

TOWN OF BEL AIR, MARYLAND

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

For the Year Ended June 30, 2013

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JUNE 30, 2013

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SB & COMPANY, LLC
EXPERIENCE • QUALITY • CLIENT SERVICE

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Commissioners of the
Town of Bel Air, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bel Air, Maryland (the Town), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the general fund and special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The schedule of cash and cash equivalents- general fund and the schedules of revenues and expenditures- budget and actual as listed in the accompanying table of contents (collectively, the supplemental information) are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Hunt Valley, Maryland
January 16, 2014

SB & Company, LLC

TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

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, 2013. 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, 2013, by \$13,982,244 (net position). Approximately 19.5% of this amount is attributable to the business-type activities. Of the total net position, \$3,336,131 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors (44.6% is attributable to the business-type activities). Of the remaining total net position, \$997,339 is restricted for specific purposes (restricted net position), and \$9,648,774 is invested in capital assets, net of related debt.
- The Town's overall financial position has improved with total net position increasing by \$1,470,235 during the fiscal year. Net position for governmental and business-type activities increased \$1,058,706 and \$411,529, 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, 2013, the Town's governmental funds reported a combined ending fund balance of \$4,376,760, an increase of \$694,745 in comparison with the prior year. Of this total amount, \$4,318,151 or 98.7% 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, 2013, the assigned and unassigned fund balance for the General Fund (primary operating fund) was \$3,422,467 or 30% of total General Fund expenditures.
- In fiscal year 2013, the Town transferred \$290,000 to the General Fund Capital Reserve account.
- In fiscal year 2013, the Town transferred \$75,000 from the General Fund's unassigned fund balance to the Revolving Loan Fund Reserve fund balance in the Special Revenue Fund in order to establish the account.
- As of June 30, 2013, the Town's business-type operating activities reported net position of \$2,724,969, an increase of \$411,529 in comparison with the prior year. Of the total amount, \$1,486,187 is unrestricted.

TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

Long-Term Debt:

The Town's long-term debt increased \$558,116 (14.4%) during the current fiscal year. The increase was the net result of making \$494,987 in scheduled payments, a \$23,931 decrease in compensated absences/OPEB, and incurring \$1,077,034 in new debt. New debt was incurred for equipment/vehicle purchases (\$255,000), to develop and publish a sewer system capital improvement plan as well as repairs to the sanitary sewer system in various areas (\$551,700), and to fund the Town's portion of the repairs to the parking garage, located at 16 S. Hickory Avenue, as well as professional engineering bidding and inspection services related to the project (\$270,334).

Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements mentioned above distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, public safety, public works, recreation and 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, 2013

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, 2013

Government-wide Financial Analysis

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

As noted earlier, net position may serve over time as a useful indicator of a government's overall financial condition and position. In the case of the Town, assets exceeded liabilities by \$13,982,244 as of June 30, 2013. The Town of Bel Air's net position are divided into three categories - invested in capital assets (net of related debt), restricted net position, and unrestricted net position.

The largest portion of the Town's net position is in investment in capital assets net of depreciation (e.g., land, improvements, buildings, machinery, equipment, vehicles, infrastructure, and sewer system), less any related debt used to acquire those assets and accumulated depreciation. As of June 30, 2013, capital assets were valued at \$9,648,774 net of related debt and accumulated depreciation or 69.0% of total net position. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The balance of unrestricted net position as of June 30, 2013, was \$3,336,131 or 23.9% of total net position and may be used to meet the government's ongoing obligations to citizens and creditors. The balance of restricted net position as of June 30, 2013, was \$997,339 or 7.1% of total net position and are resources that are subject to external restrictions on how they may be used.

For the fiscal year ended June 30, 2013, the Town reported positive balances in all three categories of net position 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 position and the schedule of changes in net position for governmental and business-type activities:

TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Assets						
Current and other assets	\$ 6,247,708	\$ 4,913,111	\$ 2,250,746	\$ 1,392,395	\$ 8,498,454	\$ 6,305,506
Capital assets	9,599,690	9,223,862	2,770,083	2,572,984	12,369,773	11,796,846
Total assets	<u>15,847,398</u>	<u>14,136,973</u>	<u>5,020,829</u>	<u>3,965,379</u>	<u>20,868,227</u>	<u>18,102,352</u>
Liabilities						
Other liabilities	1,824,596	1,050,135	621,920	658,857	2,446,516	1,708,992
Long-term liabilities	2,765,527	2,888,269	1,673,940	993,082	4,439,467	3,881,351
Total liabilities	<u>4,590,123</u>	<u>3,938,404</u>	<u>2,295,860</u>	<u>1,651,939</u>	<u>6,885,983</u>	<u>5,590,343</u>
Net Position						
Invested in capital assets, net of related debt	8,463,284	8,155,147	1,185,490	1,666,106	9,648,774	9,821,253
Restricted	944,047	564,609	53,292	166,250	997,339	730,859
Unrestricted	1,849,944	1,478,813	1,486,187	481,084	3,336,131	1,959,897
Total net position	<u>\$ 11,257,275</u>	<u>\$ 10,198,569</u>	<u>\$ 2,724,969</u>	<u>\$ 2,313,440</u>	<u>\$ 13,982,244</u>	<u>\$ 12,512,009</u>

TOWN OF BEL AIR, MARYLAND

**MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues						
Program revenues:						
Charges for services	\$ 849,338	\$ 960,212	\$ 2,715,581	\$ 3,117,528	\$ 3,564,919	\$ 4,077,740
Operating grants/ contributions	241,325	213,777	-	-	241,325	213,777
Capital grants/ contributions	346,478	214,615	-	-	346,478	214,615
General revenues:						
Property taxes	7,576,590	7,608,169	-	-	7,576,590	7,608,169
Shared taxes	2,545,478	2,113,634	-	-	2,545,478	2,113,634
Miscellaneous	652,032	670,436	-	-	652,032	670,436
Unrestricted investment earnings	25,110	38,068	215	19	25,325	38,087
Total revenues	12,236,351	11,818,911	2,715,796	3,117,547	14,952,147	14,936,458
Expenses						
General government	2,063,483	2,511,198	-	-	2,063,483	2,511,198
Public safety	3,587,354	3,624,796	-	-	3,587,354	3,624,796
Public works	2,782,480	2,830,333	-	-	2,782,480	2,830,333
Recreation and culture	301,105	169,610	-	-	301,105	169,610
Miscellaneous	2,357,841	2,139,294	-	-	2,357,841	2,139,294
Interest on long-term debt	61,223	58,801	-	-	61,223	58,801
Sewer	-	-	1,817,725	2,524,516	1,817,725	2,524,516
Parking facilities	-	-	510,701	484,711	510,701	484,711
Total expenditures	11,153,486	11,334,032	2,328,426	3,009,227	13,481,912	14,343,259
Increase in net assets	1,082,865	484,879	387,370	108,320	1,470,235	593,199
Capital contribution from GF	(24,159)	-	24,159	-	-	-
Net position, beginning of year	10,198,569	9,713,690	2,313,440	2,205,120	12,512,009	11,918,810
Net position, end of year	\$ 11,257,275	\$ 10,198,569	\$ 2,724,969	\$ 2,313,440	\$ 13,982,244	\$ 12,512,009

Governmental activities

Governmental net position increased by \$1,058,706. Property taxes, shared taxes, and charges for services represent 61.9%, 20.8%, and 6.9% of the Town's revenue stream, respectively. The remaining 10.4% 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 2013 was \$12,236,351 which is \$417,440 higher than the previous year. Revenues from shared taxes increased \$431,844 resulting from an increase in income taxes and the Harford County tax rebate. Revenues from operating and capital grants and contributions increased \$159,411 due to additional grants for various projects. Revenues from charges for services decreased \$110,874 mainly from a reduction in highway user revenues due to a one-time grant the previous fiscal year.

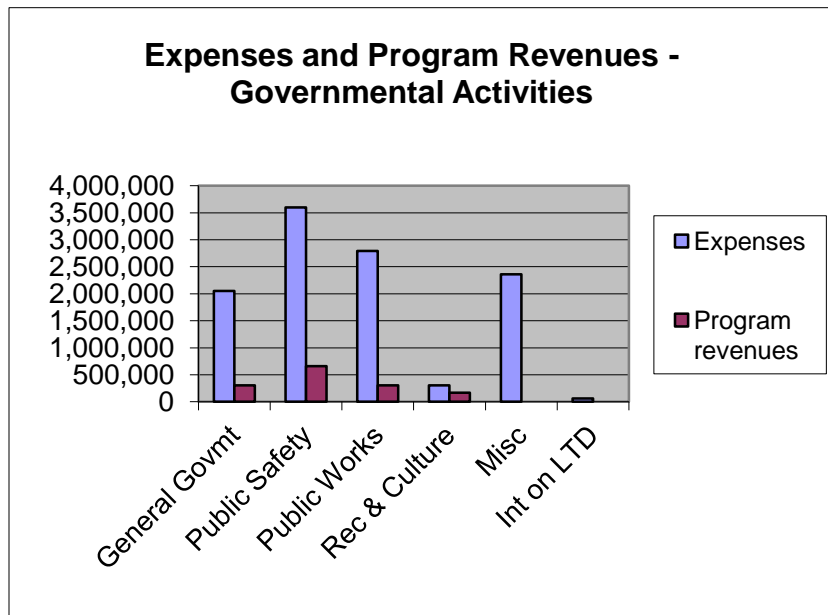
TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

Investment earnings declined \$12,762 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 0.12%. In fiscal year 2013, 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; however, these rates have steadily declined during the fiscal year. As of June 30, 2013, the Town held \$2,375,500 in various certificates of deposit with rates ranging from .40%-1.15% and maturities no longer than 20-months.

