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**BALTIMORE CITY COUNCIL
FINANCE AND PERFORMANCE
COMMITTEE**

Mission Statement

The Committee on Finance and Performance (FP) is responsible for matters concerning fiscal oversight throughout the year. FP will improve the Council's understanding of the City's budget and to understand how agencies are performing and delivering city services, in addition to reviewing their spending throughout the year. FP will hold regular hearings on financial information, including, revenue, budgets, and audits. The committee's areas of jurisdiction include:

- Fiscal Oversight
- Budget Process
- Agency Performance
- Quarterly Budget Hearings
- Agency Performance Hearings
- Audit Oversight
- Revenue Certification

**The Honorable John T. Bullock
Chairman**

PUBLIC HEARING

**THURSDAY, SEPTEMBER 26, 2024
3:00 PM**

COUNCIL CHAMBERS

Legislative Oversight LO24-0066

**Briefing – City of Baltimore Annual Comprehensive Financial Report
Year Ending June 30, 2023**

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BILL SYNOPSIS

Committee: Finance and Performance

Legislative Oversight # LO 24-0066

Briefing – City of Baltimore Annual Comprehensive Financial Report (ACFR) Year Ending June 30, 2023

Sponsor: President Mosby, Councilmember Bullock, et al

Introduced: August 26, 2024

Purpose:

For the purpose of inviting the City’s Directors of Finance and Head of Accounts Payable, the City Auditor and SB & Company (External Audit Firm) to present and brief the City Council on the Annual Comprehensive Financial Report (ACFR) for Year Ending June 30, 2023 and Single Audit (expected to be completed in approximately 2 weeks).

Note: Legislative Oversight briefings does not require a committee vote.

Agencies/Representatives Reporting

Department of Finance
Head of Accounts Payable
City Auditor
SB & Company (External Audit Firm)

Analysis

Current Law

Baltimore City Code – Article 1, Subtitle 1-City Council, 1-6

§ 1-6. Agencies to provide legislative information.

It shall be the duty of the head of every City department or bureau established by the Baltimore City Charter or by ordinance to provide all technical materials, plats, drawings, and information that are requested by any member or the President of the City Council for the purpose of introducing legislation into the Council.

(City Code, 1976/83, art. 1, §6.) (Ord. 76-080.)



Background

The Baltimore City Charter requires the City Auditor, under the supervision of the Comptroller, to audit the comprehensive annual financial report of the City, prepared by the Director of Finance. The Annual Comprehensive Financial Report for the fiscal year ending June 30, 2023 was submitted and presented to the Board of Estimates on June 26, 2024. The Single Audit had not been completed due to open items.

On Thursday, September 26, 2024, pertinent representatives will come before the Committee to brief the members on the report.

Attached are:

- Fiscal Year 2023 ACFR – prepared by the [Department of Finance](#)
- Fiscal Year 2023 ACFR – [Highlights and Focus on Corrective Actions](#) – prepared by the [Department of Finance](#) on June 25, 2024
- Briefing on Fiscal Year 2023 ACFR – prepared by [SBC Certified Public Accountants and Business Advisors](#) on June 26, 2024

Additional Information

Fiscal Note: None

Information Source(s): City Code

Marguerite M. Currin
Analysis by: Marguerite M. Currin
Analysis Date: September 23, 2024

Direct Inquiries to: (443) 984-3485

City of Baltimore
Maryland



Annual Comprehensive Financial Report
Year Ended June 30, 2023

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City of Baltimore, Maryland

Annual Comprehensive Financial Report

Year Ended June 30, 2023

Prepared by the Department of Finance

Michael Mocksten

Chief Financial Officer

Bureau of Accounting and Payroll Services

Julie Floyd

Bureau Chief





ELECTED OFFICIALS

MAYOR
Brandon M. Scott

PRESIDENT OF THE CITY COUNCIL
Nick Mosby

COMPTROLLER
Bill Henry

BOARD OF ESTIMATES

PRESIDENT
Nick Mosby

MAYOR
Brandon M. Scott

COMPTROLLER
Bill Henry

DIRECTOR OF PUBLIC WORKS
Jason Mitchell

CITY SOLICITOR
Ebony Thompson

CITY COUNCIL

Nick Mosby, *President*

Sharon Green Middleton, *Vice-President*

FIRST DISTRICT

Zeke Cohen

SECOND DISTRICT

Danielle McCray

THIRD DISTRICT

Ryan Dorsey

FOURTH DISTRICT

Mark Conway

FIFTH DISTRICT

Isaac "Yitzy" Schleifer

SIXTH DISTRICT

Sharon Green Middleton

SEVENTH DISTRICT

James Torrence

EIGHTH DISTRICT

Kristerfer Burnett

NINTH DISTRICT

John. T Bullock

TENTH DISTRICT

Phylcia Porter

ELEVENTH DISTRICT

Eric T. Costello

TWELFTH DISTRICT

Robert Stokes, Sr.

THIRTEENTH DISTRICT

Antonio "Tony" Glover

FOURTEENTH DISTRICT

Odette Ramos

City of Baltimore
Annual Comprehensive Financial Report
Year Ended June 30, 2023

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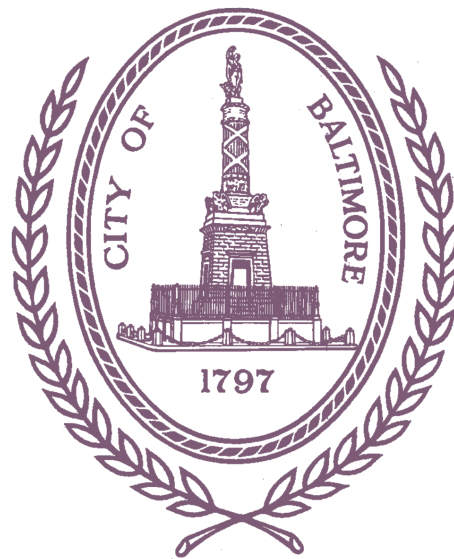
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INTRODUCTORY SECTION



- **Letter of Transmittal**
- **Municipal Organization Chart**
- **Certificate of Achievement in Financial Reporting**
- **Finance Officers Association**

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Michael Mocksten,
Chief Financial Officer
454 City Hall
Baltimore, Maryland 21202

Brandon M. Scott, Mayor

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

April 12, 2024

In compliance with Article VII, Section 8, of the revised City Charter (November, 1964), submitted herewith is the Annual Comprehensive Financial Report (ACFR) of the City of Baltimore, Maryland, (the City) for the year ended June 30, 2023. The ACFR 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.

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 ACFR.

The City Charter established a Department of Audits under the general supervision of the City Comptroller. The Charter requires the City Auditor to "annually make a general comprehensive public report of the financial position of the City; in the discretion of the Comptroller, such report may be in the form of an opinion on the annual financial statements prepared by the Director of Finance." Additionally, the Board of Estimates awarded a contract to the nationally recognized independent certified public accounting firm, SB & Company, LLC, to perform an audit with the City Auditor of the basic financial statements of the City as of and for the year ended June 30, 2023. The audit report is contained herein. The audit was conducted in accordance with auditing standards generally accepted in the United States of America. On the basis of this examination, the independent public accountants have issued an unmodified opinion that the presentation of the basic financial statements conforms with accounting principles generally accepted in the United States. In conducting the audit, the auditors performed tests of the accounting records and such other procedures as were considered necessary in the circumstances to provide a reasonable basis for this opinion on the financial statements. The auditors also assessed the accounting principles used and significant estimates made by management, as well as evaluated the overall financial statement presentation.

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

This report includes all of the funds that we consider to be part of, controlled by or dependent on the City. Professional judgment must be used to determine whether or not a potential component unit should be included in the reporting entity. Various potential component units were evaluated to determine whether they should be reported in the City's ACFR. 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 population of 569,931 as of 2022 per the most recent report from the US Census. The City is a major deep-water seaport located on the Patapsco River, a tributary of the Chesapeake Bay and 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 him or herself without limitation as to the number of terms. If the Mayor is disabled or absent from the City, the President of the City Council acts as ex-officio Mayor. If the Mayor resigns, is permanently disqualified, or dies in office, the President of the City Council becomes Mayor for the remainder of the term. The Mayor has authority to veto ordinances, has power of appointment of most department heads and municipal officers, serves on the Board of Estimates and appoints two of the other four members of the Board of Estimates.

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

Key Budgetary Policies

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

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

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

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

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

Budget Monitoring and Execution: Budget analysts maintain ongoing contact with agency fiscal officers in the process of implementation and execution of the budget. Expenditure and revenue projections are developed and reviewed on a

monthly basis. The Mayor, through the Department of Finance, exercises appropriate fiscal management to adjust budget policy, as necessary, to be within the limits of the current adopted plan. The City Council has the practice of reviewing budget performance at mid-year and during the fourth quarter.

Debt Policy: In 1990, the City adopted a formal debt policy which set annual borrowing limits, consolidated all financing arrangements within the Department of Finance, established refunding and refinancing policies, and set limits on key debt management ratios. The objective is to maintain the City's reputation as a locality having a conservative approach to all aspects of debt management, including debt service expenses, debt retirement schedules, and debt capacity ratios. The Debt Policy was last reviewed December 2023 by an independent financial consultant contracted by the City. After considering the consultant's recommendation, the City plans not to exceed \$80 million in budgeted annual general obligation debt in Fiscal Year 2025 and up to \$125 million thereafter. The Debt Policy is subject to review at least every five years, or at such earlier time as may be recommended by the Director of Finance.

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

OTHER FINANCIAL INFORMATION

Retirement Plans

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

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

Temporary Investment of Cash Balances

The City, through the Department 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 City is the historic, business, education, and cultural center of Maryland, located between Washington, D.C. and New York City along the Interstate 95 corridor. The City was founded in 1729, incorporated in 1797, and became independent from Baltimore County in 1851. It is the most populous city in Maryland and the 30th most populous city in the United States.

The City is situated in one of the most populous, wealthiest and best educated population centers in the country. This provides access to a large and diversified workforce for the city, as well as expanded opportunity for residents. However, residents face various socio-economic issues and inequities that are rooted in historic policies, such as redlining and segregation. The City is working to address these realities every day by providing targeted and equitable services to residents.

Baltimore benefits from a robust inter-city transportation network that includes multiple Interstate highways, the Amtrak Northeast Regional and Acela corridors, the Baltimore-Washington International Thurgood Marshall Airport, and the Maryland Area Rail Commuter (MARC) system. In the City, residents and visitors are served by a public transportation system that features a combination of light-rail, metro-rail, and bus service administered by the Maryland Transit Administration, which saw over 48 million riders in 2022. Off land, the Port of Baltimore functions as a major import and export hub, processing over 11 million tons of general cargo in 2022 and serving the in-land population as the closest seaport for the Midwest region.

The City is home to multiple higher education institutions, such as Johns Hopkins University, University of Maryland Baltimore, Morgan State University, Coppin State University, and Maryland Institute College of Art. Johns Hopkins and University of Maryland also extend into the healthcare sector, operating medical systems that serve the greater Baltimore region alongside Mercy Medical System and LifeBridge Health. This prominent health care and knowledge-related industry presence provides Baltimore with a strong economic backbone.

Economic Outlook

Baltimore City's economy is reaching levels of stability following economic growth and recovery. The overall outlook reflects positive economic growth in labor markets, real estate, and sales activity.

The following key indicators suggest that the City is retaining a healthy economic environment:

- The City's labor force has increased by 4,580 throughout Fiscal 2023, demonstrating an increase in the City's economic strength by retaining employed residents.
- In June 2023, the City reached an unemployment rate of 2.3%, the lowest since the Bureau of Labor Statistics (BLS) began tracking the metric.
- The City's economic activity, as measured by the value of Sales and Use taxes generated in the City, remains strong. The City's taxable sales for Fiscal 2023 represented 6.1% of the State's total, 0.1% higher than the 6.0% City's participation during Fiscal 2022.
- While the City's household size has declined from 2.53 individuals in 2010 to 2.32 in 2021, the median household income has grown by 41.1%, from \$38,346 in 2010 to \$54,124 in 2021.

The City's overall economic outlook remains positive as it benefits from improvements in key sectors such as the labor and real estate markets; however, the City continues battling the challenges of declining population and its impact on its income taxable base. Even though the City has not yet experienced reductions of its taxable income, close attention must be given to this factor for the sustainability of the City's finances.

Jobs and Employment

In May 2020, due to the COVID-19 pandemic, the unemployment rate climbed to 11.2%, and the number of employed City residents dropped to its lowest point in the last five years, 244,800. However, during the following three years, there has been a gradual upward trend in employed City residents, reaching 271,413 City workers as reported by BLS, and the City recorded its lowest unemployment rate on record of 2.3% as of June 2023. This rate, which reflects virtually full employment, signals that most City residents willing to work are employed, and those seeking opportunities may have more competitive offers.

Retail Activity and Offices

The Maryland Sales and Use tax is considered a meaningful indicator of local and regional economic activity. In Fiscal 2023, 6.1% of sales generating this income for the State came from transactions occurring in the City, a 0.1% increase over Fiscal 2022. Growth in this indicator points to the City's resilience in maintaining levels of economic activity.

The State and the nation have been subject to drastic modifications of consumers' spending habits resulting from the pandemic, which has led to long-term changes in buying preferences towards online shopping methods. Of total sales within the City, purchasing habits increased by 3.4% for Utilities, Transportation, and Miscellaneous categories, comparing year-to-date spending between 2019 and 2023. However, the City saw a decline of 3.5% in consumption of food and beverages during the same period.

Residential Housing

The real estate market showed stabilization signs during Fiscal 2023 after the extraordinary year of activity experienced in Fiscal 2022. Favorable housing market conditions that included low interest rates, abundant supply of housing, and more disposable income led to increased activity levels across the City during Fiscal 2022. However, as interest rates began rising in the spring of 2022 to deter inflation, the housing market returned to pre-pandemic levels as demand fell.

Even though the number of residential units sold decreased by 2,305, from 9,134 in Fiscal 2022 to 6,829 during Fiscal 2023, this activity level was still higher than the average of 6,309 units sold in 2019 before the pandemic hit. Additionally, the number of days passed for a listed property to close only rose from 30 days in Fiscal 2022 to 34 days on average in Fiscal 2023, which indicated that sales occurred 20 days faster than the average 54 days on the market before the pandemic. More importantly, the average sale price of residential properties was virtually unimpacted, increasing by 0.7% compared to the prior year, from \$250,740 to \$252,419 in Fiscal 2023. This is after experiencing an average increase of 9.4% between Fiscal 2021 and 2022.

Despite the downturn in the housing market, the City still represents a reasonable and low-cost housing alternative for buyers in the region. This is particularly important as the regional market has grown to include more Washington and Northern Virginia commuters.

Port of Baltimore

With the expansion of the Panama Canal in 2016 allowing deeper and wider lanes for larger ships to pass through, Baltimore and other Atlantic coastal ports now receive larger cargo-carriers, often from the Far East, that previously were limited to the Pacific Coast. Indeed, Baltimore is one of only four Eastern U.S. ports with a 50-foot (15.2 meters) shipping channel and a 50-foot container berth, allowing it to accommodate some of the largest container ships in the world.

The Port of Baltimore generates nearly \$3.3 billion in total personal income and supports 15,300 direct jobs and nearly 140,000 jobs connected to port work. The Port ranks first among the nation's ports for volume of autos and light trucks, roll on/roll off heavy farm and construction machinery, and imported gypsum. It ranks 11th among major U.S. ports for foreign cargo handled and ninth for total foreign cargo value. In 2023, the Port welcomed the largest container ship to visit Maryland, the Evergreen Ever Max, which can handle 15,432 Twenty-foot Equivalent (TEU) containers.

As of the first quarter of 2023, the Port activity increased by 8% for general cargo and 7% for containers compared to the same period of the prior year. In addition, roll on/roll off farm and construction machinery experienced an increase of 42% year-over-year. Other recent successes include the addition of four ultra-large cranes, e-commerce express shipping lines, receiving diverted ships due to congestion at other port locations, and the new coastal restoration initiative to restore island habitats in the Chesapeake Bay ecosystem.

On March 26, 2024, Port operations were significantly interrupted due to the collapse of the Francis Scott Key Bridge. The economic impact of the disruption, the rebuilding activities, federal and state aid are not yet estimable.

Tourism and Travel Industries

The City's tourism and travel industries are still climbing uphill to reach pre-COVID-19 activity levels. Many activities have fully rebounded, with some surpassing pre-pandemic levels of activity.

Baltimore Convention Center (BCC). In Fiscal 2021, the BCC held no events while it served as a COVID-19 field hospital, testing site, and vaccination facility. The facility continued to operate in this capacity until October 1, 2021. In Fiscal 2022, the BCC held 81 events, generating \$7.2 million in revenues. However, in Fiscal 2023, the Convention Center hosted 99 events, 18 more than the prior year, and generated \$9.9 million in revenues. Even though this number is still lower than the 114 events held by the BCC in Fiscal 2019, this industry is gaining momentum as economic activity continues to rebound.

Hospitality. Hotel activity was slow to rebound initially in the aftermath of the onset of COVID. The Fiscal 2023 room demand measured by the occupancy rate averaged 63.8%, just 0.6% higher than the 63.2% of Fiscal 2022; however, the City increased its room supply by nearly 2,500, indicating that demand fully absorbed this increase. Additionally, the average daily rate per room of hotels in the City grew to \$173.6 in Fiscal 2023, \$8.4 more or 5.2% higher than the Fiscal 2022 average of \$165.1. As a result, the City is gradually increasing its yield in hotel tax revenue due to the combined impact of demand and higher prices.

Baltimore Washington International Thurgood Marshall Airport (BWI.) During the calendar year 2019, nearly 27.0 million passengers flew in or out of BWI airport, ranking it as the 22nd busiest airport in the United States. As a result of COVID-19, the travel and airline industry experienced a massive disruption, but the industry has rebounded going into calendar year 2023. As of May 2023, there were over 24.3 million passengers throughout a 12-month period, or a 14.8% increase during the same period from the prior year. BWI Marshall serves as an integral part of the U.S. Capital Region's supply chain, accounting for 56.9% of freight transported in the region during this period.

Port of Baltimore. Since 2009, the Port of Baltimore has had year-round cruising, averaging more than 200,000 passengers annually through 2019. Following the pause during the COVID-19 pandemic, Baltimore's passenger counts have rebounded, with all ships sailing at full capacity. The Port announced that Royal Caribbean, one of the largest companies in this industry, has recently replaced the Baltimore-based ship with enhanced fleet that will now provide year-round cruises from Baltimore to the Bahamas, Bermuda, the Caribbean, and New England/Canada which may entice travelers from nearby states in addition to the Baltimore region. Cruise-related Port activity is estimated to generate about \$63 million in business revenue and create 400 jobs.

Commercial Real Estate Development

Segments of the Baltimore City commercial real estate market have been impacted by the on-set of the COVID-19 pandemic, specifically in their occupancy rates. The pandemic has caused many companies to completely shift to working from home, triggering changes in the market that could cause a decline in commercial real estate development throughout the City going forward.

This shift is apparent in the sudden uptick in office vacancy rates experienced in the first quarter of 2021. The office space in the Downtown had a 10.4% vacancy rate during the first quarter of calendar year 2020, increasing to 19.6% by the second quarter of 2022, which represents the highest office vacancy rate that the City has experienced in recent years. This rate has fallen to 14.4% in the first quarter of 2023. Yet, with many companies still implementing teleworking and work-from-home policies, there is some uncertainty around whether the office space vacancy rate will continue to decline.

Unlike the office market, the vacancy rate for retail spaces remained steady throughout the year. As of the first quarter of calendar year 2023, the Downtown retail vacancy rate was 5.7%, only 0.1 percentage points below the 5.8% of the previous year and down 0.4 percentage points from the prior quarter's 6.1%, suggesting that this vacancy rate range is the new normal for retail spaces.

Although the City's industrial market has experienced negative net absorption since 2020, the low vacancy rates indicate strong demand. As of the first quarter of calendar year 2023, the citywide industrial vacancy rate was 6.6%, a slight increase of 1.0 percentage points over the prior year. In addition, industrial properties have faced significant growth in real estate market rent per square foot, reaching \$8.5 in the first quarter of 2023 from \$7.7 for the same period of the prior year.

FINANCIAL ACCOMPLISHMENTS

Ten years into the original Ten-Year Financial Plan, the City has reduced the baseline deficit through Fiscal 2022 from \$745 million to \$434 million – by 41.7% or \$311 million. Since Fiscal 2013, Baltimore has implemented numerous reforms aimed at achieving long-term fiscal sustainability. Some of these include lowering the effective property tax rate by 8.8%, increasing revenue capital (PAYGO) spending first to \$50 million and later to \$80 million, and streamlining the workforce by reducing the number of General Fund positions by 6.5%. As a result of strategic reforms, combined pension and OPEB

unfunded liabilities shrank from \$3.2 billion in Fiscal 2011 to \$1.7 billion in Fiscal 2022, a reduction of 46.9% or \$1.5 billion.

TEN-YEAR FINANCIAL PLAN

On February 20, 2013, the City released *Change to Grow: A Ten-Year Financial Plan for Baltimore*. This was the original iteration of the City's Ten-Year Plan, and the first of its kind. The Plan calls for comprehensive reforms to close what was then a projected \$745 million structural budget deficit, increase the City's tax competitiveness, accelerate infrastructure investment, and reduce the City's long-term pension and health care liabilities.

Implementation of the Ten-Year Plan began in Fiscal 2013 with two key initiatives: 20 Cents by 2020 – a program to reduce the effective property tax rate for owner-occupied properties – and health benefit changes for employees that were projected to save the City \$20 million annually.

In Fiscal 2014, the City implemented Ten-Year Plan initiatives to further reduce the fiscal gap, including pension changes for current and future employees, a new schedule for firefighters, a revenue package, a State-mandated stormwater fee, a reduction to the real property tax rate and the discontinuation of retiree pharmacy benefits.

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

In the Fiscal 2016 budget, key initiatives included an additional \$9 million PAYGO capital contribution, beyond the \$8 million baseline, and the elimination of 280 General Fund positions. In Fiscal 2016, the City also negotiated a new Memorandum of Understanding with 14 non-profit institutions who will contribute a collective \$6 million annually for ten years beginning in Fiscal 2017.

In Fiscal 2017, the City continued to work towards implementing cost-savings initiatives identified under the Ten-Year Plan. While the initiatives implemented through Fiscal 2016 had a meaningful impact on the original projected shortfall, a significant structural budget gap remained. To continue addressing this long-term challenge, the Fiscal 2017 adopted budget contains further cost-saving investments emphasizing blight elimination, street repaving, recreation center expansion, and information technology upgrades.

In Fiscal 2018 the budget contained additional initiatives to improve the efficiency of government, further reduce the property tax rate for homeowners, make much-needed infrastructure investments, and reduce the City's long-term liabilities. In Fiscal 2018, the City contributed \$9 million beyond the \$8 million baseline in PAYGO capital funding, plus \$12 million of additional funding for operating and capital projects to comply with the Department of Justice consent decree for Police Department reforms. The Fiscal 2018 budget also transferred 54 positions out of the General Fund.

The Fiscal 2019 budget reflected baseline costs and unforeseen challenges that grew at a faster pace than projected revenue. The adopted budget added 162 General Fund positions including 100 sworn Police Department positions. However, cost-savings relating to personnel were also achieved, as total unfunded liabilities declined. The City also remained committed to the 20 Cents by 2020 program, further reducing the effective property tax rate by 2.6 cents. This budget dedicated \$8.3 million above baseline for a total of \$25.3 million in PAYGO capital funding.

During Fiscal 2019, the City insured its strong fiscal footing by competitively awarding a contract to Ernst and Young (EY) for the Ten-Year Plan refresh, which is expected to provide an assessment of infrastructure requirements, new savings and revenue options, and a comprehensive look at the City's overall tax policy. The City and EY have since worked together designing strategies for further changes to health care benefits, reforms for the Fire and Police pension plans for new hires, launching an employee wellness program, and building reserves to prepare for the next recession.

In Fiscal 2020, the budget introduced new measures in order to reduce the baseline deficit. By expanding the Taxi Tax to include ride-sharing services and levying a grocery bag surcharge to incentivize shoppers to bring their own bags, it was estimated that the City realized \$4.0 million in additional revenues within the first year of implementation.

In Fiscal 2021, the City continued efforts to reduce the baseline deficit by downsizing the Police Mounted Unit and the Police Marine unit to an "on-call" posture. Permanent sworn personnel assigned to these units were re-deployed. In addition to these measures, the Police Department increased the rate charged for special events and secondary employment to ensure

that the total charges covered the entire costs of Police officers and sergeants at these events. The initiatives led to an estimated savings of \$3.3 million in the first year of implementation.

In Fiscal 2022, the City introduced a corporate compliance unit to enforce the collection of self-reported taxes such as parking, hotel, and beverage container taxes along with other revenue sources. One-time recoveries generated an estimated \$14.5 million within the initial years of implementation. Furthermore, the City audited owner-occupied properties receiving the Targeted Homeowners Tax Credit to ensure the credit was properly granted during Fiscal 2022 and thereafter.

HIGHLIGHTS OF THE FISCAL YEAR 2023 ADOPTED BUDGET

The Fiscal 2023 Board of Estimates Budget Plan reflected the priorities of Mayor Brandon M. Scott. The Plan included a ground-breaking new investment in City Schools, continued responses to COVID-19, and utilized federal recovery funds for critical investments to make the City safer, healthier, cleaner, and more equitable. The Plan totaled \$4.11 billion, including \$3.32 billion for operating expenses and \$792.6 million for capital investment. The General Fund budget totaled \$2.15 billion, a 6.9% increase from the Fiscal 2022 Adopted Budget.

Budget Context

The Fiscal 2023 Adopted Budget Plan was developed in the context of a recovering COVID-19 economy, new State-mandated education spending, and an infusion of federal recovery aid.

COVID-19 Economy

The City's General Fund revenue outlook has stabilized, even amid some lingering economic uncertainty from COVID-19 and the conflict in Ukraine. Property Tax revenues were projected to increase in Fiscal 2023 due to strong residential market growth despite lost commercial value in the downtown area. Visitor and tourism-related revenues, such as Hotel Tax, Parking Revenues, and Convention Center income, have already recovered to 74.8% of pre-COVID levels in Fiscal 2022 and continued recovery in Fiscal 2023. Income Tax receipts, which were disrupted during the early stages of the pandemic, have largely been spared from long-term impact. One area of continuing concern is the impact of inflation, which has increased the cost to the City for basics such as supplies, materials, and contracts by 4.6%.

Education Spending

In 2020, the Maryland General Assembly passed the Blueprint for Maryland's Future, more commonly referred to as Kirwan, which requires increased State and local contributions to school districts. The Governor vetoed the bill, but the General Assembly overrode the veto in the 2021 session. In the Fiscal 2023, Baltimore City's total operating support for Baltimore City Public Schools was \$332.8 million. The City anticipated to meet the local contribution requirement for Fiscal 2023 through a combination of three factors: a recovering local economy, small trims to agency budgets, and new Medicaid reimbursement in Emergency Medical Services (EMS), which will help offset existing General Fund costs.

Federal Aid

Federal aid provided a lifeline for the City through the first two years of the pandemic. Still, the focus in Fiscal 2023 was shifting from the direct COVID-19 response to larger strategic investments. Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act funding expired in December 2021 and expenses subject to the Federal Emergency Management Agency (FEMA) reimbursement were no longer budgeted in Fiscal 2022. The City focused on how to spend best the \$641 million of American Rescue Plan Act (ARPA) funds. The first wave of strategic investments from ARPA began in Fiscal 2022 and continued in Fiscal 2023, with projects focused on homeless services, housing, broadband infrastructure, violence prevention, and capital improvements, among other areas.

Budget Plan

The Fiscal 2023 Adopted Budget Plan was built around the priority areas of Mayor Scott: Prioritizing Our Youth, Building Public Safety, Clean and Healthy Communities, Equitable Neighborhood Development, and Responsible Stewardship of City Resources. Collectively, these investments will begin to rebuild the public's trust in local government to make progress on the key issues facing Baltimore.

Prioritizing Our Youth

The Adopted Budget Plan includes \$563.3 million across all funding sources. Key highlights include:

- The City will meet its first-year local share requirement for the new Kirwan legislation. The City's total operating contribution is \$332.8 million. Kirwan is expected to improve student outcomes by expanding early education, raising standards for teacher pay and training, and adding college and career readiness programs for high school students.
- Total support for Baltimore City Public Schools now exceeds \$417.1 million. City funding supports City Schools' operating costs, the 21st Century School Modernization Fund, teacher pension costs, retiree health benefits, school health services, and crossing guards.
- Baltimore City Recreation & Parks will utilize \$41 million of ARPA funds for capital investments in recreation centers, public pools, trails, playgrounds, and athletic fields and courts.
- The Baltimore City Fire Department will roll out the Apprenticeship Maryland program, an internship opportunity for high school students that will strengthen the career pipeline between local schools and the Department.

Building Public Safety

The Adopted Budget Plan includes \$1.10 billion across all funding sources. Key highlights include:

- The Mayor's Office of Neighborhood Safety and Engagement (MONSE) will spend \$20.7 million of ARPA funds on a variety of crime-prevention programs, with a focus on the group violence reduction strategy (GVRS), re-entry services, victim services, and youth and trauma services. The Baltimore Police Department will also add nine positions to directly support MONSE's GVRS work.
- The Baltimore City Fire Department has received federal and State approval to enter the Emergency Services Payment Program (ESPP), which will provide an estimated \$40 million in annual reimbursement from Medicaid for eligible ambulance transports. The funding will support existing EMS costs, as well as enable new EMS initiatives and Fire Department infrastructure upgrades.
- The Police Department will continue its recruitment and retention efforts with the support of new pay increases and incentives that were negotiated in the latest contract with the Fraternal Order of Police. In Fiscal 2023, \$15 million of new funding will support targeted pay increases, plus a variety of pay incentives for education, patrol work, field training, and hard-to-fill shifts.
- The Department of Transportation will roll out new speed cameras on I-83 to improve safety and reduce accidents on the highway. First year revenues are estimated at \$34.7 million, with proceeds first covering program administrative costs and remaining revenue dedicated solely to I-83 improvements.

Clean and Healthy Communities

The Adopted Budget Plan includes \$1.2 billion across all funding sources. Key highlights include:

- The Baltimore City Health Department will leverage a \$26.2 million investment from ARPA to continue the response to COVID-19, which will help offset the expiring eligibility of other federal fund sources such as CARES and FEMA. Funds will be used for vaccination efforts, testing, contact tracing, and personal protective equipment.
- Fiscal 2023 will mark the first year of a \$90 million investment of ARPA and U.S. Department of Housing and Urban Development funds to combat homelessness in Baltimore. Funding will be used by the Mayor's Office of Homeless Services for rental assistance, case management services, and the addition of permanent supportive housing options for those experiencing homelessness.

- The Department of Planning will add a Resilience Planner position to support the new Sustainability Subcabinet. The position will evaluate options for better preparing the community for extreme heat, flooding, and other hazards.

Equitable Neighborhood Development

The Adopted Budget Plan includes \$138.3 million across all funding sources. Key highlights include:

- The Office of Equity and Civil Rights will add two positions to develop equity training for City agencies and to support agencies in meeting the requirements of the City’s Equity Assessment Program.
- The Minority and Women’s Business Opportunity Office will add five positions to strengthen the City’s effort to spend more contract dollars with Minority and Women-Owned Businesses. The new staff will register additional vendors and increase compliance efforts on the City’s existing contracts.
- The Department of Housing and Community Development will utilize a \$100 million ARPA award to build new affordable housing units, address vacant properties, and provide support for low-income renters and homeowners.

Responsible Stewardship of City Resources

The Adopted Budget Plan includes \$232.9 million across all funding sources. Key highlights include:

- The Baltimore City Information Technology (BCIT) budget includes \$13.7 million for the final phase of the Enterprise Resource Planning (ERP) project. New systems for the general ledger and talent acquisition will be added to complement the human resources and payroll systems that were implemented in Fiscal 2022. These new integrated systems will reduce manual data entry and improve employees’ access to real-time financial information.
- BCIT will add five new cyber-security positions to monitor and implement software security patches and to identify and fix outstanding system vulnerabilities.
- The City will continue to identify savings from the post-COVID work environment. The Department of General Services will purchase a new energy management software system, to better track and identify savings opportunities from buildings that have been partially vacated due to work-from-home policies.

Fiscal Risks

Despite a stabilizing economic environment, the City continued facing some fiscal risks that will require additional resources soon:

Inflation: The City is experiencing higher prices on purchases of materials, supplies, and contracts because of COVID-related supply chain disruptions and the conflict in Ukraine. The City is also likely to see growing pressure on wages if inflationary trends continue.

Reduction in COVID-related Funds: The City received federal aid in the amount of \$641.2 million from the American Rescue Plan Act (ARPA). This source of revenue has allowed the City to make strategic investments for the continued pandemic response and pandemic recovery. ARPA funds must be obligated by December 31, 2024, and fully spent by December 31, 2025. Many operating programs receiving ARPA funds included program evaluation that will be used to help inform decisions about maintain these programs.

Convention Center Hotel: The City’s Convention Center Hotel (Hilton) was financed with \$300 million of tax-exempt bonds in 2006. The repayment of debt was expected to be covered by hotel operational revenue, and Hotel Tax, and Property Tax generated by the Convention Center Hotel itself. The hotel is still struggling to recover from the impact of COVID-19, which has resulted in a shortfall in resources required to make debt service payments. Per the original bond agreement, the City is required to divert up to \$7 million of General Fund Hotel Tax revenue to fill the gap if necessary. The Fiscal 2023 budget includes this full \$7 million requirement. This requirement will remain in the budget until the hotel and convention industry fully recovers, diverting scarce General Fund resources away from other pressing priorities.

Kirwan Education Funding: Fiscal 2023 was the first year of funding City Schools through updated funding formulas established by the Kirwan Commission. State and Local share amounts were established by the State of Maryland through legislation rather than utilizing funding formulas. Based on this allocation, the City's local share increased by \$49.7 million. The City funded this increase through additional EMS revenue. The City's local share for schools will continue to grow over the next ten years.

Police Legal Liability: The City continues to face Gun Trace Task Force (GTTF) litigation. Viable GTTF cases are now much fewer in number after some cases were settled in 2020 and 2021. However, the remaining cases generally involve more serious allegations that GTTF misconduct contributed to the plaintiff's wrongful conviction and, therefore, tend to carry significant liability risk.

ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellent in Financial Reporting to the City of Baltimore, Maryland, for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2022.

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

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

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

Respectfully submitted,

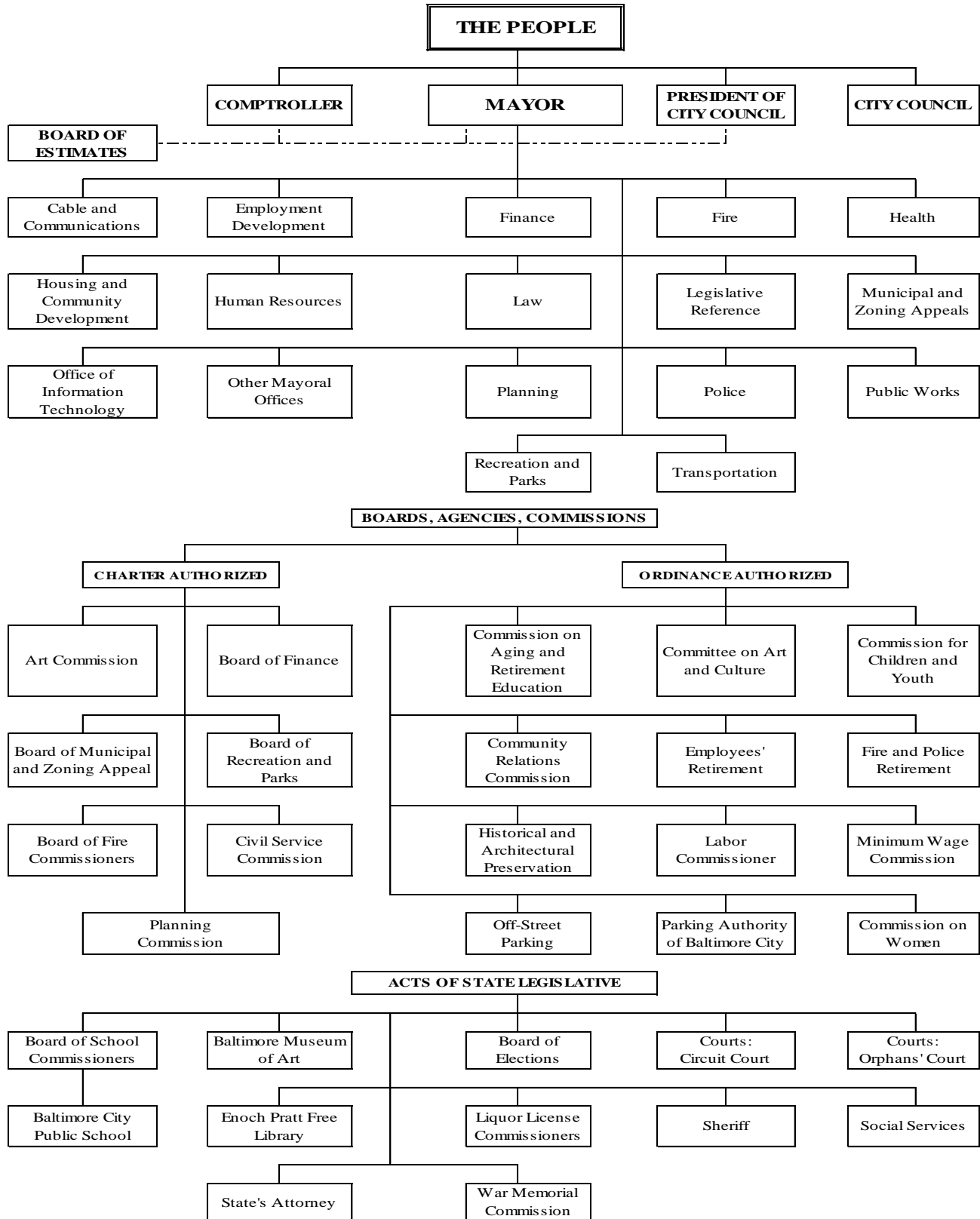


Brandon M. Scott
Mayor



Michael Mocksten
Chief Financial Officer

MUNICIPAL ORGANIZATION CHART





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Baltimore
Maryland**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

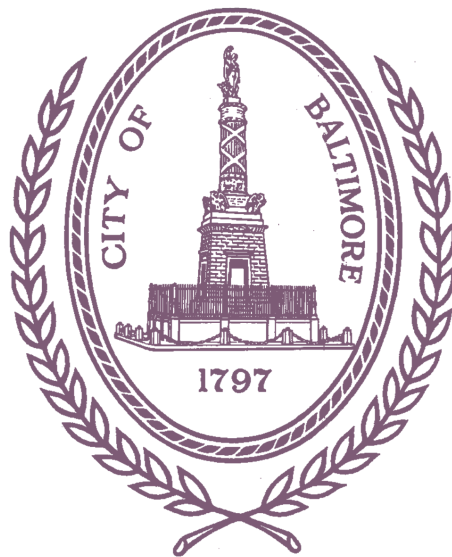
June 30, 2022

Christopher P. Morrill

Executive Director/CEO

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FINANCIAL SECTION



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

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON THE FINANCIAL STATEMENTS

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

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information, combining statement of fiduciary net position – Pension and OPEB Trust funds, and the combining statement of changes in fiduciary net position – Pension and OPEB Trust funds of the City of Baltimore, Maryland (the City) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of the other auditors, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information, combining statement of fiduciary net position – Pension and OPEB Trust Funds, and the combining statement of changes in fiduciary net position – Pension and OPEB Trust Funds of the City as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the Employee’ Retirement System, the Elected Officials Retirements System, and the Fire and Police Employees’ Retirement System. These funds represent 86% of the total assets, 85% of the net position, and 81% of the additions of the Pension and OPEB Trust Funds. We also did not audit the Baltimore City Public School System (School System) and Baltimore Hotel Corporation, which are both discretely presented component units. The financial statements of Baltimore City Public School System, Baltimore Hotel Corporation and certain of the Pension and OPEB Trust Funds were audited by other auditors whose reports have been furnished to us. Our opinions, insofar as they relate to the amounts included for the Baltimore City Public School System, Baltimore Hotel Corporation and certain Pension and OPEB Trust Funds are based on the reports of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City’s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedule of Revenues, Expenditures and Encumbrances, and Changes in Fund Balance – Budget and Actual- Budgetary Basis – General Fund, Schedule of Revenues, Expenditures and Encumbrances, and Changes in Fund Balance – Budget and Actual- Budgetary Basis – Grants Fund, Schedule of the City's Proportionate Share of Net Pension Liability: Employees' Retirement System Plan, Schedule of Employer Contributions: Employees Retirement System Plan, Schedule of the City's Proportionate Share of Net Pension Liability: Maryland State Retirement and Pension System – ERPS, Schedule of Employer Contributions: Maryland State Retirement and Pension System-ERPS, Schedule of the City's Proportionate Share of Net Pension Liability: Maryland State Retirement and Pension System – LEOPS, Schedule of Employer Contributions: Maryland State Retirement and Pension System – LEOPS, Schedule of Changes in Net Pension Liability (Assets) and Related Ratios: Fire and Police Employees' Retirement System - Single Employer Plan, Schedule of Changes in Net Pension Liability (Assets) and Related Ratios: Elected Officials' Retirement System - Single Employer Plan; Schedule of Employer Contributions – Single Employer Plans, Schedule of Changes in the Net OPEB Liability and Related Ratios – OPEB Plan; Schedule of the City's Proportionate Share of Net OPEB Liability, Schedule of Employer Contributions – Total OPEB Plan; and Notes to the Required Supplementary Information on pages 97-104 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Information

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

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections, but does not include the basic financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

As part of our audit of the City's 2023 financial statements, we also audited the adjustments described in Note 21 that were applied to adjust the financial statements of the Baltimore City Public School System (the School System), a discretely presented component unit of the City, as of and for the year ended June 30, 2023, including the restatement of certain 2023 financial statements' beginning balances in the accompanying financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2023 financial statements of the School System other than with respect to the adjustments, and accordingly, we do not express an opinion or any other form of assurance on the 2023 financial statements of the School System as a whole.

Owings Mills, Maryland
April 12, 2024



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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

This section of the City of Baltimore's (City) Annual Comprehensive Financial Report (ACFR) presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2023. 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 and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of fiscal year 2023 by \$4.0 billion (net position). This amount includes \$970.7 million (restricted net position) and is net of an unrestricted deficit of \$2.7 billion. During the fiscal year, the City's total net position decreased by \$193.3 million.

