

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 22, 2026

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 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.



\$17,260,000*

Mayor and City Council of Ocean City, Maryland
General Obligation
Municipal Purpose Bonds of 2026

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, 2027
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 November 12, 2026
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
Municipal Advisor:	First Tryon Advisors, LLC, Annapolis, MD

**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 November 12, 2026.

* Preliminary, subject to change

\$17,260,000*

**MAYOR AND CITY COUNCIL OF OCEAN CITY, MARYLAND
GENERAL OBLIGATION
MUNICIPAL PURPOSE BONDS OF 2026**

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>
2028	\$385,000				2038	\$855,000			
2029	555,000				2039	900,000			
2030	580,000				2040	945,000			
2031	610,000				2041	995,000			
2032	640,000				2042	1,040,000			
2033	670,000				2043	1,095,000			
2034	705,000				2044	1,150,000			
2035	740,000				2045	1,205,000			
2036	780,000				2046	1,265,000			
2037	815,000				2047	1,330,000			

* 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

William C. Savage, Secretary

Peter S. Buas

John F. Gehrig, Jr.

Jeff Heiser

Jake Mitrecic

Carol L. Proctor

CERTAIN APPOINTED OFFICIALS

Terence J. McGean - City Manager

Heather Stansbury – City Solicitor

Diana L. Chavis – City Clerk

Shawn Bunting, CPA – Finance Director

Brad Parks – 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

MUNICIPAL 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.

References to website addresses presented herein, including the Town’s website or any other website containing information about the Town, are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for any purpose including for purposes of Rule 15c2-12.

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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

\$17,260,000* General Obligation Municipal Purpose Bonds of 2026, 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, 2027.

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, 2026
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, 2026	\$12,455,815,546 ⁽²⁾
Estimated market value of all taxable real and personal property June 30, 2026	\$12,455,815,546
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 2026 and percentage of fiscal year 2026 levy collected in year of levy	
Amount	\$56,516,094 ⁽⁴⁾
Percentage	98.61%
Legal debt margin ⁽⁵⁾	\$490,025,362

(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, 2025 for 2026 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

\$17,260,000*

Mayor and City Council of Ocean City, Maryland General Obligation Municipal Purpose Bonds of 2026

INTRODUCTION

General

The purpose of this Official Statement, including the cover page and appendices, is to provide information with respect to the \$17,260,000* Mayor and City Council of Ocean City General Obligation Municipal Purpose Bonds of 2026 (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 are the Oceans Calling and Country Calling music festivals, Sunfest, Winterfest of Lights, Springfest, the Ocean City Air Show, 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 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 a multitude of championship golf courses in the Ocean City area, making it a popular destination for golfers. 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, tradeshow, 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 \$11 million in fiscal year 2026. For the year ended June 30, 2026, room sales (based on room tax revenues) decreased by 3.55% from the prior fiscal year. However, room tax revenue increased during the fiscal year by over 3.05%, to \$26.4 million, because of a January 2026 increase in the room tax rate from 5% to 6%. Food and beverage sales (also based on tax collections) were flat during fiscal year 2026, with \$1.9 million in food tax revenue collected during each of the last two fiscal years.

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. 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 and Traders Trust Company will act as Bond Registrar and Paying Agent (the "Bond Registrar" and 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, 2027, 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. 2026-20 of the City, adopted and approved on September 8, 2026.

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 water treatment plant project (the “Water Project Portion”) are payable in the first instance from the proceeds of the operations of the water treatment plant project, including but not limited to user fees, benefit assessments, connection, service and other charges as may be levied, imposed or collected by the City. If the proceeds of the operations of the water treatment plant project as collected by the City are insufficient to provide for the payment of the principal of and interest on the Water Project 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 principal of and interest on that portion of the Bonds that is attributable to the acquisition, construction and/or improvements to the Convention Center (the “Convention Center Portion”) are payable in the first instance from the proceeds of

a food and beverage tax to be levied and collected by the County Commissioners of Worcester County, Maryland, for such purpose pursuant to Section 20-602 of the Local Government Article of the Annotated Code of Maryland, as amended (the “Food and Beverage Tax”). If the proceeds of the Food and Beverage Tax are insufficient to provide for the payment of the principal of and interest on the Convention Center 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, user fees, benefit assessments, connection, service and other charges as may be levied, imposed or collected by the City and the Food and Beverage Tax, shall provide sufficient funds to meet the maturing principal of and interest on the Water Project Portion or the Convention Center Portion of the Bonds, the proceeds of the sale of which are to be applied in part to the costs of the City water treatment plant project and the Convention Center 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 equal to 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).

So long as a nominee of DTC is the registered owner of the Bonds, references herein to the bondholders or the holders or owners of the Bonds shall mean DTC and shall not mean the Beneficial Owners of the Bonds. The City will recognize DTC or its nominee as the holder of all of the Bonds for all purposes, including the payment of the principal or redemption price of and interest on the Bonds, as well as the giving of notices and any consent or direction required or permitted to be given to or on behalf of the bondholders. Any failure of DTC to advise any Direct Participant or of any Direct Participant to notify any Indirect Participant or any Beneficial Owner, of any such notice and its content or effect will not affect the validity of the proceedings for the redemption of the Bonds or of any other action premised on such notice. The City will not have any responsibility or obligation to Participants or Beneficial Owners with respect to: 1) the accuracy of any records maintained by DTC or by any Participant; 2) the payment by DTC or by any Participant of any amount with respect to the principal of, premium, if any, or interest on the Bonds; 3) any notice which is permitted or required to be given to bondholders; 4) any consent given by DTC or other action taken by DTC as bondholder; or 5) the selection by DTC or any Participant of any Beneficial Owner to receive payment in the event of partial redemption of the Bonds.

So long as the Bonds are held by DTC under a book-entry system, 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 Bond Registrar and 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, the Bond Registrar and 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 on the Bonds 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 Bond Registrar and 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.

The City cannot give any assurances that DTC or the Participants will distribute payments of the principal or redemption price of and interest on the Bonds paid to DTC or its nominee, as the registered owner of the Bonds, or any redemption or other notices, to the Beneficial Owners or that they will do so on a timely basis or that DTC will serve and act in the manner described in this Official Statement. DTC may charge the Participants a sum sufficient to cover any tax, fee or other governmental charge that may be imposed for every transfer and exchange of a beneficial interest in the Bonds, and the Participants may seek reimbursement therefor from the Beneficial Owners.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City, the Bond Registrar and 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 Paying Agent and such Bonds will be exchanged for Bonds registered in the names of the Participants or the Beneficial Owners identified to the Bond Registrar and Paying Agent. 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 or 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 or Indirect Participants, or Beneficial Owners. The City cannot and does not give any assurance that the Direct or Indirect Participants or others will distribute principal and interest payments paid to DTC or its nominees, as the registered owner, or any redemption or other 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 municipal advisor to the City, 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 (the "Tax Certificate") 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 Bond 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.

Tax Exemption – State of Maryland Taxation

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 do 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.

Internal Revenue Service Audits

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.

Changes in Federal and State Tax Law and Regulations

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.

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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.

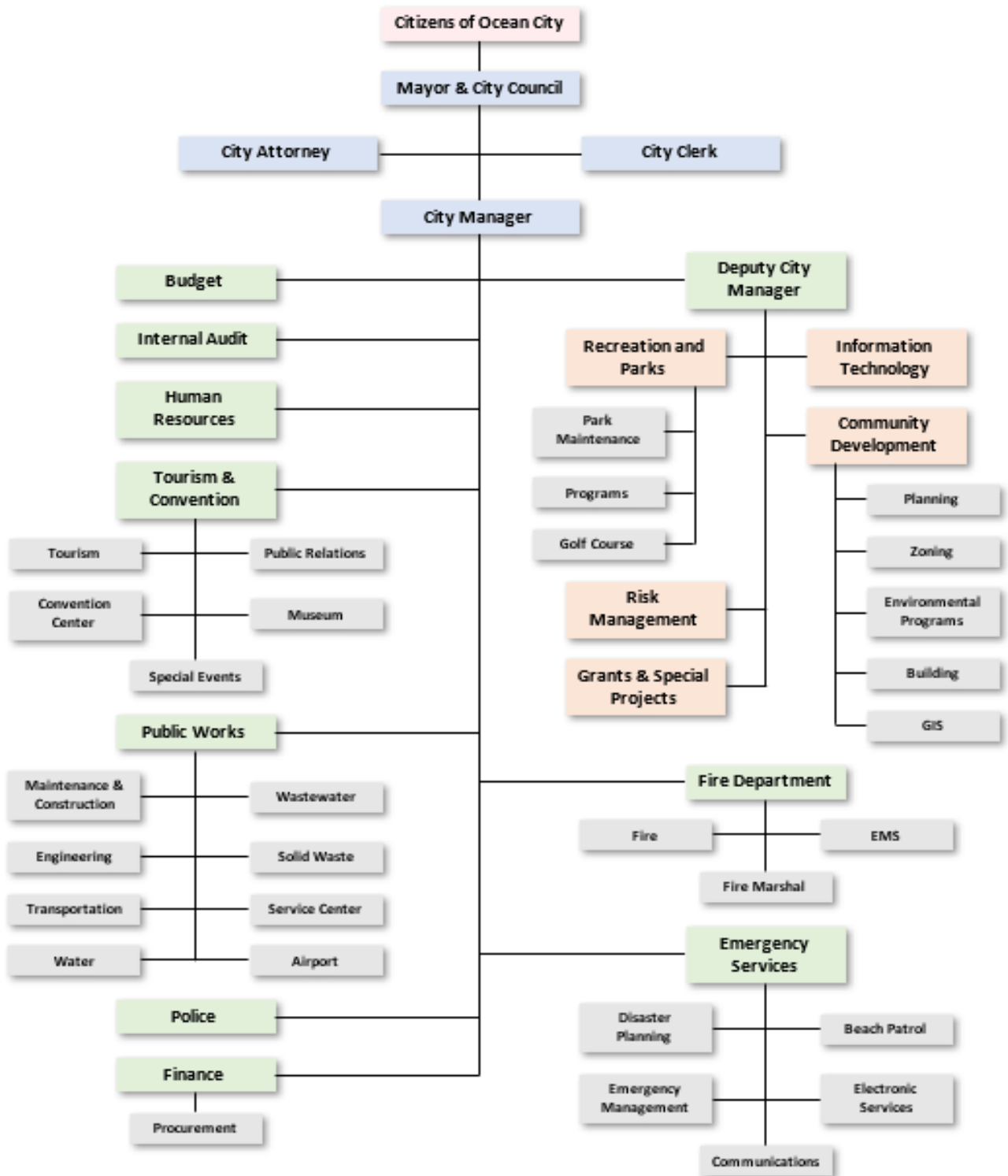
Additionally, the City Manager serves as the chief financial officer of the City and is responsible for all municipal financial affairs. Under the supervision of the Council, the City Manager has the authority and is required to (a) keep an accurate account of the receipts and disbursements of the funds 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 2026**



Certain City Officials

Mayor

RICHARD W. MEEHAN, Mayor — age 77, 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 Governor's Economic Development Committee, Downtown Association and Chamber of Commerce.

City Council

MATTHEW M. JAMES, Council President — age 33, 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 of the Tourism Commission, serves on the Police Commission and is a liaison on the Noise Board.

WILLIAM C. (WILL) SAVAGE III, Council Secretary — age 47, 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.

PETER S. BUAS, Council Member — age 35, was reelected to the City Council in May 2026. Mr. Buas graduated from the University of Maryland, College Park in 2013, and the University of Baltimore School of Law in 2016. After being admitted to the Maryland Bar in 2016, he served a two-year clerkship with the Circuit Court for Worcester County. There, he worked closely with several respected judges, gaining valuable experience in litigation, administrative law, and courtroom procedure. In 2018, Peter joined the law firm of Williams, Moore, Shockley & Harrison, LLP, where he was elected as a partner in 2023. In 2024, the firm separated, with Peter and Raymond C. Shockley establishing Coastal Law Office, LLC. Peter previously served on the City Council from 2020 to 2024, and chaired several key bodies, including the Police Commission, the Coastal Resources Legislative Committee, and the Risk Retention Committee. In addition, he serves in several community roles, including as a Board Member of Diakonia, Inc., and as both a Board Member and Board Attorney for the Henry Hotel Foundation and the Ocean City Museum Society, Inc.

JOHN F. GEHRIG, JR., Council Member — age 57, 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.

JEFF HEISER, Council Member — age 52, was elected to the City Council in May 2026. Mr. Heiser made Ocean City his permanent home in 1999, embracing the community he had already come to know and appreciate. Raised in Howard County, Maryland, he grew up working in his family's small businesses—operating a gas station, deli, and snow cone stand—while earning his bachelor's degree in Criminal Justice from the University of Baltimore. Before joining the Ocean City Police Department as a seasonal officer in 1998, Jeff also worked as a lifeguard and in the restaurant industry as a server and bartender, experiences that strengthened his connection to both residents and visitors alike. Over the course of his 27-year law enforcement career, Jeff served in every division and at nearly every rank within the Ocean City Police Department. In 2020, he was honored as Officer of the Year, a recognition of his leadership and dedication to the community. He retired as a Lieutenant in 2024 and continues to train new police officers as an instructor at the Eastern Shore Criminal Justice Academy.

JAKE MITRECIC, Council Member — age 35, 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 59, 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.

Administrative

TERENCE J. MCGEAN, City Manager — age 62, 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, Schu and Jernigan, Civil Engineer Consultants, as a Design Engineer and Construction Manager.

HEATHER STANSBURY, City Solicitor — age 46, holds a B.A. degree from Towson University and a J.D. degree from the 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 63, 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.

SHAWN P. BUNTING, Finance Director — age 47, received a B.S. degree in Accounting from Salisbury University and is a Certified Public Accountant. He has served as the Finance Director since April 2026 after eight years as the Assistant Finance Director. Prior to working for the Town, he was employed by a regional public accounting firm, primarily as an auditor of local governments, financial institutions and nonprofits.

RICHARD J. AUSTIN, Chief of Police — age 57, 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 Investigations 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 72, 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 service 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 63, 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, and 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, 2026, the plan's market value of assets was \$85,815,616 and the unfunded actuarial liability was \$4,456,589 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 2026 of \$3,359,117 was made in accordance with actuarially determined contributions computed through an actuarial valuation performed as of April 1, 2025. Employer contributions represented 33.70% 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 2014-2025. For fiscal years 2026, 2025, and 2024, available assets were sufficient to fund 95.06%, 88.21%, and 83.00% of the pension liability, respectively. Net pension liability represented 44.72%, 102.33%, and 134.38% of the annual payroll for employees covered by the plan for 2026, 2025, and 2024. In addition, for the years 2026, 2025, and 2024, the City's contributions to the plan, all made in accordance with actuarially determined contributions, were 33.70%, 31.48%, and 32.49%, respectively, of annual covered payroll. Employee contributions were \$500,017 for fiscal year 2026.

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, 2026, the plan's actuarial value of assets was \$108,917,977 and the unfunded actuarial liability was \$9,548,341. For fiscal year 2026, the City's total covered payroll for public safety employees was \$17,018,744.

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 to 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 2026, employer contributions totaling \$5,608,089 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, 2025 and equaled 32.95% of covered payroll. Employee contributions in fiscal year 2026 were \$1,502,522. For the three years ended 2026, 2025, and 2024, available assets were sufficient to fund 91.94%, 86.39%, and 81.62% of the pension liability. Net pension liability represented 56.10%, 94.68%, and 122.18% of the annual payroll for employees covered by the plan for 2026, 2025, and 2024, respectively. In addition, for the years 2026, 2025, and 2024, the City's contributions to the plan, all made in accordance with actuarially determined requirements, were 32.95%, 31.89%, and 36.46%, 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 \$1,158,795 for the year ended June 30, 2026. The market value of the 401(a) plan assets totaled \$16,855,856 as of June 30, 2026.

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, 2026, 245 employees were eligible for and receiving the benefit at an actual cost of \$1,369,951, which was net of employee contributions.

In 2008, the City created a trust fund to fund the unfunded OPEB liability. As of June 30, 2026, the liability for benefits was \$31,554,057 and the value of assets, at market, was \$49,950,881 resulting in a net OPEB asset of \$18,396,824. The City implemented GASB 75 in fiscal year 2018 and the actuarial liability was calculated using entry age normal actuarial method for 2026 and 2025. The City did not make contributions for fiscal years 2023 through 2026. The City is amortizing the net OPEB liability over 20 years.

Labor Relations

As of June 30, 2026, the City employed 627 persons full-time. During the summer season, the City work force increased to 1,174 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, 2026, the claims liability was \$3,629,951, and the fund had cash and investments of \$5,429,853 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. 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 2026. Real and personal property tax revenues provided approximately 43% of total General Fund revenues with room taxes and income taxes providing an additional 22% of such revenues. Revenues from licenses and permits provided approximately 5% of total General Fund revenues in fiscal year 2026. 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)

	2026	2025	2024	2023	2022
Revenues					
Property taxes	\$56,516,094	\$50,720,938	\$45,858,260	\$45,303,438	\$45,068,278
Other taxes	35,086,956	32,229,233	32,386,155	32,831,876	27,250,010
Licenses and permits	6,555,726	5,957,408	5,252,579	5,484,819	4,651,042
Fines and forfeitures	1,620,270	1,704,117	1,586,057	1,325,477	2,023,412
Charges for current services	15,751,335	13,342,818	13,686,553	12,678,021	12,492,503
Revenue from other agencies	11,455,371	9,753,373	8,144,601	10,186,785	10,729,203
Other revenue	5,689,466	4,950,283	5,828,710	3,995,844	1,057,940
<i>Total revenues</i>	<i>\$132,675,218</i>	<i>\$118,658,170</i>	<i>\$112,742,915</i>	<i>\$111,806,260</i>	<i>\$103,272,388</i>
Expenditures					
Current:					
General government	\$6,261,805	\$6,305,483	\$5,330,844	\$5,056,744	\$3,825,713
Public safety	55,282,485	47,476,435	46,211,906	42,388,977	40,508,410
General public works and beach	8,529,321	8,035,579	7,842,040	6,516,942	7,021,976
Sanitation and waste removal	8,521,203	7,902,945	7,472,988	7,296,019	6,900,994
Highways and streets	7,948,876	7,560,574	6,716,715	6,676,974	6,582,153
Economic development - tourism	17,526,388	17,935,704	17,195,978	15,640,246	7,520,991
Recreation and culture	9,879,809	9,014,394	8,298,975	9,027,997	8,250,889
Capital outlay	7,089,708	14,062,455	17,481,976	5,557,264	6,555,386
Debt service:					
Principal retirement	4,018,210	4,488,086	4,493,706	4,635,894	3,848,029
Interest and fiscal charges	1,481,301	2,550,630	1,371,892	1,719,773	1,308,261
Bond issuance costs	35,525	-	96,549	27,376	161,625
<i>Total expenditures</i>	<i>\$126,574,631</i>	<i>\$125,332,285</i>	<i>\$122,513,569</i>	<i>\$104,544,206</i>	<i>\$92,484,427</i>
<i>Excess (deficiency) of revenues over expenditures</i>	<i>\$6,100,587</i>	<i>\$ (6,674,115)</i>	<i>\$ (9,770,654)</i>	<i>\$7,262,054</i>	<i>\$10,787,961</i>
Other financing sources (uses)					
Bonds and notes issued	\$2,123,283	-	\$8,109,444	\$11,366,104	\$16,725,979
Premium on bonds issued	177,396	-	750,227	-	1,789,3007
Payment to refunded bond escrow agent	-	-	-	(11,180,683)	-
Transfers in	3,822,743	\$3,537,014	7,528,926	5,389,600	6,533,178
Transfers out	(10,070,720)	(8,650,229)	(12,129,500)	(8,794,672)	(9,221,859)
<i>Total other financing sources (uses)</i>	<i>\$(3,947,298)</i>	<i>\$(5,113,215)</i>	<i>\$4,259,097</i>	<i>\$(3,219,651)</i>	<i>\$15,826,605</i>
<i>Net change in fund balances</i>	<i>\$2,153,289</i>	<i>\$ (11,787,330)</i>	<i>\$(5,511,557)</i>	<i>\$4,042,403</i>	<i>\$26,614,566</i>
Debt service as a % of noncapital expenditures	4.7%	6.3%	5.7%	6.5%	6.0%

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
2026	\$56,516,094	\$26,417,926	\$3,941,564	\$2,373,024	\$2,354,442	\$91,603,050
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

(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, 2026, 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
2026	\$12,219,658,278	\$7,032,435	\$229,124,833	\$12,455,815,546	\$0.4426
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

Year	Direct Rate	Overlapping Rates		Total
	Town of Ocean City	Worcester County	State of Maryland	
2026	\$0.4426	\$0.8150	\$0.1120	\$1.3696
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

Source: Ocean City Finance Department

The fiscal year 2027 real property tax rate is reduced by one cent to \$0.4326 per \$100 based on an assessable base of \$13,527,143,162 estimated by the State Department of Assessment and Taxation at market value on July 1, 2026. 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
2026	\$56,516,094	\$55,732,399	98.61%	\$ -	\$55,732,399	98.61%
2025	\$50,720,938	\$49,503,587	97.60%	\$1,211,779	\$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%

Source: Ocean City Finance Department

The table below, for fiscal year 2026, 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.

Taxpayer	Taxable Assessed Value	Percentage of Total Taxable Assessed Value
Americana Stowaway Motel, Inc.	\$79,914,907	0.64%
Delmarva Power	69,623,736	0.56
Harrison Inn Stardust, Inc.	64,290,947	0.52
91 st Street Joint Venture, LLC	46,930,670	0.38
OCMD Hotel Owner LLC	38,704,880	0.31
Ocean City Hotels LLC	36,296,440	0.29
Inns of Ocean City, LLC	27,052,257	0.22
Ocean I Hospitality LLC	26,705,910	0.21
Harrison QI 33 LLC	26,610,917	0.21
Harrison Inn 66 Business Trust	25,739,733	0.21
	\$441,870,397	3.55%
Total taxable assessed value	\$12,455,815,546	

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 \$26,417,926 and \$3,941,564, respectively, for fiscal year 2026.

STATE AND FEDERAL ASSISTANCE

During fiscal year 2026, the City's General Fund revenues from the Federal government, the State of Maryland, and Worcester County aggregated \$9,799,645. The City's General Fund operating budget for fiscal year 2027 includes approximately \$8.31 million in federal, State of Maryland and Worcester County aid.

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues				
Property taxes	\$56,486,104	\$56,426,104	\$56,516,094	\$89,990
Other taxes	31,398,000	32,621,305	35,086,956	2,465,651
Licenses and permits	5,435,162	6,523,732	6,555,726	31,994
Fines and forfeitures	1,458,600	1,573,720	1,620,270	46,550
Charges for current services	13,798,402	14,582,060	15,440,957	858,897
Revenue from other agencies	7,570,854	9,625,225	9,799,644	174,419
Other revenue	1,835,044	3,050,616	5,160,477	2,109,861
<i>Total revenues</i>	<u>\$117,982,166</u>	<u>\$124,402,762</u>	<u>\$130,180,124</u>	<u>\$5,777,362</u>
Expenditures				
Current:				
General government	\$5,898,139	\$6,181,310	\$5,995,841	\$(185,469)
Public safety	50,964,987	54,338,236	55,271,319	933,083
General public works and beach	7,944,888	8,055,312	7,870,309	(185,003)
Sanitation and waste removal	8,435,953	8,553,230	8,521,203	(32,027)
Highways and streets	7,009,012	7,079,655	6,790,111	(289,544)
Economic development - tourism	15,111,430	18,173,238	17,526,388	(646,850)
Recreation and culture	9,767,781	9,930,440	9,879,809	(50,631)
Debt service:				
Principal	4,018,210	4,018,210	4,018,210	-
Interest	1,504,941	1,504,941	1,481,301	(23,640)
<i>Total expenditures</i>	<u>\$110,655,341</u>	<u>\$117,834,572</u>	<u>\$117,354,491</u>	<u>\$(480,081)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>\$7,326,825</u>	<u>\$6,568,190</u>	<u>\$12,825,633</u>	<u>\$6,257,443</u>
Other financing sources (uses)				
Transfers in	-	-	\$301,248	\$301,248
Transfers out	\$(9,265,004)	\$(9,635,318)	(9,769,472)	(134,154)
<i>Total other financing sources (uses)</i>	<u>\$(9,265,004)</u>	<u>\$(9,635,318)</u>	<u>\$(9,468,224)</u>	<u>\$167,094</u>
<i>Net change in fund balances</i>	<u>\$(1,938,179)</u>	<u>\$(3,067,128)</u>	<u>\$3,357,409</u>	<u>\$6,424,537</u>

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, 2026, 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	\$ 300,000
Municipal Purpose Bonds of 2015	2035	2.00-5.00%	16,760,000	9,980,000
Municipal Refunding Bond of 2016A	2027	1.92%	5,266,000	1,293,000
Property Acquisition Bond of 2016B	2027	2.70%	1,350,000	152,000
Municipal Purpose Bond of 2017A	2027	2.50%	1,600,000	178,472
Municipal Purpose Bond of 2018	2038	3.00-5.00%	25,795,000	20,060,000
Municipal Purpose Bonds of 2020	2040	2.00-5.00%	6,650,000	5,985,000
Refunding Bonds of 2020	2031	5.00%	6,750,000	3,450,000
Municipal Purpose Bonds of 2021	2042	2.00-5.00%	26,115,000	22,515,000
Municipal Refunding Bonds of 2022	2033	1.71%	16,900,000	7,950,000
Municipal Purpose Bonds of 2023	2044	4.00-5.00%	26,115,000	24,540,000
Municipal Purpose Bonds of 2024	2045	4.00-5.00%	4,815,000	4,685,000
Municipal Purpose Bonds of 2025	2046	4.00-5.00%	47,360,000	47,360,000
Total Bonds			<u>\$189,576,000</u>	<u>\$148,448,472</u>

Source: Ocean City Finance Department

Legal Debt Margin

The table sets forth the City’s legal debt margin at June 30, 2026 as adjusted to reflect the issuance of the Bonds.

Calculation of Legal Debt Margin

Assessed basis of taxable real and personal property	\$12,455,815,546
Maximum general obligation debt (limited to 5.2% of assessed valuation*)	\$647,702,408
Outstanding bonds including premium to be amortized	\$157,677,046
Bonds issued as described in this Official Statement	<u>\$17,260,000 **</u>
Net chargeable to bond limit	\$174,937,046 **
Legal debt margin at June 30, 2026, as adjusted	\$472,765,362 **

* 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, 2026:

	Original Issue	Amount Outstanding as of 6/30/2026
Total DNR Soil Erosion Control Loans	\$297,171	\$64,440

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 of June 30, 2026. 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.

Jurisdiction	Debt Outstanding	Percentage Applicable to the Town ⁽¹⁾	Amount Applicable to the Town
Direct			
Town of Ocean City	\$48,237,303	100.0%	\$48,237,303
Overlapping			
Worcester County	59,422,184	54.0%	32,108,142
Total Direct and Overlapping Debt	\$107,659,487		\$80,345,445

(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:

Fiscal Year	Debt ⁽¹⁾	Estimated Population ⁽²⁾	Assessed Value ⁽³⁾	Debt per Capita ⁽⁴⁾	Percentage of Assessed Value ⁽⁴⁾
2026	\$160,628,306	6,840	\$12,455,815,546	\$23,484	1.29%
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%

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,									
2027	\$ 8,826,472	\$ 5,901,246	\$ 877,268	\$ 61,283	\$ 16,110	\$ -	\$ 9,719,850	\$ 5,962,529	\$ 15,682,379
2028	8,732,000	5,346,524	593,573	44,509	16,110	-	9,341,683	5,391,033	14,732,716
2029	8,440,000	4,986,144	619,823	29,568	16,110	-	9,075,933	5,015,712	14,091,645
2030	8,815,000	4,620,157	391,186	15,783	16,110	-	9,222,296	4,635,940	13,858,236
2031	9,185,000	4,249,602	404,970	6,864	-	-	9,589,970	4,256,466	13,846,436
2032	8,780,000	3,882,155	-	-	-	-	8,780,000	3,882,155	12,662,155
2033	9,105,000	3,556,217	-	-	-	-	9,105,000	3,556,217	12,661,217
2034	8,225,000	3,241,275	-	-	-	-	8,225,000	3,241,275	11,466,275
2035	8,540,000	2,919,388	-	-	-	-	8,540,000	2,919,388	11,459,388
2036	8,860,000	2,603,675	-	-	-	-	8,860,000	2,603,675	11,463,675
2037	8,000,000	2,292,688	-	-	-	-	8,000,000	2,292,688	10,292,688
2038	8,310,000	1,986,700	-	-	-	-	8,310,000	1,986,700	10,296,700
2039	6,550,000	1,687,700	-	-	-	-	6,550,000	1,687,700	8,237,700
2040	6,795,000	1,441,300	-	-	-	-	6,795,000	1,441,300	8,236,300
2041	6,535,000	1,184,600	-	-	-	-	6,535,000	1,184,600	7,719,600
2042	6,760,000	956,300	-	-	-	-	6,760,000	956,300	7,716,300
2043	5,280,000	719,600	-	-	-	-	5,280,000	719,600	5,999,600
2044	5,490,000	508,400	-	-	-	-	5,490,000	508,400	5,998,400
2045	3,720,000	288,800	-	-	-	-	3,720,000	288,800	4,008,800
2046	3,500,000	140,000	-	-	-	-	3,500,000	140,000	3,640,000
	<u>\$148,448,472</u>	<u>\$ 52,512,471</u>	<u>\$ 2,886,820</u>	<u>\$ 158,007</u>	<u>\$ 64,440</u>	<u>\$ -</u>	<u>\$ 151,399,732</u>	<u>\$ 52,670,478</u>	<u>\$ 204,070,210</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 2026**

Fiscal Year	Total Town Debt Service	Principal	Interest	Adjusted Total Town Debt Service
2026 - 27	\$15,682,389			
2027 - 28	14,732,716			
2028 - 29	14,091,646			
2029 - 30	13,858,236			
2030 - 31	13,846,435			
2031 - 32	12,662,156			
2032 - 33	12,661,217			
2033 - 34	11,466,275			
2034 - 35	11,459,388			
2035 - 36	11,463,674			
2036 - 37	10,292,688			
2037 - 38	10,296,700			
2038 - 39	8,237,700			
2039 - 40	8,236,300			
2040 - 41	7,719,600			
2041 - 42	7,716,300			
2042 - 43	5,999,600			
2043 - 44	5,998,400			
2044 - 45	4,008,800			
2045 - 46	3,640,000			
2046 - 47	-			
	\$204,070,220			

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
2026	\$5,499,511	\$130,180,124	4.22%
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 2027

The City does not intend to issue additional general obligation debt in the 2027 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 2027 of \$154.3 million, of which \$123.0 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 125 year-round sworn Police Officers and 12 civilians. 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 72 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 63 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 224 trained Surf Rescue Technicians seasonally.

