

**TOWN OF BEL AIR, MARYLAND**

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

**For the Year Ended June 30, 2023**

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**TOWN OF BEL AIR, MARYLAND**

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

**JUNE 30, 2023**

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## **REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON THE AUDIT OF THE FINANCIAL STATEMENTS**

The Commissioners of the  
Town of Bel Air, Maryland

### ***Opinions***

We have audited the 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, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, 2023, 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.

### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Responsibilities of Management for the Financial Statements***

The Town's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal controls relevant to the audit 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 Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal controls-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, schedule of changes in net OPEB liability and related ratios, schedule of contributions – OPEB, schedule 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 is the responsibility of management and, 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.

### ***Supplementary 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, and compared to budget) 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  
April 30, 2024

*SBC + Company, LLC*

## TOWN OF BEL AIR, MARYLAND

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

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, 2023. 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, 2023, by \$25,273,936 (net position). Approximately 15% of this amount is attributable to the business-type activities. Of the total net position, \$6,438,181 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors. Unrestricted net position is positive in both the business-type activities \$744,523 and the governmental activities \$5,693,658. Of the remaining total net position, \$877,964 is restricted for specific purposes (restricted net position), and \$17,957,791 is invested in capital assets, net of related debt.
- The Town's overall financial position increased by \$5,083,118 during the fiscal year. Net position for governmental and business-type activities increased \$5,284,379 and decreased \$201,261, respectively.
- The Town has recorded a net pension liability of \$3,300,593 compared to a net pension liability in the previous year of \$3,911,935 in the Statement of Net Position.

##### Fund Level:

- As of June 30, 2023, the Town's governmental funds reported a combined ending fund balance of \$11,084,744, an increase of \$2,561,708 in comparison with the prior year. Of this total amount, \$10,904,423 or 98.4% 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, 2023, the assigned and unassigned fund balance for the General Fund (primary operating fund) was \$4,059,604 or 18.2% of total General Fund expenditures.
- In fiscal year 2023, the Town transferred the following within the General Fund: \$1,063,935 to the Capital Reserve, \$29,712 to the Stormwater Management Reserve, \$160,682 to the Leave Payout Reserve, and \$28,723 to the Stabilization Reserve.
- As of June 30, 2023, the Town's business-type operating activities reported net position of \$3,689,604, a decrease of \$201,361, in comparison with the prior year. Of the total amount, \$744,523 is unrestricted.
- The Town received its final installment related to the American Rescue Plan Act in the amount of \$4,988,651 of which \$3,958,971 and \$11,996 was spent in the General Fund and Sewer Fund, respectively.

## TOWN OF BEL AIR, MARYLAND

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

#### Long-Term Debt:

The Town's long-term debt decreased \$1,216,022 or 7.8% during the current fiscal year. The decrease was the net result of making \$318,232 in scheduled payments, a \$261,928 decrease in compensated absences/OPEB liability, a \$611,342 decrease in net pension liability, and a \$24,520 decrease in corresponding bond premium. The Town did not incur any additional debt during the fiscal year.

#### 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, 2023

**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.

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

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

## TOWN OF BEL AIR, MARYLAND

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

#### 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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$25,273,936 as of June 30, 2023. The Town of Bel Air's net position is divided into three categories – net investment in capital assets, 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, 2023, capital assets were valued at \$17,957,791, net of related debt and accumulated depreciation or 71% 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, 2023, was \$6,438,181 or 26% 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, 2023, was \$877,964 or 3% 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, 2023, the Town reported separate positive balances in all three categories in both the governmental activities as well as the business-type activities.

# TOWN OF BEL AIR, MARYLAND

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

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

### NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
<b>Assets</b>						
Current and other assets	\$ 19,846,555	\$ 19,996,398	\$ 1,999,442	\$ 1,900,238	\$ 21,845,997	\$ 21,896,636
Capital assets	22,900,569	16,430,885	3,269,092	3,432,791	26,169,661	19,863,676
Total assets	42,747,124	36,427,283	5,268,534	5,333,029	48,015,658	41,760,312
<b>Deferred outflows of resources-Pensions/OPEB</b>	1,800,209	2,519,615	-	-	1,800,209	2,519,615
<b>Liabilities</b>						
Other liabilities	7,593,804	6,459,604	1,000,404	637,777	8,594,208	7,097,381
Long-term liabilities	14,401,688	15,617,710	578,526	804,387	14,980,214	16,422,097
Total liabilities	21,995,492	22,077,314	1,578,930	1,442,164	23,574,422	23,519,478
<b>Deferred inflows of resources-pensions/OPEB</b>	967,509	569,631	-	-	967,509	569,631
<b>Net Position</b>						
Net investment in capital assets	15,161,002	11,783,310	2,796,789	2,733,874	17,957,791	14,517,184
Restricted	729,672	352,167	148,292	142,621	877,964	494,788
Unrestricted	5,693,658	4,164,476	744,523	1,014,370	6,438,181	5,178,846
<b>Total net position</b>	<b>\$ 21,584,332</b>	<b>\$ 16,299,953</b>	<b>\$ 3,689,604</b>	<b>\$ 3,890,865</b>	<b>\$ 25,273,936</b>	<b>\$ 20,190,818</b>

# TOWN OF BEL AIR, MARYLAND

## MANAGEMENT'S DISCUSSION AND ANALYSIS June 30, 2023

### CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 1,521,250	\$ 1,633,022	\$ 3,219,131	\$ 3,425,267	\$ 4,740,381	\$ 5,058,289
Operating grants/ contributions	5,100,479	731,672	-	-	5,100,479	731,672
Capital grants/ contributions	186,100	252,544	73,138	-	259,238	252,544
General revenues:						
Property taxes	9,208,319	9,155,892	-	-	9,208,319	9,155,892
Shared taxes	3,853,328	3,161,409	-	-	3,853,328	3,161,409
Miscellaneous	972,581	905,111	-	-	972,581	905,111
Unrestricted investment earnings	347,860	36,774	667	236	348,527	37,010
Transfers	9,330	-	(9,330)	-	-	-
<b>Total revenues</b>	<b>21,199,247</b>	<b>15,876,424</b>	<b>3,283,606</b>	<b>3,425,503</b>	<b>24,482,853</b>	<b>19,301,927</b>
<b>Expenses</b>						
General government	4,607,245	4,271,451	-	-	4,607,245	4,271,451
Public safety	6,317,562	6,140,937	-	-	6,317,562	6,140,937
Public works	4,186,309	4,063,769	-	-	4,186,309	4,063,769
Recreation and culture	276,416	379,517	-	-	276,416	379,517
Miscellaneous	252,337	231,337	-	-	252,337	231,337
Interest on long-term debt	274,999	178,653	-	-	274,999	178,653
Sewer	-	-	2,942,818	2,759,903	2,942,818	2,759,903
Parking facilities	-	-	542,049	507,673	542,049	507,673
<b>Total expenditures</b>	<b>15,914,868</b>	<b>15,265,664</b>	<b>3,484,867</b>	<b>3,267,576</b>	<b>19,399,735</b>	<b>18,533,240</b>
<b>Change in net position</b>	<b>5,284,379</b>	<b>610,760</b>	<b>(201,261)</b>	<b>157,927</b>	<b>5,083,118</b>	<b>768,687</b>
<b>Net position, beginning</b>	<b>16,299,953</b>	<b>15,689,193</b>	<b>3,890,865</b>	<b>3,732,938</b>	<b>20,190,818</b>	<b>19,422,131</b>
<b>Net position, ending</b>	<b>\$ 21,584,332</b>	<b>\$ 16,299,953</b>	<b>\$ 3,689,604</b>	<b>\$ 3,890,865</b>	<b>\$ 25,273,936</b>	<b>\$ 20,190,818</b>

### Governmental activities

Governmental net position increased by \$5,284,379 mainly due to the receiving additional revenues and spending less. Property taxes, shared taxes, and charges for services represent 43%, 18%, and 7% of the Town's revenue stream, respectively. The remaining 32% 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 2023 was \$21,199,247 which is \$5,322,823 or 34% more than the previous year. The increase was not due to any individual category.

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 3.82%, with the last month of the fiscal year being 5.18% compared to .20% from last fiscal year, as a result of the Federal Reserve increasing and holding steady the federal funds rate.

In fiscal year 2023, 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.

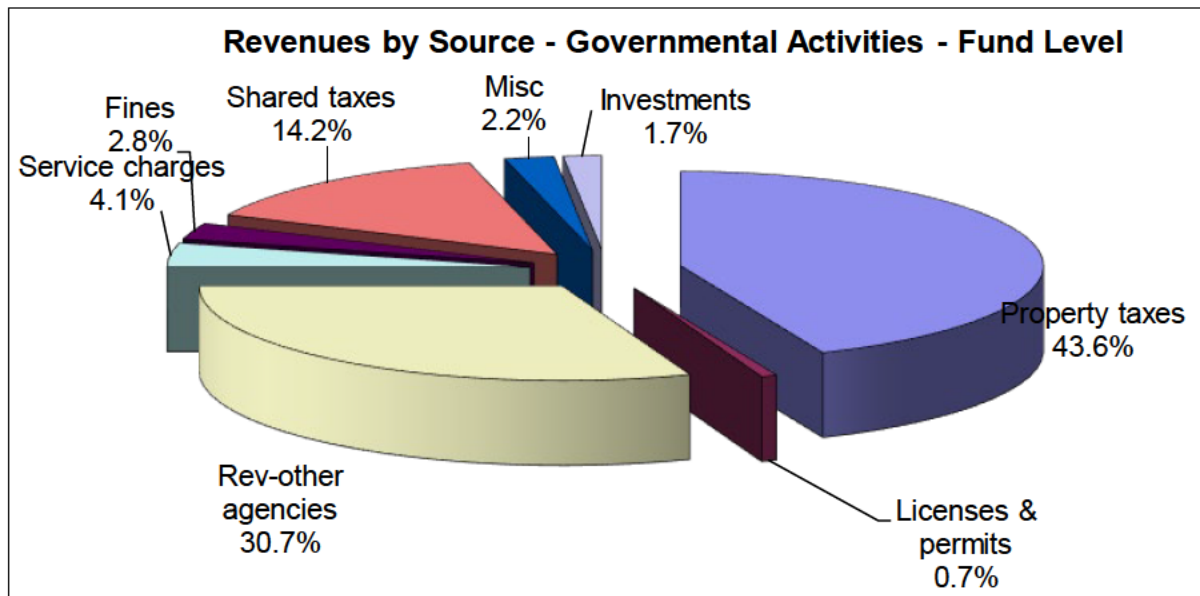
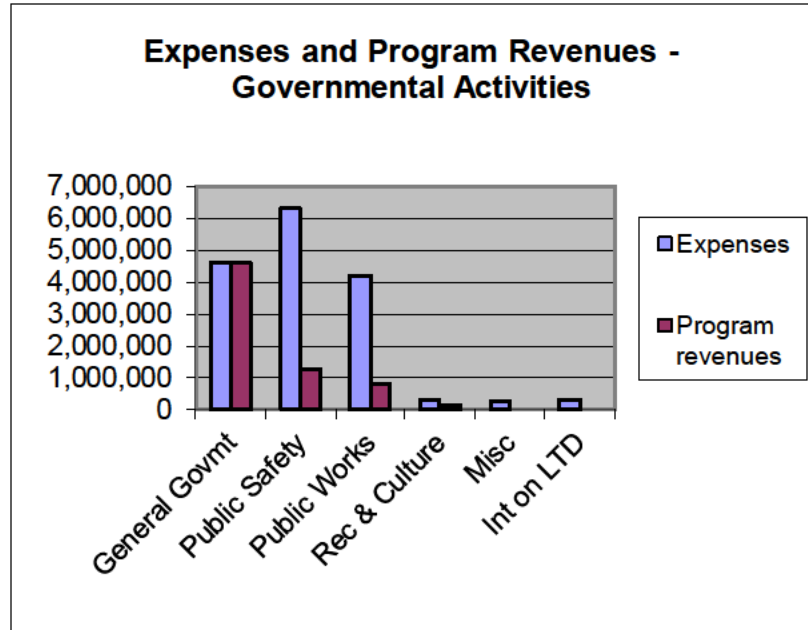
As of June 30, 2023, the Town held \$1,845,000 in various certificates of deposit with rates ranging from .15% to 4.85% and maturities no longer than 18 months.

**TOWN OF BEL AIR, MARYLAND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2023**

Governmental expenses were \$15,914,868 in fiscal year 2023, which equates to an increase of \$649,204 or 4%. Public safety and general government are the two largest functional areas comprising 69% of all governmental expenses in fiscal year 2023. Public safety represents 40% of governmental expenses, while general government represents 29%. An increase is shown in each of these main departments as well as the remainder of the expense categories.



