

**TOWN OF BEL AIR, MARYLAND**

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

**For the Year Ended June 30, 2010**



**JUNE 30, 2010**

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## **REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**

The Commissioners of the  
Town of Bel Air, Maryland

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bel Air, Maryland (the Town) as of June 30, 2010 and for the year then ended, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements and supplemental schedules are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2010, and the changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the general fund and special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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



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



Hunt Valley, MD  
January 27, 2011

## TOWN OF BEL AIR, MARYLAND

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2010

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, 2010. 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, 2010, by \$9,207,522 (net assets). Approximately 20.7% of this amount is attributable to the business-type activities. Of the total net assets, \$1,143,633 (unrestricted net assets) may be used to meet the Town's ongoing obligations to citizens and creditors (21.0% is attributable to the business-type activities). Of the remaining total net assets, \$285,829 is restricted for specific purposes (restricted net assets), and \$7,778,060 is invested in capital assets, net of related debt.
- The Town's overall financial position has improved with total net assets increasing by \$956,626 during the fiscal year. Net assets for governmental and business-type activities increased \$1,287,346 and decreased \$330,720, respectively.

##### Fund Level:

- As of June 30, 2010, the Town's governmental funds reported a combined ending fund balance of \$3,284,030, an increase of \$609,726 in comparison with the prior year. Of this total amount, \$2,396,632 or 73.0% is available to meet the Town's current and future needs and is an unreserved and undesignated fund balance.
- As of June 30, 2010, the unreserved, undesignated fund balance for the General Fund (primary operating fund) was \$2,396,632 or 22.0% of total General Fund expenditures.

##### Long-Term Debt:

- The Town's long-term debt decreased \$463,535 (9.4%) during the current fiscal year. The decrease was the net result of making the following scheduled payments: \$254,906 toward the Town's total general obligation bonded debt, \$253,146 toward total equipment/vehicle notes, and \$35,976 toward other notes with an increase of \$80,493 for compensated balances.

#### 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.

## TOWN OF BEL AIR, MARYLAND

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2010

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

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

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

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

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

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

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

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

## TOWN OF BEL AIR, MARYLAND

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2010

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 governmental-wide financial statements. The Town uses enterprise funds to account for its Parking and Sewer activities. The basic proprietary fund financial statements can be found by referring to the table of contents which begins on page 1 of this report.

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

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

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

### Government-wide Financial Analysis

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

As noted earlier, net assets may serve over time as a useful indicator of a government's overall financial condition and position. In the case of the Town, assets exceeded liabilities by \$9,207,522 as of June 30, 2010. The Town of Bel Air's net assets are divided into three categories - invested in capital assets (net of related debt), restricted net assets, and unrestricted net assets.

**TOWN OF BEL AIR, MARYLAND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2010**

The largest portion of the Town's net assets is in investment in capital assets net of depreciation (e.g., land, improvements, buildings, machinery, equipment, vehicles, infrastructure, and sewer system), less any related debt used to acquire those assets and accumulated depreciation. As of June 30, 2010, capital assets were valued at \$7,778,060 net of related debt and accumulated depreciation or 84.5% of total net assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The balance of unrestricted net assets as of June 30, 2010, was \$1,143,633 or 12.4% of total net assets and may be used to meet the government's ongoing obligations to citizens and creditors. The balance of restricted net assets as of June 30, 2010, was \$285,829 or 3.1% of total net assets and are resources that are subject to external restrictions on how they may be used.

For the fiscal year ended June 30, 2010, the Town reported positive balances in all three categories of net assets for the Town as a whole as well as for governmental activities and business-type activities separately.

The following tables reflect the condensed statement of net assets and the schedule of changes in net assets for governmental and business-type activities:

**NET ASSETS**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>Assets</b>						
Current and other assets	\$ 4,372,930	\$ 3,951,695	\$ 1,397,156	\$ 1,531,181	\$ 5,770,086	\$ 5,482,876
Capital assets	7,011,100	6,643,758	2,699,631	2,802,354	9,710,731	9,446,112
<b>Total assets</b>	<b>11,384,030</b>	<b>10,595,453</b>	<b>4,096,787</b>	<b>4,333,535</b>	<b>15,480,817</b>	<b>14,928,988</b>
<b>Liabilities</b>						
Other liabilities	929,486	1,118,449	902,184	654,483	1,831,670	1,772,932
Long-term liabilities	3,151,970	3,461,776	1,289,655	1,443,384	4,441,625	4,905,160
<b>Total liabilities</b>	<b>4,081,456</b>	<b>4,580,225</b>	<b>2,191,839</b>	<b>2,097,867</b>	<b>6,273,295</b>	<b>6,678,092</b>
<b>Net Assets</b>						
Invested in capital assets, net of related debt	6,300,261	5,684,727	1,477,799	1,421,294	7,778,060	7,106,021
Restricted	99,138	123,560	186,691	171,691	285,829	295,251
Unrestricted	903,175	206,941	240,458	642,683	1,143,633	849,624
<b>Total net assets</b>	<b>\$ 7,302,574</b>	<b>\$ 6,015,228</b>	<b>\$ 1,904,948</b>	<b>\$ 2,235,668</b>	<b>\$ 9,207,522</b>	<b>\$ 8,250,896</b>

TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2010

CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 653,948	\$ 1,225,100	\$ 2,678,323	\$ 2,528,053	\$ 3,332,271	\$ 3,753,153
Operating grants/ contributions	294,570	297,463	-	-	294,570	297,463
Capital grants/ contributions	495,341	190,432	-	50,533	495,341	240,965
General revenues:						
Property taxes	7,534,331	6,725,210	-	-	7,534,331	6,725,210
Shared taxes	2,012,921	1,897,608	-	-	2,012,921	1,897,608
Miscellaneous	628,801	645,548	-	-	628,801	645,548
Unrestricted investment earnings	84,117	123,904	12	10	84,129	123,914
<b>Total revenues</b>	<b>11,704,029</b>	<b>11,105,265</b>	<b>2,678,335</b>	<b>2,578,596</b>	<b>14,382,364</b>	<b>13,683,861</b>
<b>Expenses</b>						
General government	2,077,280	2,097,928	-	-	2,077,280	2,097,928
Public safety	3,520,481	3,594,321	-	-	3,520,481	3,594,321
Public works	2,507,836	2,680,419	-	-	2,507,836	2,680,419
Recreation and culture	216,145	164,670	-	-	216,145	164,670
Miscellaneous	2,017,997	1,991,997	-	-	2,017,997	1,991,997
Interest on long-term debt	76,944	66,212	-	-	76,944	66,212
Sewer	-	-	2,495,030	2,007,271	2,495,030	2,007,271
Parking facilities	-	-	514,025	557,778	514,025	557,778
<b>Total expenditures</b>	<b>10,416,683</b>	<b>10,595,547</b>	<b>3,009,055</b>	<b>2,565,049</b>	<b>13,425,738</b>	<b>13,160,596</b>
<b>Increase (decrease) in net assets</b>	<b>1,287,346</b>	<b>509,718</b>	<b>(330,720)</b>	<b>13,547</b>	<b>956,626</b>	<b>523,265</b>
<b>Net assets, beginning of year</b>	<b>6,015,228</b>	<b>5,505,510</b>	<b>2,235,668</b>	<b>2,222,121</b>	<b>8,250,896</b>	<b>7,727,631</b>
<b>Net assets, end of year</b>	<b>\$ 7,302,574</b>	<b>\$ 6,015,228</b>	<b>\$ 1,904,948</b>	<b>\$ 2,235,668</b>	<b>\$ 9,207,522</b>	<b>\$ 8,250,896</b>

**Governmental activities**

Governmental net assets increased by \$1,287,346. Property taxes, shared taxes, and charges for services represent 64%, 17%, and 6% of the Town's revenue stream respectively. The remaining 13% 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 2010 was \$11,704,029 which is \$598,764 higher than the previous year. Revenues from all property taxes, real and personal, increased \$809,121. Real estate revenues increased \$722,296 as a result of total assessments rising 12.4%.

## TOWN OF BEL AIR, MARYLAND

### MANAGEMENT'S DISCUSSION AND ANALYSIS

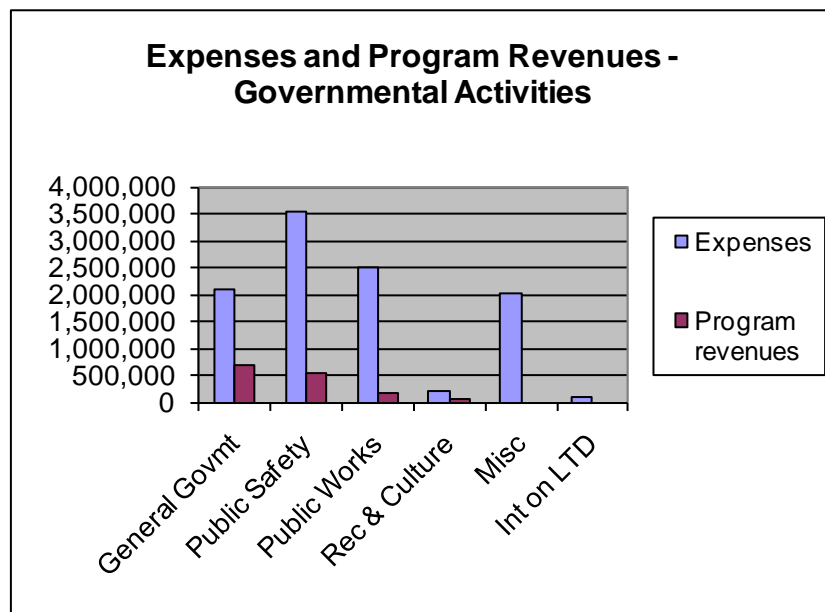
June 30, 2010

This increase seems counterintuitive when considering the effect of the current recession on the national economy. It is important to note that in the State of Maryland, all real estate property is assessed every three years. The real estate assessment increase in fiscal year 2010 was tethered to property valuations that occurred in calendar year 2007. The 2007 valuations affected real estate revenue in fiscal year 2009 through 2011. Therefore, despite declining real estate values nationally and locally, the Town's real property assessments continued to increase in fiscal year 2010.

Revenues from all shared taxes increased \$115,313 resulting from receiving more in income taxes than the previous year. Revenues from charges for services decreased \$571,152 resulting from a 90% cut in state shared highway user revenues.

Investment earnings declined \$39,785 entity wide. Since the State of Maryland investment pool's, in which the average maturity is less than 45 days and all investments are guaranteed fully by the Federal Government, average interest rate during the fiscal year was 0.20% compared to 1.41% in fiscal year 2009, the Town continued to utilize the CDARS program as well as investing more heavily in certificates of deposit at Maryland banks in order to take advantage of higher investment rates. As of June 30, 2010, the Town held \$2,728,500 in various certificates of deposit with rates ranging from 1.29%-2.28% and maturities no longer than 15-months.

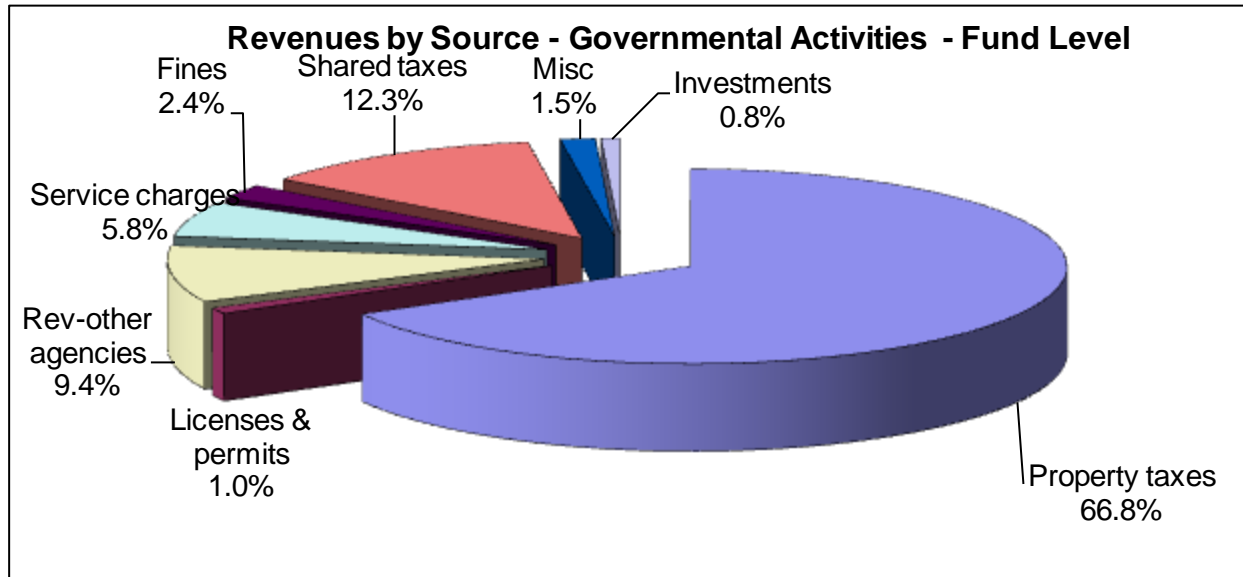
Governmental expenses were \$10,416,683 in fiscal year 2010, a decrease of \$178,864 or 1.7%. Public safety and public works are the two largest functional areas comprising 58% of all governmental expenses in fiscal year 2010. Public safety represents 34% of governmental expenses, while public works represents 24%. Public safety is basically unchanged from the previous year; however, public works decreased \$172,583.



