

TOWN OF BEL AIR, MARYLAND

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

For the Year Ended June 30, 2011



JUNE 30, 2011

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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 (the Town) as of June 30, 2011 and for the year then ended, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements and supplemental schedules 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. 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 financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2011, and the changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the general fund and special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.



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Our audit was made for the purpose of forming an opinion on the basic financial statements that collectively comprise the Town's basic financial statements. The schedule of cash and cash equivalents- General Fund and the Schedules of Revenues and Expenditures- Budget and Actual as listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with Auditing Standards Generally Accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

SB & Company, LLC

Hunt Valley, MD
January 4, 2012

TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

As management of the Town of Bel Air, Maryland ("the Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year that ended June 30, 2011. 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 as of June 30, 2011, by \$11,918,910 (net assets). Approximately 18.5% of this amount is attributable to the business-type activities. Of the total net assets, \$2,354,036 (unrestricted net assets) may be used to meet the Town's ongoing obligations to citizens and creditors (19.0% is attributable to the business-type activities). Of the remaining total net assets, \$415,807 is restricted for specific purposes (restricted net assets), and \$9,148,967 is invested in capital assets, net of related debt.
- The Town's overall financial position has improved with total net assets increasing by \$2,711,288 during the fiscal year. Net assets for governmental and business-type activities increased \$2,411,116 and \$300,172, respectively.

Fund Level:

- In accordance with the Governmental Accounting Standards Board Statement No. 54, effective for the year ended June 30, 2011, new fund balance categories were established for financial statement reporting purposes of all governmental funds. These new categories, nonspendable, restricted, committed, assigned, and unassigned, were established to enhance fund balance presentation and improve the usefulness of fund balance information.
- As of June 30, 2011, the Town's governmental funds reported a combined ending fund balance of \$3,968,630, an increase of \$684,600 in comparison with the prior year. Of this total amount, \$3,930,193 or 99.0% is available to meet the Town's current and future needs as mandated by the appropriate level of authority within the Town and are properly designated as committed, assigned, and unassigned.
- As of June 30, 2011, the assigned and unassigned fund balance for the General Fund (primary operating fund) was \$3,720,100 or 32.9% of total General Fund expenditures.
- The business-type operating activities revenue increased by \$94,525 or 3.5%, and the income \$630,892 or 190.8% from the prior fiscal year.

Long-Term Debt:

- The Town's long-term debt decreased \$532,600 (12.0%) during the current fiscal year. The decrease was the net result of making the following scheduled payments: \$276,180 toward the Town's total general obligation bonded debt, \$232,160 toward total equipment/vehicle notes, and \$37,340 toward other notes with a slight increase of \$13,080 for compensated balances. There was no new debt incurred during the fiscal year.

TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

Overview of the Financial Statements

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

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

The *statement of net 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, public works, recreation and parks, miscellaneous, and debt service. The business-type activities of the Town include Parking and Sewer operations.

The government-wide financial statements include only the Town of Bel Air because the Town has no component unit relationships with any other agency. The government-wide financial statements can be found by referring to the table of contents which begins on page 1 of this report.

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

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.

TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

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

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

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

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

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

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

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

Government-wide Financial Analysis

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

TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

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 \$11,918,810 as of June 30, 2011. 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 is in investment in capital assets net of depreciation (e.g., land, improvements, buildings, machinery, equipment, vehicles, infrastructure, and sewer system), less any related debt used to acquire those assets and accumulated depreciation. As of June 30, 2011, capital assets were valued at \$9,148,967 net of related debt and accumulated depreciation or 76.8% of total net assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The balance of unrestricted net assets as of June 30, 2011, was \$2,354,036 or 19.7% of total net assets and may be used to meet the government's ongoing obligations to citizens and creditors. The balance of restricted net assets as of June 30, 2011, was \$415,807 or 3.5% of total net assets and are resources that are subject to external restrictions on how they may be used.

For the fiscal year ended June 30, 2011, the Town reported positive balances in all three categories of net assets for the Town as a whole as well as for governmental activities and business-type activities separately. The following tables reflect the condensed statement of net assets and the schedule of changes in net assets for governmental and business-type activities:

NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Assets						
Current and other assets	\$ 5,336,236	\$ 4,372,930	\$ 1,131,144	\$ 1,397,156	\$ 6,467,380	\$ 5,770,086
Capital assets	8,075,761	7,011,100	2,614,060	2,699,631	10,689,821	9,710,731
Total assets	<u>13,411,997</u>	<u>11,384,030</u>	<u>3,745,204</u>	<u>4,096,787</u>	<u>17,157,201</u>	<u>15,480,817</u>
Liabilities						
Other liabilities	923,489	929,486	405,877	902,184	1,329,366	1,831,670
Long-term liabilities	2,774,818	3,151,970	1,134,207	1,289,655	3,909,025	4,441,625
Total liabilities	<u>3,698,307</u>	<u>4,081,456</u>	<u>1,540,084</u>	<u>2,191,839</u>	<u>5,238,391</u>	<u>6,273,295</u>
Net Assets						
Invested in capital assets, net of related debt	7,591,742	6,300,261	1,557,225	1,477,799	9,148,967	7,778,060
Restricted	214,116	99,138	201,691	186,691	415,807	285,829
Unrestricted	1,907,832	903,175	446,204	240,458	2,354,036	1,143,633
Total net assets	<u>\$ 9,713,690</u>	<u>\$ 7,302,574</u>	<u>\$ 2,205,120</u>	<u>\$ 1,904,948</u>	<u>\$ 11,918,810</u>	<u>\$ 9,207,522</u>

TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues						
Program revenues:						
Charges for services	\$ 928,710	\$ 653,948	\$ 2,772,844	\$ 2,678,323	\$ 3,701,554	\$ 3,332,271
Operating grants/ contributions	224,441	294,570	-	-	224,441	294,570
Capital grants/ contributions	54,403	495,341	-	-	54,403	495,341
General revenues:					-	-
Property taxes	8,041,733	7,534,331	-	-	8,041,733	7,534,331
Shared taxes	2,178,386	2,012,921	-	-	2,178,386	2,012,921
Miscellaneous	782,583	628,801	-	-	782,583	628,801
Unrestricted investment earnings	60,667	84,117	16	12	60,683	84,129
Total revenues	12,270,923	11,704,029	2,772,860	2,678,335	15,043,783	14,382,364
Expenses						
General government	1,127,140	2,077,280	-	-	1,127,140	2,077,280
Public safety	3,620,503	3,520,481	-	-	3,620,503	3,520,481
Public works	2,799,809	2,507,836	-	-	2,799,809	2,507,836
Recreation and culture	180,255	216,145	-	-	180,255	216,145
Miscellaneous	2,086,533	2,017,997	-	-	2,086,533	2,017,997
Interest on long-term debt	88,451	76,944	-	-	88,451	76,944
Sewer	-	-	2,019,664	2,495,030	2,019,664	2,495,030
Parking facilities	-	-	453,024	514,025	453,024	514,025
Total expenditures	9,902,691	10,416,683	2,472,688	3,009,055	12,375,379	13,425,738
Increase (decrease) in net assets	2,368,232	1,287,346	300,172	(330,720)	2,668,404	956,626
Net assets, beginning of year	7,302,574	6,015,228	1,904,948	2,235,668	9,207,522	8,250,896
Net assets, end of year	\$ 9,670,806	\$ 7,302,574	\$ 2,205,120	\$ 1,904,948	\$ 11,875,926	\$ 9,207,522

Governmental activities

Governmental net assets increased by \$2,411,116. Property taxes, shared taxes, and charges for services represent 65%, 18%, and 8% of the Town's revenue stream, respectively. The remaining 9% of governmental revenue consists of grants, contributions, investment earnings, and other miscellaneous revenues.

The entity wide statements show that the Town's total revenue from governmental activities in fiscal year 2011 was \$12,270,923 which is \$566,894 higher than the previous year. Revenues from all property taxes, real and personal, increased \$507,402. Real estate revenues increased \$592,765 as a result of total assessments rising 9.1%.

TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

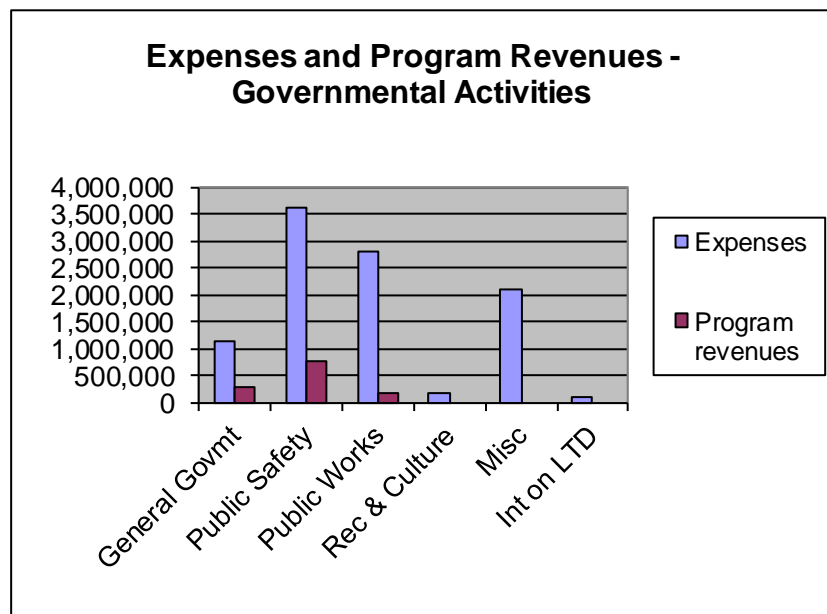
June 30, 2011

This increase seems counterintuitive when considering the effect of the current recession on the national economy. It is important to note that in the State of Maryland, all real estate property is assessed every three years. The real estate assessment increase in fiscal year 2011 was tethered to property valuations that occurred in calendar year 2007. The 2007 valuations affected real estate revenue in fiscal year 2009 through 2011. Therefore, despite declining real estate values nationally and locally, the Town's real property assessments continued to increase in fiscal year 2011.

Revenues from all shared taxes increased \$165,465 resulting from receiving more in income taxes than the previous year. Revenues from charges for services increased \$274,762 resulting from an increase in red light camera fines.

Investment earnings declined \$23,446 entity wide. Since the State of Maryland investment pool's, in which the average maturity is less than 45 days and all investments are guaranteed fully by the Federal Government, average interest rate during the fiscal year was 0.17% compared to .20% in fiscal year 2010, the Town continued to utilize the CDARS program as well as investing more heavily in certificates of deposit and money market accounts at Maryland banks in order to take advantage of higher investment rates. As of June 30, 2011, the Town held \$2,780,045 in various certificates of deposit with rates ranging from .85%-2% and maturities no longer than 18-months.

