

CITY OF BALTIMORE

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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CITY OF BALTIMORE
SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2012

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PART I

COMPREHENSIVE ANNUAL FINANCIAL REPORT

City of Baltimore, Maryland

Comprehensive Annual Financial Report

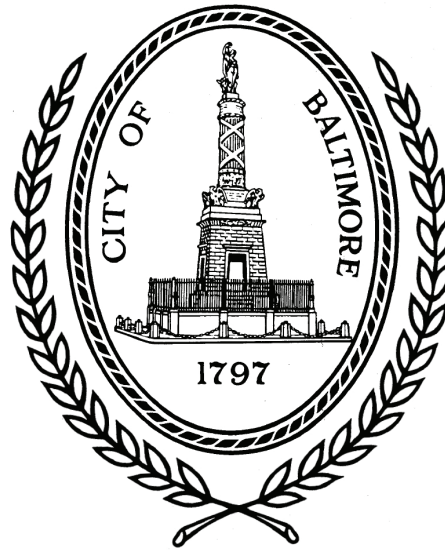
Year Ended June 30, 2012

Prepared by the Department of Finance

Harry E. Black
Director of Finance

Bureau of Accounting and Payroll Services

Michael E. Broache
Bureau Chief





ELECTED OFFICIALS

MAYOR

Stephanie Rawlings-Blake

PRESIDENT OF THE CITY COUNCIL

Bernard C. Young

COMPTROLLER

Joan M. Pratt

BOARD OF ESTIMATES

PRESIDENT

Bernard C. Young

MAYOR

Stephanie Rawlings-Blake

COMPTROLLER

Joan M. Pratt

DIRECTOR OF PUBLIC WORKS

Alfred H. Foss

CITY SOLICITOR

George A. Nilson

CITY COUNCIL

Bernard C. Young, *President*

Edward Reisinger, *Vice-President*

FIRST DISTRICT

James B. Kraft

SECOND DISTRICT

Brandon M. Scott

THIRD DISTRICT

Robert Curran

FOURTH DISTRICT

Bill Henry

FIFTH DISTRICT

Rochelle "Rikki" Spector

SIXTH DISTRICT

Sharon Green Middleton

SEVENTH DISTRICT

Nick Mosby

EIGHTH DISTRICT

Helen Holton

NINTH DISTRICT

William "Pete" Welch

TENTH DISTRICT

Edward Reisinger

ELEVENTH DISTRICT

William H. Cole IV

TWELFTH DISTRICT

Carl Stokes

THIRTEENTH DISTRICT

Warren Branch

FOURTEENTH DISTRICT

Mary Pat Clarke

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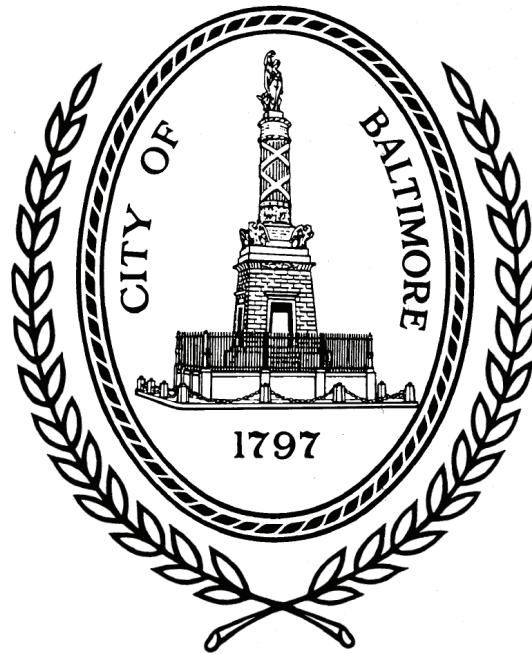
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Honorable President and Members of
The Board of Estimates
City of Baltimore, Maryland

August 19, 2013

In compliance with Article VII, Section 8, of the revised City Charter (November, 1964), submitted herewith is the Comprehensive Annual Financial Report (CAFR) of the City of Baltimore, Maryland, (the City) for the year ended June 30, 2012. The CAFR was prepared by the City's Department of Finance. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe that the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and changes in financial position of the City; and, that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been provided.

The CAFR is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter and the City's organizational chart. The financial section includes the auditor's opinion, management's discussion and analysis, basic financial statements with related notes, and required supplementary information with related notes. The financial section also includes the combining and individual fund financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

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

The City Charter established a Department of Audits under the general supervision of the City Comptroller. The Charter requires the City Auditor to "annually make a general comprehensive public report of the financial position of the City; in the discretion of the Comptroller, such report may be in the form of an opinion on the annual financial statements prepared by the Director of Finance." The Comptroller has elected to have the City Auditor render an opinion as to the fairness of the Director of Finance's presentation of the City's basic financial statements. Additionally, the Board of Estimates awarded a contract to the nationally recognized independent certified public accounting firm, KPMG LLP, to perform a joint audit with the City Auditor of the basic financial statements of the City for the year ended June 30, 2012. 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. The "Single Audit" was conducted by the City Auditor, and its Report is available as a separate document.

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

PROFILE OF THE GOVERNMENT

The Mayor and City Council of Baltimore (the City) is a body corporate and politic of the State of Maryland (the State) in which all local governmental functions are performed by the City. The City has had a charter form of government since 1797; home rule powers since 1918, and is governed by an elected Mayor, Comptroller and a City Council. The City has a total area of approximately 92 square miles and an estimated 2011 population of 619,493. 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 the adoption and maintenance of building codes, and regulation of licenses and permits, collection of certain taxes and revenues, maintenance of public records and the conduct of elections. These activities are included in the reporting entity. There are no overlapping local governmental entities or taxing jurisdictions. Accordingly, there is no overlapping debt of the City.

Under the Charter, the City's executive functions are vested in the Mayor, the Board of Estimates and an independent Comptroller. The City's legislative functions are vested in the City Council. The Mayor is the chief executive officer of the City. The Mayor is elected for a term of four years and is eligible to succeed herself without limitation as to the number of terms. If the Mayor is disabled or absent from the City, the President of the City Council acts as ex-officio Mayor. If the Mayor resigns, is permanently disqualified, or dies in office, the President of the City Council becomes Mayor for the remainder of the term. The Mayor has authority to veto ordinances, has power of appointment of most department heads and municipal officers, serves on the Board of Estimates and appoints two of the other four members of the Board of Estimates.

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

Key Budgetary Policies

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

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

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

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

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

Budget Monitoring and Execution: Budget analysts maintain ongoing contact with agency fiscal officers in the process of implementation and execution of the budget. Expenditure and revenue projections are developed and reviewed on a monthly basis. The Mayor, through the Department of Finance, exercises appropriate fiscal management to adjust budget policy, as necessary, to be within the limits of the current adopted plan. The City Council has the practice of reviewing budget performance at mid-year and during the fourth quarter.

Debt Policy: In 1990, the City adopted a formal debt policy which set annual borrowing limits, consolidated all financing arrangements within the Department of Finance, established refunding and refinancing policies, and set limits on key debt management ratios. The objective is to maintain the City's reputation as a locality having a conservative approach to all aspects of debt management, including debt service expenses, debt retirement schedules, and debt capacity ratios. During the summer of 2007, the City worked with a team of consultants from Public Resources Advisory Group and Evergreen Capital to perform a comprehensive debt study and review of the 1990 debt policy. The study did not result in any changes to the debt policy.

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 30 at a minimum level of 8% of the value of the general fund operating budget of the subsequent fiscal year.

OTHER FINANCIAL INFORMATION

Retirement Plans

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

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

Temporary Investment of Cash Balances

The City, through the Office of the Director of Finance, pursues an aggressive cash management and investment program to achieve maximum financial return on available funds. Depending on cash needs, excess funds are invested on a short, intermediate or long-term basis at the best obtainable rates. Investments are limited generally to direct or indirect obligations of the U.S. government and fully collateralized repurchase agreements. The City utilizes the practice of recording investment income in the period in which it is earned.

Risk Management

The City is self-insured in the area of casualty and property losses, including the uninsured portion of losses to City buildings and contents, vehicles, watercraft, boilers, machinery, workers' compensation and employers' liability, employees' health insurance, third party general liability and automobile liability losses. The Office of Risk Management, within the Department of Finance, administers the fund.

Internal Control

City management is responsible for establishing and maintaining effective internal control over financial reporting.

ECONOMIC PROFILE AND OUTLOOK

Baltimore is the historic, business, education and cultural center of Maryland. The City benefits from being in one of the wealthiest states in the nation and is the northern anchor of the Washington-Baltimore-Northern Virginia Combined Statistical Area — one of the largest, wealthiest and best educated population centers in the country. The City's economy has traditionally benefited from its location as it is accessible to a large and diversified workforce. With an excellent highway and rail transportation system, the City is able to access both mid-western and north-eastern markets thus supporting its international port activity. About 328,984 or 27.0% of the 1.22 million jobs in the metropolitan area are located in the City.

The City has become less dependent on traditional manufacturing industries. Manufacturing jobs comprise only 3.9% of the City's total jobs, which represents a lower percentage than the region and the State; however, health care and education related services continue to be the leading employment industry, representing 24.1% of the 2012 jobs located in the City. This proportion is considerably higher than the State and region's total of 15.8% and 18.7%, respectively. The prominence of health care and knowledge-related industries is reflected in the City's major employers. Among the ten largest non-governmental employers, nine are health care and education-related entities and one is a utility service provider. The City derives economic strength from the number of jobs in the growing health care sector, and in knowledge-information-based education and information services sectors. An increasing number of workers in the Washington, D.C. and Northern Virginia area commute to jobs from homes in Baltimore.

The City supports and builds on the strengths of its internationally renowned higher education and health care institutions, most notably the Johns Hopkins Hospital and Health System—the world's premier medical facility, and the University of Maryland School of Medicine—the nation's first public medical school and one of the nation's largest public medical school research dollar recipients. Between fiscal year 2011 and fiscal year 2012, a total of \$1.7 billion of major development in the City related to higher education and health care institutions was completed, and another \$805 million was under construction, including the Johns Hopkins Hospital – New Clinical Building, the Mercy Medical Center – Mary Catherine Bunting Center, the Maryland Proton Treatment Center, the Science and Technology Park at Johns Hopkins University, and the University of Maryland Medical System's shock trauma expansion.

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 had declined to 620,921 in 2010. This 60 year trend reflects an average monthly drop of 457 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, even though the City is not gaining residents yet, the loss rate has declined in recent years, experiencing an average monthly drop of 216 people since 2001.

Economic Outlook

After three years of constrained growth, the economy is poised for a sustained period of expansion. Increases in the Gross Domestic Product (GDP) and the stock market are pointing to continued improvement, if artificial governmental constraints, such as sequestration, are removed. GDP growth is expected to average under 2% during fiscal year 2014, with the impact of sequestration constraining the growth further. The stock market has traditionally acted as a leading indicator of the economy. The market continues to recover despite a series of shocks experienced in the summer of 2011. The European debt crises, the S&P downgrading, the fiscal cliff and sequestration have all reined in potential growth. Without these occurrences, it is likely the economy would be significantly more robust. Continued low interest rates by the Federal Reserve have provided the market with legs that it might not otherwise have had. The recent market growth suggests that the economy will continue to grow in the near term as the Dow Jones Industrial Index pushes towards a sustained level above 14,000.

For the first time in several years, the Governor's budget does not reduce State aid or place further unfunded mandates on the City, although the impact of sequestration is still an uncertainty in the State budget. Even still, the reductions in funding from previous sessions will continue to impact the City in the future. This is especially true of the educational maintenance of effort requirement that substantially escalates the City's contribution to the school system.

Jobs and Employment

Employment continues to experience very slow growth in the City, but that too should improve if the service sector continues to expand. Employment growth has slowed from the previous year with an average growth of 130 jobs per month since January 2010, and the unemployment rate continues to remain high for the City. In October 2009, the national unemployment rate peaked at 10.1%, but has since fallen to 7.8% in December of 2012. The City unemployment rate peaked in August 2010 at 11.5%, but has since leveled off and is currently 9.9% as of December 2012.

The most recent data from the State Department of Labor, Licensing and Regulation (DLLR) indicates that the City has stabilized the number of jobs. The DLLR reported an average of 328,984 jobs located in the City during calendar year 2011, which represents an increase of 0.8% compared to the average of 326,654 jobs in calendar year 2010. Total jobs in the City peaked in 2000 with 387,557 jobs; since then, the City has experienced an average decline of about 444 jobs per month through calendar year 2011. Calendar year 2011 represents the first year since 2000 where the City has experienced employment growth, which shows the improvements in the City's job market after the national recession. As of December 2012, there were an estimated 250,839 City residents employed. The difference between employed residents and jobs in the City reflects a net contribution of approximately 76,000 jobs to surrounding communities.

Retail Sales

During the 2007 Special Legislative Session, the Maryland General Assembly approved an increase in the State's retail sales tax from 5% to 6%. The new rate was effective January 1, 2008. Retail sales reported by the State of Maryland for the City showed an increase of 4.8% in fiscal year 2012, the first increase in four years. The total value of sales generated in the City increased \$254.3 million to reach the annual total of \$5.52 billion; however, sales generated in the City as a percentage of the total retail sales in the State continue to be at its lowest level of 8.1% since fiscal year 2000 peak of 9.4%. In calendar year 2012, the City experienced a gross increase of 120 new businesses and a total of 73 other businesses that relocated, expanded, reopened or signed new leases, which included about 73 restaurants and 58 retailers. In addition, the year-to-date activity shows that about 24 businesses have started operations in 2013. Retail sales activity continues to be a leading indicator of the City's economic activity.

Housing

The housing market has turned the corner and is re-gaining some of the value lost during the recession. After three consecutive years with annual transactions under 5,000, the Metropolitan Regional Information System (MRIS) reported that in calendar year 2012 a total 5,080 single-family homes were sold, representing an increase of 2.5% from the 4,957 in calendar year 2011. The total dollar value increased 28.3% compared to calendar year 2011, which was mainly explained by the increase in the average price of houses sold in the City.

Housing inventories and mortgage rates are both at low levels and are helping to sustain the housing recovery. With mortgage rates falling to well under 4% and an inventory that continues to decline, the housing market has been steadily re-gaining the value lost during the Great Recession. Over the four year span from January 2008 to January 2012, the City's median housing prices declined by 36.8%. For calendar year 2012, the average sales price was \$159,437, a gain of \$30,000 over the calendar year 2011 average price of \$129,149. The median sales price increased from \$80,000 in calendar year 2011 to \$118,950 in calendar year 2012.

The improvement in the housing market has also extended to the development of new apartments. A total of 105 new apartments were completed in the downtown area for rental between calendar years 2011 and 2012, bringing the total number of new apartments built in downtown to 5,135 since calendar year 1999. Another 661 apartment units are currently under construction in the downtown area with expected delivery time between fiscal year 2013 and fiscal year 2014, and another 373 units are in the planning phase. The City maintains a strategic position as a market for affordable housing for buyers in the region. This is particularly important as the regional market has grown to include more Washington, DC and Northern Virginia commuters.

Port

Port of Baltimore (the Port) activity is sensitive to factors affecting world trade: the state of the economies abroad and currency markets, among other factors. In calendar year 2012, the Port experienced a mixed effect in its level of activity. After two years of steady growth, the total tonnage of foreign commerce decreased about 938,000 tons or 2.4% from the 36.6 million tons handled in calendar year 2011; however, the total value increased \$2.6 billion or 5.2% from the \$51.2 billion of calendar year 2011, becoming a record year by reaching the \$53.8 billion mark. Additionally, the overall foreign and domestic cargo activity totaled 9.6 million tons in calendar year 2012, an increase of 708,000 tons or 8.0%, mainly explained by the growth of containers handled by the public terminals with 7.1% growth, and the number of automobile and roll-on/roll-off machinery moved over Baltimore's public marine terminals, which experienced 18.5% and 16.3% increases, respectively. The Port moved up two places in its standing and is now ranked as the 9th largest nationwide port in dollar value, and 11th largest nationwide in tonnage. The Port's future seems promising. The leasing agreement with Port of America to operate the Seagirt Marine Terminal, which includes the construction of the 50-foot berth and four cranes currently under construction, places the Port in an excellent competitive position for the upcoming challenges resulting from the widening of the Panama Canal.

Tourism and Travel Industry

The tourism and travel industries experienced a record year in fiscal year 2012. During fiscal year 2012, the Baltimore Convention Center repeated the number of hosted events of 162 events experienced in fiscal year 2011, which represented 31 events more than the 131 in fiscal year 2010; however, the average attendance per event increased 27.5% in fiscal year 2012 from 3,015 to 3,843. Even though the number of available hotel rooms in the City has not significantly changed from the fiscal year 2011 average of 285,000 rooms per month, the average demand increased 2.1% and the occupancy rate increased from 62.0% in fiscal year 2011 to 63.0% in fiscal year 2012. Due to the increase in demand, the average room

rate increased 0.7% to \$135.9. On the other hand, the travel industry continued improving in fiscal year 2012. There were about 22.6 million commercial passengers that used the Baltimore Washington International Thurgood Marshall Airport (BWI), representing an increase of 0.6% compared to fiscal year 2011. Cruise activity through the Port experienced another extraordinary year in fiscal year 2012. For a second year in a row, more than 100 cruises departed from the port carrying 240,676 passengers. In fiscal year 2012, the Port ranked fifth among East Coast ports, 11th nationwide and 20th worldwide.

Office Development

In fiscal year 2012, the City's office market continued increasing its total market size and number of office buildings, while declining its vacancy rate. The City experienced an increase of its office market size by 0.1% to 22.9 million square feet compared to 22.8 million square feet as of June 2011. Net absorption increased 115,252 square feet or 62.0% over what was experienced in fiscal year 2011. Vacancy rate decreased 5.6% to 17.5%, and the average retail price was virtually maintained at \$21 per square foot. The change in the vacancy rate was experienced citywide, marking the tenth consecutive quarter of vacancy rate reduction. The redevelopment of the southern portion of the City, which includes the construction of McHenry Row at 1500 Whetstone Way, and Under Armour's (a public company whose mission is Make All Athletes Better) expansion to the former Tide Point area, is considered one of the main drivers to the office market improvement. Represented by 14 properties and about 750,000 square feet of available space, the southern part of the City experienced a 6.1% vacancy rate and rental rates of \$29.7 per square foot as of June 2012. Other mid-size leasing transactions occurred in fiscal year 2012 that contributed to the net market absorption. Some of the most relevant leasing agreements include the 234,000 square feet leased by the Maryland Department of Health and Mental Hygiene at 1770 Ashland Avenue. The States Attorney's Office leased 64,756 square feet of 120 West Baltimore Street; while the US General Services Administration entered into a 43,444 square feet leasing agreement at the 3701 Koppers Street building. PNC Financial Service Group relocated its Baltimore-area headquarters to the Verizon Building at 1 East Pratt Street and leased an additional 16,000 square feet of this building to occupy a total 135,000 square feet.

FINANCIAL ACCOMPLISHMENTS

Providing a broad range of urban services with a limited tax base requires maximizing the 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 year 2012 follow:

- The City maintained a General Obligation (G.O.) bond rating of 'Aa2' from Moody's Investors Service and 'AA-' from Standard & Poor's in May 2010. As Moody's noted in its 2009 report when discussing the City's stable rating outlook given the current economic climate, "the rating reflects the City's sound financial position, characterized by recently-enhanced fiscal policies, healthy fund balance levels, and sustained operating stability through several economic cycles."
- The City has taken important steps to comply with Governmental Accounting Standards Board (GASB) 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB), 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. As of June 30, 2012, the OPEB Trust had net assets of \$262.4 million, which is an increase from \$207.1 million as of June 30, 2011. Unfunded actuarial accrued liabilities declined from \$2.02 billion in the fiscal year 2011 valuation to \$1.49 billion in the fiscal year 2012 valuation. The reduction in liabilities is from several actions taken by the City over the past two years, including redesign of the City's medical plans, cost-sharing for prescription drug coverage, and establishment of a waiver plan for Medicare drug coverage that accounts for increased federal subsidies.
- By 2020, federal prescription drug coverage for Medicare Part D enrollees will be equivalent to the level currently funded by the City and the City will sunset its supplemental prescription drug benefit. As a result of the decrease in unfunded liability and planned future savings, the City is able to reduce its contribution to the OPEB Trust from \$8.5 million in fiscal year 2013 to a proposed \$3.5 million for fiscal year 2014.

The positive outcome of effective financial management is evident in the City's general fund balance sheet position. Despite a global recession, the City still maintained a balance of \$90,060,000 in its budget stabilization fund as of June 30, 2012. When combined with an unassigned fund balance of \$1,640,000, the total of \$91,700,000 comprises 6.5% of general fund revenues, a positive reflection on the strength of the City's balance sheet.

MAJOR INITIATIVES AND ACCOMPLISHMENTS

The City of Baltimore faces a number of challenges that are not unique to many older cities. This Administration is in the midst of an aggressive plan to grow the City's population base by 10,000 families over the next 10 years. In order to achieve this aggressive vision, the Administration has identified six priority outcomes to provide a framework for funding City services. All of the strategies and initiatives funded within these priority outcomes seek to make Baltimore a better, safer, and stronger City for its residents and visitors.

The following sections highlight key advances that have been made across Baltimore's six priority outcomes.

Better Schools

Fulfilled Commitment to Baltimore City Schools: The City fulfilled its \$201.3 million maintenance of effort to Baltimore City Public Schools, this funding supported debt service payments for a variety of capital projects, retiree health benefits, and funding for school crossing guards. In fiscal year 2012, the City began to prepare for a major push towards to new school construction to improve the physical quality of Baltimore's schools.

Enhancing Workforce Training Opportunities: Increased funding was provided to ensure nearly 700 out-of-school youth will have access to vital educational, workforce and personal support services.

Maintained Funding for School Health Services and City Libraries: Both of these services play an important role in improving the mental and physical well being of Baltimore's population. This funding allowed the Health Department to continue to operate all school-based centers at the prior year's level. Additionally, the Enoch Pratt Free Library was able to keep all branches open while continuing to offer literacy and job training programs.

Safer Streets

Continued the Mayor's Aggressive Police Hiring Plan: The fiscal year 2012 budget provided the resources necessary to continue the Mayor's plan to reduce the number of police vacancies through aggressive recruitment and training efforts. This plan seeks to increase the number of police officers on the street while reducing the agency's overtime spending.

Continued Outreach to Frequent 911 Callers: The fiscal year 2012 budget continued to fund Operation CARE, which is a partnership between the Health Department and Fire Department. The collaborative approach connects the most frequent 911 callers with nurses and primary medical care to reduce the number of 911 calls for non-emergency events.

Continued Commitment to Youth Violence Prevention: The fiscal year 2012 budget supported evidence-based youth violence prevention programming that has proven to reduce violence in targeted neighborhoods.

Ongoing Investments in Crime Camera Technology: Crime cameras have been proven to reduce crime by 25% in targeted neighborhoods. The fiscal year 2012 budget supported the operation of 515 crime cameras throughout the City.

Stronger Neighborhoods

Implementation of Vacants-to-Value Initiative: The fiscal year 2012 budget provided increased funding for blight elimination and code enforcement activities that are focused on reducing the number of vacant structures throughout Baltimore. This initiative has resulted in a streamlined property disposition process and strategic enforcement of City housing code requirements.

Ongoing Investment in Recreation Centers and Swimming Pools: The Department of Recreation and Parks provided a full range of recreational opportunities to residents of all ages at the City's recreation centers and aquatics facilities. In fiscal year 2012, the City began to implement the Mayor's Recreation Center Task Force Report that was focused on improving the quality of recreation centers while partnering with non-profit organizations to operate the facilities.

Promote Sustainable Transportation in Baltimore's Neighborhoods: Through the Department of Transportation (DOT), the fiscal year 2012 budget continued to provide free public transit options for residents and visitors with the operation of the Charm City Circulator. DOT also continued to promote other sustainable forms of transit including biking and walking.

A Growing Economy

Increased Funding for Small Business Support and Career Centers: Baltimore, like the rest of the nation, has been faced with ongoing uncertainty regarding the job market. The City continued to make investments in small business development in key growth sectors. The budget also supported community job hubs to connect residents with employment opportunities.

Support Economic Development Activities through the Baltimore Development Corporation: The fiscal year 2012 budget provided operating funds to the Baltimore Development Corporation (BDC). With these funds, BDC focused on retaining current business while attracting new businesses. BDC also lead efforts in negotiating the sale or lease of City-owned property for the purpose of business development. All of these efforts taken together are intended to grow the overall tax base of Baltimore City.

Provide Funding for Ongoing Youth Job Training through the Youthworks Program: This initiative worked to connect City youth with summer job placement opportunities. Program participants were exposed to a variety of career opportunities and skill development to prepare them for future employment.

Innovative Government

Investments in Innovation: Fiscal year 2012 was the first year of utilizing a revolving fund to invest in ideas with the potential to improve service delivery for citizens while reducing costs. In fiscal year 2012, three projects received funding. These projects included modernizing the building plan review and permitting process, making the food inspection process paperless, and recordkeeping upgrades in the City's health lab. Savings resulting from these projects will be returned to the revolving fund to continue investing in new ideas.

Reduction in Overhead Administrative Costs: In a push to increase efficiency, administrative costs were reduced by 10% across all the City's major agencies.

Continued 311 Call Center Operations: The fiscal year 2012 budget continued the operations of the 311 call centers. This played an important role in providing a single point of contact for residents requesting services, as well as obtaining general information. In fiscal year 2012, call centers were operational seven days per week.

A Cleaner and Healthier City

Implement City Food Policy Plan to Reduce Food Deserts: This plan, born out of task force findings, is focused on increasing access to healthy foods while fighting childhood obesity.

Continue to Encourage Recycling Activities: The fiscal year 2012 budget provided full funding to the 1+1 trash and recycling program with the goal of providing recycling services to City residents in a manner that is user-friendly and encourages increased recycling.

Support Proactive Tree Maintenance Efforts: Through the Urban Forestry program, this initiative implemented a proactive tree pruning program aimed at reducing fallen limbs resulting from significant weather events.

Ongoing Funding for Baby Basics Maternal Health Program: In fiscal year 2012, the budget provided funding to the Family League of Baltimore City to continue implementing the Baby Basics Program. This effort provides pre and post-natal services to high risk mothers. This effort is an important component in improving positive birth outcomes throughout the City.

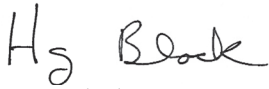
ACKNOWLEDGEMENTS

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

Respectfully submitted,

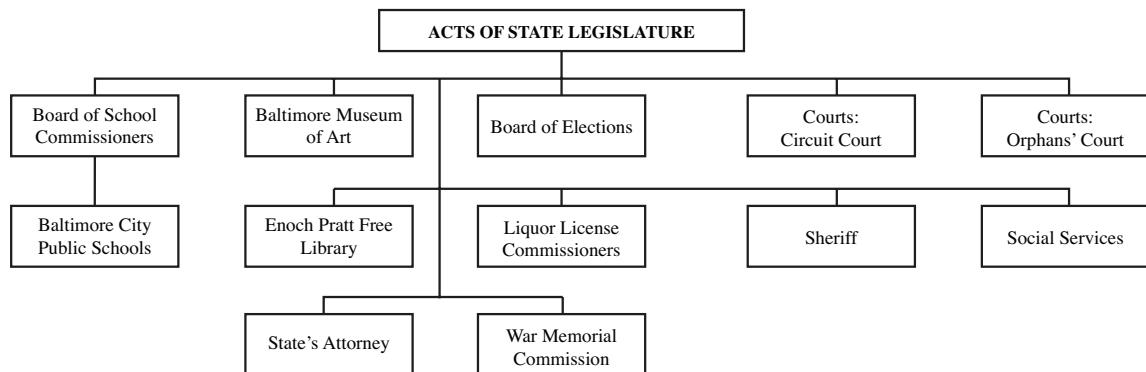
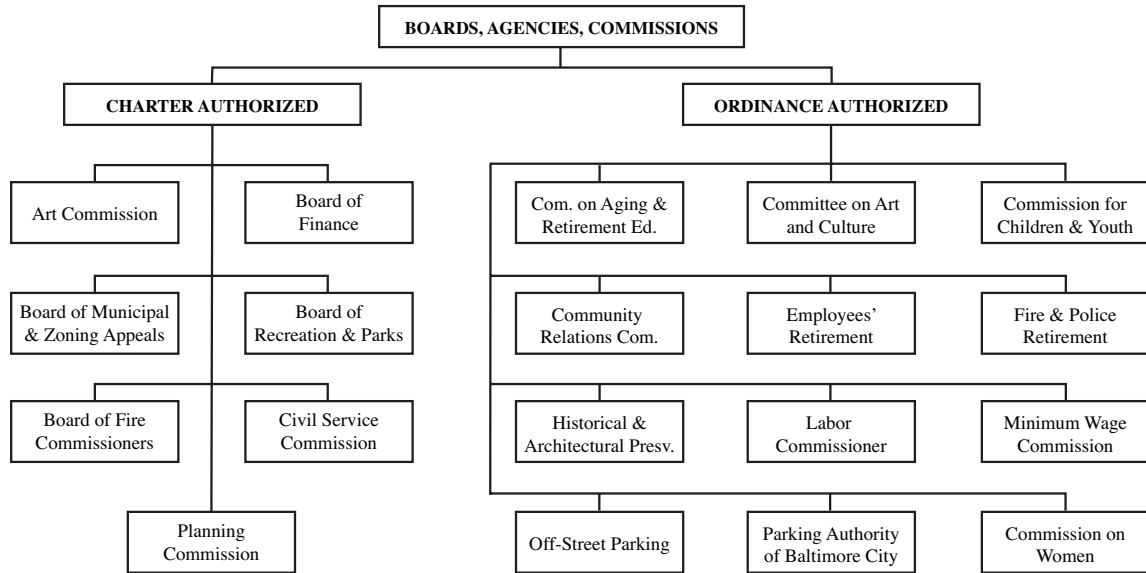
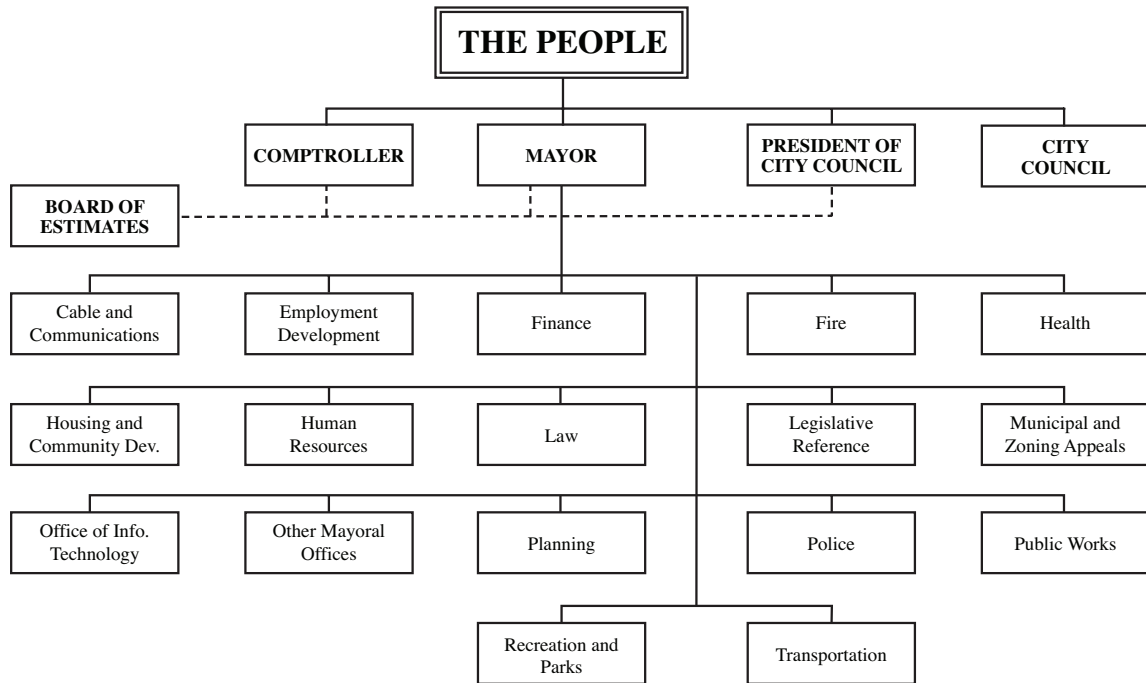
A handwritten signature in black ink, appearing to read "Stephanie Rawlings-Blake". The signature is fluid and cursive, with the first name "Stephanie" written in a larger, more prominent script than the last name "Rawlings-Blake".

Stephanie Rawlings-Blake
Mayor

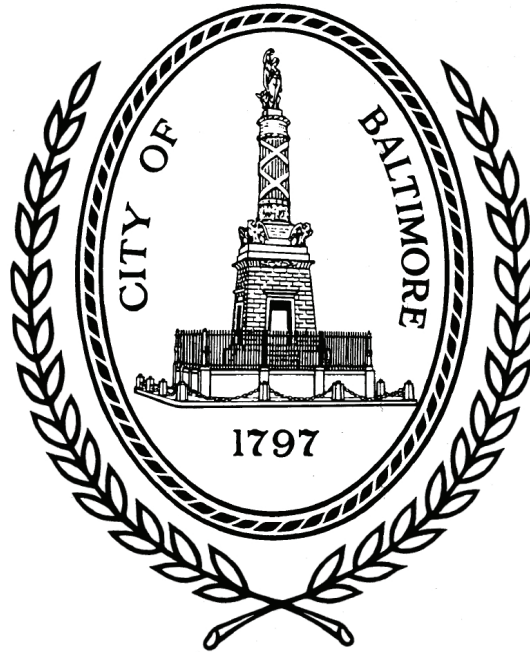
A handwritten signature in black ink, appearing to read "Harry Black". The signature is written in a simple, cursive style, with the first name "Harry" and the last name "Black" clearly legible.

Harry Black
Director of Finance

MUNICIPAL ORGANIZATION CHART



FINANCIAL SECTION



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

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CITY OF BALTIMORE
STEPHANIE RAWLINGS-BLAKE
 Mayor



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

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

Independent Auditor’s Report

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

We have jointly audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Baltimore, Maryland (the City), as of and for the year ended June 30, 2012, 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. We also did not audit the Baltimore City Public School System and the Baltimore Hotel Corporation, which comprise the City’s discretely presented component units. The financial statements of the Pension Trust Funds were audited by the City Auditor acting separately whose report thereon has been furnished to us. The Baltimore City Public School System and the Baltimore Hotel Corporation were audited by other auditors whose reports thereon have been furnished to us. Our opinions, insofar as they relate to the amounts included for the Pension Trust Funds, the Baltimore City Public School System and the Baltimore Hotel Corporation, are based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 provides 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, 2012, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2013 on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

U.S. generally accepted accounting principles require that the management’s discussion and analysis and the required supplementary information on pages 3 through 15 and on pages 73 through 78 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to

the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted principally of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, the combining and individual fund statements and schedules and the statistical section as listed in the accompanying table of contents 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 in the audit of the basic financial statements and, in our opinion, in conjunction with other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and the statistical section have not been subjected to the auditing procedures applied 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



Independent Auditors

August 19, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

This section of the City of Baltimore's (City) Comprehensive Annual Financial Report (CAFR) presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

FINANCIAL HIGHLIGHTS

The assets of the City exceeded its liabilities at the close of fiscal year 2012 by \$4.3 billion (net assets). This amount includes \$13.0 million (restricted net assets) and is net of an unrestricted deficit of \$237.9 million. During the fiscal year, the City's total net assets increased by \$138.0 million.

As of June 30, 2012, the City's governmental funds reported combined ending fund balances of \$253.6 million. At the close of the fiscal year, unassigned fund balance for the general fund was \$91.7 million.

The City's total long-term debt decreased by \$64.0 million, during fiscal year 2012.

OVERVIEW OF THE FINANCIAL STATEMENTS

Governmental Accounting Standards Board Statement No. 34 requires the utilization of dual focus financial reporting. The purpose of this overview is to provide the reader with an introduction to the City's basic financial statements prepared under these reporting requirements.

The City's basic financial statements comprise three components:

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

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

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

Financial Report Layout and Structure

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

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

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

C A F R	Introductory Section				
	Financial Section				
		Management's Discussion and Analysis			
		Government-wide Statements	Fund Statements		
			Governmental Funds	Proprietary Funds	Fiduciary Funds
	View	Broad overview similar to a private sector business	Grouping of related activities used by state and local governments to ensure and demonstrate compliance with finance-related legal requirements		
	TYPES OF FINANCIAL STATEMENTS	Statement of Net 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
	Notes to the Basic Financial Statements				
	Required Supplementary Information				
	Combining and Individual Fund Statements and Schedules				
	Statistical Section				

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. This section contains the Statement of Net 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 prepared its own financial statements, which are also prepared in conformity with GASB 34 and audited. The Baltimore Hotel Corporation prepared its own financial statements in conformity to FASB ASC 958, *Not-for-Profit Entities*.

Fund Financial Statements

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

Governmental funds

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

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.

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 2012 and 2011
(Expressed in Thousands)

	Governmental activities		Business-type activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets including deferred outflows of resources	\$ 978,953	\$ 986,080	\$ 780,377	\$ 800,107	\$ 1,759,330	\$ 1,786,187
Capital assets, net	3,480,923	3,451,706	2,805,520	2,640,079	6,286,443	6,091,785
Total assets	4,459,876	4,437,786	3,585,897	3,440,186	8,045,773	7,877,972
Long-term liabilities outstanding	1,557,038	1,587,339	1,404,956	1,451,818	2,961,994	3,039,157
Other liabilities	471,097	441,596	290,069	212,676	761,166	654,272
Total liabilities	2,028,135	2,028,935	1,695,025	1,664,494	3,723,160	3,693,429
Net assets:						
Invested in capital assets, net of related debt	2,739,761	2,989,607	1,646,769	1,461,618	4,386,530	4,451,225
Restricted	13,013	14,931	160,955	142,070	173,968	157,001
Unrestricted	(321,033)	(595,687)	83,148	172,004	(237,885)	(423,683)
Total net assets and deferred outflows of resources	\$ 2,431,741	\$ 2,408,851	\$ 1,890,872	\$ 1,775,692	\$ 4,322,613	\$ 4,184,543

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 \$4.3 billion at the close of fiscal year 2012. 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, \$13.0 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance is a deficit in unrestricted net assets of \$237.9 million.

CITY OF BALTIMORE Changes in Net Assets For the fiscal years 2012 and 2011

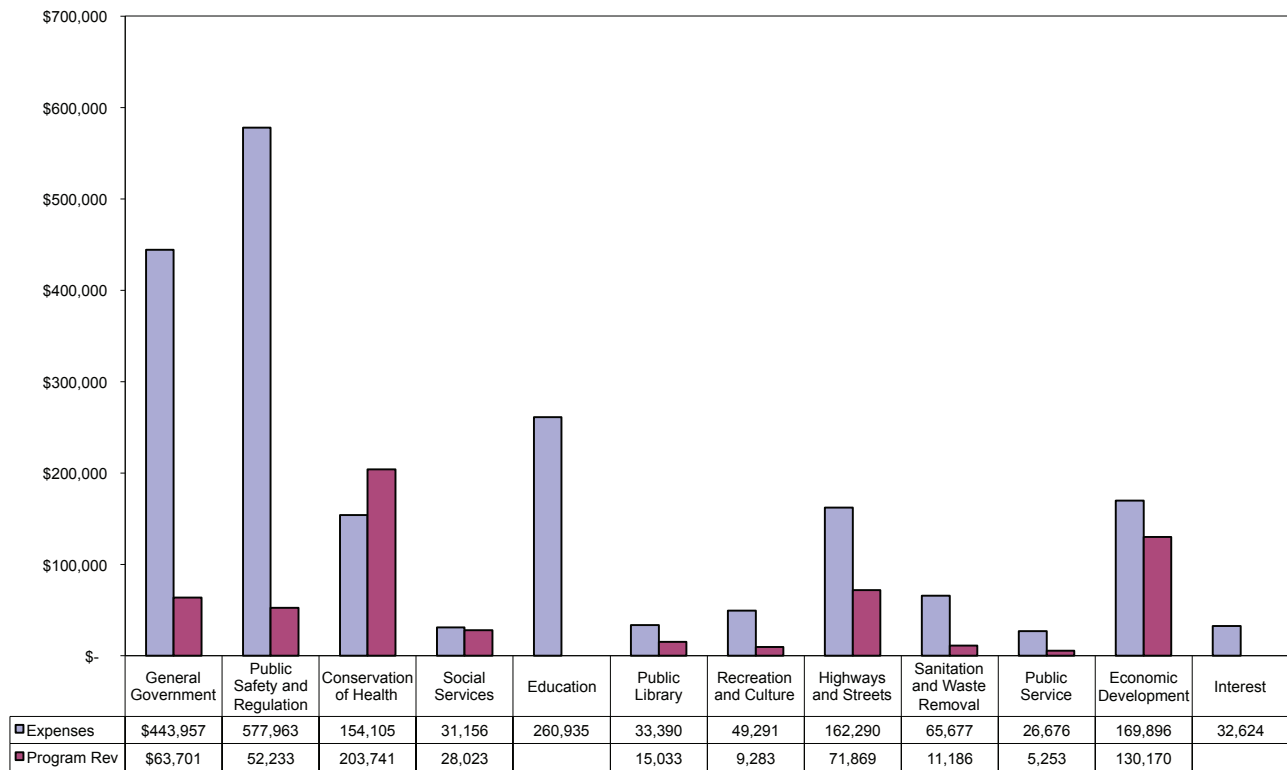
(Expressed in Thousands)

	Governmental activities		Business-type activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 118,556	\$109,872	\$ 405,735	\$ 382,387	\$ 524,291	\$ 492,259
Operating grants and contributions	400,678	399,844			400,678	399,844
Capital grants and contributions	71,258	72,758	100,922	72,257	172,180	145,015
General revenues:						
Property taxes	769,094	813,613			769,094	813,613
Income taxes	257,893	234,955			257,893	234,955
State shared revenue	130,286	127,433			130,286	127,433
Transfer and recordation tax	42,973	41,270			42,973	41,270
Electric and gas tax	35,684	37,532			35,684	37,532
Telecommunications tax	34,185	34,937			34,185	34,937
Admission	7,581	8,185			7,581	8,185
Other	112,216	85,042	3,075	5,743	115,291	90,785
Total revenues	1,980,404	1,965,441	509,732	460,387	2,490,136	2,425,828
Expenses:						
General government	443,957	452,449			443,957	452,449
Public safety and regulation	577,963	525,792			577,963	525,792
Conservation of health	154,105	151,192			154,105	151,192
Social services	31,156	14,581			31,156	14,581
Education	260,935	265,204			260,935	265,204
Public library	33,390	33,309			33,390	33,309
Recreation and culture	49,291	48,165			49,291	48,165
Highways and streets	162,290	140,309			162,290	140,309
Sanitation and waste removal	65,677	61,605			65,677	61,605
Public service	26,676	25,059			26,676	25,059
Economic development	169,896	183,331			169,896	183,331
Interest	32,624	47,391			32,624	47,391
Water			131,271	120,736	131,271	120,736
Waste water			173,106	159,776	173,106	159,776
Parking			25,332	19,853	25,332	19,853
Nonmajor proprietary			13,287	13,860	13,287	13,860
Total expenses	2,007,960	1,948,387	342,996	314,225	2,350,956	2,262,612
Increase (decrease) in net assets before transfers	(27,556)	17,054	166,736	146,162	139,180	163,216
Transfers:						
Transfers in (out)	50,446	55,522	(50,446)	(55,522)		
Change in net assets	22,890	72,576	116,290	90,640	139,180	163,216
Net assets— beginning	2,408,851	2,336,275	1,774,582	1,685,052	4,183,433	4,021,327
Net assets— ending	\$2,431,741	\$2,408,851	\$1,890,872	\$1,775,692	\$4,322,613	\$4,184,543

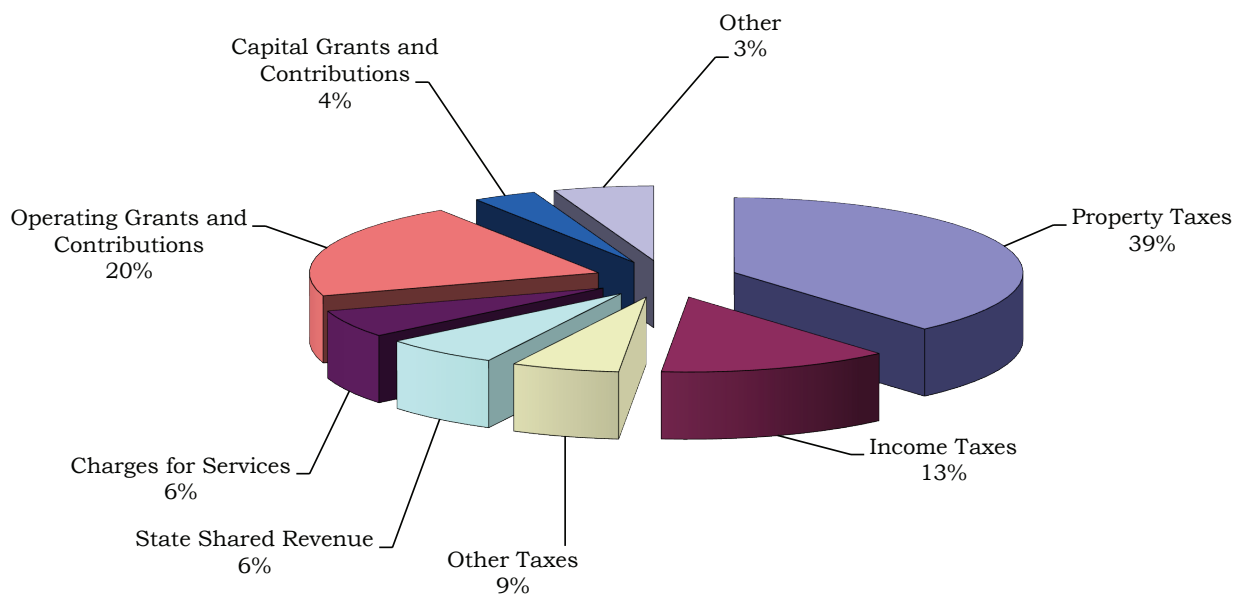
Analysis of Changes in Net Assets

The overall increase in the City’s net assets amounted to \$139.2 million during fiscal year 2012. These changes are explained in the government and business-type activities discussion below.

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



Revenues By Source — Governmental Activities



Governmental Activities

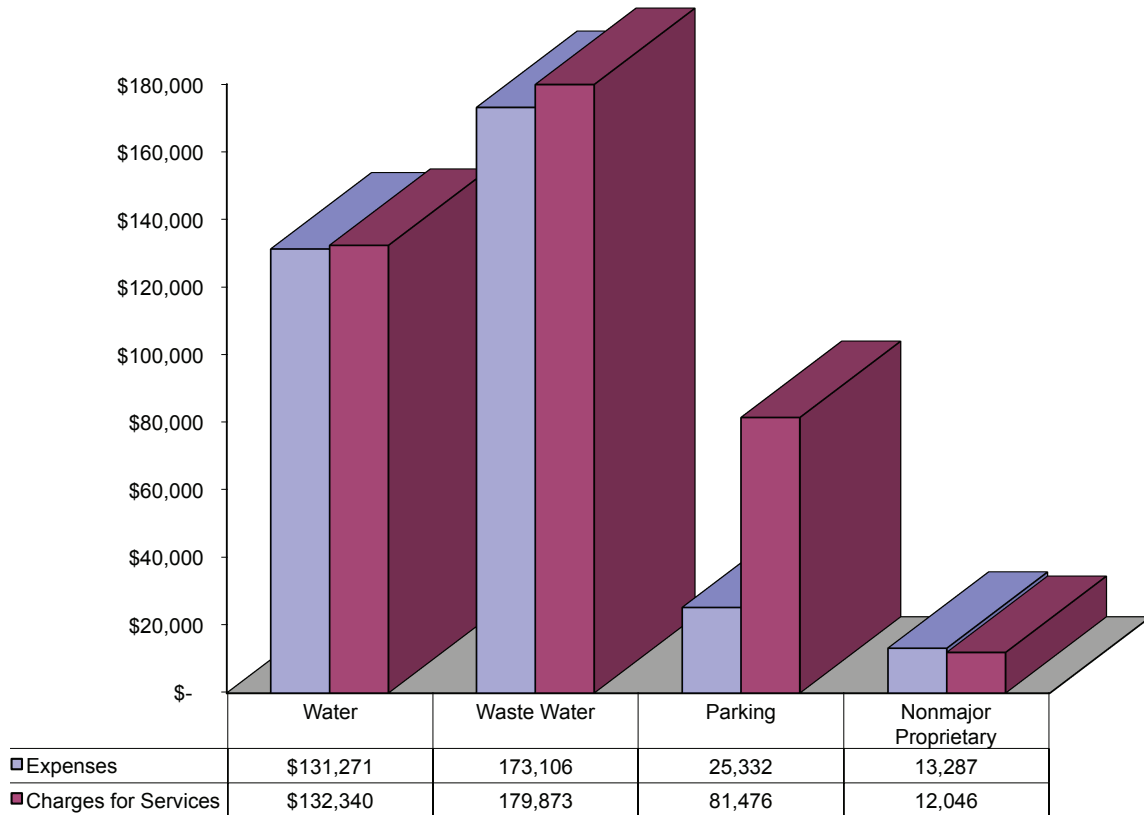
During the current fiscal year, expenses related to governmental activities amounted to \$2.0 billion, this is greater than revenues by \$27.5 million. Total revenue of \$1.9 billion is comprised of program revenues totaling \$590.5 million, or

29.8%. 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 2012, governmental revenue increased by \$15.0 million. This increase is primarily attributable to increases in charges for services and income taxes, which was offset by a decrease in property taxes.

Governmental expenses increased by \$59.6 million during fiscal year 2012. This increase is primarily attributable to increases in public safety of \$52.2 million and in highways and streets of \$22.0 million.

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



Business-type Activities

Charges for services represent the principal revenue source for the City’s business-type activities. During the current fiscal year, revenue from business-type activities totaled \$509.7 million. Expenses and transfers for these activities totaled \$393.4 million and resulted in an increase in net assets of \$116.3 million.

Operating revenues increased by \$22.8 million in fiscal year 2012 in the Water and Waste Water Utility Funds. The increase was attributable to a utility rate increase implemented during the fiscal year. Capital assets increased by \$165.4 million as a result of the two utilities funds’ efforts to build environmentally sound facilities.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the City's financing requirements. In particular, an unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year. Types of major governmental funds reported by the City include the general fund, 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 nonmajor funds. Effective June 30, 2012, the assets and liabilities of the motor vehicle fund were transferred to the general fund. Future operations will also be accounted for in the general fund.

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

For the Fiscal Years 2012 and 2011

(Expressed in Thousands)

	2012	2011	Variance Amount
Revenues:			
General fund:			
Property taxes	\$ 731,410	\$793,717	\$ (62,307)
Income taxes	257,893	234,955	22,938
Other local— taxes	217,281	147,366	69,915
Total local taxes	1,206,584	1,176,038	30,546
Licenses and permits	37,585	42,129	(4,544)
Interest, rentals, and other investment income	16,244	21,903	(5,659)
Federal grants	226		226
State grants	95,651	89,453	6,198
Other	51,649	53,313	(1,664)
Total revenues— general fund	1,407,939	1,382,836	25,103
Other governmental funds:			
Motor vehicle fund	169,768	160,974	8,794
Grants revenue fund	285,240	292,887	(7,647)
Capital projects fund	93,966	84,230	9,736
Other funds	29,339	26,245	3,094
Total revenues other governmental funds	578,313	564,336	13,977
Total revenues all governmental funds	1,986,252	1,947,172	39,080
Expenditures:			
General fund:			
General government	387,650	375,814	11,836
Public safety and regulation	463,410	452,977	10,433
Conservation of health	44,033	44,076	(43)
Social services	707	1,361	(654)
Education	254,626	247,074	7,552
Public library	23,829	23,890	(61)
Recreation and culture	34,749	37,981	(3,232)
Highways and streets	19,336	16,838	2,498
Sanitation and waste removal	40,936	39,503	1,433
Public service	17,350	16,403	947
Economic development	46,741	36,589	10,152
Total expenditures— general fund	1,333,367	1,292,506	40,861
Other governmental funds:			
Motor vehicle fund	148,769	140,223	8,546
Grants revenue fund	298,287	292,497	5,790
Capital projects fund	208,837	199,217	9,620
Other funds	114,521	119,750	(5,229)
Total expenditures other governmental funds	770,414	751,687	18,727
Total expenditures all governmental funds	2,103,781	2,044,193	59,588
Excess of expenditures over revenue	(117,529)	(97,021)	(20,508)
Other financing sources:			
Transfers, net	50,446	27,422	23,024
Capital Projects Fund:			
Capital leases	41,460	11,020	30,440
Face value of funding and refunding general obligation bonds		54,730	(54,730)
Total other financing sources	91,906	93,172	(1,266)
Net changes in fund balances	(25,623)	(3,849)	(21,774)
Fund balances beginning	279,236	283,085	(3,849)
Fund balances ending	\$ 253,613	\$ 279,236	\$ (25,623)

Revenues for governmental functions overall totaled approximately \$2.0 billion in the fiscal year ended June 30, 2012, which represents an increase of 2.0% from the fiscal year ended June 30, 2011. Expenditures for governmental functions, totaling \$2.1 billion, increased by approximately 2.9% from the fiscal year ended June 30, 2011. In the fiscal year ended June 30, 2012, expenditures for governmental functions exceeded revenues by \$117.5 million, or 5.9%.

The General Fund is the chief operating fund of the City. Revenue in the General Fund increased \$25.1 million as compared to last year. This increase was attributed to increases in income taxes and other local taxes in fiscal year 2012. During fiscal year 2012, General Fund expenditures increased by \$40.9 million.

The primary areas of change in the general fund expenditures were in general government, education, public safety and economic development.

General government expenditures increased because of the effect of the continued economic downturn on the operation of the general fund.

Education expenditures increased primarily because of the retiree health care costs.

Public safety expenditures increased by \$10.4 million due to increased police and fire overtime.

At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$97.1 million, while total fund balance was \$256.0 million. The fund balance in the City's General Fund increased by \$51.1 million during the fiscal year, which includes the residual equity transfer from the Motor Vehicle Fund in the amount of \$30.3 million.

