

**TOWN OF BEL AIR, MARYLAND**

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

**For the Year Ended June 30, 2014**





**JUNE 30, 2014**

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## **REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**

The Commissioners of the  
Town of Bel Air, Maryland

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bel Air, Maryland (the Town), as of and for the year ended June 30, 2014, 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the general fund and special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

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

### *Other Information*

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

Hunt Valley, Maryland  
January 16, 2015

*SB & Company, LLC*

## TOWN OF BEL AIR, MARYLAND

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

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, 2014. 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, 2014, by \$15,985,341 (net position). Approximately 19.9% of this amount is attributable to the business-type activities. Of the total net position, \$3,896,079 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors (29.0% is attributable to the business-type activities). Of the remaining total net position, \$1,345,869 is restricted for specific purposes (restricted net position), and \$10,743,393 is invested in capital assets, net of related debt.
- The Town's overall financial position has improved with total net position increasing by \$2,003,097 during the fiscal year. Net position for governmental and business-type activities increased \$1,545,215 and \$457,882, respectively.

##### Fund Level:

- As of June 30, 2014, the Town's governmental funds reported a combined ending fund balance of \$5,162,919, an increase of \$786,159 in comparison with the prior year. Of this total amount, \$5,091,661 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, 2014, the assigned and unassigned fund balance for the General Fund (primary operating fund) was \$3,879,801 or 33.3% of total General Fund expenditures.
- In fiscal year 2014, the Town transferred \$330,000 to the General Fund Capital Reserve account.
- As of June 30, 2014, the Town's business-type operating activities reported net position of \$3,182,851, an increase of \$457,882 in comparison with the prior year. Of the total amount, \$1,128,527 is unrestricted.

##### Long-Term Debt:

The Town's long-term debt decreased \$406,659 (9.2%) during the current fiscal year. The increase was the net result of making \$589,413 in scheduled payments, a \$27,767 increase in compensated absences/OPEB, and incurring \$154,987 in new debt which was for equipment/vehicle purchases. The general fund incurred \$110,816, while the sewer fund incurred \$44,171 of the new debt.

## TOWN OF BEL AIR, MARYLAND

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

#### Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements mentioned above distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, public safety, public works, recreation and culture, miscellaneous, and debt service. The business-type activities of the Town include Parking and Sewer operations. The government-wide financial statements include only the Town of Bel Air because the Town has no component unit relationships with any other agency. The government-wide financial statements can be found by referring to the table of contents which begins on page 1 of this report.

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



## TOWN OF BEL AIR, MARYLAND

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

**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, 2014

#### Government-wide Financial Analysis

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

As noted earlier, net position may serve over time as a useful indicator of a government's overall financial condition and position. In the case of the Town, assets exceeded liabilities by \$15,985,341 as of June 30, 2014. The Town of Bel Air's net position is divided into three categories - invested in capital assets (net of related debt), restricted net position, and unrestricted net position.

The largest portion of the Town's net position is in investment in capital assets net of depreciation (e.g., land, improvements, buildings, machinery, equipment, vehicles, infrastructure, and sewer system), less any related debt used to acquire those assets and accumulated depreciation. As of June 30, 2014, capital assets were valued at \$10,743,393 net of related debt and accumulated depreciation or 67.2% 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, 2014, was \$3,896,079 or 24.4% of total net position and may be used to meet the government's ongoing obligations to citizens and creditors. The balance of restricted net position as of June 30, 2014, was \$1,345,869 or 8.4% 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, 2014, 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, 2014

NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Assets</b>						
Current and other assets	\$ 6,155,874	\$ 6,247,708	\$ 2,226,221	\$ 2,250,746	\$ 8,382,095	\$ 8,498,454
Capital assets	9,754,835	9,599,690	3,394,066	2,770,083	13,148,901	12,369,773
Total assets	15,910,709	15,847,398	5,620,287	5,020,829	21,530,996	20,868,227
<b>Liabilities</b>						
Other liabilities	590,708	1,824,596	922,139	621,920	1,512,847	2,446,516
Long-term liabilities	2,517,511	2,765,527	1,515,297	1,673,940	4,032,808	4,439,467
Total liabilities	3,108,219	4,590,123	2,437,436	2,295,860	5,545,655	6,885,983
<b>Net Position</b>						
Invested in capital assets, net of related debt	8,774,901	8,463,284	1,968,492	1,185,490	10,743,393	9,648,774
Restricted	1,260,037	944,047	85,832	53,292	1,345,869	997,339
Unrestricted	2,767,552	1,849,944	1,128,527	1,486,187	3,896,079	3,336,131
<b>Total net position</b>	<u>\$ 12,802,490</u>	<u>\$ 11,257,275</u>	<u>\$ 3,182,851</u>	<u>\$ 2,724,969</u>	<u>\$ 15,985,341</u>	<u>\$ 13,982,244</u>

**TOWN OF BEL AIR, MARYLAND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2014**

**CHANGES IN NET POSITION**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 1,172,214	\$ 849,338	\$ 3,151,559	\$ 2,715,581	\$ 4,323,773	\$ 3,564,919
Operating grants/ contributions	239,174	241,325	-	-	239,174	241,325
Capital grants/ contributions	353,700	346,478	-	-	353,700	346,478
General revenues:						
Property taxes	7,687,800	7,576,590	-	-	7,687,800	7,576,590
Shared taxes	2,928,988	2,545,478	-	-	2,928,988	2,545,478
Miscellaneous	623,306	652,032	-	-	623,306	652,032
Unrestricted investment earnings	21,986	25,110	798	215	22,784	25,325
<b>Total revenues</b>	<b>13,027,168</b>	<b>12,236,351</b>	<b>3,152,357</b>	<b>2,715,796</b>	<b>16,179,525</b>	<b>14,952,147</b>
<b>Expenses</b>						
General government	2,102,098	2,063,483	-	-	2,102,098	2,063,483
Public safety	3,731,967	3,587,354	-	-	3,731,967	3,587,354
Public works	2,924,258	2,782,480	-	-	2,924,258	2,782,480
Recreation and culture	161,621	301,105	-	-	161,621	301,105
Miscellaneous	2,511,662	2,357,841	-	-	2,511,662	2,357,841
Interest on long-term debt	50,347	61,223	-	-	50,347	61,223
Sewer	-	-	2,257,834	1,817,725	2,257,834	1,817,725
Parking facilities	-	-	436,641	510,701	436,641	510,701
<b>Total expenditures</b>	<b>11,481,953</b>	<b>11,153,486</b>	<b>2,694,475</b>	<b>2,328,426</b>	<b>14,176,428</b>	<b>13,481,912</b>
<b>Increase in net assets</b>	<b>1,545,215</b>	<b>1,082,865</b>	<b>457,882</b>	<b>387,370</b>	<b>2,003,097</b>	<b>1,470,235</b>
<b>Capital contribution from GF</b>	<b>-</b>	<b>(24,159)</b>	<b>-</b>	<b>24,159</b>	<b>-</b>	<b>-</b>
<b>Net position, beginning of year</b>	<b>11,257,275</b>	<b>10,198,569</b>	<b>2,724,969</b>	<b>2,313,440</b>	<b>13,982,244</b>	<b>12,512,009</b>
<b>Net position, end of year</b>	<b>\$ 12,802,490</b>	<b>\$ 11,257,275</b>	<b>\$ 3,182,851</b>	<b>\$ 2,724,969</b>	<b>\$ 15,985,341</b>	<b>\$ 13,982,244</b>

**Governmental activities**

Governmental net position increased by \$1,545,215. Property taxes, shared taxes, and charges for services represent 59.0%, 22.5%, and 9.0% of the Town's revenue stream, respectively. The remaining 9.5% 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 2014 was \$13,027,168 which is \$790,817 higher than the previous year. Revenues from property taxes increased \$111,210 resulting from an increase in business corporate taxes. Revenues from shared taxes increased \$383,510 resulting from an increase in income taxes.

# TOWN OF BEL AIR, MARYLAND

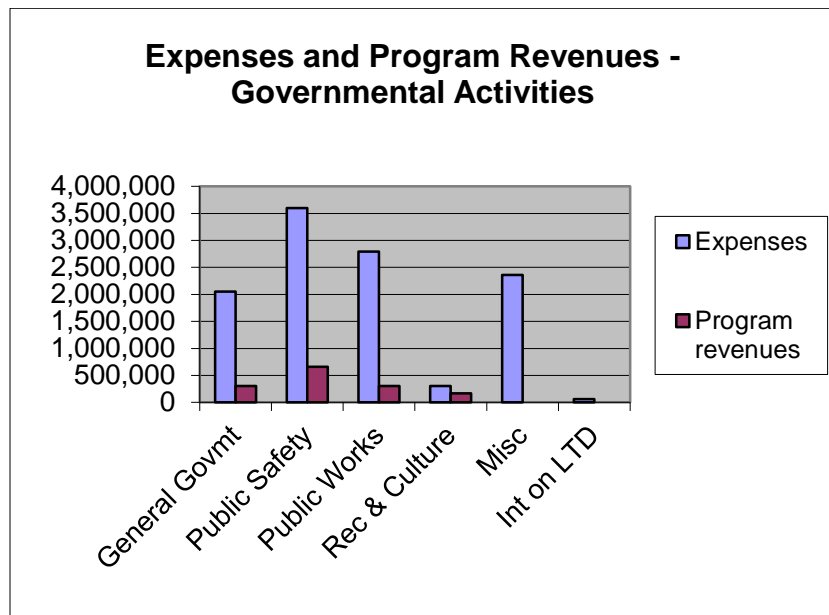
## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

Revenues from operating and capital grants and contributions basically did not change. Revenues from charges for services increased \$322,876 mainly from receiving a one-time grant in highway user revenues in fiscal year 2014.

Investment earnings declined slightly entity wide. 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 0.06% compared to 0.10%. In fiscal year 2014, 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 continued to steadily decline during the fiscal year. As of June 30, 2014, the Town held \$2,610,500 in various certificates of deposit with rates ranging from .45%-1.40% and maturities no longer than 24-months.

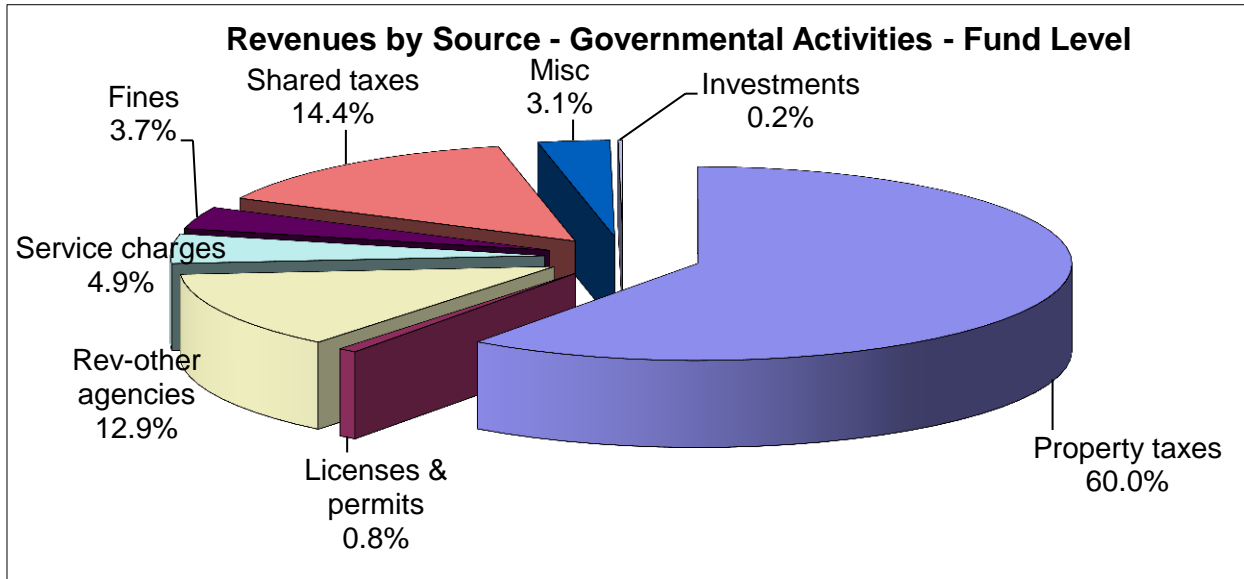
Governmental expenses were \$11,481,953 in fiscal year 2014, an increase of \$328,467 or 2.9%. Public safety and public works are the two largest functional areas comprising 58% of all governmental expenses in fiscal year 2014. Public safety represents 32.5% of governmental expenses, while public works represents 25.5%. Both departments basically were unchanged from the previous year.



