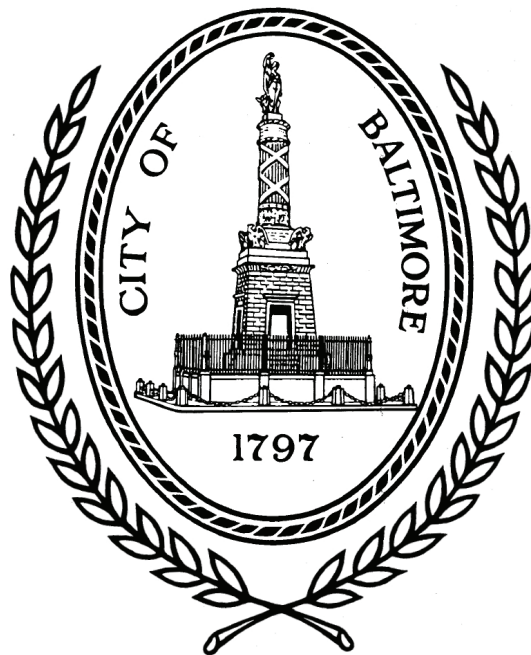


City of Baltimore *Maryland*



Comprehensive Annual Financial Report
Year Ended June 30, 2016

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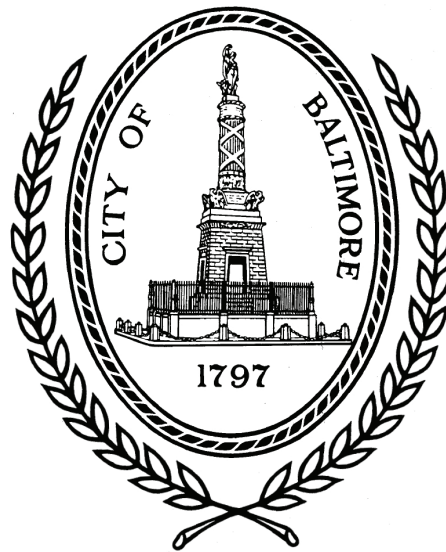
City of Baltimore, Maryland

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

TABLE OF CONTENTS

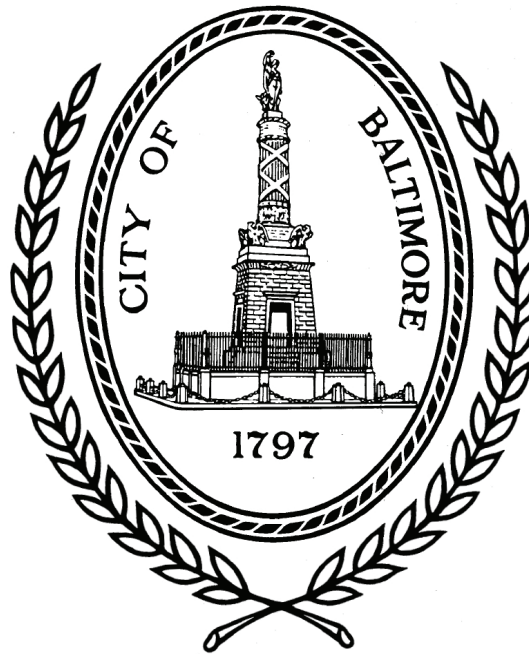
	Page
INTRODUCTORY SECTION (UNAUDITED)	
Title Page	I
Elected Officials	II
Table of Contents	III
Letter of Transmittal	VII
Municipal Organization Chart	XVIII
FINANCIAL SECTION	
Report of Independent Auditors	1
Management's Discussion and Analysis (unaudited)	4
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	17
Statement of Activities	18
Fund Financial Statements:	
Balance Sheet — Government Funds	19
Statements of Revenue, Expenditures and Changes in Fund Balances — Governmental Funds	20
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	21
Statement of Net Position — Proprietary Funds	22
Statement of Revenues, Expenses, and Changes in Net Position — Proprietary Funds	23
Statement of Cash Flows — Proprietary Funds	24
Statement of Fiduciary Net Position — Fiduciary Funds	25
Statement of Changes in Fiduciary Net Position — Pension and OPEB Trust Funds	26
Index to the Notes to Basic Financial Statements	27
Notes to the Basic Financial Statements	28
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Encumbrances, and Changes in Fund Balances — Budget and Actual — Budgetary Basis — General Fund	85
Schedule of the City's Proportionate Share of Net Pension Liability — ERS Plan	86
Schedule of Employer Contributions — ERS Plan	86
Schedule of the City's Proportionate Share of Net Pension Liability Maryland State Retirement and Pension System — LEOPS	86
Schedule of Employer Contributions Maryland State Retirement and Pension System — LEOPS	86
Schedule of the City's Proportionate Share of Net Pension Liability Maryland State Retirement and Pension System — ERPS	87
Schedule of Employer Contributions Maryland State Retirement and Pension System — ERPS	87
Schedule of the City's Proportionate Share of Net Pension Liability Maryland State Retirement and Pension System — JRS	87
Schedule of Employer Contributions Maryland State Retirement and Pension System — JRS	87
Schedule of Changes in Net Pension Liability (Assets) and Related Ratios — Fire and Police Employees' Retirement System — Single Employer Plan	88