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 \$169.8 million were more than outlays of \$148.8 million by \$21.0 million. The fund balance increased from \$17.8 million to \$30.3 million during the fiscal year. Effective June 30, 2012, the remaining fund balance was transferred to the general fund where future operations will be accounted for.

The Grants Revenue Fund is used to account for the spending of various Federal, State and special purpose grant funds. Most of these grants are funded on an expenditure reimbursement basis and the application of Governmental Accounting Standards Board Statement No. 33 rules on revenue recognition results in year-to-year fluctuations in the fund balance.

The Capital Projects Fund is used to account for the overall financing and expenditures of uncompleted projects. The fund deficit of \$(5.3) million represents authorized projects which are still in progress.

Proprietary Funds

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

	(Expressed in Thousands)					
	Water and Waste Water Utility Funds		Parking Facility Fund		Nonmajor Other Funds	
	2012	2011	2012	2011	2012	2011
Operating revenue	\$ 312,213	\$289,368	\$ 81,476	\$ 83,040	\$ 12,046	\$ 9,979
Operating expenses	269,196	252,040	13,366	13,165	13,168	13,887
Operating income (loss)	43,017	37,328	68,110	69,875	(1,122)	(3,908)
Non operating revenues (expenses), capital contributions, and transfers	71,874	47,739	(62,412)	(64,940)	800	3,640
Change in net assets	\$ 114,891	\$ 85,067	\$ 5,698	\$ 4,935	\$ (322)	\$ (268)

As discussed in the Business-type activities section, the Water and Waste Water Utilities Funds experienced operating revenue increases in fiscal year 2012. These increases are attributable to rate increases implemented in fiscal year 2012.

The Parking Facilities Fund revenues decreased during the current year. This is primarily due to a decrease in parking fine, penalty and special parking revenues.

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, 2012

(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance With Original Budget Positive (Negative)	Variance With Final Budget Positive (Negative)
Total revenues	\$1,388,722	\$1,388,722	\$1,406,147	\$17,425	\$17,425
Expenditures and encumbrances:					
General government	367,423	369,802	376,891	(9,468)	(7,089)
Public safety and regulation	492,477	492,477	492,824	(347)	(347)
Conservation of health	26,758	26,849	24,917	1,841	1,932
Social services	2,053	2,102	2,128	(75)	(26)
Education	255,526	258,196	258,151	(2,625)	45
Public library	23,132	23,382	21,818	1,314	1,564
Recreation and culture	31,987	31,987	31,449	538	538
Highways and streets	13,199	13,199	13,287	(88)	(88)
Sanitation and waste removal	46,963	47,079	44,813	2,150	2,266
Public service	29,134	29,159	27,913	1,221	1,246
Economic development	41,905	42,588	40,897	1,008	1,691
Total expenditures	1,330,557	1,336,820	1,335,088	(4,531)	1,732
Excess of revenues over expenditures and encumbrances	58,165	51,902	71,059		
Other financing uses:					
Transfers in	41,652	41,652	44,959		
Transfers out	(96,834)	(96,834)	(98,797)		
Total other financing uses	(55,182)	(55,182)	(53,838)		
Net changes in fund balances	2,983	(3,280)	17,221		
Fund balances beginning	149,986	149,986	149,986		
Residual equity transfer in			30,338		
Fund balances ending	\$ 152,969	\$ 146,706	197,545		
Adjustments to reconcile to GAAP basis:					
Addition of encumbrances outstanding			65,793		
Less: Accounts payable not recorded for budgetary purposes			(7,366)		
Fund balance June 30, 2012 - GAAP Basis			\$ 255,972		

The City's final budget differs from the original budget in that it contains carry-forward appropriations for various programs and projects, and supplemental appropriations approved after adoption, and during the fiscal year. During fiscal year 2012, no supplemental appropriation ordinances were required for the general fund or the motor vehicle fund. Actual expenditures for the year were more than the original budget by \$4.5 million, but were \$1.7 million less than adjusted appropriations. Of this amount, \$(5.5) million was related to four governmental activities: higher than budgeted cost for general government operations amounted to \$7.1 million; higher than budgeted cost for public safety operations amounted to \$347 thousand; lower than budgeted cost for health operations amounted to \$1.9 million, and higher than budgeted cost for social services amounted to \$26 thousand.

On a budgetary basis, revenue for fiscal year 2012 totaled \$1,406.1 million and expenditures and transfers totaled \$1,388.9 million. The excess of revenues over expenditures and transfers resulted in a budget basis fund balance at June 30, 2012 of \$197.5 million, an increase of \$17.2 million.

Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2012, amount to \$6.3 billion (net of accumulated depreciation). Capital assets include land, buildings and improvements, machinery and equipment, park facilities, roads, streets, bridges, and library books. The total increase in the City's net capital assets for the current fiscal year was 3.2% (a 0.8% increase for governmental activities and a 6.3% increase for business-type activities) as shown in the table which follows.

Capital Assets, Net of Depreciation For the Fiscal Years 2012 and 2011

(Expressed in Thousands)

	Governmental activities		Business-type activities		Total	
	2012	2011	2012	2011	2012	2011
Land and Other.....	\$ 374,233	\$ 374,437	\$ 36,597	\$ 36,597	\$ 410,830	\$ 411,034
Buildings and Improvements.....	1,024,243	1,048,649	1,898,303	1,946,997	2,922,546	2,995,646
Machinery and Equipment.....	86,167	92,340	49,229	26,823	135,396	119,163
Infrastructure.....	1,736,971	1,690,969	153,448	45,669	1,890,419	1,736,638
Library Books.....	25,162	26,473			25,162	26,473
Construction in Progress.....	234,147	218,838	667,943	583,993	902,090	802,831
Total.....	\$3,480,923	\$ 3,451,706	\$ 2,805,520	\$ 2,640,079	\$ 6,286,443	\$ 6,091,785

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 \$2.5 billion. Of this amount, \$570.1 million was general obligation bonds backed by the full faith and credit of the City, \$411.4 million was revenue bonds for governmental activity at the Convention Center, the Convention Center Hotel, for various storm water projects and transportation bonds, and \$1.5 billion was revenue bonds related to commercial business activity. The remainder includes revenue bonds, and other obligations of City business and governmental activities.

During fiscal year 2012, the City sold \$4.1 million in revenue bonds.

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

	FY 2012	FY 2011
Net general bonded debt (expressed in thousands).....	\$533,352	\$594,696
Net general bonded debt per capita.....	N/A	959.97
Ratio of net general bonded debt to net assessed value.....	1.7%	1.5%

See note number 7 on long-term obligations.

N/A Information not available

As of June 30, 2012, the City had \$570.1 million in authorized, outstanding property tax-supported general obligation bonds. This amount is reduced by net assets in the Debt Service Fund of \$36.8 million for net tax-supported bonded debt of \$533.3 million, which is equal to approximately 1.7% of the assessed value of property (net of exemptions). There are an additional \$247.7 million in bonds that are authorized, but unissued.

Economic Factors and Next Year's Budget and Rates

The fiscal 2013 budget submitted by the Board of Estimates to the Baltimore City Council proposed total appropriations of \$3,069,661,000 of which \$1,558,141,000 were for General Fund operations and Pay-As-You-Go (PAYGO) capital. The City Council, after deliberations pursuant to Charter requirement and power, made no reductions to the total General Fund or other fund appropriations. The property tax rates on real property and personal property were maintained at \$2.268 and \$5.67 per \$100 of assessed valuation, respectively. The locally imposed and State mandated income tax rate was 3.20%. The Ordinance of Estimates was adopted by the City Council and signed by the Mayor on June 25, 2012.

Fiscal 2013 Budget—Economic Factors

A pattern of subdued economic growth began to emerge in some sectors of the economy during fiscal 2012. Still it will be some time before the City's economy returns to the robustness displayed prior to the Great Recession, which bottomed out in mid-2009. It is expected that the City will continue to see modest growth in employment and consumption in fiscal 2013 and fiscal 2014, but that the poor recovery in the housing market will act as a brake to significant, broad economic growth in the City.

The gross domestic product (GDP), the value of all goods and services produced within the United States, increased by 6.2% between the second quarter of 2009, the bottom of the recession, and the fourth quarter of 2011. Employment in the City has slowly grown, up from a low of 243,712 in January 2010 to 250,713 in December 2011; this is still down from a high of 264,000 in June 2007. Housing prices are providing signs that the bottom may have been reached, but it is too early to determine if there is evidence for an emergent growth trend.

While employment has begun to grow with an average growth of 230 jobs per month since January 2010, the unemployment rate continues to remain high for the City. In October of 2009, the national unemployment rate peaked at 10.1%, but has since fallen to 8.3% in January 2012. The City unemployment rate peaked in August 2010 at 11.5%, but has since fallen to 9.3% in December 2011. While the State of Maryland has consistently lower levels of unemployment than the national rates, the City's rate is persistently higher.

Low mortgage prices and a semi-constrained inventory appear to be the cause for both the average and median prices for homes in Baltimore City and the leveling off of prices at a level slightly higher than a year ago. Over the four year span from January 2008 to January 2012, the City's median housing prices have declined by 36.8%. The good news is a year-over-year gain in average price of 23.0% between January 2011 and January 2012. In January 2012, the average sale price of a house in Baltimore City was \$138,074, with the median sale price at \$93,100.

The economy is showing signs of a return to a slow growth, but the growth is uneven across economic sectors. Increases in the GDP and the stock market are pointing to continued improvement. Employment is showing signs of recovery, but the levels are still below those of the pre-recession periods. The housing market is still on shaky ground but appears to be stabilizing. The State has a projected \$1.0 billion budget shortfall for fiscal 2013 which continues to impact City finances. The Governor's budget continues the reductions to local government aid that were made in fiscal years 2010 and 2011. The Governor has proposed shifting large and growing teacher pension costs to the City without sufficient revenue offsets.

In the aggregate, the economy is slowly moving forward again, however, while some sectors are increasing, others are still flat with no growth. With such slow growth and a housing sector that has yet to show significant signs of recovery, the economy is expected to be only slightly above the fiscal 2012 level throughout the City's three year planning horizon.

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, 2012

(Expressed in Thousands)

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Baltimore City Public School System	Baltimore Hotel Corporation
Assets and deferred outflows of resources:					
Cash and cash equivalents	\$222,043	\$431,169	\$653,212	\$ 183,714	\$ 1,790
Investments	161,906		161,906	58,494	32,568
Property taxes receivable, net	19,602		19,602		
Other receivables, net	42,296	122,353	164,649	7,179	2,240
Due from other governments	153,880	7,263	161,143	36,670	
Internal balances	15,945	(15,945)			
Due from primary government				4,824	
Inventories, at cost	7,722	6,681	14,403	3,270	64
Notes and mortgages receivable, net	309,381	62,325	371,706		
Other assets	20,068	59,356	79,424	234	4,270
Issuance costs		3,208	3,208	1,024	10,671
Capital assets being depreciated, net of accumulated depreciation	2,872,543	2,100,980	4,973,523	594,547	224,579
Capital assets not being depreciated	608,380	704,540	1,312,920	56,890	
Deferred outflow of resources - interest rate swaps	26,110	103,967	130,077		
Total assets and deferred outflows of resources	4,459,876	3,585,897	8,045,773	946,846	276,182
Liabilities:					
Accounts payable and accrued liabilities	131,694	37,678	169,372	149,111	8,153
Accrued interest payable	13,610	24,131	37,741		5,295
Estimated claims in progress:					
Due within one year	56,170		56,170		
Due in more than one year	164,042		164,042		
Unamortized premiums on bonds	15,958	10,464	26,422		
Matured bonds payable	2		2		
Unearned revenue	57,298		57,298	5,840	2,146
Notes payable					300,940
Due to other governments		20,302	20,302		
Deposits subject to refund	27,465	15	27,480		
Revenue bonds payable net of deferred loss on bond refunding and unamortized charges:					
Due within one year	11,978	41,444	53,422		
Due in more than one year	399,399	1,404,956	1,804,355		
Long term debt payable:					
Due within one year	54,853	19	54,872	6,673	
Due in more than one year	662,724		662,724	141,873	
Derivative instrument liability	26,110	138,535	164,645		
Capital leases payable:					
Due within one year	27,554	468	28,022	6,987	
Due in more than one year	151,607	2,535	154,142	43,733	
Compensated absences:					
Due within one year	44,191	5,306	49,497	4,489	
Due in more than one year	77,444	7,773	85,217	61,644	
Landfill closure due in more than one year	20,122		20,122		
Other postemployment benefits obligation	81,700		81,700		
Other liabilities	4,214	1,399	5,613	3,448	13,617
Total liabilities	2,028,135	1,695,025	3,723,160	423,798	330,151
Net assets (deficits):					
Invested in capital assets, net of related debt	2,739,761	1,646,769	4,386,530	420,932	(76,361)
Restricted for:					
Construction				34,789	
Debt service		160,955	160,955		
Perpetual care:					
Expendable	6,192		6,192		
Nonexpendable	6,821		6,821		
Unrestricted (deficits)	(321,033)	83,148	(237,885)	67,327	22,392
Total net assets	\$ 2,431,741	\$ 1,890,872	\$ 4,322,613	\$ 523,048	\$ (53,969)

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, 2012
(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	
Primary Government:										
Governmental activities:										
General government	\$ 443,957	\$ 37,113	\$ 22,387	\$ 4,201	\$ (380,256)		\$ (380,256)			
Public safety and regulation	577,963	5,922	46,311		(525,730)		(525,730)			
Conservation of health	154,105	15,626	188,115		49,636		49,636			
Social services	31,156		28,023		(3,133)		(3,133)			
Education	260,935				(260,935)		(260,935)			
Public library	33,390	305	14,728		(18,357)		(18,357)			
Recreation and culture	49,291	122	2,847	6,314	(40,008)		(40,008)			
Highways and streets	162,290	38,518	142	33,209	(90,421)		(90,421)			
Sanitation and waste removal	65,677	9,455	41	1,690	(54,491)		(54,491)			
Public service	26,676		5,253		(21,423)		(21,423)			
Economic development	169,896	11,495	92,831	25,844	(39,726)		(39,726)			
Interest	32,624				(32,624)		(32,624)			
Total governmental activities	2,007,960	118,556	400,678	71,258	(1,417,468)		(1,417,468)			
Business-type activities:										
Water	131,271	132,340		26,858		27,927	27,927			
Waste water	173,106	179,873		73,264		80,031	80,031			
Parking	25,332	81,476				56,144	56,144			
Nonmajor proprietary	13,287	12,046		800		(441)	(441)			
Total business-type activities	342,996	405,735		100,922		163,661	163,661			
Total primary government	\$ 2,350,956	\$ 524,291	\$ 400,678	\$ 172,180	\$ (1,417,468)	163,661	(1,253,807)			
Component units:										
Baltimore City Public School System	\$ 1,437,444		\$ 1,419,239	\$ 46,385				\$ 28,180		
Baltimore Hotel Corporation	\$ 65,966	\$ 53,985							\$ (11,981)	
General revenues:										
Property taxes					769,094		769,094			
Income taxes					257,893		257,893			
Transfer and recordation tax					42,973		42,973			
Electric and gas tax					35,684		35,684			
Telecommunications tax					34,185		34,185			
Admission tax					7,581		7,581			
Other local taxes					58,018		58,018			
State shared revenues					130,286		130,286			
Unrestricted investment income					17,404	3,075	20,479		387	496
Miscellaneous					36,794		36,794	15,398		
Transfers					50,446	(50,446)				
Total general revenues and transfers					1,440,358	(47,371)	1,392,987	15,785	496	
Change in net assets					22,890	116,290	139,180	43,965	(11,485)	
Net assets— beginning					2,408,851	1,774,582	4,183,433	479,083	(42,484)	
Net assets— ending					\$2,431,741	\$1,890,872	\$4,322,613	\$523,048	\$(53,969)	

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

CITY OF BALTIMORE

Balance Sheet

Governmental Funds

June 30, 2012

(Expressed in Thousands)

	General Fund	Grants Revenue Fund	Capital Projects Fund	Nonmajor Funds	Total
Assets:					
Cash and cash equivalents	\$ 62,331			\$ 28,041	\$ 90,372
Investments	122,247		\$ 12,291	22,255	156,793
Property taxes receivable, net	19,602				19,602
Other receivables, net	33,679		1,974	5,452	41,105
Due from other governments	57,241	\$ 86,278	10,361		153,880
Due from other funds	98,406		10,321	1,358	110,085
Notes and mortgages receivable, net	6,476			705	7,181
Inventories, at cost	2,664				2,664
Other assets	19,759				19,759
Total assets	422,405	86,278	34,947	57,811	601,441
Liabilities and fund balances (deficits):					
Liabilities:					
Accounts payable and accrued liabilities	76,591	15,348	10,904	290	103,133
Retainages payable	83		8,243		8,326
Due to other funds		53,766	21,065	12,612	87,443
Deposits subject to refund	27,465				27,465
Deferred revenue	23,234	39,174		1,753	64,161
Unearned revenue	39,060	18,238			57,298
Matured bonds payable				2	2
Total liabilities	166,433	126,526	40,212	14,657	347,828
Fund balances:					
Nonspendable	5,519				5,519
Restricted	30,338			13,013	43,351
Assigned	128,415		7,128	37,333	172,876
Unassigned	91,700	(40,248)	(12,393)	(7,192)	31,867
Total fund balances (deficits)	255,972	(40,248)	(5,265)	43,154	253,613
Total liabilities and fund balances (deficits)	\$ 422,405	\$ 86,278	\$ 34,947	\$ 57,811	

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	3,480,923
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds	417,776
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.	(34,711)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(1,685,860)
Net assets of governmental activities	\$ (2,431,741)

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

CITY OF BALTIMORE
Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficits)
Governmental Funds
For the Year Ended June 30, 2012
(Expressed in Thousands)

	General Fund	Motor Vehicle Fund	Grants Revenue Fund	Capital Projects Fund	Nonmajor Funds	Total
Revenues:						
Taxes— local	\$ 1,206,584					\$ 1,206,584
State shared revenue		\$ 130,205			\$ 81	130,286
Licenses and permits	37,585	798				38,383
Fines and forfeitures	6,604	30,932				37,536
Interest, rentals and other investment income	16,244	240		\$ 435	485	17,404
Federal grants	226		\$ 179,420	51,846	28,773	260,265
State grants	95,651		70,084	19,412		185,147
Other grants	25		35,736			35,761
Charges for services	35,044	7,593				42,637
Miscellaneous	9,976			22,273		32,249
Total revenues	1,407,939	169,768	285,240	93,966	29,339	1,986,252
Expenditures:						
Current:						
General government	387,650	21,571	24,195		3,818	437,234
Public safety and regulation	463,410	34,948	49,509			547,867
Conservation of health	44,033		108,995			153,028
Social services	707	124	30,286			31,117
Education	254,626				138	254,764
Public library	23,829		7,120		25	30,974
Recreation and culture	34,749	2,920	3,077		79	40,825
Highways and streets	19,336	68,109	154			87,599
Sanitation and waste removal	40,936	21,097	43			62,076
Public service	17,350		5,677			23,027
Economic development	46,741		69,231	40,553	13,056	169,581
Debt service:						
Principal					64,781	64,781
Interest					32,624	32,624
Capital outlay				126,824		126,824
Capital leases				41,460		41,460
Total expenditures	1,333,367	148,769	298,287	208,837	114,521	2,103,781
Excess (deficiency) of revenues over (under) expenditures	74,572	20,999	(13,047)	(114,871)	(85,182)	(117,529)
Other financing sources (uses):						
Transfers in	44,959		5,487	24,358	97,779	172,583
Transfers out	(98,797)	(8,496)		(4,486)	(10,358)	(122,137)
Capital leases				41,460		41,460
Total other financing sources (uses)	(53,838)	(8,496)	5,487	61,332	87,421	91,906
Net change in fund balance	20,734	12,503	(7,560)	(53,539)	2,239	(25,623)
Fund balances (deficits)— beginning	204,900	17,835	(32,688)	48,274	40,915	279,236
Residual equity transfers in (out)	30,338	(30,338)				
Fund balances (deficits)— ending	\$ 255,972	\$ 0	\$ (40,248)	\$ (5,265)	\$ 43,154	\$ 253,613

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, 2012

(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)	\$ (25,623)
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 . . .	37,235
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	59,071
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	(41,460)
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	(10,310)
The net expense of certain activities of internal service funds is reported with governmental activities	3,977
Change in net assets of governmental activities (page 17)	\$ 22,890

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, 2012

(Expressed in Thousands)

	Enterprise Funds					Governmental Activities Internal Service Funds
	Water Utility Fund	Waste Water Utility Fund	Parking Facilities Fund	Nonmajor Funds	Total	
Assets and deferred outflows of resources:						
Current assets:						
Cash and cash equivalents	\$ 18,834	\$ 49,771	\$ 16,655	\$ 45,143	\$ 130,403	\$ 131,671
Investments						5,113
Accounts receivable, net:						
Service billings	47,424	33,579		2,671	83,674	
Other	378	296	220	24	918	1,191
Due from other governments	1,582	5,681			7,263	
Inventories	6,398	283			6,681	5,058
Total current assets	<u>74,616</u>	<u>89,610</u>	<u>16,875</u>	<u>47,838</u>	<u>228,939</u>	<u>143,033</u>
Noncurrent assets:						
Restricted assets:						
Cash and cash equivalents	99,841	146,619	48,143	6,163	300,766	
Accounts receivable	14,198	23,563			37,761	
Notes and mortgages receivable			62,325		62,325	
Capital assets, net of accumulated depreciation	728,121	1,237,554	86,970	48,335	2,100,980	61,885
Capital assets not being depreciated	228,592	452,117	22,618	1,213	704,540	
Other assets				59,356	59,356	309
Issuance costs	1,159		1,911	138	3,208	
Deferred outflow of resources - interest rate swaps	46,843	33,728	13,862	9,534	103,967	
Total noncurrent assets	<u>1,118,754</u>	<u>1,893,581</u>	<u>235,829</u>	<u>124,739</u>	<u>3,372,903</u>	<u>62,194</u>
Total assets and deferred outflows of resources	<u>1,193,370</u>	<u>1,983,191</u>	<u>252,704</u>	<u>172,577</u>	<u>3,601,842</u>	<u>205,227</u>
Liabilities:						
Current liabilities:						
Accounts payable and accrued liabilities	3,504	18,096	438	136	22,174	20,235
Accrued interest payable	9,299	12,018	2,796	18	24,131	
Deposits subject to refund	15				15	
Due to other funds				11,968	11,968	10,674
Due to other governments	7,639	12,663			20,302	
Estimated liability for claims in progress						56,170
Other liabilities	2,228	2,886			5,114	4,214
Accounts payable from restricted assets	6,106	9,224		174	15,504	
Revenue bonds payable	10,343	22,691	8,410		41,444	
General long-term debt payable		19			19	
Total current liabilities	<u>39,134</u>	<u>77,597</u>	<u>11,644</u>	<u>12,296</u>	<u>140,671</u>	<u>91,293</u>
Noncurrent liabilities:						
Revenue bonds payable, net	502,237	682,922	141,897	77,900	1,404,956	
Other liabilities	3,486	6,891		1,990	12,367	
Unamortized bond premiums		10,464			10,464	
Estimated liability for claims in progress						152,622
Derivative instrument liability	55,788	33,854	36,654	12,239	138,535	
Total noncurrent liabilities	<u>561,511</u>	<u>734,131</u>	<u>178,551</u>	<u>92,129</u>	<u>1,566,322</u>	<u>152,622</u>
Total liabilities	<u>600,645</u>	<u>811,728</u>	<u>190,195</u>	<u>104,425</u>	<u>1,706,993</u>	<u>243,915</u>
Net assets:						
Invested in capital assets, net of related debt	499,486	1,091,025	6,710	49,548	1,646,769	61,885
Restricted for:						
Debt service	52,321	69,019	39,615		160,955	
Unrestricted (deficit)	40,918	11,419	16,184	18,604	87,125	(100,573)
Total net assets	<u>\$ 592,725</u>	<u>\$ 1,171,463</u>	<u>\$ 62,509</u>	<u>\$ 68,152</u>	<u>1,894,849</u>	<u>\$ (38,688)</u>
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds					(3,977)	
Net assets of business-type activities					<u>\$ 1,890,872</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, 2012

(Expressed in Thousands)

	Enterprise Funds					Governmental Activities Internal Service Funds
	Water Utility Fund	Waste Water Utility Fund	Parking Facilities Fund	Nonmajor Funds	Total	
Operating revenues:						
Charges for sales and services:						
Water and sewer service	\$ 127,544	\$ 179,873			\$ 307,417	
Rents, fees and other income	4,796		\$ 81,476	\$ 12,009	98,281	\$ 242,372
Interest income				37	37	
Total operating revenues	132,340	179,873	81,476	12,046	405,735	242,372
Operating expenses:						
Salaries and wages	36,099	39,518		2,927	78,544	20,177
Other personnel costs	14,777	16,711		1,342	32,830	7,919
Contractual services	35,305	54,572	10,901	3,252	104,030	37,626
Materials and supplies	8,591	8,069		331	16,991	20,332
Minor equipment	614	486	36	7	1,143	63
Claims paid and incurred						203,181
Postage and delivery services						2,279
Depreciation	19,551	34,903	2,429	841	57,724	7,317
Program expenses				3,348	3,348	
Interest				1,120	1,120	
Total operating expenses	114,937	154,259	13,366	13,168	295,730	298,894
Operating income (loss)	17,403	25,614	68,110	(1,122)	110,005	(56,522)
Nonoperating revenues (expenses):						
Loss on sale of investments	(120)	(105)			(225)	
Loss on sale of equipment						(122)
Interest income	1,960	1,115			3,075	107
Interest expense	(14,305)	(16,793)	(11,966)		(43,064)	
Total nonoperating revenues (expenses), net	(12,465)	(15,783)	(11,966)		(40,214)	(15)
Income (loss) before capital contributions and transfers	4,938	9,831	56,144	(1,122)	69,791	(56,537)
Capital contributions	26,858	73,264		800	100,922	9,747
Transfers out			(50,446)		(50,446)	
Change in net assets	31,796	83,095	5,698	(322)	120,267	(46,790)
Total net assets (deficits) — beginning	560,929	1,088,368	56,811	68,474	1,774,582	8,102
Total net assets (deficits) — ending	\$ 592,725	\$ 1,171,463	\$ 62,509	\$ 68,152	1,894,849	\$(38,688)
Adjustment to reflect the consolidation of internal service activities related to enterprise funds					(3,977)	
Change in net assets of business-type activities					\$ 1,890,872	

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, 2012

(Expressed in Thousands)

	Enterprise Funds					Governmental Activities Internal Service Funds
	Water Utility Fund	Waste Water Utility Fund	Parking Facilities Fund	Nonmajor Funds	Total	
Cash flows from operating activities:						
Receipts from customers.....	\$ 128,530	\$ 171,958	\$ 81,486	\$ 12,545	\$ 394,519	\$ 247,355
Payments to employees.....	(50,876)	(56,229)		(4,767)	(111,872)	(28,066)
Payments to suppliers.....	(32,517)	(56,190)	(11,240)	(5,492)	(105,439)	(224,228)
Net cash provided (used) by operating activities.....	45,137	59,539	70,246	2,286	177,208	(4,939)
Cash flows from noncapital financing activities:						
Transfers out.....			(50,446)		(50,446)	
Net cash used by noncapital financing activities.....			(50,446)		(50,446)	
Cash flows from capital and related financing activities:						
Mortgages receivable principal payments.....			3,328		3,328	
Proceeds from revenue bonds.....			(8,395)		(8,395)	
Principal paid on revenue bonds.....	(4,553)	(22,460)			(27,013)	
Principal paid on general long-term debt.....		(42)			(42)	
Interest income.....	1,960	1,115			3,075	
Interest expense.....	(15,769)	(18,258)	(10,471)		(44,498)	
Acquisition and construction of capital assets.....	(91,133)	(127,703)	(207)	(2,891)	(221,934)	(10,469)
Capital contributions.....	26,858	73,264		800	100,922	9,747
Due to other funds.....				8,801	8,801	
Issuance costs.....	285	460			745	
Other assets.....				(6,316)	(6,316)	
Net cash provided (used) by capital and related financing activities.....	(82,352)	(93,624)	(15,745)	394	(191,327)	(722)
Cash flows from investing activities:						
Proceeds from the sale and maturities of investments.....						6,449
Interest on investments.....						107
Purchase of investments.....						(6,462)
Loss on sale of equipment.....						(122)
Net cash provided (used) by investing activities.....						(28)
Net increase (decrease) in cash and cash equivalents.....	(37,215)	(34,085)	4,055	2,680	(64,565)	(5,689)
Cash and cash equivalents, beginning of year.....	155,890	230,475	60,743	48,626	495,734	137,360
Cash and cash equivalents, end of year.....	\$ 118,675	\$ 196,390	\$ 64,798	\$ 51,306	\$ 431,169	\$ 131,671
Reconciliation of operating income to net cash provided by operating activities:						
Operating income (loss).....	\$ 17,403	\$ 25,614	\$ 68,110	\$ (1,122)	\$ 110,005	\$ (56,522)
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation expense.....	19,551	34,903	2,429	841	57,724	7,317
Changes in assets and liabilities:						
Accounts receivables.....	(4,783)	(6,404)	10	499	(10,678)	4,422
Due from other governments.....	6,719	7,479			14,198	
Inventories.....	(1,495)	(11)			(1,506)	(559)
Restricted accounts receivable.....	(5,746)	(8,990)			(14,736)	
Other assets.....						(254)
Accounts payable and accrued liabilities.....	10,855	297	29	(501)	10,680	5,194
Other liabilities.....	(17)	3,058		2,076	5,117	52
Other noncurrent assets.....				(1,162)	(1,162)	
Estimated liability for claims in progress.....						34,037
Accrued interest payable.....	867	1,430	(332)	8	1,973	
Restricted accounts payable.....	1,234	363			1,597	
Due to other funds.....				1,647	1,647	1,374
Due to other governments.....	549	1,800			2,349	
Total adjustments.....	27,734	33,925	2,136	3,408	67,203	51,583
Net cash provided (used) by operating activities.....	\$ 45,137	\$ 59,539	\$ 70,246	\$ 2,286	\$ 177,208	\$(4,939)

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, 2012
(Expressed in Thousands)

	Pension Trust Funds	OPEB Trust Fund	Agency Funds
Assets:			
Cash and cash equivalents	\$ 73,134	\$ 12,264	\$ 259
Investments:			
Stocks	2,062,304	147,249	
Bonds	1,002,515	80,621	52
Real estate	273,909	24,007	
Securities lending collateral	203,800		
Accounts receivable, net:			
Other		1,019	
Redemption receivable	7,203		
Forward foreign contracts	39,548		
Other assets	35,574	300	
Total assets	3,697,987	265,460	311
Liabilities:			
Obligations under securities lending program	203,800		
Forward foreign contracts	39,180		
Accounts payable	68,570	3,087	
Other	5,601		311
Total liabilities	317,151	3,087	311
Net assets:			
Held in trust for benefits	\$ 3,380,836	\$ 262,373	

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, 2012

(Expressed in Thousands)

	Pension Trust Funds	OPEB Trust Fund
Additions:		
Contributions:		
Employer	\$ 186,481	\$ 157,137
Employee	23,289	48,522
Total contributions	<u>209,770</u>	<u>205,659</u>
Investment income:		
Net appreciation (depreciation) in fair value of investments	57,426	(1,125)
Securities lending income	740	
Interest and dividend income	55,804	3,491
Total investment income	<u>113,970</u>	<u>2,366</u>
Less: investment expense	<u>13,133</u>	<u>747</u>
Net investment income	<u>100,837</u>	<u>1,619</u>
Total additions	<u>310,607</u>	<u>207,278</u>
Deductions:		
Retirement allowances	323,478	
Health benefits		152,054
Death benefits	1,675	
Administrative expenses	6,999	
Other	1,415	
Total deductions	<u>333,567</u>	<u>152,054</u>
Changes in net assets	<u>(22,960)</u>	<u>55,224</u>
Net assets— beginning of the year	<u>3,403,796</u>	<u>207,149</u>
Net assets— end of the year	<u>\$ 3,380,836</u>	<u>\$ 262,373</u>

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

CITY OF BALTIMORE
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CITY OF BALTIMORE
Notes to Basic Financial Statements

1. Summary of Significant Accounting Policies

A. REPORTING ENTITY

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

Blended Component Unit

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

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
Family League of Baltimore City
Live Baltimore Home Center

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.

Net assets (the amount by which assets exceed liabilities) are reported on the statement of net assets in three components:

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

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

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

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

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

The City reports the following major governmental funds:

General Fund. This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Grants Revenue 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. Effective June 30, 2012, the assets and liabilities of the motor vehicle fund were transferred to the general fund. Future operations will also be accounted for in the general fund.

Capital Projects Fund. The proceeds of general obligation bond issues, State construction loans, governmental and other grants, and revenues from other sources appropriated for capital improvements, acquisitions and related programs are accounted for in this fund, except for those accounted for in the proprietary fund types.

The City reports the following major enterprise funds:

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

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 offstreet parking facilities.

The City reports the following other fund types:

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

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

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

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

Agency Funds account for assets held by the City as custodians. Agency funds include:

- Unpresented Stock and Coupon Bonds account for principal payments held by the City for matured bonds not yet presented for payment.
- Property Sold for Taxes accounts for the proceeds of tax sales in excess of the City liens that remain unclaimed by the taxpayer.
- Bid Deposit Refunds account for bid deposits held by the City to secure vendors' bids not yet awarded.
- Recreation Accessory accounts for assets held by the City for the benefit of recreation centers throughout the City.
- Waterloo Summit accounts for assets held by the City as a surety deposit from a developer.

Measurement Focus, Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements with the exception of agency funds, which have no measurement focus, are reported 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

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

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, 2012, 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: \$50,000 for buildings, improvements and infrastructure; and \$5,000 for equipment. Library books are capitalized as a collection based on total purchases. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

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

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

Compensated Absences

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

Estimated Liability for Claims in Process

The liability for claims in process represents estimates for all personal injury, workers' compensation, unemployment, property damage, and medical claims at June 30, 2012. This liability, which includes estimates for known and incurred but not reported claims, is based upon an actuarial valuation of the City's claim payment history discounted at a rate of 3.0%, for all claims except medical, for which claims are not discounted.

Property Tax and Property Tax Calendar

The City levies an annual tax for the fiscal year beginning July 1 and ending June 30, on real and personal property located in the City, due and payable each July 1 (lien date), based on assessed values as of the previous January 1. These assessed values are established by the State of Maryland Department of Assessments and Taxation at various rates of estimated market value. A discount of 1/2% is allowed for payments made in July. Unpaid property taxes are considered in arrears on October 1, and penalty and interest of 2% is assessed each month. Real property subject to tax liens is sold at public auction in May in instances where the taxes have remained delinquent since the preceding October 1.

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

State law requires that all real property be reassessed every three years, and further provides that the amount of any increase over previous established market values be phased in over a three-year period. To accomplish the triennial assessment requirement, approximately one-third of all real property is reviewed annually. The City Council, effective with the fiscal year beginning July 1, 1991, enacted a 104% homestead tax credit program which will protect home owners from increases in assessments that are greater than 4% in any one year. The assessed value of real property in Baltimore City for fiscal year 2012 was \$28,762,325,000 which was approximately 81.2% of the estimated market value.

The tax rate in Baltimore City for real property taxes for fiscal year 2012 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 92.9% of the total tax levy.

At June 30, 2012, the City had property taxes receivable of \$19,602,000 net of an allowance for uncollectible accounts of \$18,738,000.

Gains and Losses on Early Extinguishment of Debt from Refundings

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

Sick, Vacation and Personal Leave

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

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

base period may be converted to cash at a maximum of three days, computed on an attendance formula. Upon retirement with pension benefits, or termination of employment after completion of twenty or more years of service without pension benefits, employees receive one day's pay for every four sick days accumulated and unused at the date of separation; under any other conditions of separation, unused sick leave is forfeited.

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

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

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

Restricted Assets

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

Fund Balance

The City classifies its fund balance into the following categories:

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

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

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

Nonspendable fund balance

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

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

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

Assigned fund balance

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

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

Landfill closure and development — This portion of fund balance has been set aside by the Director of Finance to fund the cost of future landfill development and closure cost.

Subsequent years' expenditures — This portion of fund balance represents the amount to finance certain non-recurring policy initiatives and other expenditures included in the fiscal year 2013 budget.

Unassigned fund balance

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

Interfund Transactions

The City has three types of transactions among funds:

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

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

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

D. NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD PRONOUNCEMENTS

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

GASB Statement No. 61

In November 2010, the GASB issued Statement No. 61, "The Financial Reporting Entity: Omnibus-A Amendment of GASB No. 14 and No. 34". This statement modifies certain requirements for inclusion of component units in the financial reporting entity. This statement also amends the criteria for reporting component units as if they were part of the primary government (that is blending) in certain circumstances. The City is required to adopt GASB No. 61 for its fiscal year 2013 financial statements.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

GASB Statement No. 62

In December 2010, the GASB issued Statement No. 62, “Codification of Accounting and Financial Reporting Guidance contained in the Pre-November 30, 1989 FASB and AICPA Pronouncements”. This statement incorporates into GASB’s authoritative literature certain accounting and financial reporting guidance that is included in non-GASB authoritative pronouncements that do not conflict with or contradict GASB pronouncements. This statement also supersedes Statement No. 20, “Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting”, thereby eliminating the election to follow post-November 30, 1989 FASB Statements and Interpretations. The City is required to adopt GASB No. 62 for its fiscal year 2013 financial statements.

GASB Statement No. 63

In June 2011, the GASB issued Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resources and Net Position”. This statement provides financial reporting guidance for deferred outflows of resources. The City is required to adopt GASB No. 63 for its fiscal year 2013 financial statements.

GASB Statement No. 65

In April 2012, the GASB issued Statement No. 65, “Items Previously Reported as Assets and Liabilities”. This statement establishes accounting and financial reporting standards that reclassify certain items currently being reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources. In addition, this statement recognizes certain items currently being reported as assets and liabilities as outflows of resources or inflows of resources. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. The City is required to adopt GASB No. 65 for its fiscal year 2014 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 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	\$ 5,766,072
Less: Accumulated depreciation	(2,285,149)
Total	\$ 3,480,923
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:	
Notes receivable	\$ 309,381
Deferred outflows of resources - interest rate swaps	26,110
Deferred revenue	82,285
Total	\$417,776
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.	
	\$ (34,711)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
Accrued interest payable	\$ (13,610)
Unamortized bond premiums	(15,958)
Long-term bonds	(717,577)
Revenue bonds	(411,377)
Capital leases	(179,161)
Compensated absences	(121,635)
Net OPEB obligation	(81,700)
Estimated claims in progress	(98,610)
Landfill closure liability	(20,122)
Derivative instrument liability	(26,110)
Total	\$ (1,685,860)

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	\$ 126,824
Capital leases	41,460
Depreciation	(131,049)
Total	\$ 37,235
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	\$ 59,071
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 capital leases	\$ (41,460)
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	\$ (64,663)
Debt service interest (capital leases, GO bonds, and accrued interest)	(6,962)
Claims liability	26,806
Compensated absences	11,109
Increase in net OPEB obligation	23,400
Total	\$ (10,310)
The net expense of certain activities of internal service funds is reported with governmental activities:	
Internal service funds net expenses attributed to governmental activities	\$ 3,977

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, 2012 (amounts expressed in thousands):

	Pooled Cash and Investments	Other	Total
Carrying value of bank deposits	\$ 197,257	\$ 85,398	\$ 282,655
Investments	618,172	3,794,405	4,412,577
Total	\$ 815,429	\$ 3,879,803	\$ 4,695,232

	Government- wide Statement of Net Assets	Fiduciary Funds Statement of Net Assets Total	Total
Cash and cash equivalents	\$ 363,549	\$ 85,657	\$ 449,206
Investments	161,906	3,794,457	3,956,363
Restricted cash and cash equivalents	289,663		289,663
Total	\$ 815,118	\$ 3,880,114	\$ 4,695,232

B. CASH DEPOSITS

As of June 30, 2012, the carrying amount of the City's bank deposits was \$197,257,000 and the respective bank balances totaled \$208,922,000. 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, 2012, BCPSS and BHC had demand deposits with carrying values of \$53,000,000 and \$1,790,000, 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, 2012, are presented below. All investments are presented by investment type, and debt securities are presented by maturity (amounts expressed in thousands):

Investment Type	Fair Market Value	Investment Maturities (In Months)		
		Less Than 6	6 to 12	Greater Than 12
Debt Securities:				
U.S. Treasury	\$ 94,198	\$ 46,675		\$ 47,523
U.S. Agencies	99,747	74,797		24,950
Certificate of deposit	3,022		\$ 1,022	2,000
Money market mutual funds	242,902	242,902		
Maryland Local Government Investment Pool	158,095	158,095		
Commercial paper	11,502	11,502		
Guaranteed investment contracts	5,205	5,205		
	\$ 614,671	\$ 539,176	\$ 1,022	\$ 74,473
Other investment:				
Equity mutual funds	2,893			
	617,564			
Less: cash equivalents	455,658			
Total investments	\$ 161,906			

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

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

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

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

As discussed above the City 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, 2012 were rated by a nationally recognized statistical rating agency and are presented below using the Standard and Poor's rating scale (amounts expressed in thousands):

Investment Type	Fair Value	Quality Ratings	
		Aaa-AA+	A1-P1
Debt securities:			
U.S. Agencies	\$ 99,747	\$ 99,747	
Money market mutual funds	242,902	242,902	
Maryland Local Government Investment Pool	158,095	158,095	
Commercial paper	11,502		\$ 11,502
Total rated debt investments	\$ 512,246	\$ 500,744	\$ 11,502

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 no debt security investments at June 30, 2012, that were more than five percent of total investments.

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, 2012, are as follows (amounts expressed in thousands):

Investment Type	Carrying Value			Total
	Employees’ Retirement System	Elected Officials’ Retirement System	Fire and Police Employees’ Retirement System	
Debt Securities:				
U.S. Treasury notes and bonds	\$ 16,549		\$ 218,111	\$ 234,660
U.S. Government agency bonds	40,584		139,516	180,100
Corporate bonds	109,351	\$ 6,238	317,352	432,941
Barclay aggregate index fund			6,034	6,034
Mutual funds	38,714	81	34,339	73,134
Emerging markets debt fund			82,594	82,594
Core plus fixed income fund			66,186	66,186
Total debt securities	205,198	6,319	864,132	1,075,649
Other:				
Domestic equities	691,821	8,265	349,358	1,049,444
International equities	172,032	3,728	319,110	494,870
Hedge funds	60,572		169,618	230,190
Private equity funds			120,821	120,821
Energy master limited partnerships			88,273	88,273
Risk parity fund			78,706	78,706
Real estate	98,816		175,093	273,909
Total other	1,023,241	11,993	1,300,979	2,336,213
Total investments	1,228,439	18,312	2,165,111	3,411,862
Less: Cash and cash equivalents	38,714	81	34,339	73,134
Total net investments	\$ 1,189,725	\$ 18,231	\$ 2,130,772	\$ 3,338,728

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, 2012, is presented on the following table (amounts expressed in thousands):

Currency	Employees' Retirement System	Fire and Police Employees' Retirement System	Total
Euro Currency Unit	\$ 32,985	\$ 54,761	\$ 87,746
British Pound Sterling	38,537	38,449	76,986
Japanese Yen	17,406	22,978	40,384
South Korean Won	1,363	7,210	8,573
Hong Kong Dollar	9,491	8,909	18,400
Swiss Franc	5,413	14,413	19,826
Mexican New Peso	1,434		1,434
Colombian Peso		346	346
South African Comm Rand	350	2,952	3,302
Malaysian Ringgit	482		482
Nigerian Naira		119	119
New Zealand Dollar	399		399
Philippines Peso		230	230
New Taiwan Dollar		3,685	3,685
Brazil Real	1,146	2,394	3,540
Canadian Dollar	5,244	2,576	7,820
New Turkish Lira		563	563
Australian Dollar	4,208	225	4,433
Swedish Krona	2,267	3,727	5,994
Norwegian Krone	2,072	1,811	3,883
Singapore Dollar	8,816	4,867	13,683
Indonesian Rupian	337	740	1,077
Danish Krone	2,741	1,164	3,905
Thailand Baht	233	1,214	1,447
Chilean Peso		699	699
Polish Zloty		5	5
Total Foreign Currency	<u>\$ 134,924</u>	<u>\$ 174,037</u>	<u>\$ 308,961</u>
U.S. Dollars (Held in international equity)	<u>\$ 41,219</u>	<u>\$ 145,073</u>	<u>\$ 186,292</u>

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

Both the Employees' Retirement System and the Elected Officials' Retirement System have selected the duration method to disclose the debt securities exposure to changes in interest rates. However, both plans have not adopted a formal policy to limit interest rate risk.

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

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

The credit ratings and durations of investments at June 30, 2012, 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	7.90	\$ 16,549	\$ 16,549				
U.S. Government agency bonds	4.65	40,584	40,240				\$ 344
Corporate bonds	4.37	109,351	33,756	\$ 12,084	\$ 3,175		60,336
Mutual funds	0.09	38,714					38,714
Total debt securities		205,198	90,545	12,084	3,175		99,394
<i>Elected Officials' Retirement System:</i>							
Corporate bonds	3.35	6,238					6,238
Mutual funds	0.00	81					81
Total debt securities		6,319					6,319
<i>Fire and Police Employees' Retirement System:</i>							
U.S. Treasury notes and bonds	11.54	218,111	218,111				
U.S. Government agency bonds	4.96	139,516	139,516				
Barclay aggregate index	4.97	6,034	6,034				
Corporate bonds	5.66	317,352	169,216	143,358	4,513	\$ 115	150
Mutual funds	0.08	34,339					34,339
Emerging markets debt fund	3.90	82,594		82,594			
Core plus fixed income fund	6.80	66,186	66,186				
Total debt securities		\$ 864,132	\$ 599,063	\$ 225,952	\$ 4,513	\$ 115	\$ 34,489

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

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

At June 30, 2012, 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, 2012, was \$198,626,000, and the market value of the collateral received for those securities on loan was \$203,800,000. The Retirement Systems did not impose any restrictions during the fiscal year on the amount of loans the custodian made on its behalf. The terms of the Securities Lending Authorization Agreement require that the custodian indemnify the retirement systems against: (1) the failure to demand adequate and appropriate collateral from a borrower as and when required pursuant hereto; (2) the failure to comply with the investment guidelines in connection with the investment and reinvestment of cash collateral; (3) the failure to obtain and perfect a security interest or rights equivalent thereto in and to the collateral; or (4) the failure to make a reasoned determination of the creditworthiness of any borrower. There were no such failures by any borrowers during the fiscal year. Moreover, there were no losses during the fiscal year resulting from default of the borrowers or the custodian.

Substantially all securities loans can be terminated on demand either by the custodian or by the borrower, although generally the average term of these loans is one week. Cash collateral is invested in the custodian's short-term

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

investment pool. The short-term investment pool guidelines specify that a minimum of 20% of the invested cash collateral is to be available each business day and the dollar-weighted average maturity of holdings must not exceed 90 days.

Other Postemployment Benefits Fund

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

The invested assets of the OPEB Trust Fund at June 30, 2012, 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	\$12,264	\$ 12,264		
Bonds	80,621			\$ 80,621
Mutual funds	24,007	24,007		
Total	116,892	\$ 36,271		\$ 80,621
Stocks	147,249			
Total investments	264,141			
Less: Cash and cash equivalents	12,264			
Total net investments	\$ 251,877			

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

Bonds held by the OPEB Trust Fund have ratings from AA1 to AA2.

Baltimore City Public School System

The BCPSS, through the office of the Chief Financial Officer, pursues a cash management and investment program to achieve the maximum financial return on available funds. Depending on the projected cash needs of the BCPSS, excess funds may be invested on a short, intermediate or long-term basis at the best obtainable rates. Investments are generally in direct or indirect obligations of the U.S. Government and are fully collateralized.

The BCPSS is authorized by State law to invest in direct or indirect obligations of the U.S. Government, repurchase agreements and related mutual funds. The BCPSS's investments at June 30, 2012, are presented below. All investments are presented by investment type (expressed in thousands).

Investment Type	Fair Market Value	Investments Maturities (In Months)			Max. allowed per Investment Policy
		Less Than 4	4 to 12	Percent	
Money market funds	\$ 35,819	\$ 35,819		17.1%	100.0%
Commercial paper	9,141	4,147	\$ 4,994	4.4	5.0
Repurchase agreement	80,256	80,256		38.4	100.0
U.S. Government agencies	83,118	29,618	53,500	39.8	100.0
Maryland Local Government Investment Pool (MLGIP)	724	724		0.3	100.0
Total invested funds	209,058	\$ 150,564	\$ 58,494	100.0%	
Less: Cash and cash equivalents	150,564				
Total net investments	\$ 58,494				

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Notes to Basic Financial Statements
(Continued)

Investment Ratings

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

<u>Moody</u>	<u>Percent</u>	<u>Fair Value</u>	<u>S&P</u>	<u>Percent</u>	<u>Fair Value</u>
Aaa	29.1%	\$ 60,924	A-1	40.6%	\$ 84,902
P-1	15.3	32,059	A-1+	13.1	27,414
Not rated	55.6	116,075	AA+	29.2	60,924
	<u>100.0%</u>	<u>\$ 209,058</u>	Not rated	17.1	35,818
				<u>100%</u>	<u>\$ 209,058</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, 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 include Money Market deposits, MLGIP, and other types of investments.

Baltimore Hotel Corporation

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

The BHC has no formal policy for limiting risk associated with these investments. The City of Baltimore Department of Finance directs the selection of investment funds. At year-end BHC held investments in the amount of \$32,568,000; 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	Grants Revenue Fund	Capital Projects Fund	Enterprise Funds	Nonmajor and Other Funds	Total
Property taxes	\$19,602					\$ 19,602
Service billings				\$ 81,003	\$ 2,671	83,674
Due from other governments	57,241	\$ 86,278	\$ 10,361	7,263		161,143
Notes and mortgages receivable	6,476			62,325	705	69,506
Other	33,679		1,974	894	14,889	51,436
Restricted accounts receivable				37,761		37,761
Total	\$ 116,998	\$ 86,278	\$ 12,335	\$ 189,246	\$ 18,265	\$ 423,122

Service billings are reported net of an allowance for doubtful accounts of \$27,758,000. Bad debt expense for fiscal year 2012 was \$8,149,000.

5. Capital Assets

Capital assets activity for the year ended June 30, 2012, is as follows (expressed in thousands):

Governmental Activities Capital Assets:

Class	Balance June 30, 2011	Additions	Deductions	Balance June 30, 2012
Capital assets, not being depreciated:				
Land	\$ 144,132			\$ 144,132
Other	230,305	\$ 738	\$ 942	230,101
Construction in progress	37,551	66,421	44,385	59,587
Construction in progress—infrastructure	181,287	89,284	96,011	174,560
Total capital assets, not being depreciated.	593,275	156,443	141,338	608,380
Capital assets, being depreciated:				
Buildings and improvements	1,989,101	42,891	38,857	1,993,135
Equipment	417,954	21,000	1,515	437,439
Infrastructure	2,721,747	110,725		2,832,472
Library books	51,223	3,578		54,801
Total capital assets, being depreciated	5,180,025	178,194	40,372	5,317,847
Less: accumulated depreciation for:				
Buildings and improvements	940,452	32,418	3,978	968,892
Equipment	325,614	29,009	3,351	351,272
Infrastructure	1,030,778	64,723		1,095,501
Library books	24,750	4,899	10	29,639
Total accumulated depreciation.	2,321,594	131,049	7,339	2,445,304
Total capital assets, being depreciated, net	2,858,431	47,145	33,033	2,872,543
Governmental activities capital assets, net	\$ 3,451,706	\$ 203,588	\$ 174,371	\$ 3,480,923

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

Business-type Activities Capital Assets:

Class	Balance June 30, 2011	Additions	Deductions	Balance June 30, 2012
Capital assets, not being depreciated:				
Land	\$ 36,597			\$ 36,597
Construction in progress	583,993	\$ 219,039	\$ 135,089	667,943
Total capital assets not being depreciated	<u>620,590</u>	<u>219,039</u>	<u>135,089</u>	<u>704,540</u>
Capital assets, being depreciated:				
Buildings and improvements	2,737,397	1,516		2,738,913
Equipment	161,029	28,017		189,046
Infrastructure	66,094	109,682		175,776
Total capital assets being depreciated	<u>2,964,520</u>	<u>139,215</u>		<u>3,103,735</u>
Less: accumulated depreciation for:				
Buildings and improvements	790,400	50,210		840,610
Equipment	134,206	5,611		139,817
Infrastructure	20,425	1,903		22,328
Total accumulated depreciation	<u>945,031</u>	<u>57,724</u>		<u>1,002,755</u>
Total capital assets, being depreciated, net	<u>2,019,489</u>	<u>81,491</u>		<u>2,100,980</u>
Business-type activities capital assets, net	<u>\$ 2,640,079</u>	<u>\$ 300,530</u>	<u>\$ 135,089</u>	<u>\$ 2,805,520</u>

Depreciation expense was charged to functions/programs of the City for the fiscal year ended June 30, 2012 (amounts expressed in thousands):

Governmental activities:

General government	\$ 17,389
Public safety and regulation	7,921
Conservation of health	350
Social services	39
Education	6,171
Public library	5,834
Recreation and parks	7,659
Highways and streets	70,745
Sanitation and waste removal	1,686
Public service	3,223
Economic development	843
Internal service funds	9,189
Total	<u>\$ 131,049</u>

Business-type activities:

Water	\$ 19,551
Waste water	34,903
Parking	2,429
Conduits	841
Total	<u>\$ 57,724</u>

At June 30, 2012, the outstanding commitments relating to projects of the City of Baltimore amount to approximately \$7,128,000 for governmental activities and \$357,492,000 for business-type activities. Interest is capitalized on business-type capital assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest cost incurred from the date of borrowing until completion of the project, with interest earned on invested proceeds over the period. Interest is also capitalized on proprietary fund capital assets acquired with tax-exempt debt. During fiscal year 2012, net interest cost of \$21,504,000 (net of interest income of \$2,242,000) 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, 2012, were as follows (amounts expressed in thousands):

Fund	Interfund	
	Receivable	Payable
General	\$98,406	
Grants revenue		\$ 53,766
Capital projects	10,321	21,065
Nonmajor governmental	1,358	12,612
Nonmajor proprietary		11,968
Internal service		10,674
Totals	\$ 110,085	\$ 110,085

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, 2012, certain transactions between funds had not been completed.