**TOWN OF BEL AIR, MARYLAND**

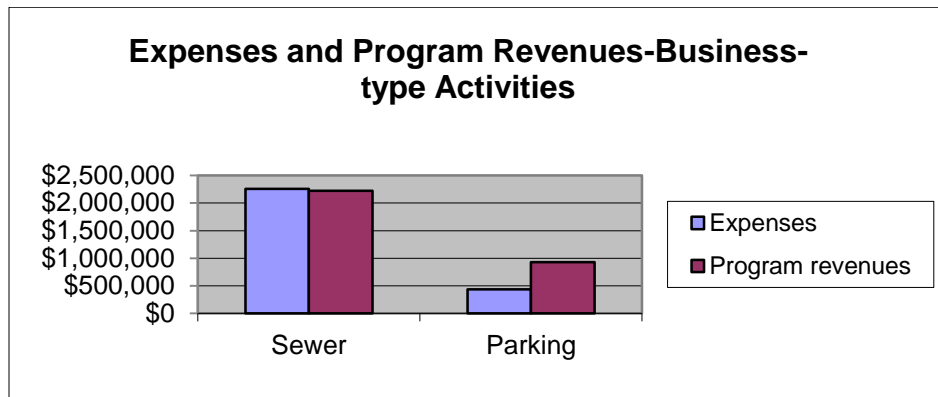
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2014



**Business-type activities**

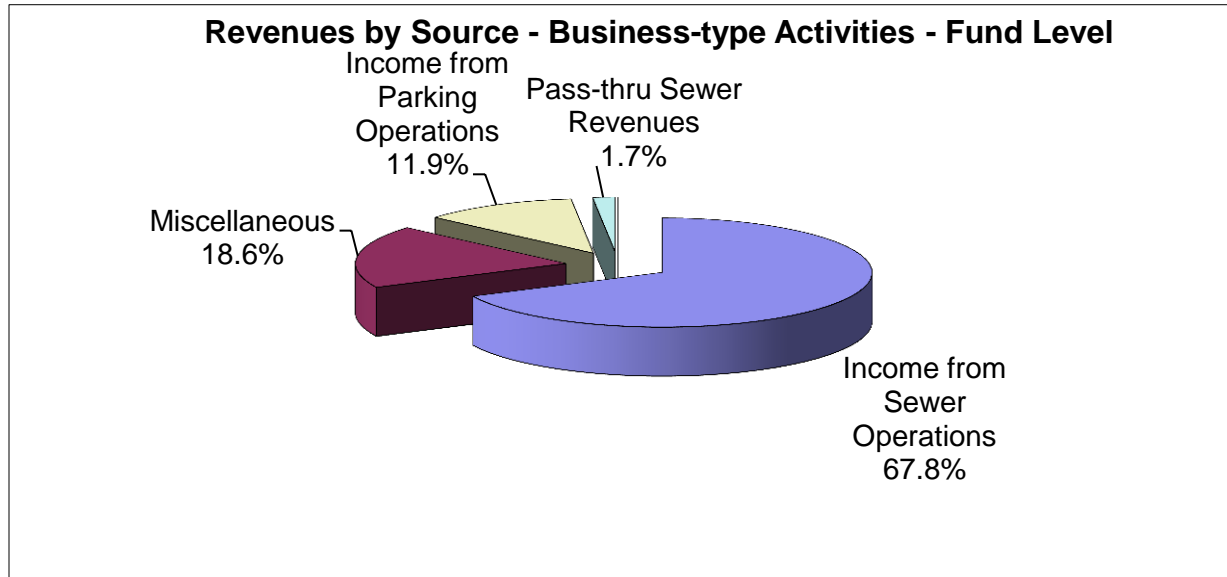
The Town operates two business-type enterprise funds, Parking and Sewer. Business-type net position increased by \$457,882 with the breakdown as such: \$494,853 in the Parking Fund and \$(36,971) in the Sewer Fund. The increase in the parking fund is due to recording the 67.2% Harford County share of the routine repairs as revenue while the total project was capitalized.



## TOWN OF BEL AIR, MARYLAND

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014



#### 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, 2014, the Town's governmental funds (general fund and special revenue fund) reported a combined ending fund balance of \$5,162,919, an increase of \$786,159 in comparison with the prior year. Approximately 98.7% of this total amount (\$5,091,661) 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 1.4% of total fund balance, does not significantly affect the availability of fund resources for future use.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, assigned and unassigned fund balance of the General Fund was \$3,879,801, while total fund balance was \$4,876,617. 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 33.3% of total General Fund expenditures, while total fund balance represents 41.8% of that same amount.

The Town's General Fund total fund balance increased by \$801,903 during the current fiscal year. This was a result of receiving more revenues than anticipated and expending less with regard to a few large projects.

## TOWN OF BEL AIR, MARYLAND

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

The Special Revenue Fund has a total fund balance of \$289,245. The \$15,744 decrease in fund balance is due to utilizing more 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 \$2,321,108 and \$861,743, respectively and increased by \$494,854 in the Parking Fund and decreased by \$36,972 in the Sewer Fund.

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

The net position of the Sworn Officers' Pension Trust and the Civilian Pension Trust increased \$831,142 or 17.9% and \$922,887 or 19.4%, 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 increased \$269,885 from the original budget.

The Town amended the budget in March, 2014 after its normal mid-year budget review. The general fund budget was increased by \$265,730. The significant revenue changes were that real property taxes were decreased by \$30,000, while public utility personal property taxes were increased by \$56,000. The Town projected receiving a FEMA grant in the amount of \$45,000 to reimburse 75% of the emergency generator project at Town Hall/Police Department, and based on additional red light citations, the budget was increased by a net \$148,884. The significant expenditure changes were that the administrator's budget was increased \$39,600 to fund a leave payout for the long-time employee who retired. The buildings budget was increased \$65,000 for band shell/Shamrock Park renovations as well as the corresponding expenditure for the emergency generator project at Town Hall/Police Department. A \$20,300 increase in benefits, mainly for health insurance, was included as well as a net increase of \$59,400 in the police department to fund overtime related to grants and costs associated with the establishment of a SWAT team. The public works shop budget was increased by \$22,950 to fund the purchase of replacing the gas dispensing system.

The Town amended the general fund budget in June, 2014 by increasing it \$4,155. The significant revenue changes were that income taxes were increased by \$39,200, and the Town received confirmation of the FEMA grant for the emergency generator project which required an increase of \$95,730. The Baltimore Metropolitan Commission (BMC) Grant was reduced to \$0 as the Rt. 1/Rt. 24 grant funds will be received by Harford County instead of the Town. Miscellaneous income was increased by \$22,000 to account for the insurance reimbursement for the accident repair to a Town vehicle. The significant expenditure changes were that buildings budget was increased \$107,640 to account for the emergency generator project cost



**TOWN OF BEL AIR, MARYLAND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2014**

at Town Hall/Police Department. The planning department's budget was reduced \$170,000 for the Rt.1/Rt. 24 BMC project since the Town will only be responsible for its share. The public works administration budget was increased by \$39,200 to fund the leave payout for the director who retired, and the shop budget was increased \$22,000 to fund the cost of repairing the vehicle from the accident.

At the end of the year, revenues and other financing sources were more than budgetary estimates by \$156,115 and expenditures were \$515,745 less than anticipated.

**Special Revenue Budgetary Highlights**

The final amended budget for the Special Revenue Fund increased \$134,450 from the original budget. The amendment was approved in March, 2014 and was mainly due to budgeting for the Dresher and Greater Bel Air Community Foundation grants received for the Shamrock Park renovation project.

**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, 2014 was \$13,148,901. 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 65.6%, comprised of a 1.9% and a 22.5% 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**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land and improvements	\$ 4,641,308	\$ 4,641,308	\$ 777,518	\$ 777,518	\$ 5,418,826	\$ 5,418,826
Buildings and improvements	4,843,757	4,525,348	3,126,190	2,457,673	7,969,947	6,983,021
Infrastructure	769,039	698,847	-	-	769,039	698,847
Machinery and equipment	991,326	1,017,061	230,831	222,139	1,222,157	1,239,200
Furniture and fixtures	1,190,152	1,038,926	-	-	1,190,152	1,038,926
Vehicles	2,615,949	2,593,757	354,162	333,135	2,970,111	2,926,892
Parking improvements	-	-	404,596	404,596	404,596	404,596
Sewer system	-	-	1,205,777	1,159,727	1,205,777	1,159,727
Accumulated depreciation	<u>(5,296,696)</u>	<u>(4,945,557)</u>	<u>(2,705,008)</u>	<u>(2,584,705)</u>	<u>(8,001,704)</u>	<u>(7,530,262)</u>
<b>Total</b>	<u>\$ 9,754,835</u>	<u>\$ 9,569,690</u>	<u>\$ 3,394,066</u>	<u>\$ 2,770,083</u>	<u>\$13,148,901</u>	<u>\$12,339,773</u>

Major capital asset events during the year ending June 30, 2014 included the following:

- The Police Department purchased three new replacement vehicles (\$71,283) transferred two of the old vehicles to the public works department.
- The Public Works Department purchased a new replacement skidloader (\$44,079).

## TOWN OF BEL AIR, MARYLAND

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

- The Town paid \$22,950 to replace two fuel dispensing pumps at the shop.
- Shamrock Park and Plumtree Park both had a permeable paver walk installed at a cost of \$63,090 and \$55,632, respectively.
- Shamrock Park had a chairlift and a sound system installed in the band shell (\$10,900) and (\$31,730), respectively, and Plumtree Park had a gazebo installed (\$21,494).
- The Town received a fountain as a donated asset to be installed in Shamrock Park (\$20,000).
- The Rockfield Manor house had an upgrade to its first floor restroom facilities and modifications to the foyer opening to the library (\$35,627).
- The Armory had various exterior work done (\$11,410), and two new generators installed (\$110,080).
- The Public Works Department contracted to have new curb and gutter (\$4,540), a sidewalk installed (\$55,620), and replace a storm drain outfall (\$10,032).
- The Town purchased \$92,188 worth of capitalized computer hardware/software during the year.
- 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: two police vehicles (\$39,735), various police and public works equipment (\$22,875), three public works administrative vehicles (\$59,735), front-end loader (\$17,000), one skidloader (\$12,705), grader (\$11,000), and various computer hardware/software (\$24,015).
- In the Parking Fund, the remainder of the major repairs to the parking garage were capitalized (\$668,517).
- In the Sewer Fund, a replacement sewer van was purchased (\$21,835), and the old one was sold (\$25,698). A new sewer pick-up truck was purchased for \$24,890. Two sanitary sewer lines were replaced at different locations in Town (\$16,900). Two new sewer pumps were purchased for the Ewing Street pumping station (\$8,692). A sewer rehab project to line the sewer in an area of Town in order to extend the life was completed (\$29,150).

**Debt administration.** The Town's long-term debt as of June 30, 2014, was \$4,032,808. Of this amount, \$2,377,461 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 \$626,766, an obligation to the Liquor Control Board employees' retirement system of \$8,342, and \$1,020,239 in compensated absences and OPEB liabilities. The following table reflects the Town's long-term debt:

**TOWN OF BEL AIR, MARYLAND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2014**

**LONG-TERM DEBT**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
General obligations bonds	\$ 993,175	\$1,189,067	\$1,384,286	\$1,564,795	\$2,377,461	\$2,753,862
Equipment/vehicle notes	585,478	664,079	41,288	19,798	626,766	683,877
Other notes	8,342	9,256	-	-	8,342	9,256
Compensated absences / OPEB	930,516	903,125	89,723	89,347	1,020,239	992,472
<b>Total</b>	<u>\$2,517,511</u>	<u>\$2,765,527</u>	<u>\$1,515,297</u>	<u>\$1,673,940</u>	<u>\$4,032,808</u>	<u>\$4,439,467</u>

The Town's total long-term debt for governmental activities decreased by \$248,016 and decreased \$158,643 for business-type activities. During the year, \$589,413 in debt was retired. The Town entered into one new obligation during the fiscal year which was a \$154,987 seven-year equipment/vehicle note of which \$110,816 was in the general fund and \$44,171 was in the sewer fund.

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, 2014, the debt limitation is \$82,301,807, which is significantly in excess of the Town's outstanding general obligation debt.

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

**Economic Factors and Fiscal Year 2015's Budgets and Rates**

- The State of Maryland Assessments and Taxation Department completed its triennial assessment for Town residents effective beginning in fiscal year 2015, which assesses the Town every third year, along with a cap of 10% on residential properties. During the next fiscal year, the Town expected a very slight assessment increase, 1% due to the improving real estate values locally. This is the first year in four years that the real property tax rate was slightly above the constant yield rate.
- Income tax revenues are projected to increase \$77,868 over the 2014 budget revenues based on information provided by the Comptroller's office. As a result, income tax revenues are projected to increase by 6.4%.
- Highway user revenues are projected to remain relatively the same over the 2014 actual revenues. This will be the second year in a row that the state has awarded the Town a one-time grant which will be used to fund a capital improvement program project.
- Police protection grant from the state is projected to remain the same. The state returned the 35% cut that was instituted in fiscal year 2009 in fiscal year 2013 which returned the Town to full funding.
- 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 2014 actual revenues.

