

TOWN OF BEL AIR, MARYLAND

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

For the Year Ended June 30, 2012

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JUNE 30, 2012

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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, 2012 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, 2012, 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, Maryland
December 31, 2012

TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

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, 2012. 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, 2012, by \$12,512,009 (net assets). Approximately 18.5% of this amount is attributable to the business-type activities. Of the total net assets, \$1,959,897 (unrestricted net assets) may be used to meet the Town's ongoing obligations to citizens and creditors (24.5% is attributable to the business-type activities). Of the remaining total net assets, \$730,859 is restricted for specific purposes (restricted net assets), and \$9,821,253 is invested in capital assets, net of related debt.
- The Town's overall financial position has improved with total net assets increasing by \$593,199 during the fiscal year. Net assets for governmental and business-type activities increased \$484,879 and \$108,320, 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, 2012, the Town's governmental funds reported a combined ending fund balance of \$3,682,015, a decrease of \$286,615 in comparison with the prior year. Of this total amount, \$3,651,396 or 99.2% 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, 2012, the assigned and unassigned fund balance for the General Fund (primary operating fund) was \$3,090,810 or 23.9% of total General Fund expenditures.
- On June 4, 2012, the Board approved a policy to establish a General Fund Capital Reserve account in an effort to better fund capital projects. In fiscal year 2012, \$300,000 was transferred to the reserve account.
- As of June 30, 2012, the Town's business-type operating activities reported net assets of \$2,313,440, an increase of \$108,320 in comparison with the prior year. Of the total amount, \$481,084 is unrestricted.

TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

Long-Term Debt:

- The Town's long-term debt decreased \$27,674 (.7%) during the current fiscal year. The decrease was the net result of making the following scheduled payments (\$733,745): \$516,594 toward the Town's total general obligation bonded debt, \$197,545 toward total equipment/vehicle notes, and \$19,606 toward other notes with a decrease of \$70,699 for compensated balances. New debt was incurred for equipment/vehicle purchases (\$261,770) and for funding a portion of the purchase of the properties at 33-37 South Main Street (\$515,000).

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.

TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

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

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

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

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

Proprietary funds. The Town maintains one proprietary-type fund: an enterprise fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the 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.

TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

Government-wide Financial Analysis

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

As noted earlier, net 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 \$12,512,009 as of June 30, 2012. 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, 2012, capital assets were valued at \$9,821,253 net of related debt and accumulated depreciation or 78.5% 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, 2012, was \$1,959,897 or 15.7% 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, 2012, was \$730,859 or 5.8% 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, 2012, 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:

TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Assets						
Current and other assets	\$ 4,913,111	\$ 5,336,236	\$ 1,392,395	\$ 1,131,144	\$ 6,305,506	\$ 6,467,380
Capital assets	9,223,862	8,075,761	2,572,984	2,614,060	11,796,846	10,689,821
Total assets	14,136,973	13,411,997	3,965,379	3,745,204	18,102,352	17,157,201
Liabilities						
Other liabilities	1,050,135	923,489	658,857	405,877	1,708,992	1,329,366
Long-term liabilities	2,888,269	2,774,818	993,082	1,134,207	3,881,351	3,909,025
Total liabilities	3,938,404	3,698,307	1,651,939	1,540,084	5,590,343	5,238,391
Net Assets						
Invested in capital assets, net of related debt	8,155,147	7,591,742	1,666,106	1,557,225	9,821,253	9,148,967
Restricted	564,609	214,116	166,250	201,691	730,859	415,807
Unrestricted	1,478,813	1,907,832	481,084	446,204	1,959,897	2,354,036
Total net assets	\$ 10,198,569	\$ 9,713,690	\$ 2,313,440	\$ 2,205,120	\$ 12,512,009	\$ 11,918,810

TOWN OF BEL AIR, MARYLAND

**MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues						
Program revenues:						
Charges for services	\$ 960,212	\$ 928,710	\$ 3,117,528	\$ 2,772,844	\$ 4,077,740	\$ 3,701,554
Operating grants/ contributions	213,777	224,441	-	-	213,777	224,441
Capital grants/ contributions	214,615	54,403	-	-	214,615	54,403
General revenues:						
Property taxes	7,608,169	8,041,733	-	-	7,608,169	8,041,733
Shared taxes	2,113,634	2,178,386	-	-	2,113,634	2,178,386
Miscellaneous	670,436	782,583	-	-	670,436	782,583
Unrestricted investment earnings	38,068	60,667	19	16	38,087	60,683
Total revenues	11,818,911	12,270,923	3,117,547	2,772,860	14,936,458	15,043,783
Expenses						
General government	2,511,198	1,127,140	-	-	2,511,198	1,127,140
Public safety	3,624,796	3,620,503	-	-	3,624,796	3,620,503
Public works	2,830,333	2,799,809	-	-	2,830,333	2,799,809
Recreation and culture	169,610	180,255	-	-	169,610	180,255
Miscellaneous	2,139,294	2,043,649	-	-	2,139,294	2,043,649
Interest on long-term debt	58,801	88,451	-	-	58,801	88,451
Sewer	-	-	2,524,516	2,019,664	2,524,516	2,019,664
Parking facilities	-	-	484,711	453,024	484,711	453,024
Total expenditures	11,334,032	9,859,807	3,009,227	2,472,688	14,343,259	12,332,495
Increase in net assets	484,879	2,411,116	108,320	300,172	593,199	2,711,288
Net assets, beginning of year	9,713,690	7,302,574	2,205,120	1,904,948	11,918,810	9,207,522
Net assets, end of year	\$ 10,198,569	\$ 9,713,690	\$ 2,313,440	\$ 2,205,120	\$ 12,512,009	\$ 11,918,810

Governmental activities

Governmental net assets increased by \$484,879. Property taxes, shared taxes, and charges for services represent 64.4%, 17.9%, and 8.1% of the Town's revenue stream, respectively. The remaining 9.6% 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 2012 was \$11,818,911 which is \$452,012 lower than the previous year. Revenues from all property taxes, real and personal, decreased \$433,564. Real estate revenues decreased \$505,470 as a result of total assessments decreasing 7.6%.

TOWN OF BEL AIR, MARYLAND

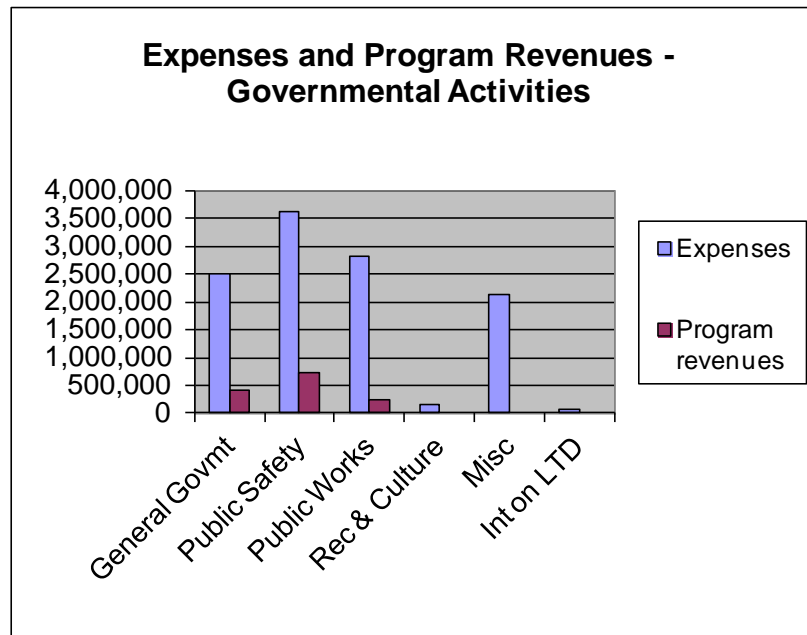
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

Revenues from all shared taxes decreased \$64,752 resulting from receiving less in highway user revenues than the previous year. Revenues from charges for services increased \$31,502 resulting from an increase in red light camera fines.

Investment earnings declined \$22,596 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 0.10% compared to .17% in fiscal year 2011, the Town continued to utilize the CDARS program as well as investing in certificates of deposit and money market accounts at Maryland banks in order to take advantage of higher investment rates. As of June 30, 2012, the Town held \$2,540,419 in various certificates of deposit with rates ranging from .55%-1.15% and maturities no longer than 18-months.

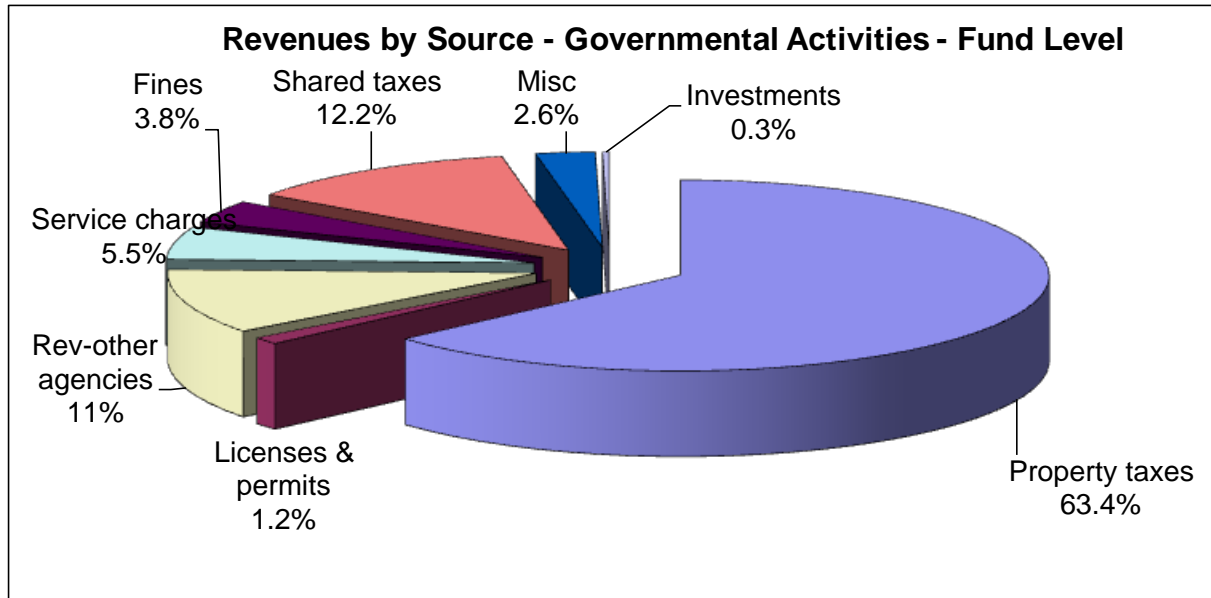
Governmental expenses were \$11,334,032 in fiscal year 2012, an increase of \$1,431,341 or 14.5%. The main reason for the increase is in the prior year, the Town recorded a one-time transactions associated with the Armory building which offset approximately \$1 million in expenses. Public safety and public works are the two largest functional areas comprising 57% of all governmental expenses in fiscal year 2012. Public safety represents 32% of governmental expenses, while public works represents 25%. Both departments basically were unchanged from the previous year.