	Page
Schedule of Changes in Net Pension Liability (Assets) and Related Ratios — Elected Officials' Retirement System — Single Employer Plan	88
Schedule of Employer Contributions — Single Employer Plans	89
Schedule of Funding Progress — OPEB Trust Funds	90
Schedule of Employer Contribution — OPEB Trust Funds	90
Notes to the Required Supplementary Information	91
Combining and Individual Fund Statements and Schedule:	
Combining Balance Sheet — Nonmajor Governmental Funds	96
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances — Nonmajor Governmental Funds	97
Combining Statement of Net Pension — Nonmajor Proprietary Funds	100
Combining Statement of Revenues, Expenditures, and Changes in Net Position — Nonmajor Proprietary Funds	101
Combining Statement of Cash Flows — Nonmajor Proprietary Funds	102
Combining Statement in Net Position — Internal Service Funds	104
Combining Statement of Revenues, Expenditures, and Changes in Net Position — Internal Service Funds	104
Combining Statement in Cash Flows — Internal Service Funds	105
Combining Statement of Fiduciary Net Position — Pension Trust Funds	107
Combining Statement of Changes in Fiduciary Net Position — Pension Trust Funds	108
Combining Statement of Assets and Liabilities — Agency Funds	109
Combining Statement of Changes in Assets and Liabilities — Agency Funds	110

STATISTICAL SECTION (UNAUDITED)

Financial Trends	113
Net Position by Component, Last Ten Fiscal Years	117
Changes in Net Position, Last Ten Fiscal Years	118
Fund Balances, Governmental Funds, Last Ten Fiscal Years	119
Changes in Fund Balances, Governmental Funds, Last Ten Fiscal Years	120
Revenue Capacity	121
Property Tax Levies and Collections, Last Ten Fiscal Years	123
Assessed and Estimated Actual Value of Taxable Property, Last Ten Fiscal Years	123
Direct and Overlapping Property Tax Rates, Last Ten Fiscal Years	124
Principal Property Taxpayers, Current Year and Nine Years Ago	124
Debt Capacity	125
Ratios of Outstanding Debt by Type, Primary Government, Last Ten Fiscal Years	127
Ratios of General Bonded Debt Outstanding, Last Ten Fiscal Years	128
Direct and Overlapping Governmental Activities Debt	129
Legal Debt Margin Information	129
Pledged Revenue Coverage, Last Ten Fiscal Years	129
Demographic and Economic Information	131
Demographic and Economic Statistics, Last Ten Calendar Years	133
Principal Employers, Current Year and Nine Years Ago	134
Operating Information	135
Full Time Equivalent Employees by Function, Last Ten Years	137
Operating Indicators by Function/Program, Last Ten Fiscal Years	138
Capital Asset Statistics by Function/Program, Last Ten Fiscal Years	139

