

**TOWN OF BEL AIR, MARYLAND**

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

**For the Year Ended June 30, 2019**

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**JUNE 30, 2019**

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## **REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**

The Commissioners of the  
Town of Bel Air, Maryland

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bel Air, Maryland (the Town), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the general fund and special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.



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***Other Matters***

*Required Supplementary Information*

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

*Other Information*

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

Owings Mills, Maryland  
March 16, 2020

A handwritten signature in black ink that reads "SB &amp; Company, LLC". The signature is written in a cursive, flowing style.

## TOWN OF BEL AIR, MARYLAND

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

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, 2019. 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 and deferred outflows of the Town exceeded its liabilities and deferred inflows as of June 30, 2019, by \$15,509,990 (net position). Approximately 26% of this amount is attributable to the business-type activities. Of the total net position, (\$209,518) (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors. Unrestricted net position in the business-type activities is a positive \$1,796,878, while the governmental activities show (\$2,006,396) due to the recording of the change in the net pension/OPEB liability. Of the remaining total net position, \$2,610,640 is restricted for specific purposes (restricted net position), and \$13,108,868 is invested in capital assets, net of related debt.
- The Town's overall financial position increased by \$1,522,668 during the fiscal year. Net position for governmental and business-type activities increased \$1,804,905 and decreased \$282,237, respectively.
- The Town has recorded a net pension liability of \$1,910,273 and related deferred inflows of \$1,592,090 in the Statement of Net Position. The change in net pension liability resulted in an increase of \$292,467 in net position from 2018.

##### Fund Level:

- As of June 30, 2019, the Town's governmental funds reported a combined ending fund balance of \$6,258,657, an increase of \$676,946 in comparison with the prior year. Of this total amount, \$6,063,513 or 96.9% is available to meet the Town's current and future needs as mandated by the appropriate level of authority within the Town and are properly designated as committed, assigned, and unassigned.
- As of June 30, 2019, the assigned and unassigned fund balance for the General Fund (primary operating fund) was \$3,735,180 or 27.8% of total General Fund expenditures.
- In fiscal year 2019, the Town transferred a net \$588,103 to the General Fund Capital Reserve account and a net (\$2,309) from the General Fund Leave Payout Reserve account.
- As of June 30, 2019, the Town's business-type operating activities reported net position of \$4,035,209, a decrease of \$282,237 in comparison with the prior year. Of the total amount, \$1,796,878 is unrestricted.

## TOWN OF BEL AIR, MARYLAND

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

#### Long-Term Debt:

The Town's long-term debt decreased \$419,063 or 5.71% during the current fiscal year. The decrease was the net result of making \$465,953 in scheduled payments, a \$40,910 decrease in compensated absences/OPEB liability, a \$292,467 decrease in net pension liability, and \$380,267 increase in new debt proceeds.

#### Overview of the Financial Statements

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

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

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

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

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

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

## TOWN OF BEL AIR, MARYLAND

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

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

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

The Town maintains two individual governmental funds, the general fund and the special revenue fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement 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 statements 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.

## TOWN OF BEL AIR, MARYLAND

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

**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.

As noted earlier, net position may serve over time as a useful indicator of a government's overall financial condition and position. In the case of the Town, assets exceeded liabilities by \$15,509,990 as of June 30, 2019. The Town of Bel Air's net position is divided into three categories - invested in capital assets (net of related debt), restricted net position, and unrestricted net position.

The largest portion of the Town's net position is in investment in capital assets (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, 2019, capital assets were valued at \$13,108,868, net of related debt and accumulated depreciation or 84.5% of total net position. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The balance of unrestricted net position as of June 30, 2019, was (\$209,518) or (1.3)% of total net position and may be used to meet the government's ongoing obligations to citizens and creditors. The balance of restricted net position as of June 30, 2019, was \$2,610,640 or 16.8% of total net position and are resources that are subject to external restrictions on how they may be used.

For the fiscal year ended June 30, 2019, the Town reported positive balances in net investment in capital assets and restricted, but a negative balance in unrestricted. The Town reported positive balances in all three categories for the business-type activities separately; however, governmental activities reported a negative balance in unrestricted net position due to the change in the net pension/OPEB liability. The following tables reflect the condensed statement of net position and the schedule of changes in net position for governmental and business-type activities after the restatement:

**TOWN OF BEL AIR, MARYLAND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2019**

**NET POSITION**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>Assets</b>						
Current and other assets	\$ 7,582,954	\$ 6,711,571	\$ 2,292,321	\$ 3,214,184	\$ 9,875,275	\$ 9,925,755
Capital assets	11,831,658	10,864,342	3,787,033	3,675,945	15,618,691	14,540,287
Total assets	19,414,612	17,575,913	6,079,354	6,890,129	25,493,966	24,466,042
<b>Deferred outflows of resources- OPEB</b>	5,309	2,195	-	-	5,309	2,195
<b>Liabilities</b>						
Other liabilities	829,542	748,881	652,845	962,082	1,482,387	1,710,963
Long-term liabilities	5,523,508	5,723,271	1,391,300	1,610,601	6,914,808	7,333,872
Total liabilities	6,353,050	6,472,152	2,044,145	2,572,683	8,397,195	9,044,835
<b>Deferred inflows of resources-pensions/OPEB</b>	1,592,090	1,436,080	-	-	1,592,090	1,436,080
<b>Net Position</b>						
Net investment in capital assets	10,968,138	10,181,072	2,140,730	1,994,457	13,108,868	12,175,529
Restricted	2,513,039	1,825,867	97,601	82,597	2,610,640	1,908,464
Unrestricted	(2,006,396)	(2,337,063)	1,796,878	2,240,392	(209,518)	(96,671)
<b>Total net position</b>	<b>\$11,474,781</b>	<b>\$ 9,669,876</b>	<b>\$ 4,035,209</b>	<b>\$ 4,317,446</b>	<b>\$15,509,990</b>	<b>\$13,987,322</b>

**TOWN OF BEL AIR, MARYLAND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2019**

**CHANGES IN NET POSITION**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 1,376,611	\$ 1,212,006	\$ 3,388,783	\$ 3,223,124	\$ 4,765,394	\$ 4,435,130
Operating grants/ contributions	301,186	263,632	-	-	301,186	263,632
Capital grants/ contributions	136,158	692,394	-	-	136,158	692,394
General revenues:						
Property taxes	8,107,047	7,925,777	-	-	8,107,047	7,925,777
Shared taxes	3,065,314	2,472,451	-	-	3,065,314	2,472,451
Miscellaneous	927,139	811,102	-	-	927,139	811,102
Unrestricted investment earnings	186,791	97,655	711	1,625	187,502	99,280
<b>Total revenues</b>	<b>14,100,246</b>	<b>13,475,017</b>	<b>3,389,494</b>	<b>3,224,749</b>	<b>17,489,740</b>	<b>16,699,766</b>
<b>Expenses</b>						
General government	2,082,061	3,454,531	-	-	2,082,061	3,454,531
Public safety	4,405,892	3,957,066	-	-	4,405,892	3,957,066
Public works	3,529,958	3,666,260	-	-	3,529,958	3,666,260
Recreation and culture	352,767	223,739	-	-	352,767	223,739
Miscellaneous	1,872,773	2,767,718	-	-	1,872,773	2,767,718
Interest on long-term debt	51,890	28,975	-	-	51,890	28,975
Sewer	-	-	3,201,335	2,246,968	3,201,335	2,246,968
Parking facilities	-	-	470,396	859,531	470,396	859,531
<b>Total expenditures</b>	<b>12,295,341</b>	<b>14,098,289</b>	<b>3,671,731</b>	<b>3,106,499</b>	<b>15,967,072</b>	<b>17,204,788</b>
<b>Change in net position</b>	<b>1,804,905</b>	<b>(623,272)</b>	<b>(282,237)</b>	<b>118,250</b>	<b>1,522,668</b>	<b>(505,022)</b>
<b>Net position, beginning</b>	<b>9,669,876</b>	<b>10,293,148</b>	<b>4,317,446</b>	<b>4,199,196</b>	<b>13,987,322</b>	<b>14,492,344</b>
<b>Net position, ending</b>	<b>\$ 11,474,781</b>	<b>\$ 9,669,876</b>	<b>\$ 4,035,209</b>	<b>\$ 4,317,446</b>	<b>\$ 15,509,990</b>	<b>\$ 13,987,322</b>

**Governmental activities**

Governmental net position increased by \$1,804,905 mainly due to the positive change in governmental fund balance and increase in capital assets. Property taxes, shared taxes, and charges for services represent 57.4%, 21.7%, and 9.8% of the Town's revenue stream, respectively. The remaining 11.1% 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 2019 was \$14,100,246 which is \$625,229 or 4.6% more than the previous year. Revenues in all categories increased; however, revenues from state shared taxes increased \$592,863 due to an increase in income tax revenues, and revenues from property taxes increased \$181,270 mainly due to an increase in real property taxes.

Investment earnings increased entity wide. The State of Maryland investment pool, 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 2.25% compared to 1.34%. In fiscal year 2019, the Town utilized the CDARS program as well as investing in certificates of deposit and money market accounts at Maryland banks more in order to take advantage of higher investment rates. As of June 30, 2019, the Town held \$2,405,000 in various certificates of deposit

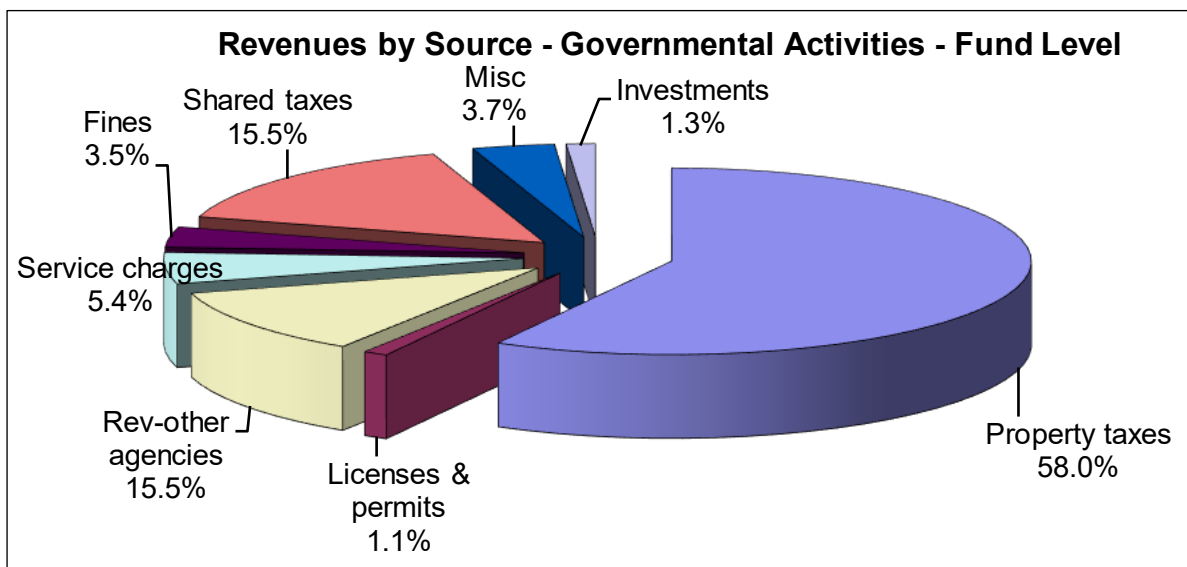
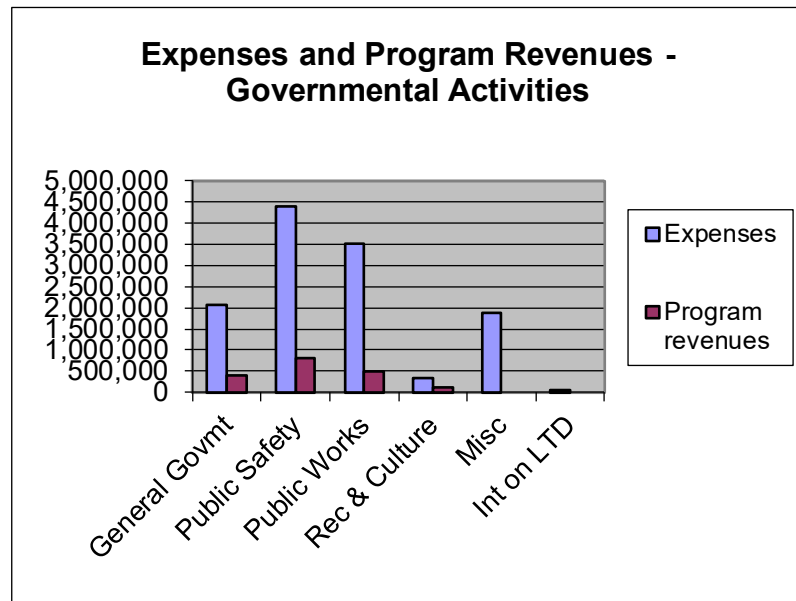
# TOWN OF BEL AIR, MARYLAND

## MANAGEMENT'S DISCUSSION AND ANALYSIS June 30, 2019

with rates ranging from 1.92% to 2.55% and maturities no longer than 19-months.

### Governmental activities

Governmental expenses were \$12,295,341 in fiscal year 2019, which equates to a decrease of \$1,802,948 or 12.79%. Public safety and public works are the two largest functional areas comprising 64.5% of all governmental expenses in fiscal year 2019. Public safety represents 35.8% of governmental expenses, while public works represents 28.7%. Public safety showed an increase in expenses totaling \$448,826.



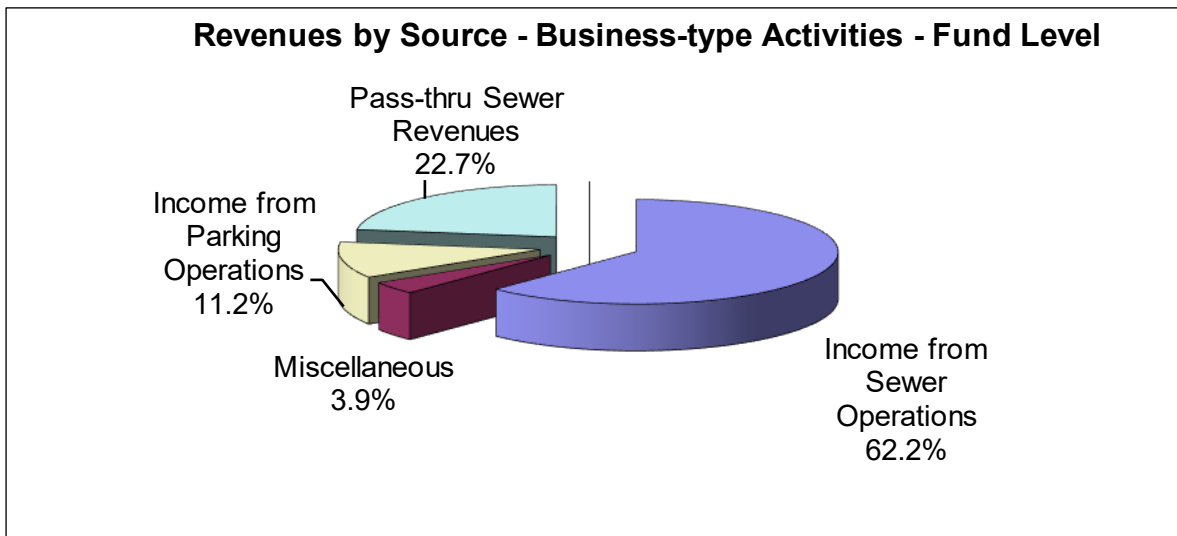
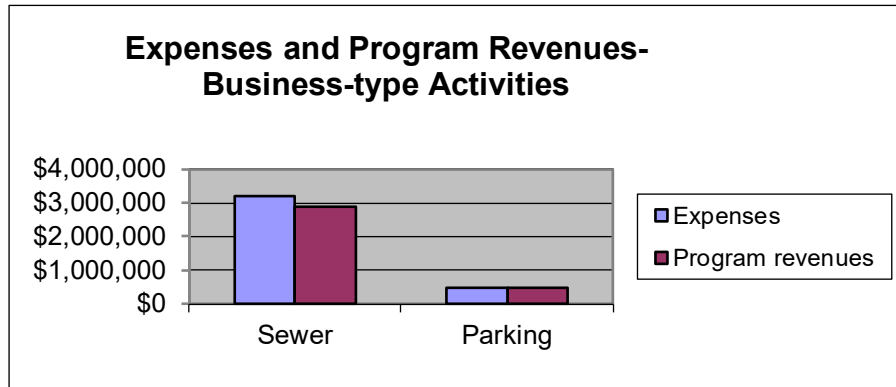
**TOWN OF BEL AIR, MARYLAND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2019**

**Business-type activities**

The Town operates two business-type enterprise funds, Parking and Sewer. Business-type net position decreased by \$282,237 overall with the Parking Fund increasing \$26,774 and the Sewer Fund decreasing by \$309,011. The decrease in the sewer fund is due to a wet year resulting in higher flows and inflow and infiltration resulting in more cost to treat the sewage by Harford County.