TOWN OF BEL AIR, MARYLAND

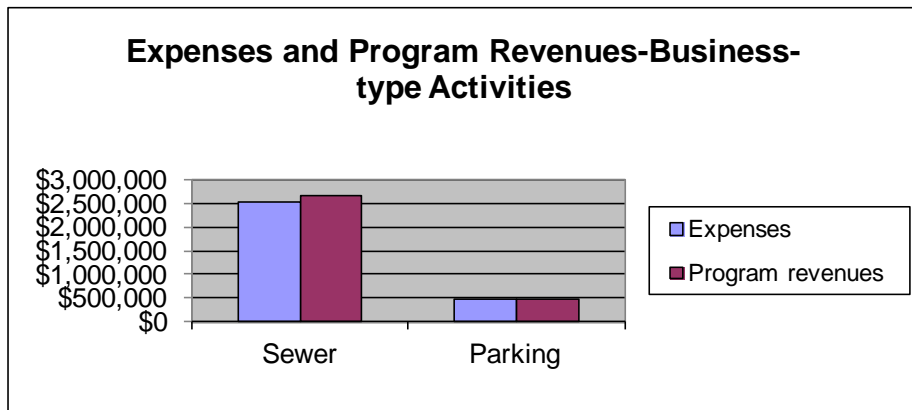
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012



Business-type activities

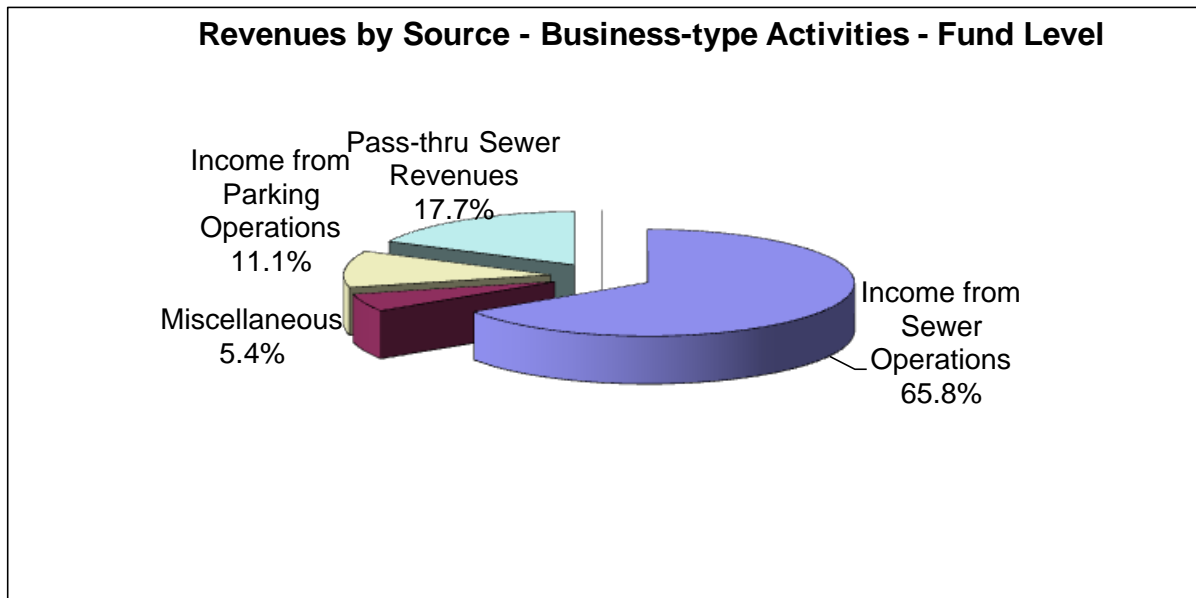
The Town operates two business-type enterprise funds, Parking and Sewer. Business-type net assets increased by \$108,320 with net assets decreasing in the Parking Fund by \$16,358 and increasing in the Sewer Fund by \$124,678. The increase in the sewer activity is due to the Harford County sewer bulk rate being less than was originally budgeted.



TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012



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, 2012, the Town's governmental funds (general fund and special revenue fund) reported a combined ending fund balance of \$3,682,015, a decrease of \$286,615 in comparison with the prior year. Approximately 99.2% of this total amount (\$3,651,396) 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 .8% of total fund balance, does not significantly affect the availability of fund resources for future use.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, assigned and unassigned fund balance of the General Fund was \$3,090,810, while total fund balance was \$3,468,027. 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 23.9% of total General Fund expenditures, while total fund balance represents 26.8% of that same amount.

The Town's General Fund total fund balance decreased by \$294,327 during the current fiscal year. This was a result of utilizing a portion of the unassigned fund balance to fund the purchase of the properties at 33-37 South Main Street.

TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

The Special Revenue Fund has a total fund balance of \$213,988. The \$7,712 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 \$1,755,068 and \$558,372, respectively and decreased by \$16,358 in the Parking Fund and increased \$124,678 in the Sewer Fund.

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

The net assets of the Sworn Officers' Pension Trust and the Civilian Pension Trust increased \$232,820 or 6.1% and \$257,795 or 5.9%, respectively. The increase in net assets in both Trust Plans is due to increase in both employer and employee contributions.

General Fund Budgetary Highlights

The final amended budget for the General Fund was increased \$1,631,703 from the original budget.

The Town amended the budget in March, 2012 after its normal mid-year budget review. The general fund budget was increased by \$1,579,219. The significant revenue and expenditure change was to fund the purchase of the properties located at 33-37 South Main Street, the demolition of the building, and costs involved to prepare the land to be used as a parking lot in the amount of \$1,315,000. The budget included borrowing \$515,000, 33-37 South Main Street Bond, 2012, and utilizing \$800,000 from the unassigned fund balance.

The Town made its final budget amendment in June, 2012 adding \$52,484 to the general fund budget. The significant revenue change was an increase of \$47,500 to real property taxes to fund the requested additional expenditures. The significant expenditure changes were increases in the armory budget (\$14,500), town buildings budget (\$23,000), and economic development budget (\$10,000).

At the end of the year, revenues and other financing sources were more than budgetary estimates by \$403,635 and expenditures were \$246,835 less than anticipated.

TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

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, 2012 was \$11,786,846. 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 10.3%, comprised of a 14.1% increase for governmental activities and a 1.6% decrease in business-type activities.

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

CAPITAL ASSETS

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land and improvements	\$ 4,641,308	\$ 3,681,235	\$ 777,518	\$ 777,518	\$ 5,418,826	\$ 4,458,753
Buildings and improvements	4,492,341	4,360,965	2,199,887	2,143,174	6,692,228	6,504,139
Infrastructure	373,618	288,328	-	-	373,618	288,328
Machinery and equipment	1,015,934	1,000,076	219,149	205,621	1,235,083	1,205,697
Furniture and fixtures	838,617	678,534	-	-	838,617	678,534
Vehicles	2,502,954	2,428,467	333,135	333,135	2,836,089	2,761,602
Parking improvements	-	-	404,596	404,596	404,596	404,596
Sewer system	-	-	1,102,547	1,092,147	1,102,547	1,092,147
Accumulated depreciation	<u>(4,650,910)</u>	<u>(4,361,844)</u>	<u>(2,463,848)</u>	<u>(2,342,131)</u>	<u>(7,114,758)</u>	<u>(6,703,975)</u>
Total	<u>\$ 9,213,862</u>	<u>\$ 8,075,761</u>	<u>\$ 2,572,984</u>	<u>\$ 2,614,060</u>	<u>\$ 11,786,846</u>	<u>\$ 10,689,821</u>

Major capital asset events during the year ending June 30, 2012 included the following:

- The assessed value of the land associated with the properties the Town purchased at 33-37 South Main Street along with the capital costs to prepare the land to be a parking lot was recorded (\$960,073).
- The Town added a small patio and a sidewalk extension at Rockfield Manor as land improvements (\$34,600).
- Building improvements of \$78,588 were completed at Town Hall/Police Department with new HVAC air conditioning units (\$66,200) and new carpeting for the Town Hall offices (\$12,388).
- The Police Department purchased two new replacement vehicles at a total cost of \$46,701.
- The Public Works Department purchased a replacement dump truck (\$67,596), a replacement refuse truck (\$147,570), and various pieces of equipment (\$17,795).
- The Town paid \$37,858 to have fiber installed in order to connect Town Hall/PD and the Public Works/Planning buildings.

TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

- In addition to the small patio and sidewalk extension at Rockfield Manor, a fountain (\$8,200) was also installed.
- Two sculptures were donated to the Town during the year for a total cost of \$36,500.
- The Public Works Department contracted to have new curb and gutter (\$66,530) and sidewalks (\$18,760) installed.
- The Town purchased \$67,230 worth of capitalized computer hardware/software during the year.
- The Town either sold the following major assets at various public auctions or scrapped them, and all were removed from the Town's capital assets: one dump truck (\$39,851), refuse truck (\$130,296), and a public works administration vehicle (\$20,059). Two police vehicles were transferred to the public works department (\$42,252).
- In the Parking Fund, fiber optic cable was installed from Burns Alley to the parking garage (\$6,272), and the initial costs of the Courland Street and Pennsylvania Avenue parking garage elevators were capitalized at a total cost of \$50,441.
- In the Sewer Fund, a lateral push camera was purchased (\$9,995). A pump was purchased for the Ellendale Street pump station #2 (\$3,533). A submersible motor/grinder pump was purchased for the Gateway pump station. Three sanitary sewer lines was replaced at different locations in Town (\$10,400).