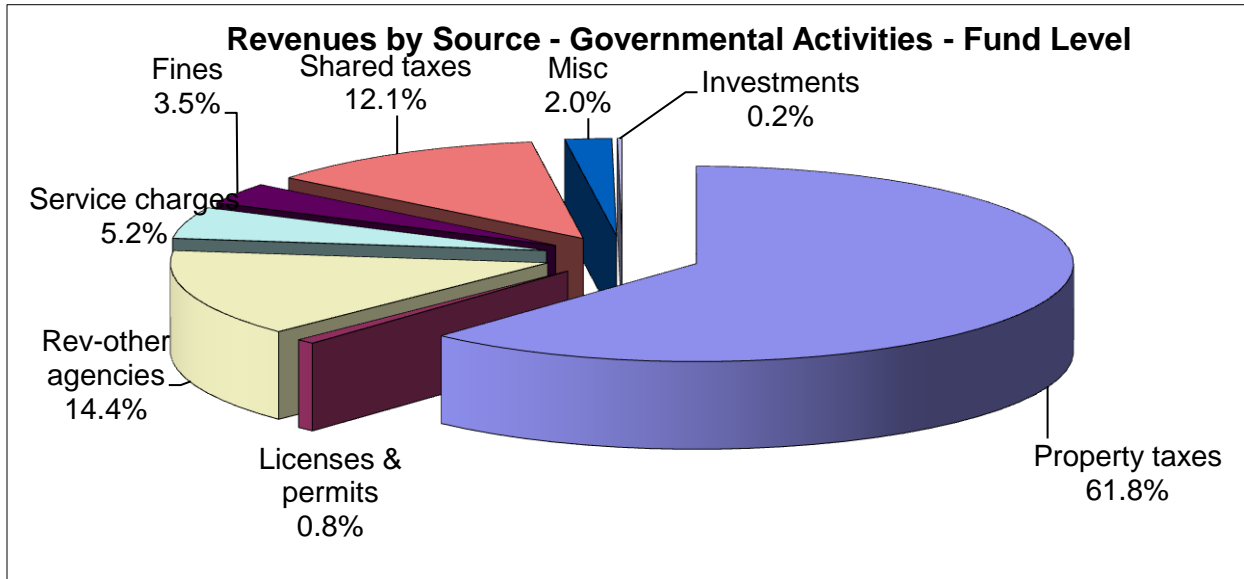
Governmental expenses were \$11,153,586 in fiscal year 2013, a decrease of \$180,546 or 1.6%. Public safety and public works are the two largest functional areas comprising 57% of all governmental expenses in fiscal year 2013. Public safety represents 32% of governmental expenses, while public works represents 25%. Both departments basically were unchanged from the previous year.



TOWN OF BEL AIR, MARYLAND

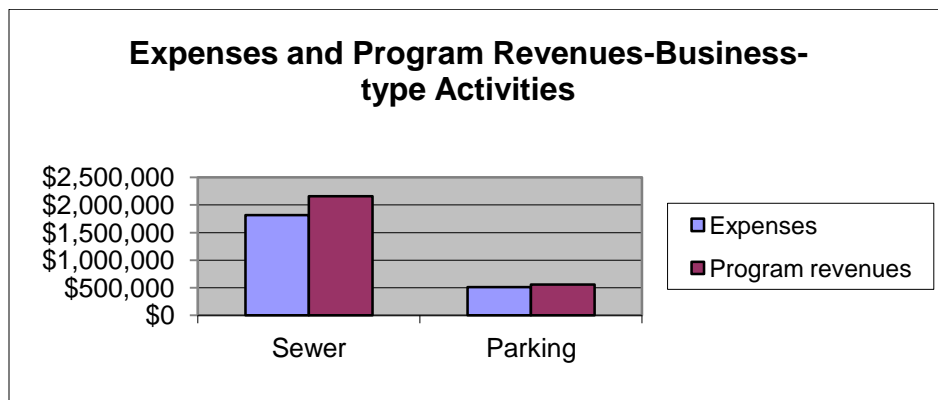
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013



Business-type activities

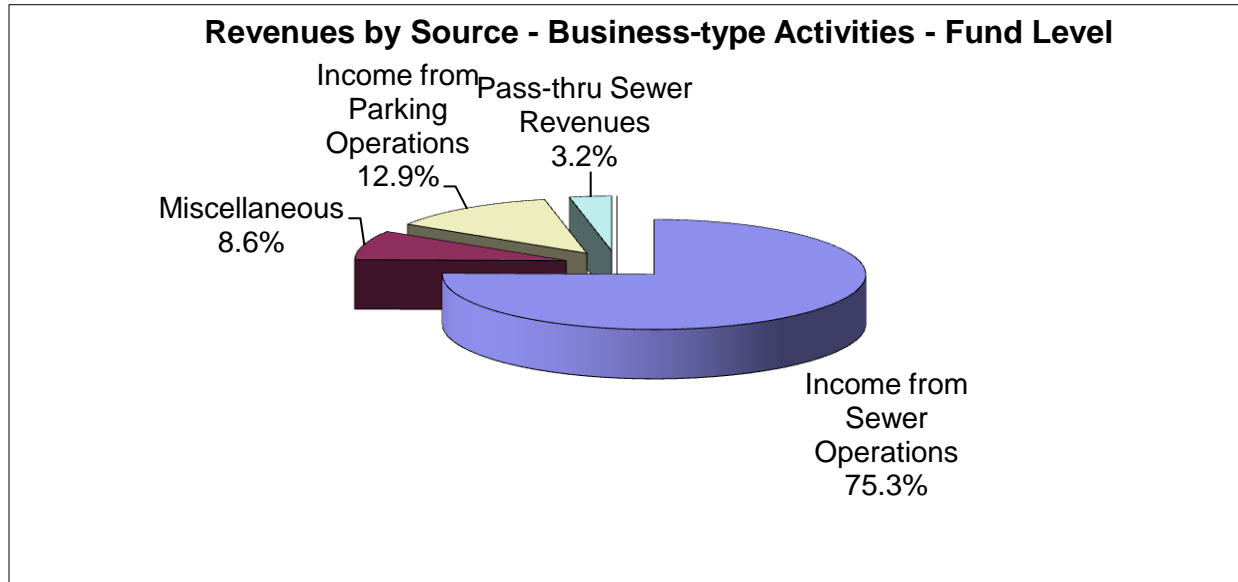
The Town operates two business-type enterprise funds, Parking and Sewer. Business-type net position increased by \$411,529 with the breakdown as such: \$71,186 in the Parking Fund and \$340,343 in the Sewer Fund. The increase in the sewer activity is due to the Harford County sewer bulk rate being less than was originally budgeted.



TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013



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, 2013, the Town's governmental funds (general fund and special revenue fund) reported a combined ending fund balance of \$4,376,760, an increase of \$694,745 in comparison with the prior year. Approximately 98.7% of this total amount (\$4,318,151) constitutes *committed, assigned, and unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *nonspendable and restricted* to indicate that it is not available for new spending because it has already been dedicated for prepaids. The *nonspendable and restricted fund balance*, at 1.3% 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 \$3,422,467, while total fund balance was \$4,074,714. 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 30% of total General Fund expenditures, while total fund balance represents 35.7% of that same amount.

The Town's General Fund total fund balance increased by \$606,687 during the current fiscal year. This was a result of receiving more revenues than anticipating and expending less.

TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

The Special Revenue Fund has a total fund balance of \$302,046. The \$88,058 increase in fund balance is due mainly to a \$75,000 transfer from the unassigned fund balance in the General Fund to establish the Revolving Loan Fund as well as 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 position of the Parking Fund and the Sewer Fund were \$1,826,254 and \$898,715, respectively and increased by \$71,186 and \$340,343 in the Parking Fund and the Sewer Fund, respectively.

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

The net position of the Sworn Officers' Pension Trust and the Civilian Pension Trust increased \$590,541 or 14.5% and \$511,246 or 11.0%, respectively. The increase in net position in both Trust Plans is due to a net increase in the fair value of investments.

General Fund Budgetary Highlights

The final amended budget for the General Fund was increased \$44,782 from the original budget.

The Town amended the budget in March, 2013 after its normal mid-year budget review. The general fund budget was increased by \$44,782. The significant revenue changes were that real property taxes were increased by \$62,500, while public utility personal property taxes were decreased by \$53,400. The Town received a FEMA grant in the amount of \$44,500 to reimburse 75% of the hurricane related costs, and based on additional red light citations, the budget was increased by a net \$42,500. The significant expenditure changes were that the Town Buildings budget was increased \$65,770 for Town Hall and Rockfield Manor modifications. A \$72,000 decrease in benefits was included as well as a net increase of \$55,992 in the police department to fund mostly regular overtime. The public works budget was reduced by \$45,000 due to not filling a position, and the human resource budget was increased \$32,500 basically to fund a leave payout for a long standing employee who retired.

At the end of the year, revenues and other financing sources were more than budgetary estimates by \$232,379 and expenditures were \$324,431 less than anticipated.

TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

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, 2013 was \$12,339,773. 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 4.7%, comprised of a 3.9% and a 7.7% increase for governmental and business-type activities, respectively.

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	
	2013	2012	2013	2012	2013	2012
Land and improvements	\$ 4,641,308	\$ 4,641,308	\$ 777,518	\$ 777,518	\$ 5,418,826	\$ 5,418,826
Buildings and improvements	4,525,348	4,492,341	2,457,673	2,199,887	6,983,021	6,692,228
Infrastructure	698,847	373,618	-	-	698,847	373,618
Machinery and equipment	1,017,061	1,015,934	222,139	219,149	1,239,200	1,235,083
Furniture and fixtures	1,038,926	838,617	-	-	1,038,926	838,617
Vehicles	2,593,757	2,502,954	333,135	333,135	2,926,892	2,836,089
Parking improvements	-	-	404,596	404,596	404,596	404,596
Sewer system	-	-	1,159,727	1,102,547	1,159,727	1,102,547
Accumulated depreciation	(4,945,557)	(4,650,910)	(2,584,705)	(2,463,848)	(7,530,262)	(7,114,758)
Total	\$ 9,569,690	\$ 9,213,862	\$ 2,770,083	\$ 2,572,984	\$ 12,339,773	\$ 11,786,846

Major capital asset events during the year ending June 30, 2013 included the following:

- The Police Department purchased four new replacement vehicles (\$93,792) as well as a new message speed trailer (\$15,280).
- The Public Works Department purchased a new replacement dump truck (\$131,197) and a new replacement pick-up truck (\$25,465).
- The Town paid \$98,943 to have a new traffic signal and four cameras installed at the Boulton and Gateway Street intersection.
- Plumtree Park had a new facelift with \$39,177 in playground equipment and borders.
- The Public Works Department contracted to have new curb and gutter (\$10,700) and sidewalks (\$3,450) installed.
- The Public Works Department contracted to have a new stream culvert constructed in the amount of \$311,079.
- The Town purchased \$62,041 worth of capitalized computer hardware/software during the year.

TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

- The Town either sold the following major assets at various public auctions, used a trade-in at purchase, or scrapped them, and all were removed from the Town's capital assets: four police vehicles (\$74,974), one police speed trailer (\$7,650), two police segways (\$9,550), one dump truck (\$55,750), one pick-up truck (\$29,702), and various computer hardware/software (\$11,975).
- In the Parking Fund, new conduit and cable was installed in the parking garage (\$24,159), the Courland Street and Pennsylvania Avenue parking garage elevators were completed (\$123,994), and the initial major repairs to the parking garage were capitalized (\$101,779).
- In the Sewer Fund, a new pump was purchased for the English County Manor pump station (\$12,290), and the old one was scrapped (\$9,300). Three sanitary sewer lines were replaced at different locations in Town (\$14,038). A sewer rehab project to line the sewer in an area of Town in order to extend the life was completed (\$43,142).