## TOWN OF BEL AIR, MARYLAND

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

- The Town will finance its equipment/vehicle purchases, approximately \$297,353. This includes three police vehicles, the Director of Planning's vehicle, a backhoe, and a dump truck.
- The Town appropriated \$255,961 in funds from the unassigned fund balance to pay off the Town of Bel Air Auditorium Bond, 2008B with an interest rate of 4.15%. The final payment was not due until October 30, 2018.
- All Town employees received a merit (step) salary increase.
- The Town budgeted \$150,820 for various building maintenance or capital projects to include paving the parking lots at Town Hall/Police Department and Department of Public Works/Planning.
- Funds were not budgeted for an election in fiscal year 2015 as the next election will be in November, 2015.
- The Finance Department included \$10,500 for the OPEB actuarial valuation which is due every three years.
- The Planning Department included \$20,000 for the comprehensive plan process which will begin in the Spring of 2015.
- The Planning Department included \$15,000 toward the cost of installing a fountain, donated to the Town in fiscal year 2014, at Shamrock Park.
- The Technology Department budgeted approximately \$33,000 for one-time expenditures.
- The Town budgeted \$60,000 to partially fund its Other Postemployment Benefits Other Than Pensions (OPEB).
- The Town budgeted \$255,961 to pay off the Town of Bel Air Auditorium Bond, 2008B on October 30, 2014 since it had an interest rate of 4.15%
- The Town budgeted to purchase three police vehicles (\$75,353).
- The Department of Public Works included \$75,000 to include the costs associated with the Town's MS4 storm water management program.
- The Department of Public Works included \$243,000 to fund the rest of the construction money to upgrade the appearance, safety, and usability of the courthouse square area and Office Street.
- The Town budgeted to purchase a replacement backhoe (\$118,000) and a dump truck (\$74,000).
- The Public Works Department budgeted \$365,000 in fill-in sidewalk, street, sidewalk, curb ramp, and curb/gutter construction work to be completed at specific locations.

## TOWN OF BEL AIR, MARYLAND

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

- In the Special Revenue Fund, the Town has designated three years (2013-2015) of Community Development Block Grants (\$109,006) to the Armory Garages Marketplace Project.
- In the Special Revenue Fund, the Town was awarded a \$175,000 and a \$150,000 Community Legacy Grant to provide funds for Phase 2 and Phase 3 of the Armory Garages Marketplace Project.
- In the Special Revenue Fund, the Town budgeted \$18,000 from the Storm water Management Fee-in-lieu account to fund a project to upgrade the storm drain outfall located at 3 Linwood Court.
- In the Special Revenue Fund, the Town budgeted to use \$10,000 from the Public Amenity account to assist in funding the cost to install the fountain at Shamrock Park.

All of these factors were considered in preparing the Town's budget for the 2015 fiscal year.

The real and personal property tax rates remain unchanged in fiscal year 2015 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 1.5% for fiscal year 2015 and will affect both residential and commercial customers. The percentage adjustment is according to the change in the Consumer Price Index as of December 2013. The budget includes \$88,000 to purchase an emergency generator for four pump stations of which 75% will be reimbursed by a FEMA grant. This was originally budgeted in fiscal year 2014; however, the FEMA grant award was not finalized until too late in the fiscal year. The budget includes \$25,754 to fund the Town's 3.1% share of the total combined municipal water and sewer customer's service with regard to phase two of the planning procedures for the creation of one water and sewer authority. Two inflow and infiltration projects totaling \$400,000 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. One project in the amount of \$200,000 was budgeted in fiscal year 2014; however, the Town decided to postpone and finance them together in fiscal year 2015.

In the Parking Fund, meter collection revenues are projected to remain the same; however, parking fines are projected to be \$21,100 higher based on a conservative historical average. The lease fees were up slightly; however, they remain to be at a post-recession level. The budget includes the purchase of a new replacement parking enforcement jeep at a cost of \$26,000 which will be financed with the vehicles in the general fund. Funds are budgeted to resurface the Thomas Street parking lot, which is currently in bad condition, at a cost of \$54,000.

#### Requests for Information

This financial report is designed to provide a general overview of the Town of Bel Air's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the Director of Finance, Town of Bel Air, 39 N. Hickory Avenue, Bel Air, Maryland 21014 or send an e-mail to [lmood@belairmd.org](mailto:lmood@belairmd.org).

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## **FINANCIAL STATEMENTS**

**TOWN OF BEL AIR, MARYLAND**

**Statement of Net Position  
June 30, 2014**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,255,313	\$ 570	\$ 3,255,883
Restricted cash and cash equivalents	102,813	164,168	266,981
Investments	2,610,500	-	2,610,500
Accounts receivable	221,341	693,849	915,190
Loan receivable - revolving loan fund	58,382	-	58,382
Real and personal property taxes receivable	316,348	-	316,348
Accrued interest receivable	10,372	-	10,372
Due from other units of government	591,698	-	591,698
Internal balances	(1,137,837)	1,137,837	-
Prepaid expenses	32,374	-	32,374
Net pension asset	94,570	-	94,570
Capital assets, not being depreciated	4,641,308	889,495	5,530,803
Capital assets, net of accumulated depreciation	5,113,527	2,504,571	7,618,098
Other assets	-	229,797	229,797
	<u>15,910,709</u>	<u>5,620,287</u>	<u>21,530,996</u>
<b>LIABILITIES</b>			
Accounts payable	364,982	921,566	1,286,548
Accrued liabilities	139,230	-	139,230
Payroll withholdings	61,699	-	61,699
Deposits and other escrows held	6,124	-	6,124
Unearned revenue	18,673	573	19,246
Non-current liabilities:			
Due within one year	373,082	196,577	569,659
Due in more than one year	2,144,429	1,318,720	3,463,149
	<u>3,108,219</u>	<u>2,437,436</u>	<u>5,545,655</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	8,774,901	1,968,492	10,743,393
Restricted	1,260,037	85,832	1,345,869
Unrestricted	2,767,552	1,128,527	3,896,079
<b>TOTAL NET POSITION</b>	<u>\$ 12,802,490</u>	<u>\$ 3,182,851</u>	<u>\$ 15,985,341</u>

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



**TOWN OF BEL AIR, MARYLAND**

**Statement of Activities  
Year Ended June 30, 2014**

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
<b>PRIMARY GOVERNMENT</b>							
Governmental activities:							
General government	\$ 2,102,098	\$ 293,462	\$ -	\$ 176,572	\$ (1,632,064)	\$ -	\$ (1,632,064)
Public safety	3,731,967	524,471	239,174	-	(2,968,322)	-	(2,968,322)
Public works	2,924,258	354,281	-	-	(2,569,977)	-	(2,569,977)
Recreation and culture	161,621	-	-	177,128	15,507	-	15,507
Miscellaneous	2,511,662	-	-	-	(2,511,662)	-	(2,511,662)
Interest on long-term debt	50,347	-	-	-	(50,347)	-	(50,347)
Total governmental activities	<u>11,481,953</u>	<u>1,172,214</u>	<u>239,174</u>	<u>353,700</u>	<u>(9,716,865)</u>	<u>-</u>	<u>(9,716,865)</u>
Business-type activities							
Sewer	2,257,834	2,220,226	-	-	-	(37,608)	(37,608)
Parking facilities	436,641	931,333	-	-	-	494,692	494,692
Total business-type activities	<u>2,694,475</u>	<u>3,151,559</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>457,084</u>	<u>457,084</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 14,176,428</u>	<u>\$ 4,323,773</u>	<u>\$ 239,174</u>	<u>\$ 353,700</u>	<u>(9,716,865)</u>	<u>457,084</u>	<u>(9,259,781)</u>
<b>GENERAL REVENUES</b>							
Taxes:							
Property taxes, levied for general purposes					7,687,800	-	7,687,800
Shared taxes					2,928,988	-	2,928,988
Miscellaneous					623,306	-	623,306
Unrestricted investment earnings					21,986	798	22,784
Total general revenues					<u>11,262,080</u>	<u>798</u>	<u>11,262,878</u>
<b>CHANGE IN NET POSITION</b>					1,545,215	457,882	2,003,097
<b>NET POSITION, BEGINNING OF YEAR</b>					<u>11,257,275</u>	<u>2,724,969</u>	<u>13,982,244</u>
<b>NET POSITION, END OF YEAR</b>					<u>\$ 12,802,490</u>	<u>\$ 3,182,851</u>	<u>\$ 15,985,341</u>

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

**TOWN OF BEL AIR, MARYLAND**

**Balance Sheet - Governmental Funds  
June 30, 2014**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,255,313	\$ -	\$ 3,255,313
Restricted cash and cash equivalents	13,451	89,362	102,813
Investments	2,610,500	-	2,610,500
Accounts receivable	786,614	26,425	813,039
Loan receivable - revolving loan fund	-	58,382	58,382
Accrued interest receivable	10,372	-	10,372
Property taxes receivable - net	316,348	-	316,348
Due from other funds	-	109,806	109,806
IWIF loss fund deposit	-	-	-
Prepaid costs	27,104	5,270	32,374
<b>TOTAL ASSETS</b>	<u>\$ 7,019,702</u>	<u>\$ 289,245</u>	<u>\$ 7,308,947</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 362,039	\$ 2,943	\$ 364,982
Accrued expenditures	125,491	-	125,491
Payroll withholdings	61,699	-	61,699
Deposits	6,124	-	6,124
Unearned revenue	18,673	-	18,673
Due to other funds	1,247,643	-	1,247,643
Total liabilities	1,821,669	2,943	1,824,612
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	122,635	-	122,635
Unavailable revenue - income taxes	193,589	-	193,589
Unavailable revenue - highway user	5,192	-	5,192
Total deferred inflows of resources	321,416	-	321,416
<b>FUND BALANCES</b>			
Nonspendable	27,104	5,270	32,374
Restricted	-	38,884	38,884
Committed	969,712	156,462	1,126,174
Assigned	1,173,036	85,686	1,258,722
Unassigned	2,706,765	-	2,706,765
Total fund balances	4,876,617	286,302	5,162,919
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	<u>\$ 7,019,702</u>	<u>\$ 289,245</u>	<u>\$ 7,308,947</u>

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, 2014**

<b>TOTAL FUND BALANCES - GOVERNMENTAL FUNDS</b> (page 22)	\$ 5,162,919
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 inflows of resources related to these receivables.	321,416
Net pension assets are not financial resources and therefore are not reported as assets in governmental funds.	94,570
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 \$15,051,531 and the accumulated depreciation is \$5,296,696.	9,754,835
Noncurrent liabilities are not reported as liabilities in the governmental funds.	(2,517,511)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	<u>(13,739)</u>
<b>TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES</b> (page 20)	<u>\$ 12,802,490</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, 2014**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Taxes - local	\$ 7,564,123	\$ -	\$ 7,564,123
Taxes - state shared	1,813,783	-	1,813,783
Licenses and permits	93,849	-	93,849
Revenue from other agencies	1,516,362	106,120	1,622,482
Service charges for current services	617,226	-	617,226
Fines	471,924	-	471,924
Miscellaneous	274,152	143,894	418,046
	<hr/>	<hr/>	<hr/>
Total revenues	12,351,419	250,014	12,601,433
<b>EXPENDITURES</b>			
General government	2,318,498	-	2,318,498
Public safety	3,619,942	19,065	3,639,007
Public works	2,849,024	5,685	2,854,709
Recreation and parks	151,218	10,403	161,621
Miscellaneous	2,280,774	230,888	2,511,662
Debt service:			
Principal	386,223	-	386,223
Interest	54,370	-	54,370
	<hr/>	<hr/>	<hr/>
Total expenditures	11,660,049	266,041	11,926,090
Excess (deficiency) of revenues over expenditures	691,370	(16,027)	675,343
<b>OTHER FINANCING SOURCES</b>			
Equipment/vehicle debt proceeds	110,816	-	110,816
Total other financing sources	<hr/>	<hr/>	<hr/>
	110,816	-	110,816
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES</b>	802,186	(16,027)	786,159
<b>FUND BALANCES, BEGINNING OF YEAR</b>	4,074,714	302,046	4,376,760
<b>TRANSFER (TO)FROM SPECIAL REVENUE FUND</b>			
Seized property reserve	(283)	283	-
	<hr/>	<hr/>	<hr/>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 4,876,617</u>	<u>\$ 286,302</u>	<u>\$ 5,162,919</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, 2014**

