

TOWN OF BEL AIR, MARYLAND

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

For the Year Ended June 30, 2017

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JUNE 30, 2017

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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, 2017, 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, 2017, 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 changes 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 26, 2018

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

TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

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, 2017. 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, 2017, by \$15,314,023 (net position). Approximately 27.4% of this amount is attributable to the business-type activities. Of the total net position, \$1,126,164 (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 \$2,055,069, while the governmental activities show (\$928,905) due mainly to the recording of the net pension liability. Of the remaining total net position, \$1,637,984 is restricted for specific purposes (restricted net position), and \$12,549,875 is invested in capital assets, net of related debt.
- The Town's overall financial position has improved with total net position increasing by \$617,295 during the fiscal year. Net position for governmental and business-type activities increased \$10,445 and \$606,850, respectively.
- The Town has recorded a net pension liability of \$2,656,661 and related deferred outflows of \$15,844 and deferred inflows of \$1,194,234 in the Statement of Net Position. This resulted in a decrease of \$2,073,032 in net position from 2016.

Fund Level:

- As of June 30, 2017, the Town's governmental funds reported a combined ending fund balance of \$5,139,134, a decrease of \$515,594 in comparison with the prior year. Of this total amount, \$5,017,482 or 97.6% 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, 2017, the assigned and unassigned fund balance for the General Fund (primary operating fund) was \$3,607,757 or 27.6% of total General Fund expenditures.
- In fiscal year 2017, the Town transferred a net \$70,851 from the General Fund Capital Reserve account and a net \$53,309 to the General Fund Leave Payout Reserve account.
- As of June 30, 2017, the Town's business-type operating activities reported net position of \$4,199,196, an increase of \$606,850 in comparison with the prior year. Of the total amount, \$2,055,069 is unrestricted.

TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

Long-Term Debt:

The Town's long-term debt decreased \$2,295,999 or 28.1% during the current fiscal year. The decrease was the net result of making \$443,992 in scheduled payments, \$244,394 in an early payoff, a \$65,419 increase in compensated absences/OPEB, a new G.O. Bond issuance of \$400,000, and a \$2,073,032 decrease in net pension liability. On December 30, 2016, the Town paid off the G.O. Bond 2012A 33-37 S. Main Street in the amount of \$244,394 without any prepayment penalty. It was anticipated to utilize the unassigned fund balance to make the payment.

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, 2017

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, 2017

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 \$15,314,023 as of June 30, 2017. 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, 2017, capital assets were valued at \$12,549,875 net of related debt and accumulated depreciation or 82.0% 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, 2017, was \$1,126,164 or 7.4% 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, 2017, was \$1,637,984 or 10.7% 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, 2017, 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, 2017**

NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets						
Current and other assets	\$ 5,916,042	\$ 6,609,593	\$ 2,855,659	\$ 2,546,192	\$ 8,771,701	\$ 9,155,785
Capital assets	10,922,175	10,726,656	3,734,903	3,829,291	14,657,078	14,555,947
Total assets	<u>16,838,217</u>	<u>17,336,249</u>	<u>6,590,562</u>	<u>6,375,483</u>	<u>23,428,779</u>	<u>23,711,732</u>
Deferred outflows of resources-pensions	<u>15,844</u>	<u>977,482</u>	<u>-</u>	<u>-</u>	<u>15,844</u>	<u>977,482</u>
Liabilities						
Other liabilities	468,407	536,877	578,736	1,131,949	1,047,143	1,668,826
Long-term liabilities	4,076,593	6,534,034	1,812,630	1,651,188	5,889,223	8,185,222
Total liabilities	<u>4,545,000</u>	<u>7,070,911</u>	<u>2,391,366</u>	<u>2,783,137</u>	<u>6,936,366</u>	<u>9,854,048</u>
Deferred inflows of resources-pensions	<u>1,194,234</u>	<u>138,438</u>	<u>-</u>	<u>-</u>	<u>1,194,234</u>	<u>138,438</u>
Net Position						
Net investment in capital assets	10,538,839	9,921,168	2,011,036	2,266,857	12,549,875	12,188,025
Restricted	1,504,893	1,510,673	133,091	118,083	1,637,984	1,628,756
Unrestricted	<u>(928,905)</u>	<u>(327,459)</u>	<u>2,055,069</u>	<u>1,207,406</u>	<u>1,126,164</u>	<u>879,947</u>
Total net position	<u>\$11,114,827</u>	<u>\$ 11,104,382</u>	<u>\$ 4,199,196</u>	<u>\$ 3,592,346</u>	<u>\$15,314,023</u>	<u>\$14,696,728</u>

TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues:						
Charges for services	\$ 1,173,511	\$ 1,145,203	\$ 3,053,583	\$ 3,066,895	\$ 4,227,094	\$ 4,212,098
Operating grants/ contributions	277,636	237,524	-	-	277,636	237,524
Capital grants/ contributions	108,165	433,354	-	3,750	108,165	437,104
General revenues:						
Property taxes	7,755,192	7,651,142	-	-	7,755,192	7,651,142
Shared taxes	2,487,977	2,741,417	-	-	2,487,977	2,741,417
Miscellaneous	727,275	748,554	-	-	727,275	748,554
Unrestricted investment earnings	55,906	31,660	1,359	2,804	57,265	34,464
Total revenues	12,585,662	12,988,854	3,054,942	3,073,449	15,640,604	16,062,303
Expenses						
General government	2,619,203	2,936,201	-	-	2,619,203	2,936,201
Public safety	3,813,011	3,357,438	-	-	3,813,011	3,357,438
Public works	3,106,026	2,740,900	-	-	3,106,026	2,740,900
Recreation and culture	203,013	166,256	-	-	203,013	166,256
Miscellaneous	2,822,628	2,753,611	-	-	2,822,628	2,753,611
Interest on long-term debt	11,336	21,251	-	-	11,336	21,251
Sewer	-	-	1,983,226	2,527,564	1,983,226	2,527,564
Parking facilities	-	-	464,866	190,997	464,866	190,997
Total expenditures	12,575,217	11,975,657	2,448,092	2,718,561	15,023,309	14,694,218
Increase in net assets	10,445	1,013,197	606,850	354,888	617,295	1,368,085
Net position, beginning	11,104,382	10,091,185	3,592,346	3,237,458	14,696,728	13,328,643
Net position, ending	\$11,114,827	\$11,104,382	\$ 4,199,196	\$ 3,592,346	\$15,314,023	\$14,696,728

Governmental Activities

Governmental net position increased by \$10,445. Property taxes, shared taxes, and charges for services represent 61.6%, 19.8%, and 9.3% of the Town's revenue stream, respectively. The remaining 9.3% 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 2017 was \$12,585,662 which is \$403,192 lower than the previous year. Revenues in capital grants/contributions decreased \$325,189 due to not receiving as many grants in the Special Revenue Fund. Revenues in shared taxes decreased \$253,440 as a result of receiving less in income taxes due to a correction from a statewide Comptroller's audit. Revenues in property taxes increased \$104,050 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 .56% compared to .22%. In fiscal year 2017, the Town utilized the CDARS program as well as investing in certificates of deposit and money market accounts at Maryland banks in order to take advantage of higher investment rates. As of June 30, 2017, the Town held \$4,537,500 in various certificates of deposit with rates ranging from .55% to 1.00% and maturities no longer than 30-months.

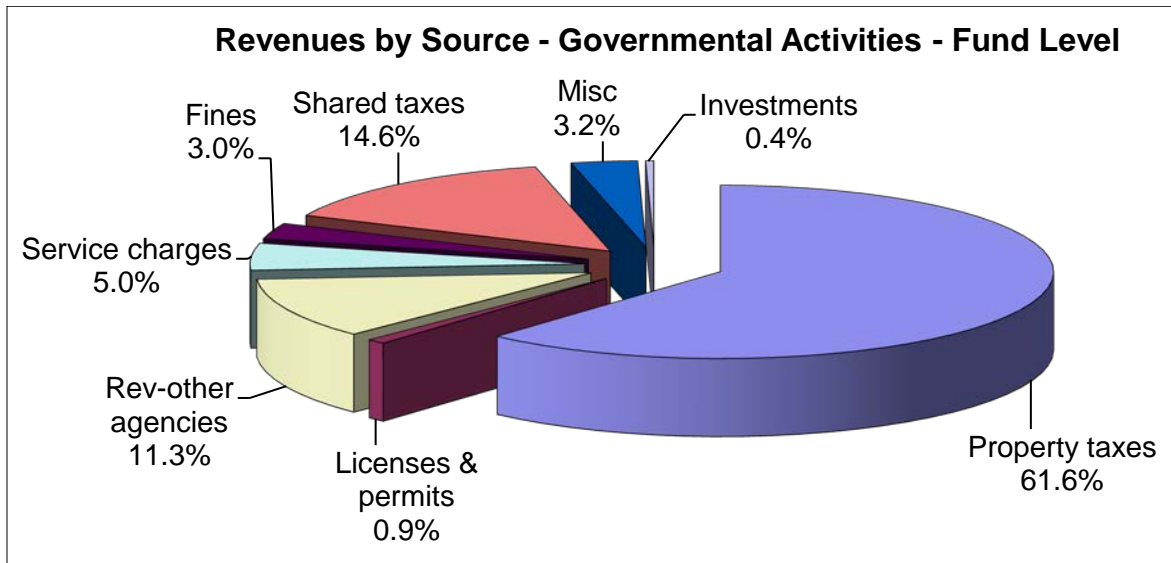
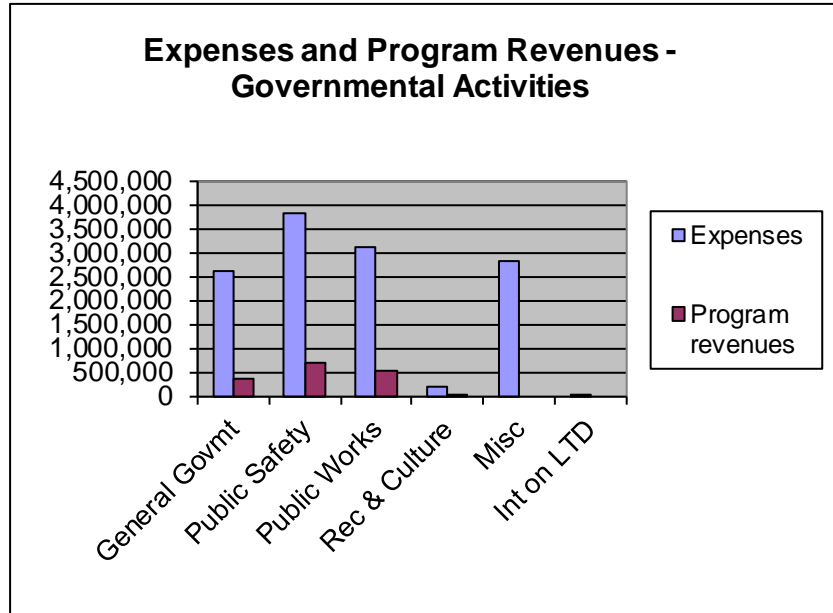
TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

Governmental Activities (Continued)

Governmental expenses were \$12,575,217 in fiscal year 2017, an increase of \$599,560 or 5.0%. Public safety and public works are the two largest functional areas comprising 55.0% of all governmental expenses in fiscal year 2017. Public safety represents 30.3% of governmental expenses, while public works represents 24.7%. Both departments showed an increase in expenses totaling \$820,699.