As of June 30, 2023, the City's governmental funds reported combined ending fund balances of \$1.1 billion. At the close of the fiscal year, the unassigned fund balance for the general fund was \$320.9 million.

The City's governmental total long-term obligations increased by \$33.7 million, during fiscal year 2023.

OVERVIEW OF THE FINANCIAL STATEMENTS

Accounting principles generally accepted in the United States of America 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.

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 Annual Comprehensive Financial Report

A C C 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
			Statements of Revenues, Expenditures, and Changes in Fund Balances	Statement of Revenues, Expenses, and Changes in Net Position	Statement of Changes in Fiduciary Net Position
		Statement of Activities		Statement of Cash Flows	
Full accrual basis for revenues and expenses, includes all assets and liabilities. Economic resource focus		Modified accrual basis for revenues and expenses. Financial resource measurement focus	Full accrual basis for revenues and expenses, includes all assets and liabilities, using an Economic resource focus	Accrual basis-agency funds do not have measurement focus	
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 is the difference between assets plus deferred outflow of resources and liabilities plus deferred liabilities inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether or not the financial position of the City is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all, or a significant portion, of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety and regulation, conservation of health, social services, education, public library, recreation and culture, highway and streets, sanitation and waste removal, public service, economic development, and interest expenses. The business-type activities of the City include water, sewer and stormwater utilities, parking facilities and several other fees 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 governmental accounting and audited. The Baltimore Hotel Corporation prepared its own financial statements in conformity with not for profit accounting and audited.

Fund Financial Statements

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

Governmental funds

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

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

Proprietary funds

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

The City maintains the following two types of proprietary funds:

- *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Enterprise funds are used to account for the operation of the City's business-type activities and include water, sewer and stormwater, utilities, and parking facilities, all of which are considered to be major funds of the City, and several other non-major fee supported activities.
- *Internal Service funds* are used to report activities that provide supplies and service for certain City programs and activities. The City uses internal service funds to account for its fleet of vehicles, printing and mail services, telecommunications services, energy conservation and building maintenance. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Fiduciary funds

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

Notes to the Basic Financial Statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information such as the general fund budgetary basis financial statement, the Retirement System's changes in net pension liability and investment return ratios, and the City's progress in funding its other postemployment benefits obligation.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Primary Government)

The City's financial statements were prepared in conformity with the reporting model required by Governmental Accounting Standards Board Statement 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
Statement of Net Position-Summary
For fiscal year 2023 and 2022
 (Expressed in Thousands)

	Governmental activities		Business-type activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 2,504,502	\$ 2,460,671	\$ 1,742,757	\$ 1,732,785	\$ 4,247,259	\$ 4,193,456
Capital assets, net	3,090,230	3,164,486	6,317,940	6,142,476	9,408,170	9,306,962
Total assets	5,594,732	5,625,157	8,060,697	7,875,261	13,655,429	13,500,418
Deferred outflows of resources	502,020	457,839	138,654	158,819	640,674	616,658
Total assets and deferred outflows of resources	6,096,752	6,082,996	8,199,351	8,034,080	14,296,103	14,117,076
Long-term liabilities outstanding	1,577,659	1,547,949	3,235,043	3,270,779	4,812,702	4,818,728
Other liabilities	4,397,133	3,728,209	487,998	430,828	4,885,131	4,159,037
Total liabilities	5,974,792	5,276,158	3,723,041	3,701,607	9,697,833	8,977,765
Deferred inflows of resources	567,537	940,861	43,905	32,639	611,442	973,500
Total liabilities and deferred inflows of resources	6,542,329	6,217,019	3,766,946	3,734,246	10,309,275	9,951,265
Net position:						
Net investment in capital assets	2,212,781	2,619,065	3,510,817	3,393,693	5,723,598	6,012,758
Restricted	607,148	548,272	363,595	292,386	970,743	840,658
Unrestricted	(3,265,506)	(3,301,360)	557,993	613,755	(2,707,513)	(2,687,605)
Total net position	\$ (445,577)	\$ (134,023)	\$ 4,432,405	\$ 4,299,834	\$ 3,986,828	\$ 4,165,811

Analysis of Statement of Net Position-Summary

Total assets and deferred outflows increased by \$179.0 million in fiscal year 2023. The increase is driven by an increase in capital assets, net of \$101.2 million, an increase of \$53.8 million in current and other assets, and an increase in deferred outflows of \$24.0 million. Total liabilities and deferred inflows increased by \$358.0 million in fiscal year 2023. This increase is driven by a decrease in long-term liabilities of \$6.0 million, an increase of \$726.1 million in other liabilities, offset by a decrease of \$362.1 million in deferred inflows.

As noted earlier, net position may serve as a useful indicator of the City's financial position. For the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$4.0 billion at the close of fiscal year 2023. The City's net position includes its investment of \$5.7 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, \$971.0 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance is a deficit in unrestricted net position of \$2.7 billion.

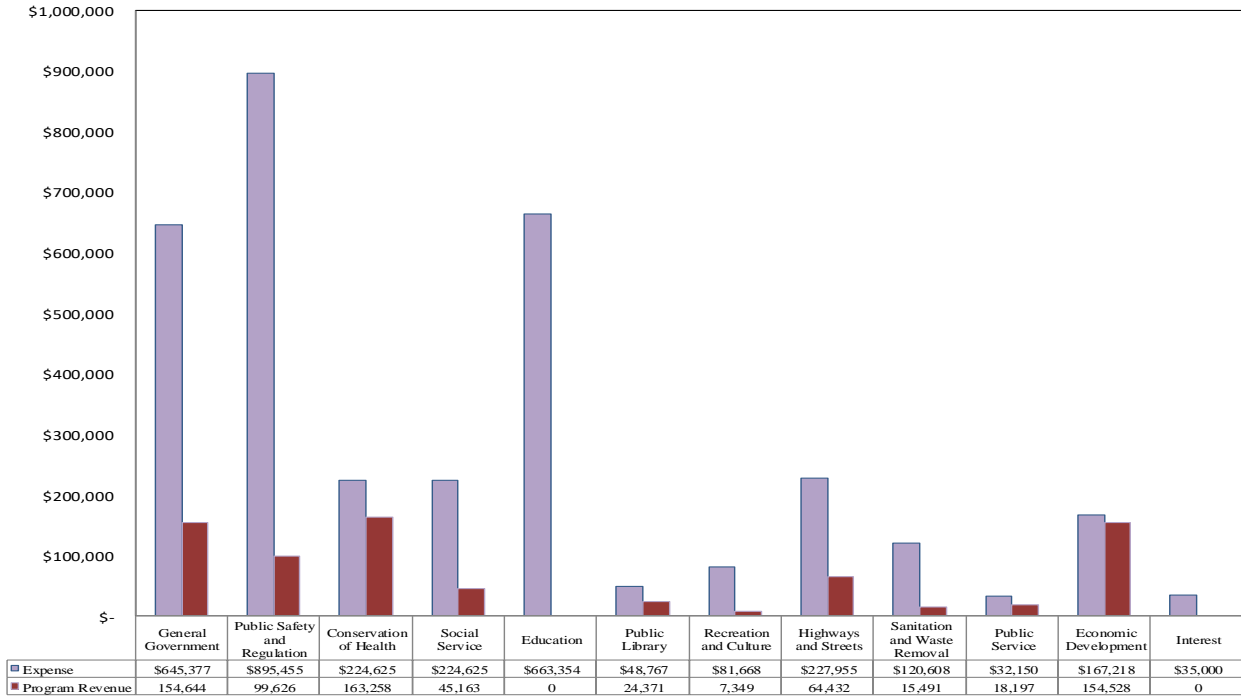
CITY OF BALTIMORE
Changes in Net Position
For the fiscal years 2023 and 2022
(Expressed in Thousands)

	Governmental activities		Business-type activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for services	\$ 104,068	\$ 103,576	\$ 675,606	\$ 687,637	\$ 779,674	\$ 791,213
Operating grants and contributions	603,774	453,220			603,774	453,220
Capital grants and contributions	39,217	43,478	103,471	16,230	142,688	59,708
General revenues:						
Property taxes	1,056,930	1,034,569			1,056,930	1,034,569
Income taxes	455,975	449,876			455,975	449,876
State shared revenue	205,090	190,226			205,090	190,226
Transfer and recordation tax	139,357	182,944			139,357	182,944
Electric and gas tax	21,636	55,671			21,636	55,671
Telecommunications tax	30,843	34,713			30,843	34,713
Admission	8,069	7,141			8,069	7,141
Other	180,404	124,071			180,404	124,071
Total revenues	2,845,363	2,679,485	779,077	703,867	3,624,440	3,383,352
Expenses:						
General government	643,985	680,482			643,985	680,482
Public safety and regulation	884,812	495,295			884,812	495,295
Conservation of health	223,809	102,496			223,809	102,496
Social services	71,198	46,078			71,198	46,078
Education	663,354	415,151			663,354	415,151
Public library	48,600	47,844			48,600	47,844
Recreation and culture	81,437	57,420			81,437	57,420
Highways and streets	227,609	109,502			227,609	109,502
Sanitation and waste removal	120,261	96,363			120,261	96,363
Public service	32,060	749			32,060	749
Economic development	166,988	133,416			166,988	133,416
Interest	35,000	25,705			35,000	25,705
Water			226,707	197,622	226,707	197,622
Wastewater			331,684	275,487	331,684	275,487
Stormwater			20,309	39,556	20,309	39,556
Parking			13,092	7,693	13,092	7,693
Nonmajor proprietary			12,518	22,717	12,518	22,717
Total expenses	3,199,113	2,210,501	604,310	543,075	3,803,423	2,753,576
Increase in net assets before transfer	(353,750)	468,984	174,767	160,792	(178,983)	629,776
Transfer:						
Transfer in (out)	42,196	43,045	(42,196)	(43,045)		
Change in net position	(311,554)	512,029	132,571	117,747	(178,983)	629,776
Net position - beginning	(134,023)	(646,052)	4,299,834	4,182,087	4,165,811	3,536,035
Net position - ending	\$ (445,577)	\$ (134,023)	\$ 4,432,405	\$ 4,299,834	\$ 3,986,828	\$ 4,165,811

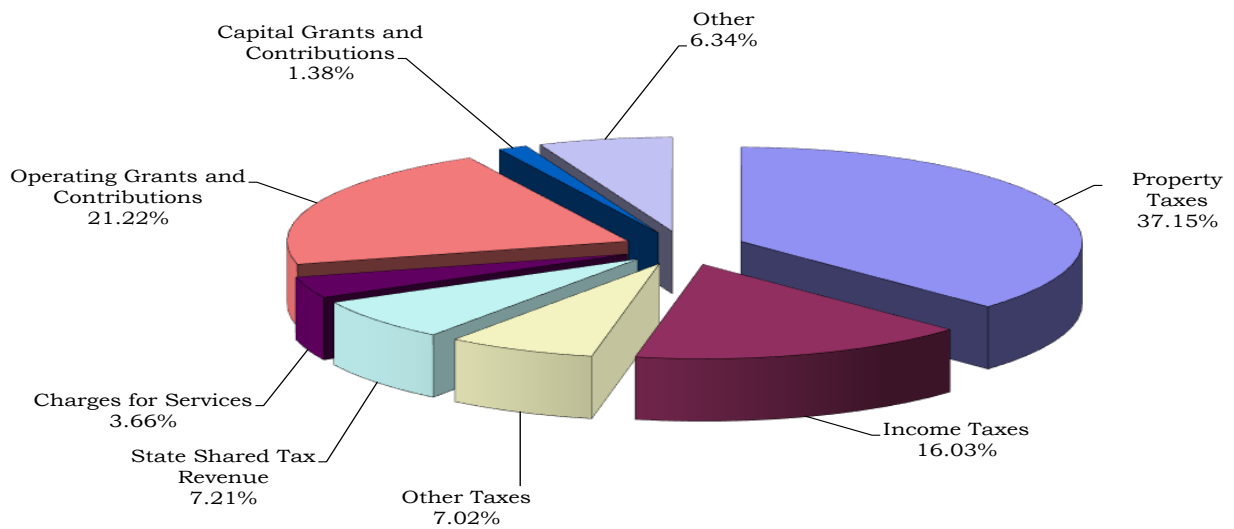
Analysis of Changes in Net Position

The overall decrease in the City’s net position amounted to \$193.3 million during fiscal year 2023. This change is explained in the government and business-type activities discussion below.

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



Revenues By Source – Governmental Activities



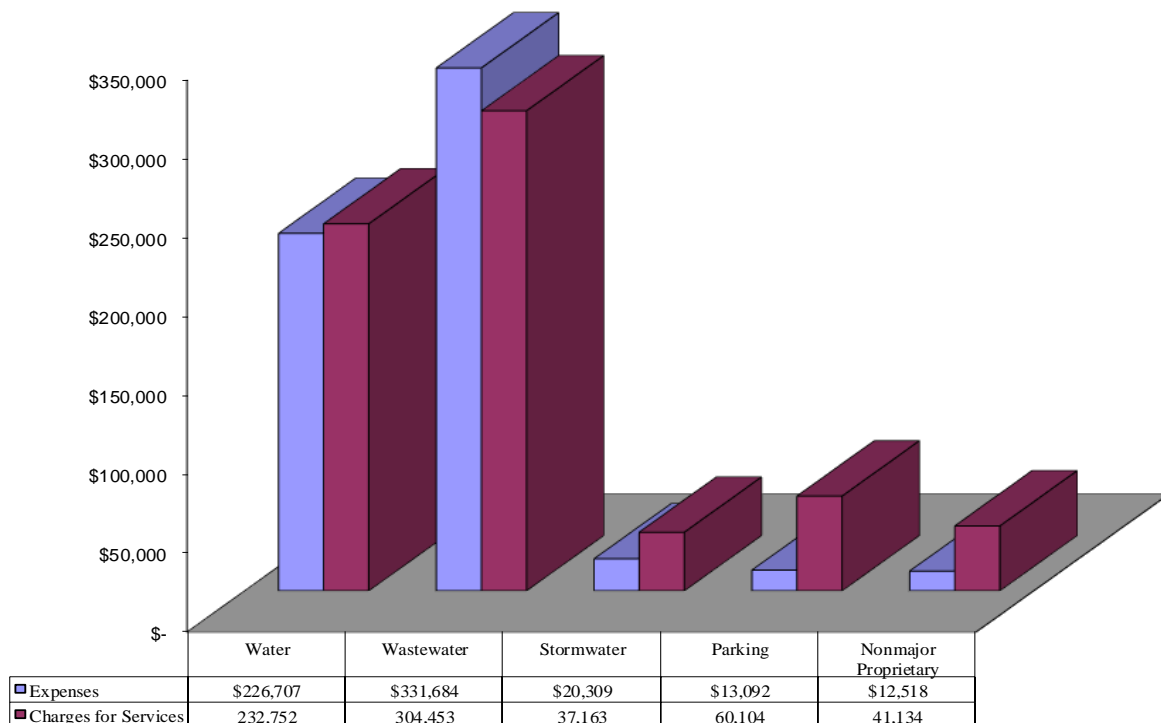
Governmental Activities

During the current fiscal year, expense related to governmental activities amounted to \$3.2 billion; this is more than revenues by \$368.0 million, before transfers in of \$42.2 million. Total revenue of \$2.8 billion is comprised of program revenues totaling \$747.1 million, which is 26.3% of total revenue. Program revenues are the principal source of funding for the City’s general government, health, and economic development activities. Other major activities including public safety and regulation, as well as the highways and streets program, are primarily supported by general revenues. A more detailed analysis of the governmental activities is discussed in the “Financial Analysis of the City’s Funds” section.

During fiscal year 2023, governmental revenues increased by \$165.9 million.

Governmental expenses increased by \$1.0 billion during fiscal year 2023. The increase is primarily attributable to increases in public safety and regulation (\$400.2M), conservation of health (\$122.1M), education (\$248.2M), and highways and streets (\$118.5M) activities.

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



Business-type Activities

Business-type activities are presented after adjustments to reflect the consolidation of internal service fund activities related to enterprise funds. Charges for services represent the principal revenue source for the City’s business-type activities. During the current fiscal year, revenue from business-type activities totaled \$779.1 million. Expenses for these activities totaled \$604.3 million, income earned of \$174.8 million and net transfer out of \$42.2 million which resulted in an increase in net position of \$132.6 million.

Operating revenues decreased by \$12.0 million in fiscal year 2023 for business-type activities. Capital assets increased by \$175.5 million in the business-type activities primarily as a result of the utilities funds’ effort to build environmentally sound facilities.

The City implemented a new Water and Stormwater billing system during fiscal year 2017. Several upgrades to the software have occurred and process improvements continue to be developed. At year end, the City estimated billings to account for full year of revenue.

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 2023 and 2022
(Expressed in Thousands)

	2023	2022	Variance Amount
Revenues:			
General fund:			
Property taxes	\$ 1,111,172	\$ 1,021,365	\$ 89,807
Income taxes	450,067	491,092	(41,025)
Other local - taxes	181,121	308,133	(127,012)
Total local taxes	<u>1,742,360</u>	<u>1,820,590</u>	<u>(78,230)</u>
Licenses and permits	25,610	27,391	(1,781)
Interest, rentals, and other investment income	64,164	21,808	42,356
Intergovernmental grants	132,434	159,779	(27,345)
Other	268,854	257,856	10,998
Total revenues-general fund	<u>2,233,422</u>	<u>2,287,424</u>	<u>(54,002)</u>
Other governmental funds:			
Grants revenue fund	447,021	281,944	165,077
Capital projects fund	53,613	57,369	(3,756)
Other funds	80,691	74,300	6,391
Total revenues other governmental funds	<u>581,325</u>	<u>413,613</u>	<u>167,712</u>
Total revenues all governmental funds	<u>2,814,747</u>	<u>2,701,037</u>	<u>113,710</u>
Expenditures:			
General fund:			
General government	435,450	433,325	2,125
Public safety and regulation	745,296	867,723	(122,427)
Conservation of health	58,239	63,706	(5,467)
Social services	19,944	5,778	14,166
Education	336,714	282,743	53,971
Public library	30,946	27,282	3,664
Recreation and culture	63,368	50,672	12,696
Highways and streets	146,889	147,151	(262)
Sanitation and waste removal	109,558	95,638	13,920
Public service	16,025	29,676	(13,651)
Economic development	53,447	73,146	(19,699)
Debt service	108,315	93,994	14,321
Total expenditures - general fund	<u>2,124,191</u>	<u>2,170,834</u>	<u>(46,643)</u>
Other governmental funds:			
Grants revenue fund	475,112	329,217	145,895
Capital projects fund	177,426	161,181	16,245
Other funds	57,374	41,074	16,300
Total expenditures other governmental funds	<u>709,912</u>	<u>531,472</u>	<u>178,440</u>
Total expenditures all governmental funds	<u>2,834,103</u>	<u>2,702,306</u>	<u>131,797</u>
Excess of expenditures over revenue	<u>(19,356)</u>	<u>(1,269)</u>	<u>(18,087)</u>
Other financing sources:			
Transfers in	165,758	111,468	54,290
Transfers out	(123,562)	(68,423)	(55,139)
Proceeds from leases	3,524		
Proceeds from subscription issued (SBITA)	7,348		
Capital Projects Fund:			
Premium on general obligation bonds	7,797		7,797
Face value of funding and refunding general obligation bonds	101,710		101,710
Issuance of debt		17,927	(17,927)
Total other financing sources	<u>162,575</u>	<u>60,972</u>	<u>90,731</u>
Net changes in fund balances	<u>143,219</u>	<u>59,703</u>	<u>83,516</u>
Fund balances - beginning	981,603	921,900	59,703
Fund balances - ending	<u>\$ 1,124,822</u>	<u>\$ 981,603</u>	<u>\$ 143,219</u>

Revenues for governmental functions overall totaled approximately \$2.8 billion in the fiscal year ended June 30, 2023, which represents an increase of 4.2% from the fiscal year ended June 30, 2022. Expenditures for governmental functions, totaling \$2.8 billion, increased by approximately 4.8% from the fiscal year ended June 30, 2022. In the fiscal year ended June 30, 2023, expenditures for governmental functions exceeded revenue by \$19.4 million.

The General Fund is the chief operating fund of the City. Revenue in the General Fund decreased by \$54.0 million as compared to fiscal year 2022. The total expenditures for the General Fund decreased by \$46.6 million, or 2.1%, compared to fiscal year 2022.

At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$320.9 million, while total fund balance was \$943.2 million. The fund balance in the City’s General Fund increased by \$75.9 million during the fiscal year, which was caused by a financing use of \$33.3 million (net transfer out), proceeds from leases, subscription based information technology arrangements, general obligation bonds offset by revenue exceeding expenditures by \$109.2 million. The Capital Fund has an assigned and restricted fund balance of \$78.3 million, an increase of \$50.0 million over prior year. This increase was primarily caused by revenue exceeding expenses by \$123.8, offset by a financing source of \$173.4 million (transfer in and general obligation bonds).

The Grants Revenue Fund is used to account for the spending of various Federal, State, and private grants and special purpose funds. Most of these grants are funded on an expenditure reimbursement basis. Should any portion of the grant’s receivable be determined uncollectable, the balance may be written off against the General Fund. The Grants Revenue Fund had no fund balance as of year end. The General Fund transferred \$28.7 million to the Grants Revenue Fund, to absorb the current year grant fund deficit.

Proprietary Funds

The City’s business-type activities prior to allocation of internal service fund activities are comprised of the funds listed below. The nonmajor funds include the Conduit Fund.

(Expressed in Thousands)

	Water, Wastewater and Stormwater Utility Funds		Parking Facility Fund		Nonmajor Other Funds	
	2023	2022	2023	2022	2023	2022
Operating revenues	\$ 574,368	\$ 594,293	\$ 60,104	\$ 56,537	\$ 41,134	\$ 36,807
Operating expenses	521,183	413,559	8,278	6,622	12,407	13,445
Operating income	53,185	180,734	51,826	49,915	28,727	23,362
Non operating revenues (expenses), capital contribution, and transfers	69,872	(77,345)	(47,072)	(44,116)	(19,520)	(9,091)
Change in net position	\$ 123,055	\$ 103,389	\$ 4,754	\$ 5,799	\$ 9,207	\$ 14,271

As discussed in the Business-type activities section the Utilities fund experienced an operating revenue decrease in fiscal year 2023. The decrease is attributable to catch up billings made in fiscal year 2022 that were not required in fiscal year 2023.

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, 2023

(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with	Variance with
				Original Budget	Final Budget
				Positive (Negative)	Positive (Negative)
Total revenues	\$ 2,109,700	\$ 2,149,388	\$ 2,230,933	\$ 121,233	\$ 81,545
Expenditures and encumbrances:					
General government.....	355,333	361,321	573,994	(218,661)	(212,673)
Public safety and regulation.....	825,860	845,060	762,881	62,979	82,179
Conservation of health.....	55,985	68,285	81,658	(25,673)	(13,373)
Social services.....	6,748	6,748	742	6,006	6,006
Education.....	346,940	346,940	336,678	10,262	10,262
Public library.....	32,438	32,438	31,904	534	534
Recreation and culture.....	66,841	66,841	63,074	3,767	3,767
Highways and streets.....	136,727	136,727	189,266	(52,539)	(52,539)
Sanitation and waste removal.....	97,489	99,389	116,206	(18,717)	(16,817)
Public service.....	42,437	42,437	34,098	8,339	8,339
Economic development.....	95,174	95,474	66,171	29,003	29,303
Total expenditures and encumbrances.....	2,061,972	2,101,660	2,256,672	\$ (194,700)	\$ (155,012)
Excess (deficiency) of revenue over expenditures and encumbrances.....	47,728	47,728	(25,739)		
Other Financing uses:					
Transfers in.....	15,250	15,250	41,003		
Transfers out.....	(110,541)	(110,541)	(113,624)		
Total other financing uses.....	(95,291)	(95,291)	(72,621)		
Net changes in fund balances.....	(47,563)	(47,563)	(98,360)		
Fund balances --- beginning	1,397,471	1,397,471	1,397,471		
Fund balances --- ending.....	\$ 1,349,908	\$ 1,349,908	\$ 1,299,111		

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 2023, supplemental appropriations totaling \$39.7 million were approved for the general fund, all of which were approved from prior year surplus or from unexpected increases in revenues sources. Actual expenditures for the year were more than the original budget by \$194.7 million and were \$155.0 million higher than adjusted appropriations. This amount was primarily related to the governmental activities: higher than budgeted costs for general government operations amounted to \$212.7 million; lower than budgeted costs for public safety and regulation amounted to \$82.2 million; higher than budgeted costs for conservation of health to \$13.4 million; lower than budgeted costs for education amounted to \$10.3 million; higher than budgeted costs for highway and streets amounted to \$52.6 million; higher than budgeted costs for sanitation and waste removal amounted to \$16.8 million; and lower than budgeted costs for economic development amounted to \$29.3 million.

On a budgetary basis, revenues for fiscal year 2023 totaled \$2.2 billion and expenditures and transfers totaled \$2.3 billion. The excess of expenditures and transfers over revenues resulted in a budgetary basis fund balance as of June 30, 2023, of \$1.3 billion, a decrease of \$88.4 million in the fund balance.

Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2023, amounted to \$9.4 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 increase 1.09% (-2.35% decrease for governmental activities and a 2.86% increase for business-type activities) as shown in the table below.

Capital Assets, Net of Depreciation For the Fiscal Years 2023 and 2022

(Expressed in Thousands)

	Governmental activities		Business-type activities		Total	
	2023	2022	2023	2022	2023	2022
Land and other	\$ 358,442	\$ 361,300	\$ 36,920	\$ 36,920	\$ 395,362	\$ 398,220
Building and improvements	915,297	938,023	3,356,542	3,449,863	4,271,839	4,387,886
Equipment	80,770	94,105	149,757	156,534	230,527	250,639
Infrastructure	1,502,840	1,448,458	2,112,812	2,066,776	3,615,652	3,515,234
Library books	6,244	6,885			6,244	6,885
Construction in progress	181,307	274,237	661,909	432,383	843,216	706,620
Right-to-use leased	37,215	41,478			37,215	41,478
SBITA	8,115				8,115	
Total	\$ 3,090,230	\$ 3,164,486	\$ 6,317,940	\$ 6,142,476	\$ 9,408,170	\$ 9,306,962

See Note 5 "Capital Assets" in the Notes to Basic Financial Statements for additional information.

Debt Administration

As of June 30, 2023, the City had total long-term obligations outstanding of \$4.0 billion. Of this amount, \$547.1 million was general obligation bonds backed by the full faith and credit of the City, \$321.6 million was revenue bonds for governmental activity at the Convention Center, the Convention Center Hotel, and transportation bonds, and \$3.1 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 2023, the City sold \$78.1 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 2023	FY 2022
Net general bonded debt (expressed in thousands)	\$ 547,055	\$ 544,759
Ratio of net general bonded debt to net assessed value	1.21%	1.23%

See note 7 "Long-term Obligations" in the Notes to the Basic Financial Statements for additional information.

As of June 30, 2023, the City had \$547.1 million in authorized, outstanding property tax-supported general obligation bonds. There are an additional \$402.0 million in bonds that are authorized, but unissued.

Economic Factors and Next Year's Budget and Rates

The fiscal year 2024 budget submitted by the Board of Estimates to the Baltimore City Council proposed total appropriations of \$4,359,079,000 of which \$2,218,448,000 were for General Fund operations and Pay-As-You-Go (PAYGO) capital. The City Council, after deliberations pursuant to Charter requirements and powers, made no reductions to the total General Fund or other fund appropriations. The property tax rates on real property and personal property remained at \$2.248 and \$5.62 per \$100 of assessed valuation, respectively. The locally imposed and State mandated income tax rate was 3.2%. The Ordinance of Estimates was adopted by the City Council and signed by the Mayor on June 20, 2023.

Fiscal 2024 Budget – Economic Factors

Summary

Economic activity within the City of Baltimore has returned to *new-normal* levels following the devastating impact of the COVID-19 Pandemic that began more than three years ago. Many economic indicators, including the unemployment rate and the Gross Domestic Product (GDP), show signs of recovery, even superseding pre-pandemic signs of a healthy economy.

In the review of the significant economic, social, and operational events that affected the Fiscal 2023 Budget, the following are the relevant areas impacting last year and will continue influencing the City's financial future.

Labor Market

The City's labor market has made great strides in recovering from the impact of COVID-19. The hardships imposed by the pandemic undoubtedly affected service-related industries within the City. However, as the economic activity improved and demand for workers increased, the City saw a reduction of its unemployment rate from 4.5% in July 2022 to 2.3% as of June 2023, the lowest City unemployment rate on record. Furthermore, the labor force experienced growth during the fiscal year as 4,580 individuals were added to the labor market over the course of Fiscal 2023. These factors indicate that the City's labor market is strengthening.

Residential Real Estate

The real estate market began to stabilize into Fiscal 2023 after an extraordinary year of activity. The average sales price for residential real estate in the City increased by 0.7% compared to the prior year, from \$250,740 to \$252,419. The number of days passed for a listed property to close rose from 30 days in Fiscal 2022 to 34 days on average in Fiscal 2023; however, this is still 20 days lower than the average 54 days on the market before the pandemic.

Favorable housing market conditions that included low interest rates, an abundant supply of housing, and more disposable income led to increased activity levels across the City during Fiscal 2022. However, as interest rates rose and demand for mortgages slowed, the number of units sold decreased by 2,305, from 9,134 in Fiscal 2022 to 6,829 during Fiscal 2023. This activity level was still higher than the average of 6,309 units sold in 2019 before the pandemic. The impact of the housing market's success has led to increases in key revenue sources, namely transfer and recordation taxes. Overall, the City received substantial revenues from these taxes, surpassing \$140.2 million for the fiscal year. While not an increase from the prior year, the City still realized a surplus of \$50.1 million from these taxes.

The Department of Finance anticipates the housing market will continue stabilizing in Fiscal 2024

Earnings on Investments

Historically, investment earnings have brought limited revenues to the City's budget. However, as the Federal Reserve utilizes interest rate as its monetary tool to control inflation, the City's earnings have begun to materialize higher profits from its short-term cash investment. Initial projections for Fiscal Year 2023 indicated that investment earnings would bring in an estimated \$990,000. Yet the preliminary year-end indicates proceeds from these investments are anticipated to reach \$37.8 million in returns for Fiscal 2023. There is potential that earnings on investments will surpass expectations into the next fiscal year as the Federal Reserve has announced keeping interest rates at the same levels to continue combating inflation. This policy may lead to more earnings on investment revenues being generated, but it may continue impacting real estate transactions.

Tourism and Hospitality

Tourism in the City has been slowly rebounding since the onset of the pandemic. The average occupancy rate increased to 63.8% in June 2023, an increase of 0.9% compared to the previous year. Furthermore, the average daily rate of hotels in the City grew to \$173.6 in June 2023, an increase of \$8.6 compared to the prior year. This increase in average daily rates is likely intertwined with the impact of inflation.

Request for information

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

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

CITY OF BALTIMORE
Statement of Net Position
June 30, 2023
(Expressed in Thousands)

	Primary Government			Component Units	
	Governmental	Business-type	Total	Baltimore City	Baltimore
	Activities	Activities		Public School	Hotel
				System	Corporation
Assets and deferred outflows of resources:					
Assets:					
Cash and cash equivalents	\$ 917,708	\$ 946,389	\$ 1,864,097	\$ 397,601	\$ 3,452
Investments	814,908		814,908	343,931	26,898
Property taxes receivable, net	45,261		45,261		
Service receivable, net		190,139	190,139		
Other receivables, net	87,283	15,603	102,886	7,124	3,606
Due from other governments	182,452	645,338	827,790	105,957	3,364
Internal balances	68,621	(68,621)			
Due from primary government				29,277	
Inventories, at cost	16,660	5,412	22,072	2,346	61
Notes and mortgages receivable, net	258,280	8,497	266,777		
Other assets	76,340		76,340	366	3,165
Net pension asset	7,956		7,956		
Lease receivable	29,033		29,033	6,755	
Capital assets being depreciated, net of accumulated depreciation	2,550,481	5,619,111	8,169,592	1,319,149	154,883
Capital assets not being depreciated	539,749	698,829	1,238,578	242,100	
Total assets	5,594,732	8,060,697	13,655,429	2,454,606	195,429
Deferred outflow of resources:					
Deferred amortization on early extinguishment of debt		96,926	96,926		
Deferred loss on bond refunding	2,044	7,033	9,077		
Deferred outflows related to pension	376,563	9,570	386,133	90,108	
Deferred outflows related to OPEB	123,413	25,125	148,538	41,323	
Total deferred outflows of resources	502,020	138,654	640,674	131,431	
Total assets and deferred outflows of resources	6,096,752	8,199,351	14,296,103	2,586,037	195,429
Liabilities and deferred inflows of resources:					
Liabilities:					
Accounts payable and accrued liabilities	462,520	230,754	693,274	254,733	8,190
Accrued interest payable	12,908	36,450	49,358		4,271
Unearned revenue	542,699		542,699	14,199	2,062
Notes payable					278,976
Due to other governments				36,328	
Deposits subject to refund	31,557		31,557		4,068
Estimated claims in progress:					
Due within one year	143,819		143,819		
Due in more than one year	274,089		274,089		
Revenue bond payable, net:					
Due within one year	15,725	106,932	122,657		
Due in more than one year	274,346	3,214,630	3,488,976		
Derivative instrument liability		10,278	10,278		
Long term debt payable:					
Due within one year	47,398	221	47,619	12,326	
Due in more than one year	974,477	2,724	977,201	8,018	
Leases:					
Due within one year	7,838		7,838		
Due in more than one year	37,962		37,962		
Financing purchase:					
Due within one year	30,625	136	30,761	2,050	
Due in more than one year	126,635	57	126,692	24,274	
Compensated absences:					
Due within one year	43,176	6,092	49,268	7,854	
Due in more than one year	127,641	7,354	134,995	63,549	
Landfill closure due in more than one year					
	36,598		36,598		
Other liabilities due in more than one year:					
Net pension liability	1,742,879	102,954	1,845,833	113,726	
Net OPEB liability	13,659	4,229	17,888	3,061	
Other liabilities	1,028,241	230	1,028,471	93,145	
Total liabilities	5,974,792	3,723,041	9,697,833	633,263	297,567
Deferred inflows of resources:					
Deferred inflows related to pension	189,743	3,689	193,432	5,171	
Deferred inflows related to OPEB	298,401	39,408	337,809	159,814	
Deferred inflow for service concession arrangement	50,360		50,360		
Deferred inflow for lease	29,033		29,033	7,046	
Deferred inflow related to interest rate swaps		808	808		
Total deferred inflows of resources	567,537	43,905	611,442	172,031	
Total liabilities and deferred inflows of resources	6,542,329	3,766,946	10,309,275	805,294	297,567
Net position:					
Net investment in capital assets	2,212,781	3,510,817	5,723,598	1,500,065	433,858
Restricted for:					
Construction	78,287		78,287	101,142	
Debt Service	256,319	363,595	619,914		
Sanitation	77,217		77,217		
Capital lease	102,150		102,150		
Pension	7,956		7,956		
Education and housing	72,004		72,004		
Recreation and Library	13,215		13,215		
Unrestricted (deficits)	(3,265,506)	557,993	(2,707,513)	179,536	(535,996)
Total net position	\$ (445,577)	\$ 4,432,405	\$ 3,986,828	\$ 1,780,743	\$ (102,138)

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

CITY OF BALTIMORE
Statement of Activities
For the Year Ended June 30, 2023
(Expressed In Thousands)

Functions/Programs	Program Revenues				Net (Expense) Revenues and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Units		
					Governmental Activities	Business-type Activities	Total	Baltimore City Public School System	Baltimore Hotel Corporation
Primary Government:									
Governmental activities:									
General government	\$ 643,985	\$ 32,355	\$ 122,289		\$ (489,341)		\$ (489,341)		
Public safety and regulation	884,812	16,542	83,084		(785,186)		(785,186)		
Conservation of health	223,809		163,258		(60,551)		(60,551)		
Social services	71,198		45,163		(26,035)		(26,035)		
Education	663,354				(663,354)		(663,354)		
Public library	48,600	63	24,308		(24,229)		(24,229)		
Recreation and culture	81,437	30	5,747	\$ 1,572	(74,088)		(74,088)		
Highways and streets	227,609	30,888	7,691	25,853	(163,177)		(163,177)		
Sanitation and waste removal	120,261	15,281	210		(104,770)		(104,770)		
Public service	32,060	207	15,641	2,349	(13,863)		(13,863)		
Economic development	166,988	8,702	136,383	9,443	(12,460)		(12,460)		
Interest	35,000				(35,000)		(35,000)		
Total governmental activities	3,199,113	104,068	603,774	39,217	(2,452,054)		(2,452,054)		
Business-type activities:									
Water	226,707	232,752		8,108		\$ 14,153	14,153		
Wastewater	331,684	304,453		101,473		74,242	74,242		
Stormwater	20,309	37,163		13,472		30,326	30,326		
Parking	13,092	60,104		(62)		46,950	46,950		
Nonmajor proprietary	12,518	41,134		(19,520)		9,096	9,096		
Total business-type activities	604,310	675,606		103,471		174,767	174,767		
Total primary government	\$ 3,803,423	\$ 779,674	\$ 603,774	\$ 142,688	(2,452,054)	174,767	(2,277,287)		
Component units:									
Baltimore City Public School System	\$ 1,822,292	\$ 4	\$ 485,025	\$ 34,064			\$ (1,303,199)		
Baltimore Hotel Corporation	56,780	56,699							(81)
General revenues:									
Property taxes					1,056,930		1,056,930		
Income taxes					455,975		455,975		
Transfer and recordation tax					139,357		139,357		
Electric and gas tax					21,636		21,636		
Telecommunications tax					30,843		30,843		
Admission tax					8,069		8,069		
Other local taxes					82,061		82,061		
State shared tax revenues					205,090		205,090		
State, federal, and city grants								1,435,751	
Unrestricted investment income					66,839		66,839	21,988	218
Miscellaneous					31,504		31,504	88,723	
Transfers					42,196	(42,196)			
Total general revenues and transfers					2,140,500	(42,196)	2,098,304	1,546,462	218
Changes in net position					(311,554)	132,571	(178,983)	243,263	137
Net position -- beginning					(134,023)	4,299,834	4,165,811	1,537,480	(102,275)
Net position -- ending					\$ (445,577)	\$ 4,432,405	\$ 3,986,828	\$ 1,780,743	\$ (102,138)

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

CITY OF BALTIMORE
Balance Sheet
Governmental Funds
June 30, 2023
(Expressed In Thousands)

	General Fund	Grants Revenue Fund	Capital Projects Fund	Nonmajor Funds	Total
Assets:					
Cash and cash equivalents	\$ 268,481	\$ 420,157	\$ 24,419	\$ 91,069	\$ 804,126
Investments	755,531		46,332	13,045	814,908
Property taxes receivable, net	45,261				45,261
Other receivables, net	47,564		5,844	33,875	87,283
Due from other governments	104,104	46,328	30,013	2,007	182,452
Due from other funds	117,974	115,625	32,192		265,791
Notes and mortgages receivable, net	258,280				258,280
Inventories, at cost	3,998				3,998
Other assets	72,939				72,939
Total assets	\$ 1,674,132	\$ 582,110	\$ 138,800	\$ 139,996	\$ 2,535,038
Liabilities, deferred inflows of resources and fund balances (deficits):					
Liabilities :					
Accounts payable and accrued liabilities	\$ 323,725	\$ 49,954	\$ 50,169	\$ 6,264	\$ 430,112
Retainages payable			11,207		11,207
Estimated liability for claims in progress	143,819				143,819
Due to other funds	149,214			29,400	178,614
Deposits subject to refund	31,557				31,557
Unearned revenue	10,459	532,240			542,699
Total liabilities	658,774	582,194	61,376	35,664	1,338,008
Deferred inflows of resources:					
Unavailable property taxes	43,175				43,175
Leases	29,033				29,033
Total deferred inflows of resources	72,208				72,208
Total liabilities and deferred inflows of resources	730,982	582,194	61,376	35,664	1,410,216
Fund balances:					
Nonspendable	6,007				6,007
Restricted	333,536		78,287	85,219	497,042
Assigned	282,695			19,113	301,808
Unassigned	320,912	(84)	(863)		319,965
Total fund balances	943,150	(84)	77,424	104,332	1,124,822
Total liabilities and fund balances	\$ 1,674,132	\$ 582,110	\$ 138,800	\$ 139,996	

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	3,013,132
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds	542,410
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. Some of the assets and liabilities of the internal service funds are included in governmental activities in the statement of net position	6,858
Unavailable revenue is not due and payable in the current period and, therefore, is not reported in the funds	43,175
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds	(5,175,974)
Net position of governmental activities	\$ (445,577)

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

CITY OF BALTIMORE
Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficits)
Governmental Funds
For the Year Ended June 30, 2023
(Expressed in Thousands)

	General Fund	Grants Revenue Fund	Capital Projects Fund	Nonmajor Funds	Total
Revenues:					
Taxes -- local	\$ 1,742,360			\$ 37,229	\$ 1,779,589
State shared revenue	187,042			18,048	205,090
Licenses and permits	25,610				25,610
Fines and forfeitures	35,336				35,336
Interest and other investment income	64,164		\$ 461	1,095	65,720
Intergovernmental grants	132,434	\$ 324,365	39,217	24,319	520,335
Other grants		122,656			122,656
Charges for services	43,122				43,122
Miscellaneous	3,354		13,935		17,289
Total revenues	2,233,422	447,021	53,613	80,691	2,814,747
Expenditures:					
Current:					
General government	435,450	57,671		28,050	521,171
Public safety and regulation	745,296	83,770		1,743	830,809
Conservation of health	58,239	160,002			218,241
Social services	19,944	51,715		246	71,905
Education	336,714	6,414		8,172	351,300
Public library	30,946	13,172			44,118
Recreation and culture	63,368	6,316		2,080	71,764
Highways and streets	146,889	6,610			153,499
Sanitation and waste removal	109,558	6		813	110,377
Public service	16,025	12,976			29,001
Economic development	53,447	76,460	15,507	16,270	161,684
Debt service:					
Principal	67,878				67,878
Interest	40,437				40,437
Capital outlay			161,919		161,919
Total expenditures	2,124,191	475,112	177,426	57,374	2,834,103
Excess (deficiency) of revenues under expenditures	109,231	(28,091)	(123,813)	23,317	(19,356)
Other financing sources (uses):					
Capital contributions					
Transfers in	41,003	28,730	96,025		165,758
Transfers out	(113,624)	(723)	(3,690)	(5,525)	(123,562)
Proceeds from leases	3,524				3,524
Proceeds from subscriptions issued (SBITA)	7,348				7,348
Premium on general obligation bonds			7,797		7,797
Face value of general obligation bonds	28,452		73,258		101,710
Total other financing all uses	(33,297)	28,007	173,390	(5,525)	162,575
Net changes in fund balance	75,934	(84)	49,577	17,792	143,219
Fund balances -- beginning	867,216		27,847	86,540	981,603
Fund balances -- ending	\$ 943,150	\$ (84)	\$ 77,424	\$ 104,332	\$ 1,124,822

