

CITY OF BALTIMORE  
SINGLE AUDIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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CITY OF BALTIMORE  
SINGLE AUDIT  
FOR THE YEAR ENDED JUNE 30, 2015

TABLE OF CONTENTS

<u>COMPREHENSIVE ANNUAL FINANCIAL REPORT</u>	- PART I
Includes independent auditors' report on an audit of the basic financial statements.	
<u>REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS</u>	- PART II
Includes independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i> .	
<u>REPORT ON SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</u>	- PART III
Includes independent auditor's report on the supplementary schedule of expenditures of federal awards required by OMB Circular A-133.	
<u>REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133</u>	- PART IV
Includes independent auditor's report on compliance for each major federal program and on internal control over compliance required by OMB Circular A-133.	
<u>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</u>	- PART V
Includes summary of independent auditors' results, financial statement findings, and federal award findings and questioned costs.	
<u>SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS</u>	- PART VI
Includes the status of prior year audit findings, the auditee's planned corrective action and anticipated implementation dates.	
<u>CORRECTIVE ACTION PLAN ON CURRENT AUDIT FINDINGS</u>	- PART VII
Includes the auditee's corrective action plan and anticipated completion dates.	

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PART I  
COMPREHENSIVE ANNUAL FINANCIAL REPORT

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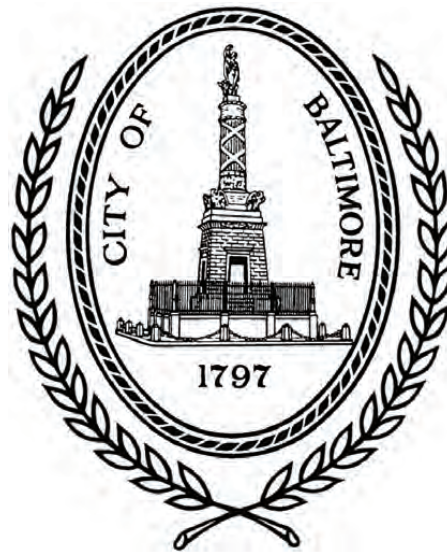
# City of Baltimore, Maryland

## 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*





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## ELECTED OFFICIALS

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MAYOR

Catherine E. Pugh

PRESIDENT OF THE CITY COUNCIL

Bernard C. Young

COMPTROLLER

Joan M. Pratt

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## BOARD OF ESTIMATES

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PRESIDENT

Bernard C. Young

MAYOR

Catherine E. Pugh

COMPTROLLER

Joan M. Pratt

DIRECTOR OF PUBLIC WORKS

Rudolph S. Chow

ACTING CITY SOLICITOR

David Ralph

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## CITY COUNCIL

Bernard C. Young, *President*

Edward Reisinger, *Vice-President*

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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



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# TABLE OF CONTENTS

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	Page
<b>INTRODUCTORY SECTION (UNAUDITED)</b>	
Title Page . . . . .	I
Elected Officials . . . . .	II
Table of Contents . . . . .	III
Letter of Transmittal . . . . .	VII
Municipal Organization Chart . . . . .	XVIII
<b>FINANCIAL SECTION</b>	
Report of Independent Auditors . . . . .	1
Management’s Discussion and Analysis (unaudited) . . . . .	5
<b>Basic Financial Statements:</b>	
Government-wide Financial Statements:	
Statement of Net Position . . . . .	18
Statement of Activities . . . . .	19
<b>Fund Financial Statements:</b>	
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
<b>Required Supplementary Information:</b>	
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

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## STATISTICAL SECTION (UNAUDITED)

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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,

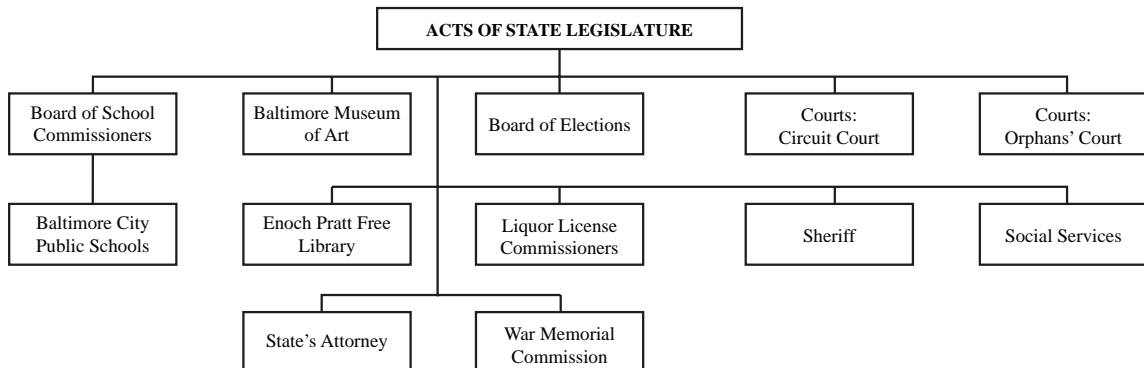
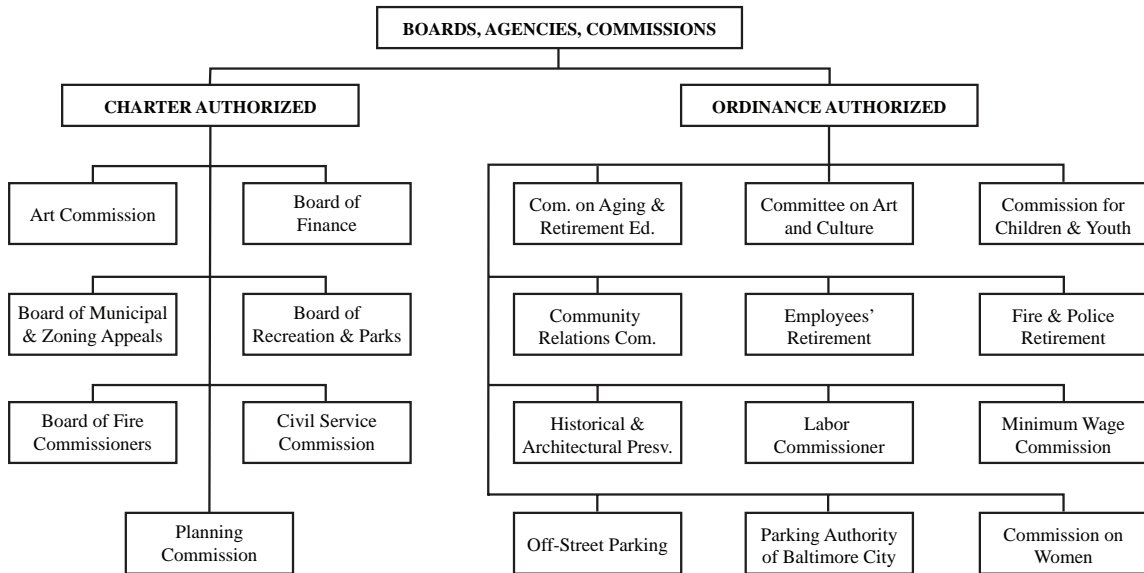
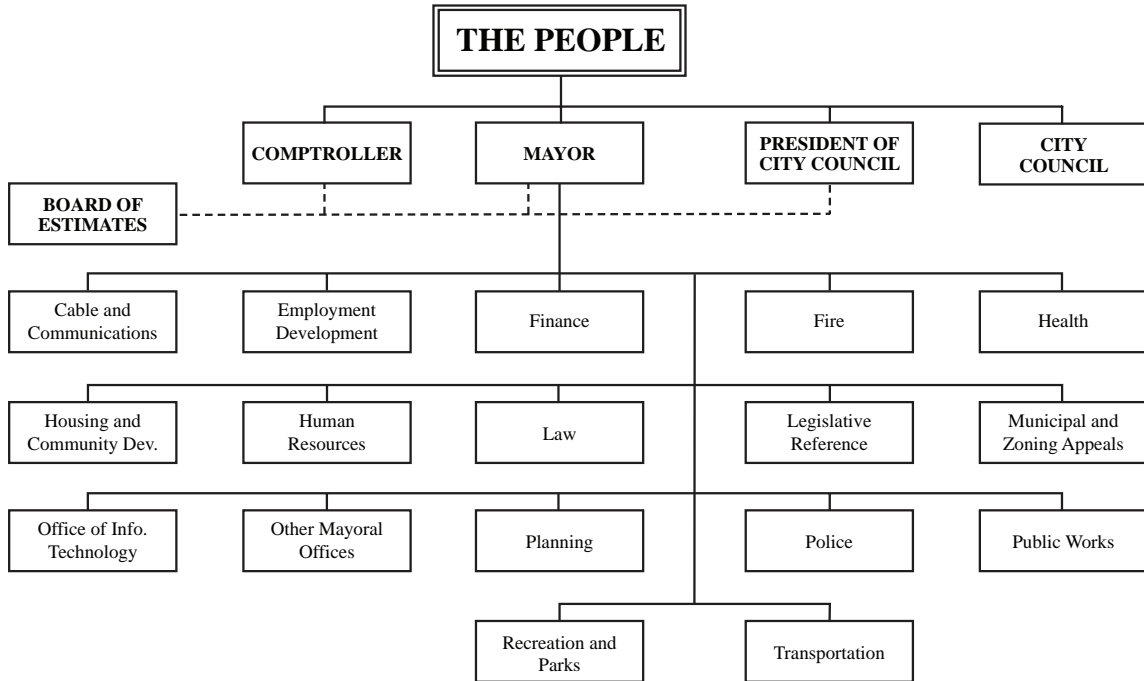


Catherine E. Pugh  
Mayor



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**

<b>Opinion Unit</b>	<b>Type of Opinion</b>
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.

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

March 24, 2017

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

<b>C A F F R</b>	<b>Introductory Section</b>				
	<b>Financial Section</b>				
		<b>Management's Discussion and Analysis</b>			
		<b>Government-wide Statements</b>	<b>Fund Statements</b>		
			Governmental Funds	Proprietary Funds	Fiduciary Funds
	<b>View</b>	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		
	<b>TYPES OF FINANCIAL STATEMENTS</b>	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
	<b>Notes to the Basic Financial Statements</b>				
	<b>Required Supplementary Information</b>				
	<b>Combining and Individual Fund Statements and Schedules</b>				
	<b>Statistical Section</b>				

**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

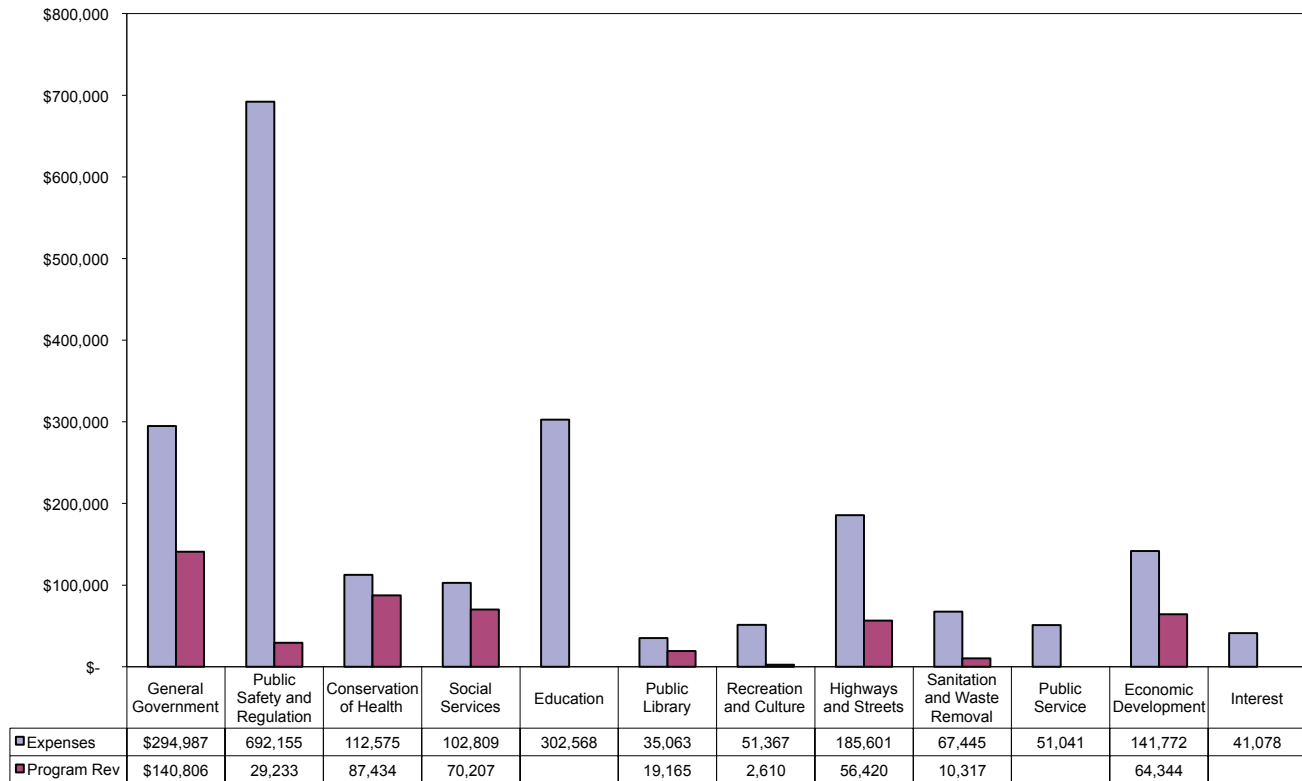
(Expressed in Thousands)

	Governmental activities		Business-type activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Revenues:</b>						
<b>Program revenues:</b>						
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
<b>General revenues:</b>						
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
<b>Total revenues</b> . . . . .	<b>2,046,117</b>	<b>2,086,787</b>	<b>726,077</b>	<b>642,913</b>	<b>2,772,194</b>	<b>2,729,700</b>
<b>Expenses:</b>						
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
<b>Total expenses</b> . . . . .	<b>2,078,461</b>	<b>2,120,524</b>	<b>389,514</b>	<b>387,187</b>	<b>2,467,975</b>	<b>2,507,711</b>
Increase (decrease) in net assets before transfers . . . . .	(32,344)	(33,737)	336,563	255,726	304,219	221,989
<b>Transfers:</b>						
Transfers in (out) . . . . .	61,495	(195,564)	(61,495)	195,564		
<b>Change in net position</b> . . . . .	<b>29,151</b>	<b>(229,301)</b>	<b>275,068</b>	<b>451,290</b>	<b>304,219</b>	<b>221,989</b>
Net position - beginning (as restated) . . . . .	748,579	2,378,590	2,398,028	2,069,535	3,146,607	4,448,125
<b>Net position - ending</b> . . . . .	<b>\$ 777,730</b>	<b>\$ 2,149,289</b>	<b>\$ 2,673,096</b>	<b>\$ 2,520,825</b>	<b>\$ 3,450,826</b>	<b>\$ 4,670,114</b>

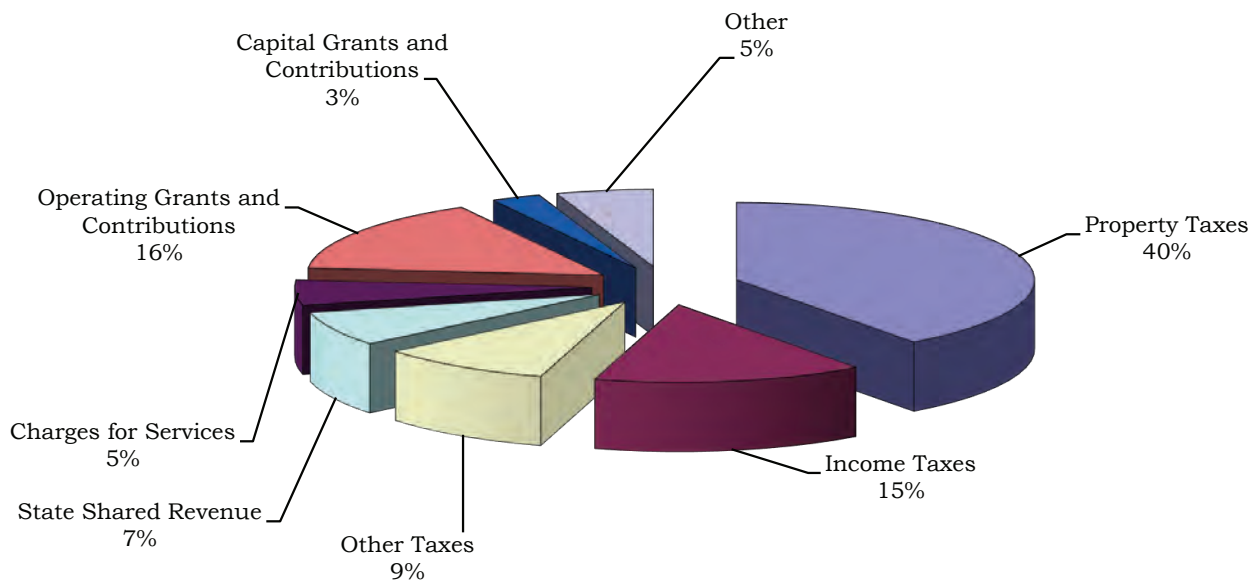
### Analysis of Changes in Net Position

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

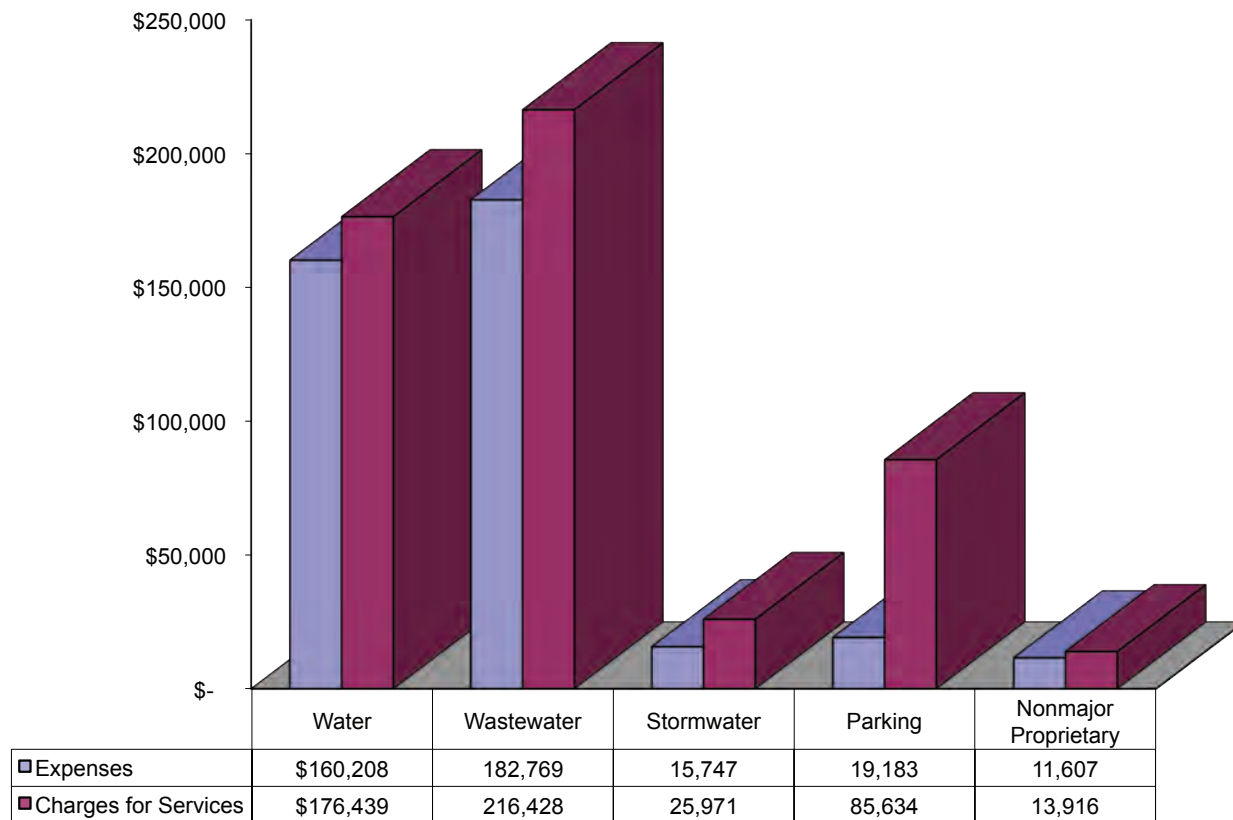
During the current fiscal year, expenses related to governmental activities amounted to \$2.08 billion, which is greater than revenues by \$32.3 million. Total revenue of \$2.05 billion is comprised of program revenues totaling \$480.5 million, or

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
<b>Revenues:</b>			
<b>General fund:</b>			
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>
<b>Other governmental funds:</b>			
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>
<b>Expenditures:</b>			
<b>General fund:</b>			
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>
<b>Other governmental funds:</b>			
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>
<b>Other financing sources:</b>			
Transfers, net . . . . .	61,495	56,828	4,667
<b>Capital projects fund:</b>			
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
<b>Total .....</b>	<b>\$ 3,177,328</b>	<b>\$ 3,195,959</b>	<b>\$ 3,899,662</b>	<b>\$ 3,512,216</b>	<b>\$ 7,076,990</b>	<b>\$ 6,708,175</b>

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	
<b>Total assets</b>	<b>4,215,081</b>	<b>5,008,069</b>	<b>9,223,150</b>	<b>251,412</b>
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	
<b>Total deferred outflows of resources</b>	<b>205,079</b>	<b>136,721</b>	<b>341,800</b>	
<b>Total assets and deferred outflows of resources</b>	<b>4,420,160</b>	<b>5,144,790</b>	<b>9,564,950</b>	<b>251,412</b>
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
<b>Total liabilities</b>	<b>3,462,519</b>	<b>2,456,357</b>	<b>5,918,876</b>	<b>325,133</b>
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	
<b>Total deferred inflows of resources</b>	<b>179,911</b>	<b>15,337</b>	<b>195,248</b>	
<b>Total liabilities and deferred inflows of resources</b>	<b>3,642,430</b>	<b>2,471,694</b>	<b>6,114,124</b>	<b>325,133</b>
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
<b>Total net position</b>	<b>\$ 777,730</b>	<b>\$ 2,673,096</b>	<b>\$ 3,450,826</b>	<b>\$ (73,721)</b>

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	
<b>Primary Government:</b>								
<b>Governmental activities:</b>								
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)	
<b>Total governmental activities</b>	<b>2,078,461</b>	<b>107,482</b>	<b>318,266</b>	<b>54,788</b>	<b>(1,597,925)</b>		<b>(1,597,925)</b>	
<b>Business-type activities:</b>								
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	
<b>Total business-type activities</b>	<b>389,514</b>	<b>518,388</b>		<b>201,880</b>		<b>330,754</b>	<b>330,754</b>	
<b>Total primary government</b>	<b>\$ 2,467,975</b>	<b>\$ 625,870</b>	<b>\$ 318,266</b>	<b>\$ 256,668</b>	<b>(1,597,925)</b>	<b>330,754</b>	<b>(1,267,171)</b>	
<b>Component unit:</b>								
Baltimore Hotel Corporation	\$ 67,415	\$ 61,298						\$ (6,117)
<b>General revenues:</b>								
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)		
<b>Total general revenues and transfers</b>					<b>1,627,076</b>	<b>(55,686)</b>	<b>1,571,390</b>	<b>496</b>
<b>Change in net position</b>					<b>29,151</b>	<b>275,068</b>	<b>304,219</b>	<b>(5,621)</b>
<b>Net position – beginning (as restated)</b>					<b>748,579</b>	<b>2,398,028</b>	<b>3,146,607</b>	<b>(68,100)</b>
<b>Net position – ending</b>					<b>\$ 777,730</b>	<b>\$ 2,673,096</b>	<b>\$ 3,450,826</b>	<b>\$ (73,721)</b>

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
<b>Assets:</b>					
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
<b>Total assets .....</b>	<b>559,419</b>	<b>63,036</b>	<b>28,619</b>	<b>76,167</b>	<b>727,241</b>
<b>Liabilities, deferred inflows of resources and fund balances (deficits):</b>					
<b>Liabilities:</b>					
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
<b>Total liabilities .....</b>	<b>222,548</b>	<b>111,122</b>	<b>34,005</b>	<b>12,592</b>	<b>380,267</b>
<b>Deferred inflows of resources:</b>					
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
<b>Total deferred inflows of resources .....</b>	<b>44,063</b>	<b>29,750</b>		<b>4,123</b>	<b>77,936</b>
<b>Total liabilities and deferred inflows of resources .....</b>	<b>266,611</b>	<b>140,872</b>	<b>34,005</b>	<b>16,715</b>	<b>458,203</b>
<b>Fund balances:</b>					
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
<b>Total fund balances (deficits) .....</b>	<b>292,808</b>	<b>(77,836)</b>	<b>(5,386)</b>	<b>59,452</b>	<b>269,038</b>
<b>Total liabilities, deferred inflows of resources and fund balances (deficits) .....</b>	<b>\$ 559,419</b>	<b>\$ 63,036</b>	<b>\$ 28,619</b>	<b>\$ 76,167</b>	

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)
<b>Net position of governmental activities .....</b>	<b>\$ 777,730</b>

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
<b>Revenues:</b>					
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
<b>Total revenues</b>	<b>1,657,982</b>	<b>223,148</b>	<b>66,983</b>	<b>41,327</b>	<b>1,989,440</b>
<b>Expenditures:</b>					
<b>Current:</b>					
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
<b>Debt service:</b>					
Principal				38,912	38,912
Interest				31,005	31,005
Other bond costs				6,135	6,135
Capital outlay			136,007		136,007
<b>Total expenditures</b>	<b>1,623,434</b>	<b>223,964</b>	<b>172,688</b>	<b>107,159</b>	<b>2,127,245</b>
Excess (deficiency) of revenues over (under) expenditures	34,548	(816)	(105,705)	(65,832)	(137,805)
<b>Other financing sources (uses):</b>					
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
<b>Total other financing sources (uses)</b>	<b>(42,227)</b>	<b>6,335</b>	<b>104,675</b>	<b>68,176</b>	<b>136,959</b>
<b>Net change in fund balance</b>	<b>(7,679)</b>	<b>5,519</b>	<b>(1,030)</b>	<b>2,344</b>	<b>(846)</b>
Fund balances (deficits) – beginning	300,487	(83,355)	(4,356)	57,108	269,884
<b>Fund balances (deficits) – ending</b>	<b>\$ 292,808</b>	<b>\$ (77,836)</b>	<b>\$ (5,386)</b>	<b>\$ 59,452</b>	<b>\$ 269,038</b>

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>
<u>Change in net position of governmental activities . . . . .</u>	<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	
<b>Assets and deferred outflows of resources:</b>							
<b>Current assets:</b>							
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
<b>Noncurrent assets:</b>							
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
<b>Deferred outflows of resources:</b>							
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
<b>Liabilities:</b>							
<b>Current liabilities:</b>							
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
<b>Noncurrent liabilities:</b>							
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
<b>Deferred inflows of resources:</b>							
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
<b>Net position:</b>							
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	
<b>Total operating revenues</b>	<b>176,439</b>	<b>216,428</b>	<b>25,971</b>	<b>85,634</b>	<b>13,916</b>	<b>518,388</b>	<b>311,168</b>
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	
<b>Total operating expenses</b>	<b>138,536</b>	<b>162,841</b>	<b>15,382</b>	<b>9,900</b>	<b>11,388</b>	<b>338,047</b>	<b>363,401</b>
<b>Operating income (loss)</b>	<b>37,903</b>	<b>53,587</b>	<b>10,589</b>	<b>75,734</b>	<b>2,528</b>	<b>180,341</b>	<b>(52,233)</b>
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)	
<b>Total nonoperating expenses, net</b>	<b>(13,510)</b>	<b>(15,077)</b>	<b>53</b>	<b>(9,283)</b>		<b>(37,817)</b>	<b>(711)</b>
<b>Income (loss) before capital contributions and transfers</b>	<b>24,393</b>	<b>38,510</b>	<b>10,642</b>	<b>66,451</b>	<b>2,528</b>	<b>142,524</b>	<b>(52,944)</b>
Capital contributions	13,716	187,944	155		65	201,880	
Transfers in					502	502	
Transfers out				(61,247)	(750)	(61,997)	
<b>Change in net position</b>	<b>38,109</b>	<b>226,454</b>	<b>10,797</b>	<b>5,204</b>	<b>2,345</b>	<b>282,909</b>	<b>(52,944)</b>
<b>Total net position – beginning (as restated)</b>	<b>596,829</b>	<b>1,384,312</b>	<b>256,417</b>	<b>79,967</b>	<b>83,685</b>	<b>2,401,210</b>	<b>(115,663)</b>
<b>Total net position – ending</b>	<b>\$ 634,938</b>	<b>\$ 1,610,766</b>	<b>\$ 267,214</b>	<b>\$ 85,171</b>	<b>\$ 86,030</b>	<b>2,684,119</b>	<b>\$ (168,607)</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds						(11,023)	
<b>Change in net position of business-type activities</b>						<b>\$ 2,673,096</b>	

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
<b>Assets:</b>			
Cash and cash equivalents .....	\$ 122,761	\$ 22,837	\$ 219
<b>Investments:</b>			
Stocks .....	2,361,277	263,828	
Bonds .....	1,194,158	145,079	53
Real Estate .....	370,345		
Securities lending collateral .....	103,424		
<b>Accounts receivable, net:</b>			
Other .....			529
Forward foreign contracts .....	45,296		
Other assets .....	45,154	1,938	
<b>Total assets .....</b>	<b>4,242,415</b>	<b>433,682</b>	<b>801</b>
<b>Liabilities:</b>			
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
<b>Total liabilities .....</b>	<b>220,464</b>	<b>4,827</b>	<b>801</b>
<b>Net position:</b>			
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
<b>Additions:</b>		
Contributions:		
Employer .....	\$ 216,276	\$ 134,698
Employee .....	37,131	57,289
Total contributions .....	253,407	191,987
Investment income:		
Net appreciation (depreciation) in fair value of investments .....	8,713	(3,707)
Securities lending income .....	667	
Interest and dividend income .....	128,643	7,557
Total investment income .....	138,023	3,850
Less: investment expense .....	16,674	1,645
Net investment income .....	121,349	2,205
Total additions .....	374,756	194,192
<b>Deductions:</b>		
Retirement allowances .....	355,669	
Health benefits .....		169,132
Death benefits .....	1,286	
Administrative expenses .....	8,080	
Other .....	3,013	
Total deductions .....	368,048	169,132
Changes in net position .....	6,708	25,060
Net position – beginning of the year .....	4,015,243	403,795
Net position – end of the year .....	\$ 4,021,951	\$ 428,855

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. 74 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
<b>Total . . . . .</b>	<b>\$ 1,200,282</b>	<b>\$ 4,583,709</b>	<b>\$ 5,783,991</b>

	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
<b>Total . . . . .</b>	<b>\$ 1,200,010</b>	<b>\$ 4,583,981</b>	<b>\$ 5,783,991</b>

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
<b>Debt Securities:</b>				
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		
	1,173,272	\$ 1,060,357	\$ 32,443	\$ 80,472
<b>Other investment:</b>				
Equity mutual funds	4,932			
	1,178,204			
Less: cash equivalents	896,917			
<b>Total investments</b>	<b>\$ 281,287</b>			

*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
<b>Debt securities:</b>			
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
<b>Total rated debt investments</b>	<b>\$ 1,020,042</b>	<b>\$ 1,018,206</b>	<b>\$ 1,836</b>

**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	
<b>Debt Securities:</b>				
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
<b>Other:</b>				
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
<b>Total Foreign Currency . . . . .</b>	<b>\$ 193,171</b>	<b>\$ 255,557</b>	<b>\$ 448,728</b>
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
<b>Capital assets, not being depreciated:</b>				
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
<b>Capital assets, being depreciated:</b>				
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
<b>Less: accumulated depreciation for:</b>				
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
<b>Capital assets, not being depreciated:</b>				
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
<b>Capital assets, being depreciated:</b>				
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
<b>Less: accumulated depreciation for:</b>				
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
<b>Totals</b>	<b>\$ 124,236</b>	<b>\$ 124,236</b>

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
<b>Totals transfers from</b>	<b>\$ 98,187</b>	<b>\$ 4,429</b>	<b>\$ 7,940</b>	<b>\$ 61,247</b>	<b>\$ 750</b>	<b>\$ 172,553</b>

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):

<b>Special Revenue Funds:</b>	
Grants Revenue	\$ 77,836
CDBG	11,419
Baltimore Casino	980
Capital Projects Fund	5,386
<b>Internal Service Funds:</b>	
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
<b>GOVERNMENTAL ACTIVITIES</b>						
<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
<b>BUSINESS-TYPE ACTIVITIES</b>						
<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
<b>Hotel Totals . . . . .</b>	<b>\$ 293,660</b>

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
<b>Total governmental activities</b>	<b>\$ 395,501</b>		<b>\$ 13,220</b>	<b>\$ 9,613</b>	<b>\$ 391,894</b>	<b>\$ 15,551</b>
<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	
<b>Total business-type activities</b>	<b>\$ 1,735,806</b>	<b>\$ 492,404</b>	<b>\$ 298,228</b>	<b>\$ (9,613)</b>	<b>\$ 1,920,369</b>	<b>\$ 58,329</b>

**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				
<b>Totals</b>	<b>\$ 293,660</b>	<b>\$ 255,723</b>	<b>\$ 20,110</b>	<b>\$ 3,631</b>	<b>\$ 78,124</b>	<b>\$ 15,651</b>

