

*City of Baltimore*  
*Maryland*

*Comprehensive Annual Financial Report*  
*Year Ended June 30, 2009*

# **City of Baltimore, Maryland**

## **Comprehensive Annual Financial Report**

Year Ended June 30, 2009

Prepared by the Department of Finance

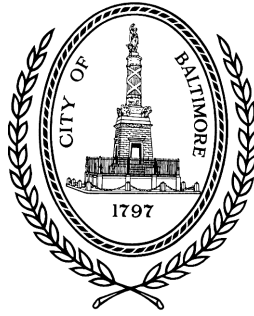
Edward J. Gallagher

*Director of Finance*

Bureau of Accounting and Payroll Services

Michael E. Broache

*Bureau Chief*



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## ELECTED OFFICIALS

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MAYOR

Sheila Dixon

PRESIDENT OF THE CITY COUNCIL

Stephanie Rawlings-Blake

COMPTROLLER

Joan M. Pratt

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## BOARD OF ESTIMATES

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PRESIDENT

Stephanie Rawlings-Blake

MAYOR

Sheila Dixon

COMPTROLLER

Joan M. Pratt

DIRECTOR OF PUBLIC WORKS

David Scott

CITY SOLICITOR

George Nilson

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## CITY COUNCIL

Stephanie Rawlings-Blake, *President*

Edward Reisinger, *Vice-President*

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FIRST DISTRICT

James B. Kraft

SECOND DISTRICT

Nicholas D'Adamo, Jr.

THIRD DISTRICT

Robert Curran

FOURTH DISTRICT

Bill Henry

FIFTH DISTRICT

Rochelle "Rikki" Spector

SIXTH DISTRICT

Sharon Green Middleton

SEVENTH DISTRICT

Belinda Conaway

EIGHTH DISTRICT

Helen Holton

NINTH DISTRICT

Agnes Welch

TENTH DISTRICT

Edward Reisinger

ELEVENTH DISTRICT

William H. Cole IV

TWELFTH DISTRICT

Bernard "Jack" Young

THIRTEENTH DISTRICT

Warren Branch

FOURTEENTH DISTRICT

Mary Pat Clarke

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# Introductory Section

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

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CITY OF BALTIMORE

SHEILA DIXON, Mayor



DEPARTMENT OF FINANCE

EDWARD GALLAGHER, Director  
469 City Hall  
Baltimore, Maryland 21202

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

March 31, 2010

In compliance with Article VII, Section 8, of the revised City Charter (November, 1964), submitted herewith is the Comprehensive Annual Financial Report (CAFR) of the City of Baltimore, Maryland, (City) for the year ended June 30, 2009. The CAFR was prepared by the City's Department of Finance. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe that the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and changes in financial position of the City; and, that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been provided.

The CAFR is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter, the City's organization chart and the certificate of achievement for excellence in financial reporting. The financial section includes the auditor's opinion, Management's Discussion and Analysis (MD&A), basic financial statements with related notes, and required supplementary information with related notes. The financial section also includes the combining and individual fund financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multiyear basis.

Management has provided a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors in the Financial Section of the CAFR.

The City Charter established a Department of Audits under the general supervision of the City Comptroller. The Charter requires the City Auditor to "annually make a general comprehensive public report of the financial position of the City; in the discretion of the Comptroller, such report may be in the form of an opinion on the annual financial statements prepared by the Director of Finance." The Comptroller has elected to have the City Auditor render an opinion as to the fairness of the Director of Finance's presentation of the City's basic financial statements. Additionally, the Board of Estimates awarded a contract to the nationally recognized independent certified public accounting firm, Ernst & Young LLP, to perform a joint audit with the City Auditor of the basic financial statements of the City for the year ended June 30, 2009. Their joint audit report is contained herein. Their audit was conducted in accordance with auditing standards generally accepted in the United States and, for the basic financial statements of the City, the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. On the basis of this examination, the independent auditors have issued an unqualified opinion that the presentation of the basic financial statements conforms with accounting principles generally accepted in the United States. In conducting the audit, the auditors performed tests of the accounting records and such other procedures as were considered necessary in the circumstances to provide a reasonable basis for this opinion on the financial statements. The auditors also assessed the accounting principles used and significant estimates made by management, as well as evaluated the overall financial statement presentation.

The independent audit of the City's financial statements is part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. This audit was conducted by the City Auditor, and the Single Audit Report is available as a separate document.

This report includes all of the funds that we consider to be part of, controlled by or dependent on the City. Professional judgment must be used to determine whether or not a potential component unit should be included in the reporting entity. Various potential component units were evaluated to determine whether they should be reported in the City's CAFR. Three component units, the Baltimore Industrial Development Authority (blended component unit), the Baltimore City Public School System and the Baltimore Hotel Corporation (discretely presented component units), were considered to be part of the City's reporting entity when it was concluded that the City was financially accountable for these entities. The Housing Authority of Baltimore City and certain other organizations are not considered to be component units and are not included in the City's basic financial statements.



## PROFILE OF THE GOVERNMENT

The Mayor and City Council of Baltimore (City) is a body corporate and politic of the State of Maryland (State) in which all local governmental functions are performed by the City. The City has had a charter form of government since 1797; home rule powers since 1918, and is governed by an elected Mayor, Comptroller and a City Council. The City has a total area of approximately 92 square miles and an estimated 2008 population of 636,919. The City is a major deep-water seaport located on the Patapsco River, a tributary of the Chesapeake Bay. It is served by Baltimore/Washington International Thurgood Marshall Airport in adjacent Anne Arundel County. The City is almost completely surrounded by Baltimore County, a separate entity, which borders the City on the east, north, west and part of the south. Anne Arundel County adjoins the City on its southern border.

The City provides the full range of municipal services contemplated by statute or charter, which are provided or paid for by the City from local, State or Federal sources. These services include public safety (police and fire protection), water and waste water 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 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 City Charter, the City's executive functions are vested in the Mayor, the Board of Estimates and an independent Comptroller. The City's legislative functions are vested in the City Council. The Mayor is the chief executive officer of the City. The Mayor is elected for a term of four years and is eligible to succeed herself without limitation as to the number of terms. If the Mayor is disabled or absent from the City, the President of the City Council acts as ex-officio Mayor. If the Mayor resigns, is permanently disqualified, or dies in office, the President of the City Council becomes Mayor for the remainder of the term. The Mayor has authority to veto ordinances, has power of appointment of most department heads and municipal officers, serves on the Board of Estimates and appoints two of the other four members of the Board of Estimates.

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

### **Key Budgetary Policies**

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

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

*Timely Adoption:* The City 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 City 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 of the fiscal year.

*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.

*Budget Stabilization Reserve Policy:* In November 2008, the City's Board of Estimates approved a Budget Stabilization Reserve Policy that establishes 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 stipulates that the reserve shall be maintained on any June 30th at a minimum level of 8% of the combined value of the General Fund and Motor Vehicle Fund operating budgets of the subsequent fiscal year.

## **OTHER FINANCIAL INFORMATION**

### **Retirement Plans**

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

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

### **Temporary Investment of Cash Balances**

The City, through the Office of the Director of Finance, pursues an aggressive cash management and investment program to achieve maximum financial return on available funds. Depending on cash needs, excess funds are invested on a short, intermediate or long-term basis at 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. There are no material weaknesses in internal control over financial reporting and there have been no significant changes in internal control since June 30, 2009.

## **ECONOMIC PROFILE AND OUTLOOK**

Baltimore is the historic, business, education and cultural center of Maryland. The City benefits from being in one of the wealthiest states in the nation and is the northern anchor of the Washington-Baltimore-Northern Virginia Combined Statistical Area—one of the largest, wealthiest and best educated population centers in the country. The City's economy has traditionally benefited from its location as it is accessible to a large and diversified workforce. Also, with an excellent highway and rail transportation system the City is able to access both mid-western and north-eastern markets thus supporting its international port activity. About 339,640 or 27.2% of the 1.25 million jobs in the metropolitan area are located in the City.

For several decades, the City has become less reliant on traditional manufacturing industries. Manufacturing jobs comprise only 4.7% of the City's total jobs, which represents a lower percentage than the region, the State and the nation. However, health and education related services continue to be the leading employment industry, representing 27.2% of the 2008 jobs located in the City. This proportion is considerably higher than the State and region's total of 14.5% and 17.1%, respectively. The growing prominence of health and knowledge-related industries is reflected in the City's major employers. Among the ten largest non-governmental employers, eight are health and education-related entities, one is a utility service provider, and one provides administrative services. The City derives economic strength from the number of jobs in the fast growing health sector, and in knowledge and information-based education and information services sectors. An increasing number of workers in the Washington, D.C. and Northern Virginia area commute to jobs from homes in Baltimore. The City has expanded its aggressive marketing efforts in the Washington, D.C. area promoting its low cost, high-value housing and business location options in Fiscal 2009.

The City supports and builds on the strengths of its internationally renowned higher education and health care institutions, most notably the Johns Hopkins Hospital and Health System—the world's premier medical facility, and the University of Maryland School of Medicine—the nation's first public medical school and one of the nation's largest public medical school research dollar recipients. A total of \$1.9 billion of major development in the City related to higher education and health care institutions was under construction during Fiscal 2009, including: the new clinical building for the Johns Hopkins Hospital, the Mercy Medical Center –Mary Catherine Bunting Center, and the recently opened Johns Hopkins' Wilmer Eye Institute - The Robert H. and Clarice Smith Building. In addition, the construction of 115,000 square feet of the Kennedy Krieger Institute's Harry and Jeannette Weinberg Building was one of the major health development projects accomplished in Fiscal 2009.

The population trend is often considered the single most important economic factor in the City due to the fact that Baltimore's population peaked at 949,708 in 1950 and has declined to 651,154 in 2000. This 50 year trend reflects an average monthly drop of 498 persons with some decades experiencing faster drops than others. The 1970's saw the greatest declines. During this period, population loss approached 12,000 per year, or 1,000 per month; however, this rate of loss has declined in recent years, and the City's resident population is stabilizing. In 2006, the City saw an increase of 897 residents over the 2005 estimate, which represented the second increase in the City's population since 1971. The Census Bureau recently released the preliminary July 1, 2008 population estimate of 636,919 for Baltimore City. This estimate shows a loss of 3,231 City residents from the 2007 estimate of 640,150. In recent years, the City has been successful in challenging the annual bureau's estimates for upward revisions; however, unlike prior years, the City has not pursued challenging the latest estimate in order to gather efforts for a more accurate estimate in the 2010 Census. The leveling of population losses during this decade confirms the City's efforts to address the challenges associated with being the State's oldest urban center with a disproportionate share of the State's poor and areas of disinvestment and abandonment.

## **Economic Outlook**

The economic outlook for the Fiscal 2011 budget planning cycle is, perhaps, the most challenging the City has experienced in several years. The abrupt reduction in the housing market activity has directly affected the major City revenue sources. Home sales are down approximately 14.8% from last year to date levels as of August and 65.7% below their peak in June 2005. This level of activity resulted in the substantial decline in transfer and recordation tax collections to levels only seen prior to Fiscal 2003, with a reduction of \$70.6 million since their peak in Fiscal 2006. The net effect of housing price changes is expected to stress the short term assessment cycle for property tax, the only revenue that has grown during this recessionary period. The unemployment rate in the City reached 10.8% as of October 2009, contributing to a reduction of income tax collections. Additionally, the State faces one of the most difficult budget crises, which diminishes the level of State aid to the City. The Administration expects these conditions to continue through Fiscal 2010 and Fiscal 2011. In order to weather these financial challenges, the City has implemented plans to reduce expenditures in Fiscal 2010 and is taking an especially conservative approach to budget planning for Fiscal 2011.

## **Jobs and Employment**

The most recent reliable data from the State Department of Labor, Licensing and Regulation (DLLR) indicates that the City has continued to experience a decline in the number of jobs during calendar 2008. The DLLR reported an average of 339,640 jobs located in the City during 2008, which represents a 1.3% decline compared to the average of 344,209 jobs in calendar 2007. Total employment in the City last peaked in 2000 with 387,557 jobs; since then, the City has experienced an average

decline of about 500 per month through calendar 2008. In 2008, the City's job market reflected the impact of the nation's economic downturn. The annual average unemployment rate for residents in the City increased from 5.6% in 2007 to 6.7% in 2008, with a 10.8% unemployment rate as of October 2009, the highest since 1998.

### **Retail Sales**

Retail sales reported by the State of Maryland for the City showed a decline of 5.4% in Fiscal 2009, the first decline in the last seven years. The total value of sales generated in the City decreased \$309.2 million to reach the annual total of \$5.43 billion. Additionally, sales generated in the City have declined as a percentage of the total retail sales in the State from 9.4% in Fiscal 2000 to an average 8.4% during the last three years. The net effect in the retail activity in the City is yet to be determined; however, the City has experienced an increase of at least 52 new businesses that started operations in 2009, including restaurants, bars, cell phone stores and bookstores. Retail sales activity continues to be a leading indicator of economic activity as the City continues experiencing the impact of the national economic recession.

### **Housing**

For the second consecutive year, the Fiscal 2009 housing market has been one of the toughest in terms of activity and price adjustments. Single-family home sales in the City as reported through the Metropolitan Regional Information System (MRIS) reflected a decline of 30.3% in total dollar sales value compared to 2008. Total number of units sold decreased by 23.3% in Fiscal 2009, with a cumulative decline of 61.4% since its peak in Fiscal 2005. The average sale price of properties sold in the City declined to \$169,652 or 9.1% from the \$186,671 experienced in Fiscal 2008, representing the first downward market adjustment in prices since Fiscal 2001. The housing market is in the process of stabilizing from the boom years' speculative prices. At this point it is hard to estimate the recovery of prices and activity; however, it is not expected to happen until some point in Fiscal 2011. The apartment market has continued to grow, but at a lower rate than in prior years. In Fiscal 2009, 353 apartments were completed in the downtown area for both rental and sale. This brings the total number of new apartments built in downtown to 4,479 since calendar 1999. Another 511 apartment units are currently under construction in the downtown area with expected delivery time between Fiscal 2010 and Fiscal 2011. Despite the downturn in the national 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**

Port activity is sensitive to factors that affect world trade: the state of the economies abroad and currency markets, among other factors. Even though the nation officially started a recessionary period in 2008, calendar year 2008 was another strong year for the Port of Baltimore. For the fourth consecutive year, the total foreign cargo exceeded the 30 million ton mark with 33.0 million tons, 7.3% above the 30.8 million tons handled during 2007. The Port also reached another all-time record in cargo value of \$45.3 billion, 8.0% higher than the \$41.9 billion in calendar 2007, which helped it maintain its standing as the 12<sup>th</sup> largest nationwide port for calendar 2007 in dollar value, and 14<sup>th</sup> largest nationwide in tonnage. Additionally, the Port of Baltimore ranked 1<sup>st</sup> in import and export on roll-on roll-off cargo with 0.77 million tons. Even though in the short term the level of activity at the Port will depend on the status of international foreign policies and the challenges of foreign trade in a depressed economy, the Maryland Port Administration is in the process of signing a long term renovation contract, which includes a 50-year leasing agreement and about \$500 million in capital investment, in order to upgrade and prepare the port for the upcoming challenges originated by widening of the Panama Canal, expected to be completed in 2014. This new agreement is expected to not only benefit the Port, but also to spur the areas' economic activity with about 5,700 new jobs.

### **Tourism and Travel Industry**

The travel and tourism activity in the City and the region has been severely affected by the conditions of the current economy. In calendar year 2008, the travel industry saw about 20.5 million commercial passengers use Baltimore Washington International Thurgood Marshall Airport, representing a decrease of 2.6% compared to Calendar 2007; while a total of 27 cruises departed from the Port of Baltimore in 2008, representing two cruises less than originated in 2007. Even though three new hotels, including the City's Convention Center Hotel, opened to the public in Fiscal 2009, the City's hotel industry experienced a 9.6% decrease in the hotel occupancy rate, and a 7.2% decline in the average daily rate per room from \$142.80 in Fiscal 2008 to \$130.90 in Fiscal 2009. In addition, the Baltimore Convention Center experienced a decline of 38 events held in Fiscal 2009 totaling 139 events compared to the 177 events in Fiscal 2008. However, the average attendance

per event increased from 2,898 in Fiscal 2008 to 3,137 in Fiscal 2009, or an increase of 8.2%. The length of the national and international economic turmoil will determine how quickly travel and tourism, as many other industries, will recover.

## **Office Development**

During Fiscal 2009, the City's office market experienced mixed effects with an increase in the average asking retail price and total market size while decreasing its office occupancy rate and net absorption. The City increased its office market by 1.3% to 21.7 million square feet compared to the second quarter of 2008. The City also experienced a slight increase in the average leasing price of 4.0% to \$22.60 per square foot. Some of the most important leasing contracts for office spaces in the City are those signed by the Decker Group, TravelCLICK Inc, and XL Health with total inventory absorption of 75,600 square feet, in addition to the health related leases signed by the First Step Health System, the Brain Science Institute / Johns Hopkins School of Medicine and Johns Hopkins Hospital with a total absorption of 56,000 square feet. Most of the decrease in the Citywide office market happened in the downtown area, experiencing a substantial increase in its vacancy rate to 15.2% from 11.7% in the fourth quarter of Fiscal 2008. The departure of Bank of America offices, the relocation of Legg Mason to the Harbor East neighborhood, and the availability of two sizable properties on Pratt Street are among the factors contributing with the negative net absorption of 292,330 square feet. The average rental asking price in the Downtown area increased 3.3% to \$23.30 per square foot during Fiscal 2009. Currently, the City has about 1.5 million square feet of important leasing space under construction in Harbor East, Harbor Point and midtown areas.

## **FINANCIAL ACCOMPLISHMENTS**

Providing a broad range of urban services with a limited tax base requires maximizing use of scarce resources and constant improvement to all aspects of financial management—treasury, budgeting, payroll, risk management, accounting and procurement. Selected highlights of financial management accomplishments in Fiscal 2009 follow:

- The City maintained a General Obligation (G.O.) bond rating of 'AA3' from Moody's Investors Service and 'AA-' from Standard & Poor's in May 2009. As Moody's noted in its 2009 report when discussing the City's stable rating outlook given the current economic climate, "City officials have demonstrated strong financial discipline and the General Fund has retained satisfactory financial flexibility and steady operating performance through several economic cycles."
- Beginning in Fiscal 2009, the City is transitioning to Outcome Budgeting, which is a new way of budgeting for Baltimore. Whereas traditional budgeting starts with last year's spending and adjusts agency allocations based on projected revenue, Outcome Budgeting starts with the results that matter to citizens and funds programs based on their value in achieving those results. Through Outcome Budgeting, agencies will explicitly show in their budget proposals for Fiscal 2011 the relationship between the dollars they plan to spend and achieving measurable results, such as cleaner waterways, smoother roads, and healthier babies. This new budget process gives City leaders more information to make strategic funding decisions. Furthermore, to find out what results matter most to citizens, the City conducted the first-ever Baltimore Citizen Survey during Fiscal 2009.
- In accordance with the Department of Finance's Strategic Plan for Information Technology and Financial Systems (completed in calendar 2006), in March 2009 the City transitioned from its 38 year old legacy system to a new general ledger system that incorporates many best practices. The new system, CityDynamics, provides timely financial reporting and streamlines the City's accounts payable and billing systems. This is the latest in a series of upgrades over the past few fiscal years that include new human resources, payroll, and procurement systems.
- The City has taken important steps to address Other Postemployment Benefits (OPEB) costs and liabilities, including the creation of a Retiree Benefit Trust, a Memorandum of Understanding with the Employees' Retirement System to manage the Trust, and regular contributions to the Trust including a dedicated revenue stream from the Medicare Part D employer subsidy. The long-term investment balance in the City's OPEB Trust as of June 30, 2009 was \$104.0 million. The City contributed \$166.1 million toward the Annual Required Contribution (ARC) for Fiscal Year 2009, which consisted of \$133.0 million in pay-as-you-go costs for current benefits and \$33.1 million in contributions above pay-as-you-go for future costs.
- The Bureau of Purchases improved the efficiency of its operations as well as its relationship with both internal and external customers during Fiscal 2009. By using statistical performance data to hold staff accountable and encouraging staff training and professional development, productivity in the Bureau improved significantly with turnaround time for purchasing requisitions meeting the established goals set forth for several months in a row. As a result of the turnaround time reduction, the Bureau reduced its backlog of open market requisitions to be processed by 40%.



- The Bureau of Revenue Collections has implemented various reforms aimed at reducing operational expenses, boosting collections and improving customer service. The Bureau now offers 10 bill types that can be paid online via electronic debit from the customer's checking account or by credit card, thus reducing processing costs. The percent of payments made on-line has grown from 10.5% in Fiscal 2008 to 15.5% in Fiscal 2009. The Customer Service section has been reorganized to include the refunds and adjustments section which was previously a part of the Bureau of Accounting and Payroll Services. This re-organization makes the refund process more seamless and efficient for customers and reduces the administrative processing time associated with refunds. In addition, the Bureau implemented a service request tracking mechanism for all walk-in, mail, or telephone requests and has improved overall accountability related to citizen and customer requests.
- The City continues to focus on Workers' Compensation reform by holding managers throughout City government accountable for the timely reporting of claims and for the prevention of on-the-job injuries. The City reduced the number of Workers' Compensation claims filed by 23% in Fiscal 2009 compared to Fiscal 2002 (4,905 claims in Fiscal 2002 versus 3,799 in Fiscal 2009.) Claim payments made for all claims have decreased by 15% since Fiscal 2004 (\$48 million in Fiscal 2004 versus \$41 million in Fiscal 2009.) In addition, by working aggressively to settle old claims and to maintain a closure ratio (ratio of new claims opened to claims closed) of at least 100%, the City has reduced its inventory of open claims by 88% since Fiscal 2002 (25,232 open claims in Fiscal 2002 versus 3,051 for Fiscal 2009). Furthermore, the percentage of Workers' Compensation claims that were reported to the claims administrator within five days from the date of incident increased from 50% in Fiscal 2004 to 88% in Fiscal 2009.

The positive outcome of effective financial management is evident in the City's General Fund Balance position. An additional \$3.2 million was added to the budget stabilization fund, which, at June 30, 2009, had a balance of \$95.7 million. When combined with the undesignated unreserved fund balance of \$10.5 million, the total of \$106.2 million comprises about 8.1% of General Fund revenues, a positive reflection of the strength of the City's balance sheet.

## **MAJOR INITIATIVES AND ACCOMPLISHMENTS**

The Administration focuses on the critical long-term concerns facing the City. Baltimore, like many older cities, is faced with many challenges: population loss, an unemployment rate which remains above the State and national average, wealth levels that are well below the State and national average, and a population which includes a disproportionate number of citizens facing issues ranging from mental illness, homelessness, addiction, affordable housing and crime.

The following sections will highlight key Fiscal 2009 actions and accomplishments towards meeting the Administration's five major objectives.

### **Objective 1: Make Baltimore a safer city**

#### **Crime Reduction**

Making Baltimore safer is one key component to increasing Baltimore's population, promoting economic growth, and creating and retaining jobs. In Fiscal 2008, Baltimore achieved a 25.0% reduction in homicides and shootings. In Fiscal 2009, Baltimore continued to reduce violent crime. Strategies developed by the Mayor and implemented by the Baltimore Police Department have led to an additional 4.0% reduction of homicides and shootings in Fiscal 2009.

#### **Gun Tracing Task Force**

Established on June 1, 2007, the Gun Tracing Task Force (GTTF), made up of members of the Baltimore Police Department, Baltimore County Police Department, Maryland State Police, and Bureau of Alcohol, Tobacco and Firearms (ATF), suppresses gun trafficking and unlawful firearms possession by targeting straw purchasers and gun dealers who fail to comply with State and federal laws. During Fiscal 2009, the GTTF executed 72 search and seizure warrants, seized or recovered 449 guns, and made 42 arrests, 30 of which included handgun violation charges.

#### **Violent Crime Impact Division (VCID)**

In 2007, the Police Department's Organized Crime Division was reorganized, renamed and restructured into the Violent Crime Impact Division (VCID). VCID detectives target the most violent offenders in specific violent zones within the City. This focus has resulted in significant violent crime reductions within the targeted zones. Although the VCID accounts for

about only 10% of the total sworn strength of the Police Department, the division had a significant impact in Fiscal 2009 including: more than 14,000 total arrests; 6,527 felony narcotic arrests; 4,749 misdemeanor narcotic arrests; and, 1,019 guns seized. In addition, the division has obtained and executed more than 1,700 search and seizure warrants and seized more than \$7 million.

### **Citizens on Patrol (COP)**

Experience has proven that a small group of concerned, dedicated citizens with the proper training, and the support of their community and law enforcement, can make a difference. In communities with an active COP program, there has been a significant decrease in criminal activity. Additionally, members of COP groups have helped improve the relationships between the Police Department and communities. Not only is a COP group a crime deterrent, it is also an opportunity for community members to identify infrastructure issues in their neighborhoods.

### **Safe Streets**

Safe Streets is a community based violence prevention initiative modeled on CeaseFire Chicago. This program relies on credible outreach workers, community members, faith leaders and other community organizations to intervene in conflicts, or potential conflicts, and promote alternatives to violence. Along with cooperation from the Health and Police Departments, Safe Streets includes a strong public education campaign to provide the message that shootings and violence are unacceptable in our communities. In August 2008, the Mayor announced the City's plan to expand this program. Since that time, the program has successfully: increased the work of the Living Classrooms Foundation to include approximately 24 city blocks in East Baltimore and three teams of outreach workers; developed a hospital response component with Johns Hopkins Hospital; and added a new site in the Cherry Hill area to be overseen by Family Health Centers of Baltimore.

## **Objective 2: Make Baltimore a cleaner, greener and more sustainable city**

### **Energy Office**

The Energy Office within the Department of General Services has been instrumental in reducing energy costs throughout the City. In Fiscal 2009, combined energy savings and revenue generation exceeded \$6.0 million. For this reason, beginning in fiscal 2010, the Energy Office is a self-sufficient organization, no longer dependent on the General Fund.

### **Single Stream Recycling**

On January 8, 2008, the Department of Public Works (DPW), Bureau of Solid Waste, instituted a City-wide single stream recycling program whereby paper, plastic, glass, bottles and jars are now placed in one container and collected in one pick-up. The results have been immediate: a 30% increase in residential recycling tonnage; reduced route time and operating costs, including a 90% reduction in overtime; and, increased recycling participation in areas of the City that previously had very low participation. Beginning in Fiscal 2010, the Bureau of Solid Waste instituted once a week mixed refuse and single stream recyclables collection (a shift from twice weekly trash and bi-weekly recycling pick-up). The new collection methodology is expected to boost recycling, save the City approximately \$7 million a year in operating costs, and reduce the amount of household mixed refuse collected.

### **Baltimore City's Sustainability Plan**

The Baltimore Sustainability Plan (BSP) was developed over a nine-month period and engaged over 1,000 citizens. The BSP was adopted by the City Council in March 2009. The Sustainability Plan lays out 29 priority goals within seven theme chapters: Cleanliness, Pollution Prevention, Resource Conservation, Greening, Transportation, Education & Awareness, and Green Economy. Each of the 29 goals is accompanied by a set of recommended strategies, with timelines, lead partners, and funding sources identified. The Plan can be viewed and downloaded from the City's website at [www.baltimorecity.gov/sustainability](http://www.baltimorecity.gov/sustainability).

## **Objective 3: Build strong healthy and educated children and families**

### **Buprenorphine Initiative**

The City is supporting expansion of effective substance abuse treatment using buprenorphine as an alternative for drug treatment. To date, more than 1,000 patients have been treated and more than 200 have transferred from substance abuse treatment to long-term support in the medical system. The Health Department has a leadership role in coordinating this effort.

## **YouthWorks**

The YouthWorks program enables youths, ages 14-21, to be employed in a variety of public and private sector settings, including City agencies and local non-profit organizations or special community-based projects. In the summer of 2009, the program employed approximately 7,100 young people, a record high.

## **10 -Year Plan to End Homelessness**

In January 2008, the Administration released its 10-Year Plan to End Homelessness. Since the plan's release, more than 150 individuals and families have been placed into permanent housing with ongoing supportive services. In addition, Baltimore's first 24-hour shelter opened in temporary quarters and construction began in August 2009 for a permanent location at 620 Fallsway, with a projected opening date of May 2010.

## **Objective 4: Strengthen Baltimore's economy and promote economic and cultural opportunities for all its residents**

### **East Baltimore Development Initiative**

The nonprofit East Baltimore Development Inc., in partnership with the City, is working to transform an 88-acre site into a market-oriented, mixed-income community with housing opportunities for all income ranges and a continuum of social and economic programs that enable residents to benefit from the area's rebirth. Currently the single largest redevelopment effort in the City, this revitalization initiative is expected to generate over 8,000 new jobs, produce over 2,000 units of mixed-income housing and represent \$1.8 billion of investment.

### **Westside Initiative**

The Westside Initiative is a public/private partnership to renew the west side of downtown Baltimore into a vibrant mixed-use neighborhood. Nearly \$800 million in capital funds have been invested in the Westside creating more than 1,000,000 square feet (sq.ft.) of additional institutional and cultural space, 250,000 sq. ft. of retail space, 137,000 sq. ft. of office space and 900 hotel rooms. More than 2,700 new market rate apartments and condominiums have been developed, with approximately 1,900 units in the planning phase and an additional 300 units in the conceptual phase.

### **Job Development**

The Baltimore Development Corporation's (BDC) mission is to stabilize and expand the City's job base by retaining existing City-based employers, helping them grow, and recruiting new employers to the City. In 2008, BDC directly assisted 61 small, medium and large companies, accounting for 3,313 jobs retained and created. BDC has also assisted a substantial number of other companies with other economic development assistance, and made in excess of 250 outreach visits to Baltimore City businesses. Since 2000, BDC has provided financial assistance to 973 businesses and development projects, resulting in the retention and creation of 41,144 jobs.

## **Objective 5: Cultivate stable, vibrant and livable neighborhoods**

### **Affordable Housing Program (AHP)**

Initiated in 2006, the Baltimore City Affordable Housing Program's mission is to improve and expand housing opportunities for working families and other persons of low and moderate income, and to promote economic diversity in City neighborhoods. The AHP is intended to facilitate large-scale site assembly and blight elimination, thereby creating new development opportunities in neighborhoods throughout the City. Examples of projects funded through the Affordable Housing Program include: the construction of Preston Place, the first new housing built in the Oliver community in more than 50 years; and the demolition of the former Freedom Village Apartments and Claremont Homes, now Orchard Ridge, the former Uplands Apartments and former Byrd properties.

### **Operation Orange Cone**

In 2007, the Department of Transportation was challenged to find new ways of coordinating its resources to make road construction more efficient. The result, known as Operation Orange Cone, has led to a record amount of road resurfacing throughout the City. In 2008, the City paved 220 lane miles. Through July 2009, 87.2 miles have been completed, which is on track toward the goal of 200 lane miles repaved.



## **Objective 6: Make Baltimore's Government more innovative, efficient and customer friendly**

### **CitiStat**

The Mayor's Office of CitiStat is a performance based management group tasked with improving service delivery in Baltimore City through the effective use of data-driven decision making. In addition to assessing individual agency performance, the Mayor has encouraged inter-agency cooperation to tackle some of the City's largest problems. An example of agencies working together towards a common goal is CleanStat, an inter-agency meeting focused on cleaning Baltimore through coordination among the Mayor's Office, the Bureau of Solid Waste, Housing's Code Enforcement section and the Department of Transportation's Maintenance section.

### **Baltimore Economic Recovery Team (BERT)**

In early 2009, the federal government enacted the American Recovery and Reinvestment Act (ARRA), also known as the federal economic stimulus program, with the goal of creating and saving jobs nationwide and investing in transit projects, infrastructure improvements, affordable housing, and school modernization as well as workforce training and public safety. In response, the Administration has established the Baltimore Economic Recovery Team (BERT), a multi-agency team tasked with maximizing the use of funds available to the City under the ARRA.

## **AWARDS AND ACKNOWLEDGEMENTS**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Baltimore, Maryland, for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2008.

To be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual 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, and we are submitting it to the GFOA to determine its eligibility for another certificate.

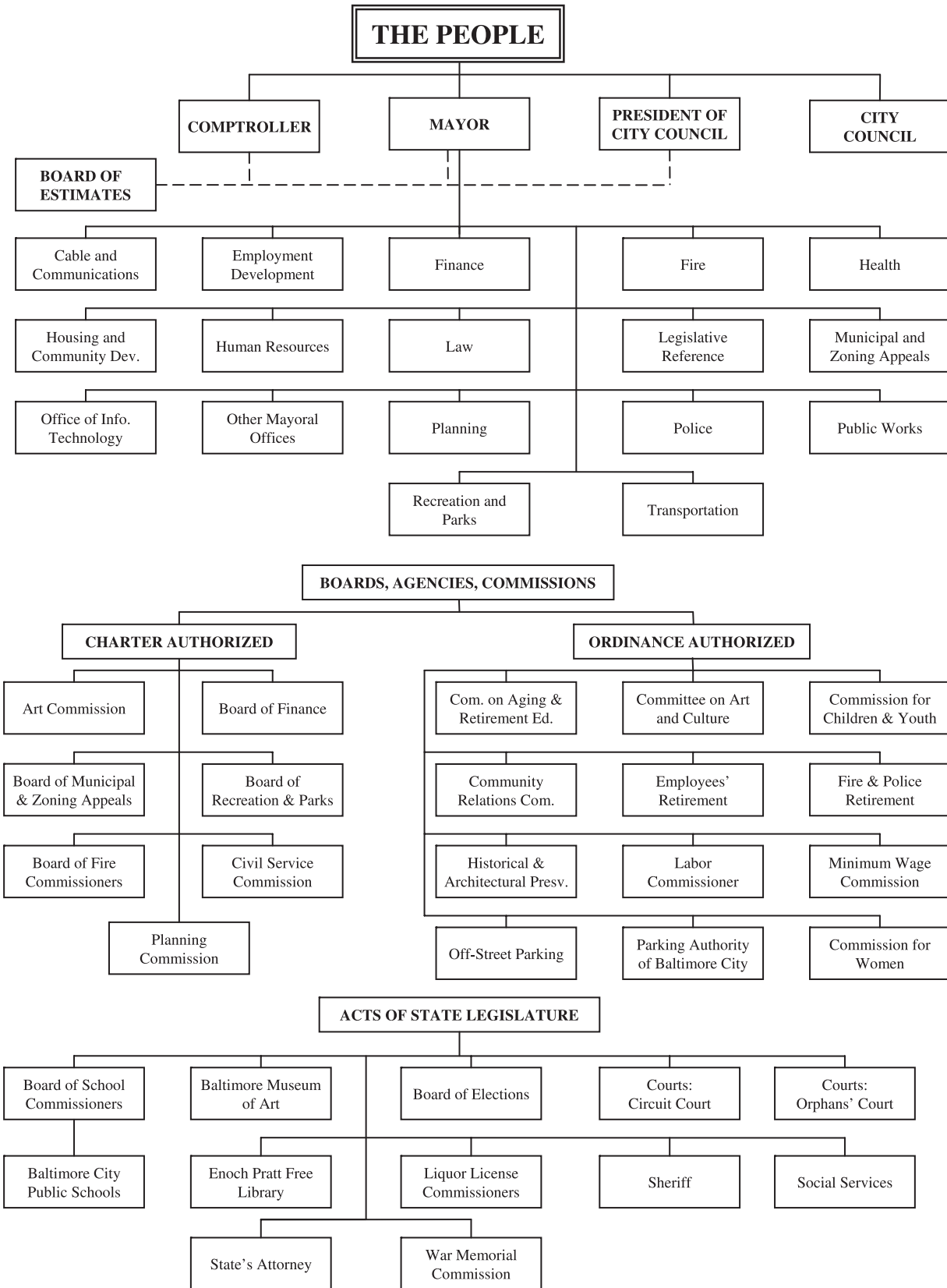
The preparation of this annual report could not have been accomplished without the efficient and dedicated services of the entire staff of the Bureau of Accounting and Payroll Services of the Department of Finance. We wish to express our appreciation to all members of the Bureau who assisted and contributed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

Respectfully submitted,



Edward J. Gallagher  
Director of Finance

# MUNICIPAL ORGANIZATION CHART



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Baltimore  
Maryland

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

# Financial Section

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

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## CITY OF BALTIMORE

SHEILA DIXON  
Mayor



621 E. Pratt Street  
Baltimore, Maryland 21202

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

March 31, 2010

### Report of Independent Auditors

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

We have jointly audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Baltimore, Maryland, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Baltimore, Maryland's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not jointly audit the financial statements of the Pension Trust Funds, the Baltimore City Public School System and the Baltimore Hotel Corporation discretely presented component units. The financial statements of the Pension Trust Funds were audited by the City Auditor acting separately, and the Baltimore City Public School System and the Baltimore Hotel Corporation were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Pension Trust Funds, the Baltimore City Public School System and the Baltimore Hotel Corporation, are based solely on the reports of the other auditors.

