

*City of Baltimore*  
*Maryland*



*Comprehensive Annual Financial Report*  
*Year Ended June 30, 2018*

# City of Baltimore, Maryland

## Comprehensive Annual Financial Report

Year Ended June 30, 2018

Prepared by the Department of Finance

Henry J. Raymond

Director of Finance

Bureau of Accounting and Payroll Services

Sandra C. Stecker

Bureau Chief





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**ELECTED OFFICIALS**

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**MAYOR**  
Catherine E. Pugh

**PRESIDENT OF THE CITY COUNCIL**  
Bernard C. Young

**COMPTROLLER**  
Joan M. Pratt

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**BOARD OF ESTIMATES**

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**PRESIDENT**  
Bernard C. Young

**MAYOR**  
Catherine E. Pugh

**COMPTROLLER**  
Joan M. Pratt

**DIRECTOR OF PUBLIC WORKS**  
Rudolph S. Chow

**CITY SOLICITOR**  
Andre M. Davis

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

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

**EIGHTH DISTRICT**  
Kristofer 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, 2018

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# INTRODUCTORY SECTION



- **Letter of Transmittal**
- **Municipal Organization Chart**
- **Certificate of Achievement – Government Finance Officers Association**

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

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Catherine E. Pugh, Mayor

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

March 25, 2019

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, 2018. 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 Board of Estimates awarded a contract to the nationally recognized independent certified public accounting firm, SB & Company, LLC, to perform an financial statements of the City as of and for the year ended June 30, 2018. The audit report is contained herein. The 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 auditor 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. 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 2017 population of 611,648. 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 372,600 or 26.6% of the 1.4 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. As of March 2018, jobs in the health and educational sectors represent 33.2% of the jobs located in the City, a proportion that is considerably higher than the regional and national totals of 20.1% and 16.1% 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 5.4% from 262,300 in 2010 to 276,600 through the first half of 2018. 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 611,648 in 2017. This 67 year trend reflects an average monthly drop of 420 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 111 people since 2010.

### **Economic Outlook**

The City ended Fiscal 2018 within the second longest period of economic recovery since 1850. Since the Great Recession ended in June 2009, the nation has enjoyed 108 months of economic recovery as of June 2018, and this condition is reflected in the City's key economic indicators.

As of the end of Calendar 2017, the City's average wages continued showing steady growth at a rate of 2.8% per year, outpacing inflation's annual average of 1.6%. This represents an annual increase in average wages of 1.2% in real terms.

The City's unemployment rate averaged 6.1% for the twelve-month period ended in June 2018, the lowest since 2008; meanwhile, the City's labor force has increased 0.9% during the same period and 5.6% since the end of the recession, incorporating approximately 1,757 City residents to the job market per year. More importantly, employed City residents have grown 10.5% since the end of the recession, with an absorption of approximately 3,000 individuals per year.

The housing market in the City remains stable. The average sale price of residential property in the City for the second quarter of 2018 was 193,099, 2.6% higher than the same period in June 2017, outpacing the Baltimore region's 1.4%; however, on the year-to-year comparison, the average price remained virtually flat at \$174,800. Meanwhile, residential sale activity for the fiscal year period ending in June 2018 reported an increase of 2.8% or 240 more properties sold the City compared to Fiscal 2017.

Although the City's population declined by more than 3,000 between 2016 and 2017, there is evidence that the City has not experienced a noticeable damage to its taxable base, and is rather experiencing a re-composition of its household characteristics. The negative net migration experienced by the City is potentially explained by the replacement of families with large number of non-working members moving out of the City for smaller size families with larger number working individuals moving in.

In 2010, the total number of households in the City was 238,392, of which 141,892 or 59.5% was composed by households earning less than \$50,000. Contrary to the population experience, the City actually gained more 4,000 households, or 1.7% between 2010 and 2016, and reached a total of 242,416 resident families. Out of this total, 45.3% or 109,811 is composed by households earning more than \$50,000, an increase of almost 13,311 or 13.8%, while those earning less than \$50,000 decreased by 9,200 or 6.5%. Most of the growth in higher income households was from those earning between \$100,000

and \$200,000, increasing from 25,696 in 2010 to 34,570 in 2016, a net increase of 9,625.

This analysis suggests that the number of family units have increased, the size or composition of the units has become smaller, but households have become wealthier, which reinforces that the quality of the jobs offered and the net absorption of these jobs in the City has strengthened the City's taxable based.

The overall economic outlook for the City is positive and analysts anticipate that the economy will continue growing although at a slower pace than recent years. However, the continue population decline, the potential deceleration of real estate activity, the future impact of Federal laws, and the increasing probability of a recession in the near future are still risks at the local and national level that require close attention when making short and mid-term policy decisions.

### **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 4.0% in June 2018, while the City unemployment rate peaked in August of 2010 at 12.5%, and has since gradually declined and leveled off at 6.4% as of June 2018.

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 372,067 jobs located in the City during 2017, representing an increase of 1.6% compared to the average of 366,175 in calendar 2016. Calendar 2017 is the seventh 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. In calendar 2017, there were an estimated 276,206 City residents employed. The difference between employed residents and jobs in the City reflects a net contribution of approximately 95,861 jobs to surrounding communities.

### **Retail Sales**

Fiscal 2018 retail sales reported by the State of Maryland for the City showed an increase of 2.1% compared to Fiscal 2017. Sales generated in the City currently represent 7.4% of the state's total retail sales during Fiscal 2018, 0.1% lower than in Fiscal 2017. Through the first six months of 2018, the retail vacancy rate in the downtown area is 4.8%. This represents a slight uptick from the first half of 2017, when retail vacancy rates were 3.7%. In Fiscal 2018, a total of 86,151 square feet of additional retail space has become available in the downtown area. Retail sales activity continues to be a leading indicator of the City's economic activity.

### **Housing**

In Fiscal 2018 the real estate market continued to show mostly healthy market trends, with the total number of transactions increasing significantly but prices dropping slightly. The total number residential units sold in the City as reported by the Metropolitan Regional Information System (MRIS) increased for the sixth year in a row at 2.8% in Fiscal 2018. Despite an increase in the number of residential units sold, the average sales price remained virtually unchanged in Fiscal 2018; homes sold for an average of \$174,815, a \$161 decrease compared to Fiscal 2017. The total number of commercial and residential real estate transactions totaled 16,820, representing a 5.8% increase over the 15,898 in Fiscal 2017. However, in Fiscal 2018 the average price per transaction for all transactions (residential and commercial) dropped slightly from Fiscal 2017 – down from \$197,593 in Fiscal 2017 to \$186,153 in Fiscal 2018.

As expected at the end of Fiscal 2017, the demand for refinancing activities has begun to decline as interest rates have slowly increased; however, Fiscal 2018 represented a very strong year in for the refinancing of non-residential properties. In Fiscal 2018, the City processed a total of 21,588 transactions subject to the Recordation Tax, a 4.0% decrease from Fiscal 2017. Of these transactions, 4,768 it is estimated that 4,768 corresponded to refinancing transactions (down from 6,593 in Fiscal 2017). Although refinancing activities are decreasing, the average value of transactions subject to the Recordation Tax increased to \$196,087 in Fiscal 2018, up 4.4% from Fiscal 2017.

### **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 6.1% to 11.0 million tons in Fiscal 2018, up from 10.3 million tons

in Fiscal 2017.

In the first quarter of 2018, the Port handled the most general cargo and containers in its 312 year history for a single quarter. The Port of Baltimore ranks first for autos and light trucks, roll on/roll off heavy farm and construction machinery, and imported sugar. The Port is responsible for nearly \$3 billion in personal wages and salary and more than \$300 million in state and local tax revenues.

### **Tourism and Travel Industries**

In Fiscal 2018 the City's tourism and travel industries continued to grow from the prior year. The airport remains one of the busiest in the country, and in Fiscal 2018 the total number of passengers continued to grow. Within the City, more hotels have opened in the past year, and the port's continued to boast strong figures. Further growth in these industries is essential to improving the City's overall economic outlook.

*Baltimore Convention Center.* In Fiscal 2018, the Baltimore Convention Center (BCC) held 141 events, nineteen more than Fiscal 2017. The revenue generated by BCC decreased in Fiscal 2017, down from \$9.5 million in Fiscal 2017 to \$9.4 million in Fiscal 2018. 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 2018, BCC had 473,114 total event attendees, a decrease of about 40,600 less than Fiscal 2017.

*Hospitality.* Hotel activity remained about the same in Fiscal 2018 as it was in the prior year, with a 63.7% occupancy rate in Fiscal 2018 compared to 66.5% in Fiscal 2017. The lower occupancy rate can be explained by an increase in room supply, which as of June 2018 had increased to over 11,000 rooms and saw a year-over-year increase of 6.8%. In Fiscal 2018 the number of City-wide conventions decreased slightly from Fiscal 2017; however, the number of scheduled City-wide conventions in Fiscal 2019 is the highest in the past five fiscal years. 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 2017, nearly 26.4 million passengers flew out of Baltimore-Washington International Thurgood Marshall Airport (BWI), which ranks as the 22<sup>nd</sup> 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. Last year also was the third-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 2017, the Port of Baltimore had more than 210,000 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. Its estimated that cruise-related Port activity generates about \$70 million in business revenue and creates 440 jobs.

### **Office Development**

The Baltimore City commercial real estate market continues to display signals of continued demand. There are multiple projects underway with buildings being preleased, significant leases signed, and buildings being sold, as well as, new projects being announced. The relatively low vacancy rates and absorption figures are providing signals that while there is interest in Baltimore City, particular segments are faring better than others. The industrial market has seen the delivery of new properties (5350 Holabird Ave), sales (5300 Holabird Ave), and leases signed (1657 S. Highland Ave and 2000 Washington Blvd). Despite increasing vacancy rates, new properties and leases for office and retail properties are occurring. Key office properties such as 1 E. Pratt, 500 E. Pratt, and 7 St. Paul have been sold. New leases at 100 E. Pratt, 750 E. Pratt, and 100 Light St. have been signed. For the retail market, a lease for nearly 30,000 square feet of space was signed at 200 E. Pratt Street.

As of June 2018, the City's (Downtown) office vacancy rate was 11.3%. Through the first half of 2018, the demand for industrial space in the City outpaced demand for office and retail space, and in the second quarter of 2018 almost 300,000 square feet of industrial space was leased.

## **FINANCIAL ACCOMPLISHMENTS**

Over the past five years, the City has reduced the baseline deficit through 2022 from \$745 million to \$202 million (73%). Since 2013, Baltimore has implemented initiatives that help in achieving long-term fiscal sustainability by lowering the

effective property tax rate by 7.4%, reducing long-term liabilities by 23%, increased capital investments of \$162 million, and streamlining the workforce by reducing the number of General Fund positions by 7.4%. Combined pension and OPEB unfunded liabilities shrank from \$3.2 billion in Fiscal year 2011 to \$2.7 billion in Fiscal year 2017. A series of reforms helped to reduce the City's unfunded OPEB liability from \$2.1 billion to \$947 million, as of the most recent Fiscal 2017 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.

In the Fiscal year 2016 budget, 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. Infrastructure investments included blight elimination, street repaving, recreation center expansion, and information technology upgrades.

In Fiscal year 2018, the budget contained additional initiatives to improve the efficiency of government, further reduce the property tax rate for homeowners, make much-needed infrastructure investments, and reduce the City's long-term liabilities. In Fiscal 2018, the City contributed \$9 million beyond the \$8 million baseline in PAYGO capital funding, plus an additional \$4.4 of one-time funding to comply with the Department of Justice consent decree for Police Department reforms. The Fiscal 2018 budget also transferred 54 positions out of the General Fund.

To address the remaining operating and capital shortfalls, the Ten-Year Plan calls for further healthcare benefit changes, reforming the Fire and Police pension plans for new hires, launching an employee wellness program, and building reserves to prepare for the next recession. To facilitate this, the City is currently in the process of selecting a new consultant to refresh the current Ten-Year Financial Plan, extend the plan out through a new ten-year period, and assist with developing and implementing new initiatives that align with the goals of the current administration. The refresh of the plan is expected to begin by the end of Fiscal 2019.

### ***HIGHLIGHTS OF THE FISCAL YEAR 2018 ADOPTED BUDGET***

The City has made significant progress toward fiscal sustainability over the past five years, but in spite of growing tax revenue and reforms that "bent the curve" on pension and health benefit costs, it stills face annual General Fund shortfalls. For Fiscal 2018, the Finance Department projected General Fund revenue growth of \$56 million (3.1%) versus growth of \$76 million (4.3%) in the cost of maintaining the current level of City services and meeting legal requirements, resulting in a \$20 million gap.

On the revenue side, property tax growth of close to \$30 million is partially diverted to the Children & Youth Fund. Income tax revenue is projected to continue on a strong trajectory, as high-earning households become a larger part of the City's

population. On the expense side, the combined cost of a 2% employee cost-of-living adjustment plus pension and health benefit inflation is \$40 million. Compliance with the Department of Justice consent decree for Police Department reforms is budgeted at more than \$10 million.

The budget takes several steps to achieve a balanced General Fund budget.

To generate new revenue, the City will restart the traffic camera program (+\$5 million net of expenses), expand municipal advertising (+\$1 million), seek reimbursement for the full cost of security and traffic control for Orioles and Ravens games (+\$1 million), and make demand-based parking meter rate adjustments downtown (+\$0.7 million).

To reduce costs, the City will limit eligibility for new public safety property tax incentives to employees who relocate to Baltimore (-\$2.4 million), refinance the Convention Center Hotel loan (-\$2.1 million), and re-bid the employee wellness program contract (-\$0.6 million). Also, the full cost of the street sweeping service will be borne by the Stormwater Fund, saving the General Fund \$2.6 million.

The Adopted Budget for Fiscal 2018 shifts the priorities of City government, investing more in education and youth development than police. Among the highlights:

- Mayor Pugh and the City Council pledged \$100 million over three years to help Baltimore City Public Schools (BCPS) avoid mass layoffs and stabilize its finances until the Governor and General Assembly can consider changes to school funding formulas recommended by the Kirwan Commission. The Fiscal 2018 installment is \$25.4 million, which the State has more than matched. The City's share is funded from General Fund balance, a reduced contribution to the Budget Stabilization Reserve, and reductions to the Police Department's budget. Starting in Fiscal 2019, the City's contribution will include a permanent \$10 million Maintenance of Effort (MOE) increase.
- Mayor Pugh also secured \$5.5 million in new Highway User Revenue from the State to provide free student transportation on MTA.
- With \$3.7 million in State and local funding – funding Mayor Pugh worked hard for in last year's General Assembly session – the City will extend library hours across our 22 branches, with a focus on underserved neighborhoods.
- The voter- approved Youth Fund will dedicate \$11.9 million to evidence-based programs that help children and youth succeed.
- The Police Department's budget includes \$10 million to implement mandated improvements under the consent decree with the U.S. Department of Justice, while at the same time reducing base funding by \$5.5 million below the current level of service. These savings are directed to increasing support for City Schools.
- City Schools was faced with a \$130 million structural budget gap and asked the City and State for help. The gap resulted from several factors, such as declining enrollment, the costs of expanding Pre-K and educating students with special needs, growing employee pay and benefits, underutilized schools, and the cost of school modernization. The City will provide more than \$360 million of support to City Schools in Fiscal 2018, including a \$268 million MOE payment, more than \$20 million to the school modernization fund, \$17 million in additional capital project funding, and school health and crossing guard services. City Schools' general fund operating budget will total roughly \$1.3 billion, made up of state and local aid determined by formulas that equalize wealth across Maryland's 24 jurisdictions. In the counties, State aid flows through the county government; Baltimore is an exception because of the separation of schools from City government in 1997.
- Beyond its direct support for schools, the budget plan invests more than \$160 million for children and youth through recreation centers, after-school programs, maternal and child health, job training, libraries, and much more.

In addition to increased investment in Baltimore's youth, the Fiscal 2018 budget plan funds:

- "Big belly" solar-powered garbage cans in commercial districts.

- The B'More Bright initiative, upgrading all street lights to LED and installing new lights to reduce crime.
- Installation of 25 more BikeShare stations throughout the City, doubling the number of bike stations.
- Continuation of the Small Haulers Program, offering a centrally-located option at the Northwest Transfer Station for commercial waste disposal in order to reduce illegal dumping and misuse of residential Citizen Drop-Off Centers.
- \$500 million in investments for the replacement and rehabilitation of waste water sewage systems to eliminate sewer overflows and improve stormwater drainage.
- Consent Decree implementation to expand officer training and modernize the police force through upgrades to technology, record keeping, and strategic planning.
- Convening of the Civilian Oversight Task Force to provide community oversight of the City's Police Department.
- Support for the Mobile Integrated Health/Community Paramedicine program, which diverts frequent callers of the City's 911 system to appropriate, non-ER healthcare facilities.
- Continued support for the Saturday Safety Sweep program in which all fire suppression units visit every neighborhood to install smoke alarms.
- Programs that target preventative maintenance, such as General Services' HVAC program and Urban Forestry's tree pruning program.
- Paying down the accumulated deficit in the Charm City Circulator Fund and save for bus replacement.
- Fund Mobile Workforce Units to bring employment services to neighborhoods most in need of them.
- Fund services in the Office of Civil Rights to reduce barriers to employment and ensure employers are following wage laws.

The budget plan supports Mayor Catherine E. Pugh's priorities, including investing more in education and youth development, and is built around the following Outcomes, using the Mayor's Five Pillars as a guide:

Thriving Youth and Families	Vibrant Economy
Safe Neighborhoods	Sustainable Infrastructure
Healthy Communities	High Performing Government

Below are highlights of what the budget plan includes for each Priority Outcome.

### ***Thriving Youth and Families***

Funding for Thriving Youth and Families represents an investment in Baltimore's greatest asset: its youth. This priority aims to promote lifelong learning, community engagement and partnerships, and reduce duplication of services for youth. In Fiscal 2018, these investments totaling \$360 million include:

- \$25.4 million in bridge funding to help stabilize City Schools, the first installment of a three-year, \$100 million commitment.
- Per a new charter amendment, \$11.9 million in funding for the Children and Youth Fund is dedicated to new youth programs.
- Funding for 41 recreation centers, plus two new centers under construction.
- 22 libraries, which now offer extended hours.



- B'More for Healthy Babies, whose maternal and child health interventions have reduced infant mortality by 38 percent since the initiative began in 2009.
- Youth Opportunity Centers and the YouthWorks Summer Jobs program. YouthWorks partners with public, private, and non-profit organizations with the goal of placing more than 8,000 young adults in jobs that prepare them for future employment.
- After school and youth enrichment programs that impact more than 30,000 young people and have been shown to increase school attendance

### ***Safe Neighborhoods***

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. Fiscal 2018 investments in this Outcome total \$888 million, including:

- \$497 million for the Police Department, \$267 million for Fire and EMS, and \$124 million for State's Attorney, Sheriff, courts, traffic safety, and crime prevention activities.
- \$10 million in new operating and capital funding to implement the pending consent decree based on the Department of Justice review of the Baltimore Police Department. The funding will expand officer training and purchase technology to help the department monitor interactions between police and residents.
- Installation of 6,000 new street lights in areas of the City where they will make residents feel safer.

### ***Healthy Communities***

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. The Community Survey has shown that the City's cleanliness is a major source of dissatisfaction for residents. The budget plan includes \$235 million in funding for this Priority Outcome; highlights include:

- Continued funding for municipal trash cans, which have reduced rat complaints, as well as 1+1 trash and recycling collection, street and alley cleaning, graffiti removal, bulk trash collection, and business district cleaning.
- Funding for "big belly" trash cans in commercial districts to help curb corner can overflow and improve cleanliness in these districts.
- A small haulers program, offering a new waste disposal site to help reduce illegal dumping.
- Investing in a strategy that will allow the Environmental Control Board to take action to reduce the number of repeat sanitation violators.
- B'more Beautiful, an initiative to mobilize volunteers to promote cleanliness and address sanitation issues in neighborhoods.

### ***Vibrant Economy***

A Vibrant Economy leverages public-private-non-profit partnerships; respects and supports diversity; and recognizes the interconnectivity of all economic factors – investment, key economic drivers, workforce, quality of life, and infrastructure. The Fiscal 2018 budget plan includes \$160 million in funding in this Priority Outcome to support strategies that increase the number of jobs, the employment rate, the number of visitors to Baltimore, and the diversity of economic sectors in Baltimore. It also includes these investments:

- The continuation of the 20 Cents by 2020 Property Tax reduction plan for homeowners. The Targeted Homeowners Tax Credit will reduce the average effective rate to \$2.10 per \$100 of assessed value, a \$0.15 (6.6%) reduction since Fiscal 2012, saving the average homeowner \$300 a year.

- \$11.6 million for workforce development initiatives targeted at Baltimore City residents. The plan supports new mobile job centers that will bring employment services into the neighborhoods where they are needed most. The Mayor's Office of Employment Development will enroll 7,613 residents in skills workshops, a 16% increase Fiscal year 2016 enrollment.
- \$4.4 million to support small businesses, with a particular focus on minority and female entrepreneurs and technology start-ups. The Emerging Technology Centers (ETCs), Small Business Resource Center, Minority and Women's Business Opportunity Office, and Baltimore Development Corporation (BDC) will work together to incubate hundreds of new businesses and attract and retain thousands of jobs in the city.
- \$5.9 million for economic development activities to build the City's tax base, drive economic growth, and create jobs by leveraging public and private investment to revitalize neighborhoods. BDC's goal is to create nearly 800 new jobs in business districts outside of downtown.
- \$8.4 million for arts and cultural institutions, which combined are anticipated to attract 930,000 visitors to the city. 43,500 students will benefit from the free educational programming provided by the Baltimore Symphony Orchestra, Baltimore Museum of Art, and the Walter's Art Museum.

### ***Sustainable Infrastructure***

Sustainable Infrastructure includes \$792 in operating funding for services that support the City's public infrastructure and boost neighborhood investment. The capital budget also includes \$1.1 billion in funding, including new funding for water and wastewater system improvements, school modernization, recreation centers, library renovation, blight elimination, and transportation projects. Operating budget investments include:

- Maintenance and repair of over 120 playgrounds and 350 outdoor recreational facilities.
- Re-paving 60 lane miles of neighborhood streets.
- Proactive pruning for more than a third of the City's street trees, which extends tree life and reduces costs of emergency work orders and storm damage.
- Expanded street sweeping and other stormwater management projects that keep tens of thousands of tons of debris out of the Harbor.
- Building eight new miles of bike infrastructure to support the BikeShare program and replace car trips.
- Support for blight elimination efforts that will leverage \$30 million in private investment in targeted areas

### ***High Performing Government***

One of Mayor Pugh's Five Pillars is Accountability and Transparency, which are hallmarks of high performing government. A high performing 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. The budget plan includes \$144 million for financial, legal, information technology, human resources, and other functions that support the delivery of services to residents. The Mayor has called on those who oversee these functions to be innovative in making their services more cost-effective and helping operating departments do the same. Examples of how support agencies are seeking to innovate include:

- The Department of Human Resource is working to revamp the civil service recruitment rules to speed up the hiring process.
- The Mayor's Office of Information Technology is migrating the City's data to the cloud, reducing costs and improving cyber security.
- The Law Department is going paperless to cut litigation costs and expedite responses to Public Information Act requests.

- The Finance Department is expanding online bill pay options, which is more convenient for customers and brings down the cost per transaction.
- Departments across City government are using Lean /Government process improvement and the Innovation Fund to deliver better service. Success stories include faster development plans review, same day career center service for ex-offenders, turning waste into revenue, and streamlining the asthma program intake process.

### ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellent in Financial Reporting to the City of Baltimore, Maryland, for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017.

To be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements.

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,

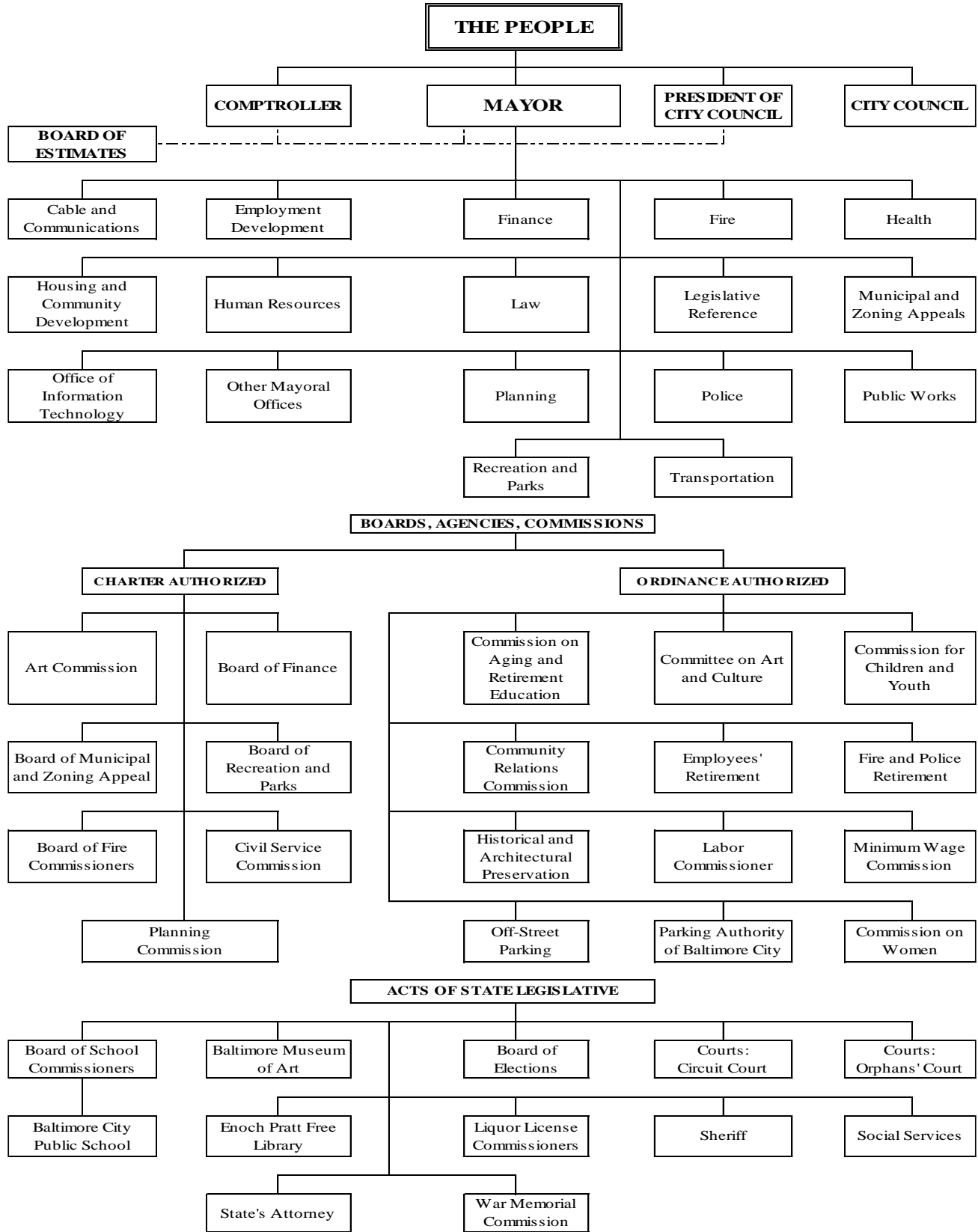


Catherine E. Pugh  
Mayor



Henry Raymond  
Director of Finance

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Government Finance Officers Association

Certificate of  
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**City of Baltimore**  
**Maryland**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2017**

Executive Director/CEO

*Christopher P. Morill*

# 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 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, 2018, 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 controls 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 audit the Employees' Retirement System, the Elected Officials Retirement System, and the Fire and Police Retirement System. These funds represent 89% of the total assets, 88% of the net position, and 73% of the revenues of the Pension and OPEB Trust Funds. We also did not audit the Baltimore City Public School System (School System) and Baltimore Hotel Corporation, which are both discretely presented component units. The financial statements of Baltimore City Public School System, Baltimore Hotel Corporation and certain of the Pension and OPEB Trust Funds were audited by other auditors whose reports have been furnished to us. Our opinions, insofar as they relate to the amounts included for the Baltimore City Public School System, Baltimore Hotel Corporation and the Pension and OPEB Trust Funds 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 controls 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 controls. 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 the 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 information of the City, as of June 30, 2018, 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***

#### *Emphasis of Matter*

As discussed in Note 20, during the year June 30, 2018, the City adopted Government Accounting Standards Board (GASB) Statement No.75, “Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions.” This adoption resulted in a restatement of the net position as of July 1, 2017. Our opinion is not modified respect to this matter.

#### *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: Employees’ Retirement System Plan, Maryland State Retirement and Pension System – ERPS, Maryland State Retirement and Pension System – LEOPS; Schedules of Employer Contributions: Employees’ Retirement System Plan, Maryland State Retirement and Pension System – ERPS, Maryland State Retirement and Pension System – LEOPS; Schedule of Changes in Net Pension Liability (Assets, and Related Ratios): Fire and Police Employees’ Retirement System - Single Employer Plan, Elected Officials’ Retirement System - Single Employer Plan; Schedule of Employer Contributions – Single Employer Plans; Schedule of Changes in the Net OPEB Liabilities and Related Ratios – Total OPEB Plan; the Schedule of the City’s Proportionate Share of the Net OPEB Liability; and Notes to the Required Supplementary Information 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 financial statements that collectively comprise the City’s basic financial statements. The combining and individual fund financial statements, and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements 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 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 2018 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, 2018, including the restatement of certain 2018 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 2018 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 2018 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 March 25, 2019, on our consideration of the City's internal controls 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 controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal controls 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 controls over financial reporting and compliance.

March 25, 2019

A handwritten signature in black ink that reads "SB &amp; Company, LLC".

SB & Company, LLC  
Independent Public Accountants

## 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, 2018. 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 2018 by \$3.7 billion (net position). This amount includes \$644.9 million (restricted net position) and is net of an unrestricted deficit of \$2.9 billion. During the fiscal year, the City's total net position increased by \$164.9 million.

As of June 30, 2018, the City's governmental funds reported combined ending fund balances of \$848.8 million. At the close of the fiscal year, the unassigned fund balance for the general fund was \$163.6 million.

The City's total long term debt decreased by \$5.7 million, during fiscal year 2018.

### 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	<b>Introductory Section</b>				
	<b>Financial Section</b>				
	<b>Management's Discussion and Analysis</b>				
	<b>Government-wide Statements</b>	<b>Fund Statements</b>			
		Governmental Funds	Proprietary Funds	Fiduciary Funds	
	<b>View</b>	Broad overview similar to a private sector business			
	<b>TYPES OF FINANCIAL STATEMENTS</b>	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
	<b>Notes to the Basic Financial Statements</b>				
	<b>Required Supplementary Information</b>				
	<b>Combining and Individual Fund Statements and Schedules</b>				
	<b>Statistical Section</b>				

**Government-wide Financial Statements**

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all, or a significant portion, of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety and regulation, conservation of health, social services, education, public library, recreation and culture, 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 and audited.