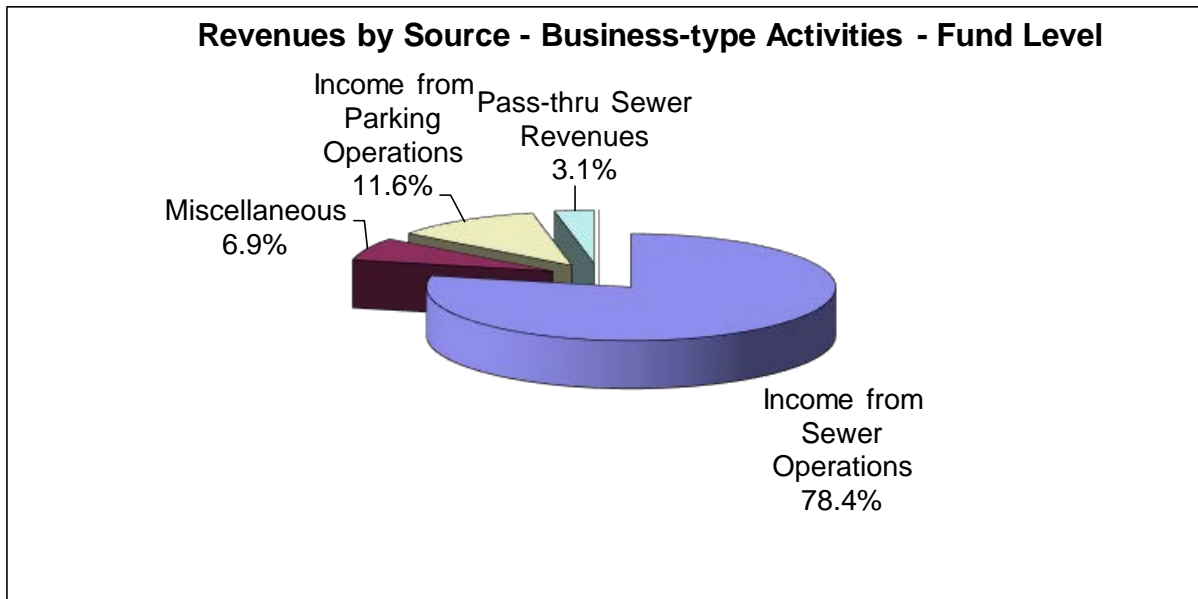
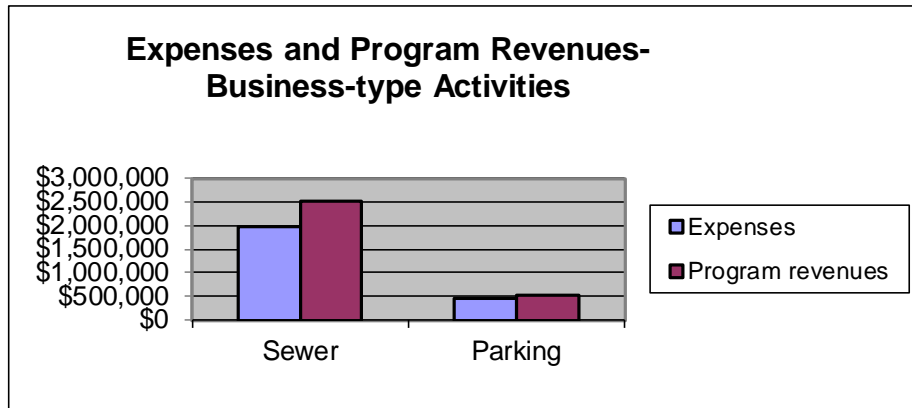
TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

Business-type activities

The Town operates two business-type enterprise funds, Parking and Sewer. Business-type net position increased by \$606,850 overall with the Parking Fund and Sewer Fund increasing \$69,141 and \$537,709, respectively. While the Town anticipated the Parking Fund expenses to be \$98,494 more than the revenues, expenses came in less than expected. The increase in the sewer fund is due to a lower than anticipated rate per 1,000 gallons as well as less flows to treat the Town's sewage by Harford County.



TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

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, 2017, the Town's governmental funds (general fund and special revenue fund) reported a combined ending fund balance of \$5,139,134, a decrease of \$515,594 in comparison with the prior year. Approximately 97.6% of this total amount \$5,017,482 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 2.4% 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 \$3,442,812, while total fund balance was \$4,867,571. 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 27.6% of total General Fund expenditures, while total fund balance represents 37.2% of that same amount.

The Town's General Fund total fund balance decreased by \$517,025 during the current fiscal year. This was a result of receiving less revenues than anticipated, the prior year's encumbrances being significantly more, expending less with regard to a few large projects, and utilizing the unassigned fund balance to pay off the 2012A G.O. Bond.

The Special Revenue Fund has a total fund balance of \$271,563 which increased slightly.

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 \$2,368,370 and \$1,830,826 respectively, and increased \$69,141 and \$537,709 in the Parking Fund and Sewer Fund, respectively.

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, 2017

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 and the Civilian Pension Trust increased \$868,803 or 15.2% and \$830,230 or 13.8%, respectively. The increases in both trusts were due to a net increase in the fair value of investments.

The Town implemented GASB 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans in fiscal year 2017.

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. The net position of the OPEB Trust increased \$57,247 or 21.8% due to an increase in the fair value of investments as well as an employer contribution.

General Fund Budgetary Highlights

The final amended budget to the General Fund resulted in an increase of \$16,675 from the amended budget in April, 2017. There was not one single significant revenue and expenditure change though.

The Town amended the budget in April, 2017 after its normal mid-year budget review. The general fund budget was increased \$233,075. The significant change, in the amount of \$156,945, was to account for \$81,945 in security renovations to the Finance and Administration departments as well as a \$75,000 contribution to purchase an easement needed for the extension of the Ma & Pa trail. These expenditures were funded by transferring the monies from the capital reserve.

At the end of the year, revenues and other financing sources were less than budgetary estimates by \$91,007 and expenditures were \$327,231 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, 2017 was \$14,657,078. 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 .69%, comprised of a 1.8% increase in governmental activities and a 2.5% 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, 2017**

CAPITAL ASSETS

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land and improvements	\$ 4,641,308	\$ 4,641,308	\$ 777,518	\$ 777,518	\$ 5,418,826	\$ 5,418,826
Buildings and improvements	6,002,132	5,761,048	3,206,000	3,126,190	9,208,132	8,887,238
Infrastructure	1,495,899	1,215,526	-	-	1,495,899	1,215,526
Machinery and equipment	1,134,802	1,146,339	402,521	402,521	1,537,323	1,548,860
Furniture and fixtures	1,285,791	1,228,657	-	-	1,285,791	1,228,657
Vehicles	2,943,016	2,932,042	365,418	365,418	3,308,434	3,297,460
Parking improvements	-	-	446,147	446,796	446,147	446,796
Sewer system	-	-	1,785,292	1,785,292	1,785,292	1,785,292
Accumulated depreciation	(6,580,773)	(6,198,264)	(3,247,993)	(3,074,444)	(9,828,766)	(9,272,708)
Total	\$10,922,175	\$10,726,656	\$ 3,734,903	\$ 3,829,291	\$14,657,078	\$14,555,947

Major capital asset events during the year ending June 30, 2017 included the following:

- A new parking lot and drop off area was constructed at the Rockfield Manor property (\$98,850).
- Three new garage doors were installed at the Public Works equipment shed (\$25,900).
- Two new 48,000 BTU Daikin heatpump systems were installed at the Armory (\$12,455).
- A partial roof replacement was done at the Armory (\$107,490).
- The Police Department purchased three new replacement vehicles (\$79,047).
- The Public Works Department purchased a new replacement international roll off truck (\$162,786).
- The Public Works Department contracted to have new handicap ramps installed (\$21,100), new sidewalks installed (\$7,893), and new curbs/gutters installed (\$7,088).
- A storm water management improvement project was completed (\$218,000).
- Two new thermoplastic crosswalks were installed (\$23,592).
- The Town purchased \$39,134 worth of capitalized computer hardware/software during the year.
- Four new kiosks were installed around downtown (\$18,000).
- 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: five police vehicles (\$96,693), three public works administration vehicles (\$59,166), a public works Mack roll off truck (\$75,000), and various public works equipment (\$17,535).
- In the Parking Fund, a penetrating deck sealer project was completed at the parking garage in order to extend the life (\$79,810). Two new Bosch cameras were installed (\$23,980) to replace the old ones which were scrapped (\$24,629).

TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

Debt administration. The Town's long-term debt as of June 30, 2017, was \$5,889,223. Of this amount, \$1,683,786 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 \$423,417, an obligation to the Liquor Control Board employees' retirement system of \$5,221, \$1,120,138 in compensated absences and OPEB liabilities, and \$2,656,661 in net pension liability resulting from GASB #68. The following table reflects the Town's long-term debt:

LONG-TERM DEBT

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
General obligations bonds	\$ -	\$ 322,072	\$1,683,786	\$1,512,554	\$1,683,786	\$1,834,626
Equipment/vehicle notes	383,336	509,975	40,081	49,880	423,417	559,855
Other notes	5,221	6,329	-	-	5,221	6,329
Net pension liability	2,656,661	4,729,693	-	-	2,656,661	4,729,693
Compensated absences / OPEB	1,031,375	965,965	88,763	88,754	1,120,138	1,054,719
Total	\$4,076,593	\$6,534,034	\$1,812,630	\$1,651,188	\$5,889,223	\$8,185,222

The Town's total long-term debt for governmental activities decreased \$2,457,441 and increased \$161,442 for business-type activities. During the year, \$692,657 in debt was retired. During the fiscal year, the Town entered into a new \$400,000 ten-year general obligation bond in the Sewer Fund for continued inflow and infiltration sewer work as well as a purchase of a new sewer camera.

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, 2017, the debt limitation is \$86,646,051, 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, 2017

Economic Factors and Fiscal Year 2019's Budgets and Rates

- The State of Maryland Assessments and Taxation Department completed its triennial assessment for Town residents effective beginning in fiscal year 2018, 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 decrease \$235,000 or 15.3% over the 2017 budget revenues based on the Comptroller's statewide audit which showed that the Town had received income tax revenues from properties outside the incorporated limits.
- Highway user revenues are projected to remain relatively the same over the 2017 actual revenues. This will be the fifth 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.
- The Harford County tax rebate is projected to increase a slight amount of \$22,358 due to the formula using the reduction in property assessments years ago in the calculation.
- With anticipating slight interest rate increases, the Town's interest on investments is budgeted to increase \$3,000.
- The Town plans on borrowing monies to fund its vehicle purchases in both the police and public works departments in the amount of \$464,736.
- The Town appropriated \$40,000 in funds from the unassigned fund balance to fund the Town's contribution required for the Community Legacy Grant for the final phase of the Armory Marketplace project.
- All Town employees received a merit (step) salary increase as well as a 1% COLA.
- The Town budgeted \$55,000 for various capital projects to include painting at the Armory, salt shed column foundation replacement, painting at the public works/planning building, and repairs to the barn foundation at Rockfield.
- Funds were budgeted for an election in November, 2017.
- The Administration/Human Resources Department included \$25,000 for a salary study.
- The Finance Department added a new part-time Accounting Clerk to the staff as well as a new part-time Procurement Officer who will work with all of the Town departments.
- The Finance Department included \$8,000 for the GASB Statement 67/68 actuarial accounting valuation for both defined benefit plans as well as \$3,200 for the GASB Statement 74 actuarial accounting valuation for Other Post Employment Benefits (OPEB).

TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

- The Planning Department included \$15,000 for a gazebo and new stone trail, \$10,000 for an elevated crosswalk, and \$10,000 a new all-weather stone or asphalt path.
- The Economic Development Department included \$40,000 as matching money for the Community Legacy Grant that will provide funds to complete the final phase of the Armory Marketplace project.
- The Technology Department budgeted approximately \$31,500 for one-time expenditures.
- The Town budgeted \$47,000 to fully fund its Other Postemployment Benefits Other Than Pensions (OPEB).
- The Town entered into a general obligation bond to fund \$968,754 in energy efficient projects which are guaranteed by the company to pay for the debt service. One semi-annual payment of debt service is budgeted; however, savings in building electricity, street lighting, and water consumption costs were decreased throughout the budget.
- The Town budgeted to purchase three police vehicles (\$79,047).
- The Department of Public Works added a new full-time Inspector position.
- The Department of Public Works included \$64,000 to fund the costs associated with the Town's MS4 storm water management program.
- The Department of Public Works budgeted to purchase a replacement shop pick-up truck, a replacement dump truck, and a replacement refuse truck for a total of \$370,000.
- 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. There is also a new category for storm water outfall repairs and maintenance in the amount of \$15,000.
- In the Special Revenue Fund, the Town has designated three years (2016-2018) of Community Development Block Grants (\$91,786) for funding the Armory Marketplace project.
- In the Special Revenue Fund, the Town received a \$150,000 Community Legacy Grant which will provide funding for the last phase of the Amory Marketplace project.
- In the Special Revenue Fund, the Town received a \$405,600 grant in fiscal year 2017 from the Chesapeake & Atlantic Coastal Bays Trust Fund to fund the plumtree run stream restoration project, of which \$211,595 is budgeted in fiscal year 2018 to complete the project.

