

CITY OF BALTIMORE
SINGLE AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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CITY OF BALTIMORE
SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2011

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PART I

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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City of Baltimore, Maryland

Comprehensive Annual Financial Report

Year Ended June 30, 2011

Prepared by the Department of Finance
Harry 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. Fox

CITY SOLICITOR

George A. Nilson

CITY COUNCIL

Bernard C. Young, *President*

Edward Reisinger, *Vice-President*

FIRST DISTRICT

James B. Kraft

SECOND DISTRICT

Nicholas D'Adamo, Jr.

THIRD DISTRICT

Robert Curran

FOURTH DISTRICT

Bill Henry

FIFTH DISTRICT

Rochelle "Rikki" Spector

SIXTH DISTRICT

Sharon Green Middleton

SEVENTH DISTRICT

Belinda Conaway

EIGHTH DISTRICT

Helen Holton

NINTH DISTRICT

Agnes Welch

TENTH DISTRICT

Edward Reisinger

ELEVENTH DISTRICT

William H. Cole IV

TWELFTH DISTRICT

Carl Stokes

THIRTEENTH DISTRICT

Warren Branch

FOURTEENTH DISTRICT

Mary Pat Clarke

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INTRODUCTORY SECTION



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

December 6, 2012

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, 2011. The CAFR was prepared by the City's Department of Finance. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe that the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and changes in financial position of the City; and, that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been provided.

The CAFR is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter, the City's organizational chart and the certificate of achievement for excellence in financial reporting. The financial section includes the auditors' 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, 2011. Their joint audit report is contained herein. Their audit was conducted in accordance with auditing standards generally accepted in the United States and, for the basic financial statements of the City, the standards for financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. On the basis of this examination, the independent auditors have issued an unqualified opinion that the presentation of the basic financial statements conforms with accounting principles generally accepted in the United States. In conducting the audit, the auditors performed tests of the accounting records and such other procedures as were considered necessary in the circumstances to provide a reasonable basis for this opinion on the financial statements. The auditors also assessed the accounting principles used and significant estimates made by management, as well as evaluated the overall financial statement presentation.

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

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

PROFILE OF THE GOVERNMENT

The Mayor and City Council of Baltimore (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 2010 population of 620,961. 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 combined value of the general fund and motor vehicle fund operating budgets of the subsequent fiscal year.

OTHER FINANCIAL INFORMATION

Retirement Plans

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

City laws require that contributions to its three funded pension systems be based on actuarial valuations. City contributions to the Unfunded Fire and Police Plan (for eligible employees hired prior to January 1, 1947, all of whom are now retired) 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.

ECONOMIC PROFILE AND OUTLOOK

Baltimore is the historic, business, education and cultural center of Maryland. The City benefits from being in one of the wealthiest states in the nation and is the northern anchor of the Washington-Baltimore-Northern Virginia Combined Statistical Area — one of the largest, wealthiest and best educated population centers in the country. The City's economy has traditionally benefited from its location as it is accessible to a large and diversified workforce. Also, with an excellent highway and rail transportation system, the City is able to access both mid-western and north-eastern markets thus supporting its international port activity. About 326,654 or 27.0% of the 1.21 million jobs in the metropolitan area are located in the City.

For several decades, the City has become less reliant on traditional manufacturing industries. Manufacturing jobs comprise only 4.2% of the City's total jobs, which represents a lower percentage than the region and the State; however, health and education related services continue to be the leading employment industry, representing 28.9% of the 2009 jobs located in the City. This proportion is considerably higher than the State and region's total of 15.4% and 18.2%, respectively. The prominent health and knowledge-related industries are reflected in the City's major employers. Among the ten largest non-governmental employers, eight are health and education-related entities, one is a utility service provider, and one provides administrative services. The City derives economic strength from the number of jobs in the growing health sector, and in knowledge-and information-based education and information services sectors. An increasing number of workers in the Washington, D.C. and Northern Virginia area commute to jobs from homes in Baltimore.

The City supports and builds on the strengths of its internationally renowned higher education and health care institutions, most notably the Johns Hopkins Hospital and Health System—the world's premier medical facility, and the University of Maryland School of Medicine—the nation's first public medical school and one of the nation's largest public medical school research dollar recipients. A total of \$1.6 billion of major development in the City related to higher education and health care institutions was under construction during Fiscal 2012.