## **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 2018 and 2017**

(Expressed in Thousands)

	Governmental activities		Business-type activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets .....	\$ 1,383,219	\$ 1,303,867	\$ 1,085,223	\$ 1,107,526	\$ 2,468,442	\$ 2,411,393
Capital assets, net.....	3,111,845	3,153,632	5,151,609	4,726,742	8,263,454	7,880,374
Total assets .....	4,495,064	4,457,499	6,236,832	5,834,268	10,731,896	10,291,767
Deferred outflows of resources.....	344,216	501,183	116,833	139,434	461,049	640,617
Total assets and deferred outflows of resources.....	4,839,280	4,958,682	6,353,665	5,973,702	11,192,945	10,932,384
Long-term liabilities outstanding.....	3,327,745	3,342,952	2,458,871	2,401,578	5,786,616	5,744,530
Other liabilities.....	1,184,992	575,114	439,955	325,212	1,624,947	900,326
Total liabilities .....	4,512,737	3,918,066	2,898,826	2,726,790	7,411,563	6,644,856
Deferred inflows of resources.....	39,352	64,092	2,150	17,859	41,502	81,951
Total liabilities and deferred inflows of resources.....	4,552,089	3,982,158	2,900,976	2,744,649	7,453,065	6,726,807
Net position:						
Net investment in capital assets .....	2,574,640	2,528,116	3,383,394	2,981,404	5,958,034	5,509,520
Restricted.....	483,623	400,063	161,308	162,084	644,931	562,147
Unrestricted.....	(2,771,072)	(1,951,655)	(92,013)	85,565	(2,863,085)	(1,866,090)
Total net position .....	\$ 287,191	\$ 976,524	\$ 3,452,689	\$ 3,229,053	\$ 3,739,880	\$ 4,205,577

**Analysis of Net Position**

As noted earlier, net position may serve as a useful indicator of the City’s financial position. For the City, assets exceeded liabilities by \$3.7 billion at the close of fiscal year 2018. The City’s net position includes its investment of \$6.0 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, \$644.9 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 \$2.9 billion.

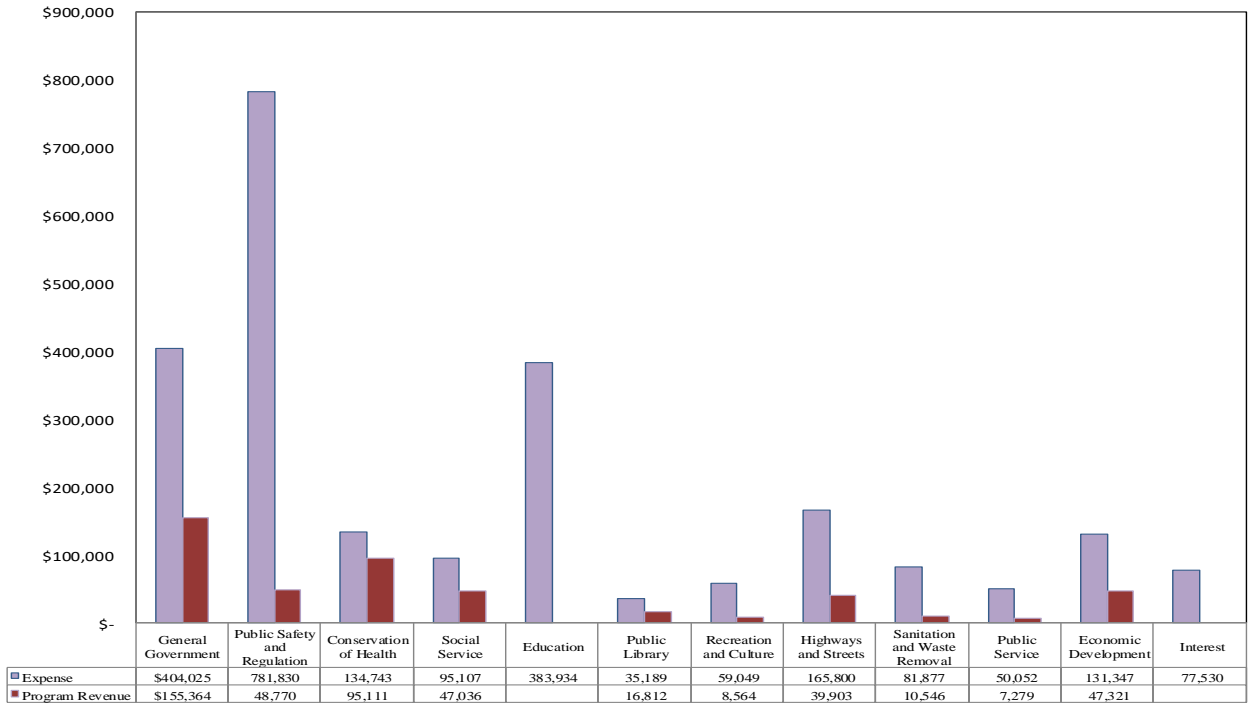
**CITY OF BALTIMORE**  
**Changes in Net Position**  
**For the fiscal years 2018 and 2017**  
(Expressed in Thousands)

	Governmental activities		Business-type activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services .....	\$ 111,154	\$ 103,151	\$ 579,201	\$ 528,203	\$ 690,355	\$ 631,354
Operating grants and contributions .....	324,457	344,684			324,457	344,684
Capital grants and contributions .....	41,095	83,501	169,154	217,959	210,249	301,460
<b>General revenues:</b>						
Property taxes .....	886,417	853,197			886,417	853,197
Income taxes .....	346,797	335,923			346,797	335,923
State shared revenue .....	170,240	159,022			170,240	159,022
Transfer and recordation tax .....	89,298	90,420			89,298	90,420
Electric and gas tax .....	42,438	37,950			42,438	37,950
Telecommunications tax .....	32,799	34,425			32,799	34,425
Admission .....	8,924	9,051			8,924	9,051
Other .....	166,986	122,589	5,535	3,849	172,521	126,438
<b>Total revenues .....</b>	<b>2,220,605</b>	<b>2,173,913</b>	<b>753,890</b>	<b>750,011</b>	<b>2,974,495</b>	<b>2,923,924</b>
<b>Expenses:</b>						
General government .....	404,025	249,415			404,025	249,415
Public safety and regulation .....	781,830	764,040			781,830	764,040
Conservation of health .....	134,743	119,811			134,743	119,811
Social services .....	95,107	120,630			95,107	120,630
Education .....	383,934	278,881			383,934	278,881
Public library .....	35,189	34,531			35,189	34,531
Recreation and culture .....	59,049	58,124			59,049	58,124
Highways and streets .....	165,800	169,147			165,800	169,147
Sanitation and waste removal .....	81,877	76,638			81,877	76,638
Public service .....	50,052	53,188			50,052	53,188
Economic development .....	131,347	133,594			131,347	133,594
Interest .....	77,530	28,857			77,530	28,857
Water .....			147,289	167,667	147,289	167,667
Wastewater .....			207,730	193,055	207,730	193,055
Stormwater .....			26,175	21,521	26,175	21,521
Parking .....			17,797	27,939	17,797	27,939
Nonmajor proprietary .....			10,087	13,703	10,087	13,703
<b>Total expenses .....</b>	<b>2,400,483</b>	<b>2,086,856</b>	<b>409,078</b>	<b>423,885</b>	<b>2,809,561</b>	<b>2,510,741</b>
Decrease in net assets before transfer .....	(179,878)	87,057	344,812	326,126	164,934	413,183
<b>Transfer:</b>						
Transfer in (out) .....	59,295	62,095	(59,295)	(62,095)		
<b>Change in net position .....</b>	<b>(120,583)</b>	<b>149,152</b>	<b>285,517</b>	<b>264,031</b>	<b>164,934</b>	<b>413,183</b>
Net position - beginning, as restated .....	407,774	827,372	3,167,172	2,965,022	3,574,946	3,792,394
<b>Net position - ending .....</b>	<b>\$ 287,191</b>	<b>\$ 976,524</b>	<b>\$ 3,452,689</b>	<b>\$ 3,229,053</b>	<b>\$ 3,739,880</b>	<b>\$ 4,205,577</b>

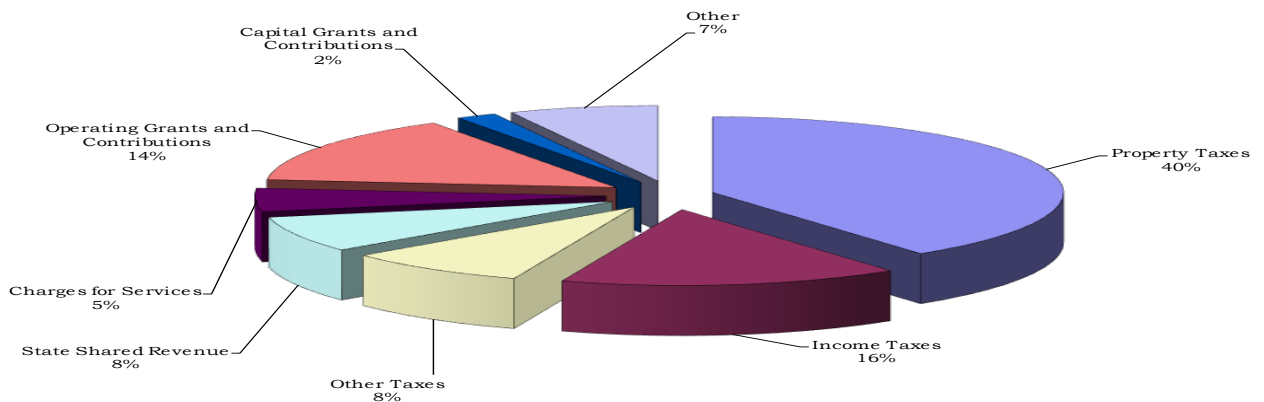
## Analysis of Changes in Net Position

The overall increase in the City’s net position amounted to \$164.9 million during fiscal year 2018. 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





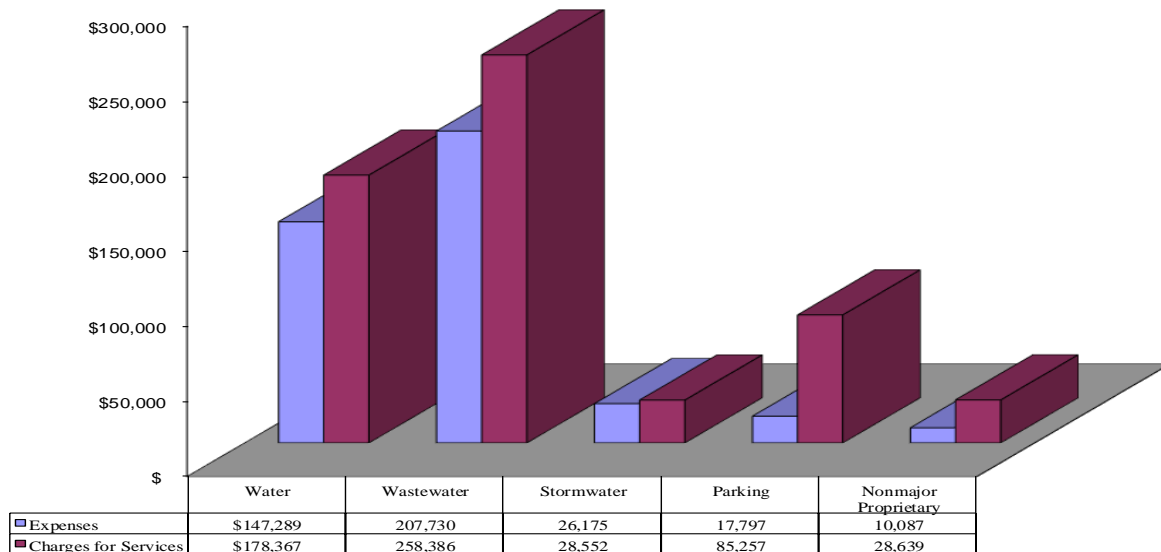
## Governmental Activities

During the current fiscal year, expense related to governmental activities amounted to \$2.4 billion; this is more than revenues by \$180.0 million. Total revenue of \$2.2 billion is comprised of program revenues totaling \$476.7 million, which is 21.47% 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 2018, governmental revenue increased by \$46.7 million.

Governmental expenses increased by \$313.6 million during fiscal year 2018. This increase is primarily attributable to increases in general government, education and interest by \$308.3 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 \$750.1 million. Expenses for these activities totaled \$405.3 million along with capital contributions of \$165.4 million, income earned of \$344.9 million and net transfer out of \$59.3 million and resulted in an increase in net position of \$285.6 million.

Operating revenues increased by \$37.3 million in fiscal year 2018 in the Water, Wastewater and Stormwater Utility Funds. Capital assets increased by \$424.9 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 fiscal year 2017. As with all new system implementations, process improvements are still being developed. One issue that remained at year end necessitated The City to estimate billings. The estimates for 2018 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 2018 and 2017**  
(Expressed in Thousands)

	2018	2017	Variance Amount
<b>Revenues:</b>			
<b>General fund:</b>			
Property taxes .....	\$ 884,410	\$ 847,095	\$ 37,315
Income taxes .....	346,797	334,851	11,946
Other local - taxes .....	175,196	228,647	(53,451)
Total local taxes .....	<u>1,406,403</u>	<u>1,410,593</u>	<u>(4,190)</u>
Licenses and permits .....	41,043	44,450	(3,407)
Interest, rentals, and other investment income .....	27,071	21,082	5,989
Federal grants .....	79	480	(401)
State grants .....	104,644	105,705	(1,061)
Other .....	216,312	206,478	9,834
Total revenues-general fund .....	<u>1,795,552</u>	<u>1,788,788</u>	<u>6,764</u>
<b>Other governmental funds:</b>			
Grants revenue fund .....	233,957	226,145	7,812
Capital projects fund .....	62,019	105,487	(43,468)
Other funds .....	56,090	47,068	9,022
Total revenues other governmental funds .....	<u>352,066</u>	<u>378,700</u>	<u>(26,634)</u>
Total revenues all governmental funds .....	<u>2,147,618</u>	<u>2,167,488</u>	<u>(19,870)</u>
<b>Expenditures:</b>			
<b>General fund:</b>			
General government .....	155,606	249,579	(93,973)
Public safety and regulation .....	766,230	730,093	36,137
Conservation of health .....	38,648	21,882	16,766
Social services .....	59,899	86,353	(26,454)
Education .....	293,355	276,324	17,031
Public library .....	24,505	24,812	(307)
Recreation and culture .....	43,845	44,392	(547)
Highways and streets .....	99,848	96,537	3,311
Sanitation and waste removal .....	75,384	72,380	3,004
Public service .....	42,579	44,769	(2,190)
Economic development .....	41,634	34,276	7,358
Debt service .....	94,713	104,006	(9,293)
Total expenditures - general fund .....	<u>1,736,246</u>	<u>1,785,403</u>	<u>(49,157)</u>
<b>Other governmental funds:</b>			
Grants revenue fund .....	221,811	218,716	3,095
Capital projects fund .....	186,541	154,671	31,870
Other funds .....	41,857	34,101	7,756
Total expenditures other governmental funds .....	<u>450,209</u>	<u>407,488</u>	<u>42,721</u>
Total expenditures all governmental funds .....	<u>2,186,455</u>	<u>2,192,891</u>	<u>(6,436)</u>
Excess of expenditures over revenue .....	<u>(38,837)</u>	<u>(25,403)</u>	<u>(13,434)</u>
<b>Other financing sources:</b>			
Transfers in .....	252,168	192,331	59,837
Transfers out .....	(194,465)	(132,042)	(62,423)
Proceeds from bond issuances .....		403,750	(403,750)
Refunding of bonds .....		(377,111)	377,111
<b>Capital Projects Fund:</b>			
Transportation revenue bonds .....	14,924		14,924
Payoff of bond anticipation note .....	(60,148)		(60,148)
Refunding of obligation bonds .....	(133,560)		(133,560)
Capital leases .....	29,618		29,618
Refunding of capital leases .....	(4,563)		(4,563)
Premium on general obligation bonds .....	35,923		35,923
Face value of funding and refunding general obligation bonds .....	225,155	1,907	223,248
Total other financing sources .....	<u>165,052</u>	<u>88,835</u>	<u>76,217</u>
Net changes in fund balances .....	<u>126,215</u>	<u>63,432</u>	<u>62,783</u>
Fund balances - beginning, as restated .....	722,554	659,122	63,432
Fund balances - ending .....	<u>\$ 848,769</u>	<u>\$ 722,554</u>	<u>\$ 126,215</u>

Revenues for governmental functions overall totaled approximately \$2.1 billion in the fiscal year ended June 30, 2018, which represents a decrease of 1.0% from the fiscal year ended June 30, 2017. Expenditures for governmental functions, totaling \$2.2 billion, decreased by approximately 0.3% from the fiscal year ended June 30, 2017. In the fiscal year ended June 30, 2018, expenditures for governmental functions exceeded revenue by \$38.8 million or 1.8%.

The General Fund is the chief operating fund of the City. Revenue in the General Fund increased \$6.8 million as compared to fiscal year 2017. The total expenditures for the General Fund decreased by \$49.1 million, or 2.75%, compared to fiscal year 2017.

At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$163.6 million, while total fund balance was \$811.1 million. The fund balance in the City’s General Fund increased by \$96.3 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 Industrial Development Authority and Conduit Fund.

(Expressed in Thousands)

	Water, Wastewater and Stormwater Utility Funds		Parking Facility Fund		Nonmajor Other Funds	
	2018	2017	2018	2017	2018	2017
Operating revenues .....	\$ 465,305	\$ 428,005	\$ 85,257	\$ 88,454	\$ 28,639	\$ 11,744
Operating expenses .....	347,623	346,123	11,816	12,938	8,417	13,788
Operating income (loss) .....	117,682	81,882	73,441	75,516	20,222	(2,044)
Non operating revenues (expenses), capital contribution, and transfers .....	134,378	180,691	(65,276)	(76,596)	(1,838)	2,370
Change in net position .....	\$ 252,060	\$ 262,573	\$ 8,165	\$ (1,080)	\$ 18,384	\$ 326

As discussed in the Business-type activities section, the Water and Wastewater Utilities Fund experienced operating revenue increases in fiscal year 2018. These increases are attributable to rate increases implemented in fiscal year 2018.

**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, 2018**

(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Original Budget Positive (Negative)	Variance with Final Budget Positive (Negative)
Total revenues .....	\$ 1,796,095	\$ 1,796,098	\$ 1,793,414	\$ (2,681)	\$ (2,684)
Expenditures and encumbrances:					
General government.....	346,266	346,266	323,312	22,954	22,954
Public safety and regulation.....	752,999	752,999	746,114	6,885	6,885
Conservation of health.....	33,552	33,552	43,047	(9,495)	(9,495)
Social services.....	2,910	2,910	2,564	346	346
Education.....	301,638	301,638	291,637	10,001	10,001
Public library.....	27,021	27,021	22,446	4,575	4,575
Recreation and culture.....	48,285	48,285	43,089	5,196	5,196
Highways and streets.....	126,644	126,644	110,408	16,236	16,236
Sanitation and waste removal.....	82,500	82,500	74,562	7,938	7,938
Public service.....	41,758	41,758	35,361	6,397	6,397
Economic development.....	59,533	59,533	50,022	9,511	9,511
Total expenditures and encumbrances.....	1,823,106	1,823,106	1,742,562	\$ 80,544	\$ 80,544
Excess (deficiency) of revenue over expenditures and encumbrances.....	(27,011)	(27,008)	50,852		
Other Financing uses:					
Transfers in.....	36,302	36,302	162,286		
Transfers out.....	(121,304)	(121,304)	(155,046)		
Total other financing uses.....	(85,002)	(85,002)	7,240		
Net changes in fund balances.....	(112,013)	(112,010)	58,092		
Fund balances --- beginning .....	714,803	714,803	714,803		
Fund balances --- ending.....	\$ 602,790	\$ 602,793	\$ 772,895		

On a budgetary basis, revenue for fiscal year 2018 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, 2018 of \$772.9 million, an increase of \$58.1 million.

## Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2018, amounted to \$8.3 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 4.9% (1.3% decrease for governmental activities and an 9.0% increase for business-type activities) as shown in the table below.

### Capital Assets, Net of Depreciation For the Fiscal Years 2018 and 2017

(Expressed in Thousands)

	Governmental activities		Business-type activities		Total	
	2018	2017	2018	2017	2018	2017
Land and other .....	\$ 365,900	\$ 365,356	\$ 36,920	\$ 36,920	\$ 402,820	\$ 402,276
Building and improvements .....	875,800	898,676	2,718,234	2,055,905	3,594,034	2,954,581
Machinery and equipment .....	105,088	108,188	184,805	166,968	289,893	275,156
Infrastructure .....	1,547,191	1,579,259	998,619	898,657	2,545,810	2,477,916
Library books .....	15,591	16,276			15,591	16,276
Construction in progress .....	202,275	185,877	1,213,031	1,568,292	1,415,306	1,754,169
Total .....	\$ 3,111,845	\$ 3,153,632	\$ 5,151,609	\$ 4,726,742	\$ 8,263,454	\$ 7,880,374

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 \$3.3 billion. Of this amount, \$526.6 million was general obligation bonds backed by the full faith and credit of the City, \$359.2 million was revenue bonds for governmental activity at the Convention Center, the Convention Center Hotel, and transportation bonds, and \$2.2 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 2018, the City sold \$181.9 million in revenue bonds, of which \$166.9 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 2018	FY 2017
Net general bonded debt (expressed in thousands) .....	\$ 418,621	\$ 415,788
Ratio of net general bonded debt to net assessed value .....	1.02%	1.06%

See note number 7 on long-term obligations.

As of June 30, 2018, the City had \$530.1 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 2017) of \$111.5 million for net tax-supported bonded debt of \$418.6 million, which is equal to approximately 1.02% of the assessed value of property (net of exemptions). There are an additional \$360.5 million in bonds that are authorized, but unissued.

## Economic Factors and Next Year's Budget and Rates

The fiscal year 2019 budget submitted by the Board of Estimates to the Baltimore City Council proposed total appropriations of \$3,499,279,000 of which \$1,882,800,000 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 May 2, 2018.

## **Fiscal 2018 Budget – Economic Factors**

Economic activity remained strong during Fiscal 2018 and the nation, as well as the City, continued along with the second longest period of economic growth in U.S. history. As of December 2018, the nation had enjoyed nine years and five months of economic expansion since the Great Recession ended in June 2009, rivaling the period from 1991 to 2001 – the longest period of continued expansion in our nation’s history. Despite this remarkable growth, we know that the average economic expansion cycle lasts about five years, and so the threat of recession remained a central concern during Fiscal 2018, although it did not come to fruition. Against this macro-economic backdrop, the following key indicators guided the Finance Department’s outlook on the City’s financial stability: population change, number of households and income composition, taxable returns and income, labor markets, and real estate markets.

U.S. Census Bureau population estimates made available during Fiscal 2018 indicated a net decrease of more than 3,000 residents between 2016 and 2017, which brought the City’s population to 611,648 residents – a level not experienced in the City since the end of the First World War. This represents the fourth consecutive year of population decline, with more than 12,000 people leaving the City between 2014 and 2017. This trend remained a long-term threat to the City’s tax base and overall financial stability.

Contrary to the narrative about population decline, the City actually gained more than 4,000 households, or 1.7 percent, between 2010 and 2016, reaching a total number of 242,416 resident families. Of these families, approximately 109,811, or 45.3 percent, represent households earning more than \$50,000, an increase of almost 13,311 or 13.8 percent. Moreover, the number of households earning less than \$50,000 decreased by 9,200 or 6.5 percent over the same period. Significant growth in the number of high income households came from those earning between \$100,000 and \$200,000, increasing from 25,696 in 2010 to 34,570 in 2016 – an increase of 9,625 or 37%.

The U.S. labor market remained in what the Federal Reserve considers full employment – an unemployment rate of less than 5 percent. The State’s average unemployment rate was 4.1 percent during 2018, while the City’s average lagged behind at about 5.9 percent, according to the Maryland Department of Labor, Licensing and Regulation. Baltimore’s rate has historically been two or three percentage points above the State rate. This represents the City’s lowest unemployment rate since before the Great Recession, and a decrease from last year’s average of 6.2 percent.

The relatively low unemployment rate in Fiscal 2018 was accompanied by a positive narrative about the increasing labor force and the capacity of the City’s labor market to generate stable employment and absorb market participants in the Baltimore area. Data from the Bureau of Labor Statistics indicates that when comparing calendar years 2016 to 2017, the City gained 5,900 jobs for a total of 372,100, representing an increase of 1.6 percent. During this same comparison period, the total number of labor market participants who are also City residents increased by 1.3 percent, from 295,002 to 298,837 individuals. This continued increase in our labor force and absorption of these workers by the job market during Fiscal 2018 was the reason for the City’s lowest unemployment rate since 2007.

The narrative of a healthy labor market was confirmed by the Income Tax Summary Report, released annually by the Maryland Revenue Administration Division, which shows that during 2016 there were 199,446 taxable returns filed in Baltimore City. This represents an increase of more than 3,000 total returns, or 1.6 percent versus calendar year 2014, even as population declined during this same period. Interestingly (and perhaps expectedly), the composition of filers has changed to reflect the household income composition discussed above. Of the total returns, 71,918 or 36 percent corresponded to individuals whose taxable income was higher than \$50,000. Moreover, Fiscal 2018 income taxes increased by \$19.9 million or 6.1 percent from the prior year. This increase is a reflection of the favorable conditions of the City’s labor market.

In Fiscal 2018 the housing market remained relatively unchanged compared to the prior year. According to data made available by the Metropolitan Regional Information System (MRIS), the City’s average median home sales price decreased slightly from \$133,163 to \$133,044, which does not warrant reporting on a percentage basis. The City maintained progress since the Great Recession, as Fiscal 2018 marked a plateau after three consecutive calendar years of average median price growth. On average, homes spent 10 fewer days on the market during Fiscal 2018 than during the prior year, decreasing from 77 to 67 days. This average is 53 fewer days on market than the average experienced during the period between Fiscals 2008 and 2012. The current average is less than that of the high-activity period prior to the burst of the housing bubble, when the average number of days on market was 82.

In Fiscal 2018 the City experienced its fourth consecutive year of real property tax assessment increases, after four years of consecutive declines. The City has not experienced any cash flow changes from real property tax – its most significant revenue source – that would suggest variation in the collection rate or decline relative to recent history. In fact, property

tax revenue in Fiscal 2018 increased by \$33.2 million, or 3.9 %, versus the prior year. Additionally, transfer and recordation tax revenue continued to support the thesis for a strong (and shifting) base of taxpaying households. In Fiscal 2018, receipts from these volatile sources – which are directly affected by real estate market activity – remained stable, decreasing modestly by \$1.1 million or 1.2 percent, However, growth has slowed substantially compared to the \$21 million, 29.6 percent increase from Fiscal 2015 to 2016.

To recap, the U.S. is currently enjoying one of the longest periods of economic expansion ever, but the risk of recession increases with each passing year of growth. Federal tax cuts in calendar year 2018 have added steam to the current expansion, but macro-economic factors such as trade tensions, rising interest rates, and a flattening yield curve are providing significant (and strengthening) headwinds. It follows that short and mid-term budgetary decisions must be carefully considered in order to minimize the risks of the next economic downturn.

