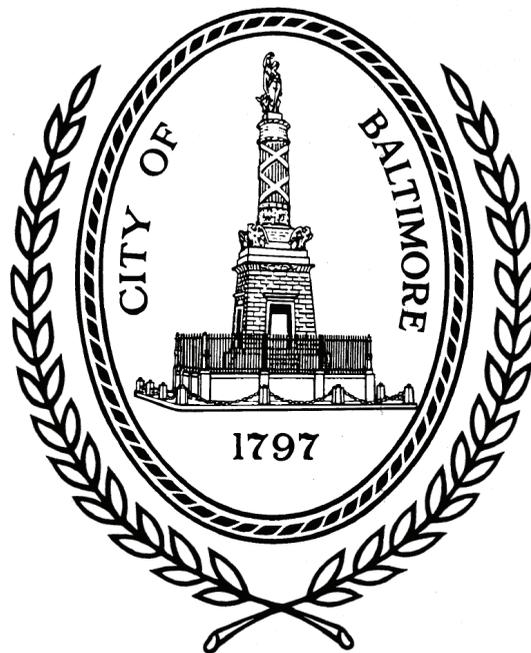


City of Baltimore *Maryland*



Comprehensive Annual Financial Report
Year Ended June 30, 2015

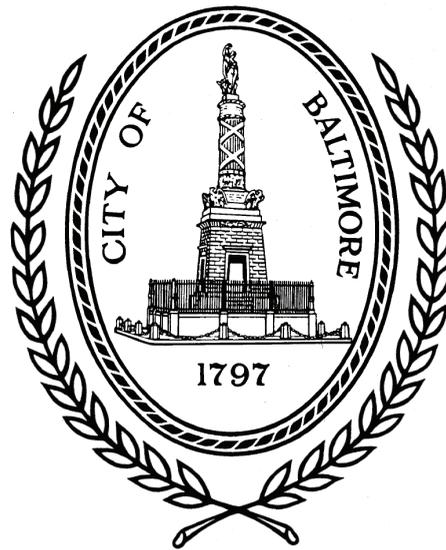
City of Baltimore, Maryland

Comprehensive Annual Financial Report

Year Ended June 30, 2015

Prepared by the Department of Finance
Henry J. Raymond
Director of Finance

Bureau of Accounting and Payroll Services
Stephen M. Kraus
Deputy Director of Finance





ELECTED OFFICIALS

MAYOR

Catherine E. Pugh

PRESIDENT OF THE CITY COUNCIL

Bernard C. Young

COMPTROLLER

Joan M. Pratt

BOARD OF ESTIMATES

PRESIDENT

Bernard C. Young

MAYOR

Catherine E. Pugh

COMPTROLLER

Joan M. Pratt

DIRECTOR OF PUBLIC WORKS

Rudolph S. Chow

ACTING CITY SOLICITOR

David Ralph

CITY COUNCIL

Bernard C. Young, *President*

Edward Reisinger, *Vice-President*

FIRST DISTRICT

Zeke Cohen

SECOND DISTRICT

Brandon M. Scott

THIRD DISTRICT

Ryan Dorsey

FOURTH DISTRICT

Bill Henry

FIFTH DISTRICT

Isaac "Yitzy" Schleifer

SIXTH DISTRICT

Sharon Green Middleton

SEVENTH DISTRICT

Leon F. Pinkett, III

EIGHTH DISTRICT

Kristerfer Burnett

NINTH DISTRICT

John T. Bullock

TENTH DISTRICT

Edward Reisinger

ELEVENTH DISTRICT

Eric T. Costello

TWELFTH DISTRICT

Robert Stokes, Sr.

THIRTEENTH DISTRICT

Shannon Sneed

FOURTEENTH DISTRICT

Mary Pat Clarke

TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION (UNAUDITED)	
Title Page	I
Elected Officials	II
Table of Contents	III
Letter of Transmittal	VII
Municipal Organization Chart	XVIII
FINANCIAL SECTION	
Report of Independent Auditors	1
Management's Discussion and Analysis (unaudited)	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	18
Statement of Activities	19
Fund Financial Statements:	
Balance Sheet — Governmental Funds	20
Statement of Revenues, Expenditures, and Changes in Fund Balances — Governmental Funds	21
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
Statement of Net Position — Proprietary Funds	23
Statement of Revenues, Expenses, and Changes in Net Position — Proprietary Funds	24
Statement of Cash Flows — Proprietary Funds	25
Statement of Fiduciary Net Position — Fiduciary Funds	26
Statement of Changes in Fiduciary Net Position — Pension and OPEB Trust Funds	27
Index to the Notes to Basic Financial Statements	28
Notes to the Basic Financial Statements	29
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Encumbrances, and Changes in Fund Balance — Budget and Actual — Budgetary Basis — General Fund	81
Schedule of the City's Proportionate Share of Net Pension Liability — ERS Plan	82
Schedule of Employer Contributions — ERS Plan	82
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios — Single-Employer Plans	83
Schedule of Employer Contributions — Single-Employer Plans	83
Schedules of Funding Progress — OPEB Trust Fund	84
Schedule of Employer Contributions — OPEB Trust Fund	84
Notes to the Required Supplementary Information	85

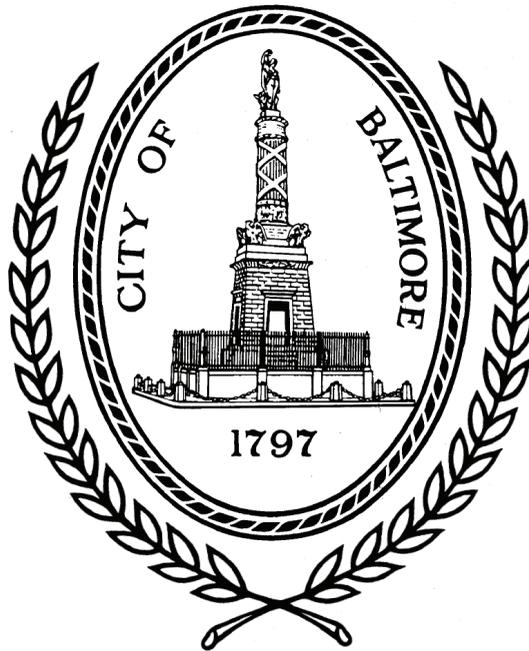
Combining and Individual Fund Statements and Schedules:

Combining Balance Sheet — Nonmajor Governmental Funds	90
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances — Nonmajor Governmental Funds	91
Combining Statement of Net Position — Nonmajor Proprietary Funds	94
Combining Statement of Revenues, Expenses, and Changes in Net Position — Nonmajor Proprietary Funds	95
Combining Statement of Cash Flows — Nonmajor Proprietary Funds	96
Combining Statement of Net Position — Internal Service Funds	98
Combining Statement of Revenues, Expenses, and Changes in Net Position — Internal Service Funds	98
Combining Statement of Cash Flows — Internal Service Funds	99
Combining Statement of Fiduciary Net Position — Pension Trust Funds	102
Combining Statement of Changes in Fiduciary Net Position — Pension Trust Funds	103
Combining Statement of Assets and Liabilities — Agency Funds	104
Combining Statement of Changes in Assets and Liabilities — Agency Funds	105

STATISTICAL SECTION (UNAUDITED)

Financial Trends	111
Net Position by Component, Last Ten Fiscal Years	113
Changes in Net Position, Last Ten Fiscal Years	114
Fund Balances, Governmental Funds, Last Ten Fiscal Years	115
Changes in Fund Balances, Governmental Funds, Last Ten Fiscal Years	116
Revenue Capacity	117
Property Tax Levies and Collections, Last Ten Fiscal Years	119
Assessed and Estimated Actual Value of Taxable Property, Last Ten Fiscal Years	119
Direct and Overlapping Property Tax Rates, Last Ten Fiscal Years	120
Principal Property Taxpayers, Current Year and Nine Years Ago	120
Debt Capacity	121
Ratios of Outstanding Debt by Type, Primary Government, Last Ten Fiscal Years	123
Ratios of General Bonded Debt Outstanding, Last Ten Fiscal Years	124
Direct and Overlapping Governmental Activities Debt	125
Legal Debt Margin Information	125
Pledged Revenue Coverage, Last Ten Fiscal Years	125
Demographic and Economic Information	127
Demographic and Economic Statistics, Last Ten Calendar Years	129
Principal Employers, Current Year and Nine Years Ago	130
Operating Information	131
Full Time Equivalent Employees by Function, Last Ten Years	133
Operating Indicators by Function/Program, Last Ten Fiscal Years	134
Capital Asset Statistics by Function/Program, Last Ten Fiscal Years	135

INTRODUCTORY SECTION



- **Letter of Transmittal**
- **Municipal Organization Chart**

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CITY OF BALTIMORE

CATHERINE E. PUGH, Mayor



DEPARTMENT OF FINANCE

HENRY J. RAYMOND, Director
454 City Hall
Baltimore, Maryland 21202
410-396-4940

Honorable President and Members of
The Board of Estimates
City of Baltimore, Maryland

March 24, 2017

In compliance with Article VII, Section 8, of the revised City Charter (November, 1964), submitted herewith is the Comprehensive Annual Financial Report (CAFR) of the City of Baltimore, Maryland, (the City) for the year ended June 30, 2015. The CAFR was prepared by the City's Department of Finance. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe that the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and changes in financial position of the City; and, that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been provided.

The CAFR is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter and the City's organizational chart. The financial section includes the auditor's opinion, management's discussion and analysis, basic financial statements with related notes, and required supplementary information with related notes. The financial section also includes the combining and individual fund financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

Management has provided a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors in the financial section of the CAFR.

The City Charter established a Department of Audits under the general supervision of the City Comptroller. The Charter requires the City Auditor to "annually make a general comprehensive public report of the financial position of the City; in the discretion of the Comptroller, such report may be in the form of an opinion on the annual financial statements prepared by the Director of Finance." The Comptroller has elected to have the City Auditor render an opinion as to the fairness of the Director of Finance's presentation of the City's basic financial statements. Additionally, the Board of Estimates awarded a contract to the nationally recognized independent certified public accounting firm, KPMG LLP, to perform a joint audit with the City Auditor of the basic financial statements of the City for the year ended June 30, 2015. Their joint audit report is contained herein. Their audit was conducted in accordance with auditing standards generally accepted in the United States and, for the basic financial statements of the City, the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. On the basis of this examination, the independent auditors have issued an unmodified opinion that the presentation of the basic financial statements conforms with accounting principles generally accepted in the United States for the governmental activities, business-type activities, aggregate discretely presented component units, general fund, capital projects fund, water utility fund, wastewater utility fund, stormwater utility fund, parking facilities fund, and the aggregate remaining fund information. The independent auditors have issued a modified opinion on the grants revenue fund. In conducting the audit, the auditors performed tests of the accounting records and such other procedures as were considered necessary in the circumstances to provide a reasonable basis for this opinion on the financial statements. The auditors also assessed the accounting principles used and significant estimates made by management, as well as evaluated the overall financial statement presentation.

The independent audit of the City's financial statements is part of a broader, federally mandated "Single Audit" designed to meet the special needs of Federal grantor agencies. This audit was conducted by the City Auditor, and the Single Audit Report is available as a separate document.

This report includes all of the funds that we consider to be part of, controlled by or dependent on the City. Professional judgment must be used to determine whether or not a potential component unit should be included in the reporting entity. Various potential component units were evaluated to determine whether they should be reported in the City's CAFR. Three component units, the Baltimore Industrial Development Authority (blended component unit), the Baltimore City Public School System and the Baltimore Hotel Corporation (discretely presented component units), were considered to be part of

the City's reporting entity. However, the City chose not to present the Baltimore City Public School Systems statements this year as a component unit. Refer to Note 1 to the financial statements for additional information. The Housing Authority of Baltimore City and certain other organizations are not considered to be component units and are not included in the City's basic financial statements.

PROFILE OF THE GOVERNMENT

The Mayor and City Council of Baltimore (the City) is a body corporate and politic of the State of Maryland (the State) in which all local governmental functions are performed by the City. The City has had a charter form of government since 1797, home rule powers since 1918, and is governed by an elected Mayor, Comptroller and a City Council. The City has a total area of approximately 92 square miles and an estimated 2014 population of 622,793. The City is a major deep-water seaport located on the Patapsco River, a tributary of the Chesapeake Bay. It is served by Baltimore/Washington International Thurgood Marshall Airport in adjacent Anne Arundel County. The City is almost completely surrounded by Baltimore County, a separate entity, which borders the City on the east, north, west and part of the south. Anne Arundel County adjoins the City on its southern border.

The City provides the full range of municipal services contemplated by statute or charter, which are provided or paid for by the City from local, State or Federal sources. These services include public safety (police and fire protection), water, wastewater and stormwater utilities, highways and streets, sanitation, health and human services, culture and recreation, education (elementary through high school, provided by a component unit, the Baltimore City Public School System), public improvements, planning and zoning, parking facilities, mortgage loan programs, industrial development, and general and administrative services. The City is also responsible for the adoption and maintenance of building codes, and regulation of licenses and permits, collection of certain taxes and revenues, maintenance of public records and the conduct of elections. These activities are included in the reporting entity. There are no overlapping local governmental entities or taxing jurisdictions. Accordingly, there is no overlapping debt of the City.

Under the Charter, the City's executive functions are vested in the Mayor, the Board of Estimates and an independent Comptroller. The City's legislative functions are vested in the City Council. The Mayor is the chief executive officer of the City. The Mayor is elected for a term of four years and is eligible to succeed herself without limitation as to the number of terms. If the Mayor is disabled or absent from the City, the President of the City Council acts as ex-officio Mayor. If the Mayor resigns, is permanently disqualified, or dies in office, the President of the City Council becomes Mayor for the remainder of the term. The Mayor has authority to veto ordinances, has power of appointment of most department heads and municipal officers, serves on the Board of Estimates and appoints two of the other four members of the Board of Estimates.

The Board of Estimates is the highest administrative body of the City. It is composed of the President of the City Council, who serves as President of the Board, the Mayor, the Comptroller, the City Solicitor and the Director of Public Works. The Board of Estimates formulates and determines City fiscal policy with its primary policy tool being the recommended annual Ordinance of Estimates, the City's budget.

Key Budgetary Policies

Balanced Budget: The City Charter requires the operating budget to be balanced. Any difference between non-property tax revenues and total expenditures are to be made up by adjusting the property tax rate or enactment of new revenue measures.

Public Hearings: The Charter mandates that both the Board of Estimates and the City Council conduct public hearings on the proposed budget.

Timely Adoption: The Charter sets forth a schedule requiring the budget to be adopted before the beginning of the fiscal year, July 1.

Budget Amendment: The Charter provides means for adopting supplemental appropriations funded from unanticipated revenues and/or new grants and sources that materialize during the year. The City's policy is to minimize the use of supplemental appropriations. In addition, the Charter allows for and spells out the procedures for amending the budget to transfer appropriations between programs within an agency and between agencies.

Six-Year Capital Plan: Guiding the physical development budget plan of the City is the Charter requirement for a six-year capital improvement plan, the first year comprising the capital budget year. The plan is prepared in conformance with basic capital budgeting policies, which include appropriating funds in the year in which projects are likely to begin, financing a portion of capital improvements from current revenues, and estimating the impact of capital projects on the operating budget.

Budget Monitoring and Execution: Budget analysts maintain ongoing contact with agency fiscal officers in the process of implementation and execution of the budget. Expenditure and revenue projections are developed and reviewed on a monthly

basis. The Mayor, through the Department of Finance, exercises appropriate fiscal management to adjust budget policy, as necessary, to be within the limits of the current adopted plan. The City Council has the practice of reviewing budget performance at mid-year and during the fourth quarter.

Debt Policy: In 1990, the City adopted a formal debt policy which set annual borrowing limits, consolidated all financing arrangements within the Department of Finance, established refunding and refinancing policies, and set limits on key debt management ratios. The objective is to maintain the City's reputation as a locality having a conservative approach to all aspects of debt management, including debt service expenses, debt retirement schedules, and debt capacity ratios. The Debt Policy was last reviewed in December 2012 by an independent financial consultant contracted by the City. After considering the consultant's recommendations, the City plans not to exceed \$65 million in budgeted annual general obligation debt.

Budget Stabilization Reserve Policy: In November 2008, the City's Board of Estimates approved a budget stabilization reserve policy that established the basis for having a budget stabilization reserve as well as identifying its maintenance level, scope of coverage, circumstances under which funds shall be drawn down from the reserve, and the requirements to replenish the reserve when utilized. The policy stipulates that the reserve serves to provide a budget defense to stabilize a post-adopted budget that has been impacted by an uncorrectable shortfall in revenues and/or an unanticipated and uncorrectable emergency expense. The reserve is the revenue source of last resort to avoid a budget deficit. Under no circumstances is the reserve to be used as a revenue source to balance a planning year budget. The policy further recommends that the reserve shall be maintained on any June 30 at a minimum level of 8% of the value of the general fund operating budget of the subsequent fiscal year.

OTHER FINANCIAL INFORMATION

Retirement Plans

Professional employees of the Enoch Pratt Free Library, an agency of the City, are members of the State of Maryland Retirement System to which the City is not required to contribute. The City contributes to four retirement plans established for all other City employees and elected officials.

City laws require that contributions to its three funded pension systems be based on actuarial valuations. City contributions to the Unfunded Police Department Retirement Plan (for eligible employees hired prior to January 1, 1947, all of whom are now retired) are not actuarially determined, and these benefits are paid from annual appropriations.

Temporary Investment of Cash Balances

The City, through the Office of the Director of Finance, pursues an aggressive cash management and investment program to achieve maximum financial return on available funds. Depending on cash needs, excess funds are invested on a short, intermediate or long-term basis at the best obtainable rates. Investments are limited generally to direct or indirect obligations of the U.S. government and fully collateralized repurchase agreements. The City utilizes the practice of recording investment income in the period in which it is earned.

Risk Management

The City is self-insured in the area of casualty and property losses, including the uninsured portion of losses to City buildings and contents, vehicles, watercraft, boilers, machinery, workers' compensation and employers' liability, employees' health insurance, third party general liability and automobile liability losses. The Office of Risk Management, within the Department of Finance, administers the fund.

Internal Control

City management is responsible for establishing and maintaining effective internal control over financial reporting. The City has established a comprehensive framework of internal control to provide a reasonable basis for asserting that the financial statements are fairly presented. Because the cost of a control should not exceed the benefits to be derived, the City's objective is to provide reasonable, rather than absolute assurance, that the financial statements are free of any material misstatements.

ECONOMIC PROFILE AND OUTLOOK

Baltimore is the historic, business, education and cultural center of Maryland. The City benefits from being in one of the wealthiest states in the nation and is the northern anchor of the Washington-Baltimore-Northern Virginia Combined Statistical Area — one of the largest, wealthiest and best educated population centers in the country. The City's economy has traditionally benefited from its location, as it is accessible to a large and diversified workforce. With an excellent highway and rail transportation system, the City is able to access both mid-western and north-eastern markets in support of its international port activity. About 364,200 or 26.9%, of the 1.35 million jobs in the metropolitan area are located in the City.

The City has become less dependent on traditional manufacturing industries. Manufacturing jobs comprise only 3.2% of the City's total jobs, which represents a lower percentage than the region and the State. However, health care and education related services continue to be the leading employment industry, representing 30.7% of the 2014 jobs located in the City; a proportion that is considerably higher than the regional and U.S. totals of 19.3% and 15.7%, respectively. The prominence of health care and knowledge-related industries is reflected in the City's major employers. Among the ten largest non-governmental employers, nine are health care and education-related entities and one is a utility service provider. The City derives economic strength from the number of jobs in the growing health care sector, and in the knowledge-information-based education and information services sectors. An increasing number of workers in the Washington, D.C. and Northern Virginia area commute to jobs from homes in Baltimore.

The City supports and builds on the strengths of its internationally renowned higher education and health care institutions, most notably the Johns Hopkins Hospital and Health System—the world's premier medical facility, and the University of Maryland School of Medicine—the nation's first public medical school and one of the nation's largest public medical school research dollar recipients.

The population trend is often considered the single most important economic factor in the City due to the fact that Baltimore's population peaked at 949,708 in 1950, and has declined to 622,793 in 2014. This 60-year trend reflects an average monthly drop of 426 persons with some decades experiencing faster drops than others. The 1970's saw the greatest declines. During this period, population loss approached 12,000 per year, or 1,000 per month; however, the loss rate has declined in recent years, experiencing an average monthly drop of 170 people since 2000. Additionally, according to the latest U.S. Census Bureau's population estimate, the City gained 1,804 new residents from 2011 to 2014, for an average net gain of 25 people per month since then.

Economic Outlook

Five years after the Great Recession, the economy appears to be slowing. Economic indicators across the board have shown gains near, or exceeding levels than those realized at the peak of the housing bubble. Employment continues to realize slow but consistent growth in the City, which traditionally lags behind the employment growth of both the State and the nation. The housing market is within 18% of the price levels found at the peak of the housing bubble. Housing inventories are at low levels and are helping to sustain the housing recovery, but are anticipated to grow as interest rates rise. The overall rental vacancies for commercial buildings fell from 18.2% to 15.3%. Rental rates for these buildings also remained steady at approximately \$21.68 per square foot. The State's fiscal year 2016 budget does not substantially reduce aid or place further unfunded mandates on the City. Even still, the actions from previous sessions will continue to impact the City in the future. This is especially true of the educational maintenance of effort and teacher pension funding requirements that substantially escalate the City's contribution to the school system, as well as the loss of nearly \$100 million of Highway User Revenues. As the State continues to grapple with its own structural deficit and large unfunded liabilities, further reductions to local aid remain a salient risk to the City's finances.

Jobs and Employment

Employment continues its growth pattern. The national unemployment rate peaked at 10.0% in October of 2009, but has since fallen to 5.0% in November of 2015, while the City unemployment rate peaked in August of 2010 at 12.5%, but has since gradually declined to 7.6% as of October 2015.

The most recent data from the State Department of Labor, Licensing and Regulation (DLLR) indicates that the City has stabilized the number of jobs. The DLLR reported an average of 335,965 jobs located in the City during calendar year 2014, representing an increase of 2% compared to the average of 330,746 in calendar year 2013. Total jobs in the City peaked in calendar year 2000 with 387,557 jobs, but since then have experienced an average decline of about 307 per month through calendar year 2014. However, calendar year 2014 is the fourth year in a row since calendar year 2000 where the City has experienced employment growth, an indicator of the improvement in the City's job market after the national recession. As of July 2015, there were an estimated 277,085 City residents employed. The difference between employed residents and jobs in the City reflects a net contribution of approximately 58,880 jobs to surrounding communities.

Retail Sales

Retail sales reported by the State of Maryland for the City showed an increase of 2.1% in fiscal year 2014, the third consecutive year of growth in the last five years. The total value of sales generated in the City increased \$118.1 million to reach the annual total of \$5.74 billion. Additionally, sales generated in the City as a percentage of the total retail sales in the State continue to be at 8.2% in fiscal year 2014; a percentage which is still low compared to the fiscal year 2000 peak of 9.4%. In fiscal year 2014, the City experienced a gross increase of 69 new businesses and a total of 28 other businesses that relocated, expanded, reopened or signed new leases, including about 34 restaurants and 23 retailers. Out of this total, 64 businesses have already started operations in fiscal year 2014. Retail sales activity continues to be a leading indicator of the City's economic activity.

Housing

The housing market has continued recuperating after the recession, and the City has seen continuing growth in the level of activity even as prices have started to slip downward. The maintenance of low interest rates as well as the overall improvement of the economy has driven the increase in demand for properties in the City and accelerated the level of refinancing transactions experienced over the last several years, but the recent events of fiscal year 2015 have led to mixed signs that require cautiousness for the near future. The number of houses sold as reported by the Metropolitan Regional Information System (MRIS) increased, for the third year in a row, by 22.7% in fiscal year 2015, which is on top of the 13.1% experienced in fiscal year 2014. However, the annual average price of houses sold in the City fell by 3.08% in fiscal year 2015. While growth in pricing had slowed last year, this is the first downturn in sales prices since the City recovered from the recession. Specifically, the average home price for fiscal year 2015 sales was down to \$154,707, from the \$159,621 average price the City experienced in fiscal year 2014.

The improvement in the housing market has also extended to the development of new apartments. Over 1,100 apartment units are currently under construction in the downtown area with expected delivery times between fiscal year 2015 and fiscal year 2016, with another 1,374 units in the planning phase. The City maintains a strategic position as an affordable housing market for buyers in the region. This is particularly important as the regional market has grown to include more Washington, D.C. and Northern Virginia commuters.

Port

Port activity is sensitive to factors affecting the world trade: the state of the economies abroad and currency markets, among other factors. In calendar year 2014, the Port of Baltimore (the Port) experienced a mixed effect in its level of activity. The total tonnage of foreign commerce decreased about 0.92 million tons, or 3.02%, from the 30.4 million tons handled in calendar year 2013, mainly explained by the decline in exports of 4.4 million tons attributable to the 15.0% decrease in coal exports, from 15.1 million tons in calendar year 2013 to 12.9 million tons in calendar year 2014. Additionally, the closure of the Sparrows Point steel mill virtually eliminated all iron ore imports reducing it from 0.493 million tons in calendar year 2013 to merely 28,000 in calendar year 2014. The reduction in total value was \$0.29 billion, or 0.55%, from the \$52.4 billion of calendar year 2014, still representing the fourth year in a row with total value above the \$50 billion mark. No material change was experienced in the level of foreign and domestic cargo activity, maintained at 9.7 million tons in calendar year 2014. The Port continues to be ranked as the 9th largest nationwide port in dollar value, and 13th largest nationwide in tonnage.

Tourism and Travel Industry

The tourism and travel industries activity continued to dip. In fiscal year 2015, the Baltimore Convention Center hosted 123 events, 9 fewer events than fiscal year 2014, and 29 fewer events than fiscal year 2013. After an unprecedented 40.7% gain in attendance in fiscal year 2014 (3,650 to 5,137), the average attendance per event decreased 39% from 5,137 to 3,142 in fiscal year 2015. The negative impact of the spring riots and future related trials may be the main factor affecting the tourism industry during fiscal year 2015 and through fiscal year 2016. Hotel revenue was down an average 5% in the fourth quarter of fiscal year 2015 compared to the fourth quarter of fiscal year 2014. In fiscal year 2015, the number of available hotel rooms in the City averaged 310,000 rooms per month. However, the average demand experienced a 2% decrease and the occupancy rate also decreased from 75.1% in fiscal year 2014, to 72.4% in fiscal year 2015. The average rate per room increased 3% to \$159.9 per room. However, there were approximately 21.9 million commercial passengers that used the Baltimore Washington International Thurgood Marshall Airport (BWI), an increase of 1.4% compared to fiscal year 2014. Alternatively, cruise activity through the Port experienced another good year in fiscal year 2015. More than 90 cruises departed from the Port carrying approximately 200,000 passengers. For the third time, the luxury ship, Crystal Symphony, departed from Baltimore, in November 2015, and Carnival and Royal Caribbean Cruise Lines continued to offer year-round cruising from the Maryland Terminal. In fiscal year 2015, the Port ranked 6th among the east coast ports, 11th nationwide, and 20th worldwide in cruise departures.

Office Development

Through the 1st quarter of fiscal year 2016, the City's office market inventory was reduced from a fiscal year 2015 mid-year level of 178 to 176 buildings, experiencing a market size reduction of 1.4%, from 22.1 million square feet to 21.8 million square feet as of September 2015. Net absorption also decreased by 119,655 square feet as of September 2015. However, the decline, due to continuing conversions of obsolete class B/C office space to multi-family rental properties, was offset by 140,000 square feet of space at 1215 Fort Avenue being added to the market, with 112,000 square feet of the building already leased. The City Center vacancy rate decreased from 17.3% to 15.3% over this period, as the average rental rate in the area climbed over \$1.60 per square foot, from \$20.07 to \$21.68. The declining vacancy rate for the City Center is a continuing trend, with 15.3% being the lowest vacancy rate the area has experienced in over 5 years.

Interesting developments during this period included a continued migration to higher quality (Class A+) office space, which is currently boasting an impressive 5.11% vacancy rate in the City Center area. Progress continues on the Exelon building at Harbor Point, while elsewhere in the City, the 1215 Fort Avenue property, McHenry Row II, continues to attract tenants, and the renovations to the Rotunda's offices in the Northern part of the City have been completed.

FINANCIAL ACCOMPLISHMENTS

Over the past five years, the City has closed more than \$400.0 million in cumulative budget shortfalls by prioritizing spending, gaining efficiency, reducing legacy costs, and diversifying revenues. Remarkably, Baltimore today has a larger fund balance and lower property tax rate than before the Great Recession, and its combined pension and OPEB unfunded liabilities shrank from \$3.2 billion in fiscal year 2011 to \$2.4 billion in fiscal year 2015. A series of reforms over the past three years has helped to reduce the City's unfunded OPEB liability from \$2.1 billion to \$791 million, as of fiscal year 2015.

TEN-YEAR FINANCIAL PLAN

On February 20, 2013, the Mayor released *Change to Grow: A Ten-Year Financial Plan for Baltimore*. The Ten-Year Plan, a first of its kind for the City, calls for comprehensive reforms to close a projected \$745.0 million structural budget deficit, make Baltimore's taxes more competitive, increase infrastructure investment, and reduce the City's long-term pension and health care liabilities.

Implementation of the Ten-Year Plan began in fiscal year 2013 with two key initiatives: The 20 Cents by 2020 program to reduce the effective property tax rate for owner-occupied properties, and health benefit changes for employees and retirees that will save the City \$20.0 million a year.

In fiscal year 2014, the City implemented Ten-Year Plan initiatives to further reduce the fiscal gap, including pension changes for current and future employees, a new schedule for firefighters, a revenue package, a State-mandated stormwater fee, a reduction to the real property tax rate and the discontinuation of retiree pharmacy benefits. The City is projected to save \$395 million through fiscal year 2022 as a result of these initiatives.

The fiscal year 2015 budget reflected the implementation of more Ten-Year Plan initiatives, including reducing workers' compensation payments, increasing parking revenues, reducing the size of the City's workforce and the City's fleet. In addition to targeted savings initiatives, a number of the initiatives planned in the fiscal year 2015 budget are investments, including increasing the contribution to the budget stabilization reserve, increasing PAYGO capital funding, increasing general obligation debt authority, and implementing a new pay schedule for professional employees to help with recruitment and retention.

HIGHLIGHTS OF THE FISCAL YEAR 2016 ADOPTED BUDGET

The proposed fiscal year 2016 Board of Estimates Budget Plan reflects a recovering economy. It continues the City's momentum toward fiscal sustainability, boosts investments in infrastructure and economic growth, and makes City services more proactive while trimming the workforce to its smallest size in modern history.

The budget plan projects General Fund revenue growth of \$72.9 million (4.4%) over the fiscal year 2015 estimate, the largest increase since before the Great Recession. The revenue growth is driven by rising property values. Triennial assessments for Group 3 properties (southern tier of the City) were up by 9.6%, marking the second year in a row of assessment growth after four years of decline.

The Mayor's Ten-Year Financial Plan has already cut the City's long-range structural budget deficit by more than half, reduced the property tax rate by more than 6% for homeowners, pumped nearly \$100 million into blight elimination and infrastructure projects, and shrunk the City's unfunded pension and healthcare liabilities by \$850 million (27%).

The budget plan makes responsible choices to continue this kind of progress, including restructuring the Charm City Circulator to cut operating costs and invest in fleet replacement; boosting general obligation borrowing to a record \$65 million while maintaining sound debt ratios; shrinking the size of the City's fleet while continuing an aggressive vehicle replacement program to lower maintenance and fuel costs; eliminating unnecessary health benefit costs while improving employee wellness; and strengthening the City's statement of net position by building reserves and addressing fund balance deficits.

The Mayor has encouraged City agencies to find creative ways to make their services more proactive and to get ahead of the service call backlogs that result in reactive and inefficient work. Over the past two years, the City has taken steps to mow vacant properties on a schedule and regularly sweep every street. The Preliminary Budget Plan for fiscal year 2016 continues the transition to more proactive City services. Among the highlights:

- A smarter police patrol schedule that matches deployments to crime activity and greatly reduces overtime costs;
- A new approach to EMS that adds basic life support units during peak periods, speeding response times and reducing costs at the same time;
- New technology that will increase the productivity of "Healthy Homes" case workers by 25%, meaning that more families will get help reducing asthma triggers;
- Proactive street tree pruning that will improve the City's "green infrastructure" and head off emergency service calls and property damage due to falling limbs;
- Rat Rub-Out will transition from reactive to proactive, with alleys inspected every 20 days; and
- New capital spending, including \$21.8 million in general fund capital transfers, \$15 million in transportation bond funding, and \$65 million in general obligation bond funding – the highest level in the City's history – continues the City's reversal of years of deferred investment.

The budget plan supports the Mayor's vision to grow Baltimore's population by 10,000 families and is built around seven Priority Outcomes. Below are highlights of what the budget plan includes for each Priority Outcome.

Better Schools

Funding for Better Schools represents an investment in Baltimore's greatest asset: our youth. This priority aims to promote lifelong learning, community engagement and partnerships, and reduce duplication of services for youth.

Over the past three years, kindergarten readiness, the graduation rate, and the dropout rate for Baltimore City have improved, but third grade reading scores have fallen and attendance rates remain flat. This budget maintains funding for services that provide enriching Out of School Time (OST) programming for Baltimore's children and:

- Fully funds the City's Maintenance of Effort (MOE) payment to the Baltimore City Public School System (BCPSS) at \$237.5 million, which includes \$29.8 million for retiree healthcare. The City's teacher pension contribution is \$17.9 million, \$3.1 million above the fiscal year 2015 level.
- Provides \$38.7 million for the Mayor's Better Schools Initiative to modernize City school buildings. Funding sources include proceeds from the beverage container tax, casino lease revenues, State formula aid leveraged by the City, and a general obligation bond allocation.
- Keeps all library branches open and maintains Sunday hours of operation to improve third-grade reading and kindergarten readiness, and support life-long learning.
- Maintains funding of \$6.1 million for OST programs administered by the Family League of Baltimore City. Funding for these programs has grown by \$1.3 million over the past four years, even as the City has struggled to close large budget deficits. In fiscal year 2016, 28,000 children will be served by Community Resource Schools, OST programs, and summer programming.
- Funds an enhancement that will invest in eight highly experienced mentor-coaches, placed in Baltimore City Head Start (BCHS) classrooms to work with BCHS teachers and teacher assistants. The coaches will help them to use evidence-based early childhood intervention practices, and will have a direct and measurable impact on school readiness for all 759 students in the City's Head Start program.

- Funds home visiting services for 770 first-time and/or high-risk mothers and families through the B'more for Healthy Babies initiative (BHB), improving birth outcomes for Baltimore's youngest residents. Recommended enhancement funding will invest in a database that will monitor and track BHB efforts around trainings, provider and community outreach, and an inventory of promotional and informational materials.
- Supports 850 disconnected and out of school youth who attend two Youth Opportunity (YO!) Centers to access a full range of educational, occupational, and personal support services in a "one-stop" safe and nurturing environment. High school dropouts are able to build their academic skills, learn about and train for careers, and receive individualized guidance from adult mentors at YO! Centers. Recommended enhancement funding will invest in updating an outdated computer lab, allowing youth to prepare for and take the GED online, as well as fill out job applications online.
- Provides funding to support year-round Head Start and Early Head Start at the Dukeland facility. This program will serve 28 infants and toddlers as well as 68 children ages 3-5 with evidence-based programming geared towards increasing kindergarten readiness.

Safer Streets

Creating and maintaining a safe City requires both long-term preventive measures and the capacity for effective response to crime, fire, accidents, and other emergencies.

Property and violent crimes have trended downward over the past eight years. Preliminary fiscal year 2014 figures show a continuation in the reduction of both property and violent crime rates from fiscal year 2013. Fire response times have improved, and the Emergency Medical System (EMS) is meeting response time standards more often. This budget includes continued investments to bolster the crime fight, as well as new support for programs that seek to mitigate crime and help ex-offenders successfully re-enter the Baltimore community.

- Puts more officers on the street during peak crime hours, while reducing overtime spending and improving officer pay.
- Invests additional resources in daytime and nighttime Youth Connection Centers. This initiative aims to prevent youth-involved victimization and perpetration of crime, and offers a safe, supportive environment in which young people and their families can obtain supportive services. Daytime centers are a collaboration with the BCPSS to immediately address truancy and work with absentee children to address the issues inhibiting them from engaging in classroom learning.
- Supports the Fire Department's implementation of a two-tier approach to EMS services. This model will result in additional medic units available during peak times resulting in improved response times and improved patient outcomes.
- Continues the City's commitment to Youth Violence Prevention. Programming partners with local, State and national agencies to ensure wraparound service delivery for Baltimore's Youth.

Stronger Neighborhoods

Strong neighborhoods have healthy real estate markets; are well-maintained and safe; have clean, green open spaces; have relevant and desirable amenities; have optimal levels of homeownership; and have engaged neighbors with strong community organizations.

The percent of the population utilizing sustainable forms of transportation grew by 5% in fiscal year 2014. Most citizens are still dissatisfied with the condition of streets and sidewalks. The number of vacant properties, along with poorly maintained homes, is also a concern for citizens. Although the quality and availability of recreational opportunities improved in fiscal year 2014, most residents are still looking for more from these services. This budget sustains property tax reductions and invests in new initiatives that address these citizen concerns.

- Sets the effective property tax rate for City homeowners at an average of \$2.131 per \$100 of assessed value, representing an average effective rate reduction of 13.7 cents (6.0%) since fiscal year 2012 under the Mayor's *20 Cents by 2020* initiative.
- Restructures the Charm City Circulator so that the costs of operations are covered by dedicated parking taxes, grants and earned revenues. A general fund subsidy of \$2.9 million is necessary to begin a bus replacement reserve and reduce an accumulated fund deficit. A study of the service by the Bureau of Budget and Management Research found that it had accumulated an \$11 million deficit through fiscal year 2014, and without changes,

would continue running deficits upwards of \$6 million a year into the foreseeable future. Service modifications will reduce the projected fiscal year 2016 deficit by \$3.1 million and specific changes are currently under review. The City is actively pursuing sponsorship funding to make the Circulator fully self-supporting.

- Supports the Mayor's Vacants to Value program with \$10 million in capital funding for whole-block demolition and relocation, and \$4.2 million for homeownership incentives. The fiscal year 2016 budget also maintains funding for Housing Code Enforcement, allowing the Department of Housing and Community Development to continually increase the number of vacant structures made habitable or razed through code enforcement.
- Helps to grow Baltimore not only by attracting new residents, but retaining those we already have. A \$167,000 investment in Live Baltimore will expand marketing of the Resident Retention Tax Credit, helping develop a robust second-time homebuying market in Baltimore City.
- Provides \$10 million in capital funding to resurface neighborhood streets, \$7.95 million for bridge repairs, and \$5 million for Midtown Streetscape and Traffic Improvement. An additional \$750,000 in operating funds is included for the implementation of a Bike Share program.
- Provides over \$1 million for the Rat Rub-Out Program, initiating a proactive treatment cycle for neighborhood rat abatement. In fiscal year 2016, the Department of Public Works will inspect all 12,000 alleys in the City every 20 days and bait all burrows to reduce rat activity.
- Invests nearly \$350,000 for high-speed internet infrastructure at Community Recreation Centers, allowing for the expansion of RecPro software to all facilities. RecPro will enable the Department of Recreation and Parks to set up online registration for recreation and sports programs and offer activities that better meet community needs.
- Maintains funding for recreation centers, public pools, and park maintenance. In fiscal year 2016, the Department of Recreation and Parks will open new gymnasiums at C.C. Jackson and Rita Church Community Centers, and continue construction of new model centers at Cahill and Cherry Hill, and newly renovated pools at C.C. Jackson and Druid Hill.

A Growing Economy

A growing economy leverages public-private-non-profit partnerships; respects and supports diversity; and recognizes the interconnectivity of all economic factors – investment, key economic drivers, workforce, quality of life, and infrastructure.

The City's economy has bounced back from the Great Recession, and many economic indicators continue to move toward pre-recession levels. Data show that the City's core industries – healthcare, financial and food/accommodations – are posting moderate growth, strengthening the City's economic outlook. At the end of fiscal year 2014, moreover, the unemployment rate was at its lowest year-end rate since fiscal year 2008, and growth remains strongest in "higher wage" occupations. This budget builds on these gains by bolstering support for small businesses, tourism and attraction, and workforce development, among other goals.

- Gives one-time enhancement funds to the Office of Employment Development, which will upgrade technology in the two adult One Stop Centers and two Youth Opportunity Centers. The modernization will enable the agency to provide job-seekers of all ages with the tools to compete in today's job market. Funds were also provided to expand a pilot program that assists ex-offenders with finding employment.
- Doubles funding for the Small Business Resource Center, which will upgrade its technology and hire a Spanish translator to serve an increasingly diverse clientele.
- Maintains funding for key cultural institutions, such as the art museums, the Baltimore Symphony Orchestra, the Baltimore Office of Promotion and the Arts, the Maryland Zoo in Baltimore, the Baltimore National Heritage Area, and the Baltimore Public Markets.
- Provides enhancement funding for the Convention Center to replace chairs and tables that have been in use since the expanded facility opened in 1996, and to refurbish its floors. These upgrades will allow the Convention Center to provide quality facilities and retain market share in a competitive environment.
- Provides additional support to the Office of Civil Rights that will increase productivity for both Wage Enforcement and Discrimination Investigations.

Innovative Government

An innovative government adopts organizational change and encourages employee feedback and ideas; utilizes technology and best practices to streamline processes; leverages public and private partnerships to assist in service delivery; constantly re-evaluates and refines its internal business functions to be more efficient and effective; and encourages customer friendly service.

Over the past three years, the City has reduced its energy use, saving millions of dollars. The City has done more and more business online, increased the number of vendors doing business with the City, and improved the timeliness of vendor payments. Citizen satisfaction with City services has increased - with around 46% reporting they are “very satisfied” or “satisfied” on the annual survey – but not to where City leaders want it to be. This budget invests in making the City’s business processes more efficient and accountable.

- Funds the purchase of design and construction project management software. This centralized system will allow for the tracking of project milestones, performance, resources, and costs and will help increase the percentage of design and construction projects that are completed on time and within budget.
- Supports creation of a City-wide data warehouse which will eliminate manually intensive data gathering and reporting processes, allow for real-time Citistat analysis, and enable reporting across data sets currently housed in separate systems.
- Includes \$1.0 million to implement a pay-for-performance plan for managerial and professional positions.
- Provides funding for Lean Government events, employee training, and other initiatives to improve efficiency and customer service.
- Funds the third round of the City’s fleet modernization plan, which will allow for the purchase of 505 vehicles in fiscal year 2016. The goal of the plan is to reduce the age of the City’s fleet in order to shrink maintenance and fuel costs.

A Cleaner City

A cleaner City impacts public health (clean water, clean air, and safe buildings), as well as maintains a positive public image in the eyes of residents, tourists and daily visitors.

