

**CITY OF BALTIMORE  
LOAN AND GUARANTEE PROGRAM**

**Financial Statements**

**June 30, 2015**

**(With Independent Auditors' Report Thereon)**

**CITY OF BALTIMORE  
LOAN AND GUARANTEE PROGRAM**

**Financial Statements**

**June 30, 2015**

**Table of Contents**

	<b>Page</b>
Independent Auditors' Report	1 – 2
Management's Discussion and Analysis	3 – 4
Statement of Net Position	5
Statement of Revenues, Expenses, and Changes in Net Position	6
Statement of Cash Flows	7
Notes to Financial Statements	8 – 17



**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**

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

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

We have jointly audited the accompanying financial statement Loan and Guarantee Program Fund (Fund) of the City of Baltimore, Maryland (City), which comprise the statement of net position as of June 30, 2015 and the related statement of revenues, expenses, and changes in net position and cash flows for the year ended, and the related notes to the financial statements.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of the Loan and Guarantee Program Fund of the City of Baltimore, Maryland, as of June 30, 2015, and the changes in financial position and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.



**Emphasis of Matter**

*Reporting Entity*

As discussed in Note 1(a), the financial statements present only the Loan and Guarantee Program Fund and do not purport to, and do not, present fairly the net position of the City of Baltimore, Maryland, as of June 30, 2015, its changes in net position or its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Change in Accounting Principle*

As discussed in Note 1(c), to the financial statements, in fiscal year 2015, the fund implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, *Financial Reporting for Pension Plans* and Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to these matters.

**Other Matters**

*Required Supplementary Information*

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 through 4 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 principally 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.

KPMG LLP

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

April 17, 2017

**CITY OF BALTIMORE  
LOAN AND GUARANTEE PROGRAM  
Management's Discussion and Analysis  
June 30, 2015**

This section of the City of Baltimore, Maryland's Loan and Guarantee Program Fund (Fund) financial report presents a narrative overview and financial analysis of the Fund's financial activities for the fiscal year ended June 30, 2015.

**Highlight**

The assets of the Program exceeded its liabilities at the close of fiscal year 2015 by \$4.6 million (*net position*).

**Overview of the Financial Statements**

This annual report consists of three parts: 1) management's discussion and analysis (this section), 2) financial statements, and 3) notes to the financial statements.

The financial statements provide both long-term and short-term information about the Fund's overall financial status. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the Fund's financial statements.

The Fund's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Operating revenues result from the services provided by the Fund.

	<b>June 30,</b>	
	<b>2015</b>	<b>2014</b>
	(Expressed in thousands)	
<b>Assets and deferred outflows</b>		
Assets	\$ 4,864	\$ 5,556
Deferred outflows related to pensions	89	
Total assets and deferred outflows	4,953	5,556
<b>Liabilities and deferred inflows</b>		
Current liabilities	17	18
Long-term liabilities	323	69
Deferred inflows related to pensions	29	
Total liabilities and deferred inflows	369	87
<b>Net position:</b>		
Unrestricted	\$ 4,584	\$ 5,469

**CITY OF BALTIMORE  
LOAN AND GUARANTEE PROGRAM  
Management's Discussion and Analysis  
June 30, 2015**

**Analysis of Net Position**

The Fund's net position of \$4.6 million is comprised primarily of transfers received from the General Fund. In fiscal year 2015 management elected to transfer funds of \$502,000 into the Program after an operating loss of \$1.3 million, thereby decreased the net position by \$885,000 in fiscal year 2015.