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 (Deficits) of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2023
(Expressed in Thousands)

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

Net changes in fund balance -- total governmental funds	\$ 143,219
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current year	(104,780)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	30,616
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	(233,799)
The net effect of the expenses for recording the City's pension liability from employment retirement plans are not reported as expenditures in governmental funds	(124,847)
The net income of some activities of internal service funds is reported with governmental activities	(21,963)
Changes in net position of governmental activities	\$ (311,554)

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, 2023
(Expressed in Thousands)

	Enterprise Funds						Internal Service Funds
	Water Utility Fund	Wastewater Utility Fund	Stormwater Utility Fund	Parking Facilities Fund	Nonmajor Funds	Total	
Assets and deferred outflows of resources:							
Current assets:							
Cash and cash equivalents	\$ 134,199	\$ 83,215	\$ 54,054	\$ 8,169		\$ 279,637	\$ 11,432
Accounts receivable, net:							
Service billings	78,173	102,060	8,018	1,888		190,139	
Other	679	152	15	395	\$ 14,362	15,603	915
Due from other funds							1,396
Due from other governments	7,797	9,536				17,333	
Inventories	3,149	236	2,027			5,412	12,662
Restricted assets:							
Cash and cash equivalents	69,858	76,980	4,211	10,319		161,368	
Notes and mortgages receivable				2,505		2,505	
Total current assets	293,855	272,179	68,325	23,276	14,362	671,997	26,405
Noncurrent assets:							
Restricted assets:							
Cash and cash equivalents	146,341	284,685	49,820	16,939	7,599	505,384	102,150
Due from other governments	236,706	348,826	42,473			628,005	
Notes and mortgages receivable				5,992		5,992	
Capital assets, net of accumulated depreciation	1,829,082	3,258,537	259,010	62,006	210,476	5,619,111	77,098
Capital assets not being depreciated	246,728	343,209	58,931	17,254	32,707	698,829	
Total noncurrent assets	2,458,857	4,235,257	410,234	102,191	250,782	7,457,321	179,248
Total assets	2,752,712	4,507,436	478,559	125,467	265,144	8,129,318	205,653
Deferred outflows of resources							
Deferred amortization on early extinguishment of debt	50,759	43,069		3,098		96,926	
Deferred loss on bond refunding				7,033		7,033	
Deferred outflows related to pension	4,314	4,127	787		342	9,570	
Deferred outflows related to OPEB	11,602	10,790	2,096		637	25,125	
Total deferred outflows of resources	66,675	57,986	2,883	10,131	979	138,654	
Total assets and deferred outflows of resources	2,819,387	4,565,422	481,442	135,598	266,123	8,267,972	205,653
Liabilities and deferred inflows of resources:							
Current liabilities:							
Accounts payable and accrued liabilities	23,370	35,767	1,127	5,048	1,513	66,825	27,864
Accrued interest payable	18,759	12,043	916	4,732		36,450	
Due to other funds					48,401	48,401	40,172
Compensated absences	2,663	2,687	482		260	6,092	1,188
Other liabilities	230					230	
Accounts payable from restricted assets	52,841	95,326	8,632	100	7,030	163,929	
Financed purchase		136				136	24,514
Revenue bonds payable	37,473	61,805	3,074	4,580		106,932	
General long-term debt payable			221			221	
Total current liabilities	135,336	207,764	14,452	14,460	57,204	429,216	93,738
Noncurrent liabilities:							
Financed purchase		57				57	93,277
Revenue bonds payable, net	1,376,050	1,662,194	119,037	57,349		3,214,630	
Derivative instrument liability	4,053			6,225		10,278	
Compensated absences	3,198	3,310	550		296	7,354	1,622
General long-term debt payable			2,724			2,724	
Net pension liability	46,411	44,397	8,465		3,681	102,954	
Net OPEB liability	1,621	1,549	295		764	4,229	
Total noncurrent liabilities	1,431,333	1,711,507	131,071	63,574	4,741	3,342,226	94,899
Total liabilities	1,566,669	1,919,271	145,523	78,034	61,945	3,771,442	188,637
Deferred inflows of resources:							
Deferred inflows related pension	1,663	1,591	303		132	3,689	
Deferred inflows related OPEB	17,934	16,832	2,988		1,654	39,408	
Deferred inflows related to interest rate swaps				808		808	
Total deferred inflows of resources	19,597	18,423	3,291	808	1,786	43,905	
Total liabilities and deferred inflows of resources	1,586,266	1,937,694	148,814	78,842	63,731	3,815,347	188,637
Net position:							
Net investment in capital assets	737,873	2,037,187	250,600	27,902	457,255	3,510,817	(35,690)
Restricted for:							
Debt service	183,150	153,911	9,595	16,939		363,595	
Unrestricted (deficit)	312,098	436,630	72,433	11,915	(254,863)	578,213	52,706
Total net position	\$ 1,233,121	\$ 2,627,728	\$ 332,628	\$ 56,756	\$ 202,392	4,452,625	\$ 17,016
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds						(20,220)	
Net position of business-type activities						\$ 4,432,405	

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

CITY OF BALTIMORE
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2023
(Expressed In Thousands)

	Enterprise Funds						Internal Service Funds
	Water Utility Fund	Wastewater Utility Fund	Stormwater Utility Fund	Parking Facilities Fund	Nonmajor Funds	Total	
Operating revenues:							
Charges for sales and services							\$ 128,371
Water, sewer and stormwater service	\$ 232,752	\$ 304,453	\$ 37,163			\$ 574,368	
Rents and fees				\$ 60,104	\$ 41,134	101,238	
Total operating revenues	232,752	304,453	37,163	60,104	41,134	675,606	128,371
Operating expenses:							
Salaries and wages	45,489	55,856	9,786		6,178	117,309	25,183
Other personnel costs	4,616	6,919	1,404		1,035	13,974	8,049
Contractual services and other	68,953	123,136	8,279	6,003	3,087	209,458	97,096
Materials and supplies	17,712	33,847			117	51,676	4,675
Minor equipment	129	3,046	333		11	3,519	6,210
Depreciation	54,497	86,144	1,037	2,275	1,979	145,932	16,246
Total operating expenses	191,396	308,948	20,839	8,278	12,407	541,868	157,459
Operating income	41,356	(4,495)	16,324	51,826	28,727	133,738	(29,088)
Nonoperating revenues (expenses):							
Loss on sale of assets							(329)
Interest income	10,957	10,830	3,382			25,169	
Interest expense	(44,714)	(30,988)	(2,650)	(4,814)		(83,166)	(5,422)
Total nonoperating expenses, net	(33,757)	(20,158)	732	(4,814)		(57,997)	(5,751)
Income/(loss) before capital contributions (distributions) and transfers	7,599	(24,653)	17,056	47,012	28,727	75,741	(34,839)
Capital contributions (distributions)	8,108	101,473	13,472	(62)	(19,520)	103,471	
Transfers out				(42,196)		(42,196)	
Changes in net position	15,707	76,820	30,528	4,754	9,207	137,016	(34,839)
Total net position - beginning	1,217,414	2,550,908	302,100	52,002	193,185	4,315,609	51,855
Total net position - ending	\$ 1,233,121	\$ 2,627,728	\$ 332,628	\$ 56,756	\$ 202,392	4,452,625	\$ 17,016
Adjustment to reflect the consolidation of internal service activities related to enterprise funds						(20,220)	
Net position of business-type activities						\$ 4,432,405	

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

CITY OF BALTIMORE
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of Proprietary Funds
to the Statement of Activities
For the Year Ended June 30, 2023
(Expressed in Thousands)

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

Net change in fund balance -- total proprietary funds	\$	137,016
The net expense of some activities of internal service funds is reported with business-type activities		(4,445)
Change in net position of business-type activities	\$	132,571

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, 2023
(Expressed in Thousands)

	Enterprise Funds						Total	Internal Service Funds
	Water Utility Fund	Wastewater Utility Fund	Stormwater Utility Fund	Parking Facilities Fund	Nonmajor Funds			
Cash flows from operating activities:								
Receipts from customers	\$ 207,840	\$ 301,184	\$ 38,048	\$ 58,138	\$ 69,224	\$ 674,434	\$ 160,104	
Payments to employees	(46,998)	(55,176)	(8,430)		(6,457)	(117,061)	(32,786)	
Payments to suppliers	(71,413)	(170,680)	(10,907)	(2,803)	(6,913)	(262,716)	(92,979)	
Net cash provided by operating activities	89,429	75,328	18,711	55,335	55,854	294,657	34,339	
Cash flows from noncapital financing activities:								
Transfers out				(42,916)		(42,916)		
Net cash (used) by noncapital financing activities				(42,916)		(42,916)		
Cash flows from capital and related financing activities:								
Mortgages receivable principal payments				2,089		2,089		
Proceeds from general obligation bonds			126			126		
Proceeds from water quality loans		85,410				85,410		
Principal paid on revenue bonds	(34,325)	(26,815)	(1,149)	(5,033)		(67,322)		
Principal paid on State water quality loans	(1,085)	(25,491)	(1,836)			(28,412)		
Principal paid on general long-term debt			(464)			(464)		
Interest received	10,957	10,830	3,383			25,170		
Interest paid	(42,564)	(37,258)	(2,014)	(3,913)		(85,749)	(5,422)	
Acquisition and construction of capital assets	(90,411)	(113,930)	(29,160)	(497)	(55,672)	(289,670)	(158)	
Finance purchases payments		(128)				(128)	(1,843)	
Capital contributions (distribution) received	28,017	113,932	14,067		(19,520)	136,496		
Net cash (used) provided by capital and related financing activities	(129,411)	6,550	(17,047)	(7,354)	(75,192)	(222,454)	(7,423)	
Net increase (decrease) in cash and cash equivalents	(39,982)	81,878	1,664	5,065	(19,338)	29,287	26,916	
Cash and cash equivalents, beginning of year	390,379	363,002	106,421	30,362	26,937	917,101	86,666	
Cash and cash equivalents, end of year	\$ 350,397	\$ 444,880	\$ 108,085	\$ 35,427	\$ 7,599	\$ 946,388	\$ 113,582	
Reconciliation of operating income to net cash provided by operating activities:								
Operating income/(loss)	\$ 41,356	\$ (4,495)	\$ 16,324	\$ 51,826	\$ 28,727	\$ 133,738	\$ (29,088)	
Adjustments to reconcile operating income to net cash provided by operating activities:								
Depreciation expense	54,497	86,144	1,037	2,275	1,979	145,932	16,245	
Effect of changes in non cash operating assets and liabilities:								
Accounts receivables	(24,645)	(3,268)	885	(1,966)	(125)	(29,119)	(583)	
Inventories	4,754	302	(1,534)			3,522	(4,446)	
Deferred outflows - pension	5,003	4,427	(646)		286	9,070		
Deferred outflows - OPEB	(3,545)	(3,388)	517		(282)	(6,698)		
Other assets					28,215	28,215		
Accounts payable and accrued liabilities	8,871	11,841	(465)	3,200	1,141	24,588	15,293	
Compensated absences	(680)	(229)	(54)			(963)	(1)	
Due (from) other funds		(24,252)				(24,252)	36,772	
Deferred inflows - pension	1,168	1,136	234		99	2,637		
Deferred inflows - OPEB	3,528	3,372	642		280	7,822		
Pension liability - current period	7,987	12,120	3,086		1,091	24,284		
OPEB liability	(8,865)	(8,382)	(1,315)		(559)	(19,121)		
Other liabilities					(4,970)	(4,970)		
Other noncurrent liabilities					(28)	(28)	147	
Total adjustments	48,073	79,823	2,387	3,509	27,127	160,919	63,427	
Net cash provided by operating activities	\$ 89,429	\$ 75,328	\$ 18,711	\$ 55,335	\$ 55,854	\$ 294,657	\$ 34,339	
Noncash activity from capital and related financing activities:								
New financed purchases							\$ 26,009	
Acquisition and construction of capital assets financed by debt	\$ 15,975	\$ 35,166	\$ 6,142			\$ 57,283		
Total noncash activity from capital and related financing activities	\$ 15,975	\$ 35,166	\$ 6,142	\$	\$	\$ 57,283	\$ 26,009	

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

CITY OF BALTIMORE
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2023
(Expressed In Thousands)

	Pension/OPEB Trust Funds
<hr/>	
Assets:	
Cash and cash equivalents	\$ 114,285
Investments:	
Stocks	2,991,444
Bonds	977,560
Real Estate	669,505
Private equity and hedge fund	1,262,157
Securities lending collateral	55,960
Accounts receivable, net:	
Forward foreign contracts	14,601
Other assets	36,755
Total assets	6,122,267
Liabilities:	
Obligations under securities lending program	55,960
Forward foreign contracts	14,601
Accounts payable	38,498
Pension benefits payable	20
Total liabilities	109,079
Net position:	
Net position restricted for pensions	5,136,035
Net position restricted for OPEB	877,153
Net position restricted for pension and OPEB	\$ 6,013,188

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

CITY OF BALTIMORE
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the year Ended June 30, 2023
(Expressed In Thousands)

	Pension/OPEB Funds Total
<hr/>	
Additions:	
Contributions:	
Employer	\$ 302,867
Employee	97,749
Total contributions	400,616
Investment income:	
Net (appreciation)/depreciation in fair value of investments	296,305
Securities lending income, net.	406
Interest and dividend income	126,314
Total investment loss	423,025
Less: investment expense	20,492
Net investment income/(loss)	402,533
Total additions (deductions)	803,149
Deductions:	
Retirement benefits	436,658
Health benefits	88,011
Death benefits	1,485
Administrative expenses	10,381
Other	21,902
Total deductions	558,437
Changes in net position	244,712
Net position restricted for pensions and OPEB - beginning of the year	5,768,476
Net position restricted for pensions and OPEB - end of year	\$ 6,013,188

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

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CITY OF BALTIMORE
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CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

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.

Discretely Presented Component Units

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

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

Complete financial statements for BHC for the year ended December 31, 2023 may be obtained from the Chief Financial Officer, Baltimore City, 469 City Hall, 100 N. Holliday St., Baltimore, Maryland 21202.

Related Organizations

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

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

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.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

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. Interfund service provided and used are not eliminated in the process of consolidation. 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 and deferred outflows exceed liabilities and deferred inflows) are reported on the Statement of Net Position in three components:

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

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

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

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

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.

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

Capital Projects Fund. The proceeds of general obligation bond issues, State construction loans, governmental and other grants, and revenues from other sources appropriated for capital improvements, acquisitions and related programs are accounted for in this fund, except for those accounted for in the proprietary fund types. Although not required to disclose this fund as a major fund per GASB34, management has opted to disclose the Capital Projects Funds as a major fund due to its importance in the financial statements.

The City also reports nonmajor governmental funds which are classified as Special Revenue Funds and Permanent Funds.

The City reports the following major and non 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.

Although not required to report the Stormwater Utility Fund and the Parking Facilities Fund as major enterprise funds per GASB 34, management has opted to disclose these funds separately.

Conduit Fund. This fund accounts for the operation, maintenance, and development of the City's conduit infrastructure. This fund is non-major fund.

The City reports the following other fund types:

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

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

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

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

Measurement Focus, Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and are reported on the accrual basis of accounting. Revenues are recorded when earned and expenses recorded at the time liabilities are incurred, regardless of when the related cash flows take place. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end, except for grant and entitlement revenues which have a 90 day availability

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

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 financed purchases 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 as of June 30, 2023, based on market prices. The individual funds' portions of the pool's fair value are presented as "Cash and Cash Equivalents." Earnings on the pooled funds are apportioned and paid or credited to the funds quarterly based on the average daily balance of each participating fund. The City does not invest any portion of its cash in derivative investments.

Receivables and Payables

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

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

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

Inventories

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

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost, except for intangible right to use assets, which are discussed in Note 15. Donated capital assets, donated works of art, and similar items are recorded at acquisition value. Infrastructure assets acquired prior to July 1, 2001 are reported at estimated historical cost using deflated replacement cost. Infrastructure assets, such as streets, highways, bridges, sidewalks, street lighting, traffic poles and signals, and storm sewers are required to be capitalized under GAAP. Capitalization thresholds are: \$50,000 for buildings, improvements and infrastructure; and \$10,000 for equipment, with the exception of vehicles which has a \$5,000 threshold. Library books are capitalized as a collection based on total purchases. Donated capital assets, such as works of art, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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	5
Mobile Equipment	5-10

Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary fund statements consists of unpaid, accumulated annual sick, vacation, and personal leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Payments made to terminated employees for accumulated leave are charged as expenditures/expenses, primarily in the General Fund, Special Revenue Funds, and Proprietary Funds, when paid.

Estimated Liability for Claims in Process

The liability for claims in process represents estimates for all personal injury, workers’ compensation, unemployment, property damage, and medical claims as of June 30, 2023. 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 homeowners 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 2023 was \$38,040,000,000 which was approximately 88.8% of the estimated market value.

The tax rate in Baltimore City for real property taxes for fiscal year 2023 was \$2.25 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 96.6% of the total tax levy.

As of June 30, 2023, the City had property taxes receivable of \$45,261,000, net of an allowance for uncollectible accounts of \$10,954,000.

Gains and Losses on Early Extinguishment of Debt from Refundings

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

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

Sick, Vacation and Personal Leave

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

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

The City accrues for all salary-related items in the government-wide and proprietary fund types in the fund financial statements for which they are liable to make a payment directly and incrementally associated with payments made for compensated absences on termination or retirement. The City includes its share of social security and Medicare payments made on behalf of the employees in the accrual for sick, vacation and personal leave pay.

The Baltimore City Public School System's employees are granted sick, vacation and personal leave in varying amounts based on length of service and bargaining unit. A limited number of sick, vacation and personal leave days may be carried forward from year to year and upon retirement with pension benefits or separation of employment with twenty years of service, employees are paid accumulated sick, vacation and personal leave days at appropriate formula and rates. The unpaid vested sick, vacation and personal leave days have been reported as vested compensated absences.

Restricted Assets

The proceeds of the Water Utility Fund, Wastewater Utility Fund, Stormwater Utility Fund, Parking Facilities Fund, and Nonmajor Funds revenue bonds and Federal and State grants, and restricted accounts receivable are restricted for the purpose of the construction of water, sewer, stormwater, and parking facilities.

Deferred Outflows/Inflows of Resources

A deferred outflow of resources represents a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until the future period. As of June 30, 2023, the City recognized unamortized losses on early extinguishments of debt, refunding, pension and OPEB activity, and interest rate swaps as deferred outflows of resources in the government-wide statement of net position and the proprietary funds statement of net position.

A deferred inflow of resources represents an acquisition of net assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. As of June 30, 2023, the City recognized deferred inflows of resources in the governmental funds for property taxes, income taxes, other prepaid taxes and notes receivables. Additionally, the City recognized deferred inflows of resources in the government-wide statement of net position for pension and OPEB.

Fund Balance

The City classifies its fund balance into the following categories:

- Nonspendable fund balance includes items that cannot be spent. This includes activity that is not in spendable form such as inventories, prepaid amounts, long-term portions of loans and notes receivable and activities that are legally or contractually required to remain intact such as principal balance in a permanent fund.
- Restricted fund balance has constraints placed upon the use of the resources either by external creditors, grantors, contributors or imposed by law through a constitutional provision or enabling legislation.

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

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

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

Nonspendable fund balance

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

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

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

Restricted fund balance

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

Debt Service – This portion of the fund balance represents the amounts needed to service future debt payments.

Assigned fund balance

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

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

Subsequent years' expenditures - This portion of fund balance represents the amount to finance certain non-recurring policy initiatives and other expenditures included in the Fiscal year 2023 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

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

fund's operating budget of the subsequent year. Whenever funds are drawn from the reserve, a Board of Estimates approved reserve replenishment plan must be established and must specify a timetable for full restoration of the reserve not to exceed five years.

Interfund Transactions

The City has three types of transactions among funds:

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

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

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

Uses of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates.

D. NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD PRONOUNCEMENTS

In fiscal year 2023, the City adopted portions of Governmental Accounting Standards Board Statement No. 96, "*Subscription-Based Information Technology Arrangements*." The objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments).

In fiscal year 2023, the City early adopted Governmental Accounting Standards Board (GASB) "*Accounting Changes and Error Corrections*." The objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information. This adoption had no material impact on the fiscal year 2023 statements.

The City will be required to adopt the following GASB pronouncements:

GASB Statement No. 101

In June 2022, the GASB issued Statement No. 101, "*Compensated Absences*". The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The City is required to adopt GASB No. 101 for its fiscal year 2025 financial statements.

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

2. Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

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

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds:	
Capital assets	\$ 6,504,808
Less accumulated depreciation	(3,491,676)
Total	<u>\$ 3,013,132</u>
Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds:	
Net pension asset	\$ 7,956
Other assets	32,434
Deferred loss on bond refundings	2,044
Deferred outflow of resources (pension).....	376,563
Deferred outflow of resources (OPEB).....	123,413
Total	<u>\$ 542,410</u>
Internal Service funds are used by management to charge the cost of fleet management, mailing, communications, printing energy conservation and building maintenance to individual funds. Some assets and liabilities of the internal service funds are included in governmental activities in the statement of net position	
	<u>\$ 6,858</u>
Deferred revenue is not due and payable in the current period, and therefore, is not reported in the funds	
	<u>\$ 43,175</u>
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
Accounts payable	\$ 36,126
Accrued interest payable	(12,908)
Long-term bonds	(1,021,875)
Revenue bonds	(290,071)
Finance purchase	(39,469)
Leases	(45,800)
Compensated absences and other	(168,007)
Estimated claims in progress	(274,089)
Landfill closure liability	(36,598)
Net pension liability	(1,742,879)
Net OPEB liability	(13,659)
Other liabilities	(1,028,241)
Deferred inflow of resources (pension).....	(189,743)
Deferred inflow of resources (service concession arrangement).....	(50,360)
Deferred inflow of resources (OPEB).....	(298,401)
Total	<u>\$ (5,175,974)</u>

Explanation of differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities (amount expressed in thousands):

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Capital outlay	\$ 36,907
Finance purchase and lease	(11,111)
Depreciation	(130,576)
Total	<u>\$ (104,780)</u>
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Service concession agreement	1,119
Interest revenue related to entity-wide debt	14,215
Revenues not received for several months after the fiscal year end are not considered as available revenues in the governmental funds	15,282
Total	<u>\$ 30,616</u>
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:	
Debt service principal	(26,132)
Debt service interest (financed purchase, GO bonds, and accrued interest)	7,358
Claims liability	7,894
Landfill closure liability	(6,148)
Compensated absences	10,795
Miscellaneous other liability	(295,009)
Changes in net OPEB liability, deferred inflow and outflow.....	51,456
SBITA	1,705
Total	<u>\$ (248,081)</u>
The net effect of the expenses for recording the City's pension liability from employee retirement plans are not reported as expenditures in the governmental funds	
	<u>\$ (124,847)</u>
The net income of some activities of internal service funds is reported with governmental activities:	
Internal service funds net expenses attributed to governmental activities	\$ (21,963)

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, 2023 (expressed in thousands):

	Government-wide Statements of Net Position	Fiduciary Funds Statement of Net Position Total	Total
Cash and cash equivalents	\$ 1,095,195	\$ 114,285	\$ 1,209,480
Investments	814,908	5,900,666	6,715,574
Restricted cash and cash equivalents	768,902		768,902
Total	\$ 2,679,005	\$ 6,014,951	\$ 8,693,956

B. CASH DEPOSITS

As of June 30, 2023, the carrying amount of the City’s general fund disbursement bank account was \$272,082,000 and the respective bank balances totaled \$349,975,000. 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.

As of June 30, 2023, BCPSS and BHC had demand deposits with carrying values of \$37,500,000 and \$1,004,000, respectively.

C. INVESTMENTS

Primary Government

For other than pension funds, BCPSS and BHC, the City is authorized by State Law to invest in direct or indirect obligations of the United States Government, repurchase agreements that are secured by direct or indirect obligations of the United States Government, certificate of deposit, commercial paper with highest letter and numerical rating, mutual funds registered with the Securities and Exchange Commission and the Maryland Local Government Investment Pool. The City’s investment policy limits the percentage of certain types of securities with the exception of obligations for which the United States Government has pledged its full faith and credit. For investments held by the City in trust and/or to secure certain debt obligations, the City complies with the terms of the trust agreements. The City’s Board of Finance has formally adopted the above policies and reviews and approves all securities transactions.

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

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

This primary government's investments as of June 30, 2023, are presented below. All investments are presented by investment type, and debt securities are presented by maturity (expressed in thousands):

Investment Type	Fair Value	Investment Maturities (In Months)		
		Less Than 6	6 to 12	Greater Than 12
Debt Securities:				
U.S. Treasury	\$ 434,942	\$ 183,025		\$ 251,917
U.S. Agencies	296,496	247,909		48,587
Repurchase agreements	95,000	95,000		
Money market mutual funds	1,403,860	1,403,860		
Commercial paper	20,261		\$ 13,954	6,307
	2,250,559	\$ 1,929,794	\$ 13,954	\$ 306,811
Other investments:				
Equity mutual funds	11,069			
	2,261,628			
Less: cash equivalents	1,446,720			
Total investments	\$ 814,908			

Investments and Valuation - The City categorizes its investments using the fair value measurements identified in the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Investment Type	Fair Value	Investment Levels		
		Level 1	Level 2	Level 3
Debt Securities:				
U.S. Treasury	\$ 434,942	\$ 434,942		
U.S. Agencies	296,496	296,496		
Repurchase agreements	95,000	95,000		
Money market mutual funds	1,403,860	1,403,860		
Commercial paper	20,261	20,261		
	2,250,559	\$ 2,250,559		
Other investments:				
Equity mutual funds	11,069			
	2,261,628			
Less: cash equivalents	1,446,720			
Total investments	\$ 814,908			

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

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

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

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

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

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

The Maryland Local Government Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company but maintains a policy to operate in a manner consistent with SEC Rule 2a7 of the Investment Company Act of 1940.

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

The City Board of Finance limits City investments to only the highest rated investments in the categories discussed above. The City’s rated debt investments as of June 30, 2023, were rated by a nationally recognized statistical rating agency and are presented below using the Moody’s rating scale (expressed in thousands):

Investment Type	Fair Value	Quality Ratings		
		Aaa-AA+	A1-P1	Not Rated
Debt Securities:				
U.S. Treasury	\$ 434,942	\$ 434,942		
U.S. Agencies	296,496	296,496		
Repurchase Agreements	95,000			\$ 95,000
Money market mutual funds	1,403,860	1,403,860		
Commercial paper	20,261		\$ 20,261	
Total debt securities	\$ 2,250,559	\$ 2,135,298	\$ 20,261	\$ 95,000

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

Retirement Systems

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

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

The invested assets of the retirement systems as of June 30, 2023, are as follows (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	\$ 20,798		\$ 76,147	\$ 96,945
U.S. Government agency bonds			31,020	31,020
Corporate bonds	66,963	\$ 5,647	88,769	161,379
Commingled fixed income fund	224,932		255,006	479,938
U.S. Quasi and Foreign Government	53,599			53,599
Total debt securities	366,292	5,647	450,942	822,881
Other:				
Domestic equities	473,565	9,139	393,576	876,280
Mutual funds	40,870	120	42,000	82,990
International equities	304,302	5,352	416,224	725,878
Defensive equities	145,177	3,521		148,698
Dynamic US equity fund.....			77,473	77,473
Hedge funds			185,057	185,057
Commingled equity fund			554,096	554,096
Private equity funds	429,184		492,462	921,646
Private energy funds			155,454	155,454
Real estate	273,959	3,389	307,836	585,184
Total other	1,667,057	21,521	2,624,178	4,312,756
Total investments	2,033,349	27,168	3,075,120	5,135,637
Less: Cash and cash equivalents	40,870	120	42,000	82,990
Total net investment	\$ 1,992,479	\$ 27,048	\$ 3,033,120	\$ 5,052,647

Foreign Currency Risk Exposure – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit.

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

The Employees' Retirement Systems Board of Trustees has not adopted a formal policy to limit foreign currency risk.

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

The foreign currency risk for each system as of June 30, 2023 is presented on the following table (expressed in thousands):

Currency	Fire and Police		Total
	Employees' Retirement System	Employees' Retirement System	
Euro Currency Unit	\$ 50,850	\$ 110,068	\$ 160,918
Australian Dollar	9,933	1,046	10,979
Brazil Real	4,374	2,172	6,546
British Pound Sterling		79,648	79,648
Canadian Dollar	13,358	17,025	30,383
Chinese Yuan Renminbi	978		978
Danish Krone	1,237	7,866	9,103
Hong Kong Dollar	10,565	3,285	13,850
Indonesian Rupian	1,049	3,324	4,373
Israeli Shekel	1,033		1,033
Japanese Yen	30,176	35,881	66,057
Mexican Peso	1,007	1,662	2,669
New Taiwan Dollar	2,193	2,973	5,166
New Zealand Dollar	1,270		1,270
Norwegian Krone	301		301
Polish Zloty	480	527	1,007
Pound Sterling	33,149		33,149
Russian Ruble	203		203
Singapore Dollar	4,764	2,808	7,572
South African Comm Rand		669	669
South Korean Won	3,921	4,675	8,596
Swedish Krona	5,295	8,275	13,570
Swiss Franc	9,223	23,399	32,622
Thai Baht	611	1,369	1,980
UAE Dirham	724		724
Total Foreign Currency	\$ 186,694	\$ 306,672	\$ 493,366

Interest rate risk – The Fire and Police Employee’s Retirement System Board of Trustees uses the Option Adjusted Duration as a measure of interest rate sensitivity for bonds. Duration is a measure of the approximate sensitivity of a bond’s value to interest rate changes. The Fire and Police Employees’ Retirement System Board of Trustees’ fixed income interest rate policy states that the effective duration of a portfolio may not exceed 120% of the effective duration of the underlying Bloomberg Barclay’s U.S. Aggregate Bond Index.

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 rating and duration of investments as of June 30, 2023, were as follows (expressed in thousands):

Asset Type	Duration	Carrying				
		Value	AAA thru A	BBB thru B	CCC thru C	Not Rated
<i>Employees' Retirement System:</i>						
U.S. Treasury notes and bonds	8.94	\$ 20,798	\$ 20,798			
Emerging market bond CIT-Class B	3.82	65,195	11,083	\$ 48,896	\$ 5,216	
US Quasi and Foreign government	5.72	53,599	42,577	1,058		\$ 9,964
Corporate bonds	6.38	66,963	31,486	22,034		13,443
Bank loan fund	0.36	84,660	1,390	71,258	8,008	4,004
MCM Lehman aggregate bond index	6.34	75,077	65,655	9,422		
Total debt securities		\$ 366,292	\$ 172,989	\$ 152,668	\$ 13,224	\$ 27,411
<i>Elected Officials' Retirement System:</i>						
Aggregate bond index fund	6.34	\$ 2,697	\$ 2,697			
US Senior loan fund	0.42	2,060	2,060			
Core Plus bond fund	6.06	890	890			
Total debt securities		\$ 5,647	\$ 5,647			
<i>Fire and Police Employees' Retirement System:</i>						
U.S. Treasury notes and bonds	7.20	\$ 76,147	\$ 75,965			\$ 182
U.S. Government agency bonds	5.56	31,020	31,020			
Barclay aggregate index	6.34	71,856	71,856			
NHIT agency mbs trust	6.07	23,650	23,650			
Corporate bonds	2.49	88,769	32,373	\$ 44,366		12,030
Emerging market debt fund	3.15	64,160		64,160		
MCM TIPS	6.64	92,805	92,805			
Senior floating rate fund	0.09	2,535		2,535		
Total debt securities		\$ 450,942	\$ 327,669	\$ 111,061		\$ 12,212

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

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

As of June 30, 2023, 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 as of June 30, 2023, was \$134,823,000, and the market value of the collateral received for those securities on loan was \$142,180,000 which included collateral received in cash in the amount of \$55,960,000. The Retirement Systems did not impose any restrictions during the fiscal year on the amount of loans the custodian made on their behalf. The terms of the Securities Lending Authorization Agreement require that the custodian indemnify the retirement systems against: (1) the failure to demand adequate and appropriate collateral from a borrower as and when required pursuant hereto; (2) the failure to comply with the investment guidelines in connection with the investment and reinvestment of cash collateral; (3) the failure to obtain and perfect a security interest or rights equivalent thereto in and to the collateral; or (4) the failure to make a reasoned determination of the creditworthiness of any borrower. There were no such failures by any borrowers during the fiscal year. Moreover, there were no losses during the fiscal year resulting from default of the borrowers or the custodian.

CITY OF BALTIMORE

Notes to Basic Financial Statements

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Substantially all securities loans can be terminated on demand either by the custodian or by the borrower, although generally the average term of these loans is one week. Cash collateral is invested in the custodian's short-term investment pool. The short-term investment pool guidelines specify that a minimum of 20% of the invested cash collateral is to be available each business day and the dollar-weighted average maturity of holding must not exceed 90 days.

Other Postemployment Benefits Fund

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

The investment assets of the OPEB Trust Fund as of June 30, 2023, are as follows (expressed in thousands):

Investment Type	Fair Value	Investment Maturities (In Months)	
		Less than 6	Greater than 12
Cash and cash equivalents	\$ 31,295	\$ 31,295	
U.S. Treasury obligations	14,554		\$ 14,554
U.S. Government agencies	13,121		13,121
Corporate bonds	127,004		127,004
Subtotal	185,974	\$ 31,295	\$ 154,679
Real estate	84,321		
Stocks	609,019		
Total investments	879,314		
Less: cash and cash equivalents	31,295		
Total net investments	\$ 848,019		

The OPEB Trust Fund categorized their fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and given the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable imputes (Level 3 measurements).

Level 1 – Unadjusted quoted prices for identical instruments in active markets.

Level 2 – Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active; and model derived valuations in which all significant inputs are observable.

Level 3 – Valuations derived from valuation techniques in which significant inputs are unobservable.

Instruments that are measured at fair value using the net asset value per share (or its equivalent) as practical expedient are not classified in the fair value hierarchy.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The table on the following page shows the fair value leveling on the investments for the OPEB Trust Fund (amounts expressed in thousands).

Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Debt Securities classified in Level 1 and Level 2 are valued using a bid evaluation, mid evaluation, last trade or official close. Mid evaluations are when a bid and ask evaluation are both present. Last trade is the most recent trade price of a security at market close time. Official close is the closing price as defined by the exchange.

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(Continued)

Investment by fair value level	Base Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities				
U.S. Treasury notes and bonds	\$ 14,554	\$ 14,554		
U.S. Government agency bonds	13,121		\$ 13,121	
Corporate bonds	26,789		26,789	
Total debt securities at fair value level	<u>54,464</u>	<u>14,554</u>	<u>\$ 39,910</u>	
Equity securities				
Domestic equities	137,677	137,677		
International equities	24,324	24,324		
Total equity securities at fair value level	<u>162,001</u>	<u>\$ 162,001</u>		
Total investments by fair value level	<u>216,465</u>			
Investments measured at the net asset value (NAV)				
Commingled fixed income	100,215			
Domestic equities	143,186			
Defensive equities	89,033			
International equities	150,502			
Real estate	84,321			
Private equities	64,297			
Total investments measured at the NAV	<u>631,554</u>			
Total net investments	<u>\$ 848,019</u>			

The valuation method for investments measured at the Net Asset Value (NAV) per share, or equivalent, is presented in the table below (expressed in thousands):

Investment Measured at the Net Asset Value (NAV)	Base Annual	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Commingled fixed income.....	\$ 100,215		Daily, weekly & monthly	0 - 30 days (1)
Domestic equities.....	143,186		Daily, weekly & monthly	0 - 30 days (2)
International equities.....	150,502		Daily, weekly & monthly	0 - 30 days (3)
Defensive equities.....	89,033		Quarterly	0 - 30 days (4)
Real estate.....	84,321		Quarterly	90-100 days (5)
Private equities.....	64,297		Not eligible	N/A (6)
Total investments measured at the NAV	<u>\$ 631,554</u>	<u>\$</u>		

(1) Commingled fixed income investment is in two mutual funds. One seeks to provide a high level of current income, consistent with preservation of capital by investing at least 80% of its net assets in adjustable-rate senior loans; while the second one actively tracks the performance of an index.

(2) Domestic Equity investments is in funds that seek long-term capital appreciation by investing at least 80% of its net assets, plus any borrowings for investment purposes, in equity securities of large capitalization companies. Such large cap companies are those with total market capitalizations of \$5 billion or more at the time of purchase.

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

(4) Defensive equity investment is in a fund that seek long-term growth of capital. The fund employs a strategy of writing collateralized put options on the S&P 500 Index. The collateral generally consists of short duration, high quality fixed income positions with a focus on U.S. Treasuries.

(5) Real estate investment is in a core real estate fund. The investment style is based on strategies and tactics that are designed to take advantage of barrier and rotational market dynamics.

(6) The System's private equity investments are with 9 managers, invested in Diversified, Venture Capital, Distressed Debt, Buyouts, International and Special Situations strategies. These investments are considered illiquid as redemptions are restricted over the life of the investment.

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.

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Notes to Basic Financial Statements

(Continued)

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 as of June 30, 2023, are presented below. All investments are presented by investment type (expressed in thousands):

Investment Type	Fair Value	Investment Maturities (In Months)			Max allowed per Investment Policy
		Less than 3	3 to 12	Percent	
Money market funds	\$ 155,497	\$ 155,497		21.6%	100.0%
Commercial paper	20,972	20,972		2.9%	5.0
Fixed income	600	600		0.1%	100.0
Equity funds	490	490		0.1%	100.0
U.S. Government agencies	443,739	148,802	\$ 294,937	61.6%	100.0
U.S. Treasury obligations	98,833	49,839	48,994	13.7%	100.0
Total invested funds	720,131	\$ 376,200	\$ 343,931	100.0%	
Less: cash equivalents	376,200				
Total net investments	\$ 343,931				*

* Cash equivalents excludes \$21,401,000 which is not invested.

Investments and Valuation - BCPSS categorizes its investments using the fair value measurements identified in the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

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

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

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

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

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

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

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Notes to Basic Financial Statements

(Continued)

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

City Schools had the following recurring fair value measurements as of June 30, 2023:

	Level 1	Level 2	Level 3	Balance June 30, 2023
Investments by fair value level:				
Debt Securities:				
Equity Funds	\$ 490			\$ 490
US Government Obligations		\$ 443,739		443,739
US Treasury Obligations		98,833		98,833
Total Debt Securities	490	542,572		543,062
Equity Securities:				
Fixed Income	600			600
Commercial Paper		20,972		20,972
Total Equity Securities	600	20,972		21,572
Total Investment by fair value level	\$ 1,090	\$ 563,544		564,634
Investments carried at amortized cost:				
Deposits (reported as cash and cash equivalents)				155,497
Money Market Mutual Funds				155,497
Total Investments at amortized cost				\$ 720,131

Investment Ratings - Ratings apply to all Money Market funds, Checking, Commercial Paper, and U.S. Government Agencies (expressed in thousands):

Moody	Percent	Fair Value	S&P	Percent	Fair Value
AAA	21.0%	\$ 150,661	AAA		
Aaa			AA+	17.0%	\$ 125,657
P-1	2.9	20,972	A-1+		
Not rated	76.2	548,498	A-1	3.0	20,972
	100.0%	\$ 720,131	Not rated	80.0	573,502
				100.0%	\$ 720,131

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 and Money Market Mutual Funds.

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

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

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

Baltimore Hotel Corporation

The Baltimore Hotel Corporation (BHC) pursues a cash management and investment program to achieve the maximum financial return on available funds. Investments consist of private debt obligations and money market funds with varying maturity dates. Certain portions of the investments are used to fund operating activities of the entity and other portions are used for debt repayment. These investments are stated at market value. Additional disclosures required by GASB 74 are available in the separately issued BHC financial statements.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

The BHC has no formal policy for limiting risk associated with these investments. The City of Baltimore Department of Finance directs the selection of investment funds. At year-end, BHC held investments in the amount of \$26,898,000 consisting of repurchase agreements with various financial institutions and government money market funds.

4. Receivables, net

Receivable at year-end of the City's major individual governmental funds, enterprise funds, and nonmajor and other funds (including internal service and fiduciary funds) were as follows (expressed in thousands):

Receivables	General Fund	Grants Revenue Fund	Capital Projects Fund	Enterprise Fund	Non-major and Other Funds	Total
Property taxes	\$ 45,261					\$ 45,261
Service billings				\$ 190,139		190,139
Due from other governments	104,104	\$ 46,328	\$ 30,013	645,338	\$ 2,007	827,790
Notes and mortgages receivable	258,280			8,497		266,777
Other receivable, net	47,564		5,844	1,241	49,154	103,803
Total	\$ 455,209	\$ 46,328	\$ 35,857	\$ 845,215	\$ 51,161	\$ 1,433,770

Unavailable property taxes include prepaid property taxes. Service billings are reported net of an allowance for doubtful accounts of \$229,095,000. Bad debt expense for fiscal year 2023 was \$24,062,000.