## TOWN OF BEL AIR, MARYLAND

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

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

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

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

As of June 30, 2019, the Town's governmental funds (general fund and special revenue fund) reported a combined ending fund balance of \$6,258,657, an increase of \$676,946 in comparison with the prior year. Approximately 96.9% of this total amount \$6,063,513 constitutes *committed, assigned, and unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *nonspendable and restricted* to indicate that it is not available for new spending because it has already been dedicated for prepaids. The *nonspendable and restricted fund balance*, at 3.1% of total fund balance, does not significantly affect the availability of fund resources for future use.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, assigned and unassigned fund balance of the General Fund was \$3,735,180, while total fund balance was \$5,871,021. As a measure of the General Fund's liquidity, it may be useful to compare both assigned and unassigned fund balance and total fund balance to total fund expenditures. Assigned and unassigned fund balance represents 27.8% of total General Fund expenditures, while total fund balance represents 43.7% of that same amount.

The Town's General Fund total fund balance increased by \$574,249 during the current fiscal year. This was a result of receiving more revenues than anticipated and expending less mainly due to vacancies and tenured employees leaving and hiring at lower salaries, both which resulted in major salary and benefit savings.

The Special Revenue Fund has a total fund balance of \$387,636 which increased slightly.

**Proprietary funds.** The Town's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Net position of the Parking Fund and the Sewer Fund was \$2,263,477 and \$1,771,732, respectively, and increased \$26,774 in the Parking Fund and decreased \$309,011 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.

## TOWN OF BEL AIR, MARYLAND

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

The net position of the Sworn Officers' Pension Trust and the Civilian Pension Trust increased \$545,647 or 7.5%, and \$628,741 or 8.3%. The increases in both trusts were due to a net increase in the fair value of investments.

On December 7, 2015, the Board of Town Commissioners approved Resolution No. 1061-15 which authorized the Town becoming a member of the Maryland Association of Counties Pooled OPEB Trust Fund. The Trust was established on January 27, 2015 to facilitate the investments of Other Postemployment Benefits (OPEB) by the members to provide post-retirement benefits to their respective retirees. The net position of the OPEB Trust increased \$54,742 or 14.6% due to an increase in the fair value of investments as well as an employer contribution.

#### General Fund Budgetary Highlights

The final amended budget to the General Fund resulted in an increase of \$378,760 from the amended budget in June, 2019. The significant revenue and expenditure changes were to additional revenue sources, for example income taxes, and to reinstate original budget cuts.

The Town amended the budget in March 2019 after its normal mid-year budget review. The general fund budget was increased \$372,363. The significant revenue changes were increases to income taxes, red light camera, and interest on investment revenues, while the significant expenditure changes were increases to Armory, Town Buildings, Technology, and Public Works Streets reinstating cuts from the original budget.

The Town amended the budget in June 2019. The general fund budget increased slightly by \$6,397.

At the end of the year, revenues and other financing sources were more than budgetary estimates by \$625,417 and expenditures were \$579,159 less than anticipated. The following revenues were the main drivers for the excess revenues: State shared income taxes (\$376,123), interest on investments (\$61,791), Armory fees (\$33,908), state shared admission and amusement taxes \$21,577, equipment/vehicle sale proceeds (\$41,026), and building permits \$20,696. The following expenditure departments were the main drivers for the lower expenditures: Police (\$61,621), Benefits (\$212,647), and Public Works (\$193,420).

#### 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, 2019 was \$15,618,691. 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 7.4%, comprised of a 8.9% increase in governmental activities and a 3.02% increase for business-type activities.

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

**TOWN OF BEL AIR, MARYLAND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2019**

**CAPITAL ASSETS**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Land and improvements	\$ 4,641,308	\$ 4,641,308	\$ 777,518	\$ 777,518	\$ 5,418,826	\$ 5,418,826
Buildings and improvements	7,269,110	6,183,730	3,206,000	3,206,000	10,475,110	9,389,730
Infrastructure	1,533,899	1,533,899	-	-	1,533,899	1,533,899
Machinery and equipment	1,084,646	1,104,736	485,375	485,375	1,570,021	1,590,111
Furniture and fixtures	1,397,630	1,337,206	-	-	1,397,630	1,337,206
Vehicles	3,345,406	3,161,073	497,243	350,104	3,842,649	3,511,177
Parking improvements	-	-	456,647	456,647	456,647	456,647
Sewer system	-	-	2,009,218	1,832,292	2,009,218	1,832,292
Accumulated depreciation	<u>(7,440,341)</u>	<u>(7,097,610)</u>	<u>(3,644,968)</u>	<u>(3,431,991)</u>	<u>(11,085,309)</u>	<u>(10,529,601)</u>
<b>Total</b>	<b>\$11,831,658</b>	<b>\$10,864,342</b>	<b>\$ 3,787,033</b>	<b>\$ 3,675,945</b>	<b>\$15,618,691</b>	<b>\$14,540,287</b>

Major capital asset events during the year ending June 30, 2019 included the following:

- The Town added the total renovations to the Armory Marketplace (\$949,294).
- The Town added three wayfinding signs located around Town (\$17,245).
- The Town added two EV charging stations located in the parking garage (\$6,942).
- The Public Works Department purchased three vehicles (\$416,494) and two pieces of equipment (\$79,780).
- The Town either sold the following major assets at various public auctions, used a trade-in at purchase, or scrapped them, and all were removed from the Town's capital assets: three public works vehicles (\$232,161), three public work's pieces of equipment (\$98,870), and a server (\$11,687).
- In the Sewer Fund, a new small sewer jet truck was purchased (\$147,139) and a major sewer pipe bursting of an 8" main was contracted in order to extend the life was completed \$176,926.

**Debt administration.** The Town's long-term debt as of June 30, 2019, was \$6,914,808. Of this amount, \$2,103,981 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 \$883,276, an obligation to the Liquor Control Board employees' retirement system of \$2,778, \$2,014,500, in compensated absences and OPEB liabilities from GASB #75, and \$1,910,273 in net pension liability resulting from GASB #68. The following table reflects the Town's long-term debt:

**TOWN OF BEL AIR, MARYLAND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2019**

**LONG-TERM DEBT**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
General obligations bonds	\$ 825,891	\$ 879,541	\$ 1,278,090	\$1,478,830	\$2,103,981	\$2,358,371
Equipment/vehicle notes	863,520	683,270	19,756	30,041	883,276	713,311
Other notes	2,778	4,039	-	-	2,778	4,039
Net pension liability	1,910,273	2,202,740	-	-	1,910,273	2,202,740
Compensated absences / OPEB	1,921,046	1,953,681	93,454	101,729	2,014,500	2,055,410
<b>Total</b>	<u>\$5,523,508</u>	<u>\$5,723,271</u>	<u>\$ 1,391,300</u>	<u>\$1,610,600</u>	<u>\$6,914,808</u>	<u>\$7,333,871</u>

The Town's total long-term debt for governmental activities decreased \$199,763 and decreased \$219,300 for business-type activities. During the year, \$464,692 in debt was retired. During the fiscal year, the Town entered into a new \$380,267 seven-year term note for the public purpose of purchasing General Fund vehicles.

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, 2019, the debt limitation is \$88,441,049 which is significantly in excess of the Town's outstanding general obligation debt.

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

## TOWN OF BEL AIR, MARYLAND

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

#### Economic Factors and Fiscal Year 2020's Budgets and Rates

- The State of Maryland Assessments and Taxation Department completed its triennial assessment for Town residents effective beginning in fiscal year 2017, which assesses the Town every third year, along with a cap of 10% on residential properties. During the next fiscal year, the Town expected a very slight assessment increase, 1.5% due to the improving real estate values locally.
- Income tax revenues are projected to increase slightly over the 2019 budget revenues based on information provided by the Comptroller's office.
- Highway user revenues are projected to increase \$78,000 over the 2020 budget revenues due to a combination of the loss of a business in Town will thousands of vehicle registrations and the one-time grant, which was received six years in a row, becoming permanent.
- Police protection grant from the state is projected to increase slightly.
- The Harford County tax rebate is projected to remain relatively flat.
- With anticipating slight interest rate increases, the Town's interest on investments is budgeted to increase \$10,000.
- The Bel Air Alliance anticipates receiving \$15,000 in grant funds and contribute \$5,000 to fund 50% of the cost for the Town to continue its wayfinding signage project for directional signage in the downtown area and approaches.
- The Town plans on financing its equipment/vehicle purchases in fiscal year 2020 in the amount of \$450,000.
- All Town employees received a merit (step) salary increase and a 1% COLA.
- In fiscal year 2020, the various benefit accounts, such as medical/dental/vision insurances, workers compensation, pension, life insurance, long-term disability, and social security were budgeted in the applicable departments based on the employees instead of in the Benefit Department.
- The Town budgeted \$49,500 for various maintenance or capital projects in the Armory.
- The Town budgeted \$184,000 for various building maintenance or capital projects to include the replacement of the emergency generator located at the Public Works and Planning building.
- Since there is an election in November 2020, appropriate funds were budgeted.

## TOWN OF BEL AIR, MARYLAND

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

- The Planning Department included \$30,000 to be used for directional signage in the downtown area and approaches which is the fourth phase of implementing the Wayfinding Study.
- The Planning Department included \$25,000 to install “Sharrows” or Share the Road signs and pavement markings on selected roads.
- The Planning Department included \$30,000 to construct a paved pedestrian connection and add minor upgrades to a park.
- The Technology Department budgeted approximately \$91,000 for one-time expenditures.
- A new department, Public Relations, was established to fund a Public Relations Manager who will start in January, 2020. This person will report to the Town Administrator and handle the public relations needs of the Town.
- The Town’s worker’s compensation modification rate increased slightly from a .57 discount to a .64 discount due to low claims and experience for the last completed fiscal years.
- The Town budgeted \$57,000 to fully fund its Other Postemployment Benefits Other Than Pensions (OPEB) based on the last valuation.
- The Town’s health insurance premiums remained the same from fiscal year 2020.
- The Police Department budgeted \$125,000 to purchase three replacement vehicles and a replacement motorcycle.
- The Department of Public Works included \$84,000 to fund the costs associated with the Town’s MS4 storm water management program.
- The Department of Public Works budgeted to replace all of the traffic signal light fixtures on Boulton Street next to the Harford Mall in the amount of \$25,000.
- The Public Works Department budgeted \$345,000 in fill-in sidewalk, street, sidewalk, curb ramp, and curb/gutter construction work to be completed at specific locations.
- The Public Works Department budgeted \$325,000 to purchase a replacement street sweeper.
- In the Special Revenue Fund, the Town has designated its current year of Community Development Block Grant as well as the balance from fiscal year 2019 to fund a portion of the project at Office Street/Courthouse Square in the amount of \$35,351.
- In the Special Revenue Fund, the Town included \$651,465 for a Department of Natural Resources Grant through the Chesapeake & Atlantic Coastal Bays Trust Fund to implement Phase III Section IV of the Plumtree Run Stream corridor restoration project.

All of these factors were considered in preparing the Town’s budget for the 2020 fiscal year.

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

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2019**

The real and personal property tax rates remain unchanged in fiscal year 2020 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 increased \$.14 which was based on the Consumer Price Index of 2.4%. The base charge increased by the Consumer Price Index of 2.4%. A new utility locator fee was established to charge for Miss Utility "mark outs" and is expected to generate approximately \$42,000 in revenues. A comprehensive engineering evaluation for two pumping stations was budgeted in the amount of \$40,000. The Town budgeted \$125,000 to replace approximately 300 linear feet of 8" sanitary sewage main by pipe bursting. Two sewage pumps will be replaced at an estimated cost of \$30,000, and substantial repairs to two pumping stations will cost approximately \$27,000.

In the Parking Fund, meter collection revenues were projected to remain the same, while parking fines are projected to be \$6,000 higher based on the previous fiscal year. The lease fees were projected to decrease slightly based on actual lease contracts at the time the budget was submitted, and they continue to remain at a post-recession level. A resurfacing of one of the parking lots was budgeted in the amount of \$40,000. A replacement parking garage sweeper will be purchased during the year at an estimated cost of \$45,000 which will be financed.

