

City of Baltimore
Maryland



Comprehensive Annual Financial Report
Year Ended June 30, 2017

City of Baltimore, Maryland

Comprehensive Annual Financial Report

Year Ended June 30, 2017

Prepared by the Department of Finance

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ELECTED OFFICIALS

MAYOR
Catherine E. Pugh

PRESIDENT OF THE CITY COUNCIL
Bernard C. Young

COMPTROLLER
Joan M. Pratt

BOARD OF ESTIMATES

PRESIDENT
Bernard C. Young

MAYOR
Catherine E. Pugh

COMPTROLLER
Joan M. Pratt

DIRECTOR OF PUBLIC WORKS
Rudolph S. Chow

CITY SOLICITOR
Andre M. Davis

CITY COUNCIL

Bernard C. Young, *President*
Sharon Green Middleton, *Vice-President*

FIRST DISTRICT
Zeke Cohen
SECOND DISTRICT
Brandon M. Scott
THIRD DISTRICT
Ryan Dorsey
FOURTH DISTRICT
Bill Henry
FIFTH DISTRICT
Isaac "Yitzy" Schleifer
SIXTH DISTRICT
Sharon Green Middleton
SEVENTH DISTRICT
Leon F. Pinkett, III

EIGHTH DISTRICT
Kristerfer Burnett
NINTH DISTRICT
John. T Bullock
TENTH DISTRICT
Edward Reisinger
ELEVENTH DISTRICT
Eric T. Costello
TWELFTH DISTRICT
Robert Stokes, Sr.
THIRTEENTH DISTRICT
Shannon Sneed
FOURTEENTH DISTRICT
Mary Pat Clarke

City of Baltimore
 Comprehensive Annual Financial Report
 Year Ended June 30, 2017

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INTRODUCTORY SECTION



- Letter of Transmittal
- Municipal Organization Chart

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HENRY J. RAYMOND, Director
454 City Hall
Baltimore, Maryland 21202

Catherine E. Pugh, Mayor

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

December 22, 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, 2017. 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 independent accountants' 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, SB & Company, LLC, to perform a joint audit with the City Auditor of the basic financial statements of the City as of and for the year ended June 30, 2017. 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 public accountants have issued an unmodified opinion that the presentation of the basic financial statements conforms with accounting principles generally accepted in the United States. 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 Uniform Grant Guidance "Single Audit" designed to meet the special needs of Federal grantor agencies. This audit is being conducted by the City Auditor, and the Single Audit Report will be available as a separate document as of a later date.

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 when it was concluded that the City was financially accountable for these entities. 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 2016 population of 614,664. 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 July 2017 by an independent financial consultant contracted by the City. After considering the consultant's recommendations, the City plans not to exceed \$80 million in budgeted annual general obligation debt. The Debt Policy will be reviewed again in two years by the City and an independent consultant.

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 Baltimore City Public School System, and 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. The City also contributes to the State of Maryland Retirement System for Sheriff Office employees.

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 366,600 or 25.8% of the 1.42 million jobs in the metropolitan area are located in the City.

The concentration of stable health care and education related services in the City have become the drivers of the steady job absorption not only for employees in the Baltimore area, but especially for City residents. Job absorption is the capacity of the City's job market to generate stable employment and retain the increasing City's labor force. Jobs in the health and educational sectors represent 31.8% of the 2017 jobs located in the City, a proportion that is considerably higher than the regional and national totals of 19.8% and 15.6% respectively. While the City's labor force has remained virtually unchanged since 2010 at a 295,500 annual average, employment of City residents has grown 6.4% from 262,300 in 2010 to 279,000 through the first half of 2017. The prominence of health care and knowledge-related industries is reflected in the City's major employers. Among the ten largest non-governmental employers, eight are health care and education-related entities, one is Amazon's fulfillment center, and the last 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

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 614,664 in 2016. This 65 year trend reflects an average monthly drop of 423 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 86 people since 2010.

Economic Outlook

The City ended Fiscal 2017 during one of the longest periods of economic expansion in history. Since the Great Recession ended in June 2009, the nation has enjoyed 94 months of economic recovery, the third longest recovery since 1850. Many of the City's key economic indicators have returned to pre-recession levels.

After several years of job gains, the US labor market has reached what the Federal Reserve considers full employment level, an average unemployment rate below 5%. Maryland's average unemployment rate was 4.3% during 2016 and 4.2% during its last quarter. Baltimore's rate has historically been between 2 and 3 percentage points above the State rate. Since 2010, the City's unemployment rate fell to an average 5.9% in the last quarter of 2016, the lowest since 2008, and narrowed the gap with the State rate from more than 4 in 2010 to less than 2 percentage points.

In 2005, the total number of City households was 243,000, of which 161,400 or 66.4% was composed by households earning less than \$50,000 and the remaining 33.6% were those households earning more than \$50,000. Even though the City realized a net reduction of 4,600 households between 2005 and 2015, the number of households earning more than \$50,000 increased by almost 26,500 or 32.4% for a total of 108,100, while those earning less than \$50,000 decreased by 31,000 or 19.2%. Most of the growth in higher income households was for those earning \$100,000 or more. These changes in household characteristics indicate that the City has improved the quality of the jobs offered and the net absorption of these jobs has been the driver to build a stronger income tax base. Data from the Maryland Department of Planning indicate that, even though the City still has the lowest per-capita personal income in the region, it has experienced the highest annual average growth rate since 2000.

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 4.4% in August 2017, while the City unemployment rate peaked in August of 2010 at 12.5%, and has since gradually declined and leveled off at 6.3% as of August 2017.

The most recent data from the Bureau of Labor Statistics (BLS) indicates that the number of jobs and total employment in the City continues to increase. The BLS reported an average of 366,575 jobs located in the City during 2016, representing an increase of 1.0% compared to the average of 362,800 in calendar 2015. Calendar 2016 is the sixth year in

a row since 2010 where the City has experienced employment growth, an indicator of the improvement in the City's job market after the national recession. An average of 298 new jobs per month have been created between January 2011 and December 2016. In calendar 2016, there were an estimated 276,430 City residents employed. The difference between employed residents and jobs in the City reflects a net contribution of approximately 90,145 jobs to surrounding communities.

Retail Sales

Retail sales reported by the State of Maryland for the City showed an increase of 8.2% in Fiscal 2017, rebounding after Fiscal 2016, which broke four years of consecutive growth. Fiscal 2017 is the first year that the City has generated more than \$6 billion in sales activity, generating \$376.1 million in sales tax revenue for the State. Sales generated in the City currently represent 8.1% of the state's total retail sales during Fiscal 2017, 0.5% higher than in Fiscal 2016. Through the first six months of 2017, the retail vacancy rate in the downtown area is 3.6%. This represents an improvement of 2.0% from the final quarter of 2016, when retail vacancy rates were 5.6%. In the same time period, 64,845 square feet of additional retail space has been leased in the downtown area. Retail sales activity continues to be a leading indicator of the City's economic activity.

Housing

Following Fiscal 2016 where there were improvements in housing activity and real estate prices, Fiscal 2017 saw the market continue to indicate that the housing market was healthy, and in some months total activity increased on a year-over-year basis. The total number residential units sold in the City as reported by the Metropolitan Regional Information System (MRIS) increased for the fifth year in a row at 8.5% in Fiscal 2017. Additionally, the annual average price of houses sold in the City grew 10.6% in Fiscal 2017. The total number of commercial and residential real estate transactions totaled 15,898, representing a very small increase over the 15,847 in Fiscal 2016. However, in Fiscal 2017 the average price per transaction for all transactions (residential and commercial) declined slightly from Fiscal 2016 – down from \$200,453 in Fiscal 2016 to \$197,174 in Fiscal 2017 representing a 1.6% decrease.

In Fiscal 2017 the City also experienced another strong year in terms of refinancing activities; however, it is anticipated that the demand for these types of transactions will be reduced as market conditions become less favorable due to anticipated interest rate increases and reduction in the inventory supply. The City processed a total of 22,491 transactions subject to recordation tax in Fiscal 2017, 1.9% more than the 22,069 in Fiscal 2016. Out of this total, it is estimated that 6,593 corresponded to refinancing transactions. This represents an increase of 6.0% over the Fiscal 2016's 6,222 refinancing operations processed by the City.

Port of Baltimore

With the expansion of the Panama Canal in 2016 allowing deeper and wider lanes for larger ships to pass through, Baltimore and other Atlantic coastal ports now can receive the larger cargo-carriers, often from the Far East, that previously were limited to the Pacific Coast. Indeed, Baltimore is one of only four Eastern U.S. ports with a 50-foot (15.2 meters) shipping channel and a 50-foot container berth, allowing it to accommodate some of the largest container ships in the world. The Port's total general cargo tonnage increased 5.7% to 10.4 million tons in Fiscal 2017, up from 9.8 million tons in Fiscal 2016. In calendar 2016, the Port set a new record for most tonnage handled by public terminals in a single year.

Tourism and Travel Industries

The City's tourism and travel industries have increased in some sectors, while in other areas there was a slight decline from Fiscal 2016 to Fiscal 2017. Both the airport as well as the port saw continued growth in Fiscal 2017, and hotel activity in Fiscal 2017 remained about the same as the previous year. Further growth in these industries is essential to improving the City's overall economic outlook.

Baltimore Convention Center. In Fiscal 2017, the Baltimore Convention Center (BCC) held 122 events, just one more than Fiscal 2016. The revenue generated by BCC decreased in Fiscal 2017, down from \$10.7 million in Fiscal 2016 to \$9.5 million in Fiscal 2017. While higher revenue helps directly support the City's General Fund, growth in the number of events and subsequently the number of attendees would further boost the surrounding economy. In Fiscal 2017, BCC had 513,715 total event attendees, an increase of about 54,000 over Fiscal 2016. This indicates that although the number of events in the City did not increase significantly, the number of people attending each event has risen.

Hospitality. Hotel activity remained about the same in Fiscal 2017 as it was in the prior year, with a 66.5% occupancy rate in Fiscal 2017 compared to 66.6% in Fiscal 2016. Total room inventory in the City declined by about 9,600 rooms; however, this only represents a 0.5% reduction in the supply of rooms. The lack of growth in Fiscal 2017 should not be viewed as a major concern, given that Fiscal 2016 saw significant increases in almost every metric over Fiscal 2015 (occupancy rate, demand, total revenue). Ultimately, growth in the hospitality industry and hotel activity is dependent on the industry's ability to continue to attract visitors for tourism and convention events.

BWI Thurgood Marshall Airport. During calendar year 2016, nearly 25.1 million passengers flew out of Baltimore-Washington International Thurgood Marshall Airport (BWI), which ranks as the 22nd busiest airport in the United States. This was both an annual record number of travelers and an overall positive indicator for the Greater Baltimore area's tourism industry. The airport also broke its previous record for international passengers with more than 1.2 million passengers in 2016. Last year also was the second-straight year that more than one million international passengers flew through BWI. Airlines continue to add more international and domestic flights out of BWI, which is yet another positive sign for the region's travel industry.

Port of Baltimore. In 2016, the Port of Baltimore had more than 224,000 passengers use the cruise terminals, which have received recent interior renovations with more upgrades planned. In 2016 the Port signed a multi-year contract with the popular cruise line Royal Caribbean, ensuring a steady flow of cruise activity from the Port through at least Fiscal 2020.

Office Development

The Baltimore City commercial real estate market continues to show strong signals of demand. The decreasing vacancy rates and positive net absorption figures indicate a continued demand for space. Many key properties, such as 111 Market Place and 25 South Charles (both office buildings) have been sold in 2017. Multiple new industrial properties have been delivered within the City and there has been continued strong demand for space within the City's downtown area by retail establishments seeking to capture the new residents moving into buildings that have been converted from office to residential space.

As of the middle of 2017, the City's (Downtown) office vacancy rate was 11.0%. This represents an improvement over the 11.9% vacancy rate in the fourth quarter of 2016. Through the first half of 2017, the City continued to experience an increase in the total amount of space being absorbed by businesses. Following a modest first quarter 2017 where 134,730 square feet of office space was leased in the Downtown area, the second quarter of 2017 saw a total of 449,146 additional square feet of office space leased.

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 helped to reduce the City's unfunded OPEB liability from \$2.1 billion to \$747 million, as of the most recent fiscal 2015 actuarial report.

TEN-YEAR FINANCIAL PLAN

On February 20, 2013, the City 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 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 implemented in the fiscal year 2015 budget were 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.

The fiscal year 2016 budget included further initiations that seek to improve the efficiency of government, lower the property tax rate for homeowners, make much-needed infrastructure investments, and reduce the City's long-term liabilities. Key initiatives included an additional \$9 million PAYGO capital contribution beyond the \$8 million baseline and the elimination of 280 General Fund positions. In fiscal 2016, the City also negotiated a new Memorandum of Understanding (MOU) with 14 non-profit institutions who will contribute a collective \$6 million annually for ten years beginning in fiscal year 2017.

In fiscal year 2017, the City continued to work towards implementing cost-saving initiatives identified under the Ten-Year Plan. The City is projected to save \$571 million over the ten-year period due to the initiatives that are already complete. These savings are in addition to \$615.3 million of savings from health benefit reforms, which were implemented in 2013 before the plan was finalized, and incorporated into the baseline forecast. The net savings of \$311.3 million includes initiatives implemented by the City that cost \$260 million.

In order to continue to address the remaining shortfall, the City will explore other innovative solutions including pursuing public-private partnerships, managed competition, City office consolidation, better risk management, and changes to sick and compensatory leave accruals.

HIGHLIGHTS OF THE FISCAL YEAR 2017 ADOPTED BUDGET

The Adopted Budget for Fiscal 2017 continues the transition to more proactive city services. Among the highlights:

- The City will increase funding for City Schools by \$10.4 million over the Maintenance of Effort (MOE) level, to help make up for lost State formula aid.
- CitiWatch Camera network intelligence will assist or initiate 1,500 arrests, contributing to a 32% reduction in crime in areas with cameras versus the immediate surrounding area.
- Housing Code Enforcement will leverage \$30 million in private investment in Vacants to Value target areas.
- 1,700 Baltimore City residents will obtain job placement through the Career Center Network. This is a targeted increase of 28% over Fiscal 2015 actuals.
- 37% of all facility maintenance work will be for preventative, rather than reactive, maintenance, as compared to 5% in Fiscal 2015.
- 120,000 miles of City streets will be swept through Mechanical Street Sweeping, an 18% increase from Fiscal 2015.
- Savings generated across Safer Streets services will be used to implement a Mobile Integrated Health/Community Paramedicine program, targeting high utilizers of Baltimore's 911 system, and triaging/diverting non-emergency clients to appropriate, non-ER healthcare facilities (\$398,000).

The budget plan supports Mayor Catherine E. Pugh vision to grow Baltimore's population by 10,000 families and is built around seven Priority Outcomes:

Better Schools	Innovative Government
Safer Streets	Cleaner City
Stronger Neighborhoods	A Healthier City
A Growing Economy	

Below are highlights of what the budget plan includes for each Priority Outcome. Funding details for city services are provided in the Summary of Recommendations section of this book.

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.

- The City will increase funding for City Schools by \$10.4 million over the Maintenance of Effort (MOE) level, to help make up for lost State formula aid.
- \$4.2 million in youth funding for Family League, Associated Black Charities, and the Northwood and Waverly Childcare Centers was restored in the adopted budget.
- The Family League will target 80% of children in home visiting programs exhibiting developmentally on-track social behavior and emotional well-being, and 90% of Out of School program participants meeting school attendance standards.
- Community Schools will serve 29,000 youth, an increase from 25,034 in Fiscal 2015.
- The Mayor's Office of Employment Development will help 850 out-of-school youth access a full range of educational, occupational, and personal support services via YO! Centers, increasing the percentage of disengaged, at-risk youth who acquire 21st Century Job Readiness Skills from 83% in Fiscal 2015 to 85%.
- The City will support 6,500 youth in the YouthWorks Summer Jobs program, and target 90% of participants reporting that they feel more prepared to enter the workforce as a result of their experience.
- The Enoch Pratt Free Library will target 46,600 participants in the School Readiness Program, 36,600 in the Summer Reading Program, and 70% of customers reporting strong satisfaction with library services.
- Savings generated across Better Schools services will be used to fund an enhancement that will support eight B'More for Healthy Babies/Health Care Access Maryland (HCAM) positions, helping Baltimore residents access appropriate medical care, navigate the Medicaid system, and link to services (\$225,000).
- Savings generated across Better Schools services will be used to fund an enhancement that will purchase of laptops/scanners to provide efficient/mobile offsite registration of YouthWorks participants (\$13,000).

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.

- The Baltimore City Fire Department will install 16,500 free smoke alarms, an increase of 874 units from 2015.
- 600 guns will be seized by the Operational Intelligence Section of the Baltimore Police Department (BPD).
- 89% of the projected 810 street light outages will be repaired within four days of notification.
- CitiWatch Camera network intelligence will assist or initiate 1,500 arrests, contributing to a 32% reduction in crime in areas with cameras versus the immediate surrounding area.
- Shift one Baltimore City Fire Company to Federal grant support, generating \$2.6 million in savings.
- 225 vacant Police Officer positions will be salary saved, generating \$20 million in savings. BPD will implement operational efficiencies to move officers from behind desks to patrol, end manual timekeeping and improve technology.
- The City's Crossing Guard pay policy will be renegotiated to reflect actual hours worked – changing the hours paid from four to two daily.

- Funding for preventative street-light maintenance and the Department of Transportation's LED installation initiative in high-crime neighborhoods will be maintained.
- Funding for proactive crime prevention and intervention programs such as Operation Ceasefire, the CitiWatch Crime Camera Program and Metro Crime Stoppers will be maintained.
- The City will continue to invest in maintaining and improving the City's first responder training programs, as well as investing in critical infrastructure upgrades for the Fire Department.
- Savings generated across Safer Streets services will be used to fund an enhancement that will purchase licenses to an online Learning Management System for Fire Department personnel, allowing employees to complete training at the fire house, rather than being taken out-of-service. Online learning is expected to increase training compliance from 50% to a target 90% by Fiscal 2018 (\$100,000).
- Savings generated across Safer Streets services will be used to fund an enhancement that will six new Crime Lab supervisors which will improve the lab's supervisor-subordinate ratio and bring the span of control in line with comparable industries, such as Research & Development. In hiring the Deputy Director, the Crime Lab saw a 94-incident reduction of quality issues requiring corrective action (\$870,000).
- Savings generated across Safer Streets services will be used to fund an enhancement that will purchase analytical and storage software for CitiWatch Program to improve utilization of data produced by the cameras, a move toward a strategic plan for camera placement in the City (\$150,000).

Stronger Neighborhoods

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

- 60 lane miles will be paved by internal crews and 60 by contract crews, consistent with fiscal year 2015, supporting a target of 30% citizen satisfaction with street maintenance, a 5% increase from fiscal year 2015.
- Housing Code Enforcement will leverage \$30 million in private investment in Vacants to Value target areas.
- Youth programming will support 760,000 total visits to Recreation Centers and Pools.
- 50,000 rat burrows will be baited as a part of the proactive rat treatment program, with a targeted reduction of 1,041 citizen complaints, or 6%, compared to fiscal year 2015.
- The Department of Planning will target a 5% increase over fiscal year 2015 in eligible properties with local or national historic designation.
- 8 new miles of bike infrastructure will help support the new bikeshare program, which will target 10% of bikeshare rides replacing car trips.
- One-time funding provided to Community Action Centers in fiscal year 2016 will be reduced due to loss of approximately \$668,000 of State CSBG funding. The City has not identified a new source of funding and will have to make service adjustments, including possible closure of one center.
- Funding for building and zoning inspections and permits will be maintained to ensure timeliness of construction permit review and zoning inspections.
- Current funding for a certification coordinator for the National Flood Insurance Program Community Rating System will be supported to keep insurance rates down for public and private properties.
- Current levels of vacant property cleaning and boarding, including the Mayor's Crime and Grime initiative, will be supported.

- Savings generated across Safer Streets services will be used to purchase a Direct Mailing Dataset, allowing Housing and Community Development (HCD) to more quickly identify vacant buildings and improve billing and mailing efforts across multiple City agencies by limiting the number of returned mailings (\$21,000).
- Savings generated across Safer Streets services will be used to upgrade Park Maintenance positions to higher skill levels, improving the responsiveness to 311 requests (\$80,000)

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.

- Development Oversight and Project Support has a target of 145 pre-development meetings, an 11% increase over Fiscal 2015 actuals, which in turn will support Baltimore Development Corporation’s targeted growth of 94 new or expanding businesses in commercial corridors in fiscal year 2017.
- 1,700 Baltimore City residents will obtain job placement through the Career Center Network. This is a targeted increase of 28% over fiscal year 2015 actuals.
- \$16.9 million of total tax revenue will be generated by Baltimore Convention Center events.
- A combined target of 1.1 million annual visitors to the City’s arts and culture institutions will help increase the total number of visitors to Baltimore.
- Funding for Special Event Support and Inner Harbor services in the Department of Transportation will be maintained.
- Current levels of service for Discrimination Investigations, Resolutions, and Conciliations as well as the Minority and Women’s Business Opportunity Office will be maintained.
- A no-impact reduction in Survey Control will eliminate three vacant positions and produce \$143,000 in savings that allows Employment Enhancement Services for City Residents to maintain current levels of service funding.
- Conduit operations will be increased by \$8 million due to the increase in the Conduit Lease Rate from \$0.9785 to \$3.33. Conduit operations promote economic development through facilitating ready access to power and communications facilities for new construction, existing businesses, and expanding business needs. New and expanded business means jobs for Baltimore.
- General Fund support to retention, expansion, and attraction of businesses will be reduced by \$500,000 by charging appropriate overhead costs to Capital funds.
- An analysis of current and projected actuals of other personnel costs for both art museums reduced the City’s obligation by \$500,000.
- Savings generated across Safer Streets services will be used to purchase 8,000 new chairs to replace the current set (purchased in 1996) for the Baltimore Convention Center. This enhancement was funded over a two-year period, receiving partial funding in Fiscal 2016 that will be carried forward for a total budget of \$1.5 million in Fiscal 2017. This will ensure the City’s convention center can remain competitive among much newer and larger facilities in neighboring cities (\$900,000).

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.

- 37% of all facility maintenance work will be for preventative, rather than reactive, maintenance, as compared to 5% in fiscal year 2015.
- 18,000 vendors will be registered in Citibuy, invoices will be paid within 30 days on average, and the Budget Office will generate \$3 million of savings from recommendations in management research reports.
- The City's fleet will be available for 90% of scheduled operating time, compared to 81% in fiscal year 2015.
- 4,000 City employees will be trained through the COB University, a 35% increase from fiscal year 2015.
- 40% of reports from the City's mainframe infrastructure will be available on user-friendly dashboards, as compared to 10% in fiscal year 2015.
- Civil service vacancies will be filled within 75 days, as compared to 81 days in fiscal year 2015.
- Funding for CharmTV will be reprioritized, requiring that the General Fund support government transparency and external revenue sources maintain and expand original programming.
- Funding for the annual Citizen Survey will be reduced, requiring the service to seek external revenue sources for support and move to a biennial survey.
- Funding for the revenue collections call center will be reduced, with the impact of increased wait times.
- Funding for investigations of fraud, waste, and abuse within City government will be maintained.
- Funding for the preventative maintenance of the City's fleet and facilities will be maintained.
- Funding for a data warehouse and the City's Open Data website will be maintained.
- A capital reserve for public buildings in the Internal Service Fund will be established.
- Savings generated across Safer Streets services will be used to create a claims review process and investigating tort claims against the Police Department, generating cost savings and allowing the Law Department to more quickly identify problem Police Officers (\$100,000).
- Savings generated across Safer Streets services will be used to hire accountants to support quadrennial audits and ensure grants compliance (\$300,000).
- Savings generated across Safer Streets services will be used to hire one investigator focusing on Fire and Police disability and worker's compensation fraud (\$100,000)

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.

- 120,000 miles of City streets will be swept through Mechanical Street Sweeping, an 18% increase from fiscal year 2015.
- 95% of service requests for Waste Removal and Recycling will be completed on time, an increase of 2% from fiscal year 2015.
- Proactive tree maintenance will be expanded, increasing the service request closure rate from 88% in fiscal year 2015 to 90%.
- 34,000 tons of recyclable materials will be collected in Fiscal 2017, an increase from 28,970 tons in fiscal year 2015.

- Waste Removal and Recycling will roll out the Municipal Can Program to all City neighborhoods in fiscal year 2017. Public Works will distribute a standard 65-gallon trash can to each City residence. Waste Removal and Recycling will be budgeted with a contribution to a Can Replacement Fund for fiscal year 2017.
- Graffiti Removal, Rat Rubout, and 1+1 Mixed Refuse and Recycling Collection will maintain current services.
- A one-time revenue transfer of \$1.0 million from the Stormwater Fund will support Mechanical Street Sweeping during fiscal year 2017.
- The Environmental Control Board received additional funding to support contractual hearing officers, based on an increase in the number of environmental citations issued and subsequent hearings requested.
- Savings generated across Safer Streets services will be used to support the Emerald Ash Borer Response Plan to protect the City's largest and healthiest trees, and mitigate some of the devastation of the City's Ash trees caused by the Emerald Ash Borer beetle (\$375,000).
- Savings generated across Safer Streets services will be used to expand proactive pruning efforts under Urban Forestry to decrease the frequency and severity of storm damage to the city's neighborhood trees (\$200,000).
- Savings generated across Safer Streets services will be used to upgrade and replace Housing Code Enforcement surveillance cameras to improve targeted enforcement and reduce illegal dumping (\$80,000).

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.

- The Health Department will continue to target 70% of out-of-care persons with HIV linked to ongoing healthcare, and will increase the percentage of HIV clients achieving undetectable viral load from 83% in fiscal year 2015 to 85% in fiscal year 2017.
- Emergency Medical Services (EMS) will respond to 155,000 emergencies and target 90% of responses within eight minutes.
- The Healthy Homes service will inspect 500 homes for health and safety risk, supporting a continued target of 95% of children with reduced asthma-related ER visits following a home visit.
- Clinical Services will serve 18,200 clients for STD services and 2,900 for dental visits. Dental visits represent an increase of 4% over fiscal year 2015.
- Chronic Disease Prevention will serve 650 Virtual Supermarket clients, a 22% increase over fiscal year 2015, and will target a 58% decrease in the percent of inspected tobacco outlets selling tobacco to minors.
- The Department of Recreation and Parks will target 25,000 youth and adult participants in team or individual sports, an increase of 7,000 from fiscal year 2015. It will also target 95% of participants returning to sports programs.
- A reduction of funding to Substance Abuse and Mental Health will end a training contract with an outside firm.
- Savings in general funds for the Summer Food Program, previously supporting the cost of unused meals, will be mitigated by the Youth Food Access Planner coordinating a youth strategy citywide to address child food insecurity and limiting the number of wasted meals.
- Funding for the Healthy Homes program supporting continued lead poisoning prevention services will be maintained.

- Funding for seniors services, including recreation, advocacy, community services, and senior centers will be maintained.
- Funding for Temporary Housing for the Homeless will be increased to support the current demand for sheltering services.
- The EMS fees for basic and advanced life support transport, mileage, and EKGs will be increased to bring them in line with other large municipalities and Medicare rates.
- Savings generated across Safer Streets services will be used to implement a Mobile Integrated Health/Community Paramedicine program, targeting high utilizers of Baltimore's 911 system, and triaging/diverting non-emergency clients to appropriate, non-ER healthcare facilities (\$398,000).
- Savings generated across Safer Streets services will be used to establish a non-profit stabilization center to provide sobering services and linkage to care, addressing over-utilization of Emergency Room services (\$205,000).
- Savings generated across Safer Streets services will be used to upgrade the Health Department's clinical infrastructure, including a new electronic health record and lab management system enabling clinics to bill insurance companies, Medicare, and Medicaid for services (\$200,000).

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 public accountants, SB & Company, LLC, 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,

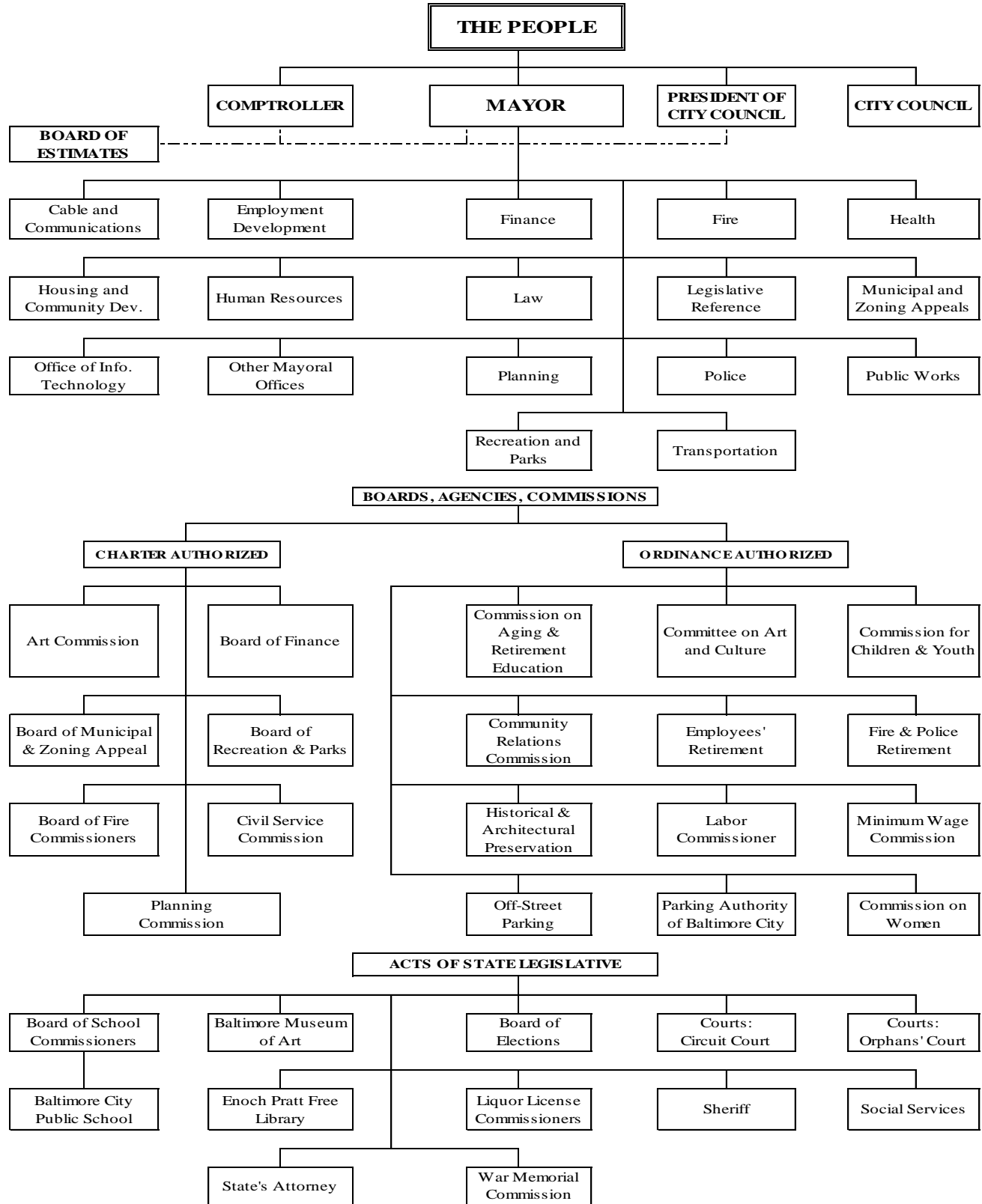


Catherine E. Pugh
Mayor



Henry Raymond
Director of Finance

MUNICIPAL ORGANIZATION CHART



FINANCIAL SECTION



- **Report of Independent Public Accountants**
- **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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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

Report on the Financial Statements

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, 2017, 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

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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 Retirement System. These funds represent 100% of the total assets, net position, and revenues of the Pension Trust Funds. We also did not jointly audit the Baltimore City Public School System (School System) and Baltimore Hotel Corporation, which are both discretely presented component units. The financial statements of the Pension Trust Funds, Baltimore City Public School System, and Baltimore Hotel Corporation 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, Baltimore City Public School System and Baltimore Hotel Corporation are based on the reports of the other auditors except for the matter discussed in "Other Matters" below. 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 six-year period ending December 31, 2017.