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

5. Capital Assets

Capital assets activities for the year ended June 30, 2023, were as follows (expressed in thousands):

Governmental Activities Capital Assets:

Class	Balance June 30, 2022	Additions	Deductions	Balance June 30, 2023
Capital assets, not being depreciated:				
Land	\$ 248,215			\$ 248,215
Other	113,085		\$ 2,858	110,227
Construction in progress	274,237	\$ 55,169	148,099	181,307
Total capital assets, not being depreciated	635,537	55,169	150,957	539,749
Capital assets, being depreciated				
Building and improvements	2,381,057	16,855		2,397,912
Equipment	499,548	6,983	10,645	495,886
Infrastructure	3,117,721	131,244		3,248,965
Library books	35,219	2,191	24,319	13,091
Right-to-use leased building	49,650	5,113	1,577	53,186
SBITA		9,366		9,366
Total capital assets, being depreciated	6,083,195	171,752	36,541	6,218,406
Less: accumulated depreciation for:				
Building and improvements	1,443,034	39,581		1,482,615
Equipment	405,443	19,747	10,074	415,116
Infrastructure	1,669,263	76,862		1,746,125
Library books	28,334	2,832	24,319	6,847
Right-to-use leased building	8,172	9,376	1,577	15,971
SBITA		1,251		1,251
Total accumulated depreciation	3,554,246	149,649	35,970	3,667,925
Total capital assets, being depreciated, net	2,528,949	22,103	571	2,550,481
Governmental activities capital assets, net	\$ 3,164,486	\$ 77,272	\$ 151,528	\$ 3,090,230

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

Business-type Activities Capital Assets:

Class	Balance June 30, 2022	Additions	Deductions	Balance June 30, 2023
Capital assets, not being depreciated:				
Land	\$ 36,920			\$ 36,920
Construction in progress	432,383	\$ 317,590	\$ 88,064	661,909
Total capital assets, not being depreciated	469,303	317,590	88,064	698,829
Capital assets, being depreciated				
Building and improvements	4,935,327	1,898		4,937,225
Equipment	306,793	3,806		310,599
Infrastructure	2,441,821	86,166		2,527,987
Total capital assets, being depreciated	7,683,941	91,870		7,775,811
Less: accumulated depreciation for:				
Building and improvements	1,485,464	95,219		1,580,683
Equipment	150,259	10,583		160,842
Infrastructure	375,045	40,130		415,175
Total accumulated depreciation	2,010,768	145,932		2,156,700
Total capital assets, being depreciated, net	5,673,173	(54,062)		5,619,111
Business-type activities capital assets, net	\$ 6,142,476	\$ 263,528	\$ 88,064	\$ 6,317,940

Depreciation expense was charged to functions/programs of the City for the fiscal year ended June 30, 2023 (expressed in thousands):

<i>Governmental activities</i>	
General government	\$ 20,225
Public safety and regulation	6,373
Conservation of health	153
Education	14,036
Public library	5,777
Recreation and parks	9,555
Highways and streets	72,041
Sanitation and waste removal	1,820
Public service	2,562
Economic development	850
Internal service funds	16,257
Total	\$ 149,649

<i>Business-type activities:</i>	
Water	\$ 54,497
Wastewater	86,144
Stormwater	1,037
Parking	2,275
Conduits	1,979
Total	\$ 145,932

As of June 30, 2023, the outstanding commitments relating to capital projects of the City of Baltimore amounted to approximately \$115,473,000 for governmental activities and \$204,479,000 for business-type activities.

In July 2018, the City entered into a lease agreement with Maryland Economic Development Corporation (MEDCO) to lease three parking garages terminating at the earlier of the 50th anniversary of closing or the date on which the MEDCO Parking Facilities Revenue Bonds Series 2018 bonds (MEDCO Bonds) are fully repaid. The lease requires MEDCO to operate the three parking garages in a first-class manner and to adopt, operate, and maintain the facilities in accordance with City operating standards and a long-term capital plan. In exchange, MEDCO made an initial rent payment of \$55,955,000 and annually, MEDCO shall pay to the City of Baltimore rent in the amount of a distributable portion of the

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

Surplus Fund, as defined in the trust indenture. In accordance with generally accepted accounting principles (GAAP), the arrangement between MEDCO and the City of Baltimore qualifies as a service concession arrangement. In the Statement of Net Position under governmental activities, \$50,360,000 is reflected as a deferred inflow of resources (initial rent payment of \$55,955,000 less \$5,595,000 recognized as revenue). The parking garages are continuing to be depreciated and are reflected in the above governmental activities capital asset table.

6. Interfund Balances and Activity

A. BALANCE DUE TO/FROM OTHER FUNDS

Balances due to/from other funds as of June 30, 2023, were as follows (expressed in thousands):

Fund	Interfund	
	Receivable	Payable
General	\$ 117,974	\$ 149,214
Grants revenue	115,625	
Capital projects	32,192	
Nonmajor proprietary		48,401
Nonmajor governmental		29,400
Internal service	1,396	40,172
Totals	\$ 267,187	\$ 267,187

The Interfund balances are primarily the result of the City's policy not to reflect cash deficits in its individual funds. Also, as of June 30, 2023, certain transactions between funds had not been completed.

B. TRANSFERS TO/FROM OTHER FUNDS

Transfers to/from other funds as of June 30, 2023, were as follows (expressed in thousands):

Fund	General	Capital Projects	Grants Revenue	Nonmajor Governmental	Parking	Total Transfer To
General		\$ 3,690			\$ 37,313	\$ 41,003
Grants revenues	\$ 23,124		\$ 723		4,883	28,730
Capital projects	90,500			\$ 5,525		96,025
Total transfers from	\$ 113,624	\$ 3,690	\$ 723	\$ 5,525	\$ 42,196	\$ 165,758

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

C. DEFICITS

The following funds had a deficit fund balance/net position as of June 30, 2023, (expressed in thousands):

Internal service funds:	
Municipal communication	\$ (2,365)
Reproduction and printing	(3,623)
Municipal post office	(1,085)
Building Maintenance	(11,257)

Deficits in the above funds are temporary and are not expected to continue. They should be eliminated in the future periods.

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Notes to Basic Financial Statements
(Continued)

7. Long-term Obligations

A. LONG-TERM OBLIGATION ACTIVITY

The City does not have a debt limit; however, the Constitution of Maryland requires a three-step procedure for the creation of debt:

- Act of the General Assembly of Maryland or resolution of the majority of Baltimore City delegates
- Ordinance of the Mayor and City Council
- Ratification by the voters of Baltimore City

Changes in long-term obligations for the year ended June 30, 2023, are as follows (expressed in thousands):

	June 30, 2022	New Debt Issued	Debt Retired	June 30, 2023	Due Within One Year
GOVERNMENTAL ACTIVITIES*					
<i>General Obligation Bonds:</i>					
Highways	\$ 566		\$ 246	\$ 320	\$ 63
Health	921		207	714	121
Public safety	1,155	\$ 12	249	918	139
Off-street parking	1,847		1,721	126	51
Recreation and parks	28,679	21,061	3,031	46,709	2,520
Public buildings and facilities	124,247	(1,728)	8,718	113,801	6,643
School	159,544	22,249	19,316	162,477	13,992
Urban renewal	223,267	20,705	25,303	218,669	15,859
Unallocated	1,252		876	376	185
Total general obligation bonds	541,478	62,299	59,667	544,110	39,573
<i>Special Obligation Bonds</i>					
Special Obligation Bonds	334,405	39,285	4,883	368,807	5,415
<i>Long-term financing with the Federal Government:</i>					
Federal economic development loans	7,995		3,411	4,584	2,410
Total Governmental Activities	\$ 883,878	\$ 101,584	\$ 67,961	\$ 917,501	\$ 47,398
BUSINESS-TYPE ACTIVITIES					
<i>General Obligation Bonds:</i>					
Stomwater	\$ 3,283	\$ 126	\$ 464	\$ 2,945	\$ 221
Total Business-Type Activities	\$ 3,283	\$ 126	\$ 464	\$ 2,945	\$ 221
COMPONENT UNIT - BALTIMORE CITY PUBLIC					
SCHOOL SYSTEM					
<i>Bonds:</i>					
Schools	\$ 36,141		\$ 15,797	\$ 20,344	\$ 12,326

*Included in the Statement of Net Position for Governmental Activities is a remaining unamortized premium of \$104,374,000

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

Fixed Rate General Obligation Bonds

On August 3, 2022, the City issued general obligation bonds, Series 2022-A and 2022-B, in the amounts of \$46,425,000 and \$16,000,000, respectively, and totaling \$62,425,000 for various capital projects. Interest on the bonds is due each April 15th and October 15th and mature on October 15, 2042.

Special Obligations Bonds

On September 8, 2022, the City issued Subordinate Special Obligation Revenue Bonds (Harbor Point Project), Series 2022, in the aggregate principal amount of \$39,285,000. The proceeds will be used to finance public infrastructure improvements in the development district. Interest on the bonds is due each June 1st and December 1st and mature on June 1, 2051.

Compensated Absences

Compensated absences as of June 30, 2023, totaled \$170,817,000 for governmental activities and \$13,446,000 for business-type activities, of which \$43,176,000 and \$6,092,000, respectively, were due within one year. For the Baltimore City Public School System, compensated absences and early retirement incentive plan amounts totaled \$71,403,000.

Changes in compensated absences during fiscal year 2023, are as follows (expressed in thousands):

	Governmental Activities	Business-type Activities	Total
Balance, June 30, 2022	\$ 181,744	\$ 14,408	\$ 196,152
Leave earned	32,249	5,130	37,379
Leave used	(43,176)	(6,092)	(49,268)
Balance, June 30, 2023	\$ 170,817	\$ 13,446	\$ 184,263
Due in one year	\$ 43,176	\$ 6,092	\$ 49,268

Parking Facilities Fund Revenue Sharing Agreement

The Parking Facilities Fund entered into two revenues sharing arrangements with the State of Maryland in 2001 and 2003 for the development of two parking garages. In exchange for a \$9,000,000 investment from the State, the City agreed to share 5% interest annually on the investment, payable to the State when the garages began to generate positive cash flow. In fiscal year 2023, the Parking Facilities Fund reflected \$450,000 of interest expense accrued.

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Notes to Basic Financial Statements
(Continued)

B. DEBT SERVICE REQUIREMENTS

Debt service requirements on long-term debt as of June 30, 2023, are as follows (expressed in thousands):

Governmental Activities							
Fiscal Year	General Obligation Bonds			Long-Term Financing with Federal Government		Special Obligation Bonds	
	Principal	Interest	Interest	Principal	Interest	Principal	Interest
			Rate Swap Net(a)				
2024	\$ 39,573	\$ 21,850		\$ 2,410	\$ 119	\$ 5,415	\$ 17,171
2025	41,476	19,951		1,352	58	7,348	16,880
2026	41,166	18,046		822	14	8,190	16,530
2027	40,872	16,137				8,842	16,145
2028	40,356	14,291				9,849	15,731
2029-2033	161,688	48,058				60,588	70,780
2034-2038	120,672	20,613				83,978	53,496
2039-2043	58,307	4,086				82,572	31,365
2044-2048						61,855	15,339
2049-2052						40,170	2,865
Totals	\$ 544,110	\$ 163,032	\$	\$ 4,584	\$ 191	\$ 368,807	\$ 256,302

(a) Interest Rate Swap Net payments represent estimated additional interest payable to counterparties for additional interest resulting from swap agreements. The additional payments were computed using rates as of June 30, 2023, assuming current interest rates remain the same for the remaining term of the swap. As rates vary, variable rate bond interest payments and net swap payments will vary.

Business-type Activities			
Fiscal Year	General Obligation Bonds		
	Principal	Interest	
2024	\$ 222	\$	116
2025	234		105
2026	174		96
2027	138		90
2028	144		84
2029-2033	812		328
2034-2038	973		146
2039-2043	248		13
Totals	\$ 2,945	\$	978

A summary of general obligation bonds outstanding and bond anticipation notes outstanding, and bonds authorized but unissued (expressed in thousands) as of June 30, 2023, are as follows:

Purpose	Due Dates	Outstanding		Authorized But Unissued
		Interest Rates	Amount	Amount
Fire, police, and public protection	2018 to 2035	1.0% to 5.0%	\$ 918	\$ 6
Off-street parking	2018 to 2026	1.0% to 5.0%	126	345
Recreation and parks	2018 to 2035	1.0% to 6.0%	46,629	5,440
Public buildings and facilities	2018 to 2035	1.0% to 5.0%	113,800	148,534
Schools	2018 to 2035	1.0% to 5.8%	162,477	103,805
Urban renewal and development	2018 to 2035	1.0% to 6.0%	218,669	119,314
Highways	2018 to 2026	1.0% to 5.0%	318	22
Finance				20,000
Health	2018 to 2032	1.0% to 6.0%	714	4,071
Stormwater	2018 to 2026	1.0% to 5.5%	2,945	
Unallocated	2018 to 2026	1.0% to 5.0%	459	
Totals			\$ 547,055	\$ 401,537

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

Baltimore City Public School System (BCPSS) Bonds

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

As BCPSS enters into capital project contracts with one or more contractors, funds are to be drawn from the Series 2009 Construction Bonds escrow account to fund capital expenditures. The interest rates on the bonds include a Tax Credit rate of 5.90% and an interest rate of 1.25%, and interest is payable quarterly on March 15, June 15, September 15, and December 15 of each year. Principal sinking fund payment started on December 15, 2014. As of June 30, 2023, the outstanding balance of the Series 2009 Construction Bonds is \$8,300,000.

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, 2026. The net proceeds of the Series 2011 Bonds were used to fund various capital improvements to existing schools within BCPSS.

As BCPSS enters into capital project contracts with one or more contractors, funds are drawn from the Series 2011 Bonds escrow account to fund capital expenditures. The interest rates on the Bonds is 5.69% and interest is payable semi-annually on June 15 and December 15 of each year. As of June 30, 2023, the outstanding balance on the Series 2011 Bonds is \$12,000,000.

Future minimum bond payments are as follows at fiscal year ending June 30, 2023 (expressed in thousands):

Fiscal Year	Principal	Interest	Total
2024	\$ 12,326	\$ 4,097	\$ 16,423
2025	5,990	3,674	9,664
2026	2,028	1,731	3,759
Totals	\$ 20,344	\$ 9,502	\$ 29,846

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

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, Wastewater and Stormwater facilities. Assets with a carrying value of \$346,656,000 as of June 30, 2023, and revenues of the Water, Wastewater, and Stormwater Funds are pledged as collateral for the bonds. Bonds outstanding as of June 30, 2023 consist of (expressed in thousands):

	Water Utility Fund	Wastewater Utility Fund	Stormwater Utility Fund
Serial bonds series, 2003-B maturing in annual installments from \$71,081 to \$73,094 through February 1, 2031, with interest rate at 0.40%, payable semiannually	\$ 544		
Serial bonds series, 2004-A maturing in annual installments from \$211,118 to \$218,042 through February 1, 2032, with interest rate at 0.40%, payable semiannually	1,908		
Serial bonds series, 2004-C maturing in annual installments from \$904,000 to \$907,000 through February 1, 2024, with interest rate at 0.25%, payable semiannually		\$ 907	
Serial bonds series, 2005-A maturing in annual installments from \$104,000 to \$1,102,000 through February 1, 2024, with interest rate at 0.25%, payable semiannually		104	
Serial bonds series, 2006-A maturing in annual installments from \$495,000 to \$1,548,000 through February 1, 2025, with interest rate at 0.40%, payable semiannually		2,043	
Serial bonds series, 2006-B maturing in annual installments from \$185,000 to \$361,000 through February 1, 2026, with interest rate at 0.40%, payable semiannually		905	
Serial bonds series, 2007-A maturing in annual installments from \$75,198 to \$78,574 through February 1, 2035, with interest rate at 0.40%, payable semiannually	854		
Serial bonds series, 2007-A maturing in annual installments from \$1,704,000 to \$2,174,000 through February 1, 2026, with interest rate at 0.40%, payable semiannually		6,046	
Serial bonds series, 2007-B maturing in annual installments from \$156,000 to \$161,000 through February 1, 2027, with interest rate at 0.40%, payable semiannually		641	
Serial bonds series 2009 maturing in annual installments from \$102,451 to \$124,415 through June 15, 2024, with interest at 4.00% to 5.00%, payable semiannually			\$ 124
Serial bonds series, 2009-A maturing in annual installments of \$426,167 through February 1, 2029, with an interest rate at 0.00%		2,557	
Serial bonds series, 2009-B maturing in annual installments of \$91,149 through February 1, 2030, with an interest rate at 0.00%		555	
Serial bonds series, 2009-B maturing in annual installments of \$586,172 from February 1, 2019 through February 1, 2043, with an interest rate at 0.00%	11,723		
Serial bonds series, 2009-E maturing in annual installments of \$157,842 through February 1, 2032, with an interest rate at 0.00%		1,421	
Serial bonds series, 2011-B maturing in annual installments of \$140,980 to \$172,023 through February 1, 2043, with interest rates of 1.00%	3,135		
Serial bonds series, 2011-B maturing in annual installments of \$178,688 to \$203,363 through February 1, 2033, with interest rates of 1.00%		1,945	
Serial bonds series 2012 maturing in annual installments from \$207,900 to \$256,850 through October 1, 2027, with interest rates of 2.00% to 5.00%, payable semiannually			1,223
Serial bonds series, 2013-A maturing in annual installments of \$1,634,802 to \$1,798,836 through February 1, 2034, with interest rate at 0.80%, payable semiannually		13,252	
Serial bonds series, 2013-A maturing in annual installments of \$2,910,000 to \$3,055,000 through July 1, 2023, with interest rates from 3.00% to 5.00%, payable semiannually	3,055		
Serial bonds series, 2013-B maturing in annual installments of \$3,690,000 to \$3,880,000 through July 1, 2033, with interest rates from 2.00% to 5.00%, payable semiannually	3,880		
Serial bonds series, 2013-C maturing in annual installments of \$1,570,000 to \$2,540,000 through July 1, 2032, with interest rates from 3.00% to 5.00%, payable semiannually	20,985		
Serial bonds series, 2013-C maturing in annual installments of \$2,765,000 to \$2,900,000 through July 1, 2023, with interest rates from 3.00% to 5.00%, payable semiannually		2,900	
Serial bonds series, 2013-D maturing in annual installments from \$2,980,000 to \$6,420,000 through July 1, 2023, with interest rates from 3.00% to 5.00%, payable semiannually		6,420	
Serial bonds series, 2013-E maturing in annual installments of \$2,225,000 to \$3,030,000 through July 1, 2026, with interest rates from 3.00% to 5.00%, payable semiannually		11,100	
Serial bonds series, 2014-A maturing in annual installments of \$2,144,262 to \$2,464,774 through February 1, 2035, with interest rates at 1.00% payable semiannually		24,371	
Serial bonds series, 2014-A maturing in annual installments of \$2,110,000 to \$3,785,000 through July 1, 2034, with interest rates from 2.00% to 5.00% payable semiannually	35,235		

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Notes to Basic Financial Statements
(Continued)

	Water Utility Fund	Wastewater Utility Fund	Stormwater Utility Fund
Term bond series 2014-A with interest at 5.00%, payable semiannually, due July 1, 2037	\$ 12,535		
Term bond series 2014-A with interest at 5.00%, payable semiannually, due July 1, 2039	9,430		
Term bond series 2014-A with interest at 5.00%, payable semiannually, due July 1, 2044	28,040		
Serial bonds series, 2014-B maturing in annual installments of \$1,160,000 to \$4,825,000 through July 1, 2034, with interest rates of 5.00% payable semiannually	26,845		
Term bond series 2014-B with interest at 5.00%, payable semiannually, due July 1, 2037	7,065		
Serial bonds series, 2014-C maturing in annual installments of \$830,000 to \$3,905,000 through July 1, 2034 with interest rates from 3.00% to 5.00% payable semiannually	25,325		
Term bond series 2014-C with interest at 5.00%, payable semiannually, due July 1, 2039	6,225		
Serial bonds series, 2014-C maturing in annual installments of \$1,630,000 to \$3,350,000 through July 1, 2034 with interest rates from 2.00% to 5.00%, payable semiannually		\$ 31,185	
Term bond series 2014-C with interest at 5.00%, payable semiannually, due July 1, 2039		19,445	
Term bond series 2014-C with interest at 5.00%, payable semiannually, due July 1, 2044		24,815	
Serial bonds series, 2014-D maturing in annual installments of \$4,060,000 to \$10,835,000 through July 1, 2034 with interest rates from 3.00% to 5.00%, payable semiannually		91,110	
Serial bonds series, 2014-E maturing in annual installments of \$175,000 to \$3,935,000 through July 1, 2032 with interest rates from 2.00% to 5.00%, payable semiannually		21,805	
Serial bonds series, 2015-A maturing in annual installments of \$990,000 to \$1,122,000 from through February 1, 2035, with interest rates of 0.90%, payable semiannually		12,770	
Serial bonds series, 2015-B maturing in annual installments of \$3,396,653 to \$3,920,216 through February 1, 2037, with interest rates of 0.90%, payable semiannually		51,812	
Serial bonds series, 2016-A maturing in annual installments of \$753,999 to \$903,935 through February 1, 2047 through with interest rates of 0.70%, payable semiannually		18,517	
Serial bonds series 2016 maturing in annual installments from \$447,055 to \$662,235 through April 1, 2031, with interest rates of 2.75% to 5.00%, payable semiannually			\$ 4,777
Serial bonds series 2017-A maturing in annual installments from \$3,070,000 to \$6,080,000 through July 1, 2036, with interest rates of 5.00%, payable semiannually	63,185		
Term bond series 2017-A with interest at 5.00%, payable semiannually, due July 1, 2041	35,270		
Term bond series 2017-A with interest at 5.00%, payable semiannually, due July 1, 2046	45,010		
Serial bonds series 2017-B maturing in annual installments from \$1,250,000 to \$1,680,000 through July 1, 2028, with interest rates of 5.00%, payable semiannually	8,945		
Serial bonds series 2017-C maturing in annual installments from \$820,000 to \$2,825,000 through July 1, 2038, with interest rates of 5.00%, payable semiannually	22,840		
Serial bonds series 2017-D maturing in annual installments from \$170,000 to \$5,800,000 through July 1, 2035, with interest rates of 5.00%, payable semiannually	37,600		
Serial bonds series 2017-E maturing in annual installments from \$2,474,024 to \$3,092,422 through Feb 1, 2050, with interest rates of 0.80%, payable semiannually	76,028		
Serial bonds series 2017-A maturing in annual installments from \$1,895,000 to \$6,415,000 through July 1, 2036, with interest rates of 5.00%, payable semiannually		40,940	
Term bond series 2017-A with interest at 5.00%, payable semiannually, due July 1, 2041		22,845	
Term bond series 2017-A with interest at 5.00%, payable semiannually, due July 1, 2046		29,165	
Serial bonds series 2017-B maturing in annual installments from \$750,000 to \$10,500,000 through July 1, 2036, with interest rates of 5.00%, payable semiannually		67,765	
Term bond series 2017-B with interest at 5.00%, payable semiannually, due July 1, 2039		17,595	
Serial bonds series 2017-C maturing in annual installments from \$795,000 to \$6,835,000 through July 1, 2036, with interest rates of 5.00%, payable semiannually		50,825	
Serial bonds series 2017-D maturing in annual installments from \$139,520 to \$175,375 through Feb 1, 2040, with interest rates of 0.80%, payable semiannually		3,938	
Serial bonds series 2018-A maturing in annual installments from \$4,613,248 to \$5,812,490 through Feb 1, 2051, with interest rates of 0.80%, payable semiannually		146,454	
Serial bonds series 2018 maturing in annual installments from \$280,772 to \$513,317 through April 1, 2034, with interest rates of 3.5% to 5.00%, payable semiannually			4,604
Serial bonds series 2018-C maturing in annual installments from \$521,314 to \$606,526 through Feb 1, 2040, with interest rates of 0.80%, payable semiannually		9,681	
Serial bonds series 2018-D maturing in annual installments from \$4,329,075 to \$9,862,630 through July 1, 2053, with interest rates of 2.88%, payable semiannually		202,000	
Serial bonds series 2019-A maturing in annual installments from \$2,470,000 to \$8,310,000 through July 1, 2050, with interest rates of 4.00% to 5.00%, payable semiannually	68,920		

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

	Water Utility Fund	Wastewater Utility Fund	Stormwater Utility Fund
Term bond series 2019-A with interest at 4.00%, payable semiannually, due July 1, 2044	\$ 31,615		
Term bond series 2019-A with interest at 4.00%, payable semiannually, due July 1, 2049	38,465		
Serial bonds series 2019-A maturing in annual installments from \$1,685,000 to \$3,755,000 through July 1, 2039, with interest rates of 4.00% to 5.00%, payable semiannually		\$ 46,130	
Term bond series 2019-A with interest at 4.00%, payable semiannually, due July 1, 2044		21,150	
Term bond series 2019-A with interest at 5.00%, payable semiannually, due July 1, 2049		26,255	
Serial bonds series 2019-A maturing in annual installments from \$760,000 to \$1,710,000 through July 1, 2029, with interest rates of 3.00% to 5.00%, payable semiannually			\$ 21,040
Term bond series 2019-A with interest at 4.00%, payable semiannually, due July 1, 2044			9,635
Term bond series 2019-A with interest at 5.00%, payable semiannually, due July 1, 2049			11,965
Serial bonds series 2019-B maturing in annual installments from \$165,000 to \$3,465,000 through July 1, 2038, with interest rates of 3.00% to 4.00%, payable semiannually	14,890		
Term bond series 2019-B with interest at 4.00%, payable semiannually, due July 1, 2033	995		
Serial bonds series 2019-B maturing in annual installments from \$38,013 to \$41,583 through Feb 1, 2040, with interest rates of 0.50%, payable semiannually		679	
Serial bonds series 2019-B maturing in annual installments from \$298,079 to \$344,466 through Feb 1, 2050, with interest rates of 0.50%, payable semiannually			8,723
Serial bonds series 2019-C maturing in annual installments from \$110,000 to \$2,855,000 through July 1, 2038, with interest rates of 3.00% to 4.00%, payable semiannually	9,200		
Term bond series 2019-C with interest at 4.00%, payable semiannually, due July 1, 2034	765		
Serial bonds series 2019-C maturing in annual installments from \$415,000 to \$461,790 through Feb 1, 2040, with interest rates of 0.50%, payable semiannually		7,546	
Serial bonds series 2020-A maturing in annual installments from \$2,990,000 to \$13,995,000 through July 1, 2034, with interest rates of 0.373% to 2.225%, payable semiannually		133,115	
Term bond series 2020-A with interest at 2.814%, payable semiannually, due July 1, 2040		83,275	
Term bond series 2020-A with interest at 2.864%, payable semiannually, due July 1, 2043		32,015	
Serial bonds series 2020-A maturing in annual installments from \$1,790,000 to \$4,190,000 through July 1, 2040, with interest rates of 4.00% to 5.00%, payable semiannually	52,690		
Term bond series 2020-A with interest at 4.00%, payable semiannually, due July 1, 2045	23,605		
Term bond series 2020-A with interest at 5.00%, payable semiannually, due July 1, 2050	29,290		
Serial bonds series 2020-B maturing in annual installments from \$4,465,000 to \$15,720,000 through July 1, 2034, with interest rates of 0.393% to 2.225%, payable semiannually	165,245		
Term bond series 2020-B with interest at 2.814%, payable semiannually, due July 1, 2040	91,345		
Term bond series 2020-B with interest at 2.864%, payable semiannually, due July 1, 2043	40,420		
Serial bonds series 2021-A maturing in annual installments from \$1,000 to \$2,954,518 through February 1, 2051, with interest rates of 0.40%, payable semiannually		78,427	
Serial bonds series 2021-A maturing in annual installments from \$1,000 to \$2,199,631 through February 1, 2052, with interest rates of 0.40%, payable semiannually	60,356		
Serial bonds series 2021-A maturing in annual installments from \$300,148 to \$336,987 through February 1, 2051, with interest rates of 0.40%, payable semiannually			8,945
Serial bonds series 2021-B maturing in annual installments from \$865,243 to \$1,640,819 through July 1, 2060, with interest rates of 0.40%, payable semiannually			42,461
Serial bonds series 2021-C maturing in annual installments from \$917,887 to \$991,294 through February 1, 2041, with interest rates of 0.40%, payable semiannually		17,252	
Serial bonds series 2021-C maturing in annual installments from \$4,815,100 to \$8,334,749 through July 1, 2056, with interest rates of 1.91%, payable semiannually	192,610		
Serial bonds series 2021-E maturing in annual installments from \$1,000 to \$183,148 through February 1, 2042, with interest rates of 0.40%, payable semiannually		3,358	
Serial bonds series 2021-G maturing in annual installments from \$4,019,269 to \$6,957,198 through July 1, 2056, with interest rates of 1.91%, payable semiannually		160,775	
Serial bonds series 2022A maturing in annual installments from \$371,000 to \$478,000 through July 1, 2026, with interest rates of 0.00%, payable semiannually			2,085
Serial bonds series 2022A maturing in annual installments from \$1,035,000 to \$5,390,000 through July 1, 2052, with interest rates of 5.00%, payable semiannually		85,410	
	1,306,073	1,633,221	115,582
Unamortized bond premiums	107,450	90,778	6,529
	<u>\$ 1,413,523</u>	<u>\$ 1,723,999</u>	<u>\$ 122,111</u>

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

Fixed Rate Water, Wastewater and Stormwater Utility Revenue Bonds

On September 13, 2022, the City issued Wastewater Refunding Revenue Bonds, Series 2022-A, in the amounts of \$85,410,000. The proceeds will be used to finance various capital projects. Interest on the bonds is due July 1st and January 1st, and mature July 1, 2052.

Variable Rate Parking Facilities Revenue Bonds

The City has issued revenue bonds, the proceeds of which were used to finance construction of parking facilities and refinance existing debt of the Parking Facilities Fund. Assets with a carrying value of \$16,939,000 as of June 30, 2023, and revenues of the Parking Facilities Fund are pledged as collateral for the bonds. Bonds outstanding as of June 30, 2023, consist of (expressed in thousands):

Variable rate demand bonds series 2008, payable monthly, due July 1, 2032	\$ 55,810
Parking Refunding Series 2018 (refunded 2005, 2010), payable semi-annually, due July 1, 2035.....	6,675
Total*	\$ 62,485

* Included in the Parking Fund Statement of Net Position is an unamortized portion of bond discount of \$556,000.

The City had \$55,810,000 of Series 2008 refunding taxable variable rate demand revenue bonds outstanding as of June 30, 2023. The Series 2008 Bonds are subject to redemption prior to maturity at any time, at a redemption price of 100% of the principal amount plus interest accrued to the redemption date. The Series 2008 Bonds annual principal amounts starting on July 1, 2023 through July 1, 2032 range from \$3,640,000 to \$7,965,000.

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

In conjunction with the bonds, TD Bank, N.A. issued an irrevocable letter of credit with a current value in the amount of \$56,979,717 in favor of the City and Manufacturers and Traders Trust Company as Tender Agent. The agreement expires November 30, 2027. The existing Agreement permits the fiscal agent to draw certain amounts to pay the principal portion and related accrued interest on the bonds tendered for purchase and not remarketed. The interest rate on draws made under this agreement is a defined base rate plus, up to an additional 2.00% depending on the terms of the draw. The City is required to pay the letter of credit fee throughout the effectiveness of the Agreement equal to 0.22% per annum of the average daily amount of the available commitment. During fiscal year 2023, the City made no draws under the letter of credit and there were no amounts drawn against the letter of credit outstanding at June 30, 2023.

County Transportation Revenue Bonds

The City has entered into agreements with the State of Maryland to borrow County Transportation Revenue Bonds with \$76,200,000 outstanding. The proceeds from these bonds will be used to fund certain highway improvements and stormwater projects throughout the City. These bonds are secured by a pledge of the City’s share of the highway user revenues.

Convention Center Hotel Revenue Bonds

The City issued Convention Center Hotel Revenue Bonds in the amount of \$300,940,000. The proceeds of these bonds were used to finance the acquisition, demolition, construction and equipping of a convention center hotel in the City. The bonds are secured by pledges of revenues from the operation of the hotel, certain City hotel taxes and limited guarantees from the hotel operator.

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

Bonds outstanding as of June 30, 2023, consist of (expressed in thousands):

Serial bond series 2017, maturing in installments from \$2,500,000 to \$10,775,000 through September 2036, with interest rates ranging from 3.0% to 5.00% payable semiannually	\$ 104,880
Term bonds series 2017 with interest at 5.00% due September 1, 2039	35,655
Term bonds series 2017 with interest at 5.00% due September 1, 2042	41,280
Term bonds series 2017 with interest at 5.00% due September 1, 2046	74,455
Totals	\$ 256,270

* Include in the Baltimore Hotel Corporation Statement of Net Position is an unamortized premium of \$22,811,000

Changes in revenue bond obligations for the year ending June 30, 2023, are as follows (expressed in thousands):

	June 30, 2022	New Debt Issues	Debt Retired	June 30, 2023	Due within One Year
<i>Governmental Activities*</i>					
Convention Center Hotel	\$ 259,755		\$ 3,485	\$ 256,270	\$ 4,050
Transportation	69,298		4,006	65,292	11,675
Total Governmental Activities	\$ 329,053		\$ 7,491	\$ 321,562	\$ 15,725
<i>Business - Type Activities**</i>					
Water	\$ 1,341,507		\$ 35,434	\$ 1,306,073	\$ 37,473
Wastewater	1,610,247	\$ 78,056	55,082	1,633,221	61,805
Stormwater	118,567		2,985	115,582	1,874
Parking Facilities	67,540		5,055	62,485	4,580
Total Business-Type Activities	\$ 3,137,861	\$ 78,056	\$ 98,556	\$ 3,117,361	\$ 105,732

* Included in the Statement of Net Position for Governmental Activities is a remaining unamortized portion of bond change to discount of \$31,491,000.

** Included in the Statement of Net Position for Business-Type Activities is a remaining unamortized portion of bond premium of \$204,201,000.

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

Fiscal Year	Governmental Activities			
	Hotel Revenue Bonds		Transportation Revenue Bonds	
	Principal	Interest	Principal	Interest
2024	\$ 4,050	\$ 12,712	\$ 10,474	\$ 2,406
2025	4,560	12,498	6,570	1,948
2026	5,040	12,257	2,239	1,661
2027	5,510	11,993	7,126	1,393
2028	6,010	11,705	7,383	1,137
2039-2033	39,600	53,091	28,128	2,604
2034-2038	51,420	41,698	3,372	59
2039-2043	65,625	27,137		
2044-2048	74,455	8,328		
Totals	\$ 256,270	\$ 191,419	\$ 65,292	\$ 11,208

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

Fiscal Year	Business-type Activities									
	Water Utility			Wastewater Utility		Stormwater Utility		Parking Facilities		
	Principal	Interest	Swap Interest Rate Net(a)	Principal	Interest	Principal	Interest	Principal	Interest	Swap Interest Rate Net(a)
2024	\$ 37,473	\$ 39,401	\$ (2,699)	\$ 59,455	\$ 46,677	\$ 2,461	\$ 2,748	\$ 4,580	\$ 2,898	\$ 477
2025	38,914	39,213	(2,699)	59,476	42,919	2,433	2,863	4,725	2,675	444
2026	39,966	38,829	(2,699)	59,454	42,012	2,497	2,930	5,280	2,426	408
2027	41,277	37,868	(2,699)	58,741	40,659	3,443	2,844	5,420	2,167	368
2028	47,249	36,603	(2,699)	64,134	38,946	3,479	2,747	5,680	1,896	327
2029-2033	250,957	167,704	(13,248)	343,662	164,935	15,745	12,281	36,180	4,185	714
2034-2038	282,901	121,708	(10,455)	311,424	114,787	16,134	9,791	620	40	
2039-2043	266,910	75,130	(4,435)	251,190	72,362	17,808	7,557			
2044-2048	202,858	34,780		174,826	39,398	20,438	4,851			
2049-2053	104,676	9,820		172,492	17,468	13,628	1,770			
2054-2058	40,141	1,866		78,367	15,038	7,470	819			
2059-2063						4,831	139			
Totals	\$ 1,353,322	\$ 602,922	\$ (41,633)	\$ 1,633,221	\$ 635,201	\$ 110,367	\$ 51,340	\$ 62,485	\$ 16,287	\$ 2,738

(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, 2023, 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 \$1,353,322,000, \$1,633,221,000, and \$110,367,000 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 2054. Payments for the Stormwater Utility Fund's bonds have been made with General Funds and subsequently reimbursed from Stormwater Utility Fund revenues. Annual principal and interest payments on these revenue bonds are expected to require 50.0% of pledged revenues. Total principal and interest remaining to be paid on the revenue bonds for the Water, Wastewater and Stormwater Utility Funds are \$1,914,611,000, \$2,268,422,000, and \$161,707,000, respectively. Principal and interest paid for the current year and pledged revenue for the Water Utility Fund were \$74,667,000 and \$95,853,000, respectively. Principal and interest paid for the current year and pledged revenue for the Wastewater Utility Fund were \$93,887,000 and \$81,649,000, respectively. Principal and interest paid for the current year and pledged revenues for the Stormwater Utility Fund were \$5,348,000 and \$17,361,000, respectively.

The Parking Facility Fund

The Parking Facility Fund has pledged future revenue from parking fees and fines to repay \$62,485,000 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 2040. Annual principal and interest payments are expected to require 16.4% of pledged revenue. Total principal and interest remaining to be paid on these revenue bonds is \$81,510,000. For the current year, principal and interest payments and current pledged revenues were \$8,882,000 and \$54,101,000, respectively.

Tax Increment Revenue Pledges

The City has pledged a portion of future property tax revenues to repay \$368,807,000 in incremental property taxes bonds issued to finance various development projects. The pledged revenue is limited to the incremental taxes on the projects financed by the bond. Should the incremental taxes fail to generate sufficient revenue to pay the required principal and interest, the City has established special taxing districts to generate additional taxes sufficient to pay principal and interest on the bonds. Total principal and interest remaining to be paid on these bonds is \$625,110,000. For the current year, principal and interest payments and current pledged revenues were \$21,796,000 and \$26,122,000, respectively.

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

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 refinance the construction of the City’s Convention Center Headquarters Hotel. The City’s hotel occupancy tax is one of several pledged revenue sources the City used to issue \$268,755,000 Convention Center Hotel Refunding Bonds. Following the net operating income and the property tax increment for the Hotel, the site-specific occupancy tax is pledged to pay principal and interest payments on the bonds. If these sources are insufficient, a portion of the citywide occupancy tax is also pledged up to 25% of maximum annual debt service. The Hotel opened August 22, 2008. Total principal and interest remaining to be paid on these bonds is \$447,689,250. For the current year, principal and interest payments were \$16,385,625.

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. As of June 30, 2023, \$427,495,000 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, 2023, were as follows. The notional amounts of the swaps match the principal amount of the associated debt. The City’s swap agreements contain scheduled reductions to outstanding notional amounts that are designed to track the scheduled or anticipated reductions in the associated “bonds payable” category.

Hedged Derivative Instruments

At June 30, 2023, the City had deferred liabilities for various hedged derivative instruments with the total fair values of these instruments in the amounts \$807,714 business-type activities, respectively. The notional amounts for these hedged derivative instruments at June 30, 2023, was \$55,300,000, for business-type activities, respectively. During fiscal year 2023, the fair values of these instruments decreased by \$3,180,701, for business-type activities. All hedges are cash flow hedges.

The following schedule provides a detailed analysis of derivative instruments held as of June 30, 2023:

MAYOR AND CITY COUNCIL OF BALTIMORE								
SWAP PROFILE as of June 30, 2023								
Outstanding Bonds	Effective Date	Termination Date	Interest Rate Paid by City	Interest Rate Received	Notional Amount	Fair Value	Counterparty	Credit Rating
Hedged Derivative Instruments - Business-type Activities								
Parking Revenue Bonds Series								
<i>Floating to Fixed Swaps</i>								
2008 Bonds	6/19/2002	7/1/2032	6.098%	1M LIBOR	\$ 52,800,000	\$ 766,777		A+/A2
2008 Bonds	6/19/2002	7/1/2025	5.915%	1M LIBOR	2,500,000	40,937		A+/A2
Total Parking Facilities Fund					55,300,000	807,714		
Total Business-type Activities					\$ 55,300,000	\$ 807,714		

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

Credit risk — As of June 30, 2023, 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. The City's two swaps are held with a counterparty rated A+/A2.

Basis risk — The City's variable rate bonds consisted of only remarketed variable rate demand bonds (VRDBs). The City has adhered to the ISDA 2020 IBOR Fallbacks Protocol. For those swaps associated with the VRDBs, the City receives a floating rate based on the Secured Overnight Financing Rate (SOFR) after LIBOR ceased to be representative after June 30, 2023. For one of the swaps, the City will receive a percent of SOFR or a percent of SOFR plus a basis point spread, each rate was chosen to closely approximate the City's tax-exempt variable rate bond payments. Because these swaps are SOFR-based, there is an additional degree of basis risk. The City receives the SOFR rate, which approximates the City's taxable variable rate bond payments. As of June 30, 2023, LIBOR for the prior 52-weeks ranged from 1.71% to 5.17%, whereas the City's taxable market ranged from 1.57% to 5.08%.

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.

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, 2023, are as follows:

	Changes in Fair Value		Fair Value at June 30, 2023		
	Classification	Amount	Classification	Amount	Notional
Business-Type Activities					
Water Utility Fund					
Floating to Floating	Investment Revenue	\$ (1,032,660)	Debt	\$ (4,053,137)	\$ (71,455,000)

Credit Risk – At June 30, 2023, the government is not exposed to credit risk on the interest rate swaps, because they are in a negative fair value or liability position. However, if interest rates change and the fair values become positive, the City would have exposure to credit risk. The counter party rating for the Water Utility Fund was AA-/Aa2. The change in the fair value of investment swaps in the amount of a loss of \$1,032,660 is netted and reported within the investment revenue classification.

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

Fiduciary Fund Types

Forward Currency Contracts

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

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

The table below summarizes the market value of foreign currency contracts as of June 30, 2023.

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)
Brazilian Real	\$ 1,984	\$ 1,984	\$ 1,984	\$ 1,965	\$ 19
Canadian Dollar	6,405	6,405	6,405	6,427	(22)
Danish Krone	64,165	64,165	64,165	64,513	(348)
Euro Currency Unit	6,625,157	6,516,090	6,626,036	6,532,194	(15,225)
Hong Kong Dollar	41	41	41	41	-
Japanese Yen	257,605	257,605	257,605	257,597	8
Pound Sterling	2,081,377	2,035,504	2,081,630	2,106,894	(71,137)
Singapore Dollar	66,253	66,253	66,260	66,253	7
Swiss Franc	949,761	949,761	949,761	949,896	(135)
U.S. Dollar	4,547,510	4,568,628	4,547,510	4,547,510	21,118
Total	\$ 14,600,258	\$ 14,466,436	\$ 14,601,397	\$ 14,533,290	\$ (65,715)

12. Pension Plans

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

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

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

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

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

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

A. PLAN DESCRIPTIONS-SINGLE EMPLOYER PLANS

Fire & Police Employees' Retirement System

The F&P Plan covers all uniformed personnel of the Baltimore City Fire and Police Departments. The F&P Plan is included in the City's financial report as a pension trust fund.

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

As of June 30, 2022, the measurement date, the F&P membership consisted of:

Retirees and beneficiaries currently receiving benefits	6,425
Active plan members	<u>3,648</u>
Total	<u><u>10,073</u></u>

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

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

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

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

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

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

1. The retirement benefit that would have been paid had the member retired at the time the member began his/her DROP 2 participation, plus
2. A lump sum equal to the member's DROP 2 account. This equals the accumulation of the annuity payments the member would have received had the member retired, plus the member contributions paid during the members DROP 2 participation period, plus interest at 5.50% for grandfathered members and 3.0% for non-grandfathered participants.

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

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

Elected Officials' Retirement System

The EOS Plan covers the Mayor, the Comptroller, and the President and all members of the City Council. The EOS Plan is included in the City's financial report as a pension trust fund.

