

**SOUTH BALTIMORE GATEWAY COMMUNITY  
IMPACT DISTRICT MANAGEMENT AUTHORITY**

**Financial Statements Together with  
Report of Independent Public Accountants**

**For the Year Ended June 30, 2017**



**SB & COMPANY, LLC**  
KNOWLEDGE • QUALITY • CLIENT SERVICE

**JUNE 30, 2017**

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## **REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**

To the Board of Directors of  
The South Baltimore Gateway Community  
Impact District Management Authority

### **Report on the Financial Statements**

We have audited the accompanying statement of net position of the South Baltimore Gateway Community Impact District Management Authority (the Partnership) (a blended component unit of Baltimore City, Maryland), as of June 30, 2017, and the related statement of revenue, expenses, and change in net position for the period from September 12, 2016 to June 30, 2017 (initial period), and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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



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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Partnership as of June 30, 2017, and the respective change in its net position for the period September 12, 2016 to June 30, 2017 (initial period), in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Hunt Valley, Maryland  
October 9, 2017

*SB & Company, LLC*

**SOUTH BALTIMORE GATEWAY COMMUNITY IMPACT DISTRICT  
MANAGEMENT AUTHORITY**

**Management’s Discussion and Analysis  
June 30, 2017**

**Overview of the Financial Statements and Financial Analysis**

The South Baltimore Gateway Partnership (the Partnership) was established by law on September 12, 2016 as the South Baltimore Gateway Community Impact District Management Authority and is codified in the Baltimore City Code, Article 14 Section 19-4. Though neither an agency of city nor state government, the Authority is established as a governmental body to the greatest extent allowable by law. The Partnership implements the South Baltimore Gateway Master Plan, and under the Partnership's current strategic plan its main areas of focus are community development and revitalization, environmental sustainability, and health and wellness. The Partnership is funded by the Local Impact Grants generated by the three casinos in central Maryland: Horseshoe Casino, Maryland Live, and MGM Grand National Harbor. Under state law, not less than 50% of the Local Impact Grants that had previously been designated for the City of Baltimore have been reallocated for direct use by the Partnership.

In accordance with Governmental Accounting Standards Board (GASB), the Partnership presents this Management’s Discussion and Analysis of the financial statements of the Partnership for the period ended June 30, 2017.

The report discusses the Statement of Net Position, and the Statement of Revenue, Expenses and Change in Net Position, which together provide an overview of the Partnership’s activities. A statement of cash flows was not presented as the Partnership did not have any cash transactions during the period ended June 30, 2017.

**Statement of Net Position**

The Statement of Net Position present a fiscal year end snapshot of the Partnership’s assets by type. During the period of time between September 12, 2016 and June 30 2017, the Partnership did not possess a bank account or have the capacity to hold and manage its own funds. Therefore, all funds designated for Partnership use were held by the City of Baltimore, and all expenditures made during this period were made by the City on behalf of the Partnership. Accordingly, the Partnership’s assets consist of amounts due from the City of Baltimore, Maryland (the City) as of June 30, 2017.

	<b>2017</b>
Current Assets	<u>\$ 568,486</u>
<b>Total Net Position, End of Year</b>	<u><u>\$ 568,486</u></u>

**SOUTH BALTIMORE GATEWAY COMMUNITY IMPACT DISTRICT  
MANAGEMENT AUTHORITY**

**Management's Discussion and Analysis  
June 30, 2017**

**Statement of Revenue, Expenses and Change in Net Position**

The Statement of Revenue, Expenses and Change in Net Position present the period from September 12, 2016 to June 30, 2017 operating revenue, operating expenses, and their effect on net position. Operating revenue consists of intergovernmental revenue. Operating expenses consist of administrative expenses.

	<u>2017</u>
Operating Revenue	\$ 641,275
Operating Expenses	<u>72,789</u>
Change in Net Position	568,486
Net position, beginning of period	-
<b>Net Position, End of Period</b>	<u><u>\$ 568,486</u></u>

The Partnership began its operation on September 12, 2016, so there was no activity in fiscal year 2016.