Debt administration. The Town's long-term debt as of June 30, 2013, was \$4,439,467. Of this amount, \$2,753,862 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 \$683,877, an obligation to the Liquor Control Board employees' retirement system of \$9,256, and \$992,472 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>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
General obligations bonds	\$ 1,189,067	\$ 1,378,404	\$ 1,564,795	\$ 848,697	\$ 2,753,862	\$ 2,227,101
Equipment/vehicle notes	664,079	569,553	19,798	58,181	683,877	627,734
Other notes	9,256	10,113	-	-	9,256	10,113
Compensated absences / OPEB	903,125	930,199	89,347	86,204	992,472	1,016,403
Total	<u>\$ 2,765,527</u>	<u>\$ 2,888,269</u>	<u>\$ 1,673,940</u>	<u>\$ 993,082</u>	<u>\$ 4,439,467</u>	<u>\$ 3,881,351</u>

The Town's total long-term debt for governmental activities decreased by \$122,742 and increased \$680,858 for business-type activities. During the year, \$494,987 in debt was retired. The Town entered into three new obligations during the fiscal year. The first was a \$255,000 seven-year equipment/vehicle note, the second was a \$551,700 twelve-year general obligation bond to develop and publish a sewer system capital improvement plan as well as repairs to the sanitary sewer system in various areas, and a \$270,334 ten-year general obligation bond to fund the Town's portion of the repairs to the parking garage, located at 16 S. Hickory Avenue, as well as professional engineering bidding and inspection services related to the project.

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, 2013, the debt limitation is \$82,113,056, which is significantly in excess of the Town's outstanding general obligation debt.

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

TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

Economic Factors and Fiscal Year 2014'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 2013, the Town expects real property taxes to be flat during the next fiscal year. This is the third year in a row that the real property tax rate fell below the constant yield rate.
- Income tax revenues are projected to decrease \$103,834 over the 2013 actual revenues based on information provided by the Comptroller's office. As a result, income tax revenues are projected to decrease by 7.8%.
- Highway user revenues are projected to increase \$229,898 over the 2013 actual revenues. The increase is due to a one-time increase which will be used to fund a capital improvement program project.
- Police protection grant from the state is projected to increase \$72,024 over the 2013 actual revenues. The increase is due to the state returning the 35% cut that was instituted in fiscal year 2009, so in essence, the Town will be returned to full funding.
- The Town is expecting a \$160,000 Baltimore Metropolitan Commission Grant which will fund a study of the regional traffic centered on the US Route 1 and MD Route 24 intersection. The Town will match \$40,000 which is included in the planning department's budget.
- 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 2013 actual revenues.
- The Town will finance its equipment/vehicle purchases, approximately \$115,350. This includes three police vehicles and a skid loader.
- The Town appropriated \$100,000 in funds from the unassigned fund balance to match a Community Legacy Grant, in the Special Revenue Fund, for Phase 2 of the Armory Garages Marketplace Project.
- Salaries were increased by a 3% cost-of-living adjustment for all Town employees.
- The Town budgeted \$68,500 for various building maintenance projects.
- The Town Buildings' budget includes \$20,000 to fund a study to determine the existing water/energy resources used by the Town and to recommend improvements and modifications to reduce the Town's overall energy and environmental footprint.
- The Human Resources' budget includes \$20,000 to fund a salary study in order to compare/contrast the rate of pay for the same or similar positions in the surrounding labor market.

TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

- Funds were budgeted for an election in fiscal year 2014.
- The Economic Development Department included the \$100,000 that was mentioned above under revenue. The monies will be used for Phase 2 of the Armory Garages Marketplace Project. The department was also provided an additional \$10,000 to fund more marketing and public relations efforts.
- The Technology Department budgeted an additional \$15,000 for a new telephone system and \$58,000 for one-time expenditures.
- The Town added a new Consumer High Deductible Health Plan option for its employees and funded a portion of the deductible and 100% of the premium.
- The Town budgeted \$60,000 to partially fund its Other Postemployment Benefits Other Than Pensions (OPEB).
- The Town budgeted to purchase three police vehicles (\$70,350).
- The Department of Public Works included \$20,000 to hire a consultant to develop a fee schedule to fund the future implementation of storm water management measures necessary to comply with the EPA/State.
- The Department of Public Works included \$121,000 to fund a \$40,000 landscaping and engineering design and \$81,000 in seed construction money to upgrade the appearance, safety, and usability of the courthouse square area and Office Street.
- The Department of Public Works included \$200,000 to fund the design, engineering, and construction to upgrade Western Alley to a public street.
- The Town budgeted to purchase a replacement skid loader (\$45,000).
- The Public Works Department budgeted \$370,000 in fill-in sidewalk, street, sidewalk, curb ramp, and curb/gutter construction work to be completed at specific locations.
- In the Special Revenue Fund, the Town has designated two years (2013-2014) of Community Development Block Grants (\$69,801) to the Armory Garages Marketplace Project.
- In the Special Revenue Fund, the Town was awarded a \$50,000 Community Legacy Grant in fiscal year 2013 to provide funds for a Revolving Loan Fund. Since only half of the funds were utilized, the remaining \$25,000 was budgeted in fiscal year 2014.
- In the Special Revenue Fund, the Town was awarded a \$175,000 Community Legacy Grant to provide funds for Phase 2 of the Armory Garages Marketplace Project.
- 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 two years.

TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

- In the Special Revenue Fund, the Town was awarded a \$200,000 Parks & Playground Grant in fiscal year 2013 to provide funds for the Plumtree Park Improvement Project. Since only 30% of the funds were utilized, the remaining \$142,000 was budgeted in fiscal year 2014.
- In the Special Revenue Fund, the Town budgeted \$35,000 from the Storm water Management Fee-in-lieu account to fund a project to upgrade the storm drain outfall located at 707 South Shamrock Road.

All of these factors were considered in preparing the Town's budget for the 2014 fiscal year.

The real and personal property tax rates remain unchanged in fiscal year 2014 at the current real property tax rate of \$.50 per \$100 of assessed value and the personal property tax rate is \$1.16 per \$100 of assessed value.

The Sewer Fund user rate and base charge will increase by 2.1% for fiscal year 2014 and will affect both residential and commercial customers. The percentage adjustment is according to the change in the Consumer Price Index as of December 2012. An inflow and infiltration project in the amount of \$200,000 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. The budget includes \$88,000 to purchase an emergency generator for four pump stations of which 75% will be reimbursed by a FEMA grant. The budget includes the purchase of a new replacement van (\$18,000) and a new replacement mechanic's truck (\$22,500) which will be financed with the vehicles in the general fund.

In the Parking Fund, meter collection revenues are projected to be \$12,500 lower since installing new meters on the Main Street lot and raising the parking garage meters did not generate as much revenue as anticipated. Parking fines are also projected to be \$16,000 lower based on a conservative historical average. The routine repairs to the parking garage will continue in fiscal year 2014 even though nothing is budgeted. Structural repairs and waterproofing work identified as year one through three near term repairs in the Condition Assessment & Master Plan Report is the main focus of the work, and the County is responsible for 67.2% of the costs incurred.

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 Position
June 30, 2013**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,377,325	\$ 570	\$ 2,377,895
Restricted cash and cash equivalents	1,016,847	815,589	1,832,436
Investments	2,375,500	-	2,375,500
Accounts receivable	186,822	634,267	821,089
Real and personal property taxes receivable	145,951	-	145,951
Accrued interest receivable	13,033	-	13,033
Due from other units of government	461,966	-	461,966
Internal balances	(546,274)	546,274	-
Prepaid expenses	14,460	-	14,460
Net pension asset	202,078	-	202,078
Capital assets, not being depreciated	4,641,308	777,518	5,418,826
Capital assets, net of accumulated depreciation	4,928,382	1,992,565	6,920,947
Other assets	30,000	254,046	284,046
	<u>15,847,398</u>	<u>5,020,829</u>	<u>20,868,227</u>
LIABILITIES			
Accounts payable	384,404	621,435	1,005,839
Accrued liabilities	78,406	-	78,406
Payroll withholdings	62,009	-	62,009
Deposits and other escrows held	912,409	-	912,409
Unearned revenue	387,368	485	387,853
Non-current liabilities:			
Due within one year	378,879	197,996	576,875
Due in more than one year	2,386,648	1,475,944	3,862,592
	<u>4,590,123</u>	<u>2,295,860</u>	<u>6,885,983</u>
NET POSITION			
Invested in capital assets, net of related debt	8,463,284	1,185,490	9,648,774
Restricted	944,047	53,292	997,339
Unrestricted	1,849,944	1,486,187	3,336,131
	<u>\$ 11,257,275</u>	<u>\$ 2,724,969</u>	<u>\$ 13,982,244</u>
TOTAL NET POSITION			

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

TOWN OF BEL AIR, MARYLAND

**Statement of Activities
Year Ended June 30, 2013**

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	\$ 2,063,483	\$ 264,908	\$ -	\$ 39,189	\$ (1,759,386)	\$ -	\$ (1,759,386)
Public safety	3,587,354	465,462	196,680	-	(2,925,212)	-	(2,925,212)
Public works	2,782,480	118,968	44,645	137,167	(2,481,700)	-	(2,481,700)
Recreation and culture	301,105	-	-	170,122	(130,983)	-	(130,983)
Miscellaneous	2,357,841	-	-	-	(2,357,841)	-	(2,357,841)
Interest on long-term debt	61,223	-	-	-	(61,223)	-	(61,223)
Total governmental activities	<u>11,153,486</u>	<u>849,338</u>	<u>241,325</u>	<u>346,478</u>	<u>(9,716,345)</u>	<u>-</u>	<u>(9,716,345)</u>
Business-type activities							
Sewer	1,817,725	2,157,905	-	-	-	340,180	340,180
Parking facilities	<u>510,701</u>	<u>557,676</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,975</u>	<u>46,975</u>
Total business-type activities	<u>2,328,426</u>	<u>2,715,581</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>387,155</u>	<u>387,155</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 13,481,912</u>	<u>\$ 3,564,919</u>	<u>\$ 241,325</u>	<u>\$ 346,478</u>	<u>(9,716,345)</u>	<u>387,155</u>	<u>(9,329,190)</u>
GENERAL REVENUES							
Taxes:							
Property taxes, levied for general purposes					7,576,590	-	7,576,590
Shared taxes					2,545,478	-	2,545,478
Miscellaneous					652,032	-	652,032
Unrestricted investment earnings					25,110	215	25,325
Total general revenues					<u>10,799,210</u>	<u>215</u>	<u>10,799,425</u>
CHANGE IN NET POSITION					1,082,865	387,370	1,470,235
CAPITAL CONTRIBUTION FROM GENERAL FUND					(24,159)	24,159	-
NET POSITION, BEGINNING OF YEAR					<u>10,198,569</u>	<u>2,313,440</u>	<u>12,512,009</u>
NET POSITION, END OF YEAR					<u>\$ 11,257,275</u>	<u>\$ 2,724,969</u>	<u>\$ 13,982,244</u>