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



the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position 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, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedule of Revenues, Expenditures and Encumbrances, and Changes in Fund Balance – Budget and Actual- Budgetary Basis – General Fund, Schedules of the City's Proportionate Share of the Net Pension Liability – ERS Plan, Schedule of Employer Contributions – ERS Plan; Schedule of the City's Proportionate Share of Net Pension Liability- Maryland State Retirement and Pension System – LEOPS; Schedule of Employer Contributions- Maryland State Retirement and Pension System – LEOPS; Schedule of the City's Proportionate Share of Net Pension Liability- Maryland State Retirement and Pension System – ERPS; Schedule of Employer Contributions- Maryland State Retirement and Pension System – ERPS; Schedule of the City's Proportionate Share of Net Pension Liability- Maryland State Retirement and Pension System – JRS; Schedule of Employer Contributions- Maryland State Retirement and Pension System – JRS; Schedule of Changes in Net Pension Liability (Assets) and Related Ratios – Fire and Police Employees' Retirement System - Single Employer Plan; Schedule of Changes in Net Pension Liability (Assets) and Related Ratios – Elected Officials' Retirement System - Single Employer Plan; Schedule of Employer Contributions – Single Employer Plans, Schedules of Funding Progress – OPEB Trust Funds, Schedule of Employer Contributions – OPEB Trust Fund; Schedule of Changes in the Net OPEB Liabilities and Related Ratios; Schedule of Net OPEB Liability History; and Notes to the Required Supplementary Information as listed in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and the introductory and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the



underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements is 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.

Adjustments to Discretely Presented Component Unit Financial Statements Audited by Other Auditors

As part of our audit of the City’s 2017 financial statements, we also audited the adjustments described in Note 20 that were applied to adjust the financial statements of the Baltimore City Public School System, a discretely presented component unit of the City, as of and for the year ended June 30, 2017, including the restatement of certain 2017 financial statements’ beginning balances in the accompanying financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2017 or 2016 financial statements of the School System other than with respect to the adjustments, and accordingly, we do not express an opinion or any other form of assurance on the 2017 or 2016 financial statements of the School System as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 20, 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.

December 20, 2017

SB & Company, LLC
Independent Public Accountants

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

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, 2017. 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 2017 by \$4.2 billion (net position). This amount includes \$562.1 million (restricted net position) and is net of an unrestricted deficit of \$1.9 billion. During the fiscal year, the City's total net position increased by \$413 million.

As of June 30, 2017, the City's governmental funds reported combined ending fund balances of \$722.6 million. At the close of the fiscal year, the unassigned fund balance for the general fund was \$134.3 million.

The City's total long term debt increased by \$227.3 million, during fiscal year 2017.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The City's basic financial statements comprise three components:

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

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

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

Financial Report Layout and Structure

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

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

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

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

Government-wide Financial Statements

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

The Statement of Net Position presents information on all of the City’s assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether or not the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as, revenues pertaining to uncollected taxes and expenses pertaining to earned, but unused, vacation and sick leave.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all, or a significant portion, of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety and regulation, conservation of health, social services, education, public library, recreation and culture, highway and streets, sanitation and waste removal, public service, economic development, and interest expenses. 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, not only the City itself (known as the primary government), but also the legally separate activities of the Baltimore City Public School System and the Baltimore Hotel Corporation. Summary financial information for these component units are reported separately from the financial information presented for the primary government itself. The Baltimore City Public School System prepared its own financial statements, which are also prepared in conformity with GASB 34 and audited. The Baltimore Hotel Corporation prepared its own financial statements in conformity to FASB.

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 balance 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 fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains several major governmental funds (general, grants revenue, and capital projects). Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for 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 fund are charges for customer services including: water, sewer, stormwater, parking fees, commercial and industrial rents, printing services, vehicle maintenance fees, telecommunication, central post office fees, energy conservation and building maintenance. 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 operation 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 service 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 and building maintenance. 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 System’s 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 were 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 fiscal year 2017 and 2016

(Expressed in Thousands)

	Governmental activities		Business-type activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 1,303,867	\$ 1,119,238	\$ 1,107,526	\$ 871,318	\$ 2,411,393	\$ 1,990,556
Capital assets, net.....	3,153,632	3,150,917	4,726,742	4,357,541	7,880,374	7,508,458
Deferred outflows of resources.....	501,183	300,619	139,434	136,818	640,617	437,437
Total assets and deferred outflows of resources.....	4,958,682	4,570,774	5,973,702	5,365,677	10,932,384	9,936,451
Long-term liabilities outstanding.....	3,342,952	3,126,110	2,401,578	2,095,203	5,744,530	5,221,313
Other liabilities.....	575,114	560,692	325,212	287,601	900,326	848,293
Deferred inflows of resources.....	64,092	56,600	17,859	17,851	81,951	74,451
Total liabilities and deferred inflows of resources.....	3,982,158	3,743,402	2,744,649	2,400,655	6,726,807	6,144,057
Net position:						
Invested in capital assets, net of related debt.....	2,528,116	2,464,962	2,981,404	2,386,644	5,509,520	4,851,606
Restricted.....	400,063	24,669	162,084	165,076	562,147	189,745
Unrestricted.....	(1,951,655)	(1,662,259)	85,565	413,302	(1,866,090)	(1,248,957)
Total net position	\$ 976,524	\$ 827,372	\$ 3,229,053	\$ 2,965,022	\$ 4,205,577	\$ 3,792,394

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 \$4.2 billion at the close of fiscal year 2017. The City’s net position includes its investment of \$5.5 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, \$562.1 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 \$1.9 billion.

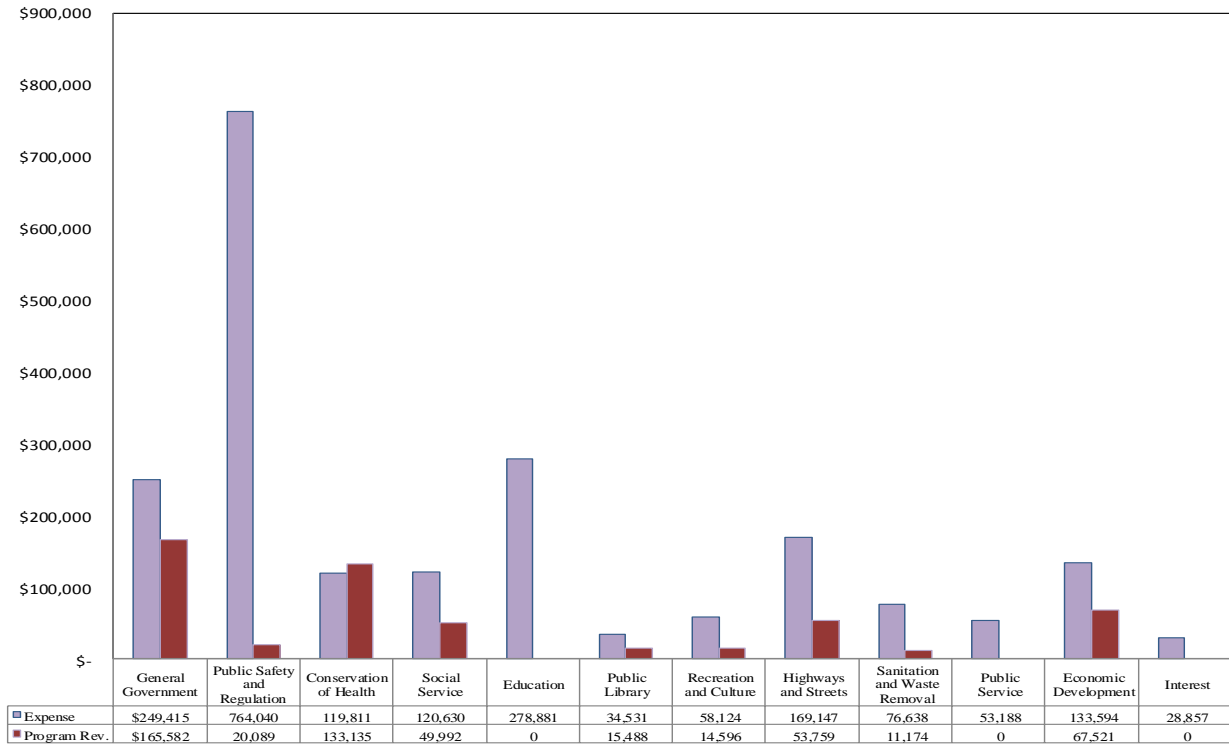
CITY OF BALTIMORE
Changes in Net Position
For the fiscal years 2017 and 2016
(Expressed in Thousands)

	Governmental activities		Business-type activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 103,151	\$ 103,190	\$ 528,203	\$ 542,622	\$ 631,354	\$ 645,812
Operating grants and contributions	344,684	347,636			344,684	347,636
Capital grants and contributions	83,501	25,284	217,959	259,288	301,460	284,572
General revenues:						
Property taxes	853,197	852,114			853,197	852,114
Income taxes	335,923	346,727			335,923	346,727
State shared revenue	159,022	153,195			159,022	153,195
Transfer and recordation tax	90,420	91,916			90,420	91,916
Electric and gas tax	37,950	41,109			37,950	41,109
Telecommunications tax	34,425	33,837			34,425	33,837
Admission	9,051	7,813			9,051	7,813
Other	122,589	135,606	3,849	4,591	126,438	140,197
Total revenues	2,173,913	2,138,427	750,011	806,501	2,923,924	2,944,928
Expenses:						
General government	249,415	303,696			249,415	303,696
Public safety and regulation	764,040	744,940			764,040	744,940
Conservation of health	119,811	116,592			119,811	116,592
Social services	120,630	109,591			120,630	109,591
Education	278,881	299,699			278,881	299,699
Public library	34,531	34,150			34,531	34,150
Recreation and culture	58,124	53,657			58,124	53,657
Highways and streets	169,147	192,487			169,147	192,487
Sanitation and waste removal	76,638	70,823			76,638	70,823
Public service	53,188	49,475			53,188	49,475
Economic development	133,594	126,430			133,594	126,430
Interest	28,857	30,518			28,857	30,518
Water			167,667	170,637	167,667	170,637
Wastewater			193,055	193,563	193,055	193,563
Stormwater			21,521	19,365	21,521	19,365
Parking			27,939	18,125	27,939	18,125
Nonmajor proprietary			13,703	12,148	13,703	12,148
Total expenses	2,086,856	2,132,058	423,885	413,838	2,510,741	2,545,896
Increase in net assets before transfer	87,057	6,369	326,126	392,663	413,183	399,032
Transfer:						
Transfer in (out)	62,095	100,737	(62,095)	(100,737)		
Change in net position	149,152	107,106	264,031	291,926	413,183	399,032
Net position - beginning, as restated	827,372	720,266	2,965,022	2,673,096	3,792,394	3,393,362
Net position - ending	\$ 976,524	\$ 827,372	\$ 3,229,053	\$ 2,965,022	\$ 4,205,577	\$ 3,792,394

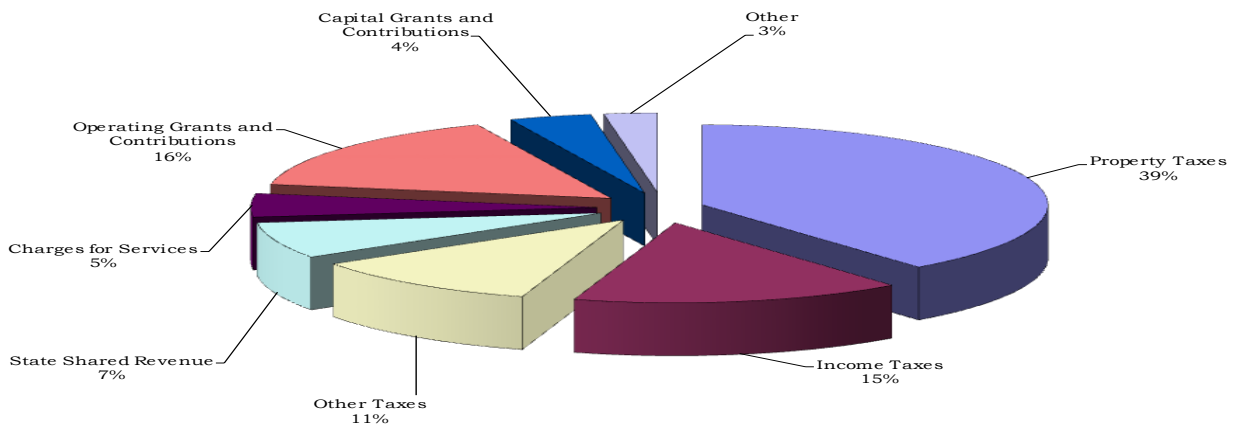
Analysis of Changes in Net Position

The overall increase in the City’s net position amounted to \$413.2 million during fiscal year 2017. This change is explained in the government and business-type activities discussion below.

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



Revenues By Source – Governmental Activities



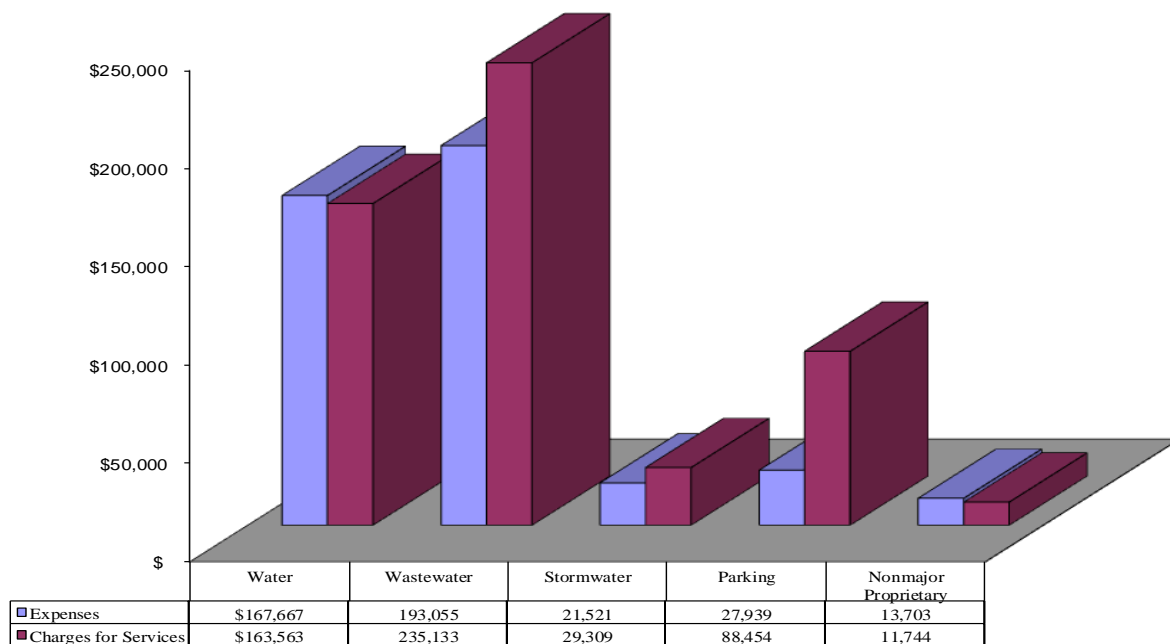
Governmental Activities

During the current fiscal year, expense related to governmental activities amounted to \$2.09 billion; this is less than revenues by \$87.1 million. Total revenue of \$2.17 billion is comprised of program revenues totaling \$531.3 million, which is 24.4% of total revenue. 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 2017, governmental revenue increased by \$35.5 million.

Governmental expenses decreased by \$45.2 million during fiscal year 2017. This decrease is primarily attributable to decreases in general government by \$54.3 million.

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



Business-type Activities

Business-type activities are presented after adjustments to reflect the consolidation of internal service fund activities related to enterprise funds. 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 \$750 million. Expenses for these activities totaled \$423.9 million along with capital contributions of \$218.0 million, income earned of \$326.1 million and net transfer out of \$62.1 million and resulted in an increase in net position of \$264.0 million.

Operating revenues decreased by \$56.5 million in fiscal year 2017 in the Water, Wastewater and Stormwater Utility Funds. Capital assets increased by \$369.2 million in the business-type activities primarily as a result of the utilities funds’ effort to build environmentally sound facilities.

The City implemented a new Water and Stormwater billing system during this fiscal year. As with all new system implementations, challenges were discovered and are being rectified. One issue that remained at year end necessitated The City to estimate billings. The estimates were prepared on a conservative basis and the actual bills may be larger than projected.

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 2017 and 2016
(Expressed in Thousands)

	2017	2016	Variance Amount
Revenues:			
General fund:			
Property taxes	\$ 847,095	\$ 853,831	\$ (6,736)
Income taxes	334,851	346,727	(11,876)
Other local - taxes	228,647	225,728	2,919
Total local taxes	<u>1,410,593</u>	<u>1,426,286</u>	<u>(15,693)</u>
Licenses and permits	44,450	48,829	(4,379)
Interest, rentals, and other investment income	21,082	33,991	(12,909)
Federal grants	480	217	263
State grants	105,705	104,585	1,120
Other	206,478	197,059	9,419
Total revenues-general fund	<u>1,788,788</u>	<u>1,810,967</u>	<u>(22,179)</u>
Other governmental funds:			
Grants revenue fund	226,145	222,291	3,854
Capital projects fund	105,487	45,370	60,117
Other funds	47,068	40,792	6,276
Total revenues other governmental funds	<u>378,700</u>	<u>308,453</u>	<u>70,247</u>
Total revenues all governmental funds	<u>2,167,488</u>	<u>2,119,420</u>	<u>48,068</u>
Expenditures:			
General fund:			
General government	249,579	281,616	(32,037)
Public safety and regulation	730,093	702,632	27,461
Conservation of health	21,882	19,663	2,219
Social services	86,353	73,851	12,502
Education	276,324	269,937	6,387
Public library	24,812	24,856	(44)
Recreation and culture	44,392	41,884	2,508
Highways and streets	96,537	125,440	(28,903)
Sanitation and waste removal	72,380	72,642	(262)
Public service	44,769	42,947	1,822
Economic development	34,276	39,499	(5,223)
Debt service	104,006	69,775	34,231
Total expenditures - general fund	<u>1,785,403</u>	<u>1,764,742</u>	<u>20,661</u>
Other governmental funds:			
Grants revenue fund	218,716	238,344	(19,628)
Capital projects fund	154,671	173,201	(18,530)
Other funds	34,101	29,565	4,536
Total expenditures other governmental funds	<u>407,488</u>	<u>441,110</u>	<u>(33,622)</u>
Total expenditures all governmental funds	<u>2,192,891</u>	<u>2,205,852</u>	<u>(12,961)</u>
Excess of expenditures over revenue	<u>(25,403)</u>	<u>(86,432)</u>	<u>61,029</u>
Other financing sources:			
Transfers in	192,331	210,212	(17,881)
Transfers out	(132,042)	(110,174)	(21,868)
Proceeds from bond issuances	403,750		403,750
Refunding of bonds	(377,111)		(377,111)
Capital Projects Fund:			
Transportation revenue bonds		(13,833)	13,833
Capital leases		8,978	(8,978)
Premium on general obligation bonds		3,220	(3,220)
Face value of funding and refunding general obligation bonds	1,907	61,381	(59,474)
Other funds:			
Face value of transportation revenue bonds		30,936	(30,936)
Total other financing sources	<u>88,835</u>	<u>190,720</u>	<u>(101,885)</u>
Net changes in fund balances	<u>63,432</u>	<u>104,288</u>	<u>(40,856)</u>
Fund balances - beginning	659,122	554,834	104,288
Fund balances - ending	<u>\$ 722,554</u>	<u>\$ 659,122</u>	<u>\$ 63,432</u>

Revenues for governmental functions overall totaled approximately \$2.2 billion in the fiscal year ended June 30, 2017, which represents an increase of 2.3% from the fiscal year ended June 30, 2016. Expenditures for governmental functions, totaling \$2.2 billion, decreased by approximately 0.6% from the fiscal year ended June 30, 2016. In the fiscal year ended June 30, 2017, expenditures for governmental functions exceeded revenue by \$25.4 million or 1.17%.

The General Fund is the chief operating fund of the City. Revenue in the General Fund decreased \$22.2 million as compared to fiscal year 2016. This decrease was attributed to decreases in income taxes and property taxes in fiscal year 2017. The total expenditures for the General Fund increased by \$20.6 million, or 1.17%, over fiscal year 2016.

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

The decrease in general government expenditures were due primarily to reduced salary and legal costs in 2017 and debt prepayments which occurred in 2016. Public safety increased due to overtime costs. Social services increased in 2017 due to a one time savings in 2016 related to retiree healthcare costs. Highways and street expenditures decreased due to large transportation projects incurred in 2016.

At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$134.3 million, while total fund balance was \$714.8 million. The fund balance in the City's General Fund increased by \$39.0 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.

Proprietary Funds

The City's business-type activities prior to allocation of internal service fund 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 Facility Fund		Nonmajor Other Funds	
	2017	2016	2017	2016	2017	2016
Operating revenues	\$ 428,005	\$ 417,972	\$ 88,454	\$ 87,145	\$ 11,744	\$ 37,505
Operating expenses	346,123	328,993	12,938	9,453	13,788	12,164
Operating income (loss)	81,882	88,979	75,516	77,692	(2,044)	25,341
Non operating revenues (expenses), capital contribution, and transfers	180,691	226,108	(76,596)	(109,159)	2,370	(338)
Change in net position	\$ 262,573	\$ 315,087	\$ (1,080)	\$ (31,467)	\$ 326	\$ 25,003

As discussed in the Business-type activities section, the Water and Wastewater Utilities Fund experienced operating revenue increases in fiscal year 2017. These increases are attributable to rate increases implemented in fiscal year 2017.

The Parking Facilities Fund revenues increased during the current year. This is primarily due to an increase in parking meter collections.

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, 2017

(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Original Budget Positive (Negative)	Variance with Final Budget Positive (Negative)
Total revenues	\$ 1,719,004	\$ 1,734,574	\$ 1,786,555	\$ 67,551	\$ 51,981
Expenditures and encumbrances:					
General government.....	356,512	348,082	295,103	61,409	52,979
Public safety and regulation.....	716,275	740,275	725,428	(9,153)	14,847
Conservation of health.....	33,837	33,837	25,468	8,369	8,369
Social services.....	3,391	3,391	3,336	55	55
Education.....	273,617	273,617	276,299	(2,682)	(2,682)
Public library.....	26,018	26,018	22,177	3,841	3,841
Recreation and culture.....	48,192	48,192	42,243	5,949	5,949
Highways and streets.....	115,512	115,512	96,287	19,225	19,225
Sanitation and waste removal.....	79,816	79,816	73,712	6,104	6,104
Public service.....	39,752	39,752	39,051	701	701
Economic development.....	59,590	59,590	53,304	6,286	6,286
Total expenditures and encumbrances.....	1,752,512	1,768,082	1,652,408	\$ 100,104	\$ 115,674
Excess (deficiency) of revenue over expenditures and encumbrances...	(33,508)	(33,508)	134,147		
Other Financing uses:					
Transfers in.....	39,526	39,526	118,522		
Transfers out.....	(124,873)	(124,873)	(109,555)		
Total other financing uses.....	(85,347)	(85,347)	8,967		
Net changes in fund balances.....	(118,855)	(118,855)	143,114		
Fund balances ---- beginning (as restated).....	735,817	735,817	675,812		
Fund balances ---- ending.....	\$ 616,962	\$ 616,962	\$ 818,926		

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 2017, supplemental appropriations totaling \$26.2 million were approved for the general fund, all of which were approved from prior year surplus or from unexpected increases in revenues sources. Actual expenditures for the year were less than the original budget by \$100.1 million, but were \$115.7 million lower than adjusted appropriations. This amount was primarily related to the governmental activities: lower than budgeted costs for general government operations amounted to \$53.0 million; lower than budgeted costs for public safety and regulation amounted to \$14.8 million; lower than budgeted costs for conservation of health amounted to \$8.4 million; lower than budgeted costs for highways and streets to \$19.2 million; lower than budgeted costs for sanitation and waste removal to \$6.1 million and lower than budgeted costs for economic development amounted to \$6.3 million.

On a budgetary basis, revenue for fiscal year 2017 totaled \$1.8 billion and expenditures and transfers totaled \$1.7 billion. The excess of expenditures and transfers over revenues resulted in a budgetary basis fund balance at June 30, 2017 of \$818.9 million, an increase of \$143.1 million.

Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2017, amounted to \$7.9 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 4.95% (.09% increase for governmental activities and an 8.47% increase for business-type activities) as shown in the table which follows.

Capital Assets, Net of Depreciation For the Fiscal Years 2017 and 2016

(Expressed in Thousands)

	Governmental activities		Business-type activities		Total	
	2017	2016	2017	2016	2017	2016
Land and Other	\$ 365,356	\$ 367,896	\$ 36,920	\$ 36,920	\$ 402,276	\$ 404,816
Building and Improvements	898,676	886,182	2,055,905	2,098,843	2,954,581	2,985,025
Machinery and Equipment	108,188	93,540	166,968	55,594	275,156	149,134
Infrastructure	1,579,259	1,566,118	898,657	881,619	2,477,916	2,447,737
Library Books	16,276	17,873			16,276	17,873
Construction in Progress	185,877	219,308	1,568,292	1,284,565	1,754,169	1,503,873
Total	\$3,153,632	\$3,150,917	\$4,726,742	\$ 4,357,541	\$ 7,880,374	\$ 7,508,458

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 \$3.5 billion. Of this amount, \$467.0 million was general obligation bonds backed by the full faith and credit of the City, \$358.7 million was revenue bonds for governmental activity at the Convention Center, the Convention Center Hotel, and transportation bonds, and \$2.1 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 2017, the City sold \$843.3 million in revenue bonds, of which \$88.1 million were Maryland Water Quality 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 2017	FY 2016
Net general bonded debt (expressed in thousands)	\$ 415,788	\$ 455,909
Ratio of net general bonded debt to net assessed value	1.06%	1.21%

See note number 7 on long-term obligations.

As of June 30, 2017, the City had \$469.3 million in authorized, outstanding property tax-supported general obligation bonds. This amount is reduced by net restricted assets in the Debt Service Fund (which is part of the General Fund beginning in Fiscal Year 2016) of \$53.6 million for net tax-supported bonded debt of \$415.7 million, which is equal to approximately 1.06% of the assessed value of property (net of exemptions). There are an additional \$423 million in bonds that are authorized, but unissued.

Economic Factors and Next Year's Budget and Rates

The fiscal year 2018 budget submitted by the Board of Estimates to the Baltimore City Council proposed total appropriations of \$3,888,422,000 of which \$1,834,900,000 were for General Fund operations and Pay-As-You-Go (PAYGO) capital. The City Council, after deliberations pursuant to Charter requirements and powers, made no reductions to the total General Fund or other fund appropriations. The property tax rates on real property and personal property remained at \$2.248 and \$5.62 per \$100 of assessed valuation, respectively. The locally imposed and State mandated income tax rate was 3.2%. The Ordinance of Estimates was adopted by the City Council and signed by the Mayor on June 13, 2017.

Fiscal 2017 Budget – Economic Factors

The threat of a recession was one of the major concerns during the fiscal year 2016 Budget; however, even with the moderation in the national economy, the City remained stable in general terms. In fiscal year 2016 the City housing market experienced material growth and the labor market improved its steady growth trend. These improvements were reflected in the fiscal year 2016 revenues.

The housing market showed important signs of recovery. After two years of continued decline in the average value of homes sold, figures reported by the Metropolitan Regional Information (MRIS) indicated that the City experienced a 3.4% increase from \$153,011 in fiscal year 2015 to \$158,204 in fiscal year 2016. Additionally, there were a total of 7,874 residential houses sold in the City during fiscal year 2016, representing 195 or 0.6% more than in fiscal year 2015. For the last two fiscal years it has taken in average 82 days for residential properties to be sold. This average is 12 fewer days than average of fiscal years 2013 and 2014, and 38 lower than the average days on market experienced between fiscal year 2008 and fiscal year 2012. The current average matches the average number of days in market during the period of high activity prior the burst of the housing bubble. The City also experienced in fiscal year 2016 its second year of real property tax assessment increase after four years of consecutive declines.

The City's employment market also improved. The total number of City residents in the labor market increased by 992 or 0.3% to 296,474 in 2016 from the 2015 average of 295,482, while the average number working City residents increased by 4,682 or 1.7% to reach the historically high level of 277,438 in 2016. The remarkable increase in our labor force and the absorption of these workers by the job market were the reason for the reduction of the City's average unemployment rate to 6.4% during 2016, the lowest rate since 2007.

The healthy housing and job market environment were reflected in the increase in revenues especially from some of the City's major funding sources. In fiscal year 2016, receipts from recordation and transfer taxes, which are directly affected by real estate market activity, increased 21.0 million or 29.6%; while 2016 income taxes experienced an increase of \$32.7 million or 14.1% from fiscal year 2015 to reach \$346.7 million in revenues. Even though a portion of the income tax increase was explained by specific one-time receipts due to prior year's late filings and adjustments, the increase is still a reflection of the favorable conditions of the City's labor market.

The City, and the nation, are currently enjoying one of the longest periods of economic expansion, but the risk of a recession is still vivid; therefore, short and mid-term budgetary decisions need to be carefully considered to minimize the risk of unanticipated long-term impacts.