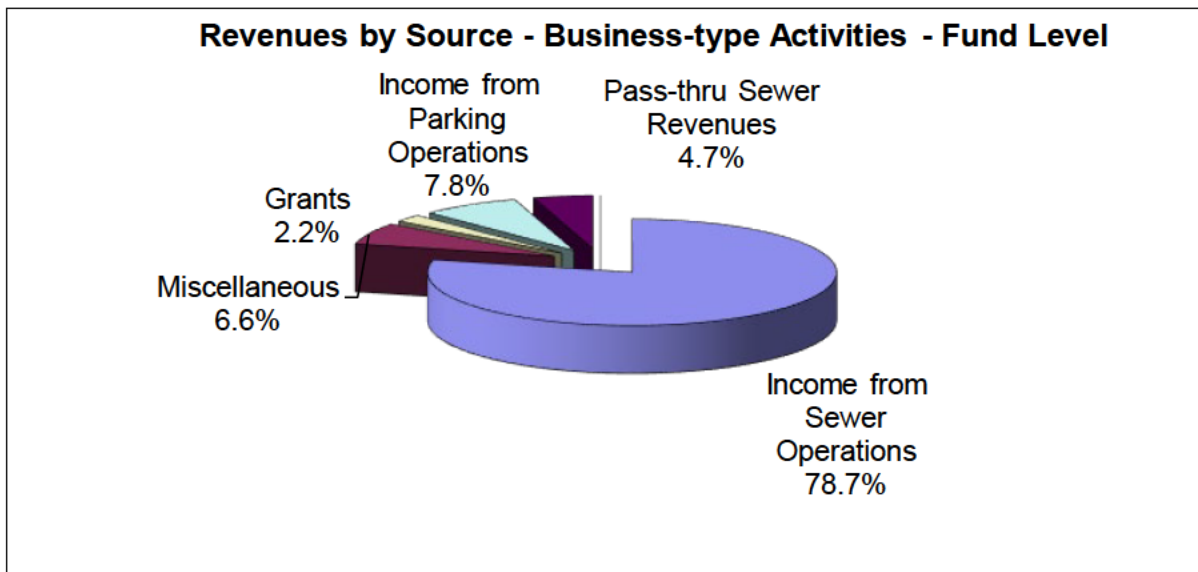
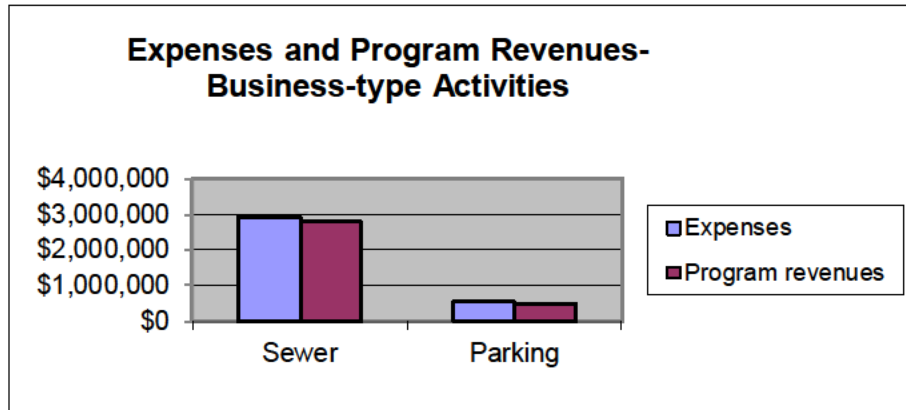
**TOWN OF BEL AIR, MARYLAND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2023

**Business-type activities**

The Town operates two business-type enterprise funds, Parking and Sewer. Business-type net position decreased by \$201,261, overall with the Parking Fund and Sewer Fund both decreasing \$68,470 and \$132,791, respectively. The decrease in the Parking Fund was mainly due to receiving less revenues from all three sources. The decrease in the Sewer Fund was mainly due to paying Harford County more to treat the sewage due to a larger than anticipated bulk rate.



## TOWN OF BEL AIR, MARYLAND

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

#### 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, 2023, the Town's governmental funds (general fund and special revenue fund) reported a combined ending fund balance of \$11,084,744, an increase of \$2,561,708 in comparison with the prior year. Approximately 98.4% of this total amount or \$10,904,423 constitutes *committed, assigned, and unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *nonspendable and restricted* to indicate that it is not available for new spending because it has already been dedicated for prepaids. The *nonspendable and restricted fund balance*, at 1.6% 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 \$4,059,604, while total fund balance was \$10,695,078. 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 38% of total General Fund expenditures, while total fund balance represents 18.2% of that same amount.

The Town's General Fund total fund balance increased by \$2,569,133 during the current fiscal year. This was a result of the fiscal year 2023 encumbrances being more than the current year encumbrances by approximately \$1,175,830. Also, the Town received more revenues than anticipated in state share income taxes by approximately \$750,000.

The Special Revenue Fund has a total fund balance of \$389,666 which decreased \$7,425.

**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 \$2,000,098 and \$1,689,506, respectively, and decreased \$68,470 in the Parking Fund and \$132,791 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 MissionSquare Retirement. 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 an eleven-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, 2023

The net position of the Sworn Officers' Pension Trust and the Civilian Pension Trust increased \$757,286 or 8.7%, and \$797,561 or 8.8%. 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 \$76,341 or 14.6% due to mainly to a increase in the fair value of investments.

#### General Fund Budgetary Highlights

The Town amended the budget in June 2023. The general fund budget increased \$7,242,865. The significant revenue changes were increases in the ARPA funding and bond proceeds from DHCD. The significant expenditure changes were increases in Town Buildings for the construction capital on the Town Hall/Police Department building.

At the end of the year, revenues and other financing sources were more than budgetary estimates by \$1,254,430 and expenditures were \$268,472 less than anticipated. The following revenues were the main drivers for the excess revenues: Taxes on real property \$57,736, ordinary business corporations \$25,284, local taxes on utilities \$26,886, State shared income taxes \$735,004, ARPA \$181,755, interest \$98,147, and equipment/vehicle sale proceeds \$60,343. The following expenditure departments were the main drivers for the lower expenditures: Police \$205,812 and Public Works \$202,546, while Town Buildings was greater by \$275,524 than budget due to more expense being recognized in the current fiscal year than expected.

#### 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, 2023 was \$26,169,661. 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 31.8%, comprised of a 39.4% increase in governmental activities and a 4.8% decrease in business-type activities.

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

**TOWN OF BEL AIR, MARYLAND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2023**

**CAPITAL ASSETS**

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land and improvements	\$ 4,641,308	\$ 4,641,308	\$ 777,518	\$ 777,518	\$ 5,418,826	\$ 5,418,826
Buildings and improvements	7,338,165	7,406,799	3,306,772	3,277,524	10,644,937	10,684,323
Infrastructure	1,905,435	1,830,062	-	-	1,905,435	1,830,062
Machinery and equipment	1,256,927	1,110,062	641,066	625,509	1,897,993	1,735,571
Furniture and fixtures	1,933,815	1,770,031	-	-	1,933,815	1,770,031
Vehicles	4,077,786	4,209,964	519,866	519,866	4,597,652	4,729,830
Construction in progress	10,841,799	4,183,837	-	-	10,841,799	4,183,837
Parking improvements	-	-	456,647	456,647	456,647	456,647
Sewer system	-	-	2,033,518	2,033,518	2,033,518	2,033,518
Accumulated depreciation	(9,094,666)	(8,721,178)	(4,466,295)	(4,257,791)	(13,560,961)	(12,978,969)
<b>Total</b>	<b>\$ 22,900,569</b>	<b>\$ 16,430,885</b>	<b>\$ 3,269,092</b>	<b>\$ 3,432,791</b>	<b>\$ 26,169,661</b>	<b>\$ 19,863,676</b>

Major capital asset events during the year ending June 30, 2023 included the following:

- The Police Department purchased two vehicles (\$90,584).
- The Planning Department created a park on Office Street (\$99,439).
- The Town added technology hardware/software (\$69,514).
- The Public Works Department purchased two equipment vehicles (\$204,329).
- The Town has construction in progress for a new Town Hall/Police Dept building (\$6,657,962).
- The Town sold the following major assets on Govdeals and all were removed from the Town's capital assets: various public work's equipment (\$355,612).
- In the Parking Fund, parking garage elevators were updated (\$29,248).
- In the Sewer Fund, a sewer pump was purchased (\$3,561).

**Debt administration.** The Town's long-term debt as of June 30, 2023, was \$14,980,214. Of this amount, \$8,942,277 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 \$556,879, \$2,180,465 in compensated absences and OPEB liabilities from GASB #75, and \$3,300,593 in a net pension liability.

The following table reflects the Town's long-term debt:

**TOWN OF BEL AIR, MARYLAND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2023**

**LONG-TERM DEBT**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
General obligations bonds	\$ 8,507,286	\$ 8,724,760	\$ 434,991	\$ 652,204	\$ 8,942,277	\$ 9,376,964
Equipment/vehicle notes	519,567	644,845	37,312	46,713	556,879	691,558
Net pension liability	3,300,593	3,911,935	-	-	3,300,593	3,911,935
Compensated absences / OPEB	2,074,242	2,336,170	106,223	105,470	2,180,465	2,441,640
<b>Total</b>	<u>\$ 14,401,688</u>	<u>\$ 15,617,710</u>	<u>\$ 578,526</u>	<u>\$ 804,387</u>	<u>\$ 14,980,214</u>	<u>\$ 16,422,097</u>

The Town's total long-term debt for governmental activities and business-type activities decreased \$1,216,022 and \$225,861, respectively. During the year, \$228,073 in debt was retired.

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, 2023, the debt limitation is \$81,122,192 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, 2023

#### Economic Factors and Fiscal Year 2024's Budgets and Rates

- The State of Maryland Assessments and Taxation Department completed its triennial assessment in January, 2023 for Town residents effective beginning in fiscal year 2024, which assesses the Town every third year, along with a cap of 10% on residential properties. The tax rate on both real and personal property remains \$.54 per \$100 of assessed value and \$1.20 per \$100 of assessed value, respectively. During the fiscal year, the Town expects flat real estate assessments.
- Highway user revenues are projected to increase \$109,491 over the 2023 budgeted revenues.
- Police protection grant from the state is projected to be flat.
- The Town anticipates utilizing \$2,315,000 of its American Rescue Plan Act (ARPA) monies in fiscal year 2024 on salaries.
- The Harford County tax rebate is projected to increase slightly \$9,691 based on the Harford County formula.
- Effective in fiscal year 2021, the Annotated Code of Maryland requires that Harford County contribute toward the cost of the three municipalities stormwater remediation obligations. The jurisdictions negotiated a formula for the distribution of County funds and memorialized it through a MOU. The expected funding is \$140,000.
- With interest rates continuing to increase due to the economy, the Town's interest on investments is budgeted to increase \$225,000.
- The Town intends to use the savings in salaries from the ARPA monies to purchase its fiscal year 2024 vehicles in the amount of \$475,000 and to complete various major capital projects totaling \$1,840,000.
- The Town anticipates utilizing \$35,000 from the unassigned fund balance the match as required by the Community Parks & Playground grant for Homestead Park.
- The Town anticipates utilizing \$432,000 from the capital reserve to fund \$130,000 and \$152,000 of capital projects at the Armory and in various town buildings, respectively, \$120,000 for various planning department projects, and \$30,000 for public works equipment.
- All Town employees received a merit increase and a 5% COLA.
- The departmental operating expenditures remained basically unchanged from the previous fiscal year.
- The Town budgeted \$658,000 for various building maintenance or capital projects.
- The Planning Department included \$1,808,000 for various capital projects for Burns Alley (\$500,000), Homestead Park (\$200,000), Plumtree Park (\$50,000), Wayfinding Graphics (\$50,000), Thomas/George Street improvements (\$1,000,000) and Safe Streets (\$8,000).

## TOWN OF BEL AIR, MARYLAND

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

- The Technology Department budgeted approximately \$10,770 for one-time expenditures.
- The Town's worker's compensation modification rate decreased from a 1.90 premium to a 1.65 premium due to a decrease in claims and experience for the last three completed fiscal years.
- The Town budgeted \$60,466 to fully fund its Other Postemployment Benefits Other Than Pensions (OPEB) based on the last valuation completed as of June 30, 2021.
- The Town's health insurance premiums remained the same as fiscal year 2024.
- The Police Department began a body worn camera program in fiscal year 2020 and will fund the program over five years in the amount of \$23,978 yearly.
- The Police Department budgeted \$150,000 to purchase two replacement vehicles.
- The Department of Public Works included \$130,000 to fund the costs associated with the Town's MS4 storm water management program which also matches the anticipated revenue from Harford County.
- The Public Works Department budgeted \$385,000 in street and curb ramp construction work to be completed at specific locations.
- The Public Works Department budgeted \$275,000 to purchase a replacement dump truck and assistant operations chief vehicle as well as \$50,000 to replace the facilities manager vehicle.
- In the Special Revenue Fund, the Town has designated two previous fiscal year allocations of Community Development Block Grant, \$33,400, to resurfacing street projects.
- In the Special Revenue Fund, the Town included a grant award in the amount of \$115,000 from Community Parks & Playground to provide new recreational activities, provision of off-street parking, and handicapped access to Homestead Park.
- In the Special Revenue Fund, the Town included a grant award in the amount of \$100,000 from Community Legacy to provide support for Phase II of the Court House Square project.

All of these factors were considered in preparing the Town's budget for the 2024 fiscal year.

The Sewer Fund user rate increased \$.52 which was based on the December 2022 Consumer Price Index of 8%. The base charge increased by the Consumer Price Index of 8%. Funds will be used from ARPA to fund the Harford County charges to treat the sewage, and those savings will be used to fund collection system rehab and replacement projects of \$1,100,000.

In the Parking Fund, meter collections were projected to remain flat, while parking fines were projected to decrease. The Town plans on contracting to design the enclosure of the Pennsylvania Avenue stairway to protect from the weather (\$45,000) and to paint the roof area as well as the floor numbers on each level (\$17,000) in the parking garage. The total cost of this will be split 67.2% to Harford County and 32.8% to the Town.

