

CITY OF BALTIMORE
SINGLE AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

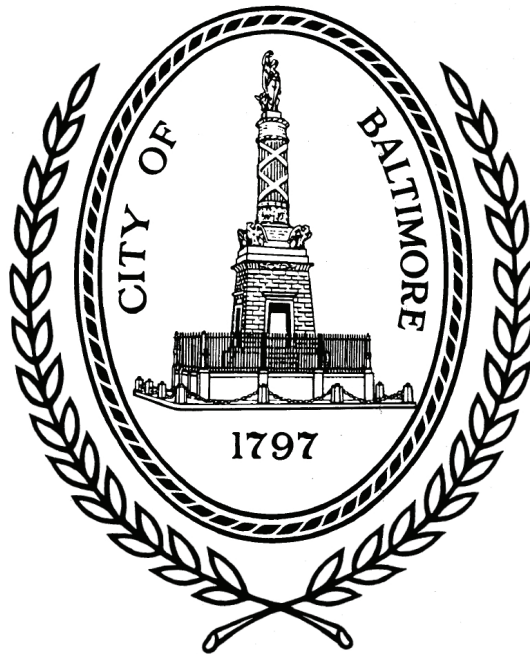
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**CITY OF BALTIMORE
SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2016**

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City of Baltimore
Maryland



Comprehensive Annual Financial Report
Year Ended June 30, 2016

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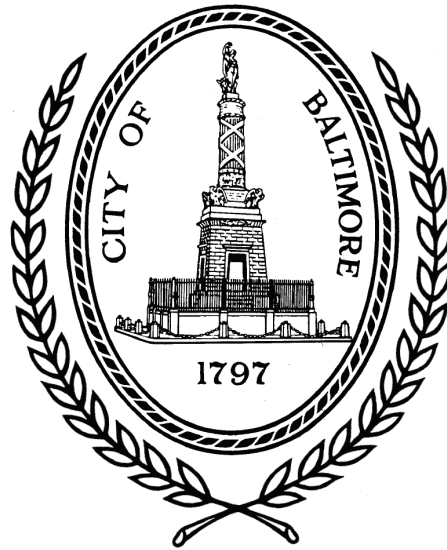
City of Baltimore, Maryland

Comprehensive Annual Financial Report

Year Ended June 30, 2016

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

Bureau of Accounting and Payroll Services
Sandra C. Stecker
Bureau Chief





ELECTED OFFICIALS

MAYOR

Catherine E. Pugh

PRESIDENT OF THE CITY COUNCIL

Bernard C. Young

COMPTROLLER

Joan M. Pratt

BOARD OF ESTIMATES

PRESIDENT

Bernard C. Young

MAYOR

Catherine E. Pugh

COMPTROLLER

Joan M. Pratt

DIRECTOR OF PUBLIC WORKS

Rudolph S. Chow

INTERIM CITY SOLICITOR

David Ralph

CITY COUNCIL

Bernard C. Young, *President*

Sharon Green Middleton, *Vice-President*

FIRST DISTRICT

Zeke Cohen

SECOND DISTRICT

Brandon M. Scott

THIRD DISTRICT

Ryan Dorsey

FOURTH DISTRICT

Bill Henry

FIFTH DISTRICT

Isaac "Yitzy" Schleifer

SIXTH DISTRICT

Sharon Green Middleton

SEVENTH DISTRICT

Leon F. Pinkett, III

EIGHTH DISTRICT

Kristerfer Burnett

NINTH DISTRICT

John T. Bullock

TENTH DISTRICT

Edward Reisinger

ELEVENTH DISTRICT

Eric T. Costello

TWELFTH DISTRICT

Robert Stokes, Sr.

THIRTEENTH DISTRICT

Shannon Sneed

FOURTEENTH DISTRICT

Mary Pat Clarke

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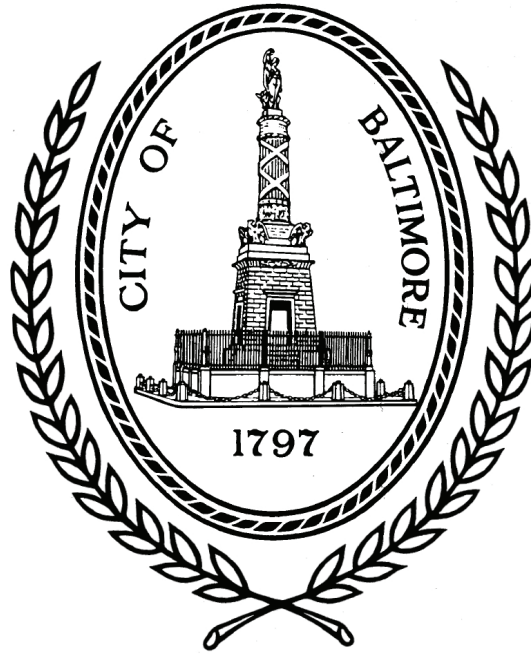
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INTRODUCTORY SECTION



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- **Municipal Organization Chart**

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CITY OF BALTIMORE

CATHERINE E. PUGH, Mayor



DEPARTMENT OF FINANCE

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

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

June 28, 2017

In compliance with Article VII, Section 8, of the revised City Charter (November, 1964), submitted herewith is the Comprehensive Annual Financial Report (CAFR) of the City of Baltimore, Maryland, (the City) for the year ended June 30, 2016. The CAFR was prepared by the City's Department of Finance. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe that the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and changes in financial position of the City; and, that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been provided.

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

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

The City Charter established a Department of Audits under the general supervision of the City Comptroller. The Charter requires the City Auditor to "annually make a general comprehensive public report of the financial position of the City; in the discretion of the Comptroller, such report may be in the form of an opinion on the annual financial statements prepared by the Director of Finance." The Comptroller has elected to have the City Auditor render an opinion as to the fairness of the Director of Finance's presentation of the City's basic financial statements. Additionally, the Board of Estimates awarded a contract to the nationally recognized independent certified public accounting firm, SB & Company, LLC, to perform a joint audit with the City Auditor of the basic financial statements of the City for the year ended June 30, 2016. Their joint audit report is contained herein. Their audit was conducted in accordance with auditing standards generally accepted in the United States and, for the basic financial statements of the City, the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. On the basis of this examination, the independent auditors have issued an unmodified opinion that the presentation of the basic financial statements conforms with accounting principles generally accepted in the United States. In conducting the audit, the auditors performed tests of the accounting records and such other procedures as were considered necessary in the circumstances to provide a reasonable basis for this opinion on the financial statements. The auditors also assessed the accounting principles used and significant estimates made by management, as well as evaluated the overall financial statement presentation.

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

This report includes all of the funds that we consider to be part of, controlled by or dependent on the City. Professional judgment must be used to determine whether or not a potential component unit should be included in the reporting entity. Various potential component units were evaluated to determine whether they should be reported in the City's CAFR. Three component units, the Baltimore Industrial Development Authority (blended component unit), the Baltimore City Public School System and the Baltimore Hotel Corporation (discretely presented component units), were considered to be part of the City's reporting entity when it was concluded that the City was financially accountable for these entities. The Housing Authority of Baltimore City and certain other organizations are not considered to be component units and are not included in the City's basic financial statements.

PROFILE OF THE GOVERNMENT

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

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

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

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

Key Budgetary Policies

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

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

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

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

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

Budget Monitoring and Execution: Budget analysts maintain ongoing contact with agency fiscal officers in the process of implementation and execution of the budget. Expenditure and revenue projections are developed and reviewed on a monthly basis. The Mayor, through the Department of Finance, exercises appropriate fiscal management to adjust budget policy, as necessary, to be within the limits of the current adopted plan. The City Council has the practice of reviewing budget performance at mid-year and during the fourth quarter.

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

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

OTHER FINANCIAL INFORMATION

Retirement Plans

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

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

Temporary Investment of Cash Balances

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

Risk Management

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

Internal Control

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

ECONOMIC PROFILE AND OUTLOOK

Baltimore is the historic, business, education and cultural center of Maryland. The City benefits from being in one of the wealthiest states in the nation and is the northern anchor of the Washington-Baltimore-Northern Virginia Combined Statistical Area — one of the largest, wealthiest and best educated population centers in the country. The City's economy has traditionally benefited from its location, as it is accessible to a large and diversified workforce. With an excellent highway and rail transportation system, the City is able to access both mid-western and north-eastern markets in support of its international port activity. About 366,400 or 26.6% of the 1.38 million jobs in the metropolitan area are located in the City.

The City has become less dependent on traditional manufacturing industries. Manufacturing jobs comprise only 2.8% of the City's total jobs, which represents a lower percentage than the region and the state. However, health care and education related services continue to be the leading employment industry, representing 31.7% of the 2016 jobs located in the City; a proportion that is considerably higher than the regional and national totals of 19.2% and 15.9%, respectively. The prominence of health care and knowledge-related industries is reflected in the City's major employers. Among the ten largest non-governmental employers, nine are health care and education-related entities and one is a utility service provider. The City derives economic strength from the number of jobs in the growing health care sector, and in the knowledge-information-based education and information services sectors.

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 621,849 in 2015. This 65 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 151 people since 2000. Additionally, according to the latest US Census Bureau's population estimate, the City gained 888 new residents from 2010 to 2015, for an average net gain of 15 people per month since then.

Economic Outlook

After almost seven years of sustained growth, the national economy is now showing signs of slowing. The last three recessions have occurred approximately eight, 10 and six years apart, further raising the concern of a possible recession. While this is not an outright prediction of an impending recession, the slowing economy is certainly a concern.

The impact of the April 2015 unrest on the City's revenue is a significant concern for future projections. The depth and the persistence of the unrest is still uncertain. Of particular concern for Baltimore City is the growth in both the hospitality and housing industries. The Baltimore labor market is highly dependent on these two sectors and both appear to be slowing. Nationally, new home sales slid in January 2016 to a seasonally adjusted monthly total of 494,000, down by 9.2% from the previous month and 5.2% below the January 2015 estimate. In Baltimore, existing home sales remain consistent due to low interest rates, but prices have continued to decline. In 2015, the average sales price for a Baltimore home was \$154,463, or 1% less than the 2014 average price of \$156,106, all other factors constant. Average commercial property rental rates increased slightly, from \$20.20 per square foot in July 2014, to \$20.64 per square foot in the third quarter of 2015.

The Maryland General Assembly passed a series of measures in the 2016 session that will provide increased aid to the city for blight elimination, job training, libraries, parks and after school programs. Most of this new funding will begin in Fiscal 2018. Even still, the actions from previous sessions will continue to impact the City in the future. This is especially true of the educational maintenance of effort and teacher pension funding requirements that substantially escalate the City's contribution to the school system, as well as the loss of nearly \$100 million of Highway User Revenue. With the state facing future deficits due to growing debt service costs, further reductions to local aid remain a salient risk to the City's finances.

Jobs and Employment

Employment continues its growth pattern. The national unemployment rate peaked at 10.0% in October of 2009, but has since fallen to 4.9% in July 2016, while the City unemployment rate peaked in August of 2010 at 12.5%, but has since gradually declined and leveled off at 6.6% as of July 2016.

The most recent data from the Bureau of Labor Statistics (BLS) indicates that the City has stabilized the number of jobs. The BLS reported an average of 361,400 jobs located in the City during 2015, representing an increase of 0.6% compared to the average of 361,400 in calendar 2014. Total jobs in the City peaked in 2000 with 387,557 jobs, but then experienced an average decline of about 287 per month through calendar 2010. However, calendar 2015 is the fifth year in a row since 2010 where the City has experienced employment growth, an indicator of the improvement in the City's job market after the national recession. An average of 271 new jobs per month have been created since its lowest level in 2010. In calendar 2015,

there were an estimated 272,750 City residents employed. The difference between employed residents and jobs in the City reflects a net contribution of approximately 88,650 jobs to surrounding communities.

Retail Sales

Retail sales reported by the State of Maryland for the City showed a decrease of 0.8% in Fiscal 2016, which breaks four years of consecutive growth; however, Fiscal 2016 still represents the second highest year in terms of sale activity generated in the City with \$5.8 billion in sales and \$347.6 million in sales taxes collected by the State. This decline was mainly experienced in transactions categorized as General Merchandise, which includes department stores, and it can be partially attributable to the closure in early 2016 of the Wal-Mart store formerly located in Port Covington. Sales generated in the City currently represent 7.6% of the state's total retail sales during Fiscal 2016, 0.3% percentage points lower than in Fiscal 2015. In Fiscal 2016, the City experienced a gross increase of 53 new businesses and a total of 48 other businesses that relocated, expanded, reopened or signed new leases, including about 71 restaurants, 24 retailers and six mixed use businesses. Out of this total, 73 businesses have already started operations in Fiscal 2016. Retail sales activity continues to be a leading indicator of the City's economic activity.

Housing

Fiscal 2016 unequivocally shows the recovery of the City's housing market with strong improvements in the level of activity and real estate prices. The combination of low interest rates, the healthy inventory of commercial and residential properties and the overall improvement of the economy mainly reflected by the City's income indicators provided ideal conditions for not only new transactions, but also refinancing activities. The total number of residential units sold in the City as reported by the Metropolitan Regional Information System (MRIS) increased for the fourth year in a row at 2.5% in Fiscal 2016 on top of the 27.7% experienced in Fiscal 2015. Additionally, the annual average price of houses sold in the City grew 3.4% in Fiscal 2016, unlike the prior two years where the average price of residential properties declined 2.7% and 2.2% in fiscal 2014 and 2015, respectively. The total number of commercial and residential real estate transactions totaled 15,847, representing an increase of 4.9% over the 15,109 in Fiscal 2015, which marks the fifth annual increase in a row and the highest number of transactions since Fiscal 2008. Additionally, in Fiscal 2016 the average price per transaction reached the highest annual historical level of \$200,453, representing an increase of 25.6% over the Fiscal 2015's average of \$159,554.

In Fiscal 2016 the City also experienced another strong year in terms of refinancing activities; however, it is anticipated that the demand for these types of transactions will be reduced as market conditions become less favorable due to anticipated interest rate increases and reduction in the inventory supply. The City processed a total of 22,069 transactions subject to recordation tax in Fiscal 2016, 6.0% more than the 20,826 in Fiscal 2015. Out of this total, it is estimated that 6,222 corresponded to refinancing transactions. This represents an increase of 8.8% over the Fiscal 2015's 5,717 refinancing operations processed by the City.

Port of Baltimore

The Port of Baltimore is a 50-foot deep, 50-foot berth channel with the versatility to accommodate large cargo ships as well as commercial cruise lines. Currently ranked first among 360 U.S. ports for handling automobiles and construction machinery, the Port is unique in that it is only one of three East Coast ports that can house supersized container ships and cranes. The Port's total general cargo tonnage increased slightly to 9.79 million tons in Fiscal 2016, up from 9.74 million tons in Fiscal 2015. In Fiscal 2016, the Port ranked second in the U.S. for exported coal, ninth for the total dollar value of international cargo, and fourteenth for the total tonnage of international cargo.

Tourism and Travel Industries

Growth in the tourism and travel industries has been slow but steady in Fiscal 2016. Improvements over Fiscal 2015 are mostly attributed to the beginning half of calendar year 2016 as the region's tourism industry slowly recovers from the April 2015 unrest. Further growth in these industries is essential to improving the City's overall economic outlook.

Baltimore Convention Center. In Fiscal 2016, the Baltimore Convention Center (BCC) held 121 events, a small decrease from the Fiscal 2015 number of 125; however, the revenue generated by BCC increased significantly from \$9.58 million in Fiscal 2015 to \$10.73 million in Fiscal 2016. 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 2016, BCC had 459,849 total event attendees, and increase of about 67,000 over Fiscal 2015.

Hospitality. Hotel activity has also marginally improved over Fiscal 2015, with a 66.3% occupancy rate in Fiscal 2016 compared to 66.0% the previous fiscal year. Calendar year data suggests even greater improvement, with the first half of CY 2016 showing 67.1% occupancy as compared to 64.4% in the first half of CY 2015, a 2.7% increase. The calendar year

data is an important indicator of how well the tourism industry is recovering from the negative public perception following the April 2015 unrest that impacted Fiscal 2015 and beyond. While a strong beginning in CY 2016 bodes well for the City's Fiscal 2017 economic health, the persistence of this trend is dependent on the industry's ability to continue to attract visitors for tourism and convention events.

BWI Thurgood Marshall Airport. During calendar year 2015, nearly 24 million passengers flew out of Baltimore Washington International Thurgood Marshall Airport (BWI), which ranks as the 22nd busiest airport in the United States. This was both an annual record number of travelers and an overall positive indicator for the Greater Baltimore area's tourism industry. In Fiscal 2016, BWI saw 24.7 million passengers, an 8.4% increase over Fiscal 2015 totals. 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 Fiscal 2016, the Port of Baltimore had a total increase of more than 20,000 cruise passengers over the prior year. The Port has also recently signed a multi-year contract with the popular cruise line, Royal Caribbean, ensuring a steady flow of cruise activity from the Port in future years.

Office Development

In Fiscal 2016, the City's office market absorbed a positive 21,235 square feet over Fiscal 2015. The vacancy rate ended at 13.96%, a decrease from previous years' vacancy rates, particularly Fiscal 2014's rate of 16.2%. The average retail price decreased minimally from approximately \$22 per square foot to \$21.41 at the end of Fiscal 2016. Baltimore City North remains the highest rental rate at \$26.56/sf with Baltimore City West the lowest at \$16.33/sf.

Several new leasing transactions occurred in Fiscal 2016. Among the most relevant leasing agreements was the 116,000 square foot expansion lease signed by RK&K engineering firm in the Inner Harbor at 111 Market Place. Construction is also underway at Stadium Square which will add 72,000 square feet to the market by the end of Fiscal 2017 in Baltimore's Federal Hill area. This project is expected to lease quickly due to high demand coupled with low supply in that area.

FINANCIAL ACCOMPLISHMENTS

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

TEN-YEAR FINANCIAL PLAN

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

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

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

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

The fiscal year 2016 budget included further initiatives that seek to improve the efficiency of government, lower the property tax rate for homeowners, make much-needed infrastructure investments, and reduce the City's long-term liabilities. Key initiatives included an additional \$9 million PAYGO capital contribution beyond the \$8 million baseline and the elimination

of 280 General Fund positions. In fiscal 2016, the City also negotiated a new Memorandum of Understanding (MOU) with 14 non-profit institutions who will contribute a collective \$6 million annually for ten years beginning in fiscal year 2017. In order to continue to address the remaining shortfall, the City will explore other innovative solutions including pursuing public-private partnerships, managed competition, City office consolidation, better risk management, and changes to sick and compensatory leave accruals.

HIGHLIGHTS OF THE FISCAL YEAR 2016 ADOPTED BUDGET

The Adopted Budget for Fiscal 2016 continues the transition to more proactive city services. Among the highlights:

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

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

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

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

Better Schools

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

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

- Fully funds the City’s Maintenance of Effort (MOE) payment to the Baltimore City Public School System (BCPS) at \$237.5 million, which includes \$29.8 million for retiree healthcare. The City’s teacher pension contribution is \$17.9 million, \$3.1 million above the Fiscal 2015 level.
- Provides \$38.7 million for the Mayor’s Better Schools Initiative to modernize city school buildings. Funding sources include proceeds from the beverage container tax, casino lease revenues, State formula aid leveraged by the City, and a General Obligation bond allocation.
- Keeps all library branches open and maintains Sunday hours of operation to improve third-grade reading and kindergarten readiness, and support life-long learning.
- Maintains funding of \$6.1 million for Out of School Time (OST) programs administered by the Family League of Baltimore City. Funding for these programs has grown by \$1.3 million over the past four years, even as the City has struggled to close large budget deficits. After the budget was adopted, an additional \$4.2 million was transferred to support OST and Community Resource Schools.

- Funds an enhancement that will invest in eight highly experienced mentor-coaches, placed in Baltimore City Head Start (BCHS) classrooms to work with BCHS teachers and teacher assistants. The coaches will help them to use evidence-based early childhood intervention practices, and will have a direct and measurable impact on school readiness for all 759 students in the City’s Head Start program.
- Funds home visiting services for 770 first-time and/or high-risk mothers and families through the B’more for Healthy Babies initiative (BHB), improving birth outcomes for Baltimore’s youngest residents. Recommended enhancement funding will invest in a database that will monitor and track BHB efforts around trainings, provider and community outreach, and an inventory of promotional and informational materials.
- Supports 850 disconnected and out of school youth who attend two Youth Opportunity (YO!) Centers to access a full range of educational, occupational, and personal support services in a “one stop” safe and nurturing environment. High school dropouts are able to build their academic skills, learn about and train for careers, and receive individualized guidance from adult mentors at YO! Centers. Recommended enhancement funding will invest in updating an outdated computer lab, allowing youth to prepare for and take the GED online, as well as fill out job applications online.
- Provides funding to support year-round Head Start and Early Head Start at the Dukeland facility. This program will serve 28 infants and toddlers as well as 68 children ages 3-5 with evidence-based programming geared towards increasing Kindergarten readiness.

Safer Streets

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

Property and violent crime have trended downward over the past eight years. Preliminary 2014 figures show a continuation in the reduction of both property and violent crime rates from 2013; however, 2015 has seen a spike in homicides following the unrest in April. Fire response times have improved, and EMS is meeting response time standards more often. This budget includes continued investments to bolster the crime fight, as well as new support for programs that seek to mitigate crime and help ex-offenders successfully reenter the Baltimore community. The Fiscal 2016 budget provides for a safer Baltimore through the following initiatives:

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

Stronger Neighborhoods

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

The percent of the population utilizing sustainable forms of transportation grew by 5% in 2014. Most citizens are still dissatisfied with the condition of streets and sidewalks. The number of vacant properties, along with poorly maintained homes, is also a concern for citizens. Although the quality and availability of recreational opportunities improved in 2014, most residents are still looking for more from these services. This budget sustains property tax reductions and invests in new initiatives that address these citizen concerns. The Fiscal 2016 budget:

- Sets the effective property tax rate for city homeowners at an average of \$2.131 per \$100 of assessed value, representing an average effective rate reduction of 13.7 cents (6.0%) since Fiscal 2012 under the Mayor's *20 Cents by 2020* initiative.
- Supports the Mayor's *Vacants to Value* program with \$10 million in capital funding for whole-block demolition and relocation, and \$4.2 million for homeownership incentives. The Fiscal 2016 budget also maintains funding for Housing Code Enforcement, allowing the Department of Housing and Community Development to continually increase the number of vacant structures made habitable or razed through code enforcement.
- Helps to grow Baltimore not only by attracting new residents, but retaining those we already have. A \$167,000 investment in *Live Baltimore* will expand marketing of the Resident Retention Tax Credit, helping develop a robust second-time homebuying market in Baltimore City.
- Provides \$10 million in capital funding to resurface neighborhood streets, \$7.95 million for bridge repairs, and \$5 million for Midtown Streetscape and Traffic Improvement. An additional \$750,000 in operating funds is included for the implementation of a BikeShare program.
- Provides over \$1 million for the Rat Rub-Out Program, initiating a proactive treatment cycle for neighborhood rat abatement. In Fiscal 2016, the Department of Public Works will inspect all 12,000 alleys in the City every 20 days and bait all burrows to reduce rat activity.
- Invests nearly \$350,000 for high-speed internet infrastructure at Community Recreation Centers, allowing for the expansion of *RecPro* software to all facilities. *RecPro* will enable the Department of Recreation and Parks to set up online registration for recreation and sports programs and offer activities that better meet community needs.
- Maintains funding for recreation centers, public pools, and park maintenance. In Fiscal 2016, the Department of Recreation and Parks will open new gymnasiums at C.C. Jackson and Rita Church Community Centers, and continue construction of new model centers at Cahill and Cherry Hill and newly renovated pools at C.C. Jackson and Druid Hill.

A Growing Economy

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

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

- Gives one-time enhancement funds to the Office of Employment Development, which will upgrade technology in the two adult One Stop Centers and two Youth Opportunity Centers. The modernization will enable the agency to provide job-seekers of all ages with the tools to compete in today's job market. Funds were also provided to expand a pilot program that assists ex-offenders with finding employment.
- Doubles funding for the Small Business Resource Center, which will upgrade its technology and hire a Spanish speaker to serve an increasingly diverse clientele.

- Maintains funding for key cultural institutions, such as the art museums, the Baltimore Symphony Orchestra, the Baltimore Office of Promotion and the Arts, the Maryland Zoo in Baltimore, the Baltimore National Heritage Area, and the Baltimore Public Markets.
- Provides enhancement funding for the Convention Center to replace chairs and tables that have been in use since the expansion opened in 1996 and to refurbish its floors. These upgrades will allow the Convention Center to provide quality facilities and retain market share in a competitive environment.
- Provides additional support to the Office of Civil Rights that will increase productivity for both Wage Enforcement and Discrimination Investigations.

Innovative Government

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

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

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

A Cleaner City

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

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

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

A Healthier City

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

- Provides enhanced funding for the Virtual Supermarket Program, which aims to increase availability of healthy, affordable foods in identified “food desert” areas through community-based food access programs and partnerships.
- Invests in portable electronic devices to streamline workflow for the Community Asthma Program, improving capacity for case management of moderate to high risk asthmatic children.
- Supports continued funding of the needle-exchange program, which provides a needs-based exchange program and treatment options to reduce HIV transmission among intravenous drug users.
- Continues to support transition to permanent housing for homeless individuals through the Family Rapid Re-Housing Program and expansion of the Sarah’s Hope family shelter.
- Maintains funding for Environmental Health and Emergency Health Services, which will target improved response for food facility inspections and disease outbreak investigations.

ACKNOWLEDGEMENTS

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

Respectfully submitted,

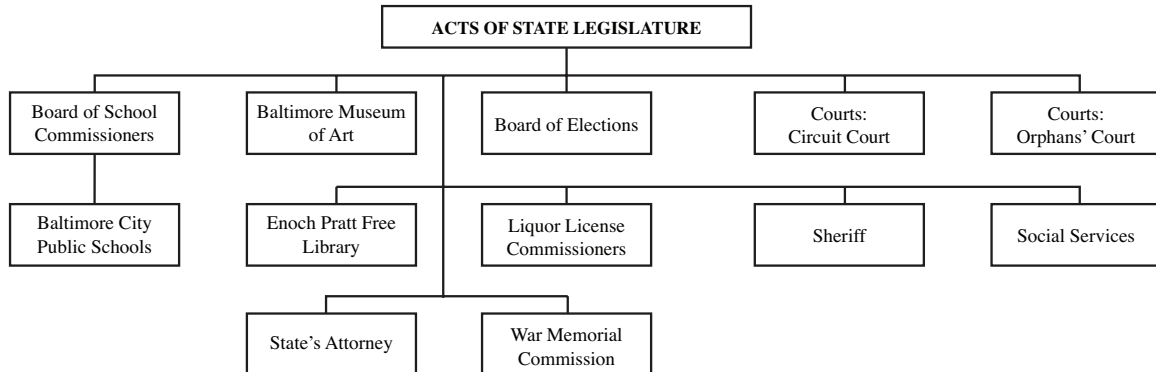
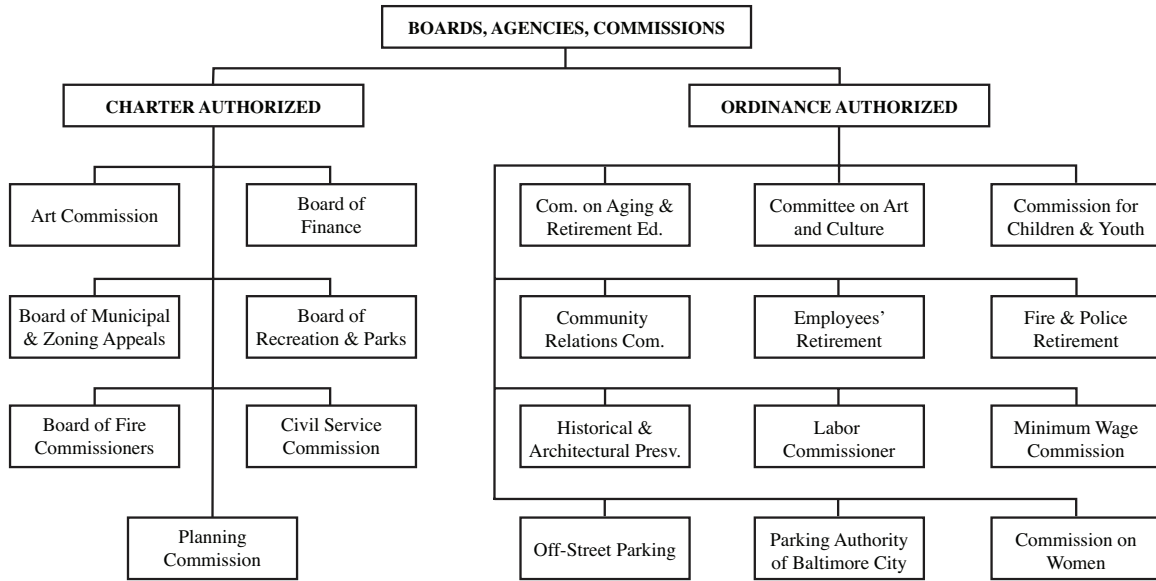
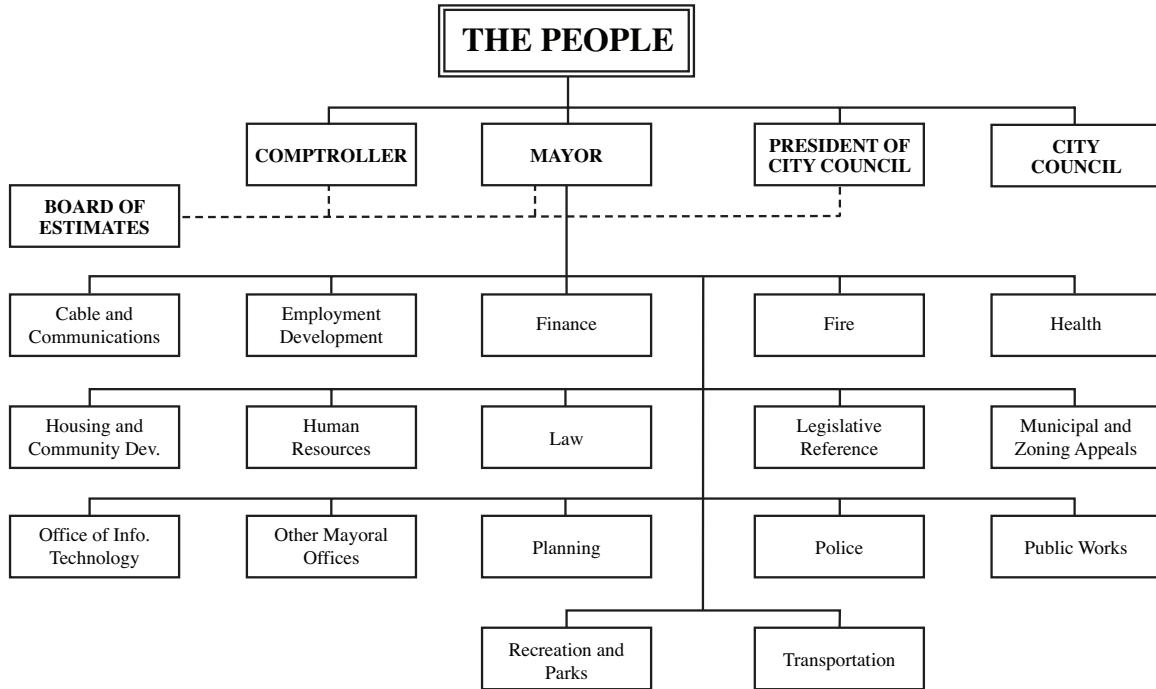


Catherine E. Pugh
Mayor

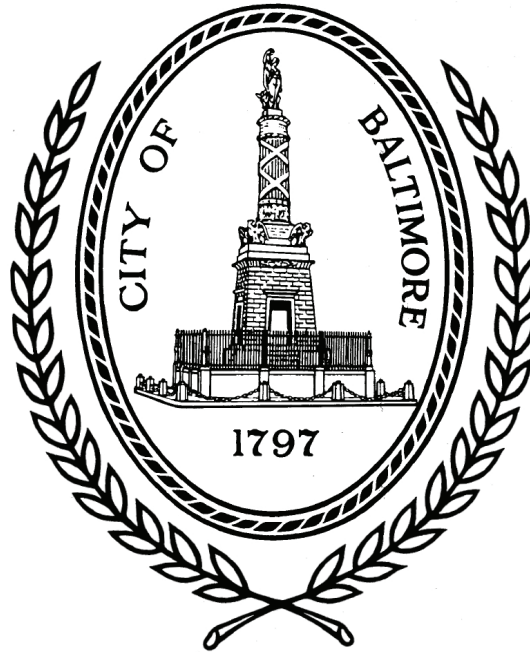


Henry Raymond
Director of Finance

MUNICIPAL ORGANIZATION CHART



FINANCIAL SECTION



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

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CITY OF BALTIMORE
Catherine E. Pugh
Mayor

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

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

Report on the Financial Statements

We have jointly audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Baltimore, Maryland (the City), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not jointly audit the financial statements of the Pension Trust Funds, which includes the Employees' Retirement System, the Elected Officials Retirement System, and the Fire and Police Retirement System. These funds represent 100% of the total assets, net position, and revenues of the Pension Trust Funds. We also did not jointly audit the Baltimore City Public School System (School System) and Baltimore Hotel Corporation, which are both discretely presented component units. The financial statements of the Pension Trust Funds, Baltimore City Public School System, and Baltimore Hotel Corporation were audited by other auditors whose reports have been furnished to us. Our opinions, insofar as they relate to the amounts included for the Pension Trust Funds, Baltimore City Public School System and Baltimore Hotel Corporation are based on the reports of the other auditors except for the matter discussed in "Other Matters" below. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, except for the matter discussed in the following paragraph. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

The City Auditor did not have an external peer review by an unaffiliated audit organization as required by Chapter 3 of *Government Auditing Standards* at least once every three years. The last external peer review was for the period ending December 31, 2011. The City Auditor is in the process of engaging an unaffiliated audit organization to conduct an external peer review for the five-year period ending December 31, 2016.

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

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



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CITY OF BALTIMORE
Catherine E. Pugh
Mayor

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

The combining and individual nonmajor fund financial statements is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Restatements

As part of our audit of the 2016 financial statements, we also audited the adjustments described in Note 20 that were applied to restate certain beginning balances in the 2016 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 2015 financial statements of the City other than with respect to the adjustments, and accordingly, we do not express an opinion or any other form of assurance on the 2015 financial statements as a whole.



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 Catherine E. Pugh
 Mayor

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

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

As part of our audit of the City’s 2016 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, 2016, including the restatement of certain 2016 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 2016 or 2015 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 2016 or 2015 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 June 28, 2017, on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control over financial reporting and compliance.

June 28, 2017

SB & Company, LLC
 Independent Public Accountants

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

This section of the City of Baltimore's (City) Comprehensive Annual Financial Report (CAFR) presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2016. 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 2016 by \$3.8 billion (net position). This amount includes \$189.7 million (restricted net position) and is net of an unrestricted deficit of \$1.2 billion. During the fiscal year, the City's total net position increased by \$399.0 million.

As of June 30, 2016, the City's governmental funds reported combined ending fund balances of \$659.1 million. At the close of the fiscal year, unassigned fund balance for the general fund was \$134.3 million.

The City's total long-term debt decreased by \$17.8 million, during fiscal year 2016.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The City's basic financial statements comprise three components:

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

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

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

Financial Report Layout and Structure

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

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

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

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

Government-wide Financial Statements

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all, or a significant portion, of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety and regulation, conservation of health, social services, education, public library, recreation and culture, highway and streets, sanitation and waste removal, public service, economic development, and interest expenses. The business-type activities of the City include water, sewer and stormwater utilities, parking facilities and several other fee supported activities.

The government-wide financial statements include, not only the City itself (known as the primary government), but also the legally separate activities of the Baltimore City Public School System and the Baltimore Hotel Corporation. Summary financial information for these component units are reported separately from the financial information presented for the primary government itself. The Baltimore City Public School System prepared its own financial statements, which are also prepared in conformity with GASB 34 and audited. The Baltimore Hotel Corporation prepared its own financial statements in conformity to FASB.

Fund Financial Statements

The fund financial statements are designed to report information about groupings of related accounts which are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into the following three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds

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

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

Proprietary funds

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

The City maintains the following two types of proprietary funds:

- *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Enterprise funds are used to accounts 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 services 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 services funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal services 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 are prepared in conformity with the reporting model required by Governmental Accounting Standards Board Statement No. 34 (GASB 34), Basic Financial Statements — and Management’s Discussion and Analysis (MD&A) — for State and Local Governments. The report includes prior fiscal year results for the purpose of providing comparative information for the MD&A.

CITY OF BALTIMORE
Net Position
For the fiscal years 2016 and 2015
(Expressed in Thousands)

	Governmental activities		Business-type activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 1,119,238	\$ 1,037,753	\$ 871,318	\$ 1,108,407	\$ 1,990,556	\$ 2,146,160
Capital assets, net	3,150,917	3,177,328	4,357,541	3,899,662	7,508,458	7,076,990
Deferred outflows of resources	300,619	205,079	136,818	136,721	437,437	341,800
Total assets and deferred outflows of resources	4,570,774	4,420,160	5,365,677	5,144,790	9,936,451	9,564,950
Long-term liabilities outstanding	3,126,110	2,923,505	2,095,203	2,163,404	5,221,313	5,086,909
Other liabilities	560,692	539,014	287,601	292,953	848,293	831,967
Deferred inflows of resources	56,600	179,911	17,851	15,337	74,451	195,248
Total liabilities and deferred inflows of resources	3,743,402	3,642,430	2,400,655	2,471,694	6,144,057	5,918,876
Net position:						
Invested in capital assets, net of related debt	2,464,962	2,520,873	2,386,644	2,379,232	4,851,606	4,900,105
Restricted	24,669	15,946	165,076	157,613	189,745	173,559
Unrestricted	(1,662,259)	(1,759,089)	413,302	136,251	(1,248,957)	(1,622,838)
Total net position	\$ 827,372	\$ 777,730	\$ 2,965,022	\$ 2,673,096	\$ 3,792,394	\$ 3,450,826

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 \$3.8 billion at the close of fiscal year 2016. The City's net position includes its investment of \$4.9 billion in capital assets (e.g., land, buildings, and equipment); less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated for these liabilities. An additional portion of the City's net position, \$189.7 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance is a deficit in unrestricted net position of \$1.2 billion.

CITY OF BALTIMORE Changes in Net Position For the fiscal years 2016 and 2015

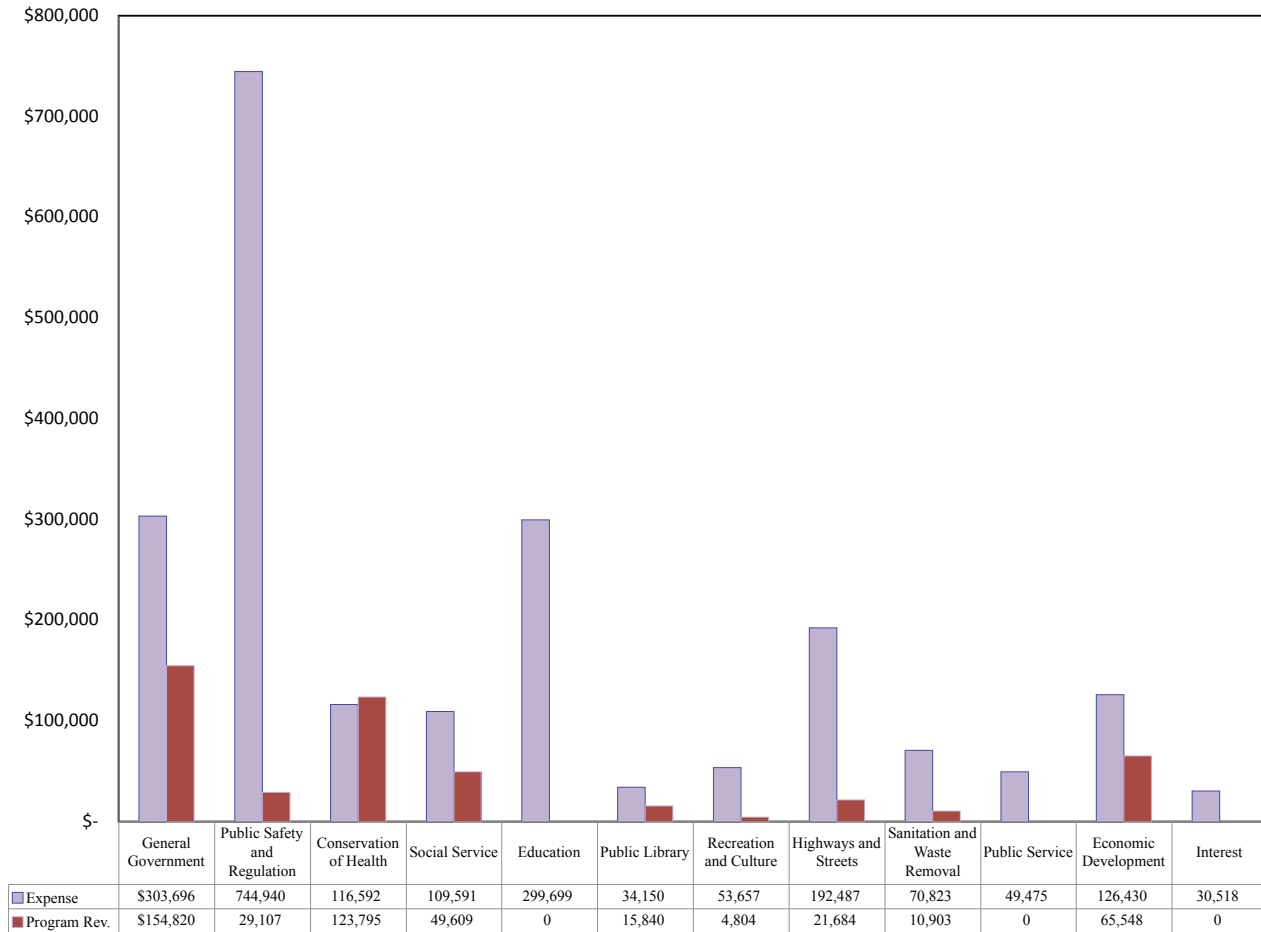
(Expressed in Thousands)

	Governmental activities		Business-type activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 103,190	\$ 107,482	\$ 542,622	\$ 518,388	\$ 645,812	\$ 625,870
Operating grants and contributions	347,636	318,266			347,636	318,266
Capital grants and contributions	25,284	54,788	259,288	201,880	284,572	256,668
General revenues:						
Property taxes	852,114	816,199			852,114	816,199
Income taxes	346,727	300,014			346,727	300,014
State shared revenue	153,195	147,608			153,195	147,608
Transfer and recordation tax	91,916	70,913			91,916	70,913
Electric and gas tax	41,109	41,185			41,109	41,185
Telecommunications tax	33,837	33,535			33,837	33,535
Admission	7,813	8,236			7,813	8,236
Other	135,606	147,891	4,591	5,809	140,197	153,700
Total revenues	2,138,427	2,046,117	806,501	726,077	2,944,928	2,772,194
Expenses:						
General government	303,696	294,987			303,696	294,987
Public safety and regulation	744,940	692,155			744,940	692,155
Conservation of health	116,592	112,575			116,592	112,575
Social services	109,591	102,809			109,591	102,809
Education	299,699	302,568			299,699	302,568
Public library	34,150	35,063			34,150	35,063
Recreation and culture	53,657	51,367			53,657	51,367
Highways and streets	192,487	185,601			192,487	185,601
Sanitation and waste removal	70,823	67,445			70,823	67,445
Public service	49,475	51,041			49,475	51,041
Economic development	126,430	141,772			126,430	141,772
Interest	30,518	41,078			30,518	41,078
Water			170,637	160,208	170,637	160,208
Wastewater			193,563	182,769	193,563	182,769
Stormwater			19,365	15,747	19,365	15,747
Parking			18,125	19,183	18,125	19,183
Nonmajor proprietary			12,148	11,607	12,148	11,607
Total expenses	2,132,058	2,078,461	413,838	389,514	2,545,896	2,467,975
Increase (decrease) in net assets before transfer	6,369	(32,344)	392,663	336,563	399,032	304,219
Transfer:						
Transfer in (out)	100,737	61,495	(100,737)	(61,495)		
Change in net position	107,106	29,151	291,926	275,068	399,032	304,219
Net position – beginning, as restated	720,266	748,579	2,673,096	2,398,028	3,393,362	3,146,607
Net position – ending	\$ 827,372	\$ 777,730	\$ 2,965,022	\$ 2,673,096	\$ 3,792,394	\$ 3,450,826

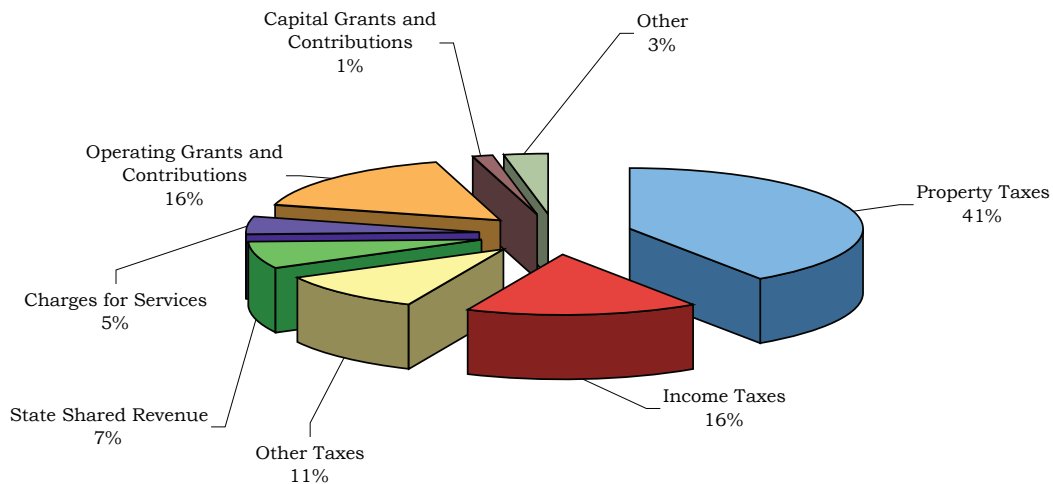
Analysis of Changes in Net Position

The overall increase in the City’s net position amounted to \$399.0 million during fiscal year 2016. These changes are explained in the government and business-type activities discussion below.

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



Revenues By Source — Governmental Activities



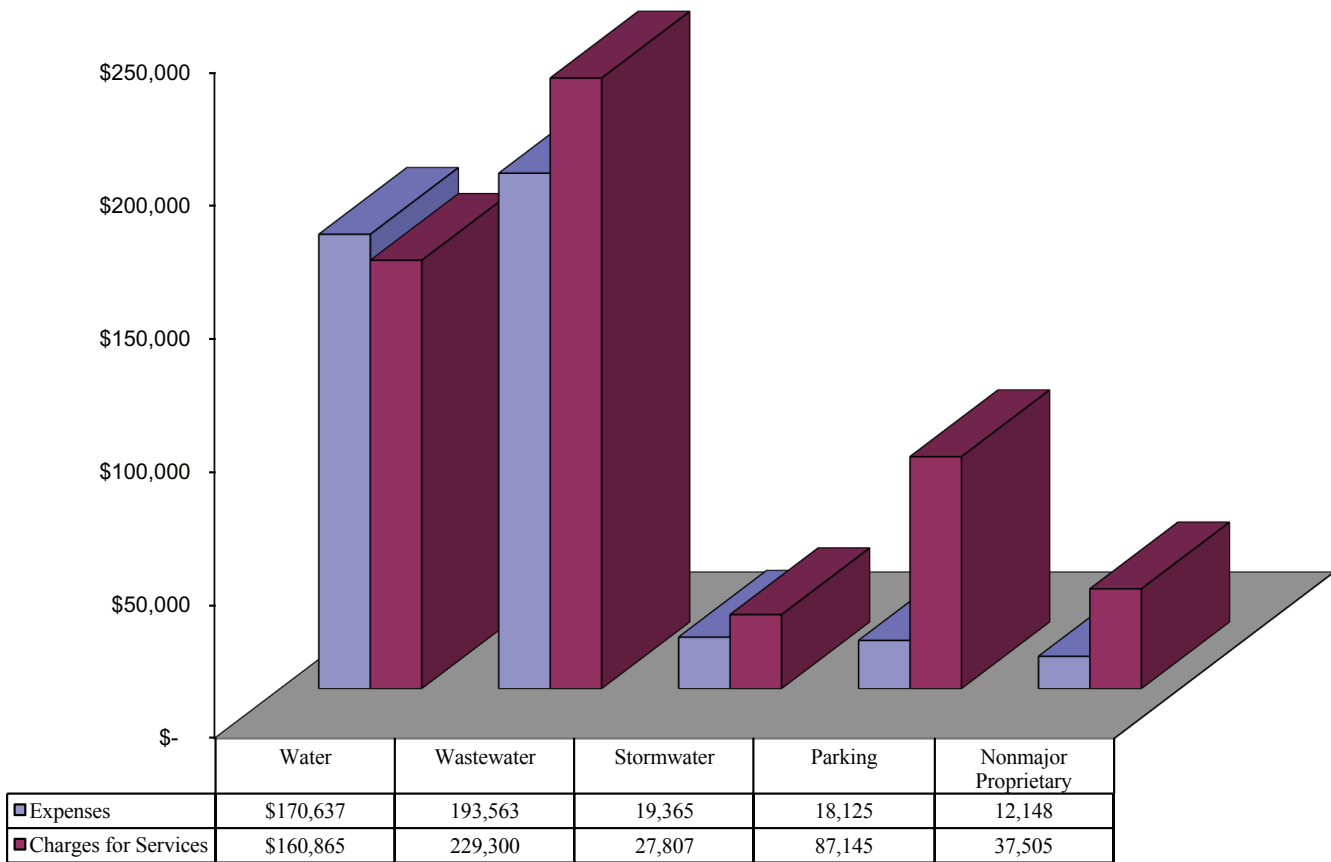
Governmental Activities

During the current fiscal year, expense related to governmental activities amounted to \$2.13 billion; this is less than revenues by \$6.7 million. Total revenue of \$2.14 billion is comprised of program revenues totaling \$476.1 million, or 22.3%. 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 2016, governmental revenue increased by \$92.3 million.