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

TOWN OF BEL AIR, MARYLAND

**Balance Sheet - Governmental Funds
June 30, 2013**

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 2,377,325	\$ -	\$ 2,377,325
Restricted cash and cash equivalents	936,035	80,812	1,016,847
Investments	2,375,500	-	2,375,500
Accounts receivable	538,471	110,317	648,788
Loan receivable - revolving loan fund	-	27,395	27,395
Accrued interest receivable	13,033	-	13,033
Property taxes receivable - net	145,951	-	145,951
Due from other funds	-	172,478	172,478
IWIF loss fund deposit	30,000	-	30,000
Prepaid costs	14,269	191	14,460
TOTAL ASSETS	\$ 6,430,584	\$ 391,193	\$ 6,821,777
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 295,257	\$ 89,147	\$ 384,404
Accrued expenditures	60,644	-	60,644
Payroll withholdings	62,009	-	62,009
Deposits	912,409	-	912,409
Deferred revenue	306,799	-	306,799
Due to other funds	718,752	-	718,752
Total liabilities	2,355,870	89,147	2,445,017
FUND BALANCES			
Nonspendable	14,269	-	14,269
Restricted	-	44,340	44,340
Committed	637,978	166,423	804,401
Assigned	938,175	91,283	1,029,458
Unassigned	2,484,292	-	2,484,292
Total fund balances	4,074,714	302,046	4,376,760
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,430,584	\$ 391,193	\$ 6,821,777

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 Position
June 30, 2013**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS (page 22)	\$ 4,376,760
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.	(107,964)
Net pension assets are not financial resources and therefore are not reported as assets in governmental funds.	202,078
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 \$14,515,247 and the accumulated depreciation is \$4,945,557.	9,569,690
Noncurrent liabilities are not reported as liabilities in the governmental funds.	(2,765,527)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	<u>(17,762)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES (page 20)	<u>\$ 11,257,275</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, 2013**

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES			
Taxes - local	\$ 7,556,670	\$ -	\$ 7,556,670
Taxes - state shared	1,475,146	-	1,475,146
Licenses and permits	100,184	-	100,184
Revenue from other agencies	1,412,850	346,478	1,759,328
Service charges for current services	635,957	-	635,957
Fines	428,088	-	428,088
Miscellaneous	232,482	37,223	269,705
	<hr/>	<hr/>	<hr/>
Total revenues	11,841,377	383,701	12,225,078
EXPENDITURES			
General government	2,063,057	-	2,063,057
Public safety	3,571,977	17,876	3,589,853
Public works	3,054,807	6,338	3,061,145
Recreation and parks	154,663	146,442	301,105
Miscellaneous	2,155,107	202,734	2,357,841
Debt service:			
Principal	350,668	-	350,668
Interest	61,664	-	61,664
	<hr/>	<hr/>	<hr/>
Total expenditures	11,411,943	373,390	11,785,333
Excess of revenues over expenditures	429,434	10,311	439,745
OTHER FINANCING SOURCES			
Equipment/vehicle debt proceeds	255,000	-	255,000
Total other financing sources	255,000	-	255,000
	<hr/>	<hr/>	<hr/>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	684,434	10,311	694,745
FUND BALANCES, BEGINNING OF YEAR	3,468,027	213,988	3,682,015
TRANSFER (TO)FROM SPECIAL REVENUE FUND			
Revolving loan fund establishment	(75,000)	75,000	
Seized property reserve	(2,747)	2,747	-
	<hr/>	<hr/>	<hr/>
FUND BALANCES, END OF YEAR	<u>\$ 4,074,714</u>	<u>\$ 302,046</u>	<u>\$ 4,376,760</u>

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

TOWN OF BEL AIR, MARYLAND

**Reconciliation of The Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to The Statement of Activities
Year Ended June 30, 2013**

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUND (page 24)	\$ 694,745
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 \$854,636 exceeded depreciation expense of \$483,374 in the period.	371,262
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 \$204,161, less any accumulated depreciation of \$188,727.	(15,434)
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 \$27,074.	27,074
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 \$98,929.	(98,929)
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.	(16,121)
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 2013.	350,668
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 2013.	(255,000)
Interest expense in the Statement of Activities differs from the amount reported in governmental funds due to the net change in accrued interest.	<u>441</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES (page 21)	<u>\$ 1,058,706</u>

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

TOWN OF BEL AIR, MARYLAND

**Statement of Revenues and Expenditures – Budget and Actual General Fund (Non-GAAP Budgetary Basis)
Year Ended June 30, 2013**

	<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	\$ 7,548,086	\$ 7,551,976	\$ 7,556,670	\$ 4,694
Taxes - state shared	1,311,914	1,311,914	1,475,146	163,232
Licenses and permits	153,000	113,000	100,184	(12,816)
Revenues from other agencies	1,351,501	1,410,493	1,412,850	2,357
Service charges for current services	676,265	633,665	635,957	2,292
Fines	310,000	382,500	428,088	45,588
Miscellaneous	213,450	205,450	232,482	27,032
 Total revenues	 <u>11,564,216</u>	 <u>11,608,998</u>	 <u>11,841,377</u>	 <u>232,379</u>
EXPENDITURES				
Current:				
General government	2,341,109	2,426,379	2,244,049	182,330
Public safety	3,542,159	3,628,151	3,589,077	39,074
Public works	3,093,562	3,024,082	2,956,510	67,572
Recreation and parks	157,550	157,550	150,383	7,167
Miscellaneous	2,271,101	2,214,101	2,187,216	26,885
Debt service	413,735	413,735	412,332	1,403
 Total expenditures	 <u>11,819,216</u>	 <u>11,863,998</u>	 <u>11,539,567</u>	 <u>324,431</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 (255,000)	 (255,000)	 301,810	 (92,052)
OTHER FINANCING SOURCES				
Equipment/vehicle proceeds	255,000	255,000	255,000	-
Total other financing sources	<u>255,000</u>	<u>255,000</u>	<u>255,000</u>	<u>-</u>
 EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	 <u>\$ -</u>	 <u>\$ -</u>	 556,810	 <u>\$ 556,810</u>
 FUND BALANCE - BEGINNING OF YEAR			 3,010,592	
 TRANSFER TO SPECIAL REVENUE FUND REVOLVING LOAN FUND ESTABLISHMENT SEIZED PROPERTY RESERVE			 (75,000) <u>(2,747)</u>	
 FUND BALANCE - END OF YEAR			 <u>\$ 3,489,655</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, 2013**

	<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	\$ 170,529	\$ 170,529	\$ 137,167	\$ (33,362)
Program Open Space grant	50,000	50,000	-	(50,000)
Parks & Playground grant	200,000	200,000	135,122	(64,878)
Plumtree Park improvement grants	-	-	35,000	35,000
Community Legacy grant	50,000	50,000	39,189	(10,811)
Total - revenue from other agencies	470,529	470,529	346,478	(124,051)
Miscellaneous	109,400	109,400	37,223	(72,177)
Total revenues	579,929	579,929	383,701	(196,228)
EXPENDITURES				
General government	128,500	128,500	17,876	110,624
Public safety	14,000	14,000	6,338	7,662
Public works	170,529	170,529	146,442	24,087
Recreation and parks	266,700	266,700	202,734	63,966
Miscellaneous	200	200	-	200
Total expenditures	579,929	579,929	373,390	206,539
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	10,311	<u>\$ 10,311</u>
FUND BALANCE - BEGINNING OF YEAR			213,988	
TRANSFER FROM GENERAL FUND REVOLVING LOAN FUND ESTABLISHMENT SEIZED PROPERTY RESERVE			75,000 2,747	
FUND BALANCE - END OF YEAR			<u>\$ 302,046</u>	

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

TOWN OF BEL AIR, MARYLAND

**Statement of Net Position – Proprietary Funds (Enterprise Funds)
June 30, 2013**

	Parking Fund	Sewer Fund	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 570	\$ -	\$ 570
Restricted cash and cash equivalents	263,726	551,863	815,589
Accounts receivable	89,568	544,699	634,267
Due from other funds	87,919	458,355	546,274
Total current assets	<u>441,783</u>	<u>1,554,917</u>	<u>1,996,700</u>
Noncurrent Assets			
Land	777,518	-	777,518
Capital assets, net	1,367,127	625,438	1,992,565
Other assets	-	254,046	254,046
Total noncurrent assets	<u>2,144,645</u>	<u>879,484</u>	<u>3,024,129</u>
Total assets	<u>2,586,428</u>	<u>2,434,401</u>	<u>5,020,829</u>
LIABILITIES			
Current Liabilities			
Accounts payable and accrued expenses	83,854	537,581	621,435
Unearned revenue	485	-	485
Notes payable	-	19,798	19,798
Bonds payable	96,594	81,604	178,198
Total current liabilities	<u>180,933</u>	<u>638,983</u>	<u>819,916</u>
Noncurrent Liabilities			
Accrued compensated absences	21,478	67,869	89,347
Bonds payable - long-term	557,763	828,834	1,386,597
Total noncurrent liabilities	<u>579,241</u>	<u>896,703</u>	<u>1,475,944</u>
Total liabilities	<u>760,174</u>	<u>1,535,686</u>	<u>2,295,860</u>
NET POSITION			
Invested in capital assets, net of related debt	1,490,288	(304,798)	1,185,490
Restricted	53,292	-	53,292
Unrestricted	282,674	1,203,513	1,486,187
TOTAL NET POSITION	<u>\$ 1,826,254</u>	<u>\$ 898,715</u>	<u>\$ 2,724,969</u>

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

TOWN OF BEL AIR, MARYLAND

**Statement of Revenues, Expenses and Change In Net Position - Proprietary Funds
(Enterprise Funds)
Year Ended June 30, 2013**

	Parking Fund	Sewer Fund	Total
OPERATING REVENUES			
Service Charges for Current Services			
Sanitation and Waste Removal			
Sewerage charges	\$ -	\$ 2,044,035	\$ 2,044,035
Sewer connection charges	-	54,042	54,042
Other revenues	-	26,963	26,963
User benefit fees	-	32,865	32,865
Highway and Streets			
Meter collections	170,967	-	170,967
Lease fees	73,961	-	73,961
Fines and Forfeitures			
Parking	105,763	-	105,763
Miscellaneous			
County share operating expenses and capital repairs	204,308	-	204,308
Miscellaneous	2,677	-	2,677
Total operating revenues	<u>557,676</u>	<u>2,157,905</u>	<u>2,715,581</u>
OPERATING EXPENSES			
Salaries	-	136,423	136,423
Contractual services	-	1,014,977	1,014,977
Transfer to general fund - administrative costs	242,925	248,396	491,321
Supplies	-	4,114	4,114
Utilities	-	11,161	11,161
Depreciation	79,492	50,665	130,157
Amortization	-	24,248	24,248
Maintenance	2,167	79,187	81,354
Compensated absences	(3,831)	6,975	3,144
Other	30,407	37,093	67,500
Connection costs	-	54,042	54,042
User benefit fees	-	32,865	32,865
Postage	1,757	5,127	6,884
Insurance	-	14,341	14,341
Parking fine charges	22,806	-	22,806
Sustainability	-	2,961	2,961
I&I Projects	-	76,464	76,464
Garage operations	115,204	-	115,204
Total operating expenses	<u>490,927</u>	<u>1,799,039</u>	<u>2,289,966</u>
Operating income	<u>66,749</u>	<u>358,866</u>	<u>425,615</u>
Non-Operating Revenue (Expenses)			
Investment income	52	163	215
Investment expenses	<u>(19,774)</u>	<u>(18,686)</u>	<u>(38,460)</u>
Net non-operating expenses	<u>(19,722)</u>	<u>(18,523)</u>	<u>(38,245)</u>
CHANGE IN NET ASSETS BEFORE CONTRIBUTIONS	47,027	340,343	387,370
CAPITAL CONTRIBUTION FROM GENERAL FUND	<u>24,159</u>	<u>-</u>	<u>24,159</u>
CHANGE IN NET ASSETS	71,186	340,343	411,529
NET ASSETS, BEGINNING OF YEAR	<u>1,755,068</u>	<u>558,372</u>	<u>2,313,440</u>
NET ASSETS, END OF YEAR	<u>\$ 1,826,254</u>	<u>\$ 898,715</u>	<u>\$ 2,724,969</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, 2013**