### **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, 2018**  
(Expressed in Thousands)

	Primary Government			Component Units	
	Governmental	Business-type	Total	Baltimore City	Baltimore
	Activities	Activities		Public School	Hotel
			Total	System	Corporation
<b>Assets and deferred outflows of resources:</b>					
<b>Assets:</b>					
Cash and cash equivalents .....	\$ 306,741	\$ 617,527	\$ 924,268	\$ 159,007	\$ 2,981
Investments .....	528,325		528,325	234,396	44,777
Property taxes receivable, net .....	12,483		12,483		
Service receivable, net .....		132,462	132,462		
Other receivables, net .....	27,204	1,360	28,564	4,040	3,458
Due from other governments .....	133,213	331,169	464,382	39,201	
Internal balances .....	43,860	(43,860)			
Due from primary government .....				6,360	
Inventories, at cost .....	8,201	10,631	18,832	1,493	87
Notes and mortgages receivable, net .....	269,942	35,934	305,876		
Other assets .....	43,230		43,230	368	3,504
Net pension asset .....	10,020		10,020		
Capital assets being depreciated, net of accumulated depreciation .....	2,543,670	3,901,658	6,445,328	710,927	186,323
Capital assets not being depreciated .....	568,175	1,249,951	1,818,126	42,712	
<b>Total assets .....</b>	<b>4,495,064</b>	<b>6,236,832</b>	<b>10,731,896</b>	<b>1,198,504</b>	<b>241,130</b>
<b>Deferred outflow of resources:</b>					
Deferred amortization on early extinguishment of debt .....		66,324	66,324		
Deferred loss on bond refunding .....	6,764	15,066	21,830		
Deferred outflows related to pension .....	316,968	22,033	339,001	41,920	
Deferred outflows related to OPEB .....	19,256	1,910	21,166	9,193	
Interest rate swaps .....	1,228	11,500	12,728		
<b>Total deferred outflows of resources .....</b>	<b>344,216</b>	<b>116,833</b>	<b>461,049</b>	<b>51,113</b>	
<b>Total assets and deferred outflows of resources .....</b>	<b>4,839,280</b>	<b>6,353,665</b>	<b>11,192,945</b>	<b>1,249,617</b>	<b>241,130</b>
<b>Liabilities and deferred inflows of resources:</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities .....	260,957	256,129	517,086	232,681	16,621
Accrued interest payable .....	10,644	42,082	52,726		4,463
Unearned revenue .....	22,627		22,627	2,968	2,047
Notes payable .....					265,721
Due to other governments .....	4,654	6,004	10,658		
Deposits subject to refund .....	25,646	15	25,661		4,893
<b>Estimated claims in progress:</b>					
Due within one year .....	83,901		83,901		
Due in more than one year .....	274,604		274,604		
<b>Revenue bond payable, net:</b>					
Due within one year .....	17,302	75,225	92,527		
Due in more than one year .....	386,828	2,296,103	2,682,931		
Derivative instrument liability .....	1,228	28,602	29,830		
<b>Long term debt payable:</b>					
Due within one year .....	42,869	349	43,218	12,838	
Due in more than one year .....	728,476	3,240	731,716	84,147	
<b>Capital leases payable:</b>					
Due within one year .....	30,505	183	30,688	4,366	
Due in more than one year .....	129,502	643	130,145	10,129	
<b>Compensated absences:</b>					
Due within one year .....	45,656	5,447	51,103	5,167	
Due in more than one year .....	110,972	9,713	120,685	42,106	
Landfill closure due in more than one year .....	25,972		25,972		
Net pension liability .....	1,670,163	120,570	1,790,733	135,109	
Net OPEB liability .....	564,431	49,920	614,351	247,751	
Other liabilities .....	75,800	4,601	80,401	16,153	30,538
<b>Total liabilities .....</b>	<b>4,512,737</b>	<b>2,898,826</b>	<b>7,411,563</b>	<b>793,415</b>	<b>324,283</b>
<b>Deferred inflows of resources:</b>					
Deferred inflows related to pension .....	39,352	1,004	40,356	9,081	
Deferred inflows related to OPEB .....		1,146	1,146		
<b>Total deferred inflows of resources .....</b>	<b>39,352</b>	<b>2,150</b>	<b>41,502</b>	<b>9,081</b>	
<b>Total liabilities and deferred inflows of resources .....</b>	<b>4,552,089</b>	<b>2,900,976</b>	<b>7,453,065</b>	<b>802,496</b>	<b>324,283</b>
<b>Net position:</b>					
Net investment in capital assets .....	2,574,640	3,383,394	5,958,034	642,159	(79,398)
<b>Restricted for:</b>					
Construction .....	8,448		8,448	33,851	
Debt service, sanitation, and capital leases .....	460,487	161,308	621,795		
<b>Perpetual care:</b>					
Expendable .....	6,167		6,167		
Nonexpendable .....	8,521		8,521		
Unrestricted (deficits) .....	(2,771,072)	(92,013)	(2,863,085)	(228,889)	(3,755)
<b>Total net position .....</b>	<b>\$ 287,191</b>	<b>\$ 3,452,689</b>	<b>\$ 3,739,880</b>	<b>\$ 447,121</b>	<b>\$ (83,153)</b>

**CITY OF BALTIMORE**  
**Statement of Activities**  
**For the Year Ended June 30, 2018**  
(Expressed In Thousands)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position				
		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
<b>Primary Government:</b>									
<b>Governmental activities:</b>									
General government .....	\$ 404,025	\$ 51,986	\$ 103,378		\$ (248,661)		\$ (248,661)		
Public safety and regulation .....	781,830	22,150	26,620		(733,060)		(733,060)		
Conservation of health .....	134,743	7,223	87,888		(39,632)		(39,632)		
Social services .....	95,107		47,036		(48,071)		(48,071)		
Education .....	383,934				(383,934)		(383,934)		
Public library .....	35,189	180	16,586	\$ 46	(18,377)		(18,377)		
Recreation and culture .....	59,049	169	3,720	4,675	(50,485)		(50,485)		
Highways and streets .....	165,800	9,216	1,537	29,150	(125,897)		(125,897)		
Sanitation and waste removal .....	81,877	10,546			(71,331)		(71,331)		
Public service .....	50,052		55	7,224	(42,773)		(42,773)		
Economic development .....	131,347	9,684	37,637		(84,026)		(84,026)		
Interest .....	77,530				(77,530)		(77,530)		
<b>Total governmental activities .....</b>	<b>2,400,483</b>	<b>111,154</b>	<b>324,457</b>	<b>41,095</b>	<b>(1,923,777)</b>		<b>(1,923,777)</b>		
<b>Business-type activities:</b>									
Water .....	147,289	178,367		66,790		97,868	97,868		
Wastewater .....	207,730	258,386		102,364		153,020	153,020		
Stormwater .....	26,175	28,552				2,377	2,377		
Parking .....	17,797	85,257				67,460	67,460		
Nonmajor proprietary .....	10,087	28,639				18,552	18,552		
<b>Total business-type activities .....</b>	<b>409,078</b>	<b>579,201</b>		<b>169,154</b>		<b>339,277</b>	<b>339,277</b>		
<b>Total primary government .....</b>	<b>\$ 2,809,561</b>	<b>\$ 690,355</b>	<b>\$ 324,457</b>	<b>\$ 210,249</b>	<b>\$ (1,923,777)</b>	<b>\$ 339,277</b>	<b>\$ (1,584,500)</b>		
<b>Component units:</b>									
Baltimore City Public School System .....	\$ 1,388,698	\$ 163	\$ 165,683	\$ 28,861				\$ (1,193,991)	
Baltimore Hotel Corporation .....	63,786	64,917							\$ 1,131
<b>General revenues:</b>									
Property taxes .....					886,417		886,417		
Income taxes .....					346,797		346,797		
Transfer and recordation tax .....					89,298		89,298		
Electric and gas tax .....					42,438		42,438		
Telecommunications tax .....					32,799		32,799		
Admission tax .....					8,924		8,924		
Other local taxes .....					14,295		14,295		
State shared revenues .....					170,240		170,240		
State, federal, and City grants .....								1,195,034	
Unrestricted investment income .....					28,296	5,535	33,831	4,396	135
Miscellaneous .....					124,395		124,395	148,545	
Transfers .....					59,295	(59,295)			
<b>Total general revenues and transfers .....</b>					<b>1,803,194</b>	<b>(53,760)</b>	<b>1,749,434</b>	<b>1,347,975</b>	<b>135</b>
Changes in net position .....					(120,583)	285,517	164,934	153,984	1,266
Net position -- beginning (as restated) .....					407,774	3,167,172	3,574,946	293,137	(84,419)
<b>Net position -- ending .....</b>					<b>\$ 287,191</b>	<b>\$ 3,452,689</b>	<b>\$ 3,739,880</b>	<b>\$ 447,121</b>	<b>\$ (83,153)</b>

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

**CITY OF BALTIMORE**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2018**  
(Expressed In Thousands)

	General Fund	Grants Revenue Fund	Capital Projects Fund	Nonmajor Funds	Total
<b>Assets:</b>					
Cash and cash equivalents	\$ 235,352			\$ 12,556	\$ 247,908
Investments	515,389		\$ 4,336	8,600	528,325
Property taxes receivable, net	12,483				12,483
Other receivables, net	24,281		325	1,300	25,906
Due from other governments	79,233	\$ 33,107	17,982	2,891	133,213
Due from other funds	43,526		14,840	8,455	66,821
Notes and mortgages receivable, net	269,942				269,942
Inventories, at cost	1,023				1,023
Other assets	19,760				19,760
<b>Total assets</b>	<b>\$ 1,200,989</b>	<b>\$ 33,107</b>	<b>\$ 37,483</b>	<b>\$ 33,802</b>	<b>\$ 1,305,381</b>
<b>Liabilities, deferred inflows of resources and fund balances (deficits):</b>					
<b>Liabilities :</b>					
Accounts payable and accrued liabilities	\$ 207,699	\$ 26,058	\$ 16,350	\$ 2,111	\$ 252,218
Retainages payable			7,621		7,621
Estimated liability for claims in progress	83,901				83,901
Due to other funds	21,749			1,844	23,593
Due to other governments				4,654	4,654
Deposits subject to refund	25,646				25,646
Unearned revenue	18,027	4,600			22,627
<b>Total liabilities</b>	<b>357,022</b>	<b>30,658</b>	<b>23,971</b>	<b>8,609</b>	<b>420,260</b>
<b>Deferred inflows of resources:</b>					
Unavailable property taxes	18,611				18,611
Unavailable income taxes and other	14,211				14,211
Unavailable grants revenue				3,530	3,530
<b>Total deferred inflows of resources</b>	<b>32,822</b>			<b>3,530</b>	<b>36,352</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>389,844</b>	<b>30,658</b>	<b>23,971</b>	<b>12,139</b>	<b>456,612</b>
<b>Fund balances:</b>					
Nonspendable	2,210				2,210
Restricted	423,673		8,448	14,688	446,809
Assigned	221,658	2,449	5,064	8,794	237,965
Unassigned	163,604			(1,819)	161,785
<b>Total fund balances</b>	<b>811,145</b>	<b>2,449</b>	<b>13,512</b>	<b>21,663</b>	<b>848,769</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,200,989</b>	<b>\$ 33,107</b>	<b>\$ 37,483</b>	<b>\$ 33,802</b>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	3,001,264
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds	377,706
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	80,400
Unavailable revenue is not due and payable in the current period and, therefore, is not reported in the funds	36,352
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds	(4,057,300)
<b>Net position of governmental activities</b>	<b>\$ 287,191</b>

The notes to 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, 2018**  
(Expressed in Thousands)

	General Fund	Grants Revenue Fund	Capital Projects Fund	Nonmajor Funds	Total
<b>Revenues:</b>					
Taxes -- local .....	\$ 1,406,403			\$ 12,558	\$ 1,418,961
State shared revenue .....	146,174			24,066	170,240
Licenses and permits .....	41,043				41,043
Fines and forfeitures .....	27,085				27,085
Interest, rentals and other investment income .....	27,071		\$ 270	955	28,296
Federal grants .....	79	\$ 131,346	35,351	17,261	184,037
State grants .....	104,644	75,378	5,744		185,766
Other grants .....	27	27,233			27,260
Charges for services .....	43,026				43,026
Miscellaneous .....			20,654		20,654
Other revenue .....				1,250	1,250
Total revenues .....	1,795,552	233,957	62,019	56,090	2,147,618
<b>Expenditures:</b>					
<b>Current:</b>					
General government .....	155,606	26,490		26,756	208,852
Public safety and regulation .....	766,230	15,948		1,781	783,959
Conservation of health .....	38,648	96,199			134,847
Social services .....	59,899	35,989			95,888
Education .....	293,355	698		35	294,088
Public library .....	24,505	9,438		63	34,006
Recreation and culture .....	43,845	4,766		2,496	51,107
Highways and streets .....	99,848	150		44	100,042
Sanitation and waste removal .....	75,384			373	75,757
Public service .....	42,579	5,562			48,141
Economic development .....	41,634	26,571	52,808	10,309	131,322
<b>Debt service:</b>					
Principal .....	51,466				51,466
Interest .....	43,247				43,247
Capital outlay .....			108,679		108,679
Capital lease .....			25,054		25,054
Total expenditures .....	1,736,246	221,811	186,541	41,857	2,186,455
Excess (deficiency) of revenues over (under) expenditures .....	59,306	12,146	(124,522)	14,233	(38,837)
<b>Other financing sources (uses):</b>					
Transfers in .....	185,535	27,601	39,032		252,168
Transfers out .....	(148,499)	(23,714)	(4,462)	(17,790)	(194,465)
Transportation revenue bonds .....			14,924		14,924
Refunding of general obligation bonds .....			(133,560)		(133,560)
Payoff of bond anticipation note .....			(60,148)		(60,148)
Capital lease .....			29,618		29,618
Refunding of capital leases .....			(4,563)		(4,563)
Premium on general obligation bonds .....			35,923		35,923
Face value of general obligation bonds .....			225,155		225,155
Total other financing sources (uses) .....	37,036	3,887	141,919	(17,790)	165,052
Net changes in fund balance .....	96,342	16,033	17,397	(3,557)	126,215
Fund balances (deficits) -- beginning (as restated) .....	714,803	(13,584)	(3,885)	25,220	722,554
Fund balances -- ending .....	\$ 811,145	\$ 2,449	\$ 13,512	\$ 21,663	\$ 848,769

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

**CITY OF BALTIMORE**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2018**  
(Expressed in Thousands)

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

Net changes in fund balance -- total governmental funds .....	\$ 126,215
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 .....	(44,253)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds .....	(304,486)
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 .....	134,118
The net effect of the expense for recording the City's OPEB liability are not reported as expenditures in the governmental funds .....	29,908
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 .....	(61,189)
The net loss of certain activities of internal service funds is reported with governmental activities .....	(896)
Changes in net position of governmental activities .....	\$ (120,583)

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, 2018**  
(Expressed in Thousands)

	Enterprise Funds						Internal Service Funds
	Water Utility Fund	Wastewater Utility Fund	Stormwater Utility Fund	Parking Facilities Fund	Nonmajor Funds	Total	
<b>Assets and deferred outflows of resources:</b>							
<b>Current assets:</b>							
Cash and cash equivalents	\$ 71,130	\$ 113,624	\$ 32,145	\$ 7,553	\$ 15,227	\$ 239,679	\$ 22,019
Accounts receivable, net:							
Service billings	56,668	68,043	7,751			132,462	
Other	129	129		1,102		1,360	1,298
Due from other governments	20,145	60,000				80,145	
Inventories	9,927	258	446			10,631	7,178
Restricted assets:							
Cash and cash equivalents	40,243	61,692				101,935	
Notes and mortgages receivable				2,460		2,460	
<b>Total current assets</b>	<b>198,242</b>	<b>303,746</b>	<b>40,342</b>	<b>11,115</b>	<b>15,227</b>	<b>568,672</b>	<b>30,495</b>
<b>Noncurrent assets:</b>							
Restricted assets:							
Cash and cash equivalents	58,500	130,853		32,497	54,063	275,913	36,814
Due from other governments	73,531	177,493				251,024	
Notes and mortgages receivable				33,474		33,474	
Capital assets, net of accumulated depreciation	1,264,614	2,255,838	235,099	81,190	64,917	3,901,658	110,581
Capital assets not being depreciated	361,405	802,845	33,502	15,154	37,045	1,249,951	
<b>Total noncurrent assets</b>	<b>1,758,050</b>	<b>3,367,029</b>	<b>268,601</b>	<b>162,315</b>	<b>156,025</b>	<b>5,712,020</b>	<b>147,395</b>
<b>Total assets</b>	<b>1,956,292</b>	<b>3,670,775</b>	<b>308,943</b>	<b>173,430</b>	<b>171,252</b>	<b>6,280,692</b>	<b>177,890</b>
<b>Deferred outflows of resources</b>							
Deferred amortization on early extinguishment of debt	33,767	32,557				66,324	
Deferred loss on bond refunding				15,066		15,066	
Deferred outflows related to pension	10,547	9,608	1,256		622	22,033	
Deferred outflows related to OPEB	831	795	198		86	1,910	
Interest rate swaps	7,290			4,210		11,500	
<b>Total deferred outflows of resources</b>	<b>52,435</b>	<b>42,960</b>	<b>1,454</b>	<b>19,276</b>	<b>708</b>	<b>116,833</b>	
<b>Total assets and deferred outflows of resources</b>	<b>2,008,727</b>	<b>3,713,735</b>	<b>310,397</b>	<b>192,706</b>	<b>171,960</b>	<b>6,397,525</b>	<b>177,890</b>
<b>Liabilities:</b>							
<b>Current liabilities:</b>							
Accounts payable and accrued liabilities	14,050	19,298	394	787	255	34,784	8,494
Accrued interest payable	19,185	20,887	103	1,907		42,082	
Deposits subject to refund	15					15	
Due to other funds	9,892				32,509	42,401	480
Due to other governments		6,004				6,004	
Compensated absences	2,434	2,618	249		146	5,447	1,019
Other liabilities					4,601	4,601	
Accounts payable from restricted assets	90,756	121,504	2,399		6,686	221,345	
Leases payable		183				183	16,266
Revenue bonds payable	21,058	40,805	1,092	12,270		75,225	
General long-term debt payable			349			349	
<b>Total current liabilities</b>	<b>157,390</b>	<b>211,299</b>	<b>4,586</b>	<b>14,964</b>	<b>44,197</b>	<b>432,436</b>	<b>26,259</b>
<b>Noncurrent liabilities:</b>							
Leases payable		643				643	70,067
Revenue bonds payable, net	951,358	1,236,046	9,439	99,260		2,296,103	
Derivative instrument liability	10,909			17,693		28,602	
Compensated absences	4,667	4,060	798		188	9,713	2,623
General long-term debt payable			3,240			3,240	
Net pension liability	57,715	52,578	6,871		3,406	120,570	
Net OPEB liability	22,831	21,782	3,501		1,806	49,920	
<b>Total noncurrent liabilities</b>	<b>1,047,480</b>	<b>1,315,109</b>	<b>23,849</b>	<b>116,953</b>	<b>5,400</b>	<b>2,508,791</b>	<b>72,690</b>
<b>Total liabilities</b>	<b>1,204,870</b>	<b>1,526,408</b>	<b>28,435</b>	<b>131,917</b>	<b>49,597</b>	<b>2,941,227</b>	<b>98,949</b>
<b>Deferred inflows of resources:</b>							
Deferred inflows related pension	481	438	57		28	1,004	
Deferred inflows related OPEB	339	807				1,146	
<b>Total deferred inflows of resources</b>	<b>820</b>	<b>1,245</b>	<b>57</b>		<b>28</b>	<b>2,150</b>	
<b>Total liabilities and deferred inflows of resources</b>	<b>1,205,690</b>	<b>1,527,653</b>	<b>28,492</b>	<b>131,917</b>	<b>49,625</b>	<b>2,943,377</b>	<b>98,949</b>
<b>Net position:</b>							
Net investment in capital assets	871,921	2,130,618	255,097	23,796	101,962	3,383,394	24,248
Restricted for:							
Debt service	56,078	75,781		29,449		161,308	
Unrestricted (deficit)	(124,962)	(20,317)	26,808	7,544	20,373	(90,554)	54,693
<b>Total net position</b>	<b>\$ 803,037</b>	<b>\$ 2,186,082</b>	<b>\$ 281,905</b>	<b>\$ 60,789</b>	<b>\$ 122,335</b>	<b>\$ 3,454,148</b>	<b>\$ 78,941</b>
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds						(1,459)	
<b>Net position of business-type activities</b>						<b>\$ 3,452,689</b>	

The notes to 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, 2018**  
(Expressed In Thousands)

	Enterprise Funds					Total	Internal Service Funds
	Water Utility Fund	Wastewater Utility Fund	Stormwater Utility Fund	Parking Facilities Fund	Nonmajor Funds		
Operating revenues:							
Charges for sales and services .....							\$ 106,552
Water, sewer and stormwater service .....	\$ 174,656	\$ 257,273	\$ 28,263			\$ 460,192	
Rents and fees .....	305	389	199	\$ 85,257	\$ 28,552	114,702	
Other income .....	3,406	724	90		87	4,307	
Total operating revenues .....	178,367	258,386	28,552	85,257	28,639	579,201	106,552
Operating expenses:							
Salaries and wages .....	38,123	42,595	7,830		3,754	92,302	18,870
Other personnel costs .....	16,567	18,282	4,663		2,268	41,780	7,984
Contractual services .....	31,786	69,167	6,672	9,015		116,640	45,666
Materials and supplies .....	6,696	10,486	485		174	17,841	3,663
Minor equipment .....	665	1,072	83		268	2,088	5,285
Postage and delivery services .....							1,697
Depreciation .....	34,457	53,067	4,881	2,801	1,157	96,363	13,287
Program expenses .....					796	796	
Other .....		46				46	
Total operating expenses .....	128,294	194,715	24,614	11,816	8,417	367,856	96,452
Operating income .....	50,073	63,671	3,938	73,441	20,222	211,345	10,100
Nonoperating revenues (expenses):							
Loss on sale of investments .....	(584)	(366)				(950)	(1,680)
Other .....			(1,951)		(1,838)	(3,789)	
Interest income .....	2,824	3,299	362			6,485	
Interest expense .....	(21,516)	(16,780)	(64)	(5,981)		(44,341)	
Total nonoperating expenses, net .....	(19,276)	(13,847)	(1,653)	(5,981)	(1,838)	(42,595)	(1,680)
Income before capital contributions and transfers .....	30,797	49,824	2,285	67,460	18,384	168,750	8,420
Capital contributions .....	66,790	102,364				169,154	(4,000)
Transfers in .....							1,842
Transfers out .....				(59,295)		(59,295)	(250)
Changes in net position .....	97,587	152,188	2,285	8,165	18,384	278,609	6,012
Total net position - beginning (as restated) .....	705,450	2,033,894	279,620	52,624	103,951	3,175,539	72,929
Total net position - ending .....	\$ 803,037	\$ 2,186,082	\$ 281,905	\$ 60,789	\$ 122,335	3,454,148	\$ 78,941
Adjustment to reflect the consolidation of internal service activities related to enterprise funds .....						(1,459)	
Net position of business-type activities .....						\$ 3,452,689	

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

**CITY OF BALTIMORE**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures and Changes in Fund Balances of Proprietary Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2018**  
(Expressed in Thousands)

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Amounts reported for business-type activities in the statement of activities are different because:

Net change in fund balance -- total proprietary funds .....	\$	278,609
The net expense of certain activities of internal service funds is reported with business-type activities .....		6,908
Change in net position of business-type activities .....	\$	285,517

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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, 2018**  
(Expressed in Thousands)

	Enterprise Funds						Internal Service Funds
	Water Utility Fund	Wastewater Utility Fund	Stormwater Utility Fund	Parking Facilities Fund	Nonmajor Funds	Total	
<b>Cash flows from operating activities:</b>							
Receipts from customers .....	\$ 192,112	\$ 273,987	\$ 28,133	\$ 85,061	\$ 28,639	\$ 607,932	\$ 103,770
Payments to employees .....	(61,055)	(69,228)	(12,712)		(6,682)	(149,677)	(26,348)
Payments to suppliers .....	(41,055)	(80,697)	(6,846)	(10,162)	321	(138,439)	(55,820)
Net cash provided by operating activities .....	90,002	124,062	8,575	74,899	22,278	319,816	21,602
<b>Cash flows from noncapital financing activities:</b>							
Transfers in .....							1,842
Transfers out .....				(59,295)		(59,295)	
Net cash provided (used) by noncapital financing activities .....				(59,295)		(59,295)	1,842
<b>Cash flows from capital and related financing activities:</b>							
Mortgages receivable principal payments .....				4,556		4,556	
Proceeds from revenue bonds .....		40,884				40,884	
Proceeds from bonds anticipation notes payable .....			1,404			1,404	
Principal paid on revenue bonds .....	(17,370)	(20,855)	(690)	(11,490)		(50,405)	
Principal paid on State water quality loans .....	(1,071)	(18,085)	(365)			(19,521)	
Principal paid on general long-term debt .....			(255)			(255)	
Payments on refunded debt .....		(3,648)	(852)			(4,500)	
Interest received .....	2,824	3,298	362	202		6,686	
Interest paid .....	(19,646)	(15,028)	2,094	(7,531)		(40,111)	
Acquisition and construction of capital assets .....	(175,733)	(219,920)	(16,399)	(1,013)	(53,569)	(466,634)	(12,105)
Capital lease payments .....		(261)				(261)	
Capital contributions received .....	71,872	83,590				155,462	
Due to other funds .....					26,446	26,446	
Net cash (used) by capital and related financing activities .....	(139,124)	(150,025)	(14,701)	(15,276)	(27,123)	(346,249)	(12,105)
<b>Cash flows from investing activities:</b>							
Loss on sale of investments .....	(584)					(584)	
Gain on investments .....		(366)				(366)	
Net cash (used) by investing activities .....	(584)	(366)				(950)	
Net increase (decrease) in cash and cash equivalents .....	(49,706)	(26,329)	(6,126)	328	(4,845)	(86,678)	11,339
Cash and cash equivalents, beginning of year .....	219,579	332,498	38,271	39,722	74,135	704,205	47,495
Cash and cash equivalents, end of year .....	\$ 169,873	\$ 306,169	\$ 32,145	\$ 40,050	\$ 69,290	\$ 617,527	\$ 58,834
<b>Reconciliation of operating income to net cash provided by operating activities:</b>							
Operating income (loss) .....	\$ 50,073	\$ 63,671	\$ 3,938	\$ 73,441	\$ 20,222	\$ 211,345	\$ 10,100
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>							
Depreciation expense .....	34,457	53,067	4,881	2,801	1,157	96,363	13,287
<b>Effect of changes in non cash operating assets and liabilities:</b>							
Accounts receivables .....	13,746	15,648	(420)	(196)		28,778	(72)
Inventories .....	(2,097)	(20)	57			(2,060)	526
Deferred outflows - pension .....	6,184	3,603	1,146		441	11,374	
Deferred outflows - opeb .....	(831)	(795)	(198)		(86)	(1,910)	
Accounts payable and accrued liabilities .....	54	(513)	115	(1,147)	17	(1,474)	517
Compensated absences .....	310	132	350			792	485
Due to (from) other funds .....	9,892					9,892	(3,241)
Deferred inflows - pensions .....	(8,067)	(7,554)	(316)		(840)	(16,777)	
Deferred inflows - opeb .....	339	807				1,146	
Pension liability - current period .....	(1,452)	(1,206)	(769)		(54)	(3,481)	
Opeb liability .....	(2,777)	(3,373)	(209)		(139)	(6,498)	
Due to other governments .....	(9,829)	595				(9,234)	
Other liabilities .....					1,537	1,537	
Other noncurrent liabilities .....					23	23	
Total adjustments .....	39,929	60,391	4,637	1,458	2,056	108,471	11,502
Net cash provided by operating activities .....	\$ 90,002	\$ 124,062	\$ 8,575	\$ 74,899	\$ 22,278	\$ 319,816	\$ 21,602
<b>Noncash activity from capital and related financing activities:</b>							
New capital leases .....							\$ 22,706
Acquisition and construction of capital assets financed by debt .....	\$ 51,042	\$ 35,449	\$ 522			\$ 87,013	
Increase in issuance of State water quality loans .....		166,976	1,404			168,380	
Total noncash activity from capital and related financing activities .....	\$ 51,042	\$ 202,425	\$ 1,926			\$ 255,393	\$ 22,706

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

**CITY OF BALTIMORE**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2018**  
(Expressed In Thousands)

	Pension/OPEB		Total
	Trust Funds	Agency Funds	
<b>Assets:</b>			
Cash and cash equivalents .....	\$ 138,812	\$ 233	\$ 139,045
<b>Investments:</b>			
Stocks .....	3,367,680		3,367,680
Bonds .....	1,021,831	53	1,021,884
Real Estate .....	472,807		472,807
Securities lending collateral .....	144,899		144,899
<b>Accounts receivable, net:</b>			
Other .....		347	347
Forward foreign contracts .....	25,065		25,065
Other assets .....	102,344		102,344
<b>Total assets</b> .....	<b>5,273,438</b>	<b>633</b>	<b>5,274,071</b>
<b>Liabilities:</b>			
Obligations under securities lending program .....	144,899		144,899
Forward foreign contracts .....	24,852		24,852
Accounts payable .....	82,962		82,962
Due to other funds .....		347	347
Other .....	367	286	653
<b>Total liabilities</b> .....	<b>253,080</b>	<b>633</b>	<b>253,713</b>
<b>Net position:</b>			
<b>Net position restricted for Pensions and OPEB</b> .....	<b>\$ 5,020,358</b>		<b>\$5,020,358</b>

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

**CITY OF BALTIMORE**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the year Ended June 30, 2018**  
(Expressed In Thousands)

	Pension/OPEB Funds Total
<b>Additions:</b>	
<b>Contributions:</b>	
Employer .....	\$ 370,746
Employee .....	97,763
Total contributions .....	<u>468,509</u>
<b>Investment income:</b>	
Net appreciation in fair value of investments .....	323,122
Securities lending income .....	9,575
Interest and dividend income .....	79,541
Total investment income .....	<u>412,238</u>
<b>Less: investment expense .....</b>	<u>25,816</u>
Net investment income .....	<u>386,422</u>
Total additions .....	<u>854,931</u>
<b>Deductions:</b>	
Retirement benefits .....	392,533
Health benefits .....	159,817
Death benefits .....	720
Administrative expenses .....	8,638
Other .....	3,981
Total deductions .....	<u>565,689</u>
Changes in net position .....	289,242
Net position restricted for Pensions and OPEB - beginning of the year .....	<u>4,731,116</u>
Net position restricted for Pensions and OPEB - end of year .....	<u>\$ 5,020,358</u>

The notes to 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.

##### *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 and is a financial burden to 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) and the net other post employment liability (OPEB) 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, 2017 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. 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 2018, 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, 2018, 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.



CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

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

Unbilled water and 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, donated works of art, and similar items are recorded at acquisition value. 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. Donated capital assets, such as works of art, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. 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, 2018. 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.

## CITY OF BALTIMORE

### Notes to Basic Financial Statements

(Continued)

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

State law requires that all real property be reassessed every three years, and further provides that the amount of any increase over previous established market values be phased in over a three-year period. To accomplish the triennial assessment requirement, approximately one-third of all real property is reviewed annually. The City Council, effective with the fiscal year beginning July 1, 1991, enacted a 104% homestead tax credit program which will protect home owners from increases in assessments that are greater than 4% in any one year. The assessed value of real property in Baltimore City for fiscal year 2018 was \$33,909,100,000 which was approximately 87.3% of the estimated market value.

The tax rate in Baltimore City for real property taxes for fiscal year 2018 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 97.0% of the total tax levy.

At June 30, 2018, the City had property taxes receivable of \$12,483,000, net of an allowance for uncollectible accounts of \$12,510,000.

#### *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 1<sup>st</sup>, and expire on June 30<sup>th</sup> 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.

## CITY OF BALTIMORE

### Notes to Basic Financial Statements

(Continued)

#### *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, 2018, the City recognized unamortized losses on early extinguishments of debt, refunding, pension and OPEB activity, 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, 2018, the City recognized deferred inflows of resources in the governmental funds for property taxes, income taxes, other prepaid taxes and notes receivables. Additionally, the City recognized deferred inflows of resources in the government-wide statement of net position for pension and OPEB.

#### *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 not 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.

## CITY OF BALTIMORE

### Notes to Basic Financial Statements

(Continued)

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

#### **Restricted fund balance**

*Landfill closure and development* – This portion of fund balance has been set aside to fund the cost of future landfill development and closure cost as required by federal regulation.

*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 2018 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 2018, the City adopted Governmental Accounting Standards Board Statement No. 75, “*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*”, Statement No. 81, “*Irrevocable Split-Interest Agreements*”, Statement No. 86, “*Certain Debt Extinguishment Issues*”, and Statement No. 85, “*Omnibus 2017*”. The implementation of these standards had 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. 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. 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.

*GASB Statement No. 88*

In April 2018, the GASB issued Statement No. 88, “*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*”. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The City is required to adopt GASB No. 88 for its fiscal year 2019 financial statements.

*GASB Statement No. 89*

In June 2018, the GASB issued Statement No. 89, “*Accounting for Interest Cost Incurred before the End of a Construction Period*”. The objective of this Statement is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. This Statement supersedes all interest cost that previously was accounted for in accordance with Statement No. 62. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

historical cost of a capital asset reported in a business-type activity or enterprise fund. The City is required to adopt GASB No. 89 for its fiscal year 2021 financial statements.

*GASB Statement No. 90*

In August 2018, the GASB issued Statement No. 90, “*Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*”. The objective of this Statement is to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement modifies previous guidance for reporting a government’s majority equity interest in a legally separate organization. The City is required to adopt GASB No. 90 for its fiscal year 2020 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 .....	\$ 5,958,917
Less accumulated depreciation .....	(2,957,653)
Total .....	\$ 3,001,264
Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds:	
Net pension asset .....	\$ 10,020
Other asset .....	23,470
Deferred loss on bond refundings .....	6,764
Deferred outflow of resources (pension).....	316,968
Deferred outflow of resources (OPEB).....	19,256
Interest rate swaps .....	1,228
Total .....	\$ 377,706
Internal Service funds are used by management to charge the cost of fleet management, mailing, communications, printing energy conservation and building maintenance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position .....	
	\$ 80,400
Unavailable revenue is not due and payable in the current period, and therefore, is not reported in the funds .....	
	\$ 36,352
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
Accounts payable .....	\$ 7,029
Accrued interest payable .....	(10,644)
Long-term bonds .....	(771,345)
Revenue bonds .....	(404,130)
Capital leases .....	(73,674)
Compensated absences and other .....	(152,986)
Estimated claims in progress .....	(274,604)
Landfill closure liability .....	(25,972)
Derivative instrument liability .....	(1,228)
Net pension liability .....	(1,670,163)
Net OPEB liability .....	(564,431)
Other liabilities .....	(75,800)
Deferred inflow of resources (pension).....	(39,352)
Total .....	\$ (4,057,300)

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 .....	\$ 81,236
Depreciation .....	(125,489)
Total .....	\$ (44,253)
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 .....	\$ (31,511)
Note receipts are not considered as available revenues in the governmental funds.....	(27)
Proceed from new debt .....	(275,372)
Tax revenues not received for several months after the fiscal year end are not considered as available revenues in the governmental funds .....	2,424
Total .....	\$ (304,486)
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 .....	\$ 245,174
Accrued interest payable .....	(4,534)
Capital leases .....	758
Claims liability .....	(13,598)
Landfill closure liability .....	(5,329)
Compensated absences .....	(9,749)
Miscellaneous other liability .....	(75,800)
Other miscellaneous .....	(2,804)
Total .....	\$ 134,118
The net effect of the expenses for recording the City's OPEB liability are not reported as expenditure in the governmental funds .....	
	\$ 29,908
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 .....	
	\$ (61,189)
The net income of certain activities of internal service funds is reported with governmental activities:	
Internal service funds net expenses attributed to governmental activities .....	\$ (896)

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, 2018 (amounts expressed in thousands):

	Government-wide Statements of Net Position	Fiduciary Funds Statement of Net Position Total	Total
Cash and cash equivalent .....	\$ 509,606	\$ 139,045	\$ 648,651
Investments .....	528,325	4,862,372	5,390,697
Restricted cash and cash equivalent .....	414,662		414,662
<b>Total .....</b>	<b>\$ 1,452,593</b>	<b>\$ 5,001,417</b>	<b>\$ 6,454,010</b>

B. CASH DEPOSITS

At June 30, 2018, the carrying amount of the City's bank deposits was \$7,219,000 and the respective bank balances totaled \$7,380,000. All of the City's cash deposits are either insured through the Federal Depository Insurance Corporation, or collateralized by securities held in the name of the City, by the City's agent.