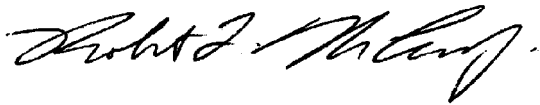
We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Baltimore Hotel Corporation were not audited in accordance with *Governmental Auditing Standards*. We were not engaged to perform an audit of the City of Baltimore, Maryland's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Baltimore, Maryland's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Baltimore, Maryland, as of June 30, 2009, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2010, on our consideration of the City of Baltimore, Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 15, and the additional required supplementary information on pages 71 through 74, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Baltimore, Maryland's basic financial statements. The introductory section, combining and individual fund statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.



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



Ernst & Young LLP  
Independent Auditors

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Baltimore's (City) Comprehensive Annual Financial Report (CAFR) presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

### FINANCIAL HIGHLIGHTS

The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$4.4 billion (net assets). This amount includes \$273.8 million (restricted net assets) and is net of an unrestricted deficit of \$287.9 million. During the fiscal year, the City's total net assets decreased by \$62.4 million.

As of June 30, 2009, the City's governmental funds reported combined ending fund balances of \$292.5 million. At the close of the current fiscal year, unreserved fund balance for the general fund was \$35.3 million or 2.8% of total general fund expenditures of \$1.2 billion.

The City's total long-term debt increased by \$4.7 million, during the current fiscal year. The key factor in this increase was issuance of \$30.0 million in general obligation bonds.

### OVERVIEW OF THE FINANCIAL STATEMENTS

GASB 34 requires the utilization of dual focus financial reporting. The purpose of this overview is to provide the reader with an introduction to the City's basic financial statements prepared under these reporting requirements.

The City's basic financial statements comprise three components:

- (1) Government-wide financial statements,
- (2) Fund financial statements, and
- (3) Notes to the basic financial statements.

The report also contains required and other supplementary information including notes to the Required Supplementary Information in addition to the basic financial statements themselves.

Measurement focus refers to what is measured and reported in a fund's operating statement while basis of accounting determines when a transaction or event is recognized in these funds. Under the accrual basis of accounting, most transactions are recorded when they occur, regardless of when cash is received or disbursed. Under the modified accrual basis of accounting, revenues and other financial resources are recognized when they become susceptible to accrual; that is, when they become both measurable and available to finance expenditures of the current period. Expenditures are recognized when the fund liability is incurred with certain exceptions.

### Financial Report Layout and Structure

The total economic resources focus is intended to determine if a fund is better or worse off economically as a result of events and transactions of the period. This focus utilizes the accrual basis of accounting to record events and transactions that improve (revenues or gains) or diminish (expenses or losses) a fund's economic position. It is the focus used by businesses. Until the advent of GASB 34, this focus was utilized by the public sector only to report on its business (self-supporting) activities.

The current financial resources focus is intended to determine if there are more or less resources that can be spent in the near future as a result of events and transactions of the period. This focus utilizes the modified accrual basis of accounting to record increases (revenues or other financing sources) or decreases (expenditures and other financing uses) in a fund's spendable resources. For most state and local governments, this focus is their legally mandated accounting method and with the incorporation of encumbrances (spending commitments), the one utilized to determine adherence to budgetary requirements.



Layout and Structure of the City of Baltimore Comprehensive Annual Financial Report

C A F R	Introductory Section				
	Financial Section				
	<b>Management's Discussion and Analysis</b>				
		<b>Government-wide Statements</b>	<b>Fund Statements</b>		
			Governmental Funds	Proprietary Funds	Fiduciary Funds
	<b>View</b>	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		
	<b>TYPES OF FINANCIAL STATEMENTS</b>	Statement of Net Assets	Balance Sheet	Statement of Fund Net Assets	Statement of Fiduciary Net Assets
			Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Revenues, Expenses, and Changes in Fund Net Assets	
		Statement of Activities		Statement of Cash Flows	Statement of Changes in Fiduciary Net Assets
		Full accrual basis for revenues and expenses, includes all assets and liabilities. Economic resource focus	Modified accrual basis for revenues and expenses. Financial resource measurement focus	Full accrual basis for revenues and expenses, includes all assets and liabilities. Economic resource focus	Accrual basis-agency funds do not have measurement focus
	<b>Notes to the Basic Financial Statements</b>				
	<b>Required Supplementary Information</b>				
	<b>Combining and Individual Fund Statements and Schedules</b>				
	<b>Statistical Section</b>				

**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 Assets and the Statement of Activities.

The Statement of Net Assets presents information on all of the City’s assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as, revenues pertaining to uncollected taxes and expenses pertaining to earned, but unused, vacation and sick leave.

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

library, recreation and culture, highways and streets, sanitation and waste removal, public service, economic development, and interest expense. The business-type activities of the City include water and sewer utilities, parking facilities and several other fee supported activities.

The government-wide financial statements include, not only the City itself (known as the primary government), but also the legally separate activities of the Baltimore City Public School System and the Baltimore Hotel Corporation. Summary financial information for these component units are reported separately from the financial information presented for the primary government itself. The Baltimore City Public School System and the Baltimore Hotel Corporation prepared their own financial statements, which are also prepared in conformity with GASB 34 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 balances left at year-end that are available for spending. Such information may be useful in determining what financial resources are available in the near future to finance the City's programs. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental 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, motor vehicle, 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 funds are charges for customer services including: water, sewer, parking fees, commercial and industrial rents, printing services, vehicle maintenance fees, telecommunication, central post office fees and risk management. Operating expenses for enterprise funds and internal service funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Proprietary funds provide the same type of information as shown in the government-wide financial statements.

The City maintains the following two types of proprietary funds:

- *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Enterprise funds are used to account for the operations of the City's business-type activities and include water and sewer utilities, and parking facilities, all of which are considered to be major funds of the City, and several other non-major fee supported activities.

- *Internal Service funds* are used to report activities that provide supplies and services for certain City programs and activities. The City uses internal service funds to account for its fleet of vehicles, printing and mail services, telecommunications services, and risk management program. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

#### *Fiduciary funds*

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

### **Notes to the Basic Financial Statements**

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

### **Required Supplementary Information and Combining and Individual Fund Statements and Schedules**

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. The combining financial statements and schedules referred to earlier in connection with non-major governmental funds and internal service funds are also presented. Budgetary comparison schedules have been provided for the general fund and motor vehicle fund to demonstrate compliance with their budgets.

### **Statistical Section**

The statistical section provides supplemental financial and statistical information intended to provide a broader understanding of the City's financial and economic environment. Much of the data presented is multi-year and some of it is derived from records external to the City's accounting records, therefore the statistical section is unaudited.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS (Primary Government)**

The City's financial statements are prepared in conformity with the reporting model required by Governmental Accounting Standards Board Statement No. 34 (GASB 34), Basic Financial Statements — and Management's Discussion and Analysis (MD&A) — for State and Local Governments. The report includes prior fiscal year results for the purpose of providing comparative information for the MD&A.

**CITY OF BALTIMORE**  
**Net Assets**  
**For the fiscal years 2009 and 2008**  
 (Expressed in Thousands)

	Governmental activities		Business-type activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets .....	\$1,170,115	\$1,306,819	\$ 599,222	\$ 653,083	\$1,769,337	\$1,959,902
Capital assets, net .....	3,562,800	3,548,171	2,495,249	2,384,745	6,058,049	5,932,916
<b>Total assets .....</b>	<b>4,732,915</b>	<b>4,854,990</b>	<b>3,094,471</b>	<b>3,037,828</b>	<b>7,827,386</b>	<b>7,892,818</b>
Long-term liabilities outstanding .....	1,496,825	1,373,190	1,279,838	1,248,104	2,776,663	2,621,294
Other liabilities .....	581,506	725,370	101,826	116,331	683,332	841,701
<b>Total liabilities .....</b>	<b>2,078,331</b>	<b>2,098,560</b>	<b>1,381,664</b>	<b>1,364,435</b>	<b>3,459,995</b>	<b>3,462,995</b>
<b>Net assets:</b>						
Invested in capital assets, net of related debt .....	3,117,296	3,138,558	1,264,259	1,196,193	4,381,555	4,334,751
Restricted .....	13,191	13,250	260,575	231,382	273,766	244,632
Unrestricted .....	(475,903)	(395,378)	187,973	245,818	(287,930)	(149,560)
<b>Total net assets .....</b>	<b>\$2,654,584</b>	<b>\$2,756,430</b>	<b>\$1,712,807</b>	<b>\$1,673,393</b>	<b>\$4,367,391</b>	<b>\$4,429,823</b>

## Analysis of Net Assets

As noted earlier, net assets may serve as a useful indicator of the City's financial position. For the City, assets exceeded liabilities by \$4.4 billion at the close of the current fiscal year. The City's net assets include its investment of \$4.4 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 assets, \$273.8 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance is a deficit in unrestricted net assets of \$287.9 million.

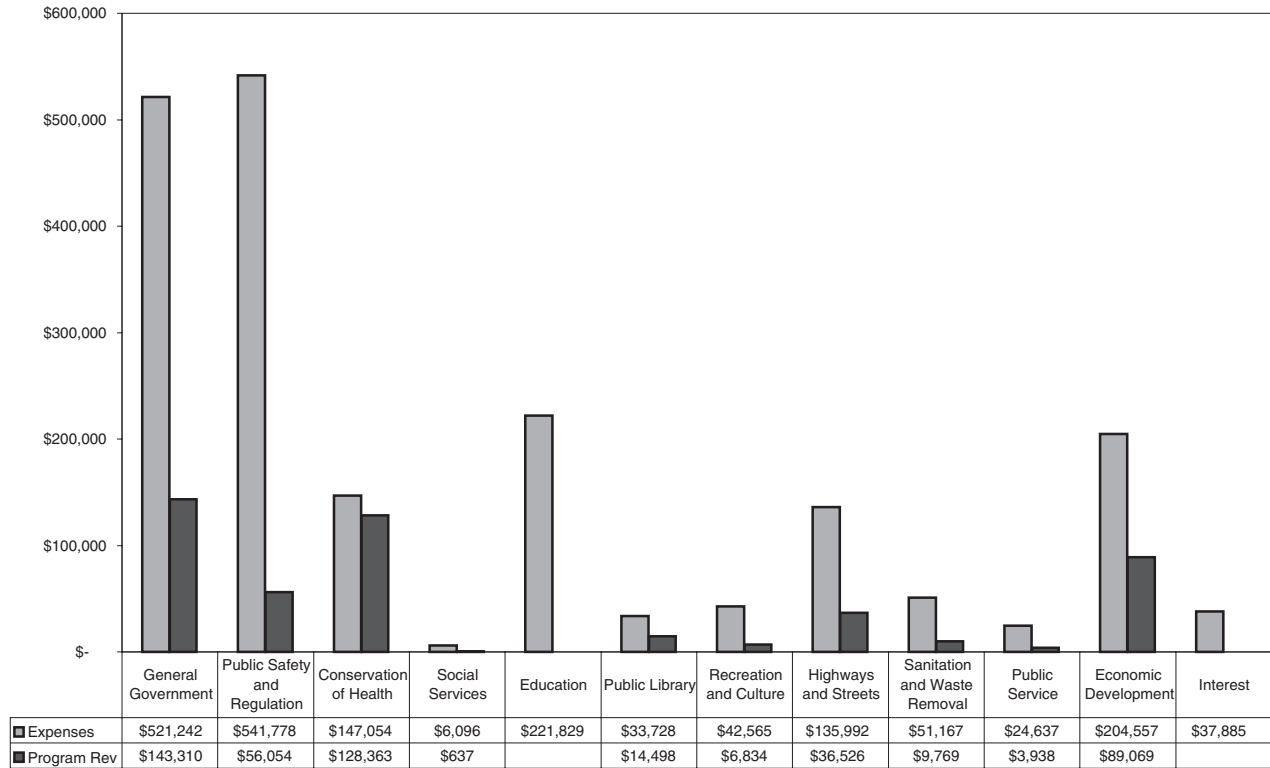
### CITY OF BALTIMORE Changes in Net Assets For the fiscal years 2009 and 2008 (Expressed in Thousands)

	Governmental activities		Business-type activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	\$ 94,297	\$ 99,185	\$ 354,965	\$ 370,752	\$ 449,262	\$ 469,937
Operating grants and contributions	371,520	386,972			371,520	386,972
Capital grants and contributions	23,181	51,559	22,818	40,928	45,999	92,487
General revenues:						
Property taxes	693,767	626,420			693,767	626,420
Income taxes	262,901	267,625			262,901	267,625
State shared revenue	187,986	213,899			187,986	213,899
Transfer and recordation tax	46,095	75,682			46,095	75,682
Electric and gas tax	28,816	27,726			28,816	27,726
Telecommunications tax	29,200	28,705			29,200	28,705
Admission	9,432	9,775	747		10,179	9,775
Other	85,150	126,202			85,150	126,202
Total revenues	1,832,345	1,913,750	378,530	411,680	2,210,875	2,325,430
Expenses:						
General government	521,242	468,113			521,242	468,113
Public safety and regulation	541,778	575,859			541,778	575,859
Conservation of health	147,054	157,549			147,054	157,549
Social services	6,096	36,202			6,096	36,202
Education	221,829	224,830			221,829	224,830
Public library	33,728	31,736			33,728	31,736
Recreation and culture	42,565	44,295			42,565	44,295
Highways and streets	135,992	143,340			135,992	143,340
Sanitation and waste removal	51,167	45,366			51,167	45,366
Public service	24,637	16,769			24,637	16,769
Economic development	204,557	184,286			204,557	184,286
Interest	37,885	63,070			37,885	63,070
Water			116,407	105,882	116,407	105,882
Waste water			152,595	145,611	152,595	145,611
Parking			23,422	20,317	23,422	20,317
Conduits			7,312	11,207	7,312	11,207
Development loans			3,212	4,900	3,212	4,900
Industrial development			1,829	3,339	1,829	3,339
Total expenses	1,968,530	1,991,415	304,777	291,256	2,273,307	2,282,671
Increase (decrease) in net assets before transfers	(136,185)	(77,665)	73,753	120,424	(62,432)	42,759
Transfers:						
Transfers in (out)	34,339	42,681	(34,339)	(42,681)		
Change in net assets	(101,846)	(34,984)	39,414	77,743	(62,432)	42,759
Net assets — beginning	2,756,430	2,791,414	1,673,393	1,595,650	4,429,823	4,387,064
Net assets — ending	\$2,654,584	\$2,756,430	\$1,712,807	\$1,673,393	\$4,367,391	\$4,429,823

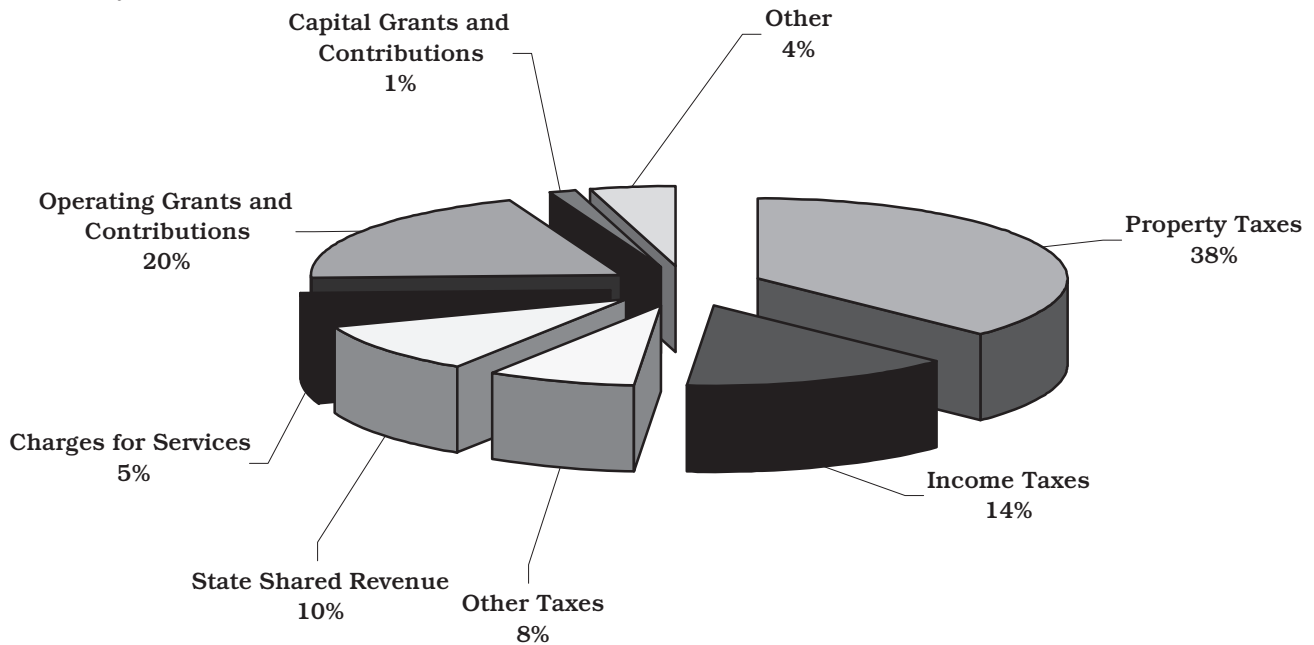
### Analysis of Changes in Net Assets

The overall increase in the City’s net assets amounted to \$75.9 million during the current fiscal year. These changes are explained in the government and business-type activities discussion below.

### Expenses and Program Revenues — Governmental Activities



### Revenues By Source — Governmental Activities



### Governmental Activities

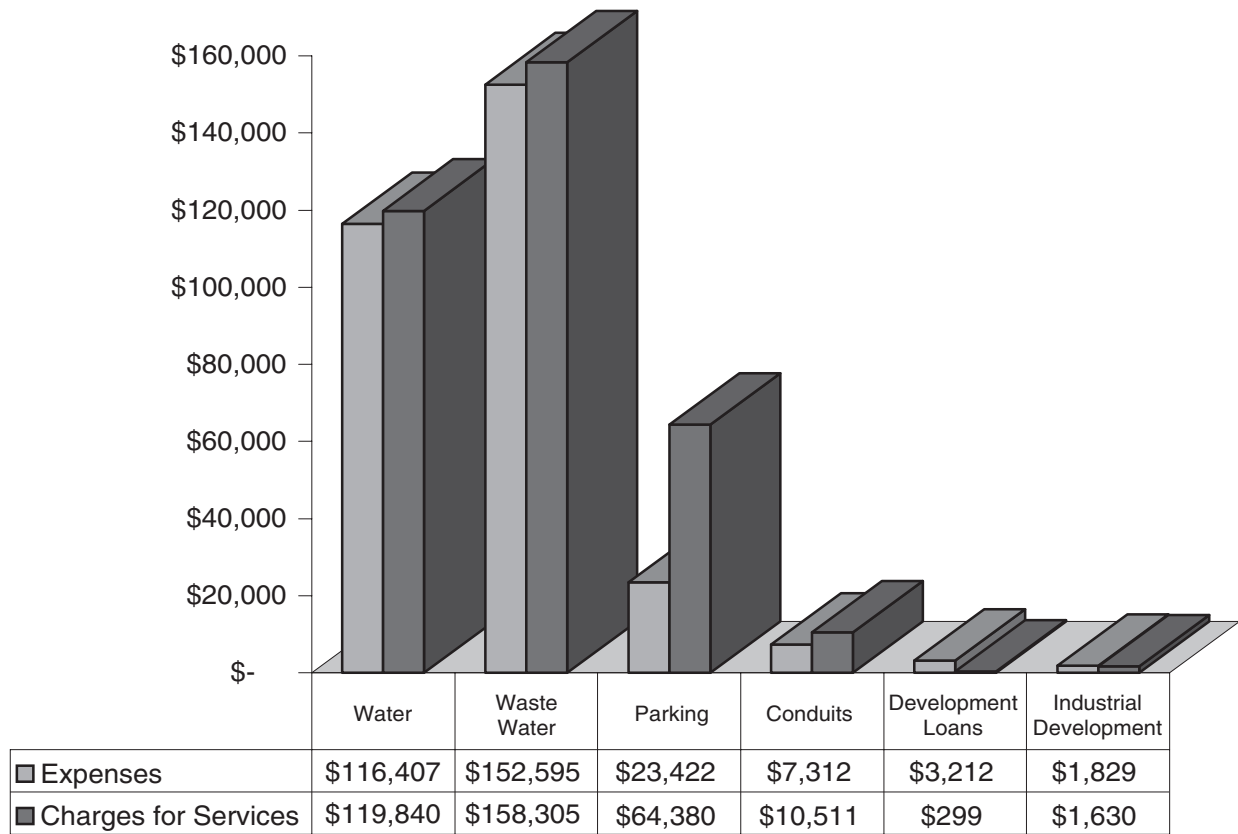
During the current fiscal year, expenses related to governmental activities amounted to \$2.0 billion, this is more than revenues by \$136.2 million. Total revenue of \$1.8 billion is comprised of program revenues totaling \$489.0 million, or

26.7%, and general revenues of \$1.3 billion, or 73.3%. Program revenues are the principal source of funding for the City’s general government, health, and economic development activities. Other major activities including public safety and regulation, as well as the highways and streets program, are primarily supported by general revenues. A more detailed analysis of the governmental activities is discussed in the “Financial Analysis of the City’s Funds” section.

During fiscal year 2009, governmental revenues decreased by \$81.4 million. This decrease in revenue is attributable to a decline in State shared revenue of \$25.9 million in fiscal year 2009 and in transfer taxes of \$29.6 million caused by the housing market slow-down.

Governmental expenses decreased \$22.9 million during fiscal year 2009. This decrease is primarily attributable to decreases in public safety and conservation of health in the amounts of \$34.0 million and \$10.4 million, respectively. Decreases in public safety is primarily attributable to reduced overtime in both the police and fire departments. Decreases in conservation of health spending are attributable to increased aid from the Federal and State governments.

**Expenses and Program Revenues—Business-type Activities**



**Business-type Activities**

Charges for services represent the principal revenue source for the City’s business-type activities. During the current fiscal year, revenue from business-type activities totaled \$378.5 million. Expenses and transfers for these activities totaled \$339.1 million and resulted in an increase in net assets of \$39.4 million.

Operating revenues decreased by \$11.0 million in fiscal year 2009 in the Water and Waste Water Utility Funds. The decrease in revenues is attributable to a leveling in consumption in fiscal year 2009 and an increase in bond debt attributable to the economic downturn. Capital assets increased by \$110.5 million as a result of the two utilities funds’ efforts to build environmentally sound facilities.

Increases in capital assets in the Parking Facilities Fund of \$2.3 million are part of the fund’s effort to upgrade existing facilities and the City’s effort to replace existing parking meters with more advanced electronic meters.

## **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 a 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, Motor Vehicle Fund, Grants Revenue Fund, and Capital Projects Fund. Data from the remaining governmental funds are combined into a single, aggregated presentation as Other Funds.

**CITY OF BALTIMORE**  
**Comparative Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**

**For the Fiscal Years 2009 and 2008**

(Expressed in Thousands)

	2009	2008	Variance Amount
<b>Revenues:</b>			
<b>General fund:</b>			
Property taxes .....	\$ 693,767	\$ 626,420	\$ 67,347
Income taxes .....	262,901	267,625	(4,724)
Other local — taxes .....	148,369	180,189	(31,820)
Total local taxes .....	1,105,037	1,074,234	30,803
Licenses and permits .....	29,390	34,717	(5,327)
Interest, rentals, and other investment income .....	23,616	38,602	(14,986)
State grants .....	99,423	101,235	(1,812)
Other .....	49,068	62,648	(13,580)
Total revenues — general fund .....	1,306,534	1,311,436	(4,902)
<b>Other governmental funds:</b>			
Motor vehicle fund .....	206,015	232,716	(26,701)
Grants revenue fund .....	248,662	231,047	17,615
Capital projects fund .....	46,028	65,129	(19,101)
Other funds .....	33,030	36,696	(3,666)
Total revenues other governmental funds .....	533,735	565,588	(31,853)
Total revenues all governmental funds .....	1,840,269	1,877,024	(36,755)
<b>Expenditures:</b>			
<b>General fund:</b>			
General government .....	368,279	368,022	257
Public safety and regulation .....	474,031	475,629	(1,598)
Conservation of health .....	33,066	29,371	3,695
Social services .....	6,057	4,498	1,559
Education .....	205,909	205,858	51
Public library .....	25,720	24,253	1,467
Recreation and culture .....	35,163	37,707	(2,544)
Highways and streets .....	244	720	(476)
Sanitation and waste removal .....	40,593	40,032	561
Public service .....	17,510	13,259	4,251
Economic development .....	36,573	39,616	(3,043)
Total expenditures — general fund .....	1,243,145	1,238,965	4,180
<b>Other governmental funds:</b>			
Motor vehicle fund .....	173,570	175,354	(1,784)
Grants revenue fund .....	238,399	259,387	(20,988)
Capital projects fund .....	267,641	317,031	(49,390)
Other funds .....	110,792	122,053	(11,261)
Total expenditures other governmental funds .....	790,402	873,825	(83,423)
Total expenditures all governmental funds .....	2,033,547	2,112,790	(79,243)
Excess of expenditures over revenue .....	(193,278)	(235,766)	42,488
<b>Other financing sources:</b>			
Transfers, net .....	27,839	36,044	(8,205)
<b>Capital Projects Fund:</b>			
Capital leases .....	3,956	7,372	(3,416)
Face value of federal loans .....	1,499	7,775	(6,276)
Face value of funding and refunding general obligation bonds .....	30,070	80,730	(50,660)
Face value of transportation revenue bonds .....	45,000		45,000
Proceeds from sale of TIFS .....	23,595	66,409	(42,814)
Total other financing sources .....	131,959	198,330	(66,371)
Net changes in fund balances .....	(61,319)	(37,436)	(23,883)
Fund balances beginning .....	353,778	391,214	(37,436)
Fund balances ending .....	\$ 292,459	\$ 353,778	\$(61,319)

Revenues for governmental functions overall totaled approximately \$1.8 billion in the fiscal year ended June 30, 2009, which represents a decrease of 0.4% from the fiscal year ended June 30, 2008. Expenditures for governmental functions, totaling \$2.0 billion, decreased by approximately 3.8% from the fiscal year ended June 30, 2008. In the fiscal year ended June 30, 2009, expenditures for governmental functions exceeded revenues by \$193.3 million, or 10.5%.



The General Fund is the chief operating fund of the City. Revenue in the General Fund decreased \$4.9 million as compared to last year. During fiscal year 2009, the City continued to experience growth in property taxes attributable to increased assessments in fiscal year 2009. Actual property tax revenue grew by \$67.3 million during fiscal year 2009. However, this increase was offset by a decline in transfer and recordation tax of \$29.6 million caused by a decrease in sales of housing and other properties. Other tax revenue including income tax, admissions tax, and telecommunications tax also experienced declines because of the effect of the recent down-turn in the economy. During fiscal year 2009, General Fund expenditures increased by \$4.2 million.

The primary areas of increases in General Fund expenditures were in Conservation of Health and Public Service.

- Conservation of Health expenditures increased by \$3.7 million as a result of the City’s increased efforts to provide services to the homeless.
- Public Service expenditures increased \$4.2 million primarily as a result of increased debt service on the Convention Center Complex.

At the end of the current fiscal year, the unreserved undesignated fund balance of the General Fund was \$10.5 million, while total fund balance was \$216.9 million. The fund balance in the City’s General Fund increased by \$2.5 million during the fiscal year.

The Motor Vehicle Fund was established to account for operating and capital transportation programs supported primarily by State-shared revenues. Every effort is made to spend available proceeds from these funding sources in the year received. For the current year, receipts of \$206.0 million were more than outlays of \$173.6 million by \$32.4 million. The fund balance increased from \$10.2 million to \$10.6 million during the fiscal year, of which \$2.1 million was unreserved and undesignated.

The Grants Revenue Fund is used to account for the spending of various Federal, State and special purpose grant funds. Most of these grants are funded on an expenditure reimbursement basis and the application of GASB 33 rules on revenue recognition results in year-to-year fluctuations in the fund balance.

The Capital Projects Fund is used to account for the overall financing and expenditures of uncompleted projects. The fund balance of \$146.4 million represent authorized projects which are still in progress.

**Proprietary Funds**

The City’s business-type activities are comprised of the funds listed below. The nonmajor funds include the Loan and Guarantee Program, Industrial Development Authority, and Conduit Fund.

	(Expressed in Thousands)					
	Water and Waste Water Utility Funds		Parking Facility Fund		Nonmajor Other Funds	
	2009	2008	2009	2008	2009	2008
Operating revenue .....	\$278,145	\$289,207	\$ 64,380	\$ 69,868	\$12,440	\$11,677
Operating expenses .....	252,703	239,765	13,240	11,692	12,382	19,367
Operating income .....	25,442	49,442	51,140	58,176	58	(7,690)
Non operating revenues (expenses), capital contributions, and transfers .....	6,073	32,926	(45,886)	(50,172)	1,624	(1,118)
<b>Change in net assets .....</b>	<b>\$ 31,515</b>	<b>\$ 82,368</b>	<b>\$ 5,254</b>	<b>\$ 8,004</b>	<b>\$ 1,682</b>	<b>\$(8,808)</b>

As discussed in the Business-type activities section, both the Water and Waste Water Utilities Funds experienced operating revenue decreases in fiscal year 2009. These decreases are attributable to level consumption and an increase in the estimate of the provision for bad debt expense.

The Parking Facilities Fund revenues have remained level during the current year as a result of competition from private garages.

**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, 2009**

(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance With Original Budget Positive (Negative)	Variance With Final Budget Positive (Negative)
Total revenues .....	\$1,323,243	\$1,323,793	\$1,305,115	\$(18,128)	\$(18,678)
Expenditures and encumbrances:					
General government .....	387,629	387,217	368,168	19,461	19,049
Public safety and regulation .....	475,136	481,646	477,687	(2,551)	3,959
Conservation of health .....	32,397	32,447	32,804	(407)	(357)
Social services .....	6,884	6,884	6,620	264	264
Education .....	206,197	206,197	206,009	188	188
Public library .....	24,301	24,301	22,501	1,800	1,800
Recreation and culture .....	35,650	35,650	35,408	242	242
Highways and streets .....	525	525	249	276	276
Sanitation and waste removal .....	45,913	42,367	41,430	4,483	937
Public service .....	19,276	19,276	17,852	1,424	1,424
Economic development .....	40,980	39,069	36,945	4,035	2,124
Total expenditures .....	<u>1,274,888</u>	<u>1,275,579</u>	<u>1,245,673</u>	<u>\$ 29,215</u>	<u>\$ 29,906</u>
Excess of revenues over expenditures and encumbrances .....	48,355	48,214	59,442		
Other financing uses:					
Transfers in .....	44,198	44,198	35,704		
Transfers out .....	(97,368)	(97,368)	(96,587)		
Total other financing uses .....	<u>(53,170)</u>	<u>(53,170)</u>	<u>(60,883)</u>		
Net changes in fund balances .....	(4,815)	(4,956)	(1,441)		
Fund balances beginning .....	167,904	167,904	167,904		
Fund balances ending .....	<u>\$ 163,089</u>	<u>\$ 162,948</u>	166,463		
Adjustments to reconcile to GAAP basis:					
Addition of encumbrances outstanding .....			51,741		
Less: Accounts payable not recorded for budgetary purposes .....			(1,275)		
Fund balance June 30, 2009 - GAAP Basis .....			<u>\$ 216,929</u>		

The City's final budget differs from the original budget in that it contains carry-forward appropriations for various programs and projects, and supplemental appropriations approved after adoption, and during the fiscal year. Supplemental appropriations totaling \$0.7 million were approved, all of which were approved from prior year surplus or from unexpected increases in revenue sources. Actual expenditures for the year were less than the original budget by \$29.2 million, but were \$29.9 million less than adjusted appropriations. Of this amount, \$28.3 million was related to five governmental activities: lower than budgeted cost for general government operations amounted to \$19.0 million; lower than budgeted cost for public safety operations amounted to \$4.0 million; lower than budgeted cost for economic development operations amounted to \$2.1 million, lower than budgeted cost for public library operations amounted to \$1.8 million, and lower than budgeted cost for public service operations amounted to \$1.4 million.

On a budgetary basis, revenue for fiscal year 2009 totaled \$1,305.1 million and expenditures and transfers totaled \$1,306.6 million. The excess of expenditures and transfers over revenues resulted in a budget basis fund balance at June 30, 2009 of \$166.5 million, a decrease of \$1.4 million. In creating its budget for the fiscal year ended June 30, 2009, the City used \$24.9 million of this fund balance for subsequent year's expenditures.

## Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2009, amount to \$6.0 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 2.1% (a 0.4% increase for governmental activities and a 4.6% increase for business-type activities) as shown in the table which follows.

### Capital Assets, Net of Depreciation For the Fiscal Years 2009 and 2008

(Expressed in Thousands)

	Governmental activities		Business-type activities		Total	
	2009	2008	2009	2008	2009	2008
Land .....	\$ 142,202	\$ 142,202	\$ 23,846	\$ 23,846	\$ 166,048	\$ 166,048
Buildings and Improvements .....	642,139	670,979	1,145,973	1,178,717	1,788,112	1,849,696
Machinery and Equipment .....	95,879	121,239	35,348	33,262	131,227	154,501
Infrastructure .....	1,171,598	1,215,737	40,627	36,162	1,212,225	1,251,899
Library Books .....	29,298	29,321			29,298	29,321
Construction in Progress .....	1,481,684	1,368,693	1,249,455	1,112,758	2,731,139	2,481,451
Total .....	\$3,562,800	\$3,548,171	\$2,495,249	\$2,384,745	\$6,058,049	\$5,932,916

See note number 5 on capital assets.