INTRODUCTORY SECTION



- Letter of Transmittal
- Municipal Organization Chart

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CITY OF BALTIMORE

CATHERINE E. PUGH, Mayor



DEPARTMENT OF FINANCE

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

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,

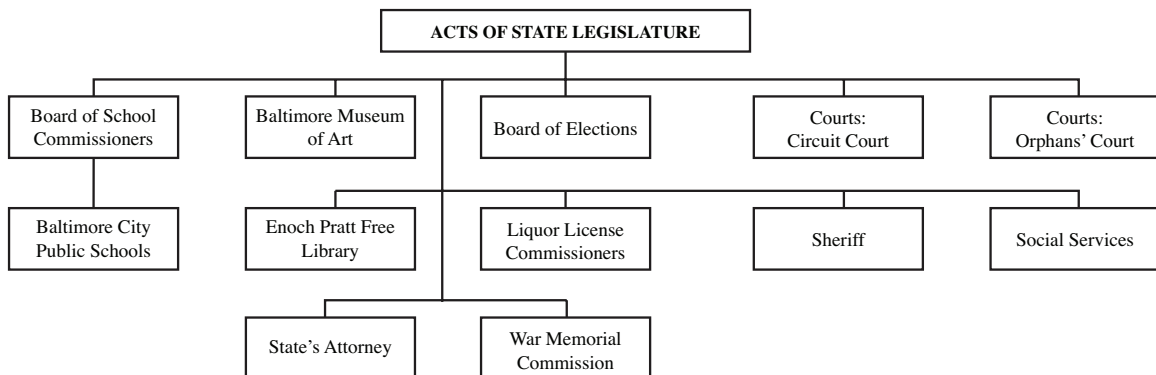
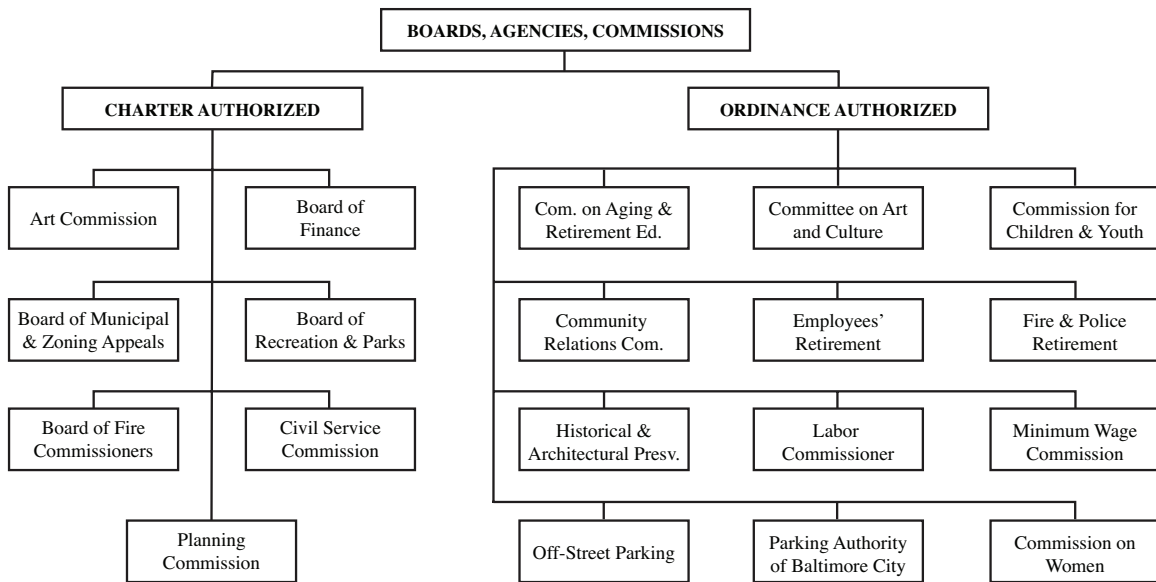
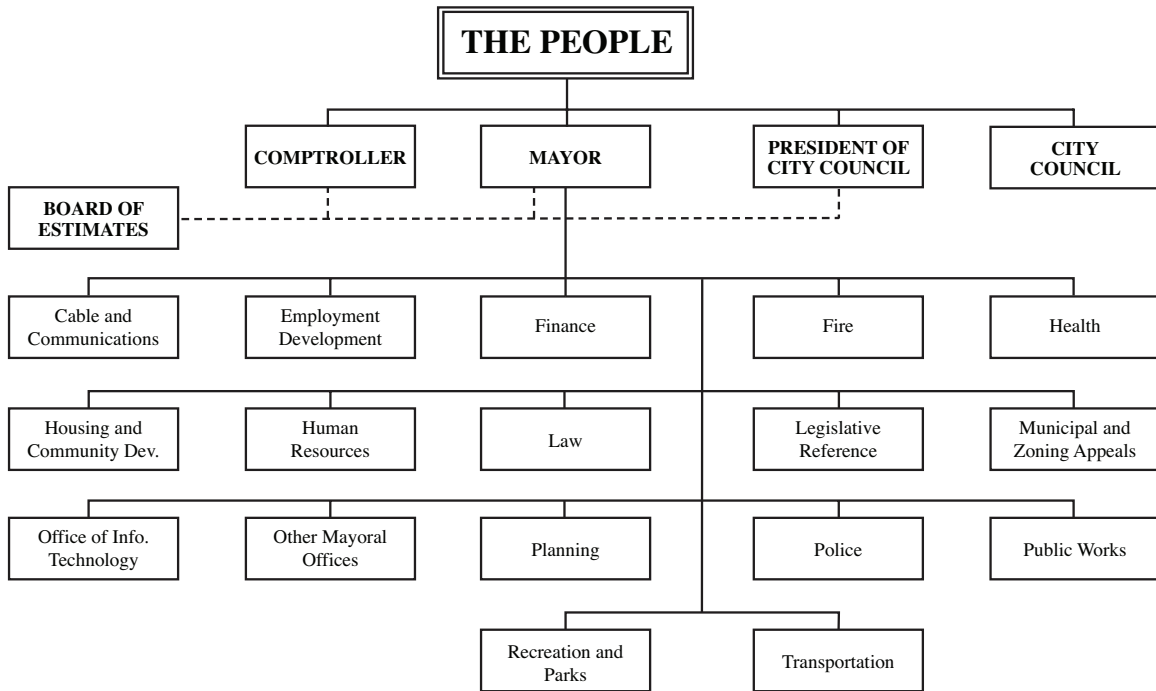


