

TOWN OF BEL AIR, MARYLAND
Bel Air, Maryland

FINANCIAL STATEMENTS
June 30, 2008

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Independent Auditor's Report

The Commissioners of the
Town of Bel Air, Maryland

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bel Air, Maryland as of June 30, 2008 and for the year then ended, which collectively comprise the Town's basic financial statements, as listed on the foregoing table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bel Air, Maryland at June 30, 2008, and the respective changes in financial position and cash flows where applicable thereof, and the respective budgetary comparison of the General Fund and Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2009, on our consideration of the Town of Bel Air, Maryland's internal control over financial reporting and on compliance and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Audit Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis, as listed in the table of contents, is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurements and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information listed as schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Town of Bel Air, Maryland. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Clifton Gunderson LLP

Bel Air, Maryland
January 5, 2009

TOWN OF BEL AIR, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008

This section of the annual financial statements of the Town of Bel Air, Maryland ("the Town") presents a narrative overview and analysis of the financial activities of the Town for the fiscal year that ended June 30, 2008. 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 of the Town exceeded its liabilities at the close of the 2008 fiscal year by \$7,727,631 (net assets). Approximately 28.8% of this amount is attributable to the business-type activities. Of the total net assets, \$648,692 (unrestricted net assets) may be used to meet the Town's ongoing obligations to citizens and creditors; a negative \$90,556 is attributable to the governmental activities due to a \$1,000,000 remaining commitment to Harford County for the Bel Air High School Auditorium Expansion Project and \$739,248 is attributable to the business-type activities. Of the remaining total net assets, \$254,162 is restricted for specific purposes (restricted net assets), and \$6,824,777 is invested in capital assets, net of related debt.
- The Town's overall financial position decreased slightly with total net assets decreasing by \$1,042,858 during the fiscal year. The net assets of the business-type activities increased slightly by \$86,544 due primarily to lower sewer flows through the Town's three meters to be treated by the County as well as no change in the bulk rate from the County in the Sewer Fund. The net assets of governmental activities decreased by \$1,129,402 due mainly to the \$1,000,000 commitment discussed above.

Fund Level:

- As of June 30, 2008, the Town's governmental funds reported combined ending fund balances of \$2,158,048, a decrease of \$142,485 in comparison with the prior year. Of this total amount, \$1,680,330 or 77.9% is available to meet the Town's current and future needs and is an unreserved and undesignated fund balance.
- As of June 30, 2008, the unreserved, undesignated fund balance for the General Fund (primary operating fund) was \$1,680,330 or 14.6% of total General Fund expenditures.

General Obligation Bonded Debt:

- During the fiscal year, the Town's total general obligation bonded debt increased by \$1,161,989 to a total of \$2,700,036. The increase is attributable to a \$1,500,000 commitment to Harford County for the Bel Air High School Auditorium Expansion Project to be paid in \$500,000 installments over three years which was greater than the total retirements on debt.

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 and non-required supplementary information in addition to the basic financial statements themselves.

TOWN OF BEL AIR, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008

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 assets* presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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, highways and streets, waste collection and disposal, and parks and recreation. 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 on pages 18 and 19 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By 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*.

TOWN OF BEL AIR, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008

The Town maintains two individual governmental funds, the General 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 on pages 20 - 25.

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 on pages 26 - 28 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 on pages 29 and 30 of this report.

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 on pages 31 - 54 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *supplementary information*. Combining and individual fund schedules can be found on pages 55 - 66.

Government-wide Financial Analysis

As noted earlier, net assets 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 \$7,727,631 at the close of the current fiscal year. The Town of Bel Air's net assets are divided into three categories - invested in capital assets (net of related debt), restricted net assets, and unrestricted net assets. The largest portion of the Town's net assets (88.3%) reflects its investment in capital assets net of depreciation (e.g., land, improvements, buildings, machinery, equipment, vehicles, infrastructure, and sewer system), less any unmatured debt used to acquire those assets and accumulated depreciation. 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. Restricted net assets represent 3.3% of total net assets. Restricted net assets are resources that are subject to external restrictions on how they may be used. Unrestricted net assets of the government have a balance of \$648,692 (8.4% of total net assets), which may be used to meet the government's ongoing obligations to citizens and creditors.

**TOWN OF BEL AIR, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008**

For the fiscal year ended June 30, 2008, the Town reported positive balances in all three categories of net assets for the Town as a whole as well as for its business-type activities. The unrestricted net assets in the governmental activities was negative due to recording the remaining \$1,000,000 commitment to Harford County for the Bel Air High School Auditorium Expansion Project this year even though the Town agreed to \$500,000 installments in fiscal years 2009 and 2010.

The Town's total net assets decreased by \$1,042,858 during the current fiscal year. While the assets of the Town's governmental activities decreased by \$1,129,402, mainly due to the remaining \$1,000,000 commitment to Harford County for the Bel Air High School Auditorium Expansion Project, the business-type activities reported an increase of \$86,544.

In the governmental activities, the greatest net change in revenue is in Property Taxes, primarily real property, which increased 8.6% from fiscal year 2007. In the business-type activities, the greatest net change in expenses is the Harford County sewer charges which decreased 19.5%.

The following tables summarize net assets and the changes in net assets for governmental and business-type activities:

NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Assets						
Current and other assets	\$ 3,260,702	\$ 3,294,806	\$ 1,305,622	\$ 1,303,833	\$ 4,566,324	\$ 4,598,639
Capital assets	<u>6,382,561</u>	<u>6,082,295</u>	<u>2,745,252</u>	<u>2,849,113</u>	<u>9,127,813</u>	<u>8,931,408</u>
Total assets	<u>9,643,263</u>	<u>9,377,101</u>	<u>4,050,874</u>	<u>4,152,946</u>	<u>13,694,137</u>	<u>13,530,047</u>
Liabilities						
Long-term liabilities	2,806,885	1,798,722	1,477,211	1,616,877	4,284,096	3,415,599
Other liabilities	<u>1,330,868</u>	<u>943,467</u>	<u>351,542</u>	<u>400,492</u>	<u>1,682,410</u>	<u>1,343,959</u>
Total liabilities	<u>4,137,753</u>	<u>2,742,189</u>	<u>1,828,753</u>	<u>2,017,369</u>	<u>5,966,506</u>	<u>4,759,558</u>
Net Assets						
Invested in capital assets, net of related debt	5,498,595	5,135,749	1,326,182	1,285,307	6,824,777	6,421,056
Restricted	97,471	60,912	156,691	141,691	254,162	202,603
Unrestricted	<u>(90,556)</u>	<u>1,438,251</u>	<u>739,248</u>	<u>708,579</u>	<u>648,692</u>	<u>2,146,830</u>
Total net assets	<u>\$ 5,505,510</u>	<u>\$ 6,634,912</u>	<u>\$ 2,222,121</u>	<u>\$ 2,135,577</u>	<u>\$ 7,727,631</u>	<u>\$ 8,770,489</u>

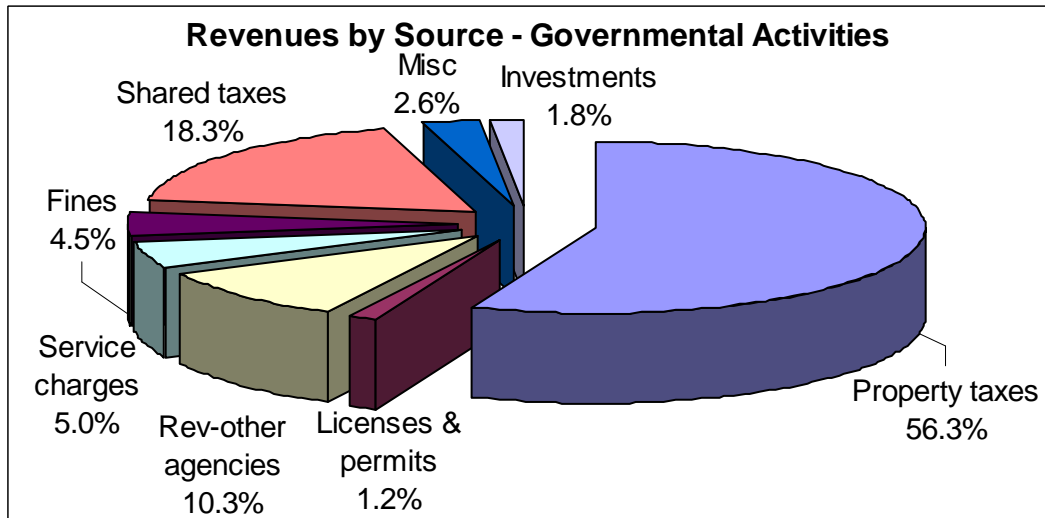
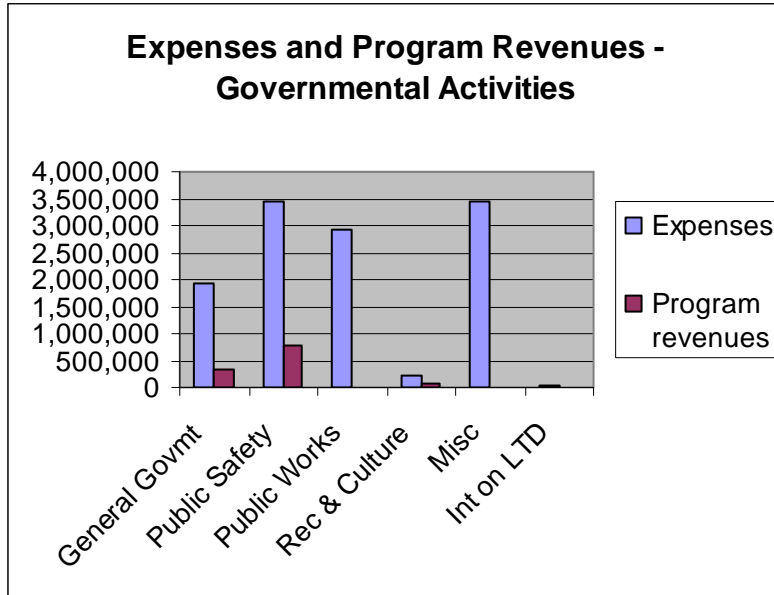
**TOWN OF BEL AIR, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008**

CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues						
Program revenues:						
Charges for services	\$ 1,374,835	\$ 1,174,417	\$ 2,305,351	\$ 2,282,956	\$ 3,680,186	\$ 3,457,373
Operating grants/ contributions	265,547	601,088	-	44,951	265,547	646,039
Capital grants/ contributions	181,593	-	-	15,314	181,593	15,314
General revenues:						
Property taxes	6,112,447	5,452,305	-	-	6,112,447	5,452,305
Shared taxes	2,127,491	1,832,273	-	-	2,127,491	1,832,273
Miscellaneous	609,955	578,013	-	-	609,955	578,013
Unrestricted investment earnings	180,887	195,820	19	31	180,906	195,851
Total revenues	<u>10,852,755</u>	<u>9,833,916</u>	<u>2,305,370</u>	<u>2,343,252</u>	<u>13,158,125</u>	<u>12,177,168</u>
Expenditures						
General government	1,918,912	1,799,896	-	-	1,918,912	1,799,896
Public safety	3,449,902	2,967,355	-	-	3,449,902	2,967,355
Public works	2,917,222	2,667,544	-	-	2,917,222	2,667,544
Recreation and culture	206,859	173,022	-	-	206,859	173,022
Miscellaneous	3,441,879	1,724,083	-	-	3,441,879	1,724,083
Interest on long-term debt	47,383	42,659	-	-	47,383	42,659
Sewer	-	-	1,662,424	1,975,146	1,662,424	1,975,146
Parking facilities	-	-	556,402	511,059	556,402	511,059
Total expenditures	<u>11,982,157</u>	<u>9,374,559</u>	<u>2,218,826</u>	<u>2,486,205</u>	<u>14,200,983</u>	<u>11,860,764</u>
Increase (decrease) in net assets	(1,129,402)	459,357	86,544	(142,953)	(1,042,858)	316,404
Net assets, beginning of year (as restated)	<u>6,634,912</u>	<u>6,175,555</u>	<u>2,135,577</u>	<u>2,278,530</u>	<u>8,770,489</u>	<u>8,454,085</u>
Net assets, end of year (as restated)	<u>\$ 5,505,510</u>	<u>\$ 6,634,912</u>	<u>\$ 2,222,121</u>	<u>\$ 2,135,577</u>	<u>\$ 7,727,631</u>	<u>\$ 8,770,489</u>