	<b>Years ended June 30,</b>	
	<b>2015</b>	<b>2014</b>
	(Expressed in thousands)	
<b>Operating revenues:</b>		
Rents, fees, and other income	\$	\$ 125
Interest income on loans	1	
<b>Total operating revenues</b>	<b>1</b>	<b>125</b>
<b>Operating expenses:</b>		
Salaries and wages	147	138
Other personnel costs	62	52
Program expenses	1,062	1,174
<b>Total operating expenses</b>	<b>1,271</b>	<b>1,364</b>
<b>Operating loss</b>	<b>(1,270)</b>	<b>(1,239)</b>
<b>Nonoperating revenues (expenses):</b>		
<b>Total nonoperating revenues</b>		
<b>Loss before capital and transfer</b>	<b>(1,270)</b>	<b>(1,239)</b>
Capital contributions	65	69
Transfers in	502	6,639
<b>Change in net assets</b>	<b>(703)</b>	<b>5,469</b>
<b>Total net position – beginning, as restated (note 7)</b>	<b>5,287</b>	
<b>Total net position – ending</b>	<b>\$ 4,584</b>	<b>\$ 5,469</b>

**Analysis of Revenues, Expenses and Changes in Net Position**

The Fund had operating revenues of \$1,000 during fiscal year 2015. Interest income increased from none in fiscal year 2014 to \$1,000 in fiscal year 2015. The transfer in from the General Fund decreased from \$6.6 million in fiscal year 2014 to \$502,000 in fiscal 2015. The \$6.6 million transferred in 2014 made funds available to purchase the Lexington Market Arcade in 2015.

**CITY OF BALTIMORE  
LOAN AND GUARANTEE PROGRAM**

Statement of Net Position

June 30, 2015

(Expressed in thousands)

Assets:

Current assets:

Cash and cash equivalents	\$	4,864
Other		
Total current assets		4,864
Total assets		4,864

Deferred outflow of resources

Deferred outflow related to pension		89
Total assets and deferred outflows of resources		4,953

Liabilities:

Current liabilities:

Accounts payable and accrued liabilities		12
Other liabilities		5
Total current liabilities		17

Noncurrent liabilities:

Net pension liability		244
Other liabilities		79
Total noncurrent liabilities		323
Total liabilities		340

Deferred inflow of resources

Deferred inflow related to pension		29
Total liabilities and deferred inflow of resources		369

Net position:

Unrestricted		4,584
Total net position	\$	4,584

See accompanying notes to financial statements.

**CITY OF BALTIMORE  
LOAN AND GUARANTEE PROGRAM**

Statement of Revenues, Expenses and Changes in Financial Position

Year ended June 30, 2015

(Expressed in thousands)

Operating revenues:		
Interest income on loans	\$	<u>1</u>
Total operating revenues		<u>1</u>
Operating expenses:		
Salaries and wages		147
Other personnel costs		62
Program expenses		<u>1,062</u>
Total operating expenses		<u>1,271</u>
Operating loss		<u>(1,270)</u>
Capital contributions		65
Transfer in		<u>502</u>
Change in net position		(703)
Total net position – beginning, as restated (note 7)		<u>5,287</u>
Total net position – ending	\$	<u>4,584</u>

See accompanying notes to financial statements.



**CITY OF BALTIMORE  
LOAN AND GUARANTEE PROGRAM**

Statement of Cash Flows

Year ended June 30, 2015

(Expressed in thousands)

Cash flows from operating activities:	
Receipts from customers	\$ 126
Payments to employees	(166)
Payments to suppliers	<u>(1,062)</u>
Net cash used by operating activities	<u>(1,102)</u>
Cash flows from noncapital financing activities:	
Transfers in	<u>502</u>
Net cash used by noncapital financing activities:	<u>502</u>
Cash flows from capital and related financing activities:	
Capital contributions	<u>65</u>
Net cash provided by capital and related financing activities	<u>65</u>
Net increase (decrease) in cash and cash equivalents	(535)
Cash and cash equivalents, beginning of year	<u>5,399</u>
Cash and cash equivalents, end of year	<u>4,864</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	(1,270)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:	
Account receivable	125
Other assets	32
Deferred outflow - pension	(89)
Accounts payable and accrued liabilities	(3)
Other liabilities	12
Pension liability (current period)	62
Deferred inflow - pension	<u>29</u>
Total adjustments	<u>168</u>
Net cash used by operating activities	<u>\$ (1,102)</u>

See accompanying notes to financial statements.