#### **Requests for Information**

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

## **FINANCIAL STATEMENTS**

**TOWN OF BEL AIR, MARYLAND**

**Statement of Net Position  
June 30, 2019**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 5,183,394	\$ 158,427	\$ 5,341,821
Restricted cash and cash equivalents	323,826	9,309	333,135
Investments	2,405,000	-	2,405,000
Accounts receivable	991,182	545,871	1,537,053
Loan receivable - revolving loan fund	36,337	-	36,337
Loan receivable - The John Carroll School	-	8,932	8,932
Real and personal property taxes receivable	58,975	-	58,975
Accrued interest receivable	35,028	-	35,028
Internal balances	(1,461,226)	1,461,226	-
Prepaid expenses	10,438	-	10,438
Capital assets, not being depreciated	4,641,308	777,518	5,418,826
Capital assets, net of accumulated depreciation	7,190,350	3,009,515	10,199,865
Other assets	-	108,556	108,556
	<u>19,414,612</u>	<u>6,079,354</u>	<u>25,493,966</u>
<b>Total assets</b>			
	<u>19,414,612</u>	<u>6,079,354</u>	<u>25,493,966</u>
<b>DEFERRED OUTFLOWS OF RESOURCES-OPEB</b>	<u>5,309</u>	<u>-</u>	<u>5,309</u>
<b>LIABILITIES</b>			
Accounts payable	577,606	651,402	1,229,008
Accrued liabilities	238,891	-	238,891
Payroll withholdings	4,856	-	4,856
Deposits and other escrows held	3,579	-	3,579
Unearned revenue	4,610	1,443	6,053
Non-current liabilities:			
Due within one year	247,846	215,320	463,166
Due in more than one year	5,275,662	1,175,980	6,451,642
	<u>6,353,050</u>	<u>2,044,145</u>	<u>8,397,195</u>
<b>Total liabilities</b>			
	<u>6,353,050</u>	<u>2,044,145</u>	<u>8,397,195</u>
<b>DEFERRED INFLOWS OF RESOURCES-PENSIONS/OPEB</b>	<u>1,592,090</u>	<u>-</u>	<u>1,592,090</u>
<b>NET POSITION</b>			
Net investment in capital assets	10,968,138	2,140,730	13,108,868
Restricted	2,513,039	97,601	2,610,640
Unrestricted	(2,006,396)	1,796,878	(209,518)
	<u>10,968,138</u>	<u>2,140,730</u>	<u>13,108,868</u>
<b>TOTAL NET POSITION</b>	<u>\$ 11,474,781</u>	<u>\$ 4,035,209</u>	<u>\$ 15,509,990</u>

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

TOWN OF BEL AIR, MARYLAND

Statement of Activities  
Year Ended June 30, 2019

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	\$ 2,082,061	\$ 348,879	\$ 3,857	\$ 38,557	\$ (1,690,768)	\$ -	\$ (1,690,768)
Public safety	4,405,892	536,943	273,466	-	(3,595,483)	-	(3,595,483)
Public works	3,529,958	490,789	-	-	(3,039,169)	-	(3,039,169)
Recreation and culture	352,767	-	23,863	97,601	(231,303)	-	(231,303)
Miscellaneous	1,872,773	-	-	-	(1,872,773)	-	(1,872,773)
Interest on long-term debt	51,890	-	-	-	(51,890)	-	(51,890)
Total governmental activities	<u>12,295,341</u>	<u>1,376,611</u>	<u>301,186</u>	<u>136,158</u>	<u>(10,481,386)</u>	<u>-</u>	<u>(10,481,386)</u>
Business-type activities							
Sewer	3,201,335	2,891,659	-	-	-	(309,676)	(309,676)
Parking facilities	470,396	497,124	-	-	-	26,728	26,728
Total business-type activities	<u>3,671,731</u>	<u>3,388,783</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(282,948)</u>	<u>(282,948)</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 15,967,072</u>	<u>\$ 4,765,394</u>	<u>\$ 301,186</u>	<u>\$ 136,158</u>	<u>(10,481,386)</u>	<u>(282,948)</u>	<u>(10,764,334)</u>
<b>GENERAL REVENUES</b>							
Taxes:							
Property taxes, levied for general purposes					8,107,047	-	8,107,047
Shared taxes					3,065,314	-	3,065,314
Miscellaneous					927,139	-	927,139
Unrestricted investment earnings					186,791	711	187,502
Total general revenues					<u>12,286,291</u>	<u>711</u>	<u>12,287,002</u>
<b>CHANGE IN NET POSITION</b>					1,804,905	(282,237)	1,522,668
<b>NET POSITION, BEGINNING</b>					<u>9,669,876</u>	<u>4,317,446</u>	<u>13,987,322</u>
<b>NET POSITION, ENDING</b>					<u>\$ 11,474,781</u>	<u>\$ 4,035,209</u>	<u>\$ 15,509,990</u>

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

**TOWN OF BEL AIR, MARYLAND**

**Governmental Funds Balance Sheet  
June 30, 2019**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 5,183,394	\$ -	\$ 5,183,394
Restricted cash and cash equivalents	208,977	114,849	323,826
Investments	2,405,000	-	2,405,000
Accounts receivable	869,146	122,036	991,182
Loan receivable - revolving loan fund	-	36,337	36,337
Accrued interest receivable	35,028	-	35,028
Property taxes receivable - net	58,975	-	58,975
Due from other funds	76,042	127,169	203,211
Prepaid costs	9,345	1,093	10,438
<b>TOTAL ASSETS</b>	<u>\$ 8,845,907</u>	<u>\$ 401,484</u>	<u>\$ 9,247,391</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 568,389	\$ 9,217	\$ 577,606
Accrued expenditures	227,342	-	227,342
Payroll withholdings	4,856	-	4,856
Deposits	3,579	-	3,579
Unearned revenue	4,511	99	4,610
Due to other funds	1,659,905	4,532	1,664,437
Total liabilities	<u>2,468,582</u>	<u>13,848</u>	<u>2,482,430</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	44,132	-	44,132
Unavailable revenue - income taxes	457,778	-	457,778
Unavailable revenue - highway user	4,394	-	4,394
Total deferred inflows of resources	<u>506,304</u>	<u>-</u>	<u>506,304</u>
<b>FUND BALANCES</b>			
Nonspendable	9,345	1,093	10,438
Restricted	-	184,706	184,706
Committed	2,126,496	125,003	2,251,499
Assigned	445,584	76,834	522,418
Unassigned	3,289,596	-	3,289,596
Total fund balances	<u>5,871,021</u>	<u>387,636</u>	<u>6,258,657</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 8,845,907</u>	<u>\$ 401,484</u>	<u>\$ 9,247,391</u>

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

**TOWN OF BEL AIR, MARYLAND**

**Reconciliation of the Governmental Funds Balance Sheet to the  
Statement of Net Position  
June 30, 2019**

<b>TOTAL FUND BALANCES - GOVERNMENTAL FUNDS</b> (page 21)	\$ 6,258,657
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Certain receivables are offset by unavailable revenue in the governmental funds since they are not available to pay for current period expenditures. This is the amount of deferred inflows of resources related to these receivables.	506,304
Net deferred outflows and inflows of resources related to pensions/OPEB	(1,586,781)
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 \$19,271,999 and the accumulated depreciation is \$7,440,341.	11,831,658
Noncurrent liabilities are not reported as liabilities in the governmental funds.	(5,523,508)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	<u>(11,549)</u>
<b>TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES</b> (page 20)	<u>\$ 11,474,781</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, 2019**

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>			
Taxes - local	\$ 8,090,885	\$ -	\$ 8,090,885
Taxes - state shared	2,170,574	-	2,170,574
Licenses and permits	159,732	-	159,732
Revenue from other agencies	1,453,878	157,021	1,610,899
Service charges for current services	755,543	-	755,543
Fines	487,958	-	487,958
Miscellaneous	510,963	191,144	702,107
Total revenues	<u>13,629,533</u>	<u>348,165</u>	<u>13,977,698</u>
<b>EXPENDITURES</b>			
General government	2,967,285	36,368	3,003,653
Public safety	4,351,940	8,587	4,360,527
Public works	3,792,841	548	3,793,389
Recreation and parks	152,802	199,965	352,767
Miscellaneous	1,872,773	-	1,872,773
Debt service:			
Principal	254,928	-	254,928
Interest	42,982	-	42,982
Total expenditures	<u>13,435,551</u>	<u>245,468</u>	<u>13,681,019</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	193,982	102,697	296,679
<b>OTHER FINANCING SOURCES</b>			
Equipment/vehicle proceeds	380,267	-	380,267
Total other financing sources	<u>380,267</u>	<u>-</u>	<u>380,267</u>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES</b>	574,249	102,697	676,946
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>5,296,772</u>	<u>284,939</u>	<u>5,581,711</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 5,871,021</u>	<u>\$ 387,636</u>	<u>\$ 6,258,657</u>

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

**TOWN OF BEL AIR, MARYLAND**

**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities  
Year Ended June 30, 2019**

<b>TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUND</b> (page 23)	<b>\$ 676,946</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 \$1,655,604 exceeded depreciation expense of \$647,082 in the period.	1,008,522
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 \$345,557, less any accumulated depreciation of \$304,351.	(41,206)
In the Statement of Activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for compensated absences are measured by the amount of financial resources used (essentially, the amounts actually paid or expected to be paid within one year). This year, the change in vacation, sick, compensatory leave, and OPEB expense was \$32,635.	32,635
In the Statement of Activities, only the pension expense related to the changes in net pension liability is reported, whereas in the governmental funds, the actual amount contributed is an expenditure.	139,572
In the Statement of Activities, revenues are recognized when they are earned and received. In the governmental funds, revenues are recognized as income if they are available to satisfy current obligations. This is the amount of the increase in deferred inflows of resources in the governmental funds which is recognized as revenue in the Statement of Activities.	122,683
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 2019.	254,928
Long-term debt proceeds are another financing source in the governmental funds, but the proceeds increase long-term liabilities in the Statement of Net Assets. This is the amount of long-term debt proceeds for 2019.	(380,267)
Interest expense in the Statement of Activities differs from the amount reported in governmental funds due to the net change in accrued interest.	<u>(8,908)</u>
<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b> (page 21)	<b><u>\$ 1,804,905</u></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, 2019**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts Budgetary Basis</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUE</b>				
Taxes - local	\$ 8,055,557	\$ 8,078,557	\$ 8,090,885	\$ 12,328
Taxes - state shared	1,632,078	1,775,402	2,170,574	395,172
Licenses and permits	106,000	146,000	159,732	13,732
Revenues from other agencies	1,431,934	1,443,020	1,453,878	10,858
Service charges for current services	687,976	687,976	755,543	67,567
Fines	362,500	471,500	487,958	16,458
Miscellaneous	348,963	401,661	510,963	109,302
<b>Total revenues</b>	<b>12,625,008</b>	<b>13,004,116</b>	<b>13,629,533</b>	<b>625,417</b>
<b>EXPENDITURES</b>				
Current:				
General government	2,576,153	2,844,045	2,787,082	56,963
Public safety	3,977,741	4,533,075	4,455,793	77,282
Public works	3,261,599	3,621,669	3,428,249	193,420
Recreation and culture	162,550	162,550	152,802	9,748
Miscellaneous	2,921,415	2,116,879	1,872,773	244,106
Debt service	295,550	295,550	297,910	(2,360)
<b>Total expenditures</b>	<b>13,195,008</b>	<b>13,573,768</b>	<b>12,994,609</b>	<b>579,159</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(570,000)</b>	<b>(569,652)</b>	<b>634,924</b>	<b>1,204,576</b>
<b>OTHER FINANCING SOURCES</b>				
Equipment/vehicle proceeds	382,000	380,267	380,267	-
Total other financing sources	382,000	380,267	380,267	-
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES</b>	<b>(\$188,000)</b>	<b>(\$189,385)</b>	<b>1,015,191</b>	<b>\$1,204,576</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>			<b>5,021,110</b>	
<b>FUND BALANCE - END OF YEAR</b>			<b>\$ 6,036,301</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 - Special Revenue Fund  
(Non-GAAP Budgetary Basis)  
Year Ended June 30, 2019**

	<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	\$ 54,456	\$ 54,456	\$ 35,557	\$ (18,899)
State of Maryland bond bill	-	-	97,601	97,601
Miscellaneous state grants	-	10,000	11,350	1,350
Miscellaneous county grant	-	-	1,789	1,789
Governor's Office grant	-	-	10,724	10,724
Community Legacy grant	350,000	350,000	-	(350,000)
Total - revenue from other agencies	404,456	414,456	157,021	(257,435)
<b>Miscellaneous</b>	74,700	224,700	191,144	(33,556)
Total revenues	479,156	639,156	348,165	(290,991)
<b>EXPENDITURES</b>				
General government	407,656	407,656	36,368	371,288
Public safety	19,000	19,000	8,587	-
Public works	30,000	30,000	548	29,452
Recreation and culture	22,500	182,500	199,965	(17,465)
Total expenditures	479,156	639,156	245,468	383,275
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 102,697</b>	<b>\$ 92,284</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>			284,939	
<b>TRANSFER FROM GENERAL FUND TO SPECIAL REVENUE FUND ART AMENITY RESERVE</b>			-	
<b>FUND BALANCE - END OF YEAR</b>			<b>\$ 387,636</b>	

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

**TOWN OF BEL AIR, MARYLAND**

**Statement of Net Position – Proprietary Funds (Enterprise Funds)  
June 30, 2019**

	<u>Parking Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 158,427	\$ -	\$ 158,427
Restricted cash and cash equivalents	9,309	-	9,309
Accounts receivable	131,028	414,843	545,871
Loan receivable, The John Carroll School	-	8,932	8,932
Due from other funds	-	1,539,727	1,539,727
Total current assets	<u>298,764</u>	<u>1,963,502</u>	<u>2,262,266</u>
<b>Noncurrent Assets</b>			
Land	777,518	-	777,518
Capital assets, net	1,484,822	1,524,693	3,009,515
Other assets	-	108,556	108,556
Total noncurrent assets	<u>2,262,340</u>	<u>1,633,249</u>	<u>3,895,589</u>
Total assets	<u>2,561,104</u>	<u>3,596,751</u>	<u>6,157,855</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued expenses	5,275	646,127	651,402
Due to other funds	78,501	-	78,501
Unearned revenue	1,443	-	1,443
Notes payable	3,793	6,745	10,538
Bonds payable	32,499	172,283	204,782
Total current liabilities	<u>121,511</u>	<u>825,155</u>	<u>946,666</u>
<b>Noncurrent Liabilities</b>			
Accrued compensated absences	22,321	71,133	93,454
Notes payable - long-term	5,776	3,442	9,218
Bonds payable - long-term	148,019	925,289	1,073,308
Total noncurrent liabilities	<u>176,116</u>	<u>999,864</u>	<u>1,175,980</u>
Total liabilities	<u>297,627</u>	<u>1,825,019</u>	<u>2,122,646</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	2,072,253	68,477	2,140,730
Restricted	97,601	-	97,601
Unrestricted	93,623	1,703,255	1,796,878
<b>TOTAL NET POSITION</b>	<u>\$ 2,263,477</u>	<u>\$ 1,771,732</u>	<u>\$ 4,035,209</u>

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

**TOWN OF BEL AIR, MARYLAND**

**Statement of Revenues, Expenses and Change In Net Position - Proprietary Funds  
(Enterprise Funds)  
Year Ended June 30, 2019**

	<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	\$ -	\$ 2,108,077	\$ 2,108,077
Sewer connection charges	-	732,724	732,724
Other revenues	-	15,893	15,893
User benefit fees	-	34,965	34,965
Highway and Streets			
Meter collections	180,832	-	180,832
Lease fees	68,903	-	68,903
Fines and Forfeitures			
Parking	131,060	-	131,060
Miscellaneous			
Miscellaneous income	-	-	-
County share operating expenses and capital repairs	116,329	-	116,329
Total operating revenues	<u>497,124</u>	<u>2,891,659</u>	<u>3,388,783</u>
<b>OPERATING EXPENSES</b>			
Salaries/Benefits	-	176,561	176,561
Contractual services	-	1,672,227	1,672,227
Allocated administrative costs	247,181	307,079	554,260
Supplies	-	2,978	2,978
Utilities	-	15,431	15,431
Depreciation	135,351	77,627	212,978
Amortization	-	24,248	24,248
Maintenance	7,939	75,943	83,882
Compensated absences	(5,427)	(2,848)	(8,275)
Other	8,943	16,894	25,837
Connection costs	-	732,724	732,724
User benefit fees	-	34,965	34,965
Postage	1,583	-	1,583
Insurance	17,920	8,457	26,377
Parking fine charges	26,971	-	26,971
Processing fees	-	11,980	11,980
Garage operations	25,457	-	25,457
Inflow and infiltration remediation	-	15,577	15,577
Total operating expenses	<u>465,918</u>	<u>3,169,843</u>	<u>3,635,761</u>
Operating income (loss)	<u>31,206</u>	<u>(278,184)</u>	<u>(246,978)</u>
Non-Operating Revenue (Expenses)			
Investment income	46	665	711
Investment expenses	(4,478)	(31,492)	(35,970)
Net non-operating expenses	<u>(4,432)</u>	<u>(30,827)</u>	<u>(35,259)</u>
<b>INCREASE (DECREASE) IN NET POSITION</b>	26,774	(309,011)	(282,237)
<b>NET POSITION, BEGINNING OF PERIOD</b>	<u>2,236,703</u>	<u>2,080,743</u>	<u>4,317,446</u>
<b>NET POSITION, END OF PERIOD</b>	<u>\$ 2,263,477</u>	<u>\$ 1,771,732</u>	<u>\$ 4,035,209</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, 2019**

