

CITY OF BALTIMORE
SINGLE AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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CITY OF BALTIMORE
SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2014

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PART I

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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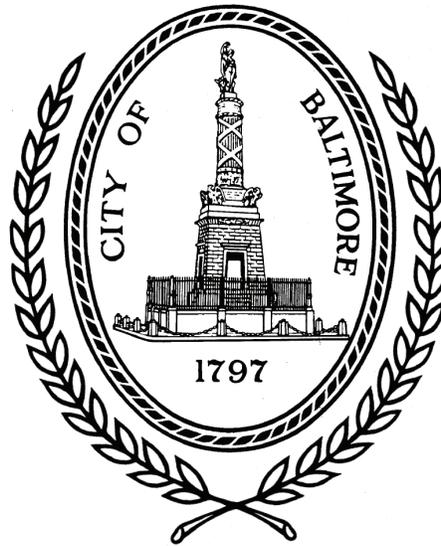
City of Baltimore, Maryland

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

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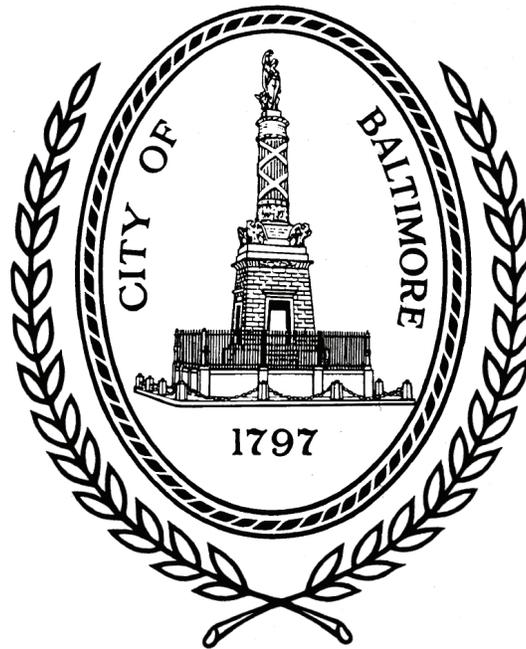
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INTRODUCTORY SECTION



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Government Finance Officers Association**

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STEPHANIE RAWLINGS-BLAKE, Mayor

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 feet 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,

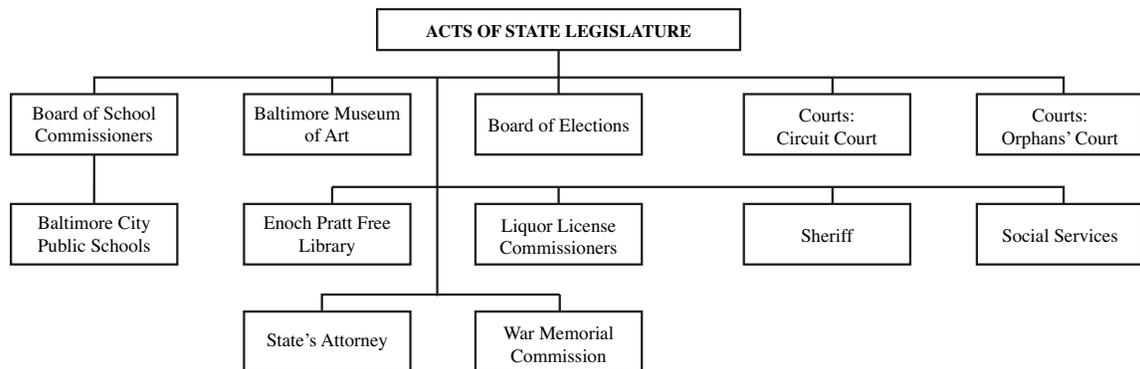
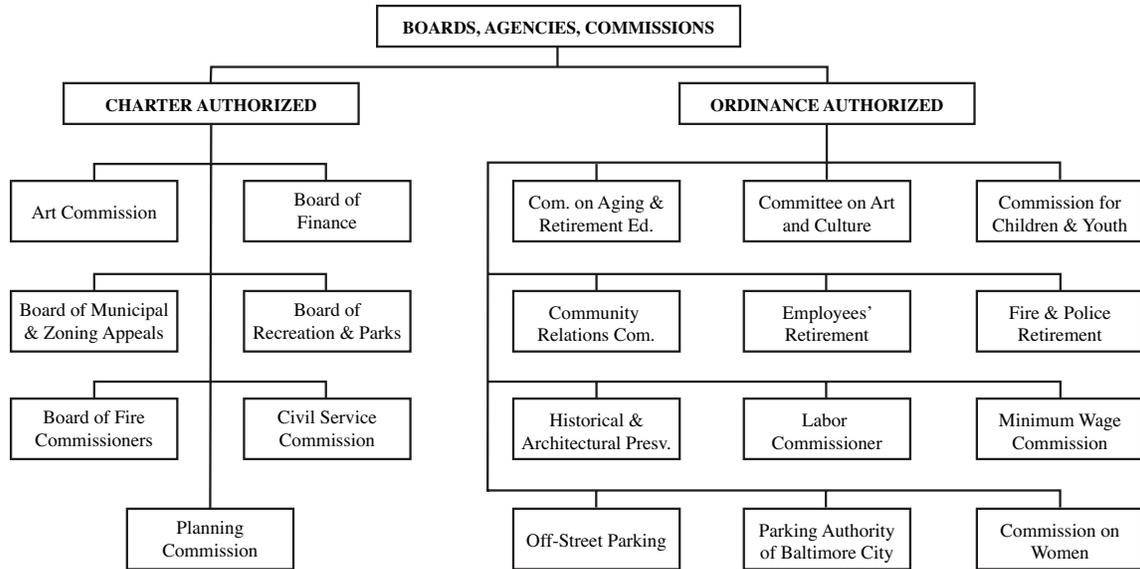
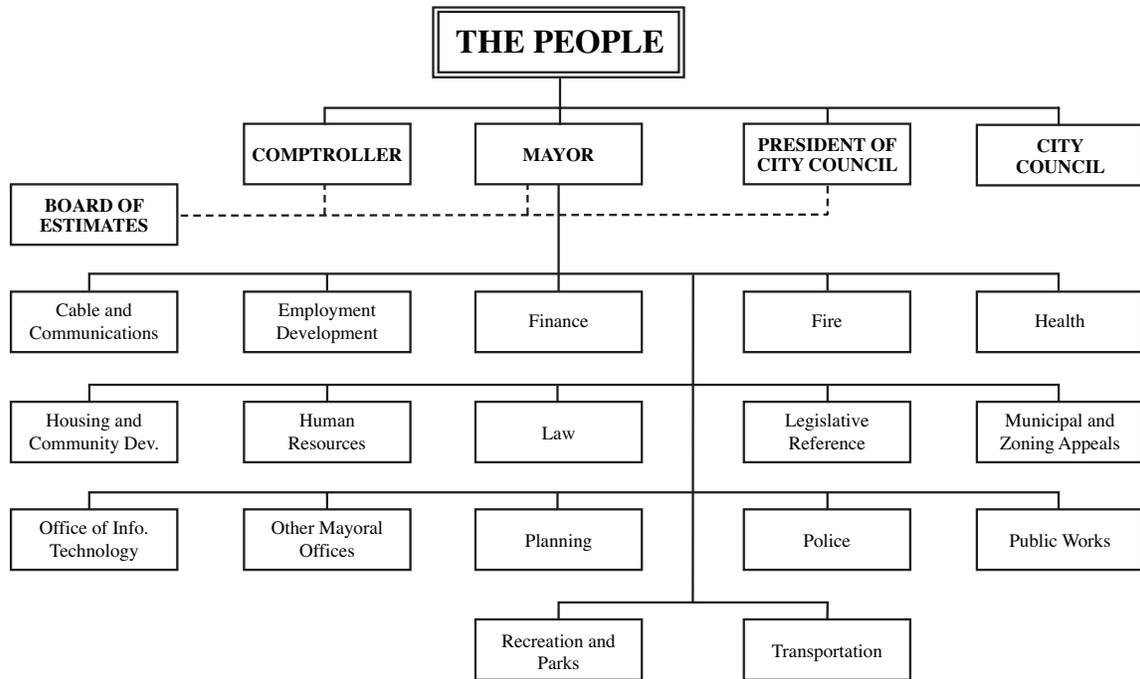


Stephanie Rawlings-Blake
Mayor



Henry J. Raymond
Director of Finance

MUNICIPAL ORGANIZATION CHART





Government Finance Officers Association

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Achievement
for Excellence
in Financial
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**City of Baltimore
Maryland**

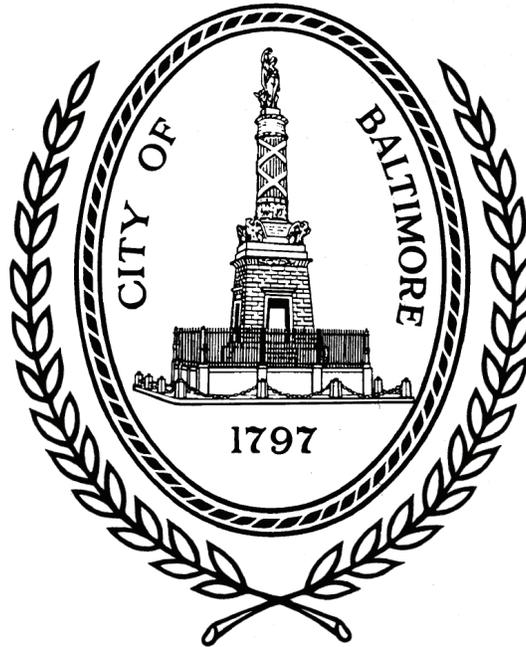
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

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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**

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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.

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

March 18, 2016

Independent Auditors

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 Activities		Statement of Cash Flows	Statement of Changes in Fiduciary Net Position
		Full accrual basis for revenues and expenses, includes all assets and liabilities. Economic resource focus	Modified accrual basis for revenues and expenses. Financial resource measurement focus	Full accrual basis for revenues and expenses, includes all assets and liabilities. Economic resource focus	Accrual basis-agency funds do not have measurement focus
	Notes to the Basic Financial Statements				
	Required Supplementary Information				
	Combining and Individual Fund Statements and Schedules				
	Statistical Section				

Government-wide Financial Statements

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

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

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

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

library, recreation and culture, 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	<u>4,278,650</u>	<u>4,469,047</u>	<u>4,568,144</u>	<u>3,735,456</u>	<u>8,846,794</u>	<u>8,204,503</u>
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	<u>2,129,361</u>	<u>2,090,457</u>	<u>2,047,319</u>	<u>1,664,339</u>	<u>4,176,680</u>	<u>3,754,796</u>
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	<u>\$ 2,149,289</u>	<u>\$ 2,378,590</u>	<u>\$ 2,520,825</u>	<u>\$ 2,071,117</u>	<u>\$ 4,670,114</u>	<u>\$ 4,449,707</u>

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

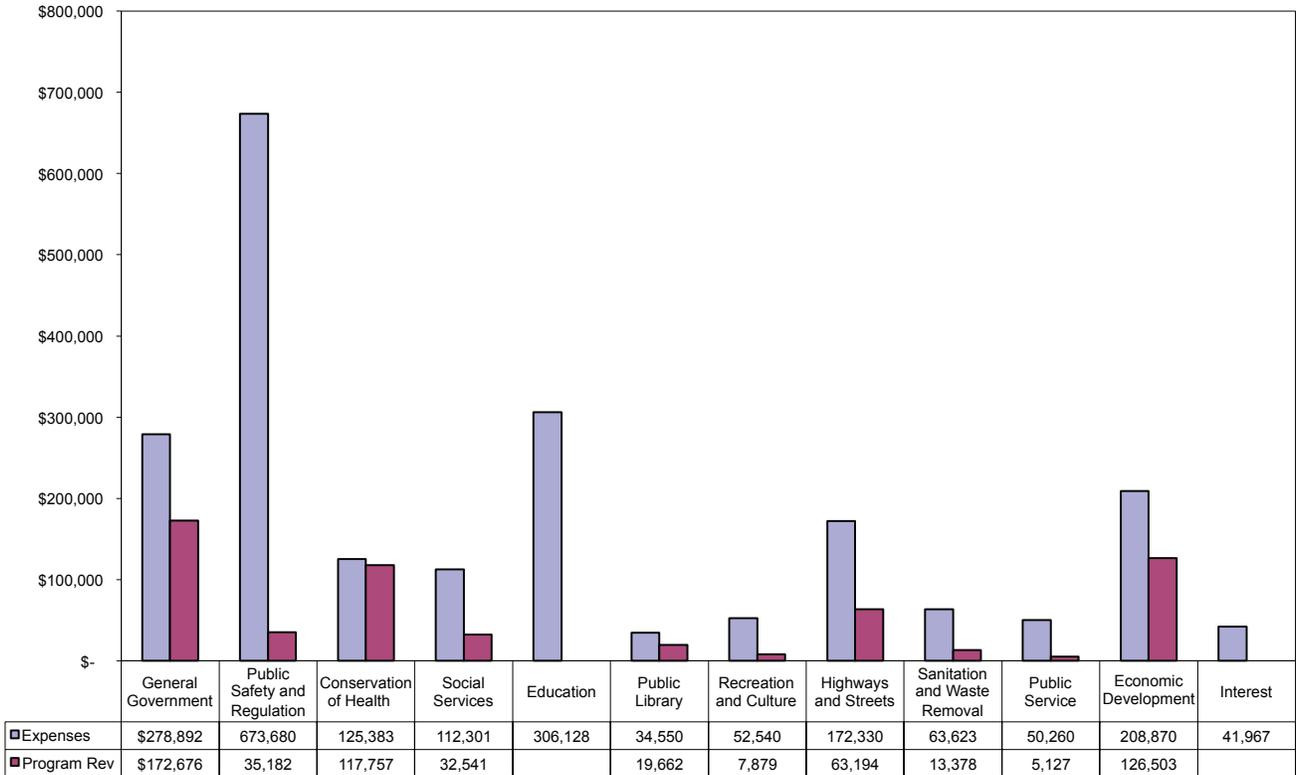
(Expressed in Thousands)

	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

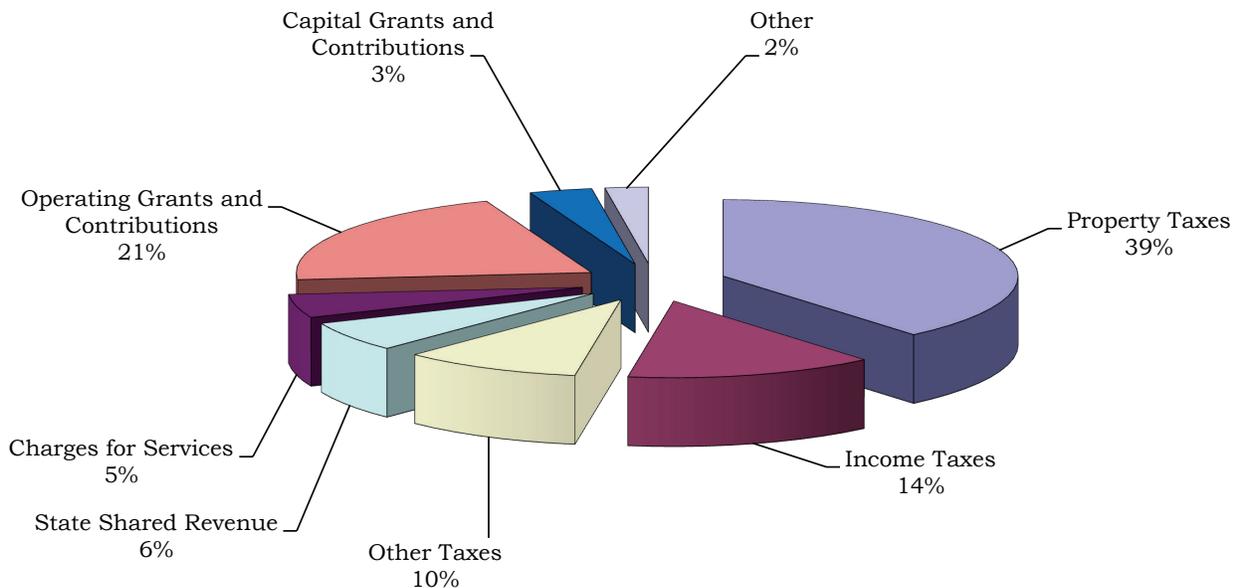
Analysis of Changes in Net Position

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

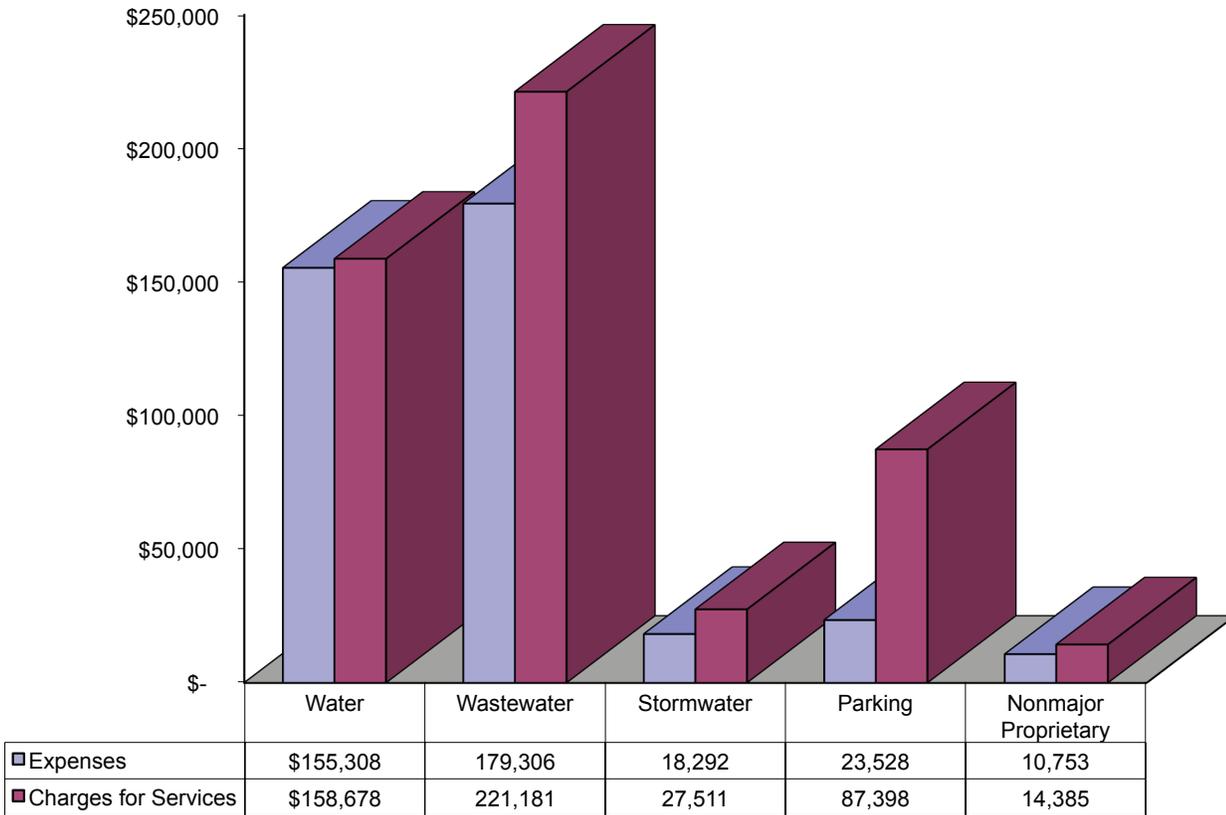
During the current fiscal year, expenses related to governmental activities amounted to \$2.1 billion, which is greater than revenues by \$33.7 million. Total revenue of \$2.1 billion is comprised of program revenues totaling \$606.7 million, or

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	<u>1,499,352</u>	<u>1,557,833</u>	<u>1,553,821</u>	<u>(54,469)</u>	<u>4,012</u>
Excess of revenues over expenditures and encumbrances	<u>21,512</u>	<u>103</u>	<u>61,410</u>		
Other financing uses:					
Transfers in	28,670	28,670	57,408		
Transfers out	<u>(136,356)</u>	<u>(136,356)</u>	<u>(140,483)</u>		
Total other financing uses	<u>(107,686)</u>	<u>(107,686)</u>	<u>(83,075)</u>		
Net change in fund balances	(86,174)	(107,583)	(21,665)		
Fund balances beginning	<u>233,722</u>	<u>233,722</u>	<u>233,722</u>		
Fund balances ending	<u>\$ 147,548</u>	<u>\$ 126,139</u>	212,057		
Adjustments to reconcile to GAAP basis:					
Addition of encumbrances outstanding			100,371		
Less: Accounts payable not recorded for budgetary purposes			<u>(11,941)</u>		
Fund balance June 30, 2014 - GAAP Basis			<u>\$ 300,487</u>		

The City's final budget differs from the original budget in that it contains carry-forward appropriations for various programs and projects, and supplemental appropriations approved after adoption, and during the fiscal year. During fiscal year 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		Baltimore Hotel Corporation
					Governmental Activities	Business-type Activities	Total	Baltimore City Public School System	
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	\$ (229,301)

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					Total	Governmental Activities Internal Service Funds
	Water Utility Fund	Wastewater Utility Fund	Stormwater Utility Fund	Parking Facilities Fund	Nonmajor Funds		
Assets and deferred outflows of resources:							
Current assets:							
Cash and cash equivalents	\$ 38,768	\$ 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					Total	Governmental Activities Internal Service Funds
	Water Utility Fund	Wastewater Utility Fund	Stormwater Utility Fund	Parking Facilities Fund	Nonmajor Funds		
Operating revenues:							
Charges for sales and services							\$ 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	<u>241,014</u>	<u>197,007</u>
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	<u>543,856</u>	<u>46,784</u>
Less: investment expense	<u>16,252</u>	<u>1,480</u>
Net investment income	<u>527,604</u>	<u>45,304</u>
Total additions	<u>768,618</u>	<u>242,311</u>
Deductions:		
Retirement allowances	347,896	
Health benefits		157,774
Death benefits	1,044	
Administrative expenses	7,653	
Other	3,198	
Total deductions	<u>359,791</u>	<u>157,774</u>
Changes in net position	<u>408,827</u>	<u>84,537</u>
Net position - beginning of the year	<u>3,606,416</u>	<u>319,258</u>
Net position - end of the year	<u>\$ 4,015,243</u>	<u>\$ 403,795</u>

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

CITY OF BALTIMORE
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CITY OF BALTIMORE
Notes to Basic Financial Statements

1. Summary of Significant Accounting Policies

A. REPORTING ENTITY

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

Blended Component Unit

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

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

Discretely Presented Component Units

The Baltimore City Public School System (BCPSS) is responsible for elementary and secondary education within the City's jurisdiction. The BCPSS receives significant funding from the City. The City is also required to pay certain benefits to its employees. However, the BCPSS is legally separate from the City since it has the authority and responsibility for all its system functions and the Governor of the State of Maryland appoints a majority of its nine-member board. The City, however, approves the BCPSS annual budget.

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	\$ 3,118,948
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	\$ 310,856
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	
	\$ (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:	
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)
Defred inflows of resources - derivative instrument liability	(3,861)
Total	\$ (1,531,846)

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	\$ (22,453)
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	\$ 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 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	\$ 1,219
The net expense of certain activities of internal service funds is reported with governmental activities:	
Internal service funds net expenses attributed to governmental activities	\$ (18,366)

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	\$ 396,087			

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	\$ 137,473	\$ 142,301	100%	
Less: Cash and cash equivalents	137,473				
Total net investments	\$ 142,301				

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).

<u>Moody</u>	<u>Percent</u>	<u>Fair Value</u>	<u>S&P</u>	<u>Percent</u>	<u>Fair Value</u>
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
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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
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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.

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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):

Fiscal Year	Governmental Activities								Business-type Activities		
	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 Swap Net(a)	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
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

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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

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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)

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Notes to Basic Financial Statements
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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		

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	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	

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	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

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Notes to Basic Financial Statements

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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 remarketed. 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 remarketed.

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 remarketed. Pursuant to the letter of credit agreement between the City, BL and the fiscal agent, the issuer is required to reimburse BL the amount drawn upon remarketing. The interest rate draws made from the letter of credit 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
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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.

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Notes to Basic Financial Statements
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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:

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

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.

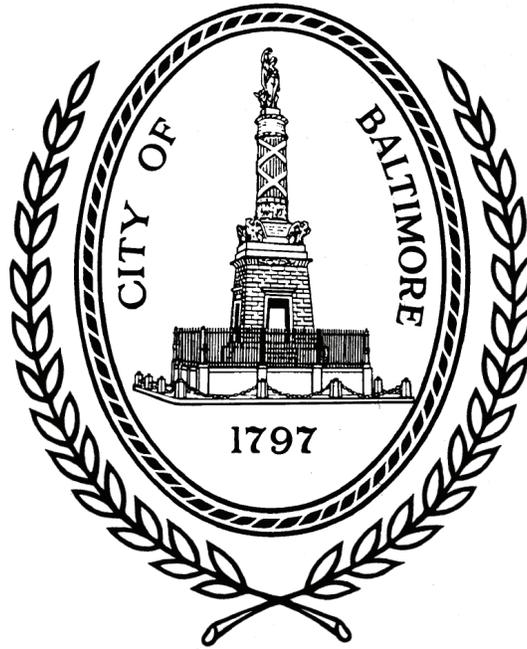
The City experienced significant civil unrest between April 25 and May 3, 2015. During this time, the City mobilized a number of resources to respond to these events, including heightened police presence, fire suppression, waste removal and cleanup, sheltering, and extended hours of operation at City 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.

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**Required Supplementary
Information
(Unaudited)**



See Independent Auditors' Report

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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	\$ 147,548	\$ 126,139	212,057	\$ 85,918
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:

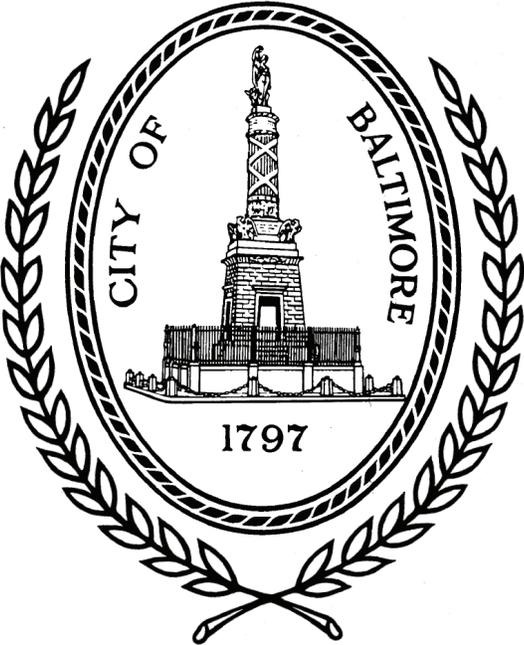
For Fire and Police Employees' Retirement System, mail request to:

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**



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Nonmajor Governmental Funds

Special Revenue Funds

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

Community Development Block Grant, Special Racetrack, 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 Video Lottery Terminal Fund	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					9,139
Matured bonds payable											2	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			Debt Service Fund	Total Nonmajor Governmental Funds
	Community Development Block Grant Fund	Special Racetrack Fund	School Construction Fund	Baltimore Casino Fund	State Video Lottery Terminal Fund	Scholarship Fund	Total	Enoch Pratt Free Library Fund	Memorial Fund	Total		
Revenues:												
Taxes - local			\$ 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)
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)

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Fiduciary Funds

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

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

Agency 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)

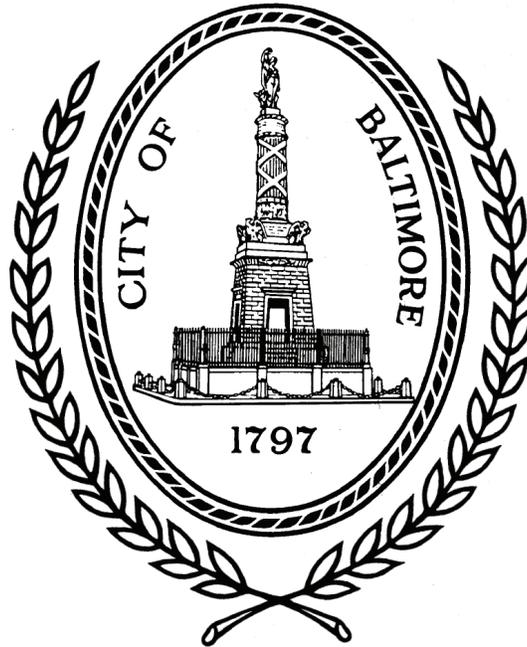
	Unpresented Stock and Coupon Bonds	Property Sold for Taxes	Bid Deposit Refunds	Waterloo Summit	Recreation Accessory	Total
Assets:						
Cash and cash equivalents	\$ 55	\$ 86	\$ 96			\$ 237
Investments				\$ 53		53
Accounts receivable					\$ 81	81
Total assets	55	86	96	53	81	371
Liabilities:						
Due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

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STATISTICAL SECTION



See Independent Auditors' Report

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CITY OF BALTIMORE

Statistical Section

(Unaudited)

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

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Financial Trends

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CITY OF BALTIMORE
Net Position by Component
Last Ten Fiscal Years

(Accrual Basis of Accounting)

(Expressed in Thousands)

	Fiscal Year							
	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

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CITY OF BALTIMORE
Property Tax Levies and Collections
Last Ten Fiscal Years
(Dollars Expressed in Thousands)

Fiscal Year	Total Tax Levy	Collected within 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

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

Fiscal Year	Governmental Activities						Business-type Activities				Total Primary Government	Percentage of Personal Income(b)	Per Capita(a)
	General Obligation Bonds	Special Obligation Bonds	Long-term Financing with Federal Government	Long-term Financing with State of Maryland	Revenue Bonds	Capital Leases	General Obligation Bonds	Sewer Construction Loans	Revenue Bonds	Capital Leases			
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.