## Debt Administration

At the end of the current fiscal year, the City had total long-term obligations outstanding of \$2.7 billion. Of this amount, \$630.4 million was general obligation bonds backed by the full faith and credit of the City, \$440.1 million was revenue bonds for governmental activity at the Convention Center, the Convention Center Hotel, for various stormwater projects and transportation bonds, and \$1.4 billion was revenue bonds related to commercial business activity. The remainder includes revenue bonds, and other obligations of City business and governmental activities.

The City's debt increased by \$89.1 million during the current year. The major factors in the increase are the issuance of \$30.1 million in General Obligation Bonds, \$183.3 million in Revenue Bonds, and \$23.6 million in special obligation 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 2009	FY 2008
Net general bonded debt (Expressed in thousands) .....	\$587,738	\$563,954
Net general bonded debt per capita .....	N/A	885.44
Ratio of net general bonded debt to net assessed value .....	1.7%	1.9%

See note number 7 on long-term obligations.

N/A Information not available

As of June 30, 2009, the City had \$629.0 million in authorized, outstanding property tax-supported general obligation bonds. This amount is reduced by net assets in the Debt Service Fund of \$41.3 million for net tax-supported bonded debt of \$587.7 million, which is equal to approximately 1.72% of the assessed value of property (net of exemptions). There are an additional \$257.4 million in bonds that are authorized, but unissued.

## Economic Factors and Next Year's Budget and Rates

The Fiscal 2010 budget submitted by the Board of Estimates to the Baltimore City Council proposed total appropriations of \$2,825,088,000 of which \$1,347,474,000 were for General Fund operations and Pay-As-You-Go (PAYGO) capital; \$190,864,000 was for Motor Vehicle Fund operations and PAYGO capital; and \$51,893,000 was for Special Fund operations. The City Council, after deliberations pursuant to Charter requirement and power, made a minor reduction to the total General Fund appropriations. The property tax rates on real property and personal property were maintained at \$2.268 and \$5.67 per \$100 of assessed valuation respectively. The locally imposed and State mandated income tax rate remains unchanged at 3.05%. The Ordinance of Estimates was adopted by the City Council and signed by the Mayor on June 17, 2009.

## **Fiscal 2010 Budget—Economic Factors**

The economic outlook for the current Fiscal Year 2010 and the Fiscal Year 2011 budget planning cycle requires, like no other in recent years, an exhaustive analysis and revision of all alternatives for a healthy budget. The gap between operating expenses and revenue cash flow continues to widen. The City has experienced a shrinking of the major revenue sources such as income, recordation and transfer taxes. There are three key factors to consider while looking forward to the next budget cycles: unemployment, housing market activity, and the condition of the State's economy. The unemployment rate has reached historical high levels, which combined with the continuous decline in the City's population, have weakened the generation of income tax, the second most important source of revenue for the City. In 2009, activity in the housing market reached its lowest level since 1998, and the level of speculative prices generated during the housing boom have been subject to downward adjustment. This has resulted in a contraction of recordation and transfer taxes to a level that is less than one-third of their peak in 2006. Additionally, it is expected that the adjustment in prices may have a short-term negative effect in the assessment growth for properties in the City, which directly will impact revenue growth in property taxes for years to come. Finally, an important portion of the City's budget relies on resources provided by the State. These resources have been reduced while the State has taken actions in Fiscal 2010 to lessen its budget deficit.

The City has acted swiftly to address these challenges. The Fiscal 2010 adopted budget included \$120 million in expenditure reductions between the General Fund and the Motor Vehicle Revenue Fund. Since the adoption of the Fiscal 2010 budget, in response to continued reductions in revenues from State Aid and from local taxes, the City moved quickly to implement a further \$60.2 million post-adoption budget reduction plan for the two funds. The plan consists of position reductions, employee furloughs, reductions in Pay-As-You-Go capital funding, and other measures. The City continues to update its projections and is planning additional corrective actions for both Fiscal 2010 and 2011.

## **Requests for Information**

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

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

**CITY OF BALTIMORE**

**Statement of Net Assets**

**June 30, 2009**

(Expressed in Thousands)

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Baltimore City Public School System	Baltimore Hotel Corporation
<b>Assets:</b>					
Cash and cash equivalents	\$ 332,642	\$ 187,863	\$ 520,505	\$111,309	\$ 4,092
Investments	136,706		136,706	29,243	45,189
Property taxes receivable, net	30,271		30,271		
Other receivables, net	41,836	65,099	106,935	3,843	1,513
Due from other governments	283,699	24,406	308,105	56,774	
Internal balances	2,453	(2,453)			
Due from primary government				12,111	
Inventories	2,989	4,701	7,690	1,615	156
<b>Restricted:</b>					
Cash and cash equivalents		246,305	246,305		
Accounts receivable		16,419	16,419		
Notes and mortgages receivable, net	310,174	51,304	361,478		
Other assets	29,345		29,345	103	2,954
Issuance costs		5,578	5,578	482	11,830
Capital assets, net of accumulated depreciation	1,938,914	1,221,948	3,160,862	562,696	250,274
Capital assets, not depreciated	1,623,886	1,273,301	2,897,187		
<b>Total assets</b>	<b>4,732,915</b>	<b>3,094,471</b>	<b>7,827,386</b>	<b>778,176</b>	<b>316,008</b>
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	161,839	13,227	175,066	123,003	10,045
Accrued interest payable	14,418	17,645	32,063		5,296
<b>Estimated claims in progress:</b>					
Due within one year	58,246		58,246		
Due in more than one year	101,902		101,902		
Unamortized premiums on bonds	14,335	4,490	18,825		
Matured bonds payable	2		2		
Unearned revenue	131,781		131,781	2,680	1,782
Notes Payable					300,940
Deposits subject to refund	49,617	15	49,632		
Restricted accounts payable		15,106	15,106		
<b>Revenue bonds payable:</b>					
Due within one year	6,494	30,406	36,900		
Due in more than one year	433,585	1,278,985	1,712,570		
<b>Long term debt payable:</b>					
Due within one year	59,958	747	60,705	5,115	
Due in more than one year	728,415	853	729,268	45,765	
<b>Capital leases payable:</b>					
Due within one year	18,104		18,104	6,172	
Due in more than one year	141,011		141,011	63,296	
<b>Compensated absences:</b>					
Due within one year	60,063	5,151	65,214	6,799	
Due in more than one year	51,904	7,349	59,253	61,194	
Landfill closure due in more than one year	17,572		17,572		
Other postemployment benefits obligation	25,200		25,200		
Other liabilities	3,885	7,690	11,575	3,599	15,096
<b>Total liabilities</b>	<b>2,078,331</b>	<b>1,381,664</b>	<b>3,459,995</b>	<b>317,623</b>	<b>333,159</b>
<b>Net assets (deficits):</b>					
Invested in capital assets, net of related debt	3,117,296	1,264,259	4,381,555	439,173	
<b>Restricted for:</b>					
Construction		159,292	159,292	3,629	
Debt service		101,283	101,283	1,195	
<b>Perpetual care:</b>					
Expendable	6,807		6,807		
Nonexpendable	6,384		6,384	1,097	
Unrestricted (deficits)	(475,903)	187,973	(287,930)	15,459	(17,151)
<b>Total net assets</b>	<b>\$2,654,584</b>	<b>\$1,712,807</b>	<b>\$4,367,391</b>	<b>\$460,553</b>	<b>\$ (17,151)</b>

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

**CITY OF BALTIMORE**  
**Statement of Activities**  
**For the Year Ended June 30, 2009**

(Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets					
		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	
<b>Primary Government:</b>										
<b>Governmental activities:</b>										
General government . . . . .	\$ 521,242	\$ 28,204	\$ 115,106		\$ (377,932)		\$ (377,932)			
Public safety and regulation . . . . .	541,778	27,918	28,136		(485,724)		(485,724)			
Conservation of health . . . . .	147,054	2,102	126,261		(18,691)		(18,691)			
Social services . . . . .	6,096	637			(5,459)		(5,459)			
Education . . . . .	221,829				(221,829)		(221,829)			
Public library . . . . .	33,728	322	14,176		(19,230)		(19,230)			
Recreation and culture . . . . .	42,565	876	1,134	\$ 4,824	(35,731)		(35,731)			
Highways and streets . . . . .	135,992	24,469		12,057	(99,466)		(99,466)			
Sanitation and waste removal . . . . .	51,167	9,769			(41,398)		(41,398)			
Public service . . . . .	24,637		3,938		(20,699)		(20,699)			
Economic development . . . . .	204,557		82,769	6,300	(115,488)		(115,488)			
Interest . . . . .	37,885				(37,885)		(37,885)			
<b>Total governmental activities . . . . .</b>	<b>1,968,530</b>	<b>94,297</b>	<b>371,520</b>	<b>23,181</b>	<b>(1,479,532)</b>		<b>(1,479,532)</b>			
<b>Business-type activities:</b>										
Water . . . . .	116,407	119,840		8,522		\$ 11,955	11,955			
Waste water . . . . .	152,595	158,305		14,037		19,747	19,747			
Parking . . . . .	23,422	64,380				40,958	40,958			
Conduits . . . . .	7,312	10,511		140		3,339	3,339			
Development loans . . . . .	3,212	299		119		(2,794)	(2,794)			
Industrial development . . . . .	1,829	1,630				(199)	(199)			
<b>Total business-type activities . . . . .</b>	<b>304,777</b>	<b>354,965</b>		<b>22,818</b>		<b>73,006</b>	<b>73,006</b>			
<b>Total primary government . . . . .</b>	<b>\$2,273,307</b>	<b>\$449,262</b>	<b>\$ 371,520</b>	<b>\$45,999</b>	<b>(1,479,532)</b>	<b>73,006</b>	<b>(1,406,526)</b>			
<b>Component units:</b>										
Baltimore City Public School System . . . . .	\$1,293,416	\$ 1,811	\$1,263,946	\$63,257				\$ 35,598		
Baltimore Hotel Corporation . . . . .	\$ 34,983	\$ 12,951							\$ (22,032)	
<b>General revenues:</b>										
Property taxes . . . . .					693,767		693,767			
Income taxes . . . . .					262,901		262,901			
Transfer and recordation tax . . . . .					46,095		46,095			
Electric and gas tax . . . . .					28,816		28,816			
Telecommunications tax . . . . .					29,200		29,200			
Admission tax . . . . .					9,432		9,432			
Other local taxes . . . . .					34,826		34,826			
State shared revenues . . . . .					187,986		187,986			
Unrestricted investment income . . . . .					35,756	747	36,503	1,194	5,141	
Miscellaneous . . . . .					14,568		14,568	19,184		
Transfers . . . . .					34,339	(34,339)				
<b>Total general revenues and transfers . . . . .</b>					<b>1,377,686</b>	<b>(33,592)</b>	<b>1,344,094</b>	<b>20,378</b>	<b>5,141</b>	
<b>Change in net assets . . . . .</b>					<b>(101,846)</b>	<b>39,414</b>	<b>(62,432)</b>	<b>55,976</b>	<b>(16,891)</b>	
Net assets — beginning . . . . .					2,756,430	1,673,393	4,429,823	404,577	(260)	
Net assets — ending . . . . .					\$ 2,654,584	\$1,712,807	\$4,367,391	\$460,553	\$ (17,151)	

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

**CITY OF BALTIMORE**

**Balance Sheet**

**Governmental Funds**

**June 30, 2009**

(Expressed in Thousands)

	General Fund	Motor Vehicle Fund	Grants Revenue Fund	Capital Projects Fund	Other Funds	Total
<b>Assets:</b>						
Cash and cash equivalents	\$156,126	\$ 4,139		\$ 47,220	\$ 35,576	\$243,061
Investments	84,801			18,453	28,437	131,691
Property taxes receivable, net	30,271					30,271
Other receivables, net	12,766	516		1,967	163	15,412
Due from other governments	31,489	12,900	\$ 39,514	65,902	344	150,149
Due from other funds	62,521			31,271	1,358	95,150
Notes, mortgages receivable, net	5,981				1,993	7,974
Inventories, at cost	195	1,710				1,905
Other assets	27,082			14		27,096
<b>Total assets</b>	<b>411,232</b>	<b>19,265</b>	<b>39,514</b>	<b>164,827</b>	<b>67,871</b>	<b>702,709</b>
<b>Liabilities and fund balances:</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	106,297	8,177	9,693	8,136	592	132,895
Retainages payable				8,922		8,922
Due to other funds			57,283	1,358	22,512	81,153
Deposits subject to refund	49,617					49,617
Deferred revenue	38,389	516	95,859		2,897	137,661
Matured bonds payable					2	2
<b>Total liabilities</b>	<b>194,303</b>	<b>8,693</b>	<b>162,835</b>	<b>18,416</b>	<b>26,003</b>	<b>410,250</b>
<b>Fund balances:</b>						
<b>Reserved for:</b>						
Budget stabilization	95,736					95,736
Landfill closure	16,539					16,539
Landfill development	11,221					11,221
Encumbrances	51,741	6,744		98,283		156,768
Inventories	195	1,710				1,905
Other assets	1,432					1,432
Long term receivable	4,721					4,721
Non-major special revenue funds					6,807	6,807
Non-major permanent funds					6,384	6,384
<b>Unreserved (deficit):</b>						
Designated for subsequent years' expenditures	24,858					24,858
Undesignated (deficit)	10,486	2,118	(123,321)	48,128		(62,589)
<b>Unreserved reported in:</b>						
Debt service fund					41,240	41,240
Special revenue funds					(12,563)	(12,563)
<b>Total fund balances</b>	<b>216,929</b>	<b>10,572</b>	<b>(123,321)</b>	<b>146,411</b>	<b>41,868</b>	<b>292,459</b>
<b>Total liabilities and fund balances</b>	<b>\$411,232</b>	<b>\$19,265</b>	<b>\$ 39,514</b>	<b>\$164,827</b>	<b>\$ 67,871</b>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	3,498,884
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds	412,877
Internal service funds are used by management to charge the cost of fleet management, mailing, communications, printing, and risk management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	(7,329)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(1,542,307)
<b>Net assets of governmental activities</b>	<b>\$ 2,654,584</b>

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

**CITY OF BALTIMORE**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2009**

(Expressed in Thousands)

	General Fund	Motor Vehicle Fund	Grants Revenue Fund	Capital Projects Fund	Other Funds	Total
<b>Revenues:</b>						
Taxes — local .....	\$1,105,037					\$1,105,037
State shared revenue .....		\$ 187,567			\$ 419	187,986
Licenses and permits .....	29,390	1,018				30,408
Fines and forfeitures .....	6,896	8,006				14,902
Interest, rentals and other investment income .....	23,616	1,997		\$ 8,514	1,629	35,756
Federal grants .....	224		\$ 144,496	16,653	30,982	192,355
State grants .....	99,423		66,760	6,528		172,711
Other grants .....	154		37,406			37,560
Charges for services .....	41,560	7,427				48,987
Miscellaneous .....	234			14,333		14,567
<b>Total revenues .....</b>	<b>1,306,534</b>	<b>206,015</b>	<b>248,662</b>	<b>46,028</b>	<b>33,030</b>	<b>1,840,269</b>
<b>Expenditures:</b>						
<b>Current:</b>						
General government .....	368,279	36,444	37,784		3,035	445,542
Public safety and regulation .....	474,031	36,255	24,982		93	535,361
Conservation of health .....	33,066	153	113,662			146,881
Social services .....	6,057					6,057
Education .....	205,909				329	206,238
Public library .....	25,720		7,591		74	33,385
Recreation and culture .....	35,163	372	993		479	37,007
Highways and streets .....	244	93,812				94,056
Sanitation and waste removal .....	40,593	6,234				46,827
Public service .....	17,510	300	3,938			21,748
Economic development .....	36,573		49,449	104,030	14,042	204,094
<b>Debt service:</b>						
Principal .....					52,651	52,651
Interest .....					26,144	26,144
Other bond costs .....					13,945	13,945
Capital outlay .....				159,655		159,655
Capital leases .....				3,956		3,956
<b>Total expenditures .....</b>	<b>1,243,145</b>	<b>173,570</b>	<b>238,399</b>	<b>267,641</b>	<b>110,792</b>	<b>2,033,547</b>
<b>Excess (deficiency) of revenues over (under) expenditures .....</b>	<b>63,389</b>	<b>32,445</b>	<b>10,263</b>	<b>(221,613)</b>	<b>(77,762)</b>	<b>(193,278)</b>
<b>Other financing sources (uses):</b>						
Transfers in .....	35,704			91,845	90,289	217,838
Transfers out .....	(96,587)	(32,122)		(2,762)	(58,528)	(189,999)
Capital leases .....				3,956		3,956
Face value of funding and general obligation bonds .....				30,070		30,070
Face value of federal loans .....				1,499		1,499
Face value from sale of TIFs .....				23,595		23,595
Face value of transportation revenue bonds .....				45,000		45,000
<b>Total other financing sources (uses) .....</b>	<b>(60,883)</b>	<b>(32,122)</b>		<b>193,203</b>	<b>31,761</b>	<b>131,959</b>
<b>Net change in fund balance .....</b>	<b>2,506</b>	<b>323</b>	<b>10,263</b>	<b>(28,410)</b>	<b>(46,001)</b>	<b>(61,319)</b>
<b>Fund balances — beginning .....</b>	<b>214,423</b>	<b>10,249</b>	<b>(133,584)</b>	<b>174,821</b>	<b>87,869</b>	<b>353,778</b>
<b>Fund balances — ending .....</b>	<b>\$ 216,929</b>	<b>\$ 10,572</b>	<b>\$ (123,321)</b>	<b>\$ 146,411</b>	<b>\$ 41,868</b>	<b>\$ 292,459</b>

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



**CITY OF BALTIMORE**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2009**

(Expressed in Thousands)

Amounts reported for governmental activities in the statement of activities (page 17) are different because:

Net change in fund balance — total governmental funds (page 19) .....	\$ (61,319)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year ..	178,929
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds .....	(7,925)
The issuance of long-term debt (e.g. bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in treatment of long-term debt and related items .....	(104,120)
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 .....	(90,546)
The net expense of certain activities of internal service funds is reported with governmental activities .....	<u>(16,865)</u>
Change in net assets of governmental activities (page 17) .....	<u>\$ (101,846)</u>

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

**CITY OF BALTIMORE**  
**Statement of Fund Net Assets**  
**Proprietary Funds**  
**June 30, 2009**

(Expressed in Thousands)

	Enterprise Funds				Total	Governmental Activities Internal Service Funds
	Water Utility Fund	Waste Water Utility Fund	Parking Facilities Fund	Other Funds		
<b>Assets:</b>						
<b>Current assets:</b>						
Cash and cash equivalents	\$ 44,133	\$ 67,543	\$ 22,500	\$ 53,687	\$ 187,863	\$ 89,581
Investments						5,015
Accounts receivable, net:						
Service billings	34,859	26,876		1,817	63,552	
Other	518	447	548	34	1,547	26,424
Due from other governments	3,453	20,953			24,406	
Inventories	4,495	206			4,701	1,084
Current restricted assets:						
Cash and cash equivalents	103,743	115,353	25,060	2,149	246,305	
Accounts receivable	5,512	10,907			16,419	
Total current assets	<u>196,713</u>	<u>242,285</u>	<u>48,108</u>	<u>57,687</u>	<u>544,793</u>	<u>122,104</u>
<b>Noncurrent assets:</b>						
<b>Restricted assets:</b>						
Mortgages receivable			51,304		51,304	
Capital assets, net	806,960	1,511,523	134,201	42,565	2,495,249	63,916
Other assets						2,249
Issuance costs	3,767		1,538	273	5,578	
Total noncurrent assets	<u>810,727</u>	<u>1,511,523</u>	<u>187,043</u>	<u>42,838</u>	<u>2,552,131</u>	<u>66,165</u>
Total assets	<u>1,007,440</u>	<u>1,753,808</u>	<u>235,151</u>	<u>100,525</u>	<u>3,096,924</u>	<u>188,269</u>
<b>Liabilities:</b>						
<b>Current liabilities:</b>						
Accounts payable and accrued liabilities	3,582	7,591	1,402	652	13,227	20,022
Accrued interest payable	5,665	9,433	2,513	34	17,645	
Deposits subject to refund	15				15	
Due to other funds				1,569	1,569	12,428
Estimated liability for claims in progress						58,246
Other liabilities	2,171	9,563			11,734	3,884
Accounts payable from restricted assets	4,315	10,082	330	379	15,106	
Revenue bonds payable	6,264	17,227	6,915		30,406	
General long-term debt payable	592	155			747	
Total current liabilities	<u>22,604</u>	<u>54,051</u>	<u>11,160</u>	<u>2,634</u>	<u>90,449</u>	<u>94,580</u>
<b>Noncurrent liabilities:</b>						
Revenue bonds payable, net	454,591	642,241	153,814	28,339	1,278,985	
Other liabilities	3,140	3,816		1,500	8,456	
Unamortized bond premiums		4,490			4,490	
General long-term debt payable	349	504			853	
Estimated liability for claims in progress						101,902
Total noncurrent liabilities	<u>458,080</u>	<u>651,051</u>	<u>153,814</u>	<u>29,839</u>	<u>1,292,784</u>	<u>101,902</u>
Total liabilities	<u>480,684</u>	<u>705,102</u>	<u>164,974</u>	<u>32,473</u>	<u>1,383,233</u>	<u>196,482</u>
<b>Net assets:</b>						
Invested in capital assets, net of related debt	343,097	846,906	31,691	42,565	1,264,259	63,916
<b>Restricted for:</b>						
Debt service	74,819	67,965	16,508		159,292	
Future capital construction	34,436	58,295	8,552		101,283	
Unrestricted (deficit)	74,404	75,540	13,426	25,487	188,857	(72,129)
Total net assets (deficit)	<u>\$ 526,756</u>	<u>\$ 1,048,706</u>	<u>\$ 70,177</u>	<u>\$ 68,052</u>	<u>1,713,691</u>	<u>\$ (8,213)</u>
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds					(884)	
Net assets of business-type activities					<u>\$ 1,712,807</u>	

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

**CITY OF BALTIMORE**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2009**  
(Expressed in Thousands)

	Enterprise Funds				Total	Governmental Activities Internal Service Funds
	Water Utility Fund	Waste Water Utility Fund	Parking Facilities Fund	Other Funds		
Operating revenues:						
Charges for sales and services:						
Water and sewer service .....	\$119,840	\$ 158,305			\$278,145	
Rents, fees and other income .....			\$ 64,380	\$11,868	76,248	\$234,779
Interest income .....				572	572	
Total operating revenues .....	119,840	158,305	64,380	12,440	354,965	234,779
Operating expenses:						
Salaries and wages .....	31,458	35,198		1,954	68,610	16,554
Other personnel costs .....	12,533	14,696		813	28,042	5,920
Contractual services .....	39,604	61,376	11,828	6,877	119,685	49,730
Materials and supplies .....	10,261	9,002	5	179	19,447	14,869
Minor equipment .....	691	851	337	19	1,898	197
Claims paid and incurred .....						135,781
Postage and delivery services .....						1,558
Depreciation .....	11,888	25,145	1,070	711	38,814	7,153
Program expenses .....				412	412	
Interest .....				1,417	1,417	
Total operating expenses .....	106,435	146,268	13,240	12,382	278,325	231,762
Operating income .....	13,405	12,037	51,140	58	76,640	3,017
Nonoperating revenues (expenses):						
Loss on disposal of property .....						(659)
Gain on sale of investments .....	393	354			747	
Interest income (expense), net .....	(10,434)	(6,799)	(10,182)		(27,415)	864
Total nonoperating revenues (expenses), net .....	(10,041)	(6,445)	(10,182)		(26,668)	205
Income before capital contributions and transfers .....	3,364	5,592	40,958	58	49,972	3,222
Capital contributions .....	8,522	14,037		259	22,818	8,106
Transfers in .....				1,365	1,365	6,500
Transfers out .....			(35,704)		(35,704)	
Change in net assets .....	11,886	19,629	5,254	1,682	38,451	17,828
Total net assets — beginning .....	514,870	1,029,077	64,923	66,370		(26,041)
Total net assets — ending .....	\$526,756	\$1,048,706	\$ 70,177	\$68,052		\$ (8,213)
Adjustment to reflect the consolidation of internal service activities related to enterprise funds .....					963	
Change in net assets of business-type activities .....					\$ 39,414	

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, 2009**  
(Expressed in Thousands)

	Enterprise Funds					Governmental Activities- Internal Service Funds
	Water Utility Fund	Waste Water Utility Fund	Parking Facilities Fund	Other Funds	Total	
Cash flow from operating activities:						
Receipts from customers	\$121,106	\$155,962	\$ 64,330	\$15,115	\$ 356,513	\$ 239,469
Payments to employees	(43,806)	(49,821)		(2,767)	(96,394)	(22,293)
Payments to suppliers	(59,874)	(84,574)	(13,284)	(9,984)	(167,716)	(201,699)
Net cash provided by operating activities	17,426	21,567	51,046	2,364	92,403	15,477
Cash flows from noncapital financing activities:						
Transfers in (out)			(35,704)	1,365	(34,339)	6,500
Net cash provided (used) by noncapital financing activities			(35,704)	1,365	(34,339)	6,500
Cash flows from capital and related financing activities:						
Mortgages receivable principal payments			2,462		2,462	
Proceeds from revenue bonds	21,894	39,525			61,419	
Principal paid on revenue bonds	(3,273)	(13,480)	(7,019)		(23,772)	
Interest income (expense)	(10,297)	(8,356)	(9,279)	8,206	(19,726)	
Acquisition and construction of capital assets	(46,934)	(97,788)	(3,338)	(1,258)	(149,318)	(14,145)
Capital contributions	8,522	14,037		259	22,818	8,106
Loss on disposal of property						(659)
Net cash provided (used) by capital and related financing activities	(30,088)	(66,062)	(17,174)	7,207	(106,117)	(6,698)
Cash flows from investing activities:						
Proceeds from the sale and maturities of investments	393	354			747	4,002
Purchase of investments						(4,145)
Interest on investments						864
Net cash provided by investing activities	393	354			747	721
Net increase (decrease) in cash and cash equivalents	(12,269)	(44,141)	(1,832)	10,936	(47,306)	16,000
Cash and cash equivalents, beginning of year	160,145	227,037	49,392	44,900	481,474	73,581
Cash and cash equivalents, end of year	\$147,876	\$182,896	\$ 47,560	\$55,836	\$ 434,168	\$ 89,581
Reconciliation of operating income to net cash provided by operating activities:						
Operating income	\$ 13,405	\$ 12,037	\$ 51,140	\$ 58	\$ 76,640	\$ 3,017
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation expense	11,888	25,145	1,070	711	38,814	7,153
Amortization of bond discounts				35	35	
Changes in assets and liabilities:						
Accounts receivables	1,266	(2,343)	(240)	2,633	1,316	(1,649)
Inventories	265	(40)			225	1,026
Other assets				7	7	101
Accounts payable and accrued liabilities	727	(501)	(432)	(486)	(692)	5,945
Other liabilities	(77)	1,173		(858)	238	223
Estimated liability for claims in progress						(5,551)
Accrued interest payable	301	450	(696)		55	
Restricted accounts payable	(6,958)	(14,354)	204	362	(20,746)	
Due to other funds				(98)	(98)	5,212
Due to other governments	(3,391)				(3,391)	
Total adjustments	4,021	9,530	(94)	2,306	15,763	12,460
Net cash provided by operating activities	\$ 17,426	\$ 21,567	\$ 51,046	\$ 2,364	\$ 92,403	\$ 15,477

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

**CITY OF BALTIMORE**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2009**  
(Expressed in Thousands)

	Pension Trust Funds	OPEB Trust Fund	Agency Funds
<b>Assets:</b>			
Cash and cash equivalents .....	\$ 74,327	\$ 9,966	\$7,469
<b>Investments:</b>			
Stocks .....	1,521,747	48,735	
Bonds .....	927,793	27,813	51
Mutual funds .....		17,359	
Real estate .....	253,980		
Securities lending collateral .....	192,306		
<b>Accounts receivable, net:</b>			
Other .....		10,174	
Other assets .....	29,669	209	
<b>Total assets</b> .....	<u>2,999,822</u>	<u>114,256</u>	<u>7,520</u>
<b>Liabilities:</b>			
Obligations under securities lending program .....	192,306		
Accounts payable .....	60,939	3,747	
Other .....	2,969		7,520
<b>Total liabilities</b> .....	<u>256,214</u>	<u>3,747</u>	<u>7,520</u>
<b>Net assets:</b>			
Held in trust for benefits .....	<u>\$2,743,608</u>	<u>\$110,509</u>	

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

**CITY OF BALTIMORE**  
**Statement of Changes in Fiduciary Net Assets**  
**Pension and OPEB Trust Funds**  
**For the Year Ended June 30, 2009**

(Expressed in Thousands)

	Pension Trust Funds	OPEB Trust Fund
Additions:		
Contributions:		
Employer .....	\$ 113,186	\$161,395
Employee .....	17,893	23,149
Total contributions .....	<u>131,079</u>	<u>184,544</u>
Investment income:		
Net depreciation in fair value of investments .....	(675,902)	(16,685)
Securities lending income .....	2,334	
Interest and dividend income .....	69,967	2,951
Total investment income .....	<u>(603,601)</u>	<u>(13,734)</u>
Less: investment expense .....	11,041	96
Net investment income .....	<u>(614,642)</u>	<u>(13,830)</u>
Total additions .....	<u>(483,563)</u>	<u>170,714</u>
Deductions:		
Retirement allowances .....	288,778	
Health benefits .....		141,767
Death benefits .....	1,133	
Administrative expenses .....	6,505	
Other .....	1,431	
Total deductions .....	<u>297,847</u>	<u>141,767</u>
Changes in net assets .....	<u>(781,410)</u>	<u>28,947</u>
Net assets — beginning of the year .....	<u>3,525,018</u>	<u>81,562</u>
Net assets — end of the year .....	<u>\$2,743,608</u>	<u>\$110,509</u>

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

**CITY OF BALTIMORE**  
**Index to the Notes to Basic Financial Statements**

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**CITY OF BALTIMORE**  
**Notes to Basic Financial Statements**

**1. Summary of Significant Accounting Policies**

A. REPORTING ENTITY

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

*Blended Component Unit*

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

*Discretely Presented Component Units*

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

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. BHC is financially accountable to the City. The BHC assists the Mayor and City Council of Baltimore on enhancing the economic development in the City by operating a downtown convention center headquarters hotel and parking structure. The City has pledged certain site-specific occupancy tax revenue to pay shortfalls in hotel operating revenues and is responsible for operating deficits.

Complete financial statements for BHC may be obtained from the Director of Finance, Baltimore City, 469 City Hall, 100 N. Holliday St., Baltimore, Maryland 21202.

*Related Organizations*

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

Baltimore City Foundation  
Lexington Market  
Baltimore Area Convention and Visitors Association  
City of Baltimore Development Corporation  
Baltimore Community Development Finance Corporation  
Empower Baltimore Management Corporation  
Special Benefits Taxing Districts  
Community Media of Baltimore City, Incorporated  
Baltimore Healthcare Access, Incorporated



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

In addition, the Housing Authority of Baltimore City (HABC) is considered a related organization. The HABC is a separate legal entity and is governed by a Commission of five citizens with staggered terms appointed by the Mayor. The Commission establishes the operating policies of the HABC, which was implemented under the direction of an Executive Director appointed by the Commission. The HABC develops, maintains, and manages low-rent housing and administers housing assistance payment programs primarily for the citizenry's benefit and not that of the primary government. These activities are subsidized by the U. S. Department of Housing and Urban Development and other grantors. Consequently, the primary government is not able to exert influence over or to impose a burden relationship upon the HABC. This organization is not financially accountable to the City and maintains its own separate accounting systems.

**B. BASIS OF PRESENTATION, BASIS OF ACCOUNTING**

*Basis of Presentation*

*Government-wide Statements.* The statement of net assets and the statement of activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed 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.

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

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

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 and Motor Vehicle Special Revenue Funds.* These funds account for revenues derived from certain State shared taxes, governmental grants and other revenue sources that are restricted by law or administrative action to expenditures for specific purposes.

*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.

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

The City reports the following major enterprise funds:

*Water Utility Fund.* This fund accounts for the operation, maintenance, and development of the City's water supply system.

*Waste Water Utility Fund.* This fund accounts for the operation, maintenance, and development of the City's sewerage system.

*Parking Facilities Fund.* This fund accounts for the operation, maintenance, and development of the City-owned off-street parking facilities.

The City reports the following other fund types:

*Internal Service Funds.* These funds account for mobile equipment, reproduction and printing, municipal post office, municipal telephone exchange, electronic equipment maintenance, municipal communications and risk management, which provided goods and services to other departments on a cost-reimbursement basis.

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

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

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

- Agency Funds account for assets held by the City as custodians. Agency funds include:
  - Unpresented Stock and Coupon Bond accounts for principal payments held by the City for matured bonds not yet presented for payment.
  - Property Sold for Taxes accounts for the proceeds of tax sales in excess of the City liens that remain unclaimed by the taxpayer.
  - Bid Deposit Refund accounts for bid deposits held by the City to secure vendors bids not yet awarded.
  - Waxter Center Accessory and Recreation Accessory accounts for assets held by the City for the benefit of various senior and recreation centers throughout the City.
  - Waterloo Summit accounts for assets held by the City as a surety deposit from a developer.
  - Insurance Deposits accounts for assets held by the City as deposits from insurance companies.

*Measurement Focus, Basis of Accounting*

*Government-wide, Proprietary, and Fiduciary Fund Financial Statements.* The government-wide, proprietary, and fiduciary fund financial statements with the exception of agency funds, which have no measurement focus, are reported using the economic resources measurement focus and are reported on the accrual basis of accounting. Revenues are 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. Operating revenue in the proprietary funds are those that result from the services provided by the funds, all other revenue is considered to be non-operating.

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end, except for grant and entitlement revenue which have a 90 day availability period. Property taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General

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

capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of the grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general fund revenues.

All governmental and business-type activities and enterprise funds of the City follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. The City has elected not to follow subsequent FASB Statements and Interpretations.

**C. ASSETS, LIABILITIES, AND EQUITY**

*Cash and Cash Equivalents*

Cash and cash equivalents include demand deposits, as well as short-term investments with a maturity date within three months of the date acquired by the City.

*Deposits and Investments*

The cash balances of substantially all funds are pooled and invested by the City for the purpose of increasing earnings through investment activities. The pool's investments are reported at fair value at June 30, 2009, based on market prices. The individual funds' portions of the pool's fair value are presented as "Pooled Cash and Investments." Earnings on the pooled funds are apportioned and paid or credited to the funds quarterly based on the average daily balance of each participating fund.

*Receivables and Payables*

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

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

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

*Inventories*

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

*Capital Assets*

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of receipt. Infrastructure assets acquired prior to July 1, 2001 are reported at estimated historical cost using deflated replacement cost. Infrastructure assets, such as streets, highways, bridges, sidewalks, street lighting, traffic poles and signals, and storm sewers are required to be capitalized under GAAP. Capitalization thresholds are: \$250,000 for buildings, improvements and infrastructure; and \$5,000 for equipment. Library books are capitalized as a collection based on total purchases. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Infrastructure	5-80
Buildings	50
Building improvements	20-50
Equipment	2-25
Library books	10

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

*Compensated Absences*

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

*Estimated Liability for Claims in Process*

The liability for claims in process represents estimates for all personal injury, workers' compensation, unemployment, property damage, and medical claims at June 30, 2009. 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% and ½% is allowed for payments made in July and August, respectively. Unpaid property taxes are considered in arrears on October 1, and penalty and interest of 2% is assessed each month. Real property subject to tax liens is sold at public auction in May in instances where the taxes have remained delinquent since the preceding October 1.