Hospitals, Medical Care and Public Health

The nearest hospital to the City is TidalHealth Atlantic 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. A major upgrade to the wastewater primary influent headworks was started during 2026.

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 30,000 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.

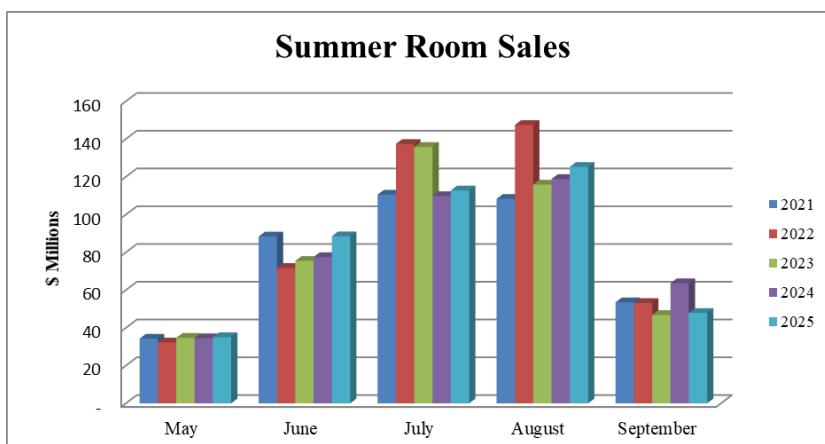
The weekend shoulder season continues to grow with an average of 107,000 visitors in Ocean City weekends in March and April, and 140,000 people in the resort during weekends in September and October.

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 and condominium rentals for peak tourism months during 2021-2025 are shown in the below chart.



Source: Ocean City Finance Department.

The total room taxes generated by hotel, motel and condominium rentals over the past five fiscal years are shown below:

Fiscal Year	Total Room Tax	% Change
2026	\$26,417,926	3.05%
2025	\$25,636,773	0.95%
2024	\$25,394,524	(5.50)%
2023	\$26,872,726	22.09%
2022	\$22,010,166	-

Source: Ocean City Finance Department

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.

	Ocean City	Worcester County	Dorchester County	Somerset County	Wicomico County	State of Maryland
Elementary (Grades K-8)	1.5%	1.6%	4.8%	3.1%	2.6%	4.0%
High School						
No Diploma.....	3.6%	4.4%	8.9%	10.2%	6.6%	4.8%
Diploma (Graduate)	24.5%	28.9%	39.5%	41.8%	33.4%	23.4%
College						
No degree.....	20.7%	21.5%	20.0%	18.5%	19.1%	17.4%
Associate's degree	8.0%	8.3%	7.4%	7.0%	8.7%	6.8%
Bachelor's degree	25.3%	21.4%	12.0%	11.8%	17.8%	22.7%
Graduate/Professional degree	16.4%	13.9%	7.4%	7.6%	11.7%	20.8%

Source: U.S. Census Bureau, 2024 American Community Survey, 5-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.....	95.85%
State of Maryland	87.55%

Source: Maryland Report Card 2025 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
2024	\$3,997,677	\$496,413,907	6.5%	5.8%
2023	\$3,754,262	\$469,239,606	4.9%	7.1%
2022	\$3,579,311	\$438,306,389	3.9%	2.5%
2021	\$3,445,934	\$427,803,175	10.3%	6.8%
2020	\$3,124,288	\$400,749,976	5.9%	5.3%

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Updated February 5, 2026

Construction Activity

Building permit data for the fiscal years 2017-2026 are shown below:

Number and Valuation of Building Permits Issued		
Fiscal Year	Number	Valuation
2026	1,977	\$104,374,365
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

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, 2026.

MUNICIPAL ADVISOR

First Tryon Advisors, LLC is acting as municipal advisor (the "Municipal Advisor") to the City in connection with the sale and issuance of the Bonds. The Municipal 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 Municipal 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 Municipal 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 October 29, 2026, 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

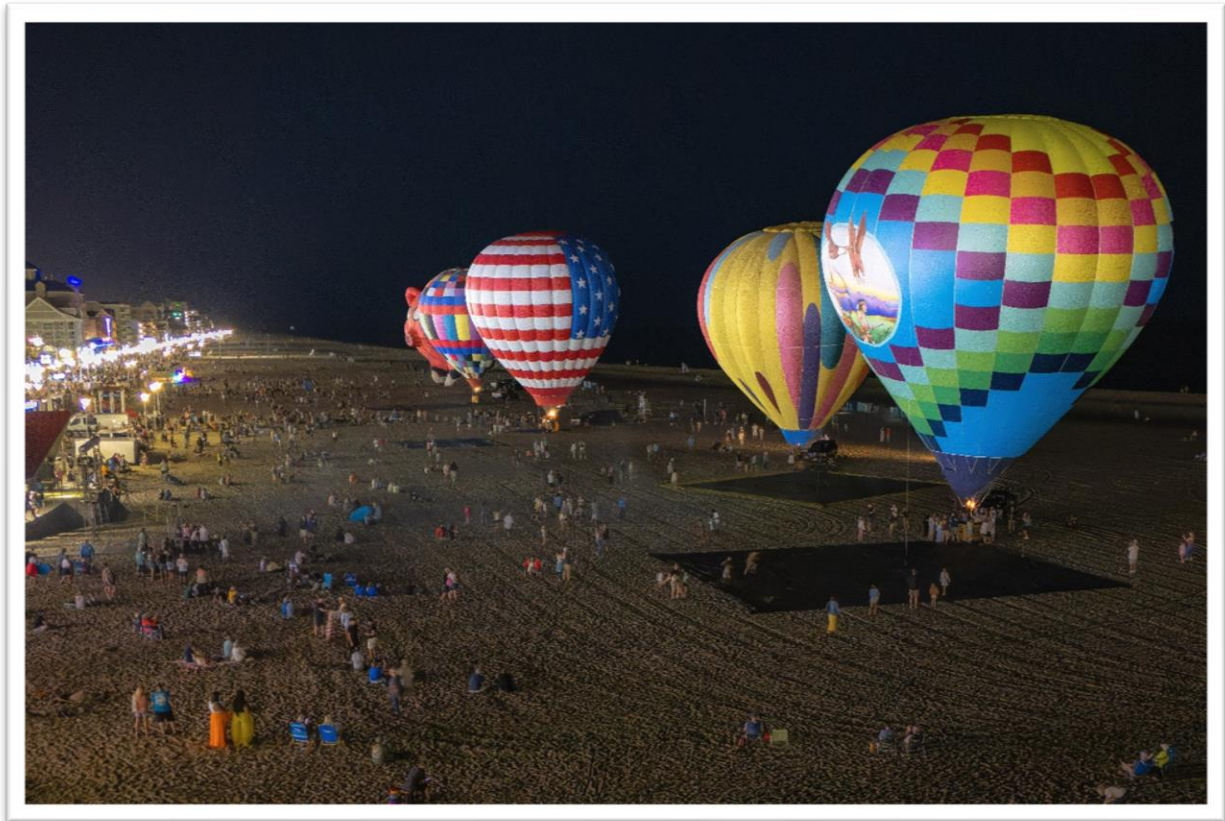
BY: _____

Richard W. Meehan
Mayor

TOWN OF OCEAN CITY, MARYLAND

ANNUAL COMPREHENSIVE FINANCIAL REPORT

for the Fiscal Year Ended June 30, 2026



PREPARED BY:

Finance Department

Terence J. McGean, PE
City Manager

Shawn P. Bunting, CPA
Finance Director

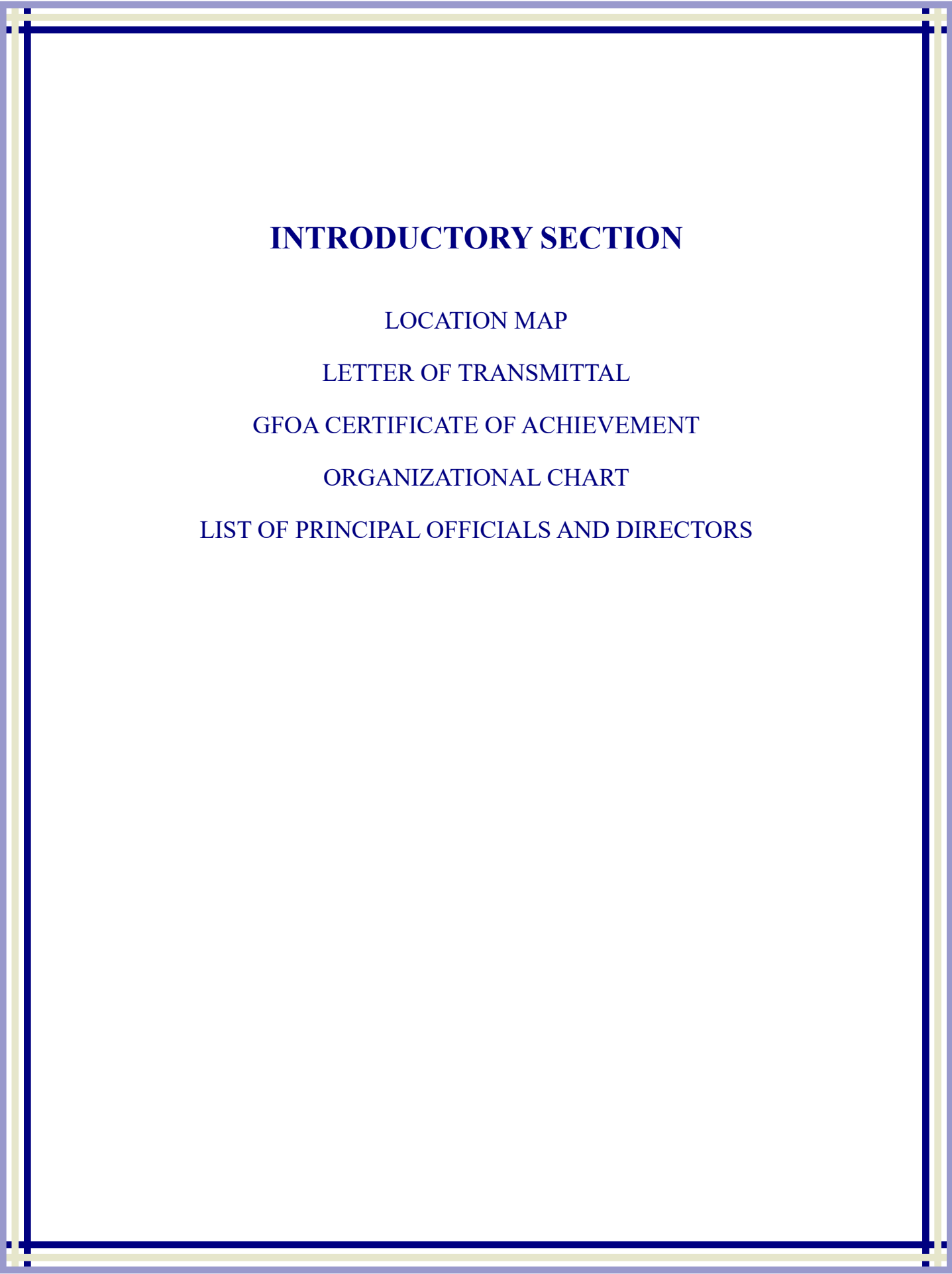


Town of Ocean City, Maryland
Annual Comprehensive Financial Report
for the Fiscal Year Ended June 30, 2026

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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 9, 2026

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 2026 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, 2026. 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, 2026, 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

WILLIAM C. SAVAGE III
Secretary

PETER S. BUAS
JOHN F. GEHRIG, JR.
JEFF HEISER
JACOB H. MITRECIC
CAROL PROCTOR

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 budgetary comparison schedule for the General Fund is presented in the financial section of this report. The Town maintains sound budgeting practices with a focus on multi-year planning.

ECONOMIC CONDITIONS

A destination resort, the Town 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 the Oceans Calling and Country Calling music festivals, Sunfest, Winterfest of Lights, Springfest, the Ocean City Air Show, 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 (on 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 a multitude of championship golf courses located within 10-15 miles of the Town, making it a popular destination for golf packages. 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 of more than \$11 million for fiscal year 2026. For the year ended June 30, 2026, room sales (based on room tax revenues) decreased by 3.55% from the prior fiscal year. However, room tax revenue increased during FY 2026 by over 3.05%, to \$26.4 million, because of a January 2026 increase in the room tax rate from 5% to 6%. Food and beverage sales (also based on tax collections) were flat during FY 2026, with \$1.9 million in food taxes collected during both of the last two fiscal years.

There were 1,977 construction permits issued in FY 2026, compared to 1,780 in FY 2025. The estimated value of construction in FY 2026 was \$104.4 million, about \$200,000 less than FY 2025. The following is a sample of projects that are under construction or in the permitting process as of June 30, 2026:

<u>Location</u>	<u>Number of Units</u>	<u>Construction Type</u>	<u>Construction Value</u>
9507 Coastal Hwy.	N/A	Commercial Building	\$ 8,348,139
9507 Coastal Hwy.	N/A	Commercial Building	3,889,206
9509 Coastal Hwy.	N/A	Mall Renovation	3,100,000
409 Bering Rd.	1	Single Family Home	2,950,000
700 S. Philadelphia Ave.	N/A	Motel Foundation	2,000,000
9509 Coastal Hwy.	N/A	Commercial Retail Space	1,803,374
214 65th St.	N/A	Commercial Renovation	1,500,000
11100 Coastal Hwy.	N/A	Condominium Renovation	1,400,000

During FY 2026, the Town relied on property taxes for over 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 2026 was completed in 2024. This reassessment saw residential property values in Ocean City increase by almost 48% and commercial real property assessments increase by over 32%, and will be phased in evenly over three years. Overall, the Town's assessable base for real property increased 12.53% during FY 2026.

MAJOR INITIATIVES AND DEPARTMENTAL ACTIVITIES

Wastewater Treatment Plant Upgrades:

During FY 2026, the Town conducted the largest sale of general obligation bonds in its history, with over \$47.3 million in bonds issued. Over 83% of the bond proceeds have been dedicated to addressing critical improvements to the Ocean City Wastewater Treatment Plant. These targeted upgrades are required to sustain reliable service, reduce operational risk, and strengthen resilience for the coastal community.



Originally constructed in 1969, many of the Wastewater Treatment Plant's original facilities have reached or exceeded their expected service life, including the Influent Pumping Station, which has been in continuous service for almost 60 years. While the Town has proactively maintained and improved the plant over time, the pumping station now requires comprehensive rehabilitation of its below-grade concrete structure and new above-grade building construction. The project also includes a new Headworks facility to remove screenings, grit, and sand from incoming wastewater before it reaches the pumping station. Unlike the existing outdoor headworks, which must be taken offline during winter to prevent equipment freezing, the new enclosed facility will support dependable year-round operation. Together, these improvements will modernize critical front-end treatment infrastructure, improve reliability, reduce seasonal operating limitations, and provide coastal architectural enhancements that better align the plant with its surrounding community.

Tucked away close to the bay at the end of 64th Street, many of these improvements won't be visible to residents and the Town's visitors. However, these important modernizations will help ensure that the Town's wastewater infrastructure continues to meet the demands of residents and visitors.

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, undergrounding utilities on Baltimore Avenue, a potential sports complex, water plant improvements, an airport taxiway relocation, and a potential parking garage and expansion of the Convention Center.

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, 2026, that reserve, unassigned fund balance, was 31.6% of General Fund expenditures, up from 27.7% in FY 2025. 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 2025, 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

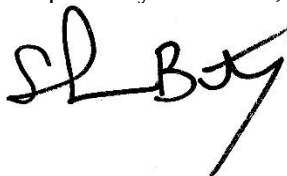
Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town for its annual comprehensive financial report for the fiscal year ended June 30, 2025. This is the 38th consecutive year that 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.

Request for information. This financial report is designed to provide a general overview 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 sbunting@oceancitymd.gov.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'SB' followed by a stylized flourish.

Shawn Bunting, 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, 2025

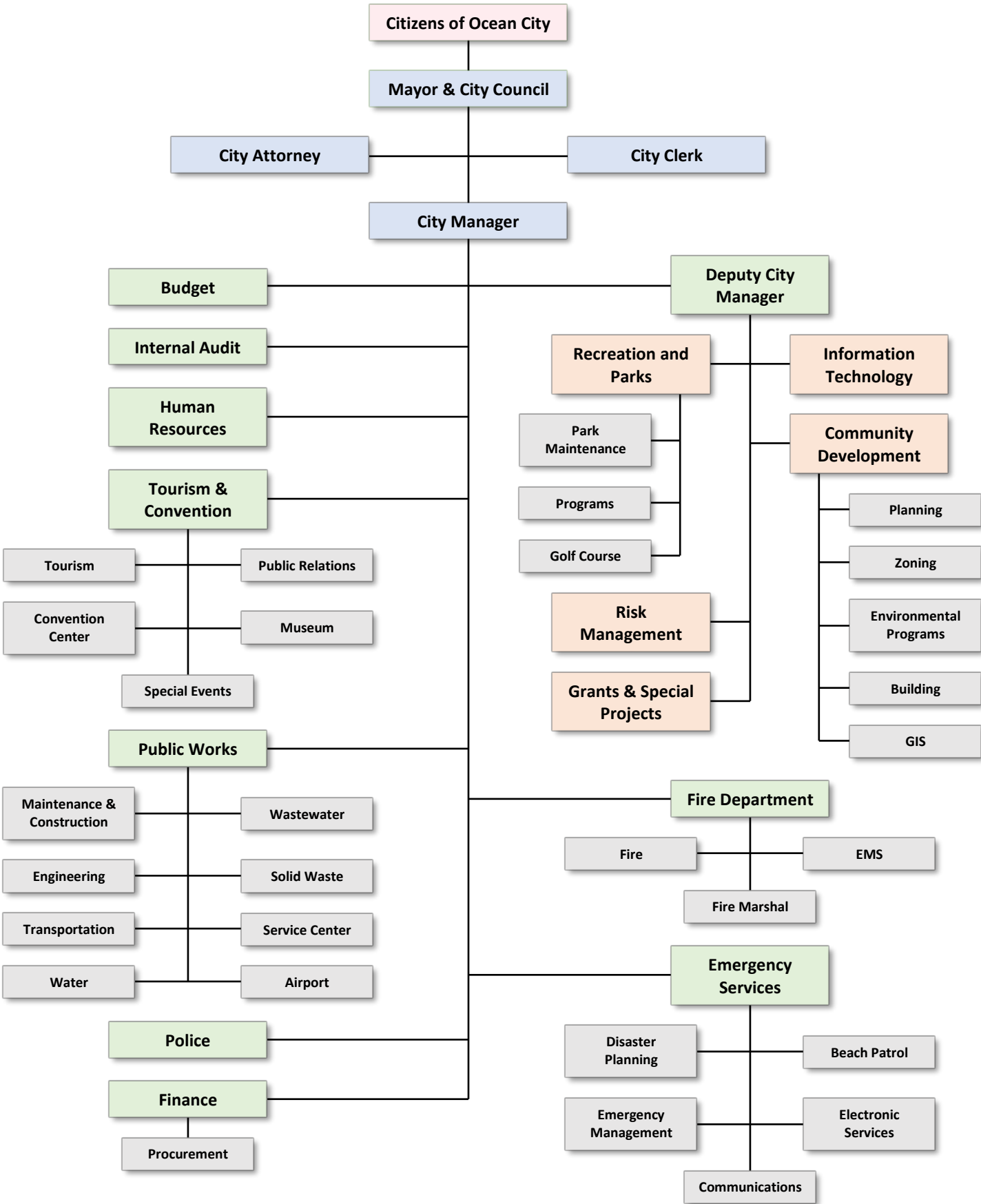
and issued to the public 120 days after the fiscal year end



Christopher P. Morill

Executive Director/CEO

Town of Ocean City Organizational Chart
Fiscal Year 2026



**TOWN OF OCEAN CITY, MARYLAND
LIST OF PRINCIPAL OFFICIALS AND DIRECTORS
JUNE 30, 2026**

<u>Title</u>	<u>Name</u>
Mayor	Richard W. Meehan
Council President	Matthew M. James
Council Secretary	William C. Savage III
Council Member	Peter S. Buas
Council Member	John F. Gehrig, Jr.
Council Member	Jeff Heiser
Council Member	Jacob H. Mitrecic
Council Member	Carol L. Proctor
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	Shawn P. Bunting, CPA
City Engineer	Brad Parks
Public Works Director	Hal O. Adkins
Director of Tourism & Business Development	Thomas M. Perlozzo
Chief of Police	Raymond J. Austin
Fire Chief	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	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
William C. Savage III	Jeff M. Thaler
Karin A. Scott	

FINANCIAL SECTION



SB & Company
CPAs and Business Advisors

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

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

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ocean City, Maryland (the Town), as of and for the year ended June 30, 2026, 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, 2026, and the respective changes in financial position and, where applicable, cash flows thereof 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

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 controls 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.



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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 controls. 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 controls 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 controls. 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 controls-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, budgetary comparison schedule – general fund, notes to budgetary comparison schedule – general fund, 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 (asset) and related ratios, and the schedules of employer contributions for the General Employees and Public Safety Employees Pension Plans and OPEB Trust Fund, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although



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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 9, 2026

SB & Company, LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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") for the fiscal year ended June 30, 2026. The analysis is intended to help readers of this report understand what the financial statements and notes say about the financial condition of the Town, as well as why it changed from the previous year. The information presented here is taken from other parts of the report, with analyses provided by the Town's Finance Department.

Overview of the Financial Statements

The Town's basic financial statements have three components: (1) government-wide financial statements, (2) fund financial statements, and (3) the notes to the financial statements. This report also contains other supplementary information, which provides additional details on the figures presented in 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 and deferred outflows of resources, less its 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, interest expense that has been accrued but not paid, and pension-related expenses.

Both of these government-wide financial statements distinguish *governmental activities* of the Town, which are primarily funded by taxes and intergovernmental revenues, from *business-type activities*, which are intended to cover their costs from user fees and charges. Governmental activities of the Town include general government functions, public safety, general public works and beach cleaning, trash removal, highway and street construction and maintenance, economic development and tourism, recreation and cultural activities, and construction of capital assets. The business-type activities of the Town include a water system, wastewater processing, bus transit 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 29-31 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources segregated for specific purposes. The Town, like other state and local governments, uses fund accounting to ensure and show compliance with finance-related legal requirements. All of the Town's funds can be classified into one of three categories: (1) governmental funds, (2) proprietary funds, and (3) fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions that are reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements use the *current financial resources measurement focus* and *modified accrual basis of accounting*, which is more concerned with the

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

sources, uses, and balances of current financial resources. This information is useful in evaluating a government's near-term financing requirements.

The focus of governmental funds is narrower than that of the government-wide financial statements. Governmental funds do not report nonfinancial assets, such as capital assets, or certain other long-term items, such as general obligation bonds, but they do report the current inflows and outflows related to these items. Bond proceeds, disbursements for capital assets, and debt service payments, which are related to long-term items, are reported in the governmental funds if they are associated with current financial resources. Comparing the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements can help readers to better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds' *Balance Sheet* and the governmental funds' *Statement of Revenues, Expenditures, and Changes in Fund Balances* provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town has two governmental funds, the General Fund, which is the Town's main operating fund, and the Capital Projects Fund. Information is presented separately in the Balance Sheet and in the Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds. The Capital Projects Fund is used to report the funding of, and expenditures for, the purchase or construction of capital assets, other than those associated with and reported in proprietary funds (see below).

The basic governmental fund financial statements can be found on pages 32-34 of this report.

Proprietary funds. The Town maintains two different types of proprietary funds. *Enterprise funds* 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 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 the second type of proprietary fund and are 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, a service center and warehouse, information technology services, and risk management. Because these services predominantly benefit governmental rather than business-type functions, they are consolidated with governmental activities in the government-wide financial statements.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail, including separate information for the major funds and for the nonmajor funds. The Town's four 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 36-43 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 44-45 of this report.

Town of Ocean City, Maryland

Management's Discussion and Analysis

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 (a) present information in greater detail than is possible on the financial statements themselves, (b) explain the nature of amounts reported in the financial statements and how those amounts were determined, and (c) report certain information that does not meet the requirements for inclusion in the financial statements. The notes to the financial statements can be found on pages 46-80 of this report.

Types of Information in the Financial Statements

Except for the governmental fund financial statements (detailed previously), all of the Town's other financial statements use the *economic resources measurement focus* and *accrual basis of accounting*, meaning they report all types of financial statement elements comprehensively, such as:

- *Assets* – resources controlled by the Town (e.g., cash, investments, vehicles, buildings).
- *Liabilities* – amounts owed by the Town (e.g., accounts payable, debt, pensions).
- *Deferred outflows of resources* and *deferred inflows of resources* – flows that occurred during the current fiscal year or in a prior year that will not be recognized as an expense or revenue, respectively, until the future period they are related to.
- *Revenues and expenses* – inflows and outflows of economic resources, respectively, that are related to the current fiscal year.

Additional details about the measurement focuses and bases of accounting is provided in Note 1 to the financial statements, the summary of significant accounting policies, starting on page 46 of the report.

Analysis of the Town's Finances

Net position (assets and deferred outflows minus liabilities and deferred inflows) serves as a useful indicator of a government's financial position and condition. As shown in the following table, the Town's total net position as of June 30, 2026, was nearly \$290.5 million, an 8.4% gain over the prior fiscal year. While unrestricted net position stayed fairly level, a nearly \$14.9 million increase in the Town's net investment in capital assets related to \$21.7 million in net additions to capital assets (offset somewhat by an increase in associated debt) and a 56.1% increase in restricted net position, primarily for gains in the Town's other post-employment benefit asset, led to the overall increase in net position.

	Governmental Activities		Business-Type Activities		Total Primary Government		% Change
	2026	2025	2026	2025	2026	2025	
Current and other assets	\$ 97,379,797	\$ 90,514,790	\$ 74,958,763	\$ 36,576,694	\$ 172,338,560	\$ 127,091,484	35.6 %
Capital assets	136,552,467	132,306,200	217,547,952	200,088,685	354,100,419	332,394,885	6.5
Total assets	233,932,264	222,820,990	292,506,715	236,665,379	526,438,979	459,486,369	14.6
Deferred outflows of resources	11,510,511	10,892,255	699,415	1,055,733	12,209,926	11,947,988	2.2
Long-term liabilities outstanding	69,905,412	82,448,950	114,860,060	71,873,339	184,765,472	154,322,289	19.7
Other liabilities	14,937,548	15,516,601	7,434,300	5,399,360	22,371,848	20,915,961	7.0
Total liabilities	84,842,960	97,965,551	122,294,360	77,272,699	207,137,320	175,238,250	18.2
Deferred inflows of resources	32,828,488	21,857,173	8,208,832	6,333,428	41,037,320	28,190,601	45.6
Net position:							
Net investment in capital assets	89,896,885	82,543,401	144,544,018	137,019,107	234,440,903	219,562,508	6.8
Restricted	13,993,193	8,391,283	6,977,990	5,042,326	20,971,183	13,433,609	56.1
Unrestricted	23,881,249	22,955,837	11,180,930	12,053,552	35,062,179	35,009,389	0.2
Total net position	\$ 127,771,327	\$ 113,890,521	\$ 162,702,938	\$ 154,114,985	\$ 290,474,265	\$ 268,005,506	8.4 %

80.7% 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.

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

As shown in the following table, the Town's total net position increased nearly \$22.5 million for the year ended June 30, 2026.

	Governmental Activities		Business-Type Activities		Total Primary Government		%
	2026	2025	2026	2025	2026	2025	Change
REVENUES							
Program revenues:							
Charges for services	\$ 23,927,331	\$ 21,004,343	\$ 36,176,388	\$ 35,623,640	\$ 60,103,719	\$ 56,627,983	6.1 %
Operating grants and contributions	6,610,303	6,066,390	6,082,817	5,408,473	12,693,120	11,474,863	10.6
Capital grants and contributions	1,655,727	418,991	6,103,879	1,982,042	7,759,606	2,401,033	223.2
General revenues:							
Property taxes	56,829,220	50,790,944	-	-	56,829,220	50,790,944	11.9
Other taxes	34,111,630	31,290,016	-	-	34,111,630	31,290,016	9.0
Grants and contributions not restricted to specific programs	4,164,667	4,207,209	-	-	4,164,667	4,207,209	-1.0
Investment and other revenues	5,861,842	5,169,836	2,086,021	1,842,379	7,947,863	7,012,215	13.3
Total revenues	<u>133,160,720</u>	<u>118,947,729</u>	<u>50,449,105</u>	<u>44,856,534</u>	<u>183,609,825</u>	<u>163,804,263</u>	12.1
EXPENSES							
General government	2,129,332	2,304,688	-	-	2,129,332	2,304,688	-7.6
Public safety	52,791,167	45,640,251	-	-	52,791,167	45,640,251	15.7
General public works and beach	10,044,697	9,844,887	-	-	10,044,697	9,844,887	2.0
Sanitation and waste removal	9,112,848	8,752,100	-	-	9,112,848	8,752,100	4.1
Highways and streets	11,132,195	10,679,902	-	-	11,132,195	10,679,902	4.2
Economic development - tourism	17,698,526	18,168,895	-	-	17,698,526	18,168,895	-2.6
Recreation and culture	10,073,259	9,422,993	-	-	10,073,259	9,422,993	6.9
Interest on long-term debt	1,139,902	2,055,364	-	-	1,139,902	2,055,364	-44.5
Water	-	-	8,203,801	7,597,115	8,203,801	7,597,115	8.0
Wastewater	-	-	15,125,675	13,546,457	15,125,675	13,546,457	11.7
Transportation	-	-	8,266,306	9,001,053	8,266,306	9,001,053	-8.2
Convention Center	-	-	9,652,665	8,914,363	9,652,665	8,914,363	8.3
Airport	-	-	2,709,621	2,865,493	2,709,621	2,865,493	-5.4
Golf Course	-	-	3,061,072	2,659,082	3,061,072	2,659,082	15.1
Total expenses	<u>114,121,926</u>	<u>106,869,080</u>	<u>47,019,140</u>	<u>44,583,563</u>	<u>161,141,066</u>	<u>151,452,643</u>	6.4
Change in net position before transfers	19,038,794	12,078,649	3,429,965	272,971	22,468,759	12,351,620	81.9
Transfers	<u>(5,157,988)</u>	<u>(4,564,079)</u>	<u>5,157,988</u>	<u>4,564,079</u>	<u>-</u>	<u>-</u>	
Change in net position	13,880,806	7,514,570	8,587,953	4,837,050	22,468,759	12,351,620	81.9
Net position, prior year	113,890,521	106,375,951	154,114,985	149,277,935	268,005,506	255,653,886	4.8
Net position, current year	<u>\$ 127,771,327</u>	<u>\$ 113,890,521</u>	<u>\$ 162,702,938</u>	<u>\$ 154,114,985</u>	<u>\$ 290,474,265</u>	<u>\$ 268,005,506</u>	8.4 %

One major contributing factor for the government-wide increase in net position during the fiscal year was pension and OPEB plan investment gains suppressing their respective expenses.