**TOWN OF BEL AIR, MARYLAND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2023**

**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, 2023**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 10,519,266	\$ 207,104	\$ 10,726,370
Restricted cash and cash equivalents	6,394,118	-	6,394,118
Investments	1,845,000	-	1,845,000
Accounts receivable	1,873,552	772,747	2,646,299
Loan receivable - revolving loan fund	36,337	-	36,337
Real and personal property taxes receivable	120,656	-	120,656
Accrued interest receivable	21,811	-	21,811
Internal balances	(1,008,029)	1,008,029	-
Prepaid expenses	43,844	-	43,844
Capital assets, not being depreciated	15,483,107	777,518	16,260,625
Capital assets, net of accumulated depreciation	7,417,462	2,491,574	9,909,036
Other assets	-	11,562	11,562
	<u>42,747,124</u>	<u>5,268,534</u>	<u>48,015,658</u>
<b>Total assets</b>			
<b>DEFERRED OUTFLOWS OF RESOURCES-PENSIONS/OPEB</b>	<u>1,800,209</u>	<u>-</u>	<u>1,800,209</u>
<b>LIABILITIES</b>			
Accounts payable	1,736,972	998,483	2,735,455
Accrued liabilities	185,089	-	185,089
Payroll withholdings	4,217	-	4,217
Deposits and other escrows held	3,080	-	3,080
Unearned revenue	5,664,446	1,921	5,666,367
Non-current liabilities:			
Due within one year	331,727	201,395	533,122
Due in more than one year	14,069,961	377,131	14,447,092
	<u>21,995,492</u>	<u>1,578,930</u>	<u>23,574,422</u>
<b>Total liabilities</b>			
<b>DEFERRED INFLOWS OF RESOURCES-PENSIONS/OPEB</b>	<u>967,509</u>	<u>-</u>	<u>967,509</u>
<b>NET POSITION</b>			
Net investment in capital assets	15,161,002	2,796,789	17,957,791
Restricted	729,672	148,292	877,964
Unrestricted	5,693,658	744,523	6,438,181
	<u>\$ 21,584,332</u>	<u>\$ 3,689,604</u>	<u>\$ 25,273,936</u>
<b>TOTAL NET POSITION</b>			

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

**TOWN OF BEL AIR, MARYLAND**

**Statement of Activities  
Year Ended June 30, 2023**

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	\$ 4,607,245	\$ 308,287	\$ 4,307,117	\$ -	\$ 8,159	\$ -	\$ 8,159
Public safety	6,317,562	646,958	565,698	29,100	(5,075,806)	-	(5,075,806)
Public works	4,186,309	566,005	227,664	-	(3,392,640)	-	(3,392,640)
Recreation and culture	276,416	-	-	157,000	(119,416)	-	(119,416)
Miscellaneous	252,337	-	-	-	(252,337)	-	(252,337)
Interest on long-term debt	274,999	-	-	-	(274,999)	-	(274,999)
Total governmental activities	<u>15,914,868</u>	<u>1,521,250</u>	<u>5,100,479</u>	<u>186,100</u>	<u>(9,107,039)</u>	<u>-</u>	<u>(9,107,039)</u>
Business-type activities:							
Sewer	2,942,818	2,798,031	-	11,996	-	(132,791)	(132,791)
Parking facilities	<u>542,049</u>	<u>421,100</u>	<u>-</u>	<u>61,142</u>	<u>-</u>	<u>(59,807)</u>	<u>(59,807)</u>
Total business-type activities	<u>3,484,867</u>	<u>3,219,131</u>	<u>-</u>	<u>73,138</u>	<u>-</u>	<u>(192,598)</u>	<u>(192,598)</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 19,399,735</u>	<u>\$ 4,740,381</u>	<u>\$ 5,100,479</u>	<u>\$ 259,238</u>	<u>(9,107,039)</u>	<u>(192,598)</u>	<u>(9,299,637)</u>
<b>GENERAL REVENUES</b>							
Taxes:							
Property taxes, levied for general purposes					9,208,319	-	9,208,319
Shared taxes					3,853,328	-	3,853,328
Miscellaneous					972,581	-	972,581
Unrestricted investment earnings					347,860	667	348,527
Transfers					9,330	(9,330)	-
Total general revenues					<u>14,391,418</u>	<u>(8,663)</u>	<u>14,382,755</u>
<b>CHANGE IN NET POSITION</b>					<u>5,284,379</u>	<u>(201,261)</u>	<u>5,083,118</u>
<b>NET POSITION, BEGINNING</b>					<u>16,299,953</u>	<u>3,890,865</u>	<u>20,190,818</u>
<b>NET POSITION, ENDING</b>					<u>\$ 21,584,332</u>	<u>\$ 3,689,604</u>	<u>\$ 25,273,936</u>

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

**TOWN OF BEL AIR, MARYLAND**

**Balance Sheet  
June 30, 2023**

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 10,519,266	\$ -	\$ 10,519,266
Restricted cash and cash equivalents	6,206,830	187,288	6,394,118
Investments	1,845,000	-	1,845,000
Accounts receivable	1,710,373	163,179	1,873,552
Loan receivable - revolving loan fund	-	36,337	36,337
Accrued interest receivable	21,811	-	21,811
Property taxes receivable - net	120,656	-	120,656
Due from other funds	203,008	81,622	284,630
Prepaid costs	43,844	-	43,844
<b>TOTAL ASSETS</b>	<b>\$ 20,670,788</b>	<b>\$ 468,426</b>	<b>\$ 21,139,214</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 1,662,744	\$ 74,228	\$ 1,736,972
Accrued expenditures	118,627	-	118,627
Payroll withholdings	4,217	-	4,217
Deposits	3,080	-	3,080
Unearned revenue	5,664,446	-	5,664,446
Due to other funds	1,288,127	4,532	1,292,659
Total liabilities	<u>8,741,241</u>	<u>78,760</u>	<u>8,820,001</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	77,549	-	77,549
Unavailable revenue - income taxes	1,135,862	-	1,135,862
Unavailable revenue - highway user	21,058	-	21,058
Total deferred inflows of resources	<u>1,234,469</u>	<u>-</u>	<u>1,234,469</u>
<b>FUND BALANCES</b>			
Nonspendable	43,844	-	43,844
Restricted	-	136,477	136,477
Committed	6,591,630	131,350	6,722,980
Assigned	1,431,662	121,839	1,553,501
Unassigned	2,627,942	-	2,627,942
Total fund balances	<u>10,695,078</u>	<u>389,666</u>	<u>11,084,744</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 20,670,788</b>	<b>\$ 468,426</b>	<b>\$ 21,139,214</b>

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 Statements of Net Position  
June 30, 2023**

<b>TOTAL FUND BALANCES - GOVERNMENTAL FUNDS</b> (page 22)	\$ 11,084,744
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.	1,234,469
Net deferred outflows and inflows of resources related to pensions/OPEB.	832,700
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 \$31,995,235 and the accumulated depreciation is \$9,094,666.	22,900,569
Noncurrent liabilities and assets are not reported as liabilities in the governmental funds.	(11,101,095)
Net pension liability	(3,300,593)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	<u>(66,462)</u>
<b>TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES</b> (page 20)	<u>\$ 21,584,332</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, 2023**

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>			
Taxes - local	\$ 9,177,328	\$ -	\$ 9,177,328
Taxes - state shared	2,993,698	-	2,993,698
Licenses and permits	137,244	-	137,244
Revenue from other agencies	6,353,772	107,359	6,461,131
Service charges for current services	859,249	-	859,249
Fines	597,737	-	597,737
Miscellaneous	749,223	58,938	808,161
Total revenues	<u>20,868,251</u>	<u>166,297</u>	<u>21,034,548</u>
<b>EXPENDITURES</b>			
General government	3,877,066	6,850	3,883,916
Public safety	6,292,635	25,635	6,318,270
Public works	4,056,886	40,359	4,097,245
Recreation and parks	175,538	100,878	276,416
Miscellaneous	252,337	-	252,337
Capital outlay	7,018,987	-	7,018,987
Debt service:			
Principal	318,232	-	318,232
Interest	293,504	-	293,504
Total expenditures	<u>22,285,185</u>	<u>173,722</u>	<u>22,458,907</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(1,416,934)	(7,425)	(1,424,359)
<b>OTHER FINANCING SOURCES</b>			
TH/PD Infrastructure Bond proceeds	3,976,737	-	3,976,737
Transfers	9,330	-	9,330
Total other financing sources	<u>3,986,067</u>	<u>-</u>	<u>3,986,067</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES</b>	2,569,133	(7,425)	2,561,708
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>8,125,945</u>	<u>397,091</u>	<u>8,523,036</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 10,695,078</u>	<u>\$ 389,666</u>	<u>\$ 11,084,744</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, 2023**

<b>TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUND</b> (page 24)	<b>\$ 2,561,708</b>
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>	
<p>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 \$7,350,937 exceeded depreciation expense of \$774,095 in the period.</p>	6,576,842
<p>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 \$507,765, less any accumulated depreciation of \$400,607.</p>	(107,158)
<p>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 \$261,928.</p>	261,928
<p>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.</p>	(505,942)
<p>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.</p>	149,491
<p>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 2023.</p>	342,752
<p>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 2023.</p>	(3,976,737)
<p>Interest expense in the Statement of Activities differs from the amount reported in governmental funds due to the net change in accrued interest.</p>	<u>(18,505)</u>
<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b> (page 21)	<b><u>\$ 5,284,379</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, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUE</b>				
Taxes - local	\$ 9,067,415	\$ 9,067,415	\$ 9,177,328	\$ 109,913
Taxes - state shared	2,243,075	2,243,075	2,993,698	750,623
Licenses and permits	90,000	132,000	137,244	5,244
Revenues from other agencies	3,263,431	6,134,825	6,353,772	218,947
Service charges for current services	829,794	835,544	859,249	23,705
Fines	588,000	588,000	597,737	9,737
Miscellaneous	264,200	612,962	749,223	136,261
Total revenues	<u>16,345,915</u>	<u>19,613,821</u>	<u>20,868,251</u>	<u>1,254,430</u>
<b>EXPENDITURES</b>				
Current:				
General government	4,306,015	11,499,562	11,696,338	(196,776)
Public safety	6,350,009	6,571,105	6,365,293	205,812
Public works	4,775,627	4,565,179	4,362,633	202,546
Recreation and culture	182,145	182,145	172,673	9,472
Miscellaneous	261,085	299,755	252,337	47,418
Debt service	611,736	611,736	611,736	-
Total expenditures	<u>16,486,617</u>	<u>23,729,482</u>	<u>23,461,010</u>	<u>268,472</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(140,702)</u>	<u>(4,115,661)</u>	<u>(2,592,759)</u>	<u>1,522,902</u>
<b>OTHER FINANCING SOURCES</b>				
TH/PPD Infrastructure Bond proceeds	-	3,976,737	3,976,737	-
Total other financing sources	<u>-</u>	<u>3,976,737</u>	<u>3,976,737</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES</b>	<u>\$ (140,702)</u>	<u>\$ (138,924)</u>	1,383,978	<u>\$ 1,522,902</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>			<u>8,190,518</u>	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 9,574,496</u>	

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

**TOWN OF BEL AIR, MARYLAND**

**Statement of Revenues and Expenditures – Budget and Actual - Special Revenue Fund  
(Non-GAAP Budgetary Basis)  
Year Ended June 30, 2023**

	<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	\$ 80,357	\$ 40,359	\$ 40,359	\$ -
Chesapeake Bay Trust Grant	100,000	-	-	-
Community Legacy grant	115,000	115,000	67,000	(48,000)
Total - revenue from other agencies	295,357	155,359	107,359	(48,000)
<b>Miscellaneous</b>				
Total revenues	51,140	51,140	58,938	7,798
	<u>346,497</u>	<u>206,499</u>	<u>166,297</u>	<u>(40,202)</u>
<b>EXPENDITURES</b>				
General government	500	500	-	500
Public safety	14,000	14,000	25,635	(11,635)
Public works	83,357	43,359	40,359	3,000
Recreation and culture	248,640	148,640	113,513	35,127
Total expenditures	346,497	206,499	179,507	26,992
<b>(DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	<u>\$ -</u>	<u>\$ -</u>	(13,210)	<u>\$ (13,210)</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>			<u>364,541</u>	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 351,331</u>	

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

**TOWN OF BEL AIR, MARYLAND**

**Statement of Net Position – Proprietary Funds (Enterprise Funds)  
June 30, 2023**

	<u>Parking Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 207,104	\$ -	\$ 207,104
Accounts receivable	211,502	561,246	772,748
Due from other funds	-	1,213,496	1,213,496
Total current assets	<u>418,606</u>	<u>1,774,742</u>	<u>2,193,348</u>
<b>Noncurrent Assets</b>			
Land	777,518	-	777,518
Capital assets, net	1,121,741	1,369,833	2,491,574
Other assets	-	11,562	11,562
Total noncurrent assets	<u>1,899,259</u>	<u>1,381,395</u>	<u>3,280,654</u>
Total assets	<u>2,317,865</u>	<u>3,156,137</u>	<u>5,474,002</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued expenses	5,562	992,921	998,483
Due to other funds	205,467	-	205,467
Unearned revenue	1,921	-	1,921
Notes payable	9,555	-	9,555
Bonds payable	4,831	187,009	191,840
Total current liabilities	<u>227,336</u>	<u>1,179,930</u>	<u>1,407,266</u>
<b>Noncurrent Liabilities</b>			
Accrued compensated absences	18,900	87,323	106,223
Notes payable - long-term	27,757	-	27,757
Bonds payable - long-term	43,774	199,377	243,151
Total noncurrent liabilities	<u>90,431</u>	<u>286,700</u>	<u>377,131</u>
Total liabilities	<u>317,767</u>	<u>1,466,630</u>	<u>1,784,397</u>
<b>NET POSITION</b>			
Net investment in capital assets	1,813,342	983,447	2,796,789
Restricted	148,292	-	148,292
Unrestricted	<u>38,464</u>	<u>706,059</u>	<u>744,523</u>
<b>TOTAL NET POSITION</b>	<u>\$ 2,000,098</u>	<u>\$ 1,689,506</u>	<u>\$ 3,689,604</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, 2023**