Debt administration. The Town's long-term debt as of June 30, 2012, was \$3,881,351. Of this amount, \$2,227,101 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 \$627,734, an obligation to the Liquor Control Board employees' retirement system of \$10,113, and \$1,016,403 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>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
General obligations bonds	\$ 1,378,404	\$ 1,270,153	\$ 848,697	\$ 958,542	\$ 2,227,101	\$ 2,228,695
Equipment/vehicle notes	569,553	465,216	58,181	98,293	627,734	563,509
Other notes	10,113	29,719	-	-	10,113	29,719
Compensated absences / OPEB	930,199	1,009,730	86,204	77,372	1,016,403	1,087,102
Total	<u>\$ 2,888,269</u>	<u>\$ 2,774,818</u>	<u>\$ 993,082</u>	<u>\$ 1,134,207</u>	<u>\$ 3,881,351</u>	<u>\$ 3,909,025</u>

The Town's total long-term debt for governmental activities increased by \$113,451 and for business-type activities decreased by \$141,125. During the year, \$733,745 in debt was retired. The Town entered into two new obligations during the fiscal year. The first was a \$261,770 seven-year equipment/vehicle note, and the second was a \$515,000 ten-year general obligation bond to fund a portion of the properties at 33-37 South Main Street.

TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

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, 2012, the debt limitation is \$84,858,060, which is significantly in excess of the Town's outstanding general obligation debt.

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

Economic Factors and Fiscal Year 2013'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. With the decrease in assessments in fiscal year 2012, the Town expects real property taxes to be flat during the next fiscal year. This is the second year in a row that the real property tax rate fell below the constant yield rate.
- Income tax revenues are projected to decrease slightly over the 2012 actual revenues based on information provided by the Comptroller's office. As a result, income tax revenues are projected to decrease by 7.2%.
- Highway user revenues are projected to decrease \$52,124 over the 2012 actual revenues. The decrease is due to a one-time increase in the prior fiscal year which was used to fund a capital improvement program project.
- With anticipating no interest rate increase due to the slowly recovering economy, the Town's interest on investments is budgeted to remain basically flat over fiscal year 2012 actual revenues.
- The Town will finance its equipment/vehicle purchases, approximately \$255,000. This includes four police vehicles, a dump truck, and a pick-up truck.
- Salaries were increased by a 3% cost-of-living adjustment for all Town employees.
- The Town budgeted \$118,000 and \$30,000 to install emergency generators in the Armory and the Town Hall/PD, respectively.
- The Town budgeted \$56,000 for various building maintenance projects.
- A new account was established to transfer \$30,000 to a capital reserve based on a new policy to set aside funds to finance capital projects in the future.
- No funds were budgeted for an election in fiscal year 2013.
- The Finance Department's budget for credit card fees was reduced as the taxpayers will begin to be responsible for the convenience fees beginning in fiscal year 2013.
- The Planning Department budgeted \$15,000 to fund the preparation of a strategic plan.

TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

- The Economic Development Department budgeted an additional \$20,000 to fund more marketing and public relations efforts.
- The Computer Network Department budgeted \$42,000 for a new telephone system and \$60,000 for one-time expenditures.
- The Town budgeted \$60,000 to partially fund its Other Postemployment Benefits Other Than Pensions (OPEB).
- The Town budgeted to purchase four police vehicles (\$88,000) and a replacement speed awareness trailer (\$17,500).
- The Town budgeted to purchase a replacement public works dump truck (\$140,000) and a pick-up truck (\$27,000).
- The Public Works Department budgeted \$370,000 in street, sidewalk, curb ramp, and curb/gutter construction work to be completed at specific locations.
- The Town budgeted \$150,000 to fund the installation of a new traffic signal located at the intersection of Gateway Drive and Boulton 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 five years (2009-2013) of Community Development Block Grants to the George Street Dual Cell Culvert Project in the amount of \$170,529.
- In the Special Revenue Fund, the Town was awarded a \$50,000 Community Legacy Grant to provide funds for a Revolving Loan Fund.
- In the Special Revenue Fund, the Town was awarded a \$50,000 Program Open Space Grant to be utilized for the Rockfield Park trails. These monies were originally budgeted in fiscal year 2012; however, the project was delayed a year.
- 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. These monies were originally budgeted in fiscal year 2012; however, since these monies were contingent on receiving the Community Legacy Grant which wasn't received until fiscal year 2013, the transfer from the General Fund unassigned fund balance did not occur until 2013.

All of these factors were considered in preparing the Town's budget for the 2013 fiscal year.

The real and personal property tax rates remain unchanged in fiscal year 2013 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, 2012

The Sewer Fund user rate and base charge will increase by 3.2% for fiscal year 2013 and will affect both residential and commercial customers. The percentage adjustment is according to the change in the Consumer Price Index as of December 2011. 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. This was budgeted in fiscal year 2012; however, the project was delayed a year. The budget includes \$25,000 to purchase an emergency generator for the Shamrock Pump Station and \$15,000 to complete the installation of new spare pumps/soft starts at the English County Manor Pump Station.

In the Parking Fund, meter collection revenues are projected to be \$51,000 higher in fiscal year 2013 due to installing thirty-one meters on the new Main Street lot and raising the parking garage meters from \$.25 to \$.50 an hour. Funds were budgeted to purchase forty-one new double meters and six new single meters to replace the old style meters located at the Thomas Street lot and the parking garage and sixteen new meters for the Main Street lot. The routine repairs that are shown in the budget, \$647,465, includes the funds necessary to perform the structural repairs and waterproofing work identified as year one through three near term repairs in the Condition Assessment & Master Plan Report. The amount shown in the budget only represents the 67.2% to be paid by the County, since the Town's portion (\$316,025) will be financed

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.

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FINANCIAL STATEMENTS

TOWN OF BEL AIR, MARYLAND

**Statement of Net Assets
June 30, 2012**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,801,222	\$ 570	\$ 1,801,792
Restricted cash and cash equivalents	60,826	12,147	72,973
Investments	2,540,419	-	2,540,419
Accounts receivable	94,421	528,541	622,962
Real and personal property taxes receivable	122,356	-	122,356
Accrued interest receivable	12,362	-	12,362
Due from other units of government	516,534	-	516,534
Internal balances	(572,843)	572,843	-
Prepaid expenses	36,807	-	36,807
Net pension asset	301,007	-	301,007
Capital assets, not being depreciated	4,641,308	777,518	5,418,826
Capital assets, net of accumulated depreciation	4,572,554	1,795,466	6,368,020
Other assets	10,000	278,294	288,294
	<u>14,136,973</u>	<u>3,965,379</u>	<u>18,102,352</u>
LIABILITIES			
Accounts payable	373,655	657,587	1,031,242
Accrued liabilities	78,538	-	78,538
Payroll withholdings	63,864	-	63,864
Deposits and other escrows held	52,367	-	52,367
Unearned revenue	481,711	1,270	482,981
Non-current liabilities:			
Due within one year	333,375	144,319	477,694
Due in more than one year	2,554,894	848,763	3,403,657
	<u>3,938,404</u>	<u>1,651,939</u>	<u>5,590,343</u>
NET ASSETS			
Invested in capital assets, net of related debt	8,155,147	1,666,106	9,821,253
Restricted	564,609	166,250	730,859
Unrestricted	1,478,813	481,084	1,959,897
	<u>\$ 10,198,569</u>	<u>\$ 2,313,440</u>	<u>\$ 12,512,009</u>

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

TOWN OF BEL AIR, MARYLAND

**Statement of Activities
Year Ended June 30, 2012**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT							
Governmental activities:							
General government	\$ 2,511,198	\$ 239,899	\$ -	\$ 166,261	\$ (2,105,038)	\$ -	\$ (2,105,038)
Public safety	3,624,796	504,812	188,271	48,354	(2,883,359)	-	(2,883,359)
Public works	2,830,333	215,501	25,506	-	(2,589,326)	-	(2,589,326)
Recreation and culture	169,610	-	-	-	(169,610)	-	(169,610)
Miscellaneous	2,139,294	-	-	-	(2,139,294)	-	(2,139,294)
Interest on long-term debt	58,801	-	-	-	(58,801)	-	(58,801)
Total governmental activities	<u>11,334,032</u>	<u>960,212</u>	<u>213,777</u>	<u>214,615</u>	<u>(9,945,428)</u>	<u>-</u>	<u>(9,945,428)</u>
Business-type activities							
Sewer	2,524,516	2,649,194	-	-	-	124,678	124,678
Parking facilities	<u>484,711</u>	<u>468,334</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(16,377)</u>	<u>(16,377)</u>
Total business-type activities	<u>3,009,227</u>	<u>3,117,528</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>108,301</u>	<u>108,301</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 14,343,259</u>	<u>\$ 4,077,740</u>	<u>\$ 213,777</u>	<u>\$ 214,615</u>	<u>(9,945,428)</u>	<u>108,301</u>	<u>(9,837,127)</u>
GENERAL REVENUES							
Taxes:							
Property taxes, levied for general purposes					7,608,169	-	7,608,169
Shared taxes					2,113,634	-	2,113,634
Miscellaneous					670,436	-	670,436
Unrestricted investment earnings					38,068	19	38,087
Total general revenues					<u>10,430,307</u>	<u>19</u>	<u>10,430,326</u>
CHANGE IN NET ASSETS					484,879	108,320	593,199
NET ASSETS, BEGINNING OF YEAR					<u>9,713,690</u>	<u>2,205,120</u>	<u>11,918,810</u>
NET ASSETS, END OF YEAR					<u>\$ 10,198,569</u>	<u>\$ 2,313,440</u>	<u>\$ 12,512,009</u>

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

TOWN OF BEL AIR, MARYLAND

**Balance Sheet - Governmental Funds
June 30, 2012**

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,801,222	\$ -	\$ 1,801,222
Restricted cash and cash equivalents	59,853	973	60,826
Investments	2,540,419	-	2,540,419
Accounts receivable	603,424	7,531	610,955
Accrued interest receivable	12,362	-	12,362
Property taxes receivable - net	122,356	-	122,356
Due from other funds	-	202,002	202,002
IWIF loss fund deposit	10,000	-	10,000
Prepaid costs	30,619	6,188	36,807
TOTAL ASSETS	\$ 5,180,255	\$ 216,694	\$ 5,396,949
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 373,449	\$ 206	\$ 373,655
Accrued expenditures	60,335	-	60,335
Payroll withholdings	63,864	-	63,864
Deposits	52,367	-	52,367
Deferred revenue	387,368	2,500	389,868
Due to other funds	774,845	-	774,845
Total liabilities	1,712,228	2,706	1,714,934
FUND BALANCES			
Nonspendable	30,619	-	30,619
Restricted	-	-	-
Committed	346,598	106,208	452,806
Assigned	810,551	107,780	918,331
Unassigned	2,280,259	-	2,280,259
Total fund balances	3,468,027	213,988	3,682,015
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,180,255	\$ 216,694	\$ 5,396,949

