

TOWN OF BEL AIR, MARYLAND

**Financial Statements Together with
Report of Independent Public Accountants**

For the Year Ended June 30, 2016

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JUNE 30, 2016

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Commissioners of the
Town of Bel Air, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bel Air, Maryland (the Town), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the general fund and special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress and contributions – OPEB, schedule of change in pension fund net pension liability and related ratios, schedule of civilian employees pension plan employer contributions, and schedule of sworn officers pension plan employer contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The schedule of cash and cash equivalents - general fund and the schedules of revenues and expenditures - budget and actual as listed in the accompanying table of contents (collectively, the supplemental information) are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental information is the responsibility of management and was 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 supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Hunt Valley, Maryland
February 24, 2017

A handwritten signature in cursive script that reads "SB & Company, LLC".

TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

As management of the Town of Bel Air, Maryland ("the Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year that ended June 30, 2016. We encourage readers to use this information in conjunction with the basic financial statements and the accompanying notes to those financial statements.

Financial Highlights

Government-wide:

- The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows as of June 30, 2016, by \$14,696,728 (net position). Approximately 24.4% of this amount is attributable to the business-type activities. Of the total net position, \$879,946. (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors. Unrestricted net position in the business-type activities is a positive \$1,207,406, while the governmental activities show (\$327,460) due to the recording of the net pension liability. Of the remaining total net position, \$1,628,757 is restricted for specific purposes (restricted net position), and \$12,188,025 is invested in capital assets, net of related debt.
- The Town's overall financial position has improved with total net position increasing by \$1,068,085 during the fiscal year. Net position for governmental and business-type activities increased \$1,013,197 and \$54,888, respectively.
- The Town has recorded a net pension liability of \$4,729,693 and related deferred outflows of \$977,482 and deferred inflows of \$138,438 in the Statement of Net Position. This resulted in an increase of \$1,057,912 in net position from 2015.

Fund Level:

- As of June 30, 2016, the Town's governmental funds reported a combined ending fund balance of \$5,654,728, a decrease of \$158,537 in comparison with the prior year. Of this total amount, \$5,629,408 or 99.6% is available to meet the Town's current and future needs as mandated by the appropriate level of authority within the Town and are properly designated as committed, assigned, and unassigned.
- As of June 30, 2016, the assigned and unassigned fund balance for the General Fund (primary operating fund) was \$4,118,735 or 32.3% of total General Fund expenditures.
- In fiscal year 2016, the Town transferred \$63,864 to the General Fund Capital Reserve account and \$33,864 to the General Fund Leave Payout Reserve account.
- As of June 30, 2016, the Town's business-type operating activities reported net position of \$3,592,346, an increase of \$54,888 in comparison with the prior year. Of the total amount, \$1,207,406 is unrestricted.

TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

Long-Term Debt:

The Town's long-term debt increased \$420,323 or 5.41% during the current fiscal year. The increase was the net result of making \$492,848 in scheduled payments, \$167,597 in an early payoff, a \$22,856 increase in compensated absences/OPEB, and a \$1,057,912 increase in net pension liability. On August 7, 2015, the Town paid off the G.O. Bond 2008A BAHS Auditorium debt in the amount of \$167,597 without any prepayment penalty. It was originally anticipated to utilize the unassigned fund balance to make the payment; however, that was not necessary as there were savings in other general fund expenditure accounts to cover the cost.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary and non-required supplemental information in addition to the basic financial statements themselves.

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

The *statement of net position* presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements mentioned above distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, public safety, public works, recreation and culture, miscellaneous, and debt service. The business-type activities of the Town include Parking and Sewer operations. The government-wide financial statements include only the Town of Bel Air because the Town has no component unit relationships with any other agency. The government-wide financial statements can be found by referring to the table of contents which begins on page 1 of this report.

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

TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By so doing, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

The Town maintains two individual governmental funds, the general fund and the special revenue fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statements of revenues, expenditures, and changes in fund balances for both of the governmental funds.

The Town adopts an annual appropriated budget for both of its individual governmental funds. A budgetary comparison statement has been provided for the major fund, General, and the one non-major fund, Special Revenue, to demonstrate compliance with this budget. The basic governmental fund financial statements can be found by referring to the table of contents which begins on page 1 of this report.

Proprietary funds. The Town maintains one proprietary-type fund: an enterprise fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the governmental-wide financial statements. The Town uses enterprise funds to account for its Parking and Sewer activities. The basic proprietary fund financial statements can be found by referring to the table of contents which begins on page 1 of this report.

Fiduciary funds. *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found by referring to the table of contents which begins on page 1 of this report.

TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

Notes to financial statements. The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements are part of the basic financial statements and can be found by referring to the table of contents which begins on page 1 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *supplemental information*. This information can be found by referring to the table of contents which begins on page 1 of this report.

Government-wide Financial Analysis

The Town's financial statements are prepared in conformity with the reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34), *Basic Financial Statements - and Management's Discussion and Analysis (MD&A) - for State and Local Governments*. MD&A includes prior fiscal year results for the purpose of providing comparative information.

As noted earlier, net position may serve over time as a useful indicator of a government's overall financial condition and position. In the case of the Town, assets exceeded liabilities by \$14,696,728 as of June 30, 2016. The Town of Bel Air's net position is divided into three categories - invested in capital assets (net of related debt), restricted net position, and unrestricted net position.

The largest portion of the Town's net position is in investment in capital assets net of depreciation (e.g., land, improvements, buildings, machinery, equipment, vehicles, infrastructure, and sewer system), less any related debt used to acquire those assets and accumulated depreciation. As of June 30, 2016, capital assets were valued at \$12,188,025 net of related debt and accumulated depreciation or 82.9% of total net position. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The balance of unrestricted net position as of June 30, 2016, was \$879,786 or 6.0% of total net position and may be used to meet the government's ongoing obligations to citizens and creditors. The balance of restricted net position as of June 30, 2016, was \$1,628,757 or 11.1% of total net position and are resources that are subject to external restrictions on how they may be used.

For the fiscal year ended June 30, 2016, the Town reported positive balances in all three categories of net position for the Town as a whole as well as for business-type activities separately; however, governmental activities reported a negative balance in unrestricted net position due to the recording of the net pension liability. The following tables reflect the condensed statement of net position and the schedule of changes in net position for governmental and business-type activities after the restatement:

TOWN OF BEL AIR, MARYLAND

**MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016**

NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets						
Current and other assets	\$ 6,609,593	\$ 7,014,638	\$ 2,546,192	\$ 2,176,101	\$ 9,155,785	\$ 9,190,739
Capital assets	10,726,656	9,774,799	3,829,291	3,836,695	14,555,947	13,611,494
Total assets	17,336,249	16,789,437	6,375,483	6,012,796	23,711,732	22,802,233
Deferred outflows of resources-pensions	977,482	270,460	-	-	977,482	270,460
Liabilities						
Other liabilities	536,877	797,058	1,131,949	590,988	1,668,826	1,388,046
Long-term liabilities	6,534,034	5,880,549	1,651,188	1,884,350	8,185,222	7,764,899
Total liabilities	7,070,911	6,677,607	2,783,137	2,475,338	9,854,048	9,152,945
Deferred inflows of resources-pensions	138,438	291,105	-	-	138,438	291,105
Net Position						
Net investment in capital assets	9,921,168	8,769,493	2,266,857	2,034,008	12,188,025	10,803,501
Restricted	1,510,673	1,422,212	118,083	103,074	1,628,756	1,525,286
Unrestricted	(327,459)	(100,520)	1,207,406	1,400,376	879,947	1,299,856
Total net position	\$ 11,104,382	\$ 10,091,185	\$ 3,592,346	\$ 3,537,458	\$ 14,696,728	\$ 13,628,643

TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenues:						
Charges for services	\$ 1,145,203	\$ 1,131,251	\$ 3,066,895	\$ 2,854,772	\$ 4,212,098	\$ 3,986,023
Operating grants/ contributions	237,524	246,216	-	-	237,524	246,216
Capital grants/ contributions	433,354	240,128	3,750	150,902	437,104	391,030
General revenues:						
Property taxes	7,651,142	7,512,753	-	-	7,651,142	7,512,753
Shared taxes	2,741,417	2,919,599	-	-	2,741,417	2,919,599
Miscellaneous	748,554	619,288	-	-	748,554	619,288
Unrestricted investment earnings	31,660	30,504	2,804	423	34,464	30,927
Total revenues	12,988,854	12,699,739	3,073,449	3,006,097	16,062,303	15,705,836
Expenses						
General government	2,936,201	2,765,621	-	-	2,936,201	2,765,621
Public safety	3,357,438	3,409,696	-	-	3,357,438	3,409,696
Public works	2,740,900	2,765,494	-	-	2,740,900	2,765,494
Recreation and culture	166,256	205,099	-	-	166,256	205,099
Miscellaneous	2,753,611	2,363,036	-	-	2,753,611	2,363,036
Interest on long-term debt	21,251	38,228	-	-	21,251	38,228
Sewer	-	-	2,527,564	2,197,200	2,527,564	2,197,200
Parking facilities	-	-	490,997	454,290	490,997	454,290
Total expenditures	11,975,657	11,547,174	3,018,561	2,651,490	14,994,218	14,198,664
Increase in net assets	1,013,197	1,152,565	54,888	354,607	1,068,085	1,507,172
Net position, beginning	10,091,185	8,938,620	3,537,458	3,182,851	13,628,643	12,121,471
Net position, ending	\$ 11,104,382	\$ 10,091,185	\$ 3,592,346	\$ 3,537,458	\$ 14,696,728	\$ 13,628,643

Governmental activities

Governmental net position increased by \$1,013,197. Property taxes, shared taxes, and charges for services represent 58.9%, 21.1%, and 8.8% of the Town's revenue stream, respectively. The remaining 11.2% of governmental revenue consists of grants, contributions, investment earnings, and other miscellaneous revenues.

The entity wide statements show that the Town's total revenue from governmental activities in fiscal year 2016 was \$12,988,854 which is \$289,115 higher than the previous year. Revenues in capital grants/contributions increased \$193,226 due to receiving the Community Legacy grant for the Amory Marketplace project. Revenues in property taxes increased \$138,389 mainly due to an increase in real property taxes.

Investment earnings increased entity wide. The State of Maryland investment pool, in which the average maturity is less than 45 days and all investments are guaranteed fully by the Federal Government, average interest rate during the fiscal year was .22% compared to .05%. In fiscal year 2016, the Town utilized the CDARS program as well as investing in certificates of deposit and money market accounts at Maryland banks more in order to take advantage of higher investment rates. As of June 30, 2016, the Town held \$4,297,500 in various certificates of deposit with rates ranging from .50% to 1.50% and maturities no longer than 30-months.

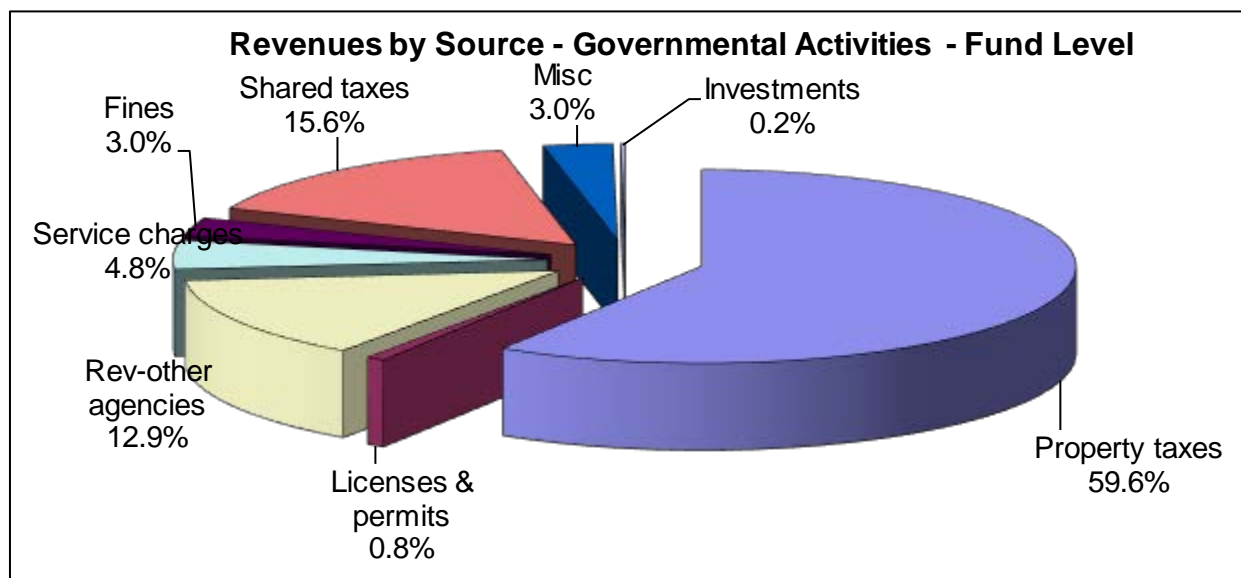
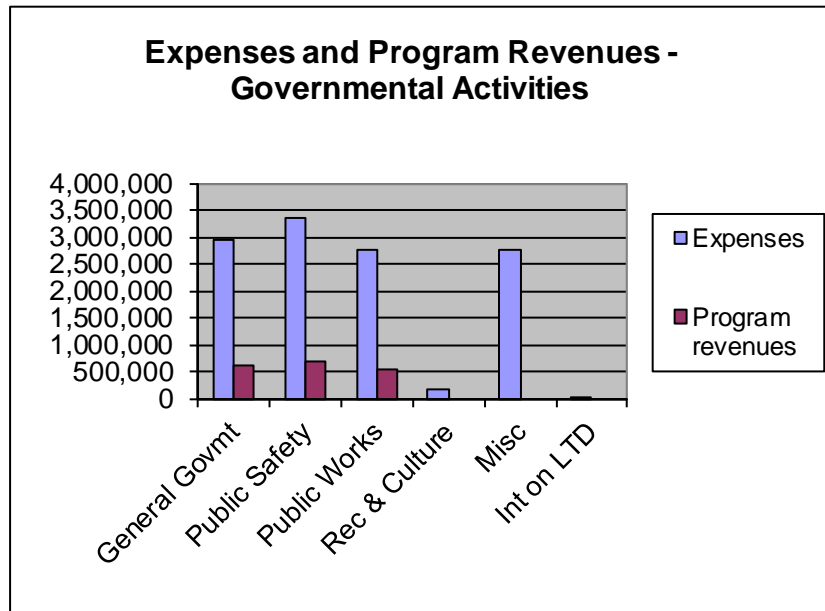
TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

Governmental activities

Governmental expenses were \$11,975,657 in fiscal year 2016, an increase of \$428,483 or 3.7%. Public safety and public works are the two largest functional areas comprising 50.9% of all governmental expenses in fiscal year 2016. Public safety represents 28.0% of governmental expenses, while public works represents 22.9%. Both departments showed a slight decrease in expenses totaling \$76,852.