As of June 30, 2022, the measurement date, the EOS Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits	31
Active plan members	<u>17</u>
Total	<u><u>48</u></u>

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

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

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

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

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

B. PLAN DESCRIPTIONS-MULTIPLE EMPLOYER PLANS

Employees Retirement System

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

As of June 30, 2022, the measurement date, the ERS Plan membership consisted of:

Active plan members	7,725
Retirees and beneficiaries currently receiving benefits	9,207
Inactive plan members eligible to but not yet receiving benefits	<u>1,089</u>
Total	<u><u>18,021</u></u>

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

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

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

Class “A” has 6 members. The “A” contributory class consists of all members hired prior to July 1, 1979 who did not elect to transfer to Class C, the non-contributory class. Membership was mandatory on the member’s second anniversary of employment. However, the member could voluntarily enroll within the first two years of employment.

Class “C” is composed of 4,784 members of the ERS membership and consists of all employees hired on or after July 1, 1979 who automatically become members on the first anniversary of employment, and all members hired prior to July 1, 1979 who elected to transfer from the Class “A” contributory class.

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

The ERS defined benefit class “C” was closed to new members on June 30, 2014 to establish the City of Baltimore’s Retirement Saving Plan (RSP). The RSP consist of a 401a contributory non-hybrid and a hybrid contributory defined benefit “D” Plan. The RSP is not a separate plan, but is a separate class of the existing ERS plan, if the employee choses to belong to the hybrid defined benefit “D” plan. The waiting period of entry for the contributory non-hybrid plan is 180 days. The hybrid contributory defined benefit plan waiting period is one year. Employees hired as of July 1, 2014 have 150 days of employment to select between the two plans. Employees who do not select a plan after 150 days of employment will automatically default into the hybrid contributory defined benefit “D” plan. Class “D” has 2,941 members. The mandatory contribution to each of the plan’s is 5%. Members have an option in both plans to contribute to the City of Baltimore’s 457 Deferred Compensation plan and will receive a 50% match on the first two percent of their contributions.

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

Membership classes	Percentage of compensation
A	4.0%
C	5.0%
D	5.0%

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

Classes A and B – The sum of:

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

Class C:

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

Class D:

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

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

Maryland State Retirement and Pension System

Certain City employees are covered by the Maryland State Retirement and Pension System, primarily employees of the Sheriff's Office. The State system is comprised of the Teachers' Retirement and Pension Systems, Employees' Retirement and Pension System (ERPS), and Law Enforcement Officers' Pension System (LEOPS). The City employees currently participate in the Employees' Retirement and Pension System, and the Law Enforcement Officers' Pension System, with the majority participating in the LEOPS Plan. The State System was established by the State Personnel and Pension Article of the Annotated Code of Maryland to provide retirement allowances and other benefits to State employees, teachers, police, judges, legislators, and employees of participating governmental units. The State Plans are administered by the State Retirement Agency. Responsibility for the System's administration and operation is vested in a 15- member Board of Trustees.

Membership in the LEOPS is a condition of employment of the Baltimore City Sheriff's Department. LEOPS consists of two separate components a retirement plan (closed to new members January 1, 2005) and a pension plan. Members contribute either 5%, 6% or 7% of annual earnable compensation, depending on whether the member elected to receive limited or unlimited COLA's or whether the member is subject to pension or retirement plan provisions. The City's total required contributions during the year ended June 30, 2023 was \$3,227,000.

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

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

As of June 30, 2023, the City reported a liability of \$30,217,000 for its proportionate share of the net pension liability of the State System. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate of the net pension liability was based on actual employer contributions billed to participating government units for the year ending June 30, 2022. The contributions were increased to adjust for differences between actuarial determined contributions and actual contributions by the State of Maryland. As of June 30, 2023, the City's proportionate share was .1510%.

C. NET PENSION LIABILITY (ASSET)

The measurement date for the City Plans and the State System is June 30, 2022. Measurements are based on the fair value of assets as of June 30, 2022. The following schedules are the net pension liability (NPL) or the net pension asset (NPA) and the sensitivity of the NPL or NPA to the discount rate. Contributions made after the measurement date of the net pension liability but before the end of the reporting period will reduce the net pension liability in the subsequent fiscal year, rather than the current fiscal year. The General Fund contributions have been used in the current and prior years to liquidate pension liabilities.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

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

	Fire and Police Employees' Retirement System	Elected Officials' Retirement System	Employees Retirement System
Total pension liability	\$ 4,281,613	\$ 18,781	\$ 2,128,245
Less: plan fiduciary net position	2,978,488	26,737	1,615,754
Net pension liability (asset)	\$ 1,303,125	\$ (7,956)	\$ 512,491
Plan fiduciary net position as a percentage of total pension liability (asset)	69.0%	142.4%	75.9%

The actuarial assumptions and the current year contributions for the City Plans are:
(Expressed in Thousands)

	Fire and Police Employees' Retirement System	Elected Officials' Retirement System	Employees' Retirement System
Contributions required	\$ 161,379	\$	\$ 98,640
% of Contribution made	100.00%	N/A	100.00%
Covered payroll	318,060		399,293
Actuarial assumptions:			
Investment rate of return:			
Pre-retirement	7.25%	6.75%	7.00%
Post retirement	7.25%	6.75%	6.50%
Projected salary increases	2.75%	2.5%	1.50%
Includes inflation rate at	2.75%	2.5%	1.50%
Cost-of-living adjustment	2.75%	2.5%	1.5 - 2.0%
Mortality	RP-2014 Blue Collar Mortality Table using the RPEC_2014 Model	RP 2000 Health Mortality with projections using 50% of Scale AA projected 15 years with a 2 year set forward for males and females	RP 2000 Health Mortality with projections using 50% of Scale AA projected 15 years with a 2 year set forward for males and females
Last Experience Study Covered	July 1, 2015 - June 30, 2018	July 1, 2010 - June 30, 2014	July 1, 2014 - June 30, 2018

The actuarial assumptions and the current year contributions for the State System are:
(Expressed in Thousands)

	Maryland State Retirement and Pension System
Contributions made	\$ 3,227
Actuarial assumptions:	
Investment rate of return:	6.80%
Projected salary increases	2.75% to 9.25%, including inflation
Inflation rate	2.25% general, 2.75% wage
Mortality	Public Sector 2010 Mortality Tables with generational mortality projections using scale MP-2018, calibrated to MSRPS experience
Last Experience Study Covered	2014 - 2018

D. EXPECTED RETURNS, DISCOUNT RATE AND DEFERRED INFLOWS/OUTFLOWS

The long-term expected rate of return on pension plan investments for the City Plans and the State System was determined using a building block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate or return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

Best estimates of arithmetic real rate of return for each major asset class included in the City Plans' target asset allocation are summarized in the following table:

Long-Term Expected Real Rate of Return/Target Allocation

Asset Class	Fire and Police Employees' Retirement System	Elected Officials' Retirement System	Employees' Retirement System
U.S. equities	4.76%/23.5%	7.20%/34%	6.9%/22.0%
International equities	6.81%/23.5%	6.90%/21%	7.2%/15.0%
Private equities	9.74%/11.0%		11.2%/15.0%
Fixed income	1.27%/12.0%	4.10%/22%	4.1%/22.0%
Real estate	4.87%/11.0%	6.6%/10%	6.6%/13.0%
Hedge funds	2.59%/5.0%		
Energy MLP	7.03%/5.0%		
Private energy	5.68%/5.0%		
Cash	-0.35%/2.0%		
Defensive Equities		6.20%/13%	6.2%/7.0%
Risk Premia			6.8%/6.0%

The F&P Plan - The projection of the cash flows used to determine the discount rate assumed that plan member contributions and employer contributions will continue to be made at the rates specified in the City Code and the written contribution policy. Based on these assumptions, the Fire and Police Plan retirement contribution was projected to be available to make all projected future benefit payments for current members until the last payment for the current covered population is made as of the June 30, 2022 measurement date. The discount rate used to determine the total pension liability as of June 30, 2022 is 7.25%.

The EOS Plan - The projection of the cash flows used to determine discount rate assumed that plan member contributions will continue to be made at the rates specified in the City Code. Employer contributions were assumed to be made in accordance with the contributions policy in effect for July 1, 2016 actuarial valuation. As of June 30, 2022, the plan is fully funded and the amortization of the surplus is greater than the normal costs resulting in a required contribution amount of zero. The discount rate as of June 30, 2022, 6.75%, is the assumed long-term expected rate of return on EOS investments.

The ERS Plan - The projection of the cash flows used to determine discount rate assumed that plan member contributions will continue to be made at the rates specified in the City Code. Expected member contributions for FYE 2018 were 5% of pay remaining at 5% of pay for FYE 2020 will continue to remain annually at 5% of compensation thereafter. Employer contributions were assumed to be made in accordance with the contribution policy in effect for the July 1, 2016 actuarial valuation. Based on these assumptions, the ERS Plan's fiduciary net position was projected to be available to make all projected future benefit payments for current members until the last payment for the current covered population is made as of the June 30, 2018 measurement date. The discount rate as of June 30, 2022 is 7.00% for active and terminated vested participants and 6.50% for in-pay participants. The assumed long-term expected rate of return on ERS investments is 7.00%.

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

Asset Class	Maryland State Retirement and Pension System
Public equity	6.0%/34%
Private equities	8.4%/16%
Rate sensitive	1.2/21%
Credit opportunity	4.9%/8%
Real assets	5.2%/15%
Absolute return	3.5%/6.0%

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

The State System -The projection of cash flows used to determine discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. The discount rate as of June 30, 2022, 6.80%, is the expected long-term rate of return on State System investments.

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

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

(Expressed in Thousands)

	1% Decrease	Current Discount Rate	1% Increase
Fire and Police Employees' Retirement System	5.95%	6.95%	7.95%
Net pension liability	\$ 1,822,833	\$ 1,303,125	\$ 910,717
Plan fiduciary net position as a percentage of total pension liability	62.3%	69.6%	77.0%

(Expressed in Thousands)

	1% Decrease	Current Discount Rate	1% Increase
Elected Officials' Retirement System	5.75%	6.75%	7.75%
Net pension (asset)	\$ (6,073)	\$ (7,956)	\$ (9,553)
Plan fiduciary net position as a percentage of total pension (asset)	129.4%	142.4%	155.6%

(Expressed in Thousands)

	1% Decrease	Current Discount Rate	1% Increase
Employees' Retirement System (City of Baltimore Portion)	6.00% Active Part. 5.50% Retired Part.	7.00% Active Part. 6.50% Retired Part.	8.00% Active Part. 7.50% Retired Part.
Net pension liability	\$ 742,186	\$ 512,491	\$ 317,544
Plan fiduciary net position as a percentage of total pension liability	68.5%	75.9%	83.6%

(Expressed in Thousands)

	1% Decrease	Current Discount Rate	1% Increase
Maryland State Retirement and Pension System	6.40%	7.40%	8.40%
LEOPS	\$ 34,362	\$ 23,737	\$ 15,082
ERPS	10,594	6,480	3,073

(Expressed in Thousands)

	1% Decrease	Current Discount Rate	1% Increase
Total City Plans and State (exclude Baltimore City Public School Portion)			
Net pension liability	\$ 2,609,975	\$ 1,845,833	\$ 1,246,416

(Expressed in Thousands)

	1% Decrease	Current Discount Rate	1% Increase
Employees' Retirement System (Baltimore City Public Schools Portion)	6.00% Active Part. 5.50% Retired Part.	7.00% Active Part. 6.50% Retired Part.	8.00% Active Part. 7.50% Retired Part.
Net pension liability	\$ 164,697	\$ 113,727	\$ 70,466
Plan fiduciary net position as a percentage of total pension liability	68.5%	75.9%	83.6%

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

Deferred Inflows and Deferred Outflows- The reported deferred outflows/inflows of resources associated with the City Plans and the State System is as follows:

(Expressed in Thousands)

Fire and Police Employees' Retirement System	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 154,192	
Differences between actual and expected experience	3,387	\$ 19,187
Assumption change	39,900	
Differences between actual and projected earnings	131,843	
Total	\$ 329,322	\$ 19,187

(Expressed in Thousands)

Elected Officials' Retirement System	Deferred Outflows of Resources	Deferred Inflows of Resources
Assumption change	\$ 836	
Differences between actual and projected earnings	1,469	
Total	\$ 2,305	\$

(Expressed in Thousands)

Maryland State Retirement and Pension System	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 3,227	
Assumption change	2,484	\$ 1,126
Differences between actual and projected earnings	62	
Total	\$ 5,773	\$ 1,126

(Expressed in Thousands)

Employees' Retirement System (City of Baltimore Portion)	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 17,205	
Differences between actual and expected experience	3,370	\$ 18,369
Change in proportionate share	1,094	2,628
Differences between actual and projected earnings	27,064	152,122
Total	\$ 48,733	\$ 173,119

(Expressed in Thousands)

Total City Plans and State (exclude Baltimore City Public School Portion)	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 174,624	
Differences between actual and expected experience	6,757	\$ 37,556
Change in proportionate share	1,094	2,628
Assumption change	43,220	1,126
Differences between actual and projected earnings	160,438	152,122
Total	\$ 386,133	\$ 193,432

(Expressed in Thousands)

Employees' Retirement System (Baltimore City Public Schools Portion)	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 80,726	
Differences between actual and expected experience	748	\$ 4,076
Change in proportionate share	2,628	1,095
Differences between actual and projected earnings	6,006	
Total	\$ 90,108	\$ 5,171

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

A summary of the net deferred outflows/(inflows) of resources to be recognized in pension expense in future years for the City Plans and the State System is presented below:

(Expressed in Thousands)

Pension expense amounts for years ended June 30:	Fire and Police Employees' Retirement System		Elected Officials' Retirement System		Employees' Retirement System (City of Baltimore Portion)		Employees' Retirement System (Baltimore City Public Schools Portion)	
	2024	\$	43,953	\$	625	\$	3,621	\$
2025		31,800		458		(5,852)		(1,299)
2026		(17,306)		171		(22,486)		(4,989)
2027		97,496		1,051		36,783		8,162
Total	\$	155,943	\$	2,305	\$	12,066	\$	2,678

(Expressed in Thousands)

Pension expense amounts for years ended June 30:	Maryland State Retirement and Pension System	
2024	\$	1,036
2025		127
2026		260
2027		(3)
Total	\$	1,420

In addition to the amounts disclosed above \$3,227,000 in deferred outflows of resources related to contribution subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.

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

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

(Expressed in Thousands)

Pension expense (income)	Fire and Police Employees' Retirement System		Elected Officials' Retirement System (City of Baltimore Portion)		Employees' Retirement System (City of Baltimore Portion)		Total City Plans (City of Baltimore Portion)		Employees' Retirement System (Baltimore City Public Schools Portion)	
		\$	143,960	\$	376	\$	45,188	\$	189,524	\$

CITY OF BALTIMORE
Notes to Basic Financial Statements

(Continued)

The schedule of the changes in net pension liability (asset) and related ratios for the City Plans for the year ended June 30, 2023 is as follows:

(Expressed in Thousands)

	Fire and Police Employees' Retirement System	Elected Officials' Retirement System
Total pension liability		
Interest (included interest on service cost)	\$ 288,798	\$ 1,220
Service cost	73,380	292
Changes of benefits terms		
Changes in assumptions	22,540	
Differences between expected and actual experience	(13,223)	259
Benefit payments, including refunds of member contribution	(279,639)	(1,512)
Net change in total pension liability	91,856	259
Total pension liability - beginning	4,189,757	18,522
Total pension liability - ending	<u>\$ 4,281,613</u>	<u>\$ 18,781</u>
Plan fiduciary net position:		
Net investment income	\$ (257,704)	\$ (2,944)
Contributions - employer	161,380	
Contributions - member	30,735	76
Benefit payments, including refunds of member contribution	(279,639)	(1,512)
Administrative expense	(5,115)	(35)
Net change in plan fiduciary net position	(350,343)	(4,415)
Plan fiduciary net position - beginning	3,328,831	31,152
Plan fiduciary net position - ending	2,978,488	26,737
Net pension liability (asset) - ending	<u>\$ 1,303,125</u>	<u>\$ (7,956)</u>
Plan fiduciary net position as a percentage of the total pension liability	69.56%	142.4%
Covered payroll	\$ 318,060	\$ 1,544
Net pension liability (asset) as a percentage of covered employee payroll	409.71%	-515.3%

F. ALLOCATION OF PLANS

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

(Expressed in Thousands)

<i>Employee Retirement System</i>	-----Enterprise Funds-----						Component Unit
	Employees'		Governmental			Nonmajor	
	Retirement System	Activities	Water	Wastewater	Stormwater	Proprietary Fund	Baltimore City Public Schools
Net pension liability (asset), end of year	\$ 626,216	\$ 409,536	\$ 46,411	\$ 44,397	\$ 8,465	\$ 3,681	\$ 113,726

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

(Expressed in Thousands)

City Plans and State of Maryland

	Fire and Police Employees' Retirement System	Elected Officials' Retirement System	Employees' Retirement System (City of Baltimore Portion	Maryland State Retirement System (LEOP/ERPS)	Primary Government Total
Net pension liability (asset), end of year	\$ 1,303,125	\$ (7,956)	\$ 512,491	\$ 30,217	\$ 1,837,877

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

G. THE MARYLAND STATE RETIREMENT AND PENSION SYSTEMS – BCPSS

The BCPSS employees, who are not covered under the City’s ERS, are members of the Maryland State Retirement and Pension System.

Under Maryland law, the Baltimore City Public School System (BCPSS) is not required to make any contributions to the State Systems. City Schools and covered members are required by State statute to contribute to the System. Members of the Teachers’ Pension System are required to contribute 7% annually. Members of the Teachers’ Retirement System are required to contribute 5-7% annually, depending on the retirement option selected. The contribution requirements of the System members, as well as the State and participating governmental employers are established and may be amended by City Schools of Trustees for the System. Contributions are deducted from participant’s salary and wage payments and are remitted to the State on a regular, periodic basis.

The State of Maryland pays, on behalf of the BCPSS, the employer’s share of retirement and pension costs to the State Systems for teachers and related positions. During the fiscal year ended June 30, 2023, the State paid \$59.2 million in such costs. This amount has been recorded by the BCPSS as both revenue and expenditure in the General Fund in the accompanying Statement of Activities. The Special Funding arrangement between BCPSS and the State is disclosed in the BCPSS’s financial statements.

The State also makes contributions on behalf of the Enoch Pratt Free Library employees. The State’s contribution for the fiscal year ended June 30, 2023, was \$2,489,000. This amount has also been recognized as both revenue and expenditure in the accompanying Statement of Activities.

H. DEFERRED COMPENSATION

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

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

13. Other Postemployment Benefits

A. PLAN DESCRIPTION

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

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

Post Retirement Medical Benefit Eligibility Requirement*	
Employee Group	Requirement
Maryland State Retirement and Pension Systems	If hired before January 1, 1980: Age 60 or 30 years of service If hired on or after January 1, 1980: Based on age at retirement and years of service
Fire and Police Employees' Retirement System	If hired before July 1, 2003: Age 50 with at least 10 years of service or 20 years of service If hired after July 1, 2003: Age 55 with at least 15 years of service or 25 years of service
Employees' Retirement System & Elected Officials' Retirement System	If hired before July 1, 1979: Age 60 with at least 5 years of service or any age with 30 years of service If hired after July 1, 1979: Age 55 with at least 5 years of service or any age with 30 years of service

*All employees are eligible for disability benefits depending on years of service and reasons for disability.

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

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 standalone financial statements; however, the OPEB Trust Fund is included in the City's financial statement as a fiduciary fund.

The number of participants in the Plan as of July 1, 2022 per actuary report was as follows:

	Number of Participants		
	City	Baltimore City Public School	Total
Active employees	17,952	3,072	21,024
Inactive employees or beneficiaries currently receiving benefits	11,306	1,934	13,240
Inactive employees entitled to but not yet receiving benefits	930	159	1,089
Totals	30,188	5,165	35,353

B. SIGNIFICANT ACCOUNTING POLICIES OF THE OPEB TRUST FUND

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

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

C. FINANCIAL RESULTS

The OPEB Trust Fund does not issue a stand-alone financial report and is not separately audited. Instead, the financial results are published as part of the City's annual comprehensive financial report (ACFR). The financial results for the year ended June 30, 2023, are presented below:

OPEB Trust Funds
Statement of Fiduciary Net Position
June 30, 2023
(Expressed In Thousands)

	OPEB Trust Fund
Assets:	
Cash and cash equivalents	\$ 31,295
Investments:	
Stocks	673,192
Bonds	174,827
Other assets	1,244
Total assets	880,558
Liabilities:	
Accounts payable	3,405
Total liabilities	3,405
Net position:	
Net position restricted for OPEB	\$ 877,153

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

OPEB Trust Funds
Statement of Changes in Fiduciary Net Position
For the year Ended June 30, 2023
(Expressed In Thousands)

	OPEB Trust Fund
Additions:	
Contributions:	
Employer	\$ 54,095
Employee	43,437
Total contributions	97,532
Investment income:	
Net appreciation in fair value of investments	44,832
Interest and dividend income	15,897
Total investment income	60,729
Less: investment expense	4,448
Net investment income	56,281
Total additions	153,813
Deductions:	
Health benefits	88,011
Total deductions	88,011
Changes in net position	65,802
Net position restricted for OPEB - beginning of the year	811,351
Net position restricted for OPEB - end of the year	\$ 877,153

D. 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 \$147 to \$2,992 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. The General Fund contributions have been used in the current and prior years to liquidate pension liabilities.

E. ACTUARIAL METHOD AND ASSUMPTIONS

Data was obtained from an actuarial valuation prepared by an independent actuary made as of July 1, 2018, using census data and recent health care costs information which was provided by the City.

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

The actuarial method used is the Entry-Age Normal (EAN). Under the EAN cost method, the actuary develops a “normal cost” that can be expected to fund projected benefits at retirement for a new entrant into the plan. The normal cost of benefits are calculated as a level percentage of covered payroll. The unfunded actuarial liability is being amortized over 30 years on a level dollar basis.

The discount rate is based on the rate of return expected to be earned by the assets used to pay to benefits if the plan is appropriately funded. The liability discount rate is based on the actuary’s review of the current and historical commitment the City has shown to fully fund the plan, and our determination that current assets plus future contributions will be sufficient to cover all future benefit payments. The plan will not incur a “depletion point”. The discount rate used is 7.00%.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

Assets are valued at fair value. Past service costs are calculated using the level dollar method with a closed amortization period of 30 years. The valuation also assumes a 5.10% healthcare trend for fiscal year 2022, reduced by decrements to a rate of 4.14% in 2076. Salary increases were not considered as OPEB benefits and OPEB benefits are not based on pay.

Inflation	2.70%
Salary increases, including wage inflation	2.75%-3.50%
Discount rate	
Prior measurement date	7.00%
Measurement date	7.00%
Long-term expected asset return for current measurement date	7.00%
Health care cost trends	Actual increase from 2022-2023, followed by 6.50% decreasing to an ultimate rate of 4.14% by 2076

F. NET OPEB LIABILITY (NOL) AND DISCOUNT RATE

The City accounts for OPEB benefits on a full accrual basis and the net OPEB liability is reflected in the City's financial statements.

The measurement date for OPEB liability is June 30, 2023, and the valuation date is as of June 30, 2022. The Total OPEB Liability (TOL), the Plan Fiduciary Net Position (i.e. fair value of the Plan assets), and the NOL as of June 30, 2023, is as follows:

(Expressed in Thousands)

	City Portion	BCPSS Portion	Total
Total OPEB liability	\$ 766,874	\$ 131,228	\$ 898,102
Less: plan fiduciary net position	748,986	128,167	877,153
Net OPEB liability	<u>\$ 17,888</u>	<u>\$ 3,061</u>	<u>\$ 20,949</u>
Plan fiduciary net position as a percentage of the total OPEB liability	97.7%	97.7%	97.7%

Changes in the discount and healthcare trend rate affect the measurement of the TOL. Because the trend rates do not affect the measurement of assets, the percentage change in the NOL can be very significant for a relatively small change in the trend rates. The table below show the sensitivity of the NOL to the discount rate and trend.

(Expressed in Thousands)

Health Care Cost Trend Rates	1% Increase (8.00%)	Current Discount Rate (7.00%)	1% Decrease (6.00%)
1% decrease		\$ (89,686)	
Current	\$ (80,243)	20,949	\$ 143,504
1% increase		158,384	

(Expressed in Thousands)

Health Care Cost Trend Rates (City Portion)	1% Increase (8.00%)	Current Discount Rate (7.00%)	1% Decrease (6.00%)
1% decrease		\$ (76,586)	
Current	\$ (68,522)	17,889	\$ 122,543
1% increase		135,249	

(Expressed in Thousands)

Health Care Cost Trend Rates (BCPSS Portion)	1% Increase (8.00%)	Current Discount Rate (7.00%)	1% Decrease (6.00%)
1% decrease		\$ (13,100)	
Current	\$ (11,721)	3,060	\$ 20,961
1% increase		23,135	

CITY OF BALTIMORE
Notes to Basic Financial Statements

(Continued)

G. DEFERRED INFLOWS AND OUTFLOWS

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

(Expressed in Thousands)

OPEB	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience		\$ 287,865
Change in assumptions or other inputs	\$ 75,521	140,396
Net difference between projected and actual earnings on OPEB plan investments ...	44,978	
Total	\$ 120,499	\$ 428,261

(Expressed in Thousands)

OPEB (City of Baltimore Portion)	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience		\$ 221,524
Change in assumptions or other inputs	\$ 41,383	115,672
Net difference between projected and actual earnings on OPEB plan investments ...	38,059	
Change in proportionate share	69,097	614
Total	\$ 148,539	\$ 337,810

(Expressed in Thousands)

OPEB (Baltimore City Public School Portion)	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience		\$ 66,341
Change in assumptions or other inputs	\$ 34,137	24,723
Net difference between projected and actual earnings on OPEB plan investments ...	6,920	
Change in proportionate share	266	68,750
Total	\$ 41,323	\$ 159,814

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

(Expressed in Thousands)

Net deferred outflows and inflows for years ended June 30:	City Portion	Baltimore City Public Schools Portion	Total
2024	\$ (51,970)	\$ (32,535)	\$ (84,505)
2025	(67,163)	(42,047)	(109,210)
2026	(43,073)	(26,965)	(70,038)
2027	(19,049)	(11,926)	(30,975)
2028	(8,015)	(5,018)	(13,033)
Total	\$ (189,270)	\$ (118,491)	\$ (307,761)

H. OPEB EXPENSE

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

(Expressed in Thousands)

	City Portion	Baltimore City Public School Portion	Total
Service Cost	\$ 20,520	\$ 3,511	\$ 24,031
Interest on total OPEB liability	55,805	9,548	65,353
Difference between expected and actual experience in the total OPEB liability	(91,445)	(15,647)	(107,092)
Changes of Assumptions or Other Inputs	12,019	2,057	14,076
Projected earnings on plan investments	(48,776)	(8,346)	(57,122)
Net difference between expected and actual experience in the total OPEB liability	13,170	2,254	15,424
OPEB expense June 30, 2023	\$ (38,707)	\$ (6,623)	\$ (45,330)

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

I. COMPONENT ALLOCATION

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

(Expressed in Thousands)

	-----Enterprise Funds-----							Component
	Total OPEB	Governmental			Nonmajor			Baltimore City Public
		Activities	Water	Wastewater	Stormwater	Proprietary Fund	Schools	
Net OPEB Liability, Beginning of Year	\$ 120,149	\$ 79,245	\$ 10,485	\$ 9,931	\$ 1,611	\$ 1,323	\$ 17,554	
OPEB Expense	(45,330)	(28,826)	(4,697)	(4,398)	(557)	(229)	(6,623)	
Employer Contributions	(54,095)	(36,912)	(4,185)	(4,000)	(762)	(333)	(7,903)	
Deferred Outflows/(Inflows)	225	152	18	16	3	3	33	
Net OPEB Liability, End of Year	\$ 20,949	\$ 13,659	\$ 1,621	\$ 1,549	\$ 295	\$ 764	\$ 3,061	

14. Risk Management

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; civil rights violations; and natural disasters. The City's risk financing techniques include a combination of risk retention through self-insurance and risk transfer through the purchase of commercial insurance. The risk management program services all claims for risk of loss, including general liability, property and casualty, workers' compensation, unemployment compensation, automobile physical damage and bodily injury, and sundry other risks. The City has included the accounting for violations of a person's civil rights. The civil rights liability is recorded within the General Fund. Commercial insurance coverage is provided for each property damage claim in excess of \$500,000 with a cap of \$550,000,000. Settled claims have not exceeded this commercial coverage in any of the past three years. The City also provides medical insurance coverage for all employees and retirees. Employees are required to pay a percentage of the annual cost of the medical plans and the remaining costs are paid by the internal service program.

All funds of the City and the Baltimore City Public School System participate and make payments to the risk management program based on actuarial estimates and historical cost information of the amounts needed to pay prior and current year claims. As of June 30, 2023, the City has determined that the range of potential claims liability for the program to be between \$417,908,000 and \$570,841,000. Liabilities include an amount for claims that have been incurred but not reported (IBNR). This liability, which has been discounted at 3.0% as of June 30, 2023 does not include the effects of inflation, incremental or other allocated or unallocated claim adjustment expenses, salvage, or subrogation, as such factors are not considered material.

Changes in the Risk Management Program claims liability in fiscal years 2023 and 2022 were (amounts expressed in thousands):

	2023	2022
Unpaid claims, beginning	\$ 372,164	\$ 402,539
Claims incurred	373,351	238,731
Claims paid	(327,607)	(269,106)
Unpaid claims, ending	\$ 417,908	\$ 372,164

The City estimates that \$143,819,000 of the estimated claims liability is due within one year.

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

15. Leases

Primary Government

Lessor-Lease

The City has entered into various lease agreements as lessor to lease buildings and office space. Leases have terms of 1 to 30 years. The City has included all leases except those for which call for nominal lease payments. As the interest rate implicit in these leases are not readily determinable, the City utilizes its incremental borrowing rate to discount the lease payments.

As of June 30, 2023, future minimum lease payments for leases where the City is the lessor are as follows (amounts expressed in thousands):

Fiscal Year	Principal	Interest	Total
2024	\$ 517	\$ 1,233	\$ 1,750
2025	541	1,209	1,750
2026	566	1,184	1,750
2027	592	1,158	1,750
2028	619	1,131	1,750
2029-2033	3,553	5,197	8,750
2034-2038	4,453	4,299	8,752
2039-2043	5,581	3,167	8,748
2044-2048	6,996	1,754	8,750
2049-2052	5,615	1,386	7,001
Total.....	\$ 29,033	\$ 21,718	\$ 50,751

Lessee-Lease

The City has entered into various lease agreement as lessee primarily for office space. Leases have initial term for 1 to 15 years with an average length of 4 years, and contains one or more renewals at the City’s option, most commonly for 5-year periods and others at one or three-years. The City has generally included these renewal periods in the lease term when it is reasonably certain that the City will exercise the renewal option. The City leases generally do not include termination options for either party to the lease or restrictive financial or other covenants. Certain real estate leases require additional payments for common area maintenance, real estate taxes, and insurance, which are expensed as incurred as variable lease payments. For office space leases that include variable payments, those include payments for the City’s proportionate share of the building’s property taxes, insurance, and common area maintenance. The City’s lease arrangements do not contain any material residual value guarantees. As the interest rate implicit in the City’s leases is not readily determinable, the City utilizes its incremental borrowing rate to discount the lease payments.

On July 20, 2022, The City entered a 60-month lease as Lessee for the use of 901 Newkirk St. - Building Space. An initial lease liability was recorded in the amount of \$1,834,000. As of June 30, 2023, the value of the lease liability is \$1,530,000. The City is required to make monthly fixed payments of \$30,000. The lease has an interest rate of 2.3660%. The value of the right to use asset as of June 30, 2023 of \$1,834,000 with accumulated amortization of \$345,000 is included with Buildings on the Lease Class activities table found below. The City has 1 extension option(s), each for 60 months.

On September 1, 2022, The City entered a 60-month lease as Lessee for the use of 33 S. Gay St. - Office Space. An initial lease liability was recorded in the amount of \$1,690,000. As of June 30, 2023, the value of the lease liability is \$1,447,000. The City is required to make monthly fixed payments of \$27,000. The lease has an interest rate of 2.3657%. The value of the right to use asset as of June 30, 2023 of \$1,690,000 with accumulated amortization of \$282,000 is included with Buildings on the Lease Class activities table found below. The City has 1 extension option(s), each for 60 months.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

As of June 30, 2023, future minimum lease payments for leases where the City is the lessee are as follows (amounts expressed in thousands):

Asset Class	As of Fiscal Year-end	
	Lease Asset Value	Accumulated Amortization
Building.....	\$ 53,186	\$ 15,970
Total Leases	\$ 53,186	\$ 15,970

Fiscal Year	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 7,838	\$ 1,508	\$ 9,346	\$	\$	\$
2025	5,438	1,252	6,690			
2026	5,264	1,053	6,317			
2027	4,357	862	5,219			
2028	3,759	686	4,445			
2029-2033	11,329	1,560	12,889			
2034-2038	1,264	156	1,420			
2039-2032	6,544	13	6,557			
2044-2048	4	1	5			
2049-2052	3		3			
Total.....	\$ 45,800	\$ 7,091	\$ 52,891	\$	\$	\$

	Governmental Activities
Balance, June 30, 2022	\$ 42,844
Lease Payments	(6,868)
New Leases	3,524
Balance, June 30, 2023	\$ 39,500
Due in one year	\$ 7,838

Lessee – Finance purchase

The City entered into two lease agreements with Banc of America Public Capital Corp. to purchase motor vehicles and heavy equipment for the Department of General Services. The City is required to make semi-annual payments. One agreement was with a 5-year term and an interest rate of 4.493%, and the other agreement was a 10-year term and an interest rate of 4.6212%. The semiannual payments for these agreements are \$642,000 and \$1,060,000 respectively. The City also entered into a lease agreement with Banc of America Public Capital Corp. for helicopters. This agreement was a 10-year term and an interest rate of 2.41%, and semi-annual payments of \$1,020,000. As of June 30, 2023, the total finance purchase liability is \$157,453,000.

Future minimum lease payments as of June 30, 2023, are as follows (expressed in thousands):

Fiscal Year	Governmental Fund	Business-type Activities		Total
		Enterprise Fund	Internal Service Fund	
2024	\$ 7,357	\$ 142	\$ 27,932	\$ 35,431
2025	5,928	57	24,223	30,208
2026	5,967		21,020	26,987
2027	4,649		18,209	22,858
2028	3,525		13,114	16,639
2029-2033	17,295		26,252	43,547
2034-2038	291			291
Total minimum lease payments.....	45,012	199	130,750	175,961
Less: computed interest.....	(5,543)	(6)	(12,959)	(18,508)
Present value minimum lease payments.....	\$ 39,469	\$ 193	\$ 117,791	\$ 157,453

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

	Governmental Activities	Business-type Activities		Total
		Enterprise Fund	Internal Service Fund	
Balance, June 30, 2022	\$ 46,130	\$ 320	\$ 117,541	\$ 163,991
Lease Payments	(6,661)	(127)	(25,759)	(32,547)
New Leases			26,009	26,009
Balance, June 30, 2023	\$ 39,469	\$ 193	\$ 117,791	\$ 157,453
Due in one year	\$ 6,111	\$ 136	\$ 24,515	\$ 30,762

The following is a schedule of leased property under leases by major class as of June 30, 2023 (expressed in thousands):

Classes of Right of Use Assets	Governmental Activities	Business-type Activities		Total
		Enterprise Fund	Internal Service Fund	
Buildings.....	\$ 193,620			\$ 193,620
Equipment.....	270,740	\$ 3,187	\$ 236,592	510,519
Total.....	\$ 464,360	\$ 3,187	\$ 236,592	\$ 704,139

Amortization of assets recorded under financed purchases is included in depreciation expense.

Baltimore City Public School System (BCPSS)

Lessee

BCPSS has entered into a 30 year lease with the Baltimore Design School for rental space in October of 2011. During the year which ended June 30, 2023, rent and lease expenditures equaled \$1.7 million made from the General Fund. An interest rate of 4% was applied. BCPSS has entered into a 15 year lease with St. Marks Evangelical Lutheran Church of Baltimore City for parking spaces in June of 2012. During the year which ended June 30, 2023, rent and lease expenditures equaled \$40,000 made from the General Fund. An interest rate of 4% was applied. BCPSS has entered into a 5 year lease with The Shrine of the Sacred Heart Roman Catholic Congregation, Inc for rental space in October of 2010. During the year which ended June 30, 2023, rent and lease expenditures equaled \$209,000 made from the General Fund. An interest rate of 4% was applied. BCPSS has entered into a 3 years lease with Marco Technologies LLC to provide office equipment and a 3 year vehicle lease with Enterprise Fleet Management for Fiscal Year 2021. During the year which ended June 30, 2023, rent and lease expenditures equaled \$1.3 million. An interest rate of 4% was applied. BCPSS has entered into a 6 years lease with Transformation Center for rental space. During the year which ended June 30, 2023, rent and lease expenditure equaled \$110,000 made from the General Fund. An interest rate of 4% was applied.

Future minimum lease payments under lease agreements as of June 30, 2023, are as follow (expressed in thousands):

Fiscal Year	Total Lease Payable		
	Principal	Interest	Total
2024	\$ 2,050	\$ 1,001	\$ 3,051
2025	1,808	929	2,737
2026	1,147	871	2,018
2027	1,046	827	1,873
2028	1,050	786	1,836
2029-2033	5,188	3,323	8,511
2034-2038	6,321	2,179	8,500
2039-2043	7,714	782	8,496
	\$ 26,324	\$ 10,698	\$ 37,022

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

Right-to-use assets through outstanding leased are shown below, by underlying asset class, as of June 30, 2023 (expressed in thousands):

Classes of Property	
Buildings	\$ 26,608
Equipment	7,534
Total	\$ 34,142

Lessor

BCPSS, acting as lessor, leases telecom under long-term, non-cancelable lease agreements, at an interest rate of 4%. The leases expire at various dates through 2043 and provide renewal options ranging from three months to six years. During the year ended June 30, 2023, BCPSS recognized \$592,000 and \$157,000, in lease revenue and interest revenue, respectively, pursuant to these contracts. BCPSS, acting as lessor, lease charter school under long-term, non-cancelable lease agreements, at an interest rate of 4%. The leases expire at various dates through 2026 and provide renewal option from three months to six years. During the year ended June 30, 2023, BCPSS recognized \$1.2 million and \$117,000, in lease revenue and interest revenue, respectively, pursuant to these contracts.

Future minimum lease payments under lease agreements as of June 30, 2023, are as follow (expressed in thousands):

Fiscal Year	Total Lease Receivable		
	Principal	Interest	Total
2024	\$ 1,704	\$ 207	\$ 1,911
2025	1,774	137	1,911
2026	730	108	838
2027	349	94	443
2028	368	80	448
2029-2033	945	261	1,206
2034-2038	862	82	944
2039-2043	22		22
	\$ 6,754	\$ 969	7,723

A leases receivable of \$6.8 million and deferred inflow of \$7.0 million are presented in the BCPSS Statements.

16. Subscription Based Information Technology Arrangements (SBITA)

For the year ended June 30, 2023, the financial statements include the adoption of GASB Statement No. 96, Subscription-Based Information Technology Arrangements. The primary objective of this statement is to enhance the relevance and consistency of information about governments' subscription activities. This statement establishes a single model for subscription accounting based on the principle that subscriptions are financings of the right to use an underlying asset. Under this Statement, an organization is required to recognize a subscription liability and an intangible right-to-use subscription asset. For additional information, refer to the disclosures below.

On July 20, 2022, The City entered into a 36-month subscription for the use of Accela Civic Platform. An initial subscription liability was recorded in the amount of \$473,000. As of June 30, 2023, the value of the subscription liability is \$312,000. The City is required to make annual fixed payments of \$161,000. The subscription has an interest rate of 2.1843%. The value of the right to use asset as of June 30, 2023, of \$473,000 with accumulated amortization of \$149,000 is included as SBITA in the table below.

On November 01, 2022, The City entered into a 36-month subscription for the use of Citibot Platform. An initial subscription liability was recorded in the amount of \$238,000. As of June 30, 2023, the value of the subscription liability is \$166,000. The City is required to make annual fixed payments of \$72,000. The subscription has an interest rate of 3.2380%. The value of the right to use asset as of June 30, 2023, of \$301,000 with accumulated amortization of \$67,000

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

is included with Software on the Subscription Class activities table found below. The City had a termination period of 1 month as of the subscription commencement.

On December 14, 2022, The City entered into a 84 month subscription for the use of Motorola - IP System. An initial subscription liability was recorded in the amount of \$6,071,000. As of June 30, 2023, the value of the subscription liability is \$5,115,000. The City is required to make annual fixed payments of \$956,000. The subscription has an interest rate of 3.3647%. The value of the right to use asset as of June 30, 2023, of \$6,071,000 with accumulated amortization of \$475,000 is included as SBITA in the table below.

On January 01, 2023, The City entered into a 36-month subscription for the use of Siteimprove - SaaS. An initial subscription liability was recorded in the amount of \$27,000. As of June 30, 2023, the value of the subscription liability is \$17,000. The City is required to make annual fixed payments of \$9,000. The subscription has an interest rate of 2.6560%. The value of the right to use asset as of June 30, 2023, of \$27,000 with accumulated amortization of \$4,000 is included as SBITA in the table below.

On January 01, 2023, The City entered into a 36-month subscription for the use of Siteimprove Platform. An initial subscription liability was recorded in the amount of \$22,000. As of June 30, 2023, the value of the subscription liability is \$14,000. The City is required to make annual fixed payments of \$8,000. The subscription has an interest rate of 2.6560%. The value of the right to use asset as of June 30, 2023, of \$29,000 with accumulated amortization of \$5,000 is included as SBITA in the table below.

On April 05, 2023, The City entered into a 36-month subscription for the use of CrimePad - Multi Tenant. An initial subscription liability was recorded in the amount of \$224,000. As of June 30, 2023, the value of the subscription liability is \$147,000. The City is required to make annual fixed payments of \$76,000. The subscription has an interest rate of 2.3633%. The value of the right to use asset as of June 30, 2023, of \$224,000 with accumulated amortization of \$18,000 is included as SBITA in the table below.

On May 02, 2023, The City entered into a 20-month subscription for the use of Unite Us Platform. An initial subscription liability was recorded in the amount of \$225,000. As of June 30, 2023, the value of the subscription liability is \$0. The City is required to make annual fixed payments of \$225,000. The subscription has an interest rate of 2.4700%. The value of the right to use asset as of June 30, 2023, of \$225,000 with accumulated amortization of \$22,000 is included as SBITA in the table below.