	<u>Parking Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
<b>Revenues from Other Agencies</b>			
DHCD-Community Safety Works Grant	\$ 61,142	\$ -	\$ 61,142
American Rescue Plan Act	-	11,996	11,996
<b>Service Charges for Current Services</b>			
Sanitation and Waste Removal			
Sewerage charges	-	2,592,493	2,592,493
Sewer connection charges	-	116,863	116,863
Other revenues	-	27,440	27,440
Utility locator fees	-	24,240	24,240
User benefit fees	-	36,995	36,995
Highway and Streets			
Meter collections	135,025	-	135,025
Lease fees	66,859	-	66,859
Fines and Forfeitures			
Parking	56,028	-	56,028
Miscellaneous			
County share operating expenses and capital repairs	163,188	-	163,188
Total operating revenues	<u>482,242</u>	<u>2,810,027</u>	<u>3,292,269</u>
<b>OPERATING EXPENSES</b>			
Salaries/Benefits	-	253,631	253,631
Contractual services	-	1,846,977	1,846,977
Allocated administrative costs	252,374	418,562	670,936
Supplies	-	3,178	3,178
Utilities	-	18,840	18,840
Depreciation	131,051	77,453	208,504
Amortization	-	24,248	24,248
Maintenance	12,984	83,109	96,093
Compensated absences	(729)	1,483	754
Other	3,102	11,064	14,166
Connection costs	-	116,863	116,863
User benefit fees	-	36,995	36,995
Postage	353	-	353
Insurance	26,569	11,868	38,437
Processing fees	-	25,554	25,554
Garage operations	114,138	-	114,138
Total operating expenses	<u>539,842</u>	<u>2,929,825</u>	<u>3,469,667</u>
Operating (loss)	<u>(57,600)</u>	<u>(119,798)</u>	<u>(177,398)</u>
Non-Operating Revenue (Expenses)			
Investment income	667	-	667
Investment expenses	(2,207)	(12,993)	(15,200)
Net non-operating (expenses)	<u>(1,540)</u>	<u>(12,993)</u>	<u>(14,533)</u>
<b>TRANSFER TO GENERAL FUND</b>	<u>(9,330)</u>	<u>-</u>	<u>(9,330)</u>
<b>INCREASE (DECREASE) IN NET POSITION</b>	(68,470)	(132,791)	(201,261)
<b>NET POSITION, BEGINNING OF PERIOD</b>	<u>2,068,568</u>	<u>1,822,297</u>	<u>3,890,865</u>
<b>NET POSITION, END OF PERIOD</b>	<u>\$ 2,000,098</u>	<u>\$ 1,689,506</u>	<u>\$ 3,689,604</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, 2023**

	<b>Parking Fund</b>	<b>Sewer Fund</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from sewer charges	\$ -	\$ 2,672,248	\$ 2,672,248
Cash received from parking charges	423,018	-	423,018
Payments to suppliers	(386,661)	(2,200,720)	(2,587,381)
Payments to employees	-	(258,857)	(258,857)
Net cash provided by operating activities	<u>36,357</u>	<u>212,671</u>	<u>249,028</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Cash payment of note principal	(9,401)	-	(9,401)
Cash payment of bond principal	(33,912)	(183,301)	(217,213)
Interest paid on long-term obligation	(2,955)	(13,813)	(16,768)
Acquisition of capital assets	(29,248)	(15,557)	(44,805)
Net cash (used in) financing activities	<u>(75,516)</u>	<u>(212,671)</u>	<u>(288,187)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment income	667	-	667
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(38,492)</u>	<u>-</u>	<u>(38,492)</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>245,596</u>	<u>-</u>	<u>245,596</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 207,104</u>	<u>\$ -</u>	<u>\$ 207,104</u>
<b>RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED IN) OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ (66,932)	\$ (119,798)	\$ (186,730)
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization	131,051	101,701	232,752
Effects of changes in operating assets and liabilities:			
Accounts receivable	(59,027)	25,834	(33,193)
Due from other funds	-	(163,544)	(163,544)
Due to other funds	34,793	-	34,793
Accounts payable	(2,601)	367,064	364,463
Unearned revenue	(197)	(70)	(267)
Compensated absences payable	(730)	1,483	753
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<u>\$ 36,357</u>	<u>\$ 212,670</u>	<u>\$ 249,027</u>

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

# TOWN OF BEL AIR, MARYLAND

## Statement of Fiduciary Net Position June 30, 2023

	<u>Pension</u>	<u>OPEB</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 346,268	\$ -	\$ 346,268
Investments:			
Mutual funds	19,075,399	-	19,075,399
Fiscal agents	233,448	-	233,448
Pooled OPEB Trust	-	598,799	598,799
Total assets	<u>19,655,115</u>	<u>598,799</u>	<u>20,253,914</u>
<b>LIABILITIES</b>			
Accounts payable	<u>18,733</u>	<u>-</u>	<u>18,733</u>
<b>NET POSITION</b>			
Held in trust for pension/OPEB benefits	<u>\$ 19,636,382</u>	<u>\$ 598,799</u>	<u>\$ 20,235,181</u>

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, 2023

	<u>Pension</u>	<u>OPEB</u>	<u>Total</u>
<b>ADDITIONS</b>			
Contributions:			
Employer contributions	\$ 596,957	\$ 22,000	\$ 618,957
Employee contributions	497,855	-	497,855
Total contributions	<u>1,094,812</u>	<u>22,000</u>	<u>1,116,812</u>
Investment gain:			
Net increase in the fair value of investments	<u>1,756,593</u>	<u>57,339</u>	<u>1,813,932</u>
Total additions	<u>2,851,405</u>	<u>79,339</u>	<u>2,930,744</u>
<b>DEDUCTIONS</b>			
Benefit payments	1,168,954	-	1,168,954
Contractual services	<u>108,046</u>	<u>2,998</u>	<u>111,044</u>
Total deductions	<u>1,277,000</u>	<u>2,998</u>	<u>1,279,998</u>
<b>CHANGE IN NET POSITION</b>	1,574,405	76,341	1,650,746
<b>NET POSITION HELD IN TRUST FOR PENSION/OPEB BENEFITS:</b>			
<b>BEGINNING OF YEAR</b>	<u>18,061,977</u>	<u>522,458</u>	<u>18,584,435</u>
<b>END OF YEAR</b>	<u>\$ 19,636,382</u>	<u>\$ 598,799</u>	<u>\$ 20,235,181</u>

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

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

### **Notes to Financial Statements June 30, 2023**

#### **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, 2023

#### 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, 2023

#### 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, 2023, amounted to \$120,656. 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.

The personal property tax rate is \$1.20 per \$100 of assessed value, and the real property tax rate is \$.54 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, 2023**

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

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

***Capital Assets***

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

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

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

**Long-term Obligations**

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

**Compensated Absences**

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

## TOWN OF BEL AIR, MARYLAND

### Notes to Financial Statements June 30, 2023

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

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

As of June 30, 2023, the liability for governmental activities of the Town employees for accrued vacation, sick and compensatory leave and OPEB was \$575,597, \$646,837, \$65,961, and \$785,847, 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.

##### **Adoption of Governmental Accounting Standards Board Statements**

The Town adopted the provisions of GASB Statement No. 96 “Subscription-Based Information Technology Arrangements”. The adoption of this statement did not have a material effect on the financial statements.

##### **Net Position**

The government-wide and business-type activity financial statements utilize a net asset presentation. Net position is 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, 2023

#### 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, 2023**

**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:

Equipment/vehicle obligations	\$	519,567
Compensated absences/OPEB		2,074,242
Infrastructure Bond 2021 A-1 and A-2		7,220,000
Infrastructure Bond Premium		686,574
G.O. Bond 2018 Energy Performance Contract		600,712
<b>Total</b>	<b>\$</b>	<b>11,101,095</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 \$6,576,842 difference is found on page 24.

**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	\$ 20,868,251	\$ 3,976,737	\$ 23,461,010	\$ 1,383,978
Transfers	-	9,330	-	9,330
Current year encumbrances	-	-	(1,431,662)	1,431,662
Prior year encumbrances	-	-	255,837	(255,837)
GAAP basis	<u>\$ 20,868,251</u>	<u>\$ 3,986,067</u>	<u>\$ 22,285,185</u>	<u>\$ 2,569,133</u>
	<u>Revenues</u>	<u>Other Financing Sources</u>	<u>Expenditures</u>	<u>Current Year Effect on Fund Balance</u>
<b>Special Revenue Fund</b>				
Budgetary basis	\$ 166,297	\$ -	\$ 179,507	\$ (13,210)
Current year encumbrances	-	-	(38,335)	38,335
Prior year encumbrances	-	-	32,550	(32,550)
GAAP basis	<u>\$ 166,297</u>	<u>\$ -</u>	<u>\$ 173,722</u>	<u>\$ (7,425)</u>

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

### **Notes to Financial Statements June 30, 2023**

#### **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, 2023

#### 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 \$2,025.

###### B. Deposits

At year-end, the carrying amount of the Town's bank deposits was \$664,478, and the bank balance was \$930,291 of which \$708,865 was covered by federal deposit insurance and \$221,426 was covered by collateral. The deposits of the Town were not exposed to custodial credit risk as of June 30, 2023.

###### C. Cash equivalents

As of June 30, 2023, the Town's cash equivalents consisted of money market funds held by the Maryland Local Government Investment Pool totaling \$16,453,986.

##### Investments

Investments consist of Certificates of Deposit with varying maturities and interest rates ranging from .13% to 4.85% which are all covered by federal deposit insurance. Investments have maturities between August 2023 through April 2024.

<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>\$ 1,845,000</u>	<u>\$ 730,000</u>	<u>\$ 1,115,000</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, 2023, met the Town's investment policy as of that date. Investment income includes the following for the year ended June 30, 2023:

Net interest and dividends - governmental activities	<u>\$ 347,860</u>
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# TOWN OF BEL AIR, MARYLAND

## Notes to Financial Statements June 30, 2023

### 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, 2023, 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, 2023, 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	\$ 2,354,651	\$ 2,284,398	8.55 years
Short-term Bond - I Fund	721,138	661,692	2.31 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, 2023**

**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, 2023:

- 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, 2023</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	\$ -	\$ 9,714,342	\$ 9,361,057
Fiscal agents	233,448	-	-
Total assets	<u>\$ 233,448</u>	<u>\$ 9,714,342</u>	<u>\$ 9,361,057</u>

**NOTE 6 – CHANGES IN CAPITAL ASSETS**

Additions and disposals of fixed capital assets during the year ended June 30, 2023, are shown below:

	<b>Balance July 1, 2022</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance June 30, 2023</b>
<b>Governmental Activities</b>				
Land – not being depreciated	\$ 4,641,308	\$ -	\$ -	\$ 4,641,308
Buildings and improvements	7,406,799	54,166	122,800	7,338,165
Infrastructure	1,830,062	75,373	-	1,905,435
Machinery and equipment	1,110,062	146,865	-	1,256,927
Furniture and fixtures	1,770,031	166,806	3,022	1,933,815
Vehicles	4,209,964	249,765	381,943	4,077,786
Construction in progress	4,183,837	6,657,962	-	10,841,799
Total	<u>25,152,063</u>	<u>7,350,937</u>	<u>507,765</u>	<u>31,995,235</u>
Less – accumulated depreciation	8,721,178	774,095	400,607	9,094,666
<b>Capital assets, net</b>	<u>\$ 16,430,885</u>	<u>\$ 6,576,842</u>	<u>\$ 107,158</u>	<u>\$ 22,900,569</u>

**TOWN OF BEL AIR, MARYLAND**

**Notes to Financial Statements  
June 30, 2023**

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

	<b>Balance July 1, 2022</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance June 30, 2023</b>
<b>Proprietary Funds</b>				
Parking fund:				
Land not being depreciated	\$ 777,518	\$ -	\$ -	\$ 777,518
Parking improvements	456,647	-	-	456,647
Garage	3,277,524	29,248	-	3,306,772
Parking vehicle	77,105	-	-	77,105
Equipment	2,265	-	-	2,265
	<u>4,591,059</u>	<u>29,248</u>	<u>-</u>	<u>4,620,307</u>
Sewer fund:				
Sewer pipes and storm drain	2,033,518	-	-	2,033,518
Equipment	623,244	15,557	-	638,801
Vehicle	442,761	-	-	442,761
	<u>3,099,523</u>	<u>15,557</u>	<u>-</u>	<u>3,115,080</u>
Total	7,690,582	44,805	-	7,735,387
Less – accumulated depreciation	4,257,791	208,504	-	4,466,295
<b>Capital assets, net</b>	<u>\$ 3,432,791</u>	<u>\$ (163,699)</u>	<u>\$ -</u>	<u>\$ 3,269,092</u>

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

General government	\$ 344,021
Public safety	107,120
Public works	322,954
Total depreciation expense – governmental activities	<u>\$ 774,095</u>

As of June 30, 2023, accumulated depreciation for the parking fund and sewer fund amounted to \$2,721,048 and \$1,745,247, respectively. Depreciation expense for the year ended June 30, 2023, amounted to \$131,051 in the parking fund and \$77,453 in the sewer fund.

**TOWN OF BEL AIR, MARYLAND**

**Notes to Financial Statements  
June 30, 2023**

**NOTE 7 – NON-CURRENT LIABILITIES**

Non-current liability transactions of the Town for the year ended June 30, 2023, are presented below.