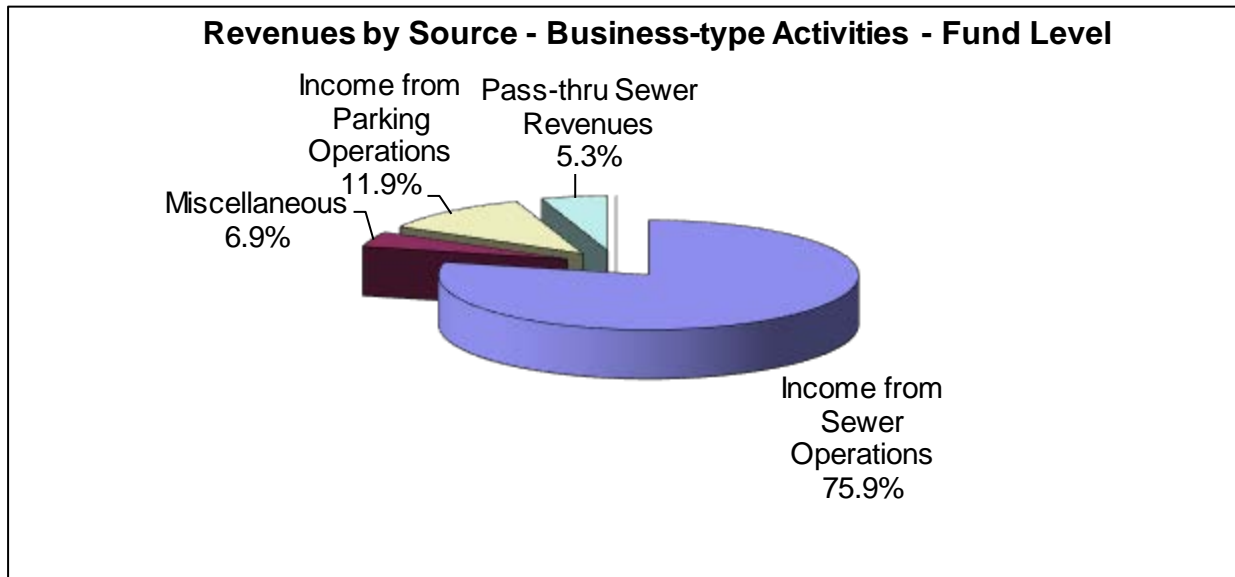
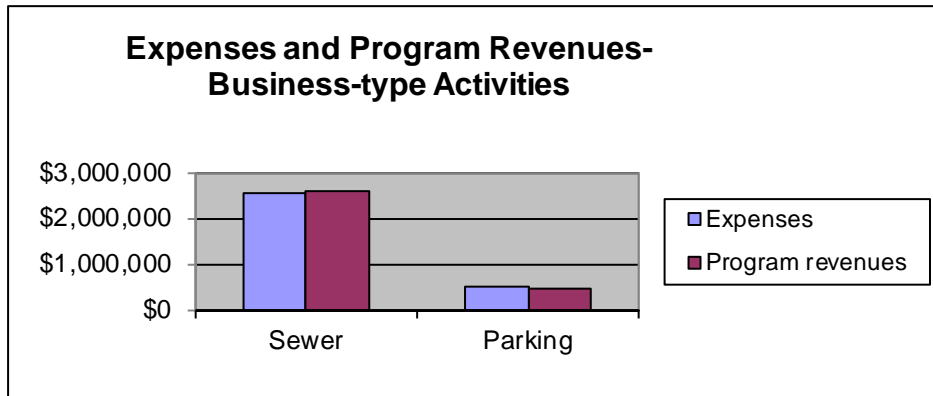
TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

Business-type activities

The Town operates two business-type enterprise funds, Parking and Sewer. Business-type net position increased by \$54,888 overall with the Parking Fund decreasing \$20,805 and the Sewer Fund increasing by \$75,693. While the Town anticipated the Parking Fund expenses to be \$80,024 more than the revenues, revenues came in greater than expected resulting in a lower decrease. The increase in the sewer fund is due to receiving more in sewer service charges than anticipated.



TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

Financial Analysis of the Town's Funds

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

Governmental funds. The focus of the Town's *governmental funds* is to provide information on current inflows, outflows, and balances of available, *spendable* resources. Such information is useful in assessing the Town's financing requirements. In particular, *committed, assigned, and unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2016, the Town's governmental funds (general fund and special revenue fund) reported a combined ending fund balance of \$5,654,728, a decrease of \$158,537 in comparison with the prior year. Approximately 98.5% of this total amount (\$5,568,445) constitutes *committed, assigned, and unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *nonspendable and restricted* to indicate that it is not available for new spending because it has already been dedicated for prepaids. The *nonspendable and restricted fund balance*, at 1.5% of total fund balance, does not significantly affect the availability of fund resources for future use.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, assigned and unassigned fund balance of the General Fund was \$4,118,735, while total fund balance was \$5,384,596. As a measure of the General Fund's liquidity, it may be useful to compare both assigned and unassigned fund balance and total fund balance to total fund expenditures. Assigned and unassigned fund balance represents 32.3% of total General Fund expenditures, while total fund balance represents 42.2% of that same amount.

The Town's General Fund total fund balance decreased by \$160,756 during the current fiscal year. This was a result of receiving more revenues than anticipated and the prior year's encumbrances being significantly more, expending less with regard to a few large projects.

The Special Revenue Fund has a total fund balance of \$270,132. The \$2,219 decrease in fund balance is due to utilizing slightly more in fund balance as a revenue source to pay for current year expenditures for certain projects/programs than expected.

Proprietary funds. The Town's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Net position of the Parking Fund and the Sewer Fund was \$2,299,229 and \$1,293,117, respectively, and decreased \$20,805 in the Parking Fund, and increased by \$75,693 in the Sewer Fund.

Fiduciary funds. The Town maintains two pension funds: 1) Sworn Officers' Pension Trust and 2) Civilian Pension Trust. The Sworn Officers' Pension Trust is a single employer defined benefit pension plan administered by the Town with responsibility for the administration and operation of the Plan vested with a five member Board of Trustees. The Civilian Pension Trust includes the Civilian Employees Pension Trust and funds remaining in the ICMA Retirement Trust. The Civilian Employees Pension Trust is a single employer defined benefit pension plan administered by the Town with responsibility for the administration and operation of the Plan vested with a ten member Board of Trustees. Both defined benefit pension plans provide pension and death and disability benefits to full-time plan members and beneficiaries.

TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

The Town implemented GASB 67, Financial Reporting for Pension Plans (GASB 67) in 2014 and GASB 68, Accounting and Financial Reporting for Pensions (GASB 68) in 2015. GASB 67 required the use of the entry age normal actuarial valuation method to determine the total pension liability.

The net position of the Sworn Officers' Pension Trust decreased \$65,891 or 1.14%, and the Civilian Pension Trust increased \$42,347 or .71%. The decrease in the Sworn Officer's Pension Trust was due to a net decrease in the fair value of investments along with contributions not being enough to pay for benefit/administrative expenses. Even with a net decrease in the fair value of investments in the Civilian Pension Trust, the Trust's net position increased due to receiving more in contributions than was paid out in benefits/administrative expenses.

On December 7, 2015, the Board of Town Commissioners approved Resolution No. 1061-15 which authorized the Town becoming a member of the Maryland Association of Counties Pooled OPEB Trust Fund. The Trust was established on January 27, 2015 to facilitate the investments of Other Postemployment Benefits (OPEB) by the members to provide post-retirement benefits to their respective retirees. In February, 2016, the Town made its first contribution to the Trust in the amount of \$257,406 and ended the year with a net position of \$262,700.

General Fund Budgetary Highlights

The final amended budget to the General Fund resulted in an increase of \$110,423 from the amended budget in March, 2016. The significant revenue and expenditure change was receipt of an \$88,462 FEMA grant reimbursement for the January snowstorm.

The Town amended the budget in March, 2016 after its normal mid-year budget review. The general fund budget was increased \$78,910. The significant revenue change was to the state shared income tax account due to a conservative estimate in the original budget. The significant expenditure change was an increase of \$80,000 in the public works administration to complete a funding request to complete an MS4 storm water management project.

At the end of the year, revenues and other financing sources were more than budgetary estimates by \$136,886 and expenditures were \$232,829 less than anticipated.

Capital Assets and Debt Administration

Capital assets. The Town's investment in capital assets net of accumulated depreciation for its governmental and business-type activities as of June 30, 2016 was \$14,555,947. This investment in capital assets includes land, buildings, improvements, machinery, equipment, furniture, fixtures, vehicles, infrastructure, and sewer system. The total increase in capital assets for the current fiscal year was 6.9%, comprised of a 9.7% increase in governmental activities and a .2% decrease for business-type activities.

The following table displays the Town's capital assets. Additional information can be found in Note 6 in the notes to the financial statements of this report.

TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

CAPITAL ASSETS

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land and improvements	\$ 4,641,308	\$ 4,641,308	\$ 777,518	\$ 777,518	\$ 5,418,826	\$ 5,418,826
Buildings and improvements	5,761,048	4,998,691	3,126,190	3,126,190	8,887,238	8,124,881
Infrastructure	1,215,526	849,900	-	-	1,215,526	849,900
Machinery and equipment	1,146,339	1,041,655	402,521	358,331	1,548,860	1,399,986
Furniture and fixtures	1,228,657	1,232,966	-	-	1,228,657	1,232,966
Vehicles	2,932,042	2,771,875	365,418	365,418	3,297,460	3,137,293
Parking improvements	-	-	446,796	404,596	446,796	404,596
Sewer system	-	-	1,785,292	1,680,499	1,785,292	1,680,499
Accumulated depreciation	<u>(6,198,264)</u>	<u>(5,761,596)</u>	<u>(3,074,444)</u>	<u>(2,875,857)</u>	<u>(9,272,708)</u>	<u>(8,637,453)</u>
Total	<u>\$10,726,656</u>	<u>\$ 9,774,799</u>	<u>\$ 3,829,291</u>	<u>\$ 3,836,695</u>	<u>\$14,555,947</u>	<u>\$13,611,494</u>

Major capital asset events during the year ending June 30, 2016 included the following:

- The Town renovated the garages at our Armory facility in order to prepare them for incubator rental spaces (\$694,627).
- The Town constructed a new parking lot exit at the Town Hall/Police Department (\$8,780).
- The Town contracted to install a new free standing awning with curtains and canvas at Rockfield Manor (\$49,954).
- The Police Department purchased three new replacement vehicles (\$87,096).
- The Public Works Department purchased a replacement asphalt roller (\$36,486), a new ventrac tractor (\$27,463), a replacement John Deere 4WD loader (\$158,779), a replacement administrative vehicle (\$26,607), and a replacement dump truck (\$90,338).
- The Public Works Department contracted to have new handicap ramps installed (\$80,400), new sidewalks installed (\$103,720), new curbs/gutters installed (\$14,910), a replacement concrete pipe installed (\$14,116), and new street resurfacing projects (\$144,600).
- The Town purchased \$14,611 worth of capitalized computer hardware/software during the year.
- The Town either sold the following major assets at various public auctions, used a trade-in at purchase, or scrapped them, and all were removed from the Town's capital assets: a public works loader (\$70,000), a public works asphalt roller (\$5,000), a public works dump truck (\$5,000), and computer hardware/software (\$23,885).

TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

- In the Sewer Fund, a new duplex pump controller was installed (\$6,540), two sanitary sewer lines were replaced at different locations in Town (\$14,263), emergency generators for four sewer pump stations were purchased/installed (\$123,200), and a major sewer rehab project to line the sewer in an area of Town in order to extend the life was completed (\$90,530).

Debt administration. The Town's long-term debt as of June 30, 2016, was \$8,185,222. Of this amount, \$1,834,626 represents general obligation bonds in which the full faith and credit and unlimited taxing power of the Town are irrevocably pledged to the levy and collection of taxes in order to provide for the payment of principal and interest due on the bonds. The remaining debt consists of notes for major equipment and vehicles totaling \$559,855, an obligation to the Liquor Control Board employees' retirement system of \$6,329, \$1,054,719 in compensated absences and OPEB liabilities, and \$4,729,693 in net pension liability resulting from GASB #68. The following table reflects the Town's long-term debt:

LONG-TERM DEBT

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
General obligations bonds	\$ 322,072	\$ 591,420	\$1,512,554	\$1,743,241	\$1,834,626	\$2,334,661
Equipment/vehicle notes	509,975	659,780	49,880	59,446	559,855	719,226
Other notes	6,329	7,368	-	-	6,329	7,368
Net pension liability	4,729,693	3,671,781	-	-	4,729,693	3,671,781
Compensated absences / OPEB	965,965	950,200	88,754	81,663	1,054,719	1,031,863
Total	<u>\$6,534,034</u>	<u>\$5,880,549</u>	<u>\$1,651,188</u>	<u>\$1,884,350</u>	<u>\$8,185,222</u>	<u>\$7,764,899</u>

The Town's total long-term debt for governmental activities increased \$653,485 and decreased \$233,162 for business-type activities. During the year, \$660,445 in debt was retired. During the fiscal year, the Town did not enter into any new debt obligations.

The amount of general obligation debt the Town may issue is limited by the Town's charter. The Town may issue bonds as long as the total bonded indebtedness of the Town does not exceed 6% of the assessed value of real and personal property. As of June 30, 2016, the debt limitation is \$85,838,766, which is significantly in excess of the Town's outstanding general obligation debt.

Additional information on the Town's long-term debt can be found in Note 7 in the notes to the financial statements of this report.

TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

Economic Factors and Fiscal Year 2017's Budgets and Rates

- The State of Maryland Assessments and Taxation Department completed its triennial assessment for Town residents effective beginning in fiscal year 2015, which assesses the Town every third year, along with a cap of 10% on residential properties. During the next fiscal year, the Town expected a very slight assessment increase, 1.6% due to the improving real estate values locally.
- Income tax revenues are projected to increase \$88,476 or 6% over the 2016 budget revenues based on information provided by the Comptroller's office.
- Highway user revenues are projected to remain relatively the same over the 2016 actual revenues. This will be the fourth year in a row that the state has awarded the Town a one-time grant which will be used to fund a capital improvement program project.
- Police protection grant from the state is projected to increase slightly at \$13,417.
- The Harford County tax rebate is projected to decrease a slight amount of \$5,068 due to the formula using the reduction in property assessments years ago in the calculation.
- The Town applied for a COPS grant in the amount of \$29,699 which would fund an officer's salary/benefits for a portion of the fiscal year and would continue for three years.
- With anticipating slight interest rate increases, the Town's interest on investments is budgeted to increase \$12,000.
- The Town plans to construct a 10,650 square foot parking lot to be located in the front of the Rockfield Manor facility at a cost of \$109,700 of which the Foundation will contribute \$54,850.
- The Town will not finance its equipment/vehicle purchases in fiscal year but rather will purchase them with current year revenues.
- The Town appropriated \$319,026 in funds from the unassigned fund balance to pay off the Town of Bel Air G.O. 2012A 33-37 S. Main Street Bond with an interest rate of 2.20%. The final payment was not due until December 30, 2021.
- All Town employees received a merit (step) salary increase.
- The Town budgeted \$115,000 for various building maintenance or capital projects to include the installation of a new roof over the large gymnasium section of the Armory, installation of a boiler at public works, and a new roof over the administration offices at Town Hall.
- Since there is no election in November, 2016, funds were not budgeted.
- The Finance Department included \$8,000 for the GASB Statement 67/68 actuarial accounting valuation for both defined benefit plans.

TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

- The Planning Department included \$10,000 for graphics required for wayfinding and identification as outlined in the wayfinding study which is currently being completed.
- The Planning Department included an additional \$7,300 to be used with prior encumbered funds to complete an engineering design of the proposed improvements anticipated to be constructed along Thomas/George streets to allow for vehicular/pedestrian/bicycle improvements.
- The Planning Department included \$12,000 to construct another mid-block crossing at Pennsylvania Avenue in front of the library.
- The Technology Department budgeted approximately \$43,000 for one-time expenditures.
- The Town budgeted \$47,000 to fully fund its Other Postemployment Benefits Other Than Pensions (OPEB). This contribution was reduced from prior years due to the Town joining the MACO OPEB Trust.
- A new policy was approved by the Town Board to create a leave payout reserve which is funded through the budget (\$30,000) and also at the end of the fiscal year if revenues exceed expenditures.
- The Town budgeted to purchase three police vehicles (\$79,047).
- The Department of Public Works included \$114,000 to fund the costs associated with the Town's MS4 storm water management program.
- The Department of Public Works included \$41,500 to fund a new project which will become a multi-year program to repair sidewalk and other concrete tripping hazards in Town.
- The Department of Public Works budgeted to purchase a replacement refuse roll off truck in the amount of \$176,000.
- The Public Works Department budgeted \$328,400 in fill-in sidewalk, street, sidewalk, curb ramp, and curb/gutter construction work to be completed at specific locations.
- In the Special Revenue Fund, the Town has designated two years (2015-2016) of Community Development Block Grants (\$43,000) to the S. Atwood Road and S. Reed Street road repair projects, while the remaining monies budgeted (\$53,317) have not been assigned to a project.
- In the Special Revenue Fund, the Town included \$100,000 Community Legacy Grant it applied for which would fund the last phase of the Amory Marketplace project.
- In the Special Revenue Fund, the Town received a \$405,600 grant from the Chesapeake & Atlantic Coastal Bays Trust Fund to fund the plumtree run stream restoration project.
- In the Special Revenue Fund, a Bond Bill was approved with the State Legislature to fund a new pavilion at Rockfield Park.

TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

- In the Special Revenue Fund, the Town included a project in the amount of \$27,000 to reconstruct the large outfall located at 401 S. Atwood Road which will include the fabrication and installation of a new headwall structure to coincide with the streambank restoration project downstream of the outfall.