In the past three years, household recycling has increased to 23%, although the City did not achieve its 35% target by December 31, 2015. Despite these gains, only about a quarter of citizens rate the City’s cleanliness “excellent” or “good.” This budget:

- Continues support for the mechanical street and alley sweeping operations which have increased the number of lane miles swept.
- Maintains both proactive lot mowing and more cost-effective contractual tree trimming operations.
- Maintains funding for 1+1 trash and recycling collection, graffiti removal, and street and alley cleaning. The Ten-Year Financial Plan calls for the establishment of a solid waste enterprise. In preparation, the City will continue the pilot use of municipal trash cans and make the bulk trash service more cost-effective.
- Provides enhancement funding for the Proactive Tree Maintenance Program to ensure that trees on City right-of-ways maintain proper form, thus minimizing storm damage.

A Healthier City

A healthier City is one where residents realize their full health potential. Indicators of heart disease and substance abuse are rising. This budget promotes investment in programming that utilizes evidence-based approaches to service delivery and targets at-risk individuals for treatment, care, and referral services.

- Provides enhanced funding for the Virtual Supermarket Program, which aims to increase availability of healthy, affordable foods in identified “food desert” areas through community-based food access programs and partnerships.
- Invests in portable electronic devices to streamline workflow for the Community Asthma Program, improving capacity for case management of moderate to high risk asthmatic children.

- Supports continued funding of the needle-exchange program, which provides a needs-based exchange program and treatment options to reduce HIV transmission among intravenous drug users.
- Continues to support transition to permanent housing for homeless individuals through the Family Rapid Re-Housing Program and expansion of the Sarah's Hope family shelter.
- Maintains funding for Environmental Health and Emergency Health Services, which will target improved response for food facility inspections and disease outbreak investigations.

ACKNOWLEDGEMENTS

The preparation of this annual report could not have been accomplished without the efficient and dedicated services of the entire staff of the Bureau of Accounting and Payroll Services of the Department of Finance. We wish to express our appreciation to all members of the Bureau who assisted and contributed to its preparation. We are also grateful to the City's independent auditors, KPMG LLP, and the City Auditor for the professional assistance and advice they provided during the course of their audit. Finally, we would like to thank the members of the Board of Estimates and the City Council for their interest and support in planning and conducting the financial affairs of the City in a responsible and professional manner.

Respectfully submitted,

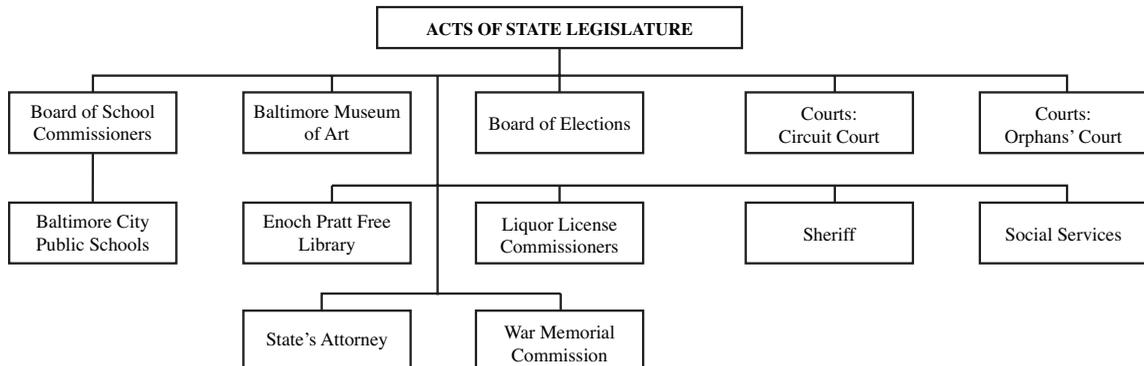
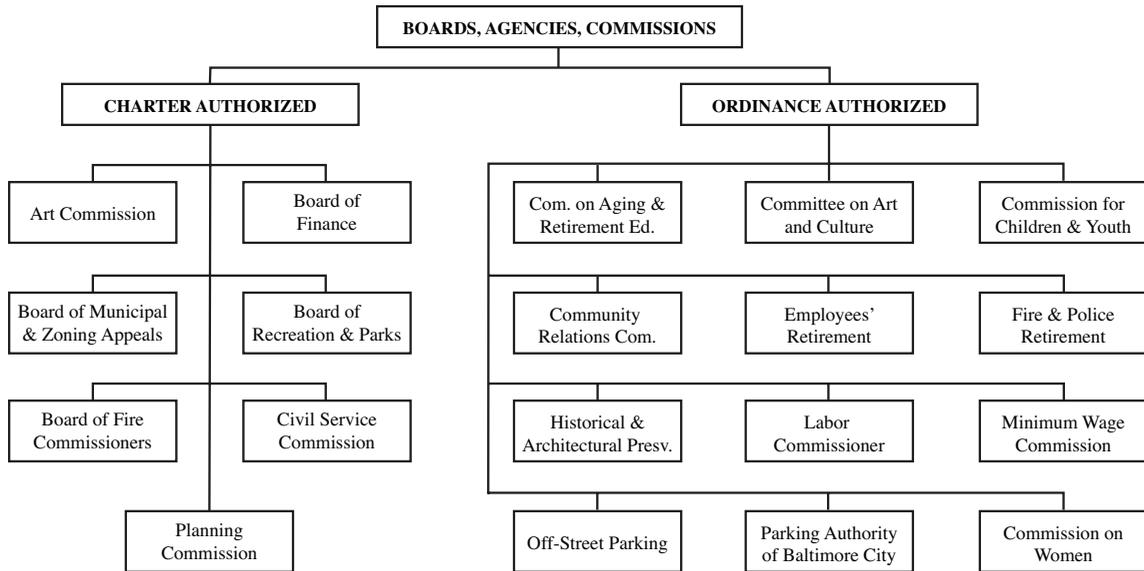
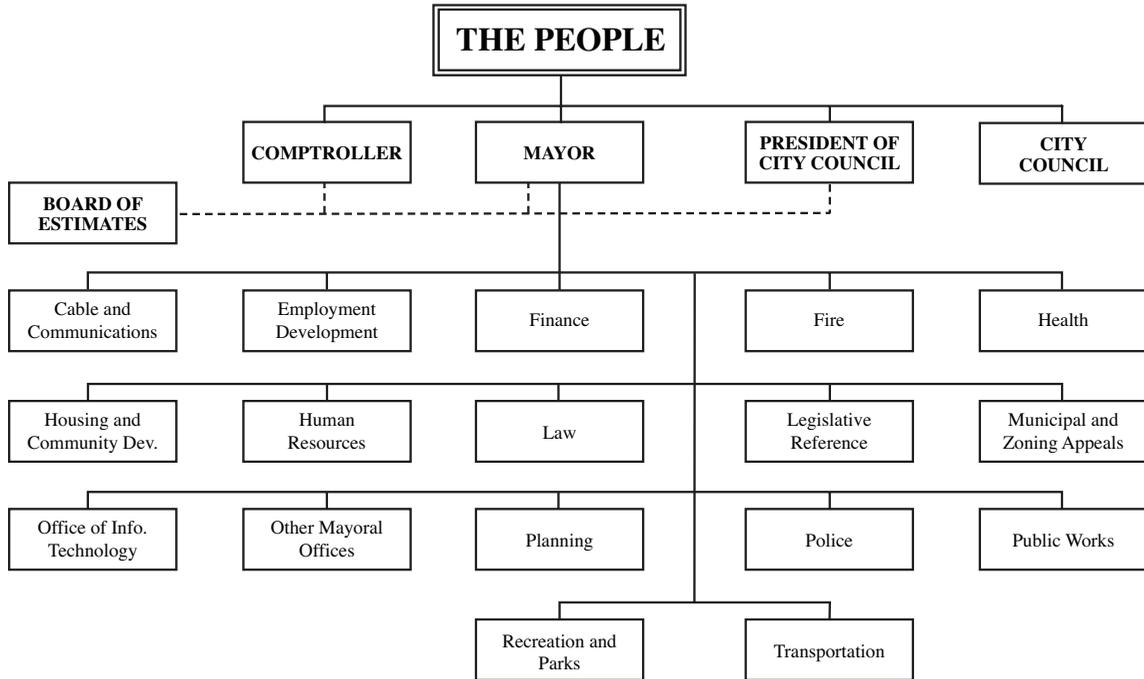


Catherine E. Pugh
Mayor

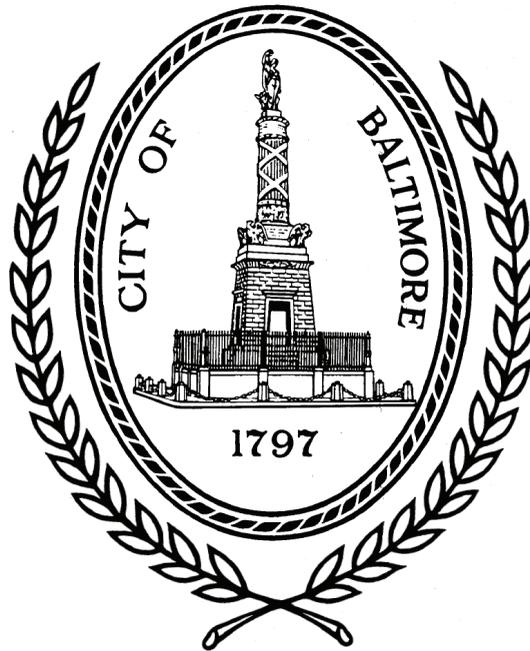


Henry Raymond
Director of Finance

MUNICIPAL ORGANIZATION CHART



FINANCIAL SECTION



- **Report of Independent Auditors**
- **Management's Discussion and Analysis**
- **Basic Financial Statements**
- **Notes to the Basic Financial Statements**
- **Required Supplementary Information**
- **Combining and Individual Fund Statements and Schedules**

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CITY OF BALTIMORE
CATHERINE E. PUGH
Mayor

DEPARTMENTS OF AUDITS
Room 321, City Hall
Baltimore, Maryland 21202



KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

The Mayor, City Council, Comptroller and Board of Estimates
City of Baltimore Maryland:

We have jointly audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Baltimore, Maryland (the City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not jointly audit the financial statements of the Pension Trust Funds, which includes the Employees' Retirement System, the Elected Officials Retirement System, and the Fire and Police Employees' Retirement System. These funds represent 83%, 91%, and 40% of the total assets and deferred outflows, net position, and revenues, respectively, of the aggregate remaining fund information. We also did not audit the Baltimore Hotel Corporation, a discretely presented component unit. The financial statements of the Pension Trust Funds and the Baltimore Hotel were audited by other auditors whose reports have been furnished to us. Our opinions, insofar as they relate to the amounts included for the Pension Trust Funds and the Baltimore Hotel Corporation, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, except for the matter discussed in the following paragraph. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

The City Auditor did not have an external peer review by an unaffiliated audit organization as required by Chapter 3 of *Government Auditing Standards* at least once every three years. The last external peer review was for the period ending December 31, 2011. The City Auditor is in the process of engaging an unaffiliated audit organization to conduct an external peer review for the three-year period ending December 31, 2014.

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



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

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Unmodified
Business-Type Activities	Unmodified
Aggregate Discretely Presented Component Units	Adverse
General Fund	Unmodified
Grants Revenue Fund	Qualified
Capital Projects Fund	Unmodified
Water Utility Fund	Unmodified
Wastewater Utility Fund	Unmodified
Stormwater Utility Fund	Unmodified
Parking Facilities Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Basis for Adverse Opinion on Aggregate Discretely Presented Component Units

As discussed in note 1, the financial statements do not include financial data for the Baltimore City Public School System, which is one of the City's legally separate component units. U.S. generally accepted accounting principles require the financial data for component units to be reported with the financial data of the City's primary government. The City has not issued such reporting entity financial statements. This departure from U.S. generally accepted accounting principles impacts the assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses of the aggregate discretely presented component units; however, the amounts by which these items would be affected has not yet been determined.

Adverse Opinion

In our opinion, because of the significance of the matter described in the *Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units* paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of the City of Baltimore, Maryland, as of June 30, 2015, or the changes in financial position thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Qualified Opinion on Grants Revenue Fund

The City reported approximately \$14 million of unearned revenue in its grants revenue fund, which represents 12% of the fund's total liabilities as of June 30, 2015. The City was unable to provide sufficient evidential matter that supported the unearned revenue reported in the fund. It was not practicable to extend our auditing procedures sufficiently to satisfy ourselves as to the existence of the unearned revenue reported in the fund's balance sheet as of June 30, 2015.



Qualified Opinion

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion on the Grants Revenue Fund* paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the grants revenue fund of the City of Baltimore, Maryland, as of June 30, 2015, and the changes in financial position thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Unmodified Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, general fund, capital projects fund, water utility fund, wastewater utility fund, stormwater utility fund, parking facilities fund, and the aggregate remaining fund information of the City of Baltimore, Maryland, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 21 to the financial statements, in fiscal year 2016, the City implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, *Financial Reporting for Pension Plans*, and Statement No. 71, *Pensions Transition for Contributions Made Subsequent to the Measurement Date as Assets and Liabilities*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis and the required supplementary information on pages 5 through 17 and on pages 81 through 86 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Baltimore's basic financial statements. The combining and individual fund financial statements and schedules, and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules 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, based on our audit and the reports of the other auditors, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2017 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read 'Robert L. McCarty Jr.'.

Robert L. McCarty Jr., CPA
City Auditor
Department of Audits

March 24, 2017

The KPMG LLP logo, with 'KPMG' in a large, bold, black, sans-serif font and 'LLP' in a smaller, bold, black, sans-serif font to its right.

Independent Auditors

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

This section of the City of Baltimore's (City) Comprehensive Annual Financial Report (CAFR) presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

FINANCIAL HIGHLIGHTS

The assets of the City exceeded its liabilities at the close of fiscal year 2015 by \$3.5 billion (net position). This amount includes \$173.6 million (restricted net position) and is net of an unrestricted deficit of \$1.6 billion. During the fiscal year, the City's total net position increased by \$304.2 million.

As of June 30, 2015, the City's governmental funds reported combined ending fund balances of \$269.0 million. At the close of the fiscal year, unassigned fund balance for the general fund was \$112.6 million.

The City's total long-term debt increased by \$22.7 million during fiscal year 2015.

OVERVIEW OF THE FINANCIAL STATEMENTS

Governmental Accounting Standards Board Statement No. 34 requires the utilization of dual focus financial reporting. The purpose of this overview is to provide the reader with an introduction to the City's basic financial statements prepared under these reporting requirements.

The City's basic financial statements comprise three components:

- (1) Government-wide financial statements,
- (2) Fund financial statements, and
- (3) Notes to the basic financial statements.

The report also contains required and other supplementary information including notes to the Required Supplementary Information in addition to the basic financial statements themselves.

Measurement focus refers to what is measured and reported in a fund's operating statement while basis of accounting determines when a transaction or event is recognized in these funds. Under the accrual basis of accounting, most transactions are recorded when they occur, regardless of when cash is received or disbursed. Under the modified accrual basis of accounting, revenues and other financial resources are recognized when they become susceptible to accrual; that is, when they become both measurable and available to finance expenditures of the current period. Expenditures are recognized when the fund liability is incurred with certain exceptions.

Financial Report Layout and Structure

The total economic resources focus is intended to determine if a fund is better or worse off economically as a result of events and transactions of the period. This focus utilizes the accrual basis of accounting to record events and transactions that improve (revenues or gains) or diminish (expenses or losses) a fund's economic position. It is the focus used by businesses. Until the advent of GASB 34, this focus was utilized by the public sector only to report on its business (self-supporting) activities.

The current financial resources focus is intended to determine if there are more or less resources that can be spent in the near future as a result of events and transactions of the period. This focus utilizes the modified accrual basis of accounting to record increases (revenues or other financing sources) or decreases (expenditures and other financing uses) in a fund's spendable resources. For most state and local governments, this focus is their legally mandated accounting method and with the incorporation of encumbrances (spending commitments), the one utilized to determine adherence to budgetary requirements.

Layout and Structure of the City of Baltimore Comprehensive Annual Financial Report

C A F F R	Introductory Section				
	Financial Section				
		Management's Discussion and Analysis			
		Government-wide Statements	Fund Statements		
			Governmental Funds	Proprietary Funds	Fiduciary Funds
	View	Broad overview similar to a private sector business	Grouping of related activities used by state and local governments to ensure and demonstrate compliance with finance-related legal requirements		
	TYPES OF FINANCIAL STATEMENTS	Statement of Net Position	Balance Sheet	Statement of Net Position	Statement of Fiduciary Net Position
			Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Revenues, Expenses, and Changes in Net Position	
		Statement of Activities		Statement of Cash Flows	Statement of Changes in Fiduciary Net Position
		Full accrual basis for revenues and expenses, includes all assets and liabilities. Economic resource focus	Modified accrual basis for revenues and expenses. Financial resource measurement focus	Full accrual basis for revenues and expenses, includes all assets and liabilities. Economic resource focus	Accrual basis-agency funds do not have measurement focus
	Notes to the Basic Financial Statements				
	Required Supplementary Information				
	Combining and Individual Fund Statements and Schedules				
	Statistical Section				

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. This section contains the Statement of Net Position and the Statement of Activities.

The Statement of Net Position presents information on all of the City'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 or not the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City'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, such as, revenues pertaining to uncollected taxes and expenses pertaining to earned, but unused, vacation and sick leave.

Both of the government-wide financial statements distinguish functions of the City 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 City include general government, public safety and regulation, conservation of health, social services, education, public

library, recreation and culture, highways and streets, sanitation and waste removal, public service, economic development, and interest expense. The business-type activities of the City include water, sewer and stormwater utilities, parking facilities and several other fee supported activities.

The government wide financial statements include the Baltimore City Hotel Corporation. The summary financial information for this component unit is separately audited and reported separately from the financial information presented for the primary government itself. The Baltimore City Public School System prepares its own financial statements, which are also audited, but the City has not presented these statements as part of the component unit presentation. The Baltimore Hotel Corporation prepared its own financial statements in conformity to FASB ASC 958, *Not-for-Profit Entities*.

Fund Financial Statements

The fund financial statements are designed to report information about groupings of related accounts which are used to maintain control over resources that have been segregated for specific activities or objectives. The City, 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 City can be divided into the following three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements, i.e., most of the City's basic services are reported in governmental funds. These statements, however, focus on; (1) how cash and other financial assets can readily be converted to available resources and (2) the balances left at year-end that are available for spending. Such information may be useful in determining what financial resources are available in the near future to finance the City's programs. 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 doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains several major governmental funds (general, grants revenue, and capital projects). Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for these major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements as presented in supplementary information herein.

Proprietary funds

Proprietary funds are generally used to account for services for which the City charges customers — either outside customers, or internal units or departments of the City. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the City's enterprise and internal service funds are charges for customer services including: water, sewer, parking fees, commercial and industrial rents, printing services, vehicle maintenance fees, telecommunication, stormwater, central post office fees, energy conservation, building maintenance and risk management. Operating expenses for enterprise funds and internal service funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Proprietary funds provide the same type of information as shown in the government-wide financial statements.

The City maintains the following two types of proprietary funds:

- *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Enterprise funds are used to account for the operations of the City's business-type activities and include water, sewer and stormwater utilities, and parking facilities, all of which are considered to be major funds of the City, and several other non-major fee supported activities.

- *Internal Service funds* are used to report activities that provide supplies and services for certain City programs and activities. The City uses internal service funds to account for its fleet of vehicles, printing and mail services, telecommunications services, energy conservation, building maintenance, hardware and software replacement and risk management program. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Fiduciary funds

Fiduciary funds are used to report net position held in a trust or agency capacity for others. These resources cannot be used to support the City's own programs and are not reflected in the government-wide financial statements. The City's fiduciary funds are comprised of pension trust, OPEB trust and agency funds.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information such as the general fund budgetary basis financial statement, the Retirement Systems' changes in net pension liability and investment return ratios, and the City's progress in funding its other postemployment benefits obligation.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Primary Government)

The City's financial statements are prepared in conformity with the reporting model required by 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. The report includes prior fiscal year results for the purpose of providing comparative information for the MD&A.

CITY OF BALTIMORE **Net Position** **For the fiscal years 2015 and 2014**

(Expressed in Thousands)

	Governmental activities		Business-type activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 1,037,753	\$ 1,068,290	\$ 1,108,407	\$ 956,775	\$ 2,146,160	\$ 2,025,065
Capital assets, net	3,177,328	3,195,959	3,899,662	3,512,216	7,076,990	6,708,175
Deferred outflows of resources	205,079	14,401	136,721	99,153	341,800	113,554
Total assets and deferred outflows of resources	4,420,160	4,278,650	5,144,790	4,568,144	9,564,950	8,846,794
Long-term liabilities outstanding	2,923,505	1,587,375	2,163,404	1,845,720	5,086,909	3,433,095
Other liabilities	539,014	541,986	292,953	201,599	831,967	743,585
Deferred inflows of resources	179,911		15,337		195,248	
Total liabilities and deferred inflows of resources	3,642,430	2,129,361	2,471,694	2,047,319	6,114,124	4,176,680
Net position:						
Invested in capital assets, net of related debt	2,520,873	2,569,231	2,379,232	2,215,884	4,900,105	4,785,115
Restricted	15,946	22,598	157,613	180,965	173,559	203,563
Unrestricted (deficits)	(1,759,089)	(442,540)	136,251	123,976	(1,622,838)	(318,564)
Total net position	\$ 777,730	\$ 2,149,289	\$ 2,673,096	\$ 2,520,825	\$ 3,450,826	\$ 4,670,114

Analysis of Net Position

As noted earlier, net position may serve as a useful indicator of the City's financial position. For the City, assets exceeded liabilities by \$3.5 billion at the close of fiscal year 2015. The City's net position includes its investment of \$4.9 billion in capital assets (e.g., land, buildings, and equipment), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City'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 liquidated for these liabilities. An additional portion of the City's net position, \$173.6 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance is a deficit in unrestricted net position of \$1.6 billion.

CITY OF BALTIMORE Changes in Net Position For the fiscal years 2015 and 2014

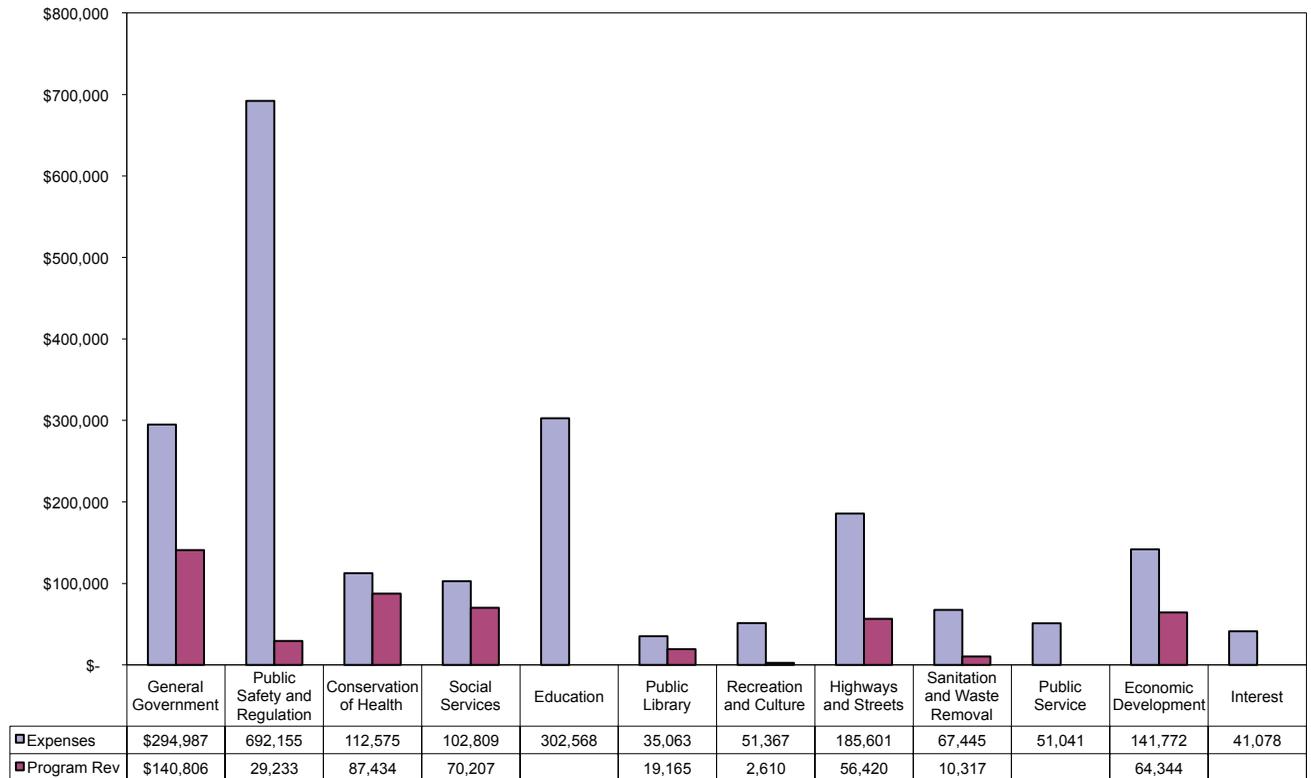
(Expressed in Thousands)

	Governmental activities		Business-type activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 107,482	\$ 103,331	\$ 518,388	\$ 509,153	\$ 625,870	\$ 612,484
Operating grants and contributions	318,266	431,515			318,266	431,515
Capital grants and contributions	54,788	71,806	201,880	131,574	256,668	203,380
General revenues:						
Property taxes	816,199	810,824			816,199	810,824
Income taxes	300,014	284,437			300,014	284,437
State shared revenue	147,608	131,180			147,608	131,180
Transfer and recordation tax	70,913	74,545			70,913	74,545
Electric and gas tax	41,185	40,997			41,185	40,997
Telecommunications tax	33,535	33,389			33,535	33,389
Admission tax	8,236	7,460			8,236	7,460
Other	147,891	97,303	5,809	2,186	153,700	99,489
Total revenues	2,046,117	2,086,787	726,077	642,913	2,772,194	2,729,700
Expenses:						
General government	294,987	278,892			294,987	278,892
Public safety and regulation	692,155	673,680			692,155	673,680
Conservation of health	112,575	125,383			112,575	125,383
Social services	102,809	112,301			102,809	112,301
Education	302,568	306,128			302,568	306,128
Public library	35,063	34,550			35,063	34,550
Recreation and culture	51,367	52,540			51,367	52,540
Highways and streets	185,601	172,330			185,601	172,330
Sanitation and waste removal	67,445	63,623			67,445	63,623
Public service	51,041	50,260			51,041	50,260
Economic development	141,772	208,870			141,772	208,870
Interest	41,078	41,967			41,078	41,967
Water			160,208	155,308	160,208	155,308
Wastewater			182,769	179,306	182,769	179,306
Stormwater			15,747	18,292	15,747	18,292
Parking			19,183	23,528	19,183	23,528
Nonmajor proprietary			11,607	10,753	11,607	10,753
Total expenses	2,078,461	2,120,524	389,514	387,187	2,467,975	2,507,711
Increase (decrease) in net assets before transfers	(32,344)	(33,737)	336,563	255,726	304,219	221,989
Transfers:						
Transfers in (out)	61,495	(195,564)	(61,495)	195,564		
Change in net position	29,151	(229,301)	275,068	451,290	304,219	221,989
Net position - beginning (as restated)	748,579	2,378,590	2,398,028	2,069,535	3,146,607	4,448,125
Net position - ending	\$ 777,730	\$ 2,149,289	\$ 2,673,096	\$ 2,520,825	\$ 3,450,826	\$ 4,670,114

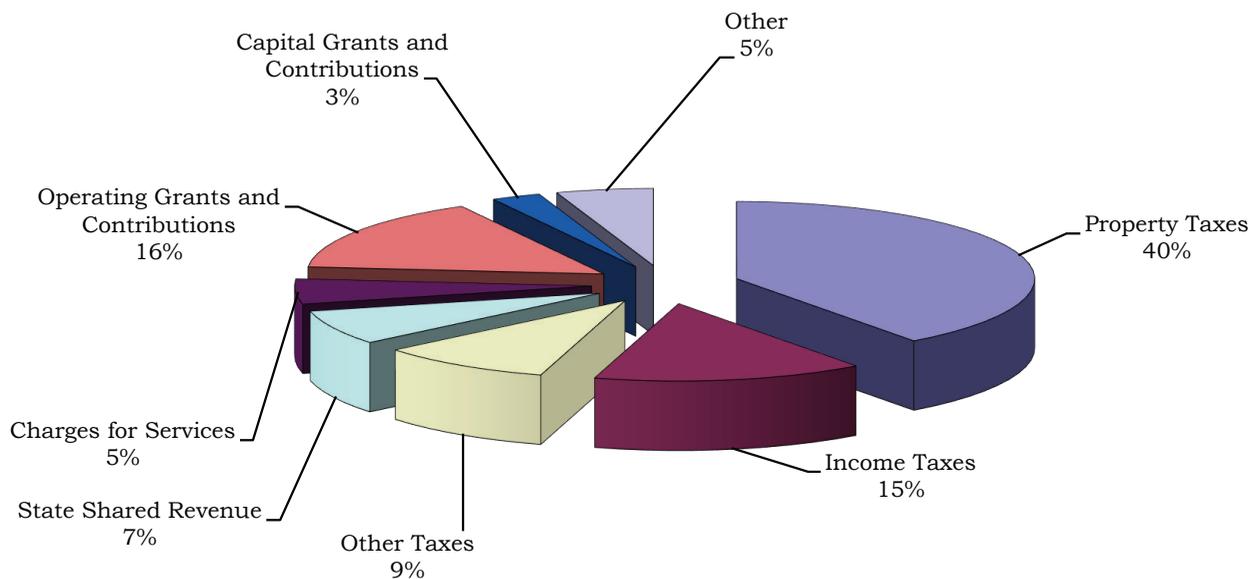
Analysis of Changes in Net Position

The overall increase in the City’s net position amounted to \$304.2 million during fiscal year 2015. These changes are explained in the governmental and business-type activities discussion below.

Expenses and Program Revenues — Governmental Activities (expressed in thousands)



Revenues By Source — Governmental Activities



Governmental Activities

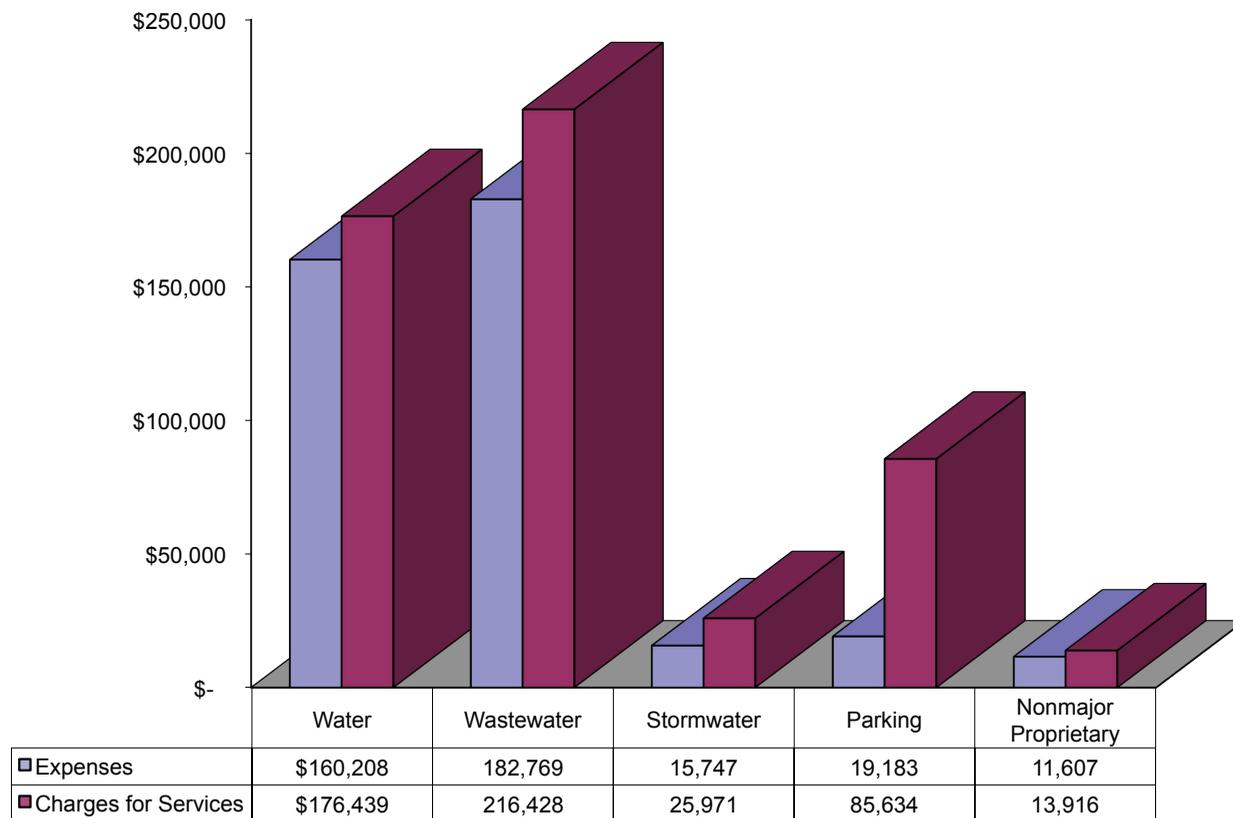
During the current fiscal year, expenses related to governmental activities amounted to \$2.08 billion, which is greater than revenues by \$32.3 million. Total revenue of \$2.05 billion is comprised of program revenues totaling \$480.5 million, or

23.5%. Program revenues are the principal source of funding for the City’s general government, health, and economic development activities. Other major activities including public safety and regulation, as well as the highways and streets program, are primarily supported by general revenues. A more detailed analysis of the governmental activities is discussed in the “Financial Analysis of the City’s Funds” section.

During fiscal year 2015, governmental revenue decreased by \$40.7 million.

Governmental expenses decreased by \$42.1 million during fiscal year 2015. This decrease is primarily attributable to decreases in economic development of \$67.1 million.

Expenses and Program Revenues—Business-type Activities (expressed in thousands)



Business-type Activities

Charges for services represent the principal revenue source for the City’s business-type activities. During the current fiscal year, revenue from business-type activities totaled \$726.1 million. Expenses and transfers for these activities totaled \$451.0 million and resulted in an increase in net position of \$275.1 million.

Operating revenues increased by \$13.0 million in fiscal year 2015 in the Water and Wastewater Utility Funds. Capital assets increased by \$387.4 million in the business-type activities primarily as a result of the utilities funds’ efforts to build environmentally sound facilities.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the City's financing requirements. In particular, an unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year. Types of major governmental funds reported by the City include the general fund, grants revenue fund, and capital projects fund. Data from the remaining governmental funds are combined into a single, aggregated presentation as other nonmajor funds.

CITY OF BALTIMORE
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Years 2015 and 2014
(Expressed in Thousands)

	2015	2014	Variance Amount
Revenues:			
General fund:			
Property taxes	\$ 785,535	\$ 780,846	\$ 4,689
Income taxes	300,014	284,437	15,577
Other local - taxes	198,966	192,835	6,131
Total local taxes	<u>1,284,515</u>	<u>1,258,118</u>	<u>26,397</u>
Licenses and permits	41,584	41,457	127
Interest, rentals, and other investment income	17,181	15,833	1,348
Federal grants	275	261	14
State grants	105,059	102,786	2,273
Other	209,368	198,837	10,531
Total revenues - general fund	<u>1,657,982</u>	<u>1,617,292</u>	<u>40,690</u>
Other governmental funds:			
Grants revenue fund	223,148	242,805	(19,657)
Capital projects fund	66,983	91,069	(24,086)
Other funds	41,327	36,279	5,048
Total revenues other governmental funds	<u>331,458</u>	<u>370,153</u>	<u>(38,695)</u>
Total revenues all governmental funds	<u>1,989,440</u>	<u>1,987,445</u>	<u>1,995</u>
Expenditures:			
General fund:			
General government	258,028	216,329	41,699
Public safety and regulation	679,202	625,432	53,770
Conservation of health	20,887	23,778	(2,891)
Social services	64,249	76,857	(12,608)
Education	265,939	273,241	(7,302)
Public library	24,942	24,577	365
Recreation and culture	39,349	39,796	(447)
Highways and streets	113,452	102,308	11,144
Sanitation and waste removal	64,422	59,837	4,585
Public service	43,895	41,241	2,654
Economic development	49,069	49,348	(279)
Total expenditures - general fund	<u>1,623,434</u>	<u>1,532,744</u>	<u>90,690</u>
Other governmental funds:			
Grants revenue fund	223,964	275,977	(52,013)
Capital projects fund	172,688	160,874	11,814
Other funds	107,159	105,502	1,657
Total expenditures other governmental funds	<u>503,811</u>	<u>542,353</u>	<u>(38,542)</u>
Total expenditures all governmental funds	<u>2,127,245</u>	<u>2,075,097</u>	<u>52,148</u>
Excess of expenditures over revenue	<u>(137,805)</u>	<u>(87,652)</u>	<u>(50,153)</u>
Other financing sources:			
Transfers, net	61,495	56,828	4,667
Capital projects fund:			
Capital contributions		(20,421)	20,421
Transportation revenue bonds	9,609		9,609
Premium on general obligation bonds	1,606		1,606
Face value of funding and refunding general obligation bonds	64,249	5,414	58,835
Total other financing sources	<u>136,959</u>	<u>41,821</u>	<u>95,138</u>
Net changes in fund balances	<u>(846)</u>	<u>(45,831)</u>	<u>44,985</u>
Fund balances beginning	269,884	315,715	(45,831)
Fund balances ending	<u>\$ 269,038</u>	<u>\$ 269,884</u>	<u>\$ (846)</u>

Revenues for governmental functions overall totaled approximately \$2.0 billion in the fiscal year ended June 30, 2015, which represents an increase of 0.1% from the fiscal year ended June 30, 2014. Expenditures for governmental functions, totaling \$2.1 billion, increased by approximately 2.5% from the fiscal year ended June 30, 2014. In the fiscal year ended June 30, 2015, expenditures for governmental functions exceeded revenues by \$137.8 million, or 6.9%.

The General Fund is the chief operating fund of the City. Revenues in the General Fund increased \$40.7 million as compared to fiscal year 2014. This increase was attributed to increases in income taxes and property taxes in fiscal year 2015. The total expenditures for the General Fund increased by \$90.7 million, or 5.9%, over fiscal year 2014.

The primary areas of change in the General Fund expenditures were in public safety and regulation, general government, social services, and highways and streets, and are explained as follows:

The increases in public safety and regulation, general government and social services expenditures were due primarily to overtime costs and civil unrest. The increase in expenditures for highways and streets was due primarily to unusually large snow and ice removal costs.

At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$112.6 million, while total fund balance was \$292.8 million. The fund balance in the City's General Fund decreased by \$7.7 million during the fiscal year.

The Grants Revenue Fund is used to account for the spending of various Federal, State and special purpose grant funds. Most of these grants are funded on an expenditure reimbursement basis and the application of Governmental Accounting Standards Board Statement No. 33 rules on revenue recognition results in year-to-year fluctuations in the fund balance due to timing and collectability. Should any portion of the grants receivable be determined uncollectable, the balance may be written off against the General Fund.

The Capital Projects Fund is used to account for the overall financing and expenditures of uncompleted projects. The fund balance deficit of \$5.4 million represents authorized projects which are still in progress.

Proprietary Funds

The City's business-type activities are comprised of the funds listed below. The nonmajor funds include the Loan and Guarantee Program, Industrial Development Authority, and Conduit Fund.

	(Expressed in Thousands)					
	Water, Wastewater and Stormwater Utility Funds		Parking Facilities Fund		Nonmajor Other Funds	
	2015	2014	2015	2014	2015	2014
Operating revenue	\$ 418,838	\$ 407,370	\$ 85,634	\$ 87,398	\$ 13,916	\$ 14,385
Operating expenses	316,759	316,242	9,900	13,686	11,388	10,658
Operating income (loss)	102,079	91,128	75,734	73,712	2,528	3,727
Non operating revenues (expenses), capital contributions, and transfers	173,281	352,506	(70,530)	(72,559)	(183)	5,958
Change in net position	\$ 275,360	\$ 443,634	\$ 5,204	\$ 1,153	\$ 2,345	\$ 9,685

As discussed in the Business-type activities section, the Water and Wastewater Utilities Funds experienced operating revenue increases in fiscal year 2015. These increases are attributable to rate increases implemented in fiscal year 2015.

The Parking Facilities Fund revenues increased during the current year. This is primarily due to increased parking rates.

General Fund budgetary highlights

CITY OF BALTIMORE
Schedule of Revenues, Expenditures and Encumbrances
and Changes in Fund Balance — Budget and Actual
Budgetary Basis — General Fund
For the Year Ended June 30, 2015

(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance With Original Budget Positive (Negative)	Variance With Final Budget Positive (Negative)
Total revenues	\$ 1,622,718	\$ 1,640,218	\$ 1,655,810	\$ 33,092	\$ 15,592
Expenditures and encumbrances:					
General government	215,013	237,640	294,000	(78,987)	(56,360)
Public safety and regulation	599,083	615,251	656,455	(57,372)	(41,204)
Conservation of health	20,595	20,595	25,124	(4,529)	(4,529)
Social services	2,101	2,101	2,883	(782)	(782)
Education	262,159	262,159	262,259	(100)	(100)
Public library	21,206	21,406	23,097	(1,891)	(1,691)
Recreation and culture	37,435	37,435	39,505	(2,070)	(2,070)
Highways and streets	63,836	70,336	98,865	(35,029)	(28,529)
Sanitation and waste removal	59,793	61,511	68,211	(8,418)	(6,700)
Public service	34,575	34,575	37,330	(2,755)	(2,755)
Economic development	60,326	61,325	65,605	(5,279)	(4,280)
Total expenditures	<u>1,376,122</u>	<u>1,424,334</u>	<u>1,573,334</u>	<u>(197,212)</u>	<u>(149,000)</u>
Excess of revenues over expenditures and encumbrances	246,596	215,884	82,476		
Other financing uses:					
Transfers in	35,914	35,914	55,960		
Transfers out	<u>(130,861)</u>	<u>(130,861)</u>	<u>(98,187)</u>		
Total other financing uses	<u>(94,947)</u>	<u>(94,947)</u>	<u>(42,227)</u>		
Net change in fund balances	151,649	120,937	40,249		
Fund balances beginning	212,057	212,057	212,057		
Fund balances ending	<u>\$ 363,706</u>	<u>\$ 332,994</u>	252,306		
Adjustments to reconcile to GAAP basis:					
Addition of encumbrances outstanding			89,705		
Less: Accounts payable not recorded for budgetary purposes			<u>(49,203)</u>		
Fund balance June 30, 2015 - GAAP Basis			<u>\$ 292,808</u>		

The City’s final budget differs from the original budget in that it contains carry-forward appropriations for various programs and projects, and supplemental appropriations approved after adoption, and during the fiscal year. During fiscal year 2015, supplemental appropriations totaling \$48.2 million were approved for the general fund, all of which were approved from prior year surplus or from unexpected increases in revenue sources. Actual expenditures for the year were greater than the original budget by \$200.2 million, but were \$152.0 million higher than adjusted appropriations. This amount was primarily related to three governmental activities: higher than budgeted costs for general government operations amounted to \$59.3 million; higher than budgeted costs for public safety and regulation amounted to \$41.2 million; and higher than budgeted costs for highways and streets amounted to \$28.5 million.