The Town's two pension plans and other post-employment benefit plan have experienced significant investment returns on their holdings for four consecutive years, and five of the last six years, in excess of the return "assumed" for actuarial purposes. These gains are "smoothed out" and amortized over a period of years, and the unamortized portion is shown in the balance of deferred inflows of resources related to pensions/OPEB. Each year the deferred inflows are amortized, they offset the corresponding pension/OPEB expenses.

In addition to the more than \$7.3 million increase in the Town's net OPEB asset (the amount by which OPEB assets exceed the total OPEB liability), the balance of deferred inflows related to OPEB has grown so large that its current year amortization generated a negative OPEB expense of over \$5.4 million. This negative expense is allocated to the various departments it pertains to, and helped to bring down the total government-wide expenses for the year.

The pensions also benefitted from their high investment returns for the fiscal year. The total combined pension contributions were nearly \$9 million, but the net pension expense for the Town was less than \$8.2 million because of the amortization of deferred inflows related to the sustained investment performance.

Other explanations for the Town's FY 2026 increase in net position are discussed in the following sections for governmental activities and business-type activities.

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

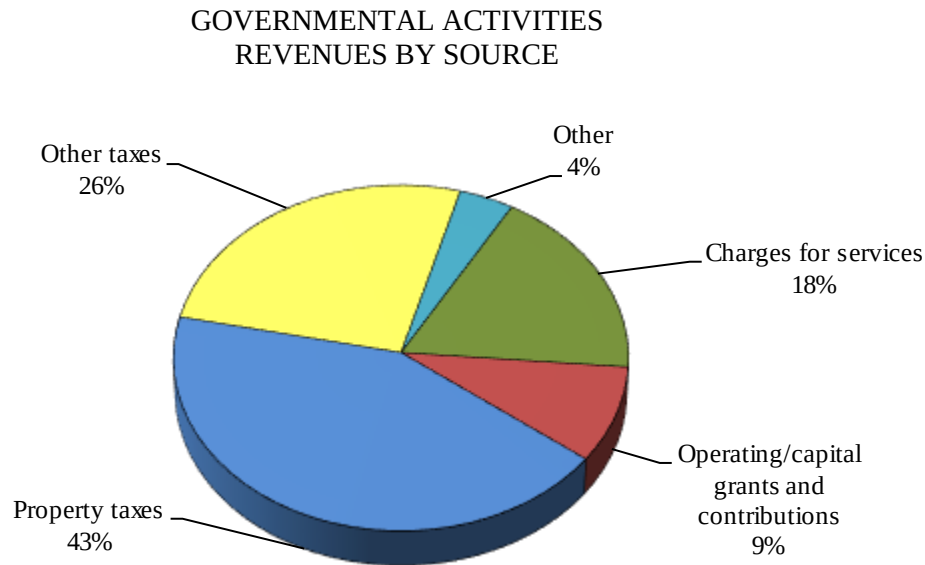
Governmental Activities

The total net position of the Town's governmental activities was about \$127.8 million as of June 30, 2026, a \$13.9 million or 12.2% increase from FY 2025. The primary factors affecting the change in net position for governmental activities were:

- Phased in assessment increases for real property taxes
- Increases in "other" taxes (e.g., room, income, and admissions and amusement)
- Increases in public safety expenses

Real property tax increases

Property taxes are the Town's largest single revenue source, constituting 43% of total governmental activities' revenue for the fiscal year. They are also the Town's most important mechanism, on the revenue side, for covering potential budget shortfalls, as the tax rate is set by a Council ordinance prior to the start of each fiscal year. For FY 2026, the real property tax rate was held steady from the prior fiscal year, at \$0.4426 per \$100 of assessed value. Real property assessments, however, jumped 12.53% to over \$12.2 billion as the result of the continued phasing in of a comprehensive Town-wide reassessment conducted by the State Department of Assessments and Taxation in 2024, which contributed to a more than \$6 million increase in property taxes during the fiscal year.



Increases in "other" taxes

The second largest source of revenue for governmental activities for the Town is room taxes, which are charged on all room "rentals" in the municipal limits. In January 2026, the room tax rate was increased from 5% to 6% of the occupancy charge. Because of this, despite a slight reduction in total room charges, the room tax remitted to the Town for the fiscal year increased by nearly \$800,000.

Income taxes are collected and reconciled by the State of Maryland. Because income tax payments can be extended, amended, remitted late, etc., the revenue received by the Town can fluctuate. For the year ended

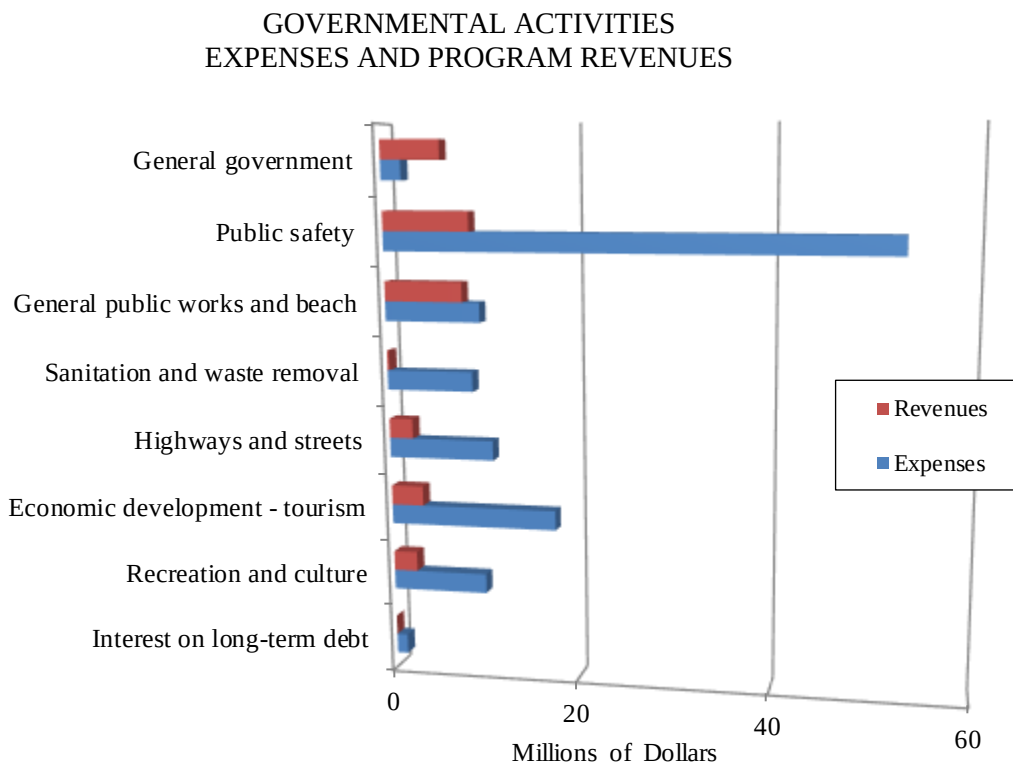
Town of Ocean City, Maryland
Management's Discussion and Analysis

June 30, 2026, income tax revenue increased 64.1% over the prior fiscal year, to nearly \$2.4 million, primarily from increased tax collections and changes in estimates.

Oceans Calling and Country Calling, music festivals held on the beach and Boardwalk in downtown Ocean City during the fall, have been a major boon to the local economy. Each day of the concerts can bring over 50,000 to the Town outside of the typically busy summer season. In addition to the positive impacts on room and food taxes, the Town receives admissions and amusement taxes at 3% of the value of concert tickets sold. For FY 2026, this led to an additional \$700,000 in admissions and amusement taxes over FY 2025.

Increases in public safety expenses

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.



The Town increased the number of sworn officers during FY26, funding six additional positions for a full year and six for half of the fiscal year. The elevated staffing, coupled with scheduled pay increases, led to a \$2.1 million increase in salaries and wages for the police department during the year. As a result of the current Fraternal Order of Police collective bargaining agreement, the Town agreed to provide take-home vehicles for all sworn officers. 25 police vehicles were purchased and upfitted during FY 2026 and, while the costs of these vehicles will be spread out over their depreciable lives, the impact was visible in the current year.

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

Overtime for the Fire/EMS division due to contractual obligations, temporary staffing shortages, and reduced volunteer fire company membership, has been an ongoing expense for the Town, rising 14.2% during the fiscal year. Public safety expenses, in total, were more than \$7.1 million higher in FY 2026 than during the prior year.

Governmental Funds

The Town reports two funds as major funds in the governmental fund financial statements, the General Fund and the Capital Projects Fund. Many of the explanations for significant changes in governmental activities that were previously discussed are also applicable to the finances of the governmental funds. Certain indicators of the Town's financial condition are more apparent in the fund financial statements. These factors are discussed in more detail below.

General Fund

Fund balance is a representation of a government's ability to meet its short-term needs and obligations. As of June 30, 2026, the General Fund's total fund balance was nearly \$46.1 million, a 7.9% increase over the prior year. The growth in tax revenues discussed previously was a big component of this increase, but it was offset slightly by an almost \$2.6 million increase in capital outlay expenditures which was primarily related to fire apparatus purchases made during the year. For the General Fund, the unassigned portion of fund balance, as a percentage of General Fund expenditures, was 31.6% at fiscal year-end, an increase from 27.7% for FY 2025.

Capital Projects Fund

The Capital Projects Fund saw its fund balance decrease by \$1.2 million during the fiscal year, much less than the over \$12.3 million decrease in fund balance during the prior year. Revenues increased by 42.7% because of an additional \$1.2 million in grant revenue recognized in FY 2026, which was primarily related to a \$1.4 million grant to renovate the Town's recreation complex at 3rd Street on the bay. Bond proceeds, including premiums received, of \$2.3 million, which will be discussed in more detail later, were received during the fiscal year, and helped to fund the nearly \$7.1 million in capitalized expenditures for FY 2026, which was about half of the \$14.1 million spent on capital projects in the previous year. FY 2025 saw the completion of a couple of large projects, including a new police substation and the downtown park revitalization, which contributed to the variance between the fiscal years.

Business-type Activities

The total net position of the Town's business-type activities was about \$162.7 million as of June 30, 2026, an \$8.6 million or 5.6% increase from FY 2025. The primary factors affecting the change in net position for business-type activities were:

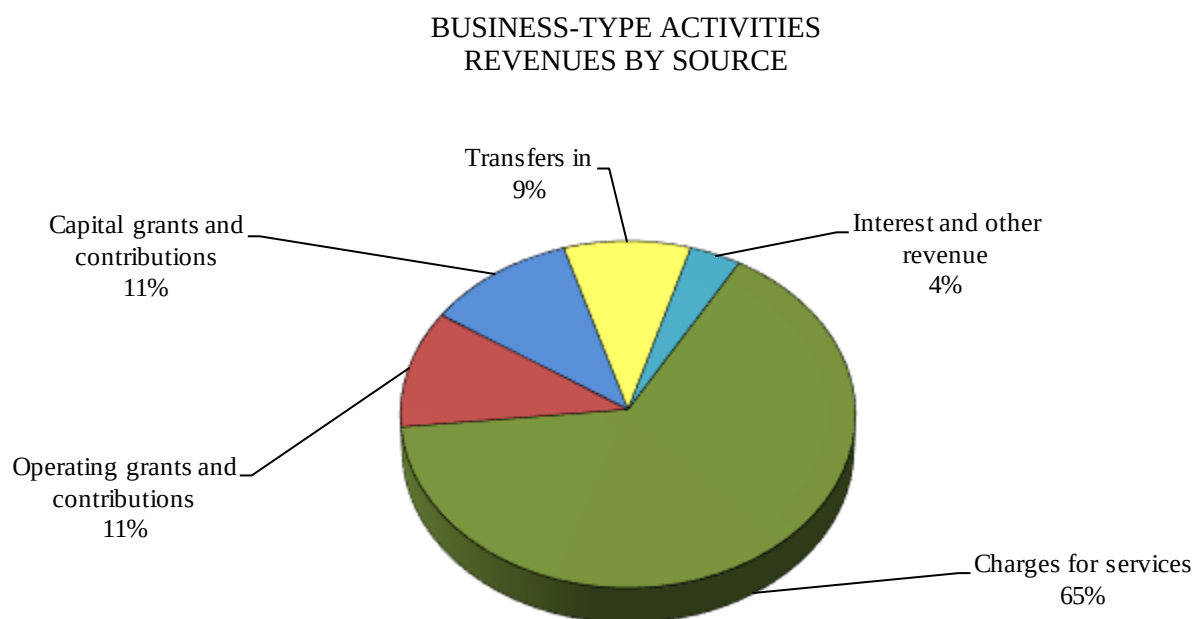
- Capital grants for airport taxiway improvements
- Increased sewer capacity allocated to Worcester County
- Increase in the General Fund subsidy to the Transportation Fund
- Wastewater increases in debt costs

Airport taxiway improvements

A project to relocate Taxiway A at the Ocean City Municipal Airport commenced during FY 2026. This project is primarily funded through the Federal Aviation Administration's Airport Improvement Program,

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with the Maryland Aviation Administration also contributing resources to the effort. Airport grants increased by nearly \$4.4 million during the fiscal year with over half of the taxiway relocation project completed.



Worcester County sewer capacity increase

The Town and Worcester County (the “County”) have a sewerage agreement that allows the County to send wastewater from West Ocean City, which is an unincorporated area of the County, to the Town’s wastewater treatment facility to be processed. The 30-year plus agreement was amended during the fiscal year to allow the County to transmit an additional 170,000 gallons per day to the Town’s plant. As a result of the revised partnership, the County paid the Town over \$780,000 for the increased capacity, which contributed to a nearly 95% jump in the annual charges received by the Town for wastewater service provided outside of the Town.

Transportation Fund subsidy increase

The Town completely ceased its Boardwalk tram operations after a tragic accident that occurred in early FY 2025. The trams division had historically been profitable for the Town, so its loss was a financial blow to the Transportation Fund. Although expenses related to the Boardwalk trams decreased significantly, the loss in revenue, as well as a slight reduction in bus ridership during the fiscal year, spurred the need for a 44.4% increase in General Fund subsidies, to \$2.3 million, to help support Transportation operations.

Wastewater Fund debt increase

As detailed previously in the Letter of Transmittal and later in the discussion and analysis of the Town’s debt, the Wastewater Fund’s debt obligations increased significantly during the fiscal year. Issuance costs and interest expense resulting from the more than \$39 million in debt principal allocated to Wastewater from the Town’s General Obligation Municipal Purpose Bonds of 2025 led to over \$2 million in expenses for these financing activities during FY 2026, a 382.4% increase over the prior year.

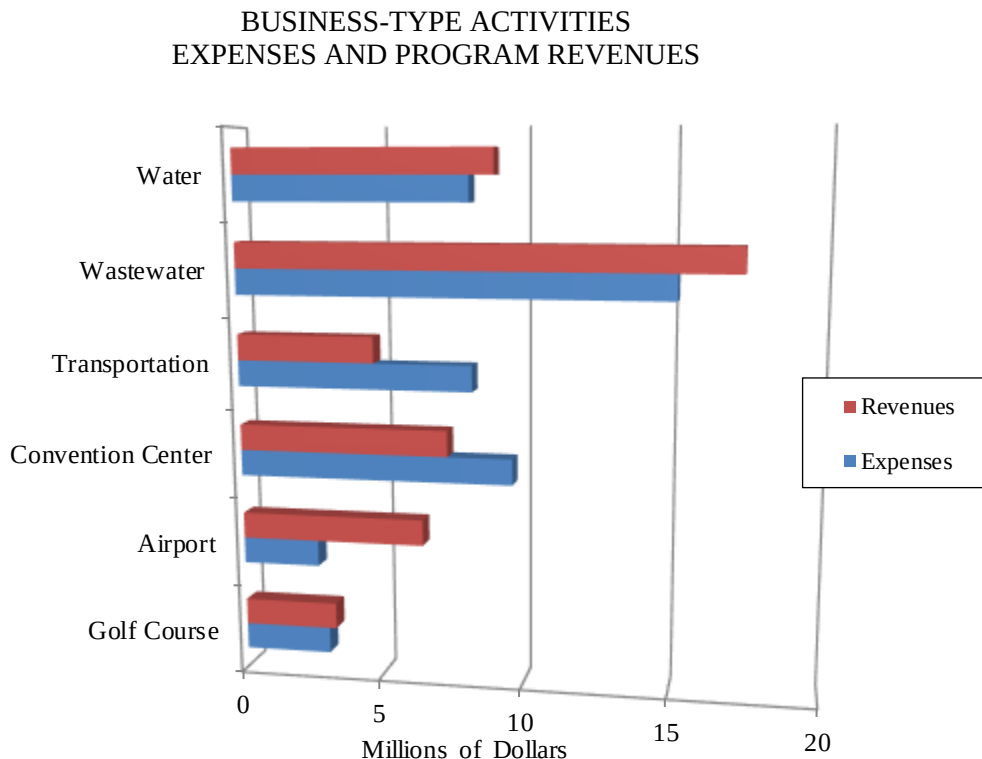
Town of Ocean City, Maryland
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Other changes in net position

In addition to the Wastewater and Transportation Funds, the Town has two other major enterprise funds, the Water Fund and the Convention Center Fund. The Water Fund saw a more than \$1 million increase in net position during the year, which was less than the \$2.1 million gain in the prior year. Chemical supplies and other materials cost 16.8% more in FY 2026 due to continued inflationary pressures, and interest income dropped by over 60% because of lower cash balances on hand during the year. The Convention Center saw a modest increase in net position of just over \$400,000, down 54.1% from FY 2025. Although an increase in convention, meeting, and event activity contributed to a 7.3% increase in operating revenue to nearly \$3 million, personnel costs related to the increased Convention Center usage jumped 18.1% to over \$4.4 million.

The Golf Course Fund, a nonmajor fund, posted another profitable year with a nearly \$550,000 increase in net position. While down slightly from the over \$800,000 gain in FY 2025, the Golf Course Fund did not require a subsidy from the General Fund for the sixth consecutive year.

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, Airport, and Golf Course Funds were self-supporting and user fees, grants, or reserves covered all costs during FY 2026. The operations of the Transportation and Convention Center Funds were subsidized by the General Fund.



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

Significant Capital Asset and Long-Term Financing Activity

A table of the Town's capital assets by type, net of depreciation, is listed below. As shown, the net "book" value of the government-wide capital assets increased 6.5% to \$354.1 million during the fiscal year.

Capital Assets, Net of Accumulated Depreciation

	Governmental Activities		Business-Type Activities		Total Primary Government		% Change
	2026	2025	2026	2025	2026	2025	
Land	\$ 26,075,318	\$ 26,075,318	\$ 19,079,999	\$ 19,079,999	\$ 45,155,317	\$ 45,155,317	0.0 %
Construction in progress	5,443,373	13,399,421	28,290,681	30,845,618	33,734,054	44,245,039	-23.8
Buildings	48,797,497	45,137,991	65,079,329	68,213,984	113,876,826	113,351,975	0.5
Machinery and equipment	19,763,378	16,750,597	44,800,714	33,761,996	64,564,092	50,512,593	27.8
Streets and infrastructure	19,769,550	20,833,653	57,353,948	45,206,930	77,123,498	66,040,583	16.8
Other improvements	16,703,351	10,109,220	2,943,281	2,980,158	19,646,632	13,089,378	50.1
	<u>\$ 136,552,467</u>	<u>\$ 132,306,200</u>	<u>\$ 217,547,952</u>	<u>\$ 200,088,685</u>	<u>\$ 354,100,419</u>	<u>\$ 332,394,885</u>	6.5 %

As mentioned in the Capital Projects Fund discussion, the Town wrapped up a couple of large projects at the very beginning of the fiscal year, taking them out of construction in progress (CIP) and moving them into their respective depreciable categories. For governmental activities, the enhancements to the 3rd Street recreation complex added nearly \$6.5 million to other improvements, and the over \$4.5 million Somerset Street Police Substation increased the balance of buildings owned by the Town, with corresponding decreases observed in CIP. The Town maintains a Vehicle and Equipment Trust, which saw significant activity during FY 2026 related to the purchase of 25 new police vehicles to replace aging models and to increase the overall fleet in order to provide take-home vehicles to all sworn officers as agreed to in the current union contract. In total, over \$4.5 million in new machinery and equipment was purchased through the Vehicle and Equipment Trust, which is reported with governmental activities.

For business-type activities, CIP shows a net decrease of more than \$2.5 million; however, what that obscures are large additions to construction in progress of \$7.8 million for Airport taxiway construction, nearly \$6.8 million in work related to the Wastewater primary influent headworks rehabilitation (detailed in the Letter of Transmittal), and over \$2.3 million in important upgrades to the Convention Center. These projects were more than offset by just under \$8 million in sewer mains and over \$14.6 million in Water Fund improvements that were put into service during the year, which included a Gorman Avenue clarifier rehabilitation, ferric chloride system upgrades, and a large water main project on 94th Street. These aforementioned capital projects contributed to the \$11 million increase in machinery and equipment, and over \$12.1 million rise in infrastructure related to business-type activities during the fiscal year.

The Town's bonds, notes, and loans payable increased substantially during FY 2026, to over \$160.6 million, which includes nearly \$2.9 million in outstanding balances on financed purchases. This was an increase in the Town's debt of 35.2%, most of which is attributable to general obligation bonds issued for the Wastewater Fund project referenced above and profiled in the Letter of Transmittal. To finance this critical upgrade to the sewer system, the Town issued its General Obligation Municipal Purpose Bonds of 2025 in December 2025, with total proceeds exceeding \$51.3 million.

The Town's governmental activities saw a \$3 million decrease in its debt balance during the fiscal year due to a relatively low \$2.1 million allocation of the 2025 Bonds, and FY 2026 principal payments of nearly \$5 million. Business-type activities took on over \$45 million in new debt principal, with a net increase in outstanding obligations of 66.3% over the prior fiscal year-end. The Wastewater debt will be repaid through user fees, and the Town conducts a water and sewer rate study on a regular basis to ensure operational costs, capital projects, and debt service are being covered by the rates that are charged to system users.

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Currently Known Facts, Decisions, or Conditions

The Town is aware of several conditions and developments that will impact the Town's finances, which have been factored into the budget for FY 2027:

- 1) Real property assessment increases
- 2) Room tax rate
- 3) Public safety remains a priority
- 4) Beach replenishment funding increases
- 5) Personnel cost increases
- 6) Oceans Calling cancellation in 2026
- 7) Boardwalk Rock returns in 2027

Real property assessment increases

FY 2027 is the third year of the three-year phase-in of real property tax assessments based on the Maryland State Department of Assessments and Taxation's last comprehensive reassessment of Town property conducted in 2024. At that time, total Town assessments increased over 48% for residential units and 32% for commercial properties. With real property taxes continuing to be the Town's largest revenue source, the increasing assessments have helped to absorb rising costs in the General Fund. Based on assessment projections, the Town was able to lower the FY 2027 tax rate by a penny, to \$0.4326 per \$100 of assessed value, and still maintain a responsible, balanced budget.

Room tax rate

Subsequent to legislation passed by the State of Maryland, the County, and the Town, the room tax rate was increased from 5% to 6% of the room charge for hotels and other transient accommodations, effective January 2026. FY 2027 will be the first full fiscal year with room taxes collected at the higher rate. The Town expects this 20% increase in the tax rate to produce a corresponding bump in room tax revenue. 43.3% of the room taxes collected by the Town are committed, by Ordinance, to advertising and to pay future debt service on the Town's plans for a sports complex. As a result, room taxes are budgeted at \$30 million, with \$12 million dedicated to advertising and \$1 million to the sports complex if this revenue estimate is met.

Public safety remains a priority

The Town places a strong emphasis on public safety, and the FY 2027 budget is no exception. New full-time public safety positions are funded in the budget, which include: five positions to create a full-time "City Watch" function within the dispatch center to provide 24-hour monitoring of the Town's camera system to prevent crime and improve response times; two additional sworn police officers to provide a full complement of staff for the Police Department; two firefighter/EMT positions and two firefighter/paramedic positions to address challenges with part-time staff availability. The budget for all public safety functions is over \$57.4 million for fiscal year 2027.

Beach replenishment funding increases

The Town works closely with the Army Corps of Engineers, the Maryland Department of Natural Resources, and the County to coordinate and fund beach replenishment on a regular four-year cycle. This serves to not only provide an ample beach for resident and visitor enjoyment but, perhaps more importantly, protects the Town's public and private property from significant damage during coastal storm events. This

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

decades long partnership has required the Town to contribute annual funding of about a half million dollars to help pay for the costs of the scheduled beach maintenance. This contribution has stayed relatively flat for a number of years, and the Town was informed in late FY 2026 that its share of local funding would increase by \$1.25 million for FY 2027 to cover higher costs expected for the next round of beach replenishment. It's anticipated that some level of higher annual funding will be required going forward, although a specific dollar amount is currently unknown.

Personnel cost increases

In addition to the new positions mentioned previously, the costs of maintaining the Town's workforce continues to increase. This is partly due to general inflationary pressures and from keeping pace with national trends in compensation. The Fraternal Order of Police (FOP) and International Association of Fire Fighters (IAFF) members both have collective bargaining agreements that govern their salary scales and pay increases, with agreements through June 30, 2028, and June 30, 2027, respectively. FOP members will have their pay scale adjusted by 3% and receive a step increase on July 1, 2026. IAFF members will receive a 3% cost-of-living adjustment on July 1, 2026. General employees, who aren't covered by union agreements, are budgeted to get an increment and 3% cost-of-living increases on January 1, 2027.

Oceans Calling cancellation in 2026

A combination of extremely high tides and relentless onshore winds from a coastal storm during the week leading up to the Oceans Calling music festival in late September 2026, which made it impossible to set up the concert infrastructure, forced the entire three-day event to be cancelled. The concert promoters refunded all ticket sales, which will lead to a reduction in admissions and amusement taxes for the Town of at least several hundred thousand dollars. The Town also has an agreement with the promoter to provide up to a million dollars towards the insurance deductible required for claims filed by the promoter as a result of the cancellation. While exact dollar amounts are unknown at this time, the calling off of the music festival is likely to have a notable impact to Town finances in FY 2027.

Boardwalk Rock returns

C3, the organizer of the Oceans Calling and Country Calling music festivals held in downtown Ocean City during the fall, announced that Boardwalk Rock, a third music festival that initially took place in 2025 but had to be scrapped in 2026, will return in the spring of 2027 and be expanded to a three-day event. The 2025 version was well-attended, and a successful concert prior to the end of fiscal year 2027 could help offset a significant portion of the revenue lost as a result of Oceans Calling's cancellation.



