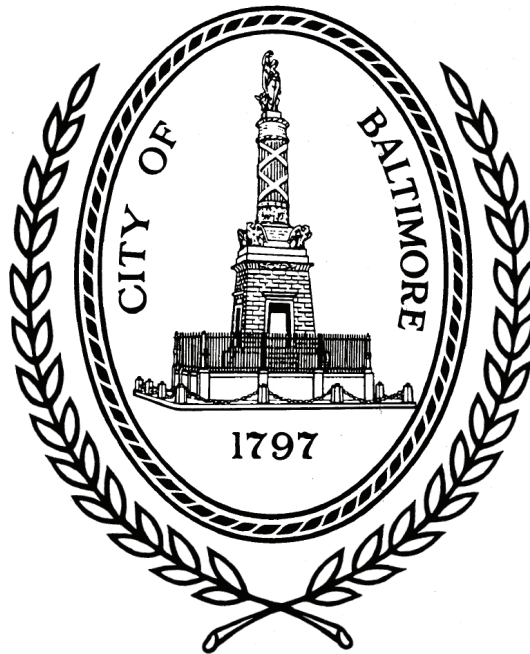


City of Baltimore *Maryland*



Comprehensive Annual Financial Report
Year Ended June 30, 2014

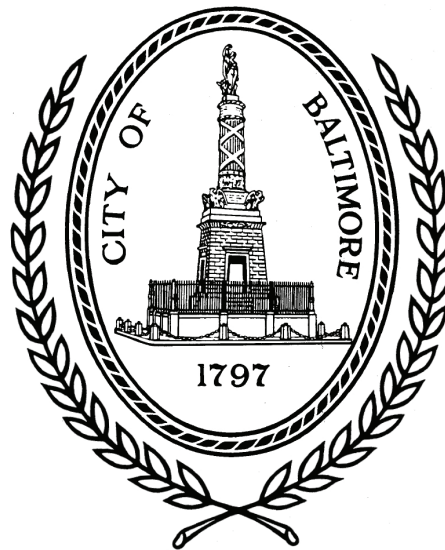
City of Baltimore, Maryland

Comprehensive Annual Financial Report

Year Ended June 30, 2014

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

Bureau of Accounting and Payroll Services
Stephen M. Kraus
Deputy Director of Finance





ELECTED OFFICIALS

MAYOR

Stephanie Rawlings-Blake

PRESIDENT OF THE CITY COUNCIL

Bernard C. Young

COMPTROLLER

Joan M. Pratt

BOARD OF ESTIMATES

PRESIDENT

Bernard C. Young

MAYOR

Stephanie Rawlings-Blake

COMPTROLLER

Joan M. Pratt

DIRECTOR OF PUBLIC WORKS

Rudolph S. Chow

CITY SOLICITOR

George A. Nilson

CITY COUNCIL

Bernard C. Young, *President*

Edward Reisinger, *Vice-President*

FIRST DISTRICT

James B. Kraft

SECOND DISTRICT

Brandon M. Scott

THIRD DISTRICT

Robert Curran

FOURTH DISTRICT

Bill Henry

FIFTH DISTRICT

Rochelle "Rikki" Spector

SIXTH DISTRICT

Sharon Green Middleton

SEVENTH DISTRICT

Nick Mosby

EIGHTH DISTRICT

Helen Holton

NINTH DISTRICT

William "Pete" Welch

TENTH DISTRICT

Edward Reisinger

ELEVENTH DISTRICT

Eric T. Costello

TWELFTH DISTRICT

Carl Stokes

THIRTEENTH DISTRICT

Warren Branch

FOURTEENTH DISTRICT

Mary Pat Clarke

City of Baltimore
Comprehensive Annual Financial Report
Year Ended June 30, 2014

TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION (UNAUDITED)	
Title Page	I
Elected Officials	II
Table of Contents	III
Letter of Transmittal	VII
Municipal Organization Chart	XVI
Certificate of Achievement for Excellence in Financial Reporting	XVII

FINANCIAL SECTION

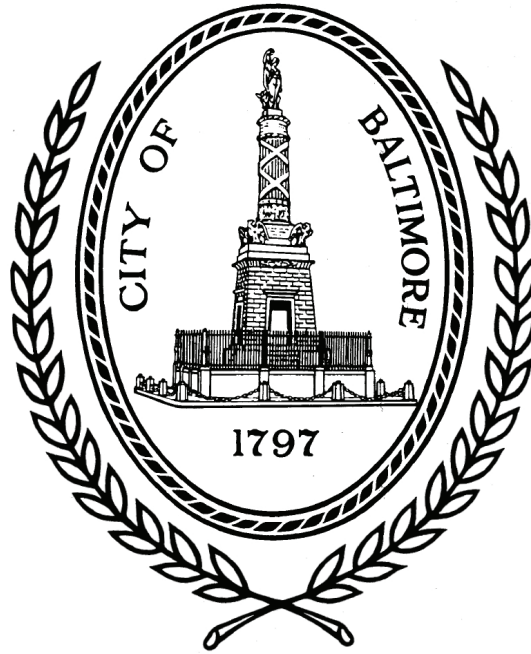
Report of Independent Auditors	1
Management's Discussion and Analysis (unaudited)	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	18
Statement of Activities	19
Fund Financial Statements:	
Balance Sheet — Governmental Funds	20
Statement of Revenues, Expenditures, and Changes in Fund Balances — Governmental Funds	21
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
Statement of Net Position — Proprietary Funds	23
Statement of Revenues, Expenses, and Changes in Net Position — Proprietary Funds	24
Statement of Cash Flows — Proprietary Funds	25
Statement of Fiduciary Net Position — Fiduciary Funds	26
Statement of Changes in Fiduciary Net Position — Pension and OPEB Trust Funds	27
Index to the Notes to Basic Financial Statements	28
Notes to the Basic Financial Statements	29
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Encumbrances, and Changes in Fund Balance — Budget and Actual — Budgetary Basis — General Fund	77
Schedules of Funding Progress — Pension Trust Funds and OPEB Trust Fund	78
Schedule of Employer Contributions — OPEB Trust Fund	78
Notes to the Required Supplementary Information	79
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet — Nonmajor Governmental Funds	84
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances — Nonmajor Governmental Funds	85

	Page
Schedule of Revenues, Expenditures and Encumbrances, and Changes in Fund Balance — Budget and Actual — Budgetary Basis — Special Racetrack Fund	86
Combining Statement of Net Position — Nonmajor Proprietary Funds	88
Combining Statement of Revenues, Expenses, and Changes in Net Position — Nonmajor Proprietary Funds	89
Combining Statement of Cash Flows — Nonmajor Proprietary Funds	90
Combining Statement of Net Position — Internal Service Funds	92
Combining Statement of Revenues, Expenses, and Changes in Net Position — Internal Service Funds	92
Combining Statement of Cash Flows — Internal Service Funds	93
Combining Statement of Fiduciary Net Position — Pension Trust Funds	96
Combining Statement of Changes in Fiduciary Net Position — Pension Trust Funds	97
Combining Statement of Assets and Liabilities — Agency Funds	98
Combining Statement of Changes in Assets and Liabilities — Agency Funds	99

STATISTICAL SECTION (UNAUDITED)

Financial Trends	105
Net Position by Component, Last Ten Fiscal Years	107
Changes in Net Position, Last Ten Fiscal Years	108
Fund Balances, Governmental Funds, Last Ten Fiscal Years	109
Changes in Fund Balances, Governmental Funds, Last Ten Fiscal Years	110
Revenue Capacity	111
Property Tax Levies and Collections, Last Ten Fiscal Years	113
Assessed and Estimated Actual Value of Taxable Property, Last Ten Fiscal Years	113
Direct and Overlapping Property Tax Rates, Last Ten Fiscal Years	114
Principal Property Taxpayers, Current Year and Nine Years Ago	114
Debt Capacity	115
Ratios of Outstanding Debt by Type, Primary Government, Last Ten Fiscal Years	117
Ratios of General Bonded Debt Outstanding, Last Ten Fiscal Years	118
Direct and Overlapping Governmental Activities Debt	119
Legal Debt Margin Information	119
Pledged Revenue Coverage, Last Ten Fiscal Years	119
Demographic and Economic Information	121
Demographic and Economic Statistics, Last Ten Calendar Years	123
Principal Employers, Current Year and Nine Years Ago	124
Operating Information	125
Full Time Equivalent Employees by Function, Last Ten Years	127
Operating Indicators by Function/Program, Last Ten Fiscal Years	128
Capital Asset Statistics by Function/Program, Last Ten Fiscal Years	129

INTRODUCTORY SECTION



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

(THIS PAGE INTENTIONALLY LEFT BLANK)

CITY OF BALTIMORE

STEPHANIE RAWLINGS-BLAKE, 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

March 18, 2016

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, 2014. 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 (the 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, KPMG LLP, to perform a joint audit with the City Auditor of the basic financial statements of the City for the year ended June 30, 2014. 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 "Single Audit" designed to meet the special needs of Federal grantor agencies. This audit was conducted by the City Auditor, and the Single Audit Report is available as a separate document.

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 2013 population of 622,104. 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 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 planned 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 both 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.

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 330,746, or 26.2%, of the 1.26 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 3.6% 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 30.4% of the 2013 jobs located in the City; a proportion that is considerably higher than the regional and State totals of 18.6% 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. An increasing number of workers in the Washington, D.C. and Northern Virginia area commute to jobs from homes in Baltimore.

The City supports and builds on the strengths of its internationally renowned higher education and health care institutions, most notably the Johns Hopkins Hospital and Health System—the world's premier medical facility, and the University of Maryland School of Medicine—the nation's first public medical school and one of the nation's largest public medical school research dollar recipients. In fiscal year 2014, a total of \$157.0 million of development related to health care institutions was put in place with the completed University of Maryland Medical System's shock trauma expansion, and another \$650.0 million was under construction, including the Maryland Proton Treatment Center, the University of Maryland Bio-Park multi-tenant building and Health Service Facility III.

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 622,104 in 2013. This 60-year trend reflects an average monthly drop of 433 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 170 people since 2000. Additionally, according to the latest United States Census Bureau's population estimate, the City gained 894 new residents from 2010 to 2013, for an average net gain of 25 people per month since then.

Economic Outlook

Four years after the Great Recession, the economy appears to be in the final stage of recovery. Economic indicators across the board have shown consistent improvement, many of which are now at levels equal to or better than those realized at the peak of the housing bubble. Employment continues to realize slow but consistent growth in the City, which traditionally lags behind the employment growth of both the State and the nation. The housing market is within 11% of the price levels found at the peak of the housing bubble. Housing inventories are at low levels and are helping to sustain the housing recovery, but are anticipated to grow as interest rates rise. The overall rental vacancies for commercial buildings remain virtually unchanged at 14.5%. Rental rates for these buildings also remained steady at approximately \$20.90 per square foot. The State's fiscal year 2015 budget does not substantially reduce aid or place further unfunded mandates on the City. 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 \$100.0 million of Highway User Revenues. As the State continues to grapple with its own structural deficit and large unfunded liabilities, 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 5.9% in September of 2014, while the City unemployment rate peaked in August of 2010 at 12.5%, but has since gradually declined and leveled off at 9.9% as of July of 2014.

The most recent data from the State Department of Labor, Licensing and Regulation (DLLR) indicates that the City has stabilized the number of jobs. The DLLR reported an average of 330,746 jobs located in the City during calendar year 2013, representing an increase of 0.2% compared to the average of 330,007 in calendar year 2012. Total jobs in the City peaked in calendar year 2000 with 387,557 jobs, but since then have experienced an average decline of about 364 per month through calendar year 2013. However, calendar year 2013 is the third year in a row since calendar year 2000 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 117 new jobs per month have been created since its lowest level in calendar year 2010. As of July of 2014, there were an estimated 253,379 City residents employed. The difference between employed residents and jobs in the City reflects a net contribution of approximately 77,400 jobs to surrounding communities.

Retail Sales

Retail sales reported by the State of Maryland for the City showed an increase of 2.1% in fiscal year 2014, the third consecutive year of growth in the last five years. The total value of sales generated in the City increased \$118.1 million to reach the annual total of \$5.74 billion. Additionally, sales generated in the City as a percentage of the total retail sales in the State continue to be at 8.2% in fiscal year 2014; a percentage which is still low compared to the fiscal year 2000 peak of 9.4%. In fiscal year 2014, the City experienced a gross increase of 69 new businesses and a total of 28 other businesses that relocated, expanded, reopened or signed new leases, including about 34 restaurants and 23 retailers. Out of this total, 64 businesses have already started operations in fiscal year 2014. Retail sales activity continues to be a leading indicator of the City's economic activity.

Housing

The housing market has continued recuperating after the recession, and the City has been realizing improvements in the level of activity and prices in the real estate market. The maintenance of low interest rates as well as the overall improvement of the economy has driven the increase in demand for properties in the City and accelerated the level of refinancing transactions experienced over the last two years, but fiscal year 2014 activity shows mixed signs that require cautiousness for the near future. The number of houses sold as reported by the Metropolitan Regional Information System (MRIS) increased for the second year in a row at 13.1% in fiscal year 2014 on top of the 17.9% experienced in fiscal year 2013. Additionally, the annual average price of houses sold in the City grew 1.6% in fiscal year 2014, a lesser increase if compared to the 11.4% of fiscal year 2013 and 10.1% of fiscal year 2012. In fiscal year 2014, the total number of commercial and residential real estate transactions totaled 12,717, representing an increase of 14.6% over the 11,094 fiscal year 2013 total, representing the highest number of transactions since fiscal year 2008. Meanwhile, in fiscal year 2014, the average price per transaction reached the highest annual historical level of \$196,822, representing an increase of 24.4% over the fiscal year 2013 average of \$158,228.

On the other hand, the long-lasting availability of low interest rates experienced over the last couple of fiscal years motivated a high level of refinancing activity; however, after a 45.9% increase on the number of refinancing transactions in fiscal year 2013, representing about 9,200 out of the total 20,200 real estate transactions for that year, the number declined by 773, or 8.4% to 8,416 transactions in fiscal year 2014, in spite of the overall 14.6% increase on the total number of real estate transactions. This behavior shows unequivocal signs of the slowing down in the City's refinancing market.

The improvement in the housing market has also extended to the development of new apartments. A total of 253 new apartments were completed in the downtown area for rental through new construction or conversion between fiscal years 2012 and 2013. Another 1,137 apartment units are currently under construction in the downtown area with expected delivery times between fiscal years 2015 and 2016, still another 1,374 units are in the planning phase. The City maintains a strategic position as an affordable housing market for buyers in the region. This is particularly important as the regional market has grown to include more Washington and Northern Virginia commuters.

Port

Port activity is sensitive to factors affecting the world trade: the state of the economies abroad and currency markets, among other factors. In calendar year 2013, the Port of Baltimore (the Port) experienced a mixed effect in its level of activity. The total tonnage of foreign commerce decreased about 6.4 million tons, or 17.4% from the 36.7 million tons handled in calendar year 2012, mainly explained by the decline in exports of 4.4 million tons attributable to the 22.6% decrease in coal exports, from 19.4 million tons in calendar year 2012 to 15.1 million tons in calendar year 2013. Additionally, the closure of the Sparrows Point steel mill virtually eliminated all iron ore imports reducing it from 1.6 million tons in calendar year 2012 to merely 12,000 tons in calendar year 2013. The reduction in total value was \$1.2 billion or 2.4% from the \$53.9 billion of calendar year 2013, still representing the third year in a row with total value above the \$50 billion mark. No material change was experienced in the level of foreign and domestic cargo activity, maintained at 9.6 million tons in calendar year 2013. The Port continues to be ranked as the 9th largest nationwide port in dollar value, and 11th largest nationwide in tonnage.

Tourism and Travel Industry

The tourism and travel industries experienced mixed activity results compared to prior years. In fiscal year 2014, the Baltimore Convention Center decreased the number of hosted events to 132, twenty fewer events compared to fiscal year 2013; however, the average attendance per event experienced an unprecedented increase of 40.7% in fiscal year 2014 from 3,650 to 5,137. Additionally, the negative impact of the sequestration may be the main factor affecting the travel industry during fiscal year 2014. There were about 22.4 million commercial passengers that used the Baltimore Washington International Thurgood Marshall Airport (BWI), a decrease of 1.3% compared to fiscal year 2013. However, in fiscal year 2014, the number of available hotel rooms in the City has nearly reached the 300,000 rooms per month level. The average demand experienced an increase of 2.1%, and the occupancy rate also increased from 64.3% in fiscal year 2013 to 66.7% in fiscal year 2014. The average rate per room also increased 2.8% to \$141.8 per room. Additionally, cruise activity through the Port experienced another good year in fiscal year 2013. More than 90 cruises departed from the port carrying 212 passengers. For the first time, the luxury cruise line, Crystal Cruises, has scheduled embarkation sailing from Baltimore, and in early 2014 the Governor announced the return of Carnival Cruise lines to the Port. In fiscal year 2013, the Port continued to be ranked fifth among the east coast ports, 11th nationwide and 20th worldwide in cruise departures.

Office Development

In fiscal year 2014, the City's office market inventory was reduced from 186 to 182 buildings, experiencing a market size reduction of 0.6%, from 22.4 million square feet to 22.2 million square feet as of June 2014. Net absorption also decreased by 89,715 square feet as of June 2014. However, the decline is mainly explained by 126,155 square feet of space at 100 North Charles Street (partially absorbed by Kao USA, Inc.) and 120 West Fayette Street being added to the market, however mostly

vacant and not yet advertised as available, which added to the market skews in the absorption numbers for fiscal year 2014. Vacancy rates decreased from 17.6% to 16.2%, and the average retail price was virtually maintained at \$21 per square foot. The change in the vacancy rate was experienced city-wide, marking the eleventh consecutive quarter of vacancy rate reductions.

Several new mid-size leasing transactions occurred in fiscal year 2014. Among the most relevant leasing agreements is the 88,000 square foot lease signed by Pandora Jewelry at 250 West Pratt Street. The Maryland Automobile Insurance Fund leased 60,000 square feet at 1215 East Fort Avenue, MedStar Health signed a 25,000 square foot new lease at 1420 Key Highway and another 14,500 square feet were leased by Kao USA, Inc. at 100 North Charles Street.

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 Other Post-Employment Benefits (OPEB) unfunded liabilities shrank from \$3.2 billion in fiscal year 2011, to \$2.8 billion in fiscal year 2013. A series of reforms over the past three fiscal years has helped to reduce the City's unfunded OPEB liability from \$2.1 billion to \$791.0 million, as reported in the preliminary fiscal year 2015 disclosures.

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 \$395.0 million through fiscal year 2022 as a result of these initiatives.

The fiscal year 2015 budget reflects 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 City's fleet. In addition to targeted savings initiatives, a number of the initiatives planned in the fiscal year 2015 budget are 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.

HIGHLIGHTS OF THE FISCAL YEAR 2015 ADOPTED BUDGET

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 and the graduation rate have improved, but third grade reading scores have fallen and other key indicators are stuck, including attendance and the dropout rate. This budget maintains funding for services that provide enriching Out of School Time programs for Baltimore's children and:

- Fully funds the City's Maintenance of Effort (MOE) payment to the Baltimore City Public School System (BCPSS) at \$204.0 million. The City and BCPSS have jointly requested a waiver from the Maryland State Department of Education to correct the effect of an enrollment error in the fiscal year 2013 MOE calculation. Correcting this error would save the City approximately \$2.0 million. The City's teacher pension contribution is \$14.8 million, \$1.6 million below the fiscal year 2014 level. This contribution will increase to \$17.9 million in fiscal year 2016.
- Provides \$38.0 million for the Mayor's *Better Schools Initiative* to modernize City school buildings. Funding sources include proceeds from the beverage container tax and casino lease revenues, State formula aid leveraged by the City, and a general obligation bond allocation.

- Keeps all library branches open to improve third-grade reading and support life-long learning.
- Maintains funding of \$5.9 million for Out of School Time (OST) programs administered by the Family League of Baltimore City. Funding for these programs has grown by \$1.2 million over the past four years, even as the City has struggled to close large budget deficits. In fiscal year 2015, 6,000 children will participate in OST programs that are shown to increase school attendance, and 21,000 children will be served in Community Resource Schools.
- Transitions the City's two daycare centers to year-round Head Start centers. Once complete, this transition will result in an additional 1,100 children receiving summer services to prepare for kindergarten and combat learning loss. The City's before-care and after-care centers at Waverly and Northwood will continue to be operated by the Department of Housing and Community Development.

Safer Streets

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

Property and violent crimes have trended downward over the past eight years. Preliminary fiscal year 2013 figures reflect slight increases in both property and violent crime rates from fiscal year 2012. Fire response times have improved, but the Emergency Medical System (EMS) is meeting response time standards less often. This budget includes new investments to bolster the crime fight.

- In response to the recent homicide trend, the City's administration has proposed a supplemental appropriation to test several new crime prevention strategies, including Operation Ceasefire, extended curfew center hours, gun buyback, and night basketball. These strategies will be evaluated during fiscal year 2015.
- The City's administration and Fraternal Order of Police are negotiating a new police schedule that would put more officers on the street during peak crime hours, reduce overtime, and improve pay.
- The City's Capital Budget invested \$5.0 million from seized drug contraband for technology upgrades that will help to implement the Police Department's new strategic plan. Initiatives include field based reporting to reduce paperwork, a timekeeping system to manage overtime use, and advanced crime analysis tools.
- Maintains funding for the Crime Camera Management service to support the operation of more than 600 cameras across the City.
- Maintains funding for Youth Violence Prevention.
- Continues to downsize the fire suppression force under the new schedule negotiated last year. The new schedule maintains emergency response times and generates savings to improve firefighter pay and replace fire apparatus.
- Fully funds EMS services at the current service level. Over 80% of 911 call demand is for medical emergencies. New technology to track the location of medic units and steps to reduce delays in transferring patients to emergency rooms will help improve response times.

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.

For the first time in seven years, construction and rehabilitation permits grew in fiscal year 2013. The number of vacant and abandoned houses remains stubbornly high, and despite stepped-up repair and resurfacing efforts, most citizens are still dissatisfied with the condition of City streets. This budget cuts taxes and meets the Mayor's commitment to blight elimination through the Vacants to Value Program.

- Reduces the effective property tax rate for City homeowners to \$2.130 per \$100 of assessed value, representing a 13.8 cent (6%) cut over three years under the Mayor's *20 Cents by 2020* Initiative.
- Supports the Mayor's *Vacants to Value* Program with \$10.0 million in baseline capital funding for whole-block demolition and relocation, and quadruples the baseline funding level from before the Mayor's Ten-Year Financial Plan.

- Provides \$15.0 million in county transportation bond funding to resurface neighborhood streets and meet other critical transportation infrastructure needs. This borrowing level will continue through fiscal year 2022 under the Ten-Year Financial Plan.
- The fiscal year 2015 budget includes \$25.7 million in Pay-as-You-Go capital investments. Specific projects supported by this funding include \$3.2 million for parks and recreation improvements, \$800,000 for community development initiatives, \$2.5 million for bridge construction and repair, \$3.9 million for street and highway maintenance, \$2 million for home buying incentives, and \$200,000 for long-range planning associated with Community Action Centers.
- Maintains funding for recreation centers, public pools, and park maintenance. In fiscal year 2015, the Department of Recreation and Parks will continue the implementation of the Mayor's Task Force recommendations with the construction of additional model Community Centers. The fiscal year 2015 capital budget includes funding for the construction of the Cherry Hill and Cahill community centers.
- Includes \$10.0 million in Local Impact Aid from the newly constructed Horseshoe Casino in South Baltimore. These funds will be allocated to projects recommended by the community members serving on the Local Development Corporation. Projects supported by this funding include workforce development and an employment connection center, increased public safety and sanitation service in the casino area, and long-range planning efforts.

A Growing Economy

A growing economy leverages public, private, and non-profit partnerships; respects and supports diversity; and recognizes the inter-connectivity of all economic factors such as investments, key economic drivers, workforce, quality of life, and infrastructure.

The City's economy is still recovering from the Great Recession. The number of businesses grew in fiscal year 2013 for the first time since fiscal year 2007, and sales and hotel tax revenues grew significantly, signaling renewed tourism. Employment is also up slightly. This budget keeps the momentum going by maintaining support for economic development and investing to attract new residents and visitors.

- Supports economic development efforts to assist small businesses, encourage technology entrepreneurs, and attract and retain jobs. The General Fund appropriation for the Baltimore Development Corporation has increased by 50 percent since fiscal year 2011 to combat the economic downturn.
- Maintains funding for the Youth Works Summer Job program, which partners with private and non-profit employers to give more than 5,000 young people meaningful work experiences.
- Maintains funding for key cultural institutions, such as the art museums, Baltimore Symphony Orchestra and the Baltimore Office of Promotion and the Arts.
- Provides ongoing enhancement funding for a food desert strategy geared towards connecting urban farmers and convenience stores.

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 and has improved the timeliness of vendor payments. The percentage of 311 service requests completed reached nearly 92% in fiscal year 2013, a record high. Citizen satisfaction with City services has been steady, with around 43% reporting they are "very satisfied" or "satisfied" on the annual survey, however, this is not where City leaders want it to be. This budget invests in making the City's business processes more efficient and accountable.

- Funds an expanded Office of Inspector General and continues funding to carry out a new charter requirement for periodic audits of City agencies.
- Eliminates 23 vacant positions and begins consolidation of the Human Resources function, consistent with the Mayor's plan to streamline the City workforce by ten percent over ten years.

- Includes \$1.8 million to bring managerial and professional salaries into a market competitive range and implement a pay-for-performance plan for executives. This action updates the 2008 Managerial and Professional Society (MAPS) pay study that was deferred at the onset of the Great Recession.
- Invests in two new Innovation Fund projects that will modernize the Police Department's Crime Laboratory and provides funding for Lean Government events, employee training, and other initiatives to improve efficiency and customer service.

A Cleaner and Healthier City

A cleaner and healthier city reaches all aspects of public health: the physical (clean water, clean air, and safe buildings), as well as service aspects (drug treatment, health education, and clinical assistance).

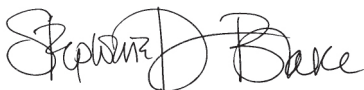
In the past three years, household recycling has increased, although the City is not on track to achieve its 35 percent target by December 31, 2015. Despite these gains, only about a quarter of citizens rate the City's cleanliness as "excellent" or "good." The infant mortality rate continues to drop, but indicators of heart disease and substance abuse are rising. This budget maintains funding for core health and sanitation services and invests in greening and flood control projects through the Stormwater Utility.

- Continues support for the mechanical street sweeping operation that has increased the number of lane miles swept and 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 Plan calls for the establishment of a solid waste enterprise. In preparation, the City will pilot the use of municipal trash cans and make the bulk trash service more cost-effective.
- Supports continued enhancement funding for the Waste-to-Wealth Initiative geared towards recapturing the City's waste stream and transforming it into valuable products.
- Maintains support for the Environmental Health service, which has adopted electronic handheld devices to improve efficiency and increase the total number of health inspections conducted at food facilities and other establishments.
- Continues enhanced funding for Baby Basics, a prenatal health literacy program that reduces risks of poor birth outcomes for low-income mothers.