Governmental expenses increased by \$53.6 million during fiscal year 2016. This increase is primarily attributable to increases in public safety and regulation by \$52.8 million.

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



Business-type Activities

Charges for services represent the principal revenue source for the City’s business-type activities. During the current fiscal year, revenue from business-type activities totaled \$542.6 million. Expenses and transfers for these activities totaled \$514.6 million and resulted in an increase in net position of \$291.9 million.

Operating revenues decreased by \$0.9 million in fiscal year 2016 in the Water, Wastewater and Stormwater Utility Funds. Capital assets increased by \$457.9 million in the business-type activities primarily as a result of the utilities funds’ effort to build environmentally sound facilities.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

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

CITY OF BALTIMORE
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Years 2016 and 2015
(Expressed in Thousands)

	2016	2015	Variance Amount
Revenues:			
General fund:			
Property taxes	\$ 853,831	\$ 785,535	\$ 68,296
Income taxes	346,727	300,014	46,713
Other local – taxes	225,728	198,966	26,762
Total local taxes	1,426,286	1,284,515	141,771
Licenses and permits	48,829	41,584	7,245
Interest, rentals, and other investment income	33,991	17,181	16,810
Federal grants	217	275	(58)
State grants	104,585	105,059	(474)
Other	197,059	209,368	(12,309)
Total revenues – general fund	1,810,967	1,657,982	152,985
Other governmental funds:			
Grants revenue fund	222,291	223,148	(857)
Capital projects fund	45,370	66,983	(21,613)
Other funds	40,792	41,327	(535)
Total revenues other governmental funds	308,453	331,458	(23,005)
Total revenues all governmental funds	2,119,420	1,989,440	129,980
Expenditures:			
General fund:			
General government	281,616	258,028	23,588
Public safety and regulation	702,632	679,202	23,430
Conservation of health	19,663	20,887	(1,224)
Social services	73,851	64,249	9,602
Education	269,937	265,939	3,998
Public library	24,856	24,942	(86)
Recreation and culture	41,884	39,349	2,535
Highways and streets	125,440	113,452	11,988
Sanitation and waste removal	72,642	64,422	8,220
Public service	42,947	43,895	(948)
Economic development	39,499	49,069	(9,570)
Debt service	69,775	69,775	69,775
Total expenditures – general fund	1,764,742	1,623,434	141,308
Other governmental funds:			
Grants revenue fund	238,344	223,964	14,380
Capital projects fund	173,201	172,688	513
Other funds	29,565	107,159	(77,594)
Total expenditures other governmental funds	441,110	503,811	(62,701)
Total expenditures all governmental funds	2,205,852	2,127,245	78,607
Excess of expenditures over revenue	(86,432)	(137,805)	51,373
Other financing sources:			
Transfers in	210,212		210,212
Transfers, out	(110,174)	61,495	(171,669)
Capital projects fund:			
Capital contributions		9,609	(23,442)
Transportation revenue bonds	(13,833)		8,978
Capital leases	8,978		1,614
Premium on general obligation bonds	3,220	1,606	(2,868)
Face value of funding and refunding general obligation bonds	61,381	64,249	(2,868)
Other funds:			
Face value of transportation revenue bonds	30,936		30,936
Total other financing sources	190,720	136,959	53,761
Net changes in fund balances	104,288	(846)	105,134
Fund balances beginning (as restated)	554,834	269,884	284,950
Fund balances ending	\$ 659,122	\$ 269,038	\$ 390,084

Revenues for governmental functions overall totaled approximately \$2.1 billion in the fiscal year ended June 30, 2016, which represents an increase of 6.5% from the fiscal year ended June 30, 2015. Expenditures for governmental functions, totaling \$2.2 billion, increased by approximately 3.7% from the fiscal year ended June 30, 2015. In the fiscal year ended June 30, 2016 expenditures for governmental functions exceeded revenues \$86.4 million or 4.1%.

The General Fund is the chief operating fund of the City. Revenue in the General Fund increased \$153.0 million as compared to fiscal year 2015. This increase was attributed to increases in income taxes and property taxes in fiscal year 2016. The total expenditures for the General Fund increased by \$141.3 million, or 8.7%, over fiscal year 2015.

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

The increase in public safety, general government expenditures were due primarily to overtime costs. The increase in education expenditures was due primarily to an increase in local contributions to education. Highways and street expenditures increased due to snow and ice removal costs. Social services increased due to cost realignment.

At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$134.3 million, while total fund balance was \$675.8 million. The fund balance in the City’s General Fund increased by \$111.0 million during the fiscal year.

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

Proprietary Funds

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

	(Expressed in Thousands)					
	Water, Wastewater and Stormwater Utility Funds		Parking Facility Fund		Nonmajor Other Funds	
	2016	2015	2016	2015	2016	2015
Operating revenue	\$ 417,972	\$ 418,838	\$ 87,145	\$ 85,634	\$ 37,505	\$ 13,916
Operating expense	328,993	316,759	9,453	9,900	12,164	11,388
Operating income (loss)	88,979	102,079	77,692	75,734	25,341	2,528
Non operating revenues (expenses), capital contribution, and transfers	226,108	173,281	(109,159)	(70,530)	(338)	(183)
Change in net position	\$ 315,087	\$ 275,360	\$ (31,467)	\$ 5,204	\$ 25,003	\$ 2,345

As discussed in the Business-type activities section, the Water and Wastewater Utilities Fund experienced operating revenue decreases in fiscal year 2016. These increases are attributable to rate increases implemented in fiscal year 2016.

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

General Fund budgetary highlights

CITY OF BALTIMORE
Schedule of Revenues, Expenditures and Encumbrances
and Changes in Fund Balance — Budget and Actual
Budgetary Basis — General Fund
For the Year Ended June 30, 2016

(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance With Original Budget Positive (Negative)	Variance With Final Budget Positive (Negative)
Total revenues	\$ 1,694,511	\$ 1,750,511	\$ 1,805,797	\$ 111,286	\$ 55,286
Expenditures and encumbrances:					
General government	358,667	340,693	305,297	53,370	35,396
Public safety and regulation	691,692	725,639	699,656	(7,964)	25,983
Conservation of health	32,171	32,225	22,555	9,616	9,670
Social services	3,108	3,108	2,017	1,091	1,091
Education	265,949	265,949	270,937	(4,988)	(4,988)
Public library	26,573	26,573	22,431	4,142	4,142
Recreation and culture	44,871	44,871	42,583	2,288	2,288
Highways and streets	102,192	142,192	143,647	(41,455)	(1,455)
Sanitation and waste removal	78,215	78,215	73,686	4,529	4,529
Public service	40,458	40,458	35,195	5,263	5,263
Economic development	65,512	67,377	56,778	8,734	10,599
Total expenditures and encumbrances	<u>1,709,408</u>	<u>1,767,300</u>	<u>1,674,782</u>	<u>34,626</u>	<u>92,518</u>
Excess of revenue over expenditures and encumbrances	(14,897)	(16,789)	131,015		
Other Financing uses:					
Transfers in	37,591	37,591	164,904		
Transfers out	(122,711)	(122,711)	(124,945)		
Total other financing uses	<u>(85,120)</u>	<u>(85,120)</u>	<u>39,959</u>		
Net change in fund balances	(100,017)	(101,909)	170,974		
Fund balances – beginning (as restated)	<u>252,306</u>	<u>252,306</u>	<u>564,843</u>		
Fund balances – ending	<u>\$ 152,289</u>	<u>\$ 150,397</u>	735,817		
Adjustments to reconcile to GAAP basis:					
Addition of encumbrances outstanding			86,189		
Less: Accounts payable not recorded for budgetary purposes			<u>(146,194)</u>		
Fund balance – June 30, 2016 (GAAP basis)			<u>\$ 675,812</u>		

The City’s final budget differs from the original budget in that it contains carry-forward appropriations for various programs and projects, and supplemental appropriations approved after adoption, and during the fiscal year. During fiscal year 2016, supplemental appropriation totaling \$83.5 million were approved for the general fund, all of which were approved from prior year surplus or from unexpected increases in revenues sources. Actual expenditures for the year were less than the original budget by \$34.6 million, but were \$92.5 million lower than adjusted appropriations. This amount was primarily related to the governmental activities: lower than budgeted costs for general government operations amounted to \$35.4 million; lower than budgeted costs for public safety and regulation amounted to \$26.0 million; lower than budgeted costs for conservation of health amounted to \$10.0 million; and lower than budgeted costs for economic development amounted to \$10.6 million.

On a budgetary basis, revenue for fiscal year 2016 totaled \$1,805.8 million and expenditures and transfers totaled \$1,634.8 million. The excess of expenditures and transfers over revenues resulted in a budgetary basis fund balance at June 30, 2016 of \$735.8 million, an increase of \$171.0 million.

Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2016, amount to \$7.5 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 6.10% (.83% decrease for governmental activities and an 11.7% increase for business-type activities) as shown in the table which follows.

CITY OF BALTIMORE Capital Assets, Net of Depreciation For the Fiscal Years 2016 and 2015

(Expressed in Thousands)

	Governmental activities		Business-type activities		Total	
	2016	2015	2016	2015	2016	2015
Land and other	\$ 367,896	\$ 367,167	\$ 36,920	\$ 36,920	\$ 404,816	\$ 404,087
Building and Improvements	886,182	907,525	2,098,843	2,094,296	2,985,025	3,001,821
Machinery and Equipment	93,540	99,586	55,594	57,374	149,134	156,960
Infrastructure	1,566,118	1,455,883	881,619	630,344	2,447,737	2,086,227
Library Books	17,873	19,474			17,873	19,474
Construction in Progress	219,308	327,693	1,284,565	1,080,728	1,503,873	1,408,421
Total	\$ 3,150,917	\$ 3,177,328	\$ 4,357,541	\$ 3,899,662	\$ 7,508,458	\$ 7,076,990

See note number 5 on capital assets.

Debt Administration

At the end of the current fiscal year, the City had total long-term obligations outstanding of \$2.8 billion. Of this amount, \$518.4 million was general obligation bonds backed by the full faith and credit of the City, \$394.2 million was revenue bonds for governmental activity at the Convention Center, the Convention Center Hotel, and transportation bonds, and \$1.9 billion was revenue bonds related to commercial business activity. The remainder includes revenue bonds and other obligations of City business and governmental activities.

During fiscal year 2016, the City sold \$78.2 million in revenue bonds, comprising \$30.9 million in County Transportation Bonds and \$47.3 million in Maryland Water Quality bonds.

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

	FY 2016	FY 2015
Net general bonded debt (expressed in thousands)	\$ 455,909	\$ 505,649
Ratio of net general bonded debt to net assessed value	1.21%	1.42%

See note number 7 on long-term obligation.

As of June 30, 2016, the City had \$518.4 million in authorized, outstanding property tax-supported general obligation bonds. This amount is reduced by net assets in the Debt Service Fund (which is part of the General Fund beginning in Fiscal Year 2016) of \$62.5 million for net tax-supported bonded debt of \$455.9 million, which is equal to approximately 1.21% of the assessed value of property (net of exemptions). There are an additional \$293.0 million in bonds that are authorized, but unissued.

Economic Factors and Next Year's Budget and Rates

The fiscal year 2017 budget submitted by the Board of Estimates to the Baltimore City Council proposed total appropriations of \$3,169,849,000 of which \$1,767,300,000 were for General Fund operations and Pay-As-You-Go (PAYGO) capital. The City Council, after deliberations pursuant to Charter requirement and power, made no reductions to the total General Fund or other fund appropriations. The property tax rates on real property and personal property remained to \$2.248 and \$5.62 per \$100 of assessed valuation, respectively. The locally imposed and State mandated income tax rate was 3.20%. The Ordinance of Estimates was adopted by the City Council and signed by the Mayor on June 22, 2016.

Fiscal 2016 Budget — Economic Factors

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

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

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

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

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

Request for information

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

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

CITY OF BALTIMORE

**Statement of Net Position
June 30, 2016**

(Expressed in Thousands)

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Baltimore City Public School System*	Baltimore Hotel Corporation
Assets and deferred outflows of resources:					
Assets:					
Cash and cash equivalents	\$ 355,592	\$ 493,568	\$ 849,160	\$ 250,006	\$ 2,368
Investments	213,374	1,353	214,727	70,350	34,355
Property taxes receivable, net	9,969		9,969		
Other receivables, net	27,926	247,710	275,636	3,156	1,028
Due from other governments	144,155	80,904	225,059	43,617	
Internal balances	17,229	(17,229)			
Due from primary government				6,847	
Inventories, at cost	8,460	8,226	16,686	1,908	57
Notes and mortgages receivable, net	291,736	44,554	336,290		
Other assets	23,405	12,232	35,637	15	3,719
Issuance costs					9,125
Net OPEB assets	27,392		27,392		
Capital assets being depreciated, net of accumulated depreciation	2,563,713	3,036,056	5,599,769	584,820	192,442
Capital assets not being depreciated	587,204	1,321,485	1,908,689	77,166	
Total assets	4,270,155	5,228,859	9,499,014	1,037,885	243,094
Deferred outflow of resources:					
Deferred amortization on early extinguishment of debt		68,810	68,810		
Deferred loss on bond refunding	8,652	17,546	26,198		
Deferred outflows related to pension	288,215	22,210	310,425	28,609	
Interest rate swaps	3,752	28,252	32,004		
Total deferred outflows of resources	300,619	136,818	437,437	28,609	
Total assets and deferred outflows of resources	4,570,774	5,365,677	9,936,451	1,066,494	243,094
Liabilities and deferred inflows of resources:					
Liabilities:					
Accounts payable and accrued liabilities	226,613	175,461	402,074	191,098	12,890
Accrued interest payable	13,315	34,448	47,763		5,121
Unearned revenue	18,912		18,912	3,273	1,916
Notes payable					290,470
Due to other governments		6,439	6,439		
Deposits subject to refund	29,827	15	29,842		
Estimated claims in progress:					
Due within one year	73,880		73,880		
Due in more than one year	226,611		226,611		
Bond Anticipation Notes Payable	60,148	852	61,000		
Revenue bond payable, net:					
Due within one year	17,448	63,915	81,363		
Due in more than one year	387,413	1,916,371	2,303,784		
Derivative instrument liability	3,752	47,356	51,108		
Long term debt payable:					
Due within one year	43,198	311	43,509	9,979	
Due in more than one year	677,344	2,439	679,783	108,720	
Capital leases payable:					
Due within one year	31,506	340	31,846	6,366	
Due in more than one year	128,862	1,087	129,949	19,094	
Compensated absences:					
Due within one year	42,612	4,286	46,898	5,572	
Due in more than one year	103,228	10,293	113,521	42,765	
Landfill closure due in more than one year	19,852		19,852		
Net pension liability	1,579,048	117,657	1,696,705	106,831	
Other liabilities	3,233	1,534	4,767	5,028	11,644
Total liabilities	3,686,802	2,382,804	6,069,606	498,726	322,041
Deferred inflows of resources:					
Deferred inflows related to pension	56,600	17,851	74,451	9,111	
Total deferred inflows of resources	56,600	17,851	74,451	9,111	
Total liabilities and deferred inflows of resources	3,743,402	2,400,655	6,144,057	507,837	322,041
Net position:					
Net investment in capital assets	2,464,962	2,386,644	4,851,606	517,827	(98,028)
Restricted for:					
Construction	10,743		10,743	26,583	
Debt service		165,076	165,076		
Perpetual care:					
Expendable	6,154		6,154		
Nonexpendable	7,772		7,772		
Unrestricted (deficits)	(1,662,259)	413,302	(1,248,957)	14,246	19,081
Total net position	\$ 827,372	\$ 2,965,022	\$ 3,792,394	\$ 558,656	\$ (78,947)

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

* Results for Baltimore City Public School System have been adjusted to reflect net pension liability and pension expense related to the adoption of GASB 68.

See Footnote 1 for additional information.

CITY OF BALTIMORE
Statement of Activities
For the Year Ended June 30, 2016
(Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue 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	
Primary Government:										
Governmental activities:										
General government	\$ 303,696	\$ 54,812	\$ 100,008		\$ (148,876)		\$ (148,876)			
Public safety and regulation	744,940	5,521	23,586		(715,833)		(715,833)			
Conservation of health	116,592	2,067	121,728		7,203		7,203			
Social services	109,591		49,609		(59,982)		(59,982)			
Education	299,699				(299,699)		(299,699)			
Public library	34,150	207	15,633		(18,310)		(18,310)			
Recreation and culture	53,657	160	501	\$ 4,143	(48,853)		(48,853)			
Highways and streets	192,487	10,078	664	10,942	(170,803)		(170,803)			
Sanitation and waste removal	70,823	10,903			(59,920)		(59,920)			
Public service	49,475				(49,475)		(49,475)			
Economic development	126,430	19,442	35,907	10,199	(60,882)		(60,882)			
Interest	30,518				(30,518)		(30,518)			
Total governmental activities	2,132,058	103,190	347,636	25,284	(1,655,948)		(1,655,948)			
Business-type activities:										
Water	170,637	160,865		41,120		31,348	31,348			
Wastewater	193,563	229,300		217,625		253,362	253,362			
Stormwater	19,365	27,807		631		9,073	9,073			
Parking	18,125	87,145				69,020	69,020			
Nonmajor proprietary	12,148	37,505		(88)		25,269	25,269			
Total business-type activities	413,838	542,622		259,288		388,072	388,072			
Total primary government	\$ 2,545,896	\$ 645,812	\$ 347,636	\$ 284,572	(1,655,948)	388,072	(1,267,876)			
Component units:										
Baltimore City Public School System*	\$ 1,374,985	\$ 309	\$ 151,895	\$ 34,486				\$ (1,188,295)		
Baltimore Hotel Corporation	68,683	62,961							(5,722)	
General revenues:										
Property taxes					852,114		852,114			
Income taxes					346,727		346,727			
Transfer and recordation tax					91,916		91,916			
Electric and gas tax					41,109		41,109			
Telecommunications tax					33,837		33,837			
Admission tax					7,813		7,813			
Other local taxes					67,751		67,751			
State shared revenues					153,195		153,195			
State, federal, and City grants								1,212,751		
Unrestricted investment income					34,782	4,591	39,373	946	496	
Miscellaneous					33,073		33,073	17,106		
Transfers					100,737	(100,737)				
Total general revenues and transfers					1,763,054	(96,146)	1,666,908	1,230,803	496	
Change in net position					107,106	291,926	399,032	42,508	(5,226)	
Net position – beginning (as restated)					720,266	2,673,096	3,393,362	516,148	(73,721)	
Net position – ending					\$ 827,372	\$ 2,965,022	\$ 3,792,394	\$ 558,656	\$ (78,947)	

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

* Results for Baltimore City Public School System have been adjusted to reflect pension expense related to the adoption of GASB 68. See Footnote 20 for additional information.

CITY OF BALTIMORE

**Balance Sheet
Governmental Funds
June 30, 2016**

(Expressed in Thousands)

	General Fund	Grants Revenue Fund	Capital Projects Fund	Nonmajor Funds	Total
Assets:					
Cash and cash equivalents	\$ 301,144			\$ 14,013	\$ 315,157
Investments	205,310		\$ 977	7,087	213,374
Property taxes receivable, net	9,969				9,969
Other receivables, net	25,394		208	1,432	27,034
Due from other governments	72,330	\$ 55,312	12,190	4,323	144,155
Due from other funds	43,861	6,930	6,650	3,018	60,459
Notes and mortgages receivable, net	291,736				291,736
Inventories, at cost	1,211				1,211
Other assets	23,067				23,067
Total assets	974,022	62,242	20,025	29,873	1,086,162
Liabilities, deferred inflows of resources and fund balances (deficits):					
Liabilities:					
Accounts payable and accrued liabilities	166,130	22,316	15,219	5,879	209,544
Retainages payable			8,691		8,691
Estimated liability for claims in progress	49,056				49,056
Due to other funds	9,948	39,697			49,645
Deposits subject to refund	29,827				29,827
Unearned revenue	18,912				18,912
Total liabilities	273,873	62,013	23,910	5,879	365,675
Deferred inflows of resources:					
Unavailable property taxes	9,774				9,774
Unavailable income taxes and other	14,116				14,116
Unavailable grants revenue			37,028		37,028
Prepaid taxes	447				447
Total deferred inflows of resources	24,337	37,028			61,365
Total liabilities and deferred inflows of resources	298,210	99,041	23,910	5,879	427,040
Fund balances:					
Nonspendable	297,255				297,255
Restricted			10,743	13,926	24,669
Assigned	244,257			10,068	254,325
Unassigned	134,300	(36,799)	(14,628)		82,873
Total fund balances (deficits)	675,812	(36,799)	(3,885)	23,994	659,122
Total liabilities and fund balances (deficits)	\$ 974,022	\$ 62,242	\$ 20,025	\$ 29,873	

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	3,056,226
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	328,011
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	69,409
Unavailable revenue is not due and payable in the current period and, therefore, is not reported in the funds	61,365
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds	(3,346,761)
Net position of governmental activities	\$ 827,372

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

CITY OF BALTIMORE
Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit)
Governmental Funds
For the Year Ended June 30, 2016
(Expressed in Thousands)

	General Fund	Grants Revenue Fund	Projects Fund	Capital Nonmajor Funds	Total
Revenues:					
Taxes – local	\$ 1,426,286			\$ 12,303	\$ 1,438,589
State shared revenue	142,213			10,982	153,195
Licenses and permits	48,829				48,829
Fines and forfeitures	8,365				8,365
Interest, rentals and other investment income	33,991		\$ 444	347	34,782
Federal grants	217	\$ 107,819	14,385	17,160	139,581
State grants	104,585	72,375	10,899		187,859
Other grants	26	42,097			42,123
Charges for services	45,996				45,996
Miscellaneous	459		19,642		20,101
Total revenues	1,810,967	222,291	45,370	40,792	2,119,420
Expenditures:					
Current:					
General government	281,616	21,637		16,032	319,285
Public safety and regulation	702,632	33,384		1,939	737,955
Conservation of health	19,663	98,116			117,779
Social services	73,851	35,300			109,151
Education	269,937			7	269,944
Public library	24,856	7,112		26	31,994
Recreation and culture	41,884	3,862		144	45,890
Highways and streets	125,440	34			125,474
Sanitation and waste removal	72,642			423	73,065
Public service	42,947	4,743			47,690
Economic development	39,499	34,156	42,157	10,994	126,806
Debt service:					
Principal	42,956				42,956
Interest	24,786				24,786
Other bonds costs	2,033				2,033
Capital outlay			122,066		122,066
Capital lease			8,978		8,978
Total expenditures	1,764,742	238,344	173,201	29,565	2,205,852
Excess (deficiency) of revenues over (under) expenditures	46,225	(16,053)	(127,831)	11,227	(86,432)
Other financing sources (uses):					
Transfers in	162,789	9,004	37,576	843	210,212
Transfers out	(98,045)		(4,312)	(7,817)	(110,174)
Refunding of transportation revenue bonds			(13,833)		(13,833)
Capital lease			8,978		8,978
Premium on transportation revenue bonds			3,220		3,220
Face value of bonds			61,381		61,381
Face value of transportation revenues bonds			30,936		30,936
Total other financing sources (uses)	64,744	9,004	123,946	(6,974)	190,720
Net change in fund balance	110,969	(7,049)	(3,885)	4,253	104,288
Fund balances (deficits) – beginning, as restated	564,843	(29,750)		19,741	554,834
Fund balances (deficits) – ending	\$ 675,812	\$ (36,799)	\$ (3,885)	\$ 23,994	\$659,122

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, 2016

(Expressed in Thousands)

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

Net change in fund balance — total governmental funds	\$ 104,288
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	(7,890)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(53,719)
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	46,596
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	16,782
The net expense of certain activities of internal service funds is reported with governmental activities.	1,049
Change in net position of governmental activities	\$ 107,106

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, 2016**

(Expressed in Thousands)

	Enterprise Funds					Total	Governmental Activities Internal Service Funds
	Water Utility Fund	Wastewater Utility Fund	Stormwater Utility Fund	Parking Facilities Fund	Nonmajor Funds		
Assets and deferred outflows of resources:							
Current assets:							
Cash and cash equivalents	\$ 38,839	\$ 104,195	\$ 33,128	\$ 9,642	\$ 14,286	\$ 200,090	\$ 16,998
Investments					1,353	1,353	
Accounts receivable, net:							
Service billings	60,273	54,725	7,492		3,538	126,028	
Other	341	10		341	1	693	892
Due from other governments	17,238	63,571	95			80,904	
Inventories	7,440	244	542			8,226	7,249
Restricted assets:							
Cash and cash equivalents	33,156	50,279				83,435	
Notes and mortgages receivables				4,308		4,308	
Total current assets	157,287	273,024	41,257	14,291	19,178	505,037	25,139
Noncurrent assets:							
Restricted assets:							
Cash and cash equivalents	57,615	91,674		32,230	28,524	210,043	23,437
Accounts receivable		98,146	22,843			120,989	
Notes and mortgages receivable				40,246		40,246	
Capital assets, net of accumulated depreciation	1,060,711	1,595,620	240,951	85,786	52,988	3,036,056	94,691
Capital assets not being depreciated	237,074	1,040,591	16,825	15,126	11,869	1,321,485	
Other assets					12,232	12,232	
Total noncurrent assets	1,355,400	2,826,031	280,619	173,388	105,613	4,741,051	118,128
Total assets	1,512,687	3,099,055	321,876	187,679	124,791	5,246,088	143,267
Deferred outflow of resources:							
Deferred amortization on early extinguishment of debt	35,459	33,351				68,810	
Deferred loss on bond refunding				17,546		17,546	
Deferred outflow related to pension	12,089	7,389	1,826		906	22,210	
Interest rate swaps	12,466	11		15,775		28,252	
Total deferred outflows of resources	60,014	40,751	1,826	33,321	906	136,818	
Total assets and deferred outflows of resources	1,572,701	3,139,806	323,702	221,000	125,697	5,382,906	143,267
Liabilities:							
Current liabilities:							
Accounts payable and accrued liabilities	12,295	18,859	397	1,064	385	33,000	9,257
Accrued interest payable	15,858	16,394	276	1,920		34,448	
Deposits subject to refund	15					15	
Due to other funds					6,650	6,650	3,752
Due to other governments		6,439				6,439	
Compensated absences	1,777	1,927	179		106	3,989	774
Other liabilities					1,534	1,534	
Accounts payable from restricted assets	39,233	97,196	5,392		640	142,461	
Leases payable		340				340	6,008
Bond anticipation notes payable			852			852	
Revenue bonds payable	17,298	33,886	1,771	10,960		63,915	
General long-term debt payable			311			311	
Total current liabilities	86,476	175,041	9,178	13,944	9,315	293,954	19,791
Noncurrent liabilities:							
Leases payable		1,087				1,087	62,328
Revenue bonds payable, net	730,355	1,034,826	28,170	123,020		1,916,371	
Derivative instrument liability	16,473	11		30,332	540	47,356	
Compensated absences	5,038	4,762	485		305	10,590	2,318
General long-term debt payable			2,439			2,439	
Net pension liability	59,075	47,855	6,601		4,126	117,657	
Total noncurrent liabilities	810,941	1,088,541	37,695	153,352	4,971	2,095,500	64,646
Total liabilities	897,417	1,263,582	46,873	167,296	14,286	2,389,454	84,437
Deferred inflows of resources:							
Deferred inflow related pension	5,374	11,531	568		378	17,851	
Total deferred inflows of resources	5,374	11,531	568		378	17,851	
Total liabilities and deferred inflows of resources	902,791	1,275,113	47,441	167,296	14,664	2,407,305	84,437
Net position:							
Net investment in capital assets	534,804	1,523,153	249,318	14,512	64,857	2,386,644	94,459
Restricted for:							
Debt service	59,448	76,425		29,203		165,076	
Unrestricted (deficit), restated	75,658	265,115	26,943	9,989	46,176	423,881	(35,629)
Total net position	\$ 669,910	\$ 1,864,693	\$ 276,261	\$ 53,704	\$ 111,033	2,975,601	\$ 58,830
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds						(10,579)	
Net position of business-type activities						\$ 2,965,022	

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

CITY OF BALTIMORE
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2016
(Expressed in Thousands)

	Enterprise Funds					Total	Governmental Activities Internal Service Funds
	Water Utility Fund	Wastewater Utility Fund	Stormwater Utility Fund	Parking Facilities Fund	Nonmajor Funds		
Operating revenues:							
Charges for sales and services							\$ 90,736
Water, sewer and stormwater service	\$ 147,304	\$ 228,990	\$ 27,657			\$ 403,951	
Rents, fees and other income	1,290	310	132	\$ 87,145	\$ 35,862	124,739	
Interest income	12,271		18		1,643	13,932	
Total operating revenues	160,865	229,300	27,807	87,145	37,505	542,622	90,736
Operating expenses:							
Salaries and wages	36,893	34,933	6,039		4,848	82,713	16,247
Other personnel costs	19,017	15,392	2,800		1,532	38,741	6,821
Contractual services	43,687	63,768	4,898	6,662	3,001	122,016	42,198
Materials and supplies	12,340	11,700	812		185	25,037	3,356
Minor equipment	834	586	92			1,512	3,177
Postage and delivery services							2,044
Depreciation	27,210	43,287	4,705	2,791	949	78,942	18,933
Program expenses					1,649	1,649	
Total operating expenses	139,981	169,666	19,346	9,453	12,164	350,610	92,776
Operating income (loss)	20,884	59,634	8,461	77,692	25,341	192,012	(2,040)
Nonoperating revenues (expenses):							
Gain (loss) on sale of investments	(205)	(364)				(569)	2,833
Interest income	3,806	785				4,591	
Interest expense	(22,412)	(14,833)	(45)	(8,672)		(45,962)	
Total nonoperating expenses, net	(18,811)	(14,412)	(45)	(8,672)		(41,940)	2,833
Income (loss) before capital contributions and transfers	2,073	45,222	8,416	69,020	25,341	150,072	793
Capital contributions	41,120	217,625	631		(88)	259,288	
Transfers in					500	500	700
Transfers out				(100,487)	(750)	(101,237)	
Changes in net position	43,193	262,847	9,047	(31,467)	25,003	308,623	1,493
Total net position – beginning, as restated	626,717	1,601,846	267,214	85,171	86,030	2,666,978	57,337
Total net position – ending	\$ 669,910	\$ 1,864,693	\$ 276,261	\$ 53,704	\$ 111,033	2,975,601	\$ 58,830
Adjustment to reflect the consolidation of internal service activities related to enterprise funds						(10,579)	
Net position of business-type activities						\$ 2,965,022	

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, 2016
(Expressed in Thousands)

	Enterprise Funds					Total	Governmental Activities Internal Service Funds
	Water Utility Fund	Wastewater Utility Fund	Stormwater Utility Fund	Parking Facilities Fund	Nonmajor Funds		
Cash flows from operating activities:							
Receipts from customers	\$ 165,775	\$ 221,425	\$ 27,864	\$ 87,165	\$ 39,991	\$ 542,220	\$ 90,348
Payments to employees	(63,581)	(62,683)	(8,502)		(6,238)	(141,004)	(22,866)
Payments to suppliers	(53,154)	(78,627)	(5,435)	(6,713)	(3,207)	(147,136)	(52,643)
Net cash provided (used) by operating activities	49,040	80,115	13,927	80,452	30,546	254,080	14,839
Cash flows from noncapital financing activities:							
Transfers in					500	500	
Transfers out				(100,487)	(750)	(101,237)	
Net cash used by noncapital financing activities				(100,487)	(250)	(100,737)	
Cash flows from capital and related financing activities:							
Mortgages receivable principal payments				4,060		4,060	
Proceeds from revenue bonds			4,107			4,107	
Proceeds from bonds anticipation notes payable			852			852	
Drawdown of proceeds from State water quality loans		52,590				52,590	
Principal paid on revenue bonds	(14,815)	(17,695)	(1,650)	(10,350)	(45,000)	(89,510)	
Principal paid on State water quality loans	(1,065)	(13,790)	(362)			(15,217)	
Principal paid on general long-term debt			(280)			(280)	
Interest received	3,806	785	146			4,746	
Interest paid	(24,916)	(19,483)		(8,746)	(1,595)	(54,740)	
Acquisition and construction of capital assets	(166,784)	(367,926)	(8,530)	(1,225)	(4,513)	(548,978)	(24,947)
Capital lease payments		(413)				(413)	15,352
Capital contributions received	35,350	204,290	630		(88)	240,182	
Due to other funds					(378)	(378)	
Other assets					11,525	11,525	
Net cash provided (used) by capital and related financing activities	(168,424)	(161,642)	(5,087)	(16,252)	(40,049)	(391,454)	(9,595)
Cash flows from investing activities:							
Proceeds from the sale and maturities of investments					(1,353)	(1,353)	
Loss on sale of investments	(205)					(205)	
Loss on investments		(364)				(364)	
Net cash provided by investing activities	(205)	(364)			(1,353)	(1,922)	
Net increase (decrease) in cash and cash equivalents	(119,589)	(81,891)	8,840	(36,287)	(11,106)	(240,033)	5,244
Cash and cash equivalents, beginning of year	249,199	328,039	24,288	78,159	53,916	733,601	35,191
Cash and cash equivalents, end of year	\$ 129,610	\$ 246,148	\$ 33,128	\$ 41,872	\$ 42,810	\$ 493,568	\$ 40,435
Reconciliation of operating income to net cash provided by operating activities:							
Operating income (loss)	\$ 20,884	\$ 59,634	\$ 8,461	\$ 77,692	\$ 25,341	\$ 192,012	\$ (2,040)
Adjustments to reconcile operating income to net cash provided by operating activities:							
Depreciation expense	27,210	43,287	4,705	2,791	949	78,942	18,933
Changes in assets and liabilities:							
Accounts receivables	4,909	(7,875)	57	20	2,528	(361)	(580)
Inventories	(950)	34	224			(692)	309
Deferred outflows – pension	1,105	1,165	(66)		180	2,384	
Accounts payable and accrued liabilities	121	2,077	212	(51)	115	2,474	(1,853)
Compensated absences	(149)	115	131		6	103	187
Accrued interest payable					(3)	(3)	
Due to (from) other funds					(42)	(42)	(117)
Deferred inflows – pensions	(1,497)	4,281	(166)		(104)	2,514	
Pension liability – current period	725	(9,150)	369		33	(8,023)	
Due to other governments	(3,318)	(13,453)				(16,771)	
Other liabilities					1,476	1,476	
Other noncurrent liabilities					67	67	
Total adjustments	28,156	20,481	5,466	2,760	5,205	62,068	16,879
Net cash provided (used) by operating activities	\$ 49,040	\$ 80,115	\$ 13,927	\$ 80,452	\$ 30,546	\$ 254,080	\$ 14,839
Noncash activity from capital and related financing activities:							
Acquisition and construction of capital assets financed by debt	\$ 10,706	\$ (24,445)	\$ 1,840			\$ (11,899)	
Increase in issuance of State water quality loans		52,590				52,590	
Increase in issuance of bonds anticipation note			852			852	
Total noncash activity from capital and related financing activities	\$ 10,706	\$ 28,145	\$ 2,692			\$ 41,543	

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

CITY OF BALTIMORE
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

(Expressed in Thousands)

	Pension Trust Funds	OPEB Trust Fund	Agency Funds
Assets:			
Cash and cash equivalents	\$ 114,160	\$ 29,161	\$ 213
Investments:			
Stocks	2,417,727	240,589	
Bonds	1,017,583	153,425	53
Real Estate	401,466	18,979	
Securities lending collateral	84,266		
Accounts receivable, net:			
Other			412
Forward foreign contracts	35,404		
Other assets	69,673	1,462	
Total assets	4,140,279	443,616	678
Liabilities:			
Obligations under securities lending program	84,266		
Forward foreign contracts	35,407		
Accounts payable	102,567	5,274	
Due to other funds			412
Other	363		266
Total liabilities	222,603	5,274	678
Net position:			
Held in trust for benefits	\$ 3,917,676	\$ 438,342	

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

CITY OF BALTIMORE
Statement of Changes in Fiduciary Net Position
Pension and OPEB Trust Funds
For the Year Ended June 30, 2016

(Expressed in Thousands)

	Pension Trust Funds	OPEB Trust Fund
Additions:		
Contributions:		
Employer	\$ 198,216	\$ 125,166
Employee	40,962	57,571
Total contributions	<u>239,178</u>	<u>182,737</u>
Investment income:		
Net appreciation (depreciation) in fair value of investments	(26,188)	(13,622)
Securities lending income	825	
Interest and dividend income	87,735	8,542
Total investment income (loss)	<u>62,372</u>	<u>(5,080)</u>
Less: investment expense	19,063	1,651
Net investment income (loss)	<u>43,309</u>	<u>(6,731)</u>
Total additions	<u>282,487</u>	<u>176,006</u>
Deductions:		
Retirement benefits	373,832	
Health benefits		166,519
Death benefits	1,517	
Administrative expenses	7,958	
Other	3,455	
Total deductions	<u>386,762</u>	<u>166,519</u>
Changes in net position	(104,275)	9,487
Net position – beginning of the year	<u>4,021,951</u>	<u>428,855</u>
Net position – end of the year	<u>\$ 3,917,676</u>	<u>\$ 438,342</u>

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

CITY OF BALTIMORE
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CITY OF BALTIMORE
Notes to Basic Financial Statements

1. Summary of Significant Accounting Policies

A. REPORTING ENTITY

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

Blended Component Unit

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

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

Discretely Presented Component Units

The Baltimore City Public School System (BCPSS) is responsible for elementary and secondary education within the City's jurisdiction. The BCPSS receives significant funding from the City. The City is also required to pay certain benefits to its employees. However, the BCPSS is legally separate from the City since it has the authority and responsibility for all its system functions and the Governor of the State of Maryland appoints a majority of its nine member board. The City, however, approves the BCPSS annual budget. The City adjusted the financial results of the BCPSS to record the net pension liability attributable to BCPSS employees that participate in the Employees' Retirement System of the City of Baltimore (ERS) which are detailed in Note 20. Complete financial statements for BCPSS may be obtained from the Chief Financial Officer, Baltimore City Public School System, 200 East North Avenue, Baltimore, Maryland 21202.

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

Complete financial statements for BHC for the year ended December 31, 2015 may be obtained from the Director of Finance, Baltimore City, 469 City Hall, 100 N. Holliday St., Baltimore, Maryland 21202.

Related Organizations

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

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

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

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

B. BASIS OF PRESENTATION, BASIS OF ACCOUNTING

Basis of Presentation

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

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

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

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

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

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

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

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

The City reports the following major governmental funds:

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

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

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

The City also reports non major governmental funds which are classified as Special Revenue Funds and Permanent Funds. The Debt Service Fund was reported separately as a non major governmental fund in previous years. In fiscal year 2016, 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.

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

The City reports the following other fund types:

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

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

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

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

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

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

Measurement Focus, Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements with the exception of agency funds, which have no measurement focus, are reported using the economic resources measurement focus and are reported on the accrual basis of accounting. Revenues are

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

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

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end, except for grant and entitlement revenue which have a 90 day availability period. Property taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, 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, 2016, based on market prices. The individual funds' portions of the pool's fair value are presented as "Pooled Cash and Investments." Earnings on the pooled funds are apportioned and paid or credited to the funds quarterly based on the average daily balance of each participating fund. The City does not invest any portion of its cash in derivative investments.

Receivables and Payables

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

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

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

Inventories

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

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of receipt. Infrastructure assets acquired prior to July 1, 2001 are reported at estimated historical cost using deflated replacement cost. Infrastructure assets, such as streets, highways, bridges, sidewalks, street lighting, traffic poles and signals, and storm sewers are required to be capitalized under GAAP. Capitalization thresholds are: \$50,000 for buildings, improvements and infrastructure; and \$5,000 for equipment. Library books are capitalized as a collection based on total purchases. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

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

Asset Class	Estimated Useful Lives
Infrastructure	25-80
Buildings	50
Building improvements	20-50
Equipment	2-25
Library books	10
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 at June 30, 2016. This liability, which includes estimates for known and incurred but not reported claims, is based upon an actuarial valuation of the City's claim payment history discounted at a rate of 3.0%, for all claims except medical, for which claims are not discounted.

Property Tax and Property Tax Calendar

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

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

State law requires that all real property be reassessed every three years, and further provides that the amount of any increase over previous established market values be phased in over a three-year period. To accomplish the triennial assessment requirement, approximately one-third of all real property is reviewed annually. The City Council, effective with the fiscal year beginning July 1, 1991, enacted a 104% homestead tax credit program which will protect home owners from increases in assessments that are greater than 4% in any one year. The assessed value of real property in Baltimore City for fiscal year 2016 was \$31,577,756,000 which was approximately 88.2% of the estimated market value.

The tax rate in Baltimore City for real property taxes for fiscal year 2016 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 94.6% of the total tax levy.

At June 30, 2016, the City had property taxes receivable of \$9,969,000 net of an allowance for uncollectible accounts of \$93,512,000.

Gains and Losses on Early Extinguishment of Debt from Refundings

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

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

Sick, Vacation and Personal Leave

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

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

The City accrues for all salary-related items in the government-wide and proprietary fund types in the fund financial statements for which they are liable to make a payment directly and incrementally associated with payments made for compensated absences on termination or retirement. The City includes its share of social security and Medicare payments made on behalf of the employees in the accrual for sick, 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 Non-Major Funds revenue bonds and Federal and State grants, and restricted accounts receivables are restricted for the purpose of the construction of water, sewer, stormwater, and parking facilities.

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, 2016, the City recognized unamortized losses on early extinguishments of debt and interest rate swaps as deferred outflows of resources in the government-wide statement of net position and the proprietary funds statement of net position.

A deferred inflow of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. At June 30, 2016, the City recognized deferred inflows of resources in the governmental funds for property taxes, income taxes, other prepaid taxes, notes receivables, and grant funds received for which related expenditures have not been incurred, or the expenditures have been incurred and the reimbursement funding is not available. Additionally, the City recognized derivative instrument liabilities as deferred inflows of resources in the government-wide statement of net position and the proprietary funds statement of net position.

Fund Balance

The City classifies its fund balance into the following categories:

- Nonspendable fund balance includes items that cannot be spent. This includes activity that is not in spendable form such as inventories, prepaid amounts, long-term portions of loans and notes receivable and activities that are legally or contractually required to remain intact such as principal balance in a permanent fund.
- Restricted fund balance has constraints placed upon the use of the resources either by external creditors, grantors, contributors or imposed by law through a constitutional provision or enabling legislation.
- Committed fund balance can be used only for specific purposes pursuant to constraints imposed by the formal vote of Board of Estimates, the City's highest level decision making authority. Amounts in this category may

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

be redeployed for other purposes with the formal vote of the City's Board of Estimates. Committed amounts cannot be used for any other purpose unless the City removes or changes the specific use by taking the same type of action it used to previously commit the amounts.

- Assigned fund balance includes amounts that are constrained by the City to be used for specific purposes but are neither restricted nor committed for which the City has a stated intended use as established by the Board of Estimates. The Board of Estimates has delegated the authority to assign amounts for a specific purpose to the City's Director of Finance. These are resources where the constraints/restrictions are less binding than that for committed funds. For governmental funds, other than the general fund, this is the residual amount within the fund that is restricted or committed.
- Unassigned fund balance is the residual amount of the general fund not included in the four categories described above. The general fund is the only positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for the specific purpose exceed the amounts restricted, committed or assigned to those purposes, negative unassigned fund balance may be reported.

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

Nonspendable fund balance

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

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

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

Assigned fund balance

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

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

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

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

Unassigned fund balance

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

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

Interfund Transactions

The City has three types of transactions among funds:

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

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

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

D. NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD PRONOUNCEMENTS

In fiscal year 2016, the City adopted Governmental Accounting Standards Board Statement No. 72, “Fair Value Measurement and Application”, Statement No. 76, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments”, and Statement No. 79, “Certain External Investment Pools and Pool Participants”. 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. 73

In June 2015, the GASB issued Statement No. 73, “Accounting and Financial Reporting for Pensions and Related Assets that Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68”. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The City is required to adopt GASB No. 73 for its fiscal year 2017 financial statements.

GASB Statement No. 74

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

GASB Statement No. 75

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

GASB Statement No. 77

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

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

GASB Statement No. 78

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

GASB Statement No. 80

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

GASB Statement No. 81

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

GASB Statement No. 82

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

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

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

2. Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Capital assets	\$ 5,832,914
Less accumulated depreciation	(2,776,688)
Total	\$ 3,056,226
Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds:	
Other post employment benefit assets	27,392
Deferred loss on bond refunding	8,652
Deferred outflow related to differences between actual and expected experience (pension)	27,558
Deferred outflow for pension contribution subsequent to the measurement date	176,344
Deferred outflows for change in proportionate share (pension)	712
Deferred outflow related to differences between projected and actual investment earnings (pension)	55,223
Deferred outflow related to assumption change (pension)	28,378
Interest rate swaps	3,752
Total	\$ 328,011
Internal Service funds are used by management to charge the cost of fleet management, mailing, communications, printing 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	
	\$ 69,409
Unavailable revenue is not due and payable in the current period, and therefore, is not reported in the funds	
	\$ 61,365
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
Accrued interest payable	\$ (12,437)
Long-term bonds	(720,542)
Bond anticipations notes payable	(60,148)
Revenue bonds	(404,861)
Capital leases	(92,032)
Compensated absences	(145,840)
Estimated claims in progress	(251,435)
Landfill closure liability	(19,852)
Derivative instrument liability	(3,752)
Net pension liability	(1,579,048)
Other liabilities	(214)
Deferred inflow related to differences between actual and expected experience (pension)	(2,983)
Deferred inflow related to assumption change (pension)	(48,372)
Deferred inflow for change in proportionate share (pension)	(5,245)
Total	\$ (3,346,761)
Explanation of difference 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	\$ 108,845
Capital leases	16,461
Depreciation	(133,196)
Total	\$ (7,890)
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	\$ 3,357
Note receipts are not considered as available revenues in the governmental funds	394
Miscellaneous revenue from notes payable are not considered revenues in the governmental funds	(60,148)
Tax revenues not received for several months after the fiscal year end are not considered as available revenues in the governmental funds	2,678
Total	\$ (53,719)
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	\$ 40,671
Debt service interest (capital leases, GO bonds, and accrued interest)	2,191
Claims liability	(25,727)
Landfill closure liability	3,495
Compensated absences	(12,900)
Increase (decrease) in net OPEB obligation	38,866
Total	\$ 46,596
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	
	\$ 16,782
The net income of certain activities of internal service funds is reported with governmental activities:	
Internal service funds net expenses attributed to governmental activities	\$ 1,049

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, 2016 (amounts expressed in thousands):

	Pooled Cash and Investments	Other	Total
Carrying value of bank deposits	\$ 100,927	\$ 143,321	\$ 254,248
Investments	953,226	4,334,035	5,287,261
Total	<u>\$ 1,064,153</u>	<u>\$ 4,477,356</u>	<u>\$ 5,541,509</u>

	Government- wide Statement of Net Position	Fiduciary Funds Statement of Net Position Total	Total
Carrying value of bank deposits	\$ 615,680	\$ 143,534	\$ 759,214
Investments	214,727	4,334,088	4,548,815
Restricted cash and cash equivalents	233,480		233,480
Total	<u>\$ 1,063,887</u>	<u>\$ 4,477,622</u>	<u>\$ 5,541,509</u>

B. CASH DEPOSITS

At June 30, 2016, the carrying amount of the City's bank deposits was \$110,927,000 and the respective bank balances totaled \$125,497,000. 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, 2016, BCPSS and BHC had demand deposits with carrying values of \$20,800,000 and \$2,368,000, 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, certificates of deposits, 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 security transactions.

Investments are reported at fair value, except that investments with maturities of less than one year from purchase date are reported at cost, which approximates fair value. Securities traded on national or international exchanges are valued at the last reported sales price at the current exchange rates. Real estate holdings are valued based on current appraisals. Leveling disclosures for the investments are included in separately issued statements.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

This primary government's investments at June 30, 2016, are presented below. All investments are presented by investment type, and debt securities are presented by maturity (amounts expressed in thousands):

Investment Type	Fair Market Value	Investment Maturities (In Months)		
		Less Than 6	6 to 12	Greater Than 12
Debt Securities:				
U.S Treasury	\$ 12,203			\$ 12,203
U.S Agencies	200,406	\$ 124,664	\$ 20,775	54,967
Repurchase agreements	151,000	151,000		
Certificate of deposit	2,000			2,000
Money market mutual funds	580,954	580,954		
Commercial paper	1,835	1,835		
	948,398	\$ 858,453	\$ 20,775	\$ 69,170
Other investment:				
Equity mutual funds	4,828			
	953,226			
Less: cash equivalents	738,499			
Total investments	\$ 214,727			

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

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

The Maryland Local Government Investment Pool is not registered with the 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.