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Demographic and Economic Information

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CITY OF BALTIMORE
Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year	Population(a)	Personal Income(b) <i>(thousands of dollars)</i>	Per Capita Personal Income(c)	Total Employment(d)	Unemployment Rate(d)
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	<u>68,488</u>		<u>20.61</u>	<u>75,880</u>		<u>21.48</u>
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	<u>86,596</u>		<u>26.06</u>	<u>85,308</u>		<u>24.14</u>
Total Government and Ten Largest Private Sector Employers	<u>155,084</u>		<u>46.67%</u>	<u>161,188</u>		<u>45.63%</u>

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

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

Function/program	Full-time equivalent Employees at June 30									
	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

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PART II

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS

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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 on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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

We have jointly audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Baltimore, Maryland (the City) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 18, 2016. Our report was modified to include a qualified opinion on the City's Grant Revenue Fund because the City was unable to provide sufficient evidential matter that supported approximately \$24 million of the unearned revenue reported in the fund. Our report was also modified to include an emphasis of matter related to the City's adoption of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The financial statements of the Baltimore Hotel Corporation, a discretely presented component unit, was not audited in accordance with *Government Auditing Standards*. Our report includes a reference to other auditors who audited 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, and the discretely presented component units, which include the Baltimore Hotel Corporation and the Baltimore City Public School System. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on a separately by those other auditors.

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.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant



deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, as described in the accompanying schedule of findings and responses as items 2014-01 through 2014-03 that we consider to be material weaknesses.

Compliance and Other Matters

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

City's Responses to Findings

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

Purpose of this Report

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

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

March 18, 2016

Independent Auditors

CITY OF BALTIMORE, MARYLAND

Schedule of Findings and Responses

Year ended June 30, 2014

2014-01. Lack of Controls over Financial Statement Preparation

Background/Condition

The City of Baltimore, Maryland (City) operates on a cash receipt and disbursement basis of accounting during the year. At year-end, the City's Bureau of Accounting and Payroll Services (BAPS) is responsible for the compilation of the City-wide financial statements in accordance with generally accepted accounting principles (GAAP).

As the accounting system of record, CityDynamics, was not used throughout the year to capture transactions on the accrual basis of accounting, the year-end compilation of the City-wide financial statements is extremely complex and heavily reliant on manual adjustments to properly record accruals and other non-routine transactions. To add complexity, the City's operational functions were decentralized and during the financial statement preparation process, BAPS was reliant on financial information provided by personnel in various departments and agencies across the City. As a result, there were many manual processes completed by agency/department personnel, not all of which were trained accountants. These processes included the development of accounts receivables and related allowances for uncollectible accounts, accruals of City obligations, the development of construction work-in-progress related to capital assets, debt, retainages payable, leases, payroll, and the capture of cash and investment balances controlled outside of the Department of Treasury Management (Treasury Management). Certain agencies used alternate systems outside of CityDynamics to gather and track the required information. This adds to the complexity of the year-end reporting and reconciliation process. As a result, the financial statement preparation process entailed compiling worksheets, completing reconciliations, customizing reports, and recording numerous manual adjustments. The sources of information and the extent of modification necessary to such information resulted in a financial reporting process that was highly complex and susceptible to errors.

During our review of the City's draft financial statements and related notes as of and for the year ended June 30, 2014, we noted material errors and misclassifications as described in further detail below.

Generation of Transaction Detail Underlying Financial Statement Balances

During our audit, we requested certain transaction detail from which to select our sample items for audit. While the City was ultimately able to provide this information, the generation of such information was difficult to obtain and did not always agree to the related financial statement balance without material adjustments. We also noted this information did not undergo appropriate supervisory review to ensure its accuracy and completeness prior to submission for audit. These items included the adjustment to properly recognize revenue in accordance with Government Accounting Standards Board Statement No. 33 *Accounting and Financial Reporting for Nonexchange Transactions* (GASB No. 33) and No. 65 *Items Previously Reported as Assets and Liabilities* (GASB No. 65); the classification of advances, other assets, unearned revenues, other receivables, and deposits subject to refund; and accounts payable.

Lack of Effective Management Review over Advances, Other Assets, Unearned Revenue, Other Receivables, and Deposits Subject to Refund

During our audit, we noted that the City erroneously misclassified \$37.7 million between Advances and Other Assets in the General Fund. We further noted that the City erroneously misclassified \$12.7 million in the General Fund between Unearned Revenue, Revenue, Other Assets, Other Receivables, and Deposits Subject to Refund. These errors were subsequently corrected by management.

Lack of Effective Management Review over All Open Invoices to Ensure Proper Year End Accrual

During our audit of the Grants Revenue Fund, we noted that the City did not accrue for invoices totaling \$1.2 million. In addition, management did not accrue for invoices dated June 30, 2014 that were not received and/or paid until after year-end for the Parking Facilities Fund, Water Utility Fund, Wastewater Utility Fund and the Stormwater Utility Fund. Management's review of the year-end accrual did not detect this error. Management did subsequently perform an analysis related to this matter and concluded the impact on the current fiscal year was not material to the financial statements as a whole.

During our search for unrecorded liabilities, we identified invoices totaling \$2.7 million related to fiscal year (FY) 2014 that were not accrued in the general ledger as of June 30, 2014 for the Wastewater Utility Fund. As a result, we requested management to perform an analysis to identify any additional FY 2014 invoices that were not accrued for at year-end. As a result of their analysis, management identified approximately \$10 million in invoices that were not properly accrued in FY 2014. These errors were subsequently corrected by management.

Lack of Effective Management Review over Grant Accrual Calculation

During our audit of the Grants Revenue Fund, we identified certain errors in the City's grant accrual calculation. As a result, the City performed an analysis of their grant accrual and provided multiple versions of the calculation which led to the following initial adjustments: \$47 million in due from other governments, \$20.5 million in revenues, \$6.5 million in Unearned Revenue, and \$61.2 million in unavailable grant revenues. In addition, the City wrote-off \$28 million in grants receivable. However, the City was still unable to provide sufficient evidential matter that supported approximately \$24 million of the unearned revenue reported in the fund.

Lack of Effective Management Review over the Implementation of GASB 65 at the Entity Wide Level

During our audit of the Government Wide Statements, in accordance with Government Accounting Standards Board No. 65 *Items Previously Reported as Assets and Liabilities*, we noted that the City erroneously included revenues in the amount of \$60.7 million as deferred inflows. This error was subsequently corrected by management.

Enterprise Funds' Cash Flow statements

We identified certain errors in the cash flow statements related to operating activities and capital and related financing activities during fiscal year 2014. For instance, the City improperly included the amount paid on the swap termination fee of approximately \$18 million with the principal paid on debt instead of reporting it separately within the capital and related financing activities. In addition, the City understated cash provided by operating activities and overstated cash used in capital and related financing activities by approximately \$34 million because of the misclassification of cash flows from construction and capital asset financing.

Criteria

According to the National Council on Government Accounting (NCGA) Concept Statement No. 1, *Objectives of Financial Reporting*, "The overall goal of accounting and financial reporting for governmental units is to provide: 1) financial information useful for making economic, political and social decisions, and demonstrating accountability and stewardship; and 2) information useful for evaluating managerial and organizational performance."

In order to ensure such information is useful in decision-making and evaluating managerial and organizational performance, as well as demonstrating accountability and stewardship, controls must be properly designed, in place, and operating effectively to ensure that the City's accounting and financial information is fairly stated in accordance with GAAP and that the City's assets are appropriately safeguarded.

Cause

Controls related to the management review and reconciliation of financial statement information provided by the agencies/departments for inclusion in the City-wide financial statements were not operating effectively. Instead, management relied heavily on the audit process to identify and propose adjusting entries to the basic financial statements and on the schedules that support amounts in the basic financial statements. In addition, certain financial statement line items in the City's supporting cash flow spreadsheet were incorrectly mapped to the wrong section of the cash flow statement and management's review of the statement and the supporting spreadsheet did not identify the error. Further, management did not properly analyze certain financial statement line items in order to identify the relevant cash flow components.

Effect

Due to the manual processes used to compile financial statement information and the reliance on the external audit process to detect and correct errors, material misstatements to the financial statements may go undetected.

Recommendation

We recommend that management refine the process used to complete the draft City-wide financial statements and the related notes, all significant adjustments, conversion from cash to accrual adjustments, and necessary account reconciliations. We further recommend that these items be timely prepared and reviewed by management. The review process should include an evaluation of the reasonableness of individual financial statement line items by an individual with sufficient accounting and financial reporting experience and knowledge of the processes at each agency to detect and correct material inconsistencies and errors.

Views of Responsible Officials

We agree. The Department of Finance continually strives to improve business processes that will strengthen internal control and make reporting more accurate and less cumbersome.

We are working to staff the Bureau of Accounting and Payroll Services with accountants that are properly trained and understand that this knowledge base will require continual updating including the new GASBs published.

We are setting up a review processes for all work prepared by the Bureau. We will also work with the other Departments during the year so that the information sent to us at year end is more accurate. This process will also allow us to have the reviewed and approved information on hand if requested during an audit.

While some of these changes will be implemented quickly, others will take more time and will require new systems or system updates to make them effective. We are working towards these goals and hope to have the processes fully implemented and operational by the end of the Fiscal Year 2018.

2014-02. Lack of Controls over Journal Entries

Background/Condition

As noted above in item 2014-01, the City's financial reporting process is heavily reliant on the recording of various manual adjustments. During our review of manual journal entries recorded into the City's general ledger system, CityDynamics, we noted material deficiencies in the preparation, review, and approval of manual journal entries. Specifically, we noted that the City posted manual journal entries in the amount of

\$30.9 billion during fiscal year 2014. BAPS personnel were able to review and approve manual journal entries in the system without obtaining and reviewing proper support for the entry.

Criteria

In order to ensure such information is useful in decision-making and evaluating managerial and organizational performance, as well as demonstrating accountability and stewardship, controls must be properly designed, in place, and operating effectively to ensure that the City's accounting and financial information is fairly stated in accordance with GAAP and that the City's assets are appropriately safeguarded.

Cause

Controls are not adequately designed and operating effectively to ensure amounts recorded in the general ledger and the financial statements were properly prepared, approved and supported.

Effect

As proper controls do not exist over journal entries, it is possible for management to override other manual and automated controls through the use of journal entries.

Recommendation

We recommend that the City take appropriate action to ensure that journal entries are appropriately reviewed and approved prior to posting into the City's general ledger system.

Views of Responsible Officials

We agree. The Department of Finance is committed to continued improvement of the CAFR process. We continue to work with City Departments to help them understand how important accurate books and records are to the City and the impact of what they do affects the financial health of the City. We are currently planning the CSSI upgrade which will incorporate an approval process for all journal entries. This will allow us to route the entry to both a responsible person within the proposing organization for approval and next to a fiscal person within BAPS responsible for the fund. An understanding of the entry will be gained and attachments verified before posting to the General Ledger.

2014-03. Lack of Controls over Water, Wastewater, and Stormwater Billing Process

Background/Condition

As reported in prior years, we reviewed billing adjustments related to 70,103 customer accounts with true readings in fiscal year 2011 and identified systemic errors in the automated calculations for the cancelling and rebilling of customer water accounts. Billing adjustments were calculated based on volume used rather than dollar amounts previously paid by customers. The City's Department of Public Works recorded a gross adjustment of \$9.2 million in its financial statements for fiscal year 2011. As management had not corrected or replaced its water billing system as of the end of fiscal year 2014, we noted that the systemic errors and limitations still existed.

Additionally, we noted that:

- As a result of the aforementioned systemic errors and limitations, we identified there was an unreconciled difference of \$3.7 million between the total billed amount per the water billing system and the Wastewater Utility Fund general ledger, an unreconciled difference of \$2.0 million in the Water Utility Fund, and an unreconciled difference of \$501 thousand in the Stormwater Utility Fund.
- In determining the amount of accounts receivable to allocate across the utility funds, the City's contractor improperly added \$5.5 million of miscellaneous revenue to the Stormwater Utility Fund total revenue to calculate the accounts receivable allocation percentages; however, the miscellaneous revenue should have been added to the Water Utility Fund revenue. This caused errors in the percentages used to allocate

the accounts receivable balance across the Water, Stormwater and Wastewater Utility Funds at year-end. As a result, accounts receivable in the Water Utility Fund was understated by \$1.6 million, and accounts receivable in the Wastewater Utility Fund and the Stormwater Utility Fund were overstated by \$605 thousand and \$1.0 million, respectively. These misstatements were ultimately corrected by management.

- During our testing, we noted BAPS erroneously allocated the delinquent receivables balances for Baltimore County and Anne Arundel to the Wastewater Utility Fund which resulted in a \$7.5 million overstatement of bad debt expense and the allowance for doubtful accounts. The amount of delinquent receivables related to Baltimore and Anne Arundel Counties should not have been allocated to the Wastewater Utility Fund as the City only bills those counties for water consumption. We noted the City had been inappropriately allocating the percentage since at least FY11. This misstatement was ultimately corrected by management.
- The City did not perform a retrospective review to determine if the assumptions used to determine the estimate for the prior period accounts receivable were reasonable or if there needs to be a change in the methodology for the current period.
- During our reconciliation of the general ledger to the City's CS034 report obtained from the City's water billing system, we noted an understatement of the Wastewater Utility Fund's revenue and related due to/from accounts in the amount of \$9.2 million. We also noted an overstatement of due to other governments related to manual posting errors between the Bay Restoration revenue per the Water billing system and the general ledger in the amount of \$1.5 million. This occurred because the individual who posted the entry into the system incorrectly entered the amounts from the CS034 report into the general ledger. This misstatement was ultimately corrected by management.
- During our reconciliation of the general ledger to the City's CS034 report obtained from the City's water billing system, we noted an overstatement of the Water and Stormwater Utility Fund's revenue and related due to/from accounts in the amount of \$7.1 million and \$581 thousand, respectively. The individual who posted the entry into the system incorrectly entered the amounts from the CS034 report into the general ledger.

Criteria

In order to ensure information is useful in decision-making and evaluating managerial and organizational performance, as well as demonstrating accountability and stewardship, controls must be properly designed, in place, and operating effectively to ensure meter reading and customer utility billing accuracy and that the City's accounting and financial information is fairly stated in accordance with GAAP.

Cause

Controls were not adequately designed and operating effectively to ensure billing of utility customers is performed and recorded in the Mayor's Office of Information Technology system (MOIT), general ledger, and the financial statements.

Effect

Without proper controls in place over the water and waste water billing process, misstatements to revenue and accounts receivable may occur and go undetected.

Recommendation

We recommend that the City take appropriate action to ensure that billing transactions are properly reviewed and approved prior to posting into MOIT, the general ledger, and the financial statements. In addition, management should develop and implement a process to thoroughly review the accounts receivable allocation before the related journal entries are posted to the general ledger.

Views of Responsible Officials

The Bureau of Water, Waste Water and Storm Water acknowledges the limitations of the legacy system which provides billing to the Utility's retail customers. The deficiencies in the system hold no correlation to impact accuracy; however, it does not provide an adequate audit trail of the manual calculations which are posted to the General Ledger.

The Bureau is currently in the process of implementing a new billing system. This update will include meter upgrades for most residents and businesses in the City. The new "smart" meter technology will eliminate the need to manually read meters. These new technology upgrades were chosen after a review of an analysis identifying the resources necessary to meet a recommendation proposed by City Audits in 2011. The new system is currently scheduled to go live in October 2016. The Baltimore County billing and "smart" meter upgrade will begin after the completion of the City billing project.

PART III

REPORT ON SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS

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CITY OF BALTIMORE

STEPHANIE RAWLINGS-BLAKE, Mayor



DEPARTMENT OF AUDITS

ROBERT L. McCARTY, JR., CPA
City Auditor

Room 321, City Hall
Baltimore, Maryland 21202
Telephone: (410) 396-4783
Telefax: (410) 545-3961

**Auditor's Report on Supplementary Schedule of
Expenditures of Federal Awards
Required by OMB Circular A-133**

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

We have jointly audited, with KPMG LLP, the financial statements of the City of Baltimore, Maryland, as of and for the year ended June 30, 2014. We issued our report thereon dated March 18, 2016, which contained a qualified opinion on those financial statements.

The City of Baltimore, Maryland's basic financial statements include the operations of the Baltimore City Public School System (BCPSS) and the Enoch Pratt Free Library (EPFL). The BCPSS incurred \$152,268,626 in federal expenditures and the EPFL incurred \$54,800 in federal expenditures during the year ended June 30, 2014. The schedule of expenditures of federal awards included in this report, as described below, did not include the operations of the BCPSS and the EPFL because they are subject to separate audits in accordance with Federal and State requirements.

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in

accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated, in all material respects in relation to the financial statements as a whole.

Respectfully submitted,

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

Robert L. McCarty, Jr., CPA
City Auditor

March 18, 2016

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

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**CITY OF BALTIMORE - SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2014**

<u>FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE</u>	<u>FEDERAL CFDA NUMBER (4)</u>	<u>ARRA (5)</u>	<u>FEDERAL IDENTIFICATION NUMBER (3)</u>	<u>STATE GRANT IDENTIFICATION NUMBER</u>	<u>DISBURSEMENTS/ EXPENDITURES</u>
DEPARTMENT OF AGRICULTURE					
MARYLAND STATE DEPARTMENT OF EDUCATION					
Child and Adult Care Food Program FY2009	10.558			014-220	1,764
Child and Adult Care Food Program FY2010	10.558			014-220	5,374
Summer 2006 Food Service Program for Children	10.559		2006-IN-10-9941	347041	1,937
Summer 2008 Food Service Program for Children	10.559		2008-IN-10-9941	347041	692
Summer 2010 Food Service Program for Children	10.559		2010-IN-10-9941	347041	44
Summer 2011 Food Service Program for Children	10.559		2011-IN-10-9941	347041	7,401
Summer 2012 Food Service Program for Children	10.559		2011-IN-10-9941	347041	216
Summer 2013 Food Service Program for Children	10.559		2013-IN-10-9941	347041	2,254,743
Summer 2014 Food Service Program for Children	10.559		2014-IN-10-9941	347041	93,884
TOTAL MARYLAND STATE DEPARTMENT OF EDUCATION					\$2,366,055
MARYLAND STATE DEPARTMENT OF HEALTH AND MENTAL HYGIENE					
Women, Infants and Children Food Program (WIC) FY2010	10.557			WI 213 WIC	(28,382)
Women, Infants and Children Food Program (WIC) FY2011	10.557			WI 213 WIC	23,245
Women, Infants and Children Food Program (WIC) FY2012	10.557			WI 213 WIC	(29,885)
Women, Infants and Children Food Program (WIC) FY2013	10.557			WI 213 WIC	82,046
Women, Infants and Children Food Program (WIC) FY2014	10.557			WI 213 WIC	1,968,621
TOTAL MARYLAND STATE DEPARTMENT OF HEALTH AND MENTAL HYGIENE					\$2,015,645
MARYLAND STATE DEPARTMENT OF HUMAN RESOURCES					
Supplemental Nutrition Assistance Prg - DHR/BCDSS Food Stamp Employment	10.561				191,338
Supplemental Nutrition Assistance Prg - DHR/BCDSS Food Stamp Employment	10.561				107,131
Supplemental Nutrition Assistance Prg - DHR/BCDSS Food Stamp Employment	10.561			BCDSS/FIA-11-065	3,562

**CITY OF BALTIMORE - SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2014**

<u>FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE</u>	<u>FEDERAL CFDA NUMBER (4)</u>	<u>ARRA (5)</u>	<u>FEDERAL IDENTIFICATION NUMBER (3)</u>	<u>STATE GRANT IDENTIFICATION NUMBER</u>	<u>DISBURSEMENTS/ EXPENDITURES</u>
Supplemental Nutrition Assistance Prg - DHR/BCDSS Food Stamp Employment	10.561			BCDSS/FIA-11-065	8,839
TOTAL MARYLAND STATE DEPARTMENT OF HUMAN RESOURCES					<u>\$310,870</u>
TOTAL DEPARTMENT OF AGRICULTURE					<u>\$4,692,570</u>
DEPARTMENT OF COMMERCE					
DIRECT GRANTS					
Minority Business Development Agency (MBDA) Business Center	11.805		MB130BD8050016		128,594
TOTAL DIRECT GRANTS					<u>\$128,594</u>
TOTAL DEPARTMENT OF COMMERCE					<u>\$128,594</u>
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
DIRECT GRANTS					
Uplands-Homeownership I-II - Construction Program	14.199		UFG04MD02306		570,000
Uplands-Upfront Grant - Construction Program	14.199		UFG04MD01306		757,111
CDBG-25	14.218		B99-MC-24-0010		177,703
CDBG-28	14.218		B02-MC-24-0010		260,002
CDBG-29	14.218		B03-MC-24-0010		199,264
CDBG-30	14.218		B04-MC-24-0010		168,816
CDBG-31	14.218		B05-MC-24-0010		299,590
CDBG-32	14.218		B06-MC-24-0010		1,187,092
CDBG-33	14.218		B07-MC-24-0010		754,286
CDBG-34	14.218		B08-MC-24-0010		169,142
CDBG-35	14.218		B09-MC-24-0010		2,349,879
CDBG-36	14.218		B10-MC-24-0010		350,293
CDBG-37	14.218		B11-MC-24-0010		421,543

**CITY OF BALTIMORE - SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2014**

<u>FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE</u>	<u>FEDERAL CFDA NUMBER (4)</u>	<u>ARRA (5)</u>	<u>FEDERAL IDENTIFICATION NUMBER (3)</u>	<u>STATE GRANT IDENTIFICATION NUMBER</u>	<u>DISBURSEMENTS/ EXPENDITURES</u>
CDBG-38	14.218		B12-MC-24-0010		3,205,467
CDBG-39	14.218		B13-MC-24-0010		15,544,216
NSP - St Ambrose Housing-Construction Program	14.218		B-08-MN-24-0010		42,192
Emergency Solutions Grant - Homeless Services - Temporary Housing FY2012	14.231				682,874
Emergency Solutions Grant - Homeless Services - Temporary Housing FY2013	14.231				201,419
Emergency Solutions Grant - Homeless Services FY2014	14.231				458,967
Supportive Housing Program FY2012	14.235		MD 06 B 1001		5,223,459
Supportive Housing Program FY2013	14.235		MD 06 B 1001		2,933,334
Supportive Housing Program FY2014	14.235		MD 06 B 1001		260,316
Supportive Housing Program FY2014	14.235		MD 06 B 1001		61,609
Supportive Housing Program FY2014	14.235		MD 06 B 1001		77,381
Supportive Housing Program SuperNOFA	14.235		MD 06 B 401		3,181
Shelter Plus Care FY2012	14.238		MD 06 C 1001		295,247
Shelter Plus Care FY2013	14.238		MD 06 C 1001		7,771,112
Shelter Plus Care FY2014	14.238		MD 06 C 1001		277,671
Shelter Plus Care FY2014	14.238		MD 06 C 1001		725,793
Shelter Plus Care FY2014	14.238		MD 06 C 1001		82,540
HOME Program - Ashburton Apartments	14.239		M-XX-MC-24-0200		472,690
HOME Program - Barclay Phase II	14.239		M-11-MC-24-0200		150,003
HOME Program - Episcopal Housing-CDC CHDO	14.239		M-11-MC-24-0200		20,000
HOME Program - Fells Point Sta.-1621 Bank St.	14.239		M-11-MC-24-0200		575,799
HOME Program - Lillian Jones Sr. Apartments	14.239		M-11-MC-24-0200		98,971
HOME Program - Manor South Senior Apartments	14.239		M-XX-MC-24-0200		350,000
HOME Program - MiCasa Phase III Homeownership	14.239		M-11-MC-24-0200		905,510
HOME Program - O'Donnell Townhomes	14.239		M-XX-MC-24-0200		1,500,000

**CITY OF BALTIMORE - SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2014**

<u>FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE</u>	<u>FEDERAL CFDA NUMBER (4)</u>	<u>ARRA (5)</u>	<u>FEDERAL IDENTIFICATION NUMBER (3)</u>	<u>STATE GRANT IDENTIFICATION NUMBER</u>	<u>DISBURSEMENTS/ EXPENDITURES</u>
HOME Program - Orchard Ridge Phase 4	14.239		M-XX-MC-24-0200		300,000
HOME Program - People's Homesteading Group	14.239		M-11-MC-24-0200		60,316
HOME Program - Program Income	14.239		M-11-MC-24-0200		(346,930)
HOME Program - Renaissance Gardens Sr. Apts	14.239		M-11-MC-24-0200		400,000
HOME Program - Shannon House	14.239		M-XX-MC-24-0200		333,524
HOME Program FY2007	14.239		M-06-MC-24-0200		714
HOME Program FY2008	14.239		M-07-MC-24-0200		975
HOME Program FY2010	14.239		M-09-MC-24-0200		134
HOME Program FY2011	14.239		M-10-MC-24-0200		1,198
HOME Program FY2013	14.239		M-12-MC-24-0200		13,249
HOME Program FY2014	14.239		M-13-MC-24-0200		129,255
HOME Settlement Expense Grants	14.239		M-10-MC-24-0200		45,000
Housing Opportunity for Persons with AIDS (HOPWA)	14.241				1,412,818
Housing Opportunity for Persons with AIDS (HOPWA)	14.241				268,994
Housing Opportunity for Persons with AIDS (HOPWA)	14.241				79,960
Housing Opportunity for Persons with AIDS (HOPWA)	14.241		MD-06-H12-F001		4,578,167
Housing Opportunity for Persons with AIDS (HOPWA)	14.241		MD-H07-F001		714
Housing Opportunity for Persons with AIDS (HOPWA)	14.241		MD-H08-F001		350,205
Housing Opportunity for Persons with AIDS (HOPWA)	14.241		MD-H08-F001		1,164,206
Housing Opportunity for Persons with AIDS (HOPWA)	14.241		MD-H10-0017		4,344
Housing Opportunity for Persons with AIDS (HOPWA)	14.241		MD-H10-0017		883,798
Dawson Safe Haven - HUD 108	14.251		B-06-SP-MD-0435		127,294
EBDI Median Strip	14.251		B-06-SP-MD-0437		2,709
FY13 HUD LEAD Program	14.905		MDLHD024812		94,339
FY14 HUD LEAD Program	14.905		MDLHD024812		901,480