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									
<b>Totals</b>	<b>\$ 713,054</b>	<b>\$ 508,881</b>	<b>\$ 15,373</b>	<b>\$ 1,011,735</b>	<b>\$ 575,245</b>	<b>\$ (31)</b>	<b>\$ 6,250</b>	<b>\$ 842</b>	<b>\$ 144,330</b>	<b>\$ 81,053</b>	<b>\$ 49,189</b>	<b>\$ 45,000</b>	<b>\$ 112</b>	<b>\$ 4,620</b>

(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
<b>Hedged Derivative Instruments - Governmental Activities</b>							
<b>General Obligation Bonds</b>							
<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)	
<b>Hedged Derivative Instruments - Business-type Activities</b>							
<b>Industrial Development Authority Revenue Bonds</b>							
<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
<b>Water Utility Fund Revenue Bonds Series</b>							
<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)	
<b>Wastewater Utility Fund Revenue Bonds Series</b>							
<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)	
<b>Parking Revenue Bonds Series</b>							
<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)	
<b>Total Business-type Activities</b>					\$ 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
<b>Investment Derivative Instruments</b>					
<b>Business-type Activities</b>					
<b>Water Utility Fund</b>					
Floating to Floating .....	Investment Revenue	\$ 2,549,443	Debt	\$ (6,297,710)	\$ (71,455,000)
<b>Industrial Development Authority</b>					
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)
<b>Total</b>	<b>\$ 45,294,585</b>	<b>\$ 45,294,585</b>	<b>\$ 45,212,300</b>	<b>\$ 44,427,498</b>	<b>\$ 784,802</b>

**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	<u>4,317</u>
Total	<u><u>10,585</u></u>

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%
<hr/>			

**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
<b>Total</b>	<b>24,183</b>	<b>14,232</b>	<b>38,415</b>

*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 .....	\$ 277,522	\$ 229,039

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)
<b>Revenues:</b>				
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
<b>Total revenues .....</b>	<b>1,622,718</b>	<b>1,640,218</b>	<b>1,655,810</b>	<b>15,592</b>
<b>Expenditures and Encumbrances:</b>				
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)
<b>Total expenditures and encumbrances .....</b>	<b>1,376,122</b>	<b>1,424,334</b>	<b>1,573,334</b>	<b>(149,000)</b>
<b>Excess of revenues over expenditures and encumbrances .....</b>	<b>246,596</b>	<b>215,884</b>	<b>82,476</b>	<b>(133,408)</b>
<b>Other financing sources (uses):</b>				
Transfers in .....	35,914	35,914	55,960	20,046
Transfers out .....	(130,861)	(130,861)	(98,187)	32,674
<b>Total other financing sources (uses) .....</b>	<b>(94,947)</b>	<b>(94,947)</b>	<b>(42,227)</b>	<b>52,720</b>
<b>Net changes in fund balances .....</b>	<b>151,649</b>	<b>120,937</b>	<b>40,249</b>	<b>(80,688)</b>
Fund balances - beginning .....	212,057	212,057	212,057	
Fund balances - ending .....	<u>\$ 363,706</u>	<u>\$ 332,994</u>	<u>252,306</u>	<u>\$ (80,688)</u>
<b>Adjustments to reconcile to GAAP basis:</b>				
Addition of encumbrances outstanding .....			89,705	
Less: Accounts payable not recorded for budgetary purposes .....			(49,203)	
<b>Fund balance - June 30, 2015 (GAAP basis) .....</b>			<u>\$ 292,808</u>	

(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		
<b>Assets:</b>												
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
<b>Total assets . . . . .</b>	<b>2,416</b>	<b>503</b>	<b>5,070</b>	<b>1,658</b>	<b>1,408</b>	<b>6,127</b>	<b>17,182</b>	<b>2,222</b>	<b>5,407</b>	<b>7,629</b>	<b>51,356</b>	<b>76,167</b>
<b>Liabilities, deferred inflows of resources and fund balances:</b>												
<b>Liabilities:</b>												
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
<b>Total liabilities . . . . .</b>	<b>9,914</b>			<b>2,638</b>	<b>16</b>		<b>12,568</b>				<b>24</b>	<b>12,592</b>
<b>Deferred inflows of resources:</b>												
Unavailable grants revenue . . . . .	3,921						3,921					3,921
Unavailable note receipts . . . . .											202	202
<b>Total deferred inflows of resources . . . . .</b>	<b>3,921</b>						<b>3,921</b>				<b>202</b>	<b>4,123</b>
<b>Total liabilities and deferred inflows of resources . . . . .</b>	<b>13,835</b>			<b>2,638</b>	<b>16</b>		<b>16,489</b>				<b>226</b>	<b>16,715</b>
<b>Fund balances:</b>												
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)
<b>Total fund balances (deficits) . . . . .</b>	<b>(11,419)</b>	<b>503</b>	<b>5,070</b>	<b>(980)</b>	<b>1,392</b>	<b>6,127</b>	<b>693</b>	<b>2,222</b>	<b>5,407</b>	<b>7,629</b>	<b>51,130</b>	<b>59,452</b>
<b>Total liabilities, deferred inflows of resources and fund balances . . . . .</b>	<b>\$ 2,416</b>	<b>\$ 503</b>	<b>\$ 5,070</b>	<b>\$ 1,658</b>	<b>\$ 1,408</b>	<b>\$ 6,127</b>	<b>\$ 17,182</b>	<b>\$ 2,222</b>	<b>\$ 5,407</b>	<b>\$ 7,629</b>	<b>\$ 51,356</b>	<b>\$ 76,167</b>

**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		
<b>Revenues:</b>												
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
<b>Total revenues . . . . .</b>	<b>17,751</b>		<b>11,878</b>	<b>5,950</b>	<b>3,944</b>	<b>42</b>	<b>39,565</b>	<b>29</b>	<b>614</b>	<b>643</b>	<b>1,119</b>	<b>41,327</b>
<b>Expenditures:</b>												
<b>Current:</b>												
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
<b>Debt service:</b>												
Principal . . . . .											38,912	38,912
Interest . . . . .											31,005	31,005
Other bond costs . . . . .											6,135	6,135
<b>Total expenditures . . . . .</b>	<b>13,807</b>	<b>20</b>	<b>10,364</b>	<b>6,157</b>	<b>488</b>	<b>176</b>	<b>31,012</b>	<b>26</b>	<b>69</b>	<b>95</b>	<b>76,052</b>	<b>107,159</b>
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)
<b>Other financing sources (uses):</b>												
Transfers in . . . . .											76,116	76,116
Transfers out . . . . .	(5,912)				(2,028)		(7,940)					(7,940)
<b>Total other financing sources (uses) . . . . .</b>	<b>(5,912)</b>				<b>(2,028)</b>		<b>(7,940)</b>				<b>76,116</b>	<b>68,176</b>
<b>Net change in fund balances . . . . .</b>	<b>(1,968)</b>	<b>(20)</b>	<b>1,514</b>	<b>(207)</b>	<b>1,428</b>	<b>(134)</b>	<b>613</b>	<b>3</b>	<b>545</b>	<b>548</b>	<b>1,183</b>	<b>2,344</b>
<b>Fund balances (deficits) - beginning . . . . .</b>	<b>(9,451)</b>	<b>523</b>	<b>3,556</b>	<b>(773)</b>	<b>(36)</b>	<b>6,261</b>	<b>80</b>	<b>2,219</b>	<b>4,862</b>	<b>7,081</b>	<b>49,947</b>	<b>57,108</b>
<b>Fund balances (deficits) - ending . . . . .</b>	<b>\$ (11,419)</b>	<b>\$ 503</b>	<b>\$ 5,070</b>	<b>\$ (980)</b>	<b>\$ 1,392</b>	<b>\$ 6,127</b>	<b>\$ 693</b>	<b>\$ 2,222</b>	<b>\$ 5,407</b>	<b>\$ 7,629</b>	<b>\$ 51,130</b>	<b>\$ 59,452</b>

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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
<b>Assets:</b>				
<b>Current assets:</b>				
Cash and cash equivalents . . . . .	\$ 4,864	\$ 41,868		\$ 46,732
Accounts receivable, net:				
Service billings . . . . .			\$ 6,063	6,063
Other . . . . .		5		5
<b>Total current assets . . . . .</b>	<b>4,864</b>	<b>41,873</b>	<b>6,063</b>	<b>52,800</b>
<b>Noncurrent assets:</b>				
<b>Restricted assets:</b>				
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
<b>Total noncurrent assets . . . . .</b>		<b>23,756</b>	<b>68,736</b>	<b>92,492</b>
<b>Total assets . . . . .</b>	<b>4,864</b>	<b>65,629</b>	<b>74,799</b>	<b>145,292</b>
<b>Deferred outflows of resources:</b>				
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
<b>Total deferred outflows of resources . . . . .</b>	<b>89</b>	<b>1,746</b>	<b>997</b>	<b>2,832</b>
<b>Total assets and deferred outflows of resources . . . . .</b>	<b>4,953</b>	<b>67,375</b>	<b>75,796</b>	<b>148,124</b>
<b>Liabilities and deferred inflows of resources:</b>				
<b>Current liabilities:</b>				
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
<b>Total current liabilities . . . . .</b>	<b>17</b>	<b>7,032</b>	<b>1,359</b>	<b>8,408</b>
<b>Noncurrent liabilities:</b>				
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
<b>Total noncurrent liabilities . . . . .</b>	<b>323</b>	<b>48,881</b>	<b>4,000</b>	<b>53,204</b>
<b>Total liabilities . . . . .</b>	<b>340</b>	<b>55,913</b>	<b>5,359</b>	<b>61,612</b>
<b>Deferred inflows of resources:</b>				
Deferred inflow related to assumption change (pension) . . . . .	29		453	482
<b>Total deferred inflows of resources . . . . .</b>	<b>29</b>		<b>453</b>	<b>482</b>
<b>Total liabilities and deferred inflows of resources . . . . .</b>	<b>369</b>	<b>55,913</b>	<b>5,812</b>	<b>62,094</b>
<b>Net position:</b>				
Net investment in capital assets . . . . .			61,552	61,552
Unrestricted . . . . .	4,584	11,462	8,432	24,478
<b>Total net position . . . . .</b>	<b>\$ 4,584</b>	<b>\$ 11,462</b>	<b>\$ 69,984</b>	<b>\$ 86,030</b>

**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
<b>Operating revenues:</b>				
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
<b>Operating expenses:</b>				
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
<b>Cash flows from operating activities:</b>				
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
<b>Cash flows from noncapital financing activities:</b>				
Transfers in . . . . .	502			502
Transfers out . . . . .			(750)	(750)
Net cash provided (used) by noncapital financing activities . . . . .	502		(750)	(248)
<b>Cash flows from capital and related financing activities:</b>				
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)
<b>Cash flows from investing activities:</b>				
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
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss) . . . . .	\$ (1,145)	\$ (754)	\$ 4,427	\$ 2,528
<b>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:</b>				
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
<b>Assets:</b>										
<b>Current assets:</b>										
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
<b>Total current assets.</b> . . . .		1,331	9,428	1,131	33	221	129	187	79,868	92,328
<b>Noncurrent assets:</b>										
Restricted cash . . . . .			30,601							30,601
Capital assets, net . . . . .		299	85,544	2						85,845
Other assets . . . . .									66	66
<b>Total noncurrent assets.</b> . . . .		299	116,145	2					66	116,512
<b>Total assets.</b> . . . .		1,630	125,573	1,133	33	221	129	187	79,934	208,840
<b>Liabilities:</b>										
<b>Current liabilities:</b>										
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
<b>Total current liabilities.</b> . . . .	839	881	16,706	8,905	85	3,639	1,072		95,734	127,861
<b>Noncurrent liabilities:</b>										
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
<b>Total noncurrent liabilities</b> . . . . .		84	46,904	91	2	89	135		202,281	249,586
<b>Total liabilities</b> . . . . .	839	965	63,610	8,996	87	3,728	1,207		298,015	377,447
<b>Net position:</b>										
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)
<b>Total net position</b> . . . . .	\$ (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
<b>Operating revenues:</b>										
Charges for services . . . . .	\$ 1,949	\$ 4,262	\$ 56,503	\$ 2,710	\$ 2,216	\$ 10,129	\$ 11,249	\$ 3,059	\$ 219,091	\$ 311,168
<b>Operating expenses:</b>										
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
<b>Total operating expenses</b> . . . . .	1,533	5,257	59,200	3,193	1,830	9,187	11,150	2,872	269,179	363,401
<b>Operating income (loss)</b> . . . . .	416	(995)	(2,697)	(483)	386	942	99	187	(50,088)	(52,233)
<b>Nonoperating revenues (expenses):</b>										
Investment income . . . . .									79	79
Loss on sale of equipment . . . . .			(790)							(790)
<b>Total nonoperating revenues (expenses), net</b> . . . . .			(790)						79	(711)
<b>Change in net position</b> . . . . .	416	(995)	(3,487)	(483)	386	942	99	187	(50,009)	(52,944)
<b>Total net position – beginning</b> . . . . .	(1,255)	1,660	65,450	(7,380)	(440)	(4,449)	(1,177)		(168,072)	(115,663)
<b>Total net position – ending</b> . . . . .	\$ (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
<b>Cash flows from operating activities:</b>										
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
<b>Cash flows from capital and related financing activities:</b>										
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)
<b>Cash flows from investing activities:</b>										
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
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>										
Operating income (loss) . . . .	\$ 416	\$ (995)	\$ (2,697)	\$ (483)	\$ 386	\$ 942	\$ 99	\$ 187	\$ (50,088)	\$ (52,233)
<b>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:</b>										
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
<b>Assets:</b>				
Cash and cash equivalents .....	\$ 56,325	\$ 110	\$ 66,326	\$ 122,761
<b>Investments:</b>				
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
<b>Total assets .....</b>	<b>1,654,532</b>	<b>23,452</b>	<b>2,564,431</b>	<b>4,242,415</b>
<b>Liabilities:</b>				
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
<b>Total liabilities .....</b>	<b>122,598</b>	<b>12</b>	<b>97,854</b>	<b>220,464</b>
<b>Net position:</b>				
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
<b>Additions:</b>				
<b>Contributions:</b>				
Employer .....	\$ 97,171	\$ 85	\$ 119,020	\$ 216,276
Employee .....	6,728	61	30,342	37,131
<b>Total contributions .....</b>	<b>103,899</b>	<b>146</b>	<b>149,362</b>	<b>253,407</b>
<b>Investment income:</b>				
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
<b>Total investment income .....</b>	<b>76,140</b>	<b>661</b>	<b>61,222</b>	<b>138,023</b>
Less: investment expense .....	9,322	32	7,320	16,674
<b>Net investment income .....</b>	<b>66,818</b>	<b>629</b>	<b>53,902</b>	<b>121,349</b>
<b>Total additions .....</b>	<b>170,717</b>	<b>775</b>	<b>203,264</b>	<b>374,756</b>
<b>Deductions:</b>				
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
<b>Total deductions .....</b>	<b>138,019</b>	<b>798</b>	<b>229,231</b>	<b>368,048</b>
<b>Changes in net position .....</b>	<b>32,698</b>	<b>(23)</b>	<b>(25,967)</b>	<b>6,708</b>
Net position – beginning of the year .....	1,499,236	23,463	2,492,544	4,015,243
<b>Net position – end of the year .....</b>	<b>\$ 1,531,934</b>	<b>\$ 23,440</b>	<b>\$ 2,466,577</b>	<b>\$ 4,021,951</b>

**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
<b>Assets:</b>						
Cash and cash equivalents .....	\$ 55	\$ 86	\$ 78			\$ 219
Investments .....				\$ 53		53
Accounts receivable .....					\$ 529	529
<b>Total assets .....</b>	<b>55</b>	<b>86</b>	<b>78</b>	<b>53</b>	<b>529</b>	<b>801</b>
<b>Liabilities:</b>						
Due to other funds .....					529	529
Other .....	55	86	78	53		272
<b>Total liabilities .....</b>	<b>\$ 55</b>	<b>\$ 86</b>	<b>\$ 78</b>	<b>\$ 53</b>	<b>\$ 529</b>	<b>\$ 801</b>

**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
<b>Financial Trends</b>	
These schedules contain information to help the reader understand how the City’s financial performance and well-being have changed over time. . . . .	111
<b>Revenue Capacity</b>	
These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax. . . . .	117
<b>Debt Capacity</b>	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place. . . . .	121
<b>Demographic and Economic Information</b>	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place. . . . .	127
<b>Operating Information</b>	
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
<b>Governmental activities</b>							
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)
<b>Total governmental activities</b>							
net position . . . . .	\$ 2,330,822	\$ 2,761,089	\$ 2,756,430	\$ 1,659,286	\$ 2,336,275	\$ 2,408,851	\$ 2,431,741
<b>Business-type activities</b>							
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
<b>Total business-type activities</b>							
net position . . . . .	\$ 1,470,779	\$ 1,595,650	\$ 1,673,393	\$ 1,605,073	\$ 1,685,052	\$ 1,775,692	\$ 1,890,872
<b>Primary government</b>							
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)
<b>Total primary government</b>							
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
<b>Governmental activities</b>			
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)
<b>Total governmental activities</b>			
net position . . . . .	\$ 2,378,590	\$ 2,149,289	\$ 777,730
<b>Business-type activities</b>			
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
<b>Total business-type activities</b>			
net position . . . . .	\$ 2,071,117	\$ 2,520,825	\$ 2,673,096
<b>Primary government</b>			
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)
<b>Total primary government</b>			
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
<b>Expenses</b>										
<b>Governmental activities:</b>										
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
<b>Business-type activities:</b>										
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
<b>Program Revenues</b>										
<b>Governmental activities:</b>										
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
<b>Business-type activities:</b>										
<b>Charges for services:</b>										
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
<b>Net (Expense)/Revenue</b>										
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)
<b>General Revenues and Other Changes in Net Position</b>										
<b>Governmental activities:</b>										
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
<b>Business-type activities:</b>										
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
<b>Changes in Net Position</b>										
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
<b>General fund</b>					
Reserved .....	\$ 146,107	\$ 168,912	\$ 180,794	\$ 181,585	\$ 157,131
Unreserved .....	65,417	56,043	33,629	35,344	20,441
<b>Total general fund .....</b>	<b>\$ 211,524</b>	<b>\$ 224,955</b>	<b>\$ 214,423</b>	<b>\$ 216,929</b>	<b>\$ 177,572</b>
<b>All other governmental funds</b>					
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 .....					
<b>Total all other governmental funds .....</b>	<b>\$ 93,609</b>	<b>\$ 135,934</b>	<b>\$ 139,355</b>	<b>\$ 165,617</b>	<b>\$ 105,513</b>

	Fiscal Year				
	2011 (1)	2012	2013	2014	2015
<b>General fund</b>					
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
<b>Total general fund .....</b>	<b>\$ 204,900</b>	<b>\$ 255,972</b>	<b>\$ 299,014</b>	<b>\$ 300,487</b>	<b>\$ 292,808</b>
<b>All other governmental funds</b>					
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)
<b>Total all other governmental funds .....</b>	<b>\$ 74,336</b>	<b>\$ (2,359)</b>	<b>\$ 16,701</b>	<b>\$ (30,603)</b>	<b>\$ (23,770)</b>

(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
<b>Revenues:</b>										
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
<b>Expenditures:</b>										
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
<b>Government [1]</b>						
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>
<b>Ten Largest Private Sector Employers [2]</b>						
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>
<b>Total Government and Ten Largest Private Sector Employers</b>	<u><u>156,773</u></u>		<u><u>47.12%</u></u>	<u><u>137,556</u></u>		<u><u>39.41%</u></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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PART II

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS

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**CITY OF BALTIMORE**

Catherine E. Pugh

Mayor

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



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

**Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

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

We have jointly audited, in accordance with the 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, the 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 and have issued our report thereon dated March 24, 2017. Our report was modified to include an adverse opinion on the Aggregate Discretely Presented Component Units because 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. 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. We also issued a qualified opinion on the City's Grant Revenue Fund because the City reported approximately \$14 million of unearned revenue in its grant revenue fund, which represents 12% of the fund's total liabilities as of June 30, 2015. The City was unable to provide sufficient matter that supported the unearned revenue reported in the fund. Our report also includes an emphasis of matter related to the City's adoption of 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 as Assets and Liabilities*. Our report includes a reference to other auditors who audited 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, and the discretely presented component unit, the Baltimore Hotel Corporation. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on a separately by those other auditors.

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.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.



However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses identified as items 2015.01 and 2015.02.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **City's Responses to Findings**

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

March 24, 2017

Independent Auditors



**CITY OF BALTIMORE, MARYLAND**  
Schedule of Findings and Responses  
Year ended June 30, 2015

**2015-01. Lack of Controls over Financial Statement Preparation**

***Background/Condition:***

The City of Baltimore, Maryland (City) operates on a cash receipt and disbursement basis of accounting during the year. At year-end, the City's Bureau of Accounting and Payroll Services (BAPS) is responsible for the compilation of the City-wide financial statements in accordance with generally accepted accounting principles (GAAP).

As the accounting system of record, CityDynamics, was not used throughout the year to capture transactions on the accrual basis of accounting, the year-end compilation of the City-wide financial statements is extremely complex and heavily reliant on manual adjustments to properly record accruals and other non-routine transactions. To add complexity, the City's operational functions were decentralized and during the financial statement preparation process, BAPS was reliant on financial information provided by personnel in various departments and agencies across the City. As a result, there were many manual processes completed by agency/department personnel, not all of which were trained accountants. These processes included the development of accounts receivables and related allowances for uncollectible accounts, accruals of City obligations, the development of construction work-in-progress related to capital assets, debt, retainages payable, leases, payroll, and the capture of cash and investment balances controlled outside of the Department of Treasury Management (Treasury Management). Certain agencies used alternate systems outside of CityDynamics to gather and track the required information. This adds to the complexity of the year-end reporting and reconciliation process. As a result, the financial statement preparation process entailed compiling worksheets, completing reconciliations, customizing reports, and recording numerous manual adjustments. The sources of information and the extent of modification necessary to such information resulted in a financial reporting process that was highly complex and susceptible to errors.

During fiscal year 2015 (FY15) we noted several matters that highlighted the need for improved internal controls over financial reporting in several key process areas relating to the preparation, review and posting of transactions to the grant fund, journal entries accounts payable and pensions. We also noted several instances where supervisory reviews were not performed at a precision level that would detect and correct material misstatement. Collectively, these matters are considered to be a material weakness in internal controls over financial reporting. Specifically, we identified the following:

**Generation of Transaction Detail Underlying Financial Statement Balances**

During our audit, we requested certain transaction detail from which to select our sample items for audit. While the City was ultimately able to provide this information, the generation of such information was difficult to obtain and did not always agree to the related financial statement balance without material adjustments. We also noted this information did not undergo appropriate supervisory review to ensure its accuracy and completeness prior to submission for audit. These items included the adjustment to properly recognize revenue in accordance with Government Accounting Standards Board Statement No. 33 *Accounting and Financial Reporting for Nonexchange Transactions* (GASB No. 33) and No. 65 *Items Previously Reported as Assets and Liabilities* (GASB No. 65); the classification of Due from Other Governments, Unearned Revenue and Unavailable Revenue

**Lack of Controls over Journal Entries**

As noted above, the City's financial reporting process is heavily reliant on the recording of various manual adjustments. During our review of manual journal entries recorded into the City's general ledger system, CityDynamics, we noted that although the reviewer will review the batch of entries to ensure that the entry

balances and does not include inactive accounts, they do not obtain supporting documentation to ensure that the entry is warranted or that the amount of the entry agrees to the supporting details.

#### Lack of Review over the Pension Schedule

Management's review over the pension schedule did not detect certain errors in the net pension liability and related accounts (i.e., deferred outflows, deferred inflows, and pension expense). Management's initial review of the pension schedule did not detect that a change in proportion was not calculated to allocate the Employees' Retirement System of the City of Baltimore (ERS) pension amounts to the City's enterprise funds and governmental activities. In addition, after we brought the omission to the City's attention, the City's calculation of the proportionate share of the pension liability and related accounts across the City's enterprise funds and governmental activities inappropriately included amounts related to the Baltimore City Public School System (BCPSS), even though BCPSS was not included in the underlying payroll data used to determine the allocation base. As a result, the City's pooled cash, net pension liability, deferred outflows, deferred inflows, other personnel costs, and net position were initially misstated for the enterprise funds and governmental activities.

In addition, a material pension liability attributable to the BCPSS employees that participate in the ERS was not reported in their financial statements. The City believed the net pension liability attributable to BCPSS employees of \$100 million should be recorded by BCPSS, not the City, because BCPSS was responsible for making employer contributions attributable to their employees. Based on the information available and the size of the unrecorded liability by BCPSS, the City decided not to include BCPSS in the City's financial statements.

#### Lack of Review over Accruals

Management does not have adequate controls in place to identify invoices that should be accrued for at year end which resulted in an understatement of accounts payable and expense of \$2.5 million in the City financial statements and \$99,358 in the Stormwater Utility Fund.

#### Lack of Retrospective Review

The City does not perform a retrospective lookback over the accounts receivable allowance for the Water, Wastewater, and Stormwater Utility Funds to ensure that their methodology and percentages to be reserved are reasonable and if customers' bills are being allocated appropriately based on the allocation percentage.

#### Lack of Review of Capitalized Assets

Management does not have sufficient controls in place to ensure that capitalized transactions are properly being reviewed to prevent and correct errors. Specifically we noted that upper management approved transactions to be capitalized for motor vehicles in the Wastewater and Water Utility Funds in the amount of \$2.9 million and \$1.8 million, respectively, which should have actually been expensed. Management subsequently corrected this error once brought to their attention.

#### Lack of Review between the Revenue Billing System and the General Ledger

During our testing we noted the systemic errors and limitations still exists related to the City's outdated water billing system. This is a repeat finding from prior year. Additionally, management does not have the proper controls in place to reconcile the revenue per the water billing system to the general ledger on a periodic basis to ensure revenue is complete, accurate and exits. As a result, we noted an unreconciled difference in the Wastewater and Water Utility Funds in the amount \$1.7 million and \$1.9 million, respectively, as of June 30, 2015.

### Lack of Review over Proper Coding of Expenses

Management does not have adequate controls in place to ensure that accounts are being properly reviewed and assigned to the appropriate financial statement line items. During our testing we noted management did not adequately review the general ledger transactions to note if the account was properly stated. All 6000 accounts are set to get recorded to salaries and wages in the general ledger, when in reality only the 6100 accounts should be classified as salary and wages. The others should be other personnel costs. As a result, management, the City misclassified \$5 million, \$5.7 million and \$2.1 million of salaries and wages to other personnel costs in the Wastewater, Water and Stormwater Utility Funds, respectively. Management subsequently corrected this error once brought to their attention. The entire error was corrected in the Wastewater Utility Fund while \$4.9 million and \$1.9 million of the error was corrected in the Water and Stormwater Utility Funds.

### **Criteria:**

According to the National Council on Government Accounting (NCGA) Concept Statement No. 1, *Objectives of Financial Reporting*, "The overall goal of accounting and financial reporting for governmental units is to provide: 1) financial information useful for making economic, political and social decisions, and demonstrating accountability and stewardship; and 2) information useful for evaluating managerial and organizational performance."

In order to ensure such information is useful in decision-making and evaluating managerial and organizational performance, as well as demonstrating accountability and stewardship, controls must be properly designed, in place, and operating effectively to ensure that the City's accounting and financial information is fairly stated in accordance with GAAP and that the City's assets are appropriately safe-guarded.

*Government Auditing Standards*, Appendix I, section A 1.08d., states that management at a State and Local government entity is responsible for "establishing and maintaining effective internal control to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported"

### **Cause:**

Controls related to the management review and reconciliation of financial statement information provided by the agencies/departments for inclusion in the City-wide financial statements were not operating effectively or at a level precise enough to detect or correct errors. Instead, management relied heavily on the audit process to identify and propose adjusting entries to the basic financial statements and on the schedules that support amounts in the basic financial statements. In addition, for those that have been repeat findings for several years, there has not been sufficient corrective action taken to revise the current policies and procedures to ensure that the controls are operating at a level precise enough to detect or correct errors.

**Recommendation:**

We recommend that management refine the process used to complete the draft City-wide financial statements and the related notes, all significant adjustments, conversion from cash to accrual adjustments, and necessary account reconciliations. Specifically we recommend that the City

- Timely prepare and review all significant adjustments and account reconciliations. The review process should be conducted by management and include an evaluation of the reasonableness of individual financial statement line items by an individual with sufficient accounting and financial reporting experience and knowledge of the processes at each agency to detect and correct material inconsistencies and errors.
- Put policies and procedures in place to perform a look back analysis to ensure that their methodology and percentages is reasonable.
- Strengthen controls to ensure that management is properly reviewing transactions to ensure they are appropriately capitalized or expensed based on the criteria of the transaction in accordance with GAAP.
- Strengthen controls in place to review transactions to ensure they are appropriately being recorded to the correct account and financial statement line item.
- Perform a periodic reconciliation between billings and the general ledger and investigate differences to ensure revenue is not materially misstated.

**View of Responsible Officials:**

We generally agree.

However, we would like to note that the material pension liability that was left off of the BCPSS financial statements is not something the City can be responsible to change. We discussed this with the Schools and let them know our reasoning; however, we cannot force them to book the liability. We would also like to note that this was the first year implementation of a very complicated Pension GASB. This GASB required judgments and interpretations to be made on the calculation of the liability and the disclosures required. No outside consultant was engaged to help with this very technical implementation, and a best effort was made by BAPS to properly calculate the liability and determine the disclosures required.

The Department of Finance continues to strive to improve business processes that will strengthen internal control and make reporting more accurate and less cumbersome.

We are implementing an upgrade to our accounts payable system that will allow us to have a more formalized review process for accounts payable documents and journal entries. Policies are being drafted to communicate these processes to other departments.

We are getting back on track with our reporting schedule for CAFR which will allow us more time to deal with the daily issues and better implement review processes.

**2015-02. Lack of Controls over Accounting for the Grants Fund**

**Lack of Effective Management Review over Grant Accrual Calculation**

During our audit procedures over the Grants Revenue Fund, we identified certain errors in the City's grant accrual calculation related to aged grant accounts receivable and unearned revenue balances that were initially not reserved by management, but upon further investigation were assessed as uncollectible or invalid. As a result, management adjusted the Due from Other Governments, Unearned Revenue and Unavailable Revenue balances in the Grants Fund by \$65.0 million, \$9.5 million, and \$55.5 million, respectively. In addition, we noted an uncorrected misstatement of \$3.1 million related to unreserved grant account receivable balances that did not have subsequent cash receipts within 90 days of fiscal year end and did not have FY15 expenditures.

We also identified several instances in which the City improperly included transactions related to other income or fees for services that were unrelated to grants in its GASB 33 analysis. These transactions resulted in an

error the City's calculation of Due from Other Governments, Unearned Revenue and Unavailable Revenue in the amount of \$6.0 million, \$1.5 million, and \$4.5 million, respectively. Management subsequently removed these balances from their grants analysis and adjusted the balances of Due from Other Governments, Unearned Revenue and Unavailable Revenue in the Grants Fund to remove these for year end.

Lastly, the City reported approximately \$14 million of unearned revenue in its grants revenue fund; however, the City was unable to provide sufficient evidential matter to support this balance.

**Criteria:**

According to the National Council on Government Accounting (NCGA) Concept Statement No. 1, *Objectives of Financial Reporting*, "The overall goal of accounting and financial reporting for governmental units is to provide: 1) financial information useful for making economic, political and social decisions, and demonstrating accountability and stewardship; and 2) information useful for evaluating managerial and organizational performance."

In order to ensure such information is useful in decision-making and evaluating managerial and organizational performance, as well as demonstrating accountability and stewardship, controls must be properly designed, in place, and operating effectively to ensure that the City's accounting and financial information is fairly stated in accordance with GAAP and that the City's assets are appropriately safe-guarded.

*Government Auditing Standards*, Appendix I, section A 1.08d., states that management at a State and Local government entity is responsible for "establishing and maintaining effective internal control to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported".

**Cause:**

Management review controls over recording grant activity in the general ledger were not properly designed and implemented and operating effectively throughout the year. Specifically, we noted that there is not an appropriate process in place for agency personnel responsible for administering grants to review the status of each grant during the financial reporting process to ensure the grants receivable and unearned revenue balances in the general ledger are valid. In addition, the City's clean-up efforts to remove aged grants from the general ledger were not sufficiently executed in the current fiscal year. Further, the personnel responsible for reviewing the coding of new grants upon initial setup in the general ledger did not review the receipts at the appropriate level of precision to determine whether or not they represented grants or other sources of revenue.

**Recommendation:**

We recommend that the City:

1. Implement a process for agency personnel responsible for administering grants to review the status of each grant and to make adjusting entries in the general ledger to remove the effect of invalid grants receivable and unearned revenue balances; and to provide confirmation to the Department of Finance that all such balances are valid upon completion prior to the preparation of the City's GASB 33 analysis;
2. Continue clean-up efforts to remove aged grants from the general ledger; and
3. Improve the level of precision of the review of coding new grants in the general ledger during the initial setup process to ensure that grant and non-grant related receipts are appropriately classified as such and that non-grant related activity is not included in the City's GASB 33 analysis.

**View of Responsible Officials:**

We have established a grant organization within the Department of Finance. They are in the process of having policies approved by the Board of Estimates so that we can better work with the Departments in the City that have Grant awards. This organization has also taken over day to day responsibilities of review of the proposed entries for attachment and to ascertain the entry is proper.

PART III

REPORT ON SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS

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CITY OF BALTIMORE

CATHERINE E. PUGH, Mayor



DEPARTMENT OF AUDITS

ROBERT L. McCARTY, JR., CPA

City Auditor

100 N. Holliday Street

Room 321, City Hall

Baltimore, Maryland 21202

Telephone: 410-396-4783

Telefax: 410-545-3961

**Auditor's Report on Supplementary Schedule of  
Expenditures of Federal Awards  
Required by OMB Circular A-133**

Honorable Joan M. Pratt, Comptroller  
And Other Members of the  
Board of Estimates  
City of Baltimore

We have jointly audited, with KPMG LLP, the financial statements of the City of Baltimore, Maryland, as of and for the year ended June 30, 2015. We issued our report thereon dated March 17, 2017, which contained a qualified opinion on the Grants Revenue Fund and an adverse opinion on the Aggregate Discretely Presented Component Units.