All of these factors were considered in preparing the Town's budget for the 2017 fiscal year.

The real and personal property tax rates remain unchanged in fiscal year 2017 at the current real property tax rate of \$.50 per \$100 of assessed value and the personal property tax rate is \$1.16 per \$100 of assessed value.

The Sewer Fund user rate and base remained the same for fiscal year 2017. Even though the Town code provides for a consumer price index increase, the rate was not increased since the anticipated \$.25 ENR (enhanced nutrient removal) fee was \$.10 lower the previous fiscal year. An additional inflow and infiltration project totaling \$400,000 is expected to be financed during fiscal year 2017.

In the Parking Fund, meter collection revenues are projected to basically remain the same; however, parking fines are projected to be \$17,096 higher based on the previous fiscal year. The lease fees were down again, and they remain to be at a post-recession level. An electrical conduit project (\$125,000) and a camera project (\$23,571) are funded.

Requests for Information

This financial report is designed to provide a general overview of the Town of Bel Air's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the Director of Finance, Town of Bel Air, 39 N. Hickory Avenue, Bel Air, Maryland 21014 or send an e-mail to Imoody@belairmd.org.

FINANCIAL STATEMENTS

TOWN OF BEL AIR, MARYLAND

**Statement of Net Position
June 30, 2016**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,882,943	\$ 570	\$ 2,883,513
Restricted cash and cash equivalents	108,044	62,993	171,037
Investments	4,297,500	-	4,297,500
Accounts receivable	93,743	641,771	735,514
Loan receivable - revolving loan fund	47,460	-	47,460
Loan receivable - The John Carroll School	-	60,438	60,438
Real and personal property taxes receivable	135,846	-	135,846
Accrued interest receivable	27,128	-	27,128
Due from other units of government	590,728	-	590,728
Internal balances	(1,599,119)	1,599,119	-
Prepaid expenses	25,320	-	25,320
Capital assets, not being depreciated	4,641,308	777,518	5,418,826
Capital assets, net of accumulated depreciation	6,085,348	3,051,773	9,137,121
Other assets	-	181,301	181,301
	<u>17,336,249</u>	<u>6,375,483</u>	<u>23,711,732</u>
Total assets			
	<u>17,336,249</u>	<u>6,375,483</u>	<u>23,711,732</u>
DEFERRED OUTFLOWS OF RESOURCES-PENSIONS			
	<u>977,482</u>	<u>-</u>	<u>977,482</u>
LIABILITIES			
Accounts payable	362,327	1,131,812	1,494,139
Accrued liabilities	158,265	-	158,265
Payroll withholdings	6,746	-	6,746
Deposits and other escrows held	6,137	-	6,137
Unearned revenue	3,402	137	3,539
Non-current liabilities:			
Due within one year	204,317	238,567	442,884
Due in more than one year	6,329,717	1,412,621	7,742,338
	<u>7,070,911</u>	<u>2,783,137</u>	<u>9,854,048</u>
Total liabilities			
	<u>7,070,911</u>	<u>2,783,137</u>	<u>9,854,048</u>
DEFERRED INFLOWS OF RESOURCES-PENSIONS			
	<u>138,438</u>	<u>-</u>	<u>138,438</u>
NET POSITION			
Net investment in capital assets	9,921,168	2,266,857	12,188,025
Restricted	1,510,673	118,083	1,628,756
Unrestricted	(327,459)	1,207,406	879,947
	<u>9,921,168</u>	<u>2,266,857</u>	<u>12,188,025</u>
TOTAL NET POSITION	<u>\$ 11,104,382</u>	<u>\$ 3,592,346</u>	<u>\$ 14,696,728</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF BEL AIR, MARYLAND

**Statement of Activities
Year Ended June 30, 2016**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT							
Governmental activities:							
General government	\$ 2,936,201	\$ 276,345	\$ -	\$ 334,654	\$ (2,325,202)	\$ -	\$ (2,325,202)
Public safety	3,357,438	437,201	237,524	-	(2,682,713)	-	(2,682,713)
Public works	2,740,900	431,657	-	98,700	(2,210,543)	-	(2,210,543)
Recreation and culture	166,256	-	-	-	(166,256)	-	(166,256)
Miscellaneous	2,753,611	-	-	-	(2,753,611)	-	(2,753,611)
Interest on long-term debt	21,251	-	-	-	(21,251)	-	(21,251)
Total governmental activities	<u>11,975,657</u>	<u>1,145,203</u>	<u>237,524</u>	<u>433,354</u>	<u>(10,159,576)</u>	<u>-</u>	<u>(10,159,576)</u>
Business-type activities							
Sewer	2,527,564	2,600,463	-	-	-	72,899	72,899
Parking facilities	490,997	466,432	-	3,750	-	(20,815)	(20,815)
Total business-type activities	<u>3,018,561</u>	<u>3,066,895</u>	<u>-</u>	<u>3,750</u>	<u>-</u>	<u>52,084</u>	<u>52,084</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 14,994,218</u>	<u>\$ 4,212,098</u>	<u>\$ 237,524</u>	<u>\$ 437,104</u>	<u>(10,159,576)</u>	<u>52,084</u>	<u>(10,107,492)</u>
GENERAL REVENUES							
Taxes:							
Property taxes, levied for general purposes					7,651,142	-	7,651,142
Shared taxes					2,741,417	-	2,741,417
Miscellaneous					748,554	-	748,554
Unrestricted investment earnings					31,660	2,804	34,464
Total general revenues					<u>11,172,773</u>	<u>2,804</u>	<u>11,175,577</u>
CHANGE IN NET POSITION					1,013,197	54,888	1,068,085
NET POSITION, BEGINNING					10,091,185	3,537,458	13,628,643
NET POSITION, ENDING					<u>\$ 11,104,382</u>	<u>\$ 3,592,346</u>	<u>\$ 14,696,728</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF BEL AIR, MARYLAND

**Balance Sheet – Governmental Funds
June 30, 2016**

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 2,882,943	\$ -	\$ 2,882,943
Restricted cash and cash equivalents	13,475	94,569	108,044
Investments	4,297,500	-	4,297,500
Accounts receivable	684,471	-	684,471
Loan receivable - revolving loan fund	-	47,460	47,460
Accrued interest receivable	27,128	-	27,128
Property taxes receivable - net	135,846	-	135,846
Due from other funds	-	126,594	126,594
Prepaid costs	15,578	9,742	25,320
TOTAL ASSETS	\$ 8,056,941	\$ 278,365	\$ 8,335,306
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 358,626	\$ 3,701	\$ 362,327
Accrued expenditures	150,875	-	150,875
Payroll withholdings	6,746	-	6,746
Deposits	6,137	-	6,137
Unearned revenue	3,402	-	3,402
Due to other funds	1,721,181	4,532	1,725,713
Total liabilities	2,246,967	8,233	2,255,200
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	115,631	-	115,631
Unavailable revenue - income taxes	304,278	-	304,278
Unavailable revenue - highway user	5,469	-	5,469
Total deferred inflows of resources	425,378	-	425,378
FUND BALANCES			
Nonspendable	15,578	9,742	25,320
Restricted	-	60,963	60,963
Committed	1,250,283	131,908	1,382,191
Assigned	1,097,275	67,519	1,164,794
Unassigned	3,021,460	-	3,021,460
Total fund balances	5,384,596	270,132	5,654,728
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 8,056,941	\$ 278,365	\$ 8,335,306

The accompanying notes are an integral part of this financial statement.

TOWN OF BEL AIR, MARYLAND

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2016**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS (page 22)	\$ 5,654,728
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Certain receivables are offset by unavailable revenue in the governmental funds since they are not available to pay for current period expenditures. This is the amount of deferred inflows of resources related to these receivables.	425,378
Net deferred outflows and inflows of resources related to pensions	839,044
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of these assets is \$16,924,920 and the accumulated depreciation is \$6,198,264.	10,726,656
Noncurrent liabilities are not reported as liabilities in the governmental funds.	(6,534,034)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	<u>(7,390)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES (page 20)	<u><u>\$ 11,104,382</u></u>

The accompanying notes are an integral part of this financial statement.

TOWN OF BEL AIR, MARYLAND

**Statement of Revenues, Expenditures and Changes In Fund Balances –
Governmental Funds
Year Ended June 30, 2016**

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES			
Taxes - local	\$ 7,644,047	\$ -	\$ 7,644,047
Taxes - state shared	2,024,398	-	2,024,398
Licenses and permits	105,127	-	105,127
Revenue from other agencies	1,433,079	344,892	1,777,971
Service charges for current services	618,947	-	618,947
Fines	392,181	-	392,181
Miscellaneous	380,649	36,306	416,955
Total revenues	<u>12,598,428</u>	<u>381,198</u>	<u>12,979,626</u>
EXPENDITURES			
General government	2,383,027	248,160	2,631,187
Public safety	3,790,402	5,977	3,796,379
Public works	3,232,026	112,816	3,344,842
Recreation and parks	154,800	11,456	166,256
Miscellaneous	2,753,611	-	2,753,611
Debt service:			
Principal	420,192	-	420,192
Interest	25,696	-	25,696
Total expenditures	<u>12,759,754</u>	<u>378,409</u>	<u>13,138,163</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(161,326)	2,789	(158,537)
FUND BALANCES, BEGINNING OF YEAR	5,545,352	267,913	5,813,265
TRANSFER (TO) FROM SPECIAL REVENUE FUND			
Various reserves	570	(570)	-
FUND BALANCES, END OF YEAR	<u>\$ 5,384,596</u>	<u>\$ 270,132</u>	<u>\$ 5,654,728</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF BEL AIR, MARYLAND

**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities
Year Ended June 30, 2016**

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUND (page 24)	\$ (158,537)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay of \$1,605,772 exceeded depreciation expense of \$590,069 in the period.	1,015,703
In the Statement of Activities, only the gain/loss on the disposition of capital assets is reported, whereas in the governmental funds, the entire proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balances by costs of the capital assets disposed of \$217,247, less any accumulated depreciation of \$153,401.	(63,846)
In the Statement of Activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for compensated absences are measured by the amount of financial resources used (essentially, the amounts actually paid or expected to be paid within one year). This year, the change in vacation, sick, compensatory leave, and OPEB expense was \$15,765.	(15,765)
In the Statement of Activities, only the pension expense related to the changes in net pension liability is reported, whereas in the governmental funds, the actual amount contributed is an expenditure.	(198,223)
In the Statement of Activities, revenues are recognized when they are earned and received. In the governmental funds, revenues are recognized as income if they are available to satisfy current obligations. This is the amount of the increase in deferred inflows of resources in the governmental funds which is recognized as revenue in the Statement of Activities.	9,228
Long-term debt repayments are an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount of long-term debt repayments for 2016.	420,192
Interest expense in the Statement of Activities differs from the amount reported in governmental funds due to the net change in accrued interest.	<u>4,445</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES (page 21)	<u>\$ 1,013,197</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF BEL AIR, MARYLAND

**Statement of Revenues and Expenditures – Budget and Actual - General Fund (Non-GAAP Budgetary Basis)
Year Ended June 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUE				
Taxes - local	\$ 7,614,221	\$ 7,614,221	\$ 7,644,047	\$ 29,826
Taxes - state shared	1,826,439	1,920,463	2,024,398	103,935
Licenses and permits	98,500	98,500	105,127	6,627
Revenues from other agencies	1,364,880	1,446,342	1,433,079	(13,263)
Service charges for current services	660,805	653,805	618,947	(34,858)
Fines	373,500	373,500	392,181	18,681
Miscellaneous	280,750	354,711	380,649	25,938
	<u>12,219,095</u>	<u>12,461,542</u>	<u>12,598,428</u>	<u>136,886</u>
EXPENDITURES				
Current:				
General government	2,266,031	2,314,697	2,163,394	151,303
Public safety	3,789,775	3,850,716	3,793,722	56,994
Public works	3,131,819	3,333,159	3,306,705	26,454
Recreation and culture	157,550	157,550	153,547	4,003
Miscellaneous	2,598,190	2,529,690	2,535,851	(6,161)
Debt service	499,238	446,124	445,888	236
	<u>12,442,603</u>	<u>12,631,936</u>	<u>12,399,107</u>	<u>232,829</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (223,508)</u>	<u>\$ (170,394)</u>	<u>199,321</u>	<u>\$ 369,715</u>
FUND BALANCE - BEGINNING OF YEAR			4,440,547	
TRANSFER FROM SPECIAL REVENUE FUND VARIOUS RESERVES			<u>570</u>	
FUND BALANCE - END OF YEAR			<u>\$ 4,640,438</u>	

The accompanying notes are an integral part of this financial statement.

TOWN OF BEL AIR, MARYLAND

**Statement of Revenues and Expenditures – Budget and Actual - Special Revenue Fund
(Non-GAAP Budgetary Basis)
Year Ended June 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Budget Variance Positive (Negative)</u>
REVENUES				
Revenue from Other Agencies				
CDBG grant	\$ 152,474	\$ 152,474	\$ 98,700	\$ (53,774)
Community Legacy grant	425,000	425,000	246,192	(178,808)
Total - revenue from other agencies	577,474	577,474	344,892	(232,582)
Miscellaneous	51,000	51,000	36,306	(14,694)
Total revenues	628,474	628,474	381,198	(247,276)
EXPENDITURES				
General government	428,900	428,900	248,160	180,740
Public safety	12,500	12,500	5,977	6,523
Public works	170,474	170,474	112,816	57,658
Recreation and culture	16,600	16,600	11,456	5,144
Total expenditures	628,474	628,474	378,409	250,065
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,789</u>	<u>\$ 2,789</u>
FUND BALANCE - BEGINNING OF YEAR			267,913	
TRANSFER TO GENERAL FUND VARIOUS RESERVES			<u>(570)</u>	
FUND BALANCE - END OF YEAR			<u>\$ 270,132</u>	

The accompanying notes are an integral part of this financial statement.

TOWN OF BEL AIR, MARYLAND

**Statement of Net Position – Proprietary Funds (Enterprise Funds)
June 30, 2016**

	<u>Parking Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 570	\$ -	\$ 570
Restricted cash and cash equivalents	19,791	43,202	62,993
Accounts receivable	40,086	601,685	641,771
Loan receivable, The John Carroll School	-	60,438	60,438
Due from other funds	112,176	1,489,402	1,601,578
Total current assets	<u>172,623</u>	<u>2,194,727</u>	<u>2,367,350</u>
Noncurrent Assets			
Land	777,518	-	777,518
Capital assets, net	1,765,234	1,286,539	3,051,773
Other assets	-	181,301	181,301
Total noncurrent assets	<u>2,542,752</u>	<u>1,467,840</u>	<u>4,010,592</u>
Total assets	<u>2,715,375</u>	<u>3,662,567</u>	<u>6,377,942</u>
LIABILITIES			
Current Liabilities			
Accounts payable and accrued expenses	11,446	1,120,366	1,131,812
Due to other funds	2,459	-	2,459
Unearned revenue	137	-	137
Notes payable	3,584	6,216	9,800
Bonds payable	106,039	122,728	228,767
Total current liabilities	<u>123,665</u>	<u>1,249,310</u>	<u>1,372,975</u>
Noncurrent Liabilities			
Accrued compensated absences	24,830	63,924	88,754
Notes payable - long-term	16,944	23,136	40,080
Bonds payable - long-term	250,707	1,033,080	1,283,787
Total noncurrent liabilities	<u>292,481</u>	<u>1,120,140</u>	<u>1,412,621</u>
Total liabilities	<u>416,146</u>	<u>2,369,450</u>	<u>2,785,596</u>
NET POSITION			
Invested in capital assets, net of related debt	2,165,478	101,379	2,266,857
Restricted	118,083	-	118,083
Unrestricted	15,668	1,191,738	1,207,406
TOTAL NET POSITION	<u>\$ 2,299,229</u>	<u>\$ 1,293,117</u>	<u>\$ 3,592,346</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF BEL AIR, MARYLAND

**Statement of Revenues, Expenses and Change In Net Position - Proprietary Funds
(Enterprise Funds)
Year Ended June 30, 2016**