On a budgetary basis, revenues for fiscal year 2015 totaled \$1,655.8 million and expenditures and transfers totaled \$1,618.6 million. The excess of expenditures and transfers over revenues resulted in a budget basis fund balance at June 30, 2015, of \$249.3 million, an increase of \$37.3 million.

Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2015, amount to \$7.1 billion (net of accumulated depreciation). Capital assets include land, buildings and improvements, machinery and equipment, park facilities, roads, streets, bridges, and library books. The total increase in the City's net capital assets for the current fiscal year was 5.5% (a 0.6% decrease for governmental activities and an 11.0% increase for business-type activities) as shown in the table which follows.

Capital Assets, Net of Depreciation For the Fiscal Years 2015 and 2014

(Expressed in Thousands)

	Governmental activities		Business-type activities		Total	
	2015	2014	2015	2014	2015	2014
Land and other	\$ 367,167	\$ 372,016	\$ 36,920	\$ 36,920	\$ 404,087	\$ 408,936
Buildings and Improvements	907,525	949,677	2,094,296	1,875,360	3,001,821	2,825,037
Machinery and Equipment	99,586	91,590	57,374	49,142	156,960	140,732
Infrastructure	1,455,883	1,480,618	630,344	585,905	2,086,227	2,066,523
Library Books	19,474	21,195			19,474	21,195
Construction in Progress	327,693	280,863	1,080,728	964,889	1,408,421	1,245,752
Total	\$ 3,177,328	\$ 3,195,959	\$ 3,899,662	\$ 3,512,216	\$ 7,076,990	\$ 6,708,175

See note number 5 on capital assets.

Debt Administration

At the end of the current fiscal year, the City had total long-term obligations outstanding of \$2.9 billion. Of this amount, \$556.8 million was general obligation bonds backed by the full faith and credit of the City, \$391.9 million was revenue bonds for governmental activity at the Convention Center, the Convention Center Hotel, and transportation bonds, and \$1.9 billion was revenue bonds related to commercial business activity. The remainder includes revenue bonds, and other obligations of City business and governmental activities.

During fiscal year 2015, the City sold \$492.4 million in revenue bonds.

The ratio of net general obligation bonded debt to taxable valuation and the amount of bonded debt per capita are useful indicators of the City's debt position for management, citizens, and investors. A comparison of these indicators follows:

	FY 2015	FY 2014
Net general bonded debt (expressed in thousands)	\$ 505,649	\$ 478,134
Net general bonded debt per capita	N/A	N/A
Ratio of net general bonded debt to net assessed value	1.42%	1.33%

See note number 7 on long-term obligations.

N/A Information not available

As of June 30, 2015, the City had \$556.8 million in authorized, outstanding property tax-supported general obligation bonds. This amount is reduced by net assets in the Debt Service Fund of \$51.1 million for net tax-supported bonded debt of \$505.6 million, which is equal to approximately 1.42% of the assessed value of property (net of exemptions). There are an additional \$224,038.4 million in bonds that are authorized, but unissued.

Economic Factors and Next Year's Budget and Rates

The fiscal year 2016 budget submitted by the Board of Estimates to the Baltimore City Council proposed total appropriations of \$3,226,533,000 of which \$1,720,853,000 were for General Fund operations and Pay-As-You-Go (PAYGO) capital. The City Council, after deliberations pursuant to Charter requirement and power, made no reductions to the total General Fund or other fund appropriations. The property tax rates on real property and personal property remained \$2.248 and \$5.62 per \$100 of assessed valuation, respectively. The locally imposed and State mandated income tax rate was 3.20%. The Ordinance of Estimates was adopted by the City Council and signed by the Mayor on June 16, 2015.

Fiscal 2015 Budget—Economic Factors

The City continues on a slow growth path. A modest increase in the Gross Domestic Product (GDP), a strong apartment market and material growth in the technology sector point to continued economic improvement. According to the Baltimore Development Corporation (BDC), Baltimore is a top 10 City for millennial growth and robust building industry.

The housing market continues to recuperate after the recession and remains fairly healthy. Housing inventories and mortgage rates are both at low levels and are helping to sustain the housing sales. January 2016 active listings have fallen to 3,206 homes from 5,232 in 2009, just prior to the housing market crash. While the housing supply has dwindled by 38% since July 2009, the number of houses sold as reported by the Metropolitan Regional Information System (MRIS) increased, for the third year in a row, by 22.7% in calendar 2015, which is greater than the 13.1% experienced in calendar 2014. Offsetting the gains in sales, the average home price for calendar 2015 dipped to \$154,707 from \$159,621. Strong sales and lower prices have resulted in the average days-on-market being below 100 days.

Office market inventory declined from 178 to 176 buildings through the first quarter of calendar 2016 and the fourth quarter of calendar 2015. The City Center vacancy rate decreased from 17.3% to 15.3% over this period, as the average rental rate in the area climbed over \$1.60 per square foot, from \$20.07 to \$21.68. The declining vacancy rate for the City Center is a continuing trend, with 15.3% being the lowest vacancy rate the area has experienced in over 5 years.

The nation's productivity, as measured by the GDP, has been steadily growing from year to year since the third quarter of calendar 2009. The Congressional Budget Office (CBO) reported that it anticipates economic activity will expand at a solid pace in calendar 2015 and over the next few years with real GDP growing by about 2.2% in calendar 2015 and annually over the decade. Unemployment has seen a sustained downward trend at both the federal and local level. The unemployment rate in Baltimore City ended calendar year 2015 at 7.5%, the lowest year-end rate since December 2008.

State spending cuts are still working their way through the labor market. However, the labor market remains positive due to the low unemployment rate. Actions from previous sessions continue to constrain City funding. This is especially true of the loss of nearly \$100 million of highway user revenues.

While the City's economy shows encouraging trends, caution is advised as a new mayor is elected and civil unrest events are resolved. The positive signs include commercial and residential real estate development and sales, millennials embracing the City and Maryland's fast growing technology job market.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact the Director of Finance at the following address:

Room 469, City Hall
100 N. Holliday Street
Baltimore, Maryland 21202

CITY OF BALTIMORE

Statement of Net Position

June 30, 2015

(Expressed in Thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Baltimore Hotel Corporation
Assets and deferred outflows of resources:				
Assets:				
Cash, restricted cash and cash equivalents	\$ 185,122	\$ 733,601	\$ 918,723	\$ 2,720
Investments	281,287		281,287	33,214
Property taxes receivable, net	30,367		30,367	
Other receivables, net	41,363	234,518	275,881	1,489
Due from other governments	150,552	78,480	229,032	
Internal balances	18,093	(18,093)		
Due from primary government				
Inventories, at cost	8,816	7,532	16,348	69
Notes and mortgages receivable, net	294,532	48,613	343,145	
Other assets	27,621	23,756	51,377	3,678
Issuance costs				9,512
Capital assets being depreciated, net of accumulated depreciation	2,482,468	2,782,014	5,264,482	200,730
Capital assets not being depreciated	694,860	1,117,648	1,812,508	
Total assets	4,215,081	5,008,069	9,223,150	251,412
Deferred outflows of resources:				
Deferred amortization on early extinguishment of debt		73,506	73,506	
Deferred loss on bond refundings	9,596	18,786	28,382	
Deferred outflow related to differences between actual and expected experience (pension)	8,190	1,850	10,040	
Deferred outflow for pension contributions subsequent to the measurement date	183,829	17,227	201,056	
Deferred outflow for change in proportionate share (pension)		5,517	5,517	
Interest rate swaps	3,464	19,835	23,299	
Total deferred outflows of resources	205,079	136,721	341,800	
Total assets and deferred outflows of resources	4,420,160	5,144,790	9,564,950	251,412
Liabilities and deferred inflows of resources:				
Accounts payable and accrued liabilities	213,176	168,003	381,179	12,178
Accrued interest payable	13,116	40,220	53,336	5,174
Matured bonds payable	2		2	
Unearned revenue	58,220		58,220	1,984
Notes payable				293,660
Due to other governments		19,892	19,892	
Deposits subject to refund	34,971	15	34,986	
Estimated claims in progress:				
Due within one year	75,618		75,618	
Due in more than one year	209,608		209,608	
Revenue bonds payable, net:				
Due within one year	15,551	58,329	73,880	
Due in more than one year	387,693	1,981,181	2,368,874	
Derivative instrument liability	3,464	43,710	47,174	
Long term debt payable:				
Due within one year	42,901	268	43,169	
Due in more than one year	723,263	2,750	726,013	
Capital leases payable:				
Due within one year	32,961	413	33,374	
Due in more than one year	128,516	1,427	129,943	
Compensated absences:				
Due within one year	49,565	5,813	55,378	
Due in more than one year	83,375	8,654	92,029	
Landfill closure due in more than one year	23,347		23,347	
Net pension liability	1,352,765	125,682	1,478,447	
Other postemployment benefits obligation	11,474		11,474	
Other liabilities	2,933		2,933	12,137
Total liabilities	3,462,519	2,456,357	5,918,876	325,133
Deferred inflows of resources:				
Deferred inflow related to differences between actual and expected experience (pension)	171		171	
Deferred inflow related to differences between projected and actual investment earnings (pension)	113,097		113,097	
Deferred inflow related to assumption change (pension)	58,776	14,800	73,576	
Deferred inflow for change in proportionate share (pension)	7,867	537	8,404	
Total deferred inflows of resources	179,911	15,337	195,248	
Total liabilities and deferred inflows of resources	3,642,430	2,471,694	6,114,124	325,133
Net position:				
Net investment in capital assets	2,520,873	2,379,232	4,900,105	(92,930)
Restricted for:				
Construction	2,190		2,190	
Debt service		157,613	157,613	
Perpetual care:				
Expendable	6,127		6,127	
Nonexpendable	7,629		7,629	
Unrestricted (deficits)	(1,759,089)	136,251	(1,622,838)	19,209
Total net position	\$ 777,730	\$ 2,673,096	\$ 3,450,826	\$ (73,721)

The notes to the basic financial statements are an integral part of this statement.

CITY OF BALTIMORE
Statement of Activities
For the Year Ended June 30, 2015

(Expressed in Thousands)

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit Baltimore Hotel Corporation
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government		
						Business-type Activities	Total	
Primary Government:								
Governmental activities:								
General government	\$ 294,987	\$ 50,677	\$ 90,041	\$ 88	\$ (154,181)		\$ (154,181)	
Public safety and regulation	692,155	12,997	16,236		(662,922)		(662,922)	
Conservation of health	112,575	2,331	85,103		(25,141)		(25,141)	
Social services	102,809		70,207		(32,602)		(32,602)	
Education	302,568				(302,568)		(302,568)	
Public library	35,063	222	18,943		(15,898)		(15,898)	
Recreation and culture	51,367	143	782	1,685	(48,757)		(48,757)	
Highways and streets	185,601	13,599		42,821	(129,181)		(129,181)	
Sanitation and waste removal	67,445	10,317			(57,128)		(57,128)	
Public service	51,041				(51,041)		(51,041)	
Economic development	141,772	17,196	36,954	10,194	(77,428)		(77,428)	
Interest	41,078				(41,078)		(41,078)	
Total governmental activities	2,078,461	107,482	318,266	54,788	(1,597,925)		(1,597,925)	
Business-type activities:								
Water	160,208	176,439		13,716		\$ 29,947	29,947	
Wastewater	182,769	216,428		187,944		221,603	221,603	
Stormwater	15,747	25,971		155		10,379	10,379	
Parking	19,183	85,634				66,451	66,451	
Nonmajor proprietary	11,607	13,916		65		2,374	2,374	
Total business-type activities	389,514	518,388		201,880		330,754	330,754	
Total primary government	\$ 2,467,975	\$ 625,870	\$ 318,266	\$ 256,668	(1,597,925)	330,754	(1,267,171)	
Component unit:								
Baltimore Hotel Corporation	\$ 67,415	\$ 61,298						\$ (6,117)
General revenues:								
Property taxes					816,199		816,199	
Income taxes					300,014		300,014	
Transfer and recordation tax					70,913		70,913	
Electric and gas tax					41,185		41,185	
Telecommunications tax					33,535		33,535	
Admission tax					8,236		8,236	
Other local taxes					39,726		39,726	
State shared revenues					147,608		147,608	
State, federal and City grants								
Unrestricted investment income					19,431	5,809	25,240	496
Miscellaneous					88,734		88,734	
Transfers					61,495	(61,495)		
Total general revenues and transfers					1,627,076	(55,686)	1,571,390	496
Change in net position					29,151	275,068	304,219	(5,621)
Net position – beginning (as restated)					748,579	2,398,028	3,146,607	(68,100)
Net position – ending					\$ 777,730	\$ 2,673,096	\$ 3,450,826	\$ (73,721)

The notes to the basic financial statements are an integral part of this statement.

CITY OF BALTIMORE

Balance Sheet

Governmental Funds

June 30, 2015

(Expressed in Thousands)

	General Fund	Grants Revenue Fund	Capital Projects Fund	Nonmajor Funds	Total
Assets:					
Cash and cash equivalents	\$ 45,994			\$ 37,042	\$ 83,036
Investments	238,052		\$ 5,211	32,793	276,056
Property taxes receivable, net	30,367				30,367
Other receivables, net	31,370		753	1,185	33,308
Due from other governments	73,864	\$ 56,116	15,627	4,945	150,552
Due from other funds	110,288	6,920	7,028		124,236
Notes and mortgages receivable, net	670			202	872
Inventories, at cost	1,259				1,259
Other assets	27,555				27,555
Total assets	559,419	63,036	28,619	76,167	727,241
Liabilities, deferred inflows of resources and fund balances (deficits):					
Liabilities:					
Accounts payable and accrued liabilities	136,202	19,080	18,835	723	174,840
Retainages payable			8,030		8,030
Due to other funds	6,920	78,277	7,140	11,867	104,204
Deposits subject to refund	34,971				34,971
Unearned revenue	44,455	13,765			58,220
Matured bonds payable				2	2
Total liabilities	222,548	111,122	34,005	12,592	380,267
Deferred inflows of resources:					
Unavailable property taxes	30,089				30,089
Unavailable income taxes	12,850				12,850
Unavailable grant revenues		29,750		3,921	33,671
Prepaid taxes	454				454
Unavailable note receipts	670			202	872
Total deferred inflows of resources	44,063	29,750		4,123	77,936
Total liabilities and deferred inflows of resources	266,611	140,872	34,005	16,715	458,203
Fund balances:					
Nonspendable	5,519				5,519
Restricted			2,190	13,756	15,946
Assigned	174,647			58,095	232,742
Unassigned	112,642	(77,836)	(7,576)	(12,399)	14,831
Total fund balances (deficits)	292,808	(77,836)	(5,386)	59,452	269,038
Total liabilities, deferred inflows of resources and fund balances (deficits)	\$ 559,419	\$ 63,036	\$ 28,619	\$ 76,167	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	3,091,483
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds	498,739
Internal service funds are used by management to charge the cost of fleet management, energy conservation, mailing, communications, printing, building maintenance, and risk management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position	(157,584)
Deferred revenue is not due and payable in the current period and, therefore, is not reported in the funds	77,936
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds	(3,001,882)
Net position of governmental activities	\$ 777,730

The notes to the basic financial statements are an integral part of this statement.

CITY OF BALTIMORE
Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficits)
Governmental Funds
For the Year Ended June 30, 2015
(Expressed in Thousands)

	General Fund	Grants Revenue Fund	Capital Projects Fund	Nonmajor Funds	Total
Revenues:					
Taxes – local	\$ 1,284,515			\$ 11,878	\$ 1,296,393
State shared revenue	137,714			9,894	147,608
Licenses and permits	41,584				41,584
Fines and forfeitures	15,325				15,325
Interest, rentals and other investment income	17,181		\$ 446	1,804	19,431
Federal grants	275	\$ 117,442	44,868	17,751	180,336
State grants	105,059	73,869	9,920		188,848
Other grants	26	31,837			31,863
Charges for services	50,573				50,573
Miscellaneous	5,730		11,749		17,479
Total revenues	1,657,982	223,148	66,983	41,327	1,989,440
Expenditures:					
Current:					
General government	258,028	20,419		13,983	292,430
Public safety and regulation	679,202	21,945		1,775	702,922
Conservation of health	20,887	91,422			112,309
Social services	64,249	36,171			100,420
Education	265,939			176	266,115
Public library	24,942	7,079		26	32,047
Recreation and culture	39,349	3,909		69	43,327
Highways and streets	113,452	53		3,371	116,876
Sanitation and waste removal	64,422			144	64,566
Public service	43,895	4,817			48,712
Economic development	49,069	38,149	36,681	11,563	135,462
Debt service:					
Principal				38,912	38,912
Interest				31,005	31,005
Other bond costs				6,135	6,135
Capital outlay			136,007		136,007
Total expenditures	1,623,434	223,964	172,688	107,159	2,127,245
Excess (deficiency) of revenues over (under) expenditures	34,548	(816)	(105,705)	(65,832)	(137,805)
Other financing sources (uses):					
Transfers in	55,960	6,335	33,640	76,116	172,051
Transfers out	(98,187)		(4,429)	(7,940)	(110,556)
Transportation revenue bonds			9,609		9,609
Premium on general obligation bonds			1,606		1,606
Face value of funding general obligation bonds			64,249		64,249
Total other financing sources (uses)	(42,227)	6,335	104,675	68,176	136,959
Net change in fund balance	(7,679)	5,519	(1,030)	2,344	(846)
Fund balances (deficits) – beginning	300,487	(83,355)	(4,356)	57,108	269,884
Fund balances (deficits) – ending	\$ 292,808	\$ (77,836)	\$ (5,386)	\$ 59,452	\$ 269,038

The notes to the basic financial statements are an integral part of this statement.

CITY OF BALTIMORE
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2015
(Expressed in Thousands)

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance — total governmental funds	\$ (846)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year . . .	(2,569)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	(18,787)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	35,672
The net effect of the expenses for recording the City's pension liability from employee retirement plans are not reported as expenditures in governmental funds	60,793
The net expense of certain activities of internal service funds is reported with governmental activities	<u>(45,112)</u>
Change in net position of governmental activities	<u>\$ 29,151</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF BALTIMORE

Statement of Net Position

Proprietary Funds

June 30, 2015

(Expressed in Thousands)

	Enterprise Funds						Governmental Activities Internal Service Funds
	Water Utility Fund	Wastewater Utility Fund	Stormwater Utility Fund	Parking Facilities Fund	Nonmajor Funds	Total	
Assets and deferred outflows of resources:							
Current assets:							
Cash and cash equivalents	\$ 67,782	\$ 131,745	\$ 24,288	\$ 41,721	\$ 46,732	\$ 312,268	\$ 71,485
Investments							5,231
Accounts receivable, net:							
Service billings	45,184	46,496	7,549		6,063	105,292	
Other	340	365		361	5	1,071	8,055
Due from other governments	28,150	50,235	95			78,480	
Inventories	6,489	278	765			7,532	7,557
Restricted assets:							
Cash and cash equivalents	32,697	52,651				85,348	
Notes and mortgages receivable				4,076		4,076	
Total current assets	180,642	281,770	32,697	46,158	52,800	594,067	92,328
Noncurrent assets:							
Restricted assets:							
Cash and cash equivalents	148,720	143,643		36,438	7,184	335,985	30,601
Accounts receivable		126,920	1,235			128,155	
Notes and mortgages receivable				44,537		44,537	
Capital assets, net of accumulated depreciation	984,018	1,427,730	234,797	87,352	48,117	2,782,014	85,845
Capital assets not being depreciated	163,486	908,287	17,314	15,126	13,435	1,117,648	
Other assets					23,756	23,756	66
Total noncurrent assets	1,296,224	2,606,580	253,346	183,453	92,492	4,432,095	116,512
Total assets	1,476,866	2,888,350	286,043	229,611	145,292	5,026,162	208,840
Deferred outflows of resources:							
Deferred amortization on early extinguishment of debt	37,835	35,671				73,506	
Deferred loss on bond refundings				18,786		18,786	
Deferred outflow related to differences between actual and expected experience (pension)	859	839	92		60	1,850	
Deferred outflow for pension contributions subsequent to measurement date	8,055	7,715	894		563	17,227	
Deferred outflow for change in proportionate share (pension)	4,280		774		463	5,517	
Interest rate swaps	9,474	66		8,549	1,746	19,835	
Total deferred outflows of resources	60,503	44,291	1,760	27,335	2,832	136,721	
Total assets and deferred outflows of resources	1,537,369	2,932,641	287,803	256,946	148,124	5,162,883	208,840
Liabilities:							
Current liabilities:							
Accounts payable and accrued liabilities	3,952	7,861	185	1,114	270	13,382	31,046
Accrued interest payable	16,816	21,166	85	2,149	4	40,220	
Deposits subject to refund	15					15	
Due to other funds					7,070	7,070	12,433
Due to other governments		19,892				19,892	
Estimated liability for claims in progress							75,618
Compensated absences	2,499	2,913	236		165	5,813	1,242
Accounts payable from restricted assets	28,528	121,642	3,552		899	154,621	
Leases payable		413				413	7,522
Revenue bonds payable	15,880	31,485	614	10,350		58,329	
General long-term debt payable			268			268	
Total current liabilities	67,690	205,372	4,940	13,613	8,408	300,023	127,861
Noncurrent liabilities:							
Leases payable		1,427				1,427	45,462
Revenue bonds payable, net	749,473	1,047,092	5,636	133,980	45,000	1,981,181	
Derivative instrument liability	15,581	66		24,182	3,881	43,710	
Compensated absences	4,465	3,662	297		230	8,654	2,220
General long-term debt payable			2,750			2,750	
Net pension liability	58,351	57,006	6,232		4,093	125,682	
Estimated liability for claims in progress							201,904
Total noncurrent liabilities	827,870	1,109,253	14,915	158,162	53,204	2,163,404	249,586
Total liabilities	895,560	1,314,625	19,855	171,775	61,612	2,463,427	377,447
Deferred inflows of resources:							
Deferred inflow related to assumption change (pension)	6,871	6,713	734		482	14,800	
Deferred inflow for change in proportionate share (pension)		537				537	
Total deferred inflows of resources	6,871	7,250	734		482	15,337	
Total liabilities and deferred inflows of resources	902,431	1,321,875	20,589	171,775	62,094	2,478,764	377,447
Net position:							
Net investment in capital assets	519,743	1,540,041	244,078	13,818	61,552	2,379,232	85,546
Restricted for:							
Debt service	58,289	69,944		29,380		157,613	
Unrestricted (deficit)	56,906	781	23,136	41,973	24,478	147,274	(254,153)
Total net position	\$ 634,938	\$ 1,610,766	\$ 267,214	\$ 85,171	\$ 86,030	2,684,119	\$ (168,607)
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds						(11,023)	
Net position of business-type activities						\$ 2,673,096	

The notes to the basic financial statements are an integral part of this statement.

CITY OF BALTIMORE
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2015
(Expressed in Thousands)

	Enterprise Funds					Total	Governmental Activities Internal Service Funds
	Water Utility Fund	Wastewater Utility Fund	Stormwater Utility Fund	Parking Facilities Fund	Nonmajor Funds		
Operating revenues:							
Charges for sales and services							\$ 311,168
Water, sewer and stormwater service	\$ 162,540	\$ 216,163	\$ 25,885			\$ 404,588	
Rents, fees and other income	558	265	86	\$ 85,634	\$ 13,910	100,453	
Interest income	13,341				6	13,347	
Total operating revenues	176,439	216,428	25,971	85,634	13,916	518,388	311,168
Operating expenses:							
Salaries and wages	38,153	34,761	4,279		4,832	82,025	20,518
Other personnel costs	20,215	18,395	1,837		1,155	41,602	8,719
Contractual services	43,276	58,617	4,107	7,133	2,042	115,175	55,782
Materials and supplies	11,952	10,701	507		104	23,264	11,236
Minor equipment	745	463	86		355	1,649	3,090
Claims paid and incurred							251,509
Postage and delivery services							1,394
Depreciation	24,195	39,904	4,566	2,767	906	72,338	11,153
Program expenses					1,339	1,339	
Interest					655	655	
Total operating expenses	138,536	162,841	15,382	9,900	11,388	338,047	363,401
Operating income (loss)	37,903	53,587	10,589	75,734	2,528	180,341	(52,233)
Nonoperating revenues (expenses):							
Gain (loss) on sale of investments	490	33				523	
Loss on disposal of assets	(117)	(15)				(132)	
Loss on sale of equipment							(790)
Issuance costs	(259)	(334)				(593)	
Interest income	4,353	880	53			5,286	79
Interest expense	(17,977)	(15,641)		(9,283)		(42,901)	
Total nonoperating expenses, net	(13,510)	(15,077)	53	(9,283)		(37,817)	(711)
Income (loss) before capital contributions and transfers	24,393	38,510	10,642	66,451	2,528	142,524	(52,944)
Capital contributions	13,716	187,944	155		65	201,880	
Transfers in					502	502	
Transfers out				(61,247)	(750)	(61,997)	
Change in net position	38,109	226,454	10,797	5,204	2,345	282,909	(52,944)
Total net position – beginning (as restated)	596,829	1,384,312	256,417	79,967	83,685	2,401,210	(115,663)
Total net position – ending	\$ 634,938	\$ 1,610,766	\$ 267,214	\$ 85,171	\$ 86,030	2,684,119	\$ (168,607)
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds						(11,023)	
Change in net position of business-type activities						\$ 2,673,096	

The notes to the basic financial statements are an integral part of this statement.

CITY OF BALTIMORE
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2015

(Expressed in Thousands)

	Enterprise Funds						Governmental Activities Internal Service Funds
	Water Utility Fund	Wastewater Utility Fund	Stormwater Utility Fund	Parking Facilities Fund	Nonmajor Funds	Total	
Cash flows from operating activities:							
Receipts from customers	\$ 176,520	\$ 215,922	\$ 28,256	\$ 85,716	\$ 14,029	\$ 520,443	\$ 318,231
Payments to employees	(59,723)	(56,509)	(6,443)		(6,029)	(128,704)	(29,202)
Payments to suppliers	(68,895)	(70,483)	(4,500)	(6,395)	(4,455)	(154,728)	(268,885)
Net cash provided by operating activities	47,902	88,930	17,313	79,321	3,545	237,011	20,144
Cash flows from noncapital financing activities:							
Transfers in					502	502	
Transfers out				(61,247)	(750)	(61,997)	
Net cash used by noncapital financing activities				(61,247)	(248)	(61,495)	
Cash flows from capital and related financing activities:							
Mortgages receivable principal payments				3,845		3,845	
Proceeds from revenue bonds	201,064	263,416				464,480	
Proceeds from general obligation bonds			100			100	
Drawdown of proceeds from State issued revenue bonds		31,652				31,652	
Principal paid on revenue bonds	(12,250)	(24,951)	(10,054)	(9,800)	(32,901)	(89,956)	
Principal paid on general long-term debt			(195)			(195)	
Paid to escrow account for refunding of bonds	(87,121)	(154,902)				(242,023)	
Interest received	4,353	880		3	616	5,852	
Interest paid	(16,939)	(11,816)		(9,349)		(38,104)	
Acquisition and construction of capital assets	(84,038)	(311,854)	(4,052)		(5,996)	(405,940)	(20,775)
Capital lease payments		(399)				(399)	(3,238)
Capital contributions received	13,390	185,600	10,570		65	209,625	
Due to other funds					(1,304)	(1,304)	
Bond issuance costs paid	(259)	(334)				(593)	
Swap termination payment	(4,101)	(10,332)				(14,433)	
Other assets					11,128	11,128	
Net cash provided (used) by capital and related financing activities	14,099	(33,040)	(3,631)	(15,301)	(28,392)	(66,265)	(24,013)
Cash flows from investing activities:							
Proceeds from the sale and maturities of investments					9,573	9,573	4,998
Gain on sale of investments	490	33				523	
Interest received on investments							79
Purchase of investments							(5,005)
Net cash provided by investing activities	490	33			9,573	10,096	72
Net increase (decrease) in cash and cash equivalents	62,491	55,923	13,682	2,773	(15,522)	119,347	(3,797)
Cash and cash equivalents, beginning of year	186,708	272,116	10,606	75,386	69,438	614,254	105,883
Cash and cash equivalents, end of year	\$ 249,199	\$ 328,039	\$ 24,288	\$ 78,159	\$ 53,916	\$ 733,601	\$ 102,086
Reconciliation of operating income to net cash provided by operating activities:							
Operating income (loss)	\$ 37,903	\$ 53,587	\$ 10,589	\$ 75,734	\$ 2,528	\$ 180,341	\$ (52,233)
Adjustments to reconcile operating income to net cash provided by operating activities:							
Depreciation expense	24,195	39,904	4,566	2,767	906	72,338	11,153
Changes in assets and liabilities:							
Accounts receivables	82	(505)	2,285	82	113	2,057	8,940
Inventories	1,400	(15)	209			1,594	(725)
Deferred outflows – pensions	(13,194)	(8,554)	(1,760)		(1,086)	(24,594)	
Other assets					32	32	(6)
Accounts payable and accrued liabilities	778	148	2	738	114	1,780	5,844
Compensated absences	591	27	(159)		4	463	(166)
Estimated liability for claims in progress							48,483
Accrued interest payable					(2)	(2)	
Due to (from) other funds					42	42	(1,146)
Deferred inflows – pensions	6,871	7,250	734		482	15,337	
Pension liability – current period	3,963	(2,421)	847		494	2,883	
Due to other governments	(14,687)	(491)				(15,178)	
Other noncurrent liabilities					(82)	(82)	
Total adjustments	9,999	35,343	6,724	3,587	1,017	56,670	72,377
Net cash provided by operating activities	\$ 47,902	\$ 88,930	\$ 17,313	\$ 79,321	\$ 3,545	\$ 237,011	\$ 20,144
Noncash activity from capital and related financing activities:							
Acquisition and construction of capital assets financed by debt	\$ 11,450	\$ 39,736	\$ 3,201			\$ 54,387	
Increase in issuance of State issued bonds		91,799				91,799	
Increase in issuance of general obligation bonds			100			100	
Total noncash activity from capital and related financing activities	\$ 11,450	\$ 131,535	\$ 3,301			\$ 146,286	

The notes to the basic financial statements are an integral part of this statement.

CITY OF BALTIMORE
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015
(Expressed in Thousands)

	Pension Trust Funds	OPEB Trust Fund	Agency Funds
Assets:			
Cash and cash equivalents	\$ 122,761	\$ 22,837	\$ 219
Investments:			
Stocks	2,361,277	263,828	
Bonds	1,194,158	145,079	53
Real Estate	370,345		
Securities lending collateral	103,424		
Accounts receivable, net:			
Other			529
Forward foreign contracts	45,296		
Other assets	45,154	1,938	
Total assets	4,242,415	433,682	801
Liabilities:			
Obligations under securities lending program	103,424		
Forward foreign contracts	45,319		
Accounts payable	59,908	4,827	
Due to other funds			529
Other	11,813		272
Total liabilities	220,464	4,827	801
Net position:			
Held in trust for benefits	\$ 4,021,951	\$ 428,855	

The notes to the basic financial statements are an integral part of this statement.

CITY OF BALTIMORE
Statement of Changes in Fiduciary Net Position
Pension and OPEB Trust Funds
For the Year Ended June 30, 2015

(Expressed in Thousands)

	Pension Trust Funds	OPEB Trust Fund
Additions:		
Contributions:		
Employer	\$ 216,276	\$ 134,698
Employee	37,131	57,289
Total contributions	<u>253,407</u>	<u>191,987</u>
Investment income:		
Net appreciation (depreciation) in fair value of investments	8,713	(3,707)
Securities lending income	667	
Interest and dividend income	<u>128,643</u>	<u>7,557</u>
Total investment income	138,023	3,850
Less: investment expense	<u>16,674</u>	<u>1,645</u>
Net investment income	<u>121,349</u>	<u>2,205</u>
Total additions	<u>374,756</u>	<u>194,192</u>
Deductions:		
Retirement allowances	355,669	
Health benefits		169,132
Death benefits	1,286	
Administrative expenses	8,080	
Other	<u>3,013</u>	
Total deductions	<u>368,048</u>	<u>169,132</u>
Changes in net position	6,708	25,060
Net position – beginning of the year	<u>4,015,243</u>	<u>403,795</u>
Net position – end of the year	<u>\$ 4,021,951</u>	<u>\$ 428,855</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF BALTIMORE
Index to the Notes to Basic Financial Statements

Note Number		Page
1.	Summary of Significant Accounting Policies	29
2.	Reconciliation of Government-wide and Fund Financial Statements	37
3.	Deposits and Investments	39
4.	Receivables	45
5.	Capital Assets	45
6.	Interfund Balances and Activity	47
7.	Long-term Obligations	48
8.	Revenue Bonds	52
9.	Pledged Revenue	58
10.	Prior-Year Defeasance of Debt	59
11.	Interest Rate Swaps	59
12.	Pension Plans	62
13.	Other Postemployment Benefits	71
14.	Risk Management	73
15.	Operating Leases	74
16.	Landfill Closure and Postclosure Care Costs	74
17.	Notes and Mortgages Receivable	74
18.	Deferred Outflows/Inflows of Resources	75
19.	Fund Balance	75
20.	Commitments and Contingencies	76
21.	Beginning Balance Adjustments	77
22.	Subsequent Events	77

CITY OF BALTIMORE

Notes to Basic Financial Statements

1. Summary of Significant Accounting Policies

A. REPORTING ENTITY

The City of Baltimore (City) was incorporated under the laws of the State of Maryland in 1797 and operates under an elected Mayor-Council form of government. As required by accounting principles generally accepted in the United States for governmental entities (GAAP), the accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the City.

Blended Component Unit

The Baltimore Industrial Development Authority (IDA), an entity legally separate from the City, finances capital construction projects, which solely benefit the City. The IDA is administered by a Board appointed by the Mayor and is financially accountable to the City. This component unit is so intertwined with the City that it is, in substance, the same as the City and, therefore, is blended and reported as if it is part of the City. The IDA is reported as a nonmajor enterprise fund.

The Enoch Pratt Free Library (EPFL) is not authorized to conduct any business activities, such as purchasing, borrowing or selling of assets funded by City appropriations without the prior consent of the City. All transactions of the EPFL are recorded in the City's general accounting records. The City provides virtually the entire EPFL funding. Therefore, the EPFL is considered a blended unit of the City and is reflected in the General Fund.

Discretely Presented Component Units

The Baltimore City Public School System (BCPSS) is responsible for elementary and secondary education within the City's jurisdiction. The BCPSS receives significant funding from the City. The City is also required to pay certain benefits to its employees. However, the BCPSS is legally separate from the City since it has the authority and responsibility for all its system functions and the Governor of the State of Maryland appoints a majority of its nine-member board. The City, however, approves the BCPSS annual budget.

The City chose not to include BCPSS as a discretely presented component unit in the City's financial statements. In reviewing the BCPSS financial statements, the City noted that a material pension liability attributable to BCPSS employees that participate in the Employees' Retirement System of the City of Baltimore (ERS) was not reported in their financial statements. In Note 8 of the 2015 BCPSS separately issued financial statements, it was incorrectly stated that the net pension liability attributable to BCPSS employees was recorded by the City. The City believes the net pension liability attributable to BCPSS employees (\$100,087,000) should be recorded by BCPSS, not the City, because the BCPSS is responsible for making employer contributions attributable to their employees. Based on the information available and the size of the unrecorded liability by BCPSS, the decision was made to not include BCPSS in the City financial statements. Financial statements for BCPSS can be obtained from the Chief Financial Officer, Baltimore City Public School System, 200 East North Avenue, Baltimore, Maryland 21202.

The Baltimore Hotel Corporation (BHC) was incorporated on October 14, 2005 as a nonprofit non-stock corporation, and is wholly owned by the City. BHC is financially accountable to the City. The BHC assists the Mayor and City Council of Baltimore on enhancing the economic development in the City by operating a downtown convention center headquarters hotel and parking structure. The City has pledged certain site-specific occupancy tax revenue to pay shortfalls in hotel operating revenues and is responsible for operating deficits.

Complete financial statements for BHC may be obtained from the Director of Finance, Baltimore City, 469 City Hall, 100 N. Holliday St., Baltimore, Maryland 21202.

Related Organizations

There are other governmental entities that provide services within the City of Baltimore. While the City is responsible for appointing the board members of these entities, the City's accountability for these organizations does not extend beyond making appointments. The City's basic financial statements do not reflect the operations of the:

Baltimore City Foundation	Live Baltimore Home Center
Lexington Market	Healthcare Access Maryland
Visit Baltimore, Inc.	Royal Farms Arena – SMG
Baltimore Community Lending	Family League of Baltimore City, Inc.
City of Baltimore Development Corporation	Hippodrome Foundation
Special Benefits Taxing Districts	Community Media of Baltimore City, Incorporated

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

In addition, the Housing Authority of Baltimore City (HABC) is considered a related organization. The HABC is a separate legal entity and is governed by a Commission of five citizens with staggered terms appointed by the Mayor. The Commission establishes the operating policies of the HABC, which was implemented under the direction of an Executive Director appointed by the Commission. The HABC develops, maintains, and manages low-rent housing and administers housing assistance payment programs primarily for the citizenry's benefit and not that of the primary government. These activities are subsidized by the U. S. Department of Housing and Urban Development and other grantors. Consequently, the primary government is not able to exert influence over or to impose a burden relationship upon the HABC. This organization is not financially accountable to the City and maintains its own separate accounting systems.

B. BASIS OF PRESENTATION, BASIS OF ACCOUNTING

Basis of Presentation

Government-wide Statements. The statement of net position and the statement of activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the *governmental and business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been eliminated for the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operations or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Net position (the amount by which assets exceed liabilities) are reported on the statement of net position in three components:

- Net investment in capital assets - the total amount of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds and other debt that are related to the acquisition or construction of those assets;
- Restricted - for amounts when constraints placed on the net position are either externally imposed, or are imposed by constitutional provisions or enabling legislation; and
- Unrestricted - the total net position which do not fit the two preceding categories.

When both restricted and unrestricted resources are available for use, generally it is the City's policy to use restricted assets first with unrestricted resources utilized as needed.

Fund Financial Statements. The fund financial statements provide information about the City's funds, including its fiduciary funds and blended component units. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All expenses not meeting this definition are reported as non-operating expenses.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

The City reports the following major governmental funds:

General Fund. This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Grants Revenue Fund. This fund accounts for revenues derived from governmental grants and other revenue sources that are restricted by law or administrative action to expenditures for specific purposes.

Capital Projects Fund. The proceeds of general obligation bond issues, State construction loans, governmental and other grants, and revenues from other sources appropriated for capital improvements, acquisitions and related programs are accounted for in this fund, except for those accounted for in the proprietary fund types.

The City reports the following major enterprise funds:

Water Utility Fund. This fund accounts for the operation, maintenance, and development of the City's water supply system.

Wastewater Utility Fund. This fund accounts for the operation, maintenance, and development of the City's sewerage system.

Stormwater Utility Fund. This fund accounts for the operation, maintenance, and development of the City's stormwater system and infrastructure.

Parking Facilities Fund. This fund accounts for the operation, maintenance, and development of the City-owned offstreet parking facilities.

The City reports the following other fund types:

Internal Service Funds. These funds account for mobile equipment, reproduction and printing, municipal post office, municipal telephone exchange, electronic equipment maintenance, municipal communications, energy conservation, building maintenance, hardware and software replacement and risk management, which provided goods and services to other departments on a cost-reimbursement basis.

Fiduciary Funds. These funds account for assets and activities when a government unit is functioning either as a trustee or an agent of another party, transactions related to assets held by the City in a trustee capacity or as an agent for individuals, private organizations and other governments. The fiduciary funds include the following:

Pension Trust Funds. These funds account for the receipt, investment and distribution of retirement contributions made for the benefit of police officers, firefighters, elected officials and other City employees.

Other Postemployment Benefits Trust Fund. This fund accounts for the receipt, investment and distribution of retiree health and life insurance benefits.

Agency Funds account for assets held by the City as custodians. Agency funds include:

- Unpresented Stock and Coupon Bonds account for principal payments held by the City for matured bonds not yet presented for payment.
- Property Sold for Taxes accounts for the proceeds of tax sales in excess of the City liens that remain unclaimed by the taxpayer.
- Bid Deposit Refunds account for bid deposits held by the City to secure vendors' bids not yet awarded.
- Recreation Accessory accounts for assets held by the City for the benefit of recreation centers throughout the City.
- Waterloo Summit accounts for assets held by the City as a surety deposit from a developer.

Measurement Focus, Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements with the exception of agency funds, which have no measurement focus, are reported

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

using the economic resources measurement focus and are reported on the accrual basis of accounting. Revenues are recorded when earned and expenses recorded at the time liabilities are incurred, regardless of when the related cash flows take place. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end, except for grant and entitlement revenue which have a 90 day availability period. Property taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, other long-term liabilities including pension and other post-employment benefits, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of the grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general fund revenues.

C. ASSETS, LIABILITIES, AND EQUITY

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits, as well as short-term investments with a maturity date within three months of the date acquired by the City.

Deposits and Investments

The cash balances of substantially all funds are pooled by the City for the purpose of increasing earnings through investment activities. The individual funds' portion of the pool is presented as "Pooled Cash and Investments." Earnings on the pooled funds are apportioned and paid or credited to the funds quarterly based on the average daily balance of each participating fund. For more complete descriptions of policies for deposits and investments, refer to Note 3 of these Notes to Basic Financial Statements.

Receivables and Payables

All property tax receivables are shown net of an allowance for uncollectibles.

Mortgage receivables reported in governmental fund and government-wide financial statements, and notes receivable reported in proprietary fund statements consist of loans that are generally not expected or scheduled to be collected in the subsequent year.

Unbilled water and waste water user charges are estimated and accrued at year-end.

Inventories

Inventories are valued at cost using the moving average method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of receipt. Infrastructure assets acquired prior to July 1, 2001 are reported at estimated historical cost using deflated replacement cost. Infrastructure assets, such as streets, highways, bridges, sidewalks, street lighting, traffic poles and signals, and storm sewers are required to be capitalized under GAAP. Capitalization thresholds are: \$50,000 for buildings, improvements and infrastructure; and \$5,000 for

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

equipment. Library books are capitalized as a collection based on total purchases. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Infrastructure	25-80
Buildings	50
Building improvements	20-50
Equipment	2-25
Library books	10

Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary fund statements consists of unpaid, accumulated annual sick, vacation, and personal leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Payments made to terminated employees for accumulated leave are charged as expenditures/expenses, primarily in the General Fund, Special Revenue Funds, and Proprietary Funds, when paid.

Estimated Liability for Claims in Process

The liability for claims in process represents estimates for all personal injury, workers' compensation, unemployment, property damage, and medical claims at June 30, 2015. This liability, which includes estimates for known and incurred but not reported claims, is based upon an actuarial valuation of the City's claim payment history discounted at a rate of 3.0%, for all claims except medical, for which claims are not discounted.

Property Tax and Property Tax Calendar

The City levies an annual tax for the fiscal year beginning July 1 and ending June 30, on real and personal property located in the City, due and payable each July 1 (lien date), based on assessed values as of the previous January 1. These assessed values are established by the State of Maryland Department of Assessments and Taxation at various rates of estimated market value. A discount of 1/2% is allowed for payments made in July. Unpaid property taxes are considered in arrears on October 1, and penalty and interest of 2% is assessed each month. Real property subject to tax liens is sold at public auction in May in instances where the taxes have remained delinquent since the preceding October 1.