As discussed above 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, 2016 were rated by a nationally recognized statistical rating agency and are presented below using the Standard and Poor's rating scale (amounts expressed in thousands):

Investment Type	Fair Value	Quality Ratings	
		Aaa-AA+	A1-P1
Debt Securities:			
U.S Agencies	\$ 200,406	\$ 200,406	
Money market mutual funds	580,954	580,954	
Commercial paper	1,835		1,835
Total investments	\$ 783,195	\$ 781,360	\$ 1,835

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

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

Retirement Systems

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

The invested assets of the retirement systems at June 30, 2016 are as follows (amounts expressed in thousands):

Investment Type	Carrying Value			Total
	Employees’ Retirement System	Elected Officials’ Retirement System	Fire and Police Employees’ Retirement System	
Debt Securities:				
U.S. Treasury notes and bonds	\$ 28,849		\$ 78,850	\$ 104,699
U.S. Government agency bonds	62,681		60,946	123,627
Corporate bonds	130,816	\$ 5,491	310,952	447,259
Commingled fixed income fund	179,749			179,749
Barclay aggregate index fund			70,710	70,710
Mutual funds	51,338	2,328	60,494	114,160
MBS trust fund			17,243	17,243
Emerging markets debt fund			74,296	74,296
Total debt securities	450,433	7,819	673,491	1,131,743
Other:				
Domestic equities	529,546	10,175	503,350	1,043,071
International equities	229,691	4,761	412,275	646,727
Hedge funds	73,449		228,608	302,057
Private equity funds	100,907		165,426	266,333
Energy master limited partnerships			159,537	159,537
Real estate	166,805		234,661	401,466
Total other	1,100,398	14,936	1,703,857	2,819,191
Total investments	1,550,831	22,755	2,377,348	3,950,934
Less: Cash and cash equivalents	51,338	2,328	60,494	114,160
Total net investments	\$ 1,499,493	\$ 20,427	\$ 2,316,854	\$ 3,836,774

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

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

The Employees’ Retirement System Board of Trustees has not adopted a formal policy to limit foreign currency risk. The foreign currency risk for each system at June 30, 2016 is presented on the following table (amounts expressed in thousands):

Currency	Employees’ Retirement System	Fire and Police Employees’ Retirement System	Total
Euro Currency Unit	\$ 42,405	\$ 89,211	\$ 131,616
British Pound Sterling	27,847	67,160	95,007
Japanese Yen	26,779	47,124	73,903
South Korean Won	593	17,416	18,009
Hong Kong Dollar	9,288	16,146	25,434
Swiss Franc.	9,398	30,026	39,424
South African Comm Rand	3,460	2,668	6,128
New Zealand Dollar	9,848	199	10,047
Brazil Real	417	612	1,029
Canadian Dollar	8,840	8,069	16,909
Australian Dollar	14,639	6,182	20,821
New Taiwan Dollar.		1,752	1,752
Swedish Krona	8,621	3,585	12,206
Singapore Dollar	12,149	1,373	13,522
Indonesian Rupiah	796	663	1,459
Danish Krone	4,287	4,330	8,617
UAE Dirham		399	399
Mexican Peso	2,814	490	3,304
Malaysian Ringgit	163		163
Norwegian Krone	1,900	474	2,374
Philippines Peso	1,960		1,960
Polish Zloty	295		295
Turkish Lira	205	502	707
Total Foreign Currency	\$ 186,704	\$ 298,381	\$ 485,085

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

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 Barclay Capital Aggregate benchmark.

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

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

The credit rating and duration of investments at June 30, 2016, are as follows (amounts expressed in thousands):

Asset Type	Duration	Carrying Value	AAA thru A	BBB thru B	CCC thru C	DDD thru D	Not Rated
<i>Employee’s Retirement System:</i>							
U.S. Treasury notes and bonds	10.41	\$ 17,219	\$ 17,219				
U.S. Government agency bonds	4.36	92,405	59,656	\$ 2,669	\$ 484	\$ 287	\$ 29,309
Corporate bonds	5.37	109,722	50,360	50,260	5,049	1,000	3,053
Mutual funds	N/A	51,338					51,338
Commingled fixed income fund	N/A	179,749					179,749
Total debt securities		450,433	127,235	52,929	5,533	1,287	263,449
<i>Elected Officials’ Retirement System:</i>							
Corporate bonds	N/A	5,491					5,491
Mutual funds	N/A	2,328					2,328
Total debt securities		7,819					7,819
<i>Fire and Police Employees’ Retirement System:</i>							
U.S. Treasury notes and bonds	6.93	78,850	78,850				
U.S. Government agency bonds	2.71	60,946	60,946				
Barclay aggregate index	5.46	70,710	70,710				
NHIT agency mbs trust	2.16	17,243	17,243				
Corporate bonds	5.07	310,952	109,781	185,150	10,148	345	5,528
Mutual funds	N/A	60,494					60,494
Emerging markets debt fund	5.39	74,296		74,296			
Total debt securities		\$ 673,491	\$ 337,530	\$ 259,446	\$ 10,148	\$ 345	\$ 66,022

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

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

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

At June 30, 2016, 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, 2016, was \$232,793,000, and the market value of the collateral received for those securities on loan was \$240,036,000 which included collateral received in cash in the amount of \$84,267,000. The Retirement Systems did not impose any restrictions during the fiscal year on the amount of loans the custodian made on its behalf. The terms of the Securities Lending Authorization Agreement require that the custodian indemnify the retirement systems against: (1) the failure to demand adequate and appropriate collateral from a borrower as and when required pursuant hereto; (2) the failure to comply with the investment guidelines in connection with the investment and reinvestment of cash collateral; (3) the failure to obtain and perfect a security interest or rights equivalent thereto in and to the collateral; or (4) the failure to make a reasoned determination of the creditworthiness of any borrower. There were no such failures by any borrowers during the fiscal year. Moreover, there were no losses during the fiscal year resulting from default of the borrowers or the custodian.

Substantially all securities loans can be terminated on demand either by the custodian or by the borrower, although generally the average term of these loans is one week. Cash collateral is invested in the custodian's short-term 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. All the investments are valued based upon readily available information on active markets and are considered level 1 per GASB 72.

The investment assets of the OPEB Trust Fund at June 30, 2016, 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	\$ 29,161	\$ 29,161	
U.S. Treasury obligations	9,005		\$ 9,005
U.S. Government agencies	15,646		15,646
Corporate bonds	128,774		128,774
Subtotal	182,586	\$ 29,161	\$ 153,425
Real estate	18,979		
Stocks	240,589		
Total investments	442,154		
Less: cash and cash equivalents	29,161		
Total net investments	\$ 412,993		

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

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

Baltimore City Public School System

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

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

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, 2016, are presented below. All investments are presented by investment type (expressed in thousands).

Investment Type	Fair Market Value	Investments Maturities (In Months)			Max. allowed per Investment Policy
		Less Than 4	4 to 12	Percent	
Money market funds	\$ 107,660	\$ 107,660		34.8%	100.0%
Commercial paper	10,478	3,998	\$ 6,480	3.4%	5.0
Fixed income	680	680		0.2%	100.0
Equity funds	540	540		0.2%	100.0
U.S. Government agencies	171,936	115,573	56,363	55.7%	100.0
U.S. Treasury obligations	17,510	10,003	7,507	5.7%	100.0
Total invested funds	308,804	\$ 238,454	\$ 70,350	100.0%	
Less: Cash and cash equivalents	238,454				
Total net investments	\$ 70,350				

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	32.7%	\$ 100,999	AAA	32.6%	\$ 100,999
A GY	55.7	171,936	AA+	14.0	43,124
P-1	2.1	6,479	A GY	41.7	128,813
TSY	5.7	17,510	A-1+	3.4	10,477
Not rated	3.8	11,880	TSY	5.7	17,510
	<u>100.0%</u>	<u>\$ 308,804</u>	Not rated	2.6	7,881
				<u>100.0%</u>	<u>\$ 308,804</u>

Risk Classifications

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

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

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

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

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

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.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

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 \$34,355,000 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) are as follows (expressed in thousands):

Receivables	General Fund	Grants Revenue Fund	Capital Projects Fund	Enterprise Funds	Nonmajor and Other Funds	Total
Property taxes	\$ 9,969					\$ 9,969
Service billings				\$ 122,490	\$ 3,538	126,028
Due from other government	72,330	\$ 55,312	\$ 12,190	80,904	4,323	225,059
Notes and mortgages receivables	291,736			44,554		336,290
Other	25,394		208	693	2,324	28,619
Restricted accounts receivables				120,989		120,989
Total	\$ 399,429	\$ 55,312	\$ 12,398	\$ 369,630	\$ 10,185	\$ 846,954

Service billings are reported net of an allowance for doubtful accounts of \$41,812,000. Bad debt expense for fiscal year 2016 was \$11,422,000.

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

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

5. Capital Assets

Capital assets activity for the year ended June 30, 2016, is as follows (expressed in thousands):

Governmental Activities Capital Assets:

Class	Balance June 30, 2015	Additions	Deductions	Balance June 30, 2016
Capital assets, not being depreciated:				
Land	\$ 248,215			\$ 248,215
Other	118,952	\$ 3,021	\$ 2,292	119,681
Construction in progress	327,693	105,651	214,036	219,308
Total capital assets, not being depreciated	694,860	108,672	216,328	587,204
Capital assets, being depreciated				
Building and improvements	2,060,908	34,597		2,095,505
Equipment	483,709	29,510	42,461	470,758
Infrastructure	2,624,118	176,074		2,800,192
Library books	63,495	2,993		66,488
Total capital assets, being depreciated	5,232,230	243,174	42,461	5,432,943
Less: accumulated depreciation for:				
Building and improvements	1,153,383	55,940		1,209,323
Equipment	384,123	25,786	32,691	377,218
Infrastructure	1,168,235	65,839		1,234,074
Library books	44,021	4,594		48,615
Total accumulated depreciation	2,749,762	152,159	32,691	2,869,230
Total capital assets, being depreciated, net	2,482,468	91,015	9,770	2,563,713
Governmental activities capital assets, net	\$ 3,177,328	\$ 199,687	\$ 226,098	\$ 3,150,917

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

Business-type Activities Capital Assets:

Class	Balance June 30, 2015	Additions	Deductions	Balance June 30, 2016
Capital assets, not being depreciated:				
Land	\$ 36,920			\$ 36,920
Construction in progress	1,080,728	\$ 583,834	\$ 379,997	1,284,565
Total capital assets, not being depreciated	1,117,648	583,834	379,997	1,321,485
Capital assets, being depreciated:				
Building and improvements	3,091,546	62,285	81	3,153,750
Equipment	213,586	4,113		217,699
Infrastructure	799,692	266,744	76	1,066,360
Total capital assets, being depreciated	4,104,824	333,142	157	4,437,809
Less: accumulated depreciation for:				
Building and improvements	997,250	57,657		1,054,907
Equipment	156,212	5,893		162,105
Infrastructure	169,348	15,393		184,741
Total accumulated depreciation	1,322,810	78,943		1,401,753
Total capital assets, being depreciated, net	2,782,014	254,199	157	3,036,056
Business-type activities capital assets, net	\$ 3,899,662	\$ 838,033	\$ 380,154	\$ 4,357,541

Depreciation expense was charged to functions/programs of the City for the fiscal year ended June 30, 2016 (amounts expressed in thousands):

Governmental activities:

General government	\$ 7,960
Public safety and regulation	8,168
Conservation of health	318
Social services	4
Education	30,111
Public library	5,326
Recreation and parks	8,172
Highways and streets	67,551
Sanitation and waste removal	2,096
Public service	2,575
Economic development	945
Internal service funds	18,933
Total	\$ 152,159

Business-type activities:

Water	\$ 27,210
Wastewater	43,287
Stormwater	4,705
Parking	2,791
Conduits	949
Total	\$ 78,942

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

At June 30, 2016, the outstanding commitments relating to projects of the City of Baltimore amount to approximately \$131,423,000 for governmental activities and \$746,033,000 for business-type activities. Interest is capitalized on business-type capital assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest cost incurred from the date of borrowing until completion of the project, with interest earned on invested proceeds over the period. Interest is also capitalized on proprietary fund capital assets acquired with tax-exempt debt. During fiscal year 2016, net interest cost of \$32,110,531 (net of interest income of \$2,741,917) was capitalized.

6. Interfund Balances and Activity

A. BALANCE DUE TO/FROM OTHER FUNDS

Balances due to/from other funds at June 30, 2016, were as follow (amounts expressed in thousands):

Fund	Interfund	
	Receivable	Payable
General	\$ 43,861	\$ 9,948
Grants revenue	6,930	39,697
Capital projects	6,650	
Nonmajor governmental	3,018	
Nonmajor proprietary		6,650
Internal service		3,752
Agency		412
Totals	\$ 60,459	\$ 60,459

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, 2016, certain transactions between funds had not been completed.

B. TRANSFERS TO/FROM OTHER FUNDS

Transfers to/from other funds at June 30, 2016, were as follow (amounts expressed in thousands):

Fund	General	Capital Projects	Nonmajor Governmental	Parking	Nonmajor Proprietary	Total Transfers To
General	\$ 63,335	\$ 4,312		\$ 94,392	\$ 750	\$ 162,788
Grants revenue	2,909			6,095		9,004
Capital projects	29,759		\$ 7,817			37,576
Nonmajor governmental	843					843
Nonmajor proprietary	500					500
Internal service	700					700
Totals transfers from	\$ 98,045	\$ 4,312	\$ 7,817	\$ 100,487	\$ 750	\$ 211,411

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

C. DEFICITS

The following funds had a deficit fund balance/net position at June 30, 2016, (amounts expressed in thousands):

Special Revenue Funds:	
Grants Revenue	\$ 36,799
Capital Projects Fund	3,885
Internal Service Funds:	
Municipal Telephone Exchange	3,478
Energy conservation	653

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

The deficit in the Grants Revenue Fund is primarily the result of timing differences related to non-exchange transactions. Revenues to cover this deficit are expected to be received in fiscal year 2017 and future years through expenditure reimbursements. Any amounts determined to be uncollectible have been partially funded through transfers from the General Fund and will continue in the next fiscal years.

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, 2016, are as follows (amounts expressed in thousands):

	June 30, 2015	New Debt Issued	Debt Retired	Adjustments	June 30, 2016	Due Within One Year
GOVERNMENTAL ACTIVITIES						
<i>General Obligation Bonds:</i>						
Highways	\$ 2,056		\$ 316	\$ (82)	\$ 1,658	\$ 347
Health	2,374		203		2,171	220
Public safety	3,806		747		3,059	781
Off-street parking	6,403		435		5,968	454
Recreation and parks	28,714		2,182		26,532	2,207
Public buildings and facilities	62,484		4,519		57,965	4,516
School	193,488		10,763		182,725	11,369
Urban renewal	248,512		18,149		230,363	17,742
Unallocated	5,924		720		5,204	643
Total general obligation bonds	553,761		38,034	(82)	515,645	38,279
<i>Bond Anticipation Notes</i>		\$ 60,148			60,148	
<i>Special Obligation Bonds</i>						
Special Obligation Bonds	147,218	14,735	15,963		145,990	1,349
<i>Long-term financing with the Federal Government:</i>						
Federal economic development loans	30,357		3,225		27,132	3,340
<i>Long-term financing with the State of Maryland</i>						
State economic development loans	202		202			
Grand Prix loan	460		230		230	230
Total long-term financing with the State of Maryland	662		432		230	230
Total Governmental Activities	\$ 731,998	\$ 74,883	\$ 57,654	\$ (82)	\$ 749,145	\$ 43,198
BUSINESS-TYPE ACTIVITIES						
<i>General Obligation Bonds:</i>						
Stormwater	\$ 3,018		\$ 268		\$ 2,750	\$ 311
<i>Bond Anticipation Notes:</i>						
Stormwater		\$ 852			852	
Total Business-Type Activities	\$ 3,018	\$ 852	\$ 268		\$ 3,602	\$ 311
COMPONENT UNIT – BALTIMORE CITY PUBLIC SCHOOL SYSTEM						
<i>Bonds:</i>						
Schools	\$ 127,011		\$ 8,312		\$ 118,699	\$ 9,979

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

Fixed Rate Bond Anticipation Notes

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

Variable Rate General Obligation Bonds

At June 30, 2016, the City had \$20,335,000 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 \$20,770,000 in favor of the City and Manufacturers and Traders Trust Company as Tender Agent. The agreement expires August 1, 2017, but can be extended for additional years. The existing Agreement permits the fiscal agent to draw certain amounts to pay the principal portion and related accrued interest on the bonds tendered for purchase and not remarketed. The interest rate on draws made under this agreement includes a base rate defined as the greater of prime rate plus 1.00%, federal funds rate plus 2.00% or 7.5%.

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

During fiscal year 2016, the City made no draws under the Agreement, and no amounts drawn against the Agreement were outstanding at June 30, 2016.

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

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

- *Special Obligation Bonds:* The City borrowed funds to provide funding for capital projects in the development district. In fiscal year 2016, the City issued \$14,735,000 of new bonds to finance infrastructure construction in several development areas. At June 30, 2016, principal owed for these bonds was \$145,990,000, and interest of \$157,353,000 at the interest rates ranging from 2.0% to 7.0% per annum will be due in future years.
- *Federal Economic Development Loan:* The City borrowed funds from the Federal government to provide for various development projects. At June 30, 2016, the principal owed to the Federal government was \$27,132,000, and interest of \$5,518,000 will be due thereon in future years. The loan bears interest at rates ranging from 6.0% to 10.9% and matures serially through 2026.
- *State Economic Development Loans:* The City borrowed \$24,685,000 from the State of Maryland to provide for various economic development projects under the Maryland Industrial Land Act and the Industrial Commercial Redevelopments Act. The remaining balance of \$202,000 was paid in fiscal year 2016.
- *State Grand Prix Loan:* The City borrowed \$1,380,000 from the State of Maryland, as an interest free loan, to be used to improve downtown City streets and sidewalks, traffic signals and signage and other transportation-related infrastructure necessitated by the Grand Prix races. At June 30, 2016, the loan balance amount owed to the State was \$230,000. Payments of 16.66% of the loan amount are due annually with the final payment due by June 30, 2017.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

Compensated Absences

Compensated absences at June 30, 2016, totaled \$145,840,000 for governmental activities and \$14,579,000 for business-type activities, of which \$42,612,000 and \$4,286,000, respectively were due within one year. For the Baltimore City Public School System, compensated absences and early retirement incentive plan amounts totaled \$48,337,000.

Changes in compensated absences during fiscal year 2016 are as follow (amounts expressed in thousands):

	Governmental Activities	Business-type Activities	Total
Balance, June 30, 2015	\$ 132,940	\$ 14,467	\$ 147,407
Leave earned	55,512	4,398	59,910
Leave used	(42,612)	(4,286)	(46,898)
Balance, June 30, 2016	\$ 145,840	\$ 14,579	\$ 160,419

B. DEBT SERVICE REQUIREMENTS

Debt service requirements on long-term debt at June 30, 2016, are as follow (amounts expressed in thousands):

Fiscal Year	Governmental Activities										
	General Obligation Bonds			Bond Anticipation Notes		Long-Term Financing with Federal Government		Special Obligation Bonds		Long-Term Financing with State of Maryland	
	Principal	Interest	Interest Rate Swap Net(a)	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 38,279	\$ 21,854	\$ 863		\$ 1,074	\$ 3,340	\$ 1,111	\$ 1,349	\$ 8,789	\$ 230	
2018	32,725	20,423	818		1,240	3,472	990	1,584	9,197		
2019	35,361	18,950	796	\$ 60,148	1,429	3,613	859	1,781	9,126		
2020	39,436	17,300	743			2,788	734	1,977	9,035		
2021	44,616	15,459	606			2,901	612	2,214	8,930		
2022-2026	187,653	49,535	530			11,018	1,212	17,522	42,316		
2027-2031	108,772	16,103						30,412	34,837		
2032-2036	28,803	1,540						38,821	24,251		
2037-2041								40,561	9,962		
2042-2046								9,769	910		
Totals	\$ 515,645	\$ 161,164	\$ 4,356	\$ 60,148	\$ 3,743	\$ 27,132	\$ 5,518	\$ 145,990	\$ 157,353	\$ 230	

(a) Interest Rate Swap Net payments represent estimated for additional interest resulting from swap agreements to counterparties for additional interest resulting from swap agreements. The additional payments were computed using rates as of June 30, 2016, assuming current interest rates remain the same for their term. As rates vary, variable rate bond interest payments and net swap payments will vary.

Fiscal Year	Business-type Activities			
	General Obligation Bonds		Bond Anticipation Notes	
	Principal	Interest	Principal	Interest
2017	\$ 311	\$ 128		\$ 13
2018	255	114		15
2019	304	105	\$ 852	18
2020	334	90		
2021	384	66		
2022-2026	1,107	92		
2027-2031	28	6		
2032-2036	27	3		
Totals	\$ 2,750	\$ 604	\$ 852	\$ 46

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

A summary of general obligation bonds outstanding and bond anticipation notes outstanding, and bonds authorized but unissued (amounts expressed in thousands) at June 30, 2016, are as follow:

Purpose	Due Dates	Outstanding		Authorized
		Interest Rates	Amount	But Unissued Amount
Fire, police, and public protection	2017 to 2035	1.0% to 6.0%	\$ 3,059	147
Off-street parking	2017 to 2026	1.0% to 5.5%	5,968	345
Parks and recreation	2017 to 2035	1.0% to 6.0%	34,626	20,973
Public buildings and facilities	2017 to 2035	1.0% to 5.9%	74,437	78,962
Schools	2017 to 2035	1.0% to 5.8%	197,810	73,255
Urban renewal and development	2017 to 2035	1.0% to 6.0%	250,860	95,066
Highways	2017 to 2026	1.0% to 5.5%	1,658	220
Finance				20,000
Health	2017 to 2032	1.0% to 6.0%	2,171	4,070
Stormwater	2017 to 2026	1.0% to 5.5%	3,602	
Unallocated	2017 to 2026	1.0% to 5.0%	5,204	
Totals			\$ 579,395	\$ 293,038

Baltimore City Public School System (BCPSS) Bonds

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

As BCPSS enters into capital project contracts with one or more contractors, funds are to be drawn from the Series 2009 Construction Bonds escrow account to fund capital expenditures. The interest rates on the bonds include a Tax Credit rate of 5.90% and an interest rate of 1.25%, and interest is payable quarterly on March 15, June 15, September 15, and December 15 of each year. Principal sinking fund payment started on December 15, 2014. As of June 30, 2016, the outstanding balance of the Series 2009 Construction Bonds is \$49,619,000.

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, 2016, the outstanding balance on the Series 2009 Refunding Bonds is \$9,685,000.

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

As BCPSS enters into capital project contracts with one or more contractors, funds are drawn from the Series 2011 Bonds escrow account to fund capital expenditures. The interest rates on the Bonds is 5.692% and interest is payable semi-annually on June 15 and December 15 of each year. As of June 30, 2016, the outstanding balance on the Series 2011 Bonds is \$59,395,000.

Future minimum bond payments are as follows at fiscal year ending June 30, 2016 (amounts expressed in thousands):

Fiscal Year	Principal	Interest	Total
2017	\$ 9,979	\$ 4,568	\$ 14,547
2018	11,735	4,332	16,067
2019	12,838	4,097	16,935
2020	12,723	4,097	16,820
2021	12,608	4,097	16,705
2022 – 2026	58,816	17,120	75,936
Totals	\$ 118,699	\$ 38,311	\$ 157,010

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

C. CAPITAL LEASES

Primary Government

The City has entered into various conditional purchase agreements to construct and purchase certain facilities and equipment to be used by municipal agencies. These conditional purchase agreements do not constitute a pledge of the full faith and credit or taxing power of the City and are subject to termination if sufficient funds are not appropriated by the City Council. Since termination of these agreements is not foreseen, the agreements have been capitalized. During fiscal year 2016, the City's capital lease obligations for governmental activities decreased by \$1,109,000 (which is net of new leases in the amount of \$35,108,000 and lease principal payments in the amount of \$36,216,000) from the fiscal year 2015 total of \$161,477,000. During fiscal year 2016 the City's capital lease obligations for business-type activities decreased by \$413,000 (which is the amount of lease principal payments) from the fiscal year 2015 total of \$1,840,000. Future minimum lease payments at June 30, 2016, are as follow (amounts expressed in thousands):

Fiscal Year	Governmental Activities			Total
	Governmental Funds	Internal Service Funds	Business-type Activities	
2017	\$ 28,463	\$ 12,331	\$ 382	\$ 41,176
2018	19,366	12,331	294	31,991
2019	15,128	12,331	207	27,666
2020	12,388	10,021	120	22,529
2021	8,388	8,341	123	16,852
2022-2026	17,143	19,043	465	36,651
2027-2031	781			781
Total minimum lease payments	101,657	74,398	1,591	177,646
Less: interest	(9,625)	(6,062)	(164)	(15,851)
Present value minimum lease payments	\$ 92,032	\$ 68,336	\$ 1,427	\$ 161,795

The following is a schedule of leased property under capital leases by major class at June 30, 2016 (amount expressed in thousands):

Classes of Property	Governmental Activities	Business-type Activities		Total
		Enterprise Fund	Internal Service Fund	
Buildings	\$ 173,756			\$ 173,756
Equipment	290,604	\$ 3,187	\$ 89,974	383,765
Total	\$ 464,360	\$ 3,187	\$ 89,974	\$ 557,521

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

Baltimore City Public School System (BCPSS)

In October 1999 BCPSS has entered into a \$12,370,000 fifteen year capital lease (the 1999 Lease Agreement) with First Municipal Credit Corporation (FMCC) for the purchase and repair of certain boilers at various school locations. Under the terms of the 1999 Lease Agreement, funds were to be deposited into an "Acquisition Account." As the BCPSS entered into purchase agreements with one or more vendors related to the purchase and repair of certain boilers, monies were to be drawn from an "Acquisition Account" to fund actual purchases. This lease was paid in full in fiscal year 2016.

In November 2011, BCPSS entered into leases with two financial institutions to refinance the 2006 Energy Lease. The 2011 Refunding Lease-1st Niagara in the amount of \$22,341,000 (at an interest rate of 2.755% for 11 years) and the 2011 Refunding Lease-M&T in the amount of \$24,217,000 (at an interest rate of 2.582% for 11 years) refunded \$46,500,000 in 2006 leases. BCPSS had no gains or losses as a result of these refinancing's. As of June 30, 2016, the outstanding balances on the 1st Niagara and M&T Refunding Leases were \$8,504,000 and \$14,436,000, 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, 2016, the outstanding balance on the 2014 Master Lease was \$2,520,000.

CITY OF BALTIMORE
Notes to Basic Financial Statements
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Future minimum lease payments as of June 30, 2016, are as follow (expressed in thousands):

Fiscal Year	Capital Leases Principal
2017	\$ 6,937
2018	5,392
2019	4,447
2020	3,798
2021	3,694
2022-2026	2,878
Total minimum lease payments	27,146
Less: deferred interest	(1,686)
Present value of minimum lease payments	\$ 25,460

The following is a schedule of leased property under BCPSS capital leases by major class at June 30, 2016 (amounts expressed in thousands):

Classes of Property	
Buildings	\$ 72,650
Equipment	3,926
Total	\$ 76,576

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 \$135,873,000 at June 30, 2016, and revenues of the Water and Wastewater Funds are pledged as collateral for the bonds. Bonds outstanding as of June 30, 2016 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	\$ 18,000	\$ 10,500	
Term bonds series 1994-A with interest at 5.00%, payable semiannually, due July 1, 2022		7,115	
Term bonds series 1994-A with interest at 5.00%, payable semiannually, due July 1, 2024	10,280		
Serial bonds series 1996-B maturing in annual installments from \$208,000 through February 1, 2017, with interest at 3.17%, payable semiannually		208	
Serial bonds series 1998-A maturing in annual installments from \$213,000 to \$403,000 through February 1, 2019, with interest at 2.87%, payable semiannually		1,008	
Serial bonds series 1999-A maturing in annual installments from \$149,000 to \$161,000 through February 1, 2019, with interest rate at 2.52%, payable semiannually		476	
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		2,539	
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		4,457	
Serial bonds series 2002-A maturing in annual installments from \$1,280,000 through July 1, 2016, with variable interest through July 1, 2016 and a fixed rate of 4.85% to 5.00% thereafter payable semiannually		1,280	
Term bonds series 2002-A with interest at 5.125%, payable semiannually, due July 1, 2042	1,685		
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 installment from \$38,626 to \$73095 through February 1, 2031 with interest rate at 0.40%, payable semiannually	1,036		
Serial bonds series, 2003-B maturing in annual installments from \$287,000 to \$328,000 through February 1, 2023, with interest rate at 0.40%, payable semiannually		2,237	
Serial bonds series, 2004-A maturing in annual installments from \$187,960 to \$218,042 through February 1, 2032, with interest rate at 0.40%, payable semiannually	3,369		
Serial bonds series 2004A maturing in annual installments from \$340,000 to \$369,000 through February 1, 2022, with interest at 0.40%, payable semiannually			\$ 2,172
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		5,369	

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	Water Utility Fund	Wastewater Utility Fund	Stormwater Utility Fund
Serial bonds series, 2004-C maturing in annual installments from \$879,000 to \$907,000 through February 1, 2024, with interest rate at 0.25%, payable semiannually		7,159	
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		7,727	
Serial bonds series, 2006-A maturing in annual installments from \$675,000 through July 1, 2016, with interest rates of 4.00% to 4.50%, payable semiannually	675		
Term bond series 2006-A with interest at 4.625%, payable semiannually, due July 1, 2036	3,175		
Serial bonds series, 2006-A maturing in annual installments from \$495,000 to \$1,548,000 through February 1, 2025, with interest rate at 0.40%, payable semiannually		12,710	
Serial bonds series, 2006-B maturing in annual installments from \$185,000 to \$362,000 through February 1, 2026, with interest rate at 0.40%, payable semiannually		3,380	
Serial bonds series, 2006-C maturing in annual installments from \$1,305,000 through July 1, 2016, with interest rates of 4.00% to 5.00%, payable semiannually		1,305	
Serial bonds series, 2007-A maturing in annual installments from \$64,000 to \$80,000 through February 1, 2037, with interest rate at 0.40%, payable semiannually	1,374		
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		20,970	
Serial bonds series, 2007-B maturing in annual installments from \$154,000 to \$161,000 through February 1, 2027, with interest rate at 0.40%, payable semiannually		1,739	
Serial bonds series, 2007-B maturing in annual installments from \$30,000 to \$3,860,000 through July 1, 2027, with interest rates of 3.60% to 4.50%, payable semiannually	19,610		
Term bond series 2007-B with interest at 4.50%, payable semiannually, due July 1, 2032	22,995		
Term bond series 2007-B with interest at 4.50%, payable semiannually, due July 1, 2035	7,910		
Serial bonds series, 2007-C maturing in annual installments from \$35,000 to \$3,935,000 through July 1, 2027, with interest rates of 3.60% to 4.50%, payable semiannually		10,765	
Term bond series 2007-C with interest at 4.50%, payable semiannually, due July 1, 2032		29,795	
Term bond series 2007-C with interest at 4.50%, payable semiannually, due July 1, 2036		19,255	
Serial bonds series, 2007-C maturing in annual installments from \$930,000 to \$965,000 through July 1, 2017, with interest rates of 3.75% to 5.00%, payable semiannually	1,895		
Serial bonds series, 2007-D maturing in annual installments from \$2,530,000 to \$2,660,000 through July 1, 2017, with interest rates of 5.00%, payable semiannually		5,190	
Term bond series 2007-D with interest at 5.00%, payable semiannually, due July 1, 2037		20,160	
Serial bonds series, 2008-A maturing in annual installments from \$475,000 to \$1,005,000 through July 1, 2028, with interest rates of 2.00% to 4.50%, payable semiannually	8,655		
Term bond series 2008-A with interest at 4.625%, payable semiannually, due July 1, 2033	5,740		
Term bond series 2008-A with interest at 4.73%, payable semiannually, due July 1, 2038	1,115		
Term bond series 2008-A with interest at 5.00%, payable semiannually, due July 1, 2038	6,150		
Serial bonds series, 2008-A maturing in annual installments from \$210,000 to \$2,115,000 through July 1, 2028, with interest rates of 2.00% to 5.00%, payable semiannually		13,380	
Term bond series 2008-A with interest at 5.00%, payable semiannually, due July 1, 2033		7,675	
Term bond series 2008-A with interest at 5.00%, payable semiannually, due July 1, 2038		15,575	
Serial bonds series 2009 maturing in annual installments from \$80,342 to \$124,415 through June 15, 2024, with interest at 4.00% to 5.00%, payable semiannually			756
Serial bonds series, 2009-A maturing in annual installments from \$475,000 to \$1,005,000 through July 1, 2021, with interest rates of 2.00% to 4.50%, payable semiannually	3,540		
Term bond series 2009-A with interest at 5.125%, payable semiannually, due July 1, 2029	1,560		
Term bond series 2009-A with interest at 5.375%, payable semiannually, due July 1, 2034	2,955		
Serial bonds series, 2009-A maturing in annual installments of \$426,167 through February 1, 2029, with an interest rate at 0.00%		5,540	
Serial bonds series, 2009-B maturing in annual installments of \$95,391 through February 1, 2030, with an interest rate at 0.00%		1,193	
Serial bonds series, 2009-B maturing in annual installments of \$586,172 from February 1, 2017 through February 1, 2043, with an interest rate at 0.00%	15,827		
Serial bonds series, 2009-C maturing in annual installments from \$625,000 to \$775,000 through July 1, 2022, with interest rates of 2.00% to 4.50%, payable semiannually		5,040	
Term bond series 2009-C with interest at 5.00%, payable semiannually, due July 1, 2029		3,215	
Term bond series 2009-C with interest at 5.125%, payable semiannually, due July 1, 2034		6,545	
Term bond series 2009-C with interest at 5.625%, payable semiannually, due July 1, 2039		8,490	
Serial bonds series, 2009-E maturing in annual installments of \$157,842 through February 1, 2032, with an interest rate at 0.00%		2,525	
Serial bonds series, 2011-A maturing in annual installments of \$1,100,000 to \$2,000,000 through February 1, 2031, with interest rates from 3.00% to 5.00%	23,350		
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%		45,015	

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Notes to Basic Financial Statements
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	Water Utility Fund	Wastewater Utility Fund	Stormwater Utility Fund
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, 2036		22,870	
Term bond series 2011-A with interest at 5.00%, payable semiannually, due July 1, 2041	14,345	29,185	
Serial bonds series, 2011-B maturing in annual installments of \$130,193 to \$172,023 through February 1, 2043, with interest rates of 1.00%	4,093		
Serial bonds series, 2011-B maturing in annual installments of \$168,332 to \$203,363 through February 1, 2033, with interest rates of 1.00%		3,196	
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			2,443
Serial bonds series, 2013-A maturing in annual installments of \$1,558,483 to \$1,798,836 through February 1, 2034, with interest rate at 0.80%, payable semiannually		30,285	
Serial bonds series, 2013-A maturing in annual installments of \$1,185,000 to \$4,980,000 through July 1, 2033, with interest rates from 3.00% to 5.00%, payable semiannually	61,095		
Term bond series 2013-A with interest at 5.00%, payable semiannually, due July 1, 2038	28,880		
Term bond series 2013-A with interest at 5.00%, payable semiannually, due July 1, 2043	36,860		
Serial bonds series, 2013-B maturing in annual installments of \$85,000 to \$6,690,000 through July 1, 2033, with interest rates from 2.00% to 5.00%, payable semiannually	89,990		
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, 204	36,900		
Serial bonds series, 2013-C maturing in annual installments of \$1,205,000 to \$2,540,000 through July 1, 2032, with interest rates from 3.00% to 5.00%, payable semiannually	30,625		
Serial bonds series, 2013-C maturing in annual installments of \$1,160,000 to \$4,725,000 through July 1, 2033, with interest rates from 3.00% to 5.00%, payable semiannually		58,130	
Term bond series 2013-B with interest at 5.00%, payable semiannually, due July 1, 2038		27,420	
Term bond series 2013-B with interest at 5.00%, payable semiannually, due July 1, 204		35,000	
Serial bonds series, 2013-D maturing in annual installments of \$2,100,000 to \$3,225,000 through July 1, 2033 with interest rates from 3.00% to 5.00%, payable semiannually		69,025	
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, 204		15,845	
Serial bonds series, 2013-E maturing in annual installments of \$20,000 to \$3,300,000 through July 1, 2026, with interest rates from 3.00% to 5.00%, payable semiannually		24,900	
Serial bonds series, 2014-A maturing in annual installments of \$2,040,192 to \$2,464,774 through February 1, 2035 with interest rates at 1.00% payable semiannually		42,883	
Serial bonds series, 2014-A maturing in annual installments of \$950,000 to \$3,785,000 through July 1, 2034 with interest rates from 2.00% to 5.00%, payable semiannually	48,255		
Term bond series 2014-A with interest at 5.00%, payable semiannually, due July 1, 2037	12,535		
Term bond series 2014-A with interest at 5.00%, payable semiannually, due July 1, 2039	9,430		
Term bond series 2014-A with interest at 5.00%, payable semiannually, due July 1, 2044	28,040		
Serial bonds series, 2014-B maturing in annual installments of \$960,000 to \$2,135,000 through July 1, 2034, with interest rates of 5.00% payable semiannually	32,135		
Term bond series 2014-B with interest at 5.00%, payable semiannually, due July 1, 2037	7,065		
Serial bonds series, 2014-C maturing in annual installments of \$675,000 to \$3,905,000 through July 1, 2034 with interest rates from 3.00% to 5.00%, payable semiannually	29,785		
Term bond series 2014-C with interest at 5.00%, payable semiannually, due July 1, 2039	6,225		
Serial bonds series, 2014-D maturing in annual installments of \$1,125,000 to \$5,650,000 through July 1, 2034 with interest rates from 2.00% to 5.00%, payable semiannually		42,710	
Term bond series 2014-C with interest at 5.00%, payable semiannually, due July 1, 2039		19,445	
Term bond series 2014-C with interest at 5.00%, payable semiannually, due July 1, 2044		24,815	
Serial bonds series, 2014-D maturing in annual installments of \$1,125,000 to \$5,650,000 through July 1, 2034 with interest rates from 3.00% to 5.00%, payable semiannually		115,520	
Serial bonds series, 2014-E maturing in annual installments of \$165,000 to \$3,935,000 through July 1, 2032 with interest rates from 2.00% to 5.00%, payable semiannually		22,850	
Serial bonds series, 2015-A maturing in annual installments of \$954,000 to \$1,122,000 from February 1, 2017 through February 1, 2035, with interest rates of 0.90%, payable semiannually		19,696	
Serial bonds series, 2015-B maturing in annual installments of \$336,185 to \$3,920,216 from February 1, 2018 through February 1, 2037, with interest rates of 0.90%, payable semiannually		72,103	
Series bonds series, 2016-A maturing in annual installments of \$1,000 to \$903,935 through February 1, 2047 through with interest rates of 0.70%, payable semiannually		23,817	
Serial bonds series 2016 maturing in annual installments from \$908,658 to \$1,996,701,000 through April 1, 2031, with interest rates of 2.75% to 5.00%, payable semiannually			22,329
	697,174	1,004,067	27,700
Unamortized bond premiums	50,479	64,644	2,241
	\$ 747,653	\$ 1,068,711	\$ 29,941

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On June 15, 2016, the City entered into a Wastewater Loan agreement with the Maryland Water Quality Financing Administration Water Quality Revolving Loan in the amount of \$23,816,652. The rate of interest on the loan is set at 0.70%, maturing February 1, 2047.

At June 30, 2016, the Water Utility fund had \$20,800,000 of auction rate notes outstanding. Interest rates for these notes are determined every 7 days. In the event of a failed auction, the auction agent assesses the failed auction rate to the issuers of the notes. Interest paid under these conditions is currently limited to 150% of the non-financial commercial paper rate depending on the rating of each bond issue. The failed auction rate on these notes during the fiscal year was less than 1%.

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 \$29,203,000 at June 30, 2016, and revenues of the Parking Facilities Fund are pledged as collateral for the bonds. Bonds outstanding as of June 30, 2016, consist of (amounts expressed in thousands):

Term bond series 1997-A with interest at 6.00%, payable semiannually, due July 1, 2018	\$ 18,425
Term bond series 1998-A with interest at 5.25%, payable semiannually, due July 1, 2017	1,410
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	5,315
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	69,880
Term bond series 2010 with interest at 4.336%, payable semiannually, due July 1, 2017	2,835
Term bond series 2010 with interest at 5.225%, payable semiannually, due July 1, 2020	3,045
Term bond series 2005 with interest at 6.10%, payable semiannually, due July 1, 2025	4,275
Term bond series 2005 with interest at 7.00%, payable semiannually, due July 1, 2035	14,025
	\$ 133,980

The City had \$69,880,000 of Series 2008 refunding taxable variable rate demand revenue bonds outstanding as of June 30, 2016. The Series 2008 Bonds are subject to redemption prior to maturity at any time, at a redemption price of 100% of the principal amount plus interest accrued to the redemption date. The Series 2008 Bonds annual principal amounts starting on July 1, 2015 through July 1, 2032 range from \$1,320,000 to \$7,965,000.

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

In conjunction with the bonds, Bank of America, NA issued an irrevocable letter of credit with a current value in the amount of \$71,083,000 in favor of the City and Manufacturers and Traders Trust Company as Tender Agent. The agreement expires December 1, 2017, but can be extended for additional years. The existing Agreement permits the fiscal agent to draw certain amounts to pay the principal portion and related accrued interest on the bonds tendered for purchase and not remarketed. The interest rate on draws made under this agreement is a defined base rate plus up to an additional 2.00% depending on the terms of the draw. The City is required to pay the letter of credit fee throughout the effectiveness of the Agreement equal to 0.44% per annum of the average daily amount of the available commitment. During fiscal year 2016, the City made no draws under the letter of credit and no amounts drawn against the letter of credit were outstanding at June 30, 2016.

Industrial Development Revenue Bonds

On July 22, 2015, the City exercised its option to redeem the remaining \$45,000,000 variable rate demand revenue bonds Series 1986, which were due to mature on August 1, 2016. These bonds were issued through the Baltimore Industrial Development Authority of the Mayor and City Council (“IDA”). The purpose of these bonds is to finance various municipal capital projects. The bonds bear interest at a variable rate that is reset by the Remarketing Agent on a weekly basis.

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(Continued)

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

The letter of credit expired on November 30, 2015. The existing letter of credit permits the fiscal agent to draw amounts necessary to pay the principal portion and related accrued interest on bonds when tendered for purchase and not remarketed. Pursuant to the letter of credit agreement between the City, BL and the fiscal agent, the issuer is required to reimburse BL the amount drawn upon remarketing. The interest rate draws made from the letter of credit is at BL’s prime interest rate. The City is required to pay BL a fee throughout the period of effectiveness of the letter of credit equal to 0.35% per annum of the daily average unutilized amount and 0.2% per annum of the daily average utilized amount. During fiscal year 2016, 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, 2016.

Convention Center Refunding Revenue Bonds

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

Stormwater Special Revenue Bond

The City has issued a Stormwater Special Revenue Bond, Series 2004 with \$2,172,000 outstanding at June 30, 2016. 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 \$120,225,000 outstanding at June 30, 2016. 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, 2016, consist of (amounts expressed in thousands):

Serial bond series 2006 A and 2006 B, maturing in installments from \$1,680,000 to \$9,345,000 through September 2028, with interest rates ranging from 5.0% to 5.25% payable semiannually	\$ 73,700
Term bonds series 2006 A with interest at 4.60% due September 1, 2030.	20,935
Term bonds series 2006 A with interest at 5.00% due September 1, 2032.	24,080
Term bonds series 2006 A with interest at 5.25% due September 1, 2039.	118,315
Term bonds series 2006 B with interest at 5.00% due September 1, 2016.	2,555
Term bonds series 2006 B with interest at 5.875% due September 1, 2039.	50,885
Totals	\$ 290,470

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Changes in revenue bond obligations for the year end June 30, 2016, are as follow (amounts expressed in thousands):

	June 30, 2015	New Debt Issues	Debt Retired	June 30, 2016	Due within One Year
<i>Governmental Activities</i>					
Convention Center and Hotel	\$ 313,770		\$ 6,815	\$ 306,955	\$ 7,430
Transportation	78,124	\$ 30,936	21,791	87,269	10,018
Total governmental activities	\$ 391,894	\$ 30,936	\$ 28,606	\$ 394,224	\$ 17,448
<i>Business-Type Activities</i>					
Water	\$ 713,054		\$ 15,880	\$ 697,174	\$ 33,886
Wastewater	1,011,735	\$ 23,817	31,485	1,004,067	33,885
Stormwater	6,250	23,475	616	29,109	1,771
Parking Facilities	144,330		10,350	133,980	10,960
Industrial Development	45,000		45,000		
Total Business-Type Activities	\$ 1,920,369	\$ 47,292	\$ 103,331	\$ 1,864,330	\$ 80,502

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

Fiscal Year	Governmental Activities										
	Hotel Revenue Bonds		Convention Center		Transportation Revenue Bonds						
	Principal	Interest	Principal	Interest	Principal	Interest					
2017	\$ 3,605	\$ 15,272	\$ 3,825	\$ 729	\$ 11,425	\$ 5,012					
2018	4,050	15,074	4,015	533	11,780	4,073					
2019	4,540	14,843	4,220	327	12,325	3,604					
2020	5,055	14,586	4,425	110	12,900	3,113					
2021	5,600	14,301			10,630	2,600					
2022-2026	37,425	66,099			39,605	6,768					
2027-2031	56,885	53,708			21,560	1,502					
2032-2036	81,915	36,043									
2037-2041	91,395	10,355									
Totals	\$ 290,470	\$ 240,281	\$ 16,485	\$ 1,699	\$ 120,225	\$ 26,672					
Fiscal Year	Business-type Activities										
	Water Utility			Wastewater Utility			Stormwater Utility		Parking Facilities		
	Principal	Interest	Swap Interest Rate Net(a)	Principal	Interest	Swap Interest Rate Net(a)	Principal	Interest	Principal	Interest	Swap Interest Rate Net(a)
2017	\$ 17,298	\$ 31,530	\$ 818	\$ 33,886	\$ 37,697	\$ (2,932)	\$ 1,771	\$ 1,037	\$ 10,960	\$ 7,687	\$ 3,847
2018	17,881	30,779	822	37,450	36,762		1,806	1,002	11,490	7,063	3,769
2019	18,573	30,000	822	39,093	35,688		1,878	931	12,270	6,388	3,685
2020	19,331	29,160	822	39,737	34,534		1,951	876	4,410	5,912	3,588
2021	20,264	28,244	822	40,891	33,308		2,033	776	4,735	5,655	3,476
2022-2026	107,367	126,950	4,108	195,676	147,769		9,686	2,600	28,125	23,692	14,959
2027-2031	131,415	99,339	4,108	207,349	111,369		9,984	789	37,670	13,832	8,745
2032-2036	160,002	64,594	3,835	211,810	67,926				24,320	2,567	876
2037-2041	134,828	32,296	354	134,645	29,304						
2042-2046	70,215	5,211	(17)	62,626	4,603						
2047-2051				904	6						
Totals	\$ 697,174	\$ 478,103	\$ 16,494	\$ 1,004,067	\$ 538,966	\$ (2,932)	\$ 29,109	\$ 8,011	\$ 133,980	\$ 72,796	\$ 42,945

(a) Interest Rate Swap Net payments represent estimated payments for additional interest resulting from swap agreements to counterparties. The additional payments were computed using rate as of June 30, 2016, assuming current interest rates remain the same for their term. As rates vary, variable rate bond interest payments and net swap payments will vary.

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Notes to Basic Financial Statements
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9. Pledged Revenue

The Water, Wastewater and Stormwater Utility Funds

The Water, Wastewater and Stormwater Utility Funds have pledged future customer revenue to repay \$697,174,000, \$1,004,067,000, and \$29,109,000 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 64.9% of pledged revenues. Total principal and interest remaining to be paid on the revenue bonds for the Water, Wastewater and Stormwater Utility Funds are \$1,191,771,000, \$1,540,101,000, and \$37,120,000, respectively. Principal and interest paid for the current year and pledged revenue for the Water Utility Fund were \$49,313,000 and \$69,107,000, respectively. Principal and interest paid for the current year and pledged revenue for the Wastewater Utility Fund were \$70,874,000 and \$104,021,000, respectively. Principal and interest paid for the current year and pledged revenue for the Stormwater Utility Fund were \$756,000 and \$13,166,000, respectively.

The Parking Facility Fund

The Parking Facility Fund has pledged future revenue from parking fees and fines to repay \$133,980,000 of revenue bond debt. Proceeds from these revenue bonds were used to construct various garages throughout the City. The bonds are payable solely from the pledged revenue and are payable through 2035. Annual principal and interest payments are expected to require 23.1% of pledged revenue. Total principal and interest remaining to be paid on these revenue bonds is \$249,721,000. For the current year, principal and interest payments and current pledged revenue were \$18,567,000 and \$80,483,000, respectively.

Tax Increment Revenue Pledges

The City has pledged a portion of future property tax revenues to repay \$145,989,000 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 \$303,342,000. For the current year, principal and interest payments and current pledged revenue were \$7,008,000 and \$11,345,000, respectively.

Baltimore Hotel Corporation

The City has pledged a portion of its hotel occupancy tax as security for revenue bonds, the proceeds of which were used to build the City's Convention Center Headquarters Hotel. The City's hotel occupancy tax is one of several pledged revenue sources the City used to issue \$300,940,000 Convention Center Headquarters Hotel Bonds. Following the net operating income and the property tax increment for the Hotel, the site specific occupancy tax is pledged to pay principal and interest payments on the bonds. If these sources are insufficient, 15% (of the maximum annual debt service) of the citywide occupancy tax is also pledged. If a shortfall still remains, and following a Hilton Hotel guarantee of 10% of the Maximum Annual Debt Service, 10% (maximum annual debt service) is pledged. The Hotel opened August 22, 2008. Total principal and interest remaining to be paid on these bonds is \$530,751,000. For the current year, principal and interest payments were \$18,632,000.

Baltimore Convention Center

The City has pledged a portion of future revenue from Convention Center operations to repay \$16,485,000 of revenue bond debt. Proceeds from these revenue bonds were used to expand the Baltimore Convention Center. The bonds are payable solely from pledged revenue and are payable through 2019. Annual principal and interest payments on these revenue bonds are expected to require 100% of pledged revenue. Total principal and interest remaining to be paid on these revenue bonds is \$18,184,000. For the current year, principal and interest payments and current pledged revenue were \$4,549,000 and \$4,517,000, respectively.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

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, 2016, \$232,730,000 of debt outstanding is considered defeased.