The population trend is often considered the single most important economic factor in the City due to the fact that Baltimore's population peaked at 949,708 in 1950 and has declined to 651,154 in 2000. This 50-year trend reflects an average monthly drop of 498 persons with some decades experiencing faster drops than others. The 1970's saw the greatest declines. During this period, population loss approached 12,000 per year, or 1,000 per month; however, this rate of loss has declined in recent years and we currently experience an average monthly drop of 82 people since 2001. The Maryland State Department of Planning released the preliminary July 1, 2010 population estimate of 620,961 for Baltimore City. This estimate shows a loss of 16,457 City residents from the 2009 estimate of 637,418. In recent years, the City has been successful in challenging the annual bureau's estimates for upward revisions; however, unlike prior years, the City has not pursued challenging the last two estimates in order to gather efforts for a more accurate estimate in the 2010 Census. The leveling of population losses during this decade confirms the City's efforts to address the challenges associated with being the State's oldest urban center with a disproportionate share of the State's poor and areas of disinvestment and abandonment.

Economic Outlook

The economic outlook for the Fiscal 2013 budget planning cycle is, perhaps, the most challenging the City has experienced in several years. A reduction in housing market activity has affected the major City revenue sources. Home sales are down approximately 14.8% from last year to date levels as of August 2011 and 65.7% below their peak in June 2005. This has impacted property tax collections, the City's main source of revenue. The lower activity level has also caused a decline in transfer and recordation tax collection, resulting in a \$70.6 million decline since their peak in Fiscal 2006. This represents the lowest level of collections since Fiscal 2003.

The unemployment rate in the City reached 11.5% as of January 2010, contributing to a reduction of income tax collections. Lower employment and reduced capital gains resulted in a 5.0% decline in income taxes for Fiscal 2011. Employment growth will likely be slow for the foreseeable future. Fiscal 2012 income tax is expected to grow at around 2.5%.

Additionally, the State faces a difficult budget crisis which in turn diminishes the level of State aid to the City. The State administration expects these conditions to continue through Fiscal 2013 and beyond. In order to weather these financial challenges, the City has implemented plans to reduce expenditures in Fiscal 2012 and is taking an especially conservative approach to budget planning for Fiscal 2013.

Jobs and Employment

The most recent data from the State Department of Labor, Licensing and Regulation (DLLR) indicates that the City has continued to experience a decline in the number of jobs during calendar 2012. The DLLR reported an average of 326,654 jobs located in the City during calendar 2011, which represents a 2.5% decline compared calendar 2010. Total jobs in the City peaked in calendar 2000 with 387,557 jobs; since then, the City has experienced an average decline of about 564 per month through calendar 2011.

In January 2011, there were an estimated 246,719 City residents employed. The difference between employed residents and jobs in the City reflects a net contribution of approximately 83,000 jobs to surrounding communities. The annual average unemployment rate for residents in the City increased from 6.7% in 2008 to 10.4% in 2009, and a peak of 11.5% unemployment rate as of January 2010, the highest since 1992.

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 a decline of 1.6% in Fiscal 2010, the second and consecutive decline in the last eight years. The total value of sales generated in the City decreased \$87.5 million to reach the annual total of \$5.35 billion. Additionally, sales generated in the City have declined as a percentage of the total retail sales in the State from 9.4% in Fiscal 2000 to an average 8.4% during the last four years. The City has experienced a gross increase of 113 new businesses, mostly restaurants and bars that started operations in 2010. Retail sales activity continues to be a leading indicator of economic activity as the City continues experiencing the impacts of the national economic recession.

Housing

The Fiscal 2012 housing market continued showing downward adjustments. It is estimated that prices will continue adjusting through 2012 and into 2013. The housing market collapse also extended to the development of new apartments. Only 184 apartments were completed in the downtown area for both rental and sale between 2011 and 2012, bringing the total number of new apartments built in downtown to 4,663 since calendar 1999. Another 364 apartment units are currently under construction in the downtown area with expected delivery time between Fiscal 2012 and Fiscal 2013, and another 154 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 and Northern Virginia commuters.