Catherine E. Pugh
Mayor

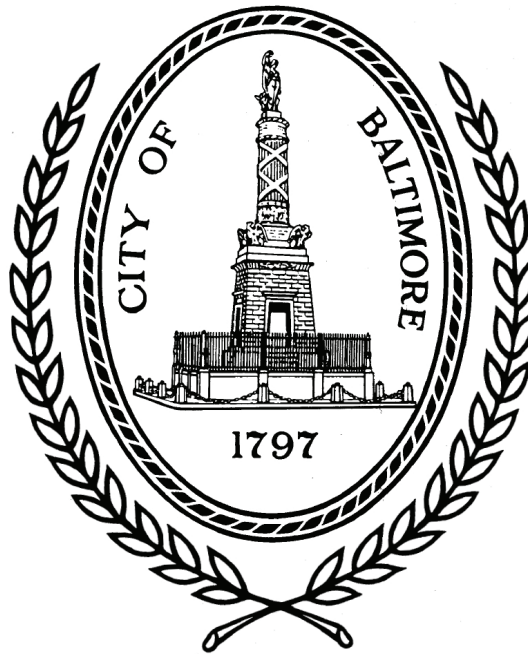


Henry Raymond
Director of Finance

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 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 account for the operation of the City's business-type activities and include water, sewer and stormwater, utilities, and parking facilities, all of which are considered to be major funds of the City, and several other non-major fee supported activities.
- *Internal Service funds* are used to report activities that provide supplies and service for certain City programs and activities. The City uses internal 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

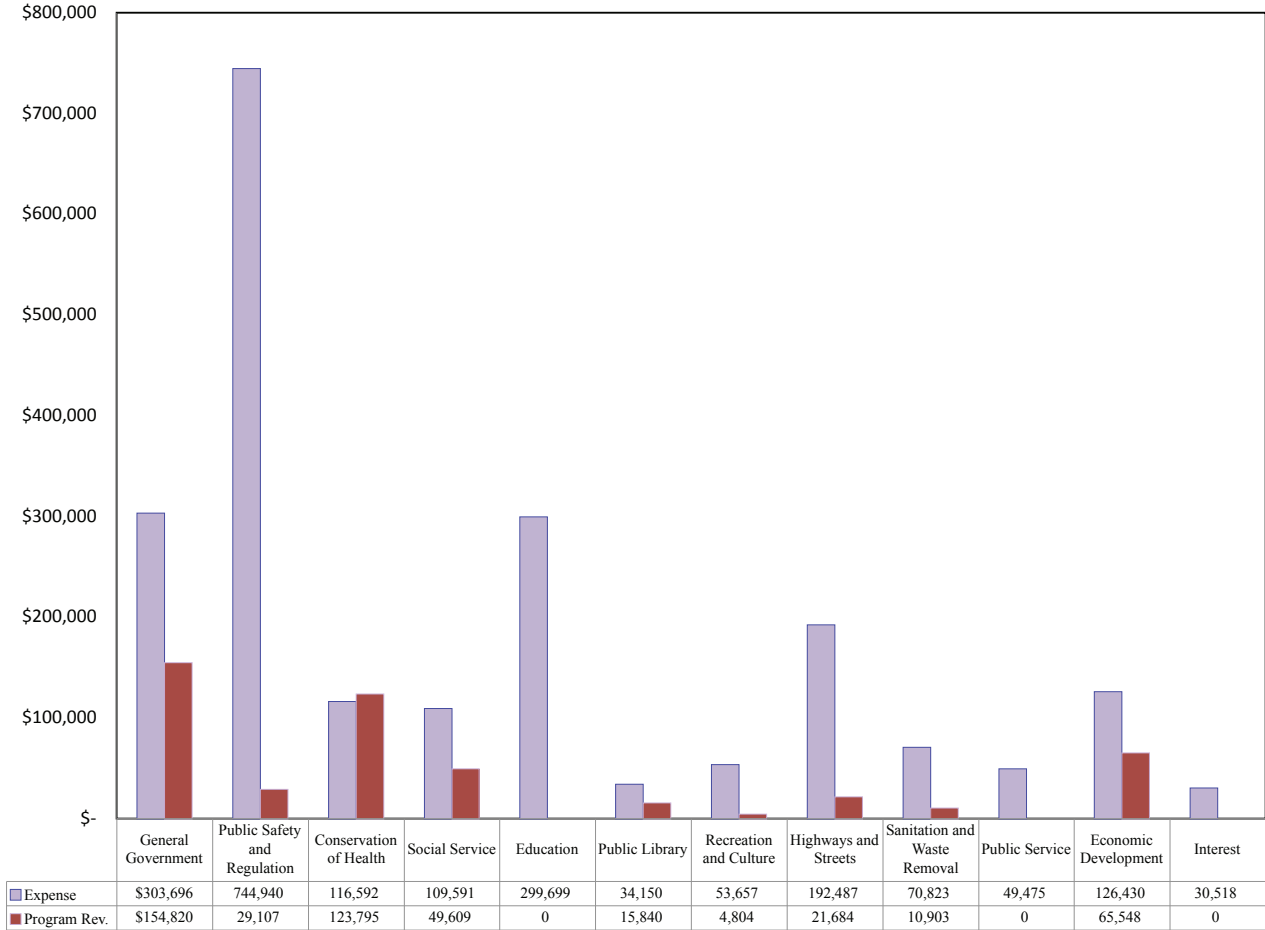
(Expressed in Thousands)