B. TRANSFERS TO/FROM OTHER FUNDS

Transfers to/from other funds at June 30, 2012, consist of the following (amounts expressed in thousands):

Fund	General	Motor Vehicle	Capital Projects	Nonmajor Governmental	Parking	Total Transfers To
General					\$ 44,959	\$ 44,959
Grants revenue					5,487	5,487
Capital projects	\$ 9,000	\$ 5,000		\$ 10,358		24,358
Nonmajor governmental	89,797	3,496	\$4,486			97,779
Total transfers from	\$ 98,797	\$ 8,496	\$ 4,486	\$ 10,358	\$ 50,446	\$ 172,583

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

C. DEFICITS

The following funds had a deficit fund balance/net assets at June 30, 2012, (amounts expressed in thousands):

Special Revenue Funds:		
Grants revenue		\$ 40,248
CDBG (nonmajor governmental fund)		7,192
Capital Projects Fund		5,265
Internal Service Funds:		
Risk management		134,230
Reproduction and printing		7,164
Energy conservation		1,644
Municipal post office		640
Municipal telephone exchange		603

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 2013.

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
(Continued)

7. Long-term Obligations

A. LONG-TERM OBLIGATION ACTIVITY

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

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

Changes in long-term obligations for the year ended June 30, 2012, are as follows (amounts expressed in thousands):

	June 30, 2011	Appreciation(a)	New Debt Issued	Debt Retired	June 30, 2012	Due Within One Year
GOVERNMENTAL ACTIVITIES						
<i>General Obligation Bonds:</i>						
Highways	\$ 8,817	\$ 17		\$ 1,897	\$ 6,937	\$ 621
Health	3,238			189	3,049	199
Public safety	8,186	14		2,034	6,166	1,227
Off-street parking	12,902	14		2,643	10,273	3,159
Parks and recreation	23,574	9		2,144	21,439	2,585
Public buildings and facilities	64,155	11		3,728	60,438	4,387
Schools	200,693	23		10,229	190,487	9,123
Storm water	1,190	21		1,211		
Urban renewal	287,464	89		25,349	262,204	28,214
Waste disposal	74	2		76		
Unallocated	20,664	148		11,657	9,155	1,461
Total general obligation bonds	630,957	348		61,157	570,148	50,976
<i>Special Obligation Bonds:</i>						
Special Obligation Bonds	115,600			607	114,993	558
<i>Long-term financing with the Federal Government:</i>						
Federal economic development loans	42,151			2,796	39,355	2,894
<i>Long-term financing with the State of Maryland:</i>						
State economic development loans	925			220	705	195
Grand Prix loan			\$1,380	230	1,150	230
Total long-term financing with the State of Maryland	925		1,380	450	1,855	425
Total Governmental Activities	\$ 789,633	\$ 348	\$ 1,380	\$ 65,010	\$ 726,351	\$ 54,853
BUSINESS-TYPE ACTIVITIES						
<i>Long-term financing with the State of Maryland:</i>						
Sewer construction loans	\$ 61			\$ 42	\$ 19	\$ 19
Total Business-type Activities	\$ 61			\$ 42	\$ 19	\$ 19
COMPONENT UNIT — BALTIMORE CITY PUBLIC SCHOOL SYSTEM						
<i>Bonds:</i>						
Schools	\$ 151,575			\$ 5,235	\$ 146,340	\$ 5,825

(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. During fiscal year 2012, the outstanding balance on the Series A and C Capital Appreciation bonds was paid in full.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

Variable Rate General Obligation Bonds

The City has \$28,875,000 of taxable variable rate demand Consolidated Public Improvement Bonds 2003 Series C and D outstanding, to construct various capital projects throughout the City. The bonds mature on October 15, 2020 and 2022, respectively.

The bonds bear interest at a variable rate that is reset by the Remarking Agent on a weekly basis. Under terms of the indenture, the City, at its option, may change the bond rate to a monthly or long-term rate at any time until maturity, upon notification of bondholders.

In conjunction with the bonds, State Street Bank and Trust Company issued an irrevocable letter of credit in the amount of \$31,213,000 in favor of the City and Manufacturers and Traders Trust Company as Tender Agent. The agreement expires August 1, 2014, but can be extended for additional years. The existing agreement permits the fiscal agent to draw certain amounts to pay the principal portion and related accrued interest on the bonds tendered for purchase and not remarked. The interest rate on draws made under this agreement includes a base rate defined as the greater of prime rate plus 1.0%, federal funds rate plus 2.0% or 8.5%.

The City is required to pay the Bank fees throughout the term of the agreement equal to 0.49% per annum of the average daily amount of the available commitment.

During fiscal year 2012, the City made no draws under the agreement, and no amounts drawn against the Agreement were outstanding at June 30, 2012.

At June 30, 2012, the City also had \$146,625,000 of Series 2001 A&B and Series 2003 A&B 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 175% of the commercial paper rate depending on the rating of each bond issue. The failed auction rate on these notes during the fiscal year was less than 1.0%.

The liabilities for governmental activities are principally liquidated by the general and capital projects funds. Long-term debt payable on the Statement of Net Assets is presented net of \$7,395,000 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 borrowed funds to provide funding for capital projects in the development district. At June 30, 2012, principal owed for these bonds was \$114,993,000, and interest of \$152,506,000 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 borrowed funds from the Federal government to provide for various development projects. At June 30, 2012, the principal owed to the Federal government was \$39,355,000, and interest of \$13,549,000 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 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, 2012, the principal owed to the State was \$705,000, and interest of \$40,000 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.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

- *State Grand Prix Loan:* The City borrowed \$1,380,000 from the State of Maryland, as an interest free loan, to be used to improve downtown City streets and sidewalks, traffic signals and signage and other transportation-related infrastructure necessitated by the Grand Prix races. At June 30, 2012, the loan balance amount owed to the State was \$1,150,000. Payments of 16.66% of the loan amount are due annually with the final payment due by June 30, 2017.
- *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, 2012, the principal owed to the State was \$19,000, and interest of \$1,000 will be due thereon in future years.

Compensated Absences

Compensated absences at June 30, 2012, totaled \$121,635,000 for governmental activities and \$13,079,000 for business-type activities, of which \$44,191,000 and \$5,136,000 respectively, were due within one year. For the Baltimore City Public School System, compensated absences totaled \$66,133,000, of which \$4,489,000 were due within one year.

Changes in compensated absences during fiscal year 2012 (amounts expressed in thousands):

	Governmental Activities	Business-type Activities	Total
Balance, June 30, 2011	\$ 110,526	\$ 12,982	\$ 123,508
Leave earned	55,300	5,233	60,533
Leave used	(44,191)	(5,136)	(49,327)
Balance, June 30, 2012	\$ 121,635	\$ 13,079	\$ 134,714

B. DEBT SERVICE REQUIREMENTS

Debt service requirements on long-term debt at June 30, 2012, are as follows (amounts expressed in thousands):

Fiscal Year	Governmental Activities								
	General Obligation Bonds			Long-Term Financing with Federal Government		Special Obligation Bonds		Long-Term Financing with State of Maryland	
	Principal	Interest	Interest Rate Swap Net(a)	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 50,976	\$ 18,061	\$ 5,608	\$ 2,894	\$ 2,060	\$ 558	\$ 6,674	\$ 425	\$ 16
2014	39,794	16,929	5,092	3,000	1,906	611	6,638	414	12
2015	33,887	16,018	4,573	3,104	1,744	669	6,599	412	8
2016	34,906	15,134	4,141	3,225	1,571	995	7,485	374	4
2017	35,045	14,125	3,790	3,340	1,388	1,104	7,892	230	
2018-2022	180,750	56,006	12,474	15,797	4,151	7,951	38,167		
2023-2027	139,155	28,500	425	7,995	729	16,451	34,528		
2028-2032	55,635	5,336				28,755	26,768		
2033-2037						36,179	15,255		
2038-2043						21,720	2,500		
Totals	\$ 570,148	\$ 170,109	\$ 36,103	\$ 39,355	\$ 13,549	\$ 114,993	\$ 152,506	\$ 1,855	\$ 40

(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, 2012, 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	
	Principal	Interest
2013	\$ 19	\$ 1
Totals	\$ 19	\$ 1

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

A summary of general obligation bonds outstanding and bonds authorized but unissued (amounts expressed in thousands) at June 30, 2012, are as follows:

Purpose	Due Dates	Outstanding		Authorized
		Interest Rates	Amount	But Unissued Amount
Fire, police and public protection	2013 to 2032	3.0% to 7.5%	\$ 6,165	\$ 150
Off-street parking	2013 to 2025	2.7% to 8.4%	10,273	345
Parks and recreation	2013 to 2032	1.2% to 7.5%	21,440	35,929
Public building and facilities	2013 to 2032	1.6% to 7.5%	60,438	44,589
Schools	2013 to 2032	1.6% to 7.5%	190,487	56,779
Urban renewal and development	2013 to 2032	2.7% to 8.4%	262,204	85,610
Highways	2013 to 2025	4.7% to 7.5%	6,937	220
Finance				20,000
Health	2013 to 2031	3.0 to 7.5%	3,048	4,071
Unallocated	2013 to 2025	4.7% to 5.5%	9,156	
Totals			\$ 570,148	\$ 247,693

Baltimore City Public School System (BCPSS) Bonds

BCPSS has 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 the 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 capital project contracts with one or more contractors, funds are to be drawn from the Series 2003A Bonds escrow account to fund capital expenditures. 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 or obligation of, or pledge of, the faith and credit of the City of Baltimore. On December 17, 2009, BCPSS refunded \$25,295,000 of the Series 2003A Bonds. As of June 30, 2012, the outstanding balance on the 2003A bonds is \$3,880,000.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

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

As BCPSS enters into capital project contracts with one or more contractors, funds are to be drawn from the Series 2009 Construction Bonds escrow account to fund capital expenditures. The interest rates on the bonds include a Tax Credit rate of 5.90% and an interest rate of 1.25%, and interest is payable quarterly on March 15, June 15, September 15, and December 15 of each year. As of June 30, 2012, the outstanding balance of the Series 2009 Construction Bonds is \$50,800,000.

BCPSS has issued the City School Refunding Bonds Series 2009 (the Series 2009 Refunding Bonds) in the amount of \$32,335,000, maturing through the year ending June 30, 2018. The proceeds of the Series 2009 Refunding Bonds were used to refund a portion of the Series 2000 and Series 2003A Bonds. The interest rate ranges from 4.00% to 5.00% and interest is payable semiannually on May 1 and November 1 of each year. As of June 30, 2012, the outstanding balance on the Series 2009 Refunding Bonds is \$30,835,000.

In January 2011, BCPSS issued the City Schools Qualified School Construction Bonds Series 2011 in the amount of \$60,825,000, maturing through the year ending June 30, 2025. The net proceeds of the Series 2011 Bonds were used to fund various capital improvements to existing schools within BCPSS.

As BCPSS enters into capital project contracts with one or more contractors, funds are drawn from the Series 2011 Bonds escrow account to fund capital expenditures. The interest rates on the Bonds is 5.692% and interest is payable semi-annually on June 15 and December 15 of each year. As of June 30, 2012, the outstanding balance on the Series 2011 Bonds is \$60,825,000.

Future minimum bond payments are as follows at year ending June 30, 2012 (amounts expressed in thousands):

Fiscal Year	Principal	Interest	Total
2013	\$ 5,825	\$ 2,534	\$ 8,359
2014	6,095	2,262	8,357
2015	7,409	1,958	9,367
2016	8,312	1,638	9,950
2017	9,979	1,302	11,281
2018-2022	63,277	4,389	67,666
2023-2026	45,443	2,273	47,716
Total	\$ 146,340	\$ 16,356	\$ 162,696

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

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 2012, the City's capital lease obligations increased by \$21,234,000 (which is net of new leases in the amount of \$44,647,000 and lease principal payments of \$23,413,000) over the fiscal year 2011 total of \$160,930,000. Future minimum lease payments at June 30, 2012, are as follows (amounts expressed in thousands):

Fiscal Year	Governmental Activities	Business-type Activities	Total
2013	\$ 35,769	\$ 468	\$ 36,237
2014	31,472	470	31,942
2015	29,404	468	29,872
2016	32,399	469	32,868
2017	25,468	382	25,850
2018-2022	46,991	873	47,864
2023-2027	9,619	335	9,954
Total minimum lease payments	211,122	3,465	214,587
Less: deferred interest	(31,961)	(462)	(32,423)
Present value minimum lease payments	\$ 179,161	\$ 3,003	\$ 182,164

The following is a schedule of leased property under capital leases by major class at June 30, 2012 (amounts expressed in thousands):

Classes of Property	Governmental Activities	Business-type Activities	Total
Buildings	\$ 173,756		\$ 173,756
Equipment	269,822	\$ 3,187	273,009
Total	\$ 443,578	\$ 3,187	\$ 446,765

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, 2012, the outstanding balance on the 1999 lease is \$4,319,000.

Additionally, BCPSS has entered into a \$25,000,000 capital lease agreement (the Master Equipment Lease) with US Bank, National Association, for the lease of "Equipment," which includes General Equipment (\$1,500,000 at an interest rate of 3.06% for 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, 2012 the outstanding balance on the 2003 Master Lease is \$2,303,000.

On June 13, 2006, BCPSS 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 that time. During fiscal

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

year 2007, the System issued \$60,300,000 in various ESCO projects. During fiscal year ending June 30, 2012, the outstanding balance on the 2006 Master Lease Addendums was paid in full.

In November 2011, BCPSS entered into leases with two financial institutions to refinance the 2006 Energy Lease. The 2011 Refunding Lease-1st Niagara in the amount of \$22,341,000 (at an interest rate of 2.755% for 11 years) and the 2011 Refunding Lease-M&T in the amount of \$24,217,000 (at an interest rate of 2.582% for 11 years) refunded \$46,500,000 in 2006 leases. BCPSS had no gains or losses as a result of these refinancings. As of June 30, 2012, the outstanding balances on the 1st Niagara and M&T Refunding Leases were \$21,207,000 and \$22,891,000, respectively.

Future minimum lease payments as of June 30, 2012, are as follows (expressed in thousands):

Fiscal Year	Capital Leases Principal
2013	\$ 8,444
2014	8,837
2015	7,738
2016	7,081
2017	6,121
2018-2022	18,440
Total minimum lease payments	56,661
Less: deferred interest	(5,941)
Present value minimum lease payments	\$ 50,720

The following is a schedule of leased property under BCPSS capital leases by major class at June 30, 2012 (amount expressed in thousands):

Classes of Property	
Buildings	\$ 72,650
Equipment	24,549
Total	\$ 97,199

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 \$121,340,000 at June 30, 2012, and revenues of the Water and Waste Water Funds are pledged as collateral for the bonds. Bonds outstanding as of June 30, 2012, 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	\$ 5,300	\$ 3,100
Term bonds series 1993-A with interest at 5.65%, payable semiannually, due July 1, 2020	23,900	14,000
Term bonds series 1994-A with interest at 6.00%, payable semiannually, due July 1, 2015	4,405	3,050
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		1,190
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		1,133
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		856
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		979
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		2,670
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		1,052

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Notes to Basic Financial Statements
(Continued)

	Water Utility Fund	Waste Water Utility Fund
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		4,746
Serial bonds series 2001-A maturing in annual installments from \$569,000 to \$819,000 through February 1, 2022, with interest rate at 2.30%, payable semiannually		7,219
Serial bonds series 2002-A maturing in annual installments from \$1,145,000 to \$1,660,000 from July 1, 2012 through July 1, 2021, with variable interest through July 1, 2016 and a fixed rate of 4.85% to 5.00% thereafter payable semiannually		13,660
Serial bonds series 2002-A maturing in annual installments from \$1,855,000 to \$1,975,000 from July 1, 2012 through July 1, 2021, with variable interest through July 1, 2016 and a fixed rate of 4.85% to 5.00% thereafter payable semiannually	18,890	
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
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		45,900
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		3,511
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	1,311	
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	4,185	
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		9,157
Auction rate notes series 2004-B, payable monthly, due July 1, 2034	46,100	
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		10,654
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		11,988
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, 2012 through July 1, 2016, with interest rate of 3.25% to 5.00%, payable semiannually		13,410
Serial bonds series, 2006-A maturing in annual installments from \$515,000 to \$1,035,000 from July 1, 2012 through July 1, 2026, with interest rates of 4.00% to 4.50%, payable semiannually	11,705	
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		18,674
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		4,763
Serial bonds series, 2006-C maturing in annual installments from \$990,000 to \$2,090,000 from July 1, 2012 through July 1, 2026, with interest rates of 4.00% to 5.00%, payable semiannually		23,010
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	1,665	
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		29,312
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		2,352
Serial bonds series, 2007-B maturing in annual installments from \$30,000 to \$3,860,000 from July 1, 2012 through July 1, 2027, with interest rates of 3.60% to 4.50%, payable semiannually	19,745	
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, 2012 through July 1, 2027, with interest rates of 3.60% to 4.50%, payable semiannually		10,955
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

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(Continued)

	Water Utility Fund	Waste Water Utility Fund
Serial bonds series, 2007-C maturing in annual installments from \$740,000 to \$1,570,000 from July 1, 2012 through July 1, 2027, with interest rates of 3.75% to 5.00%, payable semiannually	18,020	
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, 2012 through July 1, 2027, with interest rates of 5.00%, payable semiannually		49,265
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, 2012 through July 1, 2028, with interest rates of 2.00% to 4.50%, payable semiannually	12,630	
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, 2012 through July 1, 2028, with interest rates of 2.00% to 5.00%, payable semiannually		25,835
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, 2012 through July 1, 2021, with interest rates of 2.00% to 4.50%, payable semiannually	5,220	
Term bond series 2009-A with interest at 5.00%, payable semiannually, due July 1, 2024	1,220	
Term bond series 2009-A with interest at 5.125%, payable semiannually, due July 1, 2029	3,630	
Term bond series 2009-A with interest at 5.375%, payable semiannually, due July 1, 2034	4,680	
Term bond series 2009-A with interest at 5.75%, payable semiannually, due July 1, 2039	6,120	
Serial bonds series, 2009-A maturing in annual installments of \$426,167 from February 1, 2012 through February 1, 2029, with an interest rate at 0.00%		7,245
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%		1,558
Serial bonds series, 2009-B maturing in annual installments of \$586,172 from February 1, 2015 through February 1, 2043, with an interest rate at 0.00%	17,000	
Serial bonds series, 2009-C maturing in annual installments from \$370,000 to \$570,000 from July 1, 2012 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
Serial bonds series, 2009-E maturing in annual installments of \$586,172 from February 1, 2015 through February 1, 2042, with an interest rate at 0.00%		3,000
Serial bonds series, 2010-A maturing in annual installments of \$15,764 to \$37,150 from February 1, 2012 through February 1, 2040, with an interest rate at 0.00%		750
Serial bonds series, 2011-A maturing in annual installments of \$915,000 to \$2,000,000 from July 1, 2012 through February 1, 2031, with interest rates from 2.00% to 5.00%	27,315	51,810
Term bond series 2011-A with interest at 4.57%, payable semiannually, due July 1, 2036	11,400	
Term bond series 2011-A with interest at 5.00%, payable semiannually, due July 1, 2036		22,870
Term bond series 2011-A with interest at 5.00%, payable semiannually, due July 1, 2041	14,345	29,185
Serial bonds series, 2011-B maturing in annual installments of \$130,193 to \$172,023 from February 1, 2015 through February 1, 2043, with interest rates of 1.00%	4,356	
Serial bonds series, 2011-B maturing in annual installments of \$168,332 to \$203,363 from February 1, 2014 through February 1, 2033, with interest rates of 1.00%		3,707
	519,367	708,386
Less unamortized charges	6,787	2,773
	\$ 512,580	\$ 705,613

At June 30, 2012, the Water Utility fund had \$105,200,000 of auction rate notes outstanding. Interest rates for these notes are determined every 7 to 35 days depending on the date of issue. In the event of a failed auction, the auction agent assesses the failed auction rate to the issuers of the notes. Interest paid under these conditions is currently limited to 150% to 175% of the non-financial commercial paper rate depending on the rating of each bond issue. The failed auction rate on these notes was less than 1%.

At June 30, 2012, the Waste Water Utility fund had \$88,700,000 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 interest rate in the event of a failed auction on these notes was less than 1%.

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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 \$27,631,000 at June 30, 2012, and revenues of the Parking Facilities Fund are pledged as collateral for the bonds. Bonds outstanding as of June 30, 2012, consist of (amounts expressed in thousands):

Term bonds series 1997-A with interest at 5.90%, payable semiannually, due July 1, 2013.....	\$ 9,460
Term bonds series 1997-A with interest at 6.00%, payable semiannually, due July 1, 2018.....	29,040
Term bonds series 1998-A with interest at 5.25%, payable semiannually, due July 1, 2014.....	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
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.....	5,950
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.....	74,655
Serial bonds series 2010 maturing in annual installments from \$705,000 to \$1,330,000 through July 1, 2015 with interest rates ranging from 1.988% to 3.537%, payable semiannually.....	4,620
Term bonds series 2010 with interest at 4.336%, payable semiannually, due July 1, 2017.....	2,835
Term bonds series 2010 with interest at 5.225%, payable semiannually, due July 1, 2020.....	3,045
Term bonds series 2010 with interest at 6.10%, payable semiannually, due July 1, 2025.....	4,275
Term bonds series 2010 with interest at 7.00%, payable semiannually, due July 1, 2035.....	14,025
	171,820
Less deferred loss on bonds refunding and unamortized charges.....	21,513
	\$ 150,307

The City had \$74,655,000 of Series 2008 refunding taxable variable rate demand revenue bonds outstanding as of June 30, 2012. The bonds mature serially starting on July 1, 2012 through July 1, 2032. The Series 2008 Bonds are subject to redemption prior to maturity at any time, at a redemption price of 100% of the principal amount plus interest accrued to the redemption date. The Series 2008 Bonds' annual principal amounts range from \$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 option, may change the bond rate to a monthly or long-term rate at any time until maturity upon notification of the bondholders.

In conjunction with the bonds, Bank of America, NA issued an irrevocable letter of credit in the amount of \$78,774,000 in favor of the City and Manufacturers and Traders Trust Company as Tender Agent. The agreement expires November 19, 2014, but can be extended for additional years. The existing agreement permits the fiscal agent to draw certain amounts to pay the principal portion and related accrued interest on the bonds tendered for purchase and not remarked. The interest rate on draws made under this agreement is a defined base rate plus up to an additional 2.00% depending on the terms of the draw. The City is required to pay the letter of credit fee throughout the effectiveness of the agreement equal to 0.53% per annum of the average daily amount of the available commitment. During fiscal year 2012, the City made no draws under the letter of credit and no amounts drawn against the letter of credit were outstanding at June 30, 2012.

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(Continued)

Industrial Development Revenue Bonds

The City has \$77,900,000 variable rate demand revenue bonds Series 1986 outstanding as of June 30, 2012. These bonds were issued through the Baltimore Industrial Development Authority of the Mayor and City Council (IDA). The purpose of these bonds is to finance various municipal capital projects. The bonds mature on August 1, 2016, but are subject to optional or mandatory redemptions in whole or in part prior to maturity. The bonds bear interest at a variable rate that is reset by the Remarketing Agent on a weekly basis.

Bayerische Landesbank (BL) issued an irrevocable letter of credit in favor of the City and M&T Bank as trustee and The Chase Manhattan Bank as fiscal agent for the bondholders. The existing agreement permits the fiscal agent to draw certain amounts to pay the principal portion and related accrued interest on the bonds tendered for purchase and not remarketed.

The letter of credit will expire on November 30, 2015, but may be extended. The existing letter of credit permits the fiscal agent to draw amounts necessary to pay the principal portion and related accrued interest on bonds when tendered for purchase and not remarketed. Pursuant to the letter of credit agreement between the City, BL and the fiscal agent, the issuer is required to reimburse BL the amount drawn upon remarketing. The interest rate draws made from the letter of credit are at BL's prime interest rate. The City is required to pay BL a fee throughout the period of effectiveness of the letter of credit equal to 0.35% per annum of the daily average unutilized amount and 0.2% per annum of the daily average utilized amount. During fiscal year 2012, the City made no draws under the letter of credit and no amounts drawn against the letter of credit were outstanding at June 30, 2012.

Convention Center Refunding Revenue Bonds

The Convention Center Refunding Revenue Bonds, Series 1998 were issued May 1, 1998 and are special, limited obligations of the City to refund the \$56,385,000 Mayor and City Council Convention Center Revenue Bonds Series 1994. The bonds are payable solely from the revenues, which consist of certain hotel taxes and certain receipts derived from the ownership and operation of the Baltimore Convention Center. At June 30, 2012, the balance outstanding on the Series 1998 bonds was \$29,900,000, and includes \$3,095,000 in serial bonds, which are due to mature on September 1, 2013; \$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 March 1 and September 1 in each year. The bonds are subject to redemption prior to maturity at redemption prices ranging from 102% to 100% of the principal amount. The term bonds due September 1, 2014, are subject to redemption at par prior to maturity by operation of a sinking fund on or after September 1, 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 issued a Stormwater Special Revenue Bond, Series 2004 with \$3,612,000 outstanding at June 30, 2012. This bond will fund various City stormwater capital projects associated with road construction. The bond is secured by a pledge of the City's share of State highway user revenues.

County Transportation Revenue Bonds

The City entered into agreements with the State of Maryland to borrow County Transportation Revenue Bonds with \$76,925,000 outstanding at June 30, 2012. 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 State highway user revenues.

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Notes to Basic Financial Statements
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Convention Center Hotel Revenue Bonds

The City issued Convention Center Hotel Revenue Bonds in the amount of \$300,940,000. The proceeds of these bonds were used to finance the acquisition, demolition, construction and equipping of a convention center hotel in the City. The bonds are secured by pledges of revenues from the operation of the hotel, certain City hotel taxes and limited guarantees from the hotel operator. Bonds outstanding at June 30, 2012, 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
Totals	\$300,940

Changes in revenue bond obligations for the year end June 30, 2012, are as follows (amounts expressed in thousands):

	June 30, 2011	New Debt Issues	Debt Retired	June 30, 2012	Due within One Year
<i>Governmental Activities</i>					
Convention Center and Hotel	\$ 333,775		\$ 2,935	\$ 330,840	\$ 5,160
Storm Water	5,121		1,509	3,612	358
Transportation	83,115		6,190	76,925	6,460
Total Governmental Activities	\$ 422,011		\$ 10,634	\$ 411,377	\$ 11,978
<i>Business-Type Activities</i>					
Water	\$ 524,179	\$ 4,356	\$ 9,168	\$ 519,367	\$ 10,343
Waste Water	730,976	3,707	26,297	708,386	22,691
Parking Facilities	180,215		8,395	171,820	8,410
Industrial Development	77,900			77,900	
Total Business-Type Activities	\$ 1,513,270	\$ 8,063	\$ 43,860	\$ 1,477,473	\$ 41,444

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

Fiscal Year	Governmental Activities							
	Hotel Revenue Bonds		Convention Center		Storm Water		Transportation Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 2,065	\$ 15,834	\$ 3,095	\$ 1,475	\$ 358	\$ 14	\$ 6,460	\$ 3,250
2014	2,420	15,722	3,260	1,302	359	13	6,755	3,058
2015	2,795	15,592	3,435	1,118	361	12	7,070	2,837
2016	3,190	15,442	3,625	924	362	10	7,425	2,530
2017	3,605	15,272	3,825	729	364	9	7,790	2,201
2018-2022	25,425	72,789	12,660	970	1,808	21	33,010	6,058
2023-2027	40,895	64,000					8,415	530
2028-2032	61,365	50,689						
2033-2037	87,930	31,535						
2038-2042	71,250	5,996						
Totals	\$ 300,940	\$ 302,871	\$ 29,900	\$ 6,518	\$ 3,612	\$ 79	\$ 76,925	\$ 20,464

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Notes to Basic Financial Statements
(Continued)

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)
2013	\$ 10,343	\$ 18,553	\$ (5)	\$ 22,691	\$ 24,804	\$ 3,969	\$ 8,410	\$ 9,826	\$ 4,278		\$ 218	\$ 2,582
2014	10,830	18,138	2	24,099	24,186	3,940	9,280	9,351	4,214		218	2,583
2015	12,169	17,695	7	24,743	23,518	3,900	9,800	8,837	4,147		218	2,582
2016	12,740	17,239	9	25,123	22,830	3,821	10,600	8,278	4,075		218	2,583
2017	13,403	16,781	10	25,847	22,163	3,700	10,710	7,686	3,997	\$ 77,900	109	1,291
2018-2022	75,081	76,080	9	133,885	99,794	16,398	37,885	30,391	18,572			
2023-2027	83,572	62,259	(6)	124,624	80,962	11,758	29,840	21,971	14,493			
2028-2032	102,200	46,485	(91)	134,254	58,752	5,714	39,980	11,438	7,327			
2033-2037	114,959	27,620	(106)	122,995	31,705	418	15,315	1,299	231			
2038-2042	73,292	10,649	(83)	64,120	8,408							
2043-2047	10,778	258	(9)	6,005	154							
Totals	\$ 519,367	\$ 311,757	\$ (263)	\$ 708,386	\$ 397,276	\$ 53,618	\$ 171,820	\$ 109,077	\$ 61,334	\$ 77,900	\$ 981	\$ 11,621

(a) Interest Rate Swap Net payments represent estimated payments for additional interest resulting from swap agreements to counterparties. The additional payments were computed using rates as of June 30, 2012, 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 \$519,367,000 and \$708,386,000 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 23% of pledged revenues. Total principal and interest remaining to be paid on the revenue bonds for the Water and Waste Water Utility Funds are \$830,861,000 and \$1,159,280,000 respectively. Principal and interest paid for the current year and current pledged revenue for the Water Utility Fund were \$31,176,000 and \$127,544,000, respectively. Principal and interest paid for the current year and current pledged revenue for the Waste Water Utility Fund were \$46,171,000 and \$179,873,000, respectively.

The Parking Facility Fund

The Parking Facility fund has pledged future revenue from parking fees and fines to repay \$171,820,000 of revenue bond debt. Proceeds from these revenue bonds were used to construct various garages throughout the City. The bonds are payable solely from the pledged revenue and are payable through 2035. Annual principal and interest payments are expected to require less than 24% of pledged revenue. Total principal and interest remaining to be paid on these revenue bonds is \$342,231,000. For the current year, principal and interest payments and current pledged revenue were \$18,719,000 and \$81,476,000, respectively.

Tax Increment Revenue Pledges

The City has pledged a portion of future property tax revenues to repay \$114,993,000 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 \$267,500,000. For the current year, principal and interest payments and current pledged revenue were \$6,867,000 and \$10,433,000, respectively.

Baltimore Hotel Corporation

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

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Notes to Basic Financial Statements
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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 \$603,811,000. For the current year, there were no principal payments due, and interest payments were \$15,886,000.

10. Prior-Year Defeasance of Debt

Primary Government

In prior years, the City defeased certain revenue bonds and other obligations by placing the proceeds of new debt issues in an irrevocable trust to provide for all future debt service payments on the old debt. Accordingly, the trust account assets and the liability for the defeased debt are not included in the City's financial statements. At June 30, 2012, \$182,065,000 of debt outstanding is considered defeased.

Baltimore City Public School System (BCPSS)

In prior years, BCPSS defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. The trust account assets and the liability for the defeased bonds are not included in the BCPSS financial statements. On June 30, 2012, \$29,600,000 of revenue bonds outstanding from prior years 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. In compliance with GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions", we have evaluated and determined that an effective hedging relationship continues after replacement of a swap counterparty, and no terminations were made.

Terms, fair value and credit risk. The terms, fair values and credit rating of the outstanding swaps as of June 30, 2012, were as follows. The notional amounts of the swaps match the principal amount of the associated debt. The City's swap agreements contain scheduled reductions to outstanding notional amounts that are designed to track the scheduled or anticipated reductions in the associated "bonds payable" category.

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Notes to Basic Financial Statements
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Hedged Derivative Instruments

At June 30, 2012, the City had deferred liabilities for various hedged derivative instruments with the total fair values of these instruments in the amounts of (\$26,109,998) and (\$103,968,074), for governmental and business-type activities, respectively. The notional amounts for these hedged derivative instruments at June 30, 2012, were \$261,825,000 and \$364,055,000, for governmental and business-type activities, respectively. During fiscal year 2012, the fair values of these instruments decreased \$7,385,650 and \$45,076,492, for governmental and business-type activities, respectively. All hedges are cash flow hedges. The following schedule provides a detailed analysis of derivative instruments held at June 30, 2012:

SWAP PROFILE as of June 30, 2012

Outstanding Bonds	Effective Date	Termination Date	Interest Rate Paid by City	Interest Rate Received	Notional Amount	Fair Value	Counterparty Credit Rating
Hedged Derivative Instruments - Governmental Activities							
General Obligation Bonds							
<i>Floating to Fixed Swaps</i>							
2001 Bonds	6/27/2001	10/1/2020	4.595%	SIFMA	\$20,200,000	(\$1,938,002)	A-/Baa1
2001 Bonds	6/27/2001	10/1/2022	5.060%	SIFMA	22,500,000	(5,641,832)	A-/Baa1
2003 Bonds	5/14/2003	10/15/2020	2.950%	67% LIBOR	47,775,000	(3,840,367)	A+/A2
2003 Bonds	5/14/2003	10/15/2022	3.450%	67% LIBOR	47,350,000	(9,553,150)	A+/A2
2003 Bonds	5/14/2003	10/15/2020	4.215%	1M LIBOR	11,720,000	(1,174,326)	A+/A2
2003 Bonds	5/14/2003	10/15/2022	4.970%	1M LIBOR	17,155,000	(5,081,456)	A+/A2
<i>Basis Swaps:</i>							
2003 Bonds	6/29/2004	10/15/2020	67% LIBOR	60% LIBOR + 29.5 bps	47,775,000	383,095	A+/Aa3
2003 Bonds	6/29/2004	10/15/2020	67% LIBOR	60% LIBOR + 29.5 bps	47,350,000	736,040	A+/Aa3
Total Governmental Activities					\$261,825,000	(\$26,109,998)	
Hedged Derivative Instruments – Business-type Activities							
Industrial Development Authority Revenue Bonds							
<i>Floating to Fixed Swaps</i>							
1986 Revenue Bonds	11/1/2001	8/1/2016	3.4975%	SIFMA	\$77,900,000	(\$9,534,409)	A-/Baa1
Water Utility Fund Revenue Bonds Series							
<i>Floating to Fixed Swaps</i>							
2002 Revenue Bonds	5/7/2002	7/1/2037	4.548%	67% LIBOR	\$59,100,000	(\$27,589,725)	A-/Baa1
2002 Revenue Bonds	5/7/2002	7/1/2012	4.20%	Bond Rate/CPI	2,110,000	4,209	A-/Baa1
2002 Revenue Bonds	5/7/2002	7/1/2013	4.30%	Bond Rate/CPI	2,170,000	(34,580)	A-/Baa1
2002 Revenue Bonds	5/7/2002	7/1/2014	4.39%	Bond Rate/CPI	2,325,000	(62,880)	A-/Baa1
2002 Revenue Bonds	5/7/2002	7/1/2015	4.50%	Bond Rate/CPI	1,615,000	(56,522)	A-/Baa1
2002 Revenue Bonds	5/7/2002	7/1/2016	4.61%	Bond Rate/CPI	1,685,000	(67,430)	A-/Baa1
2004 Revenue Bonds	6/1/2004	7/1/2034	5.21%	SIFMA	46,100,000	(19,036,508)	A-/Baa1
Total Water Utility Fund					\$115,105,000	(\$46,843,436)	
Wastewater Utility Fund Revenue Bonds Series							
<i>Floating to Fixed Swaps</i>							
2002 Revenue Bonds	5/7/2002	7/1/2032	4.548%	67% LIBOR	\$71,200,000	(\$26,139,287)	A-/Baa1
2002 Revenue Bonds	5/7/2002	7/1/2012	4.20%	Bond Rate/CPI	1,930,000	3,850	A-/Baa1
2002 Revenue Bonds	5/7/2002	7/1/2013	4.30%	Bond Rate/CPI	1,960,000	(31,233)	A-/Baa1
2002 Revenue Bonds	5/7/2002	7/1/2014	4.39%	Bond Rate/CPI	2,040,000	(55,172)	A-/Baa1
2002 Revenue Bonds	5/7/2002	7/1/2015	4.50%	Bond Rate/CPI	1,240,000	(43,397)	A-/Baa1
2002 Revenue Bonds	5/7/2002	7/1/2016	4.61%	Bond Rate/CPI	1,280,000	(51,223)	A-/Baa1
2004 Revenue Bonds	6/1/2004	7/1/2034	5.21%	SIFMA	17,500,000	(7,411,316)	A-/Baa1
Total Wastewater Utility Fund					\$97,150,000	(\$33,727,778)	
Parking Facilities Fund Revenue Bonds Series							
<i>Floating to Fixed Swaps</i>							
2008 Bonds	6/19/2002	7/1/2032	6.098%	1M LIBOR	\$65,500,000	(\$12,685,556)	A/A2
2008 Bonds	6/19/2002	7/1/2025	5.915%	1M LIBOR	8,400,000	(1,176,895)	A/A2
Total Parking Facilities Fund					\$73,900,000	(\$13,862,451)	
Total Business-type Activities					\$364,055,000	(\$103,968,074)	

Credit risk — As of June 30, 2012, the City is not exposed to credit risk on all but four 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 four swap agreements that have positive fair value, the City has credit exposure to the counterparty as of June 30, 2012. 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' \$1,127,194 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

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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, seventeen swaps or approximating 53% of the notional amount of swaps outstanding, are held with one counterparty that is currently rated A-/Baa1. Of the remaining swaps, the City holds two swaps with a counterparty, rated A+/Aa3, approximating 15% of the outstanding notional value, four swaps with one counterparty rated A+/A2, approximately 20% of the outstanding notional value, and two swaps are with one counterparty rated A/A2, approximating 12% 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 rates change. If a change occurs that results in the spread widening, the expected cost savings may not be realized. As of June 30, 2012, the SIFMA rate for the prior 52-week period ranged from 0.07% to 0.26%, whereas the City tax-exempt market ranged from 0.06% to 0.46%. For ten 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, 2012, LIBOR for the prior 52-weeks ranged from 0.13% to 0.26%, whereas the City's taxable market ranged from 0.13% to 0.40%. For those swaps associated with CPI index bonds, there is no basis risk, because the floating rate on the swaps is identical to the floating rate on the bonds.

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

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

Investment derivative instruments

The fair value balance and notional amounts of derivative instruments outstanding are classified by type and the changes in fair value of such derivative instruments for the year ended June 30, 2012 are as follows:

Investment Derivative Instruments

	Changes in Fair Value		Fair Value at June 30, 2012		
	Classification	Amount	Classification	Amount	Notional
Business-Type Activities					
<i>Water Utility Fund</i>					
Fixed to Floating	Investment Revenue	\$ (139,430)	Debt	(\$208,443)	(\$13,220,453)
Floating to Fixed	Investment Revenue	(337,944)	Debt	(8,736,069)	(71,455,000)
Total Water Utility Fund		(477,374)		(8,944,512)	(84,675,453)
<i>Waste Water Utility Fund</i>					
Fixed to Floating	Investment Revenue	(75,708)	Debt	(125,864)	(7,469,047)
<i>Industrial Development Authority</i>					
Fixed to Floating	Investment Revenue	(339,380)	Debt	(2,704,884)	(22,100,000)
Total Business-Type Activities		\$ (892,462)		(\$11,775,260)	(\$114,244,500)

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Credit Risk: At June 30, 2012, the government is not exposed to credit risk on the interest rate swaps, because they are in a negative fair value or liability position. However, if interest rates change and the fair values become positive, the City would have exposure to credit risk. The counterparty's credit rating at June 30, 2012, was AA-/Aa3 for four derivative instruments held by the Waste Water Utility Fund and A-/Baa1 for one derivative instrument held by the Industrial Development Authority. For the Water Utility Fund, the counter party rating was AA-/Aa3 for four derivative instruments and one swap representing with a counter party rating of Aa1/AAA. The change in the fair value of investment swaps in the amount of a loss of \$309,073 is netted and reported within the investment revenue classification.

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.

Fiduciary Fund Types

Forward Currency Contracts

The City's Retirement Systems entered into forward currency contracts to manage exposure to fluctuations in foreign currency exchange rates on portfolio holdings. They also entered into forward exchange contracts to settle future obligations. A forward exchange contract is a commitment to purchase (payable) or sell (receivable) a foreign currency at a future date at a negotiated forward rate. Risk associated with such contracts includes movement in the value of a foreign currency relative to the U.S. dollar. Unrealized gains or losses on forward currency contracts are the difference between the contract and the closing market value of such contract and is included in the statement of changes in plan net assets as net appreciation/depreciation in the fair value of investments. The table below summarizes the market value of foreign currency contracts as of June 30, 2012:

Currency	Forward Foreign Contracts Cost Receivable (a)	Forward Foreign Contracts Cost Payable (b)	Forward Foreign Contracts Fair Value Receivable (c)	Forward Foreign Contracts Fair Value Payable (d)	Unrealized Net Gain/(Loss) (c-a) + (b-d)
Australian Dollar	\$498,991	\$2,403,578	\$510,654	\$2,405,326	\$9,915
Brazil Real	20,890	20,890	20,890	21,673	(783)
British Pound Sterling	13,481,689	13,413,576	13,433,835	13,259,380	106,342
Canadian Dollar	894,141	129,770	899,628	130,719	4,538
Chinese Yuan Renminbi	2,728,938	600,001	2,670,836	591,928	(50,029)
Euro Currency Unit	7,397,553	12,828,913	7,403,966	12,581,911	253,415
Hong Kong Dollar	214,883	164,207	214,914	164,207	31
Japanese Yen	1,488,632	1,488,632	1,486,990	1,489,367	(2,377)
Mexican New Peso		981,946		952,092	29,854
New Zealand Dollar	223,883	1,271,934	227,842	1,262,758	13,135
Nigerian Naira	14,409	14,409	14,414	14,409	5
Norwegian Krone	131,042	37,630	132,091	38,246	433
Philippines Peso	342,270		354,962		12,692
Singapore Dollar	46,166	46,166	46,166	46,550	(384)
South African Rand	240,581	240,581	241,272	246,584	(5,312)
South Korean Won	595,884	295,009	593,411	297,384	(4,848)
Swedish Krona	6,289	6,289	6,289	6,306	(17)
Swiss Franc	203,254	182,247	206,004	183,433	1,564
U.S. Dollar	11,083,668	5,487,385	11,083,668	5,487,385	-
Total	\$39,613,163	\$39,613,163	\$39,547,832	\$39,179,658	\$368,174

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).

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

The City contributes to three single-employer defined benefit pension plans, the Fire and Police Employees' Retirement System, established July 1, 1962, the Employees' Retirement System, established January 1, 1926 and the Elected Officials' Retirement System, established December 5, 1983. Each plan provides retirement benefits as well as disability benefits to plan members and their beneficiaries. The plans are each managed by a Board of Trustees in accordance with Article 22 of the Baltimore City Code. Plan benefits provisions may be amended only by the City Council. Certain provisions related to retirement benefits for the Fire and Police Retirement System have been amended during fiscal year 2011. Details can be found in the separately issued System's annual financial statements. The plans are considered part of the City's reporting entity and their financial statements are included in the City's basic financial statements as pension trust funds. Each plan issues a publicly available financial report that includes financial statements and the required supplementary information for that plan. Those reports may be obtained by writing to the Retirement Systems at the following addresses:

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

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

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

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

Significant Accounting Policies

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

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

Funding Policy and Annual Pension Cost

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

(Dollars Expressed in Thousands)

	Fire and Police Employees' Retirement System	Employees' Retirement System	Elected Officials' Retirement System
Contribution ratios as a percentage of covered payroll:			
Employer	37.8%	20.0%	80.7%
Employee	8.0%	0.1%	5.1%
Annual pension cost	\$107,488	\$77,995	\$998
Contributions made	\$107,488	\$77,995	\$998
Actuarial cost method	Projected Unit Credit Cost	Early Age Normal Cost	Projected Unit Credit Cost
Amortization method	Level Dollar Open	Level Dollar Open	Level Dollar Open
Remaining amortization period	20 years	19 years	15 years
Assets valuation method	5 year smoothed market	5 year smoothed market	5 year smoothed market
Actuarial assumptions:			
Investment rate of return:			
Pre-retirement	7.75%	7.75%	7.25%
Post-retirement	7.75%	6.55%	5.0%
Projected salary increases	4.25-11.75%	2.75%	5.0%
Includes inflation rate at	3.75%	2.75%	5.0%
Cost-of-living adjustment	0-2%	1.5-2%	5.0%

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

The information presented in the following schedules for the Fire and Police Employees' Retirement System, the Employees' Retirement System, and the Elected Officials' Retirement System is from the financial reports dated June 30, 2012 and the actuarial valuation dated June 30, 2012.

Three-Year Trend Information
(Dollars Expressed in Thousands)

	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Fire and Police Employees' Retirement System:			
June 30, 2012	\$ 107,488	100%	\$ 0
June 30, 2011	107,540	100	0
June 30, 2010	94,098	100	0
Employees' Retirement System:			
June 30, 2012	\$ 77,995	100%	\$ 0
June 30, 2011	62,375	100	0
June 30, 2010	48,748	100	0
Elected Officials' Retirement System:			
June 30, 2012	\$ 998	100%	\$ 0
June 30, 2011	957	100	0
June 30, 2010	340	100	0

Schedule of Funding Progress for Fiscal Year Ended June 30, 2012
Pension Trust Funds
(Dollars Expressed in Thousands)

Actual Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Excess of) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL (Excess of) as a Percentage of Covered Payroll (b-a)/c)
Fire and Police Employees' Retirement System:						
June 30, 2012	\$2,475,874	\$3,188,662	\$ 712,788	77.6%	\$ 284,601	250.5%
June 30, 2011	2,546,236	3,104,805	558,569	82.0	275,648	202.6
June 30, 2010	2,524,754	3,033,724	508,970	83.2	276,577	184.0
Employees' Retirement System:						
June 30, 2012	\$ 1,429,666	\$ 2,111,278	\$ 681,612	67.7%	\$ 390,558	174.5%
June 30, 2011	1,410,211	1,940,447	530,236	72.7	392,941	134.9
June 30, 2010	1,390,515	1,830,224	439,709	76.0	393,178	111.8
Elected Officials' Retirement System:						
June 30, 2012	\$ 18,503	\$ 16,951	(\$ 1,552)	109.2%	\$ 1,237	(125.5%)
June 30, 2011	18,143	17,243	(900)	105.2	1,206	(74.6)
June 30, 2010	15,616	18,636	3,020	83.8	1,206	250.4

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, 2012	\$ 913	\$ 3,545
June 30, 2011	1,184	4,732
June 30, 2010	1,250	5,182

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

The Maryland State Retirement and Pension Systems

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

The State of Maryland pays, on behalf of the BCPSS, the employer's share of retirement and pension costs to the State Systems for teachers and related positions. During the fiscal year ended June 30, 2012, the State paid \$79,300,000 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, 2012, was \$1,792,000. 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 30 years of service If hired on or after January 1, 1980: Based on age at retirement and years of service
Fire and Police Employees' Retirement System	If hired before July 1, 2003: Age 50 or 20 years of service If hired on or after July 1, 2003: Age 50 and 10 years of service or 20 years of service
Employees' Retirement System & Elected Officials' Retirement System	If hired after July 1, 1979, age 55 with at least 5 years of service or any age with 30 years of service

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

In order to effectively manage the Plan, the City established an OPEB Trust Fund. All retiree and City contributions are deposited into the Trust Fund and all retiree related health and life insurance benefits are paid from the Trust Fund. The City also contracted with the Board of Trustees of the Employees' Retirement System to act as investment manager for the Trust Fund. BNY Mellon Bank Asset Saving is the Trust Fund's asset custodian. The Plan does not issue stand alone financial statements; however, the OPEB Trust Fund is included in the City's financial statements as an other postemployment benefits trust fund.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

The number of participants in the Plan as of July 1, 2012, was as follows:

	Number of Participants		
	City	School	Total
Active	12,793	10,667	23,460
Retired	10,477	6,035	16,512
Total	23,270	16,702	39,972

Significant Accounting Policies of the OPEB Trust Fund:

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

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

Funding Policy:

The City's policy is to fund benefits on a pay-as-you-go basis plus make additional contributions comprising the federal retiree drug subsidy payments and an additional annual appropriation. Retirees are required to contribute at various rates ranging from approximately \$58 to \$1,331 on a monthly basis, depending on the health plan and level of coverage elected and whether Medicare supplemental coverage is present. In addition, retirees contribute 20% toward the prescription plan coverage. Administrative costs of the Plan are covered by the City.

For fiscal year 2012, City contributions to the Plan were \$157.1 million, including \$14.7 million of federal retiree drug subsidy payments, which was more than the annual OPEB cost of \$133.7 million resulting in a net decrease to the OPEB liability of \$23.4 million for the current year. Interest on the OPEB liability amounted to \$5.0 million in fiscal year 2012. The OPEB liability at June 30, 2012 was \$81.7 million. An additional adjustment in the amount of (\$3.9) million was made to the annual required contribution (ARC) based on claims experience.

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 2012 was \$133.7 million. The following table shows the components of the City's annual OPEB cost for the years ended June 30, 2012, June 30, 2011 and June 30, 2010, respectively, and the amount actually contributed to the plan (dollars expressed in millions):

	Fiscal Year Ended		
	June 30, 2010	June 30, 2011	June 30, 2012
Normal Cost	\$ 81.5	\$ 55.2	\$ 45.1
Amortization of Unfunded Actuarial Liability	121.9	105.0	72.8
Annual Required Contribution (ARC)	203.4	160.2	117.9
Interest on Unfunded ARC	1.6	5.4	5.0
Adjustment of ARC	(1.3)	(4.4)	(3.9)
Annual OPEB Cost	203.7	161.2	133.7
Actual Contributions	142.2	142.8	157.1
Increase/(Decrease) in OPEB Obligation	61.5	18.4	(23.4)
Net OPEB (Asset) Obligation	86.7	105.1	81.7
Percentage Contributed	69.8%	89.1%	119.7%

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, 2012	\$ 262.4	\$ 1,755.7	\$ 1,493.3	14.9%	\$ 1,426.1	104.7%
June 30, 2011	207.1	2,229.8	2,022.7	9.3	1,377.9	146.8
June 30, 2010	149.1	2,564.3	2,415.2	5.8	1,337.8	180.5

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

Actuarial Method and Assumptions:

Data in the above tables were obtained from an actuarial valuation prepared by an independent actuary made as of June 30, 2012, using census data as of that date and health care claims costs for the year ended June 30, 2012.

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 (PUCC) 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 PUCC method determines the Actuarial Accrued Liability as the weighted sum of the pro-rata calculations for expected retirement at each expected retirement age. The unfunded actuarial accrued liability is being amortized over 30 years on a level dollar basis.

In performing their valuation, the actuary used a discount rate of 5.95%, which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the Plan at valuation date. Assets are valued at fair value. Past service costs are calculated using the level dollar method with a closed amortization period of 30 years. The valuation also assumes a 6.2% healthcare trend for fiscal year 2012, reduced by decrements to a rate of 3.8% in 2082. Salary increases were not considered as OPEB benefits and OPEB benefits are not based on pay.

Since the date of the prior valuation, July 1, 2010, rates of participation have decreased from 100% to 80% for BCPSS and Fire and Police employees, and from 80% to 75% for all other City employees.

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

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

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

All funds of the City and the Baltimore City Public School System participate and make payments to the Risk Management Fund based on actuarial estimates and historical cost information of the amounts needed to pay prior and current year claims. As of June 30, 2012, the City has determined that the range of potential claims liability for the fund to be between \$220,212,000 and \$305,753,000. The claims liability of \$220,212,000 reported in the fund is based on the requirement that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). This liability, which has been discounted at 3.0% at June 30, 2012, 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 \$220,212,000 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 2011 and 2012 were (amounts expressed in thousands):

	2012	2011
Unpaid claims, beginning	\$181,986	\$ 183,769
Claims incurred	243,960	171,557
Claims paid	(205,734)	(173,340)
Unpaid claims, ending	\$ 220,212	\$ 181,986

The City estimates that \$60,179,000 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, 2012, future minimum lease payments are as follows (amounts expressed in thousands):

2013	\$ 5,997
2014	4,709
2015	3,238
2016	1,974
2017	991
2018-2022	1,855
2023-2027	587
2028-2032	254
Total	\$ 19,605

All leases contain cancellation provisions and are subject to annual appropriations by the City Council. During fiscal year 2012, rent expenditures approximated \$32,542,000 for all types of leases. These expenditures were made primarily from the General Fund.

The BCPSS has entered into several leases for rental of office equipment. During the year ended June 30, 2012, rent and lease expenditures approximated \$1,700,000. These expenditures were made primarily from the General Fund. As of June 30, 2012, future minimum lease payments approximate \$3,119,000, which relates to July 1, 2012 through April 30, 2014 when the leases expire.

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Notes to Basic Financial Statements
(Continued)

16. Landfill Closure and Postclosure Care Costs

State and Federal laws and regulations require that the City place a final cover on its landfill site and perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty years after closure. In addition to operating expenses related to current activities of the landfill site, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and postclosure care costs is \$20,122,000 as of June 30, 2012, which is based on 68.28% usage (filled) of the landfill. This is an increase in the liability of \$1,050,000 since June 30, 2011. This increase is primarily caused by an increase in the estimated usage (filled) of the landfill of 66.62% for the fiscal year 2011 to 68.28% in fiscal year 2012. It is estimated that an additional \$9,348,000 will be recognized as closure and postclosure care expenses between the date of the balance sheet and the date the landfill is expected to be filled to capacity (the year 2027). The estimated total current cost of the landfill closure and postclosure care, \$29,470,000, 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, 2012. 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 2013.

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, 2012, investments of \$18,234,000 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, 2012, consist of the following:

- A. The General Fund has notes receivable of \$6,476,000, 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 \$705,000 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 \$62,325,000 collateralized by real property. These notes bear interest at rates ranging from 6.1% to 6.9% and mature over 30 years.
- D. Governmental activities have notes receivable of \$300,940,000 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, 2012, 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, 2012.