	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance June 30, 2023</u>	<u>Due Within One Year</u>
<b>Governmental activities</b>					
Equipment/vehicle notes	\$ 644,845	\$ -	\$ 125,278	\$ 519,567	\$ 127,145
Net pension liability	3,911,935	-	611,342	3,300,593	-
G.O. Bond 2018 Energy Performance Contract	658,666	-	57,954	600,712	59,582
Infrastructure Bond Series 2021 A-1 and A-2	7,355,000	-	135,000	7,220,000	145,000
Infrastructure Bond Premium	711,094	-	24,520	686,574	-
Accrued vacation, sick and compensatory leave/OPEB	2,336,170	-	261,928	2,074,242	-
<b>Total governmental activities liabilities</b>	<u>\$ 15,617,710</u>	<u>\$ -</u>	<u>\$ 1,216,022</u>	<u>\$ 14,401,688</u>	<u>\$ 331,727</u>
	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance June 30, 2023</u>	<u>Due Within One Year</u>
<b>Business-type activities</b>					
Parking Fund:					
Parking garage repairs bond, 2013	\$ 29,213	\$ -	\$ 29,213	\$ -	\$ -
Parking garage bond (lighting retrofit), 2018	53,304	-	4,699	48,605	4,831
Parking jeep note	17,039	-	3,022	14,017	3,055
Parking garage sweeper note	29,674	-	6,379	23,295	6,500
Accrued vacation, sick and compensatory leave / OPEB	19,630	-	730	18,900	-
Total parking fund debt	<u>148,860</u>	<u>-</u>	<u>44,043</u>	<u>104,817</u>	<u>14,386</u>
Sewer Fund:					
Infrastructure Bond 2006 Series A: 20 year note	69,500	-	34,000	35,500	35,500
Sewer Fund I&I Services Bond, 2017A	200,000	-	40,000	160,000	40,000
Sewer Fund CIP/I&I Services Bond, 2013A	146,097	-	48,743	97,354	49,530
Sewer I&I Services/Main Replace. Bond, 2015	154,090	-	60,558	93,532	61,979
Accrued vacation, sick and compensatory leave / OPEB	85,840	1,483	-	87,323	-
Total sewer fund debt	<u>655,527</u>	<u>1,483</u>	<u>183,301</u>	<u>473,709</u>	<u>187,009</u>
<b>Total business-type activities liabilities</b>	<u>\$ 804,387</u>	<u>\$ 1,483</u>	<u>\$ 227,344</u>	<u>\$ 578,526</u>	<u>\$ 201,395</u>

**TOWN OF BEL AIR, MARYLAND**

**Notes to Financial Statements  
June 30, 2023**

**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 (now Truist Bank) 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 are payable semi-annually on April 19 and October 19 and will continue until April 19, 2032.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 59,582	\$ 16,345	\$ 75,927
2025	61,256	14,671	75,927
2026	62,977	12,950	75,927
2027	64,745	11,180	75,925
2028	66,565	9,361	75,926
2029-2032	285,587	18,211	303,798
Total	<u>\$ 600,712</u>	<u>\$ 82,718</u>	<u>\$ 683,430</u>

On December 2, 2021, the Town entered into a Local Government Infrastructure Bond with the Department of Housing and Community Development for \$8,000,000 with an interest rate of 2.64% for the purpose of providing funds needed to provide and received improvements to Town Hall and the Police Department. Principal is paid annually on April 1 and interest is paid semi-annually on April 1 and October 1 and will continue until April 1, 2051. While the Town borrowed \$8,000,000, the debt service repayment will only be for \$7,424,684 due to a bond premium received in the amount of \$735,614 which is being amortized over the same period as the debt.

**TOWN OF BEL AIR, MARYLAND**

**Notes to Financial Statements  
June 30, 2023**

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

**A. Governmental Activities (Continued)**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 145,000	\$ 257,548	\$ 402,548
2025	155,000	250,168	405,168
2026	155,000	242,278	397,278
2027	170,000	234,388	404,388
2028	170,000	112,868	282,868
2029-2033	790,000	923,172	1,713,172
2034-2038	1,185,000	806,642	1,991,642
2039-2043	1,385,000	604,560	1,989,560
2044-2048	1,605,000	377,290	1,982,290
2049-2051	1,460,000	114,332	1,574,332
Total	<u>\$ 7,220,000</u>	<u>\$ 3,923,246</u>	<u>\$ 11,143,246</u>

**Notes Payable**

The Town has entered into several notes for the acquisition of capital equipment and vehicles. The interest rates on these notes range from 1.08% to 1.89% with maturity dates from August 18, 2026 to November 21, 2027.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 127,145	\$ 7,034	\$ 134,179
2025	129,057	5,123	134,180
2026	130,993	3,188	134,181
2027	99,212	1,221	100,433
2028	33,160	183	33,343
Total	<u>\$ 519,567</u>	<u>\$ 16,749</u>	<u>\$ 536,316</u>

**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.

**TOWN OF BEL AIR, MARYLAND**

**Notes to Financial Statements  
June 30, 2023**

**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 (now Truist Bank) 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.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 4,831	\$ 1,325	\$ 6,156
2025	4,967	1,190	6,157
2026	5,106	1,050	6,156
2027	5,175	907	6,082
2028	5,397	759	6,156
2029-2032	23,129	1,477	24,606
Total	<u>\$ 48,605</u>	<u>\$ 6,708</u>	<u>\$ 55,313</u>

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 35,500	\$ 1,642	\$ 37,142
Total	<u>\$ 35,500</u>	<u>\$ 1,642</u>	<u>\$ 37,142</u>

**TOWN OF BEL AIR, MARYLAND**

**Notes to Financial Statements  
June 30, 2023**

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

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

**Bonds Payable (Continued)**

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.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 49,530	\$ 1,489	\$ 51,019
2025	47,824	643	48,467
Total	<u>\$ 97,354</u>	<u>\$ 2,132</u>	<u>\$ 99,486</u>

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.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 61,979	\$ 1,819	\$ 63,798
2025	31,553	367	31,920
Total	<u>\$ 93,532</u>	<u>\$ 2,186</u>	<u>\$ 95,718</u>

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.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 40,000	\$ 3,870	\$ 43,870
2025	40,000	2,838	42,838
2026	40,000	1,806	41,806
2027	40,000	774	40,774
Total	<u>\$ 160,000</u>	<u>\$ 9,288</u>	<u>\$ 169,288</u>

**TOWN OF BEL AIR, MARYLAND**

**Notes to Financial Statements  
June 30, 2023**

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

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

**Notes Payable**

On February 17, 2020, the Town of Bel Air issued a \$490,267 term note to Harford Bank for the public purpose of purchasing vehicles of which \$45,533 was to finance the purchase of a replacement parking garage sweeper. The interest rate is 1.89% with principal and interest payable semi-annually on February 18 and August 18 and will continue until August 18, 2026.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 6,500	\$ 410	\$ 6,910
2025	6,624	286	6,910
2026	6,749	160	6,909
2027	3,422	32	3,454
Total	<u>\$ 23,295</u>	<u>\$ 888</u>	<u>\$ 24,183</u>

On February 21, 2021, the Town of Bel Air issued a \$470,989 term note to Harford Bank for the public purpose of purchasing vehicles of which \$21,571 was to finance the purchase of a replacement electric parking enforcement vehicle. The interest rate is 1.08% with principal and interest payable semi-annually on May 21 and November 21 and will continue until November 21, 2027.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 3,055	\$ 146	\$ 3,201
2025	3,089	112	3,201
2026	3,123	78	3,201
2027	3,157	43	3,200
2028	1,593	9	1,602
Total	<u>\$ 14,017</u>	<u>\$ 388</u>	<u>\$ 14,405</u>

Total interest expense on long-term liabilities was \$308,704.

## TOWN OF BEL AIR, MARYLAND

### Notes to Financial Statements June 30, 2023

#### NOTE 8 – 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 MissionSquare Retirement. As of June 30, 2023, the plan assets at fair market value were \$233,448.

##### 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, 2023, plan assets at fair value totaled \$9,897,090.

## TOWN OF BEL AIR, MARYLAND

### Notes to Financial Statements June 30, 2023

#### NOTE 8 – PENSION PLANS (Continued)

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

###### Investments (continued)

For 2023, the actuarially determined employer contribution was determined to be \$310,938. This contribution represents 8.61% of estimated payroll and reflects a 30-year layered amortization. The required contribution was determined as part of the July 1, 2022 actuarial valuation using the projected unit credit actuarial cost method.

###### Membership of the Plan

The membership consisted of the following as of July 1, 2022, the date of the latest actuarial valuation:

Active Plan members	59
Retirees and beneficiaries receiving benefits	31
Terminated Plan members entitled to but not yet receiving benefits	12
	<u>102</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, 2023 is as follows:

<u>Investment Type</u>	<u>% of Portfolio</u>	<u>Assumed Rate of Return</u>
Equities:	65%	6.40%
Fixed Income:	34%	2.50%
Cash and Equivalents:	1%	0.75%
Total Weighted Average Real Return	100%	5.02%
Plus Inflation		2.50%
Total Return w/o Adjustment		7.52%
Risk Adjustment		-0.52%
Total Expected Return		<u>7.00%</u>

## TOWN OF BEL AIR, MARYLAND

### Notes to Financial Statements June 30, 2023

#### NOTE 8 – PENSION PLANS (Continued)

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

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 (-2,-2) (Blue Collar), projected to 2025 with Scale BB apply 50% for pre-retirement deaths. The actual contribution by the members was \$241,435.

The Town's contribution for the year ended June 30, 2023 was \$355,880. As of June 30, 2023, there were 64 current employee participants in the Plan. A participant is fully vested after five years.

##### 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, 2023 is as follows:

Total pension liability	\$	12,025,289
Net position		<u>(9,897,090)</u>
Net pension liability	\$	<u>2,128,199</u>

Net position as a percentage of total pension liability is 82.3%.

##### 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 7.00% 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 (6.00%) or 1-percentage point higher (8.00%) than the current rate:

	<u>1.0% decrease 6.00%</u>	<u>Current rate 7.00%</u>	<u>1.0% increase 8.00%</u>
Net pension liability	\$ <u>3,514,054</u>	\$ <u>2,128,199</u>	\$ <u>950,539</u>

##### Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2023, the Town recognized pension expense of \$479,276, for the Plan. As of June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

**TOWN OF BEL AIR, MARYLAND**

**Notes to Financial Statements  
June 30, 2023**

**NOTE 8 – PENSION PLANS (Continued)**

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

Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected versus actual investment earnings	\$ 688,376	\$ -
Differences in actual versus expected experience	85,666	-
Changes in assumptions	86,371	-
<b>Total</b>	<u>\$ 860,413</u>	<u>\$ -</u>

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>
2024	\$ 130,285
2025	184,384
2026	592,752
2027	(58,269)
2028	11,261
<b>Total</b>	<u>\$ 860,413</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.

**TOWN OF BEL AIR, MARYLAND**

**Notes to Financial Statements  
June 30, 2023**

**NOTE 8 – PENSION PLANS (Continued)**

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

Funding Policy

On October 18, 2021, the Plan Trustees voted to change the required active member contribution from 11.62% to 10% of covered compensation, and the Plan requires 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, 2023, plan assets at fair value totaled \$9,505,844.

For 2023, the actuarially determined employer contribution was determined to be \$145,963. This contribution represents 6.41% of estimated payroll and reflects a 20-year amortization of the unfunded actuarial liability. The required contribution was determined as part of the July 1, 2022 actuarial valuation using the projected unit credit actuarial cost method.

Membership of the Plan

The membership consisted of the following as of July 1, 2022, the date of the latest actuarial valuation:

Active Plan members	29
Retirees and beneficiaries receiving benefits	16
Terminated Plan members entitled to but not yet receiving benefits	4
	49
	49

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, 2023 is as follows:

<u>Investment Type</u>	<u>% of Portfolio</u>	<u>Assumed Rate of Return</u>
Equities:	65%	6.40%
Fixed Income:	34%	2.50%
Cash and Equivalents:	1%	0.75%
Total Weighted Average Real Return	100%	5.02%
Plus Inflation		2.50%
Total Return w/o Adjustment		7.52%
Risk Adjustment		-0.52%
Total Expected Return		7.00%

**TOWN OF BEL AIR, MARYLAND**

**Notes to Financial Statements  
June 30, 2023**

**NOTE 8 – PENSION PLANS (Continued)**

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

Actuarial Assumptions (Continued)

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) projected to 2025 with Scale BB apply 50% for pre-retirement deaths. The actual contribution by the members was \$256,420. The Town’s contribution for the year ended June 30, 2023 was \$241,077. As of June 30, 2023, there were 31 current employee participants in the Plan. A participant is fully vested after five years.

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, 2023 is as follows:

Total pension liability	\$ 10,678,218
Net position	<u>(9,505,844)</u>
Net pension liability	<u>\$ 1,172,374</u>

Net position as a percentage of total pension liability is 89%.

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 7.00% 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 (6.00%) or 1-percentage point higher (8.00%) than the current rate:

	<b>1.0% decrease 6.00%</b>	<b>Current rate 7.00%</b>	<b>1.0% increase 8.00%</b>
Net pension liability	<u>\$ 2,671,683</u>	<u>\$ 1,172,374</u>	<u>\$ 105,151</u>

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2023, the Town recognized pension expense of \$270,700, for the Plan. As of June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between projected versus actual investment earnings	\$ 655,959	\$ -
Differences in actual versus expected experience	-	(440,460)
Changes in assumptions	106,425	-
<b>Total</b>	<u>\$ 762,384</u>	<u>\$ (440,460)</u>

**TOWN OF BEL AIR, MARYLAND**

**Notes to Financial Statements  
June 30, 2023**

**NOTE 8 – 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>
2024	\$ 72,196
2025	43,337
2026	420,554
2027	(104,136)
2028	(56,000)
After 2028	(54,027)
<b>Total</b>	<b>\$ 321,924</b>

**TOWN OF BEL AIR, MARYLAND**

**Notes to Financial Statements  
June 30, 2023**

**NOTE 8 – PENSION PLANS (Continued)**

The financial information for each plan as of and for the year ended June 30, 2023, is summarized as follows:

	<b>As of June 30, 2023</b>			
	<b>Civilian 401 (a) Plan</b>	<b>Civilian Pension Trust</b>	<b>Sworn Officers' Pension Trust</b>	<b>Total</b>
<b>ASSETS</b>				
Cash and equivalents	\$ -	\$ 192,298	\$ 153,970	\$ 346,268
Investments:				
Mutual funds	-	9,714,342	9,361,057	19,075,399
Fiscal agents	233,448	-	-	233,448
Total assets	233,448	9,906,640	9,515,027	19,655,115
<b>LIABILITIES</b>				
Accounts payable	-	9,550	9,183	18,733
<b>NET POSITION</b>				
Held in trust for pension benefits	\$ 233,448	\$ 9,897,090	\$ 9,505,844	\$ 19,636,382
	<b>For the Year Ended June 30, 2023</b>			
	<b>Civilian 401 (a) Plan</b>	<b>Civilian Pension Trust</b>	<b>Sworn Officers' Pension Trust</b>	<b>Total</b>
<b>ADDITIONS</b>				
Contributions				
Employer contributions	\$ -	\$ 355,880	\$ 241,077	\$ 596,957
Employee contributions	-	241,435	256,420	497,855
Total contributions	-	597,315	497,497	1,094,812
Investment gain:				
Net increase in the fair value of investments	24,098	884,231	848,264	1,756,593
Total additions	24,098	1,481,546	1,345,761	2,851,405
<b>DEDUCTIONS</b>				
Benefit payments	4,560	628,741	535,653	1,168,954
Contractual services	-	55,224	52,822	108,046
Total deductions	4,560	683,965	588,475	1,277,000
<b>CHANGE IN NET POSITION</b>	19,538	797,581	757,286	1,574,405
<b>NET POSITION HELD IN TRUST FOR PENSION BENEFITS:</b>				
<b>BEGINNING OF YEAR</b>	\$ 213,910	\$ 9,099,509	\$ 8,748,558	\$ 18,061,977
<b>END OF YEAR</b>	\$ 233,448	\$ 9,897,090	\$ 9,505,844	\$ 19,636,382

**TOWN OF BEL AIR, MARYLAND**

**Notes to Financial Statements  
June 30, 2023**

**NOTE 8 – 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 deferred compensation plan in the Town’s financial statements.