	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

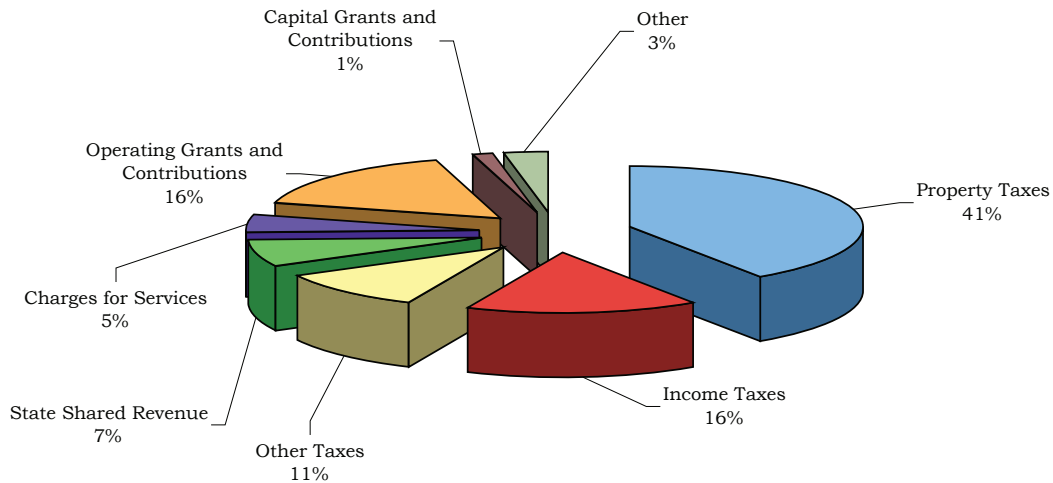
Analysis of Changes in Net Position

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



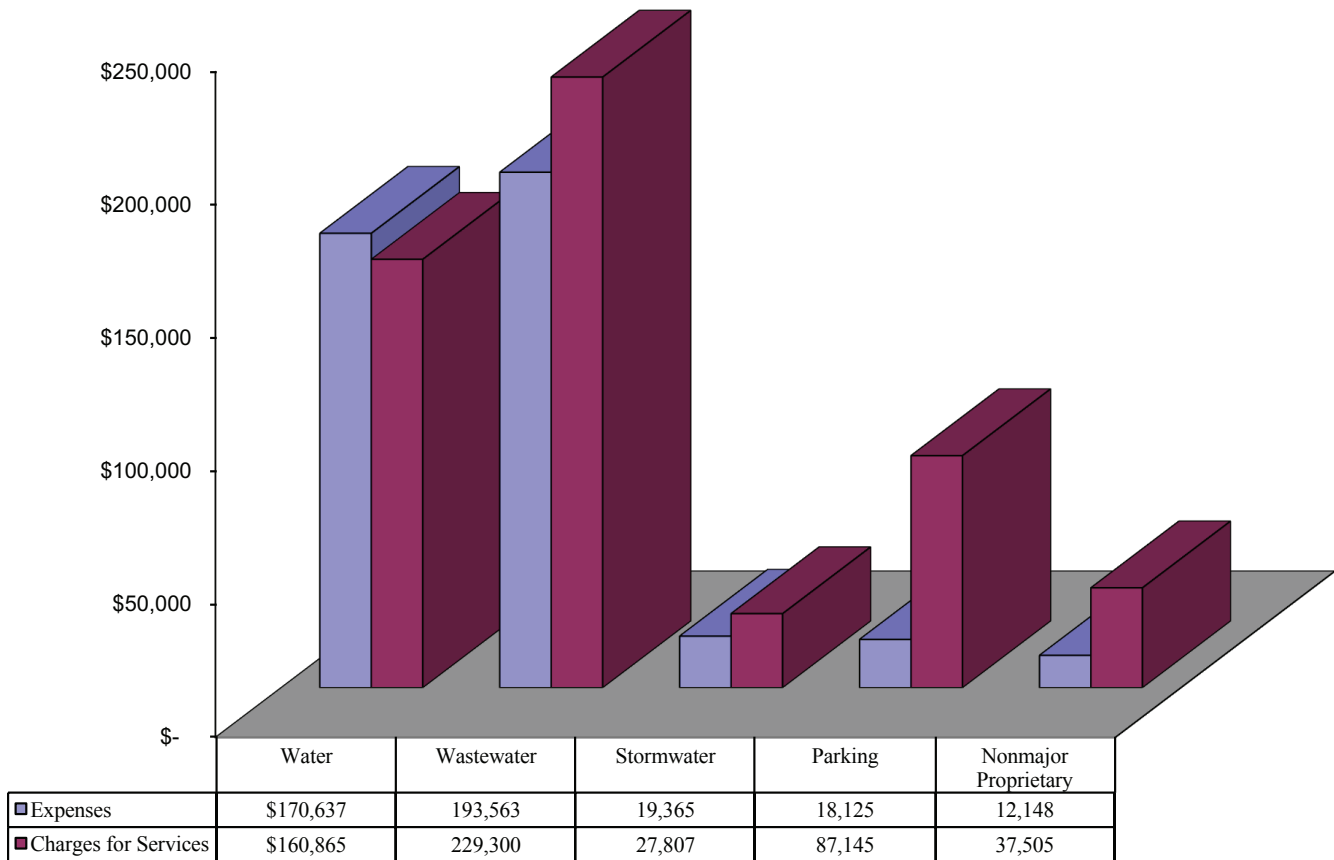
Governmental Activities

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
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			
Transportation revenue bonds	(13,833)	9,609	(23,442)
Capital leases	8,978		8,978
Premium on general obligation bonds	3,220	1,606	1,614
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)	252,306	252,306	564,843		
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			(146,194)		
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						Governmental Activities Internal Service Funds
	Water Utility Fund	Wastewater Utility Fund	Stormwater Utility Fund	Parking Facilities Fund	Nonmajor Funds	Total	
Assets and deferred outflows of resources:							
Current assets:							
Cash and cash equivalents	\$ 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		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						Governmental Activities Internal Service Funds
	Water Utility Fund	Wastewater Utility Fund	Stormwater Utility Fund	Parking Facilities Fund	Nonmajor Funds	Total	
Operating revenues:							
Charges for sales and services							\$ 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						Governmental Activities Internal Service Funds
	Water Utility Fund	Wastewater Utility Fund	Stormwater Utility Fund	Parking Facilities Fund	Nonmajor Funds	Total	
Cash flows from operating activities:							
Receipts from customers	\$ 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	9		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	239,178	182,737