11. Interest Rate Swaps

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

Terms, fair value and credit risk. The terms, fair values and credit rating of the outstanding swaps as of June 30, 2016, 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, 2016, the City had deferred liabilities for various hedged derivative instruments with the total fair values of these instruments in the amounts of (\$3,752,421) and (\$28,251,954), for governmental and business-type activities, respectively. The notional amounts for these hedged derivative instruments at June 30, 2016, were \$20,335,000 and \$92,965,000, for governmental and business-type activities, respectively. During fiscal year 2016, the fair values of these type activities increased \$287,864 and \$8,416,237 for governmental and business-type activities, respectively. All hedges are cash flow hedges. The following schedule provides a detailed analysis of derivative instruments held at June 30, 2016:

MAYOR AND CITY COUNCIL OF BALTIMORE SWAP PROFILE as of June 30, 2016							
Outstanding Bonds	Effective Date	Termination Date	Interest Rate Paid by City	Interest Rate Received	Notional Amount	Fair Value	Counterparty Credit Rating
Hedged Derivative Instruments – Governmental Activities							
General Obligation Bonds							
<i>Floating to Fixed Swaps</i>							
2003 Bonds	5/14/2003	10/15/2020	4.22%	1M LIBOR	\$ 3,180,000	\$ (149,034)	A-/A3
2003 Bonds	5/14/2003	10/15/2022	4.97%	1M LIBOR	17,155,000	(3,603,387)	A-/A3
Total Governmental Activities					20,335,000	(3,752,421)	
Hedged Derivative Instruments – Business-type Activities							
Water Utility Fund Revenue Bonds Series							
<i>Floating to Fixed Swaps</i>							
2002 Revenue Bonds	5/7/2002	7/1/2037	4.56%	67% LIBOR	20,800,000	(12,451,899)	A+/A3
2002 Revenue Bonds	5/7/2002	7/1/2016	4.61%	Bond Rate/CPI	1,685,000	(14,431)	A+/A3
Total Water Utility Fund					22,485,000	(12,466,330)	
Wastewater Utility Fund Revenue Bonds Series							
<i>Floating to Fixed Swaps</i>							
2002 Revenue Bonds	5/7/2002	7/1/2016	4.61%	Bond Rate/CPI	1,280,000	(10,963)	A+A3
Total Wastewater Utility Fund					1,280,000	(10,963)	
Parking Revenue Bonds Series							
<i>Floating to Fixed Swaps</i>							
2008 Bonds	6/19/2002	7/1/2032	6.10%	1M LIBOR	62,500,000	(14,916,762)	A+/Aa3
2008 Bonds	6/19/2002	7/1/2025	5.92%	1M LIBOR	6,700,000	(857,899)	A+/Aa3
Total Parking Facilities Fund					69,200,000	(15,774,661)	
Total Business-type Activities					\$ 92,965,000	\$ (28,251,954)	

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

Credit risk — As of June 30, 2016, 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, three swaps or approximately 21% of the notional amount of swaps outstanding, are held with one counterparty that is currently rated A+/A3. Of the remaining swaps, the City holds two swaps with a counterparty rated A-/A3, approximately 18% of the outstanding notional value, and two swaps with one counterparty rated A+/Aa3, approximately 61% of the outstanding notional value.

Basis risk — The City's variable rate bonds are of three types: remarketed variable rate demand bonds (VRDBs), auction rate bonds (ARBs), and CPI index bonds. For those swaps associated with the VRDBs and ARBs, the City receives a floating rate based on either the SIFMA Index or one-month LIBOR. For the SIFMA based swaps, the City is exposed to basis risk should the spread between the SIFMA and the VRDBs or ARBs rates change. If a change occurs that results in the spread widening, the expected cost savings may not be realized. For one of the swaps, the City will receive a percent of LIBOR; each rate was chosen to closely approximate the City's tax-exempt variable rate bond payments. Because these swaps are LIBOR-based, there is an additional degree of basis risk. For four of the swaps, the City receives the one month LIBOR, chosen to approximate the City's taxable variable rate bond payments. As of June 30, 2016, LIBOR for the prior 52 weeks ranged from 0.19% to 0.45%, whereas the City's taxable market ranged from 0.12% to 0.42%. For those swaps associated with CPI index bonds, there is no basis risk, because the floating rate on the swaps is identical to the floating rate on the bonds.

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

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

Investment Derivative Instruments

The fair value balance and notional amounts of derivative instruments outstanding are classified by type, and the changes in fair value of such derivative instruments for the year ended June 30, 2016 are as follows:

	Changes in Fair Value		Classification	Fair Value at June 30, 2016	
	Classification	Amount		Amount	Notional
Business-type Activities					
Water Utility Fund					
Floating to Floating	Investment Revenue	\$ 2,291,235	Debt	\$ (4,006,475)	\$ (71,455,000)
Industrial Development Authority					
Floating to Fixed	Investment Revenue	1,594,201	Debt	(540,327)	(100,000,000)
Total Business-type Activities		<u>\$ 3,885,436</u>		<u>\$ (4,546,802)</u>	<u>\$ (171,455,000)</u>

Credit Risk — At June 30, 2016, 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 credit rating at June 30, 2016, for each of the derivative instruments held by the Industrial Development Authority and the water utility fund, was A+/A3. The change in the fair value of investment swaps in the amount of a gain of \$3,885,436 is netted and reported within the investment revenue classification.

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Notes to Basic Financial Statements
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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. The table below summarizes the market value of foreign currency contracts as of June 30, 2016:

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	\$ 6,619,076	\$ 6,619,076	\$ 6,619,076	\$ 6,693,122	\$ (74,046)
Brazilian Real					
British Pound Sterling	3,698,570	3,698,570	3,596,268	3,574,498	21,770
Canadian Dollar	2,233,359	2,233,359	2,233,359	2,210,858	22,501
Chinese Yuan Renminbi					
Danish Krone					
Euro Currency Unit	1,671,254	1,671,254	1,666,470	1,663,702	2,768
Hong Kong Dollar					
Japanese Yen	237,598	237,598	237,808	237,699	109
Mexican New Peso	2,043,049	2,043,049	2,053,824	2,017,621	36,203
New Zealand Dollar	7,838,645	7,838,645	7,838,645	8,193,221	(354,576)
Norwegian Krone	1,493,752	1,493,752	1,493,752	1,463,601	30,151
Polish Zloty	58,145	58,145	58,145	58,156	(11)
Singapore Dollar	4,386,474	4,386,474	4,386,903	4,459,797	(72,894)
South Korean Won	81,301	81,301	81,277	81,288	(11)
Swedish Krona	1,482,542	1,482,542	1,482,571	1,426,098	56,473
Swiss Franc	22,143	22,143	22,288	22,143	145
U.S. Dollar	3,644,629	3,644,629	3,610,656	3,644,629	(33,973)
Total	\$ 35,510,537	\$ 35,510,537	\$ 35,381,042	\$ 35,746,433	\$ (365,391)

12. Pension Plans

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

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

For Employees’ Retirement System and Elected Officials’ Retirement System: www.bcers.org

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

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

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Notes to Basic Financial Statements
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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 Governmental Accounting Standards Boards, the F&P Plan is a component unit of the City of Baltimore and is included in the City's financial report as a pension trust fund.

At June 30, 2015, the measurement date, the F&P membership consisted of:

Retirees and beneficiaries currently receiving benefit	6,268
Active plan members	4,248
Total	<u>10,516</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

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Notes to Basic Financial Statements
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during the members DROP 2 participation period, plus interest at 5.50%.for grandfathered members and 3.0% for non-grandfathered participants.

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

Elected Officials' Retirement System

The EOS Plan covers the Mayor, the Comptroller, and the President and all members of the City Council. Based on criteria established by the Governmental Accounting Standards Board, the EOS Plan is a component unit of the City of Baltimore and is included in the City's financial report as a pension trust fund.

At June 30, 2015, the measurement date, the EOS Plan membership consisted of:

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

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

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

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

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

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

B. PLAN DESCRIPTIONS-MULTIPLE EMPLOYER PLANS

Employees Retirement System

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

At June 30, 2015, the measurement date, the ERS Plan membership consisted of:

Active plan members	8,673
Retirees and beneficiaries — currently receiving benefits	8,898
Inactive plan members eligible to receive but not receiving benefits	1,068
Total	18,639

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.

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

Class “A” has 17 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 8,656 members of the ERS membership and consists of all employees hired on or after July 1, 1979 who automatically become members on the first anniversary of employment, and all members hired prior to July 1, 1979 who elected to transfer from the Class “A” contributory class.

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

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

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

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

* Class C contributions increase from 2.0% to 3.0% for the fiscal year beginning July 1, 2015 through June 30, 2016.

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

Classes A and B — The sum of:

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

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

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

Maryland State Retirement and Pension System

Certain city employees are covered by the Maryland State Retirement and Pension System., primarily employees of the Sheriff’s Office. The State system is comprised of the Teachers’ Retirement and Pension Systems, Employees’ Retirement and Pension System (ERPS), State Police Retirement System, Judges’ Retirement System (JRS), and Law Enforcement Officers’ Pension System (LEOPS). The City employees currently participate in the Employees’

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Retirement and Pension System, Judges Retirement System and the Law Enforcement Officers' Pension System, with the majority participating in the LEOPS Plan. The State System was established by the State Personnel and Pension Article of the Annotated Code of Maryland to provide retirement allowances and other benefits to State employees, teachers, police, judges, legislators, and employees of participating governmental units. The State Plans are administered by the State Retirement Agency. Responsibility for the System's administration and operation is vested in a 15- member Board of Trustees.

Membership in the LEOPS is a condition of employment of the Baltimore City Sheriff's Department. LEOPS consists of two separate components a retirement plan (closed to new members January 1, 2005) and a pension plan. Members contribute either 5%, 6% or 7% of annual earnable compensation, depending on whether the member elected to receive limited or unlimited COLA's or whether the member is subject to pension or retirement plan provisions. The City's total required contributions during the year ended June 30, 2016 was \$3,036,000.

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

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

At June 30, 2016, the City reported a liability of \$29,837,000 for its proportionate share of the net pension liability of the State System. The net pension liability was measured as of June 30, 2015 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, 2015. The contributions were increased to adjust for differences between actuarial determined contributions and actual contributions by the State of Maryland. As of June 30, 2015 the City's proportionate share was 0.1435%.

C. NET PENSION LIABILITY (ASSET)

The measurement date for the City Plans and the State System is June 30, 2015. Measurements are based on the fair value of assets as of June 30, 2015. The following schedules are the net pension liability (NPL) or the net pension asset (NPA) and the sensitivity of the NPL or NPA to the discount rate.

The component of the net pension liability (asset) of the City Plans is as follows:

	(Dollars Expressed in Thousands)			
	Fire and Police Employees' Retirement System	Elected Officials' Retirement System	Employees' Retirement System (City of Baltimore Portion)	Employees' Retirement System (Baltimore City Public School Portion)
Total pension liability	\$ 3,510,767	\$ 13,681	\$ 1,919,295	\$ 333,707
Less: plan fiduciary net position	2,448,376	23,440	1,305,059	226,876
Net pension liability (asset)	\$ 1,062,391	\$ (9,759)	\$ 614,236	\$ 106,831
Plan fiduciary net position as a percentage of Total pension liability (asset)	69.7%	171.3%	68.0%	68.0%

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

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

(Dollars Expressed in Thousands)

	Fire and Police Employees' Retirement System	Elected Officials' Retirement System	Employees' Retirement System
Contributions made*	\$ 118,190	\$ 85	\$ 82,780
Actuarial assumptions:			
Investment rate of return:			
Pre-retirement	7.50%	7.25%	7.75%
Post retirement	7.50%	7.25%	6.55%
Projected salary increases	3.00%	2.5%	2.65%
Includes inflation rate at	3.00%	2.5%	2.65%
Cost-of-living adjustment	0-2%	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	Sex distinct 1994 Uninsured Pensioners Generational Mortality with adjustments and improvement using Scale AA
Last Experience Study Covered	July 1, 2012-June 30, 2015	July 1, 2010-June 30, 2014	July 1, 2010-June 30, 2014

* Fire and police contributions include a contribution from the State of \$830.

The component of the net pension liability of the State System is as follow:

(Dollars Expressed in Thousands)

	Maryland State Retirement and Pension System (LEOPS)	Maryland State Retirement and Pension System (ERPS)	Maryland State Retirement and Pension System (JRS)
Total pension liability	\$ 60,921	\$ 13,620	\$ 8,821
Less: plan fiduciary net position	37,343	9,025	7,157
Net pension liability (asset)	23,578	4,595	1,664
Plan fiduciary net position as a percentage of Total pension liability (asset)	61.3%	66.3%	81.1%

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*	\$ 3,036
Actuarial assumptions:	
Investment rate of return:	7.70%
Projected salary increases	3.45% to 10.70%, including inflation
Inflation rate	2.95% general, 3.45% wage
Mortality	RP-2014 Mortality Table with generational mortality projections using scale MP-2014, calibrated to MSRPS experience
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.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

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	5.8%/19.5%	5.5%/44%	5.3%/36.0%
International equities	7.8%/19.5%	6.0%/21%	6.2%/14.0%
Private equities	10.0%/5.0%		10.9%/10.0%
Fixed income	3.3%/19.0%	(0.1)%/35%	0.1%/26%
Real estate	8.0%/10.0%		5.8%/9.0%
Hedge funds	4.8%/10.0%		3.2%/5.0%
Energy MLP	7.3%/7.0%		
Private energy	10.0%/5.0%		
Risk parity	7.3%/5.0%		

The F&P Plan — The projection of the cash flows used to determine the discount rate assumed that plan member contributions and employer contributions will continue to be made at the rates specified in the City Code and the written contribution policy. Based on these assumptions, the Fire and Police Plan retirement contribution was projected to be available to make all projected future benefit payments for current members until the last payment for the current covered population is made as of the June 30, 2015 measurement date. The discount rate used to determine the total pension liability as of June 30, 2015 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, 2015 actuarial valuation. As of June 30, 2015 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, 2015, 7.25%, is the assumed long term expected rate of return on EOS investments.

The ERS Plan — The projection of the cash flows used to determine discount rate assumed that plan member contributions will continue to be made at the rates specified in the City Code. Expected member contributions for FYE 2015 were 2% of pay increasing to 3% of pay for FYE 2016 will continue to increase annually up to 5% of compensation thereafter. Employer contributions were assumed to be made in accordance with the contribution policy in effect for the July 1, 2015 actuarial valuation. Based on these assumptions, the ERS Plan's fiduciary net position was projected to be available to make all projected future benefit payments for current members until the last payment for the current covered population is made as of the June 30, 2015 measurement date. The discount rate at June 30, 2015 is 7.75% for active and terminated vested participants and 6.55% for in-pay participants. The assumed long term expected rate of return on ERS investments is 7.75%.

The major asset classes included in the State System's target asset allocation and returns are summarized in the following table:

	Maryland State Retirement and Pension System
Public equity	6.3%/35%
Credit opportunity	3.2%/10%
Private equities	7.2%/10%
Fixed income6%/10%
Real Estate	4.4%/10%
Real return	1.8%/14%
Absolute return	4.2%/10%
Cash	0%/1%

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, 2015, 7.55%, is the expected long term rate of return on State System investments.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

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

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

(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	\$ 1,464,790	\$ 1,062,391	\$ 727,855
Plan fiduciary net position as a percentage of total pension liability . .	62.6%	69.7%	77.1%

(Expressed in Thousands)

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Elected Officials' Retirement System			
Net pension (asset)	\$ (8,421)	\$ (9,759)	\$ (10,902)
Plan fiduciary net position as a percentage of total pension (asset) . . .	156.1%	171.3%	186.9%

(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 (City of Baltimore Portion)			
Net pension liability	\$ 825,808	\$ 614,236	\$ 434,907
Plan fiduciary net position as a percentage of total pension liability. . .	61.2%	68.0%	75.0%

(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	\$ 143,564	\$ 106,831	\$ 75,607
Plan fiduciary net position as a percentage of total pension liability. . .	61.2%	68.0%	75.0%

(Expressed in Thousands)

	1% Decrease 6.55%	Current Discount Rate 7.55%	1% Increase 8.55%
Maryland State Retirement and Pension System			
LEOPS	\$ 32,241	\$ 23,578	\$ 16,570
ERPS	6,274	4,595	3,193
JRS	2,617	1,664	859

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
Fire and Police Employees' Retirement System		
Pension contributions subsequent to measurement date	\$ 120,274	
Differences between actual and expected experience	21,748	
Assumption change	26,621	
Differences between actual and projected earnings	23,367	
Total	\$ 192,010	
Elected Officials' Retirement System		
Differences between actual and expected experience		\$ 379
Assumption change		2,349
Differences between actual and projected earnings	\$ 839	1,223
Total	\$ 839	\$ 3,951
Employees' Retirement System (Baltimore City Schools Portion)		
Pension contributions subsequent to measurement date	\$ 61,700	
Differences between actual and expected experience	7,333	
Change in the City's proportionate share		\$ 5,872
Assumption change		56,560
Differences between actual and projected earnings	\$ 35,379	
Total	\$ 104,412	\$ 62,432
Maryland State Retirement and Pension System		
Pension contributions subsequent to measurement date	\$ 15,401	
Differences between actual and expected experience	1,185	
Change in the City's proportionate share	5,872	
Assumption change		\$ 9,111
Differences between actual and projected earnings	\$ 6,150	
Total	\$ 28,608	\$ 9,111
Employees' Retirement System (City of Baltimore Portion)		
Pension contributions subsequent to measurement date	\$ 3,036	
Differences between actual and expected experience		\$ 2,604
Change in the City's proportionate share	279	
Assumption change	1,757	
Differences between actual and projected earnings	2,628	
Total	\$ 7,700	\$ 2,604

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:

(Expressed in Thousands)

Deferred outflows (inflows) for years ended June 30:	Fire and Police Employees' Retirement System	Elected Officials' Retirement System	Employees' Retirement System (City of Baltimore Portion)	Employees' Retirement System (Baltimore City Public Schools Portion)
2017	\$ 15,044	\$ (1,604)	\$ (8,850)	\$ 1,344
2018	14,998	(1,519)	(8,850)	1,344
2019	14,649	(198)	(10,866)	(129)
2020	27,045	209	8,846	1,536
	<u>\$ 71,736</u>	<u>\$ (3,112)</u>	<u>\$ (19,720)</u>	<u>\$ 4,095</u>

Deferred outflows (inflows) for years ended June 30:	Maryland State Retirement Pension System
2017	\$ 283
2018	283
2019	283
2020	1,018
2021	193
	<u>\$ 2,060</u>

In addition to the amounts disclosed above \$200,411,000 in deferred outflows of resources related to contribution subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

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

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

(Expressed in Thousands)

	Fire and Police Employees' Retirement System	Elected Officials' Retirement System	Employees' Retirement System (City of Baltimore Portion)	Employees' Retirement System (Baltimore City Public Schools Portion)
Service cost	\$ 66,199	\$ 410	\$ 22,241	\$ 3,867
Interest on total pension liability	256,065	1,219	130,019	22,603
Administrative expenses	4,281	33	3,193	558
Member contributions	(30,130)	(61)	(5,732)	(996)
Expected investment return net of investment expenses	(188,751)	(1,678)	(101,145)	(17,584)
Recognition of deferred inflows/outflows of resources:				
Recognition of change in proportionate share ..			(2,278)	2,278
Recognition of assumption changes	8,874	(1,260)	(815)	(142)
Recognition of liability gains and losses	7,365	(147)	3,409	593
Recognition of investment (gains) and losses ..	(1,240)	(198)	(8,989)	(1,562)
Pension expense (income)	<u>\$ 122,663</u>	<u>\$ (1,682)</u>	<u>\$ 39,903</u>	<u>\$ 9,615</u>

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, 2015 is as follows:

(Expressed in Thousands)

	Fire and Police Employees' Retirement System	Elected Officials' Retirement System	Employees' Retirement System (City of Baltimore Portion)	Employees' Retirement System (Baltimore City Public Schools Portion)
Total pension liability:				
Interest (includes interest on service cost)	\$ 256,066	\$ 1,219	\$ 130,019	\$ 22,603
Service cost	66,199	410	22,241	3,867
Changes in assumptions	35,494	(3,523)	(3,262)	(567)
Differences between expected and actual experience	28,065	(440)	1,748	304
Benefit payments, including refunds of member contributions	(223,359)	(765)	(114,385)	(19,886)
Net change in total pension liability	162,465	(3,099)	36,361	6,321
Total pension liability – beginning	3,348,302	16,780	1,882,934	327,386
Total pension liability – ending	<u>\$ 3,510,767</u>	<u>\$ 13,681</u>	<u>\$ 1,919,295</u>	<u>\$ 333,707</u>
Plan fiduciary net position:				
Net investment income	\$ 53,526	\$ 629	\$ 56,922	\$ 9,896
Contributions – employer	118,190	85	82,780	14,391
Contributions – member	30,130	61	5,732	996
Benefit payments, including refunds of member contributions	(223,359)	(765)	(114,385)	(19,886)
Administrative expense	(4,281)	(33)	(3,193)	(558)
Net change in plan fiduciary net position	(25,794)	(23)	27,856	4,839
Plan fiduciary net position – beginning	2,474,170	23,463	1,277,203	222,037
Plan fiduciary net position – ending	2,448,376	23,440	1,305,059	226,876
Net pension liability (asset) – ending	<u>\$ 1,062,391</u>	<u>\$ (9,759)</u>	<u>\$ 614,236</u>	<u>\$ 106,831</u>
Plan fiduciary net position as a percentage of the total pension liability	69.74%	171.33%	68.00%	67.99%
Covered employee payroll	\$ 320,407	\$ 1,298	\$ 347,656	\$ 60,439
Net pension liability (asset) as a percentage of covered employee payroll	331.57%	(751.83)%	176.68%	176.76%

F. COMPONENT ALLOCATION

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

	Enterprise Funds					Component Unit	
	Employees' Retirement System	Governmental Activities	Water	Wastewater	Stormwater	Nonmajor Proprietary Funds	Baltimore City Public Schools
Net Pension Liability (Asset), Beginning of Year	\$ 711,085	\$ 485,316	\$ 58,351	\$ 57,006	\$ 6,232	\$ 4,093	\$ 100,087
Pension Expense (Income)	49,514	31,368	5,856	1,398	822	459	9,611
Employer Contributions	(97,171)	(62,559)	(9,455)	(9,056)	(1,049)	(661)	(14,391)
Deferred Outflows/(Inflows)	57,639	42,454	4,323	(1,493)	596	235	11,524
Net Pension Liability (Asset), End of Year	<u>\$ 721,067</u>	<u>\$ 496,579</u>	<u>\$ 59,075</u>	<u>\$ 47,855</u>	<u>\$ 6,601</u>	<u>\$ 4,126</u>	<u>\$ 106,831</u>

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

G. THE UNFUNDED POLICE DEPARTMENT RETIREMENT PLAN

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

Three -Year Trend Information
(Expressed in Thousands)

	Employer Contribution	Net Pension Liability
June 30, 2016	\$ 328	\$ 1,203
June 30, 2015	370	1,862
June 30, 2014	512	1,978

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, 2016, the State paid \$65.7 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, 2016, was \$2,170,000. This amount has also been recognized as both revenue and expenditure in the accompanying Statement of Activities.

I. DEFERRED COMPENSATION

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

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

13. Other Postemployment Benefits

Plan Description

The City of Baltimore provides other postemployment benefits (OPEB) to all qualified City and BCPSS employees. All costs of the Plan for employees of the BCPSS are the responsibility of the City and reflected as such in this Note and the City’s financial statements. The Plan is a contributory, single employer defined benefit plan. The benefit and contribution provisions of the Plan are established and may be amended by the City. The Plan provides postemployment

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

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 July 1, 2015, per actuary report was as follows:

Number of Participants			
	City	School	Total
Active	14,116	8,029	22,145
Retired	9,856	5,985	15,841
Total	23,972	14,014	37,986

Significant Accounting Policies of the OPEB Trust Fund:

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

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

Funding Policy:

The City's policy is to fund benefits on a pay-as-you-go basis plus make additional contributions comprising the federal retiree drug subsidy payments and an additional annual appropriation. Retirees are required to contribute at various rates ranging from approximately \$48 to \$1,827 on a monthly basis, depending on the health plan and level of coverage elected and whether Medicare supplemental coverage is present. In addition, retirees contribute 20% toward the prescription plan coverage. Administrative costs of the Plan are covered by the City.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

For fiscal year 2016, City contributions to the Plan were \$125.2 million, plus \$57.6 million of retirees contributions, which was more than the annual OPEB cost of \$86.3 million resulting in a net decrease to the OPEB liability of \$38.9 million for the current year. The OPEB overfunding at June 30, 2016 was \$27.4 million. An additional adjustment in the amount of \$1.3 million was made to the annual required contribution (ARC) based on claims experience.

Annual OPEB Cost and Net OPEB Assets (Obligations):

The City's annual OPEB cost (expense) is calculated based on the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The City's annual OPEB cost (expense) for fiscal 2016 was \$86.3 million. The following table shows the components of the City's annual OPEB cost for the years ended June 30, 2014, June 30, 2015 and June 30, 2016, respectively, and the amount actually contributed to the plan (dollars expressed in millions):

	Fiscal Year Ended		
	June 30, 2014	June 30, 2015	June 30, 2016
Normal Cost	\$ 42.5	\$ 31.4	\$ 28.7
Amortization of Unfunded Actuarial Liability	64.9	43.4	57.5
Annual Required Contribution (ARC)	107.4	74.8	86.2
Interest on Unfunded (Overfunded) ARC	5.3	2.9	(1.2)
Adjustment of ARC	(4.3)	(2.3)	1.3
Annual OPEB Cost	108.4	75.4	86.3
Actual Contributions	139.9	134.7	125.2
Increase/(Decrease) in OPEB Obligation	(31.5)	(59.3)	(38.9)
Net OPEB (Asset overfunding) Obligation	70.8	11.5	(27.4)
Percentage Contributed	130.3%	180.1%	145.2%

Funded Status and Funding Progress:

(Expressed in Millions)

Fiscal Year Ended	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
June 30, 2016	\$ 428.9	\$ 1,166.7	\$ 737.8	36.8%	\$ 1,565.9	47.1%
June 30, 2015	403.8	1,195.0	791.2	33.8	1,531.2	51.7
June 30, 2014	322.4	1,655.5	1,333.1	19.5	1,476.0	90.3

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

Actuarial Method and Assumptions:

Data in the above tables were obtained from an actuarial valuation prepared by an independent actuary made as of July 1, 2015, using census data collected as of July 2015 and health care costs for 2015.

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

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Notes to Basic Financial Statements
(Continued)

The City has selected the Projected Unit Credit Cost (PUC) method. Under the projected unit credit cost method, the actuary develops the discounted present value of all future benefit payments. For a retiree, this amount is the actuarial accrued liability. For an employee that has not retired, the actuarial accrued liability is determined as the ratio of the employee's service as of the valuation date to the expected service at retirement. As the valuation uses rates of retirement, the PUC method determines the Actuarial Accrued Liability as the weighted sum of the pro-rata calculations for expected retirement at each expected retirement age. The unfunded actuarial accrued liability is being amortized over 30 years on a level dollar basis.

In performing their valuation, the actuary used a discount rate of 7.00%, which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated, based on the funded level of the Plan at valuation date. Assets are valued at fair value. Past service costs are calculated using the level dollar method with a closed amortization period of 30 years. The valuation also assumes a 5.3% healthcare trend for fiscal year 2016, reduced by decrements to a rate of 3.8% in 2017. Salary increases were not considered as OPEB benefits and OPEB benefits are not based on pay.

14. Risk Management

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; civil rights violations; and natural disasters. 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 risk management 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, 2016, the City has determined that the range of potential claims liability for the program to be between \$293,959,000 and \$324,646,000. 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, 2016, 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 2015 and 2016 were (amounts expressed in thousands):

	2016	2015
Unpaid claims, beginning	\$ 277,522	\$ 229,039
Claims incurred	258,058	299,992
Claims paid	(235,089)	(251,509)
Unpaid claims, ending	\$ 300,491	\$ 277,522

The City estimates that \$73,879,000 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, 2016, future minimum lease payments are as follows (amounts expressed in thousands):

2017	\$ 5,234
2018	4,354
2019	3,060
2020	2,895
2021	2,317
2022-2026	4,357
2027-2031	371
Total	\$ 22,588

All leases contain cancellation provisions and are subject to annual appropriations by the City Council. During fiscal year 2016, rent expenditures approximated \$20,013,000 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, 2016, rent and lease expenditures approximated \$1,600,000. These expenditures were made primarily from the General Fund. As of June 30, 2016, future minimum lease payments approximate \$1,348,000, which relates to July 1, 2016 through April 30, 2017 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 \$19,852,000 as of June 30, 2016, which is based on 75.66% usage (filled capacity) of the landfill. This is a decrease in the liability of \$3,495,000, and a decrease in the usage of .39%, since June 30, 2015. These decreases are primarily caused by a change in the data collection methodology on the part of the consulting engineers, as well as revisions in the engineers' cost estimates. It is estimated that an additional \$6,388,000 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 2029). The estimated total current cost of the landfill closure and postclosure care, \$26,239,000, is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of June 30, 2016. 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 2017.

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, 2016, cash and cash equivalents of \$21,540,000 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, 2016, consist of the following:

- A. The General Fund has notes receivable of \$291,736,000 net of a \$1,000,000 allowance for losses. A note receivable from the Baltimore Hotel Corporation for \$290,470,000 bears interest at rates ranging from 4.6% to 5.875% and mature over 30 years. A portion of this note receivable totaling \$286,865,000 is scheduled to be collected in 2018 through 2039. The other portion of the notes receivable unrelated to the Baltimore Hotel Corporation is for notes totaling \$1,266,000 net of a \$1,000,000 allowance for losses. These notes bear interest rates ranging from 1.0% to 12.0% and mature over 30 years.
- B. The Parking Facilities Fund has mortgages receivable of \$44,554,000 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 \$40,246,000 is scheduled to be collected in 2018 through 2035.

18. Fund Balance

The composition of the fund balances of the governmental funds for fiscal year ended June 30, 2016 are as follows (amounts expressed in thousands):

	General	Grants	Capital Projects	Other Funds	Governmental Funds
Fund Balances:					
Nonspendable:					
Reserved for other assets	\$ 297,255				\$ 297,255
Restricted:					
Education				\$ 6,154	6,154
Highways and streets			\$ 8,690		8,690
Public library				2,198	2,198
Recreation and culture			2,053	5,574	7,627
Total restricted			10,743	13,926	24,669
Assigned to:					
General government	48,764			4,631	53,395
Public safety and regulation	27,288				27,288
Conservation of health	4,097				4,097
Social services	4,704				4,704
Education	30,000			4,937	34,937
Public library	2,756				2,756
Recreation and culture	3,986				3,986
Highways and streets	15,797				15,797
Sanitation and waste removal	42,080				42,080
Public service	1,459				1,459
Economic development	840			500	1,340
Debt service	62,486				62,486
Total assigned	244,257			10,068	254,325
Unassigned	134,300*	\$ (36,799)	(14,628)		82,873
Total fund balances	\$ 675,812	\$ (36,799)	\$ (3,885)	\$ 23,994	\$ 659,122

* General fund unassigned fund balance includes \$118,845,000 for the budget stabilization reserve.

19. Commitments and Contingencies

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

The Wastewater Utility has received Federal grants and State grants. Entitlement to grant resources is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable Federal and State

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

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, 2016, the Wastewater Utility estimates that no material liabilities will result from such audits.

As of June 30, 2016, the City is contingently liable for loans guaranteed by the Loan and Guarantee Program in an aggregate amount of approximately \$877,000.

The Northeast Maryland Waste Disposal Authority Act was enacted by the Maryland General Assembly to assist in the provision of waste disposal facilities for the Northeast Maryland area, including the facilities for the disposal of waste water treatment residue. The City agreed to perform the obligations of the Authority. The current agreement, approved in March 2008, provided that the Authority and Mayor and City Council of Baltimore (the "City") 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 \$89.19 and \$43.87 up to the guaranteed and excess tonnage amounts, respectively. Payments under the agreement in fiscal year 2016 were \$2,648 million. The maximum commitment by the City is 26,004 wet tons per year.

The Wastewater Utility also has an agreement with Synagro-Baltimore, LLC, a wholly owned subsidiary of Synagro Technologies for processing biosolids at the City's Back River and Patapsco Wastewater Treatment Plants. Under the agreements, the Wastewater Utility delivers approximately 14,000 dry tons of biosolids per year at each facility and pays base and service tipping fees. The debt service on the bonds is a component of the tipping fees. The Wastewater Utility's current monthly base tipping fees expense for delivering biosolids is \$260,690 for Patapsco Wastewater Treatment Plant. The base tipping fee at the Back River Wastewater Treatment Plant terminated in fiscal year 2016 with the completion of debt service payment. The average service tipping fees were \$415.26 and \$408.15 per ton for the Back River and Patapsco Wastewater Treatment Plants, respectively. Payments under the agreements in fiscal year 2016 were \$17,509 million. The agreements extend to 2025 and 2017 for the Back River and Patapsco Wastewater Treatment Plants, respectively.

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

On June 1, 2016, the City, the Environmental Protection Agency, the Department of Justice, and the Maryland Department of the Environment filed a proposed modification to the 2002 Consent Decree with the U.S. District Court. The revised decree is composed of two phases with priority given to those projects that provide the greatest environmental benefits in the early years and is expected to cost \$630.1 million in fiscal year 2017, to complete the remaining phase one projects. The second phase deadline is fiscal year 2030, and focuses on increasing the capacity of the system, which is expected to cost \$548.4 million. Following the filing of the proposed modification, the Consent Decree was subject to a public comment period that ended on August 8, 2016. The parties are currently negotiating potential changes to the proposed modification based on the comments received from the public. Once the parties are in agreement, the Consent Decree will be entered with the U.S. District Court for review.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

20. Beginning Balance Adjustments

The beginning net position as of June 30, 2015 in the accompanying financial statements as of and for the year ended June 30, 2016, has been restated from amounts previously reported to record certain adjustments, listed below, to eliminate certain funds, and to include a component unit that was not included in the financial statements issued for the year ended June 30, 2015.

Entity wide Financial Statements – Governmental Activities

The City recorded its proportionate share of the net pension liability and related deferred outflows, deferred inflows, and pension expense attributable to the various City employees who participate in the Maryland State Retirement and Pension System. These balances were not recorded in the June 30, 2015, financial statements previously issued.

The City recorded an adjustment to reduce the property tax receivable as of June 30, 2015 for property tax revenue recognized in which should not have been recognized as of that date.

The City adjusted capital assets to reduce the balance for assets that had been transferred to BCPSS prior to June 30, 2015.

	Total
Net position, June 30, 2015, originally reported	\$ 777,730
GASB 68 pension adjustment-participation in State Retirement System	(23,558)
Property tax adjustment	(23,000)
Capital asset adjustment	(10,906)
Net position, June 30, 2015, as restated	\$ 720,266

Business Type Activities, Water Utility Fund, and Wastewater Utility Fund

The City eliminated the risk management fund, which was an internal service fund and has accounted for this activity in the general fund. Associated with this change, the City allocated a portion of the liability is now the responsibility of the Water Utility Fund and Wastewater Utility Fund that historically has been allocated to the business-type activities column in the entity-wide financial statement as part of the internal service funds.

	Water Utility Fund	Wastewater Utility Fund
Net position, June 30, 2015, originally reported	\$ 634,938	\$ 1,610,766
Elimination of risk management	(8,221)	(8,920)
Net position, June 30, 2015, as restated	\$ 626,717	\$ 1,601,846

Discretely Presented Component Units

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. Because this pension liability was not recorded in the financial statements of BCPSS as of and for the year ended June 30, 2015, the City did not include the BCPSS as a component unit in the City's financial statements.

As of and for the year ended June 30, 2016, the BCPSS also did not record its proportionate share of the pension liability and related amounts related to its participation in the City's cost sharing retirement plan. For June 30, 2016, the City made adjustments to the BCPSS financial statements to correct the BCPSS's financial statements for these items. As such, the City has included the BCPSS's financial statements, after adjustments, in the accompanying financial statements. The auditors for the City have audited the adjustments made to the BCPSS financial statements as listed below. The adjustments to the BCPSS financial statements were to include BCPSS proportionate share of the net pension liability as of June 30, 2015 and 2016, and related deferred outflows, deferred inflows, and pension expense for those employees in the Employees' Retirement System of the City of Baltimore (ERS). Additionally, the required

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

footnote disclosures for such balances have also been added to the notes to the financial statements. The adjustments to record are as listed below:

	As reported by BCPSS	Adjustments for recordation of Net Pension Liability	As reported per City's Financial Statement
Deferred outflows		\$ 28,609	\$ 28,609
Net pension liability		106,831	106,831
Deferred inflows		9,111	9,111
Expenses	\$ 1,380,774	(5,789)	1,374,985
Net Position, June 30, 2015	609,271	(93,123)	516,148

Governmental Funds

The City recorded an adjustment to reduce due from/to other funds as of June 30, 2015 for certain amounts advanced to other funds that should have been recognized as transfers as of that date.

The City eliminated two non-major funds, debt service and risk management funds and recorded that activity in the general fund. The City eliminated the debt service fund as the debt service fund was only used to record debt service payments which are primarily paid with transfers from the general fund. The City eliminated the risk management fund as self-insurance claims are primarily paid for with general fund resources that are provided as claims are due. As of June 30, 2015, the risk management's current assets approximated its current liabilities and thus the transfer of the fund to the general fund did not have an effect on the general fund balance at the date of the transfer.

The City adjusted its general fund balance as of June 30, 2015 to record a receivable from its discreetly presented component unit, Baltimore City Hotel Corporation for a loan made to this component unit. The amount is included as a non-spendable component of fund balance.

The adjustments are as follows:

	General Fund	Grants Revenue Fund	Capital Projects Fund	Non-Major Debt Service	Community Development Block Grant	Internal Service Reproduction and Printing Fund
Net position, June 30, 2015, originally reported	\$ 292,808	\$ (77,836)	\$ (5,386)	\$ 51,130	\$ (11,491)	\$ (7,863)
Due from/to other funds adjustment	(70,707)	48,086	5,386		11,491	7,863
Elimination of debt service fund	51,130			(51,130)		
Recordation of Baltimore Hotel Corporation loan	291,612					
Net position, June 30, 2015, as restated	\$ 564,843	\$ (29,750)	\$	\$	\$	\$

21. Subsequent Events

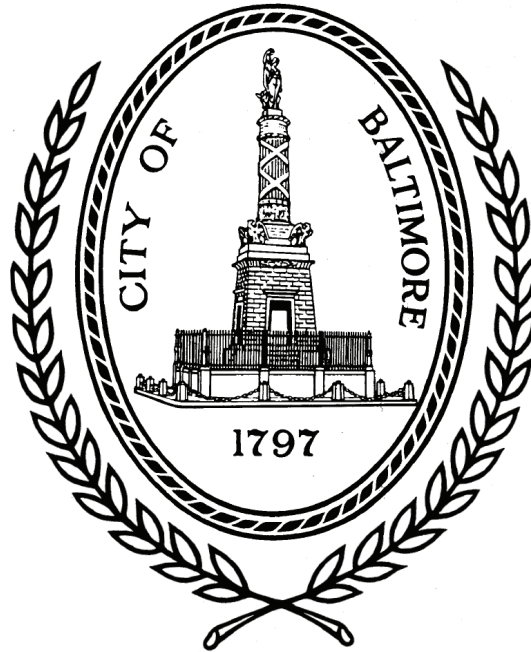
In September of 2016, the Fraternal Order of Police initiated a collective action against the Baltimore Police Department and the City of Baltimore. That suit alleges violations of the Fair Labor Standards Act and state law. The BPD and the City have filed a motion to dismiss the Plaintiffs' amended complaint, which, if granted, would dispose of many but not all of the plaintiffs' claims.

On February 9, 2017, the City issued Water and Wastewater Project and Refunding Revenue Bonds, Series 2017 in the amount of \$239.1 million and \$247.2 million, respectively. The bonds will fund capital projects of each enterprise fund and refund certain outstanding fixed rate bonds. The interest rates range from 3.00% to 5.00%, and interest is payable semiannually on July 1 and January 1 of each year beginning July 1, 2017.

On April 11, 2017, the City entered into a Wastewater Loan agreement with the Maryland Water Quality Financing Administration Water Quality Revolving Loan in the amount of \$4,635,000. The rate of interest on the loan is set at 0.80%.

On June 14, 2017, the city entered into Water Quality Loan agreement with the Water Quality Financing Administration of the Maryland Department of the Environment in the amount \$86,509,930, of which \$3,000,000 is forgivable if the City complies with the terms of the agreement.

Required Supplementary Information



See Report of Independent Public Accountant

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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, 2016

(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes – local	\$ 1,320,371	\$ 1,376,371	\$ 1,423,286	\$ 46,915
State shared revenue	141,796	141,796	142,213	417
Licenses and permits	35,792	35,792	48,829	13,037
Fines and forfeitures	13,282	13,282	8,365	(4,917)
Interest, rentals and other investment income	17,314	17,314	33,991	16,677
Federal grants	179	179	217	38
State grants	102,825	102,825	102,415	(410)
Other grants	26	26	26	0
Charges for current services	50,584	50,584	45,996	(4,588)
Miscellaneous	12,342	12,342	459	(11,883)
Total revenues	1,694,511	1,750,511	1,805,797	55,286
Expenditures and Encumbrances:				
Baltimore City Public School System	258,212	258,212	258,212	0
Board of Liquor License Commissioners	2,033	2,033	1,964	69
City Council	6,196	6,196	6,108	88
Civil Service Commission	11,330	8,683	8,341	342
Comptroller	7,127	7,127	5,792	1,335
Courts	10,456	10,448	9,782	666
Department of Finance	31,078	26,923	16,325	10,598
Department of Fire	203,636	203,636	202,522	1,114
Department of General Services	23,396	18,572	17,549	1,023
Department of Health	32,171	32,225	22,555	9,670
Department of Housing and Community Development	65,677	67,483	56,827	10,656
Department of Law	8,039	7,894	7,383	511
Department of Legislative Reference	1,103	1,103	959	144
Department of Municipal and Zoning Appeals	657	630	446	184
Department of Planning	4,992	4,373	4,586	(213)
Department of Police	458,514	492,461	470,988	21,473
Department of Public Works	105,740	105,724	97,867	7,857
Department of Recreation and Parks	38,630	38,630	37,096	1,534
Department of Transportation	102,192	142,192	143,647	(1,455)
Enoch Pratt Free Library	26,573	26,573	22,431	4,142
Mayoralty	248,227	244,387	222,892	21,495
Office of Civil Rights	1,239	1,013	1,151	(138)
Office of Financial Review	670	670	654	16
Office of Sheriff	20,726	20,439	20,255	184
Office of State's Attorney	32,680	32,518	33,353	(835)
Supervisor of Elections	8,114	7,155	5,097	2,058
Total expenditures and encumbrances	1,709,408	1,767,300	1,674,782	92,518
Excess of revenues over expenditures and encumbrances	(14,897)	(16,789)	131,015	147,804
Other financing sources (uses):				
Transfers in	37,591	37,591	164,904	127,313
Transfers out	(122,711)	(122,711)	(124,945)	(2,234)
Total other financing sources (uses)	(85,120)	(85,120)	39,959	125,079
Net changes in fund balances	(100,017)	(101,909)	170,974	272,883
Fund balances – beginning (as restated)	252,306	252,306	564,843	
Fund balances – ending	<u>\$ 152,289</u>	<u>\$ 150,397</u>	<u>735,817</u>	<u>\$ 272,883</u>
Adjustments to reconcile to GAAP basis:				
Residual Equity Transfer In				
Addition of encumbrances outstanding			86,189	
Less: Accounts payable not recorded for budgetary purposes			(146,194)	
Fund balance – June 30, 2016 (GAAP basis)			<u>\$ 675,812</u>	

- (1) Annual budget are adopted for the General Fund and all Special Revenue Funds, except for Grants Revenue, Community Development Block Grant Funds and the Scholarship Fund, on a basis consistent with Generally Accepted Accounting Principles, except for certain miscellaneous general expenditures which are not budgeted and encumbrances which are recognized as expenditures for budgetary purposes.
- (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 \$2,170,000 which was paid by the Maryland State Retirement System on behalf of the City of Baltimore for certain employees of the Enoch Pratt Free Library.

CITY OF BALTIMORE
Schedule of the City's Proportionate Share of the Net Pension Liability
Employees' Retirement System Plan
For the Year Ended June 30, 2016
(Expressed in Thousands)

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

Note: The reporting date is June 30, 2016 and the measurement date is June 30, 2015.

CITY OF BALTIMORE
Schedule of Employer Contributions
Employees' Retirement System Plan
For the Year Ended June 30, 2016
(Expressed in Thousands)

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

Note: The reporting date is June 30, 2016 and the measurement date is June 30, 2015.

CITY OF BALTIMORE
Schedule of the City's Proportionate Share of the Net Pension Liability
Maryland State Retirement and Pension System — LEOPS
For the Year Ended June 30, 2016
(Expressed in Thousands)

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

Note: This is the first year of presentation of this schedule, per GASB 68. This will build into a ten year schedule.
The reporting date is June 30, 2016 and the measurement date is June 30, 2015.

CITY OF BALTIMORE
Schedule of Employer Contributions
Maryland State Retirement and Pension System — LEOPS
For the Year Ended June 30, 2016
(Expressed in Thousands)

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

Note: This is the first year of presentation of this schedule, per GASB 68. This will build into a ten year schedule.
The reporting date is June 30, 2016 and the measurement date is June 30, 2015.

CITY OF BALTIMORE
Schedule of the City's Proportionate Share of the Net Pension Liability
Maryland State Retirement and Pension System — ERPS
For the Year Ended June 30, 2016
(Expressed in Thousands)

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

Note: This is the first year of presentation of this schedule, per GASB 68. This will build into a ten year schedule.
The reporting date is June 30, 2016 and the measurement date is June 30, 2015.

CITY OF BALTIMORE
Schedule of Employer Contributions
Maryland State Retirement and Pension System — ERPS
For the Year Ended June 30, 2016
(Expressed in Thousands)

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

Note: This is the first year of presentation of this schedule, per GASB 68. This will build into a ten year schedule.
The reporting date is June 30, 2016 and the measurement date is June 30, 2015.

CITY OF BALTIMORE
Schedule of the City's Proportionate Share of the Net Pension Liability
Maryland State Retirement and Pension System — JRS
For the Year Ended June 30, 2016
(Expressed in Thousands)

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

Note: This is the first year of presentation of this schedule, per GASB 68. This will build into a ten year schedule.
The reporting date is June 30, 2016 and the measurement date is June 30, 2015.

CITY OF BALTIMORE
Schedule of Employer Contributions
Maryland State Retirement and Pension System — JRS
For the Year Ended June 30, 2016
(Expressed in Thousands)

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

Note: This is the first year of presentation of this schedule, per GASB 68. This will build into a ten year schedule.
The reporting date is June 30, 2016 and the measurement date is June 30, 2015.

CITY OF BALTIMORE
Schedule of Changes in Net Pension Liability (Assets) and Related Ratios
Fire and Police Employees' Retirement System — Single Employer Plan
For the Year Ended June 30, 2016
Pension Trust Funds
(Expressed in Thousands)

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

NOTE: The reporting date is June 30, 2016 and the measurement date is June 30, 2015.

CITY OF BALTIMORE
Schedule of Changes in Net Pension Liability (Assets) and Related Ratios
Elected Officials' Retirement System — Single Employer Plan
For the Year Ended June 30, 2016
Pension Trust Funds
(Expressed in Thousands)

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

NOTE: The reporting date is June 30, 2016 and the measurement date is June 30, 2015.

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Fire and Police Employees' Retirement System:										
Actuarially determined contribution	\$ 60,129	\$ 72,688	\$ 69,513	\$ 94,098	\$ 107,540	\$ 107,488	\$ 107,779	\$ 113,843	\$ 119,020	\$ 121,115
Contributions in relation to the actuarially determined contributions	60,129	72,688	69,513	94,098	107,540	107,488	104,779	113,843	119,020	121,115
Covered employee payroll	254,489	269,690	281,424	276,577	275,648	284,601	277,524	292,739	322,667	300,855
Contributions as a percentage of covered payroll	23.63%	26.95%	24.70%	34.02%	39.01%	37.77%	38.84%	38.89%	36.39%	40.26
Elected Officials' Retirement System:										
Actuarially determined contribution	\$ 382	\$ 144		\$ 340	\$ 957	\$ 998	\$ 419	\$ 307	\$ 85	
Contributions in relation to the actuarially determined contribution	382	144		340	957	998	419	307	85	
Covered employee payroll	863	1,142	\$ 1,182	1,206	1,206	1,237	1,236	1,267	1,299	1,334
Contributions as a percentage of covered payroll	44.26%	12.61%	0.00%	28.19%	79.35%	80.68%	33.90%	24.23%	6.54%	0.00%

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

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

Fiscal Year Ended	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2016	\$ 428.9	\$ 1,166.7	\$ 737.8	36.8%	\$ 1,565.9	47.1%
June 30, 2015	403.8	1,195.0	791.2	33.8	1,531.2	51.7
June 30, 2014	322.4	1,655.5	1,333.1	19.5	1,476.0	90.3

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

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

Fiscal Year Ended	Annual Required Contribution (a)	Employer Contributions (b)	Percentage Contributed (c) = (b)/(a)
June 30, 2016	\$ 86.2	\$ 125.2	145.2%
June 30, 2015	74.8	134.7	180.1
June 30, 2014	107.4	139.9	130.3

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 supplemental appropriation ordinances. During fiscal year 2016, supplemental appropriation ordinances were required for the general fund, capital projects fund and conduit fund in the amounts of \$77,052,171, \$2,000,000 and \$20,000,000, respectively.