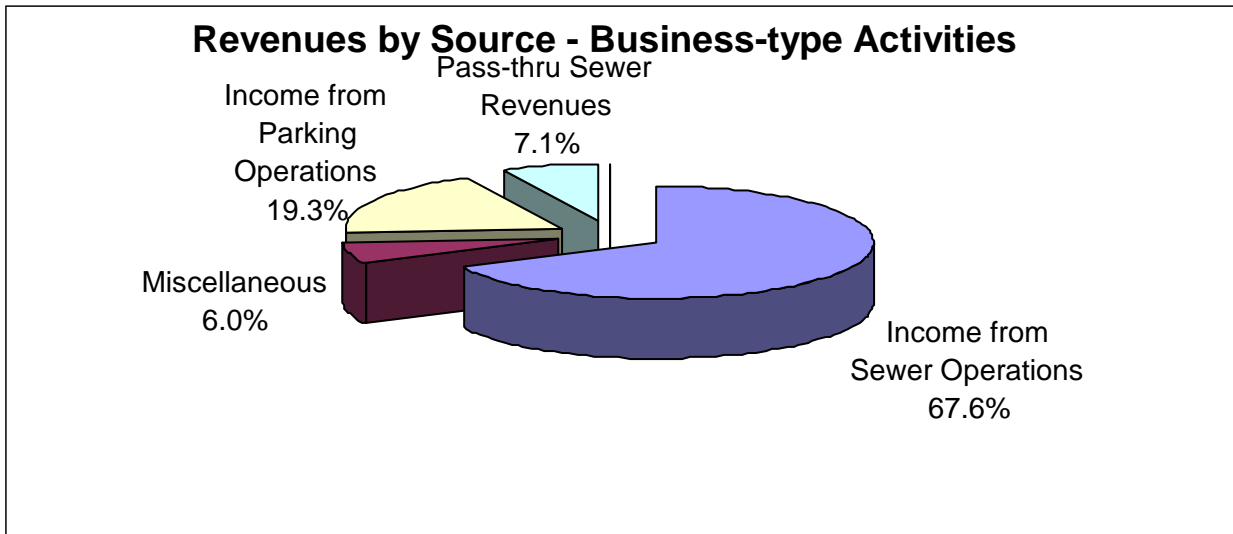
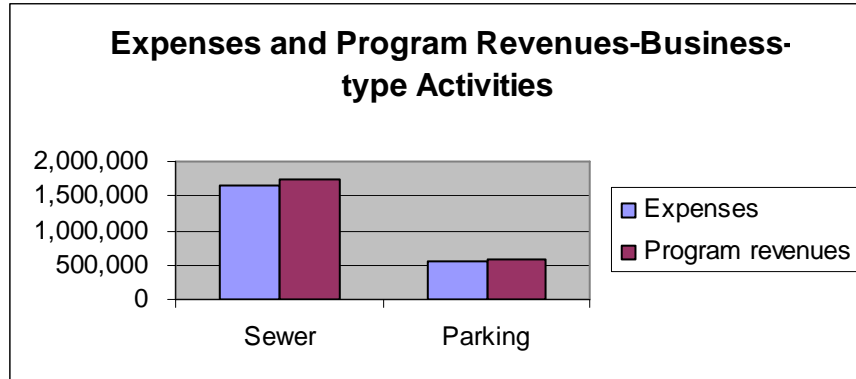
**TOWN OF BEL AIR, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008**

Governmental activities: The net assets of governmental activities decreased by \$1,129,402 of which \$1,000,000 is due to a commitment to Harford County for the Bel Air High School Auditorium project. The Town also anticipated a decrease in net assets based on funding certain Main Street Streetscape costs of \$371,398 from net assets.



**TOWN OF BEL AIR, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008**

Business-type activities: Business-type activities contributed \$86,544 to the net assets of the government. A key element of this increase is found in the Sewer Fund. The primary increase in revenues over expenses in the Sewer Fund is due to no change in the bulk rate from the County, who treats the Town's sewage, as well as lower flows through the Town's three meters.



TOWN OF BEL AIR, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008

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, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at fiscal year-end.

At June 30, 2008, the Town's governmental funds reported a combined ending fund balance of \$2,158,048, a decrease of \$142,485 in comparison with the prior year. Approximately 82.2% of this total amount (\$1,773,778) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period (\$353,115) and 2) for a variety of other reserved purposes (\$31,155). The reserved fund balance, at 17.8% 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 of Bel Air. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$1,680,330, while total fund balance reached \$2,064,600. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 14.6% of total General Fund expenditures, while total fund balance represents 17.9% of that same amount.

The fund balance of the General Fund decreased by \$179,044 during the current fiscal year. This use of fund balance was anticipated; the fiscal year 2008 budget included the appropriation of fund balance in the amount of \$672,578.

The Special Revenue Fund has a total fund balance of \$93,448. The \$36,559 increase in fund balance is due to utilizing less in fund balance to pay for current year expenditures for certain projects/programs than expected.

Proprietary funds. The Town's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Net assets of the Parking Fund and the Sewer Fund were \$1,785,054 and \$437,067, respectively and increased by \$12,992 and 73,552, respectively. Other factors concerning the finances of these funds have been addressed in the discussion of the Town's business-type activities.

TOWN OF BEL AIR, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008

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.

The net assets of the Sworn Officers Pension Trust increased \$28,830 or 1.0% while the net assets of the Civilian Pension Trust decreased \$189,688 or 5.4%, respectively. The slight increase in net assets in the Sworn Officers Pension Trust is due to less benefit payments compared to the loss in earnings. The decrease in net assets in the Civilian Pension Trust is due to an increase in benefit payments as well as the loss in earnings.

General Fund Budgetary Highlights

The final amended budget for the General Fund was decreased \$253,528 from the original budget. The additional major appropriations were needed to support the following initiatives:

- A \$44,000 increase in the Bel Air Reckord Armory was due to additional building maintenance to complete the installation of the air conditioner, install fencing, and complete the locker room project.
- A \$22,300 increase in Miscellaneous was due to the Town paying out unemployment claims for previous employees.
- A \$20,000 increase in the BAHS Auditorium project was due to incurring more costs on the theater design contract than was anticipated.
- A \$151,050 increase in the Public Safety section of the budget was due to an increase in red light camera citations with the reactivation of the Boulton Street/Rt. 24 camera which translates to an increase in costs.
- A \$55,900 increase in the Police Department was for overtime for the traffic grants and the Governor's office grant as well as additional funds for higher gasoline costs and purchasing new barricades.
- Additional funding for the Main Street Streetscape project in the amount of \$50,000 was included in the Public Works Streets Department.
- A \$21,745 increase in the Public Works Streets Department was due to an additional resurfacing contract for Johnson Alley.

TOWN OF BEL AIR, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008

These appropriations were funded from recognition of the following revenues as well as savings in the following expenditure accounts:

- An increase of \$51,000 in real property taxes.
- An increase of \$75,000 in state shared income taxes.
- An increase of \$17,325 in traffic grants from Harford County to fund additional police initiatives such as pedestrian safety, DUI, and tavern appearances.
- A new grant was received from the Governor's Office of Crime Control & Prevention in the amount of \$10,000 to fund additional police overtime for community policing and mobilization.
- An increase of \$219,300 in red light camera fines.
- Additional funding from the unreserved fund balance in the amount of \$71,745 was included to fund the additional resurfacing contract and additional Main Street streetscape costs.
- A decrease of \$38,000 in benefits due to vacancies and several employees on short-term disability during the year.
- The \$27,000 budget in the debt service for the Town Hall/Police Department expansion/renovation project was removed since the financing was not secured on the design contract by year-end.
- A decrease of \$20,000 in the Public Works Administration Department was due to less building and equipment permits issued.
- A decrease of \$35,325 in the Public Works Streets Department was due to salary savings from vacancies and employees on short-term disability.
- A decrease of \$15,000 in the Public Works Sanitation and Refuse Department was due to a savings in the purchase of the refuse truck.

During the year, however, revenues and other financing sources exceeded budgetary estimates by \$73,833 and expenditures were \$204,687 less than anticipated. The Town budgeted to use \$672,578 of the unreserved fund balance at the end of the fiscal year; however, based on additional revenues and spending less than budgeted, only \$394,058 will be used from the unreserved fund balance.

Capital Assets and Debt Administration

Capital assets. The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2008, was \$9,127,813 (net of accumulated depreciation). 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 2.2%, comprised of a 4.9% increase for governmental activities and a 3.6% decrease in business-type activities.

**TOWN OF BEL AIR, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008**

The following table of the Town's capital assets is listed below. Additional information can be found in Note 7 on pages 40-41 of this report.

**CAPITAL ASSETS
(Net of Depreciation)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Land and improvements	\$ 2,764,341	\$ 2,769,959	\$ 852,407	\$ 859,678	\$ 3,616,748	\$ 3,629,637
Buildings and improvements	1,583,311	1,488,972	1,201,834	1,257,366	2,785,145	2,746,338
Infrastructure	137,150	128,512	-	-	137,150	128,512
Machinery and equipment	507,839	482,724	72,238	74,060	580,077	556,784
Furniture and fixtures	258,868	280,994	35	270	258,903	281,264
Vehicles	1,131,052	931,134	262,484	283,401	1,393,536	1,214,535
Parking improvements	-	-	99,903	105,125	99,903	105,125
Sewer system	-	-	256,351	269,213	256,351	269,213
Total	<u>\$ 6,382,561</u>	<u>\$ 6,082,295</u>	<u>\$ 2,745,252</u>	<u>\$ 2,849,113</u>	<u>\$ 9,127,813</u>	<u>\$ 8,931,408</u>

Major capital asset events during the year ending June 30, 2008 included the following:

- A pavilion was built at Rockfield Park with Program Open Space Grant dollars at a cost of \$49,452.
- Leasehold improvements totaling \$114,359 were completed in the Bel Air Reckord Armory.
- The Police Department purchased a new K-9 dog at a cost of \$4,850.
- The Police Department purchased three new vehicles as replacements for three older ones at a total cost of \$55,017.
- The Police Department purchased a pistol (\$5,818) to be used with the donated training equipment (\$50,000).
- The Public Works Department purchased a 12-ton trailer (\$14,792), a new refuse truck and sold the old one (\$139,518), and a new street sweeper and sold the old one (\$176,866).
- The Public Works Department contracted to have new sidewalks and handicap ramps installed for a total cost of \$13,450.
- The Town purchased \$13,975 worth of computer hardware/software during the year.
- The Town sold the following major assets at various public auctions and were removed from the Town's capital assets: two police vehicles (\$39,918), street sweeper (\$106,798), one Town vehicle (\$9,060), and one Public Works vehicles (\$54,000).
- There were no new capital purchases in the Parking Fund.
- In the Sewer Fund, various pumps were purchased totaling \$15,466.

**TOWN OF BEL AIR, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008**

Debt administration. At June 30, 2008, the Town had total general obligation bonded debt of \$2,700,036. 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 remainder of the Town's debt is comprised of notes for major equipment and vehicles totaling \$978,342 and a note for the fuel storage tank replacement of \$124,658, and an obligation to the Liquor Control Board employees' retirement system of \$13,037.

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
General bonded debt	<u>\$1,500,000</u>	<u>\$ 240,557</u>	<u>\$1,200,036</u>	<u>\$1,297,490</u>	<u>\$2,700,036</u>	<u>\$1,538,047</u>

The Town's total governmental long-term debt increased by \$1,259,443 and business-type long-term debt decreased by \$97,454. During the year, \$566,591 in debt was retired of which \$240,557 was paid off early on the Town of Bel Air Refunding Bonds, Series 1999. The Town entered into a \$400,094 seven-year note for three police vehicles, a low body trailer for Public Works, a refuse truck for Public Works, and a street sweeper for Public Works, and a \$1,500,000 three-year installment commitment to Harford County for the Bel Air High School Auditorium project (\$500,000 was financed via a ten-year bond for this fiscal year's installment).

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. At June 30, 2008, the debt limitation is \$63,414,064, 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 8 on pages 41-42 of this report.