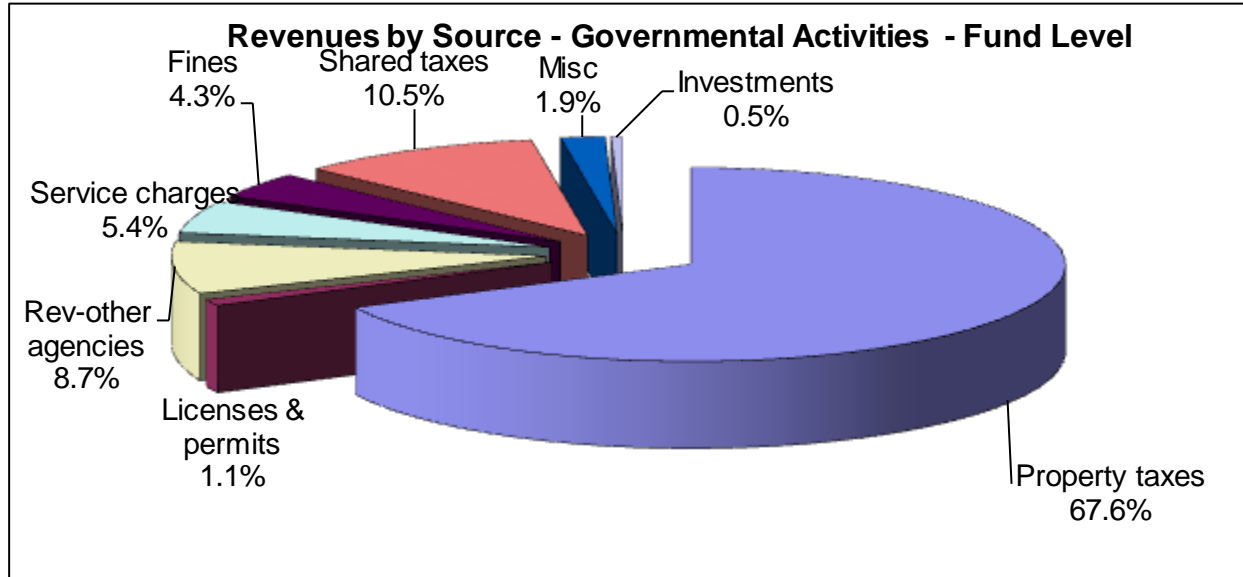
Governmental expenses were \$9,859,807 in fiscal year 2011, a decrease of \$556,876 or 5.3%. Public safety and public works are the two largest functional areas comprising 65% of all governmental expenses in fiscal year 2011. Public safety represents 37% of governmental expenses, while public works represents 28%. Public safety is basically unchanged from the previous year; however, public works increased \$279,763.



TOWN OF BEL AIR, MARYLAND

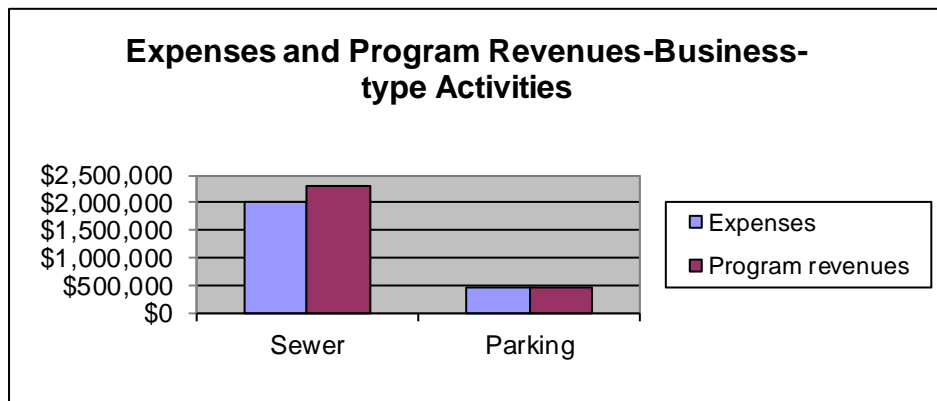
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011



Business-type activities

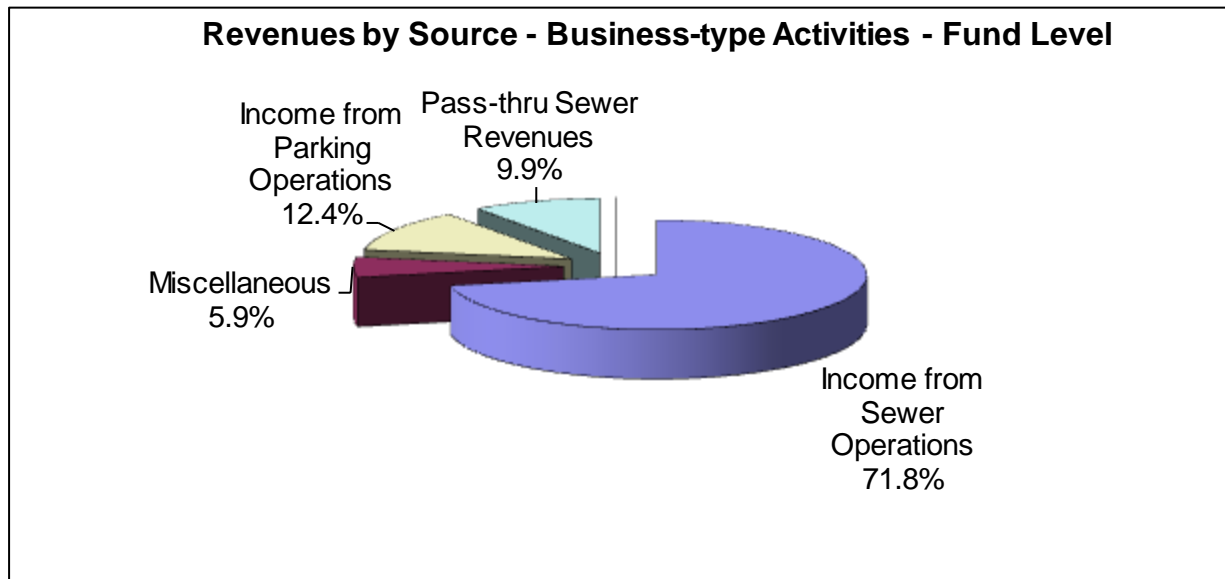
The Town operates two business-type enterprise funds, Parking and Sewer. Business-type net assets increased by \$300,172 with net assets increasing in each activity by \$9,390 and \$290,782, respectively. The large increase in the sewer activity is due to a \$416,690 decrease in the Harford County sewer bulk charges resulting from decreased flows and a \$0.39 rate decrease.



TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011



Financial Analysis of the Town's Funds

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

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

As of June 30, 2011, the Town's governmental funds (general fund and special revenue fund) reported a combined ending fund balance of \$3,968,630, an increase of \$684,600 in comparison with the prior year. Approximately 99.0% of this total amount (\$3,930,193) constitutes *committed, assigned, and unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *nonspendable and restricted* to indicate that it is not available for new spending because it has already been dedicated for prepaids. The *nonspendable and restricted fund balance*, at 1% of total fund balance, does not significantly affect the availability of fund resources for future use.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, assigned and unassigned fund balance of the General Fund was \$3,720,100, while total fund balance was \$3,762,354. As a measure of the General Fund's liquidity, it may be useful to compare both assigned and unassigned fund balance and total fund balance to total fund expenditures. Assigned and unassigned fund balance represents 32.9% of total General Fund expenditures, while total fund balance represents 33.3% of that same amount.

The Town's General Fund total fund balance increased by \$585,582 during the current fiscal year. This was a result of revenues exceeding budget by \$298,119 due to \$92,444 more in state shared taxes which was mainly in the area of income taxes, and \$123,246 more in fines, which was mainly in the area of red light camera fines.

TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

The Town also experienced spending \$104,313 less in various expenditure areas as well as increasing the reserve for encumbrances by \$183,150 mainly for various street and sidewalk construction projects that were held until the end of the fiscal year.

The Special Revenue Fund has a total fund balance of \$206,276. The \$112,761 increase in fund balance is due to utilizing less in fund balance as a revenue source to pay for current year expenditures for certain projects/programs than expected.

Proprietary funds. The Town's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Net assets of the Parking Fund and the Sewer Fund were \$1,771,426 and \$433,694, respectively and increased by \$9,390 and \$290,782 in the Parking Fund and the Sewer Fund, respectively.

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

The net assets of the Sworn Officers' Pension Trust and the Civilian Pension Trust increased \$894,843 or 30.5% and \$772,411 or 21.4%, respectively. The increase in net assets in both Trust Plans is due to investment gains.

General Fund Budgetary Highlights

The final amended budget for the General Fund was increased \$83,091 from the original budget.

The Town amended the budget in March, 2011 after its normal mid-year budget review. The budget was reduced by \$103,661. The significant revenue changes were that real property taxes were reduced by \$136,000, while income taxes were increased by \$50,928. The significant expenditure changes were that salaries were reduced in both the police department (\$40,010) and the public works streets and highways division (\$49,102) for eliminated positions.

The Town made its final budget amendment in June, 2011 adding \$186,752 to the budget. The significant revenue changes were that red light camera fines were increased by \$107,352 and insurance and sale proceeds, under miscellaneous, were increased by \$38,000. The significant expenditure changes were that the computer network budget was increased by \$47,550, red light camera budget was increased by \$43,000, and the police department budget was increased by \$47,472.

At the end of the year, revenues and other financing sources were more than budgetary estimates by \$298,119 and expenditures were \$104,313 less than anticipated.

TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

Capital Assets and Debt Administration

Capital assets. The Town's investment in capital assets net of accumulated depreciation for its governmental and business-type activities as of June 30, 2011 was \$10,676,571. 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 9.9%, comprised of a 15.2% increase for governmental activities and a 3.7% decrease in business-type activities.

The following table displays the Town's capital assets. Additional information can be found in Note 7 in the notes to the financial statements of this report.

CAPITAL ASSETS

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land and improvements	\$ 3,681,235	\$ 2,662,735	\$ 777,518	\$ 777,518	\$ 4,458,753	\$ 3,440,253
Buildings and improvements	4,360,965	4,322,821	2,143,174	2,143,174	6,504,139	6,465,995
Infrastructure	288,328	232,069	-	-	288,328	232,069
Machinery and equipment	1,000,076	998,270	205,621	192,742	1,205,697	1,191,012
Furniture and fixtures	678,534	669,800	-	-	678,534	669,800
Vehicles	2,428,467	2,298,885	333,135	333,135	2,761,602	2,632,020
Parking improvements	-	-	404,596	400,296	404,596	400,296
Sewer system	-	-	1,092,147	1,084,347	1,092,147	1,084,347
Accumulated depreciation	(4,361,844)	(4,173,480)	(2,342,131)	(2,231,581)	(6,703,975)	(6,405,061)
Total	\$ 8,075,761	\$ 7,011,100	\$ 2,614,060	\$ 2,699,631	\$10,689,821	\$ 9,710,731

Major capital asset events during the year ending June 30, 2011 included the following:

- Since the Bel Air Reckord Armory was officially transferred to the Town at the beginning of the fiscal year as owners of the property, the land (\$1,018,500) was recorded. The recorded amount of the leasehold improvements for the Armory was close to the assessed value so no adjustment was necessary.
- Building improvements of \$38,144 were completed at Town Hall/Police Department with air conditioning system replacements (\$22,594) and renovations to the Armory (\$15,550).
- The Police Department purchased four new replacement vehicles at a total cost of \$88,631 with one of the replacements being necessary due to the vehicle being totaled in a non-fault car accident.
- The Police Department purchased two Bosch DHR with grant monies (\$14,000), two monitoring cameras, one with grant monies (\$12,873), a firearms simulator system (\$33,130), and a license plate reader donated to the Town from a Maryland State Police Grant (\$17,000).

TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

- The Public Works Department purchased a 10-yard container (\$2,950), two replacement pick-up trucks (\$63,753), a replacement administration vehicle (\$20,074), and a replacement refuse truck (\$145,570).
- The Public Works Department contracted to have new handicap ramps installed for a total cost of \$56,260.
- The Town purchased \$8,757 worth of capitalized computer hardware/software during the year.
- The Town purchased a new sound system (\$6,040), two new single-faced signs for the marquee (\$6,089), and a bronze plaque for Armory Park (\$2,944).
- The Town sold the following major assets at various public auctions and were removed from the Town's capital assets: one police vehicle (\$19,876), two pick-up trucks (\$53,477), refuse truck (\$74,997), and a public works administration vehicle (\$12,379). One police vehicle was totaled (\$18,383), and one police vehicle was transferred to the public works department (\$18,383).
- In the Parking Fund, a license plate reader camera was purchased for use in the parking garage at a total cost of \$4,300.
- In the Sewer Fund, a chain cutter was purchased (\$4,791). Two hydromatic pumps were purchased for the Roland Place pump station (\$12,720), while the old ones were abandoned (\$13,250). A submersible motor/grinder pump was purchased for the Gateway pump station. A sanitary sewer line was replaced on Jackson Boulevard (\$7,800).