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, 2026

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 11,730,835	\$ 25,750,858	\$ 37,481,693
Restricted cash and cash equivalents	3,108,635	41,744,256	44,852,891
Investments	47,622,423	-	47,622,423
Restricted investments	-	1,598,199	1,598,199
Receivables (net of allowance for uncollectibles)	4,216,293	3,671,511	7,887,804
Interest receivable	496,978	17,203	514,181
Intergovernmental receivable	9,919,219	1,429,866	11,349,085
Internal balances	4,968,865	(4,968,865)	-
Inventories	1,315,734	1,307,405	2,623,139
Other	7,622	4,699	12,321
Net OPEB asset	13,993,193	4,403,631	18,396,824
Capital assets, not being depreciated:			
Land	26,075,318	19,079,999	45,155,317
Construction in progress	5,443,373	28,290,681	33,734,054
Capital assets, net of accumulated depreciation:			
Buildings	48,797,497	65,079,329	113,876,826
Machinery and equipment	19,763,378	44,800,714	64,564,092
Streets and infrastructure	19,769,550	57,353,948	77,123,498
Other improvements	16,703,351	2,943,281	19,646,632
Total capital assets	136,552,467	217,547,952	354,100,419
Total assets	233,932,264	292,506,715	526,438,979
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	352	455	807
Deferred outflows related to pensions	10,011,805	227,431	10,239,236
Deferred outflows related to OPEB	1,498,354	471,529	1,969,883
Total deferred outflows of resources	11,510,511	699,415	12,209,926
LIABILITIES			
Accounts payable and other accrued liabilities	4,615,970	3,491,044	8,107,014
Accrued expenses	5,532,918	2,716,436	8,249,354
Unearned revenue	3,394,684	841,690	4,236,374
Other	1,393,976	385,130	1,779,106
Long-term liabilities:			
Due within one year:			
Compensated absences	254,851	864,977	1,119,828
Claims and judgments	1,089,283	-	1,089,283
Bonds, notes, and loans payable	4,789,890	4,929,960	9,719,850
Due in more than one year:			
Compensated absences	5,147,309	235,148	5,382,457
Claims payable	2,540,668	-	2,540,668
Bonds, notes, and loans payable	43,447,413	107,461,043	150,908,456
Net pension liability	12,635,998	1,368,932	14,004,930
Total long-term liabilities	69,905,412	114,860,060	184,765,472
Total liabilities	84,842,960	122,294,360	207,137,320
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	13,589,666	2,154,411	15,744,077
Deferred inflows related to OPEB	19,238,822	6,054,421	25,293,243
Total deferred inflows of resources	32,828,488	8,208,832	41,037,320
NET POSITION			
Net investment in capital assets	89,896,885	144,544,018	234,440,903
Restricted for debt service	-	2,574,359	2,574,359
Restricted for OPEB	13,993,193	4,403,631	18,396,824
Unrestricted	23,881,249	11,180,930	35,062,179
Total net position	\$ 127,771,327	\$ 162,702,938	\$ 290,474,265

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, 2026

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 2,129,332	\$ 6,256,662	\$ -	\$ -
Public safety	52,791,167	4,133,631	4,976,260	-
General public works and beach	10,044,697	6,540,296	23,085	1,655,727
Sanitation and waste removal	9,112,848	211,279	-	-
Highways and streets	11,132,195	2,494,107	-	-
Economic development - tourism	17,698,526	1,882,358	1,510,958	-
Recreation and culture	10,073,259	2,408,998	100,000	-
Interest on long-term debt	1,139,902	-	-	-
Total governmental activities	114,121,926	23,927,331	6,610,303	1,655,727
Business-type activities:				
Water	8,203,801	8,872,891	-	169,092
Wastewater	15,125,675	16,997,404	-	295,240
Transportation	8,266,306	2,404,604	1,769,747	662,968
Convention Center	9,652,665	2,973,657	4,313,070	100,000
Airport	2,709,621	1,617,614	-	4,876,579
Golf Course	3,061,072	3,310,218	-	-
Total business-type activities	47,019,140	36,176,388	6,082,817	6,103,879
Total primary government	\$ 161,141,066	\$ 60,103,719	\$ 12,693,120	\$ 7,759,606
General revenues:				
Property taxes				
Property tax penalties and interest				
Other taxes				
State gaming contributions				
Grants and contributions not restricted to specific programs				
Investment earnings				
Other revenue				
Transfers				
Total general revenues, transfers, and other				
Change in net position				
Net position, beginning				
Net position, ending				

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

Net (Expense) Revenues and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ 4,127,330	\$ -	\$ 4,127,330
(43,681,276)	-	(43,681,276)
(1,825,589)	-	(1,825,589)
(8,901,569)	-	(8,901,569)
(8,638,088)	-	(8,638,088)
(14,305,210)	-	(14,305,210)
(7,564,261)	-	(7,564,261)
(1,139,902)	-	(1,139,902)
(81,928,565)	-	(81,928,565)
-	838,182	838,182
-	2,166,969	2,166,969
-	(3,428,987)	(3,428,987)
-	(2,265,938)	(2,265,938)
-	3,784,572	3,784,572
-	249,146	249,146
-	1,343,944	1,343,944
(81,928,565)	1,343,944	(80,584,621)
56,604,586	-	56,604,586
224,634	-	224,634
34,111,630	-	34,111,630
975,326	-	975,326
3,189,341	-	3,189,341
2,972,048	2,086,021	5,058,069
2,889,794	-	2,889,794
(5,157,988)	5,157,988	-
95,809,371	7,244,009	103,053,380
13,880,806	8,587,953	22,468,759
113,890,521	154,114,985	268,005,506
\$ 127,771,327	\$ 162,702,938	\$ 290,474,265

TOWN OF OCEAN CITY, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2026

	General Fund	Capital Projects Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,672,683	\$ 5,544,311	\$ 7,216,994
Restricted cash and cash equivalents	-	3,108,635	3,108,635
Investments	43,147,522	-	43,147,522
Accounts receivable (net of allowance for uncollectibles)	4,176,279	26,371	4,202,650
Interest receivable	454,192	-	454,192
Intergovernmental receivable	9,776,669	142,543	9,919,212
Due from other funds	600,000	1,500,000	2,100,000
Other	7,622	-	7,622
Total assets	<u>\$ 59,834,967</u>	<u>\$ 10,321,860</u>	<u>\$ 70,156,827</u>
LIABILITIES			
Accounts payable	\$ 1,773,967	\$ 2,263,550	\$ 4,037,517
Accrued expenditures	4,716,664	20	4,716,684
Due to other funds	1,500,000	-	1,500,000
Other	1,393,976	-	1,393,976
Unearned revenue	3,394,684	-	3,394,684
Total liabilities	<u>12,779,291</u>	<u>2,263,570</u>	<u>15,042,861</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	971,069	-	971,069
Total deferred inflows of resources	<u>971,069</u>	<u>-</u>	<u>971,069</u>
FUND BALANCES			
Nonspendable	7,622	-	7,622
Committed:			
Advertising	1,015,348	-	1,015,348
Capital projects	-	3,847,320	3,847,320
Pier franchise	-	621,278	621,278
Other purposes	-	3,589,692	3,589,692
Assigned:			
Subsequent year's budget: appropriation of fund balance	2,550,000	-	2,550,000
Capital reserve	125,803	-	125,803
Pension costs	3,079,191	-	3,079,191
Salary and benefit increases	1,345,677	-	1,345,677
Other purposes	873,453	-	873,453
Unassigned	37,087,513	-	37,087,513
Total fund balances	<u>46,084,607</u>	<u>8,058,290</u>	<u>54,142,897</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 59,834,967</u>	<u>\$ 10,321,860</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.			122,988,096
Other long-term assets are not available to pay for current-period expenditures and, therefore, are offset by unavailable revenue in the governmental funds.			971,069
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, (\$4,368,865).			21,421,544
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.			(71,752,279)
Net position - governmental activities			<u>\$ 127,771,327</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, 2026

	General Fund	Capital Projects Fund	Total Governmental Funds
REVENUES			
Property taxes	\$ 56,516,094	\$ -	\$ 56,516,094
Other taxes	35,086,956	-	35,086,956
Licenses and permits	6,555,726	-	6,555,726
Fines and forfeitures	1,620,270	-	1,620,270
Charges for services	15,440,957	310,378	15,751,335
Intergovernmental revenue	9,799,644	1,655,727	11,455,371
Other revenue	5,160,477	528,989	5,689,466
Total revenues	<u>130,180,124</u>	<u>2,495,094</u>	<u>132,675,218</u>
EXPENDITURES			
Current:			
General government	5,995,841	265,964	6,261,805
Public safety	55,271,319	11,166	55,282,485
General public works and beach	7,846,782	682,539	8,529,321
Sanitation and waste removal	8,521,203	-	8,521,203
Highways and streets	6,790,111	1,158,765	7,948,876
Economic development - tourism	17,526,388	-	17,526,388
Recreation and culture	9,879,809	-	9,879,809
Capital outlay	23,527	7,066,181	7,089,708
Debt service:			
Principal	4,018,210	-	4,018,210
Interest	1,481,301	-	1,481,301
Bond issuance costs	-	35,525	35,525
Total expenditures	<u>117,354,491</u>	<u>9,220,140</u>	<u>126,574,631</u>
Excess (Deficiency) of revenues over expenditures	<u>12,825,633</u>	<u>(6,725,046)</u>	<u>6,100,587</u>
OTHER FINANCING SOURCES (USES)			
Bonds and notes issued	-	2,123,283	2,123,283
Premium on bonds issued	-	177,396	177,396
Transfers in	301,248	3,521,495	3,822,743
Transfers out	(9,769,472)	(301,248)	(10,070,720)
Total other financing sources (uses)	<u>(9,468,224)</u>	<u>5,520,926</u>	<u>(3,947,298)</u>
Net change in fund balances	3,357,409	(1,204,120)	2,153,289
Fund balances, beginning	<u>42,727,198</u>	<u>9,262,410</u>	<u>51,989,608</u>
Fund balances, ending	<u>\$ 46,084,607</u>	<u>\$ 8,058,290</u>	<u>\$ 54,142,897</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, 2026

Net change in fund balances - total governmental funds (page 33)	\$ 2,153,289
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Amounts reported for governmental activities in the Statement of Activities
(pages 30 and 31) 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.	3,370,125
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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.	313,126
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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.	1,717,531
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	4,704,679
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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.	1,622,056
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Change in net position - governmental activities (page 31)	\$ 13,880,806
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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, 2026

	Business-Type Activities		
	Water	Wastewater	Transportation
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,985,289	\$ 12,253,698	\$ 3,143,161
Investments	-	-	-
Receivables, net	1,643,434	1,347,485	49,183
Interest receivable	-	-	-
Intergovernmental receivable	7	12	743,879
Inventories	-	1,137,854	-
Prepaid expenses	-	-	-
Total current assets	<u>4,628,730</u>	<u>14,739,049</u>	<u>3,936,223</u>
Noncurrent assets:			
Restricted cash and cash equivalents	1,679,970	36,916,638	-
Restricted investments	-	-	-
Net OPEB asset	500,946	2,539,001	333,964
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	149,340
Streets and infrastructure	45,906,211	28,697,147	-
Machinery and equipment	20,286,147	63,940,055	12,215,938
Construction in progress	3,435,839	8,886,230	-
Less: accumulated depreciation	<u>(48,170,919)</u>	<u>(88,086,367)</u>	<u>(9,488,656)</u>
Total noncurrent assets	<u>50,365,690</u>	<u>109,790,259</u>	<u>23,746,270</u>
Total assets	<u>54,994,420</u>	<u>124,529,308</u>	<u>27,682,493</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	-	455	-
Deferred outflows related to pensions	43,947	46,822	14,763
Deferred outflows related to OPEB	53,640	271,869	35,760
Total deferred outflows of resources	<u>97,587</u>	<u>319,146</u>	<u>50,523</u>
LIABILITIES			
Current liabilities:			
Accounts payable	388,166	2,017,367	10,909
Accrued expenses	571,567	1,319,975	175,579
Compensated absences	111,993	317,698	94,012
Due to other funds	-	-	-
Unearned revenue	-	-	-
Claims and judgments	-	-	-
Other	338,130	47,000	-
Current portion of long-term debt	1,088,673	2,790,626	-
Total current liabilities	<u>2,498,529</u>	<u>6,492,666</u>	<u>280,500</u>
Noncurrent liabilities:			
Compensated absences	-	63,365	41,363
Claims and judgments	-	-	-
Bonds, notes, and loans payable	27,205,881	59,766,595	-
Net pension liability	264,523	281,822	88,859
Total noncurrent liabilities	<u>27,470,404</u>	<u>60,111,782</u>	<u>130,222</u>
Total liabilities	<u>29,968,933</u>	<u>66,604,448</u>	<u>410,722</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	416,303	443,529	139,846
Deferred inflows related to OPEB	688,735	3,490,796	459,157
Total deferred inflows of resources	<u>1,105,038</u>	<u>3,934,325</u>	<u>599,003</u>
NET POSITION			
Net investment in capital assets	21,545,589	44,003,652	23,412,307
Restricted for debt service	-	-	-
Restricted for OPEB	500,946	2,539,001	333,964
Unrestricted	1,971,501	7,767,028	2,977,020
Total net position	<u>\$ 24,018,036</u>	<u>\$ 54,309,681</u>	<u>\$ 26,723,291</u>

Adjustment for the cumulative net internal balance for 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
\$ 3,917,546	\$ 3,451,164	\$ 25,750,858	\$ 4,513,841
-	-	-	4,474,901
511,218	120,191	3,671,511	13,643
17,203	-	17,203	42,786
656,241	29,727	1,429,866	7
-	169,551	1,307,405	1,315,734
1,199	3,500	4,699	-
5,103,407	3,774,133	32,181,542	10,360,912
1,361,950	1,785,698	41,744,256	-
1,598,199	-	1,598,199	-
751,418	278,302	4,403,631	667,928
7,456,616	5,115,161	19,079,999	-
57,121,045	7,217,003	156,494,477	73,860
138,928	802,890	6,587,242	-
-	23,460,117	98,063,475	-
2,059,045	1,060,198	99,561,383	50,659,629
7,892,412	8,076,200	28,290,681	-
(28,190,463)	(16,592,900)	(190,529,305)	(37,169,118)
50,189,150	31,202,669	265,294,038	14,232,299
55,292,557	34,976,802	297,475,580	24,593,211
-	-	455	-
104,042	17,857	227,431	70,656
80,460	29,800	471,529	71,520
184,502	47,657	699,415	142,176
266,375	808,227	3,491,044	578,453
498,351	150,964	2,716,436	178,289
257,416	83,858	864,977	254,851
-	600,000	600,000	-
348,709	492,981	841,690	-
-	-	-	1,089,283
-	-	385,130	-
970,666	79,995	4,929,960	584,000
2,341,517	2,216,025	13,829,237	2,684,876
83,618	46,802	235,148	60,674
-	-	-	2,540,668
17,599,603	2,888,964	107,461,043	383,572
626,241	107,487	1,368,932	425,289
18,309,462	3,043,253	109,065,123	3,410,203
20,650,979	5,259,278	122,894,360	6,095,079
985,572	169,161	2,154,411	669,316
1,033,103	382,630	6,054,421	918,313
2,018,675	551,791	8,208,832	1,587,629
28,293,103	27,289,367	144,544,018	12,267,498
2,574,359	-	2,574,359	-
751,418	278,302	4,403,631	667,928
1,188,525	1,645,721	15,549,795	4,117,253
\$ 32,807,405	\$ 29,213,390	167,071,803	\$ 17,052,679
		(4,368,865)	
		\$ 162,702,938	

TOWN OF OCEAN CITY, MARYLAND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2026

	Business-Type Activities	
	Water	Wastewater
OPERATING REVENUES		
Charges for sales and services	\$ 8,846,089	\$ 16,994,358
Miscellaneous	26,802	3,046
Total operating revenues	<u>8,872,891</u>	<u>16,997,404</u>
OPERATING EXPENSES		
Personal services	1,944,765	3,773,993
Contractual services	462,506	1,025,994
Utilities	558,171	754,931
Repairs and maintenance	627,919	1,264,804
Other supplies and expenses	1,537,715	1,616,513
Internal services	1,109,167	1,512,386
Insurance claims and expenses	-	-
Depreciation	1,127,474	3,205,960
Total operating expenses	<u>7,367,717</u>	<u>13,154,581</u>
Operating income (loss)	1,505,174	3,842,823
NONCAPITAL SUBSIDIES		
Intergovernmental revenue	-	-
Transfers in	-	-
Total noncapital subsidies	<u>-</u>	<u>-</u>
Operating income (loss) and noncapital subsidies	1,505,174	3,842,823
OTHER NONOPERATING REVENUES (EXPENSES)		
Interest and investment revenue	228,208	1,226,796
Interest expense	(791,983)	(1,354,256)
Bond issuance costs	(71,049)	(658,358)
Gain (Loss) on disposal of assets	-	-
Capital contributions	169,092	295,240
Transfers in - restricted for capital assets	-	-
Total other nonoperating revenues (expenses)	<u>(465,732)</u>	<u>(490,578)</u>
Change in net position	1,039,442	3,352,245
Net position, beginning	<u>22,978,594</u>	<u>50,957,436</u>
Net position, ending	<u>\$ 24,018,036</u>	<u>\$ 54,309,681</u>

Change in net position of business-type activities

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds

Change in net position of business-type activities per the Statement of Activities (page 31)

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
\$ 2,267,516	\$ 2,952,300	\$ 4,673,571	\$ 35,733,834	\$ 17,304,125
137,088	21,357	254,261	442,554	29,619
2,404,604	2,973,657	4,927,832	36,176,388	17,333,744
3,289,318	4,447,928	1,761,117	15,217,121	3,561,500
209,651	537,674	664,483	2,900,308	3,030,032
130,661	810,504	101,268	2,355,535	135,231
1,877,121	699,320	297,870	4,767,034	1,064,512
26,604	293,499	998,330	4,472,661	3,140,710
1,131,892	894,590	397,314	5,045,349	1,381,914
-	-	-	-	1,219,370
1,499,130	1,448,573	1,436,640	8,717,777	3,469,741
8,164,377	9,132,088	5,657,022	43,475,785	17,003,010
(5,759,773)	(6,158,431)	(729,190)	(7,299,397)	330,734
1,769,747	4,313,070	-	6,082,817	-
2,296,535	2,407,140	454,313	5,157,988	-
4,066,282	6,720,210	454,313	11,240,805	-
(1,693,491)	561,779	(274,877)	3,941,408	330,734
108,690	323,702	198,625	2,086,021	172,614
-	(561,277)	(78,280)	(2,785,796)	(23,269)
-	-	(27,447)	(756,854)	-
1,048	-	(7,944)	(6,896)	58,179
662,968	100,000	4,876,579	6,103,879	-
-	-	-	-	1,089,989
772,706	(137,575)	4,961,533	4,640,354	1,297,513
(920,785)	424,204	4,686,656	8,581,762	1,628,247
27,644,076	32,383,201	24,526,734	158,490,041	15,424,432
\$ 26,723,291	\$ 32,807,405	\$ 29,213,390	\$ 167,071,803	\$ 17,052,679
			\$ 8,581,762	
			6,191	
			\$ 8,587,953	

TOWN OF OCEAN CITY, MARYLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2026

	Business-Type Activities	
	Water	Wastewater
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	\$ 9,045,110	\$ 16,875,264
Payments to suppliers	(3,537,611)	(4,696,619)
Payments to employees	(2,270,065)	(4,558,441)
Payments for interfund services used	(1,109,167)	(1,512,386)
Net cash provided (used) by operating activities	2,128,267	6,107,818
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Advances from other funds	-	-
Subsidies from county, state, and federal grants	-	-
Transfers from other funds	-	-
Net cash provided by noncapital financing activities	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from capital grants	-	-
Capital contributions	169,092	295,240
Transfers from other funds - restricted for capital assets	-	-
Acquisition and construction of capital assets	(5,932,272)	(8,553,218)
Proceeds from bond issuance	4,601,359	42,637,226
Bond issuance costs	(71,049)	(658,358)
Principal paid on capital debt	(930,768)	(1,675,652)
Interest paid on capital debt	(915,139)	(640,510)
Financed purchase payments	-	-
Proceeds from sales of capital assets	-	-
Net cash provided (used) by capital and related financing activities	(3,078,777)	31,404,728
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	-	-
Purchases of investments	-	-
Sales of investments	-	-
Interest and dividends received	228,208	1,226,796
Net cash provided (used) by investing activities	228,208	1,226,796
Net increase (decrease) in cash and cash equivalents	(722,302)	38,739,342
Cash and cash equivalents, beginning of the fiscal year	5,387,561	10,430,994
Cash and cash equivalents, end of the fiscal year	\$ 4,665,259	\$ 49,170,336

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
\$ 2,404,627	\$ 3,255,865	\$ 5,189,804	\$ 36,770,670	\$ 17,329,152
(2,245,750)	(2,363,766)	(2,057,992)	(14,901,738)	(9,448,934)
(3,366,996)	(4,443,826)	(1,775,533)	(16,414,861)	(3,603,668)
(1,131,892)	(894,590)	(397,314)	(5,045,349)	(1,381,914)
(4,340,011)	(4,446,317)	958,965	408,722	2,894,636
-	-	600,000	600,000	-
1,812,744	4,040,146	-	5,852,890	-
2,296,535	2,407,140	454,313	5,157,988	-
4,109,279	6,447,286	1,054,313	11,610,878	-
758,413	100,000	-	858,413	-
-	-	4,952,512	5,416,844	-
-	-	-	-	1,089,989
(31,928)	(3,278,813)	(7,610,904)	(25,407,135)	(4,379,512)
-	-	1,777,567	49,016,152	-
-	-	(27,447)	(756,854)	-
-	(856,694)	(30,486)	(3,493,600)	-
-	(759,461)	(55,990)	(2,371,100)	(30,092)
-	(52,364)	-	(52,364)	(875,000)
1,048	-	-	1,048	281,020
727,533	(4,847,332)	(994,748)	23,211,404	(3,913,595)
-	1,564,260	-	1,564,260	-
-	(1,610,537)	-	(1,610,537)	(4,511,548)
-	-	-	-	4,310,882
108,690	319,845	198,625	2,082,164	184,851
108,690	273,568	198,625	2,035,887	(15,815)
605,491	(2,572,795)	1,217,155	37,266,891	(1,034,774)
2,537,670	7,852,291	4,019,707	30,228,223	5,548,615
\$ 3,143,161	\$ 5,279,496	\$ 5,236,862	\$ 67,495,114	\$ 4,513,841

TOWN OF OCEAN CITY, MARYLAND
STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2026

	Business-Type Activities	
	Water	Wastewater
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 1,505,174	\$ 3,842,823
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	1,127,474	3,205,960
EFFECT OF CHANGES IN OPERATING ASSETS AND LIABILITIES:		
Accounts receivable	157,256	(131,145)
Due from other governmental agencies	(4)	5
Inventories	-	(31,932)
Prepaid expenses	-	-
Deferred outflows related to pensions	72,976	60,482
Deferred outflows related to OPEB	10,795	60,834
Compensated absences	(30,910)	25,877
Customer deposits	14,967	9,000
Accounts payable	(351,300)	(2,445)
Accrued expenses	28,800	35,457
Unearned revenue	-	-
Claims liability	-	-
Net pension liability	(525,502)	(443,216)
Net OPEB liability	(199,194)	(980,936)
Deferred inflows related to pensions	277,835	316,452
Deferred inflows related to OPEB	39,900	140,602
Total adjustments	623,093	2,264,995
Net cash provided (used) by operating activities	\$ 2,128,267	\$ 6,107,818
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:		
Decrease in fair value of investments	\$ -	\$ -
Purchase of capital assets on account	-	840,407
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
\$ (5,759,773)	\$ (6,158,431)	\$ (729,190)	\$ (7,299,397)	\$ 330,734
1,499,130	1,448,573	1,436,640	8,717,777	3,469,741
23	145,011	18,161	189,306	(4,585)
-	-	(25,862)	(25,861)	(7)
-	-	(8,240)	(40,172)	(94,367)
-	(1,199)	-	(1,199)	-
17,314	87,182	14,340	252,294	64,259
7,197	16,192	5,997	101,015	14,394
9,652	20,143	16,006	40,768	35,321
-	-	-	23,967	-
(1,713)	(21,570)	12,199	(364,829)	(348,658)
20,375	26,246	16,774	127,652	33,021
-	137,197	269,673	406,870	-
-	-	-	-	(416,054)
(127,878)	(665,832)	(110,067)	(1,872,495)	(486,310)
(132,796)	(298,790)	(110,662)	(1,722,378)	(265,592)
101,858	759,110	131,030	1,586,285	509,539
26,600	59,851	22,166	289,119	53,200
1,419,762	1,712,114	1,688,155	7,708,119	2,563,902
\$ (4,340,011)	\$ (4,446,317)	\$ 958,965	\$ 408,722	\$ 2,894,636
\$ -	\$ (7,404)	\$ -	\$ (7,404)	\$ (24,120)
-	-	-	840,407	-
1,048	-	(7,944)	(6,896)	(222,841)

TOWN OF OCEAN CITY, MARYLAND
STATEMENT OF FIDUCIARY NET POSITION
BENEFIT TRUST FUNDS
JUNE 30, 2026

	Benefit Trust Funds
ASSETS	
Cash and cash equivalents	\$ 7,910,354
Interest and dividends receivable	549,943
Investments, at fair value:	
Domestic equities	87,982,000
Domestic fixed income	82,790,126
International equities	49,291,849
Alternative investments	16,184,550
Total assets	<u>244,708,822</u>
LIABILITIES	
Accounts payable	24,348
Total liabilities	<u>24,348</u>
NET POSITION	
Net position restricted for pensions	194,733,593
Net position restricted for OPEB	49,950,881
Total net position - benefit trust funds	<u><u>\$ 244,684,474</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, 2026

	Benefit Trust Funds
ADDITIONS	
Contributions:	
Employer	\$ 8,967,206
Plan members	2,002,539
Total contributions	<u>10,969,745</u>
Investment earnings:	
Net change in fair value of investments	21,776,046
Interest	2,666,596
Dividends	4,018,029
Total investment income	<u>28,460,671</u>
Less: investment expense	<u>(1,120,016)</u>
Net investment income	<u>27,340,655</u>
Total additions	<u>38,310,400</u>
DEDUCTIONS	
Benefits and refunds paid	12,773,975
Administrative expenses	114,166
Total deductions	<u>12,888,141</u>
Change in net position	25,422,259
Net position, beginning	<u>219,262,215</u>
Net position, ending	<u><u>\$ 244,684,474</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, 2026

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

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

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

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

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

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

C. Basis of presentation – government-wide financial statements

Although separate government-wide and fund financial statements are presented in the report, they are interconnected. The governmental activities column includes data from governmental and internal service funds, while business-type activities 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 has elected to present the Capital Projects Fund as a major fund and utilizes this 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, which the Town has elected to present as a major fund, accounts for the operations of the Town's bus system; 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

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(OPEB) Trust Fund accounts for activities of the OPEB Trust. As fiduciary funds, these funds are used to account for assets held on behalf of outside parties under the terms of a formal trust agreement.

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

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F. Budgetary basis of accounting

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

- 1) On or before January 15 of each year, all Town departments submit requests for appropriations to the City Manager. The budget is prepared by fund, function, and activity, and includes information for the past fiscal year, current fiscal year estimates, and requested appropriations for the next fiscal year.
- 2) On or before May 28, the proposed budget is presented to the City Council for review.
- 3) The City Council holds two public hearings on the proposed budget and may insert new line items into the budget and increase or decrease the amounts in existing line items.
- 4) Prior to July 1, the budget is legally enacted through the passage of an ordinance.
- 5) All annual appropriations lapse at fiscal year-end even if they have been encumbered. Encumbrances are commitments to buy goods and services that have not been executed or performed yet. Encumbrance accounting is used as necessary to assure effective budgetary control and accountability while enabling control of cash. While appropriations and encumbrances lapse at fiscal year-end, encumbrances for goods and services expected to be received in the next fiscal year are re-appropriated and become part of the next fiscal year's budget.
- 6) Transfers of budgeted amounts between line items or departments within a fund may be accomplished with the approval of the City Manager and Finance Director such that the net effect on total expenditures for the fund equals zero. Budget amendments, which establish additional revenue (equal to or in excess of new appropriations) or move appropriations from one fund to another, must be approved by a two-thirds vote of the City Council after holding public hearings.
- 7) The budget information presented in the accompanying financial statements includes all budget ordinances and amendments as approved by the Mayor and City Council for the fiscal year ended June 30, 2026, for the General Fund, the governmental fund type for which an annual budget is adopted. No annual budget and actual comparisons are presented in the financial statements for governmental funds utilizing project ordinances which sometimes span more than one fiscal year.

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

1) Cash equivalents and investments

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

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

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

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

2) Inventories and prepaid items

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

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

3) Restricted assets

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

Unspent bond proceeds, whose intent is to finance municipal projects and not to fund current operations, are invested in the MLGIP and are recorded in the Capital Projects Fund, Water Fund, Wastewater Fund, Golf Course 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

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5) Deferred outflows/inflows of resources

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

The Statement of Net Position reports a separate section for deferred inflows of resources representing an acquisition of net assets that applies to a future period and is not recognized as an inflow of resources in the current period. The Town has three items that qualify for reporting in this category. One item, “unavailable revenue,” occurs under a modified accrual basis of accounting and is reported in the governmental funds Balance Sheet. The governmental funds report unavailable revenue from property and income taxes which are expected to be received during fiscal year 2027. 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.

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

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

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

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

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

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

H. Revenues and expenditures/expenses

1) Program revenues

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

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2) Property taxes

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

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

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

3) Compensated absences

The Town recognizes a liability for certain types of unused paid time-off if it (a) is attributable to services already rendered, (b) accumulates, and (c) is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

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.

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4) Proprietary funds operating and nonoperating revenues and expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating revenues and expenses. Operating revenues and expenses are revenues and expenses other than nonoperating revenues and expenses. Nonoperating revenues and expenses are (a) subsidies received and provided, (b) contributions to permanent and term endowments, (c) revenues and expenses related to financing, (d) resources from the disposal of capital assets and inventory, and (e) investment income and expenses. Noncapital subsidies (a type of nonoperating revenue and expense) is reported separately. Noncapital subsidies are defined as one of the following:

- Resources received from another party or fund (1) for which the proprietary fund does not provide goods and services to the other party or fund and (2) that directly or indirectly keep the proprietary fund's current or future fees and charges lower than they would be otherwise.
- Resources provided to another party or fund (1) for which the other party or fund does not provide goods and services to the proprietary fund and (2) that are recoverable through the proprietary fund's current or future pricing policies.
- All other transfers.

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 32 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	5,443,373
Buildings	80,962,594
Less: accumulated depreciation - buildings	(32,163,409)
Machinery and equipment	13,006,849
Less: accumulated depreciation - machinery and equipment	(6,809,530)
Streets and infrastructure	66,762,315
Less: accumulated depreciation - streets and infrastructure	(46,992,765)
Other improvements	36,117,834
Less: accumulated depreciation - other improvements	(19,414,483)
Net adjustment to increase fund balances - total governmental funds	
to arrive at net position - governmental activities	<u>\$ 122,988,096</u>

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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	\$ 17,052,679
Add: internal receivable representing costs in excess of charges to business-type activities - prior years	4,375,056
Add: internal receivable representing costs in excess of charges to business-type activities - current year	<u>(6,191)</u>
Net adjustment to increase fund balances - total governmental funds to arrive at net position - governmental activities	<u><u>\$ 21,421,544</u></u>

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	\$ 42,476,162
Less: deferred charge on refunding (to be amortized as interest expense)	(352)
Add: issuance premium (to be amortized over life of debt)	2,138,618
Intergovernmental loans	64,440
Financed purchases	2,590,511
Accrued interest payable	637,945
Accrued obligation for compensated absences (not due within one year)	5,086,635
Net pension liability	12,210,709
Less: deferred outflows of resources - difference between expected and actual experience	(4,082,841)
Less: deferred outflows of resources - changes of pension plan assumptions and benefits	(5,858,308)
Add: deferred inflows of resources - difference between projected and actual earnings on pension plan investments	12,878,866
Add: deferred inflows of resources - difference between expected and actual experience	41,484
Net OPEB liability (asset)	(13,325,265)
Less: deferred outflows of resources - changes of OPEB plan assumptions and benefits	(1,426,834)
Add: deferred inflows of resources - difference between projected and actual earnings on OPEB plan investments	3,103,107
Add: deferred inflows of resources - difference between expected and actual experience	13,110,635
Add: deferred inflows of resources - changes of OPEB plan assumptions and benefits	<u>2,106,767</u>
Net adjustment to decrease fund balances - total governmental funds to arrive at net position - governmental activities	<u><u>\$ 71,752,279</u></u>

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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 34 explains that “Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of these assets are allocated over their estimated useful lives and reported as depreciation expense.” The details for the amount by which capital outlays exceeded depreciation expense in the current period are as follows:

Capital outlay	\$ 9,928,663
Depreciation expense	<u>(6,558,538)</u>
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net position - governmental activities	<u>\$ 3,370,125</u>

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	\$ 4,018,210
Debt issued or incurred:	
General obligation bonds	(2,123,283)
Premium on general obligation bonds	<u>(177,396)</u>
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net position - governmental activities	<u>\$ 1,717,531</u>

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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	\$ (3,690)
Amortization of bond premiums	407,926
Amortization of deferred charge on refunding	(4,043)
Loss on disposal of assets	(238)
Change in accrued obligation for compensated absences (not due within one year)	(444,856)
Change in net pension liability	9,120,893
Amortization of effect of difference between projected and actual earnings on pension plan investments	(9,295,747)
Amortization of changes in pension plan assumptions and benefits	(37,171)
Amortization of pension plan difference between expected and actual experience	1,046,840
Change in net OPEB liability (asset)	5,336,318
Amortization of effect of difference between projected and actual earnings on OPEB plan investments	(2,262,879)
Amortization of OPEB plan difference between expected and actual experience	1,631,803
Amortization of changes in OPEB plan assumptions and benefits	(790,477)
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net position - governmental activities	<u>\$ 4,704,679</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	\$ 1,628,247
Less: gain from charges to business-type activities	<u>(6,191)</u>
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net position - governmental activities	<u>\$ 1,622,056</u>

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

The proprietary fund Statement of Net Position includes a reconciliation between “net position – total enterprise funds” and “net position – business-type activities” as reported in the government-wide Statement of Net Position. The description of the sole component of that reconciliation on page 36 is “Adjustment for the cumulative net internal balance for 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	\$ (4,375,056)
Internal receivable representing charges in excess of costs to business-type activities - current year	<u>6,191</u>
Net adjustment to decrease net position - total enterprise funds to arrive at net position - business-type activities	<u>\$ (4,368,865)</u>

Town of Ocean City, Maryland
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Note 3: Stewardship, compliance, and accountability

For the fiscal year ended June 30, 2026, the Council approved two budget amendments to recognize additional revenue of \$6,420,596 and to increase the amount of appropriated prior year fund balance by \$1,128,949 (from \$1,938,179 to \$3,067,128) in order to increase appropriations by \$7,549,545.

Note 4: Deposits and investments

A. Cash on hand

At fiscal year-end, cash on hand for petty cash and change funds was \$25,242.