The City is responsible for the assessment, collection, and apportionment of property taxes. The City levies an annual tax for the fiscal year ending June 30, due and payable each July 1, based on assessed values as of the previous January 1.

State law requires that all real property be reassessed every three years, and further provides that the amount of any increase over previous established market values be phased in over a three-year period. To accomplish the triennial assessment requirement, approximately one-third of all real property is reviewed annually. The City Council, effective with the fiscal year beginning July 1, 1991, enacted a 104% homestead tax credit program which will protect home owners from increases in assessments that are greater than 4% in any one year. The assessed value of real property in Baltimore City for fiscal year 2015 was \$29,063,381,000 which was approximately 86.1% of the estimated market value.

The tax rate in Baltimore City for real property taxes for fiscal year 2015 was \$2.248 per \$100 of assessed value. Pursuant to State Law, the personal property tax and tax rate applied to operating property of public utilities is 2.5 times the real property rate or \$5.62 per \$100 of assessed value. Current collections were 96.6% of the total tax levy.

At June 30, 2015, the City had property taxes receivable of \$30,367,000 net of an allowance for uncollectible accounts of \$28,911,000.

Gains and Losses on Early Extinguishment of Debt from Refundings

Gains and losses on the early extinguishment of debt from refundings are amortized over the shorter of the life of the new or old debt.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

Sick, Vacation and Personal Leave

Employees earn one day of sick leave for each completed month of service, and there is no limitation on the number of sick days that employees can accumulate. A portion of unused sick leave earned annually during each twelve-month base period may be converted to cash at a maximum of three days, computed on an attendance formula. Upon retirement with pension benefits, or termination of employment after completion of twenty or more years of service without pension benefits, employees receive one day's pay for every four sick days accumulated and unused at the date of separation; under any other conditions of separation, unused sick leave is forfeited.

Employees earn vacation leave for each completed month of service and can accumulate a maximum of 45 days. Police officers earn vacation leave for each completed month of service and can accumulate a maximum of 125 days. Vacation leave balances can either be taken through time off or carried until paid at termination or retirement. Three personal leave days are granted for usage only on the fiscal year starting July 1st, and expire on June 30th of the same fiscal year.

The City accrues for all salary-related items in the government-wide and proprietary fund types in the fund financial statements for which they are liable to make a payment directly and incrementally associated with payments made for compensated absences on termination or retirement. The City includes its share of social security and Medicare payments made on behalf of the employees in the accrual for sick and vacation leave pay.

Restricted Assets

The proceeds of the Water Utility Fund, Wastewater Utility Fund, Stormwater Utility Fund, Parking Facilities Fund, and Non-Major Funds revenue bonds and Federal and State grants, and restricted accounts receivables are restricted for the purpose of the construction of water, sewer, stormwater, and parking facilities.

Fund Balance

The City classifies its fund balance into the following categories:

- Nonspendable fund balance includes items that cannot be spent. This includes activity that is not in spendable form such as inventories, prepaid amounts, long-term portions of loans and notes receivable and activities that are legally or contractually required to remain intact such as principal balance in a permanent fund.
- Restricted fund balance has constraints placed upon the use of the resources either by external creditors, grantors, contributors or imposed by law through a constitutional provision or enabling legislation.
- Committed fund balance can be used only for specific purposes pursuant to constraints imposed by the formal vote of Board of Estimates, the City's highest level decision making authority. Amounts in this category may be redeployed for other purposes with the formal vote of the City's Board of Estimates. Committed amounts cannot be used for any other purpose unless the City removes or changes the specific use by taking the same type of action it used to previously commit the amounts.
- Assigned fund balance includes amounts that are constrained by the City to be used for specific purposes but are neither restricted nor committed for which the City has a stated intended use as established by the Board of Estimates. The Board of Estimates has delegated the authority to assign amounts for a specific purpose to the City's Director of Finance. These are resources where the constraints/restrictions are less binding than that for committed funds. For governmental funds, other than the general fund, this is the residual amount within the fund that is restricted or committed.
- Unassigned fund balance is the residual amount of the general fund not included in the four categories described above. The general fund is the only positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for the specific purpose exceed the amounts restricted, committed or assigned to those purposes, negative unassigned fund balance may be reported.

The Board of Estimates is required to take formal action before funds can be committed for a specific purpose. Formal action of the Board of Estimates is also required before committed funds can be rescinded or modified. The City's general spending prioritization policy is to consider restricted resources to have been used first, followed by committed, assigned, and unassigned amounts when expenditures have been incurred for which resources in more than one classification could be used.

Nonspendable fund balance

Long Term Assets — This portion of fund balance represents those long-term assets that are not available for appropriation and expenditure.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

Inventory – This portion of fund balance represents amounts not available for appropriation or expenditure because the underlying asset (inventory) is not an available resource for appropriation or expenditure.

Permanent Fund – This portion of fund balance represents amounts for which the City is legally or contractually required to maintain intact.

Assigned fund balance

Encumbrances – This portion of fund balance represents approved contracts for which the City has completed the procurement process and the Board of Estimates has approved the contract.

Requisitions – This portion of fund balance is set aside by the Director of Finance to fund various non-lapsing transactions which have not completed the procurement process at year end.

Landfill closure and development – This portion of fund balance has been set aside by the Director of Finance to fund the cost of future landfill development and closure cost.

Subsequent years' expenditures – This portion of fund balance represents the amount to finance certain non-recurring policy initiatives and other expenditures included in the fiscal year 2016 budget.

Unassigned fund balance

Budget stabilization reserve – The City of Baltimore's budget stabilization reserve (reserve) was established by resolution of the Board of Estimates for the purpose of providing a budget defense to stabilize a post-adopted City budget that has been impacted by an uncorrectable shortfall in budgeted revenues and/or unanticipated and uncorrectable emergency expenses, for the sole purpose of avoiding a budget deficit. The Board of Estimates in determining to use the reserve would first need to acknowledge that all reasonable efforts had been made in controlling expenses, and secondly, the City's unreserved fund balance had been exhausted. The reserve under no circumstances can be used as a revenue source to balance a planning year budget. The Board of Estimates determines the amount of annual funding for the reserve. The resolution requires that reserves be maintained on any June 30th at a minimum level of 8% of the value of the general fund's operating budget of the subsequent year. Whenever funds are drawn from the reserve, a Board of Estimates approved reserve replenishment plan must be established and must specify a timetable for full restoration of the reserve not to exceed five years.

Interfund Transactions

The City has three types of transactions among funds:

Statutory transfers – Legally required transfers that are reported when incurred as "Transfers in" by the recipient fund and as "Transfers out" by the disbursing fund.

Transfers of Expenditures (Reimbursements) – Reimbursement of expenditures made by one fund for another that are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

Interfund payments – Charges or collections for services rendered by one fund to another that are recorded as revenues of the recipient fund and as expenditures or expenses of the disbursing fund.

D. NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD PRONOUNCEMENTS

In fiscal year 2015, the City adopted Governmental Accounting Standards Board Statement No. 68, "Financial Reporting for Pension Plans" and Statement No. 71, "Pensions Transition for Contributions Made Subsequent to the Measurement Date". The implementation of these standards did have a significant impact on the City's presentation and is documented in Note 12 for Pension Plans.

The City will be required to adopt the following Governmental Accounting Standards Board (GASB) pronouncements:

GASB Statement No. 72

In February 2015, the GASB issued Statement No. 72, "Fair Value Measurement and Application". The objective of this Statement is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements. The City is required to adopt GASB No. 72 for its fiscal year 2016 financial statements.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

GASB Statement No. 73

In June 2015, the GASB issued Statement No. 73, “Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68”. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The City is required to adopt GASB No. 73 for its fiscal year 2016 financial statements.

GASB Statement No. 74

In June 2015, the GASB issued Statement No. 74, “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans”. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The City is required to adopt GASB No. 74 for its fiscal year 2017 financial statements.

GASB Statement No. 75

In June 2015, the GASB issued Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”. The objective is to provide information about the effects of OPEB-related transactions and other events on the elements of the basic financial statements; and to provide users with information about the government’s OPEB obligations and the resources, if any, available to satisfy those obligations. The City is required to adopt GASB No. 75 for its fiscal year 2018 financial statements.

GASB Statement No. 76

In June 2015, the GASB issued Statement No. 76, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments”. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The City is required to adopt GASB No. 76 for its fiscal year 2016 financial statements retroactively.

GASB Statement No. 77

In August 2015, the GASB issued Statement No. 77, “Tax Abatement Disclosures”. The objective of this Statement is to provide financial statement users with essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs in order to better assess (a) whether current-year revenues were sufficient to pay for current-year services, (b) compliance with finance-related legal or contractual requirements, (c) where a government’s financial resources come from and how it uses them, and (d) financial position and economic condition and how they have changed over time. The City is required to adopt GASB No. 77 for its fiscal year 2017 financial statements.

GASB Statement No. 78

In December 2015, the GASB issued Statement No. 78, “Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans”. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, “Accounting and Financial Reporting for Pensions”. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The City is required to adopt GASB No. 78 for its fiscal year 2017 financial statements.

GASB Statement No. 79

In December 2015, the GASB issued Statement No. 79, “Certain External Investment Pools and Pool Participants”. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The City is required to adopt GASB No. 79 for its fiscal year 2016 financial statements, except for certain provisions, which become effective for the fiscal year 2017 financial statements.

GASB Statement No. 80

In January 2016, the GASB issued Statement No. 80, “Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14”. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, “The Financial Reporting Entity”, as amended. The City is required to adopt GASB No. 80 for its fiscal year 2017 financial statements.

GASB Statement No. 81

In March 2016, the GASB issued Statement No. 81, “Irrevocable Split-Interest Agreements”. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The City is required to adopt GASB No. 81 for its fiscal year 2018 financial statements, retroactively.

GASB Statement No. 82

In March 2016, the GASB issued Statement No. 82, “Pension Issues—An Amendment of GASB Statements No. 67, No. 68, and No. 73”. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, “Financial Reporting for Pension Plans”, No. 68, “Accounting and Financial Reporting for Pensions”, and No. 73, “Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68”. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The City is required to adopt GASB No. 82 for its fiscal year 2017 financial statements.

2. Reconciliation of Government-wide and Fund Financial Statements

A summary reconciliation of the difference between total fund balances as reflected on the governmental funds balance sheet and the net position for governmental activities as shown on the government-wide statement of net position is presented on the face of the governmental funds balance sheets. The asset and liability elements which comprise the reconciliation difference stem from governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting, while the government-wide financial statements use the economic resources measurement focus and accrual basis of accounting.

A summary reconciliation of the difference between net changes in fund balance as reflected on the governmental funds statement of revenues, expenditures, and changes in fund balances and change in net position for governmental activities as shown on the government-wide statement of activities is presented in an accompanying schedule to the governmental funds statement of revenues, expenditures, and changes in fund balances. The revenues and expense elements which comprise the reconciliation difference stem from governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting, while the government-wide financial statements use the economic resources measurement focus and accrual basis of accounting.

A summary reconciliation of the difference between total net position as reflected on the proprietary funds statement of net position and the net position for business activities as shown on the government-wide statement of net position is presented on the face of the proprietary funds statement of net position. The asset element which comprises the reconciliation difference stems from the allocation of internal service fund balance to the business activities on the government-wide statement of net position.

A summary reconciliation of the difference between net changes in net position as reflected on the proprietary funds statement of revenues, expenses and changes in net position and changes in net position for business activities as shown on the government-wide statement of activities is presented on the face of the proprietary funds statement of net position. The expense element, which comprises the reconciliation difference, stems from the allocation of internal service funds deficit to the business-type activities on the government-wide statement of changes in net position.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

Explanation of differences between the governmental fund balance sheet and the government-wide statement of net position (amounts expressed in thousands):

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Capital assets	\$ 5,753,359
Less accumulated depreciation	(2,661,876)
Total	<u>\$ 3,091,483</u>
Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds:	
Notes receivable	\$ 293,660
Deferred loss on bond refundings	9,596
Deferred outflow related to differences between actual and expected experience (pension)	8,190
Deferred outflow for pension contributions subsequent to the measurement date	183,829
Interest rate swaps	3,464
Total	<u>\$ 498,739</u>
Internal service funds are used by management to charge the cost of fleet management, mailing, communications, printing, energy conservation, building maintenance and risk management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position	
	<u>\$ (157,584)</u>
Deferred revenue is not due and payable in the current period	
	<u>\$ 77,936</u>
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
Accrued interest payable	\$ (12,376)
Long term bonds	(766,164)
Revenue bonds	(403,244)
Capital leases	(108,493)
Compensated absences	(132,940)
Net OPEB obligation	(11,474)
Estimated claims in progress	(7,704)
Landfill closure liability	(23,347)
Derivative instrument liability	(3,464)
Net pension liability	(1,352,765)
Deferred inflow related to differences between actual and expected experience (pension)	(171)
Deferred inflow related to differences between projected and actual investment earnings (pension)	(113,097)
Deferred inflow related to assumption change (pension)	(64,219)
Deferred inflow for change in proportionate share (pension)	(2,424)
Total	<u>\$ (3,001,882)</u>

Explanation of differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities (amounts expressed in thousands):

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Capital outlay	\$ 109,129
Capital leases	24,886
Depreciation	(136,584)
Total	<u>\$ (2,569)</u>
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Grant reimbursements not received for several months after the fiscal year end are not considered as available revenues in the governmental funds	\$ (27,993)
Note receipts are not considered as available revenues in the governmental funds	(1,414)
Note receipts not received for several months after the fiscal year end are not considered as available revenues in the governmental funds	(2,795)
Tax revenues not received for several months after the fiscal year end are not considered as available revenues in the governmental funds	13,415
Total	<u>\$ (18,787)</u>
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:	
Debt service principal	\$ (19,121)
Debt service interest (capital leases, GO bonds, and accrued interest)	2,114
Claims liability	89
Landfill closure liability	(1,287)
Compensated absences	(5,421)
Decrease in net OPEB obligation	59,298
Total	<u>\$ 35,672</u>
The net effect of the expenses for recording the City's pension liability from employee retirement plans are not reported as expenditures in the governmental funds	
	<u>\$ 60,793</u>
The net expense of certain activities of internal service funds is reported with governmental activities:	
Internal service funds net expenses attributed to governmental activities	\$ (45,112)

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

3. Deposits and Investments

A. SUMMARY OF DEPOSIT AND INVESTMENT BALANCES

The following is a reconciliation of the City's deposit and investment balances as of June 30, 2015 (amounts expressed in thousands):

	Pooled Cash and Investments	Other	Total
Carrying value of bank deposits	\$ 22,078	\$ 145,598	\$ 167,676
Investments	1,178,204	4,438,111	5,616,315
Total	\$ 1,200,282	\$ 4,583,709	\$ 5,783,991

	Government- wide Statement of Net Position	Fiduciary Funds Statement of Net Position Total	Total
Cash and cash equivalents	\$ 466,789	\$ 145,817	\$ 612,606
Investments	281,287	4,438,164	4,719,451
Restricted cash and cash equivalents	451,934		451,934
Total	\$ 1,200,010	\$ 4,583,981	\$ 5,783,991

B. CASH DEPOSITS

As of June 30, 2015, the carrying amount of the City's bank deposits was \$22,079,000 and the respective bank balances totaled \$36,521,000. All of the City's cash deposits are either insured through the Federal Depository Insurance Corporation, or collateralized by securities held in the name of the City, by the City's agent.

At June 30, 2015, BHC had demand deposits with carrying values of \$2,720,000.

C. INVESTMENTS

Primary Government

For other than pension funds for BHC, the City is authorized by State Law to invest in direct or indirect obligations of the United States Government, repurchase agreements that are secured by direct or indirect obligations of the United States Government, certificates of deposits, commercial paper with highest letter and numerical rating, mutual funds registered with the Securities and Exchange Commission (SEC) and the Maryland Local Government Investment Pool. The City's investment policy limits the percentage of certain types of securities with the exception of obligations for which the United States Government has pledged its full faith and credit. For investments held by the City in trust and/or to secure certain debt obligations, the City complies with the terms of the trust agreements. The City's Board of Finance has formally adopted the above policies and reviews and approves all security transactions.

Investments are reported at fair value, except that investments with maturities of less than one year from purchase date are reported at cost, which approximates fair value. Securities traded on national or international exchanges are valued at the last reported sales price at the current exchange rates.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

The primary government's investments at June 30, 2015, are presented below. All investments are presented by investment type, and debt securities are presented by maturity (amounts expressed in thousands):

Investment Type	Fair Market Value	Investment Maturities (In Months)		
		Less Than 6	6 to 12	Greater Than 12
Debt Securities:				
U.S. Treasury	\$ 16,230			\$ 16,230
U.S. Agencies	300,670	\$ 205,985	\$ 32,443	62,242
Repurchase agreements	135,000	135,000		
Certificates of deposits	2,000			2,000
Money market mutual funds	492,500	492,500		
Maryland Local Government Investment Pool	225,036	225,036		
Commercial paper	1,836	1,836		
	<u>1,173,272</u>	<u>\$ 1,060,357</u>	<u>\$ 32,443</u>	<u>\$ 80,472</u>
Other investment:				
Equity mutual funds	<u>4,932</u>			
	<u>1,178,204</u>			
Less: cash equivalents	<u>896,917</u>			
Total investments	<u>\$ 281,287</u>			

Interest rate risk—Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of investment.

The City limits its interest rate risk in accordance with the City's Board of Finance policy by maintaining a minimum of 20 percent of the City's investment in funds in liquid investments to include United States Government securities, overnight repurchase agreements, and the Maryland Local Government Investment Pool, and by limiting the par value of the portfolio invested for a period greater than one year at or below \$100 million.

The Maryland Local Government Investment Pool is not registered with the SEC as an investment company but maintains a policy to operate in a manner consistent with SEC Rule 2a7 of the Investment Company Act of 1940.

Credit risk of debt securities—Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation.

As discussed above, the City's Board of Finance limits City investments to only the highest rated investments in the categories discussed above. The City's rated debt investments as of June 30, 2015 were rated by a nationally recognized statistical rating agency and are presented below using the Standard and Poor's rating scale (amounts expressed in thousands):

Investment Type	Fair Value	Quality Ratings	
		Aaa-AA+	A1-P1
Debt securities:			
U.S. Agencies	\$ 300,670	\$ 300,670	
Money market mutual funds	492,500	492,500	
Maryland Local Government Investment Pool	225,036	225,036	
Commercial paper	1,836		\$ 1,836
Total rated debt investments	<u>\$ 1,020,042</u>	<u>\$ 1,018,206</u>	<u>\$ 1,836</u>

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

Concentration of credit risk—Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The City has not adopted a formal policy on the concentration of credit risk.

The City had the following debt security investments at June 30, 2015, that were more than five percent of total investments (dollar amounts expressed in thousands):

Investment	Fair Value	Percentage of Portfolio
Cantor Repurchase Agreement	\$ 135,000	11.46%

Retirement Systems

The City’s three Retirement Systems are authorized by the Baltimore City Code to make investments in accordance with the guidelines and limitations set forth in the Code. The Board of Trustees of each system accomplishes the daily management of the Systems’ investments through an external investment advisor, who acts as a fiduciary for each system, and through external investment managers. The Board of Trustees for each system invests the assets of the system using the “prudent person standard”, which allows the Board to consider the probable safety of investments, avoid speculative investments, and invest as people of prudence, discretion, and intelligence would in a similar situation. The Boards of Trustees have adopted an investment policy and guidelines for each system to formally document their investment objectives and responsibilities.

The invested assets of the retirement systems at June 30, 2015, are as follows (amounts expressed in thousands):

Investment Type	Carrying Value			Total
	Employees’ Retirement System	Elected Officials’ Retirement System	Fire and Police Employees’ Retirement System	
Debt Securities:				
U.S. Treasury notes and bonds	\$ 23,612		\$ 165,684	\$ 189,296
U.S. Government agency bonds	57,256		103,199	160,455
Corporate bonds	119,494	\$ 7,800	436,393	563,687
Commingled fixed income fund	198,903			198,903
Barclay aggregate index fund			8,701	8,701
Mutual funds	56,325	110	66,326	122,761
Emerging markets debt fund			73,116	73,116
Total debt securities	455,590	7,910	853,419	1,316,919
Other:				
Domestic equities	531,279	10,462	396,772	938,513
International equities	238,797	5,080	376,780	620,657
Hedge funds	77,465		207,334	284,799
Private equity funds	97,776		164,495	262,271
Energy master limited partnerships			156,469	156,469
Risk parity fund			98,568	98,568
Real estate	155,533		214,812	370,345
Total other	1,100,850	15,542	1,615,230	2,731,622
Total investments	1,556,440	23,452	2,468,649	4,048,541
Less: Cash and cash equivalents	56,325	110	66,326	122,761
Total net investments	\$ 1,500,115	\$ 23,342	\$ 2,402,323	\$ 3,925,780

Foreign Currency Risk Exposure—Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

The Fire and Police Employees' Retirement System Board of Trustees has adopted a policy that the external managers demonstrate sensitivity to currency risk. The foreign currency exposure of the system may be hedged back to the U.S. dollar using forward foreign exchange contracts. From 0% to 100% of the foreign currency exposure of the portfolio may be hedged. Cross-hedging to currency other than the U.S. dollar may reach 25% of the total portfolio. Currency speculation is not permitted.

The Employees' Retirement System Board of Trustees has not adopted a formal policy to limit foreign currency risk.

The foreign currency risk for each system at June 30, 2015, is presented on the following table (amounts expressed in thousands):

Currency	Employees' Retirement System	Fire and Police Employees' Retirement System	Total
Euro Currency Unit	\$ 46,907	\$ 75,620	\$ 122,527
British Pound Sterling	40,516	52,467	92,983
Japanese Yen	22,540	47,643	70,183
South Korean Won	1,954	10,822	12,776
Hong Kong Dollar	10,885	18,820	29,705
Swiss Franc	8,724	28,144	36,868
South African Comm Rand	3,084	2,394	5,478
New Zealand Dollar	6,439		6,439
Brazil Real	461	673	1,134
Canadian Dollar	8,028	9,605	17,633
Australian Dollar	11,682	1,845	13,527
New Taiwan Dollar		1,831	1,831
Swedish Krona	5,486	1,967	7,453
Singapore Dollar	13,444	504	13,948
Indonesian Rupiah	648	159	807
Danish Krone	5,698	2,028	7,726
UAE Dirham		342	342
Mexican Peso	1,201	326	1,527
Mexican New Peso	511		511
Thailand Baht	985	232	1,217
Norwegian Krone	1,846	135	1,981
Philippines Peso	1,663		1,663
Polish Zloty	272		272
New Turkish Lira	197		197
Total Foreign Currency	\$ 193,171	\$ 255,557	\$ 448,728
U.S. Dollars (Held in international equity)	\$ 112,223	\$ 129,262	\$ 241,485

Interest rate risk — The Fire and Police Employees' Retirement System Board of Trustees uses the Option Adjusted Duration as a measure of interest rate sensitivity for bonds. Duration is a measure of the approximate sensitivity of a bond's value to interest rate changes. The Fire and Police Employees' Retirement System Board of Trustees' fixed income interest rate policy states that the effective duration of a portfolio may not exceed 120% of the effective duration of the underlying Barclay Capital Aggregate benchmark.

Both the Employees' Retirement System and the Elected Officials' Retirement System have selected the duration method to disclose the debt securities exposure to changes in interest rates. However, both plans have not adopted a formal policy to limit interest rate risk.

Credit Risk — The Boards of Trustees of the City's three retirement systems have not adopted a formal policy to limit credit risk.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

The credit ratings and durations of investments at June 30, 2015, are as follows (amounts expressed in thousands):

Asset Type	Duration	Carrying Value	AAA thru A	BBB thru B	CCC thru C	DDD thru D	Not Rated
<i>Employee's Retirement System:</i>							
U.S. Treasury notes and bonds	11.80	\$ 23,612	\$ 23,612				
U.S. Government agency bonds	4.27	57,256	57,256				
Corporate bonds	4.95	119,494	39,877	\$ 52,115	\$ 3,119		\$ 24,383
Mutual funds	N/A	56,325					56,325
Commingled fixed income fund	N/A	198,903					198,903
Total debt securities		455,590	120,745	52,115	3,119		279,611
<i>Elected Officials' Retirement System:</i>							
Corporate bonds	N/A	7,800					7,800
Mutual funds	N/A	110					110
Total debt securities		7,910					7,910
<i>Fire and Police Employees' Retirement System:</i>							
U.S. Treasury notes and bonds	11.93	165,684	165,684				
U.S. Government agency bonds	5.08	103,199	103,199				
Barclay aggregate index	5.64	8,701	8,701				
Corporate bonds	5.6	436,393	245,819	170,292	6,899	\$ 176	\$ 13,207
Mutual funds	0.08	66,326					66,326
Emerging markets debt fund	5.22	73,116		73,116			
Total debt securities.		\$ 853,419	\$ 523,403	\$ 243,408	\$ 6,899	\$ 176	\$ 79,533

The City's Retirement Systems have entered into a Securities Lending Authorization Agreement with BNY Mellon Bank (the Custodian) authorizing them to lend its available securities. All individual securities which are readily marketable and which are not restricted due to an outstanding short option are eligible for loan at the discretion of the custodian bank. The investment manager may loan securities held in custody of commingled funds if authorized in a manager's contract with the retirement systems.

Collateral received in exchange for securities loaned is collected in an escrow account for the Retirement Systems' benefit for the duration of the loan. At no time do the Retirement Systems lose custody of either the security or the collateral. Collateral in exchange for the principal lent may be in the form of cash, or securities issued or guaranteed by the U.S. government, or its agencies or instrumentalities. The minimum levels of collateral are set at 102% of the market value of domestic securities loaned, including all accrued income, and 105% of the market value of international securities loaned, including all accrued income. If the market value of the collateral falls below 100% of the loaned securities, additional collateral is deposited to adjust up to the appropriate minimum level of collateral. All collateral amounts are adjusted to market daily. The City's Retirement Systems do not have the right to sell or pledge securities received as collateral without borrower default.

At June 30, 2015, the Retirement Systems had no credit risk exposure to borrowers because the amounts they owed borrowers exceeded the amounts the borrowers owed the Retirement Systems. The market value of securities on loan at June 30, 2015, was \$181,753,000, and the market value of the collateral received for those securities on loan was \$187,351,000, which included collateral received in cash in the amount of \$103,424,000. The Retirement Systems did not impose any restrictions during the fiscal year on the amount of loans the custodian made on its behalf. The terms of the Securities Lending Authorization Agreement require that the custodian indemnify the retirement systems against: (1) the failure to demand adequate and appropriate collateral from a borrower as and when required pursuant hereto; (2) the failure to comply with the investment guidelines in connection with the investment and reinvestment of cash collateral; (3) the failure to obtain and perfect a security interest or rights equivalent thereto in and to the collateral; or (4) the failure to make a reasoned determination of the creditworthiness of any borrower. There were no such failures by any borrowers during the fiscal year. Moreover, there were no losses during the fiscal year resulting from default of the borrowers or the custodian.

Substantially all securities loans can be terminated on demand either by the custodian or by the borrower, although generally the average term of these loans is one week. Cash collateral is invested in the custodian's short-term

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

investment pool. The short-term investment pool guidelines specify that a minimum of 20% of the invested cash collateral is to be available each business day and the dollar-weighted average maturity of holdings must not exceed 90 days.

Other Postemployment Benefits Fund

The City's Other Postemployment Benefits (OPEB) Trust Fund (Trust) is authorized by the Baltimore City Code to make investments in accordance with the guidelines and limitations set forth in the code. The Baltimore City Director of Finance was made Trustee of the Trust and, under a Memorandum of Understanding between the Director of Finance and the Board of Trustees of the Employees' Retirement System (Board), the Board is charged with administration of the Trust and investment of its assets. As part of its responsibility, the Board has adopted investment policies and guidelines, which formally document its investment objectives and responsibilities.

The invested assets of the OPEB Trust Fund at June 30, 2015, are as follows (expressed in thousands):

Investment Type	Fair Value	Investment Maturities (In Months)		
		Less than 6	6 to 12	Greater than 12
Cash and cash equivalents	\$ 22,837	\$ 22,837		
U.S. Treasury obligations	10,175			\$ 10,175
U.S. Government agencies	13,713			13,713
Corporate bonds	121,191			121,191
Subtotal	167,916	\$ 22,837		\$ 145,079
Stocks	263,828			
Total investments	431,744			
Less: cash and cash equivalents	22,837			
Total net investments	\$ 408,907			

Interest Rate and Credit Risk—The Board has not adopted a formal policy to limit interest rate and credit risk.

Bonds held by the OPEB Trust Fund have ratings from AA1 to AA2.

Baltimore Hotel Corporation

The Baltimore Hotel Corporation (BHC) pursues a cash management and investment program to achieve the maximum financial return on available funds. Investments consist of private debt obligations and money market funds with varying maturity dates. Certain portions of the investments are used to fund operating activities of the entity and other portions are used for debt repayment. These investments are stated at market value.

The BHC has no formal policy for limiting risk associated with these investments. The City of Baltimore Department of Finance directs the selection of investment funds. At year-end BHC held investments in the amount of \$33,214,000; consisting of repurchase agreements with various financial institutions and government money market funds.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

4. Receivables, net

Receivables at year-end of the City's major individual governmental funds, enterprise funds, and nonmajor and other funds (including internal service and fiduciary funds) are as follows (expressed in thousands):

Receivables	General Fund	Grants Revenue Fund	Capital Projects Fund	Enterprise Funds	Nonmajor and Other Funds	Total
Property taxes	\$ 30,367					\$ 30,367
Service billings				\$ 99,229	\$ 6,063	105,292
Due from other governments	73,864	\$ 56,116	\$ 15,627	78,480	4,945	229,032
Notes and mortgages receivable	670			48,613	202	49,485
Other	31,370		753	1,066	9,773	42,962
Restricted accounts receivable				128,155		128,155
Total	\$ 136,271	\$ 56,116	\$ 16,380	\$ 355,543	\$ 20,983	\$ 585,293

Service billings are reported net of an allowance for doubtful accounts of \$35,693,000. Bad debt expense for fiscal year 2015 was \$1,809,000.

Penalty income derived from delinquent Water, Wastewater and Stormwater Utility Fund service billings were credited exclusively to the Water Utility Fund, since all billing costs including customer service costs attributable to billing inquiries were paid by the Water Utility Fund.

Adjustments unrelated to consumption that resulted in reductions to income on Water, Wastewater, and Stormwater Utility Fund customer accounts were recorded in the Water Utility Fund.

5. Capital Assets

Capital assets activity for the year ended June 30, 2015, is as follows (expressed in thousands):

Governmental Activities Capital Assets:

Class	Balance June 30, 2014	Additions	Deductions	Balance June 30, 2015
Capital assets, not being depreciated:				
Land	\$ 248,215			\$ 248,215
Other	123,801	\$ 3,941	\$ 8,790	118,952
Construction in progress	280,863	104,792	57,962	327,693
Total capital assets, not being depreciated	652,879	108,733	66,752	694,860
Capital assets, being depreciated:				
Buildings and improvements	2,041,007	19,901		2,060,908
Equipment	464,238	28,726	9,255	483,709
Infrastructure	2,585,027	39,091		2,624,118
Library books	60,498	2,997		63,495
Total capital assets, being depreciated	5,150,770	90,715	9,255	5,232,230
Less: accumulated depreciation for:				
Buildings and improvements	1,091,330	62,053		1,153,383
Equipment	372,648	20,505	9,030	384,123
Infrastructure	1,104,409	63,826		1,168,235
Library books	39,303	4,718		44,021
Total accumulated depreciation	2,607,690	151,102	9,030	2,749,762
Total capital assets, being depreciated, net	2,543,080	(60,387)	225	2,482,468
Governmental activities capital assets, net	\$ 3,195,959	\$ 48,346	\$ 66,977	\$ 3,177,328

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

Business-type Activities Capital Assets:

Class	Balance June 30, 2014	Additions	Deductions	Balance June 30, 2015
Capital assets, not being depreciated:				
Land	\$ 36,920			\$ 36,920
Construction in progress	964,889	\$ 457,481	\$ 341,642	1,080,728
Total capital assets, not being depreciated	1,001,809	457,481	341,642	1,117,648
Capital assets, being depreciated:				
Buildings and improvements	2,818,224	273,322		3,091,546
Equipment	201,387	14,129	1,930	213,586
Infrastructure	743,065	56,627		799,692
Total capital assets, being depreciated	3,762,676	344,078	1,930	4,104,824
Less: accumulated depreciation for:				
Buildings and improvements	942,864	54,386		997,250
Equipment	152,245	5,764	1,797	156,212
Infrastructure	157,160	12,188		169,348
Total accumulated depreciation	1,252,269	72,338	1,797	1,322,810
Total capital assets, being depreciated, net	2,510,407	271,740	133	2,782,014
Business-type activities capital assets, net	\$ 3,512,216	\$ 729,221	\$ 341,775	\$ 3,899,662

Depreciation expense was charged to functions/programs of the City for the fiscal year ended June 30, 2015 (amounts expressed in thousands):

Governmental activities:

General government	\$ 8,722
Public safety and regulation	8,857
Conservation of health	378
Social services	39
Education	30,184
Public library	5,615
Recreation and parks	8,105
Highways and streets	72,205
Sanitation and waste removal	2,072
Public service	2,815
Economic development	957
Internal service funds	11,153
Total	\$ 151,102

Business-type activities:

Water	\$ 24,195
Wastewater	39,904
Stormwater	4,566
Parking	2,767
Conduits	906
Total	\$ 72,338

At June 30, 2015, the outstanding commitments relating to projects of the City of Baltimore amount to approximately \$120,183,000 for governmental activities and \$842,645,000 for business-type activities. Interest is capitalized on business-type capital assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest cost incurred from the date of borrowing until completion of the project, with interest earned on invested proceeds over the period. Interest is also capitalized on proprietary fund capital assets acquired with tax-exempt debt. During fiscal year 2015, net interest cost of \$33,883,000 (net of interest income of \$1,205,000) was capitalized.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

6. Interfund Balances and Activity

A. BALANCES DUE TO/FROM OTHER FUNDS

Balances due to/from other funds at June 30, 2015, were as follows (amounts expressed in thousands):

Fund	Interfund	
	Receivable	Payable
General	\$ 110,288	\$ 6,920
Grants revenue	6,920	78,277
Capital projects	7,028	7,140
Nonmajor governmental		11,867
Nonmajor proprietary		7,070
Internal service		12,433
Agency		529
Totals	\$ 124,236	\$ 124,236

The interfund balances are primarily the result of the City's policy not to reflect cash deficits in its individual funds. Also, at June 30, 2015, certain transactions between funds had not been completed.

B. TRANSFERS TO/FROM OTHER FUNDS

Transfers to/from other funds at June 30, 2015, consist of the following (amounts expressed in thousands):

Fund	General	Capital Projects	Nonmajor Governmental	Parking	Nonmajor Proprietary	Total Transfers To
General				\$ 55,210	\$ 750	\$ 55,960
Grants revenue	\$ 298			6,037		6,335
Capital projects	25,700		\$ 7,940			33,640
Nonmajor governmental	71,687	\$ 4,429				76,116
Nonmajor proprietary	502					502
Totals transfers from	\$ 98,187	\$ 4,429	\$ 7,940	\$ 61,247	\$ 750	\$ 172,553

Transfers were primarily to the Debt Service and General Funds to provide funds for debt service and to transfer excess revenue from the Proprietary Funds to the General Fund.

C. DEFICITS

The following funds had a deficit fund balance/net position at June 30, 2015 (amounts expressed in thousands):

Special Revenue Funds:		
Grants Revenue		\$ 77,836
CDBG		11,419
Baltimore Casino		980
Capital Projects Fund		5,386
Internal Service Funds:		
Risk management		218,081
Reproduction and printing		7,863
Municipal Telephone Exchange		3,507
Energy conservation		839
Building Maintenance		1,078
Municipal Post Office		54

The deficit in the Grants Revenue Fund is primarily the result of timing differences related to non-exchange transactions. Any amounts determined to be uncollectible have been partially funded through transfers from the General Fund and will continue in the next fiscal years.

The City plans to implement a multi-step approach to reducing the accumulated deficit in the Risk Management Fund. In addition to increasing agency premiums in excess of those needed to cover expected operating expenses, the City will prioritize using a portion of surplus funds each year to reduce the remaining unfunded liability. The additional investment yield may aid in further reducing the unfunded liability.

City is also evaluating its investment approach to determine if it is appropriate to invest more aggressively given the long-term nature of the fund. The additional investment yield may aid in further reducing the unfunded liability.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

7. Long-term Obligations

A. LONG-TERM OBLIGATION ACTIVITY

The City does not have a debt limit; however, the Constitution of Maryland requires a three-step procedure for the creation of debt:

- Act of the General Assembly of Maryland or resolution of the majority of Baltimore City delegates
- Ordinance of the Mayor and City Council
- Ratification by the voters of Baltimore City

Changes in long-term obligations for the year ended June 30, 2015, are as follows (amounts expressed in thousands):

	June 30, 2014	New Debt Issued	Debt Retired	Adjustments	June 30, 2015	Due Within One Year
GOVERNMENTAL ACTIVITIES						
<i>General Obligation Bonds:</i>						
Highways	\$ 2,314		\$ 258		\$ 2,056	\$ 316
Health	2,580		206		2,374	203
Public Safety	4,115	\$ 1	310		3,806	747
Off-street parking	6,538		135		6,403	435
Parks and recreation	24,861	5,693	1,840		28,714	2,182
Public buildings and facilities	61,027	5,861	4,404		62,484	4,519
Schools	176,330	27,056	9,898		193,488	10,762
Urban renewal	240,627	24,944	17,059		248,512	18,149
Unallocated	6,577		653		5,924	720
Total general obligation bonds	524,969	63,555	34,763		553,761	38,033
<i>Special Obligation Bonds:</i>						
Special obligation bonds	149,824	20,195	22,801		147,218	1,228
<i>Long-term financing with the Federal Government:</i>						
Federal economic development loans	33,461		3,104		30,357	3,225
<i>Long-term financing with the State of Maryland:</i>						
State economic development loans	326		182	\$ 58	202	185
Grand Prix loan	690		230		460	230
Total long-term financing with the State of Maryland	1,016		412	58	662	415
Total Governmental activities	\$ 709,270	\$ 83,750	\$ 61,080	\$ 58	\$ 731,998	\$ 42,901
BUSINESS-TYPE ACTIVITIES						
<i>General Obligation Bonds:</i>						
Stormwater	\$ 3,113	\$ 100	\$ 195		\$ 3,018	\$ 268
Total business type activities	\$ 3,113	\$ 100	\$ 195		\$ 3,018	\$ 268

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

Fixed Rate General Obligation Bonds

On August 13, 2014, the City issued general obligation bonds, Series 2014-A and 2014-B, in the amounts of \$42,855,000 and \$20,800,000, respectively, for various capital projects. Interest on the bonds is due each October 15th and April 15th, and the bonds mature October 15, 2034.

Variable Rate General Obligation Bonds

At June 30, 2015, the City had \$22,950,000 of taxable variable rate demand Consolidated Public Improvement Bonds 2003 Series C and D outstanding, to construct various capital projects throughout the City. The bonds mature on October 15, 2020 and 2022, respectively.

The bonds bear interest at a variable rate that is reset by the Remarketing Agent on a weekly basis. Under the terms of the remarketing agreement, the City, at its option, may change the bond rate to a monthly or long-term rate at any time until maturity upon notification of bondholders.

In conjunction with the bonds, State Street Bank and Trust Company issued an irrevocable letter of credit with a current value of \$23,440,000, in favor of the City and Manufacturers and Traders Trust Company as Tender Agent. The agreement expires August 1, 2017, but can be extended for additional years. The existing Agreement permits the fiscal agent to draw certain amounts to pay the principal portion and related accrued interest on the bonds tendered for purchase and not remarketed. The interest rate on draws made under this agreement includes a base rate defined as the greater of prime rate plus 1.0%, federal funds rate plus 2.0% or 8.5%.

The City is required to pay the Bank fee throughout the term of the agreement equal to 0.38% per annum of the average daily amount of the available commitment.

During fiscal year 2015, the City made no draws under the agreement, and no amounts drawn against the agreement were outstanding at June 30, 2015.

The liabilities for governmental activities are principally liquidated by the general and capital projects funds.

The following is a summary of debt activity other than general obligation bonds:

- *Special Obligation Bonds:* The City borrowed funds to provide funding for capital projects in the development district. In fiscal year 2015, the City issued \$20,195,000 of new bonds to finance infrastructure construction in several development areas. At June 30, 2015, the principal owed for all special obligation bonds was \$147,218,000, and interest of \$170,596,000 at interest rates ranging from 5.5% to 7.0% per annum will be due in future years.
- *Federal Economic Development Loan:* The City borrowed funds from the Federal government to provide for various development projects. At June 30, 2015, the principal owed to the Federal government was \$30,357,000, and interest of \$6,739,000 will be due thereon in future years. The loan bears interest at rates ranging from 6.0% to 10.9% and matures serially through 2026.
- *State Economic Development Loans:* The City borrowed \$24,685,000 from the State of Maryland to provide for various economic development projects under the Maryland Industrial Land Act and the Industrial Commercial Redevelopments Act. At June 30, 2015, the principal owed to the State was \$202,000, and interest of \$4,000 will be due thereon in fiscal year 2016. These loans bear interest at rates ranging from 2.0% to 11.2% and the final payment is due in 2016.
- *State Grand Prix Loan:* The City borrowed \$1,380,000 from the State of Maryland, as an interest free loan, to be used to improve downtown City streets and sidewalks, traffic signals and signage, and other transportation-related infrastructure necessitated by the Grand Prix races. At June 30, 2015, the loan balance amount owed to the State was \$460,000. Payments of 16.66% of the loan amount are due annually with the final payment due by June 30, 2017.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

Compensated Absences

Compensated absences at June 30, 2015, totaled \$132,940,000 for governmental activities and \$14,467,000 for business-type activities, of which \$49,565,000 and \$5,813,000 respectively, were due within one year.

Changes in compensated absences during fiscal year 2015, are as follows (amounts expressed in thousands):

	Governmental Activities	Business-type Activities	Total
Balance, June 30, 2014	\$ 127,519	\$ 14,085	\$ 141,604
Leave earned	54,986	6,195	61,181
Leave used	(49,565)	(5,813)	(55,378)
Balance, June 30, 2015	\$ 132,940	\$ 14,467	\$ 147,407

B. DEBT SERVICE REQUIREMENTS

Debt service requirements on long-term debt at June 30, 2015, are as follows (amounts expressed in thousands):

Fiscal Year	Governmental Activities								Business-type Activities		
	General Obligation Bonds			Long-Term Financing with Federal Government		Special Obligation Bonds		Long-Term Financing with State of Maryland		General Obligation Bonds	
	Principal	Interest	Interest Rate Swap Net(a)	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 38,033	\$ 23,240	\$ 1,001	\$ 3,225	\$ 1,221	\$ 1,228	\$ 8,107	\$ 415	\$ 4	\$ 268	\$ 143
2017	38,279	21,802	918	3,340	1,111	1,334	9,167	247		311	128
2018	32,725	20,368	869	3,472	990	1,569	9,565			255	114
2019	35,360	18,902	846	3,613	859	1,766	9,484			305	100
2020	39,436	17,257	789	2,788	734	1,967	9,384			334	84
2021-2025	203,514	58,133	1,206	12,915	1,798	14,712	44,864			1,444	155
2026-2030	122,046	21,510		1,004	26	28,741	38,300			69	8
2031-2035	44,368	2,920				35,893	27,581			32	3
2036-2040						47,476	12,565				
2041-2045						12,532	1,579				
Totals ..	\$ 553,761	\$ 184,132	\$ 5,629	\$ 30,357	\$ 6,739	\$ 147,218	\$ 170,596	\$ 662	\$ 4	\$ 3,018	\$ 735

(a) Interest Rate Swap Net payments represent estimated payments for additional interest resulting from swap agreements to counterparties for additional interest resulting from swap agreements. The additional payments were computed using rates as of June 30, 2015, assuming current interest rates remain the same for their term. As rates vary, variable rate bond interest payments and net swap payments will vary.