Port

Port activity is sensitive to factors affecting the world trade: the state of the economies abroad and currency markets, among other factors. Calendar 2011 was marked by one of the worst recessionary periods in the national economy and the Port of Baltimore (the Port) was not exempt from its impact. For the first time in five years, the total foreign cargo volume handled by the port did not exceed the 30 million ton mark. The level of activity going forward at the Port will depend on the status of international foreign policies and the challenges of foreign trade in a depressed economy. In 2009, the Maryland Port Administration signed a long term renovation contract including construction of a 50-foot berth and four cranes which are scheduled to be completed in 2014. This contract, which includes a 50-year leasing agreement with Port of America, and about \$500 million in capital investment, will prepare the Port for the upcoming challenges resulting from the widening of the Panama Canal which is expected to be completed in 2014. This new agreement is expected to not only benefit the Port, but also to spur the area's economic activity with about 2,700 new permanent direct, indirect and induced jobs, and 3,000 one-time construction jobs over the next three years.

Tourism and Travel Industry

The tourism and travel industries experienced mixed effects in 2011 and during the first quarter of 2012. For the fourth year in a row, the number of events held in the Baltimore Convention Center declined. During Fiscal 2011, the Baltimore Convention Center hosted 131 events, eight events less than the 139 in Fiscal 2010 and 46 less compared to the 177 held in Fiscal 2009. The average attendance per event dropped 10.2% in Fiscal 2011 from 3,137 to 2,816. The City experienced an increase of 8.9% in total rooms due to five new hotels that started operation in Fiscal 2011; however, the average occupancy rate decreased to 55.0%, 2.3% lower than the average 57.3% experienced in Fiscal 2010. Due to lower demand, the average rate per room decreased 9.5% to \$135, representing the lowest daily average room rate charged since Fiscal 2003. On the other hand, the travel industry improved in calendar year 2011. There were about 21.0 million commercial passengers that used the Baltimore Washington International Thurgood Marshall Airport (BWI), representing an increase of 2.7% compared to calendar 2010. Two new carriers, JetBlue and Cape Air, added Baltimore to their destinations and other carriers increased the volume of passengers arriving and departing from BWI. Cruise activity through the Port experienced a record year in 2011. A total of 81 cruises departed from the Port, representing 54 more cruises than in 2010. The Carnival Cruise Lines launched year-round cruising from Baltimore to the Caribbean while other major companies such as Celebrity, Norwegian, Peter Deilmann and Royal Caribbean continued to choose the Port of Baltimore as an option in the industry.

Office Development

In Fiscal 2011, the City's office market experienced an increase on its total market size and number of office buildings; however, the increase in supply was not fully absorbed by demand, generating an increase in the City's vacancy rate and a decrease in the average price. The City increased its office market size by 4.6% to 22.7 million square foot. There were 12