Debt administration. The Town's long-term debt as of June 30, 2011, was \$3,909,025. Of this amount, \$2,228,695 represents general obligation bonds in which the full faith and credit and unlimited taxing power of the Town are irrevocably pledged to the levy and collection of taxes in order to provide for the payment of principal and interest due on the bonds. The remaining debt consists of notes for major equipment and vehicles totaling \$563,509, a note for the fuel storage tank replacement of \$18,803, an obligation to the Liquor Control Board employees' retirement system of \$10,916, and \$1,087,102 in compensated absences and OPEB liabilities. The following table reflects the Town's long-term debt:

LONG-TERM DEBT

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
General obligations bonds	\$1,270,153	\$1,423,263	\$ 958,542	\$1,081,612	\$2,228,695	\$2,504,875
Equipment/vehicle notes	465,216	655,449	98,293	140,220	563,509	795,669
Other notes	29,719	67,059	-	-	29,719	67,059
Compensated absences / OPEB	1,009,730	1,006,199	77,372	67,823	1,087,102	1,074,022
Total	<u>\$2,774,818</u>	<u>\$3,151,970</u>	<u>\$1,134,207</u>	<u>\$1,289,655</u>	<u>\$3,909,025</u>	<u>\$4,441,625</u>

TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

The Town's total long-term debt for governmental and business-type activities decreased by \$377,152 and \$155,448, respectively. During the year, \$545,680 in debt was retired, and the Town did not enter into any new obligations during the fiscal year.

The amount of general obligation debt the Town may issue is limited by the Town's charter. The Town may issue bonds as long as the total bonded indebtedness of the Town does not exceed 6% of the assessed value of real and personal property. As of June 30, 2011, the debt limitation is \$88,441,634, 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 in the notes to the financial statements of this report.

Economic Factors and Fiscal Year 2012's Budgets and Rates

- The State of Maryland Assessments and Taxation Department completed its triennial assessment for Town residents effective beginning in fiscal year 2012, 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 a decrease in real property taxes due to this being the first reassessment since 2008 recession on the national economy. The reduction in the assessment reflects the declining real estate values nationally and locally. Real property tax revenues for fiscal year 2012 are expected to decline by 9.3% over those projected for fiscal year 2011. This is the first time in Town history that the real property tax rate fell below the constant yield rate.
- Income tax revenues are projected to increase slightly over the 2011 actual income tax revenue based on information provided by the Comptroller's office. As a result, income tax revenues are projected to increase by 6.7%.
- Highway user revenues are projected to increase \$119,688 over the 2011 budget. The additional monies will fund a capital improvement program project since this may only be a one-time increase.
- With anticipating no interest rate increase due to the slowing economy, the Town's interest on investments is budgeted to decrease by 42.3% over fiscal year 2011 actual revenues.
- The Town will finance its equipment/vehicle purchases, approximately \$261,770. This includes two police vehicles, a dump truck, and a refuse truck.
- Salaries were held at the fiscal year 2012 levels for all Town employees.
- The Town budgeted \$45,000 for various building maintenance projects.
- The Finance Department budgeted \$10,000 to fund the required OPEB actuarial valuation.

TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

- The Economic Development Department budgeted \$47,000 to fund marketing and public relations efforts which included Main Street marketing through the Alliance.
- The Computer Network Department budgeted \$43,700 for on-time expenditures.
- The Town's pension contribution increased from 8% for both the civilian and sworn officer plans to 8.7% for the civilian and 9.4% for the sworn officer.
- The Town budgeted \$60,000 to partially fund its Other Postemployment Benefits Other Than Pensions (OPEB).
- The Town budgeted to purchase two police vehicles (\$49,000).
- The Town budgeted to purchase a replacement public works dump truck (\$67,200) and a refuse truck (\$145,570).
- The Public Works Department budgeted \$308,000 in street, sidewalk, and curb/gutter construction work to be completed at specific locations.
- The Town budgeted \$119,147 to fund the George Street Culver CIP Project. This project will be funded by possible one-time additional highway user revenues and will replace the drainage culvert under George Street.
- The Town did not appropriate any monies from the unassigned fund balance in the general fund to pay for current expenditures.
- In the Special Revenue Fund, the Town has designated two years of Community Development Block Grants to the George Street Dual Cell Culvert Project.
- In the Special Revenue Fund, the Town was awarded a \$50,000 Community Legacy Grant to provide 10 lamp posts and banners on north and south Main Street.
- In the Special Revenue Fund, the Town was awarded a \$55,000 Program Open Space Grant to be utilized for the Rockfield Park trails.
- In the Special Revenue Fund, the Town budgeted \$75,000 to establish a Revolving Loan Fund to assist new and existing Bel Air businesses with capital/operational funding and gap financing for interior and/or exterior creation, expansion, and rehabilitation of buildings, equipment, and assets related to business use.

All of these factors were considered in preparing the Town's budget for the 2012 fiscal year.

The real and personal property tax rates remain unchanged in fiscal year 2012 at the current real property tax rate of \$.50 per \$100 of assessed value and the personal property tax rate is \$1.16 per \$100 of assessed value.

TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

The Sewer Fund user rate and base charge will increase by 1.6% for fiscal year 2012 and will affect both residential and commercial customers. The percentage adjustment is according to the change in the Consumer Price Index as of December 2010. An inflow and infiltration project in the amount of \$300,000 to cover the costs to perform follow-up inspections and perform repairs to the Town's Sanitary Sewer System found during the smoke testing Inflow and Infiltration inspection program performed in fiscal year 2010 will be financed.

In the Parking Fund, lease fees are projected to be \$13,740,000 lower in fiscal year 2012 due to the economy. The routine repairs that are shown in the budget will not occur as the County and the Town are working through the funding of the repairs into the future. The one project that has been identified and agreed upon to be done in 2012 is the replacement of the elevators in the parking 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 N. Hickory Avenue, Bel Air, Maryland 21014 or send an e-mail to Imoody@belairmd.org.

FINANCIAL STATEMENTS

TOWN OF BEL AIR, MARYLAND

**Statement of Net Assets
June 30, 2011**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,398,106	\$ 570	\$ 1,398,676
Restricted cash and cash equivalents	318,731	9,468	328,199
Investments	2,780,045	-	2,780,045
Accounts receivable	108,113	535,073	643,186
Real and personal property taxes receivable	109,807	-	109,807
Accrued interest receivable	25,415	-	25,415
Due from other units of government	459,761	-	459,761
Internal balances	(270,806)	270,803	(3)
Prepaid expenses	38,679	-	38,679
Net pension asset	368,385	-	368,385
Capital assets, not being depreciated	3,681,235	777,518	4,458,753
Capital assets, net of accumulated depreciation	4,394,526	1,836,542	6,231,068
Other assets	-	315,230	315,230
	<hr/>	<hr/>	<hr/>
Total assets	13,411,997	3,745,204	17,157,201
LIABILITIES			
Accounts payable	218,542	405,696	624,238
Accrued liabilities	260,047	-	260,047
Payroll withholdings	12,432	-	12,432
Deposits and other escrows held	52,315	-	52,315
Unearned revenue	380,153	181	380,334
Non-current liabilities:			
Due within one year	324,596	149,957	474,553
Due in more than one year	2,450,222	984,250	3,434,472
	<hr/>	<hr/>	<hr/>
Total liabilities	3,698,307	1,540,084	5,238,391
NET ASSETS			
Invested in capital assets, net of related debt	7,591,742	1,557,225	9,148,967
Restricted	214,116	201,691	415,807
Unrestricted	1,907,832	446,204	2,354,036
	<hr/>	<hr/>	<hr/>
TOTAL NET ASSETS	<u>\$ 9,713,690</u>	<u>\$ 2,205,120</u>	<u>\$ 11,918,810</u>

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

TOWN OF BEL AIR, MARYLAND

**Statement of Activities
Year Ended June 30, 2011**

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	\$ 1,127,140	\$ 244,306	\$ 17,782	\$ 17,178	\$ (847,874)	\$ -	\$ (847,874)
Public safety	3,620,503	556,369	183,127	37,225	(2,843,782)	-	(2,843,782)
Public works	2,799,809	128,035	23,532	-	(2,648,242)	-	(2,648,242)
Recreation and culture	180,255	-	-	-	(180,255)	-	(180,255)
Miscellaneous	2,086,533	-	-	-	(2,086,533)	-	(2,086,533)
Interest on long-term debt	88,451	-	-	-	(88,451)	-	(88,451)
Total governmental activities	<u>9,902,691</u>	<u>928,710</u>	<u>224,441</u>	<u>54,403</u>	<u>(8,695,137)</u>	<u>-</u>	<u>(8,695,137)</u>
Business-type activities							
Sewer	2,019,664	2,310,446	-	-	-	290,782	290,782
Parking facilities	453,024	462,398	-	-	-	9,374	9,374
Total business-type activities	<u>2,472,688</u>	<u>2,772,844</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>300,156</u>	<u>300,156</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 12,375,379</u>	<u>\$ 3,701,554</u>	<u>\$ 224,441</u>	<u>\$ 54,403</u>	<u>(8,695,137)</u>	<u>300,156</u>	<u>(8,394,981)</u>
GENERAL REVENUES							
Taxes:							
Property taxes, levied for general purposes					8,041,733	-	8,041,733
Shared taxes					2,178,386	-	2,178,386
Miscellaneous					782,583	-	782,583
Unrestricted investment earnings					60,667	16	60,683
Total general revenues					<u>11,063,369</u>	<u>16</u>	<u>11,063,385</u>
CHANGE IN NET ASSETS					2,368,232	300,172	2,668,404
NET ASSETS, BEGINNING OF YEAR					<u>7,302,574</u>	<u>1,904,948</u>	<u>9,207,522</u>
NET ASSETS, END OF YEAR					<u>\$ 9,670,806</u>	<u>\$ 2,205,120</u>	<u>\$ 11,875,926</u>

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

TOWN OF BEL AIR, MARYLAND

**Balance Sheet - Governmental Funds
June 30, 2011**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 1,398,106	\$ -	\$ 1,398,106
Restricted cash and cash equivalents	317,634	1,097	318,731
Investments	2,780,045	-	2,780,045
Accounts receivable	561,030	6,840	567,870
Accrued interest receivable	25,415	-	25,415
Property taxes receivable - net	109,807	-	109,807
Due from other funds	20,746	200,487	221,233
Prepaid costs	38,437	242	38,679
	<u>5,251,220</u>	<u>208,666</u>	<u>5,459,886</u>
TOTAL ASSETS	\$ 5,251,220	\$ 208,666	\$ 5,459,886
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 216,152	\$ 2,390	\$ 218,542
Accrued costs	236,723	-	236,723
Payroll withholdings	12,432	-	12,432
Deposits	52,315	-	52,315
Deferred revenue	479,208	-	479,208
Due to other funds	492,036	-	492,036
	<u>1,488,866</u>	<u>2,390</u>	<u>1,491,256</u>
Total liabilities	1,488,866	2,390	1,491,256
FUND BALANCES			
Nonspendable	38,437	-	38,437
Restricted	-	-	-
Committed	3,817	118,134	121,951
Assigned	952,374	88,142	1,040,516
Unassigned	2,767,726	-	2,767,726
	<u>3,762,354</u>	<u>206,276</u>	<u>3,968,630</u>
Total fund balances	3,762,354	206,276	3,968,630
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,251,220	\$ 208,666	\$ 5,459,886

The accompanying notes are an integral part of this balance sheet.

