315	2,315
Heavy equipment	48	48	48	48
Solid Waste				
Heavy equipment	32	32	32	32
Economic Development - Tourism, Recreation, and Culture				
Parks/playgrounds	12 / 8	12 / 8	12 / 7	12 / 7
Park acreage	77	77	77	77
Recreation centers	1	1	1	1
Boardwalk (miles)	3	3	3	3
Beach (miles)	10	10	10	10
Tennis/pickleball courts	18	18	13	12
Museums	1	1	1	1
Golf courses	1	1	1	1
Water				
Water mains (miles)	150	150	150	150
Treatment plants	3	3	3	3
Service connections	7,249	7,249	7,249	7,214
Fire hydrants	961	901	900	850
Transportation				
Buses	48	49	48	52
Handicapped buses	3	3	3	3
* Boardwalk trams	8	8	8	8
Wastewater				
Sanitary sewers (miles)	152	152	152	152
Treatment plants	1	1	1	1
Pumping stations	10	10	10	10
Convention Center				
Convention Center (functional sq. ft.)	146,796	146,796	146,796	146,796
Airport				
Runways (2) (linear feet)	7,278	7,278	7,278	7,278
Hangars (square feet)	115,064	115,064	115,064	115,064

* Inactive since August 2024

Source: Town of Ocean City Finance Department

2021	2020	2019	2018	2017	2016
2	2	2	2	2	2
82	82	82	82	83	81
5	5	5	5	5	5
10	10	10	10	10	10
69	69	69	69	69	69
3,078	3,078	3,078	3,078	3,078	3,078
43	43	43	43	43	43
2,315	2,315	2,315	2,315	2,315	2,315
48	48	48	48	48	48
32	32	32	32	32	32
12 / 7	12 / 7	12 / 7	13 / 7	13 / 7	13 / 6
77	77	77	77	77	77
1	1	1	1	1	1
3	3	3	3	3	3
10	10	10	10	10	10
12	12	12	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
7,210	7,212	7,500	7,216	7,074	7,074
850	847	847	847	847	847
63	67	62	61	62	62
3	3	3	3	3	3
8	9	8	8	8	8
152	152	152	152	152	152
1	1	1	1	1	1
10	10	10	10	10	10
118,451	118,101	118,101	118,101	118,101	118,101
7,278	7,278	7,278	7,278	7,273	7,273
115,064	115,064	115,064	115,064	115,064	115,064

December __, 2025

Mayor and City Council of Ocean City
Ocean City, Maryland

\$ _____
Mayor and City Council of Ocean City, Maryland
General Obligation Municipal Purpose Bonds of 2025

Ladies and Gentlemen:

We have acted as bond counsel to the Mayor and City Council of Ocean City (the “City”) in connection with the issuance by the City of its \$ _____ General Obligation Municipal Purpose Bonds of 2025 (the “Bonds”).

In connection with this opinion, we have examined (i) the Constitution of the State of Maryland (the “State”), (ii) the applicable laws of (A) the State and the City, including, without limitation, Section C-719 of the Charter of Mayor and City Council of Ocean City (as amended, the “Charter”), Sections 19-301 through 19-309, inclusive, of the Local Government Article of the Annotated Code of Maryland, as amended (the “Act”), and Ordinance No. 2025-25, introduced on September 15, 2025 and adopted and approved on October 6, 2025 (the “Ordinance”), and (B) the United States of America, including, without limitation, the Internal Revenue Code of 1986, as amended (the “Code”), and (iii) copies of proceedings and other documents relating to the Bonds as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

We have assumed the accuracy and truthfulness of all public records and of all certifications, documents and other proceedings examined by us that have been executed or certified by public officials acting within the scope of their official capacities, and we have not independently verified the accuracy or truthfulness thereof. We have also assumed the genuineness of the signatures appearing upon such public records, certifications, documents and proceedings.

We have also assumed the authenticity of all documents submitted to us as originals, the genuineness of all signatures, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such latter documents.

We are qualified to practice law in the State, and we do not purport to be experts on, or to express any opinion herein concerning, any law other than the law of the State and the federal law of the United States of America.

Based on the foregoing, we are of the opinion that, under current law:

1. The City is a validly existing body corporate and politic and a municipal corporation of the State (and a municipality within the meaning of the Act), possessing authority under the laws of the State, the Act, the Charter and the Ordinance to issue the Bonds.
2. The Bonds have been duly authorized and legally issued in accordance with the Constitution and Public Laws of the State, including the Act, the Charter and the Ordinance.
3. The Bonds are valid and legally binding general obligations of the City to which the City's full faith and credit and unlimited taxing power are pledged to the payment of the principal of and interest on the Bonds.
4. The City has, by the adoption of the Ordinance, covenanted to levy such ad valorem taxes on all taxable property within the corporate limits of the City in rate and amount sufficient to provide for the payment, when due, of the principal of and interest on the Bonds.
5. Under current law, interest on the Bonds (i) is excludable from the gross income of the owners of the Bonds for purposes of federal income taxation under Section 103 of the Code and (ii) is not a specific item of tax preference for purposes of the federal alternative minimum tax on individuals. However, such interest is included in the "adjusted financial statement income" (as defined in Section 56A of the Code) of certain corporations in determining the applicability and amount of the federal corporate alternative minimum tax imposed under Section 55(b) of the Code. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

In providing the opinions set forth in this paragraph 5, we are assuming continuing compliance with the Covenants (as hereinafter defined) by the City. The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the Bonds in order for interest on the Bonds to be and remain excludable from gross income for purposes of federal income taxation. These requirements include, by way of example and not limitation, restrictions on the use, expenditure and investment of the proceeds of the Bonds and the use of the property financed or refinanced by the Bonds, limitations on the source of the payment of and the security for the Bonds, and the obligation to rebate certain excess earnings on the gross proceeds of the Bonds to the United States Treasury. The Non-Arbitrage Certificate and Tax Covenants of even date herewith executed and delivered by the City (the "Tax Certificate") contains covenants (the "Covenants") under which the City has agreed to comply with such requirements. Failure by the City to comply with the Covenants could cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactively to the date of issue of the Bonds. In the event of noncompliance with the Covenants, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Bonds from becoming includable in gross income for federal income tax purposes.