Request 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, 2017
(Expressed in Thousands)

	Primary Government			Component Units	
	Governmental	Business-type	Total	Baltimore City	Baltimore
	Activities	Activities		Public School	Hotel
			Total	System	Corporation
Assets and deferred outflows of resources:					
Assets:					
Cash and cash equivalents	\$ 367,873	\$ 709,966	\$ 1,077,839	\$ 237,196	\$ 2,838
Investments	345,522		345,522	112,105	32,777
Property taxes receivable, net	16,743		16,743		
Other receivables, net	45,637	302,452	348,089	3,419	2,473
Due from other governments	126,856	60,478	187,334	41,354	
Internal balances	14,430	(14,430)			
Due from primary government				6,600	
Inventories, at cost	8,743	8,571	17,314	1,856	82
Notes and mortgages receivable, net	288,087	40,489	328,576		
Other assets	28,353		28,353	15	4,425
Net OPEB assets	61,623		61,623		
Capital assets being depreciated, net of accumulated depreciation	2,602,399	3,121,530	5,723,929	584,414	185,351
Capital assets not being depreciated	551,233	1,605,212	2,156,445	63,467	
Total assets	4,457,499	5,834,268	10,291,767	1,050,426	227,946
Deferred outflow of resources:					
Deferred amortization on early extinguishment of debt		72,849	72,849		
Deferred loss on bond refunding	7,708	16,306	24,014		
Deferred outflows related to pension	491,211	33,482	524,693	72,551	
Interest rate swaps	2,264	16,797	19,061		
Total deferred outflows of resources	501,183	139,434	640,617	72,551	
Total assets and deferred outflows of resources	4,958,682	5,973,702	10,932,384	1,122,977	227,946
Liabilities and deferred inflows of resources:					
Liabilities:					
Accounts payable and accrued liabilities	260,694	199,319	460,013	214,482	15,997
Accrued interest payable	6,110	40,480	46,590		5,061
Unearned revenue	19,865		19,865	6,838	2,030
Notes payable					278,126
Due to other governments	2,933	5,409	8,342		
Deposits subject to refund	30,492	15	30,507		
Estimated claims in progress:					
Due within one year	66,515		66,515		
Due in more than one year	261,006		261,006		
Bond Anticipation Notes Payable	60,148	852	61,000		
Revenue bond payable, net:					
Due within one year	14,354	70,672	85,026		
Due in more than one year	356,405	2,230,793	2,587,198		
Derivative instrument liability	2,264	33,986	36,250		
Long term debt payable:					
Due within one year	37,112	255	37,367	11,735	
Due in more than one year	682,381	2,185	684,566	96,985	
Capital leases payable:					
Due within one year	31,101	262	31,363	5,202	
Due in more than one year	113,868	825	114,693	14,495	
Compensated absences:					
Due within one year	42,307	4,881	47,188	5,028	
Due in more than one year	103,268	9,554	112,822	40,575	
Landfill closure due in more than one year	20,643		20,643		
Net pension liability	1,803,117	124,235	1,927,352	166,551	
Other liabilities	3,483	3,067	6,550	10,205	11,151
Total liabilities	3,918,066	2,726,790	6,644,856	572,096	312,365
Deferred inflows of resources:					
Deferred inflows related to pension	64,092	17,859	81,951	4,740	
Total deferred inflows of resources	64,092	17,859	81,951	4,740	
Total liabilities and deferred inflows of resources	3,982,158	2,744,649	6,726,807	576,836	312,365
Net position:					
Net investment in capital assets	2,528,116	2,981,404	5,509,520	519,464	(92,775)
Restricted for:					
Construction	5,081		5,081	24,530	
Debt service and sanitation	380,996	162,084	543,080		
Perpetual care:					
Expendable	6,184		6,184		
Nonexpendable	7,802		7,802		
Unrestricted (deficits)	(1,951,655)	85,565	(1,866,090)	2,147	8,356
Total net position	\$ 976,524	\$ 3,229,053	\$ 4,205,577	\$ 546,141	\$ (84,419)

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, 2017
(Expressed In Thousands)

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Units		
					Governmental Activities	Business-type Activities	Total	Baltimore City Public School System	Baltimore Hotel Corporation
Primary Government:									
Governmental activities:									
General government	\$ 249,415	\$ 64,752	\$ 94,899	\$ 5,931	\$ (83,833)		\$ (83,833)		
Public safety and regulation	764,040	6,361	13,728		(743,951)		(743,951)		
Conservation of health	119,811	7,070	126,065		13,324		13,324		
Social services	120,630		49,992		(70,638)		(70,638)		
Education	278,881				(278,881)		(278,881)		
Public library	34,531	242	15,246		(19,043)		(19,043)		
Recreation and culture	58,124	161	3,177	11,258	(43,528)		(43,528)		
Highways and streets	169,147	3,438	3,304	47,017	(115,388)		(115,388)		
Sanitation and waste removal	76,638	11,129		45	(65,464)		(65,464)		
Public service	53,188				(53,188)		(53,188)		
Economic development	133,594	9,998	38,273	19,250	(66,073)		(66,073)		
Interest	28,857				(28,857)		(28,857)		
Total governmental activities	2,086,856	103,151	344,684	83,501	(1,555,520)		(1,555,520)		
Business-type activities:									
Water	167,667	163,563		63,992		\$ 59,888	59,888		
Wastewater	193,055	235,133		151,761		193,839	193,839		
Stormwater	21,521	29,309		336		8,124	8,124		
Parking	27,939	88,454				60,515	60,515		
Nonmajor proprietary	13,703	11,744		1,870		(89)	(89)		
Total business-type activities	423,885	528,203		217,959		322,277	322,277		
Total primary government	\$ 2,510,741	\$ 631,354	\$ 344,684	\$ 301,460	(1,555,520)	322,277	(1,233,243)		
Component units:									
Baltimore City Public School System	\$ 1,439,249	\$ 246	\$ 163,851	\$ 34,713				\$ (1,240,439)	
Baltimore Hotel Corporation	69,599	64,124							\$ (5,475)
General revenues:									
Property taxes					853,197		853,197		
Income taxes					335,923		335,923		
Transfer and recordation tax					90,420		90,420		
Electric and gas tax					37,950		37,950		
Telecommunications tax					34,425		34,425		
Admission tax					9,051		9,051		
Other local taxes					68,432		68,432		
State shared revenues					159,022		159,022		
State, federal, and City grants								1,209,483	
Unrestricted investment income					21,634	3,849	25,483	1,842	3
Miscellaneous					32,523		32,523	16,599	
Transfers					62,095	(62,095)			
Total general revenues and transfers					1,704,672	(58,246)	1,646,426	1,227,924	3
Changes in net position					149,152	264,031	413,183	(12,515)	(5,472)
Net position – beginning (as restated)					827,372	2,965,022	3,792,394	558,656	(78,947)
Net position – ending					\$ 976,524	\$ 3,229,053	\$ 4,205,577	\$ 546,141	\$ (84,419)

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

CITY OF BALTIMORE
Balance Sheet
Governmental Funds
June 30, 2017
(Expressed In Thousands)

	General Fund	Grants Revenue Fund	Capital Projects Fund	Nonmajor Funds	Total
Assets:					
Cash and cash equivalents	\$ 304,687			\$ 15,692	\$ 320,379
Investments	336,830		\$ 516	8,176	345,522
Property taxes receivable, net	16,743				16,743
Other receivables, net	23,652		533	970	25,155
Due from other governments	79,580	\$ 30,447	15,374	1,455	126,856
Due from other funds	4,826	6,930	6,062	8,808	26,626
Notes and mortgages receivable, net	288,087				288,087
Inventories, at cost	1,038				1,038
Other assets	28,188				28,188
Total assets	\$ 1,083,631	\$ 37,377	\$ 22,485	\$ 35,101	\$ 1,178,594
Liabilities, deferred inflows of resources and fund balances (deficits):					
Liabilities :					
Accounts payable and accrued liabilities	\$ 205,376	\$ 20,541	\$ 18,059	\$ 1,990	\$ 245,966
Retainages payable			7,788	3	7,791
Estimated liability for claims in progress	66,515				66,515
Due to other funds	15,738	334	523		16,595
Due to other governmental				2,933	2,933
Deposits subject to refund	30,492				30,492
Unearned revenue	19,865				19,865
Total liabilities	337,986	20,875	26,370	4,926	390,157
Deferred inflows of resources:					
Unavailable property taxes	16,160				16,160
Unavailable income taxes and other	14,238				14,238
Unavailable grants revenue		30,086		4,955	35,041
Prepaid taxes	444				444
Total deferred inflows of resources	30,842	30,086		4,955	65,883
Total liabilities and deferred inflows of resources	368,828	50,961	26,370	9,881	456,040
Fund balances:					
Nonspendable	2,260				2,260
Restricted	380,996		5,081	13,986	400,063
Assigned	197,220			11,234	208,454
Unassigned	134,327	(13,584)	(8,966)		111,777
Total fund balances (deficits)	714,803	(13,584)	(3,885)	25,220	722,554
Total liabilities and fund balances (deficits)	\$ 1,083,631	\$ 37,377	\$ 22,485	\$ 35,101	

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	3,043,836
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds	582,062
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	81,296
Unavailable revenue is not due and payable in the current period and, therefore, is not reported in the funds	65,883
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds	(3,519,107)
Net position of governmental activities	\$ 976,524

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, 2017
(Expressed in Thousands)

	General Fund	Grants Revenue Fund	Capital Projects Fund	Nonmajor Funds	Total
Revenues:					
Taxes -- local	\$ 1,410,593			\$ 12,422	\$ 1,423,015
State shared revenue	140,451			18,571	159,022
Licenses and permits	44,450				44,450
Fines and forfeitures	7,192				7,192
Interest, rentals and other investment income	21,082		\$ 392	160	21,634
Federal grants	480	\$ 120,505	60,781	14,315	196,081
State grants	105,705	81,997	22,720		210,422
Other grants	26	23,643			23,669
Charges for services	51,509				51,509
Miscellaneous	7,300		21,594	500	29,394
Other revenue				1,100	1,100
Total revenues	1,788,788	226,145	105,487	47,068	2,167,488
Expenditures:					
Current:					
General government	249,579	22,962		20,173	292,714
Public safety and regulation	730,093	25,817		2,193	758,103
Conservation of health	21,882	94,703			116,585
Social services	86,353	34,449			120,802
Education	276,324			31	276,355
Public library	24,812	6,884		26	31,722
Recreation and culture	44,392	4,249		703	49,344
Highways and streets	96,537	45		298	96,880
Sanitation and waste removal	72,380			429	72,809
Public service	44,769	4,502			49,271
Economic development	34,276	25,105	58,905	10,248	128,534
Debt service:					
Principal	60,646				60,646
Interest	37,042				37,042
Other bond costs	6,318				6,318
Capital outlay			95,766		95,766
Total expenditures	1,785,403	218,716	154,671	34,101	2,192,891
Excess (deficiency) of revenues over (under) expenditures	3,385	7,429	(49,184)	12,967	(25,403)
Other financing sources (uses):					
Transfers in	118,522	15,786	51,728	6,295	192,331
Transfers out	(109,555)		(4,451)	(18,036)	(132,042)
Proceeds from bond issuances	403,750				403,750
Refunding of bonds	(377,111)				(377,111)
Face value of general obligation bonds			1,907		1,907
Total other financing sources (uses)	35,606	15,786	49,184	(11,741)	88,835
Net changes in fund balance	38,991	23,215	(3,885)	1,226	63,432
Fund balances (deficits) -- beginning	675,812	(36,799)	(3,885)	23,994	659,122
Fund balances (deficits) -- ending	\$ 714,803	\$ (13,584)	\$ (3,885)	\$ 25,220	\$ 722,554

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, 2017
(Expressed in Thousands)

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

Net changes in fund balance -- total governmental funds	\$ 63,432
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 depreciation exceeded capital outlays in the current year	23,243
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	4,518
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	75,737
The net effect of the expenses for recording the City's pension liability from employment retirement plans are not reported as expenditures in governmental funds	(28,565)
The net expense of certain activities of internal service funds is reported with governmental activities	10,787
Changes in net position of governmental activities	\$ 149,152

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, 2017
(Expressed in Thousands)

	Enterprise Funds						Internal Service Funds
	Water Utility Fund	Wastewater Utility Fund	Stormwater Utility Fund	Parking Facilities Fund	Nonmajor Funds	Total	
Assets and deferred outflows of resources:							
Current assets:							
Cash and cash equivalents	\$ 18,845	\$ 120,707	\$ 38,271	\$ 8,864	\$ 25,420	\$ 212,107	\$ 17,429
Accounts receivable, net:							
Service billings	56,399	83,360	7,331			147,090	
Other	661	460		906		2,027	1,226
Due from other governments	19,170	41,226	82			60,478	
Inventories	7,830	238	503			8,571	7,705
Restricted assets:							
Cash and cash equivalents	17,355	18,391				35,746	
Notes and mortgages receivable				4,880		4,880	
Total current assets	120,260	264,382	46,187	14,650	25,420	470,899	26,360
Noncurrent assets:							
Restricted assets:							
Cash and cash equivalents	183,379	193,400		30,858	54,476	462,113	30,066
Due from other governments	83,241	51,402	18,692			153,335	
Notes and mortgages receivable				35,609		35,609	
Capital assets, net of accumulated depreciation	1,172,601	1,574,853	237,091	83,007	53,978	3,121,530	109,796
Capital assets not being depreciated	261,099	1,281,527	21,340	15,126	26,120	1,605,212	
Total noncurrent assets	1,700,320	3,101,182	277,123	164,600	134,574	5,377,799	139,862
Total assets	1,820,580	3,365,564	323,310	179,250	159,994	5,848,698	166,222
Deferred outflows of resources							
Deferred amortization on early extinguishment of debt	36,823	36,026				72,849	
Deferred loss on bond refunding				16,306		16,306	
Deferred outflows related to pension	16,732	13,211	2,402		1,137	33,482	
Interest rate swaps	8,518			8,279		16,797	
Total deferred outflows of resources	62,073	49,237	2,402	24,585	1,137	139,434	
Total assets and deferred outflows of resources	1,882,653	3,414,801	325,712	203,835	161,131	5,988,132	166,222
Liabilities:							
Current liabilities:							
Accounts payable and accrued liabilities	13,996	19,811	279	1,936	257	36,279	7,961
Retainage payable							17
Accrued interest payable	17,355	18,390	242	4,493		40,480	
Deposits subject to refund	15					15	
Due to other funds					6,063	6,063	3,721
Due to other governments		5,409				5,409	
Compensated absences	2,143	2,383	212		143	4,881	
Other liabilities					3,067	3,067	821
Accounts payable from restricted assets	39,713	86,055	1,877		35,395	163,040	
Leases payable		262				262	13,686
Bond anticipation notes payable			852			852	
Revenue bonds payable	18,441	38,935	1,806	11,490		70,672	
General long-term debt payable			255			255	
Total current liabilities	91,663	171,245	5,523	17,919	44,925	331,275	26,206
Noncurrent liabilities:							
Leases payable		825				825	64,749
Revenue bonds payable, net	975,344	1,117,743	26,176	111,530		2,230,793	
Derivative instrument liability	12,224			21,762		33,986	
Compensated absences	4,648	4,163	485		258	9,554	2,338
General long-term debt payable			2,185			2,185	
Net pension liability	59,168	53,784	7,640		3,643	124,235	
Total noncurrent liabilities	1,051,384	1,176,515	36,486	133,292	3,901	2,401,578	67,087
Total liabilities	1,143,047	1,347,760	42,009	151,211	48,826	2,732,853	93,293
Deferred inflows of resources:							
Deferred inflows related pension	8,548	7,992	373		946	17,859	
Total deferred inflows of resources	8,548	7,992	373		946	17,859	
Total liabilities and deferred inflows of resources	1,151,595	1,355,752	42,382	151,211	49,772	2,750,712	93,293
Net position:							
Net investment in capital assets	693,457	1,941,282	247,937	18,630	80,098	2,981,404	31,013
Restricted for:							
Debt service	57,630	76,625		27,830		162,085	
Unrestricted (deficit)	(20,029)	41,142	35,393	6,164	31,261	93,931	41,916
Total net position	\$ 731,058	\$ 2,059,049	\$ 283,330	\$ 52,624	\$ 111,359	3,237,420	\$ 72,929
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds						(8,367)	
Net position of business-type activities						\$ 3,229,053	

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, 2017
(Expressed In Thousands)

	Enterprise Funds						Internal Service Funds
	Water Utility Fund	Wastewater Utility Fund	Stormwater Utility Fund	Parking Facilities Fund	Nonmajor Funds	Total	
Operating revenues:							
Charges for sales and services							\$ 99,514
Water, sewer and stormwater service	\$ 157,239	\$ 234,782	\$ 29,289			\$ 421,310	
Rents, fees and other income	2,037	351	20	\$ 88,454	\$ 11,145	102,007	
Interest income	4,287				599	4,886	
Total operating revenues	163,563	235,133	29,309	88,454	11,744	528,203	99,514
Operating expenses:							
Salaries and wages	35,331	40,392	10,649		3,497	89,869	17,394
Other personnel costs	19,535	16,030	2,616		1,875	40,056	7,413
Contractual services	53,038	62,216	3,125	10,159	5,272	133,810	46,934
Materials and supplies	8,576	11,275	249		164	20,264	3,143
Minor equipment	1,067	619	160		355	2,201	4,875
Postage and delivery services							1,627
Depreciation	30,698	45,709	4,838	2,779	1,003	85,027	1,489
Program expenses					1,622	1,622	
Total operating expenses	148,245	176,241	21,637	12,938	13,788	372,849	82,875
Operating income (loss)	15,318	58,892	7,672	75,516	(2,044)	155,354	16,639
Nonoperating revenues (expenses):							
Gain (loss) on sale of investments	301	365				666	(346)
Issuance costs	(277)	(285)				(562)	
Interest income	1,870	1,235	78			3,183	
Interest expense	(20,056)	(17,612)	(17)	(15,001)		(52,686)	
Total nonoperating expenses, net	(18,162)	(16,297)	61	(15,001)		(49,399)	(346)
Income (loss) before capital contributions and transfers	(2,844)	42,595	7,733	60,515	(2,044)	105,955	16,293
Capital contributions (reduction)	63,992	151,761	336		1,870	217,959	(4,000)
Transfers in					500	500	1,806
Transfers out			(1,000)	(61,595)		(62,595)	
Changes in net position	61,148	194,356	7,069	(1,080)	326	261,819	14,099
Total net position - beginning	669,910	1,864,693	276,261	53,704	111,033	2,975,601	58,830
Total net position - ending	\$ 731,058	\$ 2,059,049	\$ 283,330	\$ 52,624	\$ 111,359	3,237,420	\$ 72,929
Adjustment to reflect the consolidation of internal service activities related to enterprise funds						(8,367)	
Net position of business-type activities						\$ 3,229,053	

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, 2017
(Expressed in Thousands)

	Enterprise Funds						Internal Service Funds
	Water Utility Fund	Waste Water Utility Fund	Stormwater Utility Fund	Parking Facilities Fund	Nonmajor Funds	Total	
Cash flows from operating activities:							
Receipts from customers	\$ 167,118	\$ 205,875	\$ 29,470	\$ 87,890	\$ 15,282	\$ 505,635	\$ 98,694
Payments to employees	(56,092)	(59,792)	(12,939)		(5,510)	(134,333)	(25,367)
Payments to suppliers	(61,544)	(74,216)	(3,639)	(9,287)	(6,025)	(154,711)	(57,233)
Net cash provided by operating activities	49,482	71,867	12,892	78,603	3,747	216,591	16,094
Cash flows from noncapital financing activities:							
Transfers in					500	500	1,806
Transfers out			(1,000)	(61,595)		(62,595)	
Net cash provided (used) by noncapital financing activities			(1,000)	(61,595)	500	(62,095)	1,806
Cash flows from capital and related financing activities:							
Mortgages receivable principal payments				4,065		4,065	
Proceeds from revenue bonds	272,551	281,565	3,996			558,112	
Drawdown of proceeds from State water quality loans		51,380				51,380	
Principal paid on revenue bonds	(16,230)	(19,025)	(1,441)	(10,960)	(588)	(48,244)	
Principal paid on State water quality loans	(1,068)	(14,861)	(364)			(16,293)	
Principal paid on general long-term debt	(90,105)		(311)			(90,416)	
Payments on refunded debt		(157,510)				(157,510)	
Interest received	1,870	1,236	78	19		3,203	
Interest paid	(23,025)	(25,128)	(51)	(12,282)		(60,486)	
Acquisition and construction of capital assets	(166,134)	(277,021)	(9,006)		(17,489)	(469,650)	(20,939)
Capital lease payments		(340)				(340)	10,099
Capital contributions received	62,327	174,107	350		37,870	274,654	
Due to other funds					(540)	(540)	
Issuance costs		(285)				(285)	
Other assets					12,233	12,233	
Net cash provided (used) by capital and related financing activities	40,186	14,118	(6,749)	(19,158)	31,486	59,883	(10,840)
Cash flows from investing activities:							
Proceeds from the sale and maturities of investments	301	365			1,353	2,019	
Net cash provided by investing activities	301	365			1,353	2,019	
Net increase (decrease) in cash and cash equivalents	89,969	86,350	5,143	(2,150)	37,086	216,398	7,060
Cash and cash equivalents, beginning of year	129,610	246,148	33,128	41,872	42,810	493,568	40,435
Cash and cash equivalents, end of year	\$ 219,579	\$ 332,498	\$ 38,271	\$ 39,722	\$ 79,896	\$ 709,966	\$ 47,495
Reconciliation of operating income to net cash provided by operating activities:							
Operating income (loss)	\$ 15,318	\$ 58,892	\$ 7,672	\$ 75,516	\$ (2,044)	\$ 155,354	\$ 16,639
Adjustments to reconcile operating income to net cash provided by operating activities:							
Depreciation expense	30,698	45,709	4,838	2,779	1,003	85,027	1,489
Changes in non cash operating assets and liabilities:							
Accounts receivables	3,555	(29,085)	161	(564)	3,529	(22,404)	(334)
Inventories	(390)	5	38			(347)	(456)
Deferred outflows - pension	(4,643)	(5,822)	(576)		(222)	(11,263)	
Accounts payable and accrued liabilities	1,527	745	(143)	872	(127)	2,874	(1,279)
Compensated absences	(24)	(143)	33			(134)	66
Accrued interest payable	174	207	25			406	
Due to (from) other funds							(31)
Deferred inflows - pensions	3,174	(3,539)	(195)		568	8	
Pension liability - current period	93	5,928	1,039		(483)	6,577	
Due to other governments		(1,030)				(1,030)	
Other liabilities					1,577	1,577	
Other noncurrent liabilities					(54)	(54)	
Total adjustments	34,164	12,975	5,220	3,087	5,791	61,237	(545)
Net cash provided by operating activities	\$ 49,482	\$ 71,867	\$ 12,892	\$ 78,603	\$ 3,747	\$ 216,591	\$ 16,094
Noncash activity from capital and related financing activities:							
Acquisition and construction of capital assets financed by debt	\$ 480	\$ (11,142)	\$ (3,515)			\$ (14,177)	
Increase in issuance of State water quality loans	83,509	4,635				88,144	
Total noncash activity from capital and related financing activities	\$ 83,989	\$ (6,507)	\$ (3,515)			\$ 73,967	

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, 2017
(Expressed In Thousands)

	Pension Trust Funds	OPEB Trust Fund	Agency Funds
Assets:			
Cash and cash equivalents	\$ 169,357	\$ 37,895	\$ 213
Investments:			
Stocks	2,799,036	304,578	
Bonds	895,622	132,102	53
Real Estate	389,802	46,155	
Securities lending collateral	60,648		
Accounts receivable, net:			
Other			247
Forward foreign contracts	25,668		
Other assets	67,288	1,218	
Total assets	4,407,421	521,948	513
Liabilities:			
Obligations under securities lending program	60,648		
Forward foreign contracts	25,649		
Accounts payable	104,806	5,389	
Due to other funds			247
Other	1,761		266
Total liabilities	192,864	5,389	513
Net position:			
Held in trust for benefits	\$ 4,214,557	\$ 516,559	

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, 2017
(Expressed In Thousands)

	Pension Trust Funds	OPEB Trust Fund
Additions:		
Contributions:		
Employer	\$ 214,164	\$ 138,931
Employee	40,648	58,021
Total contributions	<u>254,812</u>	<u>196,952</u>
Investment income:		
Net appreciation in fair value of investments	329,619	36,446
Securities lending income	828	
Interest and dividend income	133,509	10,924
Total investment income	<u>463,956</u>	<u>47,370</u>
Less: investment expense	<u>23,296</u>	<u>1,204</u>
Net investment income	<u>440,660</u>	<u>46,166</u>
Total additions	<u>695,472</u>	<u>243,118</u>
Deductions:		
Retirement benefits	385,453	
Health benefits		164,901
Death benefits	1,674	
Administrative expenses	7,968	
Other	3,496	
Total deductions	<u>398,591</u>	<u>164,901</u>
Changes in net position	<u>296,881</u>	<u>78,217</u>
Net position - beginning of the year	<u>3,917,676</u>	<u>438,342</u>
Net position - end of the year	<u>\$ 4,214,557</u>	<u>\$ 516,559</u>

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

CITY OF BALTIMORE
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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 an 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 adjusted the financial results of the BCPSS to record the net pension liability attributable to BCPSS employees that participate in the Employees' Retirement System of the City of Baltimore (ERS) which are detailed in Note 20. Complete financial statements for BCPSS may 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 for the year ended December 31, 2016 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 does 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. Non-operating 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. Although not required to disclose this fund as a major fund per GASB34, management has opted to disclose the Capital Projects Funds as a major fund due to its importance in the financial statements.

The City also reports nonmajor governmental funds which are classified as Special Revenue Funds and Permanent Funds. The Debt Service Fund was reported separately as a nonmajor governmental fund in previous years. In fiscal year 2017, the Debt Service Fund was included as part of the General Fund.

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. This fund is a non-major for fiscal year 17, however the City elected to show major

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

Although not required to report the Stormwater Utility Fund and the Parking Facilities Fund as major enterprise funds per GASB 34, management has opted to disclose these funds separately.

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, municipal communications, energy conservation, building maintenance and hardware and software replacement, 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.

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

- 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 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 revenues 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, 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 and invested by the City for the purpose of increasing earnings through investment activities. The pool's investments are reported at fair value at June 30, 2017, based on market prices. The individual funds' portions of the pool's fair value are presented as "Cash and Cash Equivalents." 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. The City does not invest any portion of its cash in derivative investments.

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.

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

Unbilled water and wastewater 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 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:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	25-80
Buildings	50
Building improvements	20-50
Equipment	2-25
Library books	10
Mobile Equipment	5-10

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 as of June 30, 2017. 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

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

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 2017 was \$32,550,695,000 which was approximately 88.4% of the estimated market value.

The tax rate in Baltimore City for real property taxes for fiscal year 2017 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 95.0% of the total tax levy.

At June 30, 2017, the City had property taxes receivable of \$16,743,000, net of an allowance for uncollectible accounts of \$13,073,000.

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.

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, vacation and personal leave pay.

The Baltimore City Public School System's employees are granted sick, vacation and personal leave in varying amounts based on length of service and bargaining unit. A limited number of sick, vacation and personal leave days may be carried forward from year to year and upon retirement with pension benefits or separation of employment with twenty years of service, employees are paid accumulated sick, vacation and personal leave days at appropriate formula and rates. The unpaid vested sick, vacation and personal leave days have been reported as vested compensated absences.

Restricted Assets

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

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, 2017, 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, 2017, the City recognized deferred inflows of

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

resources in the governmental funds for property taxes, income taxes, other prepaid taxes, notes receivables, 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.

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.

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.

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

Restricted fund balance

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.

Debt Service – This portion of the fund balance represents the amounts needed to service future debt payments.

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.

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 2017 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.

Uses of Estimates

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

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

D. NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD PRONOUNCEMENTS

In fiscal year 2017, the City adopted Governmental Accounting Standards Board Statement No. 74, “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans”, Statement No. 77, “Tax Abatement Disclosures”, Statement No. 80, “Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14”, and Statement No. 82, “Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73”. The implementation of these standards did not have a significant impact on the City’s presentation.

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

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. The City expects adoption of this statement will have a material effect on the financial statements and will require a restatement to reduce net position by approximately \$947 million less the amount allocated to BCPSS, which has not been calculated at this time.

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. 83

In November 2016, the GASB issued Statement No. 83, “Certain Asset Retirement Obligations”. The objective of this Statement is to enhance the decision-usefulness of the information provided to financial statement users about asset retirement obligations (AROs) that were not addressed in GASB standards by establishing uniform accounting and financial reporting requirements for governments. The City is required to adopt GASB No. 83 for its fiscal year 2019 financial statements.

GASB Statement No. 84

In January 2017, the GASB issued Statement No. 84, “Fiduciary Activities”. The objective of this Statement is to enhance the consistency and comparability of fiduciary activity reporting by state and local governments. This Statement also is intended to improve the usefulness of fiduciary activity information primarily for assessing the accountability of governments in their roles as fiduciaries. The City is required to adopt GASB No. 84 for its fiscal year 2020 financial statements.

GASB Statement No. 85

In March 2017, the GASB issued Statement No. 85, “Omnibus 2017”. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The City is required to adopt GASB No. 85 for its fiscal year 2018 financial statements.

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

GASB Statement No. 86

In May 2017, the GASB issued Statement No. 86, “Certain Debt Extinguishment Issues”. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The City is required to adopt GASB No. 86 for its fiscal year 2018 financial statements.

GASB Statement No. 87

In June 2017, the GASB issued Statement No. 87, “Leases”. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. The City is required to adopt GASB No. 87 for its fiscal year 2021 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 changes 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-type 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-type 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 activities.

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
(amount expressed in thousands):

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds :	
Capital assets	\$ 5,920,378
Less accumulated depreciation	(2,876,542)
Total	<u>\$ 3,043,836</u>
Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds:	
Accounts receivable	\$ 19,256
Other post employment benefit assets	61,623
Deferred loss on bond refunding	7,708
Deferred outflows related to differences between actual and expected experience (pension)	31,745
Deferred outflows for pension contribution subsequent to the measurement date	190,108
Deferred outflows for change in proportionate share (pension).....	3,109
Deferred outflows related to differences between projected and actual investment earnings (pension).....	236,899
Deferred outflows related to assumption change (pension).....	29,350
Interest rate swaps	2,264
Total	<u>\$ 582,062</u>
Internal Service funds are used by management to charge the cost of fleet management, mailing, communications and printing to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position	<u>\$ 81,296</u>
Unavailable revenue is not due and payable in the current period, and therefore, is not reported in the funds	<u>\$ 65,883</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	\$ (5,070)
Long-term bonds	(719,493)
Bond anticipations notes payable	(60,148)
Revenue bonds	(370,759)
Capital leases	(66,534)
Compensated absences	(145,575)
Estimated claims in progress	(261,006)
Landfill closure liability	(20,643)
Derivative instrument liability	(2,264)
Net pension liability	(1,803,117)
Other liabilities	(406)
Deferred inflows related to differences between actual and expected experience (pension)	(3,263)
Deferred inflows related to differences between projected and actual investment earnings (pension).....	664
Deferred inflows related to assumption change (pension).....	(32,583)
Deferred inflows for change in proportionate share (pension).....	(28,910)
Total	<u>\$ (3,519,107)</u>
Explanation of differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities (amount 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	\$ 104,950
Capital leases	25,498
Depreciation	(107,205)
Total	<u>\$ 23,243</u>
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Grants reimbursements not received for several months after the fiscal year end are not considered as available revenues in the governmental funds	\$ (1,987)
Note receipts are not considered as available revenues in the governmental funds	122
Tax revenues not received for several months after the fiscal year end are not considered as available revenues in the governmental funds	6,383
Total	<u>\$ 4,518</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	\$ 33,986
Debt service interest (capital leases, GO bonds, and accrued interest)	7,426
Claims liability	620
Landfill closure liability	(791)
Compensated absences	265
Decrease in net OPEB obligation	34,231
Total	<u>\$ 75,737</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>\$ (28,565)</u>
The net income of certain activities of internal service funds is reported with governmental activities:	
Internal service funds net expenses attributed to governmental activities	<u>\$ 10,787</u>

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 at June 30, 2017 (amounts expressed in thousands):

	Pooled Cash and Investments	Other	Total
Carrying value of bank deposits	\$ 16,990	\$ 207,252	\$ 224,242
Investments	1,406,638	4,627,943	6,034,581
Total	\$ 1,423,628	\$ 4,835,195	\$ 6,258,823

	Government-wide Statements of Net Position	Fiduciary Funds Statement of Net Position Total	Total
Carrying value of bank deposits	\$ 549,915	\$ 207,465	\$ 757,380
Investments	345,522	4,627,996	4,973,518
Restricted cash and cash equivalent	527,925		527,925
Total	\$ 1,423,362	\$ 4,835,461	\$ 6,258,823

B. CASH DEPOSITS

At June 30, 2017, the carrying amount of the City's bank deposits was \$16,990,000 and the respective bank balances totaled \$28,214,000. 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. All investments are classified as Level 1 investments.

At June 30, 2017, BCPSS and BHC had demand deposits with carrying values of \$19,300,000 and \$2,838,000, respectively.

C. INVESTMENTS

Primary Government

For other than pension funds, BCPSS and 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, certificate of deposit, commercial paper with highest letter and numerical rating, mutual funds registered with the Securities and Exchange Commission 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 securities 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. Real estate holdings are valued based on current appraisals. Leveling disclosures for the investments are included in separately issued statements.

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

This primary government's investments at June 30, 2017, are presented below. All investments are presented by investment type, and debt securities are presented by maturity (amounts expressed in thousands):

Investment Type	Fair Market Value	Investment Maturities (In Months)		
		Less Than 6	6 to 12	Greater Than 12
Debt Securities:				
U.S. Treasury	\$ 502			\$ 502
U.S. Agencies	329,880	\$ 228,647		101,233
Repurchase agreements	197,000	197,000		
Certificates of deposit	2,000			2,000
Money market mutual funds	834,360	834,360		
Commercial paper	37,646	1,836	\$ 35,810	
	\$ 1,401,388	\$ 1,261,843	\$ 35,810	\$ 103,735
Other investments:				
Equity mutual funds	5,250			
	1,406,638			
Less: cash equivalents	1,061,116			
Total investments	\$ 345,522			

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 investments 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 Securities and Exchange Commission (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.

The City 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, 2017 were rated by a nationally recognized statistical rating agency and are presented below using the Moody's rating scale (amounts expressed in thousands):

Investment Type	Fair Value	Quality Ratings	
		Aaa-AA+	A1-P1
Debt Securities:			
U.S. Agencies	\$ 329,880	\$ 329,880	
Money market mutual funds	803,282	803,282	
Commercial paper	37,646		\$ 37,646
Total investments	\$ 1,170,808	\$ 1,133,162	\$ 37,646

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, 2017, that were more than five percent of total investments (dollar amounts expressed in thousands):

Investment	Fair Value	Percentage of Portfolio
Cantor Repurchase Agreement	\$ 197,000	14.32%

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

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. Leveling tables as required by GASB 72 are available in the separately issued statements for the Systems.