Asset Class	As of Fiscal Year-end	
	Subscription Asset Value	Accumulated Amortization
SBITA	\$ 9,366	\$ 1,251
Total Subscriptions	\$ 9,366	\$ 1,251

Fiscal Year	Governmental Activities		
	Principal Payments	Interest Payment	Total Payment
2024	\$ 1,190	\$ 203	\$ 1,393
2025	1,227	166	1,393
2026	924	128	1,052
2027	954	98	1,052
2028	986	66	1,052
2029-2030	1,019	34	1,053
	\$ 6,300	\$ 695	\$ 6,995

	Governmental Activities
Balance, June 30, 2022	
Lease Payments	
New Leases	6,300
Balance, June 30, 2023	\$ 6,300
Due in one year	\$ 1,190

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

17. 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 \$30,598,000 as of June 30, 2023, which is based on 85.95% usage (filled capacity) of the landfill. This is a increase in the liability of \$6,148,000, and a increase in the usage of 2%, since June 30, 2022. It is estimated that an additional \$5,981,000 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 2031). The estimated total current cost of the landfill closure and postclosure care, \$42,579,000, is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of June 30, 2023. 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 2023.

	Governmental Activities
Balance June 30, 2022	\$ 30,450
Increase in Estimate	6,148
Balance June 30, 2023	\$ 36,598
Due in one year	

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 as of June 30, 2023, cash and cash equivalents of \$36,105,000 were held in the City's General Fund. In addition, the General Fund's fund balance was appropriately reserved. It is anticipated that future inflation costs will be financed 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.

18. Notes and Mortgages Receivable

Notes and mortgages receivable as of June 30, 2023, consist of the following:

- A. The General Fund has notes receivable of \$256,817,000 net of a \$1,000,000 allowance for losses. A note receivable from the Baltimore Hotel Corporation for \$256,270,000 bears interest at rates ranging from 3% to 5% and mature over 30 years. A portion of this note receivable totaling \$252,220,000 is scheduled to be collected in 2024 through 2046. The other portion of the notes receivable unrelated to the Baltimore Hotel Corporation is for notes totaling \$602,000 net of a \$1,000,000 allowance for losses. These notes bear interest rates ranging from 1.0% to 12.0% over 30 years.
- B. The Parking Facilities Fund has mortgages receivable of \$8,497,000 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 \$5,292,000 is scheduled to be collected in 2023 through 2036.

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, 2023, are as follows (amounts expressed in thousands):

	General*	Grants Revenue	Capital Projects	Other Funds	Governmental Funds
Fund Balances					
Nonspendable:					
Reserved for other assets	\$ 6,007				\$ 6,007
Restricted:					
General government				\$ 46,472	46,472
Education				25,532	25,532
Highways and streets					
Sanitation and waste removal	77,217				77,217
Debt service.....	256,319				256,319
Public library				2,749	2,749
Recreation and culture				10,466	10,466
Total restricted	333,536			85,219	418,755
Assigned to:					
General government	148,046		\$ 78,287	16,202	242,535
Public safety and regulation	32,868				32,868
Conservation of health	42,694				42,694
Social services	3,507				3,507
Education				2,633	2,633
Public library	2,444				2,444
Recreation and culture	7,167				7,167
Highways and streets	26,585				26,585
Sanitation and waste removal	14,898				14,898
Public service	2,259				2,259
Economic development	2,227			278	2,505
Total assigned**	282,695		78,287	19,113	380,095
Unassigned	320,912	\$ (84)	(863)		319,965
Total fund balances	\$ 943,150	\$ (84)	\$ 77,424	\$ 104,332	\$ 1,124,822

* General fund unassigned fund balance includes \$167,278,000 for the budget stabilization reserve.

** The assigned fund balance include encumbrances as follows: General Fund \$180,965,000, Capital Projects \$115,473,000, and Other Funds \$191,320,000

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 of a stage to make a reasonable assessment of the City’s liability. The City vigorously contests such claims as a matter of policy and will fully assert all available remedies, including the \$400,000 ceiling per individual claim. It is the opinion of City management, in consultation with outside legal counsel, that any additional liability for remaining litigation will not be material to the City’s financial position or results of operations.

The City has received Federal and State grants. Entitlement to grant resources is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable Federal and State regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits in accordance with grantors’ requirements. Any disallowances as a result of these audits become a liability of the City. As of June 30, 2023, the City estimates that no material liabilities will result from such audits.

The Northeast Maryland Waste Disposal Authority Act was enacted by the Maryland General Assembly to assist in the provision of waste disposal facilities for the Northeast Maryland area, including the facilities for the disposal of wastewater treatment residue. The City agreed to perform the obligations of the Authority. The current agreement, approved in March 2008, provided that the Authority and Mayor and City Council of Baltimore “the City” entered into a service agreement,

CITY OF BALTIMORE

Notes to Basic Financial Statements

(Continued)

through June 30, 2013, with Veolia Water North America-Central, LLC, a Delaware limited liability company, which now owns and operates the facility. The agreement has now been extended through June 30, 2023. The agreement allows the Wastewater Utility to deliver up to approximately 2,167 wet tons of sewerage sludge per month and to pay a tipping fee comparable to alternative methods of sludge disposal currently being used by the Wastewater Utility. The debt service on variable rate bonds has been satisfied and is no longer a component of the tipping fee. The Wastewater Utility's current tipping fee expense per wet ton for delivering sewerage sludge was \$106.49 and \$51.85 up to the guaranteed and excess tonnage amounts, respectively. Payments under the agreement in fiscal year 2023 were \$2.9 million. The maximum commitment by the City is 26,004 wet tons per year.

The Wastewater Utility also has an agreement with Synagro-Baltimore, LLC, a wholly owned subsidiary of Synagro Technologies for processing biosolids at the City's Back River and Patapsco Wastewater Treatment Plants. Under the agreements, the Wastewater Utility delivers approximately 3,000 dry tons of biosolids per year at each facility and pays base and service tipping fees. The debt service on the bonds is a component of the tipping fees. The base tipping fee at the Patapsco Wastewater Treatment Plant terminated in fiscal year 2017 with the completion of debt service payment. The average service tipping fees were \$463.52 and \$424.65 per ton for the Back River and Patapsco Wastewater Treatment Plants, respectively. Payments under the agreements in fiscal year 2023 were \$31.8 million. The agreements extend to 2025 for the Back River and 2027 for the Patapsco Wastewater Treatment Plants.

In 2002, the City entered into a Consent Decree to rehabilitate its sanitary sewer system and address sanitary sewer overflows (SSOs). The 2002 Consent Decree expired on January 1, 2016. On October 6, 2017, the U.S. District Court approved a Modified Consent Decree (MCD). The Modified Consent Decree supersedes the 2002 Consent Decree and provides a revised schedule to address SSOs through a hybrid level of protection. The Modified Consent Decree is one of many that the U.S. Department of Justice has negotiated with major cities with aging sewer infrastructure. These efforts are ambitious, and the costs are estimated at \$2.0 billion (as of October 1, 2021), which is comprised of the following components: \$1.5 billion in costs and encumbrances incurred through October 1, 2021 and \$540 million in projected costs for completion of Phase I and II projects through December 31, 2030 (capital only).

The MCD is composed of two (2) phases. Phase I provides environmental benefits and constructs the Headworks Project at the Back River Wastewater Treatment Plant. Phase I is mostly complete. After the completion of the Headworks project in January 2021, the sewer system experienced a 67% reduction in volume of SSOs as compared to the year prior. Phase II projects will build on the Phase I performance results and achieve the MCD mandated Levels of Protection against SSOs through additional system rehabilitation and increases hydraulic capacity. The City will continue to address sewage building backups and sanitary discharges of unknown origin (SDUOs), while performing proactive maintenance throughout the sanitary sewer system. Collectively, the MCD extends the deadline to address SSOs to December 31, 2030. A close-out report is due by July 31, 2033.

During the course of normal business activity there are billing disputes with other governmental entities. The City has recorded adequate reserves for these disputed amounts.

21. Adjustments for Discretely Presented Component Units

As of and for the year ended June 30, 2023, the BCPSS did not record its proportionate share of the pension liability and related amounts related to its participation in the City's cost sharing retirement plan. The BCPSS also did not record its proportionate share of net OPEB liability and related amounts related to its participation in the City's other post-employment benefits (OPEB). For June 30, 2023, the City made adjustments to the BCPSS financials statements to correct the BCPSS's financial statements. As such, the City has included the BCPSS's financials, after adjustments, in the accompanying financials statements. The auditors for the City have audited the adjustments made to the BCPSS financial statements as listed below. The adjustments to the BCPSS financial statements were to include the BCPSS proportionate share of the net pension liability for those employees in the Employees' Retirement System of the City of Baltimore (ERS) and the BCPSS proportionate share of the net OPEB liability for employees eligible for other postemployment benefits as of June 30, 2023 and related deferred outflows, deferred inflows and expense.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

The adjustments recorded are listed below:

(Expressed in Thousands)

	As reported by BCPSS	Adjustments for recordation of Net Pension Liability	Adjustments for recordation of Net OPEB Liability	Restated per City's Financial Statements
Deferred outflows		\$ 90,108	\$ 41,323	\$ 131,431
Net pension liability		113,726		113,726
Net OPEB liability			3,061	3,061
Deferred inflows		5,171	159,814	164,985
Expenses	\$ 1,389,263	(71,538)	(14,526)	1,303,199
Net position, as restated, June 30, 2023	1,931,083	(28,788)	(121,552)	1,780,743

22. Tax Abatement

As of June 30, 2023, the City approves Tax Abatements and Payment In Lieu of Taxes (PILOT) for the purpose of encouraging economic development and to provide better residential housing for the disabled and senior citizens:

- The economic development program provides PILOTs to businesses, landowners and developers to substitute payment for annual real estate taxes with negotiated payment called PILOTs for a specific period of time. PILOTs are granted on qualifying projects which would not otherwise be undertaken without the City's support. The program is administered under the authority of the Property Tax Article of the State Annotated Code Title 7 Property Taxes Subtitle 5 Exemptions. Abatements are obtained by application to the Baltimore Development Corporation (BDC) with final approval by the City's Board of Estimates.
- The disabled and senior residential housing program provides PILOTs to developers and not-for profit organizations who provide housing for disabled and senior citizens to replace their annual real estate taxes with a negotiated payment for a specific period of time. PILOTs are granted on qualifying projects which would not otherwise be undertaken without the City's support. The program is administered under the authority of the Property Tax Article of the State Annotated Code Title 7 Property Taxes Subtitle 5 Exemptions. Abatements are obtain by application directly to the City's Department of Housing. Final approval rests with the City's Board of Estimates.

Additionally, the State of Maryland makes PILOT payments to the City for various port facilities that are operated by the State. The amount below reflects the amount of tax revenues that were reduced in the current fiscal year.

(Expressed in Thousands)

Tax Abatement Program	Amount of Taxes Abated
Economic development	
Market based housing	\$ 1,793,771
Business development	13,021,690
Garages	348,635
Affordable housing	11,482,053
State of Maryland Port Authority	3,770,194
Total	\$ 30,416,343

23. Subsequent Events

On September 6, 2023, the City entered into two Master Lease Purchase Agreements with Banc of America Public Capital Corp. totaling \$39,943,700 to purchase motor vehicles and heavy equipment for the Department of General Services. One Agreement was for \$15,154,700 with a 5-year term and an interest rate of 4.6605%. The other agreement was for \$19,789,000 with a 10-year term and an interest rate of 4.6857%.

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Required Supplementary Information



See Report of Independent Public Accountants

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CITY OF BALTIMORE
Schedule of Revenues, Expenditures and Encumbrances,
and Changes in Fund Balances – Budget and Actual – Budgetary Basis (1), (2), (3)
General Fund
For the Year Ended June 30, 2023
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes - local.....	\$1,693,300	\$1,696,088	\$1,742,360	\$ 46,272
State shared revenue.....	169,997	169,997	187,042	17,045
Licenses and permits.....	31,932	31,932	25,610	(6,322)
Fines and forfeitures.....	38,124	38,124	35,336	(2,788)
Interest and other investment income.....	19,338	56,238	64,164	7,926
Intergovernmental grants.....	104,816	104,816	129,945	25,129
Other grants.....	2	2		(2)
Charges for services.....	49,454	49,454	43,122	(6,332)
Miscellaneous.....	2,737	2,737	3,354	40,385
Total revenues.....	2,109,700	2,149,388	2,230,933	121,313
Expenditures and encumbrances:				
Baltimore City Public School System.....	332,777	332,777	327,662	5,115
Board of Liquor License Commissioners.....	2,686	2,986	2,761	225
City Council.....	9,101	9,101	8,684	417
Civil Service Commission.....	12,443	12,443	12,952	(509)
Comptroller.....	9,598	9,598	8,256	1,342
Courts.....	21,501	21,901	22,195	(294)
Department of Finance.....	31,930	31,930	113,770	(81,840)
Department of Fire.....	243,736	262,636	167,157	95,479
Department of General Services.....	17,208	17,208	13,363	3,845
Department of Health.....	55,985	68,285	81,658	(13,373)
Department of Housing and Community Development.....	92,986	93,286	67,695	25,591
Department of Law.....	14,045	15,945	17,462	(1,517)
Department of Legislative Reference.....	1,845	1,845	1,020	825
Department of Municipal and Zoning Appeals.....	642	642	412	230
Department of Planning.....	4,340	4,340	11,484	(7,144)
Department of Police.....	552,364	552,364	561,096	(8,732)
Department of Public Works.....	124,563	126,463	148,073	(21,610)
Department of Recreation and Parks.....	58,829	58,829	55,406	3,423
Department of Transportation.....	136,727	136,727	189,266	(52,539)
Enoch Pratt Free Library.....	32,438	32,438	31,904	534
Mayoralty.....	226,596	226,596	340,166	(113,570)
Office of Civil Rights.....	6,506	8,894	2,718	6,176
Office of Financial Review.....	817	817	737	80
Office of Sheriff.....	22,791	22,791	19,482	3,309
Office of State's Attorney.....	39,382	39,382	39,197	185
Supervisor of Elections.....	10,136	11,436	12,096	(660)
Total expenditures and encumbrances.....	2,061,972	2,101,660	2,256,672	(155,012)
Excess of revenues over expenditures and encumbrances.....	47,728	47,728	(25,739)	(73,467)
Other financing sources (uses):				
Transfers in.....	15,250	15,250	41,003	25,753
Transfers out.....	(110,541)	(110,541)	(113,624)	(3,083)
Total other financing sources (uses).....	(95,291)	(95,291)	(72,621)	22,670
Net changes in fund balances.....	(47,563)	(47,563)	(98,360)	(50,797)
Fund balances - beginning.....	1,397,471	1,397,471	1,397,471	
Fund balances - ending.....	\$ 1,349,908	\$ 1,349,908	1,299,111	\$ (50,797)
Adjustments to reconcile to GAAP basis:				
Residual Equity Transfer In				
Addition of encumbrances outstanding.....			180,694	
Less: Accounts payable not recorded for budgetary purposes and other GAAP adjustments.....			(536,655)	
Fund balance - June 30, 2023 (GAAP basis).....			\$ 943,150	

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

(2) The budget of the City is a detailed operating plan, which identifies estimated costs and results in relation to estimated revenues. The budget includes: (1) the programs, projects, services, and activities to be provided during the fiscal year, (2) the estimated resources (inflow) and amounts available for appropriation, and (3) the estimated charges to appropriations. The budget represents a process through which policy decisions are made, implemented, and controlled. The City Charter prohibits expending funds for which there is no legal appropriation.

(3) This schedule does not include a non-budgetary revenue and expense item in the amount of \$2,489,000 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 Revenues, Expenditures and Encumbrances,
and Changes in Fund Balances – Budget and Actual – Budgetary Basis(1), (2),
Grants Fund
For the Year Ended June 30, 2023
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental grants	470,699	470,699	324,365	(146,334)
Other grants	203,325	203,325	122,656	(80,669)
Total revenues	674,024	674,024	447,021	(227,003)
Expenditures and encumbrances:				
Comptroller.....	7,350	7,350	693	6,657
Courts.....	9,262	9,262	5,436	3,826
Department of Finance.....			159	(159)
Department of Fire.....	89,580	89,580	90,243	(663)
Department of General Services.....	3,213	3,213	1,168	2,045
Department of Health.....	157,045	157,045	148,750	8,295
Department of Housing and Community Development.....	175,560	175,560	122,723	52,837
Department of Law.....			585	(585)
Department of Planning.....	6,082	6,082	285	5,797
Department of Police.....	71,884	71,884	71,518	366
Department of Public Works.....	9,296	9,296	58	9,238
Department of Recreation and Parks.....	12,434	12,434	8,614	3,820
Department of Transportation.....	33,507	33,507	33,697	(190)
Enoch Pratt Free Library.....	16,001	16,001	13,182	2,819
Mayoralty.....	51,446	51,446	43,026	8,420
Office of Civil Rights.....	169	169	4	165
Office of Sheriff.....	2,908	2,908	263	2,645
Office of State's Attorney.....	12,520	12,520	5,645	6,875
Supervisor of Elections.....				
Total expenditures and encumbrances	658,257	658,257	546,049	112,208
Excess of revenues over expenditures and encumbrances	15,767	15,767	(99,028)	(114,795)
Other financing sources (uses):				
Transfers in.....			28,730	28,730
Transfers out.....	(15,767)	(15,767)	(723)	15,044
Total other financing sources (uses).....	(15,767)	(15,767)	28,007	43,774
Net changes in fund balances			(71,021)	(71,021)
Fund balances - beginning				
Fund balances - ending.....	<u>\$ -</u>	<u>\$ -</u>	(71,021)	<u>\$ (71,021)</u>
Adjustments to reconcile to GAAP basis:				
Residual Equity Transfer In				
Addition of encumbrances outstanding.....				
Less: Accounts payable not recorded for budgetary purposes				
and other GAAP adjustments			70,937	
Fund balance - June 30, 2023 (GAAP basis).....			<u>\$ (84)</u>	

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

(2) The budget of the City is a detailed operating plan, which identifies estimated costs and results in relation to estimated revenues. The budget includes: (1) the programs, projects, services, and activities to be provided during the fiscal year, (2) the estimated resources (inflow) and amounts available for appropriation, and (3) the estimated charges to appropriations. The budget represents a process through which policy decisions are made, implemented, and controlled. The City Charter prohibits expending funds for which there is no legal appropriation.

CITY OF BALTIMORE
Schedule of the City's Proportionate Share of Net Pension Liability
Employees' Retirement System Plan
For the Year Ended June 30, 2023
(Expressed in Thousands)

	2014	2015	2016	2017	2018	2019	2020	2021	2022
City's share of the net pension liability	85.92%	85.19%	80.03%	81.56%	72.51%	86.99%	77.81%	81.75%	81.84%
City's proportionate share of the net pension liability	\$ 610,998	\$ 614,236	\$ 644,079	\$ 597,470	\$ 565,892	\$ 626,594	\$ 705,725	\$ 398,214	\$ 512,491
City's covered payroll	344,809	347,656	319,693	318,999	304,333	341,037	365,095	340,218	359,541
City's proportionate share of the net pension liability as a percentage of its covered employee payroll.....	177.2%	176.7%	201.5%	187.3%	185.9%	171.6%	207.4%	117.0%	31.6%
Plan fiduciary net position as a percentage of the total pension liability	67.83%	68.00%	65.17%	65.17%	71.11%	69.80%	66.57%	66.57%	75.90%

The reporting date is June 30, 2023 and the measurement date is June 30, 2022. Covered payroll is as of the measurement date.

CITY OF BALTIMORE
Schedule of Employer Contributions
Employees' Retirement System Plan
For the Year Ended June 30, 2023
(Expressed in Thousands)

Description	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Actuarially determined contribution	\$ 78,437	\$ 77,088	\$ 60,712	\$ 68,895	\$ 63,481	\$ 73,025	\$ 78,177	\$ 67,658	\$ 71,084	\$ 80,727
Contribution in relation to the actuarially determined contribution	81,558	82,780	61,704	68,904	63,481	73,025	78,177	67,658	71,084	80,727
Contribution deficiency (excess)	\$ (3,121)	\$ (5,692)	\$ (992)	\$ (9)	\$	\$	\$	\$	\$	\$
Covered payroll	\$ 344,809	\$ 347,656	\$ 319,693	\$ 318,999	\$ 304,333	\$ 341,037	\$ 365,095	\$ 340,218	\$ 372,142	\$ 359,546
Contribution as a percentage of covered payroll	23.65%	23.81%	19.30%	21.60%	20.86%	21.41%	21.41%	19.89%	19.10%	22.45%

Covered payroll is an of The Employees' Retirement System Plan fiscal year end.

CITY OF BALTIMORE
Schedule of the City's Proportionate Share of Net Pension Liability
Maryland State Retirement and Pension System-ERPS
For the Year Ended June 30, 2023
(Expressed in Thousands)

	2015	2016	2017	2018	2019	2020	2021	2022
City's share of the net pension liability	0.02%	0.02%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%
City's proportionate share of the net pension liability	\$ 4,595	\$ 5,894	\$ 7,001	\$ 6,935	\$ 6,939	\$ 7,322	\$ 4,906	\$ 6,480
City's covered payroll	952	850	1,400	1,423	1,486	1,394	1,407	1,456
City's proportionate share of the net pension liability as a percentage of its covered employee payroll.....	482.7%	693.4%	500.0%	487.2%	467.1%	525.3%	348.7%	445.1%
Plan fiduciary net position as a percentage of the total pension liability	66.27%	62.97%	66.71%	68.36%	67.98%	66.29%	76.76%	71.75%

Note: The reporting date is June 30, 2023 and the measurement date is June 30, 2022.

CITY OF BALTIMORE
Schedule of Employer Contributions
Maryland State Retirement and Pension System-ERPS
For the Year Ended June 30, 2023
(Expressed in Thousands)

Description	2015	2016	2017	2018	2019	2020	2021	2022
Actuarially determined contribution	\$ 556	\$ 486	\$ 659	\$ 659	\$ 691	\$ 695	\$ 721	\$ 739
Contribution in relation to the actuarially determined contribution	466	486	659	659	691	695	721	739
Contribution deficiency (excess)	\$ 90	\$	\$	\$	\$	\$	\$	\$
Covered payroll	\$ 952	\$ 850	\$ 1,400	\$ 1,423	\$ 1,486	\$ 1,394	\$ 1,407	\$ 1,456
Contribution as a percentage of covered payroll	48.95%	57.18%	47.07%	46.30%	46.51%	49.86%	51.25%	50.76%

Note: 2023 data is not available.

CITY OF BALTIMORE
Schedule of the City's Proportionate Share of Net Pension Liability
Maryland State Retirement and Pension System-LEOPS
For the Year Ended June 30, 2023
(Expressed in Thousands)

	2015	2016	2017	2018	2019	2020	2021	2022
City's share of the net pension liability	0.11%	0.13%	0.13%	0.14%	0.13%	0.12%	0.13%	0.12%
City's proportionate share of the net pension liability	\$ 23,578	\$ 30,244	\$ 28,519	\$ 28,528	\$ 26,032	\$ 27,837	\$ 20,060	\$ 23,737
City's covered payroll	172	214	220	232	228	234	259	256
City's proportionate share of the net pension liability as a percentage of its covered employee payroll.....	13708%	14165.2%	12982.3%	12301.8%	11397.6%	11916.5%	7736.3%	9286.6%
Plan fiduciary net position as a percentage of the total pension liability	61.30%	58.88%	62.80%	63.82%	64.79%	63.60%	63.60%	67.74%

Note: The reporting date is June 30, 2023 and the measurement date is June 30, 2022.

CITY OF BALTIMORE
Schedule of Employer Contributions
Maryland State Retirement and Pension System-LEOPS
For the Year Ended June 30, 2023
(Expressed in Thousands)

Description	2015	2016	2017	2018	2019	2020	2021	2022
Actuarially determined contribution	\$ 2,392	\$ 2,497	\$ 2,497	\$ 2,711	\$ 2,592	\$ 2,641	\$ 2,946	\$ 2,708
Contribution in relation to the actuarially determined contribution	2,392	2,497	2,497	2,711	2,592	2,641	2,946	2,708
Covered payroll	172	214	220	232	228	234	259	256
Contribution as a percentage of covered payroll	1390.70%	1166.82%	1135.00%	1169.03%	1134.85%	1130.56%	1136.14%	1059.45%

Note: 2023 data is not available.

CITY OF BALTIMORE
Schedule of Changes in Net Pension Liability (Assets) and Related Ratios
Fire and Police Employees' Retirement System - Single Employer Plan
Pension Trust Funds
For the Year Ended June 30, 2023
(Expressed in Thousands)

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total pension liability									
Interest (includes interest on service cost)	\$ 248,633	\$ 256,066	\$ 260,001	\$ 296,220	\$ 275,197	\$ 277,540	\$ 283,201	\$ 290,606	\$ 288,798
Service cost	65,548	66,199	70,730	70,987	70,244	69,279	68,969	71,089	73,380
Change in assumption		35,494			86,384			45,988	22,540
Differences between expected and actual experience	1,396	28,065	11,353	(17,476)	(20,544)	(9,039)	13,551	(18,539)	(13,223)
Benefit payments, including refunds of member contributions	(219,808)	(223,359)	(237,195)	(245,080)	(246,971)	(255,996)	(262,905)	(268,604)	(279,639)
Net change in total pension liability	95,769	162,465	104,889	104,651	164,310	81,784	102,816	120,540	91,856
Total pension liability - beginning	3,252,533	3,348,302	3,510,767	3,615,656	3,720,307	3,884,617	3,966,401	4,069,217	4,189,757
Total pension liability - ending	\$ 3,348,302	\$ 3,510,767	\$ 3,615,656	\$ 3,720,307	\$ 3,884,617	\$ 3,966,401	\$ 4,069,217	\$ 4,189,757	\$ 4,281,613
Plan fiduciary net position:									
Net investment income	\$ 312,131	\$ 535,226	\$ 2,982	\$ 291,978	\$ 211,668	\$ 148,059	\$ (15,075)	\$ 774,160	\$ (280,107)
Contribution - employer	113,004	118,190	120,279	129,689	137,738	141,325	146,795	151,088	161,379
Contribution - member	28,058	30,130	30,339	29,902	31,285	30,711	31,353	31,657	30,735
Benefit payments, including refunds of member contributions	(219,808)	(223,359)	(237,195)	(245,080)	(246,970)	(255,996)	(262,905)	(268,604)	(279,639)
Administrative expense	(3,786)	(4,281)	(4,377)	(4,328)	(4,984)	(5,144)	(4,967)	(4,928)	(5,115)
Net change in plan fiduciary net position	229,599	(25,794)	(87,972)	202,161	128,737	58,955	(104,799)	683,373	(372,747)
Plan fiduciary net position - beginning	2,244,571	2,474,170	2,448,376	2,360,404	2,562,565	2,691,302	2,750,257	2,645,458	3,328,831
Plan fiduciary net position - ending	2,474,170	2,448,376	2,360,404	2,562,565	2,691,302	2,750,257	2,645,458	3,328,831	2,956,084
Net position liability (asset) - ending	\$ 874,132	\$ 1,062,391	\$ 1,255,252	\$ 1,157,742	\$ 1,193,315	\$ 1,216,144	\$ 1,423,759	\$ 860,926	\$ 1,325,529
Plan fiduciary net position as a percentage of the total pension liability	73.89%	69.74%	65.28%	68.88%	69.28%	69.34%	65.01%	79.45%	69.04%
Covered payroll	\$ 290,581	\$ 320,408	\$ 298,779	\$ 296,357	\$ 323,351	\$ 322,382	\$ 326,640	\$ 330,600	\$ 318,060
Net pension liability (asset) as a percentage of covered employee payroll	300.82%	331.57%	420.13%	390.66%	369.05%	377.24%	435.88%	260.41%	416.75%

The reporting date is June 30, 2023 and the measurement date is June 30, 2022.

CITY OF BALTIMORE
Schedule of Changes in Net Pension Liability (Assets) and Related Ratios
Elected Officials' Retirement System - Single Employer Plan
Pension Trust Funds
For the Year Ended June 30, 2023
(Expressed in Thousands)

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total pension liability									
Interest (includes interest on service cost)	\$ 1,177	\$ 1,219	\$ 983	\$ 965	\$ 1,023	\$ 1,045	\$ 1,130	\$ 140	\$ 1,220
Service cost	399	410	260	250	221	243	297	290	292
Changes of benefit terms					(64)				
Change in assumption		(3,523)	315			841			
Differences between expected and actual experience	(256)	(440)	(474)	662	245	776	80	1,015	259
Benefit payments, including refunds of member contributions	(725)	(765)	(763)	(933)	(1,110)	(1,165)	(1,125)	(1,306)	(1,512)
Net change in total pension liability	595	(3,099)	321	944	315	1,740	382	1,139	259
Total pension liability - beginning	16,185	16,780	13,681	14,002	14,946	15,261	17,001	17,383	18,522
Total pension liability - ending	\$ 16,780	\$ 13,681	\$ 14,002	\$ 14,946	\$ 15,261	\$ 17,001	\$ 17,383	\$ 18,522	\$ 18,781
Plan fiduciary net position:									
Net investment income	3,508	629	45	3,116	2,309	1,056	294	7,086	(2,944)
Contribution - employer	307	85							
Contribution - member	56	61	62	90	69	70	76	77	76
Benefit payments, including refunds of member contributions	(725)	(765)	(763)	(934)	(1,110)	(1,165)	(1,125)	(1,306)	(1,512)
Administrative expense	(32)	(33)	(35)	(55)	(37)	(36)	(37)	(34)	(35)
Net change in plan fiduciary net position	3,114	(23)	(691)	2,217	1,231	(75)	(792)	5,823	(4,415)
Plan fiduciary net position - beginning	20,349	23,463	23,440	22,749	24,966	26,197	26,122	25,330	31,153
Plan fiduciary net position - ending	23,463	23,440	22,749	24,966	26,197	26,122	25,330	31,153	26,738
Net position liability (asset) - ending	(6,683)	(9,759)	(8,747)	(10,020)	(10,936)	(9,121)	(7,947)	(12,631)	(7,957)
Plan fiduciary net position as a percentage of the total pension liability	139.83%	171.33%	162.47%	167.00%	171.70%	153.65%	145.72%	168.20%	142.37%
Covered payroll	\$ 1,267	\$ 1,298	\$ 1,334	\$ 1,297	\$ 1,399	\$ 1,363	\$ 1,470	\$ 1,470	\$ 1,544
Net pension liability (asset) as a percentage of covered employee payroll	(527.37)%	(751.38)%	(655.70)%	(772.55)%	(781.70)%	(669.19)%	(540.75)%	(859.30)%	(515.35)%

The reporting date is June 30, 2023 and the measurement date is June 30, 2022.

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Fire and Police Employees' Retirement System:										
Actuarially determined contribution	\$ 113,843	\$ 119,020	\$ 121,115	\$ 129,689	\$ 137,738	\$ 141,326	\$ 146,795	\$ 151,088	\$ 161,380	\$ 154,766
Contribution in relation to the actuarially determined contribution	113,843	119,020	121,115	129,689	137,738	141,326	146,795	151,088	161,380	154,766
Covered payroll	292,739	322,667	300,855	296,357	323,351	322,382	326,640	330,600	318,060	318,719
Contribution as a percentage of covered payroll	38.89%	36.39%	40.26%	43.76%	42.60%	43.84%	44.94%	45.70%	50.74%	48.56%
Elected Officials' Retirement System:										
Actuarially determined contribution	\$ 307	\$ 85	\$	\$	\$	\$	\$	\$	\$	\$
Contribution in relation to the actuarially determined contribution	307	85								
Covered payroll	1,267	1,299	1,334	1,297	1,399	1,363	1,470	1,431	1,544	1,583
Contribution as a percentage of covered payroll	24.23%	6.54%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

CITY OF BALTIMORE
Schedule of Changes in the Net OPEB Liability and Related Ratios
Ten-Year Trend Information
OPEB Fund
(Expressed in Thousands)

	2017	2018	2019	2020	2021	2022	2023
Total OPEB Liability							
Service Cost at end of year	\$ 29,652	\$ 30,838	\$ 29,956	\$ 52,654	\$ 51,945	\$ 32,225	\$ 24,031
Interest	93,367	94,514	100,281	149,945	150,398	99,388	65,353
Changes of benefit term			563,734		(455,349)	(455,348)	
Difference between expected and actual experience			(210,824)	(103,175)	(112,063)	(108,649)	(107,844)
Changes of assumption or other inputs		30,644	304,959		(280,793)		29,636
Benefits payments	(106,880)	(106,352)	(97,821)	(104,936)	(79,092)	(46,643)	(44,574)
Net changes in Total OPEB Liability	16,139	49,644	690,285	(5,512)	(724,954)	(479,027)	(33,398)
Total OPEB Liability - beginning	1,384,925	1,401,064	1,450,708	2,140,993	2,135,481	1,410,527	931,500
Total OPEB Liability - ending (a)	\$ 1,401,064	\$ 1,450,708	\$ 2,140,993	\$ 2,135,481	\$ 1,410,527	\$ 931,500	\$ 898,102
Plan Fiduciary Net Position							
Contribution - Employer	\$ 138,931	\$ 145,466	\$ 124,579	\$ 121,951	\$ 121,020	\$ 62,588	\$ 54,095
Net investment income	46,166	32,933	33,133	866	157,969	(70,869)	56,281
Benefit payments	(106,880)	(106,352)	(97,821)	(104,936)	(79,092)	(46,643)	(44,574)
Net change in Plan Fiduciary Net Position	78,217	72,047	59,891	17,881	199,897	(54,924)	65,802
Plan Fiduciary Net Position - beginning	438,342	516,559	588,606	648,497	666,378	866,275	811,351
Plan Fiduciary Net Position - ending (b)	516,559	588,606	648,497	666,378	866,275	811,351	877,153
Net OPEB liability - ending (a) - (b)	\$ 884,505	\$ 862,102	\$ 1,492,496	\$ 1,469,103	\$ 544,252	\$ 120,149	\$ 20,949

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

	2017	2018	2019	2020	2021	2022	2023
Total OPEB liability	\$ 1,401,064	\$ 1,450,708	\$ 2,140,993	\$ 2,135,481	\$ 1,410,527	\$ 931,500	\$ 898,102
Plan fiduciary net position	516,559	588,606	648,497	666,378	866,275	811,351	877,153
Net OPEB liability	884,505	862,102	1,492,496	1,469,103	544,252	120,149	20,949
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	36.9%	40.6%	30.3%	31.2%	61.4%	87.1%	97.7%
Covered payroll	1,464,035	1,345,680	1,196,671	1,352,753	1,467,615	1,410,294	1,410,294
Net OPEB liability as a percentage of covered payroll	60.4%	64.1%	124.7%	108.6%	37.1%	8.5%	1.5%
Average money weighted rate of return	10.5%	6.4%	5.8%	0.6%	21.4%	-8.0%	6.9%

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

CITY OF BALTIMORE
Schedule of the City's Proportionate Share of Net OPEB Liability
Ten-Year Trend Information
OPEB Fund
(Expressed in Thousands)

	2017	2018	2019	2020	2021	2022	2023
City's share of the net OPEB liability	71.4%	71.3%	84.5%	84.8%	98.8%	85.4%	85.4%
City's proportionate share of the net OPEB liability	\$ 625,170	\$ 614,351	\$ 1,260,559	\$ 1,245,666	\$ 537,868	\$ 102,595	\$ 17,889
City's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	42.7%	64.1%	124.7%	92.1%	36.6%	7.3%	1.3%
Plan fiduciary net position as a percentage of the total OPEB liability	36.9%	40.6%	30.3%	31.2%	61.4%	87.1%	97.7%

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

CITY OF BALTIMORE
Schedule of Employer Contributions
Ten-Year Trend Information
OPEB Fund
(Expressed in Thousands)

	2019	2020	2021	2022	2023
Actuarial determined contribution	\$ 175,567	\$ 182,546	\$ 181,645	\$ 80,595	\$ 36,373
Contributions in relations to the actuarial determined contributions	124,579	121,951	121,020	62,588	54,095
Contribution deficiency (excess)	\$ 50,988	\$ 60,595	\$ 60,625	\$ 18,007	\$ (17,222)
Covered payroll	\$ 1,196,671	\$ 1,352,753	\$ 1,467,615	\$ 1,410,294	\$ 1,410,294
Contributions as a percentage of covered payroll	10.4%	9.0%	8.2%	4.4%	3.8%

Note: This is the fifth year of presentation, per GASB 74. This will build into a 10 year schedule.
Prior to 2019 this information was not available.

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

1. Budgetary Data

Annual budgets are legally adopted for the General Fund and the Grants Fund with corresponding fundings from the General Fund for special revenue funds, 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 budget is prepared on a cash basis with the exception of certain normal and routine monthly accruals related to payroll.

The following procedures establish the budgetary data reflected in the financial statements:

Original Budget

- (1) City agencies submit their anticipated annual budget needs to the Department of Finance during December.
- (2) From December through March, the Mayor and the Department of Finance analyze, review, and refine the budget submittals.
- (3) In April, the Director of Finance sends its recommended budget plan to the Board of Estimates. The Board then holds hearings and the recommended budget is amended as necessary. Citizens have the opportunity to offer input before the Board votes on the budget.
- (4) In May, a majority vote of the Board of Estimates approves the total budget and sends it to the City Council. The Board of Estimates must submit the proposed budget for the next fiscal year to the City Council at least 45 days before the beginning of said fiscal year. The Board of Estimates prepares a proposed Ordinance of Estimates to be submitted to the City Council. The Ordinance of Estimates is the legal authority for the enactment of the budget.
- (5) The City Council then holds hearings on the proposed Ordinance of Estimates, with additional citizen input before it votes in June. The City Council shall adopt the budget at least five days before the beginning of the fiscal year. The City Council then sends the approved Ordinance of Estimates to the Mayor.
- (6) The Mayor then either approves the total Ordinance of Estimates, or disapproves some items and approves the rest of the Ordinance of Estimates.

Final Budget

The final budgetary data presented in the basic financial statements reflects the following changes to the original budget:

- (1) Appropriations for a particular program, purpose, activity, or project may, upon the recommendation of the head of the municipal agency concerned and the Director of Finance, and with the approval of the Board of Estimates, be carried over to the subsequent fiscal year to carry out the initial appropriation objectives. All appropriations not carried over lapse at the end of the fiscal year in which they were made. In addition, funds encumbered for contracts, purchase orders, approved requisitions or other actual commitments, as well as funds dedicated to grant programs and capital improvements are carried out over the ensuing fiscal year until utilized or cancelled.
- (2) The adopted budget is prepared and appropriated on an agency, program, activity, and object of expenditure basis by fund. Purchase orders which result in an operating or capital overrun are not released until additional appropriations are made available. Expenditures for each adopted operating budget may not legally exceed appropriations at the agency level. Administratively, the Department of Finance has the authority to move appropriations between activities of the same program within the same agency. The Board of Estimates has the authority to transfer appropriations between programs within the same agency. Only the City Council can transfer appropriations between agencies.
- (3) The City Charter permits further appropriations for programs included in the original Ordinance of Estimates made necessary by material changes in circumstances and additional appropriations for new programs or grant awards which could not reasonably be anticipated when formulating the original Ordinance of Estimates. These changes require

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

supplemental appropriation ordinances. During fiscal year 2023, a supplemental appropriation ordinance was required for the general fund in the amount of \$39,688,000.

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

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

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

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

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

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

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

The City of Baltimore provides other postemployment benefits (OPEB) to all qualified City and BCPSS employees. The OPEB Trust Fund does not issue separate financial statements but is included in the City's financial statements as a fiduciary trust fund.

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Combining and Individual Fund Statement and Schedules



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Nonmajor Governmental Funds

Special Revenue Funds

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

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

Scholarship Fund - This fund accounts for the contributions received and related interest income. The fund can be used to provide scholarships to City residents.

Permanent Funds

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for the purposes that fund and support the reporting government's programs.

Enoch Pratt Free Library Fund - This fund accounts for principal trust amounts received and the related interest income. The interest portion of the trust can be used for the operations of the Enoch Pratt Free Library.

Memorial Fund - This fund accounts for the principal trust amounts received and the related interest income. The interest portion of the trust can be used by the City for memorials.

CITY OF BALTIMORE
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2023
(Expressed in Thousands)

	Special Revenue Funds									Permanent Funds			Total Nonmajor Governmental Funds
	Community Development Block Grant Fund	School Construction Fund	Baltimore Casino Fund	State Video Lottery Terminal Fund	Scholarship Fund	Table Game Fund	Affordable Housing Trust Fund	Children and Youth Fund	Total	Enoch Pratt Free Library Fund	Memorial Fund	Total	
	Assets:												
Cash and cash equivalents.....	\$ 18	\$ 2,004	\$ 2,980	\$ 8,252	\$ 6,069	\$ 4,003	\$ 46,485	\$ 20,389	\$ 90,200	\$ 259	\$ 610	\$ 869	\$ 91,069
Investments.....					699				699	2,490	9,856	12,346	13,045
Other receivables, net.....	33,531	344							33,875				33,875
Due from other government.....		285	1,436			286			2,007				2,007
Total assets.....	33,549	2,633	4,416	8,252	6,768	4,289	46,485	20,389	126,781	2,749	10,466	13,215	139,996
Liabilities, deferred inflows of resources and fund balances:													
Liabilities:													
Accounts payable and accrued liabilities.....	3,871		593	150		12	13	1,625	6,264				6,264
Due to other funds.....	29,400								29,400				29,400
Total liabilities.....	33,271		593	150		12	13	1,625	35,664				35,664
Total liabilities.....	33,271		593	150		12	13	1,625	35,664				35,664
Fund balances:													
Restricted.....					6,768		46,472	18,764	72,004	2,749	10,466	13,215	85,219
Assigned.....	278	2,633	3,823	8,102		4,277			19,113				19,113
Total fund balances.....	278	2,633	3,823	8,102	6,768	4,277	46,472	18,764	91,117	2,749	10,466	13,215	104,332
Total liabilities, deferred inflows of resources and fund balances.....	\$ 33,549	\$ 2,633	\$ 4,416	\$ 8,252	\$ 6,768	\$ 4,289	\$ 46,485	\$ 20,389	\$ 126,781	\$ 2,749	\$ 10,466	\$ 13,215	\$ 139,996

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Nonmajor Proprietary Fund

Enterprise Fund

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

Conduit Fund - This fund accounts for the rental, operation, maintenance and development of the City's Conduits.