**NOTE 9 – 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	\$ -	\$ 81,622	\$1,206,505	\$ -	\$1,288,127
Special Revenue	-	-	4,532	-	4,532
Parking Fund	203,008	-	2,459	-	205,467
<b>Total</b>	<u>\$ 203,008</u>	<u>\$ 81,622</u>	<u>\$1,213,496</u>	<u>\$ -</u>	<u>\$1,498,126</u>
Due to Other Funds:					
Sewer Fund	\$1,206,505	\$ 4,532	\$ -	\$ 2,459	\$1,213,496
General Fund	-	-	-	203,008	203,008
Special Revenue	81,622	-	-	-	81,622
<b>Total</b>	<u>\$1,288,127</u>	<u>\$ 4,532</u>	<u>\$ -</u>	<u>\$205,467</u>	<u>\$1,498,126</u>

## TOWN OF BEL AIR, MARYLAND

### Notes to Financial Statements June 30, 2023

#### NOTE 10 – 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, 2023, was \$29,760 for the eight 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, 2023, the Town contributed \$22,000 to the Trust. As of June 30, 2023, the Town's share of the net position of the Trust was \$598,799. A separately audited financial statement 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, 2022, the date of the latest actuarial valuation:

Number of participants	<b>Total</b>
Active	66
Retired	5
Spouse	2
Total participants	73

**TOWN OF BEL AIR, MARYLAND**

**Notes to Financial Statements  
June 30, 2023**

**NOTE 10 – 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, 2023, and the final investment return assumption, are summarized in the following table:

<u>Investment Type</u>	<u>% of Portfolio</u>	<u>Long-term Expected Real Return - Portfolio</u>
Domestic Equity	36.0%	6.25%
International Funds	24.0%	6.50%
Fixed Income - U.S.	35.0%	2.05%
Real Estate	5.0%	4.85%
Total Weighted Average Real Return	100.0%	4.77%
Plus Inflation		2.50%
Total Return w/o Adjustment		7.27%
Risk Adjustment		-0.27%
Total Expected Return		<u>7.00%</u>

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 Pub2010G for civilian members, Pub 2010S (Below Median) for sworn officers, each with SSA generational projections using Scale SSa2020; 50% of rates for pre-retirement mortality.

**TOWN OF BEL AIR, MARYLAND**

**Notes to Financial Statements  
June 30, 2023**

**NOTE 10 – 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, 2023 is as follows:

Total OPEB liability	\$ 1,390,247
Plan fiduciary net position	<u>(604,400)</u>
Net OPEB liability	<u>\$ 785,847</u>

Plan fiduciary net position as a percentage of the total OPEB liability	43.5%
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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>\$ 913,593</u>	<u>\$ 785,847</u>	<u>\$ 671,386</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 3.00%</b>	<b>Current Ultimate Trend Rate 4.00%</b>	<b>1% Increase 5.00%</b>
Net OPEB liability	<u>\$ 642,661</u>	<u>\$ 785,847</u>	<u>\$ 954,685</u>

**TOWN OF BEL AIR, MARYLAND**

**Notes to Financial Statements  
June 30, 2023**

**NOTE 10 – OTHER POST EMPLOYMENT BENEFITS** (continued)

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2023, the Town recognized OPEB expense of \$111,130 for the Plan. As of June 30, 2023, 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	\$ 78,808	\$ (56,081)
Differences in actual versus expected experience		(470,968)
Changes in assumptions	98,604	-
<b>Total</b>	<u>\$ 177,412</u>	<u>\$ (527,049)</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>
2024	\$ (29,179)
2025	(33,580)
2026	(15,715)
2027	(40,515)
2028	(35,429)
After 2028	<u>(195,219)</u>
<b>Total</b>	<u>\$ (349,637)</u>

**NOTE 11 – 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, 2023**

**NOTE 11 – 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 12 – FUND BALANCE**

As of June 30, 2023, the Fund Balances were designated for the following purposes:

**Special Revenue Fund**

Nonspendable:

Total Nonspendable \$ -

Restricted:

Community Legacy Grant 50,000

Seized property-Federal Justice 21,645

Seized property-Federal Treasury 64,832

Total Restricted 136,477

Committed:

Tree planting – forest conservation 8,057

Revolving loan fund 81,523

Seized property 1,376

Open space fee in lieu 1,444

Stormwater management - fee in lieu 38,950

Total Committed 131,350

Assigned:

Public amenity – gardens/park/art 34,777

Memorials 859

Cultural arts 19,821

Explorer scouts 28,047

Community Parks & Playground 38,335

Total Assigned 121,839

**Total fund balance \$ 389,666**

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

### **Notes to Financial Statements June 30, 2023**

#### **NOTE 12 – FUND BALANCE (Continued)**

Fund balances for the Town's general fund consisted of the following as of June 30, 2023: Non-spendable fund balance was \$43,844 pertaining to prepaid costs in the general fund; committed fund balance was \$6,591,630 pertaining to \$12,967 for seized property, \$4,485,021 for capital, \$301,497 for stormwater management, \$44,829 for worker's compensation claims, \$1,447,316 for stabilization, \$300,000 for leave payout; assigned fund balance was \$1,431,662 for current year encumbrances, and unassigned fund balance totaled \$2,627,942.

#### **NOTE 13 – 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 14 – 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.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF BEL AIR, MARYLAND**

**Schedule of Changes in Net OPEB Liability and Related Ratios  
June 30, 2023**

	2023	2022	2021	2020	2019	2018	2017
<b>Total OPEB liability</b>							
Service Cost	\$ 58,683	\$ 56,974	\$ 46,773	\$ 45,411	\$ 46,496	\$ 45,142	\$ 43,827
Interest	115,212	105,865	98,313	91,514	88,777	81,824	75,600
Changes in benefit terms	-	-	-	-	-	-	-
Difference between expected and actual experience	(355,727)	-	(141,009)	-	(68,793)	-	-
Changes in assumptions	-	-	135,582	-	-	-	-
Benefit payments and implicit subsidy	(29,760)	(32,246)	(51,348)	(31,329)	(21,408)	(36,324)	(27,476)
<b>Net change in Total OPEB Liability</b>	<b>(211,592)</b>	<b>130,593</b>	<b>88,311</b>	<b>105,596</b>	<b>45,072</b>	<b>90,642</b>	<b>91,951</b>
Total OPEB liability - beginning	1,601,839	1,471,246	1,382,935	1,277,339	1,232,267	1,141,625	1,049,674
Total OPEB liability - ending	<u>\$ 1,390,247</u>	<u>\$ 1,601,839</u>	<u>\$ 1,471,246</u>	<u>\$ 1,382,935</u>	<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	\$ 51,760	\$ 44,996	\$ 74,348	\$ 56,999	\$ 55,404	\$ 77,024	\$ 60,476
Contributions - member	-	-	-	-	-	-	-
Net investment income	62,619	(81,879)	121,975	8,671	22,721	20,751	25,757
Benefit payments and implicit subsidy	(29,760)	(32,246)	(51,348)	(31,329)	(21,408)	(36,324)	(27,476)
Administrative expense	(2,678)	(8,270)	(2,071)	(7,717)	(1,975)	(5,810)	(1,510)
Other	-	-	-	-	-	-	-
<b>Net change in Plan Fiduciary Net Position</b>	<b>81,941</b>	<b>(77,399)</b>	<b>142,904</b>	<b>26,624</b>	<b>54,742</b>	<b>55,641</b>	<b>57,247</b>
Plan fiduciary net position - beginning	522,459	599,858	456,954	430,330	375,588	319,947	262,700
Plan fiduciary net positions - ending	<u>\$ 604,400</u>	<u>\$ 522,459</u>	<u>\$ 599,858</u>	<u>\$ 456,954</u>	<u>\$ 430,330</u>	<u>\$ 375,588</u>	<u>\$ 319,947</u>
Net OPEB liability - ending	\$ 785,847	\$ 1,079,380	\$ 871,388	\$ 925,981	\$ 847,009	\$ 856,679	\$ 821,678
Plan fiduciary net position as a percentage of total OPEB liability	43.47%	32.62%	40.77%	33.04%	33.69%	30.48%	28.03%
Covered employee payroll	\$ 6,324,151	\$ 5,724,945	\$ 5,820,103	\$ 5,513,957	\$ 5,038,579	\$ 5,239,219	\$ 5,086,620
Net OPEB liability as a percentage of covered payroll	12.43%	18.85%	14.97%	16.79%	16.81%	16.35%	16.15%
Annual money-weighted rate of return	11.80%	-13.60%	26.20%	2.00%	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, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 94,769	\$ 114,632	\$ 107,133	\$ 99,286	\$ 92,364	\$ 85,721	\$ 85,721	\$ 62,149	\$ 62,149	\$ 60,000
Contributions in relation to the actuarially determined contribution	51,760	44,996	74,348	56,999	55,404	77,024	60,476	276,195	26,914	34,543
Contribution deficiency (excess)	<u>\$ 43,009</u>	<u>\$ 69,636</u>	<u>\$ 32,785</u>	<u>\$ 42,287</u>	<u>\$ 36,960</u>	<u>\$ 8,697</u>	<u>\$ 25,245</u>	<u>\$ (214,046)</u>	<u>\$ 35,235</u>	<u>\$ 25,457</u>
Covered payroll	\$ 6,324,151	\$ 5,724,945	\$ 5,820,103	\$ 5,513,957	\$ 5,038,579	\$ 5,239,219	\$ 5,086,620	\$ 4,728,430	\$ 4,546,567	\$ 4,503,535
Contributions as a percentage of covered payroll	0.82%	0.79%	1.28%	1.03%	1.10%	1.47%	1.19%	5.84%	0.59%	0.77%

### Note to Schedule

Valuation date: June 30, 2023

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 are based on the gener-specific Pub2010G for Civilian members, Pub 2010S (Below Median) for Sworn Officers, each with SSA generational projections using Scale SSA2020; 50% of rates for pre-retirement mortality.

# TOWN OF BEL AIR, MARYLAND

## Schedule of Changes in Pension Fund Net Pension Liability and Related Ratios June 30, 2023

	Civilian									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability										
<b>Service Cost:</b> Retirement benefits Administration	\$ 370,725	\$ 371,177	\$ 356,660	\$ 342,361	\$ 332,389	\$ 321,472	\$ 315,871	\$ 241,040	\$ 226,439	\$ 231,098
Interest	803,194	773,265	724,793	675,561	637,782	601,400	565,717	594,815	554,161	539,426
Differences between expected and actual experiences	67,581	(116,205)	149,005	169,795	(107,027)	(25,268)	(50,182)	80,719	(274,272)	-
Changes in assumptions	-	-	324,689	-	-	-	(607,784)	-	-	-
Benefit pymts, incl rfd's member contrib, death, terminations	(628,741)	(572,663)	(469,133)	(574,943)	(347,140)	(303,500)	(433,705)	(329,122)	(338,437)	(253,354)
<b>Net changes in total pension liability</b>	612,759	455,574	1,086,014	612,774	516,004	594,104	(210,083)	587,452	167,891	517,170
Total pension liability - beginning	11,412,530	10,956,956	9,870,942	9,258,168	8,742,164	8,148,060	8,358,143	7,770,691	7,602,800	7,085,630
Total pension liability - ending (a)	\$ 12,025,289	\$ 11,412,530	\$ 10,956,956	\$ 9,870,942	\$ 9,258,168	\$ 8,742,164	\$ 8,148,060	\$ 8,358,143	\$ 7,770,691	\$ 7,602,800
<b>Plan fiduciary net position</b>										
Contributions - employer	\$ 355,880	\$ 333,500	\$ 317,698	\$ 306,985	\$ 288,726	\$ 285,031	\$ 268,835	\$ 263,915	\$ 248,724	\$ 254,690
Contributions - member	241,435	196,654	215,491	208,185	195,931	191,429	182,322	179,074	168,370	137,625
Net investment income	884,231	(1,961,696)	2,566,255	466,400	547,396	643,365	855,347	(16,141)	250,391	823,039
Receipts of In-kind	-	-	-	-	-	-	-	-	-	-
Benefit payments, including refuds of member contributions	(628,741)	(572,663)	(469,133)	(574,942)	(347,140)	(303,500)	(433,705)	(329,122)	(338,437)	(253,354)
Administrative expense	(55,244)	(63,161)	(62,711)	(52,340)	(56,172)	(48,061)	(42,569)	(55,379)	(39,481)	(39,113)
<b>Net changes in plan fiduciary net position</b>	797,561	(2,067,366)	2,567,600	354,288	628,741	768,264	830,230	42,347	289,567	922,887
Plan fiduciary net positions - beginning	9,099,509	11,166,875	8,599,275	8,244,987	7,616,246	6,847,982	6,017,752	5,975,405	5,685,838	4,762,951
Plan fiduciary net positions - ending (b)	\$ 9,897,070	\$ 9,099,509	\$ 11,166,875	\$ 8,599,275	\$ 8,244,987	\$ 7,616,246	\$ 6,847,982	\$ 6,017,752	\$ 5,975,405	\$ 5,685,838
<b>Town's net pension - (asset) liability - ending (a) - (b)</b>	\$ 2,128,219	\$ 2,313,021	\$ (209,919)	\$ 1,271,667	\$ 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/asset	82.30%	79.73%	101.92%	87.12%	89.06%	87.12%	84.04%	72.00%	76.90%	74.79%
Covered employee payroll	\$ 3,661,656	\$ 3,494,150	\$ 3,516,421	\$ 3,373,219	\$ 3,318,691	\$ 3,276,716	\$ 3,147,119	\$ 2,739,570	\$ 2,634,202	\$ 2,693,914
Net liability/asset as a percentage of covered payroll	58.12%	66.20%	-5.97%	37.70%	30.53%	34.36%	41.31%	85.43%	68.15%	71.20%
Annual money-weighted rate of return, net of investment expense	9.80%	-17.70%	29.90%	5.30%	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, 2023