A summary of general obligation bonds outstanding and bonds authorized but unissued (amounts expressed in thousands) at June 30, 2015, are as follows:

Purpose	Due Dates	Outstanding		Authorized But Unissued
		Interest Rates	Amount	Amount
Fire, police, and public protection	2016 to 2035	1.0% to 6.0%	\$ 3,806	\$ 147
Off-street parking	2016 to 2025	1.0% to 5.5%	6,403	345
Parks and recreation	2016 to 2035	1.0% to 6.0%	28,714	29,919
Public buildings and facilities	2016 to 2035	1.0% to 5.9%	62,484	46,334
Schools	2016 to 2035	1.0% to 5.8%	193,488	54,339
Urban renewal and development	2016 to 2035	1.0% to 8.3%	248,512	68,664
Highways	2016 to 2026	1.0% to 5.5%	2,056	220
Finance				20,000
Health	2016 to 2032	1.0% to 6.0%	2,374	4,070
Stormwater	2016 to 2026	1.0% to 5.5%	3,018	
Unallocated	2016 to 2026	1.0% to 5.0%	5,924	
Totals			\$ 556,779	\$ 224,038

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

C. CAPITAL LEASES

Primary Government

The City has entered into various conditional purchase agreements to construct and purchase certain facilities and equipment to be used by municipal agencies. These conditional purchase agreements do not constitute a pledge of the full faith and credit or taxing power of the City and are subject to termination if sufficient funds are not appropriated by the City Council. Since termination of these agreements is not foreseen, the agreements have been capitalized. During fiscal year 2015, the City's capital lease obligations for governmental activities decreased by \$24,886,000 (which is the amount of lease principal payments) from the fiscal year 2014 total of \$133,379,000. During fiscal year 2015, the City's capital lease obligations for business-type activities decreased by \$3,638,000 (which is net of new leases in the amount of \$4,000,000 and lease principal payments of \$7,638,000) over the fiscal year 2014 total of \$58,461,000. Future minimum lease payments at June 30, 2015, are as follows (amounts expressed in thousands):

Fiscal Year	Governmental Activities		Business-type Activities	Total
	Governmental Funds	Internal Service Funds		
2016	\$ 29,443	\$ 8,685	\$ 469	\$ 38,597
2017	26,712	8,685	382	35,779
2018	17,614	8,685	294	26,593
2019	13,376	8,685	207	22,268
2020	10,636	6,376	120	17,132
2021-2025	20,802	16,912	588	38,302
2026-2030	2,885			2,885
Total minimum lease payments	121,468	58,028	2,060	181,556
Less: interest	(12,975)	(5,044)	(220)	(18,239)
Present value minimum lease payments	\$ 108,493	\$ 52,984	\$ 1,840	\$ 163,317

The following is a schedule of leased property under capital leases by major class at June 30, 2015 (amounts expressed in thousands):

Classes of Property	Governmental Activities	Business-type Activities		Total
		Enterprise Fund	Internal Service Fund	
Buildings	\$ 173,756			\$ 173,756
Equipment	281,626	\$ 3,187	\$ 63,844	348,657
Total	\$ 455,382	\$ 3,187	\$ 63,844	\$ 522,413

Amortization of assets recorded under capital leases is included in depreciation expense.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

8. Revenue Bonds

Water, Wastewater and Stormwater Revenue Bonds

The City has issued revenue bonds, the proceeds of which were used to provide funds for capital improvements to water and wastewater facilities. Assets with a carrying value of \$128,233,000 at June 30, 2015, and revenues of the Water and Wastewater Funds are pledged as collateral for the bonds. Bonds outstanding as of June 30, 2015, consist of (amounts expressed in thousands):

	Water Utility Fund	Wastewater Utility Fund	Stormwater Utility Fund
Term bonds series 1993-A with interest at 5.65%, payable semiannually, due July 1, 2020	\$ 21,000	\$ 12,300	
Term bonds series 1994-A with interest at 6.00%, payable semiannually, due July 1, 2016	1,200	830	
Term bonds series 1994-A with interest at 5.00%, payable semiannually, due July 1, 2022		7,115	
Term bonds series 1994-A with interest at 5.00%, payable semiannually, due July 1, 2024	10,280		
Serial bonds series 1996-B maturing in annual installments from \$202,000 to \$208,000 through February 1, 2017, with interest at 3.17%, payable semiannually		410	
Serial bonds series 1998-A maturing in annual installments from \$213,000 to \$403,000 through February 1, 2019, with interest a 2.87%, payable semiannually		1,388	
Serial bonds series 1999-A maturing in annual installments from \$149,000 to \$161,000 through February 1, 2019, with interest rate at 2.52%, payable semiannually		628	
Serial bonds series 1999-B maturing in annual installments from \$92,000 to \$636,000 through February 1, 2021, with interest rate at 2.61%, payable semiannually		3,112	
Serial bonds series 2001-A maturing in annual installments from \$632,000 to \$800,000 through February 1, 2022, with interest rate at 2.30%, payable semiannually		5,171	
Serial bonds series 2002-A maturing in annual installments from \$1,240,000 to \$1,280,000 through July 1, 2016, with variable interest through July 1, 2016 and a fixed rate of 4.85% to 5.00% thereafter payable semiannually		2,520	
Term bonds series 2002-A with interest at 5.125%, payable semiannually, due July 1, 2042	3,300		
Auction rate notes series 2002-B, payable monthly, due July 1, 2037	12,800		
Auction rate notes series 2002-C, payable monthly, due July 1, 2037	8,000		
Serial bonds series, 2003-B maturing in annual installments from \$287,000 to \$328,000 through February 1, 2023, with interest rate at 0.40%, payable semiannually		2,557	
Serial bonds series, 2003-B maturing in annual installments from \$66,000 to \$984,000 through February 1, 2024, with interest rate at 0.40%, payable semiannually	1,105		
Serial bonds series, 2004-A maturing in annual installments from \$197,000 to \$984,000 through February 1, 2024, with interest rate at 0.45%, payable semiannually	3,574		
Serial bonds series 2004A maturing in annual installments from \$340,000 to \$369,000 through February 1, 2022, with interest at 0.40%, payable semiannually			\$ 2,534
Serial bonds series, 2004-B maturing in annual installments from \$547,000 to \$972,000 through February 1, 2022, with interest rate at 0.45%, payable semiannually		6,321	
Serial bonds series, 2004-C maturing in annual installments from \$879,000 to \$907,000 through February 1, 2024, with interest rate at 0.25%, payable semiannually		8,038	
Serial bonds series, 2005-A maturing in annual installments from \$104,000 to \$1,102,000 through February 1, 2024, with interest rate at 0.25%, payable semiannually		8,799	
Serial bonds series, 2005-B maturing in annual installments from \$975,000 through July 1, 2015, with an interest of 3.25% to 5.00%, payable semiannually		975	
Serial bonds series, 2006-A maturing in annual installments from \$650,000 to \$675,000 through July 1, 2016, with interest rates of 4.00% to 4.50%, payable semiannually	1,325		
Term bond series 2006-A with interest at 4.625%, payable semiannually, due July 1, 2036	3,175		
Serial bonds series, 2006-A maturing in annual installments from \$495,000 to \$1,548,000 through February 1, 2025, with interest rate at 0.40%, payable semiannually		14,210	
Serial bonds series, 2006-B maturing in annual installments from \$185,000 to \$362,000 through February 1, 2026, with interest rate at 0.40%, payable semiannually		3,728	
Serial bonds series, 2006-C maturing in annual installments from \$1,255,000 to \$1,305,000 through July 1, 2016, with interest rates of 4.00% to 5.00%, payable semiannually		2,560	
Serial bonds series, 2007-A maturing in annual installments from \$64,000 to \$80,000 through February 1, 2037, with interest rate at 0.40%, payable semiannually	1,447		
Serial bonds series, 2007-A maturing in annual installments from \$1,704,000 to \$2,174,000 through February 1, 2026, with interest rate at 0.40%, payable semiannually		23,068	
Serial bonds series, 2007-B maturing in annual installments from \$154,000 to \$161,000 through February 1, 2027, with interest rate at 0.40%, payable semiannually		1,893	
Serial bonds series, 2007-B maturing in annual installments from \$30,000 to \$3,860,000 through July 1, 2027, with interest rates of 3.60% to 4.50%, payable semiannually	19,645		
Term bond series 2007-B with interest at 4.50%, payable semiannually, due July 1, 2032	22,995		
Term bond series 2007-B with interest at 4.50%, payable semiannually, due July 1, 2035	7,910		
Serial bonds series, 2007-C maturing in annual installments from \$35,000 to \$3,935,000 through July 1, 2027, with interest rates of 3.60% to 4.50%, payable semiannually		10,815	

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

	Water Utility Fund	Wastewater Utility Fund	Stormwater Utility Fund
Term bond series 2007-C with interest at 4.50%, payable semiannually, due July 1, 2032		29,795	
Term bond series 2007-C with interest at 4.50%, payable semiannually, due July 1, 2036		19,255	
Serial bonds series, 2007-C maturing in annual installments from \$895,000 to \$965,000 through July 1, 2017, with interest rates of 3.75% to 5.00%, payable semiannually	2,790		
Serial bonds series, 2007-D maturing in annual installments from \$2,410,000 to \$2,660,000 through July 1, 2017, with interest rates of 5.00%, payable semiannually		7,600	
Term bond series 2007-D with interest at 5.00%, payable semiannually, due July 1, 2037		20,160	
Serial bonds series, 2008-A maturing in annual installments from \$475,000 to \$1,005,000 through July 1, 2028, with interest rates of 2.00% to 4.50%, payable semiannually	9,260		
Term bond series 2008-A with interest at 4.625%, payable semiannually, due July 1, 2033	5,740		
Term bond series 2008-A with interest at 4.73%, payable semiannually, due July 1, 2038	1,115		
Term bond series 2008-A with interest at 5.00%, payable semiannually, due July 1, 2038	6,150		
Serial bonds series, 2008-A maturing in annual installments from \$210,000 to \$2,115,000 through July 1, 2028, with interest rates of 2.00% to 5.00%, payable semiannually		14,570	
Term bond series 2008-A with interest at 5.00%, payable semiannually, due July 1, 2033		7,675	
Term bond series 2008-A with interest at 5.00%, payable semiannually, due July 1, 2038		15,575	
Serial bonds series 2009 maturing in annual installments from \$80,342 to \$124,415 through June 15, 2024, with interest at 4.00% to 5.00%, payable semiannually			929
Serial bonds series, 2009-A maturing in annual installments from \$475,000 to \$1,005,000 through July 1, 2021, with interest rates of 2.00% to 4.50%, payable semiannually	3,975		
Term bond series 2009-A with interest at 5.125%, payable semiannually, due July 1, 2029	1,560		
Term bond series 2009-A with interest at 5.375%, payable semiannually, due July 1, 2034	2,955		
Serial bonds series, 2009-A maturing in annual installments of \$426,167 through February 1, 2029, with an interest rate at 0.00%		5,966	
Serial bonds series, 2009-B maturing in annual installments of \$95,391 through February 1, 2030, with an interest rate at 0.00%		1,284	
Serial bonds series, 2009-B maturing in annual installments of \$586,172 from February 1, 2015 through February 1, 2043, with an interest rate at 0.00%	16,413		
Serial bonds series, 2009-C maturing in annual installments from \$625,000 to \$775,000 through July 1, 2022, with interest rates of 2.00% to 4.50%, payable semiannually		5,665	
Term bond series 2009-C with interest at 5.00%, payable semiannually, due July 1, 2029		3,215	
Term bond series 2009-C with interest at 5.125%, payable semiannually, due July 1, 2034		6,545	
Term bond series 2009-C with interest at 5.625%, payable semiannually, due July 1, 2039		8,490	
Serial bonds series, 2009-E maturing in annual installments of \$157,842 from February 1, 2015 through February 1, 2032, with an interest rate at 0.00%		2,683	
Serial bonds series, 2011-A maturing in annual installments of \$915,000 to \$3,940,000 through February 1, 2031, with interest rates from 2.00% to 5.00%	24,390	46,855	
Term bond series 2011-A with interest at 4.57%, payable semiannually, due July 1, 2036	11,400		
Term bond series 2011-A with interest at 5.00%, payable semiannually, due July 1, 2036		22,870	
Term bond series 2011-A with interest at 5.00%, payable semiannually, due July 1, 2041	14,345	29,185	
Serial bonds series, 2011-B maturing in annual installments of \$130,193 to \$172,023 from February 1, 2015 through February 1, 2043, with interest rates of 1.00%	4,225		
Serial bonds series, 2011-B maturing in annual installments of \$168,332 to \$203,363 from February 1, 2014 through February 1, 2033, with interest rates of 1.00%		3,368	
Serial bonds series 2012 maturing in annual installments from \$169,950 to \$256,850 through October 1, 2027, with interest rates of 2.00% to 5.00%, payable semiannually			2,787
Serial bonds series, 2013-A maturing in annual installments of \$1,558,483 to \$1,798,836 from February 1, 2016 through February 1, 2034, with interest rate at 0.80%, payable semiannually		31,844	
Serial bonds series, 2013-A maturing in annual installments of \$1,185,000 to \$4,980,000 from July 1, 2014 through July 1, 2033, with interest rates from 3.00% to 5.00%, payable semiannually	63,185		
Term bond series 2013-A with interest at 5.00%, payable semiannually, due July 1, 2038	28,880		
Term bond series 2013-A with interest at 5.00%, payable semiannually, due July 1, 2043	36,860		
Serial bonds series, 2013-B maturing in annual installments of \$85,000 to \$6,690,000 from July 1, 2014 through July 1, 2033, with interest rates from 2.00% to 5.00%, payable semiannually	91,185		
Term bond series 2013-B with interest at 5.00%, payable semiannually, due July 1, 2038	26,705		
Term bond series 2013-B with interest at 4.50%, payable semiannually, due July 1, 2038	1,115		
Term bond series 2013-B with interest at 5.00%, payable semiannually, due July 1, 2042	36,900		
Serial bonds series, 2013-C maturing in annual installments of \$10,000 to \$2,000,000 from July 1, 2014 through July 1, 2025, with interest rates from 3.00% to 5.00%, payable semiannually	31,730		
Serial bonds series, 2013-C maturing in annual installments of \$1,160,000 to \$4,725,000 from July 1, 2014 through July 1, 2033, with interest rates from 3.00% to 5.00%, payable semiannually		60,170	
Term bond series 2013-B with interest at 5.00%, payable semiannually, due July 1, 2038		27,420	
Term bond series 2013-B with interest at 5.00%, payable semiannually, due July 1, 2043		35,000	

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

	Water Utility Fund	Wastewater Utility Fund	Stormwater Utility Fund
Serial bonds series, 2013-D maturing in annual installments of \$45,000 to \$3,640,000 from July 1, 2014 through July 1, 2033, with interest rates from 3.00% to 5.00%, payable semiannually.....		70,135	
Term bond series 2013-D with interest at 5.00%, payable semiannually, due July 1, 2038.....		14,835	
Term bond series 2013-D with interest at 5.00%, payable semiannually, due July 1, 2042.....		15,845	
Serial bonds series, 2013-E maturing in annual installments of \$20,000 to \$3,300,000 from July 1, 2014 through July 1, 2026, with interest rates from 3.00% to 5.00%, payable semiannually.....		26,385	
Serial bonds series, 2014-A maturing in annual installments of \$2,040,192 to \$2,464,774 from February 1, 2016 through February 1, 2035, with interest rates at 1.00% payable semiannually.....		44,923	
Serial bonds series, 2014-A maturing in annual installments of \$950,000 to \$3,785,000 through July 1, 2034, with interest rates from 2.00% to 5.00% payable semiannually.....	49,205		
Term bond series 2014-A with interest at 5.00%, payable semiannually, due July 1, 2037.....	12,535		
Term bond series 2014-A with interest at 5.00%, payable semiannually, due July 1, 2039.....	9,430		
Term bond series 2014-A with interest at 5.00%, payable semiannually, due July 1, 2044.....	28,040		
Serial bonds series, 2014-B maturing in annual installments of \$960,000 to \$2,135,000 through July 1, 2034, with interest rates of 5.00% payable semiannually.....	32,135		
Term bond series 2014-B with interest at 5.00%, payable semiannually, due July 1, 2037.....	7,065		
Serial bonds series, 2014-C maturing in annual installments of \$675,000 to \$3,905,000 through July 1, 2034, with interest rates from 3.00% to 5.00% payable semiannually.....	29,785		
Term bond series 2014-C with interest at 5.00%, payable semiannually, due July 1, 2039.....	6,225		
Serial bonds series, 2014-D maturing in annual installments of \$1,125,000 to \$5,650,000 through July 1, 2034, with interest rates from 2.00% to 5.00%, payable semiannually.....		43,555	
Term bond series 2014-C with interest at 5.00%, payable semiannually, due July 1, 2039.....		19,445	
Term bond series 2014-C with interest at 5.00%, payable semiannually, due July 1, 2044.....		24,815	
Serial bonds series, 2014-D maturing in annual installments of \$1,125,000 to \$5,650,000 through July 1, 2034, with interest rates from 3.00% to 5.00%, payable semiannually.....		115,520	
Serial bonds series, 2014-E maturing in annual installments of \$165,000 to \$3,935,000 through July 1, 2032, with interest rates from 2.00% to 5.00%, payable semiannually.....		22,850	
Serial bonds series, 2015-A maturing in annual installments of \$954,000 to \$1,122,000 from February 1, 2017 through February 1, 2035, with interest rates of 0.90%, payable semiannually.....		19,696	
Serial bonds series, 2015-B maturing in annual installments of \$955,171 to \$1,122,333 from February 1, 2018 through February 1, 2037, with interest rates of 0.90%, payable semiannually.....		72,103	
	713,054	1,011,735	6,250
Unamortized bond premiums.....	52,299	66,842	
	<u>\$ 765,353</u>	<u>\$ 1,078,577</u>	<u>\$ 6,250</u>

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

On December 3, 2014, the City issued Water Revenue Bonds, Series 2014-A, 2014-B, and 2014-C, in the amounts of \$99,210,000, \$39,200,000, and \$36,010,000, respectively, and totaling \$174,420,000. Of these amounts, \$99,210,000 were issued for various capital projects, and \$75,210,000 were refunding bonds that current refunded certain outstanding maturities totaling, \$10,200,000, and advanced refunded certain outstanding maturities totaling, \$66,710,000. A majority of the savings facilitated the refunding of the City's auction rate debt portfolio and the termination of the underlying interest rate exchange agreements. Interest on the bonds is due July 1st and January 1st, and the bonds mature between 2015 and 2044 depending on the particular series.

The Series 2014 Water Refunding Revenue Bonds were issued for savings after cost of issuance of \$6,296,000. Of this amount, \$4,101,000 was used to reduce derivative swap exposure. The remaining balance of \$2,195,000 was used to reduce the City's future debt service costs.

On December 3, 2014, the City issued Wastewater Revenue Bonds, Series 2014-C, 2014-D, and 2014-E, in the amounts of \$87,815,000, \$115,520,000, and \$22,850,000, respectively, and totaling \$226,185,000. Of these amounts, \$87,815,000 were issued for various capital projects, and \$138,370,000 were refunding bonds that current refunded certain outstanding maturities totaling \$29,000,000, and advanced refunded certain outstanding maturities totaling, \$111,975,000. A majority of the savings facilitated the refunding of the City's auction rate debt portfolio and the termination of the underlying interest rate exchange agreements. Interest on the bonds is due July 1st and January 1st, and the bonds mature between 2015 and 2044 depending on the particular series.

The Series 2014 Wastewater Refunding Revenue Bonds were issued for a net present value economic gain of \$13,078,000. Of this amount, \$10,332,000 was used to reduce derivative swap exposure. The remaining balance of \$2,746,000 was used to reduce the City's future debt service costs.

At June 30, 2015, the Water Utility fund had \$20,800,000 of auction rate notes outstanding. Interest rates for these notes are determined every 7 to 35 days depending on the date of issue. In the event of a failed auction, the auction agent assesses the failed auction rate to the issuers of the notes. Interest paid under these conditions is currently limited to 150% to 175% of the non-financial commercial paper rate depending on the rating of each bond issue. The failed auction rate on these notes was less than 1%.

During fiscal year 2015, the Wastewater Utility Fund retired all of its outstanding auction rate notes.

Parking Facilities Revenue Bonds

The City has issued revenue bonds, the proceeds of which were used to finance construction of parking facilities and refinance existing debt of the Parking Facilities Fund. Assets with a carrying value of \$29,380,000 at June 30, 2015, and revenues of the Parking Facilities Fund are pledged as collateral for the bonds. Bonds outstanding as of June 30, 2015, consist of (amounts expressed in thousands):

Term bonds series 1997-A with interest at 6.00%, payable semiannually, due July 1, 2018.	\$ 23,885
Term bonds series 1998-A with interest at 5.25%, payable semiannually, due July 1, 2017.	2,060
Term bonds series 1998-A with interest at 5.25%, payable semiannually, due July 1, 2021.	3,300
Serial bonds series 2005 maturing in annual installments from \$400,000 to \$1,590,000 through July 1, 2015	
with interest rates ranging from 4.69% to 5.07%, payable semiannually	1,590
Term bonds series 2005 with interest at 5.27%, payable semiannually, due July 1, 2018.	5,315
Term bonds series 2005 with interest at 5.30%, payable semiannually, due July 1, 2027.	10,470
Term bonds series 2005 with interest at 5.62%, payable semiannually, due July 1, 2035.	1,000
Variable rate demand bonds series 2008, payable monthly, due July 1, 2032.	71,200
Serial bonds series 2010 maturing in annual installments from \$705,000 to \$1,330,000 through July 1, 2015	
with interest rates ranging from 1.988% to 3.537%, payable semiannually	1,330
Term bonds series 2010 with interest at 4.336%, payable semiannually, due July 1, 2017.	2,835
Term bonds series 2010 with interest at 5.225%, payable semiannually, due July 1, 2020.	3,045
Term bonds series 2010 with interest at 6.10%, payable semiannually, due July 1, 2025.	4,275
Term bonds series 2010 with interest at 7.00%, payable semiannually, due July 1, 2035.	14,025
	\$ 144,330

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

The City had \$71,200,000 of Series 2008 refunding taxable variable rate demand revenue bonds outstanding as of June 30, 2015. The Series 2008 Bonds are subject to redemption prior to maturity at any time, at a redemption price of 100% of the principal amount plus interest accrued to the redemption date. The Series 2008 Bonds' annual principal amounts from July 1, 2014 through July 1, 2032 range from \$1,220,000 to \$7,965,000.

The bonds bear interest at a variable rate that is reset by the Remarketing Agent on a weekly basis. Initially, the Remarketing Agent will use a "Dutch Auction" to set the weekly rate that will be used to remarket the bonds. Under the terms of the indenture, the City, at its option, may change the bond rate to a monthly or long-term rate at any time until maturity upon notification of the bondholders.

In conjunction with the bonds, Bank of America, NA issued an irrevocable letter of credit in the amount of \$72,370,000 in favor of the City and Manufacturers and Traders Trust Company as Tender Agent. The agreement expires December 1, 2017, but can be extended for additional years. The existing agreement permits the fiscal agent to draw certain amounts to pay the principal portion and related accrued interest on the bonds tendered for purchase and not remarketed. The interest rate on draws made under this agreement is a defined base rate plus up to an additional 2.0% depending on the terms of the draw. The City is required to pay the letter of credit fee throughout the effectiveness of the agreement equal to 0.44% per annum of the average daily amount of the available commitment. During fiscal year 2015, the City made no draws under the letter of credit and no amounts drawn against the letter of credit were outstanding at June 30, 2015.

Industrial Development Revenue Bonds

The City has \$45,000,000 variable rate demand revenue bonds Series 1986 outstanding as of June 30, 2015. These bonds were issued through the Baltimore Industrial Development Authority of the Mayor and City Council (IDA). The purpose of these bonds is to finance various municipal capital projects. The bonds mature on August 1, 2016, but are subject to optional or mandatory redemptions in whole or in part prior to maturity. The bonds bear interest at a variable rate that is reset by the Remarketing Agent on a weekly basis.

Bayerische Landesbank (BL) issued an irrevocable letter of credit in favor of the City and M&T Bank as trustee and The Chase Manhattan Bank as fiscal agent for the bondholders. The existing agreement permits the fiscal agent to draw certain amounts to pay the principal portion and related accrued interest on the bonds tendered for purchase and not remarketed.

The letter of credit will expire on November 30, 2015, but may be extended. The existing letter of credit permits the fiscal agent to draw amounts necessary to pay the principal portion and related accrued interest on bonds when tendered for purchase and not remarketed. Pursuant to the letter of credit agreement between the City, BL and the fiscal agent, the issuer is required to reimburse BL the amount drawn upon remarketing. The interest rate draws made from the letter of credit are at BL's prime interest rate. The City is required to pay BL a fee throughout the period of effectiveness of the letter of credit equal to 0.35% per annum of the daily average unutilized amount and 0.2% per annum of the daily average utilized amount. During fiscal year 2015, the City made no draws under the letter of credit and no amounts drawn against the letter of credit were outstanding at June 30, 2015.

Convention Center Refunding Revenue Bonds

The Convention Center Refunding Revenue Bonds, Series 1998 were issued May 1, 1998 and are special, limited obligations of the City to refund the \$56,385,000 Mayor and City Council Convention Center Revenue Bonds Series 1994. The bonds are payable solely from the revenues, which consist of certain hotel taxes and certain receipts derived from the ownership and operation of the Baltimore Convention Center. At June 30, 2015, the balance outstanding on the Series 1998 bonds was \$20,110,000, and includes \$3,625,000 in 5.5% term bonds which are due to mature on September 1, 2015, and \$16,485,000 in 5.0% term bonds which are due to mature on September 1, 2019. Interest on the bonds is payable on March 1 and September 1 in each year. The bonds are subject to redemption prior to maturity at redemption prices ranging from 102% to 100% of the principal amount. The term bonds due September 1, 2019, are subject to redemption at par prior to maturity by operation of a sinking fund on or after September 1, 2016, at annual principal amounts ranging from \$3,825,000 to \$4,425,000. These revenue bonds have been recorded in governmental activities because they are expected to be paid by general revenues.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

Stormwater Special Revenue Bond

The City issued a Stormwater Special Revenue Bond, Series 2004 with \$2,534,000 outstanding at June 30, 2015. This bond will fund various City stormwater capital projects associated with road construction. The bond is secured by a pledge of the City's share of State highway user revenues.

County Transportation Revenue Bonds

The City entered into agreements with the State of Maryland to borrow County Transportation Revenue Bonds with \$81,840,000 outstanding at June 30, 2015. The proceeds from these bonds will be used to fund certain highway improvements and stormwater capital projects throughout the City. These bonds are secured by a pledge of the City's share of the State highway user revenues.

Convention Center and Hotel Revenue Bonds

The City issued Convention Center and Hotel Revenue Bonds in the amount of \$300,940,000. The proceeds of these bonds were used to finance the acquisition, demolition, construction and equipping of a convention center and related hotel in the City. The bonds are secured by pledges of revenues from the operation of the hotel, certain City hotel taxes and limited guarantees from the hotel operator. Bonds outstanding at June 30, 2015, consist of (amounts expressed in thousands):

Hotel Serial bond series 2006 A and 2006 B, maturing in installments from \$1,680,000 to \$9,345,000 through September 2028, with interest rates ranging from 4.60% to 5.88%, payable semiannually	\$ 76,890
Term bonds series 2006 A with interest at 4.60% due September 1, 2030	20,935
Term bonds series 2006 A with interest at 5.00% due September 1, 2032	24,080
Term bonds series 2006 A with interest at 5.25% due September 1, 2039	118,315
Term bonds series 2006 B with interest at 5.00% due September 1, 2016	2,555
Term bonds series 2006 B with interest at 5.875% due September 1, 2039	50,885
Hotel Totals	\$ 293,660

Changes in revenue bond obligations for the year ended June 30, 2015, are as follows (amounts expressed in thousands):

	June 30, 2014	New Debt Issues	Debt Retired	Adjustments	June 30, 2015	Due within One Year
<i>Governmental Activities</i>						
Convention Center and Hotel	\$ 320,000		\$ 6,230		\$ 313,770	\$ 6,815
Transportation	75,501		6,990	\$ 9,613	78,124	8,736
Total governmental activities	\$ 395,501		\$ 13,220	\$ 9,613	\$ 391,894	\$ 15,551
<i>Business-Type Activities</i>						
Water	\$ 627,794	\$ 174,420	\$ 89,160		\$ 713,054	\$ 15,880
Wastewater	859,678	317,984	165,927		1,011,735	31,485
Stormwater	16,304		441	\$ (9,613)	6,250	614
Parking Facilities	154,130		9,800		144,330	10,350
Industrial Development	77,900		32,900		45,000	
Total business-type activities	\$ 1,735,806	\$ 492,404	\$ 298,228	\$ (9,613)	\$ 1,920,369	\$ 58,329

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

Principal maturities and interest of revenue bonds, shown at gross, are as follows (amounts expressed in thousands):

Fiscal Year	Governmental Activities					
	Hotel Revenue Bonds		Convention Center		Transportation Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 3,190	\$ 15,442	\$ 3,625	\$ 1,118	\$ 8,736	\$ 3,112
2017	3,605	15,272	3,825	924	9,117	2,770
2018	4,050	15,074	4,015	729	9,535	2,404
2019	4,540	14,843	4,220	533	9,968	2,043
2020	5,055	14,586	4,425	327	10,431	1,673
2021-2025	34,155	68,017			24,244	3,424
2026-2030	52,590	56,541			6,093	225
2031-2035	76,290	40,189				
2036-2040	110,185	15,759				
Totals	\$ 293,660	\$ 255,723	\$ 20,110	\$ 3,631	\$ 78,124	\$ 15,651

Fiscal Year	Business-type Activities													
	Water Utility			Wastewater Utility			Stormwater Utility		Parking Facilities			Industrial Development Authority		
	Principal	Interest	Swap Interest Rate Net(a)	Principal	Interest	Swap Interest Rate Net(a)	Principal	Interest	Principal	Interest	Swap Interest Rate Net(a)	Principal	Interest	Swap Interest Rate Net(a)
2016	\$ 15,880	\$ 32,798	\$ 714	\$ 31,485	\$ 39,127	\$ (23)	\$ 614	\$ 140	\$ 10,350	\$ 8,277	\$ 4,116		\$ 45	\$ 1,540
2017	17,298	31,437	734	33,886	37,597	(8)	627	129	10,960	7,685	4,037		45	1,540
2018	17,881	30,679	744	37,449	36,596		639	117	11,490	7,062	3,956	\$ 45,000	22	1,540
2019	18,573	29,900	744	38,349	35,521		653	107	12,270	6,386	3,868			
2020	19,331	29,060	744	38,988	34,373		668	90	4,410	5,910	3,766			
2021-2025	104,838	131,303	3,720	193,645	153,471		2,295	232	26,395	25,284	16,636			
2026-2030	125,610	104,878	3,720	198,156	118,689		754	27	35,630	16,073	10,779			
2031-2035	159,293	71,436	3,720	215,597	76,247				30,790	4,306	2,031			
2036-2040	139,330	38,138	642	145,445	35,723				2,035	70				
2041-2045	95,020	9,252	(109)	78,735	7,901									
Totals	\$ 713,054	\$ 508,881	\$ 15,373	\$ 1,011,735	\$ 575,245	\$ (31)	\$ 6,250	\$ 842	\$ 144,330	\$ 81,053	\$ 49,189	\$ 45,000	\$ 112	\$ 4,620

(a) Interest Rate Swap Net payments represent estimated payments for additional interest resulting from swap agreements to counterparties. The additional payments were computed using rates as of June 30, 2015, assuming current interest rates remain the same for their term. As rates vary, variable rate bond interest payments and net swap payments will vary.

9. Pledged Revenue

The Water, Wastewater and Stormwater Utility Funds

The Water, Wastewater and Stormwater Utility Funds have pledged future customer revenue to repay \$713,054,000, \$1,011,735,000, and \$6,250,000 of revenue bond debt, respectively. Proceeds from these revenue bonds were used to build and improve various aspects of the City's Water, Wastewater and Stormwater Utility systems. The bonds are payable solely from the revenues of the Water and Wastewater Utility Funds and are payable through 2044. Payments for the Stormwater Utility Fund's bonds have been made with General Funds and subsequently reimbursed from Stormwater Utility Fund revenues. Annual principal and interest payments on these revenue bonds are expected to require 57.4% of pledged revenues. Total principal and interest remaining to be paid on the revenue bonds for the Water, Wastewater and Stormwater Utility Funds are \$1,237,308,000, \$1,586,949,000, and \$7,092,000, respectively. Principal and interest paid for the current year and pledged revenue for the Water Utility Fund were \$40,144,000 and \$59,663,000, respectively. Principal and interest paid for the current year and pledged revenue for the Wastewater Utility Fund were \$58,103,000 and \$88,249,000, respectively. Principal and interest paid for the current year and pledged revenue for the Stormwater Utility Fund were \$882,000 and \$15,457,000, respectively.

The Parking Facility Fund

The Parking facility Fund has pledged future revenue from parking fees and fines to repay \$144,330,000 of revenue bond debt. Proceeds from these revenue bonds were used to construct various garages throughout the City. The bonds are payable solely from the pledged revenue and are payable through 2035. Annual principal and interest payments are expected to require 23.6% of pledged revenue. Total principal and interest remaining to be paid on these revenue bonds is \$274,572,000. For the current year, principal and interest payments and current pledged revenue were \$18,553,000 and \$78,501,000.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

Tax Increment Revenue Pledges

The City has pledged a portion of future property tax revenues to repay \$147,218,000 in incremental property tax bonds issued to finance various development projects. The pledged revenue is limited to the incremental taxes on the projects financed by the bond. Should the incremental taxes fail to generate sufficient revenue to pay the required principal and interest, the City has established special taxing districts to generate additional taxes sufficient to pay principal and interest on the bonds. Total principal and interest remaining to be paid on these bonds is \$317,814,000. For the current year, principal and interest payments and current pledged revenue were \$5,790,000 and \$10,159,000, respectively.

Baltimore Hotel Corporation

The City has pledged a portion of its hotel occupancy tax as security for revenue bonds, the proceeds of which were used to build the City's Convention Center Headquarters Hotel. The City's hotel occupancy tax is one of several pledged revenue sources the City used to issue \$300,940,000 of Convention Center Headquarters Hotel Bonds. Following the net operating income and the property tax increment for the Hotel, the site specific occupancy tax is pledged to pay principal and interest payments on the bonds. If these sources are insufficient, 15% (of the maximum annual debt service) of the citywide occupancy tax is also pledged. If a shortfall still remains, and following a Hilton Hotel guarantee of 10% of the Maximum Annual Debt Service, 10% (maximum annual debt service) is pledged. The Hotel opened August 22, 2008. Total principal and interest remaining to be paid on these bonds is \$549,383,000. For the current year, principal and interest payments were \$18,387,000.

Baltimore Convention Center

The City has pledged a portion of future revenue from Convention Center operations to repay \$20,110,000 of revenue bond debt. Proceeds from these revenue bonds were used to expand the Baltimore Convention Center. The bonds are payable solely from pledged revenue and are payable through 2019. Annual principal and interest payments on these revenue bonds are expected to require 100% of pledged revenue. Total principal and interest remaining to be paid on these revenue bonds is \$23,741,000. For the current year, principal and interest payments and current pledged revenue were \$4,553,000 and \$5,968,000, respectively.

10. Prior-Year Defeasance of Debt

Primary Government

In prior years, the City defeased certain revenue bonds and other obligations by placing the proceeds of new debt issues in an irrevocable trust to provide for all future debt service payments on the old debt. Accordingly, the trust account assets and the liability for the defeased debt are not included in the City's financial statements. At June 30, 2015, \$301,615,000 of debt outstanding is considered defeased.

11. Interest Rate Swaps

Objectives of the swaps. The City has entered into swaps for three reasons: first, the majority of its swaps have been used to create synthetic fixed rate financing (by issuing floating-rate bonds and swapping them to fixed) as a way to provide lower-cost fixed rate financing to meet the City's capital needs. Second, the City has used swaps from fixed to floating to help the City manage its balance sheet for an appropriate mix of fixed and floating rate exposure. And, third, the City has used basis swaps to amend the floating rate on certain of its existing synthetic fixed rate swaps in order to provide a better hedge on the underlying floating rate bonds.

Terms, fair value and credit risk. The terms, fair values and credit rating of the outstanding swaps as of June 30, 2015, were as follows. The notional amounts of the swaps match the principal amount of the associated debt. The City's swap agreements contain scheduled reductions to outstanding notional amounts that are designed to track the scheduled or anticipated reductions in the associated "bonds payable" category.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

Hedged Derivative Instruments

At June 30, 2015, the City had deferred liabilities for various hedged derivative instruments with the total fair values of these instruments in the amounts of (\$3,464,557) and (\$19,835,717), for governmental and business-type activities, respectively. The notional amounts for these hedged derivative instruments at June 30, 2015, were \$22,950,000 and \$142,120,000, for governmental and business-type activities, respectively. During fiscal year 2015, the fair values of these instruments decreased \$396,775 and \$14,185,745 for governmental and business-type activities, respectively. All hedges are cash flow hedges. The following schedule provides a detailed analysis of derivative instruments held at June 30, 2015:

SWAP PROFILE as of June 30, 2015							
Outstanding Bonds	Effective Date	Termination Date	Interest Rate Paid by City	Interest Rate Received	Notional Amount	Fair Value	Counterparty Credit Rating
Hedged Derivative Instruments - Governmental Activities							
General Obligation Bonds							
<i>Floating to Fixed Swaps</i>							
2003 Bonds	1/15/2010	10/15/2020	4.215%	1M LIBOR	\$ 5,795,000	\$ (266,818)	BBB+/A3
2003 Bonds	1/15/2010	10/15/2022	4.970%	1M LIBOR	17,155,000	(3,197,739)	BBB+/A3
Total Governmental Activities					22,950,000	(3,464,557)	
Hedged Derivative Instruments - Business-type Activities							
Industrial Development Authority Revenue Bonds							
<i>Floating to Fixed Swaps</i>							
1986 Revenue Bonds	11/1/2001	8/1/2016	3.4975%	SIFMA	45,000,000	(1,746,432)	A-/A3
Water Utility Fund Revenue Bonds Series							
<i>Floating to Fixed Swaps</i>							
2002 Revenue Bonds	5/7/2002	7/1/2037	4.555%	67% 1M LIBOR	20,800,000	(9,386,827)	A-/A3
2002 Revenue Bonds	5/7/2002	7/1/2015	4.50%	Bond Rate/CPI	1,615,000	(30,157)	A-/A3
2002 Revenue Bonds	5/7/2002	7/1/2016	4.61%	Bond Rate/CPI	1,685,000	(56,670)	A-/A3
Total Water Utility Fund					24,100,000	(9,473,654)	
Wastewater Utility Fund Revenue Bonds Series							
<i>Floating to Fixed Swaps</i>							
2002 Revenue Bonds	5/7/2002	7/1/2015	4.50%	Bond Rate/CPI	1,240,000	(23,154)	A-/A3
2002 Revenue Bonds	5/7/2002	7/1/2016	4.61%	Bond Rate/CPI	1,280,000	(43,049)	A-/A3
Total Wastewater Utility Fund					2,520,000	(66,203)	
Parking Revenue Bonds Series							
<i>Floating to Fixed Swaps</i>							
2008 Bonds	6/19/2002	7/1/2032	6.098%	1M LIBOR	63,300,000	(7,930,667)	A/A2
2008 Bonds	6/19/2002	7/1/2025	5.915%	1M LIBOR	7,200,000	(618,761)	A/A2
Total Parking Facilities Fund					70,500,000	(8,549,428)	
Total Business-type Activities					\$ 142,120,000	\$ (19,835,717)	

Credit risk — As of June 30, 2015, the City is not exposed to credit risk on any of the outstanding swaps because the swaps have negative fair value. All fair values were calculated using the mark-to-market or par value method. However, should interest rates change and the fair values of the swaps become positive, the City would be exposed to credit risk in the amount of the derivatives' fair value. The swap agreements contain varying collateral agreements with counterparties. In general, these agreements require full collateralization of the fair value of the swap should the counterparty's credit rating fall below Baa as issued by Moody's or BBB as issued by Standard and Poor's. Collateral on all swaps may be in the form of cash or U. S. government securities held by the City. Although the City executes transactions with various counterparties, six swaps or approximating 43% of the notional amount of swaps outstanding, are held with one counterparty that is currently rated A-/A3. Of the remaining swaps, the City holds two swaps with a counterparty rated BBB+/A3, approximating 14% of the outstanding notional value, and two swaps with one counterparty rated A/A2, approximately 43% of the outstanding notional value.

Basis risk — The City's variable rate bonds are of three types: remarketed variable rate demand bonds (VRDBs), auction rate bonds (ARBs), and CPI index bonds. For those swaps associated with the VRDBs and ARBs, the City receives a floating rate based on either the SIFMA Index or one-month LIBOR. For the SIFMA based swaps, the City

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

is exposed to basis risk should the spread between the SIFMA and the VRDBs or ARBs rate change. If a change occurs that results in the spread widening, the expected cost savings may not be realized. As of June 30, 2015, the SIFMA rate for the prior 52-week period ranged from 0.02% to 0.11%, whereas the City tax-exempt market ranged from 0.05% to 0.15%. For ten of the swaps, the City will receive a percent of LIBOR or a percent of LIBOR plus a basis point spread, each rate was chosen to closely approximate the City's tax-exempt variable rate bond payments. Because these swaps are LIBOR-based, there is an additional degree of basis risk. For four of the swaps, the City receives the one month LIBOR, chosen to approximate the City's taxable variable rate bond payments. As of June 30, 2015, LIBOR for the prior 52-weeks ranged from 0.15% to 0.18%, whereas the City's taxable market ranged from 0.09% to 0.14%. For those swaps associated with CPI index bonds, there is no basis risk, because the floating rate on the swaps is identical to the floating rate on the bonds.

Interest rate risk — For those swaps for which the City pays a floating rate and receives fixed rate payments, the City is exposed to interest rate risk. As floating rates increase, the City's expected savings could decrease. The City would, however, benefit from offsetting increases in its earnings on short-term investments, whose return would be expected to go up in a higher interest rate environment.

Termination risk — The City or the counterparty may terminate a swap if the other party fails to perform under the terms of the contract. If at the time of termination the swap contract has a negative fair value, the City would be liable to the counterparty for that payment.