	<u>Parking Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
OPERATING REVENUES			
Revenues From Other Agencies			
FEMA Grant Emergency Generators	\$ 3,750	\$ -	\$ 3,750
Service Charges for Current Services			
Sanitation and Waste Removal			
Sewerage charges	-	2,415,383	2,415,383
Sewer connection charges	-	121,540	121,540
Other revenues	-	29,310	29,310
User benefit fees	-	34,230	34,230
Highway and Streets			
Meter collections	180,187	-	180,187
Lease fees	66,742	-	66,742
Fines and Forfeitures			
Parking	110,842	-	110,842
Miscellaneous			
County share operating expenses and capital repairs	108,146	-	108,146
Miscellaneous	515	-	515
Total operating revenues	<u>470,182</u>	<u>2,600,463</u>	<u>3,070,645</u>
OPERATING EXPENSES			
Salaries	-	149,481	149,481
Contractual services	-	1,622,309	1,622,309
Transfer to general fund - administrative costs	237,467	248,185	485,652
Supplies	-	2,681	2,681
Utilities	-	14,704	14,704
Depreciation	125,761	72,825	198,586
Amortization	-	24,248	24,248
Maintenance	7,989	71,413	79,402
Compensated absences	1,441	5,650	7,091
Other	3,358	35,097	38,455
Connection costs	-	121,540	121,540
User benefit fees	-	34,230	34,230
Postage	1,517	-	1,517
Insurance	-	13,394	13,394
Parking fine charges	23,873	-	23,873
Sustainability	-	12,665	12,665
I&I Projects	-	66,561	66,561
Garage operations	75,160	-	75,160
Total operating expenses	<u>476,566</u>	<u>2,494,983</u>	<u>2,971,549</u>
Operating income	<u>(6,384)</u>	<u>105,480</u>	<u>99,096</u>
Non-Operating Revenue (Expenses)			
Investment income	10	2,794	2,804
Investment expenses	(14,431)	(32,581)	(47,012)
Net non-operating expenses	<u>(14,421)</u>	<u>(29,787)</u>	<u>(44,208)</u>
INCREASE (DECREASE) IN NET POSITION	(20,805)	75,693	54,888
NET POSITION, BEGINNING OF PERIOD	<u>2,320,034</u>	<u>1,217,424</u>	<u>3,537,458</u>
NET POSITION, END OF PERIOD	<u>\$ 2,299,229</u>	<u>\$ 1,293,117</u>	<u>\$ 3,592,346</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF BEL AIR, MARYLAND

**Statement of Cash Flows - Proprietary Funds (Enterprise Funds)
Year Ended June 30, 2016**

	<u>Parking Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from sewer charges	\$ -	\$ 1,999,560	\$ 1,999,560
Cash received from parking charges	504,277	-	504,277
Payments to suppliers	(341,625)	(1,720,975)	(2,062,600)
Payments to employees	-	(147,850)	(147,850)
Net cash provided by operating activities	<u>162,652</u>	<u>130,735</u>	<u>293,387</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Debt payments from loan receivable-John Carroll	-	24,464	24,464
Cash payment of note principal	(29,154)	(57,548)	(86,702)
Cash payment of bond principal	(76,672)	(76,879)	(153,551)
Interest paid on long-term obligation	(14,627)	(33,319)	(47,946)
Acquisition of capital assets	(42,200)	(148,983)	(191,183)
Net cash (used in) financing activities	<u>(162,653)</u>	<u>(292,265)</u>	<u>(454,918)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	<u>10</u>	<u>2,794</u>	<u>2,804</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>9</u>	<u>(158,736)</u>	<u>(158,727)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>20,352</u>	<u>201,938</u>	<u>222,290</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 20,361</u>	<u>\$ 43,202</u>	<u>\$ 63,563</u>

**RECONCILIATION OF OPERATING INCOME TO
NET CASH PROVIDED BY OPERATING ACTIVITIES**

Operating income (loss)	\$ (6,384)	\$ 105,480	\$ 99,096
Adjustments to reconcile net operating income to net cash provided by operating activities:			
Depreciation and amortization	125,761	97,073	222,834
Effects of changes in operating assets and liabilities:			
Accounts receivable	(16,494)	47,630	31,136
Due from other funds	50,962	(648,533)	(597,571)
Accounts payable	5,280	536,986	542,266
Due to other funds	2,459	(13,551)	(11,092)
Unearned revenue	(373)	-	(373)
Compensated absences payable	1,441	5,650	7,091
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 162,652</u>	<u>\$ 130,735</u>	<u>\$ 293,387</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF BEL AIR, MARYLAND

Statement of Fiduciary Net Position June 30, 2016

	<u>Pension</u>	<u>OPEB</u>
ASSETS		
Cash and cash equivalents	\$ 374,214	\$ -
Investments:		
Mutual funds	11,371,774	-
Fiscal agents	330,066	-
Pooled OPEB Trust	-	262,700
Total assets	<u>12,076,054</u>	<u>262,700</u>
LIABILITIES		
Accounts payable	<u>12,263</u>	<u>-</u>
NET POSITION		
Held in trust for pension/OPEB benefits	<u>\$ 12,063,791</u>	<u>\$ 262,700</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF BEL AIR, MARYLAND

**Statement of Changes In Fiduciary Net Position
Year Ended June 30, 2016**

	<u>Pension</u>	<u>OPEB</u>
ADDITIONS		
Contributions:		
Employer contributions	\$ 446,965	\$ 257,456
Employee contributions	<u>405,399</u>	<u>-</u>
Total contributions	852,364	257,456
Investment gain (loss):		
Net increase (decrease) in the fair value of investments	<u>(34,477)</u>	<u>6,648</u>
Total additions	<u>817,887</u>	<u>264,104</u>
DEDUCTIONS		
Benefit payments	766,585	-
Contractual services	<u>110,079</u>	<u>1,404</u>
Total deductions	<u>876,664</u>	<u>1,404</u>
CHANGE IN NET POSITION	(58,777)	262,700
NET POSITION HELD IN TRUST FOR PENSION/OPEB BENEFITS:		
BEGINNING OF YEAR	<u>12,122,568</u>	<u>-</u>
END OF YEAR	<u>\$ 12,063,791</u>	<u>\$ 262,700</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF BEL AIR, MARYLAND

Notes to Financial Statements June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Town of Bel Air, Maryland (the Town) was incorporated in 1874 by an act of the Maryland General Assembly and operates under a Council-Manager form of government. The Town provides the following services as authorized by its charter: public safety (police), highways and streets, sanitation, culture, recreation, public improvements, planning and zoning, and general administrative services.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the Town. For the most part, the effect on interfund activity has been removed from these statements. Exceptions to this general rule are the interfund activity between the government funds and the fiduciary funds. Governmental activities, which are supported by taxes and intergovernmental revenues, are reported separately from business-type activities that are supported by customer service charges.

The Statement of Activities presents a comparison between direct expenses and program revenues for each of the business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are clearly identifiable with a specific function or category. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues that are not classified as program revenues, such as taxes, are reported as general revenues.

Separate financial statements are shown for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide and proprietary financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. The recorded amounts of enterprise fund financial instruments, including cash, investments, receivables, payables and long-term debt approximate fair value. 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 as revenue in the year in which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

TOWN OF BEL AIR, MARYLAND

Notes to Financial Statements June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. For pension trust funds, employee and employer contributions are recognized as revenues in the period in which the employee services are performed. Under the modified accrual method, revenues from federal and state expenditure-driven grant programs are deemed available and subject to accrual to the extent that eligible expenditures have been incurred and federal and state funds are requested to pay invoices when due. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Those revenues susceptible to accrual are property taxes, taxes collected by the state and county on behalf of the Town, franchise taxes, special assessments, revenue from other agencies, interest revenue and charges for services. Fines and forfeitures, licenses, permits, penalties and interest (on property taxes) and other revenues become measurable and available when cash is received by the Town and are recognized as revenue at that time.

The Town has two major governmental funds, the general fund and special revenue fund. The general fund 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 Town such as police, public works, recreation and culture, general government, etc. These activities are financed primarily by property taxes, other taxes, licenses and permits, revenues from other governmental agencies and service charges. The special revenue fund is used to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result primarily 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, operating expenses and depreciation. All revenues and expenses not meeting this definition are non-operating revenues and expenses.

TOWN OF BEL AIR, MARYLAND

Notes to Financial Statements June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The Town has two proprietary funds, the sewer fund and the parking fund. The sewer fund accounts for all activities associated with the provision of sewerage services to the residents of the Town of Bel Air. The parking fund accounts for the cost and operation of the Town's parking facilities.

The Town has two fiduciary funds, the Sworn Officers Pension Trust and the Civilian Pension Trust. As fiduciary funds, the pension funds are used to account for assets held by the Town in a trustee capacity for individuals and retirees.

Assets, Liabilities and Net Position or Equity

Property Taxes

Taxes on real property are levied on a fiscal year basis as of July 1 and are delinquent after September 30. Taxes on business personal property are levied on a fiscal year basis as of July 1 and are delinquent three months after the monthly billing. Property taxes are attached as an enforceable lien on the underlying properties. General property taxes receivable as of June 30, 2016, amounted to \$135,846. Property tax revenue is recognized in the year levied and when it becomes available, including amounts expected to be collected soon enough after the end of the year to be used to pay liabilities of the current period.

Real and personal property taxes are levied at rates enacted by the Board of Commissioners in the annual budget resolution on the assessed value as determined by the Maryland State Department of Assessments and Taxation. The rates of levy cannot exceed the constant yield tax rate furnished by the Maryland State Department of Assessments and Taxation without public notice, and only after public hearings.

In fiscal 2016, the personal property tax rate was \$1.10 per \$100 of assessed value and the real property tax rate was \$.50 per \$100 of assessed value.

Restricted Assets

Restricted cash in the general fund represents developers' deposits and cash in escrow from bank financings. Restricted cash in the parking fund and sewer fund represents cash designated for parking lot construction and cash in escrow from bank financings, respectively. When possible, restricted assets are used before unrestricted assets.

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. The Town defines capital assets, as those which cost more than \$2,500 and have an estimated useful life in excess of one year. Such assets are valued at historical or estimated historical cost if actual historical cost is not available. Donated assets are stated at their estimated fair market value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or extend asset lives are not capitalized.

Expenditures for major assets and improvements are capitalized as projects are constructed. Interest on debt during the construction period is capitalized. The amount of interest to be capitalized is offset by interest income earned on investment proceeds over the same period. Exhaustible capital assets of the General Fund and Proprietary Funds are depreciated, which is charged as an expense against operations. Depreciation has been provided over the estimated useful lives using the straight-line method. Estimated useful lives are generally as follows:

<u>Category</u>	<u>Years</u>
Infrastructure	50
Land improvements	10 – 30
Buildings	25 – 40
Building improvements	7 – 40
Leasehold improvements	7 – 40
Machinery and equipment	3 – 45
Furniture and fixtures	5 – 15
Vehicles	5 – 20

Loan Receivable – The John Carroll School

On December 29, 2014, the Town of Bel Air and The John Carroll School signed a loan agreement in the amount of \$84,902. The amount was advanced by the Town on behalf of the School to pay its 50% share to construct a new sanitary sewer main that replaced the existing 15” sanitary sewer main. The interest rate is 2.29% with principal and interest payable semi-annually on June 29 and December 29 which will continue until December 29, 2019.

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. In the governmental fund financial statements, the face amount of the debt issued is reported as other financing sources.

TOWN OF BEL AIR, MARYLAND

Notes to Financial Statements June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

Town employees accumulate vacation, compensatory, and sick leave hours for subsequent use or for payment upon termination or retirement. Earned vacation pay may be paid upon termination or retirement upon completion of one year's continuous service as a full-time employee. A maximum of 80 hours compensatory time may be converted to paid hours when a nonexempt employee retires, resigns, or is otherwise terminated. Fifty percent of earned sick pay to a maximum of 400 hours may be paid upon retirement, resignation or termination after completion of five years of service.

Accumulated Unpaid Vacation, Sick, Compensatory Pay and OPEB

As of June 30, 2016, the liability for Town employees for accrued vacation, sick and compensatory leave and OPEB was \$472,154, \$488,308, \$75,999, and \$18,258, respectively, based on the salary and wage rates in effect at the end of the fiscal year.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities in accordance with generally accepted accounting principles.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the 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.

Net Position

The government-wide and business-type activity financial statements utilize a net asset presentation. Net position are categorized as follows:

Net Investment in capital assets – This category groups all capital assets into one component of net assets. Accumulated depreciation and outstanding balances of debt that are attributed to the acquisition, construction or improvement of these assets, reduce the balances in this category.

Restricted net position – This category represents external restrictions imposed by creditors, grantors, laws and regulations of other governments.

Unrestricted net position – This category represents the net position of the Town, not restricted for any purpose.

TOWN OF BEL AIR, MARYLAND

Notes to Financial Statements June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components- nonspendable, restricted, committed, assigned and unassigned.

Nonspendable – This component includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted – This component consists of amounts that have constraints placed on them either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the Town to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

Committed – This component consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same type of action it employed previously to commit those amounts.

Assigned – This component consists of amounts that are constrained by the Town's intent to be used for specific purposes, but are neither restricted or committed. The authority for assigning fund balance is expressed by the Town Manager or their designee.

Unassigned – This classification represents amounts that have not been restricted, committed, or assigned to specific purposes within the general fund.

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the Governmental Funds Balance Sheet and the Government-wide Statement of Net Position.

The governmental funds Balance Sheet includes reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide Statement of Net Position. One element of that reconciliation is non-current liabilities. Noncurrent liabilities applicable to the Town's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but is recognized as an expenditure when due. All liabilities, both current and noncurrent are reported in the

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2016**

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

A. Explanation of certain differences between the Governmental Funds Balance Sheet and the Government-wide Statement of Net Position. (Continued)

Statement of Net Position. The summary of the \$6,534,034 difference is as follows:

Harford County Liquor Board	\$	6,329
Equipment/vehicle obligations		509,975
Compensated absences/OPEB		965,965
Net pension liability		4,729,693
Bel Air High School auditorium 33-37 South Main Street		26,559
		<u>295,513</u>
Total	\$	<u>6,534,034</u>

B. Explanation of certain differences between the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities.

The governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances includes a reconciliation between the net changes in fund balances - total governmental funds and change in net position of governmental activities as reported in the government-wide Statement of Activities. One element of that reconciliation is the purchase of capital assets as expenditures; however, in the Statement of Activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. The summary of the \$1,015,703 difference is found on page 21.

NOTE 3 – RECONCILIATION OF GAAP AND NON-GAAP EXPENDITURES

A reconciliation of expenditures of the general fund and special revenue fund to present the Statements of Revenues and Expenditures on a GAAP basis is as follows:

	<u>Revenues</u>	<u>Other Financing Sources</u>	<u>Expenditures</u>	<u>Current Year Effect on Fund Balance</u>
General Fund				
Budgetary basis	\$ 12,598,428	\$ -	\$ 12,399,107	\$ 199,321
Current year encumbrances	-	-	(1,097,275)	1,097,275
Prior year encumbrances	-	-	1,457,922	(1,457,922)
	<u>\$ 12,598,428</u>	<u>\$ -</u>	<u>\$ 12,759,754</u>	<u>\$ (161,326)</u>

TOWN OF BEL AIR, MARYLAND

Notes to Financial Statements June 30, 2016

NOTE 4 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

1. By the first meeting in April, the Town Administrator submits the entire budget to the Board of Town Commissioners. The budget includes both the operating and capital equipment expenditures and the means of financing them. Also, work sessions and hearings are scheduled.
2. No later than the second Town meeting in April, the Town Board adopts a tentative budget. The Board may insert new budget items, delete items, and increase or decrease any items of the budget so presented. The tentative budget becomes a public record in the Office of the Director of Finance, open to public inspection by any resident or taxpayer of the Town.
3. Between the 15th and 31st of May, the Board must hold a public hearing on the tentative budget after two weeks' notice has been published in a newspaper with a general circulation within the Town.
4. The Town Administrator may transfer funds between appropriations for different purposes; however, it shall be approved by a majority of the Board of Town Commissioners before becoming effective.
5. The budget for the general fund is adopted on a basis consistent with generally accepted accounting principles (GAAP) except that encumbrances are treated as expenditures at the time purchase orders are issued. Budgetary comparisons presented for the general fund are on this non-GAAP basis.
6. All appropriations lapse at the end of the budget year to the extent that they have not been expended or lawfully encumbered.

NOTE 5 – CASH AND INVESTMENTS

Cash and Cash Equivalents

For purposes of statement presentation, all highly-liquid investments with a maturity of three months or less when purchased are considered to be cash and cash equivalents, which includes short-term funds held in the Maryland Local Government Investment Pool.