All of these factors were considered in preparing the Town's budget for the 2018 fiscal year.

The real and personal property tax rates remain unchanged in fiscal year 2018 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.

TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

The Sewer Fund user rate and base charge increased by 1.3% for fiscal year 2018 and will affect both residential and commercial customers. The percentage adjustment is according to the change on the December, 2016 Consumer Price Index. No new inflow and infiltration projects are budgeted during fiscal year 2018.

In the Parking Fund, the three main sources of revenue, meter collections, parking fines, and lease fees are expected to remain level. An electrical conduit project as well as a signage replacement project in the parking garage, for a total of \$144,000, is budgeted; however, 50% of the cost will be funded through the capital reserve with the remaining amount being funded 67.2% by Harford County. The energy efficient project will also impact the parking garage through an LED lighting upgrade which again will be funded 67.2% by Harford County.

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 lmood@belairmd.org.

FINANCIAL STATEMENTS

TOWN OF BEL AIR, MARYLAND

**Statement of Net Position
June 30, 2017**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,986,618	\$ 570	\$ 1,987,188
Restricted cash and cash equivalents	122,233	419,859	542,092
Investments	4,537,500	-	4,537,500
Accounts receivable	153,699	693,683	847,382
Loan receivable - revolving loan fund	43,227	-	43,227
Loan receivable - The John Carroll School	-	43,658	43,658
Real and personal property taxes receivable	87,469	-	87,469
Accrued interest receivable	28,892	-	28,892
Due from other units of government	470,756	-	470,756
Internal balances	(1,540,836)	1,540,836	-
Prepaid expenses	26,484	-	26,484
Capital assets, not being depreciated	4,641,308	777,518	5,418,826
Capital assets, net of accumulated depreciation	6,280,867	2,957,385	9,238,252
Other assets	-	157,053	157,053
Total assets	16,838,217	6,590,562	23,428,779
DEFERRED OUTFLOWS OF RESOURCES-PENSIONS	15,844	-	15,844
LIABILITIES			
Accounts payable	262,309	577,452	839,761
Accrued liabilities	183,511	-	183,511
Payroll withholdings	3,084	-	3,084
Deposits and other escrows held	6,162	-	6,162
Unearned revenue	13,341	1,284	14,625
Non-current liabilities:			
Due within one year	129,196	286,190	415,386
Due in more than one year	3,947,397	1,526,440	5,473,837
Total liabilities	4,545,000	2,391,366	6,936,366
DEFERRED INFLOWS OF RESOURCES-PENSIONS	1,194,234	-	1,194,234
NET POSITION			
Net investment in capital assets	10,538,839	2,011,036	12,549,875
Restricted	1,504,893	133,091	1,637,984
Unrestricted	(928,905)	2,055,069	1,126,164
TOTAL NET POSITION	\$ 11,114,827	\$ 4,199,196	\$ 15,314,023

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

TOWN OF BEL AIR, MARYLAND

Statement of Activities
Year Ended June 30, 2017

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	\$ 2,619,203	\$ 273,573	\$ 13,867	\$ 55,600	\$ (2,276,163)	\$ -	\$ (2,276,163)
Public safety	3,813,011	424,451	263,769	-	(3,124,791)	-	(3,124,791)
Public works	3,106,026	475,487	-	44,466	(2,586,073)	-	(2,586,073)
Recreation and culture	203,013	-	-	8,099	(194,914)	-	(194,914)
Miscellaneous	2,822,628	-	-	-	(2,822,628)	-	(2,822,628)
Interest on long-term debt	11,336	-	-	-	(11,336)	-	(11,336)
Total governmental activities	<u>12,575,217</u>	<u>1,173,511</u>	<u>277,636</u>	<u>108,165</u>	<u>(11,015,905)</u>	<u>-</u>	<u>(11,015,905)</u>
Business-type activities							
Sewer	1,983,226	2,519,584	-	-	-	536,358	536,358
Parking facilities	464,866	533,999	-	-	-	69,133	69,133
Total business-type activities	<u>2,448,092</u>	<u>3,053,583</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>605,491</u>	<u>605,491</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 15,023,309</u>	<u>\$ 4,227,094</u>	<u>\$ 277,636</u>	<u>\$ 108,165</u>	(11,015,905)	605,491	(10,410,414)
GENERAL REVENUES							
Taxes:							
Property taxes, levied for general purposes					7,755,192	-	7,755,192
Shared taxes					2,487,977	-	2,487,977
Miscellaneous					727,275	-	727,275
Unrestricted investment earnings					55,906	1,359	57,265
Total general revenues					<u>11,026,350</u>	<u>1,359</u>	<u>11,027,709</u>
CHANGE IN NET POSITION					10,445	606,850	617,295
NET POSITION, BEGINNING					<u>11,104,382</u>	<u>3,592,346</u>	<u>14,696,728</u>
NET POSITION, ENDING					<u>\$ 11,114,827</u>	<u>\$ 4,199,196</u>	<u>\$ 15,314,023</u>

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

TOWN OF BEL AIR, MARYLAND

**Balance Sheet – Governmental Funds
June 30, 2017**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 1,986,618	\$ -	\$ 1,986,618
Restricted cash and cash equivalents	13,506	108,727	122,233
Investments	4,537,500	-	4,537,500
Accounts receivable	610,756	13,699	624,455
Loan receivable - revolving loan fund	-	43,227	43,227
Accrued interest receivable	28,892	-	28,892
Property taxes receivable - net	87,469	-	87,469
Due from other funds	-	128,843	128,843
Prepaid costs	26,387	97	26,484
TOTAL ASSETS	<u>\$ 7,291,128</u>	<u>\$ 294,593</u>	<u>\$ 7,585,721</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 243,811	\$ 18,498	\$ 262,309
Accrued expenditures	178,176	-	178,176
Payroll withholdings	3,084	-	3,084
Deposits	6,162	-	6,162
Unearned revenue	13,341	-	13,341
Due to other funds	1,665,147	4,532	1,669,679
Total liabilities	<u>2,109,721</u>	<u>23,030</u>	<u>2,132,751</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	38,619	-	38,619
Unavailable revenue - income taxes	269,950	-	269,950
Unavailable revenue - highway user	5,267	-	5,267
Total deferred inflows of resources	<u>313,836</u>	<u>-</u>	<u>313,836</u>
FUND BALANCES			
Nonspendable	26,387	97	26,484
Restricted	-	95,168	95,168
Committed	1,233,427	97,246	1,330,673
Assigned	871,330	79,052	950,382
Unassigned	2,736,427	-	2,736,427
Total fund balances	<u>4,867,571</u>	<u>271,563</u>	<u>5,139,134</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$ 7,291,128</u>	<u>\$ 294,593</u>	<u>\$ 7,585,721</u>

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, 2017**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS (page 22)	\$ 5,139,134
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.	313,836
Net deferred outflows and inflows of resources related to pensions	(1,178,390)
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 \$17,502,948 and the accumulated depreciation is \$6,580,773.	10,922,175
Noncurrent liabilities are not reported as liabilities in the governmental funds.	(4,076,593)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	<u>(5,335)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES (page 20)	<u><u>\$ 11,114,827</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, 2017**

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES			
Taxes - local	\$ 7,823,745	\$ -	\$ 7,823,745
Taxes - state shared	1,849,582	-	1,849,582
Licenses and permits	116,779	-	116,779
Revenue from other agencies	1,379,661	58,165	1,437,826
Service charges for current services	637,664	-	637,664
Fines	376,585	-	376,585
Miscellaneous	369,789	85,233	455,022
 Total revenues	 <u>12,553,805</u>	 <u>143,398</u>	 <u>12,697,203</u>
EXPENDITURES			
General government	2,637,984	7,087	2,645,071
Public safety	3,806,728	14,715	3,821,443
Public works	3,180,603	76,829	3,257,432
Recreation and parks	159,677	43,336	203,013
Miscellaneous	2,822,628	-	2,822,628
Debt service:			
Principal	449,819	-	449,819
Interest	13,391	-	13,391
 Total expenditures	 <u>13,070,830</u>	 <u>141,967</u>	 <u>13,212,797</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 (517,025)	 1,431	 (515,594)
 FUND BALANCES, BEGINNING OF YEAR	 5,384,596	 270,132	 5,654,728
 TRANSFER (TO) FROM SPECIAL REVENUE FUND			
Various reserves	-	-	-
 FUND BALANCES, END OF YEAR	 <u>\$ 4,867,571</u>	 <u>\$ 271,563</u>	 <u>\$ 5,139,134</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, 2017**

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUND (page 24)	\$ (515,594)
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 \$839,602 exceeded depreciation expense of \$632,247 in the period.	207,355
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 \$261,574, less any accumulated depreciation of \$249,738.	(11,836)
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 \$65,410.	(65,410)
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.	55,598
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.	(111,542)
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 2017.	449,819
Interest expense in the Statement of Activities differs from the amount reported in governmental funds due to the net change in accrued interest.	<u>2,055</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES (page 21)	<u>\$ 10,445</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, 2017**

	<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	\$ 7,727,061	\$ 7,808,285	\$ 7,823,745	\$ 15,460
Taxes - state shared	2,009,703	1,989,703	1,849,582	(140,121)
Licenses and permits	103,500	111,742	116,779	5,037
Revenues from other agencies	2,763,143	1,373,432	1,379,661	6,229
Service charges for current services	671,761	651,761	637,664	(14,097)
Fines	381,500	381,500	376,585	(4,915)
Miscellaneous	293,000	328,389	369,789	41,400
	<u>13,949,668</u>	<u>12,644,812</u>	<u>12,553,805</u>	<u>(91,007)</u>
EXPENDITURES				
Current:				
General government	2,469,876	2,667,146	2,538,454	128,692
Public safety	3,821,250	3,837,685	3,797,437	40,248
Public works	3,103,885	3,097,710	3,034,262	63,448
Recreation and culture	158,050	158,050	154,130	3,920
Miscellaneous	2,872,140	2,914,360	2,824,059	90,301
Debt service	463,832	463,832	463,210	622
	<u>12,889,033</u>	<u>13,138,783</u>	<u>12,811,552</u>	<u>327,231</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 1,060,635</u>	<u>\$ (493,971)</u>	<u>(257,747)</u>	<u>\$ 236,224</u>
FUND BALANCE - BEGINNING OF YEAR			4,640,438	
TRANSFER FROM SPECIAL REVENUE FUND VARIOUS RESERVES			<u>-</u>	
FUND BALANCE - END OF YEAR			<u>\$ 4,382,691</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, 2017**

	<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	\$ 96,317	\$ 96,317	\$ 50,066	\$ (46,251)
Department of Natural Resources grant	405,600	405,600	-	(405,600)
State of Maryland bond bill	115,600	115,600	8,099	(107,501)
National Recreation and Parks Assoc. grant	42,000	-	-	-
Community Legacy grant	100,000	-	-	-
Total - revenue from other agencies	<u>759,517</u>	<u>617,517</u>	<u>58,165</u>	<u>(559,352)</u>
Miscellaneous	<u>74,000</u>	<u>74,000</u>	<u>85,233</u>	<u>11,233</u>
Total revenues	<u>833,517</u>	<u>691,517</u>	<u>143,398</u>	<u>(548,119)</u>
EXPENDITURES				
General government	199,517	99,517	7,087	92,430
Public safety	21,500	21,500	14,715	6,785
Public works	432,600	432,600	76,829	355,771
Recreation and culture	179,900	137,900	43,336	94,564
Total expenditures	<u>833,517</u>	<u>691,517</u>	<u>141,967</u>	<u>549,550</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,431</u>	<u>\$ 1,431</u>
FUND BALANCE - BEGINNING OF YEAR			270,132	
TRANSFER TO GENERAL FUND VARIOUS RESERVES			<u>-</u>	
FUND BALANCE - END OF YEAR			<u>\$ 271,563</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, 2017**