Investment Derivative Instruments

The fair value balance and notional amounts of derivative instruments outstanding are classified by type and the changes in fair value of such derivative instruments for the year ended June 30, 2015 are as follows:

	Changes in Fair Value		Fair Value at June 30, 2015		
	Classification	Amount	Classification	Amount	Notional
Investment Derivative Instruments					
Business-type Activities					
Water Utility Fund					
Floating to Floating	Investment Revenue	\$ 2,549,443	Debt	\$ (6,297,710)	\$ (71,455,000)
Industrial Development Authority					
Floating to Fixed	Investment Revenue	(615,858)	Debt	(2,134,528)	(55,000,000)
Total Business-type Activities		<u>\$ 1,933,585</u>		<u>\$ (8,432,238)</u>	<u>\$ (126,455,000)</u>

Credit risk — At June 30, 2015, the government is not exposed to credit risk on the interest rate swaps, because they are in a negative fair value or liability position. However, if interest rates change and the fair values become positive, the City would have exposure to credit risk. The counterparty's credit rating at June 30, 2015, was A-/A3 for one derivative instrument held by the Industrial Development Authority. For the Water Utility Fund, the counter party rating was Aa2/AAA. The change in the fair value of investment swaps in the amount of a gain of \$1,933,585 is netted and reported within the investment revenue classification.

Interest rate risk — For those swaps for which the City pays a floating rate, the City is exposed to interest rate risk. As floating rates increase, the City's expected savings could decrease. The City would, however, benefit from offsetting increases in its earnings on short-term investments, whose return would be expected to go up in a higher interest rate environment.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

Fiduciary Fund Types

Forward Currency Contracts

The City's Retirement Systems entered into forward currency contracts to manage exposure to fluctuations in foreign currency exchange rates on portfolio holdings. They also entered into forward exchange contracts to settle future obligations. A forward exchange contract is a commitment to purchase (payable) or sell (receivable) a foreign currency at a future date at a negotiated forward rate. Risk associated with such contracts includes movement in the value of a foreign currency relative to the U.S. dollar. Unrealized gains or losses on forward currency contracts are the difference between the contract and the closing market value of such contract and is included in the statement of changes in fiduciary net position as net appreciation in the fair value of investments. The table below summarizes the market value of foreign currency contracts as of June 30, 2015:

Currency	Forward Foreign Contracts Cost Receivable (a)	Forward Foreign Contracts Cost Payable (b)	Forward Foreign Contracts Fair Value Receivable (c)	Forward Foreign Contracts Fair Value Payable (d)	Unrealized Net Gain/(Loss) (c-a) + (b-d)
Australian Dollar	\$ 5,118,193	\$ 5,118,193	\$ 5,118,286	\$ 4,990,356	\$ 127,930
Brazilian Real	40	40	40	40	
British Pound Sterling	3,410,836	3,410,836	3,409,189	3,505,594	(96,405)
Canadian Dollar	9,356,309	9,356,309	9,355,833	9,048,952	306,881
Chinese Yuan Renminbi	399,707	399,707	399,707	415,496	(15,789)
Danish Krone	8,741	8,741	8,741	8,748	(7)
Euro Currency Unit	7,825,294	7,825,294	7,836,331	7,853,731	(17,400)
Hong Kong Dollar	352,925	352,925	352,925	352,913	12
Japanese Yen	1,736,799	1,736,799	1,740,038	1,750,369	(10,331)
Mexican New Peso	98,115	98,115	98,115	96,806	1,309
New Zealand Dollar	6,042,185	6,042,185	5,933,705	5,520,866	412,839
Norwegian Krone	1,349,302	1,349,302	1,349,302	1,299,072	50,230
Singapore Dollar	2,182,450	2,182,450	2,200,031	2,165,083	34,948
Swedish Krona	1,348,934	1,348,934	1,348,934	1,354,717	(5,783)
Swiss Franc	109,508	109,508	109,022	109,508	(486)
U.S. Dollar	5,955,247	5,955,247	5,952,101	5,955,247	(3,146)
Total	\$ 45,294,585	\$ 45,294,585	\$ 45,212,300	\$ 44,427,498	\$ 784,802

12. Pension Plans

All City employees, other than the professional employees of the Enoch Pratt Free Library and the Baltimore City Public School System (BCPSS), who are members of the Maryland State Retirement and Pension Systems to which the City and the BCPSS make no contributions, are covered under one of the following Public Employees Retirement Systems (PERS):

The City contributes to two single-employer defined benefit pension plans, the Fire and Police Employees' Retirement System (F&P Plan), established July 1, 1962 and the Elected Officials' Retirement System (EOS Plan), established December 5, 1983. The City also contributes to a cost-sharing multiple employer defined benefit plan, the Employees' Retirement System (ERS Plan), established January 1, 1926. Each plan provides retirement benefits as well as disability benefits to plan members and their beneficiaries. The F&P Plan, the EOS Plan, and the ERS Plan (the Plans) are each managed by a Board of Trustees in accordance with Article 22 of the Baltimore City Code. Plan benefits provisions may be amended only by the City Council. The Plans are considered part of the City's reporting entity and their financial statements are included in the City's basic financial statements as pension trust funds. The Plans issue separate financial statements which may be obtained by writing to the Retirement Systems at the following addresses:

For Employees' Retirement System and Elected Officials' Retirement System, mail request to:

Baltimore City Retirement Systems
7 East Redwood Street, 12th Floor
Baltimore, Maryland 21202-3470

For Fire and Police Employees' Retirement System, mail request to:

Baltimore City Retirement Systems
7 East Redwood Street, 18th Floor
Baltimore, Maryland 21202-3470

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

The financial statements for the City's three Plans are prepared using the accrual basis of accounting. Employer and member contributions are recognized in the period that the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with terms of the Plan.

A. PLAN DESCRIPTIONS

Fire & Police Employees' Retirement System

The F&P Plan covers all uniformed personnel of the Baltimore City Fire and Police Departments. Based on criteria established by the Governmental Accounting Standards Boards, the F&P Plan is a component unit of the City of Baltimore and is included in the City's financial report as a pension trust fund.

At June 30, 2014, the measurement date, the F&P membership consisted of:

Retirees and beneficiaries currently receiving benefit	6,268
Active plan members	4,317
Total	10,585

The F&P Plan provides normal service retirement benefits, as well as, death and disability benefits. Membership in the F&P Plan is mandatory upon employment. The F&P Retirement System does not have a vested benefit plan; however, members have vested rights to their contributions and interest.

F&P members were required to contribute 10% of their regular compensation through payroll deduction. The employer contributions are determined through an actuarial valuation. According to plan provisions, contribution requirements of the plan members and the City are established and may be amended by the Mayor and City Council. The valuation method is stipulated in the plan provisions. An expense load of 1.5% is included in the annual employer contribution requirement to cover administrative costs.

Members are eligible for a normal service retirement if they acquire 25 or more service credit years with at least 15 years of service credit as an F&P contributing member regardless of age or if the member is age 55 and acquires 15 or more years of service credit as an F&P contributing member. Normal service retirement benefits are calculated at 2.5% of the average final compensation for the first 20 years plus 2% of the average final compensation for each year over 20 years of service. Members are eligible for early service retirement which is a reduced retirement benefit. To be eligible for early retirement, members must acquire 20 years of service credit with at least 10 years of service credit as an F&P contributing member regardless of age or attain age 50 with at least 10 years of service credit as an F&P contributing member.

Members are also eligible for a deferred retirement option program, DROP and DROP 2. Members with more than 20 years of service on or before December 31, 2009 can elect to participate in DROP at any time. A member's DROP participation period can be for one to three years. If a member retires during the DROP participation period, the benefit shall equal:

1. The retirement benefit that would have been paid had the member retired at the time he/she began his/her DROP participation, plus
2. A lump sum equal to the member's DROP account. This equals the accumulation of the annuity payments the member would have received had the member retired, plus the member contributions paid during the members DROP participation period, plus interest at 8.25%.

Members with more than 20 years of service on or after January 1, 2010 can elect to participate in DROP 2. On July 1, 2010, this requirement was changed to members with more than 25 years of service for non-grandfathered members. A member's DROP 2 participation period can be for one to three years. If a member retires during the DROP participation period, the benefit shall equal:

1. The retirement benefit that would have been paid had the member retired at the time the member began his/her DROP 2 participation, plus

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

2. A lump sum equal to the member's DROP account. This equals the accumulation of the annuity payments the member would have received had the member retired, plus the member contributions paid during the members DROP participation period, plus interest at 5.50% for grandfathered members and 3.0% for non-grandfathered participants.

Post-retirement benefit increases are provided to retirees and beneficiaries based on age, type of retirement and having received benefits for two or more years as of each June 30 eligibility determination date.

Elected Officials Retirement System

The EOS Plan covers the Mayor, the Comptroller, and the President and all members of the City Council. Based on criteria established by the Governmental Accounting Standards Board, the EOS Plan is a component unit of the City of Baltimore and is included in the City's financial report as a Public Employee's Retirement System (PERS).

At June 30, 2014, the measurement date, the EOS Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits	21
Active plan members	17
Inactive plan members eligible to receive but not receiving benefits	2
Total	40

The EOS Plan provides retirement benefits as well as death and disability benefits and the reduction of benefits is precluded by the City Code. Membership in the EOS Plan is mandatory upon taking the oath of office, unless the elected official is already a member of the Employees' Retirement System of the City of Baltimore.

EOS plan members were required to contribute 5% of their regular contribution through payroll deduction. The City's annual employer contribution is determined through an actuarial valuation. Baltimore City Code grants the authority to establish and amend the contributions of the active plan members to the Mayor and City Council of Baltimore. Administrative costs of the Plan are paid from investment earnings.

Members are eligible to retire after the earlier of acquiring at least 16 years of service credit or attaining age 50 with at least 12 years of service credit. Members are vested after 12 years of service. A member shall be entitled to receive a maximum service retirement allowance which shall consist of:

1. An annuity which shall be the actuarial equivalent of accumulated contributions at the time of retirement,
2. A pension, in addition to the annuity, which together shall be equal to 2.5% of the current annual earnable compensation applicable to the office multiplied by the number of years of membership credit.

Post-retirement benefit increases are indexed to future increases in the compensation for the position held by the elected official prior to retirement.

Employees Retirement System

The ERS Plan covers City employees and the Baltimore City Public School System employees with the exception of those required to join the Maryland State Retirement System, or the two other Baltimore City retirement systems, the Fire and Police Employees' Retirement System and the Elected Officials' Retirement System. Based on criteria established by the Governmental Accounting Standards Board, the ERS Plan is a component unit of the City of Baltimore and is included in the City's financial report as a pension trust fund.

At June 30, 2014, the measurement date, the ERS Plan membership consisted of:

Active plan members	8,904
Retirees and beneficiaries – currently receiving benefits	8,893
Inactive plan members eligible to receive but not receiving benefits	1,043
Total	18,840

The ERS Plan provides service retirement benefits as well as death and disability benefits. Only the Mayor and City Council may amend the ERS Plan Provisions. The reduction of benefits is precluded by the City Code.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

The ERS Plan is divided into three Classes: A, C and D for amendment of membership and benefit changes of the Plan Provisions.

Class “A” has less than 0.01% of active contributory members. The “A” contributory class consists of all members hired prior to July 1, 1979 who did not elect to transfer to Class C, the non-contributory class. Membership was mandatory on the member’s second anniversary of employment. However, the member could voluntarily enroll within the first two years of employment.

Class “C” is composed of 99.70% of the ERS membership and consists of all employees hired on or after July 1, 1979 who automatically become members on the first anniversary of employment, and all members hired prior to July 1, 1979 who elected to transfer from the Class “A” contributory class.

Effective July 1, 2013, Ordinance 13-144 was enacted by the Mayor and City Council introducing contributions for active ERS Plan non-contributory members and eliminating the post retirement variable benefit increase. The Ordinance provides that effective July 1, 2013 members will contribute 1% of pay, to continue each year at 1% increments provided that 2% compensation is received for each year of contribution until employee contribution reaches 5% of compensation.

The ERS defined benefit class “C” was closed to new members on June 30, 2014 to establish the City of Baltimore’s Retirement Saving Plan (RSP). The RSP consist of a 401a contributory non-hybrid and a hybrid contributory defined benefit “D” Plan. The RSP is not a separate plan, but is a separate class of the existing ERS plan, if the employee choses to belong to the hybrid defined benefit “D” plan. The waiting period of entry for the contributory non-hybrid plan is 180 days. The hybrid contributory defined benefit Plan waiting period is one year. Employees hired as of July 1, 2014 have 150 days of employment to select between the two Plans. Employees who do not select a Plan after 150 days of employment will automatically default into the hybrid contributory defined benefit “D” plan. The mandatory contribution to each of the Plans is 5%. Members have an option in both Plans to contribute to the City of Baltimore’s 457 Deferred Compensation Plan and will receive a 50% match on the first two percent of their contributions.

The contributions required by the ERS Plan provisions for each membership class are as follows:

Membership classes	Percentage of compensation
A	4.0%
C	1.0-5.0%*

* Class C contributions increase from 1.0% to 2.0% for the fiscal year beginning July 1, 2014 through June 30, 2015.

Members of Classes A and B are eligible to retire at age 60 with 5 years of service or 30 years of membership service. Members of Classes C and D are eligible to retire at age 65 with 5 years of service or 30 years of service, regardless of age. Early retirement is allowed at age 55 with 5 years of service payable at age 65 or reduced for payment before age 65. Benefits for service retirement are paid as follows:

Classes A and B – The sum of:

1. An annuity of the actuarial equivalent of a members accumulated contributions: and,
2. A pension, which together with the annuity shall equal 1.935% (Class A) or 1.785% (Class B) of average final compensation times years of service.

Class C: A pension of (1) 1.6% of average final compensation times years of service up to 30 years, plus (2) .25% of average final compensation in excess of covered compensation, times years of service up to 30 years, plus (3) 1.85% of average final compensation, times years of service in excess of 30 years.

Class D: A pension of 1.00% of average final compensation, times years of service. If the member retires at or after age 62 with at least 20 years of service the member receives an enhanced benefit of 1.10% of average final compensation times years of service.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

B. NET PENSION LIABILITY (ASSET)

The measurement date for The Plans is June 30, 2014. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The following schedules are the net pension liability (NPL) or the net pension asset (NPA) and the sensitivity of the NPL or NPA to the discount rate.

The component of the net pension liability (asset) of the Single-Employer Plans are as follows:

(Dollars Expressed in Thousands)

	Fire and Police Employees' Retirement System	Elected Officials' Retirement System
Total pension liability	\$ 3,348,302	\$ 16,780
Less: plan fiduciary net position	2,474,170	23,463
Net pension liability (asset)	\$ 874,132	\$ (6,683)
Plan fiduciary net position as a percentage of Total pension liability (asset)	73.9%	139.8%

The City reported a liability of \$610,998,000 for its proportionate share of the net pension liability of the Employees' Retirement System of the City of Baltimore. The City's proportion of the net pension liability was based on the City's actual contributions to the plan relative to the actual contributions of all employers. The City's proportion of the net pension liability is 85.92%. The Baltimore City Public School System did not reflect their 14.08% share of the net pension liability in its financial statements for the year ended June 30, 2015.

The actuarial assumptions and the current year contributions for the Plans are:

(Dollars Expressed in Thousands)

	Fire and Police Employees' Retirement System	Elected Officials' Retirement System	Employees' Retirement System
Contributions made*	\$ 113,843	\$ 307	\$ 94,918
Actuarial assumptions:			
Investment rate of return:			
Pre-retirement	7.75%	7.25%	7.75%
Post retirement	7.75%	7.25%	6.55%
Projected salary increases	3.75%	5.0%	4-6.7%
Includes inflation rate at	3.75%	5.0%	2.75%
Cost-of-living adjustment	0-2.0%	5.0%	1.5-2.0%
Mortality	RP-2000 Combined Healthy Mortality projected to 2010 by Scale AA for Healthy lives	Sex distinct 1994 Uninsured Pensioners Generational Mortality with adjustments and improvement using Scale AA	Sex distinct 1994 Uninsured Pensioners Generational Mortality with adjustments and improvement using Scale AA
Last Experience Study Covered	July 1, 2008-June 30, 2011	July 1, 2006-June 30, 2010	July 1, 2006-June 30, 2010

* Fire and police contributions include a contribution from the State of \$839,000.

C. EXPECTED RETURNS, DISCOUNT RATE AND DEFERRED INFLOWS/OUTFLOWS

The long term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major 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.

Best estimates of arithmetic real rate of return for each major asset class included in the Plans' target asset allocation are summarized in the following table:

Long Term Expected Real Rate of Return/Target Allocation

Asset Class	Fire and Police Employees' Retirement System	Elected Officials' Retirement System	Employees' Retirement System
U.S. equities	5.8%/19.5%	5.7%/44.0%	5.7%/36.0%
International equities	7.8%/19.5%	6.4%/21.0%	6.5%/14.0%
Private equities	10.0%/5.0%		10.4%/10.0%
Fixed income	3.3%/19.0%	(0.3)%/35.0%	(0.1)%/26.0%
Real estate	8.0%/10.0%		5.6%/9.0%
Hedge funds	4.8%/10.0%		3.6%/5.0%
Energy MLP	7.3%/7.0%		
Private energy	10.0%/5.0%		
Risk parity	7.3%/5.0%		

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

The F&P Plan — The projection of the cash flows used to determine the discount rate assumed that plan member contributions and employer contributions will continue to be made at the rates specified in the City Code and the written contribution policy. Based on these assumptions, the Fire and Police Plan retirement contribution was projected to be available to make all projected future benefit payments for current members until the last payment for the current covered population is made as of the June 30, 2014 measurement date. The discount rate used to determine the total pension liability as of June 30, 2014 is 7.75%.

The EOS Plan — The projection of the cash flows used to determine discount rate assumed that plan member contributions will continue to be made at the rates specified in the City Code. Employer contributions were assumed to be made in accordance with the contributions policy in effect for the July 1, 2014 actuarial valuation. As of June 30, 2014 the plan is fully funded and the amortization of the surplus is greater than the normal costs resulting in a required contribution amount of zero. The discount rate at June 30, 2014, 7.25%, is the assumed long term expected rate of return on EOS investments.

The ERS Plan — The projection of the cash flows used to determine discount rate assumed that plan member contributions will continue to be made at the rates specified in the City Code. Expected member contributions for fiscal year 2014 were 1% of pay increasing to 2% of pay for fiscal year 2015 will continue to increase annually up to 5% of compensation thereafter. Employer contributions were assumed to be made in accordance with the contribution policy in effect for the July 1, 2014 actuarial valuation. Based on these assumptions, the ERS Plan's fiduciary net position was projected to be available to make all projected future benefit payments for current members until the last payment for the current covered population is made as of the June 30, 2014 measurement date. The discount rate at June 30, 2014, 7.75%, is the assumed long term expected rate of return on ERS investments.

Sensitivity of the pension liability (asset) to changes in the discount rate

The sensitivity of the net pension liability (asset) below presents the net pension liability (asset) of the Plans calculated using the current discount rates as well as what the Plans' net pension liability (asset) would be if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current rate.

(Expressed in Thousands)			
	1% Decrease	Current Discount Rate	1% Increase
<hr/>			
Fire and Police Employees' Retirement System	6.75%	7.75%	8.75%
Net pension liability	\$ 1,238,029	\$ 874,132	\$ 568,284
Plan fiduciary net position as a percentage of total pension liability	66.6%	73.9%	81.3%
<hr/>			
(Expressed in Thousands)			
	1% Decrease	Current Discount Rate	1% Increase
<hr/>			
Elected Officials' Retirement System	6.25%	7.25%	8.25%
Net pension (asset)	\$ (4,673)	\$ (6,683)	\$ (8,358)
Plan fiduciary net position as a percentage of total pension (asset)	124.9%	139.8%	155.3%
<hr/>			
(Expressed in Thousands)			
	1% Decrease	Current Discount Rate	1% Increase
<hr/>			
Employees' Retirement System (City of Baltimore Portion)	6.75%	7.75%	8.75%
Net pension liability	\$ 822,006	\$ 610,998	\$ 432,632
Plan fiduciary net position as a percentage of total pension liability	61.0%	67.8%	74.9%
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CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

Deferred Inflows and Deferred Outflows

In addition to the amounts disclosed above, \$201,056,000 in deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ended June 30, 2016.

The reported deferred outflows/inflows of resources associated with the Plans is as follows:

(Expressed in Thousands)

Fire and Police Employees' Retirement System	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 118,190	
Differences between actual and expected experience	1,046	
Differences between actual and projected earnings		\$ 113,099
Total	<u>\$ 119,236</u>	<u>\$ 113,099</u>

Elected Officials' Retirement System	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 85	
Differences between actual and expected experience		\$ 171
Assumption change		1,629
Total	<u>\$ 85</u>	<u>\$ 1,800</u>

Employees' Retirement System (City of Baltimore Portion)	Deferred Outflows of Resources	Deferred Inflows of Resources
City contributions subsequent to measurement date	\$ 82,781	
Differences between actual and expected experience	8,994	
Change in the City's proportionate share	5,517	\$ 8,404
Assumption change		71,946
Total	<u>\$ 97,292</u>	<u>\$ 80,350</u>

A summary of the net deferred outflows/ (inflows) of resources to be recognized in pension expense in future years is presented below:

(Expressed in Thousands)

Deferred outflows (inflows) for years ended June 30:	Fire and Police Employees' Retirement System	Elected Officials' Retirement System	Employees' Retirement System (City of Baltimore Portion)	Total
2016	\$ (27,926)	\$ (492)	\$ (15,710)	\$ (44,128)
2017	(27,926)	(492)	(15,710)	(44,128)
2018	(27,926)	(407)	(15,710)	(44,043)
2019	(28,274)	(407)	(18,709)	(47,390)
	<u>\$ (112,052)</u>	<u>\$ (1,798)</u>	<u>\$ (65,839)</u>	<u>\$ (179,689)</u>

In addition to the amounts disclosed above, \$201,056,000 in deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

D. PENSION EXPENSE AND CHANGES IN NET PENSION LIABILITY (ASSET)

Pension expense (income) includes charges in the net pension liability (asset), projected earnings on pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the current period. The components of pension expense for the Single-Employer Plans are as follows:

(Expressed in Thousands)

	Fire and Police Employees' Retirement System	Elected Officials' Retirement System
Service cost	\$ 65,548	\$ 399
Interest on total pension liability	248,633	1,177
Change in benefit terms		
Administrative expenses	3,881	32
Member contributions	(28,058)	(57)
Expected investment return net of investment expenses	(170,760)	(1,472)
Recognition of deferred inflows/outflows of resources:		
Recognition of liability gains and losses	348	(85)
Recognition of investment (gains) and losses	(28,274)	(407)
Pension expense (income)	\$ 91,318	\$ (413)

For the year ended June 30, 2015, the City recognized pension expense of \$43,725,000 from its participation in the Employees' Retirement Plan.

Schedule of changes in net pension liability (Asset) and related ratios for the Single-Employer Plans for the year ended June 30, 2015 (amounts expressed in thousands):

	Fire and Police Employees' Retirement System	Elected Officials' Retirement System
Total pension liability:		
Interest (includes interest on service cost)	\$ 248,633	\$ 1,177
Service cost	65,548	399
Differences between expected and actual experience	1,396	(256)
Benefit payments, including refunds of member contributions	(219,808)	(725)
Net change in total pension liability	95,769	595
Total pension liability – beginning	3,252,533	16,185
Total pension liability – ending	3,348,302	16,780
Plan fiduciary net position:		
Net investment income	312,131	3,508
Contributions – employer	113,004	307
Contributions – member	28,058	56
Benefit payments, including refunds of member contributions	(219,808)	(725)
Administrative expense	(3,876)	(32)
Net change in plan fiduciary net position	229,509	3,114
Plan fiduciary net position – beginning	2,244,661	20,349
Plan fiduciary net position – ending	2,474,170	23,463
Net pension liability (asset) – ending	\$ 874,132	\$ (6,683)
Plan fiduciary net position as a percentage of the total pension liability	73.89%	139.83%
Covered employee payroll	\$ 290,581	\$ 1,267
Net pension liability (asset) as a percentage of covered employee payroll	300.82%	(527.37)%

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

E. COMPONENT ALLOCATION

ERS balances have been allocated between the governmental activities and business type activities. The allocation is based on where the employee works. The allocation for the City of Baltimore's portion is as follows and amounts are expressed in thousands:

	Employees' Retirement System	Governmental Activities	Enterprise Funds			
			Water	Wastewater	Stormwater	Nonmajor Proprietary Funds
Net pension liability (asset), beginning of year	\$ 714,669	\$ 574,094	\$ 62,176	\$ 67,036	\$ 6,218	\$ 4,145
Pension expense (income)	43,725	32,873	5,694	3,990	714	454
Employer contributions	(81,558)	(64,781)	(7,789)	(7,609)	(832)	(547)
Deferred outflows/(inflows)	(65,838)	(57,870)	(1,730)	(6,411)	132	41
Net pension liability (asset), end of year	\$ 610,998	\$ 485,316	\$ 58,351	\$ 57,006	\$ 6,232	\$ 4,093
Proportionate Share	100.00%	79.43%	9.55%	9.33%	1.02%	0.67%

F. THE UNFUNDED POLICE DEPARTMENT RETIREMENT PLAN

Additionally, the City's Police Department is the administrator of the City's unfunded single-employer defined benefit local retirement plan. The plan is managed by the City's Police Department under the Code of Local Laws of Baltimore. All employees eligible for this plan were hired prior to January 1, 1947. All members of this plan are currently retired and the City plans to pay benefits on a pay-as-you-go basis until all obligations have been fulfilled. The unfunded accrued liability represents the actuarial present value of future benefits based on assumed annual salary increases of 3.0%. There is no covered payroll for the plan. The City's annual contributions equal the employee benefits paid under the terms of the plan. The City's employer contributions for the last three years are as follows:

Three -Year Trend Information
(Expressed in Thousands)

	Employer Contribution	Unfunded Accrued Liability
June 30, 2015	\$ 370	\$ 1,862
June 30, 2014	512	1,978
June 30, 2013	705	2,776

G. THE MARYLAND STATE RETIREMENT AND PENSION SYSTEMS

The State makes contributions on behalf of the Enoch Pratt Free Library employees. The State's contribution for the fiscal year ended June 30, 2015, was \$2,172,000. This amount has been recognized as both revenue and expenditure in the accompanying Statement of Activities.

H. DEFERRED COMPENSATION

The City offers its employees a deferred compensation plan in accordance with the Internal Revenue Code (IRC) Section 457. The plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees or other beneficiaries until termination, retirement, death, or unforeseeable emergency.

The City has no administrative involvement and does not perform the investing function. The City has no fiduciary accountability for the plan and, accordingly, the plan assets and related liabilities to plan participants are not included in the basic financial statements.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

13. Other Postemployment Benefits

Plan Description

The City of Baltimore provides other postemployment benefits (OPEB) to all qualified City and BCPSS employees. All costs of the Plan for employees of the BCPSS are the responsibility of the City and reflected as such in this Note and the City's financial statements. The Plan is a contributory, single employer defined benefit plan. The benefit and contribution provisions of the Plan are established and may be amended by the City. The Plan provides postemployment healthcare and prescription drug benefits to retirees and their beneficiaries. Retirees may choose from two health plan options and four levels of coverage.

The following schedule outlines the eligibility requirements to participants in the Plan by employee group:

Post Retirement Medical Benefit Eligibility Requirement*	
Employee Group	Requirement
Maryland State Retirement and Pension Systems	If hired before January 1, 1980: Age 60 or 30 years of service If hired on or after January 1, 1980: Based on age at retirement and years of service
Fire and Police Employees' Retirement System	If hired before July 1, 2003: Age 50 or 20 years of service If hired on or after July 1, 2003: Age 50 and 10 years of service or 20 years of service
Employees' Retirement System & Elected Officials' Retirement System	If hired after July 1, 1979, age 55 with at least 5 years of service or any age with 30 years of service

*All employees are eligible for disability benefits depending on years of service and reasons for disability.

In order to effectively manage the Plan, the City established an OPEB Trust Fund. All retiree and City contributions are deposited into the Trust Fund and all retiree related health and life insurance benefits are paid from the Trust Fund. The City also contracted with the Board of Trustees of the Employees' Retirement System to act as investment manager for the Trust Fund. BNY Mellon Bank Asset Saving is the Trust Fund's asset custodian. The Plan does not issue stand alone financial statements; however, the OPEB Trust Fund is included in the City's financial statements as a fiduciary fund.

The number of participants in the Plan as of July 1, 2015, was as follows:

	Number of Participants		
	City	School	Total
Active	14,108	8,184	22,292
Retired	10,075	6,048	16,123
Total	24,183	14,232	38,415

Significant Accounting Policies of the OPEB Trust Fund:

Basis of Accounting. The financial statements for the OPEB Trust Fund are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Method Used to Value Investments. Plan investments are reported at fair value. Securities traded on national and international exchanges are valued at the last reported sale price at the current exchange rates.

Funding Policy:

The City's policy is to fund benefits on a pay-as-you-go basis plus make additional contributions comprising the federal retiree drug subsidy payments and an additional annual appropriation. Retirees are required to contribute at various rates ranging from approximately \$58 to \$1,331 on a monthly basis, depending on the health plan and level of coverage elected and whether Medicare supplemental coverage is present. In addition, retirees contribute 20% toward the prescription plan coverage. Administrative costs of the Plan are covered by the City.

For fiscal year 2015, City contributions to the Plan were \$134.7 million, including \$57.3 million of federal retiree drug subsidy payments, which was more than the annual OPEB cost of \$75.4 million resulting in a net decrease to the

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

OPEB liability of \$59.3 million for the current year. Interest on the OPEB liability amounted to \$2.9 million in fiscal year 2015. The OPEB liability at June 30, 2015 was \$11.5 million. An additional adjustment in the amount of (\$2.3) million was made to the annual required contribution (ARC) based on claims experience.

Annual OPEB Cost and Net OPEB Obligations:

The City's annual OPEB cost (expense) is calculated based on the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The City's annual OPEB cost (expense) for fiscal 2015 was \$75.4 million. The following table shows the components of the City's annual OPEB cost for the years ended June 30, 2015, June 30, 2014 and June 30, 2013, respectively, and the amount actually contributed to the plan (dollars expressed in millions):

	Fiscal Year Ended		
	June 30, 2013	June 30, 2014	June 30, 2015
Normal Cost	\$ 45.1	\$ 42.5	\$ 31.4
Amortization of Unfunded Actuarial Liability	72.8	64.9	43.4
Annual Required Contribution (ARC)	117.9	107.4	74.8
Interest on Unfunded ARC	5.0	5.3	2.9
Adjustment of ARC	(3.9)	(4.3)	(2.3)
Annual OPEB Cost	119.0	108.4	75.4
Actual Contributions	125.9	139.9	134.7
Increase/(Decrease) in OPEB Obligation	(6.9)	(31.5)	(59.3)
Net OPEB Obligation	102.3	70.8	11.5
Percentage Contributed	106.8%	130.3%	180.1%

Funded Status and Funding Progress:

(Expressed in Millions)

Fiscal Year Ended	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2015	\$ 403.8	\$ 1,195.0	\$ 791.2	33.8%	\$ 1,531.2	51.7%
June 30, 2014	322.4	1,655.5	1,333.1	19.5	1,476.0	90.3
June 30, 2013	262.4	1,755.7	1,493.3	14.9	1,426.1	104.7

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Method and Assumptions:

Data in the above tables were obtained from an actuarial valuation prepared by an independent actuary made as of June 30, 2015, using census data as of that date and health care claims costs for the year ended June 30, 2015.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The City has selected the Projected Unit Credit Cost (PUCC) method. Under the projected unit credit cost method, the actuary develops the discounted present value of all future benefit payments. For a retiree, this amount is the actuarial accrued liability. For an employee that has not retired, the actuarial accrued liability is determined as the ratio of the employee's service as of the valuation date to the expected service at retirement. As the valuation uses rates of

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

retirement, the PUCC method determines the Actuarial Accrued Liability as the weighted sum of the pro-rata calculations for expected retirement at each expected retirement age. The unfunded actuarial accrued liability is being amortized over 30 years on a level dollar basis.

In performing their valuation, the actuary used a discount rate of 7.00%, which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the Plan at valuation date. Assets are valued at fair value. Past service costs are calculated using the level dollar method with a closed amortization period of 30 years. The valuation also assumes a 5.2% healthcare trend for fiscal year 2015, reduced by decrements to a rate of 3.8% in 2083. Salary increases were not considered as OPEB benefits and OPEB benefits are not based on pay.

14. Risk Management

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; civil rights violations; and natural disasters. During fiscal year 1987, the City established the Risk Management Fund (an internal service fund) to account for and finance its uninsured risks. The City's risk financing techniques include a combination of risk retention through self-insurance and risk transfer through the purchase of commercial insurance. The Risk Management Fund services all claims for risk of loss, including general liability, property and casualty, workers' compensation, unemployment compensation, automobile physical damage and bodily injury, and sundry other risks. Beginning in fiscal year 2013, the City has included the accounting for violations of a person's civil rights. The civil rights liability is recorded within the General Fund. Commercial insurance coverage is provided for each property damage claim in excess of \$500,000 with a cap of \$500,000,000. Settled claims have not exceeded this commercial coverage in any of the past three years. The City also provides medical insurance coverage for all employees and retirees. Employees are required to pay a percentage of the annual cost of the medical plans and the remaining costs are paid by the internal service fund.

All funds of the City and the Baltimore City Public School System participate and make payments to the Risk Management Fund based on actuarial estimates and historical cost information of the amounts needed to pay prior and current year claims. As of June 30, 2015, the City has determined that the range of potential claims liability for the fund to be between \$277,522,000 and \$306,525,000. The claims liability of \$277,522,000 reported in the fund is based on the requirement that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). This liability, which has been discounted at 3.0% at June 30, 2015, does not include the effects of inflation, incremental or other allocated or unallocated claim adjustment expenses, salvage, or subrogation, as such factors are not considered material. Any claims in excess of \$277,522,000 will be charged to expense in the periods in which they are made.

Changes in the Risk Management Fund's claims liability in fiscal years 2014 and 2015 were (amounts expressed in thousands):

	2015	2014
Unpaid claims, beginning	\$ 229,039	\$ 223,826
Claims incurred	299,992	197,179
Claims paid	(251,509)	(191,966)
Unpaid claims, ending	<u>\$ 277,522</u>	<u>\$ 229,039</u>

The City estimates that \$75,619,000 of the estimated claims liability is due within one year.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

15. Operating Leases

The City has entered into a number of operating leases for rental of office facilities and equipment, some of which provide for increased rentals based upon increases in real estate taxes and common area maintenance fees. As of June 30, 2015, future minimum lease payments are as follows (amounts expressed in thousands):

2016	\$ 4,252
2017	3,128
2018	2,755
2019	2,088
2020	1,884
2021 - 2025	4,613
2026 - 2030	469
Total	<u>\$ 19,189</u>

All leases contain cancellation provisions and are subject to annual appropriations by the City Council. During fiscal year 2015, rent expenditures approximated \$19,054,000 for all types of leases. These expenditures were made primarily from the General Fund.

16. Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require that the City place a final cover on its landfill site and perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty years after closure. In addition to operating expenses related to current activities of the landfill site, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and postclosure care costs is \$23,347,000 as of June 30, 2015, which is based on 76.05% usage (filled) of the landfill. This is an increase in the liability of \$1,285,000 since June 30, 2014. This increase is primarily caused by an increase in the estimated usage (filled) of the landfill of 72.51% for the fiscal year 2014 to 76.05% in fiscal year 2015. It is estimated that an additional \$7,352,000 will be recognized as closure and postclosure care expenses between the date of the balance sheet and the date the landfill is expected to be filled to capacity (the year 2028). The estimated total current cost of the landfill closure and postclosure care, \$30,700,000, is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of June 30, 2015. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in the landfill laws and regulations. The City does not expect to pay any closure and postclosure care costs during fiscal year 2016.

In addition, the City is required by State and federal laws and regulations to make annual contributions to finance closure and postclosure care. The City is in compliance with these requirements, and at June 30, 2015, cash and cash equivalents of \$20,684,000 were held in the City's General Fund. In addition, the General Fund's fund balance was appropriately reserved. It is anticipated that future inflation costs will be financed in part from earnings on investments held by the City. The remaining portion of anticipated future inflation costs (including inadequate earnings on investments, if any) and additional costs that might arise from changes in closure and postclosure requirements (due to changes in technology or more rigorous environmental regulations, for example) may need to be covered by charges to future landfill users, taxpayers, or both.

17. Notes and Mortgages Receivable

Notes and mortgages receivable as of June 30, 2015, consist of the following:

- A. The General Fund has notes receivable of \$670,000, net of a \$1,000,000 allowance for losses. These notes bear interest rates ranging from 1.0% to 12.0% and mature over 30 years.
- B. The Debt Service Fund has mortgages receivable of \$202,000 collateralized by real property. These mortgages bear interest at rates ranging from 5.46% to 11.16% and mature over 30 years.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

- C. The Parking Facilities Fund has mortgages receivable of \$48,613,000 collateralized by real property. These notes bear interest at rates ranging from 6.1% to 6.9% and mature over 30 years. A portion of this note receivable totaling \$44,537,000 is scheduled to be collected in 2017 through 2044.
- D. Governmental activities have notes receivable of \$293,660,000 due from the Baltimore Hotel Corporation. These notes bear interest at rates ranging from 3.6% to 5.6% and mature over 30 years. A portion of this note receivable totaling \$290,470,000 is scheduled to be collected in 2017 through 2035.

18. Deferred Outflows/Inflows of Resources

A deferred outflow of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until the future period. At June 30, 2015, the City recognized unamortized losses on early extinguishments of debt and interest rate swaps as deferred outflows of resources in the government-wide statement of net position and the proprietary funds statement of net position.

A deferred inflow of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. At June 30, 2015, the City recognized deferred inflows of resources in the governmental funds for property taxes, income taxes, other prepaid taxes, notes receivable, and grant funds received for which related expenditures have not been incurred, or the expenditures have been incurred and the reimbursement funding is not available. Additionally, the City recognized derivative instrument liabilities as deferred inflows of resources in the government-wide statement of net position and the proprietary funds statement of net position.

19. Fund Balance

The composition of the fund balances of the governmental funds for fiscal year ended June 30, 2015 are as follows (amounts expressed in thousands):

	General	Grants	Capital Projects	Other Funds	Governmental Funds
Fund Balances:					
Nonspendable:					
Reserved for other assets	\$ 5,519				\$ 5,519
Restricted:					
Education				\$ 6,127	6,127
Highways and streets			\$ 2,190		2,190
Public library				2,222	2,222
Recreation and culture				5,407	5,407
Total restricted			2,190	13,756	15,946
Assigned to:					
General government	82,604			1,392	83,996
Public safety and regulation	27,469				27,469
Conservation of health	6,390				6,390
Social services	3,804				3,804
Education				5,070	5,070
Public library	2,208				2,208
Recreation and culture	2,508				2,508
Highways and streets	6,708				6,708
Sanitation and waste removal	39,035				39,035
Public service	3,053				3,053
Economic development	868			503	1,371
Debt service				51,130	51,130
Total assigned	174,647		-	58,095	232,742
Unassigned *	112,642	\$ (77,836)	(7,576)	(12,399)	14,831
Total fund balances	\$ 292,808	\$ (77,836)	\$ (5,386)	\$ 59,452	\$ 269,038

* General fund unassigned fund balance includes \$111,865,000 for the budget stabilization reserve.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

20. Commitments and Contingencies

The City is party to legal proceedings which normally occur in governmental operations. The City provides for the estimated losses on certain outstanding claims as discussed in Note 14. The City has determined, in consultation with outside counsel, that certain claims are in too early a stage to make a reasonable assessment of the City's liability. The City vigorously contests such claims as a matter of policy and will fully assert all available remedies, including the \$200,000 ceiling per individual claim. It is the opinion of City management, in consultation with outside legal counsel, that any additional liability for remaining litigation will not be material to the City's financial position or results of operations.

The Waste Water Utility has received Federal grants and State grants. Entitlement to grant resources is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable Federal and State regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits in accordance with grantors' requirements. Any disallowances as a result of these audits become a liability of the Waste Water Utility. As of June 30, 2015, the Waste Water Utility estimates that no material liabilities will result from such audits.

As of June 30, 2015, the City is contingently liable for loans guaranteed by the Loan and Guarantee Program in an aggregate amount of approximately \$913,000.

The Northeast Maryland Waste Disposal Authority Act was enacted by the Maryland General Assembly to assist in the provision of waste disposal facilities for the Northeast Maryland area, including the facilities for the disposal of waste water treatment residue. The City agreed to perform the obligations of the Authority. The current agreement, approved in March 2008, provided that the Authority and Mayor and City Council of Baltimore (the "City") enter into a service agreement, through June 30, 2013, with Veolia Water North America-Central, LLC, a Delaware limited liability company, which now owns and operates the Facility. This agreement has now been extended through June 30, 2018. The agreement allows the Wastewater Utility to deliver up to approximately 2,167 wet tons of sewerage sludge per month and to pay a tipping fee comparable to alternative methods of sludge disposal currently being used by the Wastewater Utility. The debt service on variable rate bonds has been satisfied and is no longer a component of the tipping fee. The Wastewater Utility's current tipping fee expense per wet ton for delivering sewerage sludge was \$89.19 and \$43.89 up to the guaranteed and excess tonnage amounts respectively. Payments under the agreement in fiscal year 2015 were \$2.580 million. The maximum commitment by the City is 26,004 wet tons per year.

The Wastewater Utility also has agreements with Synagro-Baltimore, LLC, a wholly owned subsidiary of Synagro Technologies, for processing biosolids at the City's Back River and Patapsco Wastewater Treatment Plants. Under the agreements the Wastewater Utility delivers approximately 19,000 dry tons of biosolids per year at each facility and pays base and service tipping fees. The debt service on the bonds is a component of the tipping fees. The Wastewater Utility's current monthly base tipping fees expense for delivering biosolids is \$254,236 for the Patapsco Wastewater Treatment Plant. The base tipping fee at the Back River Wastewater Treatment Plant terminated in fiscal year 2015 with the completion of debt service payments. The service tipping fees were \$410.20 and \$406.10 per ton for the Back River and Patapsco Wastewater Treatment Plants, respectively. Payments under the agreements in fiscal year 2015 were \$18.206 million. The agreements extend to 2025 and 2017 for the Back River and Patapsco Wastewater Treatment Plants, respectively.

In 2002, the City of Baltimore (City) voluntarily entered into a Consent Decree to rehabilitate its aging sewer infrastructure and correct historical overflow mechanisms. The Consent Decree is one of many that the U.S. Department of Justice has currently negotiated with major east coast cities with aged sewer and storm water infrastructures. These efforts are ambitious and the costs of the construction and maintenance are estimated to be greater than \$1.0 billion. The City has committed to financing these remedial efforts through a combination of Wastewater revenue bonds in conjunction with all available State and Federal assistance. During the life of the Consent Decree to date, the City has spent over \$800.0 million to study, design and begin improving the sanitary sewer system with the goal of eliminating sanitary sewer overflows. The Consent Decree expired on January 1, 2016, and the City has been negotiating a new decree with the Department of Justice, the Environmental Protection Agency and the Maryland Department of the Environment.