CITY OF BALTIMORE
Combining Statement of Net Position
Nonmajor Proprietary Fund
June 30, 2023
(Expressed in Thousands)

	Conduit Fund
Assets:	
Current assets:	
Accounts receivable, net:	
Other.....	\$ 14,362
Total current assets.....	<u>14,362</u>
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents.....	7,599
Capital assets, net of accumulated depreciation.....	210,476
Capital assets not being depreciated.....	32,707
Total noncurrent assets.....	<u>250,782</u>
Total assets.....	<u>265,144</u>
Deferred outflows of resources	
Deferred outflows related to pension	342
Deferred outflows related to OPEB	637
Total deferred outflows of resources.....	<u>979</u>
Total assets and deferred outflows of resources.....	<u>266,123</u>
Liabilities and deferred inflows of resources:	
Current liabilities:	
Accounts payable and accrued liabilities.....	1,513
Due to other funds.....	48,401
Compensated absences.....	260
Current liabilities payable from restricted assets:	
Accounts payable from restricted assets.....	7,030
Total current liabilities.....	<u>57,204</u>
Noncurrent liabilities:	
Net pension liability	3,681
Net OPEB liability	764
Compensated absences.....	296
Total noncurrent liabilities.....	<u>4,741</u>
Total liabilities.....	<u>61,945</u>
Deferred inflows of resources:	
Deferred inflows related to pension	132
Deferred inflows related to OPEB	1,654
Total deferred inflows of resources.....	<u>1,786</u>
Total liabilities and deferred inflows of resources.....	<u>63,731</u>
Net position:	
Net investment in capital assets	457,255
Unrestricted.....	<u>(254,863)</u>
Total net position.....	<u>\$ 202,392</u>

CITY OF BALTIMORE
Combining Statement of Revenues, Expenses,
and Changes in Net Position
Nonmajor Proprietary Fund
For the Year Ended June 30, 2023
(Expressed in Thousands)

	Conduit Fund
Operating revenues:	
Rents, fees, and other income	\$ 41,134
Total operating revenues	<u>41,134</u>
Operating expenses:	
Salaries and wages	6,178
Other personnel costs	1,035
Contractual services	3,087
Materials and supplies	117
Minor equipment	11
Depreciation	1,979
Total operating expenses	<u>12,407</u>
Income before capital contributions and transfers	28,727
Capital contributions (distribution)	<u>(19,520)</u>
Changes in net position	9,207
Total net position - beginning	<u>193,185</u>
Total net position - ending	<u>\$ 202,392</u>

CITY OF BALTIMORE
Combining Statement of Cash Flows
Nonmajor Proprietary Fund
For the Year Ended June 30, 2023
(Expressed in Thousands)

	Conduit Fund
Cash flows from operating activities:	
Receipts from customers.....	\$ 69,224
Payments to employees.....	(6,457)
Payments to suppliers.....	(6,913)
Net cash provided by operating activities.....	<u>55,854</u>
Cash flow from capital and related financing activities:	
Acquisition and construction of capital assets.....	(55,672)
Capital contributions (reduction).....	(19,520)
Net cash provided by capital and related financing activities.....	<u>(75,192)</u>
Net increase (decrease) in cash and cash equivalents.....	(19,338)
Cash and cash equivalents, beginning of year.....	<u>26,937</u>
Cash and cash equivalents, end of year.....	<u>\$ 7,599</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 28,727</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense.....	1,979
Accounts receivable.....	(125)
Other assets.....	28,215
Deferred outflows - pension	286
Deferred outflows - OPEB	(282)
Accounts payable and accrued liabilities.....	1,141
Other liabilities	(4,970)
Other noncurrent liabilities	(28)
Pension liability - current period	1,091
OPEB liability - current period	(559)
Deferred inflows - pension.....	99
Deferred inflows - OPEB.....	280
Total adjustments.....	<u>27,127</u>
Net cash provided by operating activities.....	<u>\$ 55,854</u>

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.

Municipal Communication Fund - This fund accounts for the repair and maintenance of the City's radios.

Mobile Equipment Fund - This fund accounts for the service, repair, operation, and replacement of the City's equipment fleet.

Reproduction and Printing Fund - This fund accounts for the operation of the City's printing shop.

Municipal Post Office Fund - This fund accounts for the operations of the City's internal post office facility.

Municipal Telephone Exchange Fund - This fund accounts for the administration and operations of the City's telephone exchange.

Building Maintenance Fund - This fund accounts for repairs and maintenance in City-owned buildings.

Hardware and Software Replacement Fund - This fund accounts for the cost of maintaining the City's software licensing agreements and hardware refreshes.

CITY OF BALTIMORE
Combining Statement of Fund Net Position
Internal Service Funds
June 30, 2023
(Expressed in Thousands)

	Municipal Communication Fund	Mobile Equipment Fund	Reproduction and Printing Fund	Municipal Post Office Fund	Municipal Telephone Exchange Fund	Building Maintenance Fund	Hardware and Software Replacement Fund	Total
Assets:								
Current assets:								
Cash and cash equivalents.....	\$ 2,403				\$ 3,845		\$ 5,184	\$ 11,432
Accounts receivable, net:								
Other.....		\$ 358	\$ 199		17	\$ 343		917
Due to other fund.....					1,396			1,396
Inventories.....		10,890	806	\$ 966				12,662
Total current assets.....	2,403	11,248	1,005	966	5,258	343	5,184	26,407
Noncurrent assets:								
Restricted cash.....	698	101,452						102,150
Capital assets, net.....	2,755	74,324		19				77,098
Total noncurrent assets.....	3,453	175,776		19				179,248
Total assets.....	5,856	187,024	1,005	985	5,258	343	5,184	205,655
Liabilities:								
Current liabilities:								
Accounts payable and accrued liabilities.....	376	15,381	478	666	1,795	8,232	936	27,864
Due to other funds.....		32,109	4,038	1,341		2,685		40,173
Financed purchases.....	1,882	22,632						24,514
Compensated absences.....	27	703	42	25	81	310		1,188
Total current liabilities.....	2,285	70,825	4,558	2,032	1,876	11,227	936	93,739
Noncurrent liabilities:								
Financed purchases.....	5,895	87,382						93,277
Compensated absences.....	41	834	69	38	267	373		1,622
Total noncurrent liabilities.....	5,936	88,216	69	38	267	373		94,899
Total liabilities.....	8,221	159,041	4,627	2,070	2,143	11,600	936	188,638
Net position:								
Net investment in capital assets.....		(35,690)						(35,690)
Unrestricted (deficit).....	(2,365)	63,673	(3,623)	(1,085)	3,115	(11,257)	4,248	52,706
Total net position.....	\$ (2,365)	\$ 27,983	\$ (3,622)	\$ (1,085)	\$ 3,115	\$ (11,257)	\$ 4,248	\$ 17,017

CITY OF BALTIMORE
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Internal Service Funds
For the Year Ended June 30, 2023
(Expressed in Thousands)

	Municipal Communication Fund	Mobile Equipment Fund	Reproduction and Printing Fund	Municipal Post Office Fund	Municipal Telephone Exchange Fund	Building Maintenance Fund	Hardware and Software Replacement Fund	Total
Operating revenues:								
Charges for services.....	\$ 8,572	\$ 69,590	\$ 248	\$ 4,076	\$ 12,078	\$ 27,852	\$ 5,955	\$ 128,371
Operating expenses:								
Salaries and wages.....	697	15,319	891	478	1,689	6,109		25,183
Other personnel costs.....	147	5,733	228	162	287	1,492		8,049
Contractual services.....	3,690	45,672	1,401	4,421	9,040	32,627	245	97,096
Materials and supplies.....		2,051	786	846	3	989		4,675
Minor equipment.....	27	(88)	5		27	7	6,232	6,210
Depreciation.....	1,836	14,386		24				16,246
Total operating expenses.....	6,397	83,073	3,311	5,931	11,046	41,224	6,477	157,459
Operating income (loss).....	2,175	(13,483)	(3,063)	(1,855)	1,032	(13,372)	(522)	(29,088)
Nonoperating revenues:								
Interest expense.....		(5,422)						(5,422)
Loss on sale of equipment.....		(329)						(329)
Total nonoperating revenues, net.....		(5,751)						(5,751)
Change in net position.....	2,175	(19,234)	(3,063)	(1,855)	1,032	(13,372)	(522)	(34,839)
Total net position - beginning.....	(4,540)	47,217	(560)	770	2,083	2,115	4,770	51,855
Total net position - ending.....	\$ (2,365)	\$ 27,983	\$ (3,623)	\$ (1,085)	\$ 3,115	\$ (11,257)	\$ 4,248	\$ 17,016

CITY OF BALTIMORE
Combining Statement of Cash Flows
Internal Services Funds
For the Year Ended June 30, 2023
(Expressed in Thousands)

	Municipal Communication Fund	Mobile Equipment Fund	Reproduction and Printing Fund	Municipal Post Office Fund	Municipal Telephone Exchange Fund	Building Maintenance Fund	Hardware and Software Replacement Fund	Total
Cash flows from operating activities:								
Receipts from customers.....	\$ 8,572	\$ 94,886	\$ 3,104	\$ 5,068	\$ 12,077	\$ 30,442	\$ 5,955	\$ 160,104
Payments to employees.....	(850)	(20,856)	(1,089)	(625)	(1,935)	(7,431)		(32,786)
Payments to suppliers.....	(3,961)	(39,625)	(2,015)	(4,639)	(7,578)	(29,620)	(5,541)	(92,979)
Net cash provided (used) by operating activities.....	3,761	34,405		(196)	2,564	(6,609)	414	34,339
Cash flows from capital and related financing activities:								
Acquisition and construction of capital assets.....		(158)						(158)
Financed purchases payment	(1,843)							(1,843)
Interest paid		(5,422)						(5,422)
Net cash (used) by capital and related financing activities.....	(1,843)	(5,580)						(7,423)
Net increase (decrease) in cash and cash equivalents....	1,918	28,825		(196)	2,564	(6,609)	414	26,916
Cash and cash equivalents, beginning of year.....	1,183	72,627		196	1,281	6,609	4,770	86,666
Cash and cash equivalents, end of year.....	\$ 3,101	\$ 101,452	\$	\$	\$ 3,845	\$	\$ 5,184	\$ 113,582
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:								
Operating income (loss).....	\$ 2,175	\$ (13,483)	\$ (3,063)	\$ (1,855)	\$ 1,032	\$ (13,372)	\$ (522)	\$ (29,088)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:								
Depreciation.....	1,836	14,386		23				16,245
Changes in noncash operating assets and liabilities:								
Accounts receivable.....		(358)	(130)			(95)		(583)
Inventories.....		(4,017)	(80)	(349)				(4,446)
Accounts payable and accrued liabilities.....	(249)	8,010	210	641	1,523	4,222	936	15,293
Compensated Absences.....	(1)		(3)	3				(1)
Due to other funds.....		29,671	3,066	1,341	9	2,685		36,772
Other liabilities		196				(49)		147
Total adjustments.....	1,586	47,888	3,063	1,659	1,532	6,763	936	63,427
Net cash provided (used) by operating activities.....	\$ 3,761	\$ 34,405	\$	\$ (196)	\$ 2,564	\$ (6,609)	\$ 414	\$ 34,339
Noncash activity from capital and related financing activities:								
New financed purchases		\$ 26,009						\$ 26,009
Total noncash activity from capital and related financing activities	\$	\$ 26,009						\$ 26,009

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.

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

CITY OF BALTIMORE
Combining Statement of Fiduciary Net Position
Pension and OPEB Trust Funds
June 30, 2023
(Expressed In Thousands)

	Employees' Retirement System	Elected Officials' Retirement System	Fire and Police Employees' Retirement System	OPEB Trust Fund	Total
Assets:					
Cash and cash equivalents	\$ 40,870	\$ 120	\$ 42,000	\$ 31,295	\$ 114,285
Investments:					
Stocks	923,044	18,012	1,441,369	609,019	2,991,444
Bonds	366,292	5,647	450,942	154,679	977,560
Real estate	273,959	3,389	307,836	84,321	669,505
Private equity and hedge fund	429,184		832,973		1,262,157
Securities lending collateral	43,881		12,079		55,960
Forward foreign contracts	12,449		2,152		14,601
Other assets	21,477	132	13,902	1,244	36,755
Total assets	2,111,156	27,300	3,103,253	880,558	6,122,267
Liabilities:					
Obligations under securities lending program	43,881		12,079		55,960
Forward foreign contracts	12,449		2,152		14,601
Accounts payable	20,929		14,164	3,405	38,498
Pension benefits payable		20			20
Total liabilities	77,259	20	28,395	3,405	109,079
Net position:					
Net position restricted for pensions	\$ 2,033,897	\$ 27,280	\$ 3,074,858		\$ 5,136,035
Net position restricted for OPEB				\$ 877,153	\$ 877,153

CITY OF BALTIMORE
Combining Statement of Changes in Fiduciary Net Position
Pension and OPEB Trust Funds
For the year Ended June 30, 2023
(Expressed In Thousands)

	Employees' Retirement System	Elected Officials' Retirement System	Fire and Police Employees' Retirement System	OPEB Trust Fund	Total
Additions:					
Contributions:					
Employer	\$ 94,788		\$ 153,984	\$ 54,095	\$ 302,867
Employee	22,144	\$ 80	32,088	43,437	97,749
Total contributions	116,932	80	186,072	97,532	400,616
Investment income:					
Net appreciation fair value of investments	86,087	1,504	163,882	44,832	296,305
Securities lending income, net	211		195		406
Interest and dividend income	34,792	613	75,012	15,897	126,314
Total investment income	121,090	2,117	239,089	60,729	423,025
Less: investment expense	90	62	15,892	4,448	20,492
Net investment income	121,000	2,055	223,197	56,281	402,533
Total additions	237,932	2,135	409,269	153,813	803,149
Deductions:					
Retirement benefits	170,579	1,533	264,546		436,658
Health benefits				88,011	88,011
Death benefits	870		615		1,485
Administrative expenses	5,069	60	5,252		10,381
Other	1,820		20,082		21,902
Total deductions	178,338	1,593	290,495	88,011	558,437
Changes in net position	59,594	542	118,774	65,802	244,712
Net position restricted for pensions and OPEB - beginning of the year	1,974,304	26,737	2,956,084	811,351	5,768,476
Net position restricted for pensions and OPEB - end of the year	\$ 2,033,898	\$ 27,279	\$ 3,074,858	\$ 877,153	\$ 6,013,188

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STATISTICAL SECTION



See Report of Independent Public Accountants

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CITY OF BALTIMORE

Statistical Section

(Unaudited)

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

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Financial Trends

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CITY OF BALTIMORE
Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Expressed in Thousands)

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Governmental activities										
Net investment in capital assets	\$ 2,569,231	\$ 2,520,873	\$ 2,464,962	\$ 2,528,116	\$ 2,574,640	\$ 2,520,881	\$ 2,628,359	\$ 2,561,824	\$ 2,619,065	\$ 2,212,781
Restricted.....	22,598	15,946	24,669	400,063	483,623	527,293	533,780	548,492	548,272	607,148
Unrestricted.....	(442,540)	(1,759,089)	(1,662,259)	(1,951,655)	(2,771,072)	(3,416,173)	(3,838,247)	(3,756,368)	(3,301,360)	(3,265,506)
Total governmental activities										
net position.....	\$ 2,149,289	\$ 777,730	\$ 827,372	\$ 976,524	\$ 287,191	\$ (367,999)	\$ (676,108)	\$ (646,052)	\$ (134,023)	\$ (445,577)
Business-type activities										
Net investment in capital assets	\$ 2,215,884	\$ 2,379,232	\$ 2,386,644	\$ 2,981,404	\$ 3,383,394	\$ 3,345,821	\$ 3,475,643	\$ 3,554,754	\$ 3,393,693	\$ 3,510,817
Restricted.....	180,965	157,613	165,076	162,084	161,308	181,109	184,072	257,759	292,386	363,595
Unrestricted.....	123,976	136,251	413,302	85,565	(92,013)	176,933	237,107	369,574	613,755	557,993
Total business-type activities										
net position.....	\$ 2,520,825	\$ 2,673,096	\$ 2,965,022	\$ 3,229,053	\$ 3,452,689	\$ 3,703,863	\$ 3,896,822	\$ 4,182,087	\$ 4,299,834	\$ 4,432,405
Primary government										
Net investment in capital assets	\$ 4,785,115	\$ 4,900,105	\$ 4,851,606	\$ 5,509,520	\$ 5,958,034	\$ 5,866,702	\$ 6,104,002	\$ 6,116,578	\$ 6,012,758	\$ 5,723,598
Restricted.....	203,563	173,559	189,745	562,147	644,931	708,402	717,852	806,251	840,658	970,743
Unrestricted.....	(318,564)	(1,622,838)	(1,248,957)	(1,866,090)	(2,863,085)	(3,239,240)	(3,601,140)	(3,386,794)	(2,687,605)	(2,707,513)
Total primary government										
net position.....	\$ 4,670,114	\$ 3,450,826	\$ 3,792,394	\$ 4,205,577	\$ 3,739,880	\$ 3,335,864	\$ 3,220,714	\$ 3,536,035	\$ 4,165,811	\$ 3,986,828

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

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Expenses										
Government activities:										
General government	\$ 278,892	\$ 294,987	\$ 303,696	\$ 249,415	\$ 404,025	\$ 524,515	\$ 400,893	\$ 469,895	\$ 680,482	\$ 643,985
Public safety and regulation	673,680	692,155	744,940	764,040	781,830	1,228,602	929,667	540,675	495,295	884,812
Conservation of health	125,383	112,575	116,592	119,811	134,743	169,216	153,361	238,343	102,496	223,809
Social services	112,301	102,809	109,591	120,630	95,107	103,384	96,066	109,391	46,078	71,198
Education	306,128	302,568	299,699	278,881	383,934	494,735	556,361	445,278	415,151	663,354
Public library.....	34,550	35,063	34,150	34,531	35,189	46,150	43,288	44,795	47,844	48,600
Recreation and culture	52,540	51,367	53,657	58,124	59,049	68,491	70,023	50,955	57,420	81,437
Highways and streets	172,330	185,601	192,487	169,147	165,800	181,100	171,571	171,578	109,502	227,609
Sanitation and waste removal	63,623	67,445	70,823	76,638	81,877	98,499	88,140	93,298	96,363	120,261
Public service	50,260	51,041	49,475	53,188	50,052	103,340	59,833	64,306	749	32,600
Economic development	208,870	141,772	126,430	133,594	131,347	188,852	148,659	200,302	133,416	166,988
Interest	41,967	41,078	30,518	28,857	77,530	52,787	57,496	43,994	25,705	35,000
Total governmental activities expenses	2,120,524	2,078,461	2,132,058	2,086,856	2,400,483	3,259,671	2,775,358	2,472,810	2,210,501	3,199,113
Business-type Activities:										
Water	155,308	160,208	170,637	167,667	147,289	158,089	202,211	193,828	197,622	226,707
Waste water	179,306	182,769	193,563	193,055	207,730	237,396	276,754	272,330	275,487	331,684
Stormwater	18,292	15,747	19,365	21,521	26,175	25,299	27,206	24,515	39,556	20,309
Parking	23,528	19,183	18,125	27,939	17,797	24,038	15,145	20,808	7,693	13,092
Nonmajor proprietary	10,753	11,607	12,148	13,703	10,087	11,142	11,577	14,377	22,717	12,518
Total business-type activities expenses	387,187	389,514	413,838	423,885	409,078	455,964	532,893	525,858	543,075	604,310
Total primary government expenses	\$ 2,507,711	\$ 2,467,975	\$ 2,545,896	\$ 2,510,741	\$ 2,809,561	\$ 3,715,635	\$ 3,308,251	\$ 2,998,668	\$ 2,753,576	\$ 3,803,423
Program Revenues										
Governmental activities:										
Charges for services (a)	\$ 103,331	\$ 107,482	\$ 103,190	\$ 103,151	\$ 111,154	\$ 122,790	\$ 119,799	\$ 106,621	\$ 103,576	\$ 104,068
Operating grants and contributions	431,515	318,266	347,636	344,684	324,457	365,771	378,546	471,637	453,220	603,774
Capital grants and contributions	71,806	54,788	25,284	83,501	41,095	67,257	151,510	69,483	43,478	39,217
Total governmental activities revenue	606,652	480,536	476,110	531,336	476,706	555,818	649,855	647,741	600,274	747,059
Business-type activities:										
Charges for services:										
Water	158,678	176,439	160,865	163,563	178,367	175,492	216,396	243,563	278,280	232,752
Waste water	221,181	216,428	229,300	235,133	258,386	276,844	270,764	289,812	278,131	304,453
Stormwater	27,511	25,971	27,807	29,309	28,552	28,540	30,943	31,462	37,882	37,163
Parking	87,398	85,634	87,145	88,454	85,257	76,801	69,697	38,693	56,537	60,104
Nonmajor proprietary	14,385	13,916	37,505	11,744	28,639	34,627	35,986	36,712	36,807	41,134
Capital Grants and Contributions	131,574	201,880	259,288	217,959	169,154	161,469	162,602	195,057	16,230	103,471
Total Business-type Activities Revenue	640,727	720,268	801,910	746,162	748,355	753,773	786,388	835,299	703,867	779,077
Total Primary Government Revenues	1,247,379	1,200,804	1,278,020	1,277,498	1,225,061	1,309,591	1,436,243	1,483,040	1,304,141	1,526,136
Net (Expense)/Revenue										
Government Activities	(1,513,872)	(1,597,925)	(1,655,948)	(1,555,520)	(1,923,777)	(2,703,853)	(2,125,503)	(1,825,069)	(1,610,227)	(2,452,054)
Business-type Activities	253,540	330,754	388,072	322,277	339,277	297,809	253,495	309,441	160,792	174,767
Total Primary Government Net Expenses	\$ (1,260,332)	\$ (1,267,171)	\$ (1,267,876)	\$ (1,233,243)	\$ (1,584,500)	\$ (2,406,044)	\$ (1,872,008)	\$ (1,515,628)	\$ (1,449,435)	\$ (2,277,287)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property taxes	\$ 810,824	\$ 816,199	\$ 852,114	\$ 853,197	\$ 886,417	\$ 909,254	\$ 882,332	\$ 977,299	\$ 1,034,569	\$ 1,056,930
Income taxes	284,437	300,014	346,727	335,923	346,797	440,144	396,540	410,712	449,876	455,975
Other local taxes	204,391	193,595	242,426	240,278	187,754	263,381	175,770	209,918	353,372	281,966
State shared revenues	131,180	147,608	153,195	159,022	170,240	166,082	163,417	155,527	190,226	205,090
Unrestricted investment income	16,722	19,431	34,782	21,634	28,296	48,730	34,734	16,598	24,739	66,839
Miscellaneous	32,581	88,734	33,073	32,523	124,395	161,944	94,212	60,895	26,429	31,504
Transfers	(195,564)	61,495	100,737	62,095	59,295	59,128	56,482	24,176	43,045	42,196
Total Governmental Activities	1,284,571	1,627,076	1,763,054	1,704,672	1,803,194	2,048,663	1,803,487	1,855,125	2,122,256	2,140,500
Business-type Activities:										
Unrestricted investment income	2,186	5,809	4,591	3,849	5,535	12,493	9,853	-	-	-
Transfers	195,564	(61,495)	(100,737)	(62,095)	(59,295)	(59,128)	(56,482)	(24,176)	(43,045)	(42,196)
Total Business-type activities	197,750	(55,686)	(96,146)	(58,246)	(53,760)	(46,635)	(46,629)	(24,176)	(43,045)	(42,196)
Total primary government	1,482,321	1,571,390	1,666,908	1,646,426	1,749,434	2,002,028	1,756,858	1,830,949	2,079,211	2,098,304
Change in Net Position										
Governmental activities	(229,301)	29,151	107,106	149,152	(120,583)	(655,190)	(322,016)	30,056	512,029	(311,554)
Business-type activities	451,290	275,068	291,926	264,031	285,517	251,174	206,866	285,265	117,747	132,571
Total primary government	\$ 221,989	\$ 304,219	\$ 399,032	\$ 413,183	\$ 164,934	\$ (404,016)	\$ (115,150)	\$ 315,321	\$ 629,776	(\$178,983)

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

CITY OF BALTIMORE
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified Accrued Basis of Accounting)
(Expressed in Thousands)

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Fund										
Nondisposable	\$ 5,519	\$ 5,519	\$ 297,255	\$ 2,260	\$ 2,210	\$ 3,028	\$ 3,179	\$ 2,051	\$ 1,726	\$ 6,007
Restricted				380,996	423,673	431,094	428,824	433,047	378,302	333,536
Assigned	188,946	174,647	244,257	197,220	221,658	257,252	237,026	180,620	329,917	282,695
Unassigned	106,022	112,642	134,300	134,327	163,604	145,945	139,661	152,864	157,271	320,912
Total General Fund	\$ 300,487	\$ 292,808	\$ 675,812	\$ 714,803	\$ 811,145	\$ 837,319	\$ 808,690	\$ 768,582	\$ 867,216	\$ 943,150
All Other Governmental Funds										
Restricted										
Grants revenue fund					\$ 2,449	\$ 21,606				
Capital projects fund	\$ 9,256	\$ 2,190	\$ 10,743	\$ 5,081	8,448	31,000	\$ 10,689	\$ 7,558	\$ 27,847	\$ 78,287
Other nonmajor funds	13,342	13,756	13,926	13,986	14,688	18,057	42,537	40,316	68,819	85,219
Assigned										
Capital projects fund					5,064	56,946	98,777	86,406		
Other nonmajor funds	53,217	58,095	10,068	11,234	8,794	16,929	16,644	19,038	17,721	19,113
Unassigned										
Grants revenue fund	(83,355)	(77,836)	(36,799)	(13,584)						(84)
Capital projects fund	(13,612)	(7,576)	(14,628)	(8,966)						(863)
Other nonmajor funds	(9,451)	(12,399)			(1,819)		(1,432)			
Total all other Governmental Funds	\$ (30,603)	\$ (23,770)	\$ (16,690)	\$ 7,751	\$ 37,624	\$ 144,538	\$ 167,215	\$ 153,318	\$ 114,387	\$ 181,672

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

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue:										
General fund:										
Taxes - local	\$ 1,258,118	\$ 1,284,515	\$ 1,426,286	\$ 1,410,593	\$ 1,406,403	\$ 1,535,001	\$ 1,490,708	\$ 1,568,679	\$ 1,820,590	\$ 1,742,360
State shared revenue	\$131,180	137,714	142,213	140,451	146,174	146,085	148,910	141,732	175,035	187,042
Licenses and permits	41,457	41,584	48,829	44,450	41,043	38,880	34,042	31,702	27,391	25,610
Fines and forfeitures	14,673	15,325	8,365	7,192	27,085	34,939	36,093	35,484	33,314	35,336
Interest, rentals, and other investment income	15,833	17,181	33,991	21,082	27,071	46,140	32,027	13,834	21,808	64,164
Intergovernmental grants										132,434
Federal grants	261	275	217	480	79		16,719	85,039	57,888	
State grants	102,786	105,059	104,585	105,705	104,644	98,528	107,973	107,204	101,891	
Other grants	26	26	26	26	27	26				
Charges for services	47,201	50,573	45,996	51,509	43,026	48,971	49,664	39,435	42,871	43,122
Miscellaneous	5,757	5,730	459	7,300		8,560	4,492	6,693	6,636	3,354
Total revenues - general fund	1,617,292	1,657,982	1,810,967	1,788,788	1,795,552	1,957,130	1,920,628	2,029,802	2,287,424	2,233,422
Other governmental funds:										
Grants revenue fund	242,805	223,148	222,291	226,145	233,957	242,604	236,726	268,121	281,944	447,021
Capital projects fund	91,069	66,983	45,370	105,487	62,019	149,195	167,792	81,726	57,369	53,613
Other funds	36,279	41,327	40,792	47,068	56,090	64,161	66,619	56,737	74,300	80,691
Total revenues - other governmental funds	370,153	331,458	308,453	378,700	352,066	455,960	471,137	406,584	413,613	581,325
Total revenues all government funds	1,987,445	1,989,440	2,119,420	2,167,488	2,147,618	2,413,090	2,391,765	2,436,386	2,701,037	2,814,747
Expenditures:										
General fund:										
General government	216,329	258,028	281,616	249,579	155,606	267,831	259,968	415,463	433,325	435,450
Public safety and regulation	625,432	679,202	702,632	730,093	766,230	831,453	799,401	810,793	867,723	745,296
Conservation of health	23,778	20,887	19,663	21,882	38,648	36,077	37,785	132,450	63,706	58,239
Social services	76,857	64,249	73,851	86,353	59,899	68,539	56,519	65,812	5,778	19,944
Education	273,241	265,939	269,937	276,324	293,355	289,410	288,912	304,669	282,743	336,714
Public library	24,577	24,942	24,856	24,812	24,505	26,784	27,886	24,794	27,282	30,946
Recreation and culture	39,796	39,349	41,884	44,392	43,845	45,574	51,897	51,558	50,672	63,368
Highways and streets	102,308	113,452	125,440	96,537	99,848	102,468	99,702	107,305	147,151	146,889
Sanitation and waste removal	59,837	64,422	72,642	72,380	75,384	78,238	81,719	94,402	95,638	109,558
Public service	41,241	43,895	42,947	44,769	42,579	44,863	49,689	51,149	29,676	16,025
Economic development	49,348	49,069	39,499	34,276	41,634	52,998	63,843	50,473	73,146	53,447
Debt service-Principal			42,956	60,646	51,466	60,922	66,913	55,403	61,575	67,878
Debt service-Interest			24,786	37,042	43,247	44,425	56,683	47,399	32,419	40,437
Other bonds cost			2,033	6,318						
Total expenditures - general fund	1,532,744	1,623,434	1,764,742	1,785,403	1,736,246	1,949,582	1,940,917	2,211,670	2,170,834	2,124,191
Other government funds:										
Grants revenue fund	275,977	223,964	238,344	218,716	221,811	242,441	273,949	293,820	329,217	475,112
Capital projects fund	160,874	172,688	173,201	154,671	186,541	241,506	258,800	153,872	161,181	177,426
Debt service fund:										
Principal	44,483	38,912								
Interest	31,708	31,005								
Other bond costs	6,178	6,135								
Other funds	23,133	31,107	29,565	34,101	41,857	37,119	41,958	56,757	41,074	57,374
Total expenditures - other government funds	542,353	503,811	441,110	407,488	450,209	521,066	574,707	504,449	531,472	709,912
Total expenditures all governmental funds	2,075,097	2,127,245	2,205,852	2,192,891	2,186,455	2,470,648	2,515,624	2,716,119	2,702,306	2,834,103
Excess (deficiency) of revenues over expenditures	(87,652)	(137,805)	(86,432)	(25,403)	(38,837)	(57,558)	(123,859)	(279,733)	(1,269)	(19,356)
Other financing sources (uses):										
Transfers, net	56,828	61,495	100,038	60,289	57,703	64,777	57,882	24,176	43,045	42,196
Leases			8,978		29,618					
Issuance of debt									17,927	
Proceeds from leases										3,524
Proceeds from subscriptions issued (SBITA)										7,348
Refunding leases					(4,563)					
Face value of bonds and loans	5,414	64,249	92,317	1,907	225,155	121,406	43,560	55,843		
Refunding of bonds				(377,111)	(133,560)	3,675	(36,720)			7,797
Transportation revenue bonds		9,609	(13,833)		14,924	(8,004)	47,209	137,485		
Swap termination										
Premium (discount) on sale of bonds		1,606	3,220		35,923		5,976	8,224		101,710
Proceeds from bond issuances				403,750		8,792				
Capital contributions	(20,421)									
Payoff of bond anticipation note					(60,148)					
Total other financing sources	41,821	136,959	190,720	88,835	165,052	190,646	117,907	225,728	60,972	162,575
Net changes in fund balances	\$ (45,831)	\$ (846)	\$ 104,288	\$ 63,432	\$ 126,215	\$ 133,088	\$ (5,952)	\$ (54,005)	\$ 59,703	\$ 143,219
Debt service as a percentage of noncapital expenditures	3.89%	3.52%	3.26%	4.66%	4.61%	4.53%	5.36%	3.96%	3.57%	3.87%

Revenue Capacity

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CITY OF BALTIMORE

**Property Tax Levies and Collections
Last Ten Fiscal Years
(Expressed in Thousands)**

Fiscal Year	Total Tax Levy	Collected within due Fiscal Year of the Levy	Percent of Levy Collected	Collections in Subsequent Years	Total Tax Collection	Percent of Total Tax Collections to Tax Levy
2014	\$ 755,711	\$ 741,449	98.1	\$ 14,263	\$ 774,254	99.5 %
2015	778,380	762,772	98.0	12,061	772,040	96.0
2016	804,391	760,686	94.6	3,278	808,328	95.0
2017	851,099	808,328	95.0	33,196	841,524	98.9
2018	892,079	865,223	97.0	11,095	876,318	98.2
2019	901,885	870,822	96.6	2,388	873,210	96.8
2020	924,357	887,452	96.0	19,491	906,943	98.1
2021	934,187	906,201	97.0	13,273	919,474	97.0
2022	957,351	933,828	97.5		933,828	97.5
2023	979,383	946,088	96.6		946,088	96.6

CITY OF BALTIMORE

**Assessed and Estimate Actual Value of Taxable Property
Last Ten Fiscal Years
(Expressed in Thousands)**

Fiscal Year	Real Property		Personal Property		Total		Ratio of Total Assessed Value to Total Estimate Actual Value %	Total Direct TaxRate
	Assessed Value	Estimate Actual Value	Assessed Value	Estimate Actual Value	Assessed Value	Estimate Actual Value		
2014	\$ 29,209,703	\$ 33,938,341	\$ 1,966,795	\$ 1,966,795	\$ 31,176,498	\$ 35,905,136	86.8	2.360
2015	29,063,381	33,749,836	1,895,006	1,895,006	30,958,387	35,644,842	86.9	2.360
2016	31,577,756	35,782,497	2,011,722	2,011,722	33,589,478	37,794,219	88.9	2.360
2017	32,550,695	37,113,758	2,123,826	2,123,826	34,674,521	39,237,584	88.4	2.360
2018	33,909,100	38,844,708	2,241,053	2,309,659	36,150,153	41,154,367	87.8	2.360
2019	34,346,269	39,649,866	2,261,405	2,381,099	36,607,674	42,030,965	87.1	2.360
2020	35,108,831	40,412,995	2,255,234	2,374,928	37,364,065	42,787,922	87.3	2.360
2021	35,937,626	41,359,937	2,235,339	2,287,050	38,172,965	43,646,987	87.5	2.360
2022	37,198,306	42,126,603	2,155,394	2,202,000	39,353,700	44,328,603	88.8	2.360
2023	38,039,602	42,848,675	2,210,906	2,243,263	40,250,508	45,091,938	89.3	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)
2014	\$ 2.268	\$ 0.112	\$ 2.380
2015	2.268	0.112	2.380
2016	2.268	0.112	2.380
2017	2.248	0.112	2.360
2018	2.248	0.112	2.360
2019	2.248	0.112	2.360
2020	2.248	0.112	2.360
2021	2.248	0.112	2.360
2022	2.248	0.112	2.360
2023	2.248	0.112	2.360

Notes:

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

Source: Baltimore City Department of Finance.

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

	2023			2014		
	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).....	\$1,161,185	1	2.9%	\$ 699,477	1
SSA Baltimore Holdings, LLC.....	252,328	2	0.6%			
CSX Transportation.....	216,039	3	0.5%	182,958	4	0.6%
Harbor Point Parcel 2 Holdings.....	177,109	4	0.4%			
Baltimore Hotel Corporation.....	168,436	5	0.4%	163,991	6	0.5%
Harbor East Limited - Parcel D.....	128,086	6	0.3%	258,758	2	0.8%
100 Pratt St. Ventures LLC.....	124,085	7	0.3%	177,828	5	0.6%
414 Light Street, LLC.....	123,650	8	0.3%			
Verizon MD.....	120,209	9	0.3%	198,217	3	0.6%
CPUS Brewer's Hill, LP.....	111,707	10	0.3%			
Harbor East Limited-Parcel B.....				78,246	8	0.3%
Baltimore Center Associates.....				159,016	7	0.5%
Hyatt Regency Baltimore.....				69,163	10	0.2%
Canton Crossing Tower LLC.....				74,180	9	0.2%
Total.....	\$2,582,834		6.3%	\$2,061,834		6.5%

Debt Capacity

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

Fiscal Year	Governmental Activities							Business-type Activities			Total Primary Government	Percentage of Personal Income (b) %	Per Capita (a)
	General Obligation Bonds	Special Obligation Bonds	Long-term Financing with Federal Government	Long-term Financing with Federal of Maryland	Revenue Bonds	Lease	Financed Purchased	General Obligation Bonds	Revenue Bonds	Financed Purchased			
2014	\$ 524,969	\$ 149,824	\$ 33,461	\$ 1,016	\$ 395,501		\$ 189,600	3,113	\$ 1,735,806	\$ 2,240	\$ 3,035,530	11.49	\$ 4,874
2015	553,761	147,218	30,357	662	391,894		161,477	3,018	1,920,369	1,840	3,210,596	11.48	5,163
2016	575,793	145,990	27,132	230	394,224		160,368	3,602	1,864,330	1,427	3,173,096	10.84	5,162
2017	527,049	199,876	23,792		358,666		144,969	3,291	2,127,319	1,087	3,386,049	11.34	5,536
2018	526,557	198,176	20,320		359,235		160,006	3,589	2,204,360	826	3,472,217	11.22	5,763
2019	572,887	196,203	16,707		378,975		150,608	4,656	2,626,638	644	3,947,318	12.46	6,651
2020	589,054	204,193	13,919		358,518		157,210	4,275	2,578,004	543	3,905,716	12.32	6,668
2021	596,189	338,246	11,018		344,306		149,781	3,795	2,825,454	437	4,269,226	N/A	N/A
2022	541,478	334,405	7,995		329,053	\$ 42,844	163,671	3,283	3,137,861	320	4,518,066	N/A	N/A
2023	544,110	368,807	4,584		321,562	45,800	157,260	2,945	3,117,361	193	4,562,622	N/A	N/A

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

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

N/A Information not available.

CITY OF BALTIMORE
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(Expressed in Thousands)

Fiscal Year	General Obligation Bonds	Cash Available for Debt Service Activities (b)	Net General Bonded Debt	Percentage of Actual Taxable Value of Property %	Per Capita (a)
2014	\$ 528,082	\$ 49,947	\$ 478,135	1.33	767.73
2015	556,779	51,130	505,649	1.42	813.14
2016	579,395	62,486	516,909	1.21	840.96
2017	469,340	53,552	415,788	1.06	679.78
2018	530,146	111,525	418,621	1.02	694.82
2019	577,543	116,468	461,075	1.10	756.06
2020	593,329	109,142	484,187	1.13	826.67
2021	599,984		599,984	1.37	N/A
2022	544,760		544,760	1.23	N/A
2023	547,055		547,055	1.21	N/A

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

(b) Externally restricted for repayment of principal on debt; through fiscal year 2015, debt service was accounted for in a separate Debt Service Fund; as of fiscal year 2016, debt service is included in the General Fund. Effective with the fiscal year 2021, the Debt Service Fund is not accounted for separately and is now part of the General Fund.

N/A Information not available

CITY OF BALTIMORE
Direct and Overlapping Governmental Activities Debt
June 30, 2023

The City of Baltimore has no Overlapping Debt.

CITY OF BALTIMORE
Legal Debt Margin Information
June 30, 2023

The City has no Legal Debt Margin.

CITY OF BALTIMORE
Pledged Revenue Coverage
June 30, 2023
(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	
2014	\$ 158,678	\$ 113,947	\$ 44,731	\$ 10,830	\$ 21,126	1.40	\$ 221,181	\$ 123,993	\$ 97,188	\$ 24,083	\$ 27,140	1.90
2015	176,439	114,341	62,098	12,250	27,894	1.55	216,428	122,937	93,491	24,951	33,151	1.61
2016	160,865	112,771	48,094	15,880	33,432	0.98	229,300	126,379	102,921	31,485	39,359	1.45
2017	163,563	117,547	46,016	17,298	33,627	0.90	235,133	130,532	104,601	33,886	37,475	1.47
2018	178,367	93,837	84,530	18,441	38,044	1.51	258,386	141,648	116,738	40,251	38,934	1.55
2019	185,132	99,376	85,756	21,058	39,047	1.43	267,204	157,518	109,686	40,805	41,063	1.34
2020	216,396	137,014	79,382	21,058	39,047	1.32	270,764	163,142	107,622	40,805	41,063	1.31
2021	243,563	107,329	136,234	28,018	40,915	1.98	289,812	151,068	138,744	45,196	38,240	1.66
2022	278,280	99,503	178,777	28,181	40,418	2.61	278,131	162,374	115,757	51,722	38,178	1.29
2023	232,752	136,899	95,853	35,434	39,233	1.28	304,453	222,804	81,649	55,083	38,804	0.87

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	
2014	\$ 27,511	\$ 13,585	\$ 13,926	\$ 436	\$ 466	15.44	\$ 87,398	\$ 10,919	\$ 76,479	\$ 9,280	\$ 9,407	4.09
2015	25,971	10,632	15,339	441	441	17.39	85,634	7,133	78,501	9,800	8,753	4.23
2016	27,807	14,641	13,166	616	140	17.65	87,145	6,662	80,483	10,350	8,217	4.33
2017	29,309	16,799	12,510	1,771	1,037	4.46	88,454	10,159	78,295	10,960	7,669	3.98
2018	28,552	19,733	8,819	1,312	533	5.33	85,257	9,015	76,242	11,490	6,992	4.13
2019	28,540	17,454	11,086	1,059	500	7.11	76,801	8,117	68,684	12,270	5,716	3.82
2020	30,943	17,825	13,118	1,059	500	8.41	69,697	6,821	62,876	12,270	5,716	3.50
2021	31,462	19,396	12,066	2,471	2,571	2.39	38,693	6,416	32,277	4,775	4,202	3.60
2022	37,882	17,744	20,138	2,821	2,530	3.76	56,537	4,096	52,441	4,325	3,926	6.36
2023	37,163	19,802	17,361	2,985	2,453	3.19	60,104	6,003	54,101	5,055	3,827	6.09

Fiscal Year	Convention Center Revenue Bonds				
	Convention Center Revenues	Net Available Revenue	Debt Service		Coverage
			Principal	Interest	
2014	\$ 4,560	\$ 4,560	\$ 3,260	\$ 1,302	1.00
2015	5,968	5,968	3,435	1,118	1.31
2016	4,517	4,517	3,625	924	0.99
2017	4,120	4,120	3,825	729	0.90
2018	4,580	4,580	4,015	533	1.01
2019	4,220	4,220	4,220	327	0.93
2020	4,425	4,425	4,225	110	1.02
2021 (a)					
2022 (a)					
2023 (a)					

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.

(a) Convention Center Revenue Bond Series 1998 was paid off in 2020. The Bond Series 2017A for the Convention Center is presented in the ACFR but the revenue is reported in Baltimore Hotel Corporation financial statements.