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Notes to Basic Financial Statements
(Continued)

19. Fund Balance

The composition of the fund balances of the governmental funds for fiscal year ended June 30, 2012 are as follows (amounts expressed in thousands):

	General	Grants	Capital Projects	Other Funds	Governmental Funds
Fund Balances					
Nonspendable:					
Reserved for other assets	\$ 5,519				\$ 5,519
Restricted:					
Highways	30,338				30,338
Education				\$ 6,192	6,192
Public library				2,162	2,162
Recreation and culture				4,659	4,659
Total restricted	30,338			13,013	43,351
Assigned to:					
General government	48,813		\$ 2,743	537	52,093
Public safety and regulation	8,386		6		8,392
Conservation of health	4,850		22		4,872
Social services	409				409
Education	2,394				2,394
Public library	1,053				1,053
Recreation and culture	2,020		289		2,309
Highways	11,460		1,798		13,258
Sanitation and waste removal	35,900		359		36,259
Public service	2,480				2,480
Economic development	10,650		1,911		12,561
Debt service				36,796	36,796
Total assigned	128,415		7,128	37,333	172,876
Unassigned	91,700	\$ (40,248)	(12,393)	(7,192)	31,867
Total fund balances	\$ 255,972	\$ (40,248)	\$ (5,265)	\$ 43,154	\$ 253,613

20. Commitments and Contingencies

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

The Waste Water Utility has received Federal grants and State grants. Entitlement to grant resources is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable Federal and State regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits in accordance with grantors' requirements. Any disallowances as a result of these audits become a liability of the Waste Water Utility. As of June 30, 2012, the Waste Water Utility estimates that no material liabilities will result from such audits.

As of June 30, 2012, the City is contingently liable for loans guaranteed by the Loan and Guarantee Program in an aggregate amount of approximately \$1,500,000.

The Northeast Maryland Waste Disposal Authority Act was enacted by the Maryland General Assembly to assist in the provision of waste disposal facilities for the Northeast Maryland area, including the facilities for the disposal of waste water treatment residue. The City agreed to perform the obligations of the Authority. The current agreement, approved in March 2008, provided that the Authority and Mayor and City Council of Baltimore (the "City") entered into a service agreement, through June 30, 2013, with Veolia Water North America-Central, LLC, a Delaware limited

CITY OF BALTIMORE
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(Continued)

liability company, which now owns and operates the Facility. The agreement allows the Waste Water Utility to deliver up to approximately 2,167 wet tons of sewerage sludge per month and to pay a tipping fee comparable to alternative methods of sludge disposal currently being used by the Waste Water Utility. The debt service on variable rate bonds is a component of the tipping fee. The Waste Water Utility's current tipping fee expense per wet ton for delivering sewerage sludge was \$84.36 and \$126.09 up to the guaranteed and excess tonnage amounts, respectively. Payments under the agreement in fiscal year 2012 were \$2.345 million. The maximum commitment by the City is 54,750 wet tons per year.

The Waste Water Utility also has an agreement with Synagro-Baltimore, LLC, a wholly owned subsidiary of Synagro Technologies for processing biosolids at the City's Back River and Patapsco Waste Water Treatment Plants. Under the agreements the Waste Water Utility delivers approximately 20,000 dry tons of biosolids per year at each facility and pays base and service tipping fees. The debt service on the bonds is a component of the tipping fees. The Waste Water Utility's current base tipping fees expense for delivering biosolids is \$274,664 and \$266,388 for the Back River and Patapsco Waste Water Treatment Plants, respectively. The service tipping fees were \$380.33 and \$390.35 per ton for the Back River and Patapsco Waste Water Treatment Plants, respectively. Payments under the agreements in fiscal year 2012 were \$21.006 million. The agreements extend to 2014 and 2017 for the Back River and Patapsco Waste Water Treatment Plants, respectively.

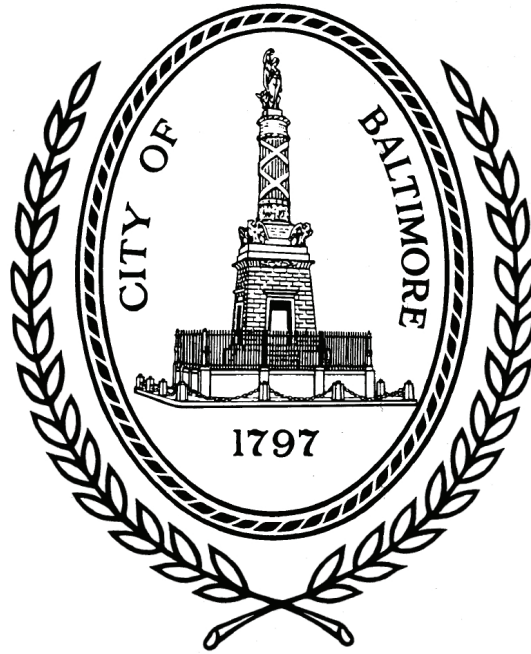
The City has voluntarily entered into a Consent Decree to rehabilitate its aging sewer infrastructure and correct historical overflow mechanisms. The Consent Decree is one of many that the U.S. Department of Justice has currently negotiated with major east coast cities with aged sewer and storm water infrastructures. The City is proactively negotiating to increase its remedial efforts to address discharge and overflow concerns of the State and Federal regulatory agencies. These efforts are ambitious and the costs of the construction and maintenance are estimated to be greater than \$1 billion. The City has committed to financing these remedial efforts through a combination of water and waste water revenue bonds in conjunction with all available State and Federal assistance.

21. Subsequent Events

On September 12, 2012, the City entered into an agreement with the State of Maryland to borrow \$38,255,000 in County Transportation Revenue Bonds, Series 2012. The loan consists of \$25,345,000 in new money, and \$12,910,000 in refunding of the Series 2004 Bonds. The rate of interest on the bonds from the new money is from 2.00% to 5.00%, and the rate of interest on the refunding amount is from 2.00% to 4.00%. These bonds are secured by a pledge of the City's share of the highway user revenues.

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**Required Supplementary
Information**



See Independent Auditor's Report

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CITY OF BALTIMORE
Schedule of Revenues, Expenditures and Encumbrances,
and Changes in Fund Balance — Budget and Actual — Budgetary Basis(1), (2)
General Fund
For the Year Ended June 30, 2012
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes— local	\$ 1,191,977	\$ 1,191,977	\$ 1,206,584	\$ 14,607
Licenses and permits	30,044	30,044	37,585	7,541
Fines and forfeitures	9,061	9,061	6,604	(2,457)
Interest, rentals, and other investment income	19,404	19,404	16,244	(3,160)
Federal grants	179	179	226	47
State grants	92,267	92,267	93,859	1,592
Other grants	55	55	25	(30)
Charges for current services	43,540	43,540	35,044	(8,496)
Miscellaneous	2,195	2,195	9,976	7,781
Total revenues	1,388,722	1,388,722	1,406,147	17,425
Expenditures and encumbrances:				
Civil Service Commission	4,524	4,524	4,524	
Community Relations Commission	788	788	763	25
Comptroller	4,303	4,303	3,811	492
City Council	4,624	4,624	4,595	29
Office of Financial Review	509	509	509	
Courts	8,556	8,556	8,495	61
Supervisors of Elections	5,980	7,536	7,536	
Department of Finance	13,839	13,839	13,971	(132)
Department of Fire	149,427	149,427	149,512	(85)
Department of Health	26,758	26,849	24,917	1,932
Department of Housing and Community Development	33,406	34,039	31,939	2,100
Department of Law	3,811	3,928	3,843	85
Department of Legislative Reference	956	964	896	68
Enoch Pratt Library	23,132	23,382	21,818	1,564
Board of Liquor License Commissioners	2,133	2,133	1,950	183
Mayoralty	326,981	330,311	337,062	(6,751)
Department of Planning	2,001	2,124	1,949	175
Department of Police	323,195	323,195	323,207	(12)
Department of Public Works	65,204	65,319	64,093	1,226
Department of Recreation and Parks	25,985	25,985	26,036	(51)
Office of Sheriff	16,149	16,189	16,102	87
Department of Transportation	13,199	13,199	13,287	(88)
Office of State's Attorney	25,059	25,059	24,467	592
Wage Commission	318	318	316	2
Department of Municipal and Zoning Appeals	466	466	236	230
Baltimore City Public School System	249,254	249,254	249,254	
Total expenditures and encumbrances	1,330,557	1,336,820	1,335,088	1,732
Excess of revenues over expenditures and encumbrances	58,165	51,902	71,059	19,157
Other financing sources (uses):				
Transfers in	41,652	41,652	44,959	3,307
Transfers out	(96,834)	(96,834)	(98,787)	(1,963)
Total other financing sources (uses)	(55,182)	(55,182)	(53,838)	1,344
Net change in fund balances	2,983	(3,280)	17,221	20,501
Fund balances— beginning	149,986	149,986	149,986	
Residual equity transfer in			30,338	30,338
Fund balances— ending	<u>\$ 152,969</u>	<u>\$ 146,706</u>	<u>197,545</u>	<u>\$ 50,839</u>
Adjustments to reconcile to GAAP basis:				
Addition of encumbrances outstanding			65,793	
Less: accounts payable not recorded for budgetary purposes			(7,366)	
Fund balance— June 30, 2012 (GAAP basis)			<u>\$ 255,972</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 \$1,792,000 which was paid by the Maryland State Retirement System on behalf of the City of Baltimore for certain employees of the Enoch Pratt Free Library.

CITY OF BALTIMORE
Schedule of Revenues, Expenditures and Encumbrances,
and Changes in Fund Balance — Budget and Actual — Budgetary Basis(1)
Motor Vehicle Fund
For the Year Ended June 30, 2012

(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
State shared revenue	\$ 121,333	\$ 121,333	\$ 130,205	\$ 8,872
Licenses and permits	917	917	798	(119)
Fines and forfeitures	23,186	23,186	30,932	7,746
Interest, rentals, and other investment income	345	345	240	(105)
Charges for current services	6,215	6,215	7,593	1,378
Total revenues	151,996	151,996	169,768	17,772
Expenditures and encumbrances:				
Department of Recreation and Parks	2,823	2,823	2,733	90
Department of Transportation	79,722	81,367	90,717	(9,350)
Department of Police	8,060	8,060	8,060	
Department of Public Works	24,882	24,882	22,789	2,093
Mayoralty	21,914	21,914	21,613	301
Department of Health	226	226	224	2
Total expenditures and encumbrances	137,627	139,272	146,136	(6,864)
Excess of revenues over expenditures and encumbrances	14,369	12,724	23,632	10,908
Other financing sources (uses):				
Transfers in	2,652	4,297		(4,297)
Transfers out	(13,726)	(13,726)	(8,496)	5,230
Total other financing sources (uses)	(11,074)	(9,429)	(8,496)	933
Net change in fund balances	3,295	3,295	15,136	11,841
Fund balances— beginning	13,971	13,971	13,971	
Residual equity transfers out			(30,338)	(30,338)
Fund balances— ending	\$ 17,266	\$ 17,266	(1,231)	\$ (18,497)
Adjustments to reconcile to GAAP Basis:				
Addition of encumbrances outstanding			5,367	
Less: accounts payable not recorded for budgetary purposes			(4,136)	
Fund balance— June 30, 2012 (GAAP basis)				

- (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)

Actual Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Excess of) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL (Excess of) as a Percentage of Covered Payroll ((b-a)/c)
Fire and Police Employees' Retirement System						
June 30, 2012	\$ 2,475,874	\$ 3,188,662	\$ 712,788	77.6%	\$284,601	250.5%
June 30, 2011	2,546,236	3,104,805	558,569	82.0	275,648	202.6
June 30, 2010	2,524,754	3,033,724	508,970	83.2	276,577	184.0
Employees' Retirement System						
June 30, 2012	\$ 1,429,666	\$ 2,111,278	\$ 681,612	67.7%	\$390,558	174.5%
June 30, 2011	1,410,211	1,940,447	530,236	72.7	392,941	134.9
June 30, 2010	1,390,515	1,830,224	439,709	76.0	393,178	111.8
Elected Officials' Retirement System						
June 30, 2012	\$ 18,503	\$ 16,951	(\$1,552)	109.2%	\$1,237	(125.5%)
June 30, 2011	18,143	17,243	(900)	105.2	1,206	(74.6)
June 30, 2010	15,616	18,636	3,020	83.8	1,206	250.4

- (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, 2012	\$ 262.4	\$ 1,755.7	\$ 1,493.3	14.9%	\$ 1,426.1	104.7%
June 30, 2011	207.1	2,229.8	2,022.7	9.3	1,377.9	146.8
June 30, 2010	149.1	2,564.3	2,415.2	5.8	1,337.8	180.5
June 30, 2009	110.5	2,497.6	2,387.1	4.4	1,346.4	177.3
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, 2012	\$ 117.9	\$ 142.4	120.8%
June 30, 2011	160.2	142.8	89.1
June 30, 2010	203.4	142.2	69.9
June 30, 2009	179.5	142.2	79.2
June 30, 2008	164.6	176.5	107.2

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 2012, no supplemental appropriation ordinances were required for the general fund, however, \$1,645,000 was required for the motor vehicle fund.

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

CITY OF BALTIMORE

Notes to the Required Supplementary Information

2. Schedule of Funding Progress – Pension Trust Funds

The pension plans are considered part of the City’s reporting entity and their financial statements are included in the City’s basic financial statements as pension trust funds. Each plan issues a publicly available financial report that includes financial statements and the required supplementary information for that plan. Those reports may be obtained by writing the Retirement Systems at the following addresses:

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

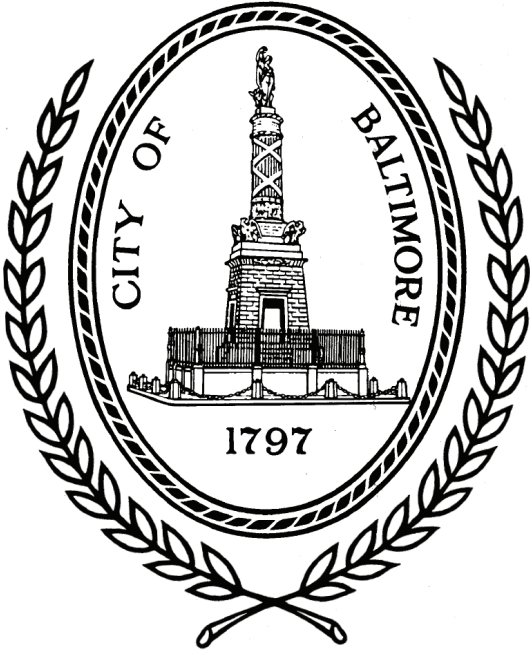
Baltimore City Retirement Systems
7 East Redwood Street, 18th Floor
Baltimore, Maryland 21202-3470

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

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

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**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, 2012
(Expressed in Thousands)

	Special Revenue Funds				Permanent Funds			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		
Assets:									
Cash and cash equivalents		\$ 537	\$ 5,421	\$ 5,958	\$ 32	\$ 488	\$ 520	\$ 21,563	\$ 28,041
Investments			768	768	2,125	4,161	6,286	15,201	22,255
Other receivables, net	\$ 5,398		3	5,401	5	10	15	36	5,452
Due from other funds	1,358			1,358					1,358
Notes and mortgages receivable, net								705	705
Total assets	6,756	537	6,192	13,485	2,162	4,659	6,821	37,505	57,811
Liabilities and fund balances:									
Liabilities:									
Accounts payable and accrued liabilities	288			288				2	290
Due to other funds	12,612			12,612					12,612
Deferred revenue	1,048			1,048				705	1,753
Matured bonds payable								2	2
Total liabilities	13,948			13,948				709	14,657
Fund balances:									
Restricted			6,192	6,192	2,162	4,659	6,821		13,013
Assigned		537		537				36,796	37,333
Unassigned	(7,192)			(7,192)					(7,192)
Total fund balances (deficits)	(7,192)	537	6,192	(463)	2,162	4,659	6,821	36,796	43,154
Total liabilities and fund balances	\$ 6,756	\$ 537	\$ 6,192	\$ 13,485	\$ 2,162	\$ 4,659	\$ 6,821	\$ 37,505	\$ 57,811

CITY OF BALTIMORE
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2012
(Expressed in Thousands)

	Special Revenue Funds				Permanent Funds			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		
Revenues:									
State shared revenue		\$ 81		\$ 81					\$ 81
Interest, rentals and other investment income			\$ 50	50	\$ 40	\$ 234	\$ 274	\$ 161	485
Federal grants	\$ 28,773			28,773					28,773
Total revenues	28,773	81	50	28,904	40	234	274	161	29,339
Expenditures:									
Current:									
General government	3,818			3,818					3,818
Education			138	138					138
Public library					25		25		25
Recreation and culture						79	79		79
Economic development	13,056			13,056					13,056
Debt service:									
Principal								64,781	64,781
Interest								32,624	32,624
Total expenditures	16,874		138	17,012	25	79	104	97,405	114,521
Excess (deficiency) of revenues over (under) expenditures	11,899	81	(88)	11,892	15	155	170	(97,244)	(85,182)
Other financing sources (uses):									
Transfers in								97,779	97,779
Transfers out	(8,358)		(2,000)	(10,358)					(10,358)
Total other financing sources (uses)	(8,358)		(2,000)	(10,358)				97,779	87,421
Net change in fund balances	3,541	81	(2,088)	1,534	15	155	170	535	2,239
Fund balances (deficits) —beginning	(10,733)	456	8,280	(1,997)	2,147	4,504	6,651	36,261	40,915
Fund balances (deficits) —ending	\$ (7,192)	\$ 537	\$ 6,192	\$ (463)	\$ 2,162	\$ 4,659	\$ 6,821	\$ 36,796	\$ 43,154

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, 2012
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
State shared revenues			\$ 81	\$ 81
Expenditures and encumbrances:				
Department of Planning	\$ 100	\$ 100		100
Total expenditures and encumbrances	100	100		100
Excess of revenues over expenditures and encumbrances	(100)	(100)	81	181
Fund balances—beginning	456	456	456	
Fund balances—June 30, 2012 (GAAP basis)	\$ 356	\$ 356	\$ 537	\$ 181

- (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, 2012
(Expressed in Thousands)

	Loan and Guarantee Program	Industrial Development Authority	Conduit Fund	Total
Assets:				
Current assets:				
Cash and cash equivalents	\$ 2,075	\$43,068		\$ 45,143
Accounts receivable, net:				
Service billings			\$ 2,671	2,671
Other	1	23		24
Total current assets	2,076	43,091	2,671	47,838
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents			6,163	6,163
Capital assets, net of accumulated depreciation			48,335	48,335
Capital assets not being depreciated			1,213	1,213
Issuance costs		138		138
Other assets	32	59,324		59,356
Deferred outflow swaps		9,534		9,534
Total noncurrent assets	32	68,996	55,711	124,739
Total assets	2,108	112,087	58,382	172,577
Liabilities:				
Current liabilities:				
Accounts payable and accrued liabilities	14		122	136
Accrued interest payable		18		18
Due to other funds		10,321	1,647	11,968
Current liabilities payable from restricted assets:				
Accounts payable from restricted assets			174	174
Total current liabilities	14	10,339	1,943	12,296
Noncurrent liabilities:				
Revenue bonds payable		77,900		77,900
Other liabilities	1,548		442	1,990
Derivative instrument liability		12,239		12,239
Total noncurrent liabilities	1,548	90,139	442	92,129
Total liabilities	1,562	100,478	2,385	104,425
Net assets:				
Invested in capital assets, net of related debt			49,548	49,548
Unrestricted	546	11,609	6,449	18,604
Total net assets	\$ 546	\$ 11,609	\$ 55,997	\$ 68,152

CITY OF BALTIMORE
Combining Statement of Revenues, Expenses,
and Changes in Fund Net Assets
Nonmajor Proprietary Funds
For the Year Ended June 30, 2012
(Expressed in Thousands)

	Loan and Guarantee Program	Industrial Development Authority	Conduit Fund	Total
Operating revenues:				
Rents, fees, and other income	\$ 352	\$ 274	\$ 11,383	\$ 12,009
Interest income on loans	8	29		37
Total operating revenues	360	303	11,383	12,046
Operating expenses:				
Salaries and wages	94		2,833	2,927
Other personnel costs	44		1,298	1,342
Contractual services			3,252	3,252
Program expenses	3,031	317		3,348
Materials and supplies			331	331
Minor equipment			7	7
Depreciation			841	841
Interest		1,120		1,120
Total operating expenses	3,169	1,437	8,562	13,168
Operating income (loss)	(2,809)	(1,134)	2,821	(1,122)
Capital contributions	613		187	800
Changes in net assets	(2,196)	(1,134)	3,008	(322)
Total net assets— beginning	2,742	12,743	52,989	68,474
Total net assets— ending	\$ 546	\$ 11,609	\$ 55,997	\$ 68,152

CITY OF BALTIMORE
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the Year Ended June 30, 2012
(Expressed in Thousands)

	Loan and Guarantee Program	Industrial Development Authority	Conduit Fund	Total
Cash flows from operating activities:				
Receipts from customers	\$ 360	\$ 292	\$ 11,893	\$ 12,545
Payments to employees	(138)		(4,629)	(4,767)
Payments to suppliers	(3,023)	(533)	(1,936)	(5,492)
Net cash provided (used) by operating activities	(2,801)	(241)	5,328	2,286
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets			(2,891)	(2,891)
Other assets		(6,316)		(6,316)
Due to other funds		8,801		8,801
Capital contributions	613		187	800
Net cash provided (used) by capital and related financing activities	613	2,485	(2,704)	394
Net increase (decrease) in cash and cash equivalents	(2,188)	2,244	2,624	2,680
Cash and cash equivalents, beginning of year	4,263	40,824	3,539	48,626
Cash and cash equivalents, end of year	\$ 2,075	\$43,068	\$ 6,163	\$ 51,306
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (2,809)	\$ (1,134)	\$ 2,821	\$ (1,122)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense			841	841
Accounts receivable		(11)	510	499
Accounts payable and accrued liabilities	(3)		(498)	(501)
Accrued interest payable		8		8
Due to other funds			1,647	1,647
Other noncurrent assets		(1,162)		(1,162)
Other liabilities	11	2,058	7	2,076
Total adjustments	8	893	2,507	3,408
Net cash provided (used) by operating activities	\$ (2,801)	\$ (241)	\$ 5,328	\$ 2,286

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.

Energy Conservation Fund — This fund accounts for the operation of the City's energy conservation office.

CITY OF BALTIMORE
Combining Statement of Fund Net Assets
Internal Service Funds
June 30, 2012
(Expressed in Thousands)

	Energy Conservation	Municipal Communication	Mobile Equipment	Reproduction and Printing	Municipal Post Office	Municipal Telephone Exchange	Risk Management	Total
Assets:								
Current assets:								
Cash and cash equivalents		\$ 2,469	\$ 47,391				\$ 81,811	\$ 131,671
Investments							5,113	5,113
Accounts receivable, net:								
Other			46	\$ 321		\$ 11	813	1,191
Inventories			4,191	815	\$ 52			5,058
Total current assets		2,469	51,628	1,136	52	11	87,737	143,033
Noncurrent assets:								
Capital assets, net			61,871	13			1	61,885
Other assets							309	309
Total noncurrent assets			61,871	13			310	62,194
Total assets		2,469	113,499	1,149	52	11	88,047	205,227
Liabilities:								
Current liabilities:								
Accounts payable and accrued liabilities	\$ 76	265	6,653	139	26	164	12,912	20,235
Due to other funds	1,404		300	8,066	617	287		10,674
Estimated liability for claims in progress							56,170	56,170
Other liabilities	164		3,157	108	49	163	573	4,214
Total current liabilities	1,644	265	10,110	8,313	692	614	69,655	91,293
Noncurrent liabilities:								
Estimated liability for claims in progress							152,622	152,622
Total liabilities	1,644	265	10,110	8,313	692	614	222,277	243,915
Net assets:								
Invested in capital assets			61,871	13			1	61,885
Unrestricted (deficit)	(1,644)	2,204	41,518	(7,177)	(640)	(603)	(134,231)	(100,573)
Total net assets (deficits)	\$ (1,644)	\$ 2,204	\$103,389	\$ (7,164)	\$ (640)	\$ (603)	\$ (134,230)	\$ (38,688)

CITY OF BALTIMORE
Combining Statement of Revenues, Expenses,
and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2012
(Expressed in Thousands)

	Energy Conservation	Municipal Communication	Mobile Equipment	Reproduction and Printing	Municipal Post Office	Municipal Telephone Exchange	Risk Management	Total
Operating revenues:								
Charges for services	\$ 1,104	\$ 3,409	\$ 46,207	\$ 3,056	\$ 2,625	\$ 8,247	\$ 177,724	\$ 242,372
Operating expenses:								
Salaries and wages	1,048		14,491	785	301	870	2,682	20,177
Other personnel costs	321		5,526	381	153	438	1,100	7,919
Contractual services	131	2,271	11,766	1,239	48	8,252	13,919	37,626
Materials and supplies	4		19,112	1,183	12	3	18	20,332
Minor equipment	7				6	19	31	63
Claims paid and incurred							203,181	203,181
Postage and delivery service					2,279			2,279
Depreciation			7,312	4			1	7,317
Total operating expenses	1,511	2,271	58,207	3,592	2,799	9,582	220,932	298,894
Operating income (loss)	(407)	1,138	(12,000)	(536)	(174)	(1,335)	(43,208)	(56,522)
Nonoperating revenues (expenses):								
Investment income							107	107
Loss on sale of equipment			(122)					(122)
Total nonoperating revenues (expenses), net			(122)				107	(15)
Income (loss) before contributions and transfers	(407)	1,138	(12,122)	(536)	(174)	(1,335)	(43,101)	(56,537)
Capital contributions			9,747					9,747
Total net assets (deficits) — beginning	(1,237)	1,066	105,764	(6,628)	(466)	732	(91,129)	8,102
Total net assets (deficits) — ending	\$ (1,644)	\$ 2,204	\$ 103,389	\$ (7,164)	\$ (640)	\$ (603)	\$ (134,230)	\$ (38,688)

CITY OF BALTIMORE
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2012
(Expressed in Thousands)

	Energy Conservation	Municipal Communication	Mobile Equipment	Reproduction and Printing	Municipal Post Office	Municipal Telephone Exchange	Risk Management	Total
Cash flows from operating activities:								
Receipts from customers	\$ 1,480	\$ 3,409	\$ 46,072	\$ 3,583	\$ 2,815	\$ 8,533	\$ 181,463	\$ 247,355
Payments to employees	(1,362)		(19,824)	(1,156)	(469)	(1,378)	(3,877)	(28,066)
Payments to suppliers	(118)	(2,035)	(28,877)	(2,426)	(2,346)	(8,165)	(180,261)	(224,228)
Net cash provided (used) by operating activities		1,374	(2,629)	1		(1,010)	(2,675)	(4,939)
Cash flows from capital and related financing activities:								
Acquisition and construction of capital assets			(10,468)	(1)				(10,469)
Capital contributions			9,747					9,747
Net cash provided (used) by capital and related financing activities			(721)	(1)				(722)
Cash flows from investing activities:								
Loss on sale of equipment			(122)					(122)
Proceeds from the sale and maturities of investments							6,449	6,449
Purchase of investments							(6,462)	(6,462)
Interest on investments							107	107
Net cash provided (used) by investing activities			(122)				94	(28)
Net increase (decrease) in cash and cash equivalents		1,374	(3,472)			(1,010)	(2,581)	(5,689)
Cash and cash equivalents, beginning of year		1,095	50,863			1,010	84,392	137,360
Cash and cash equivalents, end of year		\$ 2,469	\$ 47,391				\$ 81,811	\$ 131,671
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:								
Operating income (loss)	\$ (407)	\$ 1,138	\$ (12,000)	\$ (536)	\$ (174)	\$ (1,335)	\$ (43,208)	\$ (56,522)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:								
Depreciation			7,312	4			1	7,317
Changes in assets and liabilities:								
Accounts receivable			292	138		(1)	3,993	4,422
Inventories			(427)	(113)	(19)			(559)
Other assets							(254)	(254)
Accounts payable and accrued liabilities	24	236	2,131	3		64	2,736	5,194
Other liabilities	7		63	3	(16)	(25)	20	52
Due to other funds	376			502	209	287		1,374
Estimated liability for claims in progress							34,037	34,037
Total adjustments	407	236	9,371	537	174	325	40,533	51,583
Net cash provided (used) by operating activities		\$ 1,374	\$ (2,629)	\$ 1		\$ (1,010)	\$ (2,675)	\$ (4,939)

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, 2012
(Expressed in Thousands)

	Employees' Retirement System	Elected Officials' Retirement System	Fire and Police Employees' Retirement System	Total
Assets:				
Cash and cash equivalents	\$ 38,714	\$ 81	\$ 34,339	\$ 73,134
Investments:				
Stocks	924,425	11,993	1,125,886	2,062,304
Bonds	166,484	6,238	829,793	1,002,515
Real estate	98,816		175,093	273,909
Securities lending collateral	44,547		159,253	203,800
Redemption receivable			7,203	7,203
Forward foreign contracts	16,546		23,002	39,548
Other assets	18,921	4	16,649	35,574
Total assets	1,308,453	18,316	2,371,218	3,697,987
Liabilities:				
Obligations under securities lending program	44,547		159,253	203,800
Forward foreign contracts	16,408		22,772	39,180
Accounts payable	31,000	6	37,564	68,570
Pension benefits payable			5,601	5,601
Total liabilities	91,955	6	225,190	317,151
Net assets held in trust for pension benefits	\$ 1,216,498	\$ 18,310	\$ 2,146,028	\$ 3,380,836

CITY OF BALTIMORE
Combining Statement of Changes in Fiduciary Net Assets
Pension Trust Funds
For the Year Ended June 30, 2012
(Expressed in Thousands)

	Employees' Retirement System	Elected Officials' Retirement System	Fire and Police Employees' Retirement System	Total
Additions:				
Contributions:				
Employer	\$ 77,995	\$ 998	\$ 107,488	\$ 186,481
Employee	359	63	22,867	23,289
Total contributions	78,354	1,061	130,355	209,770
Investment income:				
Net appreciation in fair value of investments	6,758	225	50,443	57,426
Securities lending income	145		595	740
Interest and dividend income	18,949	1	36,854	55,804
Total investment income	25,852	226	87,892	113,970
Less: investment expense	6,155	21	6,957	13,133
Net investment income	19,697	205	80,935	100,837
Total additions	98,051	1,266	211,290	310,607
Deductions:				
Retirement allowances	118,802	776	203,900	323,478
Death benefits	1,290		385	1,675
Administrative expenses	3,298	28	3,673	6,999
Other	83	23	1,309	1,415
Total deductions	123,473	827	209,267	333,567
Changes in net assets	(25,422)	439	2,023	(22,960)
Net assets— beginning of the year	1,241,920	17,871	2,144,005	3,403,796
Net assets— end of the year	\$ 1,216,498	\$ 18,310	\$ 2,146,028	\$ 3,380,836

CITY OF BALTIMORE
Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2012

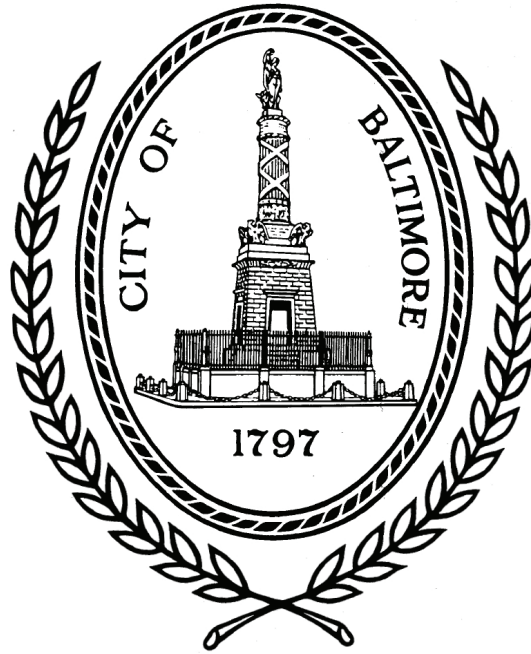
(Expressed in Thousands)

	Unpresented Stock and Coupon Bonds	Property Sold for Taxes	Bid Deposit Refunds	Waterloo Summit	Recreation Accessory	Total
Assets:						
Cash and cash equivalents	\$ 55	\$ 86	\$ 95		\$ 23	\$ 259
Investments				\$ 52		52
Total assets	55	86	95	52	23	311
Liabilities:						
Other	55	86	95	52	23	311
Total liabilities	\$ 55	\$ 86	\$ 95	\$ 52	\$ 23	\$ 311

CITY OF BALTIMORE
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2012
(Expressed in Thousands)

	Balance June 30, 2011	Additions	Deductions	Balance June 30, 2012
<i>Unpresented Stock and Coupon Bonds</i>				
Assets:				
Cash	\$ 55			\$ 55
Total assets	55			55
Liabilities:				
Other	55			55
Total liabilities	55			55
<i>Property Sold for Taxes</i>				
Assets:				
Cash	86			86
Total assets	86			86
Liabilities:				
Other	86			86
Total liabilities	86			86
<i>Bid Deposit Refunds</i>				
Assets:				
Cash	96		\$ 1	95
Total assets	96		1	95
Liabilities:				
Other	96		1	95
Total liabilities	96		1	95
<i>Waterloo Summit</i>				
Assets:				
Cash	1		1	
Investments	51	\$ 1		52
Total assets	52	1	1	52
Liabilities:				
Other	52	1	1	52
Total liabilities	52	1	1	52
<i>Recreation Accessory</i>				
Assets:				
Cash	381	2,435	2,793	23
Total assets	381	2,435	2,793	23
Liabilities:				
Other	381	2,435	2,793	23
Total liabilities	381	2,435	2,793	23
<i>Total All Agency Funds</i>				
Assets:				
Cash	619	2,435	2,795	259
Investments	51	1		52
Total assets	670	2,436	2,795	311
Liabilities:				
Other	670	2,436	2,795	311
Total liabilities	\$ 670	\$ 2,436	\$ 2,795	\$ 311

STATISTICAL SECTION



See Independent Auditor's Report

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CITY OF BALTIMORE

Statistical Section

(Unaudited)

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Revenue Capacity

These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax.109

Debt Capacity

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.113

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.119

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.123

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

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Financial Trends

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CITY OF BALTIMORE
Net Assets by Component
Last Ten Fiscal Years

(Accrual Basis of Accounting)

(Expressed in Thousands)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities										
Invested in capital assets,										
net of related debt	\$2,812,963	\$2,810,155	\$2,898,611	\$2,684,600	\$2,622,303	\$3,138,558	\$2,121,998	\$2,681,668	\$2,989,607	\$2,739,761
Restricted	15,444	15,084	13,774	13,773	26,516	13,250	13,191	14,787	14,931	13,013
Unrestricted	(369,729)	(439,890)	(428,921)	(367,551)	112,270	(395,378)	(475,903)	(360,180)	(595,687)	(321,033)
Total governmental activities										
net assets	\$2,458,678	\$2,385,349	\$2,483,464	\$2,330,822	\$2,761,089	\$2,756,430	\$1,659,286	\$2,336,275	\$2,408,851	\$2,431,741
Business-type activities										
Invested in capital assets,										
net of related debt	\$840,900	\$854,007	\$1,001,112	\$1,127,216	\$1,088,511	\$1,196,193	\$1,371,993	\$1,377,641	\$1,461,618	\$1,646,769
Restricted	224,150	256,964	252,812	282,924	369,069	231,382	260,575	124,756	142,070	160,955
Unrestricted	182,449	207,744	125,132	60,639	138,070	245,818	(27,495)	182,655	172,004	83,148
Total Business-type activities	\$1,247,499	\$1,318,715	\$1,379,056	\$1,470,779	\$1,595,650	\$1,673,393	\$1,605,073	\$1,685,052	\$1,775,692	\$1,890,872
Primary government										
Invested in capital assets,										
net of related debt	\$3,653,863	\$3,664,162	\$3,899,723	\$3,811,816	\$3,710,814	\$4,334,751	\$3,493,991	\$4,059,309	\$4,451,225	\$4,386,530
Restricted	239,594	272,048	266,586	296,697	395,585	244,632	273,766	139,543	157,001	173,968
Unrestricted	(187,280)	(232,146)	(303,789)	(306,912)	250,340	(149,560)	(503,398)	(177,525)	(423,683)	(237,885)
Total primary government										
net assets	\$3,706,177	\$3,704,064	\$3,862,520	\$3,801,601	\$4,356,739	\$4,429,823	\$3,264,359	\$4,021,327	\$4,184,543	\$4,332,613

CITY OF BALTIMORE

Changes in Net Assets

Last Ten Fiscal Years

(Accrual Basis of Accounting)

(Expressed in Thousands)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental activities:										
General government	\$ 311,906	\$ 406,520	\$ 406,849	\$ 339,059	\$ 452,353	\$ 468,113	\$ 521,242	\$ 545,037	\$ 452,449	\$ 443,957
Public safety and regulation	459,806	462,910	476,157	514,299	536,508	575,859	541,778	504,730	525,792	577,963
Conservation of health	189,881	195,024	142,219	162,319	104,879	157,549	147,054	164,751	151,192	154,105
Social services	31,382	36,822	29,451	30,584	2,252	36,202	6,096	435	14,581	31,156
Education	219,904	219,932	226,913	225,890	227,377	224,830	221,829	228,788	265,204	260,935
Public library	26,877	27,251	23,303	30,400	24,006	31,736	33,728	33,915	33,309	33,390
Recreation and culture	35,119	36,326	36,304	33,060	42,420	44,295	42,565	39,205	48,165	49,291
Highways and streets	195,148	186,393	132,909	123,930	122,212	143,340	135,992	191,536	140,309	162,290
Sanitation and waste removal	38,882	34,151	36,836	40,155	44,169	45,366	51,167	52,905	61,605	65,677
Public service	14,945	15,150	15,695	15,218	15,141	16,769	24,637	24,316	25,059	26,676
Economic development	100,343	96,964	80,045	449,746	145,160	184,286	204,557	182,816	183,331	169,896
Interest	41,271	43,588	40,944	50,070	58,327	63,070	37,885	50,105	47,391	32,624
Total governmental activities expenses	1,665,464	1,761,031	1,647,625	2,014,730	1,774,804	1,991,415	1,968,530	2,018,539	1,948,387	2,007,960
Business-type activities:										
Water	97,883	95,745	96,893	95,010	95,576	105,882	116,407	107,982	120,736	131,271
Waste water	132,785	127,009	133,463	134,290	131,610	145,611	152,595	157,605	159,776	173,106
Parking	13,060	15,272	17,478	19,441	16,520	20,317	23,422	24,832	19,853	25,332
Nonmajor proprietary	7,937	8,355	9,283	14,290	12,657	19,446	12,353	11,538	13,860	13,287
Total business-type activities expenses	251,665	246,381	257,117	263,031	256,363	291,256	304,777	301,957	314,225	342,996
Total primary government expenses	1,917,129	2,007,412	1,904,742	2,277,761	2,031,167	2,282,671	2,273,307	2,320,496	2,262,612	2,350,956
Program revenues										
Governmental activities:										
Charges for services (a)	73,636	88,587	83,950	90,545	93,046	99,185	94,297	85,683	109,872	118,556
Operating grants and contributions	472,628	477,870	401,958	393,328	382,316	386,972	402,343	359,769	399,844	400,678
Capital grants and contributions	35,873	51,910	49,013	57,313	48,085	51,559	23,181	63,437	72,758	71,258
Total governmental activities revenue	582,137	618,367	534,921	541,186	523,447	537,716	519,821	508,889	582,474	590,492
Business-type activities:										
Charges for services:										
Water	92,214	104,436	99,282	109,471	111,052	131,233	119,840	130,512	129,292	132,340
Waste water	121,131	126,869	134,805	136,405	151,462	157,974	158,305	166,016	160,076	179,873
Parking	49,883	54,196	56,613	61,896	62,706	69,868	64,380	67,760	83,040	81,476
Nonmajor proprietary	8,856	5,332	7,463	9,971	12,598	11,677	12,440	9,989	9,979	12,046
Capital grants and contributions	30,580	55,165	51,057	69,370	78,032	40,928	22,818	38,313	72,257	100,922
Total business-type activities revenues	302,664	345,998	349,220	387,113	415,850	411,680	377,783	412,590	454,644	506,657
Total primary government revenues	884,801	964,365	884,141	928,299	939,297	949,396	897,604	921,479	1,037,118	1,097,149
Net (Expense)/Revenue										
Governmental activities	(1,083,327)	(1,142,664)	(1,112,704)	(1,473,544)	(1,251,357)	(1,453,699)	(1,448,709)	(1,509,650)	(1,365,913)	(1,417,468)
Business-type activities	50,999	99,617	92,103	124,082	159,487	120,424	73,006	110,633	140,419	163,661
Total primary government net expenses	(1,032,328)	(1,043,047)	(1,020,601)	(1,349,462)	(1,091,870)	(1,333,275)	(1,375,703)	(1,399,017)	(1,225,494)	(1,253,807)
General Revenues and Other										
Changes in Net Assets										
Governmental activities:										
Property taxes	517,452	527,215	539,195	558,089	592,065	626,420	693,767	770,320	813,613	769,094
Income taxes	173,466	182,506	199,635	225,517	243,611	267,625	262,901	251,731	234,955	257,893
Other local taxes	102,899	111,980	171,871	208,858	204,685	180,189	148,369	115,472	147,366	178,441
State shared revenues	173,412	169,703	200,199	222,911	226,692	213,899	187,986	135,226	127,433	130,286
Franchise fees										
Unrestricted investment income	31,841	25,032	30,170	41,776	47,560	53,503	35,756	27,308	23,905	17,404
Miscellaneous	31,324	24,498	36,884	29,727	41,557	34,398	14,568	15,806	35,695	36,794
Transfers	31,570	28,401	32,865	34,024	33,870	42,681	34,339	40,707	55,522	50,446
Total governmental activities	1,061,964	1,069,335	1,210,819	1,320,902	1,390,040	1,418,715	1,377,686	1,356,570	1,438,489	1,440,358
Business-type activities:										
Unrestricted investment income			1,103	1,665			747		5,743	3,075
Transfers	(31,570)	(28,401)	(32,865)	(34,024)	(33,870)	(42,681)	(34,339)	(40,707)	(55,522)	(50,446)
Total business-type activities	(31,570)	(28,401)	(31,762)	(32,359)	(33,870)	(42,681)	(33,592)	(40,707)	(49,779)	(47,371)
Total primary government	1,030,394	1,040,934	1,179,057	1,288,543	1,356,170	1,376,034	1,344,094	1,315,863	1,388,710	1,392,987
Change in Net Assets										
Governmental activities	(21,363)	(73,329)	98,115	(152,642)	138,683	(34,984)	(71,023)	(153,080)	72,576	22,890
Business-type activities	19,429	71,216	60,341	91,723	125,617	77,743	36,101	69,926	90,640	116,290
Total primary government	\$ (1,934)	\$ (2,113)	\$ 158,456	\$ (60,919)	\$ 264,300	\$ 42,759	\$ (34,922)	\$ (83,154)	\$ 163,216	\$ 139,180

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

CITY OF BALTIMORE
Fund Balances, Governmental Funds
Last Ten Fiscal Years (1)

(Modified Accrual Basis of Accounting)

(Expressed in Thousands)

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
General fund								
Reserved	\$ 88,422	\$ 101,777	\$ 119,793	\$ 146,107	\$ 168,912	\$ 180,794	\$ 181,585	\$ 157,131
Unreserved	40,902	37,878	72,762	65,417	56,043	33,629	35,344	20,441
Total general fund	\$ 129,324	\$ 139,655	\$ 192,555	\$ 211,524	\$ 224,955	\$ 214,423	\$ 216,929	\$ 177,572
All other governmental funds								
Reserved	\$ 134,313	\$ 123,991	\$ 121,639	\$ 138,734	\$ 149,684	\$ 166,551	\$ 119,928	\$ 151,855
Unreserved reported in:								
Special revenue funds	(64,148)	(88,188)	(108,326)	(99,577)	(100,707)	(140,026)	(43,679)	(43,687)
Capital projects fund	(87,579)	(44,106)	(83,622)	28,370	56,661	30,251	48,128	(43,974)
Debt service fund	17,715	18,099	27,503	26,082	30,296	82,579	41,240	41,319
Permanent funds	6,602	6,237	13,774					
Total all other governmental funds	\$ 6,903	\$ 16,033	\$ (29,032)	\$ 93,609	\$ 135,934	\$ 139,355	\$ 165,617	\$ 105,513

	Fiscal Year	
	2011 (1)	2012
General fund		
Nonspendable	\$ 6,154	\$ 5,519
Restricted		30,338
Assigned	104,862	128,415
Unassigned	93,884	91,700
Total general fund	\$ 204,900	\$ 255,972
All other governmental funds		
Nonspendable		
Motor vehicle fund	\$ 2,658	
Other nonmajor funds	2,811	\$ 2,811
Restricted		
Other nonmajor funds		\$ 13,013
Assigned		
Motor vehicle fund	15,177	
Capital projects fund	128,813	7,128
Other nonmajor funds	48,837	37,333
Unassigned		
Grants revenue fund	(32,688)	(40,248)
Capital projects fund	(80,539)	(12,393)
Other nonmajor funds	(10,733)	(7,192)
Total all other governmental funds	\$ 74,336	\$ (2,359)

(1) During fiscal year 2011, the City implemented GASB Statement No. 54 which changed the format for fund balance presentation.

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

(Modified Accrual Basis of Accounting)

(Expressed in Thousands)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues:										
General fund:										
Taxes— Local	\$ 793,817	\$ 821,701	\$ 910,701	\$ 992,464	\$1,040,361	\$1,074,234	\$1,105,037	\$1,137,523	\$ 1,176,038	\$ 1,206,584
Licenses and permits	21,429	26,805	28,570	31,143	32,784	34,717	29,390	34,438	42,129	37,585
Fines and forfeitures	2,401	4,408	3,575	3,372	2,900	7,321	6,896	7,116	8,055	6,604
Interest, rentals, and other investment income	24,968	20,729	25,364	31,206	34,047	38,602	23,616	24,148	21,903	16,244
Federal grants	77	111	150	90	93	99	224	213		226
State grants	98,778	96,412	92,240	91,331	98,120	101,235	99,423	97,320	89,453	95,651
Other grants	6,112	6,064	4,174	75	173	153	154	46	25	25
Charges for services	36,315	39,692	39,770	42,243	43,697	42,646	41,560	29,251	26,654	35,044
Miscellaneous	6,694	9,889	2,643	8,817	6,420	12,429	234	4,528	18,579	9,976
Total revenues— general fund	990,591	1,025,811	1,107,187	1,200,741	1,258,595	1,311,436	1,306,534	1,334,583	1,382,836	1,407,939
Other governmental funds:										
Motor vehicle fund	187,891	187,119	212,477	238,002	244,316	232,716	206,015	156,590	160,974	169,768
Grants revenue fund	340,989	324,317	263,542	280,232	258,288	231,047	338,749	270,692	292,887	285,240
Capital projects fund	60,345	68,647	64,031	84,247	66,341	65,129	46,028	75,296	84,230	93,966
Other funds	25,555	29,820	37,334	32,251	55,941	36,696	33,030	28,641	26,245	29,339
Total revenues— other governmental funds	614,780	609,903	577,384	634,732	624,886	565,588	623,822	531,219	564,336	578,313
Total revenues all governmental funds	1,605,371	1,635,714	1,684,571	1,835,473	1,883,481	1,877,024	1,930,356	1,865,802	1,947,172	1,986,252
Expenditures:										
General fund:										
General government	253,812	267,527	273,606	290,727	337,700	368,022	368,279	410,746	375,814	387,650
Public safety and regulation	377,494	376,052	383,318	416,781	446,072	475,629	474,031	437,031	452,977	463,410
Conservation of health	24,760	23,528	24,442	30,507	28,948	29,371	33,066	44,950	44,076	44,033
Social services	1,952	2,032	2,146	2,138	3,007	4,498	6,057	396	1,361	707
Education	202,046	202,192	205,067	205,552	206,016	205,858	205,909	207,657	247,074	254,626
Public library	19,493	20,124	18,093	20,853	23,135	24,253	25,720	24,246	23,890	23,829
Recreation and culture	25,998	27,143	26,464	29,151	34,568	37,707	35,163	30,212	37,981	34,749
Highways and streets	153	244	407	312	484	720	244	16,376	16,838	19,336
Sanitation and waste removal	30,617	29,209	28,109	37,474	39,754	40,032	40,593	37,862	39,503	40,936
Public service	11,889	12,234	12,715	12,448	12,210	13,259	17,510	21,455	16,403	17,350
Economic development	19,077	19,262	18,854	21,420	30,440	39,616	36,573	36,186	36,589	46,741
Total expenditures— general fund	967,291	979,547	993,221	1,067,363	1,162,334	1,238,965	1,243,145	1,267,117	1,292,506	1,333,367
Other governmental funds:										
Motor vehicle fund	144,495	148,268	148,974	157,248	164,419	175,354	173,570	191,558	140,223	148,769
Grants revenue fund	344,830	342,586	282,888	272,814	257,756	259,387	238,399	280,603	292,497	298,287
Capital projects fund	206,246	217,621	208,219	568,951	246,775	317,031	267,641	275,701	199,217	208,837
Debt service fund:										
Principal	36,065	36,209	42,048	48,073	53,351	56,694	52,651	60,054	61,282	64,781
Interest	31,760	29,674	30,197	30,555	47,302	51,198	26,144	39,014	38,256	32,624
Other bond costs			1,357	1,861	6,829		13,945	9,847	5,882	
Other funds	21,524	22,752	25,052	22,038	17,015	14,161	18,052	11,863	14,330	17,116
Total expenditures other governmental funds	784,920	797,110	738,735	1,101,540	793,447	873,825	790,402	868,640	751,687	770,414
Total expenditures all governmental funds	1,752,211	1,776,657	1,731,956	2,168,903	1,955,781	2,112,790	2,033,547	2,135,757	2,044,193	2,103,781
Excess (deficiency) of revenues over expenditures	(146,840)	(140,943)	(47,385)	(333,430)	(72,300)	(235,766)	(103,191)	(269,955)	(97,021)	(117,529)
Other financing sources (uses):										
Transfers, net	31,570	28,401	33,873	16,568	20,694	36,044	27,839	40,707	27,422	50,446
Capital leases	433	25,136	10,189	10,265	25,447	7,372	3,956	75,099	11,020	41,460
Face value of bonds and loans	201,399	65,996	49,689	379,676	81,915	154,914	100,164	54,688	54,730	
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)	51,408	160,404	55,220	445,040	128,056	198,330	131,959	170,494	93,172	91,906
Net changes in fund balances	\$ (95,432)	\$ 19,461	\$ 7,835	\$ 111,610	\$ 55,756	\$ (37,436)	\$ 28,768	\$ (99,461)	\$ (3,849)	\$ (25,623)
Debt service as a percentage of noncapital expenditures	4.31%	4.17%	4.57%	1.78%	5.62%	5.64%	3.50%	5.26%	5.24%	5.03%

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
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
2010	751,510	723,533	96.3	60,319	783,852	104.3
2011	777,332	750,144	96.5	29,647	779,791	100.3
2012	811,224	743,352	91.6	10,643	753,995	92.9

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

Fiscal Year	Real Property		Personal Property		Total		Ratio of Total Assessed Value to Total Estimated Actual Value	Total Direct Tax Rate
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value		
2003	\$17,316,114	\$17,846,735	\$1,820,389	\$1,820,389	\$19,136,503	\$19,667,124	97.3%	\$2.412
2004	17,844,363	18,594,723	1,764,282	1,764,282	19,608,645	20,359,005	96.3	2.460
2005	18,781,171	19,783,195	1,847,190	1,847,190	20,628,361	21,630,385	95.4	2.460
2006	19,918,443	21,334,553	1,783,249	1,783,249	21,701,692	23,117,802	93.9	2.440
2007	21,254,392	23,236,872	1,893,973	1,893,973	23,148,365	25,130,845	92.1	2.400
2008	23,943,402	27,398,671	1,965,726	1,965,726	25,909,128	29,364,397	88.2	2.380
2009	26,601,299	32,038,540	2,145,251	2,145,251	28,746,550	34,183,791	84.1	2.380
2010	28,511,521	35,600,999	1,805,889	1,805,889	30,317,410	37,406,888	81.0	2.380
2011	29,613,826	36,799,638	1,767,656	1,767,656	31,381,482	38,567,294	81.4	2.380
2012	28,762,325	35,431,581	2,760,603	2,760,603	31,522,928	38,192,184	82.5	2.380

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. Tax rates are for each \$100 of assessed valuation.

Source: Baltimore City Department of Finance

CITY OF BALTIMORE
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years(1)

Fiscal Year	City Tax Rate	State Rate (2)	Tax Total (3)
2003	\$2.328	\$.084	\$2.412
2004	2.328	.132	2.460
2005	2.328	.132	2.460
2006	2.308	.132	2.440
2007	2.288	.112	2.400
2008	2.268	.112	2.380
2009	2.268	.112	2.380
2010	2.268	.112	2.380
2011	2.268	.112	2.380
2012	2.268	.112	2.380

Notes:

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

Source: Baltimore City Department of Finance

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

	2012			2003		
	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)	\$ 700,855	1	2.2%	\$ 552,025	1	2.9%
Verizon - Maryland	210,457	2	0.7	385,117	2	2.0
Harbor East Limited - Parcel B	193,441	3	0.6			
100 East Pratt Street Business	175,700	4	0.6			
Baltimore Hotel Corporation	171,119	5	0.5			
CSX Transportation	169,914	6	0.5	77,652	6	0.4
Baltimore Center Associates	165,744	7	0.5	140,580	3	0.7
Harbor East Limited	152,939	8	0.5	103,850	5	0.5
New Community College of Baltimore	75,288	9	0.2			
Canton Crossing Tower, LLC	74,180	10	0.2			
ABB South Street Associates, LLC				69,576	7	0.4
Boston Properties, Inc				130,672	4	0.7
TMCT, LLC				60,608	8	0.3
Pratt Street Hotel				49,246	9	0.3
Travis Real Estate Group				47,241	10	0.2
Total	\$ 2,089,637		6.5%	\$ 1,616,567		8.4%

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					Percentage of Personal Income(b)	Per Capita(a)
	General Obligation Bonds	Special Obligation Bonds	Long-term Financing with Federal Government	Long-term Financing with State of Maryland	Private	Water	Waste Water	Sewer Construction Loans	Total Primary Government			
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	3.43	1,248	
2009	629,018	116,508	50,803	1,553		941	438	221	799,482	3.42	1,254	
2010	631,993	116,205	45,436	1,186		118	458	143	795,539	3.25	1,281	
2011	630,957	115,600	42,151	925				63	789,696	3.03	1,275	
2012	570,148	114,993	39,355	1,855				19	726,370	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	Funds Available in Debt Service Funds(b)	Net General Bonded Debt	Percentage of Actual Taxable Value of Property	Per Capita(a)
2003	\$564,380	\$17,715	\$546,665	2.78%	\$856.04
2004	579,382	18,099	561,283	2.76	873.32
2005	579,960	27,503	552,457	2.55	868.23
2006	588,604	26,082	562,522	2.43	884.73
2007	609,950	30,296	579,654	2.31	909.33
2008	646,533	82,579	563,954	1.92	885.44
2009	629,018	41,240	587,778	1.72	922.12
2010	631,993	41,319	590,674	1.58	951.23
2011	630,957	36,261	594,696	1.54	959.97
2012	570,148	36,796	533,352	1.69	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, 2012

The City of Baltimore has no Overlapping Debt.