new buildings contributing to the additional 995,000 square feet available in office space, with a net absorption of 43,700 square feet; therefore, the vacancy rate increased 3.7% to 24.2%, and the average retail price was slightly reduced by \$0.5 to \$22.1 per square foot. The change in the vacancy rate was mostly experienced in the downtown area, which increased to 19.6% from 15.2% as of June 30, 2011. This change was explained by the high number of new leasing contracts of companies relocating within City facilities, with no material net absorption. Some of the most relevant relocations include the 156,000 square feet on 1300 Thames Street leased by Morgan Stanley to consolidate its previously two office locations, Weber Shandwick which relocated their offices from Tide Point to Boston Street and the Barton Malow Company which relocated from West Pratt Street to Aliceanna Street. The new Legg Mason building located on 100 International Drive, with more than 540,000 square feet of office space, was fully leased before completion. Among its new tenants are the Johns Hopkins University Carey Business School and RSM McGladrey, Inc, comprising 118,930 square feet. Other major leases that occurred in Fiscal 2011 are the law firm Ober/Kaler with 92,778 square feet on 100 Charles Street and Stifel, Nicolaus & Co with 75,724 square feet on 1 South Street. The Lieber Institute for Brain Development, the American Cancer Institute, Brick Mill Marketing, Moodlerooms, CyberPoint International and First Health Systems also leased a combined total of 90,283 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 2011 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 completed its transition to Outcome Budgeting in 2010, which is a new way of budgeting for Baltimore. Whereas traditional budgeting starts with last year’s spending and adjusts agency allocations based on projected revenue, Outcome Budgeting starts with the results that matter to citizens and funds programs based on their value in achieving those results. Through Outcome Budgeting, agencies were required to demonstrate in their budget proposals for Fiscal 2012 the relationship between the dollars they plan to spend and achieving measurable results, such as cleaner waterways, smoother roads, and healthier babies. This new budget process gives City leaders more information to make strategic funding decisions. Furthermore, to find out what results matter most to citizens, the City will continue to conduct the annual Baltimore Citizen Survey, which was started in Fiscal Year 2009.
- In calendar 2009, the City completed the final piece of the Department of Finance’s Strategic Plan for Information Technology and Financial Systems. The City transitioned from its 38-year-old legacy system to a new general ledger system that incorporates many best practices. The new system, CityDynamics, provides timely financial reporting and streamlines the City’s accounts payable and billing systems. This is the latest in a series of upgrades over the past few fiscal years that include new human resources, payroll, and procurement systems.
- The City implemented steps in 2009 to comply with GASB 45 on Other Post-Employment Benefits (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. The long-term investment balance in the City’s OPEB Trust as of June 30, 2011, was \$193,415,000. Despite significant budget challenges, the City was still able to budget a new contribution of \$8.5 million to the OPEB Trust in Fiscal Year 2012 for future benefit costs.
- The Bureau of Revenue Collections (the Bureau) has implemented various reforms aimed at reducing operational expenses, boosting collections and improving customer service. The Bureau now offers 10 bill types that can be paid online via electronic debit from the customer’s checking account or by credit card, thus reducing processing costs. The percent of payments made online has grown from 10.5% in Fiscal 2008 to 19.2% in Fiscal 2010. The customer service section has been reorganized to include the refunds and adjustments section which was previously a part of the Bureau of Accounting and Payroll Services. This re-organization makes the refund process more seamless and efficient for customers and reduces the administrative processing time associated with refunds. In addition, the Bureau implemented a service request tracking mechanism for all walk-in, mail, or telephone requests and has improved overall accountability related to citizen and customer requests.

- The City continues to focus on Workers' Compensation reform by holding managers throughout City government accountable for the timely reporting of claims and for the prevention of on-the-job injuries. The percentage of Workers' Compensation claims that were reported to the claims administrator within five days from the date of incident increased from 50 percent in Fiscal 2004 to 85 percent in Fiscal 2010. The City has also reduced the number of Workers' Compensation claims filed by 26 percent in Fiscal 2010 compared to Fiscal 2002 (4,905 claims in Fiscal 2002 versus 3,630 in Fiscal 2010). In addition, claim payments made for all claims have decreased by 12% since Fiscal 2004 (\$48 million in Fiscal 2004 versus \$42 million in Fiscal 2010).

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 \$87,882,000 in its budget stabilization fund as of June 30, 2011. When combined with an unassigned fund balance of \$6,002,000, the total of \$93,884,000 comprises 6.8% of General Fund revenues, a positive reflection on the strength of the City's balance sheet.

MAJOR INITIATIVES AND ACCOMPLISHMENTS

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

The following sections will highlight key, recent actions and accomplishments toward meeting the Administration's five major objectives.

Objective 1: Safer Streets

Crime Reduction

Making Baltimore safer is one key component to increasing Baltimore's population, promoting economic growth, and creating and retaining jobs. In 2011, Baltimore's violent crime decreased for the fifth consecutive year. Strategies developed by Mayor Rawlings-Blake and implemented by the Baltimore Police Department continue to lead to reductions in homicides and shootings.

Gun Tracing Task Force

Established on June 1, 2007, the Gun Tracing Task Force (GTTF), made up of members of the Baltimore Police Department, Baltimore County Police Department, Maryland State Police, and Bureau of Alcohol, Tobacco and Firearms (ATF), suppresses gun trafficking and unlawful firearms possession by targeting straw purchasers and gun dealers who fail to comply with State and Federal laws.