**CITY OF BALTIMORE  
LOAN AND GUARANTEE PROGRAM**

Notes to the Financial Statements

June 30, 2015

**(1) Summary of Significant Accounting Policies**

**(a) Reporting Entity**

The Loan and Guarantee Program Fund (Fund) is an enterprise fund of the City of Baltimore, Maryland (City). The program was created by resolution of the Board of Estimates of the City of Baltimore pursuant to four separate trust agreements. As of July 1, 1986, the Board of Estimates dissolved the then existing trust agreements and placed responsibility for the continuing management of the Fund with the Director of Finance of the City of Baltimore, Maryland.

In general terms, this program provides for utilization of proceeds from certain bond issues, grants, donations and contributions appropriated by the City and also certain funds included in the capital portion of the annual Ordinance of Estimates. Such funds are used for direct loans or for guarantees of loans made by third parties for residential, commercial, and industrial rehabilitation and development, or for the construction of certain capital projects.

The major objectives of the program are the expansion of the tax base and achievement of certain employment objectives of the City. The program supports projects, which are consistent with the master plan for City development, and provides funds only when necessary financing is not forthcoming from private lenders.

These financial statements are only of the operations of the Fund and are not intended to present the net position, changes in net position, or, where applicable, cash flows of the City.

**(b) Basis of Accounting**

The enterprise fund financial statements are reported using the economic resources management focus and are prepared on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Operating revenues result from the services provided by the program.

**(c) New Government Accounting Standards Board Pronouncements**

In fiscal year 2015, the City adopted Governmental Accounting Standards Board Statement No 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and Statement No 71, *Pension Transitions 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 further discussed in note 5 and 7 for Pension Plans.

**(d) Cash and Cash Equivalents**

The program participates in the City's pooled cash account. At June 30, 2015, the Program's share of the City's pooled cash account was \$4,864,000. All of the City's cash deposits are either insured through the Federal Deposit Insurance Corporation or collateralized by securities held in the name of the City by the City's agent.

**(e) Notes and Loan Guarantees**

A provision for loss guarantees is recognized in accordance with GASB Statement No.70 when, in management's judgment a loss is expected.

**CITY OF BALTIMORE  
LOAN AND GUARANTEE PROGRAM**

Notes to the Financial Statements

June 30, 2015

**(f) Net Position**

All of the Fund's net position is considered unrestricted as of June 30, 2015.

**(2) Transfers**

The Fund received transfers of \$502,000 from the City's General Fund during fiscal year 2015.

**(3) Long-Term Obligations**

Changes in compensated absences for the year ended June 30, 2015, are as follows (amounts expressed in thousands):

	Balance June 30, 2014	Increases	Decreases	Balance June 30, 2015	Amounts due within one year
Other Liabilities	\$ 72	\$ 12	\$	\$ 84	\$ 5
	<u>72</u>	<u>12</u>	<u></u>	<u>84</u>	<u>5</u>

**(4) Loan Guarantee of Five Municipal Golf Courses**

On December 12, 2007, the Mayor and City Council of Baltimore guaranteed a \$1.5 million, 5% interest bearing loan made between Municipal Employees Credit Union of Baltimore (MECU), the lender, and the Baltimore Municipal Golf Corporation (the borrower, non-profit corporation in Maryland) for the term of the loan. The agreement with MECU provides that in the event of a default, the City of Baltimore will have one of the following options:

- Pay all installments in arrears with interest and continue to pay the installments as they come due;
- Prepay the entire balance of the loan including interest without penalty; and direct the lender to institute collection proceedings against the golf course and pay the amount in default plus interest; or
- Pay the deficiency plus interest in equal installments over the remaining term of the loan.

The City is the owner of a reversionary interest in the property and its improvements financed by the loan agreement. If the City cures any default by the borrower, it will have the right of subrogation and be entitled to all rights and remedies that inured to the Lender.