At June 30, 2018, BCPSS and BHC had demand deposits with carrying values of \$7,200,000 and \$2,981,000, 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 a table on the following page.



CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

This primary government’s investments at June 30, 2018, are presented below. All investments are presented by investment type, and debt securities are presented by maturity (amounts expressed in thousands):

Investment Type	Fair Market Value	Investment Maturities (In Months)		
		Less Than 6	6 to 12	Greater Than 12
<b>Debt Securities:</b>				
U.S. Treasury .....	\$ 664		\$ 110	\$ 554
U.S. Agencies .....	448,220	\$ 160,506		287,714
Repurchase agreements .....	178,000		178,000	
Money market mutual funds .....	809,164	809,164		
Commercial paper .....	1,836			1,836
	1,437,884	\$ 969,670	\$ 178,110	\$ 290,104
<b>Other investments:</b>				
Equity mutual funds .....	7,490			
	1,445,374			
Less: cash equivalents .....	917,049			
Total investments .....	\$ 528,325			

*Investments and Valuation* - The City categorizes its investments using the fair value measurements identified in 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 gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Investment Type	Fair Market Value	Investment Levels		
		Level 1	Level 2	Level 3
<b>Debt Securities:</b>				
U.S. Treasury .....	\$ 664	\$ 664		
U.S. Agencies .....	448,220	448,220		
Repurchase agreements .....	178,000	178,000		
Equity mutual funds .....	7,490	7,490		
Money market mutual funds .....	809,164	809,164		
Commercial paper .....	1,836		\$ 1,836	
	1,445,374	\$ 1,443,538	1,836	
Less: cash equivalents .....	917,049			
Total investments .....	\$ 528,325			

Level 1 - Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;

Level 2 - Valuations based on quoted prices for similar assets or liabilities in active markets or identical assets or liabilities in less active markets, such as dealer or broker markets; and

Level 3 - Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

*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.

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

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, 2018 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
<b>Debt Securities:</b>			
U.S. Agencies .....	\$ 448,220	\$ 448,220	
Money market mutual funds .....	809,164	not rated	
Commercial paper .....			not rated
<b>Total investments .....</b>	<b>\$ 1,257,384</b>	<b>\$ 448,220</b>	

*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, 2018, that were more than five percent of total investments (dollar amounts expressed in thousands):

Investment	Fair Value	Percentage of Portfolio
Cantor Repurchase Agreement .....	\$ 178,000	13.01%

**Retirement Systems**

The City’s three Retirement Systems (Systems or System) 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 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.

CITY OF BALTIMORE  
Notes to Basic Financial Statements  
(Continued)

The invested assets of the retirement systems at June 30, 2018 are as follows (amounts expressed in thousands):

Investment Type	Carrying Value			Total
	Employees' Retirement System	Elected Officials' Retirement System	Fire and Police Employees' Retirement System	
<b>Debt Securities:</b>				
U.S. Treasury notes and bonds .....	\$ 9,937		\$ 67,691	\$ 77,628
U.S./Canadian government agency bonds .....	65,732		55,784	121,516
Non-U.S. government agency bonds .....	22,451			22,451
Corporate bonds .....	123,877	\$ 5,647	152,444	281,968
Commingled fixed income fund .....	211,090			211,090
Mutual funds .....	84,370	49	44,929	129,348
Total debt securities .....	517,457	5,696	320,848	844,001
<b>Other:</b>				
Domestic equities .....	504,904	10,536	509,487	1,024,927
International equities .....	377,137	6,037	476,351	859,525
Hedge funds .....	40,000	1,081	195,933	237,014
Commingled debt and equity fund .....			516,780	516,780
Private equity funds .....	98,046		186,913	284,959
Energy master limited partnerships .....			218,438	218,438
Real estate .....	157,097	2,509	263,578	423,184
Total other .....	1,177,184	20,163	2,367,480	3,564,827
Total investments .....	1,694,641	25,859	2,688,328	4,408,828
Less: Cash and cash equivalents .....	84,370	49	44,930	129,349
<b>Total net investment .....</b>	<b>\$ 1,610,271</b>	<b>\$ 25,810</b>	<b>\$ 2,643,398</b>	<b>\$ 4,279,479</b>

*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 Fire and Police Employee’s Retirement 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, 2018 is presented on the following table (amounts expressed in thousands):

Currency	Employees' Retirement System	Fire and Police Employees' Retirement System	Total
Euro Currency Unit .....	\$ 81,618	\$ 117,700	\$ 199,318
Australian Dollar .....	15,962	3,530	19,492
Brazil Real .....	2,388	467	2,855
British Pound Sterling .....	41,600	105,980	147,580
Canadian Dollar .....	24,193	26,445	50,638
Chilean Peso .....	847		847
Chinese Yuan Renminbi .....	(1,064)		(1,064)
Columbian Peso .....	1,029		1,029
Czech Koruna .....	1		1
Danish Krone .....	1,822	7,117	8,939
Hong Kong Dollar .....	18,354	21,870	40,224
Hungarian Forint .....	284		284
Indian Rupee .....	854		854
Indonesian Rupian .....	3,704	1,742	5,446
Israeli Shekel .....	628		628
Japanese Yen .....	54,406	63,902	118,308
Malaysian Ringgit .....	1,361		1,361
Mexican Peso .....	2,289	62	2,351
New Taiwan Dollar .....		1,854	1,854
New Zealand Dollar .....	2,490		2,490
Norwegian Krone .....	5,730	1,261	6,991
Peruvian Sol .....	316		316
Philippines Peso .....	1,693		1,693
Polish Zloty .....	835		835
Russian Ruble .....	28		28
Singapore Dollar .....	12,032	272	12,304
South African Comm Rand .....	4,831	1,670	6,501
South Korean Won .....	484	3,091	3,575
Swedish Krona .....	11,738	8,709	20,447
Swiss Franc .....	15,756	31,211	46,967
Thai Baht .....	377	283	660
Turkish Lira .....	816		816
UAE Dirham .....	65		65
<b>Total Foreign Currency .....</b>	<b>\$ 307,467</b>	<b>\$ 397,166</b>	<b>\$ 704,633</b>

*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.

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

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.

The credit rating and duration of investments at June 30, 2018, 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 .....	10.75	\$ 9,937	\$ 9,937				
U.S. Government agency bonds .....	3.11	65,732	25,817	\$ 1,173			\$ 38,742
Non-U.S. Government bonds and agencies .....	4.29	22,451	15,025	5,985			1,441
Corporate bonds .....	3.24	123,877	50,546	56,362	\$ 396	\$ 223	16,350
Mutual funds .....	N/A	84,370					84,370
Commingled fixed income funds .....	6.01	211,090					211,090
Total debt securities .....		\$ 517,457	\$ 101,325	\$ 63,520	\$ 396	\$ 223	\$ 351,993
<i>Elected Officials' Retirement System:</i>							
Corporate bonds .....	6.01	\$ 5,648					\$ 5,648
Mutual funds .....	0.26	49					49
Total debt securities .....		\$ 5,697					\$ 5,697
<i>Fire and Police Employees' Retirement System:</i>							
U.S. Treasury notes and bonds .....	6.81	\$ 67,691	\$ 67,691				
U.S. Government agency bonds .....	3.87	55,784	53,362				\$ 2,422
Corporate bonds .....	4.44	152,443	77,790	\$ 69,848			4,805
Mutual funds .....	N/A	44,929					44,929
Total debt securities .....		\$ 320,847	\$ 198,843	\$ 69,848	\$	\$	\$ 52,156

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, 2018, 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, 2018, was \$323,517,000, and the market value of the collateral received for those securities on loan was \$343,669,000 which included collateral received in cash in the amount of \$145,564,000. 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.

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

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 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, 2018, 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 .....	\$ 9,463	\$ 9,463	
U.S. Treasury obligations .....	14,531		\$ 14,531
U.S. Government agencies .....	16,260		16,260
Corporate bonds .....	101,876		101,876
Subtotal .....	142,130	\$ 9,463	\$ 132,667
Real estate .....	49,623		
Stocks .....	400,549		
Total investments .....	592,302		
Less: cash and cash equivalents .....	9,463		
Total net investments .....	\$ 582,839		

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 on the following page 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.

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Notes to Basic Financial Statements

(Continued)

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

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)
<b>Debt securities</b>				
U.S. Treasury Notes and Bonds .....	\$ 14,531	\$ 14,531		
U.S. Government Agency Bonds .....	16,260		\$ 16,260	
Corporate Bonds .....	36,730		36,730	
Total debt securities at fair value level .....	<u>67,521</u>	<u>14,531</u>	<u>52,990</u>	
<b>Equity securities</b>				
Domestic equities .....	93,109	93,109		
International equities .....	17,176	17,176		
Total equity securities at fair value level .....	<u>110,285</u>	<u>\$ 110,285</u>		
Total investments by fair value level .....	<u>177,806</u>			
<b>Investments measured at the net asset value (NAV)</b>				
Commingled fixed income .....	65,146			
Domestic equities .....	110,616			
Defensive equities .....	24,865			
International equities .....	112,768			
Real estate .....	49,623			
Hedge funds .....	41,781			
Private equities .....	234			
Total investments measured at the NAV .....	<u>405,033</u>			
Total net investments .....	<u>\$ 582,839</u>			

Investment Measured at the Net Asset Value (NAV)	Base Annual	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Commingled fixed income.....	\$ 65,146		Daily, weekly & monthly	0 - 30 days (1)
Domestic equities.....	110,616		Daily, weekly & monthly	0 - 30 days (2)
Defensive equities.....	24,865		Daily, weekly & monthly	0 - 30 days (3)
International equities.....	112,768		Daily, weekly & monthly	0 - 30 days (4)
Real estate.....	49,623		Quarterly	90-100 days (5)
Hedge funds.....	41,781		Quarterly	90-100 days (6)
Private equities.....	235	\$ 15,000	Not eligible	N/A (7)
Total investments measured at the NAV	<u>\$ 405,034</u>	<u>\$ 15,000</u>		

(1) International equity investments are in both managed funds and direct investments. Investment in managed funds are in securities where rigorous dividend discount analysis is used to identify value in terms of long-term flow of income as well as in funds which employs strategies that seeks to outperform the MSCI World index (half-hedged) while maintaining a similar level of market risk over the long-term. The direct investment is focused on protection in a down market while performing a rigorous fundamental analysis by assessing competitive framework, scrutinizing financials, analyzing business environment and evaluating management.

(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) Commingled fixed income investment is in 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.

(4) Real estate investments 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.

(5) The system's hedge fund investment is in a multi-strategy fund. The fund has a deep and thorough research process that is harnessed through a dynamic risk budgeting framework. The investment is eligible for redemption with a 90-100 days notice period.

(6) Defensive equity investment is in a fund that seek 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

(7) Private equities commitment is in two (2) funds: The first investment is in a global infrastructure fund that focuses on delivering true risk-adjusted returns through a focus on middle market assets with core risk fundamentals, operational value-add and platform development; while the second investment is in a fund that focuses on private equity secondary investing by utilizing research engine to drive relationships and information advantages, finding or creating opportunities in non-competitive channels and capturing alpha through pricing, engineering and portfolio construction.

**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 (BCPSS)**

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, 2018, 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 .....	\$ 87,471	\$ 87,471		22.1%	100.0%
Commercial paper .....	13,541	13,541		3.4%	5.0
Fixed income .....	614	614		0.2%	100.0
Equity funds .....	526	526		0.1%	100.0
U.S. Government agencies .....	274,350	39,954	\$ 234,396	69.2%	100.0
U.S. Treasury obligations .....	19,993	19,993		5.0%	100.0
Total invested funds .....	396,495	\$ 162,099	\$ 234,396	100.0%	
Less: cash equivalents .....	162,099				
Total net investments .....	\$ 234,396				

*Investments and Valuation* - BCPSS categorizes its investments using the fair value measurements identified in 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 gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;

Level 2 - Valuations based on quoted prices for similar assets or liabilities in active markets or identical assets or liabilities in less active markets, such as dealer or broker markets; and

Level 3 - Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

Transactions are recorded on the trade date, realized gains and losses are determined using the identified cost method. Any change in net unrealized gain or loss from the preceding period is reported in the statement of revenues, expenses and changes in net position. Dividends are recorded on the ex-dividend date. Interest is recorded on the accrual basis. Following is a description of the valuation methodologies used for assets measured at fair value.

BCPSS investments are comprised of money market funds, fixed income securities, commercial paper and U.S. government securities and are valued at their Fair Market Value (FMVs) or amortized cost.

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique.

Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Commercial and residential mortgage-backed securities classified in Level 3 are value using discounted cash flow techniques. Collateralized debt obligations classified in Level 3 are valued using consensus pricing.



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Notes to Basic Financial Statements  
(Continued)

City Schools had the following recurring fair value measurements as of June 30, 2018:

	Level 1	Level 2	Level 3	Balance June 30, 2018
<b>Investments by fair value level:</b>				
Debt Securities:				
Equity Funds .....	\$ 526			\$ 526
US Government Obligations .....		\$ 274,350		274,350
US Treasury Obligations .....		19,993		19,993
Total Debt Securities .....	526	294,343		294,869
Equity Securities:				
Fixed Income .....	614			614
Commercial Paper .....		13,541		13,541
Total Equity Securities .....	614	13,541		14,155
<b>Investments carried at amortized cost:</b>				
Deposits .....				(105)
Money Market Mutual Funds .....				87,471
Total Investments at amortized cost .....				87,366
<b>Total Investments</b> .....	<b>\$ 1,140</b>	<b>\$ 307,884</b>	<b>\$</b>	<b>\$ 396,390</b>

*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 .....	69.2%	\$ 274,350	AAA .....	21.5%	\$ 85,123
Aaa .....	21.5	85,123	AA+ .....	69.2	274,350
P-1 .....	3.4	13,541	A-1+ .....	1.6	6,471
Not rated .....	5.9	23,481	A-1 .....	1.8	7,070
	100.0%	\$ 396,495	Not rated .....	5.9	23,481
				100.0%	\$ 396,495

*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.

***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.

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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 \$44,777,000 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 .....	\$ 12,483					\$ 12,483
Service billings .....				\$ 132,462		132,462
Due from other governments .....	79,233	\$ 33,107	\$ 17,982	331,169	\$ 2,891	464,382
Notes and mortgages receivable .....	269,942			35,934		305,876
Other .....	24,281		325	1,360	2,945	28,911
<b>Total .....</b>	<b>\$ 385,939</b>	<b>\$ 33,107</b>	<b>\$ 18,307</b>	<b>\$ 500,925</b>	<b>\$ 5,836</b>	<b>\$ 944,114</b>

Unavailable property taxes include prepaid property taxes. Service billings are reported net of an allowance for doubtful accounts of \$52,537,000. Bad debt expense for fiscal year 2018 was \$23,128,000.

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.

**5. Capital Assets**

Capital assets activities for the year ended June 30, 2018, were as follows (expressed in thousands):

*Governmental Activities Capital Assets:*

Class	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
<b>Capital assets, not being depreciated:</b>				
Land .....	\$ 248,215			\$ 248,215
Other .....	117,141	\$ 2,927	\$ 2,383	117,685
Construction in progress .....	185,877	86,081	69,683	202,275
<b>Total capital assets, not being depreciated .....</b>	<b>551,233</b>	<b>89,008</b>	<b>72,066</b>	<b>568,175</b>
<b>Capital assets, being depreciated</b>				
Building and improvements .....	2,138,837	17,643		2,156,480
Equipment .....	477,469	20,409	11,486	486,392
Infrastructure .....	2,882,991	39,114		2,922,105
Library books .....	69,255	2,881	35,039	37,097
<b>Total capital assets, being depreciated .....</b>	<b>5,568,552</b>	<b>80,047</b>	<b>46,525</b>	<b>5,602,074</b>
<b>Less: accumulated depreciation for:</b>				
Building and improvements .....	1,240,161	40,519		1,280,680
Equipment .....	369,281	21,230	9,207	381,304
Infrastructure .....	1,303,732	71,182		1,374,914
Library books .....	52,979	3,566	35,039	21,506
<b>Total accumulated depreciation .....</b>	<b>2,966,153</b>	<b>136,497</b>	<b>44,246</b>	<b>3,058,404</b>
<b>Total capital assets, being depreciated, net .....</b>	<b>2,602,399</b>	<b>(56,450)</b>	<b>2,279</b>	<b>2,543,670</b>
<b>Governmental activities capital assets, net .....</b>	<b>\$ 3,153,632</b>	<b>\$ 32,558</b>	<b>\$ 74,345</b>	<b>\$ 3,111,845</b>

CITY OF BALTIMORE  
Notes to Basic Financial Statements  
(Continued)

*Business-type Activities Capital Assets:*

Class	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
Capital assets, not being depreciated:				
Land .....	\$ 36,920			\$ 36,920
Construction in progress .....	1,568,292	\$ 518,126	\$ 873,387	1,213,031
Total capital assets, not being depreciated .....	1,605,212	518,126	873,387	1,249,951
Capital assets, being depreciated				
Building and improvements .....	3,169,204	727,890		3,897,094
Equipment .....	337,323	28,768		366,091
Infrastructure .....	1,101,783	119,833		1,221,616
Total capital assets, being depreciated .....	4,608,310	876,491		5,484,801
Less: accumulated depreciation for:				
Building and improvements .....	1,113,299	65,561		1,178,860
Equipment .....	170,355	10,931		181,286
Infrastructure .....	203,126	19,871		222,997
Total accumulated depreciation .....	1,486,780	96,363		1,583,143
Total capital assets, being depreciated, net .....	3,121,530	780,128		3,901,658
Business-type activities capital assets, net .....	\$ 4,726,742	\$ 1,298,254	\$ 873,387	\$ 5,151,609

Depreciation expense was charged to functions/programs of the City for the fiscal year ended June 30, 2018 (amounts expressed in thousands):

<i>Governmental activities</i>	
General government .....	\$ 8,043
Public safety and regulation .....	8,925
Conservation of health .....	390
Social services .....	4
Education .....	19,644
Public library .....	4,401
Recreation and parks .....	8,678
Highways and streets .....	67,287
Sanitation and waste removal .....	2,387
Public service .....	2,570
Economic development .....	881
Internal service funds .....	13,287
Total .....	\$ 136,497
<i>Business-type activities:</i>	
Water .....	\$ 34,457
Wastewater .....	53,067
Stormwater .....	4,881
Parking .....	2,801
Conduits .....	1,157
Total .....	\$ 96,363

At June 30, 2018, the outstanding commitments relating to projects of the City of Baltimore amounted to approximately \$147,117,000 for governmental activities and \$1,139,043,000 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 2018, net interest cost of \$44,498,000 (net of interest income of \$6,063,000) was capitalized.

CITY OF BALTIMORE  
Notes to Basic Financial Statements  
(Continued)

**6. Interfund Balances and Activity**

**A. BALANCE DUE TO/FROM OTHER FUNDS**

Balances due to/from other funds at June 30, 2018, were as follows (amounts expressed in thousands):

Fund	Interfund	
	Receivable	Payable
General .....	\$ 43,526	\$ 21,749
Capital projects .....	14,840	
Nonmajor governmental .....	8,455	1,844
Proprietary .....		9,892
Nonmajor proprietary .....		32,509
Internal service .....		480
Agency .....		347
<b>Totals .....</b>	<b>\$ 66,821</b>	<b>\$ 66,821</b>

The Interfund balances are primarily the result of the City's policy not to reflect cash deficits in its individual funds. Also, at June 30, 2018, certain transactions between funds had not been completed.

**B. TRANSFERS TO/FROM OTHER FUNDS**

Transfers to/from other funds at June 30, 2018, were as follows (amounts expressed in thousands):

Fund	General	Grants Revenue	Capital Projects	Nonmajor Governmental	Parking	Internal Service	Total Transfer To
General .....	\$ 104,901	\$ 23,249	\$ 4,462		\$ 52,923		\$ 185,535
Grants revenues .....	21,229				6,372		27,601
Capital projects .....	20,527	465		\$ 17,790		\$ 250	39,032
Internal service .....	1,842						1,842
<b>Total transfers from .....</b>	<b>\$ 148,499</b>	<b>\$ 23,714</b>	<b>\$ 4,462</b>	<b>\$ 17,790</b>	<b>\$ 59,295</b>	<b>\$ 250</b>	<b>\$ 254,010</b>

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, 2018, (amounts expressed in thousands):

Special revenue funds:	
CDBG .....	\$ 492
Table Game .....	1,327
Internal service funds:	
Municipal telephone exchange .....	941

Deficits in the above funds are temporary and are not expected to continue.

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, 2018, are as follows (amounts expressed in thousands):

	June 30, 2017	New Debt Issued	Debt Retired	June 30, 2018	Due Within One Year
<b>GOVERNMENTAL ACTIVITIES*</b>					
<i>General Obligation Bonds:</i>					
Highways .....	\$ 1,311		\$ 140	\$ 1,171	\$ 168
Health .....	1,897	\$ 801	1,080	1,618	160
Public safety .....	2,248	824	1,190	1,882	240
Off-street parking .....	5,514		141	5,373	157
Recreation and parks .....	23,836	16,183	8,806	31,213	2,070
Public buildings and facilities .....	53,449	42,100	24,497	71,052	4,682
School .....	171,356	83,600	71,511	183,445	11,677
Urban renewal .....	202,729	81,572	57,550	226,751	17,471
Unallocated .....	4,561	75	584	4,052	628
Total general obligation bonds .....	466,901	225,155	165,499	526,557	37,253
Bond Anticipation Notes .....	60,148		60,148		
<i>Special Obligation Bonds</i>					
Special Obligation Bonds .....	199,876		1,700	198,176	2,003
<i>Long-term financing with the Federal Government:</i>					
Federal economic development loans .....	23,792		3,472	20,320	3,613
Total Governmental Activities .....	\$ 750,717	\$ 225,155	\$ 230,819	\$ 745,053	\$ 42,869
<b>BUSINESS-TYPE ACTIVITIES</b>					
<i>General Obligation Bonds:</i>					
Stormwater .....	\$ 2,440	\$ 1,404	\$ 255	\$ 3,589	\$ 349
<i>Bond Anticipation Notes:</i>					
Stormwater .....	852		852		
Total Business-Type Activities .....	\$ 3,292	\$ 1,404	\$ 1,107	\$ 3,589	\$ 349
<b>COMPONENT UNIT - BALTIMORE CITY PUBLIC</b>					
<b>SCHOOL SYSTEM</b>					
<i>Bonds:</i>					
Schools .....	\$ 108,720		\$ 11,735	\$ 96,985	\$ 12,838

\*Included in the Statement of Net Position for Governmental Activities is a remaining unamortized premium of \$26,292,000

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

*Fixed Rate General Obligation Bonds*

On November 15, 2017, the City issued general obligation bonds, Series 2017-A, 2017-B, 2017-C, and 2017-D, in the amounts of \$76,020,000, \$108,295,000, \$33,675,000, and \$8,570,000, respectively, and totaling \$226,560,000. Of this amount, \$109,695,000 were issued for various capital project, and \$116,865,000 were refunding bonds that current refunded certain outstanding maturities totaling \$46,760,000, and advanced refunded certain outstanding maturities totaling \$84,560,000. Interest on the bonds is due each April 15th and October 15th, and mature between 2019 and 2037 depending on the particular series.

The Series 2017 general obligation refunding bonds were issued for a net present value economic gain of \$15,437,000. This amount was used to reduce the City’s future debt service costs.

*Variable Rate General Obligation Bonds*

At June 30, 2018, the City had \$17,935,000 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 \$18,318,000 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 0.65% per annum of the average daily amount of the available commitment. During fiscal year 2018, the City made no draws under the Agreement, and there were no amounts drawn against the Agreement outstanding at June 30, 2018.

*Compensated Absences*

Compensated absences at June 30, 2018, totaled \$156,628,000 for governmental activities and \$15,160,000 for business-type activities, of which \$45,656,000 and \$5,447,000, respectively, were due within one year. For the Baltimore City Public School System, compensated absences and early retirement incentive plan amounts totaled \$47,273,000.

Changes in compensated absences during fiscal year 2018, are as follows (amounts expressed in thousands):

	Governmental Activities	Business-type Activities	Total
Balance, June 30, 2017 .....	\$ 145,575	\$ 14,435	\$ 160,010
Leave earned .....	56,709	6,172	62,881
Leave used .....	(45,656)	(5,447)	(51,103)
Balance, June 30, 2018 .....	\$ 156,628	\$ 15,160	\$ 171,788
Due in one year .....	\$ 45,626	\$ 5,477	\$ 51,103

*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.

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

In fiscal year 2018, the Parking Facilities Fund reflected \$450,000 of interest expense and paid \$594,726 of interest part of this agreement.

B. DEBT SERVICE REQUIREMENTS

Debt service requirements on long-term debt at June 30, 2018, are as follows (amounts expressed in thousands):

Fiscal Year	Governmental Activities						
	General Obligation Bonds			Long-Term Financing with Federal Government		Special Obligation Bonds	
	Principal	Interest	Interest	Principal	Interest	Principal	Interest
			Rate Swap Net(a)				
2019	\$ 37,253	\$ 22,786	\$ 507	\$ 3,613	\$ 859	\$ 2,003	\$ 11,056
2020	41,255	21,188	474	2,788	734	2,615	10,952
2021	46,437	19,301	387	2,901	612	3,102	10,816
2022	49,904	17,182	252	3,023	483	3,560	10,652
2023	52,604	14,906	86	2,329	356	4,107	10,487
2024-2028	153,679	49,999		5,666	373	29,330	48,284
2029-2033	100,270	19,126				42,495	38,628
2034-2038	45,155	4,673				57,078	26,337
2039-2043						44,378	8,307
2044-2048						9,508	810
Totals	\$ 526,557	\$ 169,161	\$ 1,706	\$ 20,320	\$ 3,417	\$ 198,176	\$ 176,329

(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, 2018, 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	
	Principal	Interest
2019	\$ 349	\$ 169
2020	380	152
2021	433	126
2022	461	104
2023-2027	486	81
2028-2032	576	262
2033-2037	410	164
2037-2041	494	60
Totals	\$ 3,589	\$ 1,118

A summary of general obligation bonds outstanding and bond anticipation notes outstanding, and bonds authorized but unissued (amounts expressed in thousands) at June 30, 2018, are as follows:

Purpose	Outstanding			Authorized But Unissued
	Due Dates	Interest Rates	Amount	Amount
	Fire, police, and public protection	2018 to 2035	1.0% to 6.0%	\$ 1,882
Off-street parking	2018 to 2026	1.0% to 5.5%	5,373	345
Recreation and parks	2018 to 2035	1.0% to 6.0%	31,213	17,539
Public buildings and facilities	2018 to 2035	1.0% to 5.9%	71,052	112,899
Schools	2018 to 2035	1.0% to 5.8%	183,445	86,994
Urban renewal and development	2018 to 2035	1.0% to 6.0%	226,751	118,324
Highways	2018 to 2026	1.0% to 5.5%	1,171	220
Finance				20,000
Health	2018 to 2032	1.0% to 6.0%	1,618	4,070
Stormwater	2018 to 2026	1.0% to 5.5%	3,589	
Unallocated	2018 to 2026	1.0% to 5.0%	4,052	
Totals			\$ 530,146	\$ 360,538

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

*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 schools 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, 2018, the outstanding balance of the Series 2009 Construction Bonds is \$44,135,000.

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, 2018, the Series 2009 Refunding Bonds are fully paid.

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, 2026. 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, 2018, the outstanding balance on the Series 2011 Bonds is \$52,850,000.

Future minimum bond payments are as follows at fiscal year ending June 30, 2018 (amounts expressed in thousands):

Fiscal Year	Principal	Interest	Total
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 .....	16,156	4,097	20,253
2024 - 2026 .....	29,287	9,608	38,895
<b>Totals .....</b>	<b>\$ 96,985</b>	<b>\$ 30,093</b>	<b>\$ 127,078</b>

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 2018, the City's capital lease obligations for governmental activities increased by \$7,139,000 (which is net of new leases in the amount of \$25,055,000 and lease principal payments in the amount of \$17,915,000) from the fiscal year 2017 total of \$66,534,000. During fiscal year 2018 the City's capital lease obligations for business-type activities increased by \$7,636,000 (which is net of new leases in the amount of \$22,706,000 and lease principal payments of \$15,070,000 amount of the lease payments) from the fiscal year 2017 total of \$79,522,000.



CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

Future minimum lease payments at June 30, 2018, are as follows (amounts expressed in thousands):

Fiscal Year	Governmental Fund	Business-type Activities		Total
		Enterprise Fund	Internal Service Fund	
2019	\$ 16,660	\$ 207	\$ 18,408	\$ 35,275
2020	14,833	120	16,098	31,051
2021	10,833	123	14,418	25,374
2022	8,262	130	12,480	20,872
2023-2034	35,578	335	33,275	69,188
Total minimum lease payments	86,166	915	94,679	181,760
Less: interest	(12,492)	(89)	(8,346)	(20,927)
Present value minimum lease payments	\$ 73,674	\$ 826	\$ 86,333	\$ 160,833

The following is a schedule of leased property under capital leases by major class at June 30, 2018 (amount expressed in thousands):

Classes of Property	Governmental Activities	Business-type Activities		Total
		Enterprise Fund	Internal Service Fund	
Buildings	\$ 193,620			\$ 193,620
Equipment	270,740	\$ 3,187	\$ 134,996	408,923
Total	\$ 464,360	\$ 3,187	\$ 134,996	\$ 602,543

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-Key Government Finance, Inc. 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, 2018, the outstanding balances on the 1st Niagara and M&T Refunding Leases were \$3,309,000 and \$9,870,000, 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, 2018, the outstanding balance on the 2014 Master Lease was \$943,000.

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, 2018, the outstanding balance on the 2017 Master Lease was \$373,000.