	Sworn Officers									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability										
<b>Service Cost:</b> Retirement benefits Administration	\$ 290,042	\$ 290,585	\$ 230,036	\$ 240,936	\$ 233,918	\$ 235,642	\$ 220,727	\$ 166,468	\$ 148,752	\$ 142,101
Interest	726,195	711,646	670,501	633,161	601,697	575,590	548,807	579,955	545,503	522,365
Differences between expected and actual experiences	(149,838)	(278,653)	50,669	88,078	(87,660)	(69,720)	(215,973)	107,963	(58,419)	-
Changes in assumptions	-	-	371,772	-	-	-	(369,157)	-	-	-
Benefit pymts, incl rfd's member contrib, death, terminations	(535,653)	(495,405)	(436,239)	(436,239)	(382,037)	(342,165)	(348,320)	(407,470)	(315,333)	(293,451)
<b>Net changes in total pension liability</b>	<b>330,746</b>	<b>228,173</b>	<b>886,739</b>	<b>525,936</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	10,347,472	10,119,299	9,232,560	8,706,624	8,340,706	7,941,359	8,105,275	7,658,359	7,337,856	6,966,841
Total pension liability - ending (a)	<u>\$ 10,678,218</u>	<u>\$ 10,347,472</u>	<u>\$ 10,119,299</u>	<u>\$ 9,232,560</u>	<u>\$ 8,706,624</u>	<u>\$ 8,340,706</u>	<u>\$ 7,941,359</u>	<u>\$ 8,105,275</u>	<u>\$ 7,658,359</u>	<u>\$ 7,337,856</u>
<b>Plan fiduciary net position</b>										
Contributions - employer	\$ 241,077	\$ 219,625	\$ 216,533	\$ 201,258	\$ 202,289	\$ 201,004	\$ 194,064	\$ 183,050	\$ 179,762	\$ 171,769
Contributions - member	256,420	276,240	267,690	248,753	249,527	249,870	239,984	226,325	222,234	190,035
Net investment income	848,264	(1,876,826)	2,461,767	458,803	523,298	618,731	823,919	(13,096)	246,899	800,388
Receipts of In-kind	-	-	-	-	-	-	-	-	-	-
Benefit payments, including refunds of member contributions	(535,653)	(495,405)	(436,239)	(436,239)	(382,037)	(342,165)	(348,320)	(407,470)	(315,333)	(293,451)
Administrative expense	(52,822)	(60,178)	(58,733)	(48,023)	(47,430)	(48,331)	(40,844)	(54,700)	(37,215)	(37,599)
<b>Net changes in plan fiduciary net position</b>	<b>757,286</b>	<b>(1,936,544)</b>	<b>2,454,110</b>	<b>424,552</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	8,748,558	10,685,102	8,234,084	7,809,532	7,263,885	6,584,776	5,715,973	5,781,864	5,485,517	4,654,375
Plan fiduciary net positions - ending (b)	<u>\$ 9,505,844</u>	<u>\$ 8,748,558</u>	<u>\$ 10,685,102</u>	<u>\$ 8,234,084</u>	<u>\$ 7,809,532</u>	<u>\$ 7,263,885</u>	<u>\$ 6,584,776</u>	<u>\$ 5,715,973</u>	<u>\$ 5,781,864</u>	<u>\$ 5,485,517</u>
<b>Town's net pension - liability (asset) - ending (a) - (b)</b>	<b>\$ 1,172,374</b>	<b>\$ 1,598,914</b>	<b>\$ (565,803)</b>	<b>\$ 998,476</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/asset	89.02%	84.55%	105.59%	89.19%	89.70%	87.09%	82.92%	70.52%	75.50%	74.76%
Covered employee payroll	\$ 2,556,837	\$ 2,230,796	\$ 2,248,187	\$ 2,140,738	\$ 2,152,007	\$ 2,137,595	\$ 1,939,501	\$ 1,988,860	\$ 1,912,365	\$ 1,809,621
Net liability/asset as a percentage of covered payroll	45.85%	71.67%	-25.17%	46.64%	41.69%	50.38%	69.94%	120.13%	98.12%	102.36%
Annual money-weighted rate of return, net of investment expense	9.80%	-17.60%	29.90%	5.40%	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, 2023**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 310,938	\$ 302,077	\$ 312,798	\$ 282,384	\$ 272,771	\$ 281,277	\$ 282,358	\$ 224,720	\$ 221,424	\$ 318,255
Contributions in relation to the actuarially determined contributions	(355,880)	(333,500)	(317,698)	(306,985)	(288,726)	(285,031)	(268,835)	(263,914)	(248,724)	(254,426)
Contributions deficiency (excess)	<u>\$ (44,942)</u>	<u>\$ (31,423)</u>	<u>\$ (4,900)</u>	<u>\$ (24,601)</u>	<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	\$ 3,661,656	\$ 3,494,150	\$ 3,516,421	\$ 3,373,219	\$ 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	9.72%	9.54%	9.03%	9.10%	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, 2023  
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%, net of investment expense and including inflation
Mortality	The Pub2010G mortality tables, projected generationally using Scale SSA; 50% applied for pre-retirement deaths.
Turnover	A two year ago setback is applied for members.
Salary Scale	T4
Valuation of Assets	7.00% for the first 5 years, 5.50% for the next 8 years, and 3% thereafter
	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, 2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 145,963	\$ 125,294	\$ 120,840	\$ 141,858	\$ 137,891	\$ 130,508	\$ 155,731	\$ 165,647	\$ 167,259	\$ 215,712
Contributions in relation to the actuarially determined contributions	<u>(241,077)</u>	<u>(219,625)</u>	<u>(216,533)</u>	<u>(201,258)</u>	<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>\$ (95,114)</u>	<u>\$ (94,331)</u>	<u>\$ (95,693)</u>	<u>\$ (59,400)</u>	<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	\$ 2,556,837	\$ 2,230,796	\$ 2,248,187	\$ 2,140,738	\$ 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	9.43%	9.85%	9.63%	9.40%	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, 2023,  
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%, net of investment expense and including inflation
Mortality	The Pub2010S(B) mortality tables, projected generationaly using Scale SSA: 50% applied for pre-retirement deaths.
Turnover	T4
Salary Scale	5.75% for the first 15 years, 4.5% for the next 10 years, then 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%.

**SUPPLEMENTARY INFORMATION**

**TOWN OF BEL AIR, MARYLAND**

**Schedule of Cash and Cash Equivalents - General Fund  
June 30, 2023**

**UNRESTRICTED**

**M&T Bank**

Checking	\$	204,609
Payroll		1,000

**Har-co Credit Union**

Savings		7
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**PeoplesBank**

Money market		108
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**Aberdeen Proving Grounds Federal Credit Union**

Savings		5
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**First National Bank**

Checking		50
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**Freedom Federal Credit Union**

Money market		243,614
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**Change fund**

1,350

**PNC**

Local government investment pool		10,068,523
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**TOTAL UNRESTRICTED CASH**

\$ 10,519,266

**RESTRICTED**

**Truist Bank**

Turner escrow	\$	1,280
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**Harford Bank**

Savings		7,376
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Escrow

**PNC Bank**

Local Government Investment Pool - ARPA		6,055,670
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Local Government Investment Pool - Bond Issue		142,504
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**TOTAL RESTRICTED CASH**

\$ 6,206,830

**TOWN OF BEL AIR, MARYLAND**

**Schedule of Revenues and Expenditures Budget (Non-GAAP Budgetary Basis) and Actual General Fund  
Year Ended June 30, 2023**

	<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	\$ 8,004,915	\$ 8,004,915	\$ 8,062,651	\$ 57,736
Half-year real property	-	-	383	383
Personal property	12,500	12,500	6,995	(5,505)
Railroads and public utilities	500,000	500,000	526,886	26,886
Ordinary business corporations	500,000	500,000	525,298	25,298
Penalties and interest	50,000	50,000	55,115	5,115
<u>Deductions</u>				
Discounts allowed on taxes	-	-	-	-
Net local taxes	9,067,415	9,067,415	9,177,328	109,913
<b>Taxes - State Shared</b>				
Highway	505,175	505,175	504,093	(1,082)
Income taxes	1,677,900	1,677,900	2,412,904	735,004
Admission and amusement	60,000	60,000	76,701	16,701
Total taxes - state shared	2,243,075	2,243,075	2,993,698	750,623
<b>Licenses and Permits</b>				
<u>Business</u>				
Beer, wine and liquor	-	-	-	-
Traders	55,000	55,000	54,678	(322)
<u>Other Licenses and Permits</u>				
Building and equipment	35,000	77,000	82,566	5,566
Total - licenses and permits	90,000	132,000	137,244	5,244
<b>Revenue from Other Agencies</b>				
<u>Grants from State Government</u>				
Police protection	234,564	234,564	277,777	43,213
Governor's Office Control grant	38,103	202,647	196,653	(5,994)
Miscellaneous grants	-	29,100	29,100	-
<u>Grants from the Federal Government</u>				
Bulletproof vest grant	-	-	5,713	5,713
CARES grant	1,613,195	4,219,845	4,401,600	181,755
<u>Grants from County Government</u>				
Financial corporations	8,458	8,458	8,458	-
Stormwater Management	145,000	145,000	141,305	(3,695)
Tax rebate	1,216,111	1,216,111	1,216,111	-
Traffic grants	8,000	8,000	6,243	(1,757)
Miscellaneous grants	-	71,100	70,812	(288)
Total - revenue from other agencies	3,263,431	6,134,825	6,353,772	218,947
<b>Service Charges for Current Services</b>				
<u>General Government</u>				
MAWC well fees	9,000	9,000	4,174	(4,826)
Bel Air Reckord Armory fees	90,000	95,750	97,912	2,162
Finance fees	9,900	9,900	10,946	1,046
Zoning and subdivision fees	13,000	13,000	25,759	12,759

**TOWN OF BEL AIR, MARYLAND**

**Schedule of Revenues and Expenditures Budget (Non-GAAP Budgetary Basis) and Actual General Fund  
Year Ended June 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES (continued)</b>				
<b>Service Charges for Current Services (continued)</b>				
<u>General Government (Continued)</u>				
Administration permit fees	\$ 1,000	\$ 1,000	\$ 301	\$ (699)
MD homebuilder guarantee fund	800	800	-	(800)
<u>Sanitation and Waste Removal</u>				
Sewer fund administrative fee	382,580	382,580	418,562	35,982
<u>Public Service Enterprises</u>				
Parking fund administrative fee	271,714	271,714	252,374	(19,340)
Reimbursement for police services	30,000	30,000	29,342	(658)
Police and DPW overtime reimbursement	20,000	20,000	17,459	(2,541)
Police reports	1,800	1,800	2,420	620
Total - service charges for current services	<u>829,794</u>	<u>835,544</u>	<u>859,249</u>	<u>23,705</u>
<b>Fines</b>				
Traffic signal camera	570,000	570,000	580,620	10,620
False alarm	18,000	18,000	17,117	(883)
Total - fines	<u>588,000</u>	<u>588,000</u>	<u>597,737</u>	<u>9,737</u>
<b>Miscellaneous</b>				
Interest	25,000	249,713	347,860	98,147
Cable TV franchise	145,000	145,000	134,717	(10,283)
Rental income	35,000	35,000	28,863	(6,137)
Seized property	4,000	4,000	902	(3,098)
Equipment/vehicle sale proceeds	47,000	47,000	107,353	60,353
Rockfield Foundation contribution	700	700	923	223
Bel Air Alliance contribution	2,500	54,710	54,709	(1)
Miscellaneous	5,000	76,839	73,896	(2,943)
Total - miscellaneous	<u>264,200</u>	<u>612,962</u>	<u>749,223</u>	<u>136,261</u>
<b>TOTAL REVENUES</b>	<u>\$ 16,345,915</u>	<u>\$ 19,613,821</u>	<u>\$ 20,868,251</u>	<u>\$ 1,254,430</u>
<b>EXPENDITURES</b>				
<b>General Government</b>				
<u>Legislative</u>				
Commissioners				
Salaries/Benefits	\$ 27,493	\$ 27,493	\$ 27,207	\$ 286
Operating expenses	32,275	32,275	26,065	6,210
<u>Town Clerk</u>				
Salaries/Benefits	257,254	261,754	263,022	(1,268)
Operating expenses	38,844	38,844	36,096	2,748
<u>Executive</u>				
Town Administrator				
Salaries/Benefits	173,544	221,321	220,860	461
Operating expenses	904	3,104	3,930	(826)
<u>Elections</u>				
Registration and Election				
Operating expenses	-	-	-	-