B. Deposits

At fiscal year-end, the carrying amount of the Town's deposits was \$3,693,335 and the bank balance was \$7,616,253. The deposits of the Town were not exposed to custodial credit risk as of June 30, 2026.

C. Investments and fair value measurements

As of June 30, 2026, 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	\$ 2,231,950	\$ 500,000	\$ 1,731,950	\$ -	4.01 %
State investment pool	80,175,450	80,175,450	-	-	4.00
U.S. government money market	190,384	190,384	-	-	1.28
Money market mutual fund	6,160,527	6,160,527	-	-	3.68
U.S. Treasuries	83,344,700	26,438,130	50,852,431	6,054,139	3.62
U.S. agencies	6,261,489	-	-	6,261,489	3.64
Domestic equities	87,982,000	87,982,000	-	-	-
Domestic fixed income	40,172,609	14,704,763	17,420,363	8,047,483	4.69
International equities	49,291,849	49,291,849	-	-	-
Alternative investments	16,184,550	-	16,184,550	-	-
Totals	<u>\$ 371,995,508</u>	<u>\$ 265,443,103</u>	<u>\$ 86,189,294</u>	<u>\$ 20,363,111</u>	

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

Cash on hand	\$ 25,242
Carrying amount of deposits	3,693,335
Carrying amount (fair value) of investments and cash equivalents	<u>371,995,508</u>
Total cash and investments	375,714,085
Less: amounts in fiduciary funds	<u>(244,158,879)</u>
Total cash and investments per Statement of Net Position	<u><u>\$ 131,555,206</u></u>
 Cash and cash equivalents	 \$ 37,481,693
Restricted cash and cash equivalents	44,852,891
Investments	47,622,423
Restricted investments	1,598,199
Total cash and investments per Statement of Net Position	<u><u>\$ 131,555,206</u></u>

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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, 2026, met the Town's investment policy as of that date.

Investment income included the following for the fiscal year ended June 30, 2026:

Net interest and dividends	\$ 12,037,240
Net increase (decrease) in fair value of investments	21,481,500
Total investment gain (loss)	<u>33,518,740</u>
Less: investment gain (add investment loss) in fiduciary funds	<u>(28,460,671)</u>
Total net investment income per Statement of Activities	<u>\$ 5,058,069</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, 2026, \$17,696,588 of fiduciary fund investments were rated "BBB" and \$11,372,039 were unrated, with 22.4% of total fiduciary fund fixed-income securities below single "A" quality.

Fixed-income investments as of June 30, 2026, are listed below using the Standard and Poor's rating scale:

Investment Type	Credit Rating	Domestic Amount	International Amount	Total
U.S. Treasuries	AA	\$ 83,344,700	\$ -	\$ 83,344,700
U.S. agencies	AA	6,261,489	-	6,261,489
Corporate and international bonds	AA	1,316,292	-	1,316,292
	A	9,787,690	-	9,787,690
	BBB	17,696,588	-	17,696,588
Bond mutual funds	Unrated	11,372,039	-	11,372,039
Totals		<u>\$ 129,778,798</u>	<u>\$ -</u>	<u>\$ 129,778,798</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, 2026, 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

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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, 2026:

- Amounts invested in certificates of deposit of \$2,231,950 are valued using quoted market prices (Level 1 inputs)
- Amounts invested in money market funds of \$6,350,911 are valued using quoted market prices (Level 1 inputs)
- Amounts invested in fixed income investments of \$129,778,798 and alternative investments of \$16,184,550 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 \$137,273,849 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 10.7% at fiscal year-end, or \$26,225,895.

The foreign currency risk as of June 30, 2026, is presented in the following table:

Currency	U.S. Dollars
Hong Kong Dollar	\$ 4,324,760
Euro	4,154,118
Taiwanese Dollar	3,422,562
Japanese Yen	2,508,056
Brazilian Real	2,107,785
British Pound	1,696,117
South African Rand	1,658,254
South Korean Won	1,337,355
Mexican Peso	1,013,089
Indonesian Rupiah	872,346
Swiss Franc	817,600
Swedish Krona	500,966
Indian Rupee	436,712
Hungarian Forint	366,479
Australian Dollar	260,312
Thai Baht	229,328
Danish Krone	203,141
Canadian Dollar	188,019
Singapore Dollar	128,896
Total foreign currencies	<u><u>\$ 26,225,895</u></u>

Note 5: Receivables

A. Property taxes receivable

Property taxes are reported at their estimated collectible value. The total assessed value on which levies were made for the fiscal year ended June 30, 2026, was \$12,455,815,546. The Town's real property tax rate was \$0.4426 per

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\$100 of assessed value. The Town tax rate for personal and corporate property was \$1.11 per \$100 of assessed value. The Town collected 98.6% of current year property taxes levied in the current year. Total property tax collections were 100.8% of current year taxes levied, which includes prior year tax assessments collected during fiscal year 2026.

B. Receivables

Receivables as of June 30, 2026, 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	\$ 1,275,451	\$ -	\$ 1,275,451
Emergency medical	520,661	-	520,661
Accounts	2,501,195	3,671,511	6,172,706
Gross receivables	4,297,307	3,671,511	7,968,818
Less: allowance	(81,014)	-	(81,014)
Total	<u>\$ 4,216,293</u>	<u>\$ 3,671,511</u>	<u>\$ 7,887,804</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, 2026:

	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	13,399,421	2,611,613	(10,567,661)	5,443,373
Total capital assets, not being depreciated	<u>39,474,739</u>	<u>2,611,613</u>	<u>(10,567,661)</u>	<u>31,518,691</u>
Capital assets, being depreciated:				
Buildings	75,433,274	5,603,180	-	81,036,454
Machinery and equipment	59,334,366	7,629,782	(3,297,670)	63,666,478
Streets and infrastructure	64,979,895	1,782,420	-	66,762,315
Other improvements	28,679,543	7,438,291	-	36,117,834
Total capital assets, being depreciated	<u>228,427,078</u>	<u>22,453,673</u>	<u>(3,297,670)</u>	<u>247,583,081</u>
Less accumulated depreciation for:				
Buildings	(30,295,283)	(1,962,222)	18,548	(32,238,957)
Machinery and equipment	(42,583,769)	(4,375,374)	3,056,043	(43,903,100)
Streets and infrastructure	(44,146,242)	(2,846,523)	-	(46,992,765)
Other improvements	(18,570,323)	(844,160)	-	(19,414,483)
Total accumulated depreciation	<u>(135,595,617)</u>	<u>(10,028,279)</u>	<u>3,074,591</u>	<u>(142,549,305)</u>
Total capital assets, being depreciated, net	<u>92,831,461</u>	<u>12,425,394</u>	<u>(223,079)</u>	<u>105,033,776</u>
Governmental activities capital assets, net	<u>\$132,306,200</u>	<u>\$ 15,037,007</u>	<u>\$ (10,790,740)</u>	<u>\$136,552,467</u>

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The following is a summary of business-type capital assets activity for the fiscal year ended June 30, 2026:

	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	30,845,618	20,465,212	(23,020,149)	28,290,681
Total capital assets, not being depreciated	49,925,617	20,465,212	(23,020,149)	47,370,680
Capital assets, being depreciated:				
Buildings	156,471,722	22,755	-	156,494,477
Machinery and equipment	85,393,076	14,181,189	(12,882)	99,561,383
Streets and infrastructure	83,559,422	14,504,053	-	98,063,475
Other improvements	6,555,314	31,928	-	6,587,242
Total capital assets, being depreciated	331,979,534	28,739,925	(12,882)	360,706,577
Less accumulated depreciation for:				
Buildings	(88,257,738)	(3,157,410)	-	(91,415,148)
Machinery and equipment	(51,631,080)	(3,134,527)	4,938	(54,760,669)
Streets and infrastructure	(38,352,492)	(2,357,035)	-	(40,709,527)
Other improvements	(3,575,156)	(68,805)	-	(3,643,961)
Total accumulated depreciation	(181,816,466)	(8,717,777)	4,938	(190,529,305)
Total capital assets, being depreciated, net	150,163,068	20,022,148	(7,944)	170,177,272
Business-type activities capital assets, net	<u>\$200,088,685</u>	<u>\$ 40,487,360</u>	<u>\$ (23,028,093)</u>	<u>\$217,547,952</u>

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

General government	\$ 147,286
Public safety	1,079,158
General public works and beach	1,368,512
Sanitation and waste removal	340,456
Highways and streets	3,248,908
Economic development - tourism	50,961
Recreation and culture	323,257
Capital assets held by the Town's internal service funds are charged to the various functions based on their usage of the assets	3,469,741
Total depreciation expense - governmental activities	<u>\$ 10,028,279</u>

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

Water Fund	\$ 1,127,474
Wastewater Fund	3,205,960
Transportation Fund	1,499,130
Convention Center Fund	1,448,573
Airport Fund	1,365,717
Golf Course Fund	70,923
Total depreciation expense - business-type activities	<u>\$ 8,717,777</u>

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The Town has ongoing construction projects as of June 30, 2026. The projects include street paving, replacing the roof on the 65th Street service center, upgrades to the wastewater facilities, and airport taxiway improvements. At fiscal year-end, the Town's obligations with contractors were as follows:

Project	Spent to Date	Remaining Commitment
Airport taxiway "A" construction	\$ 7,811,041	\$ 1,173,569
Baltimore Avenue utility undergrounding	2,369,590	469,589
Convention center elevator/escalators	4,167,589	176
Service Center roof	564,332	796,888
Street paving	2,361,530	2,061,596
Wastewater administration building	180,204	612,048
Wastewater ocean outfall repair	1,782,343	28,080
Wastewater primary influent building rehab	9,128,605	36,164,606
Total	<u>\$ 28,365,234</u>	<u>\$ 41,306,552</u>

Note 7: Interfund receivables, payables, and transfers

In governmental funds, total transfers of \$3,521,495 were made from the General Fund to the Capital Projects Fund for capital expenditures.

Net transfers of \$5,157,988 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	\$ 2,296,535
Convention Center Fund	2,407,140
Airport Fund	320,159
Golf Course Fund	134,154
Total	<u>\$ 5,157,988</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 \$142,216,000.

In December 2025, the Town issued General Obligation Municipal Purpose Bonds of 2025 for \$47,360,000 with serial interest rates ranging from 4% to 5% and a final maturity in January 2046, to finance certain costs of acquisition, construction, and/or improvement of public projects, specifically for wastewater facility improvements, to replace aging water meters with radio-read meters, a tidal flooding remediation project at the golf course, a service center garage renovation, and to replace Boardwalk signage.

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General obligation bonds outstanding at June 30, 2026, 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	\$ 300,000
Municipal Purpose Bonds of 2015	2035	2.00 - 5.00%	16,760,000	9,980,000
Municipal Refunding Bond of 2016A	2027	1.92%	5,266,000	1,293,000
Property Acquisition Bond of 2016B	2027	2.70%	1,350,000	152,000
Municipal Purpose Bond of 2017A	2027	2.50%	1,600,000	178,472
Municipal Purpose Bonds of 2018	2038	3.00 - 5.00%	25,795,000	20,060,000
Municipal Purpose Bonds of 2020, Tax-Exempt	2040	2.00 - 5.00%	6,650,000	5,985,000
Refunding Bonds of 2020	2031	5.00%	6,750,000	3,450,000
Municipal Purpose Bonds of 2021	2042	2.00 - 5.00%	26,115,000	22,515,000
Municipal Refunding Bonds of 2022	2033	1.71%	16,900,000	7,950,000
Municipal Purpose Bonds of 2023	2044	4.00 - 5.00%	26,115,000	24,540,000
Municipal Purpose Bonds of 2024	2045	4.00 - 5.00%	4,815,000	4,685,000
Municipal Purpose Bonds of 2025	2046	4.00 - 5.00%	47,360,000	47,360,000
Total bonds			<u>\$189,576,000</u>	<u>\$148,448,472</u>

NOTE: Principal balances do not include net unamortized bond premiums of \$2,138,618 and \$7,089,956 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
2027	\$ 3,949,802	\$ 1,436,238	\$ 4,876,670	\$ 4,465,008
2028	3,447,618	1,297,040	5,284,382	4,049,484
2029	3,010,560	1,175,403	5,429,440	3,810,741
2030	3,031,175	1,054,630	5,783,825	3,565,527
2031	3,148,129	938,661	6,036,871	3,310,941
2032 - 2036	13,212,168	3,250,656	30,297,832	12,952,054
2037 - 2041	10,121,570	1,389,440	26,068,430	7,203,548
2042 - 2046	3,522,712	250,204	21,227,288	2,362,896
Total	<u>\$ 43,443,734</u>	<u>\$ 10,792,272</u>	<u>\$105,004,738</u>	<u>\$ 41,720,199</u>

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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, 2026, is as follows:

Loan	Maturity	Interest Rate	Original Issue	Outstanding Balance
Soil erosion control - Robin Drive	2030	0.00%	\$ 297,171	\$ 64,440
Total intergovernmental loans			<u>\$ 297,171</u>	<u>\$ 64,440</u>

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

Year Ending June 30,	Principal
2027	\$ 16,110
2028	16,110
2029	16,110
2030	16,110
Total	<u>\$ 64,440</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
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>\$ 2,590,511</u>	<u>\$ 138,930</u>	<u>\$ 296,309</u>	<u>\$ 19,077</u>

D. Legal debt margin

The Town's legal debt margin as of June 30, 2026, based on 5.2% of assessable property, was \$490,025,362. As of June 30, 2026, the total outstanding debt applicable to the limit was \$157,677,046, which is 1.27% of assessable property.

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E. Changes in long-term liabilities

During the fiscal year ended June 30, 2026, 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	\$ 45,083,943	\$ 2,123,283	\$ (3,763,492)	\$ 43,443,734	\$ 3,949,802
Bond premiums	2,369,148	177,396	(407,926)	2,138,618	-
Intergovernmental loans	80,550	-	(16,110)	64,440	16,110
Total bonds, notes, and loans payable	47,533,641	2,300,679	(4,187,528)	45,646,792	3,965,912
Financed purchases	3,704,119	-	(1,113,608)	2,590,511	823,978
Accrued obligations for compensated absences	4,921,984	480,176	-	5,402,160	254,851
Claims and judgments	4,046,005	1,219,369	(1,635,423)	3,629,951	1,089,283
Net pension liability	22,243,201	28,482,481	(38,089,684)	12,635,998	-
Net OPEB liability (asset)	(8,391,283)	3,116,498	(8,718,408)	(13,993,193)	-
Governmental activities long-term liabilities	<u>\$ 74,057,667</u>	<u>\$ 35,599,203</u>	<u>\$ (53,744,651)</u>	<u>\$ 55,912,219</u>	<u>\$ 6,134,024</u>
Business-Type Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 63,261,621	\$ 45,236,717	\$ (3,493,600)	\$105,004,738	\$ 4,876,670
Bond premiums	3,962,261	3,779,435	(651,740)	7,089,956	-
Total bonds payable	67,223,882	49,016,152	(4,145,340)	112,094,694	4,876,670
Financed purchases	348,673	-	(52,364)	296,309	53,290
Accrued obligations for compensated absences	1,059,357	40,768	-	1,100,125	864,977
Net pension liability	3,241,427	4,077,109	(5,949,604)	1,368,932	-
Net OPEB liability (asset)	(2,681,253)	958,207	(2,680,585)	(4,403,631)	-
Business-type activities long-term liabilities	<u>\$ 69,192,086</u>	<u>\$ 54,092,236</u>	<u>\$ (12,827,893)</u>	<u>\$110,456,429</u>	<u>\$ 5,794,937</u>

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.). This fund finances the payment of claims by charging other funds based on management's assessment of the relative insurance risk that should be assumed by individual funds. Currently, governmental activities assume approximately 70% of insurance costs and business-type activities assume approximately 30%.

Note 9: Other information

A. Risk management

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

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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, 2024, were as follows:

Claims liability at June 30, 2024	\$ 4,055,752
Claims incurred	579,717
Claims paid	<u>(589,464)</u>
Claims liability at June 30, 2025	4,046,005
Claims incurred	1,219,369
Claims paid	<u>(1,635,423)</u>
Claims liability at June 30, 2026	<u><u>\$ 3,629,951</u></u>

As of June 30, 2026, the Risk Management Fund had cash and investments of \$5,429,853 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 \$873,453 in the General Fund and \$3,589,692 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 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, 2026, the amount of the contribution was \$2,360,966.

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

Town of Ocean City, Maryland
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in 2008. The Town issued \$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 \$1,902,104 were \$293,532 more than debt service on these bonds for the fiscal year ended June 30, 2026. Cumulative receipts and interest in excess of debt service totaled \$2,574,359 at June 30, 2026, and is shown on the Statement of Net Position – Proprietary Funds as net position “restricted for debt service.” The principal balance of the debt was \$17,348,874 as of June 30, 2026.

D. New accounting pronouncements

The GASB has issued Statement No. 103, *Financial Reporting Model Improvements*, Statement No. 104, *Disclosure of Certain Capital Assets*, and Implementation Guide No. 2025-1, *Implementation Guidance Update—2025*, all of which the Town implemented during fiscal year 2026, as applicable. These Statements did not have a material effect on the Town’s financial statements. The GASB has also issued Statement No. 105, *Subsequent Events*. The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2027.

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 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, 2026, 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.

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B. Net OPEB liability (asset)

Actuarial assumptions. The Town's net OPEB liability (asset) was measured as of June 30, 2026, and the total OPEB liability used to calculate the net OPEB liability (asset) was based on May 1, 2026, 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, 2026, 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, 2026, 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	7.5	2.4	5.1
Emerging markets equities	8.0	8.7	2.4	6.3
Domestic taxable fixed income	35.0	3.8	2.4	1.4
Equity hedge assets	5.0	5.9	2.4	3.5
Total	100.0 %	6.6 %	2.4 %	4.2 %

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Rate of return. For the fiscal year ended June 30, 2026, the annual money-weighted rate of return on investments, net of investment expense, was 12.56%. 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 6.6%. The projection of cash flows used to determine the discount rate assumed that Town contributions will be made at rates determined by the funding policy, equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use a municipal bond rate.

The condensed financial statements of the plan are as follows:

Condensed Statement of Net Position

	OPEB Trust Fund
ASSETS	
Cash and receivables	\$ 1,108,312
Investments	48,842,569
Total assets	<u>49,950,881</u>
NET POSITION	
Restricted for OPEB	<u><u>\$ 49,950,881</u></u>

Condensed Statement of Changes in Fiduciary Net Position

	OPEB Trust Fund
ADDITIONS	
Investment gains	\$ 5,675,136
Total additions	<u>5,675,136</u>
DEDUCTIONS	
Benefits and refunds paid	1,369,951
Total deductions	<u>1,369,951</u>
Change in net position	4,305,185
Net position, beginning of the fiscal year	<u>45,645,696</u>
Net position, end of the fiscal year	<u><u>\$ 49,950,881</u></u>

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Changes in the net OPEB liability (asset) and the OPEB plan's fiduciary net position for the year ended June 30, 2026, were as follows:

	Total OPEB Liability	Plan's Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2025	\$ 34,573,160	\$ 45,645,696	\$(11,072,536)
Increases (decreases) in balances during the fiscal year:			
Service cost	385,602	-	385,602
Interest	2,319,152	-	2,319,152
Differences between expected and actual experience	(2,821,519)	-	(2,821,519)
Changes of assumptions	(1,532,387)	-	(1,532,387)
Net investment income	-	5,675,136	(5,675,136)
Benefit payments, including refunds of member contributions	(1,369,951)	(1,369,951)	-
Net change in balance	(3,019,103)	4,305,185	(7,324,288)
Balance at June 30, 2026	<u>\$ 31,554,057</u>	<u>\$ 49,950,881</u>	<u>\$(18,396,824)</u>

Plan's fiduciary net position as a percentage of the total OPEB liability: 158.30%

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 6.6%, 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 (5.6%) or 1-percentage point higher (7.6%) than the current discount rate:

	1% decrease (5.60%)	Baseline (6.60%)	1% increase (7.60%)
Total other post-employment benefit liability	\$ 35,340,774	\$ 31,554,057	\$ 28,363,766
Net other post-employment benefit asset	(14,610,107)	(18,396,824)	(21,587,115)

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 3.75%, 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 (2.75%) or 1-percentage point higher (4.75%) than the current health care cost trend rate:

	1% decrease (2.75%)	Baseline rate (3.75%)	1% increase (4.75%)
Total other post-employment benefit liability	\$ 28,047,706	\$ 31,554,057	\$ 35,771,809
Net other post-employment benefit asset	(21,903,175)	(18,396,824)	(14,179,072)

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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, 2026, the Town recognized an OPEB expense of negative \$5,445,006. At June 30, 2026, 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	\$ -	\$ 18,100,506
Changes of assumptions	1,969,883	2,908,597
Net difference between projected and actual earnings on OPEB plan investments	-	4,284,140
Total	<u>\$ 1,969,883</u>	<u>\$ 25,293,243</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,	
2027	\$ (7,069,342)
2028	(5,925,246)
2029	(5,296,266)
2030	(3,749,514)
2031	(632,073)
Thereafter	(650,919)
Total	<u>\$ (23,323,360)</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, 2026, there were 337 employees actively participating in the plan. Employee contributions totaled \$1,158,795 and the Town recognized contribution expense of \$1,158,795. The market value of the 401(a) plan assets totaled \$16,855,856 at June 30, 2026.

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
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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 73. 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, 2026, 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, 2026, the annual money-weighted rate of return on investments, net of investment expense, was 12.48% 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, 2026, and was rolled forward using appropriate techniques to June 30, 2026, 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, 2025, are summarized below:

- Effective April 1, 2026, the investment return assumption decreased from 6.60% to 6.50%.

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. 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. Effective April 20, 2026, the EPP was amended to make certain desired

Town of Ocean City, Maryland
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changes to the special DROP program to permit the application of late retirement factors to increase the monthly retirement benefit for the person holding the position of Director of Public Works as of December 31, 2017.

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 International Association of Fire Fighters (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. 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.

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, 2026, 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	7.5	2.4	5.1
Emerging markets equities	8.0	8.7	2.4	6.3
Domestic taxable fixed income	34.0	3.8	2.4	1.4
Equity hedge assets	5.0	5.9	2.4	3.5
Ultrashort fixed income (cash)	1.0	3.1	2.4	0.7
Total	100.0 %	6.6 %	2.4 %	4.2 %

Discount rate. The discount rate used to measure the total pension liability was 6.5%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Town contributions will be made at rates determined by the funding policy, equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use a municipal bond rate.

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The condensed financial statements of the plans are as follows:

Condensed Statement of Net Position

	General Employees Pension Fund	Public Safety Employees Pension Fund	Total
ASSETS			
Cash and receivables	\$ 3,380,674	\$ 3,971,311	\$ 7,351,985
Investments	82,446,492	104,959,464	187,405,956
Total assets	85,827,166	108,930,775	194,757,941
LIABILITIES			
Total liabilities	11,550	12,798	24,348
NET POSITION			
Restricted for pensions	\$ 85,815,616	\$108,917,977	\$194,733,593

Condensed Statement of Changes in Fiduciary Net Position

	General Employees Pension Fund	Public Safety Employees Pension Fund	Total
ADDITIONS			
Contributions	\$ 3,859,134	\$ 7,110,611	\$ 10,969,745
Investment gains	9,589,400	12,076,119	21,665,519
Total additions	13,448,534	19,186,730	32,635,264
DEDUCTIONS			
Benefits and refunds paid	5,475,388	5,928,636	11,404,024
Administrative expenses	62,359	51,807	114,166
Total deductions	5,537,747	5,980,443	11,518,190
Change in net position	7,910,787	13,206,287	21,117,074
Net position, beginning of the fiscal year	77,904,829	95,711,690	173,616,519
Net position, end of the fiscal year	\$ 85,815,616	\$108,917,977	\$194,733,593

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, 2026, the valuation date:

Retirees and beneficiaries receiving benefits	253
Terminated, vested employees entitled to but not yet receiving benefits	45
Inactive nonvested members	9
Active members	112
Total	419

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

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

- c) *Deferred Retirement Option Program (DROP).* Any participant who held the office of Director of Public Works as of December 31, 2017, or City Engineer on October 1, 2020, enters DROP on January 1, 2018, or January 1, 2021, respectively, and must retire within the 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 2026 fiscal year was determined using the entry age normal actuarial cost method. The contribution to the EPP for fiscal year 2026 was \$3,359,117, computed through an actuarial valuation performed as of April 1, 2025, which represented 33.70% of covered payroll. Members contributed \$500,017, 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, 2026, were as follows:

	Plan's Total Pension Liability	Plan's Fiduciary Net Position	Plan's Net Pension Liability
Balance at June 30, 2025	\$ 88,317,268	\$ 77,904,829	\$ 10,412,439
Increases (decreases) in balances during the fiscal year:			
Service cost	718,756	-	718,756
Interest	5,651,139	-	5,651,139
Differences between expected and actual experience	52,509	-	52,509
Changes in assumptions	823,092	-	823,092
Changes in benefit terms	184,829	-	184,829
Contributions - employer	-	3,359,117	(3,359,117)
Contributions - member	-	500,017	(500,017)
Net investment income	-	9,589,400	(9,589,400)
Benefit payments, including refunds of member contributions	(5,475,388)	(5,475,388)	-
Administrative expense	-	(62,359)	62,359
Net change in balance	1,954,937	7,910,787	(5,955,850)
Balance at June 30, 2026	\$ 90,272,205	\$ 85,815,616	\$ 4,456,589

EPP fiduciary net position as a percentage of the total pension liability: 95.06%

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- f) *Sensitivity of the net pension liability to changes in the discount rate.* The following presents the net pension liability of the plan, calculated using the discount rate of 6.5%, 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 (5.5%) or 1-percentage point higher (7.5%) than the current rate:

	1% decrease (5.5%)	Current rate (6.5%)	1% increase (7.5%)
Net pension liability	\$ 13,274,001	\$ 4,456,589	\$ (3,149,359)

- g) *Pension expense, deferred outflows of resources, and deferred inflows of resources related to pensions.* For the fiscal year ended June 30, 2026, the Town recognized a pension expense of \$3,392,625 for the EPP. As of June 30, 2026, 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	\$ 131,924	\$ -
Changes of assumptions	608,482	-
Net difference between projected and actual earnings on pension plan investments	-	7,013,735
Total	<u>\$ 740,406</u>	<u>\$ 7,013,735</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,	
2027	\$ (1,743,331)
2028	(2,011,842)
2029	(1,617,541)
2030	(900,615)
Total	<u>\$ (6,273,329)</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 84-85 and 88-89, respectively.

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2) Public Safety Employees Pension Plan (PSEPP)

- a) *Membership.* All of the Town's full-time police officers, firefighters, emergency medical technicians, fire marshals, and communication employees participate in the PSEPP. The plan was closed to new entrants on April 1, 2011; however, it was reopened to sworn police officers effective July 1, 2013, and those sworn police officers hired on or after April 1, 2011, were allowed to enter the plan. Effective July 1, 2019, the plan was reopened to allow certified EMS personnel, fire marshal, and paid firefighters hired on or after July 1, 2013, to enter the plan. The following table summarizes the membership of the PSEPP as of April 1, 2026, the valuation date:

Retirees and beneficiaries receiving benefits	126
Terminated, vested employees entitled to but not yet receiving benefits	3
Inactive nonvested members	18
Active members	201
Total	<u>348</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 2026 fiscal year was determined using the entry age normal actuarial cost method. The contribution to the PSEPP for fiscal year 2026 was \$5,608,089, computed through an actuarial valuation performed as of April 1, 2025, which represented 32.95% of covered payroll. Members contributed \$1,502,522, 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, 2026

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, 2026, were as follows:

	Plan's Total Pension Liability	Plan's Fiduciary Net Position	Plan's Net Pension Liability
Balance at June 30, 2025	\$110,783,879	\$ 95,711,690	\$ 15,072,189
Increases (decreases) in balances during the fiscal year:			
Service cost	2,816,203	-	2,816,203
Interest	7,119,217	-	7,119,217
Differences between expected and actual experience	2,310,773	-	2,310,773
Changes in assumptions	1,364,882	-	1,364,882
Contributions - employer	-	5,608,089	(5,608,089)
Contributions - member	-	1,502,522	(1,502,522)
Net investment income	-	12,076,119	(12,076,119)
Benefit payments, including refunds of member contributions	(5,928,636)	(5,928,636)	-
Administrative expense	-	(51,807)	51,807
Net change in balance	7,682,439	13,206,287	(5,523,848)
Balance at June 30, 2026	<u>\$118,466,318</u>	<u>\$108,917,977</u>	<u>\$ 9,548,341</u>

PSEPP fiduciary net position as a percentage of the total pension liability: 91.94%

- 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 6.5%, 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 (5.5%) or 1-percentage point higher (7.5%) than the current rate:

	1% decrease (5.5%)	Current rate (6.5%)	1% increase (7.5%)
Net pension liability	\$ 24,503,208	\$ 9,548,341	\$ (2,837,533)

Town of Ocean City, Maryland
Notes to the Financial Statements
June 30, 2026

- g) *Pension expense, deferred outflows of resources, and deferred inflows of resources related to pensions.* For the fiscal year ended June 30, 2026, the Town recognized pension expense of \$4,793,338 for the PSEPP. As of June 30, 2026, 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	\$ 4,004,029	\$ 41,484
Changes of assumptions	5,494,801	-
Net difference between projected and actual earnings on pension plan investments	-	8,688,858
Total	<u>\$ 9,498,830</u>	<u>\$ 8,730,342</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,	
2027	\$ (820,095)
2028	(454,996)
2029	(79,101)
2030	327,220
Thereafter	1,795,460
Total	<u>\$ 768,488</u>

The Schedule of Changes in Net Pension Liability and Related Ratios and the Schedule of Employer Contributions are presented as RSI on pages 86-87 and 90-91, respectively.

The aggregate expense/expenditure recognized by the Town for its two pension plans during fiscal year 2026 was \$8,185,963. 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, 2026, was \$2,740,957.

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, 2026, there were 436 employees actively participating in the plan. Employee contributions totaled \$2,155,827 and the Town recognized a contribution expense of \$204,801. The market value of the 457(b) plan assets totaled \$51,795,444 at June 30, 2026.