Future minimum lease payments as of June 30, 2018, are as follow (expressed in thousands):

Fiscal Year	Capital Leases
	Principal
2019	\$ 4,687
2020	3,938
2021	3,694
2022	2,877
Total minimum lease payments	15,196
Less: deferred interest	(701)
Present value minimum lease payments	\$ 14,495

CITY OF BALTIMORE  
Notes to Basic Financial Statements  
(Continued)

The following is a schedule of leased property under BCPSS capital leases by major class at June 30, 2018 (amounts expressed in thousands):

Classes of Property		
Buildings .....	\$	70,078
Equipment .....		3,926
Total .....	\$	74,004

**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 \$5,936,010,000 at June 30, 2018, and revenues of the Water and Wastewater Funds are pledged as collateral for the bonds. Bonds outstanding as of June 30, 2018 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 .....	\$ 11,400	\$ 6,600	
Term bonds series 1994-A with interest at 5.00%, payable semiannually, due July 1, 2022 .....		5,320	
Term bonds series 1994-A with interest at 5.00%, payable semiannually, due July 1, 2024 .....	7,690		
Serial bonds series 1998-A maturing in annual installments of \$213,000 through February 1, 2019, with interest at 2.87%, payable semiannually .....		213	
Serial bonds series 1999-A maturing in annual installments of \$161,023 through February 1, 2019, with interest rate at 2.52%, payable semiannually .....		161	
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 .....		1,347	
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 .....		2,979	
Auction rate notes series 2002-B, payable monthly, due July 1, 2037 .....	12,800		
Auction rate notes series 2002-C, payable monthly, due July 1, 2037 .....	8,000		
Serial bonds series, 2003-B maturing in annual installments from \$38,626 to \$73,094 through February 1, 2031 with interest rates at 0.40%, payable semiannually .....	897		
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 .....		1,592	
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 .....	2,956		
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 .....			\$ 1,444
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 .....		3,452	
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 .....		5,391	
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 .....		5,571	
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 .....		9,693	

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 \$185,000 to \$361,000 through February 1, 2026, with interest rate at 0.40%, payable semiannually .....		\$ 2,680	
Serial bonds series, 2007-A maturing in annual installments from \$6,541 to \$78,574 through February 1, 2037, with interest rate at 0.40%, payable semiannually .....	\$ 1,227		
Serial bonds series, 2007-A maturing in annual installments from \$1,704,000 to \$2,174,000 through February 1, 2026, with interest rate at 0.40%, payable semiannually .....		16,748	
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 .....		1,428	
Serial bonds series, 2008-A maturing in annual installments from \$650,000 to \$670,000 through July 1, 2019, with interest rates of 2.00% to 4.50%, payable semiannually .....	670		
Serial bonds series, 2008-A maturing in annual installments from \$1,270,000 to \$1,335,000 through July 1, 2018, with interest rates of 2.00% to 5.00%, payable semiannually .....		1,335	
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 .....			\$ 566
Serial bonds series, 2009-A maturing in annual installments from \$465,000 to \$500,000 through July 1, 2019, with interest rates of 2.00% to 4.50%, payable semiannually .....	985		
Serial bonds series, 2009-A maturing in annual installments of \$426,167 through February 1, 2029, with an interest rate at 0.00% .....		4,688	
Serial bonds series, 2009-B maturing in annual installments of \$91,149 through February 1, 2030, with an interest rate at 0.00% .....		1,011	
Serial bonds series, 2009-B maturing in annual installments of \$586,172 from February 1, 2019 through February 1, 2043, with an interest rate at 0.00% .....	14,654		
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 .....		1,405	
Serial bonds series, 2009-E maturing in annual installments of \$157,842 through February 1, 2032, with an interest rate at 0.00% .....		2,210	
Serial bonds series, 2011-A maturing in annual installments of \$1,145,000 to \$2,000,000 through February 1, 2031, with interest rates from 3.00% to 5.00% .....	10,560		
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% .....		16,785	
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% .....	3,826		
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% .....		2,848	
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 .....			2,073
Serial bonds series, 2013-A maturing in annual installments of \$1,583,518 to \$1,798,836 through February 1, 2034, with interest rate at 0.80%, payable semiannually .....		27,130	
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 .....	56,645		
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 .....	85,750		
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 .....	28,210		
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 3.00% to 5.00%, payable semiannually .....		53,800	
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	

CITY OF BALTIMORE  
Notes to Basic Financial Statements  
(Continued)

	Water Utility Fund	Wastewater Utility Fund	Stormwater Utility Fund
Serial bonds series, 2013-D maturing in annual installments of \$3,065,000 to \$3,640,000 through July 1, 2033 with interest rates from 3.00% to 5.00%, payable semiannually .....		\$ 63,860	
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 \$3,030,000 through July 1, 2026, with interest rates from 3.00% to 5.00%, payable semiannually .....		21,630	
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 .....		35,093	
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 .....	\$ 44,875		
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 .....	29,110		
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 .....		39,715	
Term bond series 2014-C with interest at 5.00%, payable semiannually, due July 1, 2039 .....		19,445	
Term bond series 2014-C with interest at 5.00%, payable semiannually, due July 1, 2044 .....		24,815	
Serial bonds series, 2014-D maturing in annual installments of \$1,125,000 to \$5,650,000 through July 1, 2034 with interest rates from 3.00% to 5.00%, payable semiannually .....		114,395	
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 .....		22,685	
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 .....		17,777	
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 .....		68,796	
Serial bonds series, 2016-A maturing in annual installments of \$1,000 to \$903,935 through February 1, 2047 through with interest rates of 0.70%, payable semiannually .....		23,816	
Serial bonds series 2016 maturing in annual installments from \$908,658 to \$1,996,701 through April 1, 2031, with interest rates of 2.75% to 5.00%, payable semiannually .....			\$ 5,833
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 of 5.00%, payable semiannually .....	27,045		
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 .....	43,910		
Serial bonds series 2017-E maturing in annual installments from \$2,474,024 to \$3,092,422 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 .....		49,985	
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 of 5.00%, payable semiannually .....		73,720	
Term bond series 2017-A 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 .....		52,450	
Serial bonds series 2017-D maturing in annual installments from \$137,315 to \$175,375 through February 1, 2040, with interest rates at 0.80% payable semiannually .....		4,635	
Serial bonds series 2018-A maturing in annual installments from \$4,613,248 to \$5,812,490 through February 1, 2051, with interest rates at 0.80% payable semiannually .....		155,718	
Serial bonds series 2018-C maturing in annual installments from \$521,314 to \$606,526 through February 1, 2040, with interest rates at 0.80% payable semiannually .....		11,257	
Unamortized bond premiums .....	893,969	1,188,939	9,916
	78,447	87,912	615
	<u>\$ 972,416</u>	<u>\$ 1,276,851</u>	<u>\$ 10,531</u>

CITY OF BALTIMORE

Notes to Basic Financial Statements

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*Variable Rate Water and Wastewater Utility Bonds*

At June 30, 2018, 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 2.91%.

On June 21, 2018, the City entered into a Water Quality Loan Agreement with the Maryland Water Quality Financing Administration Water Quality Revolving Loan in the amount of \$168,475,809 of which \$1,500,000 is forgivable if the City complies with the terms of the agreement. The rate on interest is set at .080%, maturing February 1, 2051.

*Variable Rate Parking Facilities Revenue Bonds*

The City has issued revenue bonds, the proceeds of which were used to finance construction of parking facilities and refinance existing debt of the Parking Facilities Fund. Assets with a carrying value of \$29,449,000 at June 30, 2018, and revenues of the Parking Facilities Fund are pledged as collateral for the bonds. Bonds outstanding as of June 30, 2018, consist of (amounts expressed in thousands):

Term bond series 1997-A with interest at 6.00%, payable semiannually, due July 1, 2018 .....	\$ 6,505
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 .....	1,870
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 .....	67,040
Term bond series 2010 with interest at 5.225%, payable semiannually, due July 1, 2020 .....	3,045
Term bond series 2010 with interest at 6.10%, payable semiannually, due July 1, 2025 .....	4,275
Term bond series 2010 with interest at 7.00%, payable semiannually, due July 1, 2035 .....	14,025
	\$ 111,530

The City had \$67,040,000 of Series 2008 refunding taxable variable rate demand revenue bonds outstanding as of June 30, 2018. 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, 2017 through July 1, 2032 range from \$1,420,000 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 issued an irrevocable letter of credit with a current value in the amount of \$68,142,027 in favor of the City and Manufacturers and Traders Trust Company as Tender Agent. The agreement expires December 1, 2020. 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 0.42% per annum of the average daily amount of the available commitment. During fiscal year 2018, the City made no draws under the letter of credit and there were no amounts drawn against the letter of credit outstanding at June 30, 2018.

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

*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, 2018, the balance outstanding on the Series 1998 bonds was \$8,645,000 of 5.0% term bonds due to mature on September 1, 2019. Interest on the bonds is payable on March 1 and September 1 of 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 \$4,220,000 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 \$1,443,546 outstanding. 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 \$81,035,000 outstanding. 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.

*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, 2018, 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 5.00% 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 5.00% due September 1, 2046 .....	74,455
<b>Totals .....</b>	<b>\$ 268,755</b>

Changes in revenue bond obligations for the year ending June 30, 2018, are as follows (amounts expressed in thousands):

	June 30, 2017	New Debt Issues	Debt Retired	June 30, 2018	Due within One Year
<i>Governmental Activities*</i>					
Convention Center and Hotel .....	\$ 281,415		\$ 4,015	\$ 277,400	\$ 5,670
Transportation .....	77,251	\$ 14,924	10,340	81,835	11,632
<b>Total Governmental Activities .....</b>	<b>\$ 358,666</b>	<b>\$ 14,924</b>	<b>\$ 14,355</b>	<b>\$ 359,235</b>	<b>\$ 17,302</b>
<i>Business - Type Activities**</i>					
Water .....	\$ 912,410		\$ 18,441	\$ 893,969	\$ 21,058
Waste Water .....	1,064,551	\$ 166,976	42,582	1,188,945	40,805
Storm Water .....	25,897		15,981	9,916	1,092
Parking Facilities .....	123,020		11,490	111,530	12,270
<b>Total Business-Type Activities .....</b>	<b>\$ 2,125,878</b>	<b>\$ 166,976</b>	<b>\$ 88,494</b>	<b>\$ 2,204,360</b>	<b>\$ 75,225</b>

\* Included in the Statement of Net Position for Governmental Activities is a remaining unamortized portion of bond premium of \$44,895,000.

\*\* Included in the Statement of Net Position for Business Type Activities is a remaining unamortized portion of bond premium of \$166,974,000.

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

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

Fiscal Year	Governmental Activities					
	Hotel Revenue Bonds		Convention Center		Transportation Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2019 .....	\$ 1,450	\$ 13,366	\$ 4,220	\$ 327	\$ 11,632	\$ 3,231
2020 .....	2,100	13,302	4,425	110	12,174	2,774
2021 .....	2,500	13,198			9,867	2,295
2022 .....	2,950	13,061			10,364	1,862
2023 .....	3,485	12,901			7,987	1,435
2024-2028 .....	25,170	61,165			26,544	3,276
2029-2033 .....	39,600	53,091			3,267	451
2034-2038 .....	51,420	41,698				
2039-2043 .....	65,625	27,137				
2044-2048 .....	74,455	8,995				
<b>Totals .....</b>	<b>\$ 268,755</b>	<b>\$ 257,914</b>	<b>\$ 8,645</b>	<b>\$ 437</b>	<b>\$ 81,835</b>	<b>\$ 15,324</b>

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)
2019 .....	\$21,058	\$38,415	\$792	\$40,805	\$40,387	\$1,092	\$378	\$12,270	\$6,398	\$2,619
2020 .....	21,876	37,771	792	41,385	39,656	1,130	344	4,410	5,921	2,550
2021 .....	25,373	36,855	792	43,122	38,815	1,171	307	4,735	5,663	2,471
2022 .....	25,436	35,754	792	45,668	37,808	1,178	268	4,980	5,386	2,386
2023 .....	26,323	34,628	792	45,601	36,398	874	231	5,210	5,088	2,277
2024-2028 .....	142,625	155,090	3,960	232,817	159,532	3,942	645	31,675	20,169	9,137
2029-2033 .....	179,618	119,542	3,961	261,115	115,713	529	103	42,550	8,901	3,683
2034-2038 .....	196,525	76,098	2,228	224,203	67,953			5,700	608	
2039-2043 .....	176,812	35,394	(20)	162,319	29,056					
2044-2048 .....	72,113	5,223		74,604	4,643					
2049-2053 .....	6,210	75		17,300	278					
	<b>\$ 893,969</b>	<b>\$ 574,845</b>	<b>\$ 14,089</b>	<b>\$ 1,188,939</b>	<b>\$ 570,239</b>	<b>\$ 9,916</b>	<b>\$ 2,276</b>	<b>\$ 111,530</b>	<b>\$ 58,134</b>	<b>\$ 25,123</b>

(a) Interest Rate Swap Net payments represent estimated payments for additional interest resulting from swap agreements to counterparties. The additional payments were computed using rates as of June 30, 2017, 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 \$893,969,000, \$1,188,939,000, and \$9,916,000 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 66% of pledged revenues. Total principal and interest remaining to be paid on the revenue bonds for the Water, Wastewater and Stormwater Utility Funds are \$1,482,903,000, \$1,759,178,000, and \$13,664,000, respectively. Principal and interest paid for the current year and pledged revenue for the Water Utility Fund were \$56,485,000 and \$84,530,000, respectively. Principal and interest paid for the current year and pledged revenue for the Wastewater Utility Fund were \$79,185,000 and \$116,738,000, respectively. Principal and interest paid for the current year and pledged revenue for the Stormwater Utility Fund were \$2,216,000 and \$8,819,000, respectively.

## CITY OF BALTIMORE

### Notes to Basic Financial Statements

(Continued)

#### *The Parking Facility Fund*

The Parking Facility Fund has pledged future revenue from parking fees and fines to repay \$111,530,000 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 24.2% of pledged revenue. Total principal and interest remaining to be paid on these revenue bonds is \$194,787,000. For the current year, principal and interest payments and current pledged revenue were \$18,482,000 and \$76,242,000, respectively.

#### *Tax Increment Revenue Pledges*

The City has pledged a portion of future property tax revenues to repay \$198,176,000 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 \$374,504,000. For the current year, principal and interest payments and current pledged revenue were \$7,918,000 and \$12,136,000, 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 in Convention Center Headquarters Hotel Bonds. Following the net operating income and the property tax increment for the Hotel, the site specific occupancy tax is pledged to pay principal and interest payments on the bonds. If these sources are insufficient, 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 \$526,670,000. For the current year, principal and interest payments were \$9,260,000.

#### *Baltimore Convention Center*

The City has pledged a portion of future revenue from Convention Center operations to repay \$8,645,000 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 \$9,082,000. For the current year, principal and interest payments and current pledged revenue were \$4,548,000 and \$4,580,000, 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, 2018, \$263,205,000 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.



CITY OF BALTIMORE

Notes to Basic Financial Statements

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*Terms, fair value and credit risk.* The terms, fair values and credit rating of the outstanding swaps as of June 30, 2018, 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, 2018, the City had deferred liabilities for various hedged derivative instruments with the total fair values of these instruments in the amounts of (\$1,228,437) and (\$24,475,720), for governmental and business-type activities, respectively. The notional amounts for these hedged derivative instruments at June 30, 2018, were \$17,935,000 and \$87,200,000, for governmental and business-type activities, respectively. During fiscal year 2018, the fair values of these instruments increased \$1,946,696 for governmental-type and decreased by \$7,678,063 for business-type activities. All hedges are cash flow hedges. The following schedule provides a detailed analysis of derivative instruments held at June 30, 2018:

MAJOR AND CITY COUNCIL OF BALTIMORE

SWAP PROFILE as of June 30, 2018

Outstanding Bonds	Effective Date	Termination Date	Interest Rate Paid by City	Interest Rate Received	Notional Amount	Fair Value	Counterparty Credit Rating
<b>Hedged Derivative Instruments - Governmental Activities</b>							
<b>General Obligation Bonds</b>							
<i>Floating to Fixed Swaps</i>							
2003 Bonds	5/14/2003	10/15/2020	4.215%	1M LIBOR	\$ 780,000	\$ (15,502)	A-/Baa2
2003 Bonds	5/14/2003	10/15/2022	4.970%	1M LIBOR	17,155,000	(1,212,935)	A-/Baa2
Total Governmental Activities					\$ 17,935,000	\$ (1,228,437)	
<b>Hedged Derivative Instruments - Business-type Activities</b>							
<b>Water Utility Fund Revenue Bonds Series</b>							
<i>Floating to Fixed Swaps</i>							
2002 Revenue Bonds	5/7/2002	7/1/2037	4.555%	67% LIBOR	\$ 20,800,000	\$ (7,289,816)	BBB+/A3
Total Water Utility Fund					20,800,000	(7,289,816)	
<b>Parking Revenue Bonds Series</b>							
<i>Floating to Fixed Swaps</i>							
2008 Bonds	6/19/2002	7/1/2032	6.098%	1M LIBOR	60,700,000	(16,521,527)	A+/A1
2008 Bonds	6/19/2002	7/1/2025	5.915%	1M LIBOR	5,700,000	(664,377)	A+/A1
Total Parking Facilities Fund					66,400,000	(17,185,904)	
<b>Total Business-type Activities</b>					\$ 87,200,000	\$ (24,475,720)	

*Credit risk* — As of June 30, 2018, 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 20% of the notional amount of swaps outstanding, is held counterparty that is currently rated BBB+/A3. Of the remaining swaps, the City holds two swaps with a counterparty rated A-/Baa2, approximately 17% 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 two types: remarketed variable rate demand bonds (VRDBs) and 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

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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, 2018, LIBOR for the prior 52 weeks ranged from 1.05% to 1.98%, whereas the City's taxable market ranged from 1.20% to 1.98%.

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

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

**Investment Derivative Instruments**

The fair value balance and notional amounts of derivative instruments outstanding are classified by type, and the changes in fair value of such derivative instruments for the year ended June 30, 2018 are as follows:

	Changes in Fair Value		Fair Value at June 30, 2018	
	Classification	Amount	Classification	Notional
<b>Business-Type Activities</b>				
<b>Water Utility Fund</b>				
Floating to Floating .....	Investment Revenue	\$ 85,874	Debt	\$ (3,619,528) \$ (71,455,000)
Total Business-Type Activities .....		\$ 85,874		\$ (3,619,528) \$ (71,455,000)

*Credit Risk* - At June 30, 2018, 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 gain of \$85,874 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.

**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.

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The table below summarizes the market value of foreign currency contracts as of June 30, 2018:

Currency	Forward Foreign Contracts Cost Receivable (a)	Forward Foreign Contracts Cost Payable (b)	Forward Foreign Contracts Fair Value Receivable (c)	Forward Foreign Contracts Fair Value Payable (d)	Unrealized Net Gain/(Loss) (c-a) + (b-d)
Australian Dollar .....	\$ 2,632,927	\$ 2,632,927	\$ 2,632,927	\$ 2,535,367	\$ 97,560
Brazilian Real .....	970,000	970,000	970,000	962,174	7,826
British Pound Sterling .....	313,568	313,568	313,865	313,568	297
Canadian Dollar .....	423,792	423,792	423,336	424,956	(1,620)
Chinese Yuan Renminbi .....	1,091,000	1,091,000	1,091,000	1,064,118	26,882
Danish Krone .....	432,396	432,396	432,396	431,231	1,165
Euro Currency Unit .....	4,330,631	4,330,631	4,313,354	4,351,223	(37,869)
Hong Kong Dollar .....	152,901	152,901	152,901	152,933	(32)
Japanese Yen .....	707,959	707,959	707,959	706,662	1,297
Mexican New Peso .....	1,355,977	1,355,977	1,355,977	1,399,272	(43,295)
New Zealand Dollar .....	6,132,958	6,132,958	6,132,958	5,890,845	242,113
Pound Sterling .....	419,618	419,618	419,618	415,982	3,636
Singapore Dollar .....	122,335	122,335	122,335	119,813	2,522
Swedish Krona .....	113,468	113,468	113,468	113,957	(489)
Swiss Franc .....	264,064	264,064	264,064	265,640	(1,576)
U.S. Dollar .....	5,650,967	5,650,967	5,632,928	5,650,967	(18,039)
Total .....	\$ 25,114,561	\$ 25,114,561	\$ 25,079,086	\$ 24,798,708	\$ 280,378

**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.bcercs.org](http://www.bcercs.org)

For Fire and Police Employees' Retirement System: [www.bcfpers.org](http://www.bcfpers.org)

For the Maryland State Retirement and Pension System: [www.sra.state.md.us](http://www.sra.state.md.us)

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.

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At June 30, 2017, the measurement date, the F&P membership consisted of:

Retirees and beneficiaries currently receiving benefit .....	6,319
Active plan members .....	<u>4,012</u>
Total .....	<u><u>10,331</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:

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.

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Notes to Basic Financial Statements

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*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 fiduciary fund of the City of Baltimore and is included in the City's financial report as a pension trust fund.

At June 30, 2017, the measurement date, the EOS Plan membership consisted of:

Retirees and beneficiaries currently receiving benefit .....	28
Active plan members .....	16
Inactive members eligible to but not yet receiving benefits .....	<u>2</u>
Total .....	<u><u>46</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*

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

At June 30, 2017, the measurement date, the ERS Plan membership consisted of:

Active plan members .....	8,043
Retirees and beneficiaries currently receiving benefit .....	9,144
Inactive plan members eligible to but not yet receiving benefits .....	<u>1,045</u>
Total .....	<u><u>18,232</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.

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Class “A” has 13 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 7,223 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. Class “D” has 807 members. 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 remained at 3% for the fiscal year ending June 30, 2017.

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.

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.

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Notes to Basic Financial Statements

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*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), and Law Enforcement Officers' Pension System (LEOPS). The City employees currently participate in the Employees' Retirement and Pension 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, 2018 was \$3,370,000.

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 average final compensation (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, 2018, the City reported a liability of \$35,520,000 for its proportionate share of the net pension liability of the State System. The net pension liability was measured as of June 30, 2017, 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, 2017. The contributions were increased to adjust for differences between actuarial determined contributions and actual contributions by the State of Maryland. As of June 30, 2018, the City's proportionate share was .1643%.

C. NET PENSION LIABILITY (ASSET)

The measurement date for the City Plans and the State System is June 30, 2017. Measurements are based on the fair value of assets as of June 30, 2017. 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
Total pension liability .....	\$ 3,720,307	\$ 14,946
Less: plan fiduciary net position .....	2,562,565	24,966
Net pension liability (asset) .....	\$ 1,157,742	\$ (10,020)
Plan fiduciary net position as a percentage of total pension liability (asset) .....	68.9%	167.0%

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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 required .....	\$ 129,689		\$ 84,474
% of Contribution made .....	100.00%		100.00%
Covered payroll .....	\$ 296,357		\$ 391,083
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

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 .....	\$ 3,370
Actuarial assumptions:	
Investment rate of return:	7.50%
Projected salary increases .....	3.15% to 9.15%, including inflation
Inflation rate .....	2.65% general, 3.15% wage
Mortality .....	RP-2014 Mortality Tables with generational mortality improvement based on the MP-2014 2-dimensional mortality improvement scale
Last Experience Study Covered .....	2010 - 2014

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

Asset Class	Fire and Police Employees' Retirement System	Elected Officials' Retirement System	Employees' Retirement System
U.S. equities .....	5.2%/22.5%	7.3%/39%	3.3%/30.0%
International equities .....	6.0%/22.5%	7.6%/21%	7.6%/17.0%
Private equities .....	7.8%/10.0%		11.1%/13.0%
Fixed income .....	3.2%/17.0%	2.8%/25%	2.8%/22.0%
Real estate .....	6.0%/10.0%	7.4%/10%	7.4%/13.0%
Hedge funds .....	4.5%/5.0%		5.0%/2.0%
Energy MLP .....	7.0%/7.0%		
Private energy .....	8.5%/5.0%		
Cash .....	1.0%/1.0%		
Defensive Equities .....		6.8%/5%	6.8%/3.0%



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*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, 2017 measurement date. The discount rate used to determine the total pension liability as of June 30, 2017 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, 2017, 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, 2017, 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 2017 were 4% of pay increasing to 5% of pay for FYE 2018 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, 2016 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, 2017 measurement date. The discount rate at June 30, 2017 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 Class	Maryland State Retirement and Pension System
Public equity .....	5.3%/36%
Private equities .....	7.0%/11%
Rate sensitive .....	1.2%/21%
Credit opportunity .....	3.6%/9%
Real assets .....	5.7%/15%
Absolute return .....	3.1%/8%

*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, 2017, 7.50%, 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.

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

(Dollars Expressed in Thousands)

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Fire and Police Employees' Retirement System			
Net pension liability .....	\$ 1,582,626	\$ 1,157,742	\$ 803,454
Plan fiduciary net position as a percentage of total pension liability .....	61.8%	68.9%	76.1%

(Dollars Expressed in Thousands)

	1% Decrease 6%	Current Discount Rate 7%	1% Increase 8%
Elected Officials' Retirement System			
Net pension (asset) .....	\$ (8,555)	\$ (10,020)	\$ (11,269)
Plan fiduciary net position as a percentage of total pension (asset) .....	152.1%	167.0%	182.3%

(Dollars Expressed in Thousands)

	1% Decrease 6.50% Active Part. 5.50% Retired Part.	Current Discount Rate 7.50% Active Part. 6.50% Retired Part.	1% Increase 8.50% Active Part. 7.50% Retired Part.
Employees' Retirement System (City of Baltimore Portion)			
Net pension liability .....	\$ 804,901	\$ 597,470	\$ 421,241
Plan fiduciary net position as a percentage of total pension liability .....	62.2%	69.0%	75.9%

(Dollars Expressed in Thousands)

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Maryland State Retirement and Pension System			
LEOPS .....	\$ 38,359	\$ 28,519	\$ 19,733
ERPS .....	10,212	7,001	4,342

(Dollars Expressed in Thousands)

	1% Decrease	Current Discount Rate	1% Increase
Total City Plans and State (exclude Baltimore City Public School Portion)			
Net pension liability .....	\$ 2,417,331	\$ 1,773,711	\$ 1,233,159

(Dollars Expressed in Thousands)

	1% Decrease 6.75% Active Part. 5.55% Retired Part.	Current Discount Rate 7.75% Active Part. 6.55% Retired Part.	1% Increase 8.75% Active Part. 7.55% Retired Part.
Employees' Retirement System (Baltimore City Public Schools Portion)			
Net pension liability .....	\$ 182,017	\$ 135,109	\$ 95,257
Plan fiduciary net position as a percentage of total pension liability .....	62.2%	69.0%	75.9%

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 )

	Deferred Outflows of Resources	Deferred Inflows of Resources
<b>Fire and Police Employees' Retirement System</b>		
Pension contributions subsequent to measurement date .....	\$ 136,832	
Differences between actual and expected experience .....	12,782	\$ 13,106
Assumption change .....	8,936	
Differences between actual and projected earnings .....	53,595	
Total .....	<u>\$ 212,145</u>	<u>\$ 13,106</u>

	Deferred Outflows of Resources	Deferred Inflows of Resources
<b>Elected Officials' Retirement System</b>		
Differences between actual and expected experience .....	\$ 529	
Differences between actual and projected earnings .....	153	
Total .....	<u>\$ 682</u>	

	Deferred Outflows of Resources	Deferred Inflows of Resources
<b>Employees' Retirement System (City of Baltimore Portion)</b>		
Pension contributions subsequent to measurement date .....	\$ 71,141	
Differences between actual and expected experience .....	5,140	\$ 4,202
Change in proportionate share .....	7,955	17,588
Assumption change .....	8,502	781
Differences between actual and projected earnings .....	24,399	
Total .....	<u>\$ 117,137</u>	<u>\$ 22,571</u>

	Deferred Outflows of Resources	Deferred Inflows of Resources
<b>Employees' Retirement System (Baltimore City Public Schools Portion)</b>		
Pension contributions subsequent to measurement date .....	\$ 15,730	
Differences between actual and expected experience .....	1,162	\$ 950
Change in proportionate share .....	17,588	7,955
Assumption change .....	1,923	176
Differences between actual and projected earnings .....	5,517	
Total .....	<u>\$ 41,920</u>	<u>\$ 9,081</u>

	Deferred Outflows of Resources	Deferred Inflows of Resources
<b>Total City Plans and State (exclude Baltimore City Public School Portion)</b>		
Pension contributions subsequent to measurement date .....	\$ 211,343	
Differences between actual and expected experience .....	18,451	\$ 19,774
Change in proportionate share .....	7,955	17,588
Assumption change .....	18,725	781
Differences between actual and projected earnings .....	82,527	2,213
Total .....	<u>\$ 339,001</u>	<u>\$ 40,356</u>

	Deferred Outflows of Resources	Deferred Inflows of Resources
<b>Maryland State Retirement and Pension System</b>		
Pension contributions subsequent to measurement date .....	\$ 3,370	
Differences between actual and expected experience .....		\$ 2,466
Assumption change .....	1,287	
Differences between actual and projected earnings .....	4,380	2,213
Total .....	<u>\$ 9,037</u>	<u>\$ 4,679</u>

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 (Baltimore City Public Schools Portion)	
2019 .....	\$ 29,071	\$ 357	\$ 12,279	\$ 10,308	
2020 .....	41,554	357	12,641	10,390	
2021 .....	11,461	147	6,357	(1,815)	
2022 .....	(19,879)	(179)	(7,852)	(1,774)	
Total .....	\$ 62,207	\$ 682	\$ 23,425	\$ 17,109	

(Dollars Expressed in Thousands)

Deferred outflows (inflows) for years ended June 30:	Maryland State Retirement and Pension System
2019 .....	\$ 462
2020 .....	1,153
2021 .....	376
2022 .....	(752)
2023 .....	(251)
Total .....	\$ 988

In addition to the amounts disclosed above \$211,343,000 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, 2018.

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)

Pension expense (income) .....	Fire and Police		Employees' Retirement		Employees' Retirement System
	Employees' Retirement System	Elected Officials' Retirement System	System (City of Baltimore Portion)	System (Baltimore City Public Schools Portion)	
	\$ 169,334	\$ (1,424)	\$ 62,361	\$ 21,634	

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, 2017 is as follows:

(amounts expressed in thousands)

	Fire and Police Employees' Retirement System	Elected Officials' Retirement System
Total pension liability		
Interest (included interest on service cost) .....	\$ 296,220	\$ 966
Service cost .....	70,987	250
Changes in proportionate share .....		
Changes in assumptions .....		
Differences between expected and actual experience .....	(17,476)	662
Benefit payments, including refunds of member contribution .....	(245,080)	(934)
Net change in total pension liability .....	104,651	944
Total pension liability - beginning .....	3,615,656	14,002
Total pension liability - ending .....	\$ 3,720,307	\$ 14,946
Plan fiduciary net position:		
Net investment income .....	\$ 291,978	\$ 3,116
Contributions - employer .....	129,689	
Contributions - member .....	29,902	90
Changes in proportionate share .....		
Benefit payments, including refunds of member contribution .....	(245,080)	(934)
Administrative expense .....	(4,328)	(55)
Net change in plan fiduciary net position .....	202,161	2,217
Plan fiduciary net position - beginning .....	2,360,404	22,749
Plan fiduciary net position - ending .....	2,562,565	24,966
Net pension liability (asset) - ending .....	\$ 1,157,742	\$ (10,020)
Plan fiduciary net position as a percentage of the total pension liability .....	68.88%	167.04%
Covered employee payroll .....	\$ 296,357	\$ 1,297
Net pension liability (asset) as a percentage of covered employee payroll .....	390.66%	(772.62%)

F. ALLOCATION OF PLANS

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)

<i>Employee Retirement System</i>	-----Enterprise Funds-----					Component Unit	
	Employees' Retirement System	Governmental Activities	Water	Wastewater	Stormwater	Nonmajor Proprietary Fund	Baltimore City Public Schools
Net pension liability (asset), end of year .....	\$ 732,579	\$ 476,900	\$ 57,715	\$ 52,578	\$ 6,871	\$ 3,406	\$ 135,109

CITY OF BALTIMORE  
Notes to Basic Financial Statements  
(Continued)

The total of all retirement plan balances for City (City Plans and State Plans) are shown below:

(Dollars Expressed in Thousands)

*City Plans and State of Maryland*

	Fire and Police Employees' Retirement System	Elected Officials' Retirement System	Employees' Retirement System (City of Baltimore Portion	Maryland State Retirement System (LEOP/ERPS)	Primary Government Total
Net pension liability (asset), end of year .....	\$ 1,157,742	\$ (10,020)	\$ 597,470	\$ 35,521	\$ 1,780,713

**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 12 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 3.62%. 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, 2018 .....	\$ 241	\$ 763
June 30, 2017 .....	281	941
June 30, 2016 .....	328	1,203

**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, 2018, the State paid \$65.0 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, 2018, was \$2,138,000. This amount has also been recognized as both revenue and expenditure in the accompanying Statement of Activities.