**CITY OF BALTIMORE - SINGLE AUDIT
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FISCAL YEAR ENDED JUNE 30, 2014**

<u>FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE</u>	<u>FEDERAL CFDA NUMBER (4)</u>	<u>ARRA (5)</u>	<u>FEDERAL IDENTIFICATION NUMBER (3)</u>	<u>STATE GRANT IDENTIFICATION NUMBER</u>	<u>DISBURSEMENTS/ EXPENDITURES</u>
TOTAL DIRECT GRANTS					\$60,390,935
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					\$60,390,935
DEPARTMENT OF JUSTICE					
DIRECT GRANTS					
Drug Interdiction & Violence Reduction Initiative	16.580		2004-DD-BX-1304		1,201
Balto City Adult Drug Court Expansion	16.585		2010-DC-BX-0054		108,575
Lethality Assessment	16.588		2011-CD-BX-0079		39,999
Domestic Violence Reduction Initiative (GTEAP)	16.590		2011-WE-AX-0031		278,076
Weed and Seed - Community Capacity Development Office	16.595		1999-WS-2X-0104		6,373
Public Safety Partnership & Community Policing Grant (COPS)	16.710		2009-RJ-WX-0051		464,098
Edward Byrne Memorial Justice Assistance Grant (JAG) VII	16.738				11,129
Edward Byrne Memorial Justice Assistance Grant (JAG) VII	16.738		2011-DJ-BX-3337		28,388
Edward Byrne Memorial Justice Assistance Grant (JAG) VII	16.738		2011-DJ-BX-3337		311,425
Edward Byrne Memorial Justice Assistance Grant (JAG) VIII	16.738		2012-DJ-BX-1174		192,049
FY2014 Juvenile Diversion	16.738		2012-DJ-BX-1174		61,312
Justice Assistance Grant (JAG II)	16.738		2006-DJ-BX-0398		135,000
Justice Assistance Grant (JAG VI)	16.738		2010-DJ-BX-0705		149,571
Justice Assistance Grant (JAG)	16.738				(160,000)
LETS - Crime Scene Investigation Training	16.738		BJAG-2011-0041		4,875
Traffic Safety - SHA	16.738		2011-DJ-BX-3337		53,905
DNA Backlog Reduction Program	16.741				119
DNA Backlog Reduction Program FY2011	16.741		2011-DN-BX-K463		40,185
DNA Backlog Reduction Program FY2012	16.741		2012-DN-BX-0067		394,068
DNA Backlog Reduction Program FY2013	16.741		BCVC-2012-1801		15,410

**CITY OF BALTIMORE - SINGLE AUDIT
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<u>FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE</u>	<u>FEDERAL CFDA NUMBER (4)</u>	<u>ARRA (5)</u>	<u>FEDERAL IDENTIFICATION NUMBER (3)</u>	<u>STATE GRANT IDENTIFICATION NUMBER</u>	<u>DISBURSEMENTS/ EXPENDITURES</u>
Gang Elimination Task Force - MSP (GETF)	16.753		2008-DD-BX-0161		82,202
Edward Byrne Memorial Justice Assistance Grant (JAG) to Local Gov'ts	16.804	Y	2009-SB-B9-0020		(16,173)
McElderry Park Revitalization Coalition	16.817		2012-AJ-BX-0014		126,834
Post-Conviction DNA Testing	16.820				63,049
Shared Assets-Target Violent Criminals-Special Operations-Marine Unit	16.922				364,045
U.S. Dept. of Justice - Asset Sharing (Police)	16.922				1,778,741
TOTAL DIRECT GRANTS					<u>\$4,534,456</u>
BALTIMORE CITY PUBLIC SCHOOL SYSTEM					
BCPSS - Alternative High School FY2013	16.541				20,087
BCPSS - Alternative High School FY2014	16.541				169,344
Juvenile Diversion Earmark	16.541		2010-JJ-FX-0466		30,963
TOTAL BALTIMORE CITY PUBLIC SCHOOL SYSTEM					<u>\$220,394</u>
MARYLAND EMERGENCY MANAGEMENT AGENCY					
FY2013 State Homeland Security Grant Program	16.741		2011-DN-BX-0067		32,959
TOTAL MARYLAND EMERGENCY MANAGEMENT AGENCY					<u>\$32,959</u>
MARYLAND STATE DEPARTMENT OF HUMAN RESOURCES					
Family Bereavement Center	16.575		VOCA-2012-1311		191,650
Juvenile Courts Victim Specialist	16.738			VOCA-2011-1312	(1,917)
TOTAL MARYLAND STATE DEPARTMENT OF HUMAN RESOURCES					<u>\$189,733</u>
MARYLAND GOVERNOR'S OFFICE OF CRIME CONTROL AND PREVENTION					
GOCCP - Pre-Adjudication and Coordination & Transition Center (PACT)	16.523			JABG-2012-0001	104,970
GOCCP - Pre-Adjudication and Coordination & Transition Center (PACT)	16.523			JABG-2011-1516	13,423
Safe Haven for Children - Supervised Visitation	16.527		SHSV-2009-0001		128,506

**CITY OF BALTIMORE - SINGLE AUDIT
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<u>FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE</u>	<u>FEDERAL CFDA NUMBER (4)</u>	<u>ARRA (5)</u>	<u>FEDERAL IDENTIFICATION NUMBER (3)</u>	<u>STATE GRANT IDENTIFICATION NUMBER</u>	<u>DISBURSEMENTS/ EXPENDITURES</u>
GOCCP - Pre-Adjudication and Coordination & Transition Center (PACT)	16.540			JJAC-2012-1616	84,139
FY2011 Victims of Crime Act (VOCA) - SART Coordination	16.575		2010-SS-TO-0025		43,085
Enhancing Service to Victims - Edward Byrne Memorial Formula Grant	16.579		BYRN-2000-1090		5,259
Gun & Gang Impact FY2010	16.580		2010-DD-BX-0027		90,288
BJAG Adult Drug Court - Circuit Court	16.585				60,523
Drug Court Discretionary Grant	16.585				234,485
Domestic Violence Advocacy - Prosecution of Criminals	16.588		VAWA-2011-1020		61,859
DV Victim/Witness Liaison Program - VAWA	16.588				40,435
DV Warrant Service Expansion	16.588		VAWA-2012-1626		25,000
FCD DV Liaison Program VAWA	16.588		VAWA-2012-1626		42,421
Lethality Assessment (Violence Against Women Act - VAWA)	16.588		VAWA-2011-1320		(16,369)
Lethality Assessment (Violence Against Women Act - VAWA)	16.588		VAWA-2012-1320		41,883
VAWA - Domestic Violence Victim/Witness Liaison	16.588		VAWA-2011-1526		(20,010)
Domestic Violence Unit Centralization Prj Leonard Byrne Memorial Justice Asst G	16.738			BJAG-2005-1072	3,828
Sexual Assault Response II	16.738		BJAG-2010-1006		39,383
Sexual Assault Response Team Advocate (SART)	16.738		BJAG-2010-1263		12,413
FY2012 Homeland Security Grant Program	16.741		2011-DN-BX-K6443		209,909
Coverdell Competitive - Latent Print Examiner	16.742		2011-CD-BX-0079		56,420
Coverdell Forensic Science Improvement Program	16.742		CFSI-2012-1706		6,374
FY2012 Paul Coverdell Forensic Science Improvement	16.742		2012-CD-BX-0014		175,000
State Coverdell - Backlog Reduction	16.742				20,397
Cell Phone Interdiction - Prosecution of Criminals	16.751		EIFI-2011-1002		39,069
TOTAL MARYLAND GOVERNOR'S OFFICE OF CRIME CONTROL AND PREVENTION					<u>\$1,502,690</u>

**CITY OF BALTIMORE - SINGLE AUDIT
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FISCAL YEAR ENDED JUNE 30, 2014**

<u>FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE</u>	<u>FEDERAL CFDA NUMBER (4)</u>	<u>ARRA (5)</u>	<u>FEDERAL IDENTIFICATION NUMBER (3)</u>	<u>STATE GRANT IDENTIFICATION NUMBER</u>	<u>DISBURSEMENTS/ EXPENDITURES</u>
MARYLAND STATE DEPARTMENT OF JUVENILE SERVICES					
Dept of Juvenile Services - Expansion for Girls	16.523			13-SG-001	17,331
Dept of Juvenile Services - PACT	16.523				41,345
TOTAL MARYLAND STATE DEPARTMENT OF JUVENILE SERVICES					<u>\$58,676</u>
TOTAL DEPARTMENT OF JUSTICE					<u>\$6,538,908</u>
DEPARTMENT OF LABOR					
DIRECT GRANTS					
Civic Justice Corps	17.261		YF-21921-1160A24		161,649
Continuum of Opportunity Re-entry Prg and Services (CORPS) Initiative - DJS	17.261		YV-18882096-0-A24		13,807
TOTAL DIRECT GRANTS					<u>\$175,456</u>
BALTIMORE CITY PUBLIC SCHOOL SYSTEM					
BCPSS - After School Matters	17.261				737
BCPSS - After School Matters	17.261				1,287
BCPSS - FUTURES	17.261				51,581
BCPSS - FUTURES	17.261				1,629
BCPSS - FUTURES	17.261				24,755
BCPSS - FUTURES - Reginald Lewis HS	17.261				1,520
WIA Pilots, Demonstrations and Research Projects - BCPSS - WEB DuBois Prg	17.261				1,480
WIA Pilots, Demonstrations and Research Projects - BCPSS - WEB DuBois Prg	17.261				9,605
TOTAL BALTIMORE CITY PUBLIC SCHOOL SYSTEM					<u>\$92,594</u>
MARYLAND STATE DEPARTMENT OF JUVENILE SERVICES					
Dept of Juvenile Services - CORPS	17.261			13-IG-002	38,507

**CITY OF BALTIMORE - SINGLE AUDIT
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<u>FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE</u>	<u>FEDERAL CFDA NUMBER (4)</u>	<u>ARRA (5)</u>	<u>FEDERAL IDENTIFICATION NUMBER (3)</u>	<u>STATE GRANT IDENTIFICATION NUMBER</u>	<u>DISBURSEMENTS/ EXPENDITURES</u>
TOTAL MARYLAND STATE DEPARTMENT OF JUVENILE SERVICES					\$38,507
MARYLAND DEPARTMENT OF LABOR, LICENSING AND REGULATION					
Ex-Offender - Prison to One Stop Project/Wagner Peyser	17.207			P00B3400872	43,290
Ex-Offender - Prison to One Stop Project/Wagner Peyser	17.207			P00B4400179	299,261
BRAC (Base Realignment) - Statewide Grant	17.258				26,466
WIA - Adult	17.258			P00B1400034-A	2,048
WIA - Adult	17.258			P00B4400048-A	1,172,324
WIA - Adult	17.258			P00B3400007-A	197,853
WIA - Adult	17.258				14,697
WIA - Adult	17.258			P00B2400009-A	49,149
WIA - Adult (Mod #002)	17.258			P00B4200029-B	6,299
WIA - Youth	17.259			P00B3400007-B	492,304
WIA - Youth	17.259			P00B2400009-B	100,474
WIA - Youth	17.259			P00B1400034-B	120
WIA - Youth	17.259				18,697
WIA - Youth	17.259			P00B8200031-C	1,109
WIA - Youth	17.259			P00B4400006-B	2,219,811
WIA - Youth (Mod #002)	17.259			P00B7200004-C	70,921
WIA - Youth (Mod #002)	17.259			P00B3200020-C	19,970
WIA - Youth (Mod #003)	17.259			P00B4200159-C	17,860
WIA - ARRA - OJT National Emergency Grant	17.260			P00B1400191	60,301
Operation Safe Kids	17.263				46,818
Maturity Works - Older Workers Healthcare Careers	17.268				2,097
Pathways to CyberSecurity Careers Consortium	17.269				5,222

**CITY OF BALTIMORE - SINGLE AUDIT
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<u>FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE</u>	<u>FEDERAL CFDA NUMBER (4)</u>	<u>ARRA (5)</u>	<u>FEDERAL IDENTIFICATION NUMBER (3)</u>	<u>STATE GRANT IDENTIFICATION NUMBER</u>	<u>DISBURSEMENTS/ EXPENDITURES</u>
Ex-Offender - Living Classroom Foundation	17.270				145,187
Youth Opportunity HABC - Youth Build Project	17.274				16,275
MD Energy Sector Partnership Grant	17.275			P00B1400001	19,404
BRAC (Base Realignment) National Emergency Grant	17.277			P00B2400129	15,950
NEG - RG Steel Project	17.277			P00B3400867	128,051
Early Intervention Facilitator (Mod # 001)	17.278			P00B4400063	211,809
Early Intervention Facilitator (Mod # 001)	17.278			P00B3400874	21,357
WIA - Dislocated Worker	17.278			P00B2400095-C	51,832
WIA - Dislocated Worker	17.278			P00B3400007-C	132,788
WIA - Dislocated Worker	17.278			P00B1400034-C	10,913
WIA - Dislocated Worker	17.278			P00B4400048-C	885,860
Accelerating Connections to Employment (ACE)	17.283				119,138
TOTAL MARYLAND DEPARTMENT OF LABOR, LICENSING AND REGULATION					\$6,625,655
TOTAL DEPARTMENT OF LABOR					\$6,932,212
DEPARTMENT OF TRANSPORTATION					
DIRECT GRANTS					
Intercity/Intermodal Terminal (FTA Grant)	20.500		MD-04-0021-00		95,773
Kent Street Streetscape (FTA Grant)	20.500		MD-03-0119-000		555,640
Baltimore City Tour Bus Facility (FTA Grant)	20.507		MD-95-X013-00		11,355
TOTAL DIRECT GRANTS					\$662,768
MARYLAND EMERGENCY MANAGEMENT AGENCY					
FY2013 Hazardous Materials Emergency Preparedness	20.703				10,866
FY2014 Hazardous Materials Emergency Preparedness	20.703				8,216

**CITY OF BALTIMORE - SINGLE AUDIT
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FISCAL YEAR ENDED JUNE 30, 2014**

<u>FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE</u>	<u>FEDERAL CFDA NUMBER (4)</u>	<u>ARRA (5)</u>	<u>FEDERAL IDENTIFICATION NUMBER (3)</u>	<u>STATE GRANT IDENTIFICATION NUMBER</u>	<u>DISBURSEMENTS/ EXPENDITURES</u>
TOTAL MARYLAND EMERGENCY MANAGEMENT AGENCY					\$19,082
BALTIMORE METROPOLITAN COUNCIL					
Unified Planning Work Program-Metropolitan Transportation Planning	20.505				39,694
TOTAL BALTIMORE METROPOLITAN COUNCIL					\$39,694
MARYLAND STATE DEPARTMENT OF TRANSPORTATION					
1-83 AT 29th Street Emergency Repairs	20.205		0831 (117)	BC316-005-815	15,226
Annapolis Road Bridge	20.205		000S (766)	BC269-060-815	131,505
Argonne Dr. Streetscape, Hillen Rd. to McCallum St.	20.205			315-065-815	180,729
Baltimore City Bridge Inspection Program FY2009/10	20.205		NBIS 107	BC269-080-815	(477)
Boston to Chester St. - Co #95320	20.205		TR95320	311-213-815/316-003-815	1,108,148
Boston/O'Donnell Connecting Road - Phase 2	20.205		3045 (014)	BC315-111-815	426,744
Bridge Replacement of Frederick Ave Bridge over Gwynns Falls	20.205		3012 (015)	BC269-074-815/269-061-815	10,452,754
Bridges Safety Improvements along I-83	20.205		10004	243-088-815	4,039,560
Canton Industrial Park/ Recons of Newkirk St from Keith Ave to Boston St.	20.205		3239 (005)	BC315-090-815	690
Capital Project (Hwy) Northern Parkway	20.205		3341 (002)	321-001-815	78,891
Central Ave. Phase 2	20.205		3057(005)	BC315-075-815	190,352
Construction of Traffic Signals and Rewiring Citywide	20.205			430-002	151,050
Construction on CCTV Cameras & Signals Rewiring - JOC	20.205		000A (519)	BC319-010-815	9,972
D.O.T. Park Circle Intersection	20.205		000A (709)	BC319-012-815	180,131
Downtown Infrastructure Improvement	20.205			315-096-815	17,953
Druid Hill Park	20.205				8,635
Dundalk Ave Streetscape from Eastern Ave to Baltimore City Line	20.205		3049 (003)	BC315-087-815	4,059,593
Edmondson Ave. Bridge over CSX	20.205		BR-2441(017)	BC269-066-815	142,113
Edmondson Village Street and Pedestrian Lighting	20.205	Y	000A (539)	BC321-010-815	135,985

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Fairfield Ecological Industrial Park	20.205		0459 (006)	BC318-017-815	17,615
Fells Pt. Water Taxi Dock Replacement	20.205				100,458
Ferry Boat Project in Baltimore Inner Harbor	20.205	Y	0003 (141)	BC321-009-815	317,005
Fort Avenue Bridge over CSX	20.205		3260 (003)	BC269-081-815	279,805
Frederick Rd. Bridge over Amtrak	20.205			269-041-815/269-052-815	155,057
Fulton Avenue Streetscape	20.205				124,968
Geomteric Improvements at Various Location in Baltimore City	20.205			410-006	167,441
Hanover St Bridge over Middle Branch	20.205		STP-1191(026)	BC269-073-815	4,102
Hanover Street, Frankfurt Avenue to Bridge	20.205		STP-119-1(25)E	315-058-815	3,235
Harford Rd. Imp. Argonne Dr to Bayonne Ave.	20.205		STP-3033(006)	BC315-057-815	257,695
Harford Road Bridge over Herring Run	20.205		3033 (005)	BC269-067-815	117,860
Harford Road Bridge over Herring Run	20.205		3033 (005)	BC269-067-815	494,489
Hawkins Point Road Bridge/ Pennington Ave Empowerment, PE	20.205		0459 (001)	BC269-059-815	724,750
Highway Planning & Construction Baltimore City Traffic Mgmt Center	20.205			BC319-025-815	818,298
Highway Planning & Construction Baltimore City Traffic Mgmt Center	20.205			BC319-013-815	39,901
Inner Harbor East Improvements	20.205		0003 (256)	AX925125	4,165,312
Installation of Vehicle Detection Devices Citywide	20.205		000A (453)	BC319-005-815	(300)
ITS - Installation of Fiber and Copper Communication Systems	20.205		3077 (001)	BC319-008-815	1,746
ITS Improvements - New Traffic Signals	20.205		000A (942)	BC319-017-815	102,757
Jones Falls Greenway Phase IV	20.205				405,615
Jones Falls Trail - Phase II Lanvale Ave./ Maryland Ave to Conway St.	20.205		1377(002)/ 1377 (001)	BC318-014-815/ BC318-018-815	273,331
Jones Falls Trail Phase I - Druid Hill to Penn Station	20.205		0400 (001)	BC318-004-815	2,537
Key Highway Gateway Beautification	20.205		3068 (004)	AX8145125	307,522
Key Highway Street Improvement	20.205		3065 (005)	BC319-015-815	209,955
Lafayette Ave. Bridge over Amtrak	20.205		BHF-3378 (001) E	BC269-064-815	111,837

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FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE	FEDERAL CFDA NUMBER (4)	ARRA (5)	FEDERAL IDENTIFICATION NUMBER (3)	STATE GRANT IDENTIFICATION NUMBER	DISBURSEMENTS/ EXPENDITURES
Liberty Hieghts & Druid Hill Park Improvements	20.205		HP1454(001)E	BC322-002-815	874,268
Midtown Streetscape - Mt. Royal Avenue Improvements	20.205		000A (735)	BC315-101-815	224,949
MLK Blvd at Howard St. Intersection Improvement	20.205		STP3065 (012)	BC315-112-815/322-002-815	277,839
National Aquarium - Center for Aquatic Life and Conservation	20.205		4311 (001)	BC318-019-815/ BC318-020-815	1,521,576
North Charles St. Reconstruction from 25th St. to University Parkway	20.205		3071 (005)	BC315-108-815	7,604,473
Northern Parkway Adap Signal Center	20.205				201,330
Northern Parkway and I83 Sign Repl	20.205			319-020	71,615
Orleans St. Improvements	20.205			321-003-815	851,845
Park Heights Avenue	20.205			321-005	71,882
Pavement Management System	20.205				222
Pavement Management System	20.205		000A (750)	BC315-106-815	528,775
Pedestrian Street Lighting Historic District	20.205			AX2615125	2,013
Pennington Ave. Bridge over Curtis Creek	20.205		STP-3001(039) / 3001(044)	BC269-072-815/BC318-011-815	5,122
Potee Street from Hanover Street to City Line	20.205			315-048	65,665
Recons Central Ave. & Storm Drain Eastern Ave. to N Madison St.	20.205		3057 (004)	BC320-001-815 & BC321-006-815	8,061,463
Reconst Broening Highway from Holabird Ave. to Colgate Creek & Keith Ave.	20.205		3048 (002)	BC315-099-815	2,484,427
Reconst East North Avenue from Aisquith St. to Wolf St.	20.205		0468 (002)	BC315-079-815	333,871
Reconstruct Traffic Signals Citywide	20.205	Y	000A (502)	BC321-007-815	541,507
Reconstruction of Bulkhead Promenade	20.205		TC-STP-1(710)N	AT256125	152,762
Reconstruction of Cheapeake Ave Phase I	20.205		TR03325	315-059-815	71,135
Rehabilitate Roadways around East Baltimore Life Science Park	20.205		1571(001)	BC318-013-815	447,221
Reisterstown Rd. Streetscape from Northen Pkwy to Balt. City Line	20.205		3017 (021)	BC315-089-815	785,142
Replac. Annapolis Road over Baltimore/Washigton Pkwy (MD 295)	20.205		3005 (007)	BC269-077-815	23,929
Replacement of Two Bearings on Howard Street Arch Bridge	20.205		3069 (013)	BC269-079-815	656,070
Resurf Wilkens Ave - West Brunswick St to Fulton A	20.205			315-086-815	208,690

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Resurfacing - Erdman Avenue from Sinclair Lane to Macon Street	20.205			315-076	17,369
Resurfacing - Gwynns Falls Parkway - Sctor II	20.205			315-081	70,008
Resurfacing - North Avenue-Aisquith Street to Belair Road	20.205			BC311-001-815	100,166
Resurfacing at Various Locations, Southeast Sector IV - FY 2011	20.205		000A (741)	BC315-105-815	20,390
Resurfacing at Various Locations, Southwest Sector III - FY 2011	20.205		000A (740)	BC315-104-815	306,384
Resurfacing Harford Rd.	20.205				516,448
Resurfacing Harford Road: North Ave.	20.205			315-088	216,829
Resurfacing Highways Citywide	20.205			321-008	18,457
Resurfacing Hwys - SW III	20.205				494,291
Resurfacing Sector III - Curtis Avenue	20.205		STP000 A 493	315-084-815	85,342
Resurfacing Southeast - North Point Blvd	20.205			315-071-815	133,323
Resurfacing Various Locations Citywide	20.205		000A (651)	BC315-097-815	509
Resurfacing Various Locations in Baltimore City Southeast Sec IV	20.205		000A (628)	BC315-095-815	(51,468)
Resurfacing Various Locations, Northeast Sector I - FY 2011	20.205		000A (738)	BC315-102-815	19,720
Resurfacing Various Locations, Northeast Sector I, FY 2012	20.205		000A (859)	BC315-113-815	930,924
Resurfacing Various Locations, Northeast, Sector I	20.205			410-001	116,102
Resurfacing Various Locations, Northeast, Sector I	20.205			315-092-815	250,791
Resurfacing Various Locations, Northwest Sector II, FY 2011	20.205		000A (739)	BC315-103-815	3,647
Resurfacing Various Locations, Northwest Sector II, FY 2012	20.205		000A (860)	BC315-114-815	43,355
Resurfacing Various Locations, Southeast Sector IV	20.205				1,900,423
Resurfacing Various Locations, Southeast Sector IV, FY 2012	20.205		000A (862)	BC315-116-815	174,622
Resurfacing Various Locations, Southwest Sector III, FY '12	20.205		000A (861)	BC315-115-815	402,678
Resurfing Wilkens Ave. from West Brunswick St. to Fulton Ave.	20.205		2511 (064)	BC315-086-815	1,042
Roland Park Complete Sts.	20.205			410-007	3,911
Russell Street & Monroe Street Ramp to Russell Street over CSXT	20.205		000A (093)	BC269-084-815	248,264

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Safe Routes to School Infrastructure	20.205		0001 (913)	AX352B51	661,074
SE Transportation Action Plan Intersection Improvements(Act.10)	20.205		000A(803)	BC315-109-815	1,012,701
Signal Timing Optimization-Central Bus. District and Principal Gateway Arterials	20.205		BRF-3149(004)	BC315-070-815	122,148
Sinclair Lane Bridge over CSX Rail Road - Rehabilitation	20.205		2755 (001)	BC318-016-815	4,508,323
Sisson Street over CSX	20.205				80,231
Traffic Signal & Variable Message Signal	20.205			319-019	99,834
Traffic Signal System Integration	20.205		000S (844)	BC318-002-815	721,166
Variable Message Signs	20.205		000A (454)	BC319-007-815	(108,128)
Washington Blvd./I-95 Reconstruction	20.205		000A (002)	BC315-062-815	(708,612)
West Baltimore Trail Improvement Project	20.205		0033 (001)	BC318-021-815	5,318
Westside Corridor Design	20.205				76,985
Wilkens Ave. Bridge over Gwynns Falls	20.205		BHF-2511(055)	BC269-071-815	175,306
York Road Rehabilitation 43 St to Glenwood Avenue	20.205		3025 (015)	BC315-107-815	323,517
Youth Opportunity Urban Youth Corps	20.205				15,611
Jones Falls Trail Interpretive Signage - Major Parks Improvements	20.219			RT0602	20,000
Ridesharing/Commuter Assistance Grant	20.507			MD-95-0005	74,501
Ridesharing/Commuter Assistance Grant	20.507			MD-95-0005	11,413
Ridesharing/Commuter Assistance Grant - Metropolitan Transportation Planning	20.507		MD 90 X 081	MD-90-9081	775
Traffic Safety Grant - State and Community Highway Safety	20.600				25,090
Traffic Safety Grant - State and Community Highway Safety	20.600				61,052
Safe Route to School II (N & I)	20.609		52-600-169	S08-008	78,392
TOTAL MARYLAND STATE DEPARTMENT OF TRANSPORTATION					\$69,880,560
MARYLAND DEPARTMENT OF LABOR, LICENSING AND REGULATION					
DLLR - Highway/Capital Transit Construction Skills	20.205			P00B4401078	93,014

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TOTAL MARYLAND DEPARTMENT OF LABOR, LICENSING AND REGULATION					\$93,014
TOTAL DEPARTMENT OF TRANSPORTATION					\$70,695,118
EQUAL EMPLOYMENT OPPORTUNITY COMMISSION					
DIRECT GRANTS					
Equal Employment Opportunity	30.002			MD-92-0401-000	(35,050)
TOTAL DIRECT GRANTS					(35,050)
TOTAL EQUAL EMPLOYMENT OPPORTUNITY COMMISSION					(35,050)
ENVIRONMENTAL PROTECTION AGENCY					
DIRECT GRANTS					
Healthy Homes	66.034				48,061
Healthy Homes	66.034		XA-963158-01		9,450
Integrated Pest Management	66.716		X8-83445701		(27,062)
TOTAL DIRECT GRANTS					\$30,449
MARYLAND STATE DEPARTMENT OF HEALTH AND MENTAL HYGIENE					
Healthy Homes - Bedbugs	66.714			CHB 68 BBB	26,820
TOTAL MARYLAND STATE DEPARTMENT OF HEALTH AND MENTAL HYGIENE					\$26,820
TOTAL ENVIRONMENTAL PROTECTION AGENCY					\$57,269
DEPARTMENT OF ENERGY					
DIRECT GRANTS					
Local Energy Assurance Planning (LEAP)	81.122	Y	DE-DE0000410		67,128
Energy Efficiency and Conservation Block Grant (EECG)	81.128	Y	DE-EE0000738		571,761