	Parking Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from sewer charges	\$ -	\$ 1,992,594	\$ 1,992,594
Cash received from parking charges	644,699	-	644,699
Payments to suppliers	(343,010)	(1,691,525)	(2,034,535)
Payments to employees	-	(136,217)	(136,217)
Net cash provided by operating activities	<u>301,689</u>	<u>164,852</u>	<u>466,541</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital contribution from General Fund	24,159	-	24,159
Proceeds from bond	270,334	551,700	822,034
Cash payment of note principal	-	(38,383)	(38,383)
Cash payment of bond principal	(67,672)	(38,264)	(105,936)
Interest paid on long-term obligation	(19,197)	(18,735)	(37,932)
Acquisition of capital assets	(257,786)	(69,470)	(327,256)
Net cash provided by (used in) financing activities	<u>(50,162)</u>	<u>386,848</u>	<u>336,686</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	52	163	215
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>251,579</u>	<u>551,863</u>	<u>803,442</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>12,717</u>	<u>-</u>	<u>12,717</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 264,296</u>	<u>\$ 551,863</u>	<u>\$ 816,159</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	\$ 66,749	\$ 358,866	\$ 425,615
Adjustments to reconcile net operating income to net cash provided by operating activities:			
Depreciation and amortization	79,492	74,913	154,405
Effects of changes in operating assets and liabilities:			
Accounts receivable	(43,695)	(62,031)	(105,726)
Due from other funds	131,503	(103,280)	28,223
Accounts payable	72,256	(108,936)	(36,680)
Due to other funds	-	(1,654)	(1,654)
Unearned revenue	(785)	-	(785)
Compensated absences payable	(3,831)	6,974	3,143
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 301,689</u>	<u>\$ 164,852</u>	<u>\$ 466,541</u>

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

TOWN OF BEL AIR, MARYLAND

**Statement of Fiduciary Net Position
June 30, 2013**

ASSETS

Cash and cash equivalents	\$	282,019
Investments:		
Mutual funds		9,146,928
Fiscal agents		<u>383,756</u>
Total assets		<u>9,812,703</u>

LIABILITIES

Accounts payable		<u>11,621</u>
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NET POSITION

Held in trust for pension benefits	\$	<u><u>9,801,082</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 Position
Year Ended June 30, 2013**

ADDITIONS

Contributions:

Employer contributions	\$ 427,581
Employee contributions	<u>272,852</u>
Total contributions	700,433

Investment gain:

Net increase in the fair value of investments	<u>1,071,728</u>
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Total additions	<u>1,772,161</u>
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DEDUCTIONS

Benefit payments	594,762
Contractual services	<u>75,612</u>

Total deductions	<u>670,374</u>
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CHANGE IN NET POSITION	1,101,787
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NET POSITION HELD IN TRUST FOR PENSION BENEFITS:

BEGINNING OF YEAR	<u>8,699,295</u>
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END OF YEAR	<u><u>\$ 9,801,082</u></u>
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The accompanying notes are an integral part of this financial statement.

TOWN OF BEL AIR, MARYLAND

Notes to Financial Statements June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Government-wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

TOWN OF BEL AIR, MARYLAND

Notes to Financial Statements June 30, 2013

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, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Assets, Liabilities and Net Position or Equity

Property Taxes

Taxes on real property are levied on a fiscal year basis as of July 1 and are delinquent after September 30. Taxes on business personal property are levied on a fiscal year basis as of July 1 and are delinquent three months after the monthly billing. Property taxes are attached as an enforceable lien on the underlying properties. General property taxes receivable as of June 30, 2013, amounted to \$145,951. 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 2013, 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, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Net Position or Equity (Continued)

Capital Assets

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

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

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

Long-term Obligations

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

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, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accumulated Unpaid Vacation, Sick and Compensatory Pay and OPEB

As of June 30, 2013, the liability for Town employees for accrued vacation, sick and compensatory leave and OPEB was \$413,078, \$370,178, \$58,183 and \$151,033, respectively, based on the salary and wage rates in effect at the end of the fiscal year.

Encumbrances

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

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net Position

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

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

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

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, 2013**

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, 2013**

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

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

The governmental funds Balance Sheet includes reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide Statement of Net Position. One element of that reconciliation is non-current liabilities. Noncurrent liabilities applicable to the Town's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but is recognized as an expenditure when due. All liabilities, both current and noncurrent are reported in the Statement of Activities. The summary of the \$2,765,527 difference is as follows:

Harford County Liquor Board	\$	9,256
Equipment/vehicle obligations		664,079
Compensated absences/OPEB		903,125
Bel Air High School auditorium 33-37 South Main Street		746,740
		<u>442,327</u>
Total	\$	<u>2,765,527</u>

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

The governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances includes a reconciliation between the net changes in fund balances - total governmental funds and change in net position of governmental activities as reported in the government-wide Statement of Activities. One element of that reconciliation is the purchase of capital assets as expenditures; however, in the Statement of Activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. The summary of the \$371,262 difference is found on page 25.

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2013**

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	\$ 11,841,377	\$ 255,000	\$ 11,539,567	\$ 556,810
Current year encumbrances	-	-	(938,175)	938,175
Prior year encumbrances	-	-	810,551	(810,551)
GAAP basis	<u>\$ 11,841,377</u>	<u>\$ 255,000</u>	<u>\$ 11,411,943</u>	<u>\$ 684,434</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, 2013

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 \$2,022.

B. Deposits

At year-end, the carrying amount of the Town's bank deposits was \$2,342,654 and the bank balance was \$2,489,579. Of the bank balance, \$2,180,809 was covered by federal deposit insurance and the balance was collateralized. The deposits of the Town were not exposed to custodial credit risk as of June 30, 2013.

C. Cash equivalents

As of June 30, 2013, the Town's cash equivalents consisted of money market funds held by the Maryland Local Government Investment Pool totaling \$1,865,655.

Investments

Investments consist of Certificates of Deposit with varying maturities and interest rates ranging from 0.40% to 1.15% which are all covered by federal deposit insurance. Investments have maturities between October 2013 through December 2014.

TOWN OF BEL AIR, MARYLAND

Notes to Financial Statements June 30, 2013

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>\$ 2,375,500</u>	<u>\$ -</u>	<u>\$ 2,375,500</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, 2013, met the Town's investment policy as of that date. Investment income includes the following for the year ended June 30, 2013:

Net interest and dividends - governmental activities	<u>\$ 25,110</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, 2013, 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, 2013, 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, 2013**

NOTE 5 – CASH (CONTINUED)

	Sworn Officers Pension Trust	Civilian Pension Trust	Weighted Average Maturity
T. Rowe Price			
New Income Fund	\$ 1,043,035	\$ 1,071,128	8.05 years
Short-term Bond Fund	413,843	408,048	2.61 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, 2013, are shown below:

	Balance July 1, 2012	Additions and Transfers	Disposals and Transfers	Ending Balance June 30, 2013
Governmental Activities				
Land – not being depreciated	\$ 4,641,308	\$ -	\$ -	\$ 4,641,308
Buildings and improvements	4,492,341	33,007	-	4,525,348
Infrastructure	373,618	325,229	-	698,847
Machinery and equipment	1,015,934	24,312	23,185	1,017,061
Furniture and fixtures	838,617	212,284	11,975	1,038,926
Vehicles	2,502,954	259,804	169,001	2,593,757
Total	<u>13,864,772</u>	<u>854,636</u>	<u>204,161</u>	<u>14,515,247</u>
Less – accumulated depreciation	4,650,910	483,374	188,727	4,945,557
Capital assets, net	<u><u>\$ 9,213,862</u></u>	<u><u>\$ 371,262</u></u>	<u><u>\$ 15,434</u></u>	<u><u>\$ 9,569,690</u></u>

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2013**

NOTE 6 – CHANGES IN CAPITAL ASSETS (CONTINUED)

	<u>Balance July 1, 2012</u>	<u>Additions and Transfers</u>	<u>Disposals and Transfers</u>	<u>Ending Balance June 30, 2013</u>
Proprietary Funds				
Parking fund:				
Land not being depreciated	\$ 777,518	\$ -	\$ -	\$ 777,518
Parking improvements	404,596	-	-	404,596
Garage	2,199,887	257,786	-	2,457,673
Parking vehicle	43,226	-	-	43,226
Equipment	2,265	-	-	2,265
	<u>3,427,492</u>	<u>257,786</u>	<u>-</u>	<u>3,685,278</u>
Sewer fund:				
Sewer pipes and storm drain	1,102,547	57,180	-	1,159,727
Equipment	216,884	12,290	9,300	219,874
Vehicle	289,909	-	-	289,909
	<u>1,609,340</u>	<u>69,470</u>	<u>9,300</u>	<u>1,669,510</u>
Total	5,036,832	327,256	9,300	5,354,788
Less – accumulated depreciation	2,463,848	130,157	9,300	2,584,705
Capital assets, net	<u>\$ 2,572,984</u>	<u>\$ 197,099</u>	<u>\$ -</u>	<u>\$ 2,770,083</u>

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

General government	\$ 199,774
Public safety	93,334
Public works	190,266
Total depreciation expense – governmental activities	<u>\$ 483,374</u>

As of June 30, 2013, accumulated depreciation for the parking fund and sewer fund amounted to \$1,540,633 and \$1,044,072, respectively. Depreciation expense as of June 30, 2013, amounted to \$79,492 in the parking fund and \$50,665 in the sewer fund.

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2013**

NOTE 7 – NON-CURRENT LIABILITIES

Non-current liability transactions of the Town for the year ended June 30, 2013, are presented below. These do not include deferred refunding costs and changes in deferred refunding costs which were deducted on the Statement of Net Position.