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

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule - General Fund

Note to Budgetary Comparison Schedule - General Fund

PENSION TRUST FUNDS

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

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

Schedule of Employer Contributions - General Employees Pension Plan

Schedule of Employer Contributions - Public Safety Employees Pension Plan

OTHER POST-EMPLOYMENT BENEFITS (OPEB) TRUST FUND

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

Schedule of Employer Contributions - Other Post-Employment Benefits Trust

TOWN OF OCEAN CITY, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2026

	Original Budget	Final Budget	Variance with Original Budget - Over (Under) Final Budget	Actual Amounts Budgetary (and GAAP) Basis	Variance with Final Budget - Over (Under) Actual Amounts
REVENUES					
Property taxes	\$ 56,486,104	\$ 56,426,104	\$ (60,000)	\$ 56,516,094	\$ 89,990
Other taxes	31,398,000	32,621,305	1,223,305	35,086,956	2,465,651
Licenses and permits	5,435,162	6,523,732	1,088,570	6,555,726	31,994
Fines and forfeitures	1,458,600	1,573,720	115,120	1,620,270	46,550
Charges for services	13,798,402	14,582,060	783,658	15,440,957	858,897
Intergovernmental revenue	7,570,854	9,625,225	2,054,371	9,799,644	174,419
Other revenue	1,835,044	3,050,616	1,215,572	5,160,477	2,109,861
Total revenues	<u>117,982,166</u>	<u>124,402,762</u>	<u>6,420,596</u>	<u>130,180,124</u>	<u>5,777,362</u>
EXPENDITURES					
Current:					
General government	5,898,139	6,181,310	283,171	5,995,841	(185,469)
Public safety	50,964,987	54,338,236	3,373,249	55,271,319	933,083
General public works and beach	7,944,888	8,055,312	110,424	7,870,309	(185,003)
Sanitation and waste removal	8,435,953	8,553,230	117,277	8,521,203	(32,027)
Highways and streets	7,009,012	7,079,655	70,643	6,790,111	(289,544)
Economic development - tourism	15,111,430	18,173,238	3,061,808	17,526,388	(646,850)
Recreation and culture	9,767,781	9,930,440	162,659	9,879,809	(50,631)
Debt service:					
Principal	4,018,210	4,018,210	-	4,018,210	-
Interest	1,504,941	1,504,941	-	1,481,301	(23,640)
Total expenditures	<u>110,655,341</u>	<u>117,834,572</u>	<u>7,179,231</u>	<u>117,354,491</u>	<u>(480,081)</u>
Excess (Deficiency) of revenues over expenditures	<u>7,326,825</u>	<u>6,568,190</u>	<u>(758,635)</u>	<u>12,825,633</u>	<u>6,257,443</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	301,248	301,248
Transfers out	(9,265,004)	(9,635,318)	(370,314)	(9,769,472)	(134,154)
Total other financing sources (uses)	<u>(9,265,004)</u>	<u>(9,635,318)</u>	<u>(370,314)</u>	<u>(9,468,224)</u>	<u>167,094</u>
Net change in fund balances	(1,938,179)	(3,067,128)	(1,128,949)	3,357,409	6,424,537
Fund balances, beginning	<u>42,727,198</u>	<u>42,727,198</u>	<u>-</u>	<u>42,727,198</u>	<u>-</u>
Fund balances, ending	<u>\$ 40,789,019</u>	<u>\$ 39,660,070</u>	<u>\$ (1,128,949)</u>	<u>\$ 46,084,607</u>	<u>\$ 6,424,537</u>

The note to budgetary comparison schedule is an integral part of this schedule.

TOWN OF OCEAN CITY, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
NOTE TO BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2026

NOTE 1. Actual Budget Results

	<u>General Fund Over (Under)</u>
BUDGETARY REVENUES	
<i>Differences - original budget to final budget:</i>	
The original budget was amended for over \$840k in increased income taxes, which are remitted to the Town by the State of Maryland and can be a volatile revenue source. Highway user fees from the State were also increased by nearly \$280k.	\$ 1,223,305
The original budget was increased by over \$510k for room rental licenses, which saw a nearly 40% increase in the annual license fee during FY26. Building permits were also adjusted upward by more than \$330k for higher construction activity than expected.	1,088,570
Tourism grants weren't included in the original budget due to their unpredictable nature, but \$970k in grants were included in the final budget. Worcester County grants to reimburse the Town for ambulance services provided outside of the municipality were adjusted to account for an extra \$500k in subsidies, and police grants that were originally unbudgeted were increased by nearly \$420k.	2,054,371
Interest and investment revenue, which is budgeted very conservatively due to its potential for volatility, was increased by nearly \$920k on the final budget.	1,215,572
<i>Differences - final budget to actual:</i>	
Room taxes were budgeted somewhat conservatively due to a slow start to the fiscal year, but the last few months of the fiscal year saw a slight rebound, buoyed by the increase in the room tax rate from 5% to 6% in January 2026. Strong ticket sales for Oceans Calling and Country Calling helped to elevate admissions and amusement taxes.	2,465,651
The Town recognized revenue for the contribution of two 2025 pumper trucks from the Ocean City Volunteer Fire Company. Historically, fire apparatus were owned by the volunteers but will now be titled to the Town.	2,109,861
BUDGETARY EXPENDITURES	
<i>Differences - original budget to final budget:</i>	
The original budget was increased by nearly \$480k for costs related to a new body camera contract, \$500k to outfit new police take-home vehicles as agreed to in the most recent Fraternal Order of Police contract, and just over \$400k for increased police overtime. Increased fire and police grant expenditures also contributed to the amended final budget.	3,373,249
Nearly \$960k in carryover advertising funds (by ordinance) were added to the original budget. Just under \$500k in State tourism grant expenditures, \$260k for concert security/traffic costs, and nearly \$260k in underbudgeted costs to celebrate the Town's 150th anniversary also increased the final budget.	3,061,808
<i>Differences - final budget to actual:</i>	
Capital outlays for fire apparatus expenditures exceeded their budgeted figures.	933,083

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

	2026	2025	2024
Total pension liability:			
Service cost	\$ 718,756	\$ 759,541	\$ 808,279
Interest	5,651,139	5,579,422	5,433,542
Differences between expected and actual experience	52,509	516,417	1,561,394
Changes of assumptions/methods	823,092	797,617	786,536
Changes of benefit terms	184,829	143,343	-
Benefit payments, including refunds of member contributions, deaths, and terminations	(5,475,388)	(5,420,186)	(5,024,695)
Net change in total pension liability	1,954,937	2,376,154	3,565,056
Total pension liability, beginning	88,317,268	85,941,114	82,376,058
Total pension liability, ending (a)	\$ 90,272,205	\$ 88,317,268	\$ 85,941,114
Plan fiduciary net position:			
Contributions - employer	\$ 3,359,117	\$ 3,202,844	\$ 3,533,443
Contributions - member	500,017	514,523	541,659
Net investment income (loss)	9,589,400	8,305,702	6,792,083
Benefit payments, including refunds of member contributions	(5,475,388)	(5,420,186)	(5,024,695)
Administrative expense	(62,359)	(26,204)	(54,305)
Net change in plan fiduciary net position	7,910,787	6,576,679	5,788,185
Plan fiduciary net position, beginning	77,904,829	71,328,150	65,539,965
Plan fiduciary net position, ending (b)	\$ 85,815,616	\$ 77,904,829	\$ 71,328,150
Town's net pension liability, ending [(a) - (b)]	\$ 4,456,589	\$ 10,412,439	\$ 14,612,964
Plan fiduciary net position as a percentage of total pension liability	95.06%	88.21%	83.00%
Covered payroll	\$ 9,966,367	\$ 10,175,010	\$ 10,874,577
Net pension liability as a percentage of covered payroll	44.72%	102.33%	134.38%
Annual money-weighted rate of return, net of investment expense	12.48%	12.06%	10.40%

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, 2026, the investment return assumption decreased from 6.60% to 6.50%.

2023	2022	2021	2020	2019	2018	2017
\$ 846,826	\$ 724,632	\$ 802,422	\$ 914,641	\$ 963,748	\$ 971,590	\$ 1,033,828
5,331,090	5,076,332	4,962,599	4,845,650	4,671,549	4,410,697	4,705,358
544,268	890,059	(208,802)	(284,674)	303,180	495,027	(1,208,856)
764,015	2,602,373	-	-	-	703,076	(1,379,730)
-	-	323,982	-	-	344,379	-
(4,666,773)	(4,436,543)	(4,080,378)	(3,538,599)	(3,366,964)	(3,035,268)	(2,724,322)
2,819,426	4,856,853	1,799,823	1,937,018	2,571,513	3,889,501	426,278
79,556,632	74,699,779	72,899,956	70,962,938	68,391,425	64,501,924	64,075,646
<u>\$ 82,376,058</u>	<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>
\$ 3,161,368	\$ 2,639,659	\$ 2,709,226	\$ 2,403,037	\$ 2,152,737	\$ 1,926,923	\$ 2,012,896
552,662	573,405	622,121	681,986	699,907	716,123	748,721
5,724,917	(10,418,494)	13,426,746	1,079,768	2,149,361	3,176,166	5,007,901
(4,666,773)	(4,436,543)	(4,080,378)	(3,538,599)	(3,366,964)	(3,035,268)	(2,724,322)
(38,652)	(56,104)	(24,708)	(36,433)	(30,344)	(42,547)	(49,226)
4,733,522	(11,698,077)	12,653,007	589,759	1,604,697	2,741,397	4,995,970
60,806,443	72,504,520	59,851,513	59,261,754	57,657,057	54,915,660	49,919,690
<u>\$ 65,539,965</u>	<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>\$ 16,836,093</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>
79.56%	76.43%	97.06%	82.10%	83.51%	84.30%	85.14%
\$ 11,187,060	\$ 11,005,512	\$ 11,950,404	\$ 13,573,824	\$ 13,930,362	\$ 14,040,732	\$ 14,324,756
150.50%	170.37%	18.37%	96.13%	84.00%	76.45%	66.92%
9.89%	-15.17%	22.05%	1.86%	3.60%	6.63%	9.74%

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

	2026	2025	2024
Total pension liability:			
Service cost	\$ 2,816,203	\$ 2,532,758	\$ 2,420,731
Interest	7,119,217	6,781,113	6,502,675
Differences between expected and actual experience	2,310,773	823,940	789,152
Changes of assumptions/methods	1,364,882	2,321,101	1,305,020
Changes of benefit terms	-	-	-
Benefit payments, including refunds of member contributions, deaths, and terminations	(5,928,636)	(5,679,292)	(5,196,319)
Net change in total pension liability	7,682,439	6,779,620	5,821,259
Total pension liability, beginning	110,783,879	104,004,259	98,183,000
Total pension liability, ending (a)	\$118,466,318	\$110,783,879	\$104,004,259
Plan fiduciary net position:			
Contributions - employer	\$ 5,608,089	\$ 5,076,749	\$ 5,704,983
Contributions - member	1,502,522	1,410,960	1,367,256
Net investment income (loss)	12,076,119	10,058,171	8,055,126
Benefit payments, including refunds of member contributions	(5,928,636)	(5,679,292)	(5,196,319)
Administrative expense	(51,807)	(39,735)	(60,789)
Other	-	-	-
Net change in plan fiduciary net position	13,206,287	10,826,853	9,870,257
Plan fiduciary net position, beginning	95,711,690	84,884,837	75,014,580
Plan fiduciary net position, ending (b)	\$108,917,977	\$ 95,711,690	\$ 84,884,837
Town's net pension liability, ending [(a) - (b)]	\$ 9,548,341	\$ 15,072,189	\$ 19,119,422
Plan fiduciary net position as a percentage of total pension liability	91.94%	86.39%	81.62%
Covered payroll	\$ 17,018,744	\$ 15,919,238	\$ 15,648,570
Net pension liability as a percentage of covered payroll	56.10%	94.68%	122.18%
Annual money-weighted rate of return, net of investment expense	12.48%	12.06%	10.40%

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 salary merit scale will reflect the FOP Collective Bargaining Agreement effective July 1, 2025.

Effective April 1, 2026, the investment return assumption decreased from 6.60% to 6.50%.

2023	2022	2021	2020	2019	2018	2017
\$ 2,144,570	\$ 1,983,445	\$ 1,917,802	\$ 1,819,581	\$ 1,561,166	\$ 1,411,198	\$ 1,476,450
6,111,895	5,756,209	5,581,496	5,384,235	5,111,457	4,789,229	4,824,250
1,521,641	706,215	(219,258)	439,671	771,634	78,425	(488,687)
2,202,332	2,510,469	-	-	-	788,493	979,444
271,404	407,628	-	-	827,009	1,324,949	889,100
(5,207,209)	(4,832,574)	(4,737,321)	(4,910,705)	(3,856,008)	(3,724,261)	(3,449,052)
7,044,633	6,531,392	2,542,719	2,732,782	4,415,258	4,668,033	4,231,505
91,138,367	84,606,975	82,064,256	79,331,474	74,916,216	70,248,183	66,016,678
<u>\$ 98,183,000</u>	<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>
\$ 4,751,032	\$ 4,406,092	\$ 4,411,474	\$ 3,785,451	\$ 3,414,817	\$ 2,973,495	\$ 2,493,724
1,223,325	1,075,200	1,024,980	1,003,126	859,105	859,410	879,276
6,443,810	(11,561,155)	14,409,846	1,126,397	2,292,283	3,258,000	5,067,220
(5,207,209)	(4,832,574)	(4,737,321)	(4,910,705)	(3,856,008)	(3,724,261)	(3,449,051)
(65,861)	(66,428)	(21,270)	(45,305)	(49,878)	(42,821)	(61,065)
-	-	-	357,982	357,982	-	-
7,145,097	(10,978,865)	15,087,709	1,316,946	3,018,301	3,323,823	4,930,104
67,869,483	78,848,348	63,760,639	62,443,693	59,425,392	56,101,569	51,171,465
<u>\$ 75,014,580</u>	<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>\$ 23,168,420</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>
76.40%	74.47%	93.19%	77.70%	78.71%	79.32%	79.86%
\$ 14,231,799	\$ 13,142,698	\$ 12,522,812	\$ 12,267,793	\$ 10,703,993	\$ 10,702,208	\$ 10,591,890
162.79%	177.05%	45.99%	149.20%	157.77%	144.74%	133.56%
9.89%	-15.17%	22.05%	1.86%	3.68%	6.58%	9.53%

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

	2026	2025	2024
Actuarially determined contribution (ADC)	\$ 3,359,117	\$ 3,202,844	\$ 3,533,443
Less: contributions in relation to the ADC	<u>3,359,117</u>	<u>3,202,844</u>	<u>3,533,443</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 9,966,367	\$ 10,175,010	\$ 10,874,577
Contributions as a percentage of covered payroll	33.70%	31.48%	32.49%

NOTES TO SCHEDULE:

Valuation date:

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

Actuarial methods and assumptions used to determine actuarial contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level dollar, closed
Remaining amortization period	5.3 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	6.60%, 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

2023	2022	2021	2020	2019	2018	2017
\$ 3,161,368	\$ 2,639,659	\$ 2,709,226	\$ 2,403,037	\$ 2,152,737	\$ 1,926,923	\$ 2,012,896
3,161,368	2,639,659	2,709,226	2,403,037	2,152,737	1,926,923	2,012,896
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 11,187,060	\$ 11,005,512	\$ 11,950,404	\$ 13,573,824	\$ 13,930,362	\$ 14,040,732	\$ 14,324,756
28.26%	23.98%	22.67%	17.70%	15.45%	13.72%	14.05%

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

	2026	2025	2024
Actuarially determined contribution (ADC)	\$ 5,608,089	\$ 5,076,749	\$ 5,704,983
Less: contributions in relation to the ADC	<u>5,608,089</u>	<u>5,076,749</u>	<u>5,704,983</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 17,018,744	\$ 15,919,238	\$ 15,648,570
Contributions as a percentage of covered payroll	32.95%	31.89%	36.46%

NOTES TO SCHEDULE:

Valuation date:

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

Actuarial methods and assumptions used to determine actuarial contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level dollar, closed
Remaining amortization period	5.4 years
Asset valuation method	Five-year smoothed market value
Inflation	2.50%
Salary increase	3.25% to 8.00%, including inflation
Investment rate of return	6.50%, net of pension plan investment expense, and including inflation
Retirement age	For non-police, retirement rates are assumed to be 0% before 10 years of service; For police, retirement rates are assumed to be 0% before 25 years of service; 100% of members are assumed to retire at 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

2023	2022	2021	2020	2019	2018	2017
\$ 4,751,032	\$ 4,406,092	\$ 4,411,474	\$ 3,785,451	\$ 3,414,817	\$ 2,973,495	\$ 2,493,724
4,751,032	4,406,092	4,411,474	3,785,451	3,414,817	2,973,495	2,493,724
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 14,231,799	\$ 13,142,698	\$ 12,522,812	\$ 12,267,793	\$ 10,703,993	\$ 10,702,208	\$ 10,591,890
33.38%	33.53%	35.23%	30.86%	31.90%	27.78%	23.54%

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

	2026	2025	2024
Total OPEB liability:			
Service cost	\$ 385,602	\$ 370,629	\$ 534,013
Interest	2,319,152	2,251,247	2,156,548
Changes in benefit terms	-	-	110,758
Differences between expected and actual experience	(2,821,519)	(231,425)	(2,757,515)
Changes of assumptions	(1,532,387)	-	3,151,814
Benefit payments	(1,369,951)	(1,337,888)	(1,286,138)
Net change in total OPEB liability	(3,019,103)	1,052,563	1,909,480
Total OPEB liability, beginning	34,573,160	33,520,597	31,611,117
Total OPEB liability, ending (a)	\$ 31,554,057	\$ 34,573,160	\$ 33,520,597
Plan fiduciary net position:			
Contributions - employer	\$ -	\$ -	\$ -
Contributions - member	-	-	-
Net investment income (loss)	5,675,136	5,012,821	4,132,692
Benefit payments (net of retiree contributions)	(1,369,951)	(1,337,888)	(1,286,138)
Administrative expense and other additions	-	-	-
Net change in plan fiduciary net position	4,305,185	3,674,933	2,846,554
Plan fiduciary net position, beginning	45,645,696	41,970,763	39,124,209
Plan fiduciary net position, ending (b)	\$ 49,950,881	\$ 45,645,696	\$ 41,970,763
Town's net OPEB liability (asset), ending [(a) - (b)]	\$ (18,396,824)	\$ (11,072,536)	\$ (8,450,166)
Plan fiduciary net position as a percentage of total OPEB liability	158.30%	132.03%	125.21%
Covered employee payroll	\$ 26,985,111	\$ 26,094,248	\$ 26,523,147
Net OPEB liability (asset) as a percentage of covered employee payroll	-68.17%	-42.43%	-31.86%
Annual money-weighted rate of return, net of investment expense	12.56%	11.87%	10.33%

NOTES TO SCHEDULE:

Benefit changes: None.

Changes of assumptions: The discount rate was changed as follows:
The discount rate changes year-to-year: 6.60% 6.80% 6.80%
The healthcare cost trend assumption was updated based on the 2026 SOA Long-Term Healthcare Cost Trends Model, adjusted to reflect the expected impact of the IRA and the premium rate guarantees and caps in place for the MAPD plan.
The demographic and salary scale assumptions were updated based on those used in the 2025 actuarial valuations for the Town's Pension Plans and the State of Maryland Employees' Retirement and Pension System.

2023	2022	2021	2020	2019	2018	2017
\$ 513,771	\$ 896,961	\$ 1,128,165	\$ 1,131,345	\$ 1,347,402	\$ 1,298,075	\$ 1,251,000
2,084,132	3,492,425	3,951,191	3,919,290	4,219,168	3,967,702	3,775,299
-	-	-	-	-	-	-
(273,986)	(22,867,909)	(7,306,767)	(353,831)	(8,595,901)	4,736	(191,945)
-	(315,248)	(2,646,188)	(2,578,291)	-	-	-
(1,246,207)	(1,593,414)	(1,710,202)	(1,561,793)	(1,330,423)	(1,289,086)	(1,441,197)
1,077,710	(20,387,185)	(6,583,801)	556,720	(4,359,754)	3,981,427	3,393,157
30,533,407	50,920,592	57,504,393	56,947,673	61,307,427	57,326,000	53,932,843
<u>\$ 31,611,117</u>	<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>
\$ 107,605	\$ 96,128	\$ 1,301,375	\$ 2,297,361	\$ 2,249,822	\$ 3,096,038	\$ 2,965,000
-	-	-	-	-	-	264,541
3,479,894	(6,359,890)	8,195,520	760,482	1,343,996	1,835,413	2,513,536
(1,246,207)	(1,593,414)	(1,710,202)	(1,561,793)	(1,330,423)	(1,289,086)	(1,441,197)
-	-	(58)	-	-	-	51,271
2,341,292	(7,857,176)	7,786,635	1,496,050	2,263,395	3,642,365	4,353,151
36,782,917	44,640,093	36,853,458	35,357,408	33,094,013	29,451,648	25,098,497
<u>\$ 39,124,209</u>	<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>\$ (7,513,092)</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>
123.77%	120.47%	87.67%	64.09%	62.09%	53.98%	51.38%
\$ 25,418,859	\$ 24,148,210	\$ 24,473,216	\$ 25,841,617	\$ 24,634,355	\$ 24,742,940	\$ 24,915,966
-29.56%	-25.88%	25.66%	79.91%	87.64%	114.03%	111.87%
9.65%	-15.26%	21.49%	1.67%	3.92%	6.56%	9.20%
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

	2026	2025	2024
Actuarially determined contribution (ADC)	\$ -	\$ -	\$ -
Less: contributions in relation to the ADC	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 26,985,111	\$ 26,094,248	\$ 26,523,147
Contributions as a percentage of covered employee payroll	0.00%	0.00%	0.00%

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.

2023	2022	2021	2020	2019	2018	2017
\$ -	\$ 1,236,000	\$ 1,219,000	\$ 2,220,000	\$ 2,177,000	\$ 3,034,000	\$ 2,965,000
107,605	96,128	1,301,375	2,297,361	2,249,822	3,096,038	2,965,000
<u>\$ (107,605)</u>	<u>\$ 1,139,872</u>	<u>\$ (82,375)</u>	<u>\$ (77,361)</u>	<u>\$ (72,822)</u>	<u>\$ (62,038)</u>	<u>\$ -</u>
\$ 25,418,859	\$ 24,148,210	\$ 24,473,216	\$ 25,841,617	\$ 24,634,355	\$ 24,742,940	\$ 24,915,966
0.42%	0.40%	5.32%	8.89%	9.13%	12.51%	11.90%



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, 2026

	Airport	Golf Course	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 19,171	\$ 3,431,993	\$ 3,451,164
Receivables, net	26,129	94,062	120,191
Intergovernmental receivable	18	29,709	29,727
Inventories	37,566	131,985	169,551
Prepaid expenses	-	3,500	3,500
Total current assets	<u>82,884</u>	<u>3,691,249</u>	<u>3,774,133</u>
Noncurrent assets:			
Restricted cash and cash equivalents	-	1,785,698	1,785,698
Net OPEB asset	55,660	222,642	278,302
Capital assets:			
Land	2,585,021	2,530,140	5,115,161
Buildings	5,177,415	2,039,588	7,217,003
Other improvements	-	802,890	802,890
Streets and infrastructure	23,460,117	-	23,460,117
Machinery and equipment	426,036	634,162	1,060,198
Construction in progress	8,009,818	66,382	8,076,200
Less: accumulated depreciation	<u>(14,694,572)</u>	<u>(1,898,328)</u>	<u>(16,592,900)</u>
Total capital assets	<u>24,963,835</u>	<u>4,174,834</u>	<u>29,138,669</u>
Total noncurrent assets	<u>25,019,495</u>	<u>6,183,174</u>	<u>31,202,669</u>
Total assets	<u>25,102,379</u>	<u>9,874,423</u>	<u>34,976,802</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	-	17,857	17,857
Deferred outflows related to OPEB	5,960	23,840	29,800
Total deferred outflows of resources	<u>5,960</u>	<u>41,697</u>	<u>47,657</u>
LIABILITIES			
Current liabilities:			
Accounts payable	725,535	82,692	808,227
Accrued expenses	19,034	131,930	150,964
Compensated absences	16,835	67,023	83,858
Due to other funds	600,000	-	600,000
Unearned revenue	254,698	238,283	492,981
Current portion of long-term debt	-	79,995	79,995
Total current liabilities	<u>1,616,102</u>	<u>599,923</u>	<u>2,216,025</u>
Noncurrent liabilities:			
Compensated absences	32,108	14,694	46,802
Bonds, notes, and loans payable	-	2,888,964	2,888,964
Net pension liability	-	107,487	107,487
Total noncurrent liabilities	<u>32,108</u>	<u>3,011,145</u>	<u>3,043,253</u>
Total liabilities	<u>1,648,210</u>	<u>3,611,068</u>	<u>5,259,278</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	-	169,161	169,161
Deferred inflows related to OPEB	76,526	306,104	382,630
Total deferred inflows of resources	<u>76,526</u>	<u>475,265</u>	<u>551,791</u>
NET POSITION			
Net investment in capital assets	24,297,794	2,991,573	27,289,367
Restricted for OPEB	55,660	222,642	278,302
Unrestricted	<u>(969,851)</u>	<u>2,615,572</u>	<u>1,645,721</u>
Total net position	<u>\$ 23,383,603</u>	<u>\$ 5,829,787</u>	<u>\$ 29,213,390</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, 2026

	Airport	Golf Course	Total
OPERATING REVENUES			
Charges for sales and services	\$ 1,380,010	\$ 3,293,561	\$ 4,673,571
Miscellaneous	237,604	16,657	254,261
Total operating revenues	<u>1,617,614</u>	<u>3,310,218</u>	<u>4,927,832</u>
OPERATING EXPENSES			
Personal services	401,376	1,359,741	1,761,117
Contractual services	163,273	501,210	664,483
Utilities	42,295	58,973	101,268
Repairs and maintenance	164,991	132,879	297,870
Other supplies and expenses	432,983	565,347	998,330
Internal services	138,986	258,328	397,314
Depreciation	1,365,717	70,923	1,436,640
Total operating expenses	<u>2,709,621</u>	<u>2,947,401</u>	<u>5,657,022</u>
Operating income (loss)	(1,092,007)	362,817	(729,190)
NONCAPITAL SUBSIDIES			
Transfers in	320,159	134,154	454,313
Total noncapital subsidies	<u>320,159</u>	<u>134,154</u>	<u>454,313</u>
Operating income (loss) and noncapital subsidies	(771,848)	496,971	(274,877)
OTHER NONOPERATING REVENUES (EXPENSES)			
Interest and investment revenue	32,439	166,186	198,625
Interest expense	-	(78,280)	(78,280)
Bond issuance costs	-	(27,447)	(27,447)
Loss on disposal of assets	-	(7,944)	(7,944)
Capital contributions	4,876,579	-	4,876,579
Total other nonoperating revenues (expenses)	<u>4,909,018</u>	<u>52,515</u>	<u>4,961,533</u>
Change in net position	4,137,170	549,486	4,686,656
Net position, beginning	<u>19,246,433</u>	<u>5,280,301</u>	<u>24,526,734</u>
Net position, ending	<u>\$ 23,383,603</u>	<u>\$ 5,829,787</u>	<u>\$ 29,213,390</u>

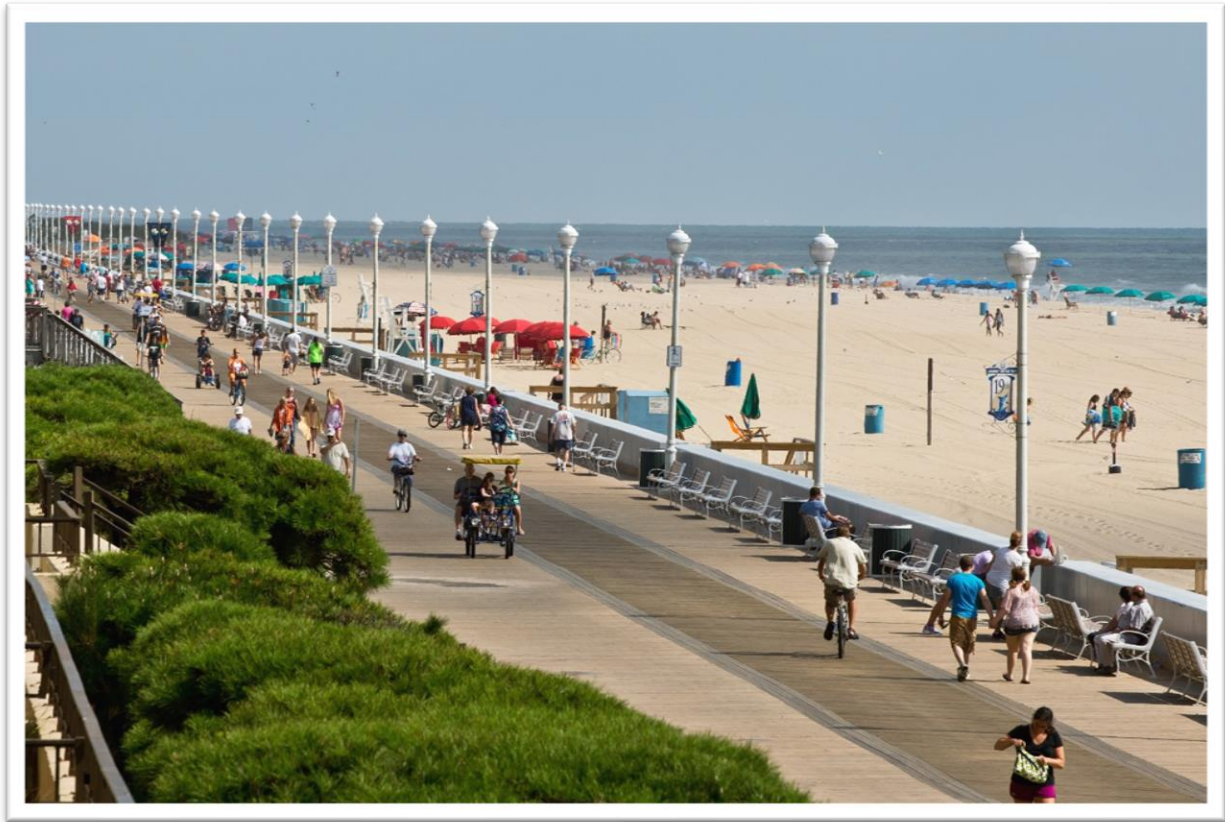
TOWN OF OCEAN CITY, MARYLAND
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2026

	Airport	Golf Course	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users	\$ 1,861,999	\$ 3,327,805	\$ 5,189,804
Payments to suppliers	(786,847)	(1,271,145)	(2,057,992)
Payments to employees	(401,773)	(1,373,760)	(1,775,533)
Payments for interfund services used	(138,986)	(258,328)	(397,314)
Net cash provided by operating activities	<u>534,393</u>	<u>424,572</u>	<u>958,965</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Advances from other funds	600,000	-	600,000
Transfers from other funds	320,159	134,154	454,313
Net cash provided by noncapital financing activities	<u>920,159</u>	<u>134,154</u>	<u>1,054,313</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Capital contributions	4,952,512	-	4,952,512
Acquisition and construction of capital assets	(7,546,345)	(64,559)	(7,610,904)
Proceeds from bond issuance	-	1,777,567	1,777,567
Bond issuance costs	-	(27,447)	(27,447)
Principal paid on capital debt	-	(30,486)	(30,486)
Interest paid on capital debt	-	(55,990)	(55,990)
Net cash provided (used) by capital and related financing activities	<u>(2,593,833)</u>	<u>1,599,085</u>	<u>(994,748)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and dividends received	32,439	166,186	198,625
Net cash provided by investing activities	<u>32,439</u>	<u>166,186</u>	<u>198,625</u>
Net increase (decrease) in cash and cash equivalents	(1,106,842)	2,323,997	1,217,155
Cash and cash equivalents, beginning of the fiscal year	<u>1,126,013</u>	<u>2,893,694</u>	<u>4,019,707</u>
Cash and cash equivalents, end of the fiscal year	<u><u>\$ 19,171</u></u>	<u><u>\$ 5,217,691</u></u>	<u><u>\$ 5,236,862</u></u>