TOWN OF BEL AIR, MARYLAND

Notes to Financial Statements June 30, 2016

NOTE 5 – CASH AND INVESTMENTS (Continued)

Cash and Cash Equivalents (Continued)

A. Cash on hand

At year-end, cash on hand for petty cash and change funds was \$2,020.

B. Deposits

At year-end, the carrying amount of the Town's bank deposits was \$569,495, and the bank balance was \$877,346 of which \$864,889 was covered by federal deposit insurance and \$12,457 was covered by collateral. The deposits of the Town were not exposed to custodial credit risk as of June 30, 2016.

C. Cash equivalents

As of June 30, 2016, the Town's cash equivalents consisted of money market funds held by the Maryland Local Government Investment Pool totaling \$2,483,035.

Investments

Investments consist of Certificates of Deposit with varying maturities and interest rates ranging from .50% to 1.50% which are all covered by federal deposit insurance. Investments have maturities between October 2016 through December 2017.

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less than 1 Year	1 to 2	2 to 3
Certificates of Deposit	<u>\$ 4,297,500</u>	<u>\$ -</u>	<u>\$ 4,062,500</u>	<u>\$ 235,000</u>

Interest 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 in the fiduciary funds, for which longer term maturities are allowed to match the cash flow of liabilities. Town management believes the liquidity in the portfolio is adequate to meet cash flow requirements and to preclude the Town from having to sell investments below original cost for that purpose. The investments at June 30, 2016, met the Town's investment policy as of that date. Investment income includes the following for the year ended June 30, 2016:

Net interest and dividends - governmental activities \$ 31,660

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2016**

NOTE 5 – CASH AND INVESTMENTS (Continued)

Credit Risk

Town investment policy does not permit investments in commercial paper or corporate bonds, except in fiduciary funds or if they are permitted under state law in the state investment pool. The Town invests in the Maryland Local Government Investment Pool (MLGIP), which is under the administration of the State Treasurer. The MLGIP was established in 1982 under Article 95, Section 22G of the Annotated Code of Maryland and is rated AAAm by Standard & Poors, their highest rating for money market mutual funds. The MLGIP seeks to maintain a constant 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.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of 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. As of June 30, 2016, all of the Town's investments were insured or registered, or for which the securities were held by the Town or its agent in the Town's name or were invested in the MLGIP.

Statutes authorize the Town to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements secured by direct government or agency obligations, and in Maryland Local Government Investment Pool.

Pension Investments

As of June 30, 2016, the Sworn Officers Pension Trust and the Civilian Pension Trust had the following investments and maturities in two of its mutual funds which include investments in bonds.

	Sworn Officers Pension Trust	Civilian Pension Trust	Weighted Average Maturity
T. Rowe Price New Income Fund	\$ 1,374,812	\$ 1,422,728	7.55 years
Short-term Bond Fund	532,071	546,473	2.11 years

The mutual funds are unrated. The Town's investments held by the Pension Trusts are reported at fair value.

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2016**

NOTE 5 – CASH AND INVESTMENTS (Continued)

Pension Investments (Continued)

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Plans have the following recurring fair value measurements as of June 30, 2016:

- Mutual funds are valued using quoted market prices (Level 1 inputs); and
- Fiscal agents are valued based on the quoted market prices of the underlying assets (Level 2 inputs).

	As of June 30, 2016		
	Civilian 401 (a) Plan (Level 2)	Civilian Pension Trust (Level 1)	Sworn Officers' Pension Trust (Level 1)
Investments:			
Mutual funds	\$ -	\$ 5,793,810	\$ 5,577,964
Fiscal agents	330,066	-	-
Total assets	<u>\$ 330,066</u>	<u>\$ 5,793,810</u>	<u>\$ 5,577,964</u>

NOTE 6 – CHANGES IN CAPITAL ASSETS

Additions and disposals of fixed capital assets during the year ended June 30, 2016, are shown below:

	Balance July 1, 2015	Additions and Transfers	Disposals and Transfers	Ending Balance June 30, 2016
Governmental Activities				
Land – not being depreciated	\$ 4,641,308	\$ -	\$ -	\$ 4,641,308
Buildings and improvements	4,998,691	762,357	-	5,761,048
Infrastructure	849,900	365,626	-	1,215,526
Machinery and equipment	1,041,655	232,272	127,588	1,146,339
Furniture and fixtures	1,232,966	19,576	23,885	1,228,657
Vehicles	2,771,875	225,941	65,774	2,932,042
Total	<u>15,536,395</u>	<u>1,605,772</u>	<u>217,247</u>	<u>16,924,920</u>
Less – accumulated depreciation	5,761,596	590,069	153,401	6,198,264
Capital assets, net	<u>\$ 9,774,799</u>	<u>\$ 1,015,703</u>	<u>\$ 63,846</u>	<u>\$ 10,726,656</u>

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2016**

NOTE 6 – CHANGES IN CAPITAL ASSETS (Continued)

	<u>Balance July 1, 2015</u>	<u>Additions and Transfers</u>	<u>Disposals and Transfers</u>	<u>Ending Balance June 30, 2016</u>
Proprietary Funds				
Parking fund:				
Land not being depreciated	\$ 777,518	\$ -	\$ -	\$ 777,518
Parking improvements	404,596	42,200	-	446,796
Garage	3,126,190	-	-	3,126,190
Parking vehicle	54,482	-	-	54,482
Equipment	2,265	-	-	2,265
	<u>4,365,051</u>	<u>42,200</u>	<u>-</u>	<u>4,407,251</u>
Sewer fund:				
Sewer pipes and storm drain	1,680,499	104,793	-	1,785,292
Equipment	356,066	44,190	-	400,256
Vehicle	310,936	-	-	310,936
	<u>2,347,501</u>	<u>148,983</u>	<u>-</u>	<u>2,496,484</u>
Total	6,712,552	191,183	-	6,903,735
Less – accumulated depreciation	2,875,857	198,587	-	3,074,444
Capital assets, net	<u>\$ 3,836,695</u>	<u>\$ (7,404)</u>	<u>\$ -</u>	<u>\$ 3,829,291</u>

Depreciation expense was charged to function/programs of the primary government as follows:

General government	\$ 261,610
Public safety	79,696
Public works	<u>248,763</u>
Total depreciation expense – governmental activities	<u>\$ 590,069</u>

As of June 30, 2016, accumulated depreciation for the parking fund and sewer fund amounted to \$1,864,499 and \$1,209,945, respectively. Depreciation expense for the year ended June 30, 2016, amounted to \$125,761 in the parking fund and \$72,825 in the sewer fund.

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2016**

NOTE 7 – NON-CURRENT LIABILITIES

Non-current liability transactions of the Town for the year ended June 30, 2016, are presented below.

	Balance July 1, 2015	Additions and Transfers	Disposals and Transfers	Ending Balance June 30, 2016	Due Within One Year
Governmental activities					
Liquor Control Board employees' retirement system obligation	\$ 7,368	\$ -	\$ 1,039	\$ 6,329	\$ -
Equipment/vehicle notes	659,780	-	149,805	509,975	126,639
Accrued vacation, sick and compensatory leave/OPEB	950,200	15,765	-	965,965	-
Net pension liability	3,671,781	1,034,368	(23,544)	4,729,693	-
G.O. Bond 2008A BAHS Auditorium	167,597	-	167,597	-	-
G.O. Bond 2009A BAHS Auditorium	78,297	-	51,738	26,559	26,559
G.O. Bond 2012A 33-37 S. Main St	345,526	-	50,013	295,513	51,119
Total governmental activities liabilities	\$ 5,880,549	\$ 1,050,133	\$ 396,648	\$ 6,534,034	\$ 204,317

	Balance July 1, 2015	Additions and Transfers	Disposals and Transfers	Ending Balance June 30, 2016	Due Within One Year
Business-type activities					
Parking Fund:					
Parking garage bond, 2007	\$ 239,929	\$ -	\$ 76,672	\$ 163,257	\$ 79,930
Parking garage repairs bond, 2013	219,126	-	25,637	193,489	26,109
Parking jeep note	24,045	-	3,517	20,528	3,584
Accrued vacation, sick and compensatory leave / OPEB	23,389	1,441	-	24,830	-
Total parking fund debt	<u>506,489</u>	<u>1,441</u>	<u>105,826</u>	<u>402,104</u>	<u>109,623</u>
Sewer Fund:					
Infrastructure Bond 2006 Series A: 20 year note	269,500	-	25,000	244,500	26,000
Stoneleigh Sewer Bond, 2010	8,623	-	8,623	-	-
Sewer Fund CIP/I&I Services Bond, 2013A	465,042	-	43,256	421,786	43,994
Sewer I&I Services/Main Replace. Bond, 2015	541,021	-	51,499	489,522	52,734
Sewer van and pick-up truck note	35,401	-	6,049	29,352	6,216
Accrued vacation, sick and compensatory leave / OPEB	58,274	5,650	-	63,924	-
Total sewer fund debt	<u>1,377,861</u>	<u>5,650</u>	<u>134,427</u>	<u>1,249,084</u>	<u>128,944</u>
Total business-type activities liabilities	\$ 1,884,350	\$ 7,091	\$ 240,253	\$ 1,651,188	\$ 238,567

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2016**

NOTE 7 – NON-CURRENT LIABILITIES (Continued)

A. Governmental Activities

Bonds Payable

On December 8, 2009, the Town issued a \$329,095, "Town of Bel Air Auditorium Bond, 2009A" to M&T Bank with an interest rate of 4.01%. On January 2, 2008, the Town approved a revised memorandum of Understanding (MOU) with Harford County concerning the new Bel Air High School Auditorium. In this MOU, the Town agreed to contribute a total of \$1,500,000 to the County to increase the number of seats from 540 to 800 and construct other enhancements. The final payment to the County may be reduced if the project costs are less than anticipated. Using the bond proceeds, the Town made its third and final contribution to the County on December 8, 2009 in the amount of \$285,895 and reimbursed itself the remaining \$43,200 for expenses paid for design and consultation services for the theater. Principal and interest is payable semi-annually on June 8 and December 8 and will continue until December, 2016.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 26,559	\$ 534	\$ 27,093
Total	\$ 26,559	\$ 534	\$ 27,093

On March 19, 2012, the Town issued a \$515,000 "Town of Bel Air 33-37 South Main Street Bond, 2013" to PNC Bank, National Association with an interest rate of 2.20% for the public purpose of providing a portion of the funds necessary for the purchase of properties located at 33-37 South Main Street. Principal and interest is payable semi-annually on June 30 and December 30 and will continue until December, 2021.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 51,119	\$ 6,222	\$ 57,341
2018	52,250	5,091	57,341
2019	53,406	3,935	57,341
2020	54,587	2,754	57,341
2021	55,795	1,546	57,341
2022	28,356	312	28,668
Total	\$ 295,513	\$ 19,860	\$ 315,373

The Town has entered into several notes for the acquisition of capital equipment and vehicles. The interest rates on these notes range from 1.88% to 4.23% with maturity dates from August 9, 2014 to August 15, 2021. Obligations under the plan provide for minimum payments, as follows:

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2016**

NOTE 7 – NON-CURRENT LIABILITIES (Continued)

A. Governmental Activities (Continued)

Bonds Payable (Continued)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 126,639	\$ 9,707	\$ 136,346
2018	129,196	7,149	136,345
2019	111,905	4,540	116,445
2020	74,595	2,439	77,034
2021	47,721	1,053	48,774
2022	19,919	188	20,107
Total	<u>\$ 509,975</u>	<u>\$ 25,076</u>	<u>\$ 535,051</u>

Accrued Liability for the Retirement System of the Employees of Harford County Liquor Control Board

In consideration of the immediate refund of the Town's investment of \$25,550 in the Liquor Dispensary System, the Town agreed during the year ended June 30, 1983, to share in the liquidation of the accrued liability for the retirement system of the employees of the Harford County Liquor Board. This agreement requires the Town to pay \$1,529 for the next 37 years to the Harford County Liquor Control Board. The present value of this liability, \$7,368, has been reflected in the governmental activities noncurrent liabilities in the Statement of Net Position.

B. Business-type Activities

Bonds Payable

On May 1, 2006, the Town of Bel Air entered into an agreement with Harford County, Maryland to borrow \$803,569 at an annual interest rate of 4.25%. The proceeds of the bond were used to refinance the parking garage debt.

The bond was issued in conjunction with a Joint Use and Lease Agreement of the public parking garage at Courtland Street and Hickory Avenue in the Town between Harford County, Maryland and the Town. The County and the Town continue to own 67.2% and 32.8%, respectively, of the garage. The Town continues to operate and maintain the garage, and the County will be responsible for reimbursing the Town for 67.2% of those costs.

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2016**

NOTE 7 – NON-CURRENT LIABILITIES (Continued)

B. Business-type Activities (Continued)

Bonds Payable (Continued)

Principal and interest are payable in twelve annual installments each June 30 through June 30, 2018.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 79,930	\$ 6,938	\$ 86,868
2018	83,327	3,541	86,868
Total	<u>\$ 163,257</u>	<u>\$ 10,479</u>	<u>\$ 173,736</u>

On May 24, 2013, the Town of Bel Air issued a \$270,334 “Parking Garage Repairs Bond, 2013” to Harford Bank with an interest rate of 1.85% for the public purpose of providing funds necessary for the Town’s portion of the repairs to the parking garage, located at 16 S. Hickory Avenue, as well as professional engineering bidding and inspection services related to the project. Interest is payable semi-annually on August 15 and February 15 and will continue until February 15, 2023.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 26,109	\$ 3,517	\$ 29,626
2018	26,612	3,014	29,626
2019	27,114	2,512	29,626
2020	27,624	2,002	29,626
2021	28,140	1,486	29,626
2022-2023	57,890	1,361	59,251
	<u>\$ 193,489</u>	<u>\$ 13,892</u>	<u>\$ 207,381</u>

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2016**

NOTE 7 – NON-CURRENT LIABILITIES (Continued)

B. Business-type Activities (Continued)

Bonds Payable (Continued)

On April 22, 2004, the Town of Bel Air entered into an agreement with the Maryland Department of Housing and Community Development, Community Development Administration, to borrow \$497,000 with interest at rates varying from 2.0% to 4.625% for the purpose of prepaying a sewer service agreement with Harford County. Interest is payable semi-annually. Principal and interest payments continue until May 1, 2024.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 26,000	\$ 12,058	\$ 38,058
2018	27,500	10,995	38,495
2019	28,500	9,890	38,390
2020	29,500	8,686	38,186
2021	31,000	5,112	36,112
2022-2025	102,000	9,574	111,574
Total	<u>\$ 244,500</u>	<u>\$ 56,315</u>	<u>\$ 300,815</u>

On June 11, 2013, the Town of Bel Air issued a \$551,700 “Sewer Fund CIP/I&I Services Bond, 2013A” to PNC Bank, National Association with an interest rate of 1.70% for the public purpose of providing funds needed to develop and publish a sewer system capital improvement plan as well as repairs to the sanitary sewer system in various areas. Interest is payable semi-annually on September 15 and March 15 and will continue until March 15, 2025.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 43,994	\$ 7,024	\$ 51,018
2018	44,746	6,273	51,019
2019	45,510	5,509	51,019
2020	46,286	4,732	51,018
2021	47,077	3,941	51,018
2022-2025	194,173	7,589	201,762
	<u>\$ 421,786</u>	<u>\$ 35,068</u>	<u>\$ 456,854</u>

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2016**

NOTE 7 – NON-CURRENT LIABILITIES (Continued)

B. Business-type Activities (Continued)

Bonds Payable (Continued)

On January 5, 2015, the Town of Bel Air issued a \$569,802 “Sewer Fund I&I Services/Main Replacement Bond, 2015” to Harford Bank with an interest rate of 2.29% for the public purpose of providing funds needed for the repairs to the sanitary sewer system in various areas within the Town, as well as a sanitary sewer main replacement located on The John Carroll School property. Interest is payable semi-annually on April 1 and October 1 and will continue until October 1, 2024.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 52,734	\$ 11,062	\$ 63,796
2018	53,966	9,831	63,797
2019	55,226	8,570	63,796
2020	56,497	7,300	63,797
2021	57,836	5,962	63,798
2022-2025	213,263	10,026	223,289
	<u>\$ 489,522</u>	<u>\$ 52,751</u>	<u>\$ 542,273</u>

Notes Payable

On October 15, 2013, the Town of Bel Air entered into a notes payable purchase agreement with Santander Bank in the amount of \$154,987 of which \$44,171 was to finance the purchase of a sewer pick-up truck and a sewer cargo van. The interest rate is 2.74% with principal and interest payable semi-annually on April 15 and October 15 which will continue until October, 2020.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 6,216	\$ 762	\$ 6,978
2018	6,387	591	6,978
2019	6,563	414	6,977
2020	6,745	233	6,978
2021	3,441	47	3,488
	<u>\$ 29,352</u>	<u>\$ 2,047</u>	<u>\$ 31,399</u>

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2016**

NOTE 7 – NON-CURRENT LIABILITIES (Continued)

B. Business-type Activities (Continued)

Notes Payable (Continued)

On September 30, 2014, the Town of Bel Air entered into a notes payable purchase agreement with PNC Bank, National Association in the amount of \$287,662 of which \$25,835 was to finance the purchase of a jeep for parking enforcement. The interest rate is 1.90% with principal and interest payable semi-annually on February 15 and August 15 which will continue until August, 2021.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 3,584	\$ 374	\$ 3,958
2018	3,652	306	3,958
2019	3,722	236	3,958
2020	3,793	165	3,958
2021	3,875	92	3,967
2022	1,902	19	1,921
	<u>\$ 20,528</u>	<u>\$ 1,192</u>	<u>\$ 21,720</u>

Total interest expense on long-term liabilities was \$72,708.