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TOTAL DIRECT GRANTS					\$638,889
MARYLAND STATE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT					
DOE Weatherization	81.042			R340649	2,104
DOE Weatherization	81.042			R340649	441
DOE Weatherization	81.042			R340649	660,361
DOE Weatherization	81.042			R340649	680,899
DOE Weatherization	81.042			R340649	(97,094)
Weatherization Assistance	81.042	Y	DE-EE000040		(55,632)
TOTAL MARYLAND STATE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT					\$1,191,079
TOTAL DEPARTMENT OF ENERGY					\$1,829,968
DEPARTMENT OF EDUCATION					
MARYLAND STATE DEPARTMENT OF EDUCATION					
Infants and Toddlers	84.027			900559-02	(3)
Infants and Toddlers	84.027			144555	503,451
Infants and Toddlers	84.027			104587-02	(613)
Infants and Toddlers	84.027			124730-02	(5,701)
Infants and Toddlers	84.027			134425-02	34,075
Infants and Toddlers/Extended Option	84.027				15,246
Infants and Toddlers	84.173			144555	14,807
Infants and Toddlers	84.173			900559-03	(1)
Infants and Toddlers	84.173			104587-03	(102)
Infants and Toddlers	84.173			124730-03	(713)
Infants and Toddlers	84.173			134425-03	5,679

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Infants and Toddlers	84.181			124730-01	(31,353)
Infants and Toddlers	84.181			134425-01	198,772
Infants and Toddlers	84.181			104587-01	(3,679)
Infants and Toddlers	84.181			144555	814,407
Infants and Toddlers	84.181			900559-01	(17)
Infants and Toddlers/Extended Option	84.181				254,074
ARRA - Infants & Toddlers - Part C	84.393	Y		104572	(2,679)
TOTAL MARYLAND STATE DEPARTMENT OF EDUCATION					\$1,795,650
TOTAL DEPARTMENT OF EDUCATION					\$1,795,650
DEPARTMENT OF HEALTH AND HUMAN SERVICES					
DIRECT GRANTS					
Healthy Homes - Asthma	93.061				132
Healthy Homes - Asthma	93.061		5R18EH000349-03		91,086
Healthy Homes - Asthma Disability FY2009	93.061				876
Baltimore City Health Impact Assessment (HIA)	93.070				66,333
Baltimore City Health Impact Assessment (HIA)	93.070		5UE1EH000910		75,058
Impact Assessment	93.070		5UE1EH000910		40,905
Tuberculosis Elminiation and Laboratory	93.116		5U52PS300466-32		174,462
Tuberculosis Elminiation and Laboratory	93.116		5U52PS300466-32		16,818
Tuberculosis Elminiation and Laboratory	93.116		U52/CCU300466-30		(22,096)
Tuberculosis Elminiation and Laboratory	93.116		U52/CCU300466-31		104,624
Healthy Schools/Healthy Communities	93.224		6-H80 CS00366-03-02		48
Balto City Adult Drug Court Expansion	93.243		5-H79TI023396		412,214
Alcohol Exposed Pregnancy Intervention	93.283		1U4DD000555-03		25,858

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Alcohol Exposed Pregnancy Intervention	93.283		5U84DD000555-04		90,399
CAA Children's Services - Head Start - Pediatric HIV Project	93.600				757,254
CAA Children's Services - Head Start - Pediatric HIV Project	93.600				2,123,096
CAA Children's Services - Head Start FY2009	93.600		03CH0207/44		8,989
CAA Children's Services - Head Start FY2010	93.600		03CH0207/45		12,454
CAA Children's Services - Head Start FY2011	93.600		03CH0207/46		30,671
CAA Children's Services - Head Start FY2012	93.600		03CH0207/47		47,209
CAA Children's Services - Head Start FY2013	93.600		03CH0207/48		2,974,865
CAA Children's Services - Head Start FY2014	93.600		03CH0207/49		20,233,095
Early Head Start - Pediatric HIV Project	93.600				49,892
Early Head Start - Pediatric HIV Project	93.600				43,143
HIV Emergency	93.914		5 H89 HA00017		11,075
HIV Emergency	93.914		5 H89 HA00017		3,650,299
HIV Emergency	93.914		5 H89 HA00017		731,991
HIV Emergency	93.914		5 H89 HA00017		65,985
HIV Emergency	93.914		5 H89 HA00017		10,883,404
HIV Emergency	93.914		5 H89 HA00017		(273,851)
HIV Emergency - Minority AIDS Initiative (MAI)	93.914		5 H89 HA00017		6,653
Ryan White II - A - Minority AIDS	93.914		H89 HA00017		929,024
Ryan White II - A - Minority AIDS	93.914		H89 HA00017		6,183
Ryan White II - A - Minority AIDS	93.914		H89 HA00017		359,680
Ryan White II - A - Minority AIDS	93.914		H89 HA00017		204,033
Healthy Start FY2003	93.926		5 H49 MC00085-2		2,624
Healthy Start FY2005	93.926		5 H49 MC00085		31,609
Healthy Start FY2007	93.926		5 H49 MC00085		36

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Family Planning Research	93.974		FPRPA 006024		476
Sexually Transmitted Disease Accelerated Prevention Campaign FY2006	93.977		H25/CCH304322-14/13		26,144
Sexually Transmitted Disease Accelerated Prevention Campaign FY2007	93.977		H25/CCH304322-15		4,342
Sexually Transmitted Disease Accelerated Prevention Campaign FY2009	93.977		5H25/PS001395-01		21,398
Sexually Transmitted Disease Accelerated Prevention Campaign FY2010	93.977		5H25/PS001395-02		3,149
Sexually Transmitted Disease Accelerated Prevention Campaign FY2011	93.977		5H25/PS001395-03		115,289
Sexually Transmitted Disease Accelerated Prevention Campaign FY2012	93.977		5H25/PS001395-04		(44,853)
Sexually Transmitted Disease Accelerated Prevention Campaign FY2013	93.977		5H25/PS001395-05		2,044,911
Sexually Transmitted Disease Accelerated Prevention Campaign FY2014	93.977		5H25/PS001395-06		100,398
Sexually Transmitted Disease Control Program	93.977		H25/CCH304322-17		(14,668)
Sexually Transmitted Disease Surveillance Network	93.977				20,503
Sexually Transmitted Disease Surveillance Network	93.977		5H25/PS001278-02		(57)
Sexually Transmitted Disease Surveillance Network	93.977		5H25/PS001278-03		3
Sexually Transmitted Disease Surveillance Network	93.977		5H25/PS001278-04		25,346
Sexually Transmitted Disease Surveillance Network	93.977		5H25/PS001278-04		222,470
TOTAL DIRECT GRANTS					<u>\$46,490,981</u>
MARYLAND EMERGENCY MANAGEMENT AGENCY					
MIEMSS National Bioterrorism Hospital Preparedness	93.889		8 U3RHS03888-01-02		32,500
MIEMSS National Bioterrorism Hospital Preparedness	93.889		BT10-PT-006		6,435
TOTAL MARYLAND EMERGENCY MANAGEMENT AGENCY					<u>\$38,935</u>
MARYLAND STATE DEPARTMENT OF HEALTH AND MENTAL HYGIENE					
Public Health Emergency Preparedness	93.069			CH 831 PHP	187,833
Public Health Emergency Preparedness	93.069			CH 831 PHP	(53,522)
Public Health Emergency Preparedness	93.069			CH 831 PHP	47,420

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Public Health Emergency Preparedness	93.069			CH 831 PHP	(29,583)
Public Health Emergency Preparedness	93.069			CH 831 PHP	7,100
Public Health Emergency Preparedness	93.069			CH 831 PHP	(94,615)
Public Health Emergency Preparedness	93.069			CH 831 PHP	414,563
Public Health Emergency Preparedness	93.069			CH 831 PHP	21,463
Public Health Emergency Preparedness (PHER) Phase I	93.069			PRO 24 PHP	(14,678)
Public Health Emergency Preparedness (PHER) Phase IV	93.069			PRO 24 PHP	483
Greater Baltimore Asthma Alliance	93.070			FHA 69 AST	17,921
Greater Baltimore Asthma Alliance	93.070			FHA 69 AST	922
ACA - Personal Responsibility Education Program	93.092			FHB 66 PRE	100,754
ACA - Personal Responsibility Education Program	93.092			FHB 66 PRE	(13,660)
ACA - Personal Responsibility Education Program	93.092			FHB 66 PRE	269,237
RW Part D Women, Infant, Children, Youth Health Support	93.153			AD 431 WIC	183,978
RW Part D Women, Infant, Children, Youth Health Support	93.153			AD 431 WIC	286,167
RW Part D Women, Infant, Children, Youth Health Support	93.153			AD 431 WIC	16,924
RW Part D Women, Infant, Children, Youth Health Support	93.153			AD 431 WIC	19,132
RWD - Youth Health Support	93.153			AD 655 YHS	(31)
HIV Integration into Family Planning	93.217			FH 771 HIV	6,216
HIV Integration into Family Planning	93.217			FH 771 HIV	28,478
HIV Integration into Family Planning	93.217			FH 771 HIV	(16,722)
HIV Integration into Family Planning	93.217			FH 771 HIV	43,629
Reproductive Health/Family Planning	93.217			FH 201 FFP	12,426
Reproductive Health/Family Planning	93.217			FH 201 FFP	318,346
Reproductive Health/Family Planning	93.217			FH 386 HTA	528,998
Reproductive Health/Family Planning	93.217			FH 201 FFP	23,133

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Reproductive Health/Family Planning	93.217			FH 201 FFP	143,469
Reproductive Health/Family Planning	93.217			FH 201 FFP	(8,447)
Reproductive Health/Family Planning	93.217			FH 201 FFP	15,188
No Wrong Door	93.243			AD 677 NWD	56,522
Baltimore City Immunization Program FY2011	93.268			CH 054 IMM	7,876
Baltimore City Immunization Program FY2013	93.268			CH 054 IMM	340,728
Baltimore City Immunization Program FY2014	93.268			CH 054 IMM	308,900
Baltimore City Immunization Program FY2014 - Vaccine	93.268	(6)		CH 054 IMM	522,543
Immunization - Hepatitis B	93.268			CH 350 IMM	1,586
Immunization - Hepatitis B	93.268			CH 350 IMM	37,474
Immunization - Hepatitis B	93.268			CH 350 IMM	39,992
Greater Baltimore Asthma Alliance	93.283			FHA 69 AST	(2,271)
Home Visiting Planning	93.505			FHB 64 HVP	227,119
Home Visiting Planning	93.505			FHB 64 HVP	184,708
Home Visiting Planning	93.505			FHB 64 HVP	1,403
HIV Partner Services	93.523			AD 631 HPS	207,699
HIV Preventive Services	93.523			AD 243 PRV	215,595
Ryan White II - Consortia Services	93.523			AD 419 RWS	15,364
Administrative Care Coordination	93.767			MA 005 EPS	14,383
Administrative Care Coordination	93.767			MA 005 EPS	222,297
PWC Eligibility	93.767			MA 157 ACM	578,525
Administrative Care Coordination	93.778			MA 005 EPS	(474,735)
Administrative Care Coordination	93.778			MA 005 EPS	107,873
Administrative Care Coordination	93.778			MA 005 EPS	1,429,051
General Transportation Services	93.778			MA 365 GTS	10,070

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General Transportation Services	93.778			MA 365 GTS	2,297,919
General Transportation Services	93.778			MA 365 GTS	(17,603)
General Transportation Services	93.778			MA 365 GTS	(18,268)
General Transportation Services	93.778			MA 365 GTS	15,962
General Transportation Services	93.778			MA 365 GTS	(9,949)
General Transportation Services	93.778			MA 365 GTS	1,215,200
Healthy Start Program	93.778			MA 411 HSP	474,740
Healthy Start Program	93.778			MA 411 HSP	24,813
Healthy Start Program	93.778			MA 411 HSP	(6,614)
PWC Eligibility	93.778			MA 157 ACM	438,277
Ryan White II - Consortia Services	93.917			AD 419 RWS	1,305,940
Ryan White II - Consortia Services	93.917			AD 419 RWS	1,968,897
Ryan White II - Consortia Services FY2011	93.917			AD 419 RWS	156,644
Ryan White II - Consortia Services FY2012	93.917			AD 419 RWS	18,529
Behavioral Intervention with Sexual Minorities	93.940			AD 243 PRV	(159,164)
Behavioral Intervention with Sexual Minorities	93.940			AD 639 MSM	14,533
Behavioral Intervention with Sexual Minorities	93.940			AD 639 MSM	13,242
Behavioral Surveillance Research	93.940			AD 626 BSR	357
Behavioral Surveillance Research	93.940			AD 626 BSR	4,405
Comprehensive HIV Prevention Project	93.940		1U62PS003640-01		907,031
Comprehensive HIV Prevention Project	93.940		5U62PS003640-02		344,838
Comprehensive HIV Prevention Project	93.940		5U62PS003640-02		2,282,167
Comprehensive HIV Prevention Project	93.940		5U62PS003640-03		288,638
Comprehensive HIV Prevention Project	93.940		5U62PS003640-03		13,787
Counseling, Testing and Referral	93.940			AD 243 CTR	(7,735)

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Expanded HIV Testing	93.940			AD 656 EHT	(104,419)
Expanded HIV Testing	93.940			AD 659 ECT	6,395
Expanded HIV Testing	93.940			AD 656 EHT	43,468
Health Education and Risk Reduction	93.940			AD 364 HER	(490,736)
HIV Partner Services	93.940			AD 631 HPS	(21,866)
HIV Prevention Services	93.940			AD 243 PRV	(5,870)
Ryan White II - Consortia Services FY2011	93.940			AD 419 RWS	(334)
Ryan White II - Consortia Services FY2012	93.940			AD 419 RWS	821
Ryan White II - Consortia Services FY2013	93.940			AD 419 RWS	15,364
Behavioral Surveillance Research	93.941			AD 626 BSR	99
Expanded HIV Testing	93.943			AD 656 EHT	111,768
Expanded HIV Testing	93.943			AD 659 ECT	128,542
Behavioral Surveillance Research	93.944			AD 626 BSR	6,865
Behavioral Surveillance Research	93.944			AD 626 BSR	535
Surveillance (AIDS)	93.944			AD 407 SUR	(61,908)
Surveillance (AIDS)	93.944			AD 407 SUR	33,305
Surveillance (AIDS)	93.944			AD 407 SUR	83,816
Surveillance (AIDS)	93.944			AD 407 SUR	2,717
Sexually Transmitted Disease/HIV Partner Counseling & Referral Svcs (PCRS)	93.977			CH 051 STD	38,749
Sexually Transmitted Disease/HIV Partner Counseling & Referral Svcs (PCRS)	93.977			CH 051 STD	75,069
Sexually Transmitted Disease/HIV Partner Counseling & Referral Svcs (PCRS)	93.977			CH 051 STD	32,939
Sexually Transmitted Disease/HIV Partner Counseling & Referral Svcs (PCRS)	93.977			CH 051 STD	40,979
Cardiovascular Risk Reduction	93.991			FHA 76 NRR	20,218
Cardiovascular Risk Reduction	93.991			FHA 76 NRR	24,042
Cardiovascular Risk Reduction	93.991			FHA 76 NRR	37,543

**CITY OF BALTIMORE - SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2014**

<u>FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE</u>	<u>FEDERAL CFDA NUMBER (4)</u>	<u>ARRA (5)</u>	<u>FEDERAL IDENTIFICATION NUMBER (3)</u>	<u>STATE GRANT IDENTIFICATION NUMBER</u>	<u>DISBURSEMENTS/ EXPENDITURES</u>
Maryland Million Heart Block Grant	93.991			FHC 27 MMH	62
Maryland Million Heart Initiative	93.991			FHD 19 MMH	85,521
Core Public Health Services	93.994			CH 560 CFT	199,256
Core Public Health Services	93.994			CH 560 CFT	597,769
Improved Pregnancy Outcome FY2010	93.994			FH 892 IPO	3,973
Improved Pregnancy Outcome FY2011	93.994			FH 892 IPO	2,150
Improved Pregnancy Outcome FY2012	93.994			FH 892 IPO	12,289
Improved Pregnancy Outcome FY2013	93.994			FH 892 IPO	169,357
Improved Pregnancy Outcome FY2014	93.994			FH 892 IPO	236,492
Lead Paint Poisoning Prevention FY2010	93.994			FH 181 MCH	743
Lead Paint Poisoning Prevention FY2011	93.994			FH 181 MCH	128,588
Lead Paint Poisoning Prevention FY2012	93.994			FH 181 MCH	(116,667)
Medical Home Project	93.994			CH 929 MHP	3,000
TOTAL MARYLAND STATE DEPARTMENT OF HEALTH AND MENTAL HYGIENE					\$19,422,444
MARYLAND STATE DEPARTMENT OF HUMAN RESOURCES					
Cooperative Reimbursement-Child Support Enforcement	93.563				54,677
Cooperative Reimbursement-Child Support Enforcement	93.563				177,254
Cooperative Reimbursement-Child Support Enforcement	93.563			CSEA/CRA-01-027	1,931
Cooperative Reimbursement-Child Support Enforcement	93.563			CSEA/CRA-09-032	3,125
Cooperative Reimbursement-Child Support Enforcement	93.563			CSEA/CRA-11-032	34,691
OHEP - MEAP FY2007/10	93.568		G-14B1MDLIEA	CSA/EA-07/04-30	233,042
OHEP - MEAP FY2011	93.568		G-14B1MDLIEA	CSA/EA-07/04-30	(2,923)
OHEP - MEAP FY2012	93.568		G-14B1MDLIEA	CSA/EA-07/04-30	(93,371)
OHEP - MEAP FY2013	93.568		G-14B1MDLIEA	CSA/EA-07/04-30	1,182,519

**CITY OF BALTIMORE - SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2014**

<u>FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE</u>	<u>FEDERAL CFDA NUMBER (4)</u>	<u>ARRA (5)</u>	<u>FEDERAL IDENTIFICATION NUMBER (3)</u>	<u>STATE GRANT IDENTIFICATION NUMBER</u>	<u>DISBURSEMENTS/ EXPENDITURES</u>
OHEP - MEAP FY2014	93.568		G-14B1MDLIEA	CSA/EA-07/04-30	3,579,796
Weatherization - REACH FY2013	93.568		G-1201MDLLIE5		136,869
Weatherization - REACH FY2014	93.568		G-1201MDLLIE5		45,905
TOTAL MARYLAND STATE DEPARTMENT OF HUMAN RESOURCES					\$5,353,515
MARYLAND STATE DEPARTMENT OF AGING					
Title VII Older Americans Act Ombudsman/Elder Abuse FY2004	93.042			3-24-AAA-002	982
Title VII Older Americans Act Ombudsman/Elder Abuse FY2014	93.042			3-24-AAA-002	107,025
Title IIID Disease Prevention and Health Promotion Services	93.043			AAA-3-24-003	24,329
Title IIID Disease Prevention and Health Promotion Services	93.043			AAA-3-24-003	7,037
Supportive Services Title IIIB	93.044			AAA-3-24-003	777,797
Supportive Services Title IIIB	93.044			3-24-AAA-003	837,649
Supportive Services Title IIIB (Administration)	93.044			AAA-3-24-003	803
Supportive Services Title IIIB FY2012	93.044			3-24-AAA-003	(171,384)
Elderly Nutrition Title IIIC-1 FY2012	93.045			AAA-3-24-003	2,853
Elderly Nutrition Title IIIC-1 FY2013	93.045			AAA-3-24-003	349,664
Elderly Nutrition Title IIIC-1 FY2014	93.045			AAA-3-24-003	1,100,371
Home Delivered Meals Title IIIC-2 FY2014	93.045			AAA-3-24-003	477,115
Older Americans Act Title IIIE FY2012	93.052			AAA-3-24-003	(16,538)
Older Americans Act Title IIIE FY2013	93.052			AAA-3-24-003	204,116
Older Americans Act Title IIIE FY2014	93.052			AAA-3-24-003	309,619
Nutrition Services Incentive Program (NSIP)	93.053				305,785
Senior Health Insurance Program (SHIP)	93.324			ST-2515-003	112,080
Senior Health Insurance Program (SHIP) FY2010	93.324			ST-2515-003	905
Senior Health Insurance Program (SHIP) FY2012	93.324			ST-2515-003	(13,137)

**CITY OF BALTIMORE - SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2014**

<u>FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE</u>	<u>FEDERAL CFDA NUMBER (4)</u>	<u>ARRA (5)</u>	<u>FEDERAL IDENTIFICATION NUMBER (3)</u>	<u>STATE GRANT IDENTIFICATION NUMBER</u>	<u>DISBURSEMENTS/ EXPENDITURES</u>
Senior Medicare Patrol (SMP)	93.779			ST-2516-003	(20,454)
Senior Medicare Patrol (SMP)	93.779				18,820
TOTAL MARYLAND STATE DEPARTMENT OF AGING					\$4,415,437
MARYLAND STATE DEPARTMENT OF THE ENVIRONMENT					
Community Bases Childhood Lead Poisoning	93.197		5 H64 EH0001374	U00P2400856	317,381
Community Bases Childhood Lead Poisoning	93.197		5 H64 EH0001374		5,708
Community Bases Childhood Lead Poisoning	93.197		5 H64 EH0001374	U00P2400856	7,052
TOTAL MARYLAND STATE DEPARTMENT OF THE ENVIRONMENT					\$330,141
MARYLAND STATE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT					
Weatherization - FY2011 MEAP	93.568		G-14B1MDLIEA	52-600-2033W	12,310
Weatherization - FY2012 MEAP	93.568		G-14B1MDLIEA	52-600-2033W	2,894
Weatherization - FY2013 MEAP	93.568		G-14B1MDLIEA	52-600-2033W	(1,698)
Community Services Block Grant FY2004	93.569		G04-B1-MD-COSR	S00P4200562-A	7
Community Services Block Grant FY2005	93.569		G05-B1-MD-COSR	S00P4200562-A	18
Community Services Block Grant FY2007	93.569		G07-B1-MD-COSR	S00P7200478-A	3,290
Community Services Block Grant FY2008	93.569		G08-B1-MD-COSR	S00P8200552-A	18,095
Community Services Block Grant FY2009	93.569		G09-B1-MD-COSR	S00P8200552-A	842
Community Services Block Grant FY2010	93.569		G10-B1-MD-COSR	S00P1400074-A	679
Community Services Block Grant FY2011	93.569		G11-B1-MD-COSR	S00P1400272-A	407
Community Services Block Grant FY2012	93.569		G12-B1-MD-COSR	S00P3400258-A	165,668
Community Services Block Grant FY2013	93.569		G13-B1-MD-COSR	S00P3400283-A	1,228,807
Community Services Block Grant FY2014	93.569		G14-B1-MD-COSR	S00P4400271-A	1,282,832
Community Service Block Grant	93.710		B08-MC-24-0010		1,319
TOTAL MARYLAND STATE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT					\$2,715,470

**CITY OF BALTIMORE - SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2014**

<u>FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE</u>	<u>FEDERAL CFDA NUMBER (4)</u>	<u>ARRA (5)</u>	<u>FEDERAL IDENTIFICATION NUMBER (3)</u>	<u>STATE GRANT IDENTIFICATION NUMBER</u>	<u>DISBURSEMENTS/ EXPENDITURES</u>
BEHAVIORAL HEALTH SYSTEMS BALTIMORE					
Alcohol Assessment Unit FY2013	93.959		ABG-5404-13		26,237
Alcohol Assessment Unit FY2014	93.959		ABG-5404-14		400,997
Forensic Alternative Services Team (FAST)	93.959			SB20A	434,340
TOTAL BEHAVIORAL HEALTH SYSTEMS BALTIMORE					<u>\$861,574</u>
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES					<u>\$79,628,497</u>
CORPORATION FOR NATIONAL & COMMUNITY SERVICE					
DIRECT GRANTS					
Retired and Senior Volunteer Program FY2011	94.002		09-SRA-MD-005		457
Retired and Senior Volunteer Program FY2012	94.002		09-SRA-MD-005		112
Retired and Senior Volunteer Program FY2013	94.002		12-SRA-MD-007		30,024
Retired and Senior Volunteer Program FY2014	94.002		12-SRA-MD-007		107,696
Senior Companion Program FY2010	94.016		09-SCA-MD-001		5,353
Senior Companion Program FY2011	94.016		09-SCA-MD-001		185,225
Senior Companion Program FY2012	94.016		09-SCA-MD-001		73
Senior Companion Program FY2013	94.016		12-SCA-MD-002		136,180
Senior Companion Program FY2014	94.016		12-SCA-MD-002		28,341
TOTAL DIRECT GRANTS					<u>\$493,461</u>
TOTAL CORPORATION FOR NATIONAL & COMMUNITY SERVICE					<u>\$493,461</u>
EXECUTIVE OFFICE OF THE PRESIDENT					
DIRECT GRANTS					
High Intensity Drug Trafficking Area (HIDTA)	95.001				10,488

**CITY OF BALTIMORE - SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2014**

<u>FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE</u>	<u>FEDERAL CFDA NUMBER (4)</u>	<u>ARRA (5)</u>	<u>FEDERAL IDENTIFICATION NUMBER (3)</u>	<u>STATE GRANT IDENTIFICATION NUMBER</u>	<u>DISBURSEMENTS/ EXPENDITURES</u>
High Intensity Drug Trafficking Area (HIDTA)	95.001		G12WB0001A		35,059
High Intensity Drug Trafficking Areas (HIDTA EXILE)	95.001				(74)
High Intensity Drug Trafficking Areas (HIDTA)	95.001				184,815
TOTAL DIRECT GRANTS					<u>\$230,288</u>
TOTAL EXECUTIVE OFFICE OF THE PRESIDENT					<u>\$230,288</u>
DEPARTMENT OF HOMELAND SECURITY					
DIRECT GRANTS					
Assistance to Firefighters Grant Program	97.044				8,444
Assistance to Firefighters Grant Program	97.044		EMW-2011-FP-01194		115,235
Assistance to Firefighters Grant Program	97.044		EMW-2012-FO-01321		70,861
FY2010 Citizen Corps Program (CCP)	97.053		2010-SS-T0-0025		(108)
FY2011 Citizen Corps Program (CCP)	97.053		2011-SS-00044-S01		2,517
Port Security Program FY2011	97.056		EMW-2011-PU-K000002-S01		77,442
Port Security V - Homeland Security	97.056		2005-GB-T5-0093		10,897
Homeland Security Grant Program FY2006	97.067		2006-GE-T6-0006		4,276
TOTAL DIRECT GRANTS					<u>\$289,564</u>
MARYLAND EMERGENCY MANAGEMENT AGENCY					
FY2008 Urban Area Security Initiative (UASI)	97.008				512
FY2010 Urban Area Security Initiative (UASI)	97.008		2010-SS-TO-0025		164,171
FY2011 Urban Area Security Initiative (UASI)	97.008		EMW-2011-SS-00044-S01		1,259,912
FY2013 Urban Area Security Initiative (UASI)	97.008				21,120
Port Security Program FY2012	97.056		EMW-2012-SS-00002-S01		940,269
Homeland Security Grant Program FY2007	97.067		2007-GE-T7-0040		3,260

**CITY OF BALTIMORE - SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2014**

<u>FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE</u>	<u>FEDERAL CFDA NUMBER (4)</u>	<u>ARRA (5)</u>	<u>FEDERAL IDENTIFICATION NUMBER (3)</u>	<u>STATE GRANT IDENTIFICATION NUMBER</u>	<u>DISBURSEMENTS/ EXPENDITURES</u>
FY2010 Metropolitan Medical Response System (MMRS)	97.071		2010-SS-TO-0025		(1,243)
MMRS (Metropolitan Medical Response System) FY2011	97.071		EMW-2011-SS-00044-S01		211,209
State Homeland Security Grant Program FY2011	97.073		EMW-2011-SS-00044-S01		797,505
State Homeland Security Program (SHSP)	97.073				18,853
State Homeland Security Program (SHSP) FY2009	97.073		2009-SS-T9-0080		(275)
State Homeland Security Program (SHSP) FY2010	97.073		2010-SS-TO-0025		188,008
Buffer Zone Protection Program FY2010	97.078		2010-BF-TO-0035		19,147
TOTAL MARYLAND EMERGENCY MANAGEMENT AGENCY					<u>\$3,622,448</u>
TOTAL DEPARTMENT OF HOMELAND SECURITY					<u>\$3,912,012</u>
TOTAL EXPENDITURE OF FEDERAL AWARDS					<u><u>\$237,290,432</u></u>