The invested assets of the retirement systems at June 30, 2017 are as follows (amounts expressed in thousands):

Investment Type	Carrying Value			Total
	Employees' Retirement System	Elected Officials' Retirement System	Fire and Police Employees' Retirement System	
Debt Securities:				
U.S. Treasury notes and bonds	\$ 14,314		\$ 80,717	\$ 95,031
U.S./Canadian Government agency bonds	90,624		40,292	130,916
Non-U.S. government agency bonds	17,505			17,505
Corporate bonds	95,191	\$ 5,594	237,621	338,406
Commingled fixed income fund	144,065			144,065
Mutual funds	104,210	114	65,033	169,357
Total debt securities	465,909	5,708	423,663	895,280
Other:				
Domestic equities	565,820	11,226	442,657	1,019,703
International equities	241,710	5,707	379,523	626,940
Global equities	108,613			108,613
Hedge funds	39,913		255,004	294,917
Commingled debt and equity fund			440,641	440,641
Private equity funds	97,477		174,544	272,021
Energy master limited partnerships			205,902	205,902
Real estate	147,081	2,342	240,379	389,802
Total other	1,200,614	19,275	2,138,650	3,358,539
Total investments	1,666,523	24,983	2,562,313	4,253,819
Less: Cash and cash equivalents	104,210	114	65,033	169,357
Total net investment	\$ 1,562,313	\$ 24,869	\$ 2,497,280	\$ 4,084,462

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.

The Fire and Police Employee's Retirement System's 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 currencies other than the U.S. dollar may reach 25% of the total portfolio. Currency speculation is not permitted.

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

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

The foreign currency risk for each system at June 30, 2017 is presented on the following table (amounts expressed in thousands):

Currency	Employees'	Fire and Police	Total
	Retirement System	Employees' Retirement System	
Euro Currency Unit	\$ 57,483	\$ 98,981	\$ 156,464
Japanese Yen	31,578	59,821	91,399
British Pound Sterling	31,168	89,832	121,000
Swiss Franc	9,673	35,854	45,527
Hong Kong Dollar	12,050	24,174	36,224
Canadian Dollar	13,871	20,654	34,525
Swedish Krona	8,894	6,550	15,444
Australian Dollar	10,019	3,919	13,938
South Korean Won		12,457	12,457
Singapore Dollar	9,510		9,510
Mexican Peso	3,919	1,918	5,837
South African Comm Rand	4,173	1,041	5,214
Danish Krone	1,495	3,137	4,632
Brazil Real	904	2,844	3,748
Indonesian Rupian	2,196	853	3,049
New Taiwan Dollar		1,858	1,858
Norwegian Krone	1,431	3	1,434
Philippines Peso	1,374		1,374
New Zealand Dollar	1,221		1,221
Hungarian Forint	170	470	640
Turkish Lira	633		633
Indian Rupee	597		597
Columbian Peso	532		532
UAE Dirham		522	522
Chilean Peso	412		412
Polish Zloty	356		356
Thai Baht		294	294
Malaysian Ringgit	191		191
Czech Koruna	186		186
Peruvian Sol	164		164
Total Foreign Currency	\$ 204,200	\$ 365,182	\$ 569,382

Interest rate risk – The Fire and Police Employee’s 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 Bloomberg Barclay’s U.S. Aggregate bond Index.

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 rating and duration of investments at June 30, 2017, were 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>Employees' Retirement System:</i>							
U.S. Treasury notes and bonds	12.06	\$ 14,314	\$ 14,303				\$ 11
U.S. Government agency bodns	2.74	90,624	50,637	\$ 449			39,538
Non-U.S. Government bonds and agencies	4.07	17,505	11,728	3,678			2,099
Corporate bonds	3.32	95,191	39,851	52,482	\$ 309	\$ 1,408	1,141
Mutual funds	N/A	104,210					104,210
Commingled fixed income funds	N/A	144,065					144,065
Total debt securities		\$ 465,909	\$ 116,519	\$ 56,609	\$ 309	\$ 1,408	\$ 291,064
<i>Elected Officials' Retirement System:</i>							
Corporate bonds	N/A	\$ 5,594					\$ 5,594
Mutual funds	N/A	114					114
Total debt securities		\$ 5,708					\$ 5,708
<i>Fire and Police Employees' Retirement System:</i>							
U.S. Treasury notes and bonds	6.80	\$ 80,717	\$ 80,717				
U.S. Government agency bodns	3.34	40,292	40,292				
Corporate bonds	4.70	237,621	89,146	\$ 135,507	\$ 3,737		\$ 9,231
Mutual funds	N/A	65,033					65,033
Total debt securities		\$ 423,663	\$ 210,155	\$ 135,507	\$ 3,737	\$	\$ 74,264

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 lend 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, 2017, 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, 2017, was \$250,097,000, and the market value of the collateral received for those securities on loan was \$261,559,000 which included collateral received in cash in the amount of \$60,648,000. The Retirement Systems did not impose any restrictions during the fiscal year on the amount of loans the custodian made on their 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 investment

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

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 holding must not exceed 90 days.

Other Postemployment Benefits Fund

The City's Other Postemployment Benefits 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 investment assets of the OPEB Trust Fund at June 30, 2017, are as follows (amounts expressed in thousands):

Investment Type	Fair Value	Investment Maturities (In Months)	
		Less than 6	Greater than 12
Cash and cash equivalents	\$ 37,895	\$ 37,895	
U.S. Treasury obligations	11,706		\$ 11,706
U.S. Government agencies	15,590		15,590
Corporate bonds	104,806		104,806
Subtotal	169,997	\$ 37,895	\$ 132,102
Real estate	46,155		
Stocks	304,578		
Total investments	520,730		
Less: cash and cash equivalents	37,895		
Total net investments	\$ 482,835		

The OPEB Trust Fund categorized their fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and given the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Level 1 – Unadjusted quoted prices for identical instruments in active markets

Level 2 – Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active; and model derived valuations in which all significant inputs are observable.

Level 3 – Valuations derived from valuation techniques in which significant inputs are unobservable.

Instruments that are measured at fair value using the net asset value per share (or its equivalent) as practical expedient are not classified in the fair value hierarchy.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The table below shows the fair value leveling on the investments for the OPEB Trust Fund.

Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Debt Securities classified in Level 1 and Level 2 are valued using a bid evaluation, mid evaluation, last trade or official close. Mid evaluations are when a bid and ask evaluation are both present. Last trade is the most recent trade price of a security at market close time. Official close is the closing price as defined by the exchange.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

Investment by fair value level	Base Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities				
U.S. Treasury Notes and Bonds	\$ 11,706	\$ 11,706		
U.S. Govt Agency Bonds	15,590		\$ 15,590	
Corporate Bonds	40,255		40,255	
Total debt securities at fair value level	<u>\$ 67,551</u>	<u>\$ 11,706</u>	<u>\$ 55,845</u>	
Equity securities				
Domestic equities	\$ 82,107	\$ 82,107		
Total equity securities at fair value level	<u>\$ 82,107</u>	<u>\$ 82,107</u>		
Total investments by fair value level	<u>\$ 149,658</u>			
Investments measured at the net asset value (NAV)				
Commingled fixed income	64,551			
Domestic equities	56,832			
Defensive equities	24,008			
International equities	102,038			
Real estate	46,156			
Hedge funds	39,592			
Total investments measured at the NAV	<u>\$ 333,177</u>			
Total net investments	<u>\$ 482,835</u>			

The valuation method for investments measured at the net asset value (NAV) per share, or equivalent, is presented in the table below:

Investment Measured at the Net Asset Value (NAV)	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Commingled fixed income.....	\$ 64,551	Daily, weekly & monthly	0 - 30 days (1)
Domestic equities.....	56,832	Daily, weekly & monthly	0 - 30 days (2)
Defensive equities.....	24,008	Daily, weekly & monthly	0 - 30 days (3)
International equities.....	102,038	Daily, weekly & monthly	0 - 30 days (4)
Real estate.....	46,156	Quarterly	90-100 days (5)
Hedge funds.....	39,592	Quarterly	90-100 days (6)
Total investments measured at the NAV	<u>\$ 333,177</u>		

(1) Commingled fixed income investment is two mutual funds. One seeks to provide a high level of current income, consistent with preservation of capital by investing at least 80% of its net assets in adjustable-rate senior loans; while the second one actively tracks the performance of an index.

(2) Domestic Equity investment is in funds that seek long-term capital appreciation by investing at least 80% of its net assets, plus any borrowings for investment purposes, in equity securities of large cap companies. Such large cap companies are those with total market capitalizations of \$5 billion or more at the time of purchase.

(3) Defensive equity investment is in a fund that seeks long-term growth of capital. The fund employs a strategy of writing collateralized put options on the S&P 500 Index. The collateral generally consists of short duration, high quality fixed income positions with a focus on U.S. Treasuries.

(4) International equity investments is in two actively managed funds. The first fund's investments are in securities where rigorous dividend discount analysis is used to identify value in terms of long term flow of income. The second fund's investments are in funds which employs strategy that seeks to outperform the MSCI World index (half-hedged) while maintaining a similar level of market risk over the long term.

(5) Real estate investment is in a core real estate fund. The investment style is based on strategies and tactics that are designed to take advantage of barrier and rotational market dynamics.

(6) Hedge funds investment is in a fund of funds that employs a variety of strategies in selecting managers.

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.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

Baltimore City Public School System

The BCPSS, through the office of the Chief Financial Officer, pursues a cash management and investment program to achieve the maximum financial return on available funds. Depending on the projected cash needs of the BCPSS, excess funds may be invested on a short, intermediate or long-term basis at the best obtainable rates. Investments are generally in direct or indirect obligations of the U.S. Government and are fully collateralized.

The BCPSS is authorized by State law to invest in direct or indirect obligations of the U.S. Government, repurchase agreements and related mutual funds. The BCPSS's investments at June 30, 2017, are presented below. All investments are presented by investment type (expressed in thousands).

Investment Type	Fair Market Value	Investment Maturities (In Months)			Max. allowed per Investment Policy
		Less than 4	4 to 12	Percent	
Money market funds	\$ 86,071	\$ 86,071		25.2%	100.0%
Commercial paper	16,949	9,986	\$ 6,963	5.0%	5.0
Fixed income	634	634		0.2%	100.0
Equity Funds	535	535		0.1%	100.0
U.S. Government agencies	237,216	132,074	105,142	69.5%	100.0
Total invested funds	341,405	\$ 229,300	\$ 112,105	100.0%	
Less: Cash equivalents	229,300				
Total net investments	\$ 112,105				

Investment Ratings

Ratings apply to all Money Market funds, Checking, Commercial Paper, Repurchase agreements, and U.S. Government Agencies (dollar amounts expressed in thousands).

Moody	Percent	Fair Value	S&P	Percent	Fair Value
Aaa	21.4%	\$ 73,264	AAA	21.4%	\$ 73,264
A GY	69.5	237,216	AA+	45.8	156,311
P-1	5.0	16,949	A GY	23.7	80,906
Not rated	4.1	13,976	A-1+	3.2	10,974
	100.0%	\$ 341,405	A-1	1.8	5,975
			Not rated	4.1	13,975
				100.0%	\$ 341,405

Risk Classifications

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

The BCPSS limits its interest rate risk in accordance with their policy by maintaining a minimum of 20% of the BCPSS's investment in funds in liquid investments which include U.S. Government Securities, Overnight Repurchase Agreements and Money Market Mutual Funds.

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

As stated above, the BCPSS limits investments to highly rated investments in the categories discussed above.

Cash and cash equivalents include Money Market deposits and other types of investments.

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

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. Additional disclosures required by GASB 74 are available in the separately issued BHC financial statements.

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 \$32,777,000 consisting of repurchase agreements with various financial institutions and government money market funds.

4. Receivables, net

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

Receivables	General Fund	Grants Revenue Fund	Capital Projects Fund	Enterprise Fund	Non-major and Other Funds	Total
Property taxes	\$ 16,743					\$ 16,743
Service billings				\$ 147,090		147,090
Due from other governments	79,580	\$ 30,447	\$ 15,374	213,813	\$ 1,455	340,669
Notes and mortgages receivable	288,087			40,489		328,576
Other	23,652		533	2,027	2,443	28,655
Total	\$ 408,062	\$ 30,447	\$ 15,907	\$ 403,419	\$ 3,898	\$ 861,733

Service billings are reported net of an allowance for doubtful accounts of \$48,618,000. Bad debt expense for fiscal year 2017 was \$12,180,000.

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.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

5. Capital Assets

Capital assets activities for the year ended June 30, 2017, were as follows (expressed in thousands):

Governmental Activities Capital Assets:

Class	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017
Capital assets, not being depreciated:				
Land	\$ 248,215			\$ 248,215
Other	119,681	\$ 1,448	\$ 3,988	117,141
Construction in progress	219,308	95,240	128,671	185,877
Total capital assets, not being depreciated	587,204	96,688	132,659	551,233
Capital assets, being depreciated				
Building and improvements	2,095,505	43,332		2,138,837
Equipment	470,758	19,150	12,439	477,469
Infrastructure	2,800,192	82,799		2,882,991
Library books	66,488	2,767		69,255
Total capital assets, being depreciated	5,432,943	148,048	12,439	5,568,552
Less: accumulated depreciation for:				
Building and improvements	1,209,323	30,838		1,240,161
Equipment	377,218	3,802	11,739	369,281
Infrastructure	1,234,074	69,658		1,303,732
Library books	48,615	4,364		52,979
Total accumulated depreciation	2,869,230	108,662	11,739	2,966,153
Total capital assets, being depreciated, net	2,563,713	39,386	700	2,602,399
Governmental activities capital assets, net	\$ 3,150,917	\$ 136,074	\$ 133,359	\$ 3,153,632

Business-type Activities Capital Assets:

Class	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017
Capital assets, not being depreciated:				
Land	\$ 36,920			\$ 36,920
Construction in progress	1,284,565	\$ 452,440	\$ 168,713	1,568,292
Total capital assets, not being depreciated	1,321,485	452,440	168,713	1,605,212
Capital assets, being depreciated				
Building and improvements	3,153,750	15,454		3,169,204
Equipment	217,699	119,624		337,323
Infrastructure	1,066,360	35,423		1,101,783
Total capital assets, being depreciated	4,437,809	170,501		4,608,310
Less: accumulated depreciation for:				
Building and improvements	1,054,907	58,392		1,113,299
Equipment	162,105	8,250		170,355
Infrastructure	184,741	18,385		203,126
Total accumulated depreciation	1,401,753	85,027		1,486,780
Total capital assets, being depreciated, net	3,036,056	85,474		3,121,530
Business-type activities capital assets, net	\$ 4,357,541	\$ 537,914	\$ 168,713	\$ 4,726,742

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

Depreciation expense was charged to functions/programs of the City for the fiscal year ended June 30, 2017 (amounts expressed in thousands):

<i>Governmental activities</i>	
General government	\$ 7,208
Public safety and regulation	5,680
Conservation of health	332
Social services	4
Education	4,255
Public library	5,102
Recreation and parks	8,481
Highways and streets	70,962
Sanitation and waste removal	1,702
Public service	2,562
Economic development	917
Internal service funds	1,457
Total	\$ 108,662

<i>Business-type activities:</i>	
Water	\$ 30,698
Wastewater	45,709
Stormwater	4,838
Parking	2,779
Conduits	1,003
Total	\$ 85,027

At June 30, 2017, the outstanding commitments relating to projects of the City of Baltimore amounted to approximately \$147,673,000 for governmental activities and \$660,880,000 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. During fiscal year 2017, net interest cost of \$36,024,000 (net of interest income of \$1,923,000) was capitalized.

6. Interfund Balances and Activity

A. BALANCE DUE TO/FROM OTHER FUNDS

Balances due to/from other funds at June 30, 2017, were as follows (amounts expressed in thousands):

Fund	Interfund	
	Receivable	Payable
General	\$ 4,826	\$ 15,738
Grants revenue	6,930	334
Capital projects	6,062	523
Nonmajor governmental	8,808	
Nonmajor proprietary		6,063
Internal service		3,721
Agency		247
Totals	\$ 26,626	\$ 26,626

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, 2017, certain transactions between funds had not been completed.

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

B. TRANSFERS TO/FROM OTHER FUNDS

Transfers to/from other funds at June 30, 2017, were as follows (amounts expressed in thousands):

Fund	General	Capital Projects	Nonmajor Governmental	Parking	Stormwater	Total Transfer To
General	\$ 62,952	\$ 4,451	\$ 1,000	\$ 49,119	\$ 1,000	\$ 118,522
Grants revenues	3,310			12,476		15,786
Capital projects	34,692		17,036			51,728
Nonmajor governmental	6,295					6,295
Nonmajor proprietary	500					500
Internal service	1,806					1,806
Total transfers from	\$ 109,555	\$ 4,451	\$ 18,036	\$ 61,595	\$ 1,000	\$ 194,637

Transfers were primarily to the General Fund 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, 2017, (amounts expressed in thousands):

Special revenue funds:	
Grants revenue	\$ 13,584
Capital projects fund	3,885
Internal service funds:	
Municipal telephone exchange	3,478
Energy conservation	653

The deficit in the Grants revenue fund is primarily the results of timing differences related to non-exchange transactions. Revenues to cover this deficit are expected to be received in fiscal year 2018 and future years through expenditure reimbursements. Any amounts determined to be uncollectible have been partially funded through transfers from the General Fund and will continue in future fiscal years.

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, 2017, are as follows (amounts expressed in thousands):

	June 30, 2016	New Debt Issued	Debt Retired	Adjustment	June 30, 2017	Due Within One Year
GOVERNMENTAL ACTIVITIES*						
<i>General Obligation Bonds:</i>						
Highways	\$ 1,658		\$ 347		\$ 1,311	\$ 140
Health	2,171		274		1,897	171
Public safety	3,059		811		2,248	255
Off-street parking	5,968		454		5,514	141
Recreation and parks	26,532		2,696		23,836	1,725
Public buildings and facilities	57,965		4,516		53,449	4,161
School	182,725		11,369		171,356	10,709
Urban renewal	230,363		27,634		202,729	14,054
Unallocated	5,204		643		4,561	584
Total general obligation bonds	<u>515,645</u>		<u>48,744</u>		<u>466,901</u>	<u>31,940</u>
Bond Anticipation Notes	60,148				60,148	
<i>Special Obligation Bonds</i>						
Special Obligation Bonds	145,990	\$ 134,995	81,130	\$ 21	199,876	1,700
<i>Long-term financing with the Federal Government:</i>						
Federal economic development loans	27,132		3,340		23,792	3,472
<i>Long-term financing with the State of Maryland</i>						
Grand Prix loan	230		230			
Total long-term financing with the State of Maryland	230		230			
Total Governmental Activities	<u>\$ 749,145</u>	<u>\$ 134,995</u>	<u>\$ 133,444</u>	<u>\$ 21</u>	<u>\$ 750,717</u>	<u>\$ 37,112</u>
BUSINESS-TYPE ACTIVITIES						
<i>General Obligation Bonds:</i>						
Stormwater	\$ 2,750		\$ 310		\$ 2,440	\$ 255
<i>Bond Anticipation Notes:</i>						
Stormwater	852				852	
Total Business-Type Activities	<u>\$ 3,602</u>		<u>\$ 310</u>		<u>\$ 3,292</u>	<u>\$ 255</u>
COMPONENT UNIT - BALTIMORE CITY PUBLIC						
SCHOOL SYSTEM						
<i>Bonds:</i>						
Schools	\$ 118,699		\$ 9,979		\$ 108,720	\$ 11,735

*Include in the Statement of Net Position for Governmental Activities is a remaining unamortized premium of \$28,924,000

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

Fixed Rate Bond Anticipation Notes

On June 9, 2016, the City issued through a private placement Series 2016-A and 2016-B, in the amount of \$43,300,000 and \$17,700,000, respectively, for various capital projects. Interest rates on the bonds are 1.79% and 2.71%, respectively. The notes are due and payable on June 6, 2019. However, they may be prepaid in whole or in part on or after November 1, 2016.

Variable Rate General Obligation Bonds

At June 30, 2017, the City had \$18,795,000 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 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 \$19,197,000 in favor of the City and Manufacturers and Traders Trust Company as Tender Agent. The agreement expires October 15, 2022. 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 1.00%, federal funds rate plus 2.00% or 8.5%.

The City is required to pay the Bank's 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 2017, the City made no draws under the Agreement, and no amounts drawn against the Agreement were outstanding at June 30, 2017.

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 2017, the City issued \$134,995,000 of new bonds to finance infrastructure construction in several development areas. At June 30, 2017 principal owed for these bonds was \$199,876,000, and interest of \$186,846,000 at the interest rates ranging from 1.7% 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, 2017, the principal owed to the Federal government was \$23,792,000, and interest of \$4,407,000 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 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. The remaining balance of \$230,000 was paid in fiscal year 2017.

Compensated Absences

Compensated absences at June 30, 2017, totaled \$145,575,000 for governmental activities and \$14,435,000 for business-type activities, of which \$42,307,000 and \$4,881,000, respectively, were due within one year. For the Baltimore City Public School System, compensated absences and early retirement incentive plan amounts totaled \$45,603,000.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

Changes in compensated absences during fiscal year 2017, are as follows (amounts expressed in thousands):

	Governmental Activities	Business-type Activities	Total
Balance, June 30, 2016	\$ 145,840		\$ 145,840
Leave earned	42,042	\$ 4,737	46,779
Leave used	(42,307)	(4,881)	(47,188)
Balance, June 30, 2017	\$ 145,575	\$ (144)	\$ 145,431

Parking Facilities Fund Revenue Sharing Agreement

The Parking Facilities Fund entered into two revenues sharing arrangements with the State of Maryland in 2001 and 2003 for the development of two parking garages. In exchange for a \$9,000,000 investment from the State, the City agreed to share 5% interest annually on the investment, payable to the State when the garages began to generate positive cash flow. In fiscal year 2017, the Parking Facilities Fund reflected \$6,878,000 of interest expense and paid \$4,080,000 of interest part of this agreement.

B. DEBT SERVICE REQUIREMENTS

Debt service requirements on long-term debt at June 30, 2017, are as follows (amounts expressed in thousands):

Fiscal Year	Governmental Activities									
	General Obligation Bonds			Bond Anticipation Notes		Long-Term Financing with Federal Government		Special Obligation Bonds		
	Principal	Interest	Interest Rate Swap Net(a)	Principal	Interest	Principal	Interest	Principal	Interest	Interest
2018	\$ 31,940	\$ 19,961	\$ 679		\$ 1,240	\$ 3,472	\$ 990	\$ 1,700	\$ 10,518	
2019	34,526	18,342	661	\$ 60,148	1,429	3,613	859	2,003	11,056	
2020	38,551	16,894	617			2,788	734	2,615	10,952	
2021	43,676	15,091	504			2,901	612	3,102	10,816	
2022	46,994	13,163	328			3,023	483	3,560	10,652	
2023-2027	161,638	40,509	112			7,995	729	26,347	49,751	
2028-2032	92,846	11,462						40,101	40,861	
2033-2037	16,730	732						53,195	28,184	
2038-2042								50,463	12,410	
2043-2047								16,790	1,646	
Totals	\$ 466,901	\$ 136,154	\$ 2,901	\$ 60,148	\$ 2,669	\$ 23,792	\$ 4,407	\$ 199,876	\$ 186,846	

(a) Interest Rate Swap Net payments represent estimated additional interest payable to counterparties for additional interest resulting from swap agreements. The additional payments were computed using rates as of June 30, 2017, assuming current interest rates remain the same for the remaining term of the swap. As rates vary, variable rate bond interest payments and net swap payments will vary.

Fiscal Year	Business-type Activities				
	General Obligation Bonds		Bond Anticipation Notes		
	Principal	Interest	Principal	Interest	Interest
2018	\$ 255	\$ 114			\$ 15
2019	304	106	\$ 852		18
2020	334	90			
2021	384	66			
2022	411	46			
2023-2027	702	48			
2028-2032	29	5			
2033-2037	20	1			
Totals	\$ 2,439	\$ 476	\$ 852		\$ 33

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

A summary of general obligation bonds outstanding and bond anticipation notes outstanding, and bonds authorized but unissued (amounts expressed in thousands) at June 30, 2017, are as follows:

Purpose	Due Dates	Outstanding		Authorized
		Interest Rates	Amount	But Unissued Amount
Fire, police, and public protection	2017 to 2035	1.0% to 6.0%	\$ 2,248	\$ 147
Off-street parking	2017 to 2026	1.0% to 5.5%	5,514	345
Recreation and parks	2017 to 2035	1.0% to 6.0%	31,930	20,973
Public buildings and facilities	2017 to 2035	1.0% to 5.9%	69,921	123,962
Schools	2017 to 2035	1.0% to 5.8%	186,441	107,255
Urban renewal and development	2017 to 2035	1.0% to 6.0%	223,226	146,066
Highways	2017 to 2026	1.0% to 5.5%	1,311	220
Finance				20,000
Health	2017 to 2032	1.0% to 6.0%	1,897	4,070
Stormwater	2017 to 2026	1.0% to 5.5%	3,291	
Unallocated	2017 to 2026	1.0% to 5.0%	4,561	
Totals			\$ 530,340	\$ 423,038

Baltimore City Public School System (BCPSS) Bonds

BCPSS has issued the City Schools Qualified School Construction Bonds Series 2009 (the Series 2009 Construction Bonds) in the amount of \$50,800,000, maturing through the year ending June 30, 2025. The net proceeds of Series 2009 Construction Bonds were used to fund various capital improvements to existing school within BCPSS.

As BCPSS enters into capital project contracts with one or more contractors, funds are to be drawn from the Series 2009 Construction Bonds escrow account to fund capital expenditures. The interest rates on the bonds include a Tax Credit rate of 5.90% and an interest rate of 1.25%, and interest is payable quarterly on March 15, June 15, September 15, and December 15 of each year. Principal sinking fund payment started on December 15, 2014. As of June 30, 2017, the outstanding balance of the Series 2009 Construction Bonds is \$47,220,000.

BCPSS has issued the City School Refunding Bonds Series 2009 (the Series 2009 Refunding Bonds) in the amount of \$32,335,000, maturing through the year ending June 30, 2018. The proceeds of the Series 2009 Refunding Bonds were used to refund a portion of the Series 2000 and Series 2003A Bonds. The interest rate ranges from 4.00% to 5.00% and interest is payable semiannually on May 1 and November 1 of each year. As of June 30, 2017, the outstanding balance on the Series 2009 Refunding Bonds is \$4,960,000.

In January 2011, BCPSS issued the City Schools Qualified School Construction Bonds Series 2011 in the amount of \$60,825,000, maturing through the year ending June 30, 2025. The net proceeds of the Series 2011 Bonds were used to fund various capital improvements to existing schools within BCPSS.

As BCPSS enters into capital project contracts with one or more contractors, funds are drawn from the Series 2011 Bonds escrow account to fund capital expenditures. The interest rates on the Bonds is 5.692% and interest is payable semi-annually on June 15 and December 15 of each year. As of June 30, 2017, the outstanding balance on the Series 2011 Bonds is \$56,540,000.

Future minimum bond payments are as follows at fiscal year ending June 30, 2017 (amounts expressed in thousands):

Fiscal Year	Principal	Interest	Total
2018	\$ 11,735	\$ 4,332	\$ 16,067
2019	12,838	4,097	16,935
2020	12,723	4,097	16,820
2021	12,608	4,097	16,705
2022	13,373	4,097	17,470
2023 - 2026	45,443	13,705	59,148
Totals	\$ 108,720	\$ 34,425	\$ 143,145

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 2017, the City's capital lease obligations for governmental activities decreased by \$15,739,000 (which is net of new leases in the amount of \$22,316,000 and lease principal payments in the amount of \$38,055,000) from the fiscal year 2016 total of \$160,368,000. During fiscal year 2017 the City's capital lease obligations for business-type activities decreased by \$340,000 (which is the amount of lease principal payments) from the fiscal year 2016 total of \$1,427,000. Future minimum lease payments at June 30, 2017, are as follows (amounts expressed in thousands):

Fiscal Year	Governmental Fund	Business-type Activities		Total
		Enterprise Fund	Internal Service Fund	
2018	\$ 19,366	\$ 294	\$ 15,512	\$ 35,172
2019	15,128	207	15,512	30,847
2020	12,388	120	13,203	25,711
2021	8,388	123	11,522	20,033
2022	5,817	130	9,585	15,532
2023-2027	12,107	335	20,129	32,571
Total minimum lease payments	73,194	1,209	85,463	159,866
Less: interest	(6,660)	(122)	(7,028)	(13,810)
Present value minimum lease payments	\$ 66,534	\$ 1,087	\$ 78,435	\$ 146,056

The following is a schedule of leased property under capital leases by major class at June 30, 2017 (amount expressed in thousands):

Classes of Property	Governmental Activities	Business-type Activities		Total
		Enterprise Fund	Internal Service Fund	
Buildings	\$ 173,756			\$ 173,756
Equipment	290,604	\$ 3,187	\$ 402,894	696,685
Total	\$ 464,360	\$ 3,187	\$ 402,894	\$ 870,441

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

Baltimore City Public School System (BCPSS)

In November 2011, BCPSS entered into leases with two financial institutions to refinance the 2006 Energy Lease. The 2011 Refunding Lease-1st Niagara in the amount of \$22,341,000 (at an interest rate of 2.755% for 11 years) and the 2011 Refunding Lease-M&T in the amount of \$24,217,000 (at an interest rate of 2.582% for 11 years) refunded \$22,300,000 in 2006 leases. BCPSS had no gains or losses as a result of these refinancing's. As of June 30, 2017, the outstanding balances on the 1st Niagara and M&T Refunding Leases were \$5,175,000 and \$12,182,000, respectively.

On August 8, 2014, BCPSS entered into a \$3,926,000 capital lease agreement (the Master Equipment Lease) with TD Equipment Finance, Inc., for the acquisition of 29 buses. The lease was issued at an interest rate of 1.53% for a term of five years. At June 30, 2017, the outstanding balance on the 2014 Master Lease was \$1,738,000.

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

On January 16, 2017 City School entered a \$0.7 million capital lease agreement (the Master Equipment Lease) with M&T Bank, for the purchase of computers. The lease was issued at a rate of 2.284% for a term of three years. At June 30, 2017, the outstanding balance on the 2017 Master Lease was \$602,000.