NOTE 8 – CONDUIT DEBT OBLIGATIONS

In 2007, the Town of Bel Air issued \$4.5 million in Economic Development Revenue Bonds pursuant to the Maryland Economic Development Revenue Bond Act to assist The Harford Day School, Incorporated in financing or refinancing the costs constructing a two-story addition to the school's existing field house, roof replacement for the library, improvements to the HVAC system controls and fire alarm systems, installations of a geothermal heating system, acquisition of a new phone system, miscellaneous classroom improvements, and acquisition of furnishings, fixtures and equipment in connection with the foregoing, and landscaping, roads, or other rights of access. The Town is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The principal balance of the bonds as of June 30, 2016, is \$3,605,000.

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2016**

NOTE 9 – PENSION PLANS

Town of Bel Air, Maryland Retirement Plan and Trust

The Town of Bel Air provides pension benefits for all of its full-time vested terminated employees through the Town of Bel Air, Maryland Retirement Plan and Trust, a defined contribution plan which was established by and is amended under the conditions of Resolution 430 of the Board of Town Commissioners.

Investments held by the pension trust fund are with the ICMA-RC Retirement Trust. As of June 30, 2016, the plan assets at fair market value were \$330,066.

Town of Bel Air, Maryland Civilian Employees Pension Plan

On July 1, 2006, the Town of Bel Air established the Town of Bel Air Civilian Employees Pension Plan (Plan) which provides pension and death and disability benefits to non-sworn plan members and beneficiaries. In accordance with the Town Code, subject to approval by the Town Commissioners, pension plan provisions may be established or amended. The Plan is a single employer defined benefit pension plan administered by the Town of Bel Air. Responsibility for the administration and operation of the Plan is vested with an eleven member Board of Trustees.

The Plan does not issue a separate financial report, but is included in the accompanying financial statements as a pension trust fund.

The Town uses the accrual basis of accounting for the Plan. Investment income is recognized when it is earned and expenses are recognized when they are incurred. Contributions are recognized when due. Benefits and refunds are recognized when due and payable under the terms of the Plan. The investments consist of publicly traded mutual funds and their fair value is determined by reference to published trade journals.

Investments

The table below summarizes the target asset class weighting, along with the allowable ranges for each class.

<u>Investment Type</u>	<u>Range/Target</u>
Reserves	0% to 20%
Fixed Income	30% to 50%
Equity	50% to 70%

Funding Policy

The Plan requires active members to contribute to the System at the rate of 5.9% of covered compensation and the Town to contribute 8.7% of the members' covered compensation. Increases in the funding requirements, as determined by an actuary, shall be borne by the active members by adjusting the percent of the members' covered compensation to be contributed. As of June 30, 2016, plan assets at fair value totaled \$6,017,752.

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2016**

NOTE 9 – PENSION PLANS (Continued)

For 2016, the pension contribution was determined to be \$224,720. This contribution represents 9.6% of estimated payroll and reflects a 30-year amortization of the unfunded actuarial liability. The required contribution was determined as part of the July 1, 2015 actuarial valuation using the projected unit credit actuarial cost method.

Membership of the Plan

The membership consisted of the following as of July 1, 2015, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	19
Terminated Plan members entitled to but not yet receiving benefits	6
Active Plan members	56
	81
	81

Actuarial Assumptions

The long-term expected rate of return on pension plan investments was determined using a standard building block approach. 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 assumed rates of return for each class included in the pension plans' general target asset allocation as of June 30, 2016 is as follows:

<u>Investment Type</u>	<u>% of Portfolio</u>	<u>Assumed Rate of Return</u>
Equities:	65%	5.82%
Fixed Income:	32%	2.82%
Cash and Equivalents:	3%	0.72%
 Total Weighted Average Real Return	 100%	 4.71%
 Plus Inflation		 3.00%
Total Return w/o Adjustment		7.71%
Risk Adjustment		-0.21%
Total Expected Return		7.50%

The actuarial assumptions included (a) 7.5% investment rate of return, (b) projected salary increases of 4.0% and (c) rates of mortality, termination of service, disablement and retirement based on RP-2000 Combined Healthy Table. The actual contribution by the members was \$179,074. The Town's contribution for the year ended June 30, 2016 was \$263,915. As of June 30, 2016, there were 58 current employee participants in the Plan. A participant is fully vested after five years.

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2016**

NOTE 9 – PENSION PLANS (Continued)

Town of Bel Air, Maryland Civilian Employees Pension Plan (Continued)

Net Pension Liability

The net pension liability is equal to the total pension liability minus the net position of the plan. The result as of June 30, 2016 is as follows:

Total pension liability	\$ 8,358,143
Net position	<u>(6,017,752)</u>
Net pension liability	<u><u>\$ 2,340,391</u></u>

Net position as a percentage of total pension liability is 72%.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the plan, calculated using a discount rate of 7.5% 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 (6.5%) or 1-percentage point higher (8.5%) than the current rate:

	1.0% decrease 6.50%	Current rate 7.50%	1.0% increase 8.50%
Net pension liability	<u>\$ 3,289,333</u>	<u>\$ 2,340,391</u>	<u>\$ 1,527,785</u>

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2016, the Town recognized pension expense of \$228,186 for the Plan. As of June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected versus actual investment earnings	\$ 475,751	\$ -
Differences in actual verses expected experience	-	138,438
Total	<u><u>\$ 475,751</u></u>	<u><u>\$ 138,438</u></u>

TOWN OF BEL AIR, MARYLAND

Notes to Financial Statements June 30, 2016

NOTE 9 – PENSION PLANS (Continued)

Town of Bel Air, Maryland Civilian Employees Pension Plan (Continued)

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

<u>Year ended June 30,</u>	<u>Net Amount of Outflow/(Inflow)</u>
2017	\$ 106,785
2018	106,785
2019	106,783
2020	72,074
2021	(20,830)
After 2021	(34,284)
Total	<u><u>\$ 337,313</u></u>

Town of Bel Air, Maryland Sworn Officers' Pension Plan

On July 1, 2003, the Town of Bel Air established the Town of Bel Air Sworn Officers' Pension Plan (Plan) which provides pension and death and disability benefits to plan members and beneficiaries. In accordance with the Town Code, subject to approval by the Town Commissioners, pension plan provisions may be established or amended. The Plan is a single employer defined benefit pension plan administered by the Town of Bel Air. Responsibility for the administration and operation of the Plan is vested with a five member Board of Trustees.

The Plan does not issue a separate financial report, but is included in the accompanying financial statements as a pension trust fund.

The Town uses the accrual basis of accounting for the Plan. Investment income is recognized when it is earned and expenses are recognized when they are incurred. Contributions are recognized when due. Benefits and refunds are recognized when due and payable under the terms of the Plan. The investments consist of publicly traded mutual funds and their fair value is determined by reference to published trade journals.

Funding Policy

The Plan requires active members to contribute to the System at the rate of 11.62% of covered compensation and the Town to contribute 9.7% of the members' covered compensation. Increases in the funding requirements, as determined by an actuary, shall be borne by the active members by adjusting the percent of the members' covered compensation to be contributed. As of June 30, 2016, plan assets at fair value totaled \$5,715,973.

For 2016, the pension contribution was determined to be \$165,647. This contribution represents 9.2% of estimated payroll and reflects a 30-year amortization of the unfunded actuarial liability. The required contribution was determined as part of the July 1, 2015 actuarial valuation using the projected unit credit actuarial cost method.

TOWN OF BEL AIR, MARYLAND

Notes to Financial Statements June 30, 2016

NOTE 9 – PENSION PLANS (Continued)

Town of Bel Air, Maryland Sworn Officers' Pension Plan (Continued)

Membership of the Plan

The membership consisted of the following as of July 1, 2015, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	11
Terminated Plan members entitled to but not yet receiving benefits	1
Active Plan members	31
	<u>43</u>

Actuarial Assumptions

The long-term expected rate of return on pension plan investments was determined using a standard building block approach. 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 assumed rates of return for each class included in the pension plans' general target asset allocation as of June 30, 2016 is as follows:

<u>Investment Type</u>	<u>% of Portfolio</u>	<u>Assumed Rate of Return</u>
Equities:	65%	5.82%
Fixed Income:	32%	2.82%
Cash and Equivalents:	3%	0.72%
Total Weighted Average Real Return	100%	4.71%
Plus Inflation		3.00%
Total Return w/o Adjustment		7.71%
Risk Adjustment		<u>-0.21%</u>
Total Expected Return		<u>7.50%</u>

The actuarial assumptions included (a) 7.5% investment rate of return, (b) projected salary increases of 4.0% and (c) rates of mortality, termination of service, disablement and retirement based on RP-2000 Combined Healthy Table. The actual contribution by the members was \$226,325. The Town's contribution for the year ended June 30, 2016 was \$183,050. As of June 30, 2016, there were 31 current employee participants in the Plan. A participant is fully vested after five years.

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2016**

NOTE 9 – PENSION PLANS (Continued)

Town of Bel Air, Maryland Sworn Officers’ Pension Plan (Continued)

Net Pension Liability

The net pension liability is equal to the total pension liability minus the net position of the plan. The result as of June 30, 2016 is as follows:

Total pension liability	\$ 8,105,275
Net position	<u>(5,715,973)</u>
Net pension liability	<u><u>\$ 2,389,302</u></u>

Net position as a percentage of total pension liability is 70.5%.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the plan, calculated using a discount rate of 7.5% 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 (6.5%) or 1-percentage point higher (8.5%) than the current rate:

	<u>1.0% decrease</u> <u>6.50%</u>	<u>Current rate</u> <u>7.50%</u>	<u>1.0% increase</u> <u>8.50%</u>
Net pension liability	<u>\$ 3,305,743</u>	<u>\$ 2,389,302</u>	<u>\$ 1,614,299</u>

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2016, the Town recognized pension expense of \$123,425 for the Plan. As of June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Differences between projected versus actual investment earnings	\$ 455,577	\$ -
Differences in actual verses expected experience	46,154	-
Total	<u><u>\$ 501,731</u></u>	<u><u>\$ -</u></u>

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2016**

NOTE 9 – PENSION PLANS (Continued)

Town of Bel Air, Maryland Sworn Officers' Pension Plan (Continued)

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

<u>Year ended June 30,</u>	<u>Net Amount of Outflow/(Inflow)</u>
2017	\$ 132,813
2018	132,813
2019	132,811
2020	99,908
2021	10,691
After 2021	<u>(7,305)</u>
Total	<u>\$ 501,731</u>

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2016**

NOTE 9 – PENSION PLANS (Continued)

The financial information for each plan as of and for the year ended June 30, 2016, is summarized as follows:

	As of June 30, 2016		
	Civilian 401 (a) Plan	Civilian Pension Trust	Sworn Officers' Pension Trust
ASSETS			
Cash and equivalents	\$ -	\$ 230,347	\$ 143,867
Investments:			
Mutual funds	-	5,793,810	5,577,964
Fiscal agents	330,066	-	-
Total assets	<u>330,066</u>	<u>6,024,157</u>	<u>5,721,831</u>
LIABILITIES			
Accounts payable	-	6,405	5,858
NET POSITION			
Held in trust for pension benefits	<u>\$ 330,066</u>	<u>\$ 6,017,752</u>	<u>\$ 5,715,973</u>
	For the Year Ended June 30, 2016		
	Civilian 401 (a) Plan	Civilian Pension Trust	Sworn Officers' Pension Trust
ADDITIONS			
Contributions			
Employer contributions	\$ -	\$ 263,915	\$ 183,050
Employee contributions	-	179,074	226,325
Total contributions	-	442,989	409,375
Investment loss:			
Net decrease in the fair value of investments	(5,240)	(16,141)	(13,096)
Total additions	<u>(5,240)</u>	<u>426,848</u>	<u>396,279</u>
DEDUCTIONS			
Benefit payments	29,993	329,122	407,470
Contractual services	-	55,379	54,700
Total deductions	<u>29,993</u>	<u>384,501</u>	<u>462,170</u>
CHANGE IN NET POSITION	(35,233)	42,347	(65,891)
NET POSITION HELD IN TRUST FOR PENSION BENEFITS:			
BEGINNING OF YEAR	<u>365,299</u>	<u>5,975,405</u>	<u>5,781,864</u>
END OF YEAR	<u>\$ 330,066</u>	<u>\$ 6,017,752</u>	<u>\$ 5,715,973</u>

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2016**

NOTE 9 – PENSION PLANS (Continued)

457 Deferred Compensation Plan

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all government employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All amounts of compensation deferred under the plan, all property rights purchased with those amounts, and all income attributable to those amounts (until paid or made available to the employee or other beneficiary) are held in trust, with the Town serving as trustee, for the exclusive benefit of the plan participants and their beneficiaries, and the assets cannot be diverted to any other purpose. The Town’s beneficial ownership of plan assets held in the ICMA Retirement Trust are held for the further exclusive benefit of the plan participants and their beneficiaries.

Investments are managed by the plan’s trustee under 1 of 32 investment options, or a combination thereof. The plan’s investments are reported at fair value. The choice of the investment option is made by the participant. Management of the Town has determined that the Town does not meet the fiduciary requirements under GASB 32 and therefore has not included the financial statement of the 457 plan in the Town’s financial statements.

NOTE 10 – INTERFUND RECEIVABLES AND PAYABLES

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Sewer Fund</u>	<u>Parking Fund</u>	<u>Total</u>
Due from Other Funds:					
General Fund	\$ -	\$ 126,594	\$ 1,482,411	\$ 112,176	\$ 1,721,181
Special Revenue Fund	-	-	4,532	-	4,532
Parking Fund	-	-	2,459	-	2,459
Sewer Fund	-	-	-	-	-
Total	<u>\$ -</u>	<u>\$ 126,594</u>	<u>\$ 1,489,402</u>	<u>\$ 112,176</u>	<u>\$ 1,728,172</u>
Due to Other Funds:					
Sewer Fund	\$ 1,482,411	\$ 4,532	\$ -	\$ 2,459	\$ 1,489,402
Parking Fund	112,176	-	-	-	112,176
General Fund	-	-	-	-	-
Special Revenue Fund	126,594	-	-	-	126,594
Total	<u>\$ 1,721,181</u>	<u>\$ 4,532</u>	<u>\$ -</u>	<u>\$ 2,459</u>	<u>\$ 1,728,172</u>

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2016**

NOTE 11 – OTHER POST RETIREMENT BENEFITS

The Town of Bel Air has instituted a program to provide health plan insurance to retired employees who are at least 55 years of age with at least 20 years of service. On July 1, 2009, the Town changed its benefit from a percentage of premium to a determined actual amount; however, the old benefit of a percentage of premium will remain in effect for those individuals who retired prior to January 1, 2009, which includes all of the retirees currently receiving the benefit. The premium amount paid by the Town is dependent upon the years of service by the retiree. The cost of the dependent care portion of the policy is born by the retiree unless he/she has at least 30 years of service. Participation in the program terminates at age 65. The Town recognizes the cost of the contribution in the year it is made. The total cost of the Plan to the Town for the year ended June 30, 2016, was \$26,914 for the five retired employees participating in the Plan and receiving benefits.