**TOWN OF BEL AIR, MARYLAND**

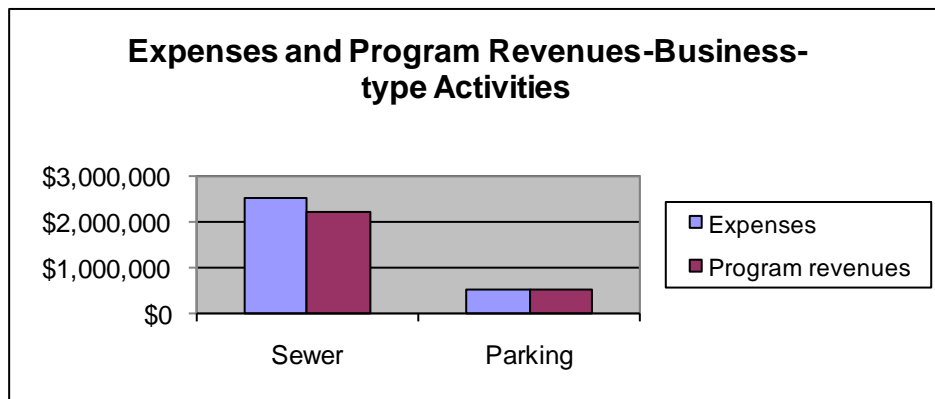
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2010**



**Business-type activities**

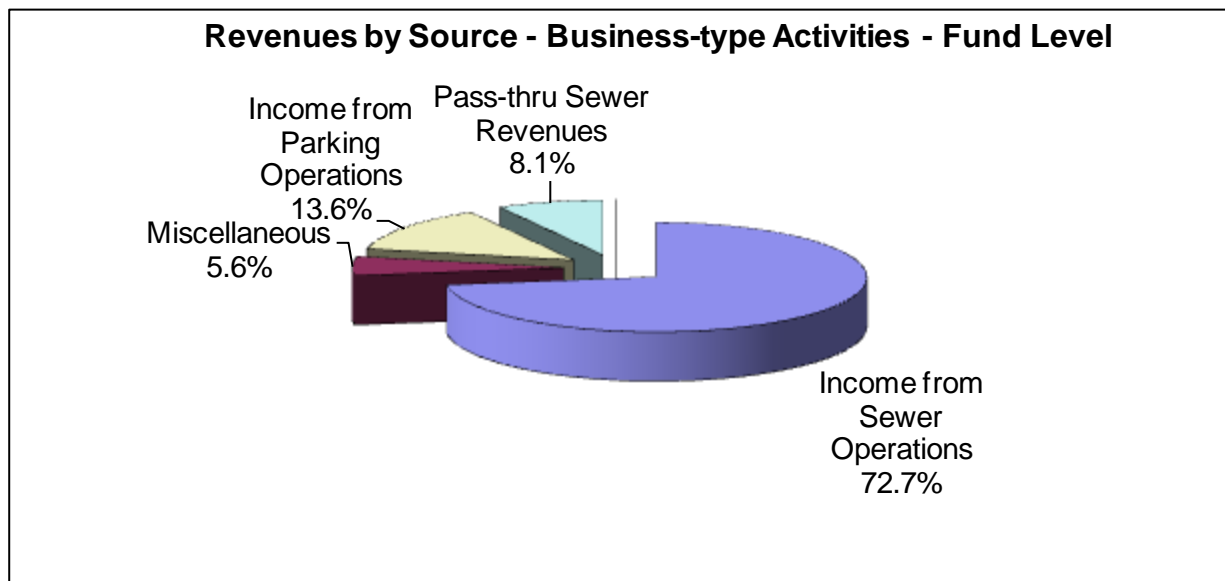
The Town operates two business-type enterprise funds, Parking and Sewer. Business-type net assets decreased by \$330,720 with net assets decreasing in each activity by \$21,975 and \$308,745, respectively. The large decrease in the sewer activity is due to a \$396,620 increase in the Harford County sewer bulk charges resulting from increased flows and a \$0.11 rate increase.



## TOWN OF BEL AIR, MARYLAND

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2010



#### Financial Analysis of the Town's Funds

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

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

As of June 30, 2010, the Town's governmental funds (general fund and special revenue fund) reported a combined ending fund balance of \$3,284,030, an increase of \$609,726 in comparison with the prior year. Approximately 75.8% of this total amount (\$2,490,147) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period (\$769,223) and 2) for a variety of other reserved purposes (\$24,660). The reserved fund balance, at 24.2% 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, the unreserved fund balance of the General Fund was \$2,396,632, while total fund balance was \$3,190,515. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund and total fund balance were 22.0% and 29.3% of total General Fund expenditures.

The Town's General Fund fund balance increased by \$628,844 during the current fiscal year. This was a result of revenues exceeding budget by \$246,236 due to \$69,236 more in local taxes, real and personal property taxes, and \$138,316 more in shared taxes which was mainly in the area of incomes taxes.

## TOWN OF BEL AIR, MARYLAND

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2010

The Town also experienced spending \$144,277 less in various expenditure areas as well as increasing the reserve for encumbrances by \$243,636 mainly for various street and sidewalk construction projects that were held until the end of the fiscal year.

The Special Revenue Fund has a total fund balance of \$93,515. The \$19,118 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 assets of the Parking Fund and the Sewer Fund were \$1,762,036 and \$142,912, respectively and decreased by \$21,975 in the Parking Fund and decreased \$308,745 in the Sewer Fund.

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

The net assets of the Sworn Officers' Pension Trust and the Civilian Pension Trust increased \$446,206 or 19.5% and \$588,727 or 17.9%, respectively. The increase in net assets in both Trust Plans is due to investment gains, instead of losses as in the prior year, and less benefit payments.

#### General Fund Budgetary Highlights

The final amended budget for the General Fund was decreased \$978,664 from the original budget.

The Town amended the budget in October, 2009 due to a 90% state cut in state shared highway user revenues (\$434,273) and a 25% state cut in state shared police protection revenues (\$83,104). The Town made the following cuts in expenditures: \$129,935 in the police department, \$166,163 in the public works department, and \$22,279 in the remaining departments.

The Town amended the budget in March, 2010 after its normal mid-year budget review. The budget was reduced by \$591,770. Revenues in the following areas were reduced: real property taxes (\$45,000), Harford County tax rebate (\$89,000), federal COPS grant (\$70,000), Bel Air High School Auditorium final debt proceeds (\$171,000), and the Town Hall/PD design proceeds (\$200,000). To account for the loss in the first two revenues noted above, cuts were made in most of the departments; however, the last three revenues noted above had a specific corresponding expenditure that was cut.

**TOWN OF BEL AIR, MARYLAND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2010**

The Town made its final budget amendment in July, 2010 adding \$130,483 to the budget. The amendment accounted for FEMA money in the amount of \$99,000 for the two snowstorms as well as additional monies (\$36,801) that the Town would receive in state shared highway user revenues.

During the year, however, revenues and other financing sources were more than budgetary estimates by \$246,236 and expenditures were \$144,277 less than anticipated.

**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, 2010 was \$9,710,731. This investment in capital assets includes land, buildings, improvements, machinery, equipment, furniture, fixtures, vehicles, infrastructure, and sewer system. The total increase in capital assets for the current fiscal year was 2.8%, comprised of a 5.5% increase for governmental activities and a 3.7% decrease in business-type activities.

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

**CAPITAL ASSETS  
(Net of Depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land and improvements	\$ 2,760,819	\$ 2,768,030	\$ 837,864	\$ 845,135	\$ 3,598,683	\$ 3,613,165
Buildings and improvements	2,055,809	1,615,193	1,096,183	1,146,302	3,151,992	2,761,495
Infrastructure	206,638	189,814	-	-	206,638	189,814
Machinery and equipment	508,338	494,542	61,935	63,031	570,273	557,573
Furniture and fixtures	399,295	318,995	-	-	399,295	318,995
Vehicles	1,080,201	1,257,184	221,689	242,086	1,301,890	1,499,270
Parking improvements	-	-	90,594	95,249	90,594	95,249
Sewer system	-	-	391,366	410,551	391,366	410,551
<b>Total</b>	<b>\$ 7,011,100</b>	<b>\$ 6,643,758</b>	<b>\$ 2,699,631</b>	<b>\$ 2,802,354</b>	<b>\$ 9,710,731</b>	<b>\$ 9,446,112</b>

Major capital asset events during the year ending June 30, 2010 included the following:

- Leasehold improvements of \$483,686 were completed at the Bel Air Reckord Armory/Armory Park.
- Building improvements of \$46,983 were completed mostly at the Rockfield Manor property with renovations to the tenant house (\$15,391) in preparation for it housing Harford Artists Gallery, renovations to the barn (\$10,740), and renovations to the house (\$9,440).
- The Police Department purchased one new replacement vehicle at a total cost of \$24,445.

**TOWN OF BEL AIR, MARYLAND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2010**

- The Public Works Department purchased a utility trailer (\$5,000), a tarp system (\$5,530), and two new giant leaf vacuum units (\$60,638).
- The Public Works Department contracted to have new sidewalks installed for a total cost of \$24,507.
- The Town purchased \$41,040 worth of computer hardware/software during the year.
- The Town purchased a street clock (\$5,000), playground equipment for two playgrounds (\$60,000), light fixtures for the bronze sculpture/base installed last year (\$5,200).
- The Town sold the following major assets at various public auctions and were removed from the Town's capital assets: two police vehicles (\$40,059), sweeper with giant leaf vacuum truck (\$43,905), and a stake body truck (\$23,890).
- In the Parking Fund, two new soft starters were purchased for the parking garage elevators at a total cost of \$5,800.
- In the Sewer Fund, a new submersible pump was purchased for English County Manor (\$10,513), while the old one was abandoned (\$8,700).

**Debt administration.** The Town's long-term debt as of June 30, 2010, was \$4,441,625. Of this amount, \$2,504,875 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 \$795,669, a note for the fuel storage tank replacement of \$55,390, an obligation to the Liquor Control Board employees' retirement system of \$11,669, and \$1,074,022 in compensated absences. The following table reflects the Town's long-term debt:

**LONG-TERM DEBT**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
General obligations bonds	\$1,423,263	\$1,559,165	\$1,081,612	\$1,200,616	\$2,504,875	\$2,759,781
Equipment/vehicle notes	655,449	868,371	140,220	180,444	795,669	1,048,815
Other notes	67,059	103,035	-	-	67,059	103,035
Compensated absences / OPEB	1,006,199	931,205	67,823	62,324	1,074,022	993,529
<b>Total</b>	<u>\$3,151,970</u>	<u>\$3,461,776</u>	<u>\$1,289,655</u>	<u>\$1,443,384</u>	<u>\$4,441,625</u>	<u>\$4,905,160</u>

The Town's total long-term debt for governmental and business-type activities decreased by \$309,806 and \$153,729, respectively. During the year, \$966,284 in debt was retired, and the Town entered into one new obligation which was a \$329,095 seven-year general obligation bond to provide the third and final installment on the Bel Air High School Auditorium (recorded as a commitment in fiscal year 2009).

## TOWN OF BEL AIR, MARYLAND

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2010

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, 2010, the debt limitation is \$83,610,007, which is significantly in excess of the Town's outstanding general obligation debt.