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

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

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

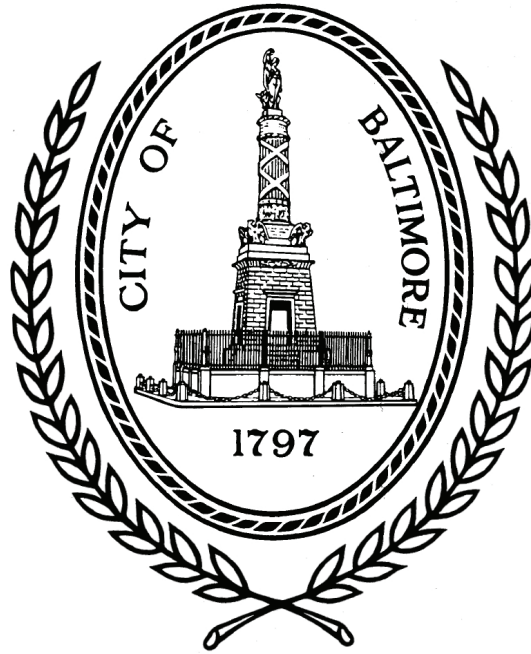
The City plans are considered part of the City's reporting entity and their financial statements are included in the City's basic financial statements as pension trust funds. Each plan issues a publicly available financial report that includes financial statements and the required supplementary information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

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

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

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

**Combining and
Individual Fund
Statement and
Schedules**



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Nonmajor Governmental Funds

Special Revenue Funds

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

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

Scholarship Fund — This fund accounts for the contributions received and 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, 2016

(Expressed in Thousands)

	Special Revenue Funds							Permanent Funds			Total Nonmajor Governmental Funds
	Community Development Block Grant Fund	Special Racetrack Fund	School Construction Fund	Baltimore Casino Fund	State Video Lottery Terminal Fund	Scholarship Fund	Total	Enoch Pratt Free Library Fund	Memorial Fund	Total	
Assets:											
Cash and cash equivalents . . .		\$ 500	\$ 3,511	\$ 277	\$ 2,892	\$ 5,430	\$ 12,610	\$ 38	\$ 1,365	\$ 1,403	\$ 14,013
Investments						723	723	2,158	4,206	6,364	7,087
Other receivables, net			1,426			1	1,427	2	3	5	1,432
Due from other governments . . .	\$ 2,490			1,318	515		4,323				4,323
Due from other fund	3,018						3,018				3,018
Total assets	5,508	500	4,937	1,595	3,407	6,154	22,101	2,198	5,574	7,772	29,873
Liabilities, deferred inflows of resources and fund balances:											
Liabilities:											
Accounts payable and accrued liabilities	5,508			319	52		5,879				5,879
Total liabilities	5,508			319	52		5,879				5,879
Fund balances:											
Restricted						6,154	6,154	2,198	5,574	7,772	13,926
Assigned		500	4,937	1,276	3,355		10,068				10,068
Total fund balances		500	4,937	1,276	3,355	6,154	16,222	2,198	5,574	7,772	23,994
Total liabilities, deferred inflows of resources and fund balances	\$ 5,508	\$ 500	\$ 4,937	\$ 1,595	\$ 3,407	\$ 6,154	\$ 22,101	\$ 2,198	\$ 5,574	\$ 7,772	\$ 29,873

CITY OF BALTIMORE
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2016

(Expressed in Thousands)

	Special Revenue Funds							Permanent Funds			Total Nonmajor Governmental Funds
	Community Development Block Grant Fund	Special Racetrack Fund	School Construction Fund	Baltimore Casino Fund	State Video Lottery Terminal Fund	Scholarship Fund	Total	Enoch Pratt Free Library Fund	Memorial Fund	Total	
Revenues:											
Taxes – local			\$ 12,303				\$ 12,303				\$ 12,303
State shared revenue				\$ 7,590	\$ 3,392		10,982				10,982
Interest, rentals and other investment income						\$ 34	34	\$ 2	\$ 311	\$ 313	347
Federal grants	\$ 17,160						17,160				17,160
Total revenues	17,160		12,303	7,590	3,392	34	40,479	2	311	313	40,792
Expenditures:											
Current:											
General government	2,419	3	12,436	646	528		16,032				16,032
Public safety and regulation ..				1,939			1,939				1,939
Education						7	7				7
Public library								26		26	26
Recreation and culture									144	144	144
Sanitation and waste removal				423			423				423
Economic development.	10,668			326			10,994				10,994
Total expenditures	13,087	3	12,436	3,334	528	7	29,395	26	144	170	29,565
Excess (deficiency) of revenues over (under) expenditures	4,073	(3)	(133)	4,256	2,864	27	11,084	(24)	167	143	11,227
Other financing sources (uses):											
Transfers in	843						843				843
Transfers out	(4,916)			(2,000)	(901)		(7,817)				(7,817)
Total other financing sources (uses)	(4,073)			(2,000)	(901)		(6,974)				(6,974)
Net change in fund balances		(3)	(133)	2,256	1,963	27	4,110	(24)	167	143	4,253
Fund balances (deficits) – beginning, restated		503	5,070	(980)	1,392	6,127	12,112	2,222	5,407	7,629	19,741
Fund balances (deficits) – ending		\$ 500	\$ 4,937	\$ 1,276	\$ 3,355	\$ 6,154	\$ 16,222	\$ 2,198	\$ 5,574	\$ 7,772	\$ 23,994

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Nonmajor Proprietary Funds

Enterprise Funds

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

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

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

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

CITY OF BALTIMORE
Combining Statement of Net Position
Nonmajor Proprietary Funds
June 30, 2016

(Expressed in Thousands)

	Loan and Guarantee Program	Industrial Development Authority	Conduit Fund	Total
Assets:				
Current assets:				
Cash and cash equivalents	\$ 5,335	\$ 6,654	\$ 2,297	\$ 14,286
Investments		1,353		1,353
Accounts receivable, net:				
Service billings			3,538	3,538
Other		1		1
Total current assets	5,335	8,008	5,835	19,178
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents			28,524	28,524
Capital assets, net of accumulated depreciation			52,988	52,988
Capital assets not being depreciated			11,869	11,869
Other assets		12,232		12,232
Total noncurrent assets		12,232	93,381	105,613
Total assets	5,335	20,240	99,216	124,791
Deferred outflows of resources:				
Deferred outflow related to pension	65		841	906
Total deferred outflows of resources	65		841	906
Total assets and deferred outflows of resources	5,400	20,240	100,057	125,697
Liabilities and deferred inflows of resources:				
Current liabilities:				
Accounts payable and accrued liabilities	16	1	368	385
Due to other funds		6,650		6,650
Compensated absence	4		102	106
Other liabilities			1,534	1,534
Current liabilities payable from restricted assets:				
Accounts payable from restricted assets			640	640
Total current liabilities	20	6,651	2,644	9,315
Noncurrent liabilities:				
Derivative instrument liability		540		540
Net pension liability	242		3,884	4,126
Other liabilities	86		219	305
Total noncurrent liabilities	328	540	4,103	4,971
Total liabilities	348	7,191	6,747	14,286
Deferred inflows of resources:				
Deferred inflow related pension	23		355	378
Total deferred inflows of resources	23		355	378
Total liabilities and deferred inflows of resources	371	7,191	7,102	14,664
Net position:				
Net investment in capital assets			64,857	64,857
Unrestricted	5,029	13,049	28,098	46,176
Total net position	\$ 5,029	\$ 13,049	\$ 92,955	\$ 111,033

CITY OF BALTIMORE
Combining Statement of Revenues, Expenses
and Changes in Net Position
Nonmajor Proprietary Funds
For the Year Ended June 30, 2016

(Expressed in Thousands)

	Loan and Guarantee Program	Industrial Development Authority	Conduit Fund	Total
Operating revenues:				
Rents, fees, and other income		\$ 7	\$ 35,855	\$ 35,862
Interest income on loans	\$ 46	1,597		1,643
Total operating revenues	46	1,604	35,855	37,505
Operating expenses:				
Salaries and wages	69		4,779	4,848
Other personnel costs	46		1,486	1,532
Contractual services			3,001	3,001
Program expenses	98	17	1,534	1,649
Materials and supplies			185	185
Depreciation			949	949
Total operating expenses	213	17	11,934	12,164
Operating income (loss)	(167)	1,587	23,921	25,341
Capital contributions	112		(200)	(88)
Transfers in	500			500
Transfers out			(750)	(750)
Changes in net position	445	1,587	22,971	25,003
Total net position – beginning (as restated)	4,584	11,462	69,984	86,030
Total net position – ending	\$ 5,029	\$ 13,049	\$ 92,955	\$ 111,033

CITY OF BALTIMORE
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the Year Ended June 30, 2016
(Expressed in Thousands)

	Loan and Guarantee Program	Industrial Development Authority	Conduit Fund	Total
Cash flows from operating activities:				
Receipts from customers	\$ 46	\$ 1,607	\$ 38,338	\$ 39,991
Payments to employees	(93)		(6,145)	(6,238)
Payments to suppliers	(94)	(20)	(3,093)	(3,207)
Net cash provided (used) by operating activities	(141)	1,587	29,100	30,546
Cash flows from noncapital financing activities:				
Transfers in	500			500
Transfers out			(750)	(750)
Net cash provided (used) by noncapital financing activities	500		(750)	(250)
Cash flows from capital and related financing activities:				
Principal paid on revenue bonds		(45,000)		(45,000)
Acquisition and construction of capital assets			(4,513)	(4,513)
Other assets		11,525		11,525
Interest paid		(1,595)		(1,595)
Due to other funds		(378)		(378)
Capital contributions	112		(200)	(88)
Net cash provided (used) by capital and related financing activities	112	(35,448)	(4,713)	(40,049)
Cash flows from investing activities:				
Purchase of investments		(1,353)		(1,353)
Net cash provided by investing activities		(1,353)		(1,353)
Net (decrease) in cash and cash equivalents	471	(35,214)	23,637	(11,106)
Cash and cash equivalents, beginning of year	4,864	41,868	7,184	53,916
Cash and cash equivalents, end of year	\$ 5,335	\$ 6,654	\$ 30,821	\$ 42,810
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (167)	\$ 1,587	\$ 23,921	\$ 25,341
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense			949	949
Accounts receivable		3	2,525	2,528
Other assets				
Deferred outflows – pension	24		156	180
Accounts payable and accrued liabilities	4		111	115
Accrued interest payable		(3)		(3)
Due to other funds			(42)	(42)
Compensated absences	6			6
Other liabilities			1,476	1,476
Other noncurrent liabilities			67	67
Pension liability – current period	(2)		35	33
Deferred inflows – pension	(6)		(98)	(104)
Total adjustments	26		5,179	5,205
Net cash provided (used) by operating activities	\$ (141)	\$ 1,587	\$ 29,100	\$ 30,546

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, 2016
(Expressed in Thousands)

	Energy Conservation Fund	Municipal Communication Fund	Mobile Equipment Fund	Reproduction and Printing Fund	Municipal Post Office Fund	Municipal Telephone Exchange Fund	Building Maintenance Fund	Hardware & Software Replacement Fund	Total
Assets:									
Current assets:									
Cash and cash equivalents		\$ 1,409	\$ 13,357		\$ 271		\$ 1,521	\$ 440	\$ 16,998
Accounts receivable, net:									
Other			459	\$ 35		\$ 398			892
Inventories			6,226	999	24				7,249
Total current assets		1,409	20,042	1,034	295	398	1,521	440	25,139
Noncurrent assets:									
Restricted cash			23,437						23,437
Capital assets, net		232	94,459						94,691
Total noncurrent assets		232	117,896						118,128
Total assets		1,641	137,938	1,034	295	398	1,521	440	143,267
Liabilities:									
Current liabilities:									
Accounts payable and accrued liabilities	\$ 419	346	6,396	430	136	606	924		9,257
Due to other funds	195			441		3,116			3,752
Leases payable			6,008						6,008
Other liabilities	18	5	556	54	15	36	90		774
Total current liabilities	632	351	12,960	925	151	3,758	1,014		19,791
Noncurrent liabilities:									
Leases payable			62,328						62,328
Other liabilities	21	34	1,902	109	3	118	131		2,318
Total noncurrent liabilities	21	34	64,230	109	3	118	131		64,646
Total liabilities	653	385	77,190	1,034	154	3,876	1,145		84,437
Net position:									
Net investment in capital assets			94,459						94,459
Unrestricted (deficit)	(653)	1,256	(33,711)		141	(3,478)	376	440	(35,629)
Total net position	\$ (653)	\$ 1,256	\$ 60,748	\$	\$ 141	\$ (3,478)	\$ 376	\$ 440	\$ 58,830

CITY OF BALTIMORE
Combining Statement of Revenue, Expenses, and Changes in Fund Net Position
Internal Service Funds
For the Year Ended June 30, 2016
(Expressed in Thousands)

	Energy Conservation Fund	Municipal Communication Fund	Mobile Equipment Fund	Reproduction and Printing Fund	Municipal Post Office Fund	Municipal Telephone Exchange Fund	Building Maintenance Fund	Hardware & Software Replacement Fund	Total
Operating revenues:									
Charges for services	\$ 1,393	\$ 4,711	\$ 54,693	\$ 2,497	\$ 2,751	\$ 9,155	\$ 12,272	\$ 3,264	\$ 90,736
Operating expenses:									
Salaries and wages	460	312	12,082	830	218	938	1,407		16,247
Other personnel costs	179	113	5,021	327	119	456	606		6,821
Contractual services	488	3,548	20,903	994	43	7,727	8,495		42,198
Materials and supplies	19		1,870	1,044	129	3	291		3,356
Minor equipment	61	81			3	2	19	3,011	3,177
Postage and delivery service					2,044				2,044
Depreciation		66	18,865	2					18,933
Total operating expenses	1,207	4,120	58,741	3,197	2,556	9,126	10,818	3,011	92,776
Operating income (loss)	186	591	(4,048)	(700)	195	29	1,454	253	(2,040)
Nonoperating revenues (expenses):									
Investment income									
Gain on sale of equipment			2,833						2,833
Total nonoperating revenues (expenses), net			2,833						2,833
Other financing sources (uses):									
Transfer in				700					700
Change in net position	186	591	(1,215)		195	29	1,454	253	1,493
Total net position – beginning	(839)	665	61,963		(54)	(3,507)	(1,078)	187	57,337
Total net position – ending	\$ (653)	\$ 1,256	\$ 60,748	\$	\$ 141	\$ (3,478)	\$ 376	\$ 440	\$ 58,830

CITY OF BALTIMORE
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2016

(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:									
Cash flows from operating activities:									
Receipts from customers	\$ 859	\$ 4,711	\$ 54,493	\$ 3,108	\$ 2,739	\$ 8,902	\$ 12,272	\$ 3,264	\$ 90,348
Payments to employees	(641)	(480)	(16,827)	(1,151)	(339)	(1,389)	(2,039)		(22,866)
Payments to suppliers	(218)	(4,154)	(24,821)	(1,957)	(2,128)	(7,513)	(8,841)	(3,011)	(52,643)
Net cash provided (used) by operating activities		77	12,845		272		1,392	253	14,839
Cash flows from capital and related financing activities:									
Acquisition and construction of capital assets			(24,947)						(24,947)
Leases payable			15,352						15,352
Net cash provided (used) by capital and related financing activities			(9,595)						(9,595)
Net increase (decrease) in cash and cash equivalents		77	3,250		272		1,392	253	5,244
Cash and cash equivalents, beginning of year		1,331	33,544				129	187	35,191
Cash and cash equivalents, end of year		\$ 1,408	\$ 36,794		\$ 272		\$ 1,521	\$ 440	\$ 40,435
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:									
Operating income (loss)	\$ 186	\$ 591	\$ (4,048)	\$ (700)	\$ 195	\$ 29	\$ 1,454	\$ 253	\$(2,040)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:									
Depreciation		66	18,865	2					18,933
Changes in assets and liabilities:									
Accounts receivable			(430)	28		(178)			(580)
Inventories			230	70	9				309
Accounts payable and accrued liabilities	346	(527)	(2,033)	77	90	224	(30)		(1,853)
Other liabilities	2	(53)	261	10	(1)		(32)		187
Due to other funds	(534)			513	(21)	(75)			(117)
Total adjustments	(186)	(514)	16,893	700	77	(29)	(62)		16,879
Net cash provided (used) by operating activities		\$ 77	\$ 12,845		\$ 272		\$ 1,392	\$ 253	\$ 14,839

Fiduciary Funds

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

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

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

CITY OF BALTIMORE
Combining Statement of Fiduciary Net Position
Pension Trust Funds
June 30, 2016
(Expressed in Thousands)

	Employees' Retirement System	Elected Officials' Retirement System	Fire and Police Employees' Retirement System	Total
Assets:				
Cash and cash equivalents	\$ 51,338	\$ 2,328	\$ 60,494	\$ 114,160
Investments:				
Stocks	933,595	14,936	1,469,196	2,417,727
Bonds	399,095	5,491	612,997	1,017,583
Real estate	166,805		234,661	401,466
Securities lending collateral	29,738		54,528	84,266
Forward foreign contracts	30,321		5,083	35,404
Other assets	54,418		15,255	69,673
Total assets	1,665,310	22,755	2,452,214	4,140,279
Liabilities:				
Obligations under securities lending program	29,738		54,528	84,266
Forward foreign contracts	30,321		5,086	35,407
Accounts payable	88,319	6	14,242	102,567
Pension benefits payable			363	363
Total liabilities	148,378	6	74,219	222,603
Net position:				
Held in trust for pension benefits	\$ 1,516,932	\$ 22,749	\$ 2,377,995	\$ 3,917,676

CITY OF BALTIMORE
Combining Statement of Changes in Fiduciary Net Position
Pension Trust Funds
For the Year Ended June 30, 2016
(Expressed in Thousands)

	Employees' Retirement System	Elected Officials' Retirement System	Fire and Police Employees' Retirement System	Total
Additions:				
Contributions:				
Employer	\$ 77,101		\$ 121,115	\$ 198,216
Employee	10,350	\$ 62	30,550	40,962
Total contributions	87,451	62	151,665	239,178
Investment income:				
Net appreciation (depreciation) fair value of investments	438	(895)	(25,731)	(26,188)
Securities lending income	356		469	825
Interest and dividend income	48,604	974	38,157	87,735
Total investment income	49,398	79	12,895	62,372
Less: investment expense	9,138	33	9,892	19,063
Net investment income	40,260	46	3,003	43,309
Total additions	127,711	108	154,668	282,487
Deductions:				
Retirement allowances	138,185	763	234,884	373,832
Death benefits	653		864	1,517
Administrative expenses	3,515	36	4,407	7,958
Other	360		3,095	3,455
Total deductions	142,713	799	243,250	386,762
Changes in net position	(15,002)	(691)	(88,582)	(104,275)
Net position – beginning of the year	1,531,934	23,440	2,466,577	4,021,951
Net position – end of the year	\$ 1,516,932	\$ 22,749	\$ 2,377,995	\$ 3,917,676

CITY OF BALTIMORE
Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2016

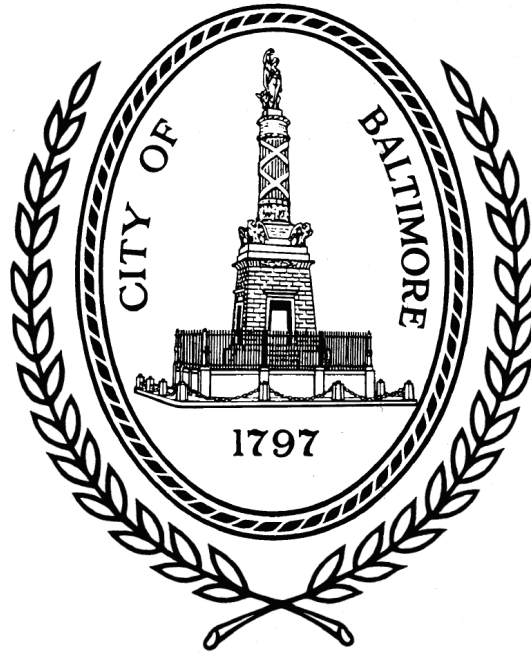
(Expressed in Thousands)

	Stock and Coupon Bonds	Property Sold for Taxes	Bid Deposit Refunds	Waterloo Summit	Recreation Accessory	Total
Assets:						
Cash and cash equivalents	\$ 55	\$ 86	\$ 72			\$ 213
Investments				\$ 53		53
Accounts receivable					\$ 412	412
Total assets	55	86	72	53	412	678
Liabilities:						
Due to other funds					412	412
Other	55	86	72	53		266
Total liabilities	\$ 55	\$ 86	\$ 72	\$ 53	\$ 412	\$ 678

CITY OF BALTIMORE
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2016
(Expressed in Thousands)

	Balance June 30, 2015	Additions	Deductions	Balance June 30, 2016
<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	78		\$ 6	72
Total assets	78		6	72
Liabilities:				
Other	78		6	72
Total liabilities	78		6	72
<i>Waterloo Summit</i>				
Assets:				
Investments	53			53
Total assets	53			53
Liabilities:				
Other	53			53
Total liabilities	53			53
<i>Recreation Accessory</i>				
Assets:				
Cash	529	\$ 2,261	2,378	412
Total assets	529	2,261	2,378	412
Liabilities:				
Other	529	2,261	2,378	412
Total liabilities	529	2,261	2,378	412
<i>Total All Agency Funds</i>				
Assets:				
Cash	748	2,261	2,384	625
Investments	53			53
Total assets	801	2,261	2,384	678
Liabilities:				
Other	801	2,261	2,384	678
Total liabilities	\$ 801	\$ 2,261	\$ 2,384	\$ 678

STATISTICAL SECTION



See Report of Independent Public Accountant

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CITY OF BALTIMORE

Statistical Section

(Unaudited)

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These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax	121
Debt Capacity	
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Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place	131
Operating Information	
These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs	135

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

	Fiscal Year			
	2013	2014	2015	2016
Governmental activities				
Net investment in capital assets	\$ 2,988,956	\$ 2,569,231	\$ 2,520,873	\$ 2,464,962
Restricted	40,548	22,598	15,946	24,669
Unrestricted	(650,914)	(442,540)	(1,759,089)	(1,662,259)
Total governmental activities net position	\$ 2,378,590	\$ 2,149,289	\$ 777,730	\$ 827,372
Business-type activities				
Net investment in capital assets	\$ 1,785,501	\$ 2,215,884	\$ 2,379,232	\$ 2,386,644
Restricted	152,197	180,965	157,613	165,076
Unrestricted	133,419	123,976	136,251	413,302
Total business-type activities net position	\$ 2,071,117	\$ 2,520,825	\$ 2,673,096	\$ 2,965,022
Primary government				
Net investment in capital assets	\$ 4,774,457	\$ 4,785,115	\$ 4,900,105	4,851,606
Restricted	192,745	203,563	173,559	189,745
Unrestricted	(517,495)	(318,564)	(1,622,838)	(1,248,957)
Total primary government net position	\$ 4,449,707	\$ 4,670,114	\$ 3,450,826	\$ 3,792,394

CITY OF BALTIMORE
Changes in Net Position, Governmental Funds
Last Ten Fiscal Years

(Accrual Basis of Accounting)
(Expressed in Thousands)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities:										
General government	\$ 452,353	\$ 468,113	\$ 521,242	\$ 545,037	\$ 452,449	\$ 443,957	\$ 399,166	\$ 278,892	\$ 294,987	\$ 303,696
Public safety and regulation ..	536,508	575,859	541,778	504,730	525,792	577,963	661,829	673,680	692,155	744,940
Conservation of health	104,879	157,549	147,054	164,751	151,192	154,105	130,911	125,383	112,575	116,592
Social services	2,252	36,202	6,096	435	14,581	31,156	125,515	112,301	102,809	109,591
Education	227,377	224,830	221,829	228,788	265,204	260,935	288,227	306,128	302,568	299,699
Public library	24,006	31,736	33,728	33,915	33,309	33,390	33,184	34,550	35,063	34,150
Recreation and culture	42,420	44,295	42,565	39,205	48,165	49,291	50,297	52,540	51,367	53,657
Highways and streets	122,212	143,340	135,992	191,536	140,309	162,290	159,022	172,330	185,601	192,487
Sanitation and waste removal ..	44,169	45,366	51,167	52,905	61,605	65,677	73,536	63,623	67,445	70,823
Public service	15,141	16,769	24,637	24,316	25,059	26,676	50,710	50,260	51,041	49,475
Economic development	145,160	184,286	204,557	182,816	183,331	169,896	170,002	208,870	141,772	126,430
Interest	58,327	63,070	37,885	50,105	47,391	32,624	29,605	41,967	41,078	30,518
Total governmental activities expenses	1,774,804	1,991,415	1,968,530	2,018,539	1,948,387	2,007,960	2,172,004	2,120,524	2,078,461	2,132,058
Business-type activities:										
Water	95,576	105,882	116,407	107,982	120,736	131,271	136,171	155,308	160,208	170,637
Wastewater	131,610	145,611	152,595	157,605	159,776	173,106	178,221	179,306	182,769	193,563
Stormwater								18,292	15,747	19,365
Parking		20,317	23,422	24,832	19,853	25,332	17,681	23,528	19,183	18,125
Nonmajor proprietary	12,657	19,446	12,353	11,538	13,860	13,287	11,826	10,753	11,607	12,148
Total business-type activities expenses	256,363	291,256	304,777	301,957	314,225	342,996	343,899	387,187	389,514	413,838
Total primary government expenses	2,031,167	2,282,671	2,273,307	2,320,496	2,262,612	2,350,956	2,515,903	2,507,711	2,467,975	2,545,896
Program Revenues										
Governmental activities:										
Charges for services (a)	93,046	99,185	94,297	85,683	109,872	118,556	114,163	103,331	107,482	103,190
Operating grants and contributions	382,316	386,972	402,343	359,769	399,844	400,678	385,841	431,515	318,266	347,636
Capital grants and contributions	48,085	51,559	23,181	63,437	72,758	71,258	109,488	71,806	54,788	25,284
Total governmental activities revenues	523,447	537,716	519,821	508,889	582,474	590,492	609,492	606,652	480,536	476,110
Business-type activities:										
Charges for services:										
Water	111,052	131,233	119,840	130,512	129,292	132,340	154,680	158,678	176,439	160,865
Wastewater	151,462	157,974	158,305	166,016	160,076	179,873	183,521	221,181	216,428	229,300
Stormwater								27,511	25,971	27,807
Parking	62,706	69,868	64,380	67,760	83,040	81,476	83,542	87,398	85,634	87,145
Nonmajor proprietary	12,598	11,677	12,440	9,989	9,979	12,046	18,400	14,385	13,916	37,505
Capital grants and contributions	78,032	40,928	22,818	38,313	72,257	100,922	129,608	131,574	201,880	259,288
Total business-type activities revenues	415,850	411,680	377,783	412,590	454,644	506,657	569,751	640,727	720,268	801,910
Total primary government revenues	939,297	949,396	897,604	921,479	1,037,118	1,097,149	1,179,243	1,247,379	1,200,804	1,278,020
Net (Expense)/Revenue										
Governmental activities	(1,251,357)	(1,453,699)	(1,448,709)	(1,509,650)	(1,365,913)	(1,417,468)	(1,562,512)	(1,513,872)	(1,597,925)	(1,655,948)
Business-type activities	159,487	120,424	73,006	110,633	140,419	163,661	225,852	253,540	330,754	388,072
Total primary government net expenses	(1,091,870)	(1,333,275)	(1,375,703)	(1,399,017)	(1,225,494)	(1,253,807)	(1,336,660)	(1,260,332)	(1,267,171)	(1,267,876)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes	592,065	626,420	693,767	770,320	813,613	769,094	806,258	810,824	816,199	852,114
Income taxes	243,611	267,625	262,901	251,731	234,955	257,893	276,111	284,437	300,014	346,727
Other local taxes	204,685	180,189	148,369	115,472	147,366	178,441	188,803	204,391	193,595	242,426
State shared revenues	226,692	213,899	187,986	135,226	127,433	130,286	128,707	131,180	147,608	153,195
Unrestricted investment income	47,560	53,503	35,756	27,308	23,905	17,404	17,879	16,722	19,431	34,782
Miscellaneous	41,557	34,398	14,568	15,806	35,695	36,794	43,861	32,581	88,734	33,073
Transfers	33,870	42,681	34,339	40,707	55,522	50,446	47,742	(195,564)	61,495	100,737
Total governmental activities	1,390,040	1,418,715	1,377,686	1,356,570	1,438,489	1,440,358	1,509,361	1,284,571	1,627,076	1,763,054
Business-type activities:										
Unrestricted investment income			747		5,743	3,075	2,135	2,186	5,809	4,591
Transfers	(33,870)	(42,681)	(34,339)	(40,707)	(55,522)	(50,446)	(47,742)	195,564	(61,495)	(100,737)
Total business-type activities	(33,870)	(42,681)	(33,592)	(40,707)	(49,779)	(47,371)	(45,607)	197,750	(55,686)	(96,146)
Total primary government	1,356,170	1,376,034	1,344,094	1,315,863	1,388,710	1,392,987	1,463,754	1,482,321	1,571,390	1,666,908
Changes in Net Position										
Governmental activities	138,683	(34,984)	(71,023)	(153,080)	72,576	22,890	(53,151)	(229,301)	29,151	107,106
Business-type activities	125,617	77,743	36,101	69,926	90,640	116,290	180,245	451,290	275,068	291,926
Total primary government	\$ 264,300	\$ 42,759	\$ (34,922)	\$ (83,154)	\$ 163,216	\$ 139,180	\$ 127,094	\$ 221,989	\$ 304,219	\$ 399,032

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

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

(Modified Accrued Basis of Accounting)
(Expressed in Thousands)

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

	Fiscal Year					
	2011 (1)	2012	2013	2014	2015	2016
General fund						
Nonspendable	\$ 6,154	\$ 5,519	\$ 5,519	\$ 5,519	\$ 5,519	\$ 297,255
Restricted		30,338				
Assigned	104,862	128,415	203,425	188,946	174,647	244,257
Unassigned	93,884	91,700	90,070	106,022	112,642	134,300
Total general fund	\$ 204,900	\$ 255,972	\$ 299,014	\$ 300,487	\$ 292,808	\$ 675,812
All other governmental funds						
Nonspendable						
Motor vehicle fund	\$ 2,658					
Other nonmajor funds	2,811					
Restricted						
Capital projects fund			\$ 27,400	\$ 9,256	\$ 2,190	\$ 10,743
Other nonmajor funds		\$ 13,013	13,148	13,342	13,756	13,926
Assigned						
Motor vehicle fund	15,177					
Capital projects fund	128,813	7,128	5,702			
Other nonmajor funds	48,837	37,333	46,060	53,217	58,095	10,068
Unassigned						
Grants revenue fund	(32,688)	(40,248)	(62,864)	(83,355)	(77,836)	(36,799)
Capital projects fund	(80,539)	(12,393)	(3,490)	(13,612)	(7,576)	(14,628)
Other nonmajor funds	(10,733)	(7,192)	(9,255)	(9,451)	(12,399)	
Total all other governmental funds	\$ 74,336	\$ (2,359)	\$ 16,701	\$ (30,603)	\$ (23,770)	\$ (16,690)

(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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues:										
General fund:										
Taxes – Local	\$1,040,361	\$1,074,234	\$1,105,037	\$1,137,523	\$1,176,038	\$1,206,584	\$1,219,656	\$1,258,118	\$1,284,515	\$1,426,286
State shared revenue							128,707	131,180	137,714	142,213
Licenses and permits	32,784	34,717	29,390	34,438	42,129	37,585	40,572	41,457	41,584	48,829
Fines and forfeitures	2,900	7,321	6,896	7,116	8,055	6,604	29,445	14,673	15,325	8,365
Interest, rentals, and other investment income	34,047	38,602	23,616	24,148	21,903	16,244	16,816	15,833	17,181	33,991
Federal grants	93	99	224	213		226	245	261	275	217
State grants	98,120	101,235	99,423	97,320	89,453	95,651	93,376	102,786	105,059	104,585
Other grants	173	153	154	46	25	25	25	26	26	26
Charges for services	43,697	42,646	41,560	29,251	26,654	35,044	44,146	47,201	50,573	45,996
Miscellaneous	6,420	12,429	234	4,528	18,579	9,976	4,365	5,757	5,730	459
Total revenues — general fund	1,258,595	1,311,436	1,306,534	1,334,583	1,382,836	1,407,939	1,577,353	1,617,292	1,657,982	1,810,967
Other governmental funds:										
Motor vehicle fund	244,316	232,716	206,015	156,590	160,974	169,768				
Grants revenue fund	258,288	231,047	338,749	270,692	292,887	285,240	251,949	242,805	223,148	222,291
Capital projects fund	66,341	65,129	46,028	75,296	84,230	93,966	121,065	91,069	66,983	45,370
Other funds	55,941	36,696	33,030	28,641	26,245	29,339	21,860	36,279	41,327	40,792
Total revenues — other governmental funds	624,886	565,588	623,822	531,219	564,336	578,313	394,874	370,153	331,458	308,453
Total revenues all governmental funds	1,883,481	1,877,024	1,930,356	1,865,802	1,947,172	1,986,252	1,972,227	1,987,445	1,989,440	2,119,420
Expenditures:										
General fund:										
General government	337,700	368,022	368,279	410,746	375,814	387,650	223,730	216,329	258,028	281,616
Public safety and regulation	446,072	475,629	474,031	437,031	452,977	463,410	594,077	625,432	679,202	702,632
Conservation of health	28,948	29,371	33,066	44,950	44,076	44,033	20,811	23,778	20,887	19,663
Social services	3,007	4,498	6,057	396	1,361	707	89,235	76,857	64,249	73,851
Education	206,016	205,858	205,909	207,657	247,074	254,626	257,770	273,241	265,939	269,937
Public library	23,135	24,253	25,720	24,246	23,890	23,829	23,131	24,577	24,942	24,856
Recreation and culture	34,568	37,707	35,163	30,212	37,981	34,749	39,235	39,796	39,349	41,884
Highways and streets	484	720	244	16,376	16,838	19,336	83,051	102,308	113,452	125,440
Sanitation and waste removal	39,754	40,032	40,593	37,862	39,503	40,936	69,381	59,837	64,422	72,642
Public service	12,210	13,259	17,510	21,455	16,403	17,350	43,024	41,241	43,895	42,947
Economic development	30,440	39,616	36,573	36,186	36,589	46,741	48,544	49,348	49,069	39,499
Debt Service										69,775
Total expenditures — general fund	1,162,334	1,238,965	1,243,145	1,267,117	1,292,506	1,333,367	1,491,989	1,532,744	1,623,434	1,764,742
Other governmental funds:										
Motor vehicle fund	164,419	175,354	173,570	191,558	140,223	148,769			223,964	
Grants revenue fund	257,756	259,387	238,399	280,603	292,497	298,287	280,319	275,977	172,688	238,344
Capital projects fund	246,775	317,031	267,641	275,701	199,217	208,837	202,458	160,874		173,201
Debt service fund:										
Principal	53,351	56,694	52,651	60,054	61,282	64,781	69,877	44,483	38,912	
Interest	47,302	51,198	26,144	39,014	38,256	32,624	23,678	31,708	31,005	
Other bond costs	6,829		13,945	9,847	5,882		6,178	6,135		
Other funds	17,015	14,161	18,052	11,863	14,330	17,116	22,600	23,133	31,107	29,565
Total expenditures — other governmental funds	793,447	873,825	790,402	868,640	751,687	770,414	598,932	542,353	503,811	441,110
Total expenditures all governmental funds	1,955,781	2,112,790	2,033,547	2,135,757	2,044,193	2,103,781	2,090,921	2,075,097	2,127,245	2,205,852
Excess (deficiency) of revenues over expenditures	(72,300)	(235,766)	(103,191)	(269,955)	(97,021)	(117,529)	(118,694)	(87,652)	(137,805)	(86,432)
Other financing sources (uses):										
Transfers, net	20,694	36,044	27,839	40,707	27,422	50,446	76,110	56,828	61,495	100,038
Capital leases	25,447	7,372	3,956	75,099	11,020	41,460	11,804			8,978
Face value of bonds and loans	81,915	154,914	100,164	54,688	54,730			283,535	64,249	92,317
Refunding of bonds							(214,336)	5,414		
Transportation revenue bonds Swaps terminations							(18,760)		9,609	(13,833)
Premium (discount) on sale of bonds							42,443		1,606	3,220
Capital contributions								(20,421)		
Total other financing sources	198,330	131,959	170,494	93,172	91,906	180,796	41,821	136,959		190,720
Net changes in fund balances	\$ 55,756	\$ (37,436)	\$ 28,768	\$ (99,461)	\$ (3,849)	\$ (25,623)	\$ 62,102	\$ (45,831)	\$ (846)	104,288
Debt service as a percentage of noncapital expenditures	5.62%	5.64%	3.50%	5.26%	5.24%	5.03%	4.87%	3.89%	3.56%	3.26%

Revenue Capacity

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CITY OF BALTIMORE
Property Tax Levies and Collections
Last Ten Fiscal Years

(Expressed in Thousands)

Fiscal Year	Total Tax Levy	Collected within the Fiscal Year of the Levy	Percent of Levy Collected	Collections in Subsequent Years	Total Tax Collections	Percent of Total Tax Collections to Tax Levy
2007	\$ 599,534	\$ 577,759	96.4%	\$ 6,826	\$ 584,585	97.5
2008	655,080	605,961	92.5	10,666	616,627	94.1
2009	728,359	671,869	92.2	16,270	688,139	94.5
2010	751,510	723,533	96.3	17,107	740,640	98.6
2011	777,332	750,144	96.5	27,047	777,191	99.9
2012	761,237	743,352	97.7	11,071	754,423	99.1
2013	778,346	732,467	94.1	11,199	743,666	95.5
2014	755,711	741,449	98.1	11,482	752,931	99.6
2015	778,380	762,772	98.0	13,654	774,126	99.5
2016	804,391	760,686	94.6		760,686	94.6

CITY OF BALTIMORE
Assessed and Estimate Actual Value of Taxable Property
Last Ten Fiscal Years

(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	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value		
2007	\$ 21,254,392	\$ 23,236,872	\$ 1,893,973	\$ 1,893,973	\$ 23,148,365	\$ 25,130,845	92.1%	\$ 2.400
2008	23,943,402	27,398,671	1,965,726	1,965,726	25,909,128	29,364,397	88.2	2.380
2009	26,601,299	32,038,540	2,145,251	2,145,251	28,746,550	34,183,791	84.1	2.380
2010	28,511,521	35,600,999	1,805,889	1,805,889	30,317,410	37,406,888	81.0	2.380
2011	29,613,826	36,799,638	1,767,656	1,767,656	31,381,482	38,567,294	81.4	2.380
2012	28,762,325	35,431,581	1,878,997	1,878,997	30,641,322	37,310,578	82.1	2.380
2013	28,844,799	34,386,667	1,845,424	1,845,424	30,690,223	36,232,091	84.7	2.380
2014	29,209,703	33,938,341	1,966,795	1,966,795	31,176,498	35,905,136	86.8	2.360
2015	29,063,381	33,749,836	1,895,006	1,895,006	30,958,387	35,644,842	86.9	2.360
2016	31,577,756	35,782,497	2,011,722	2,011,722	33,589,478	37,794,219	88.9	2.360

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

Source: Baltimore City Department of Finance

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

Fiscal Year	City Tax Rate	State Rate (2)	Tax Total (3)
2007	\$ 2.288	\$ 0.112	\$ 2.400
2008	2.268	0.112	2.380
2009	2.268	0.112	2.380
2010	2.268	0.112	2.380
2011	2.268	0.112	2.380
2012	2.268	0.112	2.380
2013	2.268	0.112	2.380
2014	2.248	0.112	2.360
2015	2.248	0.112	2.360
2016	2.248	0.112	2.360

Notes:

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

Source: Baltimore City Department of Finance

CITY OF BALTIMORE
Principal Property Taxpayer
Current Year and Nine Years Ago
(Expressed in Thousands)

	2016			2007		
	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)	\$ 753,864	1	2.3%	\$ 608,910	1	2.6%
CSX Transportation	198,337	2	0.6%	107,133	6	0.5%
Amazon	175,970	3	0.5%			
Baltimore Hotel Corporation	165,823	4	0.5%			
Harbor East Limited - Parcel B	164,811	5	0.5%			
Verizon - Maryland	161,693	6	0.5%	372,966	2	1.6%
Harbor East Limited	156,249	7	0.5%	111,292	5	0.5%
100 East Pratt Street Business	145,000	8	0.4%	139,884	4	0.6%
JBG/Baltimore SSA, LLC	137,047	9	0.4%			
Baltimore Center Associates	95,400	10	0.3%	160,438	3	0.7%
ABB South Street Associates, LLC				69,000	7	0.3%
TMCT, LLC				63,000	8	0.3%
Candler Associates, LLC				62,996	9	0.3%
U.S. Bank National				62,703	10	0.3%
Total	\$ 2,154,194		6.5%	\$ 1,758,322		7.5%

Debt Capacity

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

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

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

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

N/A Information not available

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

(Expressed in Thousands)

Fiscal Year	General Obligation Bonds	Funds Available for Debt Service Funds(b)	Net General Bonded Debt	Percentage of Actual Taxable Value of Property	Per Capita(a)
2007	\$ 609,950	\$ 30,296	\$ 579,654	2.31%	\$ 909.33
2008	646,533	82,579	563,954	1.92	885.44
2009	629,018	41,240	587,778	1.72	922.12
2010	631,993	41,319	590,674	1.58	950.84
2011	630,957	36,261	594,696	1.54	957.66
2012	570,148	36,796	533,352	1.69	856.90
2013	569,097	45,523	523,574	1.45	841.62
2014	528,082	49,947	478,135	1.33	767.73
2015	556,779	51,130	505,649	1.42	813.14
2016	579,395	62,486	516,909	1.21	N/A

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

(b) Externally restricted for repayment of principal on debt, now shown in the general fund.

N/A Information not available.

CITY OF BALTIMORE
Direct and Overlapping Governmental Activities Debt
June 30, 2016

The City of Baltimore has no Overlapping Debt.

CITY OF BALTIMORE
Legal Debt Margin Information
June 30, 2016

The City has no Legal Debt Margin

CITY OF BALTIMORE
Pledged Revenue Coverage
June 30, 2016

(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	
2007	\$ 111,052	\$ 81,722	\$ 29,330	\$ 2,920	\$ 15,818	1.57	\$ 151,462	\$ 110,877	\$ 40,585	\$ 9,405	\$ 16,631	1.56
2008	131,233	84,223	47,010	3,574	16,279	2.37	157,974	118,600	39,374	13,027	13,517	1.48
2009	120,292	94,547	25,745	3,273	20,692	1.07	161,061	121,123	39,938	13,480	22,133	1.12
2010	129,579	88,394	41,185	8,036	20,202	1.56	166,072	115,762	50,310	16,822	25,627	1.19
2011	129,292	90,586	38,706	8,036	22,507	1.27	160,076	110,131	49,945	20,090	25,031	1.11
2012	132,340	95,386	36,954	8,937	22,239	1.19	179,873	119,356	60,517	22,595	27,412	1.21
2013	154,680	100,845	53,835	10,344	23,544	1.59	183,521	125,215	58,306	22,675	28,910	1.13
2014	158,678	113,947	44,731	10,830	21,126	1.40	221,181	123,993	97,188	24,083	27,141	1.90
2015	176,439	111,855	64,584	12,250	27,894	1.61	216,428	123,799	92,629	24,952	33,151	1.59
2016	160,865	139,981	20,884	15,880	33,432	0.42	229,300	126,379	102,921	31,485	39,389	1.45

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	
2007							\$ 62,706	\$ 8,509	\$ 54,197	\$ 5,080	\$ 6,967	\$ 4.50
2008							69,868	10,622	59,246	5,815	8,956	4.01
2009							64,380	12,170	52,210	6,060	14,224	2.57
2010							67,760	10,866	56,894	6,915	9,352	3.50
2011							83,040	10,728	72,312	7,250	8,934	4.47
2012							81,476	10,937	70,539	8,395	10,324	3.77
2013							83,542	9,737	73,805	8,410	9,829	4.05
2014	\$ 27,511	\$ 13,585	\$ 13,926	\$ 436	\$ 466	15.44	87,398	10,919	76,479	9,280	9,407	4.09
2015	25,971	10,632	15,339	441	441	17.39	85,634	7,133	78,501	9,800	8,753	4.23
2016	27,807	14,641	13,166	616	140	17.65	87,145	6,662	80,483	10,350	8,217	4.33

Fiscal Year	Convention Center Revenue Bonds				
	Convention Center Revenues	Net Available Revenue	Debt Service		Coverage
			Principal	Interest	
2007	\$ 4,523	\$ 4,523	\$ 2,280	\$ 2,310	0.99
2008	4,516	4,516	2,193	2,395	0.98
2009	4,463	4,463	2,515	2,070	0.97
2010	4,344	4,344	2,645	1,794	0.98
2011	4,654	4,654	2,770	1,796	1.02
2012	4,655	4,655	2,935	1,637	1.02
2013	4,577	4,577	3,095	1,475	1.00
2014	4,560	4,560	3,260	1,302	1.00
2015	5,968	5,968	3,435	1,118	1.31
2016	4,517	4,517	3,625	924	0.99

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

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Demographic and Economic Information

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CITY OF BALTIMORE
Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year	Population(a)	Personal Income(b) <i>(thousands of dollars)</i>	Per Capita Personal Income(c)	Total Employment(d)	Unemployment Rate(d)
2007	620,306	\$ 20,904,186	\$ 33,700	259,986	6.4%
2008	620,184	22,096,630	35,629	260,431	6.5
2009	620,509	22,546,020	36,335	252,544	10.2
2010	620,961	23,249,014	37,440	262,347	11.2
2011	620,792	24,442,687	39,373	264,134	10.6
2012	622,705	25,137,871	40,369	267,128	10.2
2013	623,215	25,315,577	40,621	267,697	9.7
2014	623,711	26,423,706	42,365	269,052	8.6
2015	621,849	N/A	N/A	272,756	8.0
2016	N/A	N/A	N/A	N/A	N/A

Source:

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

N/A Information not available

CITY OF BALTIMORE
Principal Employers
Current Year and Nine Years Ago

Employer	2016			2007		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Government [1]						
State	34,358	1	10.23%	39,399	1	11.28%
Other Government authority (City, School, etc.)	24,147	2	7.19	27,661	2	7.92
Federal	10,317	3	3.07	8,255	3	2.36
Subtotal Government	<u>68,822</u>		<u>20.49</u>	<u>75,315</u>		<u>21.57</u>
Ten Largest Private Sector Employers [2]						
Johns Hopkins University	25,000	1	7.45	24,500	1	7.02
Johns Hopkins Hospital and Health System	19,340	2	5.76	13,800	2	3.95
University of Maryland Medical System	9,830	3	2.93	10,800	3	3.09
University System of Maryland	9,111	4	2.71	6,700	4	1.92
MedStar Health	6,027	5	1.80			
LifeBridge Health - Sinai	5,316	6	1.58	5,100	5	1.46
Mercy Health Services	4,028	7	1.20	2,600	9	0.74
St. Agnes HealthCare	3,267	8	0.97	3,100	6	0.89
Exelon / Constellation Energy / BGE	2,952	9	0.88	2,700	8	0.77
Kennedy Krieger Institute	2,417	10	0.72	2,200	10	0.63
Abacus				3,000	7	0.86
Subtotal Ten Largest Private Sector Employer	<u>87,288</u>		<u>26</u>	<u>74,500</u>		<u>21.33</u>
Total Government and Ten Largest Private Sector Employers	<u><u>156,110</u></u>		<u><u>46.49%</u></u>	<u><u>149,815</u></u>		<u><u>42.90%</u></u>

Source:

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

[2] For the private sector: Department of Business and Economic Development data file as of November 2016; For 2007, City of Baltimore Comprehensive Annual Financial Report for Fiscal Year 2007.

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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General government	1,690	1,720	1,733	1,725	1,700	1,754	1,674	1,666	1,700	1,577
Public safety										
Police	3,937	3,930	3,909	3,897	3,897	3,892	3,796	3,608	3,444	3,259
Fire	1,743	1,796	1,800	1,795	1,795	1,789	1,732	1,699	1,699	1,639
Other	752	766	793	795	791	721	683	695	700	813
Conservation of health	671	761	883	878	875	873	862	719	890	842
Public library	418	437	430	432	430	399	399	394	391	389
Recreation and parks	364	369	404	400	399	389	368	385	310	327
Highways and streets	1,518	1,523	1,514	1,499	1,458	1,382	1,352	1,331	1,428	1,024
Public works										
Water	900	901	893	878	875	850	893	857	717	899
Wastewater	1,059	1,031	1,014	1,011	1,012	991	985	1,096	797	694
Solid waste	863	899	876	875	856	889	853	705	802	995
Other	606	607	627	621	625	579	537	682	504	487
Public service	68	68	68	68	67	62	70	260	65	73
Economic development	541	518	598	564	563	554	560	461	559	426
	15,130	15,326	15,542	15,438	15,343	15,124	14,764	14,558	14,006	13,444

Source: Baltimore City Bureau of Budget and Management Research

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

Function/program	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<i>Police</i>										
Arrests*	81,105	75,552	72,106	62,341	56,606	53,169	45,275	44,110	33,462	25,339
<i>Fire</i>										
Fire Suppression Units Dispatched	132,560	137,272	136,003	135,421	121,483	129,977	137,677	140,718	143,889	147,249
Structural Fires	2,275	2,177	2,100	2,154	2,460	2,682	2,401	1,839	2,541	2,377
EMS Transports	89,331	88,831	86,128	86,985	86,901	90,615	94,883	92,225	92,094	97,502
Inspections	23,630	26,594	25,654	24,156	N/A	N/A	N/A	N/A	N/A	24,339
<i>Solid Waste</i>										
Refuse Collected (tons)	206,333	195,601	181,397	148,077	145,345	144,926	142,543	149,137	155,624	149,582
Recyclables Collected (tons)	12,085	14,736	15,914	25,836	25,557	24,929	26,468	25,248	28,979	28,253
<i>Water/Wastewater</i>										
Number of Accounts	439,327	439,676	440,215	441,209	445,335	446,142	450,427	454,008	426,642	407,000
Average Daily Water Production (MGD)	251	226	226	218	218	218	218	220	223	193
Average Daily Sewage Treatment (MGD)	210	192	192	192	208	208	208	208	199	205
<i>Transportation (DOT)</i>										
Miles Streets Resurfaced/Reconstructed	136.6	220.2	188.1	152.0	185.0	189.0	98.0	101.0	122	122
Potholes Repaired	105,003	106,709	120,135	127,727	105,731	81,191	74,457	126,432	126,771	122,985
Traffic Citations Issued **	4,488	4,909	3,186	1,341	63	63	63	118	88	140
Parking Citations Issued	400,263	368,099	389,642	379,633	388,338	355,344	331,067	341,384	380,239	405,721
Traffic Signals Repaired	9,737	5,513	5,124	6,901	5,538	4,751	4,312	4,645	4,450	4,328
Street Lights Repaired	27,459	24,847	22,008	25,415	29,012	29,633	28,096	25,091	24,254	21,311
<i>Housing</i>										
Number of inspections (housing and code enforcement)	180,073	190,031	198,742	206,467	363,720	267,508	270,607	254,871	254,646	196,698
Number of permits issued	38,455	34,565	33,068	36,630	27,600	25,307	24,537	28,351	27,060	30,183
Property Management Service Requests Completed***	36,810	83,207	82,311	28,971	31,987	41,995	60,585	78,824	78,824	44,452
<i>Recreation and Parks</i>										
Enrollment at Recreation Centers	141,232	142,009	139,632	135,547	154,528	169,608	146,598	138,103	144,077	158,483
Permits Issued for Park Facilities	723	698	789	653	741	1,518	1,581	1,616	1,894	1,935
<i>Library</i>										
Volumes in Circulation (millions)	2.6	2.5	2.5	2.6	2.6	2.0	2.4	2.2	2.3	2.2
Volumes Borrowed (millions)	1.4	1.3	1.5	1.5	1.7	1.7	1.7	1.3	1.3	1.2

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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<i>Police/Sheriff</i>										
Buildings	10	10	10	10	13	12	16	16	16	16
Marked patrol units	466	473	471	487	479	373	403	463	576	480
Other vehicles	654	639	645	633	616	602	448	311	309	510
<i>Fire Stations</i>										
Buildings	39	39	39	39	39	41	61	62	62	62
Fire/EMS apparatus (tankers/ladders/medics/ fleet)	160	160	160	160	137	122	154	142	138	155
Other vehicles	168	164	164	164	176	235	142	217	228	224
<i>Recreation and Parks</i>										
Buildings	148	148	148	148	148	148	210	210	210	210
Acreage	5,827	5,827	5,827	5,827	5,827	5,827	5,827	5,827	5,827	4,874
Vehicles	129	125	119	123	120	119	120	121	120	121
Equipment	309	295	286	296	183	157	157	158	151	145
<i>Public Works (Transportation, Solid Waste, and General Services)</i>										
Buildings	30	30	30	30	30	82	119	119	119	119
Vehicles	971	980	968	952	984	967	942	1,017	987	981
Equipment	509	515	503	515	595	545	552	538	537	534
Streets (miles)	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
<i>Water/Wastewater/Stormwater</i>										
Treatment plants	5	5	5	5	5	5	5	5	5	5
Other buildings	31	31	31	31	31	95	221	221	221	221
Vehicles	625	615	608	599	632	608	631	641	636	594
Equipment	412	420	418	429	495	487	489	482	481	466
Water mains (miles)	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,669	3,692
Water treatment capacity (MGD)	360	360	360	360	360	360	360	360	360	360
Sanitary sewers (miles)	1,340	1,335	1,335	1,335	1,335	1,335	1,335	1,335	1,361	1,380
Storm sewers (miles)	1,080	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,108	1,108
Wastewater treatment capacity (MGD)	253	253	253	253	253	253	253	253	253	253
<i>Libraries</i>										
Buildings	33	34	34	34	22	30	30	29	24	24
Vehicles	17	17	16	16	20	18	16	17	17	16
<i>Other-General Government</i>										
Buildings	1,353	1,353	1,353	1,353	4,250	4,250	132*	132*	132*	132
Vehicles	211	799	1,017	1,141	753	907	869	514	175	532
Equipment	62	66	64	61	249	151	101	72	14	76

* 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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**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***



REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have jointly audited, in accordance with 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Baltimore, Maryland (the City), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 28, 2017.