The City is responsible for the assessment, collection, and apportionment of property taxes. The City levies an annual tax for the fiscal year ending June 30, due and payable each July 1, based on assessed values as of the previous January 1.

State law requires that all real property be reassessed every three years, and further provides that the amount of any increase over previous established market values be phased in over a three-year period. To accomplish the triennial assessment requirement, approximately one-third of all real property is reviewed annually. The City Council, effective with the fiscal year beginning July 1, 1991, enacted a 104% homestead tax credit program which will protect home owners from increases in assessments that are greater than 4% in any one year. The assessed value of real property in Baltimore City for fiscal year 2009 was \$26,601,299,000 which was approximately 84.0% of the estimated market value.

The tax rate in Baltimore City for real property taxes for fiscal year 2009 was \$2.268 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 \$5.67 per \$100 of assessed value. Current collections were 94.5% of the total tax levy.

At June 30, 2009, the City had property taxes receivable of \$30,271,000, net of an allowance for uncollectible accounts of \$192,567,000.

*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.

*Encumbrances*

Encumbrance accounting, under which purchase orders, contracts, approved requisitions and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the General, Motor Vehicle, Special Race Track and Capital Projects Funds. Encumbrances are treated as reservations of fund balance in these funds because they do not constitute expenditures or liabilities. Encumbrances are reported with expenditures in all budgetary basis schedules.

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

*Bond Anticipation Notes*

All Bond Anticipation Notes (BANs) were initially sold as long-term debt with stated maturities greater than one year and cannot be accelerated by the note holders. Although the City has the authority to and may refinance these notes, it is not required to do so.

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

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

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

*Restricted Assets*

The proceeds of the Water Utility Fund, Waste Water Utility Fund, and Parking Facilities Fund revenue bonds and Federal and State grants, and restricted accounts receivables are restricted for the purpose of the construction of water, sewer, and parking facilities.

*Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balances for accounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

The following is a description of the reservations in the governmental fund financial statements:

Reserved for budget stabilization — Maryland State law authorizes its political subdivisions to establish reserve accounts for the purpose of maintaining fiscal stability in the event of economic downturns affecting local revenues. As of June 30, 2009, the City had reserved \$95,736,000 of its General Fund fund balance for that purpose. The reserve can be used in case of emergency at the discretion of the Board of Estimates.

Reserved for landfill closure — This represents the portion of the fund balance reserved for landfill closure and is to provide for amounts to be required when the landfill closes.

Reserve for landfill development — This represents the portion of the fund balance reserved for landfill development and is to provide for amounts to be used to develop new landfills in the City.

Reserved for encumbrances — Encumbrances outstanding at year-end represent the estimated amount the City intends to honor as a commitment regardless of the lapse in appropriation.

Reserved for inventories — This represents the portion of the fund balance that is not available as spendable resources even though the inventories are a component of net assets.

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

Reserved for other assets — This represents the portion of the fund balance that is not available as spendable resources even though the other assets are a component of net assets.

Reserved for long term receivable — This represents the portion of the fund balance that is not available as spendable resources even though the long term receivable is a component of net assets.

*Interfund Transactions*

The City has three types of transactions among funds:

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

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

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

**D. NEW GOVERNMENT ACCOUNTING STANDARD BOARD PRONOUNCEMENTS**

The City will be required to adopt the following Government Accounting Standard Board (GASB) Pronouncements over the next two years:

*GASB Statement No. 51*

In June 2007, the GASB issued Statement No. 51, “Accounting and Financial Reporting for Intangible Assets.” This statement clarifies pertinent provisions of GASB Statement No. 34, which address capital asset reporting requirements. The City is required to adopt GASB Statement No. 51 for its fiscal year 2010 financial statements.

*GASB Statement No. 53*

In June 2008, the GASB issued Statement No. 53, “Accounting and Financial Reporting for Derivative Instruments.” This statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The City is required to adopt GASB Statement No. 53 for its fiscal year 2010 financial statements.

*GASB Statement No. 54*

In March 2009, the GASB issued Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The City is required to adopt GASB Statement No. 54 for its fiscal year 2011 financial statements.

**2. Reconciliation of Government-wide and Fund Financial Statements**

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

A summary reconciliation of the difference between net changes in fund balance as reflected on the governmental funds statement of revenues, expenditures, and changes in fund balances and change in net assets for governmental activities as shown on the government-wide statement of activities is presented in an accompanying schedule to the governmental



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

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

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

**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 assets (amounts expressed in thousands):

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Capital assets .....	\$ 5,512,626
Less: Accumulated depreciation .....	(2,013,742)
Total .....	<u>\$ 3,498,884</u>
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:	
Due from other governments .....	\$ 133,550
Notes receivable .....	302,200
Deferred revenue .....	5,880
Accrued interest payable .....	(14,418)
Unamortized bond premiums .....	(14,335)
Total .....	<u>\$ 412,877</u>
Internal service funds are used by management to charge the cost of fleet management, mailing, communications, printing and risk management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. ....	
	<u>\$ (7,329)</u>
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
Long-term bonds .....	\$ (797,883)
Revenue bonds .....	(430,570)
Capital leases .....	(159,115)
Compensated absences .....	(111,967)
OPEB liability .....	(25,200)
Landfill closure liability .....	(17,572)
Total .....	<u>\$(1,542,307)</u>

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Capital outlay .....	\$ 174,973
Capital leases .....	3,956
Total .....	<u>\$ 178,929</u>
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Grant reimbursements not received for several months after the fiscal year end are not considered as available revenues in the governmental funds .....	<u>\$ (7,925)</u>
The issuance of long-term debt (e. g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:	
Proceeds from general obligation bonds .....	\$ (30,070)
Proceeds from capital leases .....	(3,956)
Proceeds of special obligation bonds .....	(23,595)
Proceeds from federal loans .....	(1,499)
Proceeds of transportation revenue bonds .....	(45,000)
Total .....	<u>\$ (104,120)</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 .....	\$ 53,361
Debt service interest (capital leases, GO bonds, and accrued interest) .....	(10,093)
Capital related expenditures .....	(106,545)
Compensated absences .....	(2,069)
OPEB liability .....	(25,200)
Total .....	<u>\$ (90,546)</u>
The net expense of certain activities of internal service funds is reported with governmental activities:	
Internal service funds net expenses attributed to governmental activities .....	<u>\$ (16,865)</u>



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

**3. Deposits and Investments**

A. SUMMARY of DEPOSIT and INVESTMENT BALANCES

The following is a reconciliation of the City's deposit and investment balances as of June 30, 2009 (amounts expressed in thousands):

	Pooled Cash and Investments	Other	Total
Carrying value of bank deposits .....	\$ (7,756)	\$ 84,294	\$ 76,538
Investments .....	918,791	2,797,427	3,716,218
<b>Total .....</b>	<b>\$911,035</b>	<b>\$2,881,721</b>	<b>\$3,792,756</b>

	Government- wide Statement of Net Assets	Fiduciary Funds Statement of Net Assets	Total
Cash and cash equivalents .....	\$520,505	\$ 91,762	\$ 612,267
Investments .....	136,706	2,797,478	2,934,184
Restricted cash and equivalents .....	246,305		246,305
<b>Total .....</b>	<b>\$903,516</b>	<b>\$2,889,240</b>	<b>\$3,792,756</b>

B. CASH DEPOSITS

As of June 30, 2009, the carrying amount of the City's bank deposits was (\$7,756,000) and the respective bank balances totaled \$5,182,000. All of the City's cash deposits are either insured through the Federal Depository Insurance Corporation, or collateralized by securities held in the name of the City, by the City's agent.

At June 30, 2009, BCPSS and BHC had demand deposits with carrying values of \$11,769,000 and \$4,092,000, respectively.

C. INVESTMENTS

***Primary Government***

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

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

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

The primary government's investments at June 30, 2009, are presented below. All investments are presented by investment type, and debt securities are presented by maturity (amounts expressed in thousands):

Investment Type	Fair Market Value	Investment Maturities (In Months)		
		Less Than 6	6 to 12	Greater Than 12
<b>Debt Securities:</b>				
U.S. Treasury .....	\$110,423	\$ 16,609		\$93,814
U.S. Agencies .....	330,424	330,424		
Repurchase agreements .....	94,821	94,821		
Money market mutual funds .....	258,243	258,243		
Maryland Local Government Investment Pool .....	54,500	54,500		
Commercial paper .....	46,862	46,862		
Guaranteed investment contracts .....	21,867	21,867		
	917,140	\$823,326		\$93,814
<b>Other investment:</b>				
Equity mutual funds .....	1,652			
	918,792			
Less: cash equivalents .....	782,035			
<b>Total investments</b> .....	<b>\$136,757</b>			

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

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

The Maryland Local Government Investment Pool is operated in accordance with Rule 2a7 of the Investment Company Act of 1940.

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

As discussed above the City Board of Finance limits City investments to only the highest rated investments in the categories discussed above. The City's rated debt investments as of June 30, 2009 were rated by a nationally recognized statistical rating agency and are presented below using the Standard and Poor's rating scale (amounts expressed in thousands):

Investment Type	Fair Value	Quality Ratings	
		AAA	A1-P1
<b>Debt securities:</b>			
U.S. Agencies .....	\$330,424	\$330,424	
Money market mutual funds .....	258,243	258,243	
Maryland Local Government Investment Pool .....	54,500	54,500	
Commercial paper .....	46,862		\$46,862
<b>Total rated debt investments</b> .....	<b>\$690,029</b>	<b>\$643,167</b>	<b>\$46,862</b>

The guaranteed investment contracts are collateralized by U.S. Treasury and AAA rated U.S. Agency securities.

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

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

The City had the following debt security investments at June 30, 2009, that were more than five percent of total investments (dollar amounts expressed in thousands):

Investment	Fair Value	Percentage of Portfolio
Farmer Mac .....	\$ 48,994	5.31%
Federal Home Loan Mortgage Corporation .....	264,947	28.74

**Retirement Systems**

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

The invested assets of the retirement systems at June 30, 2009, are as follows (amounts expressed in thousands):

Investment Type	Carrying Value			Total
	Employees’ Retirement System	Elected Officials’ Retirement System	Fire and Police Employees’ Retirement System	
<b>Debt Securities:</b>				
U.S. Treasury notes and bonds .....	\$ 148,685		\$ 139,966	\$ 288,651
U.S. Government agency bonds .....	14,769		70,821	85,590
Corporate bonds .....	120,869	\$ 3,974	367,118	491,961
Barclay aggregate index .....			6,839	6,839
Mutual funds .....	31,586	201	42,540	74,327
Absolute return strategic funds .....			54,752	54,752
Total debt securities .....	315,909	4,175	682,036	1,002,120
<b>Other:</b>				
Domestic equities .....	474,108	6,282	530,605	1,010,995
International equities .....	127,090	2,421	227,869	357,380
Hedge funds .....	53,987		99,385	153,372
Real estate .....	101,782		152,198	253,980
Total other .....	756,967	8,703	1,010,057	1,775,727
Total investments .....	1,072,876	12,878	1,692,093	2,777,847
Less: Cash and cash equivalents .....	31,586	201	42,540	74,327
<b>Total net investments .....</b>	<b>\$1,041,290</b>	<b>\$12,677</b>	<b>\$1,649,553</b>	<b>\$2,703,520</b>

*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 Employees’ Retirement System Board of Trustees has adopted a policy that the external managers demonstrate sensitivity to currency risk. The foreign currency exposure of the system may be hedged back to the U.S.

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

dollar using forward foreign exchange contracts. From 0% to 100% of the foreign currency exposure of the portfolio may be hedged. Cross-hedging to currency other than the U.S. dollar may reach 25% of the total portfolio. Currency speculation is not permitted.

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

The foreign currency risk for each system at June 30, 2009, is presented on the following table (amounts expressed in thousands):

Currency	Employees' Retirement System	Fire and Police Employees' Retirement System	Total
Euro Currency Unit . . . . .	\$ 35,097	\$ 46,037	\$ 81,134
British Pound Sterling . . . . .	22,533	22,868	45,401
Japanese Yen . . . . .	16,350	21,384	37,734
South Korean Won . . . . .		3,020	3,020
Hong Kong Dollar . . . . .	8,794	11,046	19,840
Swiss Franc . . . . .	7,003	11,983	18,986
Mexican New Peso . . . . .	(411)	211	(200)
South African Comm Rand . . . . .		1,960	1,960
Malaysian Ringgit . . . . .		293	293
Taiwan Dollar . . . . .		4,148	4,148
Brazil Real . . . . .	1,188	2,136	3,324
Canadian Dollar . . . . .	3,618	4,882	8,500
New Turkish Lira . . . . .	446	184	630
New Zealand Dollar . . . . .		113	113
Australian Dollar . . . . .	3,198	1,945	5,143
Swedish Krona . . . . .	1,492	4,102	5,594
Norwegian Krone . . . . .	1,946	2,053	3,999
Singapore Dollar . . . . .	1,139	3,439	4,578
Chinese Yuan Renminbi . . . . .	2,494		2,494
Indonesian Rupin . . . . .		948	948
Danish Krone . . . . .	4,163	1,801	5,964
Polish Zloty . . . . .		5	5
<b>Total Foreign Currency . . . . .</b>	<b>\$109,050</b>	<b>\$144,558</b>	<b>\$253,608</b>
U.S. Dollars (Held in international equity) . . . . .	\$ 26,100	\$ 83,311	\$109,411

*Interest rate risk* — The Fire and Police Employees' Retirement System Board of Trustees uses the Option Adjusted Duration as a measure of interest rate sensitivity for bonds. Duration is a measure of the approximate sensitivity of a bond's value to interest rate changes. The Fire and Police Employees' Retirement System Board of Trustees' fixed income interest rate policy states that the effective duration of a portfolio may not exceed 20% of the effective duration of the underlying benchmark of 100%.

Both the Employees' Retirement System and the Elected Officials' Retirement System have selected the duration method as a measure of interest rate sensitivity for bonds. However, both plans have not adopted a formal policy to limit interest rate risk.

*Credit Risk* — The Boards of Trustees of the City's three retirement systems have not adopted a formal policy to limit credit risk.

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

The credit ratings and durations of investments at June 30, 2009 are as follows (amounts expressed in thousands):

Asset Type	Duration	Carrying Value	AAA thru A	BBB thru B	CCC Thru C	DDD thru D	Not Rated
<i>Employees' Retirement System:</i>							
U.S. Treasury notes and bonds . . . . .	2.78	\$148,685	\$148,685				
U.S. Government agency bonds . . . . .	10.56	14,768	8,728				\$ 6,040
Corporate bonds . . . . .	5.85	120,870	85,341	\$ 26,556	\$4,852		4,121
Mutual funds . . . . .	0.09	31,586					31,586
Total debt securities . . . . .		315,909	242,754	26,556	4,852		41,747
<i>Elected Officials' Retirement System:</i>							
Corporate bonds . . . . .	0.00	3,974					3,974
Mutual funds . . . . .	0.00	201					201
Total debt securities . . . . .		4,175					4,175
<i>Fire and Police Employees' Retirement System:</i>							
U.S. Treasury notes and bonds . . . . .	13.28	139,966	139,966				
U.S. Government agency bonds . . . . .	4.83	70,821	70,821				
Barclay aggregate index . . . . .	4.29	6,839	6,839				
Corporate bonds . . . . .	4.48	367,118	213,382	123,075	8,506	\$1,830	20,325
Mutual funds . . . . .	0.08	42,540					42,540
Absolute return strategic funds . . . . .	3.89	54,752	54,752				
Total debt securities . . . . .		\$682,036	\$485,760	\$123,075	\$8,506	\$1,830	\$62,865

The City's Retirement Systems has entered into a Securities Lending Authorization Agreement with 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 fund manager may loan securities held in custody of commingled funds if authorized in a fund's contract with the retirement systems.

Collateral received in exchange for securities lent is deposited into 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 lent, including all accrued income, and 105% of the market value of international securities lent, including all accrued income. If the market value of the collateral falls below 100% of the lent securities, additional collateral is deposited to adjust up to the appropriate minimum level of collateral. All collateral amounts are adjusted to market daily. The City's Retirement Systems do not have the right to sell or pledge securities received as collateral without borrower default.

At June 30, 2009, the Retirement Systems had no credit risk exposure to borrowers because the amounts they owed borrowers exceeded the amounts the borrowers owed the Retirement Systems. The market value of securities on loan at June 30, 2009, was \$186,086,000, and the market value of the collateral received for those securities on loan was \$192,306,000. The Retirement Systems did not impose any restrictions during the fiscal year on the amount of loans the custodian made on its behalf. The terms of the Securities Lending Authorization Agreement require that the custodian indemnify the retirement systems against: (1) the failure to demand adequate and appropriate collateral from a borrower as and when required pursuant hereto; (2) the failure to comply with the investment guidelines in connection with the investment and reinvestment of cash collateral; (3) the failure to obtain and perfect a security interest or rights equivalent thereto in and to the collateral; or (4) the failure to make a reasoned determination of the creditworthiness of any borrower. There were no such failures by any borrowers during the fiscal year. Moreover, there were no losses during the fiscal year resulting from default of the borrowers or the custodian.

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

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

***Other Postemployment Benefits Fund***

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

The invested assets of the Trust Fund at June 30, 2009 are as follows (expressed in thousands):

Investment Type	Fair Value	Investment Maturities (In Months)		
		Less than 6	6 to 12	Greater than 12
Cash and cash equivalents	\$ 9,966	\$ 9,966		
Bonds	27,813			\$27,813
Mutual funds	17,359	17,359		
Total	55,138	\$27,325		\$27,813
Stock	48,735			
Total investments	103,873			
Less: cash and cash equivalents	9,966			
Total net investments	\$ 93,907			

*Interest Rate and Credit Risk*—The Board has not adopted a formal policy to limit interest rate and credit risk.

***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, certificates of deposit, repurchase agreements and related mutual funds. The BCPSS's investments at June 30, 2009 are presented below. All investments are presented by investment type (expressed in thousands).

Investment Type	Fair Market Value	Investments Maturities (In Months)			Max. allowed per Investment Policy
		Less Than 6	6 to 12	Percent	
Money Market Funds	\$ 39,562	\$ 39,562		29%	100%
Commercial Paper	3,000	3,000		2	5
U.S. Government Agencies	88,369	76,158	\$12,211	65	100
MLGIP (Other)	3,498	3,498		2	100
MLGIP (Bonds)	2,458	2,458		2	100
Total Invested Funds	136,887	\$124,676	\$12,211	100%	
Less: Cash and cash equivalents	107,644				
Total Investments	\$ 29,243				

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

***Investment Ratings***

Ratings apply to all Money Market funds, Checking, Commercial Paper, U.S. Government Agencies, Certificates of Deposit and MLGIP (dollar amounts expressed in thousands).

Investment Ratings	Percent	Fair Value
AAA/AAA .....	59.49%	\$ 86,814
A-1+/P-1 .....	28.86	42,118
A-1/P-1 .....	2.06	3,000
AA/Not rated .....	3.44	5,012
Not rated .....	6.15	8,976
	<u>100.00%</u>	<u>\$145,920</u>

***Risk Classifications***

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

The BCPSS limits its interest rate risk in accordance with their policy by maintaining a minimum of 20% of the BCPSS’s investment in funds in liquid investments which include U.S. Government Securities, Maryland Local Government Investment Pool (MLGIP) Investments, Overnight Repurchase Agreements and Money Market Mutual Funds.

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

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

Cash and cash equivalents includes Money Market deposits and MLGIP investments.

***Baltimore Hotel Corporation***

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

The BHC has no formal policy for limiting risk associated with these investments. The City of Baltimore Department of Finance directs the selection of investment funds. At year-end BHC held investments in the amount of \$45,189,000; consisting of repurchase agreements with various financial institutions and government money market funds.

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

**4. Receivables**

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

Receivables	General Fund	Motor Vehicle Fund	Grants Revenue Fund	Capital Projects Fund	Enterprise Funds	Nonmajor and Other Funds	Total
Property taxes	\$30,271						\$ 30,271
Service billings					\$ 61,735	\$ 1,817	63,552
Due from other governments	31,489	\$ 12,900	\$ 39,514	\$ 65,902	24,406	344	174,555
Notes and mortgages receivable	5,981						5,981
Other	12,766	516		1,967	1,513	36,795	53,557
Restricted accounts receivable					16,419	1,993	18,412
<b>Total</b>	<b>\$80,507</b>	<b>\$ 13,416</b>	<b>\$ 39,514</b>	<b>\$ 67,869</b>	<b>\$104,073</b>	<b>\$ 40,949</b>	<b>\$346,328</b>

Service billings are reported net of an allowance for doubtful accounts of \$16,585,000. Bad debt expense for fiscal year 2009 was \$8,344,000.

**5. Capital Assets**

Capital assets activity for the year ended June 30, 2009, are as follows (expressed in thousands):

*Governmental Activities Capital Assets:*

Class	Balance June 30, 2008	Additions	Deductions	Balance June 30, 2009
Capital assets, not being depreciated:				
Land	\$ 142,202			\$ 142,202
Construction in progress	789,759	\$ 28,984	\$ 64	818,679
Construction in progress—infrastructure	578,935	87,103	3,033	663,005
Total capital assets, not being depreciated	1,510,896	116,087	3,097	1,623,886
Capital assets, being depreciated:				
Buildings and improvements	1,445,805	63		1,445,868
Equipment	406,928	11,344	32,161	386,111
Infrastructure	2,066,209	3,033		2,069,242
Library books	49,735	4,655	2,955	51,435
Total capital assets, being depreciated	3,968,677	19,095	35,116	3,952,656
Less: accumulated depreciation for:				
Buildings and improvements	774,826	28,903		803,729
Equipment	285,690	22,093	17,551	290,232
Infrastructure	850,472	47,172		897,644
Library books	20,414	4,678	2,955	22,137
Total accumulated depreciation	1,931,402	102,846	20,506	2,013,742
Total capital assets, being depreciated, net	2,037,275	(83,751)	14,610	1,938,914
Governmental activities capital assets, net	\$3,548,171	\$ 32,336	\$ 17,707	\$3,562,800



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

*Business-type Activities Capital Assets:*

Class	Balance June 30, 2008	Additions	Deductions	Balance June 30, 2009
Capital assets, not being depreciated:				
Land .....	\$ 23,846			\$ 23,846
Construction in progress .....	1,112,758	\$275,549	\$138,852	1,249,455
Total capital assets, not being depreciated .....	1,136,604	275,549	138,852	1,273,301
Capital assets, being depreciated:				
Buildings and improvements .....	1,837,883			1,837,883
Equipment .....	151,548	7,445		158,993
Infrastructure .....	54,306	5,176		59,482
Total capital assets, being depreciated .....	2,043,737	12,621		2,056,358
Less: accumulated depreciation for:				
Buildings and improvements .....	659,166	32,744		691,910
Equipment .....	118,286	5,359		123,645
Infrastructure .....	18,144	711		18,855
Total accumulated depreciation .....	795,596	38,814		834,410
Total capital assets, being depreciated, net .....	1,248,141	(26,193)		1,221,948
Business-type activities capital assets, net .....	\$2,384,745	\$249,356	\$138,852	\$2,495,249

Depreciation expense was charged to functions/programs of the City for the fiscal year ended June 30, 2009 (amounts expressed in thousands):

*Governmental activities:*

General government .....	\$ 4,700
Public safety and regulation .....	12,063
Conservation of health .....	338
Social services .....	38
Education .....	15,591
Public library .....	4,981
Recreation and parks .....	5,597
Highways and streets .....	43,517
Sanitation and waste removal .....	4,808
Public service .....	2,987
Economic development .....	1,072
Internal service funds .....	7,154
Total .....	\$102,846

*Business-type activities:*

Water .....	\$ 11,888
Waste water .....	25,145
Parking .....	1,070
Conduits .....	711
Total .....	\$ 38,814

At June 30, 2009, the outstanding commitments relating to projects of the City of Baltimore amount to approximately \$114,509,000 for governmental activities and \$127,565,000 for business-type activities. Interest is capitalized on business-type capital assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of borrowing until completion of the project, with interest earned on invested proceeds over the period. Interest is also capitalized on proprietary fund capital assets acquired with tax-exempt debt. During fiscal year 2009, net interest expense of \$26,992,000 (net of interest income of \$5,941,000) was capitalized.

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

**6. Interfund Balances and Activity**

**A. BALANCE DUE TO/FROM OTHER FUNDS**

Balances due to/from other funds at June 30, 2009, were as follows (amounts expressed in thousands):

Fund	Interfund	
	Receivable	Payable
General .....	\$62,521	
Grant revenue .....		\$57,283
Capital projects .....	31,271	1,358
Nonmajor governmental funds .....	1,358	22,512
Nonmajor proprietary funds .....		1,569
Internal service funds .....		12,428
Totals .....	\$95,150	\$95,150

The interfund balances are primarily the result of the City's policy not to reflect cash deficits in its individual funds. Also, at June 30, 2009, certain transactions between funds had not been completed.

**B. TRANSFERS TO/FROM OTHER FUNDS**

Transfers to/from other funds at June 30, 2009, consist of the following (amounts expressed in thousands):

Fund	General	Capital Projects	Nonmajor Special Revenue	Nonmajor Debt Service	Motor Vehicle	Parking	Total Transfers To
General .....						\$35,704	\$ 35,704
Debt service .....	\$77,788	\$2,762			\$ 9,739		90,289
Loan and guarantee .....	1,365						1,365
Capital projects .....	10,934		\$18,813	\$39,715	22,383		91,845
Internal service funds .....	6,500						6,500
Totals transfers from .....	\$96,587	\$2,762	\$18,813	\$39,715	\$32,122	\$35,704	\$225,703

Transfers were primarily to the Capital Projects and Debt Service funds to provide funds for construction and debt service.

**C. DEFICITS**

The following funds had a deficit in unrestricted net assets/fund balances at June 30, 2009, (amounts expressed in thousands):

Special Revenue Funds:		
Grants Revenue .....		\$123,321
CDBG .....		13,297
Internal Services Funds:		
Risk management .....		100,500
Municipal Post Office .....		335
Reproduction and printing .....		4,511

The deficit in the Grants Revenue Fund is the result of timing differences. Revenues to cover this deficit are expected to be received in fiscal year 2010.

The City plans to continue to charge City agencies premiums in excess of that needed to cover expected operating expenses, including claims paid and incurred, and thereby eliminate the accumulated Risk Management Fund deficit over the next ten years.

**CITY OF BALTIMORE**  
**Notes to Basic Financial Statements**  
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**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, 2009, are as follows (amounts expressed in thousands):

	June 30, 2008	Appreciation(a)	New Debt Issued	Debt Retired	June 30, 2009	Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>						
<i>General Obligation Bonds:</i>						
Highways	\$ 16,179	\$ 118		\$ 2,542	\$ 13,755	\$ 2,784
Health	2,529		\$ 937	124	3,342	134
Public safety	12,039	97		1,406	10,730	1,585
Off-street parking	22,459	132		3,744	18,847	3,011
Parks and recreation	21,711	61	1,031	1,431	21,372	1,663
Public buildings and facilities	56,466	73	978	2,637	54,880	2,981
Schools	174,421	637	25,076	6,778	193,356	12,665
Storm water	6,048	197		2,152	4,093	1,189
Urban renewal	310,450	664	2,048	27,111	286,051	25,774
Waste disposal	1,330	22		1,027	325	152
Unallocated	22,901	443		1,077	22,267	1,906
Total general obligation bonds	646,533	2,444	30,070	50,029	629,018	53,844
<i>Special Obligation Bonds</i>						
Special Obligation Bonds	93,018		23,595	105	116,508	303
<i>Long-term financing with the Federal Government:</i>						
Federal economic development loans	51,429		1,499	2,125	50,803	5,367
<i>Long-term financing with the State of Maryland:</i>						
State economic development loans	1,945			392	1,553	444
Total Governmental Activities	\$792,925	\$2,444	\$55,164	\$52,651	\$797,882	\$59,958
<b>BUSINESS-TYPE ACTIVITIES</b>						
<i>General Obligation Bonds:</i>						
Water	\$ 897	\$ 44			\$ 941	\$ 592
Waste Water	1,330	33		\$ 925	438	78
Total general obligation bonds	2,227	77		925	1,379	670
<i>Long-term financing with the State of Maryland:</i>						
Sewer construction loans	292			71	221	77
Total Business-type Activities	\$ 2,519	\$ 77		\$ 996	\$ 1,600	\$ 747
<b>COMPONENT UNIT — BALTIMORE CITY PUBLIC SCHOOL SYSTEM</b>						
<i>General Obligation Bonds:</i>						
Schools	\$ 55,805			\$ 4,925	\$ 50,880	\$ 5,115

(a) The Mayor and City Council of Baltimore issued, as fully registered bonds, \$67,602,000 in Series A General Obligation Bonds dated March 1, 1995 and \$44,284,000 in Series C General Obligation Bonds dated May 1, 1998. The Series A and C Bonds consist of current interest bonds and capital appreciation bonds issued to advance refund certain non-callable maturities of the City's general obligation bonds.

No current interest is payable on the Series A or C Capital Appreciation Bonds, which are scheduled to mature on October 15 in each of the years 2009 to 2011, inclusive. Interest on the Series A and C Capital Appreciation Bonds accrues from the date of delivery, is compounded semiannually on each April 15 and October 15 and will be paid at the maturity or redemption date thereon. The accreted amount due at maturity is \$22,065,000 as of June 30, 2009. The Series A Capital Appreciation Bonds are subject to redemption prior to maturity beginning on October 15, 2005, as a whole at any time or in part thereafter on October 15 or April 15.

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**Notes to Basic Financial Statements**  
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*Variable Rate Demand General Obligation Bonds*

The City has issued \$34,600,000 in taxable variable rate demand Consolidated Public Improvement Bonds Series C and D to construct various capital projects throughout the City. The bonds mature on October 15, 2020 and 2022, respectively.

The bonds bear interest at a variable rate that is reset by the Remarking Agent on a weekly basis. Under 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 bondholders.

In conjunction with the issuance of the bonds, Bank of America N/A (Bank) issued a standby purchase agreement (Agreement) in the amount of \$44,793,237 in favor of the City and Manufactures and Traders Trust Company as Tender Agent. The agreement expires May 14, 2011, but can be extended for additional years. The existing Agreement permits the fiscal agent to draw amounts necessary to pay the principal portion and related accrued interest on the bonds tendered for purchase and not remarked.

Pursuant to the Agreement between the City and the Bank, the issuer is required to reimburse the Bank the amount drawn upon remarketing or in a lump sum payment as of May 14, 2011. If the takeout agreement were to be exercised because issue of bonds was put but not sold, the City would be required to pay approximately \$1,722,000 in interest annually with a lump sum payment of principal at the end of the agreement. The interest rate on draws made under this agreement is the LIBOR one month rate plus 1% for draws of less than 90 days, the LIBOR rate plus 2% for draws greater than 90 days, and after 180 days the Bank of America Prime plus 0.5%.

The City is required to pay the Bank fees throughout the effective dates of the Agreement of 0.2% per annum of the average daily amount of available commitment.

During fiscal year 2009, the City made no draws under the Agreement, and no amounts drawn against the Agreement were outstanding at June 30, 2009.

The liabilities for governmental activities are principally liquidated by the general, capital projects and motor vehicle funds, while liabilities for business-type activities are liquidated by the Water and Waste Water Funds. Long-term debt payable on the Statement of Net Assets is presented net of \$9,509,000 of unamortized losses on early extinguishment of debt.

The following is a summary of debt activity other than general obligation bonds:

- *Special Obligation Bonds:* The City has borrowed funds to provide funds for capital projects in the development district. At June 30, 2009, principal owed for these bonds was \$116,508,000, and interest of \$169,850,000 at the interest rates ranging from 5.5% to 7.0% per annum will be due in future years.
- *Federal Economic Development Loan:* The City has borrowed funds from the Federal government to provide for various development projects. At June 30, 2009, the principal owed to the Federal government was \$50,803,000, and interest of \$20,588,000 will be due thereon in future years. The loan bears interest at rates ranging from 6.0% to 10.9% and matures serially through 2024.
- *State Economic Development Loans:* The City has borrowed \$24,685,000 from the State of Maryland to provide for various economic development projects under the Maryland Industrial Land Act and the Industrial Commercial Redevelopments Act. At June 30, 2009, the principal owed to the State was \$1,553,000, and interest of \$181,000 will be due thereon in future years. These loans bear interest at rates ranging from 2.0% to 11.2% and the final payment is due in 2016.
- *Sewer Construction Loans:* Under the provisions of Chapter 445, laws of Maryland 1968, and Chapter 286, laws of Maryland 1974, loans were made available to counties and municipalities charged with providing sewerage facilities to assist in the construction of such facilities. Since December 1980, the City has borrowed a total of \$1,184,000 for sewer projects. At June 30, 2009, the principal owed to the State was \$221,000, and interest of \$29,000 will be due thereon in future years.

**CITY OF BALTIMORE**  
**Notes to Basic Financial Statements**  
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*Compensated Absences*

Compensated absences at June 30, 2009 totaled \$111,967,000 for governmental activities and \$12,500,000 for business-type activities, of which \$60,063,000 and \$5,151,000 respectively, were due within one year. For the Baltimore City Public School System, compensated absences totaled \$67,993,000, of which \$6,799,000 were due within one year.

Changes in compensated absences during fiscal year 2009 (amounts expressed in thousands):

	Governmental Activities	Business-type Activities	Total
Balance, July 1, 2008 .....	\$109,898	\$12,169	\$122,067
Leave earned .....	62,132	5,482	67,614
Leave used .....	(60,063)	(5,151)	(65,214)
Balance, June 30, 2009 .....	\$111,967	\$12,500	\$124,467

**B. DEBT SERVICE REQUIREMENTS**

Debt service requirements on long-term debt at June 30, 2009, are as follows (amounts expressed in thousands):

Fiscal Year	Governmental Activities								
	General Obligation Bonds			Long-Term Financing with State of Maryland		Long-Term Financing with Federal Government		Special Obligation Bonds	
	Principal	Interest	Interest Rate Swap Net(a)	Principal	Interest	Principal	Interest	Principal	Interest
2010 .....	\$ 53,844	\$ 19,531	\$ 6,417	\$ 444	\$ 70	\$ 5,367	\$ 2,499	\$ 303	\$ 5,123
2011 .....	56,166	18,530	6,142	338	43	3,285	2,339	605	6,197
2012 .....	56,705	18,388	5,863	262	27	2,796	2,201	655	6,270
2013 .....	47,131	14,364	5,487	214	18	2,894	2,059	610	6,681
2014 .....	35,854	13,152	4,986	184	12	3,000	1,907	667	6,641
2015-2019 .....	143,078	51,670	18,700	111	11	13,141	5,897	4,229	29,764
2020-2024 .....	163,275	29,450	6,222			14,654	3,313	8,621	37,583
2025-2029 .....	70,810	7,897				5,666	373	18,867	33,308
2030-2034 .....	2,155	50						30,950	24,604
2035-2039 .....								37,856	12,607
2040-2044 .....								13,145	1,071
Totals .....	\$629,018	\$173,032	\$53,817	\$1,553	\$181	\$50,803	\$20,588	\$116,508	\$169,849

(a) Interest Rate Swap Net payments represent estimated payments for additional interest resulting from swap agreements to counterparties for additional interest resulting from swap agreements. The additional payments were computed using rates as of June 30, 2009, assuming current interest rates remain the same for their term. As rates vary, variable rate bond interest payments and net swap payments will vary.