CITY OF BALTIMORE
Legal Debt Margin Information
June 30, 2012

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		Coverage	Waste Water Utility Revenues	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest					Principal	Interest	
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	0.53
2009	120,292	106,435	13,857	3,273	20,692	0.58	161,061	146,268	14,793	13,480	22,133	0.42
2010	129,579	102,962	26,617	6,264	20,202	1.01	166,072	147,202	18,870	16,822	25,627	0.44
2011	129,292	107,314	21,978	8,036	22,507	0.72	160,076	144,726	15,350	20,090	25,031	0.34
2012	132,340	114,937	17,403	8,937	22,239	0.56	179,873	154,259	25,614	20,677	27,412	0.53

Fiscal Year	Parking Facilities Revenue Bonds						Convention Center Revenue Bonds					
	Parking Facilities Revenues	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	Convention Center Revenues	Net Available Revenue	Debt Service		Coverage	
				Principal	Interest				Principal	Interest		
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	0.99	
2005	56,613	6,986	49,627	4,680	11,812	3.01	4,566	4,566	2,095	2,508	0.99	
2006	61,896	9,697	52,199	4,900	9,828	3.54	3,904	3,904	2,185	2,415	0.85	
2007	62,706	8,509	54,197	5,080	6,967	4.50	4,523	4,523	2,280	2,310	0.99	
2008	69,868	11,692	58,176	5,815	8,956	3.94	4,516	4,516	2,193	2,395	0.98	
2009	64,380	13,240	51,140	6,060	14,224	2.52	4,463	4,463	2,515	2,070	0.97	
2010	67,760	13,821	53,939	6,915	9,352	3.32	4,344	4,344	2,645	1,794	0.98	
2011	83,040	13,165	69,875	7,250	8,934	4.32	4,654	4,654	2,770	1,796	1.02	
2012	81,476	13,366	68,110	8,395	10,324	3.64	4,655	4,655	2,935	1,637	1.02	

Note: Details regarding the City's outstanding debt can be found in note #8 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)
2003	642,324	\$ 17,938,799	\$ 27,928	255,083	7.4%
2004	641,004	19,022,755	29,676	253,695	7.3
2005	640,064	20,057,835	31,337	255,081	6.9
2006	640,961	20,926,218	32,648	257,382	6.2
2007	640,150	22,072,895	34,481	261,628	5.5
2008	638,091	23,300,745	36,516	262,357	6.6
2009	637,418	23,398,934	36,709	251,252	10.8
2010	620,961	24,502,772	39,459	243,208	11.9
2011	619,493	26,040,916	42,036	246,957	10.5
2012	N/A	N/A	N/A	249,031	10.2

Source:

- (a) Maryland State Department of Planning
 - (b) U.S. Bureau of Economic Analysis
 - (c) Per capita personal income is calculated based on the personal income divided by the estimated population
 - (d) Maryland Department of Labor, Licensing and Regulation
- N/A Information not available

CITY OF BALTIMORE
Principal Employers
Current Year and Nine Years Ago

Employer	2012			2003		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Government [1]						
State	38,349	1	11.74%	38,581	1	10.13%
Other Government authority (City, Schools, etc)	27,029	2	8.27	30,883	2	8.11
Federal	10,088	3	3.09	11,635	3	3.05
Subtotal Government	<u>75,466</u>		<u>23.10</u>	<u>81,099</u>		<u>21.29</u>
Ten Largest Private Sector Employers [2]						
Johns Hopkins University	22,000	1	6.73	27,632	1	7.25
Johns Hopkins Hospital and Health System	18,090	2	5.54	14,734	2	3.87
University of Maryland Medical System	9,423	3	2.88	10,737	3	2.82
University System of Maryland	8,900	4	2.72			
MedStar Health	6,010	5	1.84	9,000	4	2.36
LifeBridge Health	5,213	6	1.60	5,619	6	1.47
Mercy Health Services	3,738	7	1.14	2,906	8	0.76
Constellation Energy / BGE	3,116	8	0.95	7,500	5	1.97
St. Agnes HealthCare	2,833	9	0.87	2,966	7	0.78
Kennedy Krieger Institute	2,449	10	0.75			
T. Rowe Price Group				2,790	9	0.73
Bank of America Corporation				2,300	10	0.60
Subtotal Ten Largest Private Sector Employers	<u>81,772</u>		<u>25.02</u>	<u>86,184</u>		<u>22.61</u>
Total Government and Ten Largest Private Sector Employers	<u>157,238</u>		<u>48.12%</u>	<u>167,283</u>		<u>43.90%</u>

Source:

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

[2] For the private sector: For 2012, Department of Business and Economic Development data files as of November 2012; For 2003, Baltimore Business Journal, Book of Lists 2004.

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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government	1,725	1,695	1,722	1,710	1,690	1,720	1,733	1,725	1,700	1,754
Public safety										
Police	4,102	4,030	3,983	3,935	3,937	3,930	3,909	3,897	3,897	3,892
Fire	1,748	1,737	1,741	1,743	1,743	1,796	1,800	1,795	1,795	1,789
Other	738	725	727	735	752	766	793	795	791	721
Conservation of health	770	742	719	680	671	761	883	878	875	873
Public library	416	432	421	417	418	437	430	432	430	399
Recreation and parks	372	368	362	364	364	369	404	400	399	389
Highways and streets	1,511	1,511	1,515	1,510	1,518	1,523	1,514	1,499	1,458	1,382
Public works										
Water	952	957	936	926	900	901	893	878	875	850
Waste water	1,088	1,091	1,086	1,069	1,059	1,031	1,014	1,011	1,012	991
Solid waste	954	891	872	868	863	899	876	875	856	889
Other	626	609	570	598	606	607	627	621	625	579
Public service	63	64	64	64	68	68	68	68	67	62
Economic development	528	533	528	518	541	518	598	564	563	554
	15,593	15,385	15,246	15,137	15,130	15,326	15,542	15,438	15,343	15,124

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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<i>Police</i>										
Arrests*	110,167	100,388	99,981	92,904	81,105	75,552	72,106	62,341	56,606	53,169
<i>Fire</i>										
Fire Suppression Units Dispatched	N/A	106,822	120,906	126,942	132,560	137,272	136,003	135,421	121,483	129,977
Structural Fires	2,223	2,132	2,370	2,372	2,275	2,177	2,100	2,154	2,460	2,682
EMS Transports	82,453	83,348	83,828	86,881	89,331	88,831	86,128	86,985	86,901	90,615
Inspections	12,560	14,707	20,250	20,543	23,630	26,594	25,654	24,156	N/A	N/A
<i>Solid Waste</i>										
Refuse Collected (tons)	212,711	218,324	220,063	218,194	206,333	195,601	181,397	148,077	145,345	144,926
Recyclables Collected (tons)	N/A	N/A	N/A	166,656	167,236	13,465	15,914	25,836	25,557	24,929
<i>Water/Wastewater</i>										
Number of Accounts	N/A	N/A	N/A	409,208	439,327	439,676	440,215	441,209	445,335	446,142
Average Daily Water Production (MGD)	N/A	N/A	N/A	251	251	226	226	218	218	218
Average Daily Sewage Treatment (MGD)	N/A	N/A	N/A	210	210	192	192	192	208	208
<i>Transportation (DOT)</i>										
Miles Streets Resurfaced/Reconstructed	144.1	38.7	113.5	13.5	136.6	220.2	188.1	152.0	185.0	189.0
Potholes Repaired	7,769	11,592	19,000	16,054	15,345	15,478	14,879	15,121	15,045	12,847
Traffic Citations Issued **	3,233	9,760	12,422	7,744	4,488	4,909	3,186	1,341	63	63
Parking Citations Issued	331,422	340,448	340,444	364,041	400,263	368,099	389,642	379,633	388,338	355,344
Traffic Signals Repaired	N/A	8,274	10,973	11,482	9,737	5,513	5,124	6,901	5,538	4,751
Street Lights Repaired	12,248	13,345	12,982	21,527	27,459	24,847	22,008	25,415	29,012	29,633
<i>Housing</i>										
Number of inspections (housing and code enforcement)	N/A	179,385	199,830	169,727	180,073	190,031	198,742	206,467	363,720	267,508
Number of permits issued	23,138	26,692	32,780	38,787	38,455	34,565	33,068	36,630	27,600	25,307
Property Management Service Requests Completed***	N/A	13,109	15,635	30,537	36,810	83,207	82,311	62,359	75,251	64,997
<i>Recreation and Parks</i>										
Enrollment at Recreation Centers	170,440	152,660	155,193	138,583	141,232	142,009	139,632	135,547	154,528	169,608
Permits Issued for Park Facilities	526	572	808	661	723	698	789	653	741	1,518
<i>Library</i>										
Volumes in Circulation (millions)	3.2	2.7	2.2	2.3	2.6	2.5	2.5	2.6	2.6	2.0
Volumes Borrowed (millions)	1.4	1.4	1.4	1.4	1.4	1.3	1.5	1.5	1.7	1.7

N/A Data not available.

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

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

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

Source: Baltimore City Department of Finance

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

Function/program	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<i>Police/Sheriff</i>										
Buildings	N/A	N/A	10	10	10	10	10	10	13	12
Marked patrol units	N/A	N/A	N/A	525	466	473	471	487	479	373
Other vehicles	N/A	N/A	N/A	616	654	639	645	633	616	602
<i>Fire Stations</i>										
Buildings	N/A	N/A	39	39	39	39	39	39	39	41
Fire/EMS apparatus (tankers/ladders/medics/ fleet)	N/A	N/A	N/A	160	160	160	160	160	137	122
Other vehicles	N/A	N/A	N/A	152	168	164	164	164	176	235
<i>Recreation and Parks</i>										
Buildings	N/A	N/A	147	148	148	148	148	148	148	148
Acreage	5,827	5,827	5,827	5,827	5,827	5,827	5,827	5,827	5,827	5,827
Vehicles	N/A	N/A	N/A	127	129	125	119	123	120	119
Equipment	N/A	N/A	N/A	304	309	295	286	296	183	157
<i>Public Works (Transportation, Solid Waste, and General Services)</i>										
Buildings	N/A	N/A	30	30	30	30	30	30	30	82
Vehicles	N/A	N/A	N/A	990	971	980	968	952	984	967
Equipment	N/A	N/A	N/A	496	509	515	503	515	595	545
Streets (miles)	N/A	N/A	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
<i>Water/Wastewater</i>										
Treatment plants	N/A	N/A	4	4	4	4	4	4	4	4
Other buildings	N/A	N/A	31	31	31	31	31	31	31	95
Vehicles	N/A	N/A	N/A	611	625	615	608	599	632	608
Equipment	N/A	N/A	N/A	411	412	420	418	429	495	487
Water mains (miles)	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400
Water treatment capacity (MGD)	360	360	360	360	360	360	360	360	360	360
Sanitary sewers (miles)	1,340	1,340	1,340	1,340	1,340	1,335	1,335	1,335	1,335	1,335
Storm sewers (miles)	1,080	1,080	1,080	1,080	1,080	1,100	1,100	1,100	1,100	1,100
Wastewater treatment capacity (MGD)	250	250	250	253	253	253	253	253	253	253
<i>Libraries</i>										
Buildings	N/A	N/A	32	32	33	34	34	34	22	30
Vehicles	N/A	N/A	N/A	17	17	17	16	16	20	18
<i>Other-General Government</i>										
Buildings	N/A	N/A	1,353*	1,353*	1,353*	1,353*	1,353*	1,353*	4,250*	4,250*
Vehicles	N/A	N/A	N/A	197	211	799	1,017	1,141	753	907
Equipment	N/A	N/A	N/A	59	62	66	64	61	249	151

* 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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PART II

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

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

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

We have jointly audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information (other than the Pension Trust Funds) of the City of Baltimore, Maryland (the City) as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 19, 2013. The financial statements of the Pension Trust Funds were audited by the City Auditor acting separately. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the City's discretely presented component units as described in our report on the City's financial statements. The financial statements of the Baltimore Hotel Corporation, a discretely presented component unit, were not audited in accordance with *Government Auditing Standards*. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on a separately by those other auditors.

Internal Control over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be a significant deficiency.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there



The Mayor, City Council, Comptroller and
Board of Estimates
City of Baltimore, Maryland:
August 19, 2013
Page 2 of 2

is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in the City's internal control over financial reporting described in the accompanying schedule of findings and responses as items 2012-1 through 2012-2 to material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as item 2012-3 to be a significant deficiency in internal control over financial reporting.

Compliance and Other Matters

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

We noted certain matters that we reported to the City's management in a separate letter dated October 15, 2013.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the City's responses and, accordingly, express no opinion on them.

This report is intended solely for the information and use of management of the City of Baltimore Maryland, Federal and State awarding agencies, pass-through entities, and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

August 19, 2013

CITY OF BALTIMORE, MARYLAND

Schedule of Findings and Responses

Year ended June 30, 2012

2012-01. Lack of Controls over Financial Statement Preparation

Background/Condition

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

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

During our review of the City's draft financial statements as of and for the year ended June 30, 2012, we noted material errors and misclassifications in financial statement balances and the related notes to the draft financial statements as follows:

Generation of Transaction Detail Underlying Financial Statement Balances

During our audit, we requested certain transaction detail from which to select our sample items for audit. While the City was ultimately able to provide this information, the generation of such information was difficult to obtain and did not always agree to the related financial statement balance without material revisions. We also noted this information did not undergo appropriate supervisory review to ensure its accuracy and completeness prior to submission for audit. These items included the adjustment to properly recognize revenue in accordance with Government Accounting Standards Board Statement No. 33 *Accounting and Financial Reporting for Nonexchange Transactions* (GASB No. 33), the reconciliation of the retainages payable subledger to the trial balance, and the capital leases lead schedule.

CITY OF BALTIMORE, MARYLAND

Schedule of Findings and Responses

Year ended June 30, 2012

Lack of Controls over Accounting for Transactions in the Other Postemployment Benefits (OPEB) Trust Fund

During our audit of the OPEB Trust Fund, we noted that the City erroneously netted approximately \$15 million of employer contributions against expenses on the draft financial statements. This error was subsequently corrected in the financial statements.

Lack of an Adequate Analysis of Accounts Payable Cutoff at Year-end

During our review of the accounts payable accrual, we noted that goods or services which were invoiced July 1, 2012 or after and paid in fiscal year 2013 were not being properly analyzed for potential inclusion in the City's fiscal year 2012 accounts payable based on receipt of goods or services. At our request, an additional analysis was performed which included items invoiced and paid after July 1. Management identified and subsequently recorded \$14.9 million in additional goods and services received during fiscal year 2012.

Lack of Proper Reconciliation of Deposits Subject to Refund in the Drug Confiscation Account

BAPS did not properly reconcile the drug confiscation account subsidiary ledger to the general ledger during fiscal year 2012. Specifically, BAPS has not performed a reconciliation of this account since January 2010. The subsidiary ledger for this account reflects a liability balance approximately \$2.2 million lower than the related amount of \$12.86 million that is recorded in the general ledger control account at June 30, 2012. This error was subsequently corrected by management.

Lack of Proper Reconciliation of Retainages Payable

BAPS did not reconcile the City-wide retainages payable subsidiary ledger to the related general ledger control accounts during fiscal year 2012. Specifically, individual retainages payable subsidiary ledgers maintained by each contract department of the various City agencies are not presented to BAPS for reconciliation with BAPS' City-wide retainages payable subsidiary ledger. In addition, the City-wide retainages payable subsidiary ledger maintained by BAPS appears to be incomplete as the City did not properly import all retainages payable data from the prior City accounting system to the current City accounting system, CityDynamics, when the system was implemented in March 2009. Lastly, we noted several debit balances totaling \$500 thousand in the accounts that comprised the retainage payable balances due to uncorrected posting errors. These errors were subsequently corrected by management.

Criteria

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

In order to ensure such information is useful in decision-making and evaluating managerial and

CITY OF BALTIMORE, MARYLAND

Schedule of Findings and Responses

Year ended June 30, 2012

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

Cause

Controls are not in place and operating effectively over management review and reconciliation of financial statement information provided by the agencies/departments for inclusion in the City-wide financial statements. Instead, management relies heavily on the audit process to identify and propose corrections to errors on the schedules that support amounts in the financial statements.

Effect

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

Recommendation

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

Views of Responsible Officials

The Department of Finance is committed to continued improvement of the CAFR process. BAPS has implemented several initiatives aimed at refining its compilation process, cultivating inter-agency relationships and educating operating fiscal staff. In addition, BAPS hired additional qualified professional staff and is training and cross training its CAFR team to ensure they possess the requisite skills to prepare timely and reliable financial statements.

BAPS persists in making incremental improvement in the internal control structure within the bureau and continues exploring ways to strengthen controls throughout the City.

Management believes these initiatives will strengthen the City's financial controls, ensure the reliability of its CAFR and better the compilation process.

Generation of Transaction Detail Underlying Financial Statement Balances.

During the course of the audit, BAPS made every effort to provide the data requested to City Audits and/or KPMG. Many times these requests were unique and required special reports be developed. In some instances, documents were obtained by Audits directly from other agencies or other third parties and were not subject to BAPS review.

Lack of Controls over Accounting for Transactions in the Other Postemployment Benefits (OPEB) Trust Fund

We agree. BAPS will implement additional review steps and provide additional staff training.

CITY OF BALTIMORE, MARYLAND

Schedule of Findings and Responses

Year ended June 30, 2012

Lack of an Adequate Analysis of Accounts Payable Cutoff at Year-end

We agree. BAPS implemented procedures during FY 2013 for capturing subsequent payments.

Lack of Proper Reconciliation of Deposits Subject to Refund in the Drug Confiscation Account

We agree. The City is taking steps to fully reconcile the Drug Confiscation Account prior to the end of FY2014.

Lack of Proper Reconciliation of Retainages Payable

We agree. The City will implement a process for reconciling retainages payable prior to the end of FY2014.

2012-02. Lack of Controls over Journal Entries

Background/Condition

As noted above in item 2012-01, the City's financial reporting process is heavily reliant on the recording of various manual adjustments. During our review of manual journal entries recorded into the City's general ledger system, CityDynamics, we noted material deficiencies in the preparation, review, and approval of manual journal entries. Specifically, we noted that the City posted manual journal entries in the amount of \$29.3 billion during fiscal year 2012. BAPS personnel are able to review and approve prepared journal entries in the system without obtaining and reviewing support for individual journal entries to document their validity. During our testing of forty-eight journal entries, we noted that fifteen included entries to accounts described as "unknown" and sixteen were recorded to accounts with descriptions that did not match the accounts purpose.

Criteria

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

Cause

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

Effect

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

Recommendation

We recommend that the City take appropriate action to ensure that journal entries are appropriately

CITY OF BALTIMORE, MARYLAND

Schedule of Findings and Responses

Year ended June 30, 2012

prepared, reviewed, and approved prior to posting into the City's general ledger system, CityDynamics.

Views of Responsible Officials

Lack of Controls over Journal Entries

We agree. The city is currently evaluating alternative controls over journal entries.

2012-03. Lack of Controls over Water and Waste Water Billing Process

Background/Condition

During our audit of the City's fiscal year 2011 financial statements, we reviewed billing adjustments related to 70,103 customer accounts with true readings and identified systemic errors in the automated calculations for the cancelling and rebilling of customer water accounts. Billing adjustments are calculated based on volume used rather than dollar amounts previously paid by customers. The City's Department of Public Works recorded a gross adjustment of \$9.2 million in its financial statements for fiscal year 2011. As management did not correct or replace its water billing system during fiscal 2012, we noted that the systemic errors and limitations still exist.

Criteria

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

Cause

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

Effect

As proper controls do not exist over the water and waste water billing process, misstatements to customer accounts could go undetected.

Recommendation

We recommend that the City take appropriate action to ensure that estimated versus actual billings are properly reviewed and approved prior to posting into MOIT, the general ledger, and the financial statements.

Views of Responsible Officials

The Bureau of Water and Wastewater acknowledges limitation of the legacy system which provides billing controls across the Utility's retail customer base. The deficiencies in the system hold no correlation to impacts of accuracy; however withhold necessary detail to provide an adequate audit trail of the manual

CITY OF BALTIMORE, MARYLAND

Schedule of Findings and Responses

Year ended June 30, 2012

calculation steps prior to system entry. Following recommendation received from the Department of Audits in November of 2011, the Bureau revised internal procedures and archival methods of capturing historical billing records. Concurrently, leadership within the Bureau conducted an analysis identifying resource sufficiency to meet the Audit recommendations as well as existing business requirements. Conclusion of this analysis resulted in additional review of all operating procedures across the Customer Care Division, additional training of billing personnel, and long term strategic planning to design and procure a replacement for the legacy billing system.

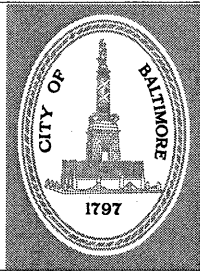
PART III

REPORT ON SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS

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CITY OF BALTIMORE

STEPHANIE RAWLINGS-BLAKE, Mayor



DEPARTMENT OF AUDITS

ROBERT L. McCARTY, JR., CPA
City Auditor

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

**Auditor's Report on Supplementary Schedule of
Expenditures of Federal Awards**

August 19, 2013

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

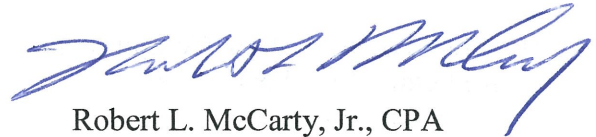
We have jointly audited, with KPMG LLP, the basic financial statements of the City of Baltimore, Maryland, as of and for the year ended June 30, 2012, and have issued our report thereon dated August 19, 2013. These basic financial statements are the responsibility of the City of Baltimore, Maryland's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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 basic financial statements are free of material misstatement. 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 basic 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 provides a reasonable basis for our opinion.

We did not perform tests of compliance with requirements of federal financial assistance programs received by the Baltimore City Public School System (BCPSS) and the Enoch Pratt Free Library (EPFL). Consequently, although these entities' financial statements are included in the City's Comprehensive Annual Financial Report, these entities have not been included in this report. Both the BCPSS and the EPFL are subject to separate audits in accordance with Federal and State requirements. These separate audits reported federal financial assistance program expenditures of \$191,161,500 for the BCPSS and \$194,700 for the EPFL.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the City of Baltimore, Maryland, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Office of Management and Budget Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Respectfully submitted,



Robert L. McCarty, Jr., CPA
City Auditor

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

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CITY OF BALTIMORE - SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2012

FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE	FEDERAL CFDA NUMBER (5)	ARRA (7)	FEDERAL IDENTIFICATION NUMBER (4)	STATE GRANT IDENTIFICATION NUMBER	DISBURSEMENTS/ EXPENDITURES
DEPARTMENT OF AGRICULTURE					
MARYLAND STATE DEPARTMENT OF EDUCATION					
Child and Adult Care Food Program FY2005	10.558			014-220	3,808
Child and Adult Care Food Program FY2009	10.558			014-220	738
Child and Adult Care Food Program FY2010	10.558			014-220	1,606,162
Child and Adult Care Food Program FY2011	10.558			014-220	(7,024)
Child and Adult Care Food Program FY2012	10.558			014-220	309,114
Summer 2006 Food Service Program for Children	10.559		2006-IN-10-9941	347041	1,264
Summer 2008 Food Service Program for Children	10.559		2008-IN-10-9941	347041	884
Summer 2010 Food Service Program for Children	10.559		2010-IN-10-9941	347041	19,981
Summer 2011 Food Service Program for Children	10.559		2011-IN-10-9941	347041	1,984,285
Summer 2012 Food Service Program for Children	10.559		2011-IN-10-9941	347041	340,126
TOTAL MARYLAND STATE DEPARTMENT OF EDUCATION					\$4,259,338
MARYLAND STATE DEPARTMENT OF HEALTH AND MENTAL HYGIENE					
Women, Infants and Children Food Program (WIC) FY2006	10.557			WI213 WIC	(1,236)
Women, Infants and Children Food Program (WIC) FY2009	10.557			WI213 WIC	(20)
Women, Infants and Children Food Program (WIC) FY2010	10.557			WI213 WIC	(3,593)
Women, Infants and Children Food Program (WIC) FY2011	10.557			WI213 WIC	100,884
Women, Infants and Children Food Program (WIC) FY2012	10.557			WI213 WIC	2,064,698
TOTAL MARYLAND STATE DEPARTMENT OF HEALTH AND MENTAL HYGIENE					\$2,160,733
MARYLAND STATE DEPARTMENT OF HUMAN RESOURCES					
Supplemental Nutrition Assistance Prg - DHR/BCDSS Food Stamp Employment	10.561			BCDSS/FIA-11-065	242,432
Supplemental Nutrition Assistance Prg - DHR/BCDSS Food Stamp Employment	10.561			BCDSS/FIA-08-065	146

CITY OF BALTIMORE - SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2012

FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE	FEDERAL CFDA NUMBER (5)	ARRA (7)	FEDERAL IDENTIFICATION NUMBER (4)	STATE GRANT IDENTIFICATION NUMBER	DISBURSEMENTS/ EXPENDITURES
Supplemental Nutrition Assistance Prg - DHR/BCDSS Food Stamp Employment	10.561			BCDSS/FIA-08-065	(806)
Supplemental Nutrition Assistance Prg - DHR/BCDSS Food Stamp Employment	10.561			BCDSS/FIA-11-065	28,359
Emergency Food Assistance Program	10.568	Y			105,937
Emergency Food Assistance Program FY2009 (Admin Costs)	10.568			CSA/FNS-09-003	6,942
Emergency Food Assistance Program FY2012 (Food Commodities)	10.569 (8)				739,110
TOTAL MARYLAND STATE DEPARTMENT OF HUMAN RESOURCES					\$1,122,120
TOTAL DEPARTMENT OF AGRICULTURE					\$7,542,191
DEPARTMENT OF COMMERCE					
BALTIMORE METROPOLITAN COUNCIL					
Economic Development Assistance (EDA)	11.302		01-69-08944		8,249
Economic Development Assistance (EDA)	11.302		01-87-14015		3,998
TOTAL BALTIMORE METROPOLITAN COUNCIL					\$12,247
TOTAL DEPARTMENT OF COMMERCE					\$12,247
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
DIRECT GRANTS					
Affordable Housing Program (AHP) - Uplands Demolition	14.218		UPG04MD01306		2,213,449
CDBG - Entitlement Grants	14.218	Y	B09-MY-24-0010		886,977
CDBG - Uplands Rental Phase I	14.218				3,742,570
CDBG (Community Development Block Grant) - St. Ambrose Housing	14.218				106,566
CDBG-24	14.218		B08-MC-24-0010		(208,648)
CDBG-25	14.218		B99-MC-24-0010		(174)
CDBG-26	14.218		B00-MC-24-0010		6
CDBG-27	14.218		B01-MC-24-0010		121,014

CITY OF BALTIMORE - SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2012

FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE	FEDERAL CFDA NUMBER (5)	ARRA (7)	FEDERAL IDENTIFICATION NUMBER (4)	STATE GRANT IDENTIFICATION NUMBER	DISBURSEMENTS/ EXPENDITURES
CDBG-28	14.218		B02-MC-24-0010		49,456
CDBG-29	14.218		B03-MC-24-0010		1,143
CDBG-30	14.218		B04-MC-24-0010		638,707
CDBG-31	14.218		B05-MC-24-0010		478,041
CDBG-32	14.218		B06-MC-24-0010		52,228
CDBG-33	14.218		B07-MC-24-0010		(58,573)
CDBG-34	14.218		B08-MC-24-0010		(26,232)
CDBG-35	14.218		B09-MC-24-0010		482,710
CDBG-36	14.218		B00-MC-24-0010		6,683,724
CDBG-36	14.218		B00-MC-24-0010		(11,058)
CDBG-37	14.218		B11-MC-24-0010		16,353,772
Federal Neighborhood Stabilization Program	14.218				25,066
UDAG Repayments	14.221				9,459
Emergency Shelter Grant	14.231				(17,644)
Emergency Shelter Grant	14.231		MD08-MC-24-0001		628,141
Emergency Shelter Grant FY2011	14.231		MD08-MC-24-0001		220,309
Emergency Solutions Grant - Homeless Services - Coordination FY2012	14.231				266,226
Emergency Solutions Grant - Homeless Services - Temporary Housing FY2012	14.231				241,865
Supportive Housing Program FY2008	14.235		MD 06 B 1001		121,048
Supportive Housing Program FY2009	14.235		MD 06 B 701		173,903
Supportive Housing Program FY2011	14.235		MD 06 B 1001		7,760,237
Supportive Housing Program FY2012	14.235		MD 06 B 1001		170,184
Supportive Housing Program SuperNOFA	14.235		MD 06 B 401-XXXX		2,127
Shelter Plus Care FY2011	14.238		MD 06 C 1001-XXXX		5,179,658
Shelter Plus Care FY2012	14.238				2,259,411

CITY OF BALTIMORE - SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2012

FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE	FEDERAL CFDA NUMBER (S)	ARRA (7)	FEDERAL IDENTIFICATION NUMBER (4)	STATE GRANT IDENTIFICATION NUMBER	DISBURSEMENTS/ EXPENDITURES
HOME Program - 2301 N. Charles St. Project	14.239				86,601
HOME Program - American Dream Downpayment Initiative	14.239				(1,041)
HOME Program - Coppin Heights Housing	14.239				180,000
HOME Program - Coppin Heights Project	14.239				8,000
HOME Program - Empire Homes of MD	14.239				39,735
HOME Program - Irving Mews Sr Apartments	14.239				150,000
HOME Program - Lillian Jones Sr Apartments	14.239				171,611
HOME Program - Madison Apartments Project	14.239				885,785
HOME Program - Poppleton Phase II	14.239				622,346
HOME Program - TRF Development Partners	14.239				15,000
HOME Program - Union Rowe Apartments	14.239				401,955
HOME Program - Uplands Rental Phase I	14.239				315,000
HOME Program FY2004	14.239		M-04-MC-24-0200		(287)
HOME Program FY2006	14.239		M-05-MC-24-0200		43,317
HOME Program FY2007	14.239		M-06-MC-24-0200		(8,917)
HOME Program FY2008	14.239		M-07-MC-24-0200		(121,793)
HOME Program FY2008	14.239		M-08-MC-24-0200		8,000
HOME Program FY2008 - Poppleton II Project	14.239		M-08-MC-24-0200		1,399,919
HOME Program FY2009	14.239				519,932
HOME Program FY2009	14.239				248,000
HOME Program FY2009	14.239				215,930
HOME Program FY2009 - Brooklyn/Curtis Bay Coalition	14.239		M-09-MC-24-0200		9,922
HOME Program FY2010	14.239		M-09-MC-24-0200		102,862
HOME Program FY2011	14.239		M-10-MC-24-0200		149,786
HOME Program FY2012	14.239		M-11-MC-24-0200		498,112

CITY OF BALTIMORE - SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2012

FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE	FEDERAL CFDA NUMBER (5)	ARRA (7)	FEDERAL IDENTIFICATION NUMBER (4)	STATE GRANT IDENTIFICATION NUMBER	DISBURSEMENTS/ EXPENDITURES
HOME Settlement Expense Grants	14.239				12,000
Housing Opportunity for Persons with AIDS (HOPWA)	14.241				127,985
Housing Opportunity for Persons with AIDS (HOPWA)	14.241				1,665,599
Housing Opportunity for Persons with AIDS (HOPWA)	14.241		MD-H07-F001		3,219,041
Housing Opportunity for Persons with AIDS (HOPWA)	14.241		MD-H07-F001		855
Housing Opportunity for Persons with AIDS (HOPWA)	14.241		MD-H07-F001		(114,434)
Housing Opportunity for Persons with AIDS (HOPWA)	14.241		MD-H07-F001		(107,824)
Housing Opportunity for Persons with AIDS (HOPWA)	14.241		MD-H11-F001		93,484
Housing Opportunity for Persons with AIDS (HOPWA) 2009	14.241		MD-H08-F001		2,773,973
Housing Opportunity for Persons with AIDS (HOPWA) 2009	14.241		MD-H09-0024		423,699
Housing Opportunity for Persons with AIDS (HOPWA) 2010	14.241		MD-H07-F001		(1,056,673)
Housing Opportunity for Persons with AIDS (HOPWA) 2010	14.241		MD-H08-F001		1,510,038
Housing Opportunity for Persons with AIDS (HOPWA) 2011	14.241		MD-H08-F001		5,327,935
Housing Opportunity for Persons with AIDS (HOPWA) 2011	14.241		MD-H10-0017		728,922
Dawson Safe Haven - HUD 108	14.248				20,055
HUD Neighborhood Grant - Park View at Ashland	14.251				15,000
Homelessness Prevention & Rapid Re-Housing Program (HPRP)	14.257	Y	S09-MY-24-0001		2,489,795
Homelessness Prevention & Rapid Re-Housing Program (HPRP)	14.262	Y	S09-MY-24-0001		21,944
TOTAL DIRECT GRANTS					\$71,636,837
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					\$71,636,837
DEPARTMENT OF JUSTICE					
DIRECT GRANTS					
Safe Haven for Children	16.527		SHSV-2009-0001		44,793
Juvenile Justice & Delinquency Prevention	16.540		2009-JL-FX-0168		170,669

CITY OF BALTIMORE - SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2012

FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE	FEDERAL CFDA NUMBER (5)	ARRA (7)	FEDERAL IDENTIFICATION NUMBER (4)	STATE GRANT IDENTIFICATION NUMBER	DISBURSEMENTS/ EXPENDITURES
Multi-Systemic Therapy	16.541		2006-JL-FX-0049		71,455
Drug Interdiction & Violence Reduction Initiative	16.580		2004-DD-BX-1304		1,013
Edward Byrne Memorial Discretionary Grants- Gun & Gang Violence Impact Progr	16.580		2009-D1-BX-0328		89,392
Operation Safe Streets	16.580		2005-DD-BX-1233		180
Balto City Adult Dist Court/Expansion	16.585		2010-DC-BX-0054		50,598
Baltimore's DV Victim/Witness Liaison Program - VAWA	16.588		VAWA-2010-1426		12,275
Domestic Violence Reduction Initiative	16.588		2011-WE-AX-0031		159,306
Weed and Seed - Community Capacity Development Office	16.595		1999-WS-2X-0104		7,452
Public Safety Partnership & Community Policing Grant (COPS)	16.710	Y	2009-RJ-WX-0051		(16,845)
Public Safety Partnership & Community Policing Grant (COPS)	16.710		2009-RJ-WX-0051		3,153,742
Public Safety Partnership & Community Policing Grant (COPS)	16.710		2009-RJ-WX-0051		107
Public Safety Partnership & Community Policing Grant (COPS)	16.710		2009-RJ-WX-0051		304
Edward Byrne Memorial Justice Assistance Grant (JAG) V	16.738		2009-DJ-BX-1436		428,506
Edward Byrne Memorial Justice Assistance Grant (JAG) V	16.738		2009-DJ-BX-1436		385
Edward Byrne Memorial Justice Assistance Grant (JAG) V	16.738		2009-DJ-BX-1436		36,396
Edward Byrne Memorial Justice Assistance Grant (JAG) VII	16.738		2011-DJ-BX-3337		6,112
Evidence Control Unit - Postconviction DNA Testing Assistance Prg	16.738		DNAT-2010-1003		47,272
Justice Assistance Grant (JAG 4)	16.738		2008-DJ-BX-0366		160,863
Justice Assistance Grant (JAG 6)	16.738		2010-DJ-BX-0705		162,787
Justice Assistance Grant (JAG II)	16.738		2006-DJ-BX-0398		139,132
Justice Assistance Grant (JAG)	16.738				140,268
Justice Assistance Grant (JAG)	16.738				(160,066)
Justice Assistance Grant (JAG)	16.738				(27,705)
Safe Haven for Children	16.738		BJAG-2005-1137		1,719
DNA Backlog Reduction Program FY2009 - Forensic	16.741		2009-DN-BX-K096		33,089

**CITY OF BALTIMORE - SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2012**

FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE	FEDERAL CFDA NUMBER (5)	ARRA (7)	FEDERAL IDENTIFICATION NUMBER (4)	STATE GRANT IDENTIFICATION NUMBER	DISBURSEMENTS/ EXPENDITURES
DNA Backlog Reduction Program FY2010	16.741		2010-DN-BX-K105		320,157
DNA Backlog Reduction Program FY2011	16.741		2011-DN-BX-K063		46,541
BJA Smart Policing - Gun Violence	16.752		2010-DB-BX-0017		159,951
GETF - Gang Elimination Task Force PjJ	16.753		2008-DD-BX-0161		21,142
CitiWatch Crime Analyst - LTR2 Byrne - JAG	16.803	Y		BJRA-2009-1229	48,726
Crime Analysis Expansion - LETR	16.803	Y		BJRA-2009-1237	51,409
Edward Byrne Memorial Justice Assistance Grant (JAG) to States	16.803	Y		BJRA-2009-1074	352,263
State Grants-PAL Center Improv-JRA-Regular Recreational Services	16.803			BJRA-2009-1111	(262)
Edward Byrne Memorial Justice Assistance Grant (JAG) to Local Gov'ts	16.804	Y	2009-SB-B9-0020		261
Edward Byrne Memorial Justice Assistance Grant (JAG) to Local Gov'ts	16.804	Y	2009-SB-B9-0020		264,253
Edward Byrne Memorial Grant - Crime Analysis Expansion Program	16.808	Y	2009-SC-B9-0130		450,836
Equitable Sharing Program (Police)	16.922				2,634,428
TOTAL DIRECT GRANTS					\$9,062,904
BALTIMORE CITY PUBLIC SCHOOL SYSTEM					
BCPSS - Alternative High School	16.541				176,835
BCPSS - Alternative High School	16.541				25,926
Juvenile Diversion Earmark	16.541		2010-JJ-FX-0466		8,981
TOTAL BALTIMORE CITY PUBLIC SCHOOL SYSTEM					\$211,742
MARYLAND STATE DEPARTMENT OF LABOR, LICENSING AND REGULATION					
Governor's Office of Crime Control and Prevention	16.540			JJAC-2009-1016	14,869
Governor's Office of Crime Control and Prevention	16.540			JJAC-2010-1216	114,602
TOTAL MARYLAND STATE DEPARTMENT OF LABOR, LICENSING AND REGULATION					\$129,471

CITY OF BALTIMORE - SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2012

FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE	FEDERAL CFDA NUMBER (5)	ARRA (7)	FEDERAL IDENTIFICATION NUMBER (4)	STATE GRANT IDENTIFICATION NUMBER	DISBURSEMENTS/ EXPENDITURES
MARYLAND STATE DEPARTMENT OF HEALTH AND MENTAL HYGIENE					
BSAS District Drug Court Enhancement	16.585		2010-DC-BX-0054		5,358
TOTAL MARYLAND STATE DEPARTMENT OF HEALTH AND MENTAL HYGIENE					
					<u>\$5,358</u>
MARYLAND STATE DEPARTMENT OF HUMAN RESOURCES					
Family Bereavement Center	16.575		VOCA-2010-1011		75,878
Family Bereavement Center	16.575		VOCA-2011-1211		175,139
Family Bereavement Center-Crime Victim Assistance Program	16.575			VOCA-2010-1011	(4,045)
Family Bereavement Center-Crime Victim Assistance Program	16.575			CSA/CVA-01-006	5,056
Juvenile Courts - Victim's Specialist - Crime Victims Assistance	16.575			VOCA-2010-1012	(1,608)
Juvenile Courts - Victim's Specialist - Crime Victims Assistance	16.575				27,593
Juvenile Courts Victim Specialist	16.738			VOCA-2011-1212	51,290
TOTAL MARYLAND STATE DEPARTMENT OF HUMAN RESOURCES					
					<u>\$329,303</u>
MARYLAND GOVERNOR'S OFFICE OF CRIME CONTROL AND PREVENTION					
Drug Court Juvenile (GOCCP) Edward Byrne Memorial Formula Grant	16.579				(881)
Enhancing Service to Victims - Edward Byrne Memorial Formula Grant	16.579		BYRN-2000-1090		2,806
Gun & Gang Impact FY2010	16.580		2010-DD-BX-0027		387,202
BJAG Adult Drug Court - Circuit Court	16.585				25,884
Baltimore City's Lethality Assessment	16.588	Y	VAWA-2010-1019		27,216
Interpersonal Violence - Swift and Ongoing Services	16.588		VAWA-2010-1229		21,304
Lethality Assessment (Violence Against Women Grant Program)	16.588		VAWA-2011-1320		34,991
VAWA FY 2012 Domestic Violence Victim/Witness Liaison	16.588		VAWA-2011-1526		64,292
Byrne-Justice Grant (JAG) - License Plate Reader Initiative (LPRE)	16.738			BJAG-2009-1080	72,063
Domestic Violence Advocacy - Prosecution of Criminals	16.738				24,863

CITY OF BALTIMORE - SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2012

FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE	FEDERAL CFDA NUMBER (5)	ARRA (7)	FEDERAL IDENTIFICATION NUMBER (4)	STATE GRANT IDENTIFICATION NUMBER	DISBURSEMENTS/ EXPENDITURES
Domestic Violence Unit Centralization Project Leonard Byrne Memorial Justice As	16.738			BJAG-2005-1072	3,213
Felony Diversion	16.738		2008-DD-BX-0255		39,264
GOCCP - BYRNE JAG Felony Diversion	16.738		2008-DD-BX-0660	BJAG-2005-1045	10,626
Integrated Case Management System	16.738			BJAG-2010-1004	56,163
Inter-Agency War Room - Prosecution of Criminals	16.738			BJAG-2009-1904	184,679
Inter-Agency War Room Coordination Project	16.738			BJAG-2008-1704	(15,617)
LETS Trauma Training	16.738		BJNT-2008-1032		1,800
Prostitution Court Pilot Program-Edward Byrne Memorial Justice Assistance	16.738			BJAG-2006-1107	(752)
Prostitution Diversion	16.738			BJAG-2009-1031	26,422
Sexual Assault Response - SART	16.738			BJAG-2009-1016	202,390
Sexual Assault Response II	16.738			BJAG-2010-1006	17,499
Summer Warrant Initiative - WATF	16.738			BJAG-2009-1063	61,717
Warrant Reduction - Overtime Support	16.738			BJAG-2010-1263	18,559
Coverdell - Crime Lab Enhancement	16.742				17,939
Coverdell Formulary FY2009 (BPD Crime Lab Training)	16.742		CFSI-2009-1806		2,842
Coverdell FY2010 - Forensic Capacity Enhancement	16.742		CFSI-2010-1906		24,218
Cell Phone Interdiction - Prosecution of Criminals	16.751		EIFI-2011-1002		30,427
State's Attorney: Dept of Justice A12 - Prosecution of Criminals	16.922				1,360
TOTAL MARYLAND GOVERNOR'S OFFICE OF CRIME CONTROL AND PREVENTION					\$1,342,489
MARYLAND STATE DEPARTMENT OF JUVENILE SERVICES					
Weed and Seed FY 2009 Bon Secours-622:Police Patrol	16.595		2009-WS-QX-4051		31,914
TOTAL MARYLAND STATE DEPARTMENT OF JUVENILE SERVICES					\$31,914
TOTAL DEPARTMENT OF JUSTICE					\$11,113,181

**CITY OF BALTIMORE - SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2012**

FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE	FEDERAL CFDA NUMBER (5)	ARRA (7)	FEDERAL IDENTIFICATION NUMBER (4)	STATE GRANT IDENTIFICATION NUMBER	DISBURSEMENTS/ EXPENDITURES
DEPARTMENT OF LABOR					
DIRECT GRANTS					
BRAC - Employment Preparedness Grant	17.261		EA-21079-10-60-A-24		378,946
Civic Justice Corps	17.261		YF-21921-11-60-A-24		380,081
Corps Initiative - DJS	17.261		YV-18882096-0-A24		49,661
Park Heights Partnerships for Jobs	17.261		EA-18870-09-60-A-24		191,379
Youthworks - Green Jobs	17.261		EA-18943-09-60-A-24		276,731
TOTAL DIRECT GRANTS					\$1,276,798
BALTIMORE CITY PUBLIC SCHOOL SYSTEM					
BCPSS - After School Matters - Reginald Lewis HS	17.261				129,075
BCPSS - FUTURES - Reginald Lewis HS	17.261				318,152
WIA Pilots, Demonstrations and Research Projects - BCPS - WEB DuBois Prg	17.261				(74,547)
WIA Pilots, Demonstrations and Research Projects - BCPS - WEB DuBois Prg	17.261				233,472
TOTAL BALTIMORE CITY PUBLIC SCHOOL SYSTEM					\$606,152
MARYLAND STATE DEPARTMENT OF LABOR, LICENSING AND REGULATION					
Maryland Business Works (Mod # 005)	17.258	Y		P00B0400009	19,371
WIA - Adult	17.258			P00B1400007/105-A	563
WIA - Adult	17.258			P00B9200038/71-A	199
WIA - Adult	17.258			P00B1400034-A	74,368
WIA - Adult	17.258			P00B1400161-A	363,092
WIA - Adult	17.258			P00B2400009-A	201,851
WIA - Adult	17.258			P00B2400095-A	2,228,779
WIA - Adult	17.258	Y		P00B9200150-A	142,581

CITY OF BALTIMORE - SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2012

FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE	FEDERAL CFDA NUMBER (5)	ARRA (7)	FEDERAL IDENTIFICATION NUMBER (4)	STATE GRANT IDENTIFICATION NUMBER	DISBURSEMENTS/ EXPENDITURES
WIA - Adult (Mod #002)	17.258			P00B4200029-B	12,843
WIA - Ex Offender - Prison to One Stop Project	17.258			P00B2400061	150,000
WIA - Administrative Cost Pool (Youth)	17.259			P00B9200038-B	(315)
WIA - Youth	17.259			P00B1400034-B	765,407
WIA - Youth	17.259			P00B8200031-C	338
WIA - Youth	17.259			P00B2400009-B	2,568,174
WIA - Youth (Mod #002)	17.259			P00B7200004-C	39,828
WIA - Youth (Mod #002)	17.259			P00B3200020-C	12,439
WIA - Youth (Mod #003)	17.259			P00B4200159-C	7,614
WIA - Youth Activities	17.259	Y		P00B9200150-B	(12,079)
Early Intervention Facilitator (Mod # 001)	17.260			P00B2400036	195,814
Early Intervention Facilitator (Mod # 001)	17.260	Y		P00B0400021	10,192
WIA - Dislocated Worker	17.260			P00B1400007/105-C	1,235
WIA - Dislocated Worker	17.260	Y		P00B9200150-C	137,728
WIA - Dislocated Worker (Mod #002)	17.260			P00B6200038-D	35
WIA - OJT National Emergency Grant	17.260	Y		P00B1400191	92,258
Youth Initiatives	17.261				74,205
Youth Violence Reduction - Futures	17.261				3,609
Operation Safe Kids	17.263				40,245
Maturity Works - Older Workers Healthcare Careers	17.268				94,480
Pathways to CyberSecurity Careers Consortium	17.269				73,606
WIA - MD Energy Sector Partnership Grant	17.275	Y		P00B1400001	93,695
BRAC National Emergency Grant	17.277			P00B2400129	57,074
WIA - Dislocated Worker	17.278			P00B1400161-C	183,534
WIA - Dislocated Worker	17.278			P00B1400034-C	67,882

CITY OF BALTIMORE - SINGLE AUDIT
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FISCAL YEAR ENDED JUNE 30, 2012

FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE	FEDERAL CFDA NUMBER (5)	ARRA (7)	FEDERAL IDENTIFICATION NUMBER (4)	STATE GRANT IDENTIFICATION NUMBER	DISBURSEMENTS/ EXPENDITURES
WIA - Dislocated Worker	17.278			P00B2400095-C	806,718
WIA - Dislocated Worker	17.278			P00B2400009-C	239,454
TOTAL MARYLAND STATE DEPARTMENT OF LABOR, LICENSING AND REGULATION					
SENIOR SERVICE AMERICA, INC.					
Senior Aides Program	17.235				33,372
Senior Community Service Employment Program	17.235				126,264
Senior Community Service Employment Program	17.235				14,366
Senior Community Service Employment Program	17.235		AD-20017-10-60-A-24		276,219
TOTAL SENIOR SERVICE AMERICA, INC.					
TOTAL DEPARTMENT OF LABOR					
DEPARTMENT OF TRANSPORTATION					
MARYLAND EMERGENCY MANAGEMENT AGENCY					
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703				226,398
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703				9,945
TOTAL MARYLAND EMERGENCY MANAGEMENT AGENCY					
BALTIMORE METROPOLITAN COUNCIL					
Unified Planning Work Program-Metropolitan Transportation Planning	20.505				4,355
Unified Planning Work Program-Metropolitan Transportation Planning	20.505				18,845
TOTAL BALTIMORE METROPOLITAN COUNCIL					
MARYLAND STATE DEPARTMENT OF TRANSPORTATION					
Annapolis Road Bridge	20.205			269-077-815	220,682
Annapolis Road Bridge	20.205		BRF-IX-000S(76)	269-060-815	556,604

CITY OF BALTIMORE - SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2012

FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE	FEDERAL CFDA NUMBER (5)	ARRA (7)	FEDERAL IDENTIFICATION NUMBER (4)	STATE GRANT IDENTIFICATION NUMBER	DISBURSEMENTS/ EXPENDITURES
Argonne Drive Bridge (Construction Portion)	20.205	Y	BHF-3206(001)E	269-065-815/321-006-815	1,362,854
Argonne Drive Streetscape - Hillen Rd. to McCallum Drive	20.205		STP-3206(3)	315-065-815	813
Assets Mgmt Program	20.205			315-091-815	312,309
Baltimore City New Traffic System	20.205				8,495
Baltimore City Tour Bus Facility	20.205				216,672
Baltimore City-Wide Traffic Signal System Integration	20.205		HP-1263(002), HP-0459(002)	BC318-002-815	108,441
Baltimore St. Bridge over Gwynns Falls CO# 96329	20.205		3062 (003)	269-053-815	109
Belair Road/Erdman Avenue Resurfacing Project	20.205				(4,112)
Boston/O'Donnell Connecting Road	20.205				22,629
Bridge Inspection for Baltimore City	20.205		NBIS(106)	269-076-815	62,736
Bridge Inspection Program	20.205				43,906
Bridge Inspection Program FY2009/10	20.205		NBIS 107	269-080-815	1,117,850
Broening Hwy Infrastructure Project	20.205				40,439
Bulkhead Promenade	20.205				1,576
Calvert Street Reconstruction from Lombard St. to Baltimore St.	20.205		STP-1191(028)	BC315-061-815	259,746
Canton Industrial Park	20.205		3009 (011)	315-090-815	1,444,992
Capital Project (Hwy) Northern Parkway	20.205		3341 (002)	321-001-815	77,060
Central Avenue Project - Aliceanna to Monument	20.205				134,610
Central Avenue Reconstruction (Lancaster)	20.205			320-001-815	2,308,225
Charles St. - 25th St. to University Pkwy.	20.205		STP-3071(003)	315-055-815	540,331
Charles Street Rehab - TR 10301	20.205				382,309
Charles Street Resurfacing & Streetscape	20.205		3071 (004)	315-066-815	568,287
Chesapeake Avenue West of Sun Street	20.205		3314 (002)	315-074-815	80,307
City-Wide Traffic Signal Project	20.205				179,891
Construction on CCTV Cameras & Signals Rewiring - JOC	20.205		000 A (519)	319-010-815	278,158

**CITY OF BALTIMORE - SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2012**

FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE	FEDERAL CFDA NUMBER (5)	ARRA (7)	FEDERAL IDENTIFICATION NUMBER (4)	STATE GRANT IDENTIFICATION NUMBER	DISBURSEMENTS/ EXPENDITURES
D.O.T. Park Circle Intersection	20.205		000A (709)	319-012-815	482,602
Downtown Infrastructure Improvements	20.205		000 A 638	315-096-815	2,276,112
Downtown Shuttle System	20.205				2,096,069
Druid Hill Park	20.205				58,628
Dundalk Avenue Streetscape	20.205				2,006
Eastern Avenue Streetscape	20.205		STP 3035 (023)	315-069-815	197,489
EBDI Life Science	20.205		HP1571(001)E	318-013-815	359,209
Edmondson Ave. Bridge over CSX	20.205		BR-2441(017)	269-066-815	590,713
Edmondson Avenue Lighting	20.205		000A 539	321-010-815	381,528
Erdman Ave. - Sinclair to Macon St.	20.205		3034 (012)	315-076-815	8,136
Fairfield Ecological Industrial	20.205		0459 (006)	318-017-815	3,948,476
Fayette Street Rehab	20.205				337,656
Federal Resurfacing - Citywide	20.205		000A 537	321-008-815	519,386
Federal Resurfacing - Citywide TR11304	20.205		000A (651)	315-097-815	1,709,062
Federal Resurfacing - NE Hartford Road - North Avenue to Chesterfield	20.205		3033 (007)	315-088-815	2,525,486
Federal Resurfacing - NE TR11300	20.205		000A (738)	315-102-815	1,451,712
Federal Resurfacing - NW SEC 1	20.205		000A 623	315-092-815	1,300,836
Federal Resurfacing - NW SEC 2	20.205		000 A 627	315-094-815	352,886
Federal Resurfacing - NW SEC 3	20.205		000 A 624	315-093-815	(18,002)
Federal Resurfacing - NW SEC 4	20.205		000 A 628	315-095-815	1,441,534
Federal Resurfacing - Southwest	20.205		3034 (010)	315-071-815	931
Federal Resurfacing - SW TR11302	20.205		000A (624)	315-093-815	945,192
Federal Resurfacing - TR11301	20.205		000A (739)	315-103-815	1,544,863
Federal Resurfacing - TR11303	20.205		000A (741)	315-105-815	1,487,155
Ferry Boat Program	20.205		0003 (141)	321-009-815	322,465

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FISCAL YEAR ENDED JUNE 30, 2012

FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE	FEDERAL CFDA NUMBER (5)	ARRA (7)	FEDERAL IDENTIFICATION NUMBER (4)	STATE GRANT IDENTIFICATION NUMBER	DISBURSEMENTS/ EXPENDITURES
Fort Avenue Bridge over CSX	20.205		3260 (003)	269-081-815	5,908,529
Frederick Avenue Bridge over Gwynns Falls	20.205		BRF-3012(13)E	269-061-815	109,152
Gwynns Falls Trail Extension in Leakin Park	20.205		HP-0928(001)	BC318-008-815	1,659
Hanover St Bridge over Middle Branch	20.205		STP-1191(026)	269-073-815	79,234
Harford Road Bridge over Herring Run	20.205		BRP-3033(005)	269-067-815	2,228
Harford Road Streetscape from Argonne Dr. to Bayonne Ave.	20.205		STP-3033(006)	BC315-057-815	655
Hawkins Point Road Bridge	20.205		BRF-3001(34)E	269-059-815	115,369
Highway Bridge Inspection	20.205				(20,861)
Highway Planning & Construction Baltimore City Traffic Mgmt Center	20.205			BC319-013-815	2,969,787
Howard Street Bridge over I-83	20.205				16,819
Intercity/Intermodal Terminal	20.205				262,427
ITS - Installation of Fiber and Copper Communication Systems	20.205		0001 888	319-008-815	672,836
JFX Emergency Work	20.205				620,880
Jones Falls Greenway Phase IV	20.205				469,084
Jones Falls near Harbor Trail	20.205		1377(002)	318-014-815	1,821,549
Jones Falls Penn Station Acc	20.205			318-004-815	28,132
Kent Street Streetscape	20.205				109,852
Key Highway Gateway Beautification	20.205		0928 (001)	318-008-815	65,350
Key Highway Street Improvement	20.205				82,710
Lafayette Ave. Bridge over Amtrak	20.205		BHF-337 (001) E	269-064-815	150,387
Midtown Streetscape	20.205		000A (735)	315-101-815	335,929
Mount Street Bridge over Amtrak	20.205				542
National Aquarium - CALC TR 09307	20.205		4311 (001)	318-019-815	2,730
North Avenue Streetscape	20.205		0468 (002)	315-079-815	73,197
Orlean Street Improvements - Aisquith	20.205		1251 034	321-003-815	620,104

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FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE	FEDERAL CFDA NUMBER (5)	ARRA (7)	FEDERAL IDENTIFICATION NUMBER (4)	STATE GRANT IDENTIFICATION NUMBER	DISBURSEMENTS/ EXPENDITURES
Pavement Management System	20.205				1,004
Pennington Ave. Drawbridge over Curtis Creek	20.205		STP-3001(039)	269-072-815	4,715,221
Reconstruct Traffic Signals & REW	20.205		000 A 502	321-007-815	1,731,806
Resurfacing Edison Hwy TR 0306	20.205		3042 (001)	315-083-815	859
Resurfacing Kane St. - Pratt Street to North Point Blvd.	20.205		3230 (012)	315-085-815	8,299
Resurfacing Project - TR 12301	20.205				19,355
Resurfacing Project - TR 12303	20.205				5,570
Resurfacing Project TR12302	20.205				28,059
Resurfacing Project TR12304	20.205				919
Resurfacing Sector III - Curtis Avenue	20.205		STP000 A 493	315-084-815	3,384
Safe Routes to School Infrastructure	20.205				699,722
Sandtown Winchester FY2010	20.205			317-013-815	249,949
Signal Timing Optimization-Central Bus. District and Principal Gateway Arterials	20.205		BRF-3149(004)	BC315-070-815	264,411
Sinclair Lane over CSX RR	20.205				103,088
Star Spangled Heritage Trails	20.205				50,000
TR 02380 Hanover St. to Frankfurt Ave. Resurfacing	20.205			315-058-815	647
TR 02394 Park Heights Ave. Rehab. Northern Pkwy. to Garrison Ave.	20.205	Y		321-005-815	25,962
TR 05302 Park Heights Resurfacing - Druid Hill Dr. to Garrison Blvd.	20.205		3019 (004)	315-073-815	384
TR 06301 Rehab of B & O Railroad/Museum	20.205			AW-188-5325	2,339
TR 08301 Frankford Ave. from Moravia Park Dr. to Sinclair Lane	20.205	Y		321-004-815	17
TR 10311 Historic Preservation	20.205		0928 (002)	318-012-815	5,845
Traffic Detector Upgrade	20.205		000 A 453	319-005-815	932,104
Traffic Signal System Integration	20.205				10,957
Variable Message Signs	20.205		000A 454	319-007-815	1,448,948
Washington Blvd./I-95	20.205			315-062-815	2,256,411

CITY OF BALTIMORE - SINGLE AUDIT
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FISCAL YEAR ENDED JUNE 30, 2012

FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE	FEDERAL CFDA NUMBER (5)	ARRA (7)	FEDERAL IDENTIFICATION NUMBER (4)	STATE GRANT IDENTIFICATION NUMBER	DISBURSEMENTS/ EXPENDITURES
Water Taxi - Maritime Training	20.205		4306 (001)	318-015-815	125,804
West Baltimore Trail	20.205		0033 (001)	318-021-815	4,208
Westport Trail	20.205		0003 (197)	322-001-815	620
Widening of MLK Blvd at Linden	20.205				148,330
Wilkins Ave. Bridge over Gwynns Falls	20.205		BHF-2511(055)	269-071-815	50,240
Wilkins Avenue (Fulton-Dukeland)	20.205		2511 (064)	315-086-815	23,702
York Road Project - Woodbourne to 33rd Street	20.205				602,231
Youth Opportunity Urban Youth Corps	20.205				184,104
Ridesharing - Metropolitan Transportation Planning	20.507			MD-95-0005	(1,238)
Ridesharing/Commuter Assistance Grant	20.507			MD-95-0005	45,017
Ridesharing/Commuter Assistance Grant - Metropolitan Transportation Planning	20.507		MD 90 X 081	MD-90-9081	492
Traffic Safety Grant - State and Community Highway Safety	20.600				24,054
Traffic Safety Grant - State and Community Highway Safety	20.600		12-218		47,556
Traffic Safety Grant - State and Community Highway Safety	20.600		52-6000769	10-1740	29,624
Traffic Safety Grant - State and Community Highway Safety	20.600		52-6002034	09-1740	(28)
Safe Route to School - Safety Belt Performance Grants	20.609		52-600-169	S08-008	(1,162)
Safe Route to School - Safety Belt Performance Grants	20.609		52-600-169	S08-008	45,040
Safe Route to School - Safety Belt Performance Grants	20.609		52-600-169	S08-008	310
Safe Route to School II (N & I)	20.609		52-600-169	S08-008	103,392
TOTAL MARYLAND STATE DEPARTMENT OF TRANSPORTATION					\$63,143,885
MARYLAND INSTITUTE FOR EMERGENCY MEDICAL SERVICES SYSTEMS					
MIEMSS CAD Grant	20.600		FFY12-001		6,960
TOTAL MARYLAND INSTITUTE FOR EMERGENCY MEDICAL SERVICES SYSTEMS					\$6,960
TOTAL DEPARTMENT OF TRANSPORTATION					\$63,410,388

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FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE	FEDERAL CFDA NUMBER (5)	ARRA (7)	FEDERAL IDENTIFICATION NUMBER (4)	STATE GRANT IDENTIFICATION NUMBER	DISBURSEMENTS/ EXPENDITURES
DEPARTMENT OF TREASURY					
DIRECT GRANTS					
Asset Forfeiture Program	21	(3a)			61,270
TOTAL DIRECT GRANTS					\$61,270
TOTAL DEPARTMENT OF TREASURY					\$61,270
EQUAL EMPLOYMENT OPPORTUNITY COMMISSION					
DIRECT GRANTS					
Equal Employment Opportunity	30.002			MD-92-0401-000	(31,791)
Equal Employment Opportunity	30.002		9/5010/0004	MD-92-0401-000	(1,500)
TOTAL DIRECT GRANTS					(\$33,291)
TOTAL EQUAL EMPLOYMENT OPPORTUNITY COMMISSION					(\$33,291)
ENVIRONMENTAL PROTECTION AGENCY					
DIRECT GRANTS					
EPA - Greenhouse Gas Reduction Program	66.041		AF - 83453401-0		105,602
Integrated Pest Management	66.716		X8-83445701		68,499
Brownfield Incentive Fund	66.811		BP993393013		48,708
TOTAL DIRECT GRANTS					\$222,809
MARYLAND STATE DEPARTMENT OF HEALTH AND MENTAL HYGIENE					
Healthy Homes - Bedbugs	66.714			CHB 68 BBB	5,000
TOTAL MARYLAND STATE DEPARTMENT OF HEALTH AND MENTAL HYGIENE					\$5,000

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FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE	FEDERAL CFDA NUMBER (5)	ARRA (7)	FEDERAL IDENTIFICATION NUMBER (4)	STATE GRANT IDENTIFICATION NUMBER	DISBURSEMENTS/ EXPENDITURES
MARYLAND STATE DEPARTMENT OF THE ENVIRONMENT					
Maidens Choice Interceptor - SC826	66.458			DL3183C	2,091,247
Maidens Choice Interceptor - SC826	66.458			DL3204C	143,348
Patapsco WWTP Enhanced Nutrient Removal (ENR)	66.458	Y		STM-379-CW	430,106
Patapsco WWTP Enhanced Nutrient Removal (ENR)	66.458	Y		STM-400-CW	145,248
Patapsco WWTP Enhanced Nutrient Removal (ENR)	66.458	Y		STM-398-CW	268,797
Patapsco WWTP Enhanced Nutrient Removal (ENR)	66.458	Y		STM-397-CW	518,490
Patapsco WWTP Enhanced Nutrient Removal (ENR)	66.458			STM-400-CW	316,743
Patapsco WWTP Enhanced Nutrient Removal (ENR)	66.458	Y		STM-393-CW	408,076
Patapsco WWTP Enhanced Nutrient Removal (ENR)	66.458	Y		STM-378-CW	691,500
Patapsco WWTP Enhanced Nutrient Removal (ENR)	66.458	Y		STM-364-CW	249,335
Patapsco WWTP Enhanced Nutrient Removal (ENR)	66.458	Y		STM-395-CW	268,089
Patapsco WWTP Enhanced Nutrient Removal (ENR) - SC855	66.458			DL3207C	286,061
Patapsco WWTP Enhanced Nutrient Removal (ENR) - SC855	66.458			DL3191C	1,082,775
Patapsco WWTP Enhanced Nutrient Removal (ENR) - SC855	66.458			DL3078C	181,128
Baltimore City Water Conservation - Buildings and Libraries	66.468			DL3181D	14,171
Baltimore City Water Conservation - Buildings and Libraries	66.468	Y		STM-098-DW	24,078
Baltimore City Water Conservation - Buildings and Libraries	66.468			DL3182D	7,954
Baltimore City Water Conservation - Buildings and Libraries	66.468	Y		STM-098-DW	414,994
Baltimore City Water Conservation - Buildings and Libraries	66.468	Y		STM-114-DW	791,333
Montebello Filters and Chemicals (WC 1155)	66.468			DL3167D	43,101
Montebello Plant 2 Water Reservoir Cover (WC 1160R)	66.468	Y		STM-124-DW	28
Montebello Plant 2 Water Reservoir Cover (WC 1160R)	66.468	Y		STM-122-DW	156,493
Montebello Plant 2 Water Reservoir Cover (WC 1160R)	66.468	Y		STM-121-DW	316,204
Montebello Plant 2 Water Reservoir Cover (WC 1160R)	66.468	Y		STM-110-DW	323,435

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FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE	FEDERAL CFDA NUMBER (5)	ARRA (7)	FEDERAL IDENTIFICATION NUMBER (4)	STATE GRANT IDENTIFICATION NUMBER	DISBURSEMENTS/ EXPENDITURES
Montebello Plant 2 Water Reservoir Cover (WC 1160R)	66.468	Y		STM-127-DW	116,485
Montebello Plant 2 Water Reservoir Cover (WC 1160R)	66.468	Y		STM-116-DW	81,657
Montebello Plant W/C	66.468			DL3117D	715,198
Montebello Plant W/C	66.468			DL3189D	429,732
Montebello Plant W/C	66.468			DL3153D	351,328
Montebello Plant W/C	66.468			DL3110D	3,235,584
Montebello Plant W/C	66.468			DL3135D	219,309
Montebello Plant W/C	66.468			DL3159D	507,134
Towson Finished Water Reservoir Cover (WC 1164)	66.468			DL3141D	96,660
Towson Finished Water Reservoir Cover (WC 1164)	66.468			DL3127D	97,386
Towson Finished Water Reservoir Cover (WC 1164)	66.468			DL3157D	347,772
Towson Finished Water Reservoir Cover (WC 1164)	66.468			DL3115D	1,637,221
TOTAL MARYLAND STATE DEPARTMENT OF THE ENVIRONMENT					\$17,008,200
TOTAL ENVIRONMENTAL PROTECTION AGENCY					\$17,236,009
DEPARTMENT OF ENERGY					
DIRECT GRANTS					
Weatherization Assistance	81.042	Y			41,102
Weatherization Assistance	81.042	Y	DE-BE00110		(317,471)
Weatherization Assistance Program FY2010 MEAP	81.042				(3,138)
Weatherization Assistance Program FY2011 MEAP	81.042		R340649		(29,540)
Local Energy Assurance Planning (LEAP)	81.122	Y	DE-DE0000410		10,396
Energy Efficiency and Conservation Block Grant (EECG)	81.128	Y	DE-EE0000738		2,384,051
TOTAL DIRECT GRANTS					\$2,085,400

CITY OF BALTIMORE - SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2012

FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE	FEDERAL CFDA NUMBER (5)	ARRA (7)	FEDERAL IDENTIFICATION NUMBER (4)	STATE GRANT IDENTIFICATION NUMBER	DISBURSEMENTS/ EXPENDITURES
MARYLAND STATE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT					
Conservation Home Improvement - Weatherization	81.042		R340649		68,435
Conservation Home Improvement - Weatherization	81.042		R340649		(11,791)
Weatherization Assistance	81.042			R340649	11,589
Weatherization Assistance	81.042	Y	DE-EE000040		7,333,087
Weatherization Assistance for Low Income Persons	81.042				(37,260)
Weatherization Assistance for Low Income Persons	81.042			S00P7200113	157
Weatherization Assistance for Low Income Persons	81.042			S00P7200113	(3,734)
Weatherization Assistance for Low Income Persons	81.042				111,552
Weatherization Assistance for Low Income Persons	81.042				(29,458)
Weatherization Assistance for Low Income Persons	81.042		DE-EE000289		(199,206)
Weatherization Assistance for Low Income Persons	81.042		R340649		435
Weatherization Assistance for Low Income Persons	81.042		R340649		(212,265)
TOTAL MARYLAND STATE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT					\$7,031,541
MARYLAND ENERGY ADMINISTRATION					
MEA Sunburst Program	81.041			2010-12-516F1	900,000
MEA Empowerment Grant	81.128	Y			168,125
MEA Empowerment Grant	81.128	Y			93,040
Electric Vehicle Infrastructure Program (EVIP)	81.129	Y			133,557
TOTAL MARYLAND ENERGY ADMINISTRATION					\$1,294,722
TOTAL DEPARTMENT OF ENERGY					\$10,411,663

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FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE	FEDERAL CFDA NUMBER (5)	ARRA (7)	FEDERAL IDENTIFICATION NUMBER (4)	STATE GRANT IDENTIFICATION NUMBER	DISBURSEMENTS/ EXPENDITURES
DEPARTMENT OF EDUCATION					
MARYLAND STATE DEPARTMENT OF EDUCATION					
Infants and Toddlers	84.027			124730-02	153,475
Infants and Toddlers	84.027			900559-02	(92,635)
Infants and Toddlers	84.027			114478-02	11,210
Infants and Toddlers - Consolidated Local Implementation	84.027			104587-02	97,916
Infants and Toddlers	84.173			124730-03	19,184
Infants and Toddlers	84.173			900559-03	(15,439)
Infants and Toddlers	84.173			114478-03	1,401
Infants and Toddlers - Consolidated Local Implementation	84.173			104587-03	16,306
Infants and Toddlers	84.181			900559-01	(617,569)
Infants and Toddlers	84.181			124730-01	844,230
Infants and Toddlers	84.181			125665-01	63,056
Infants and Toddlers - Consolidated Local Implementation	84.181			114478-01	586,939
Infants & Toddlers - Part C	84.393	Y		104572	169,571
Infants & Toddlers - Part C	84.393	Y		104572	745,385
Infants & Toddlers - Part C	84.393	Y		104572	7,880
TOTAL MARYLAND STATE DEPARTMENT OF EDUCATION					\$1,990,910
MARYLAND GOVERNOR'S OFFICE FOR CHILDREN					
Reaching Families Early	84.181			9624 D	149
Reaching Families Early	84.181			9624 D	3,010
TOTAL MARYLAND GOVERNOR'S OFFICE FOR CHILDREN					\$3,159
TOTAL DEPARTMENT OF EDUCATION					\$1,994,069

CITY OF BALTIMORE - SINGLE AUDIT
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FISCAL YEAR ENDED JUNE 30, 2012

FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE	FEDERAL CFDA NUMBER (5)	ARRA (7)	FEDERAL IDENTIFICATION NUMBER (4)	STATE GRANT IDENTIFICATION NUMBER	DISBURSEMENTS/ EXPENDITURES
DEPARTMENT OF HEALTH AND HUMAN SERVICES					
DIRECT GRANTS					
Healthy Homes - Asthma	93.061		5R18EH000349-03		162,775
Healthy Homes - Asthma	93.061		5R18EH000349-03		212,474
Healthy Homes - Asthma Disability FY2009	93.061				2,647
Healthy Homes - Asthma Disability FY2010	93.061				(1,374)
Impact Assessment	93.070			1UE1/EH000910-01	2,595
Health Tuberculosis	93.116				(20,427)
Tuberculosis Elimination and Laboratory	93.116		U52/CCU300466-28		9,042
Tuberculosis Elimination and Laboratory	93.116		U52/CCU300466-29		130,724
Tuberculosis Elimination and Laboratory	93.116		U52/CCU300466-30		336,670
Tuberculosis Elimination and Laboratory	93.116		U52/CCU300466-31		257,268
Healthy Schools/Healthy Communities	93.224		6-H80 CS00366-03-02		307,141
Healthy Schools/Healthy Communities	93.224		6-H80-CS00366-03-02		(98,397)
Healthy Schools/Healthy Communities	93.224		6-H80-CS00366-03-02		4,865
Balto City Adult District Ct	93.243		5-H79TI023396		100,142
Health Care for the Homeless - SAMSHA	93.243		5-H79TI023396		111,161
Health Care for the Homeless - SAMSHA	93.243		5-H79TI023396		65,630
Health Care for the Homeless - SAMSHA	93.243		5-H79TI023396		74,654
Alcohol Exposed Pregnancy Intervention	93.283		1U4DD000555-02		116,153
Alcohol Exposed Pregnancy Intervention	93.283		1U4DD000555-03		87,491
CAA Children's Services - Head Start - Pediatric HIV Project	93.600				2,057,475
CAA Children's Services - Head Start FY2009	93.600		03CH0207/44		5,429
CAA Children's Services - Head Start FY2010	93.600		03CH0207/45		445,460

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FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE	FEDERAL CFDA NUMBER (5)	ARRA (7)	FEDERAL IDENTIFICATION NUMBER (4)	STATE GRANT IDENTIFICATION NUMBER	DISBURSEMENTS/ EXPENDITURES
CAA Children's Services - Head Start FY2010	93.600		03CH0207/46		57,360
CAA Children's Services - Head Start FY2011	93.600		03CH0207/46		3,647
CAA Children's Services - Head Start FY2011	93.600		03CH0207/46		34,225
CAA Children's Services - Head Start FY2011	93.600		03CH0207/46		2,162,655
CAA Children's Services - Head Start FY2012	93.600		03CH0207/47		142,838
CAA Children's Services - Head Start FY2012	93.600		03CH0207/47		25,763,918
Early Head Start	93.600		03CH0207/46		8,946
Early Head Start - Pediatric HIV Project	93.600		03CH0207/46		24,023
Chronic Disease	93.725	Y		ST-ARRA 09-001	22,925
Chronic Disease	93.725	Y		ST-ARRA 09-001	(47,728)
HIV Emergency	93.914		5 H89 HA00017		3,871,002
HIV Emergency	93.914		5 H89 HA00017		(37)
HIV Emergency	93.914		5 H89 HA00017		(32,885)
HIV Emergency	93.914		5 H89 HA00017		17,694,530
HIV Emergency	93.914		5 H89 HA00017		9,454
HIV Emergency	93.914		5 H89 HA00017-14		(64,378)
HIV Emergency	93.914		5 H89 HA00017-16		(10,030)
HIV Emergency - Minority AIDS Initiative (MAI)	93.914		H3M HA 08436		46,448
HIV Emergency - Minority AIDS Initiative (MAI)	93.914		H3M HA 08436		18,888
HIV Emergency - Minority AIDS Initiative (MAI)	93.914		H3M HA 08436		6,447
Ryan White II - A - Minority AIDS	93.914		H89 HA00017		1,636,674
Ryan White II - A - Minority AIDS	93.914		H89 HA00017		342,751
Healthy Start FY2003	93.926		5 H49 MC00085-2		2,328
Healthy Start FY2005	93.926		5 H49 MC00085		29,131
Healthy Start FY2007	93.926		5 H49 MC00085		297

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FISCAL YEAR ENDED JUNE 30, 2012

FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE	FEDERAL CFDA NUMBER (5)	ARRA (7)	FEDERAL IDENTIFICATION NUMBER (4)	STATE GRANT IDENTIFICATION NUMBER	DISBURSEMENTS/ EXPENDITURES
Federal Grant - MSM	93.941		SUR605000329-02		28
Contact U	93.974		FPRPA 006024		423
Healthy Teens and Young Adults	93.974		FPRPA 006024		690,391
Healthy Teens and Young Adults	93.974		FPRPA 006024		823,470
Sexually Transmitted Disease Accelerated Prevention Campaign FY2006	93.977		H25/CCH304322-14/13		35,630
Sexually Transmitted Disease Accelerated Prevention Campaign FY2007	93.977		H25/CCH304322-15		7,447
Sexually Transmitted Disease Accelerated Prevention Campaign FY2009	93.977		5H25/PS001395-01		6,095
Sexually Transmitted Disease Accelerated Prevention Campaign FY2010	93.977		5H25/PS001395-02		25,308
Sexually Transmitted Disease Accelerated Prevention Campaign FY2011	93.977		5H25/PS001395-03		350,525
Sexually Transmitted Disease Accelerated Prevention Campaign FY2012	93.977		5H25/PS001395-04		1,664,145
Sexually Transmitted Disease Control Program	93.977		H25/CCH304322-17		249
Sexually Transmitted Disease Surveillance Network	93.977		5H25/PS001278-02		520
Sexually Transmitted Disease Surveillance Network	93.977		5H25/PS001278-03		19,224
Sexually Transmitted Disease Surveillance Network	93.977		5H25/PS001278-04		129,844
TOTAL DIRECT GRANTS					\$59,846,326
MARYLAND STATE DEPARTMENT OF EDUCATION					
CARE Congregate Meals	93.705				(25,596)
CARE Congregate Meals	93.705	Y			(79,657)
TOTAL MARYLAND STATE DEPARTMENT OF EDUCATION					(\$105,253)
MARYLAND STATE DEPARTMENT OF HEALTH AND MENTAL HYGIENE					
Public Health Emergency Preparedness	93.069			CH 831 PHP	7
Public Health Emergency Preparedness	93.069			CH 831 PHP	336,001
Public Health Emergency Preparedness	93.069			CH 831 PHP	206,560
Public Health Emergency Preparedness	93.069			CH 831 PHP	18,821

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FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE	FEDERAL CFDA NUMBER (5)	ARRA (7)	FEDERAL IDENTIFICATION NUMBER (4)	STATE GRANT IDENTIFICATION NUMBER	DISBURSEMENTS/ EXPENDITURES
Public Health Emergency Preparedness	93.069			CH 831 PHP	(105,577)
Public Health Emergency Preparedness	93.069			CH 831 PHP	5,736
Public Health Emergency Preparedness (PHEP) Phase I	93.069			CH 831 PHP	21,081
Public Health Emergency Preparedness Phase IV	93.069			CH 831 PHP	332
Greater Baltimore Asthma Alliance	93.070			FHA 69 AST	1,864
Greater Baltimore Asthma Alliance	93.070			FHA 69 AST	19,531
ACA - Personal Responsibility Education Program	93.092			FHB 66 PRE	306,511
ACA - Teen Pregnancy Prevention Initiative (TPPI)	93.092			FHB 85 PRE	4,705
Pediatric AIDS Services Demo	93.153			AD 431 WIC	14,826
Pediatric AIDS Services Demo	93.153			AD 431 WIC	180,923
Pediatric AIDS Services Demo	93.153			AD 431 WIC	231,270
RWD - Youth Health Support	93.153			AD 655 YHS	7
RWD - Youth Health Support	93.153			AD 655 YHS	148,074
HIV Integration into Family Planning	93.217			FH 771 HIV	158,401
HIV Integration into Family Planning	93.217			FH 771 HIV	12,412
HIV Integration into Family Planning	93.217			FH 771 HIV	104,768
Reproductive Health/Family Planning	93.217			FH 201 FFP	(138,306)
Reproductive Health/Family Planning	93.217			FH 201 FFP	7,271
Reproductive Health/Family Planning	93.217			FH 201 FFP	264
Reproductive Health/Family Planning	93.217			FH 201 FFP	45
Reproductive Health/Family Planning	93.217			FH 201 FFP	(123,447)
Reproductive Health/Family Planning FY 2012	93.217			FH 201 FFP	782,973
Baltimore City Immunization Program FY2011	93.268			CH 054 IMM	(106,501)
Baltimore City Immunization Program FY2012	93.268			CH 054 IMM	572,500
Baltimore City Immunization Program FY2012 - Vaccine	93.268 (6)			CH 054 IMM	239,993

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FISCAL YEAR ENDED JUNE 30, 2012

FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE	FEDERAL CFDA NUMBER (5)	ARRA (7)	FEDERAL IDENTIFICATION NUMBER (4)	STATE GRANT IDENTIFICATION NUMBER	DISBURSEMENTS/ EXPENDITURES
Immunization - Hepatitis B	93.268			CH 350 IMM	(4,636)
Immunization - Hepatitis B	93.268			CH 350 IMM	99,645
Home Visiting Planning	93.505			FHB 64 HVP	38,043
Home Visiting Planning	93.505			FHB 64 HVP	99,365
HIV Partner Services	93.523			AD 631 HPS	227
HIV Prevention Services	93.523			AD 243 PRV	98,036
Surveillance (AIDS)	93.523			AD 407 SUR	1,217
Surveillance (AIDS)	93.523			AD 407 SUR	2,212
Immunization	93.712	Y		CH 811 ARR	9,634
PWC Eligibility	93.767			MA 157 ACM	388,811
Administrative Care Coordination	93.778			MA 005 EPS	40,833
Administrative Care Coordination	93.778			MA 005 EPS	170,869
Administrative Care Coordination	93.778			MA 005 EPS	1,897,183
General Transportation Services FY2001	93.778			MA 365 GTS	(20)
General Transportation Services FY2007	93.778			MA 365 GTS	(8,829)
General Transportation Services FY2008	93.778			MA 365 GTS	(3,554)
General Transportation Services FY2009	93.778			MA 365 GTS	(10,075)
General Transportation Services FY2010	93.778			MA 365 GTS	(648,308)
General Transportation Services FY2011	93.778			MA 365 GTS	2,088,306
General Transportation Services FY2012	93.778			MA 365 GTS	2,445,838
Healthy Start Program	93.778			MA 411 HSP	3,174
PWC Eligibility	93.778			MA 157 ACM	580,578
Ryan White II - Consortia Services FY2006	93.917			AD 419 RWS	1,748
Ryan White II - Consortia Services FY2007	93.917			AD 419 RWS	(10,715)
Ryan White II - Consortia Services FY2011	93.917			AD 419 RWS	918,420

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FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE	FEDERAL CFDA NUMBER (5)	ARRA (7)	FEDERAL IDENTIFICATION NUMBER (4)	STATE GRANT IDENTIFICATION NUMBER	DISBURSEMENTS/ EXPENDITURES
Ryan White II - Consortia Services FY2012	93.917			AD 419 RWS	1,039,597
Healthy Start Program	93.926			MA 411 HSP	3,174
Behavioral Intervention with Sexual Minorities	93.940			AD 639 MSM	34,238
Behavioral Intervention with Sexual Minorities	93.940			AD 639 MSM	59
Behavioral Surveillance Research	93.940			AD 626 BSR	217,754
Comprehensive HIV Prevention Project	93.940		1U62PS003640-01		144,497
Counseling, Testing and Referral	93.940			AD 243 CTR	83,296
Counseling, Testing and Referral	93.940			AD 243 CTR	5,191
Expanded HIV Testing	93.940			AD 656 EHT	419,977
Expanded HIV Testing	93.940			AD 656 EHT	(36,233)
Expanded HIV Testing	93.940			AD 659 ECT	111,258
Expanded HIV Testing	93.940			AD 656 EHT	(11,157)
Health Education and Risk Reduction	93.940			AD 364 HER	279,164
Health Education and Risk Reduction	93.940			AD 364 HER	119,140
HIV Partner Services	93.940			AD 631 HPS	493
HIV Partner Services	93.940			AD 631 HPS	300
HIV Preventive Services	93.940			AD 243 PRV	44,373
HIV Preventive Services	93.940			AD 243 PRV	555,539
HIV Preventive Services	93.940				907
Intravenous Drug Users	93.940			AD 637 IDU	123,239
Ryan White II - Consortia Services FY2006	93.940			AD 419 RWS	92
Ryan White II - Consortia Services FY2007	93.940			AD 419 RWS	(112)
Ryan White II - Consortia Services FY2011	93.940			AD 419 RWS	102,047
Ryan White II - Consortia Services FY2012	93.940			AD 419 RWS	36,265
Federal Grant - MSM	93.941		SUR605000329-03		(1,912)

CITY OF BALTIMORE - SINGLE AUDIT
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FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE	FEDERAL CFDA NUMBER (5)	ARRA (7)	FEDERAL IDENTIFICATION NUMBER (4)	STATE GRANT IDENTIFICATION NUMBER	DISBURSEMENTS/ EXPENDITURES
Expanded HIV Testing	93.943			AD 659 ECT	662,186
Expanded HIV Testing	93.943			AD 656 EHT	308,841
Behavioral Surveillance Research	93.944			AD 626 BSR	217,754
Surveillance (AIDS)	93.944			AD 407 SUR	6,390
Surveillance (AIDS)	93.944			AD 407 SUR	145,683
Surveillance (AIDS)	93.944			AD 407 SUR	11,611
Surveillance (AIDS) FY2007	93.944			AD 407 SUR	2,027
Alcoholism and Drug Block Grant FY2008	93.959			AS 019 ABG	434
Intravenous Drug Users	93.959			AD 637 IDU	123,239
Intravenous Drug Users	93.959			AD 637 IDU	91,816
Sexually Transmitted Disease/HIV Partner Counseling & Referral Svcs (PCRS)	93.977			CH 051 STD	4
Sexually Transmitted Disease/HIV Partner Counseling & Referral Svcs (PCRS)	93.977			CH 051 STD	43,985
Cardiovascular Risk Reduction	93.991			FHA 76 NRR	108,392
Children Oral Health # Flourine FY2011	93.991			CH 580 OIP	376
Rat Control Program FY2011	93.991			LH 001 RAT	(89,656)
Rat Control Program FY2012	93.991			LH 001 RAT	42,813
State's Community Based Injury Control	93.991			FHA 56 IPP	1,165
Children Adolescent Health Advocacy Program FY2012	93.994			FH 219 PYD	90,425
CORE Public Health Services FY2012	93.994			CH 560 CFT	797,025
Improved Pregnancy Outcome FY2009	93.994			FH 182 IPO	(6,523)
Improved Pregnancy Outcome FY2010	93.994			FH 892 IPO	9,220
Improved Pregnancy Outcome FY2011	93.994			FH 892 IPO	59,200
Improved Pregnancy Outcome FY2012	93.994			FH 892 IPO	238,825
Lead Paint Poisoning Prevention FY2005	93.994			FH 181 MCH	3,421
Lead Paint Poisoning Prevention FY2006	93.994			FH 181 MCH	868

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FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE	FEDERAL CFDA NUMBER (5)	ARRA (7)	FEDERAL IDENTIFICATION NUMBER (4)	STATE GRANT IDENTIFICATION NUMBER	DISBURSEMENTS/ EXPENDITURES
Lead Paint Poisoning Prevention FY2008	93.994			FH 181 MCH	5
Lead Paint Poisoning Prevention FY2009	93.994			FH 181 MCH	238
Lead Paint Poisoning Prevention FY2010	93.994			FH 181 MCH	4,903
Lead Paint Poisoning Prevention FY2011	93.994			FH 181 MCH	50,335
Lead Paint Poisoning Prevention FY2012	93.994			FH 181 MCH	540,917
Medical Home Project	93.994			CH 929 MHP	16,766
Medical Home Project	93.994			CH 929 MHP	14,649
TOTAL MARYLAND STATE DEPARTMENT OF HEALTH AND MENTAL HYGIENE					\$17,867,567
MARYLAND STATE DEPARTMENT OF HUMAN RESOURCES					
Cooperative Reimbursement-Child Support Enforcement	93.563			CSEA/CRA-11-032	198,484
Cooperative Reimbursement-Child Support Enforcement	93.563			CSEA/CRA-01-027	1,525
Cooperative Reimbursement-Child Support Enforcement	93.563			CSEA/CRA-09-032	2,531
Cooperative Reimbursement-Child Support Enforcement	93.563			CSEA/CRA-12-027	878,327
Cooperative Reimbursement-Child Support Enforcement	93.563			CSEA/CRA-11-027	(242,205)
Low Income Home Energy Assistance - MD Energy Assistance Prg FY2007	93.568			CSA/EA-07/04-30	1,827
Low Income Home Energy Assistance - MD Energy Assistance Prg FY2008	93.568			CSA/EA-07/04-30	19,190
Low Income Home Energy Assistance - MD Energy Assistance Prg FY2009	93.568			CSA/EA-07/04-30	1,830
Low Income Home Energy Assistance - MD Energy Assistance Prg FY2010	93.568			CSA/EA-07/04-30	(9,155)
Low Income Home Energy Assistance - MD Energy Assistance Prg FY2011	93.568			CSA/EA-07/04-30	1,626
Low Income Home Energy Assistance - MD Energy Assistance Prg FY2012	93.568			CSA/EA-07/04-30	1,780,119
TOTAL MARYLAND STATE DEPARTMENT OF HUMAN RESOURCES					\$2,634,099
MARYLAND STATE DEPARTMENT OF AGING					
Title VII Older Americans Act Ombudsman/Elder Abuse FY2004	93.042			3-24-AAA-002	449
Title VII Older Americans Act Ombudsman/Elder Abuse FY2010	93.042			AAA-3-24-003	(41,632)

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FISCAL YEAR ENDED JUNE 30, 2012

FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE	FEDERAL CFDA NUMBER (5)	ARRA (7)	FEDERAL IDENTIFICATION NUMBER (4)	STATE GRANT IDENTIFICATION NUMBER	DISBURSEMENTS/ EXPENDITURES
Title VII Older Americans Act Ombudsman/Elder Abuse FY2011	93.042			AAA-3-24-003	56,864
Supportive Services Title IIIB FY2004	93.044			3-24-AAA-002	18,265
Supportive Services Title IIIB FY2004 (Administration)	93.044			3-24-AAA-002	977
Supportive Services Title IIIB FY2010	93.044			3-24-AAA-003	257,752
Supportive Services Title IIIB FY2011	93.044			3-24-AAA-003	422,839
Supportive Services Title IIIB FY2012	93.044			3-24-AAA-003	780,920
Elderly Nutrition Title IIIC-1 FY2002	93.045			3-24-AAA-002	10
Elderly Nutrition Title IIIC-1 FY2005	93.045			AAA-3-24-003	4,223
Elderly Nutrition Title IIIC-1 FY2006	93.045			AAA-3-24-003	4,730
Elderly Nutrition Title IIIC-1 FY2009	93.045			AAA-3-24-003	(349,351)
Elderly Nutrition Title IIIC-1 FY2010	93.045			3-24-AAA-002	932,926
Elderly Nutrition Title IIIC-1 FY2011	93.045			AAA-3-24-003	370,123
Elderly Nutrition Title IIIC-1 FY2012	93.045			AAA-3-24-003	1,238,439
Home Delivered Meals Title IIIC-2 FY2010	93.045			AAA-3-24-003	(350,103)
Home Delivered Meals Title IIIC-2 FY2011	93.045			AAA-3-24-003	190,567
Home Delivered Meals Title IIIC-2 FY2012	93.045			AAA-3-24-003	609,559
Title IIID Medication Management	93.046			AAA-3-24-003	34,735
Title IIID Medication Management	93.046			AAA-3-24-003	44,494
Title IIID Medication Management	93.046			AAA-3-24-003	14,366
Older Americans Act Title IIIE FY2008	93.052			AAA-3-24-003	790
Older Americans Act Title IIIE FY2009	93.052			AAA-3-24-003	16
Older Americans Act Title IIIE FY2010	93.052			AAA-3-24-003	182,772
Older Americans Act Title IIIE FY2011	93.052			3-24-AAA-022	346,080
Older Americans Act Title IIIE FY2012	93.052			3-24-AAA-022	270,466
Senior Nutrition Services Incentive Program (NSIP)	93.053			ST-2505-002	311,643

CITY OF BALTIMORE - SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2012

FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE	FEDERAL CFDA NUMBER (5)	ARRA (7)	FEDERAL IDENTIFICATION NUMBER (4)	STATE GRANT IDENTIFICATION NUMBER	DISBURSEMENTS/ EXPENDITURES
Senior Nutrition Services Incentive Program (NSIP)	93.053			ST-2505-002	32,045
Senior Health Insurance Program (SHIP) FY2009	93.779			ST-2513-003	26
Senior Health Insurance Program (SHIP) FY2010	93.779			ST-2531-003	53,271
Senior Health Insurance Program (SHIP) FY2011	93.779			ST-2531-003	11,576
Senior Health Insurance Program (SHIP) FY2012	93.779			ST-2531-003	53,105
Senior Medicare Patrol (SMP)	93.779			ST-2516-003	7,138
Senior Medicare Patrol (SMP)	93.779			ST-2516-003	15,775
Senior Medicare Patrol (SMP)	93.779			ST-2516-003	10,693
TOTAL MARYLAND STATE DEPARTMENT OF AGING					\$5,536,548
MARYLAND STATE DEPARTMENT OF THE ENVIRONMENT					
Community Based Childhood Lead Poisoning	93.197		5 H64 EH000137-04	606071	6,480
Community Bases Childhood Lead Poisoning	93.197		5 H64 EH0001374		(26,147)
Community Bases Childhood Lead Poisoning	93.197		5 H64 EH0001374		231,980
TOTAL MARYLAND STATE DEPARTMENT OF THE ENVIRONMENT					\$212,313
MARYLAND STATE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT					
Community Services Block Grant FY2004	93.569			S00P4200562	16
Community Services Block Grant FY2007	93.569		G07BI-MDCOSR	S00P7200478	11,360
Community Services Block Grant FY2008	93.569		G08BI-MDCOSR	S00P8200552	26,390
Community Services Block Grant FY2009	93.569		G09BI-MDCOSR		2,189
Community Services Block Grant FY2010	93.569				150,997
Community Services Block Grant FY2011	93.569				439,342
Community Services Block Grant FY2012	93.569				2,361,135
Community Service Block Grant	93.710	Y	B08-MC-24-0010		12,768
TOTAL MARYLAND STATE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT					\$3,004,197

CITY OF BALTIMORE - SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2012

FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE	FEDERAL CFDA NUMBER (5)	ARRA (7)	FEDERAL IDENTIFICATION NUMBER (4)	STATE GRANT IDENTIFICATION NUMBER	DISBURSEMENTS/ EXPENDITURES
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES					
CORPORATION FOR NATIONAL & COMMUNITY SERVICE					
DIRECT GRANTS					
Retired and Senior Volunteer Program FY2010	94.002		09-SRA-MD-005		(1,198)
Retired and Senior Volunteer Program FY2011	94.002		03-SRA-MD-005		78,169
Retired and Senior Volunteer Program FY2012	94.002		03-SRA-MD-005		58,410
Senior Companion Program FY2010	94.016		09-SCA-MD-001		3,899
Senior Companion Program FY2011	94.016		03-SCA-MD-001		213,384
Senior Companion Program FY2012	94.016		03-SCA-MD-001		162,450
TOTAL DIRECT GRANTS					\$515,114
TOTAL CORPORATION FOR NATIONAL & COMMUNITY SERVICE					\$515,114
EXECUTIVE OFFICE OF THE PRESIDENT					
DIRECT GRANTS					
High Intensity Drug Trafficking Areas (HIDTA EXILE)	95.001				56,343
High Intensity Drug Trafficking Areas (HIDTA EXILE)	95.001				35,973
High Intensity Drug Trafficking Areas (HIDTA)	95.001				116,445
High Intensity Drug Trafficking Areas (HIDTA)	95.001				132,568
High Intensity Drug Trafficking Areas (HIDTA)	95.001				(18,971)
High Intensity Drug Trafficking Areas (HIDTA)	95.001				(737)
High Intensity Drug Trafficking Areas (HIDTA)	95.001		I3PW529		87,337
TOTAL DIRECT GRANTS					\$408,958
TOTAL EXECUTIVE OFFICE OF THE PRESIDENT					\$408,958

CITY OF BALTIMORE - SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2012

FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE	FEDERAL CFDA NUMBER (5)	ARRA (7)	FEDERAL IDENTIFICATION NUMBER (4)	STATE GRANT IDENTIFICATION NUMBER	DISBURSEMENTS/ EXPENDITURES
DEPARTMENT OF HOMELAND SECURITY					
DIRECT GRANTS					
Assistance to Firefighters Grant Program	97.044		EMW-2009-FO-09630		481,018
Assistance to Firefighters Grant Program	97.044		EMW-2010-FO-04638		481,603
Assistance to Firefighters Grant Program	97.044		EMW-2010-FP-01400		75,200
Assistance to Firefighters Grant Program	97.044		EMW-2011-FO-08609		60,576
Port Security V - Homeland Security	97.056		2005-GB-T5-0093		16,637
Homeland Security Grant Program FY2006	97.067		2006-GE-T6-0006		1,870
TOTAL DIRECT GRANTS					\$1,116,904
MARYLAND EMERGENCY MANAGEMENT AGENCY					
UASI FY2007 - (Command Vehicle Maintenance) - Non-Profit Security Program	97.008		2007-GE-T7-0040		(34)
UASI FY2007 - (IMT, CCTV, US&R, Radio) - Non-Profit Security Program	97.008		2007-GE-T7-0040		(1,004)
UASI FY2007 - Hazmat & Subway - Non Profit Security Program	97.008		2007-GE-T7-0040		(27,208)
UASI FY2007 - Operation Purple Haze	97.008		2007-GE-T7-0040		10,150
UASI FY2008 - IMT	97.008		2006-GE-T6-0006		(1,500)
UASI FY2008 - Non-Profit Security Program	97.008		2008-GE-T8-0011		38,853
UASI FY2008 - Non-Profit Security Program	97.008		2008-GE-T8-0011		(23,446)
UASI FY2009 - (Urban Area Security Initiative)	97.008		2009-SS-T9-0080		1,232,340
UASI FY2010 - (Urban Area Security Initiative)	97.008		2010-SS-T0-0025		909,336
UASI FY2011 - (Urban Area Security Initiative)	97.008		EMW-2011-SS-00044-S01		97,872
Homeland Security Grant Program FY2007	97.067		2007-GE-T7-0040		(25,614)
MMRS (Metropolitan Medical Response System) FY2007 - MEMA	97.067		2007-GE-T7-0040		(10,856)
MMRS (Metropolitan Medical Response System) FY2008 - MEMA	97.067		2008-GE-T8-0011		(2,066)
UASI FY2006 - Non Profit Security Program	97.067		2006-GE-T6-0006		(383)

**CITY OF BALTIMORE - SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2012**

FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE	FEDERAL CFDA NUMBER (5)	ARRA (7)	FEDERAL IDENTIFICATION NUMBER (4)	STATE GRANT IDENTIFICATION NUMBER	DISBURSEMENTS/ EXPENDITURES
UASI FY2007 - BACI - MEMA	97.067		2007-GE-T7-0040		9,655
MMRS (Metropolitan Medical Response System) FY2009	97.071		2009-SS-T9-0080		440,564
MMRS (Metropolitan Medical Response System) FY2010	97.071		2010-SS-T0-0025		68,469
MMRS (Metropolitan Medical Response System) FY2010	97.071		EMW-2011-SS-00044-S01		19,843
Citizen Corps Program FY2009	97.073		2009-SS-T9-0080		1,531
State Homeland Security Program (SHSP) FY2008	97.073		2008-GE-T8-0011		26,841
State Homeland Security Program (SHSP) FY2009	97.073		2009-SS-T9-0080		1,001,792
State Homeland Security Program (SHSP) FY2010	97.073		2010-SS-T0-0025		579,518
Buffer Zone Protection Program FY2007 - MEMA	97.078		2007-BZ-T7-0026		(13,400)
Buffer Zone Protection Program FY2008 - MEMA	97.078		2008-BZ-T8-0004		107,731
Buffer Zone Protection Program FY2009 - MEMA	97.078		2009-BF-T9-0038		193,886
Hazardous Materials Emergency Preparedness FY2010	97.093				(999)
TOTAL MARYLAND EMERGENCY MANAGEMENT AGENCY					\$4,631,871
TOTAL DEPARTMENT OF HOMELAND SECURITY					\$5,748,775
TOTAL EXPENDITURE OF FEDERAL AWARDS					\$290,133,196

CITY OF BALTIMORE - SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SUMMARY BY FEDERAL PROGRAM)
FISCAL YEAR ENDED JUNE 30, 2012

<u>FEDERAL GRANTOR</u>	<u>FEDERAL PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER (5)</u>	<u>DISBURSEMENTS/ EXPENDITURES</u>	<u>PAYMENTS MADE TO SUBRECIPIENTS</u>
DEPARTMENT OF AGRICULTURE	Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$2,160,733	
DEPARTMENT OF AGRICULTURE	Child and Adult Care Food Program	10.558	1,912,798	
DEPARTMENT OF AGRICULTURE	Summer Food Service Program for Children	10.559	2,346,540	
DEPARTMENT OF AGRICULTURE	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	270,131	
DEPARTMENT OF AGRICULTURE	Emergency Food Assistance Program (Administrative Costs)	10.568	112,879	\$112,879
DEPARTMENT OF AGRICULTURE	Emergency Food Assistance Program (Food Commodities)	10.569 (8)	739,110	
DEPARTMENT OF COMMERCE	Economic Development - Support for Planning Organizations	11.302	12,247	
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	Community Development Block Grants/Entitlement Grants	14.218	31,530,744	5,199,107
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	Urban Development Action Grants/Repayments	14.221	9,459	
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	Emergency Shelter Grants Program	14.231	1,338,897	1,124,659
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	Supportive Housing Program	14.235	8,227,499	7,817,896
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	Shelter Plus Care	14.238	7,439,069	6,944,663
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	HOME Investment Partnerships Program	14.239	5,951,775	
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	Housing Opportunities for Persons with AIDS	14.241	14,592,600	4,611,938
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	Community Development Block Grants - Section 108 Loan Guarantees	14.248	20,055	
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	Economic Development Initiative-Special Project, Neighborhood Initiative and Miscellaneous Grant	14.251	15,000	
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	Homeless Prevention and Rapid Re-Housing Prog (HPRP)	14.257	2,489,795	2,489,795
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	HPRP Technical Assistance	14.262	21,944	
DEPARTMENT OF JUSTICE	Supervised Visitation, Safe Havens for Children	16.527	44,793	
DEPARTMENT OF JUSTICE	Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	300,140	50,000
DEPARTMENT OF JUSTICE	Developing, Testing and Demonstrating Promising New Programs	16.541	283,197	71,455
DEPARTMENT OF JUSTICE	Crime Victim Assistance	16.575	278,013	
DEPARTMENT OF JUSTICE	Byrne Formula Grant Program	16.579	1,925	
DEPARTMENT OF JUSTICE	Edward Byrne Memorial State & Local Law Enforcement Assistance/Discretionary Grants Program	16.580	477,787	
DEPARTMENT OF JUSTICE	Drug Court Discretionary Grant Program	16.585	81,840	50,598
DEPARTMENT OF JUSTICE	Violence Against Women Formula Grants	16.588	319,384	83,253
DEPARTMENT OF JUSTICE	Community Capacity Development Office	16.595	39,366	
DEPARTMENT OF JUSTICE	Public Safety Partnership and Community Policing Grants	16.710	3,137,308	
DEPARTMENT OF JUSTICE	Edward Byrne Memorial Justice Assistance Grant Program	16.738	1,689,848	44,620
DEPARTMENT OF JUSTICE	Forensic DNA Capacity Enhancement Program	16.741	399,787	
DEPARTMENT OF JUSTICE	Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	44,999	

CITY OF BALTIMORE - SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SUMMARY BY FEDERAL PROGRAM)
FISCAL YEAR ENDED JUNE 30, 2012

<u>FEDERAL GRANTOR</u>	<u>FEDERAL PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER (5)</u>	<u>DISBURSEMENTS/ EXPENDITURES</u>	<u>PAYMENTS MADE TO SUBRECIPIENTS</u>
DEPARTMENT OF JUSTICE	Edward Byrne Memorial Competitive Grant Program	16.751	30,427	
DEPARTMENT OF JUSTICE	Economic High-Tech and Cyber Crime Prevention	16.752	159,951	
DEPARTMENT OF JUSTICE	Congressionally Recommended Awards	16.753	21,142	
DEPARTMENT OF JUSTICE	ARRA - (JAG) Program/Grants to States and Territories	16.803	452,136	225,450
DEPARTMENT OF JUSTICE	ARRA - (JAG) Program/Grants to Units of Local Government	16.804	264,514	99,524
DEPARTMENT OF JUSTICE	ARRA - Edward Byrne Memorial Competitive Grant Program	16.808	450,836	285,211
DEPARTMENT OF JUSTICE	Equitable Sharing Program	16.922	2,635,788	
DEPARTMENT OF LABOR	Senior Community Service Employment Program	17.235	450,221	
DEPARTMENT OF LABOR	Workforce Investment Act Adult Program	17.258	3,193,647	451,811
DEPARTMENT OF LABOR	Workforce Investment Act Youth Activities	17.259	3,381,406	697,011
DEPARTMENT OF LABOR	Workforce Investment Act Dislocated Workers	17.260	437,262	103,661
DEPARTMENT OF LABOR	WIA Pilots, Demonstrations, and Research Projects	17.261	1,960,764	434,746
DEPARTMENT OF LABOR	Youth Opportunity Grants	17.263	40,245	
DEPARTMENT OF LABOR	H-1B Job Training Grants	17.268	94,480	
DEPARTMENT OF LABOR	Community Based Job Training Grants	17.269	73,606	
DEPARTMENT OF LABOR	Prg of Competitive Grants for Worker Trng and Placement	17.275	93,695	43,001
DEPARTMENT OF LABOR	Workforce Investment Act (WIA) National Emergency Grants	17.277	57,074	9,624
DEPARTMENT OF LABOR	WIA Dislocated Worker Formula Grants	17.278	1,297,588	252,089
DEPARTMENT OF TRANSPORTATION	Highway Planning and Construction	20.205	62,850,828	
DEPARTMENT OF TRANSPORTATION	Federal Transit - Metropolitan Planning Grants	20.505	23,200	
DEPARTMENT OF TRANSPORTATION	Federal Transit - Formula Grants	20.507	44,271	
DEPARTMENT OF TRANSPORTATION	State and Community Highway Safety	20.600	108,166	
DEPARTMENT OF TRANSPORTATION	Safety Belt Performance Grants	20.609	147,580	
DEPARTMENT OF TRANSPORTATION	Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	236,343	
DEPARTMENT OF TREASURY	Asset Forfeiture Program	21 (3a)	61,270	
EQUAL EMPLOYMENT OPPORTUNITY COMMISSION	Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	30.002	(33,291)	
ENVIRONMENTAL PROTECTION AGENCY	Climate Showcase Communities Grant Program	66.041	105,602	
ENVIRONMENTAL PROTECTION AGENCY	Capitalization Grants for Clean Water State Revolving Funds	66.458	7,080,943	
ENVIRONMENTAL PROTECTION AGENCY	Capitalization Grants for Drinking Water State Revolving Funds	66.468	9,927,257	
ENVIRONMENTAL PROTECTION AGENCY	Regional Agricultural IPM Grants	66.714	5,000	5,000
ENVIRONMENTAL PROTECTION AGENCY	Research, Development, Monitoring, Public Education, Training, Demonstrations, and Studies	66.716	68,499	

CITY OF BALTIMORE - SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SUMMARY BY FEDERAL PROGRAM)
FISCAL YEAR ENDED JUNE 30, 2012

<u>FEDERAL GRANTOR</u>	<u>FEDERAL PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER (5)</u>	<u>DISBURSEMENTS/ EXPENDITURES</u>	<u>PAYMENTS MADE TO SUBRECIPIENTS</u>
ENVIRONMENTAL PROTECTION AGENCY	Brownfield Pilots Cooperative Agreements	66.811	48,708	
DEPARTMENT OF ENERGY	State Energy Program	81.041	900,000	
DEPARTMENT OF ENERGY	Weatherization Assistance for Low-Income Persons	81.042	6,722,494	11,589
DEPARTMENT OF ENERGY	Electricity Delivery and Energy Reliability, Research, Development and Analysis (Recovery)	81.122	10,396	
DEPARTMENT OF ENERGY	Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	2,645,216	
DEPARTMENT OF ENERGY	Energy Efficiency and Reasonable Energy Technology Deployment, Demonstration and Commercial	81.129	133,557	
DEPARTMENT OF EDUCATION	Special Education - Grants to States	84.027	169,966	57,298
DEPARTMENT OF EDUCATION	Special Education - Preschool Grants	84.173	21,452	7,162
DEPARTMENT OF EDUCATION	Special Education - Grants for Infants and Families with Disabilities	84.181	879,815	316,358
DEPARTMENT OF EDUCATION	Grants for Infants and Families, Recovery Act	84.393	922,836	705,820
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Special Programs for the Aging-Title VII, Chapter 2 - Long Term Care	93.042	15,681	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Special Programs for the Aging-Title III, Part B - Grants for Supportive Services & Senior Centers	93.044	1,480,753	451,173
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Special Programs for the Aging-Title III, Part C - Nutrition Services	93.045	2,651,123	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Special Programs for the Aging-Title III, Part D - In-Home Services for Frail Older Individuals	93.046	93,595	93,595
DEPARTMENT OF HEALTH AND HUMAN SERVICES	National Family Caregiver Support	93.052	800,124	101,737
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Nutrition Services Incentive Program	93.053	343,688	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Innovations in Applied Public Health Research	93.061	376,522	85,903
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Public Health Emergency Preparedness	93.069	482,961	71,625
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Environmental Public Health and Emergency Response	93.070	23,990	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	ACA - Personal Responsibility Education Program	93.092	311,216	145,358
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	713,277	269,395
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153	575,100	575,087
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Childhood Lead Poisoning Prevention Projects	93.197	212,313	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Family Planning Services	93.217	804,381	97,586
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Consolidated Health Centers	93.224	213,609	26,366
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	351,587	273,213
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Immunization Grants	93.268 (6)	801,001	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	203,644	124,941
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	137,408	78,195
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Affordable Care Act (ACA): Human Immunodeficiency Virus (HIV) Prevent and Public Health Fd A	93.523	101,692	24,156
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Child Support Enforcement	93.563	838,662	

CITY OF BALTIMORE - SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SUMMARY BY FEDERAL PROGRAM)
FISCAL YEAR ENDED JUNE 30, 2012

<u>FEDERAL GRANTOR</u>	<u>FEDERAL PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER (5)</u>	<u>DISBURSEMENTS/ EXPENDITURES</u>	<u>PAYMENTS MADE TO SUBRECIPIENTS</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Low-Income Home Energy Assistance Program	93.568	1,795,437	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Community Services Block Grant	93.569	2,991,429	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Head Start	93.600 (7b)	30,705,976	27,396,045
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Aging Home-Delivered Nutrition Services for States - ARRA	93.705	(105,253)	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Community Services Block Grant - ARRA	93.710	12,768	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Immunization- ARRA	93.712	9,634	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	ARRA-Communities Putting Prevention to Work: Chronic Disease Self-Management Program	93.725	(24,803)	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	State Children's Insurance Program	93.767	388,811	387,052
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Medical Assistance Program	93.778	6,555,995	2,227,687
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	151,584	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	HIV Emergency Relief/Project/Formula Grants	93.914	23,518,864	21,884,787
DEPARTMENT OF HEALTH AND HUMAN SERVICES	HIV Care Formula Grants	93.917	1,949,050	1,750,735
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Healthy Start Initiative	93.926	34,930	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	HIV Prevention Activities - Health Department Based	93.940	2,230,327	1,368,462
DEPARTMENT OF HEALTH AND HUMAN SERVICES	HIV Demonstration, Research, Public and Professional Education Projects	93.941	(1,884)	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Epidemiologic Research Studies of AIDS and HIV	93.943	971,027	557,218
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveill	93.944	383,465	315,939
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Block Grants for Prevention and Treatment of Substance Abuse	93.959	215,489	215,052
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Family Planning - Service Delivery Improvement Research Grants	93.974	1,514,284	3,866
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Preventive Health Services - Sexually Transmitted Diseases Control Grants	93.977	2,282,976	642,661
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Preventive Health and Health Services Block Grant	93.991	63,090	63,090
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Maternal and Child Health Services Block Grant to the States	93.994	1,820,274	138,447
CORPORATION FOR NATIONAL & COMMUNITY SERVICE	Retired and Senior Volunteer Program	94.002	135,381	
CORPORATION FOR NATIONAL & COMMUNITY SERVICE	Senior Companion Program	94.016	379,733	
EXECUTIVE OFFICE OF THE PRESIDENT	High Intensity Drug Trafficking Areas	95.001	408,958	
DEPARTMENT OF HOMELAND SECURITY	Urban Areas Security Initiative	97.008	2,235,359	185,425
DEPARTMENT OF HOMELAND SECURITY	Assistance to Firefighters Grant	97.044	1,098,397	
DEPARTMENT OF HOMELAND SECURITY	Port Security Grant Program	97.056	16,637	
DEPARTMENT OF HOMELAND SECURITY	Homeland Security Grant Program	97.067	(27,394)	
DEPARTMENT OF HOMELAND SECURITY	Metropolitan Medical Response System	97.071	528,876	
DEPARTMENT OF HOMELAND SECURITY	State Homeland Security Program (SHSP)	97.073	1,609,682	

CITY OF BALTIMORE - SINGLE AUDIT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SUMMARY BY FEDERAL PROGRAM)
 FISCAL YEAR ENDED JUNE 30, 2012

<u>FEDERAL GRANTOR</u>	<u>FEDERAL PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER (5)</u>	<u>DISBURSE- MENTS/ EXPEN- TURES</u>	<u>PAYMENTS MADE TO SUBRE- CIPENTS</u>
DEPARTMENT OF HOMELAND SECURITY	Buffer Zone Protection Plan (BZPP)	97.078	288,217	
DEPARTMENT OF HOMELAND SECURITY	Fire Service Hazardous Material Preparedness and Response	97.093	(999)	
TOTAL ALL PROGRAMS			<u>\$290,133,196</u>	<u>\$91,861,014</u>

CITY OF BALTIMORE - SINGLE AUDIT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2012

1. We have defined Active Federal Financial Assistance as follows:
 - Active Operating Grant - Any operating grant having current fiscal year 2012 expenditures.
 - Active Project Grant - Any project grant having current fiscal year 2012 expenditures.
 - Other Financial Assistance - Any contract, loan, loan guarantee, property, cooperative agreement, interest subsidy, insurance or direct appropriation having current fiscal year 2012 disbursements.
2. Our Federal Financial Assistance sample plan is as follows (dollar threshold to distinguish between Type A and Type B programs is \$3,000,000) :

Federal CFDA Number	Federal Program Title	Number of Awards	Current Expenditures Per Accounting Records
Total Schedule		713	\$290,133,196
14.218/253/254	Community Development Block Grants/Entitlement Grants	20	31,530,744
14.235	Supportive Housing Program	5	8,227,499
14.238	Shelter Plus Care	2	7,439,069
14.239	HOME Investment Partnerships Program	26	5,951,775
14.241	Housing Opportunities for Persons with AIDS	13	14,592,600
16.710	Public Safety Partnership and Community Policing Grants	4	3,137,308
17.258/59/60/78	Workforce Investment Act Adult Program, Youth Activities, and Dislocated Workers	28	8,309,903
20.205	Highway Planning and Construction	110	62,850,828
66.458	Capitalization Grants for Clean Water State Revolving Funds	14	7,080,943
66.468	Capitalization Grants for Drinking Water State Revolving Funds	22	9,927,257
81.042	Weatherization Assistance for Low-income Persons	16	6,722,494
93.044/045/053	Special Programs for the Aging - Title III, Parts B & C, and Nutrition Services Incentive Prg	17	4,475,564
93.569/710	Community Services Block Grant	8	3,004,197
93.600/708/709	Head Start	11	30,705,976
93.778	Medical Assistance Program	12	6,555,995
93.914	HIV Emergency Relief Project/Formula Grants	12	23,518,864
97.067/008/004	Homeland Security Grant Program	28	4,650,378
Total Audit Coverage		348	\$238,681,394
Percent of Total Schedule		48.8%	82.3%

CITY OF BALTIMORE - SINGLE AUDIT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2012

3. The following program does not have complete 5-digit CFDA Numbers. The fund source is as follows:
(a) Federal assistance (CFDA Number 21) to the City was funded by the U.S. Department of the Treasury.
4. In those instances where federal grant identification is not shown, it is because this information could not be determined.
5. Federal CFDA numbers were updated to reflect revisions as of the 2012 Edition of the Catalog of Federal Domestic Assistance.
6. The Baltimore City Immunization Program (CFDA Number 93.268) includes the value of vaccines distributed to the City from the Maryland State Department of Health and Mental Hygiene.
7. The items marked with a "Y" in this column were funded with American Recovery and Reinvestment Act (ARRA) funds.
8. The Emergency Food Assistance Program (CFDA Number 10.569) includes the value of commodities distributed to the City from the Maryland State Department of Human Resources.