Internal Control over Financial Reporting

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

The City Auditor did not have an external peer review by an unaffiliated audit organization as required by Chapter 3 of *Government Auditing Standards* at least once every three years. The last external peer review was for the period ending December 31, 2011. The City Auditor is in the process of engaging an unaffiliated audit organization to conduct an external peer review for the five-year period ending December 31, 2016.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questions costs, we identified certain deficiencies in internal control that we consider to be material weaknesses as items 2016-001 and 2016-002.



A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in accompanying schedule of findings and responses to be material weaknesses (See finding 2016-001 and 2016-002). A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

The City’s Response to Findings

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

Purpose of this Report

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

June 28, 2017

SB & Company, LLC
Independent Public Accountants

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

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**AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE AND
REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED
BY UNIFORM GUIDANCE**



Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance and Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the City of Baltimore, Maryland's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016. The City of Baltimore, Maryland's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, contracts, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Baltimore, Maryland's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform

the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Baltimore, Maryland's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

As described in the accompanying schedule of findings and questioned costs, the City of Baltimore, Maryland did not comply with requirements regarding CFDA 93.568, Low-Income Home Energy Assistance Program as described in finding number 2016-004 for Eligibility. Compliance with such requirements is necessary, in our opinion, for the City of Baltimore, Maryland to comply with the requirements applicable to that program.

Qualified Opinion on the Low-Income Home Energy Assistance Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the City of Baltimore, Maryland complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Low-Income Home Energy Assistance Program for the year ended June 30, 2016.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the City of Baltimore, Maryland complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2015-001 through 2015-003 and 2015-005 through 2015-019. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2016-001, 2016-004, 2016-005, and 2016-007 to be a material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2016-018 to be a significant deficiency.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Baltimore, Maryland as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Baltimore, Maryland's basic financial statements. We issued our report thereon dated June 28, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Robert L. McCarty, Jr., CPA
City Auditor
Baltimore, Maryland
September 29, 2017

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2016

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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE
AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY UNIFORM GUIDANCE**

**CITY OF BALTIMORE – SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2016**

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Passed Through to Subrecipients</i>	<i>Total Federal Expenditures</i>
U.S. DEPARTMENT OF AGRICULTURE				
Pass-Through Maryland State Department of Education Child and Adult Care Food Program FY2010	10.558	014-220	\$ -	\$ 4,223
Child Nutrition Cluster				
Summer 2015 Food Service Program for Children	10.559	347041		1,902,645
Summer 2016 Food Service Program for Children	10.559	347041		113,534
Total Child Nutrition Cluster				<u>2,016,179</u>
Total Maryland State Department of Education				<u>2,020,402</u>
Pass-Through Maryland State Department of Health and Mental Hygiene				
Women, Infants and Children Food Program (WIC) FY2010	10.557	WI 213 WIC		243,459
Women, Infants and Children Food Program (WIC) FY2012	10.557	WI 213 WIC		23,586
Women, Infants and Children Food Program (WIC) FY2013	10.557	WI 213 WIC		40,274
Women, Infants and Children Food Program (WIC) FY2015	10.557	WI 213 WIC		174,036
Women, Infants and Children Food Program (WIC) FY2016	10.557	WI 213 WIC		2,073,064
Total Special Supplemental Nutrition Program for Women, Infants, and Children				<u>2,554,419</u>
Pass-Through Maryland State Department of Human Resources				
Supplemental Nutrition Assistance Prg - DHR/BCDSS Food Stamp Employment	10.561	BCDSS/FIA-16-049		59,776
Supplemental Nutrition Assistance Prg - DHR/BCDSS Food Stamp Employment	10.561	BCDSS/FIA-15-049		42,250
Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program				<u>102,026</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE				<u>4,676,847</u>
U.S. DEPARTMENT OF COMMERCE				
Direct Grants				
Minority Business Development Agency (MBDA) Business Center	11.805			240,908
Minority Business Development Agency (MBDA) Business Center	11.805			3,091
Minority Business Development Agency (MBDA) Business Center	11.805		5,675	15,046
Total MBDA Business Center			<u>5,675</u>	<u>259,045</u>
Pass-Through Maryland State Department of Natural Resources				
CoastSmart Communities Grant - Coastal Zone Management Administration Awards	11.419	14-15-1978 CZM 125		40,009
TOTAL U.S. DEPARTMENT OF COMMERCE				<u>299,054</u>

**CITY OF BALTIMORE – SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2016**

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Passed Through to Subrecipients</i>	<i>Total Federal Expenditures</i>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Direct Grants				
Uplands-Homeownership I-II - Construction Program - Multifamily Property Disposition	14.199		\$ -	\$ 779,690
CDBG-Entitlement Grant Cluster				
CDBG-31	14.218			1,424
CDBG-32	14.218			122,084
CDBG-33	14.218			18,859
CDBG-35	14.218		37,440	290,214
CDBG-36	14.218			90,939
CDBG-37	14.218			33,357
CDBG-38	14.218			78,642
CDBG-40	14.218		1,703,504	2,739,307
CDBG-41	14.218		3,139,611	15,007,435
Total Community Development Block Grants/Entitlement Grant Cluster			<u>4,880,555</u>	<u>18,382,261</u>
Emergency Solutions Grant - Homeless Services FY2014	14.231		1,182,246	1,220,485
Emergency Solutions Grant - Homeless Services FY2014	14.231		360,797	360,797
Emergency Solutions Grant - Homeless Services FY2015	14.231		265,404	265,404
Emergency Solutions Grant - Homeless Services FY2016	14.231		126,620	126,620
Total Emergency Solutions Grant Program			<u>1,935,067</u>	<u>1,973,306</u>
HOME Program - Barclay Green Phase III Apts	14.239			350,000
HOME Program - Bon Secours Gibbons Apts	14.239			783,000
HOME Program - Manor South Senior Apartments	14.239			7,050
HOME Program - Mi Casa Phase III Homeownership	14.239			143,762
HOME Program - Mulberry at Park Apts	14.239			427,675
HOME Program - Orchard Rdg Rental Phas V	14.239			100,000
HOME Program - Penn Sq II-Fulton Gethsemane	14.239			759,182
HOME Program - Poppleton Phase III Apts	14.239			117,971
HOME Program - Program Income	14.239			3,241,951
HOME Program FY2014	14.239			2,130
HOME Program FY2015	14.239			17,128
HOME Program FY2016	14.239			234,438
Total Home Investment Partnerships Program				<u>6,184,287</u>

**CITY OF BALTIMORE – SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2016**

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Passed Through to Subrecipients</i>	<i>Total Federal Expenditures</i>
Housing Opportunity for Persons with AIDS (HOPWA)	14.241		\$ 1,115,593	\$ 3,541,804
Housing Opportunity for Persons with AIDS (HOPWA)	14.241			271,511
Housing Opportunity for Persons with AIDS (HOPWA)	14.241		134,590	188,022
Housing Opportunity for Persons with AIDS (HOPWA)	14.241		279,428	279,428
Housing Opportunity for Persons with AIDS (HOPWA)	14.241			92,955
Housing Opportunity for Persons with AIDS (HOPWA)	14.241		351,291	634,975
Housing Opportunity for Persons with AIDS (HOPWA)	14.241		863,440	863,440
Housing Opportunity for Persons with AIDS (HOPWA)	14.241		1,337,249	3,309,170
Total Housing Opportunities for Persons with AIDS			<u>4,081,591</u>	<u>9,181,305</u>
Healthy Neighborhood Initiative Prj - Community Development Block Grants/Brownfields Economic Development Initiative	14.246			35,802
Economic Development - Dawson Safe Haven - Economic Development Initiative-Special Project, Neighborhood Initiative and Miscellaneous Grants	14.251			2,489
Continuum of Care - FY2016	14.267		5,311,333	5,959,784
Continuum of Care - SHP FY2012	14.267			82,616
Continuum of Care - SHP FY2013	14.267		141,846	402,440
Continuum of Care - SHP FY2014	14.267		3,428,202	3,747,626
Continuum of Care - SHP FY2015	14.267		2,499,911	2,510,820
Continuum of Care - SPC FY2012	14.267		68,248	68,248
Continuum of Care - SPC FY2013	14.267		9,862	446,727
Continuum of Care - SPC FY2014	14.267		144,254	388,743
Continuum of Care - SPC FY2015	14.267		5,123,891	5,123,891
Total Continuum of Care Program			<u>16,727,547</u>	<u>18,730,895</u>
HABC - YouthWorks Summer Jobs - Moving to Work Demonstration Program	14.881			306,388
FY2014 HUD Lead Program	14.905			(96,845)
FY2015 HUD Lead Program	14.905		5,000	28,511
FY2016 HUD Lead Program	14.905			145,500
Subtotal CFDA 14.905 - Direct			<u>5,000</u>	<u>77,166</u>
Pass-Through Maryland State Department of Education Lead Demonstration IV	14.905	Unknown		1,944
Total Lead Hazard Reduction Demonstration Grant Program				<u>79,110</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				<u>55,655,533</u>

**CITY OF BALTIMORE – SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2016**

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Passed Through to Subrecipients</i>	<i>Total Federal Expenditures</i>
U.S. DEPARTMENT OF JUSTICE				
Direct Grants				
Domestic Violence Reduction Initiative (GTEAP) - Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590		\$ -	\$ 1,714
Weed and Seed - Community Capacity Development Office	16.595			4,542
Bulletproof Vest Partnership Program	16.607			37,345
DNA Backlog Reduction Program FY2012	16.741			435
DNA Backlog Reduction Program FY2013	16.741			257,366
DNA Backlog Reduction Program FY2016	16.741			18,470
DNA Capacity Enhancmt & Backlog Reductn	16.741			318,847
Total DNA Backlog Reduction Program				595,118
Gang Elimination Task Force - MSP (GETF) - Congressionally Recommended Awards	16.753			12,129
McElderry Park Revitalization Coalition - Byrne Criminal Justice Innovation Program	16.817			296,938
Post-Conviction DNA Testing - Postconviction Testing of DNA Evidence to Exonerate the Innocent	16.820			217
Pre-trial Evidenced-Based Risk and Needs Assessment FY2015 - Smart Prosecution Initiative	16.825			38,099
Equitable Sharing Program	16.922			2,857,414
Edward Byrne Memorial Justice Assistance Grant (JAG) VIII	16.738			3,673
Edward Byrne Memorial Justice Assistance Grant (JAG) VIII	16.738			261,635
FY2015 Juvenile Diversion	16.738			5,668
Justice Assistance Grant (JAG XI)	16.738			8,526
Justice Assistance Grant (JAG IX)	16.738		100,000	193,209
Justice Assistance Grant (JAG X)	16.738			64,915
Visitation Center Continuation	16.738		69,051	167,401
Pass-Through Maryland Governor's Office of Crime Control and Prevention				
City Corrections Investigation Unit	16.738	Unknown		81,235
Citywide Child Protection Review	16.738	Unknown	82,500	225,240
Edward Byrne Memorial Justice Assistance Grant (JAG) VIII	16.738	Unknown		(24,798)

**CITY OF BALTIMORE – SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2016**

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Passed Through to Subrecipients</i>	<i>Total Federal Expenditures</i>
Holiday OT Initiative	16.738		\$ -	\$ 68,196
Learning for Life Academy	16.738			9,479
Lifesaving Techniques and CPR Certification	16.738			33,363
Operation Ceasefire	16.738			27,247
Project EXILE - SAUSA	16.738			(21,667)
Sexual Assault Response II SART)	16.738			(653)
Supervised Visitation	16.738			17,953
Total Edward Byrne Memorial Justice Assistance Grant Program			251,551	1,120,622
Pass-Through Baltimore City Public School System				
BCPSS - Alternative High School FY2015	16.541			15,613
BCPSS - Alternative High School FY2016	16.541			211,884
Total Developing, Testing and Demonstrating Promising New Programs				227,497
Pass-Through Maryland State Department of Human Resources				
Family Bereavement Center	16.575			194,507
Juvenile Court Victim Specialist	16.575			(7,465)
Pass-Through Maryland Governor's Office of Crime Control and Prevention				
SART Coordination III	16.575			58,918
SART Vertical Advocacy Project	16.575		12,159	24,906
SART Vertical Advocacy Project II	16.575			763
SART Vertical Advocacy Project III	16.575			33,312
Total Crime Victim Assistance			12,159	304,941
Pass-Through Maryland Department of Public Safety and Correctional Services				
MD DPSCS SMART Grant - Support for Adam Walsh Act Implementation Grant Program	16.750			500
Pass-Through Maryland Governor's Office of Crime Control and Prevention				
Supervised Visitation, Safe Havens for Children	16.527			(47,653)
Baltimore City Youth Diversion	16.540			56,197
Pre-Adjudication and Coordination & Transition Center (PACT)	16.540			22,818
Total Juvenile Justice and Delinquency Prevention-Allocation to States				79,015
BJAG Adult Drug Court - Circuit Court	16.585			20,713
Drug Court Discretionary Grant	16.585			84,398
Total Drug Court Discretionary Grant Program				105,111

**CITY OF BALTIMORE – SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2016**

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Passed Through to Subrecipients</i>	<i>Total Federal Expenditures</i>
Domestic Violence Advocacy - Prosecution of Criminals	16.588		\$ -	\$ 217
Lethality Assessment	16.588			29,793
VAWA-Domestic Violence Victim/Witness Liaison	16.588			61,762
VAWA-DV Victim/Witness Liaison Program	16.588			25,361
VAWA-DV Victim/Witness Liaison Program	16.588			37,550
Total Violence Against Women Formula Grants				<u>154,683</u>
 COPS Hiring 2013 - Public Safety Partnership and Community Policing Grants	 16.710			 808,576
Forensic Backlog Reduction	16.742			29,999
Forensic Backlog Reduction	16.742			15,450
Total Paul Coverdell Forensic Sciences Improvement Grant Program				<u>45,449</u>
 Law Enforcement Assistance Grant - Edward Byrne Memorial Competitive Grant Program	 16.751			 1,011,443
 Pass-Through Maryland State Department of Juvenile Services				
Dept of Juvenile Services - PACT	16.523	15-IG-011/V00P6400179		97,644
Dept of Juvenile Services - PACT	16.523	15-IG-006/V00P5400184		(75,439)
Total Juvenile Accountability Block Grants				<u>22,205</u>
 TOTAL U.S. DEPARTMENT OF JUSTICE				 <u><u>7,675,905</u></u>
 U.S. DEPARTMENT OF LABOR				
Pass-Through Maryland Office of Employment and Training				
MD Energy Sector Partnership Grant - Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	17.275	P00B1400001		(13,726)
 Pass-Through Maryland Department of Labor, Licensing and Regulation				
Employment Service Cluster				
Ex-Offender - Prison to One Stop Project/Wagner Peyser	17.207	P00P64B1025-A		237,747
Ex-Offender - Prison to One Stop Project/Wagner Peyser	17.207	P00B5400520		9,068
Total Employment Service Cluster				<u>246,815</u>
 Senior Aides Program - Senior Community Service Employment Program	17.235			52
 Youth Opportunity HABC - YouthBuild	17.274			19,348

**CITY OF BALTIMORE – SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2016**

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Passed Through to Subrecipients</i>	<i>Total Federal Expenditures</i>
WIA - Job Driven National Emergency Grant - WIOA National Dislocated Worker Grants / WIA National Emergency Grants	17.277	P00P5400650	\$ -	\$ 60,441
One Baltimore Job Initiative Grant - WIA/WIOA Dislocated Worker National Reserve Demonstration Grants	17.280	P00P64B1030	56,160	701,088
Accelerating Connections to Employment (ACE) - Workforce Innovation Fund	17.283	2013 - 154		110,740
WIA/WIOA Cluster				
WIA - Adult	17.258	P00B5400555/018-A		162,588
WIA - Adult	17.258	P00B4400048-A		217,014
WIA - Adult	17.258			1,386
WIOA - Adult	17.258	P00P64B1002/1032-A		1,387,733
WIA - Youth	17.259	P00B5400018-B	48,559	273,831
WIOA - Youth	17.259	P00P64B1002-B	57,055	1,866,009
WIA - Dislocated Worker	17.278	P00B4400048-C		71,055
WIA - Dislocated Worker	17.278	P00B5400555/018-C		653,410
WIOA - Dislocated Worker	17.278	P00P64B1002/1032-C		897,972
Total WIA/WIOA Cluster			<u>105,614</u>	<u>5,530,998</u>
TOTAL U.S. DEPARTMENT OF LABOR				<u><u>6,655,756</u></u>
U.S. DEPARTMENT OF TRANSPORTATION				
Federal Transit Cluster				
Direct Grants				
Greyhound Bus Term (Intercity/Intermodal) (FTA Grant)	20.500			1,435,411
Highlandtown Transit Stop Imprvmts (FTA Grant)	20.500			24,761
Kent Street Streetscape (FTA Grant)	20.500			29,345
New East Baltimore Comm 1DB TR08313	20.500	BC440004		14,633
Preston Gardens Infrastructure TR12308	20.500	AX09135125		137,950
Baltimore City Tour Bus Facility (FTA Grant)	20.507			7,934
Pass-Through Maryland State Department of Transportation				
Ridesharing/Commuter Assistance Grant	20.507			13,155
Ridesharing/Commuter Assistance Grant	20.507	MD-95-0005		53,750
Ridesharing/Commuter Assistance Grant	20.507	MD-95-0005		1,692
Total Federal Transit Cluster				<u><u>1,718,631</u></u>

**CITY OF BALTIMORE – SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2016**

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Passed Through to Subrecipients</i>	<i>Total Federal Expenditures</i>
Highway Safety Cluster				
Maryland State Department of Transportation				
Traffic Safety - SHA	20.600		\$ -	\$ 26,048
Traffic Safety Grant - State and Community Highway Safety	20.600			105,571
Safe Route to School II (N & I) - Safety Belt Performance Grants	20.609			8,439
Total Highway Safety Cluster				140,058
Highway Planning and Construction Cluster				
Pass-Through Maryland Department of Labor, Licensing and Regulation				
DLLR - Highway/Capital Transit Construction Skills	20.205	P00B4401073		160,869
Pass-Through Maryland State Department of Transportation				
33rd and Loch Raven Intersection Imprvmt	20.205	BC420004		926,781
Annapolis Road Bridge	20.205	BC269-060-815		34,978
At Grade Rail Crossing Signing	20.205	400002		37,164
Bicycle Network Strategy	20.205	430001		23,365
Bike Share Infrastructure	20.205	BC430003/AX359852		841,180
Boston/O'Donnell Connecting Road - Phase 2	20.205	BC315-111-815		32,414
Bridge Replacement of Frederick Ave Bridge over Gwynns Falls	20.205	BC269-074-815/269-061-815		1,140,694
Bridges Safety Improvements along I-83	20.205	243-088-815		4,447
Capital Project Hwy Northern Parkway	20.205			(1,869)
Central Ave. Phase 2	20.205	BC315-075-815		420,142
Charles St Landscaping	20.205	315-055-815		9,732
Citywide ADA and Sidewalks	20.205	319-024-815		206,336
Construction of Traffic Signals and Rewiring Citywide	20.205	430002		1,559,750
Construction on CCTV Cameras & Signals Rewiring - JOC	20.205	BC319-010-815		(15,484)
D.O.T. Park Circle Intersection	20.205	BC319-012-815		405,979
Downtown Bicycle Network	20.205			20,609
Druid Hill Park	20.205			555,653
Dundalk Ave Streetscape from Eastern Ave to Baltimore City Line	20.205	BC315-087-815		2,842,961
Dwntwn Bicycle Network TR13321	20.205			11,626
East Baltimore Life Science Pk - 2A	20.205	BC440002		152,731
Eastern Ave to Ponca St to City Line	20.205	BC315-069-815		1,000
Edmondson Ave. Bridge over CSX	20.205	BC269-066-815		95,129
Eutaw St Baltimore to Lombard	20.205			251,450
Federal Resurfacing North East	20.205	315-088-815		4,576
Ferry Boat Project in Baltimore Inner Harbor - ARRA (1)	20.205	BC321-009-815/321-011-815RW		94,247
Fort Avenue Bridge over CSX	20.205	BC269-081-815		(3,153,085)
Fulton Ave Bridge TR12310	20.205	420005		36,453

**CITY OF BALTIMORE – SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2016**

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Passed Through to Subrecipients</i>	<i>Total Federal Expenditures</i>
Fulton Avenue Streetscape	20.205		\$ -	\$ 111,946
Geometric Improvements at Various Locations in Baltimore City	20.205	410006		2,892
Greenmount 29th - 43rd TR14302	20.205	420002		307,922
Hanover St Bridge over Middle Branch	20.205	BC269-073-815		21,139
Hanover Street Bridge	20.205	450002		65,246
Harford Road Bridge over Herring Run	20.205	BC269-067-815		86,551
Haven St Resurfacing/Rehab	20.205	410008		999,630
Hawkins Point Road Bridge/ Pennington Ave Empowerment, PE	20.205	BC269-059-815		163,589
Herring Run Greenway	20.205			1,566,678
I-83 Fayetts & Balto City/Co	20.205	420003		66,301
Inner Harbor East Improvements - Phase III	20.205	AX925125		14,585
ITS - Installation of Fiber and Copper Communication Systems	20.205	BC319-008-815		(48,619)
ITS Improvements - New Traffic Signals	20.205	319-017/018/022-815		9,400
Jones Falls Greenway Phase IV	20.205			16,320
Jones Falls Trail - Phase II Lanvale Ave./ Maryland Ave to Conway St.	20.205	BC318-014-815/ BC318-018-815		37,492
Key Highway #33	20.205			1,298,955
Key Highway Street Improvement	20.205	BC319-015-815		464,819
Lafayette Ave. Bridge over Amtrak	20.205	BC269-064-815		90,893
Liberty Heights & Druid Hill Park Improvements	20.205	BC322-002-815/318-023-815		562,645
Midtown Streetscape - Mt. Royal Avenue Improvements	20.205	BC315-101-815		124,960
MLK Blvd at Howard St Intersection Widening/Imprvmt	20.205	BC315-112-815/322-002-815		11,064
Mount Street Bridge Over Amtrak	20.205			32,507
National Aquarium - Center for Aquatic Life and Conservation	20.205	BC318-019-815/ BC318-020-815		180,188
North Charles St. Reconstruction from 25th St. to University Parkway	20.205	BC315-108-815		1,290,733
O'Donnell Street Bridge	20.205	269-055-815		60,892
Pavement Management System	20.205	BC315-106-815		1,709
Recons Central Ave. & Storm Drain Eastern Ave. to N Madison St.	20.205	BC320-001-815		2,756,094
Reconst Broening Highway from Holabird Ave. to Colgate Creek & Keith Ave.	20.205	315-099/100-815		4,594,140
Reconst East North Avenue from Aisquith St. to Wolf St.	20.205	BC315-079-815		2,938,989
Rehabilitate Roadways around East Baltimore Life Science Park	20.205	BC318-013-815		173,056
Reisterstown Rd Streetscape from Northen Pkwy to Balt. City Line	20.205	BC315-089-815		4,634,105
Remington Ave Bridge/Stoney Run	20.205	450004		4,683
Replac. Annapolis Rd over Balt/Wash Pkwy (MD 295)	20.205	BC269-077-815		91,228
Resurfacing at Various Locations, Southeast Sector IV - FY2011	20.205	BC315-105-815		1,405
Resurfacing at Various Locations, Southwest Sector III - FY2011	20.205	BC315-104-815		7,843
Resurfacing Highways - NW II	20.205			6,747
Resurfacing Highways - SW III	20.205			69,476
Resurfacing Northwest - Sector II TR 13305	20.205	410-002		1,766,396

**CITY OF BALTIMORE – SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2016**

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Passed Through to Subrecipients</i>	<i>Total Federal Expenditures</i>
Resurfacing Southwest - Sector III TR 13306	20.205	410-003	\$ -	\$ 11,571
Resurfacing Various Locations in Baltimore City Southeast Sec IV	20.205	BC315-095-815		19,965
Resurfacing Various Locations, Northeast Sector I - FY 2011	20.205	BC315-102-815		1,405
Resurfacing Various Locations, Northeast Sector I - FY 2012	20.205	BC315-113-815		48,770
Resurfacing Various Locations, Northeast Sector I	20.205	410-001		429,642
Resurfacing Various Locations, Northwest Sector II - FY 2011	20.205	BC315-103-815		1,739
Resurfacing Various Locations, Northwest Sector II - FY 2012	20.205	BC315-114-815		159,185
Resurfacing Various Locations, Southeast Sector IV	20.205			93,066
Resurfacing Various Locations, Southeast Sector IV - FY 2012	20.205	BC315-116-815		773
Resurfacing Various Locations, Southwest Sector III - FY 2012	20.205	BC315-115-815		18,948
Roland Park Complete Sts.	20.205	410-007		3,442,348
Russell Street & Monroe Street Ramp to Russell Street over CSXT	20.205	BC269-084-815		303,901
SE Transportation Action Plan Intersection Improvements (Act.10)	20.205	BC315-109-815		433,877
Sinclair Lane Bridge over CSX Rail Road - Rehabilitation	20.205	BC318-016-815		43,267
Sisson Street over CSX	20.205			53,629
Star Spangled Heritage Trails	20.205	315-110-815		5,125
Traffic Safety Improvement	20.205	319-003-815		112,373
Variable Message Signs	20.205	BC319-007-815		5,614
Washington Blvd./I-95 Reconstruction	20.205	BC315-062-815		4,603
West Baltimore Trail	20.205	318-021-815/318-022-815		17,607
WIC - Infrastructure	20.205			193,377
Wilkens Ave. Bridge over Gwynns Falls	20.205	BC269-071-815		120,050
York Road Rehabilitation 43 St to Glenwood Avenue	20.205	BC315-107-815		6,531
Total Highway Planning and Construction				36,811,793
Amtrak Baltimore and Potomac RR Tunnel - High-Speed Corridors and Intercity Passenger Rail Service Capital Assistance Grants	20.319			194,332
Pass-Through Baltimore Metropolitan Council				
Unified Plng Work Prg-Metropolitan Transportation Planning and State and Non-Metroplitan Planning and Research	20.505			39,391
Pass-Through Maryland Emergency Management Agency				
FY2015 Hazardous Materials Emergency Preparedness	20.703			8,252
FY2016 Hazardous Materials Emergency Preparedness	20.703			244,787
TOTAL CFDA 20.703 - Interagency Hazardous Materials Public Sector Training and Planning Grants				253,039
TOTAL U.S. DEPARTMENT OF TRANSPORTATION				39,157,244

**CITY OF BALTIMORE – SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2016**

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Passed Through to Subrecipients</i>	<i>Total Federal Expenditures</i>
U.S. DEPARTMENT OF TREASURY				
Direct Grant				
Equitable Sharing Program	21.016		\$ -	\$ 262,918
TOTAL U.S. DEPARTMENT OF TREASURY				<u>262,918</u>
ENVIRONMENTAL PROTECTION AGENCY				
Direct Grant				
Healthy Homes - Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Related to the Clean Air Act	66.034		3,048	28,503
TOTAL ENVIRONMENTAL PROTECTION AGENCY				<u>28,503</u>
U.S. DEPARTMENT OF ENERGY				
Pass-Through Maryland State Department of Housing and Community Development				
DOE Weatherization	81.042	R340649	19,761	19,761
DOE Weatherization	81.042	R340649	16,625	41,834
DOE Weatherization	81.042	R340649		27,625
DOE Weatherization	81.042	R340649		1,717
DOE Weatherization	81.042	R340649	19,930	47,476
Weatherization Assistance	81.042			(20,946)
TOTAL U.S. DEPARTMENT OF ENERGY			<u>56,316</u>	<u>117,467</u>
U.S. DEPARTMENT OF EDUCATION				
Pass-Through Maryland State Department of Education				
Special Education Cluster (IDEA)				
Infants and Toddlers	84.027	144555	1,760	21,316
Infants and Toddlers	84.027	154799	41,619	45,257
Infants and Toddlers	84.027	900559-02		95
Infants and Toddlers	84.027	104587-02		601
Infants and Toddlers	84.027	124730-02		194
Infants and Toddlers	84.027	165263	81,389	292,331
Infants and Toddlers - Supplemental	84.027		81,444	81,444
Infants and Toddlers	84.173	104587-03		100
Infants and Toddlers	84.173	154799	3,201	3,481
Infants and Toddlers	84.173	900559-03		16
Infants and Toddlers	84.173	124730-03		24
Infants and Toddlers	84.173	144555	52	627
Infants and Toddlers	84.173	165264	10,852	38,977
Total Special Education Cluster (IDEA)			<u>220,317</u>	<u>484,463</u>

**CITY OF BALTIMORE – SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2016**

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Passed Through to Subrecipients</i>	<i>Total Federal Expenditures</i>
Infants and Toddlers	84.181	104587-01	\$ -	\$ 3,604
Infants and Toddlers	84.181	154799	275,327	299,394
Infants and Toddlers	84.181	124730-01		1,068
Infants and Toddlers	84.181	900559-01		637
Infants and Toddlers	84.181	144555	2,847	34,482
Infants and Toddlers	84.181	165262	173,629	540,742
Total Special Education-Grants for Infants and Families			<u>451,803</u>	<u>879,927</u>
TOTAL U.S. DEPARTMENT OF EDUCATION				<u>1,364,390</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Pass-Through Maryland State Department of Health and Mental Hygiene				
Public Health Preparedness and Response	93.283	CH 831 PHP	54,068	414,883
Direct Grants				
Alcohol Exposed Pregnancy Intervention	93.283			13,375
Total Centers for Disease Control and Prevention-Investigations and Technical Assistance			<u>54,068</u>	<u>428,258</u>
Pass-Through Maryland State Department of Health and Mental Hygiene				
Surveillance (AIDS)	93.944	AD 407 SUR		7,310
Surveillance (AIDS)	93.944	AD 407 SUR		1,378
Surveillance (AIDS)	93.944	AD 407 SUR		15,922
Direct Grants				
HIV Infections for MSM	93.944		529,382	1,070,384
HIV Infections for MSM of Color	93.944		107,269	155,550
Total Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance			<u>636,651</u>	<u>1,250,544</u>
Direct Grants				
Sexually Transmitted Disease Accelerated Prevention Campaign FY2014	93.977		275,113	433,715
Sexually Transmitted Disease Accelerated Prevention Campaign FY2015	93.977			151,925
Sexually Transmitted Disease Accelerated Prevention Campaign FY2016	93.977		58,709	69,084
Sexually Transmitted Disease Control Program	93.977			(283,175)
Sexually Transmitted Disease Surveillance Network	93.977			(30,550)
Sexually Transmitted Disease Surveillance Network	93.977		26,326	18,732
Sexually Transmitted Disease Surveillance Network	93.977			417

**CITY OF BALTIMORE – SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2016**

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Passed Through to Subrecipients</i>	<i>Total Federal Expenditures</i>
Pass-Through Maryland State Department of Health and Mental Hygiene				
Sexually Transmitted Disease/HIV Partner Counseling & Referral Svcs (PCRS)	93.977	CH 051 STD	\$ 25,906	\$ 25,906
Sexually Transmitted Disease/HIV Partner Counseling & Referral Svcs (PCRS)	93.977	CH 051 STD	22,176	22,176
Total Preventive Health Services-Sexually Transmitted Diseases Control Grants			408,230	408,230
Direct Grants				
Healthy Homes - Asthma - Innovations in Applied Public Health Research	93.061			(1,440)
Tuberculosis Elminiation and Laboratory	93.116			45,951
Tuberculosis Elminiation and Laboratory	93.116			834
Tuberculosis Elminiation and Laboratory	93.116			142,878
Tuberculosis Elminiation and Laboratory	93.116			(152,112)
Tuberculosis Elminiation and Laboratory	93.116			(126,560)
Tuberculosis Elminiation and Laboratory	93.116			(98,737)
Total Project Grants and Cooperative Agreements for Tuberculosis Control Programs				(187,746)
Office of Adolescent Hlth - Teenage Pregnancy Prevention Program	93.297		537,119	647,912
CAA Children's Services - Head Start FY2010	93.600			5,666
CAA Children's Services - Head Start FY2011	93.600			5,501
CAA Children's Services - Head Start FY2012	93.600			462
CAA Children's Services - Head Start FY2013	93.600		327,060	483,894
CAA Children's Services - Head Start FY2014	93.600			92,426
CAA Children's Services - Head Start FY2015	93.600		58,447	58,447
CAA Children's Services - Head Start FY2016	93.600		4,355,481	4,614,250
Early Head Start	93.600			140,707
Early Head Start	93.600			394,524
Total Head Start			4,740,988	5,795,877
HIV Emergency	93.914		505,845	505,845
HIV Emergency	93.914		358,956	358,956
HIV Emergency	93.914		12,016,947	12,016,947
HIV Emergency	93.914		872	872
HIV Emergency - Minority AIDS Initiative (MAI)	93.914		685	685
Ryan White II - A - Minority AIDS	93.914		2,688,199	2,688,199
Ryan White II - A - Minority AIDS	93.914		77,963	77,963
Ryan White II - A - Minority AIDS	93.914		1,384,718	1,384,718
Total HIV Emergency Relief Project Grants			17,034,185	17,034,185
	19			

**CITY OF BALTIMORE – SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2016**

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Passed Through to Subrecipients</i>	<i>Total Federal Expenditures</i>
Healthy Start FY2005 - Healthy Start Initiative	93.926		\$ -	\$ 9,380
Family Planning Research - Family Planning-Service Delivery Improvement Research Grants	93.974			422
Community Approaches Reducing STDs	93.978		230,065	282,789
Community Approaches Reducing STDs	93.978			9,197
Total Preventive Health Services-Sexually Transmitted Diseases Research, Demonstrations, and Public Information and Education Grants			<u>230,065</u>	<u>291,986</u>
Pass-Through Maryland State Department of Health and Mental Hygiene				
Public Health Emergency Preparedness	93.069	CH 831 PHP	23,211	93,793
Public Health Emergency Preparedness (PHER) Phase IV	93.069	PRO 24 PHP		435
Total Public Health Emergency Preparedness			<u>23,211</u>	<u>94,228</u>
Greater Baltimore Asthma Alliance - Environmental Public Health and Emergency Response	93.070	FHA 69 AST		(1,580)
PHEP Ebola Supplemental - Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	PR 051 PHP		34,713
ACA - Personal Responsibility Education Program	93.092	FHB 66 PRE	132,449	245,000
ACA - Personal Responsibility Education Program	93.092	FHB 66 PRE	86,388	122,631
Total Affordable Care Act (ACA) Personal Responsibility Education Program			<u>218,837</u>	<u>367,631</u>
RW Part D Women, Infant, Children, Youth Health Support - Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153	AD 431 WIC	341,980	341,980
HIV Integration into Family Planning	93.217	FH 771 HIV		62,199
Reproductive Health/Family Planning	93.217	FH 201 FFP		5,629
Reproductive Health/Family Planning	93.217	FH 201 FFP	29,570	184,651
Reproductive Health/Family Planning	93.217	FH 201 FFP	8,357	8,357
Routine HIV Testing	93.217	FHD 12 HIV		310,287
Routine HIV Testing	93.217	FHD 12 HIV	8,732	34,241
Total Family Planning-Services			<u>46,659</u>	<u>605,364</u>
Affordable Care Act (ACA) - Abstinence Education Program	93.235	FHE 41 ABS	22,047	89,167

**CITY OF BALTIMORE – SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2016**

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Passed Through to Subrecipients</i>	<i>Total Federal Expenditures</i>
No Wrong Door - Substance Abuse and Mental Health Services- Projects of Regional and National Significance	93.243	AD 687 NWD	\$ 57,381	\$ 69,182
Baltimore City Immunization Program FY2011	93.268	CH 054 IMM		2,870
Baltimore City Immunization Program FY2014	93.268	CH 054 IMM		141
Baltimore City Immunization Program FY2015	93.268	CH 054 IMM		35,309
Baltimore City Immunization Program FY2016	93.268	CH 054 IMM		677,319
Baltimore City Immunization Program FY2016 - Vaccine (1)	93.268	CH 054 IMM		618,242
Immunization - Hepatitis B	93.268	CH 350 IMM		34,575
Immunization - Hepatitis B	93.268	CH 350 IMM		58,948
Total Immunization Cooperative Agreements				<u>1,427,404</u>
Community Based Prg to Test & Cure Hep C	93.270	AD 712 HCV	26,255	99,898
Community Based Prg to Test & Cure Hep C	93.270	AD 712 HCV		3,279
Total Adult Viral Hepatitis Prevention and Control			<u>26,255</u>	<u>103,177</u>
Home Visiting Planning	93.505	FHB 64 HVP	41,209	41,209
Home Visiting Planning	93.505	FHB 64 HVP	387,671	387,671
MIEC Intake Expansion Grant	93.505	FHD 39 MIC	914,129	914,129
MIEC Intake Expansion Grant	93.505	FHD39MIC	75,387	75,387
Total Affordable CARE ACT (ACT) Maternal, Infant, and Early Childhood Home Visiting Program			<u>1,418,396</u>	<u>1,418,396</u>
HIV Partner Services	93.523	AD 631 HPS		393,818
HIV Preventive Services	93.523	AD 243 PRV		158,350
Total Affordable Care ACT (ACA): Human Immunodeficiency Virus (HIV) Prevention and Public Health Fund Activities				<u>552,168</u>
Actions to Prev Obesity, Diabetes, Heart Disease	93.757	FHC 25 ODH	20,163	47,572
Actions to Prev Obesity, Diabetes, Heart Disease	93.757	FHC 25 ODH		72,388
Total State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)			<u>20,163</u>	<u>119,960</u>
Maryland Million Hearts Initiative	93.758	FHD 19 MMH	15,333	15,333
Maryland Million Hearts Initiative	93.758	FHD 19 MMH	1,235	67,594
Total Preventive Health and Health Services Block Grant Funded Solely with Prevention and Public Health Funds (PPHF)			<u>16,568</u>	<u>82,927</u>

**CITY OF BALTIMORE – SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2016**

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Passed Through to Subrecipients</i>	<i>Total Federal Expenditures</i>
Administrative Care Coordination	93.767	MA 005 EPS	\$ 174,247.00	\$ 193,835
Administrative Care Coordination	93.767	MA 005 EPS	8,601	10,995
PWC Eligibility	93.767	MA 157 ACM	641,320	641,320
Total Childeren's Health Insurance Program			<u>824,168</u>	<u>846,150</u>
 Medicaid Cluster				
Administrative Care Coordination	93.778	MA 005 EPS		82,459
Administrative Care Coordination	93.778	MA 005 EPS	441,062	1,090,322
General Transportation Services	93.778	MA 365 GTS		4,294,672
General Transportation Services	93.778	MA 365 GTS		72,194
General Transportation Services	93.778	MA 365 GTS	128,818	547,486
Healthy Start Program	93.778	MA 411 HSP	6,241	103,272
PWC Eligibility	93.778	MA 157 ACM	538,854	538,854
Total Medicaid Cluster			<u>1,114,975</u>	<u>6,729,259</u>
 Ryan White B - Consortia Services				
Ryan White B - Consortia Services	93.917	AD 419 RWS	154,113	154,113
Ryan White B - Consortia Services	93.917	AD 419 RWS	1,139,704	1,139,704
Total HIV Care Formula Grants			<u>1,293,817</u>	<u>1,293,817</u>
 Comprehensive HIV Prevention Project				
Comprehensive HIV Prevention Project	93.940			284,019
Comprehensive HIV Prevention Project	93.940			13,299
Comprehensive HIV Prevention Project	93.940		2,390,385	5,654,754
Comprehensive HIV Prevention Project	93.940		77,727	466,208
Expanded HIV Testing	93.940	AD 656 EHT		(628,504)
Expanded HIV Testing	93.940	AD 656 EHT		496,211
Health Education and Risk Reduction	93.940	AD 364 HER		(1,892)
Needle Exchange Program	93.940	AD 615 NEP	14,965	57,559
Partnership for Care	93.940	AD 714 PFC		185,347
Partnership for Care	93.940	AD 714 PFC		20,969
Total HIV Prevention Activites-Health Department Based			<u>2,483,077</u>	<u>6,547,970</u>
 Maryland Million Hearts Initiative - Preventive Health and Health Services Block Grant				
Maryland Million Hearts Initiative - Preventive Health and Health Services Block Grant	93.991	FHD 19 MMH	4,580	4,580
 CORE Public Health Services				
CORE Public Health Services	93.994	CH560CFT		597,454
CORE Public Health Services	93.994	CH560CFT	12,300	265,153
Improved Pregnancy Outcome FY2010	93.994	FH 892 IPO		252
Improved Pregnancy Outcome FY2011	93.994	FH 892 IPO		2,068

**CITY OF BALTIMORE – SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2016**

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Passed Through to Subrecipients</i>	<i>Total Federal Expenditures</i>
Improved Pregnancy Outcome FY2013	93.994	FH 892 IPO	\$ -	\$ 22,095
Improved Pregnancy Outcome FY2016	93.994	FH 892 IPO		292,474
MCH - Lead Hazard Reduction Program	93.994			63,114
Medical Home Project	93.994	CH 929 MHP		12,145
Medical Home Project	93.994	CH 929 MHP		12,357
Surveillance and Quality Improvement	93.994	FHD 62 SQI	12,853	45,238
Surveillance and Quality Improvement	93.994	FHD 62 SQI	7,406	65,938
Total Maternal and Child Health Services Block Grant to the States			<u>32,559</u>	<u>1,378,288</u>
Pass-Through Maryland State Department of Human Resources				
Cooperative Reimbursement-Child Support Enforcement	93.563			37,386
Cooperative Reimbursement-Child Support Enforcement	93.563			153,064
Total Child Support Enforcement				<u>190,450</u>
OHEP - MEAP FY2010	93.568	CSA/EA-07/04-30		67,655
OHEP - MEAP FY2012	93.568	CSA/EA-07/04-30		238,366
OHEP - MEAP FY2015	93.568	CSA/EA-07/04-30		288,218
OHEP - MEAP FY2016	93.568	CSA/EA-07/04-30		1,850,000
OHEP - MEAP FY2016	93.568	CSA/EA-07/04-30		1,173,318
Total Low-Income Home Energy Assistance				<u>3,617,557</u>
Pass-Through Maryland State Department of Aging				
Aging Cluster				
Supportive Services Title IIIB	93.044	AAA-3-24-003		794
Supportive Services Title IIIB	93.044	AAA-3-24-003	188,893	634,805
Supportive Services Title IIIB	93.044	AAA-3-24-003	141,972	360,349
Supportive Services Title IIIB (Administration)	93.044	AAA-3-24-003		429
Supportive Services Title IIIB FY2012	93.044	AAA-3-24-003		23,301
Elderly Nutrition Title IIIC-1 FY2014	93.045	AAA-3-24-003		3,779
Elderly Nutrition Title IIIC-1 FY2015	93.045	AAA-3-24-003		91,593
Elderly Nutrition Title IIIC-1 FY2016	93.045	AAA-3-24-003		987,988
Home Delivered Meals Title IIIC-2 FY2015	93.045	AAA-3-24-003		255,930
Home Delivered Meals Title IIIC-2 FY2016	93.045	AAA-3-24-003		272,832
Nutrition Services Incentive Program (NSIP)	93.053	AAA-3-24-003		221,824
Total Aging Cluster			<u>330,865</u>	<u>2,853,624</u>

**CITY OF BALTIMORE – SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2016**

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Passed Through to Subrecipients</i>	<i>Total Federal Expenditures</i>
Pass-Through Maryland State Department of Aging				
Title VII Older Americans Act Ombudsman/Elder Abuse FY2015	93.042	AAA-3-24-003	\$ -	\$ 89,556
Title VII Older Americans Act Ombudsman/Elder Abuse FY2015	93.042	AAA-3-24-003		949
Total Special Programs for the Aging-Title VII, Chapter 2- Long Term Care Ombudsman Services for Older Individuals				<u>90,505</u>
Title IIID Disease Prevention and Health Promotion Services	93.043	AAA-3-24-003		227
Title IIID Disease Prevention and Health Promotion Services	93.043	AAA-3-24-003		31,136
Total Special Programs for the Aging-Title III, Part D- Disease Prevention and Health Promotion Services				<u>31,363</u>
Older Americans Act Title IIIIE FY2013	93.052	AAA-3-24-003		4,754
Older Americans Act Title IIIIE FY2014	93.052	AAA-3-24-003		692
Older Americans Act Title IIIIE FY2015	93.052	AAA-3-24-003	13,950	119,462
Older Americans Act Title IIIIE FY2016	93.052	AAA-3-24-003	12,400	440,875
Total National Family Caregiver Support, Title III, Part E			<u>26,350</u>	<u>565,783</u>
Senior Health Insurance Program (SHIP) FY2010	93.324	ST-2515-003		59
Senior Health Insurance Program (SHIP) FY2016	93.324	ST-2515-003		146,658
Total State Health Insurance Assistance Program				<u>146,717</u>
Pass-Through Maryland State Department of the Environment				
Community Based Childhood Lead Poisoning	93.197	Unknown		39,245
Community Based Childhood Lead Poisoning	93.197	Unknown		264,821
Community Based Childhood Lead Poisoning	93.197	Unknown		4,748
Total Childhood Lead Poisoning Prevention Projects-State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children				<u>308,814</u>
Pass-Through Maryland State Department of Housing and Community Development				
Community Services Block Grant FY2010	93.569	S00P1400074-A		18,189
Community Services Block Grant FY2012	93.569	S00P3400258-A		50,471
Community Services Block Grant FY2013	93.569	S00P3400283-A		50,846
Community Services Block Grant FY2014	93.569	S00P4400271-A		271,082
Community Services Block Grant FY2015	93.569			190,270
Community Services Block Grant FY2016	93.569			1,120,576
Total Community Services Block Grant				<u>1,701,434</u>

**CITY OF BALTIMORE – SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2016**

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Passed Through to Subrecipients</i>	<i>Total Federal Expenditures</i>
Pass-Through Behavioral Health Systems Baltimore				
Alcohol Assessment Unit FY2015	93.959		\$ -	\$ 48,043
Alcohol Assessment Unit FY2016	93.959			400,521
Forensic Alternative Services Team (FAST)	93.959			544,979
Forensic Alternative Services Team (FAST)	93.959			56,553
Total Block Grants for Prevention and Treatment of Substance Abuse				<u>1,050,096</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				<u>58,338,732</u>
CORPORATION FOR NATIONAL & COMMUNITY SERVICE				
Direct Grants				
Retired and Senior Volunteer Program FY2016	94.002			138,278
Foster Grandparent/Senior Companion Cluster				
Senior Companion Program FY2016	94.016			<u>317,469</u>
TOTAL CORPORATION FOR NATIONAL & COMMUNITY SERVICE				<u>455,747</u>
EXECUTIVE OFFICE OF THE PRESIDENT				
Direct Grants				
High Intensity Drug Trafficking Areas (HIDTA)	95.001			<u>20,566</u>
TOTAL EXECUTIVE OFFICE OF THE PRESIDENT				<u>20,566</u>
U.S. DEPARTMENT OF HOMELAND SECURITY				
Direct Grants				
Assistance to Firefighters Grant FY2014	97.044			2,266,715
Fire Act Grant-Fire Prev&Safety-Smoke Alarms	97.044			<u>111,872</u>
Total Assistance to Firefighters Grant				<u>2,378,587</u>
Port Security V - Homeland Security - Port Security Grant Program	97.056			2,903
State Homeland Security Grant Program	97.073			26,917
State Homeland Security Program (SHSP)	97.073			6,138
State Homeland Security Program (SHSP)	97.073			4,003
Total State Homeland Security Program				<u>37,058</u>
Homeland Security Grant Program	97.067			479,373
Homeland Security Grant Program FY2006	97.067			2,712

**CITY OF BALTIMORE – SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2016**

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Passed Through to Subrecipients</i>	<i>Total Federal Expenditures</i>
Pass-Through Maryland Emergency Management Agency				
FY2013 State Homeland Security Grant Program	97.067		\$ 43,857.00	\$ 139,663
FY2013 Urban Area Security Initiative (UASI)	97.067			436,105
FY2015 Urban Area Security Initiative (UASI)	97.067			121,405
Homeland Security FY2015	97.067			73,125
Homeland Security Grant Program FY2007	97.067			1,779
Paramedic Strikeforce Grant FY2014	97.067			27,749
Total Homeland Security Grant Program			43,857	1,281,911
Pass-Through Maryland Emergency Management Agency				
FY2012 Urban Area Security Initiative (UASI)	97.008			544
FY2014 Urban Area Security Initiative (UASI)	97.008			1,020,032
FY2016 Non-Profit Security Program	97.008			20,634
Total Non-Profit Security Program				1,041,210
Hazard Mitigation Grant Program FY2015 - Community Assistance Program State Support Services Element (CAP-SSSE)	97.023			612,910
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY				5,354,579
<i>Total Expenditures of Federal Awards</i>			\$ 60,779,454	\$ 180,063,241

CITY OF BALTIMORE – SINGLE AUDIT
Notes to the Schedule of Expenditures of Federal Awards
FISCAL YEAR ENDED JUNE 30, 2016

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of City of Baltimore, Maryland (the “City”) under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in fund balance, or cash flows of the City.