The City of Baltimore, Maryland's basic financial statements include the operations of the Enoch Pratt Free Library (EPFL). The EPFL incurred \$214,800 in federal expenditures during the year ended June 30, 2015. The schedule of expenditures of federal awards included in this report, as described below, did not include the operations of the EPFL because it is subject to a separate audit in accordance with Federal and State requirements.

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in

accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects in relation to the financial statements as a whole.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Robert L. McCarty, Jr.", written in a cursive style.

Robert L. McCarty, Jr., CPA  
City Auditor

March 24, 2017

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015

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**CITY OF BALTIMORE - SINGLE AUDIT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FISCAL YEAR ENDED JUNE 30, 2015**

<u>FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE</u>	<u>FEDERAL CFDA NUMBER (4)</u>	<u>ARRA (5)</u>	<u>FEDERAL IDENTIFICATION NUMBER (3)</u>	<u>STATE GRANT IDENTIFICATION NUMBER</u>	<u>DISBURSEMENTS/ EXPENDITURES</u>
DEPARTMENT OF AGRICULTURE					
MARYLAND STATE DEPARTMENT OF EDUCATION					
Child and Adult Care Food Program FY2010	10.558			014-220	3,827
Summer 2010 Food Service Program for Children	10.559		2010-IN-10-9941	347041	12,011
Summer 2011 Food Service Program for Children	10.559		2011-IN-10-9941	347041	116,612
Summer 2012 Food Service Program for Children	10.559		2011-IN-10-9941	347041	(105,249)
Summer 2013 Food Service Program for Children	10.559		2013-IN-10-9941	347041	(44,837)
Summer 2014 Food Service Program for Children	10.559		2014-IN-10-9941	347041	2,304,689
Summer 2015 Food Service Program for Children	10.559		2015-IN-10-9941	347041	(1,465,928)
TOTAL MARYLAND STATE DEPARTMENT OF EDUCATION					<u>\$821,125</u>
MARYLAND STATE DEPARTMENT OF HEALTH AND MENTAL HYGIENE					
Women, Infants and Children Food Program (WIC) FY2010	10.557			WI 213 WIC	3,842
Women, Infants and Children Food Program (WIC) FY2011	10.557			WI 213 WIC	(11,782)
Women, Infants and Children Food Program (WIC) FY2012	10.557			WI 213 WIC	18,064
Women, Infants and Children Food Program (WIC) FY2013	10.557			WI 213 WIC	5,264
Women, Infants and Children Food Program (WIC) FY2014	10.557			WI 213 WIC	266,088
Women, Infants and Children Food Program (WIC) FY2015	10.557			WI 213 WIC	2,040,127
TOTAL MARYLAND STATE DEPARTMENT OF HEALTH AND MENTAL HYGIENE					<u>\$2,321,603</u>
MARYLAND STATE DEPARTMENT OF HUMAN RESOURCES					
Supplemental Nutrition Assistance Prg - DHR/BCDSS Food Stamp Employment	10.561			BCDSS/FIA-15-049	240,985
Supplemental Nutrition Assistance Prg - DHR/BCDSS Food Stamp Employment	10.561				3,743
Supplemental Nutrition Assistance Prg - DHR/BCDSS Food Stamp Employment	10.561			BCDSS/FIA-14-049	28,422
Supplemental Nutrition Assistance Prg - DHR/BCDSS Food Stamp Employment	10.561			BCDSS/FIA-11-065	1,925

**CITY OF BALTIMORE - SINGLE AUDIT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FISCAL YEAR ENDED JUNE 30, 2015**

<u>FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE</u>	<u>FEDERAL CFDA NUMBER (4)</u>	<u>ARRA (5)</u>	<u>FEDERAL IDENTIFICATION NUMBER (3)</u>	<u>STATE GRANT IDENTIFICATION NUMBER</u>	<u>DISBURSEMENTS/ EXPENDITURES</u>
TOTAL MARYLAND STATE DEPARTMENT OF HUMAN RESOURCES					\$275,075
TOTAL DEPARTMENT OF AGRICULTURE					\$3,417,803
DEPARTMENT OF COMMERCE					
DIRECT GRANTS					
Minority Business Development Agency (MBDA) Business Center	11.805		MB130BD8050016		208,609
Minority Business Development Agency (MBDA) Business Center	11.805		MB130BD8050016		81,576
TOTAL DIRECT GRANTS					\$290,185
TOTAL DEPARTMENT OF COMMERCE					\$290,185
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
DIRECT GRANTS					
Uplands-Homeownership I-II - Construction Program	14.199		UFG04MD01305		100,400
Uplands-Upfront Grant - Construction Program	14.199		UFG04MD01305		800,120
CDBG-25	14.218		B99-MC-24-0010		1,023
CDBG-26	14.218		B00-MC-24-0010		55,000
CDBG-28	14.218		B02-MC-24-0010		3
CDBG-29	14.218		B03-MC-24-0010		10,014
CDBG-30	14.218		B04-MC-24-0010		1,543
CDBG-31	14.218		B05-MC-24-0010		48,239
CDBG-32	14.218		B06-MC-24-0010		53,463
CDBG-33	14.218		B07-MC-24-0010		174,511
CDBG-34	14.218		B08-MC-24-0010		51,664
CDBG-35	14.218		B09-MC-24-0010		1,200,176
CDBG-36	14.218		B10-MC-24-0010		66,300

**CITY OF BALTIMORE - SINGLE AUDIT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FISCAL YEAR ENDED JUNE 30, 2015**

<u>FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE</u>	<u>FEDERAL CFDA NUMBER (4)</u>	<u>ARRA (5)</u>	<u>FEDERAL IDENTIFICATION NUMBER (3)</u>	<u>STATE GRANT IDENTIFICATION NUMBER</u>	<u>DISBURSEMENTS/ EXPENDITURES</u>
CDBG-37	14.218		B11-MC-24-0010		1,681
CDBG-38	14.218		B12-MC-24-0010		(81,819)
CDBG-39	14.218		B13-MC-24-0010		3,160,094
CDBG-40	14.218		B14-MC-24-0010		14,676,269
Home Preservation Program	14.227				292,124
Emergency Solutions Grant - Homeless Services - Temporary Housing FY2013	14.231				144,079
Emergency Solutions Grant - Homeless Services FY2014	14.231				347,366
Emergency Solutions Grant - Homeless Services FY2015	14.231				956,910
Supportive Housing Program FY2012	14.235		MD 06 B 1001		310,823
Supportive Housing Program FY2013	14.235		MD 06 B 1001		4,476,180
Supportive Housing Program FY2014	14.235		MD 06 B 1001		3,741,087
Supportive Housing Program FY2015	14.235		MD 06 B 1001		431,787
Supportive Housing Program FY2015	14.235		MD 06 B 1001		63,242
Supportive Housing Program FY2015	14.235		MD 06 B 1001		10,191
Supportive Housing Program FY2015	14.235		MD 06 B 1001		183,730
Supportive Housing Program SuperNOFA	14.235		MD 06 B 401		1,114
Shelter Plus Care FY2012	14.238		MD 06 C 1001		68,952
Shelter Plus Care FY2013	14.238		MD 06 C 1001		471,544
Shelter Plus Care FY2014	14.238		MD 06 C 1001		7,214,532
Shelter Plus Care FY2015	14.238		MD 06 C 1001		11,852
Shelter Plus Care FY2015	14.238		MD 06 C 1001		213,676
Shelter Plus Care FY2015	14.238		MD 06 C 1001		2,662,800
Shelter Plus Care FY2015	14.238		MD 06 C 1001		73,550
HOME Program - Ashburton Apartments	14.239		M-XX-MC-24-0200		1
HOME Program - Bennett Apartments	14.239		M-XX-MC-24-0200		1,500,000

**CITY OF BALTIMORE - SINGLE AUDIT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FISCAL YEAR ENDED JUNE 30, 2015**

<u>FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE</u>	<u>FEDERAL CFDA NUMBER (4)</u>	<u>ARRA (5)</u>	<u>FEDERAL IDENTIFICATION NUMBER (3)</u>	<u>STATE GRANT IDENTIFICATION NUMBER</u>	<u>DISBURSEMENTS/ EXPENDITURES</u>
HOME Program - Manor South Senior Apartments	14.239		M-XX-MC-24-0200		580,000
HOME Program - MiCasa Phase III Homeownership	14.239		M-11-MC-24-0200		(137,262)
HOME Program - Orchard Ridge Phase 4	14.239		M-XX-MC-24-0200		1,380,000
HOME Program - Penn Sq Il-Fulton Gethsemane	14.239		M-XX-MC-24-0200		591,077
HOME Program - Poppleton Phase III Apts	14.239		M-XX-MC-24-0200		1,012,745
HOME Program - Program Income	14.239		M-11-MC-24-0200		(1,212,939)
HOME Program - Shannon House	14.239		M-XX-MC-24-0200		666,476
HOME Program FY2007	14.239		M-06-MC-24-0200		(1,698)
HOME Program FY2008	14.239		M-07-MC-24-0200		(1,782)
HOME Program FY2010	14.239		M-09-MC-24-0200		(318)
HOME Program FY2011	14.239		M-10-MC-24-0200		19,148
HOME Program FY2013	14.239		M-12-MC-24-0200		18,407
HOME Program FY2014	14.239		M-13-MC-24-0200		28,540
HOME Program FY2015	14.239				154,238
HOME Settlement Expense Grants	14.239		M-10-MC-24-0200		36,500
Housing Opportunity for Persons with AIDS (HOPWA)	14.241				3,785,732
Housing Opportunity for Persons with AIDS (HOPWA)	14.241				11,794
Housing Opportunity for Persons with AIDS (HOPWA)	14.241				73,189
Housing Opportunity for Persons with AIDS (HOPWA)	14.241				3,637,107
Housing Opportunity for Persons with AIDS (HOPWA)	14.241				181,698
Housing Opportunity for Persons with AIDS (HOPWA)	14.241				212,630
Housing Opportunity for Persons with AIDS (HOPWA)	14.241		MD-06-H12-F001		2,233,705
Housing Opportunity for Persons with AIDS (HOPWA)	14.241		MD-H08-F001		(7,839)
Housing Opportunity for Persons with AIDS (HOPWA)	14.241		MD-H08-F001		(193,947)
Housing Opportunity for Persons with AIDS (HOPWA)	14.241		MD-H10-0017		1,105,244



**CITY OF BALTIMORE - SINGLE AUDIT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FISCAL YEAR ENDED JUNE 30, 2015**

<u>FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE</u>	<u>FEDERAL CFDA NUMBER (4)</u>	<u>ARRA (5)</u>	<u>FEDERAL IDENTIFICATION NUMBER (3)</u>	<u>STATE GRANT IDENTIFICATION NUMBER</u>	<u>DISBURSEMENTS/ EXPENDITURES</u>
Housing Opportunity for Persons with AIDS (HOPWA)	14.241		MD-H10-0017		(375,172)
Healthy Neighborhood Initiative Prj	14.246		B-01-NI-MD-BA-0002		590,789
Dawson Safe Haven - HUD 108	14.251		B-06-SP-MD-0435		44,466
FY13 HUD Lead Program	14.905		MDLHD024812		307,355
FY14 HUD Lead Program	14.905		MDLHD024812		136,223
FY15 HUD Lead Program	14.905		MDLHD024812		1,225,606
TOTAL DIRECT GRANTS					<u>\$59,595,933</u>
MARYLAND STATE DEPARTMENT OF EDUCATION					
Lead Demonstration IV	14.905				2,829
TOTAL MARYLAND STATE DEPARTMENT OF EDUCATION					<u>\$2,829</u>
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
DEPARTMENT OF JUSTICE					
DIRECT GRANTS					
Drug Interdiction & Violence Reduction Initiative	16.580		2004-DD-BX-1304		1,422
Drug Court Discretionary Grant Prg	16.585				65,913
Lethality Assessment	16.588				30,207
Lethality Assessment	16.588		2011-CD-BX-0079		20,001
Domestic Violence Reduction Initiative (GTEAP)	16.590		2011-WE-AX-0031		(1,445)
Weed and Seed - Community Capacity Development Office	16.595		1999-WS-2X-0104		4,772
Public Safety Partnership & Community Policing Grant (COPS)	16.710				65,395
Public Safety Partnership & Community Policing Grant (COPS)	16.710				121,867
Edward Byrne Memorial Justice Assistance Grant (JAG) VII	16.738				3,288
Edward Byrne Memorial Justice Assistance Grant (JAG) VII	16.738				(10,398)

**CITY OF BALTIMORE - SINGLE AUDIT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FISCAL YEAR ENDED JUNE 30, 2015**

<u>FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE</u>	<u>FEDERAL CFDA NUMBER (4)</u>	<u>ARRA (5)</u>	<u>FEDERAL IDENTIFICATION NUMBER (3)</u>	<u>STATE GRANT IDENTIFICATION NUMBER</u>	<u>DISBURSEMENTS/ EXPENDITURES</u>
Edward Byrne Memorial Justice Assistance Grant (JAG) VII	16.738		2011-DJ-BX-3337		272,812
Edward Byrne Memorial Justice Assistance Grant (JAG) VIII	16.738				14,384
Edward Byrne Memorial Justice Assistance Grant (JAG) VIII	16.738		2012-DJ-BX-1174		264,895
FY2014 Juvenile Diversion	16.738		2012-DJ-BX-1174		31,610
FY2015 Juvenile Diversion	16.738				108,682
Justice Assistance Grant (JAG II)	16.738		2006-DJ-BX-0398		(51,752)
Justice Assistance Grant (JAG IX)	16.738		2013-DJ-BX-0498		34,494
Justice Assistance Grant (JAG VI)	16.738		2010-DJ-BX-0705		(8)
Justice Assistance Grant (JAG)	16.738		2013-DJ-BX-0498		160,107
Supervised Visitation OT	16.738		BJAG-2011-0047		22,295
Traffic Safety - SHA	16.738		2011-DJ-BX-3337		63,697
Visitation Center Continuation	16.738				50,048
DNA Backlog Outsourcing Sex Asslt Cases	16.741		BJAG-2011-0046		121,850
DNA Backlog Reduction Program	16.741				119
DNA Backlog Reduction Program FY2011	16.741		2011-DN-BX-K463		139,516
DNA Backlog Reduction Program FY2012	16.741		2012-DN-BX-0067		169,904
DNA Backlog Reduction Program FY2013	16.741		BCVC-2012-1801		242,720
DNA Backlog Reduction Program FY2015	16.741				16,450
DNA Capacity Enhancmt & Backlog Reductn	16.741		2014-DN-BX-0077		59,732
Gang Elimination Task Force - MSP (GETF)	16.753				1,096
Gang Elimination Task Force - MSP (GETF)	16.753		2008-DD-BX-0161		17,918
McElderry Park Revitalization Coalition	16.817		2012-AJ-BX-0014		261,037
Nat'l Youth Violence Prevention Expansion Prj	16.819		2014-NY-FX-K004		2,534
Post-Conviction DNA Testing	16.820				12,967
U.S. Dept. of Justice - Asset Sharing (Police)	16.922				72,567

**CITY OF BALTIMORE - SINGLE AUDIT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FISCAL YEAR ENDED JUNE 30, 2015**

<u>FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE</u>	<u>FEDERAL CFDA NUMBER (4)</u>	<u>ARRA (5)</u>	<u>FEDERAL IDENTIFICATION NUMBER (3)</u>	<u>STATE GRANT IDENTIFICATION NUMBER</u>	<u>DISBURSEMENTS/ EXPENDITURES</u>
U.S. Dept. of Justice - Asset Sharing (Police)	16.922				1,437,633
TOTAL DIRECT GRANTS					<u>\$3,828,329</u>
BALTIMORE CITY PUBLIC SCHOOL SYSTEM					
BCPSS - Alternative High School FY2014	16.541				1,215
BCPSS - Alternative High School FY2015	16.541				177,754
Juvenile Diversion Earmark	16.541		2010-JJ-FX-0466		(28,219)
TOTAL BALTIMORE CITY PUBLIC SCHOOL SYSTEM					<u>\$150,750</u>
MARYLAND EMERGENCY MANAGEMENT AGENCY					
FY2013 State Homeland Security Grant Program	16.741		2012-DN-BX-0067		447,549
TOTAL MARYLAND EMERGENCY MANAGEMENT AGENCY					<u>\$447,549</u>
MARYLAND STATE DEPARTMENT OF HUMAN RESOURCES					
Family Bereavement Center	16.575		VOCA-2012-1311		63,876
Family Bereavement Center	16.575		VOCA-2014-1511		57,327
Juvenile Court Victim Specialist	16.575		VOCA-2014-1512		(32,506)
Juvenile Courts Victim Specialist	16.738				59
TOTAL MARYLAND STATE DEPARTMENT OF HUMAN RESOURCES					<u>\$88,756</u>
MARYLAND GOVERNOR'S OFFICE OF CRIME CONTROL AND PREVENTION					
GOCCP - Pre-Adjudication and Coordination & Transition Center (PACT)	16.523				55
GOCCP - Pre-Adjudication and Coordination & Transition Center (PACT)	16.523			JABG-2012-0001	(8,006)
Safe Haven for Children - Supervised Visitation	16.527		SHSV-2009-0001		139,278
GOCCP - Pre-Adjudication and Coordination & Transition Center (PACT)	16.540			JJAC-2012-1616	15,887
GOCCP - Pre-Adjudication and Coordination & Transition Center (PACT)	16.540				(69,942)
FY2011 Victims of Crime Act (VOCA) - SART Coordination	16.575				8,087

**CITY OF BALTIMORE - SINGLE AUDIT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FISCAL YEAR ENDED JUNE 30, 2015**

<u>FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE</u>	<u>FEDERAL CFDA NUMBER (4)</u>	<u>ARRA (5)</u>	<u>FEDERAL IDENTIFICATION NUMBER (3)</u>	<u>STATE GRANT IDENTIFICATION NUMBER</u>	<u>DISBURSEMENTS/ EXPENDITURES</u>
FY2011 Victims of Crime Act (VOCA) - SART Coordination	16.575		2010-SS-TO-0025		29,608
SART Coordination Prg II	16.575				31,458
SART Vertical Abuse	16.575				12,712
SART Vertical Advocacy Prj II	16.575				26,803
Enhancing Service to Victims - Edward Byrne Memorial Formula Grant	16.579		BYRN-2000-1090		1,766
Gun & Gang Impact FY2010	16.580		2010-DD-BX-0027		3,530
BJAG Adult Drug Court - Circuit Court	16.585				40,873
BJAG Adult Drug Court - Circuit Court	16.585				15,319
Drug Court Discretionary Grant	16.585				8,466
Drug Court Discretionary Grant	16.585				33,345
Domestic Violence Advocacy - Prosecution of Criminals	16.588		VAWA-2011-1020		13,413
DV Warrant Service Expansion	16.588		VAWA-2012-1626		15,370
VAWA-Domestic Violence Victim/Witness Liaison	16.588				2,803
VAWA-Domestic Violence Victim/Witness Liaison	16.588		VAWA-2011-1526		50,396
VAWA-DV Victim/Witness Liaison Program	16.588				36,465
VAWA-DV Victim/Witness Liaison Program	16.588				55,384
City Corrections Investigation Unit	16.738		BJAG-2011-1201		38,834
Domestic Violence Unit Centralization Prj Leonard Byrne Memorial Justice Asst G	16.738			BJAG-2005-1072	1,361
Integrated Case Management System	16.738		BJAG-2010-1004		16,000
Project EXILE - SAUSA	16.738		BJAG-2011-0044		27,458
Sexual Assault Response II SART)	16.738		BJAG-2010-1006		(418)
Violent Offender Recovery	16.738				82,456
FY2012 Homeland Security Grant Program	16.741		2011-DN-BX-K6443		405,169
Characteristics of Armed Gunmen Enhncd Trng	16.742		2012-CD-BX-0069		5,000
Coverdell Competitive - Latent Print Examiner	16.742		2011-CD-BX-0079		12,201

**CITY OF BALTIMORE - SINGLE AUDIT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FISCAL YEAR ENDED JUNE 30, 2015**

<u>FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE</u>	<u>FEDERAL CFDA NUMBER (4)</u>	<u>ARRA (5)</u>	<u>FEDERAL IDENTIFICATION NUMBER (3)</u>	<u>STATE GRANT IDENTIFICATION NUMBER</u>	<u>DISBURSEMENTS/ EXPENDITURES</u>
DV Victim Advocate (Northeast District)	16.742				6,544
Learning for Life Academy	16.742				11,370
State Coverdell - Backlog Reduction	16.742				(2,218)
TOTAL MARYLAND GOVERNOR'S OFFICE OF CRIME CONTROL AND PREVENTION					\$1,066,827
MARYLAND STATE DEPARTMENT OF JUVENILE SERVICES					
Dept of Juvenile Services - Expansion for Girls	16.523			13-SG-001	(435)
Dept of Juvenile Services - PACT	16.523				(41,345)
Dept of Juvenile Services - PACT	16.523			15-IG-006/V00P5400184	222,188
TOTAL MARYLAND STATE DEPARTMENT OF JUVENILE SERVICES					\$180,408
TOTAL DEPARTMENT OF JUSTICE					\$5,762,619
DEPARTMENT OF LABOR					
DIRECT GRANTS					
Civic Justice Corps	17.261		YF-21921-1160A24		(159)
TOTAL DIRECT GRANTS					(\$159)
BALTIMORE CITY PUBLIC SCHOOL SYSTEM					
BCPSS - After School Matters	17.261				1,390
BCPSS - After School Matters	17.261				(1,287)
BCPSS - FUTURES	17.261				(24,755)
BCPSS - FUTURES	17.261				22,909
WIA Pilots, Demonstrations and Research Projects - BCPSS - WEB DuBois Prg	17.261				4,013
WIA Pilots, Demonstrations and Research Projects - BCPSS - WEB DuBois Prg	17.261				(1,480)
TOTAL BALTIMORE CITY PUBLIC SCHOOL SYSTEM					\$790

**CITY OF BALTIMORE - SINGLE AUDIT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FISCAL YEAR ENDED JUNE 30, 2015**

<u>FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE</u>	<u>FEDERAL CFDA NUMBER (4)</u>	<u>ARRA (5)</u>	<u>FEDERAL IDENTIFICATION NUMBER (3)</u>	<u>STATE GRANT IDENTIFICATION NUMBER</u>	<u>DISBURSEMENTS/ EXPENDITURES</u>
MARYLAND DEPARTMENT OF LABOR, LICENSING AND REGULATION					
Ex-Offender - Prison to One Stop Project/Wagner Peyser	17.207			P00P5400520	237,741
Ex-Offender - Prison to One Stop Project/Wagner Peyser	17.207			P00B4400179	(23,812)
Senior Aides Program	17.235				16,118
WIA - Adult	17.258			P00B1400034-A	1,911
WIA - Adult	17.258			P00B3400007-A	10,422
WIA - Adult	17.258			P00B4400048-A	370,925
WIA - Adult	17.258				1,386
WIA - Adult	17.258				24,943
WIA - Adult	17.258			P00B2400009-A	422
WIA - Adult	17.258			P00B4200159-A	721
WIA - Adult	17.258			P00B5400555/018-A	2,875,272
WIA - Adult (Mod #002)	17.258			P00B4200029-A	14,156
WIA - Youth	17.259			P00B1400034-B	15,388
WIA - Youth	17.259			P00B2400009-B	6,047
WIA - Youth	17.259			P00B3400007-B	(11,045)
WIA - Youth	17.259			P00B4400006-B	408,017
WIA - Youth	17.259			P00B8200031-C	228
WIA - Youth	17.259			P00P5400018-B	2,160,207
WIA - Youth (Mod #002)	17.259			P00B7200004-C	(5,462)
WIA - Youth (Mod #002)	17.259			P00B3200020-B	2,838
WIA - Youth (Mod #003)	17.259			P00B4200159-C	9,787
Operation Safe Kids	17.263				5,784
Ex-Offender - Living Classroom Foundation	17.270				(14,943)
Youth Opportunity HABC - Youth Build Project	17.274				49,646

**CITY OF BALTIMORE - SINGLE AUDIT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FISCAL YEAR ENDED JUNE 30, 2015**

<u>FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE</u>	<u>FEDERAL CFDA NUMBER (4)</u>	<u>ARRA (5)</u>	<u>FEDERAL IDENTIFICATION NUMBER (3)</u>	<u>STATE GRANT IDENTIFICATION NUMBER</u>	<u>DISBURSEMENTS/ EXPENDITURES</u>
NEG - RG Steel Project	17.277			P00B3400867	(58,698)
WIA - Job Driven National Emergency Grant	17.277			P00P5400650	25,627
Early Intervention Facilitator (Mod # 001)	17.278			P00B4400063	(11,980)
WIA - Dislocated Worker	17.278			P00B2400095-C	441
WIA - Dislocated Worker	17.278			P00B3400007-C	1,467
WIA - Dislocated Worker	17.278			P00B1400034-C	119
WIA - Dislocated Worker	17.278			P00B4400048-C	309,086
WIA - Dislocated Worker	17.278			P00B5400555/018-C	658,433
Accelerating Connections to Employment (ACE)	17.283			2013 - 154	170,787
TOTAL MARYLAND DEPARTMENT OF LABOR, LICENSING AND REGULATION					<u>\$7,251,979</u>
TOTAL DEPARTMENT OF LABOR					<u>\$7,252,610</u>
DEPARTMENT OF TRANSPORTATION					
DIRECT GRANTS					
Greyhound Bus Term (Intercity/Intermodal) (FTA Grant)	20.500		MD-04-0021-00		939,080
Highlandtown Transit Stop Imprvmts (FTA Grant)	20.500				5,943
Kent Street Streetscape (FTA Grant)	20.500		MD-03-0119-000		452,317
Baltimore City Tour Bus Facility (FTA Grant)	20.507		MD-95-X013-00		17,017
TOTAL DIRECT GRANTS					<u>\$1,414,357</u>
MARYLAND EMERGENCY MANAGEMENT AGENCY					
FY2014 Hazardous Materials Emergency Preparedness	20.703				3,776
FY2015 Hazardous Materials Emergency Preparedness	20.703				4,692
TOTAL MARYLAND EMERGENCY MANAGEMENT AGENCY					<u>\$8,468</u>

**CITY OF BALTIMORE - SINGLE AUDIT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FISCAL YEAR ENDED JUNE 30, 2015**

<u>FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE</u>	<u>FEDERAL CFDA NUMBER (4)</u>	<u>ARRA (5)</u>	<u>FEDERAL IDENTIFICATION NUMBER (3)</u>	<u>STATE GRANT IDENTIFICATION NUMBER</u>	<u>DISBURSEMENTS/ EXPENDITURES</u>
BALTIMORE METROPOLITAN COUNCIL					
Unified Planning Work Program-Metropolitan Transportation Planning	20.505				38,852
Unified Planning Work Program-Metropolitan Transportation Planning	20.505				18,853
TOTAL BALTIMORE METROPOLITAN COUNCIL					\$57,705
MARYLAND STATE DEPARTMENT OF TRANSPORTATION					
33rd and Loch Raven Intersection Imprvmt	20.205			BC420004	10,206
Annapolis Road Bridge	20.205		000S (766)	BC269-060-815	24,832
Argonne Drive Bridge	20.205			321-006-815	1,210,892
Argonne Drive Bridge TR2398	20.205			269-065-815	153,172
Boston/O'Donnell Connecting Road - Phase 2	20.205		3045 (014)	BC315-111-815	771,808
Bridge Replacement of Frederick Ave Bridge over Gwynns Falls	20.205		3012 (015)	BC269-074-815/269-061-815	4,074,223
Bridges Safety Improvements along I-83	20.205		10004	243-088-815	2,005,108
Canton Industrial Park/ Recons of Newkirk St from Keith Ave to Boston St.	20.205		3239 (005)	BC315-090-815	175,101
Central Ave. Phase 2	20.205		3057(005)	BC315-075-815	397,088
Charles St Landscaping	20.205			315-055-815	19,837
Citywide ADA and Sidewalks	20.205			319-024-815	90,465
Cleaning and Painting	20.205			311-214-815	188,834
Construction of Traffic Signals and Rewiring Citywide	20.205			430-002	1,541,543
Construction on CCTV Cameras & Signals Rewiring - JOC	20.205		000A (519)	BC319-010-815	12,780
D.O.T. Park Circle Intersection	20.205		000A (709)	BC319-012-815	122,364
Druid Hill Park	20.205				168,971
Dundalk Ave Streetscape from Eastern Ave to Baltimore City Line	20.205		3049 (003)	BC315-087-815	4,429,116
East Baltimore Life Science Pk - 2A	20.205			BC440002	932
Edmondson Ave. Bridge over CSX	20.205		BR-2441(017)	BC269-066-815	193,955



**CITY OF BALTIMORE - SINGLE AUDIT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FISCAL YEAR ENDED JUNE 30, 2015**

<u>FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE</u>	<u>FEDERAL CFDA NUMBER (4)</u>	<u>ARRA (5)</u>	<u>FEDERAL IDENTIFICATION NUMBER (3)</u>	<u>STATE GRANT IDENTIFICATION NUMBER</u>	<u>DISBURSEMENTS/ EXPENDITURES</u>
Fairfield Ecological Industrial Park	20.205		0459 (006)	BC318-017-815	16,016
Ferry Boat Project in Baltimore Inner Harbor	20.205	Y	0003 (141)	BC321-009-815/321-011-815RW	1,516
Fort Avenue Bridge over CSX	20.205		3260 (003)	BC269-081-815	190,540
Fulton Avenue Streetscape	20.205				145,208
Geometric Improvements at Various Locations in Baltimore City	20.205			410-006	121,983
Hanover St Bridge over Middle Branch	20.205		STP-1191(026)	BC269-073-815	19,266
Harford Road Bridge over Herring Run	20.205		3033 (005)	BC269-067-815	173,982
Hawkins Point Road Bridge/ Pennington Ave Empowerment, PE	20.205		0459 (001)	BC269-059-815	514,519
Herring Run Greenway	20.205				808,322
Highway Safety	20.205				153
Inner Harbor East Improvements - Phase III	20.205		0003 (256)	AX925125	1,328,770
ITS - Installation of Fiber and Copper Communication Systems	20.205		3077 (001)	BC319-008-815	5,366
ITS Improvements - New Traffic Signals	20.205		000A (942)	319-017/018/022-815	36,709
JOC - Citywide TR 10308	20.205			321-008-815	207,955
Jones Falls Greenway Phase IV	20.205				114,403
Jones Falls Trail - Phase II Lanvale Ave./ Maryland Ave to Conway St.	20.205		1377(002)/ 1377 (001)	BC318-014-815/ BC318-018-815	56,081
Key Highway Gateway Beautification	20.205		3068 (004)	AX8145125	25,305
Key Highway Street Improvement	20.205		3065 (005)	BC319-015-815	105,403
Lafayette Ave. Bridge over Amtrak	20.205		BHF-3378 (001) E	BC269-064-815	39,170
Liberty Heights & Druid Hill Park Improvements	20.205		HP1454(001)E	BC322-002-815/318-023-815	392,705
Major Parks Project	20.205				1,809
Midtown Streetscape - Mt. Royal Avenue Improvements	20.205		000A (735)	BC315-101-815	271,264
MLK Blvd at Howard St Intersection Widening/Imprvmt	20.205		STP3065 (012)	BC315-112-815/322-002-815	60,528
National Aquarium - Center for Aquatic Life and Conservation	20.205		4311 (001)	BC318-019-815/ BC318-020-815	1,175,861
North Charles St. Reconstruction from 25th St. to University Parkway	20.205		3071 (005)	BC315-108-815	4,668,581

**CITY OF BALTIMORE - SINGLE AUDIT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FISCAL YEAR ENDED JUNE 30, 2015**

<u>FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE</u>	<u>FEDERAL CFDA NUMBER (4)</u>	<u>ARRA (5)</u>	<u>FEDERAL IDENTIFICATION NUMBER (3)</u>	<u>STATE GRANT IDENTIFICATION NUMBER</u>	<u>DISBURSEMENTS/ EXPENDITURES</u>
O'Donnell Street Bridge	20.205			269-055-815	3,174
Pavement Management System	20.205		000A (750)	BC315-106-815	10,976
Pennington Ave. Bridge over Curtis Creek	20.205		STP-3001(039) / 3001(044)	BC269-072-815/BC318-011-815	13,041
Recons Central Ave. & Storm Drain Eastern Ave. to N Madison St.	20.205		3057 (004)	BC320-001-815	4,231,748
Reconst Broening Highway from Holabird Ave. to Colgate Creek & Keith Ave.	20.205		3048 (002)	315-099/100-815	4,561,443
Reconst East North Avenue from Aisquith St. to Wolf St.	20.205		0468 (002)	BC315-079-815	8,926
Reconstruct Traffic Signals Citywide	20.205	Y	000A (502)	BC321-007-815	25,207
Rehabilitate Roadways around East Baltimore Life Science Park	20.205		1571(001)	BC318-013-815	1,665,027
Reisterstown Rd Improvements	20.205			315-044-815	65,875
Reisterstown Rd. Streetscape from Northen Pkwy to Balt. City Line	20.205		3017 (021)	BC315-089-815	4,280,437
Replac. Annapolis Road over Baltimore/Washigton Pkwy (MD 295)	20.205		3005 (007)	BC269-077-815	59,309
Replacement of Two Bearings on Howard Street Arch Bridge	20.205		3069 (013)	BC269-079-815	795
Resurfacing - Sector III	20.205			315-093-815	21,448
Resurfacing at Various Locations, Southeast Sector IV - FY 2011	20.205		000A (741)	BC315-105-815	4,422
Resurfacing at Various Locations, Southwest Sector III - FY 2011	20.205		000A (740)	BC315-104-815	9,281
Resurfacing Edison Hwy	20.205				27,266
Resurfacing Frederick Ave - Hilton St	20.205				(47,319)
Resurfacing Harford Rd.	20.205				49,531
Resurfacing Hwys - SW III	20.205				134,359
Resurfacing Northwest - Sector II TR 13305	20.205		000A (628)	410-002	836,799
Resurfacing NW Park Hgths	20.205				24,833
Resurfacing Southwest - Sector III TR 13306	20.205		000A (628)	410-003	346
Resurfacing Various Locations in Baltimore City Southeast Sec IV	20.205		000A (628)	BC315-095-815	(1,950)
Resurfacing Various Locations, Northeast Sector I - FY 2011	20.205		000A (738)	BC315-102-815	5,008
Resurfacing Various Locations, Northeast Sector I, FY 2012	20.205		000A (859)	BC315-113-815	17,782