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, KPMG LLP, 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,

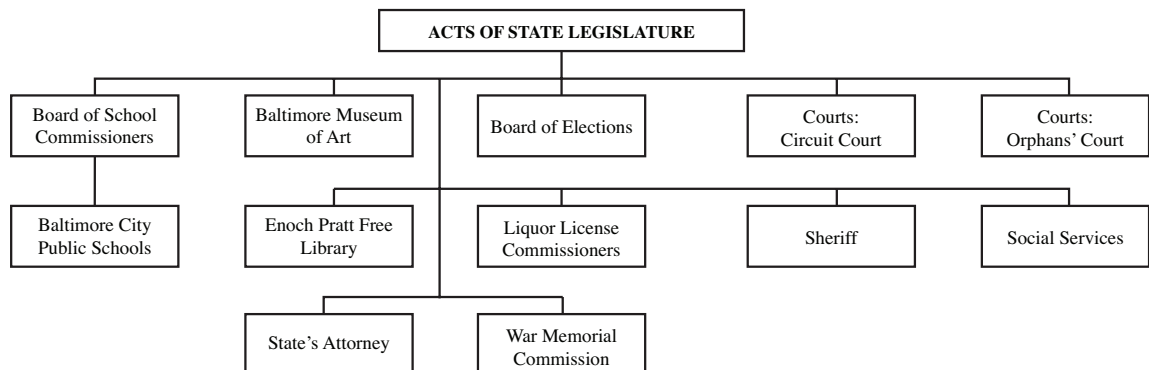
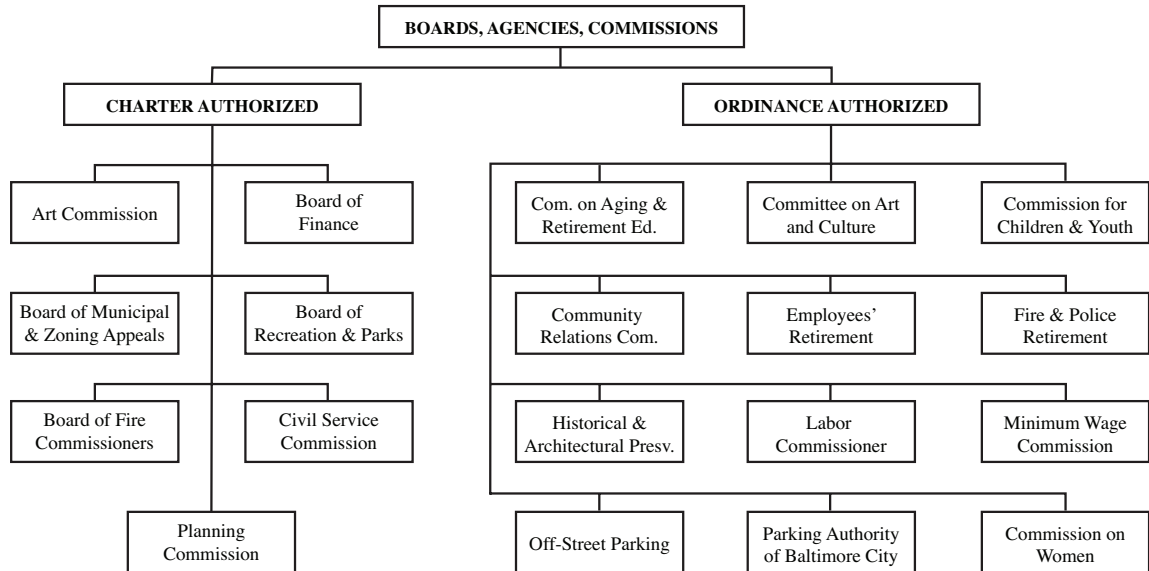
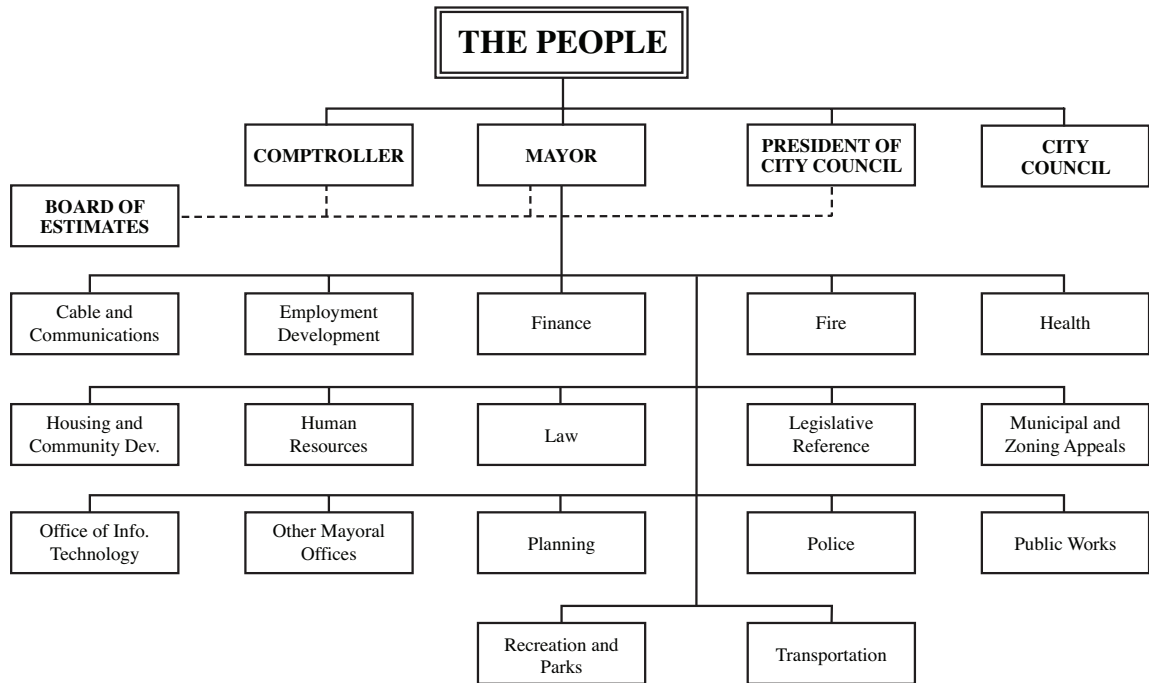


Stephanie Rawlings-Blake
Mayor



Henry J. Raymond
Director of Finance

MUNICIPAL ORGANIZATION CHART





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Baltimore
Maryland**

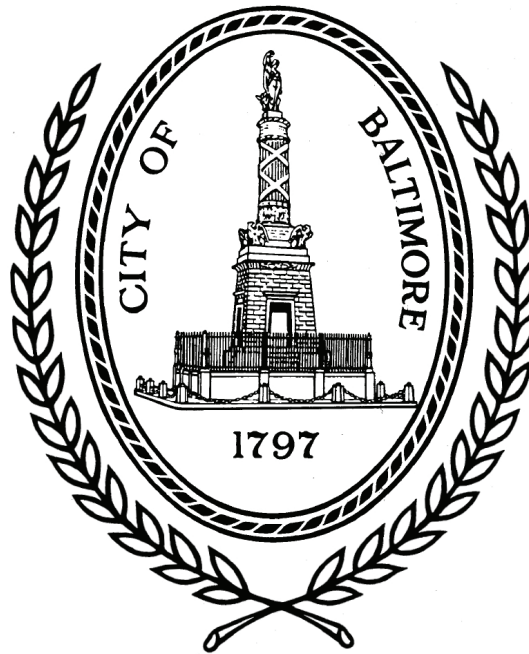
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

(THIS PAGE INTENTIONALLY LEFT BLANK)

FINANCIAL SECTION



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

(THIS PAGE INTENTIONALLY LEFT BLANK)



CITY OF BALTIMORE
STEPHANIE RAWLINGS-BLAKE
Mayor

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



KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

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

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, 2014, 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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express 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 Employees' Retirement System. These funds represent 85%, 92%, and 58% of the total assets and deferred outflows, net position, and revenues of the aggregate remaining fund information. We also did not audit the Baltimore City Public School System and the Baltimore Hotel Corporation, which comprise the City's discretely presented component units. The financial statements of the Pension Trust Funds, Baltimore City Public School System, and the Baltimore Hotel Corporation were audited by other auditors whose reports thereon have been furnished to us. Our opinions, insofar as they relate to the amounts included for the Pension Trust Funds, the Baltimore City Public School System and the Baltimore Hotel Corporation, are based solely on the reports of the other auditors. 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 three-year period ending December 31, 2014.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City'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.

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Unmodified
Business-Type Activities	Unmodified
Aggregate Discretely Presented Component Units	Unmodified
General Fund	Unmodified
Grants Revenue Fund	Qualified
Capital Projects Fund	Unmodified
Water Utility Fund	Unmodified
Wastewater Utility Fund	Unmodified
Stormwater Utility Fund	Unmodified
Parking Facilities Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Basis for Qualified Opinion on Grant Revenue Fund

The City reported approximately \$25 million of unearned revenue in its grant revenue fund, which represents 20% of the fund's total liabilities as of June 30, 2014. The City was unable to provide sufficient evidential matter that supported approximately \$24 million of the unearned revenue reported in the fund. It was not practicable to extend our auditing procedures sufficiently to satisfy ourselves as to the existence of the unearned revenue reported in the fund's balance sheet as of June 30, 2014. In addition, the unearned revenue impacted the grant accrual calculation used to derive due from other governments and unavailable grant revenues. As such, we were unable to determine the extent, if any, that these two financial statement line items may have been impacted by the \$24 million in unsupported unearned revenue.

Qualified Opinion

In our opinion, except for the matter described in the *Basis for Qualified Opinion on the Grant Revenue Fund* paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the grant revenue fund of the City of Baltimore, Maryland, as of June 30, 2014, and the changes in financial position thereof for the year then ended in accordance with U.S. generally accepted accounting principles.



Unmodified Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, aggregate discretely presented component units, general fund, capital projects fund, water utility fund, wastewater utility fund, stormwater utility fund, parking facilities fund, and the aggregate remaining fund information of the City of Baltimore, Maryland, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 21 to the financial statements, in fiscal year 2014, the fund implemented the Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis and the required supplementary information on pages 5 through 17 and on pages 75 through 80 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.

Supplementary and Other Information

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

The combining and individual fund financial statements and schedules 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, based on our audit and the reports of the other auditors, the combining and individual fund financial statements and schedules are 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2016 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.

A handwritten signature in black ink, appearing to read "Robert L. McCarty Jr.".

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

The KPMG LLP logo, with "KPMG" in a large, bold, black font and "LLP" in a smaller, bold, black font to its right.

Independent Auditors

March 18, 2016

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, 2014. 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 2014 by \$4.7 billion (net position). This amount includes \$203.6 million (restricted net position) and is net of an unrestricted deficit of \$318.6 million. During the fiscal year, the City's total net position increased by \$222.0 million.

As of June 30, 2014, the City's governmental funds reported combined ending fund balances of \$269.9 million. At the close of the fiscal year, unassigned fund balance for the general fund was \$106.0 million.

The City's total long-term debt decreased by \$12.2 million during fiscal year 2014.

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 Changes in Fiduciary Net Position
		Statement of Activities		Statement of Cash Flows	
		Full accrual basis for revenues and expenses, includes all assets and liabilities. Economic resource focus	Modified accrual basis for revenues and expenses. Financial resource measurement focus	Full accrual basis for revenues and expenses, includes all assets and liabilities. 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, highways and streets, sanitation and waste removal, public service, economic development, and interest expense. 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 ASC 958, *Not-for-Profit Entities*.

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 balances 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 funds Balance Sheet and the governmental funds 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 funds Balance Sheet and in the governmental funds 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 funds are charges for customer services including: water, sewer, parking fees, commercial and industrial rents, printing services, vehicle maintenance fees, telecommunication, stormwater, central post office fees, energy conservation, building maintenance and risk management. 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 operations 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 services for certain City programs and activities. The City uses internal service funds to account for its fleet of vehicles, printing and mail services, telecommunications services, energy conservation, building maintenance and risk management program. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Fiduciary funds

Fiduciary funds are used to report net position held in a trust or agency capacity for others. These resources cannot be used to support the City's own programs and are not reflected in the government-wide financial statements. The City's fiduciary funds are comprised of pension trust, OPEB trust and agency funds.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information such as the general fund budgetary basis financial statement, the Retirement Systems' 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 2014 and 2013**

(Expressed in Thousands)

	Governmental activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 1,068,290	\$ 1,009,892	\$ 956,775	\$ 655,135	\$ 2,025,065	\$ 1,665,027
Capital assets, net	3,195,959	3,454,845	3,512,216	3,009,040	6,708,175	6,463,885
Deferred outflows of resources	14,401	4,310	99,153	71,281	113,554	75,591
Total assets and deferred outflows of resources	4,278,650	4,469,047	4,568,144	3,735,456	8,846,794	8,204,503
Long-term liabilities outstanding	1,587,375	1,562,600	1,845,720	1,503,813	3,433,095	3,066,413
Other liabilities	541,986	527,857	201,599	160,526	743,585	688,383
Total liabilities and deferred inflows of resources	2,129,361	2,090,457	2,047,319	1,664,339	4,176,680	3,754,796
Net position:						
Invested in capital assets, net of related debt	2,569,231	2,988,956	2,215,884	1,785,501	4,785,115	4,774,457
Restricted	22,598	40,548	180,965	152,197	203,563	192,745
Unrestricted	(442,540)	(650,914)	123,976	133,419	(318,564)	(517,495)
Total net position	\$ 2,149,289	\$ 2,378,590	\$ 2,520,825	\$ 2,071,117	\$ 4,670,114	\$ 4,449,707

Analysis of Net Position

As noted earlier, net position may serve as a useful indicator of the City's financial position. For the City, assets exceeded liabilities by \$4.7 billion at the close of fiscal year 2014. The City's net position includes its investment of \$4.8 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, \$203.6 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 \$318.6 million.

CITY OF BALTIMORE Changes in Net Position For the fiscal years 2014 and 2013

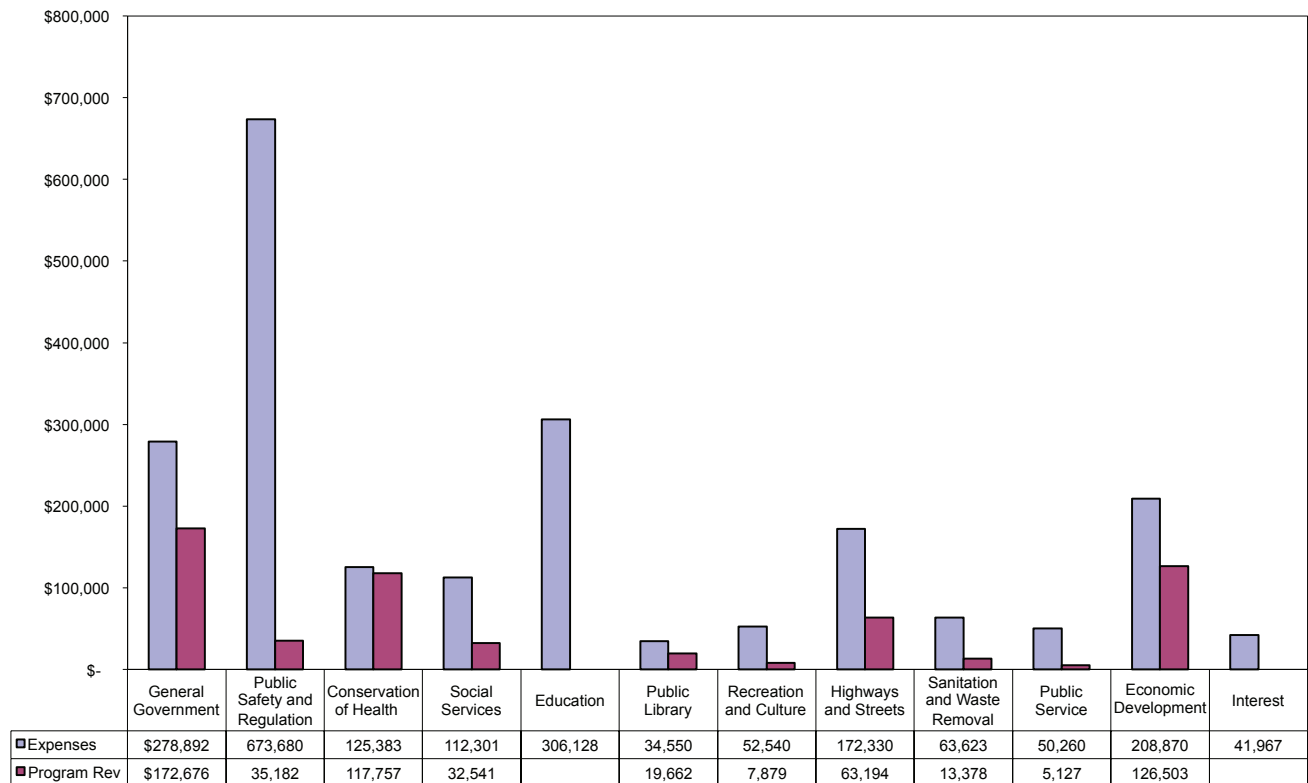
(Expressed in Thousands)

	Governmental activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 103,331	\$ 114,163	\$ 509,153	\$ 440,143	\$ 612,484	\$ 554,306
Operating grants and contributions	431,515	385,841			431,515	385,841
Capital grants and contributions	71,806	109,488	131,574	129,608	203,380	239,096
General revenues:						
Property taxes	810,824	806,258			810,824	806,258
Income taxes	284,437	276,111			284,437	276,111
State shared revenue	131,180	128,707			131,180	128,707
Transfer and recordation tax	74,545	59,836			74,545	59,836
Electric and gas tax	40,997	39,504			40,997	39,504
Telecommunications tax	33,389	33,290			33,389	33,290
Admission tax	7,460	9,161			7,460	9,161
Other	97,303	108,752	2,186	2,135	99,489	110,887
Total revenues	2,086,787	2,071,111	642,913	571,886	2,729,700	2,642,997
Expenses:						
General government	278,892	399,166			278,892	399,166
Public safety and regulation	673,680	661,829			673,680	661,829
Conservation of health	125,383	130,911			125,383	130,911
Social services	112,301	125,515			112,301	125,515
Education	306,128	288,227			306,128	288,227
Public library	34,550	33,184			34,550	33,184
Recreation and culture	52,540	50,297			52,540	50,297
Highways and streets	172,330	159,022			172,330	159,022
Sanitation and waste removal	63,623	73,536			63,623	73,536
Public service	50,260	50,710			50,260	50,710
Economic development	208,870	170,002			208,870	170,002
Interest	41,967	29,605			41,967	29,605
Water			155,308	136,171	155,308	136,171
Wastewater			179,306	178,221	179,306	178,221
Stormwater			18,292		18,292	
Parking			23,528	17,681	23,528	17,681
Nonmajor proprietary			10,753	11,826	10,753	11,826
Total expenses	2,120,524	2,172,004	387,187	343,899	2,507,711	2,515,903
Increase (decrease) in net assets before transfers	(33,737)	(100,893)	255,726	227,987	221,989	127,094
Transfers:						
Transfers in (out)	(195,564)	47,742	195,564	(47,742)		
Change in net position	(229,301)	(53,151)	451,290	180,245	221,989	127,094
Net position - beginning (as restated)	2,378,590	2,431,741	2,069,535	1,890,872	4,448,125	4,322,613
Net position - ending	\$ 2,149,289	\$ 2,378,590	\$ 2,520,825	\$ 2,071,117	\$ 4,670,114	\$ 4,449,707

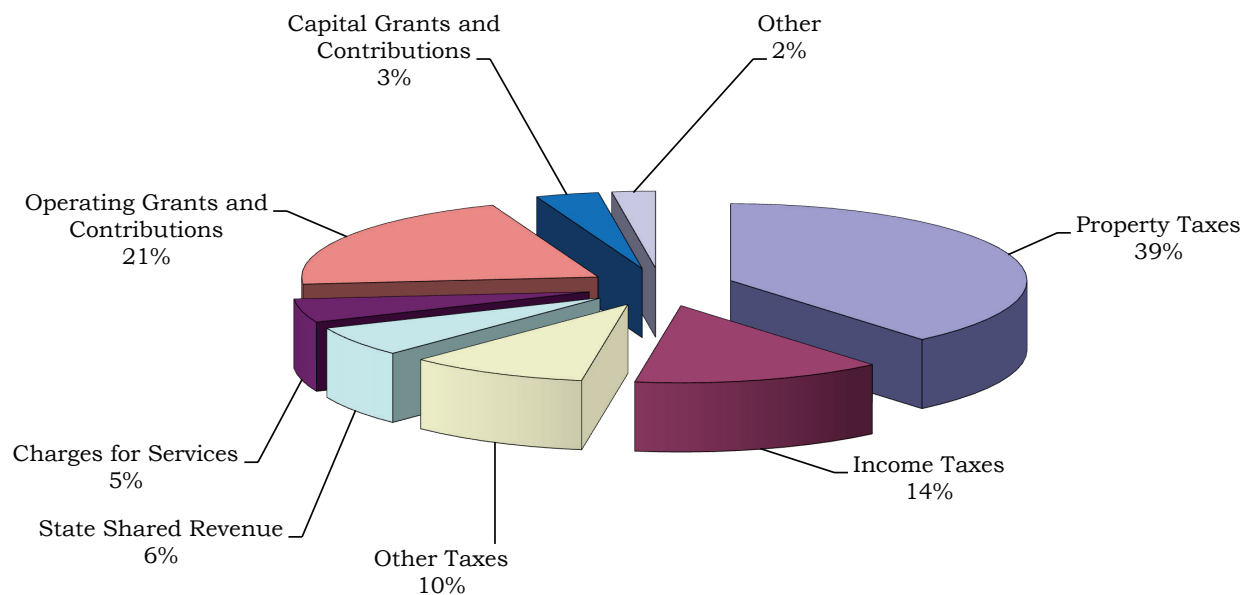
Analysis of Changes in Net Position

The overall increase in the City's net position amounted to \$222.0 million during fiscal year 2014. These changes are explained in the governmental and business-type activities discussion below.

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



Revenues By Source — Governmental Activities



Governmental Activities

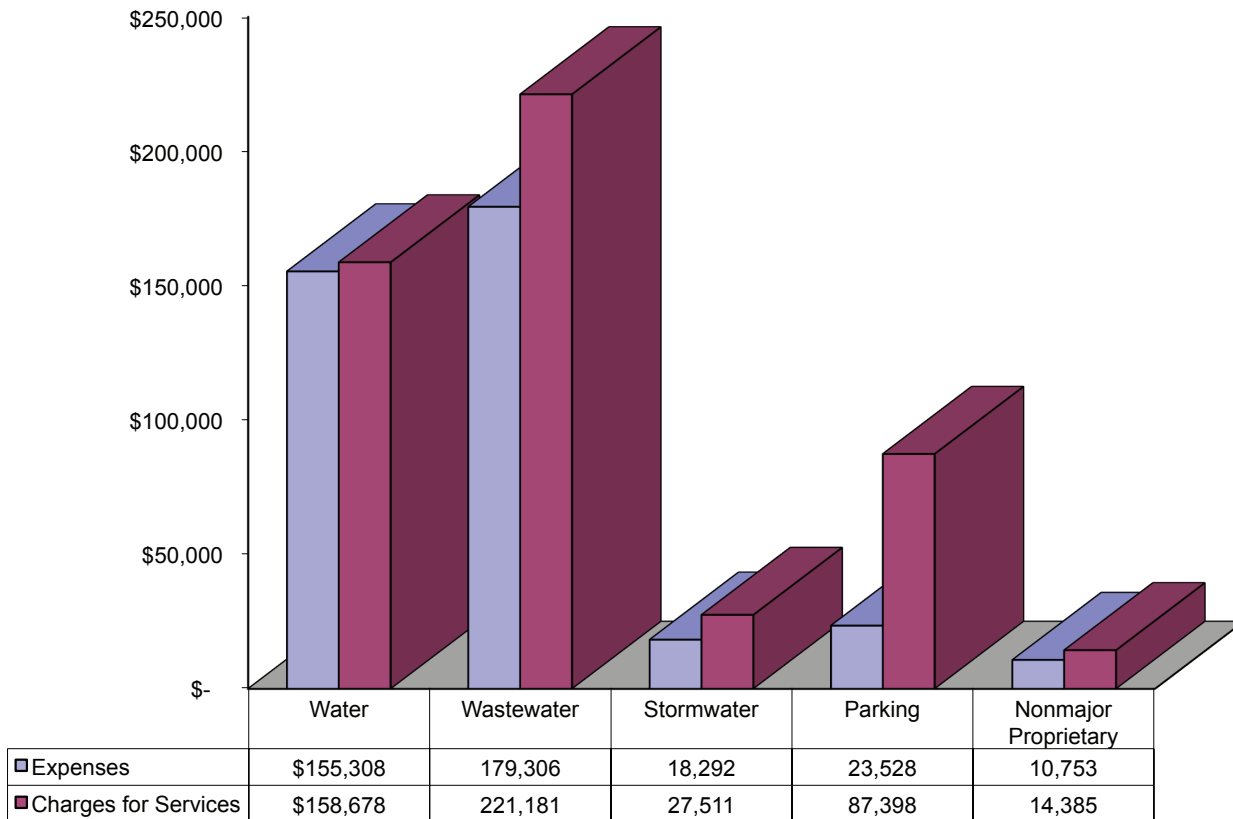
During the current fiscal year, expenses related to governmental activities amounted to \$2.1 billion, which is greater than revenues by \$33.7 million. Total revenue of \$2.1 billion is comprised of program revenues totaling \$606.7 million, or

29.0%. 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 2014, governmental revenue increased by \$15.7 million.

Governmental expenses decreased by \$51.5 million during fiscal year 2014. This decrease is primarily attributable to decreases in general government of \$120.3 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 \$642.9 million. Expenses and transfers for these activities totaled \$191.6 million and resulted in an increase in net position of \$451.3 million.

Operating revenues increased by \$41.6 million in fiscal year 2014 in the Water and Wastewater Utility Funds. Capital assets increased by \$503.2 million in the business-type activities primarily as a result of the utilities funds' efforts 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 2014 and 2013
(Expressed in Thousands)

	2014	2013	Variance Amount
Revenues:			
General fund:			
Property taxes	\$ 780,846	\$ 754,742	\$ 26,104
Income taxes	284,437	276,111	8,326
Other local - taxes	192,835	188,803	4,032
Total local taxes	1,258,118	1,219,656	38,462
Licenses and permits	41,457	40,572	885
Interest, rentals, and other investment income	15,833	16,816	(983)
Federal grants	261	245	16
State grants	102,786	93,376	9,410
Other	198,837	206,688	(7,851)
Total revenues - general fund	1,617,292	1,577,353	39,939
Other governmental funds:			
Grants revenue fund	242,805	251,949	(9,144)
Capital projects fund	91,069	121,065	(29,996)
Other funds	36,279	21,860	14,419
Total revenues other governmental funds	370,153	394,874	(24,721)
Total revenues all governmental funds	1,987,445	1,972,227	15,218
Expenditures:			
General fund:			
General government	216,329	223,730	(7,401)
Public safety and regulation	625,432	594,077	31,355
Conservation of health	23,778	20,811	2,967
Social services	76,857	89,235	(12,378)
Education	273,241	257,770	15,471
Public library	24,577	23,131	1,446
Recreation and culture	39,796	39,235	561
Highways and streets	102,308	83,051	19,257
Sanitation and waste removal	59,837	69,381	(9,544)
Public service	41,241	43,024	(1,783)
Economic development	49,348	48,544	804
Total expenditures - general fund	1,532,744	1,491,989	40,755
Other governmental funds:			
Grants revenue fund	275,977	280,319	(4,342)
Capital projects fund	160,874	202,458	(41,584)
Other funds	105,502	116,155	(10,653)
Total expenditures other governmental funds	542,353	598,932	(56,579)
Total expenditures all governmental funds	2,075,097	2,090,921	(15,824)
Excess of expenditures over revenues	(87,652)	(118,694)	31,042
Other financing sources:			
Transfers, net	56,828	76,110	(19,282)
Capital projects fund:			
Capital contributions	(20,421)		(20,421)
Refunding of transportation revenue bonds		(14,446)	14,446
Swap termination		(18,760)	18,760
Advanced refunding of general obligation bonds		(51,998)	51,998
Refunding of obligation bonds		(147,892)	147,892
Capital leases		11,804	(11,804)
Premium on transportation revenue bonds		3,591	(3,591)
Premium on general obligation bonds		38,852	(38,852)
Face value of transportation revenue bonds		38,255	(38,255)
Face value of funding and refunding general obligation bonds	5,414	230,550	(225,136)
Other funds:			
Face value of funding and refunding general obligation bonds		14,730	(14,730)
Total other financing sources	41,821	180,796	(138,975)
Net changes in fund balances	(45,831)	62,102	(107,933)
Fund balances beginning	315,715	253,613	62,102
Fund balances ending	\$ 269,884	\$ 315,715	\$ (45,831)

Revenues for governmental functions overall totaled approximately \$2.0 billion in the fiscal year ended June 30, 2014, which represents an increase of 0.8% from the fiscal year ended June 30, 2013. Expenditures for governmental functions, totaling \$2.1 billion, decreased by approximately 0.8% from the fiscal year ended June 30, 2013. In the fiscal year ended June 30, 2014, expenditures for governmental functions exceeded revenues by \$87.7 million, or 4.4%.

The General Fund is the chief operating fund of the City. Revenues in the General Fund increased \$39.9 million as compared to fiscal year 2013. This increase was attributed to increases in income taxes and property taxes in fiscal year 2014. The total expenditures for the General Fund increased by \$40.8 million, or 2.7%, over fiscal year 2013.

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

The increase in public safety and regulation expenditures was due primarily to overtime costs. The increase in expenditures for highways and streets was due primarily to unusually large snow and ice removal costs. The increase in education expenditures was due primarily to an increase in local contributions to education costs.

At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$106.0 million, while total fund balance was \$300.5 million. The fund balance in the City's General Fund increased by \$1.5 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.

The Capital Projects Fund is used to account for the overall financing and expenditures of uncompleted projects. The fund balance deficit of \$4.4 million represents authorized projects which are still in progress.

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 Facilities Fund		Nonmajor Other Funds	
	2014	2013	2014	2013	2014	2013
Operating revenue	\$ 407,370	\$ 338,201	\$ 87,398	\$ 83,542	\$ 14,385	\$ 18,400
Operating expenses	316,242	283,976	13,686	12,335	10,658	11,826
Operating income	91,128	54,225	73,712	71,207	3,727	6,574
Nonoperating revenues (expenses), capital contributions, and transfers	352,506	99,085	(72,559)	(53,088)	5,958	2,976
Change in net position	\$ 443,634	\$ 153,310	\$ 1,153	\$ 18,119	\$ 9,685	\$ 9,550

As discussed in the Business-type activities section, the Water and Wastewater Utilities Funds experienced operating revenue increases in fiscal year 2014. These increases are attributable to rate increases implemented in fiscal year 2014. In fiscal year 2014, the Stormwater Utility Fund was set up as a separate Proprietary Fund.

The Parking Facilities Fund revenues increased during the current year. This is primarily due to increased parking rates.