Certain requirements and procedures contained, incorporated or referred to in the Tax Certificate, including the Covenants, may be changed and certain actions may be taken or

omitted under the circumstances and subject to the terms and conditions set forth in the Tax Certificate. We express no opinion concerning any effect on the excludability of interest on the Bonds from gross income for federal income tax purposes under Section 103 of the Code of any such subsequent change or action that may be made, taken or omitted upon the advice or approval of counsel other than this firm. We have no responsibility to monitor compliance with the Covenants after the date of issue of the Bonds.

6. Under existing law of the State, the principal of and interest on the Bonds are exempt from State and local taxes in the State; however, the law of the State does not expressly refer to, and no opinion is expressed concerning, estate or inheritance taxes, or any other taxes not levied directly on the principal of or interest on the Bonds.

The rights of any owner of the Bonds and the enforceability of the Bonds against the State may be subject to (a) any applicable bankruptcy, insolvency (including, without limitation, laws relating to preferences and fraudulent transfers or conveyances), reorganization, moratorium and other similar laws affecting creditors' rights generally, (b) the effect of general principles of equity (regardless of whether considered in a proceeding in equity or at law), including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, and (c) the valid exercise of constitutional powers of the United States of America and of the sovereign police and taxing powers of the State or other governmental units having jurisdiction.

Our services as Bond Counsel to the City have been limited to rendering the foregoing opinions based on our review of such legal proceedings and other documents as we deem necessary to approve the validity of the Bonds and tax-exempt status of the interest thereon. We express no opinion as to the accuracy, completeness or sufficiency of any offering material or information, including the Official Statement relating to the Bonds, that may have been relied upon by any owner of the Bonds in making a decision to purchase the Bonds.

This opinion is delivered solely for your benefit in connection with the issuance of the Bonds and may not be relied upon by any other person or for any other purpose without our prior written consent in each instance. This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Very truly yours,

214037550_3

Proposed Form of Continuing Disclosure Agreement

This Continuing Disclosure Agreement dated as of December __, 2025 (the “Disclosure Agreement”) is executed and delivered by MAYOR AND CITY COUNCIL OF OCEAN CITY (the “City”) in connection with the issuance of the \$ _____ Mayor and City Council of Ocean City General Obligation Municipal Purpose Bonds of 2025 (the “Bonds”). The City, intending to be legally bound hereby and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, does hereby covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the City for the benefit of the owners of the Bonds, including beneficial owners, and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5). The City’s obligations hereunder shall be limited to those required by written undertaking pursuant to the Rule.

SECTION 2. Definitions. In addition to the definitions set forth above, which apply to any capitalized term used in this Disclosure Agreement, the following capitalized terms shall have the following meanings:

“EMMA” means the Electronic Municipal Market Access system of the MSRB as provided at <http://www.emma.msrb.org>, or any similar system that is acceptable to or as may be specified by the Securities and Exchange Commission from time to time.

“Financial Obligation” shall mean a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b). The term “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule. If the definition of “financial obligation” in the Rule is amended, the same amendment shall be deemed to be made to the definition of Financial Obligation for purposes of this Disclosure Agreement, without further action by the City.

“MSRB” shall mean the Municipal Securities Rulemaking Board, or any successor organization.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Reportable Event” shall mean any of the events listed in Section 4(a) of this Disclosure Agreement.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time, any successor provisions of similar import promulgated by the Securities and Exchange Commission in the future, and any applicable no-action letters and other authoritative interpretations of Rule 15c2-12 released by the Securities and Exchange Commission.

SECTION 3. Provision of Annual Financial Information, Operating Data and Audited Information.

(a) The City shall provide to the MSRB in an electronic format as prescribed by the MSRB, directly or through an intermediary, the following annual financial information and operating data, such information and data to be updated as of the end of the preceding fiscal year and made available within 275 days after the end of the fiscal year, commencing with the fiscal year ending June 30, 2026:

- (1) Changes in Fund Balances of Governmental Funds
- (2) Assessed Values, Tax Rates, Tax Levies and Collections
- (3) Bonded Indebtedness of the City
- (4) Annual General Fund Debt Service as a Percentage of General Fund Revenues

(b) The City shall provide to the MSRB in an electronic format as prescribed by the MSRB, directly or through an intermediary, annual audited financial statements for the City, such information to be made available within 275 days after the end of the City’s fiscal year, commencing with the fiscal year ending June 30, 2026, unless the audited financial statements are not available on or before such date, in which event said financial statements will be provided promptly when

and if available. In the event that audited financial statements are not available within 275 days after the end of the City's fiscal year (commencing with the fiscal year ending June 30, 2026), the City will provide unaudited financial statements within such time period.

(c) (1) Except as otherwise set forth in this paragraph (c), the presentation of the financial information referred to in paragraph (a) and in paragraph (b) shall be made in accordance with the same accounting principles as utilized in connection with the presentation of applicable comparable financial information included in the final official statement for the Bonds.

(2) The City may make changes to the presentation of the financial information required in paragraph (a) and in paragraph (b) necessitated by changes in Generally Accepted Accounting Principles.