Economic Factors and Next Year's Budgets and Rates

- The State of Maryland Assessments and Taxation Department completed its triennial assessment for Town residents effective beginning in fiscal year 2009, which assesses the Town every third year, along with a cap of 10% on residential properties. During the next fiscal year, the Town will experience an increase in real property taxes since it will be the first year of the triennial assessment. Real property tax revenues for fiscal year 2009 are expected to grow by 13.4% over those projected for fiscal year 2008.
- Income tax revenues are projected to slow in growth over the previous year due to the slowing economy. As a result income tax revenues are projected to increase by 1.6%.
- Based on the projection from the State Highway Administration, state highway user revenues for fiscal year 2009 are budgeted at 2.1% lower than those budgeted for fiscal year 2008; however, the revenues collected for fiscal year 2008 were less than budget and would result in a 2.4% decrease. The Town will be watching the 2009 legislative session closely though since the State may possibly cut highway revenues to local governments in order to help fund the State's deficit.

TOWN OF BEL AIR, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008

- With anticipating a steady decline in interest rates due to the Federal Reserve lowering its benchmark interest rates because of the slowing economy, the Town budgeted its interest on investments to decrease by 4.2% over fiscal year 2008 revenues.
- The Town will finance its second \$500,000 contribution to Harford County for the Bel Air High School Auditorium Expansion project.
- The Town will continue utilizing Community Legacy and Community Development Block Grant monies to conduct a market study and major improvements at the Bel Air Reckord Armory.
- The Town budgeted \$62,000 for various building maintenance projects.
- The Town amended the fiscal year 2009 budget on November 17, 2008 to add \$309,800 to fund the design of an expansion/renovation to Town Hall/Police Department which was financed with a local bank.
- The Finance Department will contract with an actuary to have its OPEB actuarial valuation completed.
- The Planning Department budgeted \$20,000 to provide funding to develop design and engineering drawings for a bicycle pedestrian linkage along George Street to connect Main Street/Bond Street corridor with Harford Mall. The department also budgeted \$20,000 to be used for associated studies, mapping, and draft plan development with regard to the revision of the Comprehensive Plan, and \$20,000 to be used for technical assistance in revising the Development Regulations.
- The Town intends to purchase three police vehicles, a dump truck, a compact utility tractor, a chipper truck, and a stake flat body truck during fiscal year 2009 which will be financed with a local bank.
- The Public Works Department budgeted \$306,255 in street, sidewalk, and curb/gutter construction work to be completed at specific locations.

All of these factors were considered in preparing the Town's budget for the 2009 fiscal year. The budget does not include usage of the unreserved fund balance to fund current appropriations.

The real and personal property tax rates remain unchanged in fiscal year 2009 at a current real property tax rate of \$.50 per \$100 of assessed value and the personal property tax rate is \$1.16 per \$100 of assessed value.

The Sewer Fund user rate and base charge will increase by 4.1% for fiscal year 2009 and will affect both residential and commercial customers. The percentage adjustment is according to the change in the Consumer Price Index each fiscal year. A project to replace and increase in size the existing 8" sanitary sewer main with a 12" line on Moores Mill Road is budgeted to be done concurrently with the installation of a new storm water box culvert by Harford County. An inflow and infiltration project to cover the costs of repairs to sections of sanitary sewer pipes in the Stoneleigh section of Town is also budgeted.

TOWN OF BEL AIR, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008

In the Parking Fund, meter collections and parking fines were brought back to normal levels before the Main Street Streetscape project since it has been completed. The Town started a pilot program with new smartcard parking meters in fiscal year 2007 and will continue to purchase the meters to replace the old meters at the Burns Alley parking lot and two sections of the parking garage. Funds are budgeted to fund the sealing of the majority of weld plates in the garage.

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 Hickory Avenue, Bel Air, Maryland 21014 or send an e-mail to lmoody@belairmd.org.

FINANCIAL STATEMENTS

TOWN OF BEL AIR, MARYLAND
STATEMENT OF NET ASSETS
June 30, 2008

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,016,254	\$ 570	\$ 1,016,824
Restricted cash and cash equivalents	93,181	288	93,469
Investments	1,403,000	-	1,403,000
Accounts receivable	136,480	425,583	562,063
Real and personal property taxes receivable	133,542	-	133,542
Accrued interest receivable	27,178	-	27,178
Due from other units of government	592,227	-	592,227
Internal balances	(358,342)	358,342	-
Prepaid expenses	27,366	-	27,366
Net pension asset	189,816	-	189,816
Capital assets, not being depreciated	2,662,735	777,518	3,440,253
Capital assets, net of accumulated depreciation	3,719,826	1,967,734	5,687,560
Deferred financing costs	-	31,279	31,279
Deferred costs on parking garage debt	-	63,521	63,521
Other assets	-	426,039	426,039
	<u>9,643,263</u>	<u>4,050,874</u>	<u>13,694,137</u>
LIABILITIES			
Accounts payable	233,251	349,601	582,852
Accrued liabilities	212,335	-	212,335
Payroll withholdings	7,836	-	7,836
Deposits and other escrows held	46,580	-	46,580
Unearned revenue	330,866	1,941	332,807
Non-current liabilities:			
Due within one year	772,926	139,821	912,747
Due in more than one year	2,533,959	1,337,390	3,871,349
	<u>4,137,753</u>	<u>1,828,753</u>	<u>5,966,506</u>
NET ASSETS			
Invested in capital assets, net of related debt	5,498,595	1,326,182	6,824,777
Restricted	97,471	156,691	254,162
Unrestricted	(90,556)	739,248	648,692
	<u>\$ 5,505,510</u>	<u>\$ 2,222,121</u>	<u>\$ 7,727,631</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF BEL AIR, MARYLAND
STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

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	\$ 1,918,912	\$ 209,046	\$ 5,000	\$ 115,338	\$ (1,589,528)	\$ -	\$ (1,589,528)
Public safety	3,449,902	521,937	256,789	-	(2,671,176)	-	(2,671,176)
Public works	2,917,222	643,852	-	9,900	(2,263,470)	-	(2,263,470)
Recreation and culture	206,859	-	3,758	56,355	(146,746)	-	(146,746)
Miscellaneous	3,441,879	-	-	-	(3,441,879)	-	(3,441,879)
Interest on long-term debt	47,383	-	-	-	(47,383)	-	(47,383)
Total governmental activities	<u>11,982,157</u>	<u>1,374,835</u>	<u>265,547</u>	<u>181,593</u>	<u>(10,160,182)</u>	<u>-</u>	<u>(10,160,182)</u>
Business-type activities							
Sewer	1,662,424	1,735,976	-	-		73,552	73,552
Parking facilities	556,402	569,375	-	-		12,973	12,973
Total business-type activities	<u>2,218,826</u>	<u>2,305,351</u>	<u>-</u>	<u>-</u>		<u>86,525</u>	<u>86,525</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 14,200,983</u>	<u>\$ 3,680,186</u>	<u>\$ 265,547</u>	<u>\$ 181,593</u>		<u>86,525</u>	<u>(10,073,657)</u>
GENERAL REVENUES							
Taxes:							
Property taxes, levied for general purposes					6,112,447	-	6,112,447
Shared taxes					2,127,491	-	2,127,491
Miscellaneous					609,955	-	609,955
Unrestricted investment earnings					180,887	19	180,906
Total general revenues					<u>9,030,780</u>	<u>19</u>	<u>9,030,799</u>
CHANGE IN NET ASSETS					(1,129,402)	86,544	(1,042,858)
NET ASSETS, BEGINNING OF YEAR (AS RESTATED)					6,634,912	2,135,577	8,770,489
NET ASSETS, END OF YEAR					<u>\$ 5,505,510</u>	<u>\$ 2,222,121</u>	<u>\$ 7,727,631</u>

The accompanying notes are an integral part of the financial statements.

**TOWN OF BEL AIR, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008**

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,016,254	\$ -	\$ 1,016,254
Restricted cash and cash equivalents	82,166	11,015	93,181
Investments	1,403,000	-	1,403,000
Accounts receivable	716,643	12,064	728,707
Accrued interest receivable	27,178	-	27,178
Property taxes receivable - net	133,542	-	133,542
Due from other funds	-	73,051	73,051
Prepaid costs	27,132	234	27,366
	\$ 3,405,915	\$ 96,364	\$ 3,502,279
TOTAL ASSETS	\$ 3,405,915	\$ 96,364	\$ 3,502,279
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 230,335	\$ 2,916	\$ 233,251
Accrued costs	183,392	-	183,392
Payroll withholdings	7,836	-	7,836
Deposits	46,580	-	46,580
Deferred revenue	441,779	-	441,779
Due to other funds	431,393	-	431,393
	1,341,315	2,916	1,344,231
Total liabilities	1,341,315	2,916	1,344,231
FUND BALANCES			
Reserved for centennial activities	4,023	-	4,023
Reserved for prepaid costs	27,132	-	27,132
Reserved for encumbrances	353,115	-	353,115
Unreserved:			
Special revenue	-	93,448	93,448
Undesignated	1,680,330	-	1,680,330
	2,064,600	93,448	2,158,048
Total fund balances	2,064,600	93,448	2,158,048
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,405,915	\$ 96,364	\$ 3,502,279

The accompanying notes are an integral part of the financial statements.

TOWN OF BEL AIR, MARYLAND
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2008

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS (page 20)	\$ 2,158,048
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Certain receivables are offset by deferred revenue in the governmental funds since they are not available to pay for current period expenditures. This is the amount of deferred revenue related to these receivables.	110,914
Net pension assets are not financial resources and therefore are not reported as assets in governmental funds.	189,816
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 \$10,010,518 and the accumulated depreciation is \$3,627,957.	6,382,561
Noncurrent liabilities are not reported as liabilities in the governmental funds.	(3,306,885)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	<u>(28,944)</u>
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES (page 18)	<u><u>\$ 5,505,510</u></u>

The accompanying notes are an integral part of the financial statements.

TOWN OF BEL AIR, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2008

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES			
Taxes - local	\$ 6,007,402	\$ -	\$ 6,007,402
Taxes - state shared	1,955,242	-	1,955,242
Licenses and permits	130,102	-	130,102
Revenue from other agencies	937,778	161,593	1,099,371
Service charges for current services	538,206	-	538,206
Fines	483,854	-	483,854
Miscellaneous	388,145	69,903	458,048
Total revenues	<u>10,440,729</u>	<u>231,496</u>	<u>10,672,225</u>
EXPENDITURES			
General government	1,876,593	104,253	1,980,846
Public safety	3,408,049	15,595	3,423,644
Public works	3,149,858	9,900	3,159,758
Recreation and parks	141,670	65,189	206,859
Miscellaneous	2,441,879	-	2,441,879
Debt service:			
Principal	463,295	-	463,295
Interest	38,523	-	38,523
Total expenditures	<u>11,519,867</u>	<u>194,937</u>	<u>11,714,804</u>
Excess (deficiency) of revenues over expenditures	<u>(1,079,138)</u>	<u>36,559</u>	<u>(1,042,579)</u>
OTHER FINANCING SOURCES			
Equipment/vehicle proceeds	400,094	-	400,094
Bond proceeds	500,000	-	500,000
Total other financing sources	<u>900,094</u>	<u>-</u>	<u>900,094</u>
Excess (deficiency) of revenues and other financing sources over expenditures	(179,044)	36,559	(142,485)
FUND BALANCES, BEGINNING OF YEAR	<u>2,243,644</u>	<u>56,889</u>	<u>2,300,533</u>
FUND BALANCES, END OF YEAR	<u>\$ 2,064,600</u>	<u>\$ 93,448</u>	<u>\$ 2,158,048</u>

The accompanying notes are an integral part of the financial statements.

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, 2008

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUND (page 22)	\$ (142,485)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>	
<p>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 \$668,690 is exceeded by depreciation expense of \$345,134 in the period.</p>	323,556
<p>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 \$289,976, less any accumulated depreciation of \$266,686.</p>	(23,290)
<p>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, vacation, sick and compensatory leave used exceeded the amounts earned by \$71,364.</p>	(71,364)
<p>In the Statement of Activities, only the annual required contribution relating to the pensions is reported, whereas in the governmental funds, the actual amount contributed is an expenditure. This year, the actual amount exceeded the required amount by \$49,310.</p>	49,310
<p>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 revenue in the governmental funds which is recognized as revenue in the Statement of Activities.</p>	180,530
<p>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 2008.</p>	463,295
<p>Long-term debt proceeds are an other financing source in the governmental funds, but the proceeds increases long-term liabilities in the Statement of Net Assets. This is the amount of long-term debt proceeds for 2008.</p>	(900,094)
<p>In the Statement of Activities, the balance of the commitment to Harford County for the Bel Air High School Auditorium would be considered an expense.</p>	(1,000,000)
<p>Interest expense in the Statement of Activities differs from the amount reported in governmental funds due to the net change in accrued interest.</p>	<u>(8,860)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (page 19)	<u><u>\$ (1,129,402)</u></u>

The accompanying notes are an integral part of the financial statements.