The expenditures for federal awards under the American Recovery and Reinvestment Act of 2009 (ARRA) are separately identified on the accompanying Schedule of Expenditures of Federal Awards with the letters ARRA.

The non-cash expenditures of approximately \$1,427,404, reported under CFDA No. 93.268, Immunization Cooperative Agreements, represent the value of vaccines distributed to the City from the Maryland State Department of Health and Mental Hygiene.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The expenditures reported on the Schedule have been reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Federal and State Pass-through entity identifying numbers are presented where available.

3. INDIRECT COST RATE

The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

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PART V

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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CITY OF BALTIMORE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016
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**CITY OF BALTIMORE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

Section I - Summary of Auditors' Results

Comprehensive Annual Financial Report

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Significant deficiency(ies) identified?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> None reported
Noncompliance material to financial statements noted?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

Supplementary Schedule of Expenditures of Federal Awards

Type of auditor's report issued:	Unmodified
Internal control over major federal programs:	
Material weakness(es) identified?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Significant deficiency(ies) identified?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> None reported
Type of auditor's report issued on compliance for major federal programs:	
Low-Income Home Energy Assistance Program	Qualified
All Other Major Programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	
	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

**CITY OF BALTIMORE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

Section I - Summary of Auditors' Results

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218	CDBG - Entitlement Grant Cluster
14.241	Housing Opportunities for Persons with AIDS
14.267	Continuum of Care Program
17.258/259/278	WIA/WIOA Cluster
20.205	Highway Planning and Construction
93.044	Aging Cluster
93.568	Low-Income Home Energy Assistance Program
93.778	Medicaid Cluster
93.914	HIV Emergency Relief Project Grants (Ryan White)
93.940	HIV Prevention

Dollar threshold used to distinguish between type A and type B programs: \$3,000,000

Auditee qualified as low-risk auditee? ___ Yes X No

CITY OF BALTIMORE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Section II – Financial Statement Findings

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

Findings considered to be material weaknesses:

2016-001 – Material Weakness over Grant Accounting Function

2016-002 – Material Weakness over Financial Reporting Function

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

Finding 2016-001

Material Weakness over Grant Accounting Function

Criteria:

The City of Baltimore (the City) is responsible for properly tracking and accounting for state, Federal and other grants.

Cause:

Baltimore City Finance Department (Finance) reports grant revenue, grant account receivable and grant deferred revenue balances based on the information provided and maintained by various City departments that receive Federal, state and other grants. Finance does not have the authority to enforce timely preparation and reconciliation of grant account balances from departments. The City general ledger software, CityDynamics makes it difficult to properly track expenditures and receipts for complex multi-year grants that go across fiscal and award years. The City also does not have staff dedicated to properly account for the grant activity and related details required.

Condition:

Due to lack of formal procedures and accountability at various City departments, the City is not able to establish accurate balances of grant accounts receivable and grant deferred revenue accounts. There is a lack of communication between departments that receive grants and Finance that consolidate information received from various departments and use it to assemble financial statements. Grants expenditures and grant receipts are often allocated to wrong general ledger accounts which could lead to overcharging certain grant accounts, overstating deferred revenues for other grant accounts, and improper billings of certain grants.

Effect:

The City is not able to establish accurate balances of grant accounts receivable and grant deferred revenue accounts.

Recommendation:

We strongly recommend the City to develop a formal written procedure to timely and properly track and account for grant revenues and expenditures to be able to reconcile grant account balances from central general ledger to systems maintained at individual departments that receive grants. We also suggest that the City establish a Grants Department that would be responsible for reconciling the grant information. In addition, the City should invest into robust general ledger software that would be able to accommodate the accounting and recordkeeping for complex grants received by the City and dedicate staff to properly account for its grant activities.

Auditee Response and Corrective Action Plan:

Refer to the corrective action plan on current findings in Part VII of this report.

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

Finding 2016-002

Material Weakness over Financial Reporting Function

Criteria:

The City of Baltimore (the City) is responsible for proper accounting and disclosure of financial information in accordance with accounting principles generally accepted in the United States of America.

Cause:

City of Baltimore had a number of restatements to Fiscal Year 2015 financial statements and audit adjustments to its Fiscal Year 2016 financial statements related to grant receivables and related deferred revenue, property tax receivables, water billing receivables, capital assets, and certain internal fund balances.

Condition:

Baltimore City Finance Department (Finance) reports financial information based on the information provided and maintained by various City departments that process property tax activities, water and sewer activities, capital asset activity, and internal fund balance/transfer activity. Finance does not have the authority to enforce timely preparation and reconciliation of activity and account balances from departments. The City's general ledger software, CityDynamics, makes it difficult to properly track property tax receivables, water billings, capital assets, and certain internal fund balances. Finance does not have staff dedicated to review these transactions throughout the year and rather relies on department personnel to process transactions and Finance performs manual post-closing reviews of such balances and related activity. Due to the voluminous amount of activity in these accounts, it is difficult to perform a thorough post-closing review and detect all errors. Additionally, because of the number of errors detected, information provided throughout the year may be materially incorrect.

Finance does not have the staffing or resources to conduct a thorough review of the transactions that underlie and support the financial statements. In addition, the City does not have adequate financial reporting software that can generate financial statements for a governmental entity and requires significant manual manipulation of data to create the financial statements.

Effect:

The City had to restate financial statements for the fiscal year ended June 30, 2015 and had significant adjustments for the year ended June 30, 2016.

Recommendation:

We strongly recommend the City to develop a formal written procedure to develop monthly and year-end financial reporting procedures and checklists and to obtain more resources to assist in preparation of financial statements. We also suggest that City invests in financial reporting software that would help the City generate appropriate reports and compile financial statements.

Auditee Response and Corrective Action Plan:

Refer to the corrective action plan on current findings in Part VII of this report.

**CITY OF BALTIMORE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

Section III – Federal Award Findings and Questioned Costs

Finding #: 2016-001
CFDA #: ALL
Program Title: ALL
Federal Agency: ALL
Federal Award #: ALL
Fed Award Year: 2016
Pass-Through: N/A

Material Weakness over Schedule of Expenditures of Federal Awards (SEFA) Reporting

Condition:

During our 2016 audit, we prepared the SEFA for the City of Baltimore. We obtained information from the City’s accounting software, City Dynamics. Many times expenditure information in the accounting software differed from the expenditures reported by various City agencies. We were not able to clearly identify which amounts were accurate, so we used expenditure amounts from the accounting software. In addition, we were not able to test the SEFA as required by Uniform Guidance because much of the required information needed to be tested was not provided to the auditors, including CFDA numbers, grant award letters and budgets. In addition, we were not able to determine if we have a complete listing of the federal expenditures and subrecipient payments for all grants from the City of Baltimore.

The City of Baltimore, Department of Finance (DOF) is responsible for preparing the SEFA, based upon grant information obtained from the financial accounting records and other information provided by each department or agency. Per discussion with the DOF, we determined that grant information is not maintained by the DOF. Grant documents are necessary for the DOF to obtain required information for the SEFA, such as CFDA titles and numbers, pass through identification information and subrecipient information.

Criteria:

Per 2 CFR 200.303: The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States and the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

CITY OF BALTIMORE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Finding#: 2016-001 (continued)

Criteria: (continued)

Per 2 CFR 200.508: Auditee Responsibilities. The auditee must: (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with §200.510 Financial statements. (d) Provide the auditor with access to personnel, accounts, books, records, supporting documentation, and other information as needed for the auditor to perform the audit required by this part.

Per 2 CFR 200.510: Financial Statements. (b) Schedule of expenditures of Federal awards. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with §200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must: (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services. (2) For Federal awards received as a subrecipient, the name of the passthrough entity and identifying number assigned by the pass-through entity must be included. (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster. (4) Include the total amount provided to subrecipients from each Federal program. (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the non-Federal entity elected to use the 10% de minimis cost rate as covered in §200.414 Indirect (F&A) costs.

Cause:

The City does not maintain a centralized grant accounting function, instead each department maintains its own grant information. The lack of submission of grant documents and accurate information by the various agencies and departments to the DOF weakens internal controls over grant reporting and hinders the ability of the DOF to accurately prepare the SEFA.

Internal controls should be designed to prevent, detect or correct errors in a timely manner. Without adequate controls, the City of Baltimore cannot provide reasonable assurance that the SEFA is fairly presented. Controls have not been established by the City of Baltimore to ensure complete and accurate reporting for the SEFA for the 2016 year.

**CITY OF BALTIMORE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

Finding#: 2016-001 (continued)

Effect:

The determination of which major programs will be audited are affected by the accuracy of the SEFA at the time of audit. Failure to develop internal controls over reporting could jeopardize future federal funding and report its financial information inaccurately.

Questioned Costs:

Unknown.

Recommendation:

We recommend that the DOF establish policies and procedures to ensure that the federal funds are properly identified and reported accurately on the SEFA in accordance with Uniform Guidance requirements. We also recommend that individuals responsible for administering federal assistance programs with the City of Baltimore receive training in grant administration.

Auditee Response and Corrective Action Plan:

Please refer to the attached letter from management.

**CITY OF BALTIMORE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

Finding #: 2016-002
CFDA #: 93.914
Program Title: HIV Emergency Relief Project Grants (Ryan White HIV/AIDS Program Part A)

CFDA #: 93.044, 93.045, 93.053
Program Title: Special Programs for the Aging – Title III, Parts B & C, and Nutrition Services Incentive Program

Federal Agency: Department of Health and Human Services
Federal Award #: Various
Pass-Through: N/A

Compliance and Significant Deficiency over Subrecipient Monitoring

Condition:

During our audit, management within the Baltimore City Health Department (BCHD) could not identify or provide support for subrecipient monitoring performed during 2016. In addition, management did not maintain a written plan specifying its basis for monitoring its subrecipients.

Criteria:

Per 2 CFR 200.331: Requirements for pass-through entities.

All pass-through entities must: (b) Evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the sub award for purposes of determining the appropriate subrecipient monitoring described in paragraph (e) of this section, which may include consideration of such factors as: (1) The subrecipient's prior experience with the same or similar sub awards; (2) The results of previous audits including whether or not the subrecipient receives a Single Audit in accordance with Subpart F—Audit Requirements of this part, and the extent to which the same or similar sub award has been audited as a major program; (3) Whether the subrecipient has new personnel or new or substantially changed systems; and (4) The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency). (c) Consider imposing specific sub award conditions upon a subrecipient if appropriate as described in §200.207 Specific conditions. (d) Monitor the activities of the subrecipient as necessary to ensure that the sub award is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the sub award; and that sub award performance goals are achieved. Pass-through entity monitoring of the subrecipient must include: (1) Reviewing financial and programmatic reports required by the pass-through entity. (2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.

CITY OF BALTIMORE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Finding#: 2016-002 (continued)

Criteria: (continued)

Per 2 CFR 200.514: (c) Internal control. (1) The compliance supplement provides guidance on internal controls over Federal programs based upon the guidance in Standards for Internal Control in the Federal Government issued by the Comptroller General of the United States and the Internal Control—Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Cause:

Management did not maintain a listing of subrecipients by CFDA number or federal program name, which prevented them from monitoring subrecipients within the aging program. This requirement was an administrative oversight.

Effect:

Management does not have proper controls to ensure subrecipients are monitored in a timely manner, as a result, they wouldn't be able to determine if subrecipients are in compliance with applicable federal requirements.

Questioned Costs:

None.

Recommendation:

We recommend management establish monitoring requirements for the Aging program, prepare and maintain a written plan to monitor its subrecipients.

Auditee Response and Corrective Action Plan:

Please refer to the attached letter from management.

**CITY OF BALTIMORE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

Finding #: 2016-003
CFDA #: 20.205
Program Title: Highway Planning and Construction (Federal-Aid Highway Program)
Federal Agency: Department of Transportation
Federal Award #: Various
Fed Award Year: 2011 through 2016
Pass-Through: N/A

Repeat Finding: 2015-017
Compliance and Internal Control Deficiency over Program Income

Condition:

During our audit, we systematically selected three vendors for program income testing. Monthly rental payments received during fiscal year 2016 for one vendor's lease rental payment requirements did not agree to the rent per the lease agreement.

Criteria:

Per 23 USC 156: Proceeds from the sale or lease of real property.

(a) MINIMUM CHARGE.—Subject to section 142(f), a State shall charge, at a minimum, fair market value for the sale, use, lease, or lease renewal (other than for utility use and occupancy or for a transportation project eligible for assistance under this title) of real property acquired with Federal assistance made available from the Highway Trust Fund (other than the Mass Transit Account).

(c) USE OF FEDERAL SHARE OF INCOME.—The Federal share of net income from the revenues obtained by a State under subsection (a) shall be used by the State for projects eligible under this title.

Per 2 CFR 200.514: (c) Internal control. (1) The compliance supplement provides guidance on internal controls over Federal programs based upon the guidance in Standards for Internal Control in the Federal Government issued by the Comptroller General of the United States and the Internal Control—Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). COSO requires entities to establish and maintain effective internal controls to achieve operational, reporting and compliance objectives.

Cause:

The lease agreement between the vendor and the City should have been adjusted every five years based on the Consumer Price Index (CPI). However, the City continued to bill the vendor the same amount every month since 2008.

Effect:

The monthly rent amount received is understated and the vendor owes the City the balance of the rental income for the year. The increase should have been restructured during fiscal year 2014.

**CITY OF BALTIMORE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

Finding#: 2016-003 (continued)

Questioned Costs:

\$913.20 for fiscal year 2016.

Recommendation:

We recommend management establish monitoring requirements for all vendor contracts and record adjustments as needed.

Auditee Response and Corrective Action Plan:

Please refer to the attached letter from management.

**CITY OF BALTIMORE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

Finding #: 2016-004
CFDA #: 93.568
Program Title: Low-Income Home Energy Assistance Program (LIHEAP)
Federal Agency: Department of Health and Human Services
Federal Award #: Not Noted on Award Agreement
Pass-Through: Maryland Department of Human Resources

Repeat Finding: 2015-003
Material Weakness over Eligibility

Condition:

During our audit of eligibility at the Mayor’s Office of Human Services (MOHS), of the 114 systematically selected participants in the LIHEAP program, we noted numerous inaccuracies and discrepancies. The issues identified include:

- Seven participant applications were not provided for testing,
- Original applications were missing for three participants,
- Two instances where approval signatures at MOHS were altered, either changed or added subsequent to receipt by audit team,
- MEAP award not listed on application for forty participants,
- Four instances of no proof of residency or photocopy if identification missing,
- Seven instances of duplicate payments,
- Four instances of certifier and/or intake signatures missing, and
- One instance where total income was not listed on application.

Criteria:

Per 2 CFR 200.303: The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States and the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Cause:

MOHS did not have adequate controls over the eligibility process, therefore recording and retention of supporting documentation was not properly adhered to per Uniform Guidance.

Effect:

MOHS is not in compliance with the Eligibility requirement for the LIHEAP program.

**CITY OF BALTIMORE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

Finding#: 2016-004 (continued)

Questioned Costs:

\$48,429.

Recommendation:

We recommend that MOHS implement controls over the eligibility process.

Auditee Response and Corrective Action Plan:

Please refer to the attached letter from management.

CITY OF BALTIMORE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Finding #: 2016-005
CFDA #: 93.568
Program Title: Low-Income Home Energy Assistance Program (LIHEAP)
Federal Agency: Department of Health and Human Services
Federal Award #: Not Noted on Award Agreement
Pass-Through: Maryland Department of Human Resources

Repeat Finding: 2015-013

Material Weakness over Activities Allowed and Allowable Costs (Payroll)

Condition:

During our audit, we systematically selected 54 payroll transactions to test Activities Allowed and Allowable Costs compliance requirement. We noted that MOHS did not have the required written policy on compensation per Uniform Guidance. In addition, we noted the following during our testing of payroll:

- Four employees names and/or position not noted in program budget,
- Twenty seven instances where the employee did not sign in,
- Thirteen employee summary sheets did not match employee time sheets,
- Two instances where bi-weekly summary sheets were not authorized by supervisor,
- All employees sign in but do not sign out at the end of the day,
- Two instances where the employee left in fiscal year 2015, yet were paid salaries in fiscal year 2016, and
- Three instances where a payment was made to a person that was never an employee for the LIHEAP program

Criteria:

Per 2 CFR 200.514: (c) Internal control. (1) The compliance supplement provides guidance on internal controls over Federal programs based upon the guidance in Standards for Internal Control in the Federal Government issued by the Comptroller General of the United States and the Internal Control—Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). COSO requires entities to establish and maintain effective internal controls to achieve operational, reporting and compliance objectives.

Per 2 CFR 200.430: (i) *Standards for Documentation of Personnel Expenses* (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must: (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated; (ii) Be incorporated into the official records of the non-Federal entity; (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities; (iv) Encompass both federally assisted and all other activities compensated by the non-Federal entity on an integrated basis, but may include the use of subsidiary records as defined in

**CITY OF BALTIMORE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

Finding #: 2016-005 (continued)

Criteria: (continued)

the non-Federal entity's written policy; (v) Comply with the established accounting policies and practices of the non-Federal entity; and (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

Cause:

MOHS was not aware of the Federal requirements to have written procedures for compensation for employees paid either partially or fully with Federal funds. In addition, the agency did not have proper controls in place to ensure that payroll activities allowed and allowable costs were reviewed to meet compliance requirements.

Effect:

MOHS is not in compliance with the Activities Allowed and Allowable Costs (Payroll) requirement for the LIHEAP program. Persons could be receiving payroll payments in error and MOHS could be improperly expending funds received from the Department of Health and Human Services.

Questioned Costs:

\$17,484.

Recommendation:

We recommend that the agency write procedures related to federally funded payroll (partial and full) and implement these procedures immediately. In addition, we recommend that the agency review the payroll for fictitious or former employees still listed within the payroll summary sheets.

Auditee Response and Corrective Action Plan:

Please refer to the attached letter from management.

**CITY OF BALTIMORE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

Finding #: 2016-006
CFDA #: 14.241
Program Title: Housing Opportunities for Persons with AIDS (HOPWA)
Federal Agency: Department of Housing and Urban Development
Federal Award #: Various
Pass-Through: N/A

CFDA #: 93.568
Program Title: Low-Income Home Energy Assistance Program (LIHEAP)
Federal Agency: Department of Health and Human Services
Federal Award #: Not Noted on Award Agreement
Pass-Through: Maryland Department of Human Resources

Compliance and Internal Control Deficiency over Reporting

Condition:

CFDA # 14.241: During our audit of financial reporting for the Mayor’s Office of Human Services (MOHS), we noted that the CAPER was not submitted within the required time period.

CFDA # 93.568: During our audit of financial reporting for the Mayor’s Office of Human Services (MOHS), we noted that the monthly expense report was not filed by the 15th of the following month as required by Office of Home Energy Program (OHEP) manual.

Criteria:

Per 2 CFR 200.514: (c) Internal control. (1) The compliance supplement provides guidance on internal controls over Federal programs based upon the guidance in Standards for Internal Control in the Federal Government issued by the Comptroller General of the United States and the Internal Control—Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). COSO requires entities to establish and maintain effective internal controls to achieve operational, reporting and compliance objectives.

Per HUD: HUD-40110-C, Annual Progress Report, and HUD-40110-D, Consolidated Annual Performance and Evaluation Report (CAPER) (OMB No. 2506-0133) – Both reports are due from each grantee within 90 days after the close of its program year and are used for competitive/renewal projects and for formula programs, respectively.

Cause:

MOHS did not establish controls for reporting.

Effect:

MOHS is not in compliance with the reporting compliance requirement.

**CITY OF BALTIMORE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

Finding#: 2016-006 (continued)

Questioned Costs:

None.

Recommendation:

We recommend that the agency implement procedures for reporting.

Auditee Response and Corrective Action Plan:

Please refer to the attached letter from management.

**CITY OF BALTIMORE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

Finding #: 2016-007
CFDA#: 14.267 Continuum of Care (COC) Program
CFDA#: 14.241 Housing Opportunities for Persons with AIDS (HOPWA)
Federal Agency: Department of Housing and Urban Development
Federal Award #: Various
Pass-Through: N/A

Repeat Finding: 2015-014
Material Weakness over Subrecipient Monitoring

Condition:

During our audit, we were not able to test subrecipient monitoring at the Mayor’s Office of Human Services (MOHS), because monitoring was not performed on subrecipients during the audit period to ensure that subawards were used for authorized purposes, complied with the terms and conditions of the subawards and that the subrecipients achieved their performance goals.

Criteria:

Per 2 CFR 200.514: (c) Internal control. (1) The compliance supplement provides guidance on internal controls over Federal programs based upon the guidance in Standards for Internal Control in the Federal Government issued by the Comptroller General of the United States and the Internal Control—Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). COSO requires entities to establish and maintain effective internal controls to achieve operational, reporting and compliance objectives.

Per 2 CFR 200.331: (d) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include: (1) Reviewing financial and programmatic reports required by the pass-through entity. (2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass through entity detected through audits, on-site reviews, and other means. (3) Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by §200.521 Management decision. (e) Depending upon the pass-through entity’s assessment of risk posed by the subrecipient (as described in paragraph (b) of this section), the following monitoring tools may be useful for the pass-through entity to ensure proper accountability and compliance with program requirements and achievement of performance goals: (1) Providing subrecipients with training and technical assistance on program-related matters; and (2) Performing on-site reviews of the subrecipient’s program operations; (3) Arranging for agreed-upon-procedures engagements as described in §200.425 Audit services. (f) Verify that every subrecipient is audited as required by Subpart F— Audit Requirements of this part when it is expected that the subrecipient’s Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in §200.501 Audit requirements.

**CITY OF BALTIMORE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

Finding#: 2016-007 (continued)

Cause:

MOHS did not establish internal controls over subrecipient monitoring requirements.

Effect:

Failure to monitor subrecipient's use of subaward funds to authorized purposes could result in erroneous payments to these subrecipients. MOHS is not in compliance with the Subrecipient requirement for the COC program.

Questioned Costs:

Unknown.

Recommendation:

We recommend that MOHS implement a formal monitoring program to include review of subrecipient eligibility, financial and program performance, and review of audits, if required.

Auditee Response and Corrective Action Plan:

Please refer to the attached letter from management.

**CITY OF BALTIMORE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

Finding #: 2016-008
CFDA #: 93.044, 93.045 and 93.053
Program Title: Aging Cluster
Federal Agency: Department of Health and Human Services
Federal Award #: Unknown
Pass-Through: Maryland Department of Aging

Repeat Finding: 2015-002
Compliance and Internal Control Deficiency over Reporting

Condition:

During our 2016 audit of reporting for the Aging program, we tested the final financial report for fiscal year 2015 and noted that the items reported in the report could not be reconciled to the City's accounting records. Audit noted that expenditures on the final report had a variance of \$697,917 understatement from the City's accounting system. In addition, the Baltimore City Health Department (BCHD) did not submit the report timely. The final grant closeout report is required to be submitted no later than 120 days after the end of the grant period. The report was actually submitted 135 days after the report period.

Criteria:

Per 2 CFR 200.302: Financial Management. (a) Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds. In addition, the state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award.

Per 2 CFR 200.303: The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States and the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Cause:

The BCHD did not have adequate controls in place for reporting.

Effect:

BCHD is not in compliance with the reporting requirement for the Aging program.

**CITY OF BALTIMORE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

Finding#: 2016-008 (continued)

Questioned Costs:

\$697,917.

Recommendation:

We recommend the BCHD incorporate controls to properly account for funds related to federal awards.

**CITY OF BALTIMORE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

Finding #: 2016-009
CFDA #: 93.914
Program Title: HIV Emergency Relief Project Grants (Ryan White HIV/AIDS Program Part A)

CFDA #: 93.044, 93.045, 93.053
Program Title: Special Programs for the Aging – Title III, Parts B & C, and Nutrition Services Incentive Program

Federal Agency: Department of Health and Human Services
Federal Award #: Various
Pass-Through: N/A

Repeat Finding: 2015-001
Compliance and Internal Control Deficiency over Allowable Costs/Cost Principles

Condition:

CFDA # 93.914: During our audit, we systematically selected 21 transactions using strata to test Allowable Costs for the Baltimore City Health Department (BCHD). BCHD did not correctly prepare a journal entry for the Ryan White Part A program.

BCHD transferred \$3,131,823 (credited) grant year 2014 program cost and charged (debited) to grant year 2013 on January 5, 2016. Audit of the supporting purchase orders revealed all costs were related to grant year 2014.

CFDA # 93.044, 93.045 and 93.053: During our audit, we systematically selected 39 transactions to test Activities Allowed and Allowable Costs. Baltimore City Health Department (BCHD) expensed charges for the Municipal Telephone Exchange (MTE) for fiscal year 2016 to old budget account numbers. Two transactions totaling \$2,469 was charged to fiscal year 2004 account numbers.

Criteria:

Per 2 CFR 200.302: Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds. In addition, the state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award.

**CITY OF BALTIMORE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

Finding#: 2016-009 (continued)

Criteria: (continued)

Per 2 CFR 200.303: The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States and the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Cause:

There was an administrative oversight at BCHD and the agency does not have their allocation procedure documented.

Effect:

BCHD had incorrect costs transferred to the grant years mentioned. In addition, this may have created differing amounts not agreeing to the FFRs and incorrect costs reported in the City’s accounting system for the respective programs and accounts.

Questioned Costs:

Unknown.

Recommendation:

We recommend BCHD develop and document a cost allocation plan in accordance with Uniform Guidance requirements.

Auditee Response and Corrective Action Plan:

Please refer to the attached letter from management.

**CITY OF BALTIMORE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

Finding #: 2016-010
CFDA #: 93.914
Program Title: HIV Emergency Relief Project Grants (Ryan White HIV/AIDS Program Part A)

CFDA #: 93.940
Program Title: HIV Prevention Activities – HIV Prevention Program

Federal Agency: Department of Health and Human Services (DHHS)
Federal Award #: Various
Pass-Through: N/A

Compliance and Internal Control Deficiency over Cash Management

Condition:

Ryan White – Part A: During our 2016 audit, we tested the final drawdown requests from DHHS for fiscal year 2014. We noted that the Baltimore City Health Department (BCHD) filed four of their fiscal year 2014 final drawdown requests between five months to ten months after the end of the grant period.

HIV Prevention: BCHD initiated a \$5,070,897 draw down request for grant year 2014 on 10/14/14. The amount was approved in January 2015, but the agency did not post the transaction until July, 2015.

Criteria:

Per 2 CFR 200.303: The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States and the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Cause:

BCHD does not have proper controls for properly adhere to the cash management requirements under Uniform Guidance and they do not have complete understanding of these requirements.

Effect:

BCHD is not in compliance with the Cash Management requirement for the Ryan White program.

**CITY OF BALTIMORE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

Finding#: 2016-010 (continued)

Questioned Costs:

Unknown.

Recommendation:

We recommend BCHD develop and document grant closeout procedures to minimize the timing of reporting grant closeout information in accordance with Uniform Guidance requirements.

Auditee Response and Corrective Action Plan:

Please refer to the attached letter from management.

**CITY OF BALTIMORE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

Finding #: 2016-011
CFDA #: 93.914
Program Title: HIV Emergency Relief Project Grants (Ryan White HIV/AIDS Program Part A)
Federal Agency: Department of Health and Human Services (DHHS)
Federal Award #: Various
Pass-Through: N/A

Compliance and Internal Control Deficiency over Earmarking

Condition:

During our 2016 audit, we tested fiscal year 2014 Women, Infants, Children & Youth (WICY) Expenditure Report as part of the 2016 earmarking requirements. The Baltimore City Health Department (BCHD) could not provide support for Part A line twelve amounts claimed for Infant, Children, Youth and Women. BCHD also could not support Part B, Part C, and Part D expenditures required on the applicable report.

Criteria:

Per 2 CFR 200.303: The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States and the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Per 2 CFR 200.302: (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§200.327 Financial reporting and 200.328 Monitoring and reporting program performance. (3) Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation. (4) Effective control over, and accountability for, all funds, property, and other assets. The non-Federal entity must adequately safeguard all assets and assure that they are used solely for authorized purposes. See §200.303 Internal controls. (5) Comparison of expenditures with budget amounts for each Federal award.

Cause:

BCHD does not have proper controls to adhere to the earmarking requirements under Uniform Guidance.

Effect:

BCHD is not in compliance with the Earmarking requirement for the Ryan White program.

**CITY OF BALTIMORE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

Finding#: 2016-011 (continued)

Questioned Costs:

Unknown.

Recommendation:

We recommend BCHD retain supporting schedules and documentation for all official reports in accordance with Uniform Guidance requirements.

Auditee Response and Corrective Action Plan:

Please refer to the attached letter from management.

**CITY OF BALTIMORE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

Finding #: 2016-012
CFDA #: 93.914
Program Title: HIV Emergency Relief Project Grants (Ryan White HIV/AIDS Program Part A)
Federal Agency: Department of Health and Human Services (DHHS)
Federal Award #: Various
Pass-Through: N/A

Compliance and Internal Control Deficiency over Period of Performance

Condition:

During our 2016 audit, we determined that BCHD did not meet the 90 day liquidation requirement. The agency recorded expenditures in the amount of \$2,086,882 outside of the 90 day liquidation period.

Criteria:

Per 2 CFR 200.303: The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States and the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The Federal Common Rule, Subpart C, section .23, requires that when a funding period is specified, a grantee must liquidate all obligations incurred under the award no later than 90 days after the end of the funding period.

Cause:

BCHD has clarified that the City’s procedures for acquiring, paying and accounting for items and services frequently require greater than 90 days to liquidate.

Effect:

BCHD is not in compliance with the Period of Performance 90 day requirement for the Ryan White program.

Questioned Costs:

Unknown.

Recommendation:

We recommend BCHD and the City comply with the stated requirements for Period of Performance.

**CITY OF BALTIMORE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

Finding#: 2016-012 (continued)

Auditee Response and Corrective Action Plan:

Please refer to the attached letter from management.

**CITY OF BALTIMORE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

Finding #: 2016-013
CFDA #: 93.914
Program Title: HIV Emergency Relief Project Grants (Ryan White HIV/AIDS Program Part A)
Federal Agency: Department of Health and Human Services (DHHS)
Federal Award #: Various
Pass-Through: N/A

Compliance and Internal Control Deficiency over Reporting

Condition:

During our 2016 audit, we selected and tested fiscal year 2014 Federal Financial Report (FFR) and noted that the reconciliations of the FFR did not agree to the submitted FFR. The FFR was understated by \$49,415.

Criteria:

Per 2 CFR 200.303: The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States and the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Federal Financial Report certification, line 13 states, ‘By signing the report, I certify that it is true, complete, and accurate to the best of my knowledge. I am aware that any false, fictitious, or fraudulent information may subject me subject me to criminal, civil, or administrative penalties. (U.S. Code, title 18, Section 1001)

Cause:

BCHD did not cross foot the reconciliation schedule for the Part A Administration (formula) excel spreadsheet that supports the FFR submission.

Effect:

Willful and inaccurate information posted to the FFR submission from the City’s FFR reconciliations violates Federal law and places the City in legal liability for noncompliance with the grant agreement.

Questioned Costs:

None noted.

**CITY OF BALTIMORE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

Finding#: 2016-013 (continued)

Recommendation:

We recommend BCHD put measures in place for review and quality control procedures for reporting.

Auditee Response and Corrective Action Plan:

Please refer to the attached letter from management.

**CITY OF BALTIMORE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

Finding #: 2016-014
CFDA #: 93.914
Program Title: HIV Emergency Relief Project Grants (Ryan White HIV/AIDS Program Part A)
Federal Agency: Department of Health and Human Services (DHHS)
Federal Award #: Various
Pass-Through: N/A

Compliance and Internal Control Deficiency over Subrecipient Monitoring

Condition:

During our 2016 audit, we systematically selected eight subrecipients. We noted that the Baltimore City Health Department (BCHD) did not update the subrecipient agreement for nonprofit entities. During our audit, one of the subrecipients selected and tested was a for profit entity for which the grant agreement included non-profit language.

Criteria:

Per 2 CFR 200.303: The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States and the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Per 2 CFR 200.501(h): For-profit subrecipient. Since this part does not apply to for-profit subrecipients, the pass-through entity is responsible for establishing requirements, as necessary, to ensure compliance by for-profit subrecipients. The agreement with the for-profit subrecipient should describe applicable compliance requirements and the for profit subrecipient’s compliance responsibility. Methods to ensure compliance for Federal awards made to for profit subrecipients may include preaward audits, monitoring during the agreement, and post-award audits. See also §200.331 Requirements for passthrough entities.

Cause:

The agency was not aware of the agreement requirement with for profit subrecipients.

Effect:

BCHD is not in compliance with the subrecipient monitoring requirement for the Ryan White program.

**CITY OF BALTIMORE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

Finding#: 2016-014 (continued)

Questioned Costs:

None noted.

Recommendation:

We recommend BCHD put measures in place for review and quality control over subrecipient monitoring.

Auditee Response and Corrective Action Plan:

Please refer to the attached letter from management.

**CITY OF BALTIMORE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

Finding #: 2016-015
CFDA #: 14.267
Program Title: Continuum of Care (COC) Program
Federal Agency: Department of Housing and Urban Development
Federal Award #: Various
Pass-Through: N/A

Compliance and Internal Control Deficiency over Activities Allowed and Allowable Costs

Condition:

During our 2016 audit, we systematically selected 30 transactions. We noted during our analysis of the general ledger detail for the period of July 2015 through June 2016, the Mayor’s Office of Human Services (MOHS) charged fiscal year 2016, Municipal Telephone Exchange (MTE) expenditures totaling \$18,278 to old budget account numbers that should have been closed. Specifically noted during the testing of our sample, we noted \$7,601 was charged to a fiscal year 2014 account while \$10,676 was charged to a fiscal year 2012 account.

Criteria:

Per 2 CFR 200.303: The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States and the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Per 2 CFR 225(j): Cost must be adequately documented.

Cause:

MOHS did not have proper controls in place to adequately account for the recording and reporting of expenditures for activities allowed and allowable costs.

Effect:

Improper recording could result in understatement of funds and inaccurate accounting and reporting of grant expenditures.

Questioned Costs:

Unknown.

**CITY OF BALTIMORE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

Finding#: 2016-015 (continued)

Recommendation:

We recommend MOHS close old account number streams from the system. We also recommend the MOHS prepare correcting journal entries to move recorded expenses from old account number streams. Finally, MOHS should put into place controls to review the accounts to ensure correct postings.

Auditee Response and Corrective Action Plan:

Please refer to the attached letter from management.

**CITY OF BALTIMORE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

Finding #: 2016-016
CFDA #: 93.778
Program Title: Medical Assistance Program (Medicaid; Title XIX)
(Medicaid Cluster)
Federal Agency: Department of Health and Human Services
Federal Award #: MA365GTS-F738N and MA005EPS-F70N
Pass-Through: Department of Health and Mental Hygiene

Compliance and Internal Control Deficiency over Reporting

Condition:

During our 2016 audit, we selected all three financial reports to test reporting from the Baltimore City Health Department (BCHD). Two of the final financial reports (Annual Report DHMH 440) recorded expenditure amounts that differed from the City’s accounting software records, City Dynamics. For the Administrative Care Coordination program (ACC), City Dynamics expenditures exceeded the Annual Report DHMH 440 by \$131,173. For the Transportation program the Annual Report DHMH 440 was compared to the City Dynamics expenditures and audit noted the amount of expenditures recorded in City Dynamics was less by \$432,582.

Criteria:

Per 2 CFR 200.303: The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States and the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Cause:

The BCHD did not have proper controls in place to review, monitor and agree expenditures per City Dynamics to the final financial report submitted to DHMH.

Effect:

BCHD is not in compliance with the Reporting requirement for the Medicaid program.

Questioned Costs:

Unknown.

Recommendation:

We recommend the BCHD incorporate controls to monitor the reporting of expenditures on the Annual Report DHMH 440.

Auditee Response and Corrective Action Plan:

Please refer to the attached letter from management.

**CITY OF BALTIMORE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

Finding #: 2016-017
CFDA #: ALL
Program Title: ALL
Federal Agency: ALL
Federal Award #: ALL
Fed Award Year: 2016
Pass-Through: N/A

Compliance and Internal Controls Deficiency over Reporting of Data Collection Form

Condition:

The City of Baltimore, Department of Finance (DOF) did not file the data collection form reporting package within nine months of its year end.

Criteria:

Per 2 CFR 200.303: The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States and the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Per 2 CFR 200.512: Report Submission. (a) General. (1) The audit must be completed and the data collection form described in paragraph (b) of this section and reporting package described in paragraph (c) of this section must be submitted within the earlier of 30 calendar days after receipt of the auditor’s report(s), or nine months after the end of the audit period. If the due date falls on a Saturday, Sunday, or Federal holiday, the reporting package is due the next business day. (2) Unless restricted by Federal statutes or regulations, the auditee must make copies available for public inspection. Auditees and auditors must ensure that their respective parts of the reporting package do not include protected personally identifiable information.

Cause:

The City’s fiscal year 2016 Comprehensive Annual Financial Report (CAFR), a component of the Single Audit was not completed until June 28, 2017.

Effect:

The City of Baltimore DOF was not in compliance with Uniform Guidance reporting requirements.

**CITY OF BALTIMORE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

Finding#: 2016-017 (continued)

Questioned Costs:

None.

Recommendation:

We recommend that the DOF create policies and procedures to ensure that audits are started and completed in a timely fashion for data collection submission to the federal clearinghouse.

Auditee Response and Corrective Action Plan:

Please refer to the attached letter from management.

**CITY OF BALTIMORE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

Finding #: 2016-018
CFDA #: 93.044, 93.045 and 93.053
Program Title: Aging Cluster
Federal Agency: Department of Health and Human Services
Federal Award #: Unknown
Pass-Through: Maryland Department of Aging

Significant Deficiency over Cash Management

Condition:

During our 2016 audit, we systematically selected six drawdowns to test cash management from the Baltimore City Health Department (BCHD). The BCHD perform drawdown requests based on a percentage of the grant award amount for all drawdowns. Because the BCHD drawdown funds based on a percentage, they were not able to provide supporting documentation for the drawdowns.

Criteria:

Per 48 CFR 52.216-7(b): Reimbursing costs. (1) For the purpose of reimbursing allowable costs (except as provided in paragraph (b)(2) of the clause, with respect to pension, deferred profit sharing, and employee stock ownership plan contributions), the term *costs* includes only

(i) Those recorded costs that, at the time of the request for reimbursement, the Contractor has paid by cash, check, or other form of actual payment for items or services purchased directly for the contract;

(ii) When the Contractor is not delinquent in paying costs of contract performance in the ordinary course of business, costs incurred, but not necessarily paid, for -

(A) Supplies and services purchased directly for the contract and associated financing payments to subcontractors, provided payments determined due will be made

(1) In accordance with the terms and conditions of a subcontract or invoice; and

(2) Ordinarily within 30 days of the submission of the Contractor's payment request to the Government;

(B) Materials issued from the Contractor's inventory and placed in the production process for use on the contract;

(C) Direct labor;

(D) Direct travel;

(E) Other direct in-house costs; and

**CITY OF BALTIMORE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

Finding#: 2016-018 (continued)

Criteria: (continued)

(F) Properly allocable and allowable indirect costs, as shown in the records maintained by the Contractor for purposes of obtaining reimbursement under Government contracts; and

(iii) The amount of financing payments that have been paid by cash, check, or other forms of payment to subcontractors.

Cause:

The BCHD did not have follow the requirements for cash management.

Effect:

BCHD is not in compliance with the Cash Management requirement for the Aging program.

Questioned Costs:

Unknown.

Recommendation:

We recommend the BCHD incorporate controls to properly drawdown funds related to federal awards.

**CITY OF BALTIMORE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

Finding #: 2016-019
CFDA #: 93.044, 93.045 and 93.053
Program Title: Aging Cluster
Federal Agency: Department of Health and Human Services
Federal Award #: Unknown
Pass-Through: Maryland Department of Aging

Repeat Finding: 2015-008
Compliance and Internal Control Deficiency over Earmarking

Condition:

During our 2016 audit, we noted that the Baltimore City Health Department (BCHD) commingled funds for both In-Home Services and Access Services.

Criteria:

Per 2 CFR 200.302: Financial Management. (a) Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds. In addition, the state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award.

(b) The financial management system of each non-Federal entity must provide for the following (see also §§200.333 Retention requirements for records, 200.334 Requests for transfer of records, 200.335 Methods for collection, transmission and storage of information, 200.336 Access to records, and 200.337 Restrictions on public access to records): (1) Identification, in its accounts, of all Federal awards received and expended and the Federal programs under which they were received. Federal program and Federal award identification must include, as applicable, the CFDA title and number, Federal award identification number and year, name of the Federal agency, and name of the passthrough entity, if any. (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§200.327 Financial reporting.

Cause:

The BCHD did not have follow the requirements for earmarking.

Effect:

BCHD is not in compliance with the earmarking requirement for the Aging program.

Questioned Costs:

Unknown.

**CITY OF BALTIMORE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

Finding#: 2016-019 (continued)

Recommendation:

We recommend the BCHD incorporate controls to properly drawdown funds related to federal awards.

**CITY OF BALTIMORE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

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

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

Baltimore City Health Department

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

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

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

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

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

CITY OF BALTIMORE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

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

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

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

BCHD administered federal program number 93.917 – HIV Care Formula Grants (Ryan White, Part B). Our tests of expenditures for this program resulted in the following: While performing tests of payroll expenditures, we noted 66.01 hours, valued at \$1,344, that were charged to the Ryan White, Part B grant for an employee that was not assignable or chargeable to this program. Total payroll costs that should not have been assigned to this program for this employee during fiscal year 2015 amounted to \$59,419. Further review disclosed that BCHD identified the error

CITY OF BALTIMORE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

and corrected its financial reports and prepared a correcting journal entry. However, the correcting entry was not processed through CityDynamics and, accordingly, the City's accounting records have not been corrected.

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

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

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

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

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

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

Response:

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

Finding Update: Repeat Finding 2016-009

**CITY OF BALTIMORE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

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

Financial Reports Were Not Supported by the Underlying Accounting Records

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

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

<u>PROGRAM TITLE</u>	<u>FEDERAL/STATE ID NUMBER</u>	<u>REPORT PERIOD</u>	<u>(REV)/EXP REFLECTED ON REPORT</u>	<u>(REV)/EXP PER CITY'S ACCOUNTING RECORDS</u>	<u>(OVER)/UNDER REPORTED</u>
<u>CFDA #93.044/045/053</u>					
Special Programs for the Aging – Title III, Parts B & C and NSIP	AAA-3-24-003	10/1/13-9/30/14	\$ (3,485,176.0) 3,485,175	\$ (4,132,677.0) 3,595,867	\$ 647,501 110,692
<u>CFDA #93.914</u>					
HIV Emergency Relief Project Grants	11H89HA00017	3/1/13-2/28/14	18,536,710	18,473,106	(63,603)
<u>CFDA #93.778</u>					
Medical Assistance Program – Administrative Care Coordination	MA 005 EPS	7/1/13-6/30/14	3,225,473	2,781,952	(443,521)
Medical Assistance Program - General Transportation Services		7/1/13-6/30/14	10,299,076.00	7,575,782.00	(2,723,294.00)

**CITY OF BALTIMORE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

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

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

Responses:

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

Finding Update: Repeat Finding 2016-020

**CITY OF BALTIMORE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

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

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

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

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

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

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

Response:

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

Finding Update: Resolved

**CITY OF BALTIMORE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

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

Financial Reports Were Not Submitted Timely

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

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

<u>PROGRAM TITLE</u>	<u>GRANT PERIOD</u>	<u>REPORT DUE DATE</u>	<u>REPORT SUBMITTAL DATE</u>
<u>CFDA #93.917</u> HIV Care Formula Grants	07/01/13-06/30/14	8/31/2014	12/18/2014
<u>CFDA #93.940</u> HIV Prevention Program	01/01/14-12/31/14	3/31/2015	7/1/2015
<u>CFDA #93.778</u> Medical Assistance Program - Transportation	07/01/13-06/30/14	8/31/2014	10/23/2014

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

Response:

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

Finding Update: Resolved

**CITY OF BALTIMORE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

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

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

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

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

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

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

Response:

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

Finding Update: Resolved

**CITY OF BALTIMORE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

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

Noncompliance with Level of Effort Requirements – Quality Control Management

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

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

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

Response:

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

Finding Update: Resolved

CITY OF BALTIMORE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

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

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

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

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

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

Response:

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

Finding Update: Resolved

**CITY OF BALTIMORE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

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

Earmarking – Commingled Costs

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

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

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

Response:

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

Finding Update: Repeat Finding 2016-019

**CITY OF BALTIMORE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

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

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

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

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

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

CITY OF BALTIMORE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

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

Response:

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

Finding Update: Resolved

**CITY OF BALTIMORE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

Mayor's Office of Human Services

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

Unallowable Costs Due to Duplication of Transactions

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

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

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

Response:

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

Finding Update: Resolved

**CITY OF BALTIMORE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

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

Financial Reports Were Not Submitted Timely

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

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

PROGRAM TITLE	GRANT NO.	REPORT DUE DATE	REPORT SUBMITTAL DATE
CFDA #14.235			
Supporting Housing Prg:			
GEDCO – Harford House	MD0038L3B011205	8/29/2014	Not submitted
Marian House – TAMAR PHP	MD0063L3B011205	8/29/2014	Not submitted
Project Plase – Scattered Site PHP	MD0068L3B011205	9/30/2014	7/7/2015
WHC – Calverton Residence PHP	MD0083L3B011205	9/30/2014	4/22/2015
JHR, Inc. – Lighthouse 2	MD0012L3B011204	10/29/2014	4/27/2015
WHC – Jenkins House Family Program	MD0013L3B011203	10/29/2014	4/27/2015
WAR Responsibilities Matter PHP	MD0039L3B011205	10/29/2014	9/3/2015
GEDCO Shelter Plus Care Case Management	MD0042L3B011205	10/29/2014	5/28/2015
Women Accepting Responsibility, Inc. PHP	MD0089L3B011205	10/29/2014	9/3/2015
At Jacob's Well PHP	MD0018L3B011205	11/29/2014	Not submitted
Marian House - PH	MD0051L3B011205	11/29/2014	Not submitted
People Encouraging People, Inc. - Samaritan	MD0011L3B011203	12/29/2014	8/31/2015
MOHS Homeward Bound PHP	MD0022L3B011205	12/29/2014	Not submitted
Project PLASE – Medically Fragile THP	MD0066L3B011205	12/29/2014	Not submitted
Project PLASE – Medically Fragile SRO	MD0069L3B011205	12/29/2014	8/26/2015

**CITY OF BALTIMORE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

PROGRAM TITLE	GRANT NO.	REPORT DUE DATE	REPORT SUBMITTAL DATE
JHR, Inc. – Lighthouse 1	MD0046L3B011205	12/30/2014	6/3/2015
The Salvation Army-Booth House THP	MD0078L3B011205	12/30/2014	5/29/2015
WHC – Bennett House SRO	MD0082L3B011205	12/30/2014	5/15/2015
SVdP Home Connections II – Samaritan Project	MD0249L3B011203	12/30/2014	5/22/2015
MOHS – Homeward Bound Housing First Expansion PHP	MD0253L3B011202	12/30/2014	Not submitted
House of Ruth - THP	MD0044L3B011205	1/30/2015	6/25/2015
MCVET - THP	MD0055L3B011205	1/30/2015	6/24/2015
Catholic Charities – Project FRESH Start PHP	MD0030L3B011205	2/28/2015	Not submitted
Marian House – Serenity Place PHP	MD0052L3B011205	2/28/2015	9/1/2015
SVdP Beans and Bread Outreach Center	MD0074L3B011205	2/28/2015	Not submitted
SVdP Frederick Ozanam House THP	MD0076L3B011205	2/28/2015	6/9/2015
HPRP – Legal Service Project	MD0045L3B011205	3/30/2015	5/28/2015
JHR, Inc. – Carrington House THP	MD0048L3B011205	3/30/2015	6/4/2015
SVdP Home Connections PHP	MD0077L3B011205	3/30/2015	6/9/2015
WHC – Scattered Site Housing PHP	MD0084L3B011205	3/30/2015	6/9/2015
Dayspring Programs PHP	MD0034L3B011205	3/31/2015	Not submitted
Dayspring Village - THP	MD0036L3B011205	3/31/2015	8/25/2015
VOA - Pratt House THP	MD0081L3B011205	3/31/2015	7/29/2015
WHC – Susanna Wesley House Family - PHP	MD0086L3B011205	3/31/2015	6/12/2015
Manna House – Soup Plus Project	MD0050L3B011306	4/30/2015	6/18/2015
Catholic Charities – Project BELIEVE PHP	MD0061L3B011306	4/30/2015	Not submitted
YWCA – Druid Heights THP	MD0092L3B011306	4/30/2015	6/9/2015
Catholic Charities – Christopher Place THP	MD0028L3B011306	5/1/2015	Not submitted
Catholic Charities – My Sister’s Place Lodge THP	MD0029L3B011306	5/1/2015	8/31/2015
Marian House THP	MD0053L3B011306	5/1/2015	Not submitted
Mercy Medical Center – Supportive Housing Project	MD0056L3B011306	5/1/2015	Not submitted
St. Ambrose formerly Newborn, Inc. – Martha’s Place PHP	MD0058L3B011306	5/1/2015	Not submitted
Marian House – TAMAR 2 PHP	MD0060L3B011306	5/30/2015	Not submitted
SVdP Cottage Avenue Community THP	MD0075L3B011306	5/30/2015	7/29/2015
HealthCare Access Maryland, Inc.	MD0020L3B011306	6/29/2015	Not submitted
St. Ambrose Housing Aid Center - PHP	MD0071L3B011306	6/30/2015	Not submitted

CFDA #14.238

Shelter Plus Care (S+C):

AIRS Shelter Plus Care Prg	MD0016L3B011306	6/29/2015	Not submitted
MOHS – Housing First S+C	MD0019L3B011306	6/29/2015	Not submitted
BMHS-Sponsor-Based S+C	MD0024L3B011306	6/29/2015	Not submitted
Dayspring Programs Tenant Based S+C	MD0033L3B011306	6/29/2015	Not submitted
GEDCO S+C	MD0043L3B001306	6/29/2015	Not submitted
Project PLASE S+C	MD0065L3B011306	6/29/2015	Not submitted
St. Ambrose Housing Aid Center – S+C	MD0073L3B011306	5/30/2015	Not submitted
Marian House S+C Expansion (formerly Mt. Calvary H.T. S+C)	MD0057L3B011205	2/28/2015	8/31/2015
WHC – Bennett House S+C	MD0088L3B011205	11/15/2014	4/30/2015
Women Accepting Responsibility, Inc. – S+C	MD0090L3B011205	10/30/2014	Not submitted
Marian House – TAMAR S+C	MD0064L3B011205	10/30/2014	Not submitted
Dayspring House @ Patterson Park	MD00254C3B011000	10/26/2014	8/31/2015
War – Responsibility Matters S+C	MD0040L3B011205	9/30/2014	Not submitted
MOHS Family SPC	MD00269C3B011100	8/31/2014	Not submitted

**CITY OF BALTIMORE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

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

Response:

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

Finding Update: Resolved

**CITY OF BALTIMORE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

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

Financial Reports Were Not Supported by the Underlying Accounting Records

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

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

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

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

**CITY OF BALTIMORE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

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

Responses:

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

Finding Update: Resolved

CITY OF BALTIMORE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

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

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

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

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

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

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

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

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

**CITY OF BALTIMORE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

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

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

b) Unsupported Payroll Costs Were Improperly Charged to the Program

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

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

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

c) Weaknesses noted in Internal Control Areas

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

CITY OF BALTIMORE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

Recordkeeping –

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

Cash Management -

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

Segregation of Duties -

- The completion of the Energy Assistance Application (EAA) requires at least two staff to complete. An intake person receives the application from the client and reviews it for completeness and accuracy, and that support is provided for the information in it. A certifier approves whether the client is eligible for the benefit and that the provided information supports the application. We noted that many of the applications were not signed by two persons for intake and approval as required. We noted EAAs that only had an intake or certifier signature, or the same person signed as both the intake and certifying official.