**CITY OF BALTIMORE - SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SUMMARY BY FEDERAL PROGRAM)
FISCAL YEAR ENDED JUNE 30, 2014**

<u>FEDERAL GRANTOR</u>	<u>FEDERAL PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER (5)</u>	<u>DISBURSE- MENTS/ EXPENDI- TURES</u>	<u>PAYMENTS MADE TO SUBRE- CIPIENTS</u>
DEPARTMENT OF AGRICULTURE	Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$2,015,645	
DEPARTMENT OF AGRICULTURE	Child and Adult Care Food Program	10.558	7,138	
DEPARTMENT OF AGRICULTURE	Summer Food Service Program for Children	10.559	2,358,917	
DEPARTMENT OF AGRICULTURE	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	310,870	
DEPARTMENT OF COMMERCE	MBDA Business Center	11.805	128,594	
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	Multifamily Property Disposition	14.199	1,327,111	
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	Community Development Block Grants/Entitlement Grants	14.218	25,129,485	6,002,676
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	Emergency Shelter Grants Program	14.231	1,343,260	1,343,260
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	Supportive Housing Program	14.235	8,559,280	7,575,682
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	Shelter Plus Care	14.238	9,152,363	7,579,399
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	HOME Investment Partnerships Program	14.239	5,010,408	
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	Housing Opportunities for Persons With AIDS	14.241	8,743,206	3,824,226
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	Economic Development Initiative-Special Project, Neighborhood Initiative and Miscellaneous Grant	14.251	130,003	
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	Lead Hazard Reduction Demonstration Grant Program	14.905	995,819	86,004
DEPARTMENT OF JUSTICE	Juvenile Accountability Incentive Block Grants	16.523	177,069	
DEPARTMENT OF JUSTICE	Supervised Visitation, Safe Havens for Children	16.527	128,506	3,225
DEPARTMENT OF JUSTICE	Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	84,139	
DEPARTMENT OF JUSTICE	Developing, Testing and Demonstrating Promising New Programs	16.541	220,394	16,521
DEPARTMENT OF JUSTICE	Crime Victim Assistance	16.575	234,735	
DEPARTMENT OF JUSTICE	Byrne Formula Grant Program	16.579	5,259	
DEPARTMENT OF JUSTICE	Edward Byrne Memorial State & Local Law Enforcement Assistance Discretionary Grants Program	16.580	91,489	
DEPARTMENT OF JUSTICE	Drug Court Discretionary Grant Program	16.585	403,583	108,575
DEPARTMENT OF JUSTICE	Violence Against Women Formula Grants	16.588	215,218	95,994
DEPARTMENT OF JUSTICE	Grants to Encourage Arrest Policies and Enforcement of Protection Orders	16.590	278,076	262,130
DEPARTMENT OF JUSTICE	Community Capacity Development Office	16.595	6,373	
DEPARTMENT OF JUSTICE	Public Safety Partnership and Community Policing Grants	16.710	464,098	
DEPARTMENT OF JUSTICE	Edward Byrne Memorial Justice Assistance Grant Program	16.738	841,361	20,206
DEPARTMENT OF JUSTICE	Forensic DNA Capacity Enhancement Program	16.741	692,650	
DEPARTMENT OF JUSTICE	Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	258,191	
DEPARTMENT OF JUSTICE	Edward Byrne Memorial Competitive Grant Program	16.751	39,069	
DEPARTMENT OF JUSTICE	Congressionally Recommended Awards	16.753	82,202	

CITY OF BALTIMORE - SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SUMMARY BY FEDERAL PROGRAM)
FISCAL YEAR ENDED JUNE 30, 2014

<u>FEDERAL GRANTOR</u>	<u>FEDERAL PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER (5)</u>	<u>DISBURSE- MENTS/ EXPENDI- TURES</u>	<u>PAYMENTS MADE TO SUBRE- CIPIENTS</u>
DEPARTMENT OF JUSTICE	ARRA - (JAG) Program/Grants to Units of Local Government	16.804	(16,173)	
DEPARTMENT OF JUSTICE	Byrne Criminal Justice Innovation Program	16.817	126,834	
DEPARTMENT OF JUSTICE	Postconviction Testing of DNA Evidence to Exonerate the Innocent	16.820	63,049	
DEPARTMENT OF JUSTICE	Equitable Sharing Program	16.922	2,142,786	
DEPARTMENT OF LABOR	Employment Service	17.207	342,551	
DEPARTMENT OF LABOR	Workforce Investment Act Adult Program	17.258	1,468,836	380,749
DEPARTMENT OF LABOR	Workforce Investment Act Youth Activities	17.259	2,941,266	437,081
DEPARTMENT OF LABOR	Workforce Investment Act Dislocated Workers	17.260	60,301	
DEPARTMENT OF LABOR	WIA Pilots, Demonstrations, and Research Projects	17.261	306,557	14,420
DEPARTMENT OF LABOR	Youth Opportunity Grants	17.263	46,818	
DEPARTMENT OF LABOR	H-1B Job Training Grants	17.268	2,097	
DEPARTMENT OF LABOR	Community Based Job Training Grants	17.269	5,222	
DEPARTMENT OF LABOR	Reintegration of Ex-Offenders	17.270	145,187	
DEPARTMENT OF LABOR	Youthbuild	17.274	16,275	
DEPARTMENT OF LABOR	Prg of Competitive Grants for Worker Trng and Placement	17.275	19,404	
DEPARTMENT OF LABOR	Workforce Investment Act (WIA) National Emergency Grants	17.277	144,001	
DEPARTMENT OF LABOR	WIA Dislocated Worker Formula Grants	17.278	1,314,559	125,425
DEPARTMENT OF LABOR	Workforce Innovation Fund	17.283	119,138	
DEPARTMENT OF TRANSPORTATION	Highway Planning and Construction	20.205	69,702,351	
DEPARTMENT OF TRANSPORTATION	Recreational Trails Program	20.219	20,000	
DEPARTMENT OF TRANSPORTATION	Federal Transit - Capital Investment Grants	20.500	651,413	
DEPARTMENT OF TRANSPORTATION	Federal Transit - Metropolitan Planning Grants	20.505	39,694	
DEPARTMENT OF TRANSPORTATION	Federal Transit - Formula Grants	20.507	98,044	
DEPARTMENT OF TRANSPORTATION	State and Community Highway Safety	20.600	86,142	
DEPARTMENT OF TRANSPORTATION	Safety Belt Performance Grants	20.609	78,392	
DEPARTMENT OF TRANSPORTATION	Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	19,082	
EQUAL EMPLOYMENT OPPORTUNITY COMMISSION	Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	30.002	(35,050)	
ENVIRONMENTAL PROTECTION AGENCY	Surveys, Studies, Invest., Demon. & Spec. Purpose Activities Relating to the Clean Air Act	66.034	57,511	9,450
ENVIRONMENTAL PROTECTION AGENCY	Regional Agricultural IPM Grants	66.714	26,820	
ENVIRONMENTAL PROTECTION AGENCY	Research, Development, Monitoring, Public Education, Training, Demonstrations, and Studies	66.716	(27,062)	
DEPARTMENT OF ENERGY	Weatherization Assistance for Low-Income Persons	81.042	1,191,079	

CITY OF BALTIMORE - SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SUMMARY BY FEDERAL PROGRAM)
FISCAL YEAR ENDED JUNE 30, 2014

<u>FEDERAL GRANTOR</u>	<u>FEDERAL PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER (5)</u>	<u>DISBURSE- MENTS/ EXPENDI- TURES</u>	<u>PAYMENTS MADE TO SUBRE- CIPIENTS</u>
DEPARTMENT OF ENERGY	Electricity Delivery and Energy Reliability, Research, Development and Analysis (Recovery)	81.122	67,128	
DEPARTMENT OF ENERGY	Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	571,761	
DEPARTMENT OF EDUCATION	Special Education - Grants to States	84.027	546,455	85,961
DEPARTMENT OF EDUCATION	Special Education - Preschool Grants	84.173	19,670	3,954
DEPARTMENT OF EDUCATION	Special Education - Grants for Infants and Families with Disabilities	84.181	1,232,204	375,916
DEPARTMENT OF EDUCATION	Grants for Infants and Families, Recovery Act	84.393	(2,679)	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Special Programs for the Aging-Title VII, Chapter 2 - Long Term Care	93.042	108,007	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Special Programs for the Aging-Title III, Part F - Disease Prevention and Health Promotion Services	93.043	31,366	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Special Programs for the Aging-Title III, Part B - Grants for Supportive Services & Senior Centers	93.044	1,444,865	431,771
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Special Programs for the Aging-Title III, Part C - Nutrition Services	93.045	1,930,003	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	National Family Caregiver Support	93.052	497,197	22,155
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Nutrition Services Incentive Program	93.053	305,785	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Innovations in Applied Public Health Research	93.061	92,094	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Public Health Emergency Preparedness	93.069	486,464	26,337
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Environmental Public Health and Emergency Response	93.070	201,139	48,062
DEPARTMENT OF HEALTH AND HUMAN SERVICES	ACA - Personal Responsibility Education Program	93.092	356,331	244,731
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	273,808	149,927
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153	506,170	442,823
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Childhood Lead Poisoning Prevention Projects	93.197	330,141	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Family Planning Services	93.217	1,094,714	18,947
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Consolidated Health Centers	93.224	48	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	468,736	468,736
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Immunization Grants	93.268 (6)	1,259,099	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	113,986	86,960
DEPARTMENT OF HEALTH AND HUMAN SERVICES	State Health Insurance Assistance Program	93.324	99,848	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	413,230	255,111
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Affordable Care Act (ACA): Human Immunodeficiency Virus (HIV) Preventn and Public Hlth Fd A	93.523	438,658	(10,252)
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Child Support Enforcement	93.563	271,678	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Low-Income Home Energy Assistance	93.568	5,095,343	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Community Services Block Grant	93.569	2,700,645	72,880
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Head Start	93.600	26,280,668	24,159,887

CITY OF BALTIMORE - SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SUMMARY BY FEDERAL PROGRAM)
FISCAL YEAR ENDED JUNE 30, 2014

<u>FEDERAL GRANTOR</u>	<u>FEDERAL PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER (5)</u>	<u>DISBURSE- MENTS/ EXPENDI- TURES</u>	<u>PAYMENTS MADE TO SUBRE- CIPIENTS</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Community Services Block Grant - ARRA	93.710	1,319	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	State Children's Insurance Program	93.767	815,205	777,491
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Medical Assistance Program	93.778	5,486,736	1,780,014
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	(1,634)	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	National Bioterrorism Hospital Preparedness Program	93.889	38,935	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	HIV Emergency Relief Project Grants	93.914	16,574,476	15,338,990
DEPARTMENT OF HEALTH AND HUMAN SERVICES	HIV Care Formula Grants	93.917	3,450,010	3,094,126
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Healthy Start Initiative	93.926	34,269	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	HIV Prevention Activities - Health Department Based	93.940	3,144,922	2,070,740
DEPARTMENT OF HEALTH AND HUMAN SERVICES	HIV Demonstration, Research, Public and Professional Education Projects	93.941	99	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Epidemiologic Research Studies of AIDS and HIV	93.943	240,310	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveill	93.944	65,330	41,510
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Block Grants for Prevention and Treatment of Substance Abuse	93.959	861,574	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Family Planning - Service Delivery Improvement Research Grants	93.974	476	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Preventive Health Services - Sexually Transmitted Diseases Control Grants	93.977	2,712,111	896,352
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Preventive Health and Health Services Block Grant	93.991	167,386	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Maternal and Child Health Services Block Grant to the States	93.994	1,236,950	10,284
CORPORATION FOR NATIONAL & COMMUNITY SERVICE	Retired and Senior Volunteer Program	94.002	138,289	
CORPORATION FOR NATIONAL & COMMUNITY SERVICE	Senior Companion Program	94.016	355,172	
EXECUTIVE OFFICE OF THE PRESIDENT	High Intensity Drug Trafficking Areas	95.001	230,288	
DEPARTMENT OF HOMELAND SECURITY	Urban Areas Security Initiative	97.008	1,445,715	52,573
DEPARTMENT OF HOMELAND SECURITY	Assistance to Firefighters Grant	97.044	194,540	
DEPARTMENT OF HOMELAND SECURITY	Citizen Corps	97.053	2,409	
DEPARTMENT OF HOMELAND SECURITY	Port Security Grant Program	97.056	1,028,608	
DEPARTMENT OF HOMELAND SECURITY	Homeland Security Grant Program	97.067	7,536	
DEPARTMENT OF HOMELAND SECURITY	Metropolitan Medical Response System	97.071	209,966	
DEPARTMENT OF HOMELAND SECURITY	State Homeland Security Program (SHSP)	97.073	1,004,091	
DEPARTMENT OF HOMELAND SECURITY	Buffer Zone Protection Plan (BZPP)	97.078	19,147	
TOTAL ALL PROGRAMS			\$237,290,432	\$78,831,009

CITY OF BALTIMORE - SINGLE AUDIT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2014

1. We have defined Active Federal Financial Assistance as follows:

Active Operating Grant - Any operating grant having current fiscal year 2014 expenditures.

Active Project Grant - Any project grant having current fiscal year 2014 expenditures.

Other Financial Assistance - Any contract, loan, loan guarantee, property, cooperative agreement, interest subsidy, insurance or direct appropriation having current fiscal year 2014 disbursements.

2. Our Federal Financial Assistance sample plan is as follows (dollar threshold to distinguish between Type A and Type B programs is \$3,000,000) :

	<u>Federal CFDA Number</u>	<u>Federal Program Title</u>	<u>Number of Grant Accounts</u>	<u>Current Expenditures Per Accounting Records</u>
Total Schedule			<u>597</u>	<u>\$237,290,432</u>
	14.218/253/254	Community Development Block Grants/Entitlement Grants	14	25,129,485
	14.235	Supportive Housing Program	6	8,559,280
	14.238	Shelter Plus Care	5	9,152,363
	14.239	HOME Investment Partnerships Program	20	5,010,408
	14.241	Housing Opportunities for Persons With AIDS	9	8,743,206
	17.258/59/60/78	Workforce Investment Act Adult Program, Youth Activities, and Dislocated Workers	23	5,784,962
	20.205	Highway Planning and Construction	109	69,702,351
	93.044/045/053	Special Programs for the Aging - Title III, Parts B & C, and Nutrition Services Incentive Prg	9	3,680,653
	93.568	Low-Income Home Energy Assistance	10	5,095,343
	93.600	Head Start	10	26,280,668
	93.778	Medical Assistance Program	14	5,486,736
	93.914	HIV Emergency Relief Project Grants	11	16,574,476
	93.917	HIV Care Formula Grants	4	3,450,010
	93.940	HIV Prevention Activities - Health Department Based	20	3,144,922
Total Audit Coverage			<u>264</u>	<u>\$195,794,863</u>
Percent of Total Schedule			<u>44.2%</u>	<u>82.5%</u>

CITY OF BALTIMORE - SINGLE AUDIT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2014

3. In those instances where federal grant identification is not shown, it is because this information could not be determined.
4. Federal CFDA numbers were updated to reflect revisions as of the 2014 Edition of the Catalog of Federal Domestic Assistance.
5. The items marked with a "Y" in this column were funded with American Recovery and Reinvestment Act (ARRA) funds.
6. The Baltimore City Immunization Program (CFDA Number 93.268) includes the value of vaccines distributed to the City from the Maryland State Department of Health and Mental Hygiene.

PART IV

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133

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**Auditor's Report on Compliance for Each Major Federal
Program and on Internal Control Over Compliance
Required by OMB Circular A-133**

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the compliance of the City of Baltimore, Maryland, with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014. The City of Baltimore, Maryland's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The City of Baltimore, Maryland's basic financial statements include the operations of the Baltimore City Public School System (BCPSS) and the Enoch Pratt Free Library (EPFL). The BCPSS incurred \$152,268,626 in federal expenditures and the EPFL incurred \$54,800 in federal expenditures during the year ended June 30, 2014. Our audit, described below, did not include the operations of the BCPSS and the EPFL because they are subject to separate audits in accordance with Federal and State requirements.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Baltimore, Maryland's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal

program occurred. An audit includes examining, on a test basis, evidence about the City of Baltimore, Maryland's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

As described in the accompanying schedule of findings and questioned costs, the City of Baltimore, Maryland did not comply with requirements regarding CFDA 93.568, Low-Income Home Energy Assistance Program in finding number 2014-005. Compliance with such requirements is necessary, in our opinion, for the City of Baltimore, Maryland to comply with the requirements applicable to that program.

Qualified Opinion on the Low-Income Home Energy Assistance Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the City of Baltimore, Maryland complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Low-Income Home Energy Assistance Program for the year ended June 30, 2014.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the City of Baltimore, Maryland complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2014-001 through 2014-004 and 2014-006 through 2014-016. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

The management of the City of Baltimore, Maryland is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Baltimore, Maryland's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Baltimore, Maryland's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2014-005 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2014-016 to be a significant deficiency.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the

requirements of OMB Circular A-133. Accordingly this report is not suitable for any other purpose.

Respectfully submitted,

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

Robert L. McCarty, Jr., CPA
City Auditor

July 22, 2016

PART V

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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CITY OF BALTIMORE, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

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CITY OF BALTIMORE, MARYLAND
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2014

Section I - Summary of Auditors' Results

Part I - Comprehensive Annual Financial Report

Type of auditors' report issued: Qualified

Part II - Auditors' Report on Internal Control Over Financial Reporting and on Compliance

Internal control over financial reporting:

Material weaknesses identified? X Yes No

Significant deficiencies identified that are not considered to be material weaknesses? Yes X None reported

Noncompliance material to financial statements noted? Yes X No

Part III - Supplementary Schedule of Expenditures of Federal Awards

Type of auditor's report issued: Unmodified

Part IV - Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133

Internal control over major federal programs:

Material weaknesses identified? X Yes No

Significant deficiencies identified that are not considered to be material weaknesses? X Yes None reported

Type of auditor's report issued on compliance for major federal programs:

Low-Income Home Energy Assistance Program Qualified
 All Other Major Programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? X Yes No

CITY OF BALTIMORE, MARYLAND
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2014
 (Continued)

**Part IV - Auditor's Report on Compliance for Each Major
 Federal Program and on Internal Control over
 Compliance Required by OMB Circular A-133 (continued)**

Identification of major programs:

<u>CFDA Number</u>	<u>Title</u>
14.218/253/254	Community Development Block Grants/Entitlement Grants
14.235	Supportive Housing Program
14.238	Shelter Plus Care
14.239	HOME Investment Partnerships Program
14.241	Housing Opportunities for Persons with AIDS
17.258/259/278	Workforce Investment Act Adult Program, Youth Activities, and Dislocated Worker Formula Grants
20.205	Highway Planning and Construction
93.044/045/053	Special Programs for the Aging - Title III, Parts B & C, and Nutrition Services Incentive Program (NSIP)
93.568	Low-Income Home Energy Assistance Program
93.600	Head Start
93.778	Medical Assistance Program
93.914	HIV Emergency Relief Project Grants
93.917	HIV Care Formula Grants
93.940	HIV Prevention Activities

Dollar threshold used to distinguish between Type A and Type B
 programs:

\$3,000,000

Auditee qualified as low-risk auditee?

___ Yes X No

CITY OF BALTIMORE, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

Section II – Financial Statement Findings

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

Findings considered to be material weaknesses:

2014-01 - Lack of Controls over Financial Statement Preparation

2014-02 - Lack of Controls over Journal Entries

2014-03 - Lack of Controls over Water, Wastewater, and Stormwater Billing Process

CITY OF BALTIMORE, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

Section III - Federal Award Findings and Questioned Costs

Finding #: 2014-001
CFDA #: 93.778, 14.239
Program Titles: Medical Assistance Program
HOME Investment Partnerships Program
Federal Agency: Department of Health and Human Services
Department of Housing and Urban Development
Federal Award #: Various
Pass-Through: Various

Unable to Determine Eligibility

The Office of Management and Budget Circular A-133 requires the program to maintain documentation supporting client eligibility for individuals receiving applicable program services.

The Baltimore City Health Department (BCHD) administered federal program number 93.778 - Medical Assistance Program (Transportation). Of the 45 client folders we tested for eligibility, the program was unable to produce the required physician certification for three of these clients. Accordingly, we were unable to determine eligibility for these three clients.

The Department of Housing and Community Development (DHCD) administered federal program number 14.239 - HOME Investment Partnerships Program (HOME). The Dayspring Program under HOME did not determine tenant income eligibility or prepare the related income demographic affidavit and tenant income certification as required as part of annual re-certifications for each of the three rental units we tested for this project. Accordingly, we were unable to determine eligibility for the tenants of these three rental units.

We recommend that BCHD and DHCD prepare and maintain documentation that supports client eligibility.

Response:

The Baltimore City Health Department and the Department of Housing and Community Development's responses and corrective action plans are included in Part VII - Auditee's Corrective Action Plan on Current Audit Findings.

CITY OF BALTIMORE, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

Finding #: 2014-002
CFDA #: 14.235, 14.238, 93.044/045/053, 93.940, 93.778
Program Titles: Supportive Housing Program
Shelter Plus Care
Special Programs for the Aging - Title III, Parts B & C, and
Nutrition Services Incentive Program (NSIP)
HIV Prevention
Medical Assistance Program
Federal Agency: Various
Federal Award #: Various
Pass-Through: Various

Financial Reports Were Not Submitted Timely

The Common Rule, Subpart C, Section .41, which has been codified in each Federal agency's regulations, sets forth uniform reporting requirements including the timing, frequency and format of financial reports prepared and submitted by grant recipients. There were 26 final reports as noted below that we audited during fiscal year 2014 that were submitted later than their due date requirement.

The Mayor's Office of Human Services (MOHS) administered Federal program numbers 14.235 - Supportive Housing Program and 14.238 - Shelter Plus Care, and the Baltimore City Health Department (BCHD) administered Federal program numbers 93.044/045/053 - Special Programs for the Aging - Title III, Parts B & C, and Nutrition Services Incentive Program (NSIP), 93.940 - HIV Prevention, and 93.778 - Medical Assistance Program. We found that the following annual progress reports (MOHS) and financial reports (BCHD) had significant deviations with regard to the timing requirements of their submittal due dates as follows:

CITY OF BALTIMORE, MARYLAND
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2014

<u>PROGRAM TITLE</u>	<u>GRANT NO.</u>	<u>PERIOD REPORT</u>	<u>REPORT DUE DATE</u>	<u>REPORT SUBMITTAL DATE</u>
<u>CFDA #14.235</u>				
Supporting Housing Program:				
JHR, Inc. – Lighthouse 2	MD0012B3B011103		10/30/13	1/6/14
WHC – Jenkins House				
Family Program	MD0013B3B011102		10/29/13	1/8/14
At Jacob’s Well PHP	MD0018B3B011104		11/30/13	2/28/14
HealthCare Access MD, Inc.	MD0020L3B011205		4/30/14	8/29/14
Catholic Charities – REACH Combined	MD0027B3B011104		3/31/14	6/19/14
WAR Responsibilities Matter PHP	MD0039B3B011104		10/30/13	1/16/14
GEDCO SPC Case Mgmt	MD0042B3B011104		10/30/13	1/7/14
House of Ruth - THP	MD0044BL3B011104		1/30/14	4/23/14
JHR, Inc. – Carrington House THP	MD0048B3B011104		3/30/14	6/10/14
Manna House - Soup Plus Project	MD0050B3B011205		4/30/14	6/5/14
Marian House - PH	MD0051B3B011104		11/30/13	2/19/14
Newborn, Inc. - Martha’s Place PHP	MD0058L3B011205		4/30/14	6/27/14
Marian House – TAMAR 2 PHP	MD0060L3B011205		5/30/14	7/29/14
The Salvation Army – Booth House THP	MD0078B3B011104		12/30/13	2/12/14
<u>CFDA #14.238</u>				
Shelter Plus Care (SPC):				
AIRS SPC Program	MD0016L3B011205	2/1/13 – 1/31/14	5/29/14	7/30/14
MOHS – Housing First SPC	MD0019L3B011205	4/1/13 – 3/31/14	6/29/14	Not submitted
BMHS – Sponsor-Based SPC	MD0024L3B011205	4/1/13 – 3/31/14	6/29/14	Not submitted
Marian House – TAMAR SPC	MD0064C3B011104	7/26/12 – 7/25/13	10/30/13	2/19/14
Project PLASE SPC	MD0065L3B011205	2/1/13 – 1/31/14	4/30/14	8/12/14
St. Ambrose Housing Aid Center SPC	MD0073L3B011205	3/15/13 - 3/14/14	6/15/14	9/25/14
WHC – Bennett House SPC	MD0088C3B011104	8/26/12 - 8/25/13	11/25/13	1/8/14
Women Accepting Responsibility, Inc. SPC	MD0090C3B011104	8/1/12 – 7/31/13	10/30/13	2/27/14
Dayspring House @ Patterson Park	MD00254C3B011000	8/1/12 – 7/31/13	10/26/13	3/10/14
<u>CFDA #93.044/045/053</u>				
Special Programs for the Aging – Title III, Parts B & C and NSIP				
	AAA-3-24-003	10/1/12– 9/30/13	1/31/14	3/18/14
<u>CFDA #93.940</u>				
HIV Prevention Grant Program				
	5U62PS003640-02	1/1/13 - 12/31/13	3/31/14	10/28/14
<u>CFDA #93.778</u>				
Medical Assistance Program - Transportation				
	MA 365 GTS	7/1/12 – 6/30/13	8/31/13	11/8/13

CITY OF BALTIMORE, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

We recommend that MOHS and BCHD meet future report filing requirements through appropriate staffing and workload scheduling, and by enforcing the strict timing requirements of the grant regulations.

Responses:

The Mayor's Office of Human Services and the Baltimore City Health Department's responses and corrective action plans are included in Part VII - Auditee's Corrective Action Plan on Current Audit Findings.

CITY OF BALTIMORE, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

Finding #: 2014-003
CFDA #: 93.044/045/053
Program Title: Special Programs for the Aging - Title III, Parts B & C, and
Nutrition Services Incentive Program
Federal Agency: Department of Health and Human Services
Federal Award #: Various
Pass-Through: Maryland Department of Aging

Earmarking - Commingled Costs

Generally accepted accounting principles (GAAP) and Office of Management and Budget Circular A-133 recommends that earmarking costs be classified in separate accounts in the City's accounting system for each applicable earmarking category.

The Baltimore City Health Department (BCHD) administered federal program cluster 93.044/045/053 - Special Programs for the Aging - Title III, Parts B & C, and Nutrition Services Incentive Program. For Single Audit 2014, BCHD included earmarking costs for legal services, in-home services, and access services in the same account in the City's accounting system. Costs for each of these earmarking categories should have been included in separate accounts. Although we were able to determine through alternative procedures that BCHD complied with each of these three earmarking requirements, the City's accounting system should present costs for each earmarking cost category instead of a total for all three cost categories.

We recommend that BCHD record costs in separate accounts for each earmarking cost category.

Response:

The Baltimore City Health Department's response and corrective action plan are included in Part VII - Auditee's Corrective Action Plan on Current Audit Findings.

CITY OF BALTIMORE, MARYLAND
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2014

Finding #: 2014-004
CFDA #: 14.241, 93.044/045/053, 93.914, 93.778
Program Titles: Housing Opportunities for Persons with AIDS
 Special Programs for the Aging - Title III, Parts B & C, and
 Nutrition Services Incentive Program
 HIV Emergency Relief Project Grants
 Medical Assistance Program
Federal Agency: Various
Federal Award #: Various
Pass-Through: Various

Financial Reports Were Not Supported by the Underlying Accounting Records

Office of Management and Budget Circular A-133 requires the auditor to determine whether financial reports submitted to account for federal financial assistance contain information that is supported by the accounting records from which the basic financial statements have been prepared.