TOWN OF BEL AIR, MARYLAND
STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
GENERAL FUND
(NON-GAAP BUDGETARY BASIS)
Year Ended June 30, 2008

	<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	\$ 6,015,516	\$ 5,954,453	\$ 6,007,402	\$ 52,949
Taxes - state shared	1,879,522	1,951,028	1,955,242	4,214
Licenses and permits	137,000	132,000	130,102	(1,898)
Revenues from other agencies	927,609	940,834	937,778	(3,056)
Service charges for current services	600,698	534,957	538,206	3,249
Fines	277,500	496,800	483,854	(12,946)
Miscellaneous	354,324	356,824	388,145	31,321
Total revenues	<u>10,192,169</u>	<u>10,366,896</u>	<u>10,440,729</u>	<u>73,833</u>
EXPENDITURES				
Current:				
General government	2,514,498	2,063,750	1,982,409	81,341
Public safety	3,239,036	3,440,986	3,408,049	32,937
Public works	3,267,250	3,268,670	3,259,281	9,389
Recreation and parks	146,535	146,535	141,670	4,865
Miscellaneous	2,480,648	2,490,498	2,441,654	48,844
Debt service	545,129	529,129	501,818	27,311
Total expenditures	<u>12,193,096</u>	<u>11,939,568</u>	<u>11,734,881</u>	<u>204,687</u>
(Deficiency) of revenues over expenditures	<u>(2,000,927)</u>	<u>(1,572,672)</u>	<u>(1,294,152)</u>	<u>278,520</u>
OTHER FINANCING SOURCES				
Equipment/vehicle proceeds	400,094	400,094	400,094	-
Bond proceeds	1,000,000	500,000	500,000	-
Total other financing sources	<u>1,400,094</u>	<u>900,094</u>	<u>900,094</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES				
	<u>\$ (600,833)</u>	<u>\$ (672,578)</u>	<u>(394,058)</u>	<u>\$ 278,520</u>
FUND BALANCE - BEGINNING OF YEAR			<u>2,243,644</u>	
FUND BALANCE - END OF YEAR			<u>\$ 1,849,586</u>	

The accompanying notes are an integral part of the financial statements.

TOWN OF BEL AIR, MARYLAND
STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
SPECIAL REVENUE FUND
(NON-GAAP BUDGETARY BASIS)
Year Ended June 30, 2008

	<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	\$ 40,214	\$ 45,214	\$ 5,000	\$ (40,214)
Rockfield Park	62,500	62,500	52,597	(9,903)
MD Improvement Program grant	4,000	4,000	-	(4,000)
Tree planting - forest conservation	3,758	3,758	3,758	-
MEMA grant	-	25,300	9,900	(15,400)
Community Legacy grant	100,000	100,000	90,338	(9,662)
	<u>210,472</u>	<u>240,772</u>	<u>161,593</u>	<u>(79,179)</u>
Total - revenue from other agencies				
Miscellaneous	<u>49,842</u>	<u>49,842</u>	<u>69,903</u>	<u>20,061</u>
Total revenues	<u>260,314</u>	<u>290,614</u>	<u>231,496</u>	<u>(59,118)</u>
EXPENDITURES				
General government	150,214	155,214	104,253	50,961
Public safety	14,000	14,000	15,595	(1,595)
Public works	-	25,300	9,900	15,400
Recreation and parks	91,500	91,500	65,189	26,311
Miscellaneous	4,600	4,600	-	4,600
	<u>260,314</u>	<u>290,614</u>	<u>194,937</u>	<u>95,677</u>
Total expenditures				
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	36,559	<u>\$ 36,559</u>
FUND BALANCE - BEGINNING OF YEAR			<u>56,889</u>	
FUND BALANCE - END OF YEAR			<u>\$ 93,448</u>	

The accompanying notes are an integral part of the financial statements.

TOWN OF BEL AIR, MARYLAND
STATEMENT OF NET ASSETS – PROPRIETARY FUNDS
(ENTERPRISE FUNDS)
June 30, 2008

	<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	288	-	288
Accounts receivable	38,296	387,287	425,583
Accrued interest receivable	-	-	-
Due from other funds	228,036	131,960	359,996
Prepaid expenses	-	-	-
Deferred costs on parking garage debt	63,521	-	63,521
Deferred financing costs	15,639	-	15,639
Total current assets	<u>346,350</u>	<u>519,247</u>	<u>865,597</u>
Noncurrent Assets			
Land	777,518	-	777,518
Capital assets, net	1,402,126	565,608	1,967,734
Deferred financing costs	15,640	-	15,640
Other assets	-	426,039	426,039
Total noncurrent assets	<u>2,195,284</u>	<u>991,647</u>	<u>3,186,931</u>
Total assets	<u>2,541,634</u>	<u>1,510,894</u>	<u>4,052,528</u>
LIABILITIES			
Current Liabilities			
Accounts payable and accrued expenses	14,224	335,377	349,601
Due to other funds	-	1,654	1,654
Unearned revenue	1,941	-	1,941
Accrued compensated absences	22,195	35,946	58,141
Notes payable	6,086	32,504	38,590
Bonds payable	57,293	43,938	101,231
Total current liabilities	<u>101,739</u>	<u>449,419</u>	<u>551,158</u>
Noncurrent Liabilities			
Note payable - long-term	16,239	164,205	180,444
Bonds payable - long-term	638,602	460,203	1,098,805
Total noncurrent liabilities	<u>654,841</u>	<u>624,408</u>	<u>1,279,249</u>
Total liabilities	<u>756,580</u>	<u>1,073,827</u>	<u>1,830,407</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,461,424	(135,242)	1,326,182
Restricted	156,691	-	156,691
Unrestricted	166,939	572,309	739,248
TOTAL NET ASSETS	<u>\$ 1,785,054</u>	<u>\$ 437,067</u>	<u>\$ 2,222,121</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF BEL AIR, MARYLAND
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS
PROPRIETARY FUNDS
(ENTERPRISE FUNDS)
Year Ended June 30, 2008

	<u>Parking Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
OPERATING REVENUES			
Service Charges for Current Services			
Sanitation and Waste Removal			
Sewerage charges	\$ -	\$ 1,558,317	\$ 1,558,317
Sewer connection charges	-	138,844	138,844
Other revenues	-	12,880	12,880
User benefit fees	-	25,935	25,935
Highway and Streets			
Meter collections	161,241	-	161,241
Lease fees	153,731	-	153,731
Fines and Forfeitures			
Parking	129,092	-	129,092
Miscellaneous			
County share operating expenses and capital repairs	122,121	-	122,121
Miscellaneous	3,190	-	3,190
Total operating revenues	<u>569,375</u>	<u>1,735,976</u>	<u>2,305,351</u>
OPERATING EXPENSES			
Salaries	-	112,245	112,245
Contractual services	-	972,046	972,046
Transfer to general fund - administrative costs	245,574	190,675	436,249
Supplies	-	21,997	21,997
Utilities	-	12,160	12,160
Depreciation	70,690	48,637	119,327
Amortization	79,160	36,936	116,096
Maintenance	5,601	42,586	48,187
Compensated absences	(9,537)	4,347	(5,190)
Other	30,942	21,296	52,238
Connection costs	-	138,844	138,844
User benefit fees	-	25,935	25,935
Postage	1,278	4,943	6,221
Garage operations	99,773	-	99,773
Total operating expenses	<u>523,481</u>	<u>1,632,647</u>	<u>2,156,128</u>
Operating income	<u>45,894</u>	<u>103,329</u>	<u>149,223</u>
Non-Operating Revenue (Expenses)			
Investment income	19	-	19
Investment expenses	(32,921)	(29,777)	(62,698)
Net non-operating expenses	<u>(32,902)</u>	<u>(29,777)</u>	<u>(62,679)</u>
CHANGE IN NET ASSETS	12,992	73,552	86,544
NET ASSETS, BEGINNING OF YEAR	<u>1,772,062</u>	<u>363,515</u>	<u>2,135,577</u>
NET ASSETS, END OF YEAR	<u>\$ 1,785,054</u>	<u>\$ 437,067</u>	<u>\$ 2,222,121</u>

The accompanying notes are an integral part of the financial statements.

**TOWN OF BEL AIR, MARYLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(ENTERPRISE FUNDS)
Year Ended June 30, 2008**

	<u>Parking Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from sewer charges	\$ -	\$ 1,703,152	\$ 1,703,152
Cash received from parking charges	483,006	-	483,006
Payments to suppliers	(391,787)	(1,471,389)	(1,863,176)
Payments to employees	-	(112,067)	(112,067)
Net cash provided by operating activities	<u>91,219</u>	<u>119,696</u>	<u>210,915</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Cash payment of bond principal	(54,957)	(31,180)	(86,137)
Cash payment of note principal	(5,842)	(42,497)	(48,339)
Interest paid on long-term obligation	(33,023)	(30,553)	(63,576)
Acquisition of capital assets	-	(15,466)	(15,466)
Net cash used in financing activities	<u>(93,822)</u>	<u>(119,696)</u>	<u>(213,518)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	19	-	19
NET DECREASE IN CASH AND CASH EQUIVALENT:	<u>(2,584)</u>	<u>-</u>	<u>(2,584)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>3,442</u>	<u>-</u>	<u>3,442</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 858</u>	<u>\$ -</u>	<u>\$ 858</u>

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

Operating income	\$ 45,894	\$ 103,329	\$ 149,223
Adjustments to reconcile net operating income to net cash provided by operating activities:			
Depreciation and amortization	149,850	85,573	235,423
Effects of changes in operating assets and liabilities:			
Accounts receivable	(33,536)	(6,414)	(39,950)
Due from other funds	(54,184)	(26,335)	(80,519)
Accounts payable	(8,619)	(40,729)	(49,348)
Unearned revenue	1,351	(75)	1,276
Compensated absences payable	(9,537)	4,347	(5,190)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 91,219</u>	<u>\$ 119,696</u>	<u>\$ 210,915</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF BEL AIR, MARYLAND
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2008

ASSETS

Cash and cash equivalents	\$ 264,523
Investments:	
Mutual funds	5,270,360
Fiscal agents	<u>671,641</u>
Total assets	<u>6,206,524</u>

LIABILITIES

Accounts payable	<u>64,680</u>
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NET ASSETS

Held in trust for pension benefits	<u>\$ 6,141,844</u>
(See notes to financial statements for the plan's schedule of funding progress.)	

The accompanying notes are an integral part of the financial statements.

TOWN OF BEL AIR, MARYLAND
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
Year Ended June 30, 2008

ADDITIONS

Contributions:

Employer contributions	\$ 448,911
Employee contributions	178,743
Total contributions	627,654

Investment loss:

Net decrease in the fair value of investments	(320,332)
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Total additions	307,322
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DEDUCTIONS

Benefit payments	410,611
Contractual services	57,569
Total deductions	468,180

CHANGE IN NET ASSETS	(160,858)
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NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:

BEGINNING OF YEAR	6,302,702
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END OF YEAR	\$ 6,141,844
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The accompanying notes are an integral part of the financial statements.

TOWN OF BEL AIR, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

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 Assets and the Statement of Activities) report information on all of the nonfiduciary 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 Town applies Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, in accounting and reporting for its proprietary operations unless they conflict with or contradict GASB pronouncements. 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, 2008

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 parks, 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 nonoperating 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 nonoperating revenues and expenses.

TOWN OF BEL AIR, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

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 Assets 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 at June 30, 2008, amounted to \$133,542. 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. Allowances for uncollectible accounts are maintained on all types of receivables that historically experience bad debt. Receivables are shown net of such an allowance for uncollectibles.

Real 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 2008, the personal property tax rate was \$1.16 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. Restricted cash in the Parking Fund represents cash designated for parking lot construction. Where they can be restricted assets are used before unrestricted assets.