	<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	19,799	400,060	419,859
Accounts receivable	104,913	588,770	693,683
Loan receivable, The John Carroll School	-	43,658	43,658
Due from other funds	122,100	1,421,195	1,543,295
Total current assets	<u>247,382</u>	<u>2,453,683</u>	<u>2,701,065</u>
Noncurrent Assets			
Land	777,518	-	777,518
Capital assets, net	1,745,118	1,212,267	2,957,385
Other assets	-	157,053	157,053
Total noncurrent assets	<u>2,522,636</u>	<u>1,369,320</u>	<u>3,891,956</u>
Total assets	<u>2,770,018</u>	<u>3,823,003</u>	<u>6,593,021</u>
LIABILITIES			
Current Liabilities			
Accounts payable and accrued expenses	109,695	467,757	577,452
Due to other funds	2,459	-	2,459
Unearned revenue	1,284	-	1,284
Notes payable	3,652	6,387	10,039
Bonds payable	109,939	166,212	276,151
Total current liabilities	<u>227,029</u>	<u>640,356</u>	<u>867,385</u>
Noncurrent Liabilities			
Accrued compensated absences	20,559	68,204	88,763
Notes payable - long-term	13,292	16,750	30,042
Bonds payable - long-term	140,768	1,266,867	1,407,635
Total noncurrent liabilities	<u>174,619</u>	<u>1,351,821</u>	<u>1,526,440</u>
Total liabilities	<u>401,648</u>	<u>1,992,177</u>	<u>2,393,825</u>
NET POSITION			
Invested in capital assets, net of related debt	2,254,985	(243,949)	2,011,036
Restricted	133,091	-	133,091
Unrestricted	<u>(19,706)</u>	<u>2,074,775</u>	<u>2,055,069</u>
TOTAL NET POSITION	<u>\$ 2,368,370</u>	<u>\$ 1,830,826</u>	<u>\$ 4,199,196</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, 2017**

	<u>Parking Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
OPERATING REVENUES			
Service Charges for Current Services			
Sanitation and Waste Removal			
Sewerage charges	\$ -	\$ 2,394,864	\$ 2,394,864
Sewer connection charges	-	59,496	59,496
Other revenues	-	30,893	30,893
User benefit fees	-	34,331	34,331
Highway and Streets			
Meter collections	185,036	-	185,036
Lease fees	64,757	-	64,757
Fines and Forfeitures			
Parking	105,513	-	105,513
Miscellaneous			
County share operating expenses and capital repairs	178,693	-	178,693
Total operating revenues	<u>533,999</u>	<u>2,519,584</u>	<u>3,053,583</u>
OPERATING EXPENSES			
Salaries	-	153,075	153,075
Contractual services	-	1,191,906	1,191,906
Transfer to general fund - administrative costs	239,165	267,483	506,648
Supplies	-	2,769	2,769
Utilities	-	13,710	13,710
Depreciation	123,906	74,272	198,178
Amortization	-	24,248	24,248
Maintenance	6,568	73,339	79,907
Compensated absences	(4,271)	4,280	9
Other	6,652	24,841	31,493
Connection costs	-	59,496	59,496
User benefit fees	-	34,335	34,335
Postage	1,362	-	1,362
Insurance	-	16,053	16,053
Parking fine charges	22,934	-	22,934
Sustainability	-	13,322	13,322
Garage operations	57,936	-	57,936
Total operating expenses	<u>454,252</u>	<u>1,953,129</u>	<u>2,407,381</u>
Operating income	<u>79,747</u>	<u>566,455</u>	<u>646,202</u>
Non-Operating Revenue (Expenses)			
Investment income	8	1,351	1,359
Investment expenses	(10,614)	(30,097)	(40,711)
Net non-operating expenses	<u>(10,606)</u>	<u>(28,746)</u>	<u>(39,352)</u>
INCREASE IN NET POSITION	69,141	537,709	606,850
NET POSITION, BEGINNING OF PERIOD	<u>2,299,229</u>	<u>1,293,117</u>	<u>3,592,346</u>
NET POSITION, END OF PERIOD	<u>\$ 2,368,370</u>	<u>\$ 1,830,826</u>	<u>\$ 4,199,196</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, 2017**

	<u>Parking Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from sewer charges	\$ -	\$ 2,600,703	\$ 2,600,703
Cash received from parking charges	460,394	-	460,394
Payments to suppliers	(236,152)	(2,350,501)	(2,586,653)
Payments to employees	-	(152,545)	(152,545)
Net cash provided by operating activities	<u>224,242</u>	<u>97,657</u>	<u>321,899</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Debt payments from loan receivable-John Carroll	-	16,780	16,780
Proceeds from bond	-	400,000	400,000
Cash payment of note principal	(3,584)	(32,215)	(35,799)
Cash payment of bond principal	(106,039)	(96,729)	(202,768)
Interest paid on long-term obligation	(10,829)	(29,986)	(40,815)
Acquisition of capital assets	(103,790)	-	(103,790)
Net cash provided by (used in) financing activities	<u>(224,242)</u>	<u>257,850</u>	<u>33,608</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	<u>8</u>	<u>1,351</u>	<u>1,359</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	8	356,858	356,866
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>20,361</u>	<u>43,202</u>	<u>63,563</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 20,369</u>	<u>\$ 400,060</u>	<u>\$ 420,429</u>

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

Operating income	\$ 79,747	\$ 566,455	\$ 646,202
Adjustments to reconcile net operating income to net cash provided by operating activities:			
Depreciation and amortization	123,906	98,520	222,426
Effects of changes in operating assets and liabilities:			
Accounts receivable	(64,828)	12,912	(51,916)
Due from other funds	(9,924)	68,207	58,283
Accounts payable	98,465	(652,717)	(554,252)
Unearned revenue	1,147	-	1,147
Compensated absences payable	(4,271)	4,280	9
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 224,242</u>	<u>\$ 97,657</u>	<u>\$ 321,899</u>

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

TOWN OF BEL AIR, MARYLAND

**Statement of Fiduciary Net Position
June 30, 2017**

	<u>Pension</u>	<u>OPEB</u>
ASSETS		
Cash and cash equivalents	\$ 429,000	\$ -
Investments:		
Mutual funds	13,021,737	-
Fiscal agents	284,971	-
Pooled OPEB Trust	-	319,947
Total assets	<u>13,735,708</u>	<u>319,947</u>
LIABILITIES		
Accounts payable	<u>17,979</u>	-
NET POSITION		
Held in trust for pension/OPEB benefits	<u>\$ 13,717,729</u>	<u>\$ 319,947</u>

(See notes to financial statements for the plan's schedule of funding progress.)

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, 2017**

	<u>Pension</u>	<u>OPEB</u>
ADDITIONS		
Contributions:		
Employer contributions	\$ 462,899	\$ 33,000
Employee contributions	<u>422,306</u>	<u>-</u>
Total contributions	885,205	33,000
Investment gain:		
Net increase in the fair value of investments	<u>1,699,132</u>	<u>25,934</u>
Total additions	<u>2,584,337</u>	<u>58,934</u>
DEDUCTIONS		
Benefit payments	846,986	-
Contractual services	<u>83,413</u>	<u>1,687</u>
Total deductions	<u>930,399</u>	<u>1,687</u>
CHANGE IN NET POSITION	1,653,938	57,247
NET POSITION HELD IN TRUST FOR PENSION/OPEB BENEFITS:		
BEGINNING OF YEAR	<u>12,063,791</u>	<u>262,700</u>
END OF YEAR	<u>\$ 13,717,729</u>	<u>\$ 319,947</u>

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

TOWN OF BEL AIR, MARYLAND

Notes to Financial Statements June 30, 2017

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, 2017

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, 2017

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, 2017, amounted to \$87,469. 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 2017, 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, 2017**

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:

Category	Years
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, 2017

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, 2017, the liability for Town employees for accrued vacation, sick and compensatory leave and OPEB was \$507,173, \$481,545, \$67,350, and \$64,070, 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, 2017

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.

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2017**

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)

All liabilities, both current and noncurrent are reported in the Statement of Net Position. The summary of the \$4,076,593 difference is as follows:

Harford County Liquor Board	\$	5,221
Equipment/vehicle obligations		383,336
Compensated absences/OPEB		1,031,375
Net pension liability		2,656,661
Total	\$	<u>4,076,593</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 \$207,355 difference is found on page 25.

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	\$ 12,553,805	\$ -	\$ 12,811,552	\$ (257,747)
Current year encumbrances	-	-	(837,997)	837,997
Prior year encumbrances	-	-	1,097,275	(1,097,275)
GAAP basis	<u>\$ 12,553,805</u>	<u>\$ -</u>	<u>\$ 13,070,830</u>	<u>\$ (517,025)</u>

TOWN OF BEL AIR, MARYLAND

Notes to Financial Statements June 30, 2017

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, 2017

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 \$1,180,184, and the bank balance was \$1,339,351 of which \$1,189,291 was covered by federal deposit insurance and \$150,060 was covered by collateral. The deposits of the Town were not exposed to custodial credit risk as of June 30, 2017.

C. Cash equivalents

As of June 30, 2017, the Town's cash equivalents consisted of money market funds held by the Maryland Local Government Investment Pool totaling \$1,347,077.

Investments

Investments consist of Certificates of Deposit with varying maturities and interest rates ranging from .55% to 1.00% which are all covered by federal deposit insurance. Investments have maturities between July 2017 through March 2019.

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less than 1 Year	1 to 2	2 to 3
Certificates of Deposit	<u>\$ 4,537,500</u>	<u>\$ -</u>	<u>\$ 4,302,500</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, 2017, met the Town's investment policy as of that date. Investment income includes the following for the year ended June 30, 2017:

Net interest and dividends - governmental activities \$ 55,906

TOWN OF BEL AIR, MARYLAND

Notes to Financial Statements June 30, 2017

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, 2017, 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, 2017, 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	\$ 1,403,289	\$ 1,451,308	7.97 years
Ultra Short-term Bond Fund	588,471	603,035	1.95 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, 2017**

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, 2017:

- 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, 2017		
	Civilian 401 (a) Plan (Level 2)	Civilian Pension Trust (Level 1)	Sworn Officers' Pension Trust (Level 1)
Investments:			
Mutual funds	\$ -	\$ 6,626,326	\$ 6,395,411
Fiscal agents	284,871	-	-
Total assets	<u>\$ 284,871</u>	<u>\$ 6,626,326</u>	<u>\$ 6,395,411</u>

NOTE 6 – CHANGES IN CAPITAL ASSETS

Additions and disposals of fixed capital assets during the year ended June 30, 2017, are shown below:

	Balance July 1, 2016	Additions and Transfers	Disposals and Transfers	Ending Balance June 30, 2017
Governmental Activities				
Land – not being depreciated	\$ 4,641,308	\$ -	\$ -	\$ 4,641,308
Buildings and improvements	5,761,048	254,264	13,180	6,002,132
Infrastructure	1,215,526	280,373	-	1,495,899
Machinery and equipment	1,146,339	5,998	17,535	1,134,802
Furniture and fixtures	1,228,657	57,134	-	1,285,791
Vehicles	2,932,042	241,833	230,859	2,943,016
Total	16,924,920	839,602	261,574	17,502,948
Less – accumulated depreciation	6,198,264	632,247	249,738	6,580,773
Capital assets, net	<u>\$ 10,726,656</u>	<u>\$ 207,355</u>	<u>\$ 11,836</u>	<u>\$ 10,922,175</u>

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2017**

NOTE 6 – CHANGES IN CAPITAL ASSETS (Continued)

	<u>Balance July 1, 2016</u>	<u>Additions and Transfers</u>	<u>Disposals and Transfers</u>	<u>Ending Balance June 30, 2017</u>
Proprietary Funds				
Parking fund:				
Land not being depreciated	\$ 777,518	\$ -	\$ -	\$ 777,518
Parking improvements	446,796	23,980	24,629	446,147
Garage	3,126,190	79,810	-	3,206,000
Parking vehicle	54,482	-	-	54,482
Equipment	2,265	-	-	2,265
	<u>4,407,251</u>	<u>103,790</u>	<u>24,629</u>	<u>4,486,412</u>
Sewer fund:				
Sewer pipes and storm drain	1,785,292	-	-	1,785,292
Equipment	400,256	-	-	400,256
Vehicle	310,936	-	-	310,936
	<u>2,496,484</u>	<u>-</u>	<u>-</u>	<u>2,496,484</u>
Total	6,903,735	103,790	24,629	6,982,896
Less – accumulated depreciation	3,074,444	198,178	24,629	3,247,993
Capital assets, net	<u>\$ 3,829,291</u>	<u>\$ (94,388)</u>	<u>\$ -</u>	<u>\$ 3,734,903</u>

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

General government	\$ 270,375
Public safety	82,204
Public works	<u>279,668</u>
Total depreciation expense – governmental activities	<u>\$ 632,247</u>

As of June 30, 2017, accumulated depreciation for the parking fund and sewer fund amounted to \$1,963,776 and \$1,284,217, respectively. Depreciation expense for the year ended June 30, 2017, amounted to \$123,906 in the parking fund and \$74,272 in the sewer fund.