Fiscal Year	Business-type Activities			
	General Obligation Bonds		Long-Term Financing with State of Maryland	
	Principal	Interest	Principal	Interest
2010 .....	\$ 828	\$11	\$ 78	\$14
2011 .....	549	36	82	9
2012 .....			42	4
2013 .....			19	2
Totals .....	\$1,377	\$47	\$221	\$29

**CITY OF BALTIMORE**  
**Notes to Basic Financial Statements**  
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A summary of general obligation bonds outstanding and bonds authorized but unissued (amounts expressed in thousands) at June 30, 2009, are as follows:

Purpose	Due Dates	Outstanding		Authorized
		Interest Rates	Amount	But Unissued Amount
Fire, police and public protection	2010 to 2016	4.7% to 9.0%	\$ 10,730	\$ 942
Off-street parking	2010 to 2017	1.5% to 9.0%	18,847	345
Parks and recreation	2010 to 2017	2.7% to 9.0%	21,372	28,713
Public building and facilities	2010 to 2017	2.7% to 9.5%	54,880	41,134
Schools	2010 to 2021	2.7% to 9.0%	193,356	59,440
Waste water and storm sewer	2010 to 2012	2.5% to 9.0%	4,531	
Urban renewal and development	2010 to 2021	2.7% to 9.5%	286,051	102,357
Water	2010 to 2011	4.0% to 9.0%	941	
Highways	2010 to 2021	4.7% to 9.0%	13,755	220
Waste disposal	2010 to 2011	4.75% to 8.9%	325	
Finance				20,000
Health	2010 to 2018	5.125% to 5.3%	3,342	4,271
Unallocated	2010 to 2011	4.7% to 5.5%	22,267	
<b>Totals</b>			<b>\$630,397</b>	<b>\$257,422</b>

*Baltimore City Public School System (BCPSS) General Obligation Bonds*

BCPSS has issued \$25,000,000 of Series 2000 general obligation bonds (Series 2000 Bonds), maturing through the year ended June 30, 2015. The net proceeds of the Series 2000 Bonds will be used to fund various capital improvements to existing schools within the BCPSS, including technical writing projects to accommodate Internet connectivity, and various renovations and repairs to school buildings. As the BCPSS enters into capital project contracts with one or more contractors, funds are to be drawn from the Series 2000 Bonds escrow account to fund capital expenditures. Interest rates range from 4.25% to 5.125% and interest is payable semiannually on November and May 1 of each year. The Series 2000 Bonds are the debt and obligation of the BCPSS and are not a debt and obligation or pledge of the faith and credit of the City of Baltimore. As of June 30, 2009, the outstanding balance on the Series 2000 Bonds is \$13,770,000.

BCPSS has also issued \$52,460,000 of Series 2003A revenue bonds (the Series 2003A Bonds), maturing through the year ending June 30, 2018. The net proceeds of the Series 2003A Bonds will be used to finance and refinance the costs of acquisition, construction, renovation and certain capital improvements of the BCPSS. These include various capital improvements of the existing schools within the BCPSS, renovations to facilitate the conversion of Pre K to 8 schools, and the conversion of existing large neighborhood high schools to smaller community based high schools, other capital improvements associated with alleviating overcrowding at certain facilities, water filtration equipment for installation at certain facilities with drinking water determined to have higher than normal lead content and certain other capital projects included in fiscal year 2005 Strategic Facilities Plan approved by the School Board.

The bonds payable balance maturing on or after May 1, 2014 is subject to redemption at the option of the Board of School Commissioners on or after May 1, 2013 as a whole or in part at any time, at par plus accrued interest thereon to the date fixed for redemption.

As the BCPSS enters into the capital project contracts with one or more contractors, funds are to be drawn from the Series 2003A Bonds escrow account to fund capital expenditures. Under the terms of the Series 2003A Bonds, funds will be maintained by the US Bank (formerly Wachovia). Interest rates range from 2.0% to 5.0% and interest is payable semiannually on November and May 1 of each year.

The Series 2003A Bonds are the debt and obligation of the BCPSS and are not a debt and obligation of, or pledge of, the faith and credit of the City of Baltimore and the State of Maryland. As of June 30, 2009, the outstanding balance on the 2003A bonds is \$37,110,000.

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**Notes to Basic Financial Statements**  
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Future minimum bond payments are as follows at year ending June 30, 2009 (amounts expressed in thousands):

Fiscal Year	Principal	Interest	Total
2010 .....	\$ 5,115	\$ 2,426	\$ 7,541
2011 .....	5,350	2,188	7,538
2012 .....	5,600	1,936	7,536
2013 .....	5,835	1,696	7,531
2014 .....	6,125	1,403	7,528
2015-2018 .....	22,855	2,590	25,445
Total .....	\$50,880	\$12,239	\$63,119

**C. CAPITAL LEASES**

*Primary Government*

The City has entered into various conditional purchase agreements to construct and purchase certain facilities and equipment to be used by municipal agencies. These conditional purchase agreements do not constitute a pledge of the full faith and credit or taxing power of the City and are subject to termination if sufficient funds are not appropriated by the City Council. Since termination of these agreements is not foreseen, the agreements have been capitalized. During fiscal year 2009, the City's capital lease obligations decreased by \$12,796,000 (which is net of new leases in the amount of \$3,956,000 and lease principal payments of \$16,752,000) over the fiscal year 2008 total of \$171,911,000. Future minimum lease payments at June 30, 2009, are as follows (amounts expressed in thousands):

Fiscal Year	
2010 .....	\$ 26,407
2011 .....	26,435
2012 .....	24,576
2013 .....	23,857
2014 .....	23,183
2015-2019 .....	67,770
2020-2023 .....	7,346
Total minimum lease payments .....	199,574
Less: deferred interest .....	(40,459)
Present value minimum lease payments .....	\$159,115

The following is a schedule of leased property under capital leases by major class at June 30, 2009 (amounts expressed in thousands):

Classes of Property	
Buildings .....	\$173,756
Equipment .....	179,488
Total .....	\$353,244

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

*Baltimore City Public School System (BCPSS)*

BCPSS has entered into a \$12,370,000 fifteen year capital lease (the 1999 Lease Agreement) with First Municipal Credit Corporation (FMCC) for the purchase and repair of certain boilers at various school locations. Under the terms of the 1999 Lease Agreement, funds were to be deposited into an "Acquisition Account." As the BCPSS entered into purchase agreements with one or more vendors related to the purchase and repair of certain boilers, monies were to be drawn from an "Acquisition Account" to fund actual purchases. As of June 30, 2009, the outstanding balance on the 1999 lease is \$7,294,000.



**CITY OF BALTIMORE**  
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Additionally, BCPSS has entered into a \$25,000,000 capital lease agreement (the Master Equipment Lease) with US Bank, National Association, for the lease of "Equipment," which includes General Equipment (\$1,500,000 at an interest rate of 3.06% for 7 years), Oracle Equipment (\$13,000,000 at an interest rate of 3.56% for 10 years), Vehicles (\$4,500,000 at an interest rate of 2.68% for 5 years) and Computers (\$6,000,000 at an interest rate of 2.68% for 5 years). Under the terms of the lease, funds were to be deposited into four separate Escrow Fund Accounts at the US Bank. As the Board entered into purchase agreements with one or more vendors, monies were to be drawn from the Escrow Accounts to fund actual purchases. Interest earned on the escrow balance remains in the escrow account and is to be used for the same purposes as the principal. As of June 30, 2009 the outstanding balance on the 2003 Master Lease is \$6,840,000.

On June 13, 2006, the Baltimore City Public School System contracted with six (6) financial institutions for the ability to issue capital leases to help finance its Energy System Conservation Program (ESCO) on a competitive basis. Funds available on the master leases after all addendums have been issued will not be used and the contracts could be terminated at the time. During fiscal year 2007, the System issued \$60,272,000 in various ESCO projects. As of June 30, 2009 the outstanding balance on the 2006 Master Lease Addendums is \$55,334,000.

Future minimum lease payments as of June 30, 2009, are as follows (expressed in thousands):

Fiscal Year	Capital Leases	
	Principal	Interest
2010	\$ 6,172	\$ 2,970
2011	6,611	2,637
2012	6,350	2,330
2013	6,818	2,061
2014	7,318	1,749
2015-2019	25,428	4,595
2020-2023	10,771	713
Present value minimum lease payments	\$69,468	\$17,055

**8. Revenue Bonds**

*Water and Waste Water Revenue Bonds*

The City has issued revenue bonds, the proceeds of which were used to provide funds for capital improvements to water and waste water facilities. Assets with a carrying value of \$142,784,000 at June 30, 2009, and revenues of the Water and Waste Water Funds are pledged as collateral for the bonds. Bonds outstanding as of June 30, 2009, consist of (amounts expressed in thousands):

	Water Utility Fund	Waste Water Utility Fund
Term bonds series 1993-A with interest at 5.60%, payable semiannually, due July 1, 2013	\$12,200	\$ 7,100
Term bonds series 1993-A with interest at 5.65%, payable semiannually, due July 1, 2020	23,900	14,000
Serial bonds series 1994-A maturing in annual installments from \$485,000 to \$590,000 through July 1, 2009, with interest ranging from 4.60% to 5.00% payable semiannually		590
Serial bonds series 1994-A maturing in annual installments from \$700,000 to \$850,000 through July 1, 2009, with interest ranging from 4.60% to 5.00% payable semiannually	850	
Term bonds series 1994-A with interest at 6.00%, payable semiannually, due July 1, 2015	6,250	4,330
Term bonds series 1994-A with interest at 5.00%, payable semiannually, due July 1, 2022		7,115
Term bonds series 1994-A with interest at 5.00%, payable semiannually, due July 1, 2024	10,280	
Serial bonds series 1994-B maturing in annual installments from \$332,000 to \$406,000 through February 1, 2015, with interest rate at 2.25%, payable semiannually		2,303
Serial bonds series 1994-C maturing in annual installments from \$310,000 to \$387,000 through February 1, 2015, with interest rate at 2.50%, payable semiannually		2,185
Serial bonds series 1994-D maturing in annual installments from \$215,000 to \$296,000 through February 1, 2015, with interest rate at 3.60%, payable semiannually		1,626
Serial bonds series 1996-B maturing in annual installments from \$148,000 to \$208,000 through February 1, 2017, with interest at 3.17%, payable semiannually		1,497
Serial bonds series 1998-A maturing in annual installments from \$287,000 to \$414,000 through February 1, 2019, with interest at 2.87%, payable semiannually		3,661
Serial bonds series 1999-A maturing in annual installments from \$122,000 to \$167,000 through February 1, 2019, with interest rate at 2.52%, payable semiannually		1,504
Serial bonds series 1999-B maturing in annual installments from \$433,000 to \$652,000 through February 1, 2021, with interest rate at 2.61%, payable semiannually		6,259
Serial bonds series 2001-A maturing in annual installments from \$369,000 to \$819,000 through February 1, 2022, with interest rate at 2.30%, payable semiannually		9,132
Serial bonds series 2002-A maturing in annual installments from \$1,145,000 to \$1,660,000 from July 1, 2009 through July 1, 2021, with variable interest through July 1, 2016 and a fixed rate of 4.85% to 5.00% thereafter payable semiannually		18,925
Serial bonds series 2002-A maturing in annual installments from \$1,855,000 to \$1,975,000 from July 1, 2009 through July 1, 2021, with variable interest through July 1, 2016 and a fixed rate of 4.85% to 5.00% thereafter payable semiannually	24,600	
Term bonds series 2002-A with interest at 5.00%, payable semiannually, due July 1, 2023	4,250	2,470
Term bonds series 2002-A with interest at 5.00%, payable semiannually, due July 1, 2027	9,845	6,070



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	Water Utility Fund	Waste Water Utility Fund
Term bonds series 2002-A with interest at 5.20%, payable semiannually, due July 1, 2032		9,480
Term bonds series 2002-A with interest at 5.125%, payable semiannually, due July 1, 2032	15,385	
Term bonds series 2002-A with interest at 5.125%, payable semiannually, due July 1, 2042	64,840	31,630
Auction rate notes series 2002-B, payable monthly, due July 1, 2032		25,300
Auction rate notes series 2002-B, payable monthly, due July 1, 2037	18,300	
Auction rate notes series 2002-C, payable monthly, due July 1, 2032		46,900
Auction rate notes series 2002-C, payable monthly, due July 1, 2037	40,800	
Serial bonds series 2003-A maturing in annual installments from \$1,930,000 to \$2,095,000 from July 1, 2023 through July 1, 2025, with interest rate at 4.125% to 4.20%, payable semiannually		6,035
Term bonds series 2003-A with interest at 4.20%, payable semiannually, due July 1, 2028	12,835	
Serial bonds series 2003-B maturing in annual installments from \$308,000 to \$984,000 through February 1, 2024, with interest rate at 0.40%, payable semiannually		4,453
Serial bonds series 2003-B maturing in annual installments from \$66,000 to \$984,000 through February 1, 2024, with interest rate at 0.40%, payable semiannually	1,514	
Auction rate notes series 2004-A, payable monthly, due July 1, 2034		17,500
Serial bonds series 2004-A maturing in annual installments from \$197,000 to \$984,000 through February 1, 2024, with interest rate at 0.45%, payable semiannually	4,789	
Serial bonds series 2004-B maturing in annual installments from \$917,000 to \$984,000 through February 1, 2024, with interest rate at 0.45%, payable semiannually		14,351
Auction rate notes series 2004-B, payable monthly, due July 1, 2034	47,500	
Serial bonds series 2004-C maturing in annual installments from \$846,000 to \$984,000 through February 1, 2024, with interest rate at 0.25%, payable semiannually		13,239
Serial bonds series 2005-A maturing in annual installments from \$984,000 to \$1,030,000 through February 1, 2024, with interest rate at 0.25%, payable semiannually		17,252
Serial bonds series 2005-A maturing in annual installments from \$580,000 to \$3,500,000 from July 1, 2021 through July 1, 2025, with interest rate of 4.00% to 5.00%, payable semiannually	1,670	
Serial bonds series 2005-B maturing in annual installments from \$750,000 to \$1,010,000 from July 1, 2007 through July 1, 2016, with interest rate of 3.25% to 5.00%, payable semiannually		15,890
Serial bonds series 2005-C maturing in annual installments from \$599,000 to \$735,000 through July 1, 2012, with interest at 0.70%, payable semiannually		2,109
Serial bonds series 2006-A maturing in annual installments from \$515,000 to \$1,035,000 from July 1, 2009 through July 1, 2026, with interest rates of 4.00% to 4.50%, payable semiannually	13,310	
Term bond series 2006-A with interest at 4.625%, payable semiannually, due July 1, 2031	5,930	
Term bond series 2006-A with interest at 4.625%, payable semiannually, due July 1, 2036	7,435	
Serial bonds series 2006-A maturing in annual installments from \$1,380,000 to \$1,561,000 through February 1, 2026, with interest rate at 0.40%, payable semiannually		25,704
Serial bonds series 2006-B maturing in annual installments from \$338,000 to \$362,000 through February 1, 2026, with interest rate at 0.40%, payable semiannually		5,964
Serial bonds series 2006-C maturing in annual installments from \$990,000 to \$2,090,000 from July 1, 2009 through July 1, 2026, with interest rates of 4.00% to 5.00%, payable semiannually		26,105
Term bond series 2006-C with interest at 5.00%, payable semiannually, due July 1, 2029		6,920
Serial bonds series 2007-A maturing in annual installments from \$64,000 to \$80,000 through February 1, 2037, with interest rate at 0.40%, payable semiannually	2,111	
Serial bonds series 2007-A maturing in annual installments from \$1,833,000 to \$2,184,000 through February 1, 2026, with interest rate at 0.40%, payable semiannually		35,962
Serial bonds series 2007-B maturing in annual installments from \$134,000 to \$161,000 through February 1, 2027, with interest rate at 0.40%, payable semiannually		2,806
Serial bonds series 2007-B maturing in annual installments from \$30,000 to \$3,860,000 from July 1, 2009 through July 1, 2027, with interest rates of 3.60% to 4.50%, payable semiannually	19,835	
Term bond series 2007-B with interest at 4.50%, payable semiannually, due July 1, 2032	22,995	
Term bond series 2007-B with interest at 4.50%, payable semiannually, due July 1, 2035	7,910	
Serial bonds series 2007-C maturing in annual installments from \$35,000 to \$3,935,000 from July 1, 2009 through July 1, 2027, with interest rates of 3.60% to 4.50%, payable semiannually		11,090
Term bond series 2007-C with interest at 4.50%, payable semiannually, due July 1, 2032		29,795
Term bond series 2007-C with interest at 4.50%, payable semiannually, due July 1, 2036		19,255
Serial bonds series 2007-C maturing in annual installments from \$740,000 to \$1,570,000 from July 1, 2010 through July 1, 2027, with interest rates of 3.75% to 5.00%, payable semiannually	19,530	
Term bond series 2007-C with interest at 5.00%, payable semiannually, due July 1, 2032	9,115	
Term bond series 2007-C with interest at 5.00%, payable semiannually, due July 1, 2037	11,630	
Serial bonds series 2007-D maturing in annual installments from \$1,890,000 to \$4,330,000 from July 1, 2010 through July 1, 2027, with interest rates of 5.00%, payable semiannually		53,140
Term bond series 2007-D with interest at 5.00%, payable semiannually, due July 1, 2032		25,120
Term bond series 2007-D with interest at 5.00%, payable semiannually, due July 1, 2037		32,050
Serial bonds series 2008-A maturing in annual installments from \$475,000 to \$1,005,000 from July 1, 2009 through July 1, 2028, with interest rates of 2.00% to 4.50%, payable semiannually	14,170	
Term bond series 2008-A with interest at 4.625%, payable semiannually, due July 1, 2033	5,740	
Term bond series 2008-A with interest at 4.73%, payable semiannually, due July 1, 2038	1,115	
Term bond series 2008-A with interest at 5.00%, payable semiannually, due July 1, 2038	6,150	
Serial bonds series 2008-A maturing in annual installments from \$475,000 to \$1,005,000 from July 1, 2009 through July 1, 2028, with interest rates of 2.00% to 5.00%, payable semiannually		28,835
Term bond series 2008-A with interest at 5.00%, payable semiannually, due July 1, 2033		12,205
Term bond series 2008-A with interest at 5.00%, payable semiannually, due July 1, 2038		15,575
Serial bonds series 2009-A maturing in annual installments from \$475,000 to \$1,005,000 from July 1, 2010 through July 1, 2021, with interest rates of 2.00% to 4.50%, payable semiannually	5,985	
Term bond series 2009-A with interest at 5.00%, payable semiannually, due July 1, 2024	1,220	
Term bond series 2009-A with interest at 5.125%, payable semiannually, due July 1, 2029	3,630	
Term bond series 2009-A with interest at 5.375%, payable semiannually, due July 1, 2034	4,680	
Term bond series 2009-A with interest at 5.75%, payable semiannually, due July 1, 2039	6,120	
Serial bonds series 2009-A maturing in annual installments of \$404,908 from February 1, 2012 through February 1, 2030, with an interest rate at 0.00%		8,098
Serial bonds series 2009-B maturing in annual installments of \$95,391 from February 1, 2012 through February 1, 2030, with an interest rate at 0.00%		1,813
Serial bonds series 2009-C maturing in annual installments from \$370,000 to \$570,000 from July 1, 2010 through July 1, 2022, with interest rates of 2.00% to 4.50%, payable semiannually		7,430
Term bond series 2009-C with interest at 5.00%, payable semiannually, due July 1, 2024		1,720
Term bond series 2009-C with interest at 5.00%, payable semiannually, due July 1, 2029		5,115
Term bond series 2009-C with interest at 5.125%, payable semiannually, due July 1, 2034		6,545
Term bond series 2009-C with interest at 5.625%, payable semiannually, due July 1, 2039		8,490
	468,419	662,643
Less: unamortized charges	7,564	3,175
	\$460,855	\$659,468

**CITY OF BALTIMORE**  
**Notes to Basic Financial Statements**  
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At June 30, 2009, the Water Utility fund had \$106,600,000 of auction rate notes outstanding. Interest rates for these notes are determined every 7 to 35 days depending on the date of issue. In the event of a failed auction, the auction agent assesses the failed auction rate to the issuers of the notes. Interest paid under these conditions is currently limited to 150% to 175% of the non-financial commercial paper rate depending on the rating of the insurance provider on each note issue. The failed auction rate on these notes was in the 1% range or less.

At June 30, 2009, the Waste Water Utility fund had \$89,700,000 of auction rate notes outstanding. Interest rates for these notes are determined every 7 to 35 days depending on the date of issue. In the event of a failed auction, the auction agent assesses the failed auction rate to the issuers of the notes. Interest paid under these conditions is currently limited to 150% to 175% of the non-financial commercial paper rate depending on the rating of the insurance provider on each note issue. The failed auction rate on these notes was in the 1% range or less.

*Parking Facilities Revenue Bonds*

The City has issued various funding and refunding 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 \$17,677,000 at June 30, 2009, and revenues of the Parking Facilities Fund are pledged as collateral for the bonds. Bonds outstanding as of June 30, 2009, consist of (amounts expressed in thousands):

Serial bonds series 2005 maturing in annual installments from \$400,000 to \$1,590,000 through July 1, 2015 with interest rates ranging from 4.69% to 5.07%, payable semiannually .....	\$ 12,595
Term bonds series 1997-A with interest at 5.90%, payable semiannually, due July 1, 2013 .....	21,760
Term bonds series 1997-A with interest at 6.00%, payable semiannually, due July 1, 2018 .....	29,040
Term bonds series 1998-A with interest at 4.90%, payable semiannually, due July 1, 2011 .....	65
Term bonds series 1998-A with interest at 5.25%, payable semiannually, due July 1, 2014 .....	1,770
Term bonds series 1998-A with interest at 5.25%, payable semiannually, due July 1, 2017 .....	2,060
Term bonds series 1998-A with interest at 5.25%, payable semiannually, due July 1, 2021 .....	3,300
Term bonds series 2005 with interest at 5.27%, payable semiannually, due July 1, 2018 .....	5,315
Term bonds series 2005 with interest at 5.30%, payable semiannually, due July 1, 2027 .....	10,470
Term bonds series 2005 with interest at 5.62%, payable semiannually, due July 1, 2035 .....	1,000
Variable rate demand bonds series 2008, payable weekly, due July 1, 2032 .....	<u>77,500</u>
	164,875
Less: unamortized charges .....	<u>4,146</u>
	<u>\$160,729</u>

The City has issued \$77,500,000 in refunding taxable variable rate demand revenue bonds to refund outstanding maturities of the Series 2002 Bonds. The bonds mature serially starting on July 1, 2009 through July 1, 2032. The Series 2008 Bonds are subject to redemption prior to maturity at anytime, at a redemption price of 100% of the principal amount plus interest accrued to the redemption date. The Series 2008 Bonds annual principal amounts range from \$915,000 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 issuance of the bonds, Bank of America, NA (Bank) issued a direct pay letter of credit in the amount of the Series 2008 Bonds available principal and interest commitment in favor of the City and Manufacturer and Traders Trust Company (formerly Allfirst Trust Company National Association) as trustee. The Agreement expires November 19, 2011, but can be extended for additional years. The existing Agreement permits the fiscal agent to draw amounts necessary 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 Bank's fee throughout the effectiveness of the Agreement equal to 0.58% per annum of the average daily amount of the available commitment.

Since issuance of the bonds, no draws have been made under the Agreement, and no draws were outstanding at June 30, 2009.

As a result of this refunding, the City increased its debt service requirements by \$477,000. The economic gain resulting from this transaction was \$493,000.

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**Notes to Basic Financial Statements**  
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*Industrial Development Revenue Bonds*

The City has issued \$100,000,000 in variable rate demand revenue bonds Series 1986, through the Baltimore Industrial Development Authority of the Mayor and City Council (IDA). The purpose of these bonds is to finance various municipal capital projects. The bonds mature on August 1, 2016, but are subject to optional or mandatory redemptions in whole or in part prior to maturity.

The bonds bear interest at a variable rate that is reset by the Remarketing Agent on a weekly basis. During fiscal year 2009, the variable interest rate paid by the City on these bonds ranged from 1.15% to 3.95%. It is the objective of the Remarketing Agent to set interest rates high enough to assure that the bonds are readily marketable, yet maintain the lowest possible interest cost for the IDA.

After the expiration of the letter of credit issued in conjunction with the issuance of the bonds, Bayerische Landesbank (BL) issued an irrevocable letter of credit in the amount of \$102,500,000 in favor of the City and M&T Bank as trustee and The Chase Manhattan Bank as fiscal agent for the bondholders. The letter of credit will expire on November 30, 2015, unless BL exercises its early termination rights on the sixth or ninth anniversary of July 8, 2004. The City may request an extension beyond November 30, 2015. The existing letter of credit permits the fiscal agent to draw amounts necessary to pay the principal portion and related accrued interest on bonds when tendered for purchase and not remarketed. Pursuant to the letter of credit agreement between the City, BL and the fiscal agent, the issuer is required to reimburse BL the amount drawn upon remarketing. If the takeout agreement were to be exercised because the entire issue of \$100,000,000 of demand bonds was put and not resold, the City would be required to pay approximately \$8,000,000 per year through the expiration of the agreement. The interest rate draws made from the letter of credit is at BL's prime interest rate.

The City is required to pay BL a fee throughout the period of effectiveness of the letter of credit equal to 0.35% per annum of the daily average unutilized amount and 0.2% per annum of the daily average utilized amount.

During fiscal year 2009, the City made no draws under the letter of credit and no amounts drawn against the letter of credit were outstanding at June 30, 2009.

*Convention Center Refunding Revenue Bonds*

The Convention Center Refunding Revenue Bonds, Series 1998 were issued May 1, 1998 and are special, limited obligations of the City to refund the \$56,385,000 Mayor and City Council Convention Center Revenue Bonds Series 1994. The bonds are payable solely from the revenues which consists of certain hotel taxes and certain receipts derived from the ownership and operation of the Baltimore Convention Center. These bonds include \$22,915,000 in serial bonds, which are due to mature on September 1, in each of the years 2009 to 2012, inclusive; \$6,695,000 in 5.5% term bonds due to mature on September 1, 2014; \$3,625,000 in 5.5% term bonds due to mature on September 1, 2015 and \$16,485,000 in 5.0% term bonds due to mature on September 1, 2019. Interest on the bonds is payable on each March 1 and September 1 in each year. The bonds maturing on or after September 1, 2009 are subject to redemption prior to maturity beginning on or after September 1, 2008 at redemption prices ranging from 102% to 100% of the principal amount. The term bonds due September 1, 2014 are subject to redemption at par prior to maturity by operation of a sinking fund on or after September 1, 2013, at annual principal amounts ranging from \$3,260,000 to \$3,345,000. The term bonds due September 1, 2019 are subject to redemption at par prior to maturity by operation of a sinking fund on or after September 1, 2016, at annual principal amounts ranging from \$3,825,000 to \$4,425,000. These revenue bonds have been recorded in governmental activities because they are expected to be paid by general revenues.

*Stormwater Special Revenue Bond*

The City has issued a Stormwater Special Revenue Bond, Series 2004 in the amount of \$6,881,000. This bond will fund various City stormwater capital projects associated with road construction. The bond is secured by a pledge of the City's share of state highway user revenues.

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**Notes to Basic Financial Statements**  
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*County Transportation Revenue Bonds*

The City has entered into an agreement with the State of Maryland to borrow \$105,000,000 in County Transportation Revenue Bonds. The proceeds from these bonds will be used to fund certain highway improvements 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 Revenue Bonds in the amount of \$300,940,000. The proceeds of these bonds are to be used to finance the acquisition, demolition, construction and equipping of a convention center hotel in the City. The bonds are secured by pledges of revenues from the operation of the hotel, certain City hotel taxes and limited guarantees from the hotel operator. Bonds outstanding at June 30, 2009, consist of (amounts expressed in thousands):

Serial bond series 2006 A maturing in installments from \$1,680,000 to \$9,345,000 through September 2028, with interest rates ranging from 3.61% to 4.38% payable semiannually .....	\$ 84,170
Term bonds series 2006 A with interest at 4.60% due September 1, 2030 .....	20,935
Term bonds series 2006 A with interest at 5.00% due September 1, 2032 .....	24,080
Term bonds series 2006 A with interest at 5.25% due September 1, 2039 .....	118,315
Term bonds series 2006 B with interest at 5.00% due September 1, 2016 .....	2,555
Term bonds series 2006 B with interest at 5.875% due September 1, 2039 .....	50,885
<b>Totals .....</b>	<b>\$300,940</b>

Changes in revenue bond obligations for the year end June 30, 2009, are as follows (amounts expressed in thousands):

	June 30, 2008	New Debt Issues	Debt Retired	June 30, 2009	Due within One Year
<i>Governmental Activities</i>					
Convention Center and Hotel .....	\$ 341,705		\$ 2,515	\$ 339,190	\$ 2,645
Storm Water .....	6,181		352	5,829	354
Transportation .....	53,485	\$ 45,000	3,425	95,060	3,495
<b>Total Governmental Activities .....</b>	<b>\$ 401,371</b>	<b>\$ 45,000</b>	<b>\$ 6,292</b>	<b>\$ 440,079</b>	<b>\$ 6,494</b>
<i>Business-Type Activities</i>					
Water .....	\$ 450,057	\$ 21,635	\$ 3,273	\$ 468,419	\$ 6,264
Waste Water .....	636,954	39,210	13,521	662,643	17,227
Parking Facilities .....	170,135	77,500	82,760	164,875	6,915
Industrial Development .....	100,000			100,000	
<b>Total Business-Type Activities .....</b>	<b>\$1,357,146</b>	<b>\$138,345</b>	<b>\$99,554</b>	<b>\$1,395,937</b>	<b>\$30,406</b>

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

Fiscal Year	Governmental Activities							
	Baltimore Hotel Corporation		Convention Center		Storm Water		Transportation Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2010 .....		\$ 15,886	\$ 2,645	\$ 1,941	\$ 354	\$ 23	\$ 3,495	\$ 3,695
2011 .....		15,886	2,770	1,796	355	22	6,020	3,565
2012 .....	\$ 2,065	15,886	2,935	1,637	356	20	6,285	3,375
2013 .....	2,420	15,783	3,095	1,475	358	19	6,565	3,177
2014 .....	2,795	15,651	3,260	1,302	359	18	6,860	2,981
2015-2019 .....	15,385	61,331	14,900	3,303	1,451	56	30,955	9,032
2020-2024 .....	31,075	70,598	8,645	438	1,847	37	32,220	4,379
2025-2029 .....	48,465	60,515			749	5	2,660	183
2030-2034 .....	71,040	45,781						
2035-2039 .....	101,115	24,135						
2040-2044 .....	26,580	1,424						
<b>Totals .....</b>	<b>\$300,940</b>	<b>\$342,876</b>	<b>\$38,250</b>	<b>\$11,892</b>	<b>\$5,829</b>	<b>\$200</b>	<b>\$95,060</b>	<b>\$30,387</b>

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**Notes to Basic Financial Statements**  
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Fiscal Year	Business-type Activities											
	Water Utility			Waste Water Utility			Parking Facilities			Industrial Development Authority		
	Principal	Interest	Swap Interest Rate Net(a)	Principal	Interest	Swap Interest Rate Net(a)	Principal	Interest	Swap Interest Rate Net(a)	Principal	Interest	Swap Interest Rate Net(a)
2010	\$ 6,264	\$ 16,351	\$ 5,181	\$ 17,227	\$ 20,115	\$ 4,249	\$ 6,915	\$ 5,249	\$ 4,913		\$ 450	\$ 3,141
2011	8,036	16,606	5,122	20,067	20,453	4,193	7,250	4,854	4,346		450	3,141
2012	8,937	16,308	5,035	20,667	19,975	4,123	7,690	4,488	4,292		450	3,141
2013	9,429	15,998	4,930	21,150	19,500	4,047	7,650	4,113	4,231		450	3,141
2014	9,835	15,671	4,818	22,060	19,000	3,957	8,035	3,726	4,168		450	3,142
2015-2019	57,660	72,714	22,072	117,144	86,815	17,865	47,905	11,920	19,749	\$100,000	1,125	7,853
2020-2024	68,910	60,749	18,779	121,584	71,210	14,116	20,985	4,335	17,096			
2025-2029	78,211	48,111	14,793	111,031	54,853	9,117	28,400	2,027	11,957			
2030-2034	102,744	32,778	9,461	117,455	34,836	2,887	29,755	502	3,471			
2035-2039	80,058	16,768	1,975	76,520	13,006	32	290	17				
2040-2044	38,335	3,954	(35)	17,738	1,903							
Totals	\$468,419	\$316,008	\$92,131	\$662,643	\$361,666	\$64,586	\$164,875	\$41,231	\$74,223	\$100,000	\$3,375	\$23,559

(a) Interest Rate Swap Net payments represent estimated payments for additional interest resulting from swap agreements to counterparties for additional interest resulting from swap agreements. The additional payments were computed using rates as of June 30, 2009, 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 and Waste Water Utility Funds*

The Water and Waste Water Utility Funds have pledged future customer revenues to repay \$468,419,000 and \$662,643,000 of revenue bond debt, respectively. Proceeds from these revenue bonds were used to build and improve various aspects of the City's Water and Waste Water Utility systems. The bonds are payable solely from the revenues of the two Utility Funds and are payable through 2042. Annual principal and interest payments on these revenue bonds are expected to require 16% of pledged revenues. Total principal and interest remaining to be paid on the revenue bonds for the Water and Waste Water Utility Funds are \$876,558,000 and \$1,088,895,000 respectively. Principal and interest paid for the current year and current pledged revenue for the Water Utility Fund were \$20,693,000 and \$119,840,000, respectively. Principal and interest paid for the current year and current pledged revenue for the Waste Water Utility Fund were \$22,133,000 and \$158,305,000, respectively.

*The Parking Facility Fund*

The Parking Facility fund has pledged future revenue from parking fees and fines to repay \$164,875,000 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 2038. Annual principal and interest payments are expected to require less than 22% of pledged revenue. Total principal and interest remaining to be paid on these revenue bonds is \$280,329,000. For the current year, principal and interest payments and current pledged revenue were \$14,224,000 and \$64,380,000, respectively.

*Tax Increment Revenue Pledges*

The City has pledged a portion of future property tax revenues to repay \$116,508,000 in incremental property taxes bonds issued to finance various development projects. The pledged revenue is limited to the incremental taxes on the projects financed by the bond. Should the incremental taxes fail to generate the sufficient incremental taxes to pay principal and interest requirements, the City has established special taxing districts to generate additional taxes sufficient to pay principal and interest on the bonds. Total principal and interest remaining to be paid on these bonds is \$286,358,000. For the current year, principal and interest payments and current pledged revenue were \$1,789,000 and \$4,514,000, respectively.