Additional information on the Town's long-term debt can be found in Note 8 in the notes to the financial statements of this report.

#### **Economic Factors and Fiscal Year 2011's Budgets and Rates**

- The State of Maryland Assessments and Taxation Department completed its triennial assessment for Town residents effective beginning in fiscal year 2009, which assesses the Town every third year, along with a cap of 10% on residential properties. As it did during fiscal year 2010, during the next fiscal year, the Town will experience an increase in real property taxes since it will be the third year of the triennial assessment. Real property tax revenues for fiscal year 2011 are expected to grow by 10.9% over those projected for fiscal year 2010.
- Income tax revenues are projected to decline over the previous year due to the slowing economy. As a result, income tax revenues are projected to decrease by 7.4%.
- With anticipating no interest rate increase due to the slowing economy, the Town budgeted its interest on investments to decrease by 37.5% over fiscal year 2010 revenues.
- The Town will not finance any of its equipment/vehicle purchases, approximately \$326,000 but will pay for them with fiscal year 2011 revenues.
- Salaries were held at the fiscal year 2010 levels for all Town employees.
- The Town budgeted \$57,000 for various building maintenance projects.
- The Planning Department budgeted \$20,000 to proceed with the Route 1 Revitalization Strategy Implementation Program.
- The Town budgeted \$60,000 to partially fund its Other Postemployment Benefits Other Than Pensions (OPEB).
- The Town will apply for a Homeland Security Grant in the amount of \$25,000.
- The Town budgeted to purchase three police vehicles (\$68,659) and a firearms simulator (\$35,000).
- Pension payback contributions, fiscal year 2010 and 2011, are budgeted in the amount of \$150,000. This will complete the Town's fifth contribution to the Sworn Officers Pension Plan as a result of a one-time incentive retirement window.

## TOWN OF BEL AIR, MARYLAND

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2010

- The Town budgeted to purchase a replacement vehicle for the Director of Public Works (\$20,000), 2 public works pick-up trucks (\$67,750) and a refuse truck (\$170,000).
- The Public Works Department budgeted \$308,000 in street, sidewalk, and curb/gutter construction work to be completed at specific locations.
- The Town did not appropriate any monies from the unreserved fund balance in the general fund to pay for current expenditures.
- The Town has designated two years of Community Development Block Grants to the George Street Dual Cell Culvert Project.
- The Town will utilize a Bureau of Justice Grant to provide an additional camera and video recording to an existing closed circuit TV security surveillance system.

All of these factors were considered in preparing the Town's budget for the 2011 fiscal year.

The real and personal property tax rates remain unchanged in fiscal year 2011 at the current real property tax rate of \$.50 per \$100 of assessed value and the personal property tax rate is \$1.16 per \$100 of assessed value.

The Sewer Fund user rate and base charge will increase by 2.6% for fiscal year 2011 and will affect both residential and commercial customers. The percentage adjustment is according to the change in the Consumer Price Index as of December 2009. An inflow and infiltration project 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 is budgeted in the amount of \$100,000.

In the Parking Fund, lease fees are projected to be \$56,000 lower in fiscal year 2011 due to the economy. The Town was awarded a \$57,000 Maryland Energy Administration block grant for energy reduction/efficiency initiatives. This grant will be used to purchase and install LED lights on several levels of the parking garage. Funds are budgeted to perform repairs identified as a priority in the engineering condition survey in the parking garage performed in fiscal year 2010.

#### **Requests for Information**

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

## **FINANCIAL STATEMENTS**

**TOWN OF BEL AIR, MARYLAND**

**Statement of Net Assets  
June 30, 2010**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 597,483	\$ 570	\$ 598,053
Restricted cash and cash equivalents	318,223	6,792	325,015
Investments	2,728,500	-	2,728,500
Accounts receivable	131,059	528,452	659,511
Real and personal property taxes receivable	266,510	-	266,510
Accrued interest receivable	31,483	-	31,483
Due from other units of government	522,228	-	522,228
Internal balances	(509,177)	509,177	-
Prepaid expenses	19,312	-	19,312
Net pension asset	267,309	-	267,309
Capital assets, not being depreciated	2,662,735	777,518	3,440,253
Capital assets, net of accumulated depreciation	4,348,365	1,922,113	6,270,478
Other assets	-	352,165	352,165
	<u>11,384,030</u>	<u>4,096,787</u>	<u>15,480,817</u>
Total assets			
<b>LIABILITIES</b>			
Accounts payable	157,300	901,234	1,058,534
Accrued liabilities	251,724	-	251,724
Payroll withholdings	10,712	-	10,712
Deposits and other escrows held	52,223	-	52,223
Unearned revenue	457,527	950	458,477
Non-current liabilities:			
Due within one year	388,974	164,997	553,971
Due in more than one year	2,762,996	1,124,658	3,887,654
	<u>4,081,456</u>	<u>2,191,839</u>	<u>6,273,295</u>
Total liabilities			
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	6,300,261	1,477,799	7,778,060
Restricted	99,138	186,691	285,829
Unrestricted	903,175	240,458	1,143,633
	<u>\$ 7,302,574</u>	<u>\$ 1,904,948</u>	<u>\$ 9,207,522</u>
<b>TOTAL NET ASSETS</b>			

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

**TOWN OF BEL AIR, MARYLAND**

**Statement of Activities  
Year Ended June 30, 2010**

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	\$ 2,077,280	\$ 227,223	\$ 17,598	\$ 449,341	\$ (1,383,118)	\$ -	\$ (1,383,118)
Public safety	3,520,481	327,742	200,724	-	(2,992,015)	-	(2,992,015)
Public works	2,507,836	98,983	76,248	-	(2,332,605)	-	(2,332,605)
Recreation and culture	216,145	-	-	46,000	(170,145)	-	(170,145)
Miscellaneous	2,017,997	-	-	-	(2,017,997)	-	(2,017,997)
Interest on long-term debt	76,944	-	-	-	(76,944)	-	(76,944)
Total governmental activities	<u>10,416,683</u>	<u>653,948</u>	<u>294,570</u>	<u>495,341</u>	<u>(8,972,824)</u>	<u>-</u>	<u>(8,972,824)</u>
Business-type activities							
Sewer	2,495,030	2,186,285	-	-	-	(308,745)	(308,745)
Parking facilities	514,025	492,038	-	-	-	(21,987)	(21,987)
Total business-type activities	<u>3,009,055</u>	<u>2,678,323</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(330,732)</u>	<u>(330,732)</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 13,425,738</u>	<u>\$ 3,332,271</u>	<u>\$ 294,570</u>	<u>\$ 495,341</u>	<u>(8,972,824)</u>	<u>(330,732)</u>	<u>(9,303,556)</u>
<b>GENERAL REVENUES</b>							
Taxes:							
Property taxes, levied for general purposes					7,534,331	-	7,534,331
Shared taxes					2,012,921	-	2,012,921
Miscellaneous					628,801	-	628,801
Unrestricted investment earnings					84,117	12	84,129
Total general revenues					<u>10,260,170</u>	<u>12</u>	<u>10,260,182</u>
<b>CHANGE IN NET ASSETS</b>					1,287,346	(330,720)	956,626
<b>NET ASSETS, BEGINNING OF YEAR</b>					<u>6,015,228</u>	<u>2,235,668</u>	<u>8,250,896</u>
<b>NET ASSETS, END OF YEAR</b>					<u>\$ 7,302,574</u>	<u>\$ 1,904,948</u>	<u>\$ 9,207,522</u>

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

**TOWN OF BEL AIR, MARYLAND**

**Balance Sheet - Governmental Funds  
June 30, 2010**

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 597,483	\$ -	\$ 597,483
Restricted cash and cash equivalents	317,128	1,095	318,223
Investments	2,728,500	-	2,728,500
Accounts receivable	651,002	2,285	653,287
Accrued interest receivable	31,483	-	31,483
Property taxes receivable - net	266,510	-	266,510
Due from other funds	-	90,354	90,354
Prepaid costs	19,037	275	19,312
<b>TOTAL ASSETS</b>	<b>\$ 4,611,143</b>	<b>\$ 94,009</b>	<b>\$ 4,705,152</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 156,806	\$ 494	\$ 157,300
Accrued costs	221,200	-	221,200
Payroll withholdings	10,712	-	10,712
Deposits	52,223	-	52,223
Deferred revenue	380,156	-	380,156
Due to other funds	599,531	-	599,531
Total liabilities	1,420,628	494	1,421,122
<b>FUND BALANCES</b>			
Reserved for centennial activities	4,023	-	4,023
Reserved for prepaid costs	19,037	-	19,037
Reserved for seized property	1,600	-	1,600
Reserved for encumbrances	769,223	-	769,223
Unreserved:			
Special revenue	-	93,515	93,515
Undesignated	2,396,632	-	2,396,632
Total fund balances	3,190,515	93,515	3,284,030
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 4,611,143</b>	<b>\$ 94,009</b>	<b>\$ 4,705,152</b>

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

**TOWN OF BEL AIR, MARYLAND**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets  
June 30, 2010**

<b>TOTAL FUND BALANCES - GOVERNMENTAL FUNDS</b> (page 20)	\$ 3,284,030
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Certain receivables are offset by deferred revenue in the governmental funds since they are not available to pay for current period expenditures. This is the amount of deferred revenue related to these receivables.	(77,371)
Net pension assets are not financial resources and therefore are not reported as assets in governmental funds.	267,309
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 \$11,184,580 and the accumulated depreciation is \$4,173,480.	7,011,100
Noncurrent liabilities are not reported as liabilities in the governmental funds.	(3,151,970)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	<u>(30,524)</u>
<b>TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES</b> (page 18)	<u><u>\$ 7,302,574</u></u>

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

**TOWN OF BEL AIR, MARYLAND**

**Statement Of Revenues, Expenditures and Changes In Fund Balances - Governmental Funds  
Year Ended June 30, 2010**

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>			
Taxes - local	\$ 7,491,253	\$ -	\$ 7,491,253
Taxes - state shared	1,383,371	-	1,383,371
Licenses and permits	112,127	-	112,127
Revenue from other agencies	1,049,383	480,104	1,529,487
Service charges for current services	651,231	-	651,231
Fines	266,045	-	266,045
Miscellaneous	253,324	45,010	298,334
	<hr/>	<hr/>	<hr/>
Total revenues	11,206,734	525,114	11,731,848
<b>EXPENDITURES</b>			
General government	2,111,941	460,316	2,572,257
Public safety	3,411,098	9,759	3,420,857
Public works	2,417,722	11,260	2,428,982
Recreation and parks	147,943	68,202	216,145
Miscellaneous	2,347,092	-	2,347,092
Debt service:			
Principal	384,800	-	384,800
Interest	81,084	-	81,084
	<hr/>	<hr/>	<hr/>
Total expenditures	10,901,680	549,537	11,451,217
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures	305,054	(24,423)	280,631
<b>OTHER FINANCING SOURCES</b>			
Bond proceeds	329,095	-	329,095
	<hr/>	<hr/>	<hr/>
Total other financing sources	329,095	-	329,095
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues and other financing sources over expenditures	634,149	(24,423)	609,726
<b>FUND BALANCES, BEGINNING OF YEAR</b>	2,561,671	112,633	2,674,304
<b>TRANSFER PORTION SEIZED PROPERTY RESERVE TO SPECIAL REVENUE FUND</b>	(5,305)	5,305	-
	<hr/>	<hr/>	<hr/>
<b>FUND BALANCES, END OF YEAR</b>	\$ 3,190,515	\$ 93,515	\$ 3,284,030
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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, 2010**

<b>TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUND</b> (page 22)	<b>\$ 609,726</b>
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 \$778,149 is exceeded by depreciation expense of \$402,500 in the period.	375,649
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 \$111,238, less any accumulated depreciation of \$102,931	(8,307)
In the Statement of Activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for compensated absences are measured by the amount of financial resources used (essentially, the amounts actually paid or expected to be paid within one year). This year, vacation, sick and compensatory leave used exceeded the amounts earned by \$74,994.	(74,994)
In the Statement of Activities, only the annual required contribution relating to the pensions is reported, whereas in the governmental funds, the actual amount contributed is an expenditure. This year, the actual amount exceeded the required amount by \$24,151.	24,151
In the Statement of Activities, revenues are recognized when they are earned and received. In the governmental funds, revenues are recognized as income if they are available to satisfy current obligations. This is the amount of the decrease in deferred revenue in the governmental funds which is recognized as revenue in the Statement of Activities.	(27,819)
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 2010. This amount includes the reduction for satisfaction of the commitment for the BAHS auditorium of \$329,095.	713,895
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 2010.	(329,095)
Interest expense in the Statement of Activities differs from the amount reported in governmental funds due to the net change in accrued interest.	4,140
<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b> (page 19)	<b>\$ 1,287,346</b>