(Continued)

TOWN OF OCEAN CITY, MARYLAND
COMBINING STATEMENT OF CASH FLOWS (Continued)
NONMAJOR ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2026

	Airport	Golf Course	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (1,092,007)	\$ 362,817	\$ (729,190)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	1,365,717	70,923	1,436,640
EFFECT OF CHANGES IN OPERATING ASSETS AND LIABILITIES:			
Accounts receivable	(10,313)	28,474	18,161
Due from other governmental agencies	-	(25,862)	(25,862)
Inventories	8,836	(17,076)	(8,240)
Deferred outflows related to pensions	-	14,340	14,340
Deferred outflows related to OPEB	1,199	4,798	5,997
Compensated absences	12,085	3,921	16,006
Accounts payable	7,859	4,340	12,199
Accrued expenses	4,018	12,756	16,774
Unearned revenue	254,698	14,975	269,673
Net pension liability	-	(110,067)	(110,067)
Net OPEB liability (asset)	(22,132)	(88,530)	(110,662)
Deferred inflows related to pensions	-	131,030	131,030
Deferred inflows related to OPEB	4,433	17,733	22,166
Total adjustments	1,626,400	61,755	1,688,155
Net cash provided by operating activities	\$ 534,393	\$ 424,572	\$ 958,965
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:			
Purchase of capital assets on account	\$ 406,473	\$ -	\$ 406,473
Loss on disposal of assets	-	(7,944)	(7,944)



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, 2026

	Information Technology	Service Center	Vehicle & Equipment Trust	Risk Management	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,128,209	\$ 572,407	\$ 1,858,273	\$ 954,952	\$ 4,513,841
Investments	-	-	-	4,474,901	4,474,901
Receivables, net	-	-	9,121	4,522	13,643
Interest receivable	-	-	-	42,786	42,786
Intergovernmental receivable	-	7	-	-	7
Inventories	-	1,315,734	-	-	1,315,734
Total current assets	<u>1,128,209</u>	<u>1,888,148</u>	<u>1,867,394</u>	<u>5,477,161</u>	<u>10,360,912</u>
Noncurrent assets:					
Net OPEB asset	222,643	417,455	-	27,830	667,928
Capital assets:					
Buildings	-	-	73,860	-	73,860
Machinery and equipment	373,404	244,520	50,041,705	-	50,659,629
Less: accumulated depreciation	<u>(373,404)</u>	<u>(195,207)</u>	<u>(36,600,507)</u>	<u>-</u>	<u>(37,169,118)</u>
Total capital assets	<u>-</u>	<u>49,313</u>	<u>13,515,058</u>	<u>-</u>	<u>13,564,371</u>
Total noncurrent assets	<u>222,643</u>	<u>466,768</u>	<u>13,515,058</u>	<u>27,830</u>	<u>14,232,299</u>
Total assets	<u>1,350,852</u>	<u>2,354,916</u>	<u>15,382,452</u>	<u>5,504,991</u>	<u>24,593,211</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pensions	31,534	39,122	-	-	70,656
Deferred outflows related to OPEB	<u>23,840</u>	<u>44,700</u>	<u>-</u>	<u>2,980</u>	<u>71,520</u>
Total deferred outflows of resources	<u>55,374</u>	<u>83,822</u>	<u>-</u>	<u>2,980</u>	<u>142,176</u>
LIABILITIES					
Current liabilities:					
Accounts payable	8,515	182,747	329,300	57,891	578,453
Accrued expenses	55,149	90,781	8,062	24,297	178,289
Compensated absences, current	114,539	133,027	-	7,285	254,851
Claims and judgments, current	-	-	-	1,089,283	1,089,283
Current portion of long-term debt	-	-	584,000	-	584,000
Total current liabilities	<u>178,203</u>	<u>406,555</u>	<u>921,362</u>	<u>1,178,756</u>	<u>2,684,876</u>
Noncurrent liabilities:					
Compensated absences	13,329	47,345	-	-	60,674
Claims and judgments	-	-	-	2,540,668	2,540,668
Bonds, notes, and loans payable	-	-	383,572	-	383,572
Net pension liability	<u>189,805</u>	<u>235,484</u>	<u>-</u>	<u>-</u>	<u>425,289</u>
Total noncurrent liabilities	<u>203,134</u>	<u>282,829</u>	<u>383,572</u>	<u>2,540,668</u>	<u>3,410,203</u>
Total liabilities	<u>381,337</u>	<u>689,384</u>	<u>1,304,934</u>	<u>3,719,424</u>	<u>6,095,079</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions	298,714	370,602	-	-	669,316
Deferred inflows related to OPEB	<u>306,104</u>	<u>573,946</u>	<u>-</u>	<u>38,263</u>	<u>918,313</u>
Total deferred inflows of resources	<u>604,818</u>	<u>944,548</u>	<u>-</u>	<u>38,263</u>	<u>1,587,629</u>
NET POSITION					
Net investment in capital assets	-	49,313	12,218,185	-	12,267,498
Restricted for OPEB	222,643	417,455	-	27,830	667,928
Unrestricted	<u>197,428</u>	<u>338,038</u>	<u>1,859,333</u>	<u>1,722,454</u>	<u>4,117,253</u>
Total net position	<u>\$ 420,071</u>	<u>\$ 804,806</u>	<u>\$ 14,077,518</u>	<u>\$ 1,750,284</u>	<u>\$ 17,052,679</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, 2026

	Information Technology	Service Center	Vehicle & Equipment Trust	Risk Management	Total
OPERATING REVENUES					
Charges for sales and services	\$ 2,796,336	\$ 5,986,217	\$ 4,467,047	\$ 4,054,525	\$ 17,304,125
Miscellaneous	-	937	28,682	-	29,619
Total operating revenues	<u>2,796,336</u>	<u>5,987,154</u>	<u>4,495,729</u>	<u>4,054,525</u>	<u>17,333,744</u>
OPERATING EXPENSES					
Personal services	1,351,542	2,057,080	-	152,878	3,561,500
Contractual services	135,737	46,943	454,277	2,393,075	3,030,032
Utilities	51,186	82,582	-	1,463	135,231
Repairs and maintenance	936,216	127,523	-	773	1,064,512
Other supplies and expenses	198,134	2,925,731	15,051	1,794	3,140,710
Internal services	75,524	439,840	694,439	172,111	1,381,914
Insurance claims and expenses	-	-	-	1,219,370	1,219,370
Depreciation	4,122	19,787	3,445,832	-	3,469,741
Total operating expenses	<u>2,752,461</u>	<u>5,699,486</u>	<u>4,609,599</u>	<u>3,941,464</u>	<u>17,003,010</u>
Operating income (loss)	43,875	287,668	(113,870)	113,061	330,734
OTHER NONOPERATING REVENUES (EXPENSES)					
Interest and investment revenue	-	-	-	172,614	172,614
Interest expense	-	-	(23,269)	-	(23,269)
Gain on disposal of assets	-	-	58,179	-	58,179
Transfers in - restricted for capital assets	-	-	1,089,989	-	1,089,989
Total other nonoperating revenues (expenses)	<u>-</u>	<u>-</u>	<u>1,124,899</u>	<u>172,614</u>	<u>1,297,513</u>
Change in net position	43,875	287,668	1,011,029	285,675	1,628,247
Net position, beginning	<u>376,196</u>	<u>517,138</u>	<u>13,066,489</u>	<u>1,464,609</u>	<u>15,424,432</u>
Net position, ending	<u>\$ 420,071</u>	<u>\$ 804,806</u>	<u>\$ 14,077,518</u>	<u>\$ 1,750,284</u>	<u>\$ 17,052,679</u>

TOWN OF OCEAN CITY, MARYLAND
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2026

	Information Technology	Service Center
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	\$ 2,796,539	\$ 5,987,147
Payments to suppliers	(1,320,356)	(3,645,338)
Payments to employees	(1,318,609)	(2,050,498)
Payments for interfund services used	(75,524)	(439,840)
Net cash provided (used) by operating activities	<u>82,050</u>	<u>(148,529)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Transfers from other funds - restricted for capital assets	-	-
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 used by investing activities	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	82,050	(148,529)
Cash and cash equivalents, beginning of the fiscal year	<u>1,046,159</u>	<u>720,936</u>
Cash and cash equivalents, end of the fiscal year	<u><u>\$ 1,128,209</u></u>	<u><u>\$ 572,407</u></u>

(Continued)

Vehicle & Equipment Trust	Risk Management	Total
\$ 4,495,463	\$ 4,050,003	\$ 17,329,152
(469,328)	(4,013,912)	(9,448,934)
-	(234,561)	(3,603,668)
(694,439)	(172,111)	(1,381,914)
<u>3,331,696</u>	<u>(370,581)</u>	<u>2,894,636</u>
1,089,989	-	1,089,989
(4,379,512)	-	(4,379,512)
(30,092)	-	(30,092)
(875,000)	-	(875,000)
281,020	-	281,020
<u>(3,913,595)</u>	<u>-</u>	<u>(3,913,595)</u>
-	(4,511,548)	(4,511,548)
-	4,310,882	4,310,882
-	184,851	184,851
<u>-</u>	<u>(15,815)</u>	<u>(15,815)</u>
(581,899)	(386,396)	(1,034,774)
<u>2,440,172</u>	<u>1,341,348</u>	<u>5,548,615</u>
<u>\$ 1,858,273</u>	<u>\$ 954,952</u>	<u>\$ 4,513,841</u>

TOWN OF OCEAN CITY, MARYLAND
COMBINING STATEMENT OF CASH FLOWS (Continued)
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2026

	Information Technology	Service Center
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 43,875	\$ 287,668
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	4,122	19,787
EFFECT OF CHANGES IN OPERATING ASSETS AND LIABILITIES:		
Accounts receivable	203	-
Due from other governmental agencies	-	(7)
Inventories	-	(94,367)
Deferred outflows related to pensions	23,549	30,827
Deferred outflows related to OPEB	4,798	8,996
Compensated absences	12,308	22,919
Accounts payable	917	(368,192)
Accrued expenses	11,974	25,975
Claims liability	-	-
Net pension liability	(182,379)	(237,152)
Net OPEB liability (asset)	(88,531)	(165,995)
Deferred inflows related to pensions	233,481	287,762
Deferred inflows related to OPEB	17,733	33,250
Total adjustments	38,175	(436,197)
Net cash provided (used) by operating activities	\$ 82,050	\$ (148,529)
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:		
Decrease in fair value of investments	\$ -	\$ -
Purchase of capital assets on account	-	-
Loss on disposal of assets	-	-

Vehicle & Equipment Trust	Risk Management	Total
\$ (113,870)	\$ 113,061	\$ 330,734
3,445,832	-	3,469,741
(266)	(4,522)	(4,585)
-	-	(7)
-	-	(94,367)
-	9,883	64,259
-	600	14,394
-	94	35,321
-	18,617	(348,658)
-	(4,928)	33,021
-	(416,054)	(416,054)
-	(66,779)	(486,310)
-	(11,066)	(265,592)
-	(11,704)	509,539
-	2,217	53,200
3,445,566	(483,642)	2,563,902
\$ 3,331,696	\$ (370,581)	\$ 2,894,636
\$ -	\$ (24,120)	\$ (24,120)
189,455	-	189,455
(222,841)	-	(222,841)



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

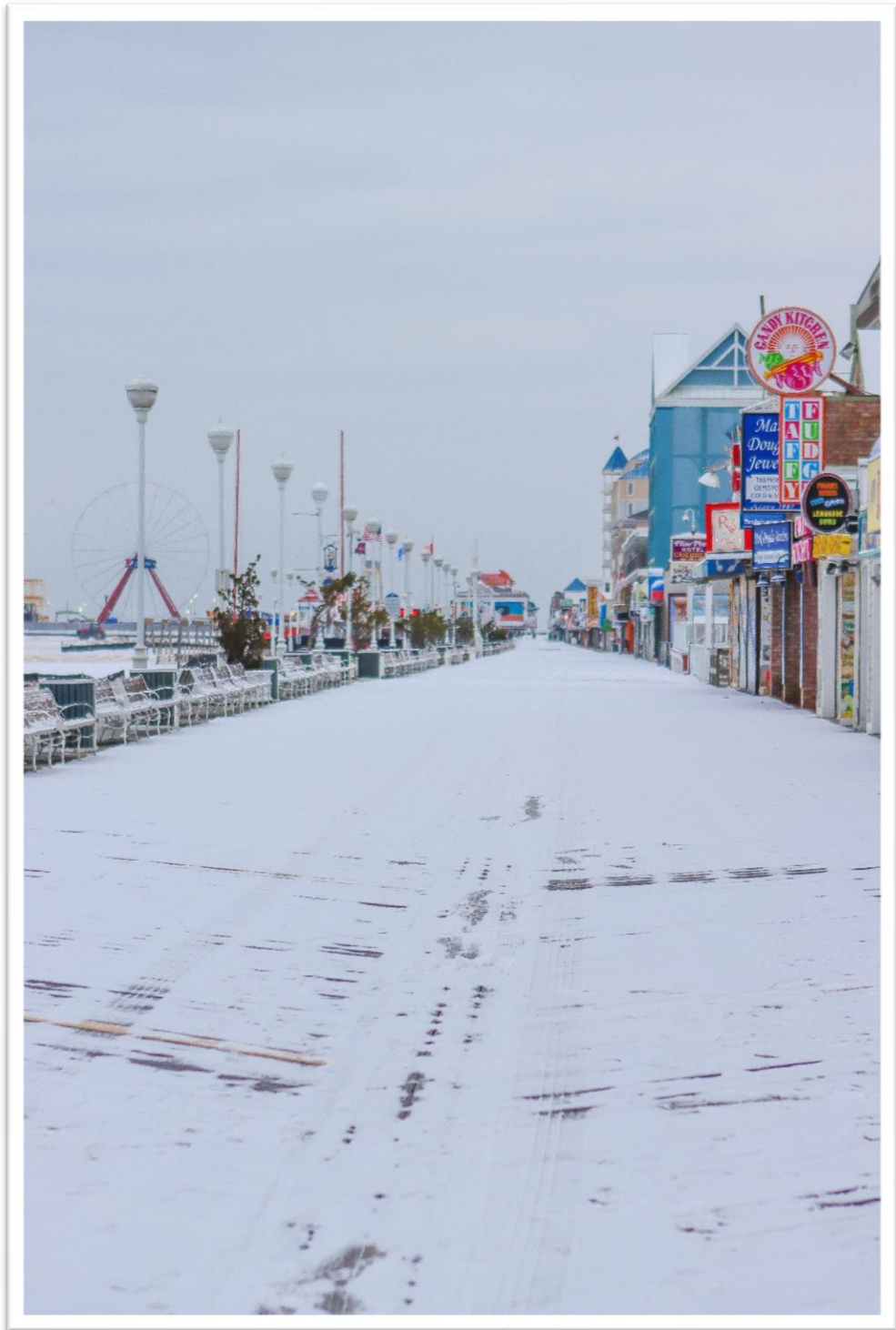
To account for the accumulation of resources to be used for health insurance benefits for eligible retirees. The Town contributes resources as determined by a biennial actuarial study.

TOWN OF OCEAN CITY, MARYLAND
COMBINING STATEMENT OF FIDUCIARY NET POSITION
PENSION AND OPEB TRUST FUNDS
JUNE 30, 2026

	General Employees Pension Trust Fund	Public Safety Employees Pension Trust Fund	OPEB Trust Fund	Total Benefit Trust Funds
ASSETS				
Cash and cash equivalents	\$ 3,189,075	\$ 3,727,102	\$ 994,177	\$ 7,910,354
Interest and dividends receivable	191,599	244,209	114,135	549,943
Investments, at fair value:				
Domestic equities	30,555,068	39,311,986	18,114,946	87,982,000
Domestic fixed income	28,858,504	36,839,231	17,092,391	82,790,126
International equities	17,181,883	21,932,967	10,176,999	49,291,849
Alternative investments	5,851,037	6,875,280	3,458,233	16,184,550
Total investments	<u>82,446,492</u>	<u>104,959,464</u>	<u>48,842,569</u>	<u>236,248,525</u>
Total assets	<u>85,827,166</u>	<u>108,930,775</u>	<u>49,950,881</u>	<u>244,708,822</u>
LIABILITIES				
Accounts payable	<u>11,550</u>	<u>12,798</u>	<u>-</u>	<u>24,348</u>
Total liabilities	<u>11,550</u>	<u>12,798</u>	<u>-</u>	<u>24,348</u>
NET POSITION				
Net position restricted for pensions/OPEB	<u>\$ 85,815,616</u>	<u>\$ 108,917,977</u>	<u>\$ 49,950,881</u>	<u>\$ 244,684,474</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, 2026

	General Employees Pension Trust Fund	Public Safety Employees Pension Trust Fund	OPEB Trust Fund	Total Benefit Trust Funds
ADDITIONS				
Contributions:				
Employer	\$ 3,359,117	\$ 5,608,089	\$ -	\$ 8,967,206
Plan members	500,017	1,502,522	-	2,002,539
Total contributions	3,859,134	7,110,611	-	10,969,745
Investment earnings:				
Net change in fair value of investments	7,644,172	9,604,192	4,527,682	21,776,046
Interest	926,234	1,185,087	555,275	2,666,596
Dividends	1,412,121	1,780,798	825,110	4,018,029
Total investment income	9,982,527	12,570,077	5,908,067	28,460,671
Less: investment expense	(393,127)	(493,958)	(232,931)	(1,120,016)
Net investment income	9,589,400	12,076,119	5,675,136	27,340,655
Total additions	13,448,534	19,186,730	5,675,136	38,310,400
DEDUCTIONS				
Benefits and refunds paid	5,475,388	5,928,636	1,369,951	12,773,975
Administrative expenses	62,359	51,807	-	114,166
Total deductions	5,537,747	5,980,443	1,369,951	12,888,141
Change in net position	7,910,787	13,206,287	4,305,185	25,422,259
Net position, beginning	77,904,829	95,711,690	45,645,696	219,262,215
Net position, ending	\$ 85,815,616	\$ 108,917,977	\$ 49,950,881	\$ 244,684,474



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.	116-125
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.	126-130
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.	131-134
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.	135-136
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.	137-141

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)

	<u>2026</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>
Governmental activities				
Net investment in capital assets	\$ 89,896,885	\$ 82,543,401	\$ 80,487,389	\$ 72,954,505
Restricted	13,993,193	8,391,283	6,651,628	5,895,077
Unrestricted	23,881,249	22,955,837	19,236,934	21,296,648
<i>Total governmental activities net position</i>	<u>127,771,327</u>	<u>113,890,521</u>	<u>106,375,951</u>	<u>100,146,230</u>
Business-type activities				
Net investment in capital assets	144,544,018	137,019,107	133,380,635	127,335,450
Restricted	6,977,990	5,042,326	3,484,672	3,471,826
Unrestricted	11,180,930	12,053,552	12,412,628	12,368,315
<i>Total business-type activities net position</i>	<u>162,702,938</u>	<u>154,114,985</u>	<u>149,277,935</u>	<u>143,175,591</u>
Primary government				
Net investment in capital assets	234,440,903	219,562,508	213,868,024	200,289,955
Restricted	20,971,183	13,433,609	10,136,300	9,366,903
Unrestricted	35,062,179	35,009,389	31,649,562	33,664,963
<i>Total primary government net position</i>	<u>\$ 290,474,265</u>	<u>\$ 268,005,506</u>	<u>\$ 255,653,886</u>	<u>\$ 243,321,821</u>

2022	2021	2020	2019	2018	2017
\$ 68,381,960	\$ 66,130,826	\$ 66,099,041	\$ 63,840,069	\$ 59,880,188	\$ 58,962,839
-	-	-	-	-	-
20,562,133	11,576,145	(9,194,664)	(7,500,454)	(5,330,950)	12,679,830
88,944,093	77,706,971	56,904,377	56,339,615	54,549,238	71,642,669
117,599,334	115,219,474	107,928,456	96,802,988	88,271,380	77,976,227
2,412,860	2,925,283	3,062,035	3,063,906	3,029,456	2,612,045
9,509,605	7,670,404	3,548,747	5,196,145	5,154,819	14,069,326
129,521,799	125,815,161	114,539,238	105,063,039	96,455,655	94,657,598
185,981,294	181,350,300	174,027,497	160,643,057	148,151,568	136,939,066
2,412,860	2,925,283	3,062,035	3,063,906	3,029,456	2,612,045
30,071,738	19,246,549	(5,645,917)	(2,304,309)	(176,131)	26,749,156
\$ 218,465,892	\$ 203,522,132	\$ 171,443,615	\$ 161,402,654	\$ 151,004,893	\$ 166,300,267

Town of Ocean City, Maryland

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

	2026	2025	2024	2023
Expenses				
Governmental activities:				
General government	\$ 2,129,332	\$ 2,304,688	\$ 2,100,264	\$ 2,053,769
Public safety	52,791,167	45,640,251	45,104,774	43,969,174
General public works and beach	10,044,697	9,844,887	9,279,626	8,169,009
Sanitation and waste removal	9,112,848	8,752,100	8,050,949	7,977,414
Highways and streets	11,132,195	10,679,902	9,665,584	9,661,508
Economic development - tourism	17,698,526	18,168,895	17,377,640	15,610,243
Recreation and culture	10,073,259	9,422,993	8,445,849	9,180,176
Interest on long-term debt	1,139,902	2,055,364	1,249,237	1,138,001
Total governmental activities expenses	<u>114,121,926</u>	<u>106,869,080</u>	<u>101,273,923</u>	<u>97,759,294</u>
Business-type activities:				
Water	8,203,801	7,597,115	8,349,677	7,769,700
Wastewater	15,125,675	13,546,457	12,531,183	11,476,740
Transportation	8,266,306	9,001,053	8,532,635	8,486,478
Convention Center	9,652,665	8,914,363	8,404,170	7,248,783
Airport	2,709,621	2,865,493	2,428,583	1,999,370
Golf	3,061,072	2,659,082	2,520,824	2,874,380
Total business-type activities expenses	<u>47,019,140</u>	<u>44,583,563</u>	<u>42,767,072</u>	<u>39,855,451</u>
Total primary government expenses	<u>\$161,141,066</u>	<u>\$151,452,643</u>	<u>\$144,040,995</u>	<u>\$137,614,745</u>
Program revenues				
Governmental activities:				
Charges for services:				
General government	\$ 6,256,662	\$ 5,919,251	\$ 4,996,927	\$ 5,062,158
Public safety	4,133,631	4,055,723	4,192,438	3,410,131
General public works and beach	6,540,296	5,179,200	5,938,491	5,623,375
Sanitation and waste removal	211,279	195,599	175,104	168,525
Highways and streets	2,494,107	1,873,964	1,582,013	1,686,665
Economic development - tourism	1,882,358	1,535,850	1,717,222	1,630,665
Recreation and culture	2,408,998	2,244,756	1,922,994	1,906,798
Operating grants and contributions	6,610,303	6,066,390	4,869,786	6,028,839
Capital grants and contributions	1,655,727	418,991	99,695	1,402,362
Total governmental activities program revenues	<u>32,193,361</u>	<u>27,489,724</u>	<u>25,494,670</u>	<u>26,919,518</u>
Business-type activities:				
Charges for services:				
Water	8,872,891	9,034,547	8,292,101	7,620,824
Wastewater	16,997,404	15,636,595	14,814,119	14,576,440
Transportation	2,404,604	3,277,473	3,945,609	3,213,954
Convention Center	2,973,657	2,771,498	2,504,361	2,099,078
Airport	1,617,614	1,732,500	1,532,439	1,614,893
Golf	3,310,218	3,171,027	3,216,109	3,150,878
Operating grants and contributions	6,082,817	5,408,473	5,207,389	7,050,144
Capital grants and contributions	6,103,879	1,982,042	4,477,971	10,128,781
Total business-type activities program revenues	<u>48,363,084</u>	<u>43,014,155</u>	<u>43,990,098</u>	<u>49,454,992</u>
Total primary government program revenues	<u>\$ 80,556,445</u>	<u>\$ 70,503,879</u>	<u>\$ 69,484,768</u>	<u>\$ 76,374,510</u>

2022	2021	2020	2019	2018	2017
\$ 686,237	\$ 258,640	\$ 1,005,541	\$ 961,507	\$ 978,045	\$ 1,117,684
41,853,089	36,162,036	41,931,460	37,934,242	36,827,677	35,363,774
8,436,145	7,565,437	7,947,190	8,038,416	8,190,991	7,026,384
7,432,443	6,856,099	6,709,292	6,578,821	6,353,497	6,104,169
9,215,575	7,578,264	8,901,892	9,938,469	8,424,668	7,660,939
7,801,066	7,300,049	8,346,286	8,649,731	9,389,746	8,813,147
8,613,369	7,691,127	7,933,083	8,477,292	8,282,474	8,234,584
1,569,129	1,322,736	1,496,052	1,548,752	1,367,535	1,301,378
85,607,053	74,734,388	84,270,796	82,127,230	79,814,633	75,622,059
6,759,912	5,600,246	6,030,102	6,036,469	5,826,613	5,751,275
12,854,591	11,284,560	12,873,389	11,847,685	12,000,680	12,331,189
7,983,596	6,027,237	7,276,681	8,104,072	8,476,581	7,929,546
6,333,897	5,197,788	5,918,274	6,181,811	6,012,638	5,670,317
2,138,618	1,620,583	3,255,852	2,631,481	1,823,343	1,985,010
2,431,796	2,043,049	2,371,013	2,161,739	2,204,437	2,082,395
38,502,410	31,773,463	37,725,311	36,963,257	36,344,292	35,749,732
\$ 124,109,463	\$ 106,507,851	\$ 121,996,107	\$ 119,090,487	\$ 116,158,925	\$ 111,371,791
\$ 4,405,742	\$ 4,403,216	\$ 4,887,614	\$ 4,181,017	\$ 4,325,274	\$ 4,285,248
3,936,737	3,517,311	2,848,882	2,471,329	2,307,485	2,130,314
5,985,865	4,940,700	4,686,163	4,836,090	4,639,991	4,704,486
157,379	157,745	133,343	133,479	147,173	116,257
1,641,443	1,549,319	1,290,408	1,424,559	1,312,803	1,355,098
1,409,512	728,887	1,165,587	1,620,374	1,698,351	1,593,428
1,630,279	1,078,313	1,396,325	1,461,220	1,762,377	1,804,858
3,753,811	4,145,643	3,335,627	3,087,434	3,302,181	3,370,747
732,217	164,623	-	293,883	102,407	335,711
23,652,985	20,685,757	19,743,949	19,509,385	19,598,042	19,696,147
7,865,870	6,582,968	6,254,649	6,212,765	6,221,780	6,494,646
14,460,501	14,397,655	14,394,010	14,169,964	13,798,797	13,332,083
2,917,897	1,420,189	3,188,557	4,368,102	4,323,653	4,589,633
1,510,283	720,582	1,200,549	1,767,935	1,898,803	1,840,823
1,234,455	1,029,215	1,090,680	1,128,058	1,046,766	969,381
2,834,436	2,531,791	1,662,180	2,027,385	1,974,674	2,009,103
6,129,034	5,230,089	3,827,761	3,951,925	3,821,429	3,823,027
2,528,559	7,239,346	10,829,317	7,026,427	9,348,123	1,705,045
39,481,035	39,151,835	42,447,703	40,652,561	42,434,025	34,763,741
\$ 63,134,020	\$ 59,837,592	\$ 62,191,652	\$ 60,161,946	\$ 62,032,067	\$ 54,459,888

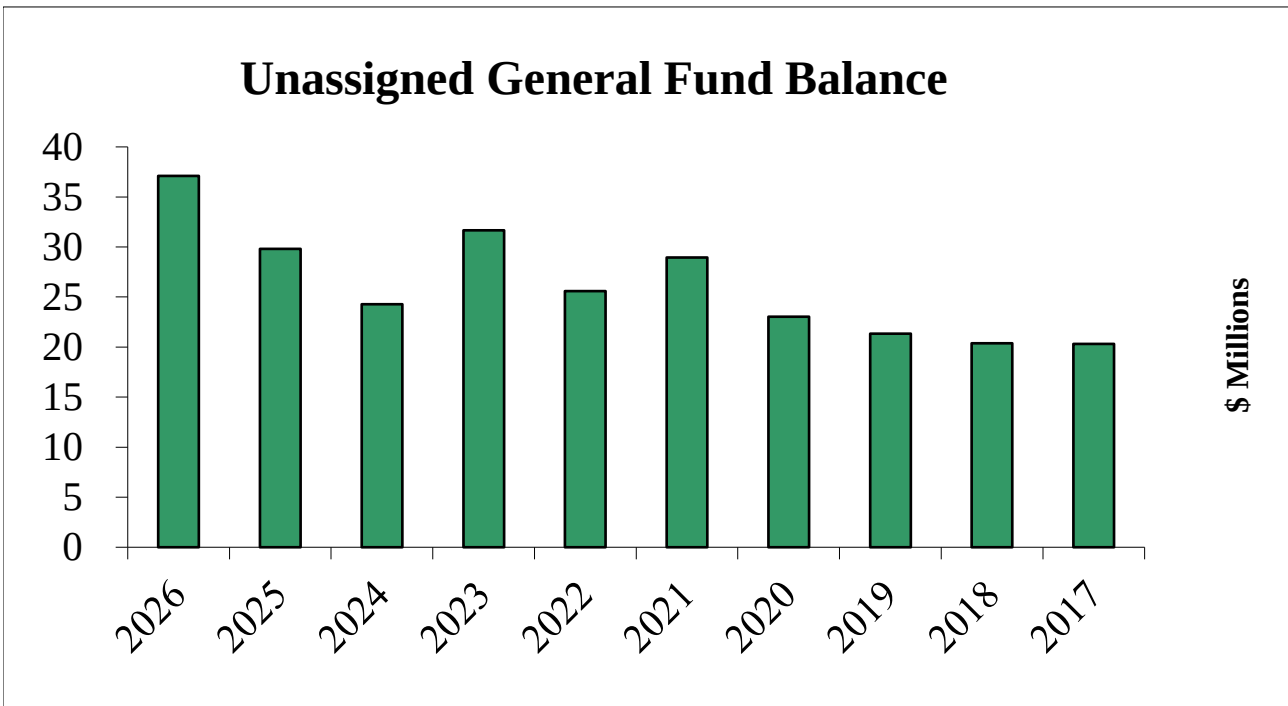
Town of Ocean City, Maryland
Changes in Net Position (Continued)
Last Ten Fiscal Years
(accrual basis of accounting)