Future minimum lease payments as of June 30, 2017, are as follow (expressed in thousands):

Fiscal Year	Capital Leases
	Principal
2018	\$ 5,633
2019	4,687
2020	3,938
2021	3,693
2022	2,878
Total minimum lease payments	20,829
Less: deferred interest	(1,132)
Present value minimum lease payments	\$ 19,697

The following is a schedule of leased property under BCPSS capital leases by major class at June 30, 2017 (amounts expressed in thousands):

Classes of Property	
Buildings	\$ 71,938
Equipment	3,926
Total	\$ 75,864

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 \$5,509,454,000 at June 30, 2017, and revenues of the Water and Wastewater Funds are pledged as collateral for the bonds. Bonds outstanding as of June 30, 2017 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	\$ 14,800	\$ 8,600	
Term bonds series 1994-A with interest at 5.00%, payable semiannually, due July 1, 2022		6,240	
Term bonds series 1994-A with interest at 5.00%, payable semiannually, due July 1, 2024	9,015		
Serial bonds series 1998-A maturing in annual installments from \$213,000 to \$403,000 through February 1, 2019, with interest at 2.87%, payable semiannually		616	
Serial bonds series 1999-A maturing in annual installments from \$157,065 to \$161,023 through February 1, 2019, with interest rate at 2.52%, payable semiannually		318	
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		1,956	
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		3,727	
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, 2032	8,000		
Serial bonds series, 2003-B maturing in annual installment from \$1,630,000 to \$1,975,000 through February 1, 2021 with interest rates of 4.85% to 5.0%, payable semiannually	966		
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		1,915	
Serial bonds series, 2004-A maturing in annual installments from \$207,015 to \$218,042 through February 1, 2032, with interest rate at 0.40%, payable semiannually	3,163		
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			\$ 1,808
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		4,412	
Serial bonds series, 2004-C maturing in annual installments from \$886,000 to \$907,000 through February 1, 2024, with interest rate at 0.25%, payable semiannually		6,277	
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		6,651	
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		11,205	

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

	Water Utility Fund	Wastewater Utility Fund	Stormwater Utility Fund
Serial bonds series, 2006-B maturing in annual installments from \$349,351 to \$362,131 through February 1, 2026, with interest rates at 0.40%, payable semiannually		3,030	
Serial bonds series, 2007-A maturing in annual installments from \$73,712 to \$78,574 through February 1, 2037, with interest rate at 0.40%, payable semiannually	1,301		
Serial bonds series, 2007-A maturing in annual installments from \$1,704,571 to \$2,174,922 through February 1, 2026, with interest rate at 0.40%, payable semiannually		18,863	
Serial bonds series, 2007-B maturing in annual installments from \$156,000 to \$161,000 through February 1, 2027, with interest rate at 0.40%, payable semiannually		1,584	
Serial bonds series, 2007-B maturing in annual installments of \$40,000 through July 1, 2017, with interest rates of 3.75% to 4.50%, payable semiannually	40		
Serial bonds series, 2007-C maturing in annual installments of \$55,000 through July 1, 2017, with interest rates of 3.60% to 4.50%, payable semiannually		55	
Serial bonds series, 2007-C maturing in annual installments of to \$965,000 through July 1, 2017, with interest rates of 3.75% to 5.00%, payable semiannually	965		
Serial bonds series, 2007-D maturing in annual installments of \$2,660,000 through July 1, 2017, with interest rates of 5.00%, payable semiannually		2,660	
Serial bonds series, 2008-A maturing in annual installments from \$650,000 to \$1,005,000 through July 1, 2028, with interest rates of 3.50% to 4.50%, payable semiannually	1,320		
Serial bonds series, 2008-A maturing in annual installments from \$210,000 to \$2,115,000 through July 1, 2028, with interest rates of 4.00% to 5.00%, payable semiannually		2,605	
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			663
Serial bonds series, 2009-A maturing in annual installments from \$465,000 to \$500,000 through July 1, 2020, with interest rates of 2.00% to 4.50%, payable semiannually	1,450		
Serial bonds series, 2009-A maturing in annual installments of \$426,167 through February 1, 2029, with an interest rate at 0.00%		5,114	
Serial bonds series, 2009-B maturing in annual installments of \$91,149 through February 1, 2030, with an interest rate at 0.00%		1,102	
Serial bonds series, 2009-B maturing in annual installments of \$586,172 from February 1, 2018 through February 1, 2043, with an interest rate at 0.00%	15,240		
Serial bonds series, 2009-C maturing in annual installments from \$665,000 to \$715,000 through July 1, 2019, with interest rates of 2.00% to 4.50%, payable semiannually		2,070	
Serial bonds series, 2009-E maturing in annual installments of \$157,842 through February 1, 2032, with an interest rate at 0.00%		2,368	
Serial bonds series, 2011-A maturing in annual installments of \$1,100,000 to \$1,271,500 through February 1, 2031, with interest rates from 3.00% to 5.00%	11,660		
Serial bonds series, 2011-A maturing in annual installments of \$2,030,000 to \$3,940,000 through February 1, 2031, with interest rates from 4.00% to 5.00%		18,815	
Term bond series 2011-A with interest at 4.50%, payable semiannually, due July 1, 2036	11,400		
Term bond series 2011-A with interest at 5.00%, payable semiannually, due July 1, 2042	14,345		
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		29,185	
Serial bonds series, 2011-B maturing in annual installments of \$134,138 to \$172,023 through February 1, 2043, with interest rates of 1.00%	3,961		
Serial bonds series, 2011-B maturing in annual installments of \$175,167 to \$203,363 through February 1, 2033, with interest rates of 1.00%		3,023	
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			2,262
Serial bonds series, 2013-A maturing in annual installments of \$1,570,951 to \$1,798,836 through February 1, 2034, with interest rate at 0.80%, payable semiannually		28,713	
Serial bonds series, 2013-A maturing in annual installments of \$2,280,000 to \$4,980,000 through July 1, 2033, with interest rates from 3.00% to 5.00%, payable semiannually	58,925		
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 \$2,985,000 to \$6,815,000 through July 1, 2033, with interest rates from 2.00% to 5.00%, payable semiannually	88,735		
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 \$1,210,000 to \$2,540,000 through July 1, 2032, with interest rates from 3.00% to 5.00%, payable semiannually	29,420		
Serial bonds series, 2013-C maturing in annual installments of \$2,205,000 to \$4,725,000 through July 1, 2033, with interest rates from 4.00% to 5.00%, payable semiannually		56,005	
Term bond series 2013-C with interest at 5.00%, payable semiannually, due July 1, 2038		27,420	
Term bond series 2013-C with interest at 5.00%, payable semiannually, due July 1, 2043		35,000	

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(Continued)

	Water Utility Fund	Wastewater Utility Fund	Stormwater Utility Fund
Serial bonds series, 2013-D maturing in annual installments of \$3,065,000 to \$6,420,000 through July 1, 2033 with interest rate at 5.00%, payable semiannually		66,925	
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 \$1,690,000 to \$3,300,000 through July 1, 2026, with interest rates from 3.00% to 5.00%, payable semiannually		23,320	
Serial bonds series, 2014-A maturing in annual installments of \$2,081,200 to \$2,464,774 through February 1, 2035 with interest rates at 1.00% payable semiannually		40,822	
Serial bonds series, 2014-A maturing in annual installments of \$1,715,000 to \$3,785,000 through July 1, 2034 with interest rates from 2.00% to 5.00%, payable semiannually	46,590		
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 \$4,825,000 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-C maturing in annual installments of \$1,520,000 to \$3,350,000 through July 1, 2034 with interest rates from 2.00% to 5.00%, payable semiannually		41,235	
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 \$10,835,000 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 \$964,000 to \$1,122,000 through February 1, 2035, with interest rates of 0.90% payable semiannually		18,741	
Serial bonds series, 2015-B maturing in annual installments of \$3,306,561 to \$3,920,216 through February 1, 2037 with interest rates of 0.90% payable semiannually		72,103	
Series bonds series, 2016-A maturing in annual installments of \$1,000 to \$903,935 through February 1, 2047 with interest rates of 0.70%, payable semiannually		23,817	
Serial bonds series 2016 maturing in annual installments from \$2,085,000 to \$3,570,000 through April 1, 2031, with interest rates of 2.75% to 5.00%, payable semiannually			21,164
Serial bonds series 2017-A maturing in annual installments from \$2,525,000 to \$6,080,000 through July 1, 2036, with interest rates at 5.00% payable semiannually	77,140		
Term bond series 2017-A with interest at 5.00%, payable semiannually, due July 1, 2041	35,270		
Term bond series 2017-A with interest at 5.00%, payable semiannually, due July 1, 2046	45,010		
Serial bonds series 2017-B maturing in annual installments from \$1,250,000 to \$1,680,000 through July 1, 2028, with interest rates at 5.00% payable semiannually	10,195		
Serial bonds series 2017-C maturing in annual installments from \$90,000 to \$2,825,000 through July 1, 2038, with interest rates from 3.00% to 5.00%, payable semiannually	27,135		
Serial bonds series 2017-D maturing in annual installments from \$170,000 to \$5,800,000 through July 1, 2035, with interest rates at 5.00% payable semiannually	44,380		
Serial bonds series 2017-E maturing in annual installments from \$2,474,024 to \$3,117,162 through February 1, 2050, with interest rates at 0.80% payable semiannually	83,509		
Serial bonds series 2017-A maturing in annual installments from \$635,000 to \$3,940,000 through July 1, 2036, with interest rates at 5.00% payable semiannually		50,620	
Term bond series 2017-A with interest at 5.00%, payable semiannually, due July 1, 2041		22,845	
Term bond series 2017-A with interest at 5.00%, payable semiannually, due July 1, 2046		29,165	
Serial bonds series 2017-B maturing in annual installments from \$285,000 to \$10,500,000 through July 1, 2036, with interest rates from 3.00% to 5.00%, payable semiannually		74,005	
Term bond series 2017-B with interest at 5.00%, payable semiannually, due July 1, 2039		17,595	
Serial bonds series 2017-C maturing in annual installments from \$565,000 to \$6,835,000 through July 1, 2036, with interest rates at 5.00% payable semiannually		53,015	
Serial bonds series 2017-D maturing in annual installments from \$137,315 to \$173,011 through February 1, 2048, with interest rates at 0.80% payable semiannually		4,635	
Unamortized bond premiums	912,410	1,064,552	25,897
	81,375	92,126	2,085
	<u>\$ 993,785</u>	<u>\$ 1,156,678</u>	<u>\$ 27,982</u>

On June 14, 2017, the City entered into a Water Quality Loan agreement with the Maryland Water Quality Financing Administration Water Quality Revolving Loan in the amount of \$86,509,930 of which \$3,000,000 is forgivable if the City complies with the terms of the agreement. The rate of interest on the loan is set at 0.80%, maturing February 1, 2050.

At June 30, 2017, the Water Utility fund had \$20,800,000 of auction rate notes outstanding. Interest rates for these notes are determined every 7 days. 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% of the non-financial commercial paper rate depending on the rating of each bond issue. The failed auction rate on these notes during the fiscal year was less than 1.50%.

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

Fixed Rate Water and Wastewater Utility Bonds

On February 9, 2017, the City issued Water Revenues Bonds, Series 2017-A, 2017-B and 2017-C, in the amounts of \$157,420,000, \$10,195,000 and \$27,135,000, respectively, and totaling \$194,750,000. Of the amounts, \$157,420,000 was issued for various capital projects, and \$39,665,000 was refunding bonds that advanced refunded certain outstanding maturities totaling \$39,125,000. In conjunction with Series previously noted, the City issued Water Revenue Bonds, Series 2017-D (Forward Delivery) in the amount of \$44,380,000 on April 4, 2017. These refunding bonds advanced refunded certain outstanding maturities totaling \$50,440,000. Interest on the bonds is due July 1st and January 1st, and mature between 2017 and 2046 depending on the particular series.

The Series 2017 Water Refunding Revenue Bond issuance reduced total debt service by approximately \$10,724,000, to obtain an economic gain of approximately \$7,238,000. Additionally, the City will use a portion to reduce its derivative swap exposure.

On February 9, 2017, the City issued Wastewater Revenue Bonds, Series 2017-A and 2017-B, in the amounts of \$102,630,000 and \$91,600,000, respectively, and totaling \$194,230,000. Of these amounts, \$102,630,000 was issued for various capital projects, and \$91,600,000 was refunding bonds that advanced and current refunded certain outstanding maturities totaling \$97,800,000. In conjunction with Series previously noted, the City issued Wastewater Revenue Bonds, Series 2017C (Forward Delivery) in the amount of \$53,015,000 on April 4, 2017. These refunding bonds current refunded certain outstanding maturities totaling \$59,710,000. Interest on the bonds is due July 1st and January 1st, and mature between 2017 and 2046 depending on the particular series.

The Series 2017 Wastewater Refunding Revenue Bond issuance reduced total debt service by approximately \$22,634,000, to obtain an economic gain of approximately \$14,179,000.

During Fiscal Years 2016 and 2017 the Water Utility Fund did not have adequate debt service coverage to be in compliance with the required revenue bond covenants. The City has notified the trustee of the non-compliance and hired a consultant as required by the covenants to develop an action plan to become compliant in fiscal year 2018. Management, in consultation with legal counsel, has determined that not having adequate debt service coverage does not constitute an event of default; therefore, the debt has not been reclassified to current.

On December 14, 2017 Moody's lowered the rating on the senior and subordinate debt of the Water Utility Fund from Aa2 and Aa3 to Aa3 and A1, respectively with a stable outlook.

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 \$27,830,000 at June 30, 2017, and revenues of the Parking Facilities Fund are pledged as collateral for the bonds. Bonds outstanding as of June 30, 2017, consist of (amounts expressed in thousands):

Term bond series 1997-A with interest at 6.00%, payable semiannually, due July 1, 2018	\$ 12,640
Term bond series 1998-A with interest at 5.25%, payable semiannually, due July 1, 2017	725
Term bond series 1998-A with interest at 5.25%, payable semiannually, due July 1, 2021	3,300
Term bond series 2005 with interest at 5.27%, payable semiannually, due July 1, 2018	3,630
Term bond series 2005 with interest at 5.30%, payable semiannually, due July 1, 2027	10,470
Term bond 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	68,460
Term bond series 2010 with interest at 4.336%, payable semiannually, due July 1, 2017	1,450
Term bond series 2010 with interest at 5.225%, payable semiannually, due July 1, 2020	3,045
Term bond series 2005 with interest at 6.10%, payable semiannually, due July 1, 2025	4,275
Term bond series 2005 with interest at 7.00%, payable semiannually, due July 1, 2035	14,025
	\$ 123,020

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The City had \$68,460,000 of Series 2008 refunding taxable variable rate demand revenue bonds outstanding as of June 30, 2017. 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 starting on July 1, 2015 through July 1, 2032 range from \$1,320,000 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 options 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 with a current value in the amount of \$69,585,000 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 2.00% 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 2017, the City made no draws under the letter of credit and no amounts drawn against the letter of credit were outstanding at June 30, 2017.

Convention Center Refunding Revenue Bonds

The Convention Center Refunding Revenue Bonds, Series 1998 were issued as special limited obligations of the City to refund the 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, 2017, the balance outstanding on the Series 1998 bonds was \$12,600,000 of 5.0% term bonds 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, 2017, at annual principal amounts ranging from \$4,015,000 to \$4,425,000. These revenue bonds have been recorded in governmental activities because they are expected to be paid by general revenues.

Stormwater Special Revenue Bond

The City has issued a Stormwater Special Revenue Bond, Series 2004 with \$1,808,000 outstanding at June 30, 2017. This bond funded 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 has entered into agreements with the State of Maryland to borrow County Transportation Revenue Bonds with \$108,800,000 outstanding at June 30, 2017. The proceeds from these bonds will be used to fund certain highway improvements and stormwater projects throughout the City. These bonds are secured by a pledge of the City's share of the highway user revenues.

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

Convention Center Hotel Revenue Bonds

The City issued Convention Center 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 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, 2017, consist of (amounts expressed in thousands):

Serial bond series 2017, maturing in installments from \$1,450,000 to \$10,775,000 through September 2036, with interest rates ranging from 3.0% to 5.00% payable semiannually	\$ 117,365
Term bonds series 2017 with interest at 4.60% due September 1, 2039	35,655
Term bonds series 2017 with interest at 5.00% due September 1, 2042	41,280
Term bonds series 2017 with interest at 5.25% due September 1, 2046	74,455
Totals	\$ 268,755

Changes in revenue bond obligations for the year end June 30, 2017, are as follows (amounts expressed in thousands):

	June 30, 2016	New Debt Issues	Debt Retired	June 30, 2017	Due within One Year
<i>Governmental Activities*</i>					
Convention Center and Hotel	\$ 306,955	\$ 268,755	\$ 294,295	\$ 281,415	\$ 4,015
Transportation	87,269		10,018	77,251	10,339
Total governmental activities	\$ 394,224	\$ 268,755	\$ 304,313	\$ 358,666	\$ 14,354
<i>Business - Type Activities**</i>					
Water	\$ 697,174	\$ 322,639	\$ 107,403	\$ 912,410	\$ 18,441
Waste Water	1,004,067	251,880	191,396	1,064,551	38,935
Storm Water	29,109		3,212	25,897	1,806
Parking Facilities	133,980		10,960	123,020	11,490
Total Business-Type Activities	\$ 1,864,330	\$ 574,519	\$ 312,971	\$ 2,125,878	\$ 70,672

* Included in the Statement of Net Position for Governmental Activities is a remaining unamortized portion of bond premium of \$12,093,000.

** Included in the Statement of Net Position for Business Type Activities is a remaining unamortized portion of bond premium of \$175,586,000.

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
2018		\$ 9,260	\$ 4,015	\$ 533	\$ 11,780	\$ 4,073
2019	\$ 1,450	7,366	4,220	327	12,325	3,604
2020	2,100	13,302	4,425	110	12,900	3,113
2021	2,500	13,198			10,630	2,600
2022	2,950	13,062			11,165	2,129
2023-2027	22,645	62,360			33,920	5,189
2028-2032	36,745	54,999			16,080	952
2033-2037	48,975	44,208				
2038-2042	62,500	24,241				
2043-2047	88,890	13,079				
Totals	\$ 268,755	\$ 255,075	\$ 12,660	\$ 970	\$ 108,800	\$ 21,660

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

Fiscal Year	Business-type Activities									
	Water Utility			Wastewater Utility		Stormwater Utility		Parking Facilities		
	Principal	Interest	Swap Interest Rate Net(a)	Principal	Interest	Principal	Interest	Principal	Interest	Swap Interest Rate Net(a)
2018	\$ 18,441	\$ 37,611	\$ 904	\$ 38,935	\$ 39,700	\$ 1,806	\$ 1,002	\$ 11,490	\$ 7,068	\$ 3,470
2019	21,058	38,601	904	40,805	40,247	1,878	931	12,270	6,393	3,393
2020	21,876	37,636	904	41,385	39,015	1,951	856	4,410	5,917	3,304
2021	25,373	36,587	904	42,601	37,713	2,033	776	4,735	5,659	3,201
2022	25,436	35,485	904	40,529	36,424	2,089	692	4,980	5,382	3,091
2023-2027	137,928	159,932	4,522	204,884	161,376	9,637	2,178	29,840	21,992	12,847
2028-2032	169,571	126,048	4,524	225,509	120,486	6,503	519	39,980	11,448	6,495
2033-2037	198,875	83,690	3,333	215,037	73,244			15,315	1,299	205
2038-2042	180,379	43,430	9	143,591	33,311					
2043-2047	104,196	8,982	(3)	71,102	6,016					
2048-2052	9,277	149		173	1					
	\$ 912,410	\$ 608,151	\$ 16,905	\$ 1,064,551	\$ 587,533	\$ 25,897	\$ 6,954	\$ 123,020	\$ 65,158	\$ 36,006

(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, 2016, 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 \$912,410,000, \$1,064,546,000, and \$27,337,000 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 2047. 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 76.7% of pledged revenues. Total principal and interest remaining to be paid on the revenue bonds for the Water, Wastewater and Stormwater Utility Funds are \$1,537,466,000, \$1,652,084,000, and \$34,292,000, respectively. Principal and interest paid for the current year and pledged revenue for the Water Utility Fund were \$50,925,000 and \$46,016,000, respectively. Principal and interest paid for the current year and pledged revenue for the Wastewater Utility Fund were \$71,361,000 and \$104,601,000, respectively. Principal and interest paid for the current year and pledged revenue for the Stormwater Utility Fund were \$2,808,000 and \$12,510,000, respectively.

The Parking Facility Fund

The Parking Facility Fund has pledged future revenue from parking fees and fines to repay \$123,020,000 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 23.1% of pledged revenue. Total principal and interest remaining to be paid on these revenue bonds is \$224,184,000. For the current year, principal and interest payments and current pledged revenue were \$18,629,000 and \$74,215,000, respectively.

Tax Increment Revenue Pledges

The City has pledged a portion of future property tax revenues to repay \$199,876,000 in incremental property taxes 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 \$386,723,000. For the current year, principal and interest payments and current pledged revenue were \$7,430,000 and \$11,953,000, 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 \$268,755,000 Convention Center Headquarters Hotel Bonds. Following the net

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

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, a portion of the citywide occupancy tax is also pledged up to 25% of maximum annual debt service. The Hotel opened August 22, 2008. Total principal and interest remaining to be paid on these bonds is \$523,830,000. For the current year, principal and interest payments were \$18,877,000.

Baltimore Convention Center

The City has pledged a portion of future revenue from Convention Center operations to repay \$16,485,000 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 \$13,630,000. For the current year, principal and interest payments and current pledged revenue were \$4,554,000 and \$4,120,000, 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, 2017, \$401,890,000 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, 2017, 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.

Hedged Derivative Instruments

At June 30, 2017, the City had deferred liabilities for various hedged derivative instruments with the total fair values of these instruments in the amounts of (\$2,264,039) and (\$16,797,657), for governmental and business-type activities, respectively. The notional amounts for these hedged derivative instruments at June 30, 2017, were \$18,795,000 and \$88,600,000, for governmental and business-type activities, respectively. During fiscal year 2017, the fair values of these instruments decreased \$1,488,382 governmental-type and increased by \$532,271 for business-type activities. All hedges are cash flow hedges. The following schedule provides a detailed analysis of derivative instruments held at June 30, 2017:

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Notes to Basic Financial Statements
(Continued)

MAYOR AND CITY COUNCIL OF BALTIMORE
SWAP PROFILE as of June 30, 2017

Outstanding Bonds	Effective Date	Termination Date	Interest Rate Paid by City	Interest Rate Received	Notional Amount	Fair Value	Counterparty Credit Rating
Hedged Derivative Instruments - Governmental Activities							
General Obligation Bonds							
<i>Floating to Fixed Swaps</i>							
2003 Bonds	5/14/2003	10/15/2020	4.215%	1M LIBOR	\$ 1,640,000	\$ (52,851)	A-/Baa2
2003 Bonds	5/14/2003	10/15/2022	4.970%	1M LIBOR	17,155,000	(2,211,188)	A-/Baa2
Total Governmental Activities					<u>\$ 18,795,000</u>	<u>\$ (2,264,039)</u>	
Hedged Derivative Instruments - Business-type Activities							
Water Utility Fund Revenue Bonds Series							
<i>Floating to Fixed Swaps</i>							
2002 Revenue Bonds	5/7/2002	7/1/2037	4.555%	67% LIBOR	\$ 20,800,000	\$ (8,517,894)	BBB+/A3
Total Water Utility Fund					<u>20,800,000</u>	<u>(8,517,894)</u>	
Parking Revenue Bonds Series							
<i>Floating to Fixed Swaps</i>							
2008 Bonds	6/19/2002	7/1/2032	6.098%	1M LIBOR	61,600,000	(7,845,718)	A+/A1
2008 Bonds	6/19/2002	7/1/2025	5.915%	1M LIBOR	6,200,000	(434,045)	A+/A1
Total Parking Facilities Fund					<u>67,800,000</u>	<u>(8,279,763)</u>	
Total Business-type Activities					<u>\$ 88,600,000</u>	<u>\$ (16,797,657)</u>	

Credit risk — As of June 30, 2017, 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, one swaps or approximately 19% of the notional amount of swaps outstanding, is held with one counterparty that is currently rated BBB+/A3. Of the remaining swaps, the City holds two swaps with a counterparty rated A-/Baa2, approximately 18% of the outstanding notional value, and two swaps with one counterparty rated A+/A1, approximately 63% 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). For those swaps associated with the VRDBs and ARBs, the City receives a floating rate based on one-month LIBOR. For two 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, 2017, LIBOR for the prior 52 weeks ranged from 0.46% to 1.05%, whereas the City's taxable market ranged from 0.42% to 1.20%.

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

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

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, 2017 are as follows:

Investment Derivative Instruments

	Changes in Fair Value		Classification	Fair Value at June 30, 2017	
	Classification	Amount		Amount	Notional
Business-Type Activities					
Water Utility Fund					
Floating to Floating	Investment Revenue	\$ (301,073)	Debt	\$ (3,705,402)	\$ (71,455,000)
Total Business-Type Activities		\$ (301,073)		\$ (3,705,402)	\$ (71,455,000)

Credit Risk - At June 30, 2017, 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 counter party rating for the Water Utility Fund was AA-/Aa2. The change in the fair value of investment swaps in the amount of a loss of \$301,073 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/depreciation in the fair value of investments. The table below summarizes the market value of foreign currency contracts as of June 30, 2017:

Currency	Forward Foreign	Forward Foreign	Forward Foreign	Forward Foreign	Unrealized Net
	Contracts Cost	Contracts Cost	Contracts Fair	Contracts Fair	Gain/(Loss)
	Receivable (a)	Payable (b)	Value Receivable (c)	Value Payable (d)	(c-a) + (b-d)
Australian Dollar	\$ 5,643,258	\$ 5,643,258	\$ 5,643,258	\$ 5,742,928	\$ (99,670)
Brazilian Real	55,355	55,355	55,355	55,273	82
British Pound Sterling	534,370	534,370	534,361	534,158	203
Canadian Dollar	393,324	393,324	393,514	393,324	190
Danish Krone	733,263	733,263	732,448	740,129	(7,681)
Euro Currency Unit	1,301,872	1,301,872	1,301,356	1,303,700	(2,344)
Hong Kong Dollar	195,735	195,735	195,722	195,735	(13)
Japanese Yen	1,367,728	1,367,728	1,366,046	1,367,203	(1,157)
Mexican New Peso	85,842	85,842	85,693	85,842	(149)
New Zealand Dollar	9,478,408	9,478,408	9,478,408	9,831,083	(352,675)
Pound Sterling	419,447	419,447	419,447	420,393	(946)
Singapore Dollar	3,531,350	3,531,350	3,531,350	3,546,122	(14,772)
South Korean Won	21,516	21,516	21,485	21,516	(31)
Swedish Krona	206,926	206,926	206,926	213,589	(6,663)
Swiss Franc	1,079,396	1,079,396	1,078,445	1,079,492	(1,047)
U.S. Dollar	602,093	602,093	604,710	602,093	2,617
Total	\$ 25,649,883	\$ 25,649,883	\$ 25,648,524	\$ 26,132,580	\$ (484,056)

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) or the Maryland State Retirement and Pension System:

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 two cost-sharing multiple employer defined benefit plan, the Employees' Retirement System (ERS Plan), established January 1, 1926 and the Maryland State Retirement and Pension System (the State System). The F&P Plan, the EOS Plan, and the ERS Plan (the City 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 City 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 City Plans and the State System issue separate financial statements which may be obtained from the following websites:

- For Employees' Retirement System and Elected Officials' Retirement System: www.bcers.org
- For Fire and Police Employees' Retirement System: www.bcfpers.org
- For the Maryland State Retirement and Pension System: www.sra.state.md.us

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

The financial statements for the City Plans and the State System 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-SINGLE EMPLOYER PLANS

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 GASB, 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, 2016, the measurement date, the F&P membership consisted of:

Retirees and beneficiaries currently receiving benefit	6,291
Active plan members	<u>4,094</u>
Total	<u><u>10,385</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 services 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:

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

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
2. A lump sum equal to the member's DROP 2 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 2 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 pension trust fund.

At June 30, 2016, the measurement date, the EOS Plan membership consisted of:

Retirees and beneficiaries currently receiving benefit	21
Active plan members	17
Inactive members eligible to but not yet receiving benefits	<u>2</u>
Total	<u><u>40</u></u>

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 EOS 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. 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.

B. PLAN DESCRIPTIONS-MULTIPLE EMPLOYER PLANS

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.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

At June 30, 2016, the measurement date, the ERS Plan membership consisted of:

Active plan members	8,274
Retirees and beneficiaries currently receiving benefit	9,007
Inactive plan members eligible to but not yet receiving benefits	<u>1,018</u>
Total	<u><u>18,299</u></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 ERS Plan Provisions.

Class “A” has 15 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 7,899 members 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 reach 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 Plan’s 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 3.0% to 4.0% for the fiscal year beginning July 1, 2015 through June 30, 2016.

Members of Classes A and B are eligible to retire at age 60 with 5 years of service or 30 years of membership service, regardless of age. 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

Notes to Basic Financial Statements

(Continued)

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.

Maryland State Retirement and Pension System

Certain city employees are covered by the Maryland State Retirement and Pension System., primarily employees of the Sheriff's Office. The State system is comprised of the Teachers' Retirement and Pension Systems, Employees' Retirement and Pension System (ERPS), State Police Retirement System, Judges' Retirement System (JRS), and Law Enforcement Officers' Pension System (LEOPS). The City employees currently participate in the Employees' Retirement and Pension System, Judges Retirement System and the Law Enforcement Officers' Pension System, with the majority participating in the LEOPS Plan. The State System was established by the State Personnel and Pension Article of the Annotated Code of Maryland to provide retirement allowances and other benefits to State employees, teachers, police, judges, legislators, and employees of participating governmental units. The State Plans are administered by the State Retirement Agency. Responsibility for the System's administration and operation is vested in a 15- member Board of Trustees.

Membership in the LEOPS is a condition of employment of the Baltimore City Sheriff's Department. LEOPS consists of two separate components a retirement plan (closed to new members January 1, 2005) and a pension plan. Members contribute either 5%, 6% or 7% of annual earnable compensation, depending on whether the member elected to receive limited or unlimited COLA's or whether the member is subject to pension or retirement plan provisions. The City's total required contributions during the year ended June 30, 2017 was \$3,343,000.

LEOPS members are eligible for full service retirement allowances upon attaining age 50 or upon accumulating 25 years of eligibility service. For members subject to retirement plan provisions, full service retirement allowances equal 2.3% of AFC for the first 30 years of creditable service, plus 1.0% of AFC for each additional year. For members subject to the pension system provisions who became members of LEOPS on or before June 30, 2011, full service pension allowances equal 2.0% of AFC for the three highest consecutive years as an employee. For members subject to pension system provisions on or after July 1, 2011, full service pension allowances equal 2.0% of AFC for the five highest consecutive years as an employee. LEOPS members are not eligible for early service retirement allowances, but are eligible for disability and death benefits if certain conditions are met.

LEOPS members are eligible to participate in a Deferred Retirement Option Program (DROP). To participate, the LEOPS members must have at least 25 years of creditable service, but less than 30 years. Depending on the entry date of the member into DROP, the retirement allowance is placed into an account earning either 6% or 4% interest.

At June 30, 2017, the City reported a liability of \$36,767,000 for its proportionate share of the net pension liability of the State System. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate of the net pension liability was based on actual employer contributions billed to participating government units for the year ending June 30, 2016. The contributions were increased to adjust for differences between actuarial determined contributions and actual contributions by the State of Maryland. As of June 30, 2017 the City's proportionate share was .1558%.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

C. NET PENSION LIABILITY (ASSET)

The measurement date for the City Plans and the State System is June 30, 2016. Measurements are based on the fair value of assets as of June 30, 2016. 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 City Plans is as follows:

(Dollars Expressed in Thousands)

	Fire and Police Employees' Retirement System	Elected Officials' Retirement System	Employees' Retirement System (City of Baltimore Portion)	Employees' Retirement System (Baltimore City Public School Portion)
Total Pension Liability	\$ 3,616,035	\$ 14,002	\$ 1,849,344	\$ 478,218
Less: Plan fiduciary net position	2,360,783	22,749	1,205,265	311,667
Net Pension Liability (Asset)	\$ 1,255,252	\$ (8,747)	\$ 644,079	\$ 166,551
Plan Fiduciary Net Position as a Percentage of Total Pension Liability (Asset)	65.3%	162.5%	65.2%	65.2%

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

(Dollars Expressed in Thousands)

	Fire and Police Employees' Retirement System	Elected Officials' Retirement System	Employees' Retirement System
Contributions made *	\$ 121,115		\$ 77,101
Actuarial assumptions:			
Investment rate of return:			
Pre-retirement	7.50%	7.00%	7.50%
Post retirement	7.50%	7.00%	6.50%
Projected salary increases	3.00%	2.5%	2.65%
Includes inflation rate at	3.00%	2.5%	2.65%
Cost-of-living adjustment	3.00%	2.5%	1.5 - 2.0%
Mortality	RP-2014 Blue Collar Mortality Table using the RPEC_2014 Model	RP 2000 Health Mortality with projections using 50% of Scale AA projected 15 years with a 2 year set forward for males and females	RP 2000 Health Mortality with projections using 50% of Scale AA projected 15 years with a 2 year set forward for males and females
Last Experience Study Covered	July 1, 2012 - June 30, 2015	July 1, 2010 - June 30, 2014	July 1, 2010 - June 30, 2014

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

The actuarial assumptions and the current year contributions for the State System are:

(Dollars Expressed in Thousands)

	Maryland State Retirement and Pension System
Contributions made	\$ 3,343
Actuarial assumptions:	
Investment rate of return:	7.55%
Projected salary increases	3.30% to 9.20%, including inflation
Inflation rate	2.70% general, 3.20% wage
Mortality	RP-2014 Mortality Tables with generational mortality projections using scale MP-2014, calibrated to MSRPS experience
Last Experience Study Covered	2010 - 2014

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

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

The long term expected rate of return on pension plan investments for the City Plans and the State System 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 or 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 City Plans' target asset allocation are summarized in the following table:

Long Term Expected Real Rate of Return/Target Allocation			
Assets Class	Fire and Police Employees' Retirement System	Elected Officials' Retirement System	Employees' Retirement System
U.S. Equities	4.3%/20.0%	5.4%/69%	6.3%/49.0%
International Equities	6.0%/20.0%	5.3%/21%	5.3%/20.0%
Private Equities	7.8%/5.0%		9.4%/13.0%
Fixed Income	2.5%/22.0%	1%/0%	
Real Estate	6.5%/10.0%	0%/10%	598%/13.0%
Hedge Funds	4.3%/10.0%		2.1%/5.0%
Energy MLP	7.8%/7.0%		
Private Energy	7.8%/5.0%		
Cash	0.8%/1.0%		

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, 2016 measurement date. The discount rate used to determine the total pension liability as of June 30, 2016 is 7.50%.