(3) The City may otherwise modify the presentation of the financial information required herein, provided that this Disclosure Agreement is amended in accordance with Section 6 hereof.

(d) If the City is unable to provide the annual financial information and operating data within the applicable time periods specified in paragraphs (a) and (b) above, the City shall send in a timely manner a notice of such failure to the MSRB in an electronic format as prescribed by the MSRB, either directly or through an intermediary.

(e) The City hereby represents and warrants that it has not failed to comply in any material respect with any prior disclosure undertaking made pursuant to the Rule.

SECTION 4. Reporting of Significant Events.

(a) This Section 4 shall govern the giving of notices of the occurrence of any of the following Reportable Events with respect to the Bonds:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 – TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax-exempt status of the Bonds;
- (7) Modifications to rights of owners of the Bonds, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the City;
- (13) The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee, or the change of name of a trustee, if material;
- (15) Incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material; and
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties.

(b) Whenever the City obtains knowledge of the occurrence of a Reportable Event, the City shall file in a timely manner, not in excess of ten (10) business days after the occurrence of such event, directly or through an intermediary, a notice of such occurrence with the MSRB in an electronic format as prescribed by the MSRB.

(c) For the purposes of the event identified in subparagraph (12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

SECTION 5. Termination of Reporting Obligations; EMMA.

(a) The City's obligations under this Disclosure Agreement shall terminate upon the payment in full of all of the Bonds either at their maturity or by early redemption. In addition, the City may terminate its obligations under this Disclosure Agreement if and when the City no longer remains an obligated person with respect to the Bonds within the meaning of the Rule.

(b) All documents provided to the MSRB pursuant to this Disclosure Agreement shall be submitted to EMMA and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 6. Amendments.

(a) The City may provide further or additional assurances that will become part of the City's obligations under this Disclosure Agreement. In addition, this Disclosure Agreement may be amended by the City in its discretion, provided that:

(1) (A) the amendment is being made in connection with a change of circumstances that arises from a change in legal requirements, change in law, change in the identity, nature or status of the City as the obligated person with respect to the Bonds, or type of business conducted by the City, (B) this Disclosure Agreement, as amended, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (C) the amendment does not materially impair the interests of owners of the Bonds, including beneficial owners, as determined by such bond counsel or by an approving vote of the holders of at least 25% of the outstanding principal amount of the Bonds; or

(2) the City receives an opinion of nationally recognized bond counsel to the effect that such amendment is permitted or required by the Rule.

(b) The reasons for the City agreeing to provide any further or additional assurances or for any amendment and the impact of the change in the type of financial information or operating data being provided will be explained in information provided with the annual financial information containing the additional or amended financial information or operating data.

SECTION 7. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including disclaimers or any other information in any disclosure made pursuant to Section 3(a) or 3(b) hereof or notice of occurrence of a Reportable Event, in addition to that which is required by this Disclosure Agreement. If the City chooses to include any information in any disclosure made pursuant to Section 3(a) or 3(b) hereof or notice of occurrence of a Reportable Event in addition to that which is specifically required by this Disclosure Agreement, the City shall have no obligation under this Disclosure Agreement to update such information or include it in any future disclosure made pursuant to Section 3(a) or 3(b) hereof or notice of occurrence of a Reportable Event.

SECTION 8. Limitation on Remedies and Forum.

(a) The City shall be given written notice at the address set forth below of any claimed failure by the City to perform its obligations under this Disclosure Agreement, and the City shall be given 45 days to remedy any such claimed failure. Any suit or other proceeding seeking further redress with regard to any such claimed failure by the City shall be limited to specific performance as the adequate and exclusive remedy available in connection with such action. Written notice to the City shall be given to the Finance Administrator, City Hall, 301 Baltimore Avenue, Ocean City, Maryland 21842, or at such

alternate address as shall be specified by the City in disclosures made pursuant to Section 3(a) or 3(b) hereof or a notice of occurrence of a Reportable Event.

(b) Any suit or proceeding seeking redress with regard to any claimed failure by the City to perform its obligations under this Disclosure Agreement must be filed in the Circuit Court for Worcester County, Maryland.

SECTION 9. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the owners from time to time of the Bonds, including beneficial owners, and shall create no rights in any other person or entity.

SECTION 10. Relationship to Bonds. This Disclosure Agreement constitutes an undertaking by the City that is independent of the City's obligations with respect to the Bonds. Any breach or default by the City under this Disclosure Agreement shall not constitute or give rise to a breach or default under the Bonds.

SECTION 11. Severability. In case any section or provision of this Disclosure Agreement or any covenant, stipulation, obligation, agreement, or action, or any part thereof, made, assumed, entered into or taken under this Disclosure Agreement, or any application thereof, is for any reason held to be illegal or invalid or is at any time inoperable, such illegality, invalidity or inoperability shall not affect the remainder thereof or any other section or provision of this Disclosure Agreement, or any other covenant, stipulation, obligation, agreement, act or action, or part thereof, made, assumed, entered into or taken under this Disclosure Agreement, which shall at the time be construed and enforced as if such illegal or invalid or inoperable portion were not contained therein.

SECTION 12. Entire Agreement. This Disclosure Agreement contains the entire agreement of the City with respect to the subject matter hereof and supersedes all prior arrangements and understandings with respect thereto; provided, however, that this Disclosure Agreement shall be interpreted and construed with reference to and in pari materia with the Rule.

SECTION 13. Captions. The captions or headings herein shall be solely for convenience of reference and shall in no way define, limit or describe the scope or intent of any provisions or sections hereof.