Deferred Financing Costs

Deferred financing costs represent expenses incurred in regards to the Parking Fund debt (Certificates of Participation). These costs are being amortized over 16 years, the original repayment period of the Certificates of Participation.

TOWN OF BEL AIR, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Net Assets 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 fair market value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or extend asset lives are not capitalized.

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

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

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 Assets. In the governmental fund financial statements, the face amount of the debt issued is reported as other financing proceeds.

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.

TOWN OF BEL AIR, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accumulated Unpaid Vacation, Sick and Compensatory Pay

At June 30, 2008, the liability for Town employees for accrued vacation, sick and compensatory leave was \$429,749, \$484,683 and \$53,591, 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 Assets/Fund Equity

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

Invested in capital assets, net of related debt – This category groups all capital assets 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 assets – This category represents external restrictions imposed by creditors, grantors, laws and regulations of other governments.

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

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for specific purpose. Designations of fund balance represent tentative plans by management that are subject to change.

TOWN OF BEL AIR, MARYLAND
NOTES TO FINANCIAL STATEMENTS
 June 30, 2008

**NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE
 AND FUND FINANCING STATEMENTS**

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

The governmental funds Balance Sheet includes a reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide Statement of Net Assets. One element of that reconciliation is non-current liabilities. Noncurrent liabilities applicable to the Town's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but is recognized as an expenditure when due. All liabilities, both current and noncurrent are reported in the Statement of Activities. The summary of the \$3,306,885 difference is as follows:

Harford County Liquor Board	\$ 13,037
Equipment/vehicle obligations	759,308
Compensated absences	909,882
Bel Air High School auditorium	1,500,000
Fuel storage tank replacement note	<u>124,658</u>
 Total	 <u>\$ 3,306,885</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 assets 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 \$323,556 difference is found on page 23.

TOWN OF BEL AIR, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

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 follows:

	<u>Revenues</u>	<u>Other Financing Sources</u>	<u>Expenditures</u>	<u>Current Year Effect on Fund Balance</u>
General Fund				
Budgetary basis	\$ 10,440,729	\$ 900,094	\$ 11,734,881	\$ (394,058)
Current year encumbrances	-	-	(353,115)	353,115
Prior year encumbrances	-	-	138,101	(138,101)
GAAP basis	<u>\$ 10,440,729</u>	<u>\$ 900,094</u>	<u>\$ 11,519,867</u>	<u>\$ (179,044)</u>

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.

TOWN OF BEL AIR, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 4 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Budgetary Information (Continued)

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.

A. Cash on hand

At year-end, cash on hand for petty cash and change funds was \$1,570.

B. Deposits

At year-end, the carrying amount of the Town's bank deposits was \$14,920 and the bank balance was \$95,600. All of the bank balance, \$95,600, was covered by federal deposit insurance. No additional collateralization was necessary. The deposits of the Town were not exposed to custodial credit risk at June 30, 2008.

C. Cash equivalents

At June 30, 2008, the Town's cash equivalents consisted of money market funds held by the Maryland Local Government Investment Pool totaling \$1,093,803.

TOWN OF BEL AIR, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 5 – CASH AND INVESTMENTS (CONTINUED)

Investments

Investments consist of Certificates of Deposit with varying maturities and interest rates ranging from 3.39% to 5.39% which are all covered by federal deposit insurance. Investments have maturities between October 2008 through March 2010.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>	
		<u>Less than 1 Year</u>	<u>1 to 2</u>
Certificates of Deposit	<u>\$ 1,403,000</u>	<u>\$ 1,333,000</u>	<u>\$ 70,000</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, 2008 met the Town's investment policy as of that date.

Investment income includes the following for the year ended June 30, 2008:

Net interest and dividends – governmental activities	<u>\$ 180,887</u>
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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. At June 30, 2008, 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.

TOWN OF BEL AIR, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 5 – CASH (CONTINUED)

Pension Investments

As of June 30, 2008, 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	\$ 738,999	\$ 746,294	7 years
Short-term Bond Fund	250,086	251,355	2.8 years

The mutual funds are unrated.

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

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.

NOTE 6 – DEFERRED FINANCING COSTS

	Balance July 1, 2007	Additions	Amortization	Ending Balance June 30, 2008
Deferred financing costs	<u>\$ 46,918</u>	<u>\$ -</u>	<u>\$ 15,639</u>	<u>\$ 31,279</u>

NOTE 7 – CHANGES IN CAPITAL ASSETS

Additions and disposals of fixed capital assets during the year ended June 30, 2008 are shown below:

	Balance July 1, 2007	Additions and Transfers	Disposals and Transfers	Ending Balance June 30, 2008
Governmental Activities				
Land – not being depreciated	\$ 2,662,735	\$ -	\$ -	\$ 2,662,735
Buildings and improvements	3,513,902	163,811	-	3,677,713
Infrastructure	134,672	13,450	-	148,122
Machinery and equipment	809,211	83,155	13,848	878,518
Furniture and fixtures	482,924	16,814	46,293	453,445
Vehicles	<u>2,028,360</u>	<u>391,460</u>	<u>229,835</u>	<u>2,189,985</u>
Total	9,631,804	668,690	289,976	10,010,518
Less – accumulated depreciation	<u>3,549,509</u>	<u>345,134</u>	<u>266,686</u>	<u>3,627,957</u>
Capital assets, net	<u>\$ 6,082,295</u>	<u>\$ 323,556</u>	<u>\$ 23,290</u>	<u>\$ 6,382,561</u>

TOWN OF BEL AIR, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 7 – CHANGES IN CAPITAL ASSETS (CONTINUED)

	<u>Balance July 1, 2007</u>	<u>Additions and Transfers</u>	<u>Disposals</u>	<u>Ending Balance June 30, 2008</u>
Proprietary Funds				
Parking fund:				
Parking lots	\$ 777,518	\$ -	\$ -	\$ 777,518
Parking improvements	400,296	-	-	400,296
Garage	2,137,374	-	-	2,137,374
Parking vehicle	43,226	-	-	43,226
Equipment	<u>2,265</u>	<u>-</u>	<u>-</u>	<u>2,265</u>
	<u>3,360,679</u>	<u>-</u>	<u>-</u>	<u>3,360,679</u>
Sewer fund:				
Sewer pipes and storm drain	914,840	-	-	914,840
Equipment	166,156	15,466	-	181,622
Vehicle	<u>289,909</u>	<u>-</u>	<u>-</u>	<u>289,909</u>
	<u>1,370,905</u>	<u>15,466</u>	<u>-</u>	<u>1,386,371</u>
Total	4,731,584	15,466	-	4,747,050
Less – accumulated depreciation	<u>1,882,471</u>	<u>119,327</u>	<u>-</u>	<u>2,001,798</u>
Capital assets, net	<u>\$ 2,849,113</u>	<u>\$ (103,861)</u>	<u>\$ -</u>	<u>\$ 2,745,252</u>

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

General government	\$ 121,914
Public safety	107,608
Public works	<u>115,612</u>
Total depreciation expense – governmental activities	<u>\$ 345,134</u>

At June 30, 2008, accumulated depreciation for the Parking Fund and Sewer Fund amounted to \$1,181,035 and \$820,763, respectively. Depreciation expense as of June 30, 2008 amounted to \$70,690 in the Parking Fund and \$48,637 in the Sewer Fund.

NOTE 8 – NONCURRENT LIABILITIES

Noncurrent liability transactions of the Town for the year ended June 30, 2008 are presented below. These do not include deferred refunding costs and changes in deferred refunding costs which were deducted on the Statement of Net Assets.

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance June 30, 2008</u>	<u>Due Within One Year</u>
Governmental activities					
Liquor Control Board employees' retirement system obligation	\$ 13,658	\$ -	\$ 621	\$ 13,037	\$ 662
Equipment/vehicle notes	548,553	400,094	189,339	759,308	191,893
Accrued vacation, sick and compensatory leave	838,518	71,364	-	909,882	-
Refunding Bonds – 1999	240,557	-	240,557	-	-
Fuel storage tank replacement note	157,436	-	32,778	124,658	33,998
BAHS Auditorium commitments	-	1,500,000	500,000	1,000,000	500,000
G.O. Bond 2008A BAHS Auditorium	<u>-</u>	<u>500,000</u>	<u>-</u>	<u>500,000</u>	<u>46,373</u>
Total governmental activity liabilities	<u>\$ 1,798,722</u>	<u>\$ 2,471,458</u>	<u>\$ 963,295</u>	<u>\$ 3,306,885</u>	<u>\$ 772,926</u>

TOWN OF BEL AIR, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 8 – NONCURRENT LIABILITIES (CONTINUED)

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance June 30, 2008</u>	<u>Due Within One Year</u>
Business-type activities					
Parking Fund:					
Parking garage bond, 2007	\$ 750,852	\$ -	\$ 54,957	\$ 695,895	\$ 57,293
Parking garage sweeper note	28,167	-	5,842	22,325	6,086
Accrued vacation, sick and compensatory leave	<u>31,732</u>	<u>-</u>	<u>9,537</u>	<u>22,195</u>	<u>-</u>
Total parking fund debt	<u>810,751</u>	<u>-</u>	<u>70,336</u>	<u>740,415</u>	<u>63,379</u>
Sewer Fund:					
Infrastructure Bond 2006					
Series A:					
7 year note	53,500	-	13,000	40,500	13,200
20 year note	441,500	-	19,000	422,500	20,000
Maryland Water Quality					
Financing Administration note	51,638	-	10,497	41,141	10,738
Sewer vacuum truck note	227,889	-	31,180	196,709	32,504
Accrued vacation, sick and compensatory leave	<u>31,599</u>	<u>4,347</u>	<u>-</u>	<u>35,946</u>	<u>-</u>
Total sewer fund debt	<u>806,126</u>	<u>4,347</u>	<u>73,677</u>	<u>736,796</u>	<u>76,442</u>
Total business-type activities liabilities	<u>\$ 1,616,877</u>	<u>\$ 4,347</u>	<u>\$ 144,013</u>	<u>\$ 1,477,211</u>	<u>\$ 139,821</u>

A. Governmental Activities

Bonds Payable

During the year ended June 30, 2000, the Town issued \$1,011,000 "Town of Bel Air, Refunding Bond, Series 1999" with an interest rate of 4.35%. The proceeds of the bond were used to redeem the remaining \$505,000 "Town of Bel Air Public Improvement Bond of 1986" in July 1999 and to redeem \$500,000 "Town of Bel Air Land Acquisition and Community Center Bond of 1996" (MEDCO) in August 1999.

The Town advance refunded the 1986 Public Improvement Bond and the 1996 MEDCO Bond to obtain an economic gain of approximately \$91,740 as the result of securing a lower fixed interest rate for the Refunding Bonds. The bonds are general obligations of the Town and will mature on November 1, in each of the years 2000 to 2010. The Town paid off the bonds without penalty on November 1, 2007.

On February 8, 2008, the Town issued a \$500,000 "Town of Bel Air Auditorium Bond, 2008A" to M&T Bank with an interest rate of 3.31%. On January 2, 2008, the Town approved a revised memorandum of Understanding (MOU) with Harford County concerning the new Bel Air High School Auditorium. In this MOU, the Town agreed to contribute a total of \$1,500,000 to the County to increase the number of seats from 540 to 800 and construct other enhancements. The final payment to the County may be reduced if the project costs are less than anticipated. Using the bond proceeds, the Town made its first contribution to the County on February 8, 2008 in the amount of \$424,684 and reimbursed itself the remaining \$75,316 for expenses paid for design and consultation services for the theater. Principal and interest is payable semi-annually on August 7 and February 7, and will continue until February 7, 2018.