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, 2012**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS (page 21)	\$ 3,682,015
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.	(91,843)
Net pension assets are not financial resources and therefore are not reported as assets in governmental funds.	301,007
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 \$13,864,772 and the accumulated depreciation is \$4,650,910.	9,213,862
Noncurrent liabilities are not reported as liabilities in the governmental funds.	(2,888,269)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	<u>(18,203)</u>
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES (page 19)	<u>\$ 10,198,569</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, 2012**

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES			
Taxes - local	\$ 7,611,424	\$ -	\$ 7,611,424
Taxes - state shared	1,469,258	-	1,469,258
Licenses and permits	137,978	-	137,978
Revenue from other agencies	1,278,998	35,843	1,314,841
Service charges for current services	664,541	-	664,541
Fines	461,510	-	461,510
Miscellaneous	256,905	93,353	350,258
	<hr/>	<hr/>	<hr/>
Total revenues	11,880,614	129,196	12,009,810
EXPENDITURES			
General government	3,546,402	39,592	3,585,994
Public safety	3,541,233	15,835	3,557,068
Public works	2,925,608	47,911	2,973,519
Recreation and parks	148,490	21,120	169,610
Miscellaneous	2,139,294	-	2,139,294
Debt service:			
Principal	583,788	-	583,788
Interest	63,922	-	63,922
	<hr/>	<hr/>	<hr/>
Total expenditures	12,948,737	124,458	13,073,195
Excess (deficiency) of revenues over expenditures	(1,068,123)	4,738	(1,063,385)
OTHER FINANCING SOURCES			
Equipment/vehicle debt proceeds	261,770	-	261,770
Bond proceeds	515,000	-	515,000
Total other financing sources	<hr/>	<hr/>	<hr/>
	776,770	-	776,770
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	(291,353)	4,738	(286,615)
FUND BALANCES, BEGINNING OF YEAR	3,762,354	206,276	3,968,630
TRANSFER (TO)FROM SPECIAL REVENUE FUND			
Seized property reserve	<hr/>	<hr/>	<hr/>
	(2,974)	2,974	-
FUND BALANCES, END OF YEAR	<hr/>	<hr/>	<hr/>
	\$ 3,468,027	\$ 213,988	\$ 3,682,015

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, 2012**

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUND (page 23) \$ (286,615)

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 \$1,670,062 is exceeded by depreciation expense of \$452,201 in the period. 1,217,861

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 \$242,895, less any accumulated depreciation of \$163,135. (79,760)

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 \$79,531. 106,010

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 was less than the required amount by \$67,378. (67,378)

In the Statement of Activities, revenues are recognized when they are earned and received. In the governmental funds, revenues are recognized as income if they are available to satisfy current obligations. This is the amount of the increase in deferred revenue in the governmental funds which is recognized as revenue in the Statement of Activities. (190,898)

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 2012. 583,788

Long-term debt proceeds are an other financing source in the governmental funds, but the proceeds increases long-term liabilities in the Statement of Net Assets. This is the amount of long-term debt proceeds for 2012. (776,770)

Interest expense in the Statement of Activities differs from the amount reported in governmental funds due to the net change in accrued interest. 5,120

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (page 20) \$ 511,358

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, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUE				
Taxes - local	\$ 7,334,205	\$ 7,381,705	\$ 7,611,424	\$ 229,719
Taxes - state shared	1,401,971	1,401,971	1,469,258	67,287
Licenses and permits	133,000	158,000	137,978	(20,022)
Revenues from other agencies	1,151,554	1,283,250	1,278,998	(4,252)
Service charges for current services	631,496	645,496	664,541	19,045
Fines	280,000	358,662	461,510	102,848
Miscellaneous	228,050	247,895	256,905	9,010
	<u>11,160,276</u>	<u>11,476,979</u>	<u>11,880,614</u>	<u>403,635</u>
EXPENDITURES				
Current:				
General government	2,122,134	3,626,679	3,503,488	123,191
Public safety	3,417,819	3,555,509	3,543,733	11,776
Public works	2,976,779	3,050,020	3,011,885	38,135
Recreation and parks	152,550	177,550	177,090	460
Miscellaneous	2,342,240	2,244,061	2,176,539	67,522
Debt service	410,524	399,930	394,179	5,751
	<u>11,422,046</u>	<u>13,053,749</u>	<u>12,806,914</u>	<u>246,835</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(261,770)	(1,576,770)	(926,300)	156,800
OTHER FINANCING SOURCES				
Equipment/vehicle proceeds	261,770	261,770	261,770	-
Bond proceeds	-	515,000	515,000	-
Total other financing sources	<u>261,770</u>	<u>776,770</u>	<u>776,770</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ (800,000)</u>	(149,530)	<u>\$ 650,470</u>
FUND BALANCE - BEGINNING OF YEAR, GAAP BASIS			3,163,096	
TRANSFER PORTION SEIZED PROPERTY RESERVE TO SPECIAL REVENUE FUND			<u>(2,974)</u>	
FUND BALANCE - END OF YEAR			<u>\$ 3,010,592</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, 2012**

	<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	\$ 84,691	\$ 84,691	\$ -	\$ (84,691)
Program open space grant	50,000	50,000	-	(50,000)
MEMA grant	-	-	692	692
Community Legacy grant	<u>25,000</u>	<u>50,000</u>	<u>35,151</u>	<u>(14,849)</u>
Total - revenue from other agencies	159,691	184,691	35,843	(148,848)
Miscellaneous	<u>256,564</u>	<u>256,564</u>	<u>93,353</u>	<u>(163,211)</u>
Total revenues	<u>416,255</u>	<u>441,255</u>	<u>129,196</u>	<u>(312,059)</u>
EXPENDITURES				
General government	188,341	213,341	39,592	173,749
Public safety	14,000	14,000	15,835	(1,835)
Public works	122,714	122,714	47,911	74,803
Recreation and parks	90,500	90,500	21,120	69,380
Miscellaneous	<u>700</u>	<u>700</u>	<u>-</u>	<u>700</u>
Total expenditures	<u>416,255</u>	<u>441,255</u>	<u>124,458</u>	<u>316,797</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	4,738	<u>\$ 4,738</u>
FUND BALANCE - BEGINNING OF YEAR			206,276	
TRANSFER FROM GENERAL FUND SEIZED PROPERTY RESERVE			<u>2,974</u>	
FUND BALANCE - END OF YEAR			<u>\$ 213,988</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, 2012**

	Parking Fund	Sewer Fund	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 570	\$ -	\$ 570
Restricted cash and cash equivalents	12,147	-	12,147
Accounts receivable	45,873	482,668	528,541
Due from other funds	219,422	355,075	574,497
Total current assets	<u>278,012</u>	<u>837,743</u>	<u>1,115,755</u>
Noncurrent Assets			
Land	777,518	-	777,518
Capital assets, net	1,188,833	606,633	1,795,466
Other assets	-	278,294	278,294
Total noncurrent assets	<u>1,966,351</u>	<u>884,927</u>	<u>2,851,278</u>
Total assets	<u>2,244,363</u>	<u>1,722,670</u>	<u>3,967,033</u>
LIABILITIES			
Current Liabilities			
Accounts payable and accrued expenses	11,021	646,566	657,587
Due to other funds	-	1,654	1,654
Unearned revenue	1,270	-	1,270
Notes payable	-	38,383	38,383
Bonds payable	67,672	38,264	105,936
Total current liabilities	<u>79,963</u>	<u>724,867</u>	<u>804,830</u>
Noncurrent Liabilities			
Accrued compensated absences	25,309	60,895	86,204
Notes payable - long-term	-	19,798	19,798
Bonds payable - long-term	384,023	358,738	742,761
Total noncurrent liabilities	<u>409,332</u>	<u>439,431</u>	<u>848,763</u>
Total liabilities	<u>489,295</u>	<u>1,164,298</u>	<u>1,653,593</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,514,656	151,450	1,666,106
Restricted	166,250	-	166,250
Unrestricted	74,162	406,922	481,084
TOTAL NET ASSETS	<u>\$ 1,755,068</u>	<u>\$ 558,372</u>	<u>\$ 2,313,440</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, 2012**

	<u>Parking Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
OPERATING REVENUES			
Service Charges for Current Services			
Sanitation and Waste Removal			
Sewerage charges	\$ -	\$ 2,051,583	\$ 2,051,583
Sewer connection charges	-	519,840	519,840
Other revenues	-	46,761	46,761
User benefit fees	-	31,010	31,010
Highway and Streets			
Meter collections	152,599	-	152,599
Lease fees	75,339	-	75,339
Fines and Forfeitures			
Parking	118,506	-	118,506
Miscellaneous			
County share operating expenses and capital repairs	119,224	-	119,224
Miscellaneous	2,666	-	2,666
Total operating revenues	<u>468,334</u>	<u>2,649,194</u>	<u>3,117,528</u>
OPERATING EXPENSES			
Salaries	-	130,102	130,102
Contractual services	-	1,288,465	1,288,465
Transfer to general fund - administrative costs	275,165	253,800	528,965
Supplies	-	2,621	2,621
Utilities	-	11,887	11,887
Depreciation	70,731	50,986	121,717
Amortization	-	36,936	36,936
Maintenance	13,333	81,629	94,962
Compensated absences	1,484	7,348	8,832
Other	6,173	20,409	26,582
Connection costs	-	519,840	519,840
User benefit fees	-	31,010	31,010
Postage	1,794	5,802	7,596
Insurance	-	12,419	12,419
Parking fine charges	25,539	-	25,539
Equipment, lateral camera	-	2,052	2,052
I&I Projects	-	47,756	47,756
Garage operations	68,410	-	68,410
Total operating expenses	<u>462,629</u>	<u>2,503,062</u>	<u>2,965,691</u>
Operating income	<u>5,705</u>	<u>146,132</u>	<u>151,837</u>
Non-Operating Revenue (Expenses)			
Investment income	19	-	19
Investment expenses	(22,082)	(21,454)	(43,536)
Net non-operating expenses	<u>(22,063)</u>	<u>(21,454)</u>	<u>(43,517)</u>
CHANGE IN NET ASSETS	(16,358)	124,678	108,320
NET ASSETS, BEGINNING OF YEAR	<u>1,771,426</u>	<u>433,694</u>	<u>2,205,120</u>
NET ASSETS, END OF YEAR	<u>\$ 1,755,068</u>	<u>\$ 558,372</u>	<u>\$ 2,313,440</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, 2012**