	<u>Balance July 1, 2012</u>	<u>Additions and Transfers</u>	<u>Disposals and Transfers</u>	<u>Ending Balance June 30, 2013</u>	<u>Due Within One Year</u>
Governmental activities					
Liquor Control Board employees' retirement system obligation	\$ 10,113	\$ -	\$ 857	\$ 9,256	\$ 803
Equipment/vehicle notes	569,553	255,000	160,474	664,079	182,183
Accrued vacation, sick and compensatory leave/OPEB	930,199	32,784	59,858	903,125	-
G.O. Bond 2008A BAHS Auditorium	319,458	-	48,968	270,490	50,603
G.O. Bond 2008B BAHS Auditorium	347,877	-	47,590	300,287	49,614
G.O. Bond 2009A BAHS Auditorium	221,907	-	45,944	175,963	47,805
G.O. Bond 2012A 33-37 S. Main St	489,162	-	46,835	442,327	47,871
Total governmental activity liabilities	<u>\$ 2,888,269</u>	<u>\$ 287,784</u>	<u>\$ 410,526</u>	<u>\$ 2,765,527</u>	<u>\$ 378,879</u>
	<u>Balance July 1, 2012</u>	<u>Additions and Transfers</u>	<u>Disposals and Transfers</u>	<u>Ending Balance June 30, 2013</u>	<u>Due Within One Year</u>
Business-type activities					
Parking Fund:					
Parking garage bond, 2007	\$ 451,695	\$ -	\$ 67,672	\$ 384,023	\$ 70,548
Parking garage repairs bond, 2013	-	270,334	-	270,334	26,046
Accrued vacation, sick and compensatory leave / OPEB	25,309	-	3,831	21,478	-
Total parking fund debt	<u>477,004</u>	<u>270,334</u>	<u>71,503</u>	<u>675,835</u>	<u>96,594</u>
Sewer Fund:					
Infrastructure Bond 2006 Series A: 20 year note	339,500	-	22,500	317,000	23,500
Stoneleigh Sewer Bond, 2010	57,502	-	15,764	41,738	16,287
Sewer Fund CIP/I&I Services Bond, 2013A	-	551,700	-	551,700	41,817
Sewer vacuum truck note	58,181	-	38,383	19,798	19,798
Accrued vacation, sick and compensatory leave / OPEB	60,895	6,974	-	67,869	-
Total sewer fund debt	<u>516,078</u>	<u>558,674</u>	<u>76,647</u>	<u>998,105</u>	<u>101,402</u>
Total business-type activities liabilities	<u>\$ 993,082</u>	<u>\$ 829,008</u>	<u>\$ 148,150</u>	<u>\$ 1,673,940</u>	<u>\$ 197,996</u>

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2013**

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>
2014	\$ 50,603	\$ 8,537	\$ 59,140
2015	52,291	6,849	59,140
2016	54,037	5,103	59,140
2017	55,840	3,300	59,140
2018	57,719	1,436	59,155
Total	<u>\$ 270,490</u>	<u>\$ 25,225</u>	<u>\$ 295,715</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>
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	58,604	3,130	61,734
2019	30,229	638	30,867
Total	<u>\$ 300,287</u>	<u>\$ 39,250</u>	<u>\$ 339,537</u>

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2013**

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.

Fiscal Year	Principal	Interest	Total
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	\$ 175,963	\$ 14,393	\$ 190,356

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

Fiscal Year	Principal	Interest	Total
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	52,250	5,091	57,341
2019 – 2022	192,145	8,547	200,692
Total	\$ 442,327	\$ 45,068	\$ 487,395

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2013**

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 October 15, 2020. Obligations under the plan provide for minimum payments, as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 182,183	\$ 15,528	\$ 197,711
2015	154,654	9,741	164,395
2016	99,070	5,878	104,948
2017	74,806	4,013	78,819
2018	76,242	2,578	78,820
2019-2020	77,124	1,302	78,426
Total	<u>\$ 664,079</u>	<u>\$ 39,040</u>	<u>\$ 703,119</u>

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

In consideration of the immediate refund of the Town's investment of \$25,550 in the Liquor Dispensary System, the Town agreed during the year ended June 30, 1983, to share in the liquidation of the accrued liability for the retirement system of the employees of the Harford County Liquor Board. This agreement requires the Town to pay \$1,529 for the next 37 years to the Harford County Liquor Control Board. The present value of this liability, \$9,256, has been reflected in the governmental activities noncurrent liabilities in the Statement of Net Position.

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2013**

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>
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>\$ 384,023</u>	<u>\$ 50,320</u>	<u>\$ 434,343</u>

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 26,046	\$ 3,580	\$ 29,626
2015	25,163	4,463	29,626
2016	25,637	3,989	29,626
2017	26,109	3,517	29,626
2018	26,612	3,014	29,626
2019-2023	140,767	7,361	148,128
	<u>\$ 270,334</u>	<u>\$ 25,924</u>	<u>\$ 296,258</u>

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2013**

NOTE 7 – NON-CURRENT LIABILITIES (CONTINUED)

B. Business-type Activities (Continued)

Bonds Payable (Continued)

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	27,500	8,687	36,187
2019 – 2023	155,500	21,484	176,984
2024	35,500	1,642	37,142
Total	<u>\$ 317,000</u>	<u>\$ 81,841</u>	<u>\$ 398,841</u>

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>
2014	\$ 16,287	\$ 1,243	\$ 17,530
2015	25,451	844	26,295
Total	<u>\$ 41,738</u>	<u>\$ 2,087</u>	<u>\$ 43,825</u>

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

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2013**

NOTE 7 – NON-CURRENT LIABILITIES (CONTINUED)

B. Business-type Activities (Continued)

Bonds Payable (continued)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 41,817	\$ 9,202	\$ 51,019
2015	42,531	8,488	51,019
2016	43,257	7,762	51,019
2017	43,995	7,024	51,019
2018	44,746	6,273	51,019
2019-2023	235,452	19,639	255,091
2024-2025	99,902	2,132	102,034
	<u>\$ 551,700</u>	<u>\$ 60,520</u>	<u>\$ 612,220</u>

Notes Payable

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 19,798	\$ 416	\$ 20,214
Total	<u>\$ 19,798</u>	<u>\$ 416</u>	<u>\$ 20,214</u>

Total interest expense on long-term liabilities was \$100,124.

TOWN OF BEL AIR, MARYLAND

Notes to Financial Statements

June 30, 2013

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, 2013, is \$5,706,539.

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, 2013, is \$3,965,000.

TOWN OF BEL AIR, MARYLAND

Notes to Financial Statements June 30, 2013

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, 2013, the plan assets at fair market value were \$383,756 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, 2013, plan assets at fair value totaled \$4,762,951.

For 2013, the pension contribution was determined to be \$315,071. This contribution represents 10.94% 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, 2012 actuarial valuation using the projected unit credit actuarial cost method.

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2013**

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 \$101,882. The Town's contribution for the year ended June 30, 2013 was \$253,205. As of June 30, 2013, there were 59 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, 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%
July 1, 2012	4,187,126	6,670,606	2,483,480	62.77%	2,880,737	86.21%

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>
2013	\$ 315,071	\$ 253,205	80.36%
2012	299,893	256,305	85.47%
2011	268,302	228,141	85.03%

TOWN OF BEL AIR, MARYLAND

Notes to Financial Statements June 30, 2013

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, 2013, plan assets at fair value totaled \$4,654,375.

Annual Costs and Net Obligation

For 2013, the pension contribution was determined to be \$211,439. This contribution represents 11.55% 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, 2012, 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 \$170,970. The Town's contribution for the year ended June 30, 2013 was \$174,376. As of June 30, 2013, 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, 2013**

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, 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%
July 1, 2012	4,030,496	6,302,919	2,272,423	63.95%	1,830,814	124.12%

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>
2013	\$ 211,439	\$ 174,376	82.47%
2012	202,944	179,154	88.28%
2011	159,153	300,390	188.74%

The financial information for each plan as of and for the year ended June 30, 2013, is summarized as follows:

	<u>As of June 30, 2013</u>	
	<u>Civilian Pension Trust</u>	<u>Sworn Officers' Pension Trust</u>
ASSETS		
Cash and equivalents	\$ 140,465	\$ 141,554
Investments:		
Mutual funds	4,627,746	4,519,182
Fiscal agents	383,756	-
Total assets	<u>5,151,967</u>	<u>4,660,736</u>
LIABILITIES		
Accounts payable	<u>5,260</u>	<u>6,361</u>
NET POSITION		
Held in trust for pension benefits	<u>\$ 5,146,707</u>	<u>\$ 4,654,375</u>

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2013**

NOTE 9 – PENSION PLANS (CONTINUED)

	<u>For the Year Ended June 30, 2013</u>	
	<u>Civilian Pension Trust</u>	<u>Sworn Officers' Pension Trust</u>
ADDITIONS		
Contributions		
Employer contributions	\$ 253,205	\$ 174,376
Employee contributions	101,882	170,970
Total contributions	<u>355,087</u>	<u>345,346</u>
Investment gain:		
Net increase in the fair value of investments	<u>558,526</u>	<u>513,202</u>
Total additions	913,613	858,548
DEDUCTIONS		
Benefit payments	363,920	230,842
Contractual services	<u>38,447</u>	<u>37,165</u>
Total deductions	402,367	268,007
CHANGE IN NET POSITION	511,246	590,541
NET POSITION HELD IN TRUST FOR PENSION BENEFITS:		
BEGINNING OF YEAR	<u>4,635,461</u>	<u>4,063,834</u>
END OF YEAR	<u>\$ 5,146,707</u>	<u>\$ 4,654,375</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, 2013**

NOTE 10 – INTERFUND RECEIVABLES AND PAYABLES

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Sewer Fund</u>	<u>Parking Fund</u>	<u>Total</u>
Due from Other Funds:					
General Fund	\$ -	\$ 169,692	\$ 461,141	\$ 87,919	\$ 718,752
Sewer Fund	-	2,786	-	-	2,786
Total	<u>\$ -</u>	<u>\$ 172,478</u>	<u>\$ 461,141</u>	<u>\$ 87,919</u>	<u>\$ 721,538</u>
Due to Other Funds:					
Sewer Fund	\$ 461,141	\$ -	\$ -	\$ -	\$ 461,141
Parking Fund	87,919	-	-	-	87,919
General Fund	-	-	-	-	-
Special Revenue Fund	169,692	-	2,786	-	172,478
Total	<u>\$ 718,752</u>	<u>\$ -</u>	<u>\$ 2,786</u>	<u>\$ -</u>	<u>\$ 721,538</u>

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, 2013, was \$27,216 for the eight 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, 2013**

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>
2013	\$ 60,000	\$ 27,216	45.36%
2012	60,000	26,174	43.62%
2011	60,000	17,735	29.56%

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, 2013**

NOTE 13– SPECIAL REVENUE FUND BALANCE

As of June 30, 2013, the Special Revenue Fund was designated for the following purposes:

Governmental Funds

Restricted:

Plumtree Park Improvement Grant	\$	20,000	
Community Legacy Grant		<u>24,340</u>	
Total Restricted			\$ 44,340

Committed:

Tree planting – fee in lieu		1,023	
Tree planting – forest conservation		19,078	
Revolving loan fund		75,666	
Seized property		7,661	
Stormwater management - fee in lieu		<u>62,995</u>	
Total Committed			166,423

Assigned:

Public amenity – gardens/park/art		46,990	
Cultural arts, sculpture		7,070	
Cultural arts		5,739	
Larew book		236	
Marketplace on Main		550	
Comprehensive plan		12	
Empty cartridges		228	
Explorer scouts		13,176	
Auxiliary police		13,597	
Historic preservation		<u>3,685</u>	
Total Assigned			<u>91,283</u>

Total fund balance \$ 302,046

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 \$8,795 during the year ended June 30, 2013.