TOWN OF BEL AIR, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 8 – NONCURRENT LIABILITIES (CONTINUED)

A. Governmental Activities (Continued)

Bonds Payable (Continued)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 46,373	\$ 8,084	\$ 54,457
2010	47,144	7,314	54,458
2011	47,928	6,530	54,458
2012	48,725	5,733	54,458
2013	49,534	4,924	54,458
2014 – 2018	<u>260,296</u>	<u>11,992</u>	<u>272,288</u>
Total	<u>\$ 500,000</u>	<u>\$ 44,577</u>	<u>\$ 544,577</u>

Notes Payable

The Town has entered into several notes for the acquisition of capital equipment and vehicles. The interest rates on these notes range from 2.44% to 4.23% with maturity dates from July 7, 2008 to August 9, 2014. Obligations under the plan provide for minimum payments, as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 191,893	\$ 28,274	\$ 220,167
2010	170,976	21,350	192,326
2011	146,786	14,777	161,563
2012	93,140	9,194	102,334
2013	60,647	5,986	66,633
2014-2015	<u>95,866</u>	<u>4,084</u>	<u>99,950</u>
Total	<u>\$ 759,308</u>	<u>\$ 83,665</u>	<u>\$ 842,973</u>

On January 5, 2006, the Town entered into an agreement with Harford Bank to borrow \$120,000 at an annual interest rate of 3.70% for the purpose of providing funds for the removal of existing underground fuel storage tanks located at the Department of Public Works and replacing them with above ground storage tanks. The note was set up as a construction loan with the Town paying interest only payments on the monies drawdown; however, prior to the May 5, 2006 settlement date to finalize the note, the Town requested an additional \$50,000 from Harford Bank to fund additional costs associated with the project. Once again, prior to the September 5, 2006 settlement date to finalize the note, the Town requested additional funding. On December 5, 2006, the note was finalized with Harford Bank with principal and interest payments due semi-annually beginning February 5, 2007 and continuing until August 5, 2011.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 33,998	\$ 4,300	\$ 38,298
2010	35,270	3,028	38,298
2011	36,587	1,711	38,298
2012	<u>18,803</u>	<u>345</u>	<u>19,148</u>
Total	<u>\$ 124,658</u>	<u>\$ 9,384</u>	<u>\$ 134,042</u>

TOWN OF BEL AIR, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 8 – NONCURRENT LIABILITIES (CONTINUED)

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.

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>
2009	\$ 57,293	\$ 29,576	\$ 86,869
2010	59,728	27,141	86,869
2011	62,266	24,603	86,869
2012	64,913	21,956	86,869
2013	67,672	19,197	86,869
2014 – 2018	<u>384,023</u>	<u>50,320</u>	<u>434,343</u>
Total	<u>\$ 695,895</u>	<u>\$ 172,793</u>	<u>\$ 868,688</u>

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 \$91,500 with interest at rates varying from 2.0% to 3.25% 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, 2011.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 13,200	\$ 1,217	\$ 14,417
2010	13,500	854	14,354
2011	<u>13,800</u>	<u>448</u>	<u>14,248</u>
Total	<u>\$ 40,500</u>	<u>\$ 2,519</u>	<u>\$ 43,019</u>

TOWN OF BEL AIR, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 8 – NONCURRENT LIABILITIES (CONTINUED)

B. Business-type Activities (Continued)

Bonds Payable (Continued)

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 20,000	\$ 17,401	\$ 37,401
2010	20,500	16,851	37,351
2011	21,000	16,236	37,236
2012	21,500	15,554	37,054
2013	22,500	14,801	37,301
2014 – 2018	126,000	59,917	185,917
2019 – 2023	155,500	22,353	177,853
2024	<u>35,500</u>	<u>1,642</u>	<u>37,142</u>
Total	<u>\$ 422,500</u>	<u>\$ 164,755</u>	<u>\$ 587,255</u>

On June 30, 2001, the Town of Bel Air entered into an agreement with the Maryland Department of the Environment, Maryland Water Quality Financing Administration (State), whereby the State advanced \$101,686 at an annual interest rate of 2.3% to the Town for the purpose of improvements to the Ellendale Sewage Pumping Station. The outstanding debt of \$51,639 is recorded in the Sewer Fund. Interest is payable semi-annually on February 1 and August 1. Principal payments are due annually on February 1. Principal and interest payments continue until February 1, 2012.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 10,738	\$ 946	\$ 11,684
2010	10,985	699	11,684
2011	11,238	447	11,685
2012	<u>8,180</u>	<u>190</u>	<u>8,370</u>
Total	<u>\$ 41,141</u>	<u>\$ 2,282</u>	<u>\$ 43,423</u>

TOWN OF BEL AIR, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 8 – NONCURRENT LIABILITIES (CONTINUED)

B. Business-type Activities (Continued)

Notes Payable

On July 28, 2006, the Town of Bel Air entered into an agreement with M&T Bank to borrow \$243,000 with an interest rate of 4.20% for the purpose of purchasing a sewer jet vacuum truck. Principal and interest is payable semi-annually beginning January 28, 2007 and continue until July 28, 2013.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 32,504	\$ 7,924	\$ 40,428
2010	33,883	6,545	40,428
2011	35,321	5,107	40,428
2012	36,820	3,607	40,427
2013	38,383	2,045	40,428
2014	<u>19,798</u>	<u>416</u>	<u>20,214</u>
Total	<u>\$ 196,709</u>	<u>\$ 25,644</u>	<u>\$ 222,353</u>

On July 28, 2006, the Town of Bel Air entered into an agreement with M&T Bank to borrow \$31,000 with an interest rate of 4.14% for the purpose of purchasing a parking garage sweeper. Principal and interest is payable semi-annually beginning January 28, 2007 and continue until July 28, 2011.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 6,086	\$ 867	\$ 6,953
2010	6,341	612	6,953
2011	6,606	347	6,953
2012	<u>3,292</u>	<u>70</u>	<u>3,362</u>
Total	<u>\$ 22,325</u>	<u>\$ 1,896</u>	<u>\$ 24,221</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 38 years to the Harford County Liquor Control Board. The present value of this liability, \$13,067, has been reflected in the governmental activities noncurrent liabilities in the Statement of Net Assets.

Total interest expense on noncurrent liabilities was \$99,561.

TOWN OF BEL AIR, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 9 – CONDUIT DEBT OBLIGATIONS

In 1985, the Town of Bel Air issued \$1.3 million in Industrial Development Bonds pursuant to the Maryland Economic Development Revenue Bond Act to assist the 139 Partnership to acquire and construct a facility at 139 North Main Street. The bonds are secured by the property financed and are payable solely from revenues received in connection with the financing of the facility or other monies made available for such purposes. Neither the Town, the County, the State nor any other political subdivision is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

In 2006, the Town of Bel Air issued \$7.3 million in Economic Development Revenue Bonds pursuant to the Maryland Economic Development Revenue Bond Act to assist the Highlands School in financing the costs of acquiring, constructing, and equipping a new school. The bonds are secured by the property financed and are payable solely from the pledged receipts or from any other monies made available to the School for such purposes. 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.

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.

NOTE 10 – 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 Retirement Trust. At June 30, 2008, the plan assets at market value were \$671,641 and are included in the Civilian Pension Trust.

TOWN OF BEL AIR, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 10 – PENSION PLANS (CONTINUED)

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

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 the second quarter of fiscal year 2008, the Town of Bel Air transferred \$13,332 from ICMA Retirement Trust to T. Rowe Price Associates, Inc. for a civilian employee. 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 ten 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 2% of covered compensation and the Town to contribute 8% 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, 2008, plan assets at fair value totaled \$2,739,262.

For 2008, the pension contribution was determined to be \$181,074. This contribution represents 6.98% 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, 2007 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.5% investment rate of return, (b) projected salary increases of 4.0% and (c) rates of mortality, termination of service, disablement and retirement based on 1983 Group Annuity Table. The actual contribution by the members was \$59,135. The Town's contribution for the year ended June 30, 2008 was \$237,556. As of June 30, 2008, there were 62 current employee participants in the Plan. A participant is fully vested after five years. At June 30, 2008, there was no net pension obligation as the Town's funding obligation is limited to 8% of covered payroll.

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, 2006	\$ 2,212,907	\$ 3,140,778	\$ 927,871	70.46%	\$ 2,601,818	35.66%
July 1, 2007	2,710,770	3,458,637	747,867	78.38%	2,594,993	28.82%

TOWN OF BEL AIR, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 10 – PENSION PLANS (CONTINUED)

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

The annual required contribution for the Civilian Pension Plan is as follows:

<u>Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
2008	\$ 207,268	\$ 237,556	114.61%
2007	191,031	212,552	111.27%

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 7% of covered compensation and the Town to contribute 8% 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, 2008, plan assets at fair value totaled \$2,795,621.

For 2008, the pension contribution was determined to be \$109,547. This contribution represents 7.28% 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, 2007 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.5% investment rate of return, (b) projected salary increases of 4.0% and (c) rates of mortality, termination of service, disablement and retirement based on 1983 Group Annuity Table. The actual contribution by the members was \$119,608. The Town's contribution for the year ended June 30, 2008 was \$211,355.

As of June 30, 2008, there were 31 current employee participants in the Plan. A participant is fully vested after five years. At June 30, 2008, there was no net pension obligation as the Town's funding obligation is limited to 8% of covered payroll.

TOWN OF BEL AIR, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 10 – PENSION PLANS (CONTINUED)

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

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, 2003	\$ 1,659,995	\$ 2,839,094	\$ 1,179,099	58.47%	\$ 1,393,863	84.59%
July 1, 2004	2,118,536	2,995,326	876,790	70.73%	1,480,164	59.24%
July 1, 2005	2,434,601	3,169,521	734,920	76.81%	1,482,542	49.57%
July 1, 2006	2,221,721	3,410,750	1,189,026	65.14%	1,324,910	89.74%
July 1, 2007	2,756,015	3,951,933	1,195,918	69.74%	1,505,061	79.46%

The annual required contribution for the Sworn Officers' Pension Plan is as follows:

Year Ended June 30,	Annual Required Contribution	Actual Contribution	Percentage Contributed
2008	\$ 192,333	\$ 211,355	109.89%
2007	187,109	198,261	105.96%
2006	66,828	114,481	171.31%
2005	75,986	119,194	156.86%
2004	97,127	114,099	117.47%

The financial information for each plan as of and for the year ended June 30, 2008 is summarized as follows:

	Sworn Officers' Pension Trust	Civilian Pension Trust
ASSETS		
Cash and cash equivalents	\$ 186,254	\$ 78,269
Investments:		
Mutual funds	2,609,367	2,660,993
Fiscal agents	-	671,641
Total assets	<u>2,795,621</u>	<u>3,410,903</u>
LIABILITIES		
Accounts payable	<u>5,360</u>	<u>59,320</u>
NET ASSETS		
Held in trust for pension benefits	<u>\$ 2,790,261</u>	<u>\$ 3,351,583</u>

TOWN OF BEL AIR, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 10 – PENSION PLANS (CONTINUED)

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

	Sworn Officers' Pension Trust	Civilian Pension Trust
ADDITIONS		
Contributions:		
Employer contributions	\$ 211,355	\$ 237,556
Employee contributions	<u>119,608</u>	<u>59,135</u>
Total contributions	330,963	296,691
Investment loss:		
Net decrease in the fair value of investments	<u>(158,382)</u>	<u>(161,950)</u>
Total additions	<u>172,581</u>	<u>134,741</u>
DEDUCTIONS		
Benefit payments	115,660	294,951
Contractual services	<u>28,091</u>	<u>29,478</u>
Total deductions	<u>143,751</u>	<u>324,429</u>
CHANGE IN NET ASSETS	28,830	(189,688)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:		
BEGINNING OF YEAR	<u>2,761,431</u>	<u>3,541,271</u>
END OF YEAR	<u>\$ 2,790,261</u>	<u>\$ 3,351,583</u>

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 can not 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.

It is the opinion of the Town's legal counsel that the government has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor.

TOWN OF BEL AIR, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 10 – PENSION PLANS (CONTINUED)

457 Deferred Compensation Plan (Continued)

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.

During the year ended June 30, 2008, the Town met the requirements of the amended provisions of the Internal Revenue Code Section 457(g) which requires 457 deferred compensation plan assets to be held in trust for the exclusive benefit of participants and their beneficiaries. In accordance with the Governmental Accounting Standards Board Statement No. 32, the fair value of the plan assets at June 30, 2008, is not reflected in the financial statements of the Town.

NOTE 11 – 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	\$ -	\$ 71,397	\$ 131,960	\$ 228,036	\$ 431,393
Sewer Fund	-	1,654	-	-	1,654
Total	<u>\$ -</u>	<u>\$ 73,051</u>	<u>\$ 131,960</u>	<u>\$ 228,036</u>	<u>\$ 433,047</u>
Due to Other Funds:					
Sewer Fund	\$ 131,960	\$ -	\$ -	\$ -	\$ 131,960
Parking Fund	228,036	-	-	-	228,036
Special Revenue Fund	71,397	-	1,654	-	73,051
Total	<u>\$ 431,393</u>	<u>\$ -</u>	<u>\$ 1,654</u>	<u>\$ -</u>	<u>\$ 433,047</u>

NOTE 12 – 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. The percentage of premium 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. At 30 years of service, the Town will pay 70% of both the retiree's and the spouse's premiums. 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, 2008 was approximately \$20,833 for the three retired employees participating in the Plan and receiving benefits.