SECTION 14. Governing Law. This Disclosure Agreement and any claim made with respect to the performance by the City of its obligations hereunder shall be governed by, subject to and construed in accordance with the federal securities laws, where applicable, and the laws of the State of Maryland, without reference to the choice of law principles thereof.

IN WITNESS WHEREOF, the City has caused this Disclosure Agreement to be duly executed as of the day and year first above written.

ATTEST:

MAYOR AND CITY COUNCIL OF OCEAN CITY

Diana L. Chavis
City Clerk

By: _____
Richard W. Meehan
Mayor

(SEAL)

NOTICE OF SALE

MAYOR AND CITY COUNCIL OF OCEAN CITY
GENERAL OBLIGATION MUNICIPAL PURPOSE BONDS OF 2025

Electronic bids via **PARITY®** will be received until 11:00 a.m., local Ocean City, Maryland time on Thursday, December 4, 2025, by the Mayor of Mayor and City Council of Ocean City (the “City”) or his designee at the offices of the Finance Director of the City, located at City Hall, 3rd Street and Baltimore Avenue, Ocean City, Maryland 21842, for the purchase of the above-described bonds of the City (the “Bonds”), aggregating \$46,345,000*.

Terms of the Bonds

The Bonds are all dated their date of initial delivery and bear interest payable semiannually on January 15 and July 15, commencing July 15, 2026, until maturity or earlier redemption. The Bonds mature, subject to prior redemption, on the fifteenth day of January as follows:

<u>Maturing January 15</u>	<u>Preliminary Principal Amount*</u>	<u>Maturing January 15</u>	<u>Preliminary Principal Amount*</u>
2027	\$1,210,000	2037	\$2,300,000
2028	1,480,000	2038	2,410,000
2029	1,555,000	2039	2,535,000
2030	1,635,000	2040	2,660,000
2031	1,715,000	2041	2,795,000
2032	1,800,000	2042	2,930,000
2033	1,890,000	2043	3,080,000
2034	1,985,000	2044	3,235,000
2035	2,085,000	2045	3,360,000
2036	2,190,000	2046	3,495,000

Procedures for Sale and Principal Amount Changes

The preliminary aggregate principal amount of the Bonds and the preliminary principal amount of each maturity of the Bonds as set forth in this Notice of Sale may be revised both before and after the receipt and opening of electronic bids for their purchase. Any revisions to the aggregate principal amount of the Bonds and the principal amount of each maturity made before the sale will be published on TM3 News Service (“TM3”) not later than 9:30 a.m., local Ocean City, Maryland time on the date of sale or as soon thereafter as is reasonably practicable and will be used to compare bids and select the winning bidder. Any revisions to the aggregate principal amount of the Bonds and the principal amount of each maturity made after the sale will be communicated to the successful bidder by 4:00 p.m. local Ocean City, Maryland time on the date of sale and may be made, in the sole discretion of the City, only to reduce the aggregate principal amount of the Bonds by all or a portion of the premium bid. The dollar amount bid for principal and any amount bid for premium by the successful bidder will be adjusted proportionately to reflect any reduction in the aggregate principal amount of the Bonds, but the interest rates specified by the successful bidder for all maturities will not change. The successful bidder may not withdraw its bid as a result of any changes made within these limits.

Book-Entry System

The Bonds shall be issued only in fully registered book-entry form and The Depository Trust Company, New York, New York (“DTC”) will act as securities depository for the Bonds. One Bond representing each maturity of the Bonds will be issued to and registered in the name of Cede & Co., as nominee of DTC, as registered owner of the Bonds, and each such Bond shall be immobilized in the custody of DTC or with Manufacturers and Traders Trust Company (the “Bond Registrar”) to be held under DTC’s “FAST” system. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof. Purchasers will not receive physical delivery of certificates representing their interest

* Preliminary, subject to change.

in the Bonds purchased. The winning bidder, as a condition to delivery of the Bonds, will be required to deposit the bond certificates representing each maturity with DTC.

Interest on the Bonds will be payable when due and principal of the Bonds will be payable at maturity to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to beneficial owners of the Bonds by participants of DTC (“Participants”) will be the responsibility of Participants and other nominees of beneficial owners. The City will not be responsible or liable for such transfers of payments or for maintaining, supervising or reviewing the records maintained by DTC Participants or persons acting through Participants.

In the event that DTC determines not to continue to act as securities depository for the Bonds or the City determines to discontinue the book-entry system with DTC, and the City does not replace DTC with another securities depository, the City will execute and the Bond Registrar will authenticate and deliver replacement Bonds in certificated form registered in the names of the Participants or, if requested in writing by such Participants, in the names of the beneficial owners of the Bonds. Replacement Bonds issued to Participants or to beneficial owners shall be in authorized denominations and be in fully registered form.

Optional Redemption

The Bonds maturing on or before January 15, 2036 are not subject to redemption prior to their maturities. The Bonds maturing on or after January 15, 2037 are subject to redemption at any time on or after January 15, 2036, as a whole or in part, at the option of the City, at a redemption price equal to one hundred percent (100%) of the principal amount of the Bonds to be redeemed, plus accrued interest to the date fixed for redemption.

If less than all of the Bonds are to be redeemed, the particular maturities to be redeemed shall be selected by the City. If selection by lot within a maturity is required, the Bond Registrar shall by random selection of the names of the registered owners of the entire annual maturity select the Bonds to be redeemed until the total amount of Bonds to be redeemed has been reached, except that so long as DTC or its nominee is the sole registered owner of the Bonds, the particular Bonds or portion to be redeemed shall be selected by lot by DTC, in such manner as DTC shall determine. Each \$5,000 portion of a Bond shall be treated as a separate Bond in the selection by lot of Bonds to be redeemed.