*Convention Center Hotel*

The City has pledged a portion of its hotel occupancy tax as security for revenue bonds, the proceeds of which were used to build the City's Convention Center Headquarters Hotel. The City's hotel occupancy tax is one of several pledged revenue sources the City used to issue \$300,940,000 Convention Center Headquarter Hotel Bonds. Following the net



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operating income and the property tax increment for the Hotel, the site specific occupancy tax is pledged to pay principal and interest payments on the bonds. If these sources are insufficient, 15% (of the maximum annual debt service) of the citywide occupancy tax is also pledged. If a shortfall still remains, and following a Hilton Hotel guarantee of 10% of the Maximum Annual Debt Service, 10% (maximum annual debt service) is pledged. The Hotel opened August 22, 2008. Total principal and interest remaining to be paid on these bonds is \$643,816,000. For the current year, there were no principal payments due, and interest payments were \$15,886,000.

**10. Prior-Year Defeasance of Debt**

In prior years, the City defeased certain revenue bonds and other obligations by placing the proceeds of new debt issues in an irrevocable trust to provide for all future debt service payments on the old debt. Accordingly, the trust account assets and the liability for the defeased debt are not included in the City's financial statements. At June 30, 2009, \$333,930,000 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, 2009, were as follows. The notional amounts of the swaps match the principal amount of the associated debt. The City's swap agreements contain scheduled reductions to outstanding notional amounts that are designed to track the scheduled or anticipated reductions in the associated "bonds payable" category.

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**Notes to Basic Financial Statements**  
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Outstanding Bonds	Effective Date	Termination Date	Interest Rate Paid by City	Interest Rate Received	Notional Amount	Fair Value	Counterparty Credit Rating
<b>General Obligation Bonds</b>							
<i>Floating to Fixed Swaps</i>							
2001 Bonds	6/27/2001	10/1/2020	4.60%	Bond Rate/SIFMA	\$ 20,500,000	\$ (2,301,236)	A/A2
2001 Bonds	6/27/2001	10/1/2022	5.06%	Bond Rate/SIFMA	22,500,000	\$ (3,623,280)	A/A2
2003 Bonds	5/14/2003	10/15/2020	2.95%	SIFMA/67% LIBOR	71,300,000	278,723	AA-/Aa1
2003 Bonds	5/14/2003	10/15/2022	3.45%	SIFMA/67% LIBOR	47,350,000	153,431	AA-/Aa1
2003 Bonds	5/14/2003	10/15/2020	4.22%	1M LIBOR	17,445,000	(950,164)	N/A
2003 Bonds	5/14/2003	10/15/2022	4.97%	1M LIBOR	17,155,000	(2,015,452)	N/A
<i>Basis Swaps:</i>							
2003 Bonds	6/29/2004	10/15/2020	67% LIBOR	60% LIBOR + 29.5 bps	71,300,000*	(2,959,808)	N/A
2003 Bonds	6/29/2004	10/15/2022	67% LIBOR	60% LIBOR + 29.5 bps	47,350,000*	(4,178,770)	N/A
Total General Obligation Bonds					\$314,900,000*	\$ (15,596,556)	
<b>Industrial Development Authority Revenue Bonds</b>							
<i>Floating to Fixed Swaps</i>							
1986 Revenue Bonds	11/1/2001	8/1/2016	3.50%	SIFMA Index	\$100,000,000	\$ (8,564,381)	A/A2
<b>Water Utility Fund Revenue Bonds Series</b>							
<i>Fixed to Floating Swaps</i>							
1993 Revenue Bonds	1/1/2008	7/1/2020	SIFMA Index	5.54%	\$ 4,276,748	\$ (68,196)	AA/Aa2
1994 Revenue Bonds	1/1/2008	7/1/2024	SIFMA Index	5.26%	4,108,595	(128,702)	AA/Aa2
1998 Revenue Bonds	7/1/2008	7/1/2028	SIFMA Index	5.08%	1,927,360	(86,915)	AA/Aa2
2000 Revenue Bonds	7/1/2003	7/1/2030	SIFMA Index	5.70%	2,907,750	(37,933)	AA/Aa2
<i>Floating to Fixed Swaps</i>							
2002 Revenue Bonds	5/7/2002	7/1/2037	4.56%	SIFMA/67% LIBOR	59,100,000	(15,357,120)	A/A2
2002 Revenue Bonds	5/7/2002	7/1/2009	3.87%	Bond Rate/CPI	1,855,000	(35,894)	A/A2
2002 Revenue Bonds	5/7/2002	7/1/2010	4.00%	Bond Rate/CPI	1,900,000	(67,951)	A/A2
2002 Revenue Bonds	5/7/2002	7/1/2011	4.10%	Bond Rate/CPI	1,955,000	(91,852)	A/A2
2002 Revenue Bonds	5/7/2002	7/1/2012	4.20%	Bond Rate/CPI	2,110,000	(113,517)	A/A2
2002 Revenue Bonds	5/7/2002	7/1/2013	4.30%	Bond Rate/CPI	2,170,000	(125,591)	A/A2
2002 Revenue Bonds	5/7/2002	7/1/2014	4.39%	Bond Rate/CPI	2,325,000	(142,344)	A/A2
2002 Revenue Bonds	5/7/2002	7/1/2015	4.50%	Bond Rate/CPI	1,615,000	(101,137)	A/A2
2002 Revenue Bonds	5/7/2002	7/1/2016	4.61%	Bond Rate/CPI	1,685,000	(105,150)	A/A2
2004 Revenue Bonds	6/1/2004	7/1/2034	5.21%	SIFMA Index	47,500,000	(10,712,122)	A/A2
<i>Basis Swap:</i>							
2002 Revenue Bonds	4/20/2005	7/1/2042	SIFMA Index	67%LIBOR+20bps	71,455,000*	(11,303,908)	AAA/Aa1
Total Water Utility Fund					\$206,890,453*	\$ (38,478,332)	
<b>Wastewater Utility Fund Revenue Bonds Series</b>							
<i>Fixed to Floating Swaps:</i>							
1993 Revenue Bonds	1/1/2008	7/1/2020	SIFMA Index	5.54%	\$ 2,507,350	\$ (39,981)	AA/Aa2
1994 Revenue Bonds	1/1/2008	7/1/2024	SIFMA Index	5.26%	1,229,550	(38,516)	AA/Aa2
1998 Revenue Bonds	7/1/2008	7/1/2028	SIFMA Index	5.08%	1,876,278	(84,611)	AA/Aa2
2000 Revenue Bonds	7/1/2003	7/1/2030	SIFMA Index	5.70%	1,855,869	(51,589)	AA/Aa2
<i>Floating to Fixed Swaps:</i>							
2002 Revenue Bonds	5/7/2002	7/1/2037	4.56%	SIFMA/67% LIBOR	72,200,000	(15,760,270)	A/A2
2002 Revenue Bonds	5/7/2002	7/1/2009	3.87%	Bond Rate/CPI	1,660,000	(32,121)	A/A2
2002 Revenue Bonds	5/7/2002	7/1/2010	4.00%	Bond Rate/CPI	1,785,000	(63,838)	A/A2
2002 Revenue Bonds	5/7/2002	7/1/2011	4.10%	Bond Rate/CPI	1,820,000	(85,509)	A/A2
2002 Revenue Bonds	5/7/2002	7/1/2012	4.20%	Bond Rate/CPI	1,930,000	(103,833)	A/A2
2002 Revenue Bonds	5/7/2002	7/1/2013	4.30%	Bond Rate/CPI	1,960,000	(113,437)	A/A2
2002 Revenue Bonds	5/7/2002	7/1/2014	4.39%	Bond Rate/CPI	2,040,000	(124,895)	A/A2
2002 Revenue Bonds	5/7/2002	7/1/2015	4.50%	Bond Rate/CPI	1,240,000	(77,653)	A/A2
2002 Revenue Bonds	5/7/2002	7/1/2016	4.61%	Bond Rate/CPI	1,280,000	(79,876)	A/A2
2004 Revenue Bonds	6/1/2004	7/1/2034	5.21%	SIFMA Index	17,500,000	(4,066,607)	A/A2
Total Wastewater Utility Funds					\$110,884,047	\$ (20,722,736)	
<b>Parking Revenue Bonds Series</b>							
<i>Floating to Fixed Swaps:</i>							
2002 Bonds	6/19/2002	7/1/2032	6.10%	1M LIBOR	\$ 67,300,000	\$ (17,752,719)	AA/Aa2
2002 Bonds	6/19/2002	7/1/2025	5.92%	1M LIBOR	9,400,000	(1,694,210)	AA/Aa2
Total Parking Facilities Fund					\$ 76,700,000	\$ (19,446,929)	
Grand Total Swaps Outstanding					\$809,374,500*	\$(102,808,934)	

\* Note: Notional principal totals include swaps that amended or partially reversed other swaps previously entered into by the City. If these offsetting and amended swaps are excluded, notional principal totals would be lower as follows: General Obligation \$196,250,000; Water Utility \$135,435,453; Grand Total Swaps Outstanding \$619,269,500.

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*Credit risk* — As of June 30, 2009, the City is not exposed to credit risk on all but two 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. For the two swap agreements that have positive fair value, the City has credit exposure to the counterparty as of June 30, 2009. Should the counterparty to these transactions fail to perform according to the terms of the swap contracts, the City faces a maximum loss equivalent to the swaps' \$432,154 fair value.

The swap agreements contain varying collateral agreements with counterparties. In general, these agreements require full collateralization of the fair value of the swap should the counterparty's credit rating fall below Baa as issued by Moody's or BBB as issued by Standard and Poor's. Collateral on all swaps may be in the form of cash or U. S. government securities held by the City.

Although the City executes transactions with various counterparties, twenty-three swaps or approximating 45% of the notional amount of swaps outstanding, are held with one counterparty that is currently rated A/A2. Of the remaining swaps, the City holds one swap with one counterparty, rated AAA/Aa1, approximating 9% of the outstanding notional value, two swaps are with one counterparty rated AA-/Aa1, approximately 15% of the outstanding notional value, ten swaps are with one counterparty rated AA/A2, approximating 12% of the outstanding notional value, and four swaps are with one counterparty not rated, approximately 19% of the outstanding notional value.

*Basis risk* — The City's variable rate bonds are of three types: remarketed variable rate demand bonds (VRDBs), auction rate bonds (ARBs), and CPI index bonds. For those swaps associated with the VRDBs and ARBs, the City receives a floating rate based on either the SIFMA Index or one-month LIBOR. For the SIFMA based swaps, the City is exposed to basis risk should the spread between the SIFMA and the VRDBs or ARBs rate change. If a change occurs that results in the spread widening, the expected cost savings may not be realized. As of June 30, 2009, the SIFMA rate for the prior 52-week period ranged from 0.34% to 7.96%, whereas the City tax-exempt market ranged from 0.04% to 9.01%. For seven of the swaps, the City will receive a percent of LIBOR or a percent of LIBOR 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 LIBOR-based, there is an additional degree of basis risk.

For four of the swaps the City receives the one month LIBOR, chosen to approximate the City's taxable variable rate bond payments. As of June 30, 2009, LIBOR for the prior 52-weeks ranged from 0.31% to 4.59%, whereas the City's taxable market ranged from 0.55% to 10.00%. For those swaps associated with CPI index bonds, there is no basis risk, because the floating rate on the swaps is identical to the floating rate on the bonds.

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

*Termination risk* — The City or the counterparty may terminate a swap if the other party fails to perform under the terms of the contract. If at the time of termination the swap contract has a negative fair value, the City would be liable to the counterparty for that payment.

## **12. Pension Plans**

### *Plan Descriptions*

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

The City contributes to two single-employer defined benefit pension plans, the Fire and Police Employees' Retirement System, established July 1, 1962, and the Elected Officials' Retirement System, established December 5, 1983, and a cost sharing multiple employer plan, the Employees' Retirement System, established January 1, 1926. Each plan



**CITY OF BALTIMORE**  
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provides retirement benefits as well as disability benefits to plan members and their beneficiaries. The plans are each managed by a Board of Trustees in accordance with Article 22 of the Baltimore City Code. Plan benefits provisions may be amended only by the City Council. The plans are considered part of the City's reporting entity and their financial statements are included in the City's basic financial statements as pension trust funds. Each plan issues a publicly available financial report that includes financial statements and the required supplementary information for that plan. Those reports may be obtained by writing to the Retirement Systems at the following addresses:

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

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

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

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

**Significant Accounting Policies**

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

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

*Funding Policy and Annual Pension Cost*

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

(Dollars Expressed in Thousands)

	Fire and Police Employees' Retirement System	Employees' Retirement System	Elected Officials' Retirement System
Contribution ratios as a percentage of covered payroll:			
Employer .....	24.7%	11.0%	N/A
Employee .....	6.0%	4.0%	5.0%
Annual pension cost .....	\$69,513	\$43,673	
Contributions made .....	\$69,513	\$43,673	
Actuarial cost method .....	Projected Unit Credit Cost	Projected Unit Credit Cost	Projected Unit Credit Cost
Amortization method .....	Level Dollar Open	Level Dollar Open	Level Dollar Open
Remaining amortization period .....	20 years	20 years	10 years
Assets valuation method .....	5 year smoothed market	5 year smoothed market	5 year smoothed market
Actuarial assumptions:			
Investment rate of return:			
Pre-retirement .....	8.25%	8.0%	7.5%
Post-retirement .....	6.8%	6.8%	6.0%
Projected salary increases .....	4.0%-8.0%	4.25%-6.95%	6.0%
Includes inflation rate at .....	3.0%	3.0%	4.0%
Costs during adjustment .....	Variable dependent upon investment performance	none	Variable dependent upon investment performance

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**Notes to Basic Financial Statements**  
**(Continued)**

The information presented in the following schedules for the Fire and Police Employees' Retirement System, the Employees' Retirement System, and the Elected Officials' Retirement System is from the financial report dated June 30, 2009 and the actuarial valuation dated June 30, 2009.

**Three-Year Trend Information**  
(Dollars Expressed in Thousands)

	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
<b>Fire and Police Employees' Retirement System:</b>			
June 30, 2009	\$69,513	100%	\$0
June 30, 2008	72,688	100	0
June 30, 2007	60,129	100	0
<b>Employees' Retirement System:</b>			
June 30, 2009	\$43,673	100%	\$0
June 30, 2008	43,918	100	0
June 30, 2007	36,841	100	0
<b>Elected Officials' Retirement System:</b>			
June 30, 2009	\$ 0	N/A	\$0
June 30, 2008	144	100	0
June 30, 2007	382	110	0

**Schedule of Funding Progress for Fiscal Year Ended June 30, 2009**  
**Pension Trust funds**  
(Dollars Expressed in Thousands)

Actual Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Excess of) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL (Excess of) as a Percentage of Covered Payroll ((b-a)/c)
<b>Fire and Police Employees' Retirement System:</b>						
June 30, 2009	\$2,587,235	\$3,050,887	\$463,652	84.8%	\$281,424	164.8%
June 30, 2008	2,676,355	2,994,394	318,039	89.4	269,690	117.9
<b>Employees' Retirement System:</b>						
June 30, 2009	\$1,424,203	\$1,724,931	\$300,728	82.6%	\$398,009	75.6%
June 30, 2008	1,475,533	1,664,078	188,545	88.7	367,517	51.3
<b>Elected Officials' Retirement System:</b>						
June 30, 2009	\$14,161	\$16,957	\$2,796	83.5%	\$1,182	236.5%
June 30, 2008	18,273	16,953	(1,320)	107.8	1,142	(115.5)

*The Unfunded Fire and Police Pension Plan*

Additionally, the City's Fire and Police Departments are the administrators of the City's unfunded single-employer defined benefit local retirement plan. The plan is managed by the City's Fire and Police Departments under the Code of Local Laws of Baltimore. All employees eligible for this plan were hired prior to January 1, 1947. All members of this plan are currently retired and the City plans to pay benefits on a pay-as-you-go basis until all obligations have been fulfilled. The unfunded accrued liability represents the actuarial present value of future benefits based on assumed annual salary increases of 3.0%. There is no covered payroll for the plan. The City's annual contributions equal the employee benefits paid under the terms of the plan. The City's employer contributions for the last three years are as follows:

**Three -Year Trend Information**  
(Expressed in Thousands)

	Employer Contribution	Unfunded Accrued Liability
June 30, 2009	\$1,521	\$6,529
June 30, 2008	1,902	7,920
June 30, 2007	2,170	9,315

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

*The Maryland State Retirement and Pension Systems*

Under Maryland law, the Baltimore City Public School System (BCPSS) is not required to make any contributions to the State Systems. The covered employees are required by State statute to contribute to the State Systems. The contribution from employees is 5% for participants in the State Systems retirements plans (with a 5% limit on the annual living allowance and 7% for those who elect a limit on the cost of living allowance commensurate with the Consumer Price Index) and 5% for participants in the State System’s pension plans to the extent their regular earnings exceed the Social Security wage base. Contributions are deducted from participant’s salary and wage payments and are remitted to the State on a regular, periodic basis.

The State of Maryland pays, on behalf of the BCPSS, the employer’s share of retirement and pension costs to the State Systems for teachers and related positions. During the fiscal year ended June 30, 2009, the State paid \$60,856,000 in such costs. This amount has been recorded by the BCPSS as both a revenue and an expenditure in the General Fund in the accompanying Statement of Activities.

The State also makes contributions on behalf of the Enoch Pratt Free Library employees. The State’s contributions for the fiscal year ended June 30, 2009 was \$1,419,000. This amount has also been recognized as both a revenue and an expenditure in the accompanying Statement of Activities.

*Deferred Compensation*

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

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

**13. Other Postemployment Benefits**

*Plan Description*

The City of Baltimore provides other postemployment benefits (OPEB) to all qualified City and BCPSS employees. All costs of the Plan for employees of the BCPSS are the responsibility of the City and reflected as such in this Note and the City’s financial statements. The Plan is a contributory, single employer defined benefit plan. The benefit and contribution provisions of the Plan are established and may be amended by the City. The Plan provides postemployment healthcare and prescription drug benefits to retirees and their beneficiaries. Retirees may choose from five 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 25 years of service If hired on or after January 1, 1980: Age 55 with at least 15 year of service
Fire and Police Employees’ Retirement System . . . . .	If hired before July 1, 2004: Age 50 or 20 years of service If hired on or after July 1, 2004: Age 50 or 10 years of service
Employees’ Retirement System & Elected Officials’ Retirement System . . . . .	Age 65 with at least 5 years of service Any age with at least 30 years of service

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

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**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 stand alone financial statements; however, the OPEB Trust Fund is included in the City's financial statements as an other postemployment benefits trust fund.

The number of participants in the Plan as of July 1, 2009 is as follows:

Number of Participants			
	City	School	Total
Active .....	12,406	11,232	23,638
Retired .....	10,755	5,618	16,373
Total .....	23,161	16,850	40,011

*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 market value. Securities traded on national and international exchanges are valued at the last reported sale price at the current exchange rates.

*Funding Policy:*

The City's policy is to fund benefits on a pay-as-you-go basis plus make additional contributions comprising the federal retiree drug subsidy payments and an additional annual appropriation. Retirees are required to contribute at various rates ranging from approximately \$30 to \$360 on a bi-weekly basis, depending on the health plan and level of coverage elected and whether Medicare supplemental coverage is present. Administrative costs of the Plan are covered by the City.

For fiscal year 2009, City contributions to the Plan were \$142.3 million which was less than the annual required contribution (ARC) of \$179.3 million to the Plan resulting in a net increase to the OPEB liability of \$37.1 million and \$25.2 million for the current year and at year-end, respectively. The contribution toward the ARC consisted of \$142.3 million, consisting of \$109.7 million paid to retiree medical benefit providers for current costs and \$32.6 million in an additional annual appropriation.

*Annual OPEB Cost and Net OPEB Assets (Obligations):*

The City's annual OPEB cost (expense) is calculated based on the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The City's annual OPEB cost (expense) for fiscal 2009 was equal to its ARC of \$179.3 million. The following table shows the components of the City's annual OPEB cost for the years ended June 30, 2009 and June 30, 2008, respectively, and the amount actually contributed to the plan (dollars expressed in millions):

Fiscal Year Ended	Normal Cost	Amortization of Unfunded Actuarial Accrued Liability	Annual Required Contribution	Annual Contributions	Percentage Contributed	Net OPEB Assets
June 30, 2009 .....	\$73.2	\$106.1	\$179.3	\$142.3	79.3%	\$100.3
June 30, 2008 .....	59.2	105.4	164.6	183.3	111.4	18.7

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

*Funded Status and Funding Progress:*

(Dollars Expressed in Millions)

Fiscal Year Ended	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2009 .....	\$100.3	\$2,497.6	\$2,397.3	4.0%	\$1,346.4	178.1%
June 30, 2008 .....	76.0	2,149.8	2,073.8	3.5	1,307.6	158.6

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

*Actuarial Method and Assumptions:*

Data in the above tables were obtained from an actuarial valuation prepared by an independent actuary made as of July 1, 2009, using census data as of that date and health care claims costs for the year ended June 30, 2009.

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

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

In performing their valuation, the actuary used a discount rate of 6.25%, which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the Plan at valuation date. Assets are valued at fair market value. Past service costs are calculated using the level dollar method with a closed amortization period of 30 years. The valuation also assumes a 5.0% healthcare trend for fiscal year 2010, continuing through fiscal year 2016. Pharmacy benefits are assumed to decrease to 7.0% in 2010, reduced by decrements to a rate of 5.0% by fiscal year 2011 and continuing through fiscal year 2016. Salary increases were not considered as OPEB benefits and are not based on pay.

There were no significant changes in the number of participants and types of coverage since the date of the actuarial valuation.

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

**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; and natural disasters. During fiscal year 1987, the City established the Risk Management Fund (an internal service fund) to account for and finance its uninsured risks. The City's risk financing techniques include a combination of risk retention through self-insurance and risk transfer through the purchase of commercial insurance. The Risk Management Fund services all claims for risk of loss, including general liability, property and casualty, workers' compensation, unemployment compensation, automobile physical damage and bodily injury, and sundry other risks. Commercial insurance coverage is provided for each property damage claim in excess of \$750,000 with a cap of \$250,000,000. Settled claims have not exceeded this commercial coverage in any of the past three years. The City also provides medical insurance coverage for all employees and retirees. Employees are required to pay a percentage of the annual cost of the medical plans and the remaining costs are paid by the internal service fund.

All funds of the City and the Baltimore City Public School System participate and make payments to the Risk Management Fund based on actuarial estimates and historical cost information of the amounts needed to pay prior and current year claims. As of June 30, 2009, the City has determined that the range of potential claims liability for the fund to be between \$160,148,000 and \$227,855,000. The claims liability of \$160,148,000 reported in the fund is based on the requirement that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). This liability, which has been discounted at 4.5% at June 30, 2009, does not include the effects of inflation, incremental or other allocated or unallocated claim adjustment expenses, salvage, or subrogation, as such factors are not considered material. Any claims in excess of \$160,148,000 will be charged to expense in the periods in which they are made.

Changes in the Risk Management Fund's claims liability in fiscal years 2008 and 2009 were (amounts expressed in thousands):

	2009	2008
Unpaid claims, beginning	\$ 165,699	\$ 154,550
Claims incurred	130,230	208,776
Claims paid	(135,781)	(197,627)
Unpaid claims, ending	\$ 160,148	\$ 165,699

The City estimates that \$58,246,000 of the estimated claims liability is due within one year.

**15. Operating Leases**

The City has entered into a number of operating leases for rental of office facilities and equipment, some of which provide for increased rentals based upon increases in real estate taxes and common area maintenance fees. As of June 30, 2009, future minimum lease payments are as follows (amounts expressed in thousands):

2010	\$ 7,401
2011	6,671
2012	5,294
2013	4,660
2014	3,764
2015-2019	5,070
2020-2024	2,090
2025-2029	587
2030-2034	20
Total	\$35,557

All leases contain cancellation provisions and are subject to annual appropriations by the City Council. During fiscal year 2009, rent expenditures approximated \$30,503,000 for all types of leases. These expenditures were made primarily from the General Fund.

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**Notes to Basic Financial Statements**  
**(Continued)**

The BCPSS has entered into several leases for rental of office equipment. During the year ended June 30, 2009, rent and lease expenditures approximated \$2,659,000. These expenditures were made primarily from the General Fund. As of June 30, 2009, future minimum lease payments approximate \$3,583,000 of which \$2,150,000 is due in fiscal year 2010 and \$1,443,000 relates to fiscal year 2011.

**16. Landfill Closure and Postclosure Care Costs**

State and Federal laws and regulations require that the City place a final cover on its landfill site and perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty years after closure. In addition to operating expenses related to current activities of the landfill site, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and postclosure care costs is \$17,572,000 as of June 30, 2009, which is based on 63.23% usage (filled) of the landfill. This is a decrease in the liability of \$237,000 since June 30, 2008. This decrease is primarily caused by a decrease in the estimated usage (filled) of the landfill of 65% for the fiscal year 2008 to 63.23% in fiscal year 2009. It is estimated that an additional \$10,219,000 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 2026). The estimated total current cost of the landfill closure and postclosure care (\$27,790,000) is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill was acquired as of June 30, 2009. 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 2010.

In addition, the City is required by State and Federal laws and regulations to make annual contributions to finance closure and postclosure care. The City is in compliance with these requirements, and at June 30, 2009, investments of \$16,539,000 were held in the City's General Fund. In addition, the General Fund's fund balance was appropriately reserved. It is anticipated that future inflation costs will be financed in part from earnings on investments held by the City. The remaining portion of anticipated future inflation costs (including inadequate earnings on investments, if any) and additional costs that might arise from changes in closure and postclosure requirements (due to changes in technology or more rigorous environmental regulations, for example) may need to be covered by charges to future landfill users, taxpayers, or both.

**17. Notes and Mortgages Receivable**

Notes and mortgages receivable as of June 30, 2009, consist of the following:

- A. The General Fund has notes receivable of \$5,981,000, net of a \$1,000,000 allowance for losses. These notes bear interest rates ranging from 1.0% to 12.0% and mature over 30 years.
- B. The Debt Service Fund has mortgages receivable of \$1,945,000 collateralized by real property. These mortgages bear interest at rates ranging from 5.46% to 11.16% and mature over 30 years.
- C. The Parking Facilities Fund has mortgages receivable of \$51,304,000 collateralized by real property. These notes bear interest at rates ranging from 6.1% to 6.9% and mature over 30 years.
- D. The Community Development Block Grant Fund has \$48,000 in mortgages receivable collateralized by real property, bearing interest rates ranging from 1.0% to 12.0% and mature over 30 years.
- E. Governmental activities have notes receivable of \$302,200,000 due from the Baltimore Hotel Corporation. These notes bear interest at rates ranging from 3.6% to 5.6% and mature over 30 years.

**18. Deferred Revenue**

Deferred revenue in the General Fund is associated with property taxes, mortgages receivable and other miscellaneous items.

Deferred revenue in the Grants Revenue Fund is associated with grant funds received as of June 30, 2009, for which related expenditures have not been incurred or the expenditures have been incurred and the reimbursement funding is not available as of June 30, 2009.



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

**19. Commitments and Contingencies**

The City is party to legal proceedings which normally occur in governmental operations. The City provides for the estimated losses on certain outstanding claims as discussed in Note 14. The City has determined, in consultation with outside counsel, that certain claims are in too early of a stage to make a reasonable assessment of the City's liability. The City vigorously contests such claims as a matter of policy and will fully assert all available remedies, including the \$200,000 ceiling per individual claim. It is the opinion of City management, in consultation with outside legal counsel, that any additional liability for remaining litigation will not be material to the City's financial position or results of operations.

As of June 30, 2009, the City is contingently liable for loans guaranteed by the Loan and Guarantee Program in an aggregate amount of approximately \$2,100,000.

The City receives significant financial assistance from the U.S. Government and the State of Maryland in the form of 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, 2009, the City estimates that no material liabilities will result from such audits.

Under the terms of a Waste Disposal Agreement, the City has committed to deliver 900 tons of solid waste per day to the Northeast Maryland Waste Disposal Authority. The City's current tipping fee expense for delivering the solid waste is \$37.00 per ton. Such tipping fee is subject to adjustment for inflation and certain other factors as provided for in the Waste Disposal Agreement.

The City has entered into a 20-year Sewerage Sludge Disposal Agreement with the Northeast Maryland Waste Disposal Authority in connection with the financing of a sludge composting facility in Baltimore City. The agreement obligates the City to deliver approximately 55,000 tons of sewerage sludge per year and to pay a tipping fee comparable to alternative methods currently being used by the City. The debt service on variable rate bonds is a component of the tipping fee. These fees are recorded in the Waste Water Utility Enterprise Fund. The City's current tipping fee expense for delivering sewerage sludge is \$118.38 per wet ton.

The City has also entered into 20-year Service Agreements with Wheelabrator Water Technologies Baltimore L.L.C. in connection with the financing of heat drying facilities for processing biosolids at the City's Back River and Patapsco Waste Water Treatment Plants. The agreements obligate the City to deliver approximately 20,000 dry tons of biosolids per year at each facility and to pay a tipping fee. The debt service on the bonds is a component of the tipping fee. These fees are recorded in the Waste Water Utility Enterprise Fund. The City's current tipping fee expense for delivering biosolids is \$587.23 per dry ton.

The City has voluntarily entered into a Consent Decree to rehabilitate its aging sewer infrastructure and correct historical overflow mechanisms. The Consent Decree is one of many the U.S. Department of Justice is and has currently negotiated with major east coast cities with aged sewer and storm water infrastructures. The City is proactively negotiating to ramp up its remedial efforts to address discharge and overflow concerns of the State and Federal regulatory agencies. These efforts are ambitious and the cost of the construction and maintenance are estimated to range between \$500 to \$700 million dollars over the next decade and beyond. The City has committed to financing these remedial efforts through a combination of water and waste water revenue bonds in conjunction with all available State and Federal assistance.

In March of 2003, the Office of the Inspector General (OIG) of the U.S. Department of Health and Human Services (DHHS) issued an audit alleging that school systems in Maryland had over-billed Medicaid more than \$23,000,000 based on the OIG's interpretation of payment procedures for school-based health services. Approximately \$13,000,000 of that figure is attributable to billings from the BCPSS. DHHS accepted the OIG's findings and the State filed an appeal to the Departmental Appeal Board in Washington, D.C. Briefs were filed by related parties and the DHHS Departmental Appeal Board issued its ruling on June 11, 2007, in which the Board reduced the amount due from the State by approximately \$4.3 million, most of which related to claims submitted by City Schools. Based upon this decision by



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

DHHS, the State Superintendent of Schools and the Secretary of State Department of Health and Mental Hygiene (DHMH) notified the Chief Executive Officer of City Schools of its intent to recoup approximately \$8.1 million from City Schools as its alleged share of the funds disallowed by DHHS (the “recoupment decision”). Starting on July 1, 2008, DHMH began to recoup \$2.7 million. As of June 30, 2009, BCPSS has \$5,385,000 due to DHMH that is reported as an accounts payable. The State’s recoupment decision has been appealed to the Office of Administrative Hearings of the State. On September 3, 2009, the Administrative Law Judge issued her Proposed Decision, agreeing with the City Schools and ruling that the State acted “in an arbitrary and capricious manner” when it apportioned the recoupment among the local school boards. The Decision is subject to revision and approval by the agency. No final amount has been determined and much of the recoupment has already been made.

An audit performed by the Maryland State Department of Education (MSDE), dated July 9, 2004, covering fiscal years 2001-2004, resulted in MSDE requesting repayment of Title I and IDEA funds totaling \$18 million. The BCPSS filed a timely appeal. However, rather than proceeding with the appeal, the BCPSS and MSDE agreed to take part in the federally created Cooperative Audit Resolution and Oversight Initiative (CAROI) process. Teams from MSDE and the BCPSS have been meeting since November 1, 2004, in an attempt to resolve the audit findings and to determine the underlying causes for the findings. An agreement was reached, which requires the BCPSS to use state and local funds for specific purposes over 4 school years (beginning with 2005-2006 school year) in lieu of repayment. The unspent, unencumbered balance of the settlement amount at June 30, 2009 was \$5.441 million.

**20. Subsequent Events**

On December 30, 2009, the City issued one Water Utility bond, 2009 Series B, in the amount of \$17,000,000 and two Waste Water Utility bonds, 2009 Series D and E, totaling \$9,000,000 to the State Water Quality Financing Administration to be used for Water and Waste Water Utility Funds capital projects. The interest rate on these bonds is 0% with a term of 20 years.

# Required Supplementary Information

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**CITY OF BALTIMORE**  
**Schedule of Revenues, Expenditures and Encumbrances,**  
**and Changes in Fund Balance — Budget and Actual — Budgetary Basis(1), (2)**  
**General Fund**  
**For the Year Ended June 30, 2009**  
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes — local .....	\$1,113,990	\$1,113,990	\$1,105,037	\$ (8,953)
Licenses and permits .....	32,433	32,433	29,390	(3,043)
Fines and forfeitures .....	4,402	4,402	6,896	2,494
Interest, rentals, and other investment income .....	32,695	32,695	23,616	(9,079)
Federal grants .....	132	132	224	92
State grants .....	98,554	98,554	98,004	(550)
Other grants .....	175	175	154	(21)
Charges for current services .....	39,654	39,654	41,560	1,906
Miscellaneous .....	1,208	1,758	234	(1,524)
Total revenues .....	<u>1,323,243</u>	<u>1,323,793</u>	<u>1,305,115</u>	<u>(18,678)</u>
<b>Expenditures and encumbrances:</b>				
Civil Service Commission .....	4,626	4,626	4,626	
Community Relations Commission .....	1,054	1,054	988	66
Comptroller .....	4,651	4,651	3,932	719
City Council .....	4,852	4,852	4,852	
Office of Financial Review .....	613	613	613	
Courts .....	9,477	9,477	7,807	1,670
Supervisors of Elections .....	5,468	5,468	4,006	1,462
Department of Finance .....	14,842	14,842	13,723	1,119
Department of Fire .....	142,153	142,153	142,132	21
Department of Health .....	28,644	28,694	26,542	2,152
Department of Housing and Community Development .....	32,513	30,190	24,552	5,638
Department of Law .....	4,153	4,153	4,019	134
Department of Legislative Reference .....	845	845	825	20
Enoch Pratt Library .....	24,301	24,301	22,501	1,800
Board of Liquor License Commissioners .....	1,872	1,872	1,872	
Mayoralty .....	317,758	317,758	306,730	11,028
Department of Planning .....	1,892	1,892	1,397	495
Department of Police .....	311,044	317,554	317,552	2
Department of Public Works .....	89,947	86,401	84,715	1,686
Department of Recreation and Parks .....	27,169	27,169	27,169	
Office of Sheriff .....	14,085	14,085	12,794	1,291
Office of State's Attorney .....	26,843	26,843	26,654	189
Department of Transportation .....	525	525	249	276
Wage Commission .....	455	455	416	39
Department of Municipal and Zoning Appeals .....	446	446	347	99
Baltimore City Public School System .....	204,660	204,660	204,660	
Total expenditures and encumbrances .....	<u>1,274,888</u>	<u>1,275,579</u>	<u>1,245,673</u>	<u>29,906</u>
Excess of revenues over expenditures and encumbrances .....	<u>48,355</u>	<u>48,214</u>	<u>59,442</u>	<u>11,228</u>
<b>Other financing sources (uses):</b>				
Transfers in .....	44,198	44,198	35,704	(8,494)
Transfers out .....	(97,368)	(97,368)	(96,587)	781
Total other financing sources (uses) .....	<u>(53,170)</u>	<u>(53,170)</u>	<u>(60,883)</u>	<u>(7,713)</u>
Net change in fund balances .....	<u>(4,815)</u>	<u>(4,956)</u>	<u>(1,441)</u>	<u>3,515</u>
Fund balances — beginning .....	<u>167,904</u>	<u>167,904</u>	<u>167,904</u>	
Fund balances — ending .....	<u>\$ 163,089</u>	<u>\$ 162,948</u>	<u>166,463</u>	<u>\$ 3,515</u>
<b>Adjustments to reconcile to GAAP basis:</b>				
Addition of encumbrances outstanding .....			51,741	
Less: accounts payable not recorded for budgetary purposes .....			(1,275)	
Fund balance — June 30, 2009 (GAAP basis) .....			<u>\$ 216,929</u>	

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

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

(2) This schedule does not include a non-budgetary revenue and expense item in the amount of \$1,419,000 which was paid by the Maryland State Retirement System on behalf of the City of Baltimore for the employees of the Enoch Pratt Free Library.