<b>TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUND</b> (page 24)	\$ 786,159
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 \$765,813 exceeded depreciation expense of \$526,984 in the period.	238,829
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 \$229,529, less any accumulated depreciation of \$175,845.	(53,684)
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 \$27,391.	(27,391)
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 \$107,508.	(107,508)
In the Statement of Activities, revenues are recognized when they are earned and received. In the governmental funds, revenues are recognized as income if they are available to satisfy current obligations. This is the amount of the increase in deferred inflows of resources in the governmental funds which is recognized as revenue in the Statement of Activities.	429,380
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 2014.	386,223
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 2014.	(110,816)
Interest expense in the Statement of Activities differs from the amount reported in governmental funds due to the net change in accrued interest.	<u>4,023</u>
<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b> (page 21)	<u>\$ 1,545,215</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, 2014**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts Budgetary Basis</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUE</b>				
Taxes - local	\$ 7,556,486	\$ 7,582,486	\$ 7,564,123	\$ (18,363)
Taxes - state shared	1,582,700	1,621,900	1,813,783	191,883
Licenses and permits	120,500	107,500	93,849	(13,651)
Revenues from other agencies	1,553,672	1,529,714	1,516,362	(13,352)
Service charges for current services	595,311	595,311	617,226	21,915
Fines	310,000	502,297	471,924	(30,373)
Miscellaneous	206,750	256,096	274,152	18,056
	<u>11,925,419</u>	<u>12,195,304</u>	<u>12,351,419</u>	<u>156,115</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,549,933	2,818,676	2,432,476	386,200
Public safety	3,605,953	3,694,165	3,600,342	93,823
Public works	3,078,043	2,959,493	2,959,419	74
Recreation and culture	157,550	157,550	155,218	2,332
Miscellaneous	2,308,549	2,340,029	2,306,861	33,168
Debt service	440,741	440,741	440,593	148
	<u>12,140,769</u>	<u>12,410,654</u>	<u>11,894,909</u>	<u>515,745</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	<u>(215,350)</u>	<u>(215,350)</u>	<u>456,510</u>	<u>671,860</u>
<b>OTHER FINANCING SOURCES</b>				
Equipment/vehicle proceeds	115,350	115,350	110,816	(4,534)
Total other financing sources	<u>115,350</u>	<u>115,350</u>	<u>110,816</u>	<u>(4,534)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES</b>				
	<u>\$ (100,000)</u>	<u>\$ (100,000)</u>	<u>567,326</u>	<u>\$ 667,326</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>			3,489,655	
<b>TRANSFER TO SPECIAL REVENUE FUND SEIZED PROPERTY RESERVE</b>			<u>(283)</u>	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 4,056,698</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, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Budget Variance Positive (Negative)</u>
<b>REVENUES</b>				
<b>Revenue from Other Agencies</b>				
CDBG grant	\$ 69,801	\$ 69,801	\$ -	\$ (69,801)
Program Open Space grant	50,000	50,000	-	(50,000)
Parks & Playground grant	142,000	142,000	64,878	(77,122)
Community Legacy grant	200,000	200,000	41,242	(158,758)
Total - revenue from other agencies	461,801	461,801	106,120	(355,681)
<b>Miscellaneous</b>	113,300	247,750	143,894	(103,856)
Total revenues	575,101	709,551	250,014	(459,537)
<b>EXPENDITURES</b>				
General government	247,400	247,400	19,065	228,335
Public safety	16,000	16,000	5,685	10,315
Public works	104,801	104,801	10,403	94,398
Recreation and culture	206,800	341,250	230,888	110,362
Miscellaneous	100	100	-	100
Total expenditures	575,101	709,551	266,041	443,510
<b>(DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ -</u>	<u>\$ -</u>	(16,027)	<u>\$ (16,027)</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>			302,046	
<b>TRANSFER FROM GENERAL FUND SEIZED PROPERTY RESERVE</b>			<u>283</u>	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 286,302</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, 2014**

	<b>Parking Fund</b>	<b>Sewer Fund</b>	<b>Total</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 570	\$ -	\$ 570
Restricted cash and cash equivalents	20,103	144,065	164,168
Accounts receivable	96,390	597,459	693,849
Due from other funds	69,210	1,082,178	1,151,388
Total current assets	<u>186,273</u>	<u>1,823,702</u>	<u>2,009,975</u>
<b>Noncurrent Assets</b>			
Land	889,495	-	889,495
Capital assets, net	1,833,395	671,176	2,504,571
Other assets	-	229,797	229,797
Total noncurrent assets	<u>2,722,890</u>	<u>900,973</u>	<u>3,623,863</u>
Total assets	<u>2,909,163</u>	<u>2,724,675</u>	<u>5,633,838</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued expenses	8,518	913,048	921,566
Due to other funds	-	13,551	13,551
Unearned revenue	547	26	573
Notes payable	-	5,886	5,886
Bonds payable	98,709	91,982	190,691
Total current liabilities	<u>107,774</u>	<u>1,024,493</u>	<u>1,132,267</u>
<b>Noncurrent Liabilities</b>			
Accrued compensated absences	21,227	68,496	89,723
Notes payable - long-term	-	35,402	35,402
Bonds payable - long-term	459,054	734,541	1,193,595
Total noncurrent liabilities	<u>480,281</u>	<u>838,439</u>	<u>1,318,720</u>
Total liabilities	<u>588,055</u>	<u>1,862,932</u>	<u>2,450,987</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	2,165,127	(196,635)	1,968,492
Restricted	85,832	-	85,832
Unrestricted	70,149	1,058,378	1,128,527
<b>TOTAL NET POSITION</b>	<u>\$ 2,321,108</u>	<u>\$ 861,743</u>	<u>\$ 3,182,851</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, 2014**

	<b>Parking Fund</b>	<b>Sewer Fund</b>	<b>Total</b>
<b>OPERATING REVENUES</b>			
<b>Service Charges for Current Services</b>			
Sanitation and Waste Removal			
Sewerage charges	\$ -	\$ 2,136,999	\$ 2,136,999
Sewer connection charges	-	21,080	21,080
Other revenues	-	29,072	29,072
User benefit fees	-	33,075	33,075
Highway and Streets			
Meter collections	174,587	-	174,587
Lease fees	74,359	-	74,359
Fines and Forfeitures			
Parking	125,279	-	125,279
Miscellaneous			
County share operating expenses and capital repairs	554,412	-	554,412
Miscellaneous	2,696	-	2,696
Total operating revenues	<u>931,333</u>	<u>2,220,226</u>	<u>3,151,559</u>
<b>OPERATING EXPENSES</b>			
Salaries	-	136,605	136,605
Contractual services	-	1,319,724	1,319,724
Transfer to general fund - administrative costs	214,155	237,041	451,196
Supplies	-	3,026	3,026
Utilities	-	14,289	14,289
Depreciation	90,272	55,729	146,001
Amortization	-	24,248	24,248
Maintenance	3,630	55,481	59,111
Compensated absences	(251)	627	376
Other	6,367	29,341	35,708
Connection costs	-	21,080	21,080
User benefit fees	-	33,075	33,075
Postage	1,841	-	1,841
Insurance	-	12,040	12,040
Parking fine charges	26,842	-	26,842
Sustainability	-	12,059	12,059
I&I Projects	-	278,776	278,776
Garage operations	72,756	-	72,756
Total operating expenses	<u>415,612</u>	<u>2,233,141</u>	<u>2,648,753</u>
Operating income (expense)	<u>515,721</u>	<u>(12,915)</u>	<u>502,806</u>
Non-Operating Revenue (Expenses)			
Investment income	162	636	798
Investment expenses	(21,029)	(24,693)	(45,722)
Net non-operating expenses	<u>(20,867)</u>	<u>(24,057)</u>	<u>(44,924)</u>
<b>INCREASE (DECREASE) IN NET POSITION</b>	494,854	(36,972)	457,882
<b>NET POSITION, BEGINNING OF PERIOD</b>	<u>1,826,254</u>	<u>898,715</u>	<u>2,724,969</u>
<b>NET POSITION, END OF PERIOD</b>	<u>\$ 2,321,108</u>	<u>\$ 861,743</u>	<u>\$ 3,182,851</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, 2014**

	<b>Parking Fund</b>	<b>Sewer Fund</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from sewer charges	\$ -	\$ 1,543,666	\$ 1,543,666
Cash received from parking charges	943,282	-	943,282
Payments to suppliers	(402,055)	(1,628,790)	(2,030,845)
Payments to employees	-	(136,181)	(136,181)
Net cash provided by (used in) operating activities	<u>541,227</u>	<u>(221,305)</u>	<u>319,922</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Proceeds from note	-	44,171	44,171
Cash payment of note principal	(26,046)	(22,681)	(48,727)
Cash payment of bond principal	(70,548)	(83,915)	(154,463)
Interest paid on long-term obligation	(19,901)	(23,237)	(43,138)
Acquisition of capital assets	(668,517)	(101,467)	(769,984)
Net cash (used in) financing activities	<u>(785,012)</u>	<u>(187,129)</u>	<u>(972,141)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment income	<u>162</u>	<u>636</u>	<u>798</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(243,623)</b>	<b>(407,798)</b>	<b>(651,421)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>264,296</u>	<u>551,863</u>	<u>816,159</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 20,673</u>	<u>\$ 144,065</u>	<u>\$ 164,738</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ 515,720	\$ (12,914)	\$ 502,806
Adjustments to reconcile net operating income to net cash provided by operating activities:			
Depreciation and amortization	90,272	79,977	170,249
Effects of changes in operating assets and liabilities:			
Accounts receivable	(6,822)	(52,763)	(59,585)
Due from other funds	18,709	(623,823)	(605,114)
Accounts payable	(76,463)	374,014	297,551
Due to other funds	-	13,551	13,551
Unearned revenue	62	26	88
Compensated absences payable	(251)	627	376
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<u>\$ 541,227</u>	<u>\$ (221,305)</u>	<u>\$ 319,922</u>

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

**TOWN OF BEL AIR, MARYLAND**

**Statement of Fiduciary Net Position  
June 30, 2014**

**ASSETS**

Cash and cash equivalents	\$	390,843
Investments:		
Mutual funds		10,795,329
Fiscal agents		<u>403,394</u>
Total assets		<u>11,589,566</u>

**LIABILITIES**

Accounts payable		<u>14,817</u>
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**NET POSITION**

Held in trust for pension benefits	\$	<u><u>11,574,749</u></u>
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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, 2014**

**ADDITIONS**

Contributions:

Employer contributions	\$ 426,459
Employee contributions	327,660
Total contributions	<u>754,119</u>

Investment gain:

Net increase in the fair value of investments	<u>1,658,365</u>
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Total additions	<u>2,412,484</u>
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**DEDUCTIONS**

Benefit payments	562,105
Contractual services	<u>76,712</u>

Total deductions	<u>638,817</u>
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<b>CHANGE IN NET POSITION</b>	1,773,667
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**NET POSITION HELD IN TRUST FOR PENSION BENEFITS:**

<b>BEGINNING OF YEAR</b>	<u>9,801,082</u>
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<b>END OF YEAR</b>	<u><u>\$ 11,574,749</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, 2014**

#### **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, 2014

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. For pension trust funds, employee and employer contributions are recognized as revenues in the period in which the employee services are performed. Under the modified accrual method, revenues from federal and state expenditure-driven grant programs are deemed available and subject to accrual to the extent that eligible expenditures have been incurred and federal and state funds are requested to pay invoices when due. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Those revenues susceptible to accrual are property taxes, taxes collected by the state and county on behalf of the Town, franchise taxes, special assessments, revenue from other agencies, interest revenue and charges for services. Fines and forfeitures, licenses, permits, penalties and interest (on property taxes) and other revenues become measurable and available when cash is received by the Town and are recognized as revenue at that time.

The Town has two major governmental funds, the general fund and special revenue fund. The general fund is used to account for all activities of the government not accounted for in some other fund. The general fund accounts for the normal recurring activities of the Town such as police, public works, recreation and culture, general government, etc. These activities are financed primarily by property taxes, other taxes, licenses and permits, revenues from other governmental agencies and service charges. The special revenue fund is used to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result primarily from providing services and delivering goods in connection with the fund's principal ongoing operations such as charges to customers for sales and services and expenses such as salaries, operating expenses and depreciation. All revenues and expenses not meeting this definition are non-operating revenues and expenses.