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 July 1, 2016 actuarial valuation. As of June 30, 2016 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, 2016, 7.00%, 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 FYE 2016 were 3% of pay increasing to 4% of pay for FYE 2017 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, 2015 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, 2016 measurement date. The discount rate at June 30, 2016 is 7.50% for active and terminated vested participants and 6.50% for in-pay participants. The assumed long term expected rate of return on ERS investments is 7.50%. The major asset classes included in the State System's target asset allocation and returns are summarized in the following table:

Asset	Maryland State Retirement and Pension System
Public Equity	6.6%/37%
Private Equities	7.4%/10%
Rate Sensitive	1.3%/20%
Credit Opportunity	4.2%/9%
Real Assets	4.7%/15%
Absolute Return	3.7%/9%

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

The State System The projection of cash flows used to determine discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. The discount rate at June 30, 2016, 7.55%, is the expected long term rate of return on State System investments.

The sensitivity of the net pension liability (asset) presents the net pension liability (asset) of the City Plans and the State System calculated using the current discount rates as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1- percentage-point higher than the current rate.

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

(Dollars Expressed in Thousands)

	1% Decrease	Current Discount Rate	1% Increase
Fire and Police Employees' Retirement System	6.50%	7.50%	8.50%
Net Pension Liability	\$ 1,669,569	\$ 1,255,252	\$ 909,976
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	58.6%	65.3%	72.2%

(Dollars Expressed in Thousands)

	1% Decrease	Current Discount Rate	1% Increase
Elected Officials' Retirement System	6%	7%	8%
Net Pension (Asset)	\$ (7,352)	\$ (8,747)	\$ (9,939)
Plan Fiduciary Net Position as a Percentage of Total Pension (Asset)	147.7%	162.5%	177.6%

(Dollars Expressed in Thousands)

	1% Decrease	Current Discount Rate	1% Increase
Employees' Retirement System (City of Baltimore Portion)	6.50% Active Part. 5.50% Retired Part.	7.50% Active Part. 6.50% Retired Part.	8.50% Active Part. 7.50% Retired Part.
Net Pension Liability	\$ 846,493	\$ 644,079	\$ 472,326
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	58.7%	65.2%	71.8%

(Dollars Expressed in Thousands)

	1% Decrease	Current Discount Rate	1% Increase
Employees' Retirement System (Baltimore City Public Schools Portion)	6.50% Active Part. 5.50% Retired Part.	7.50% Active Part. 6.50% Retired Part.	8.50% Active Part. 7.50% Retired Part.
Net Pension Liability	\$ 218,893	\$ 166,551	\$ 122,138
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	58.7%	65.2%	71.8%

(Dollars Expressed in Thousands)

	1% Decrease	Current Discount Rate	1% Increase
Maryland State Retirement and Pension System	6.55%	7.55%	8.55%
LEOPS	\$ 41,543	\$ 30,244	\$ 20,842
ERPS	8,096	5,894	4,062
JRS	863	629	433

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

Deferred Inflows and Deferred Outflows. The reported deferred outflows/inflows of resources associated with the City Plans and the State System 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	\$ 128,806	
Differences between actual and expected experience	22,896	
Assumption change	17,747	
Differences between actual and projected earnings	166,468	
Total	\$ 335,917	

Elected Officials' Retirement System	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience		\$ 384
Assumption change	\$ 158	768
Differences between actual and projected earnings	1,932	1,223
Total	\$ 2,090	\$ 2,375

Employees' Retirement System (City of Baltimore Portion)	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 68,895	
Differences between actual and expected experience	11,079	
Change in proportionate share		\$ 34,966
Assumption change	12,514	39,041
Differences between actual and projected earnings	77,909	
Total	\$ 170,397	\$ 74,007

Employees' Retirement System (Baltimore City Public Schools Portion)	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 15,580	
Differences between actual and expected experience	2,119	
Change in proportionate share	34,966	
Assumption change	3,122	\$ 4,740
Differences between actual and projected earnings	16,763	
Total	\$ 72,550	\$ 4,740

Maryland State Retirement and Pension System	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 3,343	
Differences between actual and expected experience		\$ 886
Change in proportionate share	2,676	
Assumption change	1,296	
Differences between actual and projected earnings	5,618	1,329
Total	\$ 12,933	\$ 2,215

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

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

(Dollars Expressed in Thousands)

Deferred outflows (inflows) for years ended June 30:	Fire and Police		Employees' Retirement		Employees'
	Employees' Retirement System	Elected Officials' Retirement System	System (City of Baltimore Portion)	System (City of Baltimore Portion)	Retirement System (Baltimore City Public Schools Portion)
2018	\$ 53,313	\$ (1,273)	\$ 5,685	\$	10,798
2019	52,964	128	4,481		8,513
2020	65,362	535	11,853		22,517
2021	35,472	325	5,476		10,402
Total	\$ 207,111	\$ (285)	\$ 27,495	\$	52,230

(Dollars Expressed in Thousands)

Deferred outflows (inflows) for years ended June 30:	Maryland State Retirement and Pension System
2018	\$ 1,648
2019	1,648
2020	2,225
2021	1,222
2022	632
Total	\$ 7,375

In addition to the amounts disclosed above \$201,043,000 in deferred outflows of resources related to contribution subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

E. 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 City Plans are as follow:

(Dollars Expressed in Thousands)

	Fire and Police		Employees' Retirement		Employees' Retirement System
	Employees' Retirement System	Elected Officials' Retirement System	System (City of Baltimore Portion)	System (City of Baltimore Portion)	(Baltimore City Public Schools Portion)
Service Cost	\$ 70,730	\$ 260	\$ 20,267	\$	5,241
Interest on total pension liability	259,999	984	123,808		32,015
Administrative expenses	4,377	36	2,793		722
Member contributions	(30,399)	(62)	(8,224)		(2,127)
Expected investment return net of investment expenses	(180,307)	(1,673)	(95,080)		(24,587)
Recognition of deferred inflows/outflows of resources:					
Recognition of change in proportionate share			(12,334)		12,334
Recognition of assumption changes	8,874	(1,017)	3,381		874
Recognition of liability gains and losses	10,204	(630)	1,116		288
Recognition of investment (gains) and losses	34,224	288	8,599		2,225
Pension expense (income)	\$ 177,702	\$ (1,814)	\$ 44,326	\$	26,985

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

The schedule of the changes in net pension liability (asset) and related ratios for the City Plans for the year ended June 30, 2016 is as follows:

(amounts expressed in thousands)

	Fire and Police Employees' Retirement System	Elected Officials' Retirement System	Employees' Retirement System (City of Baltimore Portion)	Employees' Retirement System (Baltimore City Public Schools Portion)
Total pension liability				
Interest (included interest on service cost)	\$ 260,001	\$ 983	\$ 123,808	\$ 32,015
Service cost	70,730	260	20,267	5,241
Changes in proportionate share			(129,192)	129,192
Changes in assumptions		315	9,199	2,379
Differences between expected and actual experience	11,353	(474)	16,566	4,284
Benefit payments, including refunds of member contribution	(237,195)	(763)	(110,599)	(28,599)
Net change in total pension liability	104,889	321	(69,951)	144,512
Total pension liability - beginning	3,510,767	13,681	1,919,295	333,707
Total pension liability - ending	\$ 3,615,656	\$ 14,002	\$ 1,849,344	\$ 478,219
Plan fiduciary net position:				
Net investment income	\$ 2,982	\$ 45	\$ 31,988	\$ 8,272
Contributions - employer	120,279		61,700	15,400
Contributions - member	30,339	62	8,224	2,127
Changes in proportionate share			(88,314)	88,314
Benefit payments, including refunds of member contribution	(237,195)	(763)	(110,599)	(28,599)
Administrative expense	(4,377)	(35)	(2,793)	(722)
Net change in plan fiduciary net position	(87,972)	(691)	(99,794)	84,792
Plan fiduciary net position - beginning	2,448,376	23,440	1,305,059	226,876
Plan fiduciary net position - ending	2,360,404	22,749	1,205,265	311,668
Net pension liability (asset) - ending	\$ 1,255,252	\$ (8,747)	\$ 644,079	\$ 166,551
Plan fiduciary net position as a percentage of the total pension liability	65.28%	162.47%	65.17%	65.17%
Covered employee payroll	\$ 298,779	\$ 1,334	\$ 319,693	\$ 79,773
Net pension liability (asset) as a percentage of covered employee payroll	420.13%	-655.70%	201.47%	208.78%

F. COMPONENT ALLOCATION

ERS balances have been allocated between the government activities, business type activities (Enterprise funds), and discretely presented component units as follows:

(Dollars Expressed in Thousands)

	Enterprise Funds						Component Unit
	Employees' Retirement System	Governmental Activities	Water	Wastewater	Stormwater	Nonmajor Proprietary Fund	Baltimore City Public Schools
Net Pension Liability (Asset), Beginning of Year	\$ 721,067	\$ 496,579	\$ 59,075	\$ 47,855	\$ 6,601	\$ 4,126	\$ 106,831
Pension Expense (Income)	71,311	35,083	5,278	2,630	1,061	274	26,985
Employer Contributions	(77,100)	(50,039)	(5,522)	(5,103)	(685)	(351)	(15,400)
Deferred Outflows/(Inflows)	95,352	38,222	337	8,401	663	(406)	48,135
Net Pension Liability (Asset), End of Year	\$ 810,630	\$ 519,845	\$ 59,168	\$ 53,783	\$ 7,640	\$ 3,643	\$ 166,551

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

G. 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 14 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%, and a discount rate of 3.58%. 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	Net Pension Liability
June 30, 2017	\$ 281	\$ 941
June 30, 2016	328	1,203
June 30, 2015	370	1,862

H. THE MARYLAND STATE RETIREMENT AND PENSION SYSTEMS – BCPSS

The BCPSS employees, who are not covered under the City’s ERS, are members of the Maryland State Retirement and Pension System.

Under Maryland law, the Baltimore City Public School System (BCPSS) is not required to make any contributions to the State Systems. City Schools and covered members are required by State statute to contribute to the System. Members of the Teachers’ Pension System are required to contribute 7% annually. Members of the Teachers’ Retirement System are required to contribute 5-7% annually, depending on the retirement option selected. The contribution requirements of the System members, as well as the State and participating governmental employers are established and may be amended by City Schools of Trustees for the System. Contributions are deducted from participant’s salary and wage payments and are remitted to the State on a regular, periodic basis.

The State of Maryland pays, on behalf of the BCPSS, the employer’s share of retirement and pension costs to the State Systems for teachers and related positions. During the fiscal year ended June 30, 2017, the State paid \$70.3 million in such costs. This amount has been recorded by the BCPSS as both revenue and expenditure in the General Fund in the accompanying Statement of Activities. The Special Funding arrangement between BCPSS and the State is disclosed in the BCPSS’s financial statements.

The State also makes contributions on behalf of the Enoch Pratt Free Library employees. The State’s contribution for the fiscal year ended June 30, 2017, was \$2,233,000. This amount has also been recognized as both revenue and expenditure in the accompanying Statement of Activities.

I. 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:

Employee Group	Post Retirement Medical Benefit Eligibility 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 with at least 10 years of service or 20 years of service If hired after July 1, 2003: Age 55 with at least 15 years of service or 25 years of service
Employees' Retirement System & Elected Officials' Retirement System	If hired before July 1, 1979: Age 60 with at least 5 years of service or any age with 30 years of service 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 statement as a fiduciary fund.

The number of participants in the Plan as of July 1, 2016, per actuary report was as follows:

	Number of Participants		
	City	School	Total
Active employees	15,984	7,961	23,945
Inactive employees or beneficiaries currently receiving benefits	9,707	5,953	15,660
Totals	25,691	13,914	39,605

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 \$46 to \$1,809 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.

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

For fiscal year 2017, City contributions to the Plan were \$138.9 million, plus \$58.0 million of retirees contributions, which was more than the annual OPEB cost of \$104.7 million resulting in a net decrease to the OPEB liability of \$34.2 million for the current year. The OPEB overfunding at June 30, 2017 was \$61.6 million. An additional adjustment in the amount of \$4.5 million was made to the annual required contribution (ARC) based on claims experience.

Annual OPEB Cost and Net OPEB Assets (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 2017 was \$104.7 million. The following table shows the components of the City's annual OPEB cost for the years ended June 30, 2015, June 30, 2016 and June 30, 2017, respectively, and the amount actually contributed to the plan (dollars expressed in millions):

	Fiscal Year Ended		
	June 30, 2015	June 30, 2016	June 30, 2017
Normal Cost	\$ 31.4	\$ 28.7	\$ 29.7
Amortization of Unfunded Actuarial Liability	43.4	57.5	74.5
Annual Required Contribution (ARC)	74.8	86.2	104.2
Interest on Unfunded (Overfunded) ARC	2.9	(1.2)	(4.0)
Adjustment of ARC	(2.3)	1.3	4.5
Annual OPEB Cost	75.4	86.3	104.7
Actual Contributions	134.7	125.2	138.9
Increase/(Decrease) in OPEB Obligation	(59.3)	(38.9)	(34.2)
Net OPEB (Asset overfunding) Obligation	11.5	(27.4)	(61.6)
Percentage Contributed	180.1%	145.2%	133.3%

Funded Status and Funding Progress:

(Dollars Expressed in Millions)

Fiscal Year Ended	Actuarial	Actuarial	Unfunded	Funded	Covered	UAAL as a
	Value of Plan	Liability (AAL)	Actuarial			
	Assets (a)	(b)	(UAAL) (b-a)		Payroll (c)	((b-a)/c)
June 30, 2017	\$ 438.3	\$ 1,384.9	\$ 946.6	31.6%	\$ 1,464.0	64.7%
June 30, 2016	428.9	1,166.7	737.8	36.8%	1,565.9	47.1%
June 30, 2015	403.8	1,195.0	791.2	33.8%	1,531.2	51.7%

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 July 1, 2016, using census data collected as of July 2016 and health care costs for 2016.

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.

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

The actuarial method used is the Entry-Age Normal (EAN). Under the EAN cost method, the actuary develops a “normal cost” that can be expected to fund projected benefits at retirement for a new entrant into the plan. The normal cost of benefits are calculated as a level percentage of covered payroll. The unfunded actuarial liability is being amortized over 30 years on a level dollar basis.

The discount rate is based on the rate of return expected to be earned by the assets used to pay to benefits, if the plan is appropriately funded. The liability discount rate is based on the actuary’s review of the current and historical commitment the City has shown to fully fund the plan, and our determination that current assets plus future contributions will be sufficient to cover all future benefit payments. The plan will not incur a “depletion point”. The discount rate used is 7.0%. 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 5.9% healthcare trend for fiscal year 2016, reduced by decrements to a rate of 3.9% in 2075. Salary increases were not considered as OPEB benefits and OPEB benefits are not based on pay.

Net OPEB Liability (NOL) and Sensitivity of the NOL to changes in the discount rate:

Beginning with the plan year ending June 30, 2017, the City has implemented GASB Statement No. 74 “Financial Reporting for Postemployment Benefit Plans Other than Pension Plans”. This requires the City to disclose the actuarially determined liability, and in FY 2018, this liability will be reflected in the City’s financial statements. Additional disclosure regarding the total OPEB liability are shown below.

The measurement date for OPEB liability is June 30, 2017 and the valuation date is as of June 30, 2016. The total OPEB liability (TOL), the Plan Fiduciary Net Position (i.e. fair market value of the Plan assets), and the Net OPEB Liability as of June 30, 2017 is as follows:

(Dollars Expressed in Millions)

	OPEB
Total OPEB Liability	\$ 1,401
Less: Plan Fiduciary Net Position	516
Net OPEB Liability	<u>\$ 885</u>
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	<u>36.8%</u>

Changes in the discount and healthcare trend rate affect the measurement of the total OPEB liability (TOL). Because the trend rates do not affect the measurement of assets, the percentage change in the NOL can be very significant for a relatively small change in the trend rates. The table below shows the sensitivity of the NOL to the discount rate and trend.

(Dollars Expressed in Millions)

	Current		
	1% Increase 8.00%	Discount Rate 7.00%	1% Decrease 6.00%
Health Care Cost Trend Rates			
1% decrease		\$ 704	
Current	\$ 722	855	\$ 1,043
1% increase		1,072	

The net OPEB liability will be allocated in the FY 2018 financial statements to the proprietary funds based on the active lives covered. As of June 30, 2017, the amount allocated to the proprietary funds is estimated to be \$122,000 for 1,731 active lives.

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. The City’s risk financing techniques include a combination of risk retention through self-insurance and risk transfer through the purchase of commercial

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

insurance. The risk management program 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 \$550,000,000. 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 program.

All funds of the City and the Baltimore City Public School System participate and make payments to the risk management program based on actuarial estimates and historical cost information of the amounts needed to pay prior and current year claims. As of June 30, 2017, the City has determined that the range of potential claims liability for the program to be between 5,911 to each \$327,521,000 and \$361,401,000. 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, 2017, 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.

Changes in the Risk Management Program claims liability in fiscal years 2017 and 2016 were (amounts expressed in thousands):

	2017	2016
Unpaid claims, beginning	\$ 300,491	\$ 277,522
Claims incurred	313,186	258,058
Claims paid	(286,156)	(235,089)
Unpaid claims, ending	\$ 327,521	\$ 300,491

The City estimates that \$66,515,000 of the estimated claims liability is due within one year.

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, 2017, future minimum lease payments are as follows (amounts expressed in thousands):

2018	\$ 5,339
2019	3,648
2020	3,369
2021	3,138
2022	3,281
2023-2027	5,825
2028-2032	1,947
Total	\$ 26,547

All leases contain cancellation provisions and are subject to annual appropriations by the City Council. During fiscal year 2017, rent expenditures approximated \$20,763,000 for all types of leases. These expenditures were made primarily from the General Fund.

The BCPSS has entered into a lease for rental of office equipment. During the year ended June 30, 2017, rent and lease expenditures approximated \$1,600,000. These expenditures were made primarily from the General Fund. As of June 30, 2017, future minimum lease payments approximate \$3,526,000, which relates to July 1, 2017 through July 1, 2022 when the leases expire.

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

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 \$20,643,000 as of June 30, 2017, which is based on 78.67% usage (filled capacity) of the landfill. This is a increase in the liability of \$791,000, and a increase in the usage of 3%, since June 30, 2016. It is estimated that an additional \$5,596,000 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 2026). The projected year which the landfill reaches capacity is 3 years sooner than reported in 2016 because the compacted waste density decreased and/or the use of cover soil increased during 2016. The estimated total current cost of the landfill closure and postclosure care, \$26,239,000, 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, 2017. 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 2018.

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, 2017, cash and cash equivalents of \$22,439,000 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, 2017, consist of the following:

- A. The General Fund has notes receivable of \$288,087,000 net of a \$1,000,000 allowance for losses. A note receivable from the Baltimore Hotel Corporation for \$286,865,000 bears interest at rates ranging from 4.6% to 5.875% and mature over 30 years. A portion of this note receivable totaling \$282,815,000 is scheduled to be collected in 2018 through 2039. The other portion of the notes receivable unrelated to the Baltimore Hotel Corporation is for notes totaling \$1,222,000 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 Parking Facilities Fund has mortgages receivable of \$40,489,000 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 \$35,609,000 is scheduled to be collected in 2019 through 2036.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

18. Fund Balance

The composition of the fund balances of the governmental funds for fiscal year ended June 30, 2017 are as follows (amounts expressed in thousands):

	General	Grants	Capital Projects	Other Funds	Governmental Funds
Fund Balances					
Nonspendable:					
Reserved for other assets	\$ 2,260				\$ 2,260
Restricted:					
Education				\$ 6,184	6,184
Highways and streets			\$ 5,081		5,081
Sanitation and waste removal	40,579				40,579
Debt service	340,417				340,417
Public library				2,198	2,198
Recreation and culture				5,604	5,604
Total restricted	380,996		5,081	13,986	400,063
Assigned to:					
General government	72,375			6,206	78,581
Public safety and regulation	44,569				44,569
Conservation of health	5,142				5,142
Social services	4,605				4,605
Education	48,000			5,028	53,028
Public library	2,879				2,879
Recreation and culture	3,525				3,525
Highways and streets	6,781				6,781
Sanitation and waste removal	4,801				4,801
Public service	3,540				3,540
Economic development	1,003				1,003
Debt service					
Total assigned	197,220			11,234	208,454
Unassigned	134,327	\$ (13,584)	(8,966)		111,777
Total fund balances	\$ 714,803	\$ (13,584)	\$ (3,885)	\$ 25,220	\$ 722,554

* General fund unassigned fund balance includes \$134,232,000 for the budget stabilization reserve.

19. 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 of 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 \$400,000 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 Wastewater Utility has received Federal 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 Wastewater Utility. As of June 30, 2017, the Wastewater Utility estimates that no material liabilities will result from such audits.

As of June 30, 2017, the City is contingently liable for loans guaranteed by the Loan and Guarantee Program in an aggregate amount of approximately \$839,000.

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 wastewater 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" entered into a service agreement, through June 30, 2013, with Veolia Water North America-Central, LLC, a Delaware limited liability

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

company, which now owns and operates the facility. The 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 \$89.93 and \$44.26 up to the guaranteed and excess tonnage amounts, respectively. Payments under the agreement in fiscal year 2017 were \$2.4 million. The maximum commitment by the City is 26,004 wet tons per year.

The Wastewater Utility also has an agreement 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 14,000 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 base tipping fee at the Patapsco Wastewater Treatment Plant terminated in fiscal year 2017 with the completion of debt service payment. The average service tipping fees were \$420.83 and \$414.44 per ton for the Back River and Patapsco Wastewater Treatment Plants, respectively. Payments under the agreements in fiscal year 2017 were \$15.6 million. The agreements extend to 2025 for the Back River and 2027 for the Patapsco Wastewater Treatment Plants.

In 2002, the City voluntarily entered into a Consent Decree to rehabilitate its sanitary sewer and address sewer overflows (SSOs). The Consent Decree is one of many that the U.S. Department of Justice has negotiated with major cities with aging sewer infrastructures. These efforts are ambitious and the costs are estimated at \$2.6 billion, which is comprised of \$977 million in costs incurred through July 2017; \$685 million for Phase I costs through January 1, 2021 (capital only); \$567 million for Phase II costs through December 31, 2030 (capital only); and \$370 million for related costs, including asset management, flow monitoring, and preventative maintenance. The 2002 Consent Decree expired on January 1, 2016.

On October 6, 2017, the U.S. District Court approved a Modified Consent Decree (MCD). The Modified Consent Decree supersedes the 2002 Consent Decree and provides a revised schedule to address SSOs through a hybrid level of protection. The MCD is composed of two (2) phases. Phase I provides the greatest environmental benefits and constructs the Headworks Project at the Back River Wastewater Treatment Plant. Phase II further increases hydraulic capacity to achieve the hybrid level of protection against SSOs. The City will continue to address sewage backups and sanitary discharges of unknown origin (SDUOs), while performing proactive maintenance throughout the sanitary sewer system. The City will also implement an Expedited Reimbursement Program that budgets up to \$2 million per year from the Wastewater Utility to reimburse City homeowners up to \$2,500 per dwelling, per incident for reasonable, verified disinfection and cleanup costs arising from verified sewage backups resulting from surcharging in the sanitary sewer system caused by wet weather. Applicants must exhaust applicable insurance coverage before seeking reimbursement, and applications must be filed within 90 days after the incident – historical backups are not eligible. In exchange for reimbursement of reasonable, verified expenses, applicants must sign a waiver for any claim to compensation for cleanup or disinfection arising from the incident. Eligibility under the Expedited Reimbursement Program is not premised on a determination of liability, and the program is limited to City homeowners and renters who meet the above criteria. Collectively, the MCD extends the deadline to address SSOs to December 31, 2030. A close-out report is due by July 31, 2033.

Several Baltimore Police Department officers have filed a complaint against the City of Baltimore and the Baltimore Police Department, alleging violations of the Fair Labor Standard Act. The matter has been conditionally certified by the Court as a collective action. The opt-in period, when current and former employees may elect to join the lawsuit as plaintiffs, will be completed in the spring of 2018. Discovery has just begun, and there is currently no estimate of the amount of the damages claimed.

20. Adjustments to BCPSS

Discretely Presented Component Units

As of and for the year ended June 30, 2017, the BCPSS did not record its proportionate share of the pension liability and related amounts related to its participation in the City's cost sharing retirement plan. For June 30, 2017, the City made adjustments to the BCPSS financial statements to correct the BCPSS's financial statements for these items. As such, the

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

City has included the BCPSS’s financial statements, after adjustments, in the accompanying financial statements. The auditors for the City have audited the adjustments made to the BCPSS financial statements as listed below. The adjustments to the BCPSS financial statements were to include BCPSS proportionate share of the net pension liability as of June 30, 2017 and related deferred outflows, deferred inflows, and pension expense for those employees in the Employees’ Retirement System of the City of Baltimore (ERS). Additionally, the required footnote disclosures for such balances have also been added to the notes to the financial statements. The adjustments to record are as listed below:

	As reported by BCPSS	Adjustments for recordation of Net Pension Liability	As reported per City's Financial Statement
Deferred outflows		\$ 72,551	\$ 72,551
Net pension liability		166,551	166,551
Deferred inflows		4,740	4,740
Expenses	\$ 1,427,843	11,406	1,439,249
Net Position, June 30, 2017	644,881	(98,740)	546,141
Net Position, June 30, 2016	645,990	(87,334)	558,656

21. Tax Abatement

As of June 30, 2017, the City approves Tax Abatements and Payment In Lieu of Taxes (PILOT) for the purpose of encouraging economic development and to provide better residential housing for the disabled and senior citizens:

- The economic development program provides PILOTs to businesses, landowners and developers to substitute payment for annual real estate taxes with negotiated payment called PILOTs for a specific period of time. PILOTs are granted on qualifying projects which would not otherwise be undertaken without the City’s support. The program is administered under the authority of the Property Tax Article of the State Annotated Code Title 7 Property Taxes Subtitle 5 Exemptions. Abatements are obtained by application to the Baltimore Development Corporations (BDC) with final approval by the City’s Board of Estimates.
- The disable and senior residential housing program provides PILOTs to developers and not-for profit organization who provide housing for disabled and senior citizens to replace their annual real estate taxes with a negotiated payment for a specific period of time. PILOTs are granted on qualifying projects which would not otherwise be undertaken without the City’s support. The program is administered under the authority of the Property Tax Article of the State Annotated Code Title 7 Property Taxes Subtitle 5 Exemptions. Abatements are obtain by application directly to the City’s Department of Housing. Final approval rests with the City’s Board of Estimates.

Additionally, the State of Maryland makes PILOT payments to the City for various port facilities that are operated by the State.

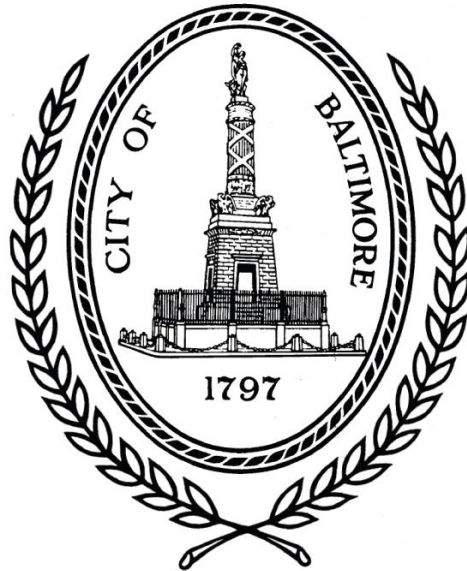
Tax Abatement Program	Amount of Taxes Abated (in thousands)
Economic Development	
Market Based Housing	\$ 2,595
Business Development	12,569
Garages	574
Affordable Housing	7,375
State of Maryland Port Authority	377
Total	\$ 23,490

22. Subsequent Events

On November 14, 2017, the City issued general obligation bond Series 2017-A, 2017-B, 2017-C, and 2017-D in the amount of \$76,020,000, \$108,295,000, \$33,675,000 and \$8,570,000, respectively. Interest on the bonds is due each April and October, and the bonds mature between 2018 and 2037 depending on the particular series.