TOWN OF BEL AIR, MARYLAND

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2011**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS (page 21)	\$ 3,968,630
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.	99,055
Net pension assets are not financial resources and therefore are not reported as assets in governmental funds.	368,385
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 \$12,437,605 and the accumulated depreciation is \$4,361,844.	8,075,761
Noncurrent liabilities are not reported as liabilities in the governmental funds.	(2,774,818)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	<u>(23,323)</u>
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES (page 19)	<u><u>\$ 9,713,690</u></u>

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

TOWN OF BEL AIR, MARYLAND

**Statement Of Revenues, Expenditures and Changes In Fund Balances - Governmental Funds
Year Ended June 30, 2011**

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES			
Taxes - local	\$ 8,041,360	\$ -	\$ 8,041,360
Taxes - state shared	1,241,855	-	1,241,855
Licenses and permits	131,609	-	131,609
Revenue from other agencies	1,031,691	79,025	1,110,716
Service charges for current services	636,708	-	636,708
Fines	510,598	-	510,598
Miscellaneous	281,003	140,648	421,651
	<hr/>	<hr/>	<hr/>
Total revenues	11,874,824	219,673	12,094,497
EXPENDITURES			
General government	1,980,198	38,017	2,018,215
Public safety	3,708,354	58,723	3,767,077
Public works	2,874,642	6,840	2,881,482
Recreation and parks	164,531	15,724	180,255
Miscellaneous	2,085,182	1,351	2,086,533
Debt service:			
Principal	380,683	-	380,683
Interest	95,652	-	95,652
	<hr/>	<hr/>	<hr/>
Total expenditures	11,289,242	120,655	11,409,897
	<hr/>	<hr/>	<hr/>
Excess of revenues over expenditures	585,582	99,018	684,600
FUND BALANCES, BEGINNING OF YEAR	3,190,515	93,515	3,284,030
TRANSFER (TO)FROM SPECIAL REVENUE FUND			
MEMA reserve	(11,260)	11,260	-
Seized property reserve	(2,483)	2,483	-
	<hr/>	<hr/>	<hr/>
FUND BALANCES, END OF YEAR	<u>\$ 3,762,354</u>	<u>\$ 206,276</u>	<u>\$ 3,968,630</u>

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

TOWN OF BEL AIR, MARYLAND

**Reconciliation of The Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to The Statement of Activities
Year Ended June 30, 2011**

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUND (page 23)	\$ 684,600
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay of \$1,553,097 is exceeded by depreciation expense of \$423,103 in the period.	1,129,994
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 \$300,072, less any accumulated depreciation of \$234,739.	(65,333)
In the Statement of Activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for compensated absences are measured by the amount of financial resources used (essentially, the amounts actually paid or expected to be paid within one year). This year, the change in vacation, sick, compensatory leave, and OPEB expense was \$3,531.	(46,415)
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 \$101,076.	101,076
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 decrease in deferred revenue in the governmental funds which is recognized as revenue in the Statement of Activities.	176,426
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 2011.	380,683
Interest expense in the Statement of Activities differs from the amount reported in governmental funds due to the net change in accrued interest.	<u>7,201</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (page 20)	<u><u>\$ 2,368,232</u></u>

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

TOWN OF BEL AIR, MARYLAND

**Statement of Revenues and Expenditures – Budget and Actual General Fund (Non-GAAP Budgetary Basis)
Year Ended June 30, 2011**

	<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	\$ 8,152,551	\$ 8,022,151	\$ 8,041,360	\$ 19,209
Taxes - state shared	1,123,724	1,149,411	1,241,855	92,444
Licenses and permits	110,000	113,360	131,609	18,249
Revenues from other agencies	1,033,975	1,031,667	1,031,691	24
Service charges for current services	585,864	607,264	636,708	29,444
Fines	280,000	387,352	510,598	123,246
Miscellaneous	207,500	265,500	281,003	15,503
	<u>11,493,614</u>	<u>11,576,705</u>	<u>11,874,824</u>	<u>298,119</u>
EXPENDITURES				
Current:				
General government	2,065,880	2,169,206	2,108,014	61,192
Public safety	3,682,743	3,728,005	3,708,354	19,651
Public works	2,948,788	2,902,891	2,900,080	2,811
Recreation and parks	160,050	160,050	155,430	4,620
Miscellaneous	2,159,725	2,140,125	2,124,179	15,946
Debt service	476,428	476,428	476,335	93
	<u>11,493,614</u>	<u>11,576,705</u>	<u>11,472,392</u>	<u>104,313</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	402,432	<u>\$ 402,432</u>
FUND BALANCE - BEGINNING OF YEAR			2,774,407	
TRANSFER TO SPECIAL REVENUE FUND MEMA RESERVE			(11,260)	
SEIZED PROPERTY RESERVE			<u>(2,483)</u>	
FUND BALANCE - END OF YEAR			<u>\$ 3,163,096</u>	

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

TOWN OF BEL AIR, MARYLAND

**Statement of Revenues and Expenditures – Budget and Actual Special Revenue Fund
(Non-GAAP Budgetary Basis)
Year Ended June 30, 2011**

	<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	\$ 80,000	\$ 80,000	\$ 17,782	\$ (62,218)
Bureau of Justice grant	37,299	37,299	37,225	(74)
MEMA grant	-	7,200	6,840	(360)
Community Legacy grant	-	42,178	17,178	(25,000)
	<u>117,299</u>	<u>166,677</u>	<u>79,025</u>	<u>(87,652)</u>
Total - revenue from other agencies				
Miscellaneous	<u>113,800</u>	<u>113,800</u>	<u>140,648</u>	<u>26,848</u>
Total revenues	<u>231,099</u>	<u>280,477</u>	<u>219,673</u>	<u>(60,804)</u>
EXPENDITURES				
General government	83,700	125,878	38,017	87,861
Public safety	51,299	51,299	58,723	(7,424)
Public works	-	7,200	6,840	360
Recreation and parks	95,300	95,300	15,724	79,576
Miscellaneous	800	800	1,351	(551)
	<u>231,099</u>	<u>280,477</u>	<u>120,655</u>	<u>159,822</u>
Total expenditures				
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	99,018	<u>\$ 99,018</u>
FUND BALANCE - BEGINNING OF YEAR			93,515	
TRANSFER FROM GENERAL FUND MEMA RESERVE			11,260	
SEIZED PROPERTY RESERVE			<u>2,483</u>	
FUND BALANCE - END OF YEAR			<u>\$ 206,276</u>	

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

TOWN OF BEL AIR, MARYLAND

**Statement of Net Assets – Proprietary Funds (Enterprise Funds)
June 30, 2011**

	Parking Fund	Sewer Fund	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 570	\$ -	\$ 570
Restricted cash and cash equivalents	9,468	-	9,468
Accounts receivable	35,907	499,166	535,073
Due from other funds	293,203	-	293,203
Total current assets	<u>339,148</u>	<u>499,166</u>	<u>838,314</u>
Noncurrent Assets			
Land	777,518	-	777,518
Capital assets, net	1,202,851	633,691	1,836,542
Other assets	-	315,230	315,230
Total noncurrent assets	<u>1,980,369</u>	<u>948,921</u>	<u>2,929,290</u>
Total assets	<u>2,319,517</u>	<u>1,448,087</u>	<u>3,767,604</u>
LIABILITIES			
Current Liabilities			
Accounts payable and accrued expenses	4,185	401,511	405,696
Due to other funds	-	22,400	22,400
Unearned revenue	181	-	181
Notes payable	3,292	36,820	40,112
Bonds payable	64,913	44,932	109,845
Total current liabilities	<u>72,571</u>	<u>505,663</u>	<u>578,234</u>
Noncurrent Liabilities			
Accrued compensated absences	23,825	53,547	77,372
Notes payable - long-term	-	58,181	58,181
Bonds payable - long-term	451,695	397,002	848,697
Total noncurrent liabilities	<u>475,520</u>	<u>508,730</u>	<u>984,250</u>
Total liabilities	<u>548,091</u>	<u>1,014,393</u>	<u>1,562,484</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,460,469	96,756	1,557,225
Restricted	201,691	-	201,691
Unrestricted	109,266	336,938	446,204
TOTAL NET ASSETS	<u>\$ 1,771,426</u>	<u>\$ 433,694</u>	<u>\$ 2,205,120</u>

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

TOWN OF BEL AIR, MARYLAND

**Statement of Revenues, Expenses and Change In Net Assets - Proprietary Funds
(Enterprise Funds)
Year Ended June 30, 2011**

	Parking Fund	Sewer Fund	Total
OPERATING REVENUES			
Service Charges for Current Services			
Sanitation and Waste Removal			
Sewerage charges	\$ -	\$ 1,991,785	\$ 1,991,785
Sewer connection charges	-	244,800	244,800
Other revenues	-	44,496	44,496
User benefit fees	-	29,365	29,365
Highway and Streets			
Meter collections	163,223	-	163,223
Lease fees	72,860	-	72,860
Fines and Forfeitures			
Parking	108,116	-	108,116
Miscellaneous			
County share operating expenses and capital repairs	115,539	-	115,539
Miscellaneous	2,660	-	2,660
Total operating revenues	<u>462,398</u>	<u>2,310,446</u>	<u>2,772,844</u>
OPERATING EXPENSES			
Salaries	-	122,900	122,900
Contractual services	-	1,142,195	1,142,195
Transfer to general fund - administrative costs	256,893	239,170	496,063
Supplies	-	8,481	8,481
Utilities	-	11,506	11,506
Depreciation	70,217	53,583	123,800
Amortization	-	36,936	36,936
Maintenance	6,319	68,761	75,080
Compensated absences	122	9,428	9,550
Other	7,990	12,638	20,628
Connection costs	-	244,800	244,800
User benefit fees	-	29,365	29,365
Postage	1,483	5,328	6,811
Insurance	-	9,789	9,789
Parking fine charges	23,360	-	23,360
Energy reduction project	-	-	-
I&I projects	-	-	-
Garage operations	61,805	-	61,805
Total operating expenses	<u>428,189</u>	<u>1,994,880</u>	<u>2,423,069</u>
Operating income	<u>34,209</u>	<u>315,566</u>	<u>349,775</u>
Non-Operating Revenue (Expenses)			
Investment income	16	-	16
Investment expenses	(24,835)	(24,784)	(49,619)
Net non-operating expenses	<u>(24,819)</u>	<u>(24,784)</u>	<u>(49,603)</u>
CHANGE IN NET ASSETS	9,390	290,782	300,172
NET ASSETS, BEGINNING OF YEAR	<u>1,762,036</u>	<u>142,912</u>	<u>1,904,948</u>
NET ASSETS, END OF YEAR	<u>\$ 1,771,426</u>	<u>\$ 433,694</u>	<u>\$ 2,205,120</u>

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

TOWN OF BEL AIR, MARYLAND

**Statement of Cash Flows - Proprietary Funds (Enterprise Funds)
Year Ended June 30, 2011**

	<u>Parking Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from sewer charges	\$ -	\$ 2,510,878	\$ 2,510,878
Cash received from parking charges	472,204	-	472,204
Payments to suppliers	(371,422)	(2,232,740)	(2,604,162)
Payments to employees	-	(122,365)	(122,365)
Net cash provided by operating activities	<u>100,782</u>	<u>155,773</u>	<u>256,555</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Cash payment of bond principal	(6,606)	(35,321)	(41,927)
Cash payment of note principal	(62,266)	(60,804)	(123,070)
Interest paid on long-term obligation	(24,950)	(25,719)	(50,669)
Acquisition of capital assets	(4,300)	(33,929)	(38,229)
Net cash used in financing activities	<u>(98,122)</u>	<u>(155,773)</u>	<u>(253,895)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	<u>16</u>	<u>-</u>	<u>16</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,676	-	2,676
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>7,362</u>	<u>-</u>	<u>7,362</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 10,038</u>	<u>\$ -</u>	<u>\$ 10,038</u>

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

Operating income	\$ 34,209	\$ 315,566	\$ 349,775
Adjustments to reconcile net operating income to net cash provided by operating activities:			
Depreciation and amortization	70,217	90,519	160,736
Effects of changes in operating assets and liabilities:			
Accounts receivable	14,546	(21,167)	(6,621)
Due from other funds	(3,971)	221,599	217,628
Accounts payable	(13,571)	(480,918)	(494,489)
Due to other funds	-	20,746	20,746
Unearned revenue	(769)	-	(769)
Compensated absences payable	121	9,428	9,549
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 100,782</u>	<u>\$ 155,773</u>	<u>\$ 256,555</u>

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

TOWN OF BEL AIR, MARYLAND

**Statement of Fiduciary Net Assets
June 30, 2011**

ASSETS

Cash and cash equivalents	\$	431,522
Investments:		
Mutual funds		7,389,552
Fiscal agents		<u>399,615</u>
Total assets		<u>8,220,689</u>

LIABILITIES

Accounts payable		<u>12,009</u>
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NET ASSETS

Held in trust for pension benefits	\$	<u><u>8,208,680</u></u>
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(See notes to financial statements for the plan's schedule of funding progress.)