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, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUE</b>				
Taxes - local	\$ 7,457,014	\$ 7,422,014	\$ 7,491,253	\$ 69,239
Taxes - state shared	1,615,297	1,245,055	1,383,371	138,316
Licenses and permits	120,000	120,000	112,127	(7,873)
Revenues from other agencies	1,183,471	1,058,754	1,049,383	(9,371)
Service charges for current services	626,475	625,475	651,231	25,756
Fines	314,000	252,000	266,045	14,045
Miscellaneous	252,000	237,200	253,324	16,124
	<u>11,568,257</u>	<u>10,960,498</u>	<u>11,206,734</u>	<u>246,236</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,316,497	2,105,988	2,018,777	87,211
Public safety	3,638,611	3,409,460	3,404,559	4,901
Public works	2,866,274	2,740,458	2,718,800	21,658
Recreation and parks	162,350	161,550	155,074	6,476
Miscellaneous	2,812,001	2,405,682	2,382,222	23,460
Debt service	472,524	466,455	465,884	571
	<u>12,268,257</u>	<u>11,289,593</u>	<u>11,145,316</u>	<u>144,277</u>
Excess (Deficiency) of revenues over expenditures	<u>(700,000)</u>	<u>(329,095)</u>	<u>61,418</u>	<u>390,513</u>
<b>OTHER FINANCING SOURCES</b>				
Bond proceeds	<u>700,000</u>	<u>329,095</u>	<u>329,095</u>	<u>-</u>
Total other financing sources	<u>700,000</u>	<u>329,095</u>	<u>329,095</u>	<u>-</u>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES</b>				
	<u>\$ -</u>	<u>\$ -</u>	<u>390,513</u>	<u>\$ 390,513</u>
<b>FUND BALANCE - BEGINNING OF YEAR, GAAP BASIS</b>			2,389,199	
<b>TRANSFER PORTION SEIZED PROPERTY RESERVE TO SPECIAL REVENUE FUND</b>			<u>(5,305)</u>	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 2,774,407</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, 2010**

	<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	\$ 90,000	\$ 90,000	\$ 87,506	\$ (2,494)
Parks & playground grant	150,000	329,000	329,000	-
MEMA grant	10,000	10,000	-	(10,000)
Program Open Space grant	41,000	46,000	46,000	-
Bureau of Justice grant	37,299	37,299	-	(37,299)
Community Legacy grant	35,000	35,000	17,598	(17,402)
Total - revenue from other agencies	363,299	547,299	480,104	(67,195)
<b>Miscellaneous</b>	114,550	114,550	45,010	(69,540)
Total revenues	477,849	661,849	525,114	(136,735)
<b>EXPENDITURES</b>				
General government	278,750	457,750	460,316	(2,566)
Public safety	51,299	51,299	9,759	41,540
Public works	10,000	10,000	11,260	(1,260)
Recreation and parks	137,000	142,000	68,202	73,798
Miscellaneous	800	800	-	800
Total expenditures	477,849	661,849	549,537	112,312
<b>(DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ -</u>	<u>\$ -</u>	(24,423)	<u>\$ (24,423)</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>			112,633	
<b>TRANSFER PORTION SEIZED PROPERTY RESERVE FROM GENERAL FUND</b>			<u>5,305</u>	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 93,515</u>	

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

**TOWN OF BEL AIR, MARYLAND**

**Statement of Net Assets – Proprietary Funds (Enterprise Funds)  
June 30, 2010**

	<u>Parking Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 570	\$ -	\$ 570
Restricted cash and cash equivalents	6,792	-	6,792
Accounts receivable	50,453	477,999	528,452
Due from other funds	289,232	221,599	510,831
Total current assets	<u>347,047</u>	<u>699,598</u>	<u>1,046,645</u>
<b>Noncurrent Assets</b>			
Land	777,518	-	777,518
Capital assets, net	1,268,768	653,345	1,922,113
Other assets	-	352,165	352,165
Total noncurrent assets	<u>2,046,286</u>	<u>1,005,510</u>	<u>3,051,796</u>
Total assets	<u>2,393,333</u>	<u>1,705,108</u>	<u>4,098,441</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued expenses	17,871	883,363	901,234
Due to other funds	-	1,654	1,654
Unearned revenue	950	-	950
Notes payable	6,606	35,321	41,927
Bonds payable	62,266	60,804	123,070
Total current liabilities	<u>87,693</u>	<u>981,142</u>	<u>1,068,835</u>
<b>Noncurrent Liabilities</b>			
Accrued compensated absences	23,704	44,119	67,823
Notes payable - long-term	3,292	95,001	98,293
Bonds payable - long-term	516,608	441,934	958,542
Total noncurrent liabilities	<u>543,604</u>	<u>581,054</u>	<u>1,124,658</u>
Total liabilities	<u>631,297</u>	<u>1,562,196</u>	<u>2,193,493</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,457,514	20,285	1,477,799
Restricted	186,691	-	186,691
Unrestricted	117,831	122,627	240,458
<b>TOTAL NET ASSETS</b>	<u><u>\$ 1,762,036</u></u>	<u><u>\$ 142,912</u></u>	<u><u>\$ 1,904,948</u></u>

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

**TOWN OF BEL AIR, MARYLAND**

**Statement of Revenues, Expenses and Change In Net Assets - Proprietary Funds  
(Enterprise Funds)  
Year Ended June 30, 2010**

	<u>Parking Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
<b>Service Charges for Current Services</b>			
Sanitation and Waste Removal			
Sewerage charges	\$ -	\$ 1,946,973	\$ 1,946,973
Sewer connection charges	-	189,500	189,500
Other revenues	-	21,497	21,497
User benefit fees	-	28,315	28,315
Highway and Streets			
Meter collections	158,750	-	158,750
Lease fees	91,403	-	91,403
Fines and Forfeitures			
Parking	115,280	-	115,280
Miscellaneous			
County share operating expenses and capital repairs	123,934	-	123,934
Miscellaneous	2,671	-	2,671
Total operating revenues	<u>492,038</u>	<u>2,186,285</u>	<u>2,678,323</u>
<b>OPERATING EXPENSES</b>			
Salaries	-	115,970	115,970
Contractual services	-	1,558,885	1,558,885
Transfer to general fund - administrative costs	270,485	231,212	501,697
Supplies	-	5,230	5,230
Utilities	-	13,233	13,233
Depreciation	69,755	52,042	121,797
Amortization	15,639	36,936	52,575
Maintenance	15,380	79,106	94,486
Compensated absences	914	4,585	5,499
Other	5,474	42,304	47,778
Connection costs	-	189,500	189,500
User benefit fees	-	28,315	28,315
Postage	275	6,190	6,465
Insurance	-	7,461	7,461
Parking fine charges	25,837	-	25,837
Moore's Mill Road sewer upgrade	-	46,808	46,808
I&I projects	-	49,235	49,235
Garage operations	82,622	-	82,622
Total operating expenses	<u>486,381</u>	<u>2,467,012</u>	<u>2,953,393</u>
Operating income (loss)	<u>5,657</u>	<u>(280,727)</u>	<u>(275,070)</u>
Non-Operating Revenue (Expenses)			
Investment income	12	-	12
Investment expenses	(27,644)	(28,018)	(55,662)
Net non-operating expenses	<u>(27,632)</u>	<u>(28,018)</u>	<u>(55,650)</u>
<b>CHANGE IN NET ASSETS</b>	(21,975)	(308,745)	(330,720)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>1,784,011</u>	<u>451,657</u>	<u>2,235,668</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 1,762,036</u>	<u>\$ 142,912</u>	<u>\$ 1,904,948</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, 2010**

	<u>Parking Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from sewer charges	\$ -	\$ 2,271,800	\$ 2,271,800
Cash received from parking charges	490,884	-	490,884
Payments to suppliers	(388,815)	(2,021,029)	(2,409,844)
Payments to employees	-	(115,432)	(115,432)
Net cash provided by operating activities	<u>102,069</u>	<u>135,339</u>	<u>237,408</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Cash payment of bond principal	(6,341)	(33,883)	(40,224)
Cash payment of note principal	(59,728)	(59,276)	(119,004)
Interest paid on long-term obligation	(27,753)	(28,906)	(56,659)
Acquisition of capital assets	(5,800)	(13,274)	(19,074)
Net cash used in financing activities	<u>(99,622)</u>	<u>(135,339)</u>	<u>(234,961)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment income	12	-	12
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	2,459	-	2,459
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>4,903</u>	<u>-</u>	<u>4,903</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 7,362</u>	<u>\$ -</u>	<u>\$ 7,362</u>

**RECONCILIATION OF OPERATING INCOME (LOSS) TO  
NET CASH PROVIDED BY OPERATING ACTIVITIES**

Operating income (loss)	\$ 5,657	\$ (280,727)	\$ (275,070)
Adjustments to reconcile net operating income to net cash provided by operating activities:			
Depreciation and amortization	85,394	88,978	174,372
Effects of changes in operating assets and liabilities:			
Accounts receivable	(17,487)	(82,792)	(100,279)
Due from other funds	15,879	168,307	184,186
Accounts payable	11,258	236,988	248,246
Unearned revenue	454	-	454
Compensated absences payable	914	4,585	5,499
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 102,069</u>	<u>\$ 135,339</u>	<u>\$ 237,408</u>

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

**TOWN OF BEL AIR, MARYLAND**

**Statement of Fiduciary Net Assets  
June 30, 2010**

**ASSETS**

Cash and cash equivalents	\$	352,844
Investments:		
Mutual funds		5,734,178
Fiscal agents		<u>464,605</u>
Total assets		<u>6,551,627</u>

**LIABILITIES**

Accounts payable		<u>10,201</u>
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**NET ASSETS**

Held in trust for pension benefits	\$	<u><u>6,541,426</u></u>
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(See notes to financial statements for the plan's schedule of funding progress.)

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

**TOWN OF BEL AIR, MARYLAND**

**Statement of Changes In Fiduciary Net Assets  
Year Ended June 30, 2010**

**ADDITIONS**

Contributions:

Employer contributions	\$ 428,952
Employee contributions	194,100
Total contributions	<u>623,052</u>

Investment gain:

Net increase in the fair value of investments	<u>685,754</u>
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Total additions	<u>1,308,806</u>
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**DEDUCTIONS**

Benefit payments	197,779
Contractual services	<u>76,094</u>

Total deductions	<u>273,873</u>
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<b>CHANGE IN NET ASSETS</b>	1,034,933
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**NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:**

<b>BEGINNING OF YEAR</b>	<u>5,506,493</u>
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<b>END OF YEAR</b>	<u><u>\$ 6,541,426</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, 2010**

#### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Reporting Entity**

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

##### **Government-wide and Fund Financial Statements**

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

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

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

##### **Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide and proprietary financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. The Town does not apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, in accounting and reporting for its proprietary operations unless they are required by GASB pronouncements. The recorded amounts of enterprise fund financial instruments, including cash, investments, receivables, payables and long-term debt approximate fair value. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

## TOWN OF BEL AIR, MARYLAND

### Notes to Financial Statements June 30, 2010

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

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

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

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

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

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

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

### **Notes to Financial Statements June 30, 2010**

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

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

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

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

##### **Assets, Liabilities and Net Assets or Equity**

###### ***Property Taxes***

Taxes on real property are levied on a fiscal year basis as of July 1 and are delinquent after September 30. Taxes on business personal property are levied on a fiscal year basis as of July 1 and are delinquent three months after the monthly billing. Property taxes are attached as an enforceable lien on the underlying properties. General property taxes receivable as of June 30, 2010, amounted to \$266,510. 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 2010, 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.

###### ***Deferred Financing Costs***

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

## TOWN OF BEL AIR, MARYLAND

### Notes to Financial Statements June 30, 2010

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

##### Assets, Liabilities and Net Assets or Equity (Continued)

###### **Capital Assets**

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

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

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

###### **Long-term Obligations**

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

###### **Compensated Absences**

Town employees accumulate vacation, compensatory, and sick leave hours for subsequent use or for payment upon termination or retirement. Earned vacation pay may be paid upon termination or retirement upon completion of one year's continuous service as a full-time employee. A maximum of 80 hours compensatory time may be converted to paid hours when a nonexempt employee retires, resigns, or is otherwise terminated. Fifty percent of earned sick pay to a maximum of 400 hours may be paid upon retirement, resignation or termination after completion of five years of service.