**CITY OF BALTIMORE - SINGLE AUDIT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FISCAL YEAR ENDED JUNE 30, 2015**

<u>FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE</u>	<u>FEDERAL CFDA NUMBER (4)</u>	<u>ARRA (5)</u>	<u>FEDERAL IDENTIFICATION NUMBER (3)</u>	<u>STATE GRANT IDENTIFICATION NUMBER</u>	<u>DISBURSEMENTS/ EXPENDITURES</u>
Resurfacing Various Locations, Northeast, Sector I	20.205			315-092-815	39,557
Resurfacing Various Locations, Northeast, Sector I	20.205			410-001	2,446,710
Resurfacing Various Locations, Northwest Sector II, FY 2011	20.205		000A (739)	BC315-103-815	9,899
Resurfacing Various Locations, Northwest Sector II, FY 2012	20.205		000A (860)	BC315-114-815	143,189
Resurfacing Various Locations, Southeast Sector IV	20.205				1,312,701
Resurfacing Various Locations, Southeast Sector IV, FY 2012	20.205		000A (862)	BC315-116-815	67,278
Resurfacing Various Locations, Southwest Sector III, FY '12	20.205		000A (861)	BC315-115-815	36,993
Roland Park Complete Sts.	20.205			410-007	3,461,970
Russell Street & Monroe Street Ramp to Russell Street over CSXT	20.205		000A (093)	BC269-084-815	473,637
Safe Routes to School Infrastructure	20.205		0001 (913)	AX352B51	5,235
SE Transportation Action Plan Intersection Improvements(Act.10)	20.205		000A(803)	BC315-109-815	2,477,339
Sinclair Lane Bridge over CSX Rail Road - Rehabilitation	20.205		2755 (001)	BC318-016-815	2,578,620
Sisson Street over CSX	20.205				128,321
Star Spangled Heritage Trails	20.205			315-110-815	50,000
Traffic Safety Improvement	20.205			319-003-815	248,599
Traffic Signal System Integration	20.205		000S (844)	BC318-002-815	461,210
Variable Message Signs	20.205		000A (454)	BC319-007-815	41,972
Washington Blvd./I-95 Reconstruction	20.205		000A (002)	BC315-062-815	(132,174)
Wilkens Ave. Bridge over Gwynns Falls	20.205		BHF-2511(055)	BC269-071-815	143,647
York Road Rehabilitation 43 St to Glenwood Avenue	20.205		3025 (015)	BC315-107-815	143,123
Amtrak Baltimore and Potomac RR Tunnel	20.319		FR-HSR-0028-11-01-01		93,099
Ridesharing/Commuter Assistance Grant	20.507			MD-95-0005	82,076
Ridesharing/Commuter Assistance Grant	20.507			MD-95-0005	235
Ridesharing/Commuter Assistance Grant	20.507			MD-95-0005	9,223
Ridesharing/Commuter Assistance Grant - Metropolitan Transportation Planning	20.507		MD 90 X 081	MD-90-9081	578

**CITY OF BALTIMORE - SINGLE AUDIT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FISCAL YEAR ENDED JUNE 30, 2015**

<u>FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE</u>	<u>FEDERAL CFDA NUMBER (4)</u>	<u>ARRA (5)</u>	<u>FEDERAL IDENTIFICATION NUMBER (3)</u>	<u>STATE GRANT IDENTIFICATION NUMBER</u>	<u>DISBURSEMENTS/ EXPENDITURES</u>
Traffic Safety Grant - State and Community Highway Safety	20.600				65,755
Safe Route to School II (N & I)	20.609		52-600-169	S08-008	67,807
TOTAL MARYLAND STATE DEPARTMENT OF TRANSPORTATION					<u>\$56,537,005</u>
MARYLAND DEPARTMENT OF LABOR, LICENSING AND REGULATION					
DLLR - Highway/Capital Transit Construction Skills	20.205			P00B4401078	187,770
TOTAL MARYLAND DEPARTMENT OF LABOR, LICENSING AND REGULATION					<u>\$187,770</u>
TOTAL DEPARTMENT OF TRANSPORTATION					<u>\$58,205,305</u>
ENVIRONMENTAL PROTECTION AGENCY					
DIRECT GRANTS					
Healthy Homes	66.034		XA-963158-01		11,381
Integrated Pest Management	66.716		X8-83445701		(5,279)
TOTAL DIRECT GRANTS					<u>\$6,102</u>
MARYLAND STATE DEPARTMENT OF THE ENVIRONMENT - WATER QUALITY FINANCING ADMINISTRATI					
High Level Sewer Imprvmts - SC906 & SC932	66.458				1,740,197
MD Ave Sanitary Sewer Imprvmts - SC900	66.458				674,821
Patapsco WWTP ENR - SC845	66.458				566,849
Patapsco WWTP ENR - SC852	66.458				103,584
Sanitary Sewers - SC897R	66.458				552,849
Stoney Run Sanitary Sewer Imprvmts - SC898	66.458				53,700
Western Run Sanitary Sewer Imprvmts - SC899	66.458				628,459
TOTAL MARYLAND STATE DEPARTMENT OF THE ENVIRONMENT - WATER QUALITY FINANCING ADMINISTRATION					<u>\$4,320,459</u>
TOTAL ENVIRONMENTAL PROTECTION AGENCY					<u>\$4,326,561</u>

**CITY OF BALTIMORE - SINGLE AUDIT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FISCAL YEAR ENDED JUNE 30, 2015**

<u>FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE</u>	<u>FEDERAL CFDA NUMBER (4)</u>	<u>ARRA (5)</u>	<u>FEDERAL IDENTIFICATION NUMBER (3)</u>	<u>STATE GRANT IDENTIFICATION NUMBER</u>	<u>DISBURSEMENTS/ EXPENDITURES</u>
DEPARTMENT OF ENERGY					
DIRECT GRANTS					
Energy Efficiency and Conservation Block Grant (EECG)	81.128	Y	DE-EE0000738		45
TOTAL DIRECT GRANTS					<u>\$45</u>
MARYLAND STATE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT					
DOE Weatherization	81.042			R340649	678
DOE Weatherization	81.042			R340649	19,646
DOE Weatherization	81.042			R340649	(289,558)
DOE Weatherization	81.042			R340649	393,841
DOE Weatherization	81.042			R340649	50,364
Weatherization Assistance	81.042		DE-EE000040		(192,906)
TOTAL MARYLAND STATE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT					<u>(\$17,935)</u>
TOTAL DEPARTMENT OF ENERGY					<u>(\$17,890)</u>
DEPARTMENT OF EDUCATION					
MARYLAND STATE DEPARTMENT OF EDUCATION					
Infants and Toddlers	84.027			134425-02	(578)
Infants and Toddlers	84.027				132,135
Infants and Toddlers	84.027			154799	222,551
Infants and Toddlers	84.027			900559-02	13
Infants and Toddlers	84.027			104587-02	278
Infants and Toddlers	84.027			124730-02	159
Infants and Toddlers	84.027			144555	97,777

**CITY OF BALTIMORE - SINGLE AUDIT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FISCAL YEAR ENDED JUNE 30, 2015**

<u>FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE</u>	<u>FEDERAL CFDA NUMBER (4)</u>	<u>ARRA (5)</u>	<u>FEDERAL IDENTIFICATION NUMBER (3)</u>	<u>STATE GRANT IDENTIFICATION NUMBER</u>	<u>DISBURSEMENTS/ EXPENDITURES</u>
Infants and Toddlers/Extended Option	84.027				(25,620)
Infants and Toddlers	84.173			144555	2,876
Infants and Toddlers	84.173			900559-03	2
Infants and Toddlers	84.173			104587-03	46
Infants and Toddlers	84.173			124730-03	20
Infants and Toddlers	84.173			134425-03	(96)
Infants and Toddlers	84.173			154799	17,119
Infants and Toddlers	84.181			154799	1,472,263
Infants and Toddlers	84.181			144555	158,168
Infants and Toddlers	84.181			900559-01	89
Infants and Toddlers	84.181			104587-01	1,666
Infants and Toddlers	84.181			124730-01	872
Infants and Toddlers	84.181			134425-01	(3,369)
Infants and Toddlers/Extended Option	84.181				125,326
TOTAL MARYLAND STATE DEPARTMENT OF EDUCATION					<u>\$2,201,697</u>
TOTAL DEPARTMENT OF EDUCATION					<u>\$2,201,697</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES					
DIRECT GRANTS					
Healthy Homes - Asthma	93.061				100
Healthy Homes - Asthma	93.061				99
Healthy Homes - Asthma	93.061		5R18EH000349-03		(81,995)
Healthy Homes - Asthma Disability FY2009	93.061				474
Baltimore City Health Impact Assessment (HIA)	93.070		5UE1EH000910		132,909
Tuberculosis Elimination and Laboratory	93.116		1U52PS004655-01		13,619

**CITY OF BALTIMORE - SINGLE AUDIT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FISCAL YEAR ENDED JUNE 30, 2015**

<u>FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE</u>	<u>FEDERAL CFDA NUMBER (4)</u>	<u>ARRA (5)</u>	<u>FEDERAL IDENTIFICATION NUMBER (3)</u>	<u>STATE GRANT IDENTIFICATION NUMBER</u>	<u>DISBURSEMENTS/ EXPENDITURES</u>
Tuberculosis Elminiation and Laboratory	93.116		5U52PS300466-32		122,313
Tuberculosis Elminiation and Laboratory	93.116		5U52PS300466-32		125,914
Tuberculosis Elminiation and Laboratory	93.116		U52/CCU300466-30		2,792
Tuberculosis Elminiation and Laboratory	93.116		U52/CCU300466-31		11,006
Healthy Schools/Healthy Communities	93.224		6-H80 CS00366-03-02		48
Substance Abuse and Mental Health Svcs	93.243				54,233
Alcohol Exposed Pregnancy Intervention	93.283		5U84DD000555-04		21,137
CAA Children's Services - Head Start - Pediatric HIV Project	93.600				383,128
CAA Children's Services - Head Start FY2009	93.600		03CH0207/44		5,242
CAA Children's Services - Head Start FY2010	93.600		03CH0207/45		9,484
CAA Children's Services - Head Start FY2011	93.600		03CH0207/46		7,651
CAA Children's Services - Head Start FY2012	93.600		03CH0207/47		831
CAA Children's Services - Head Start FY2013	93.600		03CH0207/48		663,514
CAA Children's Services - Head Start FY2014	93.600		03CH0207/49		971,700
CAA Children's Services - Head Start FY2015	93.600				44,489
CAA Children's Services - Head Start FY2015	93.600				6,046,176
CAA Children's Services - Head Start FY2016	93.600				680,650
Early Head Start	93.600				185,887
Early Head Start - Pediatric HIV Project	93.600				23,102
HIV Education for Incarcerated	93.914				2,196
HIV Emergency	93.914		5 H89 HA00017		9,418
HIV Emergency	93.914		5 H89 HA00017		1,688
HIV Emergency	93.914		5 H89 HA00017		(632,850)
HIV Emergency	93.914		5 H89 HA00017		10,533,381
HIV Emergency	93.914		5 H89 HA00017		1,441,369

**CITY OF BALTIMORE - SINGLE AUDIT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FISCAL YEAR ENDED JUNE 30, 2015**

<u>FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE</u>	<u>FEDERAL CFDA NUMBER (4)</u>	<u>ARRA (5)</u>	<u>FEDERAL IDENTIFICATION NUMBER (3)</u>	<u>STATE GRANT IDENTIFICATION NUMBER</u>	<u>DISBURSEMENTS/ EXPENDITURES</u>
HIV Emergency	93.914		5 H89 HA00017		1,414,405
HIV Emergency - Minority AIDS Initiative (MAI)	93.914		5 H89 HA00017		447
Ryan White II - A - Minority AIDS	93.914		H89 HA00017		1,012,120
Ryan White II - A - Minority AIDS	93.914		H89 HA00017		262,846
Ryan White II - A - Minority AIDS	93.914		H89 HA00017		(60,282)
Ryan White II - A - Minority AIDS	93.914		H89 HA00017		134,291
Healthy Start FY2003	93.926		5 H49 MC00085-2		552
Healthy Start FY2005	93.926		5 H49 MC00085		11,026
Family Planning Research	93.974		FPRPA 006024		387
Sexually Transmitted Disease Accelerated Prevention Campaign FY2006	93.977		H25/CCH304322-14/13		2,800
Sexually Transmitted Disease Accelerated Prevention Campaign FY2007	93.977		H25/CCH304322-15		3,250
Sexually Transmitted Disease Accelerated Prevention Campaign FY2009	93.977		5H25/PS001395-01		(33)
Sexually Transmitted Disease Accelerated Prevention Campaign FY2010	93.977		5H25/PS001395-02		(3,372)
Sexually Transmitted Disease Accelerated Prevention Campaign FY2011	93.977		5H25/PS001395-03		(15,178)
Sexually Transmitted Disease Accelerated Prevention Campaign FY2012	93.977		5H25/PS001395-04		(92,461)
Sexually Transmitted Disease Accelerated Prevention Campaign FY2013	93.977		5H25/PS001395-05		126,473
Sexually Transmitted Disease Accelerated Prevention Campaign FY2014	93.977		3H25PS004340-02		94,876
Sexually Transmitted Disease Accelerated Prevention Campaign FY2014	93.977		5H25/PS001395-06		810,534
Sexually Transmitted Disease Control Program	93.977		H25/CCH304322-17		(50)
Sexually Transmitted Disease Surveillance Network	93.977				152,000
Sexually Transmitted Disease Surveillance Network	93.977		5H25/PS001278-02		28
Sexually Transmitted Disease Surveillance Network	93.977		5H25/PS001278-04		(30,682)
Sexually Transmitted Disease Surveillance Network	93.977		5H25/PS001278-04		81,304
Sexually Transmitted Disease Surveillance Network	93.977		5H25PS004259-02		38,550
Community Approaches Reducing STDs	93.978		1U22PS04541-01		33,877



**CITY OF BALTIMORE - SINGLE AUDIT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FISCAL YEAR ENDED JUNE 30, 2015**

<u>FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE</u>	<u>FEDERAL CFDA NUMBER (4)</u>	<u>ARRA (5)</u>	<u>FEDERAL IDENTIFICATION NUMBER (3)</u>	<u>STATE GRANT IDENTIFICATION NUMBER</u>	<u>DISBURSEMENTS/ EXPENDITURES</u>
TOTAL DIRECT GRANTS					<u>\$24,757,413</u>
MARYLAND STATE DEPARTMENT OF HEALTH AND MENTAL HYGIENE					
Public Health Emergency Preparedness	93.069			CH 831 PHP	(90)
Public Health Emergency Preparedness	93.069			CH 831 PHP	(1,679)
Public Health Emergency Preparedness	93.069			CH 831 PHP	(2,812)
Public Health Emergency Preparedness	93.069			CH 831 PHP	(19)
Public Health Emergency Preparedness	93.069			CH 831 PHP	(2,480)
Public Health Emergency Preparedness	93.069			CH 831 PHP	(151,629)
Public Health Emergency Preparedness	93.069			CH 831 PHP	346,980
Public Health Emergency Preparedness	93.069			CH 831 PHP	348,295
Public Health Emergency Preparedness	93.069			CH 831 PHP	9,545
Public Health Emergency Preparedness (PHER) Phase IV	93.069			PRO 24 PHP	(1,427)
Climate Change	93.070			FHD08SCC	3,985
Greater Baltimore Asthma Alliance	93.070			FHA 69 AST	33,487
ACA - Personal Responsibility Education Program	93.092			FHB 66 PRE	249,739
ACA - Personal Responsibility Education Program	93.092			FHB 66 PRE	(285)
ACA - Personal Responsibility Education Program	93.092			FHB 66 PRE	110,868
RW Part D Women, Infant, Children, Youth Health Support	93.153			AD 431 WIC	146,315
RW Part D Women, Infant, Children, Youth Health Support	93.153			AD 431 WIC	209,592
HIV Integration into Family Planning	93.217			FH 771 HIV	(15,085)
HIV Integration into Family Planning	93.217			FH 771 HIV	325,148
HIV Integration into Family Planning	93.217			FHD 12 HIV	297,786
Reproductive Health/Family Planning	93.217			FH 201 FFP	206,165
Reproductive Health/Family Planning	93.217			FH 386 HTA	365,789

**CITY OF BALTIMORE - SINGLE AUDIT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FISCAL YEAR ENDED JUNE 30, 2015**

<u>FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE</u>	<u>FEDERAL CFDA NUMBER (4)</u>	<u>ARRA (5)</u>	<u>FEDERAL IDENTIFICATION NUMBER (3)</u>	<u>STATE GRANT IDENTIFICATION NUMBER</u>	<u>DISBURSEMENTS/ EXPENDITURES</u>
Reproductive Health/Family Planning	93.217			FH 201 FFP	(90,570)
Reproductive Health/Family Planning	93.217			FH 201 FFP	2,851
Reproductive Health/Family Planning	93.217			FH 201 FFP	(2,829)
Reproductive Health/Family Planning	93.217			FH 201 FFP	22,291
Reproductive Health/Family Planning	93.217			FH 201 FFP	270
No Wrong Door	93.243			AD 677 NWD	64,915
No Wrong Door	93.243			AD 687 NWD	56,214
Baltimore City Immunization Program FY2011	93.268			CH 054 IMM	(7,640)
Baltimore City Immunization Program FY2013	93.268			CH 054 IMM	(320,549)
Baltimore City Immunization Program FY2014	93.268			CH 054 IMM	340,329
Baltimore City Immunization Program FY2015	93.268			CH 054 IMM	644,974
Baltimore City Immunization Program FY2015 - Vaccine	93.268 (6)			CH 054 IMM	630,457
Immunization - Hepatitis B	93.268			CH 350 IMM	80,036
Immunization - Hepatitis B	93.268			CH 350 IMM	(24,305)
Immunization - Hepatitis B	93.268		5U1BPS003259-04	CH 350 IMM	61,777
Home Visiting Planning	93.505			FHB 64 HVP	(129,610)
Home Visiting Planning	93.505			FHB 64 HVP	(845)
Home Visiting Planning	93.505			FHB 64 HVP	290,733
Home Visiting Planning	93.505			FHB 64 HVP	308,623
MIEC Intake Expansion Grant	93.505			FHD39MIC	544,009
HIV Preventive Services	93.523			AD 243 PRV	(90,560)
Ryan White II - Consortia Services FY2013	93.523			AD 419 RWS	(656)
Maryland Million Hearts Initiative	93.758			FHD 19 MMH	74,251
Administrative Care Coordination	93.767			MA 005 EPS	4,325
Administrative Care Coordination	93.767			MA 005 EPS	10,157

**CITY OF BALTIMORE - SINGLE AUDIT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FISCAL YEAR ENDED JUNE 30, 2015**

<b>FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE</b>	<b>FEDERAL CFDA NUMBER (4)</b>	<b>ARRA (5)</b>	<b>FEDERAL IDENTIFICATION NUMBER (3)</b>	<b>STATE GRANT IDENTIFICATION NUMBER</b>	<b>DISBURSEMENTS/ EXPENDITURES</b>
Administrative Care Coordination	93.767			MA 005 EPS	166,475
PWC Eligibility	93.767			MA 157 ACM	581,006
Administrative Care Coordination	93.778			MA 005 EPS	1,248,560
Administrative Care Coordination	93.778			MA 005 EPS	2,258
Administrative Care Coordination	93.778			MA 005 EPS	76,180
Administrative Care Coordination	93.778			MA 005 EPS	27,800
General Transportation Services	93.778			MA 365 GTS	(30,149)
General Transportation Services	93.778			MA 365 GTS	212,728
General Transportation Services	93.778			MA 365 GTS	78,276
General Transportation Services	93.778			MA 365 GTS	2,838,730
General Transportation Services	93.778			MA 365 GTS	2,293,069
General Transportation Services	93.778			MA 365 GTS	791,567
Healthy Start Program	93.778			MA 411 HSP	(5,974)
Healthy Start Program	93.778			MA 411 HSP	(13,175)
PWC Eligibility	93.778			MA 157 ACM	422,549
Ryan White B - Consortia Services	93.917			AD 419 RWS	1,447,123
Ryan White II - Consortia Services	93.917			AD 419 RWS	1,263,315
Ryan White II - Consortia Services FY2013	93.917			AD 419 RWS	(55,786)
Comprehensive HIV Prevention Project	93.940		1U62PS003640-01		39,352
Comprehensive HIV Prevention Project	93.940		5U62PS003640-02		(419,875)
Comprehensive HIV Prevention Project	93.940		5U62PS003640-02		1,655,468
Comprehensive HIV Prevention Project	93.940		5U62PS003640-03		270
Comprehensive HIV Prevention Project	93.940		5U62PS003640-03		3,770,880
Comprehensive HIV Prevention Project	93.940		5U62PS003640-04		309,712
Expanded HIV Testing	93.940			AD 656 EHT	7,060

**CITY OF BALTIMORE - SINGLE AUDIT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FISCAL YEAR ENDED JUNE 30, 2015**

<u>FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE</u>	<u>FEDERAL CFDA NUMBER (4)</u>	<u>ARRA (5)</u>	<u>FEDERAL IDENTIFICATION NUMBER (3)</u>	<u>STATE GRANT IDENTIFICATION NUMBER</u>	<u>DISBURSEMENTS/ EXPENDITURES</u>
Expanded HIV Testing	93.940			AD 656 EHT	109,772
Health Education and Risk Reduction	93.940			AD 364 HER	8
HIV Prevention Services	93.940			AD 243 PRV	(287)
Ryan White II - Consortia Services FY2013	93.940			AD 419 RWS	(656)
Expanded HIV Testing	93.943			AD 656 EHT	(42,650)
Surveillance (AIDS)	93.944			AD 407 SUR	16,134
Surveillance (AIDS)	93.944			AD 407 SUR	2,776
Surveillance (AIDS)	93.944			AD 407 SUR	9,460
Sexually Transmitted Disease/HIV Partner Counseling & Referral Svcs (PCRS)	93.977			CH 051 STD	3,150
Sexually Transmitted Disease/HIV Partner Counseling & Referral Svcs (PCRS)	93.977			CH 051 STD	51,188
Sexually Transmitted Disease/HIV Partner Counseling & Referral Svcs (PCRS)	93.977			CH 051 STD	(4,163)
Sexually Transmitted Disease/HIV Partner Counseling & Referral Svcs (PCRS)	93.977			CH 051 STD	22,187
Sexually Transmitted Disease/HIV Partner Counseling & Referral Svcs (PCRS)	93.977			CH 051 STD	(4,634)
Maryland Million Hearts Initiative	93.991			FHD 19 MMH	22,179
Core Public Health Services	93.994			CH 560 CFT	597,769
Core Public Health Services	93.994		6 B04MC23385	CH560CFT	191,736
Improved Pregnancy Outcome FY2010	93.994			FH 892 IPO	3,177
Improved Pregnancy Outcome FY2011	93.994			FH 892 IPO	2,020
Improved Pregnancy Outcome FY2012	93.994			FH 892 IPO	(12,357)
Improved Pregnancy Outcome FY2013	93.994			FH 892 IPO	(118,082)
Improved Pregnancy Outcome FY2014	93.994			FH 892 IPO	267,472
Improved Pregnancy Outcome FY2014	93.994			FH 892 IPO	385,098
Lead Paint Poisoning Prevention FY2010	93.994			FH 181 MCH	4,295
Lead Paint Poisoning Prevention FY2011	93.994			FH 181 MCH	1,808
Lead Paint Poisoning Prevention FY2012	93.994			FH 181 MCH	(93)

**CITY OF BALTIMORE - SINGLE AUDIT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FISCAL YEAR ENDED JUNE 30, 2015**

<u>FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE</u>	<u>FEDERAL CFDA NUMBER (4)</u>	<u>ARRA (5)</u>	<u>FEDERAL IDENTIFICATION NUMBER (3)</u>	<u>STATE GRANT IDENTIFICATION NUMBER</u>	<u>DISBURSEMENTS/ EXPENDITURES</u>
Medical Home Project	93.994			CH 929 MHP	7,020
Medical Home Project	93.994			CH 929 MHP	41,964
Surveillance and Quality Improvement	93.994		FHD62SQI		23,283
<b>TOTAL MARYLAND STATE DEPARTMENT OF HEALTH AND MENTAL HYGIENE</b>					<b>\$23,233,829</b>
<b>MARYLAND STATE DEPARTMENT OF HUMAN RESOURCES</b>					
Cooperative Reimbursement-Child Support Enforcement	93.563				1,143
Cooperative Reimbursement-Child Support Enforcement	93.563				100,848
Cooperative Reimbursement-Child Support Enforcement	93.563				91,054
Cooperative Reimbursement-Child Support Enforcement	93.563				48
Cooperative Reimbursement-Child Support Enforcement	93.563			CSEA/CRA-01-027	130
OHEP - MEAP FY2010	93.568		G-14B1MDLIEA	CSA/EA-07/04-30	(40,912)
OHEP - MEAP FY2012	93.568		G-14B1MDLIEA	CSA/EA-07/04-30	20,824
OHEP - MEAP FY2013	93.568		G-14B1MDLIEA	CSA/EA-07/04-30	(12,014)
OHEP - MEAP FY2014	93.568		G-14B1MDLIEA	CSA/EA-07/04-30	316,494
OHEP - MEAP FY2015	93.568		G-14B1MDLIEA	CSA/EA-07/04-30	1,800,000
OHEP - MEAP FY2015	93.568		G-14B1MDLIEA	CSA/EA-07/04-30	1,980,933
Weatherization - REACH FY2013	93.568		G-1201MDLLIE5		113,930
Weatherization - REACH FY2014	93.568		G-1201MDLLIE5		19,480
Weatherization - REACH FY2015	93.568		G-1201MDLLIE5		22,278
<b>TOTAL MARYLAND STATE DEPARTMENT OF HUMAN RESOURCES</b>					<b>\$4,414,236</b>
<b>MARYLAND STATE DEPARTMENT OF AGING</b>					
Title VII Older Americans Act Ombudsman/Elder Abuse FY2014	93.042			AAA-3-24-003	12,460
Title VII Older Americans Act Ombudsman/Elder Abuse FY2015	93.042			AAA-3-24-003	63,430
Title IIID Disease Prevention and Health Promotion Services	93.043			AAA-3-24-003	30,016

**CITY OF BALTIMORE - SINGLE AUDIT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FISCAL YEAR ENDED JUNE 30, 2015**

<u>FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE</u>	<u>FEDERAL CFDA NUMBER (4)</u>	<u>ARRA (5)</u>	<u>FEDERAL IDENTIFICATION NUMBER (3)</u>	<u>STATE GRANT IDENTIFICATION NUMBER</u>	<u>DISBURSEMENTS/ EXPENDITURES</u>
Title IIID Disease Prevention and Health Promotion Services	93.043			AAA-3-24-003	(21,259)
Title IIID Disease Prevention and Health Promotion Services	93.043			AAA-3-24-003	10,669
Supportive Services Title IIIB	93.044			AAA-3-24-003	496,318
Supportive Services Title IIIB	93.044			AAA-3-24-003	(63,766)
Supportive Services Title IIIB	93.044			AAA-3-24-003	740,390
Supportive Services Title IIIB (Administration)	93.044			AAA-3-24-003	710
Supportive Services Title IIIB FY2012	93.044			AAA-3-24-003	25,571
Elderly Nutrition Title IIIC-1 FY2014	93.045			AAA-3-24-003	178,640
Elderly Nutrition Title IIIC-1 FY2015	93.045			AAA-3-24-003	1,193,382
Home Delivered Meals Title IIIC-2 FY2014	93.045			AAA-3-24-003	260,447
Home Delivered Meals Title IIIC-2 FY2015	93.045			AAA-3-24-003	670,324
Older Americans Act Title IIIE FY2012	93.052			AAA-3-24-003	415
Older Americans Act Title IIIE FY2013	93.052			AAA-3-24-003	9,805
Older Americans Act Title IIIE FY2014	93.052			AAA-3-24-003	218,245
Older Americans Act Title IIIE FY2015	93.052			AAA-3-24-003	271,817
Nutrition Services Incentive Program (NSIP)	93.053				339,792
Senior Health Insurance Program (SHIP) FY2010	93.324			ST-2515-003	4,332
Senior Health Insurance Program (SHIP) FY2014	93.324			ST-2515-003	14,941
Senior Health Insurance Program (SHIP) FY2015	93.324			ST-2515-003	41,412
<b>TOTAL MARYLAND STATE DEPARTMENT OF AGING</b>					<b>\$4,498,091</b>
<b>MARYLAND STATE DEPARTMENT OF THE ENVIRONMENT</b>					
Community Bases Childhood Lead Poisoning	93.197				250,420
Community Bases Childhood Lead Poisoning	93.197		5 H64 EH0001374	U00P2400856	382,373
Community Bases Childhood Lead Poisoning	93.197		5 H64 EH0001374	U00P2400856	(112,560)

**CITY OF BALTIMORE - SINGLE AUDIT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FISCAL YEAR ENDED JUNE 30, 2015**

<u>FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE</u>	<u>FEDERAL CFDA NUMBER (4)</u>	<u>ARRA (5)</u>	<u>FEDERAL IDENTIFICATION NUMBER (3)</u>	<u>STATE GRANT IDENTIFICATION NUMBER</u>	<u>DISBURSEMENTS/ EXPENDITURES</u>
Community Bases Childhood Lead Poisoning	93.197		5 H64 EH0001374		10,317
TOTAL MARYLAND STATE DEPARTMENT OF THE ENVIRONMENT					\$530,550
MARYLAND STATE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT					
Community Services Block Grant FY2010	93.569		G10-B1-MD-COSR	S00P1400074-A	20,055
Community Services Block Grant FY2011	93.569		G11-B1-MD-COSR	S00P1400272-A	87
Community Services Block Grant FY2012	93.569		G12-B1-MD-COSR	S00P3400258-A	16,371
Community Services Block Grant FY2013	93.569		G13-B1-MD-COSR	S00P3400283-A	435,110
Community Services Block Grant FY2014	93.569		G14-B1-MD-COSR	S00P4400271-A	1,541,969
Community Services Block Grant FY2015	93.569		G15-B1-MD-COSR		540,364
Community Service Block Grant	93.710		B08-MC-24-0010		1,319
TOTAL MARYLAND STATE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT					\$2,555,275
BEHAVIORAL HEALTH SYSTEMS BALTIMORE					
Alcohol Assessment Unit FY2013	93.959		ABG-5404-13		958
Alcohol Assessment Unit FY2014	93.959		ABG-5404-14		15,503
Alcohol Assessment Unit FY2015	93.959				450,207
Forensic Alternative Services Team (FAST)	93.959			SB20A	(3,946)
Forensic Alternative Services Team (FAST)	93.959				560,472
TOTAL BEHAVIORAL HEALTH SYSTEMS BALTIMORE					\$1,023,194
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES					\$61,012,588
CORPORATION FOR NATIONAL & COMMUNITY SERVICE					
DIRECT GRANTS					
Retired and Senior Volunteer Program FY2012	94.002		09-SRA-MD-005		202
Retired and Senior Volunteer Program FY2013	94.002		12-SRA-MD-007		(47,123)

**CITY OF BALTIMORE - SINGLE AUDIT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FISCAL YEAR ENDED JUNE 30, 2015**

<u>FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE</u>	<u>FEDERAL CFDA NUMBER (4)</u>	<u>ARRA (5)</u>	<u>FEDERAL IDENTIFICATION NUMBER (3)</u>	<u>STATE GRANT IDENTIFICATION NUMBER</u>	<u>DISBURSEMENTS/ EXPENDITURES</u>
Retired and Senior Volunteer Program FY2014	94.002		12-SRA-MD-007		201,595
Retired and Senior Volunteer Program FY2014	94.002		12-SRA-MD-007		45,733
Senior Companion Program FY2011	94.016		09-SCA-MD-001		(184,532)
Senior Companion Program FY2012	94.016		09-SCA-MD-001		(73)
Senior Companion Program FY2013	94.016		12-SCA-MD-002		(22,952)
Senior Companion Program FY2014	94.016		12-SCA-MD-002		219,461
Senior Companion Program FY2015	94.016		12-SCA-MD-002		356,015
TOTAL DIRECT GRANTS					<u>\$568,326</u>
TOTAL CORPORATION FOR NATIONAL & COMMUNITY SERVICE					<u>\$568,326</u>
EXECUTIVE OFFICE OF THE PRESIDENT					
DIRECT GRANTS					
High Intensity Drug Trafficking Area (HIDTA)	95.001		G12WB0001A		54,798
High Intensity Drug Trafficking Areas (HIDTA)	95.001				(52,242)
High Intensity Drug Trafficking Areas (HIDTA)	95.001				101,603
TOTAL DIRECT GRANTS					<u>\$104,159</u>
TOTAL EXECUTIVE OFFICE OF THE PRESIDENT					
DEPARTMENT OF HOMELAND SECURITY					
DIRECT GRANTS					
Fire Act Grant-Fire Prev&Safety-Smoke Alarms	97.044		EMW-2011-FP-01194		50,514
Fire Act Grant-Fire Prev&Safety-Smoke Alarms	97.044		EMW-2012-FP-00721		23,556
FY2011 Citizen Corps Program (CCP)	97.053		EMW-2011-SS-00044-S01		907
Port Security Program FY2011	97.056		EMW-2011-PU-K000002-S01		10,843
Port Security V - Homeland Security	97.056		2005-GB-T5-0093		5,557