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

TOWN OF BEL AIR, MARYLAND

**Statement of Changes In Fiduciary Net Assets
Year Ended June 30, 2011**

ADDITIONS

Contributions:

Employer contributions	\$ 528,531
Employee contributions	188,810
Total contributions	<u>717,341</u>

Investment gain:

Net increase in the fair value of investments	<u>1,317,130</u>
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Total additions	<u>2,034,471</u>
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DEDUCTIONS

Benefit payments	299,280
Contractual services	<u>67,937</u>

Total deductions	<u>367,217</u>
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CHANGE IN NET ASSETS	1,667,254
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NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:

BEGINNING OF YEAR	<u>6,541,426</u>
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END OF YEAR	<u><u>\$ 8,208,680</u></u>
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The accompanying notes are an integral part of this financial statement.

TOWN OF BEL AIR, MARYLAND

Notes to Financial Statements June 30, 2011

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 non-fiduciary activities of the Town. For the most part, the effect on interfund activity has been removed from these statements. Exceptions to this general rule are the interfund activity between the government funds and the fiduciary funds. Governmental activities, which are supported by taxes and intergovernmental revenues, are reported separately from business-type activities that are supported by customer service charges.

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide and proprietary financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. The Town does not apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, in accounting and reporting for its proprietary operations unless they are required by 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, 2011

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 non-operating items. Operating revenues and expenses result primarily from providing services and delivering goods in connection with the fund's principal ongoing operations such as charges to customers for sales and services and expenses such as salaries, operating expenses and depreciation. All revenues and expenses not meeting this definition are non-operating revenues and expenses.

TOWN OF BEL AIR, MARYLAND

Notes to Financial Statements June 30, 2011

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 as of June 30, 2011, amounted to \$109,807. Property tax revenue is recognized in the year levied and when it becomes available, including amounts expected to be collected soon enough after the end of the year to be used to pay liabilities of the current period.

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

In fiscal 2011, 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. When possible, restricted assets are used before unrestricted assets.

TOWN OF BEL AIR, MARYLAND

Notes to Financial Statements June 30, 2011

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

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

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

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 sources.

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, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accumulated Unpaid Vacation, Sick and Compensatory Pay and OPEB

As of June 30, 2011, the liability for Town employees for accrued vacation, sick and compensatory leave and OPEB was \$474,647, \$459,383, \$71,912 and \$81,159, 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

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

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.

Fund Balances

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

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2011**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances (continued)

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

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

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

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

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

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2011**

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

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

The governmental funds Balance Sheet includes 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 \$2,774,818 difference is as follows:

Harford County Liquor Board	\$	10,916
Equipment/vehicle obligations		465,216
Compensated absences/OPEB		1,009,730
Bel Air High School auditorium		1,026,393
TH/PD Expansion design		243,760
Fuel storage tank replacement note		<u>18,803</u>
Total	\$	<u>2,774,818</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 \$1,129,994 difference is found on page 24.

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2011**

NOTE 3 – RECONCILIATION OF GAAP AND NON-GAAP EXPENDITURES

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

	<u>Revenues</u>	<u>Other Financing Sources</u>	<u>Expenditures</u>	<u>Current Year Effect on Fund Balance</u>
General Fund				
Budgetary basis	\$ 11,874,824	\$ -	\$ 11,472,392	\$ 402,432
Current year encumbrances	-	-	(952,374)	952,374
Prior year encumbrances	-	-	769,224	(769,224)
GAAP basis	<u>\$ 11,874,824</u>	<u>\$ -</u>	<u>\$ 11,289,242</u>	<u>\$ 585,582</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.
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.

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2011**

NOTE 4 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Budgetary Information (Continued)

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 \$2,020.

B. Deposits

At year-end, the carrying amount of the Town's bank deposits was \$1,368,600 and the bank balance was \$1,456,771. All of the bank balance, \$1,456,771, was covered by federal deposit insurance, or the balance was collateralized by other assets. The deposits of the Town were not exposed to custodial credit risk as of June 30, 2011.

C. Cash equivalents

As of June 30, 2011, the Town's cash equivalents consisted of money market funds held by the Maryland Local Government Investment Pool totaling \$356,255.

Investments

Investments consist of Certificates of Deposit with varying maturities and interest rates ranging from .85% to 2.00% which are all covered by federal deposit insurance. Investments have maturities between July 2011 through June 2012.

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2011**

NOTE 5 – CASH AND INVESTMENTS (CONTINUED)

<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>\$ 2,780,045</u>	<u>\$ 587,000</u>	<u>\$ 2,193,045</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, 2011, met the Town's investment policy as of that date. Investment income includes the following for the year ended June 30, 2011:

Net interest and dividends - governmental activities	<u>\$ 60,667</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. As of June 30, 2011, 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.

Pension Investments

As of June 30, 2011, 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.

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2011**

NOTE 5 – CASH (CONTINUED)

	Sworn Officers Pension Trust	Civilian Pension Trust	Weighted Average Maturity
T. Rowe Price			
New Income Fund	\$ 849,712	\$ 934,675	7.86 years
Short-term Bond Fund	373,790	392,418	2.46 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 7 – CHANGES IN CAPITAL ASSETS

Additions and disposals of fixed capital assets during the year ended June 30, 2011, are shown below:

	Balance July 1, 2011	Additions and Transfers	Disposals and Transfers	Ending Balance June 30, 2011
Governmental Activities				
Land – not being depreciated	\$ 2,662,735	\$ 1,018,500	\$ -	\$ 3,681,235
Buildings and improvements	4,322,821	38,144	-	4,360,965
Infrastructure	232,069	56,259	-	288,328
Machinery and equipment	998,270	79,953	78,147	1,000,076
Furniture and fixtures	669,800	23,830	15,096	678,534
Vehicles	2,298,885	336,411	206,829	2,428,467
Total	11,184,580	1,553,097	300,072	12,437,605
Less – accumulated depreciation	4,173,480	423,103	234,739	4,361,844
Capital assets, net	\$ 7,011,100	\$ 1,129,994	\$ 65,333	\$ 8,075,761

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2011**

NOTE 7 – CHANGES IN CAPITAL ASSETS (CONTINUED)

	<u>Balance July 1, 2010</u>	<u>Additions and Transfers</u>	<u>Disposals and Transfers</u>	<u>Ending Balance June 30, 2011</u>
Proprietary Funds				
Parking fund:				
Land not being depreciated	\$ 777,518	\$ -	\$ -	\$ 777,518
Parking improvements	400,296	4,300	-	404,596
Garage	2,143,174	-	-	2,143,174
Parking vehicle	43,226	-	-	43,226
Equipment	2,265	-	-	2,265
	<u>3,366,479</u>	<u>4,300</u>	<u>-</u>	<u>3,370,779</u>
Sewer fund:				
Sewer pipes and storm drain	1,084,347	7,800	-	1,092,147
Equipment	190,477	26,129	13,250	203,356
Vehicle	289,909	-	-	289,909
	<u>1,564,733</u>	<u>33,929</u>	<u>13,250</u>	<u>1,585,412</u>
Total	4,931,212	38,229	13,250	4,956,191
Less – accumulated depreciation	2,231,581	123,800	13,250	2,342,131
Capital assets, net	<u>\$ 2,699,631</u>	<u>\$ (85,571)</u>	<u>\$ -</u>	<u>\$ 2,614,060</u>

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

General government	\$ 163,146
Public safety	98,820
Public works	161,137
Total depreciation expense – governmental activities	<u>\$ 423,103</u>

As of June 30, 2011, accumulated depreciation for the parking fund and sewer fund amounted to \$1,390,410 and \$951,721, respectively. Depreciation expense as of June 30, 2011, amounted to \$70,217 in the parking fund and \$53,583 in the sewer fund.

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2011**

NOTE 8 – NON-CURRENT LIABILITIES

Non-current liability transactions of the Town for the year ended June 30, 2011, 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, 2010</u>	<u>Additions and Transfers</u>	<u>Disposals and Transfers</u>	<u>Ending Balance June 30, 2011</u>	<u>Due Within One Year</u>
Governmental activities					
Liquor Control Board employees' retirement system obligation	\$ 11,669	\$ -	\$ 753	\$ 10,916	\$ 803
Equipment/vehicle notes	655,449	-	190,233	465,216	138,125
Accrued vacation, sick and compensatory leave/OPEB	1,006,199	46,415	42,884	1,009,730	-
Fuel storage tank replacement note	55,390	-	36,587	18,803	18,803
G.O. Bond 2008A BAHS Auditorium	406,483	-	39,638	366,845	48,725
G.O. Bond 2008B BAHS Auditorium	437,274	-	43,789	393,485	45,608
G.O. Bond 2009A BAHS Auditorium	308,500	-	42,437	266,063	44,156
G.O. Bond 2008A TH/PD Expansion	271,006	-	27,246	243,760	28,376
Total governmental activity liabilities	<u>\$ 3,151,970</u>	<u>\$ 46,415</u>	<u>\$ 423,567</u>	<u>\$ 2,774,818</u>	<u>\$ 324,596</u>
	<u>Balance July 1, 2010</u>	<u>Additions and Transfers</u>	<u>Disposals and Transfers</u>	<u>Ending Balance June 30, 2011</u>	<u>Due Within One Year</u>
Business-type activities					
Parking Fund:					
Parking garage bond, 2007	\$ 578,874	\$ -	\$ 62,266	\$ 516,608	\$ 64,913
Parking garage sweeper note	9,898	-	6,606	3,292	3,292
Accrued vacation, sick and compensatory leave / OPEB	23,704	121	-	23,825	-
Total parking fund debt	<u>612,476</u>	<u>121</u>	<u>68,872</u>	<u>543,725</u>	<u>68,205</u>
Sewer Fund:					
Infrastructure Bond 2006 Series A:					
7 year note	13,800	-	13,800	-	-
20 year note	382,000	-	21,000	361,000	21,500
Stoneleigh Sewer Bond, 2010	87,519	-	14,766	72,753	15,251
Maryland Water Quality Financing Administration note	19,419	-	11,238	8,181	8,181
Sewer vacuum truck note	130,322	-	35,321	95,001	36,820
Accrued vacation, sick and compensatory leave / OPEB	44,119	9,428	-	53,547	-
Total sewer fund debt	<u>677,179</u>	<u>9,428</u>	<u>96,125</u>	<u>590,482</u>	<u>81,752</u>
Total business-type activities liabilities	<u>\$ 1,289,655</u>	<u>\$ 9,549</u>	<u>\$ 164,997</u>	<u>\$ 1,134,207</u>	<u>\$ 149,957</u>

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2011**

NOTE 8 – NON-CURRENT LIABILITIES (CONTINUED)