## TOWN OF BEL AIR, MARYLAND

### Notes to Financial Statements June 30, 2010

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

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

As of June 30, 2010, the liability for Town employees for accrued vacation, sick and compensatory leave and OPEB was \$410,987, \$504,104 and \$59,214 and \$38,894, respectively, based on the salary and wage rates in effect at the end of the fiscal year.

##### **Encumbrances**

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

##### **Use of Estimates in Preparing Financial Statements**

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

##### **Net Assets/Fund Equity**

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

*Invested in capital assets, net of related debt* – This category groups all capital assets into one component of net assets. Accumulated depreciation and outstanding balances of debt that are attributed to the acquisition, construction or improvement of these assets, reduce the balances in this category.

*Restricted net assets* – This category represents external restrictions imposed by creditors, grantors, laws and regulations of other governments.

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

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

**TOWN OF BEL AIR, MARYLAND**

**Notes to Financial Statements  
June 30, 2010**

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

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

The governmental funds Balance Sheet includes reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide Statement of Net Assets. One element of that reconciliation is non-current liabilities. Noncurrent liabilities applicable to the Town's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but is recognized as an expenditure when due. All liabilities, both current and noncurrent are reported in the Statement of Activities. The summary of the \$3,151,970 difference is as follows:

Harford County Liquor Board	\$	11,669
Equipment/vehicle obligations		655,449
Compensated absences/OPEB		1,006,199
Bel Air High School auditorium		1,152,257
TH/PD Expansion design		271,006
Fuel storage tank replacement note		<u>55,390</u>
<b>Total</b>	<b>\$</b>	<b><u><u>3,151,970</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 assets of governmental activities as reported in the government-wide Statement of Activities. One element of that reconciliation is the purchase of capital assets as expenditures; however, in the Statement of Activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. The summary of the \$375,649 difference is found on page 23.

**TOWN OF BEL AIR, MARYLAND**

**Notes to Financial Statements  
June 30, 2010**

**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>	\$ 11,206,734	\$ 329,095	\$ 11,145,316	\$ 390,513
Current year encumbrances	-	-	(769,223)	769,223
Prior year encumbrances	-	-	525,587	(525,587)
	<u>\$ 11,206,734</u>	<u>\$ 329,095</u>	<u>\$ 10,901,680</u>	<u>\$ 634,149</u>
<b>GAAP basis</b>	<u>\$ 11,206,734</u>	<u>\$ 329,095</u>	<u>\$ 10,901,680</u>	<u>\$ 634,149</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, 2010

#### 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 \$400,952 and the bank balance was \$527,821. All of the bank balance, \$527,821, was covered by federal deposit insurance, or the balance was collateralized by other assets. The deposits of the Town were not exposed to custodial credit risk as of June 30, 2010.

##### C. Cash equivalents

As of June 30, 2010, the Town's cash equivalents consisted of money market funds held by the Maryland Local Government Investment Pool totaling \$520,096.

##### Investments

Investments consist of Certificates of Deposit with varying maturities and interest rates ranging from 1.29% to 2.28% which are all covered by federal deposit insurance. Investments have maturities between July 2010 through February 2011.

**TOWN OF BEL AIR, MARYLAND**

**Notes to Financial Statements  
June 30, 2010**

**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>\$ 2,728,500</u>	<u>\$ 637,000</u>	<u>\$ 2,091,500</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, 2010, met the Town's investment policy as of that date. Investment income includes the following for the year ended June 30, 2010:

Net interest and dividends - governmental activities	<u>\$ 84,117</u>
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**Credit Risk**

Town investment policy does not permit investments in commercial paper or corporate bonds, except in fiduciary funds or if they are permitted under state law in the state investment pool. The Town invests in the Maryland Local Government Investment Pool (MLGIP), which is under the administration of the State Treasurer. The MLGIP was established in 1982 under Article 95, Section 22G of the Annotated Code of Maryland and is rated AAAM by Standard & Poors, their highest rating for money market mutual funds. The MLGIP seeks to maintain a constant value of \$1.00 per unit. Unit value is computed using the amortized cost method. In addition, the net asset value of the pool, marked to market, is calculated and maintained on a weekly basis to ensure a \$1.00 per unit constant value.

**Custodial Credit Risk**

For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the Town will not be able to recover all or a portion of the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2010, 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, 2010, 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, 2010**

**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	\$ 816,593	\$ 839,447	6.89 years
Short-term Bond Fund	315,535	353,409	2.16 years

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

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

**NOTE 6 – DEFERRED FINANCING COSTS**

	<b>Balance July 1, 2009</b>	<b>Additions</b>	<b>Accumulated Amortization</b>	<b>Ending Balance June 30, 2010</b>
Deferred financing costs	\$ 15,639	\$ -	\$ 15,639	\$ -

**NOTE 7 – CHANGES IN CAPITAL ASSETS**

Additions and disposals of fixed capital assets during the year ended June 30, 2010, are shown below:

	<b>Balance July 1, 2009</b>	<b>Additions and Transfers</b>	<b>Disposals and Transfers</b>	<b>Ending Balance June 30, 2010</b>
<b>Governmental Activities</b>				
Land – not being depreciated	\$ 2,662,735	\$ -	\$ -	\$ 2,662,735
Buildings and improvements	3,792,152	530,669	-	4,322,821
Infrastructure	207,562	24,507	-	232,069
Machinery and equipment	921,457	76,813	-	998,270
Furniture and fixtures	551,469	121,715	3,384	669,800
Vehicles	2,382,294	24,445	107,854	2,298,885
Total	10,517,669	778,149	111,238	11,184,580
Less – accumulated depreciation	3,873,911	402,500	102,931	4,173,480
<b>Capital assets, net</b>	<b>\$ 6,643,758</b>	<b>\$ 375,649</b>	<b>\$ 8,307</b>	<b>\$ 7,011,100</b>

**TOWN OF BEL AIR, MARYLAND**

**Notes to Financial Statements  
June 30, 2010**

**NOTE 7 – CHANGES IN CAPITAL ASSETS (CONTINUED)**

	<u>Balance July 1, 2009</u>	<u>Additions and Transfers</u>	<u>Disposals and Transfers</u>	<u>Ending Balance June 30, 2010</u>
<b>Proprietary Funds</b>				
Parking fund:				
Land not being depreciated	\$ 777,518	\$ -	\$ -	\$ 777,518
Parking improvements	400,296	-	-	400,296
Garage	2,137,374	5,800	-	2,143,174
Parking vehicle	43,226	-	-	43,226
Equipment	2,265	-	-	2,265
	<u>3,360,679</u>	<u>5,800</u>	<u>-</u>	<u>3,366,479</u>
Sewer fund:				
Sewer pipes and storm drain	1,084,347	-	-	1,084,347
Equipment	185,903	13,274	8,700	190,477
Vehicle	289,909	-	-	289,909
	<u>1,560,159</u>	<u>13,274</u>	<u>8,700</u>	<u>1,564,733</u>
Total	4,920,838	19,074	8,700	4,931,212
Less – accumulated depreciation	2,118,484	121,797	8,700	2,231,581
<b>Capital assets, net</b>	<u><u>\$ 2,802,354</u></u>	<u><u>\$ (102,723)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,699,631</u></u>

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

General government	\$ 146,620
Public safety	99,977
Public works	155,903
Total depreciation expense – governmental activities	<u><u>\$ 402,500</u></u>

As of June 30, 2010, accumulated depreciation for the parking fund and sewer fund amounted to \$1,320,194 and \$911,387, respectively. Depreciation expense as of June 30, 2010, amounted to \$69,755 in the parking fund and \$52,042 in the sewer fund.

**TOWN OF BEL AIR, MARYLAND**

**Notes to Financial Statements  
June 30, 2010**

**NOTE 8 – NON-CURRENT LIABILITIES**

Non-current liability transactions of the Town for the year ended June 30, 2010, are presented below. These do not include deferred refunding costs and changes in deferred refunding costs which were deducted on the Statement of Net Assets.

	<u>Balance July 1, 2009</u>	<u>Additions and Transfers</u>	<u>Disposals and Transfers</u>	<u>Ending Balance June 30, 2010</u>	<u>Due Within One Year</u>
<b>Governmental activities</b>					
Liquor Control Board employees' retirement system obligation	\$ 12,375	\$ -	\$ 706	\$ 11,669	\$ 753
Equipment/vehicle notes	868,371	-	212,922	655,449	190,234
Accrued vacation, sick and compensatory leave/OPEB	931,205	74,994	-	1,006,199	-
Fuel storage tank replacement note	90,660	-	35,270	55,390	36,587
BAHS Auditorium commitments	329,095	-	329,095	-	-
G.O. Bond 2008A BAHS Auditorium	453,627	-	47,144	406,483	47,928
G.O. Bond 2008B BAHS Auditorium	479,277	-	42,003	437,274	43,789
G.O. Bond 2009A BAHS Auditorium	-	329,095	20,595	308,500	42,437
G.O. Bond 2008A TH/PD Expansion	297,166	-	26,160	271,006	27,246
<b>Total governmental activity liabilities</b>	<u>\$ 3,461,776</u>	<u>\$ 404,089</u>	<u>\$ 713,895</u>	<u>\$ 3,151,970</u>	<u>\$ 388,974</u>
	<u>Balance July 1, 2009</u>	<u>Additions and Transfers</u>	<u>Disposals and Transfers</u>	<u>Ending Balance June 30, 2010</u>	<u>Due Within One Year</u>
<b>Business-type activities</b>					
Parking Fund:					
Parking garage bond, 2007	\$ 638,602	\$ -	\$ 59,728	\$ 578,874	\$ 62,266
Parking garage sweeper note	16,239	-	6,341	9,898	6,606
Accrued vacation, sick and compensatory leave / OPEB	22,790	914	-	23,704	-
Total parking fund debt	<u>677,631</u>	<u>914</u>	<u>66,069</u>	<u>612,476</u>	<u>68,872</u>
Sewer Fund:					
Infrastructure Bond 2006 Series A:					
7 year note	27,300	-	13,500	13,800	13,800
20 year note	402,500	-	20,500	382,000	21,000
Stoneleigh Sewer Bond, 2010	101,810	-	14,291	87,519	14,766
Maryland Water Quality Financing					
Administration note	30,404	-	10,985	19,419	11,238
Sewer vacuum truck note	164,205	-	33,883	130,322	35,321
Accrued vacation, sick and compensatory leave / OPEB	39,534	4,585	-	44,119	-
Total sewer fund debt	<u>765,753</u>	<u>4,585</u>	<u>93,159</u>	<u>677,179</u>	<u>96,125</u>
<b>Total business-type activities liabilities</b>	<u>\$ 1,443,384</u>	<u>\$ 5,499</u>	<u>\$ 159,228</u>	<u>\$ 1,289,655</u>	<u>\$ 164,997</u>

**TOWN OF BEL AIR, MARYLAND**

**Notes to Financial Statements  
June 30, 2010**

**NOTE 8 – NON-CURRENT LIABILITIES (CONTINUED)**

**A. Governmental Activities**

**Bonds Payable**

On February 8, 2008, the Town issued a \$500,000 “Town of Bel Air Auditorium Bond, 2008A” to M&T Bank with an interest rate of 3.31%. On January 2, 2008, the Town approved a revised memorandum of Understanding (MOU) with Harford County concerning the new Bel Air High School Auditorium.