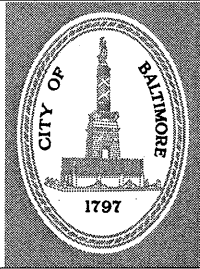
PART IV

REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

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CITY OF BALTIMORE

STEPHANIE RAWLINGS-BLAKE, Mayor



DEPARTMENT OF AUDITS

ROBERT L. McCARTY, JR., CPA
City Auditor

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Baltimore, Maryland 21202
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**Auditor's Report on Compliance with Requirements
That Could Have a Direct and Material Affect on Each
Major Program and on Internal Control Over Compliance
In Accordance with OMB Circular A-133**

February 3, 2014

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

Compliance

We have audited the compliance of the City of Baltimore, Maryland, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2012. The City of Baltimore, Maryland's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Baltimore, Maryland's management. Our responsibility is to express an opinion on the City of Baltimore, Maryland's compliance based on our audit.

The City of Baltimore, Maryland's basic financial statements include the operations of the Baltimore City Public School System (BCPSS) and the Enoch Pratt Free Library (EPFL). The BCPSS incurred \$191,161,500 in federal expenditures and the EPFL incurred \$194,700 in federal expenditures during the year ended June 30, 2012. Our audit, described below, did not include the operations of the BCPSS and the EPFL because they are subject to separate audits in accordance with Federal and State requirements.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Baltimore, Maryland's compliance with those requirements and performing such other procedures as we considered

necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Baltimore, Maryland's compliance with those requirements.

In our opinion, the City of Baltimore, Maryland complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 12-1 through 12-15.

Internal Control Over Compliance

The management of the City of Baltimore, Maryland is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Baltimore, Maryland's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Baltimore, Maryland's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 12-16 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be a material weakness.

An Other Matter is described in the accompanying schedule of findings and questioned costs as item 12-17. This item discloses a monitoring report issued by the U.S. Department of Labor related to federal financial assistance to the City.

The City of Baltimore, Maryland's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of Baltimore, Maryland's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management of the City of Baltimore, Maryland, Federal and State awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

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

Robert L. McCarty, Jr., CPA
City Auditor

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PART V

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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CITY OF BALTIMORE, MARYLAND
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2012

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CITY OF BALTIMORE, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

Section I - Summary of Auditors' Results

Part I - Comprehensive Annual Financial Report

Type of auditors' report issued:

Unqualified opinion

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

Internal control over financial reporting:

Material weaknesses identified?

Yes No

Significant deficiencies identified that are not
considered to be material weaknesses?

Yes None reported

Noncompliance material to financial statements noted?

Yes No

**Part III - Supplementary Schedule of Expenditures of Federal
Awards**

Type of auditor's report issued:

Unqualified opinion

**Part IV - Auditor's Report on Compliance with Requirements
That Could Have a Direct and Material Effect on Each
Major Program and on Internal Control over Compliance
In Accordance with OMB Circular A-133**

Internal control over major programs:

Material weaknesses identified?

Yes No

Significant deficiencies identified that are not
considered to be material weaknesses?

Yes None reported

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

Unqualified opinion

Any audit findings disclosed that are required to be reported in
accordance with Section 510(a) of Circular A-133?

Yes No

CITY OF BALTIMORE, MARYLAND
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2012
 (Continued)

**Part IV - Auditor's Report on Compliance with Requirements
 That Could Have a Direct and Material Effect on Each
 Major Program and on Internal Control over Compliance
 In Accordance with OMB Circular A-133 (continued)**

Identification of major programs:

<u>CFDA Number</u>	<u>Title</u>
14.218/253/254	Community Development Block Grants/Entitlement Grants
14.235	Supportive Housing Program
14.238	Shelter Plus Care
14.239	HOME Investment Partnerships Program
14.241	Housing Opportunities for Persons with AIDS
16.710	Public Safety Partnership and Community Policing Grants
17.258/259/278	Workforce Investment Act Adult Programs, Youth Activities, and Dislocated Workers
20.205	Highway Planning and Construction
66.458	Capitalization Grants for Clean Water State Revolving Funds
66.468	Capitalization Grants for Drinking Water State Revolving Funds
81.042	Weatherization Assistance for Low-Income Persons
93.044/045/053	Special Programs for the Aging -Title III, Parts B & C, and Nutrition Services Incentive Program (NSIP)
93.569/710	Community Services Block Grant
93.600/708/709	Head Start
93.778	Medical Assistance Program
93.914	HIV Emergency Relief Project/Formula Grants
97.067/008/004	Homeland Security Grant Program

Dollar threshold used to distinguish between Type A and Type B programs: \$3,000,000

Auditee qualified as low-risk auditee? Yes X No

CITY OF BALTIMORE, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

Section II – Financial Statement Findings

The Report on Internal Control Over Financial Reporting and on Compliance and Other Matters, included in Part II of this Single Audit, identifies two material weaknesses and one significant deficiency related to internal control over financial reporting. The three findings are described below.

2012-01. Lack of Controls over Financial Statement Preparation

Background/Condition

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

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

During our review of the City's draft financial statements as of and for the year ended June 30, 2012, we noted material errors and misclassifications in financial statement balances and the related notes to the draft financial statements as follows:

CITY OF BALTIMORE, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

Generation of Transaction Detail Underlying Financial Statement Balances

During our audit, we requested certain transaction detail from which to select our sample items for audit. While the City was ultimately able to provide this information, the generation of such information was difficult to obtain and did not always agree to the related financial statement balance without material revisions. We also noted this information did not undergo appropriate supervisory review to ensure its accuracy and completeness prior to submission for audit. These items included the adjustment to properly recognize revenue in accordance with Government Accounting Standards Board Statement No. 33 Accounting and Financial Reporting for Nonexchange Transactions (GASB No. 33), the reconciliation of the retainages payable subledger to the trial balance, and the capital leases lead schedule.

Lack of Controls over Accounting for Transactions in the Other Postemployment Benefits (OPEB) Trust Fund

During our audit of the OPEB Trust Fund, we noted that the City erroneously netted approximately \$15 million of employer contributions against expenses on the draft financial statements. This error was subsequently corrected in the financial statements.

Lack of an Adequate Analysis of Accounts Payable Cutoff at Year-end

During our review of the accounts payable accrual, we noted that goods or services which were invoiced July 1, 2012 or after and paid in fiscal year 2013 were not being properly analyzed for potential inclusion in the City's fiscal year 2012 accounts payable based on receipt of goods or services. At our request, an additional analysis was performed which included items invoiced and paid after July 1. Management identified and subsequently recorded \$14.9 million in additional goods and services received during fiscal year 2012.

Lack of Proper Reconciliation of Deposits Subject to Refund in the Drug Confiscation Account

BAPS did not properly reconcile the drug confiscation account subsidiary ledger to the general ledger during fiscal year 2012. Specifically, BAPS has not performed a reconciliation of this account since January 2010. The subsidiary ledger for this account reflects a liability balance approximately \$2.2 million lower than the related amount of \$12.86 million that is recorded in the general ledger control account at June 30, 2012. This error was subsequently corrected by management.

Lack of Proper Reconciliation of Retainages Payable

BAPS did not reconcile the City-wide retainages payable subsidiary ledger to the related general ledger control accounts during fiscal year 2012. Specifically, individual retainages payable subsidiary ledgers maintained by each contract department of the various City agencies are not presented to BAPS for reconciliation with BAPS' City-wide retainages payable subsidiary ledger. In addition, the City-wide retainages payable subsidiary ledger maintained by BAPS appears to be incomplete as the City did not properly import all retainages payable data from the prior City accounting system to the current City accounting system, CityDynamics, when the system was implemented in March 2009. Lastly, we noted several debit balances totaling \$500 thousand in the

CITY OF BALTIMORE, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

accounts that comprised the retainage payable balances due to uncorrected posting errors. These errors were subsequently corrected by management.

Criteria

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

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

Cause

Controls are not in place and operating effectively over management review and reconciliation of financial statement information provided by the agencies/departments for inclusion in the City-wide financial statements. Instead, management relies heavily on the audit process to identify and propose corrections to errors on the schedules that support amounts in the financial statements.

Effect

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

Recommendation

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

Views of Responsible Officials

The Department of Finance is committed to continued improvement of the CAFR process. BAPS has implemented several initiatives aimed at refining its compilation process, cultivating inter-agency relationships and educating operating fiscal staff. In addition, BAPS hired additional qualified professional staff and is training and cross training its CAFR team to ensure they possess the requisite skills to prepare timely and reliable financial statements.

BAPS persists in making incremental improvement in the internal control structure

CITY OF BALTIMORE, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

within the bureau and continues exploring ways to strengthen controls throughout the City.

Management believes these initiatives will strengthen the City's financial controls, ensure the reliability of its CAFR and better the compilation process.

Generation of Transaction Detail Underlying Financial Statement Balances.

During the course of the audit, BAPS made every effort to provide the data requested to City Audits and/or KPMG. Many times these requests were unique and required special reports be developed. In some instances, documents were obtained by Audits directly from other agencies or other third parties and were not subject to BAPS review.

Lack of Controls over Accounting for Transactions in the Other Postemployment Benefits (OPEB) Trust Fund

We agree. BAPS will implement additional review steps and provide additional staff training.

Lack of an Adequate Analysis of Accounts Payable Cutoff at Year-end

We agree. BAPS implemented procedures during FY 2013 for capturing subsequent payments.

Lack of Proper Reconciliation of Deposits Subject to Refund in the Drug Confiscation Account

We agree. The City is taking steps to fully reconcile the Drug Confiscation Account prior to the end of FY2014.

Lack of Proper Reconciliation of Retainages Payable

We agree. The City will implement a process for reconciling retainages payable prior to the end of FY2014.

2012-02. Lack of Controls over Journal Entries

Background/Condition

As noted above in item 2012-01, the City's financial reporting process is heavily reliant on the recording of various manual adjustments. During our review of manual journal entries recorded into the City's general ledger system, CityDynamics, we noted material deficiencies in the preparation, review, and approval of manual journal entries. Specifically, we noted that the City posted manual journal entries in the amount of \$29.3 billion during fiscal year 2012. BAPS personnel are able to review and approve prepared journal entries in the system without obtaining and reviewing support for individual journal entries to document their validity. During our testing of forty-eight journal entries, we noted that fifteen included entries to accounts described as "unknown" and sixteen were recorded to accounts with descriptions that did not match the accounts purpose.

CITY OF BALTIMORE, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

Criteria

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

Cause

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

Effect

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

Recommendation

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

Views of Responsible Officials

Lack of Controls over Journal Entries

We agree. The city is currently evaluating alternative controls over journal entries.

2012-03. Lack of Controls over Water and Waste Water Billing Process

Background/Condition

During our audit of the City's fiscal year 2011 financial statements, we reviewed billing adjustments related to 70,103 customer accounts with true readings and identified systemic errors in the automated calculations for the cancelling and rebilling of customer water accounts. Billing adjustments are calculated based on volume used rather than dollar amounts previously paid by customers. The City's Department of Public Works recorded a gross adjustment of \$9.2 million in its financial statements for fiscal year 2011. As management did not correct or replace its water billing system during fiscal 2012, we noted that the systemic errors and limitations still exist.

Criteria

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

CITY OF BALTIMORE, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

Cause

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

Effect

As proper controls do not exist over the water and waste water billing process, misstatements to customer accounts could go undetected.

Recommendation

We recommend that the City take appropriate action to ensure that estimated versus actual billings are properly reviewed and approved prior to posting into MOIT, the general ledger, and the financial statements.

Views of Responsible Officials

The Bureau of Water and Wastewater acknowledges limitation of the legacy system which provides billing controls across the Utility's retail customer base. The deficiencies in the system hold no correlation to impacts of accuracy; however withhold necessary detail to provide an adequate audit trail of the manual calculation steps prior to system entry. Following recommendation received from the Department of Audits in November of 2011, the Bureau revised internal procedures and archival methods of capturing historical billing records. Concurrently, leadership within the Bureau conducted an analysis identifying resource sufficiency to meet the Audit recommendations as well as existing business requirements. Conclusion of this analysis resulted in additional review of all operating procedures across the Customer Care Division, additional training of billing personnel, and long term strategic planning to design and procure a replacement for the legacy billing system.

CITY OF BALTIMORE, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

Section III – Federal Award Findings and Questioned Costs

Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program

Finding #: 12-1
CFDA #: 81.042, 93.569, 93.710
Program Titles: Weatherization Assistance for Low-Income Persons
Community Services Block Grant - ARRA
Federal Agency: Various
Federal Award #: Various
Pass-Through: Various

Supporting Documentation Was Not Provided

The Office of Management and Budget Circular A-133 requires the auditor to determine whether costs charged to federal programs are allowable and whether participants in certain federal programs are eligible for services received.

The Baltimore City Department of Housing and Community Development (DHCD) administered federal program number 81.042 – Weatherization Assistance for Low-Income Persons (WAP). Of the 234 WAP project folders we tested for cost allowability, DHCD did not provide six folders for our review. Accordingly, we were unable to determine the allowability of the costs related to these six projects.

The Mayor’s Office of Human Services (MOHS) administered federal program numbers 93.569 and 93.710 – Community Services Block Grant – ARRA (CSBG). Of the 45 client folders we tested for eligibility, four folders were not provided to us and two other folders did not contain documentation related to the period under audit. Accordingly, we were unable to determine eligibility for these six clients.

We recommend that DHCD maintain supporting documentation for all costs charged to federal programs. We also recommend that MOHS maintain eligibility documentation for its clients. In each case, such documentation should be made available for audit review.

Responses:

The Baltimore City Department of Housing and Community Development and the Mayor’s Office of Human Services’ responses and corrective action plans are included in Part VII – Auditee’s Corrective Action Plan on Current Audit Findings.

CITY OF BALTIMORE, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

Finding #: 12-2
CFDA #: 16.710
Program Titles: COPS Hiring Recovery Program
Federal Agency: Department of Justice
Federal Award #: 2009RJWX0051
Pass-Through: None

Reporting of Inaccurate Grant Information

The COPS Hiring Recovery Program (CHRP) Grant Owner's Manual allows funding to hire or re-hire full-time police officers who have been terminated from employment or who are scheduled to be terminated from employment in an effort to create and preserve jobs.

The Baltimore City Police Department (BPD) administered federal program number 16.710 - COPS Hiring Recovery Program. Our testing of BPD's fiscal year 2012 CHRP progress reports, which account for officers funded under the CHRP program, showed a maximum allowable total of 50 police officers funded under the CHRP program. However, the underlying documentation for these progress reports showed that only 49 officers were funded under CHRP at 9/30/11, 48 officers at 12/31/11, 47 officers at 3/31/12, and 46 officers at 4/30/12. Accordingly, BPD over-reported the number of officers funded under CHRP.

We recommend that BPD institute procedures to ensure that future CHRP progress reports provide accurate information that is supported by the agency's underlying documentation.

Response:

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

CITY OF BALTIMORE, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

Finding #: 12-3
CFDA #: 93.044/045/053, 93.914
Program Title: Special Programs for the Aging – Title III, Parts B & C, and
Nutrition Services Incentive Program
HIV Emergency Relief Project/Formula Grants
Federal Agency: Department of Health and Human Services
Federal Award #: Various
Pass-Through: Various

Documentation to Support Earmarking Was Not Provided

Office of Management and Budget (OMB) Circular A-133 requires that adequate documentation be maintained to support earmarking.

The Baltimore City Health Department (BCHD) administered federal program cluster 93.044/045/053 – Special Programs for the Aging – Title III, Parts B & C, and Nutrition Services Incentive Program, and federal program 93.914 - HIV Emergency Relief Project/Formula Grants. For fiscal year 2012, BCHD was unable to provide documentation to support the following earmarking requirements for federal program cluster 93.044/045/053: legal services, in-home services, access services, and administrative costs. Additionally, BCHD was unable to provide documentation to support the following earmarking requirements for federal program 93.914: clinical quality management services and administrative costs.

We recommend that BCHD implement procedures to ensure that earmarked cost categories are expended in accordance with the grant requirements and that supporting documentation for those earmarked categories are maintained and available for audit review.

Response:

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

CITY OF BALTIMORE, MARYLAND
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2012

Finding #: 12-4
CFDA #: 14.235, 14.241, 93.044/045/053, 93.914, 93.569
Program Titles: Supportive Housing Program
 Housing Opportunities for Persons with AIDS
 Special Programs for the Aging – Title III, Parts B & C, and
 Nutrition Services Incentive Program
 HIV Emergency Relief Project/Formula Grants
 Community Services Block Grant
Federal Agency: Various
Federal Award #: Various
Pass-Through: Various

Financial Reports Were Not Supported by the Underlying Accounting Records

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

As part of our fiscal year 2012 audit, we selected twenty-seven final financial reports for active awards within all major federal programs and reviewed and compared these to the City's underlying accounting records. Of those reviewed, the following nine final financial reports could not be reconciled to the City's accounting records:

<u>PROGRAM TITLE</u>	<u>FEDERAL/ STATE ID NUMBER</u>	<u>REPORT PERIOD</u>	<u>(REV)/EXP REFLECTED ON REPORT</u>	<u>(REV)/EXP PER CITY'S ACCOUNTING RECORDS</u>	<u>(OVER)/ UNDER REPORTED</u>
<u>CFDA #14.235</u>					
Supportive Housing Program:					
BHCA, Inc. - City Wide Outreach Project	MD0020B3B011003	2/1/11-1/31/12	\$ 165,183	\$ 162,210	\$ (2,973)
JHR - Shared Housing PHP	MD0046B3B010802	10/1/10-9/30/11	100,044	677,276	577,232
St. Ambrose Housing Aid Center - PHP	MD0071B3B011003	4/1/11-3/31/12	35,343	37,377	2,034
WHC - Calverton Residence PH	MD0034B3B010801	7/1/10-5/31/11	55,860	71,632	15,772
Manna House, Inc. - Soup Plus Project	MD0050B3B011003	2/1/11-1/31/12	78,750	76,875	(1,875)

CITY OF BALTIMORE, MARYLAND
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2012

<u>PROGRAM TITLE</u>	<u>FEDERAL/ STATE ID NUMBER</u>	<u>REPORT PERIOD</u>	<u>(REV)/EXP REFLECTED ON REPORT</u>	<u>(REV)/EXP PER CITY'S ACCOUNTING RECORDS</u>	<u>(OVER)/ UNDER REPORTED</u>
<u>CFDA #93.044/045/053</u>					
Special Programs for the					
Aging - Title III, Parts					
B & C and NSIP					
	AAA-3-24-003	10/1/09-9/30/10	\$ (4,932,479)	\$ (1,871,488)	\$ (3,060,991)
			4,932,479	4,885,655	(46,824)
		10/1/10-9/30/11	(5,244,692)	(4,958,216)	(286,476)
			5,150,068	4,842,537	(307,531)
 <u>CFDA #93.914</u>					
HIV Emergency Relief					
Project/Formula Grants					
		3/1/10-2/28/11	20,940,247	20,509,518	(430,729)
 <u>CFDA #93.569</u>					
Community Services					
Block Grant					
		10/1/10-9/30/11	3,002,023	2,866,758	(135,265)

Additionally, for federal program number 14.241 – Housing Opportunities for Persons with AIDS, administered by MOHS, there was \$38,852 in reported administrative costs for which supporting documentation was not provided. We also note that for CFDA #93.914, administered by BCHD, the accountant’s reconciliation did not support the reported expenditures amount of \$20,940,247 shown above.

We recommend that federal financial reports be prepared directly from the City’s accounting records. We also recommend that detailed reconciliations be prepared for each submitted report showing how the reported amounts are supported by the City’s accounting records.

Responses:

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

CITY OF BALTIMORE, MARYLAND
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2012

Finding #: 12-5
CFDA #: 14.235, 14.238, 93.044/045/053, 97.067
Program Titles: Supportive Housing Program
 Shelter Plus Care
 Special Programs for the Aging – Title III, Parts B & C, and
 Nutrition Services Incentive Program (NSIP)
 Homeland Security Grant Program
Federal Agency: Various
Federal Award #: Various
Pass-Through: Various

Financial Reports Were Not Submitted in a Timely Manner

The Federal Common Rule, Subpart C, Section .41, which has been codified in each agency's regulations, sets forth uniform reporting requirements including the timing, frequency and format of financial reports prepared and submitted by grant recipients. Of the twenty-seven final financial reports selected for review, we found that six of these reports had significant deviations with regard to the timing requirement as follows:

<u>PROGRAM TITLE</u>	<u>FEDERAL GRANT NUMBER</u>	<u>DATE OF REQUIRED REPORT SUBMISSION</u>	<u>DATE REPORT WAS SUBMITTED</u>
<u>CFDA #14.235</u>			
Supportive Housing Program:			
WHC-Calverton Residence PHP	MD0034B3B010801	8/31/11	11/30/11
<u>CFDA #14.238</u>			
Shelter Plus Care:			
WAR - Responsibility Matters S + C	MD0040C3B010802	9/25/11	11/30/11
Prisoners' Aid - TAMAR Project	MD0064C3B010802	10/25/11	11/30/11
<u>CFDA #93.044/045/053</u>			
Special Programs for the Aging - Title III, Parts B & C and NSIP			
	AAA-3-24-003	1/31/11	8/12/11
Special Programs for the Aging - Title III, Parts B & C and NSIP			
	AAA-3-24-003	1/31/12	5/22/12

CITY OF BALTIMORE, MARYLAND
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2012

<u>PROGRAM TITLE</u>	<u>FEDERAL GRANT NUMBER</u>	<u>DATE OF REQUIRED REPORT SUBMISSION</u>	<u>DATE REPORT WAS SUBMITTED</u>
CFDA #97.067 Homeland Security Grant Program	FFY 08 - UASI	8/30/11	Not Yet Submitted

We recommend that the City make every effort to meet future timing deadlines through appropriate staffing and workload scheduling, and by establishing and enforcing strict timing requirements.

Responses:

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

CITY OF BALTIMORE, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

Finding #: 12-6
CFDA #: 93.044/045/053, 93.914, 93.778, 97.067
Program Titles: Special Programs for the Aging – Title III, Parts B & C, and
Nutrition Services Incentive Program (NSIP)
HIV Emergency Relief Project/Formula Grants
Medical Assistance Program
Homeland Security Grant Program
Federal Agency: Various
Federal Award #: Various
Pass-Through: Various

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

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

We determined that the following major federal programs that submitted financial reports during fiscal year 2012 did not meet the 90-day liquidation requirement; however, the amounts identified for these programs after the liquidation period were otherwise allowable costs.

The Baltimore City Health Department administered federal program cluster 93.044/045/053 – Special Programs for the Aging – Title III, Parts B & C, and Nutrition Services Incentive Program (CARE); federal program number 93.914 – HIV Emergency Relief Project/Formula Grants (Ryan White (RW) - Part A); and federal program number 93.778 – Medical Assistance Program, General Transportation Services (MAP - GTS). For our fiscal year 2012 audit, costs in the amount of \$131,173 (CARE grant year ended 9/30/10), \$84,058 (CARE grant year ended 9/30/11), \$72,624 (RW – Part A grant year ended 2/28/11), and \$950,410 (MAP - GTS grant year ended 6/30/11) were not in compliance with the 90-day liquidation requirement.

The Baltimore City Police Department administered federal program number 97.067 – Homeland Security Grant Program (HSGP). For our fiscal year 2012 audit, costs in the amount of \$84,065 for program number 434809, grant period ending 5/31/11, were not in compliance with the 90-day liquidation requirement.

We recommend that the Baltimore City Health Department and the Baltimore City Police Department implement internal control procedures such that future grant costs fully comply with the 90-day liquidation requirement.

CITY OF BALTIMORE, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

Responses:

The Baltimore City Health Department and the Baltimore City Police Department's responses and corrective action plans are included in Part VII – Auditee's Corrective Action Plan on Current Audit Findings.

CITY OF BALTIMORE, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

Finding #: 12-7
CFDA #: 14.235, 14.241, 97.067
Program Titles: Supportive Housing Program
Housing Opportunities for Persons with AIDS
Homeland Security Grant Program
Federal Agency: Various
Federal Award #: Various
Pass-Through: Various

Drawdowns of Grant Funds Exceeded Program Expenditures

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

The Mayor's Office of Human Services (MOHS) administered federal program number 14.235 – Supportive Housing Program (SHP). For each of the four months tested (September 2011, December 2011, March 2012, and June 2012), the SHP cumulative amount of revenues at month's end exceeded the cumulative amount of expenditures by \$6,699,803 for September 2011, December 2011, and March 2012, and \$7,150,050 for June 2012. Such amounts indicate that revenues were being drawn down prior to the expenditure of equivalent amounts.

The Mayor's Office of Human Services (MOHS) administered federal program number 14.241 – Housing Opportunities for Persons with AIDS (HOPWA). For each of the three months tested (September 2011, December 2011, and March 2012), the HOPWA cumulative amount of revenues at month's end exceeded the cumulative amount of expenditures by \$810,317, thus demonstrating that revenues were being drawn down prior to the expenditure of equivalent amounts.

The Baltimore City Police Department (BPD) administered federal program number 97.067 – Homeland Security Grant Program (HSGP). For the five periods tested in the following table for the respective programs, the HSGP total cumulative amount of revenues at period's end exceeded the total cumulative amount of expenditures by a total of \$186,664, thus demonstrating that revenues were being drawn down prior to the expenditure of equivalent amounts. The data is as follows:

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<u>PROGRAM ACCOUNT</u>	<u>GRANT PERIOD</u>	<u>RECORDED EXPENDITURES TO DATE</u>	<u>RECORDED REVENUES TO DATE</u>	<u>EXCESS REVENUES</u>
414008	7/1/06 - 9/30/08	\$ 1,506,962	\$ 1,522,771	\$ 15,809
416008	9/1/06 - 8/30/09	3,004,009	3,011,285	7,276
434809	9/1/08 - 5/31/11	3,599,406	3,732,654	133,248
452608	7/1/07 - 3/31/10	250,254	258,145	7,891
453908	9/1/08 - 5/31/11	2,269,515	2,291,955	22,440
Total		<u>\$ 10,630,146</u>	<u>\$ 10,816,810</u>	<u>\$ 186,664</u>

We recommend that MOHS and BPD establish procedures to review drawdown requests to ensure that grant draw downs do not exceed the amount of related grant expenditures.

Responses:

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

CITY OF BALTIMORE, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

Finding #: 12-8
CFDA #: 93.044/045/053, 14.239
Program Titles: Special Programs for the Aging – Title III, Parts B & C, and
Nutrition Services Incentive Program (NSIP)
HOME Investment Partnerships Program
Federal Agency: Various
Federal Award #: Various
Pass-Through: Various

Certain Program Income Was Not Properly Reported or Recorded

The Maryland Department of Aging requires that annual financial reports submitted to account for federal financial assistance under CFDA #93.044/045/053 include applicable program income. Additionally, Code of Federal Regulations Title 24, Section 92.503 requires that program income be accurately reported in annual financial reports for CFDA #14.239.

The Baltimore City Health Department (BCHD) administered federal program cluster 93.044/045/053 – Special Programs for the Aging – Title III, Parts B & C, and Nutrition Services Incentive Program. Annual financial reports for the periods October 1, 2009 through September 30, 2010 (2010) and October 1, 2010 through September 30, 2011 (2011) were submitted during this audit period. The 2010 submittal reported program income of \$25,761 for Title III C1, \$48,668 for Title III C2, and \$-0- for Title III E. The 2011 submittal reported program income of \$89,575 for Title III C1, \$-0- for Title III C2, and \$-0- for Title III E. BCHD did not provide supporting documentation for the foregoing program income amounts. We also note that in those cases above where \$-0- of program income was reported, it is likely that there was program income based on prior grant reports. For example, in the 2011 Single Audit report, reported program income covering the period October 1, 2008 through September 30, 2009 was \$425,596 for Title III C2 and \$147,757 for Title III E. Therefore, reported program income of \$-0- noted above may well be understated for Title III E (2010) and Titles III C2 and III E (2011).

The Baltimore City Department of Housing and Community Development (DHCD) administered federal program #14.239 – HOME Investment Partnerships Program (HOME). We noted that program income for HOME recorded in the City's accounting records and HOME's program income ledger was \$86,639 more than the amount of program income recorded in the Department of Housing and Urban Development's (HUD's) Integrated Disbursement and Information System (IDIS) for the period under audit.

We recommend that BCHD accurately report program income in its annual financial reports and be supported with full documentation. We also recommend that DHCD reconcile HOME program income between its accounting records and HUD's IDIS system.

CITY OF BALTIMORE, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

Responses:

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

CITY OF BALTIMORE, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

Finding #: 12-9
CFDA #: 14.239
Program Title: HOME Investment Partnerships Program
Federal Agency: Department of Housing and Urban Development
Federal Award #: Various
Pass-Through: None

Support Was Not Provided for Two HOME Projects

The National Affordable Housing Act and the Code of Federal Regulations Title 24, Section 92.508, require that records documenting information related to the cost of new homeownership projects be maintained. These records are to be kept during the Period of Affordability for either a rehabilitation of a property or construction of new property.

The Department of Housing and Community Development (DHCD) administered federal program number 14.239 – HOME Investment Partnerships Program (HOME). For our test of the compliance requirement regarding Maximum Per Unit Subsidy, DHCD did not provide us with documentation for two of the eight fiscal year 2012 new homeownership projects we selected. Therefore, we could not determine whether DHCD complied with this requirement.

We recommend that DHCD maintain the required supporting documentation for all new homeownership projects under the HOME program.

Response:

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

CITY OF BALTIMORE, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

Finding #: 12-10
CFDA #: 16.710
Program Titles: COPS Hiring Recovery Program
Federal Agency: Department of Justice
Federal Award #: 2009RJWX0051
Pass-Through: None

Unallowable Costs and Lack of Supporting Documentation

In accordance with the Financial Clearance Memo (FCM) and the COPS Hiring Recovery Program (CHRP) Grant Owner's Manual, grantees may be reimbursed for approved cost categories that are documented in the Final Funding Memo (FFM) up to the amounts specified in the FCM. Additionally, in accordance with the CHRP Grant Owner's Manual, grantees should ensure that they have adequate financial internal controls in place to ensure that the use of CHRP funding is allowable under applicable grant terms and conditions and is supported by full documentation.

The Baltimore City Police Department (BPD) administered federal program number 16.710 – COPS Hiring Recovery Program. Our test of expenditures charged to this program during the period July 1, 2011 through June 30, 2012 disclosed unallowable or unsupported salary and fringe benefit costs in accordance with the CHRP Grant Owner's Manual and the Final Funding Memo totaling \$128,319, which we are questioning, accordingly. Of this amount, \$92,266 was related to pension costs, \$3,330 to prescription costs; and \$32,723 to military differential, medical leave incentives, overtime, and shift differential.

More specifically as to the root causes of the above noted questioned costs totaling \$128,319, officers' base salaries charged to the program exceeded allowable amounts under the FFM, primarily due to the shift differential salary component. Additionally, \$6,170 of overtime, which is not allowable under the program, was charged to the grant. Medical leave incentives charged to the program as lump amounts not associated with officers' salaries is also unallowable. Moreover, BPD was unable to explain and we were unable to determine how pension costs charged to the program were calculated. Finally, BPD did not provide documentation supporting the rate used to calculate fringe benefit costs charged to the program.

We recommend that BPD institute sufficient monitoring controls and procedures to ensure that costs charged to this program are allowable and supported with appropriate documentation. We also recommend that BPD resolve the questioned costs of \$128,319 or return these funds to the grantor accordingly.

Response:

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

CITY OF BALTIMORE, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

Finding #: 12-11
CFDA #: 81.042
Program Titles: Weatherization Assistance for Low-Income Persons
Federal Agency: Department of Energy
Federal Award #: Various
Pass-Through: MD Department of Housing and Community Development

Program Support Costs of \$313,124 Were Determined Unallowable

Office of Management and Budget (OMB) Circular A-133 includes the compliance requirements over the Weatherization Assistance for Low-Income Persons program. Federal regulations require supporting documentation for all costs incurred in the administration of the grant program.

The Baltimore City Department of Housing and Community Development (DHCD) administered federal program number 81.042 - Weatherization Assistance for Low-Income Persons (WAP). Grant funds were provided through the American Recovery and Reinvestment Act (ARRA). These WAP funds were passed from the grantor, the U.S. Department of Energy, through the Maryland Department of Housing and Community Development (State) to Baltimore City (City). The grant period was from April 1, 2009 through December 31, 2012.

During fiscal year 2012, the City, through DHCD, continued its weatherization of homes program begun in previous fiscal years. In fiscal year 2011's Single Audit, we reported that unallowable program support was included in the program's expenditures. These procedures continued into fiscal year 2012 until we informed DHCD of our concerns. At that time, DHCD discontinued the practice, as described below. Therefore, this finding existed for only part of fiscal year 2012 and is described as follows: In accordance with State of Maryland guidelines, the State added to the City's expenditure reimbursements, amounts up to \$1,500 for each weatherization project. Specifically, an expenditure amount of 50% of a weatherization project's labor and material costs up to \$3,000, or a flat \$1,500 for projects with costs in excess of \$3,000, was added to each project's total costs as 'program support'. The amount of the added program support for homes weatherized by the City during fiscal year 2012 totaled \$313,124. We disagreed with the State's guidelines in permitting such unsupported charges to be added to project costs submitted for reimbursement. There is no such provision in the Federal regulations that allow unsupported costs to be charged to the weatherization program and we are questioning those expenditures accordingly. We also recommend that DHCD obtain and maintain supporting documentation for all weatherization expenditures.

The U.S. Department of Energy Office of Inspector General (OIG) performed an audit of the State of Maryland's and Baltimore City's Weatherization Program funded by ARRA. The OIG's audit report for the period from October 2009 through December 2011 was issued January 17, 2013. The OIG's report questioned over \$9.5 million in unsupported

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FOR THE YEAR ENDED JUNE 30, 2012

program support for the State of Maryland for the same reasons as noted above, including \$2.3 million for Baltimore City.

Prior to the issuance of the OIG audit and during its performance, the OIG informed the State of its improper guidance related to program support costs. The State then worked with the City to correct and update its guidelines and to address the issue of the program support costs.

The OIG's audit report was issued with the questioned costs intact. Since then, according to the U.S. Department of Energy's Audit Resolution and Tracking System, action has been taken which resolves its findings, including both the return of funds in the amount of \$680,666, and providing supporting documentation for other questioned costs. Therefore, although we have questioned costs during fiscal year 2012 as noted above, steps were later taken to resolve those, as well as the questioned costs reported in fiscal year 2011 related to this program support issue.

Response:

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

CITY OF BALTIMORE, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

Finding #: 12-12
CFDA #: 81.042
Program Titles: Weatherization Assistance for Low-Income Persons
Federal Agency: Department of Energy
Federal Award #: Various
Pass-Through: MD Department of Housing and Community Development

Various Unallowable Costs Were Incurred

Office of Management and Budget (OMB) Circular A-133 requires that adequate documentation be maintained to support reported grant costs.

The Baltimore City Department of Housing and Community Development (DHCD) administered federal program number 81.042 - Weatherization Assistance for Low-Income Persons. The City was awarded a three-year grant funded by the American Recovery and Reinvestment Act (ARRA) beginning July 1, 2009. As part of our audit covering fiscal year 2012, we reviewed and tested a report compiled by DHCD covering the three years through August 31, 2012, as well as expenditure activity that occurred specifically during fiscal year 2012.

Based on the procedures performed on the three-year report, we found \$71,010 in duplicate payments and another \$94,651 of costs without adequate supporting documentation. For the \$71,010 in duplicate payments, we reviewed the line items in the report that showed the amounts paid to the subcontractors who performed the weatherization work on the recipients' homes and apartments. Comparing vendor names, invoice details, amounts paid and job addresses, we found \$71,010 that were duplicate payments paid for the same work. We are questioning these costs, accordingly.

Additionally, as noted above, there was \$94,651 for subcontractor payments that did not have adequate supporting documentation. DHCD did not provide adequate support for those expenditures. We are questioning these costs, accordingly.

We also performed tests of transactions that occurred specifically during fiscal year 2012. From a fiscal year 2012 population of 2,424 homes weatherized by the City under this program, we tested records for 234 homes for support of reported costs incurred directly by the City. Our testing disclosed that DHCD was unable to provide supporting documentation for reported costs incurred directly by the City totaling \$24,505. We are questioning these costs, accordingly.

We also noted that costs of \$172,630 incurred during fiscal year 2012 were for furnace/heating system replacements and charged to the ARRA accounts. Furnace/heating system replacements are not an allowable cost under the ARRA grant agreement. Other funding sources cover this type of expense. Appropriately, DHCD did transfer these costs to the proper accounts. However, \$76,570 of these costs were not transferred by DHCD until September 30, 2013, upon our notification to them that they

CITY OF BALTIMORE, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

were not ARRA eligible costs. This date was beyond the end of the grant period. DHCD did, however, make the transfers to correct these transactions.

We recommend that DHCD institute internal control procedures that will prevent duplicate payments, maintain supporting documentation for grant expenditures, and incur costs in accordance with funding regulations. We also recommend that DHCD resolve the questioned costs of \$190,166 or return these funds to the grantor accordingly. DHCD should seek return of the \$71,010 in duplicate payments from the vendors that were paid these funds.

Response

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

CITY OF BALTIMORE, MARYLAND
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2012

Finding #: 12-13
CFDA #: 14.241
Program Titles: Housing Opportunities for Persons with AIDS
Federal Agency: Department of Housing and Urban Development
Federal Award #: Various
Pass-Through: None

HOPWA Financial Reports Were Not Supported by the Underlying Accounting Records

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

As part of our fiscal year 2012 audit, we selected twenty-one Housing Opportunities for Persons with AIDS (HOPWA) final financial reports and compared these reports to the City's underlying accounting records. Of those reviewed, the following seven final financial reports could not be reconciled to the City's accounting records. Reported expenditures exceeded the applicable accounting records for five of these reports totaling \$363,331, while reported expenditures were less than the applicable accounting records for two of these reports totaling \$11,856.

<u>PROGRAM TITLE</u>	<u>EXP REFLECTED ON REPORT</u>	<u>EXP PER CITY'S ACCOUNTING RECORDS</u>	<u>(OVER) / UNDER REPORTED</u>
Baltimore City Housing Counselors	\$245,845	\$122,502	\$(123,343)
Project PLASE	221,193	205,351	(15,842)
GEDCO	24,689	23,511	(1,178)
UMD – E Jordan	131,386	130,542	(844)
HOPWA Staff - Administrative	<u>222,124</u>	_____	<u>(222,124)</u>
Total (Over) - Reported	<u>\$845,237</u>	<u>\$481,906</u>	<u>\$(363,331)</u>
MCC - Meals & Van	\$340,549	\$344,301	\$3,752
Anne Arundel County	<u>375,989</u>	<u>384,093</u>	<u>8,104</u>
Total Under - Reported	<u>\$716,538</u>	<u>\$728,394</u>	<u>\$11,856</u>

CITY OF BALTIMORE, MARYLAND
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FOR THE YEAR ENDED JUNE 30, 2012

We recommend that the above reports be reconciled to the City's accounting records. Adjustments should be made as needed. We further recommend that federal financial reports be prepared directly from the City's accounting records. Detailed reconciliations should be prepared for each submitted report showing how the reported amounts are supported by the City's accounting records.

Response:

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

CITY OF BALTIMORE, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

Finding #: 12-14
CFDA #: 93.778
Program Titles: Medical Assistance Program
Federal Agency: Department of Health and Human Services
Federal Award #: Various
Pass-Through: Department of Health and Mental Hygiene

Grant Awards not Approved by the Board of Estimates

The Baltimore City Charter, Article II - Section 3, requires that the Baltimore City Board of Estimates (BOE) approve grant awards made to the City.

The Baltimore City Health Department (BCHD) administered federal program number 93.778 – Medical Assistance Program (MAP). Our review of BCHD grant awards for fiscal year 2012 disclosed that BCHD did not obtain grant approval from the BOE for the four various components of MAP: 1) Maternal Children’s Health Program, 2) Administrative Care Coordination, 3) General Transportation and 4) Healthy Start. The total award amount for MAP was \$16,125,493. These MAP awards are included in the fiscal year 2012 Unified Funding Document which identifies funding to the City through the Maryland State Department of Health and Mental Hygiene. This Unified Funding Document was not submitted to the BOE for approval.

We recommend that BCHD obtain retroactive BOE approval for the above noted 2012 Unified Funding Document, and therefore, the MAP awards. We further recommend that BCHD obtain timely BOE approval for future grant awards.

Response:

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

CITY OF BALTIMORE, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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Finding #: 12-15
CFDA #: 93.914
Program Titles: HIV Emergency Relief Project/Formula Grants
Federal Agency: Department of Health and Human Services
Federal Award #: Various
Pass-Through: None

Unsupported Costs of \$20,596

Office of Management and Budget (OMB) Circular A-133 requires that adequate documentation be maintained to support grant costs.

The Baltimore City Health Department (BCHD) administered federal program number 93.914 - HIV Emergency Relief Project/Formula Grants. The Baltimore City Bureau of Accounting and Payroll Services (BAPS) prepared two journal entries totaling \$20,596 that allocated certain pension costs to this program. We contacted both BCHD and BAPS to obtain supporting documentation for the entries. However, neither BCHD nor BAPS provided documentation to support these costs. We are therefore questioning these costs totaling \$20,596, accordingly.

We recommend that BCHD and/or BAPS maintain full supporting documentation for grant costs and have the information available for review. We also recommend that the City resolve the questioned costs of \$20,596 or return these funds to the grantor, accordingly.

Responses:

The Baltimore City Health Department's and the Bureau of Accounting and Payroll Services' responses and corrective action plans are included in Part VII – Auditee's Corrective Action Plan on Current Audit Findings.

CITY OF BALTIMORE, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

Internal Control Over Compliance

Finding #: 12-16
CFDA #: 93.044/045/053
Program Title: Special Programs for the Aging – Title III, Parts B & C, and
Nutrition Services Incentive Program
Federal Agency: Department of Health and Human Services
Federal Award #: None
Pass-Through: Maryland Department of Aging

Procedures Were Not Adequate to Ensure Compliance with Financial Reporting and Grant Requirements

The U.S. Department of Health and Human Services – Uniform Administrative Requirements for Grants, 45 CFR 92.41, requires financial reports to be timely submitted, be prepared from the grantee’s accounting records, and be properly documented and supported for all grant transactions.

The Baltimore City Health Department (BCHD) administered federal program cluster 93.044/045/053 – Special Programs for the Aging – Title III, Parts B & C, and Nutrition Services Incentive Program. For fiscal year 2012, BCHD did not have adequate procedures in place to ensure compliance with federal financial reporting standards. Specifically, BCHD did not submit its final financial report in a timely manner to the Maryland Department of Aging. Additionally, sufficient documentation was not provided to support earmarking and program income requirements. Moreover, our testing disclosed period of availability non-compliance issues, as well as financial report expenditures that were not supported by the City’s accounting records. Finally, financial reporting findings disclosed in numerous prior Single Audit reports, some of which date back more than ten years, have not been resolved.

We recommend that BCHD develop and implement procedures to ensure that it complies with the above noted Single Audit requirements. We also recommend that BCHD resolve the prior year Single Audit findings in conjunction with the Maryland Department of Aging.

Response:

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

CITY OF BALTIMORE, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

Other Matters

Finding #: 12-17
CFDA #: 17.258/259/278
Program Titles: Workforce Investment Act Adult Program, Youth Activities and Dislocated Workers
Federal Agency: Department of Labor
Federal Award #: N/A
Pass-Through: MD Department of Labor, Licensing and Regulation

Report of Other Auditors

Generally Accepted Government Auditing Standards (GAGAS) require that we include disclosure of other known audit reports issued by Federal or State agencies that are related to the City's federal financial assistance.

On August 6, 2013, the Maryland Department of Labor, Licensing and Regulation (DLLR) reported the results to the Mayor's Office of Economic Development (MOED) of a monitoring report issued by the U.S. Department of Labor. This report was a comprehensive review of the Maryland workforce system at the State and local level. Accordingly, Baltimore City was included as a part of this review.

MOED administered federal program cluster 17.258/259/278 - Workforce Investment Act Adult Program, Youth Activities and Dislocated Workers (WIA). These WIA funds were passed from the grantor, the U.S. Department of Labor, through DLLR (State) to Baltimore City (City).

The monitoring report included eight findings and three areas of concern that were related to the City. The report noted issues with data management, lack of documentation to support the services provided, inconsistent recordkeeping and policy implementation related to the City's program.

MOED submitted a written response to the report and provided corrective action for resolving the findings. Additionally, a planned conference call to discuss the findings was to be arranged by DLLR. MOED believes that, in cooperation with the State, the findings will be resolved.

Response:

The City provided a written response to DLLR on August 26, 2013 for each of the findings that DLLR required a response. MOED indicated the corrective action it would take for each item and looked forward to working with DLLR to complete its corrective action and to achieve resolution of the findings.

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PART VI

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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**CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012**

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<p>Fiscal Year 2011 Schedule of Findings and Questioned Costs Section III - Federal Award Findings and Questioned Costs Compliance With Requirements Applicable to Each Major Program</p>		
<p><u>Finding # 11-01</u> For federal program number 10.558 - Child and Adult Care Food Program, BCHD did not provide complete enrollment applications for 3 of 24 participants. We recommended that each participant's eligibility be properly documented, maintained, and made available for review.</p>	Partially Corrected	<p>The State of Maryland transferred this program from the City to a non-profit entity. Further corrective action is not warranted for this finding. Accordingly, this finding will no longer appear on the Auditee's Summary Schedule of Prior Audit Findings.</p>
<p>For federal program number 93.569/93.710 - Community Services Block Grant, the accuracy of the participant population could not be verified because the database of eligible clients had not been properly maintained. We recommended that MOHS compile and maintain a participant population.</p>	Partially Corrected	<p>During FY 2012, a client database was established thereby allowing for a determination of the participant population. However, our test of eligibility resulted in certain client documentation that was not provided to us by MOHS. See current period finding 12-1 for planned corrective action.</p>

Olivia Farrow, Director, MOHS

**CITY OF BALTIMORE
 AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
 FOR THE YEAR ENDED JUNE 30, 2012**

(continued)

Planned Corrective Action

Status

Finding Number/Finding

Finding # 11-02

For federal program numbers 14.235, 14.238, 14.241 and 14.257 - Supportive Housing Program, Shelter Plus Care, Housing Opportunities for Persons with AIDS, and Homelessness Prevention and Rapid Re-Housing Program, respectively, the MOHS did not adhere to Federal requirements regarding monitoring of subrecipients. The MOHS did not provide support to document that subrecipient monitoring was performed. We recommended that subrecipient monitoring be performed in accordance with the compliance requirements.