**CITY OF BALTIMORE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

- Every check from the bank account requires two signatures which are obtained by using an electronic imprint machine. Before mailing the check payments, the same employee drafts and imprints the checks without the official signatories ever viewing the checks or their support. Additionally, the authorizing electronic check signatures for the bank account have not been changed to the appropriate personnel in the new agency, MOHS, from the previous agency, the Department of Housing and Community Development.

Response:

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

Finding Update: Repeat Finding 2016-003 and 2016-005

**CITY OF BALTIMORE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

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

Monitoring Was Not Adequately Performed

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

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

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

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

Response:

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

Finding Update: Repeat Finding 2016-007

**CITY OF BALTIMORE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

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

Drawdowns of Grant Funds Exceeded Program Expenditures

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

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

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

Response:

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

Finding Update: Resolved

**CITY OF BALTIMORE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

Department of Housing and Community Development

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

Unallowable Payroll Costs Charged to the Program

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

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

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

Response:

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

Finding Update: Resolved

**CITY OF BALTIMORE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

Department of Transportation

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

Underbillings of \$913 for Airspace Rental

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

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

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

Response:

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

Finding Update: Repeat Finding 2016-003

CITY OF BALTIMORE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

Department of Finance

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

Procurement Procedures Were Not Followed

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

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

Our tests revealed that:

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

**CITY OF BALTIMORE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

We recommend that:

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

Response:

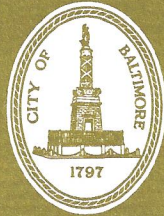
The Baltimore City Department of Finance – Bureau of Purchases response and corrective action plan are included in Part VII – Auditee's Corrective Action Plan on Current Audit Findings.

Finding Update: Resolved

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CITY OF BALTIMORE

CATHERINE E. PUGH, Mayor



DEPARTMENT OF FINANCE

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

September 29, 2017

Robert L. McCarty, Jr., City Auditor
Department of Audits
City Hall, 100 N. Holliday Street
Baltimore, MD 21202

The Department of Finance (Finance) acknowledges receipt of findings 2016-001 and 2016-002 contained in the Internal Control Over Financial Reporting for the fiscal year ended June 30, 2016. In regard to these findings please find our response:

2016-001 – Material Weakness over Grant Accounting Function

We agree.

The Department of Finance has implemented a grant revenue fund corrective action plan that included the following:

- In FY17 the Department of Finance was granted additional staffing to form a Grant Management Unit. This unit is operational and responsible for overseeing all grant activity within each City Department to ensure record keeping is accurate, grant reports are submitted accurately/on time, and reimbursements are submitted and received in a timely manner.
- The City has implemented a new grant reporting and documentation module. The system is a Dynamics CRM solution designed to provide the City with the ability to manage, track and report on grant processes, from initial solicitation through review, scoring, award, payment processing and post-award reporting.
- In May 2017 the Finance Department, with approval from the Board of Estimates, established 9 separate grant administrative procedures which shall apply to all grant agencies. These policies provide structure as well as standardization and a centralized approach to grant management operations functions and requirements.



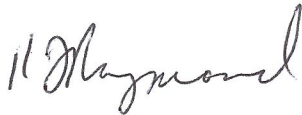
2016-002 – Material Weakness over Financial Reporting Function

We agree.

In regard to financial reporting software, we believe the selection of such a system should be made within the context of a Citywide Enterprise Resource Planning (ERP) system strategy – which is currently underway and managed by the Mayor’s Office of Information Technology. To aid in the ERP evaluation, the City has contracted with Gartner Consulting a nationwide IT consultant. A recommendation is under development. In the meantime Finance shall continue to maintain our system to include an upgrade to the Dynamics GP 2016 platform later this fiscal year.

The Department of Finance will also evaluate current staffing levels to determine if additional staff would be beneficial. In addition we shall review/establish procedures that shall improve reporting and statement preparation.

Sincerely,

A handwritten signature in cursive script that reads "H. Raymond".

Henry J. Raymond
Director

CITY OF BALTIMORE

CATHERINE E. PUGH, Mayor



DEPARTMENT OF FINANCE

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

September 28, 2017

Robert L. McCarty, Jr., City Auditor
Department of Audits
City Hall, 100 N. Holliday Street
Baltimore, MD 21202

The Department of Finance (Finance) acknowledges receipt of findings 2016-001 and 2016-002 contained in Section III - Federal Award Findings and Questionable Costs for the fiscal year ended June 30, 2016. In regard to these findings please find our response:

2016-001 – Material Weakness over Schedule of Expenditures of Federal Awards (SEFA) Reporting

Finance agrees with the finding.

The Department of Finance has agreed to begin preparing the SEFA beginning in FY2018. In prior years, this document was prepared by the Department of Audits with the knowledge and supervision of our external auditors. However, we agree the City's grant reporting has not been adequate and have implemented a grant revenue fund corrective action plan that includes the following:

- In FY17 the Department of Finance was granted additional staffing to form a Grant Management Unit. This unit is operational and responsible for overseeing all grant activity within each City Department to ensure record keeping is accurate, grant reports are submitted accurately/on time, and reimbursements are submitted and received in a timely manner.
- The City has implemented a new grant reporting and documentation module. The system is a Dynamics CRM solution designed to provide the City with the ability to manage, track and report on grant processes, from initial solicitation through review, scoring, award, payment processing and post-award reporting.
- In May 2017 the Finance Department, with approval from the Board of Estimates, established 9 separate grant administrative policy procedures which shall apply to all grant agencies. These policies provide structure as well as standardization and a centralized approach to grant management operations functions and requirements.

Finance believes this plan shall improve our grant reporting and increase City grant agency accountability. While this plan may take time to fully implement, we do expect incremental improvement in the near term.



2016-002 – Material Weakness over Financial Reporting Function

Finance agrees with the finding.

Processes are now in place to make certain the FY 2017 Comprehensive Annual Financial Report is completed by December 31, 2017. Finance will work with the Department of Audits to ensure the SEFA is completed and filed by March 31, 2018, the due date of the report.

Sincerely,

A handwritten signature in black ink, appearing to read "H. Raymond". The signature is written in a cursive style with a large initial "H" and a long, sweeping tail.

Henry J. Raymond
Director



1001 E. Fayette Street • Baltimore, Maryland 21202
Catherine E. Pugh, Mayor
Leana S. Wen, M.D., M.Sc., Commissioner of Health

September 29, 2017

Robert L. McCarty, Jr., CPA
City Auditor
321 City Hall
Baltimore, MD 21202

Dear Mr. McCarty:

Please see the below responses to the findings for the audit of the federal award programs of Baltimore City; one for the current year ended June 30, 2016 and one for prior years findings. If you have any questions or concern please contact:

Dr. Wolf Erich Heidenmann, PhD, MA, MPA, CPA
Fiscal Supervisor
Baltimore City Health Department
410-396-8000

Sincerely,

Ryan Hemminger
Chief of Finance and Administration

Current Year Findings

Finding Number	Contact Person	BCHD Explanation of Corrective Action Taken
2016-002	Ryan Hemminger, COFA BCHD	BCHD will perform monitoring on subrecipients in accordance with 2 CFR 200. Additionally, BCHD will develop a written subrecipient monitoring policy that will contain provisions for verification of current federal requirements and the development of a written subrecipient monitoring plan. A draft of this policy is anticipated to be complete in December 2017.
2016-009	Ryan Hemminger, COFA BCHD	<p>BCHD has procedures in place to review all journal entries for accuracy prior to submission. This journal entry was corrected in February 2017. BCHD will conduct training with all accounting and supervisory staff to reinforce journal entry submission and review procedures.</p> <p>BCHD developed and began implementing policies and procedures regarding grant accounting and financial reporting in FY17. Accounting staff will reconcile revenues and expenses per these policies, collect reports from sub-grantees, use City Accounting records as the basis for preparation of fiscal reports, make necessary adjustments, liquidate encumbrances, freeze account balances with BAPS to prevent unauthorized transactions, and submit reports timely to funding sources. Supervisory staff will review the work to ensure compliance.</p> <p>BCHD also took steps in January 2017 to conduct a comprehensive review of prior year grant awards that includes reconciliation and freezing of those accounts.</p>
2016-009	Ryan Hemminger, COFA BCHD	BCHD will contact MTE to use correct budget account numbers. BCHD also took steps in January 2017 to conduct a comprehensive review of prior year grant awards that includes reconciliation and freezing of those accounts.
2016-010	Ryan Hemminger, COFA BCHD	BCHD disagrees with this finding. BCHD is in compliance with all federal financial regulations with respect to cash drawdowns. BCHD has no control over the release of federal funds.

2016-011	Ryan Hemminger, COFA BCHD	BCHD received technical assistance from the grantor that covered contracting, level of effort requirements, and other financial requirements associated with this grant. Based on these discussions BCHD is developing an internal policy to ensure compliance.
2016-012	Ryan Hemminger, COFA BCHD	<p>BCHD developed and began implementing policies and procedures regarding grant accounting and financial reporting in FY17. Accounting staff will reconcile revenues and expenses per these policies, collect reports from sub-grantees, use city accounting records as the basis for preparation of fiscal reports, make necessary adjustments, liquidate encumbrances, freeze account balances with BAPS to prevent unauthorized transactions, and submit reports timely to funding sources. Supervisory staff will review the work to ensure compliance.</p> <p>Additionally, BCHD has conducted numerous trainings on these policies with all accounting staff and supervisors to ensure knowledge and compliance.</p> <p>BCHD will adjust the standard contract language to reflect a 45 day invoice requirement in addition to providing vendor training at the beginning of the contract period.</p>
2016-013	Ryan Hemminger, COFA BCHD	<p>BCHD developed and began implementing policies and procedures regarding grant accounting and financial reporting in FY17. Accounting staff will reconcile revenues and expenses per these policies, collect reports from sub-grantees, use city accounting records as the basis for preparation of fiscal reports, make necessary adjustments, liquidate encumbrances, freeze account balances with BAPS to prevent unauthorized transactions, and submit reports timely to funding sources. Supervisory staff will review the work to ensure compliance.</p> <p>Additionally, BCHD has conducted numerous trainings on these policies with all accounting staff and supervisors to ensure knowledge and compliance.</p>

2016-016	Ryan Hemminger, COFA BCHD	<p>BCHD developed and began implementing policies and procedures regarding grant accounting and financial reporting in FY17. Accounting staff will reconcile revenues and expenses per these policies, collect reports from sub-grantees, use city accounting records as the basis for preparation of fiscal reports, make necessary adjustments, liquidate encumbrances, freeze account balances with BAPS to prevent unauthorized transactions, and submit reports timely to funding sources. Supervisory staff will review the work to ensure compliance.</p> <p>Additionally, BCHD has conducted numerous trainings on these policies with all accounting staff and supervisors to ensure knowledge and compliance.</p> <p>BCHD also took steps in January 2017 to conduct a comprehensive review prior year grant awards that includes reconciliation and freezing of those accounts.</p>
2016-018	Ryan Hemminger, COFA BCHD	<p>BCHD had drawn down its cash per instructions from the Maryland Office of Aging cash management guidelines. BCHD will contact MOA to update guidance and for additional instructions.</p>
2016-019	Ryan Hemminger, COFA BCHD	<p>BCHD will conduct training with all accounting and supervisory staff to review procedures and to highlight administrative oversight in order to limit its expenditures to the maximum allowable amount for each activity.</p>
2016-008	Ryan Hemminger, COFA BCHD	<p>BCHD developed and began implementing policies and procedures regarding grant accounting and financial reporting in FY17. Accounting staff will reconcile revenues and expenses per these policies, collect reports from sub-grantees, use city accounting records as the basis for preparation of fiscal reports, make necessary adjustments, liquidate encumbrances, freeze account balances with BAPS to prevent unauthorized transactions, and submit reports timely to funding sources. Supervisory staff will review the work to ensure compliance.</p> <p>Additionally, BCHD has conducted numerous trainings on these policies with all accounting staff and supervisors to ensure knowledge and compliance.</p> <p>BCHD also took steps in January 2017 to conduct a comprehensive review prior year grant awards that includes reconciliation and freezing of those accounts.</p>

2016-008	Ryan Hemminger, COFA BCHD	<p>BCHD developed and began implementing policies and procedures regarding grant accounting and financial reporting in FY17. Accounting staff will reconcile revenues and expenses per these policies, collect reports from sub-grantees, use city accounting records as the basis for preparation of fiscal reports, make necessary adjustments, liquidate encumbrances, freeze account balances with BAPS to prevent unauthorized transactions, and submit reports timely to funding sources. Supervisory staff will review the work to ensure compliance.</p> <p>Additionally, BCHD has conducted numerous trainings on these policies with all accounting staff and supervisors to ensure knowledge and compliance.</p>
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Prior Year Findings

Finding Number	Contact Person	BCHD Explanation of Corrective Action Taken
2015-001	Ryan Hemminger, COFA BCHD	<p>BCHD developed and began implementing policies and procedures regarding grant accounting and financial reporting in FY17. Accounting staff will reconcile revenues and expenses per these policies, collect reports from sub-grantees, use City Accounting records as the basis for preparation of fiscal reports, make necessary adjustments, liquidate encumbrances, freeze account balances with BAPS to prevent unauthorized transactions, and submit reports timely to funding sources. Supervisory staff will review the work to ensure compliance.</p> <p>BCHD complied with all applicable purchasing processes in the purchase of HIV test kits. For the three vendors in question, each is the sole provider of the individual test kit with each test kit performing an HIV test in a unique manner. Sole source procurement procedures were followed prior to making these purchases.</p>
2015-002	Ryan Hemminger, COFA BCHD	<p>BCHD developed and began implementing policies and procedures regarding grant accounting and financial reporting in FY17. Accounting staff will reconcile revenues and expenses per these policies, collect</p>

		reports from sub-grantees, use City Accounting records as the basis for preparation of fiscal reports, make necessary adjustments, liquidate encumbrances, freeze account balances with BAPS to prevent unauthorized transactions, and submit reports timely to funding sources. Supervisory staff will review the work to ensure compliance.
2015-003	Ryan Hemminger, COFA BCHD	BCHD developed and began implementing policies and procedures regarding grant accounting and financial reporting in FY17. Accounting staff will reconcile revenues and expenses per these policies, collect reports from sub-grantees, us City Accounting records as the basis for preparation of fiscal reports, make necessary adjustments, liquidate encumbrances, freeze account balances with BAPS to prevent unauthorized transactions, and submit reports timely to funding sources. Supervisory staff will review the work to ensure compliance.
2015-004	Ryan Hemminger, COFA BCHD	BCHD developed and began implementing policies and procedures regarding grant accounting and financial reporting in FY17. Accounting staff will reconcile revenues and expenses per these policies, collect reports from sub-grantees, us City Accounting records as the basis for preparation of fiscal reports, make necessary adjustments, liquidate encumbrances, freeze account balances with BAPS to prevent unauthorized transactions, and submit reports timely to funding sources. Supervisory staff will review the work to ensure compliance.
2015-005	Ryan Hemminger, COFA BCHD	BCHD received technical assistance from the grantor that covered contracting, level of effort requirements, and other financial requirements associated with this grant to include debarment. Based on those discussions BCHD is developing internal policy to ensure compliance.
2015-006	Ryan Hemminger, COFA BCHD	BCHD received technical assistance from the grantor that covered contracting, level of effort requirements, and other financial requirements associated with this grant to include debarment. Based on those discussions BCHD is developing internal policy to ensure compliance.

2015-007	Ryan Hemminger, COFA BCHD	BCHD received technical assistance from the grantor that covered contracting, level of effort requirements, and other financial requirements associated with this grant to include debarment. Based on those discussions BCHD is developing internal policy to ensure compliance.
2015-008	Ryan Hemminger, COFA BCHD	BCHD developed and began implementing policies and procedures regarding grant accounting and financial reporting in FY17. BCHD has conducted numerous trainings on these policies with all accounting staff and supervisors to ensure knowledge and compliance. BCHD will segment earmarking requirements using separate account numbers in the future.
2015-009	Ryan Hemminger, COFA BCHD	BCHD will instruct vendors to remit checks directly to the BCHD fiscal offices in the future. Training will be conducted with program and fiscal staff to ensure compliance.
2014-001	Ryan Hemminger, COFA BCHD	Corrected
2014-003	Ryan Hemminger, COFA BCHD	See 2015-008.
2014-004	Ryan Hemminger, COFA BCHD	See 2015-002.
2014-006	Ryan Hemminger, COFA BCHD	See 2015-003.
2014-008	Ryan Hemminger, COFA BCHD	See 2015-009.
2014-011	Ryan Hemminger, COFA BCHD	Corrected
2014-014	Ryan Hemminger, COFA BCHD	See 2015-007.
2014-015	Ryan Hemminger, COFA BCHD	Corrected
2014-016	Ryan Hemminger, COFA BCHD	Corrected
2013-001	Ryan Hemminger, COFA BCHD	Corrected
2013-003	Ryan Hemminger, COFA BCHD	See 2015-008.
2013-004	Ryan Hemminger, COFA BCHD	See 2015-002.
2013-006	Ryan Hemminger, COFA BCHD	See 2015-003.

Baltimore City Health Department
1001 E. Fayette Street • Baltimore, Maryland 21202

2013-006	Ryan Hemminger, COFA BCHD	Corrected
2013-008	Ryan Hemminger, COFA BCHD	See 2015-009.
2013-019	Ryan Hemminger, COFA BCHD	See 2015-001, 008, 009.
2012-003	Ryan Hemminger, COFA BCHD	See 2015-008.
2012-004	Ryan Hemminger, COFA BCHD	Corrected
2012-006	Ryan Hemminger, COFA BCHD	See 2015-003.
2012-008	Ryan Hemminger, COFA BCHD	See 2015-009.
2012-014	Ryan Hemminger, COFA BCHD	Corrected
2012-015	Ryan Hemminger, COFA BCHD	Corrected
2012-016	Ryan Hemminger, COFA BCHD	See 2015-001, 002, 008, and 009.
2011-003	Ryan Hemminger, COFA BCHD	See 2015-008.
2011-004	Ryan Hemminger, COFA BCHD	Corrected
2011-006	Ryan Hemminger, COFA BCHD	See 2015-003.
2011-008	Ryan Hemminger, COFA BCHD	See 2015-009.
2011-015	Ryan Hemminger, COFA BCHD	See 2015-009.
2011-017	Ryan Hemminger, COFA BCHD	See 2015-008.
2010-004	Ryan Hemminger, COFA BCHD	Corrected
2009-004	Ryan Hemminger, COFA BCHD	Corrected
2008-004	Ryan Hemminger, COFA BCHD	Corrected
2012-004	Ryan Hemminger, COFA BCHD	Corrected
2010-004	Ryan Hemminger, COFA BCHD	Corrected
2008-004	Ryan Hemminger, COFA BCHD	Corrected
2006-	Ryan Hemminger,	Corrected

Baltimore City Health Department
1001 E. Fayette Street • Baltimore, Maryland 21202

004	COFA BCHD	
2005-004	Ryan Hemminger, COFA BCHD	Corrected
2004-004	Ryan Hemminger, COFA BCHD	Corrected
2001-004	Ryan Hemminger, COFA BCHD	Corrected
2000-004	Ryan Hemminger, COFA BCHD	Corrected

CITY OF BALTIMORE
CATHERINE E. PUGH, Mayor



DEPARTMENT OF TRANSPORTATION
Michelle L. Pourciau, Director
417 E. Fayette Street, 5th Floor
Baltimore, Maryland 21202

September 19, 2017

Response to Department of Transportation's Audit Finding # 2016-003

"The Department of Housing and Community Development (DHCD) and the Interstate Division of Baltimore City entered into the lease agreement with Engineer Associates in July 1988 and based on that agreement the Department of Finance through Bureau of Accounting and Payroll Services (BAPS) generates the invoice to the tenant. The Department of Transportation has taken up the matter with Department of Finance - BAPS to fix the billing amount and steps will be taken to recover the under billed amount." The corrective action will be taken by the Department of Finance – BAPS and D. K. Sinha – Chief of Fiscal Services of DOT will co-ordinate with BAPS to ensure that the matter is get fixed by BAPS by December 2017.

A handwritten signature in black ink, appearing to read 'D Sinha', with a horizontal line underneath.

Dharendra K Sinha

Chief of Fiscal

Department of Transportation



September 27, 2017

Office of Home Energy Programs
2700 North Charles St. (Suite 202)
Baltimore, Maryland 21218

Audrey Askew, CPA, Deputy City Auditor
Baltimore City Department of Audits
RM 321, City Hall
Baltimore, MD 21202

Re: FY'16 LIHEAP AUDIT FINDINGS - Findings# 2016-004 Eligibility

This is in response to the FY'16 LIHEAP Audit for Findings# 2016-004. The below responses references each bullet item listed in the referenced audit finding letter conducted by the Office of the Comptroller, Department of Audits. The response (1) addresses each audit finding in the current auditor's reports; (2) provides the name(s) of the contact person(s) responsible for corrective action; (3) the corrective action planned; (4) the expected completion date; (5) an explanation and specific reasons where this agency disagrees with the audit findings or believes corrective actions is not required.

Findings

Criteria

Per 2 CFR 200.303: The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States and the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Cause

MOHS did not have adequate controls over the eligibility process, therefore recording and retention of supporting documentation was not properly adhered to per Uniform Guidance.

Effect

MOHS is not in compliance with the Eligibility requirement for the LIHEAP program.

Recommendation

It is recommended that MOHS implement controls over the eligibility process.

1. Seven participant applications were not provided for testing.
Corrective Action by Baltimore City MOHS Community Action Partnerships (CAP) Office of Home Energy Programs (OHEP)
OHEP will conduct four quarterly trainings on the OHEP policy and procedures for OHEP workers in handling the retrieval of applications from the files to prevent loss or misplacement of files in the incorrect file or folder. All workers are required to sign a log-book when files are retrieved and enter the name of the file, the batch number and date of retrieval of the file. Additionally, workers must not take the originals of files to work on unless an update is required of the original file otherwise a copy of the file must be made. All files must be returned to the batch/file folder the same day that they were retrieved. A staff meeting has been scheduled for September 29, 2017 to review these requirements. The attached memorandum to staff dated September 25, 2017 addresses these requirements. Quarterly meetings will be held going forward that will review and revisit these requirements. (see attachment). There were previous staff that assisted with this function however OHEP has been unable to fill vacancies since the Mayor's Office of Human Services, Community Action Partnerships (CAP) received the program.
Person responsible for Corrective Action
Michael Doaks, Director, Office of Home Energy Programs
Expected Completion Date
September 29, 2017
2. Original applications were missing for three participants
Corrective Action by Baltimore City MOHS Community Action Partnerships (CAP) Office of Home Energy Programs (OHEP)
In addition to the steps outlined above OHEP will review the group of applications that were signed out during the week as part of on-going quality control. OHEP will also conduct random file retrievals on a bi-weekly basis. The file review will be pulled from a list developed by the Program Compliance Officer.



Files that cannot be located will be flagged to be searched for and once located returned to the files.
Person responsible for Corrective Action
Michael Doaks, Director, Office of Home Energy Programs
Expected Completion Date
September 29, 2017
3. Two Instances where approval signatures at MOHS were altered, either changed or added subsequent to receipt by audit team.
Explanation and specific reasons where OHEP disagrees with the audit findings or believes corrective actions is not required.
Based on the exit interview with the auditor the two applications in question were black and white copies of original applications. The applications in question were originally provided to the auditors as copies because the original applications could not be found at the specific time of the request. When the original applications were found the signatures were in blue color. The auditor stated that because the signatures were blue they had been altered. However, they had not been altered. The signatures on the copies were black because the copies were made in black and white.
4. MEAP Award not listed on application for forty participants
Explanation and specific reasons where OHEP disagrees with the audit findings or believes corrective actions is not required.
The State of Maryland Department of Human Resources controls the issuance of funds for MEAP Awards and typically does not make funds available until November of each year. Prior to that time the City of Baltimore OHEP has no way of knowing the amount of the MEAP grant and consequently is instructed by DHS to enter no information (i.e., no dollar amounts) on the application. Once the MEAP grant Award is released in November entries can begin to be made on customer applications. Because of the volume of applications received each year it would be physically impractical to go back into more than 15,000 files to retrieve them in order to enter the MEAP Award. The MEAP Award is however populated in the automated data-base for each customer's application. That information is available beginning in November for reporting purposes and to inform customers that inquire about the amount of these grants.
5. Four Instances of no proof of residency or photocopy if identification missing

Corrective Action

OHEP data entry workers and certifiers have received action memos addressing incomplete and incorrect applications as well as the attached data entry checklists instructing workers to correct all applications and enter missing information before entering or certifying. An error report is generated daily by a senior staff person assigned to conduct quality control reviews. A sample of one out of every twenty-five files are reviewed. The reviewer conducts a complete review of all aspects of the applications, not just proof of residency, although proof of residency is reviewed. The daily error report is used to generate a monthly spreadsheet of application errors including but not limited to proof of residency. The report is used in coaching and/or retraining staff to ensure accuracy when completing applications and obtaining all required documentation. The quality review report is generated monthly by OHEP staff and disseminated to the BCCAP director, deputy director and center managers by the OHEP director.

Person responsible for Corrective Action

Aline Kirk, Quality Control Officer, Office of Home Energy Programs

Expected Completion Date

September 29, 2017

6. Seven instances of duplicate payments.

Explanation and specific reasons where OHEP disagrees with the audit findings or believes corrective actions is not required.

Duplicate applications occur when applicants for energy assistance apply twice during the same program year either because they are not aware that they are allowed to only apply once or are attempting to apply in a different household. Other types of duplicate payments may occur when bulk oil customers change oil vendors or receive a crisis delivery from an approved vendor not listed on their application. These payments occur during crisis deliveries when customers request an emergency oil delivery and payments are made to a vendor. In these instances OHEP recalls all the funds that have not yet been expended from the original vendor. Another type of duplicate payment may occur when a customer applies on-line on MyDHR (Maryland's Web site). Sometimes customers who apply on line may also apply a second time using a paper application. Oftentimes the duplicate application is not caught until the first application is certified or denied. Currently there are no duplicate applications in Baltimore's OHEP database. A staff person (Energy Program Technician I) monitors this work area and eliminates duplicate applications and reports on the number of duplicate applications eliminated weekly (every Tuesday). The OHEP Director receives a weekly report each Tuesday to assure that all duplicate



<p>applications have been corrected/eliminated.</p>
<p>7. Four instances of certifier and/or intake signatures missing.</p>
<p>Corrective Action by Baltimore City OHEP</p>
<p>Certifiers are to review all applications utilizing the attached data entry checklist to ensure the application is complete and has all required information before it is subsequently certified. The staff person certifying the application will inspect the original application for completeness and correctness. If the application is correct, the certifier will sign and date, place the application in the appropriate batch and filed in a secure file cabinet organized by fiscal year and batch number. Certifiers are also encouraged to print their names below their signature for additional safeguards. If the application is not signed the certifier will contact the worker that prepared the application to obtain their signature. This is the current practice at OHEP but will be re-emphasized and monitored more closely.</p>
<p>Person responsible for Corrective Action</p>
<p>Valerie Collins, Operations Officer I, Office of Home Energy Programs</p>
<p>Expected Completion Date</p>
<p>September 29, 2017</p>
<p>8. One instance where total income was not listed on application.</p>
<p>Corrective Action by Baltimore OHEP</p>
<p>When incorrect total income is not listed it is an error that is to be caught and corrected by the staff person that is reviewing the application in order to have it certified. If the income information is not complete the certifier will either contact the worker that prepared the application to obtain additional/correct information or determine the information that should be included (obtain income information from on line systems such as CARES) and make the corrections. The certifier would then give the application to another staff person to certify with the correct/complete information. This is the current practice at OHEP but has been re-emphasized and monitored more closely since the DHR monitoring visit. All certified applications must have the correct income amount on the application.</p>
<p>Person responsible for Corrective Action</p>
<p>Valerie Collins, Operations Officer I, Office of Home Energy Programs</p>
<p>Expected Completion Date</p>

September 29, 2017



September 27, 2017

Office of Home Energy Programs
2700 North Charles St. (Suite 202)
Baltimore, Maryland 21218

Audrey Askew, CPA, Deputy City Auditor
Baltimore City Department of Audits
RM 321, City Hall
Baltimore, MD 21202

Re: FY'16 LIHEAP AUDIT FINDINGS - Findings# 2016-004⁵/Payroll

This is in response to the FY'16 LIHEAP Audit for Findings# 2016-004. The below responses references each bullet item listed in the referenced audit finding letter conducted by the Office of the Comptroller, Department of Audits. The response (1) addresses each audit finding in the current auditor's reports; (2) provides the name(s) of the contact person(s) responsible for corrective action; (3) the corrective action planned; (4) the expected completion date; (5) an explanation and specific reasons where this agency disagrees with the audit findings or believes corrective actions is not required.

Findings

Criteria

Per 2 CFR 200.430: (i) Standards for Documentation of Personnel Expenses (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must: (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated; (ii) Be incorporated into the official records of the non-Federal entity; (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities; (iv) Encompasses both federally assisted and all other activities compensated by the non-Federal entity on an integrated basis, but may include the use of subsidiary records as defined in the non-Federal entity's written policy; (v) Comply with the established accounting policies and practices of the non-Federal entity; and (vii) Support the distribution of the employee's salary or wages among specific activities or

cost objectives if the employee works on more than one Federal award; a federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity..

Cause

MOHS was not aware of the Federal requirements to have written procedures for compensation for employees paid either partially or fully with Federal funds. In addition, the agency did not have proper controls in place to ensure that payroll activities allowed and allowable costs were reviewed to meet compliance requirements.

Effect

MOHS is not in compliance with the Activities Allowed and Allowable Costs (Payroll requirement for the LIHEAP program. Persons could be receiving payroll payments in error and MOHS could be improperly expending funds received from the Department of Health and Human Services.

Recommendation

We recommend that the agency write procedures related to federally funded payroll (partial and full) and implement these procedures immediately. In addition, we recommend that the agency review the payroll for fictitious or former employees still listed within the payroll summary sheets.

1. Four employees' names and/or position not in program budget.
Explanation and specific reasons where OHEP disagrees with the audit findings or believes corrective actions is not required.
Samantha Bell came on board in the middle of the fiscal year so her name would not appear on the FY16 budget. That was the last year of the OHEP contract and she came on board mid-year. Michelle McMillan was a contractual employee with the Community Investment Fund Program. Ms. McMillan came on board during the middle of the fiscal year also and therefore would not show in the fiscal year budget. Walter Jackson III and Jacqueline Jones worked in Community Action Partnerships Centers. The Centers were Northwestern and Northern CAP Centers respectively. Therefore they were employees of the Mayor's Office of Human Services, Community Action Partnership and did exist.
2. Twenty seven instances where the employee did not sign in.
Corrective Action by Baltimore City MOHS Community Action Partnerships (CAP) Office of Home



Energy Programs (OHEP)
OHEP has implemented strict sign-in and sign-out procedures and will continue to follow these procedures going forward.
Person responsible for Corrective Action
Michael Doaks, Director, Office of Home Energy Programs
Expected Completion Date
September 29, 2017
3. Thirteen employee summary sheets did not match employee time sheets.
Corrective Action by Baltimore City MOHS Community Action Partnerships (CAP) Office of Home Energy Programs (OHEP).
OHEP has implemented procedures for the review of summary sheets and time sheets at four levels: The first review is performed by the Deputy Director of OHEP who reviews the time sheets and summary sheets prepared by the OHEP Timekeeper (Operations Support Specialist III). The second level of review is performed by the Director of OHEP who requires corrections or modifications to the time sheets and summary sheets prior to their transmittal to MOHS. The OHEP Director signs all leave requests and email the signed forms to the MOHS Director and the MOHS Timekeeper. The MOHS Director signs the leave request forms and returns them to the OHEP Director via email PDF to be attached to the original timesheets. The OHEP Director signs the time sheets and attaches the signed leave request forms to the timesheets. Timesheets and leave requests are then copied and the originals are delivered to the MOHS Director and the MOHS Timekeeper. The third level of review is the MOHS Timekeeper who reviews timesheets, summary sheets and leave requests and requires any corrections or modification that may have been missed by the OHEP Director. The Fourth level of review is by the Director of the Community Action Partnerships within the Mayor's Office of Human Services. The accuracy of time sheets and summary sheets are verified within MOHS and then finalized.
Person responsible for Corrective Action
Michael Doaks, Director, Office of Home Energy Programs
Expected Completion Date



September 29, 2017

4. Two instances where bi-weekly summary sheets were not authorized by supervisor

Corrective Action by Baltimore City MOHS Community Action Partnerships (CAP) Office of Home Energy Programs (OHEP).

OHEP has implemented procedures for the review of summary sheets and time sheets at four levels: The first review is performed by the Deputy Director of OHEP who reviews the time sheets and summary sheets prepared by the OHEP Timekeeper (Operations Support Specialist III). The second level of review is performed by the Director of OHEP who requires corrections or modifications to the time sheets and summary sheets prior to their transmittal to the Mayor's Office of Human Services (MOHS). The OHEP Director signs the time sheets and emails the signed forms to the MOHS Director and the MOHS Timekeeper. All leave requests are signed by the OHEP Director, scanned and emailed to the MOHS CAP Director and the MOHS Timekeeper. The MOHS-CAP Director (or the Deputy) signs and returns the leave request forms to the OHEP Director to be attached to the original timesheets and transmitted to MOHS. The third level of review is the MOHS Timekeeper who reviews the timesheets, summary sheets and leave request forms and requires any corrections or modifications that may have been missed by the OHEP Director. The Fourth level of review is by the Director of the Community Action Partnerships within the Mayor's Office of Human Services. The accuracy of time sheets and summary sheets are verified within MOHS and then finalized.

Person responsible for Corrective Action

Michael Doaks, Director, Office of Home Energy Programs

Expected Completion Date

September 29, 2017

5. All employees sign in but do not sign out at the end of the day.

Corrective Action by Baltimore City MOHS Community Action Partnerships (CAP) Office of Home Energy Programs (OHEP).

OHEP has implemented strict sign-in and sign-out procedures and will continue to follow these procedures going forward.

Person responsible for Corrective Action

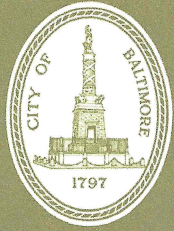
Michael Doaks, Director, Office of Home Energy Programs



Expected Completion Date
September 29, 2017
6. Two instances where the employee left in fiscal year in fiscal year 2015 yet were paid salaries in fiscal year 2016.
Corrective Action by Baltimore City MOHS Community Action Partnerships (CAP) Office of Home Energy Programs (OHEP).
Person responsible for Corrective Action
Amir Assadi, Director of the Office of Finance, MOHS would be the responder for this finding.
Expected Completion Date
7. Three instances where a payment was made to a person that was never an employee for LIHEAP program.
Corrective Action by Baltimore City MOHS Community Action Partnerships (CAP) Office of Home Energy Programs (OHEP).
Person responsible for Corrective Action
Amir Assadi, Director of the Office of Finance, MOHS would be the responder for this finding.
Expected Completion Date

CITY OF BALTIMORE

CATHERINE E. PUGH, Mayor



MAYOR'S OFFICE OF HUMAN SERVICES

7 E. Redwood Street, 5th Floor
Baltimore, Maryland 21202

9/29/17

MAYORS OFFICE OF HUMAN SERVICES

FY16 OFFICE OF HOME ENERGY PROGRAM RESPONSE TO CITY AUDIT

Finding # : 2016-006

CFDA # : 93.568

Program Title : Low-Income Home Energy Assistance Program (LIHEAP)

During our audit of financial reporting for the Mayors Office of Human Services (MOHS), we noted that the monthly expense report was not filed by the 15th of the following months required by the Office of Home Energy Program (OHEP) manual.

MOHS Corrective Action Plan:

The Office of Home Energy Program manual states that The Monthly Financial Status Report should be submitted by the 15th working day of the following month.

The Mayors Office of Human Services has implemented the necessary internal controls over financial reporting and will continue to operate those controls as efficiently and effectively as possible going forward to meet the stated deadlines. Financial reporting requirements to provide the Monthly Financial Status Report by the 15th day of the following month have largely been met and every reasonable effort will be made to continue to do so.

Fiscal staff has a responsibility to continuously perform due diligence and analyze program data in an effort identify and mitigate the risk of error or fraud to ensure that information submitted is fair, accurate, complete and timely. Going forward The Mayors Office of Human Services will ensure that staff is adequately trained to ensure the existing controls will continue operate effectively. MOHS will make every attempt to be compliant with the regulations that govern the programs that it administers and provides oversight to.

Contact: Dana Moore II, Accountant II, danam.moore@baltimorecity.gov

Marquita Roberts Accountant II Marquita.Roberts-Gunn@baltimorecity.gov

A handwritten signature in blue ink, appearing to read "Amir Assadi".

Amir Assadi

9/29/17

Date



Mayor's Office of Human Services - Homeless Services Program
Housing Opportunities for Persons with AIDS (HOPWA)
Department of Housing and Urban Development
Corrective Action Plan in Response to City Audit from
Year Ended June 2016

September 28, 2017

This document contains the Mayor's Office of Human Services (MOHS) Corrective Action Plan (CAP) in response to the Baltimore City Auditor's finding from the year ending June 2016. At the recommendation of the City Auditors, the following CAP has been enacted:

Finding #2016-006, CFDA #14.241 – Compliance and Internal Control Deficiency over Reporting

City Auditor Wrote - Condition:

During our audit of financial reporting for the Mayor's Office of Human Services (MOHS), we noted that the CAPER was not submitted within the required time period.

City Auditor Wrote - Recommendation:

We recommend that the agency implement procedures for reporting.

MOHS Corrective Action Plan Response:

- **MOHS will submit the CAPER within the required time period**
Contact Person: Lakeysha Vaughn, MOHS Program Compliance Officer
lakeysha.vaughn@baltimorecity.gov



**Mayor's Office of Human Services - Homeless Services Program
Continuum of Care Program
Department of Housing and Urban Development
Corrective Action Plan in Response to City Audit from
Year Ended 2016**

This document contains the Mayor's Office of Human Services (MOHS) Corrective Action Plan (CAP) in response to the Baltimore City Auditor's findings from the year ending 2016. The MOHS-HSP CAP responses listed in this document were originally sent to the City Audit Department in April 2017. As recently required, the following CAP responses are as follows:

Finding #2016-015, CFDA #14.267 – Compliance and Internal Control Deficiency over Activities Allowed and Allowable Costs

1. Analysis of the general ledger detail for the period of 07/01/15 to 06/29/16 disclosed that Mayor's Office for Human Services (MOHS) charged FY 16, Municipal Telephone Exchange (MTE) expenditures totaling \$18,277.72 to old budget account numbers that should have been closed. Specifically, \$7,601.52 was charged to 4000-496214-3571-591495-603025 (FY14 account) while \$10,676.20 was charged to 4000-496212-3571-327295-603025 (FY 12 account).

We recommend that MOHS close account numbers for FY 12 and FY 14 and inform MTE of the changes. We also recommend that MOHS prepare correcting journal entries immediately to move the recorded expenses to FY 16 accounts. Finally, monthly reviews of journal entries from other City agencies/units that affect MOHS accounts should be performed to ensure the appropriateness of the transactions.

MOHS Corrective Action Plan:

- MOHS will close account numbers for FY 12 and FY 14 and inform MTE of the changes.
- MOHS will prepare correcting journal entries immediately to move the recorded expenses to FY 16 accounts.
- Monthly reviews of journal entries from other City agencies/units that affect MOHS accounts will be performed to ensure the appropriateness of the transactions.

Kevin C. Moran, CFE, MOHS Accountant II, will have this corrective action completed by June 30, 2017.

Finding #2016-008, CFDA #14.241 Housing Opportunities for Persons with AIDS (HOPWA) and Finding #2016-007, CFDA #14.267 Community of Care (CoC)– Material Weakness over Subrecipient Monitoring:

2. The following represents an additional audit finding and recommendation for issues under your span of control. Please submit the management response for these issues by COB, Wednesday, April 5, 2017. Should you disagree with the finding or require assistance in preparing a response please contact me at your earliest convenience.

Condition:

The monitoring of subrecipient activity to ensure the accuracy and reliability of client eligibility, program performance and financial information requires strengthening. Specifically, site visits were not performed during the audit period to validate client eligibility and subrecipient performance. Also, while MOHS Fiscal reviews single audits prepared by independent accounting firms (approximately 23% of subrecipients) and monthly expenditures including payroll reports, site visits are not performed to review other critical financial records (e.g. bank statements, account reconciliations, and general ledgers) and observe operations.

Recommendation:

We recommend that a formal monitoring program be established that includes the review of client eligibility, program performance, additional financial records (e.g. bank statements, account reconciliations, and general ledgers) and observation of operations.

MOHS Response: The above referenced formal monitoring program has already been established by MOHS.

**Contact: Amir Assadi, MOHS Fiscal Director amir.assadi@baltimorecity.gov
MOHS fiscal department performs a thorough and in-depth review of the subrecipient as promulgated by Office of Management and Budget "Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards" as it went to effect in December of 2014.**

It is important to note that the MOHS role is not to act as auditors as to follow the audit procedures established for them to express an opinion but to be an effective monitor ensuring continuum wide compliance with OMB and HUD Program Specific Requirements as to eligibility, allow ability and allocability of expenditures requested for reimbursement.

As previously talked about, MOHS fiscal staff view monitoring, not as a once a year or a periodic exercise, but as an ongoing process involving continuous communication and evaluation. Such a process involves frequent telephone/email contacts, written communications, analysis of reports and audits, and periodic meetings. It is the responsibility of fiscal staff to keep fully informed concerning subrecipient compliance with program specific requirements and the extent to which technical assistance is needed.

"The overriding goal of monitoring is to determine compliance, prevent/identify deficiencies and design corrective actions to improve or reinforce subrecipients' fiscal or program performance. As part of this process, MOHS fiscal/program staffs are alert for fraud, waste and mismanagement or situation with potential for such abuse. Where possible, any identified deficiencies in need of corrective action will be handled through discussion, negotiation, or technical assistance in a manner that maximizes the MOHS discretion. MOHS fiscal/program monitoring provides opportunities to identify subrecipient's accomplishments as well as successful management techniques that could be shared with other subrecipients."

In light of the aforementioned and due to volume and complexity of projects, MOHS fiscal unit has adopted the monthly Remote Monitoring/Desk Audit of the subrecipients which is a permitted method under HUD Monitoring Desk Guide to achieve the best result. Here is a list of all items we review, reports we request, or processes we have instituted:

- *Monthly logging of the reports as they are received by fiscal department.*
- *Monthly desk audit which could include any of the pertinent fiscal documents (Ledgers, Registers, Copies of Checks, Invoices, Receipts, Cost allocation Schedules, etc.)*
- *Monthly tracking system to monitor spending pattern and draw downs.*
- *Quarterly triggered notification of spending level compared with budget.*
- *Regular tracking of the concerns or deficiencies we come across based upon our monthly desk audit.*
- *Review of either single audit or financial audit for various fiscal concerns such as: Internal Control, Accounting Control, Detection Risk, Cash Flow, Working Capital,*

Liquidity and Solvency, Going Concern, Banking Issues, and other reported concerns to inform and strengthen our processes.

- *Issuance of Management Decision Letter based upon the concerns or findings as reported in the audited financial statements and its ongoing resolution.*

MOHS has relegated the comprehensive review of the general ledger or bank reconciliation to the auditors to achieve the most and bring about the highest compliance by our subrecipients under current available resources.

Affirming some of the recommended items such as Bank Reconciliation, etc., are procedures established within GAAS and GASB which are a customary practice, however, these are designed for auditors not fiscal compliance monitors. Since MOHS fiscal unit performs 100% review of all expenditure reports that are 100s or more, we have been more selective on support documentation requested not to overburden the fiscal unit or the subrecipient.

Lastly, as consulted with OMB, Uniform Administrative Requirement Sub section 200.328 and Section "Subrecipient Monitoring and Management" sub sections 200.330, 200.331 which provide for our umbrella guidance on grant management and monitoring, no indication as to onsite fiscal monitoring can be found.

*Contact: Tracy L. Pindell, MOHS Program Analyst, tracy.pindell@baltimorecity.gov
MOHS Monitoring Team is responsible for the monitoring of subrecipient agencies and programs receiving funding in the Continuum of Care (CoC) for Baltimore City. This includes CoC, ESG, HOPWA, and State funding.*

The MOHS monitor also coordinates joint monitoring activities for the Department. MOHS conducts Program, HMIS and Fiscal monitoring on four levels: annual and specialized site visits; desk audits for quick spot checks of documentation; a monthly review of client activity and program utilization through internal databases and a monthly review of expenditures. Visits to agencies/programs for technical assistance are scheduled as needed in addition to annual visits.

The MOHS monitor will coordinate site visits with sub-recipient agencies. The frequency and type of visits are determined by the Risk Assessment. The MOHS monitor will work with the MOHS Program Supervisor, HMIS staff, Fiscal Director and Program Administrators to develop a plan of action for the site visit as needed.

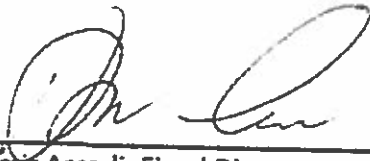
MOHS monitors are responsible for being thoroughly familiar with the funding regulations, the programs to be monitored and the sub-recipient agency. This preparation is crucial for effectively determining compliance, accomplishments and complex issues. The review will include client file review, recordkeeping verification, ensuring documented client eligibility, documentation of services provided, case plans, photo identification, client applications, all necessary release of information forms, as well as a review of the Agency's performance in accordance with its contractual agreements with MOHS. It also enables the monitor to make observations and provides technical assistance or develops recommendations to improve program performance. A report will be generated including a corrective action plan if necessary.



9/26/17

Chris Rafferty, Deputy Director, Mayor's Office of Human Services

Date



9/27/17

Amir Assadi, Fiscal Director, Mayor's Office of Human Services

Date

CITY OF BALTIMORE
CATHERINE E. PUGH, Mayor



DEPARTMENT OF TRANSPORTATION
Michelle L. Pourciau, Director
417 E. Fayette Street, 5th Floor
Baltimore, Maryland 21202

September 19, 2017

Response to Department of Transportation's Audit Finding # 2014-009 and 2015-017

"The Department of Finance through Bureau of Accounting and Payroll Services (BAPS) generates the invoice to the tenant "Engineer Associates" based upon the lease agreement entered in July 1988 between "The Department of Housing and Community Development (DHCD) and the Interstate Division of Baltimore City" with Engineer Associates. So The Department of Transportation has taken up the matter with Department of Finance - BAPS to fix the billing amount to recover the under billed amount for those years. The corrective action will be taken by the Department of Finance – BAPS and D. K. Sinha – Chief of Fiscal Services of DOT will co-ordinate with BAPS to ensure that the matter is get fixed by BAPS by December 2017.

A handwritten signature in black ink, appearing to read 'D Sinha', with a horizontal line extending to the right.

Dhirendra K Sinha

Chief of Fiscal

Department of Transportation

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