On June 1, 2016, the City, the Environmental Protection Agency, the Department of Justice, and the Maryland Department of the Environment filed a proposed modification to the 2002 Consent Decree with the court. The revised decree is composed of two phases with priority given to those projects that provide the greatest environmental benefits in the

early years and is expected to cost \$630.1 million in fiscal year 2017, to complete the remaining phase one projects. The second phase deadline is fiscal year 2030, and focuses on increasing the capacity of the system, which is expected to cost \$548.4 million.

21. Beginning Balance Adjustments

During fiscal year 2015, the City implemented Government Accounting Standards Board Statement No. 68, “Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27”. Under the provisions of this statement, the City must change the method of computing net pension liability. Therefore, the City has recalculated the fiscal year ending June 30, 2014, net position totals based on the effect of these changes. The restated net position totals resulting from this accounting are as follows for governmental activities and for the applicable proprietary funds affected (amounts expressed in thousands):

	June 30, 2014 Net Position	GASB 68 Pension Adjustments	Restated June 30, 2014 Net Position
Governmental activities	\$ 2,149,289	\$ (1,400,710)	\$ 748,579
Water Utility Fund	651,216	(54,387)	596,829
Wastewater Utility Fund	1,443,738	(59,426)	1,384,312
Stormwater Utility Fund	261,802	(5,385)	256,417
Loan and Guarantee Program	5,344	(182)	5,162
Conduit Fund	69,724	(3,417)	66,307

22. Subsequent Events

On August 27, 2015, the City entered into two Master/Lease Purchase Agreements with GE Public Finance for the amounts of \$10,928,600 and \$15,201,500, to be used to purchase vehicles as part of a City-wide fleet replacement program. The interest rate is set at 2.15% with a six-year term, and the rate of interest is set at 2.42% for a ten-year term.

On November 5, 2015, the City issued Special Obligation Bonds, Series 2008C-1 and Series 2008C-2, in the amounts of \$10,680,000 and \$4,054,595, respectively. The remarketing of the 2008C-1 bonds and the remarketing, through a private placement, of the 2008C-2 bonds occurred for the purposes of refinancing certain public improvements and the repayment of certain obligations with respect to the 2004 Guaranty. The interest rates range from 3.00% to 4.00%, and interest is payable semiannually on March 1 and September 1 of each year, beginning March 1, 2016.

On December 18, 2015, the City entered into a Master/Lease Purchase Agreement with GE Public Finance for the amount of \$8,977,728, to be used to purchase rollout trash containers for Baltimore City residents. The interest rate is set as 2.12% with a term of 6 years.

On April 14, 2016, the City entered into an agreement with the State of Maryland to borrow \$54,410,000 in County Transportation Revenue Bonds, Series 2016. The loan consists of \$41,970,000 in new funding, and \$12,440,000 in refunding of the Series 2007 bonds. The rate of interest on the bonds from the new funding is from 2.50% to 5.00%, and the rate of interest on the refunding amount is 4.00%. These bonds are secured by a pledge of the City’s share of the highway user revenues.

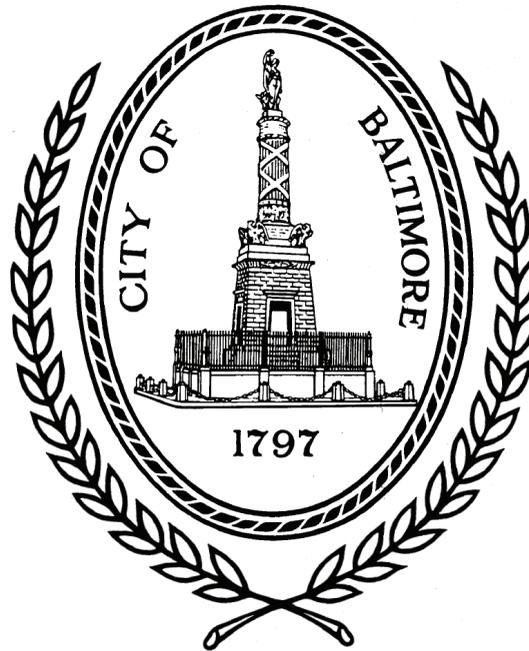
On June 9, 2016, the City issued General Obligation Bond Anticipation Notes, Series 2016-A and 2016-B, in the amounts of \$43,300,000 and \$17,700,000, respectively. These notes were issued for various capital projects in the City. Interest on the notes is due October 15th and April 15th. The notes may be prepaid on and after November 1, 2016; and are due on June 9, 2019.

On June 15, 2016, the City entered into an agreement with the Maryland Water Quality Financing Administration for a Water Quality Revolving Loan in the amount of \$23,816,620. The rate of interest on the loan is set at 0.70%.

On February 9, 2017, the City issued Water and Wastewater Project and Refunding Revenue Bonds, Series 2017 in the amounts of \$239,100,000 and \$247,200,000, respectively. The bonds will fund capital projects of each enterprise fund and refund certain outstanding fixed rate bonds. The interest rates range from 3.00% to 5.00%, and interest is payable semiannually on July 1 and January 1 of each year beginning July 1, 2017.

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**Required Supplementary
Information
(Unaudited)**



See Independent Auditors' Report

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CITY OF BALTIMORE
Schedule of Revenues, Expenditures and Encumbrances,
and Changes in Fund Balance — Budget and Actual — Budgetary Basis(1), (2)

General Fund
For the Year Ended June 30, 2015
(Expressed in Thousands)
(Unaudited)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes - local	\$ 1,256,949	\$ 1,274,449	\$ 1,284,515	\$ 10,066
State shared revenue	136,102	136,102	137,714	1,612
Licenses and permits	34,859	34,859	41,584	6,725
Fines and forfeitures	14,705	14,705	15,325	620
Interest, rentals and other investment income	17,974	17,974	17,181	(793)
Federal grants	179	179	275	96
State grants	103,698	103,698	102,887	(811)
Other grants	26	26	26	
Charges for current services	53,974	53,974	50,573	(3,401)
Miscellaneous	4,252	4,252	5,730	1,478
Total revenues	1,622,718	1,640,218	1,655,810	15,592
Expenditures and Encumbrances:				
Baltimore City Public School System	254,685	254,685	254,685	
Board of Elections	3,407	3,909	5,126	(1,217)
Board of Liquor License Commissioners	1,948	1,948	2,025	(77)
City Council	5,761	5,761	5,805	(44)
Civil Service Commission	5,079	5,079	6,240	(1,161)
Comptroller	5,435	5,435	6,115	(680)
Courts	9,520	9,520	9,683	(163)
Department of Finance	11,204	11,204	19,628	(8,424)
Department of Fire	186,728	186,896	193,226	(6,330)
Department of General Services	13,904	15,979	16,423	(444)
Department of Health	20,595	20,595	25,124	(4,529)
Department of Housing and Community Development	60,203	61,202	65,468	(4,266)
Department of Law	7,399	7,399	6,557	842
Department of Legislative Reference	929	929	891	38
Department of Municipal and Zoning Appeals	576	576	468	108
Department of Planning	4,387	4,387	4,308	79
Department of Police	388,210	404,210	435,862	(31,652)
Department of Public Works	81,892	83,610	93,463	(9,853)
Department of Recreation and Parks	31,645	31,645	33,802	(2,157)
Department of Transportation	63,836	70,336	98,865	(28,529)
Enoch Pratt Free Library	21,206	21,406	23,097	(1,691)
Mayoralty	147,428	167,478	216,299	(48,821)
Office of Civil Rights	1,076	1,076	1,062	14
Office of Financial Review	725	725	659	66
Office of Sheriff	17,953	17,953	17,876	77
Office of State's Attorney	30,391	30,391	30,577	(186)
Total expenditures and encumbrances	1,376,122	1,424,334	1,573,334	(149,000)
Excess of revenues over expenditures and encumbrances	246,596	215,884	82,476	(133,408)
Other financing sources (uses):				
Transfers in	35,914	35,914	55,960	20,046
Transfers out	(130,861)	(130,861)	(98,187)	32,674
Total other financing sources (uses)	(94,947)	(94,947)	(42,227)	52,720
Net changes in fund balances	151,649	120,937	40,249	(80,688)
Fund balances - beginning	212,057	212,057	212,057	
Fund balances - ending	\$ 363,706	\$ 332,994	252,306	\$ (80,688)
Adjustments to reconcile to GAAP basis:				
Addition of encumbrances outstanding			89,705	
Less: Accounts payable not recorded for budgetary purposes			(49,203)	
Fund balance - June 30, 2015 (GAAP basis)			\$ 292,808	

(1) Annual budgets are adopted for the General Fund and all Special Revenue Funds, except for Grants Revenue, Community Development Block Grant Funds and the Scholarship Fund, on a basis consistent with Generally Accepted Accounting Principles, except for certain miscellaneous general expenditures which are not budgeted and encumbrances which are recognized as expenditures for budgetary purposes.

The budget of the City is a detailed operating plan, which identifies estimated costs and results in relation to estimated revenues. The budget includes: (1) the programs, projects, services, and activities to be provided during the fiscal year, (2) the estimated resources (inflows) and amounts available for appropriation, and (3) the estimated charges to appropriations. The budget represents a process through which policy decisions are made, implemented, and controlled. The City Charter prohibits expending funds for which there is no legal appropriation.

(2) This schedule does not include a non-budgetary revenue and expense item in the amount of \$2,172,000 which was paid by the Maryland State Retirement System on behalf of the City of Baltimore for certain employees of the Enoch Pratt Free Library.

CITY OF BALTIMORE
Schedule of the City's Proportionate Share of the Net Pension Liability
Employees' Retirement System Plan
For the Year Ended June 30, 2015
(Dollars expressed in Thousands)
(Unaudited)

	2015
City's proportionate share of the net pension liability (asset)	85.92%
City's proportionate share of the net pension liability (asset)	\$ 610,998
City's covered employee payroll	344,809
City's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	177.2%
Plan fiduciary net position as a percentage of the total pension liability	67.83%

NOTE: This is the first year of presentation in this schedule, per GASB 68. This will build into a ten year schedule.
The reporting date is June 30, 2015 and the measurement date is June 30, 2014.

CITY OF BALTIMORE
Schedule of Employer Contributions
Employees' Retirement System Plan
Ten-Year Trend Information
(Dollars Expressed in Thousands)

Description	2015
Actuarially determined contribution	\$ 78,437
Contributions in relation to the actuarially determined contributions	81,558
Contribution deficiency (excess)	(3,121)
Covered employee payroll	344,809
Contributions as a percentage of covered payroll	23.65%

NOTE: This is the first year of presentation of this schedule, per GASB 68. This will build into a ten year schedule.
The reporting date is June 30, 2015 and the measurement date is June 30, 2014.

CITY OF BALTIMORE
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Single-Employer Plans
For the Year Ended June 30, 2015
Pension Trust Funds
(Dollars Expressed in Thousands)
(Unaudited)

	Fire and Police Employees' Retirement System	Elected Officials' Retirement System
Total pension liability:		
Interest (includes interest on service cost)	\$ 248,633	\$ 1,177
Service cost	65,548	399
Differences between expected and actual experience	1,396	(256)
Benefit payments, including refunds of member contributions	(219,808)	(725)
Net change in total pension liability	95,769	595
Total pension liability – beginning	3,252,533	16,185
Total pension liability – ending	3,348,302	16,780
Plan fiduciary net position:		
Net investment income	312,131	3,508
Contributions – employer	113,004	307
Contributions – member	28,058	56
Benefit payments, including refunds of member contributions	(219,808)	(725)
Administrative expense	(3,876)	(32)
Net change in plan fiduciary net position	229,509	3,114
Plan fiduciary net position – beginning	2,244,661	20,349
Plan fiduciary net position – ending	2,474,170	23,463
Net pension liability (asset) – ending	\$ 874,132	\$ (6,683)
Plan fiduciary net position as a percentage of the total pension liability	73.89%	139.83%
Covered employee payroll	\$ 290,581	\$ 1,267
Net pension liability (asset) as a percentage of covered employee payroll	300.82%	(527.37)%

NOTE: This is the first year of presentation of this schedule, per GASB 68. This will build into a ten year schedule. The reporting date is June 30, 2015, the measurement date is June 30, 2014.

CITY OF BALTIMORE
Schedule of Employer Contributions
Single-Employer Plans
Ten-Year Trend Information
Pension Trust Funds
(Dollars Expressed in Thousands)
(Unaudited)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Fire and Police Employees' Retirement System:										
Actuarially determined contribution	\$ 49,428	\$ 60,129	\$ 72,688	\$ 69,513	\$ 94,098	\$ 107,540	\$ 107,488	\$ 107,779	\$ 113,843	\$ 119,020
Contributions in relation to the										
actuarially determined contributions	49,428	60,129	72,688	69,513	94,098	107,540	107,488	107,779	113,843	119,020
Covered employee payroll	245,558	254,489	269,690	281,424	276,577	275,648	284,601	277,524	292,739	322,667
Contributions as a percentage										
of covered payroll	20.13%	23.63%	26.95%	24.70%	34.02%	39.01%	37.77%	38.84%	38.89%	36.39%
Elected Officials' Retirement System:										
Actuarially determined contribution	\$ 517	\$ 382	\$ 144		\$ 340	\$ 957	\$ 998	\$ 419	\$ 307	\$ 85
Contributions in relation to the										
actuarially determined contribution	517	382	144		340	957	998	419	307	85
Covered employee payroll	963	863	1,142	\$ 1,182	1,206	1,206	1,237	1,236	1,267	1,299
Contributions as a percentage										
of covered payroll	53.69%	44.26%	12.61%	0.00%	28.19%	79.35%	80.68%	33.90%	24.23%	6.54%

Source is individual Retirement Systems' stand-alone audit reports.

CITY OF BALTIMORE
Schedule of Funding Progress(1)
OPEB Trust Fund
(Expressed in Millions)

Fiscal Year Ended	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2015	\$ 403.8	\$ 1,195.0	\$ 791.2	33.8%	\$ 1,531.2	51.7%
June 30, 2014	322.4	1,655.5	1,333.1	19.5	1,476.0	90.3
June 30, 2013	262.4	1,755.7	1,493.3	14.9	1,426.1	104.7

(1) Analysis of dollar amounts of actuarial value of assets, actuarial accrued liability, and unfunded actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides one indication of funding status on a going concern basis. Analysis of the plans over time indicates whether the plans are becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan. Trends in unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the plans' progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller the percentage, the stronger the plan.

CITY OF BALTIMORE
Schedule of Employer Contributions
OPEB Trust Fund
(Expressed in Millions)

Fiscal Year Ended	Annual Required Contribution (a)	Employer Contributions (b)	Percentage Contributed (c) = (b)/(a)
June 30, 2015	\$ 74.8	\$134.7	180.1%
June 30, 2014	107.4	139.9	130.3
June 30, 2013	117.9	125.9	106.8

CITY OF BALTIMORE

Notes to the Required Supplementary Information (Unaudited)

1. Budgetary Data

Annual budgets are adopted for the General Fund and all Special Revenue Funds, except for Grants Revenue, Community Development Block Grant Funds and the Scholarship Fund, on a basis consistent with Generally Accepted Accounting Principles, except for certain miscellaneous general expenditures which are not budgeted and encumbrances which are recognized as expenditures for budgetary purposes.

The budget of the City is a detailed operating plan, which identifies estimated costs and results in relation to estimated revenues. The budget includes: (1) the programs, projects, services, and activities to be provided during the fiscal year, (2) the estimated resources (inflows) and amounts available for appropriation, and (3) the estimated charges to appropriations. The budget represents a process through which policy decisions are made, implemented, and controlled. The City Charter prohibits expending funds for which there is no legal appropriation.

The following procedures establish the budgetary data reflected in the financial statements:

Original Budget

- (1) City agencies submit their anticipated annual budget needs to the Department of Finance during December.
- (2) From December through March, the Mayor and the Department of Finance analyze, review, and refine the budget submittals.
- (3) In April, the Director of Finance sends the recommended budget plan to the Board of Estimates. The Board then holds hearings and the recommended budget is amended as necessary. Citizens have the opportunity to offer input before the Board votes on the budget.
- (4) In May, a majority vote of the Board of Estimates approves the total budget and sends it to the City Council. The Board of Estimates must submit the proposed budget for the next fiscal year to the City Council at least 45 days before the beginning of said fiscal year. The Board of Estimates prepares a proposed Ordinance of Estimates to be submitted to the City Council. The Ordinance of Estimates is the legal authority for the enactment of the budget.
- (5) The City Council then holds hearings on the proposed Ordinance of Estimates, with additional citizen input before it votes in June. The City Council shall adopt the budget at least five days before the beginning of the fiscal year. The City Council then sends the approved Ordinance of Estimates to the Mayor.
- (6) The Mayor then either approves the total Ordinance of Estimates, or disapproves some items and approves the rest of the Ordinance of Estimates.

Final Budget

The final budgetary data presented in the basic financial statements reflects the following changes to the original budget:

- (1) Appropriations for a particular program, purpose, activity, or project may, upon the recommendation of the head of the municipal agency concerned and the Director of Finance, and with the approval of the Board of Estimates, be carried over to the subsequent fiscal year to carry out the initial appropriation objectives. All appropriations not carried over lapse at the end of the fiscal year in which they were made. In addition, funds encumbered for contracts, purchase orders, approved requisitions or other actual commitments, as well as funds dedicated to grant programs and capital improvements are carried out over the ensuing fiscal year until utilized or cancelled.
- (2) The adopted budget is prepared and appropriated on an agency, program, activity, and object of expenditure basis by fund. Purchase orders which result in an operating or capital overrun are not released until additional appropriations are made available. Expenditures for each adopted operating budget may not legally exceed appropriations at the agency level. Administratively, the Department of Finance has the authority to move appropriations between activities of the same program within the same agency. The Board of Estimates has the authority to transfer appropriations between programs within the same agency. Only the City Council can transfer appropriations between agencies.
- (3) The City Charter permits further appropriations for programs included in the original Ordinance of Estimates made necessary by material changes in circumstances and additional appropriations for new programs or grant awards which could not reasonably be anticipated when formulating the original Ordinance of Estimates. These changes require supplemental appropriation ordinances. During fiscal year 2015, supplemental appropriation ordinances were required for the general fund in the amount of \$42,500,000.

Budgetary data, as revised, is presented as required supplementary information for the general fund and the motor vehicle fund.

CITY OF BALTIMORE
Notes to the Required Supplementary Information
(Unaudited)

**2. Schedule of Changes in Net Pension Liability (Asset) and Related Ratios,
Schedule of Investment Returns—Pension Trust Funds**

The pension plans are considered part of the City's reporting entity and their financial statements are included in the City's basic financial statements as pension trust funds. Each plan issues a publicly available financial report that includes financial statements and the required supplementary information for that plan. Those reports may be obtained by writing the Retirement Systems at the following addresses:

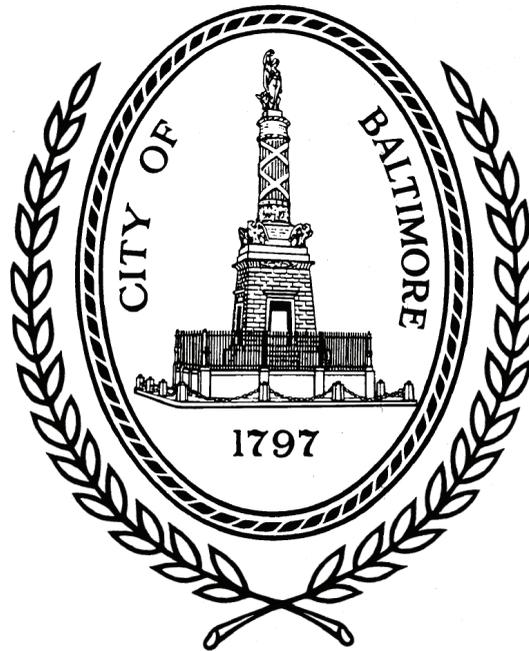
For Fire and Police Employees' Retirement System, mail request to:

Baltimore City Retirement Systems
7 East Redwood Street, 18th Floor
Baltimore, Maryland 21202-3470

For Employees' Retirement System and Elected Officials' Retirement System, mail request to:

Baltimore City Retirement Systems
7 East Redwood Street, 12th Floor
Baltimore, Maryland 21202-3470

**Combining and
Individual Fund
Statements and
Schedules**



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Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Community Development Block Grant, Special Racetrack, School Construction, Baltimore Casino and State Video Lottery Terminal Funds — These funds account for revenues derived from certain State shared taxes, governmental grants and other revenue sources that are restricted by law or administrative action to expenditures for specific purposes.

Scholarship Fund — This fund accounts for the contributions received and the related interest income. The fund can be used to provide scholarships to City residents.

Permanent Funds

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for the purposes that fund and support the reporting government's programs.

Enoch Pratt Free Library Fund — This fund accounts for principal trust amounts received and the related interest income. The interest portion of the trust can be used for the operations of the Enoch Pratt Free Library.

Memorial Fund — This fund accounts for the principal trust amounts received and the related interest income. The interest portion of the trust can be used by the City for memorials.

Debt Service Fund

Debt Service Fund — This fund accounts for the accumulation of financial resources for the payment of interest and principal on the general long-term debt of the City, other than debt service payments made by the Enterprise Funds.

CITY OF BALTIMORE
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015
(Expressed in Thousands)

	Special Revenue Funds							Permanent Funds			Debt Service Fund	Total Nonmajor Governmental Funds
	Community Development Block Grant Fund	Special Racetrack Fund	School Construction Fund	Baltimore Casino Fund	State Video Lottery Terminal Fund	Scholarship Fund	Total	Enoch Pratt Free Library Fund	Memorial Fund	Total		
Assets:												
Cash and cash equivalents		\$ 503	\$ 3,911		\$ 537	\$ 5,344	\$ 10,295	\$ 38	\$ 331	\$ 369	\$ 26,378	\$ 37,042
Investments						782	782	2,182	5,073	7,255	24,756	32,793
Other receivables, net			1,159			1	1,160	2	3	5	20	1,185
Due from other governments	\$ 2,416			\$ 1,658	871		4,945					4,945
Notes and mortgages receivable, net											202	202
Total assets	2,416	503	5,070	1,658	1,408	6,127	17,182	2,222	5,407	7,629	51,356	76,167
Liabilities, deferred inflows of resources and fund balances:												
Liabilities:												
Accounts payable and accrued liabilities	542			143	16		701				22	723
Due to other funds	9,372			2,495			11,867					11,867
Matured bonds payable											2	2
Total liabilities	9,914			2,638	16		12,568				24	12,592
Deferred inflows of resources:												
Unavailable grants revenue	3,921						3,921					3,921
Unavailable note receipts											202	202
Total deferred inflows of resources	3,921						3,921				202	4,123
Total liabilities and deferred inflows of resources	13,835			2,638	16		16,489				226	16,715
Fund balances:												
Restricted						6,127	6,127	2,222	5,407	7,629		13,756
Assigned		503	5,070		1,392		6,965				51,130	58,095
Unassigned	(11,419)			(980)			(12,399)					(12,399)
Total fund balances (deficits)	(11,419)	503	5,070	(980)	1,392	6,127	693	2,222	5,407	7,629	51,130	59,452
Total liabilities, deferred inflows of resources and fund balances	\$ 2,416	\$ 503	\$ 5,070	\$ 1,658	\$ 1,408	\$ 6,127	\$ 17,182	\$ 2,222	\$ 5,407	\$ 7,629	\$ 51,356	\$ 76,167

CITY OF BALTIMORE
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2015
(Expressed in Thousands)

	Special Revenue Funds							Permanent Funds			Debt Service Fund	Total Nonmajor Governmental Funds
	Community Development Block Grant Fund	Special Racetrack Fund	School Construction Fund	Baltimore Casino Fund	State Video Lottery Terminal Fund	Scholarship Fund	Total	Enoch Pratt Free Library Fund	Memorial Fund	Total		
Revenues:												
Taxes - local			\$ 11,878				\$ 11,878					\$ 11,878
State shared revenue				\$ 5,950	\$ 3,944		9,894					9,894
Interest, rentals and other investment income ..						\$ 42	42	\$ 29	\$ 614	\$ 643	\$ 1,119	1,804
Federal grants	\$ 17,751						17,751					17,751
Total revenues	17,751		11,878	5,950	3,944	42	39,565	29	614	643	1,119	41,327
Expenditures:												
Current:												
General government	2,369	\$ 20	10,364	742	488		13,983					13,983
Public safety and regulation ..				1,775			1,775					1,775
Education						176	176					176
Public library								26		26		26
Recreation and culture									69	69		69
Highways and streets				3,371			3,371					3,371
Sanitation and waste removal ..				144			144					144
Economic development	11,438			125			11,563					11,563
Debt service:												
Principal											38,912	38,912
Interest											31,005	31,005
Other bond costs											6,135	6,135
Total expenditures	13,807	20	10,364	6,157	488	176	31,012	26	69	95	76,052	107,159
Excess (deficiency) of revenues over (under) expenditures	3,944	(20)	1,514	(207)	3,456	(134)	8,553	3	545	548	(74,933)	(65,832)
Other financing sources (uses):												
Transfers in											76,116	76,116
Transfers out	(5,912)				(2,028)		(7,940)					(7,940)
Total other financing sources (uses)	(5,912)				(2,028)		(7,940)				76,116	68,176
Net change in fund balances	(1,968)	(20)	1,514	(207)	1,428	(134)	613	3	545	548	1,183	2,344
Fund balances (deficits) - beginning	(9,451)	523	3,556	(773)	(36)	6,261	80	2,219	4,862	7,081	49,947	57,108
Fund balances (deficits) - ending	\$ (11,419)	\$ 503	\$ 5,070	\$ (980)	\$ 1,392	\$ 6,127	\$ 693	\$ 2,222	\$ 5,407	\$ 7,629	\$ 51,130	\$ 59,452

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Nonmajor Proprietary Funds

Enterprise Funds

Enterprise funds are used to account for the operating of various City activities that are provided to the public on a cost reimbursement basis.

Loan and Guarantee Program — This fund accounts for the City's economic development financial activities.

Industrial Development Authority — This fund accounts for the activities of the City's Industrial Development Authority.

Conduit Fund — This fund accounts for the rental and maintenance of the City's Conduits.

CITY OF BALTIMORE
Combining Statement of Net Position
Nonmajor Proprietary Funds
June 30, 2015
(Expressed in Thousands)

	Loan and Guarantee Program	Industrial Development Authority	Conduit Fund	Total
Assets:				
Current assets:				
Cash and cash equivalents	\$ 4,864	\$ 41,868		\$ 46,732
Accounts receivable, net:				
Service billings			\$ 6,063	6,063
Other		5		5
Total current assets	4,864	41,873	6,063	52,800
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents			7,184	7,184
Capital assets, net of accumulated depreciation			48,117	48,117
Capital assets not being depreciated			13,435	13,435
Other assets		23,756		23,756
Total noncurrent assets		23,756	68,736	92,492
Total assets	4,864	65,629	74,799	145,292
Deferred outflows of resources:				
Interest rate swaps		1,746		1,746
Deferred outflow related to differences between actual and expected experience (pension)	4		56	60
Deferred outflow for pension contributions subsequent to measurement date	33		530	563
Deferred outflow for change in proportionate share (pension)	52		411	463
Total deferred outflows of resources	89	1,746	997	2,832
Total assets and deferred outflows of resources	4,953	67,375	75,796	148,124
Liabilities and deferred inflows of resources:				
Current liabilities:				
Accounts payable and accrued liabilities	12		258	270
Accrued interest payable		4		4
Due to other funds		7,028	42	7,070
Other liabilities	5		160	165
Current liabilities payable from restricted assets:				
Accounts payable from restricted assets			899	899
Total current liabilities	17	7,032	1,359	8,408
Noncurrent liabilities:				
Revenue bonds payable		45,000		45,000
Derivative instrument liability		3,881		3,881
Net pension liability	244		3,849	4,093
Other liabilities	79		151	230
Total noncurrent liabilities	323	48,881	4,000	53,204
Total liabilities	340	55,913	5,359	61,612
Deferred inflows of resources:				
Deferred inflow related to assumption change (pension)	29		453	482
Total deferred inflows of resources	29		453	482
Total liabilities and deferred inflows of resources	369	55,913	5,812	62,094
Net position:				
Net investment in capital assets			61,552	61,552
Unrestricted	4,584	11,462	8,432	24,478
Total net position	\$ 4,584	\$ 11,462	\$ 69,984	\$ 86,030

CITY OF BALTIMORE
Combining Statement of Revenues, Expenses,
and Changes in Net Position
Nonmajor Proprietary Funds
For the Year Ended June 30, 2015
(Expressed in Thousands)

	Loan and Guarantee Program	Industrial Development Authority	Conduit Fund	Total
Operating revenues:				
Rents, fees, and other income	\$ 125	\$ 173	\$ 13,612	\$ 13,910
Interest income on loans	1	5		6
Total operating revenues	126	178	13,612	13,916
Operating expenses:				
Salaries and wages	147		4,685	4,832
Other personnel costs	62		1,093	1,155
Contractual services			2,042	2,042
Program expenses	1,062	277		1,339
Materials and supplies			104	104
Minor equipment			355	355
Depreciation			906	906
Interest		655		655
Total operating expenses	1,271	932	9,185	11,388
Operating income (loss)	(1,145)	(754)	4,427	2,528
Capital contributions	65			65
Transfers in	502			502
Transfers out			(750)	(750)
Changes in net position	(578)	(754)	3,677	2,345
Total net position – beginning (as restated)	5,162	12,216	66,307	83,685
Total net position – ending	\$ 4,584	\$ 11,462	\$ 69,984	\$ 86,030

CITY OF BALTIMORE
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the Year Ended June 30, 2015
(Expressed in Thousands)

	Loan and Guarantee Program	Industrial Development Authority	Conduit Fund	Total
Cash flows from operating activities:				
Receipts from customers	\$ 126	\$ 180	\$ 13,723	\$ 14,029
Payments to employees	(166)		(5,863)	(6,029)
Payments to suppliers	(1,062)	(934)	(2,459)	(4,455)
Net cash provided (used) by operating activities	(1,102)	(754)	5,401	3,545
Cash flows from noncapital financing activities:				
Transfers in	502			502
Transfers out			(750)	(750)
Net cash provided (used) by noncapital financing activities	502		(750)	(248)
Cash flows from capital and related financing activities:				
Principal paid on revenue bonds		(32,901)		(32,901)
Acquisition and construction of capital assets			(5,996)	(5,996)
Other assets		11,128		11,128
Interest received		616		616
Due to other funds		(1,304)		(1,304)
Capital contributions received	65			65
Net cash provided (used) by capital and related financing activities	65	(22,461)	(5,996)	(28,392)
Cash flows from investing activities:				
Proceeds from the sale and maturities of investments		9,573		9,573
Net cash provided by investing activities		9,573		9,573
Net (decrease) in cash and cash equivalents	(535)	(13,642)	(1,345)	(15,522)
Cash and cash equivalents, beginning of year	5,399	55,510	8,529	69,438
Cash and cash equivalents, end of year	\$ 4,864	\$ 41,868	\$ 7,184	\$ 53,916
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (1,145)	\$ (754)	\$ 4,427	\$ 2,528
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense			906	906
Accounts receivable		2	111	113
Other assets	32			32
Deferred outflows – pension	(89)		(997)	(1,086)
Accounts payable and accrued liabilities	(3)		117	114
Accrued interest payable		(2)		(2)
Due to other funds			42	42
Compensated absences	12		(8)	4
Other noncurrent liabilities			(82)	(82)
Pension liability – current period	62		432	494
Deferred inflows – pension	29		453	482
Total adjustments	43		974	1,017
Net cash provided (used) by operating activities	\$ (1,102)	\$ (754)	\$ 5,401	\$ 3,545

Internal Service Funds

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government, and to other governmental units, on a cost reimbursement basis.

Energy Conservation Fund — This fund accounts for the operation of the City's energy conservation office.

Municipal Communication Fund — This fund accounts for the repair and maintenance of the City's radios.

Mobile Equipment Fund — This fund accounts for the service, repair, operation, and replacement of the City's equipment fleet.

Reproduction and Printing Fund — This fund accounts for the operation of the City's printing shop.

Municipal Post Office Fund — This fund accounts for the operations of the City's internal post office facility.

Municipal Telephone Exchange Fund — This fund accounts for the administration and operations of the City's telephone exchange.

Building Maintenance Fund — This fund accounts for repairs and maintenance in City-owned buildings.

Hardware and Software Replacement Fund — This fund accounts for the cost of maintaining the City's software licensing agreements and hardware refreshes.

Risk Management Fund — This fund accounts for the administration and payment of claims resulting from the City's self-insurance programs, including the Baltimore City Public School System, for general claims, workers' compensation claims, real property liability, motor vehicle liability, fleet driver liability and property damage claims, as well as medical and unemployment insurance for City employees.

CITY OF BALTIMORE
Combining Statement of Net Position
Internal Service Funds
June 30, 2015
(Expressed in Thousands)

	Energy Conservation Fund	Municipal Communication Fund	Mobile Equipment Fund	Reproduction and Printing Fund	Municipal Post Office Fund	Municipal Telephone Exchange Fund	Building Maintenance Fund	Hardware & Software Replacement Fund	Risk Management Fund	Total
Assets:										
Current assets:										
Cash and cash equivalents		\$ 1,331	\$ 2,943				\$ 129	\$ 187	\$ 66,895	\$ 71,485
Investments									5,231	5,231
Accounts receivable, net:										
Other			29	\$ 63		\$ 221			7,742	8,055
Inventories			6,456	1,068	\$ 33					7,557
Total current assets.		1,331	9,428	1,131	33	221	129	187	79,868	92,328
Noncurrent assets:										
Restricted cash			30,601							30,601
Capital assets, net		299	85,544	2						85,845
Other assets									66	66
Total noncurrent assets.		299	116,145	2					66	116,512
Total assets.		1,630	125,573	1,133	33	221	129	187	79,934	208,840
Liabilities:										
Current liabilities:										
Accounts payable and accrued liabilities	\$ 73	873	8,429	352	47	382	954		19,936	31,046
Due to other funds	729			8,491	21	3,192				12,433
Leases payable			7,522							7,522
Estimated liability for claims in progress									75,618	75,618
Other liabilities	37	8	755	62	17	65	118		180	1,242
Total current liabilities.	839	881	16,706	8,905	85	3,639	1,072		95,734	127,861
Noncurrent liabilities:										
Leases payable			45,462							45,462
Estimated liability for claims in progress									201,904	201,904
Other liabilities		84	1,442	91	2	89	135		377	2,220
Total noncurrent liabilities		84	46,904	91	2	89	135		202,281	249,586
Total liabilities.	839	965	63,610	8,996	87	3,728	1,207		298,015	377,447
Net position:										
Net investment in capital assets			85,544	2						85,546
Unrestricted (deficit)	(839)	665	(23,581)	(7,865)	(54)	(3,507)	(1,078)	187	(218,081)	(254,153)
Total net position	\$ (839)	\$ 665	\$ 61,963	\$ (7,863)	\$ (54)	\$ (3,507)	\$ (1,078)	\$ 187	\$ (218,081)	\$(168,607)

CITY OF BALTIMORE
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2015
(Expressed in Thousands)

	Energy Conservation Fund	Municipal Communication Fund	Mobile Equipment Fund	Reproduction and Printing Fund	Municipal Post Office Fund	Municipal Telephone Exchange Fund	Building Maintenance Fund	Hardware & Software Replacement Fund	Risk Management Fund	Total
Operating revenues:										
Charges for services	\$ 1,949	\$ 4,262	\$ 56,503	\$ 2,710	\$ 2,216	\$ 10,129	\$ 11,249	\$ 3,059	\$ 219,091	\$ 311,168
Operating expenses:										
Salaries and wages	738	361	13,306	832	218	906	1,365		2,792	20,518
Other personnel costs	199	207	5,503	351	133	489	664		1,173	8,719
Contractual services	590	4,546	19,298	1,051	47	7,768	8,843		13,639	55,782
Materials and supplies	2		9,977	955	4	5	262		31	11,236
Minor equipment	4	110			34	19	16	2,872	35	3,090
Claims paid and incurred									251,509	251,509
Postage and delivery service					1,394					1,394
Depreciation		33	11,116	4						11,153
Total operating expenses	1,533	5,257	59,200	3,193	1,830	9,187	11,150	2,872	269,179	363,401
Operating income (loss).	416	(995)	(2,697)	(483)	386	942	99	187	(50,088)	(52,233)
Nonoperating revenues (expenses):										
Investment income									79	79
Loss on sale of equipment			(790)							(790)
Total nonoperating revenues (expenses), net			(790)						79	(711)
Change in net position	416	(995)	(3,487)	(483)	386	942	99	187	(50,009)	(52,944)
Total net position – beginning	(1,255)	1,660	65,450	(7,380)	(440)	(4,449)	(1,177)		(168,072)	(115,663)
Total net position – ending	\$ (839)	\$ 665	\$ 61,963	\$ (7,863)	\$ (54)	\$ (3,507)	\$ (1,078)	\$ 187	\$ (218,081)	\$(168,607)

CITY OF BALTIMORE
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2015
(Expressed in Thousands)

	Energy Conservation Fund	Municipal Communication Fund	Mobile Equipment Fund	Reproduction and Printing Fund	Municipal Post Office Fund	Municipal Telephone Exchange Fund	Building Maintenance Fund	Hardware & Software Replacement Fund	Risk Management Fund	Total
Cash flows from operating activities:										
Receipts from customers . . .	\$ 1,749	\$ 4,262	\$ 55,778	\$ 3,059	\$ 1,992	\$ 9,019	\$ 11,249	\$ 3,059	\$ 228,064	\$ 318,231
Payments to employees	(958)	(511)	(18,892)	(1,138)	(352)	(1,382)	(2,037)		(3,932)	(29,202)
Payments to suppliers.	(791)	(4,209)	(27,007)	(1,921)	(1,640)	(7,637)	(9,391)	(2,872)	(213,417)	(268,885)
Net cash provided (used) by operating activities . .		(458)	9,879				(179)	187	10,715	20,144
Cash flows from capital and related financing activities:										
Acquisition and construction of capital assets.		(332)	(20,443)							(20,775)
Leases Payable.			(3,238)							(3,238)
Net cash (used) by capital and related financing activities		(332)	(23,681)							(24,013)
Cash flows from investing activities:										
Proceeds from the sale and maturities of investments .									4,998	4,998
Purchase of investments. . . .									(5,005)	(5,005)
Interest on investments.									79	79
Net cash provided by investing activities . .									72	72
Net increase (decrease) in cash and cash equivalents .		(790)	(13,802)				(179)	187	10,787	(3,797)
Cash and cash equivalents, beginning of year		2,121	47,346				308		56,108	105,883
Cash and cash equivalents, end of year		\$ 1,331	\$ 33,544				\$ 129	\$ 187	\$ 66,895	\$ 102,086
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:										
Operating income (loss)	\$ 416	\$ (995)	\$ (2,697)	\$ (483)	\$ 386	\$ 942	\$ 99	\$ 187	\$ (50,088)	\$ (52,233)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:										
Depreciation.		33	11,116	4						11,153
Changes in assets and liabilities:										
Accounts receivable.			(4)	85		(120)			8,979	8,940
Inventories			(721)	(12)	8					(725)
Other assets									(6)	(6)
Accounts payable and accrued liabilities	(215)	460	2,406	101	(158)	169	(261)		3,342	5,844
Other liabilities	(1)	44	(221)	29	(4)	(1)	(17)		5	(166)
Due to other funds	(200)			276	(232)	(990)				(1,146)
Estimated liability for claims in progress.									48,483	48,483
Total adjustments.	(416)	537	12,576	483	(386)	(942)	(278)		60,803	72,377
Net cash provided (used) by operating activities		\$ (458)	\$ 9,879				\$ (179)	\$ 187	\$ 10,715	\$ 20,144

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Fiduciary Funds

Fiduciary funds include the following funds, which account for assets held by the City as a trustee or as an agent for individuals.

Pension Trust Funds — These funds account for the receipt, investment, and distribution of retirement contributions made for the benefit of police officers, firefighters, elected officials, and other City employees.

Agency Funds — These funds account for assets held by the City as a custodian.

CITY OF BALTIMORE
Combining Statement of Fiduciary Net Position
Pension Trust Funds
June 30, 2015
(Expressed in Thousands)

	Employees' Retirement System	Elected Officials' Retirement System	Fire and Police Employees' Retirement System	Total
Assets:				
Cash and cash equivalents	\$ 56,325	\$ 110	\$ 66,326	\$ 122,761
Investments:				
Stocks	945,317	15,542	1,400,418	2,361,277
Bonds	399,265	7,800	787,093	1,194,158
Real estate	155,533		214,812	370,345
Securities lending collateral	30,895		72,529	103,424
Forward foreign contracts	42,543		2,753	45,296
Other assets	24,654		20,500	45,154
Total assets	1,654,532	23,452	2,564,431	4,242,415
Liabilities:				
Obligations under securities lending program	30,895		72,529	103,424
Forward foreign contracts	42,543		2,776	45,319
Accounts payable	49,160	12	10,736	59,908
Pension benefits payable			11,813	11,813
Total liabilities	122,598	12	97,854	220,464
Net position:				
Held in trust for pension benefits	\$ 1,531,934	\$ 23,440	\$ 2,466,577	\$ 4,021,951

CITY OF BALTIMORE
Combining Statement of Changes in Fiduciary Net Position
Pension Trust Funds
For the Year Ended June 30, 2015
(Expressed in Thousands)

	Employees' Retirement System	Elected Officials' Retirement System	Fire and Police Employees' Retirement System	Total
Additions:				
Contributions:				
Employer	\$ 97,171	\$ 85	\$ 119,020	\$ 216,276
Employee	6,728	61	30,342	37,131
Total contributions	103,899	146	149,362	253,407
Investment income:				
Net appreciation in fair value of investments	(14,411)	(223)	23,347	8,713
Securities lending income	208		459	667
Interest and dividend income	90,343	884	37,416	128,643
Total investment income	76,140	661	61,222	138,023
Less: investment expense	9,322	32	7,320	16,674
Net investment income	66,818	629	53,902	121,349
Total additions	170,717	775	203,264	374,756
Deductions:				
Retirement allowances	133,130	744	221,795	355,669
Death benefits	944		342	1,286
Administrative expenses	3,748	34	4,298	8,080
Other	197	20	2,796	3,013
Total deductions	138,019	798	229,231	368,048
Changes in net position	32,698	(23)	(25,967)	6,708
Net position – beginning of the year	1,499,236	23,463	2,492,544	4,015,243
Net position – end of the year	\$ 1,531,934	\$ 23,440	\$ 2,466,577	\$ 4,021,951

CITY OF BALTIMORE
Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2015
(Expressed in Thousands)

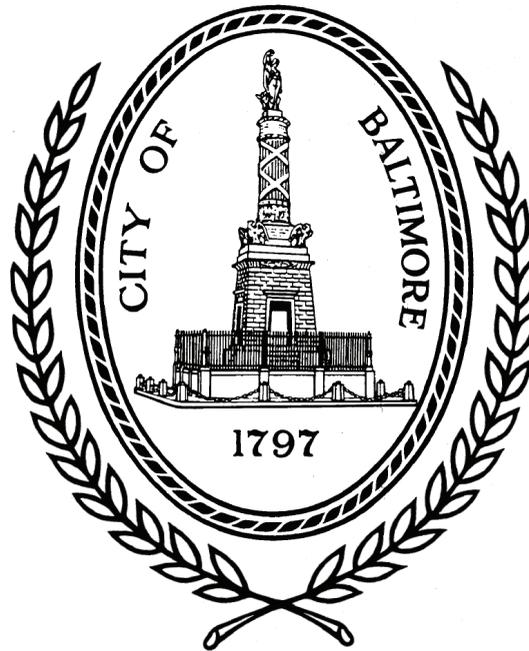
	Unpresented Stock and Coupon Bonds	Property Sold for Taxes	Bid Deposit Refunds	Waterloo Summit	Recreation Accessory	Total
Assets:						
Cash and cash equivalents	\$ 55	\$ 86	\$ 78			\$ 219
Investments				\$ 53		53
Accounts receivable					\$ 529	529
Total assets	55	86	78	53	529	801
Liabilities:						
Due to other funds					529	529
Other	55	86	78	53		272
Total liabilities	\$ 55	\$ 86	\$ 78	\$ 53	\$ 529	\$ 801

CITY OF BALTIMORE
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2015
(Expressed in Thousands)

	Balance June 30, 2014	Additions	Deductions	Balance June 30, 2015
<i>Unpresented Stock and Coupon Bonds</i>				
Assets:				
Cash	\$ 55			\$ 55
Total assets	55			55
Liabilities:				
Other	55			55
Total liabilities	55			55
<i>Property Sold for Taxes</i>				
Assets:				
Cash	86			86
Total assets	86			86
Liabilities:				
Other	86			86
Total liabilities	86			86
<i>Bid Deposit Refunds</i>				
Assets:				
Cash	96		\$ 18	78
Total assets	96		18	78
Liabilities:				
Other	96		18	78
Total liabilities	96		18	78
<i>Waterloo Summit</i>				
Assets:				
Investments	53			53
Total assets	53			53
Liabilities:				
Other	53			53
Total liabilities	53			53
<i>Recreation Accessory</i>				
Assets:				
Cash	81	\$ 2,651	2,203	529
Total assets	81	2,651	2,203	529
Liabilities:				
Other	81	2,651	2,203	529
Total liabilities	81	2,651	2,203	529
<i>Total All Agency Funds</i>				
Assets:				
Cash	318	2,651	2,221	748
Investments	53			53
Total assets	371	2,651	2,221	801
Liabilities:				
Other	371	2,651	2,221	801
Total liabilities	\$ 371	\$ 2,651	\$ 2,221	\$ 801

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STATISTICAL SECTION



See Independent Auditors' Report

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CITY OF BALTIMORE

Statistical Section

(Unaudited)

Table of Contents

	Page
Financial Trends	
These schedules contain information to help the reader understand how the City’s financial performance and well-being have changed over time.	111
Revenue Capacity	
These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax.	117
Debt Capacity	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.	121
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.	127
Operating Information	
These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.	131

Source: Unless otherwise noted, the information in these tables is derived from the annual financial reports for the relevant year.