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)	62,372	(5,080)
Less: investment expense	19,063	1,651
Net investment income (loss)	43,309	(6,731)
Total additions	282,487	176,006
Deductions:		
Retirement benefits	373,832	
Health benefits		166,519
Death benefits	1,517	
Administrative expenses	7,958	
Other	3,455	
Total deductions	386,762	166,519
Changes in net position	(104,275)	9,487
Net position – beginning of the year	4,021,951	428,855
Net position – end of the year	\$ 3,917,676	\$ 438,342

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

CITY OF BALTIMORE
Index to the Notes to Basic Financial Statements

Note Number	Page
1. Summary of Significant Accounting Policies.....	28
2. Reconciliation of Government-wide and Fund Financial Statements.....	37
3. Deposits and Investments.....	39
4. Receivables.....	46
5. Capital Assets.....	46
6. Interfund Balances and Activity.....	48
7. Long-term Obligations.....	49
8. Revenue Bonds.....	54
9. Pledged Revenue.....	60
10. Prior-Year Defeasance of Debt.....	61
11. Interest Rate Swaps.....	61
12. Pension Plans.....	63
13. Other Postemployment Benefits.....	74
14. Risk Management.....	77
15. Operating Leases.....	78
16. Landfill Closure and Postclosure Care Costs.....	78
17. Notes and Mortgages Receivables.....	79
18. Fund Balance.....	79
19. Commitments and Contingencies.....	79
20. Beginning Balance Adjustments.....	81
21. Subsequent Events.....	82

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	\$ 110,927	\$ 143,321	\$ 254,248
Investments	953,226	4,334,035	5,287,261
Total	\$ 1,064,153	\$ 4,477,356	\$ 5,541,509

	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	\$ 1,063,887	\$ 4,477,622	\$ 5,541,509