A. Governmental Activities

Bonds Payable

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, 2018.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 48,725	\$ 5,733	\$ 54,458
2013	49,534	4,924	54,458
2014	50,357	4,100	54,457
2015	52,291	6,849	59,140
2016	54,036	5,103	59,139
2017-2018	111,902	4,736	116,638
Total	<u>\$ 366,845</u>	<u>\$ 31,445</u>	<u>\$ 398,290</u>

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 4.15%. 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 second contribution to the County on November 5, 2008 in the amount of \$468,787 and reimbursed itself the remaining \$31,213 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, 2018.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 45,608	\$ 16,126	\$ 61,734
2013	47,590	14,144	61,734
2014	49,614	12,120	61,734
2015	51,723	10,011	61,734
2016	53,903	7,831	61,734
2017 – 2019	145,047	9,287	154,334
Total	<u>\$ 393,485</u>	<u>\$ 69,519</u>	<u>\$ 463,004</u>

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2011**

NOTE 8 – NON-CURRENT LIABILITIES (CONTINUED)

A. Governmental Activities (Continued)

Bonds Payable (Continued)

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 44,156	\$ 10,231	\$ 54,387
2013	45,944	8,442	54,386
2014	47,805	6,582	54,387
2015	49,742	4,646	54,388
2016	51,757	2,631	54,388
2017	26,659	534	27,193
Total	<u>\$ 266,063</u>	<u>\$ 33,066</u>	<u>\$ 299,129</u>

On August 15, 2008, the Town issued a \$309,800 “Town of Bel Air Town Hall/Police Department Building Design Bond, 2008A” to NBRS Financial Bank with an interest rate of 4.05% for the public purpose of providing design services for the renovation and/or expansion of the Bel Air Town Hall and Police Department. Principal and interest is payable semi-annually on February 15 and August 15, and will continue until August, 2018.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 28,376	\$ 9,718	\$ 38,094
2013	29,529	8,656	38,185
2014	30,778	7,316	38,094
2015	32,055	6,039	38,094
2016	33,384	4,709	38,093
2017 – 2019	89,638	5,597	95,235
Total	<u>\$ 243,760</u>	<u>\$ 42,035</u>	<u>\$ 285,795</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 December 15, 2011 to December 30, 2015. Obligations under the plan provide for minimum payments, as follows:

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2011**

NOTE 8 – NON-CURRENT LIABILITIES (CONTINUED)

A. Governmental Activities (Continued)

Notes Payable (Continued)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 138,125	\$ 16,466	\$ 154,591
2013	107,259	11,132	118,391
2014	111,522	7,369	118,891
2015	82,637	2,937	85,574
2016	25,673	457	26,130
Total	<u>\$ 465,216</u>	<u>\$ 38,361</u>	<u>\$ 503,577</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 drawn down; 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>
2012	<u>\$ 18,803</u>	<u>\$ 345</u>	<u>\$ 19,148</u>

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

In consideration of the immediate refund of the Town's investment of \$25,550 in the Liquor Dispensary System, the Town agreed during the year ended June 30, 1983, to share in the liquidation of the accrued liability for the retirement system of the employees of the Harford County Liquor Board. This agreement requires the Town to pay \$1,529 for the next 37 years to the Harford County Liquor Control Board. The present value of this liability, \$10,916, has been reflected in the governmental activities noncurrent liabilities in the Statement of Net Assets.

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2011**

NOTE 8 – NON-CURRENT 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>
2012	\$ 64,913	\$ 21,956	\$ 86,869
2013	67,672	19,197	86,869
2014	70,548	16,321	86,869
2015	73,546	13,323	86,869
2016	76,672	10,197	86,869
2017 – 2018	163,257	10,480	173,737
Total	<u>\$ 516,608</u>	<u>\$ 91,474</u>	<u>\$ 608,082</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 \$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>
2012	\$ 21,500	\$ 15,554	\$ 37,054
2013	22,500	14,801	37,301
2014	23,500	13,957	37,457
2015	24,000	13,018	37,018
2016	25,000	12,058	37,058
2017 – 2021	142,500	43,123	185,623
2022 – 2024	102,000	9,574	111,574
Total	<u>\$ 361,000</u>	<u>\$ 122,085</u>	<u>\$ 483,085</u>

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2011**

NOTE 8 – NON-CURRENT LIABILITIES (CONTINUED)

B. Business-type Activities (Continued)

Bonds Payable (Continued)

On April 8, 2009, the Town of Bel Air issued a \$109,900 “Town of Bel Air Stoneleigh Sewer Bond, 2009” to Harford Bank with an interest rate of 3.25% for the public purpose of providing a portion of the funds needed for the repairs to the Stoneleigh Sanitary Sewer System.

The outstanding debt of \$101,810 is recorded in the Sewer Fund. Principal and interest is payable semi-annually on June 15 and December 15 and will continue until December 15, 2015.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 15,251	\$ 2,279	\$ 17,530
2013	15,764	1,766	17,530
2014	16,287	1,243	17,530
2015	25,451	844	26,295
Total	<u>\$ 72,753</u>	<u>\$ 6,132</u>	<u>\$ 78,885</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>
2012	<u>\$ 8,181</u>	<u>\$ 190</u>	<u>\$ 8,371</u>

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 continues until July 28, 2013.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 36,820	\$ 3,607	\$ 40,427
2013	38,383	2,045	40,428
2014	19,798	416	20,214
Total	<u>\$ 95,001</u>	<u>\$ 6,068</u>	<u>\$ 101,069</u>

TOWN OF BEL AIR, MARYLAND

Notes to Financial Statements June 30, 2011

NOTE 8 – NON-CURRENT LIABILITIES (CONTINUED)

B. Business-type Activities (Continued)

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>
2012	<u>\$ 3,292</u>	<u>\$ 70</u>	<u>\$ 3,362</u>

Total interest expense on long-term liabilities was \$136,746.

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. The principal balance of the bonds as of June 30, 2011, is \$6,401,069.

In 2007, the Town of Bel Air issued \$4.5 million in Economic Development Revenue Bonds pursuant to the Maryland Economic Development Revenue Bond Act to assist The Harford Day School, Incorporated in financing or refinancing the costs constructing a two-story addition to the school's existing field house, roof replacement for the library, improvements to the HVAC system controls and fire alarm systems, installations of a geothermal heating system, acquisition of a new phone system, miscellaneous classroom improvements, and acquisition of furnishings, fixtures and equipment in connection with the foregoing, and landscaping, roads, or other rights of access. The Town is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The principal balance of the bonds as of June 30, 2011, is \$4,175,000.

TOWN OF BEL AIR, MARYLAND

Notes to Financial Statements June 30, 2011

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-RC Retirement Trust. As of June 30, 2011, the plan assets at fair market value were \$399,615 and are included in the Civilian Pension Trust.

Town of Bel Air, Maryland Civilian Employees Pension Plan

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

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

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

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, 2011, plan assets at fair value totaled \$3,978,051.

For 2011, the pension contribution was determined to be \$268,302. This contribution represents 8.69% 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, 2010 actuarial valuation using the projected unit credit actuarial cost method.

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2011**

NOTE 10 – PENSION PLANS (CONTINUED)

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

Annual Costs and Net Obligation

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 \$57,026. The Town's contribution for the year ended June 30, 2011, was \$228,141. As of June 30, 2011, there were 57 current employee participants in the Plan. A participant is fully vested after five years.

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll (b-a/c)</u>
July 1, 2007	\$2,710,770	\$3,458,637	\$ 747,867	78.38%	\$2,594,993	28.82%
July 1, 2008	2,735,622	4,014,121	1,278,499	68.15%	2,783,358	45.93%
July 1, 2009	3,063,998	4,533,821	1,469,823	67.58%	2,917,777	50.37%
July 1, 2010	3,479,498	5,006,328	1,527,328	69.50%	3,086,901	49.48%

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>
2011	\$ 268,302	\$ 228,141	85.03%
2010	263,034	277,560	105.52%
2009	239,860	235,137	98.03%
2008	191,031	212,552	111.27%

TOWN OF BEL AIR, MARYLAND

Notes to Financial Statements June 30, 2011

NOTE 10 – PENSION PLANS (CONTINUED)

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, 2011, plan assets at fair value totaled \$3,831,014.

Annual Costs and Net Obligation

For 2011, the pension contribution was determined to be \$159,153. This contribution represents 8.08% 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, 2010, 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 \$131,784. The Town's contribution for the year ended June 30, 2011, was \$300,390. As of June 30, 2011, there were 31 current employee participants in the Plan. A participant is fully vested after five years.

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2011**

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, 2007	\$2,756,015	\$3,951,933	\$1,195,918	69.74%	\$ 1,505,061	79.46%
July 1, 2008	2,792,519	3,752,131	959,612	74.42%	1,645,595	58.31%
July 1, 2009	2,980,597	4,490,390	1,509,793	66.38%	1,834,346	82.31%
July 1, 2010	3,281,531	4,846,462	1,564,931	67.71%	1,969,836	79.44%

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

Years Ended June 30,	Annual Required Contribution	Actual Contribution	Percentage Contributed
2011	\$ 159,153	\$ 300,390	188.74%
2010	141,767	151,392	106.79%
2009	159,964	218,009	136.29%
2008	192,333	211,355	109.89%

The financial information for each plan as of and for the year ended June 30, 2011, is summarized as follows:

	As of June 30, 2011	
	Civilian Pension Trust	Sworn Officers' Pension Trust
ASSETS		
Cash and equivalents	\$ 153,923	\$ 277,599
Investments:		
Mutual funds	3,830,351	3,559,201
Fiscal agents	399,615	-
Total assets	<u>4,383,889</u>	<u>3,836,800</u>
LIABILITIES		
Accounts payable	<u>6,223</u>	<u>5,786</u>
NET ASSETS		
Held in trust for pension benefits	<u>\$ 4,377,666</u>	<u>\$ 3,831,014</u>

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2011**

NOTE 10 – PENSION PLANS (CONTINUED)

	For the Year Ended June 30, 2011	
	Civilian Pension Trust	Sworn Officers' Pension Trust
ADDITIONS		
Contributions		
Employer contributions	\$ 228,141	\$ 300,390
Employee contributions	57,026	131,784
Total contributions	<u>285,167</u>	<u>432,174</u>
Investment gain:		
Net increase in the fair value of investments	701,157	615,973
Total additions	<u>986,324</u>	<u>1,048,147</u>
DEDUCTIONS		
Benefit payments	176,454	122,826
Contractual services	37,459	30,478
Total deductions	<u>213,913</u>	<u>153,304</u>
CHANGE IN NET ASSETS	772,411	894,843
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:		
BEGINNING OF YEAR	<u>3,605,255</u>	<u>2,936,171</u>
END OF YEAR	<u>\$ 4,377,666</u>	<u>\$ 3,831,014</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 cannot be diverted to any other purpose. The Town's beneficial ownership of plan assets held in the ICMA Retirement Trust are held for the further exclusive benefit of the plan participants and their beneficiaries.

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

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2011**

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	\$ -	\$ 198,833	\$ -	\$ 293,203	\$ 492,036
Sewer Fund	20,746	1,654	-	-	22,400
Total	<u>\$ 20,746</u>	<u>\$ 200,487</u>	<u>\$ -</u>	<u>\$ 293,203</u>	<u>\$ 514,436</u>
Due to Other Funds:					
Sewer Fund	\$ -	\$ -	\$ -	\$ -	\$ -
Parking Fund	293,203	-	-	-	293,203
General Fund	-	-	20,746	-	20,746
Special Revenue Fund	198,833	-	1,654	-	200,487
Total	<u>\$ 492,036</u>	<u>\$ -</u>	<u>\$ 22,400</u>	<u>\$ -</u>	<u>\$ 514,436</u>

NOTE 12 – OTHER POST RETIREMENT BENEFITS

The Town of Bel Air has instituted a program to provide health plan insurance to retired employees who are at least 55 years of age with at least 20 years of service. On July 1, 2009, the Town changed its benefit from a percentage of premium to a determined actual amount; however, the old benefit of a percentage of premium will remain in effect for those individuals who retired prior to January 1, 2009, which includes all of the retirees currently receiving the benefit. The premium amount paid by the Town is dependent upon the years of service by the retiree. The cost of the dependent care portion of the policy is born by the retiree unless he/she has at least 30 years of service. Participation in the program terminates at age 65. The Town recognizes the cost of the contribution in the year it is made. The total cost of the Plan to the Town for the year ended June 30, 2011, was approximately \$17,734 for the four retired employees participating in the Plan and receiving benefits.