On February 1, 2012, a modification was approved which allowed for a 20 year amortization of the principal and interest with the note coming due on October 27, 2031. It also adjusted the interest rate to 5% with the provision that the interest rate would be adjusted on October 27, 2016 and every 5th year thereafter to the prime on that date plus 1.75%.

The balance due on the loan on June 30, 2015 was \$913,242. The City believes that more likely than not, that the Baltimore Municipal Golf Corporation will continue to pay the loan in accordance with the agreement.

**CITY OF BALTIMORE  
LOAN AND GUARANTEE PROGRAM**

Notes to the Financial Statements

June 30, 2015

**(5) Pension**

The City contributes to a cost-sharing multiple employer defined benefit plan, the Employees' Retirement System (ERS Plan or the Plan), established January 1, 1926. The ERS Plan provides retirement benefits as well as disability benefits to plan members and their beneficiaries. The ERS Plan is managed by a Board of Trustees in accordance with Article 22 of the Baltimore City Code. The Plan benefits provisions may be amended only by the City Council. The ERS Plan issues separate financial statements which may be obtained by writing to the ERS Plan at the following address:

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

The ERS Plan is considered part of the City of Baltimore's reporting entity and its' financial statements as a whole are included in the City's financial statements. The financial statements for the Plan 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.

**(a) Plan Description**

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.

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 but not yet receiving benefits	<u>1,043</u>
Total	<u>18,840</u>

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.

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.

**CITY OF BALTIMORE  
LOAN AND GUARANTEE PROGRAM**

Notes to the Financial Statements

June 30, 2015

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 2% of their contributions.

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

<u>Membership classes</u>	<u>Percentage of compensation</u>
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.

**CITY OF BALTIMORE  
LOAN AND GUARANTEE PROGRAM**

Notes to the Financial Statements

June 30, 2015

**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.

**(b) Proportionate Share of Net Pension Liability**

The measurement date for the Plan 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 Loan & Guarantee program's proportionate share of net pension liability (NPL) is .04%. The following schedules are the proportionate share of the NPL and the sensitivity of the NPL to the discount rate.

The components of the proportionate share of the net pension liability of the Plan are as follows:

(Dollars Expressed in Thousands)	
	Employees' Retirement System (L&G Portion)
Total Pension Liability .....	\$ 760
Less: Plan fiduciary net position .....	516
Net Pension Liability .....	\$ 244
Plan Fiduciary Net Position as a Percentage of Total Pension Liability .....	67.8%

**CITY OF BALTIMORE  
LOAN AND GUARANTEE PROGRAM**

Notes to the Financial Statements

June 30, 2015

The Actuarial Assumptions and the proportionate share of current year contributions for the Plan are:

(Dollars Expressed in Thousands)		Employees' Retirement System (L&G Portion)
Proportionate Share of Contributions made	\$	33
Actuarial assumptions:		
Investment rate of return:		
Pre-retirement		7.75%
Post retirement		6.55%
Projected salary increases		2.65%
Includes inflation rate at		2.75%
Cost-of-living adjustment		1.5-2.0%
Mortality		Sex distinct 1994 Uninsured Pensioners Generational Mortality with adjustments and improvement using Scale AA
Last Experience Study Covered		July 1, 2006-June 30, 2010

**(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 Plan's target asset allocation are summarized in the following table:

Long Term Expected Real Rate of Return/Target Allocation	
Assets Class	Employees' Retirement System
U.S. equities	5.7%/36.0%
International equities	6.5%/14.0%
Private equities	10.4%/10.0%
Fixed income	(0.1)%/26.0%
Real estate	5.6%/9.0%
Hedge funds	3.6%/5.0%

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 and 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.

**CITY OF BALTIMORE  
LOAN AND GUARANTEE PROGRAM**

Notes to the Financial Statements

June 30, 2015

The sensitivity of the net pension liability below presents the proportionate share of the net pension liability of the Plan calculated using the current discount rates as well as what proportionate share of the Plan's net pension liability would be if it were calculated using a discount rate that is 1% lower higher than the current rate.