**CITY OF BALTIMORE**  
**Schedule of Revenues, Expenditures and Encumbrances,**  
**and Changes in Fund Balance — Budget and Actual — Budgetary Basis(1)**  
**Motor Vehicle Fund**  
**For the Year Ended June 30, 2009**  
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
State shared revenue .....	\$223,770	\$223,770	\$187,567	\$(36,203)
Licenses and permits .....	1,192	1,192	1,018	(174)
Fines and forfeitures .....	5,802	5,802	8,006	2,204
Interest, rentals, and other investment income .....	3,383	3,383	1,997	(1,386)
Charges for current services .....	7,680	7,680	7,427	(253)
<b>Total revenues .....</b>	<b>241,827</b>	<b>241,827</b>	<b>206,015</b>	<b>(35,812)</b>
<b>Expenditures and encumbrances:</b>				
Department of Recreation and Parks .....	4,592	4,592	4,161	431
Department of Transportation .....	99,659	99,659	96,719	2,940
Department of Planning .....	786	786	654	132
Department of Police .....	12,894	12,894	12,668	226
Department of Public Works .....	38,454	38,454	33,872	4,582
Mayoralty .....	19,277	19,277	19,277	
Baltimore City Public School System .....	4,353	4,353	4,246	107
<b>Total expenditures and encumbrances .....</b>	<b>180,015</b>	<b>180,015</b>	<b>171,597</b>	<b>8,418</b>
<b>Excess of revenues over expenditures and encumbrances .....</b>	<b>61,812</b>	<b>61,812</b>	<b>34,418</b>	<b>(27,394)</b>
<b>Other financing (uses):</b>				
Transfers out .....	(32,122)	(32,122)	(32,122)	
<b>Total other financing (uses) .....</b>	<b>(32,122)</b>	<b>(32,122)</b>	<b>(32,122)</b>	
<b>Net change in fund balances .....</b>	<b>29,690</b>	<b>29,690</b>	<b>2,296</b>	<b>(27,394)</b>
Fund balances — beginning .....	7,203	3,243	4,563	1,320
Fund balances — ending .....	<u>\$ 36,893</u>	<u>\$ 32,933</u>	<u>6,859</u>	<u>\$(26,074)</u>
<b>Adjustments to reconcile to GAAP Basis:</b>				
Addition of encumbrances outstanding .....			5,638	
Less: accounts payable not recorded for budgetary purposes .....			<u>(1,925)</u>	
Fund balance — June 30, 2009 (GAAP basis) .....			<u>\$ 10,572</u>	

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

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

**CITY OF BALTIMORE**  
**Schedule of Funding Progress(1)**  
**Pension Trust Funds**

(Dollars Expressed in Thousands)

Actuarial Valuation Dates	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Excess of) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL (Excess of) as a Percentage of Covered Payroll ((b-a)/c)
<b>Fire and Police Employees' Retirement System</b>						
June 30, 2009 .....	\$2,587,235	\$3,050,887	\$463,652	84.8%	\$281,424	164.8%
June 30, 2008 .....	2,676,355	2,994,394	318,039	89.4	269,690	117.9
June 30, 2007 .....	2,658,735	2,893,890	235,155	91.9	254,489	92.4
<b>Employees' Retirement System</b>						
June 30, 2009 .....	\$1,424,203	\$1,724,931	\$300,728	82.6%	\$398,009	75.6%
June 30, 2008 .....	1,475,533	1,664,078	188,545	88.7	367,517	51.3
June 30, 2007 .....	1,447,197	1,598,682	151,485	90.5	346,692	43.7
<b>Elected Officials' Retirement System</b>						
June 30, 2009 .....	\$ 14,161	\$ 16,957	\$ 2,796	83.5%	\$ 1,182	236.5%
June 30, 2008 .....	18,273	16,953	(1,320)	107.8	1,142	(115.5)
June 30, 2007 .....	17,524	14,189	(3,335)	123.5	863	(386.5)

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

**CITY OF BALTIMORE**  
**Schedule of Funding Progress(1)**  
**OPEB Trust Fund**

(Dollars Expressed in Millions)

Fiscal Year Ended	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2009 .....	\$100.3	\$2,497.6	\$2,397.3	4.0%	\$1,346.4	178.1%
June 30, 2008 .....	76.0	2,149.8	2,073.8	3.5	1,307.6	158.6

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

**CITY OF BALTIMORE**  
**Schedule of Employer Contributions**  
**OPEB Trust Fund**

(Dollars Expressed in Millions)

Fiscal Year Ended	Annual Required Contribution (a)	Employer Contributions (b)	Percentage Contributed (c) = (b)/(a)
June 30, 2009 .....	\$179.3	\$142.2	79.3%
June 30, 2008 .....	164.6	183.3	111.4

## CITY OF BALTIMORE

### Notes to the Required Supplementary Information

#### 1. Budgetary Data

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

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

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

##### *Original Budget*

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

##### *Final Budget*

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

- (1) Appropriations for a particular program, purpose, activity, or project may, upon the recommendation of the head of the municipal agency concerned and the Director of Finance, and with the approval of the Board of Estimates, be carried over to the subsequent fiscal year to carry out the initial appropriation objectives. All appropriations not carried over lapse at the end of the fiscal year in which they were made. In addition, funds encumbered for contracts, purchase orders, approved requisitions or other actual commitments, as well as funds dedicated to grant programs and capital improvements are carried out over the ensuing fiscal year until utilized or cancelled.
- (2) The adopted budget is prepared and appropriated on an agency, program, activity, and object of expenditure basis by fund. Purchase orders which result in an operating or capital overrun are not released until additional appropriations are made available. Expenditures for each adopted operating budget may not legally exceed appropriations at the agency level. Administratively, the Department of Finance has the authority to move appropriations between activities of the same program within the same agency. The Board of Estimates has the authority to transfer appropriations between programs within the same agency. Only the City Council can transfer appropriations between agencies.
- (3) The City Charter permits further appropriations for programs included in the original Ordinance of Estimates made necessary by material changes in circumstances and additional appropriations for new programs or grant awards which could not reasonably be anticipated when formulating the original Ordinance of Estimates. These changes require supplemental appropriation ordinances. During fiscal year 2009, supplemental appropriation ordinances were required for the General Fund in the amount of \$691,000.

Budgetary data, as revised, is presented as required supplementary information for the General Fund and the Motor Vehicle Fund.

Combining and  
Individual Fund  
Statements and  
Schedules



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# Nonmajor Governmental Funds

## Special Revenue Funds

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

*Community Development Block Grant and Special Racetrack Funds* — These funds account for revenues derived from certain State shared taxes, governmental grants and other revenue sources that are restricted by law or administrative action to expenditures for specific purposes.

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

## Permanent Funds

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

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

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

## Debt Service Fund

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

**CITY OF BALTIMORE**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**

**June 30, 2009**  
(Expressed in Thousands)

	Special Revenue Funds					Permanent Funds			Total	Debt Service Fund	Total Nonmajor Governmental Funds
	Community Development Block Grant Fund	Special Racetrack Fund	Scholarship Fund	Enoch Pratt Free Library Fund	Memorial Fund	Total					
<b>Assets:</b>											
Cash and cash equivalents	\$ 9,330	\$397	\$6,061	\$ 15,788	\$ 337	\$ 337	\$19,451	\$35,576			
Investments			733	733	\$2,104	3,891	21,709	28,437			
Otherreceivables, net			13	13	34	34	82	163			
Due from other governments		344		344				344			
Due from other funds	1,358			1,358				1,358			
Notes and mortgages receivable, net	48			48			1,945	1,993			
Total assets	10,736	741	6,807	18,284	2,138	4,262	43,187	67,871			
<b>Liabilities and fund balances:</b>											
<b>Liabilities:</b>											
Accounts payable and accrued liabilities	585	7		592				592			
Due to other funds	22,496			22,496	16			22,512			
Deferred revenue	952			952			1,945	2,897			
Matured bonds payable							2	2			
Total liabilities	24,033	7		24,040	16		1,947	26,003			
<b>Fund balances:</b>											
Reserved for Scholarship, Library and Memorial			6,807	6,807	2,122	4,262	41,240	13,191			
Unreserved (deficit)	(13,297)	734		(12,563)				28,677			
Total fund balances (deficits)	(13,297)	734	6,807	(5,756)	2,122	4,262	41,240	41,868			
Total liabilities and fund balances	\$ 10,736	\$741	\$6,807	\$ 18,284	\$2,138	\$4,262	\$43,187	\$67,871			

**CITY OF BALTIMORE**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**

**Nonmajor Governmental Funds**

**For the Year Ended June 30, 2009**

(Expressed in Thousands)

	Special Revenue Funds				Permanent Funds				Total	Debt Service Fund	Total Nonmajor Governmental Funds
	Community Development Block Grant Fund	Special Racetrack Fund	Scholarship Fund	Total	Enoch Pratt Free Library Fund	Memorial Fund	Total				
<b>Revenues:</b>											
State shared revenue		\$419		\$ 419							\$ 419
Interest, rentals and other investment income				579				\$ 81			1,629
Federal grants	\$ 30,982		\$ 579	30,982							30,982
Total revenues	30,982	419	579	31,980	81	142	223		827		33,030
<b>Expenditures:</b>											
<b>Current:</b>											
General government	3,013	22		3,035							3,035
Public safety and regulation	72	21		93							93
Education			329	329	74						329
Public library											74
Recreation and culture		21		21		458					479
Economic development	13,995	47		14,042							14,042
<b>Debt service:</b>											
Principal											53,361
Interest											26,144
Other bond costs											13,235
Total expenditures	17,080	111	329	17,520	74	458	532		92,740		110,792
Excess (deficiency) of revenues over (under) expenditures	13,902	308	250	14,460	7	(316)	(309)		(91,913)		(77,762)
<b>Other financing sources (uses):</b>											
Transfers in	(18,813)			(18,813)							90,289
Transfers out	(18,813)			(18,813)							(58,528)
Total other financing sources (uses)	(4,911)	308	250	(4,353)	7	(316)	(309)		(41,339)		(46,001)
Net change in fund balances	(8,386)	426	6,557	(1,403)	2,115	4,578	6,693		82,579		87,869
Fund balances—beginning											
Fund balances—ending	\$ (13,297)	\$ 734	\$ 6,807	\$ (5,756)	\$ 2,122	\$ 4,262	\$ 6,384		\$ 41,240		\$ 41,868

**CITY OF BALTIMORE**  
**Schedule of Revenues, Expenditures and Encumbrances**  
**and Changes in Fund Balance — Budget and Actual — Budgetary Basis(1)**  
**Special Racetrack Fund**  
**For the Year Ended June 30, 2009**  
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
State shared revenues .....	\$ 554	\$ 554	\$419	\$(135)
Expenditures and encumbrances:				
Department of Planning .....	100	100		100
Department of Police .....	16	16	16	
Department of Transportation .....	27	27	27	
Department of Recreation and Parks .....	21	21	21	
Department of Housing and Community Development .....	47	47	47	
Total expenditures and encumbrances .....	211	211	111	100
Excess of revenues over expenditures and encumbrances .....	343	343	308	(35)
Fund balances — beginning .....	(670)	(463)	426	889
Fund balances — June 30, 2009 (GAAP basis) .....	\$(327)	\$(120)	\$734	\$ 854

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

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

# Nonmajor Proprietary Funds

## Enterprise Funds

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

*Loan and Guarantee Program* — This fund accounts for the City's economic development financial activities.

*Industrial Development Authority* — This fund accounts for the activities of the City's Industrial Development Authority.

*Conduit Fund* — This fund accounts for the rental and maintenance of the City's Conduits.

**CITY OF BALTIMORE**  
**Combining Statement of Fund Net Assets**  
**Nonmajor Proprietary Funds**  
**June 30, 2009**

(Expressed in Thousands)

	Loan and Guarantee Program	Industrial Development Authority	Conduit Fund	Total
<b>Assets:</b>				
<b>Current assets:</b>				
Cash and cash equivalents .....	\$4,883	\$44,963	\$ 3,841	\$ 53,687
Accounts receivable, net:				
Service billings .....			1,817	1,817
Other .....		34		34
<b>Current restricted assets:</b>				
Cash and cash equivalents .....			2,149	2,149
<b>Total current assets .....</b>	<b>4,883</b>	<b>44,997</b>	<b>7,807</b>	<b>57,687</b>
<b>Noncurrent assets:</b>				
Capital assets, net .....			42,565	42,565
Issuance costs .....	32	241		273
<b>Total noncurrent assets .....</b>	<b>32</b>	<b>241</b>	<b>42,565</b>	<b>42,838</b>
<b>Total assets .....</b>	<b>4,915</b>	<b>45,238</b>	<b>50,372</b>	<b>100,525</b>
<b>Liabilities:</b>				
<b>Current liabilities:</b>				
Accounts payable and accrued liabilities .....	34		618	652
Accrued interest payable .....		34		34
Due to other funds .....		1,569		1,569
<b>Current liabilities payable from restricted assets:</b>				
Accounts payable from restricted assets .....			379	379
<b>Total current liabilities .....</b>	<b>34</b>	<b>1,603</b>	<b>997</b>	<b>2,634</b>
<b>Noncurrent liabilities:</b>				
Revenue bonds payable, net .....		28,339		28,339
Other liabilities .....	1,500			1,500
<b>Total noncurrent liabilities .....</b>	<b>1,500</b>	<b>28,339</b>		<b>29,839</b>
<b>Total liabilities .....</b>	<b>1,534</b>	<b>29,942</b>	<b>997</b>	<b>32,473</b>
<b>Net assets:</b>				
Invested in capital assets, net of related debt .....			42,565	42,565
Unrestricted .....	3,381	15,296	6,810	25,487
<b>Total net assets .....</b>	<b>\$3,381</b>	<b>\$15,296</b>	<b>\$49,375</b>	<b>\$ 68,052</b>

**CITY OF BALTIMORE**  
**Combining Statement of Revenues, Expenses,**  
**and Changes in Fund Net Assets**  
**Nonmajor Proprietary Funds**  
**For the Year Ended June 30, 2009**

(Expressed in Thousands)

	Loan and Guarantee Program	Industrial Development Authority	Conduit Fund	Total
Operating revenues:				
Rents, fees, and other income .....	\$ 125	\$ 1,232	\$10,511	\$11,868
Interest income on loans .....	174	398		572
Total operating revenues .....	<u>299</u>	<u>1,630</u>	<u>10,511</u>	<u>12,440</u>
Operating expenses:				
Salaries and wages .....	107		1,847	1,954
Other personnel costs .....	42		771	813
Contractual services .....	3,063		3,814	6,877
Program expenses .....		412		412
Materials and supplies .....			179	179
Minor equipment .....			19	19
Depreciation .....			711	711
Interest .....		1,417		1,417
Total operating expenses .....	<u>3,212</u>	<u>1,829</u>	<u>7,341</u>	<u>12,382</u>
Operating income (loss) .....	<u>(2,913)</u>	<u>(199)</u>	<u>3,170</u>	<u>58</u>
Capital contributions .....	140		119	259
Transfers in .....	1,365			1,365
Changes in net assets .....	(1,408)	(199)	3,289	1,682
Total net assets — beginning .....	4,789	15,495	46,086	66,370
Total net assets — ending .....	<u>\$ 3,381</u>	<u>\$15,296</u>	<u>\$49,375</u>	<u>\$68,052</u>



**CITY OF BALTIMORE**  
**Combining Statement of Cash Flows**  
**Nonmajor Proprietary Funds**  
**For the Year Ended June 30, 2009**

(Expressed in Thousands)

	Loan and Guarantee Program	Industrial Development Authority	Conduit Fund	Total
<b>Cash flows from operating activities:</b>				
Receipts from customers .....	\$ 352	\$ 1,817	\$12,946	\$15,115
Payments to employees .....	(149)		(2,618)	(2,767)
Payments to suppliers .....	(3,665)	(1,911)	(4,408)	(9,984)
Net cash provided (used) by operating activities .....	(3,462)	(94)	5,920	2,364
<b>Cash flows from non-capital financing activities:</b>				
Transfers in .....	1,365			1,365
Net cash provided by non-capital financing activities .....	1,365			1,365
<b>Cash flows from capital and related financing activities:</b>				
Acquisition and construction of capital assets .....			(1,258)	(1,258)
Capital contributions .....	140		119	259
Principal paid on revenue bonds .....		8,206		8,206
Net cash provided (used) by capital and related financing activities .....	140	8,206	(1,139)	7,207
Net increase (decrease) in cash and cash equivalents .....	(1,957)	8,112	4,781	10,936
Cash and cash equivalents, beginning of year .....	6,840	36,851	1,209	44,900
Cash and cash equivalents, end of year .....	\$ 4,883	\$44,963	\$ 5,990	\$55,836
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss) .....	\$(2,913)	\$ (199)	\$ 3,170	\$ 58
<b>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:</b>				
Depreciation expense .....			711	711
Amortization of bond issuance costs .....		35		35
Accounts receivable .....	46	152	2,435	2,633
Other assets .....	7			7
Accounts payable and accrued liabilities .....	(2)	(99)	(385)	(486)
Accounts payable from restricted assets .....			362	362
Other liabilities .....	(600)		(258)	(858)
Due to other funds .....		17	(115)	(98)
Total adjustments .....	(549)	105	2,750	2,306
Net cash provided (used) by operating activities .....	\$(3,462)	\$ (94)	\$ 5,920	\$ 2,364

## 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.

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

**CITY OF BALTIMORE**  
**Combining Statement of Fund Net Assets**  
**Internal Service Funds**  
**June 30, 2009**

(Expressed in Thousands)

	Municipal Communication	Mobile Equipment	Reproduction and Printing	Municipal Post Office	Municipal Telephone Exchange	Risk Management	Total
<b>Assets:</b>							
<b>Current assets:</b>							
Cash and cash equivalents	\$691	\$ 45,597			\$1,821	\$ 41,472	\$89,581
Investments						5,015	5,015
Accounts receivable, net:							
Other		106	\$ 256		2	26,060	26,424
Inventories		513	551	\$ 20			1,084
<b>Total current assets</b>	<b>691</b>	<b>46,216</b>	<b>807</b>	<b>20</b>	<b>1,823</b>	<b>72,547</b>	<b>122,104</b>
<b>Noncurrent assets:</b>							
Capital assets, net		63,909				7	63,916
Other assets						2,249	2,249
<b>Total noncurrent assets</b>		<b>63,909</b>				<b>2,256</b>	<b>66,165</b>
<b>Total assets</b>	<b>691</b>	<b>110,125</b>	<b>807</b>	<b>20</b>	<b>1,823</b>	<b>74,803</b>	<b>188,269</b>
<b>Liabilities:</b>							
<b>Current liabilities:</b>							
Accounts payable and accrued liabilities	41	4,499	267	18	774	14,423	20,022
Due to other funds		7,206	4,933	289			12,428
Estimated liability for claims in progress						58,246	58,246
Other liabilities		2,833	118	48	153	732	3,884
<b>Total current liabilities</b>	<b>41</b>	<b>14,538</b>	<b>5,318</b>	<b>355</b>	<b>927</b>	<b>73,401</b>	<b>94,580</b>
<b>Noncurrent liabilities:</b>							
Estimated liability for claims in progress						101,902	101,902
<b>Total liabilities</b>	<b>41</b>	<b>14,538</b>	<b>5,318</b>	<b>355</b>	<b>927</b>	<b>175,303</b>	<b>196,482</b>
<b>Net assets:</b>							
Invested in capital assets		63,909				7	63,916
Unrestricted (deficit)	650	31,678	(4,511)	(335)	896	(100,507)	(72,129)
<b>Total net assets (deficits)</b>	<b>\$650</b>	<b>\$ 95,587</b>	<b>\$(4,511)</b>	<b>\$(335)</b>	<b>\$ 896</b>	<b>\$(100,500)</b>	<b>\$( 8,213)</b>

**CITY OF BALTIMORE**  
**Combining Statement of Revenues, Expenses,**  
**and Changes in Fund Net Assets**  
**Internal Service Funds**  
**For the Year Ended June 30, 2009**

(Expressed in Thousands)

	Municipal Communication	Mobile Equipment	Reproduction and Printing	Municipal Post Office	Municipal Telephone Exchange	Risk Management	Total
<b>Operating revenues:</b>							
Charges for services	\$3,053	\$50,581	\$ 2,230	\$2,155	\$10,735	\$ 166,025	\$234,779
<b>Operating expenses:</b>							
Salaries and wages		11,204	1,145	323	905	2,977	16,554
Other personnel costs		4,039	446	114	347	974	5,920
Contractual services	2,606	19,131	1,836	48	16,323	9,786	49,730
Materials and supplies		14,131	705	15	2	16	14,869
Minor equipment		169	19		9		197
Claims paid and incurred						135,781	135,781
Postage and delivery service				1,558			1,558
Depreciation		7,110	1		25	17	7,153
<b>Total operating expenses</b>	<b>2,606</b>	<b>55,784</b>	<b>4,152</b>	<b>2,058</b>	<b>17,611</b>	<b>149,551</b>	<b>231,762</b>
<b>Operating income (loss)</b>	<b>447</b>	<b>(5,203)</b>	<b>(1,922)</b>	<b>97</b>	<b>(6,876)</b>	<b>16,474</b>	<b>3,017</b>
<b>Nonoperating revenues (expenses):</b>							
Investment income						864	864
Loss on disposal of property		(659)					(659)
<b>Total nonoperating revenues (expenses), net</b>		<b>(659)</b>				<b>864</b>	<b>205</b>
Income (loss) before contributions and transfers	447	(5,862)	(1,922)	97	(6,876)	17,338	3,222
Capital contributions		8,106					8,106
Transfers in			3,500			3,000	6,500
<b>Total net assets — beginning</b>	<b>203</b>	<b>93,343</b>	<b>(6,089)</b>	<b>(432)</b>	<b>7,772</b>	<b>(120,838)</b>	<b>(26,041)</b>
<b>Total net assets — ending</b>	<b>\$ 650</b>	<b>\$95,587</b>	<b>\$(4,511)</b>	<b>\$( 335)</b>	<b>\$ 896</b>	<b>\$(100,500)</b>	<b>\$( 8,213)</b>

**CITY OF BALTIMORE**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended June 30, 2009**

(Expressed in Thousands)

	Municipal Communication	Mobile Equipment	Reproduction and Printing	Municipal Post Office	Municipal Telephone Exchange	Risk Management	Total
<b>Cash flow from operating activities:</b>							
Receipts from customers	\$ 3,053	\$ 58,417	\$ 816	\$ 2,055	\$ 10,734	\$ 164,394	\$239,469
Payments to employees		(15,243)	(1,591)	(430)	(1,221)	(3,808)	(22,293)
Payments to suppliers	(2,575)	(35,849)	(2,725)	(1,625)	(16,793)	(142,132)	(201,699)
Net cash provided (used) by operating activities	478	7,325	(3,500)		(7,280)	18,454	15,477
<b>Cash flows from noncapital financing activities:</b>							
Transfers in			3,500			3,000	6,500
Net cash provided by noncapital financing activities			3,500			3,000	6,500
<b>Cash flows from capital and related financing activities:</b>							
Acquisition and construction of capital assets		(14,145)					(14,145)
Capital contributions		8,106					8,106
Loss on disposal of property		(659)					(659)
Net cash used by capital and related financing activities		(6,698)					(6,698)
<b>Cash flows from investing activities:</b>							
Proceeds from the sale and maturities of investments						4,002	4,002
Purchase of investments						(4,145)	(4,145)
Interest on investments						864	864
Net cash provided by investing activities						721	721
Net increase in cash and cash equivalents	478	627			(7,280)	22,175	16,000
Cash and cash equivalents, beginning of year	213	44,970			9,101	19,297	73,581
Cash and cash equivalents, end of year	\$ 691	\$ 45,597			\$ 1,821	\$ 41,472	\$ 89,581
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>							
Operating income (loss)	\$ 447	\$ (5,203)	\$ (1,922)	\$ 97	\$ (6,876)	\$ 16,474	\$ 3,017
<b>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:</b>							
Depreciation		7,110	1		25	17	7,153
<b>Changes in assets and liabilities:</b>							
Accounts receivable		150	(66)		(1)	(1,732)	(1,649)
Inventories		1,384	(353)	(5)			1,026
Other assets						101	101
Accounts payable and accrued liabilities	31	(2,498)	(160)	(2)	(449)	9,023	5,945
Other liabilities		80	(5)	5	21	122	223
Due to other funds		6,302	(995)	(95)			5,212
Estimated liability for claims in progress						(5,551)	(5,551)
Total adjustments	31	12,528	(1,578)	(97)	(404)	1,980	12,460
Net cash provided (used) by operating activities	\$ 478	\$ 7,325	\$ (3,500)		\$ (7,280)	\$ 18,454	\$ 15,477

## **Fiduciary Funds**

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

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

*Agency Funds* - These funds account for assets held by the City as a custodian.

**CITY OF BALTIMORE**  
**Combining Statement of Fiduciary Net Assets**  
**Pension Trust Funds**  
**June 30, 2009**  
(Expressed in Thousands)

	Employees' Retirement System	Elected Officials' Retirement System	Fire and Police Employees' Retirement System	Total
<b>Assets:</b>				
Cash and cash equivalents .....	\$ 31,586	\$ 201	\$ 42,540	\$ 74,327
Investments:				
Stocks .....	655,185	8,703	857,859	1,521,747
Bonds .....	284,323	3,974	639,496	927,793
Real estate .....	101,782		152,198	253,980
Securities lending collateral .....	35,301		157,005	192,306
Other assets .....	16,183	3	13,483	29,669
<b>Total assets .....</b>	<b>1,124,360</b>	<b>12,881</b>	<b>1,862,581</b>	<b>2,999,822</b>
<b>Liabilities:</b>				
Obligations under securities lending program .....	35,301		157,005	192,306
Accounts payable .....	52,645	8	8,286	60,939
Pension benefits payable .....			2,969	2,969
<b>Total liabilities .....</b>	<b>87,946</b>	<b>8</b>	<b>168,260</b>	<b>256,214</b>
<b>Net assets held in trust for pension benefits .....</b>	<b>\$1,036,414</b>	<b>\$12,873</b>	<b>\$1,694,321</b>	<b>\$2,743,608</b>

**CITY OF BALTIMORE**  
**Combining Statement of Changes in Fiduciary Net Assets**  
**Pension Trust Funds**  
**For the Year Ended June 30, 2009**  
(Expressed in Thousands)

	Employees' Retirement System	Elected Officials' Retirement System	Fire and Police Employees' Retirement System	Total
<b>Additions:</b>				
<b>Contributions:</b>				
Employer .....	\$ 43,673		\$ 69,513	\$ 113,186
Employee .....	173	\$ 59	17,661	17,893
Total contributions .....	43,846	59	87,174	131,079
<b>Investment income (loss):</b>				
Net depreciation in fair market value of investments .....	(278,688)	(3,656)	(393,558)	(675,902)
Securities lending income .....	533		1,801	2,334
Interest and dividend income .....	28,523	2	41,442	69,967
Total investment income (loss) .....	(249,632)	(3,654)	(350,315)	(603,601)
Less: investment expense .....	5,407	20	5,614	11,041
Net investment income (loss) .....	(255,039)	(3,674)	(355,929)	(614,642)
Total additions .....	(211,193)	(3,615)	(268,755)	(483,563)
<b>Deductions:</b>				
Retirement allowances .....	104,166	686	183,926	288,778
Death benefits .....	881		252	1,133
Administrative expenses .....	3,139	31	3,335	6,505
Other .....	290	27	1,114	1,431
Total deductions .....	108,476	744	188,627	297,847
Changes in net assets .....	(319,669)	(4,359)	(457,382)	(781,410)
Net assets — beginning of the year .....	1,356,083	17,232	2,151,703	3,525,018
Net assets — end of the year .....	\$1,036,414	\$12,873	\$1,694,321	\$2,743,608

**CITY OF BALTIMORE**  
**Combining Statement of Assets and Liabilities**  
**Agency Funds**  
**June 30, 2009**

(Expressed in Thousands)

	Unpresented Stock and Coupon Bonds	Property Sold for Taxes	Bid Deposit Refunds	Waterloo Summit	Recreation Accessory	Insurance Deposits	Total
<b>Assets:</b>							
Cash and cash equivalents .....	\$55	\$86	\$88		\$1,871	\$5,369	\$7,469
Investments .....				\$51			51
<b>Total assets .....</b>	<b>55</b>	<b>86</b>	<b>88</b>	<b>51</b>	<b>1,871</b>	<b>5,369</b>	<b>7,520</b>
<b>Liabilities:</b>							
Other .....	55	86	88	51	1,871	5,369	7,520
<b>Total liabilities .....</b>	<b>\$55</b>	<b>\$86</b>	<b>\$88</b>	<b>\$51</b>	<b>\$1,871</b>	<b>\$5,369</b>	<b>\$7,520</b>



**CITY OF BALTIMORE**  
**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
**For the Year Ended June 30, 2009**  
(Expressed in Thousands)

	Balance June 30, 2008	Additions	Deductions	Balance June 30, 2009
<i>Unrepresented Stock and Coupon Bonds</i>				
Assets:				
Cash .....	\$ 55			\$ 55
Total assets .....	55			55
Liabilities:				
Other .....	55			55
Total liabilities .....	55			55
<i>Property Sold for Taxes</i>				
Assets:				
Cash .....	86			86
Total assets .....	86			86
Liabilities:				
Other .....	86			86
Total liabilities .....	86			86
<i>Bid Deposit Refunds</i>				
Assets:				
Cash .....	111		\$ 23	88
Total assets .....	111		23	88
Liabilities:				
Other .....	111		23	88
Total liabilities .....	111		23	88
<i>Waterloo Summit</i>				
Assets:				
Investments .....	51			51
Total assets .....	51			51
Liabilities:				
Other .....	51			51
Total liabilities .....	51			51
<i>Recreation Accessory</i>				
Assets:				
Cash .....	1,612	\$3,516	3,257	1,871
Total assets .....	1,612	3,516	3,257	1,871
Liabilities:				
Other .....	1,612	3,516	3,257	1,871
Total liabilities .....	1,612	3,516	3,257	1,871
<i>Insurance Deposits</i>				
Assets:				
Cash .....	10,719		5,350	5,369
Investments .....				
Total assets .....	10,719		5,350	5,369
Liabilities:				
Other .....	10,719		5,350	5,369
Total liabilities .....	10,719		5,350	5,369
<i>Total All Agency Funds</i>				
Assets:				
Cash .....	12,583	3,516	8,630	7,469
Investments .....	51			51
Total assets .....	12,634	3,516	8,630	7,520
Liabilities:				
Other .....	12,634	3,516	8,630	7,520
Total liabilities .....	\$12,634	\$3,516	\$8,630	\$7,520

# Statistical Section

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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. The City implemented GASB No. 34 in fiscal year 2002; therefore, tables presenting government-wide information include only eight years.