	Parking Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from sewer charges	\$ -	\$ 2,310,617	\$ 2,310,617
Cash received from parking charges	533,238	-	533,238
Payments to suppliers	(383,520)	(2,048,201)	(2,431,721)
Payments to employees	-	(134,413)	(134,413)
Net cash provided by operating activities	<u>149,718</u>	<u>128,003</u>	<u>277,721</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Cash payment of bond principal	(3,292)	(36,820)	(40,112)
Cash payment of note principal	(64,913)	(44,932)	(109,845)
Interest paid on long-term obligation	(22,140)	(22,323)	(44,463)
Acquisition of capital assets	(56,713)	(23,928)	(80,641)
Net cash used in financing activities	<u>(147,058)</u>	<u>(128,003)</u>	<u>(275,061)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	19	-	19
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,679	-	2,679
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>10,038</u>	<u>-</u>	<u>10,038</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 12,717</u>	<u>\$ -</u>	<u>\$ 12,717</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	\$ 5,705	\$ 146,132	\$ 151,837
Adjustments to reconcile net operating income to net cash provided by operating activities:			
Depreciation and amortization	70,731	87,922	158,653
Effects of changes in operating assets and liabilities:			
Accounts receivable	(9,966)	16,498	6,532
Due from other funds	73,781	(355,075)	(281,294)
Accounts payable	6,894	245,924	252,818
Due to other funds	-	(20,746)	(20,746)
Unearned revenue	1,089	-	1,089
Compensated absences payable	1,484	7,348	8,832
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 149,718</u>	<u>\$ 128,003</u>	<u>\$ 277,721</u>

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

TOWN OF BEL AIR, MARYLAND

**Statement of Fiduciary Net Assets
June 30, 2012**

ASSETS

Cash and cash equivalents	\$	332,405
Investments:		
Mutual funds		8,000,108
Fiscal agents		<u>376,340</u>
Total assets		<u>8,708,853</u>

LIABILITIES

Accounts payable		<u>9,558</u>
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NET ASSETS

Held in trust for pension benefits	\$	<u><u>8,699,295</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, 2012**

ADDITIONS

Contributions:

Employer contributions	\$ 435,459
Employee contributions	233,653
Total contributions	<u>669,112</u>

Investment gain:

Net increase in the fair value of investments	<u>228,720</u>
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Total additions	<u>897,832</u>
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DEDUCTIONS

Benefit payments	342,390
Contractual services	<u>64,827</u>

Total deductions	<u>407,217</u>
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CHANGE IN NET ASSETS	490,615
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NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:

BEGINNING OF YEAR	<u>8,208,680</u>
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END OF YEAR	<u>\$ 8,699,295</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, 2012

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, 2012

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, 2012**

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, 2012, amounted to \$122,356. 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 2012, 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, 2012**

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:

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

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, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accumulated Unpaid Vacation, Sick and Compensatory Pay and OPEB

As of June 30, 2012, the liability for Town employees for accrued vacation, sick and compensatory leave and OPEB was \$426,643, \$419,888, \$51,623 and \$118,249, 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, 2012**

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, 2012**

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 \$2,888,269 difference is as follows:

Harford County Liquor Board	\$	10,113
Equipment/vehicle obligations		569,553
Compensated absences/OPEB		930,199
Bel Air High School auditorium 33-37 South Main Street		889,242
		<u>489,162</u>
Total	\$	<u>2,888,269</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 \$1,217,861 difference is found on page 24.

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2012**

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	\$ 11,880,614	\$ 776,770	\$ 12,806,914	\$ (149,530)
Current year encumbrances	-	-	(810,551)	810,551
Prior year encumbrances	-	-	952,374	(952,374)
GAAP basis	<u>\$ 11,880,614</u>	<u>\$ 776,770</u>	<u>\$ 12,948,737</u>	<u>\$ (291,353)</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, 2012

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 \$1,319,311 and the bank balance was \$1,776,751. All of the bank balance, \$1,776,751, 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, 2012.

C. Cash equivalents

As of June 30, 2012, the Town's cash equivalents consisted of money market funds held by the Maryland Local Government Investment Pool totaling \$553,434.

Investments

Investments consist of Certificates of Deposit with varying maturities and interest rates ranging from .55% to 1.15% which are all covered by federal deposit insurance. Investments have maturities between August 2012 through December 2013.

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2012**

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>\$ 2,540,419</u>	<u>\$ 240,000</u>	<u>\$ 2,300,419</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, 2012, met the Town's investment policy as of that date. Investment income includes the following for the year ended June 30, 2012:

Net interest and dividends - governmental activities	<u>\$ 38,068</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, 2012, 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, 2012, 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, 2012**

NOTE 5 – CASH (CONTINUED)

	Sworn Officers Pension Trust	Civilian Pension Trust	Weighted Average Maturity
T. Rowe Price			
New Income Fund	\$ 960,902	\$ 998,766	7.36 years
Short-term Bond Fund	410,918	429,879	2.41 years

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

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

NOTE 6 – CHANGES IN CAPITAL ASSETS

Additions and disposals of fixed capital assets during the year ended June 30, 2012, are shown below:

	Balance July 1, 2011	Additions and Transfers	Disposals and Transfers	Ending Balance June 30, 2012
Governmental Activities				
Land – not being depreciated	\$ 3,681,235	\$ 960,073	\$ -	\$ 4,641,308
Buildings and improvements	4,360,965	131,376	-	4,492,341
Infrastructure	288,328	85,290	-	373,618
Machinery and equipment	1,000,076	26,295	10,437	1,015,934
Furniture and fixtures	678,534	160,083	-	838,617
Vehicles	2,428,467	306,945	232,458	2,502,954
Total	12,437,605	1,670,062	242,895	13,864,772
Less – accumulated depreciation	4,361,844	452,201	163,135	4,650,910
Capital assets, net	\$ 8,075,761	\$ 1,217,861	\$ 79,760	\$ 9,213,862

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2012**

NOTE 6 – CHANGES IN CAPITAL ASSETS (CONTINUED)

	<u>Balance July 1, 2011</u>	<u>Additions and Transfers</u>	<u>Disposals and Transfers</u>	<u>Ending Balance June 30, 2012</u>
Proprietary Funds				
Parking fund:				
Land not being depreciated	\$ 777,518	\$ -	\$ -	\$ 777,518
Parking improvements	404,596	-	-	404,596
Garage	2,143,174	56,713	-	2,199,887
Parking vehicle	43,226	-	-	43,226
Equipment	2,265	-	-	2,265
	<u>3,370,779</u>	<u>56,713</u>	<u>-</u>	<u>3,427,492</u>
Sewer fund:				
Sewer pipes and storm drain	1,092,147	10,400	-	1,102,547
Equipment	203,356	13,528	-	216,884
Vehicle	289,909	-	-	289,909
	<u>1,585,412</u>	<u>23,928</u>	<u>-</u>	<u>1,609,340</u>
Total	4,956,191	80,641	-	5,036,832
Less – accumulated depreciation	2,342,131	121,717	-	2,463,848
Capital assets, net	<u>\$ 2,614,060</u>	<u>\$ (41,076)</u>	<u>\$ -</u>	<u>\$ 2,572,984</u>

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

General government	\$ 175,224
Public safety	96,952
Public works	180,025
Total depreciation expense – governmental activities	<u>\$ 452,201</u>

As of June 30, 2012, accumulated depreciation for the parking fund and sewer fund amounted to \$1,461,141 and \$1,002,707, respectively. Depreciation expense as of June 30, 2012, amounted to \$70,731 in the parking fund and \$50,986 in the sewer fund.

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2012**

NOTE 7 – NON-CURRENT LIABILITIES

Non-current liability transactions of the Town for the year ended June 30, 2012, 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, 2011</u>	<u>Additions and Transfers</u>	<u>Disposals and Transfers</u>	<u>Ending Balance June 30, 2012</u>	<u>Due Within One Year</u>
Governmental activities					
Liquor Control Board employees' retirement system obligation	\$ 10,916	\$ -	\$ 803	\$ 10,113	\$ 803
Equipment/vehicle notes	465,216	261,770	157,433	569,553	142,669
Accrued vacation, sick and compensatory leave/OPEB	1,009,730	26,478	106,009	930,199	-
Fuel storage tank replacement note	18,803	-	18,803	-	-
G.O. Bond 2008A BAHS Auditorium	366,845	-	47,387	319,458	49,534
G.O. Bond 2008B BAHS Auditorium	393,485	-	45,608	347,877	47,590
G.O. Bond 2009A BAHS Auditorium	266,063	-	44,156	221,907	45,944
G.O. Bond 2012A 33-37 S. Main St	-	515,000	25,838	489,162	46,835
G.O. Bond 2008A TH/PD Expansion	243,760	-	243,760	-	-
Total governmental activity liabilities	<u>\$ 2,774,818</u>	<u>\$ 803,248</u>	<u>\$ 689,797</u>	<u>\$ 2,888,269</u>	<u>\$ 333,375</u>
	<u>Balance July 1, 2011</u>	<u>Additions and Transfers</u>	<u>Disposals and Transfers</u>	<u>Ending Balance June 30, 2012</u>	<u>Due Within One Year</u>
Business-type activities					
Parking Fund:					
Parking garage bond, 2007	\$ 516,608	\$ -	\$ 64,913	\$ 451,695	\$ 67,672
Parking garage sweeper note	3,292	-	3,292	-	-
Accrued vacation, sick and compensatory leave / OPEB	23,825	1,484	-	25,309	-
Total parking fund debt	<u>543,725</u>	<u>1,484</u>	<u>68,205</u>	<u>477,004</u>	<u>67,672</u>
Sewer Fund:					
Infrastructure Bond 2006 Series A: 20 year note	361,000	-	21,500	339,500	22,500
Stoneleigh Sewer Bond, 2010	72,753	-	15,251	57,502	15,764
Maryland Water Quality Financing Administration note	8,181	-	8,181	-	-
Sewer vacuum truck note	95,001	-	36,820	58,181	38,383
Accrued vacation, sick and compensatory leave / OPEB	53,547	7,348	-	60,895	-
Total sewer fund debt	<u>590,482</u>	<u>7,348</u>	<u>81,752</u>	<u>516,078</u>	<u>76,647</u>
Total business-type activities liabilities	<u>\$ 1,134,207</u>	<u>\$ 8,832</u>	<u>\$ 149,957</u>	<u>\$ 993,082</u>	<u>\$ 144,319</u>

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2012**

NOTE 7 – 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>
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	55,840	3,300	59,140
2018	57,400	1,436	58,836
Total	<u>\$ 319,458</u>	<u>\$ 25,712</u>	<u>\$ 345,170</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>
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	56,214	5,520	61,734
2018 – 2019	88,833	3,767	92,600
Total	<u>\$ 347,877</u>	<u>\$ 53,393</u>	<u>\$ 401,270</u>

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2012**

NOTE 7 – 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>
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>\$ 221,907</u>	<u>\$ 22,835</u>	<u>\$ 244,742</u>

On August 15, 2008, the Town issued a \$309,800 "Town of Bel Air Town Hall/Police Department Building Design Bond, 2008A" to NBRF 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 was paid off early without a prepayment penalty on August 15, 2011.