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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 (a) (thousands of dollars)	Per Capita Personal Income (b)	Total Employment (c)	Unemployment Rate (c)
2014	623,711	\$ 27,485,795	44,068	268,596	8.6
2015	621,849	28,753,031	46,238	271,363	7.4
2016	614,664	29,338,098	47,730	270,515	6.4
2017	611,648	30,073,681	49,168	271,837	5.9
2018	602,495	30,942,036	51,357	273,304	5.5
2019	593,490	31,679,263	53,378	275,911	4.9
2020	585,708	31,707,954	54,153	256,482	8.5
2021	576,498	33,757,152	58,556	256,302	7.0
2022	569,931	34,085,639	59,807	262,081	4.3
2023	N/A	N/A	N/A	271,413	2.3

Source:

(a) U.S. Bureau of Economic Analysis.

(b) Per capita personal income is calculated based on the personal income divided by the estimated population.

(c) Maryland Department of Labor, Licensing and Regulation.

N/A Information not available.

CITY OF BALTIMORE
Principal Employers
Current Year and Nine Years Ago

Employer	2023 [1]			2014 [4]		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Government [2]						
State	34,258	1	10.14 %	34,502	1	10.71 %
Other Government authority (City, School, etc.)	23,696	2	7.02	24,444	2	8.11
Federal	10,976	3	3.25	9,542	3	3
Subtotal Government	<u>68,930</u>		<u>20.41 %</u>	<u>68,488</u>		<u>21.82 %</u>
Ten Largest Private Sector Employers [3]						
Johns Hopkins Hospital and Health System	20,845	1	6.17	18,621	2	5.47
Johns Hopkins University	18,600	2	5.51	25,000	1	6.65
University of Maryland Medical System	11,450	3	3.39	9,830	3	2.85
Mercy Health Services	9,530	4	2.82	4,028	6	2.69
University System of Maryland	8,965	5	2.65	9,526	4	1.82
MedStar Health	6,175	6	1.83	6,176	5	1.58
LifeBridge Health - Sinai	5,315	7	1.57	5,026	7	0.00
Amazon.com	4,500	8	1.33			1.13
Exelon / Constellation Energy / BGE	3,000	9	0.89	2,705	9	0.86
Kennedy Krieger Institute	2,600	10	0.77	2,417	10	0.94
St. Agnes HealthCare				3,267	8	0.74
Subtotal Ten Largest Private Sector Employer	<u>90,980</u>		<u>26.93 %</u>	<u>86,596</u>		<u>24.73 %</u>
Total Government and Ten Largest Private Sector Employers	<u>159,910</u>		<u>47.34 %</u>	<u>155,084</u>		<u>46.55 %</u>

Source:

- [1] For the government and private sectors: Maryland Dept of Commerce.
- [2] Data only available for the first quarter of 2023, Baltimore City Employment Table.
- [3] Data from table, Brief Economic Facts reports lastet available 2022-2023 (Baltimore City)
- [4] For 2014, City of Baltimore Comprehensive Annual Financial Report for Fiscal Year 2014.
- [5] Quarterly Average Employment; Total Employment Table

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,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General government	1,666	1,700	1,577	1,785	1,858	1,934	1,949	1,940	1,862	1,812
Public safety										
Police.....	3,608	3,444	3,259	3,125	3,243	3,235	3,241	3,193	3,197	3,211
Fire	1,699	1,699	1,639	1,731	1,733	1,733	1,733	1,734	1,732	1,745
Other	695	700	813	735	751	757	758	767	766	761
Conservation of health	719	890	842	800	784	820	814	913	909	905
Public library	394	391	389	389	437	450	450	455	454	451
Recreation and parks	385	310	327	310	311	312	314	372	380	424
Highways and streets	1,331	1,428	1,024	1,079	1,074	1,070	1,070	1,020	1,127	1,147
Public work										
Water	857	717	899	810	846	847	847	850	844	894
Wastewater	1,096	797	694	761	750	751	751	751	743	743
Solid waste	705	802	995	880	866	864	864	838	859	858
Other	682	504	487	423	438	440	441	437	431	433
Public service	260	65	73	65	65	68	68	69	65	64
Economic development	461	559	426	382	383	389	394	378	378	414
	14,558	14,006	13,444	13,275	13,539	13,670	13,694	13,717	13,747	13,862

Source: Baltimore City Bureau of Budget and Management Research.

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

Function/Program	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<i>Police</i>										
Arrests*	44,110	33,462	25,339	24,453	25,841	49,163	16,690	12,620	11,925	13,159
<i>Fire</i>										
Fire Suppression Units Dispatched	140,718	143,889	147,249	163,872	163,959	166,977	154,107	165,320	178,580	175,763
Structural Fires	1,839	2,541	2,377	2,760	2,841	2,898	2,746	3,371	2,151	2,437
EMS Transports	92,225	92,094	97,502	100,894	100,009	100,043	88,910	87,612	82,203	86,352
Inspections	N/A	N/A	24,339	16,505	29,296	18,126	19,818	18,507	16,083	14,030
<i>Solid Waste</i>										
Refuse Collected (tons)	149,137	155,624	149,582	153,793	159,204	125,383	144,402	158,547	154,876	143,316
Recyclables Collected (tons)	25,248	28,979	28,253	29,512	29,632	22,003	26,000	15,800	22,159	21,941
<i>Water/Wastewater</i>										
Number of Accounts	454,008	426,642	407,000	420,681	427,040	427,773	427,422	427,674	425,965	427,512
Average Daily Water Production (MGD)	220	223	193	190	183	194	194	191	184	209
Average Daily Sewage Treatment (MGD)	208	199	205	180	176	232	186	184	176	183
<i>Transportation (DOT)</i>										
Miles Streets Resurfaced/Reconstructed	101.0	122.0	122.0	61.0	109	109	96	76	17	21
Potholes Repaired	126,432	126,771	122,985	12,466	93,270	118,513	14,040	62,616	90,121	91,271
Traffic Citations Issued**	118	88	140	83	6	12	12	12		
Parking Citations Issued	341,384	380,239	405,721	256,551	310,655	326,361	223,611	186,811	337,264	311,446
Traffic Signals Repaired	4,645	4,450	4,328	4,771	5,582	4,918	3,383	4,150	1,858	4,678
Street Lights Repaired	25,091	24,254	21,311	20,139	22,558	2,758	1,163	1,076	1,238	1,357
<i>Housing</i>										
Number of inspections (housing and code enforcement)	254,871	254,646	196,698	224,727	261,588	271,385	211,192	220,481	190,280	149,662
Number of permits issued	28,351	27,060	30,183	40,718	39,964	35,389	39,529	39,042	42,803	40,615
Property Management Service Requests Completed***	78,824	78,824	44,452	39,645	82,546	79,093	68,865	55,013	65,001	73,906
<i>Recreation and Parks</i>										
Enrollment at Recreation Centers	138,103	144,077	158,483	148,300	162,230	14,893	23,954	10,990	20,413	21,728
Permits Issued for Park Facilities	1,616	1,894	1,935	1,711	1,929	1,681	988	608	1,555	843
<i>Library</i>										
Volumes in Collection (millions)	2.2	2.3	2.2	2.2	2.2	2.3	2.4	2.4	2.4	2.48
Volumes Borrowed (millions)	1.3	1.3	1.2	1.1	1.3	1.7	1.8	1	1.7	1.9

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, 2020 amount is estimated.

*** 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									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<i>Police/Sheriff</i>										
Buildings	16	16	16	16	16	16	16	16	16	16
Marked Patrol Units	463	576	480	620	680	680	591	560	555	517
Other vehicles	311	309	510	538	594	575	555	608	541	331
<i>Fire Stations</i>										
Buildings	62	62	62	62	62	62	61	54	53	53
Fire/EMS Apparatus (Tankers/Ladders/Medics) (Fleet)	142	138	155	146	115	117	149	157	170	147
Other vehicles	217	228	224	218	241	240	220	219	222	215
<i>Recreation and Parks</i>										
Buildings	210	210	210	210	210	210	211	211	211	212
Acreage	5,827	5,827	4,874	4,874	4,874	4,874	5,617	5,027	5,018	5,022
Vehicles	121	120	121	142	129	128	137	139	141	138
Equipment	158	151	145	137	104	156	131	126	129	125
<i>Public Works (Transportation, Solid Waste, and General Services)</i>										
Buildings	119	119	119	119	121	121	126	128	127	128
Vehicles	1,017	987	981	1,055	943	965	1,109	1,143	1,132	1,018
Equipment	538	537	534	570	372	499	448	438	439	437
Streets (miles)	2,000	2,000	2,000	2,000	4,800	4,800	4,800	4,800	4,800	4,800
<i>Water/Wastewater/Stormwater</i>										
Treatment plants	5	5	5	5	5	5	5	5	5	5
Other Buildings	221	221	221	221	221	221	225	195	194	103
Vehicles	641	636	594	481	688	667	716	714	752	635
Equipment	482	481	466	605	259	331	283	276	276	257
Water Mains (Miles)	3,400	3,669	3,692	3,748	3,748	3,884	3,718	3,723	3,957	4,002
Water Treatment capacity (MGD)	360	360	360	360	360	360	360	360	360	360
Sanitary sewers (miles)	1,335	1,361	1,380	1,398	1,398	1,416	1,370	1,417	1,471	1,472
Storm sewers (miles)	1,100	1,108	1,108	1,180	1,180	1,213	1,112	1,197	1,203	1,204
Wastewater Treatment capacity (MGD)	253	253	253	253	253	253	253	253	253	253
<i>Libraries</i>										
Buildings	29	24	24	24	24	24	24	24	24	24
Vehicles	17	17	16	14	17	17	17	17	17	18
<i>Other-General Government</i>										
Buildings	132*	132*	132	132	132*	132	133	133	133	133
Vehicles	514	175	532	1,643	316	221	223	221	231	215
Equipment	72	14	76	191	49	13	12	10	10	10

* 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.

BACK OUTSIDE COVER – DOES NOT PRINT



Brandon M. Scott
Mayor

FY 23

Annual Comprehensive Financial Report (ACFR)

PREPARED BY
Department of Finance

June 25, 2024

FY23 ACFR Highlights and Focus on Corrective Actions

- An unmodified opinion on the financial statements
- Discovered no instances of material fraud
- Received full cooperation from management
- There were material weaknesses and significant deficiencies in internal controls identified and the auditors provided recommendations for improvement to internal controls
- As noted by auditors the prior finding removal process faces a heightened standard and is anticipated to be a multi year process.
- This is first full year in a new accounting system and new chart of accounts



Brandon M. Scott
Mayor

Financial Reporting Function	The City had significant post year-end adjustments to its fiscal year 2023 financial statements. Such adjustments relate to errors (both material and immaterial) undiscovered throughout the fiscal year. For example, there were cash accounts that were not reconciled for the majority of the fiscal year, which resulted in approximately \$50 million of uninvestigated reconciling items. Additionally, upon review of the trust accounts, an account for \$92 million was identified, but had not been recorded as of year end.
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The following corrective actions have been undertaken to address (with status noted):

- Produce financial statements in Workday using multibook accounting (GAAP and modified accrual) beginning in fiscal year 2023. This reduces the volume of manual adjustments in the ACFR preparation process. (complete)
- Set up automated business process for the monthly accounting close process to track significant tasks and send these tasks to relevant employee's inbox beginning with fiscal year 2023. (complete)
- The city uses "control" accounts for accounts receivable and accounts payable, which requires the subsidiary systems to reconcile to the general ledger. (continuous)
- An extensive review of the chart of accounts has been completed. The City now uses the same chart of accounts across multiple critical fiscal functions including budgets, procurement, accounting, etc. (complete)
- Develop and refine Workday integrations to allow for efficient and timely reconciliation of cash accounts. (ongoing)
- A review of Bureau of Accounting & Payroll Services (BAPS) accounting team was conducted in May 2024 and as a result additional staff training, reorganization of staff portfolios to cross train is underway.



Grant Accounting

Due to lack of formal procedures and accountability at various departments, the City is not able to establish accurate balances of grant accounts receivable and grant deferred revenue accounts.

Schedule of Federal Awards (SEFA)

Finance is responsible for preparing the schedule of expenditures of Federal awards based upon grant information obtained from the financial accounting records and other information provided by each department or agency. In many instances, the detail expenditure information in the accounting software differed from the expenditures reported by various City departments. Additionally, expenditures related to sub-recipients, subcontractors, and beneficiaries are not separately tracked in the general ledger. Without adequate controls over financial reporting, the City cannot provide reasonable assurance that the SEFA is fairly presented. There were also significant delays in the preparation of the Schedule of Federal awards, which prevented the City from meeting the March 31, 2024 deadline with the Federal clearinghouse.

The following corrective actions have been undertaken to address (with status noted):

We are now able in one system to :

- Track the grant performance period and the CFDA number (complete)
- Manage and capture grant related expenditures (complete)
- Calculate automated billing to sponsors based on recoverable costs (in progress)
- Calculate the revenue by grant based on the recoverable costs (in progress)
- Business processes have been developed and implemented in Workday's grant management module to include:
 - Definition of the grant funding source by creating a system-generated grant work tag (identifier) upon receipt of the Sponsor's Notice of Award. (complete)
 - Populated fields in Workday with pass-through award data with Prime Sponsor and Bill-to-Sponsor data to billing data (complete).
 - Modifying create award business process to add the Grants Management Office as final approval (in progress)



Brandon M. Scott
Mayor

Grant Accounting

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The corrective actions for grants have included citywide actions in policy and process:

- Instituted Grants Management Committee monthly meeting led by OPI with support of Grants Management Office and BAPS. Participation includes all grant funded agencies and focus on tracking progress on corrective action plans, ongoing grant process standardization and improvement and a forum to present and drill down on grant related issues.
- Staffing – reviewed staffing and mission of Grants Management Office - developed short and longer term plan for an expanded scope that focuses on providing citywide support in policy, training, compliance and audit monitoring, and budget oversight. Creation of a key Grants Director position that will lead the transformation.
- As part of this expanded role, Grants Management Office and BAPS have led multiple citywide trainings on key grant accounting functions in Workday; covered topics have included grant billing, award creation, tracking grant reporting with each training having between 50-70 agency grant staff attending



Brandon M. Scott
Mayor

Water and Waste Water Billing

There was a significant number of accounts that have not been billed since the system has been implemented and a significant number of accounts have been billed inconsistently. The City's water and wastewater utilities system is not able to establish accurate water and wastewater utilities revenue and accounts receivable balances without manually calculated adjustments and this is a greater risk of error due to manual adjustments. There were also approximately \$13 million capitalizable costs that were erroneously recorded as operational expenses that needed to be adjusted post-close.

The following corrective actions have been undertaken to address (with status noted):

- The Office of the Mayor led a review of unbilled properties that have no accounts established within the billing system
- Baltimore City and Baltimore County undertook a joint review of the entire water and wastewater utility
- DPW optimized water billing cycles and schedules through a software program called Route Smart. City customers are billed monthly
- When a billing case is established the adjustments are now in a timely manner. DPW is working to automate the adjustment process via the billing system
- The UMAX update went live on Monday, June 17th which provides additional capability
- DPW attributed costs that were not erroneous there were a series of costs related to materials and contractual services related to compliance. The costs were unanticipated because they were compliance-related. Once analyzed, DPW determined that it was more suited to capitalize the costs because the costs were essentially a consent decree project
- As of May 2024, we've billed 99.25% of accounts, including 99.5% of residential accounts, which make up 87% of all accounts. Meter reads via the AMI/AMR technology allow for consistent billing, there are processes to no/mis-readings and to pull bills that may have erroneous or exceptionally high reads.



Brandon M. Scott
Mayor

Fixed Asset Accounting

There were significant post-close adjustments recorded to fixed assets to correct the year-end reporting for capitalized assets. Additionally, errors were detected in the depreciation calculation that resulted in additional adjustments.

The following corrective actions have been undertaken to address (with status noted):

- Track fixed asset in Workday and calculate the depreciation of the assets (in progress)
Enterprise Funds – Completed FY23;
General Funds – Targeted FY24; Construction in Progress – Target FY25
- Depreciation will be run monthly rather than at the end of the year, allowing for a more regular review of the fixed assets (in progress).
- A new Workday role within each agency, an asset tracking specialist, is responsible for reviewing the fixed asset listing and working with the Department of Finance ensuring that assets are capitalized properly (complete)
- A Capital Assets policy has been drafted and is expected to be reviewed and approved (in progress).
- The capitalization process is automated. A separate business process has been set up to flag certain expenditures (i.e., equipment) for tracking and review. A business asset accountant approves the final capital asset, life, and start date. A similar process is in place for large construction processes. (complete)
- Workday reports which reconcile the subsidiary fixed asset module to the general ledger will be run monthly and reviewed (continuous)



Information Technology Security

While progress has been made in addressing and remediating the legacy vulnerabilities, including adding additional personnel to the task, a number of “severe/critical/high risk” vulnerabilities remain to be remediated. The absence of timely remediation increases the risk that vulnerabilities may be exploited leading to disruption of the City’s operations and/or theft/loss of data.

The following corrective actions have been undertaken to address (with status noted):

- Complete the review and cleanup of the final wave of agencies – BCIT, BCHD, BCFD and some stragglers from DPW, DHR and DOF (complete)
- Disable all privileged accounts that have not been used within 180 days (complete)
- Review any remaining P accounts for disposition (complete)
- Seek feedback from agencies on the FY 2023 Privileged Account review process and develop process improvements (complete)
- The FY 24 entitlement review and process improvements were shared in December 2023 Security Council.
- The FY 24 annual privileged entitlement review cycle began in January 2024.



Brandon M. Scott
Mayor



Certified Public
Accountants &
Business Advisors

Briefing on the Annual Comprehensive Financial Report

Fiscal Year 2023

City of Baltimore, Maryland

June 26, 2024



Agenda

- Scope of Services
- Audit Approach
- Overview of Annual Comprehensive Financial Report
 - Summary of Preliminary Results
 - Internal Controls Assessment
- Uniform Grant Guidance Audit
- Required Communications

Executive Summary

I. Scope of Services

- Audit of the following June 30, 2023 financial statements
 - City of Baltimore
 - Water Utility Fund
 - Waste Water Utility Fund
 - Storm Water Utility Fund
 - Parking Facilities Fund
- Uniform Grant Guidance Audit
- Data collection form submission assistance
- Report on internal controls over financial reporting
- Observations and recommendations
- We did not audit and relied on the opinions of other auditors for:
 - Pension Trust Funds
 - Employees' Retirement System
 - Elected Officials Retirement System
 - Fire and Police Retirement System
 - Baltimore City Public School System
 - The City adjusted certain amounts related to pension and OPEB liabilities which SBC took responsibility.
 - Baltimore Hotel Corporation

Audit Approach

SBC Audit Approach

“Focus on Risk, Controls, and Account Misstatement”

FORCAM Audit Approach

Focus on Risk, Controls, and Account Misstatement

Agree on Expectations and Deliverables

Planning - Understand the Business & Risk

Client Acceptance • Client Environment • Tone at the Top
Materiality • Initial Risk Assessment • Audit Plan • Client Expectations

Assess & Test Design & Operations of Controls

What Can Go Wrong? • Test Key Controls • Walkthrough
Map Accounts & Transactions • Identify Key Controls

Financial Close & Reporting Misstatement Analysis

Analyze Balances • Financial Close Process
Principles Applied • Management's Verification

Substantive Testing

Negative Account Analysis • Negative Financial Close
Firm & GAAS Required • Significant Estimates
Negative Operating Controls • Unusual Transactions

GAAS Compliance & Reporting

GAAS Checklist • Review Reports • Wrap Up
Draft Board/Management Presentation
Did We Meet Your Expectations?

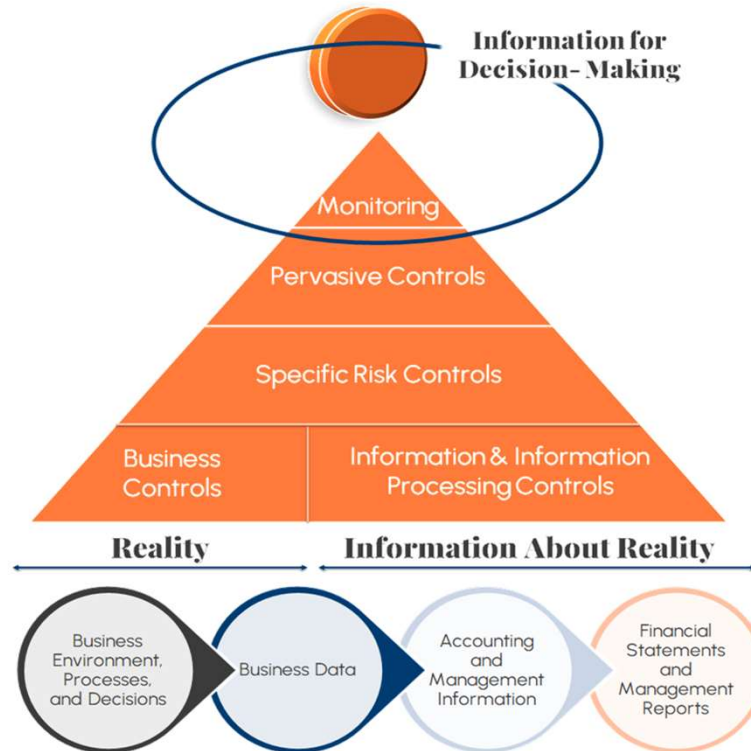
Goals:

- Detect Financial Statement Misstatement Risk
- Detect Error
 - Accounting Principle
 - Estimate
 - Information Processing
 - Account Balances
- Fraud
- Business Failure
- Business Improvement Opportunities
- Client Expectations

Communicate Value Delivered and Measure Satisfaction



Evaluate and Test Various Levels of Process Controls



Assessment of Control Environment

Control Environment	Risk Assessment	Control Activities	Information and Communication	Monitoring Activities
<ul style="list-style-type: none"> ▪ Key executive integrity, ethics, and behavior ▪ Control consciousness and operating style ▪ Commitment to competence ▪ Board's participation in governance and oversight ▪ Organizational structure, responsibility, and authority ▪ HR policies and procedures 	<ul style="list-style-type: none"> ▪ Mechanisms to anticipate, identify, and react to significant events ▪ Processes and procedures to identify changes in GAAP, business practices, and internal control 	<ul style="list-style-type: none"> ▪ Existence of necessary policies and procedures ▪ Clear financial objectives with active monitoring ▪ Logical segregation of duties ▪ Periodic comparisons of book-to-actual and physical count-to-books ▪ Adequate safeguards of documents, records, and assets ▪ Assess controls in place 	<ul style="list-style-type: none"> ▪ Adequate performance reports produced from information system ▪ Information systems are connected with business strategy ▪ Commitment of HR and Finance to develop, test, and monitor IT systems and programs ▪ Business continuity/disaster plan for IT ▪ Established communication channels for employees to fulfill responsibilities ▪ Adequate communication across the organization 	<ul style="list-style-type: none"> ▪ Periodic evaluations of internal controls (annual audit) ▪ Implementation of improvement recommendations ▪ Perform monitoring activities ▪ Remediate deficiencies ▪ Internal audit function ▪ Internal compliance review function

Significant Risk Areas

Treasury	Estimation	Financial Reporting	Expenditures	Payroll	Revenue
<ul style="list-style-type: none"> • Cash Management and Accounting • Investment Management and Accounting • Investment Monitoring • Investment Valuation • Investment Policy • Debt Management and Accounting • Debt Compliance • Reconciliation 	<ul style="list-style-type: none"> • Methodology • Information • Calculation 	<ul style="list-style-type: none"> • Accounting Principles and Disclosure • Closing the Books • Report Preparation • Estimation (Pension/OPEB) • General Ledger and Journal Entry Processing • Verification and Review of Results 	<ul style="list-style-type: none"> • Purchasing • Procurement • Purchase Card • Receiving • Authorization • Budget • Accounts Payable and Cash Disbursement 	<ul style="list-style-type: none"> • Attendance Reporting • Time Reporting • Payroll Accounting and Processing • Budget • Payroll Disbursements • Change Management • Hiring/Terminations 	<ul style="list-style-type: none"> • Calculation and Billing • Cash Receipts • Revenue and Recognition • Cutoff

The principal areas of audit emphasis included key industry, business and technical issues as identified during our audit planning and the accounts with greater risk of misstatement due to their inherent risk of error or fraud.

Significant Risk Areas (cont.)

Fixed Assets	Compliance	Grants Management	Information Technology
<ul style="list-style-type: none"> • Physical Custody • Asset and Construction in Process Accounting • Depreciation 	<ul style="list-style-type: none"> • Assess Internal and External Risk • Regulatory Compliance • Monitor Compliance • Grant Compliance 	<ul style="list-style-type: none"> • Acceptance • Grant Oversight • Compliance • Reporting • Monitoring • Accounting • Billing and Collection • Grant Close Out 	<ul style="list-style-type: none"> • Policy Framework • Physical and Environmental Controls • Security Plan and Operations • Logical Access to Data and Applications • System Development and Deployment • Change and Incident Management • System Operations • Data Backup and Recovery • Encryption • Segregation of Duties • Cyber Security Preparedness • Application Controls (General Ledger, Payroll, Taxes, Billing) • System Maintenance and Version Updates • Third-Party Processors

Overview of the Annual Comprehensive Financial Report

Annual Comprehensive Financial Report (ACFR)

Section of the ACFR	Auditor Responsibility
Introductory Section:	None
Financial Section: <ul style="list-style-type: none"> • Independent Public Accountants' Report • Management's Discussion and Analysis • Basic Financial Statements <ul style="list-style-type: none"> - Government Wide Statements - Component Unit Information - Fund Statements <ul style="list-style-type: none"> - Governmental - Proprietary - Fiduciary • Notes to the Financial Statements • Required Supplementary Information • Combining and Individual Fund Statements and Schedule 	Our Opinion Review for Consistency Opine Review of Financial Statements Opine Opine Opine/Review of Financial Statements Opine Review for Consistency In Relation To
Statistical Section:	Review for Consistency

Summary of Results

- Issued an unmodified opinion on the financial statements
- Discovered no instances of material fraud
- Received full cooperation from management
- Material weaknesses and significant deficiencies in internal controls were identified
- Recommendations for improvement to internal controls and procedures

Internal Controls Assessment

- *A deficiency in internal controls 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, misstatements and/or noncompliance with a type of compliance requirement of a Federal program on a timely basis.
- *A significant deficiency in internal controls over compliance* is a deficiency, or a combination of deficiencies, in internal controls over compliance that is less severe than a material weakness in internal controls over compliance, yet important enough to merit attention by those charged with governance.
- *A material weakness in internal controls over compliance* is a deficiency, or combination of deficiencies, in internal controls over compliance, such that there is a reasonable possibility that material misstatements and/or noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis.

Internal Controls Assessment (cont.)

The following material weaknesses were identified:

Area	Summary
Financial Reporting Function	The City had significant post year-end adjustments to its fiscal year 2023 financial statements. Such adjustments relate to errors (both material and immaterial) undiscovered throughout the fiscal year. For example, there were cash accounts that were not reconciled for the majority of the fiscal year, which resulted in approximately \$50 million of uninvestigated reconciling items. Additionally, upon review of the trust accounts, an account for \$92 million was identified, but had not been recorded as of year end.
Grant Accounting	Due to lack of formal procedures and accountability at various departments, the City is not able to establish accurate balances of grant accounts receivable and grant deferred revenue accounts.
Water and Waste Water Billing	There was a significant number of accounts that have not been billed since the system has been implemented and a significant number of accounts have been billed inconsistently. The City's water and wastewater utilities system is not able to establish accurate water and wastewater utilities revenue and accounts receivable balances without manually calculated adjustments and this is a greater risk of error due to manual adjustments. There were also approximately \$13 million capitalizable costs that were erroneously recorded as operational expenses that needed to be adjusted post-close.
Fixed Asset Accounting	There were significant post-close adjustments recorded to fixed assets to correct the year-end reporting for capitalized assets. Additionally, errors were detected in the depreciation calculation that resulted in additional adjustments.

Internal Controls Assessment (cont.)

Area	Summary
Information Technology Security	While progress has been made in addressing and remediating the legacy vulnerabilities, including adding additional personnel to the task, a number of “severe/critical/high risk” vulnerabilities remain to be remediated. The absence of timely remediation increases the risk that vulnerabilities may be exploited leading to disruption of the City’s operations and/or theft/loss of data.
Schedule of Federal Awards (SEFA)	Finance is responsible for preparing the schedule of expenditures of Federal awards based upon grant information obtained from the financial accounting records and other information provided by each department or agency. In many instances, the detail expenditure information in the accounting software differed from the expenditures reported by various City departments. Additionally, expenditures related to sub-recipients, subcontractors, and beneficiaries are not separately tracked in the general ledger. Without adequate controls over financial reporting, the City cannot provide reasonable assurance that the SEFA is fairly presented. There were also significant delays in the preparation of the Schedule of Federal awards, which prevented the City from meeting the March 31, 2024 deadline with the Federal clearinghouse.

Uniform Grant Guidance Results

Goals of the Uniform Guidance

The Office of Management and Budget (OMB) issued OMB Guidance for Grants and Agreements, now known as the OMB Guidance for Federal Financial Assistance. All non-Federal government agencies and nonprofit organizations that expend \$750,000 or more in Federal awards in a given fiscal year are required to obtain a Single Audit.

- *Streamline for Federal awards to ease administrative burden*
- *Strengthen oversight over Federal funds to reduce risk of waste, fraud and abuse*
- *Focus grant policies on areas that emphasize the achievement of better grant outcomes (performance) at a lower cost*

Goals of the Uniform Guidance

[Uniform Guidance \(2 C.F.R. Part 200\)](#): 2 C.F.R Part 200 establishes uniform administrative requirements, cost principles, and audit requirements for Federal awards to non-Federal entities.

Area	Summary
Allowable Costs/Activities/Period of Availability & Performance	The non-Federal entity should ensure that Federal and state financial assistance is expended only for allowable activities and that the costs of goods and services charged to Federal and state awards are allowable and in accordance with applicable cost principles, and used only during the authorized period of availability.
Cash Management	Advances and reimbursements should comply with Federal and state laws and interest income should be correctly recorded and returned to the state agency or applied against the contract or grant agreement unless a waiver is obtained from the Chief Financial Officer.
Matching	The non-Federal entity is responsible for ensuring that matching requirements are met using only allowable funds or in-kind contributions that are properly calculated and valued.
Reporting	The non-Federal entity should ensure that reports of Federal and state financial assistance submitted to the awarding agency include all activity of the reporting period, are supported by underlying accounting or performance records, and are fairly presented in accordance with project requirements.
Subrecipient Monitoring	<p>The non-Federal entity is responsible for ensuring that Federal and state financial assistance information and compliance requirements are identified to subrecipients, subrecipient activities are monitored, subrecipient audit findings are resolved, and the impact of any subrecipient noncompliance on the project is evaluated.</p> <p>Also, the non-Federal entity should perform procedures to provide reasonable assurance that the subrecipient obtained required audits and takes appropriate corrective action on audit findings.</p>

Summary of Independent Public Accountants' Review

	FY 2023	FY 2022
Financial Statements		
Type of independent public accountants' report issued	Unmodified	Unmodified
Internal controls over financial reporting:		
Material weakness(es) identified?	Yes	Yes
Significant deficiency(ies) identified that are not considered to be material weaknesses?	Yes	Yes
Noncompliance material to the financial statements noted?	No	No
Federal Awards		
Type of independent public accountants' report issued	To be determined	Qualified and Unmodified
Internal controls over major programs:		
Material weakness(es) identified?	To be determined	Yes
Significant deficiency(ies) identified that are not considered to be material weaknesses?	To be determined	Yes
Type of independent public accountants report issued on compliance for major programs		
Housing Opportunities for Persons with AIDS	To be determined	Qualified
Coronavirus Relief Fund	To be determined	Qualified
Children's Health Insurance Program	To be determined	Qualified
Medical Assistance Program	To be determined	Qualified
HIV Emergency Relief Project Grants	To be determined	Qualified
HIV Prevention Activities	To be determined	Qualified
All others	To be determined	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?	To be determined	Yes

Summary of Major Programs (FY 2023)*

Name of Federal Major Programs	Assistance Listing Number
U.S. Department of Housing and Urban Development	
Total Housing Opportunity for Persons with AIDS	14.241
U.S. Department of Treasury	
Emergency Rental Assistance Program	21.023
Total American Rescue Plan Act	21.027
U.S. Department of Health and Human Services	
Aging Cluster	93.044/93.045/93.053
Ending the HIV Epidemic: A Plan for America	93.686
Total Children's Health Insurance Program (CHIP)	93.767
Medical Assistance Program (Medicaid Cluster)	93.778
Total HIV Emergency Relief Project Grants	93.914
HIV Prevention Activities	93.940

* We will meet on the results of the FY 2023 Uniform Guidance Grant Audit upon completion.

Summary of Major Programs (FY 2022)

Name of Federal Major Programs	Assistance Listing Number	Federal Expenditures
US Department of Housing and Urban Development		
Community Services Block Grant - Entitlement Grants Cluster	14.218	\$ 16,833,114
Total Housing Opportunity for Persons with AIDS	14.241	8,658,859
US Department of Treasury		
Coronavirus Relief Fund	21.019	34,756,398
Emergency Rental Assistance Program	21.023	15,390,776
Total American Rescue Plan Act	21.027	44,977,278
US Department of Labor		
Workforce Innovation & Opportunity Act Cluster	17.258	
	17.259	
	17.278	7,244,904
	17.270	
	17.277	
US Department of Health and Human Services		
Temporary Assistance for Needy Families	93.558	3,880,720
Community Services Block Grant	93.569	3,345,513
Total Low-Income Home Energy Assistance	93.568	3,278,264
Total Children's Health Insurance Program	93.767	4,634,965
Medical Assistance Program (Medicaid Cluster)	93.778	7,179,927
Total HIV Emergency Relief Project Grants	93.914	16,062,649
HIV Prevention Activities	93.940	6,728,157
Totally Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977	4,394,339
Total Major Programs		\$ 177,365,863
Total Federal Awards		\$ 283,861,698
Dollar threshold used to distinguish between type A and type B programs:		\$ 3,000,000
Auditee qualified as low-risk Auditee?		No
Required Coverage Percentage		40%
Actual Coverage Percentage		62%

Overall Recommendations for Improvement

- We recommend that finance establish policies and procedures to ensure that the Federal funds are properly identified and reported accurately in the schedule of Federal awards in accordance with Uniform Guidance requirements.
- We also recommend that individuals responsible for administering Federal assistance programs with the City of Baltimore receive training in grant administration, including the specific Uniform Guidance requirements (eligibility, reporting, cash management, subrecipient monitoring, etc.) for each grant administered.

Internal controls over financial reporting should be designed to prevent, detect or correct errors in a timely manner. Without adequate controls, the City of Baltimore cannot provide reasonable assurance that the schedule of Federal awards is fairly presented and that grants are operated in accordance with Uniform Grant Guidance.

Required Communications

Required Communications

1. Auditor's Responsibilities Under Generally Accepted Auditing Standards (GAAS)

The financial statements are the responsibility of management. Our audit was designed in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, and provide for reasonable, rather than absolute, assurance that the financial statements are free of material misstatement.

2. Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application.

The significant accounting policies used by management are described in the notes to the financial statements.

Required Communications (cont.)

3. Auditor's Judgments About the Quality of Accounting Principle

We discuss our judgments about the quality, not just the acceptability, of accounting principles selected by management, the consistency of their application, and the clarity and completeness of the financial statements, which include related disclosures.

We have reviewed the significant accounting policies adopted by the City and have determined that these policies are acceptable accounting policies.

4. Audit Adjustments

We are required to inform the City's oversight body about adjustments arising from the audit (whether recorded or not) that could in our judgement either individually or in the aggregate have a significant effect on the entity's financial reporting process. We also are required to inform the City's oversight body about unadjusted audit differences that were determined by management to be, individually and in the aggregate, immaterial.

There were no past adjustments identified during the audit process. All adjustments proposed by SB & Company, LLC were accepted by management and included in the audited financial statements.

Our procedures identified no instances of fraud or illegal acts.

Required Communications (cont.)

5. Fraud and Illegal Acts

We are required to report to the City's oversight body any fraud and illegal acts involving senior management and fraud and illegal acts (whether caused by senior management or other employees) that cause a material misstatement of the financial statements.

Our procedures identified no instances of fraud or illegal acts.

6. Material Weaknesses in Internal Control

We are required to communicate all significant deficiencies in the City's systems of internal controls, whether or not they are also material weaknesses.

We noted material weaknesses in internal controls over financial reporting, as previously discussed.

7. Other Information in Documents Containing Audited Financial Statements

None.

8. Disagreements with Management on Financial Accounting and Reporting Matters

None.

Required Communications (cont.)

9. Serious Difficulties Encountered in Performing the Audit

Difficulties related to systems limitations, material weaknesses discussed, and certain manual processes.

10. Major Issues Discussed with Management Prior to Acceptance

None.

11. Management Representations

We received certain written representations from management as part of the completion of the audit.

12. Consultation with Other Accountants

To our knowledge, there were no consultations with other accountants since our appointment as the City's independent public accountants.

13. Independence

As part of our client acceptance process, we go through a process to ensure we are independent of the City.

Required Communications (cont.)

14. Non-attest Services

We perform non-attest service for the City. They include financial statement compilation, assistance with the Single Audit report and submission of the Data Collection form.

Management has designated an individual who possesses suitable skill, knowledge, and/or experience to oversee these services and has taken responsibility for the services performed. We remain independent of the City.

15. Assistance from City Auditors

The City auditors assisted in the completion of certain audit areas.

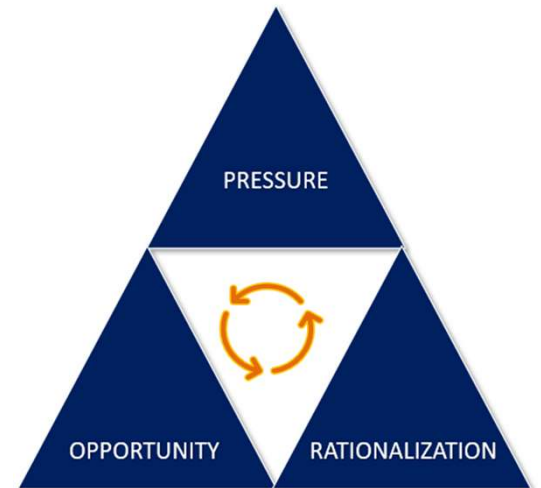
Required Communications (cont.)

Our Responsibility Related to Fraud

- Plan and perform the audit to obtain reasonable assurance that there is no material misstatement caused by error or fraud;
- Comply with GAAS AU-C 240, “*Consideration of Fraud in a Financial Statement Audit*”;
- Approach all audits with an understanding that fraud could occur in any entity, at any time, by anyone; and
- Perform mandatory procedures required by GAAS and our firm policies.

Examples of Procedures Performed

- Discuss thoughts and ideas in areas where the financial statements might be susceptible to material misstatement due to fraud;
- Understand pressures on the financial statement results;
- Understand the tone and culture of the organization;
- Look for unusual or unexpected transactions, relationships, or procedures;
- Discussions with individuals outside of finance;
- Evaluate key processes and controls; and
- Consider information gathered throughout the audit.



Questions & Answers

Meet the Team Leadership



William Seymour, CPA, CGMA
Engagement Partner

- Over 25 years of experience in public accounting
- Graduate of Towson University

William (Bill) is a Partner at SBC and has more than 25 years of experience in public accounting. Before he joined SBC, he spent time at the global firm Arthur Andersen, LLP, where he was a part of its Mid-Atlantic State and Local Government Practice. Bill leads SBC's public sector practice and has served many state and local government entities throughout his career. Bill is a GFOA Certificate reviewer and is active in the industry, attending many GFOA, GFOA-PA, AICPA, and AGA events. He has testified on proposed government accounting standards to GGASB. Additionally, Bill has taught and spoken at several MDGFOA events. He is a past member of the Executive Committee of the AICPA, Government Quality Center.



Graylin Smith, CPA, CGMA, CGFM, CFSA, CRMA
Advisory Partner

- Over 40 years of experience in public accounting
- Graduate of Hampton University

Graylin (Gray) is the managing partner at SBC. Gray's clients have ranged from small start up entities to large billion-dollar entities, including publicly traded companies. Gray was the leader of the Arthur Andersen Mid-Atlantic State and Local Government Practice. After Arthur Andersen, Gray spent time as a partner at Ernst & Young, LLP in the Mid-Atlantic region. Gray served on the Federal Accounting Standards Advisory Board and is a former member of the AICPA Governing Council, former Chair of the Maryland Association of Certified Public Accountants ("MACPA") Board, and former member of MACPA's Peer Review and Ethics Committees.

Meet the Team Leadership (cont.)



Tiana Wynn, CPA, MBA
Audit Partner

- Over 18 years of experience in public accounting
- Graduate of University of Maryland & Loyola University of Maryland, Sellinger School of Business & Finance

Tiana is a partner at SBC, and she has eighteen years of public accounting experience. Prior to SBC, Tiana worked in Ernst & Young, LLP's audit department. At SBC, she performs a variety of audit services, including financial statement audits, risk consulting, and other operational reviews. She serves as one of the AICPA's Enhanced Oversight Peer Reviewers. Tiana received her Bachelor of Science in Finance at University of Maryland and Master of Business Administration at Loyola University of Maryland, Sellinger School of Business & Finance. Tiana teaches at local and national conferences. During engagements, she leads the planning and reviewing the work papers and deliverables in sufficient detail to ensure the audit plan is accurately executed and documented and that issues are properly addressed and resolved.



Monique Booker, CPA
Advisory Partner

- Over 30 years of experience in public accounting
- Graduate of Hampton University

Monique is a partner at SBC who leads our Grant Audit practice. She has more than thirty years of experience in public accounting and is a former senior manager with Arthur Andersen, LLP's Mid-Atlantic Practice before helping to found SBC in 2005. Monique makes recommendations to improve processes and controls and assists clients in the implementation of corrective action plans. She is also in charge of SBC's Quality Assurance, overseeing our quality protocols. Monique recently finished her term on the AICPA Auditing Standards Board (ASB), the AICPA's senior committee for auditing, attestation, and quality control applicable to the performance and issuance of audit and attestation reports. Monique currently sits on the AICPA's Government Audit Quality Executive Committee.

Meet the Team Leadership (cont.)



Julie Paris, CISA
IT Audit Risk Specialist

- Over 30 years of experience in IT Risk
- Graduate of University of Baltimore

Julie is a valuable addition to our IT Audit Team with over 30 years of IT risk experience. As an IT risk manager, she brings a unique wealth of experience understanding technology in a technical and comprehensive way that many IT auditors do not. She understands the entire life cycle since she supported various companies in determining their system and database needs and assisted with the development and implementation of enterprise application financial software needs and modifications for several clients. With experience conducting IT audits, Julie manages large, complex engagements maximizing our team's ability to communicate effectively with IT and lends her strong intuition and technical knowledge to assess IT risks and controls.



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