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 Position.

TOWN OF BEL AIR, MARYLAND

Notes to Financial Statements

June 30, 2013

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.

NOTE 17 – SUBSEQUENT EVENTS

On October 15, 2013, the Town entered into a master lease purchase agreement with Santander Bank in the amount of \$154,987 to finance the purchase of three police vehicles, one skid loader, one sewer pick-up truck, and one sewer cargo van. The interest rate is 2.74% with principal and interest payable semi-annually on April 15 and October 15 which will continue until October, 2020.

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SUPPLEMENTARY INFORMATION

TOWN OF BEL AIR, MARYLAND

**Schedule of Cash and Cash Equivalents - General Fund
June 30, 2013**

UNRESTRICTED

M&T Bank		
Checking	\$	(47,060)
Payroll		1,000
Harco Maryland Credit Union		
Savings		6
BayNet Bank		
Money market		246,665
PeoplesBank		
Money market		579
TD Bank		
Money market		241,558
Baltimore County Savings Bank		
Money market		247,907
SunTrust Bank		
Money market		248,385
Wells Fargo Bank		
Money market		71,805
Susquehanna Bank		
Money market		250,020
Freedom Federal Credit Union		
Money market		241,298
Change fund		1,450
PNC		
Local government investment pool		873,712

TOTAL UNRESTRICTED CASH \$ 2,377,325

RESTRICTED

BB&T Bank		
Turner escrow	\$	1,278
Harford Bank		
Savings		7,321
BB&T Bank		
Cash in escrow		16,305
PNC Bank		
Local Government Investment Pool - 612 Rockspring Road		4,843
Local Government Investment Pool - 227 Gateway LLC		859,976
Local Government Investment Pool - Dombroskie		46,312

TOTAL RESTRICTED CASH \$ 936,035

TOWN OF BEL AIR, MARYLAND

**Schedule of Revenues and Expenditures Budget (Non-GAAP Budgetary Basis) and Actual General Fund
Year Ended June 30, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Taxes - Local				
Real property	\$ 6,605,086	\$ 6,667,586	\$ 6,657,522	\$ (10,064)
Half-year real property	8,000	2,790	2,746	(44)
Personal property	15,000	15,000	10,062	(4,938)
Railroads and public utilities	375,000	321,600	334,605	13,005
Ordinary business corporations	550,000	550,000	557,893	7,893
Penalties and interest	50,000	50,000	44,406	(5,594)
<u>Deductions</u>				
Discounts allowed on taxes	(55,000)	(55,000)	(50,564)	4,436
Net local taxes	<u>7,548,086</u>	<u>7,551,976</u>	<u>7,556,670</u>	<u>4,694</u>
Taxes - State Shared				
Highway	92,617	92,617	92,670	53
Income taxes	1,185,297	1,185,297	1,329,966	144,669
Admission and amusement	34,000	34,000	52,510	18,510
Total taxes - State shared	<u>1,311,914</u>	<u>1,311,914</u>	<u>1,475,146</u>	<u>163,232</u>
Licenses and Permits				
<u>Business</u>				
Beer, wine and liquor	15,000	15,000	5,009	(9,991)
Traders	68,000	68,000	64,607	(3,393)
<u>Other Licenses and Permits</u>				
Building and equipment	70,000	30,000	30,568	568
Total - licenses and permits	<u>153,000</u>	<u>113,000</u>	<u>100,184</u>	<u>(12,816)</u>
Revenue from Other Agencies				
<u>Grants from State Government</u>				
Governor's office grant	7,188	11,980	12,553	573
Police protection	157,976	157,976	157,976	-
FEMA grant	-	44,500	44,645	145
<u>Grants from the Federal Government</u>				
Bulletproof vest grant	4,812	4,812	4,637	(175)
<u>Grants from County Government</u>				
Financial corporations	8,458	8,458	8,458	-
Tax rebate	1,163,067	1,163,067	1,163,067	-
Traffic grants	10,000	19,700	21,514	1,814
Total - revenue from other agencies	<u>1,351,501</u>	<u>1,410,493</u>	<u>1,412,850</u>	<u>2,357</u>

TOWN OF BEL AIR, MARYLAND

**Schedule of Revenues and Expenditures Budget (Non-GAAP Budgetary Basis) and Actual General Fund
Year Ended June 30, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES (Continued)				
Service Charges for Current Services				
<u>General Government</u>				
MAWC well fees	\$ 18,000	\$ 4,600	\$ 5,353	\$ 753
Bel Air Reckord Armory fees	55,000	55,000	65,672	10,672
Finance fees	24,600	24,600	33,566	8,966
Zoning and subdivision fees	10,000	10,000	11,388	1,388
Maps and publication fees	200	200	25	(175)
MD homebuilder guaranty fund	1,300	1,300	500	(800)
<u>Sanitation and Waste Removal</u>				
Sewer fund administrative fee	258,970	258,970	248,396	(10,574)
<u>Public Service Enterprises</u>				
Parking fund administrative fee	270,895	241,695	242,925	1,230
Reimbursement for police services	36,000	36,000	26,919	(9,081)
Police reports	1,300	1,300	1,213	(87)
Total - service charges for for current services	676,265	633,665	635,957	2,292
Fines				
Traffic signal camera	300,000	372,500	421,752	49,252
False alarm	10,000	10,000	6,336	(3,664)
Total - fines	310,000	382,500	428,088	45,588
Miscellaneous				
Interest	35,000	35,000	25,111	(9,889)
Hearing and ad reimbursement	800	800	161	(639)
Cable TV franchise	140,400	140,400	151,340	10,940
Police and DPW overtime reimbursement	10,000	10,000	9,242	(758)
Rental income - Tenant house	250	250	332	82
Seized property	2,000	2,000	4,148	2,148
Equipment/vehicle sale proceeds	8,000	8,000	9,360	1,360
Miscellaneous	17,000	9,000	32,788	23,788
Total - miscellaneous	213,450	205,450	232,482	27,032
TOTAL REVENUES	\$ 11,564,216	\$ 11,608,998	\$ 11,841,377	\$ 232,379

TOWN OF BEL AIR, MARYLAND

**Schedule of Revenues and Expenditures Budget (Non-GAAP Budgetary Basis) and Actual
General Fund
Year Ended June 30, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
EXPENDITURES				
General Government				
<u>Legislative</u>				
Commissioners				
Salaries	\$ 25,200	\$ 25,200	\$ 25,200	\$ -
Operating expenses	19,790	19,790	17,182	2,608
Town Clerk				
Salaries	239,266	271,766	270,259	1,507
Operating expenses	72,000	74,000	46,392	27,608
<u>Executive</u>				
Town Administrator				
Salaries	109,437	109,437	109,437	-
Operating expenses	25,395	25,395	24,985	410
Transfer to Capital Reserve	30,000	30,000	-	30,000
<u>Elections</u>				
Registration and Election				
Operating expenses	-	-	-	-
<u>Finance</u>				
Salaries	221,043	221,043	216,058	4,985
Operating expenses	25,341	25,341	22,452	2,889
Independent auditing	16,486	16,486	16,486	-
<u>Law</u>				
Legal Counsel				
Operating expenses	52,900	52,900	42,902	9,998
<u>Planning and Zoning</u>				
Salaries	273,838	273,838	273,582	256
Operating expenses	66,462	66,462	47,196	19,266
<u>Economic Development</u>				
Salaries	187,583	187,583	182,933	4,650
Operating expenses	94,510	94,510	79,171	15,339
<u>General Services</u>				
<u>Municipal Buildings</u>				
Salaries	45,017	45,017	44,087	930
Operating expenses	213,133	248,903	271,543	(22,640)
Capital outlay	30,000	60,000	35,000	25,000
<u>Bel Air Reckord Armory</u>				
Salaries	41,719	41,719	39,363	2,356
Operating expenses	108,986	108,986	83,871	25,115
Capital outlay	118,000	118,000	112,800	5,200

TOWN OF BEL AIR, MARYLAND

**Schedule of Revenues and Expenditures Budget (Non-GAAP Budgetary Basis) and Actual
General Fund
Year Ended June 30, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
EXPENDITURES (Continued)				
General Government (Continued)				
<u>Other General Government</u>				
Community Promotion				
Operating expenses	\$ 7,360	\$ 7,360	\$ 8,278	\$ (918)
Public Officers' Association				
Operating expenses	17,192	17,192	16,817	375
<u>Technology</u>				
Operating expenses	149,251	134,251	92,450	41,801
Capital outlay	151,200	151,200	165,605	(14,405)
Total - general government	<u>2,341,109</u>	<u>2,426,379</u>	<u>2,244,049</u>	<u>182,330</u>
Public Safety				
<u>Administrative, Patrol and Investigation</u>				
Salaries	2,780,422	2,839,922	2,813,612	26,310
Operating expenses	325,507	321,999	305,966	16,033
Capital outlay	88,000	88,000	93,792	(5,792)
<u>Traffic Safety</u>				
Red light camera program	155,561	185,561	183,475	2,086
<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>3,542,159</u>	<u>3,628,151</u>	<u>3,589,077</u>	<u>39,074</u>
Public Works				
<u>General Administration</u>				
Salaries	599,246	554,246	545,717	8,529
Operating expenses	128,772	108,772	99,016	9,756
<u>Highways and Streets</u>				
Streets, Roadways and Alleys				
Salaries	392,457	392,457	389,075	3,382
Operating expenses	180,450	180,450	209,115	(28,665)
Sidewalk, curb and street construction	370,000	405,520	442,429	(36,909)
Capital outlay	357,000	317,000	229,703	87,297
Street Lighting				
Operating expenses	150,000	150,000	156,813	(6,813)