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2017**

NOTE 7 – NON-CURRENT LIABILITIES

Non-current liability transactions of the Town for the year ended June 30, 2017, are presented below.

	<u>Balance July 1, 2016</u>	<u>Additions and Transfers</u>	<u>Disposals and Transfers</u>	<u>Ending Balance June 30, 2017</u>	<u>Due Within One Year</u>
Governmental activities					
Liquor Control Board employees' retirement system obligation	\$ 6,329	\$ -	\$ 1,108	\$ 5,221	\$ -
Equipment/vehicle notes	509,975	-	126,639	383,336	129,196
Accrued vacation, sick and compensatory leave/OPEB	965,965	65,410	-	1,031,375	-
Net pension liability	4,729,693	-	2,073,032	2,656,661	-
G.O. Bond 2009A BAHS Auditorium	26,559	-	26,559	-	-
G.O. Bond 2012A 33-37 S. Main St	295,513	-	295,513	-	-
Total governmental activities liabilities	<u>\$ 6,534,034</u>	<u>\$ 65,410</u>	<u>\$ 2,522,851</u>	<u>\$ 4,076,593</u>	<u>\$ 129,196</u>

	<u>Balance July 1, 2016</u>	<u>Additions and Transfers</u>	<u>Disposals and Transfers</u>	<u>Ending Balance June 30, 2017</u>	<u>Due Within One Year</u>
Business-type activities					
Parking Fund:					
Parking garage bond, 2007	\$ 163,257	\$ -	\$ 79,930	\$ 83,327	\$ 83,327
Parking garage repairs bond, 2013	193,489	-	26,109	167,380	26,612
Parking jeep note	20,528	-	3,584	16,944	3,652
Accrued vacation, sick and compensatory leave / OPEB	24,830	-	4,271	20,559	-
Total parking fund debt	<u>402,104</u>	<u>-</u>	<u>113,894</u>	<u>288,210</u>	<u>113,591</u>
Sewer Fund:					
Infrastructure Bond 2006 Series A: 20 year note	244,500	-	26,000	218,500	27,500
Sewer Fund I&I Services Bond, 2017A	-	400,000	-	400,000	40,000
Sewer Fund CIP/I&I Services Bond, 2013A	421,786	-	43,995	377,791	44,746
Sewer I&I Services/Main Replace. Bond, 2015	489,522	-	52,734	436,788	53,966
Sewer van and pick-up truck note	29,352	-	6,215	23,137	6,387
Accrued vacation, sick and compensatory leave / OPEB	63,924	4,280	-	68,204	-
Total sewer fund debt	<u>1,249,084</u>	<u>404,280</u>	<u>128,944</u>	<u>1,524,420</u>	<u>172,599</u>
Total business-type activities liabilities	<u>\$ 1,651,188</u>	<u>\$ 404,280</u>	<u>\$ 242,838</u>	<u>\$ 1,812,630</u>	<u>\$ 286,190</u>

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2017**

NOTE 7 – NON-CURRENT LIABILITIES (Continued)

A. Governmental Activities

Bonds Payable

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 2.74% with maturity dates from July 15, 2018 to August 15, 2021. Obligations under the plan provide for minimum payments, as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 383,336</u>	<u>\$ 15,369</u>	<u>\$ 398,705</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, \$5,221, 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, 2017**

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>
2018	\$ 83,327	\$ 3,541	\$ 86,868
Total	<u>\$ 83,327</u>	<u>\$ 3,541</u>	<u>\$ 86,868</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>
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	28,675	951	29,626
2023	29,215	411	29,626
	<u>\$ 167,380</u>	<u>\$ 10,376</u>	<u>\$ 177,756</u>

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2017**

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.

Fiscal Year	Principal	Interest	Total
2018	\$ 27,500	\$ 9,890	\$ 37,390
2019	28,500	8,686	37,186
2020	29,500	7,440	36,940
2021	31,000	6,112	37,112
2022	32,500	4,718	37,218
2023-2024	69,500	4,856	74,356
Total	<u>\$ 218,500</u>	<u>\$ 41,702</u>	<u>\$ 260,202</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.

Fiscal Year	Principal	Interest	Total
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	47,881	3,138	51,019
2023-2025	146,291	4,452	150,743
Total	<u>\$ 377,791</u>	<u>\$ 28,045</u>	<u>\$ 405,836</u>

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2017**

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>
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	59,186	4,611	63,797
2023-2025	154,077	5,415	159,492
Total	<u>\$ 436,788</u>	<u>\$ 41,689</u>	<u>\$ 478,477</u>

On June 5, 2017, the Town of Bel Air issued a \$400,000 “Sewer Fund I&I Services Bond, 2017A” to PNC Bank, National Association with an interest rate of 2.58% for the public purpose of providing funds needed to purchase sewer equipment and to perform repairs to the sanitary sewer system in various areas within the Town. Interest is payable semi-annually on December 5 and June 5 and will continue until June 5, 2027.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 40,000	\$ 10,062	\$ 50,062
2019	40,000	9,030	49,030
2020	40,000	7,998	47,998
2021	40,000	6,966	46,966
2022	40,000	5,934	45,934
2023-2027	200,000	14,190	214,190
Total	<u>\$ 400,000</u>	<u>\$ 54,180</u>	<u>\$ 454,180</u>

TOWN OF BEL AIR, MARYLAND

Notes to Financial Statements June 30, 2017

NOTE 7 – NON-CURRENT LIABILITIES (Continued)

B. Business-type Activities (Continued)

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>
2018	\$ 6,387	\$ 591	\$ 6,978
2019	6,563	414	6,977
2020	6,745	233	6,978
2021	3,442	47	3,489
Total	<u>\$ 23,137</u>	<u>\$ 1,285</u>	<u>\$ 24,422</u>

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>
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
Total	<u>\$ 16,944</u>	<u>\$ 818</u>	<u>\$ 17,762</u>

Total interest expense on long-term liabilities was \$54,102.

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, 2017, is \$3,475,000.

TOWN OF BEL AIR, MARYLAND

Notes to Financial Statements June 30, 2017

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, 2017, the plan assets at fair market value were \$284,971.

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, 2017, plan assets at fair value totaled \$6,847,982.

TOWN OF BEL AIR, MARYLAND

Notes to Financial Statements June 30, 2017

NOTE 9 – PENSION PLANS (Continued)

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

For 2017, the pension contribution was determined to be \$282,358. This contribution represents 8.5% 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, 2016 actuarial valuation using the projected unit credit actuarial cost method.

Membership of the Plan

The membership consisted of the following as of July 1, 2016, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	56
Terminated Plan members entitled to but not yet receiving benefits	18
Active Plan members	5
	<u>79</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, 2017 is as follows:

<u>Investment Type</u>	<u>% of Portfolio</u>	<u>Assumed Rate of Return</u>
Equities:	65%	6.00%
Fixed Income:	32%	2.90%
Cash and Equivalents:	3%	0.85%
Total Weighted Average Real Return	100%	4.85%
Plus Inflation		2.75%
Total Return w/o Adjustment		7.60%
Risk Adjustment		-0.35%
Total Expected Return		<u>7.25%</u>

The actuarial assumptions included (a) 7.25% investment rate of return, (b) projected salary increases of 6.75% for the first 14 years, 3.25% thereafter, (c) 2.75% inflation rate, and (d) rates of mortality, termination of service, disablement and retirement based on RP-2000 Combined Healthy Table for Males and Females to the RP 2000 (Blue Collar), w/BB x 25 years; 50% applied for Active. The actual contribution by the members was \$182,322. The Town's contribution for the year ended June 30, 2017 was \$268,835. As of June 30, 2017, there were 56 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, 2017**

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, 2017 is as follows:

Total pension liability	\$ 8,148,060
Net position	<u>(6,847,982)</u>
Net pension liability	<u>\$ 1,300,078</u>

Net position as a percentage of total pension liability is 84.04%.

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 7.25% 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 (6.25%) or 1-percentage point higher (8.25%) than the current rate:

	1.0% decrease 6.25%	Current rate 7.25%	1.0% increase 8.25%
Net pension liability	<u>\$ 2,364,334</u>	<u>\$ 1,300,078</u>	<u>\$ 394,121</u>

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2017, the Town recognized pension expense of \$249,400 for the Plan. As of June 30, 2017, 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	\$ 9,762	\$ -
Differences in actual verses expected experience	-	161,516
Changes in assumptions	-	<u>531,811</u>
Total	<u>\$ 9,762</u>	<u>\$ 693,327</u>

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2017**

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>
2018	\$ (60,054)
2019	(60,056)
2020	(94,765)
2021	(187,670)
2022	(116,530)
After 2022	(164,490)
Total	<u><u>\$ (683,565)</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, 2017, plan assets at fair value totaled \$6,584,776.

For 2017, the pension contribution was determined to be \$155,731. This contribution represents 10.0% 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, 2016 actuarial valuation using the projected unit credit actuarial cost method.

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2017**

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, 2016, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	29
Terminated Plan members entitled to but not yet receiving benefits	12
Active Plan members	1
Total	42

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, 2017 is as follows:

<u>Investment Type</u>	<u>% of Portfolio</u>	<u>Assumed Rate of Return</u>
Equities:	65%	6.00%
Fixed Income:	32%	2.90%
Cash and Equivalents:	3%	0.85%
 Total Weighted Average Real Return	 100%	 4.85%
 Plus Inflation		 2.75%
Total Return w/o Adjustment		7.60%
Risk Adjustment		-0.35%
Total Expected Return		7.25%

The actuarial assumptions included (a) 7.25% investment rate of return, (b) projected salary increases of 5.5% for the first 15 years, 4.5% for the next 10 years, and 3.5% thereafter, (c) 2.75% inflation rate, and (d) rates of mortality, termination of service, disablement and retirement based on RP-2000 Combined Healthy table for Males and Females to the RP 2000 (Blue Collar), w/BB x 25 years; 50% applied for Active. The actual contribution by the members was \$239,984. The Town’s contribution for the year ended June 30, 2017 was \$194,064. As of June 30, 2017, 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, 2017**

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, 2017 is as follows:

Total pension liability	\$ 7,941,359
Net position	<u>(6,584,776)</u>
Net pension liability	<u>\$ 1,356,583</u>

Net position as a percentage of total pension liability is 82.92%.