**Economic Outlook**

The State law authorizing the City to establish the Partnership specifies that, starting in Fiscal Year 2018, the Partnership shall receive not less than 50% of the Local Impact Grants from video lottery proceeds designated for Baltimore City. Absent a change of legislation, this allocation of funds will remain unchanged.

Because the three central Maryland casinos have the potential to cannibalize users from one another, the public revenues from all three casinos are pooled. This reduces the risk of a future decrease in revenues due to competition between casinos.

Actual Local Impact Grant revenues were lower in FY17 than what had been projected, resulting in the Partnership decreasing its FY17 budget by approximately \$500,000. Similarly, initial projections for FY18 Local Impact Grant revenues suggested that the Partnership would receive \$7 million, and this number formed the basis for the Partnership's initial FY18 budget. However, revised projections now suggest that the Partnership's FY18 sum will be closer to \$6 million.

**SOUTH BALTIMORE GATEWAY COMMUNITY IMPACT DISTRICT  
MANAGEMENT AUTHORITY**

**Statement of Net Position  
As of June 30, 2017**

<b>ASSETS</b>	
<b>Current Assets</b>	
Due from City	\$ 568,486
<b>Total Assets</b>	<u>568,486</u>
<b>Net Position, Unrestricted</b>	<u>\$ 568,486</u>

The accompanying notes are an integral part of this financial statement.

**SOUTH BALTIMORE GATEWAY COMMUNITY IMPACT DISTRICT  
MANAGEMENT AUTHORITY**

**Statement of Revenue, Expenses and Change in Net Position  
For the Period September 12, 2016 to June 30, 2017 (initial period)**

**Operating Revenue**

Intergovernmental revenue \$ 641,275

**Operating Expenses**

Administrative expenses 72,789

Change in Net Position 568,486

Net position, beginning of period -

**Net Position, End of Period** \$ 568,486

The accompanying notes are an integral part of this financial statement.



# **SOUTH BALTIMORE GATEWAY COMMUNITY IMPACT DISTRICT MANAGEMENT AUTHORITY**

## **Notes to the Financial Statements June 30, 2017**

### **1. ORGANIZATION**

#### **Authorizing Legislation**

The South Baltimore Gateway Partnership (the Partnership) was established by law on September 12, 2016 as the South Baltimore Gateway Community Impact District Management Authority and is codified in the Baltimore City Code, Article 14 Section 19-4. Though neither an agency of city nor state government, the Authority is established as a governmental body to the greatest extent allowable by law. The Partnership implements the South Baltimore Gateway Master Plan, and under the Partnership's current strategic plan its main areas of focus are community development and revitalization, environmental sustainability, and health and wellness. The Partnership is funded by the Local Impact Grants generated by the three casinos in central Maryland: Horseshoe Casino, Maryland Live, and MGM Grand National Harbor. Under state law, not less than 50% of the Local Impact Grants that had previously been designated for the City of Baltimore have been reallocated for direct use by the Partnership.

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of Presentation**

The accompanying financial statements of the Partnership are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

#### **Reporting Entity**

The Partnership's financial activity is included in the governmental funds of Baltimore City's financial statements.

#### **Use of Estimates**

The preparation of financial statements in conformity 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 disclosure of contingencies as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**SOUTH BALTIMORE GATEWAY COMMUNITY IMPACT DISTRICT  
MANAGEMENT AUTHORITY**

**Notes to the Financial Statements  
June 30, 2017**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Revenue and Expenses**

Operating revenue consists of intergovernmental revenue from the State of Maryland, passed through the City of Baltimore and either expended on behalf of the Partnership or held by the City for remittance to the Partnership. Operating expenses consist of administrative expenses. During this time, all revenues were held by the City on behalf of the Partnership, and all expenses were paid by the City on behalf of the Partnership. All accounting and bookkeeping was performed by the City on behalf of the Partnership.

**3. DUE FROM THE CITY**

Due from the City represents the amount of intergovernmental revenue held by the City that has not yet been remitted to the Partnership. As of June 30, 2017, \$568,486 remained due from the City. This amount was collected subsequent to year end.