In this MOU, the Town agreed to contribute a total of \$1,500,000 to the County to increase the number of seats from 540 to 800 and construct other enhancements. The final payment to the County may be reduced if the project costs are less than anticipated. Using the bond proceeds, the Town made its first contribution to the County on February 8, 2008 in the amount of \$424,684 and reimbursed itself the remaining \$75,316 for expenses paid for design and consultation services for the theater. Principal and interest is payable semi-annually on August 7 and February 7 and will continue until February, 2018.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 47,928	\$ 6,530	\$ 54,458
2012	48,725	5,733	54,458
2013	49,534	4,924	54,458
2014	50,357	4,100	54,457
2015 – 2018	209,939	7,892	217,831
Total	<u>\$ 406,483</u>	<u>\$ 29,179</u>	<u>\$ 435,662</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>
2011	\$ 43,789	\$ 17,945	\$ 61,734
2012	45,608	16,126	61,734
2013	47,590	14,144	61,734
2014	49,614	12,120	61,734
2015 – 2019	250,673	27,129	277,802
Total	<u>\$ 437,274</u>	<u>\$ 87,464</u>	<u>\$ 524,738</u>

**TOWN OF BEL AIR, MARYLAND**

**Notes to Financial Statements  
June 30, 2010**

**NOTE 8 – NON-CURRENT LIABILITIES (CONTINUED)**

**A. Governmental Activities (Continued)**

**Bonds Payable (Continued)**

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 42,437	\$ 11,949	\$ 54,386
2012	44,156	10,231	54,387
2013	45,944	8,442	54,386
2014	47,805	6,582	54,387
2015 – 2017	128,158	7,811	135,969
Total	<u>\$ 308,500</u>	<u>\$ 45,015</u>	<u>\$ 353,515</u>

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 27,246	\$ 10,848	\$ 38,094
2012	28,376	9,718	38,094
2013	29,529	8,656	38,185
2014	30,778	7,316	38,094
2015 – 2019	155,077	16,345	171,422
Total	<u>\$ 271,006</u>	<u>\$ 52,883</u>	<u>\$ 323,889</u>

**Notes Payable**

The Town has entered into several notes for the acquisition of capital equipment and vehicles. The interest rates on these notes range from 2.44% to 4.23% with maturity dates from December 15, 2010 to December 30, 2015. Obligations under the plan provide for minimum payments, as follows:

**TOWN OF BEL AIR, MARYLAND**

**Notes to Financial Statements  
June 30, 2010**

**NOTE 8 – NON-CURRENT LIABILITIES (CONTINUED)**

**A. Governmental Activities (Continued)**

**Notes Payable (Continued)**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 190,234	\$ 23,588	\$ 213,822
2012	138,125	16,466	154,591
2013	107,259	11,132	118,391
2014	111,522	7,369	118,891
2015 – 2016	108,309	3,394	111,703
Total	<u>\$ 655,449</u>	<u>\$ 61,949</u>	<u>\$ 717,398</u>

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 36,587	\$ 1,711	\$ 38,298
2012	18,803	345	19,148
Total	<u>\$ 55,390</u>	<u>\$ 2,056</u>	<u>\$ 57,446</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, \$11,669, has been reflected in the governmental activities noncurrent liabilities in the Statement of Net Assets.

**TOWN OF BEL AIR, MARYLAND**

**Notes to Financial Statements  
June 30, 2010**

**NOTE 8 – NON-CURRENT LIABILITIES (CONTINUED)**

**B. Business-type Activities**

**Bonds Payable**

On May 1, 2006, the Town of Bel Air entered into an agreement with Harford County, Maryland to borrow \$803,569 at an annual interest rate of 4.25%. The proceeds of the bond were used to refinance the parking garage debt.

The bond was issued in conjunction with a Joint Use and Lease Agreement of the public parking garage at Courtland Street and Hickory Avenue in the Town between Harford County, Maryland and the Town. The County and the Town continue to own 67.2% and 32.8%, respectively, of the garage. The Town continues to operate and maintain the garage, and the County will be responsible for reimbursing the Town for 67.2% of those costs.

Principal and interest are payable in twelve annual installments each June 30, through June 30, 2018.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 62,266	\$ 24,603	\$ 86,869
2012	64,913	21,956	86,869
2013	67,672	19,197	86,869
2014	70,548	16,321	86,869
2015 – 2018	313,475	34,000	347,475
Total	<u>\$ 578,874</u>	<u>\$ 116,077</u>	<u>\$ 694,951</u>

On April 22, 2004, the Town of Bel Air entered into an agreement with the Maryland Department of Housing and Community Development, Community Development Administration, to borrow \$91,500 with interest at rates varying from 2.0% to 3.25% for the purpose of prepaying a sewer service agreement with Harford County. Interest is payable semi-annually. Principal and interest payments continue until May 1, 2011.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	<u>\$ 13,800</u>	<u>\$ 448</u>	<u>\$ 14,248</u>

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

**TOWN OF BEL AIR, MARYLAND**

**Notes to Financial Statements  
June 30, 2010**

**NOTE 8 – 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>
2011	\$ 21,000	\$ 16,236	\$ 37,236
2012	21,500	15,554	37,054
2013	22,500	14,801	37,301
2014	23,500	13,957	37,457
2015 – 2019	131,000	54,647	185,647
2020 – 2024	162,500	23,126	185,626
Total	<u>\$ 382,000</u>	<u>\$ 138,321</u>	<u>\$ 520,321</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.

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 14,766	\$ 2,764	\$ 17,530
2012	15,251	2,279	17,530
2013	15,764	1,766	17,530
2014	16,287	1,243	17,530
2015	25,451	844	26,295
Total	<u>\$ 87,519</u>	<u>\$ 8,896</u>	<u>\$ 96,415</u>

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 11,238	\$ 446	\$ 11,684
2012	8,181	190	8,371
Total	<u>\$ 19,419</u>	<u>\$ 636</u>	<u>\$ 20,055</u>

## TOWN OF BEL AIR, MARYLAND

### Notes to Financial Statements June 30, 2010

#### NOTE 8 – NON-CURRENT LIABILITIES (CONTINUED)

##### B. Business-type Activities (Continued)

###### Notes Payable

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 35,321	\$ 5,107	\$ 40,428
2012	36,820	3,607	40,427
2013	38,383	2,045	40,428
2014	19,798	416	20,214
Total	<u>\$ 130,322</u>	<u>\$ 11,175</u>	<u>\$ 141,497</u>

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	6,606	347	6,953
2012	3,292	70	3,362
Total	<u>\$ 9,898</u>	<u>\$ 417</u>	<u>\$ 10,315</u>

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

#### NOTE 9 – CONDUIT DEBT OBLIGATIONS

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

In 2006, the Town of Bel Air issued \$7.3 million in Economic Development Revenue Bonds pursuant to the Maryland Economic Development Revenue Bond Act to assist the Highlands School in financing the costs of acquiring, constructing, and equipping a new school. The bonds are secured by the property financed and are payable solely from the pledged receipts or from any other monies made available to the School for such purposes. The Town is not obligated in any manner for repayment of the bonds.

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

### **Notes to Financial Statements June 30, 2010**

#### **NOTE 9 – CONDUIT DEBT OBLIGATIONS (CONTINUED)**

Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The principal balance of the bonds as of June 30, 2010, is \$6,672,010.

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, 2010, is \$4,185,000.

#### **NOTE 10 – PENSION PLANS**

##### **Town of Bel Air, Maryland Retirement Plan and Trust**

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

Investments held by the pension trust fund are with the ICMA-RC Retirement Trust. As of June 30, 2010, the plan assets at fair market value were \$464,605 and are included in the Civilian Pension Trust.

##### **Town of Bel Air, Maryland Civilian Employees Pension Plan**

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

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

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

**TOWN OF BEL AIR, MARYLAND**

**Notes to Financial Statements  
June 30, 2010**

**NOTE 10 – PENSION PLANS (CONTINUED)**

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

Funding Policy

The Plan requires active members to contribute to the System at the rate of 2% of covered compensation and the Town to contribute 8% of the members' covered compensation. Increases in the funding requirements, as determined by an actuary, shall be borne by the active members by adjusting the percent of the members' covered compensation to be contributed. As of June 30, 2010, plan assets at fair value totaled \$3,140,650.

For 2010, the pension contribution was determined to be \$263,034. This contribution represents 9.01% 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, 2009 actuarial valuation using the projected unit credit actuarial cost method.

Annual Costs and Net Obligation

The actuarial assumptions included (a) 7.5% investment rate of return, (b) projected salary increases of 4.0% and (c) rates of mortality, termination of service, disablement and retirement based on 1983 Group Annuity Table. The actual contribution by the members was \$61,627. The Town's contribution for the year ended June 30, 2010, was \$277,560. As of June 30, 2010, there were 60 current employee participants in the Plan. A participant is fully vested after five years.

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

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

<u>Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
2010	\$ 263,034	\$ 277,560	105.52%
2009	239,860	235,137	98.03%
2008	191,031	212,552	111.27%

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

### **Notes to Financial Statements June 30, 2010**

#### **NOTE 10 – PENSION PLANS (CONTINUED)**

##### **Town of Bel Air, Maryland Sworn Officers' Pension Plan**

On July 1, 2003, the Town of Bel Air established the Town of Bel Air Sworn Officers' Pension Plan (Plan) which provides pension and death and disability benefits to plan members and beneficiaries. In accordance with the Town Code, subject to approval by the Town Commissioners, pension plan provisions may be established or amended. The Plan is a single employer defined benefit pension plan administered by the Town of Bel Air. Responsibility for the administration and operation of the Plan is vested with a five member Board of Trustees.

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

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

##### Funding Policy

The Plan requires active members to contribute to the System at the rate of 7% of covered compensation and the Town to contribute 8% of the members' covered compensation. Increases in the funding requirements, as determined by an actuary, shall be borne by the active members by adjusting the percent of the members' covered compensation to be contributed. As of June 30, 2010, plan assets at fair value totaled \$2,936,171.

##### Annual Costs and Net Obligation

For 2010, the pension contribution was determined to be \$141,767. This contribution represents 7.73% 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, 2009, actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.5% investment rate of return, (b) projected salary increases of 4.0% and (c) rates of mortality, termination of service, disablement and retirement based on 1983 Group Annuity Table. The actual contribution by the members was \$132,473. The Town's contribution for the year ended June 30, 2010, was \$151,392. As of June 30, 2010, 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, 2010**

**NOTE 10 – PENSION PLANS (CONTINUED)**

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll (b-a/c)</u>
July 1, 2007	\$2,756,015	\$3,951,933	\$1,195,918	69.74%	\$ 1,505,061	79.46%
July 1, 2008	2,792,519	3,752,131	959,612	74.42%	1,645,595	58.31%
July 1, 2009	2,980,597	4,490,390	1,509,793	66.38%	1,834,346	82.31%

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

<u>Years Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
2010	\$ 141,767	\$ 151,392	106.79%
2009	159,964	218,009	136.29%
2008	192,333	211,355	109.89%

The financial information for each plan as of and for the year ended June 30, 2010, is summarized as follows:

	<u>As of June 30, 2010</u>	
	<u>Civilian Pension Trust</u>	<u>Sworn Officers' Pension Trust</u>
<b>ASSETS</b>		
Cash and equivalents	\$ 215,261	\$ 137,583
Investments:		
Mutual funds	2,930,450	2,803,728
Fiscal agents	464,605	-
Total revenues	<u>3,610,316</u>	<u>2,941,311</u>
<b>LIABILITIES</b>		
Accounts payable	<u>5,061</u>	<u>5,140</u>
<b>NET ASSETS</b>		
Held in trust for pension benefits	<u>\$ 3,605,255</u>	<u>\$ 2,936,171</u>

**TOWN OF BEL AIR, MARYLAND**

**Notes to Financial Statements  
June 30, 2010**

**NOTE 10 – PENSION PLANS (CONTINUED)**

	<b>For the Year Ended June 30, 2010</b>	
	<b>Civilian Pension Trust</b>	<b>Sworn Officers' Pension Trust</b>
<b>ADDITIONS</b>		
Contributions		
Employer contributions	\$ 277,560	\$ 151,392
Employee contributions	61,627	132,473
Total contributions	<u>339,187</u>	<u>283,865</u>
Investment gain:		
Net increase in the fair value of investments	<u>363,531</u>	<u>322,223</u>
Total additions	702,718	606,088
<b>DEDUCTIONS</b>		
Benefit payments	74,953	122,826
Contractual services	39,038	37,056
Total deductions	<u>113,991</u>	<u>159,882</u>
<b>CHANGE IN NET ASSETS</b>	\$ 588,727	\$ 446,206
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:</b>		
<b>BEGINNING OF YEAR</b>	<u>3,016,528</u>	<u>2,489,965</u>
<b>END OF YEAR</b>	<u>\$ 3,605,255</u>	<u>\$ 2,936,171</u>

**457 Deferred Compensation Plan**

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

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

**TOWN OF BEL AIR, MARYLAND**

**Notes to Financial Statements  
June 30, 2010**

**NOTE 11 – INTERFUND RECEIVABLES AND PAYABLES**

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Sewer Fund</b>	<b>Parking Fund</b>	<b>Total</b>
Due from Other Funds:					
General Fund	\$ -	\$ 88,700	\$ 221,599	\$ 289,232	\$ 599,531
Sewer Fund	-	1,654	-	-	1,654
<b>Total</b>	<b>\$ -</b>	<b>\$ 90,354</b>	<b>\$ 221,599</b>	<b>\$ 289,232</b>	<b>\$ 601,185</b>
Due to Other Funds:					
Sewer Fund	\$ 221,599	\$ -	\$ -	\$ -	\$ 221,599
Parking Fund	289,232	-	-	-	289,232
Special Revenue Fund	88,700	-	1,654	-	90,354
<b>Total</b>	<b>\$ 599,531</b>	<b>\$ -</b>	<b>\$ 1,654</b>	<b>\$ -</b>	<b>\$ 601,185</b>

**NOTE 12 – OTHER POST RETIREMENT BENEFITS**

The Town of Bel Air has instituted a program to provide health plan insurance to retired employees who are at least 55 years of age with at least 20 years of service. On July 1, 2009, the Town changed its benefit from a percentage of premium to a determined actual amount; however, the old benefit of a percentage of premium will remain in effect for those individuals who retired prior to January 1, 2009, which includes all of the retirees currently receiving the benefit. The premium amount paid by the Town is dependent upon the years of service by the retiree. The cost of the dependent care portion of the policy is born by the retiree unless he/she has at least 30 years of service. Participation in the program terminates at age 65. The Town recognizes the cost of the contribution in the year it is made. The total cost of the Plan to the Town for the year ended June 30, 2010, was approximately \$21,106 for the three retired employees participating in the Plan and receiving benefits.