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# Financial Trends

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**CITY OF BALTIMORE**

**Net Assets by Component**

**Last Eight Fiscal Years**

(Accrual Basis of Accounting)

(Expressed in Thousands)

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
<b>Governmental activities</b>								
Invested in capital assets, net of related debt	\$2,643,306	\$2,812,963	\$2,810,155	\$2,898,611	\$2,684,600	\$2,622,303	\$3,138,558	\$3,117,296
Restricted	15,650	15,444	15,084	13,774	13,773	26,516	13,250	13,191
Unrestricted	(178,915)	(369,729)	(439,890)	(428,921)	(367,551)	112,270	(395,378)	(475,903)
<b>Total governmental activities net assets</b>	<b>\$2,480,041</b>	<b>\$2,458,678</b>	<b>\$2,385,349</b>	<b>\$2,483,464</b>	<b>\$2,330,822</b>	<b>\$2,761,089</b>	<b>\$2,756,430</b>	<b>\$2,654,584</b>
<b>Business-type activities</b>								
Invested in capital assets, net of related debt	\$ 953,214	\$ 840,900	\$ 854,007	\$1,001,112	\$1,127,216	\$1,088,511	\$1,196,193	\$1,264,259
Restricted	215,671	224,150	256,964	252,812	282,924	369,069	231,382	260,575
Unrestricted	59,185	182,449	207,744	125,132	60,639	138,070	245,818	187,973
<b>Total Business-type activities</b>	<b>\$1,228,070</b>	<b>\$1,247,499</b>	<b>\$1,318,715</b>	<b>\$1,379,056</b>	<b>\$1,470,779</b>	<b>\$1,595,650</b>	<b>\$1,673,393</b>	<b>\$1,712,807</b>
<b>Primary government</b>								
Invested in capital assets, net of related debt	\$3,596,520	\$3,653,863	\$3,664,162	\$3,899,723	\$3,811,816	\$3,710,814	\$4,334,751	\$4,381,555
Restricted	231,321	239,594	272,048	266,586	296,697	395,585	244,632	273,766
Unrestricted	(119,730)	(187,280)	(232,146)	(303,789)	(306,912)	250,340	(149,560)	(287,930)
<b>Total primary government net assets</b>	<b>\$3,708,111</b>	<b>\$3,706,177</b>	<b>\$3,704,064</b>	<b>\$3,862,520</b>	<b>\$3,801,601</b>	<b>\$4,356,739</b>	<b>\$4,429,823</b>	<b>\$4,367,391</b>



**CITY OF BALTIMORE**

**Changes in Net Assets**

**Last Eight Fiscal Years**

(Accrual Basis of Accounting)

(Expressed in Thousands)

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
<b>Expenses</b>								
<b>Governmental activities:</b>								
General government	\$ 280,380	\$ 311,906	\$ 406,520	\$ 406,849	\$ 339,059	\$452,353	\$468,113	\$521,242
Public safety and regulation	434,567	459,806	462,910	476,157	514,299	536,508	575,859	541,778
Conservation of health	176,159	189,881	195,024	142,219	162,319	104,879	157,549	147,054
Social Services	26,966	31,382	36,822	29,451	30,584	2,252	36,202	6,096
Education	224,218	219,904	219,932	226,913	225,890	227,377	224,830	221,829
Public library	27,159	26,877	27,251	23,303	30,400	24,006	31,736	33,728
Recreation and culture	53,199	35,119	36,326	36,304	33,060	42,420	44,295	42,565
Highways and streets	159,481	195,148	186,393	132,909	123,930	122,212	143,340	135,992
Sanitation and waste removal	36,569	38,882	34,151	36,836	40,155	44,169	45,366	51,167
Public service	12,646	14,945	15,150	15,695	15,218	15,141	16,769	24,637
Economic development	134,031	100,343	96,964	80,045	449,746	145,160	184,286	204,557
Interest	46,037	41,271	43,588	40,944	50,070	58,327	63,070	37,885
Total governmental activities expenses	1,611,412	1,665,464	1,761,031	1,647,625	2,014,730	1,774,804	1,991,415	1,968,530
<b>Business-type activities:</b>								
Water	84,454	97,883	95,745	96,893	95,010	95,576	105,882	116,407
Waste water	125,859	132,785	127,009	133,463	134,290	131,610	145,611	152,595
Parking	13,733	13,060	15,272	17,478	19,441	16,520	20,317	23,422
Conduits	2,754	3,075	3,481	3,917	8,065	5,937	11,207	7,312
Development loans	3,227	3,202	3,430	3,193	2,999	3,033	4,900	3,212
Industrial development	2,241	1,660	1,444	2,173	3,226	3,687	3,339	1,829
Total business-type activities expenses	232,268	251,665	246,381	257,117	263,031	256,363	291,256	304,777
Total primary government expenses	1,843,680	1,917,129	2,007,412	1,904,742	2,277,761	2,031,167	2,282,671	2,273,307
<b>Program revenues</b>								
<b>Governmental activities:</b>								
Charges for services (a)	66,089	73,636	88,587	83,950	90,545	93,046	99,185	94,297
Operating grants and contributions	429,036	472,628	477,870	401,958	393,328	382,316	386,972	371,520
Capital grants and contributions	41,863	35,873	51,910	49,013	57,313	48,085	51,559	23,181
Total governmental activities revenue	536,988	582,137	618,367	534,921	541,186	523,447	537,716	488,998
<b>Business-type activities:</b>								
Charges for services:								
Water	84,083	92,214	104,436	99,282	109,471	111,052	131,233	119,840
Waste Water	128,681	121,131	126,869	134,805	136,405	151,462	157,974	158,305
Parking	46,043	49,883	54,196	56,613	61,896	62,706	69,868	64,380
Conduits	4,858	4,137	3,783	5,890	7,387	7,247	7,603	10,511
Development loans	1,092	3,219	359	49	109	860	363	299
Industrial development	2,179	1,500	1,190	1,524	2,475	4,491	3,711	1,630
Capital grants and contributions	37,840	30,580	55,165	51,057	69,370	78,032	40,928	22,818
Total business-type activities revenues	304,776	302,664	345,998	349,220	387,113	415,850	411,680	377,783
Total primary government revenues	841,764	884,801	964,365	884,141	928,299	939,297	949,396	866,781
<b>Net (Expense)/Revenue</b>								
Governmental activities	(1,074,424)	(1,083,327)	(1,142,664)	(1,112,704)	(1,473,544)	(1,251,357)	(1,453,699)	(1,479,532)
Business-type activities	72,508	50,999	99,617	92,103	124,082	159,487	120,424	73,006
Total primary government net expenses	(1,001,916)	(1,032,328)	(1,043,047)	(1,020,601)	(1,349,462)	(1,091,870)	(1,333,275)	(1,406,526)
<b>General Revenues and Other Changes in Net Assets</b>								
<b>Governmental activities:</b>								
Property Taxes	487,776	517,452	527,215	539,195	558,089	592,065	626,420	693,767
Income Taxes	181,574	173,466	182,506	199,635	225,517	243,611	267,625	262,901
Other local taxes	97,239	102,899	111,980	171,871	208,858	204,685	180,189	148,369
State shared revenues	173,604	173,412	169,703	200,199	222,911	226,692	213,899	187,986
Franchise fees	3,956							
Unrestrictive investment income	40,290	31,841	25,032	30,170	41,776	47,560	53,503	35,756
Miscellaneous	22,621	31,324	24,498	36,884	29,727	41,557	34,398	14,568
Transfers	27,661	31,570	28,401	32,865	34,024	33,870	42,681	34,339
Total governmental activities	1,034,721	1,061,964	1,069,335	1,210,819	1,320,902	1,390,040	1,418,715	1,377,686
<b>Business-type activities:</b>								
Unrestrictive investment income	2,416			1,103	1,665			747
Transfers	(27,661)	(31,570)	(28,401)	(32,865)	(34,024)	(33,870)	(42,681)	(34,339)
Total business-type activities	(25,245)	(31,570)	(28,401)	(31,762)	(32,359)	(33,870)	(42,681)	(33,592)
Total primary government	1,009,476	1,030,394	1,040,934	1,179,057	1,288,543	1,356,170	1,376,034	1,344,094
<b>Change in Net Assets</b>								
Governmental activities	(39,703)	(21,363)	(73,329)	98,115	(152,642)	138,683	(34,984)	(101,846)
Business-type activities	47,263	19,429	71,216	60,341	91,723	125,617	77,743	39,414
Total primary government	\$ 7,560	\$ (1,934)	\$ (2,113)	\$ 158,456	\$ (60,919)	\$264,300	\$ 42,759	\$ (62,432)

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

**CITY OF BALTIMORE**  
**Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**

(Modified Accrual Basis of Accounting)

(Expressed in Thousands)

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>General Fund</b>										
Reserved .....	\$ 60,850	\$ 76,741	\$ 89,278	\$ 88,422	\$101,777	\$119,793	\$146,107	\$168,912	\$180,794	\$181,585
Unreserved .....	18,964	30,437	33,459	40,902	37,878	72,762	65,417	56,043	33,629	35,344
<b>Total General Fund .....</b>	<b>\$ 79,814</b>	<b>\$107,178</b>	<b>\$122,737</b>	<b>\$129,324</b>	<b>\$139,655</b>	<b>\$192,555</b>	<b>\$211,524</b>	<b>\$224,955</b>	<b>\$214,423</b>	<b>\$216,929</b>
<b>All Other Governmental Funds</b>										
Reserved .....	\$ 70,388	\$ 42,481	\$ 91,079	\$134,313	\$123,991	\$121,639	\$138,734	\$149,684	\$166,551	\$119,928
Unreserved reported in:										
Motor vehicle fund .....	6,823	21,112	14,772	6,825	6,625	8,024	9,504	4,657	1,618	2,118
Grants revenue fund .....		(47,086)	(71,738)	(75,579)	(93,848)	(113,194)	(105,776)	(105,244)	(133,584)	(123,321)
Capital projects fund .....	43,413	77,743	37,025	(87,579)	(44,106)	(83,622)	28,370	56,661	30,251	48,128
Debt service fund .....	22,051	20,647	22,990	17,715	18,099	27,503	26,082	30,296	82,579	41,240
Non-major special revenue funds .....	391	169	8,135	4,606	(965)	(3,156)	(3,305)	(120)	(8,060)	(12,563)
Non-major permanent funds .....	10,099	16,264	6,659	6,602	6,237	13,774				
<b>Total all other governmental funds .....</b>	<b>\$153,165</b>	<b>\$131,330</b>	<b>\$108,922</b>	<b>\$ 6,903</b>	<b>\$ 16,033</b>	<b>\$(29,032)</b>	<b>\$ 93,609</b>	<b>\$135,934</b>	<b>\$139,355</b>	<b>\$ 75,530</b>

**CITY OF BALTIMORE**  
**Changes in Fund Balances**  
**Governmental Funds**  
**Last Ten Fiscal Years**

(Modified Accrual Basis of Accounting)

(Expressed in Thousands)

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Revenues:</b>										
<b>General fund:</b>										
Taxes — Local .....	\$ 712,536	\$ 758,351	\$ 767,384	\$ 793,817	\$ 821,701	\$ 910,701	\$ 992,464	\$1,040,361	\$1,074,234	\$1,105,037
Licenses and permits .....	22,011	21,347	22,051	21,429	26,805	28,570	31,143	32,784	34,717	29,390
Fines and forfeitures .....	3,337	1,298	2,162	2,401	4,408	3,575	3,372	2,900	7,321	6,896
Interest, rentals, and other investment income .....	33,878	36,637	27,468	24,968	20,729	25,364	31,206	34,047	38,602	23,616
Federal grants .....	13	68	45	77	111	150	90	93	99	224
State grants .....	75,981	79,985	87,580	98,778	96,412	92,240	91,331	98,120	101,235	99,423
Other grants .....	159	159	4,139	6,112	6,064	4,174	75	173	153	154
Charges for services .....	34,114	34,581	35,718	36,315	39,692	39,770	42,243	43,697	42,646	41,560
Miscellaneous .....	2,137	3,233	8,945	6,694	9,889	2,643	8,817	6,420	12,429	234
Total revenues — general fund .....	884,166	935,659	955,492	990,591	1,025,811	1,107,187	1,200,741	1,258,595	1,311,436	1,306,534
<b>Other governmental funds:</b>										
Motor vehicle fund .....	173,559	188,115	185,538	187,891	187,119	212,477	238,002	244,316	232,716	206,015
Grants revenue fund .....	293,697	334,831	287,578	340,989	324,317	263,542	280,232	258,288	231,047	248,662
Capital projects fund .....	32,987	21,640	40,913	60,345	68,647	64,031	84,247	66,341	65,129	46,028
Other funds .....	2,694	12,773	48,986	25,555	29,820	37,334	32,251	55,941	36,696	33,030
Total revenues — other governmental funds .....	502,937	557,359	563,015	614,780	609,903	577,384	634,732	624,886	565,588	533,735
Total revenues all governmental funds .....	1,387,103	1,493,018	1,518,507	1,605,371	1,635,714	1,684,571	1,835,473	1,883,481	1,877,024	1,840,269
<b>Expenditures:</b>										
<b>General fund:</b>										
General government .....	187,425	204,564	214,288	253,812	267,527	273,606	290,727	337,700	368,022	368,279
Public safety and regulation .....	308,806	332,315	350,941	377,494	376,052	383,318	416,781	446,072	475,629	474,031
Conservation of health .....	24,061	24,355	24,102	24,760	23,528	24,442	30,507	28,948	29,371	33,066
Social Services .....	916	754	1,743	1,952	2,032	2,146	2,138	3,007	4,498	6,057
Education .....	880	1,308	202,117	202,046	202,192	205,067	205,552	206,016	205,858	205,909
Public library .....	18,817	19,521	19,680	19,493	20,124	18,093	20,853	23,135	24,253	25,720
Recreation and culture .....	21,417	24,685	26,255	25,998	27,143	26,464	29,151	34,568	37,707	35,163
Highways and streets .....	3,711	3,348	175	153	244	407	312	484	720	244
Sanitation and waste removal .....	30,002	33,751	29,435	30,617	29,209	28,109	37,474	39,754	40,032	40,593
Public service .....	11,471	12,039	12,170	11,889	12,234	12,715	12,448	12,210	13,259	17,510
Economic development .....	17,880	23,672	14,631	19,077	19,262	18,854	21,420	30,440	39,616	36,573
Total expenditures — general fund .....	625,386	680,312	895,537	967,291	979,547	993,221	1,067,363	1,162,334	1,238,965	1,243,145
<b>Other governmental funds:</b>										
Motor vehicle fund .....	125,983	125,781	132,117	144,495	148,268	148,974	157,248	164,419	175,354	173,570
Grants revenue fund .....	272,900	298,551	316,563	344,830	342,586	282,888	272,814	257,756	259,387	238,399
Capital projects fund .....	178,156	125,214	171,910	206,246	217,621	208,219	568,951	246,775	317,031	267,641
<b>Debt Service Fund:</b>										
Principal .....	35,408	39,121	34,080	36,065	36,209	42,048	48,073	53,351	56,694	52,651
Interest .....	31,532	32,528	34,900	31,760	29,674	30,197	30,555	47,302	51,198	26,144
Other bond costs .....	1,455	462				1,357	1,861	6,829		13,945
Other funds .....	815	241	23,180	21,524	22,752	25,052	22,038	17,015	14,161	18,052
Total expenditures other governmental funds .....	646,249	621,898	712,750	784,920	797,110	738,735	1,101,540	793,447	873,825	790,402
Total expenditures all governmental funds .....	1,271,635	1,302,210	1,608,287	1,752,211	1,776,657	1,731,956	2,168,903	1,955,781	2,112,790	2,033,547
Excess (deficiency) of revenues over expenditures .....	115,468	190,808	(89,780)	(146,840)	(140,943)	(47,385)	(333,430)	(72,300)	(235,766)	(193,278)
<b>Other financing sources (uses):</b>										
Transfers, net .....	(188,384)	(174,133)	27,661	31,570	28,401	33,873	16,568	20,694	36,044	27,839
Capital leases .....	9,064	21,082	12,400	433	25,136	10,189	10,265	25,447	7,372	3,956
Face value of bonds and loans .....	46,162	34,454	42,869	201,399	65,996	49,689	379,676	81,915	154,914	100,164
Premium (discount) on sale of bonds .....				(2,064)	731					
Payments to escrow agents .....				(128,030)	(11,760)					
Demand obligation transferred from fund liability .....				(51,900)	51,900	(38,531)	38,531			
Total other financing sources (uses) .....	(133,158)	(118,597)	82,930	51,408	160,404	55,220	445,040	128,056	198,330	131,959
Net changes in fund balances .....	\$ (17,690)	\$ 72,211	\$ (6,850)	\$ (95,432)	\$ 19,461	\$ 7,835	\$ 111,610	\$ 55,756	\$ (37,436)	\$ (61,319)
Debt service as a percentage of noncapital expenditures .....	5.66%	5.82%	4.62%	4.31%	4.14%	4.62%	4.02%	5.92%	5.47%	4.89%

# Revenue Capacity

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**CITY OF BALTIMORE**  
**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**

(Dollars Expressed in Thousands)

Fiscal Year	Total Tax Levy	Collected within the Fiscal Year of the Levy	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy
2000	\$496,166	\$478,991	96.5%	\$12,095	\$491,086	99.0%
2001	505,064	486,170	96.3	17,167	503,337	99.7
2002	515,463	494,379	95.9	8,613	502,992	97.6
2003	517,977	500,522	96.6	12,836	513,358	99.1
2004	523,226	510,710	97.6	14,235	524,945	100.3
2005	548,552	529,074	96.4	6,144	535,218	97.6
2006	565,648	544,463	96.3	8,161	552,624	97.7
2007	599,534	577,759	96.4	6,776	584,535	97.5
2008	655,080	605,961	92.5	10,601	616,562	94.1
2009	728,359	671,869	92.2	16,238	688,107	94.5

**CITY OF BALTIMORE**  
**Assessed and Estimated Actual Value of Taxable Property**  
**Last Ten Fiscal Years**

(Dollars Expressed in Thousands)

Fiscal Year	Real Property		Personal Property		Total		Ratio of Total Assessed Value to Total Estimated Actual Value
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	
2000	\$ 6,839,568	\$16,769,650	\$1,695,691	\$1,695,691	\$ 8,535,259	\$18,465,341	46.2%
2001	6,828,402	16,963,236	1,893,784	1,893,784	8,722,186	18,857,020	46.3
2002	16,893,662(1)	17,257,859	1,955,068	1,955,068	18,848,730(1)	19,212,927	98.1(1)
2003	17,316,114(1)	17,846,735	1,820,389	1,820,389	19,136,503(1)	19,667,124	97.3(1)
2004	17,844,363(1)	18,594,723	1,764,282	1,764,282	19,608,645(1)	20,359,005	96.3(1)
2005	18,781,171(1)	19,783,195	1,847,190	1,847,190	20,628,361(1)	21,630,385	95.4(1)
2006	19,918,443(1)	21,334,553	1,783,249	1,783,249	21,701,692(1)	23,117,802	93.9(1)
2007	21,254,392(1)	23,236,872	1,893,973	1,893,973	23,148,365(1)	25,130,845	92.1(1)
2008	23,943,402(1)	27,398,671	1,965,726	1,965,726	25,909,128(1)	29,364,397	88.2(1)
2009	26,601,299(1)	32,038,540	2,145,251	2,145,251	28,746,550(1)	34,183,791	84.1(1)

Note: Assessed values are established by the Maryland State Department of Assessments on July 1 of each year. Each real property's assessment is reevaluated every three years.

- (1) The Maryland General Assembly passed legislation at the 2000 session to change the system of real property assessment from 40% to 100% of market value. This change was implemented on July 1, 2001. Accordingly, the ratio of total assessed value to total estimated actual value reflects this change.

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 Tax Rate (2)	Total (3)
2000	5.820	.210	6.030
2001	5.820	.210	6.030
2002(4)	2.328	.084	2.412
2003(4)	2.328	.084	2.412
2004(4)	2.328	.132	2.460
2005(4)	2.328	.132	2.460
2006(4)	2.308	.132	2.440
2007(4)	2.288	.112	2.400
2008(4)	2.268	.112	2.380
2009(4)	2.268	.112	2.380

Notes:

- (1) Tax rates are for each \$100 of assessed valuation.
- (2) The State tax rate is shown for informational purposes only, since the City acts in the role of collector and does not report this portion of the property tax as revenue.
- (3) The City has no special assessments.
- (4) As of fiscal year 2002, real property taxes are assessed at the property's full estimated actual value; previously, real property taxes were assessed at 40% of the property's estimated actual value. Accordingly, the tax rates were adjusted to maintain the same effective tax rate.

Source: Baltimore City Department of Finance

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

	2009			2000		
	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) .....	\$ 629,830	1	2.2%	\$ 584,928	1	6.9%
Verizon - Maryland .....	303,244	2	1.1	332,926	2	3.9
100 East Pratt Street Business .....	184,482	3	0.6			
Baltimore Center Associate LTD Partnership .....	178,311	4	0.6	49,907	4	0.6
Harbor East Limited .....	125,838	5	0.4			
Canton Crossing Tower, LLC .....	85,239	6	0.3			
ABB South Street Associates .....	78,287	7	0.3			
951 Fell Street Limited .....	71,004	8	0.2			
Harbor East Limited - Parcel B .....	70,759	9	0.2			
Tribune Company .....	67,557	10	0.2			
AT & T Communications of Maryland .....				86,649	3	1.0
Boston Properties, Inc. ....				43,613	5	0.5
Wheelabrator Baltimore, LLC .....				34,273	6	0.4
CSX Transportation .....				29,991	7	0.4
Xerox Corporation .....				25,948	8	0.3
MCI Worldcom .....				24,911	9	0.3
Pratt Street Hotel .....				22,258	10	0.3
<b>Total .....</b>	<b>\$1,794,551</b>		<b>6.1%</b>	<b>\$1,235,404</b>		<b>14.6%</b>

# DEBT CAPACITY



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**CITY OF BALTIMORE**  
**Ratios of Outstanding Debt by Type, Primary Government**  
**Last Ten Fiscal Years**

(Dollars Expressed in Thousands)

Fiscal Year	Governmental Activities						Business-Type Activities					Total Primary Government	Percentage of Personal Income(b)	Per Capita(a)
	General Obligation Bonds	Bond Anticipation Notes	Special Obligation Bonds	Long-term Financing with Federal Government	Long-term Financing with State of Maryland	Private	Water	Waste Water	Sewer Construction Loans	Total				
2000	\$472,554	\$11,295		\$30,155	\$10,044	\$4,692	\$2,034	\$2,423	\$738	\$533,935	3.01%	\$852		
2001	483,300	7,295		35,115	7,820	3,519	1,693	2,227	694	541,663	3.09	847		
2002	506,079	3,180		39,057	6,467	1,897	1,417	2,152	647	560,896	3.09	883		
2003	564,380		\$ 7,479	33,632	5,295	724	1,113	2,107	596	615,326	2.89	964		
2004	579,382		23,324	30,681	4,872		1,037	1,963	542	641,801	2.92	999		
2005	579,960		23,324	42,141	4,519		908	1,719	485	653,056	2.72	1,028		
2006	588,604		26,301	51,311	3,697		746	1,413	425	672,497	3.48	1,051		
2007	609,950		26,211	46,926	2,266		855	1,616	360	688,184	3.47	1,073		
2008	646,533		93,018	51,429	1,945		897	1,330	292	795,444	N/A	1,248		
2009	629,018		116,508	50,803	1,553		941	438	221	799,482	N/A	N/A		

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

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

N/A Information not available.

**CITY OF BALTIMORE**  
**Ratios of General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**

(Dollars Expressed in Thousands)

Fiscal Year	General Obligation Bonds	Bond Anticipation Notes	Total	Funds Available in Debt Service Funds(b)	Net General Bonded Debt	Percentage of Actual Taxable Value of Property	Per Capita(a)
2000	\$472,554	\$11,295	\$483,849	\$22,051	\$461,798	2.50%	\$736.52
2001	483,300	7,295	490,595	20,647	469,948	2.49	734.98
2002	506,079	3,180	509,259	22,990	486,269	2.53	765.54
2003	564,380		564,380	17,715	546,665	2.78	856.04
2004	579,382		579,382	18,099	561,283	2.76	873.32
2005	579,960		579,960	27,503	552,457	2.55	868.23
2006	588,604		588,604	26,082	562,522	2.43	884.73
2007	609,950		609,950	30,296	579,654	2.31	909.33
2008	646,533		646,533	82,579	563,954	1.92	885.44
2009	629,018		629,018	41,240	587,778	1.72	N/A

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

(b) Externally restricted for repayment of principal on debt.

N/A Information not available.

**CITY OF BALTIMORE**  
**Direct and Overlapping Governmental Activities Debt**  
**June 30, 2009**

The City of Baltimore has no Overlapping Debt.

**CITY OF BALTIMORE**  
**Legal Debt Margin Information**  
**June 30, 2009**

The City has no Legal Debt Margin.

**CITY OF BALTIMORE**  
**Pledged Revenue Coverage**  
**Last Ten Fiscal Years**  
(Dollars Expressed in Thousands)

Fiscal Year	Water Revenue Bonds						Waste Water Revenue Bonds					
	Water Utility Revenues	Less: Operating Expenses	Net Available Revenue	Debt Service			Waste Water Utility Revenues	Less: Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	Coverage				Principal	Interest	Coverage
2000	\$ 79,427	\$ 69,826	\$ 9,601	\$2,940	\$ 8,725	0.82	\$117,028	\$107,829	\$ 9,199	\$ 3,544	\$ 5,163	1.06
2001	83,961	64,353	19,608	3,190	9,936	1.49	114,945	99,112	15,833	3,877	7,201	1.43
2002	84,083	65,938	18,145	3,860	10,737	1.24	128,681	104,324	24,357	4,789	7,834	1.93
2003	92,214	74,974	17,240	2,185	6,972	1.88	121,131	105,974	15,157	2,234	8,344	1.43
2004	102,612	76,616	25,996	2,295	10,529	2.03	125,942	104,859	21,083	4,660	9,595	1.48
2005	99,282	76,772	22,510	2,655	16,091	1.20	134,805	105,030	29,775	4,794	12,559	1.72
2006	109,471	77,776	31,695	2,779	17,137	1.59	136,405	113,542	22,863	7,658	12,630	1.13
2007	111,052	81,722	29,330	2,920	15,818	1.57	151,462	110,877	40,585	9,405	16,631	1.56
2008	131,233	95,909	35,324	3,574	16,279	1.78	157,974	143,856	14,118	13,027	13,517	.53
2009	120,292	106,435	13,857	3,273	20,692	.58	161,061	146,268	14,793	13,480	22,133	.42

Fiscal Year	Parking Facilities Revenue Bonds						Convention Center Revenue Bonds					
	Parking Facilities Revenues	Less: Operating Expenses	Net Available Revenue	Debt Service			Convention Center Revenues	Net Available Revenue	Debt Service			
				Principal	Interest	Coverage			Principal	Interest	Coverage	
2000	\$38,527	\$ 5,508	\$33,019	\$3,205	\$ 7,131	3.19	\$4,567	\$4,567	\$1,225	\$2,891	1.11	
2001	46,176	4,963	41,213	3,360	6,977	3.99	4,631	4,631	1,780	2,832	1.00	
2002	46,043	5,790	40,253	3,515	6,813	3.90	4,636	4,636	1,850	2,578	1.05	
2003	49,883	6,845	43,038	3,690	7,803	3.74	4,637	4,637	1,930	2,679	1.01	
2004	53,539	7,447	46,092	4,355	11,999	2.82	4,579	4,579	2,010	2,596	.99	
2005	56,613	6,986	49,627	4,680	11,812	3.01	4,566	4,566	2,095	2,508	.99	
2006	61,896	9,697	52,199	4,900	9,828	3.54	3,904	3,904	2,185	2,415	.85	
2007	62,706	8,509	54,197	5,080	6,967	4.50	4,523	4,523	2,280	2,310	.99	
2008	69,868	11,692	58,176	5,815	8,956	3.94	4,516	4,516	2,193	2,395	.98	
2009	64,380	13,240	51,140	6,060	14,224	2.52	4,463	4,463	2,515	2,070	.97	

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest, depreciation or amortization expenses.

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# DEMOGRAPHIC AND ECONOMIC INFORMATION

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**CITY OF BALTIMORE**  
**Demographic and Economic Statistics**  
**Last Ten Calendar Years**

Calendar Year	Population(a)	Personal Income(b) <i>(thousands of dollars)</i>	Per Capita Personal Income(c)	Total Employment(d)	Unemployment Rate(d)
2000	648,615	16,076,869	24,786	266,533	6.6%
2001	645,253	16,727,455	25,924	261,808	6.1
2002	636,760	17,305,179	27,177	254,830	7.1
2003	642,324	17,740,954	27,620	255,083	7.4
2004	641,004	18,754,000	29,257	253,695	7.3
2005	640,064	19,801,740	30,937	255,081	6.9
2006	640,961	20,533,297	32,035	257,382	6.2
2007	640,150	22,038,199	34,427	261,355	5.6
2008	636,919	N/A	N/A	259,710	6.7
2009	N/A	N/A	N/A	N/A	N/A

(a) Maryland State Department of Planning

(b) U.S. Bureau of Economic Analysis

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

(d) Department of Labor, Licensing and Regulation

N/A Information not available



**CITY OF BALTIMORE**  
**Principal Employers**  
**Current Year and Nine Years Ago**

Employer	2009			2000		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Government[1]						
State .....	41,540	1	12.23%	38,651	1	9.97%
Other Government authority (City, Schools, etc) .....	28,121	2	8.28	32,303	2	8.33
Federal .....	8,233	3	2.42	12,462	3	3.21
Subtotal Government .....	77,894		22.93	83,416		21.51
Ten Largest Private Sector Employers[2]						
Johns Hopkins University .....	20,826	1	6.13	23,274	1	6.00
Johns Hopkins Hospital and Health System .....	12,500	2	3.68	14,120	2	3.64
University of Maryland Medical System .....	9,400	3	2.77	8,871	3	2.29
University System of Maryland .....	8,728	4	2.57			
MedStar Health .....	6,206	5	1.83	6,200	5	1.60
LifeBridge Health .....	4,963	6	1.46	5,750	6	1.48
Abacus .....	3,000	7	0.88			
St. Agnes HealthCare .....	2,987	8	0.88	3,000	7	0.77
Constellation Energy / BGE .....	2,670	9	0.79	6,851	4	1.77
Mercy Health Services .....	2,506	10	0.74	2,100	10	0.54
Bank of America Corp. ....				2,604	8	0.67
M & T Bank .....				2,150	9	0.55
Subtotal Ten Largest Private Sector Employers .....	73,786		21.73	74,920		19.31
Total Government and Ten Largest Private Sector Employers .....	151,680		44.66%	158,336		40.82%

Source:

[1] For the government sector: Maryland Dept of Labor Licensing and Regulations, Employment data files for the period ending 12/31/2008.

[2] For the private sector: For calendar 2009, the Maryland Department of Business and Economic Development; For 2000, Baltimore Business Journal, Book of List 2002.

# 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									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General government .....	1,771	1,816	1,766	1,725	1,695	1,722	1,710	1,690	1,720	1,733
Public safety										
Police .....	4,160	3,961	4,131	4,102	4,030	3,983	3,935	3,937	3,930	3,909
Fire .....	1,830	1,754	1,750	1,748	1,737	1,741	1,743	1,743	1,796	1,800
Other .....	638	692	714	738	725	727	735	752	766	793
Conservation of health .....	780	760	773	770	742	719	680	671	761	883
Public library .....	399	402	411	416	432	421	417	418	437	430
Recreation and parks .....	321	326	433	372	368	362	364	364	369	404
Highways and streets .....	1,720	1,636	1,511	1,511	1,511	1,515	1,510	1,518	1,523	1,514
Public Works										
Water .....	917	957	942	952	957	936	926	900	901	893
Waste Water .....	1,063	1,103	1,093	1,088	1,091	1,086	1,069	1,059	1,031	1,014
Solid Waste .....	978	972	974	954	891	872	868	863	899	876
Other .....	943	856	826	626	609	570	598	606	607	627
Public service .....	61	58	55	63	64	64	64	68	68	68
Economic development .....	572	578	522	528	533	528	518	541	518	598
	16,153	15,871	15,901	15,593	15,385	15,246	15,137	15,130	15,326	15,542

Source: Baltimore City Bureau of Budget and Management Research

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

Function/Program	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<i>Police</i>										
Arrests*	81,226	93,780	102,397	110,167	100,388	99,981	92,904	76,587	86,027	81,895
<i>Fire</i>										
Fire Suppression Units Dispatched	N/A	N/A	N/A	N/A	106,822	120,906	126,942	132,560	137,272	136,003
Structural Fires	N/A	2,884	2,758	2,223	2,132	2,370	2,372	2,275	2,177	2,100
EMS Transports	N/A	81,029	83,026	82,453	83,348	83,828	86,881	89,331	88,831	86,128
Inspections	N/A	24,795	21,805	12,560	14,707	20,250	20,543	23,630	26,594	25,654
<i>Solid Waste</i>										
Refuse Collected (tons)	N/A	206,851	208,970	212,711	218,324	220,063	218,194	206,333	195,601	180,693
Recyclables Collected (tons)	N/A	N/A	N/A	N/A	N/A	N/A	166,656	167,236	217,026	229,654
<i>Water/Wastewater</i>										
Number of Accounts	N/A	N/A	N/A	N/A	N/A	N/A	409,208	439,327	439,676	440,215
Average Daily Water Production (MGD)	N/A	N/A	N/A	N/A	N/A	N/A	251	251	226	226
Average Daily Sewage Treatment (MGD)	N/A	N/A	N/A	N/A	N/A	N/A	210	210	192	192
<i>Transportation</i>										
Miles Streets Resurfaced/Reconstructed	56.0	73.7	103.2	144.1	38.7	113.5	13.5	94.8	69.5	75.5
Potholes Repaired	N/A	N/A	N/A	7,769	11,592	19,000	16,054	15,345	15,478	14,879
Traffic Citations Issued	N/A	N/A	2,660	3,233	9,760	12,422	7,744	4,488	4,909	5,009
Parking Citations Issued	N/A	N/A	328,038	331,422	340,448	340,444	364,041	400,263	368,099	389,642
Traffic Signals Repaired	N/A	N/A	N/A	N/A	8,274	10,973	11,482	9,737	5,513	5,124
Street Lights Repaired	N/A	N/A	N/A	12,248	13,345	12,982	21,527	27,459	24,847	22,008
<i>Housing</i>										
Number of inspections (housing and code enforcement)	N/A	N/A	N/A	N/A	179,385	199,830	169,727	180,073	175,922	172,555
Number of permits issued	N/A	20,133	20,803	23,138	26,692	32,780	38,787	38,455	34,565	33,068
Property Management Service Requests Completed**	N/A	N/A	N/A	N/A	13,109	15,635	30,537	24,951	26,630	22,964
<i>Recreation and Parks</i>										
Enrollment at Recreation Centers	N/A	N/A	N/A	170,440	152,660	155,193	138,583	141,232	142,009	139,632
Permits Issued for Park Facilities	N/A	N/A	N/A	526	572	808	661	723	698	789
<i>Library</i>										
Volumes in Circulation (millions)	3.5	3.1	3.1	3.2	2.7	2.2	2.3	2.6	2.5	2.5
Volumes Borrowed (millions)	1.3	1.4	1.2	1.4	1.4	1.4	1.4	1.4	1.3	1.5

N/A Data not available.

\* Yearly arrests are based on calendar year data, not fiscal year. The 2009 numbers are through 11/30/09.

\*\* 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									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<i>Police/Sheriff</i>										
Buildings	N/A	N/A	N/A	N/A	N/A	10	10	10	10	10
Marked Patrol Units	N/A	N/A	N/A	N/A	N/A	N/A	525	466	473	471
Other vehicles	N/A	N/A	N/A	N/A	N/A	N/A	616	654	639	645
<i>Fire Stations</i>										
Buildings	N/A	N/A	N/A	N/A	N/A	39	39	39	39	39
Fire/EMS Apparatus (Tankers/Ladders/ Medics) (Fleet)	N/A	N/A	N/A	N/A	N/A	N/A	160	160	160	160
Other vehicles	N/A	N/A	N/A	N/A	N/A	N/A	152	168	164	164
<i>Recreation and Parks</i>										
Buildings	N/A	N/A	N/A	N/A	N/A	147	148	148	148	148
Acreage	6,500	6,500	6,500	5,827	5,827	5,827	5,827	5,827	5,827	5,827
Vehicles	N/A	N/A	N/A	N/A	N/A	N/A	127	129	125	119
Equipment	N/A	N/A	N/A	N/A	N/A	N/A	304	309	295	286
<i>Public Works (Transportation, Solid Waste, and General Services)</i>										
Buildings	N/A	N/A	N/A	N/A	N/A	30	30	30	30	30
Vehicles	N/A	N/A	N/A	N/A	N/A	N/A	990	971	980	968
Equipment	N/A	N/A	N/A	N/A	N/A	N/A	496	509	515	503
Streets (miles)	N/A	N/A	N/A	N/A	N/A	2,000	2,000	2,000	2,000	2,000
<i>Water/Wastewater</i>										
Treatment plants	N/A	N/A	N/A	N/A	N/A	4	4	4	4	4
Other Buildings	N/A	N/A	N/A	N/A	N/A	31	31	31	31	31
Vehicles	N/A	N/A	N/A	N/A	N/A	N/A	611	625	615	608
Equipment	N/A	N/A	N/A	N/A	N/A	N/A	411	412	420	418
Water Mains (Miles)	N/A	N/A	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400
Water Treatment capacity (MGD)	360	360	360	360	360	360	360	360	360	360
Sanitary sewers (miles)	N/A	N/A	1,340	1,340	1,340	1,340	1,340	1,340	1,335	1,335
Storm sewers (miles)	N/A	N/A	1,080	1,080	1,080	1,080	1,080	1,080	1,100	1,100
Wastewater Treatment capacity (MGD)	250	250	250	250	250	250	253	253	253	253
<i>Libraries</i>										
Buildings	N/A	N/A	N/A	N/A	N/A	32	32	33	34	34
Vehicles	N/A	N/A	N/A	N/A	N/A	N/A	17	17	17	16
<i>Other-General Government</i>										
Buildings	N/A	N/A	N/A	N/A	N/A	1,353*	1,353*	1,353*	1,353*	1,353*
Vehicles	N/A	N/A	N/A	N/A	N/A	N/A	197	211	201	197
Equipment	N/A	N/A	N/A	N/A	N/A	N/A	59	62	66	64

\* The total number of buildings for this category, in addition to those used for General Government purposes, includes residential properties under the ownership of the Mayor and City Council.

N/A Data not available

Source: Baltimore City Department of Finance

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City of Baltimore  
Sheila Dixon, Mayor

*The Greatest City in America*