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, 2014

(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance With Original Budget Positive (Negative)	Variance With Final Budget Positive (Negative)
Total revenues	\$ 1,520,864	\$ 1,557,936	\$ 1,615,231	\$ 94,367	\$ 57,295
Expenditures and encumbrances:					
General government	268,835	273,883	275,806	(6,971)	(1,923)
Public safety and regulation	617,499	619,890	619,168	(1,669)	722
Conservation of health	27,005	27,080	26,693	312	387
Social services	2,717	6,473	6,838	(4,121)	(365)
Education	260,964	272,285	271,894	(10,930)	391
Public library	22,814	23,064	22,564	250	500
Recreation and culture	39,676	39,876	39,773	(97)	103
Highways and streets	96,477	130,859	130,753	(34,276)	106
Sanitation and waste removal	65,274	65,274	63,439	1,835	1,835
Public service	34,193	34,443	34,263	(70)	180
Economic development	63,898	64,706	62,630	1,268	2,076
Total expenditures and encumbrances	1,499,352	1,557,833	1,553,821	(54,469)	4,012
Excess of revenues over expenditures and encumbrances	21,512	103	61,410		
Other financing uses:					
Transfers in	28,670	28,670	57,408		
Transfers out	(136,356)	(136,356)	(140,483)		
Total other financing uses	(107,686)	(107,686)	(83,075)		
Net change in fund balances	(86,174)	(107,583)	(21,665)		
Fund balances beginning	233,722	233,722	233,722		
Fund balances ending	\$ 147,548	\$ 126,139	212,057		
Adjustments to reconcile to GAAP basis:					
Addition of encumbrances outstanding			100,371		
Less: Accounts payable not recorded for budgetary purposes			(11,941)		
Fund balance June 30, 2014 - GAAP Basis			\$ 300,487		

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 2014, supplemental appropriations totaling \$58.5 million were approved for the general fund, all of which were approved from prior year surplus or from unexpected increases in revenue sources. Actual expenditures for the year were greater than the original budget by \$54.5 million, but were \$4.0 million lower than adjusted appropriations. This amount was primarily related to three governmental activities: lower than budgeted costs for economic development amounted to \$2.1 million; higher than budgeted costs for general government operations amounted to \$1.9 million; and lower than budgeted costs for sanitation and waste removal amounted to \$1.8 million.

On a budgetary basis, revenues for fiscal year 2014 totaled \$1,615.2 million and expenditures and transfers totaled \$1,636.9 million. The excess of expenditures and transfers over revenues resulted in a budgetary basis fund balance at June 30, 2014, of \$212.1 million, a decrease of \$21.7 million.

Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2014, amount to \$6.7 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 3.8% (a 7.5% decrease for governmental activities and a 16.7% increase for business-type activities) as shown in the table which follows.

Capital Assets, Net of Depreciation For the Fiscal Years 2014 and 2013

(Expressed in Thousands)

	Governmental activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
Land and other	\$ 372,016	\$ 371,324	\$36,920	\$ 36,597	\$ 408,936	\$ 407,921
Buildings and Improvements	949,677	983,954	1,875,360	1,905,878	2,825,037	2,889,832
Machinery and Equipment	91,590	80,848	49,142	54,444	140,732	135,292
Infrastructure	1,480,618	1,739,639	585,905	274,838	2,066,523	2,014,477
Library Books	21,195	23,115			21,195	23,115
Construction in Progress	280,863	255,965	964,889	737,283	1,245,752	993,248
Total	\$ 3,195,959	\$ 3,454,845	\$ 3,512,216	\$ 3,009,040	\$ 6,708,175	\$ 6,463,885

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 \$2.9 billion. Of this amount, \$528.1 million was general obligation bonds backed by the full faith and credit of the City, \$395.5 million was revenue bonds for governmental activity at the Convention Center, the Convention Center Hotel, and transportation bonds, and \$1.7 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 2014, the City sold \$613.8 million in revenue bonds.

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

	FY 2014	FY 2013
Net general bonded debt (expressed in thousands)	\$ 478,134	\$ 523,574
Net general bonded debt per capita	N/A	N/A
Ratio of net general bonded debt to net assessed value	1.33%	1.45%

See note number 7 on long-term obligations.

N/A Information not available

As of June 30, 2014, the City had \$528.1 million in authorized, outstanding property tax-supported general obligation bonds. This amount is reduced by net assets in the Debt Service Fund of \$49.9 million for net tax-supported bonded debt of \$478.1 million, which is equal to approximately 1.33% of the assessed value of property (net of exemptions). There are an additional \$287.7 million in bonds that are authorized, but unissued.

Economic Factors and Next Year's Budget and Rates

The fiscal year 2015 budget submitted by the Board of Estimates to the Baltimore City Council proposed total appropriations of \$3,363,707,000 of which \$1,648,000,000 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 \$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 17, 2014.

Fiscal 2014 Budget—Economic Factors

The City continues on a slow but steady growth path. Increases in the Gross Domestic Product (GDP) and the stock market are pointing to continued improvement although constrained by shortfalls in the State's budget. State shortfalls are driven by a slowing of income taxes, primarily from the Metro District of Columbia, and due to federal government actions to reduce the federal deficit.

The housing market has continued a slow growth pace and has regained much of the value lost during the Great Recession. Housing inventories and mortgage rates are both at low levels and are helping to sustain the housing growth. January 2015 active listings have fallen to 3,059 homes from 5,232 in 2009, just prior to the housing market crash. While the housing supply has dwindled by 42% since July of 2009, the days-on-market for a house have also fallen, from 111 days in July 2009 to 84 days in January 2015. In eleven of the last twelve months, the days-on-market has come in below 100 days. Housing prices continue to show a small, albeit steady increase from year to year.

Between the first quarter of 2011 and the fourth quarter of 2014, Baltimore City's markets for both office and retail space experienced more than a percentage point decrease in vacancy rates (office space went from 12.48% to 11.00 % and retail space went from 5.88% to 4.80%), while simultaneously seeing the average quoted rents decline by approximately a dollar per square foot (office space went from \$20.92 to \$19.91 and retail space went from \$15.33 to \$14.36).

The nation's productivity, as measured by the GDP, has been steadily growing from year to year since the third quarter of 2009. The Congressional Budget Office (CBO) reported that it anticipates economic activity will expand at a solid pace in 2015 and over the next few years with real GDP growing by about 3% in 2015 and 2016, and by 2.5% in 2017. Unemployment has seen a sustained downward trend at both the federal and local level. The unemployment rate in Baltimore City ended calendar year 2014 at 8.2%, the lowest year-end rate since 2008.

State budgetary shortfalls, estimated at \$200 million in fiscal 2015 and \$400 million in fiscal 2016, have placed in jeopardy grants from the State to the City. Coupled with actions from previous sessions, constrained State funding to the City 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 revenues.

The City's economy over the next 18 to 24 months is encouraging. In a twist of fortune, it would appear that the City of Baltimore is on a path of limited, continued growth, while the State continues to grapple with its budget issues, some of which may ultimately impact the City.

Requests 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, 2014
(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, restricted cash and cash equivalents	\$ 284,754	\$ 615,009	\$ 899,763	\$ 146,005	\$ 2,121
Investments	158,946	9,573	168,519	142,301	32,589
Property taxes receivable, net	16,528		16,528		
Other receivables, net	61,388	175,541	236,929	2,140	1,541
Due from other governments	179,228	72,421	251,649	37,350	
Internal balances	12,269	(12,269)			
Due from primary government				8,403	
Inventories, at cost	8,435	9,126	17,561	1,566	60
Notes and mortgages receivable, net	298,741	52,458	351,199		
Other assets	48,001	34,916	82,917	34	3,765
Issuance costs					9,898
Capital assets being depreciated, net of accumulated depreciation	2,543,080	2,510,407	5,053,487	571,731	208,078
Capital assets not being depreciated	652,879	1,001,809	1,654,688	109,721	
Total assets	4,264,249	4,468,991	8,733,240	1,019,251	258,052
Deferred outflows of resources:					
Deferred loss on bond refundings	10,540	65,132	75,672		
Interest rate swaps	3,861	34,021	37,882	257	
Total deferred outflows of resources	14,401	99,153	113,554	257	
Total assets and deferred outflows of resources	4,278,650	4,568,144	8,846,794	1,019,508	258,052
Liabilities and deferred inflows of resources:					
Liabilities:					
Accounts payable and accrued liabilities	198,984	112,242	311,226	195,012	9,875
Accrued interest payable	13,061	35,423	48,484		5,221
Matured bonds payable	2		2		
Unearned revenue	66,028		66,028	2,865	1,971
Notes payable					296,455
Due to other governments		20,383	20,383		
Deposits subject to refund	43,694	15	43,709		
Estimated claims in progress:					
Due within one year	68,285		68,285		
Due in more than one year	168,547		168,547		
Revenue bonds payable, net:					
Due within one year	13,220	47,443	60,663		
Due in more than one year	394,112	1,750,954	2,145,066		
Derivative instrument liability	3,861	61,421	65,282		
Long term debt payable:					
Due within one year	38,882	195	39,077	8,256	
Due in more than one year	707,186	2,918	710,104	127,011	
Capital leases payable:					
Due within one year	38,138	468	38,606	6,788	
Due in more than one year	151,462	1,772	153,234	29,310	
Compensated absences:					
Due within one year	47,604	5,813	53,417	9,234	
Due in more than one year	79,915	8,272	88,187	46,299	
Landfill closure due in more than one year	22,060		22,060		
Other postemployment benefits obligation	70,772		70,772		
Other liabilities	3,548		3,548	3,061	12,630
Total liabilities	2,129,361	2,047,319	4,176,680	427,836	326,152
Net position:					
Net investment in capital assets	2,569,231	2,215,884	4,785,115	510,344	(88,377)
Restricted for:					
Construction	9,256		9,256	5,461	
Debt service		180,965	180,965		
Perpetual care:					
Expendable	6,261		6,261		
Nonexpendable	7,081		7,081		
Unrestricted (deficits)	(442,540)	123,976	(318,564)	75,867	20,277
Total net position	\$ 2,149,289	\$ 2,520,825	\$ 4,670,114	\$ 591,672	\$ (68,100)

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

CITY OF BALTIMORE
Statement of Activities
For the Year Ended June 30, 2014
(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	\$ 278,892	\$ 46,971	\$ 125,728	\$ 1,292	\$ (104,901)		\$ (104,901)		
Public safety and regulation	673,680	12,733	24,073		(636,874)		(636,874)		
Conservation of health	125,383	2,210	112,279		(10,894)		(10,894)		
Social services	112,301		37,261		(75,040)		(75,040)		
Education	306,128				(306,128)		(306,128)		
Public library	34,550	315	8,100		(26,135)		(26,135)		
Recreation and culture	52,540	168	12,910	5,231	(34,231)		(34,231)		
Highways and streets	172,330	9,002	3,302	48,109	(111,917)		(111,917)		
Sanitation and waste removal	63,623	13,378			(50,245)		(50,245)		
Public service	50,260		5,871		(44,389)		(44,389)		
Economic development	208,870	18,554	101,991	17,174	(71,151)		(71,151)		
Interest	41,967				(41,967)		(41,967)		
Total governmental activities . . .	2,120,524	103,331	431,515	71,806	(1,513,872)		(1,513,872)		
Business-type activities:									
Water	155,308	158,678		12,445		\$ 15,815	15,815		
Wastewater	179,306	221,181		119,060		160,935	160,935		
Stormwater	18,292	27,511				9,219	9,219		
Parking	23,528	87,398				63,870	63,870		
Nonmajor proprietary	10,753	14,385		69		3,701	3,701		
Total business-type activities . . .	387,187	509,153		131,574		253,540	253,540		
Total primary government	\$ 2,507,711	\$ 612,484	\$ 431,515	\$ 203,380	(1,513,872)	253,540	(1,260,332)		
Component units:									
Baltimore City Public School System	\$ 1,431,574		\$ 168,807	\$ 35,957			\$ (1,226,810)		
Baltimore Hotel Corporation	\$ 66,864	\$ 63,417							\$ (3,447)
General revenues:									
Property taxes					810,824		810,824		
Income taxes					284,437		284,437		
Transfer and recordation tax					74,545		74,545		
Electric and gas tax					40,997		40,997		
Telecommunications tax					33,389		33,389		
Admission tax					7,460		7,460		
Other local taxes					48,000		48,000		
State shared revenues					131,180		131,180		
State, federal and City grants								1,248,094	
Unrestricted investment income					16,722	2,186	18,908	557	496
Miscellaneous					32,581		32,581	15,347	
Transfers					(195,564)	195,564			
Total general revenues and transfers					1,284,571	197,750	1,482,321	1,263,998	496
Change in net position					(229,301)	451,290	221,989	37,188	(2,951)
Net position – beginning (as restated).					2,378,590	2,069,535	4,448,125	554,484	(65,149)
Net position – ending					\$ 2,149,289	\$ 2,520,825	\$ 4,670,114	\$ 591,672	\$ (68,100)

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

CITY OF BALTIMORE

Balance Sheet

Governmental Funds

June 30, 2014

(Expressed in Thousands)

	General Fund	Grants Revenue Fund	Capital Projects Fund	Nonmajor Funds	Total
Assets:					
Cash and cash equivalents	\$ 146,800			\$ 32,071	\$ 178,871
Investments	112,523		\$ 6,881	34,317	153,721
Property taxes receivable, net	16,528				16,528
Other receivables, net	40,650		157	3,687	44,494
Due from other governments	67,879	\$ 94,122	17,227		179,228
Due from other funds	108,114	6,622	8,332		123,068
Notes and mortgages receivable, net	1,902			384	2,286
Inventories, at cost	1,601				1,601
Other assets	47,941				47,941
Total assets	543,938	100,744	32,597	70,459	747,738
Liabilities, deferred inflows of resources and fund balances (deficits):					
Liabilities:					
Accounts payable and accrued liabilities	120,358	22,734	21,606	795	165,493
Retainages payable			8,288		8,288
Due to other funds	6,622	77,601	7,059	9,139	100,421
Deposits subject to refund	43,694				43,694
Unearned revenue	40,897	25,131			66,028
Matured bonds payable				2	2
Total liabilities	211,571	125,466	36,953	9,936	383,926
Deferred inflows of resources:					
Unavailable property taxes	16,671				16,671
Unavailable income taxes	12,850				12,850
Unavailable grant revenues		58,633		3,031	61,664
Prepaid taxes	457				457
Unavailable note receipts	1,902			384	2,286
Total deferred inflows of resources	31,880	58,633		3,415	93,928
Total liabilities and deferred inflows of resources	243,451	184,099	36,953	13,351	477,854
Fund balances:					
Nonspendable	5,519				5,519
Restricted			9,256	13,342	22,598
Assigned	188,946			53,217	242,163
Unassigned	106,022	(83,355)	(13,612)	(9,451)	(396)
Total fund balances (deficits)	300,487	(83,355)	(4,356)	57,108	269,884
Total liabilities, deferred inflows of resources and fund balances (deficits)	\$ 543,938	\$ 100,744	\$ 32,597	\$ 70,459	

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	3,118,948
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds	310,856
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	(112,481)
Deferred revenue is not due and payable in the current period	93,928
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds	(1,531,846)
Net position of governmental activities	\$ 2,149,289

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

CITY OF BALTIMORE
Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficits)
Governmental Funds
For the Year Ended June 30, 2014
(Expressed in Thousands)

	General Fund	Grants Revenue Fund	Capital Projects Fund	Nonmajor Funds	Total
Revenues:					
Taxes – local	\$ 1,258,118			\$ 11,556	\$ 1,269,674
State shared revenue	131,180				131,180
Licenses and permits	41,457				41,457
Fines and forfeitures	14,673				14,673
Interest, rentals and other investment income	15,833		\$ 139	750	16,722
Federal grants	261	\$ 126,552	53,056	23,973	203,842
State grants	102,786	84,061	18,750		205,597
Other grants	26	32,192			32,218
Charges for services	47,201				47,201
Miscellaneous	5,757		19,124		24,881
Total revenues	1,617,292	242,805	91,069	36,279	1,987,445
Expenditures:					
Current:					
General government	216,329	27,787		11,377	255,493
Public safety and regulation	625,432	32,611			658,043
Conservation of health	23,778	99,766			123,544
Social services	76,857	34,084			110,941
Education	273,241			28	273,269
Public library	24,577	6,751		26	31,354
Recreation and culture	39,796	4,193		138	44,127
Highways and streets	102,308			10	102,318
Sanitation and waste removal	59,837				59,837
Public service	41,241	5,636			46,877
Economic development	49,348	65,149	44,564	11,554	170,615
Debt service:					
Principal				44,483	44,483
Interest				31,708	31,708
Other bond costs				6,178	6,178
Capital outlay			116,310		116,310
Total expenditures	1,532,744	275,977	160,874	105,502	2,075,097
Excess (deficiency) of revenues over (under) expenditures	84,548	(33,172)	(69,805)	(69,223)	(87,652)
Other financing sources (uses):					
Capital contributions			(20,421)		(20,421)
Transfers in	57,408	12,681	55,251	86,429	211,769
Transfers out	(140,483)		(4,407)	(10,051)	(154,941)
Face value of funding general obligation bonds			5,414		5,414
Total other financing sources (uses)	(83,075)	12,681	35,837	76,378	41,821
Net change in fund balance	1,473	(20,491)	(33,968)	7,155	(45,831)
Fund balances (deficits) – beginning	299,014	(62,864)	29,612	49,953	315,715
Fund balances (deficits) – ending	\$ 300,487	\$ (83,355)	\$ (4,356)	\$ 57,108	\$ 269,884

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, 2014

(Expressed in Thousands)

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

Net change in fund balance — total governmental funds	\$ (45,831)
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 capital outlays exceeded depreciation in the current year . . .	(22,453)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	88,101
Transfers were made to the Stormwater Utility Enterprise Fund for balances previously presented in the governmental activities	(231,971)
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	1,219
The net expense of certain activities of internal service funds is reported with governmental activities	(18,366)
Change in net position of governmental activities	<u>\$ (229,301)</u>

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, 2014

(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	\$ 38,768	\$ 91,705		\$ 39,374	\$ 62,101	\$ 231,948	\$ 65,178
Investments					9,573	9,573	5,225
Accounts receivable, net:							
Service billings	45,556	46,354	\$9,834		6,174	107,918	
Other	50	2		443	6	501	16,894
Due from other governments	5,648	66,773				72,421	
Inventories	7,890	262	974			9,126	6,834
Restricted assets:							
Cash and cash equivalents	27,281	42,819				70,100	
Notes and mortgages receivable				3,845		3,845	
Total current assets	125,193	247,915	10,808	43,662	77,854	505,432	94,131
Noncurrent assets:							
Restricted assets:							
Cash and cash equivalents	120,659	137,592	11,361	36,012	7,337	312,961	40,705
Accounts receivable	7,488	47,890	11,744			67,122	
Notes and mortgages receivable				48,613		48,613	
Capital assets, net of accumulated depreciation	806,800	1,327,044	237,731	90,119	48,713	2,510,407	77,011
Capital assets not being depreciated	269,530	697,301	11,694	15,126	8,158	1,001,809	
Other assets					34,916	34,916	60
Total noncurrent assets	1,204,477	2,209,827	272,530	189,870	99,124	3,975,828	117,776
Total assets	1,329,670	2,457,742	283,338	233,532	176,978	4,481,260	211,907
Deferred outflows of resources:							
Deferred loss on bond refundings	28,389	16,716		20,027		65,132	
Interest rate swaps	12,318	9,798		6,552	5,353	34,021	
Total deferred outflows of resources	40,707	26,514		26,579	5,353	99,153	
Total assets and deferred outflows of resources	1,370,377	2,484,256	283,338	260,111	182,331	4,580,413	211,907
Liabilities:							
Current liabilities:							
Accounts payable and accrued liabilities	3,174	7,710	183	377	156	11,600	25,203
Accrued interest payable	15,032	17,868	139	2,378	6	35,423	
Deposits subject to refund	15					15	
Due to other funds			755		8,332	9,087	13,479
Due to other governments		20,383				20,383	
Estimated liability for claims in progress							68,285
Other liabilities	2,412	3,266	363		171	6,212	1,310
Accounts payable from restricted assets	17,078	81,906	350		1,308	100,642	
Leases payable							7,940
Revenue bonds payable	12,250	24,952	441	9,800		47,443	
General long-term debt payable			195			195	
Total current liabilities	49,961	156,085	2,426	12,555	9,973	231,000	116,217
Noncurrent liabilities:							
Leases payable							48,281
Revenue bonds payable, net	643,871	868,990	15,863	144,330	77,900	1,750,954	
Derivative instrument liability	21,368	9,922		23,259	6,872	61,421	
Other liabilities	3,961	5,521	329		302	10,113	2,318
General long-term debt payable			2,918			2,918	
Estimated liability for claims in progress							160,754
Total noncurrent liabilities	669,200	884,433	19,110	167,589	85,074	1,825,406	211,353
Total liabilities	719,161	1,040,518	21,536	180,144	95,047	2,056,406	327,570
Net position:							
Net investment in capital assets	563,407	1,331,395	253,113	11,098	56,871	2,215,884	77,011
Restricted for:							
Debt service	68,885	83,593		28,487		180,965	
Unrestricted (deficit)	18,924	28,750	8,689	40,382	30,413	127,158	(192,674)
Total net position	\$ 651,216	\$ 1,443,738	\$ 261,802	\$ 79,967	\$ 87,284		\$ (115,663)
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds						(3,182)	
Net position of business-type activities						\$ 2,520,825	

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, 2014
(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							\$ 263,272
Water, sewer and stormwater service	\$ 144,942	\$ 220,902	\$ 27,468			\$ 393,312	
Rents, fees and other income	2,409	279	43	\$ 87,398	\$ 13,826	103,955	
Interest income	11,327				559	11,886	
Total operating revenues	158,678	221,181	27,511	87,398	14,385	509,153	263,272
Operating expenses:							
Salaries and wages	39,454	37,441	5,469		4,589	86,953	20,379
Other personnel costs	17,181	17,753	2,312		1,338	38,584	8,671
Contractual services	46,581	59,370	5,259	10,919	2,113	124,242	50,017
Materials and supplies	10,052	9,047	475		130	19,704	3,916
Minor equipment	679	382	70		3	1,134	236
Claims paid and incurred							191,966
Postage and delivery services							1,259
Depreciation	22,118	38,083	4,516	2,767	900	68,384	8,979
Program expenses					1,501	1,501	
Interest					84	84	
Total operating expenses	136,065	162,076	18,101	13,686	10,658	340,586	285,423
Operating income (loss)	22,613	59,105	9,410	73,712	3,727	168,567	(22,151)
Nonoperating revenues (expenses):							
Gain (loss) on sale of investments	(83)	(67)				(150)	164
Loss on sale of equipment							(454)
Issuance costs	(687)	(508)				(1,195)	
Interest income	1,527	659				2,186	
Interest expense	(17,136)	(15,096)		(9,842)		(42,074)	
Total nonoperating expenses, net	(16,379)	(15,012)		(9,842)		(41,233)	(290)
Income (loss) before capital contributions and transfers	6,234	44,093	9,410	63,870	3,727	127,334	(22,441)
Capital contributions	12,445	119,060	252,392		69	383,966	893
Transfers in					6,639	6,639	
Transfers out				(62,717)	(750)	(63,467)	
Change in net position	18,679	163,153	261,802	1,153	9,685	454,472	(21,548)
Total net position — beginning (as restated)	632,537	1,280,585		78,814	77,599	2,069,535	(94,115)
Total net position — ending	\$ 651,216	\$ 1,443,738	\$ 261,802	\$ 79,967	\$ 87,284	2,524,007	\$ (115,663)
Adjustment to reflect the consolidation of internal service activities related to enterprise funds						(3,182)	
Change in net position of business-type activities						\$ 2,520,825	

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, 2014

(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	\$ 166,604	\$ 214,404	\$ 17,677	\$ 87,417	\$ 14,317	\$ 500,419	\$ 256,785
Payments to employees	(56,171)	(55,381)	(6,957)		(5,947)	(124,456)	(29,476)
Payments to suppliers	(72,806)	(65,004)	(5,063)	(11,288)	(2,643)	(156,804)	(242,640)
Net cash provided (used) by operating activities	37,627	94,019	5,657	76,129	5,727	219,159	(15,331)
Cash flows from noncapital financing activities:							
Transfers in					6,639	6,639	
Transfers out				(62,717)	(750)	(63,467)	
Net cash used by noncapital financing activities				(62,717)	5,889	(56,828)	
Cash flows from capital and related financing activities:							
Mortgages receivable principal payments				5,973		5,973	
Proceeds from revenue bonds	344,396	275,015				619,411	
Drawdown of proceeds from State water quality loans		10,909				10,909	
Principal paid on revenue bonds	(10,830)	(13,746)	(436)	(9,280)		(34,292)	
Paid to escrow account for refunding of bonds		(131,599)				(131,599)	
Principal paid on State water quality loans		(11,289)				(11,289)	
Principal paid on general long-term debt			(327)			(327)	
Payments on refunded debt	(191,549)					(191,549)	
Interest income	1,527	659				2,186	
Interest expense	(11,328)	(10,357)		(9,896)	(460)	(32,041)	
Acquisition and construction of capital assets	(67,030)	(194,096)	(520)		(4,667)	(266,313)	(25,687)
Capital leases		(389)				(389)	26,266
Capital contributions	13,371	119,285	6,987		69	139,712	893
Due to other funds					(1,595)	(1,595)	
Issuance costs	(687)	(508)			(103)	(1,298)	
Other assets					12,560	12,560	
Other liabilities					(1,500)	(1,500)	
Swap termination payment	(18,158)	(12,415)				(30,573)	
Net cash provided (used) by capital and related financing activities	59,712	31,469	5,704	(13,203)	4,304	87,986	1,472
Cash flows from investing activities:							
Proceeds from the sale and maturities of investments					18,071	18,071	3,000
Loss on sale of investments	(83)	(67)				(150)	
Interest on investments							164
Purchase of investments					(9,573)	(9,573)	(3,106)
Net cash provided (used) by investing activities	(83)	(67)			8,498	8,348	58
Net increase (decrease) in cash and cash equivalents	97,256	125,421	11,361	209	24,418	258,665	(13,801)
Cash and cash equivalents, beginning of year	89,452	146,695		75,177	45,020	356,344	119,684
Cash and cash equivalents, end of year	\$ 186,708	\$ 272,116	\$ 11,361	\$ 75,386	\$ 69,438	\$ 615,009	\$ 105,883
Reconciliation of operating income to net cash provided by operating activities:							
Operating income (loss)	\$ 22,613	\$ 59,105	\$ 9,410	\$ 73,712	\$ 3,727	\$ 168,567	\$ (22,151)
Adjustments to reconcile operating income to net cash provided by operating activities:							
Depreciation expense	22,118	38,083	4,516	2,767	900	68,384	8,979
Changes in assets and liabilities:							
Accounts receivables	7,926	(6,777)	(9,834)	19	(67)	(8,733)	(13,022)
Inventories	1,465	23	(65)			1,423	619
Other assets							3,099
Accounts payable and accrued liabilities	759	1,265	183	(369)	1,191	3,029	84
Other liabilities	346	(259)	692		181	960	(969)
Estimated liability for claims in progress							5,213
Accrued interest payable					(1)	(1)	
Due to (from) other funds	(17,600)		755			(16,845)	2,817
Due to other governments		2,579				2,579	
Other noncurrent liabilities					(204)	(204)	
Total adjustments	15,014	34,914	(3,753)	2,417	2,000	50,592	6,820
Net cash provided (used) by operating activities	\$ 37,627	\$ 94,019	\$ 5,657	\$ 76,129	\$ 5,727	\$ 219,159	\$ (15,331)
Noncash activity from capital and related financing activities:							
Acquisition and construction of capital assets financed by debt	\$ 4,939	\$ 46,888				\$51,827	
Increase in issuance of State water quality loans		44,923				44,923	
Net assets contributed from governmental activities			\$ 245,405			245,405	
Total noncash activity from capital and related financing activities	\$ 4,939	\$ 91,811	\$ 245,405			\$ 342,155	

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, 2014
(Expressed in Thousands)

	Pension Trust Funds	OPEB Trust Fund	Agency Funds
Assets:			
Cash and cash equivalents	\$ 89,053	\$ 11,133	\$ 237
Investments:			
Stocks	2,379,211	273,373	
Bonds	1,240,077	122,714	53
Real Estate	343,309		
Securities lending collateral	114,005		
Accounts receivable, net:			
Other			81
Forward foreign contracts.	63,226		
Other assets	40,294	1,572	
Total assets	4,269,175	408,792	371
Liabilities:			
Obligations under securities lending program	114,005		
Forward foreign contracts.	63,212		
Accounts payable	69,107	4,997	
Due to other funds			81
Other.	7,608		290
Total liabilities	253,932	4,997	371
Net position:			
Held in trust for benefits.	\$ 4,015,243	\$ 403,795	

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, 2014
(Expressed in Thousands)

	Pension Trust Funds	OPEB Trust Fund
Additions:		
Contributions:		
Employer	\$ 209,068	\$ 139,897
Employee	31,946	57,110
Total contributions	241,014	197,007
Investment income:		
Net appreciation in fair value of investments	475,909	40,425
Securities lending income	669	
Interest and dividend income	67,278	6,359
Total investment income	543,856	46,784
Less: investment expense	16,252	1,480
Net investment income	527,604	45,304
Total additions	768,618	242,311
Deductions:		
Retirement allowances	347,896	
Health benefits		157,774
Death benefits	1,044	
Administrative expenses	7,653	
Other	3,198	
Total deductions	359,791	157,774
Changes in net position	408,827	84,537
Net position - beginning of the year	3,606,416	319,258
Net position - end of the year	\$ 4,015,243	\$ 403,795

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	29
2. Reconciliation of Government-wide and Fund Financial Statements	36
3. Deposits and Investments	38
4. Receivables	45
5. Capital Assets	45
6. Interfund Balances and Activity	47
7. Long-term Obligations	48
8. Revenue Bonds	53
9. Pledged Revenue	59
10. Prior-Year Defeasance of Debt	60
11. Interest Rate Swaps	60
12. Pension Plans	63
13. Other Postemployment Benefits	66
14. Risk Management	68
15. Operating Leases	69
16. Landfill Closure and Postclosure Care Costs	70
17. Notes and Mortgages Receivable	70
18. Deferred Outflows/Inflows of Resources	70
19. Fund Balance	71
20. Commitments and Contingencies	71
21. Beginning Balance Adjustments	72
22. Subsequent Events	72

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.