Funding Policy

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

Annual Costs and Net Obligations

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

**TOWN OF BEL AIR, MARYLAND**

**Notes to Financial Statements  
June 30, 2010**

**NOTE 12 – OTHER POST RETIREMENT BENEFITS (CONTINUED)**

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

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

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

**NOTE 13 – RISK MANAGEMENT**

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

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

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

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

**TOWN OF BEL AIR, MARYLAND**

**Notes to Financial Statements  
June 30, 2010**

**NOTE 14 – SPECIAL REVENUE FUND BALANCE**

As of June 30, 2010, the Special Revenue Fund was designated for the following purposes:

<b>Governmental Funds</b>		
Larew book	\$	158
Tree planting – fee in lieu		1,023
Tree planting – forest conservation		1,973
Visitors center		139
Seized property		8,156
Stormwater management - fee in lieu		4,227
Comprehensive plan		12
Empty cartridges		143
Public amenity – gardens/park/art		42,442
Explorer scouts		15,609
Auxiliary police		14,206
ECDC contingency		1,351
Christmas parade		1,091
Historic preservation		1,890
Cultural arts		1,095
		<hr/>
<b>Total fund balance - reserved</b>	<b>\$</b>	<b>93,515</b>
		<hr/> <hr/>

**NOTE 15 – RELATED PARTY**

The Town purchased various supplies and goods from a local business owned and operated by one of the Town Commissioners in the amount of \$18,377 during the year ended June 30, 2010.

**NOTE 16 – RISK AND UNCERTAINTIES**

The Town's pension plans invest in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment of securities will occur in the near term and that such changes could materially affect the amounts reported in the Statement of Fiduciary Net Assets.

**NOTE 17 – COMMITMENTS AND CONTINGENCIES**

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

**SUPPLEMENTARY INFORMATION**

**TOWN OF BEL AIR, MARYLAND**

**Schedule of Cash and Cash Equivalents - General Fund  
June 30, 2010**

**UNRESTRICTED**

<b>M&amp;T Bank</b>		
Checking	\$	75,054
Payroll		1,000
<b>Harco Maryland Federal Credit Union</b>		
Savings		6
<b>Carrollton Bank</b>		
Money market		480
<b>PeoplesBank</b>		
Money market		548
<b>TD Bank</b>		
Savings		50,892
<b>Change fund</b>		1,450
<b>PNC</b>		
Local government investment pool		468,053
		<hr/>
<b>TOTAL UNRESTRICTED CASH</b>	\$	<u>597,483</u>

**RESTRICTED**

<b>BB&amp;T Bank</b>		
Turner escrow	\$	1,275
<b>Harford Bank</b>		
Savings		7,444
<b>NBRF Financial Bank</b>		
Cash in escrow		257,461
<b>PNC Bank</b>		
Local Government Investment Pool - 612 Rockspring Road		4,824
Local Government Investment Pool - Dombroskie		46,124
		<hr/>
<b>TOTAL RESTRICTED CASH</b>	\$	<u>317,128</u>

**TOWN OF BEL AIR, MARYLAND**

**Schedule of Revenues and Expenditures Budget (Non-GAAP Budgetary Basis) and Actual  
General Fund  
Year Ended June 30, 2010**

	<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	\$ 6,593,814	\$ 6,548,814	\$ 6,538,592	\$ (10,222)
Half-year real property	1,000	6,000	6,012	12
Personal property	13,000	13,000	15,875	2,875
Railroads and public utilities	318,000	310,000	313,484	3,484
Ordinary business corporations	535,000	550,000	616,790	66,790
Penalties and interest	43,000	47,000	49,745	2,745
 <u>Deductions</u>				
Discounts allowed on taxes	(46,800)	(52,800)	(49,245)	3,555
Net local taxes	<u>7,457,014</u>	<u>7,422,014</u>	<u>7,491,253</u>	<u>69,239</u>
 <b>Taxes - State Shared</b>				
Highway	472,197	86,955	84,938	(2,017)
Income taxes	1,109,100	1,124,100	1,247,899	123,799
Admission and amusement	34,000	34,000	50,534	16,534
Total taxes - state shared	<u>1,615,297</u>	<u>1,245,055</u>	<u>1,383,371</u>	<u>138,316</u>
 <b>Licenses and Permits</b>				
<u>Business</u>				
Beer, wine and liquor	15,000	15,000	14,222	(778)
Traders	70,000	70,000	66,930	(3,070)
<u>Other Licenses and Permits</u>				
Building and equipment	35,000	35,000	30,975	(4,025)
Total - licenses and permits	<u>120,000</u>	<u>120,000</u>	<u>112,127</u>	<u>(7,873)</u>
 <b>Revenue from Other Agencies</b>				
<u>Grants from State Government</u>				
Governor's office grant	12,875	8,000	7,998	(2)
Police protection	230,895	154,291	157,976	3,685
FEMA Grant	-	92,052	92,052	-
<u>Grants from the Federal Government</u>				
Bulletproof vest grant	1,312	-	-	-
Fed COPS grant	70,039	-	-	-
<u>Grants from County Government</u>				
Financial corporations	8,458	8,458	8,458	-
Tax rebate	827,892	738,953	738,953	-
Homeland security grant	25,000	25,000	25,000	-
Traffic grants	7,000	32,000	18,946	(13,054)
Total - revenue from other agencies	<u>1,183,471</u>	<u>1,058,754</u>	<u>1,049,383</u>	<u>(9,371)</u>
 <b>Service Charges for Current Services</b>				
<u>General Government</u>				
MAWC well fees	16,000	16,000	19,074	3,074
Bel Air Reckord Armory fees	45,000	50,000	53,276	3,276
Finance fees	11,500	11,500	15,435	3,935
Zoning and subdivision fees	16,000	10,000	8,718	(1,282)

**TOWN OF BEL AIR, MARYLAND**

**Schedule of Revenues and Expenditures Budget (Non-GAAP Budgetary Basis) and Actual  
General Fund  
Year Ended June 30, 2010**

	<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	\$ 250	\$ 250	\$ 90	\$ (160)
MD homebuilder guaranty fund	3,200	3,200	1,850	(1,350)
<u>Sanitation and Waste Removal</u>				
Sewer fund administrative fee	221,735	221,735	231,212	9,477
<u>Public Service Enterprises</u>				
Parking fund administrative fee	267,390	267,390	270,485	3,095
Reimbursement for police services	44,000	44,000	49,619	5,619
Police reports	1,400	1,400	1,472	72
Total - service charges for current services	<u>626,475</u>	<u>625,475</u>	<u>651,231</u>	<u>25,756</u>
<b>Fines</b>				
Traffic signal camera	300,000	242,000	256,350	14,350
False alarm	14,000	10,000	9,695	(305)
Total - fines	<u>314,000</u>	<u>252,000</u>	<u>266,045</u>	<u>14,045</u>
<b>Miscellaneous</b>				
Interest	95,000	80,000	84,117	4,117
Hearing and ad reimbursement	1,000	1,000	358	(642)
Cable TV franchise	127,000	131,000	131,470	470
Police and DPW overtime reimbursement	15,000	7,500	10,606	3,106
Rental income - Tenant house	-	-	100	100
Seized property	2,000	2,000	3,103	1,103
Miscellaneous	12,000	15,700	23,570	7,870
Total - miscellaneous	<u>252,000</u>	<u>237,200</u>	<u>253,324</u>	<u>16,124</u>
<b>TOTAL REVENUES</b>	<u><u>\$ 11,568,257</u></u>	<u><u>\$ 10,960,498</u></u>	<u><u>\$ 11,206,734</u></u>	<u><u>\$ 246,236</u></u>
<b>EXPENDITURES</b>				
<b>General Government</b>				
<u>Legislative</u>				
Commissioners				
Salaries	\$ 25,200	\$ 25,200	\$ 25,200	\$ -
Operating expenses	22,140	22,140	15,321	6,819
Town Clerk				
Salaries	228,524	228,524	224,446	4,078
Operating expenses	68,010	62,010	44,785	17,225
<u>Executive</u>				
Town Administrator				
Salaries	106,250	106,250	106,659	(409)
Operating expenses	23,653	23,653	24,128	(475)
<u>Elections</u>				
Registration and Election				
Operating expenses	3,700	2,480	2,480	-

**TOWN OF BEL AIR, MARYLAND**

**Schedule of Revenues and Expenditures Budget (Non-GAAP Budgetary Basis) and Actual  
General Fund  
Year Ended June 30, 2010**

	<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>Financial Administration</u>				
Accounting, Collection, and Disbursement Salaries	\$ 207,515	\$ 207,515	\$ 207,320	\$ 195
Operating expenses	25,881	27,481	25,002	2,479
Independent auditing	29,700	14,986	14,986	-
<u>Law</u>				
Legal Counsel Operating expenses	42,000	55,300	52,104	3,196
<u>Planning and Zoning</u>				
Salaries	283,419	283,419	288,969	(5,550)
Operating expenses	74,245	59,245	52,660	6,585
<u>Economic Development</u>				
Salaries	186,896	186,896	182,462	4,434
Operating expenses	83,980	80,980	79,291	1,689
<u>General Services</u>				
Municipal Buildings				
Salaries	43,706	43,706	45,301	(1,595)
Operating expenses	234,165	248,425	237,946	10,479
Capital outlay	13,460	-	-	-
Expansion/Renovation TH/PD	200,000	-	-	-
<u>Bel Air Reckord Armory</u>				
Salaries	24,017	18,017	16,194	1,823
Operating expenses	119,860	119,860	87,421	32,439
Renovations	-	-	(769)	769
<u>Other General Government</u>				
Community Promotion				
Operating expenses	8,325	8,325	6,650	1,675
Public Officers' Association				
Operating expenses	16,692	16,692	16,692	-
<u>Computer Network System</u>				
Operating expenses	165,197	192,218	213,609	(21,391)
Capital outlay	79,962	72,666	49,920	22,746
Total - general government	<u>2,316,497</u>	<u>2,105,988</u>	<u>2,018,777</u>	<u>87,211</u>
<b>Public Safety</b>				
<u>Administrative, Patrol and Investigation</u>				
Salaries	2,856,786	2,815,628	2,805,054	10,574
Operating expenses	262,902	222,856	224,387	(1,531)
Pension payback	75,000	-	-	-
Capital outlay	71,607	23,660	24,726	(1,066)
<u>Homeland security program</u>				
	25,000	25,000	25,000	-
<u>Traffic Safety</u>				
Red light camera program	155,895	130,895	133,926	(3,031)

**TOWN OF BEL AIR, MARYLAND**

**Schedule of Revenues and Expenditures Budget (Non-GAAP Budgetary Basis) and Actual  
General Fund  
Year Ended June 30, 2010**