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 7.25% 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 (6.25%) or 1-percentage point higher (8.25%) than the current rate:

	1.0% decrease	Current rate	1.0% increase
	6.25%	7.25%	8.25%
Net pension liability	<u>\$ 2,345,921</u>	<u>\$ 1,356,583</u>	<u>\$ 519,990</u>

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2017, the Town recognized pension expense of \$157,901 for the Plan. As of June 30, 2017, 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	\$ 6,082	\$ -
Differences in actual versus expected experience	-	162,513
Changes in assumptions	-	338,394
Total	<u>\$ 6,082</u>	<u>\$ 500,907</u>

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2017**

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>
2018	\$ 2,208
2019	2,206
2020	(112,539)
2021	(38,070)
2022	(56,066)
After 2022	<u>(292,564)</u>
Total	<u>\$ (494,825)</u>

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2017**

NOTE 9 – PENSION PLANS (Continued)

The financial information for each plan as of and for the year ended June 30, 2017, is summarized as follows:

	As of June 30, 2017		
	Civilian 401 (a) Plan	Civilian Pension Trust	Sworn Officers' Pension Trust
ASSETS			
Cash and equivalents	\$ -	\$ 230,780	\$ 198,220
Investments:			
Mutual funds	-	6,626,326	6,395,411
Fiscal agents	284,971	-	-
Total assets	<u>284,971</u>	<u>6,857,106</u>	<u>6,593,631</u>
LIABILITIES			
Accounts payable	-	9,124	8,855
NET POSITION			
Held in trust for pension benefits	<u>\$ 284,971</u>	<u>\$ 6,847,982</u>	<u>\$ 6,584,776</u>
	For the Year Ended June 30, 2017		
	Civilian 401 (a) Plan	Civilian Pension Trust	Sworn Officers' Pension Trust
ADDITIONS			
Contributions			
Employer contributions	\$ -	\$ 268,835	\$ 194,064
Employee contributions	-	182,322	239,984
Total contributions	-	451,157	434,048
Investment gain:			
Net increase in the fair value of investments	19,866	855,347	823,919
Total additions	<u>19,866</u>	<u>1,306,504</u>	<u>1,257,967</u>
DEDUCTIONS			
Benefit payments	64,961	433,705	348,320
Contractual services	-	42,569	40,844
Total deductions	<u>64,961</u>	<u>476,274</u>	<u>389,164</u>
CHANGE IN NET POSITION	(45,095)	830,230	868,803
NET POSITION HELD IN TRUST FOR PENSION BENEFITS:			
BEGINNING OF YEAR	<u>330,066</u>	<u>6,017,752</u>	<u>5,715,973</u>
END OF YEAR	<u>\$ 284,971</u>	<u>\$ 6,847,982</u>	<u>\$ 6,584,776</u>

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2017**

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	\$ -	\$ 128,843	\$ 1,414,204	\$ 122,100	\$ 1,665,147
Special Revenue Fund	-	-	4,532	-	4,532
Parking Fund	-	-	2,459	-	2,459
Sewer Fund	-	-	-	-	-
Total	<u>\$ -</u>	<u>\$ 128,843</u>	<u>\$ 1,421,195</u>	<u>\$ 122,100</u>	<u>\$ 1,672,138</u>
Due to Other Funds:					
Sewer Fund	\$ 1,414,204	\$ 4,532	\$ -	\$ 2,459	\$ 1,421,195
Parking Fund	122,100	-	-	-	122,100
General Fund	-	-	-	-	-
Special Revenue Fund	128,843	-	-	-	128,843
Total	<u>\$ 1,665,147</u>	<u>\$ 4,532</u>	<u>\$ -</u>	<u>\$ 2,459</u>	<u>\$ 1,672,138</u>

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2017**

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, 2017, was \$12,594 for the four 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, 2017, the Town contributed \$33,000 to the Trust. As of June 30, 2017, the Town's share of the net position of the Trust was \$319,947. 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.

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll (b-a/c)</u>
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%
July 1, 2017	319,947	1,141,625	821,678	28.03%	5,086,620	16.15%

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2017**

NOTE 11 – OTHER POST RETIREMENT BENEFITS (Continued)

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

<u>Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
2017	\$ 85,721	\$ 47,000	54.83%
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%

Membership of the Plan

The membership consisted of the following as of July 1, 2017, the date of the latest actuarial valuation:

Number of Participants	Total
Active	67
Retired	4
Spouse	<u>1</u>
Total Participants	72

Actuarial Assumptions

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. This is then modified through a Monte-Carlo simulation process, by which a (downward) risk adjustment is applied to the baseline expected return.

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2017**

NOTE 11 – OTHER POST RETIREMENT BENEFITS (Continued)

Actuarial Assumptions (Continued)

Best estimates of real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2017, and the final investment return assumption, are summarized in the following table:

Investment Type	% of Portfolio	Long-term Expected Real Return - Portfolio
Domestic Equity	48%	5.75%
International Funds	13%	6.25%
Fixed Income - U.S.	33%	2.75%
Global Funds	6%	5.00%
Cash Equivalents	0%	0.85%
Total Weighted Average Real Return	100%	4.78%
Plus Inflation		2.50%
Total Return w/o Adjustment		7.28%
Risk Adjustment		-0.28%
Total Expected Return		7.00%

The actuarial assumptions included (a) 7.0% investment return, net of investment expense and including inflation, (b) 6.25% healthcare trend initially, grading down to 4.5% ultimately, and (c) rates of mortality are based on the gender-specific RP 2000 Blue Collar tables with Scale BB projected to 2025, apply 50% for pre-retirement and setback 2 years for civilians.

Investments – OPEB

Net OPEB Liability as Required by GASB Statement No. 74.

The components of the net OPEB liability of the Town at June 30, 2017 were as follows:

Total OPEB liability	\$1,141,625
Plan fiduciary net position	<u>(319,947)</u>
Net OPEB liability	\$821,678
Plan fiduciary net position as a percentage of the total OPEB liability	28.03%

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2017**

NOTE 11 – OTHER POST RETIREMENT BENEFITS (Continued)

Net OPEB Liability

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

	1% decrease	Current Discount Rate	1% increase
	6%	7%	8%
Net OPEB liability	<u>\$ 928,184</u>	<u>\$ 821,678</u>	<u>\$ 724,771</u>

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the Town as well as what the Town's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (3.5 percent) or 1-percentage-point higher (5.5 percent) than the current healthcare cost trend rates.

	1% decrease	Current Ultimate Trend	1% increase
	3.5%	Rate 4.5%	5.5%
Net OPEB liability	<u>\$ 690,521</u>	<u>\$ 821,678</u>	<u>\$ 978,407</u>

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.

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2017**

NOTE 12 – RISK MANAGEMENT (Continued)

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.

NOTE 13– SPECIAL REVENUE FUND BALANCE

As of June 30, 2017, the Special Revenue Fund was designated for the following purposes:

Governmental Funds

Nonspendable:		
Auxillary Police	\$ 97	
Total Nonspendable		\$ 97
Restricted:		
Community Legacy Grant	50,000	
Greater Bel Air Community Foundation	25,000	
Seized property-Federal Treasury	20,168	
Seized property-Federal Justice	-	
Total Restricted		95,168
Committed:		
Tree planting – fee in lieu	1,347	
Tree planting – forest conservation	3,715	
Revolving loan fund	74,327	
Seized property	8,858	
Open space fee in lieu	8,450	
Stormwater management - fee in lieu	549	
Total Committed		97,246
Assigned:		
Public amenity – gardens/park/art	44,832	
Memorials	398	
Cultural arts	15,641	
Explorer scouts	9,723	
Auxiliary police	8,458	
Total Assigned		79,052
Total fund balance		\$ 271,563

TOWN OF BEL AIR, MARYLAND

Notes to Financial Statements June 30, 2017

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.

NOTE 16 – SUBSEQUENT EVENTS

On July 19, 2017, the Town issued a not to exceed \$968,754 "Town of Bel Air \$968,754 General Obligation Energy Performance Bond, 2017B" to Branch Banking and Trust Company with an interest rate of 2.79% for the public purpose of providing funds needed to provide energy improvements to Town facilities. Principal and interest is payable semi-annually on April 19 and October 19 and will continue until April 19, 2032.

On September 25, 2017, the Town entered into a Commercial Real Estate Installment Contract with 331 Bel Air LLC. The Town sold a piece of property consisting of .140 acres more or less for \$60,000 to be paid in three installments: \$10,000 on January 1, 2018, \$20,000 on June 1, 2019, and \$30,000 on December 15, 2020. Interest will accrue at the rate of 1.5% per annum on the unpaid principal balance outstanding is payable on January 1, 2018, January 1, 2019, and December 15, 2020.

On December 6, 2017, the Town issued a \$459,510 term note to PNC, National Association for the public purpose of purchasing vehicles. Principal and interest is payable semi-annually on June 6 and December 6 and will continue until December 6, 2024.

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REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF BEL AIR, MARYLAND

**Schedule of Funding Progress and Contribution- OPEB
June 30, 2017**

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%
July 1, 2017	319,947	1,141,625	821,678	28.03%	5,086,620	16.15%

Year Ended June 30,	Annual Required Contribution	Actual Contribution	Percentage Contributed
2017	\$ 85,721	\$ 47,000	54.83%
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 Net OPEB Liability and Related Ratios
June 30, 2017**

	<u>2017</u>
Total OPEB liability	
Service Cost	\$ 43,827
Interest	75,600
Changes in benefit terms	-
Difference between expected and actual experience	-
Changes in assumptions	-
Benefit payments and implicit subsidy	<u>(27,476)</u>
Net change in Total Pension Liability	91,951
Total OPEB liability - beginning	<u>1,049,674</u>
Total OPEB liability - ending	<u>\$ 1,141,625</u>
Plan fiduciary net position	
Contributions - employer, including benefit payments and implicit subsidy	\$ 60,476
Contributions - member	-
Net investment income	25,757
Benefit payments and implicit subsidy	(27,476)
Administrative expense	(1,510)
Other	<u>-</u>
Net change in Plan Fiduciary Net Position	57,247
Plan fiduciary net position - beginning	<u>262,700</u>
Plan fiduciary net positions - ending	<u>\$ 319,947</u>
Net OPEB liability - beginning	786,974
Net OPEB liability - ending	\$ 821,678
Plan fiduciary net position as a percentage of total OPEB liability	28.03%
Covered employee payroll	\$ 5,086,620
Net liability as a percentage of covered payroll	16.15%
Annual money-weighted rate of return	7.64%

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, 2017**

	Civilian			
	2017	2016	2015	2014
Total pension liability				
Service Cost: Retirement benefits Administration	\$ 315,871	\$ 241,040	\$ 226,439	\$ 231,098
Interest	565,717	594,815	554,161	539,426
Differences between expected and actual experiences	(50,182)	80,719	(274,272)	-
Changes in assumptions	(607,784)	-	-	-
Benefit payments, including refunds of member contributions, death, & terminations	(433,705)	(329,122)	(338,437)	(253,354)
Net changes in total pension liability	(210,083)	587,452	167,891	517,170
Total pension liability - beginning	8,358,143	7,770,691	7,602,800	7,085,630
Total pension liability - ending (a)	<u>\$ 8,148,060</u>	<u>\$ 8,358,143</u>	<u>\$ 7,770,691</u>	<u>\$ 7,602,800</u>
Plan fiduciary net position				
Contributions - employer	\$ 268,835	\$ 263,915	\$ 248,724	\$ 254,690
Contributions - member	182,322	179,074	168,370	137,625
Net investment income	855,347	(16,141)	250,391	823,039
Receipts of In-kind	-	-	-	-
Benefit payments, including refunds of member contributions	(433,705)	(329,122)	(338,437)	(253,354)
Administrative expense	(42,569)	(55,379)	(39,481)	(39,113)
Net changes in plan fiduciary net position	830,230	42,347	289,567	922,887
Plan fiduciary net positions - beginning	6,017,752	5,975,405	5,685,838	4,762,951
Plan fiduciary net positions - ending (b)	<u>\$ 6,847,982</u>	<u>\$ 6,017,752</u>	<u>\$ 5,975,405</u>	<u>\$ 5,685,838</u>
Town's net pension - liability - ending (a) - (b)	\$ 1,300,078	\$ 2,340,391	\$ 1,795,286	\$ 1,916,962
Plan fiduciary net position as a percentage of total pension liability	84.04%	72.00%	76.90%	74.79%
Covered employee payroll	\$ 3,147,119	\$ 2,739,570	\$ 2,634,202	\$ 2,693,914
Net liability as a percentage of covered payroll	41.31%	85.43%	68.15%	71.20%
Annual money-weighted rate of return, net of investment expense	14.30%	-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, 2017**