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 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	Baltimore Healthcare Access, Incorporated
Baltimore Area Convention and Visit Bureau	Baltimore 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 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, electronic equipment maintenance, municipal communications, energy conservation, building maintenance, 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

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

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

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end, except for grant and entitlement 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, 2014, 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

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, 2014. 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 2014 was \$29,209,703,000 which was approximately 86.1% of the estimated market value.

The tax rate in Baltimore City for real property taxes for fiscal year 2014 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 99.6% of the total tax levy.

At June 30, 2014, the City had property taxes receivable of \$16,528,000 net of an allowance for uncollectible accounts of \$15,134,000.

Gains and Losses on Early Extinguishment of Debt from Refundings

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

Sick, Vacation and Personal Leave

Employees earn one day of sick leave for each completed month of service, and there is no limitation on the number of sick days that employees can accumulate. A portion of unused sick leave earned annually during each twelve-month

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

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 and personal leave for each completed month of service and can accumulate a maximum of 224 vacation and personal leave days depending upon length of service, which either may be taken through time off or carried until paid at termination or retirement.

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.

Fund Balance

The City classifies its fund balance into the following categories:

- Nonspendable fund balance includes items that cannot be spent. This includes activity that is not in spendable form such as inventories, prepaid amounts, long-term portions of loans and notes receivable and activities that are legally or contractually required to remain intact such as principal balance in a permanent fund.
- Restricted fund balance has constraints placed upon the use of the resources either by external creditors, grantors, contributors or imposed by law through a constitutional provision or enabling legislation.
- Committed fund balance can be used only for specific purposes pursuant to constraints imposed by the formal vote of Board of Estimates, the City's highest level decision making authority. Amounts in this category may be redeployed for other purposes with the formal vote of the City's Board of Estimates. Committed amounts cannot be used for any other purpose unless the City removes or changes the specific use by taking the same type of action it used to previously commit the amounts.
- Assigned fund balance includes amounts that are constrained by the City to be used for specific purposes but are neither restricted nor committed for which the City has a stated intended use as established by the Board of Estimates. The Board of Estimates has delegated the authority to assign amounts for a specific purpose to the City's Director of Finance. These are resources where the constraints/restrictions are less binding than that for committed funds. For governmental funds, other than the general fund, this is the residual amount within the fund that is restricted or committed.
- Unassigned fund balance is the residual amount of the general fund not included in the four categories described above. The general fund is the only positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for the specific purpose exceed the amounts restricted, committed or assigned to those purposes, negative unassigned fund balance may be reported.

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

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

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 2015 budget.

Unassigned fund balance

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

Interfund Transactions

The City has three types of transactions among funds:

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

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

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

D. NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD PRONOUNCEMENTS

In fiscal year 2014, the City adopted Governmental Accounting Standards Board Statement No. 65, "Items Previously Reported as Assets and Liabilities", Statement No. 67, "Financial Reporting for Pension Plans", and Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees". The implementation of these standards did have a significant impact on the City's presentation.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

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

GASB Statement No. 68

In June 2012, the GASB issued Statement No. 68, "Accounting and Financial Reporting for Pensions". The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions 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. 68 for its fiscal year 2015 financial statements.

GASB Statement No. 69

In January 2013, the GASB issued Statement No. 69, "Government Combinations and Disposals of Government Operations". This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The City is required to adopt GASB No. 69 for its fiscal year 2015 financial statements.

GASB Statement No. 71

In April 2013, the GASB issued Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date". The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, "Accounting and Financial Reporting for Pensions". The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The City is required to adopt GASB No. 71 for its fiscal year 2015 financial statements.

2. Reconciliation of Government-wide and Fund Financial Statements

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

A summary reconciliation of the difference between net changes in fund balance as reflected on the governmental funds statement of revenues, expenditures, and changes in fund balances and 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 (amounts expressed in thousands):

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Capital assets	\$ 5,644,239
Less accumulated depreciation	(2,525,291)
Total	<u>\$ 3,118,948</u>
Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds:	
Notes receivable	\$ 296,455
Deferred outflows of resources - Unamortized charges	10,540
Deferred outflows of resources - Interest rate swaps	3,861
Total	<u>\$ 310,856</u>
Internal service funds are used by management to charge the cost of fleet management, mailing, communications, printing, energy conservation, 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	
	<u>\$ (112,481)</u>
Deferred revenue is not due and payable in the current period	<u>\$ 93,928</u>
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
Accrued interest payable	\$ (13,061)
Long term bonds	(746,068)
Revenue bonds	(407,332)
Capital leases	(133,379)
Compensated absences	(127,519)
Net OPEB obligation	(70,772)
Estimated claims in progress	(7,794)
Landfill closure liability	(22,060)
Deferred inflows of resources - derivative instrument liability	(3,861)
Total	<u>\$ (1,531,846)</u>

Explanation of differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities (amounts 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	\$ 82,709
Capital leases	30,033
Depreciation	(135,195)
Total	<u>\$ (22,453)</u>
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Grant reimbursements not received for several months after the fiscal year end are not considered as available revenues in the governmental funds	\$ 61,664
Note receipts are not considered as available revenues in the governmental funds	(5,827)
Note receipts not received for several months after the fiscal year end are not considered as available revenues in the governmental funds	2,286
Tax revenues not received for several months after the fiscal year end are not considered as available revenues in the governmental funds	29,978
Total	<u>\$ 88,101</u>
Transfers were made to the Stormwater Utility Enterprise Fund for balances previously presented in the governmental activities	<u>\$ (231,971)</u>
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:	
Debt service principal	\$ 5,251
Debt service interest (capital leases, GO bonds, and accrued interest)	2,781
Claims liability	4,260
Landfill closure liability	(1,125)
Compensated absences	(3,396)
Decrease in net OPEB obligation	(6,552)
Total	<u>\$ 1,219</u>
The net expense of certain activities of internal service funds is reported with governmental activities:	
Internal service funds net expenses attributed to governmental activities	<u>\$ (18,366)</u>

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

3. Deposits and Investments

A. SUMMARY OF DEPOSIT AND INVESTMENT BALANCES

The following is a reconciliation of the City's deposit and investment balances as of June 30, 2014 (amounts expressed in thousands):

	Pooled Cash and Investments	Other	Total
Carrying value of bank deposits	\$ 166,145	\$ 100,186	\$ 266,331
Investments	902,428	4,472,689	5,375,117
Total	\$ 1,068,573	\$ 4,572,875	\$ 5,641,448

	Government- wide Statement of Net Position	Fiduciary Funds Statement of Net Position Total	Total
Cash and cash equivalents	\$ 475,997	\$ 100,424	\$ 576,421
Investments	168,519	4,472,742	4,641,261
Restricted cash and cash equivalents	423,766		423,766
Total	\$ 1,068,282	\$ 4,573,166	\$ 5,641,448

B. CASH DEPOSITS

As of June 30, 2014, the carrying amount of the City's bank deposits was \$166,145,000 and the respective bank balances totaled \$177,483,000. 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, 2014, BCPSS and BHC had demand deposits with carrying values of \$16,000,000 and \$2,121,000, 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.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

The primary government's investments at June 30, 2014, 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	\$ 49,902			\$ 49,902
U.S. Agencies	93,904	\$ 70,261	\$ 9,639	14,004
Repurchase agreements	105,000	105,000		
Certificates of deposits	2,000			2,000
Money market mutual funds	469,086	469,086		
Maryland Local Government Investment Pool	175,095	175,095		
Commercial paper	1,836	1,836		
Guaranteed investment contracts	1,234			1,234
	898,057	\$ 821,278	\$ 9,639	\$ 67,140
Other investment:				
Equity mutual funds	4,371			
	902,428			
Less: cash equivalents	733,909			
Total investments	\$ 168,519			

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's 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, 2014 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	\$ 93,904	\$ 93,904	
Money market mutual funds	469,086	469,086	
Maryland Local Government Investment Pool	175,095	175,095	
Commercial paper	1,836		\$ 1,836
Total rated debt investments	\$ 739,921	\$ 738,085	\$ 1,836

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.

The City had the following debt security investments at June 30, 2014, that were more than five percent of total investments (dollar amounts expressed in thousands):

Investment	Fair Value	Percentage of Portfolio
Cantor Repurchase Agreement	\$ 105,000	11.63%

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, 2014, 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	\$ 2,760		\$ 200,060	\$ 202,820
U.S. Government agency bonds	96,296		111,729	208,025
Corporate bonds	117,953	\$ 7,442	403,996	529,391
Commingled fixed income fund	195,183			195,183
Barclay aggregate index fund			18,704	18,704
Mutual funds			47,978	47,978
Emerging markets debt fund			85,954	85,954
Total debt securities	412,192	7,442	868,421	1,288,055
Other:				
Domestic equities	553,344	10,757	395,207	959,308
International equities	217,707	5,260	389,612	612,579
Hedge funds	74,423		195,166	269,589
Private equity funds	85,929		159,947	245,876
Energy master limited partnerships			186,869	186,869
Risk parity fund			104,990	104,990
Real estate	145,899		197,410	343,309
Total other	1,077,302	16,017	1,629,201	2,722,520
Total investments	1,489,494	23,459	2,497,622	4,010,575
Less: Cash and cash equivalents			47,978	47,978
Total net investments	\$ 1,489,494	\$ 23,459	\$ 2,449,644	\$ 3,962,597

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.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

The Fire and Police Employees' 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, 2014, is presented on the following table (amounts expressed in thousands):

Currency	Employees' Retirement System	Fire and Police Employees' Retirement System	Total
Euro Currency Unit	\$ 39,742	\$ 84,476	\$ 124,218
British Pound Sterling	31,344	53,273	84,617
Japanese Yen	12,078	36,839	48,917
South Korean Won		9,432	9,432
Hong Kong Dollar	9,341	16,036	25,377
Swiss Franc	7,192	28,473	35,665
South African Comm Rand		349	349
New Zealand Dollar	1,970	143	2,113
Brazil Real		2,619	2,619
Canadian Dollar	4,653	7,559	12,212
Australian Dollar	5,706	2,760	8,466
Swedish Krona	2,247	1,652	3,899
Norwegian Krone	314	150	464
Singapore Dollar	10,659	2,475	13,134
Indonesian Rupiah		1,015	1,015
Danish Krone	3,636	2,203	5,839
UAE Dirham		196	196
Polish Zloty		139	139
Total Foreign Currency	\$ 128,882	\$ 249,789	\$ 378,671
U.S. Dollars (Held in international equity)	\$ 88,820	\$ 138,333	\$ 227,153

Interest rate risk — The Fire and Police Employees' 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.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

The credit ratings and durations of investments at June 30, 2014, 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	10.00	\$ 2,760	\$ 2,760				
U.S. Government agency bonds	4.18	96,296	64,941				\$ 31,355
Corporate bonds	5.32	117,953	34,110	\$ 58,259	\$ 3,558		22,026
Commingled fixed income fund	N/A	195,183					195,183
Total debt securities		412,192	101,811	58,259	3,558		248,564
<i>Elected Officials' Retirement System:</i>							
Corporate bonds	3.88	7,442					7,442
Total debt securities		7,442					7,442
<i>Fire and Police Employees' Retirement System:</i>							
U.S. Treasury notes and bonds	12.01	200,060	200,060				
U.S. Government agency bonds	5.01	111,729	111,729				
Barclay aggregate index	5.58	18,704	18,704				
Corporate bonds	5.25	403,996	246,973	147,040	8,940	\$ 186	857
Mutual funds	0.08	47,978					47,978
Emerging markets debt fund	5.05	85,954		85,954			
Total debt securities		\$ 868,421	\$ 577,466	\$ 232,994	\$ 8,940	\$ 186	\$ 48,835

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.

At June 30, 2014, 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, 2014, was \$186,865,000, and the market value of the collateral received for those securities on loan was \$193,541,000, which included collateral received in cash in the amount of \$114,004,000. 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

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

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 holdings must not exceed 90 days.

Other Postemployment Benefits Fund

The City's Other Postemployment Benefits (OPEB) Trust Fund (Trust) is authorized by the Baltimore City Code to make investments in accordance with the guidelines and limitations set forth in the code. The Baltimore City Director of Finance was made Trustee of the Trust and, under a Memorandum of Understanding between the Director of Finance and the Board of Trustees of the Employees' Retirement System (Board), the Board is charged with administration of the Trust and investment of its assets. As part of its responsibility, the Board has adopted investment policies and guidelines, which formally document its investment objectives and responsibilities.

The invested assets of the OPEB Trust Fund at June 30, 2014, are as follows (expressed in thousands):

Investment Type	Fair Value	Investment Maturities (In Months)		
		Less than 6	6 to 12	Greater than 12
Cash and cash equivalents	\$ 11,133	\$ 11,133		
U.S. Treasury obligations	12,053			\$ 12,053
U.S. Government agencies	14,373			14,373
Corporate bonds	96,288			96,288
Total	133,847	\$ 11,133		\$ 122,714
Stocks	273,373			
Total investments	407,220			
Less: cash and cash equivalents	11,133			
Total net investments	<u>\$ 396,087</u>			

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.

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, 2014, 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	\$ 59,057	\$ 59,057		21.1%	100.0%
Commercial paper	13,994	7,999	\$ 5,995	5.0	5.0
Repurchase agreement	26,000	26,000		9.3	100.0
U.S. Government agencies	173,215	44,417	128,798	61.9	100.0
U.S. Treasury obligations	7,508		7,508	2.7	100.0
Total invested funds	279,774	<u>\$ 137,473</u>	<u>\$ 142,301</u>	100%	
Less: Cash and cash equivalents	137,473				
Total net investments	<u>\$ 142,301</u>				

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

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	64.6%	\$ 180,723	A-1	2.7%	\$ 7,495
P-1	5.0	13,994	A-1+	2.3	6,499
Not rated	30.4	85,057	AA+	64.6	180,723
	<u>100.0%</u>	<u>\$ 279,774</u>	Not rated	30.4	85,057
			<u>100.0%</u>	<u>\$ 279,774</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.

The BHC has no formal policy for limiting risk associated with these investments. The City of Baltimore Department of Finance directs the selection of investment funds. At year-end BHC held investments in the amount of \$32,589,000; consisting of repurchase agreements with various financial institutions and government money market funds.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

4. Receivables, net

Receivables 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	\$ 16,528					\$ 16,528
Service billings				\$ 101,744	\$ 6,174	107,918
Due from other governments	67,879	\$ 94,122	\$ 17,227	72,421		251,649
Notes and mortgages receivable	1,902			52,458	384	54,744
Other	40,650		157	495	20,668	61,970
Restricted accounts receivable				67,122		67,122
Total	\$ 126,959	\$ 94,122	\$ 17,384	\$ 294,240	\$ 27,226	\$ 559,931

Service billings are reported net of an allowance for doubtful accounts of \$39,001,000. Bad debt expense for fiscal year 2014 was \$10,809,000.

Penalty income derived from delinquent Water, Wastewater and Stormwater Utility Fund service billings 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, 2014, is as follows (expressed in thousands):

Governmental Activities Capital Assets:

Class	Balance June 30, 2013	Additions	Deductions	Stormwater Utility Fund to Business-Type Capital Assets*	Balance June 30, 2014
Capital assets, not being depreciated:					
Land	\$ 248,215				\$ 248,215
Other	123,109	\$ 1,933	\$ 1,241		123,801
Construction in progress	52,902	28,806	29,431		52,277
Construction in progress – infrastructure	203,063	80,015	43,520	\$ 10,972	228,586
Total capital assets, not being depreciated	627,289	110,754	74,192	10,972	652,879
Capital assets, being depreciated:					
Buildings and improvements	2,013,748	27,259			2,041,007
Equipment	443,336	30,062	9,160		464,238
Infrastructure	2,901,024	43,600		359,597	2,585,027
Library books	57,631	2,867			60,498
Total capital assets, being depreciated	5,415,739	103,788	9,160	359,597	5,150,770
Less: accumulated depreciation for:					
Buildings and improvements	1,029,794	61,536			1,091,330
Equipment	362,488	19,057	8,897		372,648
Infrastructure	1,161,385	62,793		119,769	1,104,409
Library books	34,516	4,787			39,303
Total accumulated depreciation	2,588,183	148,173	8,897	119,769	2,607,690
Total capital assets, being depreciated, net	2,827,556	(44,385)	263	239,828	2,543,080
Governmental activities capital assets, net	\$ 3,454,845	\$ 66,369	\$ 74,455	\$ 250,800	\$ 3,195,959

* In fiscal year 2014, the Stormwater Utility Fund was newly presented as a major Proprietary Fund and, therefore, taken out of governmental activities and now presented as business-type activities.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

Business-type Activities Capital Assets:

Class	Balance June 30, 2013	Additions	Deductions	Stormwater Utility Fund to Business-Type Capital Assets*	Balance June 30, 2014
Capital assets, not being depreciated:					
Land	\$ 36,597	\$ 323			\$ 36,920
Construction in progress	737,283	321,388	\$ 104,754		953,917
Construction in progress - infrastructure				\$ 10,972	10,972
Total capital assets, not being depreciated	773,880	321,711	104,754	10,972	1,001,809
Capital assets, being depreciated:					
Buildings and improvements	2,797,246	20,978			2,818,224
Equipment	200,613	774			201,387
Infrastructure	301,417	82,051		359,597	743,065
Total capital assets, being depreciated	3,299,276	103,803		359,597	3,762,676
Less: accumulated depreciation for:					
Buildings and improvements	891,368	51,496			942,864
Equipment	146,169	6,076			152,245
Infrastructure	26,579	10,812		119,769	157,160
Total accumulated depreciation	1,064,116	68,384		119,769	1,252,269
Total capital assets, being depreciated, net	2,235,160	35,419		239,828	2,510,407
Business-type activities capital assets, net.	\$ 3,009,040	\$ 357,130	\$ 104,754	\$ 250,800	\$ 3,512,216

* In fiscal year 2014, the Stormwater Utility Fund was newly presented as a major Proprietary Fund and, therefore, taken out of governmental activities and now presented as business-type activities.

Depreciation expense was charged to functions/programs of the City for the fiscal year ended June 30, 2014 (amounts expressed in thousands):

Governmental activities:

General government	\$ 9,206
Public safety and regulation	8,719
Conservation of health	374
Social services	39
Education	30,184
Public library	5,689
Recreation and parks	7,888
Highways and streets	71,246
Sanitation and waste removal	2,041
Public service	2,825
Economic development	983
Internal service funds	8,979
Total	\$ 148,173

Business-type activities:

Water	\$ 22,118
Wastewater	38,083
Stormwater	4,516
Parking	2,767
Conduits	900
Total	\$ 68,384

At June 30, 2014, the outstanding commitments relating to projects of the City of Baltimore amount to approximately \$140,279,000 for governmental activities and \$685,769,000 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 2014, net interest cost of \$27,942,000 (net of interest income of \$2,410,000) was capitalized.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

6. Interfund Balances and Activity

A. BALANCES DUE TO/FROM OTHER FUNDS

Balances due to/from other funds at June 30, 2014, were as follows (amounts expressed in thousands):

Fund	Interfund	
	Receivable	Payable
General	\$ 108,114	\$ 6,622
Grants revenue	6,622	77,601
Capital projects	8,332	7,059
Stormwater Utility Fund		755
Nonmajor governmental		9,139
Nonmajor proprietary		8,332
Internal service		13,479
Agency		81
Totals	\$ 123,068	\$ 123,068

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, 2014, certain transactions between funds had not been completed.

B. TRANSFERS TO/FROM OTHER FUNDS

Transfers to/from other funds at June 30, 2014, consist of the following (amounts expressed in thousands):

Fund	General	Capital Projects	Nonmajor Governmental	Parking	Nonmajor Proprietary	Total Transfers To
General				\$ 56,658	\$ 750	\$ 57,408
Grants revenue	\$ 6,622			6,059		12,681
Capital projects	45,200		\$ 10,051			55,251
Nonmajor governmental	82,022	\$ 4,407				86,429
Nonmajor proprietary	6,639					6,639
Totals transfers from.	\$ 140,483	\$ 4,407	\$ 10,051	\$ 62,717	\$ 750	\$ 218,408

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, 2014 (amounts expressed in thousands):

Special revenue funds:	
Grants revenue	\$ 83,355
CDBG	9,451
Baltimore casino	773
State video lottery terminal	36
Capital projects fund	4,356
Internal service funds:	
Risk management	168,072
Reproduction and printing	7,380
Municipal telephone exchange	4,449
Energy conservation	1,255
Building maintenance	1,177
Municipal post office	440

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 2015 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.

The City plans to implement a multi-step approach to reducing the accumulated deficit in the Risk Management Fund. In addition to increasing agency premiums in excess of those needed to cover expected operating expenses, the City will prioritize using a portion of surplus funds each year to reduce the remaining unfunded liability. The City is also evaluating its investment approach to determine if it is appropriate to invest more aggressively given the long-term nature of the fund. The additional investment yield may aid in further reducing the unfunded liability.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

City is also evaluating its investment approach to determine if it is appropriate to invest more aggressively given the long-term nature of the fund. The additional investment yield may aid in further reducing the unfunded liability.

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, 2014, are as follows (amounts expressed in thousands):

	June 30, 2013	New Debt Issued	Debt Retired	Adjustments	June 30, 2014	Due Within One Year
GOVERNMENTAL ACTIVITIES						
<i>General Obligation Bonds:</i>						
Highways	\$ 6,012		\$ 258	\$ (3,440)	\$ 2,314	\$ 192
Health	2,801		221		2,580	206
Public Safety	4,878		763		4,115	310
Off-street parking	7,012		474		6,538	135
Parks and recreation	26,764		1,903		24,861	1,840
Public buildings and facilities	65,238		4,211		61,027	4,404
Schools	186,641		10,311		176,330	9,898
Urban renewal	262,424		21,797		240,627	17,059
Unallocated	7,327		750		6,577	653
Total general obligation bonds	569,097		40,688	(3,440)	524,969	34,697
<i>Special Obligation Bonds:</i>						
Special obligation bonds	114,435	\$36,000	611		149,824	669
<i>Long-term financing with the Federal Government:</i>						
Federal economic development loans	36,461		3,000		33,461	3,104
<i>Long-term financing with the State of Maryland:</i>						
State economic development loans	510		184		326	182
Grand Prix loan	920		230		690	230
Total long-term financing with the State of Maryland	1,430		414		1,016	412
Total Governmental activities	\$ 721,423	\$ 36,000	\$ 44,713	\$ (3,440)	\$ 709,270	\$ 38,882
BUSINESS-TYPE ACTIVITIES						
<i>General Obligation Bonds:</i>						
Stormwater			\$ 327	\$ 3,440	\$ 3,113	\$ 195
Total business type activities			\$ 327	\$ 3,440	\$ 3,113	\$ 195
COMPONENT UNIT - BALTIMORE CITY PUBLIC SCHOOL SYSTEM						
<i>Bonds:</i>						
Schools	\$ 140,515		\$ 6,095		\$ 134,420	\$ 7,409

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

Variable Rate General Obligation Bonds

At June 30, 2014, the City had \$25,060,000 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 the 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 \$31,213,000, 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 1.0%, federal funds rate plus 2.0% or 8.5%.

The City is required to pay the Bank 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 2014, the City made no draws under the agreement, and no amounts drawn against the agreement were outstanding at June 30, 2014.

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 2014, the City issued \$36,000,000 of new bonds to finance infrastructure construction in the Harbor Point development area. At June 30, 2014, the principal owed for all special obligation bonds was \$149,824,000, and interest of \$184,234,000 at interest rates ranging from 5.5% 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, 2014, the principal owed to the Federal government was \$33,461,000, and interest of \$8,058,000 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. At June 30, 2014, the principal owed to the State was \$326,000, and interest of \$12,000 will be due thereon in future years. These loans bear interest at rates ranging from 2.0% to 11.2% and the final payment is due in 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, 2014, the loan balance amount owed to the State was \$690,000. 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, 2014, totaled \$127,519,000 for governmental activities and \$14,085,000 for business-type activities, of which \$47,604,000 and \$5,813,000 respectively, were due within one year. For the Baltimore City Public School System, compensated absences and early retirement incentive plan amounts totaled \$55,533,000.

Changes in compensated absences during fiscal year 2014, are as follows (amounts expressed in thousands):

	Governmental Activities	Business-type Activities	Total
Balance, June 30, 2013	\$ 124,123	\$ 13,332	\$ 137,455
Leave earned	51,000	6,566	57,566
Leave used	(47,604)	(5,813)	(53,417)
Balance, June 30, 2014	\$ 127,519	\$ 14,085	\$ 141,604

B. DEBT SERVICE REQUIREMENTS

Debt service requirements on long-term debt at June 30, 2014, are as follows (amounts expressed in thousands):

Governmental Activities										Business-type Activities	
Fiscal Year	General Obligation Bonds			Long-Term Financing with Federal Government		Special Obligation Bonds		Long-Term Financing with State of Maryland		General Obligation Bonds	
	Principal	Interest	Interest Rate	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
			Swap Net(a)								
2015	\$ 34,697	\$ 22,276	\$ 1,104	\$ 3,104	\$ 1,319	\$ 669	\$ 7,200	\$ 412	\$ 8	\$ 195	\$ 151
2016	35,772	21,013	1,008	3,225	1,221	995	8,532	374	4	264	139
2017	35,962	19,652	924	3,340	1,111	1,104	9,584	230		308	125
2018	30,359	18,289	875	3,472	990	1,339	9,977			251	111
2019	32,919	16,911	851	3,613	859	1,546	9,889			301	97
2020-2024 . . .	198,653	58,879	2,008	13,451	2,419	11,178	47,626			1,645	220
2025-2029 . . .	119,177	22,193		3,256	139	25,248	41,826			149	5
2030-2034 . . .	37,430	2,469				39,387	30,954				
2035-2039 . . .						49,504	15,947				
2040-2044 . . .						18,854	2,699				
Totals . . .	\$ 524,969	\$ 181,682	\$ 6,770	\$ 33,461	\$ 8,058	\$ 149,824	\$ 184,234	\$ 1,016	\$ 12	\$ 3,113	\$ 848

(a) Interest Rate Swap Net payments represent estimated payments 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, 2014, assuming current interest rates remain the same for their term. As rates vary, variable rate bond interest payments and net swap payments will vary.

A summary of general obligation bonds outstanding and bonds authorized but unissued (amounts expressed in thousands) at June 30, 2014, are as follows:

Purpose	Due Dates	Outstanding Interest Rates	Amount	Authorized But Unissued
				Amount
Fire, police, and public protection	2015 to 2035	1.0% to 6.0%	\$ 4,115	\$ 148
Off-street parking	2015 to 2025	1.0% to 5.5%	6,538	345
Parks and recreation	2015 to 2035	1.0% to 6.0%	24,861	35,712
Public buildings and facilities	2015 to 2035	1.0% to 5.9%	61,027	52,195
Schools	2015 to 2035	1.0% to 5.8%	176,330	81,395
Urban renewal and development	2015 to 2034	1.0% to 8.3%	240,627	93,608
Highways	2015 to 2026	0.3% to 5.5%	2,314	220
Finance				20,000
Health	2015 to 2032	1.0% to 5.8%	2,580	4,070
Stormwater	2015 to 2026	1.0% to 5.5%	3,113	
Unallocated	2015 to 2026	1.0% to 5.0%	6,577	
Totals			\$ 528,082	\$ 287,693

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

Baltimore City Public School System (BCPSS) Bonds

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

As BCPSS enters into capital project contracts with one or more contractors, funds are to be drawn from the Series 2009 Construction Bonds escrow account to fund capital expenditures. The interest rates on the bonds include a Tax Credit rate of 5.90% and an interest rate of 1.25%, and interest is payable quarterly on March 15, June 15, September 15, and December 15 of each year. As of June 30, 2014, the outstanding balance of the Series 2009 Construction Bonds is \$50,800,000.

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, 2014, the outstanding balance on the Series 2009 Refunding Bonds is \$22,795,000.

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, 2014, the outstanding balance on the Series 2011 Bonds is \$60,825,000.

Future minimum bond payments are as follows at fiscal year ending June 30, 2014 (amounts expressed in thousands):

Fiscal Year	Principal	Interest	Total
2015	\$ 7,409	\$ 1,958	\$ 9,367
2016	8,312	1,638	9,950
2017	9,979	1,302	11,281
2018	11,735	1,066	12,801
2019	12,838	831	13,669
2020 - 2024	70,232	4,154	74,386
2025 - 2026	13,915	611	14,526
Totals	\$ 134,420	\$ 11,560	\$ 145,980

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 2014, the City's capital lease obligations for governmental activities decreased by \$30,033,000 (which is the amount of lease principal payments) from the fiscal year 2013 total of \$163,412,000. During fiscal

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

year 2014, the City's capital lease obligations for business-type activities increased by \$25,877,000 (which is net of new leases in the amount of \$29,888,000 and lease principal payments of \$4,011,000) over the fiscal year 2013 total of \$32,584,000. Future minimum lease payments at June 30, 2014, are as follows (amounts expressed in thousands):

Fiscal Year	Governmental Activities	Business-type Activities		Total
		Enterprise Fund	Internal Service Fund	
2015	\$ 30,198	\$ 468	\$ 7,940	\$ 38,606
2016	29,443	469	7,940	37,852
2017	26,712	382	7,940	35,034
2018	17,614	294	7,940	25,848
2019	13,376	207	7,940	21,523
2020-2024	29,380	650	22,539	52,569
2025-2029	4,942	58		5,000
Total minimum lease payments	151,665	2,528	62,239	216,432
Less: interest	(18,286)	(288)	(6,018)	(24,592)
Present value of minimum lease payments	\$ 133,379	\$ 2,240	\$ 56,221	\$ 191,840

The following is a schedule of leased property under capital leases by major class at June 30, 2014 (amounts expressed in thousands):

Classes of Property	Governmental Activities	Business-type Activities		Total
		Enterprise Fund	Internal Service Fund	
Buildings	\$ 173,756			\$ 173,756
Equipment	281,626	\$ 3,187	\$ 59,844	344,657
Total	\$ 455,382	\$ 3,187	\$ 59,844	\$ 518,413

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

Baltimore City Public School System (BCPSS)

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. As of June 30, 2014, the outstanding balance on the 1999 lease is \$1,981,000.