**CITY OF BALTIMORE - SINGLE AUDIT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FISCAL YEAR ENDED JUNE 30, 2015**

<u>FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE</u>	<u>FEDERAL CFDA NUMBER (4)</u>	<u>ARRA (5)</u>	<u>FEDERAL IDENTIFICATION NUMBER (3)</u>	<u>STATE GRANT IDENTIFICATION NUMBER</u>	<u>DISBURSEMENTS/ EXPENDITURES</u>
Homeland Security Grant Prg	97.067				52,036
Homeland Security Grant Program FY2006	97.067		2006-GE-T6-0006		4,720
TOTAL DIRECT GRANTS					<u>\$148,133</u>
MARYLAND EMERGENCY MANAGEMENT AGENCY					
FY2011 Urban Area Security Initiative (UASI)	97.008		EMW-2011-SS-00044-S01		77,326
FY2013 Urban Area Security Initiative (UASI)	97.008				1,070,721
FY2014 Urban Area Security Initiative (UASI)	97.008				113,457
FY2015 Urban Area Security Initiative (UASI)	97.008				548
UASI FY2012	97.008		EMW-2012-SS-00002-S01		354,044
Homeland Security Grant Program FY2007	97.067		2007-GE-T7-0040		2,354
FY2010 Metropolitan Medical Response System (MMRS)	97.071		2010-SS-TO-0025		(959)
MMRS (Metropolitan Medical Response System) FY2011	97.071		EMW-2011-SS-00044-S01		8,872
State Homeland Security Grant Program	97.073				1,644
State Homeland Security Grant Program FY2011	97.073		EMW-2011-SS-00044-S01		191,104
State Homeland Security Program (SHSP)	97.073				548
State Homeland Security Program (SHSP)	97.073				(18,248)
State Homeland Security Program (SHSP) FY2009	97.073		2009-SS-T9-0080		34,350
State Homeland Security Program (SHSP) FY2010	97.073		2010-SS-T0-0025		8,332
Buffer Zone Protection Program FY2010	97.078		2010-BF-TO-0035		4,190
TOTAL MARYLAND EMERGENCY MANAGEMENT AGENCY					<u>\$1,848,283</u>
TOTAL DEPARTMENT OF HOMELAND SECURITY					<u>\$1,996,416</u>
TOTAL EXPENDITURE OF FEDERAL AWARDS					<u><u>\$204,719,141</u></u>

**CITY OF BALTIMORE - SINGLE AUDIT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SUMMARY BY FEDERAL PROGRAM)  
FISCAL YEAR ENDED JUNE 30, 2015**

<u>FEDERAL GRANTOR</u>	<u>FEDERAL PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER (5)</u>	<u>DISBURSE- MENTS/ EXPENDI- TURES</u>	<u>PAYMENTS MADE TO SUBRE- CIPIENTS</u>
DEPARTMENT OF AGRICULTURE	Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$2,321,603	
DEPARTMENT OF AGRICULTURE	Child and Adult Care Food Program	10.558	3,827	
DEPARTMENT OF AGRICULTURE	Summer Food Service Program for Children	10.559	817,298	
DEPARTMENT OF AGRICULTURE	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	275,075	
DEPARTMENT OF COMMERCE	MBDA Business Center	11.805	290,185	
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	Multifamily Property Disposition	14.199	900,520	
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	Community Development Block Grants/Entitlement Grants	14.218	19,418,161	4,670,420
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	Office of Community Planning and Development	14.227	292,124	
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	Emergency Solutions Grant Program	14.231	1,448,355	1,355,712
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	Supportive Housing Program	14.235	9,218,154	9,218,154
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	Shelter Plus Care	14.238	10,716,906	8,995,205
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	HOME Investment Partnerships Program	14.239	4,633,133	
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	Housing Opportunities for Persons With AIDS	14.241	10,664,141	5,206,398
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	Community Development Block Grants/Brownfields Economic Development Initiative	14.246	590,789	
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	Economic Development Initiative-Special Project, Neighborhood Initiative and Miscellaneous Grant	14.251	44,466	
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	Lead Hazard Reduction Demonstration Grant Program	14.905	1,672,013	
DEPARTMENT OF JUSTICE	Juvenile Accountability Incentive Block Grants	16.523	172,457	
DEPARTMENT OF JUSTICE	Supervised Visitation, Safe Havens for Children	16.527	139,278	
DEPARTMENT OF JUSTICE	Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	(54,055)	
DEPARTMENT OF JUSTICE	Developing, Testing and Demonstrating Promising New Programs	16.541	150,750	
DEPARTMENT OF JUSTICE	Crime Victim Assistance	16.575	197,365	39,514
DEPARTMENT OF JUSTICE	Byrne Formula Grant Program	16.579	1,766	
DEPARTMENT OF JUSTICE	Edward Byrne Memorial State & Local Law Enforcement Assistance Discretionary Grants Program	16.580	4,952	
DEPARTMENT OF JUSTICE	Drug Court Discretionary Grant Program	16.585	163,916	65,913
DEPARTMENT OF JUSTICE	Violence Against Women Formula Grants	16.588	224,039	20,001
DEPARTMENT OF JUSTICE	Grants to Encourage Arrest Policies and Enforcement of Protection Orders	16.590	(1,445)	
DEPARTMENT OF JUSTICE	Community Capacity Development Office	16.595	4,772	
DEPARTMENT OF JUSTICE	Public Safety Partnership and Community Policing Grants	16.710	187,262	
DEPARTMENT OF JUSTICE	Edward Byrne Memorial Justice Assistance Grant Program	16.738	1,129,904	115,252
DEPARTMENT OF JUSTICE	Forensic DNA Capacity Enhancement Program	16.741	1,603,009	
DEPARTMENT OF JUSTICE	Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	32,897	

**CITY OF BALTIMORE - SINGLE AUDIT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SUMMARY BY FEDERAL PROGRAM)  
FISCAL YEAR ENDED JUNE 30, 2015**

<u>FEDERAL GRANTOR</u>	<u>FEDERAL PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER (5)</u>	<u>DISBURSE- MENTS/ EXPENDI- TURES</u>	<u>PAYMENTS MADE TO SUBRE- CIPIENTS</u>
DEPARTMENT OF JUSTICE	Congressionally Recommended Awards	16.753	19,014	
DEPARTMENT OF JUSTICE	Byrne Criminal Justice Innovation Program	16.817	261,037	
DEPARTMENT OF JUSTICE	National Forum on Youth Violence Prevention	16.819	2,534	
DEPARTMENT OF JUSTICE	Postconviction Testing of DNA Evidence to Exonerate the Innocent	16.820	12,967	
DEPARTMENT OF JUSTICE	Equitable Sharing Program	16.922	1,510,200	
DEPARTMENT OF LABOR	Employment Service	17.207	213,929	
DEPARTMENT OF LABOR	Senior Community Service Employment Program	17.235	16,118	
DEPARTMENT OF LABOR	Workforce Investment Act Adult Program	17.258	3,300,158	167,551
DEPARTMENT OF LABOR	Workforce Investment Act Youth Activities	17.259	2,586,005	387,309
DEPARTMENT OF LABOR	WIA Pilots, Demonstrations, and Research Projects	17.261	631	
DEPARTMENT OF LABOR	Youth Opportunity Grants	17.263	5,784	
DEPARTMENT OF LABOR	Reintegration of Ex-Offenders	17.270	(14,943)	
DEPARTMENT OF LABOR	Youthbuild	17.274	49,646	
DEPARTMENT OF LABOR	Workforce Investment Act (WIA) National Emergency Grants	17.277	(33,071)	
DEPARTMENT OF LABOR	WIA Dislocated Worker Formula Grants	17.278	957,566	35,753
DEPARTMENT OF LABOR	Workforce Innovation Fund	17.283	170,787	
DEPARTMENT OF TRANSPORTATION	Highway Planning and Construction	20.205	56,406,002	125,367
DEPARTMENT OF TRANSPORTATION	High Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants	20.319	93,099	
DEPARTMENT OF TRANSPORTATION	Federal Transit - Capital Investment Grants	20.500	1,397,340	
DEPARTMENT OF TRANSPORTATION	Federal Transit - Metropolitan Planning Grants	20.505	57,705	
DEPARTMENT OF TRANSPORTATION	Federal Transit - Formula Grants	20.507	109,129	
DEPARTMENT OF TRANSPORTATION	State and Community Highway Safety	20.600	65,755	
DEPARTMENT OF TRANSPORTATION	Safety Belt Performance Grants	20.609	67,807	
DEPARTMENT OF TRANSPORTATION	Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	8,468	
ENVIRONMENTAL PROTECTION AGENCY	Surveys, Studies, Invest., Demon. & Spec. Purpose Activities Relating to the Clean Air Act	66.034	11,381	11,381
ENVIRONMENTAL PROTECTION AGENCY	Capitalization Grants for Clean Water State Revolving Funds	66.458	4,320,459	
ENVIRONMENTAL PROTECTION AGENCY	Research, Development, Monitoring, Public Education, Training, Demonstrations, and Studies	66.716	(5,279)	
DEPARTMENT OF ENERGY	Weatherization Assistance for Low-Income Persons	81.042	(17,935)	
DEPARTMENT OF ENERGY	Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	45	
DEPARTMENT OF EDUCATION	Special Education - Grants to States	84.027	426,715	334,472
DEPARTMENT OF EDUCATION	Special Education - Preschool Grants	84.173	19,967	8,333

**CITY OF BALTIMORE - SINGLE AUDIT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SUMMARY BY FEDERAL PROGRAM)  
FISCAL YEAR ENDED JUNE 30, 2015**

<u>FEDERAL GRANTOR</u>	<u>FEDERAL PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER (5)</u>	<u>DISBURSE- MENTS/ EXPENDI- TURES</u>	<u>PAYMENTS MADE TO SUBRE- CIPIENTS</u>
DEPARTMENT OF EDUCATION	Special Education - Grants for Infants and Families with Disabilities	84.181	1,755,015	619,494
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Special Programs for the Aging-Title VII, Chapter 2 - Long Term Care	93.042	75,890	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Special Programs for the Aging-Title III, Part F - Disease Prevention and Health Promotion Services	93.043	19,426	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Special Programs for the Aging-Title III, Part B - Grants for Supportive Services & Senior Centers	93.044	1,199,223	429,616
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Special Programs for the Aging-Title III, Part C - Nutrition Services	93.045	2,302,793	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	National Family Caregiver Support	93.052	500,282	27,908
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Nutrition Services Incentive Program	93.053	339,792	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Innovations in Applied Public Health Research	93.061	(81,322)	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Public Health Emergency Preparedness	93.069	544,684	73,033
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Environmental Public Health and Emergency Response	93.070	170,381	65,075
DEPARTMENT OF HEALTH AND HUMAN SERVICES	ACA - Personal Responsibility Education Program	93.092	360,322	247,522
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	275,644	118,517
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153	355,907	355,907
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Childhood Lead Poisoning Prevention Projects	93.197	530,550	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Family Planning Services	93.217	1,111,816	205,654
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Consolidated Health Centers	93.224	48	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	175,362	159,366
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Immunization Grants	93.268 (6)	1,405,079	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	21,137	19,542
DEPARTMENT OF HEALTH AND HUMAN SERVICES	State Health Insurance Assistance Program	93.324	60,685	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	1,012,910	819,240
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Affordable Care Act (ACA): Human Immunodeficiency Virus (HIV) Preventn and Public Hlth Fd A	93.523	(91,216)	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Child Support Enforcement	93.563	193,223	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Low-Income Home Energy Assistance	93.568	4,221,013	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Community Services Block Grant	93.569	2,553,956	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Head Start	93.600	9,021,854	7,717,989
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Community Services Block Grant - ARRA	93.710	1,319	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Preventive Health and Health Services Block Grant	93.758	74,251	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	State Children's Insurance Program	93.767	761,963	722,541
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Medical Assistance Program	93.778	7,942,419	1,521,331
DEPARTMENT OF HEALTH AND HUMAN SERVICES	HIV Emergency Relief Project Grants	93.914	14,119,029	12,358,215

**CITY OF BALTIMORE - SINGLE AUDIT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SUMMARY BY FEDERAL PROGRAM)  
FISCAL YEAR ENDED JUNE 30, 2015**

<u>FEDERAL GRANTOR</u>	<u>FEDERAL PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER (5)</u>	<u>DISBURSE- MENTS/ EXPENDI- TURES</u>	<u>PAYMENTS MADE TO SUBRE- CIPIENTS</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES	HIV Care Formula Grants	93.917	2,654,652	2,303,826
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Healthy Start Initiative	93.926	11,578	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	HIV Prevention Activities - Health Department Based	93.940	5,471,704	2,395,990
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Epidemiologic Research Studies of AIDS and HIV	93.943	(42,650)	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveill	93.944	28,370	11,651
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Block Grants for Prevention and Treatment of Substance Abuse	93.959	1,023,194	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Family Planning - Service Delivery Improvement Research Grants	93.974	387	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Preventive Health Services - Sexually Transmitted Diseases Control Grants	93.977	1,235,767	710,615
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Preventive Health Services - Sexually Transmitted Diseases Research and Demonstrations	93.978	33,877	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Preventive Health and Health Services Block Grant	93.991	22,179	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Maternal and Child Health Services Block Grant to the States	93.994	1,395,110	18,422
CORPORATION FOR NATIONAL & COMMUNITY SERVICE	Retired and Senior Volunteer Program	94.002	200,407	
CORPORATION FOR NATIONAL & COMMUNITY SERVICE	Senior Companion Program	94.016	367,919	
EXECUTIVE OFFICE OF THE PRESIDENT	High Intensity Drug Trafficking Areas	95.001	104,159	
DEPARTMENT OF HOMELAND SECURITY	Urban Areas Security Initiative	97.008	1,616,096	
DEPARTMENT OF HOMELAND SECURITY	Assistance to Firefighters Grant	97.044	74,070	
DEPARTMENT OF HOMELAND SECURITY	Citizen Corps	97.053	907	
DEPARTMENT OF HOMELAND SECURITY	Port Security Grant Program	97.056	16,400	
DEPARTMENT OF HOMELAND SECURITY	Homeland Security Grant Program	97.067	59,110	
DEPARTMENT OF HOMELAND SECURITY	Metropolitan Medical Response System	97.071	7,913	
DEPARTMENT OF HOMELAND SECURITY	State Homeland Security Program (SHSP)	97.073	217,730	
DEPARTMENT OF HOMELAND SECURITY	Buffer Zone Protection Plan (BZPP)	97.078	4,190	
TOTAL ALL PROGRAMS			\$204,719,141	\$61,658,189

**CITY OF BALTIMORE - SINGLE AUDIT**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FISCAL YEAR ENDED JUNE 30, 2015**

1. We have defined Active Federal Financial Assistance as follows:

Active Operating Grant - Any operating grant having current fiscal year 2015 expenditures.

Active Project Grant - Any project grant having current fiscal year 2015 expenditures.

Other Financial Assistance - Any contract, loan, loan guarantee, property, cooperative agreement, interest subsidy, insurance or direct appropriation having current fiscal year 2015 disbursements.

2. Our Federal Financial Assistance sample plan is as follows (dollar threshold to distinguish between Type A and Type B programs is \$3,000,000) :

	<u>Federal CFDA Number</u>	<u>Federal Program Title</u>	<u>Number of Grant Accounts</u>	<u>Current Expenditures Per Accounting Records</u>
Total Schedule			<u>594</u>	<u>\$204,719,141</u>
	14.218/253/254	Community Development Block Grants/Entitlement Grants	15	19,418,161
	14.235	Supportive Housing Program	8	9,218,154
	14.238	Shelter Plus Care	7	10,716,906
	14.239	HOME Investment Partnerships Program	17	4,633,133
	14.241	Housing Opportunities for Persons With AIDS	11	10,664,141
	17.258/59/60/78	Workforce Investment Act Adult Program, Youth Activities, and Dislocated Workers	24	6,843,729
	20.205	Highway Planning and Construction	90	56,406,002
	66.458	Capitalization Grants for Clean Water State Revolving Funds	7	4,320,459
	93.044/045/053	Special Programs for the Aging - Title III, Parts B & C, and Nutrition Services Incentive Prg	10	3,841,808
	93.568	Low-Income Home Energy Assistance	9	4,221,013
	93.600	Head Start	12	9,021,854
	93.778	Medical Assistance Program	13	7,942,419
	93.914	HIV Emergency Relief Project Grants	12	14,119,029
	93.917	HIV Care Formula Grants	3	2,654,652
	93.940	HIV Prevention Activities - Health Department Based	11	5,471,704
Total Audit Coverage			<u>249</u>	<u>\$169,493,164</u>
Percent of Total Schedule			<u>41.9%</u>	<u>82.8%</u>

**CITY OF BALTIMORE - SINGLE AUDIT**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FISCAL YEAR ENDED JUNE 30, 2015**

3. In those instances where federal grant identification is not shown, it is because this information could not be determined.
4. Federal CFDA numbers were updated to reflect revisions as of the 2015 Edition of the Catalog of Federal Domestic Assistance.
5. The items marked with a "Y" in this column were funded with American Recovery and Reinvestment Act (ARRA) funds.
6. The Baltimore City Immunization Program (CFDA Number 93.268) includes the value of vaccines distributed to the City from the Maryland State Department of Health and Mental Hygiene.

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PART IV

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133

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**Auditor's Report on Compliance for Each Major Federal  
Program and on Internal Control Over Compliance  
Required by OMB Circular A-133**

Independent Auditor's Report

Honorable Joan M. Pratt, Comptroller  
And Other Members of the  
Board of Estimates of the  
City of Baltimore

**Report on Compliance for Each Major Federal Program**

We have audited the compliance of the City of Baltimore, Maryland, with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015. The City of Baltimore, Maryland's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The City of Baltimore, Maryland's basic financial statements include the operations of the Enoch Pratt Free Library (EPFL). The EPFL incurred \$214,800 in federal expenditures during the year ended June 30, 2015. Our audit, described below, did not include the operations of the EPFL because they are subject to a separate audit in accordance with Federal and State requirements.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City of Baltimore, Maryland's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of

Baltimore, Maryland's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Baltimore, Maryland's compliance.

***Basis for Qualified Opinion on the Low-Income Home Energy Assistance Program***

As described in the accompanying schedule of findings and questioned costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the City of Baltimore, Maryland with CFDA 93.568, Low-Income Home Energy Assistance Program in finding number 2015-013 for Allowable Costs. Consequently we were unable to determine whether the City of Baltimore, Maryland complied with that requirement applicable to the program.

***Qualified Opinion on the Low-Income Home Energy Assistance Program***

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the City of Baltimore, Maryland complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Low-Income Home Energy Assistance Program for the year ended June 30, 2015.

***Unmodified Opinion on Each of the Other Major Federal Programs***

In our opinion, the City of Baltimore, Maryland complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2015.

***Other Matters***

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2015-001 through 2015-012 and 2015-014 through 2015-018. Our opinion on each major federal program is not modified with respect to these matters.

The City of Baltimore, Maryland's response to the noncompliance findings identified in our audit are described in the accompanying Corrective Action Plan on Current Audit Findings in Part VII of this report. The City of Baltimore, Maryland's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **Report on Internal Control Over Compliance**

The management of the City of Baltimore, Maryland is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Baltimore, Maryland's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Baltimore, Maryland's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2015-013 to be a material weakness.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2015-001 to be a significant deficiency.

The City of Baltimore, Maryland's responses to the internal control over compliance findings identified in our audit are described in the accompanying Corrective Action Plan on Current Audit Findings in Part VII of this report. The City of Baltimore, Maryland's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the

requirements of OMB Circular A-133. Accordingly this report is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Robert L. McCarty, Jr.", written in a cursive style.

Robert L. McCarty, Jr., CPA  
City Auditor

April 21, 2017

PART V

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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CITY OF BALTIMORE, MARYLAND  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED JUNE 30, 2015

TABLE OF CONTENTS

		<u>Page (s)</u>
	<u>SECTION I – SUMMARY OF AUDITORS’ RESULTS</u>	1-3
	<u>SECTION II – FINANCIAL STATEMENT FINDINGS</u>	3a
	<u>SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS</u>	
2015-001	Unallowable Costs and Other Issues Related to OMB A-133 Compliance Requirements A and B, and Non-Competitively Bid Contracts	4-6
2015-002	Financial Reports Were Not Supported by the Underlying Accounting Records	7-8
2015-003	Obligations Incurred Were Not Liquidated Within 90 Days of the End of the Funding Period	9
2015-004	Financial Reports Were Not Submitted Timely	10-11
2015-005	Monitoring Was Not Adequately Performed and Review Was Not Performed for Debarred and Suspended Parties	12
2015-006	Noncompliance with Level of Effort Requirements – Quality Control Management	13
2015-007	Unable to Determine Compliance with Level of Effort Requirements for Grant Funds Spent for Each Individual Population of Women, Infants, Children and Youth (WICY)	14
2015-008	Earmarking – Commingled Costs	15
2015-009	Misclassified Grant Revenue and Program Income and Inadequate Controls over Receipt of Program Income	16-17
2015-010	Unallowable Costs Due to Duplication of Transactions	18
2015-011	Financial Reports Were Not Submitted Timely	19-21
2015-012	Financial Reports Were NOT Supported by the Underlying Accounting Records	22-23
2015-013	Missing Folders, Errors and Omissions; Unsupported Payroll Costs; and Internal Control Weaknesses	24-27

CITY OF BALTIMORE, MARYLAND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2014  
(Continued)

2015-014	Monitoring Was Not Adequately Performed	28
2015-015	Drawdowns of Grant Funds Exceeded Program Expenditures	29
2015-016	Unallowable Payroll Costs Charged to the Program	30
2015-017	Underbillings of \$913 for Airspace Rental	31
2015-018	Procurement Procedures Were Not Followed	32-33

CITY OF BALTIMORE, MARYLAND  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED JUNE 30, 2015

Section I - Summary of Auditors' Results

**Part I - Comprehensive Annual Financial Report**

Type of auditors' report issued:

Adverse on Aggregate  
Discretely Presented  
Component Units

Qualified on Grants Revenue  
Fund

Unmodified on Remaining  
Funds

**Part II - Auditors' Report on Internal Control Over Financial Reporting and on Compliance**

Internal control over financial reporting:

Material weaknesses identified?

X  Yes      No

Significant deficiencies identified that are not  
considered to be material weaknesses?

    Yes  X  None reported

Noncompliance material to financial statements noted?

X  Yes      No

**Part III - Supplementary Schedule of Expenditures of Federal Awards**

Type of auditor's report issued:

Unmodified

**Part IV - Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133**

Internal control over major federal programs:

Material weaknesses identified?

X  Yes      No

Significant deficiencies identified that are not  
considered to be material weaknesses?

X  Yes      None reported

CITY OF BALTIMORE, MARYLAND  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED JUNE 30, 2015  
 (Continued)

Type of auditor's report issued on compliance for major federal programs:

Low-Income Home Energy Assistance Program	Qualified
All Other Major Programs	Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?      X   Yes           No

**Part IV - Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133 (continued)**

Identification of major programs:

<u>CFDA Number</u>	<u>Title</u>
14.218/253/254	Community Development Block Grants/Entitlement Grants
14.235	Supportive Housing Program
14.238	Shelter Plus Care
14.239	HOME Investment Partnerships Program
14.241	Housing Opportunities for Persons with AIDS
17.258/259/278	Workforce Investment Act Adult Program, Youth Activities, and Dislocated Worker Formula Grants
20.205	Highway Planning and Construction
66.458	Capitalization Grants for Clean Water State Revolving Funds
93.044/045/053	Special Programs for the Aging - Title III, Parts B & C, and Nutrition Services Incentive Program (NSIP)
93.568	Low-Income Home Energy Assistance Program
93.600	Head Start
93.778	Medical Assistance Program
93.914	HIV Emergency Relief Project Grants
93.917	HIV Care Formula Grants
93.940	HIV Prevention Activities

CITY OF BALTIMORE, MARYLAND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015  
(Continued)

Dollar threshold used to distinguish between Type A and Type B  
programs:

\$3,000,000

Auditee qualified as low-risk auditee?

Yes  No

CITY OF BALTIMORE, MARYLAND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015

Section II – Financial Statement Findings

The Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*, included in Part II of this Single Audit, identifies two material weaknesses related to internal control over financial reporting. The two findings identified below are fully described in Part II presented earlier in this audit report.

Findings considered to be material weaknesses:

2015-01 - Lack of Controls over Financial Statement Preparation

2015-02 - Lack of Controls over Accounting for the Grants Fund

CITY OF BALTIMORE, MARYLAND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015

Section III – Federal Award Findings and Questioned Costs

The following findings are grouped by the City agency that administers the Federal major programs.

Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program

**Baltimore City Health Department**

**Finding #:** 2015-001  
**CFDA #:** 93.044/045/053, 93.917, 93.940  
**Program Titles:** Special Programs for the Aging – Title III, Parts B & C, and Nutrition Services Incentive Program  
HIV Care Formula Grants  
HIV Prevention  
**Federal Agency:** Department of Health and Human Services  
**Federal Award #:** Various  
**Pass-Through:** Various

Unallowable Costs and Other Issues Related to OMB A-133 Compliance Requirements A and B, and Non-Competitively Bid Contracts

The Office of Management and Budget Circular A-133 requires grantees to validate the accuracy of invoices submitted by vendors, to properly account for grant program expenditure transactions, to charge only allowable costs to grant programs, and to properly administer contracts in accordance with applicable rules and regulations. We noted findings for three Federal programs administered by the Baltimore City Health Department as follows:

The Baltimore City Health Department (BCHD) administered federal program cluster 93.044/045/053 – Special Programs for the Aging – Title III, Parts B & C, and Nutrition Services Incentive Program (Aging). Our tests of expenditures for this program resulted in the following:

1. BCHD did not establish a sufficient internal control process to validate the accuracy of invoices submitted by vendors for home delivered meals. As a result, invoices totaling approximately \$1.3 million dollars for meals paid for by the program may have been overstated including the possibility that some of the meals may not have been delivered.
2. The February 2015 Germain Holdings LLC (Overlea Caterers) invoice in the amount of \$29,701 included meal charges of \$5,340, an “additional item” charge of \$24,487 and a credit of \$126. BCHD indicated the “additional item” charge was for emergency meals. However the invoice did not specify emergency meals nor was documentation provided to support the \$24,487 charge.

CITY OF BALTIMORE, MARYLAND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015

3. Documentation supporting the final delivery of three touch screen monitors, valued at \$611, to the respective senior centers was not provided. BCHD indicated that the monitors were delivered to the Oliver, Zeta Phi Beta and Waxter Centers. However, documentation to support the final destination of the deliveries and a perpetual inventory record identifying the items' existence and locations were not provided. A packing slip was provided that indicated that all three monitors were delivered to the Zeta Phi Beta Center.
4. An invoice for office furniture valued at \$577 was incorrectly charged to the account number for other professional services.
5. Analysis of the general ledger detail disclosed that BCHD charged fiscal year 2015 Municipal Telephone Exchange (MTE) expenditures totaling \$21,405 to old budget account numbers that should have been closed including fiscal year 2002, 2004 and 2006 account numbers.
6. The Department of Finance processes the pension allocation entries based on the earnings of full-time employees. During a review of journal entries charged to this program, we noted that pension costs of \$877 were allocated to this program based upon the earnings of a part-time employee. These pension costs were therefore charged incorrectly to this program.

Therefore, for program cluster 93.044/045/053 (Aging), we recommend that the Baltimore City Health Department:

- Implement an internal control process to validate the accuracy of invoices for the meals program to the number of meals delivered.
- Maintain supporting documentation for all meal charges and, specifically provide support for the \$24,487 in emergency meal charges or return this amount to the grantor.
- Determine the location of the three monitors that were purchased for certain senior centers and prepare entries to a perpetual inventory record that identifies the items and their location.
- Correct the City account charged for the purchase of office furniture in the amount of \$577.
- Correct MTE charges of \$21,405 that were made to old City account numbers. Furthermore, review and correct old account numbers that should be closed and close them.
- Ensure that earnings for only appropriate full-time employees are used in the pension allocation charges made to the accounts of the Aging program. Pension allocation charges should be reviewed periodically to ensure that they are determined correctly.

BCHD administered federal program number 93.917 – HIV Care Formula Grants (Ryan White, Part B). Our tests of expenditures for this program resulted in the following:

7. While performing tests of payroll expenditures, we noted 66.01 hours, valued at \$1,344, that were charged to the Ryan White, Part B grant for an employee that was not assignable or chargeable to this program. Total payroll costs that should not have been assigned to this program for this employee during fiscal year 2015



CITY OF BALTIMORE, MARYLAND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015

amounted to \$59,419. Further review disclosed that BCHD identified the error and corrected its financial reports and prepared a correcting journal entry. However, the correcting entry was not processed through CityDynamics and, accordingly, the City's accounting records have not been corrected.

Therefore, for program number 93.917 (Ryan White, Part B), we recommend that the Baltimore City Health Department:

- Ensure that payroll costs for program employees are charged to the appropriate account numbers. Specifically, correct \$59,419 in payroll costs that were improperly charged to the Ryan White, Part B program that should not have been charged to this program.

BCHD administered federal program number 93.940 – HIV Prevention. Our tests of expenditures for this program resulted in the following:

8. While performing tests of payroll expenditures, we noted 185.34 hours, valued at \$3,473, that were charged to this program for three employees that were not assignable or chargeable to this program. Total payroll costs that should not have been assigned to this program for these employees during fiscal year 2015 amounted to \$133,264. Further review disclosed that BCHD did not identify the error. Therefore, the program's financial reports and the City's accounting records were not corrected.
9. While performing tests of costs associated with disbursement activity, we noted that for three vendors that received City contracts for HIV test kits, a competitive bid process was not used. The City Charter, Article VII, 17(b) states, "The Department shall insure that competitive bidding is used, and competitive pricing is obtained, in purchase of these materials, supplies, equipment and services, to the fullest practicable extent." A competitive bid process was not used for the selection of these three vendors.

Therefore, for program number 93.940 (HIV Prevention), we recommend that the Baltimore City Health Department:

- Ensure that payroll costs for program employees are charged to the appropriate account numbers. Specifically, correct \$133,264 in payroll costs that were improperly charged to the HIV Prevention program for three employees that should not have been charged to this program.
- Procure the HIV test kits through a formal competitive bid process with the assistance of the Bureau of Purchases that solicits bids from multiple qualified vendors.

**Response:**

The Baltimore City Health Department's responses and corrective action plans are included in Part VII – Auditee's Corrective Action Plan on Current Audit Findings.

CITY OF BALTIMORE, MARYLAND  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED JUNE 30, 2015

**Finding #:** 2015-002  
**CFDA #:** 93.044/045/053, 93.778, 93.914, 93.917, 93.940  
**Program Titles:** Special Programs for the Aging – Title III, Parts B & C, and  
 Nutrition Services Incentive Program  
 Medical Assistance Program  
 HIV Emergency Relief Project Grants  
 HIV Care Formula Grants  
 HIV Prevention  
**Federal Agency:** Department of Health and Human Services  
**Federal Award #:** Various  
**Pass-Through:** Various

Financial Reports Were Not Supported by the Underlying Accounting Records

Office of Management and Budget Circular A-133 requires the auditor to determine whether financial reports submitted to account for federal financial assistance contain information that is supported by the accounting records from which the basic financial statements have been prepared.

As part of our audit of each major program, we selected final financial reports for active awards that were submitted during fiscal year 2015 and reviewed and compared those reports to the City’s underlying accounting records. Of those reviewed in programs administered by the Baltimore City Health Department, the following final financial reports could not be reconciled to the City’s accounting records:

<u>PROGRAM TITLE</u>	<u>FEDERAL/ STATE ID NUMBER</u>	<u>REPORT PERIOD</u>	<u>(REV) / EXP REFLECTED ON REPORT</u>	<u>(REV) / EXP PER CITY’S ACCOUNTING RECORDS</u>	<u>(OVER) / UNDER REPORTED</u>
<b><u>CFDA #93.044/045/053</u></b>					
Special Programs for the Aging – Title III, Parts B & C and NSIP	AAA-3-24-003	10/1/13-9/30/14	(3,485,176)	(4,132,677)	647,501
			3,485,175	3,595,867	110,692
<b><u>CFDA #93.914</u></b>					
HIV Emergency Relief Project Grants	11H89HA00017	3/1/13-2/28/14	18,536,710	18,473,106	(63,603)
<b><u>CFDA #93.778</u></b>					
Medical Assistance Program – Administrative Care Coordination	MA 005 EPS	7/1/13-6/30/14	3,225,473	2,781,952	(443,521)
Medical Assistance Program - General Transportation Services		7/1/13-6/30/14	10,299,076	7,575,782	(2,723,294)

CITY OF BALTIMORE, MARYLAND  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED JUNE 30, 2015

<u>PROGRAM TITLE</u>	<u>FEDERAL/ STATE ID NUMBER</u>	<u>REPORT PERIOD</u>	<u>(REV) / EXP REFLECTED ON REPORT</u>	<u>(REV) / EXP PER CITY'S ACCOUNTING RECORDS</u>	<u>(OVER) / UNDER REPORTED</u>
<b>CFDA #93.940</b> HIV Prevention		1/1/13-12/31/13	4,015,193	4,176,083	160,890
		1/1/14-12/31/14	5,070,897	4,409,575	(661,322)
<b>CFDA #93.917</b> HIV Care Formula Grants		7/1/13-6/30/14	4,161,463	4,205,619	(44,156)

We recommend that future federal financial reports be prepared from the City's accounting records and be supported by detailed reconciliations prepared by BCHD that indicate how the reported amounts are supported by the City's accounting records. Furthermore, the differences between the reported amounts and the accounting records should be resolved or the over-reported amounts may need to be returned to the grantor.