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

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.

13. Other Postemployment Benefits

A. PLAN DESCRIPTION

The City of Baltimore provides other postemployment benefits (OPEB) to all qualified City and BCPSS employees. The Plan is a contributory cost sharing multiple employer defined benefit plan. The benefit and contribution provisions of the Plan are established and may be amended by the City. The Plan provides postemployment healthcare and prescription drug benefits to retirees and their beneficiaries. Retirees may choose from two health plan options and four levels of coverage.

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

Post Retirement Medical Benefit Eligibility Requirement*	
Employee Group	Requirement
Maryland State Retirement and Pension Systems .....	If hired before January 1, 1980: Age 60 or 30 years of service If hired on or after January 1, 1980: Based on age at retirement and years of service
Fire and Police Employees' Retirement System .....	If hired before July 1, 2003: Age 50 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 June 30, 2016, per actuary report was as follows:

	Number of Participants		
	City	Baltimore City Public School	Total
Active employees .....	12,139	11,806	23,945
Inactive employees or beneficiaries currently receiving benefits .....	9,707	5,953	15,660
Inactive employees entitled to but not yet receiving benefits .....	1,012		1,012
Totals .....	22,858	17,759	40,617

B. SIGNIFICANT ACCOUNTING POLICIES OF THE OPEB TRUST FUND

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

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

*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.

C. 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 \$57 to \$2,008 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.

D. ACTUARIAL METHOD AND ASSUMPTIONS

Data was obtained from an actuarial valuation prepared by an independent actuary made as of June 30, 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.

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.

Inflation .....	2.30%
Wage inflation .....	3.00%
Salary increases, including wage inflation .....	6.3%-3.5%
Long term rate of return .....	7.00%
Municipal bond rate	
Prior measurement date .....	3.57%
Measurement date .....	3.87%
Year FNP is projected to be depleted	
Prior measurement date .....	N/A
Measurement date .....	N/A
Single equivalent interest rate, net of OPEB	
plan investment expense, including price inflation	
Prior measurement date .....	7.00%
Measurement date .....	7.00%
Health care cost trends	
Pre-Medicare .....	5.90% for 2016 decreasing to an ultimate rate of 3.94% by 2075
Medicare .....	5.90% for 2016 decreasing to an ultimate rate of 3.94% by 2075



CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

E. NET OPEB LIABILITY (NOL) AND DISCOUNT RATE

Beginning with the plan year ending June 30, 2018, the City has implemented GASB Statement No. 75 “Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions.” This requires the City to account for those benefits on a full accrual basis and the net OPEB liability is reflected in the City’s financial statements.

The measurement date for OPEB liability is June 30, 2018 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, 2018 is as follows:

(Expressed in Thousands)

	City Portion	BCPSS Portion	Total
Total OPEB liability .....	\$ 1,033,803	\$ 416,905	\$ 1,450,708
Less: plan fiduciary net position .....	419,452	169,154	\$ 588,606
Net OPEB liability .....	<u>\$ 614,351</u>	<u>\$ 247,751</u>	<u>\$ 862,102</u>
Plan fiduciary net position as a percentage of the total OPEB liability .....	40.6%	40.6%	40.6%

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 show the sensitivity of the NOL to the discount rate and trend.

(Expressed in Thousands)

	1% Increase	Current Discount Rate	1% Decrease
Health Care Cost Trend Rates	8.00%	7.00%	6.00%
1% decrease .....		\$ 675,217	
Current .....	\$ 693,441	862,102	\$ 1,025,416
1% increase .....		1,055,773	

(Expressed in Thousands)

	1% Increase	Current Discount Rate	1% Decrease
Health Care Cost Trend Rates (City Portion)	8.00%	7.00%	6.00%
1% decrease .....		\$ 481,173	
Current .....	\$ 494,160	614,351	\$ 730,732
1% increase .....		752,365	

(Expressed in Thousands)

	1% Increase	Current Discount Rate	1% Decrease
Health Care Cost Trend Rates (BCPSS Portion)	8.00%	7.00%	6.00%
1% decrease .....		\$ 194,044	
Current .....	\$ 199,281	247,751	\$ 294,684
1% increase .....		303,408	

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

F. DEFERRED INFLOWS AND OUTFLOWS

The reported deferred outflows/inflows of resources associated with the plan are as follows:

( Expressed in Thousands)

OPEB	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience .....	\$ 29,213	
Total .....	\$ 29,213	

( Expressed in Thousands)

OPEB (City of Baltimore Portion)	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience .....	\$ 20,818	
Change in proportionate share .....	348	\$ 1,146
Total .....	\$ 21,166	\$ 1,146

( Expressed in Thousands)

OPEB (Baltimore City Public School Portion)	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience .....	\$ 8,395	
Change in proportionate share .....	798	
Total .....	\$ 9,193	

The net deferred outflows/inflows of resources to be recognized in OPEB expense in future years is presented below:

(Expressed in Thousands)

Deferred outflows (inflows) for years ended June 30:	Baltimore City Public		
	City Portion	Schools Portion	Total
2019 .....	\$ 4,130	\$ 1,896	\$ 6,026
2020 .....	4,130	1,896	6,026
2021 .....	4,130	1,896	6,026
2022 .....	4,130	1,896	6,026
2023 .....	3,500	1,609	5,109
Total .....	\$ 20,020	\$ 9,193	\$ 29,213

G. OPEB EXPENSE

The OPEB expense includes charges in the net OPEB liability and projected earnings on plan investment and is presented as follows:

(Expressed in Thousands)

	Baltimore City Public		
	City Portion	School Portion	Total
Service Cost .....	\$ 21,889	\$ 8,949	\$ 30,838
Interest on total OPEB liability .....	67,085	27,429	94,514
Expensed portion of current-period difference between expected and actual return on investment .....	652	267	919
Expected investment return net of investment expenses .....	3,625	1,482	5,107
Projected earnings on plan investments .....	(26,637)	(10,891)	(37,528)
OPEB expense June 30, 2018.....	\$ 66,614	\$ 27,236	\$ 93,850

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

H. COMPONENT ALLOCATION

OPEB balances have been allocated between the governmental activities, the business-type activities (Enterprise Funds), and the discretely presented component unit as follows:

(Expressed in Thousands)

	OPEB	Enterprise Funds					Nonmajor Proprietary Fund	Component Unit Baltimore City Public Schools
		Governmental Activities	Water	Wastewater	Stormwater			
Net OPEB Liability, Beginning of Year	\$ 884,505	\$ 575,083	\$ 25,608	\$ 25,155	\$ 3,710	\$ 1,945	\$ 253,004	
OPEB Expense	93,850	61,127	2,555	2,287	429	216	27,236	
Employer Contributions	(145,466)	(91,035)	(5,824)	(5,648)	(836)	(441)	(41,682)	
Deferred Outflows/(Inflows)	29,213	19,256	492	(12)	198	86	9,193	
Net OPEB Liability, End of Year	\$ 862,102	\$ 564,431	\$ 22,831	\$ 21,782	\$ 3,501	\$ 1,806	\$ 247,751	

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 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, 2018, the City has determined that the range of potential claims liability for the program to be between \$358,505,000 and \$395,541,000. 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, 2018, 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 2018 and 2017 were (amounts expressed in thousands):

	2018	2017
Unpaid claims, beginning	\$ 327,521	\$ 300,491
Claims incurred	298,291	313,186
Claims paid	(267,307)	(286,156)
Unpaid claims, ending	\$ 358,505	\$ 327,521

The City estimates that \$83,901,000 of the estimated claims liability is due within one year.

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

**15. Operating Leases**

The City has entered into a number of operating leases for rental of office facilities and equipment, some of which provide for increased rentals based upon increases in real estate taxes and common area maintenance fees. As of June 30, 2018, future minimum lease payments are as follows (amounts expressed in thousands):

2019 .....	\$ 4,981
2020 .....	4,483
2021 .....	4,240
2022 .....	3,879
2023 .....	7,113
2024-2028 .....	3,314
2029-2033 .....	1,680
<b>Total .....</b>	<b>\$ 29,690</b>

All leases contain cancellation provisions and are subject to annual appropriations by the City Council. During fiscal year 2018, rent expenditures approximated \$17,630,000 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, 2018, rent and lease expenditures approximated \$1,200,000. These expenditures were made primarily from the General Fund. As of June 30, 2018, future minimum lease payments approximate \$2,289,000, which relates to July 1, 2018 through July 1, 2022 when the leases expire.

**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 \$25,972,000 as of June 30, 2018, which is based on 82.92% usage (filled capacity) of the landfill. This is an increase in the liability of \$5,329,000, and an increase in the usage of 4%, since June 30, 2017. It is estimated that an additional \$5,351,000 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 estimated total current cost of the landfill closure and postclosure care, \$31,323,000, 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, 2018. 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, 2018, cash and cash equivalents of \$23,495,000 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.

CITY OF BALTIMORE  
Notes to Basic Financial Statements  
(Continued)

**17. Notes and Mortgages Receivable**

Notes and mortgages receivable as of June 30, 2018, consist of the following:

- A. The General Fund has notes receivable of \$269,942,000 net of a \$1,000,000 allowance for losses. A note receivable from the Baltimore Hotel Corporation for \$265,721,000 bears interest at rates ranging from 3% to 5% and mature over 30 years. A portion of this note receivable totaling \$264,377,000 is scheduled to be collected in 2019 through 2046. The other portion of the notes receivable unrelated to the Baltimore Hotel Corporation is for notes totaling \$1,187,000 net of a \$1,000,000 allowance for losses. These notes bear interest rates ranging from 1.0% to 12.0% over 30 years.
- B. The Parking Facilities Fund has mortgages receivable of \$35,934,000 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 \$33,474,000 is scheduled to be collected in 2020 through 2036.

**18. Fund Balance**

The composition of the fund balances of the governmental funds for fiscal year ended June 30, 2018, are as follows (amounts expressed in thousands):

	General	Grants	Capital Projects	Other Funds	Governmental Funds
<b>Fund Balances</b>					
<b>Nonspendable:</b>					
Reserved for other assets .....	\$ 2,210				\$ 2,210
<b>Restricted:</b>					
Education .....				\$ 6,167	6,167
Highways and streets .....			\$ 8,448		8,448
Sanitation and waste removal .....	43,393				43,393
Debt service.....	380,280				380,280
Public library .....				2,267	2,267
Recreation and culture .....				6,254	6,254
Total restricted .....	423,673		8,448	14,688	446,809
<b>Assigned to:</b>					
General government .....	44,072		5,064	3,764	52,900
Public safety and regulation .....	79,796				79,796
Conservation of health .....	5,017	2,449			7,466
Social services .....	3,187				3,187
Education .....	38,000			5,030	43,030
Public library .....	1,786				1,786
Recreation and culture .....	3,296				3,296
Highways and streets .....	40,033				40,033
Sanitation and waste removal .....	2,422				2,422
Public service .....	2,604				2,604
Economic development .....	1,445				1,445
Total assigned .....	221,658	2,449	5,064	8,794	237,965
<b>Unassigned</b>					
.....	163,604			(1,819)	161,785
Total fund balances .....	\$ 811,145	\$ 2,449	\$ 13,512	\$ 21,663	\$ 848,769

\* General fund unassigned fund balance includes \$139,170,000 for the budget stabilization reserve.

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

**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, 2018, the Wastewater Utility estimates that no material liabilities will result from such audits.

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 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 \$91.26 and \$44.92 up to the guaranteed and excess tonnage amounts, respectively. Payments under the agreement in fiscal year 2018 were \$2.5 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 13,000 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 2018 with the completion of debt service payment. The average service tipping fees were \$421.45 and \$411.77 per ton for the Back River and Patapsco Wastewater Treatment Plants, respectively. Payments under the agreements in fiscal year 2018 were \$14.2 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 system and address sanitary sewer overflows (SSOs). 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 Modified Consent Decree is one of many that the U.S. Department of Justice has negotiated with major cities with aging sewer infrastructure. These efforts are ambitious and the costs are estimated at \$2.8 billion, which is comprised of \$1.6 billion in costs incurred through June 2018; \$183 million projected for completion of Phase I through January 1, 2021 (capital only); \$720 million projected for completion of Phase II through December 31, 2030 (capital only); and \$329 million projected for related costs, including program management, flow monitoring, asset management, and preventative maintenance.

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

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

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. Discovery has just begun, and there is currently no estimate of the amount of the damages claimed.

**20. Beginning Balance Adjustments**

During fiscal year 2018, the City implement Government Accounting Standards Board Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”. Under the provisions of this statement, the City must report the net OPEB liability (NOL) on its financial statements. Therefore, the City has restated the fiscal year ended June 30, 2017, net position totals based on the effect of this change. The restated net position total resulting from this accounting are as follows for governmental activities and the applicable proprietary funds affected (amounts expressed in thousands):

	June 30, 2017 Net Position	GASB 75 OPEB Adjustments	Restated June 30, 2017 Net Position
<i>Governmental Funds</i>			
Governmental Activities .....	\$ 976,524	\$ (568,750)	\$ 407,774
<i>Proprietary Funds</i>			
Water Utility Fund .....	731,058	(25,608)	705,450
Wastewater Utility Fund .....	2,059,049	(25,155)	2,033,894
Stormwater Utility Fund .....	283,330	(3,710)	279,620
<i>Nonmajor Proprietary Funds</i>			
Conduit Fund .....	92,301	(1,946)	90,355
<i>Component Unit</i>			
Baltimore City Public School (BCPSS) .....	546,141	(253,004)	293,137

*Discretely Presented Component Units*

As of and for year ended of June 30, 2018 and 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; and also did not record its proportionate share of net OPEB liability and related amounts related to its participation in the City’s other post-employment benefits (OPEB). As of and for the year ended June 30, 2018, the City made adjustments to the BCPSS financials statements to correct the BCPSS’s financial statements. As such, the City has included the BCPSS’s financials, after adjustments, in the accompanying financials 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 the BCPSS proportionate share of the net pension liability for those employees in the Employees’ Retirement System of the City of Baltimore (ERS) and the BCPSS proportionate share of the net OPEB liability for employees eligible for other post-employment benefits as of June 30, 2018, and related deferred outflows, deferred inflows and expense. Additionally, the required footnote disclosure for such balances have also been added to the notes to the financial statements.

The adjustments recorded are listed below:

	As reported by BCPSS	Adjustments for recordation of Net Pension Liability	Adjustments for recordation of Net OPEB Liability	Restated per City's Financial Statements
Deferred outflows .....		\$ 41,920	\$ 9,193	\$ 51,113
Net pension liability .....		135,109		135,109
Net OPEB liability .....			247,751	247,751
Deferred inflows .....		9,081		9,081
Expenses .....	\$ 1,399,615	(38,152)	27,235	1,388,698
Net position, June 30, 2018 .....	787,948	(102,269)	(238,558)	447,121

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

**21. Tax Abatement**

As of June 30, 2018, 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)
<b>Economic development</b>	
Market based housing .....	\$ 5,607
Business development .....	10,105
Garages .....	331
Affordable housing .....	8,096
State of Maryland Port Authority .....	3,814
<b>Total .....</b>	<b>\$ 27,953</b>

**22. Subsequent Events**

On August 28, 2018, the City entered into two Master/Lease Purchase Agreements with Grant Capital Management Inc. totaling \$23,491,000 to be used to purchase motor vehicles and heavy equipment for the Department of General Services. One agreement was for \$3,331,000 with a term of 6 years and an interest rate of 3.39%. The other agreement was for \$20,160,000 with a term of 10 years and an interest rate of 3.89%.

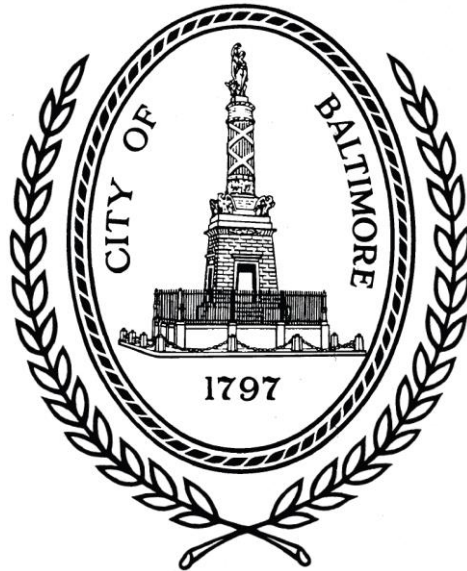
On December 13, 2018, the City entered into an agreement with the State of Maryland to borrow \$43,580,000 in County Transportation Revenue Bonds, Series 2018, with a 20 year term. The City received an interest rate on the bonds ranging from 3.50% to 5.00% or a true interest of 3.09%. These bonds are secured by a pledge of the City’s share of the highway user revenues.

On December 20, 2018, the City entered into a Wastewater Loan agreement with the Environment Protection Agency, Water Infrastructure Finance and Innovation Act Revolving Loan in the amount of \$202,000,000. The rate of interest on the loan is set at 2.88%, with a final maturity on July 1, 2052.



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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, 2018**  
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes - local.....	\$ 1,424,511	\$ 1,424,511	\$ 1,406,403	\$ (18,108)
State shared revenue.....	146,251	146,251	146,174	(77)
Licenses and permits.....	37,086	37,086	41,043	3,957
Fines and forfeitures.....	17,833	17,833	27,085	9,252
Interest, rentals and other investment income.....	20,116	20,116	27,071	6,955
Federal grants.....	220	220	79	(141)
State grants.....	103,748	103,748	102,506	(1,242)
Other grants.....	27	27	27	
Charges for current services.....	55,694	55,697	43,026	(12,671)
Miscellaneous.....	(9,391)	(9,391)		9,391
Total revenues.....	<u>1,796,095</u>	<u>1,796,098</u>	<u>1,793,414</u>	<u>(2,684)</u>
<b>Expenditures and Encumbrances:</b>				
Baltimore City Public School System.....	293,297	293,297	282,349	10,948
Board of Liquor License Commissioners.....	2,578	2,578	1,658	920
City Council.....	7,241	7,241	6,951	290
Civil Service Commission.....	14,694	14,694	6,091	8,603
Comptroller.....	8,006	8,006	7,447	559
Courts.....	16,416	16,416	15,708	708
Department of Finance.....	27,287	27,287	23,906	3,381
Department of Fire.....	236,874	236,874	234,064	2,810
Department of General Services.....	17,932	17,932	11,763	6,169
Department of Health.....	33,552	33,552	43,047	(9,495)
Department of Housing and Community Development.....	59,825	59,825	50,033	9,792
Department of Law.....	8,930	8,930	8,058	872
Department of Legislative Reference.....	1,282	1,282	1,006	276
Department of Municipal and Zoning Appeals.....	646	646	528	118
Department of Planning.....	6,411	6,411	5,393	1,018
Department of Police.....	485,876	485,876	484,894	982
Department of Public Works.....	110,171	110,171	100,060	10,111
Department of Recreation and Parks.....	42,218	42,218	37,101	5,117
Department of Transportation.....	126,644	126,644	110,408	16,236
Enoch Pratt Free Library.....	27,021	27,021	22,446	4,575
Mayoralty.....	227,081	227,081	226,914	167
Office of Civil Rights.....	1,945	1,945	1,572	373
Office of Financial Review.....	753	753	702	51
Office of Sheriff.....	22,470	22,470	20,778	1,692
Office of State's Attorney.....	36,250	36,250	34,922	1,328
Supervisor of Elections.....	7,706	7,706	4,763	2,943
Total expenditures and encumbrances.....	<u>1,823,106</u>	<u>1,823,106</u>	<u>1,742,562</u>	<u>80,544</u>
Excess of revenues over expenditures and encumbrances.....	<u>(27,011)</u>	<u>(27,008)</u>	<u>50,852</u>	<u>77,860</u>
<b>Other financing sources (uses):</b>				
Transfers in.....	36,302	36,302	162,286	125,984
Transfers out.....	(121,304)	(121,304)	(155,046)	(33,742)
Total other financing sources (uses).....	<u>(85,002)</u>	<u>(85,002)</u>	<u>7,240</u>	<u>92,242</u>
Net changes in fund balances.....	<u>(112,013)</u>	<u>(112,010)</u>	<u>58,092</u>	<u>170,102</u>
Fund balances - beginning.....	714,803	714,803	714,803	
Fund balances - ending.....	<u>\$ 602,790</u>	<u>\$ 602,793</u>	<u>772,895</u>	<u>\$ 170,102</u>
<b>Adjustments to reconcile to GAAP basis:</b>				
<b>Residual Equity Transfer In</b>				
Addition of encumbrances outstanding.....			79,634	
Less: Accounts payable not recorded for budgetary purposes				
and other GAAP adjustments.....			(41,384)	
Fund balance - June 30, 2018 (GAAP basis).....			<u>\$ 811,145</u>	

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

(2) 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.

(3) This schedule does not include a non-budgetary revenue and expense item in the amount of \$2,138,000 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, 2018**  
(Dollars Expressed in Thousands)

	2015	2016	2017	2018
City's share of the net pension liability .....	85.92%	85.19%	80.03%	81.56%
City's proportionate share of the net pension liability .....	\$ 610,998	\$ 614,236	\$ 644,079	\$ 597,470
City's covered employee payroll .....	344,809	347,656	319,693	318,999
City's proportionate share of the net pension liability as a percentage of its covered employee payroll .....	177.2%	176.7%	201.5%	187.3%
Plan fiduciary net position as a percentage of the total pension liability .....	67.83%	68.00%	65.17%	65.17%

The reporting date is June 30, 2018 and the measurement date is June 30, 2017

**CITY OF BALTIMORE**  
**Schedule of Employer Contributions**  
**Employees' Retirement System Plan**  
**For the Year Ended June 30, 2018**  
(Dollars Expressed in Thousands)

Description	2015	2016	2017	2018
Actuarially determined contribution .....	\$ 78,437	\$ 77,088	\$ 60,712	\$ 68,895
Contribution in relation to the actuarially determined contribution .....	81,558	82,780	61,704	68,904
Contribution deficiency (excess) .....	\$ (3,121)	\$ (5,692)	\$ (992)	\$ (9)
Covered employee payroll .....	\$ 344,809	\$ 347,656	\$ 319,693	\$ 318,999
Contribution as a percentage of covered payroll .....	23.65%	23.81%	19.30%	21.60%

The reporting date is June 30, 2018 and the measurement date is June 30, 2017

**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, 2018**  
(Dollars Expressed in Thousands)

	2016	2017	2018
City's share of the net pension liability .....	0.02%	0.02%	0.03%
City's proportionate share of the net pension liability .....	\$ 4,595	\$ 5,894	\$ 7,001
City's covered employee payroll .....	952	850	1,400
City's proportionate share of the net pension liability as a percentage of its covered employee payroll.....	482.7%	693.4%	500.0%
Plan fiduciary net position as a percentage of the total pension liability .....	66.27%	62.97%	66.71%

Note: The reporting date is June 30, 2018 and the measurement date is June 30, 2017

**CITY OF BALTIMORE**  
**Schedule of Employer Contributions**  
**Maryland State Retirement and Pension System-ERPS**  
**For the Year Ended June 30, 2018**  
(Dollars Expressed in Thousands)

Description	2016	2017	2018
Actuarially determined contribution .....	\$ 556	\$ 486	\$ 659
Contribution in relation to the actuarially determined contribution .....	466	486	659
Contribution deficiency (excess) .....	\$ 90	\$	\$
Covered employee payroll .....	\$ 952	\$ 850	\$ 1,400
Contribution as a percentage of covered payroll .....	48.95%	57.18%	47.07%

Note: The reporting date is June 30, 2018 and the measurement date is June 30, 2017

**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, 2018**  
(Dollars Expressed in Thousands)

	2016	2017	2018
City's share of the net pension liability .....	0.11%	0.13%	0.13%
City's proportionate share of the net pension liability .....	\$ 23,578	\$ 30,244	\$ 28,519
City's covered employee payroll .....	172	214	220
City's proportionate share of the net pension liability as a percentage of its covered employee payroll.....	13708%	14165.2%	12982.3%
Plan fiduciary net position as a percentage of the total pension liability .....	61.30%	58.88%	62.80%

Note: The reporting date is June 30, 2018 and the measurement date is June 30, 2017

**CITY OF BALTIMORE**  
**Schedule of Employer Contributions**  
**Maryland State Retirement and Pension System-LEOPS**  
**For the Year Ended June 30, 2018**  
(Dollars Expressed in Thousands)

Description	2016	2017	2018
Actuarially determined contribution .....	\$ 2,392	\$ 2,497	\$ 2,497
Contribution in relation to the actuarially determined contribution .....	2,392	2,497	2,497
Covered employee payroll .....	172	214	220
Contribution as a percentage of covered payroll .....	1390.70%	1166.82%	1135.00%

Note: The reporting date is June 30, 2018 and the measurement date is June 30, 2017

**CITY OF BALTIMORE**  
**Schedule of Changes in Net Pension Liability (Assets) and Related Ratios**  
**Fire and Police Employees' Retirement System - Single Employer Plan**  
**Pension Trust Funds**  
**For the Year Ended June 30, 2018**  
(Dollars Expressed in Thousands)

	2015	2016	2017	2018
<b>Total pension liability</b>				
Interest (includes interest on service cost) .....	\$ 248,633	\$ 256,066	\$ 260,001	\$ 296,220
Service cost .....	65,548	66,199	70,730	70,987
Change in assumption .....		35,494		
Differences between expected and actual experience .....	1,396	28,065	11,353	(17,476)
Benefit payments, including refunds of member contributions .....	(219,808)	(223,359)	(237,195)	(245,080)
<b>Net change in total pension liability .....</b>	<b>95,769</b>	<b>162,465</b>	<b>104,889</b>	<b>104,651</b>
<b>Total pension liability - beginning .....</b>	<b>3,252,533</b>	<b>3,348,302</b>	<b>3,510,767</b>	<b>3,615,656</b>
<b>Total pension liability - ending .....</b>	<b>\$ 3,348,302</b>	<b>\$ 3,510,767</b>	<b>\$ 3,615,656</b>	<b>\$ 3,720,307</b>
<b>Plan fiduciary net position:</b>				
Net investment income .....	\$ 312,131	\$ 53,526	\$ 2,982	\$ 291,978
Contribution - employer .....	113,004	118,190	120,279	129,689
Contribution - member .....	28,058	30,130	30,339	29,902
Benefit payments, including refunds of member contributions .....	(219,808)	(223,359)	(237,195)	(245,080)
Administrative expense .....	(3,786)	(4,281)	(4,377)	(4,328)
<b>Net change in plan fiduciary net position .....</b>	<b>229,599</b>	<b>(25,794)</b>	<b>(87,972)</b>	<b>202,161</b>
<b>Plan fiduciary net position - beginning .....</b>	<b>2,244,571</b>	<b>2,474,170</b>	<b>2,448,376</b>	<b>2,360,404</b>
<b>Plan fiduciary net position - ending .....</b>	<b>2,474,170</b>	<b>2,448,376</b>	<b>2,360,404</b>	<b>2,562,565</b>
<b>Net position liability (asset) - ending .....</b>	<b>\$ 874,132</b>	<b>\$ 1,062,391</b>	<b>\$ 1,255,252</b>	<b>\$ 1,157,742</b>
<b>Plan fiduciary net position as a percentage of the total pension liability .....</b>	<b>73.89%</b>	<b>69.74%</b>	<b>65.28%</b>	<b>68.88%</b>
<b>Covered employee payroll .....</b>	<b>\$ 290,581</b>	<b>\$ 320,408</b>	<b>\$ 298,779</b>	<b>\$ 296,357</b>
<b>Net pension liability (asset) as a percentage of covered employee payroll .....</b>	<b>300.82%</b>	<b>331.57%</b>	<b>420.13%</b>	<b>390.66%</b>

The reporting date is June 30, 2018 and the measurement date is June 30, 2017

**CITY OF BALTIMORE**  
**Schedule of Changes in Net Pension Liability (Assets) and Related Ratios**  
**Elected Officials' Retirement System - Single Employer Plan**  
**Pension Trust Funds**  
**For the Year Ended June 30, 2018**  
(Dollars Expressed in Thousands)

	2015	2016	2017	2018
<b>Total pension liability</b>				
Interest (includes interest on service cost) .....	\$ 1,177	\$ 1,219	\$ 983	\$ 965
Service cost .....	399	410	260	250
Change in assumption .....		(3,523)	315	
Differences between expected and actual experience .....	(256)	(440)	(474)	662
Benefit payments, including refunds of member contributions .....	(725)	(765)	(763)	(933)
<b>Net change in total pension liability .....</b>	<b>595</b>	<b>(3,099)</b>	<b>321</b>	<b>944</b>
<b>Total pension liability - beginning .....</b>	<b>16,185</b>	<b>16,780</b>	<b>13,681</b>	<b>14,002</b>
<b>Total pension liability - ending .....</b>	<b>\$ 16,780</b>	<b>\$ 13,681</b>	<b>\$ 14,002</b>	<b>\$ 14,946</b>
<b>Plan fiduciary net position:</b>				
Net investment income .....	\$ 3,508	\$ 629	\$ 45	\$ 3,116
Contribution - employer .....	307	85		
Contribution - member .....	56	61	62	90
Benefit payments, including refunds of member contributions .....	(725)	(765)	(763)	(934)
Administrative expense .....	(32)	(33)	(35)	(55)
<b>Net change in plan fiduciary net position .....</b>	<b>3,114</b>	<b>(23)</b>	<b>(691)</b>	<b>2,217</b>
<b>Plan fiduciary net position - beginning .....</b>	<b>20,349</b>	<b>23,463</b>	<b>23,440</b>	<b>22,749</b>
<b>Plan fiduciary net position - ending .....</b>	<b>23,463</b>	<b>23,440</b>	<b>22,749</b>	<b>24,966</b>
<b>Net position liability (asset) - ending .....</b>	<b>\$ (6,683)</b>	<b>\$ (9,759)</b>	<b>\$ (8,747)</b>	<b>\$ (10,020)</b>
<b>Plan fiduciary net position as a percentage of the total pension liability .....</b>	<b>139.83%</b>	<b>171.33%</b>	<b>162.47%</b>	<b>167.00%</b>
<b>Covered employee payroll .....</b>	<b>\$ 1,267</b>	<b>\$ 1,298</b>	<b>\$ 1,334</b>	<b>\$ 1,297</b>
<b>Net pension liability (asset) as a percentage of covered employee payroll .....</b>	<b>(527.37)%</b>	<b>(751.38)%</b>	<b>(655.70)%</b>	<b>(772.55)%</b>

The reporting date is June 30, 2018 and the measurement date is June 30, 2017

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Fire and Police Employees' Retirement System:</b>										
Actuarially determined contribution .....	\$69,513	\$94,098	\$107,540	\$107,488	\$107,779	\$113,843	\$11,902	\$121,115	\$129,689	\$137,738
Contribution in relation to the actuarially determined contribution .....	69,513	94,098	107,540	107,488	104,779	113,843	11,902	121,115	129,689	137,738
Covered employee payroll .....	281,424	276,577	275,648	284,601	277,524	292,739	322,667	300,855	296,357	323,351
Contribution as a percentage of covered payroll .....	24.70%	34.02%	39.01%	37.77%	38.84%	38.89%	36.39%	40.26%	43.76%	42.60%
<b>Elected Officials' Retirement System:</b>										
Actuarially determined contribution .....		\$340	\$957	\$998	\$419	\$307	\$85			
Contribution in relation to the actuarially determined contribution .....		340	957	998	419	307	85			
Covered employee payroll .....	1,182	1,206	1,206	1,237	1,236	1,267	1,299	1,334	1,297	1,399
Contribution as a percentage of covered payroll .....	0.00%	28.19%	79.35%	80.68%	33.90%	24.23%	6.54%	0.00%	0.00%	0.00%

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



**CITY OF BALTIMORE**  
**Schedule of Changes in the Net OPEB Liabilities and Related Ratios**  
**OPEB Fund**  
**For the Ended June 30, 2018**  
(Expressed in thousands)

	2017	2018
Total OPEB Liability		
Service Cost at end of year .....	\$ 29,652	\$ 30,838
Interest .....	93,367	94,514
Changes of assumption .....		30,644
Benefits payments .....	(106,880)	(106,352)
Net changes in Total OPEB Liability .....	16,139	49,644
Total OPEB Liability - beginning .....	1,384,925	1,401,064
Total OPEB Liability - ending (a) .....	<u>\$ 1,401,064</u>	<u>\$ 1,450,708</u>
Plan Fiduciary Net Position		
Contribution - Employer .....	\$ 138,931	\$ 145,466
Net investment income .....	46,166	32,933
Benefit payments .....	(106,880)	(106,352)
Net change in Plan Fiduciary Net Position .....	78,217	72,047
Plan Fiduciary Net Position - beginning .....	438,342	516,559
Plan Fiduciary Net Position - ending (b) .....	\$ 516,559	\$ 588,606
Net OPEB liability - ending (a) - (b) .....	<u>\$ 884,505</u>	<u>\$ 862,102</u>

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

	2017	2018
Total OPEB liability .....	\$ 1,401,064	\$ 1,450,708
Plan fiduciary net position .....	516,559	588,606
Net OPEB liability .....	\$ 884,505	\$ 862,102
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability .....	36.9%	40.6%
Covered payroll .....	1,464,035	1,345,680
Net OPEB liability as a percentage of covered payroll .....	60.4%	64.1%
Average money weighted rate of return.....	10.5%	6.4%

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

**CITY OF BALTIMORE**  
**Schedule of the City's Proportionate Share of Net OPEB Liability**  
**For the Year Ended June 30, 2018**  
(Dollars Expressed in Thousands)

	2017	2018
City's share of the net OPEB liability .....	71.4%	71.3%
City's proportionate share of the net OPEB liability .....	\$ 625,170	\$ 614,351
City's proportionate share of the net OPEB liability as a percentage of its covered employee payroll.....	42.7%	64.1%
Plan fiduciary net position as a percentage of the total liability .....	36.9%	40.6%

Note: The reporting date is June 30, 2018 and the measurement date is June 30, 2017

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 2018, a supplemental appropriation ordinance was required for the general fund in the amount of \$28,600,000.