	<u>Parking Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from sewer charges	\$ -	\$ 3,564,295	\$ 3,564,295
Cash received from parking charges	580,337	-	580,337
Payments to suppliers	(382,618)	(3,080,985)	(3,463,603)
Payments to employees	-	(175,823)	(175,823)
Net cash provided by operating activities	<u>197,719</u>	<u>307,487</u>	<u>505,206</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Debt payments from loan receivable-John Carroll	-	17,561	17,561
Cash payment of note principal	(3,722)	(6,563)	(10,285)
Cash payment of bond principal	(31,463)	(169,277)	(200,740)
Interest paid on long-term obligation	(4,719)	(32,327)	(37,046)
Acquisition of capital assets	-	(324,065)	(324,065)
Net cash (used in) financing activities	<u>(39,904)</u>	<u>(514,671)</u>	<u>(554,575)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment income	<u>46</u>	<u>665</u>	<u>711</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	157,861	(206,519)	(48,658)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>9,875</u>	<u>206,519</u>	<u>216,394</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 167,736</u>	<u>\$ -</u>	<u>\$ 167,736</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ 31,206	\$ (278,184)	\$ (246,978)
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization	135,351	101,875	237,226
Effects of changes in operating assets and liabilities:			
Accounts receivable	(41,679)	216,111	174,432
Due from other funds	124,396	456,525	580,921
Due to other funds	76,042	-	76,042
Accounts payable	(122,666)	(185,992)	(308,658)
Unearned revenue	496	-	496
Compensated absences payable	(5,427)	(2,848)	(8,275)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 197,719</u>	<u>\$ 307,487</u>	<u>\$ 505,206</u>

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

**TOWN OF BEL AIR, MARYLAND****Statement of Fiduciary Net Position  
June 30, 2019**

	<u>Pension</u>	<u>OPEB</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 514,187	\$ -	\$ 514,187
Investments:			
Mutual funds	15,556,225	-	15,556,225
Fiscal agents	253,787	-	253,787
Pooled OPEB Trust	-	430,330	430,330
Total assets	<u>16,324,199</u>	<u>430,330</u>	<u>16,754,529</u>
<b>LIABILITIES</b>			
Accounts payable	<u>15,894</u>	<u>-</u>	<u>15,894</u>
<b>NET POSITION</b>			
Held in trust for pension/OPEB benefits	<u>\$ 16,308,305</u>	<u>\$ 430,330</u>	<u>\$ 16,738,635</u>

(See notes to financial statements for the plan's schedule of funding progress.)

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

**TOWN OF BEL AIR, MARYLAND**

**Statement of Changes In Fiduciary Net Position  
Year Ended June 30, 2019**

	<u>Pension</u>	<u>OPEB</u>	<u>Total</u>
<b>ADDITIONS</b>			
Contributions:			
Employer contributions	\$ 491,015	\$ 33,996	\$ 525,011
Employee contributions	445,458	-	445,458
Total contributions	<u>936,473</u>	<u>33,996</u>	<u>970,469</u>
Investment gain:			
Net increase in the fair value of investments	<u>1,080,334</u>	<u>22,721</u>	<u>1,103,055</u>
Total additions	<u>2,016,807</u>	<u>56,717</u>	<u>2,073,524</u>
<b>DEDUCTIONS</b>			
Benefit payments	734,257	-	734,257
Contractual services	<u>103,602</u>	<u>1,975</u>	<u>105,577</u>
Total deductions	<u>837,859</u>	<u>1,975</u>	<u>839,834</u>
<b>CHANGE IN NET POSITION</b>	1,178,948	54,742	1,233,690
<b>NET POSITION HELD IN TRUST FOR PENSION/OPEB BENEFITS:</b>			
<b>BEGINNING OF YEAR</b>	<u>15,129,357</u>	<u>375,588</u>	<u>15,504,945</u>
<b>END OF YEAR</b>	<u>\$ 16,308,305</u>	<u>\$ 430,330</u>	<u>\$ 16,738,635</u>

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

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

### **Notes to Financial Statements June 30, 2019**

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

##### **Reporting Entity**

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

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

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

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

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

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

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

## TOWN OF BEL AIR, MARYLAND

### Notes to Financial Statements June 30, 2019

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

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

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

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

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

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

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

### **Notes to Financial Statements June 30, 2019**

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

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

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

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

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

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

Taxes on real property are levied on a fiscal year basis as of July 1 and are delinquent after September 30. Taxes on business personal property are levied on a fiscal year basis as of July 1 and are delinquent three months after the monthly billing. Property taxes are attached as an enforceable lien on the underlying properties. General property taxes receivable as of June 30, 2019, amounted to \$58,975. 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 2019, 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 and cash in escrow from bank financings. Restricted cash in the parking fund and sewer fund represents cash designated for parking lot construction and cash in escrow from bank financings, respectively. When possible, restricted assets are used before unrestricted assets.

**TOWN OF BEL AIR, MARYLAND**

**Notes to Financial Statements  
June 30, 2019**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Assets, Liabilities and Net Position or Equity (Continued)**

***Capital Assets***

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. The Town defines capital assets, as those which cost more than \$ 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:

<b>Category</b>	<b>Years</b>
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

**Loan Receivable – The John Carroll School**

On December 29, 2014, the Town of Bel Air and The John Carroll School signed a loan agreement in the amount of \$84,902. The amount was advanced by the Town on behalf of the School to pay its 50% share to construct a new sanitary sewer main that replaced the existing 15” sanitary sewer main. The interest rate is 2.29% with principal and interest payable semi-annually on June 29 and December 29 which will continue until December 29, 2019.

**Long-term Obligations**

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

## TOWN OF BEL AIR, MARYLAND

### Notes to Financial Statements June 30, 2019

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

##### 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.

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

As of June 30, 2019, the liability for governmental activities of the Town employees for accrued vacation, sick and compensatory leave and OPEB was \$480,453, \$533,496, \$60,088, and \$847,009, respectively, based on the salary and wage rates in effect at the end of the fiscal year.

##### Encumbrances

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

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

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

##### Net Position

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

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

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

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

## TOWN OF BEL AIR, MARYLAND

### Notes to Financial Statements June 30, 2019

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

##### Fund Balances

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

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

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

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

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

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

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

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

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

**TOWN OF BEL AIR, MARYLAND**

**Notes to Financial Statements  
June 30, 2019**

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

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

The summary of the difference is as follows:

Harford County Liquor Board	\$	2,778
Equipment/vehicle obligations		863,520
Compensated absences/OPEB		1,921,046
Net pension liability		1,910,273
G.O. Bond 2018 Energy Performance Contract		825,891
<b>Total</b>	<b>\$</b>	<b>5,523,508</b>

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

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

**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>				
Budgetary basis	\$ 13,629,533	\$ 380,267	\$ 12,994,609	\$ 1,015,191
Current year encumbrances	-	-	(445,584)	445,584
Prior year encumbrances	-	-	886,526	(886,526)
GAAP basis	<u>\$ 13,629,533</u>	<u>\$ 380,267</u>	<u>\$ 13,435,551</u>	<u>\$ 574,249</u>

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

### **Notes to Financial Statements June 30, 2019**

#### **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.
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.

**TOWN OF BEL AIR, MARYLAND**

**Notes to Financial Statements  
June 30, 2019**

**NOTE 5 – CASH AND INVESTMENTS (Continued)**

**Cash and Cash Equivalents (Continued)**

**A. Cash on hand**

At year-end, cash on hand for petty cash and change funds was \$1,970.

**B. Deposits**

At year-end, the carrying amount of the Town’s bank deposits was \$557,722, and the bank balance was \$671,499 of which \$671,128 was covered by federal deposit insurance and \$371 was covered by collateral. The deposits of the Town were not exposed to custodial credit risk as of June 30, 2019.

**C. Cash equivalents**

As of June 30, 2019, the Town’s cash equivalents consisted of money market funds held by the Maryland Local Government Investment Pool totaling \$5,115,264.

**Investments**

Investments consist of Certificates of Deposit with varying maturities and interest rates ranging from 1.75% to 2.55% which are all covered by federal deposit insurance. Investments have maturities between July 2019 through December 2020.

<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>	<u>2 to 3</u>
Certificates of Deposit	<u>\$ 2,405,000</u>	<u></u>	<u>\$ 2,405,000</u>	<u></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, 2019, met the Town’s investment policy as of that date. Investment income includes the following for the year ended June 30, 2019:

Net interest and dividends - governmental activities	<u>\$ 186,791</u>
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**TOWN OF BEL AIR, MARYLAND**

**Notes to Financial Statements  
June 30, 2019**

**NOTE 5 – CASH AND INVESTMENTS (Continued)**

**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, 2019, 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.

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.

**Pension Investments**

As of June 30, 2019, 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.

	<b>Sworn Officers Pension Trust</b>	<b>Civilian Pension Trust</b>	<b>Weighted Average Maturity</b>
T. Rowe Price New Income - I Fund	\$ 1,799,859	\$ 1,867,110	10.31 years
Short-term Bond - I Fund	617,510	648,680	2.08 years

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

**TOWN OF BEL AIR, MARYLAND**

**Notes to Financial Statements  
June 30, 2019**

**NOTE 5 – CASH AND INVESTMENTS (Continued)**

**Pension Investments (Continued)**

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Plans have the following recurring fair value measurements as of June 30, 2019:

- Mutual funds are valued using quoted market prices (Level 1 inputs); and
- Fiscal agents are valued based on the quoted market prices of the underlying assets (Level 2 inputs).

	<b>As of June 30, 2019</b>		
	<b>Civilian 401 (a) Plan (Level 2)</b>	<b>Civilian Pension Trust (Level 1)</b>	<b>Sworn Officers' Pension Trust (Level 1)</b>
<b>ASSETS</b>			
Investments:			
Mutual funds	\$ -	\$ 7,941,671	\$ 7,614,554
Fiscal agents	253,787	-	-
Total assets	<u>\$ 253,787</u>	<u>\$ 7,941,671</u>	<u>\$ 7,614,554</u>

**TOWN OF BEL AIR, MARYLAND**

**Notes to Financial Statements  
June 30, 2019**

**NOTE 6 – CHANGES IN CAPITAL ASSETS**

Additions and disposals of fixed capital assets during the year ended June 30, 2019, are shown below:

	<b>Balance July 1, 2018</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance June 30, 2019</b>
<b>Governmental Activities</b>				
Land – not being depreciated	\$ 4,641,308	\$ -	\$ -	\$ 4,641,308
Buildings and improvements	6,183,730	1,085,380	-	7,269,110
Infrastructure	1,533,899	-	-	1,533,899
Machinery and equipment	1,104,736	78,780	98,870	1,084,646
Furniture and fixtures	1,337,206	74,950	14,526	1,397,630
Vehicles	<u>3,161,073</u>	<u>416,494</u>	<u>232,161</u>	<u>3,345,406</u>
Total	17,961,952	1,655,604	345,557	19,271,999
Less – accumulated depreciation	<u>7,097,610</u>	<u>647,082</u>	<u>304,351</u>	<u>7,440,341</u>
<b>Capital assets, net</b>	<u><u>\$ 10,864,342</u></u>	<u><u>\$ 1,008,522</u></u>	<u><u>\$ 41,206</u></u>	<u><u>\$ 11,831,658</u></u>

**TOWN OF BEL AIR, MARYLAND**

**Notes to Financial Statements  
June 30, 2019**

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

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance June 30, 2019</u>
<b>Proprietary Funds</b>				
Parking fund:				
Land not being depreciated	\$ 777,518	\$ -	\$ -	\$ 777,518
Parking improvements	456,647	-	-	456,647
Garage	3,206,000	-	-	3,206,000
Parking vehicle	54,482	-	-	54,482
Equipment	2,265	-	-	2,265
	<u>4,496,912</u>	<u>-</u>	<u>-</u>	<u>4,496,912</u>
Sewer fund:				
Sewer pipes and storm drain	1,832,292	176,926	-	2,009,218
Equipment	483,110	-	-	483,110
Vehicle	295,622	147,139	-	442,761
	<u>2,611,024</u>	<u>324,065</u>	<u>-</u>	<u>2,935,089</u>
Total	7,107,936	324,065	-	7,432,001
Less – accumulated depreciation	3,431,991	212,977		3,644,968
<b>Capital assets, net</b>	<u>\$ 3,675,945</u>	<u>\$ 111,088</u>	<u>\$ -</u>	<u>\$ 3,787,033</u>

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

General government	\$ 295,018
Public safety	81,060
Public works	<u>271,004</u>
Total depreciation expense – governmental activities	<u>\$ 647,082</u>

As of June 30, 2019, accumulated depreciation for the parking fund and sewer fund amounted to \$2,234,572 and \$1,410,396, respectively. Depreciation expense for the year ended June 30, 2019, amounted to \$135,351 in the parking fund and \$77,627 in the sewer fund.

**TOWN OF BEL AIR, MARYLAND**

**Notes to Financial Statements  
June 30, 2019**

**NOTE 7 – NON-CURRENT LIABILITIES**

Non-current liability transactions of the Town for the year ended June 30, 2019, are presented below.

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance June 30, 2019</u>	<u>Due Within One Year</u>
<b>Governmental activities</b>					
Liquor Control Board employees' retirement system obligation	\$ 4,039	\$ -	\$ 1,261	\$ 2,778	\$ -
Equipment/vehicle notes	683,270	380,267	200,017	863,520	187,721
Accrued vacation, sick and compensatory leave/OPEB	1,953,681	-	32,635	1,921,046	-
Net pension liability	2,202,740	-	292,467	1,910,273	-
G.O. Bond 2018 Energy Performance	879,541	-	53,650	825,891	60,125
<b>Total governmental activities liabilities</b>	<u>\$ 5,723,271</u>	<u>\$ 380,267</u>	<u>\$ 580,030</u>	<u>\$ 5,523,508</u>	<u>\$ 247,846</u>

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance June 30, 2019</u>	<u>Due Within One Year</u>
<b>Business-type activities</b>					
Parking Fund:					
Parking garage repairs bond, 2013	\$ 140,768	\$ -	\$ 27,113	\$ 113,655	\$ 27,624
Parking jeep note	13,291	-	3,722	9,569	3,793
Parking garage bond (lighting retrofit), 2018	71,213	-	4,350	66,863	4,875
Accrued vacation, sick and compensatory leave / OPEB	27,748	(5,427)	-	22,321	-
Total parking fund debt	<u>253,020</u>	<u>(5,427)</u>	<u>35,185</u>	<u>212,408</u>	<u>36,292</u>
Sewer Fund:					
Infrastructure Bond 2006 Series A:					
20 year note	191,000	-	28,500	162,500	29,500
Sewer Fund I&I Services Bond, 2017A	360,000	-	40,000	320,000	40,000
Sewer Fund CIP/I&I Services Bond, 2013A	333,024	-	45,553	287,471	46,286
Sewer I&I Services/Main Replace. Bond, 2015	382,825	-	55,224	327,601	56,497
Sewer van and pick-up truck note	16,750	-	6,563	10,187	6,745
Accrued vacation, sick and compensatory leave / OPEB	73,981	(2,848)	-	71,133	-
Total sewer fund debt	<u>1,357,580</u>	<u>(2,848)</u>	<u>175,840</u>	<u>1,178,892</u>	<u>179,028</u>
<b>Total business-type activities liabilities</b>	<u>\$ 1,610,600</u>	<u>\$ (8,275)</u>	<u>\$ 211,025</u>	<u>\$ 1,391,300</u>	<u>\$ 215,320</u>

**TOWN OF BEL AIR, MARYLAND**

**Notes to Financial Statements  
June 30, 2019**

**NOTE 7 – NON-CURRENT LIABILITIES (Continued)**

**A. Governmental Activities**

**Bonds Payable**

On July 19, 2017, the Town issued a not to exceed \$968,754 “Town of Bel Air \$968,754 General Obligation Energy Performance Bond, 2017B” to Branch Banking and Trust Company with an interest rate of 2.79% for the public purpose of providing funds needed to provide energy improvements to Town facilities. Of this amount, \$896,191 is included in the General Fund, while \$72,563 is included in the Parking Fund. Principal and interest is payable semi-annually on April 19 and October 19 and will continue until April 19, 2032.