Additionally, BCPSS has entered into a \$25,000,000 capital lease agreement (the Master Equipment Lease) with US Bank, National Association, for the lease of "Equipment," which includes General Equipment (\$1,500,000 at an interest rate of 3.06% for seven years), Oracle Equipment (\$13,000,000 at an interest rate of 3.56% for 10 years), Vehicles (\$4,500,000 at an interest rate of 2.68% for five years) and Computers (\$6,000,000 at an interest rate of 2.68% for five years). Under the terms of the lease, funds were to be deposited into four separate Escrow Fund Accounts at the US Bank. As the Board entered into purchase agreements with one or more vendors, monies were to be drawn from the Escrow Accounts to fund actual purchases. Interest earned on the escrow balance remains in the escrow account and is to be used for the same purposes as the principal. As of June 30, 2014, the outstanding balance on the 2003 Master Lease was paid in full.

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)

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

refunded \$46,500,000 in 2006 leases. BCPSS had no gains or losses as a result of these refinancings. As of June 30, 2014, the outstanding balances on the 1st Niagara and M&T Refunding Leases were \$15,345,000 and \$18,772,000, respectively.

Future minimum lease payments as of June 30, 2014, are as follows (amounts expressed in thousands):

Fiscal Year	Capital Leases Principal
2015	\$ 7,738
2016	7,081
2017	6,121
2018	4,576
2019	3,631
2020 - 2024	10,233
Total minimum lease payments	39,380
Less: deferred interest	(3,282)
Present value of minimum lease payments	\$ 36,098

The following is a schedule of leased property under BCPSS capital leases by major class at June 30, 2014 (amounts expressed in thousands):

Classes of Property	
Buildings	\$ 72,650

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 \$152,478,000 at June 30, 2014, and revenues of the Water and Wastewater Funds are pledged as collateral for the bonds. Bonds outstanding as of June 30, 2014, 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	\$ 23,900	\$ 14,000	
Term bonds series 1994-A with interest at 6.00%, payable semiannually, due July 1, 2015	2,330	1,615	
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 1994-B maturing in a final annual installment of \$406,000 on February 1, 2015, with interest at 2.25%, payable semiannually		406	
Serial bonds series 1994-C maturing in a final annual installment of \$387,000 on February 1, 2015, with interest at 2.50%, payable semiannually		387	
Serial bonds series 1994-D maturing in a final annual installment of \$295,000 on February 1, 2015, with interest at 3.60%, payable semiannually		295	
Serial bonds series 1996-B maturing in annual installments from \$148,000 to \$208,000 through February 1, 2017, with interest at 3.17%, payable semiannually		606	
Serial bonds series 1998-A maturing in annual installments from \$287,000 to \$414,000 through February 1, 2019, with interest at 2.87%, payable semiannually		1,759	
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			\$ 1,009
Serial bonds series 1999-A maturing in annual installments from \$122,000 to \$167,000 through February 1, 2019, with interest at 2.52%, payable semiannually		771	
Serial bonds series 1999-B maturing in annual installments from \$433,000 to \$652,000 through February 1, 2021, with interest at 2.61%, payable semiannually		3,671	
Serial bonds series 2001-A maturing in annual installments from \$569,000 to \$819,000 through February 1, 2022, with interest at 2.30%, payable semiannually		5,870	
Serial bonds series 2002-A maturing in annual installments from \$1,660,000 to \$1,145,000 through July 1, 2021, with variable interest through July 1, 2016 and a fixed rate of 4.85% to 5.00% thereafter payable semiannually		4,560	
Term bonds series 2002-A with interest at 5.125%, payable semiannually, due July 1, 2042	5,625		

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

	Water Utility Fund	Wastewater Utility Fund	Stormwater Utility Fund
Auction rate notes series 2002-B, payable monthly, due July 1, 2032.		9,600	
Auction rate notes series 2002-B, payable monthly, due July 1, 2037.	18,300		
Auction rate notes series 2002-C, payable monthly, due July 1, 2032.		19,400	
Auction rate notes series 2002-C, payable monthly, due July 1, 2037.	12,700		
Serial bonds series, 2003-B maturing in annual installments from \$308,000 to \$984,000 through February 1, 2024, with interest at 0.40%, payable semiannually.		2,876	
Serial bonds series, 2003-B maturing in annual installments from \$66,000 to \$984,000 through February 1, 2024, with interest at 0.40%, payable semiannually.	1,174		
Serial bonds series, 2004-A maturing in annual installments from \$340,000 to \$369,000 through February 1, 2022, with interest at 0.40%, payable semiannually.			2,895
Serial bonds series, 2004-A maturing in annual installments from \$197,000 to \$984,000 through February 1, 2024, with interest at 0.45%, payable semiannually.	3,779		
Serial bonds series, 2004-B maturing in annual installments from \$586,000 to \$972,000 through February 1, 2022, with interest at 0.45%, payable semiannually.		7,270	
Serial bonds series, 2004-C maturing in annual installments from \$846,000 to \$984,000 through February 1, 2024, with interest at 0.25%, payable semiannually.		8,914	
Serial bonds series, 2005-A maturing in annual installments from \$984,000 to \$1,030,000 through February 1, 2024, with interest at 0.25%, payable semiannually.		9,866	
Serial bonds series, 2005-A maturing in annual installments from \$535,000 to \$580,000 from July 1, 2023 through July 1, 2025, with interest at 4.00%, payable semiannually.	1,670		
Serial bonds series, 2005-B maturing in installments from \$940,000 to \$1,480,000 through July 1, 2025, with interest rates of 3.25% to 5.00%, payable semiannually.		4,820	
Serial bonds series, 2006-A maturing in annual installments from \$515,000 to \$1,035,000 through July 1, 2026, with interest rates of 4.00% to 4.50%, payable semiannually.	10,525		
Term bond series 2006-A with interest at 4.625%, payable semiannually, due July 1, 2031.	5,930		
Term bond series 2006-A with interest at 4.625%, payable semiannually, due July 1, 2036.	7,435		
Serial bonds series, 2006-A maturing in annual installments from \$495,000 to \$1,548,000 through February 1, 2025, with interest at 0.40%, payable semiannually.		15,704	
Serial bonds series, 2006-B maturing in annual installments from \$338,000 to \$362,000 through February 1, 2026, with interest at 0.40%, payable semiannually.		4,074	
Serial bonds series, 2006-C maturing in annual installments from \$990,000 to \$2,090,000 through July 1, 2026, with interest rates of 4.00% to 5.00%, payable semiannually.		17,750	
Term bond series, 2006-C with interest at 5.00%, payable semiannually, due July 1, 2029.		6,920	
Serial bonds series, 2007-A maturing in annual installments from \$64,000 to \$80,000 through February 1, 2037, with interest at 0.40%, payable semiannually.	1,520		
Serial bonds series, 2007-A maturing in annual installments from \$1,833,000 to \$2,184,000 through February 1, 2026, with interest at 0.40%, payable semiannually.		25,158	
Serial bonds series, 2007-B maturing in annual installments from \$134,000 to \$161,000 through February 1, 2027, with interest at 0.40%, payable semiannually.		2,047	
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.	19,680		
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.		10,865	
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 \$740,000 to \$1,570,000 through July 1, 2027, with interest rates of 3.75% to 5.00%, payable semiannually.	16,390		
Term bond series 2007-C with interest at 5.00%, payable semiannually, due July 1, 2032.	9,115		
Term bond series 2007-C with interest at 5.00%, payable semiannually, due July 1, 2037.	11,630		
Serial bonds series, 2007-D maturing in annual installments from \$1,890,000 to \$4,330,000 through July 1, 2027, with interest at 5.00%, payable semiannually.		44,995	
Term bond series 2007-D with interest at 5.00%, payable semiannually, due July 1, 2032.		25,120	
Term bond series 2007-D with interest at 5.00%, payable semiannually, due July 1, 2037.		32,050	
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.	11,505		
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 \$475,000 to \$1,005,000 through July 1, 2028, with interest rates of 2.00% to 5.00%, payable semiannually.		23,630	
Term bond series 2008-A with interest at 5.00%, payable semiannually, due July 1, 2033.		12,205	
Term bond series 2008-A with interest at 5.00%, payable semiannually, due July 1, 2038.		15,575	

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

	Water Utility Fund	Wastewater Utility Fund	Stormwater Utility Fund
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	4,400		
Term bond series 2009-A with interest at 5.00%, payable semiannually, due July 1, 2024	1,220		
Term bond series 2009-A with interest at 5.125%, payable semiannually, due July 1, 2029	3,630		
Term bond series 2009-A with interest at 5.375%, payable semiannually, due July 1, 2034	4,680		
Term bond series 2009-A with interest at 5.75%, payable semiannually, due July 1, 2039	6,120		
Serial bonds series, 2009-A maturing in annual installments of \$426,167 through February 1, 2029, with an interest rate at 0.00%		6,393	
Serial bonds series, 2009-B maturing in annual installments of \$91,149 through February 1, 2029, with an interest rate at 0.00%		1,375	
Serial bonds series, 2009-B maturing in annual installments of \$586,172 from February 1, 2015 through February 1, 2043, with an interest rate at 0.00%	17,000		
Serial bonds series, 2009-C maturing in annual installments from \$370,000 to \$570,000 through July 1, 2022, with interest rates of 2.00% to 4.50%, payable semiannually		6,270	
Term bond series 2009-C with interest at 5.00%, payable semiannually, due July 1, 2024		1,720	
Term bond series 2009-C with interest at 5.00%, payable semiannually, due July 1, 2029		5,115	
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 from February 1, 2015 through February 1, 2032, with an interest rate at 0.00%		2,841	
Serial bonds series, 2011-A maturing in annual installments of \$915,000 to \$3,940,000 through February 1, 2031 with interest rates from 2.00% to 5.00%	25,405	48,610	
Term bond series 2011-A with interest at 4.57%, 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 from February 1, 2015 through February 1, 2043, with an interest rate at 1.00%	4,356		
Serial bonds series, 2011-B maturing in annual installments of \$168,332 to \$203,363 from February 1, 2015 through February 1, 2033, with an interest rate at 1.00%		3,538	
Serial bonds series, 2012 maturing in annual installments from \$612,549 to \$1,484,378 through October 1, 2027, with interest rates of 2.00% to 5.00%, payable semiannually			12,400
Serial bonds series, 2013-A maturing in annual installments of \$1,558,483 to \$1,798,836 from February 1, 2016 through February 1, 2034, with an interest rate at 0.80%, payable semiannually		31,844	
Serial bonds series, 2013-A maturing in annual installments of \$1,185,000 to \$4,980,000 from July 1, 2014 through July 1, 2033, with interest rates from 3.00% to 5.00%, payable semiannually	64,370		
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 from July 1, 2014 through July 1, 2033, with interest rates from 2.00% to 5.00%, payable semiannually	91,270		
Term bond series 2013-B with interest at 5.00%, payable semiannually, due July 1, 2038	26,705		
Term bond series 2013-B with interest at 4.50%, payable semiannually, due July 1, 2038	1,115		
Term bond series 2013-B with interest at 5.00%, payable semiannually, due July 1, 2042	36,900		
Serial bonds series, 2013-C maturing in annual installments of \$10,000 to \$2,000,000 from July 1, 2014 through July 1, 2025, with interest rates from 3.00% to 5.00%, payable semiannually	31,740		
Serial bonds series, 2013-C maturing in annual installments of \$1,160,000 to \$4,725,000 from July 1, 2014 through July 1, 2033, with interest rates from 3.00% to 5.00%, payable semiannually		61,330	
Term bond series 2013-C with interest at 5.00%, payable semiannually, due July 1, 2038		27,420	
Term bond series 2013-C with interest at 5.00%, payable semiannually, due July 1, 2043		35,000	
Serial bonds series, 2013-D maturing in annual installments of \$45,000 to \$3,640,000 from July 1, 2014 through July 1, 2033, with interest rates from 3.00% to 5.00%, payable semiannually		70,180	
Term bond series 2013-D with interest at 5.00%, payable semiannually, due July 1, 2038		14,835	
Term bond series 2013-D with interest at 5.00%, payable semiannually, due July 1, 2042		15,845	
Serial bonds series, 2013-E maturing in annual installments of \$20,000 to \$3,300,000 from July 1, 2014 through July 1, 2026, with interest rates from 3.00% to 5.00%, payable semiannually		26,405	
Serial bonds series, 2014-A maturing in annual installments of \$2,040,192 to \$2,464,774 from February 1, 2016 through February 1, 2035, with interest rates at 1.00% payable semiannually		44,923	
	627,794	859,678	16,304
Unamortized bond premiums	28,327	34,264	
	<u>\$ 656,121</u>	<u>\$ 893,942</u>	<u>\$ 16,304</u>

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

On December 3, 2013, the City issued Water Revenue Bonds, Series 2013-A, 2013-B, and 2013-C, in the amounts of \$130,110,000, \$155,990,000, and \$31,740,000, respectively, and totaling \$317,840,000. Of these amounts, \$130,110,000 were issued for various capital projects, and \$187,730,000 were refunding bonds that current refunded certain outstanding maturities totaling \$188,240,000. A majority of the savings facilitated the refunding of the City's auction rate debt portfolio and the termination of the underlying interest rate exchange agreements. Interest on the bonds is due July 1st and January 1st, and the bonds mature between 2015 and 2044 depending on the particular series.

The Series 2013 Water Refunding Revenue Bond issuance reduced total debt service payments by approximately \$444,000, to obtain an economic gain of approximately \$238,000. Additionally, the City used \$18,672,000 to reduce its derivative swap exposure

On December 3, 2013, the City issued Wastewater Revenue Bonds, Series 2013-C, 2013-D, and 2013-E, in the amounts of \$123,750,000, \$100,860,000, and \$26,405,000, respectively, and totaling \$251,015,000. Of these amounts, \$123,750,000 were issued for various capital projects, and \$127,265,000 were refunding bonds that current refunded certain outstanding maturities totaling \$118,995,000, and advanced refunded certain outstanding maturities totaling \$9,785,000. A majority of the savings facilitated the refunding of the City's auction rate debt portfolio and the termination of the underlying interest rate exchange agreements. Interest on the bonds is due July 1st and January 1st, and the bonds mature between 2015 and 2044 depending on the particular series.

The Series 2013 Wastewater Refunding Revenue Bond issuance reduced total debt service payments by approximately \$1,405,000, to obtain an economic gain of approximately \$755,000. Additionally, the City used \$13,128,000 to reduce its derivative swap exposure.

At June 30, 2014, the Water Utility fund had \$31,000,000 of auction rate notes outstanding. Interest rates for these notes are determined every 7 to 35 days depending on the date of issue. 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% to 175% of the non-financial commercial paper rate depending on the rating of each bond issue. The failed auction rate on these notes was less than 1%.

At June 30, 2014, the Wastewater Utility fund had \$29,000,000 of auction rate notes outstanding. Interest rates for these notes are determined every 7 to 35 days depending on the date of issue. 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% to 175% of the non-financial commercial paper rate depending on the rating of the insurance provider on each note issue. The interest rate in the event of a failed auction on these notes 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 \$28,487,000 at June 30, 2014, and revenues of the Parking Facilities Fund are pledged as collateral for the bonds. Bonds outstanding as of June 30, 2014, consist of (amounts expressed in thousands):

Term bonds series 1997-A with interest at 6.00%, payable semiannually, due July 1, 2018.	\$ 29,040
Term bonds series 1998-A with interest at 5.25%, payable semiannually, due July 1, 2014.	620
Term bonds series 1998-A with interest at 5.25%, payable semiannually, due July 1, 2017.	2,060
Term bonds series 1998-A with interest at 5.25%, payable semiannually, due July 1, 2021.	3,300
Serial bonds series 2005 maturing in annual installments from \$400,000 to \$1,590,000 through July 1, 2015	
with interest rates ranging from 4.69% to 5.07%, payable semiannually.	3,110
Term bonds series 2005 with interest at 5.27%, payable semiannually, due July 1, 2018.	5,315
Term bonds series 2005 with interest at 5.30%, payable semiannually, due July 1, 2027.	10,470
Term bonds series 2005 with interest at 5.62%, payable semiannually, due July 1, 2035.	1,000
Variable rate demand bonds series 2008, payable weekly, due July 1, 2032.	72,420
Serial bonds series 2010 maturing in annual installments from \$705,000 to \$1,330,000 through July 1, 2015	
with interest rates ranging from 1.988% to 3.537%, payable semiannually.	3,375
Term bonds series 2010 with interest at 4.336%, payable semiannually, due July 1, 2017.	2,075
Term bonds series 2010 with interest at 5.225%, payable semiannually, due July 1, 2020.	3,045
Term bonds series 2010 with interest at 6.10%, payable semiannually, due July 1, 2025.	4,275
Term bonds series 2010 with interest at 7.00%, payable semiannually, due July 1, 2035.	14,025
	\$ 154,130

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

The City had \$72,420,000 of Series 2008 refunding taxable variable rate demand revenue bonds outstanding as of June 30, 2014. The bonds mature serially starting on July 1, 2014 through July 1, 2038. 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 range from \$1,220,000 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 option, 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 in the amount of \$78,774,000 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 remarked. The interest rate on draws made under this agreement is a defined base rate plus up to an additional 2.0% 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 0.53% per annum of the average daily amount of the available commitment. During fiscal year 2014, the City made no draws under the letter of credit and no amounts drawn against the letter of credit were outstanding at June 30, 2014.

Industrial Development Revenue Bonds

The City has \$77,900,000 variable rate demand revenue bonds Series 1986 outstanding as of June 30, 2014. 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 mature on August 1, 2016, but are subject to optional or mandatory redemptions in whole or in part prior to maturity. The bonds bear interest at a variable rate that is reset by the Remarketing Agent on a weekly basis.

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 remarked.

The letter of credit will expire on November 30, 2015, but may be extended. 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 remarked. 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 are 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 2014, the City made no draws under the letter of credit and no amounts drawn against the letter of credit were outstanding at June 30, 2014.

Convention Center Refunding Revenue Bonds

The Convention Center Refunding Revenue Bonds, Series 1998 were issued May 1, 1998 and are 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, 2014, the balance outstanding on the Series 1998 bonds was \$23,545,000, and includes \$6,695,000 in 5.5% term bonds which are due to mature on September 1, 2014, \$3,625,000 in 5.5% term bonds which are due to mature on September 1, 2015, and \$16,485,000 in 5.0% term bonds which are 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, 2014, are subject to redemption at par prior to maturity by operation of a sinking fund on or after September 1, 2014, at annual principal amounts ranging from \$3,260,000 to \$3,345,000. 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.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

Stormwater Special Revenue Bond

The City issued a Stormwater Special Revenue Bond, Series 2004 with \$2,895,000 outstanding at June 30, 2014. This bond will fund 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 entered into agreements with the State of Maryland to borrow County Transportation Revenue Bonds with \$88,910,000 (of which \$13,409,000 was transferred to the Stormwater Utility Fund) Outstanding at June 30, 2014. The proceeds from these bonds will be used to fund certain highway improvements and stormwater capital projects throughout the City. These bonds are secured by a pledge of the City's share of the State 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, 2014, 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 4.60% to 5.88%, payable semiannually	\$ 79,685
Term bonds series 2006-A with interest at 4.60% due September 1, 2030	20,935
Term bonds series 2006-A with interest at 5.00% due September 1, 2032	24,080
Term bonds series 2006-A with interest at 5.25% due September 1, 2039	118,315
Term bonds series 2006-B with interest at 5.00% due September 1, 2016	2,555
Term bonds series 2006-B with interest at 5.875% due September 1, 2039	50,885
Totals	\$ 296,455

Changes in revenue bond obligations for the year ended June 30, 2014, are as follows (amounts expressed in thousands):

	June 30, 2013	New Debt Issues	Debt Retired	Adjustments	June 30, 2014	Due within One Year
<i>Governmental Activities</i>						
Convention Center and Hotel	\$ 325,680		\$ 5,680		\$ 320,000	\$ 6,230
Stormwater	3,254		359	\$ (2,895)		
Transportation	95,665		6,755	(13,409)	75,501	6,990
Total governmental activities	\$ 424,599		\$ 12,794	\$ (16,304)	\$ 395,501	\$ 13,220
<i>Business-Type Activities</i>						
Water	\$ 509,023	\$ 317,840	\$ 199,069		\$ 627,794	\$ 12,250
Wastewater	717,555	295,938	153,815		859,678	24,952
Stormwater				\$ 16,304	16,304	441
Parking Facilities	163,410		9,280		154,130	9,800
Industrial Development	77,900				77,900	
Total business-type activities	\$ 1,467,888	\$ 613,778	\$ 362,164	\$ 16,304	\$ 1,735,806	\$ 47,443

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

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

Fiscal Year	Governmental Activities					
	Hotel Revenue Bonds		Convention Center		Transportation Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 2,795	\$ 15,592	\$ 3,435	\$ 1,118	\$ 6,990	\$ 3,122
2016	3,190	15,442	3,625	924	7,632	2,817
2017	3,605	15,272	3,825	729	7,973	2,509
2018	4,050	15,074	4,015	533	8,346	2,180
2019	4,540	14,843	4,220	327	8,733	1,863
2020-2024	31,075	69,765	4,425	110	29,735	4,473
2025-2029	48,465	59,216			6,092	303
2030-2034	71,040	43,975				
2035-2039	101,115	21,424				
2040-2044	26,580	712				
Totals	\$ 296,455	\$ 271,315	\$ 23,545	\$ 3,741	\$ 75,501	\$ 17,267

Fiscal Year	Business-type Activities													
	Water Utility			Waste Water Utility			Stormwater Utility		Parking Facilities			Industrial Development Authority		
	Principal	Interest	Swap Interest Rate Net(a)	Principal	Interest	Swap Interest Rate Net(a)	Principal	Interest	Principal	Interest	Swap Interest Rate Net(a)	Principal	Interest	Swap Interest Rate Net(a)
2015	\$ 12,250	\$ 28,608	\$ 1,208	\$ 24,952	\$ 33,726	\$ 1,288	\$ 441	\$ 462	\$ 9,800	\$ 8,837	\$ 4,184		\$ 62	\$ 2,678
2016	14,930	26,846	1,209	30,640	32,144	1,289	1,720	434	10,600	8,278	4,111		62	2,678
2017	15,633	26,204	1,209	31,455	31,254	1,289	1,771	390	10,710	7,686	4,032	\$ 77,900	31	2,678
2018	16,196	25,503	1,209	31,724	30,299	1,289	1,829	340	11,490	7,062	3,950			
2019	16,898	24,779	1,209	32,566	29,296	1,289	1,889	288	12,270	6,386	3,863			
2020-2024	92,769	111,685	6,047	163,919	130,231	6,443	5,731	750	24,965	26,776	17,433			
2025-2029	107,541	89,261	6,047	160,760	100,546	6,143	2,923	145	33,460	18,172	12,193			
2030-2034	139,381	61,354	5,789	180,878	68,159	1,951			36,905	6,421	3,539			
2035-2039	125,023	33,289	1,520	131,689	33,098				3,930	276				
2040-2044	87,173	9,344	(182)	71,095	7,811									
Totals	\$ 627,794	\$ 436,873	\$ 25,265	\$ 859,678	\$ 496,564	\$ 20,981	\$ 16,304	\$ 2,809	\$ 154,130	\$ 89,894	\$ 53,305	\$ 77,900	\$ 155	\$ 8,034

(a) Interest Rate Swap Net payments represent estimated payments for additional interest resulting from swap agreements to counterparties. The additional payments were computed using rates as of June 30, 2014, assuming current interest rates remain the same for their term. As rates vary, variable rate bond interest payments and net swap payments will vary.

9. Pledged Revenue

The Water, Wastewater and Stormwater Utility Funds

The Water, Wastewater and Stormwater Utility Funds have pledged future customer revenue to repay \$627,794,000, \$859,678,000, and \$16,304,000 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 2044. Payments for the Stormwater Utility Funds' bonds have been made with General Funds and subsequently reimbursed from Stormwater Utility Funds revenues. Annual principal and interest payments on these revenue bonds are expected to require 54.0% of pledged revenues. Total principal and interest remaining to be paid on the revenue bonds for the Water, Wastewater and Stormwater Utility Funds are \$1,089,932,000, \$1,377,223,000, and \$19,113,000, respectively. Principal and interest paid for the current year and pledged revenue for the Water Utility Fund were \$31,956,000 and \$44,731,000, respectively. Principal and interest paid for the current year and pledged revenue for the Wastewater Utility Fund were \$51,224,000 and \$97,188,000, respectively. Principal and interest paid for the current year and pledged revenue for the Stormwater Utility Fund were \$902,000 and \$13,926,000, respectively.

The Parking Facility Fund

The Parking Facility Fund has pledged future revenue from parking fees and fines to repay \$154,130,000 of revenue bond debt. Proceeds from these revenue bonds were used to construct various garages throughout the City. The bonds are payable solely from the pledged revenue and are payable through 2035. Annual principal and interest payments are expected to require 24.4% of pledged revenue. Total principal and interest remaining to be paid on these revenue bonds is \$297,329,000. For the current year, principal and interest payments and current pledged revenue were \$18,687,000 and \$76,479,000, respectively.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

Tax Increment Revenue Pledges

The City has pledged a portion of future property tax revenues to repay \$149,824,000 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 the sufficient incremental taxes to pay principal and interest requirements, 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 \$334,058,000. For the current year, principal and interest payments and current pledged revenue were \$5,598,000 and \$9,808,000, 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 Headquarter 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 \$567,770,000. For the current year, principal and interest payments were \$18,142,000.

Baltimore Convention Center

The City has pledged a portion of future revenue from Convention Center operations to repay \$23,545,000 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 \$27,286,000. For the current year, principal and interest payments and current pledged revenue were \$4,562,000 and \$4,560,000, respectively.

10. Prior-Year Defeasance of Debt

Primary Government

In prior years, the City defeased certain revenue bonds and other obligations by placing the proceeds of new debt issues in an irrevocable trust to provide for all future debt service payments on the old debt. Accordingly, the trust account assets and the liability for the defeased debt are not included in the City's financial statements. At June 30, 2014, \$123,850,000 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, 2014, 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.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

Hedged Derivative Instruments

At June 30, 2014, the City had deferred liabilities for various hedged derivative instruments with the total fair values of these instruments in the amounts of (\$3,861,332) and (\$34,021,462), for governmental and business-type activities, respectively. The notional amounts for these hedged derivative instruments at June 30, 2014, were \$25,060,000 and \$219,785,000, for governmental and business-type activities, respectively. During fiscal year 2014, the fair values of these type activities decreased \$448,444 and \$37,260,142 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, 2014:

SWAP PROFILE as of June 30, 2014							
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 GO Bonds	1/15/2010	10/15/2020	4.215%	1M LIBOR	\$ 7,905,000	\$ (486,064)	A/A2
2003 GO Bonds	1/15/2010	10/15/2022	4.970%	1M LIBOR	17,155,000	(3,375,268)	A/A2
Total Governmental Activities					25,060,000	(3,861,332)	
Hedged Derivative Instruments - Business-type Activities							
Industrial Development Authority Revenue Bonds							
<i>Floating to Fixed Swaps</i>							
1986 Revenue Bonds	11/1/2001	8/1/2016	3.4975%	SIFMA	77,900,000	(5,353,140)	A-/Baa2
Water Utility Fund Revenue Bonds Series							
<i>Floating to Fixed Swaps</i>							
2002 Revenue Bonds	5/7/2002	7/1/2037	4.555%	67% 1M LIBOR	31,000,000	(12,273,957)	A-/Baa2
2002 Revenue Bonds	5/7/2002	7/1/2014	4.39%	CPI	2,325,000	(6,168)	A-/Baa2
2002 Revenue Bonds	5/7/2002	7/1/2015	4.50%	CPI	1,615,000	(12,294)	A-/Baa2
2002 Revenue Bonds	5/7/2002	7/1/2016	4.61%	CPI	1,685,000	(25,465)	A-/Baa2
Total Water Utility Fund					36,625,000	(12,317,884)	
Wastewater Utility Fund Revenue Bonds Series							
<i>Floating to Fixed Swaps</i>							
2002 Revenue Bonds	5/7/2002	7/1/2032	4.548%	67% 1M LIBOR	29,000,000	(9,764,208)	A-/Baa2
2002 Revenue Bonds	5/7/2002	7/1/2014	4.39%	CPI	2,040,000	(5,412)	A-/Baa2
2002 Revenue Bonds	5/7/2002	7/1/2015	4.50%	CPI	1,240,000	(9,439)	A-/Baa2
2002 Revenue Bonds	5/7/2002	7/1/2016	4.61%	CPI	1,280,000	(19,345)	A-/Baa2
Total Wastewater Utility Fund					33,560,000	(9,798,404)	
Parking Revenue Bonds Series							
<i>Floating to Fixed Swaps</i>							
2008 Bonds	6/19/2002	7/1/2032	3.666%	1M LIBOR	64,100,000	(5,920,978)	A/A2
2008 Bonds	6/19/2002	7/1/2025	3.563%	1M LIBOR	7,600,000	(631,056)	A/A2
Total Parking Facilities Fund					71,700,000	(6,552,034)	
Total Business-type Activities					\$ 219,785,000	\$ (34,021,462)	

Credit risk — As of June 30, 2014, 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, nine swaps or approximately 61% of the notional amount of swaps outstanding, are held with one counterparty that is currently rated A-/Baa2. Of the remaining swaps, the City holds two swaps with a counterparty rated A/A2, approximating 10% of the outstanding notional value, and two swaps with one counterparty rated A/A2, approximating 29% of the outstanding notional value.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

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 Securities Industry and Financial Markets Association (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 rate change. If a change occurs that results in the spread widening, the expected cost savings may not be realized. As of June 30, 2014, the SIFMA rate for the prior 52-week period ranged from 0.03% to 0.12%, whereas the City tax-exempt market ranged from 0.05% to 0.23%. For two 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, 2014, LIBOR for the prior 52-weeks ranged from 0.15% to 0.20%, whereas the City's taxable market ranged from 0.08% to 0.19%. 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, 2014 are as follows:

Investment Derivative Instruments					
	Changes in Fair Value		Classification	Fair Value at June 30, 2014	
	Classification	Amount		Amount	Notional
Business-type Activities					
Water Utility Fund					
Fixed to Floating	Investment Revenue	\$ 58,179	Debt	\$ (203,337)	\$ (13,220,453)
Floating to Floating	Investment Revenue	131,722	Debt	(8,847,153)	(71,455,000)
Total Water Utility Fund.....		189,901		(9,050,490)	(84,675,453)
Wastewater Utility Fund					
Fixed to Floating	Investment Revenue	31,820	Debt	(123,239)	(7,469,047)
Industrial Development Authority					
Floating to Fixed	Investment Revenue	562,659	Debt	(1,518,670)	(22,100,000)
Total Business-type Activities		\$ 784,380		\$ (10,692,399)	\$ (114,244,500)

Credit Risk — At June 30, 2014, 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 counterparty's credit rating at June 30, 2014, was A+/Aa3 for four derivative instruments held by the Waste Water Utility Fund and A-/Baa2 for one derivative instrument held by the Industrial Development Authority. For the Water Utility Fund the counterparty rating was A+/Aa3 for four derivative instruments and one swap representing with a counterparty rating of Aa2/AAA. The change in the fair value of investment swaps in the amount of a gain of \$784,430 is netted and reported within the investment revenue classification.