If the City elects to redeem all or a portion of the Bonds outstanding, it shall deliver a redemption notice to DTC not less than thirty (30) days prior to the date fixed for redemption by a secure means as prescribed in the Ordinance. If the book-entry system is discontinued for the Bonds, the City shall give a redemption notice by letter mailed first class, postage prepaid, to the registered owners of the Bonds to be redeemed at their last addresses appearing on the registration books maintained by the Bond Registrar not less than thirty (30) days prior to the redemption date. Failure to deliver or mail any such notice with respect to a particular Bond or any defect in such notice, or in the delivery or mailing thereof, shall not affect the validity of the redemption proceedings. From and after the date fixed for redemption, if funds sufficient for the payment of the redemption price and accrued interest are available on such date and any other conditions to such redemption have been met, the Bonds designated for redemption shall cease to bear interest.

Authorization and Use of Proceeds

The Bonds are authorized by Sections 19-301 through 19-309, inclusive, of the Local Government Article of the Annotated Code of Maryland, as amended, and Section C-719 of the Charter of the City, as amended, and by virtue of due proceedings had and taken by the City particularly by Ordinance No. 2025-25 adopted and approved on October 6, 2025 (the “Ordinance”).

The proceeds of the Bonds will be expended for the public purposes of (1) financing or refinancing, in whole or in part, certain costs of acquisition, construction and/or improvements to the water and wastewater facilities (the “Water Project”), (2) financing or refinancing, in whole or in part, certain costs of acquisition, construction and/or improvements to the tidal flooding remediation of the municipal golf course (the “Golf Course Project”), (3) financing or refinancing, in whole or in part, certain costs of acquisition, construction and/or improvements of fleet/garage renovations and boardwalk signs and (4) paying the costs of issuing the Bonds.

Security for the Bonds

The principal of and interest on that portion of the Bonds that is attributable to the tidal flooding remediation golf course project (the “Golf Course Portion”) are payable in the first instance from the proceeds of operations of the municipal golf course known as Eagles Landing Golf Course as collected by the City.

If the proceeds of the operations of the municipal golf course as collected by the City are insufficient to provide for the payment of the principal of and interest on the Golf Course Portion of the Bonds in any fiscal year, then the City shall also levy and collect ad valorem taxes upon all taxable property within the corporate limits of the City in rate and amount sufficient to provide for such deficiency in each such fiscal year.

The principal of and interest on that portion of the Bonds that is attributable to the acquisition, construction and/or improvements to the wastewater-influent headworks improvements project, the water-radio read meters project and the water-14th street generator project (the “Water Projects Portion”) are payable in the first instance from the proceeds of the operations of water projects, including but not limited to benefit assessments, connection, service and other charges as may be levied, imposed or collected by the City.

If the proceeds of the operations of water projects as collected by the City are insufficient to provide for the payment of the principal of and interest on the Water Projects Portion of the Bonds in any fiscal year, then the City shall also levy and collect ad valorem taxes upon all taxable property within the corporate limits of the City in rate and amount sufficient to provide for such deficiency in such fiscal year.

The rate of the ad valorem taxes described herein may be so computed in each fiscal year that the proceeds of such ad valorem taxes, together with funds from other sources, including, but not limited to, benefit assessments, connection, service and other charges as may be levied, imposed or collected by the City, shall provide sufficient funds to meet the maturing principal of and interest on the Water Projects Portion or the Golf Course Portion of the Bonds, the proceeds of the sale of which are to be applied in part to the costs of the City water and wastewater facilities and golf course projects. Taxes that might otherwise be levied may be reduced or not levied to the extent such other funds are received or receivable.

The full faith and credit and unlimited taxing power of the City are unconditionally pledged to the payment of the Bonds and of the interest to accrue thereon.

Electronic Bids

Electronic bids will be received via **PARITY®**, in the manner described below, until 11:00 a.m., local Ocean City, Maryland time, on Thursday, December 4, 2025. Bidders may only submit bids electronically via **PARITY®**.

Bids may be submitted electronically via **PARITY®** pursuant to this Notice of Sale until 11:00 a.m., local Ocean City, Maryland time, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in **PARITY®** conflict with this notice, the terms of this Notice of Sale shall control. For further information about **PARITY®**, potential bidders may contact **PARITY®** at Dalcomp (212) 849-5021.

Disclaimer

Each prospective bidder shall be solely responsible to register to bid and to submit its bid via **PARITY®** as described above. Each qualified prospective bidder shall be solely responsible to make necessary arrangements to access **PARITY®** for the purposes of submitting its bid in a timely manner and in compliance with the requirements of this Notice of Sale. Neither the City nor **PARITY®** shall have any duty or obligation to provide or assure access to **PARITY®** to any prospective bidder, and neither the City nor **PARITY®** shall be responsible for a bidder's failure to register to bid or for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by, **PARITY®**. The City is using **PARITY®** as a communication mechanism, and not as the City's agent, to conduct the electronic bidding for the Bonds. The City is not bound by any advice and determination of **PARITY®** to the effect that any particular bid complies with the terms of this Notice of Sale and in particular the “Bid Specifications” hereinafter set forth. All costs and expenses incurred by prospective bidders in connection with their registration and submission of bids via **PARITY®** are the sole responsibility of the bidders; and the City is not responsible, directly or indirectly, for any of such costs or expenses. If a prospective bidder encounters any difficulty in submitting, modifying or withdrawing a bid for the Bonds, he should telephone **PARITY®** at Dalcomp (212) 849-5021 and notify the City's Financial Advisor, First Tryon Advisors, LLC by telephone at (410) 267-8811.