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 46,835	\$ 10,506	\$ 57,341
2014	47,871	9,470	57,341
2015	48,930	8,410	57,340
2016	50,012	7,328	57,340
2017	51,119	6,222	57,341
2018 – 2022	244,395	13,638	258,033
Total	<u>\$ 489,162</u>	<u>\$ 55,574</u>	<u>\$ 544,736</u>

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2012**

NOTE 7 – NON-CURRENT LIABILITIES (CONTINUED)

A. Governmental Activities (Continued)

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 1.88% to 4.23% with maturity dates from August 9, 2014 to July 15, 2018. Obligations under the plan provide for minimum payments, as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 142,669	\$ 15,524	\$ 158,193
2014	147,600	11,093	158,693
2015	119,397	5,980	125,377
2016	63,126	2,805	65,931
2017	38,162	1,642	39,804
2018-2019	58,599	1,105	59,704
Total	<u>\$ 569,553</u>	<u>\$ 38,149</u>	<u>\$ 607,702</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 the final payment was made on August 5, 2011.

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, \$10,113, 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, 2012**

NOTE 7 – 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>
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	79,930	6,938	86,868
2018	83,327	3,541	86,868
Total	<u>\$ 451,695</u>	<u>\$ 69,517</u>	<u>\$ 521,212</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>
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	26,000	10,995	36,995
2018 – 2022	149,000	9,890	158,890
2023 – 2024	69,500	31,812	101,312
Total	<u>\$ 339,500</u>	<u>\$ 106,531</u>	<u>\$ 446,031</u>

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2012**

NOTE 7 – 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. 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>
2013	\$ 15,764	\$ 1,766	\$ 17,530
2014	16,287	1,243	17,530
2015	25,451	844	26,295
Total	<u>\$ 57,502</u>	<u>\$ 3,853</u>	<u>\$ 61,355</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. Interest is payable semi-annually on February 1 and August 1. Principal payments are due annually on February 1. The final principal and interest payment was made on February 1, 2012.

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>
2013	\$ 38,383	\$ 2,045	\$ 40,428
2014	19,798	416	20,214
Total	<u>\$ 58,181</u>	<u>\$ 2,461</u>	<u>\$ 60,642</u>

TOWN OF BEL AIR, MARYLAND

Notes to Financial Statements June 30, 2012

NOTE 7 – 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 the final payment was made on July 28, 2011.

Total interest expense on long-term liabilities was \$107,458.

NOTE 8 – 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, 2012, is \$6,040,792.

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, 2012, is \$4,075,000.

TOWN OF BEL AIR, MARYLAND

Notes to Financial Statements June 30, 2012

NOTE 9 – PENSION PLANS

Town of Bel Air, Maryland Retirement Plan and Trust

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

Investments held by the pension trust fund are with the ICMA-RC Retirement Trust. As of June 30, 2012, the plan assets at fair market value were \$376,340 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 an eleven member Board of Trustees.

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

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

Funding Policy

The Plan requires active members to contribute to the System at the rate of 3.5% of covered compensation and the Town to contribute 8.7% of the members' covered compensation. Increases in the funding requirements, as determined by an actuary, shall be borne by the active members by adjusting the percent of the members' covered compensation to be contributed. As of June 30, 2012, plan assets at fair value totaled \$4,259,121.

For 2012, the pension contribution was determined to be \$299,893. This contribution represents 10.56% 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, 2011 actuarial valuation using the projected unit credit actuarial cost method.

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2012**

NOTE 9 – 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 RP-2000 Combined Healthy Table. The actual contribution by the members was \$80,360. The Town's contribution for the year ended June 30, 2012 was \$256,305. As of June 30, 2012, there were 56 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, 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%
July 1, 2011	3,837,414	5,782,089	1,944,675	66.37%	2,839,294	68.49%

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>
2012	\$ 299,893	\$ 256,305	85.47%
2011	268,302	228,141	85.03%
2010	263,034	277,560	105.52%

TOWN OF BEL AIR, MARYLAND

Notes to Financial Statements June 30, 2012

NOTE 9 – 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 9.22% of covered compensation and the Town to contribute 9.4% 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, 2012, plan assets at fair value totaled \$4,063,834.

Annual Costs and Net Obligation

For 2012, the pension contribution was determined to be \$202,944. This contribution represents 10.88% 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, 2011, 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 RP-2000 Combined Healthy Table. The actual contribution by the members was \$153,293. The Town's contribution for the year ended June 30, 2012 was \$179,154. As of June 30, 2012, there were 30 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, 2012**

NOTE 9 – PENSION PLANS (CONTINUED)

Town of Bel Air, Maryland Sworn Officers' Pension Plan (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, 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%
July 1, 2011	3,743,765	5,447,460	1,703,695	68.72%	1,865,385	91.33%

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

<u>Years Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
2012	\$ 202,944	\$ 179,154	88.28%
2011	159,153	300,390	188.74%
2010	141,767	151,392	106.79%

The financial information for each plan as of and for the year ended June 30, 2012, is summarized as follows:

	<u>As of June 30, 2012</u>	
	<u>Civilian Pension Trust</u>	<u>Sworn Officers' Pension Trust</u>
ASSETS		
Cash and equivalents	\$ 184,883	\$ 147,522
Investments:		
Mutual funds	4,079,116	3,920,992
Fiscal agents	376,340	-
Total assets	<u>4,640,339</u>	<u>4,068,514</u>
LIABILITIES		
Accounts payable	<u>4,878</u>	<u>4,680</u>
NET ASSETS		
Held in trust for pension benefits	<u>\$ 4,635,461</u>	<u>\$ 4,063,834</u>

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2012**

NOTE 9 – PENSION PLANS (CONTINUED)

	For the Year Ended June 30, 2012	
	Civilian Pension Trust	Sworn Officers' Pension Trust
ADDITIONS		
Contributions		
Employer contributions	\$ 256,305	\$ 179,154
Employee contributions	80,360	153,293
Total contributions	<u>336,665</u>	<u>332,447</u>
Investment gain:		
Net increase in the fair value of investments	<u>116,920</u>	<u>111,800</u>
Total additions	453,585	444,247
DEDUCTIONS		
Benefit payments	163,005	179,385
Contractual services	<u>32,785</u>	<u>32,042</u>
Total deductions	195,790	211,427
CHANGE IN NET ASSETS	257,795	232,820
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:		
BEGINNING OF YEAR	<u>4,377,666</u>	<u>3,831,014</u>
END OF YEAR	<u>\$ 4,635,461</u>	<u>\$ 4,063,834</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, 2012**

NOTE 10 – INTERFUND RECEIVABLES AND PAYABLES

	General Fund	Special Revenue Fund	Sewer Fund	Parking Fund	Total
Due from Other Funds:					
General Fund	\$ -	\$ 200,348	\$ 355,075	\$ 219,422	\$ 774,845
Sewer Fund	-	1,654	-	-	1,654
Total	\$ -	\$ 202,002	\$ 355,075	\$ 219,422	\$ 776,499
Due to Other Funds:					
Sewer Fund	\$ 355,075	\$ -	\$ -	\$ -	\$ 355,075
Parking Fund	219,422	-	-	-	219,422
General Fund	-	-	-	-	-
Special Revenue Fund	200,348	-	1,654	-	202,002
Total	\$ 774,845	\$ -	\$ 1,654	\$ -	\$ 776,499

NOTE 11 – OTHER POST RETIREMENT BENEFITS

The Town of Bel Air has instituted a program to provide health plan insurance to retired employees who are at least 55 years of age with at least 20 years of service. On July 1, 2009, the Town changed its benefit from a percentage of premium to a determined actual amount; however, the old benefit of a percentage of premium will remain in effect for those individuals who retired prior to January 1, 2009, which includes all of the retirees currently receiving the benefit. The premium amount paid by the Town is dependent upon the years of service by the retiree. The cost of the dependent care portion of the policy is born by the retiree unless he/she has at least 30 years of service. Participation in the program terminates at age 65. The Town recognizes the cost of the contribution in the year it is made. The total cost of the Plan to the Town for the year ended June 30, 2012, was approximately \$26,174 for the seven 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, 2012**

NOTE 11 – 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%
July 1, 2011	-	765,532	765,532	0.00%	4,624,518	16.55%

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>
2012	\$ 60,000	\$ 26,174	43.62%
2011	60,000	17,735	29.56%
2010	60,000	21,106	35.18%

NOTE 12 – RISK MANAGEMENT

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

For property, excess liability, primary auto and boiler and machinery liability coverage, the Town became a member of the Maryland Local Government Insurance Trust (LGIT). This trust is a public entity risk pool which is owned and directed by the local governments that subscribe to its coverage and operates under the terms of a Trust Agreement.

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

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

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2012**

NOTE 13– SPECIAL REVENUE FUND BALANCE

As of June 30, 2012, the Special Revenue Fund was designated for the following purposes:

Governmental Funds

Committed:

Tree planting – fee in lieu	\$	1,023	
Tree planting – forest conservation		28,101	
Seized property		4,814	
Stormwater management - fee in lieu		<u>72,270</u>	
Total Committed			106,208

Assigned:

Public amenity – gardens/park/art		49,390	
Cultural arts, sculpture		21,544	
Cultural arts		973	
Larew book		209	
Visitors center		79	
Comprehensive plan		12	
Empty cartridges		205	
Explorer scouts		19,985	
Auxiliary police		12,332	
Historic preservation		<u>3,051</u>	
Total Assigned			107,780

Total fund balance \$ 213,988

NOTE 14 – 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 \$6,014 during the year ended June 30, 2012.