	Sworn Officers			
	2017	2016	2015	2014
Total pension liability				
Service Cost: Retirement benefits Administration	\$ 220,727	\$ 166,468	\$ 148,752	\$ 142,101
Interest	548,807	579,955	545,503	522,365
Differences between expected and actual experiences	(215,973)	107,963	(58,419)	-
Changes in assumptions	(369,157)	-	-	-
Benefit payments, including refunds of member contributions, death, & terminations	(348,320)	(407,470)	(315,333)	(293,451)
Net changes in total pension liability	(163,916)	446,916	320,503	371,015
Total pension liability - beginning	8,105,275	7,658,359	7,337,856	6,966,841
Total pension liability - ending (a)	<u>\$ 7,941,359</u>	<u>\$ 8,105,275</u>	<u>\$ 7,658,359</u>	<u>\$ 7,337,856</u>
Plan fiduciary net position				
Contributions - employer	\$ 194,064	\$ 183,050	\$ 179,762	\$ 171,769
Contributions - member	239,984	226,325	222,234	190,035
Net investment income	823,919	(13,096)	246,899	800,388
Receipts of In-kind	-	-	-	-
Benefit payments, including refunds of member contributions	(348,320)	(407,470)	(315,333)	(293,451)
Administrative expense	(40,844)	(54,700)	(37,215)	(37,599)
Net changes in plan fiduciary net position	868,803	(65,891)	296,347	831,142
Plan fiduciary net positions - beginning	5,715,973	5,781,864	5,485,517	4,654,375
Plan fiduciary net positions - ending (b)	<u>\$ 6,584,776</u>	<u>\$ 5,715,973</u>	<u>\$ 5,781,864</u>	<u>\$ 5,485,517</u>
Town's net pension - liability - ending (a) - (b)	\$ 1,356,583	\$ 2,389,302	\$ 1,876,495	\$ 1,852,339
Plan fiduciary net position as a percentage of total pension liability	82.92%	70.52%	75.50%	74.76%
Covered employee payroll	\$ 1,939,501	\$ 1,988,860	\$ 1,912,365	\$ 1,809,621
Net liability as a percentage of covered payroll	69.94%	120.13%	98.12%	102.36%
Annual money-weighted rate of return, net of investment expense	14.40%	-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 Officers Pension Plan Employer Contributions
June 30, 2017**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 282,358	\$ 224,720	\$ 221,424	\$ 318,255
Contributions in relation to the actuarially determined contributions	<u>(268,835)</u>	<u>(263,914)</u>	<u>(248,724)</u>	<u>(254,426)</u>
Contributions deficiency (excess)	<u>\$ 13,523</u>	<u>\$ (39,194)</u>	<u>\$ (27,300)</u>	<u>\$ 63,829</u>
Covered employee payroll	\$ 3,147,119	\$ 2,739,570	\$ 2,634,202	\$ 2,495,671
Contributions as a percentage of covered employee payroll	8.54%	9.63%	9.44%	10.19%

Notes to schedule
Valuation Date

Actuarially determined contributions rates are calculated as of July 1, 2016,
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	7.25%
Mortality	RP 2000 tables, with Blue Collar adjustments, projected to 2025 with Scale BB; 50% applied for pre-retirement deaths. A two year ago setback is applied for members.
Turnover	T4
Salary Scale	6.75% for the first 14 years, 3.25% thereafter
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, 2017**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	155731	\$ 165,647	\$ 167,259	\$ 215,712
Contributions in relation to the actuarially determined contributions	<u>(194,064)</u>	<u>(183,050)</u>	<u>(179,762)</u>	<u>(171,769)</u>
Contributions deficiency (excess)	<u>\$ (38,333)</u>	<u>\$ (17,403)</u>	<u>\$ (12,503)</u>	<u>\$ 43,943</u>
Covered employee payroll	\$ 1,939,501	\$ 1,988,860	\$ 1,912,365	\$ 1,396,968
Contributions as a percentage of covered employee payroll	10.01%	9.20%	9.40%	12.30%

Notes to schedule

Valuation Date

Actuarially determined contributions rates are calculated as of July 1, 2016,
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	7.25%
Mortality	RP 2000 tables, with Blue Collar adjustments, projected to 2025 with Scale BB; 50% applied for pre-retirement deaths.
Turnover	T4
Salary Scale	5.5% for the first 15 years, 4.5% for the next 10 years, then 3.5% thereafter
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, 2017**

UNRESTRICTED

M&T Bank		
Checking	\$	113,779
Payroll		1,000
Harco Maryland Credit Union		
Savings		6
Money market		141,325
PeoplesBank		
Money market		1,594
Aberdeen Proving Grounds Federal Credit Union		
Savings		5
SunTrust Bank		
Money market		245,708
Wells Fargo Bank		
Money market		-
Freedom Federal Credit Union		
Money market		2,585
TD Bank		
Money market		245,700
Change fund		1,450
PNC		
Local government investment pool		1,233,466
		<hr/>
TOTAL UNRESTRICTED CASH	\$	1,986,618
		<hr/> <hr/>

RESTRICTED

BB&T Bank		
Turner escrow	\$	1,279
Harford Bank		
Savings		7,344
PNC Bank		
Local Government Investment Pool - 612 Rockspring Road		4,883
		<hr/>
TOTAL RESTRICTED CASH	\$	13,506
		<hr/> <hr/>

TOWN OF BEL AIR, MARYLAND

**Schedule of Revenues and Expenditures Budget (Non-GAAP Budgetary Basis) and Actual General Fund
Year Ended June 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Taxes - Local				
Real property	\$ 6,866,461	\$ 6,937,685	\$ 6,951,999	\$ 14,314
Half-year real property	4,600	4,600	7,897	3,297
Personal property	6,000	6,000	15,160	9,160
Railroads and public utilities	365,000	375,000	377,209	2,209
Ordinary business corporations	500,000	500,000	491,354	(8,646)
Penalties and interest	35,000	35,000	35,082	82
 <u>Deductions</u>				
Discounts allowed on taxes	(50,000)	(50,000)	(54,956)	(4,956)
Net local taxes	<u>7,727,061</u>	<u>7,808,285</u>	<u>7,823,745</u>	<u>15,460</u>
 Taxes - State Shared				
Highway	399,703	414,703	420,844	6,141
Income taxes	1,570,000	1,535,000	1,387,573	(147,427)
Admission and amusement	40,000	40,000	41,165	1,165
Total taxes - state shared	<u>2,009,703</u>	<u>1,989,703</u>	<u>1,849,582</u>	<u>(140,121)</u>
 Licenses and Permits				
<u>Business</u>				
Beer, wine and liquor	5,000	5,000	-	(5,000)
Traders	66,500	66,500	62,334	(4,166)
<u>Other Licenses and Permits</u>				
Building and equipment	32,000	40,242	54,445	14,203
Total - licenses and permits	<u>103,500</u>	<u>111,742</u>	<u>116,779</u>	<u>5,037</u>
 Revenue from Other Agencies				
<u>Grants from State Government</u>				
Police protection	244,758	244,758	248,409	3,651
MIP grant	-	15,000	13,867	(1,133)
<u>Grants from the Federal Government</u>				
Bulletproof vest grant	1,379,661	4,649	6,488	1,839
COPS grant	29,699	-	-	-
<u>Grants from County Government</u>				
Financial corporations	8,458	8,458	8,458	-
Tax rebate	1,093,567	1,093,567	1,093,567	-
Traffic grants	7,000	7,000	8,872	1,872
Total - revenue from other agencies	<u>2,763,143</u>	<u>1,373,432</u>	<u>1,379,661</u>	<u>6,229</u>
 Service Charges for Current Services				
<u>General Government</u>				
MAWC well fees	16,000	16,000	7,813	(8,187)
Bel Air Reckord Armory fees	75,000	75,000	63,494	(11,506)
Finance fees	18,000	18,000	19,571	1,571
Zoning and subdivision fees	12,000	12,000	15,170	3,170

TOWN OF BEL AIR, MARYLAND

**Schedule of Revenues and Expenditures Budget (Non-GAAP Budgetary Basis) and Actual General Fund
Year Ended June 30, 2017**

	<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	\$ 19	\$ (81)
MD homebuilder guarantee fund	800	800	400	(400)
<u>Sanitation and Waste Removal</u>				
Sewer fund administrative fee	264,907	254,907	267,483	12,576
<u>Public Service Enterprises</u>				
Parking fund administrative fee	260,754	250,754	239,165	(11,589)
Reimbursement for police services	23,000	23,000	23,057	57
Police reports	1,200	1,200	1,492	292
Total - service charges for current services	<u>671,761</u>	<u>651,761</u>	<u>637,664</u>	<u>(14,097)</u>
Fines				
Traffic signal camera	375,000	375,000	362,906	(12,094)
False alarm	6,500	6,500	13,679	7,179
Total - fines	<u>381,500</u>	<u>381,500</u>	<u>376,585</u>	<u>(4,915)</u>
Miscellaneous				
Interest	30,000	30,000	55,906	25,906
Hearing and ad reimbursement	1,500	1,500	3,096	1,596
Cable TV franchise	165,000	155,000	156,772	1,772
Police and DPW overtime reimbursement	15,000	23,935	23,317	(618)
Rental income	650	3,146	7,638	4,492
Seized property	2,000	2,000	7,686	5,686
Equipment/vehicle sale proceeds	15,000	21,000	27,890	6,890
Rockfield Foundation contribution	54,850	50,000	50,000	-
Miscellaneous	9,000	41,808	37,484	(4,324)
Total - miscellaneous	<u>293,000</u>	<u>328,389</u>	<u>369,789</u>	<u>41,400</u>
TOTAL REVENUES	<u><u>\$ 13,949,668</u></u>	<u><u>\$ 12,644,812</u></u>	<u><u>\$ 12,553,805</u></u>	<u><u>\$ (91,007)</u></u>
EXPENDITURES				
General Government				
<u>Legislative</u>				
Commissioners				
Salaries	\$ 25,200	\$ 25,200	\$ 25,200	\$ -
Operating expenses	23,865	23,865	18,904	4,961
<u>Town Clerk</u>				
Salaries	288,454	274,454	270,228	4,226
Operating expenses	58,634	58,634	53,171	5,463
<u>Executive</u>				
Town Administrator				
Salaries	117,229	117,229	117,680	(451)
Operating expenses	30,086	30,086	28,790	1,296
Capital outlay	-	31,100	31,092	8
Transfer to Capital Reserve	20,000	20,000	-	20,000
<u>Elections</u>				
Registration and Election				
Operating expenses	-	-	-	-

TOWN OF BEL AIR, MARYLAND

**Schedule of Revenues and Expenditures Budget (Non-GAAP Budgetary Basis) and Actual General Fund
Year Ended June 30, 2017**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
EXPENDITURES (continued)				
General Government (continued)				
<u>Finance</u>				
Salaries	\$ 285,828	\$ 271,828	\$ 269,025	\$ 2,803
Operating expenses	29,458	35,958	34,899	1,059
GASB pension review	8,000	8,000	8,533	(533)
Independent auditing	17,486	17,486	17,486	-
<u>Law</u>				
Legal Counsel				
Operating expenses	40,000	40,000	41,614	(1,614)
<u>Planning and Zoning</u>				
Salaries	273,714	271,214	268,651	2,563
Operating expenses	46,762	46,762	55,128	(8,366)
Traffic Study Rt. 1/Rt. 24	22,000	33,600	34,193	(593)
<u>Economic Development</u>				
Salaries	242,554	242,554	242,786	(232)
Operating expenses	88,935	91,110	89,752	1,358
Armory Marketplace	-	-	(565)	565
<u>General Services</u>				
Municipal Buildings				
Salaries	37,594	37,594	38,205	(611)
Operating expenses	222,070	215,970	213,605	2,365
Capital outlay	164,700	248,645	221,422	27,223
<u>Bel Air Reckord Armory</u>				
Salaries	50,562	53,562	57,817	(4,255)
Operating expenses	77,925	113,560	122,844	(9,284)
Capital outlay	60,000	107,000	94,945	12,055
<u>Other General Government</u>				
Community Promotion				
Operating expenses	8,400	8,400	8,100	300
Public Officers' Association				
Operating expenses	17,207	17,207	17,207	-
<u>Technology</u>				
Operating expenses	149,147	151,062	123,331	27,731
Capital outlay	64,066	75,066	34,411	40,655
Total - general government	2,469,876	2,667,146	2,538,454	128,692
Public Safety				
<u>Administrative, Patrol and Investigation</u>				
Salaries	3,073,877	3,082,812	3,057,023	25,789
Operating expenses	293,166	293,166	277,781	15,385
Capital outlay	79,047	79,047	83,583	(4,536)
<u>Traffic Safety</u>				
Red light camera program	179,991	187,491	184,323	3,168