## TOWN OF BEL AIR, MARYLAND

### Notes to Financial Statements June 30, 2014

#### 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, 2014, amounted to \$316,348. 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 2014, 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, 2014

### 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, 2014

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### Accumulated Unpaid Vacation, Sick and Compensatory Pay and OPEB

As of June 30, 2014, the liability for Town employees for accrued vacation, sick and compensatory leave and OPEB was \$412,741, \$369,878, \$57,883 and \$179,737, 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, 2014**

**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, 2014**

**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 Net Position. The summary of the \$2,517,511 difference is as follows:

Harford County Liquor Board	\$	8,342
Equipment/vehicle obligations		585,478
Compensated absences/OPEB		930,516
Bel Air High School auditorium 33-37 South Main Street		598,719
		<u>394,456</u>
<b>Total</b>	<b>\$</b>	<b><u><u>2,517,511</u></u></b>

**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 \$238,829 difference is found on page 25.

**TOWN OF BEL AIR, MARYLAND**

**Notes to Financial Statements  
June 30, 2014**

**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>
<b>General Fund</b>				
<b>Budgetary basis</b>	\$ 12,351,419	\$ 110,816	\$ 11,894,909	\$ 567,326
Current year encumbrances	-	-	(1,173,036)	1,173,036
Prior year encumbrances	-	-	938,176	(938,176)
<b>GAAP basis</b>	<u>\$ 12,351,419</u>	<u>\$ 110,816</u>	<u>\$ 11,660,049</u>	<u>\$ 802,186</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, 2014**

**NOTE 4 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)**

**Budgetary Information (Continued)**

5. The budget for the general fund is adopted on a basis consistent with generally accepted accounting principles (GAAP) except that encumbrances are treated as expenditures at the time purchase orders are issued. Budgetary comparisons presented for the general fund are on this non-GAAP basis.
6. All appropriations lapse at the end of the budget year to the extent that they have not been expended or lawfully encumbered.

**NOTE 5 – CASH AND INVESTMENTS**

**Cash and Cash Equivalents**

For purposes of statement presentation, all highly-liquid investments with a maturity of three months or less when purchased are considered to be cash and cash equivalents, which includes short-term funds held in the Maryland Local Government Investment Pool.

**A. Cash on hand**

At year-end, cash on hand for petty cash and change funds was \$2,020.

**B. Deposits**

At year-end, the carrying amount of the Town's bank deposits was \$1,200,619 and the bank balance was \$1,426,976 which was totally covered by federal deposit insurance. The deposits of the Town were not exposed to custodial credit risk as of June 30, 2014.

**C. Cash equivalents**

As of June 30, 2014, the Town's cash equivalents consisted of money market funds held by the Maryland Local Government Investment Pool totaling \$2,320,225.

**Investments**

Investments consist of Certificates of Deposit with varying maturities and interest rates ranging from 0.40% to 1.40% which are all covered by federal deposit insurance. Investments have maturities between October 2014 through December 2015.

**TOWN OF BEL AIR, MARYLAND**

**Notes to Financial Statements  
June 30, 2014**

**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>\$ 2,610,500</u>	<u>\$ -</u>	<u>\$ 2,610,500</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, 2014, met the Town's investment policy as of that date. Investment income includes the following for the year ended June 30, 2014:

Net interest and dividends - governmental activities	<u>\$ 21,986</u>
--	------------------

**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, 2014, 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, 2014, 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, 2014**

**NOTE 5 – CASH (CONTINUED)**

	<b>Sworn Officers Pension Trust</b>	<b>Civilian Pension Trust</b>	<b>Weighted Average Maturity</b>
T. Rowe Price			
New Income Fund	\$ 1,148,710	\$ 1,178,219	7.30 years
Short-term Bond Fund	497,173	516,283	2.38 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, 2014, are shown below:

	<b>Balance July 1, 2013</b>	<b>Additions and Transfers</b>	<b>Disposals and Transfers</b>	<b>Ending Balance June 30, 2014</b>
<b>Governmental Activities</b>				
Land – not being depreciated	\$ 4,641,308	\$ -	\$ -	\$ 4,641,308
Buildings and improvements	4,525,348	320,938	2,529	4,843,757
Infrastructure	698,847	70,192	-	769,039
Machinery and equipment	1,017,061	37,845	63,580	991,326
Furniture and fixtures	1,038,926	175,241	24,015	1,190,152
Vehicles	2,593,757	161,597	139,405	2,615,949
Total	<u>14,515,247</u>	<u>765,813</u>	<u>229,529</u>	<u>15,051,531</u>
Less – accumulated depreciation	4,945,557	526,984	175,845	5,296,696
<b>Capital assets, net</b>	<u>\$ 9,569,690</u>	<u>\$ 238,829</u>	<u>\$ 53,684</u>	<u>\$ 9,754,835</u>

**TOWN OF BEL AIR, MARYLAND**

**Notes to Financial Statements  
June 30, 2014**

**NOTE 6 – CHANGES IN CAPITAL ASSETS (CONTINUED)**

	<u>Balance July 1, 2013</u>	<u>Additions and Transfers</u>	<u>Disposals and Transfers</u>	<u>Ending Balance June 30, 2014</u>
<b>Proprietary Funds</b>				
Parking fund:				
Land not being depreciated	\$ 777,518	\$ -	\$ -	\$ 777,518
Parking improvements	404,596	-	-	404,596
Garage	2,457,673	668,517	-	3,126,190
Parking vehicle	43,226	-	-	43,226
Equipment	2,265	-	-	2,265
	<u>3,685,278</u>	<u>668,517</u>	<u>-</u>	<u>4,353,795</u>
Sewer fund:				
Sewer pipes and storm drain	1,159,727	46,050	-	1,205,777
Equipment	219,874	8,692	-	228,566
Vehicle	289,909	46,725	25,698	310,936
	<u>1,669,510</u>	<u>101,467</u>	<u>25,698</u>	<u>1,745,279</u>
Total	5,354,788	769,984	25,698	6,099,074
Less – accumulated depreciation	2,584,705	146,001	25,698	2,705,008
<b>Capital assets, net</b>	<u><u>\$ 2,770,083</u></u>	<u><u>\$ 623,983</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,394,066</u></u>

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

General government	\$ 227,232
Public safety	84,767
Public works	214,985
Total depreciation expense – governmental activities	<u><u>\$ 526,984</u></u>

As of June 30, 2014, accumulated depreciation for the parking fund and sewer fund amounted to \$1,630,905 and \$1,074,103, respectively. Depreciation expense for the year ended June 30, 2014, amounted to \$90,272 in the parking fund and \$55,729 in the sewer fund.



**TOWN OF BEL AIR, MARYLAND**

**Notes to Financial Statements  
June 30, 2014**

**NOTE 7 – NON-CURRENT LIABILITIES**

Non-current liability transactions of the Town for the year ended June 30, 2014, are presented below.

	<u>Balance July 1, 2013</u>	<u>Additions and Transfers</u>	<u>Disposals and Transfers</u>	<u>Ending Balance June 30, 2014</u>	<u>Due Within One Year</u>
<b>Governmental activities</b>					
Liquor Control Board employees' retirement system obligation	\$ 9,256	\$ -	\$ 914	\$ 8,342	\$ 974
Equipment/vehicle notes	664,079	110,816	189,417	585,478	169,422
Accrued vacation, sick and compensatory leave/OPEB	903,125	53,433	26,042	930,516	-
G.O. Bond 2008A BAHS Auditorium	270,490	-	50,602	219,888	52,291
G.O. Bond 2008B BAHS Auditorium	300,287	-	49,614	250,673	51,723
G.O. Bond 2009A BAHS Auditorium	175,963	-	47,805	128,158	49,742
G.O. Bond 2012A 33-37 S. Main St	442,327	-	47,871	394,456	48,930
<b>Total governmental activities liabilities</b>	<u>\$ 2,765,527</u>	<u>\$ 164,249</u>	<u>\$ 412,265</u>	<u>\$ 2,517,511</u>	<u>\$ 373,082</u>
	<u>Balance July 1, 2013</u>	<u>Additions and Transfers</u>	<u>Disposals and Transfers</u>	<u>Ending Balance June 30, 2014</u>	<u>Due Within One Year</u>
<b>Business-type activities</b>					
Parking Fund:					
Parking garage bond, 2007	\$ 384,023	\$ -	\$ 70,548	\$ 313,475	\$ 73,546
Parking garage repairs bond, 2013	270,334	-	26,046	244,288	25,163
Accrued vacation, sick and compensatory leave / OPEB	21,478	-	251	21,227	-
Total parking fund debt	<u>675,835</u>	<u>-</u>	<u>96,845</u>	<u>578,990</u>	<u>98,709</u>
Sewer Fund:					
Infrastructure Bond 2006 Series A:					
20 year note	317,000	-	23,500	293,500	24,000
Stoneleigh Sewer Bond, 2010	41,738	-	16,287	25,451	25,451
Sewer Fund CIP/I&I Services Bond, 2013A	551,700	-	44,128	507,572	42,531
Sewer vacuum truck note	19,798	-	19,798	-	-
Sewer van and pick-up truck note	-	44,171	2,883	41,288	5,886
Accrued vacation, sick and compensatory leave / OPEB	67,869	627	-	68,496	-
Total sewer fund debt	<u>998,105</u>	<u>44,798</u>	<u>106,596</u>	<u>936,307</u>	<u>97,868</u>
<b>Total business-type activities liabilities</b>	<u>\$ 1,673,940</u>	<u>\$ 44,798</u>	<u>\$ 203,441</u>	<u>\$ 1,515,297</u>	<u>\$ 196,577</u>

## TOWN OF BEL AIR, MARYLAND

### Notes to Financial Statements June 30, 2014

#### 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>
2015	\$ 52,291	\$ 6,849	\$ 59,140
2016	54,037	5,103	59,140
2017	55,840	3,300	59,140
2018	57,720	1,436	59,156
Total	<u>\$ 219,888</u>	<u>\$ 16,688</u>	<u>\$ 236,576</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>
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>\$ 250,673</u>	<u>\$ 27,130</u>	<u>\$ 277,803</u>

**TOWN OF BEL AIR, MARYLAND**

**Notes to Financial Statements  
June 30, 2014**

**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.

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2015	\$ 49,742	\$ 4,646	\$ 54,388
2016	51,757	2,631	54,388
2017	26,659	534	27,193
<b>Total</b>	<b>\$ 128,158</b>	<b>\$ 7,811</b>	<b>\$ 135,969</b>

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.

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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	53,406	3,935	57,341
2021 – 2022	138,739	4,612	143,351
<b>Total</b>	<b>\$ 394,456</b>	<b>\$ 35,598</b>	<b>\$ 430,054</b>

**TOWN OF BEL AIR, MARYLAND**

**Notes to Financial Statements  
June 30, 2014**

**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>
2015	\$ 169,422	\$ 12,478	\$ 181,900
2016	114,246	8,208	122,454
2017	90,400	5,925	96,325
2018	92,265	4,059	96,324
2019	74,269	2,155	76,424
2020-2021	44,876	890	45,766
Total	<u>\$ 585,478</u>	<u>\$ 33,715</u>	<u>\$ 573,427</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, \$8,342, 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, 2014**

**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>
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>\$ 313,475</u>	<u>\$ 33,999</u>	<u>\$ 347,474</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>
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	27,114	2,512	29,626
2020-2022	113,653	4,849	118,502
	<u>\$ 244,288</u>	<u>\$ 22,344</u>	<u>\$ 266,632</u>

**TOWN OF BEL AIR, MARYLAND**

**Notes to Financial Statements  
June 30, 2014**

**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>
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	28,500	3,720	32,220
2020-2024	162,500	19,406	181,906
Total	<u>\$ 293,500</u>	<u>\$ 67,884</u>	<u>\$ 361,384</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>
2015	\$ 25,451	\$ 844	\$ 26,295
Total	<u>\$ 25,451</u>	<u>\$ 844</u>	<u>\$ 26,295</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, 2014**

**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>
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	45,510	5,509	51,019
2020-2024	239,472	15,619	255,091
2025	48,061	643	48,704
	<u>\$ 507,572</u>	<u>\$ 51,318</u>	<u>\$ 558,890</u>

**Notes Payable**

On October 15, 2013, the Town of Bel Air entered into a notes payable purchase agreement with Santander Bank in the amount of \$154,987 of which \$44,171 was to finance the purchase of a sewer pick-up truck and a sewer cargo van. The interest rate is 2.74% with principal and interest payable semi-annually on April 15 and October 15 which will continue until October, 2020.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 5,886	\$ 1,091	\$ 6,977
2016	6,049	929	6,978
2017	6,216	762	6,978
2018	6,387	591	6,978
2019	6,563	414	6,977
2020-2021	10,187	280	10,467
	<u>\$ 41,288</u>	<u>\$ 4,067</u>	<u>\$ 45,355</u>

Total interest expense on long-term liabilities was \$100,092.

**NOTE 8 – CONDUIT DEBT OBLIGATIONS**

In 2007, the Town of Bel Air issued \$4.5 million in Economic Development Revenue Bonds pursuant to the Maryland Economic Development Revenue Bond Act to assist The Harford Day School, Incorporated in financing or refinancing the costs constructing a two-story addition to the school's existing field house, roof replacement for the library, improvements to the HVAC system controls and fire alarm systems, installations of a geothermal heating system, acquisition of a new phone system, miscellaneous classroom improvements, and acquisition of furnishings, fixtures and equipment in connection with the foregoing, and landscaping, roads, or other rights of access. The Town is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The principal balance of the bonds as of June 30, 2014, is \$3,850,000.