**TOWN OF BEL AIR, MARYLAND**

**Schedule of Revenues and Expenditures Budget (Non-GAAP Budgetary Basis) and Actual General Fund  
Year Ended June 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>EXPENDITURES (continued)</b>				
<b>General Government (continued)</b>				
<u>Finance</u>				
Salaries/Benefits	\$ 577,432	\$ 581,932	\$ 567,504	\$ 14,428
Operating expenses	24,740	24,740	21,935	2,805
GASB pension review	11,200	11,200	11,200	-
Independent auditing	19,525	19,525	18,000	1,525
<u>Law</u>				
Legal Counsel				
Operating expenses	54,800	174,800	179,690	(4,890)
<u>Planning and Zoning</u>				
Salaries/Benefits	518,176	522,176	511,545	10,631
Operating expenses	130,002	140,902	112,059	28,843
Capital outlay	475,000	653,748	653,748	-
<u>Economic Development</u>				
Salaries/Benefits	386,521	393,521	392,790	731
Operating expenses	137,232	132,232	132,381	(149)
<u>General Services</u>				
Municipal Buildings				
Salaries/Benefits	66,371	67,371	63,718	3,653
Operating expenses	200,912	276,208	255,981	20,227
Pre-construction services-PD/TH	-	27,909	64,113	(36,204)
Capital outlay	200,000	6,856,904	7,120,104	(263,200)
<u>Bel Air Reckord Armory</u>				
Salaries/Benefits	128,640	130,390	123,193	7,197
Operating expenses	100,796	150,552	148,778	1,774
Capital outlay	25,000	47,475	47,475	-
<u>Other General Government</u>				
Public Officers' Association				
Operating expenses	18,543	18,543	18,172	371
Public Relations				
Salaries/Benefits	102,102	38,219	32,318	5,901
Operating expenses	6,254	6,254	1,453	4,801
<u>Technology</u>				
Salaries/Benefits	261,299	263,299	260,062	3,237
Operating expenses	270,356	316,071	325,649	(9,578)
Capital outlay	60,800	60,800	57,290	3,510
Total - general government	4,306,015	11,499,562	11,696,338	(196,776)
<b>Public Safety</b>				
<u>Administrative, Patrol and Investigation</u>				
Salaries/Benefits	5,411,870	5,491,820	5,290,018	201,802
Operating expenses	363,012	383,410	382,120	1,290
Capital outlay	120,000	240,748	239,106	1,642
<u>Traffic Safety</u>				
Red light camera program	231,975	231,975	230,362	1,613

**TOWN OF BEL AIR, MARYLAND**

**Schedule of Revenues and Expenditures Budget (Non-GAAP Budgetary Basis) and Actual General Fund  
Year Ended June 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>EXPENDITURES</b> (continued)				
<b>Public Safety</b> (continued)				
<u>Fire Department</u>				
Volunteer Company Contribution	\$ 167,568	\$ 167,568	\$ 167,568	\$ -
<u>Protective Inspection</u>				
Other:				
Hydrant rental	55,584	55,584	56,119	(535)
Total - public safety	<u>6,350,009</u>	<u>6,571,105</u>	<u>6,365,293</u>	<u>205,812</u>
<b>Public Works</b>				
<u>General Administration</u>				
Salaries/Benefits	1,009,759	1,000,509	994,702	5,807
Operating expenses	239,630	252,130	223,823	28,307
Capital outlay	50,000	43,405	43,405	-
<u>Highways and Streets</u>				
Streets, Roadways and Alleys				
Salaries/Benefits	783,010	696,260	666,130	30,130
Operating expenses	279,310	267,111	211,825	55,286
Sidewalk, curb and street construction	530,261	373,172	332,063	41,109
Capital outlay	271,579	71,479	71,479	-
Street Lighting				
Operating expenses	99,500	99,500	110,023	(10,523)
<u>Sanitation and Waste Removal</u>				
Waste Collection and Disposal				
Salaries/Benefits	760,110	768,110	716,989	51,121
Operating expenses	183,258	183,258	177,222	6,036
Capital outlay	121,000	359,035	359,305	(270)
Shop				
Salaries/Benefits	245,970	248,970	258,689	(9,719)
Operating expenses	202,240	202,240	196,978	5,262
Capital outlay	-	-	-	-
Total - public works	<u>4,775,627</u>	<u>4,565,179</u>	<u>4,362,633</u>	<u>202,546</u>
<b>Recreation and Parks</b>				
<u>Participation Recreation</u>				
Operating expenses	134,495	134,495	134,495	-
<u>A &amp; B Committee</u>				
Operating expenses	39,300	39,300	30,682	8,618
<u>Cultural Arts Committee</u>				
Operating expenses	8,350	8,350	7,496	854
Total - recreation and parks	<u>182,145</u>	<u>182,145</u>	<u>172,673</u>	<u>9,472</u>
<b>Miscellaneous</b>				
Hospital, dental, and vision insurance	8,405	8,405	8,116	289
Worker's compensation insurance	-	-	3,944	(3,944)

**TOWN OF BEL AIR, MARYLAND**

**Schedule of Revenues and Expenditures Budget (Non-GAAP Budgetary Basis) and Actual  
General Fund  
Year Ended June 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>EXPENDITURES</b> (continued)				
<b>Miscellaneous</b> (continued)				
OPEB	\$ 45,000	\$ 51,670	\$ 51,752	\$ (82)
Transfer to leave payout reserve	10,000	30,000	-	30,000
General insurance	133,000	145,000	146,200	(1,200)
Miscellaneous	21,830	21,830	19,589	2,241
Debt service	611,736	611,736	611,736	-
Contributions/donations	22,850	22,850	22,736	114
Transfer to capital reserve	20,000	20,000	-	20,000
Total - miscellaneous	<u>872,821</u>	<u>911,491</u>	<u>864,073</u>	<u>47,418</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 16,486,617</u>	<u>\$ 23,729,482</u>	<u>\$ 23,461,010</u>	<u>\$ 268,472</u>
<b>SUMMARY</b>				
<b>TOTAL REVENUES</b>	\$ 16,345,915	\$ 19,613,821	\$ 20,868,251	\$ 1,254,430
<b>TOTAL EXPENDITURES</b>	<u>16,486,617</u>	<u>23,729,482</u>	<u>23,461,010</u>	<u>268,472</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ (140,702)</u>	<u>\$ (4,115,661)</u>	<u>\$ (2,592,759)</u>	<u>\$ 1,522,902</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, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>				
<b>Revenue from Other Agencies</b>				
CDBG grant	\$ 80,357	\$ 40,359	\$ 40,359	\$ -
Community Legacy Grant	100,000	-	-	-
Community Parks & Playground Grant	115,000	115,000	67,000	(48,000)
Total - revenue from other agencies	<u>295,357</u>	<u>155,359</u>	<u>107,359</u>	<u>(48,000)</u>
<b>Miscellaneous</b>				
Seized property-Federal Justice	-	-	961	961
Tree planting - forest conservation	2,000	2,000	-	(2,000)
Tree planting - fee in lieu	2,000	2,000	-	(2,000)
Stormwater management fee in lieu	3,000	3,000	-	(3,000)
Open space fee in lieu	2,000	2,000	-	(2,000)
Memorials	200	200	1,420	1,220
Transfer from General Fund seized property	2,000	2,000	-	(2,000)
Seized property-Federal Treasury	9,500	9,500	2,269	(7,231)
Public amenity	2,000	2,000	-	(2,000)
Explorer scouts	9,000	9,000	32,408	23,408
Auxiliary police	2,500	2,500	-	(2,500)
Cultural arts project	16,440	16,440	19,156	2,716
Revolving loan fund	500	500	2,724	2,224
Total - miscellaneous	<u>51,140</u>	<u>51,140</u>	<u>58,938</u>	<u>7,798</u>
<b>TOTAL REVENUES</b>	<u>\$ 346,497</u>	<u>\$ 206,499</u>	<u>\$ 166,297</u>	<u>\$ (40,202)</u>
<b>EXPENDITURES</b>				
<b>General Government</b>				
Revolving loan fund	\$ 500	\$ 500	\$ -	\$ 500
Total - general government	<u>500</u>	<u>500</u>	<u>-</u>	<u>500</u>
<b>Public Safety</b>				
Seized property-internal	2,000	2,000	-	2,000
Seized property-Federal Treasury	9,500	9,500	3,071	6,429
Seized property-Federal Justice	-	-	21,520	(21,520)
Auxiliary police	2,500	2,500	1,044	1,456
Total - public safety	<u>14,000</u>	<u>14,000</u>	<u>25,635</u>	<u>(11,635)</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, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>EXPENDITURES (Continued)</b>				
<b>Public Works</b>				
Stormwater management - fee in lieu	\$ 3,000	\$ 3,000	\$ -	\$ 3,000
CDBG grant	80,357	40,359	40,359	-
Total - public works	<u>83,357</u>	<u>43,359</u>	<u>40,359</u>	<u>3,000</u>
<b>Recreation and Parks</b>				
Tree planting - forest conservation	2,000	2,000	4,246	(2,246)
Tree planting - fee in lieu	2,000	2,000	967	1,033
Explorer Scouts	9,000	9,000	21,966	(12,966)
Cultural arts project	16,440	16,440	17,997	(1,557)
Open space fee in lieu	2,000	2,000	-	2,000
Public amenity	2,000	2,000	-	2,000
Memorials	200	200	1,337	(1,137)
Community Legacy Grant	100,000	-	-	-
Community Parks & Playground Grant	115,000	115,000	67,000	48,000
Total - recreation and parks	<u>248,640</u>	<u>148,640</u>	<u>113,513</u>	<u>35,127</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 346,497</u>	<u>\$ 206,499</u>	<u>\$ 179,507</u>	<u>\$ 26,992</u>
<b>SUMMARY</b>				
<b>TOTAL REVENUES</b>	\$ 346,497	\$ 206,499	\$ 166,297	\$ (40,202)
<b>TOTAL EXPENDITURES</b>	<u>346,497</u>	<u>206,499</u>	<u>179,507</u>	<u>26,992</u>
<b>(DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (13,210)</u>	<u>\$ (13,210)</u>

**TOWN OF BEL AIR, MARYLAND**

**Schedule of Revenues and Expenditures Compared to Budget  
Parking Fund  
Year Ended June 30, 2023**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>OPERATING REVENUES</b>			
<b>Revenues from other Agencies</b>			
DHCD - Community Safety Works Grant	\$ -	\$ 61,142	\$ 61,142
<b>Service Charges for Current Services</b>			
<u>Highways and Streets</u>			
Meter collections	125,000	135,025	10,025
Lease fees	71,411	66,859	(4,552)
<b>Fines and Forfeitures</b>			
Parking	115,000	56,028	(58,972)
<b>Miscellaneous</b>			
County share operating expenses and capital repairs	127,662	163,188	35,526
Total operating revenues	<u>439,073</u>	<u>482,242</u>	<u>43,169</u>
<b>OPERATING EXPENSES</b>			
<b>Miscellaneous</b>			
Compensated absences	-	(729)	729
Postage	1,900	353	1,547
Miscellaneous	1,246	2,052	(806)
Parking fine charges	21,850	-	21,850
Depreciation	132,960	131,051	1,909
<b>Lots and Meters</b>			
Transfer to general fund - administrative costs	171,648	150,253	21,395
Maintenance	3,000	2,975	25
Operating expenses	6,460	1,050	5,410
<b>Parking Garage</b>			
Transfer to general fund - administrative costs	100,066	102,121	(2,055)
Operating expenses	37,000	36,873	127
Insurance	23,992	26,569	(2,577)
Maintenance	7,050	10,009	(2,959)
Capital repairs	15,000	77,265	(62,265)
Total operating expenses	<u>522,172</u>	<u>539,842</u>	<u>(17,670)</u>
Operating (loss)	(83,099)	(57,600)	25,499
<b>Non-operating Revenues (Expenses)</b>			
Interest income - investment	-	667	667
Interest expense - various debts	(2,302)	(2,207)	95
Total non-operating (expenses)	<u>(2,302)</u>	<u>(1,540)</u>	<u>762</u>
<b>NET (LOSS)</b>	<u>\$ (85,401)</u>	<u>\$ (59,140)</u>	<u>\$ 26,261</u>

**TOWN OF BEL AIR, MARYLAND**

**Schedule of Revenues and Expenditures Compared to Budget  
Sewer Fund  
Year Ended June 30, 2023**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>OPERATING REVENUES</b>			
<b>Revenues from other Agencies</b>			
American Rescue Plan Grant	\$ 890,000	\$ 11,996	\$ (878,004)
<b>Service Charges for Current Services</b>			
Sanitation and Waste Removal			
Sewerage charges	2,450,000	2,592,493	142,493
Sewer connection charges	50,000	116,863	66,863
Other revenues	15,300	27,440	12,140
Utility locator fees	19,000	24,240	5,240
User benefit fees	37,030	36,995	(35)
	<u>3,461,330</u>	<u>2,810,027</u>	<u>(651,303)</u>
<b>OPERATING EXPENSES</b>			
Salaries/Benefits	256,734	253,631	3,103
Compensated absences	-	1,483	(1,483)
Contractual services	1,572,552	1,846,977	(274,425)
Amortization	24,248	24,248	-
Supplies	3,300	3,178	122
Utilities	16,000	18,840	(2,840)
Misc Utility fees	3,050	3,072	(22)
Depreciation	82,077	77,453	4,624
Maintenance	30,000	14,828	15,172
Connection costs	50,000	116,863	(66,863)
Water company charges	5,640	3,708	1,932
Miscellaneous	4,675	4,284	391
Transfer to general fund - administrative costs	382,580	418,562	(35,982)
User benefit fee	37,030	36,995	35
Root control maintenance	35,000	34,576	424
Main and lateral repairs	22,000	33,705	(11,705)
Insurance	9,866	11,868	(2,002)
Processing fees	23,000	25,554	(2,554)
Total - operating expenses	<u>3,447,752</u>	<u>2,929,825</u>	<u>517,927</u>
Operating income	13,578	(119,798)	(133,376)
<b>Non-operating (Expenses)</b>			
Non-operating expense - interest	(13,578)	(12,993)	585
Total non-operating expenses	<u>(13,578)</u>	<u>(12,993)</u>	<u>585</u>
<b>NET (LOSS)</b>	<u>\$ -</u>	<u>\$ (132,791)</u>	<u>\$ (132,791)</u>

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