Violent Crime Impact Division (VCID)

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

Citizens on Patrol (COP)

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

Safe Streets

Safe Streets is a community based violence prevention initiative modeled on "CeaseFire Chicago". This program relies on credible outreach workers, community members, faith leaders and other community organizations to intervene in conflicts,

or potential conflicts, and promote alternatives to violence. Along with cooperation from the Health and Police Departments, Safe Streets includes a strong public education campaign to provide the message that shootings and violence are unacceptable in our communities.

Objective 2: Cleaner and Healthier City

Single Stream Recycling

In Fiscal 2009, the Department of Public Works (DPW), Bureau of Solid Waste instituted a City-wide single stream recycling program whereby paper, plastic, glass, bottles and jars are now placed in one container and collected in one pick-up. The results have been immediate: a 30% increase in residential recycling tonnage; reduced route time and operating costs, including a 90% reduction in overtime; and, increased recycling participation in areas of the City that previously had very low participation. In Fiscal 2010, DPW Bureau of Solid Waste instituted once a week mixed refuse and single stream recyclables collection (a shift from twice weekly trash and bi-weekly recycling pick-up). The new collection methodology again boosted recycling, saved the City approximately \$7 million a year in operating costs, and reduced the amount of household mixed refuse collected.

Baltimore City's Sustainability Plan

The Baltimore Sustainability Plan (BSP) was developed over a nine-month period and engaged over 1,000 citizens. The BSP was adopted by City Council in March 2009. The BSP lays out 29 priority goals within seven theme chapters: cleanliness, pollution prevention, resource conservation, greening, transportation, education & awareness, and green economy. Each of the 29 goals is accompanied by a set of recommended strategies, with timelines, lead partners, and funding sources identified. The BSP can be viewed and downloaded from the City's website at www.baltimorecity.gov/sustainability.

Buprenorphine Initiative

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

Objective 3: Growing Economy

East Baltimore Development Initiative

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

Westside Initiative

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

Job Development

The Baltimore Development Corporation's (BDC) mission is to stabilize and expand the City's job base by retaining existing City-based employers, helping them grow and recruiting new employers to the City. Since 2000, BDC has provided financial assistance to 973 businesses and development projects, resulting in the retention and creation of 41,144 jobs.

Objective 4: Stronger Neighborhoods

Affordable Housing Program

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

Objective 5: Innovative Government

CitiStat

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

AWARDS AND ACKNOWLEDGEMENTS

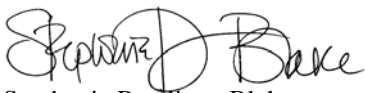
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Baltimore, Maryland, for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2010.

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

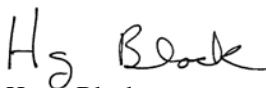
A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements.