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$ 60,125	\$ 22,524	\$ 82,649
2021	50,730	21,039	71,769
2022	56,370	19,556	75,926
2023	57,953	17,973	75,926
2024	59,582	16,345	75,927
2025-2029	255,544	64,507	320,051
2030-2032	285,587	18,212	303,799
<b>Total</b>	<b>\$ 825,891</b>	<b>\$ 180,156</b>	<b>\$ 1,006,047</b>

The Town has entered into several notes for the acquisition of capital equipment and vehicles. The interest rates on these notes range from 1.88% to 3.16% with maturity dates from July 15, 2018 to August 4, 2025.

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$ 187,721	\$ 21,678	\$ 209,399
2021	163,931	17,207	181,138
2022	139,354	13,117	152,471
2023	122,725	9,639	132,364
2024	126,108	6,256	132,364
2025-2026	123,682	3,260	126,942
<b>Total</b>	<b>\$ 863,521</b>	<b>\$ 71,157</b>	<b>\$ 934,678</b>

**TOWN OF BEL AIR, MARYLAND**

**Notes to Financial Statements  
June 30, 2019**

**NOTE 7 – NON-CURRENT LIABILITIES (Continued)**

**A. Governmental Activities (Continued)**

**Bonds Payable (Continued)**

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, \$2,778, has been reflected in the governmental activities noncurrent liabilities in the Statement of Net Position.

**B. Business-type Activities**

**Bonds Payable**

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 27,624	\$ 2,002	\$ 29,626
2021	28,140	1,486	29,626
2022	28,675	951	29,626
2023	29,216	411	29,627
Total	<u>\$ 113,655</u>	<u>\$ 4,850</u>	<u>\$ 118,505</u>

**TOWN OF BEL AIR, MARYLAND**

**Notes to Financial Statements  
June 30, 2019**

**NOTE 7 – NON-CURRENT LIABILITIES (Continued)**

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

**Bonds Payable (Continued)**

On July 19, 2017, the Town issued a not to exceed \$968,754 “Town of Bel Air \$968,754 General Obligation Energy Performance Bond, 2017B” to Branch Banking and Trust Company with an interest rate of 2.79% for the public purpose of providing funds needed to provide energy improvements to Town facilities. Of this amount, \$896,191 is included in the General Fund, while \$72,563 is included in the Parking Fund. Principal and interest is payable semi-annually on April 19 and October 19 and will continue until April 19, 2032.

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$ 4,875	\$ 1,826	\$ 6,701
2021	4,113	1,706	5,819
2022	4,571	1,811	6,382
2023	4,699	1,457	6,156
2024	4,831	1,325	6,156
2025-2029	26,269	4,512	30,781
2030-3032	17,505	869	18,374
Total	<u>\$ 66,863</u>	<u>\$ 13,506</u>	<u>\$ 80,369</u>

**TOWN OF BEL AIR, MARYLAND**

**Notes to Financial Statements  
June 30, 2019**

**NOTE 7 – NON-CURRENT LIABILITIES (Continued)**

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

**Bonds Payable (Continued)**

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

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$ 29,500	\$ 7,440	\$ 36,940
2021	31,000	6,112	37,112
2022	32,500	4,718	37,218
2023	34,000	3,214	37,214
2024	35,500	1,642	37,142
<b>Total</b>	<b>\$ 162,500</b>	<b>\$ 23,126</b>	<b>\$ 185,626</b>

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

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$ 46,286	\$ 4,732	\$ 51,018
2021	47,077	3,941	51,018
2022	47,881	3,138	51,019
2023	48,698	2,320	51,018
2024	49,741	1,489	51,230
2025	47,788	643	48,431
<b>Total</b>	<b>\$ 287,471</b>	<b>\$ 16,263</b>	<b>\$ 303,734</b>

**TOWN OF BEL AIR, MARYLAND**

**Notes to Financial Statements  
June 30, 2019**

**NOTE 7 – NON-CURRENT LIABILITIES (Continued)**

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

**Bonds Payable (Continued)**

On January 5, 2015, the Town of Bel Air issued a \$569,802 “Sewer Fund I&I Services/Main Replacement Bond, 2015” to Harford Bank with an interest rate of 2.29% for the public purpose of providing funds needed for the repairs to the sanitary sewer system in various areas within the Town, as well as a sanitary sewer main replacement located on The John Carroll School property. Interest is payable semi-annually on April 1 and October 1 and will continue until October 1, 2024.

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$ 56,497	\$ 7,300	\$ 63,797
2021	57,836	5,962	63,798
2022	59,186	4,611	63,797
2023	60,568	3,229	63,797
2024	61,979	1,819	63,798
2025	31,535	367	31,902
<b>Total</b>	<b>\$ 327,601</b>	<b>\$ 23,288</b>	<b>\$ 350,889</b>

On June 5, 2018, the Town of Bel Air issued a \$400,000 “Sewer Fund I&I Services Bond, 2017A” to PNC Bank, National Association with an interest rate of 2.58% for the public purpose of providing funds needed to purchase sewer equipment and to perform repairs to the sanitary sewer system in various areas within the Town. Interest is payable semi-annually on December 5 and June 5 and will continue until June 5, 2027.

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$ 40,000	\$ 7,998	\$ 47,998
2021	40,000	6,966	46,966
2022	40,000	5,934	45,934
2023	40,000	4,902	44,902
2024	40,000	3,870	43,870
2025-2027	120,000	5,418	125,418
<b>Total</b>	<b>\$ 320,000</b>	<b>\$ 35,088</b>	<b>\$ 355,088</b>

**Notes Payable**

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

**TOWN OF BEL AIR, MARYLAND**

**Notes to Financial Statements  
June 30, 2019**

**NOTE 7 – NON-CURRENT LIABILITIES (Continued)**

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

**Notes Payable (Continued)**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 6,745	\$ 233	\$ 6,978
2021	3,442	47	3,489
Total	<u>\$ 10,187</u>	<u>\$ 280</u>	<u>\$ 10,467</u>

On September 30, 2014, the Town of Bel Air entered into a notes payable purchase agreement with PNC Bank, National Association in the amount of \$287,662 of which \$25,835 was to finance the purchase of a jeep for parking enforcement. The interest rate is 1.90% with principal and interest payable semi-annually on February 15 and August 15 which will continue until August, 2021.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 3,793	\$ 165	\$ 3,958
2021	3,875	92	3,967
2022	1,901	19	1,920
Total	<u>\$ 9,569</u>	<u>\$ 276</u>	<u>\$ 9,845</u>

Total interest expense on long-term liabilities was \$78,952.

**NOTE 8 – CONDUIT DEBT OBLIGATIONS**

In 2007, the Town of Bel Air issued \$4.5 million in Economic Development Revenue Bonds pursuant to the Maryland Economic Development Revenue Bond Act to assist The Harford Day School, Incorporated in financing or refinancing the costs constructing a two-story addition to the school's existing field house, roof replacement for the library, improvements to the HVAC system controls and fire alarm systems, installations of a geothermal heating system, acquisition of a new phone system, miscellaneous classroom improvements, and acquisition of furnishings, fixtures and equipment in connection with the foregoing, and landscaping, roads, or other rights of access. The Town is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The principal balance of the bonds as of June 30, 2019, is \$3,190,000.

## TOWN OF BEL AIR, MARYLAND

### Notes to Financial Statements June 30, 2019

#### NOTE 9 – PENSION PLANS

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

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

Investments held by the pension trust fund are with the ICMA-RC Retirement Trust. As of June 30, 2019, the plan assets at fair market value were \$253,787.

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

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

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

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

##### Investments

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

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

##### Funding Policy

The Plan requires active members to contribute to the System at the rate of 5.9% of covered compensation and the Town to contribute 8.7% of the members' covered compensation. Increases in the funding requirements, as determined by an actuary, shall be borne by the active members by adjusting the percent of the members' covered compensation to be contributed. As of June 30, 2019, plan assets at fair value totaled \$8,244,987.

## TOWN OF BEL AIR, MARYLAND

### Notes to Financial Statements June 30, 2019

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

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

For 2019, the pension contribution was determined to be \$272,771. This contribution represents 8.24% 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, 2018 actuarial valuation using the projected unit credit actuarial cost method.

##### Membership of the Plan

The membership consisted of the following as of July 1, 2018, the date of the latest actuarial valuation:

Active Plan members	57
Retirees and beneficiaries receiving benefits	18
Terminated Plan members entitled to but not yet receiving benefits	11
	<u>86</u>

##### Actuarial Assumptions

The long-term expected rate of return on pension plan investments was determined using a standard building block approach. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic assumed rates of return for each class included in the pension plans' general target asset allocation as of June 30, 2019 is as follows:

<u>Investment Type</u>	<u>% of Portfolio</u>	<u>Assumed Rate of Return</u>
Equities:	65%	5.95%
Fixed Income:	32%	2.00%
Cash and Equivalents:	3%	4.00%
Total Weighted Average Real Return	100%	4.52%
Plus Inflation		2.75%
Total Return w/o Adjustment		7.27%
Risk Adjustment		-0.02%
Total Expected Return		<u>7.25%</u>

The actuarial assumptions included (a) 7.25% investment rate of return, (b) projected salary increases of 6.75% for the first 14 years, 3.25% thereafter, (c) 2.75% inflation rate, and (d) rates of mortality, termination of service, disablement and retirement based on RP-2000 Combined Healthy Table for Males and Females to the RP 2000 (Blue Collar), w/BB x 25 years; 50% applied for Active. The actual contribution by the members was \$195,931. The Town's contribution for the year ended June 30, 2019 was \$288,726. As of June 30, 2019, there were 62 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, 2019**

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

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

Net Pension Liability

The net pension liability is equal to the total pension liability minus the net position of the plan. The result as of June 30, 2019 is as follows:

Total pension liability	\$ 9,258,168
Net position	<u>(8,244,987)</u>
Net pension liability	<u>\$ 1,013,181</u>

Net position as a percentage of total pension liability is 89.1%.

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

The following presents the net pension liability of the plan, calculated using a discount rate of 7.25% as well as what the plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

	<u>1.0% decrease 6.25%</u>	<u>Current rate 7.25%</u>	<u>1.0% increase 8.25%</u>
Net pension liability	<u>\$ 2,125,928</u>	<u>\$ 1,013,181</u>	<u>\$ 3,815</u>

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2019, the Town recognized pension expense of \$163,359 for the Plan. As of June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected versus actual investment earnings	\$ -	\$ (184,168)
Differences in actual versus expected experience	-	(217,093)
Changes in assumptions	-	<u>(379,865)</u>
<b>Total</b>	<u>\$ -</u>	<u>\$ (781,126)</u>

## TOWN OF BEL AIR, MARYLAND

### Notes to Financial Statements June 30, 2019

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

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

The above amounts reported as deferred outflows of resources and deferred inflows of resources related to the Plan will be recognized in the pension expense as follows:

<u>Year ended June 30,</u>	<u>Net Amount of Outflow/(Inflow)</u>
2020	(147,853)
2021	(240,758)
2022	(169,616)
2023	(106,470)
2024	(101,142)
After 2024	(15,287)
<b>Total</b>	<u>\$ (781,126)</u>

##### 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 11.62% of covered compensation, and the Town to contribute 9.7% of the members' covered compensation. Increases in the funding requirements, as determined by an actuary, shall be borne by the active members by adjusting the percent of the members' covered compensation to be contributed. As of June 30, 2019, plan assets at fair value totaled \$7,809,532.

For 2019, the pension contribution was determined to be \$137,891. This contribution represents 6.66% 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, 2018 actuarial valuation using the projected unit credit actuarial cost method.

## TOWN OF BEL AIR, MARYLAND

### Notes to Financial Statements June 30, 2019

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

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

###### Membership of the Plan

The membership consisted of the following as of July 1, 2018, the date of the latest actuarial valuation:

Active Plan members	31
Retirees and beneficiaries receiving benefits	12
Terminated Plan members entitled to but not yet receiving benefits	2
	<hr/>
	45

###### Actuarial Assumptions

The long-term expected rate of return on pension plan investments was determined using a standard building block approach. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic assumed rates of return for each class included in the pension plans' general target asset allocation as of June 30, 2019 is as follows:

<u>Investment Type</u>	<u>% of Portfolio</u>	<u>Assumed Rate of Return</u>
Equities:	65%	5.95%
Fixed Income:	32%	2.00%
Cash and Equivalents:	3%	4.00%
Total Weighted Average Real Return	100%	4.52%
Plus Inflation		2.75%
Total Return w/o Adjustment		7.27%
Risk Adjustment		-0.02%
Total Expected Return		<hr/> 7.25%

The actuarial assumptions included (a) 7.25% investment rate of return, (b) projected salary increases of 5.5% for the first 15 years, 4.5% for the next 10 years, and 3.5% thereafter, (c) 2.75% inflation rate, and (d) rates of mortality, termination of service, disablement and retirement based on RP-2000 Combined Healthy table for Males and Females to the RP 2000 (Blue Collar), w/BB x 25 years; 50% applied for Active. The actual contribution by the members was \$249,527. The Town's contribution for the year ended June 30, 2019 was \$202,289. As of June 30, 2019, there were 30 current employee participants in the Plan. A participant is fully vested after five years.

**TOWN OF BEL AIR, MARYLAND**

**Notes to Financial Statements  
June 30, 2019**

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

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

Net Pension Liability

The net pension liability is equal to the total pension liability minus the net position of the plan. The result as of June 30, 2019 is as follows:

Total pension liability	\$ 8,706,624
Net position	<u>(7,809,532)</u>
Net pension liability	<u>\$ 897,092</u>

Net position as a percentage of total pension liability is 90.1%.