Corrected

Finding # 11-03

For federal program number 14.241 - Housing Opportunities for Persons with AIDS (HOPWA), one contract selected during City-wide testing of compliance with procurement procedures was not provided to us for our review. We recommended that the MOHS maintain contract information for at least three years after contract completion.

Corrected

CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012
(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<p>For federal program number 93.044/045/053 - Special Programs for the Aging, BCHD did not provide documentation to support the earmarking requirements for legal services, in-home services, access services and administrative costs. We recommended that earmarking documentation be maintained and available for review.</p>	Not Corrected	See current period finding 12-3 for planned corrective action.
<p><u>Finding # 11-04</u></p>		
<p>For federal program number 14.235 - Supportive Housing Program, reported expenditures for five providers could not be reconciled to the City's accounting records. We recommended that future federal financial reports be prepared directly from the City's accounting records.</p>	Not Corrected	See current period finding 12-4 for planned corrective action.
		William Woodcock, Director of Business Operations, BCHD
<p>For federal program number 93.044/045/053, 93.778, 93.914 and 93.917 - Special Programs for the Aging, Medical Assistance Program (MAP), HIV Emergency Relief Grants, and HIV Care Grants, respectively, reported expenditures could not be reconciled to the City's accounting records. Additionally, reported revenue for MAP could not be reconciled to the City's accounting records. We recommended that future federal financial reports be prepared directly from the City's accounting records.</p>	Not Corrected	See current period finding 12-4 for planned corrective action.
		Olivia Farrow, Director, MOHS
		William Woodcock, Director of Business Operations, BCHD

**CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<p><u>Finding # 11-06</u> For federal program numbers 93.044/045/053 and 93.917 - Special Programs for the Aging and HIV Care Grants, respectively, we reported that costs in the amount of \$37,723 and \$170,121, respectively, were not in compliance with the 90-day liquidation requirement.</p>	Not Corrected	See current period finding 12-6 for planned corrective action.
<p><u>Finding # 11-07</u> For federal program number 14.235 - Supportive Housing Program, drawdowns of grant funds exceeded program expenditures. We recommended that MOHS ensure that drawdown requests do not exceed the amount of program expenditures.</p>	Not Corrected	See current period finding 12-7 for planned corrective action.
<p><u>Finding # 11-08</u> For federal program number 93.044/045/053 - Special Programs for the Aging - Title III, Parts B & C, support for reported program income amounts was not provided. We recommended that BCHD accurately report program income and maintain support for such reported amounts.</p>	Not Corrected	See current period finding 12-8 for planned corrective action.

William Woodcock, Director of Business Operations, BCHD

Olivia Farrow, Director, MOHS

William Woodcock, Director of Business Operations, BCHD

CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<p><u>Finding # 11-09</u> For federal program number 14.238 - Shelter Plus Care, certain housing quality inspections were not performed. We recommended that MOHS ensure that mandated housing inspections are performed and that the supporting documentation be maintained and available.</p>	Corrected	
<p><u>Finding # 11-10</u> For federal program number 14.241 - Housing Opportunities for Persons with AIDS (HOPWA), unallowable HOPWA rental subsidies were paid by MOHS for a tenant who had previously vacated the rental unit. Partial repayment was obtained by MOHS during FY2011. We recommended that the MOHS recover the remainder of the unallowable payments and take steps to ensure that such payments are not made in the future.</p>	Partially Corrected	MOHS collected the balance of the unallowable rental subsidies during FY2013 in September 2012.

Olivia Farrow, Director, MOHS

**CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<p><u>Finding # 11-11</u> For federal program number 81.042 - Weatherization Assistance for Low-Income Persons, program support costs of \$1,752,916 were determined unallowable. We recommended that DHCD obtain and maintain supporting documentation for all weatherization program expenditures. We also questioned the unallowable costs until they are resolved in accordance with the U.S. Department of Energy's determination.</p>	<p>Partially Corrected</p>	<p>See current period finding 12-11 for planned corrective action. The City worked with the State of Maryland to resolve this finding. The City also returned funds in the amount of \$680,666 as part of the resolution process.</p>
<p><u>Finding # 11-12</u> For federal program number 81.042 - Weatherization Assistance for Low-Income Persons, program expenditures of \$30,612 were not supported and questioned accordingly. We recommended that DHCD obtain and maintain supporting documentation for all weatherization program expenditures, and resolve the questioned costs in accordance with the U.S. Department of Energy's determination.</p>	<p>Not Corrected</p>	<p>William Colbert, Chief of Fiscal Services, DHCD</p> <p>See current period finding 12-12 for planned corrective action.</p> <p>William Colbert, Chief of Fiscal Services, DHCD</p>

**CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<p><u>Finding # 11-13</u> For federal program number 14.241 - Housing Opportunities for Persons with AIDS (HOPWA), subrecipient payments could not be reconciled to the City's accounting records. We recommended that subrecipient payments be reconciled to the City's accounting records.</p>	Not Corrected	See current period finding 12-13 for planned corrective action.
<p><u>Finding # 11-14</u> For federal program number 93.569/93.710 - Community Services Block Grant - ARRA, the MOHS did not liquidate certain grant obligations in the amount of \$647,366 until more than 90 days after the end of the grant period. We recommended that MOHS return those questioned costs and, also, ensure that its grants are administered so that program expenditures are obligated and liquidated in accordance with the grant agreements.</p>	Partially Corrected	Olivia Farrow, Director, MOHS MOHS did not incur a similar finding during FY 2012. However, the questioned costs amount of \$647,366 has not been addressed by the pass-through grantor, the Maryland Department of Housing and Community Development.
<p><u>Finding # 11-15</u> For federal program number 93.044/045/053 - Special Programs for the Aging - Title III, Parts B & C, the BCHD did not include program income in its financial reports. We recommended that BCHD establish and/or follow appropriate internal controls to ensure that program income is appropriately included in its financial reports.</p>	Not Corrected	Olivia Farrow, Director, MOHS See current period finding 12-16 for planned corrective action.

William Woodcock, Director of Business Operations, BCHD

**CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<p><u>Finding # 11-16</u> For federal program number 93.778 - Medical Assistance Program, grant expenditures far exceeded grant revenues according to the City's accounting records. We recommended that BCHD determine the reasons for the excess of expenditures over revenues and make adjustments as warranted.</p>	<p>Partially Corrected</p>	<p>See current period finding 12-4 for planned corrective action.</p>
<p><u>Finding # 11-17</u> For federal program number 93.044/045/053 - Special Programs for the Aging - Title III, Parts B & C, the BCHD did not provide support for earmarking requirements related to the program. We recommended that BCHD establish and/or follow appropriate internal controls to ensure that documentation is maintained that supports earmarking requirements.</p>	<p>Not Corrected</p>	<p>See current period finding 12-16 for planned corrective action.</p>
		<p>William Woodcock, Director of Business Operations, BCHD</p>
		<p>William Woodcock, Director of Business Operations, BCHD</p>

**CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<p><u>Finding # 11-18</u> For federal program number 93.044/045/053 - Special Programs for the Aging - Title III, Parts B & C, BCHD did not have adequate procedures in place to ensure compliance with federal financial reporting standards and grant accounting requirements. We recommended that BCHD implement procedures to ensure that reports are submitted timely and supported by the City's accounting records, and that prior years' findings be resolved.</p>	Not Corrected	See current period finding 12-16 for planned corrective action.
<p><u>Finding # 11-19</u> For federal program number 81.042 - Weatherization Assistance for Low-Income Persons, we disclosed that the U.S. Department of Energy (DOE) Office of Inspector General (OIG) issued an audit report of the State of Maryland's and the City's Weatherization Program dated January 17, 2013. The OIG audit determined that Maryland had not always managed its Weatherization Program efficiently and effectively. The OIG questioned \$9.56 million in reimbursement claims that included approximately \$2.35 million related to the City.</p>	Corrected	William Woodcock, Director of Business Operations, BCHD The City, in cooperation with the State, has provided additional information and returned funds in an effort to resolve the OIG audit issues. According to the DOE, through its Audit Resolution and Tracking System, this finding has been resolved.

William Colbert, Chief of Fiscal Services, DHCD

**CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012**

(continued)

<u>Finding #</u>	<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
Finding # 11-20	For federal program number 14.257 - Homelessness Prevention and Rapid Re-Housing Program, we disclosed that the U.S. Department of Housing and Urban Development (HUD) Office of Inspector General (OIG) issued an audit report of the City's program dated November 9, 2012. The OIG audit determined that the City did not properly obligate and expend grant funds, and generally did not monitor activities for compliance with ARRA requirements. The OIG questioned approximately \$9.47 million in unsupported costs.	Not Corrected	HUD is performing a follow-up of its audit. The City is working with HUD to address the audit issues including resolution of the questioned costs. On August 19, 2013, HUD issued an interim follow-up report on certain audit issues. However, as of the issuance of this Single Audit Report, HUD has not completed its follow-up nor made a final determination whether any questioned cost amounts should be returned.

Olivia Farrow, Director, MOHS

**CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<p>Fiscal Year 2010 Schedule of Findings and Questioned Costs Section III - Federal Award Findings and Questioned Costs Compliance With Requirements Applicable to Each Major Program</p> <p><u>Finding # 10-01</u> For federal program number 10.558 - Child and Adult Care Food Program, BCHD did not provide complete enrollment applications for 4 of 26 participants. We recommended that each participant's eligibility be properly documented, maintained, and made available for review.</p>		<p>The State of Maryland transferred this program from the City to a non-profit entity. Further corrective action is not warranted for this finding. Accordingly, this finding will no longer appear on the Auditee's Summary Schedule of Prior Audit Findings.</p>
<p>For federal program number 93.569 - Community Services Block Grant, the accuracy of the participant population could not be verified because the database of eligible clients had not been properly maintained.</p>	Corrected	
<p><u>Finding # 10-02</u> For federal program numbers 14.235 - Supportive Housing Program, 14.238 - Shelter Plus Care, and 14.241 - Housing Opportunities for Persons with AIDS, MOHS did not have a plan to monitor its subrecipients in accordance with federal regulations.</p>	Corrected	

**CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<p><u>Finding # 10-03</u> For federal program numbers 93.044/045/053 - Special Programs for the Aging and 93.914 - HIV Emergency Relief Projects, the BCHD did not provide support for earmarking requirements related to either program. Additionally, support was not provided for program income and internal monitoring requirements related to the Aging Program.</p>	Partially Corrected	See current period finding 12-3 for planned corrective action. The finding related to internal monitoring for the Aging Program has been corrected.
<p><u>Finding # 10-04</u> For federal program number 14.235 - Supportive Housing Program, the MOHS did not provide us with three Annual Progress Reports to determine whether the reports were supported by the accounting records.</p>	Not Corrected	See current period finding 12-4 for planned corrective action. Olivia Farrow, Director, MOHS
<p>For federal program number 93.044/045/053 - Special Program for the Aging, BCHD's reported expenditures were understated by \$750,956 and revenues were understated by \$126,969. For federal program number 93.778 - Medical Assistance Program, expenditures were understated by \$239,122 and revenues were understated by \$2,703,793. For federal program number 93.914 - HIV Emergency Relief Project, expenditures were understated by \$740,328 and revenues were overstated by \$142,766.</p>	Not Corrected	See current period finding 12-4 for planned corrective action. William Woodcock, Director of Business Operations, BCHD

**CITY OF BALTIMORE
 AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
 FOR THE YEAR ENDED JUNE 30, 2012
 (continued)**

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<p><u>Finding # 10-08</u> For federal program numbers 14.235 - Supportive Housing Program, and 14.241 - Housing Opportunities for Persons with AIDS, MOHS did not comply with federal requirements regarding monitoring of subrecipients.</p>	Corrected	
<p><u>Finding # 10-09</u> For federal program numbers 14.238 - Shelter Plus Care and 14.241 - Housing Opportunities for Persons with AIDS (HOPWA), MOHS did not provide documentation demonstrating compliance with housing standards for certain Housing Quality Inspections.</p>	Corrected	
<p><u>Finding # 10-10</u> For federal program number 93.600 - Head Start, DHCD procured contractual services for monitoring subrecipients of its Head Start program without following the City's procurement procedures.</p>	Corrected	

**CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<p><u>Finding # 10-11</u> For federal program numbers 93.044/045/053 - Special Programs for the Aging and 93.914 - HIV Emergency Relief Projects, the BCHD did not provide support for earmarking requirements related to either program. Additionally, support was not provided for program income and internal monitoring requirements related to the Aging Program.</p>	<p>Partially Corrected</p>	<p>See current period finding 12-3 for planned corrective action. The finding related to internal monitoring for the Aging Program has been corrected.</p>
<p><u>Finding # 10-12</u> For federal program numbers 93.044/045/053 - Special Programs for the Aging - Title III, Parts B & C, BCHD did not have adequate procedures in place to ensure compliance with federal financial reporting standards and grant accounting requirements. We recommended that BCHD implement procedures to ensure that financial reports are supported by the City's accounting records.</p>	<p>Not Corrected</p>	<p>See current period finding 12-16 for planned corrective action.</p>
		<p>William Woodcock, Director of Business Operations, BCHD</p>
		<p>William Woodcock, Director of Business Operations, BCHD</p>

CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012
 (continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<p>Fiscal Year 2009 Single Audit Schedule of Findings and Questioned Costs Section III - Federal Award Findings and Questioned Costs Compliance With Requirements Applicable to Each Major Program</p> <p><u>Finding # 09-01</u> For federal program number 10.558 - Child and Adult Care Food Program, BCHD did not provide complete enrollment applications for 3 of 38 participants and for 1 of 15 providers. We recommended that each participant's eligibility be properly documented, maintained, and made available for review.</p>		<p>The State of Maryland transferred this program from the City to a non-profit entity. Further corrective action is not warranted for this finding. Accordingly, this finding will no longer appear on the Auditee's Summary Schedule of Prior Audit Findings.</p>
<p><u>Finding # 09-03</u> For federal program cluster 93.044/045/053 - Special Programs for the Aging - Title III, Parts B & C, CARE (now administered by BCHD) was unable to provide documentation to support legal services, in-home services, and access services earmarking requirements; subrecipient and contractual program income requirements, and internal monitoring requirements. We recommended that CARE implement procedures to ensure that such documentation is provided in the future.</p>		<p>This audit finding does not warrant further action. More than two years have passed since the audit report in which the finding that occurred was submitted to the Federal Single Audit Clearinghouse. The grantor has not followed up with the auditee on the audit finding and a management decision was not issued. Therefore, this finding will no longer appear on the Auditee's Summary Schedule of Prior Audit Findings.</p>

**CITY OF BALTIMORE
 AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
 FOR THE YEAR ENDED JUNE 30, 2012**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<p><u>Finding # 09-04</u> For federal program number 14.241 - Housing Opportunities for Persons With AIDS, reported expenditures were overstated by \$1,152,153. We recommended that future federal financial reports be prepared directly from the City's accounting records.</p> <p>For federal program 93.978 - Medical Assistance Program, reported expenditures were overstated by \$814,154. For federal program number 93.914 - HIV Emergency Relief Project/Formula Grants, reported expenditures were understated by \$852,536. BCHD also did not report any program income on the report for the HIV Program. We recommended that future federal financial reports be prepared directly from the City's accounting records. We also recommended that program income, if applicable, be shown in the financial reports.</p>	<p>Not Corrected</p> <p>Not Corrected</p>	<p>See current period finding 12-4 for planned corrective action.</p> <p>Olivia Farrow, Director, MOHS</p> <p>See current period finding 12-4 for planned corrective action.</p>

William Woodcock, Director of Business Operations, BCHD

CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<p><u>Finding # 09-10</u> For federal program numbers 14.235 - Supportive Housing Program, 14.238 - Shelter Plus Care, and 14.241 - Housing Opportunities for Persons With AIDS, BHS (now administered by MOHS) did not obtain the required financial and compliance reports for any of the five subrecipients selected for testing. We recommended that audit reports be obtained timely, and that timely corrective action be taken on identified deficiencies.</p>	<p>Corrected</p>	
<p><u>Finding # 09-11</u> For federal program cluster 93.044/045/053 - Special Programs for the Aging - Title III, Parts B & C, CARE (now administered by BCHD) was unable to provide documentation to support legal services, in-home services, and access services earmarking requirements; subrecipient and contractual program income requirements, and internal monitoring requirements. We recommended that CARE implement procedures to ensure that such documentation is provided in the future.</p>		<p>This audit finding does not warrant further action. More than two years have passed since the audit report in which the finding that occurred was submitted to the Federal Single Audit Clearinghouse. The grantor has not followed up with the auditee on the audit finding and a management decision was not issued. Therefore, this finding will no longer appear on the Auditee's Summary Schedule of Prior Audit Findings.</p>

**CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<p><u>Finding # 09-12</u> For federal program numbers 93.044/045/053 - Special Programs for the Aging - Title III, Parts B & C, CARE (now administered by BCHD) did not have adequate procedures in place to ensure compliance with federal financial reporting standards and grant accounting requirements. We recommended that CARE implement procedures to ensure that financial reports are supported by the City's accounting records.</p>		<p>This audit finding does not warrant further action. More than two years have passed since the audit report in which the finding that occurred was submitted to the Federal Single Audit Clearinghouse. The grantor has not followed up with the auditee on the audit finding and a management decision was not issued. Therefore, this finding will no longer appear on the Auditee's Summary Schedule of Prior Audit Findings.</p>

**CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<p>Fiscal Year 2008 Single Audit Schedule of Findings and Questioned Costs Section III - Federal Award Findings and Questioned Costs Compliance With Requirements Applicable to Each Major Program</p> <p><u>Finding # 08-01</u></p> <p>For federal program number 10.558 - Child and Adult Care Food Program, BCHD did not provide enrollment applications for 4 of 33 participants selected, and one enrollment application did not contain the participant's age. We recommended that each participant's eligibility be properly documented and maintained.</p>		<p>The State of Maryland transferred this program from the City to a non-profit entity. Further corrective action is not warranted for this finding. Accordingly, this finding will no longer appear on the Auditee's Summary Schedule of Prior Audit Findings.</p>
<p><u>Finding # 08-03</u></p> <p>For federal program numbers 93.044/045/053 - Special Programs for the Aging - Title III, Parts B & C, CARE (now administered by BCHD) was unable to provide documentation to support legal services, in-home services, and access services earmarking requirements; subrecipient and contractual program income requirements, and internal monitoring requirements. We recommended that CARE implement procedures to ensure that such documentation is provided in the future.</p>		<p>This audit finding does not warrant further action. More than two years have passed since the audit report in which the finding that occurred was submitted to the Federal Single Audit Clearinghouse. The grantor has not followed up with the auditee on the audit finding and a management decision was not issued. Therefore, this finding will no longer appear on the Auditee's Summary Schedule of Prior Audit Findings.</p>

**CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<p><u>Finding # 08-04</u> For federal program number 14.235 - Supportive Housing Program, reported expenditures for five selected reports were overstated by a total of \$28,686. For federal program number 14.241 - Housing Opportunities for Persons With AIDS (HOPWA), reported expenditures were understated by a total of \$2,704,086. For federal program number 93.569 - Community Services Block Grant, reported expenditures were overstated by a total of \$53,818. (These programs are now administered by MOHS.) We recommended that future federal financial reports be prepared directly from the City's accounting records. We also recommended that copies of all federal financial reports be maintained for review.</p>	<p>Not Corrected</p>	<p>See current period finding 12-4 for planned corrective action.</p>
<p>For federal program numbers 93.044/045/053 - Special Programs for the Aging - Title III, Parts B & C, reported expenditures were understated by \$758,852, and reported revenues were overstated by \$633,601. We recommended that future federal financial reports be prepared directly from the City's accounting records. We also recommended that copies of all federal financial reports be maintained for review. (CARE is now administered by BCHD.)</p>	<p>Not Corrected</p>	<p>See current period finding 12-4 for planned corrective action.</p>

Olivia Farrow, Director, MOHS

William Woodcock, Director of Business Operations, BCHD

CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012
(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
For federal program number 93.778 - Medical Assistance Program, reported expenditures were overstated by \$300,836. For federal program number 93.914 - HIV Emergency Relief Project/Formula Grants, reported expenditures were understated by \$514,763. We recommended that future federal financial reports be prepared directly from the City's accounting records. We also recommended that copies of all federal financial reports be maintained for review.	Not Corrected	See current period finding 12-4 for planned corrective action.
<u>Finding # 08-10</u> For federal program numbers 93.044/045/053 - Special Programs for the Aging - Title III, Parts B & C, CARE (now administered by BCHD) was unable to provide documentation to support legal services, in-home services, and access services earmarking requirements; subrecipient and contractual program income requirements, and internal monitoring requirements. We recommended that CARE implement procedures to ensure that such documentation is provided in the future.		William Woodcock, Director of Business Operations, BCHD This audit finding does not warrant further action. More than two years have passed since the audit report in which the finding that occurred was submitted to the Federal Single Audit Clearinghouse. The grantor has not followed up with the auditee on the audit finding and a management decision was not issued. Therefore, this finding will no longer appear on the Auditee's Summary Schedule of Prior Audit Findings.

**CITY OF BALTIMORE
 AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
 FOR THE YEAR ENDED JUNE 30, 2012**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<p><u>Finding # 08-11</u> For federal program numbers 93.044/045/053 - Special Programs for the Aging - Title III, Parts B & C, CARE (now administered by BCHD) did not have adequate procedures in place to ensure compliance with federal financial reporting standards and grant accounting requirements. We recommended that CARE implement procedures to ensure that financial reports are supported by the City's accounting records.</p>		<p>This audit finding does not warrant further action. More than two years have passed since the audit report in which the finding that occurred was submitted to the Federal Single Audit Clearinghouse. The grantor has not followed up with the auditee on the audit finding and a management decision was not issued. Therefore, this finding will no longer appear on the Auditee's Summary Schedule of Prior Audit Findings.</p>

**CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<p>Fiscal Year 2007 Single Audit Schedule of Findings and Questioned Costs Section III - Federal Award Findings and Questioned Costs Compliance With Requirements Applicable to Each Major Program</p> <p><u>Finding # 07-03</u> For federal program numbers 93.044/045/053 - Special Programs for the Aging - Title III, Parts B & C, CARE (now administered by BCHD) expended \$78,655 in legal services costs, representing an earmarking shortfall of \$2,305. CARE also spent \$712,526 in administrative costs, exceeding the allowable limit by \$426,288. We recommended that controls and reporting procedures be developed to ensure that future legal assistance and administration earmarking requirements are met.</p>	Not Corrected	Similar findings related to earmarking are still occurring and were reported during FY 2012 for this program. See current period finding 12-3 for planned corrective action.
<p><u>Finding # 07-04</u> For federal program numbers 93.044/045/053 - Special Programs for the Aging - Title III, Parts B & C, reported expenditures were understated by \$270,853, and reported revenues were understated by \$363,705. We recommended that future federal financial reports be prepared directly from the City's accounting records. We also recommended that copies of all federal financial reports be maintained for review. (CARE is now administered by BCHD.)</p>	Not Corrected	See current period finding 12-4 for planned corrective action.
		William Woodcock, Director of Business Operations, BCHD
		William Woodcock, Director of Business Operations, BCHD

**CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<u>Finding # 07-08</u> For federal program numbers 93.044/045/053 - Special Programs for the Aging - Title III, Parts B & C, CARE (now administered by BCHD) did not have adequate procedures in place to ensure compliance with federal financial reporting standards and grant accounting requirements. We recommended that CARE implement procedures to ensure that financial reports are supported by the City's accounting records.		This audit finding does not warrant further action. More than two years have passed since the audit report in which the finding that occurred was submitted to the Federal Single Audit Clearinghouse. The grantor has not followed up with the auditee on the audit finding and a management decision was not issued. Therefore, this finding will no longer appear on the Auditee's Summary Schedule of Prior Audit Findings.

CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012
(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<p>Fiscal Year 2006 Single Audit Schedule of Findings and Questioned Costs Section III - Federal Award Findings and Questioned Costs Compliance With Requirements Applicable to Each Major Program</p>		
<p><u>Finding # 06-03</u> For federal program numbers 93.044/045/053 - Special Programs for the Aging - Title III, Parts B & C, CARE (now administered by BCHD) expended \$77,600 in legal services costs, representing an earmarking shortfall of \$13,201. CARE also spent \$1,009,256 in administrative costs, exceeding the allowable limit by \$616,126. We recommended that controls and reporting procedures be developed to ensure that future legal assistance and administration earmarking requirements are met.</p>	Not Corrected	Similar findings related to earmarking are still occurring and were reported during FY 2012 for this program. See current period finding 12-3 for planned corrective action.
<p><u>Finding # 06-04</u> For federal program numbers 93.044/045/053 - Special Programs for the Aging - Title III, Parts B & C, CARE (now administered by BCHD) reported expenditures that were understated by \$890,041. Reported revenues for this report were in excess of the City's accounting records in the amount of \$104,126. We recommended that future financial reports be prepared directly from the City's accounting records.</p>	Not Corrected	See current period finding 12-4 for planned corrective action.
		William Woodcock, Director of Business Operations, BCHD
		William Woodcock, Director of Business Operations, BCHD

**CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<p><u>Finding # 06-12</u> For federal program numbers 93.044/045/053 - Special Programs for the Aging - Title III, Parts B & C, CARE (now administered by BCHD) was unable to provide documentation to demonstrate that amounts included in its fiscal year 2005 financial report were reliable and supported by the City's accounting records. We recommended that CARE implement procedures to ensure that financial reports are supported by the City's accounting records. Additionally, CARE did not report program income in its 2005 report.</p>		<p>This audit finding does not warrant further action. More than two years have passed since the audit report in which the finding that occurred was submitted to the Federal Single Audit Clearinghouse. The grantor has not followed up with the auditee on the audit finding and a management decision was not issued. Therefore, this finding will no longer appear on the Auditee's Summary Schedule of Prior Audit Findings.</p>

CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012
 (continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
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Fiscal Year 2005 Single Audit
 Schedule of Findings and Questioned Costs
 Section III - Federal Award Findings and Questioned Costs
 Compliance With Requirements Applicable to Each Major Program

Finding # 05-03

For federal program numbers 93.044/045/053 - Special Programs for the Aging - Title III, Parts B and C, CARE (now administered by BCHD) reported expenditures that were in excess of the City's accounting records in the amount of \$179,074. Reported revenues for this report were overstated by \$795,509. We recommended that future financial reports be prepared directly from the City's accounting records.

Partially Corrected
 See current period finding 12-4 for planned corrective action.

William Woodcock, Director of Business Operations, BCHD

CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012
 (continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
Fiscal Year 2004 Single Audit Schedule of Findings and Questioned Costs Section III - Federal Award Findings and Questioned Costs Compliance With Requirements Applicable to Each Major Program <u>Finding # 04-03</u> For federal program numbers 93.044/045/053 - Special Programs for the Aging - Title III, Parts B and C, CARE (now administered by BCHD) reported expenditures for two reports that were in excess of the City's accounting records in the amount of \$720,576. Reported revenues for these reports were understated by \$520,857. We recommended that future financial reports be prepared directly from the City's accounting records.	Partially Corrected	See current period finding 12-4 for planned corrective action.

William Woodcock, Director of Business Operations, BCHD

CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<p>Fiscal Year 2001 Single Audit Schedule of Findings and Questioned Costs Section III - Federal Award Findings and Questioned Costs Compliance With Requirements Applicable to Each Major Program</p> <p><u>Finding # 01-03</u> For federal program numbers 93.044/93.045 - Special Programs for the Aging, Title III, Parts B and C, CARE (now administered by BCHD) reported expenditures that were in excess of the City's accounting records in the amount of \$1,872,217. Reported revenues were also overstated by \$1,915,034. We recommended that the reported overstated revenues and expenditures be reduced and that future federal financial reports be prepared directly from the City's accounting records.</p>	<p>Partially Corrected</p>	<p>See current period finding 12-4 for planned corrective action.</p>

William Woodcock, Director of Business Operations, BCHD

**CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012**

(continued)

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<p>Fiscal Year 2000 Single Audit Schedule of Findings and Questioned Costs Section III - Federal Award Findings and Questioned Costs Compliance With Requirements Applicable to Each Major Program</p>		
<p><u>Finding # 00-02</u> For federal program numbers 93.044/93.045 - Special Programs for the Aging, Title III, Parts B and C, CARE (now administered by BCHD) reported expenditures that were in excess of the City's accounting records in the amount of \$1,805,646. Reported revenues were also overstated by \$1,671,011. We recommended that the reported overstated revenues and expenditures be reduced and that future federal financial reports be prepared directly from the City's accounting records.</p>		
	Partially Corrected	See current period finding 12-4 for planned corrective action.

William Woodcock, Director of Business Operations, BCHD

PART VII

**CORRECTIVE ACTION PLAN ON CURRENT
AUDIT FINDINGS**

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CITY OF BALTIMORE
AUDITEE'S CORRECTIVE ACTION PLAN ON CURRENT AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

**Anticipated
Completion
Date**

Finding Number/Finding **Contact Person** **Planned Corrective Action**

Findings in this schedule are presented in the same order in which they appear in the Auditor's Schedule of Findings and Questioned Costs - Section III, Federal Award Findings and Questioned Costs. The following abbreviations have been used for City agencies: Baltimore City Health Department (BCHD); Department of Housing and Community Development (DHCD); Department of Transportation (DOT); Commission on Aging and Retirement Education (CARE); Mayor's Office of Human Services (MOHS); Baltimore Homeless Services (BHS); Baltimore Police Department (BPD); and Bureau of Accounting and Payroll Services (BAPS).

Finding # 12-01 William P. Colbert, Chief of June 2014
Supporting Documentation Was Fiscal Services, DHCD

Concerning the Weatherization program (CFDA #81.042), the six folders not provided during the testing period represents less than 3% of the total folders sampled. Since the testing period, all folders have been found and/or recreated and all six are now in the Weatherization Assistance Program's files. The documentation requested by the auditors, primarily inspection forms to confirm that the work was performed on the properties, were available for view by the auditors in the State's "Hancock" system. At that time, it was not known how to print these documents but since then, we have been able to print them and include them in the folders. We provided copies of the missing documents.

Corrective Action:
As part of the Public Service Commission's Customer Investment Fund, HCD is investing in a system for the electronic storage of applications, eligibility documents and files. The system was created by the Maryland Department of Human Services primarily to modernize and enhance recordkeeping for State and local energy assistance programs. HCD's investment in the system not only ensures that our agency will have electronic access to energy assistance applications and scanned copies of eligibility documents, but HCD will also be able to create files for all the programs managed by the Division of Green, Healthy and Sustainable Homes.

This corrective action specifically addresses audit concerns about the maintenance of files and records during the era of stimulus-funded weatherization when our agency was reliant on paper files and hard copy records for over 4,000 households served.

**CITY OF BALTIMORE
 AUDITEE'S CORRECTIVE ACTION PLAN ON CURRENT AUDIT FINDINGS
 FOR THE YEAR ENDED JUNE 30, 2012
 (continued)**

**Anticipated
 Completion**

Date

Planned Corrective Action

Contact Person

Finding Number/Finding

June 2014

The Mayor's Office of Human Services acknowledges the need to enhance its maintenance of eligibility documentation for its clients. There were 6 of 234 LIWAP folders and 4 of 45 CSBG - ARRA folders with enrollment applications missing. To address these issues, a restructuring of the job duties and responsibilities of administrative staff will include monthly quality assurance to ensure paper applications are complete and files are maintained on all applicants. In addition, Maximus, an Enterprise Content Management System (ECMS), was purchased to scan and store all participant information for all programs. This system provides a comprehensive solution for saving all intake and eligibility documents that would normally be maintained in a paper file, in a content management system that will be stored on a mainframe and be easily accessible at any time. The ECMS also includes the ability to download necessary documentation for program participants that was captured by other state agencies that utilize the system. As of this month, supporting staff has been trained to utilize the system and it will be implemented center-wide February 2014. With this new system we will ensure that we can compile documentation for participant population that covers all of its CSBG programs and maintain documentation that supports eligibility determination for all CSBG programs and the Weatherization Assistance for Low-Income Persons (LIWAP) participants.

Olivia Farrow, Director, MOHS

Finding # 12-02

Reporting of Inaccurate Grant Information

Stephanie Farina, Fiscal Administrator, BPD

June 2014

Concerning the COPS program (CFDA #16.710), as full-time officers originally hired under the grant award severed ties with the Baltimore City Police Department through resignation or termination, other full-time officers from the same academy class and personnel grade were moved into the vacated positions and resumed/maintained the salaried positions to fulfill the 50 awarded positions. This internal audit of grant personnel is performed on a quarterly basis prior to the submission of

CITY OF BALTIMORE
AUDITEE'S CORRECTIVE ACTION PLAN ON CURRENT AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012
 (continued)

<u>Finding Number/Finding</u>	<u>Contact Person</u>	<u>Planned Corrective Action</u>	<u>Anticipated Completion Date</u>
<u>Finding # 12-03</u> Documentation to Support Earmarking Was Not Provided	William Woodcock, Director of Business Operations, BCHD	<p>quarterly reports.</p> <p>The COPS Hiring Recovery Program (CHRP) progress reports must be submitted prior to the adjustments of payroll/personnel accounting records being made and therefore will not reflect fiscally until the following quarter. Due to this lag time, it does appear that the number of officers was over-reported, but in actuality, they were not. At grant's end, the salaries of 50 officers per quarter will be reflected.</p> <p>The COPS Office conducted a site visit on 12/14/2012 and concluded in their follow-up letter that our supplemental moves were in accordance with grant guidelines.</p>	June 2014
<u>Finding # 12-04</u> Financial Reports Were Not Supported by the Underlying Accounting Records	Olivia Farrow, Director, MOHS	<p>Regarding the Programs for the Aging (CFDA #93.044/93.045/93.053) and the HIV Emergency Grant Program (CFDA #93.914), BCHD has adopted measures to ensure compliance in the future. It prepares an area plan in accordance with the grant guidelines and monitors its expenses to ensure compliance. BCHD awards earmarking funds for such costs to subgrantees and will track payments for such costs to them by unique budget account numbers.</p> <p>The Department of Audits (Audits) and BCHD will work together to resolve the interpretation and application of the earmarking requirements. BCHD awards earmarking funds for such costs to sub-grantees and will track payments for such costs to them by unique budget account numbers.</p>	June 2014

**CITY OF BALTIMORE
 AUDITEE'S CORRECTIVE ACTION PLAN ON CURRENT AUDIT FINDINGS
 FOR THE YEAR ENDED JUNE 30, 2012
 (continued)**

**Anticipated
 Completion**

Date

Planned Corrective Action

Contact Person

Finding Number/Finding

to draw administration funds to cover MOHS allowable and allocable general and administrative expenditure. The source of these expenditures can be internal or external to MOHS such as Department of Audits, MOIT, DGS, etc. Furthermore, MOHS has developed a cost allocation plan indicating the aforementioned which was approved by HUD Central, HUD local and the City's Department of Finance. MOHS is open and willing to follow the Department of Audits lead and suggestion to adopt a different accounting practice to recapture, record and present administration dollars in question.

In the case of JHR supporting documentation was provided on 1/24/14 to the Department of Audits to support the \$100,044. HUD's Line of Credit Control System (LOCCS) will not allow MOHS to draw funds for any projects more than the allowable amount worked out in the grant agreement. The \$577,232 must be due to other funding JHR received on or about the same period for different project.

In the case of WHC source documentation to include cash register report generated using CityDynamics was provided to the Department of Audits to support MOHS reported REV/EXP of \$55,860.

It was a shared understanding that CityDynamics did not provide the auditor with the proper, accurate data, which led to the finding.

APR's herein referred to as Federal Financial Report can only and most accurately be prepared from HUD LOCCS or Integrated Disbursement and Information System (IDIS). This report is reconciled to City's Cash Register (Disbursement Journal) extracted from CityDynamics before submission to HUD. This step is done post-grant and within the 90 day liquidation period to ascertain all funds disbursed are accurately drawn and recorded in the City's accounting system.

CITY OF BALTIMORE
AUDITEE'S CORRECTIVE ACTION PLAN ON CURRENT AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012
 (continued)

<u>Finding Number/Finding</u>	<u>Contact Person</u>	<u>Planned Corrective Action</u>	<u>Anticipated Completion Date</u>
		MOHS had made and will make every effort to verify that all revenues and expenditures are matched to the authorizing grant. MOHS has been consistent and will stay consistent in the application of these steps to all grants it administer.	
	Olivia Farrow, Director, MOHS	For the HOPWA Program (CFDA #14.241), in general, Administration Revenue drawn is based on grant agreements. Grant agreements permit the Grantee to draw administration funds to cover MOHS allowable and allocable general and administrative expenditures. The source of these expenditures can be internal to MOHS or external to MOHS, such as Audits, MOIT, DGS, etc.	June 2014
		MOHS is open and willing to follow the Department of Audits' lead and suggestion to embrace and implement a different accounting practice to recapture, record and present allowed administration dollars.	
	William Woodcock, Director of Business Operations, BCHD	For the Programs for the Aging (CFDA #93.044/93.045/93.053) and the HIV Emergency Grant Program (CFDA #93.914), BCHD has developed policies and procedures regarding grant accounting and financial reporting, with which accountants will comply. Accountants will reconcile revenues and expenses per records and reports, collect reports from sub-grantees, use City accounting records as basis for preparation of fiscal reports, make necessary adjustments, liquidate encumbrances, freeze account balances with BAPS to prevent unauthorized transactions, and submit reports timely to funding sources.	June 2014
	Olivia Farrow, Director, MOHS	For the CSBG Program (CFDA #93.569), the Mayor's Office of Human Services accepts the finding with a caveat and on the premise that the discrepancy is due to the reporting errors, attributable to Smart List and Report Manager. Also it was a	June 2014

**CITY OF BALTIMORE
 AUDITEE'S CORRECTIVE ACTION PLAN ON CURRENT AUDIT FINDINGS
 FOR THE YEAR ENDED JUNE 30, 2012
 (continued)**

**Anticipated
 Completion**

Date

Planned Corrective Action

Contact Person

Finding Number/Finding

shared understanding that a glitch in the system does not allow ADP and the City's general ledger to agree and reconcile.

MOHS will work more closely with the Department of Audits and will provide all needed reports, supporting documents, journals, worksheets as requested during the year to ascertain complete understanding of inner workings of the grants MOHS administers. MOHS also invites the auditors to share with MOHS a protocol for future audits to follow. We believe a collaborative approach and cooperation with MOHS staff at its place of business will produce a more transparent, accurate and timely response.

Finding # 12-05

Financial Reports Were Not Submitted in a Timely Manner

Olivia Farrow, Director, MOHS

For the Supportive Housing Program (CFDA #14.235), the grant number MD0034B3B010801 is improperly identified in the finding. That grant number is actually for Dayspring PHP, not WHC Calverton. The correct grant number for WHC Calverton is MD0083B3B010802.

June 2014

Including the Shelter Plus Care Program (CFDA #14.238), the three grants listed in the finding were all submitted on 11/30/11 because of a programming issue with the Homeless Management Information System. In 2010, the U.S. Department of Housing and Urban Development (HUD) replaced the paper HUD-40118 form called the Annual Progress Report (APR). Beginning with grants ending on or after July 1, 2010, APR information is required by HUD to be entered into e-snaps (its electronic grants management system).

At that time, our Homeless Management Information Systems (HMIS) vendor did not have the new APR program ready – the programming changes had not taken place; vendors were not required to have the new APR programmed until June 1, 2011. At that time, we were instructed to use the “Transition APR”

CITY OF BALTIMORE
AUDITEE'S CORRECTIVE ACTION PLAN ON CURRENT AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

(continued)

<u>Finding Number/Finding</u>	<u>Contact Person</u>	<u>Planned Corrective Action</u>	<u>Anticipated Completion</u>	<u>Date</u>
		<p>(TAPR) in lieu of the full APR. Because this was a problem across the country, HUD granted an exception to the submission requirements for Continuum of Care (CoC) programs whose HMIS vendors were unable to complete the programming changes timely.</p> <p>MOHS was instructed by HUD to communicate the problems with submission through the HUD Virtual Help Desk. An explanation was to be entered into the "Additional Comments" section for each of the delayed APR submissions. Copies of this are available upon request.</p>		
	William Woodcock, Director of Business Operations, BCHD	For the Programs for the Aging (CFDA #93.044/93.045/93.053), BCHD has developed policies and procedures regarding grant accounting and financial reporting, with which accountants will comply. Accountants will reconcile revenues and expenses per records and reports, collect reports from sub-grantees, use City accounting records as basis for preparation of fiscal reports, make necessary adjustments, liquidate encumbrances, freeze account balances with BAPS to prevent unauthorized transactions, and submit reports timely to funding sources.		June 2014
	Stephanie Farina, Fiscal Administrator, BPD	For the Homeland Security Grant Program (HSGP) (CFDA #97.067), the Maryland Emergency Management Agency (MEMA), the funding agency, switched to a Grants Management System (GMS) during the grant period which changed financial reporting from paper SF-269's to on-line, real-time reporting. Two on-line reports reflecting the bulk of grant expenses were submitted on 8/31/2011, 90 days after the grant end date. Three reports were submitted after the 90 day liquidation period that were a "clean up" of the grant and were accepted by the funding agency, MEMA.		June 2014
		The Homeland Security Grant Administration position was vacant at that time which was the primary cause of late		

CITY OF BALTIMORE
AUDITEE'S CORRECTIVE ACTION PLAN ON CURRENT AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012
(continued)

<u>Finding Number/Finding</u>	<u>Contact Person</u>	<u>Planned Corrective Action</u>	<u>Anticipated Completion Date</u>
<p><u>Finding # 12-06</u> Obligations Incurred Were Not Liquidated Within 90 Days of the End of the Funding Period</p>	<p>William Woodcock, Director of Business Operations, BCHD</p>	<p>Regarding the Programs for the Aging (CFDA #93.044/93.045/93.053), the HIV Emergency Grant Program (CFDA #93.914) and MAP (CFDA #93.778), BCHD has adopted measures to monitor and to liquidate encumbrances timely in the future. It has developed grant management policies and procedures, with which accountants will comply. Accountants will review encumbrances for appropriateness and retain or liquidate them timely.</p>	<p>June 2014</p>
<p><u>Finding # 12-07</u> Drawdowns of Funds Exceeded Program Expenditures</p>	<p>Stephanie Farina, Fiscal Administrator, BPD</p> <p>Olivia Farrow, Director, MOHS</p>	<p>Regarding HSGP (CFDA #97.067), as stated in 12-05 above, the vacancy in the Homeland Security Grant position was a hardship on the Grants Unit and lead to late reporting in certain cases. However, the funding agency was aware and did accept the late reports. Since the filling of the position, the Baltimore City Police Department has made every effort to ensure that obligations incurred under this grant award were liquidated within 90 days after the end of the funding period.</p> <p>Regarding the Sheltered Housing Program (CFDA 14.235), under no condition the SHP cumulative totals could have happened. SHP is a project by project grant that can only be drawn based on actual expenditure submitted to MOHS. Furthermore, the Mayor's Office of Human Services has not been provided enough information related to this finding to be able to provide an educated response. The Supportive Housing Program Grant – CFDA #14.235 is a grant that is awarded to over 60 subrecipients and close to 100 contracts that have various grant periods which are not in line with City of</p>	<p>June 2014</p>

CITY OF BALTIMORE
AUDITEE'S CORRECTIVE ACTION PLAN ON CURRENT AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012
 (continued)

<u>Finding Number/Finding</u>	<u>Contact Person</u>	<u>Planned Corrective Action</u>	<u>Anticipated Completion Date</u>
		<p>Baltimore's July to June fiscal year. If we can be provided the revenue account(s) and the expenditure accounts that were used in this analysis, we will be able to confirm or disagree that we were not in compliance with the OMB Circular A-102. The Mayor's Office of Human Services policies and fiscal procedures restrict revenues to be drawn from HUD prior to the reporting of expenditures, as all subrecipients of the Supportive Housing Grant are funded on a reimbursement basis. As a result, payments are issued and reported on the City of Baltimore accounting records prior to funds being drawn from HUD. It was mutually agreed the report pulled from CityDynamics could not be unilaterally relied upon to support this claim. We have supporting documentation which includes City's Cash Register and Cash Receipt Journal to back up our claim. MOHS stands ready to further assist Audits to delve into this and any other audit matters.</p>	June 2014
	Olivia Farrow, Director, MOHS	<p>For HOPWA (CFDA 14.241), the Grant Program Year 2008 started July 2008 and continued through 2011. During the conversion from the City's Integrated Financial System (IFS) to CityDynamics, the life-to-date posted several errors, which were shared with the auditors. The life-to-date errors did not agree with our records or disbursements from accounts payable.</p> <p>In addition, the Capital Project account for A.I.R.S Restoration Gardens of \$500,000 was recorded under 9910-588-989-00-000, and processed by Department of Housing and Community Development. As soon as the expenses were confirmed, a journal entry was recorded to grant account number 490909 and revenue drawn along with \$15,000 in administrative fees.</p> <p>MOHS has followed and will follow, and adheres to, strict guidelines promulgated by OMB Circular-102 Common Rule for State and local governments section 24 CFR 85. MOHS will not draw down advances on grant revenues. MOHS has always and</p>	

**CITY OF BALTIMORE
 AUDITEE'S CORRECTIVE ACTION PLAN ON CURRENT AUDIT FINDINGS
 FOR THE YEAR ENDED JUNE 30, 2012
 (continued)**

<u>Finding Number/Finding</u>	<u>Contact Person</u>	<u>Planned Corrective Action</u>	<u>Anticipated Completion Date</u>
		will in future draw funds from HUD's LOCCS or IDIS based on actual submitted expenditure report from subrecipients. Further the LOCCS and IDIS is programmed by HUD limiting the amount of funds requested to be drawn to be matched to the grant award. It is also MOHS' fiscal policy to reconcile on a monthly basis our internal records to the general ledger.	
		MOHS will work more closely with the Department of Audits and will provide all needed reports, supporting documents, journals, worksheets as requested during the year to ascertain complete understanding of inner workings of the grants that MOHS administers. MOHS also invites the auditors to share with MOHS a protocol for future audits to follow. We believe a collaborative approach and cooperation with MOHS staff at its place of business will produce a more transparent, accurate and timely response.	
	Stephanie Farina, Fiscal Administrator, BPD	Concerning HSGP (CFDA #97.067), in certain instances, draw downs may exceed grant expenditures due to the delay of posting accounting entries. The Baltimore City Police Department will correct this by verifying that expenses have been posted to the General Ledger before requesting draw downs.	June 2014
<u>Finding # 12-08</u>			
Certain Program Income Was Not Properly Reported or Recorded	William P. Colbert, Chief of Fiscal Services, DHCD	For the HOME Program (CFDA 14.239), once the Office of Project Finance was made aware of the issue, we performed a review of the matter and learned that one item was not posted to IDIS and the Program Log due to a misunderstanding of the nature of the income. The circumstance of a partial prepayment of a loan at closing is unusual and is therefore extremely rare for this misclassification to occur.	June 2014
		The income has now been properly recorded and reported. The	

CITY OF BALTIMORE
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FOR THE YEAR ENDED JUNE 30, 2012

(continued)

<u>Finding Number/Finding</u>	<u>Contact Person</u>	<u>Planned Corrective Action</u>	<u>Anticipated Completion</u>	<u>Date</u>
<u>Finding # 12-09</u> Support Was Not Provided for Two HOME Projects	William Woodcock, Director of Business Operations, BCHD	Office of Project Finance will reconcile the Program Income financial account with IDIS. Once completed, this finding will be corrected. Regarding the Programs for the Aging (CFDA #93.044/93.045/93.053), BCHD does not earn program income. However, it will monitor and report the program income earned by its sub-grantees.	June 2014	June 2014
<u>Finding # 12-10</u> Unallowable Costs and Lack of Supporting Documentation	Stephanie Farina, Fiscal Administrator, BPD	For the HOME Program (CFDA 14.239), the two missing sets of documents from 2008 have since been located on a shared drive and placed into the Vanguard Reporting System. Corrective action to resolve this finding has been taken. Since the review of the documents in late 2012, the Office of Project Finance has reorganized the HUD file room, placing all Homeownership documents in specific file cabinets, as well as organizing all closing binders on all transactions since program inception in alphabetic order. In addition, starting from 2013 and working backwards, the Office of Project Finance is putting all closing binders into an electronic storage system known as Vanguard. This project now has all 2013 – 2010 documents in electronic storage. Regarding the COPS Program (CFDA 16.710), the Final Funding Memorandum (FFM) was based upon 2009 actual costs which did not factor the inflation rate appropriate for fringe benefit costs over the 4 ½ year term of the grant. Additionally, the BPD has requested documentation supporting the fringe benefit costs charged to the program and is awaiting a response from BBMR.	June 2014	June 2014

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AUDITEE'S CORRECTIVE ACTION PLAN ON CURRENT AUDIT FINDINGS
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(continued)**

<u>Finding Number/Finding</u>	<u>Contact Person</u>	<u>Planned Corrective Action</u>	<u>Anticipated Completion Date</u>
<p><u>Finding # 12-11</u> Program Support Costs of \$313,124 Were Determined Unallowable</p>	<p>William Colbert, Chief Fiscal Officer, DHCD</p>	<p>The COPS grant ended 12/31/13. Prior to submitting the final report, the questionable costs of \$128,319 will be reviewed and subtracted if they are not determined to be allowable costs.</p> <p>Concerning the Weatherization Program (CFDA 81.042), as noted by the Department of Audits within the finding, the Department of Housing and Community Development has taken the corrective action necessary to resolve this finding. Therefore, this finding should be closed.</p> <p>It should also be noted that the \$680,666 returned to the State, was reprogrammed by the State to allow the City to use the funds to weatherize additional houses and therefore, there was no loss of funds.</p>	<p>June 2014</p>
<p><u>Finding # 12-12</u> Various Unallowable Costs Were Incurred</p>	<p>William Colbert, Chief Fiscal Officer, DHCD</p>	<p>Concerning the Weatherization Program (CFDA #81.042), there are three issues addressed by this finding and are responded to as follows:</p> <p>Duplicate Payments (\$71,010):</p> <p>When HCD was informed of this matter, a review was made of all (100%) of payments made to vendors who performed work on weatherization cases. We immediately compiled the information by vendor and requested reimbursement. To date, we have received \$63,096 and fully anticipate payment of the balance from other vendors within a week.</p> <p>HCD has taken measures to ensure that overpayments to vendors do not occur in the future, specifically by adopting an accounting procedure that connects every invoice to an address. Fiscal staff</p>	<p>June 2014</p>

**CITY OF BALTIMORE
 AUDITEE'S CORRECTIVE ACTION PLAN ON CURRENT AUDIT FINDINGS
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 (continued)**

<u>Finding Number/Finding</u>	<u>Contact Person</u>	<u>Planned Corrective Action</u>	<u>Anticipated Completion Date</u>
<u>Finding # 12-13</u>	HOPWA Financial Reports Were Not Supported by the Underlying Accounting Records	Olivia Farrow, Director, MOHS	June 2014
		are now required to check each new invoice against the record of all invoices associated with that address before approving payment of the invoice.	
		Questioned Cost of \$94,651:	
		During the audit, HCD performed a review of the costs questioned by the Department of Audits. The questioned costs resulted from the complexity of the City's WEB Document Management and Citibuy Systems. HCD has located all of the invoices in question with the exception of one which has adequate documentation for support.	
		This information was submitted to the Department of Audits prior to the issuance of this finding. Copies of the missing invoices are attached as well as proper supporting documentation for the one invoice.	
		We believe that after review of this response and the documentation provided, the Department of Audits should close this part of the finding.	
		Questioned Cost of \$24,505:	
		The six folders and documentation missing at the time of review by the Department of Audits, have been found or recreated and are available for further review. HCD's response and corrective actions to finding 12-1, resolves this part of finding 12-12.	
		Regarding the HOPWA Program (CFDA #14.241), the grants were paid and drawn based on HUD/City guidelines and reconciled to City's records for accuracy. It also seems during the migration from IFS to CityDynamics several totals were posted in error.	

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<u>Finding Number/Finding</u>	<u>Contact Person</u>	<u>Planned Corrective Action</u>	<u>Anticipated Completion Date</u>
		For Program Year ending June 2011, our records and CityDynamics show journal entry for personnel cost was completed for \$222,124.	
		Please refer to the explanation for administration revenue above. No journal entry in the amount of \$245,845 was recorded for administration fees.	
		Project PLASE was awarded and spent \$221,193. MOHS subsequently drew \$221,193.	
		GEDCO was awarded \$23,860. The sub recipient in its final document reported all grant award was expended. Afterward, the sub recipient revised its final report to \$22,287 which prompted a return of \$1,573 back to HUD.	
		UMD was awarded and spent \$131,386. MOHS subsequently drew \$131,386.	
		MCC was awarded and spent \$340,549. MOHS subsequently drew \$340,549.	
		Anne Arundel County was awarded and spent \$375,589. MOHS subsequently drew \$375,589.	
		MOHS will work more closely with the Department of Audits and will provide all needed reports, supporting documents, journals, worksheets as requested during the year to ascertain complete understanding of inner workings of grants MOHS administer. MOHS also invites the auditors to share with MOHS a protocol for future audits to follow. We believe a collaborative approach and cooperation with MOHS staff at its place of business will produce a more transparent, accurate and timely response.	

CITY OF BALTIMORE
AUDITEE'S CORRECTIVE ACTION PLAN ON CURRENT AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012
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<u>Finding Number/Finding</u>	<u>Contact Person</u>	<u>Planned Corrective Action</u>	<u>Anticipated Completion Date</u>
<u>Finding # 12-14</u> Grant Awards Not Approved by the Board of Estimates	William Woodcock, Director of Business Operations, BCHD	For MAP (CFDA #93.778), the BCHD contract unit will submit the unified funding document for approval by the Board of Estimates at least two times per year.	June 2014
<u>Finding # 12-15</u> Supporting Documentation for Costs of \$20,596 Was Not Provided	William Woodcock, Director of Business Operations, BCHD	For the HIV Emergency Program (CFDA #93.914), BCHD will obtain supporting documentation for costs charged to it by other agencies.	June 2014
<u>Finding # 12-16</u> Procedures Were Not Adequate to Ensure Compliance with Financial Reporting and Grant Requirements	William Woodcock, Director of Business Operations, BCHD	For the Programs for the Aging (CFDA #93.044/93.045/93.053), BCHD has developed policies and procedures regarding grant accounting and financial reporting, with which accountants will comply. Accountants will reconcile revenues and expenses per records and reports, collect reports from sub-grantees, use City accounting records as basis for preparation of fiscal reports, make necessary adjustments, liquidate encumbrances, freeze account balances with BAPS to prevent unauthorized transactions, and submit reports timely to funding sources.	June 2014

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