**TOWN OF BEL AIR, MARYLAND**

**Notes to Financial Statements  
June 30, 2014**

**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, 2014, the plan assets at fair market value were \$403,394 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.

Investments

The table below summarizes the target asset class weighting, along with the allowable ranges for each class.

<u>Investment Type</u>	<u>Range/Target</u>
Reserves	0% to 20%
Fixed Income	30% to 50%
Equity	50% to 70%

Funding Policy

The Plan requires active members to contribute to the System at the rate of 5.9% of covered compensation and the Town to contribute 8.7% of the members' covered compensation. Increases in the funding requirements, as determined by an actuary, shall be borne by the active members by adjusting the percent of the members' covered compensation to be contributed. As of June 30, 2014, plan assets at fair value totaled \$5,685,838.



**TOWN OF BEL AIR, MARYLAND**

**Notes to Financial Statements  
June 30, 2014**

**NOTE 9 – PENSION PLANS (CONTINUED)**

For 2014, the pension contribution was determined to be \$318,255. This contribution represents 11.1% 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, 2013 actuarial valuation using the projected unit credit actuarial cost method.

Membership of the Plan

The membership consisted of the following as of July 1, 2013, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	12
Terminated Plan members entitled to but not yet receiving benefits	5
Active Plan members	57
	74
	74

Actuarial Assumptions

The long-term expected rate of return on pension plan investments was determined using a standard building block approach. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic assumed rates of return for each class included in the pension plans' general target asset allocation as of June 30, 2014 is as follows:

<u>Investment Type</u>	<u>% of Portfolio</u>	<u>Assumed Rate of Return</u>
Equities:	67%	6.0%
Fixed Income:	30%	2.2%
Cash and Equivalents:	3%	0.80%

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 \$137,625. The Town's contribution for the year ended June 30, 2014 was \$254,690. As of June 30, 2014, there were 58 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, 2014**

**NOTE 9 – PENSION PLANS (CONTINUED)**

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

Net Pension Liability

The net pension liability is equal to the total pension liability minus the net position of the plan. The result as of June 30, 2014 is as follows:

Total pension liability	\$	7,602,800
Net position		(5,685,838)
Net pension liability	\$	<u>1,916,962</u>

Net position as a percentage of total pension liability is 74.8%.

**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.

Investments

The table below summarizes the target asset class weighting, along with the allowable ranges for each class.

<u>Investment Type</u>	<u>Range/Target</u>
Reserves	0% to 20%
Fixed Income	30% to 50%
Equity	50% to 70%

## TOWN OF BEL AIR, MARYLAND

### Notes to Financial Statements June 30, 2014

#### NOTE 9 – PENSION PLANS (CONTINUED)

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

###### Funding Policy

The Plan requires active members to contribute to the System at the rate of 11.62% of covered compensation and the Town to contribute 9.4% 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. Required contribution for the year ended June 30, 2014 was \$215,712. As of June 30, 2014, plan assets at fair value totaled \$5,485,517.

###### Membership of the Plan

The membership consisted of the following as of July 1, 2013, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	10
Terminated Plan members entitled to but not yet receiving benefits	-
Active Plan members	30
	<u>40</u>

###### Actuarial Assumptions

The long-term expected rate of return on pension plan investments was determined using a standard building block approach. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic assumed rates of return for each class included in the pension plans' general target asset allocation as of June 30, 2014 is as follows:

<u>Investment Type</u>	<u>% of Portfolio</u>	<u>Assumed Rate of Return</u>
Equities:	67%	6.0%
Fixed Income:	30%	2.2%
Cash and Equivalents:	3%	0.80%

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 \$190,035. The Town's contribution for the year ended June 30, 2014 was \$171,769. As of June 30, 2014, there were 31 current employee participants in the Plan. A participant is fully vested after five years.

**TOWN OF BEL AIR, MARYLAND**

**Notes to Financial Statements  
June 30, 2014**

**NOTE 9 – PENSION PLANS (CONTINUED)**

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

Net Pension Liability

The net pension liability is equal to the total pension liability minus the net position of the plan. The result as of June 30, 2014 is as follows:

Total pension liability	\$ 7,337,856
Net position	<u>(5,485,517)</u>
Net pension liability	<u>\$ 1,852,339</u>

Net position as a percentage of total pension liability is 74.8%.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the plan, calculated using a discount rate of 7.50% as well as what the plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.50%) or 1-percentage point higher (8.50%) than the current rate:

	<b>1.0% decrease (6.50%)</b>	<b>Current rate 7.50%</b>	<b>1.0% increase (8.50%)</b>
Net pension liability	<u>\$ 5,484,237</u>	<u>\$ 3,769,301</u>	<u>\$ 2,312,645</u>

**TOWN OF BEL AIR, MARYLAND**

**Notes to Financial Statements  
June 30, 2014**

**NOTE 9 – PENSION PLANS (CONTINUED)**

The financial information for each plan as of and for the year ended June 30, 2014, is summarized as follows:

	<b>As of June 30, 2014</b>		
	<b>Civilian 401 (a) Plan</b>	<b>Civilian Pension Trust</b>	<b>Sworn Officers' Pension Trust</b>
<b>ASSETS</b>			
Cash and equivalents	\$ -	\$ 218,046	\$ 172,797
Investments:			
Mutual funds	-	5,475,771	5,319,558
Fiscal agents	403,394	-	-
Total assets	<u>403,394</u>	<u>5,693,817</u>	<u>5,492,355</u>
<b>LIABILITIES</b>			
Accounts payable	-	7,979	6,838
<b>NET POSITION</b>			
Held in trust for pension benefits	<u>\$ 403,394</u>	<u>\$ 5,685,838</u>	<u>\$ 5,485,517</u>
	<b>For the Year Ended June 30, 2014</b>		
	<b>Civilian 401 (a) Plan</b>	<b>Civilian Pension Trust</b>	<b>Sworn Officers' Pension Trust</b>
<b>ADDITIONS</b>			
Contributions			
Employer contributions	\$ -	\$ 254,690	\$ 171,769
Employee contributions	-	137,625	190,035
Total contributions	-	392,315	361,804
Investment gain:			
Net increase in the fair value of inves	34,938	823,039	800,388
Total additions	<u>34,938</u>	<u>1,215,354</u>	<u>1,162,192</u>
<b>DEDUCTIONS</b>			
Benefit payments	15,300	253,354	293,451
Contractual services	-	39,113	37,599
Total deductions	<u>15,300</u>	<u>292,467</u>	<u>331,050</u>
<b>CHANGE IN NET POSITION</b>	19,638	922,887	831,142
<b>NET POSITION HELD IN TRUST FOR PENSION BENEFITS:</b>			
<b>BEGINNING OF YEAR</b>	<u>383,756</u>	<u>4,762,951</u>	<u>4,654,375</u>
<b>END OF YEAR</b>	<u>\$ 403,394</u>	<u>\$ 5,685,838</u>	<u>\$ 5,485,517</u>

**TOWN OF BEL AIR, MARYLAND**

**Notes to Financial Statements  
June 30, 2014**

**NOTE 9 – PENSION PLANS (CONTINUED)**

**457 Deferred Compensation Plan**

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all government employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All amounts of compensation deferred under the plan, all property rights purchased with those amounts, and all income attributable to those amounts (until paid or made available to the employee or other beneficiary) are held in trust, with the Town serving as trustee, for the exclusive benefit of the plan participants and their beneficiaries, and the assets cannot be diverted to any other purpose. The Town’s beneficial ownership of plan assets held in the ICMA Retirement Trust are held for the further exclusive benefit of the plan participants and their beneficiaries.

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

**NOTE 10 – INTERFUND RECEIVABLES AND PAYABLES**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Sewer Fund</u>	<u>Parking Fund</u>	<u>Total</u>
Due from Other Funds:					
General Fund	\$ -	\$ 96,270	\$ 1,082,178	\$ 69,195	\$ 1,247,643
Sewer Fund	-	13,536	-	15	13,551
<b>Total</b>	<u>\$ -</u>	<u>\$ 109,806</u>	<u>\$ 1,082,178</u>	<u>\$ 69,210</u>	<u>\$ 1,261,194</u>
Due to Other Funds:					
Sewer Fund	\$ 1,082,178	\$ -	\$ -	\$ -	\$ 1,082,178
Parking Fund	69,195	-	15	-	69,210
General Fund	-	-	-	-	-
Special Revenue Fund	96,270	-	13,536	-	109,806
<b>Total</b>	<u>\$ 1,247,643</u>	<u>\$ -</u>	<u>\$ 13,551</u>	<u>\$ -</u>	<u>\$ 1,261,194</u>

**TOWN OF BEL AIR, MARYLAND**

**Notes to Financial Statements  
June 30, 2014**

**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, 2014, was \$34,543 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.

<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>
2014	\$ 60,000	\$ 34,543	57.57%
2013	60,000	27,216	45.36%
2012	60,000	26,174	43.62%

**TOWN OF BEL AIR, MARYLAND**

**Notes to Financial Statements  
June 30, 2014**

**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.

**NOTE 13– SPECIAL REVENUE FUND BALANCE**

As of June 30, 2014, the Special Revenue Fund was designated for the following purposes:

**Governmental Funds**

Nonspendable:		
Explorer Scouts	\$	5,236
Auxillary Police		34
Total Nonspendable		<u>5,270</u>
Restricted:		
Shamrock Park Renovation Grant		(11,116)
Community Legacy Grant		50,000
Total Restricted		<u>38,884</u>
Committed:		
Tree planting – fee in lieu		703
Tree planting – forest conservation		12,254
Revolving loan fund		77,380
Seized property		3,148
Open space fee in lieu		8,450
Stormwater management - fee in lieu		54,527
Total Committed		<u>156,462</u>
Assigned:		
Public amenity – gardens/park/art		45,240
Cultural arts, sculpture		5,171
Cultural arts		9,710
Larew book		263
Marketplace on Main		550
Comprehensive plan		12
Empty cartridges		284
Explorer scouts		8,201
Auxiliary police		14,410
Historic preservation		1,845
Total Assigned		<u>85,686</u>
<b>Total fund balance</b>		<u><u>\$ 286,302</u></u>



## **TOWN OF BEL AIR, MARYLAND**

### **Notes to Financial Statements June 30, 2014**

#### **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 \$1,993 during the year ended June 30, 2014.

#### **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.

#### **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 September 29, 2014, the Town entered into a business loan agreement with PNC Bank, National Association in the amount of \$287,662 to finance the purchase of three police vehicles, Director of Planning's vehicle, one backhoe, one dump truck, and one parking jeep. The interest rate is 1.90% with principal and interest payable semi-annually on February 15 and August 15 which will continue until August, 2021.

On October 30, 2014, the Town paid off the Town of Bel Air Auditorium Bond, 2008B in the amount of \$256,079.53 without any prepayment penalty. The interest rate was 4.15% and the original maturity was October, 2018. The payoff was a planned expenditure and budgeted from the unassigned fund balance in fiscal year 2015.

On December 29, 2014, the Town loaned the John Carroll School \$84,901 for 5 years at an interest rate of 2.29%. John Carroll was responsible for funding half of the cost of the sanitary sewer main replacement on their property. Principal and interest is payable semi-annually on June 29 and December 29 which will continue until December, 2019.