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

The following presents the net pension liability of the plan, calculated using a discount rate of 7.25% as well as what the plan’s net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

	<u>1.0% decrease 6.25%</u>	<u>Current rate 7.25%</u>	<u>1.0% increase 8.25%</u>
Net pension liability	<u>\$ 1,945,693</u>	<u>\$ 897,092</u>	<u>\$ (57,936)</u>

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2019, the Town recognized pension expense of \$ for the Plan. As of June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected versus actual investment earnings	\$ -	\$ (184,903)
Differences in actual versus expected experience	-	(285,692)
Changes in assumptions	-	(276,868)
<b>Total</b>	<u>\$ -</u>	<u>\$ (747,463)</u>

**TOWN OF BEL AIR, MARYLAND**

**Notes to Financial Statements  
June 30, 2019**

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

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

The above amounts reported as deferred outflows of resources and deferred inflows of resources related to the Plan will be recognized in the pension expense as follows:

<u>Year ended June 30,</u>	<u>Net Amount of Outflow/(Inflow)</u>
2020	(79,105)
2021	(168,320)
2022	(104,473)
2023	(69,087)
2024	(62,540)
After 2024	(263,938)
<b>Total</b>	<b>\$ (747,463)</b>

**TOWN OF BEL AIR, MARYLAND**

**Notes to Financial Statements  
June 30, 2019**

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

The financial information for each plan as of and for the year ended June 30, 2019, is summarized as follows:

	<b>As of June 30, 2019</b>		
	<b>Civilian 401 (a) Plan</b>	<b>Civilian Pension Trust</b>	<b>Sworn Officers' Pension Trust</b>
<b>ASSETS</b>			
Cash and equivalents		\$ 311,478	\$ 202,709
Investments:			
Mutual funds		7,941,671	7,614,554
Fiscal agents	253,787		
Total assets	<u>253,787</u>	<u>8,253,149</u>	<u>7,817,263</u>
<b>LIABILITIES</b>			
Accounts payable	-	8,162	7,731
<b>NET POSITION</b>			
Held in trust for pension benefits	<u>\$ 253,787</u>	<u>\$ 8,244,987</u>	<u>\$ 7,809,532</u>
	<b>For the Year Ended June 30, 2019</b>		
	<b>Civilian 401 (a) Plan</b>	<b>Civilian Pension Trust</b>	<b>Sworn Officers' Pension Trust</b>
<b>ADDITIONS</b>			
Contributions			
Employer contributions	\$ -	\$ 288,726	\$ 202,289
Employee contributions	-	195,931	249,527
Total contributions	-	484,657	451,816
Investment gain:			
Net increase in the fair value of investments	9,640	547,396	523,298
Total additions	<u>9,640</u>	<u>1,032,053</u>	<u>975,114</u>
<b>DEDUCTIONS</b>			
Benefit payments	5,080	347,140	382,037
Contractual services	-	56,172	47,430
Total deductions	<u>5,080</u>	<u>403,312</u>	<u>429,467</u>
<b>CHANGE IN NET POSITION</b>	4,560	628,741	545,647
<b>NET POSITION HELD IN TRUST FOR PENSION BENEFITS:</b>			
<b>BEGINNING OF YEAR</b>	<u>249,227</u>	<u>7,616,246</u>	<u>7,263,885</u>
<b>END OF YEAR</b>	<u>\$ 253,787</u>	<u>\$ 8,244,987</u>	<u>\$ 7,809,532</u>

**TOWN OF BEL AIR, MARYLAND**

**Notes to Financial Statements  
June 30, 2019**

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

**457 Deferred Compensation Plan**

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

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

**NOTE 10 – INTERFUND RECEIVABLES AND PAYABLES**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Sewer Fund</u>	<u>Parking Fund</u>	<u>Total</u>
Due from Other Funds:					
General Fund	\$ -	\$ 127,169	\$ 1,532,736	\$ -	\$ 1,659,905
Special Revenue	-	-	4,532	-	4,532
Parking Fund	76,042	-	2,459	-	78,501
<b>Total</b>	<u>\$ 76,042</u>	<u>\$ 127,169</u>	<u>\$ 1,539,727</u>	<u>\$ -</u>	<u>\$ 1,742,938</u>
Due to Other Funds:					
Sewer Fund	\$ 1,532,736	\$ 4,532	\$ -	\$ 2,459	\$ 1,539,727
General Fund	-	-	-	76,042	76,042
Special Revenue	127,169	-	-	-	127,169
<b>Total</b>	<u>\$ 1,659,905</u>	<u>\$ 4,532</u>	<u>\$ -</u>	<u>\$ 78,501</u>	<u>\$ 1,742,938</u>

## TOWN OF BEL AIR, MARYLAND

### Notes to Financial Statements June 30, 2019

#### NOTE 11 – OTHER POST EMPLOYMENT 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, 2019, was \$21,408 for the seven retired employees participating in the Plan and receiving benefits.

In fiscal year 2016, the Town joined the Maryland Association of Counties (MACO) Pooled OPEB Trust (The Trust). The Trust is a wholly-owned instrumentality of its name members including the Town. The Trust was formed to facilitate the investments of other post-retirement benefits trusts formed by the members to provide post-retirement benefits to their respective retirees. During the year ended June 30, 2019, the Town contributed \$33,996 to the Trust. As of June 30, 2019, the Town's share of the net position of the Trust was \$430,330. A separately audited financial statements of the Trust may be obtained by sending a request to the following address: Board of the MACO Pooled Investment Trust, 169 Conduit Street, Annapolis, MD 21401.

#### Funding Policy

On December 7, 2015, the Board of Town Commissioners approved Resolution No. 1061-15 which authorized the Town becoming a member of the Maryland Association of Counties Pooled OPEB Trust Fund. The Trust was established on January 27, 2015 to facilitate the investments of Other Postemployment Benefits (OPEB) by the members to provide post-retirement benefits to their respective retirees.

#### Membership of the Plan

The membership consisted of the following as of July 1, 2018, the date of the latest actuarial valuation:

Number of Participants	Total
Active	62
Retired	5
Spouse	3
Total Participants	<u>70</u>

**TOWN OF BEL AIR, MARYLAND**

**Notes to Financial Statements  
June 30, 2019**

**NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (continued)**

Actuarial Assumptions

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. This is then modified through a Monte-Carlo simulation process, by which a (downward) risk adjustment is applied to the baseline expected return.

Best estimates of real rates of return for each major asset class included in the OPEB plan’s target asset allocation as of June 30, 2019, and the final investment return assumption, are summarized in the following table:

<b>Investment Type</b>	<b>% of Portfolio</b>	<b>Long-term Expected Real Return - Portfolio</b>
Domestic Equity	36%	5.80%
International Funds	18%	6.25%
Fixed Income - U.S.	21%	1.65%
Hedge Funds	10%	2.60%
Real Estate	7%	4.80%
Private Equity	5%	8.50%
Commodities	3%	2.00%
Total Weighted Average Real Return	100%	4.64%
Plus Inflation		2.50%
Total Return w/o Adjustment		7.14%
Risk Adjustment		-0.14%
Total Expected Return		7.00%

The actuarial assumptions included (a) 7.0% investment return, net of investment expense and including inflation, (b) 6.0% healthcare trend initially, grading down to 4.25% ultimately, (c) 2.50% inflation, (d) 3.0% salary increases, and (e) rates of mortality are based on the gender-specific RP 2000 Blue Collar tables (setback 2 years for civilians) projected to 2025 with Scale BB. A 50% factor is applied for pre-retirement.

**TOWN OF BEL AIR, MARYLAND**

**Notes to Financial Statements  
June 30, 2019**

**NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (continued)**

Net OPEB Liability

The net OPEB liability is equal to the total OPEB liability minus the net position of the plan. The result as of June 30, 2019 is as follows:

Total OPEB liability	\$1,277,339
Plan fiduciary net position	<u>(430,330)</u>
Net OPEB liability	<u>\$847,009</u>

Plan fiduciary net position as a percentage of the total OPEB liability	33.69%
-------------------------------------------------------------------------	--------

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

The following presents the net OPEB liability of the plan, calculated using the discount rate of 7.00% as well as what the plan's net OPEB liability would be if it were calculated using a discount rate that is 1.00% lower (6.00%) or 1.00% higher (8.00%) than the current rate:

	<b>1% decrease 6%</b>	<b>Current Discount Rate 7%</b>	<b>1% increase 8%</b>
Net OPEB liability	<u>\$ 968,206</u>	<u>\$ 847,009</u>	<u>\$ 738,182</u>

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate

The following presents the net OPEB liability of the Town as well as what the Town's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (3.25 percent) or 1-percentage-point higher (5.25 percent) than the current healthcare cost trend rates.

	<b>1% decrease 3.25%</b>	<b>Current Ultimate Trend Rate 4.25%</b>	<b>1% increase 5.25%</b>
Net OPEB liability	<u>\$ 706,329</u>	<u>\$ 847,009</u>	<u>\$ 1,015,412</u>

**TOWN OF BEL AIR, MARYLAND**

**Notes to Financial Statements  
June 30, 2019**

**NOTE 11 – OTHER POST EMPLOYMENT BENEFITS** (continued)

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2019, the Town recognized OPEB expense of \$106,121 for the Plan. As of June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected versus actual investment earnings	\$ 5,309	\$ -
Differences in actual versus expected experience	-	(63,501)
Changes in assumptions	-	-
<b>Total</b>	<u>\$ 5,309</u>	<u>\$(63,501)</u>

The above amounts reported as deferred outflows of resources and deferred inflows of resources related to the Plan will be recognized in the OPEB expense as follows:

<u>Year ended June 30,</u>	<u>Net Amount of Outflow/(Inflow)</u>
2020	\$ (3,827)
2021	(3,827)
2022	(3,828)
2023	(4,377)
2024	(5,292)
After 2024	(37,041)
<b>Total</b>	<u>\$ (58,192)</u>

**NOTE 12 – RISK MANAGEMENT**

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

For property, excess liability, primary auto and boiler and machinery liability coverage, the Town became a member of the Maryland Local Government Insurance Trust (LGIT). This trust is a public entity risk pool which is owned and directed by the local governments that subscribe to its coverage and operates under the terms of a Trust Agreement. The Town pays LGIT an annual premium. Claims are processed and recoveries and administrative costs are paid by LGIT.

**TOWN OF BEL AIR, MARYLAND**

**Notes to Financial Statements  
June 30, 2019**

**NOTE 12 – RISK MANAGEMENT (Continued)**

Similar to a commercial insurance carrier, recoveries are subject to deductibles and to annual aggregate/per occurrence dollar limits. Settled claims from these risks have not exceeded coverage for the past three fiscal years, and there has not been a reduction in insurance coverage in the past fiscal year. The Town is fully insured for worker's compensation through the Injured Worker's Insurance Fund of Maryland. Employees are bonded through commercial insurance carriers to limit the loss to the Town in the event of employees committing acts of embezzlement or theft.

**NOTE 13 – SPECIAL REVENUE FUND BALANCE**

As of June 30, 2019, the Special Revenue Fund was designated for the following purposes:

**Governmental Funds**

Nonspendable:

Explorer Scouts	\$	892	
Auxillary Police		201	
Total Nonspendable			\$ 1,093

Restricted:

Community Legacy Grant		50,000	
Chesapeake Sensory Plaza		108,119	
Seized property-Federal Treasury		26,587	
Total Restricted			184,706

Committed:

Tree planting – fee in lieu		697	
Tree planting – forest conservation		30,221	
Revolving loan fund		77,267	
Seized property		8,318	
Open space fee in lieu		8,450	
Stormwater management - fee in lieu		50	
Total Committed			125,003

Assigned:

Public amenity – gardens/park/art		34,702	
Memorials		1,381	
Cultural arts		17,503	
Explorer scouts		18,314	
Auxiliary police		4,934	
Total Assigned			76,834

**Total fund balance** \$ 387,636

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

### **Notes to Financial Statements June 30, 2019**

#### **NOTE 14 – RISK AND UNCERTAINTIES**

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

#### **NOTE 15 – COMMITMENTS AND CONTINGENCIES**

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

#### **NOTE 16 – SUBSEQUENT EVENTS**

On February 18, 2020, the Town issued a \$490,267 term note to Harford Bank for the public purpose of purchasing vehicles. Principal and interest is payable semi-annually on February 18 and August 18 and will continue until August 18, 2026.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF BEL AIR, MARYLAND**

**Schedule of Changes in Net OPEB Liability and Related Ratios  
June 30, 2019**

	2019	2018	2017
<b>Total OPEB liability</b>			
Service Cost	\$ 46,496	\$ 45,142	\$ 43,827
Interest	88,777	81,824	75,600
Changes in benefit terms	-	-	-
Difference between expected and actual experience	(68,793)	-	-
Changes in assumptions	-	-	-
Benefit payments and implicit subsidy	(21,408)	(36,324)	(27,476)
<b>Net change in Total OPEB Liability</b>	<b>45,072</b>	<b>90,642</b>	<b>91,951</b>
Total OPEB liability - beginning	1,232,267	1,141,625	1,049,674
Total OPEB liability - ending	<u>\$ 1,277,339</u>	<u>\$ 1,232,267</u>	<u>\$ 1,141,625</u>
<b>Plan fiduciary net position</b>			
Contributions - employer, including benefit payments and implicit subsidy	\$ 55,404	\$ 77,024	\$ 60,476
Contributions - member	-	-	-
Net investment income	22,721	20,751	25,757
Benefit payments and implicit subsidy	(21,408)	(36,324)	(27,476)
Administrative expense	(1,975)	(5,810)	(1,510)
Other	-	-	-
<b>Net change in Plan Fiduciary Net Position</b>	<b>54,742</b>	<b>55,641</b>	<b>57,247</b>
Plan fiduciary net position - beginning	375,588	319,947	262,700
Plan fiduciary net positions - ending	<u>\$ 430,330</u>	<u>\$ 375,588</u>	<u>\$ 319,947</u>
Net OPEB liability - ending	\$ 847,009	\$ 856,679	\$ 821,678
Plan fiduciary net position as a percentage of total OPEB liability	33.69%	30.48%	28.03%
Covered employee payroll	\$ 5,038,579	\$ 5,239,219	\$ 5,086,620
Net OPEB liability as a percentage of covered payroll	16.81%	16.35%	16.15%
Annual money-weighted rate of return	5.80%	6.20%	7.64%

Notes to schedule:

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

# TOWN OF BEL AIR, MARYLAND

## Schedule of Contributions - OPEB June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarially determined contribution	\$ 92,364	\$ 85,721	\$ 85,721	\$ 62,149	\$ 62,149	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000
Contributions in relation to the actuarially determined contribution	55,404	40,700	47,000	276,195	26,914	34,543	27,216	26,174	17,735	21,106
Contribution deficiency (excess)	<u>\$ 36,960</u>	<u>\$ 45,021</u>	<u>\$ 38,721</u>	<u>\$ (214,046)</u>	<u>\$ 35,235</u>	<u>\$ 25,457</u>	<u>\$ 32,784</u>	<u>\$ 33,826</u>	<u>\$ 42,265</u>	<u>\$ 38,894</u>
Covered payroll	\$ 5,038,579	\$ 5,239,219	\$ 5,086,620	\$ 4,728,430	\$ 4,546,567	\$ 4,503,535	\$ 4,698,425	\$ 4,711,551	\$ 4,704,679	\$ 5,056,737
Contributions as a percentage of covered payroll	1.10%	0.78%	0.92%	5.84%	0.59%	0.77%	0.58%	0.56%	0.38%	0.42%

### Note to Schedule

Valuation date: June 30, 2019

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level payment over a closed period of 30 years
Asset valuation method	Market Value
Inflation	2.5%
Salary increases	3%
Investment rate of return	7% net of OPEB investment expense, including inflation
Retirement age	The latter of 25 years of service and age 65

Mortality rates for pre-retirement are based on the RP2000 (Blue Collar) for males and females, Scale BB projected to 2025, apply 50%, setback 2 year for civilians.

Mortality rates for post-retirement are based on the RP2000 (Blue Collar) for males and females, Scale BB projected to 2025, setback 2 years for civilians.