TOWN OF BEL AIR, MARYLAND

**Schedule of Revenues and Expenditures Budget (Non-GAAP Budgetary Basis) and Actual General Fund
Year Ended June 30, 2017**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
EXPENDITURES (continued)				
Public Safety (continued)				
<u>Fire Department</u>				
Volunteer Company Contribution	\$ 156,460	\$ 156,460	\$ 156,460	\$ -
<u>Protective Inspection</u>				
Other:				
Hydrant rental	38,709	38,709	38,267	442
Total - public safety	3,821,250	3,837,685	3,797,437	40,248
Public Works				
<u>General Administration</u>				
Salaries	547,712	547,712	553,352	(5,640)
Operating expenses	210,634	220,009	204,348	15,661
Capital outlay				-
<u>Highways and Streets</u>				
Streets, Roadways and Alleys				
Salaries	480,824	462,824	418,079	44,745
Operating expenses	272,174	272,174	268,965	3,209
Sidewalk, curb and street construction	328,400	328,400	320,161	8,239
Capital outlay	-	-	4,898	(4,898)
Street Lighting				
Operating expenses	167,000	167,000	163,010	3,990
<u>Sanitation and Waste Removal</u>				
Waste Collection and Disposal				
Salaries	431,082	421,082	409,563	11,519
Operating expenses	171,600	163,600	162,132	1,468
Capital outlay	176,000	162,800	162,756	44
Shop				
Salaries	173,314	173,314	172,893	421
Operating expenses	145,145	178,795	194,105	(15,310)
Total - public works	3,103,885	3,097,710	3,034,262	63,448
Recreation and Parks				
<u>Participation Recreation</u>				
Operating expenses	110,900	110,900	110,900	-
<u>A & B Committee</u>				
Operating expenses	38,800	38,800	35,279	3,521
<u>Cultural Arts Committee</u>				
Operating expenses	8,350	8,350	7,951	399
Total - recreation and parks	158,050	158,050	154,130	3,920
Miscellaneous				
Disability insurance	16,900	16,900	15,326	1,574
Hospital insurance	1,190,100	1,145,100	1,113,174	31,926
Optical and dental plan	28,700	28,700	27,015	1,685
Social security	472,400	457,400	454,018	3,382
Life insurance	24,100	24,100	22,230	1,870
Pension and deferred compensation contributions	523,800	512,300	510,990	1,310

TOWN OF BEL AIR, MARYLAND

**Schedule of Revenues and Expenditures Budget (Non-GAAP Budgetary Basis) and Actual
General Fund
Year Ended June 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
EXPENDITURES (continued)				
Miscellaneous (continued)				
OPEB	\$ 47,000	\$ 47,000	\$ 47,000	\$ -
Transfer to leave payout reserve	30,000	30,000	-	30,000
Workmen's compensation	361,500	346,500	336,436	10,064
Unemployment claims	200	6,220	6,416	(196)
General insurance	102,000	110,000	109,228	772
Contingency	8,000	120,200	118,444	1,756
Debt service	463,832	463,832	463,210	622
Contributions/donations	10,450	10,450	6,743	3,707
Miscellaneous	56,990	59,490	57,039	2,451
Total - miscellaneous	<u>3,335,972</u>	<u>3,378,192</u>	<u>3,287,269</u>	<u>90,923</u>
TOTAL EXPENDITURES	<u>\$ 12,889,033</u>	<u>\$ 13,138,783</u>	<u>\$ 12,811,552</u>	<u>\$ 327,231</u>
SUMMARY				
TOTAL REVENUES	\$ 13,949,668	\$ 12,644,812	\$ 12,553,805	\$ (91,007)
TOTAL EXPENDITURES	<u>12,889,033</u>	<u>13,138,783</u>	<u>12,811,552</u>	<u>327,231</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 1,060,635</u>	<u>\$ (493,971)</u>	<u>\$ (257,747)</u>	<u>\$ 236,224</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, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Revenue from Other Agencies				
CDBG grant	\$ 96,317	\$ 96,317	\$ 50,066	\$ (46,251)
Department of Natural Resources grant	405,600	405,600	-	(405,600)
State of Maryland bond bill	115,600	115,600	8,099	(107,501)
National Recreation and Parks Assoc. grant	42,000	-	-	-
Community Legacy grant	100,000	-	-	-
Total - revenue from other agencies	<u>759,517</u>	<u>617,517</u>	<u>58,165</u>	<u>(559,352)</u>
Miscellaneous				
Christmas parade	100	100	-	(100)
Historic preservation	1,700	1,700	1,487	(213)
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	27,000	27,000	-	(27,000)
Open space fee in lieu	2,000	2,000	-	(2,000)
Public amenity	5,000	5,000	10,000	5,000
Memorials	200	200	-	(200)
Transfer from General Fund seized property	5,000	5,000	-	(5,000)
Seized property-Federal Justice	3,000	3,000	13	(2,987)
Seized property-Federal Treasury	11,500	11,500	16,616	5,116
Explorer scouts	9,000	9,000	19,907	10,907
Auxiliary police	2,000	2,000	2,468	468
Cultural arts project	3,000	3,000	9,146	6,146
Armory marketplace GBACF contribution	-	-	25,000	25,000
Revolving loan fund	1,500	1,500	596	(904)
Total - miscellaneous	<u>74,000</u>	<u>74,000</u>	<u>85,233</u>	<u>11,233</u>
TOTAL REVENUES	<u><u>\$ 833,517</u></u>	<u><u>\$ 691,517</u></u>	<u><u>\$ 143,398</u></u>	<u><u>\$ (548,119)</u></u>
EXPENDITURES				
General Government				
Historic preservation	\$ 1,700	\$ 1,700	\$ 1,487	\$ 213
Revolving loan fund	1,500	1,500	-	1,500
CDBG grant	96,317	96,317	5,600	90,717
Community Legacy grant	100,000	-	-	-
Total - general government	<u>199,517</u>	<u>99,517</u>	<u>7,087</u>	<u>92,430</u>
Public Safety				
Seized property-internal	5,000	5,000	-	5,000
Seized property-Federal Justice	3,000	3,000	968	2,032
Seized property-Federal Treasury	11,500	11,500	6,456	5,044
Auxiliary police	2,000	2,000	7,291	(5,291)
Total - public safety	<u>21,500</u>	<u>21,500</u>	<u>14,715</u>	<u>6,785</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, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
EXPENDITURES (Continued)				
Public Works				
CDBG	\$ -	\$ -	\$ 44,466	\$ (44,466)
Plumtree Run Streambank project	405,600	405,600	-	405,600
Stormwater management - fee in lieu	27,000	27,000	32,363	(5,363)
Total - public works	<u>432,600</u>	<u>432,600</u>	<u>76,829</u>	<u>355,771</u>
Recreation and Parks				
Tree planting - forest conservation	2,000	2,000	2,895	(895)
Tree planting - fee in lieu	1,000	1,000	-	1,000
Explorer Scouts	9,000	9,000	25,603	(16,603)
Cultural arts project	3,000	3,000	6,730	(3,730)
Open space fee in lieu	2,000	2,000	-	2,000
Public amenity	5,000	5,000	-	5,000
Memorials	200	200	9	191
Plumtree park playground equipment	42,000	-	-	-
Rockfield Park Pavilion	115,600	115,600	8,099	107,501
Christmas parade	100	100	-	100
Total - recreation and parks	<u>179,900</u>	<u>137,900</u>	<u>43,336</u>	<u>94,564</u>
TOTAL EXPENDITURES	<u><u>\$ 833,517</u></u>	<u><u>\$ 691,517</u></u>	<u><u>\$ 141,967</u></u>	<u><u>\$ 549,550</u></u>
Summary				
TOTAL REVENUES	\$ 833,517	\$ 691,517	\$ 143,398	\$ (548,119)
TOTAL EXPENDITURES	<u>833,517</u>	<u>691,517</u>	<u>141,967</u>	<u>549,550</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,431</u></u>	<u><u>\$ 1,431</u></u>

TOWN OF BEL AIR, MARYLAND

**Schedule of Revenues and Expenditures Compared to Budget
Parking Fund
Year Ended June 30, 2017**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
OPERATING REVENUES			
Service Charges for Current Services			
<u>Highways and Streets</u>			
Meter collections	\$ 176,449	\$ 185,036	\$ 8,587
Lease fees	64,020	64,757	737
Fines and Forfeitures			
Parking	110,446	105,513	(4,933)
Miscellaneous			
County share operating expenses and capital repairs	203,517	178,693	(24,824)
Total - operating revenues	<u>554,432</u>	<u>533,999</u>	<u>(20,433)</u>
OPERATING EXPENSES			
Miscellaneous			
Compensated absences	-	(4,271)	4,271
Postage	1,379	1,362	17
Miscellaneous	2,980	2,852	128
Parking fine charges	23,769	22,934	835
Depreciation	123,261	123,906	(645)
Lots and Meters			
Transfer to general fund - administrative costs	178,615	156,448	22,167
Maintenance	3,000	49	2,951
Operating expenses	6,465	3,800	2,665
Parking Garage			
Transfer to general fund - administrative costs	72,139	82,717	(10,578)
Operating expenses	46,652	40,884	5,768
Insurance	17,891	17,052	839
Maintenance	7,600	6,519	1,081
Capital repairs	158,571	-	158,571
Total - operating expenses	<u>642,322</u>	<u>454,252</u>	<u>188,070</u>
Operating income (loss)	<u>(87,890)</u>	<u>79,747</u>	<u>167,637</u>
Non-operating Revenues (Expenses)			
Interest income - investment	10	8	(2)
Interest expense - parking garage renovations	(3,327)	(3,327)	-
- parking jeep	(349)	(349)	-
- parking garage	(6,938)	(6,938)	-
Total - non-operating expenses	<u>(10,604)</u>	<u>(10,606)</u>	<u>(2)</u>
NET INCOME (LOSS)	<u>\$ (98,494)</u>	<u>\$ 69,141</u>	<u>\$ 167,635</u>

TOWN OF BEL AIR, MARYLAND

**Schedule of Revenues and Expenditures Compared to Budget
Sewer Fund
Year Ended June 30, 2017**

	<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	\$ 2,365,642	\$ 2,394,864	\$ 29,222
Sewer connection charges	50,000	59,496	9,496
Other revenues	24,100	30,893	6,793
User benefit fees	34,230	34,331	101
	<u>2,473,972</u>	<u>2,519,584</u>	<u>45,612</u>
OPERATING EXPENSES			
Salaries - direct and on call time	122,480	123,514	(1,034)
- overtime	28,350	29,561	(1,211)
Compensated absences	-	4,280	(4,280)
Contractual services	1,633,195	1,191,906	441,289
Amortization	24,248	24,248	-
Supplies	2,789	2,769	20
Utilities	14,300	13,710	590
Misc Utility fees	3,000	2,597	403
Depreciation	70,794	74,272	(3,478)
Maintenance	35,000	28,040	6,960
Connection costs	50,000	59,496	(9,496)
Water company charges	2,185	2,133	52
Contingency	22,000	17,620	4,380
Transfer to general fund - administrative costs	264,907	267,483	(2,576)
User benefit fee	34,230	34,335	(105)
Root control maintenance	35,000	34,760	240
Main and lateral repairs	25,000	10,539	14,461
Insurance	14,000	16,053	(2,053)
Transfer to SSCI reserve	40,000	-	40,000
Sustainability	14,104	13,322	782
Miscellaneous	3,049	2,491	558
Total - operating expenses	<u>2,438,631</u>	<u>1,953,129</u>	<u>485,502</u>
Operating income	35,341	566,455	531,114
Non-operating Revenues (Expenses)			
Interest income - investment	1,289	1,351	62
Non-operating expense - interest	<u>(36,630)</u>	<u>(30,097)</u>	<u>6,533</u>
Total non-operating expenses	<u>(35,341)</u>	<u>(28,746)</u>	<u>6,595</u>
NET INCOME	<u>\$ -</u>	<u>\$ 537,709</u>	<u>\$ 537,709</u>

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