In fiscal year 2016, the Town joined the Maryland Association of Counties (MACo) Pooled OPEB Trust (The Trust). The Trust is a wholly-owned instrumentality of its name members including the Town. The Trust was formed to facilitate the investments of other post retirement benefits trusts formed by the members to provide post retirement benefits to their respective retirees. During the year ended June 30, 2016, the Town contributed \$257,456 to the Trust. As of June 30, 2016, the Town’s share of the net position of the Trust was \$262,700. A separately audited financial statements of the Trust may be obtained by sending a request to the following address: Board of the MACo Pooled Investment Trust, 169 Conduit Street, Annapolis, MD 21401.

Funding Policy

On December 7, 2015, the Board of Town Commissioners approved Resolution No. 1061-15 which authorized the Town becoming a member of the Maryland Association of Counties Pooled OPEB Trust Fund. The Trust was established on January 27, 2015 to facilitate the investments of Other Postemployment Benefits (OPEB) by the members to provide post-retirement benefits to their respective retirees.

Annual Costs and Net Obligations

In accordance with the requirements of GASB Statement No. 45, the portion of the unfunded Annual Required Contribution, as determined by actuaries, had been recorded as an expense and is included in accrued liabilities on the Town’s government wide financial statements.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
July 1, 2008	\$ -	\$ 722,588	\$ 722,588	0.00%	\$ 4,752,123	15.21%
July 1, 2011	-	765,532	765,532	0.00%	4,624,518	16.55%
July 1, 2014	-	824,285	824,285	0.00%	4,570,495	18.03%

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2016**

NOTE 11 – OTHER POST RETIREMENT BENEFITS (Continued)

The annual required contribution for the Other Post Employment Benefits is as follows:

Year Ended June 30,	Annual Required Contribution	Actual Contribution	Percentage Contributed
2016	\$ 62,149	\$ 276,195	444.41%
2015	62,149	26,914	43.31%
2014	60,000	34,543	57.57%
2013	60,000	27,216	45.36%
2012	60,000	26,174	43.62%
2011	60,000	17,735	29.56%
2010	60,000	21,106	35.18%

NOTE 12 – RISK MANAGEMENT

The Town's risk financing techniques include participation in a public entity pool and the purchase of commercial insurance.

For property, excess liability, primary auto and boiler and machinery liability coverage, the Town became a member of the Maryland Local Government Insurance Trust (LGIT). This trust is a public entity risk pool which is owned and directed by the local governments that subscribe to its coverage and operates under the terms of a Trust Agreement. The Town pays LGIT an annual premium. Claims are processed and recoveries and administrative costs are paid by LGIT. Similar to a commercial insurance carrier, recoveries are subject to deductibles and to annual aggregate/per occurrence dollar limits. Settled claims from these risks have not exceeded coverage for the past three fiscal years, and there has not been a reduction in insurance coverage in the past fiscal year. The Town is fully insured for worker's compensation through the Injured Worker's Insurance Fund of Maryland. Employees are bonded through commercial insurance carriers to limit the loss to the Town in the event of employees committing acts of embezzlement or theft.

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2016**

NOTE 13– SPECIAL REVENUE FUND BALANCE

As of June 30, 2016, the Special Revenue Fund was designated for the following purposes:

Governmental Funds

Nonspendable:

Explorer Scouts	\$	9,603	
Auxillary Police		139	
Total Nonspendable			\$ 9,742

Restricted:

Community Legacy Grant		50,000	
Seized property-Federal Treasury		10,008	
Seized property-Federal Justice		955	
Total Restricted			60,963

Committed:

Tree planting – fee in lieu		1,347	
Tree planting – forest conservation		6,610	
Revolving loan fund		73,731	
Seized property		8,858	
Open space fee in lieu		8,450	
Stormwater management - fee in lieu		32,912	
Total Committed			131,908

Assigned:

Public amenity – gardens/park/art		34,831	
Memorials		406	
Cultural arts		13,225	
Explorer scouts		5,817	
Auxiliary police		13,240	
Total Assigned			<u>67,519</u>

Total fund balance \$ 270,132

TOWN OF BEL AIR, MARYLAND

Notes to Financial Statements

June 30, 2016

NOTE 14 – RISK AND UNCERTAINTIES

The Town's pension plans invest in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment of securities will occur in the near term and that such changes could materially affect the amounts reported in the Statement of Fiduciary Net Position.

NOTE 15 – COMMITMENTS AND CONTINGENCIES

The Town receives grants from time to time. Expenditures from certain grants are subject to audit by the grantor, and the Town is contingently liable to refund amounts received in excess of allowable expenditures. In the opinion of the Town's management, no material refunds will be required as a result of disallowed expenditures.

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REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF BEL AIR, MARYLAND

**Schedule of Funding Progress and Contribution- OPEB
June 30, 2016**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
July 1, 2008	\$ -	\$ 722,588	\$ 722,588	0.00%	\$ 4,752,123	15.21%
July 1, 2011	-	765,532	765,532	0.00%	4,624,518	16.55%
July 1, 2014	-	824,285	824,285	0.00%	4,570,495	18.03%

Year Ended June 30,	Annual Required Contribution	Actual Contribution	Percentage Contributed
2016	\$ 62,149	\$ 276,195	444.41%
2015	62,149	26,914	43.31%
2014	60,000	34,543	57.57%
2013	60,000	27,216	45.36%
2012	60,000	26,174	43.62%
2011	60,000	17,735	29.56%

TOWN OF BEL AIR, MARYLAND

**Schedule of Changes in Pension Fund Net Pension Liability and Related Ratios
June 30, 2016**

	Civilian		
	2016	2015	2014
Total pension liability			
Service Cost: Retirement benefits Administration	\$ 241,040	\$ 226,439	\$ 231,098
Interest	594,815	554,161	539,426
Differences between expected and actual experiences	80,719	(274,272)	-
Benefit payments, including refunds of member contributions, death, & terminations	(329,122)	(338,437)	(253,354)
Net changes in total pension liability	587,452	167,891	517,170
Total pension liability - beginning	<u>7,770,691</u>	<u>7,602,800</u>	<u>7,085,630</u>
Total pension liability - ending (a)	<u>\$ 8,358,143</u>	<u>\$ 7,770,691</u>	<u>\$ 7,602,800</u>
Plan fiduciary net position			
Contributions - employer	\$ 263,915	\$ 248,724	\$ 254,690
Contributions - member	179,074	168,370	137,625
Net investment income	(16,141)	250,391	823,039
Receipts of In-kind	-	-	-
Benefit payments, including refunds of member contributions	(329,122)	(338,437)	(253,354)
Administrative expense	(55,379)	(39,481)	(39,113)
Net changes in plan fiduciary net position	42,347	289,567	922,887
Plan fiduciary net positions - beginning	<u>5,975,405</u>	<u>5,685,838</u>	<u>4,762,951</u>
Plan fiduciary net positions - ending (b)	<u>\$ 6,017,752</u>	<u>\$ 5,975,405</u>	<u>\$ 5,685,838</u>
Town's net pension - liability - ending (a) - (b)	\$ 2,340,391	\$ 1,795,286	\$ 1,916,962
Plan fiduciary net position as a percentage of total pension liability	72.00%	76.90%	74.79%
Covered employee payroll	\$ 2,739,570	\$ 2,634,202	\$ 2,495,671
Net liability as a percentage of covered payroll	85.43%	68.15%	76.81%
Annual money-weighted rate of return, net of investment expense	-0.30%	4.40%	17.20%

Notes to schedule:

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

TOWN OF BEL AIR, MARYLAND

**Schedule of Changes in Pension Fund Net Pension Liability and Related Ratios
June 30, 2016**

Sworn Officers			
	2016	2015	2014
Total pension liability			
Service Cost: Retirement benefits Administration	\$ 166,468	\$ 148,752	\$ 142,101
Interest	579,955	545,503	522,365
Differences between expected and actual experiences	107,963	(58,419)	-
Benefit payments, including refunds of member contributions, death, & terminations	<u>(407,470)</u>	<u>(315,333)</u>	<u>(293,451)</u>
Net changes in total pension liability	446,916	320,503	371,015
Total pension liability - beginning	<u>7,658,359</u>	<u>7,337,856</u>	<u>6,966,841</u>
Total pension liability - ending (a)	<u>\$ 8,105,275</u>	<u>\$ 7,658,359</u>	<u>\$ 7,337,856</u>
Plan fiduciary net position			
Contributions - employer	\$ 183,050	\$ 179,762	\$ 171,769
Contributions - member	226,325	222,234	190,035
Net investment income	(13,096)	246,899	800,388
Receipts of In-kind	-	-	-
Benefit payments, including refunds of member contributions	(407,470)	(315,333)	(293,451)
Administrative expense	<u>(54,700)</u>	<u>(37,215)</u>	<u>(37,599)</u>
Net changes in plan fiduciary net position	(65,891)	296,347	831,142
Plan fiduciary net positions - beginning	<u>5,781,864</u>	<u>5,485,517</u>	<u>4,654,375</u>
Plan fiduciary net positions - ending (b)	<u>\$ 5,715,973</u>	<u>\$ 5,781,864</u>	<u>\$ 5,485,517</u>
Town's net pension - liability - ending (a) - (b)	\$ 2,389,302	\$ 1,876,495	\$ 1,852,339
Plan fiduciary net position as a percentage of total pension liability	70.52%	75.50%	74.76%
Covered employee payroll	\$ 1,988,860	\$ 1,912,365	\$ 1,396,968
Net liability as a percentage of covered payroll	120.13%	98.12%	132.60%
Annual money-weighted rate of return, net of investment expense	-0.20%	4.50%	17.20%

Notes to schedule:

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

TOWN OF BEL AIR, MARYLAND

Schedule of Civilian Employees Pension Plan Employer Contributions June 30, 2016

	2016	2015	2014
Actuarially determined contribution	\$ 224,720	\$ 221,424	\$ 318,255
Contributions in relation to the actuarially determined contributions	<u>(263,915)</u>	<u>(248,724)</u>	<u>(254,426)</u>
Contributions deficiency (excess)	<u>\$ (39,195)</u>	<u>\$ (27,300)</u>	<u>\$ 63,829</u>
Covered employee payroll	\$ 2,739,570	\$ 2,634,202	\$ 2,495,671
Contributions as a percentage of covered employee payroll	9.63%	9.44%	10.19%

Notes to schedule

Valuation Date

Actuarially determined contributions rates are calculated as of July 1, 2015,
12 months prior to the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Investment return	7.50%
Mortality	RP-2000 Combined Healthy Mortality Table for Males and Females
Turnover	T4
Salary Scale	4.0% increases per year
Valuation of Assets	Market value as reported by the plan administrator, adjusted by a fraction of the investment (gains)/losses for the plan years preceding the current valuation year. Actuarial value can not exceed 120% of actual market value or be less than 80%.

Notes to schedule:

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

TOWN OF BEL AIR, MARYLAND

**Schedule of Sworn Officers Pension Plan Employer Contributions
June 30, 2016**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 165,647	\$ 167,259	\$ 215,712
Contributions in relation to the actuarially determined contributions	<u>(183,050)</u>	<u>(179,762)</u>	<u>(171,769)</u>
Contributions deficiency (excess)	<u>\$ (17,403)</u>	<u>\$ (12,503)</u>	<u>\$ 43,943</u>
Covered employee payroll	\$ 1,988,860	\$ 1,912,365	\$ 1,396,968
Contributions as a percentage of covered employee payroll	9.20%	9.40%	12.30%

Notes to schedule
Valuation Date

Actuarially determined contributions rates are calculated as of July 1, 2015,
12 months prior to the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Investment return	7.50%
Mortality	RP-2000 Combined Healthy Mortality Table for Males and Females
Turnover	T4
Salary Scale	4.0% increases per year
Valuation of Assets	Market value as reported by the plan administrator, adjusted by a fraction of the investment (gains)/losses for the plan years preceding the current valuation year. Actuarial value can not exceed 120% of actual market value or be less than 80%.

Notes to schedule:

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available

SUPPLEMENTARY INFORMATION

TOWN OF BEL AIR, MARYLAND

**Schedule of Cash and Cash Equivalents - General Fund
June 30, 2016**

UNRESTRICTED

M&T Bank		
Checking		\$ (65,896)
Payroll		1,000
Harco Maryland Federal Credit Union		
Savings		6
Money market		242,669
Aberdeen Proving Grounds Credit Union		
Money market		5
PeoplesBank		
Money market		1,574
SunTrust Bank		
Money market		245,199
Wells Fargo		
Money market		71,959
Freedom Federal Credit Union		
Money market		1,370
Change fund		
		1,450
PNC Bank		
Local government investment pool		2,383,607
TOTAL UNRESTRICTED CASH		<u>\$ 2,882,943</u>

RESTRICTED

BB&T Bank		
Turner escrow		\$ 1,279
Harford Bank		
Savings		7,338
PNC Bank		
Local Government Investment Pool - 612 Rockspring Road		4,858
TOTAL RESTRICTED CASH		<u>\$ 13,475</u>

TOWN OF BEL AIR, MARYLAND

**Schedule of Revenues and Expenditures Budget (Non-GAAP Budgetary Basis) and Actual General Fund
Year Ended June 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Taxes - Local				
Real property	\$ 6,728,065	\$ 6,758,065	\$ 6,762,266	\$ 4,201
Half-year real property	3,156	3,156	4,631	1,475
Personal property	8,000	8,000	6,828	(1,172)
Railroads and public utilities	360,000	360,000	365,685	5,685
Ordinary business corporations	530,000	500,000	528,761	28,761
Penalties and interest	35,000	35,000	29,094	(5,906)
 <u>Deductions</u>				
Discounts allowed on taxes	(50,000)	(50,000)	(53,218)	(3,218)
Net local taxes	<u>7,614,221</u>	<u>7,614,221</u>	<u>7,644,047</u>	<u>29,826</u>
 Taxes - State Shared				
Highway	385,439	398,939	399,633	694
Income taxes	1,401,000	1,481,524	1,590,789	109,265
Admission and amusement	40,000	40,000	33,976	(6,024)
Total taxes - state shared	<u>1,826,439</u>	<u>1,920,463</u>	<u>2,024,398</u>	<u>103,935</u>
 Licenses and Permits				
<u>Business</u>				
Beer, wine and liquor	5,000	5,000	7,235	2,235
Traders	66,500	66,500	66,077	(423)
<u>Other Licenses and Permits</u>				
Building and equipment	27,000	27,000	31,815	4,815
Total - licenses and permits	<u>98,500</u>	<u>98,500</u>	<u>105,127</u>	<u>6,627</u>
 Revenue from Other Agencies				
<u>Grants from State Government</u>				
Police protection	231,341	231,341	222,859	(8,482)
FEMA Grant	-	88,462	88,462	-
<u>Grants from the Federal Government</u>				
Bulletproof vest grant	1,446	1,446	(2,838)	(4,284)
<u>Grants from County Government</u>				
Financial corporations	8,458	8,458	8,458	-
Tax rebate	1,098,635	1,098,635	1,098,635	-
Traffic grants	25,000	18,000	17,503	(497)
Total - revenue from other agencies	<u>1,364,880</u>	<u>1,446,342</u>	<u>1,433,079</u>	<u>(13,263)</u>
 Service Charges for Current Services				
<u>General Government</u>				
MAWC well fees	16,000	16,000	14,972	(1,028)
Bel Air Reckord Armory fees	70,000	70,000	63,974	(6,026)
Finance fees	19,000	19,000	17,801	(1,199)
Zoning and subdivision fees	12,000	12,000	12,547	547