**TOWN OF BEL AIR, MARYLAND**

**Schedule of Changes in Pension Fund Net Pension Liability and Related Ratios  
June 30, 2019**

	Civilian					
	2019	2018	2017	2016	2015	2014
Total pension liability						
<b>Service Cost:</b> Retirement benefits Administration	\$ 332,389	\$ 321,472	\$ 315,871	\$ 241,040	\$ 226,439	\$ 231,098
Interest	637,782	601,400	565,717	594,815	554,161	539,426
Differences between expected and actual experiences	(107,027)	(25,268)	(50,182)	80,719	(274,272)	-
Changes in assumptions	-	-	(607,784)	-	-	-
Benefit pymts, incl rfd's member contrib, death, terminations	(347,140)	(303,500)	(433,705)	(329,122)	(338,437)	(253,354)
<b>Net changes in total pension liability</b>	<u>516,004</u>	<u>594,104</u>	<u>(210,083)</u>	<u>587,452</u>	<u>167,891</u>	<u>517,170</u>
Total pension liability - beginning	8,742,164	8,148,060	8,358,143	7,770,691	7,602,800	7,085,630
Total pension liability - ending (a)	<u>\$ 9,258,168</u>	<u>\$ 8,742,164</u>	<u>\$ 8,148,060</u>	<u>\$ 8,358,143</u>	<u>\$ 7,770,691</u>	<u>\$ 7,602,800</u>
<b>Plan fiduciary net position</b>						
Contributions - employer	\$ 288,726	\$ 285,031	\$ 268,835	\$ 263,915	\$ 248,724	\$ 254,690
Contributions - member	195,931	191,429	182,322	179,074	168,370	137,625
Net investment income	547,396	643,365	855,347	(16,141)	250,391	823,039
Receipts of In-kind	-	-	-	-	-	-
Benefit payments, including refuds of member contributions	(347,140)	(303,500)	(433,705)	(329,122)	(338,437)	(253,354)
Administrative expense	(56,172)	(48,061)	(42,569)	(55,379)	(39,481)	(39,113)
<b>Net changes in plan fiduciary net position</b>	<u>628,741</u>	<u>768,264</u>	<u>830,230</u>	<u>42,347</u>	<u>289,567</u>	<u>922,887</u>
Plan fiduciary net positions - beginning	7,616,246	6,847,982	6,017,752	5,975,405	5,685,838	4,762,951
Plan fiduciary net positions - ending (b)	<u>\$ 8,244,987</u>	<u>\$ 7,616,246</u>	<u>\$ 6,847,982</u>	<u>\$ 6,017,752</u>	<u>\$ 5,975,405</u>	<u>\$ 5,685,838</u>
<b>Town's net pension - liability - ending (a) - (b)</b>	\$ 1,013,181	\$ 1,125,918	\$ 1,300,078	\$ 2,340,391	\$ 1,795,286	\$ 1,916,962
Plan fiduciary net position as a percentage of total pension liability	89.06%	87.12%	84.04%	72.00%	76.90%	74.79%
Covered employee payroll	\$ 3,318,691	\$ 3,276,716	\$ 3,147,119	\$ 2,739,570	\$ 2,634,202	\$ 2,693,914
Net liability as a percentage of covered payroll	30.53%	34.36%	41.31%	85.43%	68.15%	71.20%
Annual money-weighted rate of return, net of investment expense	7.60%	9.40%	14.30%	-0.30%	4.40%	17.20%

Notes to schedule:

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**TOWN OF BEL AIR, MARYLAND**

**Schedule of Changes in Pension Fund Net Pension Liability and Related Ratios  
June 30, 2019**

	Sworn Officers					
	2019	2018	2017	2016	2015	2014
Total pension liability						
<b>Service Cost:</b> Retirement benefits Administration	\$ 233,918	\$ 235,642	\$ 220,727	\$ 166,468	\$ 148,752	\$ 142,101
Interest	601,697	575,590	548,807	579,955	545,503	522,365
Differences between expected and actual experiences	(87,660)	(69,720)	(215,973)	107,963	(58,419)	-
Changes in assumptions	-	-	(369,157)	-	-	-
Benefit pymts, incl rfdns member contrib, death, terminations	(382,037)	(342,165)	(348,320)	(407,470)	(315,333)	(293,451)
<b>Net changes in total pension liability</b>	<b>365,918</b>	<b>399,347</b>	<b>(163,916)</b>	<b>446,916</b>	<b>320,503</b>	<b>371,015</b>
Total pension liability - beginning	8,340,706	7,941,359	8,105,275	7,658,359	7,337,856	6,966,841
Total pension liability - ending (a)	<b>\$ 8,706,624</b>	<b>\$ 8,340,706</b>	<b>\$ 7,941,359</b>	<b>\$ 8,105,275</b>	<b>\$ 7,658,359</b>	<b>\$ 7,337,856</b>
<b>Plan fiduciary net position</b>						
Contributions - employer	\$ 202,289	\$ 201,004	\$ 194,064	\$ 183,050	\$ 179,762	\$ 171,769
Contributions - member	249,527	249,870	239,984	226,325	222,234	190,035
Net investment income	523,298	618,731	823,919	(13,096)	246,899	800,388
Receipts of In-kind	-	-	-	-	-	-
Benefit payments, including refunds of member contributions	(382,037)	(342,165)	(348,320)	(407,470)	(315,333)	(293,451)
Administrative expense	(47,430)	(48,331)	(40,844)	(54,700)	(37,215)	(37,599)
<b>Net changes in plan fiduciary net position</b>	<b>545,647</b>	<b>679,109</b>	<b>868,803</b>	<b>(65,891)</b>	<b>296,347</b>	<b>831,142</b>
Plan fiduciary net positions - beginning	7,263,885	6,584,776	5,715,973	5,781,864	5,485,517	4,654,375
Plan fiduciary net positions - ending (b)	<b>\$ 7,809,532</b>	<b>\$ 7,263,885</b>	<b>\$ 6,584,776</b>	<b>\$ 5,715,973</b>	<b>\$ 5,781,864</b>	<b>\$ 5,485,517</b>
<b>Town's net pension - liability - ending (a) - (b)</b>	<b>\$ 897,092</b>	<b>\$ 1,076,821</b>	<b>\$ 1,356,583</b>	<b>\$ 2,389,302</b>	<b>\$ 1,876,495</b>	<b>\$ 1,852,339</b>
Plan fiduciary net position as a percentage of total pension liability	89.70%	87.09%	82.92%	70.52%	75.50%	74.76%
Covered employee payroll	\$ 2,152,007	\$ 2,137,595	\$ 1,939,501	\$ 1,988,860	\$ 1,912,365	\$ 1,809,621
Net liability as a percentage of covered payroll	41.69%	50.38%	69.94%	120.13%	98.12%	102.36%
Annual money-weighted rate of return, net of investment expense	7.70%	9.40%	14.40%	-0.20%	4.50%	17.20%

Notes to schedule:

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

# TOWN OF BEL AIR, MARYLAND

## Schedule of Civilian Employees Pension Plan Employer Contributions June 30, 2019

	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 272,771	\$ 281,277	\$ 282,358	\$ 224,720	\$ 221,424	\$ 318,255
Contributions in relation to the actuarially determined contributions	<u>(288,726)</u>	<u>(285,031)</u>	<u>(268,835)</u>	<u>(263,914)</u>	<u>(248,724)</u>	<u>(254,426)</u>
Contributions deficiency (excess)	<u>\$ (15,955)</u>	<u>\$ (3,754)</u>	<u>\$ 13,523</u>	<u>\$ (39,194)</u>	<u>\$ (27,300)</u>	<u>\$ 63,829</u>
Covered employee payroll	\$ 3,318,691	\$ 3,276,716	\$ 3,147,119	\$2,739,570	\$ 2,634,202	\$ 2,495,671
Contributions as a percentage of covered employee payroll	8.70%	8.70%	8.54%	9.63%	9.44%	10.19%

### Notes to schedule

#### Valuation Date

Actuarially determined contributions rates are calculated as of July 1, 2017, 12 months prior to the end of the fiscal year in which contributions are reported

#### Methods and assumptions used to determine contribution rates:

Investment return	7.25% RP 2000 tables, with Blue Collar adjustments, projected to 2025 with Scale BB; 50% applied for pre-retirement deaths.
Mortality	A two year ago setback is applied for members.
Turnover	T4
Salary Scale	6.75% for the first 14 years, 3.25% thereafter
Valuation of Assets	Market value as reported by the plan administrator, adjusted by a fraction of the investment (gains)/losses for the plan years preceding the current valuation year. Actuarial value can not exceed 120% of actual market value or be less than 80%.

# TOWN OF BEL AIR, MARYLAND

## Schedule of Sworn Officers Pension Plan Employer Contributions June 30, 2019

	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 137,891	\$ 130,508	\$ 155,731	\$ 165,647	\$ 167,259	\$ 215,712
Contributions in relation to the actuarially determined contributions	<u>(202,289)</u>	<u>(201,004)</u>	<u>(194,064)</u>	<u>(183,050)</u>	<u>(179,762)</u>	<u>(171,769)</u>
Contributions deficiency (excess)	<u>\$ (64,398)</u>	<u>\$ (70,496)</u>	<u>\$ (38,333)</u>	<u>\$ (17,403)</u>	<u>\$ (12,503)</u>	<u>\$ 43,943</u>
Covered employee payroll	\$2,152,007	\$ 2,137,595	\$ 1,939,501	\$ 1,988,860	\$ 1,912,365	\$ 1,396,968
Contributions as a percentage of covered employee payroll	9.40%	9.40%	10.01%	9.44%	9.40%	12.30%

### Notes to schedule

#### Valuation Date

Actuarially determined contributions rates are calculated as of July 1, 2017,  
12 months prior to the end of the fiscal year in which contributions are reported

#### Methods and assumptions used to determine contribution rates:

Investment return	7.25% RP 2000 tables, with Blue Collar adjustments, projected to 2025 with Scale
Mortality	BB; 50% applied for pre-retirement deaths.
Turnover	T4
Salary Scale	5.5% for the first 15 years, 4.5% for the next 10 years, then 3.5% thereafter
Valuation of Assets	Market value as reported by the plan administrator, adjusted by a fraction of the investment (gains)/losses for the plan years preceding the current valuation year. Actuarial value can not exceed 120% of actual market value or be less than 80%.

#### Notes to schedule:

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available

**SUPPLEMENTARY INFORMATION**

**TOWN OF BEL AIR, MARYLAND**

**Schedule of Cash and Cash Equivalents - General Fund  
June 30, 2019**

**UNRESTRICTED**

<b>M&amp;T Bank</b>	
Checking	\$ 62,808
Payroll	1,000
<b>Harco Maryland Federal Credit Union</b>	
Savings	6
<b>Aberdeen Proving Grounds Credit Union</b>	
Money market	5
<b>PeoplesBank</b>	
Money market	100
<b>First National Bank</b>	
Checking	50
<b>Freedom Federal Credit Union</b>	
Money market	2,605
<b>TD Bank</b>	
Money market	250,371
<b>Change fund</b>	1,200
<b>PNC Bank</b>	
Local government investment pool	4,865,249
<b>TOTAL UNRESTRICTED CASH</b>	<u>\$ 5,183,394</u>

**RESTRICTED**

<b>BB&amp;T Bank</b>	
Turner escrow	\$ 1,279
<b>Harford Bank</b>	
Savings	7,351
<b>Howard Bank</b>	
Cash in Escrow	65,181
<b>PNC Bank</b>	
Local Government Investment Pool - Bond Issue	135,166
<b>TOTAL RESTRICTED CASH</b>	<u>\$ 208,977</u>

**TOWN OF BEL AIR, MARYLAND**

**Schedule of Revenues and Expenditures Budget (Non-GAAP Budgetary Basis) and Actual  
General Fund  
Year Ended June 30, 2019**

	<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	\$ 7,115,757	\$ 7,115,757	\$ 7,114,080	\$ (1,677)
Half-year real property	6,800	6,800	4,564	(2,236)
Personal property	8,000	8,000	13,030	5,030
Railroads and public utilities	390,000	413,000	413,407	407
Ordinary business corporations	500,000	500,000	506,795	6,795
Penalties and interest	35,000	35,000	39,009	4,009
<u>Deductions</u>				
Discounts allowed on taxes	-	-	-	-
Net local taxes	8,055,557	8,078,557	8,090,885	12,328
<b>Taxes - State Shared</b>				
Highway	392,078	392,078	389,500	(2,578)
Income taxes	1,200,000	1,333,324	1,709,497	376,173
Admission and amusement	40,000	50,000	71,577	21,577
Total taxes - State shared	1,632,078	1,775,402	2,170,574	395,172
<b>Licenses and Permits</b>				
<u>Business</u>				
Beer, wine and liquor	6,000	6,000	-	(6,000)
Traders	65,000	65,000	64,036	(964)
<u>Other Licenses and Permits</u>				
Building and equipment	35,000	75,000	95,696	20,696
Total - licenses and permits	106,000	146,000	159,732	13,732
<b>Revenue from Other Agencies</b>				
<u>Grants from State Government</u>				
Police protection	241,364	241,364	247,292	5,928
Governor's Office grant	-	-	16,417	16,417
Miscellaneous grants	-	11,086	-	(11,086)
<u>Grants from the Federal Government</u>				
Bulletproof vest grant	4,158	4,158	1,689	(2,469)
<u>Grants from County Government</u>				
Miscellaneous grants	-	-	3,000	3,000
Financial corporations	8,458	8,458	8,458	-
Tax rebate	1,168,954	1,168,954	1,168,954	-
Traffic grants	9,000	9,000	8,068	(932)
Total - revenue from other agencies	1,431,934	1,443,020	1,453,878	10,858

**TOWN OF BEL AIR, MARYLAND**

**Schedule of Revenues and Expenditures Budget (Non-GAAP Budgetary Basis) and Actual General Fund  
Year Ended June 30, 2019**

	<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</b>				
<u>General Government</u>				
MAWC well fees	\$ 5,000	\$ 5,000	\$ 7,550	\$ 2,550
Bel Air Armory fees	70,000	70,000	103,908	33,908
Finance fees	14,000	14,000	16,905	2,905
Zoning and subdivision fees	17,000	17,000	16,712	(288)
Hearing and ad reimbursement	2,000	2,000	1,188	(812)
Administration permit fees	-	-	135	135
MD homebuilder guaranty fund	800	800	5,900	5,100
<u>Sanitation and Waste Removal</u>				
Sewer fund administrative fee	283,302	283,302	307,079	23,777
<u>Public Service Enterprises</u>				
Parking fund administrative fee	248,674	248,674	247,181	(1,493)
Reimbursement for police services	23,000	23,000	26,981	3,981
Police and DPW overtime reimbursement	23,000	23,000	20,122	(2,878)
Police reports	1,200	1,200	1,882	682
Total - service charges for for current services	<u>687,976</u>	<u>687,976</u>	<u>755,543</u>	<u>67,567</u>
<b>Fines</b>				
Traffic signal camera	352,500	452,500	461,035	8,535
False alarm	10,000	19,000	26,923	7,923
Total - fines	<u>362,500</u>	<u>471,500</u>	<u>487,958</u>	<u>16,458</u>
<b>Miscellaneous</b>				
Interest	70,000	125,000	186,791	61,791
Cable TV franchise	155,000	144,000	145,408	1,408
Rental income	19,284	19,284	27,085	7,801
Seized property	2,000	2,000	5,504	3,504
Equipment/vehicle sale proceeds	37,000	37,000	78,026	41,026
Real estate proceeds	20,000	20,000	21,062	1,062
Rockfield Foundation contribution	4,679	8,365	4,659	(3,706)
Bel Air Alliance contribution	26,000	26,000	25,464	(536)
Miscellaneous grants	-	-	3,857	3,857
Miscellaneous	15,000	20,012	13,107	(6,905)
Total - miscellaneous	<u>348,963</u>	<u>401,661</u>	<u>510,963</u>	<u>109,302</u>
<b>TOTAL REVENUES</b>	<u><u>\$12,625,008</u></u>	<u><u>\$13,004,116</u></u>	<u><u>\$13,629,533</u></u>	<u><u>\$ 625,417</u></u>