As part of our audit of each major program, we selected final financial reports for active awards that were submitted during fiscal year 2014 and reviewed and compared those reports to the City's underlying accounting records. Of those reviewed, the following four final financial reports could not be reconciled to the City's accounting records:

<u>PROGRAM TITLE</u>	<u>FEDERAL/ STATE ID NUMBER</u>	<u>REPORT PERIOD</u>	<u>(REV) / EXP REFLECTED ON REPORT</u>	<u>(REV) / EXP PER CITY'S ACCOUNTING RECORDS</u>	<u>(OVER) / UNDER REPORTED</u>
<u>CFDA #14.241</u> Housing Opportunities for Persons with AIDS - Admin Costs	MDH10F001	7/1/10 – 6/30/13	\$300,000	\$0	\$(300,000)
<u>CFDA #93.044/045/053</u> Special Programs for the Aging – Title III, Parts B & C and NSIP	AAA-3-24-003	10/1/12 – 9/30/13	(4,032,151) 4,152,290	(3,714,071) 4,267,701	(318,080) 115,411
<u>CFDA #93.914</u> HIV Emergency Relief Project Grants	11H89HA00017	3/1/12 – 2/28/13	20,786,775	20,102,075	(684,700)
<u>CFDA #93.778</u> Medical Assistance Program - General Transportation Services	MA 005 EPS	7/1/12 – 6/30/13	10,091,879	10,373,961	282,082

CITY OF BALTIMORE, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

We recommend that future federal financial reports be prepared from the City's accounting records and be supported by detailed reconciliations prepared by the agencies that indicate how the reported amounts are supported by the City's accounting records.

Responses:

The Mayor's Office of Human Services and the Baltimore City Health Department's responses and corrective action plans are included in Part VII - Auditee's Corrective Action Plan on Current Audit Findings.

CITY OF BALTIMORE, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

Finding #: 2014-005
CFDA #: 93.568
Program Title: Low Income Home Energy Assistance Program
Federal Agency: Department of Health and Human Services
Federal Award #: Various
Pass-Through: Maryland Department of Human Resources

The Department of Housing and Community Development (DHCD) administered federal program number 93.568 - Low Income Home Energy Assistance Program. During the period under audit, this program was transferred to another City agency, the Mayor's Office of Human Services (MOHS). Accordingly, the following findings are directed to both City agencies.

a) Missing Folders and Various Errors and Omissions Were Noted During Our Review of Program Documentation

Office of Management and Budget Circular A-133 requires the auditor to determine whether grant benefit recipients were in compliance with the applicable eligibility requirements for this program.

As part of our eligibility testing for fiscal year 2014, we selected a sample of 114 client folders. These client folders generally include supporting documentation. The amount of benefits paid represented by those 114 client folders was \$77,747.

Our review of the sample folders disclosed that 27 of those folders were not provided to us by DHCD/MOHS. Therefore, we were not able to test those folders for eligibility. The benefit payments represented by those 27 missing folders amounted to \$17,718. Accordingly, we are questioning benefit payments in the amount of \$17,718.

For the 87 remaining folders that we did review, we noted widespread and pervasive errors and omissions in many of them. The total amount of benefit payments represented by these 87 client folders was \$60,028. We found that there were 362 separate instances where information was missing, signatures were omitted, incorrect data was entered, and other errors in the remaining sample of 87 folders. Specifically, we documented sixteen different types of errors or omissions that were in these client folders. The types of errors with the most occurrences included: (a) 45 instances of agency forms that were not signed by the agency worker; (b) 32 instances of database information that did not agree with the folder data; (c) 72 instances in which the certification section of the Energy Assistance Application was missing key information and signatures. Based on the foregoing issues, we are questioning \$10,559 of the \$60,028 total for benefit payments made to clients that included errors or omissions. This amount is questioned because the benefit amounts paid were based on incorrect or missing data in certain client folders, and accordingly should not have been made.

CITY OF BALTIMORE, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

Due to the significant number of errors found in the audit, including \$28,277 in questioned costs, and the weak controls over recordkeeping, we are projecting likely questioned costs to the total population of clients. Based on a report generated from the State database of clients, there were 30,805 clients in the City program. Our analysis of the questioned costs, the sample selected, and the total population of clients resulted in a projection of likely questioned costs in the amount of \$7,200,450. We also note that the system in place for determining benefits during our audit exhibited material internal control weaknesses which, if not corrected, could lead to future questioned client payments.

We recommend that DHCD/MOHS resolve the foregoing known questioned costs of \$28,277 to the satisfaction of the grantor, the U.S. Department of Health and Human Services (HHS). We also recommend that the likely questioned costs of \$7,200,450 be resolved in accordance with the determination of HHS. We further recommend that DHCD/MOHS institute internal control procedures such that future energy assistance applications are properly processed and completed, benefits awarded are accurately calculated, and awards are made to only qualified individuals.

b) Costs Were Questioned Due to Duplicate Payments Made to Program Recipients

Office of Management and Budget (OMB) Circular A-133 requires the auditor to determine that benefit payments were made in accordance with the applicable eligibility compliance requirements of the program.

As part of our audit, we performed analytic procedures on the entire client population related to duplicate payments. Each approved client is eligible to receive one benefit assistance payment each year. The entire client population was provided to us by the State in spreadsheet form. Arranging and sorting the file by name, address and zip code, we determined that unallowable client payments were made. From our review of the client records, we found that there were 22 duplicate payments totaling \$15,676. Accordingly, we are questioning client payments totaling \$15,676.

We recommend that DHCD/MOHS resolve the foregoing questioned costs of \$15,676 to the satisfaction of the grantor, the U.S. Department of Health and Human Services (HHS). We also recommend that the program institute internal control procedures to ensure that client recipients do not receive duplicate assistance payments.

c) Weaknesses Were Noted in Several Internal Control Areas

Office of Management and Budget (OMB) Circular A-133 and the State of Maryland's agreement with the City require that internal controls be maintained for the proper administration of this grant program and to ensure compliance with applicable eligibility requirements.

CITY OF BALTIMORE, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

As discussed in findings a) and b) above, we noted various conditions leading to known questioned costs of \$28,277 and \$15,676, respectively (widespread and pervasive errors and omissions in client folders examined, missing client folders; and duplicate payments), resulting from material internal control weaknesses in the program's application processing for determining benefits, file storage procedures and segregation of duties. Additionally, likely questioned costs of \$7,200,450 were projected to the entire client population due to the substantial errors and omissions found during our audit procedures. Accordingly, we note the following material weaknesses in internal control:

- Recordkeeping -
 - Client files are prepared by the City's Office of Home Energy Programs (OHEP) to document the benefit award process and to maintain support for the client's eligibility determination. These files contain the client application and support for the information provided by the client, such as income, household size, energy usage data, and other information related to any additional household members. Therefore, these file records include key client personal data such as names, addresses, social security numbers, income and other household member data. These files were not maintained in an appropriate manner. These files were stored in cardboard boxes on the floor and on top of cabinets in multiple locations throughout the OHEP center. These files were not sufficiently organized, as files belonging to specific years were located in areas identified as other years.
- Cash Management -
 - DHCD used a separate bank account to deposit funds to pay client benefits to the many oil vendors used in this program. Grant funds received by the City from the State were subsequently deposited into the separate bank account for expeditious disbursement of benefit payments to certain energy vendors. We noted that there was no check ledger maintained to record activity in the account. Therefore, no recorded book balance existed to establish the account balance at any point in time. Accordingly, without established book and bank balances available, valid bank reconciliations were not performed.
 - While the supply of blank checks was maintained in a locked safe, there was no check log maintained detailing the checks that were used, voided, and cleared.
 - Every check from the bank account requires two signatures which are obtained by using an electronic imprint machine. Before mailing the check payments, the same party drafts and imprints the checks without the official signatories ever viewing the checks or their support. Additionally, the authorizing electronic check signatures for the bank account have not been changed to the appropriate personnel in the new agency, MOHS.
- Segregation of Duties -
 - The completion of the Energy Assistance Application (EAA) requires at least two staff to complete. An intake person receives the application from the client and reviews it for completeness and accuracy, and that

CITY OF BALTIMORE, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

support is provided for the information in it. A certifier approves whether the client is eligible for the benefit and that the provided information supports the application. We noted that many of the applications were not signed by two persons for intake and approval as required.

We recommend that DHCD/MOHS improve the internal controls over the LIHEAP program. Specifically,

- Organization and storage procedures should be improved to protect the client files and the personal information contained in them.
- A check log should be maintained that accounts for every check number and payee. Bank reconciliations should be prepared monthly. A running book balance should be maintained for the bank account. The check signers should review the checks and supporting documentation prior to the printing of their electronic signatures and issuance of the vendor payments. New designated signers for the bank account should be immediately assigned by MOHS and DHCD's signers should be removed from the account.
- Client energy assistance applications should be completed in accordance with the program's operations manual regulations including application and documentation reviews, and agency signatures by separate intake and certifier personnel. Procedures should be improved such that future applications are properly processed, completed, and maintained; benefits are awarded only to qualified individuals, and benefits awarded are accurately calculated.

Response:

The Department of Housing and Community Development's/Mayor's Office of Human Services response(s) and corrective action plan(s) are included in Part VII - Auditee's Corrective Action Plan on Current Audit Findings.

CITY OF BALTIMORE, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

Finding #: 2014-006
CFDA #: 93.778, 93.917, 93.044/045/053
Program Titles: Medical Assistance Program
HIV Care Formula Grants
Special Programs for the Aging - Title III, Parts B & C, and
Nutrition Services Incentive Program
Federal Agency: Department of Health and Human Services
Federal Award #: Various
Pass-Through: Various

Obligations Incurred Were Not Liquidated Within 90 Days Following the End of the Funding Period

OMB Circular A-133 Compliance Requirement H, Period of Availability, requires that when a funding period is specified, a grantee must liquidate all obligations incurred under the award not later than 90 days after the end of the funding period.

During our audit, we reviewed financial reports that were submitted to account for Federal program transactions. Our review determined that the following major federal programs did not comply with the Period of Availability requirement.

The Baltimore City Health Department administered federal program numbers 93.778 - Medical Assistance Program (MAP), 93.917 - HIV Care Formula Grants (HIV Care) and federal program cluster 93.044/045/053 - Special Programs for the Aging - Title III, Parts B & C, and Nutrition Services Incentive Program (Aging). For our fiscal year 2014 audit, reported expenditures in the amount of \$692,753 (MAP - General Transportation), \$766,757 (HIV Care) and \$29,987 (Aging) were not in compliance with the 90-day liquidation requirement, i.e., not liquidated within 90 days following the end of the funding period.

We recommend that the Baltimore City Health Department implement internal control procedures such that future grant costs fully comply with the 90-day liquidation requirement. Accordingly, reported expenditures should be comprised of only those program expenditures that have been liquidated within 90 days following the end of the grant period.

Response:

The Baltimore City Health Department's response and corrective action plan are included in Part VII - Auditee's Corrective Action Plan on Current Audit Findings.

CITY OF BALTIMORE, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

Finding #: 2014-007
CFDA #: 14.238
Program Titles: Shelter Plus Care
Federal Agency: Department of Housing and Urban Development
Federal Award #: Various
Pass-Through: N/A

Internal Monitoring Was Not Performed

Office of Management and Budget (OMB) Circular A-133 requires grantees to perform monitoring of their subrecipients.

The Mayor's Office of Human Services (MOHS) administered federal program number 14.238 - Shelter Plus Care (SPC). MOHS did not perform monitoring of the following subrecipients under the SPC program during our audit period: Marian House SPC Expansion and St. Ambrose Housing Aid Center.

Monitoring of the subrecipients' use of Federal awards provides reasonable assurance that the subrecipients administered their Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements, and that program performance goals were achieved.

We recommend that MOHS perform monitoring on these two subrecipients and establish internal monitoring procedures to comply with OMB Circular A-133 including a monitoring schedule for each of its subrecipients.

Response:

The Mayor's Office of Human Services' response and corrective action plan are included in Part VII - Auditee's Corrective Action Plan on Current Audit Findings.

CITY OF BALTIMORE, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

Finding #: 2014-008
CFDA #: 93.044/045/053
Program Titles: Special Programs for the Aging - Title III, Parts B & C, and
Nutrition Services Incentive Program (NSIP)
Federal Agency: Department of Health and Human Services
Federal Award #: Various
Pass-Through: Maryland Department of Aging

Misstated Grant Revenue and Program Income

Office of Management and Budget (OMB) Circular A-133 requires that income be recorded accurately in the program's accounting records.

The Baltimore City Health Department (BCHD) administered federal program cluster 93.044/045/053 - Special Programs for the Aging - Title III, Parts B & C, and Nutrition Services Incentive Program. BCHD improperly recorded Title III C-1 program income of \$146,733 and Title III C-2 of \$58,739 in the related Title III C-1 and Title II C-2 grant revenue accounts instead of the correct program income accounts. During the course of our audit, and with our notification, BCHD corrected these misstatements in the accounting records once we made them aware of this condition.

Additionally, BCHD also improperly recorded two other transactions related to program income as follows: 1) Title III C-2 program income of \$13,826 was erroneously recorded in the wrong fiscal year account as well as to the grant revenue account instead of the program income account; and 2) Title III C-1 program income of \$38,564 was erroneously recorded in the accounts as "other funding" instead of "federal funding" as well as to the grant revenue account instead of the program income account.

We recommend that BCHD prepare adjusting journal entries to correct the noted posting errors in the preceding paragraph (\$13,826 and \$38,564). We also recommend that BCHD record program income in the proper accounts for future similar transactions.

Response:

The Baltimore City Health Department's response and corrective action plan are included in Part VII - Auditee's Corrective Action Plan on Current Audit Findings.

CITY OF BALTIMORE, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

Finding #: 2014-009
CFDA #: 20.205
Program Title: Highway Planning and Construction
Federal Award #: Various
Pass-Through: Maryland State Highway Administration
Federal Agency: Department of Transportation Federal Highway Administration (FHWA)

The Baltimore City Department of Transportation (DOT) administered federal program number 20.205 - Highway Planning and Construction. Program funds to the City are passed through the Maryland State Highway Administration from the Federal Highway Administration. Based on our audit of this program, we are reporting three findings related to the Highway Planning and Construction Program number 20.205 as follows:

(a) Underbillings of \$913 for Airspace Leases

City of Baltimore procedures require that billings for services be in accordance with the lease terms as stipulated by the applicable lease agreements.

Based on our review of DOT airspace lease agreements, we noted that one of the lease agreements between the City and Engineer Associates underbilled the lessee, Engineer Associates, a total of \$913 for airspace lease fees during fiscal year 2014. This lease, which was initiated in 1988, provided for payment adjustments every five years based on the Consumer Price Index. However, the City has billed Engineer Associates the same amount since 2008, but should have increased the lease amount in July 2013. The total underbilling during FY 2014 amounted to \$913. The monthly amounts billed under this lease agreement were incorrect because the City did not update the lease agreement for the changes in the Consumer Price Index.

We recommend that DOT recover the FY 2014 underbillings of \$913 from the lessee. We also recommend that the applicable lease agreement be updated for changes in the consumer price index and to collect any additional underbilled amounts after FY 2014 until the corrected lease rate is implemented.

(b) No Final Reviews for Two Closed-Out Projects

Office of Management and Budget (OMB) Circular A-133 requires that final reviews be performed for all closed-out transportation projects.

During our audit period, final reviews were not performed for two of the 15 closed-out transportation projects. We requested the final review checklists and related documents for each of the closed-out projects. However, DOT could not provide the checklists and other related documents for two of these projects finalized during fiscal year 2014 (the projects are #311-213-815/316-003-815 and #315-059-815. Accordingly, we determined that the City was not in compliance with the final review process requirement.

CITY OF BALTIMORE, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

We recommend that final reviews, including completion of final review checklists, be performed for each finalized transportation project.

Response:

The Baltimore City Department of Transportation's response and corrective action plan are included in Part VII - Auditee's Corrective Action Plan on Current Audit Findings.

CITY OF BALTIMORE, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

Finding #: 2014-010
CFDA #: 14.218
Program Titles: Community Development Block Grant
Federal Agency: Department of Housing and Urban Development
Federal Award #: Various
Pass-Through: None

Program Expenditures Misclassified

Office of Management and Budget Circular A-133 requires the auditor to determine whether transactions are properly recorded in the accounting records.

The Department of Housing and Community Development (DHCD) administered federal program number 14.218 - Community Development Block Grant. Our audit testing of the Acquisition and Relocation compliance requirement in this program disclosed that various planning and feasibility study expenditures totaling \$73,600 were erroneously recorded as real property acquisition expenditures based on the account number charged in the City's accounting records.

We recommend that DHCD correct the foregoing recording errors and record future program expenditures in the proper accounts.

Response:

The Department of Housing and Community Development's response and corrective action plan are included in Part VII - Auditee's Corrective Action Plan on Current Audit Findings.

CITY OF BALTIMORE, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

Finding #: 2014-011
CFDA #: 14.239, 93.044/045/053, 93.914
Program Titles: HOME Investment Partnerships Program
Special Programs for the Aging - Title III, Parts B & C, and
Nutrition Services Incentive Program (NSIP)
HIV Emergency Relief Project Grants
Federal Agency: Department of Housing and Urban Development
Department of Health and Human Services
Federal Award #: Various
Pass-Through: Various

Various Expenditure and Revenue Recording Errors

Office of Management and Budget Circular A-133 requires the auditor to determine whether transactions are properly recorded in the accounting records.

The Department of Housing and Community Development (DHCD) administered federal program number 14.239 - HOME Investment Partnerships Program (HOME). HOME recorded capital program income transactions totaling \$356,752 as credits to expenditure accounts for all fiscal year 2014 capital program income transactions. This method of recording program income results in understating both revenue and expenditures, contrary to grant accounting principles.

The Baltimore City Health Department (BCHD) administered federal program cluster 93.044/045/053 - Special Programs for the Aging - Title III, Parts B & C, and Nutrition Services Incentive Program. BCHD recorded Title III C-2 program income totaling \$13,029 as a credit to an expense account. This accounting treatment results in an understatement of both expenditures and revenues in the program's account numbers. Additionally, BCHD recorded fiscal year 2014 telephone expenses totaling \$548 in outdated fiscal year 2004 and 2006 account numbers, which should have been previously closed. Appropriate treatment for recording expenditures includes posting the transactions to account numbers related to the correct grant year.

The Baltimore City Health Department (BCHD) administered federal program number 93.914 - HIV Emergency Relief Project Grants. During fiscal year 2014, the Department of Public Works erroneously recorded 18 transactions totaling \$60,282 related to its own computer software to BCHD's HIV Emergency Relief Project account numbers. These transactions caused the expenditures in HIV program's account numbers to be overstated. These costs were not part of any reported amounts by BCHD. However, correcting entries should be prepared to charge these costs to the appropriate account numbers, thereby properly adjusting the City's basic accounting records.

We recommend that DHCD and BCHD correct the foregoing account postings by preparing correcting journal entries in the City's accounting records. We also

CITY OF BALTIMORE, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

recommend that DHCD and BCHD correctly record revenues and expenditures in accordance with appropriate grant accounting principles.

Response:

The Department of Housing and Community Development and the Baltimore City Health Department's responses and corrective action plans are included in Part VII - Auditee's Corrective Action Plan on Current Audit Findings.

CITY OF BALTIMORE, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

Finding #: 2014-012
CFDA #: 14.239, 93.568
Program Titles: HOME Investment Partnerships Program
Low Income Home Energy Assistance Program
Federal Agency: Department of Housing and Urban Development
Department of Health and Human Services
Federal Award #: Various
Pass-Through: Various

Unallowable Penalties and Personal Expenses

Office of Management and Budget (OMB) Circular A-133 does not allow penalties and personal expenses to be charged to federal grants.

The Department of Housing and Community Development (DHCD) administered federal program number 14.239 - HOME Investment Partnerships Program (HOME) and federal program number 93.568 - Low Income Home Energy Assistance Program (LIHEAP). The Mayor's Office of Human Services (MOHS) also had responsibility for administering program number 93.568 for part of FY 2014. HOME charged unallowable personal parking expenses of \$1,200 and non-sufficient funds bank fees of \$30 to its fiscal year 2014 grant, while LIHEAP charged \$70 of unallowable non-sufficient funds bank fees to its fiscal year 2014 grant. We are questioning these costs accordingly.

We determined that DHCD corrected the \$1,200 parking and \$30 non-sufficient funds expense items through correcting journal entries charging the costs to the City's general funds. For the remaining \$70 item, we recommend that DHCD/MOHS return the above noted questioned costs to the grantor. Additionally, we recommend that these types of costs not be charged to future grant programs.

Response:

The Department of Housing and Community Development's/Mayor's Office of Human Services response(s) and corrective action plan(s) are included in Part VII - Auditee's Corrective Action Plan on Current Audit Findings.

CITY OF BALTIMORE, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

Finding #: 2014-013
CFDA #: 14.235, 14.238, 14.241
Program Titles: Supportive Housing Program
Shelter Plus Care
Housing Opportunities for Persons with AIDS
Federal Agency: Department of Housing and Urban Development
Federal Award #: Various
Pass-Through: Various

Drawdowns of Grant Funds Exceeded Program Expenditures

The Code of Federal Regulations related to grants management and Office of Management and Budget (OMB) Circular A-133 Compliance Requirement C require that a grantee minimize the time elapsing between the transfer of Federal funds to the grantee for reimbursement of program costs and the grantee's expenditure of those program costs.

The Mayor's Office of Human Services (MOHS) administered the following three federal programs during fiscal year 2014: number 14.235 - Supportive Housing Program (SHP), number 14.238 - Shelter Plus Care (SPC) and number 14.241 - Housing Opportunities for Persons with AIDS (HOPWA).

For fiscal year 2014, the amount of revenues on record at year end representing drawdowns for each of these three programs, SHP, SPC and HOPWA, exceeded the amount of expenditures recorded for the same period. This condition demonstrates that these programs' drawdowns were not based on actual expenditures.

For SHP, at year end, expenditures totaled \$8,218,402 while revenues totaled \$10,065,479, an excess of revenue of \$1,847,077. For SPC, at year end, expenditures totaled \$8,306,482 while revenues totaled \$8,914,948, an excess of revenue of \$608,466. For HOPWA, at year end, expenditures totaled \$8,394,966 while revenues totaled \$8,510,983, an excess of revenue of \$116,017.

MOHS should administer these programs such that fiscal year transactions do not result in large excesses of grant revenues. We recommend that MOHS establish procedures to review drawdown requests to ensure future compliance with this cash management requirement. Drawdown requests should be based on program expenditures as recorded in the City's accounting records, i.e., CityDynamics.

Response:

The Mayor's Office of Human Services' response and corrective action plan are included in Part VII - Auditee's Corrective Action Plan on Current Audit Findings.

CITY OF BALTIMORE, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

Finding #: 2014-014
CFDA #: 93.914
Program Titles: HIV Emergency Relief Project Grants
Federal Agency: Department of Health and Human Services
Federal Award #: Various
Pass-Through: None

Noncompliance with Level of Effort Requirements

Office of Management and Budget (OMB) Circular A-133 level of effort guidelines require HIV Emergency Relief Project Grant recipients to expend certain minimum percentages of grant funds for each individual population of women (35.45%), infants (0.01%), children (0.51%), and youth (4.11%).

The Baltimore City Health Department (BCHD) administered federal program number 93.914 - HIV Emergency Relief Project Grants. Our audit disclosed that BCHD did not meet certain level of effort requirements for its Women, Infants, Children, and Youth (WICY) fiscal year 2012 expenditure report as follows: 1) BCHD completed this report using the amount of the grant award instead of the required actual amount of grant funding received; 2) BCHD completed the overhead section of this report using budgeted administration and clinical quality management expenditures instead of the required actual expenditures; 3) For infants and children, BCHD completed this report using incorrect required level of effort percentages as required by the Centers for Disease Control (CDC). BCHD recorded 1.00% and 51.00%, respectively, in the report while the correct percentages were 0.01% and 0.51%, respectively. Consequently, the report incorrectly indicated that BCHD did not comply with required level of effort percentages for infants and children, when in fact BCHD did comply with the correct required level of effort percentages for infants and children based on our calculations (0.16% and 1.17%, respectively); 4) BCHD did not comply with required level of effort percentages for women and youth (required 35.45% and 4.11% respectively, as compared to actual percentages of 33.43% and 1.74% respectively based on our calculations); and 5) BCHD did not complete and submit the required narrative to the grantor stating why level of effort percentages for women and youth were not met, nor did BCHD complete and submit the corresponding required waiver request to the grantor.

We recommend the following: 1) BCHD submit to the grantor a revised WICY fiscal year 2012 expenditure report using correct financial information; 2) BCHD submit to the grantor the required explanatory narrative and waiver request noted above; and 3) BCHD prepare future WICY expenditure reports using correct financial information and submit required explanatory narratives and waiver requests.

Response:

The Baltimore City Health Department's response and corrective action plan are included in Part VII - Auditee's Corrective Action Plan on Current Audit Findings.

CITY OF BALTIMORE, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

Finding #: 2014-015
CFDA #: 93.778
Program Titles: Medical Assistance Program
Federal Agency: Department of Health and Human Services
Federal Award #: N/A
Pass-Through: Maryland Department of Health and Mental Hygiene

Grants Not Approved by the Board of Estimates

The Baltimore City Charter requires grants to be approved by the Board of Estimates.

The Baltimore City Health Department (BCHD) administered federal program number 93.778 - Medical Assistance Program. We determined that BCHD did not obtain the Baltimore City's Board of Estimates (BOE) approval for the following Medical Assistance Program (MAP) fiscal year 2014 grants - PWC Eligibility, Administrative Care Coordination, and General Transportation. All grant awards to the City are required to be approved by the BOE. The MAP grant awards are included in the Unified Funding Document which accounts for numerous grant awards from the Maryland Department of Health and Mental Hygiene. This document should be submitted to the BOE for its approval each year.

We recommend that BCHD obtain retroactive BOE approval for these 2014 MAP grants. We also recommend that BCHD obtain BOE approval on a timely basis for all of its future grant awards.

Response:

The Baltimore City Health Department's response and corrective action plan are included in Part VII - Auditee's Corrective Action Plan on Current Audit Findings.

CITY OF BALTIMORE, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

Finding #: 2014-016
CFDA #: 93.917
Program Titles: HIV Care Formula Grants
Federal Agency: Department of Health and Human Services
Federal Award #: N/A
Pass-Through: Maryland Department of Health and Mental Hygiene

Grant Funds Not Deposited Timely

The Baltimore City Administrative Manual requires that grant funds received be deposited timely. Additionally, the Baltimore City Health Department's written internal control procedures require that checks received be deposited weekly.

The Baltimore City Health Department (BCHD) administered federal program number 93.917 - HIV Care Formula Grants (HIV Care). During our audit procedures on cash management, we noted fiscal year 2013 HIV Care revenue in the amount of \$1,280,981 that was recorded in the City's general ledger (CityDynamics) on March 21, 2014. This revenue was included in a check from the Maryland Department of Health and Mental Hygiene dated January 14, 2014, and BCHD assigned account numbers for deposit purposes on January 27, 2014. However, the check was not remitted to the City's Bureau Collections for deposit until March 20, 2014, nearly two months after BCHD assigned an account number for the deposit of the check. During this two month period, the City did not have access to these funds for use in paying continuing grant expenditures.

Handling of grant revenue in this manner must be discontinued. Grant payments should be deposited timely to provide the City access to appropriate revenue sources. Accordingly, we recommend that BCHD deposit cash receipts on a weekly basis to comply with the Baltimore City Administrative Manual as well as BCHD's written internal control procedures.

Response:

The Baltimore City Health Department's response and corrective action plan are included in Part VII - Auditee's Corrective Action Plan on Current Audit Findings.

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PART VI

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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**CITY OF BALTIMORE
 AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
 FOR THE YEAR ENDED JUNE 30, 2014**

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
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Findings in this schedule are presented in the same order in which they appeared in the Fiscal Year 2013 Single Audit Report. Each finding is identified by a number, 2013, 12, 11, 10, 09, 08, 07, 06, 05, 04, 01 or 00 to the left of the dash which designates the Fiscal Year, 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006, 2005, 2004, 2001 or 2000 audit report. The number to the right of the dash reflects the finding number. The following abbreviations have been used for City agencies: Baltimore City Health Department (BCHD); Department of Housing and Community Development (DHCD); Commission on Aging and Retirement Education (CARE); Baltimore Police Department (BPD); Department of Transportation (DOT); and Mayor's Office of Human Services (MOHS).