*Sensitivity of the proportionate share of the pension liability to changes in the discount rate*

(Dollars Expressed in Thousands)

	1% Decrease		Current Discount Rate		1% Increase	
	6.75%		7.75%		8.75%	
	Active Part.	Retired Part.	Active Part.	Retired Part.	Active Part.	Retired Part.
Employees' Retirement System (L&G Proportionate Share)						
Net Pension Liability .....	\$	329	\$	244	\$	173
Plan Fiduciary Net Position as a Percentage of Total Pension Liability .....		61.0%		67.8%		74.9%

*Deferred Inflows and Deferred Outflows.* Exclusive of contributions made subsequent to the measurement date which will be recognized in pension expense in the next fiscal year, a summary of the proportionate share of the net deferred outflows/(inflows) of resources to be recognized in pension expense in future years is presented below:

(Dollars Expressed in Thousands)

Deferred outflows (inflows) for years ended June 30:	Employees' Retirement System (L&G Portion)
2016 .....	\$ 11
2017 .....	11
2018 .....	11
2019 .....	(6)
	\$ 27

In addition to the amounts disclosed above L&G contribution for 2015 in deferred outflows of resources will be recognized as a reduction of net pension liability in the year ended June 30, 2015.



**CITY OF BALTIMORE  
LOAN AND GUARANTEE PROGRAM**

Notes to the Financial Statements

June 30, 2015

The following presents a summary of deferred outflows / (inflows) of resources related to pensions:

Deferred inflows of resources:	
Assumption change .....	\$ (29)
<b>Total Inflows .....</b>	<b>\$ (29)</b>
Deferred outflows of resources:	
Change in proportionate share .....	\$ 4
Differences between actual and expected experience .....	52
Contributions subsequent to measurement date .....	33
<b>Total Outflows .....</b>	<b>\$ 89</b>

**(d) Proportionate Share of Collective Pension Expense and Changes in Net Pension Liability**

The proportionate share of collective pension expense includes charges in the collective net pension liability, 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 the proportionate share of pension expense for the Plan are as follows:

(Dollars Expressed in Thousands)

	Employees' Retirement System (L&G Portion)
Service Cost .....	\$ 9
Interest on total pension liability .....	51
Administrative expenses .....	1
Member contributions .....	(1)
Expected investment return net of investment expenses .....	(36)
Recognition of deferred inflows/outflows of resources:	
Recognition of change in proportionate share .....	18
Recognition of liability gains and losses .....	1
Recognition of investment (gains) and losses .....	(7)
<b>Pension expense .....</b>	<b>\$ 36</b>

**CITY OF BALTIMORE  
LOAN AND GUARANTEE PROGRAM**

Notes to the Financial Statements

June 30, 2015

Items that have resulted in a change in the proportionate share of the net pension liability for the current reporting period are as follows:

(Dollars Expressed in Thousands)

	Employees' Retirement System (L&G Portion)
Net Pension Liability, Beginning of Year	\$ 214
Outflows:	
Change in proportionate share	52
Differences between actual and expected experience	4
Total Outflows (1)	56
Inflows:	
Assumption change	(29)
Total Inflows	(29)
Pension Expense	36
Employer Contributions	(33)
Net Pension Liability, End Of Year	\$ 244

(1) Contribution subsequent to the measurement date were \$33,000 and were not reflected in the net pension liability.

**(e) 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.

**(6) Other Postemployment Benefits**

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  
LOAN AND GUARANTEE PROGRAM**

Notes to the Financial Statements

June 30, 2015

**(7) Beginning Balance Adjustment**

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 (amounts expressed in thousands):

	June 30, 2014	GASB 68 Pension Adjustment	Restated June 30, 2014 Net Position
<u>Loan and Guarantee Program .....</u>	<u>\$5,469</u>	<u>(182)</u>	<u>\$5,287</u>