The Governmental Accounting Standards Board has issued Statement No. 45, *Financial Reporting for Post-employment Benefit Plans other than Pension Plans*, effective for the Town in fiscal year 2010. The statement provides standards for the measurement of the liabilities for retiree healthcare benefits. The effect of this statement on the Town's financial statements has not been determined.

TOWN OF BEL AIR, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 13 – 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 coverages and operates under the terms of a Trust Agreement.

The Town pays LGIT an annual premium. Claims are processed and recoveries and administrative costs are paid by LGIT. Similar to a commercial insurance carrier, recoveries are subject to deductibles and to annual aggregate/per occurrence dollar limits. Settled claims from these risks have not exceeded coverage for the past three fiscal years, and there has not been a reduction in insurance coverage in the past fiscal year.

The Town is fully insured for worker’s compensation through the Injured Worker’s Insurance Fund of Maryland. Employees are bonded through commercial insurance carriers to limit the loss to the Town in the event of employees committing acts of embezzlement or theft.

NOTE 14 – SPECIAL REVENUE FUND BALANCE

At June 30, 2008, the Special Revenue Fund was reserved for the following purposes:

Governmental Funds	
Larew book	\$ 1,104
Tree planting – fee in lieu	1,023
Tree planting – forest conservation	1,610
Visitors center	105
Forfeiture property	26,094
Armory park donations	5,000
Comprehensive plan	12
Empty cartridges	10
Public amenity – gardens/park/art	20,786
Explorer scouts	10,667
Auxiliary police	12,559
ECDC contingency	1,351
Christmas parade	1,375
Historic preservation	737
Cultural arts	<u>11,015</u>
Total fund balance - reserved	<u>\$ 93,448</u>

NOTE 15 – RELATED PARTY

The Town purchased various supplies and goods from a local business owned and operated by one of the Town Commissioners in the amount of \$5,211 during the year ended June 30, 2008.

TOWN OF BEL AIR, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 16 – 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 Assets.

NOTE 17 – RESTATEMENT

Unrestricted net assets of the governmental activities were restated at June 30, 2007, to reflect the correction of an error in the accounting for the Town’s excess contribution relating to the Civilian and Sworn Officers’ Pension Plans. The effect was an increase in net pension asset and an increase in unrestricted net assets in governmental activities at June 30, 2007 in the amount of \$140,506 from the amounts previously reported. The effect of the restatement on the net assets was as follows:

	Invested in Capital Assets, Net of Related Debt	Restricted	Unrestricted	Total
Net assets, June 30, 2007, as previously reported	\$ 5,135,749	\$ 60,912	\$ 1,297,745	\$ 6,494,406
Prior period adjustment to correct net pension asset	-	-	140,506	140,506
Net assets, June 30, 2007, as restated	<u>\$ 5,135,749</u>	<u>\$ 60,912</u>	<u>\$ 1,438,251</u>	<u>\$ 6,634,912</u>

NOTE 18 – SUBSEQUENT EVENTS

On August 15, 2008, the Town issued a \$309,800 “Town Hall/Police Department Building Design Bond, 2008A” to NBRS Financial Bank with an interest rate of 4.31%. The Town will utilize the bond proceeds for the purpose of providing the funds necessary to contract with a firm to provide design services to the Town for the Town Hall/Police Department building renovation/expansion project. Principal and interest is payable semi-annually on February 15 and August 15, and will continue until August 15, 2018. The Town has drawdown \$5,400 to date.

On November 5, 2008, the Town issued a \$500,000 “Town of Bel Air Auditorium Bond, 2008B” to NBRS Financial Bank with an interest rate of 4.31%. On January 2, 2008, the Town approved a revised memorandum of Understanding (MOU) with Harford County concerning the new Bel Air High School Auditorium. In this MOU, the Town agreed to contribute a total of \$1,500,000 to the County to increase the number of seats from 540 to 800 and construct other enhancements. Using the bond proceeds, the Town made its second contribution to the County on November 5, 2008 in the amount of \$468,787 and reimbursed itself the remaining \$31,212 for expenses paid for design and consultation services for the theater. Principal and interest is payable semi-annually on April 30 and October 30, and will continue until October 30, 2018.

SUPPLEMENTAL INFORMATION

**TOWN OF BEL AIR, MARYLAND
SCHEDULE OF CASH AND CASH EQUIVALENTS
GENERAL FUND
June 30, 2008**

UNRESTRICTED

M&T Bank	
Checking	\$ (30,439)
Payroll	1,000
 Harco Maryland Federal Credit Union	
Savings	6,856
 Carrollton Bank	
Money market	351
 Multi-Bank	
Money market	7
 Change fund	1,000
 Mercantile Safe Deposit and Trust Company	
Local government investment pool	<u>1,037,479</u>
 TOTAL UNRESTRICTED CASH	<u><u>\$ 1,016,254</u></u>

RESTRICTED

BB&T Bank	
Turner escrow	\$ 1,271
 Harford Bank	
Savings	7,627
 BB&T Bank	
Cash in escrow	27,959
 Mercantile Safe Deposit and Trust Company	
Local Government Investment Pool - Dombroskie	<u>45,309</u>
 TOTAL RESTRICTED CASH	<u><u>\$ 82,166</u></u>

TOWN OF BEL AIR, MARYLAND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
GENERAL FUND
Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Taxes - Local				
Real property	\$ 5,142,250	\$ 5,091,250	\$ 5,091,539	\$ 289
Half-year real property	12,866	5,803	5,803	-
Personal property	13,000	13,000	17,145	4,145
Railroads and public utilities	300,200	300,200	303,762	3,562
Ordinary business corporations	560,000	550,000	583,618	33,618
Penalties and interest	28,000	33,000	46,509	13,509
<u>Deductions</u>				
Discounts allowed on taxes	(40,800)	(38,800)	(40,974)	(2,174)
Net local taxes	<u>6,015,516</u>	<u>5,954,453</u>	<u>6,007,402</u>	<u>52,949</u>
Taxes - State Shared				
Highway	619,522	616,028	589,017	(27,011)
Income taxes	1,205,000	1,280,000	1,296,336	16,336
Admission and amusement	55,000	55,000	69,889	14,889
Total taxes - State shared	<u>1,879,522</u>	<u>1,951,028</u>	<u>1,955,242</u>	<u>4,214</u>
Licenses and Permits				
<u>Business</u>				
Beer, wine and liquor	17,000	17,000	649	(16,351)
Traders	75,000	70,000	73,787	3,787
<u>Other Licenses and Permits</u>				
Building and equipment	45,000	45,000	55,666	10,666
Total - licenses and permits	<u>137,000</u>	<u>132,000</u>	<u>130,102</u>	<u>(1,898)</u>
Revenue from Other Agencies				
<u>Grants from State Government</u>				
Governor's office grant	-	10,000	10,000	-
Police protection	231,245	227,145	229,636	2,491
<u>Grants from the Federal Government</u>				
Bulletproof vest grant	875	875	1,072	197
<u>Grants from County Government</u>				
Financial corporations	8,458	8,458	8,458	-
Tax rebate	672,531	672,531	672,531	-
Homeland security grant	10,000	-	-	-
Traffic grants	4,500	21,825	16,081	(5,744)
Total - revenue from other agencies	<u>927,609</u>	<u>940,834</u>	<u>937,778</u>	<u>(3,056)</u>

TOWN OF BEL AIR, MARYLAND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
GENERAL FUND
Year Ended June 30, 2008
(Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES (Continued)				
Service Charges for Current Services				
<u>General Government</u>				
MAWC well fees	\$ 16,500	\$ 16,500	\$ 17,299	\$ 799
Bel Air Reckord Armory fees	45,000	45,000	43,356	(1,644)
Finance fees	8,100	8,100	10,383	2,283
Zoning and subdivision fees	16,000	16,000	12,653	(3,347)
Maps and publication fees	1,000	1,000	109	(891)
<u>Sanitation and Waste Removal</u>				
Sewer fund administrative fee	197,907	197,907	190,675	(7,232)
<u>Public Service Enterprises</u>				
Parking fund administrative fee	286,991	233,250	245,574	12,324
Reimbursement for police services	15,000	15,000	16,627	1,627
Police reports	2,200	2,200	1,530	(670)
Rockfield Manor reimbursement	12,000	-	-	-
Total - service charges for for current services	<u>600,698</u>	<u>534,957</u>	<u>538,206</u>	<u>3,249</u>
Fines				
Traffic signal camera	262,500	481,800	466,040	(15,760)
False alarm	15,000	15,000	17,814	2,814
Total - fines	<u>277,500</u>	<u>496,800</u>	<u>483,854</u>	<u>(12,946)</u>
Miscellaneous				
Interest	186,024	173,024	180,887	7,863
Hearing and ad reimbursement	1,800	1,800	978	(822)
Cable TV franchise	112,000	117,000	117,871	871
Police and DPW overtime reimbursement	11,500	11,500	19,926	8,426
Rental income - Tenant house	6,000	6,000	6,000	-
Property sale proceeds	-	10,500	10,250	(250)
Greater Bel Air Community Foundation contribution	25,000	25,000	25,000	-
Miscellaneous	12,000	12,000	27,233	15,233
Total - miscellaneous	<u>354,324</u>	<u>356,824</u>	<u>388,145</u>	<u>31,321</u>
TOTAL REVENUES	<u><u>\$10,192,169</u></u>	<u><u>\$10,366,896</u></u>	<u><u>\$10,440,729</u></u>	<u><u>\$ 73,833</u></u>

TOWN OF BEL AIR, MARYLAND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
GENERAL FUND
Year Ended June 30, 2008
(Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
EXPENDITURES				
General Government				
<u>Legislative</u>				
Commissioners				
Salaries	\$ 25,200	\$ 25,200	\$ 25,200	\$ -
Operating expenses	20,075	20,075	15,713	4,362
Town Clerk				
Salaries	284,775	284,775	271,145	13,630
Operating expenses	70,060	70,060	62,504	7,556
<u>Executive</u>				
Town Administrator				
Salaries	104,167	104,167	104,523	(356)
Operating expenses	22,108	22,108	16,640	5,468
<u>Elections</u>				
Registration and Election				
Operating expenses	8,975	2,227	3,126	(899)
<u>Financial Administration</u>				
Accounting, Collection, and Disbursement				
Salaries	188,916	188,916	193,371	(4,455)
Operating expenses	28,644	28,644	23,333	5,311
Independent auditing	22,000	22,000	21,000	1,000
<u>Law</u>				
Legal Counsel				
Operating expenses	39,000	39,000	44,562	(5,562)
<u>Planning and Zoning</u>				
Salaries	374,483	374,483	375,590	(1,107)
Operating expenses	155,200	155,200	149,743	5,457
<u>General Services</u>				
Municipal Buildings				
Salaries	40,760	40,760	43,864	(3,104)
Operating expenses	190,969	190,969	195,804	(4,835)
Capital outlay	530,000	42,000	14,850	27,150
<u>Bel Air Reckord Armory</u>				
Salaries	1,540	1,540	1,413	127
Operating expenses	93,918	112,918	101,094	11,824
Renovations	50,000	75,000	75,000	-