TOWN OF BEL AIR, MARYLAND

**Schedule of Revenues and Expenditures Budget (Non-GAAP Budgetary Basis) and Actual General Fund
Year Ended June 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES (continued)				
Service Charges for Current Services (continued)				
<u>General Government (Continued)</u>				
Maps and publication fees	\$ 100	\$ 100	\$ 4	\$ (96)
MD homebuilder guarantee fund	1,020	1,020	400	(620)
<u>Sanitation and Waste Removal</u>				
Sewer fund administrative fee	252,445	252,445	248,185	(4,260)
<u>Public Service Enterprises</u>				
Parking fund administrative fee	258,440	258,440	237,467	(20,973)
Reimbursement for police services	30,600	23,600	22,545	(1,055)
Police reports	1,200	1,200	1,052	(148)
Total - service charges for current services	<u>660,805</u>	<u>653,805</u>	<u>618,947</u>	<u>(34,858)</u>
Fines				
Traffic signal camera	367,500	367,500	384,146	16,646
False alarm	6,000	6,000	8,035	2,035
Total - fines	<u>373,500</u>	<u>373,500</u>	<u>392,181</u>	<u>18,681</u>
Miscellaneous				
Interest	18,000	18,000	31,660	13,660
Hearing and ad reimbursement	500	500	1,264	764
Cable TV franchise	160,000	160,000	165,237	5,237
Police and DPW overtime reimbursement	10,500	17,500	21,423	3,923
Rental income - Tenant house	650	650	546	(104)
Seized property	2,000	2,000	2,020	20
Equipment/vehicle sale proceeds	79,100	84,100	86,712	2,612
Miscellaneous	10,000	71,961	71,787	(174)
Total - miscellaneous	<u>280,750</u>	<u>354,711</u>	<u>380,649</u>	<u>25,938</u>
TOTAL REVENUES	<u>\$ 12,219,095</u>	<u>\$ 12,461,542</u>	<u>\$ 12,598,428</u>	<u>\$ 136,886</u>
EXPENDITURES				
General Government				
<u>Legislative</u>				
Commissioners				
Salaries	\$ 25,200	\$ 25,200	\$ 25,200	\$ -
Operating expenses	17,450	17,450	17,114	336
<u>Town Clerk</u>				
Salaries	251,497	261,497	262,683	(1,186)
Operating expenses	46,320	48,920	37,937	10,983
<u>Executive</u>				
Town Administrator				
Salaries	109,919	109,919	110,898	(979)
Operating expenses	29,396	29,396	26,526	2,870
Transfer to Capital Reserve	30,000	30,000	-	30,000
<u>Elections</u>				
Registration and Election				
Operating expenses	2,956	2,956	3,109	(153)

TOWN OF BEL AIR, MARYLAND

**Schedule of Revenues and Expenditures Budget (Non-GAAP Budgetary Basis) and Actual
General Fund
Year Ended June 30, 2016**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
EXPENDITURES (continued)				
General Government (continued)				
<u>Finance</u>				
Salaries	\$ 239,493	\$ 239,493	\$ 239,289	\$ 204
Operating expenses	25,853	25,853	24,040	1,813
GASB pension review	8,000	8,000	9,730	(1,730)
Independent auditing	17,486	17,486	17,486	-
<u>Law</u>				
Legal Counsel				
Operating expenses	45,000	45,000	24,212	20,788
<u>Planning and Zoning</u>				
Salaries	242,338	242,338	247,953	(5,615)
Operating expenses	61,562	61,562	55,875	5,687
Traffic Study Rt. 1/Rt. 24	11,000	11,000	11,000	-
<u>Economic Development</u>				
Salaries	239,415	239,415	217,734	21,681
Operating expenses	91,560	66,560	79,103	(12,543)
Armory Marketplace	-	50,866	50,866	-
<u>General Services</u>				
Municipal Buildings				
Salaries	35,032	35,032	34,288	744
Operating expenses	191,705	195,505	215,072	(19,567)
Capital outlay	122,925	122,925	102,105	20,820
<u>Bel Air Reckord Armory</u>				
Salaries	48,625	48,625	46,356	2,269
Operating expenses	87,686	94,086	90,945	3,141
Capital outlay	25,000	25,000	25,000	-
<u>Other General Government</u>				
Community Promotion				
Operating expenses	8,400	8,400	9,425	(1,025)
Public Officers' Association				
Operating expenses	17,243	17,243	17,243	-
<u>Technology</u>				
Operating expenses	147,887	147,887	107,035	40,852
Capital outlay	87,083	87,083	55,170	31,913
Total - general government	2,266,031	2,314,697	2,163,394	151,303
Public Safety				
<u>Administrative, Patrol and Investigation</u>				
Salaries	3,000,151	3,031,631	2,999,905	31,726
Operating expenses	328,895	349,856	328,717	21,139
Capital outlay	99,913	99,913	99,336	577
<u>Traffic Safety</u>				
Red light camera program	168,147	176,647	173,535	3,112

TOWN OF BEL AIR, MARYLAND

**Schedule of Revenues and Expenditures Budget (Non-GAAP Budgetary Basis) and Actual
General Fund
Year Ended June 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
EXPENDITURES (continued)				
Public Safety (continued)				
<u>Fire Department</u>				
Volunteer Company Contribution	\$ 153,960	\$ 153,960	\$ 153,960	\$ -
<u>Protective Inspection</u>				
Other:				
Hydrant rental	38,709	38,709	38,269	440
Total - public safety	<u>3,789,775</u>	<u>3,850,716</u>	<u>3,793,722</u>	<u>56,994</u>
Public Works				
<u>General Administration</u>				
Salaries	524,803	524,803	532,530	(7,727)
Operating expenses	102,135	102,135	106,057	(3,922)
Capital outlay	104,500	184,500	179,766	4,734
<u>Highways and Streets</u>				
Streets, Roadways and Alleys				
Salaries	461,537	491,789	432,032	59,757
Operating expenses	230,115	261,881	319,476	(57,595)
Sidewalk, curb and street construction	370,000	336,384	307,108	29,276
Capital outlay	160,000	233,974	237,239	(3,265)
Street Lighting				
Operating expenses	167,000	167,000	164,667	2,333
<u>Sanitation and Waste Removal</u>				
Waste Collection and Disposal				
Salaries	411,588	411,588	446,967	(35,379)
Operating expenses	163,250	163,250	164,471	(1,221)
Capital outlay	95,000	95,000	90,368	4,632
Shop				
Salaries	170,066	170,066	171,569	(1,503)
Operating expenses	171,825	190,789	154,455	36,334
Total - public works	<u>3,131,819</u>	<u>3,333,159</u>	<u>3,306,705</u>	<u>26,454</u>
Recreation and Parks				
<u>Participation Recreation</u>				
Operating expenses	110,900	110,900	110,900	-
<u>A & B Committee</u>				
Operating expenses	38,300	38,300	34,425	3,875
<u>Cultural Arts Committee</u>				
Operating expenses	8,350	8,350	8,222	128
Total - recreation and parks	<u>157,550</u>	<u>157,550</u>	<u>153,547</u>	<u>4,003</u>
Miscellaneous				
Disability insurance	15,800	15,800	15,107	693
Hospital insurance	1,057,195	1,019,895	1,034,865	(14,970)
Optical and dental plan	29,300	29,300	27,752	1,548
Social security	454,700	434,700	443,763	(9,063)
Life insurance	22,500	22,500	21,877	623
Pension and deferred compensation				

TOWN OF BEL AIR, MARYLAND

**Schedule of Revenues and Expenditures Budget (Non-GAAP Budgetary Basis) and Actual
General Fund
Year Ended June 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
EXPENDITURES (continued)				
Miscellaneous (continued)				
OPEB	\$ 60,000	\$ 60,000	\$ 66,618	\$ (6,618)
Workmen's compensation	294,800	274,800	269,197	5,603
Unemployment claims	200	200	5,380	(5,180)
General insurance	90,000	98,000	95,353	2,647
Contingency	8,000	12,800	9,620	3,180
Debt service	499,238	446,124	445,888	236
Contributions/donations	9,150	9,150	5,850	3,300
Miscellaneous	53,345	53,345	45,885	7,460
Total - miscellaneous	<u>3,097,428</u>	<u>2,975,814</u>	<u>2,981,739</u>	<u>(5,925)</u>
TOTAL EXPENDITURES	<u>\$ 12,442,603</u>	<u>\$ 12,631,936</u>	<u>\$ 12,399,107</u>	<u>\$ 232,829</u>
SUMMARY				
TOTAL REVENUES	\$ 12,219,095	\$ 12,461,542	\$ 12,598,428	\$ 136,886
TOTAL EXPENDITURES	<u>12,442,603</u>	<u>12,631,936</u>	<u>12,399,107</u>	<u>232,829</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (223,508)</u>	<u>\$ (170,394)</u>	<u>\$ 199,321</u>	<u>\$ 369,715</u>

TOWN OF BEL AIR, MARYLAND

**Schedule of Revenues and Expenditures Budget (Non-GAAP Budgetary Basis) and Actual
Special Revenue Fund
Year Ended June 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Revenue from Other Agencies				
CDBG grant	\$ 152,474	\$ 152,474	\$ 98,700	\$ (53,774)
Community Legacy grant	425,000	425,000	246,192	(178,808)
Total - revenue from other agencies	<u>577,474</u>	<u>577,474</u>	<u>344,892</u>	<u>(232,582)</u>
Miscellaneous				
Christmas parade	100	100	-	(100)
Historic preservation	2,400	2,400	1,706	(694)
Tree planting - forest conservation	2,000	2,000	-	(2,000)
Tree planting - fee in lieu	1,000	1,000	-	(1,000)
Stormwater management fee in lieu	18,000	18,000	-	(18,000)
Open space fee in lieu	2,000	2,000	-	(2,000)
Public amenity - gardens, parks, and art	5,000	5,000	-	(5,000)
Memorials	500	500	610	110
Transfer from General Fund seized property	10,000	10,000	-	(10,000)
Seized property-Federal Justice	-	-	3	3
Seized property-Federal Treasury	-	-	11,508	11,508
Explorer scouts	5,000	5,000	13,966	8,966
Auxiliary police	2,500	2,500	1,020	(1,480)
Cultural arts project	1,000	1,000	6,988	5,988
Revolving loan fund	1,500	1,500	505	(995)
Total - miscellaneous	<u>51,000</u>	<u>51,000</u>	<u>36,306</u>	<u>(14,694)</u>
TOTAL REVENUES	<u><u>\$ 628,474</u></u>	<u><u>\$ 628,474</u></u>	<u><u>\$ 381,198</u></u>	<u><u>\$ (247,276)</u></u>
EXPENDITURES				
General Government				
Historic preservation	\$ 2,400	\$ 2,400	\$ 1,925	\$ 475
Revolving loan fund	1,500	1,500	-	1,500
Community Legacy grant	425,000	425,000	246,235	178,765
Total - general government	<u>428,900</u>	<u>428,900</u>	<u>248,160</u>	<u>180,740</u>
Public Safety				
Seized property-internal	10,000	10,000	-	10,000
Seized property-Federal Justice	-	-	2,694	
Seized property-Federal Treasury	-	-	1,500	
Auxiliary police	2,500	2,500	1,783	717
Total - public safety	<u>12,500</u>	<u>12,500</u>	<u>5,977</u>	<u>10,717</u>

TOWN OF BEL AIR, MARYLAND

**Schedule of Revenues and Expenditures Budget (Non-GAAP Budgetary Basis) and Actual
Special Revenue Fund
Year Ended June 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
EXPENDITURES (Continued)				
Public Works				
CDBG	\$ 152,474	\$ 152,474	\$ 98,700	\$ 53,774
Stormwater management - fee in lieu	18,000	18,000	14,116	3,884
Total - public works	<u>170,474</u>	<u>170,474</u>	<u>112,816</u>	<u>57,658</u>
Recreation and Parks				
Tree planting - forest conservation	2,000	2,000	-	2,000
Tree planting - fee in lieu	1,000	1,000	-	1,000
Explorer Scouts	5,000	5,000	5,452	(452)
Cultural arts project	1,000	1,000	5,651	(4,651)
Open space fee in lieu	2,000	2,000	-	2,000
Public amenity - gardens, parks and art	5,000	5,000	150	4,850
Memorials	500	500	203	297
Christmas parade	100	100	-	100
Total - recreation and parks	<u>16,600</u>	<u>16,600</u>	<u>11,456</u>	<u>5,144</u>
TOTAL EXPENDITURES	<u><u>\$ 628,474</u></u>	<u><u>\$ 628,474</u></u>	<u><u>\$ 378,409</u></u>	<u><u>\$ 254,259</u></u>

Summary

TOTAL REVENUES	\$ 628,474	\$ 628,474	\$ 381,198	\$ (247,276)
TOTAL EXPENDITURES	<u>628,474</u>	<u>628,474</u>	<u>378,409</u>	<u>254,259</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,789</u></u>	<u><u>\$ 6,983</u></u>

TOWN OF BEL AIR, MARYLAND

**Schedule of Revenues and Expenditures Compared to Budget
Parking Fund
Year Ended June 30, 2016**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
OPERATING REVENUES			
Revenues from Other Agencies			
FEMA Grant Elevator Repair	\$ -	\$ 3,750	\$ 3,750
Service Charges for Current Services			
<u>Highways and Streets</u>			
Meter collections	172,300	180,187	7,887
Lease fees	66,900	66,742	(158)
Fines and Forfeitures			
Parking	93,350	110,842	17,492
Miscellaneous			
County share operating expenses and capital repairs	102,625	108,146	5,521
Miscellaneous	-	515	515
Total - operating revenues	<u>435,175</u>	<u>470,182</u>	<u>35,007</u>
OPERATING EXPENSES			
Miscellaneous			
Compensated absences	-	1,441	(1,441)
Postage	1,551	1,517	34
Miscellaneous	3,020	2,152	868
Parking fine charges	20,350	23,873	(3,523)
Depreciation	123,651	125,761	(2,110)
Lots and Meters			
Transfer to general fund - administrative costs	190,016	168,718	21,298
Maintenance	3,000	1,687	1,313
Operating expenses	6,474	1,206	5,268
Parking Garage			
Transfer to general fund - administrative costs	68,424	68,749	(325)
Operating expenses	46,863	58,594	(11,731)
Insurance	14,829	16,566	(1,737)
Maintenance	7,600	6,302	1,298
Capital repairs	15,000	-	15,000
Total - operating expenses	<u>500,778</u>	<u>476,566</u>	<u>24,212</u>
Operating income (loss)	<u>(65,603)</u>	<u>(6,384)</u>	<u>59,219</u>
Non-operating Revenues (Expenses)			
Interest income - investment	10	10	-
Interest expense - parking garage renovations	(3,818)	(3,818)	-
- parking jeep	(416)	(416)	-
- parking garage	(10,197)	(10,197)	-
Total - non-operating expenses	<u>(14,421)</u>	<u>(14,421)</u>	<u>-</u>
NET INCOME (LOSS)	<u>\$ (80,024)</u>	<u>\$ (20,805)</u>	<u>\$ 59,219</u>

TOWN OF BEL AIR, MARYLAND

**Schedule of Revenues and Expenditures Compared to Budget
Sewer Fund
Year Ended June 30, 2016**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
OPERATING REVENUES			
Service Charges for Current Services			
Sanitation and Waste Removal			
Sewerage charges	2,338,297	2,415,383	77,086
Sewer connection charges	50,000	121,540	71,540
Other revenues	20,900	29,310	8,410
User benefit fees	33,565	34,230	665
	<u>2,442,762</u>	<u>2,600,463</u>	<u>157,701</u>
OPERATING EXPENSES			
Salaries - direct and on call time	118,901	119,896	(995)
- overtime	27,000	29,585	(2,585)
Compensated absences	-	5,650	(5,650)
Contractual services	1,621,477	1,622,309	(832)
Amortization	24,248	24,248	-
Supplies	2,750	2,681	69
Utilities	12,300	14,704	(2,404)
Misc Utility fees	3,000	2,482	518
Depreciation	73,600	72,825	775
Maintenance	38,000	18,518	19,482
Connection costs	50,000	121,540	(71,540)
Water company charges	2,150	2,196	(46)
Contingency	22,000	27,804	(5,804)
Transfer to general fund - administrative costs	252,445	248,185	4,260
User benefit fee	33,565	34,230	(665)
Root control maintenance	35,000	34,523	477
Main and lateral repairs	25,000	18,372	6,628
Insurance	12,000	13,394	(1,394)
Transfer to SSCI reserve	40,000	-	40,000
Sustainability	13,000	12,665	335
I&I Projects	-	66,561	(66,561)
Miscellaneous	2,774	2,615	159
Total - operating expenses	<u>2,409,210</u>	<u>2,494,983</u>	<u>(85,773)</u>
Operating income	33,552	105,480	71,928
Non-operating Revenues (Expenses)			
Interest income - investment	1,666	2,794	1,128
Non-operating expense - interest	<u>(35,218)</u>	<u>(32,581)</u>	<u>2,637</u>
Total non-operating expenses	<u>(33,552)</u>	<u>(29,787)</u>	<u>3,765</u>
NET INCOME	<u>\$ -</u>	<u>\$ 75,693</u>	<u>\$ 75,693</u>

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