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Required Supplementary Information



See Report of Independent Public Accountants

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CITY OF BALTIMORE
Schedule of Revenues, Expenditures and Encumbrances,
and Changes in Fund Balances – Budget and Actual – Budgetary Basis (1), (2)
General Fund
For the Year Ended June 30, 2017
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes - local.....	\$ 1,350,401	\$ 1,365,401	\$ 1,410,593	\$ 45,192
State shared revenue.....	142,300	142,300	140,451	(1,849)
Licenses and permits.....	34,465	34,465	44,450	9,985
Fines and forfeitures.....	9,217	9,217	7,192	(2,025)
Interest, rentals and other investment income.....	18,616	18,616	21,082	2,466
Federal grants.....	179	179	480	301
State grants.....	103,303	103,303	103,472	169
Other grants.....	26	26	26	
Charges for current services.....	57,179	57,179	51,509	(5,670)
Miscellaneous.....	3,318	3,888	7,300	3,412
Total revenues.....	1,719,004	1,734,574	1,786,555	51,981
Expenditures and Encumbrances:				
Baltimore City Public School System.....	265,412	265,412	265,412	
Board of Liquor License Commissioners.....	2,287	2,287	1,849	438
City Council.....	6,606	6,606	6,523	83
Civil Service Commission.....	13,215	13,215	10,543	2,672
Comptroller.....	7,387	7,387	6,369	1,018
Courts.....	10,754	10,754	10,156	598
Department of Finance.....	28,233	28,233	17,204	11,029
Department of Fire.....	220,512	226,512	222,512	4,000
Department of General Services.....	25,358	25,358	17,174	8,184
Department of Health.....	33,837	33,837	25,468	8,369
Department of Housing and Community Development.....	59,877	59,877	53,225	6,652
Department of Law.....	8,702	9,272	7,042	2,230
Department of Legislative Reference.....	1,216	1,216	984	232
Department of Municipal and Zoning Appeals.....	673	673	582	91
Department of Planning.....	5,713	5,713	5,297	416
Department of Police.....	467,006	485,006	476,634	8,372
Department of Public Works.....	106,290	106,290	98,141	8,149
Department of Recreation and Parks.....	42,317	42,317	37,143	5,174
Department of Transportation.....	115,512	115,512	96,287	19,225
Enoch Pratt Free Library.....	26,018	26,018	22,177	3,841
Mayoralty.....	237,810	228,810	208,467	20,343
Office of Civil Rights.....	1,655	1,655	1,556	99
Office of Financial Review.....	715	715	715	
Office of Sheriff.....	20,679	20,679	20,134	545
Office of State's Attorney.....	36,314	36,314	34,480	1,834
Supervisor of Elections.....	8,414	8,414	6,334	2,080
Total expenditures and encumbrances.....	1,752,512	1,768,082	1,652,408	115,674
Excess of revenues over expenditures and encumbrances.....	(33,508)	(33,508)	134,147	167,655
Other financing sources (uses):				
Transfers in.....	39,526	39,526	118,522	78,996
Transfers out.....	(124,873)	(124,873)	(109,555)	15,318
Total other financing sources (uses).....	(85,347)	(85,347)	8,967	94,314
Net changes in fund balances.....	(118,855)	(118,855)	143,114	261,969
Fund balances - beginning (as restated).....	735,817	735,817	675,812	
Fund balances - ending.....	\$ 616,962	\$ 616,962	818,926	\$ 261,969
Adjustments to reconcile to GAAP basis:				
Residual Equity Transfer In				
Addition of encumbrances outstanding.....			70,614	
Less: Accounts payable not recorded for budgetary purposes and other GAAP adjustments.....			(174,737)	
Fund balance - June 30, 2017 (GAAP basis).....			\$ 714,803	

(1) Annual budget 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 (inflow) 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 \$2,233,000 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 Net Pension Liability
Employees' Retirement System Plan
For the Year Ended June 30, 2017
(Dollar Expressed in Thousands)

	2015	2016	2017
City's share of the net pension liability	85.92%	85.19%	80.03%
City's proportionate share of the net pension liability	\$ 610,998	\$ 614,236	\$ 644,079
City's covered employee payroll	344,809	347,656	319,693
City's proportionate share of the net pension liability as a percentage of its covered employee payroll.....	177.2%	176.7%	201.5%
Plan fiduciary net position as a percentage of the total pension liability	67.83%	68.00%	65.17%

The reporting date is June 30, 2017 and the measurement date is June 30, 2016

CITY OF BALTIMORE
Schedule of Employer Contributions
Employees' Retirement System Plan
For the Year Ended June 30, 2017
(Dollar Expressed in Thousands)

Description	2015	2016	2017
Actuarially determined contribution	\$ 78,437	\$ 77,088	\$ 60,712
Contribution in relation to the actuarially determined contribution	81,558	82,780	61,704
Contribution deficiency (excess)	\$ (3,121)	\$ (5,692)	\$ (992)
Covered employee payroll	\$ 344,809	\$ 347,656	\$ 319,693
Contribution as a percentage of covered payroll	23.65%	23.81%	19.30%

The reporting date is June 30, 2017 and the measurement date is June 30, 2016

CITY OF BALTIMORE
Schedule of the City's Proportionate Share of Net Pension Liability
Maryland State Retirement and Pension System-LEOPS
For the Year Ended June 30, 2017
(Dollar Expressed in Thousands)

	2016	2017
City's share of the net pension liability	0.11%	0.13%
City's proportionate share of the net pension liability	\$ 23,578	\$ 30,244
City's covered employee payroll	172	200
City's proportionate share of the net pension liability as a percentage of its covered employee payroll.....	13708.1%	15107.9%
Plan fiduciary net position as a percentage of the total pension liability	61.30%	58.88%

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, 2017 and the measurement date is June 30, 2016

CITY OF BALTIMORE
Schedule of Employer Contributions
Maryland State Retirement and Pension System-LEOPS
For the Year Ended June 30, 2017
(Dollar Expressed in Thousands)

Description	2016	2017
Actuarially determined contribution	\$ 2,392	\$ 2,497
Contribution in relation to the actuarially determined contribution	2,392	2,497
Covered employee payroll	172	200
Contribution as a percentage of covered payroll	1390.70%	1247.33%

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, 2017 and the measurement date is June 30, 2016

CITY OF BALTIMORE
Schedule of the City's Proportionate Share of Net Pension Liability
Maryland State Retirement and Pension System-ERPS
For the Year Ended June 30, 2017
(Dollar Expressed in Thousands)

	2016	2017
City's share of the net pension liability	0.02%	0.02%
City's proportionate share of the net pension liability	\$ 4,595	\$ 5,894
City's covered employee payroll	952	850
City's proportionate share of the net pension liability as a percentage of its covered employee payroll.....	482.7%	693.4%
Plan fiduciary net position as a percentage of the total pension liability	66.27%	62.97%

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, 2017 and the measurement date is June 30, 2016

CITY OF BALTIMORE
Schedule of Employer Contributions
Maryland State Retirement and Pension System-ERPS
For the Year Ended June 30, 2017
(Dollar Expressed in Thousands)

Description	2016	2017
Actuarially determined contribution	\$ 556	\$ 486
Contribution in relation to the actuarially determined contribution	466	486
Contribution deficiency (excess)	\$ 90	\$
Covered employee payroll	\$ 952	\$ 850
Contribution as a percentage of covered payroll	48.94%	57.17%

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, 2017 and the measurement date is June 30, 2016

CITY OF BALTIMORE
Schedule of the City's Proportionate Share of Net Pension Liability
Maryland State Retirement and Pension System-JRS
For the Year Ended June 30, 2017
(Dollar Expressed in Thousands)

	2016	2017
City's share of the net pension liability	0.01%	0.01%
City's proportionate share of the net pension liability	\$ 1,664	\$ 628
City's covered employee payroll	4	4
City's proportionate share of the net pension liability as a percentage of its covered employee payroll.....	41600%	15700.0%
Plan fiduciary net position as a percentage of the total pension liability	81.11%	76.01%

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, 2017 and the measurement date is June 30, 2016

CITY OF BALTIMORE
Schedule of Employer Contributions
Maryland State Retirement and Pension System-JRS
For the Year Ended June 30, 2017
(Dollar Expressed in Thousands)

Description	2016	2017
Actuarially determined contribution	\$ 167	\$ 52
Contribution in relation to the actuarially determined contribution	167	52
Covered employee payroll	4	4
Contribution as a percentage of covered payroll	4175.00%	1300.00%

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, 2017 and the measurement date is June 30, 2016

CITY OF BALTIMORE
Schedule of Changes in Net Pension Liability (Assets) and Related Ratios
Fire and Police Employees' Retirement System - Single Employer Plan
For the Year Ended June 30, 2017
Pension Trust Funds
(Dollars Expressed in Thousands)
(Unaudited)

	2015	2016	2017
Total pension liability			
Interest (includes interest on service cost)	\$ 248,633	\$ 256,066	\$ 260,001
Service cost	65,548	66,199	70,730
Change in assumption		35,494	
Differences between expected and actual experience	1,396	28,065	11,353
Benefit payments, including refunds of member contributions	(219,808)	(223,359)	(237,195)
Net change in total pension liability	95,769	162,465	104,889
Total pension liability - beginning	3,252,533	3,348,302	3,510,767
Total pension liability - ending	\$ 3,348,302	\$ 3,510,767	\$ 3,615,656
Plan fiduciary net position:			
Net investment income	312,131	53,526	2,982
Contribution - employer	113,004	118,190	120,279
Contribution - member	28,058	30,130	30,339
Benefit payments, including refunds of member contributions	(219,808)	(223,359)	(237,195)
Administrative expense	(3,786)	(4,281)	(4,377)
Net change in plan fiduciary net position	229,599	(25,794)	(87,972)
Plan fiduciary net position - beginning	2,244,661	2,474,170	2,448,376
Plan fiduciary net position - ending	2,474,170	2,448,376	2,360,404
Net position liability (asset) - ending	\$ 874,132	\$ 1,062,391	\$ 1,255,252
Plan fiduciary net position as a percentage of the total pension liability	73.89%	69.74%	65.28%
Covered employee payroll	\$ 290,581	\$ 320,408	\$ 298,779
Net pension liability (asset) as a percentage of covered employee payroll	300.82%	331.57%	420.13%

The reporting date is June 30, 2017 and the measurement date is June 30, 2016

CITY OF BALTIMORE
Schedule of Changes in Net Pension Liability (Assets) and Related Ratios
Elected Officials' Retirement System - Single Employer Plan
For the Year Ended June 30, 2017
Pension Trust Funds
(Dollars Expressed in Thousands)
(Unaudited)

	2015	2016	2017
Total pension liability			
Interest (includes interest on service cost)	\$ 1,177	\$ 1,219	\$ 983
Service cost	399	410	260
Change in assumption		(3,523)	315
Differences between expected and actual experience	(256)	(440)	(474)
Benefit payments, including refunds of member contributions	(725)	(765)	(763)
Net change in total pension liability	595	(3,099)	321
Total pension liability - beginning	16,185	16,780	13,681
Total pension liability - ending	\$ 16,780	\$ 13,681	\$ 14,002
Plan fiduciary net position:			
Net investment income	3,508	629	45
Contribution - employer	307	85	
Contribution - member	56	61	62
Benefit payments, including refunds of member contributions	(725)	(765)	(763)
Administrative expense	(32)	(33)	(35)
Net change in plan fiduciary net position	3,114	(23)	(691)
Plan fiduciary net position - beginning	20,349	23,463	23,440
Plan fiduciary net position - ending	23,463	23,440	22,749
Net position liability (asset) - ending	\$ (6,683)	\$ (9,759)	\$ (8,747)
Plan fiduciary net position as a percentage of the total pension liability	139.83%	171.33%	162.47%
Covered employee payroll	\$ 1,267	\$ 1,298	\$ 1,334
Net pension liability (asset) as a percentage of covered employee payroll	(527.37)%	(751.38)%	(655.70)%

The reporting date is June 30, 2017 and the measurement date is June 30, 2016

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Fire and Police Employees' Retirement System:										
Actuarially determined contribution	\$72,688	\$69,513	\$94,098	\$107,540	\$107,488	\$107,779	\$113,843	\$11,902	\$121,115	\$129,689
Contribution in relation to the actuarially determined contribution	72,688	69,513	94,098	107,540	107,488	104,779	113,843	11,902	121,115	129,689
Covered employee payroll	269,690	281,424	276,577	275,648	284,601	277,524	292,739	322,667	300,855	296,357
Contribution as a percentage of covered payroll	26.95%	24.70%	34.02%	39.01%	37.77%	38.84%	38.89%	36.39%	40.26%	43.76%
Elected Officials' Retirement System:										
Actuarially determined contribution	\$144		\$340	\$957	\$998	\$419	\$307	\$85		
Contribution in relation to the actuarially determined contribution	144		340	957	998	419	307	85		
Covered employee payroll	1,142	1,182	1,206	1,206	1,237	1,236	1,267	1,299	1,334	1,297
Contribution as a percentage of covered payroll	12.61%	0.00%	28.19%	79.35%	80.68%	33.90%	24.23%	6.54%	0.00%	0.00%

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

CITY OF BALTIMORE
Schedule of Funding Progress (1)
OPEB Trust Funds
(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, 2017	\$ 438.3	\$ 1,384.9	\$ 946.6	31.6%	\$ 1,464.0	64.7%
June 30, 2016	428.9	1,166.7	737.8	36.8%	1,565.9	47.1%
June 30, 2015	403.8	1,195.0	791.2	33.8%	1,531.2	51.7%

(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.

Schedule of Employer Contributions
OPEB Trust Funds
(Expressed in Millions)

Fiscal Year Ended	Annual Required Contribution (a)	Employer Contributions (b)	Percentage Contributed (c) = (b)/(a)
June 30, 2017	\$ 104.2	\$ 138.9	133.3%
June 30, 2016	\$ 86.2	\$ 125.2	145.2%
June 30, 2015	\$ 74.8	\$ 134.7	180.1%

CITY OF BALTIMORE
Schedule of Changes in the Net OPEB Liabilities and Related Ratios
(Expressed in Millions)

Fiscal Year Ended June 30, 2017	2017
Total OPEB Liability	
Service Cost at end of year	\$ 29.7
Interest	93.4
Benefits payments	(106.9)
Net changes in Total OPEB Liability	16.2
Total OPEB Liability - beginning	1,384.9
Total OPEB Liability - ending (a)	<u>\$ 1,401.1</u>
Plan Fiduciary Net Position	
Contribution - Employer	\$ 139.0
Contribution - Member	58.0
Net investment income	45.6
Benefit payments	(164.9)
Net change in Plan Fiduciary Net Position	77.7
Plan Fiduciary Net Position - beginning	438.3
Plan Fiduciary Net Position - ending (b)	516.0
Net OPEB liability - ending (a) - (b)	<u>\$ 885.1</u>

Note: This is the first year of presentation per GASB 74. This will build into a 10 year schedule.

CITY OF BALTIMORE
Schedule of Net OPEB Liability History
(Expressed in Millions)

Fiscal Year Ended June 30, 2017	2017
Total OPEB Liability	\$ 1,401.1
Plan Fiduciary Net Position	516.0
Net OPEB Liability	<u>885.1</u>
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	36.8%
Covered payroll	\$ 1,464.0
Net OPEB liability as a percentage of covered payroll	<u>60.5%</u>

Note: This is the first year of presentation per GASB 74. This will build into a 10 year schedule.

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 its 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

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

supplemental appropriation ordinances. During fiscal year 2017, a supplemental appropriation ordinance was required for the general fund in the amount of \$15,570,000.

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

2. Schedule of the City's Proportionate Share of Net Pension Liability, Schedule of Employer Contributions, Schedule of Changes in Net Pension Liability (Asset) and Related Ratios

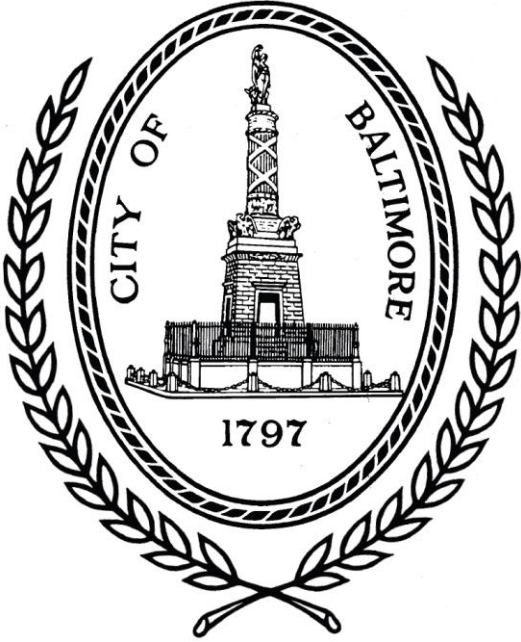
The City Plans are considered part of the City's reporting entity and their financial statements are included in the City's basic financial statements as pension trust funds. Each plan issues a publicly available financial report that includes financial statements and the required supplementary information for that plan. The State System Plans are included in the City's basic financial statements in governmental activities and these plans also issue a publicly available financial report. Financial statements for the City Plans and the State System may be obtained from the following websites:

For Employees' Retirement System and Elected Officials' Retirement System: www.bcercs.org

For Fire and Police Employees' Retirement System: www.bcfpers.org

For the Maryland State Retirement and Pension System: www.sra.state.md.us

**Combining and
Individual Fund
Statement 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 Funds, School Construction, Baltimore Casino, State Video Lottery Terminal Funds, and Table Games Fund - 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 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.

CITY OF BALTIMORE
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017
(Expressed in Thousands)

	Special Revenue Funds								Permanent Funds			Total Nonmajor Governmental Funds
	Community		School Construction Fund	State Video		Scholarship Fund	Table Game	Total	Enoch		Total	
	Development Block Grant Fund	Special Racetrack Fund		Baltimore Casino	Lottery Terminal				Pratt Free Library	Memorial Fund		
Assets:												
Cash and cash equivalents.....			\$ 3,845	\$ 2,558	\$ 3,319	\$ 5,410	\$ 180	\$ 15,312	\$ 38	\$ 342	\$ 380	\$ 15,692
Investments.....						771		771	2,154	5,251	7,405	8,176
Other receivables, net.....			950			3		953	6	11	17	970
Due from other government.....			233	989			233	1,455				1,455
Due from other fund.....	\$ 8,808							8,808				8,808
Total assets.....	8,808		5,028	3,547	3,319	6,184	413	27,299	2,198	5,604	7,802	35,101
Liabilities, deferred inflows of resources and fund balances:												
Liabilities:												
Accounts payable and accrued liabilities.....	920			876	181		13	1,990				1,990
Retainage Payable.....				3				3				3
Due to other governmental.....	2,933							2,933				2,933
Total liabilities.....	3,853			879	181		13	4,926				4,926
Deferred inflows of resources:												
Unavailable grants revenue.....	4,955							4,955				4,955
Total deferred inflows of resources.....	4,955							4,955				4,955
Total liabilities.....	8,808			879	181		13	9,881				9,881
Fund balances:												
Restricted.....						6,184		6,184	2,198	5,604	7,802	13,986
Assigned.....			5,028	2,668	3,138		400	11,234				11,234
Total fund balances.....			5,028	2,668	3,138	6,184	400	17,418	2,198	5,604	7,802	25,220
Total liabilities, deferred inflows of resources and fund balances.....	\$ 8,808		\$ 5,028	\$ 3,547	\$ 3,319	\$ 6,184	\$ 413	\$ 27,299	\$ 2,198	\$ 5,604	\$ 7,802	\$ 35,101

CITY OF BALTIMORE
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2017
(Expressed in Thousands)

	Special Revenue Funds							Permanent Funds			Total Nonmajor Governmental Funds	
	Community Development Block Grant Fund	Special Racetrack Fund	School Construction Fund	State Baltimore Casino Fund	Video Lottery Terminal	Scholarship Fund	Table Game Total	Enoch Pratt Free Library Fund	Memorial Fund	Total		
Revenues:												
Taxes - local			\$ 12,422				\$ 12,422				\$ 12,422	
State shared revenue			1,804	\$ 10,348	\$ 4,616		\$ 1,803	18,571			18,571	
Interest, rentals and other investment income						\$ 61	61	\$ 26	\$ 73	\$ 99	160	
Federal grants	\$ 14,315						14,315				14,315	
Miscellaneous				500			500				500	
Other revenue			1,100				1,100				1,100	
Total revenues	14,315		15,326	10,848	4,616	61	1,803	46,969	26	73	99	47,068
Expenditures:												
Current:												
General government	2,064		15,235	1,831	1,043		20,173				20,173	
Public safety and regulation				2,193			2,193				2,193	
Education						31	31				31	
Public library								26		26	26	
Recreation and culture				255	2		403	660	43	43	703	
Highways and streets				298			298				298	
Sanitation and waste removal				429			429				429	
Economic development	9,623		625				10,248				10,248	
Total expenditures	11,687		15,235	5,631	1,045	31	403	34,032	26	43	69	34,101
Excess of revenues over expenditures	2,628		91	5,217	3,571	30	1,400	12,937		30	30	12,967
Other financing sources (uses):												
Transfers in	6,295						6,295				6,295	
Transfers out	(8,923)	(500)		(3,825)	(3,788)		(1,000)	(18,036)			(18,036)	
Total other financing sources (uses)	(2,628)	(500)		(3,825)	(3,788)		(1,000)	(11,741)			(11,741)	
Net change in fund balances		(500)	91	1,392	(217)	30	400	1,196		30	30	1,226
Fund balances - beginning		500	4,937	1,276	3,355	6,154		16,222	2,198	5,574	7,772	23,994
Fund balances - ending	\$	\$	\$ 5,028	\$ 2,668	\$ 3,138	\$ 6,184	\$ 400	\$ 17,418	\$ 2,198	\$ 5,604	\$ 7,802	\$ 25,220

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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, 2017
(Expressed in Thousands)

	Loan and Guarantee Program	Industrial Development Authority	Conduit Fund	Total
Assets:				
Current assets:				
Cash and cash equivalents.....	\$ 5,761	\$ 19,659		\$ 25,420
Total current assets.....	5,761	19,659		25,420
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents.....			\$ 54,476	54,476
Capital assets, net of accumulated depreciation.....			53,978	53,978
Capital assets not being depreciated.....			26,120	26,120
Total noncurrent assets.....			134,574	134,574
Total assets.....	5,761	19,659	134,574	159,994
Deferred outflow of resources				
Deferred outflow related to pension.....	74		1,063	1,137
Total deferred outflows of resources.....	74		1,063	1,137
Total assets and deferred outflows of resources.....	5,835	19,659	135,637	161,131
Liabilities and deferred inflows of resources:				
Current liabilities:				
Accounts payable and accrued liabilities.....	19		238	257
Due to other funds.....		6,063		6,063
Compensated absences.....			143	143
Other liabilities.....			3,067	3,067
Current liabilities payable from restricted assets:				
Accounts payable from restricted assets.....			35,395	35,395
Total current liabilities.....	19	6,063	38,843	44,925
Noncurrent liabilities:				
Net Pension Liability.....	183		3,460	3,643
Other liabilities.....	93		165	258
Total noncurrent liabilities.....	276		3,625	3,901
Total liabilities.....	295	6,063	42,468	48,826
Deferred inflow of resources:				
Deferred inflow related pension.....	78		868	946
Total deferred inflows of resources.....	78		868	946
Total liabilities and deferred inflows of resources.....	373	6,063	43,336	49,772
Net position:				
Net investment in capital assets.....			80,098	80,098
Unrestricted.....	5,462	13,596	12,203	31,261
Total net position.....	\$ 5,462	\$ 13,596	\$ 92,301	\$ 111,359

CITY OF BALTIMORE
Combining Statement of Revenues, Expenses,
and Changes in Net Position
Nonmajor Proprietary Funds
For the Year Ended June 30, 2017
(Expressed in Thousands)

	Loan and Guarantee Program	Industrial Development Authority	Conduit Fund	Total
Operating revenues:				
Rents, fees, and other income.....			\$ 11,145	\$ 11,145
Interest income on loans.....	\$ 52	\$ 547		599
Total operating revenues.....	52	547	11,145	11,744
Operating expenses:				
Salaries and wages.....	39		3,458	3,497
Other personnel costs.....	26		1,849	1,875
Contractual services.....			5,272	5,272
Program expenses.....	88		1,534	1,622
Materials and supplies.....			164	164
Minor equipment.....			355	355
Depreciation.....			1,003	1,003
Total operating expenses.....	153		13,635	13,788
Operating income (loss).....	(101)	547	(2,490)	(2,044)
Capital contributions.....	34		1,836	1,870
Transfers in.....	500			500
Changes in net position.....	433	547	(654)	326
Total net position - beginning.....	5,029	13,049	92,955	111,033
Total net position - ending.....	\$ 5,462	\$ 13,596	\$ 92,301	\$ 111,359

CITY OF BALTIMORE
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the Year Ended June 30, 2017
(Expressed in Thousands)

	Loan and Guarantee Program	Industrial Development Authority	Conduit Fund	Total
Cash flows from operating activities:				
Receipts from customers.....	\$ 52	\$ 547	\$ 14,683	\$ 15,282
Payments to employees.....	(73)		(5,437)	(5,510)
Payments to suppliers.....	(87)		(5,938)	(6,025)
Net cash provided (used) by operating activities.....	(108)	547	3,308	3,747
Cash flow from noncapital financing activities:				
Transfers in.....	500			500
Net cash provided by noncapital financing activities.....	500			500
Cash flow from capital and related financing activities:				
Principal paid on revenue bonds.....		(588)		(588)
Acquisition and construction of capital assets.....			(17,489)	(17,489)
Other assets.....		12,233		12,233
Due to other funds.....		(540)		(540)
Capital contributions.....	34		37,836	37,870
Net cash provided by capital and related financing activities.....	34	11,105	20,347	31,486
Cash flow from investing activities:				
Proceeds from the sale and maturities of investment.....		1,353		1,353
Net cash provided by investing activities.....		1,353		1,353
Net increase in cash and cash equivalents.....	426	13,005	23,655	37,086
Cash and cash equivalents, beginning of year.....	5,335	6,654	30,821	42,810
Cash and cash equivalents, end of year.....	\$ 5,761	\$ 19,659	\$ 54,476	\$ 79,896
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss).....	\$ (101)	\$ 547	\$ (2,490)	\$ (2,044)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense.....			1,003	1,003
Accounts receivable.....	(9)		3,538	3,529
Deferred outflows - pension.....			(222)	(222)
Accounts payable and accrued liabilities.....	3		(130)	(127)
Other liabilities.....	3		1,574	1,577
Other noncurrent liabilities.....			(54)	(54)
Pension liability - current period.....	(59)		(424)	(483)
Deferred inflows - pension.....	55		513	568
Total adjustments.....	(7)		5,798	5,791
Net cash provided (used) by operating activities.....	\$ (108)	\$ 547	\$ 3,308	\$ 3,747

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.

CITY OF BALTIMORE
Combining Statement of Fund Net Position
Internal Service Fund
June 30, 2017
(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	Total
Assets:									
Current assets:									
Cash and cash equivalents		\$ 2,246	\$ 7,833		\$ 332		\$ 5,095	\$ 1,923	\$ 17,429
Accounts receivable, net:									
Other	\$ 156		304	\$ 25		\$ 122	619		1,226
Inventories			6,746	938	21				7,705
Total current assets	156	2,246	14,883	963	353	122	5,714	1,923	26,360
Noncurrent assets:									
Restricted cash			30,066						30,066
Capital assets, net		358	109,438						109,796
Total noncurrent assets		358	139,504						139,862
Total assets	156	2,604	154,387	963	353	122	5,714	1,923	166,222
Liabilities:									
Current liabilities:									
Accounts payable and accrued liabilities	176	628	4,074	308	79	859	1,665	172	7,961
Retainage payable							17		17
Due to other funds	601			546		2,574			3,721
Leases payable			13,686						13,686
Other liabilities	14	4	623	45	11	47	77		821
Total current liabilities	791	632	18,383	899	90	3,480	1,759	172	26,206
Noncurrent liabilities:									
Leases payable			64,749						64,749
Other liabilities	18	49	1,897	64	10	120	180		2,338
Total noncurrent liabilities	18	49	66,646	64	10	120	180		67,087
Total liabilities	809	681	85,029	963	100	3,600	1,939	172	93,293
Net position:									
Net investment in capital assets			31,013						31,013
Unrestricted (deficit)	(653)	1,923	38,345		253	(3,478)	3,775	1,751	41,916
Total net position	\$ (653)	\$ 1,923	\$ 69,358	\$	\$ 253	\$ (3,478)	\$ 3,775	\$ 1,751	\$ 72,929

CITY OF BALTIMORE
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Internal Service Funds
For the year Ended June 30, 2017
(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	Total
Operating revenues:									
Charges for services.....	\$ 1,224	\$ 5,308	\$ 57,671	\$ 2,909	\$ 2,292	\$ 10,301	\$ 16,813	\$ 2,996	\$ 99,514
Operating expenses:									
Salaries and wages.....	247	453	13,557	771	259	992	1,115		17,394
Other personnel costs.....	136	161	5,660	340	123	478	515		7,413
Contractual services.....	1,008	811	22,492	908	71	10,215	11,429		46,934
Materials and supplies.....	24		1,605	1,104	77		333		3,143
Minor equipment.....	5	3,128			23	12	22	1,685	4,875
Postage and delivery service.....					1,627				1,627
Depreciation.....		88	1,401						1,489
Total operating expenses.....	1,420	4,641	44,715	3,123	2,180	11,697	13,414	1,685	82,875
Operating income (loss).....	(196)	667	12,956	(214)	112	(1,396)	3,399	1,311	16,639
Nonoperating revenues (expenses):									
Loss on sale of equipment.....			(346)						(346)
Total nonoperating revenues (expenses), net.....			(346)						(346)
Other financing sources (uses):									
Capital contribution.....			(4,000)						(4,000)
Transfer in.....	196			214		1,396			1,806
Change in net position.....		667	8,610		112		3,399	1,311	14,099
Total net position - beginning.....	(653)	1,256	60,748		141	(3,478)	376	440	58,830
Total net position - ending.....	\$ (653)	\$ 1,923	\$ 69,358	\$	\$ 253	\$ (3,478)	\$ 3,775	\$ 1,751	\$ 72,929

CITY OF BALTIMORE
Combining Statement of Cash Flows
Internal Services Funds
For the Year Ended June 30, 2017
(Expressed in Thousands)

	Energy Conservation Fund	Municipal Communication Fund	Mobile Equipment Fund	Reproduction and Printing Fund	Municipal Post Office Fund	Municipal Telephone Exchange Fund	Hardware & Building Maintenance Fund	Software Replacement Fund	Total
Cash flows from operating activities:									
Receipts from customers.....	\$ 1,474	\$ 5,308	\$ 57,306	\$ 3,085	\$ 2,296	\$ 10,035	\$ 16,194	\$ 2,996	\$ 98,694
Payments to employees.....	(398)	(596)	(19,631)	(1,203)	(387)	(1,498)	(1,654)		(25,367)
Payments to suppliers.....	(1,272)	(3,660)	(25,944)	(2,096)	(1,849)	(9,933)	(10,966)	(1,513)	(57,233)
Net cash provided (used) by operating activities.....	(196)	1,052	11,731	(214)	60	(1,396)	3,574	1,483	16,094
Cash flows from noncapital financing activities:									
Transfers in.....	196			214		1,396			1,806
Net cash provided by noncapital financing activities.....	196			214		1,396			1,806
Cash flows from capital and related financing activities:									
Acquisition and construction of capital assets.....		(214)	(20,725)						(20,939)
Leases Payable.....			10,099						10,099
Net cash (used) by capital and related financing activities.....		(214)	(10,626)						(10,840)
Net increase in cash and cash equivalents.....		838	1,105		60		3,574	1,483	7,060
Cash and cash equivalents, beginning of year.....		1,408	36,794		272		1,521	440	40,435
Cash and cash equivalents, end of year.....	\$	\$ 2,246	\$ 37,899	\$	\$ 332	\$	\$ 5,095	\$ 1,923	\$ 47,495
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:									
Operating income (loss).....	\$ (196)	\$ 667	\$ 12,956	\$ (214)	\$ 112	\$ (1,396)	\$ 3,399	\$ 1,311	\$ 16,639
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:									
Depreciation.....		88	1,401						1,489
Changes in noncash operating assets and liabilities:									
Accounts receivable.....	(156)		155	10		276	(619)		(334)
Inventories.....			(520)	61	3				(456)
Accounts payable and accrued liabilities.....	(243)	282	(2,322)	(122)	(57)	253	758	172	(1,279)
Other liabilities.....	(7)	15	61	(54)	2	13	36		66
Due to other funds.....	406			105		(542)			(31)
Total adjustments.....		385	(1,225)		(52)		175	172	(545)
Net cash provided (used) by operating activities.....	\$ (196)	\$ 1,052	\$ 11,731	\$ (214)	\$ 60	\$ (1,396)	\$ 3,574	\$ 1,483	\$ 16,094

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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 Fund - This fund accounts for assets held by the City as a custodian.