On January 5, 2015, the Town entered into the Sewer Fund I&I Services/Main Replacement Bond, 2015 with Harford Bank in the amount of \$569,802. The funds will be used to perform needed repairs to the sanitary sewer system in various areas within the Town of Bel Air as well as a sanitary sewer main replacement located on the John Carroll School Property. The interest rate is 2.29% with principal and interest payable semi-annually on April 1 and October 1 which will continue until October, 2024.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF BEL AIR, MARYLAND**

**Schedule of Funding Progress - OPEB  
June 30, 2014**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll (b-a/c)</b>
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%

**TOWN OF BEL AIR, MARYLAND**

**Schedule of Changes in Pension Fund Net Pension Liability and Related Ratios  
June 30, 2014**

	Civilian Employees Pension Plan	Sworn Officers Pension Plan
	<u>Plan</u>	<u>Plan</u>
Total pension liability		
<b>Service Cost:</b> Retirement benefits Administration	\$ 231,098	\$ 142,101
Interest	539,426	522,365
Differences between expected and actual experiences	-	-
Benefit payments, including refunds of member contributions, death, & terminations	<u>(253,354)</u>	<u>(293,451)</u>
<b>Net changes in total pension liability</b>	517,170	371,015
Total pension liability - beginning	<u>7,085,630</u>	<u>6,966,841</u>
Total pension liability - ending (a)	<u><u>\$7,602,800</u></u>	<u><u>\$7,337,856</u></u>
<b>Plan fiduciary net position</b>		
Contributions - employer	\$ 254,690	\$ 171,769
Contributions - member	137,625	190,035
Net investment income	823,039	800,388
Receipts of In-kind	-	-
Benefit payments, including refunds of member contributions	(253,354)	(293,451)
Administrative expense	<u>(39,113)</u>	<u>(37,599)</u>
<b>Net changes in plan fiduciary net position</b>	922,887	831,142
Plan fiduciary net positions - beginning	<u>4,762,951</u>	<u>4,654,375</u>
Plan fiduciary net positions - ending (b)	<u><u>\$5,685,838</u></u>	<u><u>\$5,485,517</u></u>
<b>Town's net pension - liability - ending (a) - (b)</b>	\$1,916,962	\$1,852,339
Plan fiduciary net position as a percentage of total pension liability	74.80%	74.80%
Covered employee payroll	\$2,495,671	\$1,396,968
Net liability as a percentage of covered payroll	76.80%	132.60%
Annual money-weighted rate of return, net of investment expense	17.20%	17.20%

Notes to schedule:

This information is not available for previous years

**TOWN OF BEL AIR, MARYLAND**

**Schedule of Civilian Employees Pension Plan Employer Contributions  
June 30, 2014**

	<u>2014</u>
Actuarially determined contribution	\$ 318,255
Contributions in relation to the actuarially determined contributions	<u>(254,426)</u>
Contributions deficiency (excess)	<u>\$ 63,829</u>
Covered employee payroll	\$2,495,671
Contributions as a percentage of covered employee payroll	10.19%

Notes to schedule

Valuation Date

Actuarially determined contributions rates are calculated as of July 1, 2013,  
12 months prior to the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Investment return	7.50%
Mortality	RP-2000 Combined Healthy Mortality Table for Males and Females
Turnover	T4
Salary Scale	4.0% increases per year
Valuation of Assets	Market value as reported by the plan administrator, adjusted by a fraction of the investment (gains)/losses for the plan years preceding the current valuation year. Actuarial value can not exceed 120% of actual market value or be less than 80%.

Notes to schedule:

This information is not available for previous years.

**TOWN OF BEL AIR, MARYLAND**

**Schedule of Sworn Officers Pension Plan Employer Contributions  
June 30, 2014**

	<u>2014</u>
Actuarially determined contribution	\$ 215,712
Contributions in relation to the actuarially determined contributions	<u>(171,769)</u>
Contributions deficiency (excess)	<u>\$ 43,943</u>
Covered employee payroll	\$1,396,968
Contributions as a percentage of covered employee payroll	12.30%

Notes to schedule

Valuation Date

Actuarially determined contributions rates are calculated as of July 1, 2013,  
12 months prior to the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Investment return	7.50%
Mortality	RP-2000 Combined Healthy Mortality Table for Males and Females
Turnover	T4
Salary Scale	4.0% increases per year
Valuation of Assets	Market value as reported by the plan administrator, adjusted by a fraction of the investment (gains)/losses for the plan years preceding the current valuation year. Actuarial value can not exceed 120% of actual market value or be less than 80%.

Notes to schedule:

This information is not available for previous years.

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**SUPPLEMENTARY INFORMATION**

**TOWN OF BEL AIR, MARYLAND**

**Schedule of Cash and Cash Equivalents - General Fund  
June 30, 2014**

**UNRESTRICTED**

<b>M&amp;T Bank</b>	
Checking	\$ (2,396)
Payroll	1,000
<b>Harco Maryland Credit Union</b>	
Savings	5
<b>PeoplesBank</b>	
Money market	580
<b>TD Bank</b>	
Money market	207,023
<b>Baltimore County Savings Bank</b>	
Money market	245,632
<b>SunTrust Bank</b>	
Money market	248,987
<b>Wells Fargo Bank</b>	
Money market	71,874
<b>Susquehanna Bank</b>	
Money market	13,113
<b>Freedom Federal Credit Union</b>	
Money market	242,028
<b>Change fund</b>	1,450
<b>PNC</b>	
Local government investment pool	2,226,017
	<hr/>
<b>TOTAL UNRESTRICTED CASH</b>	<b>\$ 3,255,313</b>

**RESTRICTED**

<b>BB&amp;T Bank</b>	
Turner escrow	\$ 1,278
<b>Harford Bank</b>	
Savings	7,327
<b>PNC Bank</b>	
Local Government Investment Pool - 612 Rockspring Road	4,846
	<hr/>
<b>TOTAL RESTRICTED CASH</b>	<b>\$ 13,451</b>

**TOWN OF BEL AIR, MARYLAND**

**Schedule of Revenues and Expenditures Budget (Non-GAAP Budgetary Basis) and Actual  
General Fund  
Year Ended June 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>				
<b>Taxes - Local</b>				
Real property	\$ 6,675,136	\$ 6,645,136	\$ 6,648,227	\$ 3,091
Half-year real property	2,750	2,750	5,074	2,324
Personal property	12,000	12,000	5,073	(6,927)
Railroads and public utilities	321,600	377,600	377,880	280
Ordinary business corporations	550,000	550,000	540,954	(9,046)
Penalties and interest	45,000	45,000	34,533	(10,467)
<u>Deductions</u>				
Discounts allowed on taxes	(50,000)	(50,000)	(47,618)	2,382
Net local taxes	<u>7,556,486</u>	<u>7,582,486</u>	<u>7,564,123</u>	<u>(18,363)</u>
<b>Taxes - State Shared</b>				
Highway	322,568	322,568	321,563	(1,005)
Income taxes	1,226,132	1,265,332	1,441,395	176,063
Admission and amusement	34,000	34,000	50,825	16,825
Total taxes - state shared	<u>1,582,700</u>	<u>1,621,900</u>	<u>1,813,783</u>	<u>191,883</u>
<b>Licenses and Permits</b>				
<u>Business</u>				
Beer, wine and liquor	15,000	15,000	-	(15,000)
Traders	68,000	68,000	68,480	480
<u>Other Licenses and Permits</u>				
Building and equipment	37,500	24,500	25,369	869
Total - licenses and permits	<u>120,500</u>	<u>107,500</u>	<u>93,849</u>	<u>(13,651)</u>
<b>Revenue from Other Agencies</b>				
<u>Grants from State Government</u>				
Governor's office grant	7,188	-	-	-
Police protection	230,000	230,000	225,097	(4,903)
FEMA Grant	-	140,730	135,330	(5,400)
Baltimore Metropolitan Commission grant	160,000	-	-	-
<u>Grants from the Federal Government</u>				
Bulletproof vest grant	2,625	2,625	4,184	1,559
<u>Grants from County Government</u>				
Financial corporations	8,458	8,458	8,458	-
Tax rebate	1,133,401	1,133,401	1,133,400	(1)
Traffic grants	12,000	14,500	9,893	(4,607)
Total - revenue from other agencies	<u>1,553,672</u>	<u>1,529,714</u>	<u>1,516,362</u>	<u>(13,352)</u>
<b>Service Charges for Current Services</b>				
<u>General Government</u>				
MAWC well fees	18,000	18,000	14,517	(3,483)
Bel Air Reckord Armory fees	55,000	55,000	81,720	26,720
Finance fees	24,650	24,650	28,657	4,007
Zoning and subdivision fees	8,000	8,000	12,256	4,256

**TOWN OF BEL AIR, MARYLAND**

**Schedule of Revenues and Expenditures Budget (Non-GAAP Budgetary Basis) and Actual  
General Fund  
Year Ended June 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES (continued)</b>				
<b>Service Charges for Current Services (continued)</b>				
<u>General Government (Continued)</u>				
Maps and publication fees	\$ 100	\$ 100	\$ 52	\$ (48)
MD homebuilder guaranty fund	1,300	1,300	200	(1,100)
<u>Sanitation and Waste Removal</u>				
Sewer fund administrative fee	241,697	241,697	237,041	(4,656)
<u>Public Service Enterprises</u>				
Parking fund administrative fee	210,664	210,664	214,155	3,491
Reimbursement for police services	34,600	34,600	27,438	(7,162)
Police reports	1,300	1,300	1,190	(110)
Total - service charges for current services	<u>595,311</u>	<u>595,311</u>	<u>617,226</u>	<u>21,915</u>
<b>Fines</b>				
Traffic signal camera	300,000	492,297	464,933	(27,364)
False alarm	10,000	10,000	6,991	(3,009)
Total - fines	<u>310,000</u>	<u>502,297</u>	<u>471,924</u>	<u>(30,373)</u>
<b>Miscellaneous</b>				
Interest	30,000	20,000	21,987	1,987
Hearing and ad reimbursement	500	500	134	(366)
Cable TV franchise	145,000	145,000	155,478	10,478
Police and DPW overtime reimbursement	10,000	29,000	23,919	(5,081)
Rental income - Tenant house	250	250	648	398
Seized property	2,000	2,000	2,862	862
Equipment/vehicle sale proceeds	10,000	15,300	14,398	(902)
Miscellaneous	9,000	44,046	54,726	10,680
Total - miscellaneous	<u>206,750</u>	<u>256,096</u>	<u>274,152</u>	<u>18,056</u>
<b>TOTAL REVENUES</b>	<u><u>\$ 11,925,419</u></u>	<u><u>\$ 12,195,304</u></u>	<u><u>\$ 12,351,419</u></u>	<u><u>\$ 156,115</u></u>
<b>EXPENDITURES</b>				
<b>General Government</b>				
<u>Legislative</u>				
Commissioners				
Salaries	\$ 25,200	\$ 25,200	\$ 25,020	\$ 180
Operating expenses	19,790	19,790	9,932	9,858
<u>Town Clerk</u>				
Salaries	233,858	233,858	234,180	(322)
Operating expenses	52,806	52,806	41,644	11,162
Salary study	20,000	20,000	15,000	5,000
<u>Executive</u>				
Town Administrator				
Salaries	112,720	152,320	152,322	(2)
Operating expenses	25,957	27,157	26,980	177
Transfer to Capital Reserve	30,000	230,000	-	230,000
<u>Elections</u>				
Registration and Election				
Operating expenses	3,514	2,517	2,660	(143)

**TOWN OF BEL AIR, MARYLAND**

**Schedule of Revenues and Expenditures Budget (Non-GAAP Budgetary Basis) and Actual  
General Fund  
Year Ended June 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>EXPENDITURES (continued)</b>				
<b>General Government (continued)</b>				
<u>Finance</u>				
Salaries	\$ 225,818	\$ 225,818	\$ 224,970	\$ 848
Operating expenses	26,783	26,783	26,032	751
GASB pension review	-	10,000	10,000	-
Independent auditing	16,986	16,986	16,986	-
<u>Law</u>				
Legal Counsel				
Operating expenses	50,300	50,300	44,810	5,490
<u>Planning and Zoning</u>				
Salaries	282,046	282,046	282,884	(838)
Operating expenses	63,262	73,262	54,406	18,856
Traffic Study Rt. 1/Rt. 24	200,000	30,000	30,000	-
<u>Economic Development</u>				
Salaries	193,211	199,511	200,888	(1,377)
Operating expenses	105,070	105,070	82,775	22,295
Armory Marketplace	100,000	100,000	100,000	-
<u>General Services</u>				
Municipal Buildings				
Salaries	33,843	33,843	31,424	2,419
Operating expenses	290,870	310,870	326,909	(16,039)
Capital outlay	-	152,640	145,440	7,200
<u>Bel Air Reckord Armory</u>				
Salaries	42,970	42,970	43,088	(118)
Operating expenses	111,204	111,204	119,566	(8,362)
Capital outlay	-	-	4,228	(4,228)
<u>Other General Government</u>				
Community Promotion				
Operating expenses	8,800	8,800	8,120	680
Public Officers' Association				
Operating expenses	17,120	17,120	17,002	118
<u>Technology</u>				
Operating expenses	133,285	133,285	68,935	64,350
Capital outlay	124,520	124,520	86,275	38,245
Total - general government	<u>2,549,933</u>	<u>2,818,676</u>	<u>2,432,476</u>	<u>386,200</u>
<b>Public Safety</b>				
<u>Administrative, Patrol and Investigation</u>				
Salaries	2,903,412	2,918,912	2,832,433	86,479
Operating expenses	278,103	315,815	316,900	(1,085)
Capital outlay	75,150	75,150	77,111	(1,961)
<u>Traffic Safety</u>				
Red light camera program	156,619	191,619	181,666	9,953