NOTE 15 – 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 16 – 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, 2012**

NOTE 17 – SUBSEQUENT EVENTS

On September 27, 2012, the Town entered into a lease agreement with Branch Banking and Trust Company in the amount of \$255,000 to finance the purchase of four police vehicles, one pick-up truck, and one dump truck. The interest rate is 1.94% with principal and interest payable semi-annually on January 31 and July 31 which will continue until July, 2019.

SUPPLEMENTARY INFORMATION

TOWN OF BEL AIR, MARYLAND

**Schedule of Cash and Cash Equivalents - General Fund
June 30, 2012**

UNRESTRICTED

M&T Bank	
Checking	\$ (160,100)
Payroll	1,000
Harco Maryland Federal Credit Union	
Savings	6
TD Bank	
Savings	200,211
Baltimore County Savings Bank	
Money market	247,051
Carrollton Bank	
Money market	200,612
PeoplesBank	
Money market	577
SunTrust Bank	
Money market	247,775
Susquehanna Bank	
Money market	249,040
Wells Fargo	
Money market	71,699
Freedom Federal Credit Union	
Money market	240,530
Change fund	1,450
PNC Bank	
Local government investment pool	501,371
TOTAL UNRESTRICTED CASH	<u><u>\$ 1,801,222</u></u>

RESTRICTED

BB&T Bank	
Turner escrow	\$ 1,277
Harford Bank	
Savings	7,486
PNC Bank	
Local Government Investment Pool - 612 Rockspring Road	4,837
Local Government Investment Pool - Dombroskie	46,253
TOTAL RESTRICTED CASH	<u><u>\$ 59,853</u></u>

TOWN OF BEL AIR, MARYLAND

**Schedule of Revenues and Expenditures Budget (Non-GAAP Budgetary Basis) and Actual
General Fund
Year Ended June 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Taxes - Local				
Real property	\$ 6,461,205	\$ 6,508,705	\$ 6,620,252	\$ 111,547
Half-year real property	8,000	8,000	11,063	3,063
Personal property	15,000	15,000	3,954	(11,046)
Railroads and public utilities	305,000	305,000	387,965	82,965
Ordinary business corporations	550,000	550,000	602,534	52,534
Penalties and interest	50,000	50,000	37,131	(12,869)
 <u>Deductions</u>				
Discounts allowed on taxes	(55,000)	(55,000)	(51,475)	3,525
Net local taxes	<u>7,334,205</u>	<u>7,381,705</u>	<u>7,611,424</u>	<u>229,719</u>
 Taxes - State Shared				
Highway	142,971	142,971	144,741	1,770
Income taxes	1,225,000	1,225,000	1,277,395	52,395
Admission and amusement	34,000	34,000	47,122	13,122
Total taxes - state shared	<u>1,401,971</u>	<u>1,401,971</u>	<u>1,469,258</u>	<u>67,287</u>
 Licenses and Permits				
<u>Business</u>				
Beer, wine and liquor	15,000	15,000	309	(14,691)
Traders	68,000	68,000	70,987	2,987
<u>Other Licenses and Permits</u>				
Building and equipment	50,000	75,000	66,682	(8,318)
Total - licenses and permits	<u>133,000</u>	<u>158,000</u>	<u>137,978</u>	<u>(20,022)</u>
 Revenue from Other Agencies				
<u>Grants from State Government</u>				
Governor's office grant	6,000	12,172	13,170	998
Police protection	157,976	157,976	157,976	-
MEA EECB Grant	-	57,000	57,000	-
FEMA Grant	-	24,814	24,814	-
<u>Grants from the Federal Government</u>				
Bulletproof vest grant	4,375	4,375	4,752	377
<u>Grants from County Government</u>				
Financial corporations	8,458	8,458	8,458	-
Tax rebate	967,745	967,745	967,745	-
Homeland security grant	-	32,710	32,710	-
Traffic grants	7,000	18,000	12,373	(5,627)
Total - revenue from other agencies	<u>1,151,554</u>	<u>1,283,250</u>	<u>1,278,998</u>	<u>(4,252)</u>
 Service Charges for Current Services				
<u>General Government</u>				
MAWC well fees	18,000	18,000	17,618	(382)
Bel Air Reckord Armory fees	50,000	50,000	59,003	9,003
Finance fees	13,000	13,000	15,350	2,350
Zoning and subdivision fees	8,000	8,000	7,937	(63)

TOWN OF BEL AIR, MARYLAND

**Schedule of Revenues and Expenditures Budget (Non-GAAP Budgetary Basis) and Actual
General Fund
Year Ended June 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES (continued)				
Service Charges for Current Services (continued)				
<u>General Government (Continued)</u>				
Maps and publication fees	\$ 250	\$ 250	\$ 30	\$ (220)
MD homebuilder guaranty fund	2,150	2,150	1,650	(500)
<u>Sanitation and Waste Removal</u>				
Sewer fund administrative fee	242,920	242,920	253,800	10,880
<u>Public Service Enterprises</u>				
Parking fund administrative fee	273,676	273,676	275,165	1,489
Reimbursement for police services	22,000	36,000	32,627	(3,373)
Police reports	1,500	1,500	1,361	(139)
Total - service charges for current services	<u>631,496</u>	<u>645,496</u>	<u>664,541</u>	<u>19,045</u>
Fines				
Traffic signal camera	270,000	348,662	452,194	103,532
False alarm	10,000	10,000	9,316	(684)
Total - fines	<u>280,000</u>	<u>358,662</u>	<u>461,510</u>	<u>102,848</u>
Miscellaneous				
Interest	35,000	35,000	38,068	3,068
Hearing and ad reimbursement	800	800	227	(573)
Cable TV franchise	135,000	135,000	141,828	6,828
Police and DPW overtime reimbursement	10,000	10,000	9,314	(686)
Rental income - Tenant house	250	250	208	(42)
Seized property	2,000	2,000	1,864	(136)
Reimburse HCPS fiber line	30,000	41,300	41,400	100
Miscellaneous	15,000	23,545	23,996	451
Total - miscellaneous	<u>228,050</u>	<u>247,895</u>	<u>256,905</u>	<u>9,010</u>
TOTAL REVENUES	<u><u>\$ 11,160,276</u></u>	<u><u>\$ 11,476,979</u></u>	<u><u>\$ 11,880,614</u></u>	<u><u>\$ 403,635</u></u>
EXPENDITURES				
General Government				
<u>Legislative</u>				
Commissioners				
Salaries	\$ 25,200	\$ 25,200	\$ 25,200	\$ -
Operating expenses	19,790	19,790	18,011	1,779
Town Clerk				
Salaries	250,943	250,943	240,552	10,391
Operating expenses	53,660	53,660	45,105	8,555
<u>Executive</u>				
Town Administrator				
Salaries	106,250	106,250	106,684	(434)
Operating expenses	25,395	25,395	24,651	744
<u>Elections</u>				
Registration and Election				
Operating expenses	3,790	2,129	2,129	-

TOWN OF BEL AIR, MARYLAND

**Schedule of Revenues and Expenditures Budget (Non-GAAP Budgetary Basis) and Actual
General Fund
Year Ended June 30, 2012**

	<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	\$ 213,321	\$ 209,327	\$ 3,994
Operating expenses	40,200	41,000	42,966	(1,966)
Independent auditing	15,486	15,986	15,986	-
<u>Law</u>				
Legal Counsel				
Operating expenses	45,000	57,000	50,436	6,564
<u>Planning and Zoning</u>				
Salaries	265,862	265,862	266,698	(836)
Operating expenses	48,412	47,822	19,219	28,603
<u>Economic Development</u>				
Salaries	182,119	182,119	184,455	(2,336)
Operating expenses	78,110	88,110	87,471	639
<u>General Services</u>				
Municipal Buildings				
Salaries	43,706	43,706	47,760	(4,054)
Operating expenses	255,113	318,012	300,634	17,378
Capital outlay	-	1,395,000	1,406,045	(11,045)
<u>Bel Air Reckord Armory</u>				
Salaries	24,941	29,841	28,663	1,178
Operating expenses	103,246	117,746	104,091	13,655
<u>Other General Government</u>				
Community Promotion				
Operating expenses	7,360	7,360	6,124	1,236
Public Officers' Association				
Operating expenses	16,692	16,692	16,692	-
<u>Computer Network System</u>				
Operating expenses	183,663	183,663	84,450	99,213
Capital outlay	116,875	120,072	170,139	(50,067)
Total - general government	<u>2,122,134</u>	<u>3,626,679</u>	<u>3,503,488</u>	<u>123,191</u>
Public Safety				
<u>Administrative, Patrol and Investigation</u>				
Salaries	2,774,618	2,806,191	2,788,060	18,131
Operating expenses	249,813	285,220	305,566	(20,346)
Capital outlay	49,000	49,000	46,701	2,299
<u>Homeland security program</u>				
	-	32,710	32,710	-
<u>Traffic Safety</u>				
Red light camera program	151,719	189,719	178,464	11,255

TOWN OF BEL AIR, MARYLAND

**Schedule of Revenues and Expenditures Budget (Non-GAAP Budgetary Basis) and Actual
General Fund
Year Ended June 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
EXPENDITURES (continued)				
Public Safety (continued)				
<u>Fire Department</u>				
Volunteer Company Contribution	\$ 153,960	\$ 153,960	\$ 153,960	\$ -
<u>Protective Inspection</u>				
Other:				
Hydrant rental	38,709	38,709	38,272	437
Total - public safety	<u>3,417,819</u>	<u>3,555,509</u>	<u>3,543,733</u>	<u>11,776</u>
Public Works				
<u>General Administration</u>				
Salaries	570,042	570,042	580,897	(10,855)
Operating expenses	118,205	131,205	133,940	(2,735)
<u>Highways and Streets</u>				
Streets, Roadways and Alleys				
Salaries	397,888	377,888	365,852	12,036
Operating expenses	175,500	203,462	193,851	9,611
Sidewalk, curb and street construction	437,147	507,147	504,382	2,765
Capital outlay	67,200	67,200	67,596	(396)
Street Lighting				
Operating expenses	147,600	147,600	151,839	(4,239)
<u>Sanitation and Waste Removal</u>				
Waste Collection and Disposal				
Salaries	414,012	392,291	375,347	16,944
Operating expenses	150,805	150,805	152,268	(1,463)
Capital outlay	145,570	145,570	147,570	(2,000)
Shop				
Salaries	142,740	146,740	146,619	121
Operating expenses	210,070	210,070	191,724	18,346
Total - public works	<u>2,976,779</u>	<u>3,050,020</u>	<u>3,011,885</u>	<u>38,135</u>
Recreation and Parks				
<u>Participation Recreation</u>				
Operating expenses	105,900	130,900	130,841	59
<u>A & B Committee</u>				
Operating expenses	38,300	38,300	38,257	43
<u>Cultural Arts Committee</u>				
Operating expenses	8,350	8,350	7,992	358
Total - recreation and parks	<u>152,550</u>	<u>177,550</u>	<u>177,090</u>	<u>460</u>
Miscellaneous				
Disability insurance	16,800	16,800	15,749	1,051
Hospital insurance	884,500	884,500	868,668	15,832
Optical and dental plan	24,800	24,800	25,147	(347)
Social security	422,100	427,300	428,573	(1,273)
Life insurance	24,300	24,300	22,803	1,497
Pension and deferred compensation contributions	483,000	484,900	489,026	(4,126)