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](http://www.bcercs.org)

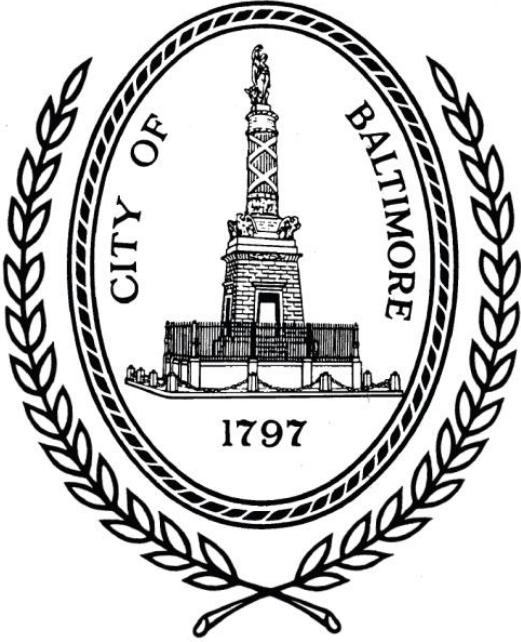
For Fire and Police Employees' Retirement System: [www.bcfpers.org](http://www.bcfpers.org)

For the Maryland State Retirement and Pension System: [www.sra.state.md.us](http://www.sra.state.md.us)

**3. Schedule of the City's Proportionate Share of the Net OPEB Liability and Schedule of Changes in Net OPEB Liability**

The City of Baltimore provides other post-employment benefits (OPEB) to all qualified City and BCPSS employees. The OPEB Trust Fund does not issue separate financial statements but is included in the City's financial statements as a fiduciary trust fund. The City does not calculate the actuarial determined contribution so therefor such information is not available for the Total Plan or The City's proportionate share.

**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, 2018**  
(Expressed in Thousands)

	Special Revenue Funds							Permanent Funds			Total Nonmajor Governmental Funds
	Community Development Block Grant Fund	School Construction Fund	Baltimore Casino	State Video Lottery Terminal	Scholarship Fund	Table Game	Total	Enoch Pratt Free Library Fund	Memorial Fund	Total	
<b>Assets:</b>											
Cash and cash equivalents.....		\$ 3,237	\$ 1,382	\$ 1,874	\$ 5,490		\$ 11,983	\$ 278	\$ 295	\$ 573	\$ 12,556
Investments.....					761		761	1,980	5,859	7,839	8,600
Other receivables, net.....		1,275			3		1,278	9	13	22	1,300
Due from other government.....		518	1,792	63		\$ 518	2,891				2,891
Due from other fund.....	\$ 8,455						8,455				8,455
<b>Total assets.....</b>	<b>8,455</b>	<b>5,030</b>	<b>3,174</b>	<b>1,937</b>	<b>6,254</b>	<b>518</b>	<b>25,368</b>	<b>2,267</b>	<b>6,167</b>	<b>8,434</b>	<b>33,802</b>
<b>Liabilities, deferred inflows of resources and fund balances:</b>											
<b>Liabilities:</b>											
Accounts payable and accrued liabilities.....	763		1,299	48		1	2,111				2,111
Due to other funds.....						1,844	1,844				1,844
Due to other governmental.....	4,654						4,654				4,654
<b>Total liabilities.....</b>	<b>5,417</b>		<b>1,299</b>	<b>48</b>		<b>1,845</b>	<b>8,609</b>				<b>8,609</b>
<b>Deferred inflows of resources:</b>											
Unavailable grants revenue.....	3,530						3,530				3,530
<b>Total deferred inflows of resources.....</b>	<b>3,530</b>						<b>3,530</b>				<b>3,530</b>
<b>Total liabilities.....</b>	<b>8,947</b>		<b>1,299</b>	<b>48</b>		<b>1,845</b>	<b>12,139</b>				<b>12,139</b>
<b>Fund balances:</b>											
Restricted.....					6,254		6,254	2,267	6,167	8,434	14,688
Assigned.....		5,030	1,875	1,889			8,794				8,794
Unassigned.....	(492)					(1,327)	(1,819)				(1,819)
<b>Total fund balances.....</b>	<b>(492)</b>	<b>5,030</b>	<b>1,875</b>	<b>1,889</b>	<b>6,254</b>	<b>(1,327)</b>	<b>13,229</b>	<b>2,267</b>	<b>6,167</b>	<b>8,434</b>	<b>21,663</b>
<b>Total liabilities, deferred inflows of resources and fund balances.....</b>	<b>\$ 8,455</b>	<b>\$ 5,030</b>	<b>\$ 3,174</b>	<b>\$ 1,937</b>	<b>\$ 6,254</b>	<b>\$ 518</b>	<b>\$ 25,368</b>	<b>\$ 2,267</b>	<b>\$ 6,167</b>	<b>\$ 8,434</b>	<b>\$ 33,802</b>

**CITY OF BALTIMORE**  
**Combining Statement of Revenue, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2018**  
(Expressed in Thousands)

	Special Revenue Funds							Permanent Funds			Total Nonmajor Governmental Funds
	Community Development Block Grant Fund	School Construction Fund	State Baltimore Casino Fund	Video Lottery Terminal	Scholarship Fund	Table Game	Total	Enoch Pratt Free Library Fund	Memorial Fund	Total	
<b>Revenues:</b>											
Taxes - local .....		\$ 12,558					\$ 12,558				\$ 12,558
State shared revenue .....		2,770	\$ 12,360	\$ 6,856		\$ 2,080	24,066				24,066
Interest, rentals and other investment income.....					\$ 105		105	\$ 96	\$ 754	\$ 850	955
Federal grants.....	\$ 17,261						17,261				17,261
Other revenue.....		1,250					1,250				1,250
<b>Total revenues.....</b>	<b>17,261</b>	<b>16,578</b>	<b>12,360</b>	<b>6,856</b>	<b>105</b>	<b>2,080</b>	<b>55,240</b>	<b>96</b>	<b>754</b>	<b>850</b>	<b>56,090</b>
<b>Expenditures:</b>											
<b>Current:</b>											
General government.....	2,243	16,576	6,718	1,219			26,756				26,756
Public safety and regulation .....			1,781				1,781				1,781
Education.....						35	35				35
Public library.....				36			36	27		27	63
Recreation and culture.....			489	9		1,807	2,305		191	191	2,496
Highways and streets .....			44				44				44
Sanitation and waste removal .....			373				373				373
Economic development.....	9,786		523				10,309				10,309
<b>Total expenditures.....</b>	<b>12,029</b>	<b>16,576</b>	<b>9,928</b>	<b>1,264</b>	<b>35</b>	<b>1,807</b>	<b>41,639</b>	<b>27</b>	<b>191</b>	<b>218</b>	<b>41,857</b>
Excess of revenues over expenditures.....	5,232	2	2,432	5,592	70	273	13,601	69	563	632	14,233
<b>Other financing sources (uses):</b>											
Transfers out.....	(5,724)		(3,225)	(6,841)		(2,000)	(17,790)				(17,790)
<b>Total other financing sources (uses).....</b>	<b>(5,724)</b>		<b>(3,225)</b>	<b>(6,841)</b>		<b>(2,000)</b>	<b>(17,790)</b>				<b>(17,790)</b>
<b>Net change in fund balances.....</b>	<b>(492)</b>	<b>2</b>	<b>(793)</b>	<b>(1,249)</b>	<b>70</b>	<b>(1,727)</b>	<b>(4,189)</b>	<b>69</b>	<b>563</b>	<b>632</b>	<b>(3,557)</b>
Fund balances - beginning .....		5,028	2,668	3,138	6,184	400	17,418	2,198	5,604	7,802	25,220
<b>Fund balances - ending.....</b>	<b>\$ (492)</b>	<b>\$ 5,030</b>	<b>\$ 1,875</b>	<b>\$ 1,889</b>	<b>\$ 6,254</b>	<b>\$ (1,327)</b>	<b>\$ 13,229</b>	<b>\$ 2,267</b>	<b>\$ 6,167</b>	<b>\$ 8,434</b>	<b>\$ 21,663</b>



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# Nonmajor Proprietary Funds

## Enterprise Funds

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

*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, 2018**  
(Expressed in Thousands)

	Industrial Development Authority	Conduit Fund	Total
<b>Assets:</b>			
<b>Current assets:</b>			
Cash and cash equivalents.....	\$ 15,227		\$ 15,227
Total current assets.....	15,227		15,227
<b>Noncurrent assets:</b>			
<b>Restricted assets:</b>			
Cash and cash equivalents.....		\$ 54,063	54,063
Capital assets, net of accumulated depreciation.....		64,917	64,917
Capital assets not being depreciated.....		37,045	37,045
Total noncurrent assets.....		156,025	156,025
Total assets.....	15,227	156,025	171,252
<b>Deferred outflows of resources</b>			
Deferred outflows related to pension .....		622	622
Deferred outflows related to OPEB .....		86	86
Total deferred outflows of resources.....		708	708
Total assets and deferred outflows of resources.....	15,227	156,733	171,960
<b>Liabilities and deferred inflows of resources:</b>			
<b>Current liabilities:</b>			
Accounts payable and accrued liabilities.....		255	255
Due to other funds.....	1,544	30,965	32,509
Compensated absences.....		146	146
Other liabilities.....		4,601	4,601
<b>Current liabilities payable from restricted assets:</b>			
Accounts payable from restricted assets.....		6,686	6,686
Total current liabilities.....	1,544	42,653	44,197
<b>Noncurrent liabilities:</b>			
Net pension liability .....		3,406	3,406
Net OPEB liability .....		1,806	1,806
Other liabilities.....		188	188
Total noncurrent liabilities.....		5,400	5,400
Total liabilities.....	1,544	48,053	49,597
<b>Deferred inflows of resources:</b>			
Deferred inflows related pension .....		28	28
Total deferred inflows of resources.....		28	28
Total liabilities and deferred inflows of resources.....	1,544	48,081	49,625
<b>Net position:</b>			
Net investment in capital assets .....		101,962	101,962
Unrestricted.....	13,683	6,690	20,373
Total net position.....	\$ 13,683	\$ 108,652	\$ 122,335

**CITY OF BALTIMORE**  
**Combining Statement of Revenues, Expenses,**  
**and Changes in Net Position**  
**Nonmajor Proprietary Funds**  
**For the Year Ended June 30, 2018**  
(Expressed in Thousands)

	Industrial Development Authority	Conduit Fund	Total
Operating revenues:			
Rents, fees, and other income.....	\$ 1	\$ 28,551	\$ 28,552
Interest income on loans.....	87		87
Total operating revenues.....	88	28,551	28,639
Operating expenses:			
Salaries and wages.....		3,754	3,754
Other personnel costs.....		2,268	2,268
Program expenses.....	1	795	796
Materials and supplies.....		174	174
Minor equipment.....		268	268
Depreciation.....		1,157	1,157
Total operating expenses.....	1	8,416	8,417
Operating income .....	87	20,135	20,222
Capital contributions (reduction).....		(1,838)	(1,838)
Changes in net position.....	87	18,297	18,384
Total net position - beginning (as restated).....	13,596	90,355	103,951
Total net position - ending.....	\$ 13,683	\$ 108,652	\$ 122,335

**CITY OF BALTIMORE**  
**Combining Statement of Cash Flows**  
**Nonmajor Proprietary Funds**  
**For the Year Ended June 30, 2018**  
(Expressed in Thousands)

	Industrial Development Authority	Conduit Fund	Total
Cash flows from operating activities:			
Receipts from customers.....	\$ 88	\$ 28,551	\$ 28,639
Payments to employees.....		(6,682)	(6,682)
Payments to suppliers.....	(1)	322	321
Net cash provided by operating activities.....	87	22,191	22,278
Cash flow from capital and related financing activities:			
Acquisition and construction of capital assets.....		(53,569)	(53,569)
Due to other funds.....	(4,519)	30,965	26,446
Net cash used by capital and related financing activities.....	(4,519)	(22,604)	(27,123)
Net increase in cash and cash equivalents.....	(4,432)	(413)	(4,845)
Cash and cash equivalents, beginning of year.....	19,659	54,476	74,135
Cash and cash equivalents, end of year.....	\$ 15,227	\$ 54,063	\$ 69,290
Reconciliation of operating income to net cash provided by operating activities:			
Operating income .....	\$ 87	\$ 20,135	\$ 20,222
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense.....		1,157	1,157
Effect of changes in non cash operating asset and liabilities:			
Deferred outflows - pension .....		441	441
Deferred outflows - OPEB .....		(86)	(86)
Accounts payable and accrued liabilities.....		17	17
Other liabilities .....		1,537	1,537
Other noncurrent liabilities .....		23	23
Pension liability - current period .....		(54)	(54)
OPEB liability .....		(139)	(139)
Deferred inflows - pension.....		(840)	(840)
Total adjustments.....		2,056	2,056
Net cash provided by operating activities.....	\$ 87	\$ 22,191	\$ 22,278

# 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 Funds**  
**June 30, 2018**  
(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
<b>Assets:</b>									
<b>Current assets:</b>									
Cash and cash equivalents .....	\$ 279	\$ 3,336	\$ 6,792		\$ 646		\$ 8,450	\$ 2,516	\$ 22,019
Accounts receivable, net:									
Other .....			260	\$ 66		\$ 5	967		1,298
Inventories .....			6,347	784	47				7,178
<b>Total current assets .....</b>	<b>279</b>	<b>3,336</b>	<b>13,399</b>	<b>850</b>	<b>693</b>	<b>5</b>	<b>9,417</b>	<b>2,516</b>	<b>30,495</b>
<b>Noncurrent assets:</b>									
Restricted cash .....			36,814						36,814
Capital assets, net .....		249	110,332						110,581
<b>Total noncurrent assets .....</b>		<b>249</b>	<b>147,146</b>						<b>147,395</b>
<b>Total assets .....</b>	<b>279</b>	<b>3,585</b>	<b>160,545</b>	<b>850</b>	<b>693</b>	<b>5</b>	<b>9,417</b>	<b>2,516</b>	<b>177,890</b>
<b>Liabilities:</b>									
<b>Current liabilities:</b>									
Accounts payable and accrued liabilities .....	241	388	4,703	580	109	359	1,936	178	8,494
Due to other funds .....				68		412			480
Leases payable .....			16,266						16,266
Compensated absences .....	15	11	683	56	11	66	177		1,019
<b>Total current liabilities .....</b>	<b>256</b>	<b>399</b>	<b>21,652</b>	<b>704</b>	<b>120</b>	<b>837</b>	<b>2,113</b>	<b>178</b>	<b>26,259</b>
<b>Noncurrent liabilities:</b>									
Leases payable .....			70,067						70,067
Compensated absences .....	23	54	1,988	69	15	109	365		2,623
<b>Total noncurrent liabilities .....</b>	<b>23</b>	<b>54</b>	<b>72,055</b>	<b>69</b>	<b>15</b>	<b>109</b>	<b>365</b>		<b>72,690</b>
<b>Total liabilities .....</b>	<b>279</b>	<b>453</b>	<b>93,707</b>	<b>773</b>	<b>135</b>	<b>946</b>	<b>2,478</b>	<b>178</b>	<b>98,949</b>
<b>Net position:</b>									
Net investment in capital assets .....		249	23,999						24,248
Unrestricted (deficit) .....		2,883	42,839	77	558	(941)	6,939	2,338	54,693
<b>Total net position .....</b>	<b>\$</b>	<b>\$ 3,132</b>	<b>\$ 66,838</b>	<b>\$ 77</b>	<b>\$ 558</b>	<b>\$ (941)</b>	<b>\$ 6,939</b>	<b>\$ 2,338</b>	<b>\$ 78,941</b>

**CITY OF BALTIMORE**  
**Combining Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Internal Service Funds**  
**For the Year Ended June 30, 2018**  
(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.....	\$ 440	\$ 5,424	\$ 57,750	\$ 3,495	\$ 2,617	\$ 9,979	\$ 23,677	\$ 3,170	\$ 106,552
Operating expenses:									
Salaries and wages.....	157	455	12,777	730	289	1,127	3,335		18,870
Other personnel costs.....	115	161	5,573	296	130	469	1,240		7,984
Contractual services.....	1,337	754	21,420	1,024	154	5,786	15,038	153	45,666
Materials and supplies.....	6		1,642	1,368		25	622		3,663
Minor equipment.....	14	2,736			42	35	28	2,430	5,285
Postage and delivery service.....					1,697				1,697
Depreciation.....		109	13,178						13,287
Total operating expenses.....	1,629	4,215	54,590	3,418	2,312	7,442	20,263	2,583	96,452
Operating income (loss).....	(1,189)	1,209	3,160	77	305	2,537	3,414	587	10,100
Nonoperating revenues (expenses):									
Loss on sale of equipment.....			(1,680)						(1,680)
Total nonoperating revenues (expenses), net ..			(1,680)						(1,680)
Other financing sources (uses):									
Capital contribution (reduction) .....			(4,000)						(4,000)
Transfer in .....	1,842								1,842
Transfer out .....							(250)		(250)
Change in net position.....	653	1,209	(2,520)	77	305	2,537	3,164	587	6,012
Total net position - beginning .....	(653)	1,923	69,358		253	(3,478)	3,775	1,751	72,929
Total net position - ending.....	\$	\$ 3,132	\$ 66,838	\$ 77	\$ 558	\$ (941)	\$ 6,939	\$ 2,338	\$ 78,941



**CITY OF BALTIMORE**  
**Combining Statement of Cash Flows**  
**Internal Services Funds**  
**For the Year Ended June 30, 2018**  
(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
Cash flows from operating activities:									
Receipts from customers.....		\$ 5,424	\$ 58,193	\$ 3,130	\$ 2,590	\$ 7,934	\$ 23,329	\$ 3,170	\$ 103,770
Payments to employees.....	\$ (283)	(598)	(18,212)	(1,011)	(412)	(1,590)	(4,242)		(26,348)
Payments to suppliers.....	(1,280)	(3,736)	(22,418)	(2,119)	(1,864)	(6,344)	(15,482)	(2,577)	(55,820)
Net cash provided (used) by operating activities.....	(1,563)	1,090	17,563		314		3,605	593	21,602
Cash flows from noncapital financing activities:									
Transfers in.....	1,842								1,842
Net cash provided by noncapital financing activities.....	1,842								1,842
Cash flows from capital and related financing activities:									
Acquisition and construction of capital assets.....			(11,855)				(250)		(12,105)
Net cash (used) by capital and related financing activities.....			(11,855)				(250)		(12,105)
Net increase in cash and cash equivalents.....	279	1,090	5,708		314		3,355	593	11,339
Cash and cash equivalents, beginning of year.....		2,246	37,899		332		5,095	1,923	47,495
Cash and cash equivalents, end of year.....	\$ 279	\$ 3,336	\$ 43,607	\$	\$ 646	\$	\$ 8,450	\$ 2,516	\$ 58,834
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:									
Operating income (loss).....	\$ (1,189)	\$ 1,209	\$ 3,160	\$ 77	\$ 305	\$ 2,537	\$ 3,414	\$ 587	\$ 10,100
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:									
Depreciation.....		109	13,178						13,287
Changes in noncash operating assets and liabilities:									
Accounts receivable.....	156		44	(41)		117	(348)		(72)
Inventories.....			399	154	(27)				526
Accounts payable and accrued liabilities.....	65	(240)	630	272	30	(500)	254	6	517
Other liabilities.....	6	12	152	16	6	8	285		485
Due to other funds.....	(601)			(478)		(2,162)			(3,241)
Total adjustments.....	(374)	(119)	14,403	(77)	9	(2,537)	191	6	11,502
Net cash provided (used) by operating activities.....	\$ (1,563)	\$ 1,090	\$ 17,563	\$	\$ 314	\$	\$ 3,605	\$ 593	\$ 21,602
Noncash activity from capital and related financing activities:									
New capital leases.....			\$ 22,706						\$ 22,706
Total noncash activity from capital and related financing activities.....			\$ 22,706						\$ 22,706

# 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.

*OPEB Trust Fund* – This fund accounts for the receipts of City and retiree contributions into the OPEB Trust Fund and payment of all retiree related health and life insurance benefits.

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**CITY OF BALTIMORE**  
**Combining Statement of Fiduciary Net Position**  
**Pension and OPEB Trust Funds**  
**June 30, 2018**  
(Expressed In Thousands)

	Employees' Retirement System	Elected Officials' Retirement System	Fire and Police Employees' Retirement System	OPEB Trust Fund	Total
<b>Assets:</b>					
Cash and cash equivalents .....	\$ 84,370	\$ 49	\$ 44,930	\$ 9,463	\$ 138,812
<b>Investments:</b>					
Stocks .....	1,020,086	17,653	1,929,392	400,549	3,367,680
Bonds .....	433,088	5,648	450,428	132,667	1,021,831
Real estate .....	157,097	2,509	263,578	49,623	472,807
Securities lending collateral .....	118,686		26,213		144,899
Forward foreign contracts .....	23,333		1,732		25,065
Other assets .....	80,528	353	20,667	796	102,344
<b>Total assets .....</b>	<b>1,917,188</b>	<b>26,212</b>	<b>2,736,940</b>	<b>593,098</b>	<b>5,273,438</b>
<b>Liabilities:</b>					
Obligations under securities lending program .....	118,686		26,213		144,899
Forward foreign contracts .....	23,119		1,733		24,852
Accounts payable .....	61,130	15	17,325	4,492	82,962
Pension benefits payable .....			367		367
<b>Total liabilities .....</b>	<b>202,935</b>	<b>15</b>	<b>45,638</b>	<b>4,492</b>	<b>253,080</b>
<b>Net position:</b>					
Net position restricted for pensions .....	\$ 1,714,253	\$ 26,197	\$ 2,691,302	\$ 588,606	\$ 5,020,358

**CITY OF BALTIMORE**  
**Combining Statement of Changes in Fiduciary Net Position**  
**Pension and OPEB Trust Funds**  
**For the year Ended June 30, 2018**  
(Expressed In Thousands)

	Employees' Retirement System	Elected Officials' Retirement System	Fire and Police Employees' Retirement System	OPEB Trust Fund	Total
<b>Additions:</b>					
<b>Contributions:</b>					
Employer .....	\$ 87,542		\$ 137,738	\$ 145,466	\$ 370,746
Employee .....	12,943	\$ 69	31,286	53,465	97,763
Total contributions .....	100,485	69	169,024	198,931	468,509
<b>Investment income:</b>					
Net appreciation fair value of investments .....	106,021	2,185	188,792	26,124	323,122
Securities lending income, net .....	420		486	8,669	9,575
Interest and dividend income .....	41,711	184	37,646		79,541
Total investment income .....	148,152	2,369	226,924	34,793	412,238
Less: investment expense .....	8,640	59	15,257	1,860	25,816
Net investment income .....	139,512	2,310	211,667	32,933	386,422
Total additions .....	239,997	2,379	380,691	231,864	854,931
<b>Deductions:</b>					
Retirement benefits .....	148,219	1,110	243,204		392,533
Health benefits .....				159,817	159,817
Death benefits .....	497		223		720
Administrative expenses .....	3,616	38	4,984		8,638
Other .....	439		3,542		3,981
Total deductions .....	152,771	1,148	251,953	159,817	565,689
Changes in net position .....	87,226	1,231	128,738	72,047	289,242
Net position restricted for Pensions - beginning of the year .....	1,627,027	24,966	2,562,564	516,559	4,731,116
Net position restricted for Pensions - end of the year .....	\$ 1,714,253	\$ 26,197	\$ 2,691,302	\$ 588,606	\$ 5,020,358

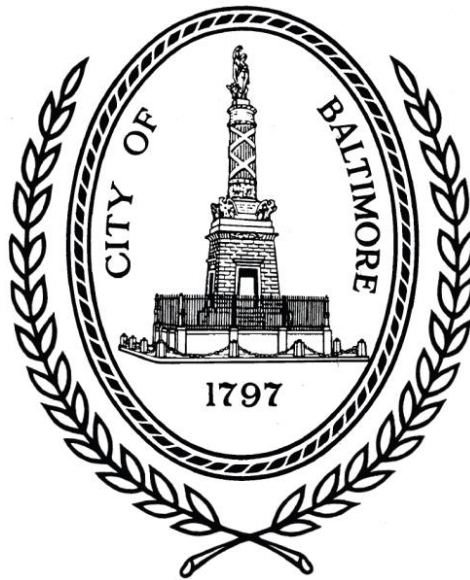
**CITY OF BALTIMORE**  
**Combining Statement of Assets and Liabilities**  
**Agency Funds**  
**June 30, 2018**  
(Expressed in Thousands)

	Unpresented Stock and Coupon Bonds	Property Sold for Taxes	Bid Deposit Refunds	Waterloo Summit	Recreation Accessory	Total
<b>Assets:</b>						
Cash and cash equivalents.....	\$ 55	\$ 86	\$ 92			\$ 233
Investments.....				\$ 53		53
Accounts receivable.....					\$ 347	347
<b>Total assets.....</b>	<b>55</b>	<b>86</b>	<b>92</b>	<b>53</b>	<b>347</b>	<b>633</b>
<b>Liabilities:</b>						
Due to other funds.....					347	347
Other.....	55	86	92	53		286
<b>Total liabilities.....</b>	<b>\$ 55</b>	<b>\$ 86</b>	<b>\$ 92</b>	<b>\$ 53</b>	<b>\$ 347</b>	<b>\$ 633</b>

**CITY OF BALTIMORE**  
**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
**For the Year Ended June 30, 2018**  
(Expressed in Thousands)

	Balance			Balance
	June 30, 2017	Additions	Deductions	June 30, 2018
<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	\$ 20		92
Total assets.....	72	20		92
Liabilities:				
Other.....	72	20		92
Total liabilities.....	72	20		92
<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.....	247	2,848	\$ 2,948	347
Total assets.....	247	2,848	2,948	347
Liabilities:				
Other.....	247	2,848	2,948	347
Total liabilities.....	247	2,848	2,948	347
<i>Total All Agency Funds</i>				
Assets:				
Cash.....	460	2,868	2,948	580
Investments.....	53			53
Total assets.....	513	2,868	2,948	633
Liabilities:				
Other.....	513	2,868	2,948	433
Total liabilities.....	\$ 513	\$ 2,868	\$ 2,948	\$ 433

# STATISTICAL SECTION



**See Report of Independent Public Accountants**



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**CITY OF BALTIMORE**

**Statistical Section**

**(Unaudited)**

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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			
	2009	2010	2011	2012
<b>Governmental activities</b>				
Invested in capital assets, net of related debt.....	\$ 2,121,998	\$ 2,681,668	\$ 2,989,607	\$ 2,739,761
Restricted.....	13,191	14,787	14,931	13,013
Unrestricted.....	(475,903)	(360,180)	(595,687)	(321,033)
<b>Total governmental activities</b>				
net position.....	\$ 1,659,286	\$ 2,336,275	\$ 2,408,851	\$ 2,431,741
<b>Business-type activities</b>				
Invested in capital assets, net of related debt.....	\$ 1,371,993	\$ 1,377,641	\$ 1,461,618	\$ 1,646,769
Restricted.....	260,575	124,756	142,070	160,955
Unrestricted.....	(27,495)	182,655	172,004	83,148
<b>Total business-type activities</b>				
net position.....	\$ 1,605,073	\$ 1,685,052	\$ 1,775,692	\$ 1,890,872
<b>Primary government</b>				
Invested in capital assets, net of related debt.....	\$ 3,493,991	\$ 4,059,309	\$ 4,451,225	\$ 4,386,530
Restricted.....	273,766	139,543	157,001	173,968
Unrestricted.....	(503,398)	(177,525)	(423,683)	(237,885)
<b>Total primary government</b>				
net position.....	\$ 3,264,359	\$ 4,021,327	\$ 4,184,543	\$ 4,322,613