**Responses:**

The Baltimore City Health Department's responses and corrective action plans are included in Part VII – Auditee's Corrective Action Plan on Current Audit Findings.

CITY OF BALTIMORE, MARYLAND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015

**Finding #:** 2015-003  
**CFDA #:** 93.778, 93.914, 93.940  
**Program Titles:** Medical Assistance Program  
HIV Emergency Relief Project Grants  
HIV Prevention  
**Federal Agency:** Department of Health and Human Services  
**Federal Award #:** Various  
**Pass-Through:** Various

Obligations Incurred Were Not Liquidated Within 90 Days of the End of the Funding Period

OMB Circular A-133 Compliance Requirement H, Period of Availability, requires that when a funding period is specified, a grantee must liquidate all obligations incurred under the award not later than 90 days after the end of the funding period.

During our audit, we reviewed financial reports that were submitted during fiscal year 2015 that accounted for Federal program transactions. Our review determined that the following major federal programs did not comply with the Period of Availability requirement.

The Baltimore City Health Department administered federal program numbers 93.778 – Medical Assistance Program (MAP); 93.914 – HIV Emergency Relief Project Grants (Ryan White A); and 93.940 – HIV Prevention. For the MAP report submitted during fiscal year 2015, we found reported expenditures in the amount of \$10,680 that were not in compliance with the 90-day liquidation requirement. For the Ryan White A report, we found reported expenditures in the amount of \$989,468 that were not in compliance with the 90-day liquidation requirement. For the HIV Prevention program, two financial reports were submitted during fiscal year 2015. These separate reports were for the fiscal year 2013 and 2014 grant years. The fiscal year 2013 and 2014 grant reports for HIV Prevention included expenditures of \$789,568 and \$792,580, respectively, which were not in compliance with the 90-day liquidation requirement.

We recommend that the Baltimore City Health Department implement internal control procedures such that future grant costs fully comply with the 90-day liquidation requirement. Accordingly, reported expenditures should be comprised of only those program expenditures that have been liquidated within 90 days following the end of the grant period.

**Response:**

The Baltimore City Health Department’s response and corrective action plan are included in Part VII – Auditee’s Corrective Action Plan on Current Audit Findings.

CITY OF BALTIMORE, MARYLAND  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED JUNE 30, 2015

**Finding #:** 2015-004  
**CFDA #:** 93.917, 93.940, 93.778  
**Program Titles:** HIV Care Formula Grants  
 HIV Prevention  
 Medical Assistance Program  
**Federal Agency:** Department of Health and Human Services  
**Federal Award #:** Various  
**Pass-Through:** Various

Financial Reports Were Not Submitted Timely

The Common Rule, Subpart C, Section .41, which has been codified in each Federal agency's regulations, sets forth uniform reporting requirements including the timing, frequency and format of financial reports prepared and submitted by grant recipients. There were final reports as noted below that we audited during fiscal year 2015 that were submitted later than their due date requirement.

The Baltimore City Health Department (BCHD) administered federal program numbers 93.917 – HIV Care Formula Grants, 93.940 - HIV Prevention, and 93.778 - Medical Assistance Program. We found that the following annual financial reports had significant deviations with regard to the timing requirements of their submittal due dates as follows:

<u>PROGRAM TITLE</u>	<u>GRANT PERIOD</u>	<u>REPORT DUE DATE</u>	<u>REPORT SUBMITTAL DATE</u>
<u>CFDA #93.917</u> HIV Care Formula Grants	07/01/13-06/30/14	08/31/14	12/18/14
<u>CFDA #93.940</u> HIV Prevention Program	01/01/14-12/31/14	03/31/15	07/01/15
<u>CFDA #93.778</u> Medical Assistance Program - Transportation	07/01/13-06/30/14	08/31/14	10/23/14

We recommend that BCHD meet future report filing requirements through appropriate staffing and workload scheduling and by enforcing the strict timing requirements of the grant regulations.

CITY OF BALTIMORE, MARYLAND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015

**Response:**

The Baltimore City Health Department's responses and corrective action plans are included in Part VII – Auditee's Corrective Action Plan on Current Audit Findings.

CITY OF BALTIMORE, MARYLAND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015

**Finding #:** 2015-005  
**CFDA #:** 93.914  
**Program Titles:** HIV Emergency Relief Project Grants  
**Federal Agency:** Department of Health and Human Services  
**Federal Award #:** Various  
**Pass-Through:** N/A

Monitoring Was Not Adequately Performed and Review Was Not Performed for Debarred and Suspended Parties

Office of Management and Budget (OMB) Circular A-133 requires grantees to perform monitoring of their subrecipients and to perform a review beforehand such that no debarred or suspended parties are accepted as subrecipients.

The Baltimore City Health Department (BCHD) administered federal program number 93.914, HIV Emergency Relief Project Grants. Our testing disclosed that BCHD did not obtain required Single Audit reports from five of its subrecipients. Additionally, BCHD did not perform a required review beforehand on any of its subrecipients to determine whether any of these parties were debarred or suspended and, accordingly, would not have been eligible for subrecipient status if they were determined as such.

Monitoring of the subrecipients' use of federal awards provides reasonable assurance that the subrecipients administer their federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements, and that performance goals are achieved.

We recommend that BCHD establish monitoring procedures to comply with OMB Circular A-133 including a determination whether any of their subrecipients were debarred or suspended.

**Response:**

The Baltimore City Health Department's response and corrective action plan are included in Part VII – Auditee's Corrective Action Plan on Current Audit Findings.

CITY OF BALTIMORE, MARYLAND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015

**Finding #:** 2015-006  
**CFDA #:** 93.914  
**Program Titles:** HIV Emergency Relief Project Grants  
**Federal Agency:** Department of Health and Human Services  
**Federal Award #:** Various  
**Pass-Through:** None

Noncompliance with Level of Effort Requirements – Quality Control Management

Office of Management and Budget (OMB) Circular A-133 level of effort guidelines require HIV Emergency Relief Project Grant recipients to expend the lesser of 5% of the amount received under the applicable grant or \$3,000,000 on quality control management (CQM) expenditures.

The Baltimore City Health Department (BCHD) administered federal program number 93.914 – HIV Emergency Relief Project Grants. Our testing of the fiscal year 2013 Women, Infant, Children, and Youth (WICY) financial report under audit disclosed that BCHD reported CQM expenditures of \$960,212, while 5% of the grant amount received amounted to \$923,655. Therefore, the reported CQM amount exceeded the 5% limit by \$36,557 and accordingly, did not comply with the level of effort benchmark for CQM expenditures. Additionally, BCHD did not submit the required narrative to the grantor explaining why the benchmark was exceeded or to request approval for the required waiver to exceed the 5% limitation. Therefore, these costs of \$36,557 are being questioned.

We recommend that the program comply with the limitations related to CQM expenditures. Furthermore, BCHD should determine what actions, if any, are necessary to satisfy the grantor for exceeding the CQM expenditure limitation, including resolution of the \$36,557 in questioned costs.

**Response:**

The Baltimore City Health Department’s response and corrective action plan are included in Part VII – Auditee’s Corrective Action Plan on Current Audit Findings.



CITY OF BALTIMORE, MARYLAND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015

**Finding #:** 2015-007  
**CFDA #:** 93.914  
**Program Titles:** HIV Emergency Relief Project Grants  
**Federal Agency:** Department of Health and Human Services  
**Federal Award #:** Various  
**Pass-Through:** None

Unable to Determine Compliance with Level of Effort Requirements for Grant Funds Spent for Each Individual Population of Women, Infants, Children, and Youth (WICY)

Office of Management and Budget (OMB) Circular A-133 level of effort guidelines require HIV Emergency Relief Project Grant recipients to expend certain minimum percentages of grant funds for each individual population of women (34.31%), infants (0.01%), children (0.34%), and youth (4.19%).

The Baltimore City Health Department (BCHD) administered federal program number 93.914 – HIV Emergency Relief Project Grants. Our testing disclosed that BCHD could not support the following reported WICY amounts for fiscal year 2013: Part A, line 12 - Women (\$5,553,358), Infants (\$8,972), Children (\$66,671), and Youth (\$351,315); and Part D, line 17 - Women (\$503,498), Children (\$268,811), and Youth (\$100,577). Accordingly, since BCHD did not provide support for the reported amounts, we are unable to determine whether the program complied with the above noted minimum required level of effort percentages.

We recommend that the program discuss with the grantor what action if any is necessary to satisfy the grantor on this level of effort issue. We further recommend that the program maintain supporting documentation for all future reported WICY expenditures.

**Response:**

The Baltimore City Health Department's response and corrective action plan are included in Part VII – Auditee's Corrective Action Plan on Current Audit Findings.

CITY OF BALTIMORE, MARYLAND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015

**Finding #:** 2015-008  
**CFDA #:** 93.044/045/053  
**Program Title:** Special Programs for the Aging – Title III, Parts B & C, and  
Nutrition Services Incentive Program  
**Federal Agency:** Department of Health and Human Services  
**Federal Award #:** Various  
**Pass-Through:** Maryland Department of Aging

Earmarking – Commingled Costs

Generally accepted accounting principles (GAAP) require that earmarking costs be recorded in separate accounts in the City’s accounting system for each applicable earmarking category.

The Baltimore City Health Department (BCHD) administered federal program cluster 93.044/045/053 – Special Programs for the Aging – Title III, Parts B & C, and Nutrition Services Incentive Program. For fiscal year 2015, BCHD included earmarking costs for legal services, in-home services, and access services in the same account in the City’s accounting system. Costs for each of these earmarking categories should have been accounted for in separate accounts. BCHD should record the costs for legal services, in-home services and access services in the City’s accounting system in their own City account.

We recommend that BCHD record costs in separate accounts for each earmarking cost category.

**Response:**

The Baltimore City Health Department’s response and corrective action plan are included in Part VII – Auditee’s Corrective Action Plan on Current Audit Findings.

CITY OF BALTIMORE, MARYLAND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015

**Finding #:** 2015-009  
**CFDA #:** 93.044/045/053  
**Program Titles:** Special Programs for the Aging – Title III, Parts B & C, and  
Nutrition Services Incentive Program  
**Federal Agency:** Department of Health and Human Services  
**Federal Award #:** Various  
**Pass-Through:** Maryland Department of Aging

Misclassified Grant Revenue and Program Income and Inadequate Controls over Receipt of Program Income

Office of Management and Budget (OMB) Circular A-133 requires that income be recorded accurately in the program's accounting records and that adequate controls exist over the receipt of program income.

The Baltimore City Health Department (BCHD) administered federal program cluster 93.044/045/053 – Special Programs for the Aging – Title III, Parts B & C, and Nutrition Services Incentive Program. The vendors, which oversee the Congregate Meals and the Eating Together programs, remit quarterly program income checks to BCHD. These program income payments are based on client monetary contributions collected by the vendors. These payments and collection reports of the amount submitted are sent by the applicable vendors directly to BCHD program management instead of properly remitting the checks to BCHD's fiscal office for recording and deposit. Program management eventually submits the payments to the BCHD fiscal office. Initially bypassing the independent recording and deposit validation process of the fiscal office could result in checks being intentionally or unintentionally lost or stolen without detection by management.

Furthermore, the program income collected, as noted above, was improperly recorded in the City's accounts. BCHD recorded Title III C-1 and Title III C-2 program income of \$143,722 and \$29,703, respectively, in the related Title III C-1 and Title III C-2 grant revenue accounts instead of the correct program income accounts. Additionally, BCHD improperly recorded Title III C-1 program income amounts of \$31,217 and \$40,305 to the Family Caregivers Revenue account and the Senior Center Other Operating Grant Revenue account, respectively, instead of the program income accounts.

We recommend that BCHD prepare correcting journal entries for the foregoing accounting errors transferring the payments to the proper program income accounts. We also recommend that BCHD record program income in the proper accounts for future similar transactions. Additionally, we recommend that BCHD instruct the Congregate Meals and Eating Together vendors to remit future program income checks to BCHD's fiscal office for recording and deposit while the collection reports can still be submitted to program management.

CITY OF BALTIMORE, MARYLAND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015

**Response:**

The Baltimore City Health Department's response and corrective action plan are included in Part VII – Auditee's Corrective Action Plan on Current Audit Findings.

CITY OF BALTIMORE, MARYLAND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015

**Mayor's Office of Human Services**

**Finding #:** 2015-010  
**CFDA #:** 14.238  
**Program Titles:** Shelter Plus Care  
**Federal Agency:** Department of Housing and Urban Development  
**Federal Award #:** Various  
**Pass-Through:** Various

**Unallowable Costs Due to Duplication of Transactions**

The Office of Management and Budget Circular A-133 requires grantees to validate the accuracy of invoices submitted by vendors, to properly account for grant program expenditure transactions, to charge only allowable costs to grant programs, and to properly administer contracts in accordance with applicable rules and regulations.

The Mayor's Office of Human Services (MOHS) administered federal program number 14.238 - Shelter Plus Care (SPC). In April 2014, MOHS made a payment to one of its providers in the amount of \$56,544.08. In July 2014, MOHS made a journal entry to correct the City account charged for that payment from one year to the next. One month later, however, in August 2014, MOHS made the same correcting journal entry to the same account numbers. Therefore, we are questioning this duplication of entries that has caused misstatements in the affected City accounts.

Therefore, for program number 14.238 (Shelter Plus Care), we recommend that the Mayor's Office of Human Services ensure that only approved and appropriately prepared and reviewed journal entries are charged to this program. Furthermore, MOHS should resolve these questioned costs in the amount of \$56,544.08 through a correcting journal entry.

**Response:**

The Mayor's Office of Human Services' response and corrective action plan are included in Part VII – Auditee's Corrective Action Plan on Current Audit Findings.

CITY OF BALTIMORE, MARYLAND  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED JUNE 30, 2015

**Finding #:** 2015-011  
**CFDA #:** 14.235, 14.238  
**Program Titles:** Supportive Housing Program  
 Shelter Plus Care  
**Federal Agency:** Department of Housing and Urban Development  
**Federal Award #:** Various  
**Pass-Through:** Various

Financial Reports Were Not Submitted Timely

The Common Rule, Subpart C, Section .41, which has been codified in each federal agency’s regulations, sets forth uniform reporting requirements including the timing, frequency and format of financial reports prepared and submitted by grant recipients. There were 60 final reports as noted below that we audited during fiscal year 2015 that were submitted later than their due date requirement.

The Mayor’s Office of Human Services (MOHS) administered federal program numbers 14.235 – Supportive Housing Program and 14.238 - Shelter Care Plus. We found that the following annual progress reports had significant deviations with regard to the timing requirements of their submittal due dates as follows:

<u>PROGRAM TITLE</u>	<u>GRANT NO</u>	<u>REPORT DUE DATE</u>	<u>REPORT SUBMITTAL DATE</u>
<b>CFDA #14.235</b>			
<b>Supporting Housing Prg:</b>			
GEDCO – Harford House	MD0038L3B011205	8/29/14	Not submitted
Marian House – TAMAR PHP	MD0063L3B011205	8/29/14	Not submitted
Project Plase – Scattered Site PHP	MD0068L3B011205	9/30/14	7/7/15
WHC – Calverton Residence PHP	MD0083L3B011205	9/30/14	4/22/15
JHR, Inc. – Lighthouse 2	MD0012L3B011204	10/29/14	4/27/15
WHC – Jenkins House Family Program	MD0013L3B011203	10/29/14	4/27/15
WAR Responsibilities Matter PHP	MD0039L3B011205	10/29/14	9/3/15
GEDCO Shelter Plus Care Case Management	MD0042L3B011205	10/29/14	5/28/15
Women Accepting Responsibility, Inc. PHP	MD0089L3B011205	10/29/14	9/3/15
At Jacob’s Well PHP	MD0018L3B011205	11/29/14	Not submitted
Marian House - PH	MD0051L3B011205	11/29/14	Not submitted
People Encouraging People, Inc. - Samaritan	MD0011L3B011203	12/29/14	8/31/15
MOHS Homeward Bound PHP	MD0022L3B011205	12/29/14	Not submitted
Project PLASE – Medically Fragile THP	MD0066L3B011205	12/29/14	Not submitted
Project PLASE – Medically Fragile SRO	MD0069L3B011205	12/29/14	8/26/15
JHR, Inc. – Lighthouse 1	MD0046L3B011205	12/30/14	6/3/15

**CITY OF BALTIMORE, MARYLAND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

<u>PROGRAM TITLE</u>	<u>GRANT NO</u>	<u>REPORT DUE DATE</u>	<u>REPORT SUBMITTAL DATE</u>
The Salvation Army-Booth House THP	MD0078L3B011205	12/30/14	5/29/15
WHC – Bennett House SRO	MD0082L3B011205	12/30/14	5/15/15
SVdP Home Connections II – Samaritan Project	MD0249L3B011203	12/30/14	5/22/15
MOHS – Homeward Bound Housing First Expansion PHP	MD0253L3B011202	12/30/14	Not Submitted
House of Ruth - THP	MD0044L3B011205	1/30/15	6/25/15
MCVET - THP	MD0055L3B011205	1/30/15	6/24/15
Catholic Charities – Project FRESH Start PHP	MD0030L3B011205	2/28/15	Not submitted
Marian House – Serenity Place PHP	MD0052L3B011205	2/28/15	9/1/15
SVdP Beans and Bread Outreach Center	MD0074L3B011205	2/28/15	Not submitted
SVdP Frederick Ozanam House THP	MD0076L3B011205	2/28/15	6/9/15
HPRP – Legal Service Project	MD0045L3B011205	3/30/15	5/28/15
JHR, Inc. – Carrington House THP	MD0048L3B011205	3/30/15	6/4/15
SVdP Home Connections PHP	MD0077L3B011205	3/30/15	6/9/15
WHC – Scattered Site Housing PHP	MD0084L3B011205	3/30/15	6/9/15
Dayspring Programs PHP	MD0034L3B011205	3/31/15	Not submitted
Dayspring Village - THP	MD0036L3B011205	3/31/15	8/25/15
VOA - Pratt House THP	MD0081L3B011205	3/31/15	7/29/15
WHC – Susanna Wesley House Family - PHP	MD0086L3B011205	3/31/15	6/12/15
Manna House – Soup Plus Project	MD0050L3B011306	4/30/15	6/18/15
Catholic Charities – Project BELIEVE PHP	MD0061L3B011306	4/30/15	Not submitted
YWCA – Druid Heights THP	MD0092L3B011306	4/30/15	6/9/15
Catholic Charities – Christopher Place THP	MD0028L3B011306	5/1/15	Not submitted
Catholic Charities – My Sister’s Place Lodge THP	MD0029L3B011306	5/1/15	8/31/15
Marian House THP	MD0053L3B011306	5/1/15	Not submitted
Mercy Medical Center – Supportive Housing Project	MD0056L3B011306	5/1/15	Not submitted
St. Ambrose formerly Newborn, Inc. – Martha’s Place PHP	MD0058L3B011306	5/1/15	Not submitted
Marian House – TAMAR 2 PHP	MD0060L3B011306	5/30/15	Not submitted
SVdP Cottage Avenue Community THP	MD0075L3B011306	5/30/15	7/29/15
HealthCare Access Maryland, Inc.	MD0020L3B011306	6/29/15	Not submitted
St. Ambrose Housing Aid Center - PHP	MD0071L3B011306	6/30/15	Not submitted

CITY OF BALTIMORE, MARYLAND  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED JUNE 30, 2015

<u>PROGRAM TITLE</u>	<u>GRANT NO</u>	<u>REPORT DUE DATE</u>	<u>REPORT SUBMITTAL DATE</u>
<b>CFDA #14.238</b>			
<b>Shelter Plus Care (S+C):</b>			
AIRS Shelter Plus Care Prg	MD0016L3B011306	6/29/15	Not submitted
MOHS – Housing First S+C	MD0019L3B011306	6/29/15	Not submitted
BMHS-Sponsor-Based S+C	MD0024L3B011306	6/29/15	Not submitted
Dayspring Programs Tenant Based S+C	MD0033L3B011306	6/29/15	Not submitted
GEDCO S+C	MD0043L3B001306	6/29/15	Not submitted
Project PLASE S+C	MD0065L3B011306	6/29/15	Not submitted
St. Ambrose Housing Aid Center – S+C	MD0073L3B011306	5/30/15	Not submitted
Marian House S+C Expansion (formerly Mt. Calvary H.T. S+C	MD0057L3B011205	2/28/15	8/31/15
WHC – Bennett House S+C	MD0088L3B011205	11/15/14	4/30/15
Women Accepting Responsibility, Inc. – S+C	MD0090L3B011205	10/30/14	Not submitted
Marian House – TAMAR S+C	MD0064L3B011205	10/30/14	Not submitted
Dayspring House @ Patterson Park	MD00254C3B011000	10/26/14	8/31/15
War – Responsibility Matters S+C	MD0040L3B011205	9/30/14	Not submitted
MOHS Family SPC	MD00269C3B011100	8/31/14	Not submitted

We recommend that MOHS meet future report filing requirements through appropriate staffing and workload scheduling and by enforcing the strict timing requirements of the grant regulations.

**Response:**

The Mayor’s Office of Human Services responses and corrective action plans are included in Part VII – Auditee’s Corrective Action Plan on Current Audit Findings.



CITY OF BALTIMORE, MARYLAND  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED JUNE 30, 2015

**Finding #:** 2015-012  
**CFDA #:** 14.235, 14.241, 93.600  
**Program Titles:** Supportive Housing Program  
 Housing Opportunities for Persons with AIDS  
 Head Start  
**Federal Agency:** Various  
**Federal Award #:** Various  
**Pass-Through:** Various

Financial Reports Were Not Supported by the Underlying Accounting Records

Office of Management and Budget Circular A-133 requires the auditor to determine whether financial reports submitted to account for federal financial assistance contain information that is supported by the accounting records from which the basic financial statements have been prepared.

As part of our audit of each major program, we selected final financial reports for active awards that were submitted during fiscal year 2015 and reviewed and compared those reports to the City's underlying accounting records. Of those reviewed for the Mayor's Office of Human Services' (MOHS) programs, the following final financial reports could not be reconciled to the City's accounting records:

<u>PROGRAM TITLE</u>	<u>FEDERAL/ STATE ID NUMBER</u>	<u>REPORT PERIOD</u>	<u>(REV) / EXP REFLECTED ON REPORT</u>	<u>(REV) / EXP PER CITY'S ACCOUNTING RECORDS</u>	<u>(OVER) / UNDER REPORTED</u>
<b><u>CFDA #14.235</u></b> Supportive Housing Program	MD084L3B011205	1/1-12/31/14	45,575	35,371	(10,204)
<b><u>CFDA #14.241</u></b> Housing Opportunities for Persons with AIDS (Entitlement) – Admin Costs	MD-H11-F001	7/1/11-6/30/14	255,329	-0-	(255,329)
Housing Opportunities for Persons with AIDS (Competitive) – Admin Costs	MD-H11=0021	3/1/12-2/28/15	34,455	-0-	(34,455)
<b><u>CFDA #93.600</u></b> Head Start Program	03CH0207/49	7/1/13-6/30/14	28,795,455	28,627,916	(167,538)

Additionally, for the Head Start program (CFDA #93.600), we could not reconcile the reported revenue amount of \$28,552,461 to the City's accounting records. MOHS was

CITY OF BALTIMORE, MARYLAND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015

also not able to provide documentation to reconcile the reported revenue amount to the City's accounting records.

We recommend that future federal financial reports be prepared from the City's accounting records and be supported by detailed reconciliations prepared by MOHS that indicate how the reported amounts are supported by the City's accounting records. Furthermore, the differences between the reported amounts and the accounting records noted above should be resolved or the over-reported amounts may need to be returned to the grantor.

**Responses:**

The Mayor's Office of Human Services' responses and corrective action plans are included in Part VII – Auditee's Corrective Action Plan on Current Audit Findings.

CITY OF BALTIMORE, MARYLAND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015

**Finding #:** 2015-013  
**CFDA #:** 93.568  
**Program Title:** Low-Income Home Energy Assistance Program  
**Federal Agency:** Department of Housing and Urban Development  
**Federal Award #:** Various  
**Pass-Through:** Maryland Department of Human Resources

Exceptions Related to (a) Client Eligibility, (b) Payroll Costs and (c) Weaknesses in Internal Controls

The Mayor's Office of Human Services (MOHS) administered federal program number 93.568 – Low Income Home Energy Assistance Program (LIHEAP). During the period under audit, the following findings were noted:

a) Missing Folders and Various Errors and Omissions Were Noted During Our Review of Program Documentation

Office of Management and Budget (OMB) Circular A-133 requires the auditor to determine whether grant benefit recipients were in compliance with the applicable eligibility requirements for this program.

As part of our eligibility testing for fiscal year 2015, we selected a sample of 114 client folders. The amount of benefits paid represented by those 114 client folders was \$69,214.

Twenty-two client folders of the sample of 114 were not provided to us by MOHS. Therefore, we were not able to test those folders for eligibility. The benefit payments represented by those 22 missing folders amounted to \$13,645. Accordingly, we are questioning benefit payments in the amount of \$13,645.

For the 92 remaining folders that we did review, we noted widespread and pervasive errors and omissions in many of them. The total amount of benefit payments represented by these 92 client folders was \$55,569. We found that there were 261 separate instances where information was missing, signatures were omitted, and incorrect data was entered, etc., in this remaining sample of 92 folders. Specifically, we documented fourteen different types of errors or omissions that were in these client folders. The types of errors with the most occurrences included: (a) 23 instances of agency intake forms that were not signed by the agency worker; (b) 81 instances of database information that did not agree with the folder data; and (c) 54 instances in which the certification section of the Energy Assistance Application was missing key information and signatures. Based on the foregoing issues, we are questioning \$15,871 of the \$55,569 total for benefit payments made to clients that included errors or omissions. This amount of \$15,871 is questioned because the benefit amounts paid were based on incorrect or missing data in certain client folders, and accordingly should not have been made.

CITY OF BALTIMORE, MARYLAND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015

Due to the significant number of errors found in the audit and the weak controls over recordkeeping, we are projecting likely questioned costs to the total population of clients. Based on a report generated from the State database of clients, there were 27,619 clients in the City program. Our analysis of the questioned costs, the sample selected, and the total population of clients resulted in a projection of likely questioned costs in the amount of \$5,500,000. We also note that the system in place for determining benefits during our audit exhibited material internal control weaknesses which, if not corrected, could lead to future questioned client payments.

We recommend that MOHS resolve the foregoing known questioned costs of \$29,516 to the satisfaction of the grantor, the U.S. Department of Health and Human Services (HHS). We also recommend that the likely questioned costs of \$5,500,000 be resolved in accordance with the determination of HHS. We further recommend that MOHS institute internal control procedures such that future energy assistance applications are properly processed and completed, benefits awarded are accurately calculated, and awards are made to only qualified individuals.

**b) Unsupported Payroll Costs Were Improperly Charged to the Program**

OMB Circular A-133 requires grantees to maintain a system of internal control that provides reasonable assurance that transactions are properly recorded and accounted for to permit the preparation of reliable financial statements and grant reports. Furthermore, OMB A-87, Section C-3a states, "A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received."

While performing tests of payroll costs, we noted that payroll costs for an employee that was not part of the LIHEAP program was improperly charged to its accounts. Annual payroll costs for this employee which were charged to LIHEAP's accounts amounted to \$36,920. Accordingly, we are questioning these payroll costs of \$36,920.

We recommend that MOHS ensure that only appropriate grant employees are charged to LIHEAP. Additionally, MOHS should prepare a correcting journal entry to credit LIHEAP and charge the appropriate program account for the \$36,920 in questioned costs.

**c) Weaknesses noted in Internal Control Areas**

OMB Circular A-133 and the State of Maryland's agreement with the City require that internal controls be maintained for the proper administration of this grant program and to ensure compliance with applicable requirements. Missing folders, inaccurate client information, weaknesses in segregation of duties and lack of safeguards related to the checking account have contributed to the questioned costs noted previously. The State's OHEP Operations Manual stipulates the procedures to be followed by those administering this program. Failure to follow those procedures resulted in many of the

CITY OF BALTIMORE, MARYLAND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015

errors and omissions found during the audit. Accordingly, we note the following material weaknesses in internal control.

Recordkeeping –

- Client files are prepared by the City’s Office of Home Energy Programs (OHEP) to document the benefit award process and to maintain support for the client’s eligibility determination. These files contain the client application and support for the information provided by the client, such as income, household size, energy usage data, and other information related to any additional household members. Therefore, these file records include key client personal data such as names, addresses, social security numbers, income and other household member data. OHEP did not provide twenty-two client files because they could not be located.
- OHEP did not provide the administrative cost reports for the period from September 2014 through May 2015, nor the oil benefit reports for the period from July 2014 through October 2014. These reports indicate the amount spent for administrative costs and oil benefits.

Cash Management -

- MOHS used a separate bank account to deposit funds to pay client benefits to the many oil vendors used in this program. Grant funds received by the City from the State were subsequently deposited into the separate bank account for expeditious disbursement of benefit payments to certain energy vendors. We noted that there was no check ledger maintained to record activity for the bank account. Therefore, no recorded book balance existed to establish the account balance at any point in time. Accordingly, without an established book balance available, valid bank reconciliations were not performed.
- While the supply of blank checks was maintained in a locked safe, there was no check log maintained detailing the checks that were used, voided, or cleared.

Segregation of Duties -

- The completion of the Energy Assistance Application (EAA) requires at least two staff to complete. An intake person receives the application from the client and reviews it for completeness and accuracy, and that support is provided for the information in it. A certifier approves whether the client is eligible for the benefit and that the provided information supports the application. We noted that many of the applications were not signed by two persons for intake and approval as required. We noted EAAs that only had an intake or certifier signature, or the same person signed as both the intake and certifying official.
- Every check from the bank account requires two signatures which are obtained by using an electronic imprint machine. Before mailing the check payments, the same employee drafts and imprints the checks

CITY OF BALTIMORE, MARYLAND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015

without the official signatories ever viewing the checks or their support. Additionally, the authorizing electronic check signatures for the bank account have not been changed to the appropriate personnel in the new agency, MOHS, from the previous agency, the Department of Housing and Community Development.

**Response:**

The Mayor's Office of Human Services' response and corrective action plan are included in Part VII – Auditee's Corrective Action Plan on Current Audit Findings.

CITY OF BALTIMORE, MARYLAND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015

**Finding #:** 2015-014  
**CFDA #:** 14.235, 14.238, 14.241  
**Program Titles:** Supportive Housing Program  
Shelter Plus Care  
Housing Opportunities for Persons with AIDS  
**Federal Agency:** Department of Housing and Urban Development  
**Federal Award #:** Various  
**Pass-Through:** N/A

Monitoring Was Not Adequately Performed

Office of Management and Budget (OMB) Circular A-133 requires grantees to perform monitoring of their subrecipients.

The Mayor's Office of Human Services (MOHS) administered federal program numbers 14.235 – Supportive Housing Program (SHP), 14.238 - Shelter Plus Care (SPC) and 14.241 – Housing Opportunities for Persons with AIDS (HOPWA). Our review disclosed that MOHS did not perform internal monitoring for three subrecipients under the SHP program and one subrecipient under the HOPWA program during our audit period. Additionally, for two SHP subrecipients where internal monitoring was performed, MOHS did not follow up as required on noted findings. Our testing also disclosed that MOHS did not obtain required Single Audit reports from two of its subrecipients, one under SPC and one under HOPWA.

Monitoring of the subrecipients' use of federal awards provides reasonable assurance that the subrecipients administer their federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements, and that performance goals are achieved.

We recommend that MOHS establish monitoring procedures to comply with OMB Circular A-133 including a monitoring schedule for each of its subrecipients.

**Response:**

The Mayor's Office of Human Services' responses and corrective action plans are included in Part VII – Auditee's Corrective Action Plan on Current Audit Findings.

CITY OF BALTIMORE, MARYLAND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015

**Finding #:** 2015-015  
**CFDA #:** 14.238  
**Program Titles:** Shelter Plus Care  
**Federal Agency:** Various  
**Federal Award #:** Various  
**Pass-Through:** Various

Drawdowns of Grant Funds Exceeded Program Expenditures

The Code of Federal Regulations related to grants management and Office of Management and Budget (OMB) Circular A-133 Compliance Requirement C require that a grantee minimize the time elapsing between the transfer of Federal funds to the grantee for reimbursement of program costs and the grantee's expenditure of those program costs.

The Mayor's Office of Human Services (MOHS) administered federal program number 14.238 – Shelter Plus Care (SPC). For fiscal year 2015, the amount of revenues on record at year end representing drawdowns for SPC exceeded the amount of expenditures recorded for the same period. This condition demonstrates that SHP drawdowns were not based on actual expenditures. At year end expenditures totaled \$10,417,828 while revenues totaled \$11,385,470, a difference of \$967,642.

MOHS should administer this program such that fiscal year transactions do not result in large excesses of grant revenues. We recommend that MOHS establish procedures to review drawdown requests to ensure future compliance with this cash management requirement. Drawdown requests should be based on program expenditures as recorded in the City's accounting records, i.e. CityDynamics.

**Response:**

The Mayor's Office of Human Services' response and corrective action plan are included in Part VII – Auditee's Corrective Action Plan on Current Audit Findings.