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
<i>Capital assets, not being depreciated:</i>				
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
<i>Capital assets, being depreciated:</i>				
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
<i>Less: accumulated depreciation for:</i>				
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		Business-type Activities	Total
	Governmental Funds	Internal Service Funds		
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
(Continued)

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	

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

	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	

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

	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
	<u>\$ 747,653</u>	<u>\$ 1,068,711</u>	<u>\$ 29,941</u>

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

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.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(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
<u>Totals</u>	<u>\$ 290,470</u>

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

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					
<i>Business-type Activities</i>											
Fiscal Year	Water Utility			Wastewater Utility			Stormwater Utility		Parking Facilities		
	Principal	Interest	Swap	Principal	Interest	Swap	Principal	Interest	Principal	Interest	Swap
			Interest Rate Net(a)			Interest Rate Net(a)					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.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

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:

Investment Derivative Instruments

	Changes in Fair Value		Fair Value at June 30, 2016		
	Classification	Amount	Classification	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.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

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.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

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

The financial statements for the City Plans and the State System are prepared using the accrual basis of accounting. Employer and member contributions are recognized in the period that the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with terms of the Plan.

A. PLAN DESCRIPTIONS-SINGLE EMPLOYER PLANS

Fire & Police Employees' Retirement System

The F&P Plan covers all uniformed personnel of the Baltimore City Fire and Police Departments. Based on criteria established by the 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	<u>4,248</u>
Total	<u><u>10,516</u></u>

The F&P Plan provides normal service retirement benefits, as well as death and disability benefits. Membership in the F&P Plan is mandatory upon employment. The F&P Retirement System does not have a vested benefit plan; however, members have vested rights to their contributions and interest.

F&P members were required to contribute 10% of their regular compensation through payroll deduction. The employer contributions are determined through an actuarial valuation. According to plan provisions, contribution requirements of the plan members and the City are established and may be amended by the Mayor and City Council. The valuation method is stipulated in the plan provisions. An expense load of 1.5% is included in the annual employer contribution requirement to cover administrative costs.

Members are eligible for a normal service retirement if they acquire 25 or more service credit years with at least 15 years of services credit as an F&P contributing member regardless of age, or if the member is age 55 and acquires 15 or more years of service credit as an F&P contributing member. Normal service retirement benefits are calculated at 2.5% of the average final compensation for the first 20 years plus 2% of the average final compensation for each year over 20 years of service. Members are eligible for early service retirement which is a reduced retirement benefit. To be eligible for early retirement, members must acquire 20 years of service credit with at least 10 years of service credit as an F&P contributing member regardless of age or attain age 50 with at least 10 years of service credit as an F&P contributing member.

Members are also eligible for a deferred retirement option program, DROP and DROP 2. Members with more than 20 years of service on or before December 31, 2009 can elect to participate in DROP at any time. A member's DROP participation period can be for one to three years. If a member retires during the DROP participation period, the benefit shall equal:

1. The retirement benefit that would have been paid had the member retired at the time he/she began his/her DROP participation, plus
2. A lump sum equal to the member's DROP account. This equals the accumulation of the annuity payments the member would have received had the member retired, plus the member contributions paid during the members DROP participation period, plus interest at 8.25%.

Members with more than 20 years of service on or after January 1, 2010 can elect to participate in DROP 2. On July 1, 2010, this requirement was changed to members with more than 25 years of service for non-grandfathered members. A member's DROP 2 participation period can be for one to three years. If a member retires during the DROP participation period, the benefit shall equal:

1. The retirement benefit that would have been paid had the member retired at the time the member began his/her DROP 2 participation, plus
2. A lump sum equal to the member's DROP 2 account. This equals the accumulation of the annuity payments the member would have received had the member retired, plus the member contributions paid

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

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	<u>2</u>
Total	<u><u>40</u></u>

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

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

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

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

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

B. PLAN DESCRIPTIONS-MULTIPLE EMPLOYER PLANS

Employees Retirement System

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

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	<u>1,068</u>
Total	<u><u>18,639</u></u>

The ERS Plan provides service retirement benefits as well as death and disability benefits. Only the Mayor and City Council may amend the ERS Plan Provisions. The reduction of benefits is precluded by the City Code.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

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

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

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		
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
Employees' Retirement System Baltimore City Public Schools		
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
Maryland State Retirement and Pension System		
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:

	Employees' Retirement System	Governmental Activities	Enterprise Funds				Component Unit
			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.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

The City has selected the Projected Unit Credit Cost (P.U.C.C.) 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 P.U.C.C. 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		Internal Service
				Debt Service	Community Development Block Grant	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