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

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

Fiduciary Fund Types

Forward Currency Contracts

The City's Retirement Systems entered into forward currency contracts to manage exposure to fluctuations in foreign currency exchange rates on portfolio holdings. They also entered into forward exchange contracts to settle future obligations. A forward exchange contract is a commitment to purchase (payable) or sell (receivable) a foreign currency at a future date at a negotiated forward rate. Risk associated with such contracts includes movement in the value of a foreign currency relative to the U.S. dollar. Unrealized gains or losses on forward currency contracts are the difference between the contract and the closing market value of such contract and is included in the statement of changes in fiduciary net position as net appreciation in the fair value of investments. The table below summarizes the market value of foreign currency contracts as of June 30, 2014:

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	\$ 8,409,090	\$ 8,409,090	\$ 8,422,286	\$ 8,583,136	\$ (160,850)
British Pound Sterling	2,151,339	2,151,339	2,152,536	2,179,300	(26,764)
Canadian Dollar	12,922,010	12,922,010	12,933,352	13,374,198	(440,846)
Chinese Yuan Renminbi	399,707	399,707	399,707	408,702	(8,995)
Euro Currency Unit	12,082,339	12,082,339	12,084,714	12,027,668	57,046
Hong Kong Dollar	92,467	92,467	92,467	92,483	(16)
Japanese Yen	9,272,378	9,272,378	9,272,526	9,449,303	(176,777)
Mexican New Peso	7,591	7,591	7,591	7,574	17
New Zealand Dollar	1,370,289	1,370,289	1,370,289	1,409,767	(39,478)
Norwegian Krone	1,339,766	1,339,766	1,339,766	1,313,049	26,717
Singapore Dollar	1,980,467	1,980,467	1,980,467	1,996,126	(15,659)
Swedish Krona	1,295,169	1,295,169	1,295,169	1,275,544	19,625
Swiss Franc	476,456	476,456	476,578	479,132	(2,554)
U.S. Dollar	11,423,146	11,423,146	11,429,122	11,423,146	5,976
Total	\$ 63,222,214	\$ 63,222,214	\$ 63,256,570	\$ 64,019,128	\$ (762,558)

12. Pension Plans

Plan Descriptions

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).

The City contributes to three single-employer defined benefit pension plans, the Fire and Police Employees' Retirement System, established July 1, 1962, the Employees' Retirement System, established January 1, 1926 and the Elected Officials' Retirement System, established December 5, 1983. Each plan provides retirement benefits as well as disability benefits to plan members and their beneficiaries. The plans are each managed by a Board of Trustees in accordance with Article 22 of the Baltimore City Code. Plan benefits provisions may

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

be amended only by the City Council. The 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. Those reports may be obtained by writing to the Retirement Systems at the following addresses:

For Employees' Retirement System and Elected Officials' Retirement System, mail request to:

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

For Fire and Police Employees' Retirement System, mail request to:

Baltimore City Retirement Systems
7 East Redwood Street, 18th Floor
Baltimore, Maryland 21202-3470

Significant Accounting Policies

Basis of Accounting. The financial statements for the City's three Plans 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.

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. Real estate holdings are valued based on current appraisals.

Funding Policy and Annual Pension Cost

The Baltimore City Code establishes the contribution requirements for plan members and the City for each of the three plans. The City's annual pension cost for the current year and related information for each plan is as follows:

(Dollars Expressed in Thousands)			
	Fire and Police Employees' Retirement System	Employees' Retirement System	Elected Officials' Retirement System
Contribution ratios as a percentage of covered payroll:			
Employer	40.1%	23.7%	24.2%
Employee	9.9%	0.9%	4.5%
Annual pension cost	\$ 113,843	\$ 94,918	\$ 307
Contributions made	\$ 113,843	\$ 94,918	\$ 307
Actuarial cost method	Projected Unit Credit Cost	Entry Age Normal Cost	Entry Age Normal Cost
Amortization method	Level Dollar Open	Level Dollar Open	Level Dollar Open
Remaining amortization period	20 years	17 years	13 years
Assets valuation method	5 year smoothed market	5 year smoothed market	5 year smoothed market
Actuarial assumptions:			
Investment rate of return:			
Pre-retirement	7.75%	7.75%	7.25%
Post-retirement	7.75%	6.55%	7.25%
Projected salary increases	3.75%	2.75%	5.0%
Includes inflation rate at	3.75%	2.75%	2.5%
Cost-of-living adjustment	0-2.0%	1.5-2.0%	5.0%

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

The information presented in the following schedules for the Fire and Police Employees' Retirement System, the Employees' Retirement System, and the Elected Officials' Retirement System is from the financial reports dated June 30, 2014 and the actuarial valuation dated June 30, 2014.

Three-Year Trend Information
(Dollars Expressed in Thousands)

	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Fire and Police Employees' Retirement System:			
June 30, 2014	\$ 113,843	100%	\$ 0
June 30, 2013	107,779	100	0
June 30, 2012	107,488	100	0
Employees' Retirement System:			
June 30, 2014	\$ 94,918	100%	\$ 0
June 30, 2013	88,300	100	0
June 30, 2012	77,995	100	0
Elected Officials' Retirement System:			
June 30, 2014	\$ 307	100%	\$ 0
June 30, 2013	419	100	0
June 30, 2012	998	100	0

Schedule of Funding Progress for Fiscal Year Ended June 30, 2014
Pension Trust Funds

(Dollars Expressed in Thousands)

Actual Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Excess of) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL (Excess of) as a Percentage of Covered Payroll ((b-a)/c)
Fire and Police Employees' Retirement System:						
June 30, 2014	\$ 2,492,544	\$ 3,360,449	\$ 867,905	74.2 %	\$ 284,210	305.4 %
June 30, 2013	2,502,406	3,267,573	765,167	76.6	277,524	275.7
June 30, 2012	2,475,874	3,188,662	712,788	77.6	284,601	250.5
Employees' Retirement System:						
June 30, 2014	\$ 1,540,327	\$ 2,210,320	\$ 669,993	69.7 %	\$ 401,292	167.0 %
June 30, 2013	1,465,944	2,151,993	686,049	68.1	392,868	174.6
June 30, 2012	1,429,666	2,111,278	681,612	67.7	390,558	174.5
Elected Officials' Retirement System:						
June 30, 2014	\$ 21,230	\$ 16,780	\$ (4,450)	126.5 %	\$ 1,267	(351.2) %
June 30, 2013	19,136	16,185	(2,951)	118.2	1,236	(238.7)
June 30, 2012	18,503	16,951	(1,552)	109.2	1,237	(125.5)

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 follows:

Three -Year Trend Information
(Expressed in Thousands)

	Employer Contribution	Unfunded Accrued Liability
June 30, 2014	\$ 512	\$ 1,978
June 30, 2013	705	2,776
June 30, 2012	913	3,545

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

The Maryland State Retirement and Pension Systems

Under Maryland law, the Baltimore City Public School System (BCPSS) is not required to make any contributions to the State Systems. The covered employees are required by State statute to contribute to the State Systems. The contribution from employees is 5% for participants in the State Systems retirement plans (with a 5% limit on the annual cost of living allowance and 7% for those who elect a limit on the cost of living allowance commensurate with the Consumer Price Index) and 5% for participants in the State System's pension plans to the extent their regular earnings exceed the Social Security wage base. 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, 2014, the State paid \$70,500,000 in such costs. This amount has been recorded by the BCPSS as both a revenue and an expenditure in the accompanying Statement of Activities.

The State also makes contributions on behalf of the Enoch Pratt Free Library employees. The State's contributions for the fiscal year ended June 30, 2014, was \$2,061,000. This amount has also been recognized as both a revenue and an expenditure in the accompanying Statement of Activities.

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 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 or 20 years of service If hired on or after July 1, 2003: Age 50 and 10 years of service or 20 years of service
Employees' Retirement System & Elected Officials' Retirement System . . .	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 statements as a fiduciary fund.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

The number of participants in the Plan as of July 1, 2014, was as follows:

Number of Participants			
	City	School	Total
Active	14,158	8,369	22,527
Retired	10,238	6,013	16,251
Total	24,396	14,382	38,778

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 \$58 to \$1,331 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.

For fiscal year 2014, City contributions to the Plan were \$139.9 million, including \$16.9 million of federal retiree drug subsidy payments, which was more than the annual OPEB cost of \$108.4 million resulting in a net decrease to the OPEB liability of \$31.5 million for the current year. Interest on the OPEB liability amounted to \$5.3 million in fiscal year 2014. The OPEB liability at June 30, 2014 was \$70.8 million. An additional adjustment in the amount of (\$4.3) million was made to the annual required contribution (ARC) based on claims experience.

Annual OPEB Cost and Net OPEB 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 2014 was \$108.4 million. The following table shows the components of the City's annual OPEB cost for the years ended June 30, 2014, June 30, 2013 and June 30, 2012, respectively, and the amount actually contributed to the plan (dollars expressed in millions):

	Fiscal Year Ended		
	June 30, 2012	June 30, 2013	June 30, 2014
Normal Cost	\$ 55.2	\$ 45.1	\$ 42.5
Amortization of Unfunded Actuarial Liability	105.0	72.8	64.9
Annual Required Contribution (ARC)	160.2	117.9	107.4
Interest on Unfunded ARC	5.4	5.0	5.3
Adjustment of ARC	(4.4)	(3.9)	(4.3)
Annual OPEB Cost	161.2	119.0	108.4
Actual Contributions	157.1	125.9	139.9
Increase/(Decrease) in OPEB Obligation	4.1	(6.9)	(31.5)
Net OPEB Obligation	109.2	102.3	70.8
Percentage Contributed	98.1%	106.8%	130.3%

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

Funded Status and Funding Progress:

(Dollars 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, 2014	\$ 322.4	\$ 1,655.5	\$ 1,333.1	19.5%	\$ 1,476.0	90.3%
June 30, 2013	262.4	1,755.7	1,493.3	14.9	1,426.1	104.7
June 30, 2012	207.1	2,280.8	2,073.7	9.1	1,377.9	150.5

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

Actuarial Method and Assumptions:

Data in the above tables were obtained from an actuarial valuation prepared by an independent actuary made as of June 30, 2014, using census data as of that date and health care claims costs for the year ended June 30, 2014.

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

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

In performing their valuation, the actuary used a discount rate of 5.95%, 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 4.8% healthcare trend for fiscal year 2014, reduced by decrements to a rate of 3.8% in 2083. 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. During fiscal year 1987, the City established the Risk Management Fund (an internal service fund) to account for and finance its uninsured risks. 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 Fund services all claims for risk of loss, including general

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

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 \$500,000,000. Settled claims have not exceeded this commercial coverage in any of the past three years. The City also provides medical insurance coverage for all employees and retirees. Employees are required to pay a percentage of the annual cost of the medical plans and the remaining costs are paid by the internal service fund.

All funds of the City and the Baltimore City Public School System participate and make payments to the Risk Management Fund based on actuarial estimates and historical cost information of the amounts needed to pay prior and current year claims. As of June 30, 2014, the City has determined that the range of potential claims liability for the fund to be between \$229,039,000 and \$257,818,000. The claims liability of \$229,039,000 reported in the fund is based on the requirement that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. 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, 2014, 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. Any claims in excess of \$229,039,000 will be charged to expense in the periods in which they are made.

Changes in the Risk Management Fund's claims liability in fiscal years 2013 and 2014 were (amounts expressed in thousands):

	2014	2013
Unpaid claims, beginning	\$ 223,826	\$ 220,212
Claims incurred	197,179	173,216
Claims paid	(191,966)	(169,602)
Unpaid claims, ending	\$ 229,039	\$ 223,826

The City estimates that \$68,285,000 of the estimated claims liability is due within one year.

15. Operating Leases

The City has entered into a number of operating leases for rental of office facilities and equipment, some of which provide for increased rentals based upon increases in real estate taxes and common area maintenance fees. As of June 30, 2014, future minimum lease payments are as follows (amounts expressed in thousands):

2015	\$ 5,408
2016	4,137
2017	3,461
2018	2,459
2019	1,815
2020-2024	4,859
2025-2029	587
2030-2034	20
Total	\$ 22,746

All leases contain cancellation provisions and are subject to annual appropriations by the City Council. During fiscal year 2014, rent expenditures approximated \$30,660,000 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, 2014, rent and lease expenditures approximated \$1,700,000. These expenditures were made primarily from the General Fund. As of June 30, 2014, future minimum lease payments approximate \$4,523,000, which relates to July 1, 2014 through April 30, 2015 when the leases expire.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

16. Landfill Closure and Postclosure Care Costs

State and Federal laws and regulations require that the City place a final cover on its landfill site and perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty years after closure. In addition to operating expenses related to current activities of the landfill site, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and postclosure care costs is \$22,062,000 as of June 30, 2014, which is based on 72.51% usage (filled) of the landfill. This is an increase in the liability of \$1,127,000 since June 30, 2013. This increase is primarily caused by an increase in the estimated usage (filled) of the landfill of 69.88% for the fiscal year 2013 to 72.51% in fiscal year 2014. It is estimated that an additional \$8,366,000 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 2027). The estimated total current cost of the landfill closure and postclosure care, \$30,428,000, is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill was acquired as of June 30, 2014. 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 2015.

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, 2014, cash in the amount of \$19,852,000 was held in the City's General Fund. In addition, the General Fund's fund balance was appropriately reserved. It is anticipated that future inflation costs will be financed in part from earnings on investments held by the City. The remaining portion of anticipated future inflation costs (including inadequate earnings on investments, if any) and additional costs that might arise from changes in closure and postclosure requirements (due to changes in technology or more rigorous environmental regulations, for example) may need to be covered by charges to future landfill users, taxpayers, or both.

17. Notes and Mortgages Receivable

Notes and mortgages receivable as of June 30, 2014, consist of the following:

- A. The General Fund has notes receivable of \$1,902,000, 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 Debt Service Fund has mortgages receivable of \$384,000 collateralized by real property. These mortgages bear interest at rates ranging from 5.46% to 11.16% and mature over 30 years.
- C. The Parking Facilities Fund has mortgages receivable of \$52,458,000 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 \$48,613,000 is scheduled to be collected in 2016 through 2044.
- D. Governmental activities have notes receivable of \$296,455,000 due from the Baltimore Hotel Corporation. These notes bear interest at rates ranging from 3.6% to 5.6% and mature over 30 years. A portion of this note receivable totaling \$290,055,000 is scheduled to be collected in 2016 through 2035.

18. 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, 2014, 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, 2014, the City recognized deferred inflows of resources in the governmental funds for property taxes, income taxes, other prepaid taxes, notes receivable, 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.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

19. Fund Balance

The composition of the fund balances of the governmental funds for fiscal year ended June 30, 2014 are as follows (amounts expressed in thousands):

	General	Grants	Capital Projects	Other Funds	Governmental Funds
Fund Balances					
Nonspendable:					
Reserved for other assets.....	\$ 5,519				\$ 5,519
Restricted:					
Education				\$ 6,261	6,261
Highways			\$ 9,256		9,256
Public library				2,219	2,219
Recreation and culture.....				4,862	4,862
Total restricted.....			9,256	13,342	22,598
Assigned to:					
General government	64,932				64,932
Public safety and regulation	39,754				39,754
Conservation of health	7,219				7,219
Public library.....	1,915				1,915
Recreation and culture.....	22,636				22,636
Highways	8,915				8,915
Sanitation and waste removal	37,227				37,227
Public service	1,889				1,889
Economic development.....	4,459				4,459
Debt Service				53,217	53,217
Total assigned	188,946			53,217	242,163
Unassigned *	106,022	\$ (83,355)	(13,612)	(9,451)	(396)
Total fund balances	\$ 300,487	\$ (83,355)	\$ (4,356)	\$ 57,108	\$ 269,884

* General fund unassigned fund balance includes \$104,948,000 for the budget stabilization reserve.

20. 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 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 Waste Water 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 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 Waste Water Utility. As of June 30, 2014, the Waste Water Utility estimates that no material liabilities will result from such audits.

As of June 30, 2014, the City is contingently liable for loans guaranteed by the Loan and Guarantee Program in an aggregate amount of approximately \$947,000.

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") enter 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. This agreement has now been extended through June 30, 2018. The agreement allows the Waste Water Utility to deliver up to approximately 2,167 wet tons of sewerage sludge per

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

month and to pay a tipping fee comparable to alternative methods of sludge disposal currently being used by the Waste Water Utility. The debt service on variable rate bonds has been satisfied and is no longer a component of the tipping fee. The Waste Water Utility's current tipping fee expense per wet ton for delivering sewerage sludge was \$88.00 and \$43.30 up to the guaranteed and excess tonnage amounts, respectively. Payments under the agreement in fiscal year 2014 were \$2.379 million. The maximum commitment by the City is 26,004 wet tons per year.

The Waste Water 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 Waste Water Treatment Plants. Under the agreements the Waste Water Utility delivers approximately 19,000 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 Waste Water Utility's current monthly base tipping fees expense for delivering biosolids is \$274,061 and \$265,622 for the Back River and Patapsco Waste Water Treatment Plants, respectively. The service tipping fees were \$395.50 and \$397.19 per ton for the Back River and Patapsco Waste Water Treatment Plants, respectively. Payments under the agreements in fiscal year 2014 were \$20.081 million. The agreements extend to 2015 and 2017 for the Back River and Patapsco Waste Water Treatment Plants, respectively.

The City has 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. The City is proactively negotiating to increase its remedial efforts to address discharge and overflow concerns of the State and Federal regulatory agencies. These efforts are ambitious and the costs of the construction and maintenance are estimated to be greater than \$1 billion. The City has committed to financing these remedial efforts through a combination of water and waste water revenue bonds in conjunction with all available State and Federal assistance.

21. Beginning Balance Adjustments

During fiscal year 2014, the City implemented Governmental Accounting Standards Board Statement No. 65, "Items Previously Reported as Assets and Liabilities". Under the provisions of this statement, the City can no longer amortize bond issuance costs over the life of the bonds, and any future issuance costs must be expensed in the period incurred. Therefore, the City has recalculated the fiscal year ending June 30, 2013 net position totals based on the effect of expensing the amounts carried as deferred bond issuance costs. The restated net position totals resulting from this accounting are as follows for the applicable proprietary funds affected (amounts expressed in thousands):

	June 30, 2013 Net Position	Bond Issuance Costs	Restated June 30, 2013 Net Position
Water Utility Fund	\$ 634,808	\$ (2,271)	\$ 632,537
Wastewater Utility Fund	1,282,690	(2,105)	1,280,585
Parking Facilities Fund	80,628	(1,814)	78,814
Industrial Development Authority	11,984	(103)	11,881

22. Subsequent Events

On August 13, 2014, the City issued general obligation bonds, Series 2014-A and 2014-B, in the amounts of \$42,855,000 and \$20,800,000, respectively. These bonds were issued for various capital projects in the City. Interest on the bonds is due each October 15th and April 15th, and the bonds mature between 2015 and 2034 depending on the particular series

On September 17, 2014, the City entered into a Master Lease/Purchase Agreement with Grant Capital Management, Inc. totaling \$4,000,000 to be used to purchase vehicles for the Police Department. The interest rate is set at 1.77% with a term of 5 years.

On December 3, 2014, the City issued Water and Wastewater Project and Refunding Revenue Bonds, Series 2014 in the amount of \$174.4 million and \$226.2 million, respectively. The bonds will fund capital projects of each enterprise fund and refund certain outstanding auction and fixed rate bonds. The interest rates range from 2.50% to 5.00%, and interest is payable semiannually on July 1st and January 1st of each year beginning on July 1, 2015.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

Council Bill 13-0247 established a new defined benefit and defined contribution Retirement System to provide separate eligibility, contributions, and benefits provisions for employees initially employed or re-employed with the City on or after July 1, 2014. These employees must, as a condition of employment, elect either: (i) a non-hybrid membership in the Retirement Savings Plan, or (ii) a hybrid membership consisting of a Class D membership in the Employees' Retirement System and membership in the Retirement Savings Plan. This change was enacted to strengthen the City's Employees' Retirement System starting in fiscal year 2015.

On March 2, 2015, the City revised the list of eligible capital projects participating in the Series 2012 Maryland Department of Transportation (MDOT) revenue bonds. This revision decreased Stormwater Utility Fund participation in the Series 2012 MDOT bonds. As a result, restricted accounts receivable and bonds payable decreased in the amount of \$9,612,907, for the Stormwater Utility Fund. Additionally, due from other governments and bonds payable increased by the same amount in the governmental activities.

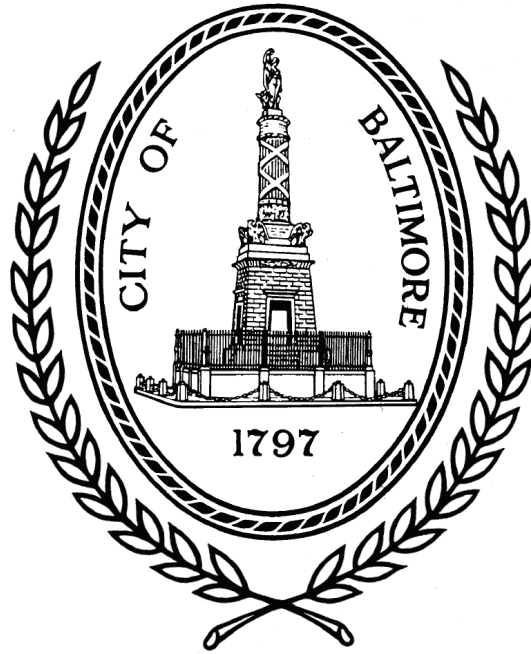
The City experienced significant civil unrest between April 25 and May 3, 2015. During this time, the City mobilized a number of resources to respond to these events, including heightened police presence, fire suppression, waste removal and cleanup, sheltering, and extended hours of operation at City facilities. The City also received mutual aid from other government agencies. Since the timing of the civil unrest was so late in the fiscal year, any reasonable efforts to control expenses would not yield enough to offset the costs. Therefore, the City has sought and received authorization from the Board of Estimates to use up to \$20.0 million of the Budget Stabilization Reserve as a necessary step to balance the fiscal year 2015 budget. In addition, the City reached a settlement regarding the event that precipitated the aforementioned civil unrest in the amount of \$6.4 million. The settlement was approved by the Board of Estimates in September 2015 and the related appropriation was approved by the Board of Estimates on March 9, 2016.

On May 18, 2015 the United States Supreme Court issued its decision in *Maryland State Comptroller of the Treasury v. Brian Wynne, et al.*, 431 Md. 147 (2013). In that case, the United States Supreme Court affirmed the judgment of the Court of Appeals of Maryland, which ruled that counties (including the City) are prohibited from collecting personal income taxes from their own residents to the extent that the income was earned from sources in another state where the income is subject to tax by that state. As a result, each county (including the City) in the State is likely to realize a reduction in income tax revenue distributions from the State. The City estimates that it could lose approximately \$1,400,000 in tax revenue each year on a going-forward basis. In addition, taxpayers who were eligible to claim the credit on their local income tax returns from 2011, and possibly as far back as 2006, may be eligible for refunds. The City estimates that it could be obligated to pay refunds up to approximately \$4,000,000. The City is evaluating whether any defenses are available to it with respect to all or any portion of such refunds.

Effective July 1, 2015, the City will implement a new policy decreasing the amount of accrued vacation and personal leave that can be accumulated by the employees. This change in policy will have a significant impact on compensated absences beginning in fiscal year 2016.

(THIS PAGE INTENTIONALLY LEFT BLANK)

**Required Supplementary
Information
(Unaudited)**



See Independent Auditors' Report

(THIS PAGE INTENTIONALLY LEFT BLANK)

CITY OF BALTIMORE

Schedule of Revenues, Expenditures and Encumbrances,

and Changes in Fund Balance — Budget and Actual — Budgetary Basis(1), (2)

General Fund

For the Year Ended June 30, 2014

(Expressed in Thousands)

(Unaudited)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes - local	\$1,200,858	\$1,234,672	\$ 1,258,118	\$ 23,446
State shared revenue	89,176	89,994	131,180	41,186
Licenses and permits	39,903	39,903	41,457	1,554
Fines and forfeitures	21,899	24,089	14,673	(9,416)
Interest, rentals and other investment income	17,284	17,284	15,833	(1,451)
Federal grants	179	179	261	82
State grants	102,141	102,141	100,725	(1,416)
Other grants	56	56	26	(30)
Charges for current services	47,818	47,818	47,201	(617)
Miscellaneous	1,550	1,800	5,757	3,957
Total revenues	1,520,864	1,557,936	1,615,231	57,295
Expenditures and Encumbrances:				
Baltimore City Public School System	254,717	265,938	264,557	1,381
Board of Elections	4,254	4,254	3,748	506
Board of Liquor License Commissioners	2,098	2,098	2,026	72
City Council	5,474	5,474	5,474	
Civil Service Commission	5,235	5,235	5,195	40
Comptroller	6,048	6,048	5,569	479
Courts	9,623	9,623	9,274	349
Department of Finance	19,121	19,121	18,448	673
Department of Fire	187,957	188,157	187,299	858
Department of General Services	17,703	17,703	14,086	3,617
Department of Health	27,005	27,080	26,693	387
Department of Housing and Community Development	63,841	64,649	62,508	2,141
Department of Law	6,469	6,469	6,053	416
Department of Legislative Reference	1,022	1,022	873	149
Department of Municipal and Zoning Appeals	551	551	426	125
Department of Planning	3,938	3,938	3,747	191
Department of Police	407,151	409,342	409,235	107
Department of Public Works	86,564	86,564	85,130	1,434
Department of Recreation and Parks	34,223	34,423	34,326	97
Department of Transportation	96,477	130,859	130,753	106
Enoch Pratt Free Library	22,814	23,064	22,564	500
Mayoralty	187,879	197,033	207,290	(10,257)
Office of Civil Rights	1,076	1,076	998	78
Office of Financial Review	691	691	691	
Office of Sheriff	17,620	17,620	17,620	
Office of State's Attorney	29,801	29,801	29,238	563
Total expenditures and encumbrances	1,499,352	1,557,833	1,553,821	4,012
Excess of revenues over expenditures and encumbrances	21,512	103	61,410	61,307
Other financing sources (uses):				
Transfers in	28,670	28,670	57,408	28,738
Transfers out	(136,356)	(136,356)	(140,483)	(4,127)
Total other financing sources (uses)	(107,686)	(107,686)	(83,075)	24,611
Net changes in fund balances	(86,174)	(107,583)	(21,665)	85,918
Fund balances - beginning	233,722	233,722	233,722	
Fund balances - ending	<u>\$ 147,548</u>	<u>\$ 126,139</u>	<u>212,057</u>	<u>\$ 85,918</u>
Adjustments to reconcile to GAAP basis:				
Addition of encumbrances outstanding			100,371	
Less: Accounts payable not recorded for budgetary purposes			(11,941)	
Fund balance - June 30, 2014 (GAAP basis)			\$ 300,487	

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

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.