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

Respectfully submitted,

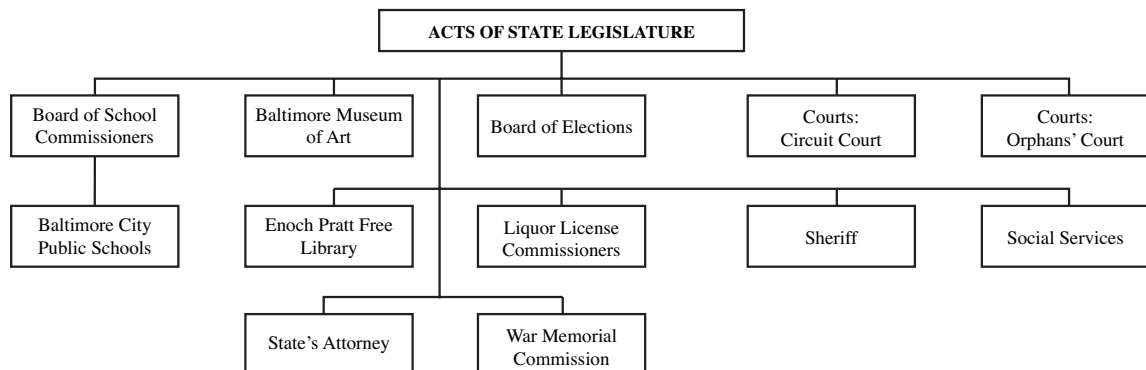
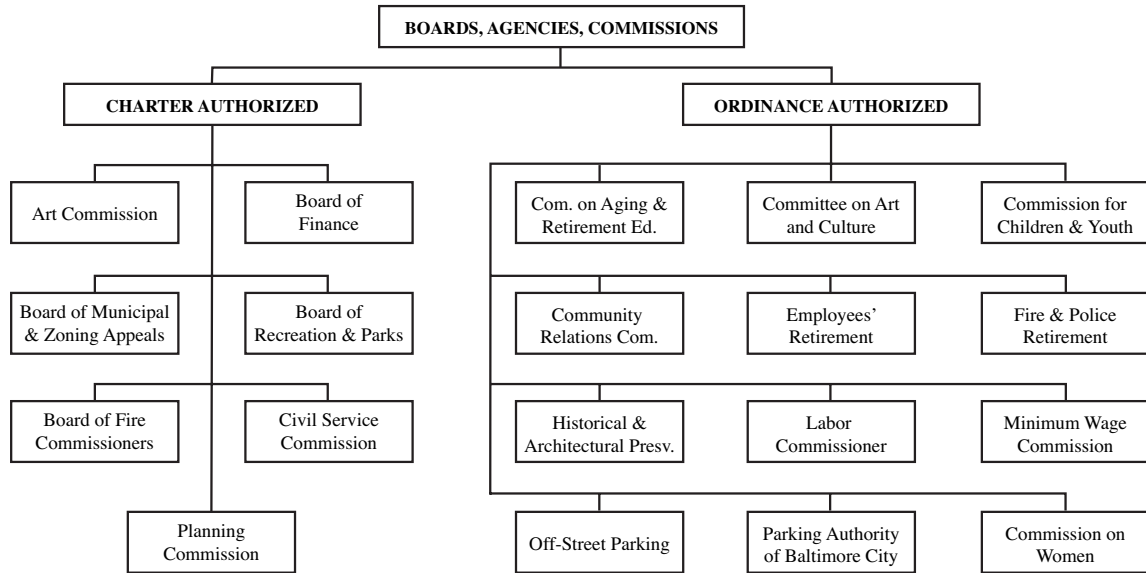
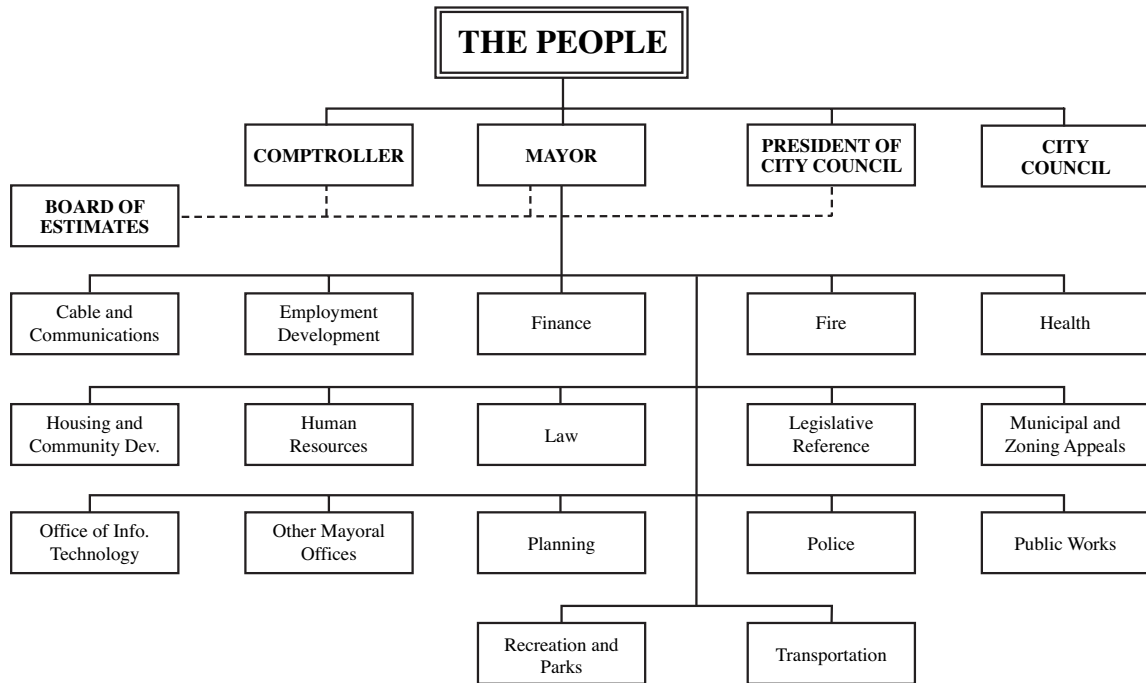