Funding Policy

The Town has not yet established a formal policy nor has it restricted any funds for the plan. The Town is currently paying the retirees' healthcare costs on a "pay-as-you-go" basis.

Annual Costs and Net Obligations

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

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2011**

NOTE 12 – OTHER POST RETIREMENT BENEFITS (CONTINUED)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll (b-a/c)</u>
July 1, 2008	-	\$ 722,588	\$ 722,588	0.00%	\$ 4,752,123	15.21%

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

<u>Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
2011	\$ 60,000	\$ 17,735	29.56%
2010	60,000	21,106	35.18%

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 coverage and operates under the terms of a Trust Agreement.

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

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

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2011**

NOTE 14 – SPECIAL REVENUE FUND BALANCE

As of June 30, 2011, the Special Revenue Fund was designated for the following purposes:

Governmental Funds

Committed:

Tree planting – fee in lieu	\$	1,023	
Tree planting – forest conservation		34,098	
Seized property		11,878	
Stormwater management - fee in lieu		<u>71,135</u>	
Total Committed			118,134

Assigned:

Public amenity – gardens/park/art		49,390	
Cultural arts, sculpture		4,459	
Cultural arts		1,097	
Larew book		183	
Visitors center		170	
Comprehensive plan		12	
Empty cartridges		143	
Explorer scouts		17,615	
Auxiliary police		13,020	
Christmas parade		25	
Historic preservation		<u>2,028</u>	
Total Assigned			88,142

Total fund balance \$ 206,276

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 \$10,968 during the year ended June 30, 2011.

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 – COMMITMENTS AND CONTINGENCIES

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

TOWN OF BEL AIR, MARYLAND

Notes to Financial Statements June 30, 2011

NOTE 18 – SUBSEQUENT EVENTS

On August 15, 2011, the Town paid off the “Town of Bel Air Town Hall/Police Department Building Design Bond, 2008A” with NBRS Financial Bank in the amount of \$248,738.74. The Town had a balance of \$257,895.29 in the escrow account which was used to make the payoff and the remainder was deposited in the Town’s account. The Town felt it prudent to paid off the bond since the renovation of the Town Hall/Police Department has been put on hold for the foreseeable future.

On October 26, 2011, the Town purchased the former BB&T bank building and adjacent parking lot located at 33-37 South Main Street in the amount of \$1,032,400. The Town purchased the property utilizing the funds in the unassigned fund balance but will finance a portion of the purchase which will be returned to the unassigned fund balance. The Town intends to demolish the building and pave the lots to create an approximate thirty-three parking space metered lot for public use.

SUPPLEMENTARY INFORMATION

TOWN OF BEL AIR, MARYLAND

**Schedule of Cash and Cash Equivalents - General Fund
June 30, 2011**

UNRESTRICTED

M&T Bank		
Checking		\$ 58,860
Payroll		1,000
Harco Maryland Federal Credit Union		
Savings		6
TD Bank		
Savings		140,519
Baltimore County Savings Bank		
Money market		150,524
Carrollton Bank		
Money market		483
PeoplesBank		
Money market		568
SunTrust Bank		
Money market		246,985
Susquehanna Bank		
Money market		247,597
Wachovia Bank (Wells Fargo)		
Money market		245,995
Change fund		
		1,450
PNC Bank		
Local government investment pool		304,119
TOTAL UNRESTRICTED CASH		<u>\$ 1,398,106</u>

RESTRICTED

BB&T Bank		
Turner escrow		\$ 1,276
Harford Bank		
Savings		7,471
NBR Financial Bank		
Cash in escrow		257,848
PNC Bank		
Local Government Investment Pool - 612 Rockspring Road		4,832
Local Government Investment Pool - Dombroskie		46,207
TOTAL RESTRICTED CASH		<u>\$ 317,634</u>

TOWN OF BEL AIR, MARYLAND

**Schedule of Revenues and Expenditures Budget (Non-GAAP Budgetary Basis) and Actual
General Fund
Year Ended June 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Positive (Negative)
REVENUES				
Taxes - Local				
Real property	\$ 7,261,551	\$ 7,125,551	\$ 7,125,722	\$ 171
Half-year real property	6,000	11,600	11,647	47
Personal property	15,000	15,000	(1,363)	(16,363)
Railroads and public utilities	305,000	305,000	362,547	57,547
Ordinary business corporations	575,000	575,000	545,799	(29,201)
Penalties and interest	45,000	45,000	52,615	7,615
 <u>Deductions</u>				
Discounts allowed on taxes	(55,000)	(55,000)	(55,607)	(607)
Net local taxes	<u>8,152,551</u>	<u>8,022,151</u>	<u>8,041,360</u>	<u>19,209</u>
 Taxes - State Shared				
Highway	48,524	23,283	45,970	22,687
Income taxes	1,041,200	1,092,128	1,147,892	55,764
Admission and amusement	34,000	34,000	47,993	13,993
Total taxes - state shared	<u>1,123,724</u>	<u>1,149,411</u>	<u>1,241,855</u>	<u>92,444</u>
 Licenses and Permits				
<u>Business</u>				
Beer, wine and liquor	15,000	15,000	3,367	(11,633)
Traders	70,000	70,000	67,179	(2,821)
<u>Other Licenses and Permits</u>				
Building and equipment	25,000	28,360	61,063	32,703
Total - licenses and permits	<u>110,000</u>	<u>113,360</u>	<u>131,609</u>	<u>18,249</u>
 Revenue from Other Agencies				
<u>Grants from State Government</u>				
Governor's office grant	8,000	8,000	7,999	(1)
Police protection	154,291	154,291	157,976	3,685
FEMA Grant	-	16,692	16,692	-
<u>Grants from the Federal Government</u>				
Bulletproof vest grant	4,812	4,812	4,103	(709)
<u>Grants from County Government</u>				
Financial corporations	8,458	8,458	8,458	-
Tax rebate	823,414	823,414	823,414	-
Homeland security grant	25,000	-	-	-
Traffic grants	10,000	16,000	13,049	(2,951)
Total - revenue from other agencies	<u>1,033,975</u>	<u>1,031,667</u>	<u>1,031,691</u>	<u>24</u>
 Service Charges for Current Services				
<u>General Government</u>				
MAWC well fees	16,000	16,000	18,008	2,008
Bel Air Reckord Armory fees	45,000	45,000	57,700	12,700
Finance fees	11,500	11,500	16,675	5,175
Zoning and subdivision fees	10,000	10,000	10,669	669

TOWN OF BEL AIR, MARYLAND

**Schedule of Revenues and Expenditures Budget (Non-GAAP Budgetary Basis) and Actual
General Fund
Year Ended June 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Positive (Negative)
REVENUES (continued)				
Service Charges for Current Services (continued)				
<u>General Government (Continued)</u>				
Maps and publication fees	\$ 250	\$ 250	\$ 171	\$ (79)
MD homebuilder guaranty fund	2,750	2,750	1,000	(1,750)
<u>Sanitation and Waste Removal</u>				
Sewer fund administrative fee	217,376	217,376	239,170	21,794
<u>Public Service Enterprises</u>				
Parking fund administrative fee	264,488	264,488	256,893	(7,595)
Reimbursement for police services	17,000	38,400	35,162	(3,238)
Police reports	1,500	1,500	1,260	(240)
Total - service charges for current services	<u>585,864</u>	<u>607,264</u>	<u>636,708</u>	<u>29,444</u>
Fines				
Traffic signal camera	270,000	377,352	497,829	120,477
False alarm	10,000	10,000	12,769	2,769
Total - fines	<u>280,000</u>	<u>387,352</u>	<u>510,598</u>	<u>123,246</u>
Miscellaneous				
Interest	50,000	50,000	60,667	10,667
Hearing and ad reimbursement	1,000	1,000	858	(142)
Cable TV franchise	135,000	135,000	134,729	(271)
Police and DPW overtime reimbursement	7,500	7,500	9,349	1,849
Rental income - Tenant house	-	-	232	232
Seized property	2,000	2,000	1,737	(263)
Reimburse HCPS fiber line	-	20,000	20,000	-
Miscellaneous	12,000	50,000	53,431	3,431
Total - miscellaneous	<u>207,500</u>	<u>265,500</u>	<u>281,003</u>	<u>15,503</u>
TOTAL REVENUES	<u><u>\$ 11,493,614</u></u>	<u><u>\$ 11,576,705</u></u>	<u><u>\$ 11,874,824</u></u>	<u><u>\$ 298,119</u></u>
EXPENDITURES				
General Government				
<u>Legislative</u>				
Commissioners				
Salaries	\$ 25,200	\$ 25,200	\$ 25,200	\$ -
Operating expenses	19,790	19,790	17,733	2,057
Town Clerk				
Salaries	228,524	228,524	222,982	5,542
Operating expenses	59,810	59,810	44,924	14,886
<u>Executive</u>				
Town Administrator				
Salaries	106,250	106,250	106,659	(409)
Operating expenses	23,914	24,764	24,599	165
<u>Elections</u>				
Registration and Election				
Operating expenses	-	-	-	-

TOWN OF BEL AIR, MARYLAND

**Schedule of Revenues and Expenditures Budget (Non-GAAP Budgetary Basis) and Actual
General Fund
Year Ended June 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
EXPENDITURES (continued)				
General Government (continued)				
<u>Financial Administration</u>				
Accounting, Collection, and Disbursement Salaries	\$ 210,321	\$ 210,321	\$ 209,327	\$ 994
Operating expenses	28,629	29,629	30,130	(501)
Independent auditing	15,486	15,486	15,486	-
<u>Law</u>				
Legal Counsel Operating expenses	45,000	45,000	38,593	6,407
<u>Planning and Zoning</u>				
Salaries	283,419	289,719	289,854	(135)
Operating expenses	79,170	77,550	65,065	12,485
<u>Economic Development</u>				
Salaries	174,372	174,372	168,447	5,925
Operating expenses	68,110	74,305	69,938	4,367
<u>General Services</u>				
Municipal Buildings Salaries	43,706	43,706	46,116	(2,410)
Operating expenses	248,165	264,421	261,476	2,945
Capital outlay	-	-	-	-
<u>Bel Air Reckord Armory</u>				
Salaries	24,941	24,941	25,602	(661)
Operating expenses	97,858	103,858	99,090	4,768
<u>Other General Government</u>				
Community Promotion Operating expenses	7,360	7,360	7,124	236
Public Officers' Association Operating expenses	16,692	16,692	16,692	-
<u>Computer Network System</u>				
Operating expenses	172,795	223,725	204,094	19,631
Capital outlay	86,368	103,783	118,883	(15,100)
Total - general government	<u>2,065,880</u>	<u>2,169,206</u>	<u>2,108,014</u>	<u>61,192</u>
Public Safety				
<u>Administrative, Patrol and Investigation</u>				
Salaries	2,812,430	2,788,420	2,775,500	12,920
Operating expenses	251,992	283,292	283,996	(704)
Pension payback	150,000	150,000	150,000	-
Capital outlay	103,659	123,631	123,658	(27)
<u>Homeland security program</u>	25,000	-	-	-
<u>Traffic Safety</u>				
Red light camera program	146,931	189,931	183,616	6,315