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Financial Trends

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CITY OF BALTIMORE
Net Position by Component
Last Ten Fiscal Years

(Accrual Basis of Accounting)

(Expressed in Thousands)

	Fiscal Year						
	2006	2007	2008	2009	2010	2011	2012
Governmental activities							
Invested in capital assets, net of related debt	\$ 2,684,600	\$ 2,622,303	\$ 3,138,558	\$ 2,121,998	\$ 2,681,668	\$ 2,989,607	\$ 2,739,761
Restricted	13,773	26,516	13,250	13,191	14,787	14,931	13,013
Unrestricted	(367,551)	112,270	(395,378)	(475,903)	(360,180)	(595,687)	(321,033)
Total governmental activities							
net position	\$ 2,330,822	\$ 2,761,089	\$ 2,756,430	\$ 1,659,286	\$ 2,336,275	\$ 2,408,851	\$ 2,431,741
Business-type activities							
Invested in capital assets, net of related debt	\$ 1,127,216	\$ 1,088,511	\$ 1,196,193	\$ 1,371,993	\$ 1,377,641	\$ 1,461,618	\$ 1,646,769
Restricted	282,924	369,069	231,382	260,575	124,756	142,070	160,955
Unrestricted	60,639	138,070	245,818	(27,495)	182,655	172,004	83,148
Total business-type activities							
net position	\$ 1,470,779	\$ 1,595,650	\$ 1,673,393	\$ 1,605,073	\$ 1,685,052	\$ 1,775,692	\$ 1,890,872
Primary government							
Invested in capital assets, net of related debt	\$ 3,811,816	\$ 3,710,814	\$ 4,334,751	\$ 3,493,991	\$ 4,059,309	\$ 4,451,225	\$ 4,386,530
Restricted	296,697	395,585	244,632	273,766	139,543	157,001	173,968
Unrestricted	(306,912)	250,340	(149,560)	(503,398)	(177,525)	(423,683)	(237,885)
Total primary government							
net position	\$ 3,801,601	\$ 4,356,739	\$ 4,429,823	\$ 3,264,359	\$ 4,021,327	\$ 4,184,543	\$ 4,322,613

	Fiscal Year		
	2013	2014	2015
Governmental activities			
Net investment in capital assets	\$ 2,988,956	\$ 2,569,231	\$ 2,520,873
Restricted	40,548	22,598	15,946
Unrestricted	(650,914)	(442,540)	(1,759,089)
Total governmental activities			
net position	\$ 2,378,590	\$ 2,149,289	\$ 777,730
Business-type activities			
Net investment in capital assets	\$ 1,785,501	\$ 2,215,884	\$ 2,379,232
Restricted	152,197	180,965	157,613
Unrestricted	133,419	123,976	136,251
Total business-type activities			
net position	\$ 2,071,117	\$ 2,520,825	\$ 2,673,096
Primary government			
Net investment in capital assets	\$ 4,774,457	\$ 4,785,115	\$ 4,900,105
Restricted	192,745	203,563	173,559
Unrestricted	(517,495)	(318,564)	(1,622,838)
Total primary government			
net position	\$ 4,449,707	\$ 4,670,114	\$ 3,450,826

CITY OF BALTIMORE

Changes in Net Position

Last Ten Fiscal Years

(Accrual Basis of Accounting)

(Expressed in Thousands)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental activities:										
General government	\$ 339,059	\$ 452,353	\$ 468,113	\$ 521,242	\$ 545,037	\$ 452,449	\$ 443,957	\$ 399,166	\$ 278,892	\$ 294,987
Public safety and regulation	514,299	536,508	575,859	541,778	504,730	525,792	577,963	661,829	673,680	692,155
Conservation of health	162,319	104,879	157,549	147,054	164,751	151,192	154,105	130,911	125,383	112,575
Social services	30,584	2,252	36,202	6,096	435	14,581	31,156	125,515	112,301	102,809
Education	225,890	227,377	224,830	221,829	228,788	265,204	260,935	288,227	306,128	302,568
Public library	30,400	24,006	31,736	33,728	33,915	33,309	33,390	33,184	34,550	35,063
Recreation and culture	33,060	42,420	44,295	42,565	39,205	48,165	49,291	50,297	52,540	51,367
Highways and streets	123,930	122,212	143,340	135,992	191,536	140,309	162,290	159,022	172,330	185,601
Sanitation and waste removal	40,155	44,169	45,366	51,167	52,905	61,605	65,677	73,536	63,623	67,445
Public service	15,218	15,141	16,769	24,637	24,316	25,059	26,676	50,710	50,260	51,041
Economic development	449,746	145,160	184,286	204,557	182,816	183,331	169,896	170,002	208,870	141,772
Interest	50,070	58,327	63,070	37,885	50,105	47,391	32,624	29,605	41,967	41,078
Total governmental activities expenses	2,014,730	1,774,804	1,991,415	1,968,530	2,018,539	1,948,387	2,007,960	2,172,004	2,120,524	2,078,461
Business-type activities:										
Water	95,010	95,576	105,882	116,407	107,982	120,736	131,271	136,171	155,308	160,208
Wastewater	134,290	131,610	145,611	152,595	157,605	159,776	173,106	178,221	179,306	182,769
Stormwater									18,292	15,747
Parking	19,441	16,520	20,317	23,422	24,832	19,853	25,332	17,681	23,528	19,183
Nonmajor proprietary	14,290	12,657	19,446	12,353	11,538	13,860	13,287	11,826	10,753	11,607
Total business-type activities expenses	263,031	256,363	291,256	304,777	301,957	314,225	342,996	343,899	387,187	389,514
Total primary government expenses	2,277,761	2,031,167	2,282,671	2,273,307	2,320,496	2,262,612	2,350,956	2,515,903	2,507,711	2,467,975
Program Revenues										
Governmental activities:										
Charges for services (a)	90,545	93,046	99,185	94,297	85,683	109,872	118,556	114,163	103,331	107,482
Operating grants and contributions	393,328	382,316	386,972	402,343	359,769	399,844	400,678	385,841	431,515	318,266
Capital grants and contributions	57,313	48,085	51,559	23,181	63,437	72,758	71,258	109,488	71,806	54,788
Total governmental activities revenues	541,186	523,447	537,716	519,821	508,889	582,474	590,492	609,492	606,652	480,536
Business-type activities:										
Charges for services:										
Water	109,471	111,052	131,233	119,840	130,512	129,292	132,340	154,680	158,678	176,439
Wastewater	136,405	151,462	157,974	158,305	166,016	160,076	179,873	183,521	221,181	216,428
Stormwater									27,511	25,971
Parking	61,896	62,706	69,868	64,380	67,760	83,040	81,476	83,542	87,398	85,634
Nonmajor proprietary	9,971	12,598	11,677	12,440	9,989	9,979	12,046	18,400	14,385	13,916
Capital grants and contributions	69,370	78,032	40,928	22,818	38,313	72,257	100,922	129,608	131,574	201,880
Total business-type activities revenues	387,113	415,850	411,680	377,783	412,590	454,644	506,657	569,751	640,727	720,268
Total primary government revenues	928,299	939,297	949,396	897,604	921,479	1,037,118	1,097,149	1,179,243	1,247,379	1,200,804
Net (Expense)/Revenue										
Governmental activities	(1,473,544)	(1,251,357)	(1,453,699)	(1,448,709)	(1,509,650)	(1,365,913)	(1,417,468)	(1,562,512)	(1,513,872)	(1,597,925)
Business-type activities	124,082	159,487	120,424	73,006	110,633	140,419	163,661	225,852	253,540	330,754
Total primary government net expenses	(1,349,462)	(1,091,870)	(1,333,275)	(1,375,703)	(1,399,017)	(1,225,494)	(1,253,807)	(1,336,660)	(1,260,332)	(1,267,171)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes	558,089	592,065	626,420	693,767	770,320	813,613	769,094	806,258	810,824	816,199
Income taxes	225,517	243,611	267,625	262,901	251,731	234,955	257,893	276,111	284,437	300,014
Other local taxes	208,858	204,685	180,189	148,369	115,472	147,366	178,441	188,803	204,391	193,595
State shared revenues	222,911	226,692	213,899	187,986	135,226	127,433	130,286	128,707	131,180	147,608
Unrestricted investment income	41,776	47,560	53,503	35,756	27,308	23,905	17,404	17,879	16,722	19,431
Miscellaneous	29,727	41,557	34,398	14,568	15,806	35,695	36,794	43,861	32,581	88,734
Transfers	34,024	33,870	42,681	34,339	40,707	55,522	50,446	47,742	(195,564)	61,495
Total governmental activities	1,320,902	1,390,040	1,418,715	1,377,686	1,356,570	1,438,489	1,440,358	1,509,361	1,284,571	1,627,076
Business-type activities:										
Unrestricted investment income	1,665			747		5,743	3,075	2,135	2,186	5,809
Transfers	(34,024)	(33,870)	(42,681)	(34,339)	(40,707)	(55,522)	(50,446)	(47,742)	195,564	(61,495)
Total business-type activities	(32,359)	(33,870)	(42,681)	(33,592)	(40,707)	(49,779)	(47,371)	(45,607)	197,750	(55,686)
Total primary government	1,288,543	1,356,170	1,376,034	1,344,094	1,315,863	1,388,710	1,392,987	1,463,754	1,482,321	1,571,390
Changes in Net Position										
Governmental activities	(152,642)	138,683	(34,984)	(71,023)	(153,080)	72,576	22,890	(53,151)	(229,301)	29,151
Business-type activities	91,723	125,617	77,743	36,101	69,926	90,640	116,290	180,245	451,290	275,068
Total primary government	\$ (60,919)	\$ 264,300	\$ 42,759	\$ (34,922)	\$ (83,154)	\$ 163,216	\$ 139,180	\$ 127,094	\$ 221,989	\$ 304,219

(a) Charges for services include charges for various City services such as rental of recreational facilities, solid waste disposal fees, port and stadium security services, impound lot fees and library video rental.

CITY OF BALTIMORE
Fund Balances, Governmental Funds
Last Ten Fiscal Years (1)

(Modified Accrual Basis of Accounting)

(Expressed in Thousands)

	Fiscal Year				
	2006	2007	2008	2009	2010
General fund					
Reserved	\$ 146,107	\$ 168,912	\$ 180,794	\$ 181,585	\$ 157,131
Unreserved	65,417	56,043	33,629	35,344	20,441
Total general fund	\$ 211,524	\$ 224,955	\$ 214,423	\$ 216,929	\$ 177,572
All other governmental funds					
Reserved	\$ 138,734	\$ 149,684	\$ 166,551	\$ 119,928	\$ 151,855
Unreserved reported in:					
Special revenue funds	(99,577)	(100,707)	(140,026)	(43,679)	(43,687)
Capital projects fund	28,370	56,661	30,251	48,128	(43,974)
Debt service fund	26,082	30,296	82,579	41,240	41,319
Permanent funds					
Total all other governmental funds	\$ 93,609	\$ 135,934	\$ 139,355	\$ 165,617	\$ 105,513

	Fiscal Year				
	2011 (1)	2012	2013	2014	2015
General fund					
Nonspendable	\$ 6,154	\$ 5,519	\$ 5,519	\$ 5,519	\$ 5,519
Restricted		30,338			
Assigned	104,862	128,415	203,425	188,946	174,647
Unassigned	93,884	91,700	90,070	106,022	112,642
Total general fund	\$ 204,900	\$ 255,972	\$ 299,014	\$ 300,487	\$ 292,808
All other governmental funds					
Nonspendable					
Motor vehicle fund	\$ 2,658				
Other nonmajor funds	2,811				
Restricted					
Capital projects fund			\$ 27,400	\$ 9,256	\$ 2,190
Other nonmajor funds		\$ 13,013	13,148	13,342	13,756
Assigned					
Motor vehicle fund	15,177				
Capital projects fund	128,813	7,128	5,702		
Other nonmajor funds	48,837	37,333	46,060	53,217	58,095
Unassigned					
Grants revenue fund	(32,688)	(40,248)	(62,864)	(83,355)	(77,836)
Capital projects fund	(80,539)	(12,393)	(3,490)	(13,612)	(7,576)
Other nonmajor funds	(10,733)	(7,192)	(9,255)	(9,451)	(12,399)
Total all other governmental funds	\$ 74,336	\$ (2,359)	\$ 16,701	\$ (30,603)	\$ (23,770)

(1) During fiscal year 2011, the City implemented GASB Statement No. 54 which changed the format for fund balance presentation.

CITY OF BALTIMORE

Changes in Fund Balances

Governmental Funds

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)

(Expressed in Thousands)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues:										
General fund:										
Taxes – Local	\$ 992,464	\$ 1,040,361	\$ 1,074,234	\$ 1,105,037	\$ 1,137,523	\$ 1,176,038	\$ 1,206,584	\$ 1,219,656	\$ 1,258,118	\$ 1,284,515
State shared revenue								128,707	131,180	137,714
Licenses and permits	31,143	32,784	34,717	29,390	34,438	42,129	37,585	40,572	41,457	41,584
Fines and forfeitures	3,372	2,900	7,321	6,896	7,116	8,055	6,604	29,445	14,673	15,325
Interest, rentals, and other investment income	31,206	34,047	38,602	23,616	24,148	21,903	16,244	16,816	15,833	17,181
Federal grants	90	93	99	224	213		226	245	261	275
State grants	91,331	98,120	101,235	99,423	97,320	89,453	95,651	93,376	102,786	105,059
Other grants	75	173	153	154	46	25	25	25	26	26
Charges for services	42,243	43,697	42,646	41,560	29,251	26,654	35,044	44,146	47,201	50,573
Miscellaneous	8,817	6,420	12,429	234	4,528	18,579	9,976	4,365	5,757	5,730
Total revenues – general fund	1,200,741	1,258,595	1,311,436	1,306,534	1,334,583	1,382,836	1,407,939	1,577,353	1,617,292	1,657,982
Other governmental funds:										
Motor vehicle fund	238,002	244,316	232,716	206,015	156,590	160,974	169,768			
Grants revenue fund	280,232	258,288	231,047	338,749	270,692	292,887	285,240	251,949	242,805	223,148
Capital projects fund	84,247	66,341	65,129	46,028	75,296	84,230	93,966	121,065	91,069	66,983
Other funds	32,251	55,941	36,696	33,030	28,641	26,245	29,339	21,860	36,279	41,327
Total revenues – other governmental funds	634,732	624,886	565,588	623,822	531,219	564,336	578,313	394,874	370,153	331,458
Total revenues all governmental funds	1,835,473	1,883,481	1,877,024	1,930,356	1,865,802	1,947,172	1,986,252	1,972,227	1,987,445	1,989,440
Expenditures:										
General fund:										
General government	290,727	337,700	368,022	368,279	410,746	375,814	387,650	223,730	216,329	258,028
Public safety and regulation	416,781	446,072	475,629	474,031	437,031	452,977	463,410	594,077	625,432	679,202
Conservation of health	30,507	28,948	29,371	33,066	44,950	44,076	44,033	20,811	23,778	20,887
Social services	2,138	3,007	4,498	6,057	396	1,361	707	89,235	76,857	64,249
Education	205,552	206,016	205,858	205,909	207,657	247,074	254,626	257,770	273,241	265,939
Public library	20,853	23,135	24,253	25,720	24,246	23,890	23,829	23,131	24,577	24,942
Recreation and culture	29,151	34,568	37,707	35,163	30,212	37,981	34,749	39,235	39,796	39,349
Highways and streets	312	484	720	244	16,376	16,376	19,336	83,051	102,308	113,452
Sanitation and waste removal	37,474	39,754	40,032	40,593	37,862	39,503	40,936	69,381	59,837	64,422
Public service	12,448	12,210	13,259	17,510	21,455	16,403	17,350	43,024	41,241	43,895
Economic development	21,420	30,440	39,616	36,573	36,186	36,589	46,741	48,544	49,348	49,069
Total expenditures – general fund	1,067,363	1,162,334	1,238,965	1,243,145	1,267,117	1,292,506	1,333,367	1,491,989	1,532,744	1,623,434
Other governmental funds:										
Motor vehicle fund	157,248	164,419	175,354	173,570	191,558	140,223	148,769			
Grants revenue fund	272,814	257,756	259,387	238,399	280,603	292,497	298,287	280,319	275,977	223,964
Capital projects fund	568,951	246,775	317,031	267,641	275,701	199,217	208,837	202,458	160,874	172,688
Debt service fund:										
Principal	48,073	53,351	56,694	52,651	60,054	61,282	64,781	69,877	44,483	38,912
Interest	30,555	47,302	51,198	26,144	39,014	38,256	32,624	23,678	31,708	31,005
Other bond costs	1,861	6,829		13,945	9,847	5,882			6,178	6,135
Other funds	22,038	17,015	14,161	18,052	11,863	14,330	17,116	22,600	23,133	31,107
Total expenditures other governmental funds	1,101,540	793,447	873,825	790,402	868,640	751,687	770,414	598,932	542,353	503,811
Total expenditures all governmental funds	2,168,903	1,955,781	2,112,790	2,033,547	2,135,757	2,044,193	2,103,781	2,090,921	2,075,097	2,127,245
Excess (deficiency) of revenues over expenditures	(333,430)	(72,300)	(235,766)	(103,191)	(269,955)	(97,021)	(117,529)	(118,694)	(87,652)	(137,805)
Other financing sources (uses):										
Transfers, net	16,568	20,694	36,044	27,839	40,707	27,422	50,446	76,110	56,828	61,495
Capital leases	10,265	25,447	7,372	3,956	75,099	11,020	41,460	11,804		
Face value of bonds and loans	379,676	81,915	154,914	100,164	54,688	54,730		283,535	5,414	64,249
Refunding of bonds								(214,336)		
Transportation revenue bonds										9,609
Swaps terminations								(18,760)		
Premium (discount) on sale of bonds								42,443		1,606
Demand obligation transferred from fund liability	38,531									
Capital contributions									(20,421)	
Total other financing sources	445,040	128,056	198,330	131,959	170,494	93,172	91,906	180,796	41,821	136,959
Net changes in fund balances	\$ 111,610	\$ 55,756	\$ (37,436)	\$ 28,768	\$ (99,461)	\$ (3,849)	\$ (25,623)	\$ 62,102	\$ (45,831)	\$ (846)
Debt service as a percentage of noncapital expenditures	1.78%	5.62%	5.64%	3.50%	5.26%	5.24%	5.03%	4.87%	3.89%	3.56%

Revenue Capacity

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CITY OF BALTIMORE
Property Tax Levies and Collections
Last Ten Fiscal Years
(Dollars Expressed in Thousands)

Fiscal Year	Total Tax Levy	Collected within the Fiscal Year of the Levy	Percent of Levy Collected	Collections in Subsequent Years	Total Tax Collections	Percent of Total Tax Collections to Tax Levy
2006	\$ 565,648	\$ 544,463	96.3%	\$ 8,193	\$ 552,656	97.7%
2007	599,534	577,759	96.4	6,819	584,578	97.5
2008	655,080	605,961	92.5	10,648	616,609	94.1
2009	728,359	671,869	92.2	16,238	688,107	94.5
2010	751,510	723,533	96.3	17,020	740,553	98.5
2011	777,332	750,144	96.5	26,879	777,023	99.9
2012	761,237	743,352	97.7	10,881	754,233	99.1
2013	763,106	732,467	96.0	10,910	743,377	97.4
2014	767,619	741,449	96.6	10,734	752,183	98.0
2015	779,567	752,939	96.6		752,939	96.6

CITY OF BALTIMORE
Assessed and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(Dollars Expressed in Thousands)

Fiscal Year	Real Property		Personal Property		Total		Ratio of Total Assessed Value to Total Estimated Actual Value	Total Direct Tax Rate
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value		
2006	\$ 19,918,443	\$ 21,334,553	\$ 1,783,249	\$ 1,783,249	\$ 21,701,692	\$ 23,117,802	93.9%	\$ 2.440
2007	21,254,392	23,236,872	1,893,973	1,893,973	23,148,365	25,130,845	92.1	2.400
2008	23,943,402	27,398,671	1,965,726	1,965,726	25,909,128	29,364,397	88.2	2.380
2009	26,601,299	32,038,540	2,145,251	2,145,251	28,746,550	34,183,791	84.1	2.380
2010	28,511,521	35,600,999	1,805,889	1,805,889	30,317,410	37,406,888	81.0	2.380
2011	29,613,826	36,799,638	1,767,656	1,767,656	31,381,482	38,567,294	81.4	2.380
2012	28,762,325	35,431,581	1,878,997	1,878,997	30,641,322	37,310,578	82.1	2.380
2013	28,844,799	34,386,667	1,845,424	1,845,424	30,690,223	36,232,091	84.7	2.380
2014	29,209,703	33,938,341	1,966,795	1,966,795	31,176,498	35,905,136	86.8	2.360
2015	29,063,381	33,749,836	1,895,006	1,895,006	30,958,387	35,644,842	86.9	2.360

Note: Assessed values are established by the Maryland State Department of Assessments and Taxation on July 1 of each year. Each real property's assessment is reevaluated every three years. Tax rates are for each \$100 of assessed value. The Baltimore City real property tax rate is \$2.248 and the Maryland State real property tax rate is \$0.112, for a total of \$2.360.

Source: Baltimore City Department of Finance

CITY OF BALTIMORE
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years(1)

Fiscal Year	City Tax Rate	State Rate (2)	Tax Total (3)
2006	\$ 2.308	\$ 0.132	\$2.440
2007	2.288	0.112	2.400
2008	2.268	0.112	2.380
2009	2.268	0.112	2.380
2010	2.268	0.112	2.380
2011	2.268	0.112	2.380
2012	2.268	0.112	2.380
2013	2.268	0.112	2.380
2014	2.248	0.112	2.360
2015	2.248	0.112	2.360

Notes:

- (1) Tax rates are for each \$100 of assessed valuation.
- (2) The State tax rate is shown for informational purposes only, since the City acts in the role of collector and does not report this portion of the property tax as revenue.
- (3) The City has no special assessments.

Source: Baltimore City Department of Finance

CITY OF BALTIMORE
Principal Property Taxpayers
Current Year and Nine Years Ago

(Dollars Expressed in Thousands)

	2015			2006		
	Taxable Assessed Value	Rank	Percentage of Total City Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Assessed Value
BGE (Baltimore Gas & Electric Company)	\$ 728,868	1	2.3%	\$ 581,637	1	2.7%
CBAC Borrower, LLC	276,552	2	0.9%			
Harbor East Limited - Parcel D	259,624	3	0.8%			
CSX Transportation	191,246	4	0.6%	100,260	6	0.5%
100 East Pratt Street Business	179,955	5	0.6%	138,043	4	0.6%
Baltimore Hotel Corporation	163,991	6	0.5%			
Baltimore Center Associates.	159,016	7	0.5%	155,599	3	0.7%
Verizon - Maryland.	155,200	8	0.5%	357,268	2	1.6%
JBG/Baltimore SSA, LLC	128,897	9	0.4%			
Harbor East Limited - Parcel B	120,928	10	0.4%			
Harbor East Limited.				104,019	5	0.5%
ABB South Street Associates, LLC				69,000	7	0.3%
TMCT, LLC				61,292	8	0.3%
U.S. Bank National.				60,186	9	0.3%
Travis Real Estate Group				58,491	10	0.3%
Total	\$ 2,364,277		7.5%	\$ 1,685,795		7.8%

Debt Capacity

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CITY OF BALTIMORE
Ratios of Outstanding Debt by Type, Primary Government
Last Ten Fiscal Years
(Dollars Expressed in Thousands)

Fiscal Year	Governmental Activities						Business-type Activities				Total Primary Government	Percentage of Personal Income(b)	Per Capita(a)
	General Obligation Bonds	Special Obligation Bonds	Long-term Financing with Federal Government	Long-term Financing with State of Maryland	Revenue Bonds	Capital Leases	General Obligation Bonds	Sewer Construction Loans	Revenue Bonds	Capital Leases			
2006	\$ 588,604	\$ 26,301	\$ 51,311	\$ 3,697	\$ 381,682	\$ 169,007	\$ 2,159	\$ 425	\$ 1,118,639		\$ 2,341,825	11.19%	\$ 2,489
2007	609,950	26,211	46,926	2,266	407,407	179,895	2,471	360	1,295,974		2,571,460	11.65	4,017
2008	646,533	93,018	51,429	1,945	401,371	171,911	2,227	292	1,357,146		2,725,872	11.70	4,272
2009	629,018	116,508	50,803	1,553	440,079	159,115	1,379	221	1,395,937		2,794,613	11.68	4,384
2010	631,993	116,205	45,436	1,186	431,155	169,100	576	143	1,370,497		2,766,291	11.16	4,455
2011	630,957	115,600	42,151	925	422,011	160,930		63	1,513,270		2,885,907	11.01	4,653
2012	570,148	114,993	39,355	1,855	411,377	179,161		19	1,477,473	\$ 3,003	2,797,384	10.17	4,502
2013	569,097	114,435	36,461	1,430	424,599	193,368			1,467,888	2,628	2,809,906	11.51	4,517
2014	524,969	149,824	33,461	1,016	395,501	189,600	3,113		1,735,806	2,240	3,035,530	11.49	4,874
2015	553,761	147,218	30,357	662	391,894	161,477	3,018		1,920,369	1,840	3,210,596	N/A	N/A

(a) Per capita calculations utilize calendar year figures provided by U.S. Department of Commerce, Census Bureau, in thousands.

(b) Personal Income data from the Bureau of Economic Analysis, U.S. Department of Commerce.

N/A Information not available

CITY OF BALTIMORE
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

(Dollars Expressed in Thousands)

Fiscal Year	General Obligation Bonds	Funds Available in Debt Service Funds(b)	Net General Bonded Debt	Percentage of Actual Taxable Value of Property	Per Capita(a)
2006	\$ 588,604	\$ 26,082	\$ 562,522	2.43%	\$ 884.73
2007	609,950	30,296	579,654	2.31	909.33
2008	646,533	82,579	563,954	1.92	885.44
2009	629,018	41,240	587,778	1.72	922.12
2010	631,993	41,319	590,674	1.58	950.84
2011	630,957	36,261	594,696	1.54	957.66
2012	570,148	36,796	533,352	1.69	856.90
2013	569,097	45,523	523,574	1.45	841.62
2014	528,082	49,947	478,135	1.33	767.73
2015	556,779	51,130	505,649	1.42	N/A

(a) Per capita calculations utilize calendar year figures provided by U.S. Department of Commerce, Census Bureau in thousands.

(b) Externally restricted for repayment of principal on debt.

N/A Information not available.

CITY OF BALTIMORE
Direct and Overlapping Governmental Activities Debt
June 30, 2015

The City of Baltimore has no Overlapping Debt.

CITY OF BALTIMORE
Legal Debt Margin Information
June 30, 2015

The City has no Legal Debt Margin.

CITY OF BALTIMORE
Pledged Revenue Coverage
Last Ten Fiscal Years

(Dollars Expressed in Thousands)

Fiscal Year	Water Revenue Bonds						Wastewater Revenue Bonds					
	Water Utility Revenues	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	Wastewater Utility Revenues	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest					Principal	Interest	
2006	\$ 109,471	\$ 77,776	\$ 31,695	\$ 2,779	\$ 17,137	1.59	\$ 136,405	\$ 113,542	\$ 22,863	\$ 7,658	\$ 12,630	1.13
2007	111,052	81,722	29,330	2,920	15,818	1.57	151,462	110,877	40,585	9,405	16,631	1.56
2008	131,233	84,223	47,010	3,574	16,279	2.37	157,974	118,600	39,374	13,027	13,517	1.48
2009	120,292	94,547	25,745	3,273	20,692	1.07	161,061	121,123	39,938	13,480	22,133	1.12
2010	129,579	88,394	41,185	6,264	20,202	1.56	166,072	115,762	50,310	16,822	25,627	1.19
2011	129,292	90,586	38,706	8,036	22,507	1.27	160,076	110,131	49,945	20,090	25,031	1.11
2012	132,340	95,386	36,954	8,937	22,239	1.19	179,873	119,356	60,517	22,595	27,412	1.21
2013	154,680	100,845	53,835	10,344	23,544	1.59	183,521	125,215	58,306	22,675	28,910	1.13
2014	158,678	113,947	44,731	10,830	21,126	1.40	221,181	123,993	97,188	24,083	27,141	1.90
2015	176,439	111,855	64,584	12,250	27,894	1.61	216,428	123,799	92,629	24,952	33,151	1.59

Fiscal Year	Stormwater Revenue Bonds						Parking Facilities Revenue Bonds					
	Stormwater Utility Revenues	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	Parking Facilities Revenues	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest					Principal	Interest	
2006							\$ 61,896	\$ 9,697	\$ 52,199	\$ 4,900	\$ 9,828	3.54
2007							62,706	8,509	54,197	5,080	6,967	4.50
2008							69,868	10,622	59,246	5,815	8,956	4.01
2009							64,380	12,170	52,210	6,060	14,224	2.57
2010							67,760	10,866	56,894	6,915	9,352	3.50
2011							83,040	10,728	72,312	7,250	8,934	4.47
2012							81,476	10,937	70,539	8,395	10,324	3.77
2013							83,542	9,737	73,805	8,410	9,829	4.05
2014	\$ 27,511	\$ 13,585	\$ 13,926	\$ 436	\$ 466	15.44	87,398	10,919	76,479	9,280	9,407	4.09
2015	25,971	10,632	15,339	441	441	17.39	85,634	7,133	78,501	9,800	8,753	4.23

Fiscal Year	Convention Center Revenue Bonds				
	Convention Center Revenues	Net Available Revenue	Debt Service		Coverage
			Principal	Interest	
2006	\$ 3,904	\$ 3,904	\$ 2,185	\$ 2,415	0.85
2007	4,523	4,523	2,280	2,310	0.99
2008	4,516	4,516	2,193	2,395	0.98
2009	4,463	4,463	2,515	2,070	0.97
2010	4,344	4,344	2,645	1,794	0.98
2011	4,654	4,654	2,770	1,796	1.02
2012	4,655	4,655	2,935	1,637	1.02
2013	4,577	4,577	3,095	1,475	1.00
2014	4,560	4,560	3,260	1,302	1.00
2015	5,968	5,968	3,435	1,118	1.31

Note: Details regarding the City's outstanding debt can be found in note number 8 in the notes to the financial statements. Operating expenses do not include interest, depreciation or amortization expenses. Beginning in fiscal year 2014, the Stormwater Utility Fund is presented as a separate proprietary fund.

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Demographic and Economic Information

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CITY OF BALTIMORE
Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year	Population(a)	Personal Income(b) <i>(thousands of dollars)</i>	Per Capita Personal Income(c)	Total Employment(d)	Unemployment Rate(d)
2006	640,961	\$ 21,180,094	\$ 33,044	257,382	6.2%
2007	640,150	22,250,152	34,758	261,355	5.6
2008	638,091	23,435,086	36,727	262,046	6.6
2009	637,418	23,919,308	37,525	251,950	10.7
2010	621,210	24,778,915	39,888	244,498	11.8
2011	620,987	26,209,592	42,206	246,114	10.8
2012	622,417	27,502,677	44,187	249,021	10.2
2013	622,104	27,405,666	44,053	250,660	9.6
2014	622,793	26,423,706	42,428	336,664	7.9
2015	N/A	N/A	N/A	N/A	N/A

Source:

- (a) Maryland State Department of Planning
- (b) U.S. Bureau of Economic Analysis
- (c) Per capita personal income is calculated based on the personal income divided by the estimated population
- (d) Maryland Department of Labor, Licensing and Regulation

N/A Information not available

CITY OF BALTIMORE
Principal Employers
Current Year and Nine Years Ago

Employer	2015			2006		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Government [1]						
State	35,157	1	10.57%	39,247	1	11.24%
Other Government authority (City, Schools, etc)	24,294	2	7.30	27,543	2	7.89
Federal	9,885	3	2.97	8,266	3	2.37
Subtotal Government	<u>69,336</u>		<u>20.84</u>	<u>75,056</u>		<u>21.51</u>
Ten Largest Private Sector Employers [2]						
Johns Hopkins University	25,000	1	7.51	19,000	1	5.44
Johns Hopkins Hospital and Health System	19,340	2	5.81	12,800	2	3.67
University of Maryland Medical System	9,830	3	2.95	8,600	3	2.46
University System of Maryland	9,111	4	2.74			
MedStar Health	6,176	5	1.86	5,400	4	1.55
LifeBridge Health	5,316	6	1.60	5,100	5	1.46
Mercy Health Services	4,028	7	1.21	2,500	8	0.72
St. Agnes HealthCare	3,267	8	0.98	3,100	6	0.89
Exelon / Constellation Energy / BGE	2,952	9	0.89	2,800	7	0.80
Kennedy Krieger Institute	2,417	10	0.73	2,100	9	0.60
Bon Secours Health System				1,100	10	0.31
Subtotal Ten Largest Private Sector Employers	<u>87,437</u>		<u>26.28</u>	<u>62,500</u>		<u>17.90</u>
Total Government and Ten Largest Private Sector Employers	<u>156,773</u>		<u>47.12%</u>	<u>137,556</u>		<u>39.41%</u>

Source:

[1] For the government sector: Maryland Dept of Labor Licensing and Regulations, Employment data

[2] For the private sector: Department of Business and Economic Development data files as of November 2015; For 2006, City of Baltimore Comprehensive Annual Financial Report for Fiscal Year 2006

Operating Information

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CITY OF BALTIMORE
Full Time Equivalent Employees By Function
Last Ten Years

Function/program	Full-time equivalent Employees at June 30									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General government	1,710	1,690	1,720	1,733	1,725	1,700	1,754	1,674	1,666	1,700
Public safety										
Police	3,935	3,937	3,930	3,909	3,897	3,897	3,892	3,796	3,608	3,444
Fire	1,743	1,743	1,796	1,800	1,795	1,795	1,789	1,732	1,699	1,699
Other	735	752	766	793	795	791	721	683	695	700
Conservation of health	680	671	761	883	878	875	873	862	719	890
Public library	417	418	437	430	432	430	399	399	394	391
Recreation and parks	364	364	369	404	400	399	389	368	385	310
Highways and streets	1,510	1,518	1,523	1,514	1,499	1,458	1,382	1,352	1,331	1,428
Public works										
Water	926	900	901	893	878	875	850	893	857	717
Wastewater	1,069	1,059	1,031	1,014	1,011	1,012	991	985	1,096	797
Solid waste	868	863	899	876	875	856	889	853	705	802
Other	598	606	607	627	621	625	579	537	682	504
Public service	64	68	68	68	68	67	62	70	260	65
Economic development	518	541	518	598	564	563	554	560	461	559
	15,137	15,130	15,326	15,542	15,438	15,343	15,124	14,764	14,558	14,006

Source: Baltimore City Bureau of Budget and Management Research

CITY OF BALTIMORE
Operating Indicators By Function/Program
Last Ten Fiscal Years

Function/program	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<i>Police</i>										
Arrests*	92,904	81,105	75,552	72,106	62,341	56,606	53,169	45,275	44,110	33,462
<i>Fire</i>										
Fire Suppression Units Dispatched	126,942	132,560	137,272	136,003	135,421	121,483	129,977	137,677	140,718	143,889
Structural Fires	2,372	2,275	2,177	2,100	2,154	2,460	2,682	2,401	1,839	2,541
EMS Transports	86,881	89,331	88,831	86,128	86,985	86,901	90,615	94,883	92,225	92,094
Inspections	20,543	23,630	26,594	25,654	24,156	N/A	N/A	N/A	N/A	N/A
<i>Solid Waste</i>										
Refuse Collected (tons)	218,194	206,333	195,601	181,397	148,077	145,345	144,926	142,543	149,137	155,624
Recyclables Collected (tons)	11,427	12,085	14,736	15,914	25,836	25,557	24,929	26,468	25,248	28,979
<i>Water/Wastewater</i>										
Number of Accounts	409,208	439,327	439,676	440,215	441,209	445,335	446,142	450,427	454,008	426,642
Average Daily Water Production (MGD)	251	251	226	226	218	218	218	218	220	223
Average Daily Sewage Treatment (MGD)	210	210	192	192	192	208	208	208	208	199
<i>Transportation (DOT)</i>										
Miles Streets Resurfaced/Reconstructed	13.5	136.6	220.2	188.1	152.0	185.0	189.0	98.0	101.0	122
Potholes Repaired	16,054	15,345	15,478	14,879	15,121	15,045	12,847	11,208	18,150	17,655
Traffic Citations Issued **	7,744	4,488	4,909	3,186	1,341	63	63	63	118	88
Parking Citations Issued	364,041	400,263	368,099	389,642	379,633	388,338	355,344	331,067	341,384	380,239
Traffic Signals Repaired	11,482	9,737	5,513	5,124	6,901	5,538	4,751	4,312	4,645	4,450
Street Lights Repaired	21,527	27,459	24,847	22,008	25,415	29,012	29,633	28,096	25,091	24,254
<i>Housing</i>										
Number of inspections (housing and code enforcement)	169,727	180,073	190,031	198,742	206,467	363,720	267,508	270,607	254,871	254,646
Number of permits issued	38,787	38,455	34,565	33,068	36,630	27,600	25,307	24,537	28,351	27,060
Property Management Service Requests Completed***	30,537	36,810	83,207	82,311	28,971	31,987	41,995	60,585	78,824	78,824
<i>Recreation and Parks</i>										
Enrollment at Recreation Centers	138,583	141,232	142,009	139,632	135,547	154,528	169,608	146,598	138,103	144,077
Permits Issued for Park Facilities	661	723	698	789	653	741	1,518	1,581	1,616	1,894
<i>Library</i>										
Volumes in Circulation (millions)	2.3	2.6	2.5	2.5	2.6	2.6	2.0	2.4	2.2	2.3
Volumes Borrowed (millions)	1.4	1.4	1.3	1.5	1.5	1.7	1.7	1.7	1.3	1.3

N/A Data not available.

* Yearly arrests are based on calendar year data, not fiscal year.

** This figure includes only DOT officer-written citations and does not include automatic camera citations.

*** Property Management represents primarily cleaning and boarding of vacant properties.

Source: Baltimore City Department of Finance

CITY OF BALTIMORE
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function/program	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<i>Police/Sheriff</i>										
Buildings	10	10	10	10	10	13	12	16	16	16
Marked patrol units	525	466	473	471	487	479	373	403	463	576
Other vehicles	616	654	639	645	633	616	602	448	311	309
<i>Fire Stations</i>										
Buildings	39	39	39	39	39	39	41	61	62	62
Fire/EMS apparatus (tankers/ladders/medics/ fleet)	160	160	160	160	160	137	122	154	142	138
Other vehicles	152	168	164	164	164	176	235	142	217	228
<i>Recreation and Parks</i>										
Buildings	148	148	148	148	148	148	148	210	210	210
Acreage	5,827	5,827	5,827	5,827	5,827	5,827	5,827	5,827	5,827	5,827
Vehicles	127	129	125	119	123	120	119	120	121	120
Equipment	304	309	295	286	296	183	157	157	158	151
<i>Public Works (Transportation, Solid Waste, and General Services)</i>										
Buildings	30	30	30	30	30	30	82	119	119	119
Vehicles	990	971	980	968	952	984	967	942	1,017	987
Equipment	496	509	515	503	515	595	545	552	538	537
Streets (miles)	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
<i>Water/Wastewater/Stormwater</i>										
Treatment plants	5	5	5	5	5	5	5	5	5	5
Other buildings	31	31	31	31	31	31	95	221	221	221
Vehicles	611	625	615	608	599	632	608	631	641	636
Equipment	411	412	420	418	429	495	487	489	482	481
Water mains (miles)	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,669
Water treatment capacity (MGD)	360	360	360	360	360	360	360	360	360	360
Sanitary sewers (miles)	1,340	1,340	1,335	1,335	1,335	1,335	1,335	1,335	1,335	1,361
Storm sewers (miles)	1,080	1,080	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,108
Wastewater treatment capacity (MGD)	253	253	253	253	253	253	253	253	253	253
<i>Libraries</i>										
Buildings	32	33	34	34	34	22	30	30	29	24
Vehicles	17	17	17	16	16	20	18	16	17	17
<i>Other-General Government</i>										
Buildings	1,353	1,353	1,353	1,353	1,353	4,250	4,250	132	132 *	132 *
Vehicles	197	211	799	1,017	1,141	753	907	869	514	175
Equipment	59	62	66	64	61	249	151	101	72	14

* The total number of buildings excludes residential properties under the ownership of the Mayor and City Council.

Source: Baltimore City Department of Finance

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