	Fiscal Year					
	2013	2014	2015	2016	2017	2018
<b>Governmental activities</b>						
Net investment in capital assets .....	\$ 2,988,956	\$ 2,569,231	\$ 2,520,873	\$ 2,464,962	\$ 2,528,116	\$ 2,574,640
Restricted.....	40,548	22,598	15,946	24,669	400,063	483,623
Unrestricted.....	(650,914)	(442,540)	(1,759,089)	(1,662,259)	(1,951,655)	(2,771,072)
<b>Total governmental activities</b>						
net position.....	\$ 2,378,590	\$ 2,149,289	\$ 777,730	\$ 827,372	\$ 976,524	\$ 287,191
<b>Business-type activities</b>						
Net investment in capital, assets .....	\$ 1,785,501	\$ 2,215,884	\$ 2,379,232	\$ 2,386,644	\$ 2,981,404	\$ 3,383,394
Restricted.....	152,197	180,965	157,613	165,076	162,084	161,308
Unrestricted.....	133,419	123,976	136,251	413,302	85,565	(92,013)
<b>Total business-type activities</b>						
net position.....	\$ 2,071,117	\$ 2,520,825	\$ 2,673,096	\$ 2,965,022	\$ 3,229,053	\$ 3,452,689
<b>Primary government</b>						
Net investment in capital, assets .....	\$ 4,774,457	\$ 4,785,115	\$ 4,900,105	\$ 4,851,606	\$ 5,509,520	\$ 5,958,034
Restricted.....	192,745	203,563	173,559	189,745	562,147	644,931
Unrestricted.....	(517,495)	(318,564)	(1,622,838)	(1,248,957)	(1,866,090)	(2,863,085)
<b>Total primary government</b>						
net position.....	\$ 4,449,707	\$ 4,670,114	\$ 3,450,826	\$ 3,792,394	\$ 4,205,577	\$ 3,739,880

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Expenses</b>										
Government activities:										
General government .....	\$ 521,242	\$ 545,037	\$ 452,449	\$ 443,957	\$ 399,166	\$ 278,892	\$ 294,987	\$ 303,696	\$ 249,415	\$ 404,025
Public safety and regulation .....	541,778	504,730	525,792	577,963	661,829	673,680	692,155	744,940	764,040	781,830
Conservation of health .....	147,054	164,751	151,192	154,105	130,911	125,383	112,575	116,592	119,811	134,743
Social services .....	6,096	435	14,581	31,156	125,515	112,301	102,809	109,591	120,630	95,107
Education .....	221,829	228,788	265,204	260,935	288,227	306,128	302,568	299,699	278,881	383,934
Public library .....	33,728	33,915	33,309	33,390	33,184	34,550	35,063	34,150	34,531	35,189
Recreation and culture .....	42,565	39,205	48,165	49,291	50,297	52,540	51,367	53,657	58,124	59,049
Highways and streets .....	135,992	191,536	140,309	162,290	159,022	172,330	185,601	192,487	169,147	165,800
Sanitation and waste removal .....	51,167	52,905	61,605	65,677	73,536	63,623	67,445	70,823	76,638	81,877
Public service .....	24,637	24,316	25,059	26,676	50,710	50,260	51,041	49,475	53,188	50,052
Economic development .....	204,557	182,816	183,331	169,896	170,002	208,870	141,772	126,430	133,594	131,347
Interest .....	37,885	50,105	47,391	32,624	29,605	41,967	41,078	30,518	28,857	77,530
Total governmental activities expenses .....	1,968,530	2,018,539	1,948,387	2,007,960	2,172,004	2,120,524	2,078,461	2,132,058	2,086,856	2,400,483
Business-type Activities:										
Water .....	116,407	107,982	120,736	131,271	136,171	155,308	160,208	170,637	167,667	147,289
Waste water .....	152,595	157,605	159,776	173,106	178,221	179,306	182,769	193,563	193,055	207,730
Stormwater .....						18,292	15,747	19,365	21,521	26,175
Parking .....	23,422	24,832	19,853	25,332	17,681	23,528	19,183	18,125	27,939	17,797
Nonmajor proprietary .....	12,353	11,538	13,860	13,287	11,826	10,753	11,607	12,148	13,703	10,087
Total business-type activities expenses .....	304,777	301,957	314,225	342,996	343,899	387,187	389,514	413,838	423,885	409,078
Total primary government expenses .....	\$ 2,273,307	\$ 2,320,496	\$ 2,262,612	\$ 2,350,956	\$ 2,515,903	\$ 2,507,711	\$ 2,467,975	\$ 2,545,896	\$ 2,510,741	\$ 2,809,561
<b>Program Revenues</b>										
Governmental activities:										
Charges for services (a) .....	\$ 94,297	\$ 85,683	\$ 109,872	\$ 118,556	\$ 114,163	\$ 103,331	\$ 107,482	\$ 103,190	\$ 103,151	\$ 111,154
Operating grants and contributions .....	402,343	359,769	399,844	400,678	385,841	431,515	318,266	347,636	344,684	324,457
Capital grants and contributions .....	23,181	63,437	72,758	71,258	109,488	71,806	54,788	25,284	83,501	41,095
Total governmental activities revenue .....	519,821	508,889	582,474	590,492	609,492	606,652	480,536	476,110	531,336	476,706
Business-type activities:										
Charges for services:										
Water .....	119,840	130,512	129,292	132,340	154,680	158,678	176,439	160,865	163,563	178,367
Waste water .....	158,305	166,016	160,076	179,873	183,521	221,181	216,428	229,300	235,133	258,386
Stormwater .....						27,511	25,971	27,807	29,309	28,552
Parking .....	64,380	67,760	83,040	81,476	83,542	87,398	85,634	87,145	88,454	85,257
Nonmajor proprietary .....	12,440	9,989	9,979	12,046	18,400	14,385	13,916	37,505	11,744	28,639
Capital Grants and Contributions .....	22,818	38,313	72,257	100,922	129,608	131,574	201,880	259,288	217,959	169,154
Total Business-type Activities Revenue .....	377,783	412,590	454,644	506,657	569,751	640,727	720,268	801,910	746,162	748,355
Total Primary Government Revenues .....	897,604	921,479	1,037,118	1,097,149	1,179,243	1,247,379	1,200,804	1,278,020	1,277,498	1,225,061
<b>Net (Expense)/Revenue</b>										
Government Activities .....	(1,448,709)	(1,509,650)	(1,365,913)	(1,417,468)	(1,562,512)	(1,513,872)	(1,597,925)	(1,655,948)	(1,555,520)	(1,923,777)
Business-type Activities .....	73,006	110,633	140,419	163,661	225,852	253,540	330,754	388,072	322,277	339,277
Total Primary Government Net Expenses .....	\$ (1,375,703)	\$ (1,399,017)	\$ (1,225,494)	\$ (1,253,807)	\$ (1,336,660)	\$ (1,260,332)	\$ (1,267,171)	\$ (1,267,876)	\$ (1,233,243)	\$ (1,584,500)
<b>General Revenues and Other Changes in Net Position</b>										
Governmental Activities:										
Property taxes .....	\$ 693,767	\$ 770,320	\$ 813,613	\$ 769,094	\$ 806,258	\$ 810,824	\$ 816,199	\$ 852,114	\$ 853,197	\$ 886,417
Income taxes .....	262,901	251,731	234,955	257,893	276,111	284,437	300,014	346,727	335,923	346,797
Other local taxes .....	148,369	115,472	147,366	178,441	188,803	204,391	193,595	242,426	240,278	187,754
State shared revenues .....	187,986	135,226	127,433	130,286	128,707	131,180	147,608	153,195	159,022	170,240
Unrestricted investment Income .....	35,756	27,308	23,905	17,404	17,879	16,722	19,431	34,782	21,634	28,296
Miscellaneous .....	14,568	15,806	35,695	36,794	43,861	32,581	88,734	33,073	32,523	124,395
Transfers .....	34,339	40,707	55,522	50,446	47,742	(195,564)	61,495	100,737	62,095	59,295
Total Governmental Activities .....	1,377,686	1,356,570	1,438,489	1,440,358	1,509,361	1,284,571	1,627,076	1,763,054	1,704,672	1,803,194
Business-type Activities:										
Unrestricted investment Income .....	747		5,743	3,075	2,135	2,186	5,809	4,591	3,849	5,535
Transfers .....	(34,339)	(40,707)	(55,522)	(50,446)	(47,742)	195,564	(61,495)	(100,737)	(62,095)	(59,295)
Total Business-type activities .....	(33,592)	(40,707)	(49,779)	(47,371)	(45,607)	197,750	(55,686)	(96,146)	(58,246)	(53,760)
Total primary government .....	1,344,094	1,315,863	1,388,710	1,392,987	1,463,754	1,482,321	1,571,390	1,666,908	1,646,426	1,749,434
<b>Change in Net Position</b>										
Governmental activities .....	(71,023)	(153,080)	72,576	22,890	(53,151)	(229,301)	29,151	107,106	149,152	(120,583)
Business-type activities .....	36,101	69,926	90,640	116,290	180,245	451,290	275,068	291,926	264,031	285,517
Total primary government .....	\$ (34,922)	\$ (83,154)	\$ 163,216	\$ 139,180	\$ 127,094	\$ 221,989	\$ 304,219	\$ 399,032	\$ 413,183	\$ 164,934

(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	
	2009	2010
<b>General Fund</b>		
Reserved .....	\$ 181,585	\$ 157,131
Unreserved .....	35,344	20,441
<b>Total General Fund .....</b>	<b>\$ 216,929</b>	<b>\$ 177,572</b>
<b>All Other Governmental Funds</b>		
Reserved .....	\$ 119,928	\$ 151,855
Unreserved reported in:		
Special revenue funds .....	(43,679)	(43,687)
Capital projects fund .....	48,128	(43,974)
Debt service fund .....	41,240	41,319
<b>Total all other Governmental Funds .....</b>	<b>\$ 165,617</b>	<b>\$ 105,513</b>

	Fiscal Year							
	2011 (1)	2012	2013	2014	2015	2016	2017	2018
<b>General Fund</b>								
Nonspendable .....	\$ 6,154	\$ 5,519	\$ 5,519	\$ 5,519	\$ 5,519	\$ 297,255	\$ 2,260	\$ 2,210
Restricted .....		30,338					380,996	423,673
Assigned .....	104,862	128,415	203,425	188,946	174,647	244,257	197,220	221,658
Unassigned .....	93,884	91,700	90,070	106,022	112,642	134,300	134,327	163,604
<b>Total General Fund .....</b>	<b>\$ 204,900</b>	<b>\$ 255,972</b>	<b>\$ 299,014</b>	<b>\$ 300,487</b>	<b>\$ 292,808</b>	<b>\$ 675,812</b>	<b>\$ 714,803</b>	<b>\$ 811,145</b>
<b>All Other Governmental Funds</b>								
Nonspendable								
Motor vehicle fund .....	\$ 2,658							
Other nonmajor funds .....	2,811							
Restricted								
Capital projects fund .....			\$ 27,400	\$ 9,256	\$ 2,190	\$ 10,743	\$ 5,081	\$ 8,448
Other nonmajor funds .....		\$ 13,013	13,148	13,342	13,756	13,926	13,986	14,688
Assigned								
Motor vehicle fund .....	15,177							
Capital projects fund .....	128,813	7,128	5,702					5,064
Other nonmajor funds .....	48,837	37,333	46,060	53,217	58,095	10,068	11,234	8,794
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)			(1,819)
<b>Total all other Governmental Funds .....</b>	<b>\$ 74,336</b>	<b>\$ (2,359)</b>	<b>\$ 16,701</b>	<b>\$ (30,603)</b>	<b>\$ (23,770)</b>	<b>\$ (16,690)</b>	<b>\$ 7,751</b>	<b>\$ 35,175</b>

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



**CITY OF BALTIMORE**  
**Changes in Fund Balances**  
**Governmental Funds**  
**Last Ten Fiscal Years**  
(Expressed in Thousands)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Revenue:</b>										
<b>General fund:</b>										
Taxes - Local .....	\$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	\$1,406,403
State shared revenue .....					\$128,707	\$131,180	137,714	142,213	140,451	146,174
Licenses and permits .....	29,390	34,438	42,129	37,585	40,572	41,457	41,584	48,829	44,450	41,043
Fines and forfeitures .....	6,896	7,116	8,055	6,604	29,445	14,673	15,325	8,365	7,192	27,085
Interest, rentals, and other investment income .....	23,616	24,148	21,903	16,244	16,816	15,833	17,181	33,991	21,082	27,071
Federal grants .....	224	213		226	245	261	275	217	480	79
State grants .....	99,423	97,320	89,453	95,651	93,376	102,786	105,059	104,585	105,705	104,644
Other grants .....	154	46	25	25	25	26	26	26	26	27
Charges for services .....	41,560	29,251	26,654	35,044	44,146	47,201	50,573	45,996	51,509	43,026
Miscellaneous .....	234	4,528	18,579	9,976	4,365	5,757	5,730	459	7,300	
<b>Total revenues - general fund .....</b>	<b>1,306,534</b>	<b>1,334,583</b>	<b>1,382,836</b>	<b>1,407,939</b>	<b>1,577,353</b>	<b>1,617,292</b>	<b>1,657,982</b>	<b>1,810,967</b>	<b>1,788,788</b>	<b>\$1,795,552</b>
<b>Other governmental funds:</b>										
Motor vehicle fund .....	206,015	156,590	160,974	169,768						
Grants revenue fund .....	338,749	270,692	292,887	285,240	251,949	242,805	223,148	222,291	226,145	233,957
Capital projects fund .....	46,028	75,296	84,230	93,966	121,065	91,069	66,983	45,370	105,487	62,019
Other funds .....	33,030	28,641	26,245	29,339	21,860	36,279	41,327	40,792	47,068	56,090
<b>Total revenues - other governmental funds .....</b>	<b>623,822</b>	<b>531,219</b>	<b>564,336</b>	<b>578,313</b>	<b>394,874</b>	<b>370,153</b>	<b>331,458</b>	<b>308,453</b>	<b>378,700</b>	<b>352,066</b>
<b>Total revenues all government funds .....</b>	<b>1,930,356</b>	<b>1,865,802</b>	<b>1,947,172</b>	<b>1,986,252</b>	<b>1,972,227</b>	<b>1,987,445</b>	<b>1,989,440</b>	<b>2,119,420</b>	<b>2,167,488</b>	<b>\$2,147,618</b>
<b>Expenditures:</b>										
<b>General fund:</b>										
General government .....	368,279	410,746	375,814	387,650	223,730	216,329	258,028	281,616	249,579	155,606
Public safety and regulation .....	474,031	437,031	452,977	463,410	594,077	625,432	679,202	702,632	730,093	766,230
Conservation of health .....	33,066	44,950	44,076	44,033	20,811	23,778	20,887	19,663	21,882	38,648
Social services .....	6,057	396	1,361	707	89,235	76,857	64,249	73,851	86,353	59,899
Education .....	205,909	207,657	247,074	254,626	257,770	273,241	265,939	269,937	276,324	293,355
Public library .....	25,720	24,246	23,890	23,829	23,131	24,577	24,942	24,856	24,812	24,505
Recreation and culture .....	35,163	30,212	37,981	34,749	39,235	39,796	39,349	41,884	44,392	43,845
Highways and streets .....	244	16,376	16,838	19,336	83,051	102,308	113,452	125,440	96,537	99,848
Sanitation and waste removal .....	40,593	37,862	39,503	40,936	69,381	59,837	64,422	72,642	72,380	75,384
Public service .....	17,510	21,455	16,403	17,350	43,024	41,241	43,895	42,947	44,769	42,579
Economic development .....	36,573	36,186	36,589	46,741	48,544	49,348	49,069	39,499	34,276	41,634
Debt service .....								69,775	104,006	94,713
<b>Total expenditures - general fund .....</b>	<b>1,243,145</b>	<b>1,267,117</b>	<b>1,292,506</b>	<b>1,333,367</b>	<b>1,491,989</b>	<b>1,532,744</b>	<b>1,623,434</b>	<b>1,764,742</b>	<b>1,785,403</b>	<b>1,736,246</b>
<b>Other government funds:</b>										
Motor vehicle fund .....	173,570	191,558	140,223	148,769						
Grants revenue fund .....	238,399	280,603	292,497	298,287	280,319	275,977	223,964	238,344	218,716	221,811
Capital projects fund .....	267,641	275,701	199,217	208,837	202,458	160,874	172,688	173,201	154,671	186,541
<b>Debt service fund:</b>										
Principal .....	53,361	60,054	61,282	64,781	69,877	44,483	38,912			
Interest .....	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			
<b>Other funds .....</b>	<b>18,052</b>	<b>11,863</b>	<b>14,330</b>	<b>17,116</b>	<b>22,600</b>	<b>23,133</b>	<b>31,107</b>	<b>29,565</b>	<b>34,101</b>	<b>41,857</b>
<b>Total expenditures - other government funds .....</b>	<b>790,402</b>	<b>868,640</b>	<b>751,687</b>	<b>770,414</b>	<b>598,932</b>	<b>542,353</b>	<b>503,811</b>	<b>441,110</b>	<b>407,488</b>	<b>450,209</b>
<b>Total expenditures all governmental funds .....</b>	<b>2,033,547</b>	<b>2,135,757</b>	<b>2,044,193</b>	<b>2,103,781</b>	<b>2,090,921</b>	<b>2,075,097</b>	<b>2,127,245</b>	<b>2,205,852</b>	<b>2,192,891</b>	<b>2,186,455</b>
<b>Excess (deficiency) of revenues over expenditures .....</b>	<b>(103,191)</b>	<b>(269,955)</b>	<b>(97,021)</b>	<b>(117,529)</b>	<b>(118,694)</b>	<b>(87,652)</b>	<b>(137,805)</b>	<b>(86,432)</b>	<b>(25,403)</b>	<b>(\$38,837)</b>
<b>Other financing sources (uses):</b>										
Transfers, net .....	27,839	40,707	27,422	50,446	76,110	56,828	61,495	100,038	60,289	57,703
Capital leases .....	3,956	75,099	11,020	41,460	11,804			8,978		29,618
Refunding capital leases .....										(4,563)
Face value of bonds and loans .....	100,164	54,688	54,730		283,535	5,414	64,249	92,317	1,907	225,155
Refunding of bonds .....					(214,336)				(377,111)	(133,560)
Transportation revenue bonds .....							9,609	(13,833)		14,924
Swap termination .....					(18,760)					
Premium (discount) on sale of bonds .....					42,443		1,606	3,220		35,923
Proceeds from bond issuances .....									403,750	-
Capital contributions .....						(20,421)				
Payoff of bond anticipation note .....										(60,148)
<b>Total other financing sources .....</b>	<b>131,959</b>	<b>170,494</b>	<b>93,172</b>	<b>91,906</b>	<b>180,796</b>	<b>41,821</b>	<b>136,959</b>	<b>190,720</b>	<b>88,835</b>	<b>165,052</b>
<b>Net changes in fund balances .....</b>	<b>\$28,768</b>	<b>(\$99,461)</b>	<b>\$ (3,849)</b>	<b>(\$25,623)</b>	<b>\$ 62,102</b>	<b>\$ (45,831)</b>	<b>\$ (846)</b>	<b>\$104,288</b>	<b>\$63,432</b>	<b>\$126,215</b>
Debt service as a percentage of noncapital expenditures .....	3.50%	5.26%	5.24%	5.03%	4.87%	3.89%	3.52%	3.26%	3.39%	3.85%

# 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
2009	\$ 728,359	\$ 671,869	92.2	\$ 16,270	\$ 739,803	98.4 %
2010	751,510	723,533	96.3	17,107	767,251	98.7
2011	777,332	750,144	96.5	27,047	770,399	99.9
2012	761,237	743,352	97.7	11,071	743,538	95.5
2013	778,346	732,467	94.1	11,199	752,648	99.6
2014	755,711	741,449	98.1	11,572	774,648	99.5
2015	778,380	762,772	98.0	11,910	772,040	96.0
2016	804,391	760,686	94.6	12,437	808,328	95.0
2017	851,099	808,328	95.0	32,183	840,511	98.8
2018	892,079	865,223	97.0		865,223	97.0

**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		
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
2018	33,909,100	38,844,708	2,241,053	2,309,659	36,150,153	41,154,367	87.8	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)
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
2018	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)

	2018			2009		
	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) .....	\$ 836,538	1	2.3%	\$ 629,830	1	2.2%
Amazon .....	304,580	2	0.8%			
Harbor Point - Parcel 2 .....	224,776	3	0.6%			
CSX Transportation .....	201,597	4	0.6%			
Baltimore Hotel Corporation .....	174,054	5	0.5%			
Harbor East - Parcel D .....	170,250	6	0.5%			
Harbor East Limited .....	164,602	7	0.5%	125,838	5	0.4%
Verizon - Maryland .....	159,145	8	0.4%	303,244	2	1.1%
100 East Pratt Street Business .....	157,135	9	0.4%	184,482	3	0.6%
JBG/Baltimore SSA, LLC .....	157,056	10	0.4%			
Baltimore Center Associates LTD Partnership .....				178,311	4	0.6%
Canton Crossing Tower, LLC .....				85,239	6	0.3%
ABB South Street Associates, LLC .....				78,287	7	0.3%
951 Fell Street Limited .....				71,004	8	0.2%
Harbor East Limited - Parcel B .....				70,759	9	0.2%
Tribune Company .....				67,557	10	0.2%
<b>Total .....</b>	<b>\$2,549,733</b>		<b>7.1%</b>	<b>\$1,794,551</b>		<b>6.1%</b>

# 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				
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	144,969	3,291		2,127,319	1,087	3,386,049	N/A	N/A	
2018	526,557	198,176	20,320		359,235	160,006	2,737		2,204,360	826	3,472,217	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)
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	840.96
2017	469,340	53,552	415,788	1.06	679.78
2018	530,146	111,525	418,621	1.02	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, 2018**

The City of Baltimore has no Overlapping Debt.

**CITY OF BALTIMORE**  
**Legal Debt Margin Information**  
**June 30, 2018**

The City has no Legal Debt Margin.

**CITY OF BALTIMORE**  
**Pledged Revenue Coverage**  
**June 30, 2018**  
(Dollars Expressed in Thousands)

Fiscal Year	Water Revenue Bonds						Wastewater Revenue Bonds					
	Water Utility Revenues	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	Wastewater Utility Revenues	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest					Principal	Interest	
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
2018	178,367	93,837	84,530	18,441	38,044	1.51	258,386	141,648	116,738	40,251	38,934	1.55

Fiscal Year	Stormwater Revenue Bonds						Parking Facilities Revenue Bonds					
	Stormwater Utility Revenues	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	Parking Facilities Revenues	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest					Principal	Interest	
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	17.65	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	10,159	78,295	10,960	7,669	3.98
2018	28,552	19,733	8,819	1,312	533	5.33	85,257	9,015	76,242	11,490	6,992	4.13

Fiscal Year	Convention Center Revenue Bonds				
	Convention Center Revenues	Net Available Revenue	Debt Service		Coverage
			Principal	Interest	
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
2018	4,580	4,580	4,015	533	1.01

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)				
2009	620,509	\$ 22,778,362	\$ 36,709	252,544	10.2%
2010	620,961	23,422,681	37,720	262,347	11.2
2011	620,792	24,638,760	39,689	264,134	10.6
2012	622,705	25,142,165	40,376	267,128	10.2
2013	623,215	25,597,551	41,073	267,697	9.7
2014	623,711	26,923,439	43,167	269,052	8.6
2015	621,849	28,011,281	45,045	272,019	7.7
2016	614,664	28,913,526	47,040	276,430	6.6
2017	611,648	N/A	N/A	281,066	6.1
2018	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	2018 [1]			2009 [4]		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
<b>Government [2]</b>						
State .....	33,635	1	9.89 %	41,540	1	12.23 %
Other Government authority (City, School, etc.) .....	24,816	2	7.29	28,121	2	8.28
Federal .....	10,530	3	3.09	8,233	3	2.42
Subtotal Government .....	<u>68,981</u>		<u>20.27 %</u>	<u>77,894</u>		<u>22.93 %</u>
<b>Ten Largest Private Sector Employers [3]</b>						
Johns Hopkins University .....	25,800	1	7.58	20,826	1	6.13
Johns Hopkins Hospital and Health System .....	18,500	2	5.44	12,500	2	3.68
University of Maryland Medical System .....	11,450	3	3.37	9,400	3	2.77
University System of Maryland .....	8,975	4	2.64	8,728	4	2.57
MedStar Health .....	6,175	5	1.81	6,206	5	1.83
LifeBridge Health - Sinai .....	5,315	6	1.56	4,963	6	1.46
Amazon.com .....	4,500	7	1.32			
Mercy Health Services .....	4,030	8	1.18	2,506	10	0.74
St. Agnes HealthCare .....	3,265	9	0.96	2,987	8	0.88
Exelon / Constellation Energy / BGE .....	2,950	10	0.87	2,670	9	0.79
Abacus .....				3,000	7	0.88
Subtotal Ten Largest Private Sector Employer .....	<u>90,960</u>		<u>26.73 %</u>	<u>73,786</u>		<u>21.73 %</u>
Total Government and Ten Largest Private Sector Employers .....	<u>159,941</u>		<u>47.00 %</u>	<u>151,680</u>		<u>44.66 %</u>

Source:

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

[2] Data only available for the first quarter of 2018

[3] Data as of 2017 (most recent available)

[4] For 2009, City of Baltimore Comprehensive Annual Financial Report for Fiscal Year 2009

# 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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government .....	1,733	1,725	1,700	1,754	1,674	1,666	1,700	1,577	1,785	1,858
Public safety										
Police.....	3,909	3,897	3,897	3,892	3,796	3,608	3,444	3,259	3,125	3,243
Fire .....	1,800	1,795	1,795	1,789	1,732	1,699	1,699	1,639	1,731	1,733
Other .....	793	795	791	721	683	695	700	813	735	751
Conservation of health .....	883	878	875	873	862	719	890	842	800	784
Public library .....	430	432	430	399	399	394	391	389	389	437
Recreation and parks .....	404	400	399	389	368	385	310	327	310	311
Highways and streets .....	1,514	1,499	1,458	1,382	1,352	1,331	1,428	1,024	1,079	1,074
Public work										
Water .....	893	878	875	850	893	857	717	899	810	846
Wastewater .....	1,014	1,011	1,012	991	985	1,096	797	694	761	750
Solid waste .....	876	875	856	889	853	705	802	995	880	866
Other .....	627	621	625	579	537	682	504	487	423	438
Public service .....	68	68	67	62	70	260	65	73	65	65
Economic development .....	598	564	563	554	560	461	559	426	382	383
	15,542	15,438	15,343	15,124	14,764	14,558	14,006	13,444	13,275	13,539

Source: Baltimore City Bureau of Budget and Management Research

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

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<i>Police</i>										
Arrests*	72,106	62,341	56,606	53,169	45,275	44,110	33,462	25,339	24,453	25,841
<i>Fire</i>										
Fire Suppression Units Dispatched	136,003	135,421	121,483	129,977	137,667	140,718	143,889	147,249	163,872	163,959
Structural Fires	2,100	2,154	2,460	2,682	2,401	1,839	2,541	2,377	2,760	2,841
EMS Transports	86,128	86,985	86,901	90,615	94,883	92,225	92,094	97,502	100,894	100,009
Inspections	25,654	24,156	N/A	N/A	N/A	N/A	N/A	24,339	16,505	29,296
<i>Solid Waste</i>										
Refuse Collected (tons)	181,397	148,077	145,345	144,926	142,543	149,137	155,624	149,582	153,793	159,204
Recyclables Collected (tons)	15,914	25,836	25,557	24,929	26,468	25,248	28,979	28,253	29,512	29,632
<i>Water/Wastewater</i>										
Number of Accounts	440,215	441,209	445,335	446,142	450,427	454,008	426,642	407,000	420,681	427,040
Average Daily Water Production (MGD)	226	218	218	218	218	220	223	193	190	183
Average Daily Sewage Treatment (MGD)	192	192	208	208	208	208	199	205	180	176
<i>Transportation (DOT)</i>										
Miles Streets Resurfaced/Reconstructed	188.1	152.0	185.0	189.0	98.0	101.0	122.0	122	61	109
Potholes Repaired	120,135	127,727	105,731	81,191	74,487	126,432	126,771	122,985	12,466	93,270
Traffic Citations Issued**	3,186	1,341	63	63	63	118	88	140	83	6
Parking Citations Issued	389,642	379,633	388,338	355,344	331,067	341,384	380,239	405,721	256,551	310,655
Traffic Signals Repaired	5,124	6,901	5,538	4,751	4,312	4,645	4,450	4,328	4,771	5,582
Street Lights Repaired	22,008	25,415	29,012	29,633	28,096	25,091	24,254	21,311	20,139	22,558
<i>Housing</i>										
Number of inspections (housing and code enforcement)	198,742	206,467	363,720	267,508	270,607	254,871	254,646	196,698	224,727	261,588
Number of permits issued	33,068	36,630	27,600	25,307	24,537	28,351	27,060	30,183	40,718	39,964
Property Management Service Requests Completed***	82,311	28,971	31,987	41,995	60,585	78,824	78,824	44,452	39,645	82,546
<i>Recreation and Parks</i>										
Enrollment at Recreation Centers	139,632	135,547	154,528	169,608	146,598	138,103	144,077	158,483	148,300	162,230
Permits Issued for Park Facilities	789	653	741	1,518	1,581	1,616	1,894	1,935	1,711	1,929
<i>Library</i>										
Volumes in Collection (millions)	2.5	2.6	2.6	2.0	2.4	2.2	2.3	2.2	2.2	2.2
Volumes Borrowed (millions)	1.5	1.5	1.7	1.7	1.7	1.3	1.3	1.2	1.1	1.3

N/A Data not available.

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

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

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

Source: Baltimore City Department of Finance

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

Function/Program	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<i>Police/Sheriff</i>										
Buildings .....	10	10	13	12	16	16	16	16	16	16
Marked Patrol Units .....	471	487	479	373	403	463	576	480	620	680
Other vehicles .....	645	633	616	602	448	311	309	510	538	594
<i>Fire Stations</i>										
Buildings .....	39	39	39	41	61	62	62	62	62	62
Fire/EMS Apparatus (Tankers/Ladders/Medics) (Fleet) .....	160	160	137	122	154	142	138	155	146	115
Other vehicles .....	164	164	176	235	142	217	228	224	218	241
<i>Recreation and Parks</i>										
Buildings .....	148	148	148	148	210	210	210	210	210	210
Acreage .....	5,827	5,827	5,827	5,827	5,827	5,827	5,827	4,874	4,874	4,874
Vehicles .....	119	123	120	119	120	121	120	121	142	129
Equipment .....	286	296	183	157	157	158	151	145	137	104
<i>Public Works (Transportation, Solid Waste, and General Services)</i>										
Buildings .....	30	30	30	82	119	119	119	119	119	121
Vehicles .....	968	952	984	967	942	1,017	987	981	1,055	943
Equipment .....	503	515	595	545	552	538	537	534	570	372
Streets (miles) .....	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	4,800
<i>Water/Wastewater/Stormwater</i>										
Treatment plants .....	5	5	5	5	5	5	5	5	5	5
Other Buildings .....	31	31	31	95	221	221	221	221	221	221
Vehicles .....	608	599	632	608	631	641	636	594	481	688
Equipment .....	418	429	495	487	489	482	481	466	605	259
Water Mains (Miles) .....	3,400	3,400	3,400	3,400	3,400	3,400	3,669	3,692	3,748	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	1,361	1,380	1,398	1,398
Storm sewers (miles) .....	1,100	1,100	1,100	1,100	1,100	1,100	1,108	1,108	1,180	1,180
Wastewater Treatment capacity (MGD) .....	253	253	253	253	253	253	253	253	253	253
<i>Libraries</i>										
Buildings .....	34	34	22	30	30	29	24	24	24	24
Vehicles .....	16	16	20	18	16	17	17	16	14	17
<i>Other-General Government</i>										
Buildings .....	1,353	1,353	4,250	4,250	132*	132*	132*	132	132	132*
Vehicles .....	1,017	1,141	753	907	869	514	175	532	1,643	316
Equipment .....	64	61	249	151	101	72	14	76	191	49

\* 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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