- (2) This schedule does not include a non-budgetary revenue and expense item in the amount of \$2,061,000 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 Funding Progress(1)
Pension Trust Funds
(Dollars Expressed in Thousands)
(Unaudited)

Actual Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Excess of) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL (Excess of) as a Percentage of Covered Payroll ((b-a)/c)
Fire and Police Employees' Retirement System:						
June 30, 2014	\$ 2,492,544	\$ 3,360,449	\$ 867,905	74.2 %	\$ 284,210	305.4%
June 30, 2013	2,502,406	3,267,573	765,167	76.6	277,524	275.7
June 30, 2012	2,475,874	3,188,662	712,788	77.6	284,601	250.5
Employees' Retirement System:						
June 30, 2014	\$ 1,540,327	\$ 2,210,320	\$ 669,993	69.7 %	\$ 401,292	167.0 %
June 30, 2013	1,465,944	2,151,993	686,049	68.1	392,868	174.6
June 30, 2012	1,429,666	2,111,278	681,612	67.7	390,558	174.5
Elected Officials' Retirement System:						
June 30, 2014	\$ 21,230	\$ 16,780	\$ (4,450)	126.5 %	\$ 1,267	(351.2) %
June 30, 2013	19,136	16,185	(2,951)	118.2	1,236	(238.7)
June 30, 2012	18,503	16,951	(1,552)	109.2	1,237	(125.5)

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

Schedule of Funding Progress(1)
OPEB Trust Fund
(Dollars Expressed in Millions)
(Unaudited)

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, 2014	\$ 322.4	\$ 1,655.5	\$ 1,333.1	19.5%	\$ 1,476.0	90.3%
June 30, 2013	262.4	1,755.7	1,493.3	14.9	1,426.1	104.7
June 30, 2012	207.1	2,280.8	2,073.7	9.1	1,377.9	150.5

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

Schedule of Employer Contributions
OPEB Trust Fund
(Dollars Expressed in Millions)
(Unaudited)

Fiscal Year Ended	Annual Required Contribution (a)	Employer Contributions (b)	Percentage Contributed (c) = (b)/(a)
June 30, 2014	\$ 107.4	\$ 139.9	130.3%
June 30, 2013	117.9	125.9	106.8
June 30, 2012	160.2	157.1	98.1

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 the 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 2014, supplemental appropriation ordinances were required for the general fund and the capital projects fund in the amounts of \$55,039,486 and \$650,000, respectively.

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

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

**2. Schedule of Changes in Net Pension Liability (Asset) and Related Ratios,
Schedule of Investment Returns—Pension Trust Funds**

The pension 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. Those reports may be obtained by writing the Retirement Systems at the following addresses:

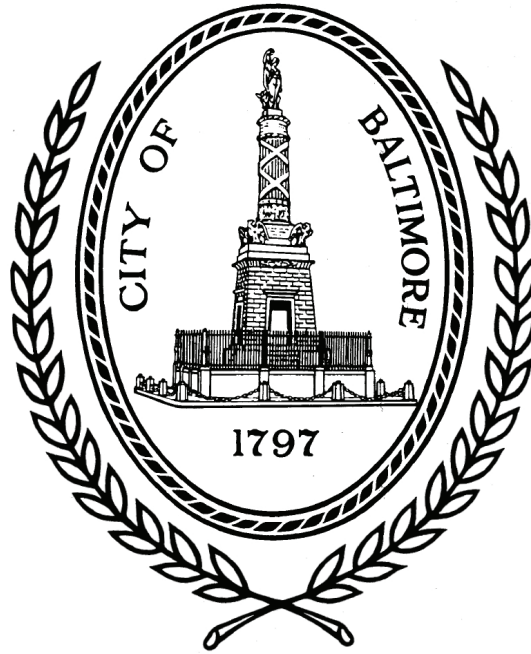
For Fire and Police Employees' Retirement System, mail request to:

Baltimore City Retirement Systems
7 East Redwood Street, 18th Floor
Baltimore, Maryland 21202-3470

For Employees' Retirement System and Elected Officials' Retirement System, mail request to:

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

Combining and Individual Fund Statements and Schedules



(THIS PAGE INTENTIONALLY LEFT BLANK)

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, 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 the 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.

Debt Service Fund

Debt Service Fund — This fund accounts for the accumulation of financial resources for the payment of interest and principal on the general long-term debt of the City, other than debt service payments made by the Enterprise Funds.

CITY OF BALTIMORE
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014
(Expressed in Thousands)

	Special Revenue Funds							Permanent Funds			Debt Service Fund	Total Nonmajor Governmental Funds
	Community Development Block Grant Fund	Special Racetrack Fund	School Construction Fund	Baltimore Casino Fund	State Lottery Fund	Video Terminal Scholarship Fund	Total	Enoch Pratt Free Library Fund	Memorial Fund	Total		
Assets:												
Cash and cash equivalents. . .		\$ 523	\$ 2,497			\$ 5,470	\$ 8,490	\$ 37	\$ 355	\$ 392	\$ 23,189	\$ 32,071
Investments						789	789	2,180	4,499	6,679	26,849	34,317
Other receivables, net	\$ 2,592		1,059			2	3,653	2	8	10	24	3,687
Notes and mortgages receivable, net											384	384
Total assets	2,592	523	3,556			6,261	12,932	2,219	4,862	7,081	50,446	70,459
Liabilities, deferred inflows of resources and fund balances:												
Liabilities:												
Accounts payable and accrued liabilities	305			\$ 377			682				113	795
Due to other funds	8,707			396	\$ 36		9,139				2	9,139
Matured bonds payable												2
Total liabilities	9,012			773	36		9,821				115	9,936
Deferred inflows of resources:												
Unavailable grants revenue	3,031						3,031					3,031
Unavailable note receipts											384	384
Total deferred inflows of resources	3,031						3,031				384	3,415
Total liabilities and deferred inflows of resources	12,043			773	36		12,852				499	13,351
Fund balances:												
Restricted						6,261	6,261	2,219	4,862	7,081		13,342
Assigned		523	3,556	(773)	(36)		3,270				49,947	53,217
Unassigned	(9,451)						(9,451)					(9,451)
Total fund balances (deficits)	(9,451)	523	3,556	(773)	(36)	6,261	80	2,219	4,862	7,081	49,947	57,108
Total liabilities, deferred inflows of resources and fund balances	\$ 2,592	\$ 523	\$ 3,556			\$ 6,261	\$ 12,932	\$ 2,219	\$ 4,862	\$ 7,081	\$ 50,446	\$ 70,459

CITY OF BALTIMORE
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2014
(Expressed in Thousands)

	Special Revenue Funds							Permanent 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	Debt Service Fund	Total Nonmajor Governmental Funds
Revenues:												
Taxes - local			\$ 11,556				\$ 11,556					\$ 11,556
Interest, rentals and other investment income . .						\$ 70	70	\$ 70	\$ 246	\$ 316	\$ 364	750
Federal grants	\$ 23,973						23,973					23,973
Total revenues	23,973		11,556			70	35,599	70	246	316	364	36,279
Expenditures:												
Current:												
General government	2,564	\$ 4	8,000	\$ 773	\$ 36		11,377					11,377
Education						28	28					28
Public library								26		26		26
Recreation and culture									138	138		138
Highways and streets		10					10					10
Economic development	11,554						11,554					11,554
Debt service:												
Principal											44,483	44,483
Interest											31,708	31,708
Other bond costs											6,178	6,178
Total expenditures	14,118	14	8,000	773	36	28	22,969	26	138	164	82,369	105,502
Excess (deficiency) of revenues over (under) expenditures	9,855	(14)	3,556	(773)	(36)	42	12,630	44	108	152	(82,005)	(69,223)
Other financing sources (uses):												
Transfers in											86,429	86,429
Transfers out	(10,051)						(10,051)					(10,051)
Total other financing sources (uses)	(10,051)						(10,051)				86,429	76,378
Net change in fund balances	(196)	(14)	3,556	(773)	(36)	42	2,579	44	108	152	4,424	7,155
Fund balances (deficits) - beginning	(9,255)	537				6,219	(2,499)	2,175	4,754	6,929	45,523	49,953
Fund balances (deficits) - ending	\$ (9,451)	\$ 523	\$ 3,556	\$ (773)	\$ (36)	\$ 6,261	\$ 80	\$ 2,219	\$ 4,862	\$ 7,081	\$ 49,947	\$ 57,108

CITY OF BALTIMORE
Schedule of Revenues, Expenditures and Encumbrances
and Changes in Fund Balance — Budget and Actual — Budgetary Basis(1)
Special Racetrack Fund
For the Year Ended June 30, 2014
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
State shared revenues	\$ 218	\$ 218		\$ (218)
Expenditures and encumbrances:				
Department of Planning	100	100		100
Mayoralty	218	218	\$ 4	214
Department of Transportation			10	(10)
Total expenditures and encumbrances	318	318	14	304
Excess of expenditures and encumbrances over revenues	(100)	(100)	(14)	86
Fund balances - beginning	537	537	537	
Fund balances - June 30, 2014 (GAAP basis)	\$ 437	\$ 437	\$ 523	\$ 86

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

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.

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, 2014
(Expressed in Thousands)

	Loan and Guarantee Program	Industrial Development Authority	Conduit Fund	Total
Assets:				
Current assets:				
Cash and cash equivalents	\$ 5,399	\$ 55,510	\$ 1,192	\$ 62,101
Investments		9,573		9,573
Accounts receivable, net:				
Service billings			6,174	6,174
Other		6		6
Total current assets	5,399	65,089	7,366	77,854
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents			7,337	7,337
Capital assets, net of accumulated depreciation			48,713	48,713
Capital assets not being depreciated			8,158	8,158
Other assets	32	34,884		34,916
Total noncurrent assets	32	34,884	64,208	99,124
Total assets	5,431	99,973	71,574	176,978
Deferred outflows of resources:				
Interest rate swaps		5,353		5,353
Total deferred outflows of resources		5,353		5,353
Total assets and deferred outflows of resources	5,431	105,326	71,574	182,331
Liabilities and deferred inflows of resources:				
Current liabilities:				
Accounts payable and accrued liabilities	15		141	156
Accrued interest payable		6		6
Due to other funds		8,332		8,332
Other liabilities	3		168	171
Current liabilities payable from restricted assets:				
Accounts payable from restricted assets			1,308	1,308
Total current liabilities	18	8,338	1,617	9,973
Noncurrent liabilities:				
Revenue bonds payable		77,900		77,900
Derivative instrument liability		6,872		6,872
Other liabilities	69		233	302
Total noncurrent liabilities	69	84,772	233	85,074
Total liabilities	87	93,110	1,850	95,047
Net position:				
Net investment in capital assets			56,871	56,871
Unrestricted	5,344	12,216	12,853	30,413
Total net position	\$ 5,344	\$ 12,216	\$ 69,724	\$ 87,284

CITY OF BALTIMORE
Combining Statement of Revenues, Expenses,
and Changes in Net Position
Nonmajor Proprietary Funds
For the Year Ended June 30, 2014
(Expressed in Thousands)

	Loan and Guarantee Program	Industrial Development Authority	Conduit Fund	Total
Operating revenues:				
Rents, fees, and other income		\$ 187	\$ 13,639	\$ 13,826
Interest income on loans		559		559
Total operating revenues		746	13,639	14,385
Operating expenses:				
Salaries and wages	\$ 138		4,451	4,589
Other personnel costs	52		1,286	1,338
Contractual services			2,113	2,113
Program expenses	1,174	327		1,501
Materials and supplies			130	130
Minor equipment			3	3
Depreciation			900	900
Interest		84		84
Total operating expenses	1,364	411	8,883	10,658
Operating income (loss)	(1,364)	335	4,756	3,727
Capital contributions	69			69
Transfers in	6,639			6,639
Transfers out			(750)	(750)
Changes in net position	5,344	335	4,006	9,685
Total net position - beginning (as restated)		11,881	65,718	77,599
Total net position - ending	\$ 5,344	\$ 12,216	\$ 69,724	\$ 87,284

CITY OF BALTIMORE
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the Year Ended June 30, 2014
(Expressed in Thousands)

	Loan and Guarantee Program	Industrial Development Authority	Conduit Fund	Total
Cash flows from operating activities:				
Receipts from customers.		\$ 750	\$ 13,567	\$ 14,317
Payments to employees.	\$ (178)	(5,769)	(5,947)	(5,947)
Payments to suppliers.	(1,174)	(412)	(1,057)	(2,643)
Net cash provided (used) by operating activities	(1,352)	338	6,741	5,727
Cash flows from noncapital financing activities:				
Transfers in.	6,639			6,639
Transfers out.			(750)	(750)
Net cash provided (used) by noncapital financing activities.	6,639		(750)	5,889
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets			(4,667)	(4,667)
Other assets.		12,560		12,560
Other liabilities.	(1,500)			(1,500)
Interest expense		(460)		(460)
Issuance costs		(103)		(103)
Due to other funds		(1,595)		(1,595)
Capital contributions	69			69
Net cash provided (used) by capital and related financing activities.	(1,431)	10,402	(4,667)	4,304
Cash flows from investing activities:				
Proceeds from the sale and maturities of investments		18,071		18,071
Purchase of investments		(9,573)		(9,573)
Net cash provided by investing activities		8,498		8,498
Net increase in cash and cash equivalents	3,856	19,238	1,324	24,418
Cash and cash equivalents, beginning of year	1,543	36,272	7,205	45,020
Cash and cash equivalents, end of year	\$ 5,399	\$ 55,510	\$ 8,529	\$ 69,438
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (1,364)	\$ 335	\$ 4,756	\$ 3,727
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense			900	900
Accounts receivable		4	(71)	(67)
Accounts payable and accrued liabilities	(1)		1,192	1,191
Accrued interest payable.		(1)		(1)
Other liabilities.	13		168	181
Other noncurrent liabilities.			(204)	(204)
Total adjustments	12	3	1,985	2,000
Net cash provided (used) by operating activities	\$ (1,352)	\$ 338	\$ 6,741	\$ 5,727

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.

Risk Management Fund — This fund accounts for the administration and payment of claims resulting from the City's self-insurance programs, including the Baltimore City Public School System, for general claims, workers' compensation claims, real property liability, motor vehicle liability, fleet driver liability and property damage claims, as well as medical and unemployment insurance for City employees.

CITY OF BALTIMORE
Combining Statement of Net Position
Internal Service Funds
June 30, 2014
(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	Risk Management Fund	Total
Assets:									
Current assets:									
Cash and cash equivalents		\$ 2,121	\$ 6,641				\$ 308	\$ 56,108	\$ 65,178
Investments								5,225	5,225
Accounts receivable, net:									
Other			25	\$ 148		\$ 1		16,720	16,894
Inventories			5,737	1,056	\$ 41				6,834
Total current assets		2,121	12,403	1,204	41	1	308	78,053	94,131
Noncurrent assets:									
Restricted cash			40,705						40,705
Capital assets, net.			77,006	5					77,011
Other assets								60	60
Total noncurrent assets			117,711	5				60	117,776
Total assets		2,121	130,114	1,209	41	1	308	78,113	211,907
Liabilities:									
Current liabilities:									
Accounts payable and accrued liabilities	\$ 288	413	6,024	251	205	213	1,215	16,594	25,203
Due to other funds	929			8,215	253	4,082			13,479
Leases payable			7,940						7,940
Estimated liability for claims in progress								68,285	68,285
Other liabilities	22	10	799	64	22	64	113	216	1,310
Total current liabilities	1,239	423	14,763	8,530	480	4,359	1,328	85,095	116,217
Noncurrent liabilities:									
Leases payable			48,281						48,281
Estimated liability for claims in progress								160,754	160,754
Other liabilities	16	38	1,620	59	1	91	157	336	2,318
Total noncurrent liabilities . .	16	38	49,901	59	1	91	157	161,090	211,353
Total liabilities	1,255	461	64,664	8,589	481	4,450	1,485	246,185	327,570
Net position:									
Net investment in capital assets . .			77,006	5					77,011
Unrestricted (deficit)	(1,255)	1,660	(11,556)	(7,385)	(440)	(4,449)	(1,177)	(168,072)	(192,674)
Total net position	\$ (1,255)	\$ 1,660	\$ 65,450	\$ (7,380)	\$ (440)	\$ (4,449)	\$ (1,177)	\$ (168,072)	\$ (115,663)

CITY OF BALTIMORE
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2014
(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	Risk Management Fund	Total
Operating revenues:									
Charges for services	\$ 1,380	\$ 3,536	\$ 42,552	\$ 3,279	\$ 2,066	\$ 6,258	\$ 10,324	\$ 193,877	\$ 263,272
Operating expenses:									
Salaries and wages	458	226	13,788	800	233	860	1,381	2,633	20,379
Other personnel costs	123	31	5,721	391	133	405	725	1,142	8,671
Contractual services	476	3,588	14,444	1,080	69	7,895	8,444	14,021	50,017
Materials and supplies	14		2,387	1,217	64	3	181	50	3,916
Minor equipment	22	195			17	1		1	236
Claims paid and incurred								191,966	191,966
Postage and delivery service . .					1,259				1,259
Depreciation			8,974	4				1	8,979
Total operating expenses . .	1,093	4,040	45,314	3,492	1,775	9,164	10,731	209,814	285,423
Operating income (loss) . . .	287	(504)	(2,762)	(213)	291	(2,906)	(407)	(15,937)	(22,151)
Nonoperating revenues (expenses):									
Investment income								164	164
Loss on sale of equipment			(454)						(454)
Total nonoperating revenues (expenses), net			(454)					164	(290)
Income (loss) before contributions and transfers	287	(504)	(3,216)	(213)	291	(2,906)	(407)	(15,773)	(22,441)
Capital contributions			893						893
Change in net position	287	(504)	(2,323)	(213)	291	(2,906)	(407)	(15,773)	(21,548)
Total net position - beginning	(1,542)	2,164	67,773	(7,167)	(731)	(1,543)	(770)	(152,299)	(94,115)
Total net position - ending	\$ (1,255)	\$ 1,660	\$ 65,450	\$ (7,380)	\$ (440)	\$ (4,449)	\$ (1,177)	\$ (168,072)	\$ (115,663)

CITY OF BALTIMORE
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2014
(Expressed in Thousands)

	Energy Conservation	Municipal Communication	Mobile Equipment	Reproduction and Printing	Municipal Post Office	Municipal Telephone Exchange	Building Maintenance	Risk Management	Total
Cash flows from operating activities:									
Receipts from customers	\$ 1,102	\$ 3,536	\$ 43,038	\$ 3,413	\$ 1,733	\$ 9,651	\$ 10,324	\$ 183,988	\$ 256,785
Payments to employees	(731)	(243)	(19,755)	(1,187)	(389)	(1,282)	(2,089)	(3,800)	(29,476)
Payments to suppliers	(371)	(4,537)	(16,356)	(2,226)	(1,344)	(8,369)	(8,144)	(201,293)	(242,640)
Net cash provided (used) by operating activities		(1,244)	6,927				91	(21,105)	(15,331)
Cash flows from capital and related financing activities:									
Acquisition and construction of capital assets			(25,687)						(25,687)
Leases payable			26,266						26,266
Capital contributions			893						893
Net cash provided by capital and related financing activities			1,472						1,472
Cash flows from investing activities:									
Proceeds from the sale and maturities of investments								3,000	3,000
Purchase of investments								(3,106)	(3,106)
Interest on investments								164	164
Net cash provided by investing activities								58	58
Net increase (decrease) in cash and cash equivalents		(1,244)	8,399				91	(21,047)	(13,801)
Cash and cash equivalents, beginning of year		3,365	38,947				217	77,155	119,684
Cash and cash equivalents, end of year . .		\$ 2,121	\$ 47,346				\$ 308	\$ 56,108	\$ 105,883
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:									
Operating income (loss)	\$ 287	\$ (504)	\$ (2,762)	\$ (213)	\$ 291	\$ (2,906)	\$ (407)	\$ (15,937)	\$ (22,151)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:									
Depreciation			8,974	4				1	8,979
Changes in assets and liabilities:									
Accounts receivable			35	(81)		12		(12,988)	(13,022)
Inventories			451	196	(28)				619
Other assets								3,099	3,099
Accounts payable and accrued liabilities	128	(752)	1,043	70	60	(489)	491	(467)	84
Other liabilities	(137)	12	(814)	5	(18)	2	7	(26)	(969)
Due to other funds	(278)			19	(305)	3,381			2,817
Estimated liability for claims in progress								5,213	5,213
Total adjustments	(287)	(740)	9,689	213	(291)	2,906	498	(5,168)	6,820
Net cash provided (used) by operating activities		\$ (1,244)	\$ 6,927				\$ 91	\$ (21,105)	\$ (15,331)

(THIS PAGE INTENTIONALLY LEFT BLANK)

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 Funds — These funds account for assets held by the City as a custodian.

CITY OF BALTIMORE
Combining Statement of Fiduciary Net Position
Pension Trust Funds
June 30, 2014
(Expressed in Thousands)

	Employees' Retirement System	Elected Officials' Retirement System	Fire and Police Employees' Retirement System	Total
Assets:				
Cash and cash equivalents	\$ 41,059	\$ 16	\$ 47,978	\$ 89,053
Investments:				
Stocks	931,403	16,017	1,431,791	2,379,211
Bonds	412,192	7,442	820,443	1,240,077
Real estate	145,899		197,410	343,309
Securities lending collateral	20,829		93,176	114,005
Forward foreign contracts	56,875		6,351	63,226
Other assets	25,207	3	15,084	40,294
Total assets	1,633,464	23,478	2,612,233	4,269,175
Liabilities:				
Obligations under securities lending program	20,829		93,176	114,005
Forward foreign contracts	56,875		6,337	63,212
Accounts payable	56,524	15	12,568	69,107
Pension benefits payable			7,608	7,608
Total liabilities	134,228	15	119,689	253,932
Net position:				
Held in trust for pension benefits	\$ 1,499,236	\$ 23,463	\$ 2,492,544	\$ 4,015,243

CITY OF BALTIMORE
Combining Statement of Changes in Fiduciary Net Position
Pension Trust Funds
For the Year Ended June 30, 2014
(Expressed in Thousands)

	Employees' Retirement System	Elected Officials' Retirement System	Fire and Police Employees' Retirement System	Total
Additions:				
Contributions:				
Employer	\$ 94,918	\$ 307	\$ 113,843	\$ 209,068
Employee	3,623	57	28,266	31,946
Total contributions	98,541	364	142,109	241,014
Investment income:				
Net appreciation in fair value of investments	192,951	2,993	279,965	475,909
Securities lending income	174		495	669
Interest and dividend income	24,639	541	42,098	67,278
Total investment income	217,764	3,534	322,558	543,856
Less: investment expense	8,117	26	8,109	16,252
Net investment income	209,647	3,508	314,449	527,604
Total additions	308,188	3,872	456,558	768,618
Deductions:				
Retirement allowances	129,206	725	217,965	347,896
Death benefits	700		344	1,044
Administrative expenses	3,712	33	3,908	7,653
Other	68		3,130	3,198
Total deductions	133,686	758	225,347	359,791
Changes in net position	174,502	3,114	231,211	408,827
Net position - beginning of the year	1,324,734	20,349	2,261,333	3,606,416
Net position - end of the year	\$ 1,499,236	\$ 23,463	\$ 2,492,544	\$ 4,015,243

CITY OF BALTIMORE
Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2014
(Expressed in Thousands)

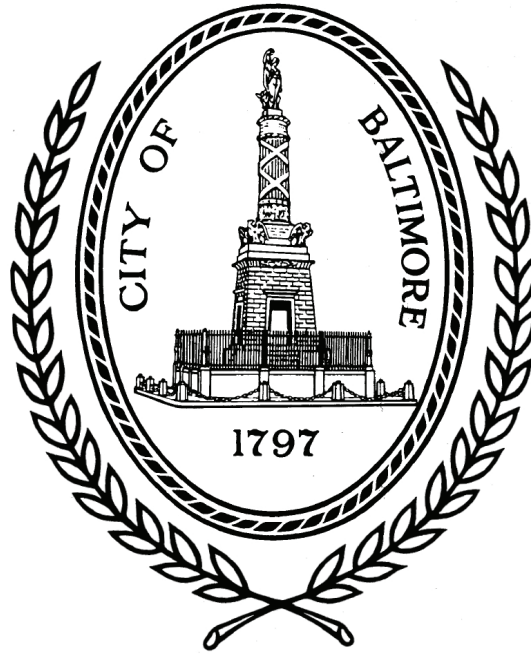
	Unpresented Stock and Coupon Bonds	Property Sold for Taxes	Bid Deposit Refunds	Waterloo Summit	Recreation Accessory	Total
Assets:						
Cash and cash equivalents	\$ 55	\$ 86	\$ 96			\$ 237
Investments.				\$ 53		53
Accounts receivable					\$ 81	81
Total assets	55	86	96	53	81	371
Liabilities:						
Due to other funds					81	81
Other	55	86	96	53		290
Total liabilities	\$ 55	\$ 86	\$ 96	\$ 53	\$ 81	\$ 371

CITY OF BALTIMORE
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2014
(Expressed in Thousands)

	Balance June 30, 2013	Additions	Deductions	Balance June 30, 2014
<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	123		\$ 27	96
Total assets	123		27	96
Liabilities:				
Other	123		27	96
Total liabilities	123		27	96
<i>Waterloo Summit</i>				
Assets:				
Investments	52	\$ 1		53
Total assets	52	1		53
Liabilities:				
Other	52	1		53
Total liabilities	52	1		53
<i>Recreation Accessory</i>				
Assets:				
Cash	215	2,651	2,785	81
Total assets	215	2,651	2,785	81
Liabilities:				
Other	215	2,651	2,785	81
Total liabilities	215	2,651	2,785	81
<i>Total All Agency Funds</i>				
Assets:				
Cash	479	2,651	2,812	318
Investments	52	1		53
Total assets	531	2,652	2,812	371
Liabilities:				
Other	531	2,652	2,812	371
Total liabilities	\$ 531	\$ 2,652	\$ 2,812	\$ 371

(THIS PAGE INTENTIONALLY LEFT BLANK)

STATISTICAL SECTION



See Independent Auditors' Report

(THIS PAGE INTENTIONALLY LEFT BLANK)

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.105

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.111

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.115

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.121

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.125

Source: Unless otherwise noted, the information in these tables is derived from the annual financial reports for the relevant year.