CITY OF BALTIMORE
Combining Statement of Fiduciary Net Position
Pension Trust Funds
June 30, 2017
(Expressed In Thousands)

	Employees' Retirement System	Elected Officials' Retirement System	Fire and Police Employees' Retirement System	Total
Assets:				
Cash and cash equivalents	\$ 104,210	\$ 114	\$ 65,033	\$ 169,357
Investments:				
Stocks	1,053,533	16,932	1,728,571	2,799,036
Bonds	361,698	5,594	528,330	895,622
Real estate	147,081	2,342	240,379	389,802
Securities lending collateral	25,202		35,446	60,648
Forward foreign contracts	20,490		5,178	25,668
Other assets	51,010	3	16,275	67,288
Total assets	1,763,224	24,985	2,619,212	4,407,421
Liabilities:				
Obligations under securities lending program	25,202		35,446	60,648
Forward foreign contracts	20,490		5,159	25,649
Accounts payable	90,505	19	14,282	104,806
Pension benefits payable			1,761	1,761
Total liabilities	136,197	19	56,648	192,864
Net position:				
Held in trust for pension benefits	\$ 1,627,027	\$ 24,966	\$ 2,562,564	\$ 4,214,557

CITY OF BALTIMORE
Combining Statement of Changes in Fiduciary Net Position
Pension Trust Funds
For the year Ended June 30, 2017
(Expressed In Thousands)

	Employees' Retirement System	Elected Officials' Retirement System	Fire and Police Employees' Retirement System	Total
Additions:				
Contributions:				
Employer	\$ 84,475		\$ 129,689	\$ 214,164
Employee	10,656	\$ 90	29,902	40,648
Total contributions	95,131	90	159,591	254,812
Investment income:				
Net appreciation fair value of investments	72,380	1,801	255,438	329,619
Securities lending income, net	241		587	828
Interest and dividend income	99,450	1,363	32,696	133,509
Total investment income	172,071	3,164	288,721	463,956
Less: investment expense	8,914	48	14,334	23,296
Net investment income	163,157	3,116	274,387	440,660
Total additions	258,288	3,206	433,978	695,472
Deductions:				
Retirement benefits	142,956	934	241,563	385,453
Death benefits	1,226		448	1,674
Administrative expenses	3,585	55	4,328	7,968
Other	426		3,070	3,496
Total deductions	148,193	989	249,409	398,591
Changes in net position	110,095	2,217	184,569	296,881
Net position - beginning of the year	1,516,932	22,749	2,377,995	3,917,676
Net position - end of the year	\$ 1,627,027	\$ 24,966	\$ 2,562,564	\$ 4,214,557

CITY OF BALTIMORE
Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2017
(Expressed in Thousands)

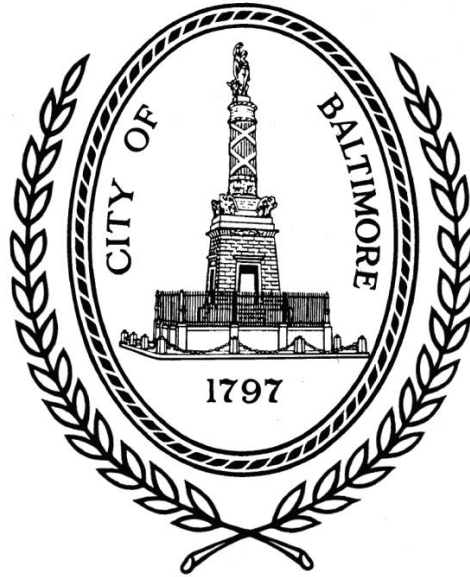
	Unpresented Stock and Coupon Bonds	Property Sold for Taxes	Bid Deposit Refunds	Waterloo Summit	Recreation Accessory	Total
Assets:						
Cash and cash equivalents.....	\$ 55	\$ 86	\$ 72			\$ 213
Investments.....				\$ 53		53
Accounts receivable.....					\$ 247	247
Total assets.....	55	86	72	53	247	513
Liabilities:						
Due to other funds.....					247	247
Other.....	55	86	72	53		266
Total liabilities.....	\$ 55	\$ 86	\$ 72	\$ 53	\$ 247	\$ 513

CITY OF BALTIMORE
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2017
(Expressed in Thousands)

	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017
<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.....	72			72
Total assets.....	72			72
Liabilities:				
Other.....	72			72
Total liabilities.....	72			72
<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.....	412	\$ 2,856	\$ 2,691	247
Total assets.....	412	2,856	2,691	247
Liabilities:				
Other.....	412	2,856	2,691	247
Total liabilities.....	412	2,856	2,691	247
<i>Total All Agency Funds</i>				
Assets:				
Cash.....	625	2,856	2,691	460
Investments.....	53			53
Total assets.....	678	2,856	2,691	513
Liabilities:				
Other.....	678	2,856	2,691	513
Total liabilities.....	\$ 678	\$ 2,856	\$ 2,691	\$ 513

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STATISTICAL SECTION



See Report of Independent Public Accountants

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CITY OF BALTIMORE

Statistical Section

(Unaudited)

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Debt Capacity	
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Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.	138
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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.	142

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				
	2008	2009	2010	2011	2012
Governmental activities					
Invested in capital assets,					
net of related debt.....	\$ 3,138,558	\$ 2,121,998	\$ 2,681,668	\$ 2,989,607	\$ 2,739,761
Restricted.....	13,250	13,191	14,787	14,931	13,013
Unrestricted.....	(395,378)	(475,903)	(360,180)	(595,687)	(321,033)
Total governmental activities					
net position.....	\$ 2,756,430	\$ 1,659,286	\$ 2,336,275	\$ 2,408,851	\$ 2,431,741
Business-type activities					
Invested in capital assets,					
net of related debt.....	\$ 1,196,193	\$ 1,371,993	\$ 1,377,641	\$ 1,461,618	\$ 1,646,769
Restricted.....	231,382	260,575	124,756	142,070	160,955
Unrestricted.....	245,818	(27,495)	182,655	172,004	83,148
Total business-type activities					
net position.....	\$ 1,673,393	\$ 1,605,073	\$ 1,685,052	\$ 1,775,692	\$ 1,890,872
Primary government					
Invested in capital assets,					
net of related debt.....	\$ 4,334,751	\$ 3,493,991	\$ 4,059,309	\$ 4,451,225	\$ 4,386,530
Restricted.....	244,632	273,766	139,543	157,001	173,968
Unrestricted.....	(149,560)	(503,398)	(177,525)	(423,683)	(237,885)
Total primary government					
net position.....	\$ 4,429,823	\$ 3,264,359	\$ 4,021,327	\$ 4,184,543	\$ 4,322,613
Fiscal Year					
	2013	2014	2015	2016	2017
Governmental activities					
Net investment in capital					
assets	\$ 2,988,956	\$ 2,569,231	\$ 2,520,873	\$ 2,464,962	\$ 2,528,116
Restricted.....	40,548	22,598	15,946	24,669	19,067
Unrestricted.....	(650,914)	(442,540)	(1,759,089)	(1,662,259)	(1,511,943)
Total governmental activities					
net position.....	\$ 2,378,590	\$ 2,149,289	\$ 777,730	\$ 827,372	\$ 1,035,240
Business-type activities					
Net investment in capital,					
assets	\$ 1,785,501	\$ 2,215,884	\$ 2,379,232	\$ 2,386,644	\$ 2,981,404
Restricted.....	152,197	180,965	157,613	165,076	162,084
Unrestricted.....	133,419	123,976	136,251	413,302	88,363
Total business-type activities					
net position.....	\$ 2,071,117	\$ 2,520,825	\$ 2,673,096	\$ 2,965,022	\$ 3,231,851
Primary government					
Net investment in capital,					
assets	\$ 4,774,457	\$ 4,785,115	\$ 4,900,105	\$ 4,851,606	5,509,520
Restricted.....	192,745	203,563	173,559	189,745	181,151
Unrestricted.....	(517,495)	(318,564)	(1,622,838)	(1,248,957)	(1,423,580)
Total primary government					
net position.....	\$ 4,449,707	\$ 4,670,114	\$ 3,450,826	\$ 3,792,394	\$ 4,267,091

CITY OF BALTIMORE
Changes in Net Position
Governmental Funds
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Expressed in Thousands)

	Fiscal Year						
	2011	2012	2013	2014	2015	2016	2017
Expenses							
Governmental activities:							
General government	\$ 452,449	\$ 443,957	\$ 399,166	\$ 278,892	\$ 294,987	\$ 303,696	\$233,786
Public safety and regulation	525,792	577,963	661,829	673,680	692,155	744,940	757,316
Conservation of health	151,192	154,105	130,911	125,383	112,575	116,592	115,125
Social services	14,581	31,156	125,515	112,301	102,809	109,591	120,071
Education	265,204	260,935	288,227	306,128	302,568	299,699	278,881
Public library	33,309	33,390	33,184	34,550	35,063	34,150	33,812
Recreation and culture	48,165	49,291	50,297	52,540	51,367	53,657	56,626
Highways and streets	140,309	162,290	159,022	172,330	185,601	192,487	166,291
Sanitation and waste removal	61,605	65,677	73,536	63,623	67,445	70,823	73,862
Public service	25,059	26,676	50,710	50,260	51,041	49,475	50,659
Economic development	183,331	169,896	170,002	208,870	141,772	126,430	130,854
Interest	47,391	32,624	29,605	41,967	41,078	30,518	28,857
Total governmental activities expenses	1,948,387	2,007,960	2,172,004	2,120,524	2,078,461	2,132,058	2,046,140
Business-type Activities:							
Water	120,736	131,271	136,171	155,308	160,208	170,637	167,667
Waste water	159,776	173,106	178,221	179,306	182,769	193,563	193,055
Stormwater				18,292	15,747	19,365	21,521
Parking	19,853	25,332	17,681	23,528	19,183	18,125	25,141
Nonmajor proprietary	13,860	13,287	11,826	10,753	11,607	12,148	13,703
Total business-type activities expenses	314,225	342,996	343,899	387,187	389,514	413,838	421,087
Total primary government expenses	\$ 2,262,612	\$ 2,350,956	\$ 2,515,903	\$ 2,507,711	\$ 2,467,975	\$ 2,545,896	\$ 2,467,227
Program Revenues							
Governmental activities:							
Charges for services (a)	\$ 109,872	\$ 118,556	\$ 114,163	\$ 103,331	\$ 107,482	\$ 103,190	\$ 103,151
Operating grants and contributions	399,844	400,678	385,841	431,515	318,266	347,636	362,684
Capital grants and contributions	72,758	71,258	109,488	71,806	54,788	25,284	83,501
Total governmental activities revenue	582,474	590,492	609,492	606,652	480,536	476,110	549,336
Business-type activities:							
Charges for services:							
Water	129,292	132,340	154,680	158,678	176,439	160,865	163,563
Waste water	160,076	179,873	183,521	221,181	216,428	229,300	235,133
Stormwater				27,511	25,971	27,807	29,309
Parking	83,040	81,476	83,542	87,398	85,634	87,145	88,454
Nonmajor proprietary	9,979	12,046	18,400	14,385	13,916	37,505	11,744
Capital Grants and Contributions	72,257	100,922	129,608	131,574	201,880	259,288	217,959
Total Business-type Activities Revenue	454,644	506,657	569,751	640,727	720,268	801,910	746,162
Total Primary Government Revenues	1,037,118	1,097,149	1,179,243	1,247,379	1,200,804	1,278,020	1,295,498
Net (Expense)/Revenue							
Government Activities	(1,365,913)	(1,417,468)	(1,562,512)	(1,513,872)	(1,597,925)	(1,655,948)	(1,496,804)
Business-type Activities	140,419	163,661	225,852	253,540	330,754	388,072	325,075
Total Primary Government Net Expenses	\$ (1,225,494)	\$ (1,253,807)	\$ (1,336,660)	\$ (1,260,332)	\$ (1,267,171)	\$ (1,267,876)	\$ (1,171,729)
General Revenues and Other Changes in Net Position							
Governmental Activities:							
Property taxes	\$ 813,613	\$ 769,094	\$ 806,258	\$ 810,824	\$ 816,199	\$ 852,114	\$ 869,964
Income taxes	234,955	257,893	276,111	284,437	300,014	346,727	335,923
Other local taxes	147,366	178,441	188,803	204,391	193,595	242,426	240,278
State shared revenues	127,433	130,286	128,707	131,180	147,608	153,195	142,255
Unrestricted investment income	23,905	17,404	17,879	16,722	19,431	34,782	21,634
Miscellaneous	35,695	36,794	43,861	32,581	88,734	33,073	32,523
Transfers	55,522	50,446	47,742	(195,564)	61,495	100,737	62,095
Total Governmental Activities	1,438,489	1,440,358	1,509,361	1,284,571	1,627,076	1,763,054	1,704,672
Business-type Activities:							
Unrestricted investment income	5,743	3,075	2,135	2,186	5,809	4,591	3,849
Transfers	(55,522)	(50,446)	(47,742)	195,564	(61,495)	(100,737)	(62,095)
Total Business-type activities	(49,779)	(47,371)	(45,607)	197,750	(55,686)	(96,146)	(58,246)
Total primary government	1,388,710	1,392,987	1,463,754	1,482,321	1,571,390	1,666,908	1,646,426
Change in Net Position							
Governmental activities	72,576	22,890	(53,151)	(229,301)	29,151	107,106	207,868
Business-type activities	90,640	116,290	180,245	451,290	275,068	291,926	266,829
Total primary government	\$ 163,216	\$ 139,180	\$ 127,094	\$ 221,989	\$ 304,219	\$ 399,032	\$474,697

(a) Changes 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 Accrued Basis of Accounting)
(Expressed in Thousands)

	Fiscal Year		
	2008	2009	2010
General Fund			
Reserved	\$ 180,794	\$ 181,585	\$ 157,131
Unreserved	33,629	35,344	20,441
Total General Fund	\$ 214,423	\$ 216,929	\$ 177,572
All Other Governmental Funds			
Reserved	\$ 166,551	\$ 119,928	\$ 151,855
Unreserved reported in:			
Special revenue funds	(140,026)	(43,679)	(43,687)
Capital projects fund	30,251	48,128	(43,974)
Debt service fund	82,579	41,240	41,319
Permanent funds			
Total all other Governmental Funds	\$ 139,355	\$ 165,617	\$ 105,513

	Fiscal Year						
	2011 (1)	2012	2013	2014	2015	2016	2017
General Fund							
Nonspendable	\$ 6,154	\$ 5,519	\$ 5,519	\$ 5,519	\$ 5,519	\$ 297,255	\$ 2,260
Restricted		30,338					380,996
Assigned	104,862	128,415	203,425	188,946	174,647	244,257	197,220
Unassigned	93,884	91,700	90,070	106,022	112,642	134,300	134,327
Total General Fund	\$ 204,900	\$ 255,972	\$ 299,014	\$ 300,487	\$ 292,808	\$ 675,812	\$ 714,803
All Other Governmental Funds							
Nonspendable							
Motor vehicle fund	\$ 2,658						
Other nonmajor funds	2,811						
Restricted							
Capital projects fund			\$ 27,400	\$ 9,256	\$ 2,190	\$ 10,743	\$ 5,081
Other nonmajor funds		\$ 13,013	13,148	13,342	13,756	13,926	13,986
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	10,068	11,234
Unassigned							
Grants revenue fund	(32,688)	(40,248)	(62,864)	(83,355)	(77,836)	(36,799)	(13,584)
Capital projects fund	(80,539)	(12,393)	(3,490)	(13,612)	(7,576)	(14,628)	(8,966)
Other nonmajor funds	(10,733)	(7,192)	(9,255)	(9,451)	(12,399)		
Total all other Governmental Funds	\$ 74,336	\$ (2,359)	\$ 16,701	\$ (30,603)	\$ (23,770)	\$ (16,690)	\$ 7,751

(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
(Expressed in Thousands)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenue:										
General fund:										
Taxes - Local	\$1,074,234	\$1,105,037	\$1,137,523	\$1,176,038	\$1,206,584	\$1,219,656	\$1,258,118	\$1,284,515	\$1,426,286	\$1,410,593
State shared revenue						\$128,707	131,180	137,714	142,213	140,451
Licenses and permits	34,717	29,390	34,438	42,129	37,585	40,572	41,457	41,584	48,829	44,450
Fines and forfeitures	7,321	6,896	7,116	8,055	6,604	29,445	14,673	15,325	8,365	7,192
Interest, rentals, and other investment income	38,602	23,616	24,148	21,903	16,244	16,816	15,833	17,181	33,991	21,082
Federal grants	99	224	213		226	245	261	275	217	480
State grants	101,235	99,423	97,320	89,453	95,651	93,376	102,786	105,059	104,585	105,705
Other grants	153	154	46	25	25	25	26	26	26	26
Charges for services	42,646	41,560	29,251	26,654	35,044	44,146	47,201	50,573	45,996	51,509
Miscellaneous	12,429	234	4,528	18,579	9,976	4,365	5,757	5,730	459	7,300
Total revenues - general fund	1,311,436	1,306,534	1,334,583	1,382,836	1,407,939	1,577,353	1,617,292	1,657,982	1,810,967	1,788,788
Other governmental funds:										
Motor vehicle fund	232,716	206,015	156,590	160,974	169,768					
Grants revenue fund	231,047	338,749	270,692	292,887	285,240	251,949	242,805	223,148	222,291	226,145
Capital projects fund	65,129	46,028	75,296	84,230	93,966	121,065	91,069	66,983	45,370	105,487
Other funds	36,696	33,030	28,641	26,245	29,339	21,860	36,279	41,327	40,792	47,068
Total revenues - other governmental funds	565,588	623,822	531,219	564,336	578,313	394,874	370,153	331,458	308,453	378,700
Total revenues all government funds	1,877,024	1,930,356	1,865,802	1,947,172	1,986,252	1,972,227	1,987,445	1,989,440	2,119,420	2,167,488
Expenditures:										
General fund:										
General government	368,022	368,279	410,746	375,814	387,650	223,730	216,329	258,028	281,616	249,579
Public safety and regulation	475,629	474,031	437,031	452,977	463,410	594,077	625,432	679,202	702,632	730,093
Conservation of health	29,371	33,066	44,950	44,076	44,033	20,811	23,778	20,887	19,663	21,882
Social services	4,498	6,057	396	1,361	707	89,235	76,857	64,249	73,851	86,353
Education	205,858	205,909	207,657	247,074	254,626	257,770	273,241	265,939	269,937	276,324
Public library	24,253	25,720	24,246	23,890	23,829	23,131	24,577	24,942	24,856	24,812
Recreation and culture	37,707	35,163	30,212	37,981	34,749	39,235	39,796	39,349	41,884	44,392
Highways and streets	720	244	16,376	16,838	19,336	83,051	102,308	113,452	125,440	96,537
Sanitation and waste removal	40,032	40,593	37,862	39,503	40,936	69,381	59,837	64,422	72,642	72,380
Public service	13,259	17,510	21,455	16,403	17,350	43,024	41,241	43,895	42,947	44,769
Economic development	39,616	36,573	36,186	36,589	46,741	48,544	49,348	49,069	39,499	34,276
Debt service									69,775	104,006
Total expenditures - general fund	1,238,965	1,243,145	1,267,117	1,292,506	1,333,367	1,491,989	1,532,744	1,623,434	1,764,742	1,785,403
Other governmental funds:										
Motor vehicle fund	175,354	173,570	191,558	140,223	148,769					
Grants revenue fund	259,387	238,399	280,603	292,497	298,287	280,319	275,977	223,964	238,344	218,716
Capital projects fund	317,031	267,641	275,701	199,217	208,837	202,458	160,874	172,688	173,201	154,671
Debt service fund:										
Principal	56,694	53,361	60,054	61,282	64,781	69,877	44,483	38,912		
Interest	51,198	12,998	39,014	38,256	32,624	23,678	31,708	31,005		
Other bond costs		26,381	9,847	5,882			6,178	6,135		
Other funds	14,161	18,052	11,863	14,330	17,116	22,600	23,133	31,107	29,565	34,101
Total expenditures - other government funds	873,825	790,402	868,640	751,687	770,414	598,932	542,353	503,811	441,110	407,488
Total expenditures all governmental funds	2,112,790	2,033,547	2,135,757	2,044,193	2,103,781	2,090,921	2,075,097	2,127,245	2,205,852	2,192,891
Excess (deficiency) of revenues over expenditures	(235,766)	(103,191)	(269,955)	(97,021)	(117,529)	(118,694)	(87,652)	(137,805)	(86,432)	(\$25,403)
Other financing sources (uses):										
Transfers, net	36,044	27,839	40,707	27,422	50,446	76,110	56,828	61,495	100,038	60,289
Capital leases	7,372	3,956	75,099	11,020	41,460	11,804			8,978	
Face value of bonds and loans	154,914	100,164	54,688	54,730		283,535	5,414	64,249	92,317	1,907
Refunding of bonds						(214,336)				(377,111)
Transportation revenue bonds								9,609	(13,833)	
Swap termination						(18,760)				
Premium (discount) on sale of bonds						42,443		1,606	3,220	
Proceeds from bond issuances										403,750
Capital contributions							(20,421)			
Total other financing sources	198,330	131,959	170,494	93,172	91,906	180,796	41,821	136,959	190,720	88,835
Net changes in fund balances	(\$37,436)	\$28,768	\$(99,461)	(\$3,849)	\$(25,623)	\$ 62,102	\$(45,831)	\$(846)	\$104,288	63,432
Debt service as a percentage of noncapital expenditures	5.64%	3.50%	5.26%	5.24%	5.03%	4.87%	3.89%	3.52%	3.26%	3.39%

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 due Fiscal Year of the Levy	Percent of Levy Collected	Collections in Subsequent Years	Total Tax Collection	Percent of Total Tax Collections to Tax Levy
2008	655,080	\$605,961	92.5 %	\$10,666	\$616,627	94.1 %
2009	728,359	671,869	92.2	16,270	688,139	94.5
2010	751,510	723,533	96.3	17,107	740,640	98.6
2011	777,332	750,144	96.5	27,047	777,191	99.9
2012	761,237	743,352	97.7	11,071	754,423	99.1
2013	778,346	732,467	94.1	11,199	743,666	95.5
2014	755,711	741,449	98.1	11,482	752,931	99.6
2015	778,380	762,772	98.0	13,654	774,126	99.5
2016	804,391	760,686	94.6		760,686	94.6
2017	851,099	808,328	95.0		808,328	95.0

CITY OF BALTIMORE
Assessed and Estimate 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 Estimate Actual Value %	Total Direct Tax Rate
	Assessed Value	Estimate Actual Value	Assessed Value	Estimate Actual Value	Assessed Value	Estimate Actual Value		
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
2016	31,577,756	35,782,497	2,011,722	2,011,722	33,589,478	37,794,219	88.9	2.360
2017	32,550,695	37,113,758	2,123,826	2,123,826	34,674,521	39,237,584	88.4	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)
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
2016	2.248	0.112	2.360
2017	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 information purpose 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 Taxpayer
Current Year and Nine Years Ago
(Dollars Expressed in Thousands)

	2017			2008		
	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)	\$ 766,906	1	2.2%	\$ 621,765	1
Amazon	322,584	2	0.9%	120,342	5	0.5%
Harbor East Limited	231,653	3	0.7%			
CSX Transportation	198,166	4	0.6%			
Baltimore Hotel Corporation	173,364	5	0.5%			
Baltimore Center Associates	168,304	6	0.5%	360,146	2	1.4%
Harbor East Limited - Parcel B	160,425	7	0.5%	118,565	6	0.5%
Verizon - Maryland	156,654	8	0.5%	160,001	4	0.6%
100 East Pratt Street Business	151,014	9	0.4%			
JBG/Baltimore SSA, LLC	147,115	10	0.4%	169,375	3	0.7%
ABB South Street Associates, LLC				72,781	7	0.3%
951 Fell Street Limited				68,849	8	0.3%
Canton Crossing Tower, LLC				64,847	10	0.3%
U.S. Bank National				65,036	9	0.3%
Total	\$2,476,185		7.1%	\$1,821,707		7.3%

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 Federal of Maryland	Revenue Bonds	Capital Leases	General Obligation Bonds	Sewer Construction Loans	Revenue Bonds	Capital Leases			
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	11.48	5,163
2016	575,793	145,990	27,132	230	394,224	160,368	3,602		1,864,330	1,427	3,173,096	N/A	N/A
2017	527,049	199,876	23,792		358,666	67,621	3,291		2,127,319	78,435	3,386,049	N/A	N/A

(a) Per capita calculation 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	Cash Available for Debt Service Activities (b)	Net General Bonded Debt	Percentage of Actual Taxable Value of Property %	Per Capita (a)
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	813.14
2016	579,395	62,486	516,909	1.21	N/A
2017	469,340	53,552	415,788	1.06	N/A

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

(b) Externally restricted for repayment of principal on debt; through fiscal year 2015, debt service was accounted for in a separate Debt Service Fund; as of fiscal year 2016, debt service is included in the General Fund.

N/A Information not available

CITY OF BALTIMORE
Direct and Overlapping Governmental Activities Debt
June 30, 2017

The City of Baltimore has no Overlapping Debt.

CITY OF BALTIMORE
Legal Debt Margin Information
June 30, 2017

The City has no Legal Debt Margin.

CITY OF BALTIMORE
Pledged Revenue Coverage
June 30, 2017

(Dollars Expressed in Thousands)

Water Revenue Bonds							Wastewater Revenue Bonds					
Fiscal Year	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	
2008	\$131,233	\$84,223	\$47,010	\$3,373	\$16,379	2.38	\$157,974	\$118,600	\$39,374	\$13,324	\$13,517	1.47
2009	119,840	94,547	25,293	3,273	20,693	1.06	158,305	121,123	37,182	14,120	22,133	1.03
2010	130,666	88,394	42,272	6,754	20,202	1.55	166,072	115,762	50,310	16,822	25,627	1.19
2011	129,292	90,586	38,706	8,036	20,552	1.27	160,076	110,131	49,945	20,171	25,031	1.10
2012	132,340	95,386	36,954	8,937	22,239	1.19	179,873	119,356	60,517	20,677	27,412	1.26
2013	154,680	100,845	53,835	10,343	23,545	1.59	183,521	125,035	58,486	22,676	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	27,140	1.90
2015	176,439	114,341	62,098	12,250	27,894	1.55	216,428	122,937	93,491	24,951	33,151	1.61
2016	160,865	112,771	48,094	15,880	33,432	0.98	229,300	126,379	102,921	31,485	39,359	1.45
2017	163,563	117,547	46,016	17,298	33,627	0.90	235,133	130,532	104,601	33,886	37,475	1.47

Stormwater Revenue Bonds							Parking Facilities Revenue Bonds					
Fiscal Year	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	
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
2016	27,807	14,641	13,166	616	140	0.00	87,145	6,662	80,483	10,350	8,217	4.33
2017	29,309	16,799	12,510	1,771	1,037	4.46	88,454	71,754	16,700	10,960	7,669	3.98

Convention Center Revenue Bonds					
Fiscal Year	Convention Center Revenues	Net Available Revenue	Debt Service		Coverage
			Principal	Interest	
2008	\$4,516	\$4,516	\$2,193	\$2,395	0.98
2009	4,463	4,463	2,515	2,070	0.98
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
2016	4,517	4,517	3,625	924	0.99
2017	4,120	4,120	3,825	729	0.90

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		Personal Income (a) (thousands of dollars)	Per Capita Personal Income (b)	Total Employment (c)	Unemployment Rate (c)
Year	Population (a)				
2008	620,184	\$ 22,096,630	\$ 35,629	260,431	6.5%
2009	620,509	22,546,020	36,335	252,544	10.2
2010	620,961	23,249,014	37,440	262,347	11.2
2011	620,792	24,442,687	39,373	264,134	10.6
2012	622,705	25,137,871	40,369	267,128	10.2
2013	623,215	25,315,577	40,621	267,697	9.7
2014	623,711	26,423,706	42,365	269,052	8.6
2015	621,849	27,970,414	44,979	272,756	7.7
2016	614,664	N/A	N/A	276,430	6.3
2017	N/A	N/A	N/A	N/A	N/A

Source:

(a) U.S. Bureau of Economic Analysis

(b) Per capita personal income is calculated based on the personal income divided by the estimated population

(c) Maryland Department of Labor, Licensing and Regulation

N/A Information not available

CITY OF BALTIMORE
Principal Employers
Current Year and Nine Years Ago

Employer	2017			2008		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Government [1]						
State	34,180	1	10.10 %	41,295	1	12.00 %
Other Government authority (City, School, etc.)	24,413	2	7.20	28,171	2	8.18
Federal	10,706	3	3.20	8,462	3	2.46
Subtotal Government	<u>69,299</u>		<u>20.50 %</u>	<u>77,928</u>		<u>22.64 %</u>
Ten Largest Private Sector Employers [2]						
Johns Hopkins University	25,800	1	7.64	24,485	1	7.11
Johns Hopkins Hospital and Health System	18,500	2	5.48	12,117	2	3.52
University of Maryland Medical System	11,450	3	3.39	9,415	3	2.74
University System of Maryland	9,010	4	2.67	6,615	4	1.92
MedStar Health	6,175	5	1.83			
LifeBridge Health - Sinai	5,315	6	1.57	5,094	5	1.48
Mercy Health Services	4,030	7	1.19	2,506	9	0.73
St. Agnes HealthCare	3,265	8	0.97	3,079	6	0.89
Exelon / Constellation Energy / BGE	2,950	9	0.87	2,670	8	0.78
Kennedy Krieger Institute	2,600	10	0.77	2,135	10	0.62
Abacus				3,000	7	0.87
Subtotal Ten Largest Private Sector Employer	<u>89,095</u>		<u>26.40 %</u>	<u>71,116</u>		<u>20.66 %</u>
Total Government and Ten Largest Private Sector Employers	<u>158,394</u>		<u>46.90 %</u>	<u>149,044</u>		<u>43.30 %</u>

Source:

[1] For the government and private sectors: Maryland Dept of Commerce

[2] For 2008, City of Baltimore Comprehensive Annual Financial Report for Fiscal Year 2008

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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government	1,720	1,733	1,725	1,700	1,754	1,674	1,666	1,700	1,577	1,785
Public safety										
Police	3,930	3,909	3,897	3,897	3,892	3,796	3,608	3,444	3,259	3,125
Fire	1,796	1,800	1,795	1,795	1,789	1,732	1,699	1,699	1,639	1,731
Other	766	793	795	791	721	683	695	700	813	735
Conservation of health	761	883	878	875	873	862	719	890	842	800
Public library	437	430	432	430	399	399	394	391	389	389
Recreation and parks	369	404	400	399	389	368	385	310	327	310
Highways and streets	1,523	1,514	1,499	1,458	1,382	1,352	1,331	1,428	1,024	1,079
Public work										
Water	901	893	878	875	850	893	857	717	899	810
Wastewater	1,031	1,014	1,011	1,012	991	985	1,096	797	694	761
Solid waste	899	876	875	856	889	853	705	802	995	880
Other	607	627	621	625	579	537	682	504	487	423
Public service	68	68	68	67	62	70	260	65	73	65
Economic development	518	598	564	563	554	560	461	559	426	382
	15,326	15,542	15,438	15,343	15,124	14,764	14,558	14,006	13,444	13,275

Source: Baltimore City Bureau of Budget and Management Research

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

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<i>Police</i>										
Arrests*	75,552	72,106	62,341	56,606	53,169	45,275	44,110	33,462	25,339	24,453
<i>Fire</i>										
Fire Suppression Units Dispatched	137,272	136,003	135,421	121,483	129,977	137,667	140,718	143,889	147,249	163,872
Structural Fires	2,177	2,100	2,154	2,460	2,682	2,401	1,839	2,541	2,377	2,760
EMS Transports	88,831	86,128	86,985	86,901	90,615	94,883	92,225	92,094	97,502	100,894
Inspections	26,594	25,654	24,156	N/A	N/A	N/A	N/A	N/A	24,339	16,505
<i>Solid Waste</i>										
Refuse Collected (tons)	195,601	181,397	148,077	145,345	144,926	142,543	149,137	155,624	149,582	153,793
Recyclables Collected (tons)	14,736	15,914	25,836	25,557	24,929	26,468	25,248	28,979	28,253	29,512
<i>Water/Wastewater</i>										
Number of Accounts	439,676	440,215	441,209	445,335	446,142	450,427	454,008	426,642	407,000	420,681
Average Daily Water Production (MGD)	226	226	218	218	218	218	220	223	193	190
Average Daily Sewage Treatment (MGD)	192	192	192	208	208	208	208	199	205	180
<i>Transportation (DOT)</i>										
Miles Streets Resurfaced/Reconstructed	220.2	188.1	152.0	185.0	189.0	98.0	101.0	122	122	61
Potholes Repaired	106,709	120,135	127,727	105,731	81,191	74,487	126,432	126,771	122,985	12,466
Traffic Citations Issued**	4,909	3,186	1,341	63	63	63	118	88	140	83
Parking Citations Issued	368,099	389,642	379,633	388,338	355,344	331,067	341,384	380,239	405,721	256,551
Traffic Signals Repaired	5,513	5,124	6,901	5,538	4,751	4,312	4,645	4,450	4,328	4,771
Street Lights Repaired	24,847	22,008	25,415	29,012	29,633	28,096	25,091	24,254	21,311	20,139
<i>Housing</i>										
Number of inspections (housing and code enforcement)	190,031	198,742	206,467	363,720	267,508	270,607	254,871	254,646	196,698	224,727
Number of permits issued	34,565	33,068	36,630	27,600	25,307	24,537	28,351	27,060	30,183	40,718
Property Management Service Requests Completed***	83,207	82,311	28,971	31,987	41,995	60,585	78,824	78,824	44,452	39,645
<i>Recreation and Parks</i>										
Enrollment at Recreation Centers	142,009	139,632	135,547	154,528	169,608	146,598	138,103	144,077	158,483	148,300
Permits Issued for Park Facilities	698	789	653	741	1,518	1,581	1,616	1,894	1,935	1,711
<i>Library</i>										
Volumes in Collection (millions)	2.5	2.5	2.6	2.6	2.0	2.4	2.2	2.3	2.2	2.2
Volumes Borrowed (millions)	1.3	1.5	1.5	1.7	1.7	1.7	1.3	1.3	1.2	1.1

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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<i>Police/Sheriff</i>										
Buildings	10	10	10	13	12	16	16	16	16	16
Marked Patrol Units	473	471	487	479	373	403	463	576	480	620
Other vehicles	639	645	633	616	602	448	311	309	510	538
<i>Fire Stations</i>										
Buildings	39	39	39	39	41	61	62	62	62	62
Fire/EMS Apparatus (Tankers/Ladders/Medics) (Fleet)	160	160	160	137	122	154	142	138	155	146
Other vehicles	164	164	164	176	235	142	217	228	224	218
<i>Recreation and Parks</i>										
Buildings	148	148	148	148	148	210	210	210	210	210
Acreage	5,827	5,827	5,827	5,827	5,827	5,827	5,827	5,827	4,874	4,874
Vehicles	125	119	123	120	119	120	121	120	121	142
Equipment	295	286	296	183	157	157	158	151	145	137
<i>Public Works (Transportation, Solid Waste, and General Services)</i>										
Buildings	30	30	30	30	82	119	119	119	119	119
Vehicles	980	968	952	984	967	942	1,017	987	981	1,055
Equipment	515	503	515	595	545	552	538	537	534	570
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	95	221	221	221	221	221
Vehicles	615	608	599	632	608	631	641	636	594	481
Equipment	420	418	429	495	487	489	482	481	466	605
Water Mains (Miles)	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,669	3,692	3,748
Water Treatment capacity (MGD)	360	360	360	360	360	360	360	360	360	360
Sanitary sewers (miles)	1,335	1,335	1,335	1,335	1,335	1,335	1,335	1,361	1,380	1,398
Storm sewers (miles)	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,108	1,108	1,180
Wastewater Treatment capacity (MGD)	253	253	253	253	253	253	253	253	253	253
<i>Libraries</i>										
Buildings	34	34	34	22	30	30	29	24	24	24
Vehicles	17	16	16	20	18	16	17	17	16	14
<i>Other-General Government</i>										
Buildings	1,353	1,353	1,353	4,250	4,250	132*	132*	132*	132	132
Vehicles	799	1,017	1,141	753	907	869	514	175	532	1,643
Equipment	66	64	61	249	151	101	72	14	76	191

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

N/A Data not available

Source: Baltimore City Department of Finance

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