**TOWN OF BEL AIR, MARYLAND**

**Schedule of Revenues and Expenditures Budget (Non-GAAP Budgetary Basis) and Actual  
General Fund  
Year Ended June 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>EXPENDITURES (continued)</b>				
<b>Public Safety (continued)</b>				
<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>3,605,953</u>	<u>3,694,165</u>	<u>3,600,342</u>	<u>93,823</u>
<b>Public Works</b>				
<u>General Administration</u>				
Salaries	537,108	576,308	574,656	1,652
Operating expenses	139,672	131,672	113,268	18,404
<u>Highways and Streets</u>				
Streets, Roadways and Alleys				
Salaries	405,743	405,743	438,072	(32,329)
Operating expenses	198,842	198,842	216,347	(17,505)
Sidewalk, curb and street construction	365,000	365,000	335,110	29,890
Capital outlay	366,000	171,300	163,974	7,326
Street Lighting				
Operating expenses	153,000	153,000	170,826	(17,826)
<u>Sanitation and Waste Removal</u>				
Waste Collection and Disposal				
Salaries	399,595	399,595	373,505	26,090
Operating expenses	157,978	157,978	155,182	2,796
Capital outlay	-	-	-	-
Shop				
Salaries	159,021	159,021	158,987	34
Operating expenses	196,084	241,034	259,492	(18,458)
Total - public works	<u>3,078,043</u>	<u>2,959,493</u>	<u>2,959,419</u>	<u>74</u>
<b>Recreation and Parks</b>				
<u>Participation Recreation</u>				
Operating expenses	110,900	110,900	110,898	2
<u>A &amp; B Committee</u>				
Operating expenses	38,300	38,300	36,474	1,826
<u>Cultural Arts Committee</u>				
Operating expenses	8,350	8,350	7,846	504
Total - recreation and parks	<u>157,550</u>	<u>157,550</u>	<u>155,218</u>	<u>2,332</u>
<b>Miscellaneous</b>				
Disability insurance	14,700	14,700	14,580	120
Hospital insurance	945,000	983,500	983,545	(45)
Optical and dental plan	24,700	24,700	23,924	776
Social security	436,000	436,000	427,022	8,978
Life insurance	21,000	21,000	21,022	(22)
Pension and deferred compensation contributions	484,110	484,110	471,782	12,328

**TOWN OF BEL AIR, MARYLAND**

**Schedule of Revenues and Expenditures Budget (Non-GAAP Budgetary Basis) and Actual  
General Fund  
Year Ended June 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>EXPENDITURES</b> (continued)				
<b>Miscellaneous</b> (continued)				
OPEB	\$ 60,000	\$ 60,000	\$ 60,000	\$ -
Workmen's compensation	156,331	135,231	130,447	4,784
Unemployment claims	200	11,380	11,380	-
General insurance	85,000	85,000	82,582	2,418
Contingency	12,000	12,000	12,269	(269)
Debt service	440,741	440,741	440,593	148
Contributions/donations	19,150	19,150	18,572	578
Miscellaneous	50,358	53,258	49,736	3,522
Total - miscellaneous	<u>2,749,290</u>	<u>2,780,770</u>	<u>2,747,454</u>	<u>33,316</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 12,140,769</u>	<u>\$ 12,410,654</u>	<u>\$ 11,894,909</u>	<u>\$ 515,745</u>
<b>SUMMARY</b>				
<b>TOTAL REVENUES</b>	\$ 11,925,419	\$ 12,195,304	\$ 12,351,419	\$ 156,115
<b>TOTAL EXPENDITURES</b>	<u>12,140,769</u>	<u>12,410,654</u>	<u>11,894,909</u>	<u>515,745</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ (215,350)</u>	<u>\$ (215,350)</u>	<u>\$ 456,510</u>	<u>\$ 671,860</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, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>				
<b>Revenue from Other Agencies</b>				
CDBG grant	\$ 69,801	69,801	-	(69,801)
Program Open Space grant	50,000	50,000	-	(50,000)
Parks & Playground grant	142,000	142,000	64,878	(77,122)
Community Legacy grant	200,000	200,000	41,242	(158,758)
Total - revenue from other agencies	<u>461,801</u>	<u>461,801</u>	<u>106,120</u>	<u>(355,681)</u>
<b>Miscellaneous</b>				
Christmas parade	100	100	-	(100)
Historic preservation	2,400	2,400	1,619	(781)
Tree planting - forest conservation	2,400	2,400	-	(2,400)
Tree planting - fee in lieu	1,800	1,800	-	(1,800)
Stormwater management fee in lieu	35,000	35,000	1,936	(33,064)
Open space fee in lieu	-	8,450	9,455	1,005
Public amenity - gardens, parks, and art	7,500	7,500	-	(7,500)
Empty printer cartridges	-	-	55	55
Transfer from General Fund seized property	10,000	10,000	-	(10,000)
Larew book	100	100	27	(73)
Explorer scouts	2,500	2,500	8,539	6,039
Auxiliary police	6,000	6,000	1,735	(4,265)
Cultural arts project	500	500	6,539	6,039
Shamrock Park renovation	-	126,000	112,250	(13,750)
Revolving loan fund	45,000	45,000	1,739	(43,261)
Total - miscellaneous	<u>113,300</u>	<u>247,750</u>	<u>143,894</u>	<u>(103,856)</u>
<b>TOTAL REVENUES</b>	<u>\$ 575,101</u>	<u>\$ 709,551</u>	<u>\$ 250,014</u>	<u>\$ (459,537)</u>
<b>EXPENDITURES</b>				
<b>General Government</b>				
Historic preservation	\$ 2,400	\$ 2,400	\$ 3,458	\$ (1,058)
Revolving loan fund	45,000	45,000	25	44,975
Community Legacy grant	200,000	200,000	15,582	184,418
Total - general government	<u>247,400</u>	<u>247,400</u>	<u>19,065</u>	<u>228,335</u>
<b>Public Safety</b>				
Seized property	10,000	10,000	4,796	5,204



**TOWN OF BEL AIR, MARYLAND**

**Schedule of Revenues and Expenditures Budget (Non-GAAP Budgetary Basis) and Actual  
Special Revenue Fund  
Year Ended June 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>EXPENDITURES (continued)</b>				
<b>Public Safety (continued)</b>				
Auxiliary police	6,000	6,000	889	5,111
Total - public safety	<u>16,000</u>	<u>16,000</u>	<u>5,685</u>	<u>10,315</u>
<b>Public Works</b>				
CDBG	69,801	69,801	-	69,801
Stormwater management - fee in lieu	<u>35,000</u>	<u>35,000</u>	<u>10,403</u>	<u>24,597</u>
Total - public works	<u>104,801</u>	<u>104,801</u>	<u>10,403</u>	<u>94,398</u>
<b>Recreation and Parks</b>				
Tree planting - forest conservation	2,400	2,400	6,824	(4,424)
Tree planting - fee in lieu	1,800	1,800	320	1,480
Open space fee in lieu	-	8,450	1,005	7,445
Explorer Scouts	2,500	2,500	8,278	(5,778)
Cultural arts project	500	500	2,568	(2,068)
Cultural arts sculpture	-	-	1,899	(1,899)
Public amenity - gardens, parks and art	7,500	7,500	1,750	5,750
Program Open Space grant	50,000	50,000	-	50,000
Parks & Playground grant	142,000	142,000	64,878	77,122
Plumtree Park improvements	-	-	20,000	(20,000)
Shamrock Park renovation	-	126,000	123,366	2,634
Christmas parade	100	100	-	100
Total - recreation and parks	<u>206,800</u>	<u>341,250</u>	<u>230,888</u>	<u>110,362</u>
<b>Miscellaneous</b>				
Larew book	<u>100</u>	<u>100</u>	<u>-</u>	<u>100</u>
Total - miscellaneous	<u>100</u>	<u>100</u>	<u>-</u>	<u>100</u>
<b>TOTAL EXPENDITURES</b>	<u><u>\$ 575,101</u></u>	<u><u>\$ 709,551</u></u>	<u><u>\$ 266,041</u></u>	<u><u>\$ 443,510</u></u>
<b>Summary</b>				
<b>TOTAL REVENUES</b>	\$ 575,101	\$ 709,551	\$ 250,014	\$ (459,537)
<b>TOTAL EXPENDITURES</b>	<u>575,101</u>	<u>709,551</u>	<u>266,041</u>	<u>443,510</u>
<b>DEFICIENCY OF EXPENDITURES OVER REVENUES</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (16,027)</u></u>	<u><u>\$ (16,027)</u></u>

**TOWN OF BEL AIR, MARYLAND**

**Schedule of Revenues and Expenditures Compared to Budget  
Parking Fund  
Year Ended June 30, 2014**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>OPERATING REVENUES</b>			
<b>Service Charges for Current Services</b>			
<u>Highways and Streets</u>			
Meter collections	\$ 168,300	\$ 174,587	\$ 6,287
Lease fees	73,440	74,359	919
<b>Fines and Forfeitures</b>			
Parking	96,000	125,279	29,279
<b>Miscellaneous</b>			
County share operating expenses and capital repairs	139,959	554,412	414,453
Miscellaneous	<u>2,640</u>	<u>2,696</u>	<u>56</u>
Total - operating revenues	480,339	931,333	450,994
<b>OPERATING EXPENSES</b>			
<b>Miscellaneous</b>			
Compensated absences	-	(251)	251
Postage	1,887	1,841	46
Miscellaneous	2,900	3,346	(446)
Parking fine charges	20,880	26,842	(5,962)
Depreciation	110,550	90,272	20,278
<b>Lots and Meters</b>			
Transfer to general fund - administrative costs	144,927	148,999	(4,072)
Maintenance	3,000	-	3,000
Operating expenses	6,475	3,021	3,454
<b>Parking Garage</b>			
Transfer to general fund - administrative costs	65,737	65,156	581
Operating expenses	47,200	46,319	881
Insurance	13,192	15,122	(1,930)
Routine repairs	-	11,315	(11,315)
Maintenance	3,750	3,630	120
Capital repairs	<u>15,000</u>	<u>-</u>	<u>15,000</u>
Total - operating expenses	<u>435,498</u>	<u>415,612</u>	<u>19,886</u>
Operating income	44,841	515,721	470,880
<b>Non-operating Revenues (Expenses)</b>			
Interest income - investment	13	162	149
Interest expense - parking garage renovations	(5,939)	(4,708)	1,231
- parking garage	<u>(16,321)</u>	<u>(16,321)</u>	<u>-</u>
Total - non-operating expenses	<u>(22,247)</u>	<u>(20,867)</u>	<u>1,380</u>
<b>NET INCOME</b>	<u>\$ 22,594</u>	<u>\$ 494,854</u>	<u>\$ 472,260</u>

**TOWN OF BEL AIR, MARYLAND**

**Schedule of Revenues and Expenditures Compared to Budget  
Sewer Fund  
Year Ended June 30, 2014**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>OPERATING REVENUES</b>			
<b>Revenues From Other Agencies</b>			
FEMA Grant Emergency Generators	\$ 66,000	\$ -	\$ (66,000)
<b>Service Charges for Current Services</b>			
Sanitation and Waste Removal			
Sewerage charges	2,097,248	2,136,999	39,751
Sewer connection charges	50,000	21,080	(28,920)
Other revenues	32,180	29,072	(3,108)
User benefit fees	33,075	33,075	-
	<u>2,278,503</u>	<u>2,220,226</u>	<u>(58,277)</u>
<b>OPERATING EXPENSES</b>			
Salaries - direct and on call time	111,673	112,484	(811)
- overtime	34,283	24,121	10,162
Compensated absences	-	627	(627)
Contractual services	1,373,778	1,319,724	54,054
Amortization	24,248	24,248	-
Supplies	3,721	3,026	695
Utilities	10,700	14,289	(3,589)
Misc Utility fees	3,000	2,925	75
Depreciation	55,607	55,729	(122)
Maintenance	38,000	22,160	15,840
Connection costs	50,000	21,080	28,920
Water company charges	2,070	1,928	142
Contingency	2,500	22,867	(20,367)
Transfer to general fund - administrative costs	241,697	237,041	4,656
User benefit fee	33,075	33,075	-
Root control maintenance	32,000	31,588	412
Main and lateral repairs	25,000	1,733	23,267
Insurance	18,708	12,040	6,668
Transfer to SSCI reserve	80,000	-	80,000
Sanitary sewer station emergency generators	88,000	-	88,000
Sustainability	13,160	12,059	1,101
I&I Projects	-	278,776	(278,776)
Miscellaneous	1,970	1,621	349
Total - operating expenses	<u>2,243,190</u>	<u>2,233,141</u>	<u>10,049</u>
Operating income	35,313	(12,915)	(48,228)
<b>Nonoperating Revenues (Expenses)</b>			
Interest income - investment	-	636	636
Non-operating expense - interest	(35,313)	(24,693)	10,620
Total non-operating expenses	<u>(35,313)</u>	<u>(24,057)</u>	<u>11,256</u>
<b>NET LOSS</b>	<u>\$ -</u>	<u>\$ (36,972)</u>	<u>\$ (36,972)</u>

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**Headquarters:**

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