TOWN OF BEL AIR, MARYLAND

**Schedule of Revenues and Expenditures Budget (Non-GAAP Budgetary Basis) and Actual
General Fund
Year Ended June 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
EXPENDITURES (continued)				
Public Safety (continued)				
<u>Fire Department</u>				
Volunteer Company Contribution	\$ 153,960	\$ 153,960	\$ 153,960	\$ -
<u>Protective Inspection</u>				
Other:				
Hydrant rental	38,771	38,771	37,624	1,147
Total - public safety	3,682,743	3,728,005	3,708,354	19,651
Public Works				
<u>General Administration</u>				
Salaries	574,042	574,042	571,048	2,994
Operating expenses	133,585	140,790	133,220	7,570
<u>Highways and Streets</u>				
Streets, Roadways and Alleys				
Salaries	473,591	424,489	424,865	(376)
Operating expenses	202,544	202,544	234,283	(31,739)
Sidewalk, curb and street construction	308,000	315,000	323,927	(8,927)
Capital outlay	67,750	67,750	66,700	1,050
Street Lighting				
Operating expenses	165,000	165,000	152,700	12,300
<u>Sanitation and Waste Removal</u>				
Waste Collection and Disposal				
Salaries	407,778	407,778	384,489	23,289
Operating expenses	122,000	126,000	128,450	(2,450)
Capital outlay	170,000	146,000	145,570	430
Shop				
Salaries	150,443	150,443	152,016	(1,573)
Operating expenses	174,055	183,055	182,812	243
Total - public works	2,948,788	2,902,891	2,900,080	2,811
Recreation and Parks				
<u>Participation Recreation</u>				
Operating expenses	113,400	113,400	112,160	1,240
<u>A & B Committee</u>				
Operating expenses	38,300	38,300	34,912	3,388
<u>Cultural Arts Committee</u>				
Operating expenses	8,350	8,350	8,358	(8)
Total - recreation and parks	160,050	160,050	155,430	4,620
Miscellaneous				
Disability insurance	19,800	19,800	16,986	2,814
Hospital insurance	847,100	827,100	826,158	942
Optical and dental plan	24,800	24,800	24,779	21
Social security	429,100	429,100	417,023	12,077
Life insurance	21,200	21,200	24,611	(3,411)
Pension and deferred compensation contributions	448,100	441,100	434,516	6,584

TOWN OF BEL AIR, MARYLAND

**Schedule of Revenues and Expenditures Budget (Non-GAAP Budgetary Basis) and Actual
General Fund
Year Ended June 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
EXPENDITURES (continued)				
Miscellaneous (continued)				
OPEB	\$ 60,000	\$ 60,000	\$ 59,999	\$ 1
Workmen's compensation	167,400	167,400	169,471	(2,071)
Unemployment claims	160	4,860	12,091	(7,231)
General insurance	85,200	85,200	80,666	4,534
Contingency	12,000	14,700	17,905	(3,205)
Debt service	476,428	476,428	476,335	93
Contributions/donations	8,775	8,775	8,400	375
Miscellaneous	36,090	36,090	31,574	4,516
Total - miscellaneous	<u>2,636,153</u>	<u>2,616,553</u>	<u>2,600,514</u>	<u>16,039</u>
TOTAL EXPENDITURES	<u>\$ 11,493,614</u>	<u>\$ 11,576,705</u>	<u>\$ 11,472,392</u>	<u>\$ 104,313</u>
SUMMARY				
TOTAL REVENUES	\$ 11,493,614	\$ 11,576,705	\$ 11,874,824	\$ 298,119
TOTAL EXPENDITURES	<u>11,493,614</u>	<u>11,576,705</u>	<u>11,472,392</u>	<u>104,313</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 402,432</u>	<u>\$ 402,432</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, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Revenue from Other Agencies				
CDBG grant	\$ 80,000	\$ 80,000	\$ 17,782	\$ (62,218)
Bureau of Justice grant	37,299	37,299	37,225	(74)
MEMA grant	-	7,200	6,840	(360)
Community Legacy grant	-	42,178	17,178	(25,000)
Total - revenue from other agencies	<u>117,299</u>	<u>166,677</u>	<u>79,025</u>	<u>(87,652)</u>
Miscellaneous				
Christmas parade	2,400	2,400	-	(2,400)
Historic preservation	3,500	3,500	3,182	(318)
Tree planting - forest conservation	45,000	45,000	33,100	(11,900)
Tree planting - fee in lieu	900	900	-	(900)
Stormwater management fee in lieu	-	-	66,908	66,908
Public amenity - gardens, parks, and art	10,000	10,000	6,500	(3,500)
Empty printer cartridges	-	-	-	-
Visitors center	200	200	45	(155)
Transfer from General Fund seized property	8,000	8,000	16,789	8,789
Larew book	200	200	25	(175)
Explorer scouts	6,000	6,000	4,767	(1,233)
Auxiliary police	6,000	6,000	4,761	(1,239)
Cultural arts project	1,000	1,000	2	(998)
Cultural arts sculpture	30,000	30,000	4,569	(25,431)
DARE	500	500	-	(500)
ECDC contingency	100	100	-	(100)
Total - miscellaneous	<u>113,800</u>	<u>113,800</u>	<u>140,648</u>	<u>26,848</u>
TOTAL REVENUES	<u>\$ 231,099</u>	<u>\$ 280,477</u>	<u>\$ 219,673</u>	<u>\$ (60,804)</u>
EXPENDITURES				
General Government				
Historic preservation	\$ 3,500	\$ 3,500	\$ 3,043	\$ 457
Visitors center	200	200	14	186
Community legacy grant	-	42,178	17,178	25,000
CDBG	80,000	80,000	17,782	62,218
Total - general government	<u>83,700</u>	<u>125,878</u>	<u>38,017</u>	<u>87,861</u>
Public Safety				
Bureau of Justice grant	37,299	37,299	37,225	74
Seized property	8,000	8,000	15,550	(7,550)

TOWN OF BEL AIR, MARYLAND

**Schedule of Revenues and Expenditures Budget (Non-GAAP Budgetary Basis) and Actual
Special Revenue Fund
Year Ended June 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
EXPENDITURES (continued)				
Public Safety (continued)				
Auxiliary police	\$ 6,000	\$ 6,000	\$ 5,948	\$ 52
Total - public safety	51,299	51,299	58,723	(7,424)
Public Works				
MEMA Grant	-	7,200	6,840	360
Recreation and Parks				
Tree planting - forest conservation	45,000	45,000	975	44,025
Tree planting - fee in lieu	900	900	-	900
Explorer Scouts	6,000	6,000	2,761	3,239
Cultural arts project	1,000	1,000	-	1,000
Cultural arts sculpture	30,000	30,000	110	29,890
Public amenity - gardens, parks and art	10,000	10,000	10,812	(812)
Christmas parade	2,400	2,400	1,066	1,334
Total - recreation and parks	95,300	95,300	15,724	79,576
Miscellaneous				
DARE	500	500	-	500
Larew book	200	200	-	200
ECDC contingency	100	100	1,351	(1,251)
Total - miscellaneous	800	800	1,351	(551)
TOTAL EXPENDITURES	<u>\$ 231,099</u>	<u>\$ 280,477</u>	<u>\$ 120,655</u>	<u>\$ 159,822</u>
		Summary		
TOTAL REVENUES	\$ 231,099	\$ 280,477	\$ 219,673	\$ (60,804)
TOTAL EXPENDITURES	<u>231,099</u>	<u>280,477</u>	<u>120,655</u>	<u>159,822</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 99,018</u>	<u>\$ 99,018</u>

TOWN OF BEL AIR, MARYLAND

**Schedule of Revenues and Expenditures Compared to Budget
Parking Fund
Year Ended June 30, 2011**

	Original and Final Budget	Actual	Variance Positive (Negative)
OPERATING REVENUES			
Revenues From Other Agencies			
MEA EECB Grant	\$ 57,000	\$ -	\$ (57,000)
Service Charges for Current Services			
<u>Highways and Streets</u>			
Meter collections	162,000	163,223	1,223
Lease fees	81,720	72,860	(8,860)
Fines and Forfeitures			
Parking	120,000	108,116	(11,884)
Miscellaneous			
County share operating expenses and capital repairs	145,533	115,539	(29,994)
Miscellaneous	2,640	2,660	20
Total - operating revenues	<u>568,893</u>	<u>462,398</u>	<u>(106,495)</u>
OPERATING EXPENSES			
Miscellaneous			
Compensated absences	-	122	(122)
Postage	1,400	1,483	(83)
Miscellaneous	650	1,524	(874)
Parking fine charges	25,680	23,360	2,320
Depreciation	69,368	70,217	(849)
Lots and Meters			
Transfer to general fund - administrative costs	197,354	184,152	13,202
Maintenance	3,000	-	3,000
Operating expenses	5,990	6,466	(476)
Equipment	-	-	-
Parking Garage			
Transfer to general fund - administrative costs	67,134	72,741	(5,607)
Amortization of financing costs	-	-	-
Operating expenses	47,450	41,216	6,234
Insurance	17,530	11,839	5,691
Routine repairs	40,000	-	40,000
Maintenance	22,500	6,319	16,181
Engineering condition survey	-	8,750	(8,750)
Energy reduction project	57,000	-	57,000
Capital repairs	15,000	-	15,000
Total - operating expenses	<u>570,056</u>	<u>428,189</u>	<u>141,867</u>
Operating income (loss)	(1,163)	34,209	35,372
Non-operating Revenues (Expenses)			
Interest income - investment	13	16	3
Interest expense - parking garage sweeper	(233)	(233)	-
- parking garage	(24,602)	(24,602)	-
Total - non-operating expenses	<u>(24,822)</u>	<u>(24,819)</u>	<u>3</u>
NET INCOME (LOSS)	<u>\$ (25,985)</u>	<u>\$ 9,390</u>	<u>\$ 35,375</u>

TOWN OF BEL AIR, MARYLAND

Schedule of Revenues and Expenditures Compared to Budget

Sewer Fund

Year Ended June 30, 2011

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
OPERATING REVENUES			
Service Charges for Current Services			
Sanitation and Waste Removal			
Sewerage charges	\$ 2,123,013	\$ 1,991,785	\$ (131,228)
Sewer connection charges	50,000	244,800	194,800
Other revenues	18,400	44,496	26,096
User benefit fees	28,840	29,365	525
	<u>2,220,253</u>	<u>2,310,446</u>	<u>90,193</u>
OPERATING EXPENSES			
Salaries - direct and on call time	90,138	96,497	(6,359)
- overtime	26,088	26,403	(315)
Compensated absences	-	9,428	(9,428)
Contractual services	1,369,292	1,142,195	227,097
Amortization	36,936	36,936	-
Supplies	13,100	8,481	4,619
Utilities	13,700	11,506	2,194
Miss Utility fees	3,000	3,396	(396)
Depreciation	52,200	53,583	(1,383)
Maintenance	30,000	16,284	13,716
Connection costs	50,000	244,800	(194,800)
Water company charges	2,150	2,156	(6)
Contingency	2,500	-	2,500
Transfer to general fund - administrative costs	217,376	239,170	(21,794)
User benefit fee	28,840	29,365	(525)
Postage	6,200	5,328	872
Root control maintenance	35,500	34,516	984
Main and lateral repairs	25,000	17,961	7,039
Credit card fees	3,400	5,981	(2,581)
Insurance	10,815	9,789	1,026
Transfer to SSCI reserve	80,000	-	80,000
I&I Projects	100,000	-	100,000
Miscellaneous	1,250	1,105	145
Total - operating expenses	<u>2,197,485</u>	<u>1,994,880</u>	<u>202,605</u>
Operating income	22,768	315,566	292,798
Non-operating expense - interest	<u>22,768</u>	<u>24,784</u>	<u>2,016</u>
NET INCOME	<u>\$ -</u>	<u>\$ 290,782</u>	<u>\$ 290,782</u>