	<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	37,461	37,461	37,506	(45)
Total - public safety	<u>3,638,611</u>	<u>3,409,460</u>	<u>3,404,559</u>	<u>4,901</u>
<b>Public Works</b>				
<u>General Administration</u>				
Salaries	574,042	574,042	571,202	2,840
Operating expenses	126,106	104,081	93,890	10,191
<u>Highways and Streets</u>				
Streets, Roadways and Alleys				
Salaries	462,239	479,739	475,148	4,591
Operating expenses	169,199	227,699	231,663	(3,964)
Sidewalk, curb and street construction	344,801	344,872	344,545	327
Capital outlay	65,200	5,200	5,000	200
Street Lighting				
Operating expenses	165,000	160,000	158,727	1,273
<u>Sanitation and Waste Removal</u>				
Waste Collection and Disposal				
Salaries	393,610	373,278	370,027	3,251
Operating expenses	141,668	117,500	113,855	3,645
Capital outlay	139,500	66,138	66,168	(30)
Shop				
Salaries	112,514	115,514	113,111	2,403
Operating expenses	172,395	172,395	175,464	(3,069)
Total - public works	<u>2,866,274</u>	<u>2,740,458</u>	<u>2,718,800</u>	<u>21,658</u>
<b>Recreation and Parks</b>				
<u>Participation Recreation</u>				
Operating expenses	112,700	113,900	110,997	2,903
<u>A &amp; B Committee</u>				
Operating expenses	38,300	38,300	37,508	792
<u>Cultural Arts Committee</u>				
Operating expenses	11,350	9,350	6,569	2,781
Total - recreation and parks	<u>162,350</u>	<u>161,550</u>	<u>155,074</u>	<u>6,476</u>
<b>Miscellaneous</b>				
Disability insurance	26,000	26,000	25,777	223
Hospital insurance	825,000	803,625	799,549	4,076
Optical and dental plan	25,900	23,500	25,296	(1,796)
Social security	423,745	423,745	417,067	6,678
Life insurance	27,600	27,600	27,496	104
Pension and deferred compensation contributions	547,471	478,447	480,334	(1,887)

**TOWN OF BEL AIR, MARYLAND**

**Schedule of Revenues and Expenditures Budget (Non-GAAP Budgetary Basis) and Actual  
General Fund  
Year Ended June 30, 2010**

	<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	190,700	190,700	186,636	4,064
Unemployment claims	160	4,160	5,373	(1,213)
General insurance	116,700	86,000	80,522	5,478
Bel Air High School Auditorium	500,000	215,580	215,580	-
Contingency	12,000	12,000	14,503	(2,503)
Debt service	472,524	466,455	465,884	571
Contributions/donations	11,980	11,980	11,550	430
Miscellaneous	44,745	42,345	32,539	9,806
Total - miscellaneous	<u>3,284,525</u>	<u>2,872,137</u>	<u>2,848,106</u>	<u>24,031</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 12,268,257</u>	<u>\$ 11,289,593</u>	<u>\$ 11,145,316</u>	<u>\$ 144,277</u>
<b>SUMMARY</b>				
<b>TOTAL REVENUES</b>	\$ 11,568,257	\$ 10,960,498	\$ 11,206,734	\$ 246,236
<b>TOTAL EXPENDITURES</b>	<u>12,268,257</u>	<u>11,289,593</u>	<u>11,145,316</u>	<u>144,277</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ (700,000)</u>	<u>\$ (329,095)</u>	<u>\$ 61,418</u>	<u>\$ 390,513</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, 2010**

	<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	\$ 90,000	\$ 90,000	\$ 87,506	\$ (2,494)
Parks & playground grant	150,000	329,000	329,000	-
MEMA grant	10,000	10,000	-	(10,000)
Program Open Space grant	41,000	46,000	46,000	-
Bureau of Justice grant	37,299	37,299	-	(37,299)
Community Legacy grant	35,000	35,000	17,598	(17,402)
Total - revenue from other agencies	<u>363,299</u>	<u>547,299</u>	<u>480,104</u>	<u>(67,195)</u>
<b>Miscellaneous</b>				
Christmas parade	1,500	1,500	2,800	1,300
Historic preservation	3,500	3,500	14,887	11,387
Tree planting - forest conservation	40,000	40,000	1,743	(38,257)
Tree planting - fee in lieu	6,500	6,500	-	(6,500)
Stormwater management fee in lieu	-	-	4,227	4,227
Public amenity - gardens, parks, and art	10,000	10,000	3,321	(6,679)
Empty printer cartridges	-	-	41	41
Visitors center	250	250	99	(151)
Transfer from General Fund seized property	8,000	8,000	-	(8,000)
Armory Park donations	-	-	7,835	7,835
Larew book	200	200	-	(200)
Explorer scouts	6,000	6,000	3,702	(2,298)
Auxiliary police	6,000	6,000	6,258	258
Cultural arts project	2,000	2,000	97	(1,903)
Cultural arts sculpture	30,000	30,000	-	(30,000)
DARE	500	500	-	(500)
ECDC contingency	100	100	-	(100)
Total - miscellaneous	<u>114,550</u>	<u>114,550</u>	<u>45,010</u>	<u>(69,540)</u>
<b>TOTAL REVENUES</b>	<u><u>\$ 477,849</u></u>	<u><u>\$ 661,849</u></u>	<u><u>\$ 525,114</u></u>	<u><u>\$ (136,735)</u></u>
<b>EXPENDITURES</b>				
<b>General Government</b>				
Historic preservation	\$ 3,500	\$ 3,500	\$ 13,377	\$ (9,877)
Armory Park donation	-	-	12,835	(12,835)
Visitors center	250	250	-	250
Community legacy grant	35,000	35,000	17,598	17,402
CDBG	90,000	90,000	87,506	2,494
Parks & playground grant	150,000	329,000	329,000	-
Total - general government	<u>278,750</u>	<u>457,750</u>	<u>460,316</u>	<u>(2,566)</u>
<b>Public Safety</b>				
Bureau of Justice grant	37,299	37,299	-	37,299
Seized property	8,000	8,000	5,433	2,567

**TOWN OF BEL AIR, MARYLAND**

**Schedule of Revenues and Expenditures Budget (Non-GAAP Budgetary Basis) and Actual  
Special Revenue Fund  
Year Ended June 30, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>EXPENDITURES</b> (continued)				
<b>Public Safety</b> (continued)				
Auxiliary police	\$ 6,000	\$ 6,000	\$ 4,326	\$ 1,674
Total - public safety	<u>51,299</u>	<u>51,299</u>	<u>9,759</u>	<u>41,540</u>
<b>Public Works</b>				
MEMA Grant	10,000	10,000	11,260	(1,260)
<b>Recreation and Parks</b>				
Tree planting - forest conservation	40,000	40,000	-	40,000
Tree planting - fee in lieu	6,500	6,500	-	6,500
Explorer Scouts	6,000	6,000	2,286	3,714
Cultural arts project	2,000	2,000	-	2,000
Cultural arts sculpture	30,000	30,000	-	30,000
Public amenity - gardens, parks and art	10,000	10,000	16,082	(6,082)
Program Open Space grant	41,000	46,000	46,000	-
Christmas parade	1,500	1,500	3,834	(2,334)
Total - recreation and parks	<u>137,000</u>	<u>142,000</u>	<u>68,202</u>	<u>73,798</u>
<b>Miscellaneous</b>				
DARE	500	500	-	500
Larew book	200	200	-	200
ECDC contingency	100	100	-	100
Total - miscellaneous	<u>800</u>	<u>800</u>	<u>-</u>	<u>800</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 477,849</u>	<u>\$ 661,849</u>	<u>\$ 549,537</u>	<u>\$ 112,312</u>
		<b>Summary</b>		
<b>TOTAL REVENUES</b>	\$ 477,849	\$ 661,849	\$ 525,114	\$ 136,735
<b>TOTAL EXPENDITURES</b>	<u>477,849</u>	<u>661,849</u>	<u>549,537</u>	<u>112,312</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (24,423)</u>	<u>\$ 24,423</u>

**TOWN OF BEL AIR, MARYLAND**

**Schedule of Revenues and Expenditures Compared to Budget**

**Parking Fund**

**Year Ended June 30, 2010**

	<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	\$ 162,000	\$ 158,750	\$ (3,250)
Lease fees	137,880	91,403	(46,477)
<b>Fines and Forfeitures</b>			
Parking	120,000	115,280	(4,720)
<b>Miscellaneous</b>			
County share operating expenses and capital repairs	133,361	123,934	(9,427)
Miscellaneous	5,140	2,671	(2,469)
Total - operating revenues	<u>558,381</u>	<u>492,038</u>	<u>(66,343)</u>
<b>OPERATING EXPENSES</b>			
<b>Miscellaneous</b>			
Compensated absences	-	914	(914)
Postage	410	275	135
Miscellaneous	2,230	3,895	(1,665)
Parking fine charges	27,000	25,837	1,163
Depreciation	69,368	69,755	(387)
<b>Lots and Meters</b>			
Transfer to general fund - administrative costs	199,065	201,427	(2,362)
Maintenance	3,000	9,402	(6,402)
Operating expenses	5,895	1,579	4,316
Equipment	18,500	-	18,500
<b>Parking Garage</b>			
Transfer to general fund - administrative costs	68,325	69,058	(733)
Amortization of financing costs	15,639	15,639	-
Operating expenses	43,580	56,783	(13,203)
Insurance	13,605	17,089	(3,484)
Routine repairs	30,000	-	30,000
Maintenance	6,100	5,978	122
Engineering condition survey	15,000	8,750	6,250
Capital repairs	15,000	-	15,000
Total - operating expenses	<u>532,717</u>	<u>486,381</u>	<u>46,336</u>
Operating income (loss)	<u>25,664</u>	<u>5,657</u>	<u>(20,007)</u>
<b>Non-operating Revenues (Expenses)</b>			
Interest income - investment	40	12	(28)
Interest expense - parking garage sweeper	(503)	(503)	-
- parking garage	<u>(27,141)</u>	<u>(27,141)</u>	<u>-</u>
Total - non-operating expenses	<u>(27,604)</u>	<u>(27,632)</u>	<u>(28)</u>
<b>NET (LOSS)</b>	<u>\$ (1,940)</u>	<u>\$ (21,975)</u>	<u>\$ (20,035)</u>

**TOWN OF BEL AIR, MARYLAND**

**Schedule of Revenues and Expenditures Compared to Budget  
Sewer Fund  
Year Ended June 30, 2010**

	<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>			
Sanitation and Waste Removal			
Sewerage charges	\$ 1,929,504	\$ 1,946,973	17,469
Sewer connection charges	50,000	189,500	139,500
Other revenues	17,050	21,497	4,447
Transfer from SSCI reserve	96,462	-	(96,462)
User benefit fees	28,315	28,315	-
	<u>2,121,331</u>	<u>2,186,285</u>	<u>64,954</u>
<b>OPERATING EXPENSES</b>			
Salaries - direct and on call time	90,138	90,949	(811)
- overtime	26,088	25,021	1,067
Compensated absences	-	4,585	(4,585)
Contractual services	1,270,386	1,558,885	(288,499)
Amortization	36,936	36,936	-
Supplies	13,100	5,230	7,870
Utilities	13,700	13,233	467
Miss Utility fees	2,500	2,784	(284)
Depreciation	48,600	52,042	(3,442)
Maintenance	30,000	15,981	14,019
Connection costs	50,000	189,500	(139,500)
Water company charges	2,055	2,149	(94)
Contingency	2,500	32,246	(29,746)
Transfer to general fund - administrative costs	221,735	231,212	(9,477)
User benefit fee	28,315	28,315	-
Postage	5,700	6,190	(490)
Root control maintenance	48,000	47,708	292
Main and lateral repairs	28,000	15,417	12,583
Credit card fees	2,614	3,783	(1,169)
Insurance	-	7,461	(7,461)
Transfer to SSCI reserve	40,000	-	40,000
ECM pump station access road	7,000	-	7,000
ECM spare pumps/soft starts	25,000	-	25,000
Moore's Mill Road sewer upgrade	47,227	46,808	419
I&I Projects	49,235	49,235	-
Miscellaneous	950	1,342	(392)
Total - operating expenses	<u>2,089,779</u>	<u>2,467,012</u>	<u>(377,233)</u>
Operating income (loss)	31,552	(280,727)	(312,279)
Non-operating expense - interest	<u>31,552</u>	<u>28,018</u>	<u>(3,534)</u>
<b>NET LOSS</b>	<u>\$ -</u>	<u>\$ (308,745)</u>	<u>\$ (308,745)</u>

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