CITY OF BALTIMORE, MARYLAND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015

**Department of Housing and Community Development**

**Finding #:** 2015-016  
**CFDA #:** 14.239  
**Program Titles:** HOME Investment Partnerships Program  
**Federal Agency:** Department of Housing and Urban Development  
**Federal Award #:** Various  
**Pass-Through:** Various

**Unallowable Payroll Costs Charged to the Program**

The Office of Management and Budget Circular A-133 requires grantees to validate the accuracy of invoices submitted by vendors, to properly account for grant program expenditure transactions, to charge only allowable costs to grant programs, and to properly administer contracts in accordance with applicable rules and regulations.

The Department of Housing and Community Development (DHCD) administered federal program number 14.239 – HOME Investment Partnerships Program (HOME). The program charged unallowable payroll costs totaling \$12,579 to the HOME grant for two employees who had been terminated and, accordingly, were no longer associated with the HOME program. We are questioning these costs accordingly.

Therefore, for program number 14.239 (HOME), we recommend that the Department of Housing and Community Development ensure that only appropriate payroll costs are charged to this program. Furthermore, DHCD should resolve these questioned costs in the amount of \$12,579.

**Response:**

The Baltimore City Department of Housing and Community Development's response and corrective action plan are included in Part VII – Auditee's Corrective Action Plan on Current Audit Findings.

CITY OF BALTIMORE, MARYLAND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015

**Department of Transportation**

**Finding #:** 2015-017  
**CFDA #:** 20.205  
**Program Title:** Highway Planning and Construction  
**Federal Award #:** Various  
**Pass-Through:** N/A  
**Federal Agency:** Department of Transportation

Underbillings of \$913 for Airspace Rental

City procedures require that billings for services be in accordance with the terms of the applicable lease agreements.

The Department of Transportation (DOT) administered federal program number 20.205 – Highway Planning and Construction. Based on our review of three out of five airspace lease agreements, we noted that for one of the lease agreements, DOT under billed Engineering Associates a total of \$913 for airspace lease fees during fiscal year 2015. The monthly amounts billed under this lease agreement were incorrect because DOT did not update this lease agreement as required for changes in the Consumer Price Index. This lease, initiated in 1988, calls for fee adjustments every five years based on changes to the Consumer Price Index. Engineer Associates has been billed the same amount since 2008, but the amount should have increased in 2013.

We recommend that DOT recover the underbillings of \$913 from the leasee. We also recommend that the lease agreement be updated for fee adjustments based on Consumer Price Index changes as required under this lease agreement.

**Response:**

The Department of Transportation's response and corrective action plan are included in Part VII – Auditee's Corrective Action Plan on Current Audit Findings.

CITY OF BALTIMORE, MARYLAND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015

**Department of Finance**

**Finding #:** 2015-018  
**Requirement:** Procurement and Suspension and Debarment  
**Federal Agency:** Various  
**Federal Award #:** Various  
**Pass-Through:** Various

**Procurement Procedures Were Not Followed**

The OMB Circular A-133 Compliance Supplement includes *Procurement and suspension and debarment* as a requirement that should be considered during the performance of a Single Audit.

We reviewed the Bureau of Purchases' procurement procedures including the CitiBuy process used by the City to purchase goods and services. We selected a sample of procurements and performed procedures to ascertain that the City's procurement policies and procedures were followed and that they were in compliance with federal grant regulations. A sample of forty contracts and purchase orders were selected for testing.

Our tests revealed that:

- Eleven of forty procurement selections did not have evidence of general and/or professional liability insurance.
- Hourly rates for three employees paid under a project contract were below the minimum pay rates established by the contract and were not reported to the Office of Civil Rights and Wage Enforcement. Additionally, the selected certified payroll for one contractor was not retained by the agency.
- Documentation (e.g., the bid tabulation sheet) was not provided to support the basis for selection of two contractors.
- Logical access controls over CitiBuy procurement activity disclosed that employees with purchase requisition approval authority, including an Agency Procurement Officer, were also permitted to approve the receipt of goods and services. As a result, assets may be intentionally or unintentionally lost or stolen and not be detected by management.
- The Bureau of Purchases' procurement procedures that govern the review of technical and financial packages, associated with Requests for Proposals, disclosed that while evaluation panels are responsible for the analysis and scoring of all technical packages, they are not always required to analyze and score the related financial package and then submit a vendor recommendation. Instead, the buyer solely obtains the technical scores from the panel, calculates the financial points and compiles the aggregate scorecard for determining the vendor that will receive the award.

CITY OF BALTIMORE, MARYLAND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015

We recommend that:

- The City include liability insurance provisions in its contract procurement documentation and maintain such information in its contract files.
- The City ensure that hourly rates for employees meet the minimum established by the contract and that infractions be reported to the Office of Civil Rights and Wage Enforcement. Additionally, certified payrolls should be maintained by the agency.
- The City maintain appropriate documentation to support the selection of winning contractors.
- Purchase requisition approval authority and authority for approving receipt of goods and services should not reside in the same employee.
- The Bureau of Purchases' evaluation panel not only review and score the technical package, but also review and score the financial package prior to determining the vendor that will be awarded the contract.

**Response:**

The Baltimore City Department of Finance – Bureau of Purchases response and corrective action plan are included in Part VII – Auditee's Corrective Action Plan on Current Audit Findings.

PART VI

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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**CITY OF BALTIMORE  
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

**Finding Number/Finding**

**Status**

**Planned Corrective Action**

Findings in this schedule are presented in the same order in which they appeared in the Fiscal Year 2014 Single Audit Report. Each finding is identified by a number, 2014, 13, 12, 11, 10, 09, 08, 07, 06, 05, 02 or 01 to the left of the dash which designates the Fiscal Year, 2014, 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006, 2005 2002 or 2001 audit report. The number to the right of the dash reflects the finding number. The following abbreviations have been used for City agencies: Baltimore City Health Department (BCHD); Department of Housing and Community Development (DHCD); Commission on Aging and Retirement Education (CARE); Baltimore Police Department (BPD); Department of Transportation (DOT); and Mayor's Office of Human Services (MOHS).

**Fiscal Year 2014**

**Schedule of Findings and Questioned Costs**

**Section III - Federal Award Findings and Questioned Costs**

**Compliance With Requirements Applicable to Each Major Program**

**2014-001**

For federal program number 14.239 - HOME Investment Partnerships Program, the eligibility for three rental unit tenants could not be determined. The Dayspring Program under HOME did not determine tenant income eligibility or prepare the related demographic affidavits and tenant income certifications as required as part of the annual re-certifications for this project. We recommended that DHCD prepare and maintain documentation that supports eligibility.

Not Corrected

DHCD stated that recertifications for the three units will be completed. Additionally, DHCD stated it will review the files for the program's 18 units to ensure that each unit is re-certified timely.

William Colbert, Chief of Fiscal Services, DHCD

**CITY OF BALTIMORE  
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

(continued)

<b><u>Finding Number/Finding</u></b>	<b><u>Status</u></b>	<b><u>Planned Corrective Action</u></b>
For federal program number 93.778 - Medical Assistance Program, BCHD did not provide supporting documentation for determining client eligibility for 3 of 45 folders reviewed for transportation services. We recommended that BCHD retain documentation that supports eligibility for clients receiving transportation services.	Not Corrected	Documentation for the three client folders has still not been provided. Our eligibility testing did not result in findings for fiscal year 2015.  Ryan Hemminger, CFO, BCHD
<b><u>2014-003</u></b>		
For federal program cluster 93.044/045/053 - Special Programs for the Aging, BCHD included earmarked costs for legal services, in-home services, and access services in the same account in the City's accounting system. We recommended that BCHD record costs in separate accounts for each earmarked cost category.	Not Corrected	Program cluster 93.044/045/053 incurred a similar finding in fiscal year 2015. See current period finding 2015-008 for planned corrective action.  Ryan Hemminger, CFO, BCHD
<b><u>2014-004</u></b>		
For federal program cluster 14.241 - Housing Opportunities for Persons with AIDS, reported expenditures were overstated by \$300,000. We recommended that future federal financial reports be prepared from the City's accounting records and be supported by reconciliations prepared by the agency that indicate how reported amounts were determined.	Not Corrected	Program number 14.241 incurred a similar finding in fiscal year 2015. See current period finding 2015-012 for planned corrective action.  Amir Assadi, Fiscal Director, MOHS



**CITY OF BALTIMORE  
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<p>For federal program cluster 93.044/045/053 - Special Programs for the Aging, reported expenditures were understated by \$115,411 and revenue was overstated by \$318,080. For federal program number 93.914 - HIV Emergency Relief, reported expenditures were overstated by \$684,700. For federal program 93.778 - Medical Assistance Program - Transportation Services, reported expenditures were understated by \$282,082. We recommended that future federal financial reports be prepared from the City's accounting records and be supported by reconciliations prepared by the agency that indicate how reported amounts were determined.</p>	Not Corrected	<p>Program numbers 93.044/045/053, 93.778 and 93.914 incurred similar findings in fiscal year 2015. See current period finding 2015-002 for planned corrective action.</p> <p style="text-align: right;">Ryan Hemminger, CFO, BCHD</p>
<p><b><u>2014-005</u></b></p> <p>For federal program number 93.568 - Low-Income Home Energy Assistance Program, DHCD did not provide documentation to support \$28,277 in energy assistance benefits, as client folders were either missing or incomplete. Additionally, duplicate payments of \$15,676 were questioned and weaknesses in internal controls were noted. We recommended that DHCD resolve the known questioned cost amounts of \$28,277 and \$15,676, and also resolve a projection of likely questioned costs of \$7,200,450. Furthermore, we recommended that internal controls related to recordkeeping, cash management and segregation of duties be improved.</p>	.	<p>Program number 93.568 incurred similar findings in fiscal year 2015. See current period finding 2015-013 for planned corrective action.</p> <p style="text-align: right;">Amir Assadi, Fiscal Director, MOHS</p>

**CITY OF BALTIMORE  
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<p><b><u>2014-006</u></b></p> <p>For federal program number 93.778 - Medical Assistance Program, 93.917 - HIV Care Formula Grants, and 93.044/045/053 - Special Program for the Aging, BCHD reported expenditures of \$\$692,753, \$766,757 and \$29,987, respectively, that were not in compliance with the 90-day liquidation requirement. We recommended that future reported expenditures comply with the 90-day liquidation requirement.</p>	Not Corrected	<p>BCHD incurred similar findings for three of its programs during fiscal year 2015. See current period finding 2015-003 for planned corrective action.</p> <p>Ryan Hemminger, CFO, BCHD</p>
<p><b><u>2014-007</u></b></p> <p>For federal program number 14.238 - Shelter Plus Care, MOHS did not perform internal monitoring on two subrecipients. We recommended that MOHS establish internal monitoring procedures to comply with the requirement for each of its subrecipients.</p>	Not Corrected	<p>MOHS indicated that it developed a risk assessment process for monitoring its subrecipients. However, programs 14.235, 14.238 and 14.241 incurred similar findings in fiscal year 2015. See current period finding 2015-014 for planned corrective action.</p> <p>Amir Assadi, Fiscal Director, MOHS</p>

**CITY OF BALTIMORE  
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<p><b><u>2014-008</u></b></p> <p>For federal program number 93.044/045/053 - Special Programs for the Aging, BCHD improperly recorded program income amounts of \$146,733 and \$58,739 into the grant revenue accounts instead of the correct program income accounts. Two additional entries were noted that erroneously posted \$13,826 and \$38,564 of program income to the grant revenue account instead of the program income account. We recommended that BCHD correct the posting errors and accurately record future program income transactions in the proper accounts.</p>	<p>Not Corrected</p>	<p>BCHD made correcting entries for the \$146,733 and \$58,739 amounts upon our notification to them. BCHD indicated it would record future program income separately from grant revenue. The program incurred a similar finding related to its meal programs in fiscal year 2015. See current period finding 2015-009 for planned corrective action.</p> <p style="text-align: right;">Ryan Hemminger, CFO, BCHD</p>
<p><b><u>2014-009</u></b></p> <p>For federal program number 20.205 - Highway Planning and Construction, DOT under-charged a vendor for one of its airspace lease agreements in the amount of \$913. Additionally, final reviews for two of 15 closed-out transportation projects were not performed. We recommended that the lease agreement be updated for the correct lease amount to charge the vendor. Additionally, we recommended that final reviews be performed for each finalized transportation project.</p>	<p>Partially Corrected</p>	<p>Going forward, DOT will ensure that the final review process is performed for each completed transportation project.</p> <p>The program incurred a similar finding related to the airspace leases in fiscal year 2015. See current period finding 2015-017 for planned corrective action.</p> <p style="text-align: right;">Dhirendra Sinha, Chief, Fiscal Division, DOT</p>

**CITY OF BALTIMORE  
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<b><u>2014-010</u></b>	Not Corrected	DHCD indicated it would prepare a correcting journal entry to resolve the recording error and make every effort to ensure that future costs are charged to correct accounts.
For federal program number 14.218 - Community Development Block Grant, expenditures of \$73,600 were erroneously recorded to the account designated for real property acquisitions. We recommended that DHCD correct the noted recording errors and record future program expenditures in the proper accounts.		William Colbert, Chief of Fiscal Services, DHCD
<b><u>2014-011</u></b>	Corrected	
For federal program number 14.239 - HOME Investment Partnerships Program, program income of \$356,752 was credited to expenditure accounts rather than to appropriate program income accounts, thereby understating both revenue and expenditures. We recommended that DHCD prepare journal entries to correct the improper postings and record future program income appropriately.		

**CITY OF BALTIMORE  
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<p>For federal program cluster 93.044/045/053 - Special Programs for the Aging, BCHD erroneously recorded program income of \$13,029 to an expenditure account, thereby understating both revenue and expenditures. Also, certain telephone expense has continued to be charged to accounts that should have been closed long ago.</p> <p>Additionally, for federal program number 93.914 - HIV Emergency Relief, BCHD erroneously recorded transactions of \$60,282 to this program's accounts.</p>	<p>Partially Corrected</p>	<p>BCHD is revising policies and procedures regarding grant accounting and will make the correcting journal entries and refrain from using old accounts to charge current expenditures.</p> <p>Federal program cluster 93.044/045/053 incurred similar findings related to recording program income in fiscal year 2015. See current period finding 2015-009 fo planned corrective action.</p>
<p>For these two programs, we recommended that BCHD prepare correcting journal entries and record future transactions to appropriate accounts.</p>		<p>Ryan Hemminger, CFO, BCHD</p>
<p><b><u>2014-012</u></b></p>		
<p>For federal program numbers 14.239 - HOME Investment Partnerships Program and 93.568 - Low-Income Home Energy Assistance Program, unallowable costs and fees were charged to the programs. We recommended that these types of unallowable costs not be charged to the grant programs.</p>	<p>Corrected</p>	

**CITY OF BALTIMORE  
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<p><b><u>2014-013</u></b></p> <p>For federal program numbers 14.235 - Supportive Housing Program, 14.238 - Shelter Plus Care and 14.241 - Housing Opportunities for Persons with AIDS, funds drawn down exceeded expenditures during the year in the amounts of \$1,847,077, \$608,466 and \$116,017, respectively. We recommended that MOHS establish procedures to prevent grant drawdowns from exceeding related expenditures.</p>	Partially Corrected	<p>Program 14.238 incurred a similar finding in fiscal year 2015. See current period finding 2015-015 for planned corrective action.</p> <p>Amir Assadi, Fiscal Director, MOHS</p>
<p><b><u>2014-014</u></b></p> <p>For federal program number 93.914 - HIV Emergency Relief, certain level of effort requirements for its Women, Infants, Children, and Youth program were not met. We recommended that BCHD revise its WICY report, request a grantor waiver, and ensure that future reports use the correct financial information.</p>	Not Corrected	<p>BCHD concurred and will revise the report. Program number 93.914 incurred a similar finding related to level of effort requirements in fiscal year 2015. See current period finding 2015-007 for planned corrective action.</p> <p>Ryan Hemminger, CFO, BCHD</p>
<p><b><u>2014-015</u></b></p> <p>For federal program number 93.778 - Medical Assistance Program, Board of Estimates (BOE) approval was not obtained for the grant award. We recommended that retroactive BOE approval be obtained for this specific award and that future awards be submitted to the BOE for approval on a timely basis.</p>	Corrected	

**CITY OF BALTIMORE  
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

(continued)

<b><u>Finding Number/Finding</u></b>	<b><u>Status</u></b>	<b><u>Planned Corrective Action</u></b>
<b><u>2014-016</u></b>	Corrected	
For federal program number 93.917 - HIV Care Formula Grants, grant funds in the amount of \$1,280,981 were not remitted by BCHD to the City's Bureau of Collections for deposit for two months following receipt of the funds. We recommended that BCHD deposit cash receipts on a weekly basis to comply with the City's Administrative Manual.		

**CITY OF BALTIMORE  
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<p><b>Fiscal Year 2013</b>  <b>Schedule of Findings and Questioned Costs</b>  <b>Section III - Federal Award Findings and Questioned Costs</b>  <b>Compliance With Requirements Applicable to Each Major Program</b></p>		
<b><u>2013-001</u></b>		
<p>For federal program number 93.778 - Medical Assistance Program, BCHD did not provide supporting documentation for determining client eligibility for 3 of 55 folders reviewed for transportation services. We recommended that BCHD retain documentation that supports eligibility for clients receiving transportation services.</p>	Not Corrected	<p>Documentation for the three client folders has not been provided. There were no new exceptions noted in fiscal year 2015.</p> <p style="text-align: right;">Ryan Hemminger, CFO, BCHD</p>
<b><u>2013-003</u></b>		
<p>For federal program numbers 93.044/045/053 - Special Programs for the Aging, BCHD did not provide documentation to support earmarking requirements. We recommended that BCHD implement procedures to ensure that earmarked costs are expended in accordance with the grant requirements and that supporting documentation be maintained and available for audit review.</p>	Not Corrected	<p>Program number 93.044/045/053 incurred a similar finding in FY 2015. See current period finding 2015-008 for planned corrective action.</p> <p style="text-align: right;">Ryan Hemminger, CFO, BCHD</p>



**CITY OF BALTIMORE  
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<b><u>2013-004</u></b>		
For federal program number 14.241 - Housing Opportunities for Persons with AIDS, reported expenditures were overstated by \$44,851. We recommended that future federal financial reports be prepared directly from the City's accounting records.	Not Corrected	Program number 14.241 incurred a similar finding in fiscal year 2015. See current period finding 2015-012 for planned corrective action.  Amir Assadi, Fiscal Director, MOHS
For federal program number 93.044/045/053 - Special Programs for the Aging, reported expenditures were overstated by \$201,407 and revenue was understated by \$392,278. For federal program number 93.914 - HIV Emergency Relief, reported expenditures were understated by \$414,851. For federal program 93.778 - Medical Assistance Program - Transportation Services, reported expenditures were overstated by \$1,314,427. For federal program 93.778 - Medical Assistance Program - Administrative Care Coordination, reported expenditures were understated by \$17,368. We recommended that future federal financial reports be prepared directly from the City's accounting records.	Not Corrected	Program numbers 93.044/045/053, 93.914 and 93.778 incurred similar findings in fiscal year 2015. See current period finding 2015-002 for planned corrective action.  Ryan Hemminger, CFO, BCHD

**CITY OF BALTIMORE  
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<b><u>2013-005</u></b> For federal program number 93.568 - Low Income Home Energy Assistance Program, DHCD did not provide documentation to support \$44,609 in energy assistance benefits, as client folders were either missing or incomplete. We recommended that DHCD resolve the \$44,609 in known questioned costs, and also resolve a projection of likely questioned costs of \$6,201,821.	Not Corrected	The State of Maryland, which was the pass-through grantor of the award to MOHS, stated that it will not seek repayment of the questioned costs. Therefore, the matter of the questioned costs has been resolved. However, similar conditions existed in fiscal year 2015 resulting in current findings. See current period finding 2015-013 for planned corrective action.  Amir Assadi, Fiscal Director, MOHS
<b><u>2013-006</u></b> For federal program number 93.914 - HIV Emergency Relief Project Grants, 93.917 - HIV Care Formula Grants, and 93.940 - HIV Prevention Activities, we reported that expenditures of \$15,006, \$86,280, and \$541,007, respectively, were not in compliance with the 90-day liquidation requirement. We recommended that future reported expenditures comply with the 90-day liquidation requirement.	Not Corrected	BCHD incurred similar findings for two of these programs during fiscal year 2015. See current period finding 2015-003 for planned corrective action.  Ryan Hemminger, CFO, BCHD
<b><u>2013-007</u></b> MOHS did not perform internal monitoring on several Shelter Plus Care subrecipients. We recommended that MOHS establish internal monitoring procedures to comply with the requirement.	Not Corrected	MOHS incurred a similar finding for this program in fiscal year 2015. See current finding 2015-014 for planned corrective action.  Amir Assadi, Fiscal Director, MOHS

**CITY OF BALTIMORE  
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<p><b><u>2013-008</u></b></p> <p>For federal program cluster 93.044/045/053 - Special Programs for the Aging, BCHD did not provide supporting documentation for reported program income of \$60,082. We recommended that BCHD accurately report program income in future reports, and that such program income be supported by appropriate documentation.</p>	Not Corrected	<p>BCHD has not provided supporting documentation for the reported program income. Program cluster 93.044/045/053 incurred a similar finding in fiscal year 2015. See current finding 2015-009 for planned corrective action.</p> <p>Ryan Hemminger, CFO, BCHD</p>
<p><b><u>2013-009</u></b></p> <p>For federal program number 14.199 - Multifamily Property Disposition Grant, DHCD did not notify the City Auditor that it had obtained an accounting firm to audit the Uplands Up-Front Program funded by this grant. DHCD also did not obtain Board of Estimates approval for this contract. We recommended that DHCD obtain retroactive approval for this contract.</p>	Not Corrected	<p>The Multifamily Property Disposition Grant was not audited as a major program in fiscal year 2015. However, the Board of Estimates approval has still not been obtained for this professional services contract.</p> <p>William Colbert, Chief of Fiscal Services, DHCD</p>
<p><b><u>2013-010</u></b></p> <p>For federal program number 20.205 - Highway Planning and Construction, DOT did not perform final reviews for eight of the nine closed-out Federally funded transportation projects. We recommended that the final reviews be performed for these eight projects.</p>	Partially Corrected	<p>DOT has already reinstated the steps for using and keeping a copy of the checklist in the project folders without any exception. The lapses occurred because the employees involved in the close out on those projects forgot to place the checklist in the project folders and they no longer work in DOT.</p> <p>Dhirendra Sinha, Chief, Fiscal Division, DOT</p>

**CITY OF BALTIMORE  
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<b><u>2013-011</u></b>	Corrected	The State of Maryland, which was the pass-through grantor of the award to MOHS, stated that it will not seek repayment of the questioned costs. Therefore, the matter of the questioned costs has been resolved.
For federal program number 93.568 - Low Income Home Energy Assistance Program, there were 33 duplicate payments in client records totaling \$13,651 and 36 unallowable client payments to addresses outside Baltimore City totaling \$20,302. We recommended that DHCD resolve these questioned costs of \$33,953 and that the program institute internal control procedures such that energy assistance payments are not duplicated or made for non-City addresses.		Amir Assadi, Fiscal Director, MOHS
<b><u>2013-013</u></b>	Corrected	
For federal program number 14.239 - HOME Investment Partnerships Program, reconciliations between IDIS, the City's CityDynamics accounting system, and DHCD's in-house log records were not being performed. We recommended that DHCD reconcile these records of account at least annually to provide accurate and consistent program income information.		

**CITY OF BALTIMORE  
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<p><b><u>2013-017</u></b></p> <p>For federal program number 93.568 - Low-Income Home Energy Assistance Program, there were material weaknesses in internal control related to recordkeeping, cash management, and segregation of duties. We recommended that internal controls be improved in these areas.</p>	Not Corrected	<p>A similar finding was incurred during fiscal year 2015. See current period finding 2015-013 for planned corrective action. DHCD will assist MOHS in strengthening the internal controls in these areas.</p> <p>Amir Assadi, Fiscal Director, MOHS</p>
<p><b><u>2013-018</u></b></p> <p>For federal program number 93.568 - Low-Income Home Energy Assistance Program, there were material internal control weaknesses in the program's application processing for determining benefits, file storage procedures, and segregation of duties. As discussed in findings 2013-005 and 2013-011, we noted various conditions leading to questioned costs of \$44,609 and \$33,953 in client benefit payments, and likely projected questioned costs of \$6,201,821.</p>	Not Corrected	<p>Similar internal control findings were incurred during fiscal year 2015. See current period finding 2015-013 for planned corrective action.</p> <p>Amir Assadi, Fiscal Director, MOHS</p>

**CITY OF BALTIMORE  
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

(continued)

<u><b>Finding Number/Finding</b></u>	<u><b>Status</b></u>	<u><b>Planned Corrective Action</b></u>
<u><b>2013-019</b></u>	Not Corrected	BCHD incurred similar internal control findings in fiscal year 2015. See current period findings 2015-001, 008 and 009 for planned corrective action.
For federal program cluster 93.044/045/053 - Special Programs for the Aging, BCHD did not have adequate procedures in place to ensure compliance with federal financial reporting standards and grant accounting requirements. We recommended that BCHD implement procedures to ensure that reports are submitted timely and supported by the City's accounting records, and that prior years' findings be resolved.		Ryan Hemminger, CFO, BCHD

**CITY OF BALTIMORE  
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<p><b>Fiscal Year 2012</b>  <b>Schedule of Findings and Questioned Costs</b>  <b>Section III - Federal Award Findings and Questioned Costs</b>  <b>Compliance With Requirements Applicable to Each Major Program</b></p>		
<p><b><u>Finding #12-01</u></b></p>		
<p>For federal program number 81.042 - Weatherization Assistance for Low-Income Persons, DHCD did not provide supporting documentation to determine eligibility for 6 of 234 project folders that were reviewed. We recommended that supporting documentation be maintained and that it be made available for audit review.</p>	<p>Not Corrected</p>	<p>This audit finding does not warrant further follow-up. More than two years has passed since this finding was reported. The grantor has not followed-up with the auditee and a management decision has not been issued. Therefore, this finding will no longer appear in the Auditee's Summary Schedule of Prior Audit Findings.</p>
<p>For federal program cluster numbers 93.569 and 93.710 - Community Services Block Grant (CSBG), MOHS did not provide supporting documentation to determine eligibility for 6 of 45 client folders that were reviewed. We recommended that supporting documentation be maintained and that it be made available for audit review.</p>	<p>Not Corrected</p>	<p>This audit finding does not warrant further follow-up. More than two years has passed since this finding was reported. The grantor has not followed-up with the auditee and a management decision has not been issued. Therefore, this finding will no longer appear in the Auditee's Summary Schedule of Prior Audit Findings.</p>

**CITY OF BALTIMORE  
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<b><u>Finding #12-02</u></b>	Not Corrected	This audit finding does not warrant further follow-up. More than two years has passed since this finding was reported. The grantor has not followed-up with the auditee and a management decision has not been issued. Therefore, this finding will no longer appear in the Auditee's Summary Schedule of Prior Audit Findings.
<b><u>Finding #12-03</u></b>	Not Corrected	Program cluster 93.044/045/053 incurred a similar finding in fiscal year 2015. See current period finding 2015-008 for planned corrective action.

Ryan Hemminger, CFO, BCHD



**CITY OF BALTIMORE  
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<b><u>Finding #12-04</u></b>		
<p>For federal program number 14.235 - Supportive Housing Program, reported expenditures were understated by \$590,190. For federal program number 14.241 - Housing Opportunities for Persons with AIDS, supporting documentation for \$38,852 in administrative costs was not provided. For federal program number 93.569 - Community Services Block Grant, reported expenditures were overstated by \$135,265. We recommended that future federal financial reports be prepared directly from the City's accounting records.</p>	Not Corrected	<p>Program numbers 14.235 and 14.241 incurred similar findings in fiscal year 2015. See current period finding 2015-012 for planned corrective action.</p>
<p>For federal program cluster 93.044/045/053 - Special Programs for the Aging, reported expenditures were overstated by \$354,355 and revenue was overstated by \$3,347,467. For federal program number 93.914 - HIV Emergency Relief, reported expenditures were overstated by \$430,729. We recommended that future federal financial reports be prepared directly from the City's accounting records.</p>	Not Corrected	<p>Amir Assadi, Fiscal Director, MOHS</p> <p>This audit finding does not warrant further follow-up. More than two years has passed since this finding was reported. The grantor has not followed-up with the auditee and a management decision has not been issued. Therefore, this finding will no longer appear in the Auditee's Summary Schedule of Prior Audit Findings.</p>

**CITY OF BALTIMORE  
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

(continued)

<b><u>Finding Number/Finding</u></b>	<b><u>Status</u></b>	<b><u>Planned Corrective Action</u></b>
<p><b><u>Finding #12-06</u></b></p> <p>For federal program cluster 93.044/045/053 - Special Programs for the Aging, 93.914 - HIV Emergency Relief, and 93.778 - Medical Assistance Program, we reported that expenditures of \$131,173 and \$84,058 (both Aging grants), \$72,624 and \$950,410, respectively, were not in compliance with the 90-day liquidation requirement. We recommended that future reported expenditures comply with the 90-day liquidation requirement.</p>	Not Corrected	<p>Program numbers 93.914, and 93.778 incurred similar findings in fiscal year 2015. See current period finding 2015-003 for planned corrective action.</p> <p style="text-align: right;">Ryan Hemminger, CFO, BCHD</p>
<p><b><u>Finding #12-07</u></b></p> <p>For federal program numbers 14.235 - Supportive Housing Program and 14.241 - Housing Opportunities for Persons with AIDS, recorded revenues significantly exceeded expenditures in the City's accounts for those programs. We recommended that MOHS establish procedures to prevent grant drawdowns from exceeding related expenditures.</p>	Not Corrected	<p>MOHS incurred a similar finding for one of its other programs, federal program 14.238, in fiscal year 2015. See current period finding 2015-015 for planned corrective action.</p> <p style="text-align: right;">Amir Assadi, Fiscal Director, MOHS</p>
<p><b><u>Finding #12-08</u></b></p> <p>For federal program number 14.239 - HOME Investment Partnerships Program, program income recorded in DHCD's program income ledger exceeded the amount reported in HUD's IDIS system by \$86,639. We recommended that DHCD reconcile HOME program income between its accounting records and HUD's IDIS system.</p>	Corrected	

**CITY OF BALTIMORE  
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
For federal program cluster 93.044/045/053 - Special Programs for the Aging, supporting documentation for program income was not provided. We recommended that BCHD accurately report program income and maintain supporting documentation.	Not Corrected	Program cluster 93.044/045/053 incurred a similar finding in fiscal year 2015. See current period finding 2015-009 for planned corrective action.  Ryan Hemminger, CFO, BCHD
<b><u>Finding #12-10</u></b>		
For federal program number 16.710 - COPS Hiring Recovery Program, there were unallowable or unsupported personnel costs totaling \$128,319 that were questioned. We recommended that BPD ensure that only allowable and supported expenditures be charged to the program and that the questioned costs be resolved.	Not Corrected	This audit finding does not warrant further follow-up. More than two years has passed since this finding was reported. The grantor has not followed-up with the auditee and a management decision has not been issued. Therefore, this finding will no longer appear in the Auditee's Summary Schedule of Prior Audit Findings.
<b><u>Finding #12-12</u></b>		
For federal program number 81.042 - Weatherization Assistance for Low-Income Persons, costs in the amount of \$190,166 were questioned for lack of support or for duplicate payments. We recommended that DHCD improve internal controls over expenditures and resolve the questioned costs.	Corrected	

**CITY OF BALTIMORE  
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<p><b><u>Finding #12-13</u></b></p> <p>For federal program number 14.241 - Housing Opportunities for Persons with AIDS, seven of twenty-one selected financial reports could not be reconciled to the City's accounting records. We recommended that DHCD reconcile or revise those reports and that future federal financial reports be prepared directly from the City's accounting records.</p>	Not Corrected	<p>No reconciliations were provided to resolve this item. Program number 14.241 incurred a similar finding in fiscal year 2015. See current period finding 2015-012 for planned corrective action.</p> <p style="text-align: right;">Amir Assadi, Fiscal Director, MOHS</p>
<p><b><u>Finding #12-14</u></b></p> <p>For federal program number 93.778 - Medical Assistance Program, Board of Estimates (BOE) approval was not obtained for the Unified Funding Agreement which includes the grant award amount for this program. We recommended that BCHD obtain retroactive BOE approval for the 2012 Unified Funding Document and seek timely BOE approval for future grant awards.</p>	Corrected	
<p><b><u>Finding #12-15</u></b></p> <p>For federal program number 93.914 - HIV Emergency Relief, unsupported costs in the amount of \$20,596 were questioned. We recommended that BCHD maintain supporting documentation for grant expenditures and to resolve the questioned costs of \$20,596.</p>	Not Corrected	<p>This audit finding does not warrant further follow-up. More than two years has passed since this finding was reported. The grantor has not followed-up with the auditee and a management decision has not been issued. Therefore, this finding will no longer appear in the Auditee's Summary Schedule of Prior Audit Findings.</p>

**CITY OF BALTIMORE  
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

(continued)

<u><b>Finding Number/Finding</b></u>	<u><b>Status</b></u>	<u><b>Planned Corrective Action</b></u>
<u><b>Finding #12-16</b></u>	Not Corrected	See current period findings 2015-001, 002, 008 and 009 for planned corrective action related to this program's findings.
For federal program cluster 93.044/045/053 - Special Programs for the Aging, BCHD did not have adequate procedures in place to ensure compliance with federal financial reporting standards and grant accounting requirements. We recommended that BCHD implement procedures to ensure that reports are submitted timely and supported by the City's accounting records, and that prior years' findings be resolved.		Ryan Hemminger, CFO, BCHD