Electronic Bidding Procedures

Electronic bids must be submitted for the purchase of the Bonds (all or none) via **PARITY®**. Bids will be communicated electronically to the City at 11:00 a.m., local Ocean City, Maryland time, on Thursday, December 4, 2025. Prior to that time, a prospective bidder may (1) submit the proposed terms of its bid via **PARITY®**, (2) modify the proposed terms of its bid, in which event the proposed terms as last modified will (unless the bid is withdrawn as described herein) constitute its bid for the Bonds, or (3) withdraw its proposed bid. Once the bids are communicated electronically via **PARITY®** to the City, each bid will constitute an irrevocable offer to purchase the Bonds on the terms therein provided. For purposes of the electronic bidding process, the time as maintained on **PARITY®** shall constitute the official time.

Bid Specifications

No oral bid and no bid for less than all of the Bonds will be considered. The right is reserved to waive any irregularity or informality in any bid and to reject any or all bids. The Mayor's judgment shall be final and binding upon all bidders with respect to the form and adequacy of any bid received and as to its conformity to the terms of this Notice of Sale.

Each bidder shall submit one bid on an all-or-none basis for the Bonds. Each bid must specify the amount bid for the Bonds, which shall not be less than one hundred percent (100%) of par. Bidders shall state in their bids the rate or rates of interest to be paid on the Bonds in multiples of one-eighth (1/8) or one-twentieth (1/20) of one percent (1%), and each bid shall be based and submitted on the rate or rates stated therein. Bidders may specify more than one rate of interest to be borne by the Bonds, but the difference between the highest and lowest rates named may not be greater than three percent (3%). Bidders may not specify more than one rate of interest for the Bonds of any single maturity. A zero rate may not be named for any maturity. The maximum rate permitted for any maturity is 5.00%.

Basis of Award

The Bonds will be awarded to the bidder naming the lowest true interest cost for all Bonds in any legally acceptable bid and offering to pay not less than par. The lowest true interest cost will be determined by doubling the semiannual interest rate, compounded semiannually, necessary to discount the debt service payments from the payment dates to the date of the Bonds and to the amount bid. Where the bids of two or more bidders result in the same lowest true interest cost, the Bonds may be apportioned between such bidders, but if this shall not be acceptable, the City shall have the right to award all of the Bonds to one bidder. The right is reserved to the City to reject any or all bids and to waive any irregularity or informality in any bid. The City's judgment shall be final and binding upon all bidders with respect to the form and adequacy of any bid received and as to its conformity to the terms of this Notice of Sale. Any award of the Bonds may be made as late as 4:00 p.m. on the sale date. All bids remain firm until an award is made.

Good Faith Deposit

The successful bidder is required to submit a good faith deposit of \$926,900 (the "Deposit") to the City upon initial notification of the award of the Bonds to the successful bidder. The Deposit will be in the form of a wire transfer and must be received by the City prior to 3:00 p.m. (local time) on the date of the sale. Such payment will be security for compliance with the terms of the bid. The City will provide wire instructions to the successful bidder upon the initial notification of the award of the Bonds.

The good faith deposit of the successful bidder will be retained by the City to be applied in part payment for the Bonds, and no interest will be allowed upon the amount thereof. IN THE EVENT THAT THE SUCCESSFUL BIDDER SHALL FAIL TO COMPLY WITH THE TERMS OF THE BID, THE PROCEEDS OF THE DEPOSIT AND ANY INVESTMENT INCOME THEREON WILL BE RETAINED AS AND FOR FULL LIQUIDATED DAMAGES. The checks, if any, of the unsuccessful bidders will be returned promptly after the Bonds are awarded.

Award of Bonds

As promptly as reasonably practicable after the bids are opened, the City will notify the bidder to whom the Bonds will be awarded, if and when such award is made.

ANY BIDS FOR LESS THAN ALL OF THE BONDS SHALL BE REJECTED BY THE CITY. THE CITY RESERVES THE RIGHT TO REJECT ANY AND ALL BIDS.

It is noted that the City has the right to award the Bonds by private negotiation at any time and may determine to exercise such right either before bids are submitted in response to this Notice of Sale or in the event that all bids are rejected. The City may so negotiate with, and make such award to, any person, including bidders hereunder.

Establishment of Issue Price

The successful bidder shall assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City at closing an “issue price” or similar certificate setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit A-1 or Exhibit A-2, as applicable, with such modifications as may be appropriate or necessary, in the reasonable judgment of the successful bidder, the City and Bond Counsel. All actions to be taken by the City under this Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the City by the City’s financial advisor identified herein and any notice or report to be provided to the City may be provided to the City’s financial advisor.

The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the “competitive sale requirements”) because:

- (1) the City shall disseminate this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the City may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the City anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Notice of Sale.

By submitting a bid, each bidder (i) confirms that its bid is a firm offer for the purchase of the Bonds identified in this Notice of Sale, on the terms set forth in its bid and this Notice of Sale, except as permitted by this Notice of Sale and (ii) represents that it has an established industry reputation for underwriting new issuances of municipal bonds.

In the event that the competitive sale requirements are not satisfied, the City shall so advise the successful bidder. The City may determine to treat (i) the first price at which ten percent (10%) of a maturity of the Bonds (the “10% test”) is sold to the public as the issue price of that maturity and/or (ii) the initial offering price to the public as of the sale date of any maturity of the Bonds as the issue price of that maturity (the “hold-the-offering-price rule”), in each case applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each separate CUSIP number within that maturity). The successful bidder shall advise the City if any maturity of the Bonds satisfies the 10% test as of the date and time of the award of the Bonds. The City shall promptly advise the successful bidder, at or before the time of award of the Bonds, which maturities (and if different interest rates apply within a maturity, which separate CUSIP number within that maturity) of the Bonds shall be subject to the 10% test or shall be subject to the hold-the-offering-price rule. Bids will not be subject to cancellation in the event that the City determines to apply the hold-the-offering-price rule to any maturity of the Bonds.