(THIS PAGE INTENTIONALLY LEFT BLANK)

(THIS PAGE INTENTIONALLY LEFT BLANK)

CITY OF BALTIMORE
Net Position by Component
Last Ten Fiscal Years

(Accrual Basis of Accounting)

(Expressed in Thousands)

	Fiscal Year							
	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities								
Invested in capital assets, net of related debt	\$ 2,898,611	\$ 2,684,600	\$ 2,622,303	\$ 3,138,558	\$ 2,121,998	\$ 2,681,668	\$ 2,989,607	\$ 2,739,761
Restricted	13,774	13,773	26,516	13,250	13,191	14,787	14,931	13,013
Unrestricted	(428,921)	(367,551)	112,270	(395,378)	(475,903)	(360,180)	(595,687)	(321,033)
Total governmental activities net position	\$ 2,483,464	\$ 2,330,822	\$ 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	\$ 1,001,112	\$ 1,127,216	\$ 1,088,511	\$ 1,196,193	\$ 1,371,993	\$ 1,377,641	\$ 1,461,618	\$ 1,646,769
Restricted	252,812	282,924	369,069	231,382	260,575	124,756	142,070	160,955
Unrestricted	125,132	60,639	138,070	245,818	(27,495)	182,655	172,004	83,148
Total business-type activities net position	\$ 1,379,056	\$ 1,470,779	\$ 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	\$ 3,899,723	\$ 3,811,816	\$ 3,710,814	\$ 4,334,751	\$ 3,493,991	\$ 4,059,309	\$ 4,451,225	\$ 4,386,530
Restricted	266,586	296,697	395,585	244,632	273,766	139,543	157,001	173,968
Unrestricted	(303,789)	(306,912)	250,340	(149,560)	(503,398)	(177,525)	(423,683)	(237,885)
Total primary government net position	\$ 3,862,520	\$ 3,801,601	\$ 4,356,739	\$ 4,429,823	\$ 3,264,359	\$ 4,021,327	\$ 4,184,543	\$ 4,322,613

	Fiscal Year	
	2013	2014
Governmental activities		
Net investment in capital assets	\$ 2,988,956	\$ 2,569,231
Restricted	40,548	22,598
Unrestricted	(650,914)	(442,540)
Total governmental activities net position	\$ 2,378,590	\$ 2,149,289
Business-type activities		
Net investment in capital assets	\$ 1,785,501	\$ 2,215,884
Restricted	152,197	180,965
Unrestricted	133,419	123,976
Total business-type activities net position	\$ 2,071,117	\$ 2,520,825
Primary government		
Net investment in capital assets	\$ 4,774,457	\$ 4,785,115
Restricted	192,745	203,563
Unrestricted	(517,495)	(318,564)
Total primary government net position	\$ 4,449,707	\$ 4,670,114

CITY OF BALTIMORE

Changes in Net Position

Last Ten Fiscal Years

(Accrual Basis of Accounting)

(Expressed in Thousands)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities:										
General government	\$ 406,849	\$ 339,059	\$ 452,353	\$ 468,113	\$ 521,242	\$ 545,037	\$ 452,449	\$ 443,957	\$ 399,166	\$ 278,892
Public safety and regulation ..	476,157	514,299	536,508	575,859	541,778	504,730	525,792	577,963	661,829	673,680
Conservation of health	142,219	162,319	104,879	157,549	147,054	164,751	151,192	154,105	130,911	125,383
Social services	29,451	30,584	2,252	36,202	6,096	435	14,581	31,156	125,515	112,301
Education	226,913	225,890	227,377	224,830	221,829	228,788	265,204	260,935	288,227	306,128
Public library	23,303	30,400	24,006	31,736	33,728	33,915	33,309	33,390	33,184	34,550
Recreation and culture	36,304	33,060	42,420	44,295	42,565	39,205	48,165	49,291	50,297	52,540
Highways and streets	132,909	123,930	122,212	143,340	135,992	191,536	140,309	162,290	159,022	172,330
Sanitation and waste removal ..	36,836	40,155	44,169	45,366	51,167	52,905	61,605	65,677	73,536	63,623
Public service	15,695	15,218	15,141	16,769	24,637	24,316	25,059	26,676	50,710	50,260
Economic development	80,045	449,746	145,160	184,286	204,557	182,816	183,331	169,896	170,002	208,870
Interest	40,944	50,070	58,327	63,070	37,885	50,105	47,391	32,624	29,605	41,967
Total governmental activities expenses	1,647,625	2,014,730	1,774,804	1,991,415	1,968,530	2,018,539	1,948,387	2,007,960	2,172,004	2,120,524
Business-type activities:										
Water	96,893	95,010	95,576	105,882	116,407	107,982	120,736	131,271	136,171	155,308
Wastewater	133,463	134,290	131,610	145,611	152,595	157,605	159,776	173,106	178,221	179,306
Stormwater										18,292
Parking	17,478	19,441	16,520	20,317	23,422	24,832	19,853	25,332	17,681	23,528
Nonmajor proprietary	9,283	14,290	12,657	19,446	12,353	11,538	13,860	13,287	11,826	10,753
Total business-type activities expenses	257,117	263,031	256,363	291,256	304,777	301,957	314,225	342,996	343,899	387,187
Total primary government expenses	1,904,742	2,277,761	2,031,167	2,282,671	2,273,307	2,320,496	2,262,612	2,350,956	2,515,903	2,507,711
Program Revenues										
Governmental activities:										
Charges for services (a)	83,950	90,545	93,046	99,185	94,297	85,683	109,872	118,556	114,163	103,331
Operating grants and contributions	401,958	393,328	382,316	386,972	402,343	359,769	399,844	400,678	385,841	431,515
Capital grants and contributions	49,013	57,313	48,085	51,559	23,181	63,437	72,758	71,258	109,488	71,806
Total governmental activities revenues	534,921	541,186	523,447	537,716	519,821	508,889	582,474	590,492	609,492	606,652
Business-type activities:										
Charges for services:										
Water	99,282	109,471	111,052	131,233	119,840	130,512	129,292	132,340	154,680	158,678
Wastewater	134,805	136,405	151,462	157,974	158,305	166,016	160,076	179,873	183,521	221,181
Stormwater										27,511
Parking	56,613	61,896	62,706	69,868	64,380	67,760	83,040	81,476	83,542	87,398
Nonmajor proprietary ..	7,463	9,971	12,598	11,677	12,440	9,989	9,979	12,046	18,400	14,385
Capital grants and contributions ..	51,057	69,370	78,032	40,928	22,818	38,313	72,257	100,922	129,608	131,574
Total business-type activities revenues	349,220	387,113	415,850	411,680	377,783	412,590	454,644	506,657	569,751	640,727
Total primary government revenues	884,141	928,299	939,297	949,396	897,604	921,479	1,037,118	1,097,149	1,179,243	1,247,379
Net (Expense)/Revenue										
Governmental activities	(1,112,704)	(1,473,544)	(1,251,357)	(1,453,699)	(1,448,709)	(1,509,650)	(1,365,913)	(1,417,468)	(1,562,512)	(1,513,872)
Business-type activities	92,103	124,082	159,487	120,424	73,006	110,633	140,419	163,661	225,852	253,540
Total primary government net expenses	(1,020,601)	(1,349,462)	(1,091,870)	(1,333,275)	(1,375,703)	(1,399,017)	(1,225,494)	(1,253,807)	(1,336,660)	(1,260,332)
General Revenues and Other										
Changes in Net Position										
Governmental activities:										
Property taxes	539,195	558,089	592,065	626,420	693,767	770,320	813,613	769,094	806,258	810,824
Income taxes	199,635	225,517	243,611	267,625	262,901	251,731	234,955	257,893	276,111	284,437
Other local taxes	171,871	208,858	204,685	180,189	148,369	115,472	147,366	178,441	188,803	204,391
State shared revenues	200,199	222,911	226,692	213,899	187,986	135,226	127,433	130,286	128,707	131,180
Unrestricted investment income.....	30,170	41,776	47,560	53,503	35,756	27,308	23,905	17,404	17,879	16,722
Miscellaneous	36,884	29,727	41,557	34,398	14,568	15,806	35,695	36,794	43,861	32,581
Transfers	32,865	34,024	33,870	42,681	34,339	40,707	55,522	50,446	47,742	(195,564)
Total governmental activities	1,210,819	1,320,902	1,390,040	1,418,715	1,377,686	1,356,570	1,438,489	1,440,358	1,509,361	1,284,571
Business-type activities:										
Unrestricted investment income.....	1,103	1,665			747		5,743	3,075	2,135	2,186
Transfers	(32,865)	(34,024)	(33,870)	(42,681)	(34,339)	(40,707)	(55,522)	(50,446)	(47,742)	195,564
Total business-type activities	(31,762)	(32,359)	(33,870)	(42,681)	(33,592)	(40,707)	(49,779)	(47,371)	(45,607)	197,750
Total primary government	1,179,057	1,288,543	1,356,170	1,376,034	1,344,094	1,315,863	1,388,710	1,392,987	1,463,754	1,482,321
Changes in Net Position										
Governmental activities	98,115	(152,642)	138,683	(34,984)	(71,023)	(153,080)	72,576	22,890	(53,151)	(229,301)
Business-type activities	60,341	91,723	125,617	77,743	36,101	69,926	90,640	116,290	180,245	451,290
Total primary government	\$ 158,456	\$ (60,919)	\$ 264,300	\$ 42,759	\$ (34,922)	\$ (83,154)	\$ 163,216	\$ 139,180	\$ 127,094	\$ 221,989

(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 Accrual Basis of Accounting)

(Expressed in Thousands)

	Fiscal Year					
	2005	2006	2007	2008	2009	2010
General fund						
Reserved	\$ 119,793	\$ 146,107	\$ 168,912	\$ 180,794	\$ 181,585	\$ 157,131
Unreserved	72,762	65,417	56,043	33,629	35,344	20,441
Total general fund	\$ 192,555	\$ 211,524	\$ 224,955	\$ 214,423	\$ 216,929	\$ 177,572
All other governmental funds						
Reserved	\$ 121,639	\$ 138,734	\$ 149,684	\$ 166,551	\$ 119,928	\$ 151,855
Unreserved reported in:						
Special revenue funds	(108,326)	(99,577)	(100,707)	(140,026)	(43,679)	(43,687)
Capital projects fund	(83,622)	28,370	56,661	30,251	48,128	(43,974)
Debt service fund	27,503	26,082	30,296	82,579	41,240	41,319
Permanent funds	13,774					
Total all other governmental funds	\$ (29,032)	\$ 93,609	\$ 135,934	\$ 139,355	\$ 165,617	\$ 105,513

	Fiscal Year			
	2011 (1)	2012	2013	2014
General fund				
Nonspendable	\$ 6,154	\$ 5,519	\$ 5,519	\$ 5,519
Restricted		30,338		
Assigned	104,862	128,415	203,425	188,946
Unassigned	93,884	91,700	90,070	106,022
Total general fund	\$ 204,900	\$ 255,972	\$ 299,014	\$ 300,487
All other governmental funds				
Nonspendable				
Motor vehicle fund	\$ 2,658			
Other nonmajor funds	2,811			
Restricted				
Capital projects fund			\$ 27,400	\$ 9,256
Other nonmajor funds		\$ 13,013	13,148	13,342
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
Unassigned				
Grants revenue fund	(32,688)	(40,248)	(62,864)	(83,355)
Capital projects fund	(80,539)	(12,393)	(3,490)	(13,612)
Other nonmajor funds	(10,733)	(7,192)	(9,255)	(9,451)
Total all other governmental funds	\$ 74,336	\$ (2,359)	\$ 16,701	\$ (30,603)

(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

(Modified Accrual Basis of Accounting)

(Expressed in Thousands)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues:										
General fund:										
Taxes— Local	\$ 910,701	\$ 992,464	\$ 1,040,361	\$ 1,074,234	\$ 1,105,037	\$ 1,137,523	\$ 1,176,038	\$ 1,206,584	\$ 1,219,656	\$ 1,258,118
State shared revenue									128,707	131,180
Licenses and permits	28,570	31,143	32,784	34,717	29,390	34,438	42,129	37,585	40,572	41,457
Fines and forfeitures	3,575	3,372	2,900	7,321	6,896	7,116	8,055	6,604	29,445	14,673
Interest, rentals, and other investment income	25,364	31,206	34,047	38,602	23,616	24,148	21,903	16,244	16,816	15,833
Federal grants	150	90	93	99	224	213		226	245	261
State grants	92,240	91,331	98,120	101,235	99,423	97,320	89,453	95,651	93,376	102,786
Other grants	4,174	75	173	153	154	46	25	25	25	26
Charges for services	39,770	42,243	43,697	42,646	41,560	29,251	26,654	35,044	44,146	47,201
Miscellaneous	2,643	8,817	6,420	12,429	234	4,528	18,579	9,976	4,365	5,757
Total revenues— general fund	1,107,187	1,200,741	1,258,595	1,311,436	1,306,534	1,334,583	1,382,836	1,407,939	1,577,353	1,617,292
Other governmental funds:										
Motor vehicle fund	212,477	238,002	244,316	232,716	206,015	156,590	160,974	169,768		
Grants revenue fund	263,542	280,232	258,288	231,047	338,749	270,692	292,887	285,240	251,949	242,805
Capital projects fund	64,031	84,247	66,341	65,129	46,028	75,296	84,230	93,966	121,065	91,069
Other funds	37,334	32,251	55,941	36,696	33,030	28,641	26,245	29,339	21,860	36,279
Total revenues— other governmental funds	577,384	634,732	624,886	565,588	623,822	531,219	564,336	578,313	394,874	370,153
Total revenues all governmental funds ..	1,684,571	1,835,473	1,883,481	1,877,024	1,930,356	1,865,802	1,947,172	1,986,252	1,972,227	1,987,445
Expenditures:										
General fund:										
General government	273,606	290,727	337,700	368,022	368,279	410,746	375,814	387,650	223,730	216,329
Public safety and regulation	383,318	416,781	446,072	475,629	474,031	437,031	452,977	463,410	594,077	625,432
Conservation of health	24,442	30,507	28,948	29,371	33,066	44,950	44,076	44,033	20,811	23,778
Social services	2,146	2,138	3,007	4,498	6,057	396	1,361	707	89,235	76,857
Education	205,067	205,552	206,016	205,858	205,909	207,657	247,074	254,626	257,770	273,241
Public library	18,093	20,853	23,135	24,253	25,720	24,246	23,890	23,829	23,131	24,577
Recreation and culture	26,464	29,151	34,568	37,707	35,163	30,212	37,981	34,749	39,235	39,796
Highways and streets	407	312	484	720	244	16,376	16,838	19,336	83,051	102,308
Sanitation and waste removal	28,109	37,474	39,754	40,032	40,593	37,862	39,503	40,936	69,381	59,837
Public service	12,715	12,448	12,210	13,259	17,510	21,455	16,403	17,350	43,024	41,241
Economic development	18,854	21,420	30,440	39,616	36,573	36,186	36,589	46,741	48,544	49,348
Total expenditures— general fund	993,221	1,067,363	1,162,334	1,238,965	1,243,145	1,267,117	1,292,506	1,333,367	1,491,989	1,532,744
Other governmental funds:										
Motor vehicle fund	148,974	157,248	164,419	175,354	173,570	191,558	140,223	148,769		
Grants revenue fund	282,888	272,814	257,756	259,387	238,399	280,603	292,497	298,287	280,319	275,977
Capital projects fund	208,219	568,951	246,775	317,031	267,641	275,701	199,217	208,837	202,458	160,874
Debt service fund:										
Principal	42,048	48,073	53,351	56,694	52,651	60,054	61,282	64,781	69,877	44,483
Interest	30,197	30,555	47,302	51,198	26,144	39,014	38,256	32,624	23,678	31,708
Other bond costs	1,357	1,861	6,829		13,945	9,847	5,882			6,178
Other funds	25,052	22,038	17,015	14,161	18,052	11,863	14,330	17,116	22,600	23,133
Total expenditures other governmental funds	738,735	1,101,540	793,447	873,825	790,402	868,640	751,687	770,414	598,932	542,353
Total expenditures all governmental funds	1,731,956	2,168,903	1,955,781	2,112,790	2,033,547	2,135,757	2,044,193	2,103,781	2,090,921	2,075,097
Excess (deficiency) of revenues over expenditures	(47,385)	(333,430)	(72,300)	(235,766)	(103,191)	(269,955)	(97,021)	(117,529)	(118,694)	(87,652)
Other financing sources (uses):										
Transfers, net	33,873	16,568	20,694	36,044	27,839	40,707	27,422	50,446	76,110	56,828
Capital leases	10,189	10,265	25,447	7,372	3,956	75,099	11,020	41,460	11,804	
Face value of bonds and loans	49,689	379,676	81,915	154,914	100,164	54,688	54,730		283,535	5,414
Refunding of bonds									(214,336)	
Swaps terminations									(18,760)	
Premium (discount) on sale of bonds									42,443	
Demand obligation transferred from fund liability	(38,531)	38,531								
Capital contributions										(20,421)
Total other financing sources	55,220	445,040	128,056	198,330	131,959	170,494	93,172	91,906	180,796	41,821
Net changes in fund balances	\$ 7,835	\$ 111,610	\$ 55,756	\$ (37,436)	\$ 28,768	\$ (99,461)	\$ (3,849)	\$ (25,623)	\$ 62,102	\$ 45,831)
Debt service as a percentage of noncapital expenditures										
	4.57%	1.78%	5.62%	5.64%	3.50%	5.26%	5.24%	5.03%	4.87%	3.89%

Revenue Capacity

(THIS PAGE INTENTIONALLY LEFT BLANK)

CITY OF BALTIMORE
Property Tax Levies and Collections
Last Ten Fiscal Years
(Dollars 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
2005	\$ 548,552	\$ 529,074	96.4%	\$ 6,144	\$ 535,218	97.6%
2006	565,648	544,463	96.3	8,161	552,624	97.7
2007	599,534	577,759	96.4	6,776	584,535	97.5
2008	655,080	605,961	92.5	10,601	616,562	94.1
2009	728,359	671,869	92.2	16,238	688,107	94.5
2010	751,510	723,533	96.3	17,020	740,553	98.5
2011	777,332	750,144	96.5	26,879	777,023	99.9
2012	761,237	743,352	97.7	10,881	754,233	99.1
2013	763,106	732,467	96.0	10,910	743,377	97.4
2014	767,619	741,449	96.6	10,734	752,183	98.0

CITY OF BALTIMORE
Assessed and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(Dollars Expressed in Thousands)

Fiscal Year	Real Property		Personal Property		Total		Ratio of Total Assessed Value to Total Estimated Actual Value	Total Direct Tax Rate
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value		
2005	\$ 18,781,171	\$ 19,783,195	\$ 1,847,190	\$ 1,847,190	\$ 20,628,361	\$ 21,630,385	95.4%	\$ 2.460
2006	19,918,443	21,334,553	1,783,249	1,783,249	21,701,692	23,117,802	93.9	2.440
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

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)
2005	\$ 2.328	\$.132	\$ 2.460
2006	2.308	.132	2.440
2007	2.288	.112	2.400
2008	2.268	.112	2.380
2009	2.268	.112	2.380
2010	2.268	.112	2.380
2011	2.268	.112	2.380
2012	2.268	.112	2.380
2013	2.268	.112	2.380
2014	2.248	.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 Taxpayers
Current Year and Nine Years Ago
(Dollars Expressed in Thousands)

	2014			2005		
	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)	\$ 699,477	1	2.2%	\$ 578,701	1	2.8%
Harbor East Limited - Parcel D	258,758	2	0.8%			
Verizon - Maryland.	198,217	3	0.6%	360,790	2	1.7%
CSX Transportation	182,958	4	0.6%	84,264	6	0.4%
100 East Pratt Street Business	177,828	5	0.6%			
Baltimore Hotel Corporation	163,991	6	0.5%			
Baltimore Center Associates.	159,016	7	0.5%	150,759	3	0.7%
Harbor East Limited - Parcel B	78,246	8	0.3%			
Canton Crossing Tower, LLC.	74,180	9	0.2%			
Hyatt Regency Baltimore	69,163	10	0.2%			
Harbor East Limited				103,681	5	0.5%
ABB South Street Associates, LLC				69,000	7	0.3%
Boston Properties, Inc				136,201	4	0.7%
TMCT, LLC				61,807	8	0.3%
Travis Real Estate Group				58,151	9	0.3%
U.S. Bank National.				57,670	10	0.3%
Total	\$ 2,061,834		6.5%	\$ 1,661,024		8.0%

Debt Capacity

(THIS PAGE INTENTIONALLY LEFT BLANK)

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

Fiscal Year	Governmental Activities						Business-type Activities						
	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	Total Primary Government	Percentage of Personal Income(b)	Per Capita(a)
2005	\$ 579,960	\$ 23,324	\$ 42,141	\$ 4,519	\$ 84,507	\$ 171,040	\$ 2,627	\$ 485	\$ 1,017,953		\$ 1,926,556	10.85%	\$ 3,010
2006	588,604	26,301	51,311	3,697	381,682	169,007	2,159	425	1,118,639		2,341,825	11.19	2,489
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	163,412			1,467,888	32,584	2,809,906	11.51	4,517
2014	524,969	149,824	33,461	1,016	395,501	133,379	3,113		1,735,806	58,461	3,035,530	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

(Dollars Expressed in Thousands)

Fiscal Year	General Obligation Bonds	Funds Available in Debt Service Funds(b)	Net General Bonded Debt	Percentage of Actual Taxable Value of Property	Per Capita(a)
2005	\$ 579,960	\$ 27,503	\$ 552,457	2.55%	\$ 868.23
2006	588,604	26,082	562,522	2.43	884.73
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	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.

N/A Information not available.

CITY OF BALTIMORE
Direct and Overlapping Governmental Activities Debt
June 30, 2014

The City of Baltimore has no Overlapping Debt.

CITY OF BALTIMORE
Legal Debt Margin Information
June 30, 2014

The City has no Legal Debt Margin.

CITY OF BALTIMORE
Pledged Revenue Coverage
Last Ten Fiscal Years

(Dollars Expressed in Thousands)

Fiscal Year	Water Revenue Bonds						Wastewater Revenue Bonds					
	Water Utility Revenues	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	Wastewater Utility Revenues	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest					Principal	Interest	
2005	\$ 99,282	\$ 76,772	\$ 22,510	\$ 2,655	\$ 16,091	1.20	\$ 134,805	\$ 105,030	\$ 29,775	\$ 4,794	\$ 12,559	1.72
2006	109,471	77,776	31,695	2,779	17,137	1.59	136,405	113,542	22,863	7,658	12,630	1.13
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	6,264	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

Fiscal Year	Stormwater Revenue Bonds						Parking Facilities Revenue Bonds					
	Stormwater Utility Revenues	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	Parking Facilities Revenues	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest					Principal	Interest	
2005							\$ 56,613	\$ 6,986	\$ 49,627	\$ 4,680	\$ 11,812	3.01
2006							61,896	9,697	52,199	4,900	9,828	3.54
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

Fiscal Year	Convention Center Revenue Bonds				
	Convention Center Revenues	Net Available Revenue	Debt Service		Coverage
			Principal	Interest	
2005	\$ 4,566	\$ 4,566	\$ 2,095	\$ 2,508	0.99
2006	3,904	3,904	2,185	2,415	0.85
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

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.

(THIS PAGE INTENTIONALLY LEFT BLANK)

Demographic and Economic Information

(THIS PAGE INTENTIONALLY LEFT BLANK)

CITY OF BALTIMORE
Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year	Population(a)	Personal Income(b) (thousands of dollars)	Per Capita Personal Income(c)	Total Employment(d)	Unemployment Rate(d)
2005	640,064	\$ 20,310,343	\$ 31,732	255,081	6.9%
2006	640,961	21,180,094	33,044	257,382	6.2
2007	640,150	22,250,152	34,758	261,355	5.6
2008	638,091	23,435,086	36,727	262,046	6.6
2009	637,418	23,919,308	37,525	251,950	10.7
2010	621,210	24,778,915	39,888	244,498	11.8
2011	620,987	26,209,592	42,206	246,114	10.8
2012	622,417	27,502,677	44,187	249,021	10.2
2013	622,104	27,405,666	44,053	250,660	9.6
2014	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	2014			2005		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Government [1]						
State	34,502	1	10.38%	38,876	1	11.00%
Other Government authority (City, Schools, etc)	24,444	2	7.36	28,134	2	7.96
Federal	9,542	3	2.87	8,870	3	2.51
Subtotal Government	68,488		20.61	75,880		21.48
Ten Largest Private Sector Employers [2]						
Johns Hopkins University	25,000	1	7.52	28,476	1	8.06
Johns Hopkins Hospital and Health System	18,621	2	5.60	15,804	2	4.47
University of Maryland Medical System	9,830	3	2.96	11,300	3	3.20
University System of Maryland	9,526	4	2.87			
MedStar Health	6,176	5	1.86			
LifeBridge Health	5,026	6	1.51	6,193	5	1.75
Mercy Health Services	4,028	7	1.21	3,156	8	0.89
St. Agnes HealthCare	3,267	8	0.98	3,149	9	0.89
Exelon / Constellation Energy / BGE	2,705	9	0.81	5,889	6	1.67
Kennedy Krieger Institute	2,417	10	0.73	2,086	10	0.59
Verizon Maryland Inc.				6,000	4	1.70
T. Rowe Price Group				3,255	7	0.92
Subtotal Ten Largest Private Sector Employers	86,596		26.06	85,308		24.14
Total Government and Ten Largest Private Sector Employers	155,084		46.67%	161,188		45.63%

Source:

[1] For the government sector: Maryland Department of Labor, Licensing and Regulation, Employment data - Average of the first three quarters of the corresponding fiscal years.

[2] For the private sector: Department of Business and Economic Development data files as of November 2014; For 2005, Baltimore Business Journal, Book of Lists 2007.

Operating Information

(THIS PAGE INTENTIONALLY LEFT BLANK)

CITY OF BALTIMORE
Full Time Equivalent Employees By Function
Last Ten Years

Function/program	Full-time equivalent Employees at June 30									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government	1,722	1,710	1,690	1,720	1,733	1,725	1,700	1,754	1,674	1,666
Public safety										
Police	3,983	3,935	3,937	3,930	3,909	3,897	3,897	3,892	3,796	3,608
Fire	1,741	1,743	1,743	1,796	1,800	1,795	1,795	1,789	1,732	1,699
Other	727	735	752	766	793	795	791	721	683	695
Conservation of health	719	680	671	761	883	878	875	873	862	719
Public library	421	417	418	437	430	432	430	399	399	394
Recreation and parks	362	364	364	369	404	400	399	389	368	385
Highways and streets	1,515	1,510	1,518	1,523	1,514	1,499	1,458	1,382	1,352	1,331
Public works										
Water	936	926	900	901	893	878	875	850	893	857
Wastewater	1,086	1,069	1,059	1,031	1,014	1,011	1,012	991	985	1,096
Solid waste	872	868	863	899	876	875	856	889	853	705
Other	570	598	606	607	627	621	625	579	537	682
Public service	64	64	68	68	68	68	67	62	70	260
Economic development	528	518	541	518	598	564	563	554	560	461
	15,246	15,137	15,130	15,326	15,542	15,438	15,343	15,124	14,764	14,558

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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<i>Police</i>										
Arrests*	99,981	92,904	81,105	75,552	72,106	62,341	56,606	53,169	45,275	44,110
<i>Fire</i>										
Fire Suppression Units Dispatched	120,906	126,942	132,560	137,272	136,003	135,421	121,483	129,977	137,677	140,718
Structural Fires	2,370	2,372	2,275	2,177	2,100	2,154	2,460	2,682	2,401	1,839
EMS Transports	83,828	86,881	89,331	88,831	86,128	86,985	86,901	90,615	94,883	92,225
Inspections	20,250	20,543	23,630	26,594	25,654	24,156	N/A	N/A	N/A	N/A
<i>Solid Waste</i>										
Refuse Collected (tons)	220,063	218,194	206,333	195,601	181,397	148,077	145,345	144,926	142,543	149,137
Recyclables Collected (tons)	N/A	166,656	167,236	13,465	15,914	25,836	25,557	24,929	26,468	25,248
<i>Water/Wastewater</i>										
Number of Accounts	N/A	409,208	439,327	439,676	440,215	441,209	445,335	446,142	450,427	454,008
Average Daily Water Production (MGD)	N/A	251	251	226	226	218	218	218	218	220
Average Daily Sewage Treatment (MGD) . . .	N/A	210	210	192	192	192	208	208	208	208
<i>Transportation (DOT)</i>										
Miles Streets Resurfaced/Reconstructed . . .	113.5	13.5	136.6	220.2	188.1	152.0	185.0	189.0	98.0	101.0
Potholes Repaired	19,000	16,054	15,345	15,478	14,879	15,121	15,045	12,847	11,208	18,150
Traffic Citations Issued **	12,422	7,744	4,488	4,909	3,186	1,341	63	63	63	118
Parking Citations Issued	340,444	364,041	400,263	368,099	389,642	379,633	388,338	355,344	331,067	341,384
Traffic Signals Repaired	10,973	11,482	9,737	5,513	5,124	6,901	5,538	4,751	4,312	4,645
Street Lights Repaired	12,982	21,527	27,459	24,847	22,008	25,415	29,012	29,633	28,096	25,091
<i>Housing</i>										
Number of inspections (housing and code enforcement)	199,830	169,727	180,073	190,031	198,742	206,467	363,720	267,508	270,607	254,871
Number of permits issued	32,780	38,787	38,455	34,565	33,068	36,630	27,600	25,307	24,537	28,351
Property Management Service Requests Completed***	15,635	30,537	36,810	83,207	82,311	62,359	75,251	64,997	43,897	85,070
<i>Recreation and Parks</i>										
Enrollment at Recreation Centers	155,193	138,583	141,232	142,009	139,632	135,547	154,528	169,608	146,598	138,103
Permits Issued for Park Facilities	808	661	723	698	789	653	741	1,518	1,581	1,616
<i>Library</i>										
Volumes in Circulation (millions)	2.2	2.3	2.6	2.5	2.5	2.6	2.6	2.0	2.4	2.2
Volumes Borrowed (millions)	1.4	1.4	1.4	1.3	1.5	1.5	1.7	1.7	1.7	1.3

N/A Data not available.

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

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

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

Source: Baltimore City Department of Finance

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

Function/program	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<i>Police/Sheriff</i>										
Buildings	10	10	10	10	10	10	13	12	16	16
Marked patrol units	N/A	525	466	473	471	487	479	373	403	463
Other vehicles	N/A	616	654	639	645	633	616	602	448	311
<i>Fire Stations</i>										
Buildings	39	39	39	39	39	39	39	41	61	62
Fire/EMS apparatus (tankers/ladders/medics/ fleet)	N/A	160	160	160	160	160	137	122	154	142
Other vehicles	N/A	152	168	164	164	164	176	235	142	217
<i>Recreation and Parks</i>										
Buildings	147	148	148	148	148	148	148	148	210	210
Acreage	5,827	5,827	5,827	5,827	5,827	5,827	5,827	5,827	5,827	5,827
Vehicles	N/A	127	129	125	119	123	120	119	120	121
Equipment	N/A	304	309	295	286	296	183	157	157	158
<i>Public Works (Transportation, Solid Waste, and General Services)</i>										
Buildings	30	30	30	30	30	30	30	82	119	119
Vehicles	N/A	990	971	980	968	952	984	967	942	1,017
Equipment	N/A	496	509	515	503	515	595	545	552	538
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</i>										
Treatment plants	5	5	5	5	5	5	5	5	5	5
Other buildings	31	31	31	31	31	31	31	95	221	221
Vehicles	N/A	611	625	615	608	599	632	608	631	641
Equipment	N/A	411	412	420	418	429	495	487	489	482
Water mains (miles)	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400
Water treatment capacity (MGD)	360	360	360	360	360	360	360	360	360	360
Sanitary sewers (miles)	1,340	1,340	1,340	1,335	1,335	1,335	1,335	1,335	1,335	1,335
Storm sewers (miles)	1,080	1,080	1,080	1,100	1,100	1,100	1,100	1,100	1,100	1,100
Wastewater treatment capacity (MGD)	250	253	253	253	253	253	253	253	253	253
<i>Libraries</i>										
Buildings	32	32	33	34	34	34	22	30	30	29
Vehicles	N/A	17	17	17	16	16	20	18	16	17
<i>Other-General Government</i>										
Buildings	1,353	1,353	1,353	1,353	1,353	1,353	4,250	4,250	132 *	132
Vehicles	N/A	197	211	799	1,017	1,141	753	907	869	514
Equipment	N/A	59	62	66	64	61	249	151	101	72

* 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

(THIS PAGE INTENTIONALLY LEFT BLANK)

BACK INSIDE COVER - DOES NOT PRINT

BACK OUTSIDE COVER - DOES NOT PRINT