**CITY OF BALTIMORE  
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<p><b>Fiscal Year 2011</b>  <b>Schedule of Findings and Questioned Costs</b>  <b>Section III - Federal Award Findings and Questioned Costs</b>  <b>Compliance With Requirements Applicable to Each Major Program</b></p>		
<p><b><u>Finding # 11-03</u></b></p>		
<p>For federal program cluster 93.044/045/053 - Special Programs for the Aging, BCHD did not provide documentation to support the earmarking requirements for legal services, in-home services, access services and administrative costs. We recommended that earmarking documentation be maintained and available for review.</p>	<p>Not Corrected</p>	<p>Program cluster 93.044/045/053 incurred a similar finding in fiscal year 2015. See current period finding 2015-008 for planned corrective action.</p> <p style="text-align: right;">Ryan Hemminger, CFO, BCHD</p>
<p><b><u>Finding # 11-04</u></b></p>		
<p>For federal program cluster 93.044/045/053, 93.778, 93.914 and 93.917 - Special Programs for the Aging, Medical Assistance Program (MAP), HIV Emergency Relief Grants, and HIV Care Grants, respectively, reported expenditures could not be reconciled to the City's accounting records. Additionally, reported revenue for MAP could not be reconciled to the City's accounting records. We recommended that future federal financial reports be prepared directly from the City's accounting records.</p>	<p>Not Corrected</p>	<p>This audit finding does not warrant further follow-up. More than two years has passed since this finding was reported. The grantor has not followed-up with the auditee and a management decision has not been issued. Therefore, this finding will no longer appear in the Auditee's Summary Schedule of Prior Audit Findings.</p>

**CITY OF BALTIMORE  
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<p><b><u>Finding # 11-06</u></b></p> <p>For federal program cluster 93.044/045/053 and 93.917 - Special Programs for the Aging and HIV Care Grants, respectively, we reported that costs in the amount of \$37,723 and \$170,121, respectively, were not in compliance with the 90-day liquidation requirement.</p>	Not Corrected	<p>BCHD incurred incurred similar findings for three other programs, 93.078, 93.914 and 93.940, during fiscal year 2015. See current period finding 2015-003 for planned corrective action.</p> <p>Ryan Hemminger, CFO, BCHD</p>
<p><b><u>Finding # 11-08</u></b></p> <p>For federal program cluster 93.044/045/053 - Special Programs for the Aging - Title III, Parts B &amp; C, support for reported program income amounts was not provided. We recommended that BCHD accurately report program income and maintain support for such reported amounts.</p>	Not Corrected	<p>Program cluster 93.044/045/053 incurred a similar finding in fiscal year 2015. See current period finding 2015-009 for planned corrective action.</p> <p>Ryan Hemminger, CFO, BCHD</p>
<p><b><u>Finding # 11-14</u></b></p> <p>For federal program cluster 93.569/93.710 - Community Services Block Grant - ARRA, the MOHS did not liquidate certain grant obligations in the amount of \$647,366 until more than 90 days after the end of the grant period. We recommended that MOHS return those questioned costs and, also, ensure that its grants are administered so that program expenditures are obligated and liquidated in accordance with the grant agreements.</p>	Partially Corrected	<p>This audit finding does not warrant further follow-up. More than two years has passed since this finding was reported. The grantor has not followed-up with the auditee and a management decision has not been issued. Therefore, this finding will no longer appear in the Auditee's Summary Schedule of Prior Audit Findings.</p>

**CITY OF BALTIMORE  
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<p><b><u>Finding # 11-15</u></b></p> <p>For federal program cluster 93.044/045/053 - Special Programs for the Aging - Title III, Parts B &amp; C, the BCHD did not include program income in its financial reports. We recommended that BCHD establish and/or follow appropriate internal controls to ensure that program income is appropriately included in its financial reports.</p>	Not Corrected	<p>Program cluster 93.044/045/053 incurred a similar finding in fiscal year 2015. See current period finding 2015-009 for planned corrective action.</p> <p style="text-align: right;">Ryan Hemminger, CFO, BCHD</p>
<p><b><u>Finding # 11-17</u></b></p> <p>For federal program cluster 93.044/045/053 - Special Programs for the Aging - Title III, Parts B &amp; C, the BCHD did not provide support for earmarking requirements related to the program. We recommended that BCHD establish and/or follow appropriate internal controls to ensure that documentation is maintained that supports earmarking requirements.</p>	Not Corrected	<p>Program cluster 93.044/045/053 incurred a similar finding in fiscal year 2015. See current period finding 2015-008 for planned corrective action.</p> <p style="text-align: right;">Ryan Hemminger, CFO, BCHD</p>



**CITY OF BALTIMORE  
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<p><b>Fiscal Year 2010</b>  <b>Schedule of Findings and Questioned Costs</b>  <b>Section III - Federal Award Findings and Questioned Costs</b>  <b>Compliance With Requirements Applicable to Each Major Program</b></p>		
<p><b><u>Finding # 10-04</u></b>            For federal program cluster 93.044/045/053 - Special Program for the Aging, BCHD's reported expenditures were understated by \$750,956 and revenues were understated by \$126,969. For federal program number 93.778 - Medical Assistance Program, expenditures were understated by \$239,122 and revenues were understated by \$2,703,793. For federal program number 93.914 - HIV Emergency Relief Project, expenditures were understated by \$740,328 and revenues were overstated by \$142,766.</p>	<p>Not Corrected</p>	<p>This audit finding does not warrant further follow-up. More than two years has passed since this finding was reported. The grantor has not followed-up with the auditee and a management decision has not been issued. Therefore, this finding will no longer appear in the Auditee's Summary Schedule of Prior Audit Findings.</p>

**CITY OF BALTIMORE  
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<p><b>Fiscal Year 2009</b>  <b>Schedule of Findings and Questioned Costs</b>  <b>Section III - Federal Award Findings and Questioned Costs</b>  <b>Compliance With Requirements Applicable to Each Major Program</b></p>		
<p><b><u>Finding # 09-04</u></b></p>		
<p>For federal program number 14.241 - Housing Opportunities for Persons With AIDS, reported expenditures were overstated by \$1,152,153. We recommended that future federal financial reports be prepared directly from the City's accounting records.</p>	<p>Not Corrected</p>	<p>This audit finding does not warrant further follow-up. More than two years has passed since this finding was reported. The grantor has not followed-up with the auditee and a management decision has not been issued. Therefore, this finding will no longer appear in the Auditee's Summary Schedule of Prior Audit Findings.</p>
<p>For federal program number 93.778 - Medical Assistance Program, reported expenditures were overstated by \$814,154. For federal program number 93.914 - HIV Emergency Relief Project/Formula Grants, reported expenditures were understated by \$852,536. BCHD also did not report any program income on the report for the HIV Program. We recommended that future federal financial reports be prepared directly from the City's accounting records. We also recommended that program income, if applicable, be shown in the financial reports.</p>	<p>Not Corrected</p>	<p>This audit finding does not warrant further follow-up. More than two years has passed since this finding was reported. The grantor has not followed-up with the auditee and a management decision has not been issued. Therefore, this finding will no longer appear in the Auditee's Summary Schedule of Prior Audit Findings.</p>

**CITY OF BALTIMORE  
 AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
 FOR THE YEAR ENDED JUNE 30, 2015**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<b>Fiscal Year 2008</b> <b>Schedule of Findings and Questioned Costs</b> <b>Section III - Federal Award Findings and Questioned Costs</b> <b>Compliance With Requirements Applicable to Each Major Program</b>		
<u><b>Finding # 08-04</b></u>		
For federal program number 93.778 - Medical Assistance Program, reported expenditures were overstated by \$300,836. For federal program number 93.914 - HIV Emergency Relief Project/Formula Grants, reported expenditures were understated by \$514,763. We recommended that future federal financial reports be prepared directly from the City's accounting records. We also recommended that copies of all federal financial reports be maintained for review.	Not Corrected	This audit finding does not warrant further follow-up. More than two years has passed since this finding was reported. The grantor has not followed-up with the auditee and a management decision has not been issued. Therefore, this finding will no longer appear in the Auditee's Summary Schedule of Prior Audit Findings.

**CITY OF BALTIMORE  
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<b>Fiscal Year</b> <b>Schedule of Findings and Questioned Costs</b> <b>Section III - Federal Award Findings and Questioned Costs</b> <b>Compliance With Requirements Applicable to Each Major Program</b>		
<u>Various Years</u> Findings #12-04, 10-04, 08-04, 07-04, 06-04, 05-03, 04-03, 01-03 and 00-02 are all related to federal program cluster 93.044/045/053.		Federal program cluster 93.044/045/053 - Special Programs for the Aging - Title III, Parts B & C has incurred similar findings for many years related to reported revenues and expenditures that were over or understated. The grantor has not followed-up with the auditee and a management letter has not been issued for these findings. Accordingly, these audit findings do not warrant further follow-up. More than two years has passed since the most recent of these findings were reported. Therefore, these findings will no longer be individually included in the Auditee's Summary Schedule of Prior Audit Findings.

PART VII

CORRECTIVE ACTION PLAN ON CURRENT  
AUDIT FINDINGS

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**CITY OF BALTIMORE  
AUDITEE'S CORRECTIVE ACTION PLAN ON CURRENT AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Finding Number/Finding</u>	<u>Contact Person</u>	<u>Planned Corrective Action</u>	<u>Anticipated Completion Date</u>
<p><b><u>Finding # 2015-001</u></b> Unallowable Costs and Other Issues Related to OMB A-133 Compliance Requirements A and B, and Non-Competitively Bid Contracts</p>	Ryan Hemminger, CFO, BCHD	<p>BCHD has developed and begun implementing policies and procedures regarding grant accounting and financial reporting. Accounting staff will reconcile revenues and expenses per these policies, collect reports from sub-grantees, use City Accounting records as the basis for preparation of fiscal reports, make necessary adjustments, liquidate encumbrances, freeze account balances with BAPS to prevent unauthorized transactions, and submit reports timely to funding sources. Supervisory staff will review the work to ensure compliance.</p> <p>Additionally, BCHD has conducted numerous trainings on these policies with all accounting staff and supervisors to ensure knowledge and compliance.</p> <p>BCHD has also taken steps to conduct a comprehensive review of all grant awards that includes reconciliation and freezing of those accounts.</p> <p>BCHD has begun implementation of an inventory management system that provides perpetual inventory tracking. The initial inventory is ongoing and expected to be complete in December 2017.</p> <p>BCHD complied with all applicable purchasing processes in the purchase of HIV test kits. For the three vendors in question, each is the sole provider of the individual test kit with each test kit performing an HIV test in a unique manner. Sole source procurement procedures were followed prior to making these purchases.</p>	June 2017

**CITY OF BALTIMORE  
AUDITEE'S CORRECTIVE ACTION PLAN ON CURRENT AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

(continued)

<u>Finding Number/Finding</u>	<u>Contact Person</u>	<u>Planned Corrective Action</u>	<u>Anticipated Completion Date</u>
<p><b><u>Finding # 2015-002</u></b> Financial Reports Were Not Supported by the Underlying Accounting Records</p>	Ryan Hemminger, CFO, BCHD	<p>BCHD has developed and begun implementing policies and procedures regarding grant accounting and financial reporting. Accounting staff will reconcile revenues and expenses per these policies, collect reports from sub-grantees, use City Accounting records as the basis for preparation of fiscal reports, make necessary adjustments, liquidate encumbrances, freeze account balances with BAPS to prevent unauthorized transactions, and submit reports timely to funding sources. Supervisory staff will review the work to ensure compliance.</p> <p>Additionally, BCHD has conducted numerous trainings on these policies with all accounting staff and supervisors to ensure knowledge and compliance.</p> <p>BCHD has also taken steps to conduct a comprehensive review of all grant awards that includes reconciliation and freezing of those accounts.</p> <p>Medical Assistance General Transportation - At the time of annual report filing, personnel provided estimates of the amount of outstanding invoices for transportation vendors. Transportation vendors have one year after the date of service to appeal any invoice denied for payment. This process leads to a disparity between reported expenditures and general ledger expenditures at the time of audit. Changes in State reimbursement policy will resolve this finding in FY17 and beyond.</p>	June 2017



**CITY OF BALTIMORE  
 AUDITEE'S CORRECTIVE ACTION PLAN ON CURRENT AUDIT FINDINGS  
 FOR THE YEAR ENDED JUNE 30, 2015**

(continued)

<u>Finding Number/Finding</u>	<u>Contact Person</u>	<u>Planned Corrective Action</u>	<b>Anticipated Completion Date</b>
<p><b><u>Finding # 2015-003</u></b>            Obligations Incurred Were Not Liquidated Within 90 Days of the End of the Funding Period</p>	<p>Ryan Hemminger, CFO, BCHD</p>	<p>BCHD has developed and begun implementing policies and procedures regarding grant accounting and financial reporting. Accounting staff will reconcile revenues and expenses per these policies, collect reports from sub-grantees, use City Accounting records as the basis for preparation of fiscal reports, make necessary adjustments, liquidate encumbrances, freeze account balances with BAPS to prevent unauthorized transactions, and submit reports timely to funding sources. Supervisory staff will review the work to ensure compliance.</p> <p>Additionally, BCHD has conducted numerous trainings on these policies with all accounting staff and supervisors to ensure knowledge and compliance.</p> <p>BCHD will adjust the standard contract language to reflect a 45 day invoice requirement in addition to providing vendor training at the beginning of the contract period.</p>	<p>June 2017</p>

**CITY OF BALTIMORE  
AUDITEE'S CORRECTIVE ACTION PLAN ON CURRENT AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

(continued)

<u>Finding Number/Finding</u>	<u>Contact Person</u>	<u>Planned Corrective Action</u>	<u>Anticipated Completion Date</u>
<p><b><u>Finding # 2015-004</u></b> Financial Reports Were Not Submitted Timely</p>	Ryan Hemminger, CFO, BCHD	<p>BCHD has developed and begun implementing policies and procedures regarding grant accounting and financial reporting. Accounting staff will reconcile revenues and expenses per these policies, collect reports from sub-grantees, use City Accounting records as the basis for preparation of fiscal reports, make necessary adjustments, liquidate encumbrances, freeze account balances with BAPS to prevent unauthorized transactions, and submit reports timely to funding sources. Supervisory staff will review the work to ensure compliance.</p> <p>Additionally, BCHD has conducted numerous trainings on these policies with all accounting staff and supervisors to ensure knowledge and compliance.</p>	June 2017
<p><b><u>Finding # 2015-005</u></b> Monitoring Was Not Adequately Performed and Review Was Not Performed for Debarred and Suspended Parties</p>	Ryan Hemminger, CFO, BCHD	<p>BCHD received technical assistance from the grantor that covered contracting, level of effort requirements, and other financial requirements associated with this grant to include debarment. Based on those discussions BCHD is developing internal policy to ensure compliance.</p>	June 2017

**CITY OF BALTIMORE  
AUDITEE'S CORRECTIVE ACTION PLAN ON CURRENT AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

(continued)

<u>Finding Number/Finding</u>	<u>Contact Person</u>	<u>Planned Corrective Action</u>	<u>Anticipated Completion Date</u>
<p><b><u>Finding # 2015-006</u></b> Noncompliance with Level of Effort Requirements - Quality Control Management</p>	Ryan Hemminger, CFO, BCHD	BCHD received technical assistance from the grantor that covered contracting, level of effort requirements, and other financial requirements associated with this grant to include debarment. Based on those discussions BCHD is developing internal policy to ensure compliance.	June 2017
<p><b><u>Finding # 2015-007</u></b> Unable to Determine Compliance with Level of Effort Requirements for Grant Funds Spent for Each Individual Population of Women, Infants, Children, and Youth (WICY)</p>	Ryan Hemminger, CFO, BCHD	BCHD received technical assistance from the grantor that covered contracting, level of effort requirements, and other financial requirements associated with this grant to include debarment. Based on those discussions BCHD is developing internal policy to ensure compliance.	June 2017

**CITY OF BALTIMORE  
AUDITEE'S CORRECTIVE ACTION PLAN ON CURRENT AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

(continued)

<u>Finding Number/Finding</u>	<u>Contact Person</u>	<u>Planned Corrective Action</u>	<u>Anticipated Completion Date</u>
<b><u>Finding # 2015-008</u></b>	Ryan Hemminger, CFO, BCHD	<p>BCHD has developed and begun implementing policies and procedures regarding grant accounting and financial reporting. BCHD has conducted numerous trainings on these policies with all accounting staff and supervisors to ensure knowledge and compliance.</p> <p>BCHD will segment earmarking requirements using separate account numbers in the future.</p>	June 2017
<b><u>Finding # 2015-009</u></b>	Ryan Hemminger, CFO, BCHD	<p>BCHD will instruct vendors to remit checks directly to the BCHD fiscal offices in the future. Training will be conducted with program and fiscal staff to ensure compliance.</p>	June 2017
<p>Misclassified Grant Revenue and Program Income and Inadequate Controls over Receipt of Program Income</p>			

**CITY OF BALTIMORE  
AUDITEE'S CORRECTIVE ACTION PLAN ON CURRENT AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

(continued)

<u>Finding Number/Finding</u>	<u>Contact Person</u>	<u>Planned Corrective Action</u>	<u>Anticipated Completion Date</u>
<p><b><u>Finding # 2015-010</u></b> Unallowable Costs Due to Duplication of Transactions</p>	Amir Assadi, CFO, MOHS	<p>Due to delayed release of the NOFA by HUD, and in order for MOHS, HSP to stay current with its reimbursement of Rental Assistance and avoid any clients to be evicted, a payment was made in advance of official grant agreement which was eligible, allowable and allocable under OMB and HUD interim Rule to a subrecipient in the amount of \$56,544.08. This amount was inadvertently charged to an incorrect budget line item. Further attempt was made to do a correcting entry to charge the expenditures to the appropriate fiscal year. MOHS, HSP will investigate to ascertain if any other correcting entry needs to be made to effectuate a change in the general ledger.</p>	June 2017
<p><b><u>Finding # 2015-011</u></b> Financial Reports Were Not Submitted Timely</p>	Amir Assadi, CFO, MOHS	<p>MOHS, HSP concurs with this finding. HSP could not submit the Annual Progress Report due to its ongoing effort to migrate its HMIS from previous vendor MISI to current vendor ClientTrack. The migration took several years and caused HSP not to be able to extract data for report completion and submission. Since then HSP has corrected the issue and the system is properly operating and is current on all of its reporting responsibilities.</p>	June 2017

**CITY OF BALTIMORE  
AUDITEE'S CORRECTIVE ACTION PLAN ON CURRENT AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

(continued)

<u>Finding Number/Finding</u>	<u>Contact Person</u>	<u>Planned Corrective Action</u>	<u>Anticipated Completion Date</u>
<p><b><u>Finding # 2015-012</u></b> Financial Reports Were Not Supported by the Underlying Accounting Records</p>	Amir Assadi, CFO, MOHS	<p>MOHS, HSP has explained this issue many times in the years past. As a pass-through agency the expenditures are first paid and recorded through a partial request from City's BAPS. Secondly, revenues when received by a request from HUD are reported by HSP to the City's Treasury Department which is then recognized by them under HSP revenue accounts. There always will be a timing issue matching the expenditures and revenues to a corresponding City Fiscal Year and Federal Program Year. HSP will do all it can to make sure expenditures and revenues are paid and drawn as close to each other as possible.</p>	June 2017
	Yusuf Arikan, Chief of Fiscal Services	<p>To ensure that the reports submitted to HHS are supported by the City's accounting system (CityDynamics), the following process has been put into place:</p> <ol style="list-style-type: none"> <li>1. Obligations for all funding for the fiscal year will occur by June 30th.</li> <li>2. Payment for the obligations for the previous fiscal year will occur by September 15th.</li> <li>3. Communication between the Head Start Chief of Fiscal Services and BAPS will occur regularly and on a schedule to ensure the correct revenues and expenditures match the proper fiscal year especially during critical months such as June, July, August and September when there is overlap in the close out and start of different fiscal years.</li> <li>4. Fiscal reports submitted to HHS will match CityDynamics and the Federal Payment Management System.</li> </ol>	June 2017

**CITY OF BALTIMORE  
AUDITEE'S CORRECTIVE ACTION PLAN ON CURRENT AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

(continued)

<u>Finding Number/Finding</u>	<u>Contact Person</u>	<u>Planned Corrective Action</u>	<u>Anticipated Completion Date</u>
<p><b><u>Finding # 2015-013</u></b>            Exceptions Related to (a) Client Eligibility, (b) Payroll Costs and (c) Weaknesses in Internal Controls</p>	<p>Denatra Green- Stroman, PHD,            Deputy Director, BCCAP,            MOHS</p>	<p>(a) The following steps were being taken to prevent the misplacement of customer file folders. The current application control and sign-out procedure requires all staff to sign-out needed applications to better track files. The office support services staff collects all signed out files at the end of each day and returns them to the file room. At the end of each week the data entry lead provides a list of any missing files to the OHEP director for follow-up. To further minimize the number of missing files all file cabinets are locked with only the OHEP Director, OHEP Deputy Director and data entry lead having access to the keys. In addition to securing all files, it limits staffs accessibility to only active files which will be monitored by the data entry lead. Lastly, once fiscal year 2014 files are archived all files will be housed in a central location by July 1 2017, affording staff one point of entry into the file room. A directive was disseminated to staff outlining the procedure, which also requires staff to copy the file and return the original limit file loss when updating information, verifying file documentation, etc. To better capture and track all files, the data entry lead will maintain an agency log book of all files that are added to the central files.</p> <p>The action steps have begun to eliminate the entry of incorrect or incomplete information in our LIHEAP files. The OHEP Director issued two corrective action memorandums addressing incomplete and incorrect applications as well as generated a data entry checklist for utilization by all workers when entering and reviewing applications for certification. OHEP initiated an internal audit process of reviewing every 25th application and generating a weekly report containing the errors, worker's name, customer name and date of the application. The quality review process is spearheaded by the program compliance manager and is used to coach staff in their deficit areas and drive training at Baltimore City Community Action Partnership (BCCAP) Centers and OHEP. Three data entry staff are designated with entering all applications received from outside the Office of Home Energy</p>	<p>June 2017</p>

**CITY OF BALTIMORE  
AUDITEE'S CORRECTIVE ACTION PLAN ON CURRENT AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

(continued)

<u>Finding Number/Finding</u>	<u>Contact Person</u>	<u>Planned Corrective Action</u>	<b>Anticipated Completion Date</b>
		<p>Programs to include BCCAP Centers, mail-in applications, on-line applications, as well as applications received through electronic mail and facsimile machine (faxed), which are reviewed prior data entry. If the application has an error the data entry staff is tasked with its correction and subsequently certified by another data entry staff member. The same staff review and certify applications internally generated by OHEP staff. In addition, they complete an error report form that is included in the program compliance manager's weekly internal audit report for these applications.</p>	
		<p>Quarterly quality improvement review sessions are conducted with the Director of the MOHS-BCCAP Director, the Director of the Office of Home Energy Programs (OHEP) and the program compliance manager to review measures being taken to address findings as well as an observation of the intake and certification process.</p>	
		<p>Ongoing training will decrease application error caused by the high volume of applications with limited staff for application processing.</p>	
		<p>For clarification purposes, the grantor is the Maryland Department of Human Resources and we will work with their staff regarding the questioned costs of \$29,516 and questioned costs of \$5,500,000.</p>	
		<p>(c) For Recordkeeping, see the response to Finding # 2015-013 (a).</p>	
		<p>In addition, all administrative costs and the oil benefit reports are obtained from the MOHS fiscal team maintained in a central finance file on site electronically and hard copy. The OHEP Deputy Director is primarily responsible for maintaining these files. The OHEP Director obtains verification of receipt and filing of the reports from our fiscal office and supervises the maintenance of the reports by the OHEP Deputy Director to account for all required financial reports.</p>	



**CITY OF BALTIMORE  
AUDITEE'S CORRECTIVE ACTION PLAN ON CURRENT AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

(continued)

<u>Finding Number/Finding</u>	<u>Contact Person</u>	<u>Planned Corrective Action</u>	<b>Anticipated Completion Date</b>
		<p>For Cash Management, all supporting documents used for oil payments are retained on site. Once the Energy Delivery Service (EDS) forms are received, we review and confirm that the total amount of each check made to a vendor matches the amount supported by the EDS.</p>	
		<p>The check register is then updated to show which vendor is being paid, the amount of the check and the check number. The check register is then attached to the EDS so that we can trace the amount of the check to the clients that are receiving the oil benefit. Once the EDS and check register are attached, they are filed.</p>	
		<p>Once the vendor payments are made and the supporting documents are filed an email is sent to the vendor to alert them that a payment is on its way to them, so they can look for it in the mail. Contacting the vendor to inform them of an incoming check has reduced the number of days that a check remains outstanding, thus reducing the number of voided checks that need to be reissued. Informing the vendor also builds a rapport with them allowing for further ease of communication during this process.</p>	
		<p>To ensure the safeguarding of assets, the physical checks are locked away in the supervisor's office until the next series of payments need to be made.</p>	
		<p>For Segregation of Duties, due to limited resources, staff have to serve in multiple capacities; thereby, the same staff member may perform the intake and, subsequent, certification of the application. Staff roles and responsibilities have been clearly defined to resolve this issue.</p>	
		<p>As a result of a recent transition from using one bank to another we must currently use physical checks to mail payments to the oil vendors. Before a payment can be made the EDS list is received from the OHEP office is sent to the BCCAP director for review</p>	

**CITY OF BALTIMORE  
AUDITEE'S CORRECTIVE ACTION PLAN ON CURRENT AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

(continued)

<u>Finding Number/Finding</u>	<u>Contact Person</u>	<u>Planned Corrective Action</u>	<b>Anticipated Completion Date</b>
<b><u>Finding # 2015-014</u></b> Monitoring Was Not Adequately Performed	Amir Assadi, CFO, MOHS	<p>and approval. Once the EDS lists are approved, the checks are completed and sent to the Fiscal Director to be signed before they can be mailed.</p> <p>MOHS, HSP at that time neither had the funding nor the internal structure to effectively perform program specific monitoring. Since then due to additional funding received from HUD and internal changes, HSP has instituted a monitoring unit which is charged to accomplish this task. Here below are a non-exhaustive list of OMB single audit and HUD approved processes:</p> <ul style="list-style-type: none"> <li>•Unit consists of 3 monitors.</li> <li>•Perform annual risk analysis.</li> <li>•Schedule monitoring based on risk analysis.</li> <li>•Perform subrecipient monitoring based on the risk analysis.</li> <li>•Request submission of single audit by subrecipients.</li> <li>•Review of all single audits and if necessary following it up with management decision letter.</li> <li>•100% desk monitoring/review of the expenditure reports submitted by subrecipients.</li> </ul>	June 2017

**CITY OF BALTIMORE  
AUDITEE'S CORRECTIVE ACTION PLAN ON CURRENT AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

(continued)

<u>Finding Number/Finding</u>	<u>Contact Person</u>	<u>Planned Corrective Action</u>	<u>Anticipated Completion Date</u>
<p><b><u>Finding # 2015-015</u></b> Drawdowns of Grant Funds Exceeded Program Expenditures</p>	<p>Amir Assadi, CFO, MOHS</p>	<p>This is an incorrect assertion by the Department of Audits. MOHS, HSP is cognizant of the OMB requirement to make the draws as administratively close as possible to the payment of the expenditures. MOHS, HSP has never drawn funds from HUD or any other sources in advance of incurring the expenditures. The Continuum of Care grants include the Shelter Plus Care Program which are annual renewal competitive grants with start and end dates that are spread all over the year. These grants do not correspond and agree to Baltimore City's fiscal year. Although, we make every attempt to ascertain that the expenditures and revenues are incurred and recognized as close as possible to each other, certain work processes and conditions may hinder that effort. Attempting to measure the entirety of the grant portfolio using the City's fiscal year will cause an indefinite imbalance of expenditures to the revenues.</p> <p>Auditor's Comments to Auditee's Response – Regardless of the start and end dates for the Shelter Plus Care grants, draw amounts should not exceed related expenditures by almost \$1 million for a given period of time. For a period of time, revenue draw amounts based on expenditure reimbursements should be closely matched to those expenditure amounts.</p>	<p>June 2017</p>

**CITY OF BALTIMORE  
AUDITEE'S CORRECTIVE ACTION PLAN ON CURRENT AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

(continued)

<u>Finding Number/Finding</u>	<u>Contact Person</u>	<u>Planned Corrective Action</u>	<u>Anticipated Completion Date</u>
<b><u>Finding # 2015-016</u></b> Unallowable Payroll Costs Charged to the Program	William P. Colbert, Chief of Fiscal Services, DHCD	The Department of Housing and Community Development has reviewed the finding and agrees that the salary costs inadvertently charged to the HOME Investment Partnerships Grant are ineligible costs. These costs will be moved to a general fund account which will resolve this finding.	June 2017
<b><u>Finding # 2015-017</u></b> Underbillings of \$913 for Airspace Lease	Dhirendra Sinha, Chief, Fiscal Division, DOT	The Department of Housing and Community Development and the Interstate Division of Baltimore City entered into the lease agreement with Engineer Associates in July 1988 and based on that agreement the Department of Finance through the Bureau of Accounting and Payroll Services (BAPS) generates the yearly invoice to the tenant. The Department of Transportation has taken up the matter with BAPS to fix the billing amount and steps will be taken to recover the under billed amount. The lease agreement has a relevant clause to adjust the base rent of the tenant based upon the "consumer price index" so we don't think that it requires any update in the lease agreement, however, the lease agreement will be terminating in July 2018 on completion of 30 years from the effective date of the lease agreement so appropriate action will be taken as per the renewal option clause in the agreement.	June 2017

**CITY OF BALTIMORE  
AUDITEE'S CORRECTIVE ACTION PLAN ON CURRENT AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

(continued)

<u>Finding Number/Finding</u>	<u>Contact Person</u>	<u>Planned Corrective Action</u>	<u>Anticipated Completion Date</u>
<p><b><u>Finding # 2015-018</u></b> Procurement Procedures Were Not Followed</p>	<p>Erin Sher, Deputy Bureau Chief, Purchases</p>	<p>•Response to Bullet Finding 1 – The Department of Finance disagrees that this finding relates to contracts procured by the Bureau of Purchases. Based upon the list of contracts provided by the Department of Audits to support this finding, all but one contract referenced were procured by a different agency. The one reviewed contract listed that was procured by the Bureau of Purchases was B50001083 – Gasoline and Diesel Fuel, with PAPCO, Inc. A review of the insurance certificates on file at the offices of the Bureau of Purchases resulted in finding certificates for the entire contract period (attached). Therefore, the Department of Finance respectfully disagrees with the finding.</p> <p>The Department of General Services provided support that liability insurance coverage was obtained for November 2016 to November 2017.</p> <p>•Response to Bullet Finding 2 – The Department of Finance disagrees that this finding relates to contracts procured by the Bureau of Purchases. Based upon the list of contracts provided by the Department of Audits to support this finding, all of the contracts referenced were procured by a different agency.</p> <p>•Response to Bullet Finding 3 – The Department of Finance disagrees that this finding relates to contracts procured by the Bureau of Purchases. Based upon the list of contracts provided by the Department of Audits to support this finding, all of the contracts referenced were procured by a different agency.</p> <p>•Response to Bullet Finding 4 – The Bureau of Purchases does not disagree that the approval paths for both a requisition (the agency request) and the receipt (the agency acceptance) could both include the same fiscal officer as the final agency approver. However, the Bureau of Purchases disagrees that this is a finding.</p>	<p>June 2017</p>

**CITY OF BALTIMORE  
AUDITEE'S CORRECTIVE ACTION PLAN ON CURRENT AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

(continued)

<u>Finding Number/Finding</u>	<u>Contact Person</u>	<u>Planned Corrective Action</u>	<u>Anticipated Completion Date</u>
		<p>•Response to Recommendation for Bullet 4 – While the Bureau of Purchases agrees with the facts stated in the finding, we do not agree that those facts indicate that proper controls are not in place. As the Bureau of Purchases does not allow an employee to be both a requisition or receipt “creator” and an “approver” there are always at least two people in addition to the budget analyst approving a requisition. This requisition is then received by a buyer in the Bureau of Purchases and goes through a separate approval path, with may include Board of Estimates approval prior to being issued to the contractor or vendor for performance. The receipt is created in a similar manner by the using agency, to indicate acceptance of the goods or services, and must be created by one employee, and approved by a separate employee. (See attached example of approval paths) Therefore, the Bureau of Purchases believes there are controls in place to restrict employees’ ability to lose or misappropriate City assets, as it relates to the procurement process.</p>	
		<p>•Response to Bullet Finding 5 – The Bureau of Purchases does not disagree that the buyer is generally responsible for calculating the price score, while the evaluation committee is responsible only for the technical response score. However, the Bureau of Purchases disagrees that this is a finding. The price score is calculated by a simple formula found in the solicitation document.</p>	
		<p>•Response to Recommendation for Bullet 5 – The Bureau of Purchases disagrees with the recommendation that the evaluation committee be responsible for the price calculation. This phase generally occurs several weeks after the committee has concluded its review, as the Bureau must formally request the price packages be opened publicly by the Board of Estimates. Reconvening the evaluation committees to do a simple calculation that is reviewed by the City Purchasing Agent prior to the award recommendation would complicate a simple procedure without any improvement in</p>	

**CITY OF BALTIMORE**  
**AUDITEE'S CORRECTIVE ACTION PLAN ON CURRENT AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2015**  
**(continued)**

<u>Finding Number/Finding</u>	<u>Contact Person</u>	<u>Planned Corrective Action</u>	<b>Anticipated Completion Date</b>
		results.	
		Auditor's comments to response - We will pursue support from the other agencies for the procurement selections that the Bureau of Purchases determined were not initiated by them.	

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