Bidders should prepare their bids on the assumption that some or all of the maturities of the Bonds will be subject to the hold-the-offering-price rule in order to establish the issue price of the Bonds.

By submitting a bid, the successful bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the “initial offering price”), or at the corresponding yield or yields, set forth in the bid submitted by the successful bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the sale date; or
- (2) the date on which the underwriters have sold at least ten percent (10%) of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The successful bidder shall promptly advise the City when the underwriters have sold ten percent (10%) of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

If the competitive sale requirements are not satisfied, then until the 10% test has been satisfied as to each maturity of the Bonds, the successful bidder agrees to promptly report to the City the prices at which the unsold Bonds of that maturity have been sold to the public. That reporting obligation shall continue, whether or not the closing has occurred, until the 10% test has been satisfied as to the Bonds of that maturity or until all Bonds of that maturity have been sold.

The City acknowledges that, in making the representation set forth above, the successful bidder will rely on (i) the agreement of each underwriter to comply with the hold-the-offering-price rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Bonds.

By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the successful bidder that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the successful bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the successful bidder or such underwriter that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the successful bidder or such underwriter and as set forth in the related pricing wires.

Sales of any Bonds to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

- (i) “public” means any person other than an underwriter or a related party,
- (ii) “underwriter” means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public),
- (iii) a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) at least fifty percent (50%) common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than fifty percent (50%) common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than fifty percent (50%) common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

- (iv) “sale date” means the date that the Bonds are awarded by the City to the successful bidder.

Revisions

The City may revise this Notice of Sale by written notice available to prospective bidders at the place of sale at the time, for submission of bids or by publishing notice of any revisions on TM3 at or before the time for submission of bids. Any bid submitted shall be in accordance with, and incorporate by reference, this Notice of Sale, including any revisions made pursuant to this paragraph.

Postponement of Sale

The City reserves the right to postpone, from time to time, the date established for the receipt of bids. Any such postponement will be announced by TM3 by notice given not later than 1:00 p.m., local Ocean City, Maryland time, on the last business day prior to any announced date for receipt of bids. If any date fixed for the receipt of bids and the sale of the Bonds is postponed, any alternative sale date will be announced via TM3 at least forty-eight (48) hours prior to such alternative sale date. In addition, the City reserves the right, on the date established for the receipt of bids, to reject all bids and establish a subsequent alternative sale date. If all bids are rejected and an alternative sale date for receipt of bids established, notice of the alternative sale date will be announced via TM3 not less than forty-eight (48) hours prior to such alternative sale date. On any such alternative sale date, any bidder may submit an electronic bid for the purchase of the Bonds in conformity in all respects with the provisions of this Notice of Sale except for the date of sale and except for any changes announced by TM3 at the time the alternative sale date and time are announced.

Approving Legal Opinion

The Bonds will be issued and sold subject to approval as to legality by McGuireWoods LLP, Bond Counsel. Copies of the legal opinion, substantially in the form included in the Preliminary Official Statement, will be delivered, upon request, to the purchaser or purchasers of the Bonds, without charge.

Preliminary Official Statement; Official Statement

Not later than seven (7) business days after the award of the Bonds to the successful bidder on the day of sale, the City will authorize an Official Statement, which is expected to be substantially in the form of the Preliminary Official Statement referred to below. If so requested by the purchaser or purchasers at or before the close of business on the date of the sale, the City will include in the Official Statement such pricing and other information with respect to the terms of the reoffering of the Bonds by the successful bidder (“Reoffering Information”), if any, as may be specified and furnished in writing by such bidder. If no Reoffering Information is specified and furnished by the successful bidder, the Official Statement will include the interest rates on the Bonds resulting from the bid of the successful bidder and the other statements with respect to reoffering contained in the Preliminary Official Statement. The successful bidder shall be responsible to the City and its officials for the Reoffering Information, and for all decisions made by such bidder with respect to the use or omission of the Reoffering Information in any reoffering of the Bonds, including the presentation or exclusion of any Reoffering Information in any documents, including the Official Statement. The successful bidder will also be furnished, without cost, with an electronic copy and a reasonable number of hard copies (not to exceed 10) of the Official Statement (and any amendments or supplements thereto).

Continuing Disclosure

In order to assist bidders in complying with SEC Rule 15c2-12(b)(5), the City will execute and deliver a continuing disclosure agreement on or before the date of issuance of the Bonds pursuant to which it will undertake to provide certain information annually and notices of certain events. A description of this agreement is set forth in the Preliminary Official Statement and will also be set forth in the Official Statement.