**Fiscal Year 2013
 Schedule of Findings and Questioned Costs
 Section III - Federal Award Findings and Questioned Costs
 Compliance With Requirements Applicable to Each Major Program**

2013-001

For federal program 93.778 - Medical Assistance Program, BCHD did not provide supporting documentation for determining client eligibility for 3 of 55 folders reviewed for transportation services. We recommended that BCHD retain documentation that supports eligibility for clients receiving transportation services.

Not Corrected

Documentation for the three client folders has still not been provided. Additionally, program number 93.778 incurred a similar finding for fiscal year 2014. See current period finding 2014-001 for planned corrective action.

Ryan Hemminger, CFO, BCHD

**CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<p><u>2013-003</u> For federal program numbers 93.044/045/053 - Special Programs for the Aging, BCHD did not provide documentation to support earmarking requirements. We recommended that BCHD implement procedures to ensure that earmarked costs are expended in accordance with the grant requirements and that supporting documentation be maintained and available for audit review.</p>	Not Corrected	<p>Program number 93.044/045/053 incurred a similar finding in FY 2014. See current period finding 2014-003 for planned corrective action.</p> <p>Ryan Hemminger, CFO, BCHD</p>
<p><u>2013-004</u> For federal program number 14.241 - Housing Opportunities for Persons with AIDS, reported expenditures were overstated by \$44,851. We recommended that future federal financial reports be prepared directly from the City's accounting records.</p>	Not Corrected	<p>Program number 14.241 incurred a similar finding in fiscal year 2014. See current period finding 2014-004 for planned corrective action.</p> <p>Jacquelyn Duval-Harvey, Director, MOHS</p>

**CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<p>For federal program number 93.044/045/053 - Special Programs for the Aging, reported expenditures were overstated by \$201,407 and revenue was understated by \$392,278. For federal program number 93.914 - HIV Emergency Relief, reported expenditures were understated by \$414,851. For federal program 93.778 - Medical Assistance Program - Transportation Services, reported expenditures were overstated by \$1,314,427. For federal program 93.778 - Medical Assistance Program - Administrative Care Coordination, reported expenditures were understated by \$17,368. We recommended that future federal financial reports be prepared directly from the City's accounting records.</p>	<p>Not Corrected</p>	<p>Program numbers 93.044/045/053, 93.914 and 93.778 incurred similar findings in fiscal year 2014. See current period finding 2014-004 for planned corrective action.</p>

Ryan Hemminger, CFO, BCHD

**CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<p><u>2013-005</u> For federal program number 93.568 - Low Income Home Energy Assistance Program, DHCD did not provide documentation to support \$44,609 in energy assistance benefits, as client folders were either missing or incomplete. We recommended that DHCD resolve the \$44,609 in known questioned costs, and also resolve a projection of likely questioned costs of \$6,201,821.</p>	Not Corrected	<p>As reported to the Board of Estimates on February 24, 2016, DHCD believes that all payments related to the missing or incomplete folders were made to eligible program participants. DHCD strongly disagrees with the extrapolation methodology utilized in this audit. It would be inaccurate to extrapolate the questioned cost to the magnitude of \$6.2 million without a thorough review of each and every applicant in the program. Furthermore, the partial information located for the missing folders strengthens our belief that applicants were eligible to receive the LIHEAP benefits. DHCD has transferred the management responsibility to MOHS/OHEP who should be the responsible party to follow-up for this audit finding.</p> <p>The State of Maryland, which was the pass-through grantor of the award to MOHS, stated that it will not seek repayment of the questioned costs. Therefore, the matter of the questioned costs has been resolved. However, similar conditions existed in fiscal year 2014 resulting in current findings. See current period finding 2014-005 for planned corrective action.</p> <p>Jacquelyn Duval-Harvey, Director, MOHS</p>

**CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<p><u>2013-006</u> For federal program number 93.914 - HIV Emergency Relief Project Grants, 93.917 - HIV Care Formula Grants, and 93.940 - HIV Prevention Activities, we reported that expenditures of \$15,006, \$86,280, and \$541,007, respectively, were not in compliance with the 90-day liquidation requirement. We recommended that future reported expenditures comply with the 90-day liquidation requirement.</p>	Not Corrected	<p>BCHD incurred similar findings for three of its programs during fiscal year 2014. See current period finding 2014-006 for planned corrective action.</p> <p style="text-align: right;">Ryan Hemminger, CFO, BCHD</p>
<p><u>2013-007</u> MOHS did not perform internal monitoring on several Shelter Plus Care subrecipients. We recommended that MOHS establish internal monitoring procedures to comply with the requirement.</p>	Not Corrected	<p>Program number 14.238 incurred a similar finding in fiscal year 2014. See current finding 2014-007 for planned corrective action.</p> <p style="text-align: right;">Jacquelyn Duval-Harvey, Director, MOHS</p>
<p><u>2013-008</u> For federal program number 93.044/045/053 - Special Programs for the Aging, BCHD did not provide supporting documentation for reported program income of \$60,082. We recommended that BCHD accurately report program income in future reports, and that such program income be supported by appropriate documentation.</p>	Not Corrected	<p>BCHD has not provided supporting documentation for the reported program income. Program cluster 93.044/045/053 incurred a similar finding in fiscal year 2014. See current finding 2014-008 for planned corrective action.</p> <p style="text-align: right;">Ryan Hemminger, CFO, BCHD</p>

**CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<p><u>2013-009</u> For federal program number 14.199 - Multifamily Property Disposition Grant, DHCD did not notify the City Auditor that it had obtained an accounting firm to audit the Uplands Up-Front Program funded by this grant. DHCD also did not obtain Board of Estimates approval for this contract. We recommended that DHCD obtain retroactive approval for this contract.</p>	Not Corrected	<p>Additional information was provided to the Department of Audits over six months ago that DHCD feels will clear this finding. DHCD awaits Audit's response.</p> <p>The Multifamily Property Disposition Grant was not audited as a major program in fiscal year 2014. However, the Board of Estimates approval has still not been obtained for this professional services contract.</p> <p>William Colbert, Chief of Fiscal Services, DHCD</p>
<p><u>2013-010</u> For federal program number 20.205 - Highway Planning and Construction, DOT did not perform final reviews for eight of the nine closed-out Federally funded transportation projects. We recommended that the final reviews be performed for these eight projects.</p>	Not Corrected	<p>The final review checklists and other documentation has still not been provided for the eight projects. Program number 20.205 incurred a similar finding in fiscal year 2014. See current period finding 2014-009 for planned corrective action.</p> <p>Dhirendra Sinha, Chief, Fiscal Division, DOT</p>

**CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<p><u>2013-011</u></p> <p>For federal program number 93.568 - Low Income Home Energy Assistance Program, there were 33 duplicate payments in client records totaling \$13,651 and 36 unallowable client payments to addresses outside Baltimore City totaling \$20,302. We recommended that DHCD resolve these questioned costs of \$33,953 and that the program institute internal control procedures such that energy assistance payments are not duplicated or made for non-City addresses.</p>	Not Corrected	<p>DHCD has provided the Department of Audits with responses from the State dated September 3 and October 7, 2015 regarding this finding. The State has no concerns regarding the issues stated in this audit finding. With the State's responses, this finding should be cleared.</p> <p>The State of Maryland, which was the pass-through grantor of the award to MOHS, stated that it will not seek repayment of the questioned costs. Therefore, the matter of the questioned costs has been resolved. However, similar conditions related to duplicate payments existed in fiscal year 2014 resulting in a current finding. See current period finding 2014-005 for planned corrective action.</p> <p>Jacquelyn Duval-Harvey, Director, MOHS</p>
<p><u>2013-012</u></p> <p>For federal program number 14.239 - HOME Investment Partnerships Program, non-HOME program income of \$213,382 was erroneously recorded in a HOME program income account, program income was overstated by \$2,776 due to a recording error, and an IDIS drawdown of \$55,662 was not allocated properly between two projects. We recommended that DHCD properly and accurately record HOME transactions to each of the appropriate information records.</p>	Corrected	

**CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<p><u>2013-013</u> For federal program number 14.239 - HOME Investment Partnerships Program, reconciliations between IDIS, the City's CityDynamics accounting system, and DHCD's in-house log records were not being performed. We recommended that DHCD reconcile these records of account at least annually to provide accurate and consistent program income information.</p>	Partially Corrected	<p>DHCD performs reconciliations between IDIS and CityDynamics. Use of the in-house log has been discontinued and should not have been subject to the audit. DHCD believes that this finding should be cleared.</p> <p>DHCD's Office of Project Finance will review these accounts on a quarterly basis. There was no similar finding in fiscal year 2014.</p> <p>William Colbert, Chief of Fiscal Services, DHCD</p>
<p><u>2013-014</u> For federal program number 93.914 - HIV Emergency Relief Project Grants, eight payments made to the Administrative Fiscal Agent, totaling \$9,939,829 contained overlapping invoice period dates. Therefore duplicate payments may have been made to the fiscal agent. We recommended that BCHD obtain support for the overlapping invoices to determine whether duplicate payments were made, and that BCHD require its fiscal agent to submit sufficient support with the reimbursement requests.</p>	Corrected	<p>BCHD will require that its fiscal agent and sub-grantees submit invoices with clearly delineated time periods. BCHD did not incur a similar finding in fiscal year 2014.</p> <p>Ryan Hemminger, CFO, BCHD</p>

**CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<p><u>2013-015</u> For federal program number 93.914 - HIV Emergency Relief Project Grants, BCHD did not reconcile the annual financial report of its fiscal agent to the underlying provider subrecipient reimbursement forms. We recommended that BCHD obtain sufficient support from the fiscal agent to reconcile the amounts paid to the fiscal agent and the subrecipients, and reported in the fiscal agent's annual financial report.</p>	Corrected	<p>BCHD will require that its fiscal agent submit its master final report along with the final reports of the sub-grantees and will reconcile the reports to the reimbursement requests. BCHD did not incur a similar finding in fiscal year 2014.</p> <p>Ryan Hemminger, CFO, BCHD</p>
<p><u>2013-016</u> For federal program number 20.205 - Highway Planning and Construction, our testing found \$21,185 in federal related cash receipts that were recorded in non-participating accounts. We recommended that federally participating project receipts be recorded in City accounts that are designated for such activity.</p>	Corrected	

**CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<p><u>2013-017</u> For federal program 93.568 - Low Income Home Energy Assistance Program - there were material weaknesses in internal control related to recordkeeping, cash management, and segregation of duties. We recommended that internal controls be improved in these areas.</p>	Not Corrected	<p>DHCD has provided MOHS/OHEP with the consultant's study on internal controls for implementation. Since the program has been transferred to MOHS/OHEP, they are the responsible party to follow-up on this finding.</p> <p>A similar finding was incurred during fiscal year 2014. See current period finding 2014-005 for planned corrective action. DHCD will assist MOHS in strengthening the internal controls in these areas.</p> <p>William Colbert, Chief of Fiscal Services, DHCD</p>
<p><u>2013-018</u> For federal program number 93.568 - Low Income Home Energy Assistance Program, there were material internal control weaknesses in the program's application processing for determining benefits, file storage procedures, and segregation of duties. As discussed in findings 2013-005 and 2013-011, we noted various conditions leading to questioned costs of \$44,609 and \$33,953 in client benefit payments, and likely projected questioned costs of \$6,201,821.</p>	Not Corrected	<p>DHCD has provided MOHS/OHEP with the consultant's study on internal controls for implementation. Since the program has been transferred to MOHS/OHEP, they are the responsible party to follow-up on this finding.</p> <p>Similar internal control findings were incurred during fiscal year 2014. See current period finding 2014-005 for planned corrective action.</p> <p>William Colbert, Chief of Fiscal Services, DHCD</p>

**CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<p><u>2013-019</u> For federal program number 93.044/045/053 - Special Programs for the Aging, BCHD did not have adequate procedures in place to ensure compliance with federal financial reporting standards and grant accounting requirements. We recommended that BCHD implement procedures to ensure that reports are submitted timely and supported by the City's accounting records, and that prior years' findings be resolved.</p>	Not Corrected	BCHD incurred similar internal control findings in fiscal year 2014. See current period findings 2014-003, 004, 006, 008 and 011 for planned corrective action. Ryan Hemminger, CFO, BCHD

**CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<p>Fiscal Year 2012 Schedule of Findings and Questioned Costs Section III - Federal Award Findings and Questioned Costs Compliance With Requirements Applicable to Each Major Program</p>		
<p><u>Finding #12-01</u></p>		
<p>For federal program number 81.042 - Weatherization Assistance for Low-Income Persons, DHCD did not provide supporting documentation to determine eligibility for 6 of 234 project folders that were reviewed. We recommended that supporting documentation be maintained and that it be made available for audit review.</p>	<p>Not Corrected</p>	<p>Although it is unlikely that 6 out of 234 folders reviewed will be located, DHCD has put into place a process to ensure that documents are properly maintained within files for future review.</p> <p>The Weatherization Program was not audited as a major program for fiscal year 2014. However, documentation for the six project folders has still not been provided.</p> <p>William Colbert, Chief of Fiscal Services, DHCD</p>
<p>For federal program cluster numbers 93.569 and 93.710 - Community Services Block Grant (CSBG), MOHS did not provide supporting documentation to determine eligibility for 6 of 45 client folders that were reviewed. We recommended that supporting documentation be maintained and that it be made available for audit review.</p>	<p>Not Corrected</p>	<p>CSBG was not audited as a major program for fiscal year 2014. However, documentation for the six client folders has still not been provided.</p> <p>Jacquelyn Duval-Harvey, Director, MOHS</p>

**CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<p><u>Finding #12-02</u> For federal program number 16.710 - COPS Hiring Recovery Program, BPD did not provide supporting documentation to support the number of officers funded under the program. We recommended that BPD institute procedures to ensure that progress reports provide accurate information that is supported by the underlying documentation.</p>	Not Corrected	<p>The COPS Program was not audited as a major program in fiscal year 2014. However, documentation to support the number of officers funded has still not been provided.</p> <p>Jacob Knapp, Grant Administrator, BPD</p>
<p><u>Finding #12-03</u> For federal program numbers 93.044/045/053 - Special Programs for the Aging, and 93.914 - HIV Emergency Relief Project, BCHD did not provide documentation to support earmarking requirements. We recommended that BCHD implement procedures to ensure that earmarked costs are expended in accordance with the grant requirements and that supporting documentation be maintained and available for audit review.</p>	Not Corrected	<p>Program number 93.044/045/053 incurred a similar finding in fiscal year 2014. See current period finding 2014-003 for planned corrective action.</p> <p>Ryan Hemminger, CFO, BCHD</p>

**CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<p><u>Finding #12-04</u> For federal program number 14.235 - Supportive Housing Program, reported expenditures were understated by \$590,190. For federal program number 14.241 - Housing Opportunities for Persons with AIDS, supporting documentation for \$38,852 in administrative costs was not provided. For federal program number 93.569 - Community Services Block Grant, reported expenditures were overstated by \$135,265. We recommended that future federal financial reports be prepared directly from the City's accounting records.</p>	Not Corrected	<p>Program number 14.241 incurred a similar finding in fiscal year 2014. See current period finding 2014-004 for planned corrective action.</p> <p>Jacquelyn Duval-Harvey, Director, MOHS</p>
<p>For federal program number 93.044/045/053 - Special Programs for the Aging, reported expenditures were overstated by \$354,355 and revenue was overstated by \$3,347,467. For federal program number 93.914 - HIV Emergency Relief, reported expenditures were overstated by \$430,729. We recommended that future federal financial reports be prepared directly from the City's accounting records.</p>	Not Corrected	<p>Program numbers 93.044/045/053 and 93.914 incurred similar findings in fiscal year 2014. See current period finding 2014-004 for planned corrective action.</p> <p>Ryan Hemminger, CFO, BCHD</p>

**CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<p><u>Finding #12-06</u> For federal program numbers 93.044/045/053 - Special Programs for the Aging, 93.914 - HIV Emergency Relief, and 93.778 - Medical Assistance Program, we reported that expenditures of \$131,173 and \$84,058 (both Aging grants), \$72,624 and \$950,410, respectively, were not in compliance with the 90-day liquidation requirement. We recommended that future reported expenditures comply with the 90-day liquidation requirement.</p>	Not Corrected	<p>Program numbers 93.044/045/053 and 93.778 incurred similar findings in fiscal year 2014. See current period finding 2014-006 for planned corrective action.</p> <p style="text-align: right;">Ryan Hemminger, CFO, BCHD</p>
<p>For federal program number 97.067 - Homeland Security Grant Program, we reported that expenditures of \$84,065 were not in compliance with the 90-day liquidation requirement. We recommended that future reported expenditures comply with the 90-day liquidation requirement.</p>	Not Corrected	<p>The Homeland Security Grant Program was not audited as a major program in fiscal year 2014. However, the BPD has made an effort to comply with the 90-day liquidation requirement.</p> <p style="text-align: right;">Jacob Knapp, Grant Administrator, BPD</p>
<p><u>Finding #12-07</u> For federal program numbers 14.235 - Supportive Housing Program and 14.241 - Housing Opportunities for Persons with AIDS, recorded revenues significantly exceeded expenditures in the City's accounts for those programs. We recommended that MOHS establish procedures to prevent grant drawdowns from exceeding related expenditures.</p>	Not Corrected	<p>Program numbers 14.235 and 14.241 incurred similar findings in fiscal year 2014. See current period finding 2014-013 for planned corrective action.</p> <p style="text-align: right;">Jacquelyn Duval-Harvey, Director, MOHS</p>

**CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
For federal program number 97.067 - Homeland Security Grant Program, recorded revenues exceeded expenditures in the City's accounts for this program. We recommended that MOHS establish procedures to prevent grant drawdowns from exceeding related expenditures.	Partially Corrected	The Homeland Security Grant Program was not audited as a major program in FY 2014. The BPD will correct this by verifying that expenses have been posted to the General Ledger before requesting drawdowns. Jacob Knapp, Grant Administrator, BPD
<u>Finding #12-08</u> For federal program number 14.239 - HOME Investment Partnerships Program, program income recorded in DHCD's program income ledger exceeded the amount reported in HUD's IDIS system by \$86,639. We recommended that DHCD reconcile HOME program income between its accounting records and HUD's IDIS system.	Partially Corrected	DHCD has corrected the \$86,639 variance and reconciles IDIS with the program income ledger. This finding should be cleared. DHCD has implemented additional internal controls for this program. There was no similar finding in fiscal year 2014. William P. Colbert, Director of Fiscal Services, DHCD
For federal program number 93.044/045/053 - Special Programs for the Aging, supporting documentation for program income was not provided. We recommended that BCHD accurately report program income and maintain supporting documentation.	Not Corrected	Program numbers 93.044/045/053 incurred a similar finding in fiscal year 2014. See current period finding 2014-008 for planned corrective action. Ryan Hemminger, CFO, BCHD

**CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<p><u>Finding #12-10</u> For federal program number 16.710 - COPS Hiring Recovery Program, there were unallowable or unsupported personnel costs totaling \$128,319 that were questioned. We recommended that BPD ensure that only allowable and supported expenditures be charged to the program and that the questioned costs be resolved.</p>	Not Corrected	<p>The COPS Program was not audited as a major program in fiscal year 2014. The BPD stated it will review the questioned costs; however, no resolution has occurred yet.</p> <p>Jacob Knapp, Grant Administrator, BPD</p>
<p><u>Finding #12-12</u> For federal program number 81.042 - Weatherization Assistance for Low-Income Persons, costs in the amount of \$190,166 were questioned for lack of support or for duplicate payments. We recommended that DHCD improve internal controls over expenditures and resolve the questioned costs.</p>	Partially Corrected	<p>Out of the \$190,166, DHCD has collected all but \$18,778.62 of the overpayments made. DHCD is waiting on one vendor to complete their payments in accordance with an established payment plan.</p> <p>The Weatherization Program was not audited as a major program in FY 2014. However, the DHCD stated that it has recovered most of the duplicate payments and is following up on the remaining amount.</p> <p>William P. Colbert, Director of Fiscal Services, DHCD</p>

**CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<p><u>Finding #12-13</u></p> <p>For federal program number 14.241 - Housing Opportunities for Persons with AIDS, seven of twenty-one selected financial reports could not be reconciled to the City's accounting records. We recommended that DHCD reconcile or revise those reports and that future federal financial reports be prepared directly from the City's accounting records.</p>	Not Corrected	<p>No reconciliations were provided to resolve this item. Program number 14.241 incurred a similar finding in fiscal year 2014. See current period finding 2014-004 for planned corrective action.</p> <p>Jacquelyn Duval-Harvey, Director, MOHS</p>
<p><u>Finding #12-14</u></p> <p>For federal program number 93.778 - Medical Assistance Program, Board of Estimates (BOE) approval was not obtained for the Unified Funding Agreement which includes the grant award amount for this program. We recommended that BCHD obtain retroactive BOE approval for the 2012 Unified Funding Document and seek timely BOE approval for future grant awards.</p>	Not Corrected	<p>Program number 93.778 incurred a similar finding in fiscal year 2014. See current period finding 2014-015 for planned corrective action.</p> <p>Ryan Hemminger, CFO, BCHD</p>
<p><u>Finding #12-15</u></p> <p>For federal program number 93.914 - HIV Emergency Relief, unsupported costs in the amount of \$20,596 were questioned. We recommended that BCHD maintain supporting documentation for grant expenditures and to resolve the questioned costs of \$20,596.</p>	Not Corrected	<p>The BCHD has not provided support for these expenditures. These transactions were charged by the Bureau of Accounting and Payroll Services.</p> <p>Ryan Hemminger, CFO, BCHD</p>

**CITY OF BALTIMORE
 AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
 FOR THE YEAR ENDED JUNE 30, 2014**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<p><u>Finding #12-16</u> For federal program number 93.044/045/053 - Special Programs for the Aging, BCHD did not have adequate procedures in place to ensure compliance with federal financial reporting standards and grant accounting requirements. We recommended that BCHD implement procedures to ensure that reports are submitted timely and supported by the City's accounting records, and that prior years' findings be resolved.</p>	Not Corrected	<p>See current period findings 2014-002, 003, 004, 006, 008 and 011 for planned corrective action related to this program's findings.</p> <p style="text-align: right;">Ryan Hemminger, CFO, BCHD</p>

**CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<p>Fiscal Year 2011 Schedule of Findings and Questioned Costs Section III - Federal Award Findings and Questioned Costs Compliance With Requirements Applicable to Each Major Program</p>		
<p><u>Finding # 11-03</u></p>		
<p>For federal program number 93.044/045/053 - Special Programs for the Aging, BCHD did not provide documentation to support the earmarking requirements for legal services, in-home services, access services and administrative costs. We recommended that earmarking documentation be maintained and available for review.</p>	<p>Not Corrected</p>	<p>Program number 93.044/045/053 incurred a similar finding in fiscal year 2014. See current period finding 2014-003 for planned corrective action.</p> <p style="text-align: right;">Ryan Hemminger, CFO, BCHD</p>
<p><u>Finding # 11-04</u></p>		
<p>For federal program number 93.044/045/053, 93.778, 93.914 and 93.917 - Special Programs for the Aging, Medical Assistance Program (MAP), HIV Emergency Relief Grants, and HIV Care Grants, respectively, reported expenditures could not be reconciled to the City's accounting records. Additionally, reported revenue for MAP could not be reconciled to the City's accounting records. We recommended that future federal financial reports be prepared directly from the City's accounting records.</p>	<p>Not Corrected</p>	<p>Program number 93.044/045/053, 93.914 and 93.778 incurred similar findings in fiscal year 2014. See current period finding 2014-004 for planned corrective action.</p> <p style="text-align: right;">Ryan Hemminger, CFO, BCHD</p>

**CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<p><u>Finding # 11-06</u> For federal program numbers 93.044/045/053 and 93.917 - Special Programs for the Aging and HIV Care Grants, respectively, we reported that costs in the amount of \$37,723 and \$170,121, respectively, were not in compliance with the 90-day liquidation requirement.</p>	Not Corrected	<p>Program number 93.044/045/053 and 93.917 incurred similar findings in fiscal year 2014. See current period finding 2014-006 for planned corrective action.</p> <p>Ryan Hemminger, CFO, BCHD</p>
<p><u>Finding # 11-08</u> For federal program number 93.044/045/053 - Special Programs for the Aging - Title III, Parts B & C, support for reported program income amounts was not provided. We recommended that BCHD accurately report program income and maintain support for such reported amounts.</p>	Not Corrected	<p>Program number 93.044/045/053 incurred a similar finding in fiscal year 2014. See current period finding 2014-008 for planned corrective action.</p> <p>Ryan Hemminger, CFO, BCHD</p>
<p><u>Finding # 11-14</u> For federal program number 93.569/93.710 - Community Services Block Grant - ARRA, the MOHS did not liquidate certain grant obligations in the amount of \$647,366 until more than 90 days after the end of the grant period. We recommended that MOHS return those questioned costs and, also, ensure that its grants are administered so that program expenditures are obligated and liquidated in accordance with the grant agreements.</p>	Partially Corrected	<p>The CSBG was not audited as a major program in fiscal year 2014. The questioned costs amount of \$647,366 has not been addressed by the pass-through grantor, the Maryland Department of Housing and Community Development.</p> <p>Jacquelyn Duval-Harvey, Director, MOHS</p>

**CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<p><u>Finding # 11-15</u> For federal program number 93.044/045/053 - Special Programs for the Aging - Title III, Parts B & C, the BCHD did not include program income in its financial reports. We recommended that BCHD establish and/or follow appropriate internal controls to ensure that program income is appropriately included in its financial reports.</p>	Not Corrected	<p>Program number 93.044/045/053 incurred a similar finding in fiscal year 2014. See current period finding 2014-008 for planned corrective action.</p> <p style="text-align: right;">Ryan Hemminger, CFO, BCHD</p>
<p><u>Finding # 11-17</u> For federal program number 93.044/045/053 - Special Programs for the Aging - Title III, Parts B & C, the BCHD did not provide support for earmarking requirements related to the program. We recommended that BCHD establish and/or follow appropriate internal controls to ensure that documentation is maintained that supports earmarking requirements.</p>	Not Corrected	<p>Program number 93.044/045/053 incurred a similar finding in fiscal year 2014. See current period finding 2014-003 for planned corrective action.</p> <p style="text-align: right;">Ryan Hemminger, CFO, BCHD</p>

**CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<p><u>Finding # 11-18</u> For federal program number 93.044/045/053 - Special Programs for the Aging - Title III, Parts B & C, BCHD did not have adequate procedures in place to ensure compliance with federal financial reporting standards and grant accounting requirements. We recommended that BCHD implement procedures to ensure that reports are submitted timely and supported by the City's accounting records, and that prior years' findings be resolved.</p>	Not Corrected	<p>This program continues to incur similar findings as reported in the current period. Corrective action will be addressed in those findings. Therefore, this audit finding does not warrant further follow-up. More than two years has passed since this finding was reported. The grantor has not followed-up with the auditee and a management decision has not been issued. Therefore, this finding will no longer appear in the Auditee's Summary Schedule of Prior Audit findings.</p> <p>Ryan Hemminger, CFO, BCHD</p>

**CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<p>Fiscal Year 2010 Schedule of Findings and Questioned Costs Section III - Federal Award Findings and Questioned Costs Compliance With Requirements Applicable to Each Major Program</p>		
<p><u>Finding # 10-03</u></p>		
<p>For federal program numbers 93.044/045/053 - Special Programs for the Aging and 93.914 - HIV Emergency Relief Projects, the BCHD did not provide support for earmarking requirements related to either program. Additionally, support was not provided for program income and internal monitoring requirements related to the Aging Program.</p>	<p>Partially Corrected</p>	<p>This program continues to incur similar findings as reported in the current period. Corrective action will be addressed in those findings. Therefore, this audit finding does not warrant further follow-up. More than two years has passed since this finding was reported. The grantor has not followed-up with the auditee and a management decision has not been issued. Therefore, this finding will no longer appear in the Auditee's Summary Schedule of Prior Audit findings.</p> <p style="text-align: right;">Ryan Hemminger, CFO, BCHD</p>
<p><u>Finding # 10-04</u></p>		
<p>For federal program number 93.044/045/053 - Special Program for the Aging, BCHD's reported expenditures were understated by \$750,956 and revenues were understated by \$126,969. For federal program number 93.778 - Medical Assistance Program, expenditures were understated by \$239,122 and revenues were understated by \$2,703,793. For federal program number 93.914 - HIV Emergency Relief Project, expenditures were understated by \$740,328 and revenues were overstated by \$142,766.</p>	<p>Not Corrected</p>	<p>These programs incurred similar findings in fiscal year 2014. See current period finding 2014-004 for planned corrective action.</p> <p style="text-align: right;">Ryan Hemminger, CFO, BCHD</p>

**CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<p><u>Finding # 10-11</u> For federal program numbers 93.044/045/053 - Special Programs for the Aging and 93.914 - HIV Emergency Relief Projects, the BCHD did not provide support for earmarking requirements related to either program. Additionally, support was not provided for program income and internal monitoring requirements related to the Aging Program.</p>	<p>Partially Corrected</p>	<p>Only program number 93.044/045/53 continues to incur similar findings as reported in the current period. Corrective action will be addressed in those findings. Therefore, this audit finding does not warrant further follow-up. More than two years has passed since this finding was reported. The grantor has not followed-up with the auditee and a management decision has not been issued. Therefore, this finding will no longer appear in the Auditee's Summary Schedule of Prior Audit findings.</p> <p>Ryan Hemminger, CFO, BCHD</p>
<p><u>Finding # 10-12</u> For federal program numbers 93.044/045/053 - Special Programs for the Aging - Title III, Parts B & C, BCHD did not have adequate procedures in place to ensure compliance with federal financial reporting standards and grant accounting requirements. We recommended that BCHD implement procedures to ensure that financial reports are supported by the City's accounting records.</p>	<p>Not Corrected</p>	<p>This program continues to incur similar findings as reported in the current period. Corrective action will be addressed in those findings. Therefore, this audit finding does not warrant further follow-up. More than two years has passed since this finding was reported. The grantor has not followed-up with the auditee and a management decision has not been issued. Therefore, this finding will no longer appear in the Auditee's Summary Schedule of Prior Audit findings.</p> <p>Ryan Hemminger, CFO, BCHD</p>

**CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<p>Fiscal Year 2009 Single Audit Schedule of Findings and Questioned Costs Section III - Federal Award Findings and Questioned Costs Compliance With Requirements Applicable to Each Major Program</p>		
<p><u>Finding # 09-04</u></p>		
<p>For federal program number 14.241 - Housing Opportunities for Persons With AIDS, reported expenditures were overstated by \$1,152,153. We recommended that future federal financial reports be prepared directly from the City's accounting records.</p>	<p>Not Corrected</p>	<p>This program incurred a similar finding in fiscal year 2014. See current period finding 2014-004 for planned corrective action.</p> <p style="text-align: right;">Jacquelyn Duval-Harvey, Director, MOHS</p>
<p>For federal program 93.778 - Medical Assistance Program, reported expenditures were overstated by \$814,154. For federal program number 93.914 - HIV Emergency Relief Project/Formula Grants, reported expenditures were understated by \$852,536. BCHD also did not report any program income on the report for the HIV Program. We recommended that future federal financial reports be prepared directly from the City's accounting records. We also recommended that program income, if applicable, be shown in the financial reports.</p>	<p>Not Corrected</p>	<p>These programs incurred similar findings in fiscal year 2014. See current period finding 2014-004 for planned corrective action.</p> <p style="text-align: right;">Ryan Hemminger, CFO, BCHD</p>

**CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<p>Fiscal Year 2008 Single Audit Schedule of Findings and Questioned Costs Section III - Federal Award Findings and Questioned Costs Compliance With Requirements Applicable to Each Major Program</p>		
<p><u>Finding # 08-04</u></p>		
<p>For federal program number 14.235 - Supportive Housing Program, reported expenditures for five selected reports were overstated by a total of \$28,686. For federal program number 14.241 - Housing Opportunities for Persons With AIDS (HOPWA), reported expenditures were understated by a total of \$2,704,086. For federal program number 93.569 - Community Services Block Grant, reported expenditures were overstated by a total of \$53,818. (These programs are now administered by MOHS.) We recommended that future federal financial reports be prepared directly from the City's accounting records. We also recommended that copies of all federal financial reports be maintained for review.</p>	<p>Not Corrected</p>	<p>Only program number 14.241 has continued to incur similar findings as reported in the current period. Corrective action will be addressed in those findings. Therefore, this audit finding does not warrant further follow-up. More than two years has passed since this finding was reported. The grantor has not followed-up with the auditee and a management decision has not been issued. Therefore, this finding will no longer appear in the Auditee's Summary Schedule of Prior Audit findings.</p> <p style="text-align: right;">Jacquelyn Duval-Harvey, Director, MOHS</p>
<p>For federal program numbers 93.044/045/053 - Special Programs for the Aging - Title III, Parts B & C, reported expenditures were understated by \$758,852, and reported revenues were overstated by \$633,601. We recommended that future federal financial reports be prepared directly from the City's accounting records. We also recommended that copies of all federal financial reports be maintained for review. (CARE is now administered by BCHD.)</p>	<p>Not Corrected</p>	<p>This program incurred a similar finding in fiscal year 2014. See current period finding 2014-004 for planned corrective action.</p> <p style="text-align: right;">Ryan Hemminger, CFO, BCHD</p>

**CITY OF BALTIMORE
 AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
 FOR THE YEAR ENDED JUNE 30, 2014**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<p>For federal program number 93.778 - Medical Assistance Program, reported expenditures were overstated by \$300,836. For federal program number 93.914 - HIV Emergency Relief Project/Formula Grants, reported expenditures were understated by \$514,763. We recommended that future federal financial reports be prepared directly from the City's accounting records. We also recommended that copies of all federal financial reports be maintained for review.</p>	<p>Not Corrected</p>	<p>These programs incurred similar findings in fiscal year 2014. See current period finding 2014-004 for planned corrective action.</p>

Ryan Hemminger, CFO, BCHD

**CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<p>Fiscal Year 2007 Single Audit Schedule of Findings and Questioned Costs Section III - Federal Award Findings and Questioned Costs Compliance With Requirements Applicable to Each Major Program</p>		
<p><u>Finding # 07-03</u></p>		
<p>For federal program numbers 93.044/045/053 - Special Programs for the Aging - Title III, Parts B & C, CARE (now administered by BCHD) expended \$78,655 in legal services costs, representing an earmarking shortfall of \$2,305. CARE also spent \$712,526 in administrative costs, exceeding the allowable limit by \$426,288. We recommended that controls and reporting procedures be developed to ensure that future legal assistance and administration earmarking requirements are met.</p>	<p>Not Corrected</p>	<p>This program continues to incur similar findings as reported in the current period. Corrective action will be addressed in those findings. Therefore, this audit finding does not warrant further follow-up. More than two years has passed since this finding was reported. The grantor has not followed-up with the auditee and a management decision has not been issued. Therefore, this finding will no longer appear in the Auditee's Summary Schedule of Prior Audit findings.</p> <p style="text-align: right;">Ryan Hemminger, CFO, BCHD</p>
<p><u>Finding # 07-04</u></p>		
<p>For federal program numbers 93.044/045/053 - Special Programs for the Aging - Title III, Parts B & C, reported expenditures were understated by \$270,853, and reported revenues were understated by \$363,705 We recommended that future federal financial reports be prepared directly from the City's accounting records. We also recommended that copies of all federal financial reports be maintained for review. (CARE is now administered by BCHD.)</p>	<p>Not Corrected</p>	<p>This program incurred a similar finding in fiscal year 2014. See current period finding 2014-004 for planned corrective action.</p> <p style="text-align: right;">Ryan Hemminger, CFO, BCHD</p>

**CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<p>Fiscal Year 2006 Single Audit Schedule of Findings and Questioned Costs Section III - Federal Award Findings and Questioned Costs Compliance With Requirements Applicable to Each Major Program</p>		
<p><u>Finding # 06-03</u></p>		
<p>For federal program numbers 93.044/045/053 - Special Programs for the Aging - Title III, Parts B & C, CARE (now administered by BCHD) expended \$77,600 in legal services costs, representing an earmarking shortfall of \$13,201. CARE also spent \$1,009,256 in administrative costs, exceeding the allowable limit by \$616,126. We recommended that controls and reporting procedures be developed to ensure that future legal assistance and administration earmarking requirements are met.</p>	<p>Not Corrected</p>	<p>This program continues to incur similar findings as reported in the current period. Corrective action will be addressed in those findings. Therefore, this audit finding does not warrant further follow-up. More than two years has passed since this finding was reported. The grantor has not followed-up with the auditee and a management decision has not been issued. Therefore, this finding will no longer appear in the Auditee's Summary Schedule of Prior Audit findings.</p> <p style="text-align: right;">Ryan Hemminger, CFO, BCHD</p>
<p><u>Finding # 06-04</u></p>		
<p>For federal program numbers 93.044/045/053 - Special Programs for the Aging - Title III, Parts B & C, CARE (now administered by BCHD) reported expenditures that were understated by \$890,041. Reported revenues for this report were in excess of the City's accounting records in the amount of \$104,126. We recommended that future financial reports be prepared directly from the City's accounting records.</p>	<p>Not Corrected</p>	<p>This program incurred a similar finding in fiscal year 2014. See current period finding 2014-004 for planned corrective action.</p> <p style="text-align: right;">Ryan Hemminger, CFO, BCHD</p>

**CITY OF BALTIMORE
 AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
 FOR THE YEAR ENDED JUNE 30, 2014**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<p>Fiscal Year 2005 Single Audit Schedule of Findings and Questioned Costs Section III - Federal Award Findings and Questioned Costs Compliance With Requirements Applicable to Each Major Program</p>		
<p><u>Finding # 05-03</u> For federal program numbers 93.044/045/053 - Special Programs for the Aging - Title III, Parts B and C, CARE (now administered by BCHD) reported expenditures that were in excess of the City's accounting records in the amount of \$179,074. Reported revenues for this report were overstated by \$795,509. We recommended that future financial reports be prepared directly from the City's accounting records.</p>	<p>Not Corrected</p>	<p>This program incurred a similar finding in fiscal year 2014. See current period finding 2014-004 for planned corrective action.</p>
		<p>Ryan Hemminger, CFO, BCHD</p>

**CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<p>Fiscal Year 2004 Single Audit Schedule of Findings and Questioned Costs Section III - Federal Award Findings and Questioned Costs Compliance With Requirements Applicable to Each Major Program</p>		
<p><u>Finding # 04-03</u></p>		
<p>For federal program numbers 93.044/045/053 - Special Programs for the Aging - Title III, Parts B and C, CARE (now administered by BCHD) reported expenditures for two reports that were in excess of the City's accounting records in the amount of \$720,576. Reported revenues for these reports were understated by \$520,857. We recommended that future financial reports be prepared directly from the City's accounting records.</p>	<p>Not Corrected</p>	<p>This program incurred a similar finding in fiscal year 2014. See current period finding 2014-004 for planned corrective action.</p>
		<p>Ryan Hemminger, CFO, BCHD</p>

**CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<p>Fiscal Year 2001 Single Audit Schedule of Findings and Questioned Costs Section III - Federal Award Findings and Questioned Costs Compliance With Requirements Applicable to Each Major Program</p>		
<p><u>Finding # 01-03</u></p>		
<p>For federal program numbers 93.044/93.045 - Special Programs for the Aging, Title III, Parts B and C, CARE (now administered by BCHD) reported expenditures that were in excess of the City's accounting records in the amount of \$1,872,217. Reported revenues were also overstated by \$1,915,034. We recommended that the reported overstated revenues and expenditures be reduced and that future federal financial reports be prepared directly from the City's accounting records.</p>	<p>Not Corrected</p>	<p>This program incurred a similar finding in fiscal year 2014. See current period finding 2014-004 for planned corrective action.</p>
		<p>Ryan Hemminger, CFO, BCHD</p>

**CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<p>Fiscal Year 2000 Single Audit Schedule of Findings and Questioned Costs Section III - Federal Award Findings and Questioned Costs Compliance With Requirements Applicable to Each Major Program</p>		
<p><u>Finding # 00-02</u></p>		
<p>For federal program numbers 93.044/93.045 - Special Programs for the Aging, Title III, Parts B and C, CARE (now administered by BCHD) reported expenditures that were in excess of the City's accounting records in the amount of \$1,805,646. Reported revenues were also overstated by \$1,671,011. We recommended that the reported overstated revenues and expenditures be reduced and that future federal financial reports be prepared directly from the City's accounting records.</p>	<p>Not Corrected</p>	<p>This program incurred a similar finding in fiscal year 2014. See current period finding 2014-004 for planned corrective action.</p>
		<p>Ryan Hemminger, CFO, BCHD</p>

PART VII

CORRECTIVE ACTION PLAN ON CURRENT
AUDIT FINDINGS

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**CITY OF BALTIMORE
AUDITEE'S CORRECTIVE ACTION PLAN ON CURRENT AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

<u>Finding Number/Finding</u>	<u>Contact Person</u>	<u>Planned Corrective Action</u>	<u>Anticipated Completion Date</u>
<p>Findings in this schedule are presented in the same order in which they appear in the Auditor's Schedule of Findings and Questioned Costs - Section III, Federal Award Findings and Questioned Costs. The following abbreviations have been used for City agencies: Baltimore City Health Department (BCHD); Department of Housing and Community Development (DHCD); Department of Transportation (DOT); Commission on Aging and Retirement Education (CARE); and Mayor's Office of Human Services (MOHS).</p>			
<u>Finding # 2014-001</u>			
Unable to Determine Eligibility	William P. Colbert, Chief of Fiscal Services, DHCD	Tenants residing in the three rental units in question were in the process of moving into scattered site supportive housing. We've provided a letter from Dayspring Programs, Inc., that explains why the re-certifications were not performed. The re-certification for the three units will be completed by September, 2016. Also, in the future, DHCD will review all files for all 18 units to ensure that all units are re-certified timely.	December 2016
	Ryan Hemminger, CFO, BCHD	The Provider Certification does not determine eligibility of a client. Section IV, page 2 of the Program Condition of Awards provides details regarding the process of determining eligibility. Eligibility is determined using the Eligibility Questionnaire, which screens for client access to other means of transportation. A client is deemed eligible for covered service provided he/she has no other means of transportation. The Eligibility Questionnaire and the Program Conditions of Award are available upon request. Field Health Transportation is also required to do pre- and post-appointment verifications. It does about 5% of total calls each quarter. This information is logged onto a verification log sheet.	December 2016

**CITY OF BALTIMORE
AUDITEE'S CORRECTIVE ACTION PLAN ON CURRENT AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

(continued)

<u>Finding Number/Finding</u>	<u>Contact Person</u>	<u>Planned Corrective Action</u>	<u>Anticipated Completion Date</u>
<u>Finding # 2014-002</u> Financial Reports Were Not Submitted Timely	Jacquelyn Duval-Harvey, Director, MOHS	Recipients of Continuum of Care (CoC) funding are required to submit Annual Performance Reports (APRs) to the U.S. Department of Housing and Urban Development (HUD) within 90 days after the expiration of the grant agreements. In 2012, MOHS-HSP initiated the transition to a new HMIS system. Due to numerous challenges, the new HMIS system did not go into operation until September 2014. This transition impacted the ability of MOHS-HSP to get reliable data from sub-recipients and subsequently to submit accurate data in the APRs. As of March 2016, there were no outstanding APRs due to HUD. MOHS-HSP reporting was timely and processes and systems are set in place to continue the timely submissions.	December 2016
	Ryan Hemminger, CFO, BCHD	BCHD has developed policies and procedures regarding grant accounting and financial reporting with which accountants will comply. Accountants will reconcile revenues and expenses per records and reports, collect reports from sub-grantees, use City accounting records as the basis for preparation of fiscal reports, make necessary adjustments, liquidate encumbrances, freeze account balances with BAPS to prevent unauthorized transactions, and submit reports timely to funding sources. The accountant will follow the policies and procedures outlined and the supervisor will review the work to ensure compliance. BCHD will conduct multiple trainings on the revised policies with all accountants and accountant supervisors to ensure knowledge and compliance.	December 2016

**CITY OF BALTIMORE
 AUDITEE'S CORRECTIVE ACTION PLAN ON CURRENT AUDIT FINDINGS
 FOR THE YEAR ENDED JUNE 30, 2014**

(continued)

<u>Finding Number/Finding</u>	<u>Contact Person</u>	<u>Planned Corrective Action</u>	<u>Anticipated Completion Date</u>
<u>Finding # 2014-003</u>	Ryan Hemminger, CFO, BCHD	<p>BCHD will provide the pertinent supporting documentation for the earmarking requirements to ensure compliance in future fiscal years.</p> <p>BCHD prepares an area plan in accordance with the grant guidelines and monitors expenses to ensure compliance.</p> <p>BCHD awards earmarking funds for such costs to them by unique budget account numbers.</p> <p>BCHD is working to reconcile the earmarking allocations by recording and reporting them properly</p>	December 2016

**CITY OF BALTIMORE
AUDITEE'S CORRECTIVE ACTION PLAN ON CURRENT AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

(continued)

<u>Finding Number/Finding</u>	<u>Contact Person</u>	<u>Planned Corrective Action</u>	<u>Anticipated Completion Date</u>
<u>Finding # 2014-004</u> Financial Reports Were Not Supported by the Underlying Accounting Records	Jacquelyn Duval-Harvey, Director, MOHS	MOHS explained this previously. The \$300,000 is the aggregate amount of expenditure capturing the payroll expenses for HOPWA staff which was recorded in the accounting system under the 6000 account sequence. Journal entries were processed to move and reclassify the expenses from the 6000 to 4000 HOPWA account. The documentation supporting our assertion was previously submitted, however, we are resubmitting those reports to you.	December 2016
	Ryan Hemminger, CFO, BCHD	<p>BCHD is revising policies and procedures regarding grant accounting and financial reporting with which accountants will comply. Accountants will reconcile revenues and expenses per records and reports, collect reports from sub-grantees, use City Accounting records as the basis for preparation of fiscal reports, make necessary adjustments, liquidate encumbrances, freeze account balances with BAPS to prevent unauthorized transactions, and submit reports timely to funding sources. BCHD is in the process of reconciling the accounts and will reconcile them timely in the future.</p> <p>BCHD will conduct multiple trainings on the revised policies with all accountants and accountant supervisors to ensure knowledge and compliance.</p> <p>Medical Assistance General Transportation - At the time of annual report filing, personnel provided estimates of the amount of outstanding invoices for transportation vendors. Transportation vendors have one year after the date-of-service to appeal any invoice denied for payment. This process leads to a possible disparity between reported expenditures and general ledger expenditures at the time of audit. Changes in state reimbursement policy will resolve this finding in FY 2017 and beyond.</p>	December 2016

**CITY OF BALTIMORE
AUDITEE'S CORRECTIVE ACTION PLAN ON CURRENT AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

(continued)

<u>Finding Number/Finding</u>	<u>Contact Person</u>	<u>Planned Corrective Action</u>	<u>Anticipated Completion Date</u>
<p><u>Finding # 2014-005</u> (a) Missing Folders, Various Errors and Omissions, (b) Duplicate Payments and (c) Internal Control Weaknesses Were Noted During Our Review of Program Documentation</p>	<p>William P. Colbert, Chief of Fiscal Services, DHCD</p>	<p>During fiscal year 2014, management of the Low Income Home Energy Assistance Program (LIHEAP) was transferred from DHCD to the Mayor's Office of Human Services (MOHS)/Office of Home Energy Programs (OHEP). Response to this finding is the responsibility of MOHS. Regarding the account for payments to oil suppliers, there was a delay in the bank account transfer and the account is in the process of being transferred to MOHS/OHEP.</p>	<p>December 2016</p>

**CITY OF BALTIMORE
AUDITEE'S CORRECTIVE ACTION PLAN ON CURRENT AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

(continued)

<u>Finding Number/Finding</u>	<u>Contact Person</u>	<u>Planned Corrective Action</u>	<u>Anticipated Completion Date</u>
<p><u>Finding # 2014-006</u> Obligations Incurred Were Not Liquidated Within 90 Days Following the End of the Funding Period</p>	Ryan Hemminger, CFO, BCHD	<p>BCHD is adopting measures to monitor and to liquidate encumbrances timely in the future.</p> <p>BCHD is revising grant management policies and provedures with which accountants will comply.</p> <p>BCHD will conduct multiple trainings on the revised policies with all accountants and accountant supervisors to ensure knowledge and compliance.</p> <p>During the preparation of the fiscal report, the accountant will generate an encumbrance report from CityDynamics to determine the status of the open encumbrances and will take the appropriate action within the scheduled time frame.</p>	December 2016
<p><u>Finding # 2014-007</u> Internal Monitoring Was Not Performed</p>	Jacquelyn Duval-Harvey, Director, MOHS	<p>Based on an internally developed risk assessment which complies with OMB and is accepted by HUD, monitoring of those subrecipients in mid to high risk category is performed. MOHS also performs 100% desk audit and monitoring of fiscal documents of the subrecipients on a monthly basis. MOHS also reviews 100% of the audited financial statements and issues management decision letters to subrecipients.</p>	December 2016

**CITY OF BALTIMORE
AUDITEE'S CORRECTIVE ACTION PLAN ON CURRENT AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

(continued)

<u>Finding Number/Finding</u>	<u>Contact Person</u>	<u>Planned Corrective Action</u>	<u>Anticipated Completion Date</u>
<p><u>Finding # 2014-008</u> Misstated Grant Revenue and Program Income</p>	Ryan Hemminger, CFO, BCHD	BCHD will record and report program income properly. In FY 2015, BCHD implemented a corrective action by doing an adjusting journal entry to report program income separately from grant revenue. It will continue to do so separately in subsequent years.	December 2016
<p><u>Finding # 2014-009</u> (a) Underbillings of Airspace Rentals and (b) Lack of Support for Final Reviews</p>	Dhirendra Sinha, Chief, Fiscal Division, DOT	<p>(a) The Department of Housing and Community Development (DHCD) entered into a lease agreement with Engineer Associates in July 1988 and, based upon that agreement, BAPS generates the invoices to Engineer Associates which is charged to DOT's account. Since DOT doesn't get involved into any of the processes, we will coordinate with the DHCD and BAPS to resolve this matter.</p> <p>(b) The Administrator who initiated and performed most of the close-out steps for the two projects BC 311-213-315/316-006-815 and BC 315-059-815 is no longer a DOT employee. The checklist was not completed and, accordingly, not kept in the project folder. Going forward, Administrators responsible for close-out, will be completing the final review checklist and including them in the Final Review Package sent to DOT's Fiscal Section.</p>	December 2016

**CITY OF BALTIMORE
AUDITEE'S CORRECTIVE ACTION PLAN ON CURRENT AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

(continued)

<u>Finding Number/Finding</u>	<u>Contact Person</u>	<u>Planned Corrective Action</u>	Anticipated Completion <u>Date</u>
<u>Finding # 2014-010</u> Program Expenditures Misclassified	William P. Colbert, Chief of Fiscal Services, DHCD	DHCD will prepare a journal entry moving the charges to the correct account and thereby resolving this finding. DHCD will make every effort to ensure that costs are charged to correct accounts.	December 2016

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(continued)

<u>Finding Number/Finding</u>	<u>Contact Person</u>	<u>Planned Corrective Action</u>	<u>Anticipated Completion Date</u>
<u>Finding # 2014-011</u> Various Expenditure and Revenue Recording Errors	William P. Colbert, Chief of Fiscal Services, DHCD	DHCD, working with the Bureau of Accounting and Payroll Management, has corrected the recording of program income as credits to expenditures. Program income is now recorded as revenue and has been posted to the correct HOME projects. Also a new procedure has been established by DHCD's Fiscal Department and the HOME Office to ensure correct posting of program income in the future.	December 2016
	Ryan Hemminger, CFO, BCHD	BCHD is revising policies and procedures regarding grant accounting and financial reporting, with which accountants will comply. Accountants will reconcile revenues and expenses per records and reports, collect reports from sub-grantees, use City accounting records as the basis for preparation of fiscal reports, make necessary adjustments, liquidate encumbrances, freeze account balances with BAPS to prevent unauthorized transactions, and submit reports to funding sources. As a result, the errors have been corrected. BCHD will conduct multiple trainings on the revised policies with all accountants and accountant supervisors to ensure knowledge and compliance.	December 2016

**CITY OF BALTIMORE
 AUDITEE'S CORRECTIVE ACTION PLAN ON CURRENT AUDIT FINDINGS
 FOR THE YEAR ENDED JUNE 30, 2014**

(continued)

<u>Finding Number/Finding</u>	<u>Contact Person</u>	<u>Planned Corrective Action</u>	<u>Anticipated Completion Date</u>
<u>Finding # 2014-012</u> Unallowable Penalties and Personal Expenses	William P. Colbert, Chief of Fiscal Services, DHCD	As stated in the finding by the Department of Audits, DHCD has corrected the \$1,200 parking and \$30 non-sufficient funds expense items related to the HOME Investment Partnerships Program. The other item regarding LIHEAP requires a response from MOHS/OHEP, as management of the LIHEAP program was transferred from DHCD in FY2014.	December 2016

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AUDITEE'S CORRECTIVE ACTION PLAN ON CURRENT AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

(continued)

<u>Finding Number/Finding</u>	<u>Contact Person</u>	<u>Planned Corrective Action</u>	<u>Anticipated Completion Date</u>
<p><u>Finding # 2014-013</u> Drawdowns of Grant Funds Exceeded Program Expenditures</p>	<p>Jacquelyn Duval-Harvey, Director, MOHS</p>	<p>MOHS has responded to these findings in previous years. Documentation has been provided previously in the form of worksheets, reconciliation reports, grant inventory charts, draw reports and deposit slips to support our narrative statement which is intended to assure the Department of Audits and any other review entities that MOHS has never drawn revenues in excess of the expenditures. MOHS program funding is complicated by the fact that our funding, and therefore program activities, do not align with the City's fiscal year start and end dates.</p> <p>MOHS follows the regulatory guidance as stated in the OMB and HUD regulations as it relates to the management of its grants. SHP and Shelter Plus Care are annual competitive grants that have a start and end date staggered across all twelve months in a calendar year. HOPWA is a three year grant that also falls outside of the City's fiscal year July 1 start date and the June 30 end date. One of our recommendations to address this issue is to review these grants/projects independently for revenues and expenditures and not in the aggregate.</p>	<p>December 2016</p>
<p><u>Finding # 2014-014</u> Noncompliance with Level of Effort Requirements</p>	<p>Ryan Hemminger, CFO, BCHD</p>	<p>BCHD is in agreement and will revise the report per the recommendation outlined by the Baltimore City Department of Audits.</p>	<p>December 2016</p>

**CITY OF BALTIMORE
AUDITEE'S CORRECTIVE ACTION PLAN ON CURRENT AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

(continued)

<u>Finding Number/Finding</u>	<u>Contact Person</u>	<u>Planned Corrective Action</u>	<u>Anticipated Completion Date</u>
<p><u>Finding # 2014-015</u> Grants Not Approved by the Board of Estimates</p>	Ryan Hemminger, CFO, BCHD	BCHD will obtain retroactive approval from the Board of Estimates for these grants. It will obtain timely approval from the Board of Estimates for all future grant awards. BCHD submitted the grants to the Board of Estimates for approval.	December 2016
<p><u>Finding # 2014-016</u> Grant Funds Not Deposited Timely</p>	Ryan Hemminger, CFO, BCHD	<p>BCHD will deposit all cash receipts weekly to comply with the Baltimore City Administrative Manual and its internal policies.</p> <p>BCHD will conduct multiple trainings on the revised policies with all accountants, accounts receivable staff, and accountant supervisors to ensure knowledge and compliance. The accountant will follow the policies and procedures outlined and the supervisor will review the work to ensure compliance.</p>	December 2016