**TOWN OF BEL AIR, MARYLAND**

**Schedule of Revenues and Expenditures Budget (Non-GAAP Budgetary Basis) and Actual  
General Fund  
Year Ended June 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>EXPENDITURES</b>				
<b>General Government</b>				
<u>Legislative</u>				
Commissioners				
Salaries/Benefits	\$ 25,200	\$ 26,164	\$ 26,164	\$ -
Operating expenses	21,070	21,070	18,478	2,592
<u>Town Clerk</u>				
Salaries/Benefits	306,951	333,987	327,356	6,631
Operating expenses	29,164	29,164	28,460	704
<u>Executive</u>				
Town Administrator				
Salaries/Benefits	129,343	134,554	134,519	35
Operating expenses	22,610	22,610	16,331	6,279
Capital outlay	-	-	-	-
Transfer to Capital Reserve	40,000	40,000	-	40,000
<u>Elections</u>				
Registration and Election				
Operating expenses	-	-	-	-
<u>Finance</u>				
Salaries/Benefits	329,730	363,083	356,171	6,912
Operating expenses	24,727	24,727	25,331	(604)
Actuarial valuations pension & OPEB	11,200	11,200	11,200	-
Independent auditing	16,250	16,250	16,250	-
<u>Law</u>				
Legal Counsel				
Operating expenses	33,500	51,696	49,454	2,242
<u>Planning and Zoning</u>				
Salaries/Benefits	303,713	345,663	341,820	3,843
Operating expenses	100,000	103,900	97,945	5,955
Capital outlay	47,500	47,500	43,886	3,614
<u>Economic Development</u>				
Salaries/Benefits	292,938	307,546	299,357	8,189
Operating expenses	87,100	87,100	85,887	1,213
<u>General Services</u>				
<u>Municipal Buildings</u>				
Salaries/Benefits	42,283	42,283	44,682	(2,399)
Operating expenses	177,625	261,455	281,886	(20,431)
Capital outlay	130,000	35,500	34,500	1,000
<u>Bel Air Reckord Armory</u>				
Salaries/Benefits	67,368	71,248	78,724	(7,476)
Operating expenses	94,905	160,605	151,401	9,204
Capital outlay	-	15,000	18,000	(3,000)

**TOWN OF BEL AIR, MARYLAND**

**Schedule of Revenues and Expenditures Budget (Non-GAAP Budgetary Basis) and Actual  
General Fund  
Year Ended June 30, 2019**

	<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>Other General Government</u>				
Community Promotion				
Operating expenses	\$ 8,600	\$ 8,600	\$ 8,020	\$ 580
Public Officers' Association				
Operating expenses	17,380	17,380	17,380	-
<u>Technology</u>				
Operating expenses	216,996	265,760	273,880	(8,120)
Capital outlay	-	-	-	-
Total - general government	<u>2,576,153</u>	<u>2,844,045</u>	<u>2,787,082</u>	<u>56,963</u>
<b>Public Safety</b>				
<u>Administrative, Patrol and Investigation</u>				
Salaries/Benefits	3,254,000	3,768,463	3,697,375	71,088
Operating expenses	263,565	283,298	293,312	(10,014)
Capital outlay	87,000	78,138	77,591	547
<u>Traffic Safety</u>				
Red light camera program	178,320	208,320	199,693	8,627
<u>Fire Department</u>				
Volunteer Company Contribution	156,460	156,460	156,460	-
<u>Protective Inspection</u>				
Other:				
Hydrant rental	38,396	38,396	31,362	7,034
Total - public safety	<u>3,977,741</u>	<u>4,533,075</u>	<u>4,455,793</u>	<u>77,282</u>
<b>Public Works</b>				
<u>General Administration</u>				
Salaries/Benefits	632,706	711,349	705,029	6,320
Operating expenses	183,206	196,206	179,421	16,785
<u>Highways and Streets</u>				
Streets, Roadways and Alleys				
Salaries/Benefits	504,242	567,752	483,796	83,956
Operating expenses	270,274	344,979	384,127	(39,148)
Sidewalk, curb and street construction	285,000	318,000	254,051	63,949
Capital outlay	80,000	75,726	74,001	1,725
Street Lighting				
Operating expenses	134,203	134,203	99,939	34,264

**TOWN OF BEL AIR, MARYLAND**

**Schedule of Revenues and Expenditures Budget (Non-GAAP Budgetary Basis) and Actual General Fund  
Year Ended June 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>EXPENDITURES (Continued)</b>				
<b>Public Works (Continued)</b>				
<u>Sanitation and Waste Removal</u>				
Waste Collection and Disposal				
Salaries/Benefits	\$ 428,250	\$ 463,736	\$ 456,715	\$ 7,021
Operating expenses	169,760	169,760	149,749	20,011
Capital outlay	225,000	252,259	252,260	(1)
<u>Shop</u>				
Salaries/Benefits	179,518	212,259	210,992	1,267
Operating expenses	159,440	165,440	168,979	(3,539)
Capital outlay	10,000	10,000	9,190	810
Total - public works	<u>3,261,599</u>	<u>3,621,669</u>	<u>3,428,249</u>	<u>193,420</u>
<b>Recreation and Parks</b>				
<u>Participation Recreation</u>				
Operating expenses	114,900	114,900	114,904	(4)
<u>A &amp; B Committee</u>				
Operating expenses	39,300	39,300	30,321	8,979
<u>Cultural Arts Committee</u>				
Operating expenses	8,350	8,350	7,577	773
Total - recreation and parks	<u>162,550</u>	<u>162,550</u>	<u>152,802</u>	<u>9,748</u>
<b>Miscellaneous</b>				
Disability insurance	16,100	10,258	8,698	1,560
Hospital insurance	1,301,000	787,819	637,602	150,217
Optical and dental plan	29,600	17,076	14,110	2,966
Social security	510,000	274,634	247,469	27,165
Life insurance	24,700	15,570	13,630	1,940
Pension and deferred compensation contributions	576,200	547,707	516,428	31,279
OPEB	57,000	57,000	55,404	1,596
Workmen's compensation	186,600	186,600	190,676	(4,076)
Transfer to leave payout reserve	30,000	30,000	-	30,000
Unemployment claims	220	220	220	-
General insurance	112,000	108,000	106,211	1,789
Contingency	3,400	7,400	6,050	1,350
Debt service	295,550	295,550	297,910	(2,360)
Contributions/donations	19,400	19,400	17,271	2,129
Miscellaneous	55,195	55,195	59,004	(3,809)
Total - miscellaneous	<u>3,216,965</u>	<u>2,412,429</u>	<u>2,170,683</u>	<u>241,746</u>
<b>TOTAL EXPENDITURES</b>	<u><b>\$ 13,195,008</b></u>	<u><b>\$ 13,573,768</b></u>	<u><b>\$ 12,994,609</b></u>	<u><b>\$ 579,159</b></u>
<b>SUMMARY</b>				
<b>TOTAL REVENUES</b>	\$ 12,625,008	\$ 13,004,116	\$ 13,629,533	\$ 625,417
<b>TOTAL EXPENDITURES</b>	<u>13,195,008</u>	<u>13,573,768</u>	<u>12,994,609</u>	<u>579,159</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u><b>\$ (570,000)</b></u>	<u><b>\$ (569,652)</b></u>	<u><b>\$ 634,924</b></u>	<u><b>\$ 1,204,576</b></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, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>				
<b>Revenue from Other Agencies</b>				
CDBG grant	\$ 54,456	\$ 54,456	\$ 35,557	\$ (18,899)
Bond bill	-	-	97,601	97,601
Miscellaneous state grants	-	10,000	11,350	1,350
Miscellaneous county grant	-	-	1,789	1,789
Governor's Office grant	-	-	10,724	10,724
Community Legacy grant	350,000	350,000	-	(350,000)
Total - revenue from other agencies	<u>404,456</u>	<u>414,456</u>	<u>157,021</u>	<u>(257,435)</u>
<b>Miscellaneous</b>				
Chesapeake Sensory Plaza grant (MAWC)	-	150,000	150,000	-
Historic preservation	1,700	1,700	811	(889)
Tree planting - forest conservation	3,000	3,000	4,158	1,158
Tree planting - fee in lieu	1,500	1,500	-	(1,500)
Stormwater management fee in lieu	30,000	30,000	50	(29,950)
Open space fee in lieu	2,000	2,000	-	(2,000)
Memorials	1,000	1,000	1,000	-
Transfer from General Fund seized property	5,000	5,000	-	(5,000)
Seized property-Federal Treasury	11,500	11,500	7,964	(3,536)
Explorer scouts	9,000	9,000	21,734	12,734
Auxiliary police	2,500	2,500	1,790	(710)
Cultural arts project	6,000	6,000	1,768	(4,232)
Shamrock Park renovation	-	-	-	-
Revolving loan fund	1,500	1,500	1,869	369
Total - miscellaneous	<u>74,700</u>	<u>224,700</u>	<u>191,144</u>	<u>(33,556)</u>
<b>TOTAL REVENUES</b>	<u>\$ 479,156</u>	<u>\$ 639,156</u>	<u>\$ 348,165</u>	<u>\$ (290,991)</u>
<b>EXPENDITURES</b>				
<b>General Government</b>				
Historic preservation	\$ 1,700	\$ 1,700	\$ 811	\$ 889
Revolving loan fund	1,500	1,500	-	1,500
CDBG grant	54,456	54,456	35,557	18,899
Community Legacy grant	350,000	350,000	-	350,000
Total - general government	<u>407,656</u>	<u>407,656</u>	<u>36,368</u>	<u>371,288</u>
<b>Public Safety</b>				
Seized property-internal	5,000	5,000	542	4,458
Seized property-Federal Treasury	11,500	11,500	3,450	8,050
Auxiliary police	2,500	2,500	4,595	(2,095)
Total - public safety	<u>19,000</u>	<u>19,000</u>	<u>8,587</u>	<u>10,413</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, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Favorable (Unfavorable)</b>
<b>EXPENDITURES (Continued)</b>				
<b>Public Works</b>				
Stormwater management - fee in lieu	\$ 30,000	\$ 30,000	\$ 548	\$ 29,452
Total - public works	30,000	30,000	548	29,452
<b>Recreation and Parks</b>				
Tree planting - forest conservation	3,000	3,000	7,610	(4,610)
Tree planting - fee in lieu	1,500	1,500	650	850
Explorer Scouts	9,000	9,000	33,701	(24,701)
Cultural arts project	6,000	16,000	9,405	6,595
Open space fee in lieu	2,000	2,000	-	2,000
Public amenity	-	-	9,100	(9,100)
Memorials	1,000	1,000	17	983
Rockfield Park Pavilion	-	-	97,601	(97,601)
Chesapeake Sensory Plaza	-	150,000	41,881	108,119
Total - recreation and parks	<u>22,500</u>	<u>182,500</u>	<u>199,965</u>	<u>(17,465)</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 479,156</u>	<u>\$ 639,156</u>	<u>\$ 245,468</u>	<u>\$ 393,688</u>

**Summary**

<b>TOTAL REVENUES</b>	\$ 479,156	\$ 639,156	\$ 348,165	\$ (290,991)
<b>TOTAL EXPENDITURES</b>	<u>479,156</u>	<u>639,156</u>	<u>245,468</u>	<u>393,688</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 102,697</u>	<u>\$ 102,697</u>

**TOWN OF BEL AIR, MARYLAND**

**Schedule of Revenues and Expenditures Compared to Budget  
Parking Fund  
Year Ended June 30, 2019**

	<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	\$ 182,000	\$ 180,832	\$ (1,168)
Lease fees	68,580	68,903	323
<b>Fines and Forfeitures</b>			
Parking	129,000	131,060	2,060
<b>Miscellaneous</b>			
Miscellaneous income	-	-	-
County share operating expenses and capital repairs	101,170	116,329	15,159
Total operating revenues	<u>480,750</u>	<u>497,124</u>	<u>16,374</u>
<b>OPERATING EXPENSES</b>			
<b>Miscellaneous</b>			
Compensated absences	-	(5,427)	5,427
Postage	1,600	1,583	17
Miscellaneous	2,870	4,107	(1,237)
Parking fine charges	27,480	26,971	509
Depreciation	146,344	135,351	10,993
<b>Lots and Meters</b>			
Transfer to general fund - administrative costs	159,560	139,359	20,201
Maintenance	3,000	979	2,021
Operating expenses	6,500	4,836	1,664
<b>Parking Garage</b>			
Transfer to general fund - administrative costs	89,114	107,822	(18,708)
Operating expenses	20,920	25,457	(4,537)
Insurance	18,517	17,920	597
Maintenance	7,000	6,960	40
Capital repairs	15,000	-	15,000
Total operating expenses	<u>497,905</u>	<u>465,918</u>	<u>31,987</u>
Operating income (loss)	<u>(17,155)</u>	<u>31,206</u>	<u>48,361</u>
<b>Non-operating Revenues (Expenses)</b>			
Interest income - investment	5	46	41
Interest expense - parking garage renovations	(2,323)	(2,324)	(1)
- parking jeep	(210)	(209)	1
- lighting retrofit	(2,594)	(1,945)	649
Total non-operating (expenses)	<u>(5,122)</u>	<u>(4,432)</u>	<u>690</u>
<b>NET INCOME (LOSS)</b>	<u>\$ (22,277)</u>	<u>\$ 26,774</u>	<u>\$ 49,051</u>

**TOWN OF BEL AIR, MARYLAND**

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

**Sewer Fund**

**Year Ended June 30, 2019**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>OPERATING REVENUES</b>			
<b>Service Charges for Current Services</b>			
Sanitation and Waste Removal			
Sewerage charges	\$ 2,304,739	\$ 2,108,077	\$ (196,662)
Sewer connection charges	50,000	732,724	682,724
Other revenues	23,625	15,893	(7,732)
User benefit fees	34,720	34,965	245
Total operating revenues	<u>2,413,084</u>	<u>2,891,659</u>	<u>478,575</u>
<b>OPERATING EXPENSES</b>			
Salaries/benefits - direct and on call time	127,371	147,967	(20,596)
- overtime	32,511	28,594	3,917
Compensated absences	-	(2,848)	2,848
Contractual services	1,384,220	1,672,227	(288,007)
Amortization	24,248	24,248	-
Supplies	2,950	2,978	(28)
Utilities	13,720	15,431	(1,711)
Miss Utility fees	2,500	2,723	(223)
Depreciation	67,667	77,627	(9,960)
Maintenance	25,000	27,723	(2,723)
Connection costs	50,000	732,724	(682,724)
Water company charges	2,305	4,100	(1,795)
Contingency	18,500	7,902	10,598
Transfer to general fund - administrative costs	283,302	307,079	(23,777)
User benefit fee	34,720	34,965	(245)
Root control maintenance	35,000	34,872	128
Main and lateral repairs	22,000	13,348	8,652
Insurance	9,262	8,457	805
Transfer to SSCI reserve	80,000	-	80,000
Processing fees	13,945	11,980	1,965
Inflow and infiltration remediation	-	15,577	(15,577)
Equipment, small sewer jet truck	150,000	-	150,000
Miscellaneous	2,974	2,169	805
Total operating expenses	<u>2,382,195</u>	<u>3,169,843</u>	<u>(787,648)</u>
Operating income (loss)	30,889	(278,184)	(309,073)
<b>Non-operating Revenues (Expenses)</b>			
Interest income - investment	507	665	158
Interest expense - various debts	(31,396)	(31,492)	(96)
Total non-operating expenses	<u>(30,889)</u>	<u>(30,827)</u>	<u>62</u>
<b>NET INCOME (LOSS)</b>	<u>\$ -</u>	<u>\$ (309,011)</u>	<u>\$ (309,011)</u>

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