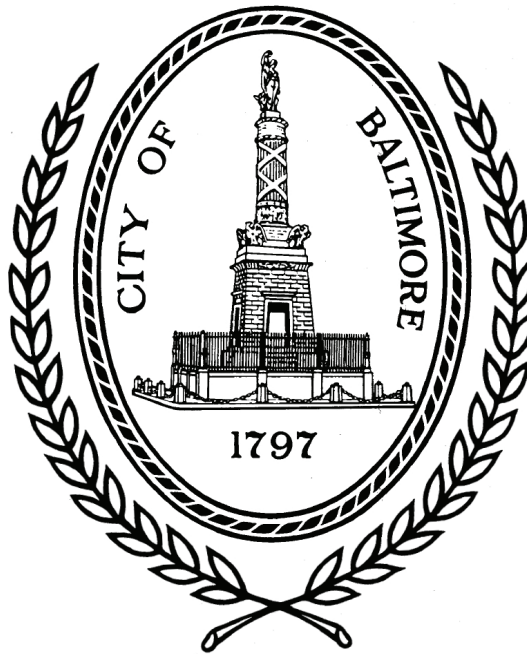
In September of 2016, the Fraternal Order of Police initiated a collective action against the Baltimore Police Department and the City of Baltimore. That suit alleges violations of the Fair Labor Standards Act and state law. The BPD and the City have filed a motion to dismiss the Plaintiffs' amended 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	\$ 152,289	\$ 150,397	735,817	\$ 272,883
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)			\$ 675,812	

- (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

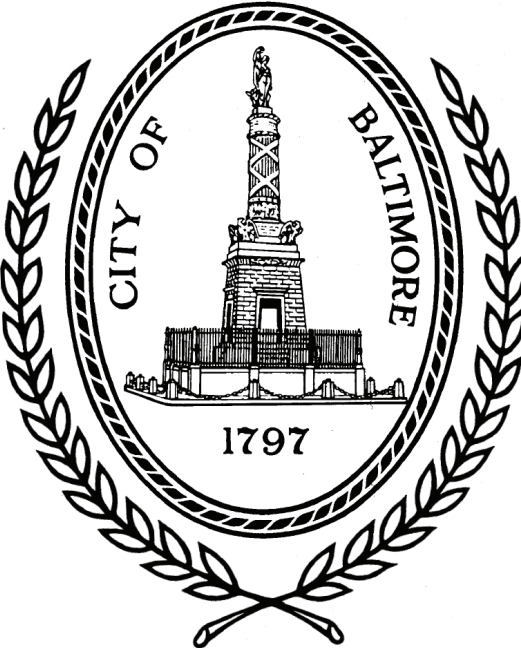
The City plans are considered part of the City's reporting entity and their financial statements are included in the City's basic financial statements as pension trust funds. Each plan issues a publicly available financial report that includes financial statements and the required supplementary information 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		500	4,937	1,276	3,355	6,154	6,154	2,198	5,574	7,772	13,926
Assigned							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

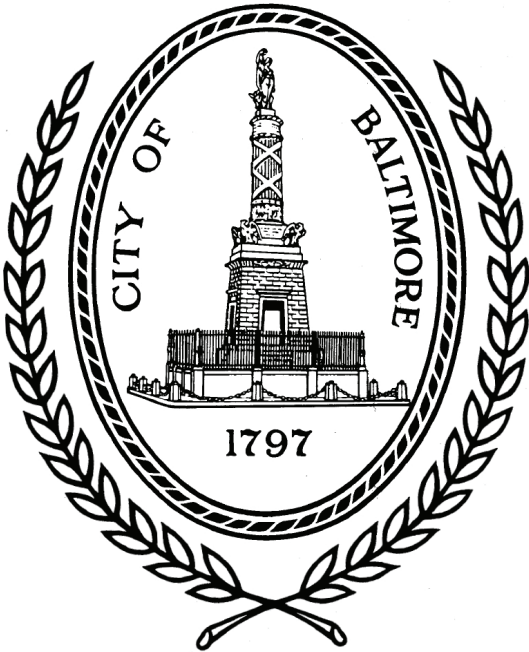
(Expressed in Thousands)

	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)

Table of Contents

	Page
Financial Trends	
These schedules contain information to help the reader understand how the City’s financial performance and well-being have changed over time	113
Revenue Capacity	
These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax	121
Debt Capacity	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place	125
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	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	5,414	64,249	92,317
Refunding of bonds							(214,336)			
Transportation revenue bonds									9,609	(13,833)
Swaps terminations							(18,760)			
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			Wastewater Utility Revenues	Less: Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	Coverage				Principal	Interest	Coverage
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			Parking Facilities Revenues	Less: Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	Coverage				Principal	Interest	Coverage
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		
			Principal	Interest	Coverage
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>156,110</u>		<u>46.49%</u>	<u>149,815</u>		<u>42.90%</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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