TOWN OF BEL AIR, MARYLAND

**Schedule of Revenues and Expenditures Budget (Non-GAAP Budgetary Basis) and Actual
General Fund
Year Ended June 30, 2012**

	<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	\$ 63,264	\$ (3,264)
Workmen's compensation	190,100	190,100	145,270	44,830
Unemployment claims	160	6,381	6,187	194
General insurance	85,000	60,000	60,622	(622)
Contingency	101,560	15,060	6,338	8,722
Debt service	410,524	399,930	394,179	5,751
Contributions/donations	8,225	8,225	8,575	(350)
Miscellaneous	41,695	41,695	36,317	5,378
Total - miscellaneous	<u>2,752,764</u>	<u>2,643,991</u>	<u>2,570,718</u>	<u>73,273</u>
TOTAL EXPENDITURES	<u>\$ 11,422,046</u>	<u>\$ 13,053,749</u>	<u>\$ 12,806,914</u>	<u>\$ 246,835</u>
	SUMMARY			
TOTAL REVENUES	\$ 11,160,276	\$ 11,476,979	\$ 11,880,614	\$ 403,635
TOTAL EXPENDITURES	<u>11,422,046</u>	<u>13,053,749</u>	<u>12,806,914</u>	<u>246,835</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (261,770)</u>	<u>\$ (1,576,770)</u>	<u>\$ (926,300)</u>	<u>\$ 650,470</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, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Revenue from Other Agencies				
CDBG grant	\$ 84,691	\$ 84,691	\$ -	\$ (84,691)
Program open space grant	50,000	50,000	-	(50,000)
MEMA grant	-	-	692	692
Community Legacy grant	25,000	50,000	35,151	(14,849)
Total - revenue from other agencies	<u>159,691</u>	<u>184,691</u>	<u>35,843</u>	<u>(148,848)</u>
Miscellaneous				
Christmas parade	200	200	-	(200)
Historic preservation	3,500	3,500	5,337	1,837
Tree planting - forest conservation	4,500	4,500	-	(4,500)
Tree planting - fee in lieu	1,800	1,800	-	(1,800)
Stormwater management fee in lieu	122,714	122,714	48,354	(74,360)
Public amenity - gardens, parks, and art	7,500	7,500	-	(7,500)
Empty printer cartridges	-	-	62	62
Visitors center	150	150	35	(115)
Transfer from General Fund seized property	8,000	8,000	-	(8,000)
Larew book	200	200	25	(175)
Explorer scouts	6,000	6,000	4,822	(1,178)
Auxiliary police	6,000	6,000	5,110	(890)
Cultural arts project	500	500	1,751	1,251
Cultural arts sculpture	20,000	20,000	27,857	7,857
DARE	500	500	-	(500)
ECDC contingency	75,000	75,000	-	(75,000)
Total - miscellaneous	<u>256,564</u>	<u>256,564</u>	<u>93,353</u>	<u>(163,211)</u>
TOTAL REVENUES	<u><u>\$ 416,255</u></u>	<u><u>\$ 441,255</u></u>	<u><u>\$ 129,196</u></u>	<u><u>\$ (312,059)</u></u>
EXPENDITURES				
General Government				
Historic preservation	\$ 3,500	\$ 3,500	\$ 4,315	\$ (815)
Visitors center	150	150	126	24
Revolving loan fund	75,000	75,000	-	75,000
Community legacy grant	25,000	50,000	35,151	14,849
CDBG	84,691	84,691	-	84,691
Total - general government	<u>188,341</u>	<u>213,341</u>	<u>39,592</u>	<u>173,749</u>
Public Safety				
Seized property	8,000	8,000	10,038	(2,038)

TOWN OF BEL AIR, MARYLAND

**Schedule of Revenues and Expenditures Budget (Non-GAAP Budgetary Basis) and Actual
Special Revenue Fund
Year Ended June 30, 2012**

	<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	\$ 5,797	\$ 203
Total - public safety	14,000	14,000	15,835	(1,835)
Public Works				
MEMA Grant	-	-	692	(692)
Stormwater management - fee in lieu	122,714	122,714	47,219	75,495
Total - public works	122,714	122,714	47,911	74,803
Recreation and Parks				
Tree planting - forest conservation	4,500	4,500	5,997	(1,497)
Tree planting - fee in lieu	1,800	1,800	-	1,800
Explorer Scouts	6,000	6,000	2,452	3,548
Cultural arts project	500	500	1,875	(1,375)
Cultural arts sculpture	20,000	20,000	10,772	9,228
Public amenity - gardens, parks and art	7,500	7,500	-	7,500
Program open space grant	50,000	50,000	-	50,000
Christmas parade	200	200	24	176
Total - recreation and parks	90,500	90,500	21,120	69,380
Miscellaneous				
DARE	500	500	-	500
Larew book	200	200	-	200
Total - miscellaneous	700	700	-	700
TOTAL EXPENDITURES	<u>\$ 416,255</u>	<u>\$ 441,255</u>	<u>\$ 124,458</u>	<u>\$ 316,797</u>
		Summary		
TOTAL REVENUES	\$ 416,255	\$ 441,255	\$ 129,196	\$ (312,059)
TOTAL EXPENDITURES	<u>416,255</u>	<u>441,255</u>	<u>124,458</u>	<u>316,797</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,738</u>	<u>\$ 4,738</u>

TOWN OF BEL AIR, MARYLAND

**Schedule of Revenues and Expenditures Compared to Budget
Parking Fund
Year Ended June 30, 2012**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
OPERATING REVENUES			
Service Charges for Current Services			
<u>Highways and Streets</u>			
Meter collections	\$ 159,000	\$ 152,599	\$ (6,401)
Lease fees	67,980	75,339	7,359
Fines and Forfeitures			
Parking	105,000	118,506	13,506
Miscellaneous			
County share operating expenses and capital repairs	108,022	119,224	11,202
Miscellaneous	2,640	2,666	26
Total - operating revenues	<u>442,642</u>	<u>468,334</u>	<u>25,692</u>
OPERATING EXPENSES			
Miscellaneous			
Compensated absences	-	1,484	(1,484)
Postage	1,600	1,794	(194)
Miscellaneous	2,950	3,052	(102)
Parking fine charges	22,680	25,539	(2,859)
Depreciation	71,555	70,731	824
Lots and Meters			
Transfer to general fund - administrative costs	199,271	201,740	(2,469)
Maintenance	3,000	3,167	(167)
Operating expenses	6,530	1,534	4,996
Equipment	-	1,587	(1,587)
Parking Garage			
Transfer to general fund - administrative costs	74,405	73,425	980
Operating expenses	47,400	56,662	(9,262)
Insurance	12,310	11,748	562
Routine repairs	201,000	-	201,000
Maintenance	7,500	10,166	(2,666)
Capital repairs	15,000	-	15,000
Total - operating expenses	<u>665,201</u>	<u>462,629</u>	<u>202,572</u>
Operating income (loss)	<u>(222,559)</u>	<u>5,705</u>	<u>228,264</u>
Non-operating Revenues (Expenses)			
Interest income - investment	15	19	4
Interest expense - parking garage sweeper	(12)	(126)	(114)
- parking garage	<u>(21,956)</u>	<u>(21,956)</u>	<u>-</u>
Total - non-operating expenses	<u>(21,953)</u>	<u>(22,063)</u>	<u>(110)</u>
NET INCOME (LOSS)	<u>\$ (244,512)</u>	<u>\$ (16,358)</u>	<u>\$ 228,154</u>

TOWN OF BEL AIR, MARYLAND

**Schedule of Revenues and Expenditures Compared to Budget
Sewer Fund
Year Ended June 30, 2012**

	<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	\$ 2,162,661	\$ 2,051,583	\$ (111,078)
Sewer connection charges	50,000	519,840	469,840
Other revenues	23,950	46,761	22,811
User benefit fees	30,275	31,010	735
	<u>2,266,886</u>	<u>2,649,194</u>	<u>382,308</u>
OPERATING EXPENSES			
Salaries - direct and on call time	97,841	101,324	(3,483)
- overtime	26,088	28,778	(2,690)
Compensated absences	-	7,348	(7,348)
Contractual services	1,479,695	1,288,465	191,230
Amortization	36,936	36,936	-
Supplies	4,200	2,621	1,579
Utilities	10,700	11,887	(1,187)
Miss Utility fees	3,000	1,943	1,057
Depreciation	51,800	50,986	814
Maintenance	39,000	35,909	3,091
Connection costs	50,000	519,840	(469,840)
Water company charges	2,150	2,066	84
Contingency	4,359	9,260	(4,901)
Transfer to general fund - administrative costs	242,920	253,800	(10,880)
User benefit fee	30,275	31,010	(735)
Postage	6,200	5,802	398
Root control maintenance	35,000	34,360	640
Main and lateral repairs	25,000	11,360	13,640
Credit card fees	6,400	6,088	312
Insurance	10,800	12,419	(1,619)
Transfer to SSCI reserve	40,000	-	40,000
Equipment, lateral camera	13,000	2,052	10,948
ECM spare pumps/soft starts	15,000	-	15,000
I&I Projects	-	47,756	(47,756)
Miscellaneous	2,100	1,052	1,048
Total - operating expenses	<u>2,232,464</u>	<u>2,503,062</u>	<u>(270,598)</u>
Operating income	34,422	146,132	111,710
Non-operating expense - interest	<u>34,422</u>	<u>21,454</u>	<u>(12,968)</u>
NET INCOME	<u>\$ -</u>	<u>\$ 124,678</u>	<u>\$ 124,678</u>

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