Delivery; Closing Papers

Delivery of the Bonds, without expense, will be made by the City to the purchaser or purchasers on or about December 11, 2025, or as soon as practicable thereafter, through the facilities of DTC in New York, New York, and, thereupon, said purchaser or purchasers will be required to accept delivery of the Bonds purchased and pay, in Federal funds, the balance of the purchase price due. When delivered, the Bonds shall be duly executed and authenticated and registered in the name of Cede & Co., as nominee of DTC, as registered owner of the Bonds. The Bonds will be accompanied by the customary closing documents, including a no-litigation certificate, effective as of the date of delivery, stating that there is no litigation pending

affecting the validity of any of the Bonds. It shall be a condition to the obligation of said purchaser or purchasers to accept delivery of and pay for the Bonds that, simultaneously with or before delivery and payment for the Bonds, said purchaser or purchasers shall be furnished a certificate or certificates of the Mayor of the City, the City Manager of the City and the Finance Director of the City to the effect that, to the best of their knowledge and belief, the Official Statement (and any amendment or supplement thereto) (except for the Reoffering Information provided by the purchaser and information regarding DTC and DTC's book-entry system provided by DTC, as to which no view will be expressed) as of the date of sale and as of the date of delivery of the Bonds does not contain any untrue statement of a material fact and does not omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading and that between the date of sale and the date of delivery of the Bonds there has been no material adverse change in the financial position or revenues of the City, except as reflected or contemplated in the Official Statement (and any amendment or supplement thereto).

Miscellaneous

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such number on any Bond nor any error with respect thereto shall constitute cause for failure or refusal by the successful bidder to accept delivery of and pay for the Bonds in accordance with the terms of this Notice of Sale.

The Preliminary Official Statement, together with this Notice of Sale, may be obtained from the Finance Director of the City, City Hall, 3rd Street and Baltimore Avenue, Ocean City, Maryland 21842, (410) 289-8941 or from the City's Financial Advisor, First Tryon Advisors, LLC, 1 Park Place, Suite 485, Annapolis, Maryland 21401, (410) 267-8811. Such Preliminary Official Statement is deemed final by the City as of its date for purposes of SEC Rule 15c2-12 but is subject to revision, amendment and completion in the Official Statement referred to above.

MAYOR AND CITY COUNCIL OF OCEAN CITY

\$ _____
Mayor and City Council of Ocean City
General Obligation Municipal Purpose Bonds of 2025

ISSUE PRICE CERTIFICATE
(Qualified Competitive Bid)

The undersigned, on behalf of [NAME OF PURCHASER] (the “Purchaser”), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the “Bonds”).

1. ***Reasonably Expected Initial Offering Price.***

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by the Purchaser are the prices listed in Schedule A (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Bonds used by the Purchaser in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by the Purchaser to purchase the Bonds.

(b) The Purchaser was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by the Purchaser constituted a firm offer to purchase the Bonds.

2. ***Defined Terms.***

(a) *Issuer* means Mayor and City Council of Ocean City.

(b) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(c) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this Certificate generally means any two or more persons who have greater than fifty percent (50%) common ownership, directly or indirectly.

(d) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is December 4, 2025.

(d) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Non-Arbitrage Certificate and Tax Covenants and with respect to compliance with the Federal income tax rules affecting the Bonds, and by McGuireWoods LLP, as bond counsel to the Issuer, in connection with rendering its opinion that the interest on the Bonds is excludable from gross income for Federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other Federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

[NAME OF PURCHASER],
as Purchaser

By: _____
Name: _____
Title: _____

Dated: _____, 2025

SCHEDULE A
Expected Offering Prices of the Bonds

SCHEDULE B
Copy of Bid

§ _____
Mayor and City Council of Ocean City
General Obligation Municipal Purpose Bonds of 2025

ISSUE PRICE CERTIFICATE
(Nonqualified Competitive Bid)

The undersigned, on behalf of [NAME OF PURCHASER] (the “Purchaser”), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”).

1. ***Sale of the 10% Maturities.*** As of the date of this Certificate, for each Maturity of the 10% Maturities Bonds, the first price at which a Substantial Amount of such Maturity of the Bonds was sold to the Public is the respective price listed in Schedule A.

2. ***Initial Offering Price of the Undersold Maturities.***

(a) Each Underwriter offered the Undersold Maturities to the Public for purchase at the respective initial offering prices listed in Schedule B (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this Certificate as Schedule C.

(b) As set forth in the Notice of Sale and bid award, each Underwriter has agreed in writing that, (i) for each Maturity of the Undersold Maturities, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Offering Period for such Maturity, nor would it permit a related party to do so (the “hold-the-price rule”) and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-price rule. Pursuant to such agreement, no Underwriter has offered or sold any Maturity of the Undersold Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Offering Period.

3. ***Defined Terms.***

(a) *10% Maturities* means those Maturities of the Bonds shown in Schedule A hereto as the “10% Maturities.”

(b) *Issuer* means Mayor and City Council of Ocean City.

(c) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(d) *Offering Period* means, with respect to an Undersold Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth (5th) business day after the Sale Date (December 11, 2025), or (ii) the date on which the Purchaser has sold a Substantial Amount of such Undersold Maturity to the Public at a price that is no higher than the Initial Offering Price for such Undersold Maturity.

(e) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this Certificate generally means any two or more persons who have greater than fifty percent (50%) common ownership, directly or indirectly.

(f) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is December 4, 2025.

(g) *Substantial Amount* means ten percent (10%).

(h) *Undersold Maturities* means those Maturities of the Bonds shown in Schedule B hereto as the “Undersold Maturities.”

(i) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Non-Arbitrage Certificate and Tax Covenants and with respect to compliance with the Federal income tax rules affecting the Bonds, and by McGuireWoods LLP, as bond counsel to the Issuer, in connection with rendering its opinion that the interest on the Bonds is excludable from gross income for Federal income tax purposes, the preparation of Internal Revenue Service Form 8038-G, and other Federal income tax advice it may give to the Issuer from time to time relating to the Bonds.

[NAME OF PURCHASER],
as Purchaser

By: _____
Name: _____
Title: _____

Dated: _____, 2025

SCHEDULE A
Sale Prices of the 10% Maturities

SCHEDULE B
Initial Offering Prices of the Undersold Maturities

SCHEDULE C
Pricing Wire