TOWN OF BEL AIR, MARYLAND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
GENERAL FUND
Year Ended June 30, 2008
(Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
EXPENDITURES (Continued)				
General Government (Continued)				
<u>Other General Government</u>				
Community Promotion				
Operating expenses	\$ 4,325	\$ 4,325	\$ 4,910	\$ (585)
Public Officers' Association				
Operating expenses	15,037	15,037	15,037	-
Computer Network System				
Salaries	1,000	1,000	-	1,000
Operating expenses	169,008	169,008	157,200	11,808
Capital outlay	74,338	74,338	66,787	7,551
Total - general government	<u>2,514,498</u>	<u>2,063,750</u>	<u>1,982,409</u>	<u>81,341</u>
Public Safety				
<u>Administrative, Patrol and Investigation</u>				
Salaries	2,538,363	2,568,788	2,575,821	(7,033)
Operating expenses	230,922	254,474	253,571	903
Pension payback	75,000	75,000	75,000	-
Capital outlay	65,589	67,512	64,051	3,461
<u>Homeland security program</u>	10,000	-	-	-
<u>Traffic Safety</u>				
Red light camera program	161,358	312,408	276,789	35,619
<u>Fire Department</u>				
Volunteer Company Contribution	127,240	127,240	127,240	-
<u>Protective Inspection</u>				
Other:				
Hydrant rental	30,564	35,564	35,577	(13)
Total - public safety	<u>3,239,036</u>	<u>3,440,986</u>	<u>3,408,049</u>	<u>32,937</u>
Public Works				
<u>General Administration</u>				
Salaries	537,141	537,141	539,282	(2,141)
Operating expenses	148,940	121,940	112,054	9,886
<u>Highways and Streets</u>				
Streets, Roadways and Alleys				
Salaries	463,434	428,109	412,785	15,324
Operating expenses	132,617	132,617	151,051	(18,434)
Sidewalk, curb and street construction	305,000	326,745	355,732	(28,987)
Main Street Streetscape	325,000	375,000	371,398	3,602
Capital outlay	194,000	194,000	195,658	(1,658)
Street Lighting				
Operating expenses	160,169	160,169	151,931	8,238

TOWN OF BEL AIR, MARYLAND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
GENERAL FUND
Year Ended June 30, 2008
(Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
EXPENDITURES (Continued)				
General Government (Continued)				
<u>Sanitation and Waste Removal</u>				
Waste Collection and Disposal				
Salaries	\$ 421,331	\$ 421,331	\$ 403,648	\$ 17,683
Operating expenses	123,670	123,670	124,187	(517)
Capital outlay	157,000	142,000	139,553	2,447
<u>Shop</u>				
Salaries	141,823	141,823	129,715	12,108
Operating expenses	157,125	164,125	172,287	(8,162)
Total - public works	<u>3,267,250</u>	<u>3,268,670</u>	<u>3,259,281</u>	<u>9,389</u>
Recreation and Parks				
<u>Participation Recreation</u>				
Operating expenses	108,750	108,750	104,939	3,811
<u>A & B Committee</u>				
Operating expenses	29,135	29,135	28,876	259
<u>Cultural Arts Committee</u>				
Operating expenses	8,650	8,650	7,855	795
Total - recreation and parks	<u>146,535</u>	<u>146,535</u>	<u>141,670</u>	<u>4,865</u>
Miscellaneous				
Disability insurance	24,900	24,900	24,436	464
Hospital insurance	666,500	650,500	637,164	13,336
Optical and dental plan	15,300	15,300	13,075	2,225
Social security	405,500	394,000	389,369	4,631
Life insurance	26,200	26,200	26,071	129
Pension and deferred compensation contributions	432,200	424,700	421,849	2,851
Workmen's compensation	254,152	251,152	251,055	97
Unemployment claims	150	22,450	15,842	6,608
General insurance	114,000	114,000	91,554	22,446
Bel Air High School Auditorium	500,000	520,000	518,115	1,885
Contingency	12,000	17,550	17,035	515
Debt service	545,129	529,129	501,818	27,311
Miscellaneous	29,746	29,746	36,089	(6,343)
Total - miscellaneous	<u>3,025,777</u>	<u>3,019,627</u>	<u>2,943,472</u>	<u>76,155</u>
TOTAL EXPENDITURES	<u><u>\$ 12,193,096</u></u>	<u><u>\$ 11,939,568</u></u>	<u><u>\$ 11,734,881</u></u>	<u><u>\$ 204,687</u></u>

TOWN OF BEL AIR, MARYLAND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
GENERAL FUND
Year Ended June 30, 2008
(Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
SUMMARY				
TOTAL REVENUES	\$ 10,192,169	\$ 10,366,896	\$ 10,440,729	\$ 73,833
TOTAL EXPENDITURES	<u>12,193,096</u>	<u>11,939,568</u>	<u>11,734,881</u>	<u>204,687</u>
(DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (2,000,927)</u>	<u>\$ (1,572,672)</u>	<u>\$ (1,294,152)</u>	<u>\$ 278,520</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, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Revenue from Other Agencies				
CDBG grant	\$ 40,214	\$ 45,214	\$ 5,000	\$ (40,214)
Rockfield Park	62,500	62,500	52,597	(9,903)
MD improvement program grant	4,000	4,000	-	(4,000)
Tree planting - forest conservation	3,758	3,758	3,758	
MEMA grant	-	25,300	9,900	(15,400)
Community legacy grant	100,000	100,000	90,338	(9,662)
Total - revenue from other agencies	<u>210,472</u>	<u>240,772</u>	<u>161,593</u>	<u>(79,179)</u>
Miscellaneous				
Christmas parade	3,000	3,000	1,375	(1,625)
Historic preservation	3,500	3,500	9,519	6,019
Tree planting - forest conservation	9,742	9,742	-	(9,742)
Tree planting - fee in lieu	3,000	3,000	-	(3,000)
Public amenity - gardens, parks, and art	3,500	3,500	-	(3,500)
Empty printer cartridges	-	-	11	11
Visitors center	2,500	2,500	151	(2,349)
Forfeiture property	10,000	10,000	30,688	20,688
Armory Park donations	-	-	5,000	5,000
Larew book	2,500	2,500	209	(2,291)
Explorer scouts	4,000	4,000	9,481	5,481
Auxiliary police	4,000	4,000	12,903	8,903
Cultural arts project	2,000	2,000	566	(1,434)
DARE	2,000	2,000	-	(2,000)
ECDC contingency	100	100	-	(100)
Total - miscellaneous	<u>49,842</u>	<u>49,842</u>	<u>69,903</u>	<u>20,061</u>
TOTAL REVENUES	<u><u>\$ 260,314</u></u>	<u><u>\$ 290,614</u></u>	<u><u>\$ 231,496</u></u>	<u><u>\$ (59,118)</u></u>
EXPENDITURES				
General Government				
Historic preservation	\$ 3,500	\$ 3,500	\$ 8,782	\$ (5,282)
Visitors center	2,500	2,500	133	2,367
Community legacy grant	100,000	100,000	90,338	9,662
CDBG	40,214	45,214	5,000	40,214
Maryland improvement program grant	4,000	4,000	-	4,000
Total - general government	<u>150,214</u>	<u>155,214</u>	<u>104,253</u>	<u>50,961</u>
Public Safety				
Forfeiture property	10,000	10,000	7,063	2,937
Auxiliary police	4,000	4,000	8,532	(4,532)
Total - public safety	<u>14,000</u>	<u>14,000</u>	<u>15,595</u>	<u>(1,595)</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, 2008
(Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
EXPENDITURES (Continued)				
Public Works				
MEMA Grant	\$ -	\$ 25,300	\$ 9,900	\$ 15,400
Recreation and Parks				
Tree planting - forest conservation	13,500	13,500	7,516	5,984
Tree planting - fee in lieu	3,000	3,000	632	2,368
Explorer Scouts	4,000	4,000	3,211	789
Rockfield Park	62,500	62,500	52,597	9,903
Cultural arts project	2,000	2,000	-	2,000
Public amenity - gardens, parks and art	3,500	3,500	1,233	2,267
Christmas parade	3,000	3,000	-	3,000
Total - recreation and parks	<u>91,500</u>	<u>91,500</u>	<u>65,189</u>	<u>26,311</u>
Miscellaneous				
DARE	2,000	2,000	-	2,000
Larew book	2,500	2,500	-	2,500
ECDC contingency	100	100	-	100
Total - miscellaneous	<u>4,600</u>	<u>4,600</u>	<u>-</u>	<u>4,600</u>
TOTAL EXPENDITURES	<u>\$ 260,314</u>	<u>\$ 290,614</u>	<u>\$ 194,937</u>	<u>\$ 95,677</u>
Summary				
TOTAL REVENUES	\$ 260,314	\$ 290,614	\$ 231,496	\$ (59,118)
TOTAL EXPENDITURES	<u>260,314</u>	<u>290,614</u>	<u>194,937</u>	<u>95,677</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,559</u>	<u>\$ 36,559</u>

**TOWN OF BEL AIR, MARYLAND
SCHEDULE OF REVENUES AND EXPENSES
COMPARED TO BUDGET
PARKING FUND
Year Ended June 30, 2008**

	<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	\$ 126,000	\$ 161,241	\$ 35,241
Lease fees	137,580	153,731	16,151
Fines and Forfeitures			
Parking	99,300	129,092	29,792
Miscellaneous			
County share operating expenses and capital repairs	113,902	122,121	8,219
Miscellaneous	6,752	3,190	(3,562)
Total operating revenues	<u>483,534</u>	<u>569,375</u>	<u>85,841</u>
OPERATING EXPENSES			
Miscellaneous			
Compensated absences	-	(9,537)	9,537
Postage	1,200	1,278	(78)
Miscellaneous	2,500	6,438	(3,938)
Depreciation	71,559	70,690	869
Lots and Meters			
Transfer to general fund - administrative costs	182,138	190,957	(8,819)
Maintenance	3,000	306	2,694
Operating expenses	21,500	24,504	(3,004)
Equipment	1,500	-	1,500
Parking Garage			
Transfer to general fund - administrative costs	51,112	54,617	(3,505)
Amortization of financing costs	79,160	79,160	-
Operating expenses	33,000	45,390	(12,390)
Insurance	16,700	15,910	790
Structural repairs	45,000	38,473	6,527
Maintenance	5,300	5,295	5
Capital repairs	15,000	-	15,000
Total operating expenses	<u>528,669</u>	<u>523,481</u>	<u>5,188</u>
Operating income (loss)	<u>(45,135)</u>	<u>45,894</u>	<u>91,029</u>
Nonoperating Revenues (Expenses)			
Interest income - investment	400	19	(381)
Interest expense - parking garage sweeper	(935)	(1,010)	(75)
- parking garage	<u>(32,137)</u>	<u>(31,911)</u>	<u>226</u>
Total nonoperating expenses	<u>(32,672)</u>	<u>(32,902)</u>	<u>(230)</u>
NET INCOME (LOSS)	<u>\$ (77,807)</u>	<u>\$ 12,992</u>	<u>\$ 90,799</u>

TOWN OF BEL AIR, MARYLAND
SCHEDULE OF REVENUES AND EXPENSES
COMPARED TO BUDGET
SEWER FUND
Year Ended June 30, 2008

	Original and Final Budget	Actual	Variance Positive (Negative)
OPERATING REVENUES			
Revenues From Other Agencies			
CDBG-Stoneleigh Manhole Rehabilitation	\$ 50,532	\$ -	\$ (50,532)
Service Charges for Current Services			
Sanitation and Waste Removal			
Sewerage charges	1,588,146	1,558,317	(29,829)
Sewer connection charges	50,000	138,844	88,844
Other revenues	11,915	12,880	965
User benefit fees	25,060	25,935	875
Total operating revenues	<u>1,725,653</u>	<u>1,735,976</u>	<u>10,323</u>
OPERATING EXPENSES			
Salaries - direct and on call time	100,030	88,748	11,282
- overtime	24,178	23,497	681
Compensated absences	-	4,347	(4,347)
Contractual services	1,039,251	972,046	67,205
Amortization	36,936	36,936	-
Supplies	8,100	21,997	(13,897)
Utilities	13,000	12,160	840
Miss Utility fees	1,500	1,921	(421)
Depreciation	64,500	48,637	15,863
Maintenance	19,900	18,998	902
Connection costs	50,000	138,844	(88,844)
Water company charges	2,200	2,126	74
Contingency	2,500	7,473	(4,973)
Transfer to general fund - administrative costs	197,907	190,675	7,232
User benefit fee	25,060	25,935	(875)
Postage	4,620	4,943	(323)
Root control maintenance	20,000	20,975	(975)
Main and lateral repairs	18,000	2,613	15,387
Stoneleigh Manhole Rehabilitation	50,532	-	50,532
Nichols Street Pump Station	14,500	2,989	11,511
Moores Mill Road project	-	6,000	(6,000)
Miscellaneous	750	787	(37)
Total operating expenses	<u>1,693,464</u>	<u>1,632,647</u>	<u>60,817</u>
Operating income	<u>32,189</u>	<u>103,329</u>	<u>71,140</u>
Nonoperating expense - interest	<u>32,189</u>	<u>29,777</u>	<u>(2,412)</u>
INCOME	<u>\$ -</u>	<u>\$ 73,552</u>	<u>\$ 73,552</u>