	2026	2025	2024	2023
Net (expenses) revenues				
Governmental activities	\$ (81,928,565)	\$ (79,379,356)	\$ (75,779,253)	\$ (70,839,776)
Business-type activities	1,343,944	(1,569,408)	1,223,026	9,599,541
Total primary government net expenses	<u>\$ (80,584,621)</u>	<u>\$ (80,948,764)</u>	<u>\$ (74,556,227)</u>	<u>\$ (61,240,235)</u>
General revenues and other changes in net position				
Governmental activities:				
Taxes:				
Property and other local taxes levied for:				
General purposes	\$ 56,829,220	\$ 50,790,944	\$ 45,849,616	\$ 45,386,733
Other taxes	34,111,630	31,290,016	31,448,992	31,848,594
State gaming contributions	975,326	939,217	937,163	983,282
Grants and contributions not restricted to specific programs	3,189,341	3,267,992	3,175,120	2,905,584
Investment earnings	2,972,048	3,766,141	4,836,799	2,893,871
Other revenue	2,889,794	1,403,695	1,218,932	1,078,921
Transfers	(5,157,988)	(4,564,079)	(3,393,960)	(3,055,072)
Total governmental activities	<u>95,809,371</u>	<u>86,893,926</u>	<u>84,072,662</u>	<u>82,041,913</u>
Business-type activities:				
Investment earnings	2,086,021	1,842,379	1,908,276	999,179
Transfers	5,157,988	4,564,079	3,393,960	3,055,072
Total business-type activities	<u>7,244,009</u>	<u>6,406,458</u>	<u>5,302,236</u>	<u>4,054,251</u>
Total primary government	<u>103,053,380</u>	<u>93,300,384</u>	<u>89,374,898</u>	<u>86,096,164</u>
Changes in net position				
Governmental activities	13,880,806	7,514,570	8,293,409	11,202,137
Business-type activities	8,587,953	4,837,050	6,525,262	13,653,792
Total primary government	<u>\$ 22,468,759</u>	<u>\$ 12,351,620</u>	<u>\$ 14,818,671</u>	<u>\$ 24,855,929</u>

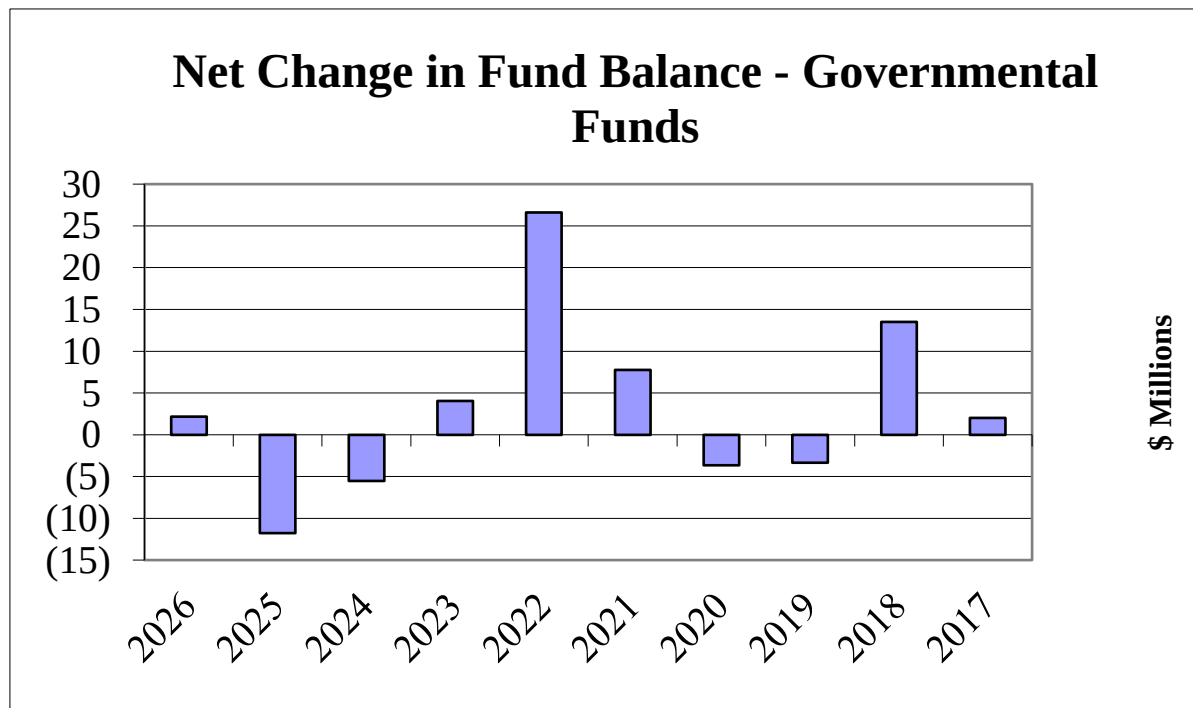
2022	2021	2020	2019	2018	2017
\$ (61,954,068)	\$ (54,048,631)	\$ (64,526,847)	\$ (62,617,845)	\$ (60,216,591)	\$ (55,925,912)
978,625	7,378,372	4,722,392	3,689,304	6,089,733	(985,991)
<u>\$ (60,975,443)</u>	<u>\$ (46,670,259)</u>	<u>\$ (59,804,455)</u>	<u>\$ (58,928,541)</u>	<u>\$ (54,126,858)</u>	<u>\$ (56,911,903)</u>
\$ 44,762,217	\$ 44,753,212	\$ 45,095,552	\$ 43,732,086	\$ 43,239,535	\$ 42,938,816
26,313,664	22,049,614	18,675,635	19,108,527	18,721,093	18,645,893
936,346	824,629	579,115	768,971	706,108	655,254
2,872,354	9,863,174	2,877,035	2,764,559	2,639,334	2,763,852
11,935	5,784	1,155,677	1,420,639	399,992	111,056
983,355	1,202,856	994,054	816,663	756,507	1,141,154
(2,688,681)	(3,848,044)	(4,285,459)	(4,203,223)	(3,595,376)	(2,627,828)
<u>73,191,190</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>
39,332	49,507	468,348	714,857	243,267	82,619
2,688,681	3,848,044	4,285,459	4,203,223	3,595,376	2,627,828
2,728,013	3,897,551	4,753,807	4,918,080	3,838,643	2,710,447
<u>75,919,203</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>
11,237,122	20,802,594	564,762	1,790,377	2,650,602	7,702,285
3,706,638	11,275,923	9,476,199	8,607,384	9,928,376	1,724,456
<u>\$ 14,943,760</u>	<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>

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

	2026	2025	2024	2023
General Fund				
Nonspendable	\$ 7,622	\$ -	\$ 8,184	\$ -
Restricted	-	-	-	-
Committed	1,015,348	958,486	2,510,612	4,202,070
Assigned	7,974,124	11,950,185	15,384,570	10,939,668
Unassigned	37,087,513	29,818,527	24,276,671	31,671,459
Total General Fund	\$ 46,084,607	\$ 42,727,198	\$ 42,180,037	\$ 46,813,197
All other governmental funds				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Committed	8,058,290	9,262,410	21,596,901	22,475,298
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total all other governmental funds	8,058,290	9,262,410	21,596,901	22,475,298
Total governmental funds	\$ 54,142,897	\$ 51,989,608	\$ 63,776,938	\$ 69,288,495
Unassigned General Fund balance as a percentage of expenditures	31.6%	27.7%	23.5%	32.5%



2022	2021	2020	2019	2018	2017
\$ -	\$ -	\$ -	\$ 49	\$ 3,000	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
17,822,910	5,582,993	2,409,042	2,092,798	1,884,164	2,589,801
25,604,250	28,956,239	23,048,068	21,329,235	20,387,666	20,313,783
<u>\$ 43,427,160</u>	<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>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
21,818,932	4,092,294	5,394,231	11,084,785	15,577,690	1,436,499
-	-	-	-	-	-
-	-	-	-	-	-
<u>21,818,932</u>	<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>\$ 65,246,092</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>
30.4%	36.9%	29.6%	27.5%	25.8%	25.7%



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

	2026	2025	2024	2023
Revenues				
Property taxes	\$ 56,516,094	\$ 50,720,938	\$ 45,858,260	\$ 45,303,438
Other taxes	35,086,956	32,229,233	32,386,155	32,831,876
Licenses and permits	6,555,726	5,957,408	5,252,579	5,484,819
Fines and forfeitures	1,620,270	1,704,117	1,586,057	1,325,477
Charges for services	15,751,335	13,342,818	13,686,553	12,678,021
Intergovernmental revenue	11,455,371	9,753,373	8,144,601	10,186,785
Other revenue	5,689,466	4,950,283	5,828,710	3,995,844
Total revenues	132,675,218	118,658,170	112,742,915	111,806,260
Expenditures				
Current:				
General government	6,261,805	6,305,483	5,330,844	5,056,744
Public safety	55,282,485	47,476,435	46,211,906	42,388,977
General public works and beach	8,529,321	8,035,579	7,842,040	6,516,942
Sanitation and waste removal	8,521,203	7,902,945	7,472,988	7,296,019
Highways and streets	7,948,876	7,560,574	6,716,715	6,676,974
Economic development - tourism	17,526,388	17,935,704	17,195,978	15,640,246
Recreation and culture	9,879,809	9,014,394	8,298,975	9,027,997
Capital outlay	7,089,708	14,062,455	17,481,976	5,557,264
Debt service:				
Principal retirement	4,018,210	4,488,086	4,493,706	4,635,894
Interest and fiscal charges	1,481,301	2,550,630	1,371,892	1,719,773
Bond issuance costs	35,525	-	96,549	27,376
Total expenditures	126,574,631	125,332,285	122,513,569	104,544,206
Excess (deficiency) of revenues over expenditures	6,100,587	(6,674,115)	(9,770,654)	7,262,054
Other financing sources (uses)				
Bonds and notes issued	2,123,283	-	8,109,444	11,366,104
Premium on bonds issued	177,396	-	750,227	-
Payment to refunded bond escrow agent	-	-	-	(11,180,683)
Transfers in	3,822,743	3,537,014	7,528,926	5,389,600
Transfers out	(10,070,720)	(8,650,229)	(12,129,500)	(8,794,672)
Total other financing sources (uses)	(3,947,298)	(5,113,215)	4,259,097	(3,219,651)
Net change in fund balances	\$ 2,153,289	\$ (11,787,330)	\$ (5,511,557)	\$ 4,042,403
Debt service as a percentage of noncapital expenditures	4.7%	6.3%	5.6%	6.5%

2022	2021	2020	2019	2018	2017
\$ 45,068,278	\$ 44,644,085	\$ 45,137,533	\$ 43,642,385	\$ 43,110,273	\$ 43,211,192
27,250,010	22,874,243	19,254,750	19,877,498	19,427,201	19,301,147
4,651,042	4,704,685	5,153,640	4,537,397	4,605,622	4,537,307
2,023,412	2,050,475	1,533,893	1,093,897	768,157	657,703
12,492,503	9,620,331	9,720,789	10,496,774	10,819,675	10,794,679
10,729,203	10,587,619	6,207,104	6,145,876	6,043,922	6,296,552
1,057,940	1,367,948	2,072,098	2,096,725	1,140,597	1,440,276
103,272,388	95,849,386	89,079,807	87,890,552	85,915,447	86,238,856
3,825,713	3,757,020	4,032,831	3,854,665	3,898,785	4,003,674
40,508,410	37,624,679	36,215,064	35,326,678	34,918,034	33,837,807
7,021,976	5,933,224	6,140,014	6,251,044	6,584,961	8,897,994
6,900,994	6,458,895	5,980,097	6,012,480	5,928,648	5,650,586
6,582,153	5,653,334	6,641,799	7,818,424	6,534,604	5,945,407
7,520,991	7,073,068	8,015,628	8,371,675	9,107,849	8,664,640
8,250,889	7,610,511	7,269,096	7,938,695	7,783,762	7,918,927
6,555,386	4,857,648	8,856,253	8,440,939	2,773,812	4,178,826
3,848,029	3,841,053	3,587,935	3,415,993	4,187,253	4,117,460
1,308,261	1,480,367	1,551,471	1,594,239	1,222,729	1,309,827
161,625	26,437	10,838	-	49,940	22,269
92,484,427	84,316,236	88,301,026	89,024,832	82,990,377	84,547,417
10,787,961	11,533,150	778,781	(1,134,280)	2,925,070	1,691,439
16,725,979	2,142,355	-	2,202,048	14,282,743	2,950,000
1,789,307	507,687	-	-	-	-
-	(2,554,963)	-	-	-	-
6,533,178	4,361,427	4,633,224	4,069,656	3,429,411	3,384,414
(9,221,859)	(8,209,471)	(9,067,531)	(8,483,077)	(7,124,787)	(6,012,242)
15,826,605	(3,752,965)	(4,434,307)	(2,211,373)	10,587,367	322,172
\$ 26,614,566	\$ 7,780,185	\$ (3,655,526)	\$ (3,345,653)	\$ 13,512,437	\$ 2,013,611
6.0%	6.7%	6.5%	6.2%	6.7%	6.8%

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

Fiscal Year	Property Taxes	Room Occupancy Taxes	Admissions & Amusement Taxes	Income Taxes	Shared Taxes	Total
2026	\$ 56,516,094	\$ 26,417,926	\$ 3,941,564	\$ 2,373,024	\$ 2,354,442	\$ 91,603,050
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
Change 2017 - 2026	30.8%	71.7%	170.9%	78.4%	108.2%	46.5%

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
2026	\$12,219,658,278	\$7,032,435	\$229,124,833	\$12,455,815,546	\$0.4426	\$12,455,815,546	12.4%
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

* 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, 2017 - 2026

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
2026	\$ 56,516,094	\$ 55,732,399	98.61 %	\$ -	\$ 55,732,399	98.61 %
2025	50,720,938	49,503,587	97.60	1,211,779	50,715,366	99.99
2024	45,858,260	45,319,408	98.82	538,720	45,858,128	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

* 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, 2017 - 2026

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

2026		
Taxpayer	Taxable Assessed Value (1)	Percentage of Total Taxable Assessed Value
Americana Stowaway Motel, Inc.	\$ 79,914,907	0.64%
Delmarva Power	69,623,736	0.56
Harrison Inn Stardust, Inc.	64,290,947	0.52
91st Street Joint Venture, LLC	46,930,670	0.38
OCMD Hotel Owner LLC	38,704,880	0.31
Ocean City Hotels LLC	36,296,440	0.29
Inns of Ocean City, LLC	27,052,257	0.22
Ocean I Hospitality LLC	26,705,910	0.21
Harrison QI 33 LLC	26,610,917	0.21
Harrison Inn 66 Business Trust	25,739,733	0.21
	<u>\$ 441,870,397</u>	<u>3.55%</u>
Total taxable assessed value	<u>\$12,455,815,546</u>	

2017		
Taxpayer	Taxable Assessed Value (1)	Percentage of Total Taxable Assessed Value
Harrison Inn Stardust, Inc.	\$ 59,969,590	0.69%
Americana Stowaway Motel, Inc.	55,147,111	0.63
Delmarva Power	38,837,020	0.44
91st Street Joint Venture, LLC	33,885,483	0.39
Genesar, Inc.	24,199,073	0.28
Harrison HI 18 LLC	23,101,837	0.26
Harrison Inn Ocean View SPE, LLC	21,117,767	0.24
L.P.B.-O.C. Hotel Limited Partnership	20,752,220	0.24
Harrison Inn - Sixty-Six, Inc.	20,721,587	0.24
Harrison QI 17 LLC	16,584,733	0.19
	<u>\$ 314,316,421</u>	<u>3.60%</u>
Total taxable assessed value	<u>\$ 8,750,534,443</u>	

(1) Assessed value is based on the value of property for taxes collected in 2026 and 2017, respectively, and a review of the ten largest taxpayers for the Town.

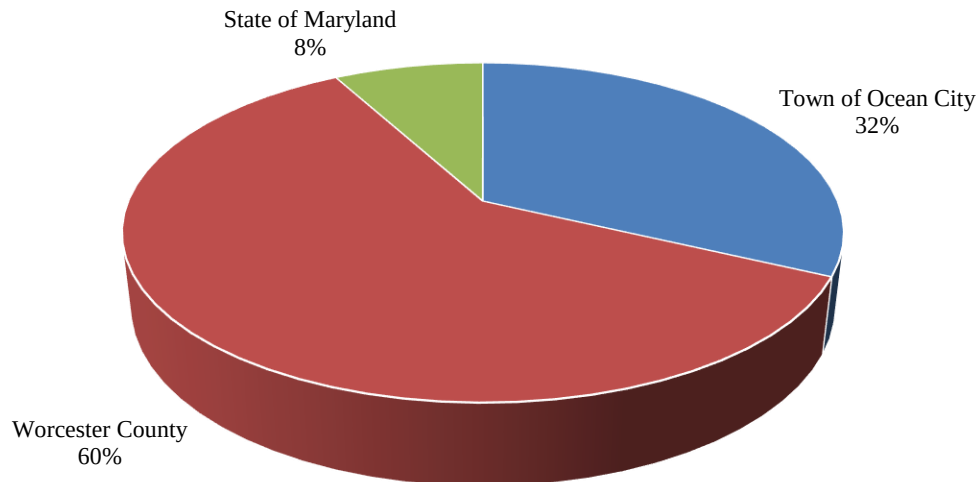
Source: Town of Ocean City Finance Department

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		
2026	\$ 0.4426	\$ 0.815	\$ 0.112	\$	1.3696
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

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				
2026	\$43,443,734	\$2,138,618	\$ 64,440	\$ 2,590,511	\$105,004,738	\$7,089,956	\$296,309	\$160,628,306	1.29%	\$23,484	21.2%
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

* 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
2026	\$ 157,677,046	1.27%	\$ 23,052
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

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, 2026

Jurisdiction	Debt Outstanding	Percentage Applicable to the Town *	Amount Applicable to the Town
Direct			
Town of Ocean City	\$ 48,237,303	100.0%	\$ 48,237,303
Overlapping			
Worcester County	<u>59,422,184</u>	54.0%	<u>32,108,142</u>
Total direct and overlapping debt	<u>\$ 107,659,487</u>		<u>\$ 80,345,445</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, 2026

Assessed value	<u>\$12,455,815,546</u>
Maximum general obligation debt (limited to 5.2% of assessed value) *	\$ 647,702,408
Outstanding bonds	<u>\$ 157,677,046</u>
Net chargeable to bond limit	<u>157,677,046</u>
Legal debt margin at June 30, 2026	<u>\$ 490,025,362</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
2017 - 2026

Fiscal Year	Assessed Value	Legal Debt Limitation	Legal Borrowing Limitation	Debt Subject to Limitation	Legal Debt Margin
2026	\$12,455,815,546	5.2 %	\$ 647,702,408	\$ 157,677,046	\$ 490,025,362
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

Town of Ocean City, Maryland
Demographic and Economic Statistics
Calendar Years 2016 - 2025

Year	(1) Population	(2) Median Household Income	(3) Worcester County Personal Income	(4) Median Age	(5) School Enrollment	(6) Unemployment Rate
2025	6,840	\$ 81,745	\$ 4,172,564	50.7	6,654	5.3 %
2024	6,918	81,455	3,997,677	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

Sources (for the most recent calendar year presented):

- (1) Maryland State Data Center - Maryland Department of Planning (estimated)
- (2) U.S. Census Bureau, 2024 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). 2025 figure was not available from the BEA. The 2025 figure was calculated by multiplying the 2024 Worcester County personal income by the average growth in personal income for the nine preceding years.
- (4) U.S. Census Bureau, 2024 American Community Survey 5-Year Estimates (figure is for Worcester County)
- (5) Worcester County FY25 ACFR - figure is for Worcester County Public Schools, which includes Ocean City
- (6) Bureau of Labor Statistics, 2025 (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,

2026		
Employer	Employees	Percentage of Total County Employment
Harrison Group	1,387	5.28 %
Town of Ocean City	1,174	4.47
Bayshore Development	698	2.66
Fagers Island, Ltd.	520	1.98
OC Seacrets, Inc.	506	1.93
KTG LLC	289	1.10
91st Street Joint Venture, LLC	258	0.98
Sunsations	182	0.69
Ashore Resort and Beach Club	161	0.61
Carousel Resort Hotel & Condominiums	158	0.60
Total	5,333	20.30 %
Total Worcester County employees (Data available for County only)	26,246	

2017		
Employer	Employees	Percentage of Total County Employment
Town of Ocean City	1,437	5.71 %
Harrison Group	1,291	5.13
Bayshore Development	518	2.06
OC Seacrets, Inc.	510	2.03
Clarion Resort Fontainebleau	360	1.43
KTG LLC	331	1.32
Fagers Island, Ltd.	295	1.17
91st Street Joint Venture, LLC	266	1.06
Candy Kitchen	250	0.99
Trimpers Rides, Inc.	250	0.99
Total	5,508	21.89 %
Total Worcester County employees (Data available for County only)	25,154	

Sources:

Total County employment figures for FY 2026 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	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
General Government	37	36	36	36	35	33	36	36	36	36
Public Safety	285	264	266	265	240	220	217	216	216	213
General Public Works	49	50	51	50	50	47	48	48	48	47
Solid Waste	21	19	21	20	21	21	21	21	21	21
Highway and Streets	30	25	27	26	24	27	23	23	22	23
Economic Development	13	13	13	13	6	4	4	4	4	4
Recreation	48	46	45	45	45	44	44	43	43	42
Water	15	21	20	23	21	21	21	21	21	21
Wastewater	37	38	39	37	38	39	46	46	46	46
Transportation	18	19	18	17	19	12	13	13	13	13
Convention Center	39	38	34	34	33	34	34	34	34	34
Airport	3	3	3	3	3	2	3	3	3	3
Internal Service	32	32	32	29	29	31	30	30	30	30
Total full-time employees	627	604	605	598	564	535	540	538	537	533
Total part-time employees	547	561	606	571	627	641	623	885	829	904
Total employees	1,174	1,165	1,211	1,169	1,191	1,176	1,163	1,423	1,366	1,437

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	2026	2025	2024	2023
General Information				
Area (square miles)	5	5	5	5
Year-round residents	6,840	6,918	6,915	6,925
Active registered voters	6,451	6,422	6,415	6,425
Average summer population	281,500	284,750	288,235	279,899
General Government				
Construction permits issued	1,977	1,780	1,943	1,891
Estimated value of construction	\$104,374,365	\$104,594,804	\$ 99,047,556	\$100,806,113
Public Safety - Police				
Total arrests	1,682	1,594	1,830	2,151
* Parking violations	48,699	40,251	2,752	1,170
Classified officers	125	117	120	116
Seasonal officers	-	-	22	50
Public Safety - Fire and Emergency Services				
Fire responses	1,265	1,293	822	1,160
Ambulance responses	4,868	4,795	6,505	5,042
Plan reviews/permits/special event reviews	4,074	3,877	4,254	4,163
Fire marshal inspections	1,455	1,186	1,487	1,439
Fire marshal field operations/investigations	1,932	1,080	858	743
Fire marshal complaints/referrals/fire protection system deficiencies	732	695	546	525
Classified fire personnel	3	2	3	3
Volunteer officers, firemen, life honor, gold badge	249	234	223	237
Classified emergency medical technicians	72	73	73	73
Seasonal emergency medical technicians	33	36	32	34
Solid Waste				
Trash processed (tons)	30,300	30,773	31,245	32,304
Trash recycled (tons)	148	139	119	130
Tourism and Recreation				
Seasonal beach patrol personnel	224	224	214	172
Water				
Average daily consumption (gallons)	3,353,284	3,076,409	3,324,741	3,475,872
Plants' daily capacity (gallons)	18,000,000	18,000,000	18,000,000	18,000,000
Transportation				
Bus passengers	1,347,228	1,404,997	1,406,467	1,515,279
Wastewater				
Average daily treatment (gallons)	5,368,000	5,551,000	6,039,560	5,700,222
Average daily treatment - summer (gallons)	8,789,000	9,628,000	9,769,989	9,441,239
Plant's daily treatment capacity (gallons)	14,000,000	14,000,000	14,000,000	14,000,000
Customer accounts	30,097	28,509	28,450	28,338
Airport				
Based aircraft	70	72	72	72
Aircraft fueled	3,672	3,672	3,650	3,650

* 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

2022	2021	2020	2019	2018	2017
5	5	5	5	5	5
6,929	6,944	6,889	7,028	7,102	7,102
6,765	6,523	6,470	5,740	6,227	6,067
290,575	301,275	250,173	277,932	276,812	275,509
1,684	2,166	1,501	1,852	1,885	1,810
\$ 67,413,855	\$ 68,894,340	\$ 48,800,979	\$ 54,474,168	\$ 78,539,236	\$ 86,385,559
2,482	3,032	1,937	2,271	2,338	2,252
2,115	2,659	2,913	3,358	4,821	9,619
116	112	107	106	105	105
50	45	51	56	80	80
1,258	1,118	1,265	1,245	1,348	1,323
5,329	5,194	3,222	4,855	4,658	5,006
4,312	4,072	1,347	1,062	854	930
1,859	1,395	1,152	1,529	1,389	1,778
711	675	564	756	718	757
621	483	691	734	720	666
3	3	3	3	3	3
223	225	240	240	215	215
50	44	44	44	44	44
63	68	73	82	74	67
35,454	34,432	31,758	34,749	34,479	35,823
127	171	138	208	242	229
185	203	204	186	207	194
3,900,000	4,030,000	3,843,260	3,966,756	4,282,348	4,278,040
18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000
1,297,940	697,703	1,610,823	2,391,312	2,563,434	2,554,385
5,855,000	5,713,000	5,276,046	5,713,227	5,895,466	5,699,000
9,859,000	8,938,000	9,058,337	9,426,935	10,254,228	9,743,000
14,000,000	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000
28,316	28,296	28,287	28,416	28,403	28,417
65	65	65	65	63	67
3,100	3,100	3,100	3,100	3,100	3,100

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

Function/Program	2026	2025	2024	2023
Public Safety - Police				
Stations	2	2	2	2
Vehicles	135	111	86	82
Public Safety - Fire and Emergency Services				
Stations	5	5	5	5
Ambulances	10	11	10	10
Highways and Streets				
Streets (miles)	69	69	69	69
Streetlights	3,104	3,104	3,104	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 / 8	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	18	13
Museums	2	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	7,280	7,249	7,249	7,249
Fire hydrants	970	961	901	900
Transportation				
Buses	46	48	49	48
Handicapped buses	3	3	3	3
* Boardwalk trams	-	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

2022	2021	2020	2019	2018	2017
2	2	2	2	2	2
82	82	82	82	82	83
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	12 / 7	13 / 7	13 / 7
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	12	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
7,214	7,210	7,212	7,500	7,216	7,074
850	850	847	847	847	847
52	63	67	62	61	62
3	3	3	3	3	3
8	8	9	8	8	8
152	152	152	152	152	152
1	1	1	1	1	1
10	10	10	10	10	10
146,796	118,451	118,101	118,101	118,101	118,101
7,278	7,278	7,278	7,278	7,278	7,273
115,064	115,064	115,064	115,064	115,064	115,064

[Closing Date]

Mayor and City Council of Ocean City
Ocean City, Maryland

\$ _____
Mayor and City Council of Ocean City, Maryland
General Obligation Municipal Purpose Bonds of 2026

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 2026 (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. 2026-20, introduced on August 11, 2026 and adopted and approved on September 8, 2026 (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,

Proposed Form of Continuing Disclosure Agreement

This Continuing Disclosure Agreement dated as of November __, 2026 (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 2026 (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, 2027:

- (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, 2027, 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, 2027), 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 Director, 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 2026

Electronic bids via **PARITY®** will be received until 11:00 a.m., local Ocean City, Maryland time on Thursday, October 29, 2026, by the 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 \$17,260,000*.

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, 2027, until maturity or earlier redemption. The Bonds mature, subject to prior redemption, on the fifteenth day of January as follows:

Maturing January 15	Preliminary Principal Amount*	Maturing January 15	Preliminary Principal Amount*
2028	\$385,000	2038	\$855,000
2029	555,000	2039	900,000
2030	580,000	2040	945,000
2031	610,000	2041	995,000
2032	640,000	2042	1,040,000
2033	670,000	2043	1,095,000
2034	705,000	2044	1,150,000
2035	740,000	2045	1,205,000
2036	780,000	2046	1,265,000
2037	815,000	2047	1,330,000

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 an Ordinance No. 2026-20 adopted and approved on September 8, 2026 (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 Baltimore Avenue, (2) financing or refinancing, in whole or in part, certain costs of acquisition, construction and/or improvements to the 61st Street Racquet Center, (3) financing or refinancing, in whole or in part, certain costs of acquisition, construction and/or improvements to the solid waste transfer station facilities, (4) financing or refinancing, in whole or in part, certain costs of the acquisition of land, (5) financing or refinancing, in whole or in part, certain costs of acquisition, construction and/or improvements to the water treatment plant project, (6) financing or refinancing, in whole or in part, certain costs of acquisition, construction and/or improvements to airport taxiway facilities, (7) financing or refinancing, in whole or in part, certain costs of acquisition, construction and/or improvements of fleet/garage renovations and boardwalk signs, (8) financing or refinancing, in whole or in part, certain costs of acquisition, construction and/or improvements to the Convention Center and (9) 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 acquisition, construction and/or improvements to the water treatment plant project (the “Water Project Portion”) are payable in the first instance from the proceeds of the operations of the water treatment plant project, including but not limited to user fees, benefit assessments, connection, service and other charges as may be levied, imposed or collected by the City.

If the proceeds of the operations of the water treatment plant project as collected by the City are insufficient to provide for the payment of the principal of and interest on the Water Project 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 principal of and interest on that portion of the Bonds that is attributable to the acquisition, construction and/or improvements to the Convention Center (the “Convention Center Portion”) are payable in the first instance from the proceeds of a food and beverage tax to be levied and collected by the County Commissioners of Worcester County, Maryland, for such purpose pursuant to Section 20-602 of the Local Government Article of the Annotated Code of Maryland, as amended (the “Food and Beverage Tax”).

If the proceeds of the Food and Beverage Tax are insufficient to provide for the payment of the principal of and interest on the Convention Center 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, user fees, benefit assessments, connection, service and other charges as may be levied, imposed or collected by the City and the Food and Beverage Tax, shall provide sufficient funds to meet the maturing principal of and interest on the Water Project Portion or the Convention Center Portion of the Bonds, the proceeds of the sale of which are to be applied in part to the costs of the water treatment plant project and the Convention Center project. 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, October 29, 2026. 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 Municipal 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, October 29, 2026. 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%. Bidders may not designate any of the maturities of the Bonds as a term bond.

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 \$345,200.00 (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 municipal advisor identified herein and any notice or report to be provided to the City may be provided to the City’s municipal 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 November 12, 2026, 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 Municipal 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 2026

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 October 29, 2026.

(e) “*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: _____, 2026

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 2026

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 (November 5, 2026), 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 October 29, 2026.

(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: _____, 2026

SCHEDULE A
Sale Prices of the 10% Maturities

SCHEDULE B
Initial Offering Prices of the Undersold Maturities

SCHEDULE C
Pricing Wire