TOWN OF BEL AIR, MARYLAND

**Schedule of Revenues and Expenditures Budget (Non-GAAP Budgetary Basis) and Actual General Fund
Year Ended June 30, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
EXPENDITURES (Continued)				
General Government (Continued)				
<u>Sanitation and Waste Removal</u>				
Waste Collection and Disposal				
Salaries	\$ 405,577	\$ 405,577	\$ 387,042	\$ 18,535
Operating expenses	155,640	155,640	152,373	3,267
Capital outlay	-	-	-	-
<u>Shop</u>				
Salaries	154,390	154,390	152,538	1,852
Operating expenses	200,030	200,030	192,689	7,341
Total - public works	<u>3,093,562</u>	<u>3,024,082</u>	<u>2,956,510</u>	<u>67,572</u>
Recreation and Parks				
<u>Participation Recreation</u>				
Operating expenses	110,900	110,900	110,900	-
<u>A & B Committee</u>				
Operating expenses	38,300	38,300	31,607	6,693
<u>Cultural Arts Committee</u>				
Operating expenses	8,350	8,350	7,876	474
Total - recreation and parks	<u>157,550</u>	<u>157,550</u>	<u>150,383</u>	<u>7,167</u>
Miscellaneous				
Disability insurance	14,900	14,900	14,356	544
Hospital insurance	937,000	887,000	875,014	11,986
Optical and dental plan	26,800	26,800	24,787	2,013
Social security	428,510	423,510	421,582	1,928
Life insurance	21,200	21,200	20,795	405
Pension and deferred compensation contributions	484,800	484,800	476,261	8,539
OPEB	60,000	60,000	60,000	-
Workmen's compensation	167,436	150,436	153,916	(3,480)
Unemployment claims	160	160	200	(40)
General insurance	63,000	78,000	72,606	5,394
Contingency	17,000	13,500	15,070	(1,570)
Debt service	413,735	413,735	412,332	1,403
Contributions/donations	8,225	11,725	11,975	(250)
Miscellaneous	42,070	42,070	40,654	1,416
Total - miscellaneous	<u>2,684,836</u>	<u>2,627,836</u>	<u>2,599,548</u>	<u>28,288</u>
TOTAL EXPENDITURES	<u>\$ 11,819,216</u>	<u>\$ 11,863,998</u>	<u>\$ 11,539,567</u>	<u>\$ 324,431</u>
SUMMARY				
TOTAL REVENUES	\$ 11,564,216	\$ 11,608,998	\$ 11,841,377	\$ 232,379
TOTAL EXPENDITURES	<u>11,819,216</u>	<u>11,863,998</u>	<u>11,539,567</u>	<u>324,431</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (255,000)</u>	<u>\$ (255,000)</u>	<u>\$ 301,810</u>	<u>\$ 556,810</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, 2013**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Revenue from Other Agencies				
CDBG grant	\$ 170,529	\$ 170,529	\$ 137,167	\$ (33,362)
Program Open Space grant	50,000	50,000	-	(50,000)
Parks & Playground grant	200,000	200,000	135,122	(64,878)
Plumtree Park improvement grant	-	-	35,000	35,000
Community Legacy grant	50,000	50,000	39,189	(10,811)
Total - revenue from other agencies	<u>470,529</u>	<u>470,529</u>	<u>346,478</u>	<u>(124,051)</u>
Miscellaneous				
Christmas parade	200	200	-	(200)
Historic preservation	3,500	3,500	3,545	45
Tree planting - forest conservation	3,200	3,200	150	(3,050)
Tree planting - fee in lieu	1,800	1,800	-	(1,800)
Public amenity - gardens, parks, and art	7,500	7,500	-	(7,500)
Empty printer cartridges	-	-	24	24
Transfer from General Fund seized property	8,000	8,000	4,700	(3,300)
Larew book	200	200	27	(173)
Explorer scouts	2,500	2,500	5,108	2,608
Auxiliary police	6,000	6,000	3,003	(2,997)
Cultural arts project	500	500	6,663	6,163
Cultural arts sculpture	1,000	1,000	12,000	11,000
Marketplace on Main	-	-	1,300	1,300
Revolving loan fund	75,000	75,000	703	(74,297)
Total - miscellaneous	<u>109,400</u>	<u>109,400</u>	<u>37,223</u>	<u>(72,177)</u>
TOTAL REVENUES	<u><u>\$ 579,929</u></u>	<u><u>\$ 579,929</u></u>	<u><u>\$ 383,701</u></u>	<u><u>\$ (196,228)</u></u>
EXPENDITURES				
General Government				
Historic preservation	\$ 3,500	\$ 3,500	\$ 2,911	\$ 589
Visitors center	-	-	79	(79)
Revolving loan fund	75,000	75,000	37	74,963
Community Legacy grant	50,000	50,000	14,849	35,151
Total - general government	<u>128,500</u>	<u>128,500</u>	<u>17,876</u>	<u>110,624</u>
Public Safety				
Seized property	8,000	8,000	4,600	3,400
Auxiliary police	6,000	6,000	1,738	4,262
Total - public safety	<u>14,000</u>	<u>14,000</u>	<u>6,338</u>	<u>7,662</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, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
EXPENDITURES (Continued)				
Public Works				
CDBG	170,529	170,529	137,167	33,362
Stormwater management - fee in lieu	-	-	9,275	(9,275)
Total - public works	<u>170,529</u>	<u>170,529</u>	<u>146,442</u>	<u>24,087</u>
Recreation and Parks				
Tree planting - forest conservation	3,200	3,200	9,173	(5,973)
Tree planting - fee in lieu	1,800	1,800	-	1,800
Explorer Scouts	2,500	2,500	11,916	(9,416)
Cultural arts project	500	500	1,898	(1,398)
Cultural arts sculpture	1,000	1,000	26,475	(25,475)
Public amenity - gardens, parks and art	7,500	7,500	2,400	5,100
Program Open Space grant	50,000	50,000	-	50,000
Parks & Playground grant	200,000	200,000	135,122	64,878
Plumtree Park improvements	-	-	15,000	(15,000)
Marketplace on Main	-	-	750	(750)
Christmas parade	200	200	-	200
Total - recreation and parks	<u>266,700</u>	<u>266,700</u>	<u>202,734</u>	<u>63,966</u>
Miscellaneous				
Larew book	200	200	-	200
Total - miscellaneous	<u>200</u>	<u>200</u>	<u>-</u>	<u>200</u>
TOTAL EXPENDITURES	<u><u>\$ 579,929</u></u>	<u><u>\$ 579,929</u></u>	<u><u>\$ 373,390</u></u>	<u><u>\$ 206,539</u></u>
Summary				
TOTAL REVENUES	\$ 579,929	\$ 579,929	\$ 383,701	\$ (196,228)
TOTAL EXPENDITURES	<u>579,929</u>	<u>579,929</u>	<u>373,390</u>	<u>206,539</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 10,311</u></u>	<u><u>\$ 10,311</u></u>

TOWN OF BEL AIR, MARYLAND

**Schedule of Revenues and Expenditures Compared to Budget
Parking Fund
Year Ended June 30, 2013**

	<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	\$ 180,800	\$ 170,967	\$ (9,833)
Lease fees	72,720	73,961	1,241
Fines and Forfeitures			
Parking	112,000	105,763	(6,237)
Miscellaneous			
County share operating expenses and capital repairs	751,137	204,308	(546,829)
Miscellaneous	2,640	2,677	37
Total - operating revenues	<u>1,119,297</u>	<u>557,676</u>	<u>(561,621)</u>
OPERATING EXPENSES			
Miscellaneous			
Compensated absences	-	(3,831)	3,831
Postage	1,960	1,757	203
Miscellaneous	1,050	1,713	(663)
Parking fine charges	24,080	22,806	1,274
Depreciation	76,781	79,492	(2,711)
Lots and Meters			
Transfer to general fund - administrative costs	170,668	176,167	(5,499)
Maintenance	3,000	-	3,000
Operating expenses	6,510	1,482	5,028
Equipment	26,500	27,212	(712)
Parking Garage			
Transfer to general fund - administrative costs	71,027	66,758	4,269
Operating expenses	47,300	55,791	(8,491)
Insurance	12,100	12,565	(465)
Routine repairs	647,465	46,848	600,617
Maintenance	7,500	2,167	5,333
Capital repairs	15,000	-	15,000
Total - operating expenses	<u>1,110,941</u>	<u>490,927</u>	<u>620,014</u>
Operating income	8,356	66,749	58,393
Non-operating Revenues (Expenses)			
Interest income - investment	22	52	30
Interest expense - parking garage renovations	(6,704)	(577)	6,127
- parking garage	(19,197)	(19,197)	-
Total - non-operating expenses	<u>(25,879)</u>	<u>(19,722)</u>	<u>6,157</u>
Net income (loss) before contributions	(17,523)	47,027	64,550
Capital contribution from General Fund	-	24,159	24,159
NET INCOME (LOSS)	<u>\$ (17,523)</u>	<u>\$ 71,186</u>	<u>\$ 88,709</u>

TOWN OF BEL AIR, MARYLAND

Schedule of Revenues and Expenditures Compared to Budget

Sewer Fund

Year Ended June 30, 2013

	Original and Final Budget	Actual	Variance Positive (Negative)
OPERATING REVENUES			
Service Charges for Current Services			
Sanitation and Waste Removal			
Sewerage charges	\$ 2,079,243	\$ 2,044,035	\$ (35,208)
Sewer connection charges	50,000	54,042	4,042
Other revenues	27,000	26,963	(37)
User benefit fees	32,690	32,865	175
	<u>2,188,933</u>	<u>2,157,905</u>	<u>(31,028)</u>
OPERATING EXPENSES			
Salaries - direct and on call time	108,420	108,732	(312)
- overtime	33,284	27,691	5,593
Compensated absences	-	6,975	(6,975)
Contractual services	1,381,497	1,014,977	366,520
Amortization	24,248	24,248	-
Supplies	4,050	4,114	(64)
Utilities	10,700	11,161	(461)
Miss Utility fees	3,000	2,069	931
Depreciation	51,000	50,665	335
Maintenance	39,000	25,480	13,520
Connection costs	50,000	54,042	(4,042)
Water company charges	2,150	2,070	80
Contingency	2,500	31,325	(28,825)
Transfer to general fund - administrative costs	258,970	248,396	10,574
User benefit fee	32,690	32,865	(175)
Postage	6,200	5,127	1,073
Root control maintenance	35,000	33,398	1,602
Main and lateral repairs	25,000	20,309	4,691
Credit card fees	293	498	(205)
Insurance	8,407	14,341	(5,934)
Transfer to SSCI reserve	40,000	-	40,000
Sanitary sewer station emergency generators	25,000	-	25,000
Sustainability	-	2,961	(2,961)
ECM spare pumps/soft starts	15,000	-	15,000
I&I Projects	-	76,464	(76,464)
Miscellaneous	1,700	1,131	569
Total - operating expenses	<u>2,158,109</u>	<u>1,799,039</u>	<u>359,070</u>
Operating income	30,824	358,866	328,042
Nonoperating Revenues (Expenses)			
Interest income - investment	-	163	163
Non-operating expense - interest	(30,824)	(18,686)	12,138
Total non-operating expenses	<u>(30,824)</u>	<u>(18,523)</u>	<u>12,301</u>
NET INCOME	<u>\$ -</u>	<u>\$ 340,343</u>	<u>\$ 340,343</u>

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