Stephanie Rawlings-Blake
Mayor



Harry Black
Director of Finance

MUNICIPAL ORGANIZATION CHART



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Baltimore
Maryland

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

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



President

Executive Director

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FINANCIAL SECTION



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

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CITY OF BALTIMORE
STEPHANIE RAWLINGS-BLAKE
Mayor



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 (other than the Pension Trust Funds) of the City of Baltimore, Maryland (the City), as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. The financial statements of the Pension Trust Funds were audited by the City Auditor acting separately. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the City's discretely presented component units. The financial statements of the discretely presented component units were audited by other auditors whose reports thereon have been presented to us, and our opinions, insofar as they relate to the amounts included for the aggregate discretely presented component units 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. The audit of the Baltimore Hotel Corporation was not conducted in accordance with *Government Auditing Standards*. 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 and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Baltimore, Maryland, as of June 30, 2011, 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.

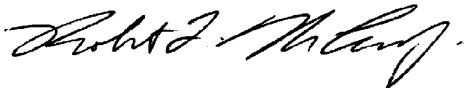
As described in Note 1 (C) to the financial statements, the City adopted Governmental Accounting Standards Board (GASB) No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, during fiscal year 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2012 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.

The management's discussion and analysis on pages 3 through 15 and the Schedule of Revenues, Expenditures and Encumbrances, and Changes in Fund Balance - Budget and Actual - Budgetary Basis - General Fund, the Schedule of Revenues, Expenditures and Encumbrances, and Changes in Fund Balance - Budget and Actual - Budgetary Basis - Motor Vehicle Fund, the Schedule of Funding Progress - Pension Trust Funds and OPEB Trust Fund, the Schedule of Employer Contributions OPEB Trust Fund, and the notes

to the required supplementary information on pages 75 through 78 in the accompanying table of contents are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City'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, 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

December 6, 2012

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, 2011. 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 2011 by \$4.2 billion (net assets). This amount includes \$157.0 million (restricted net assets) and is net of an unrestricted deficit of \$423.7 million. During the fiscal year, the City's total net assets increased by \$163.2 million.

As of June 30, 2011, the City's governmental funds reported combined ending fund balances of \$279.2 million. At the close of the fiscal year, unassigned fund balance for the general fund was \$93.9 million.

The City's total long-term debt decreased by \$5.3 million, during fiscal year 2011.

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 ASC958, *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 2011 and 2010
(Expressed in Thousands)

| | Governmental activities | | Business-type activities | | Total | |
|---|-------------------------|-------------|--------------------------|-------------|-------------|-------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Current and other assets including deferred outflows of resources | \$986,080 | \$1,033,817 | \$800,107 | \$683,469 | \$1,786,187 | \$1,717,286 |
| Capital assets, net | 3,451,706 | 3,436,391 | 2,640,079 | 2,525,664 | 6,091,785 | 5,962,055 |
| Total assets | 4,437,786 | 4,470,208 | 3,440,186 | 3,209,133 | 7,877,972 | 7,679,341 |
| Long-term liabilities outstanding | 1,587,339 | 1,606,070 | 1,451,818 | 1,301,746 | 3,039,157 | 2,907,816 |
| Other liabilities | 441,596 | 527,863 | 212,676 | 222,335 | 654,272 | 750,198 |
| Total liabilities | 2,028,935 | 2,133,933 | 1,664,494 | 1,524,081 | 3,693,429 | 3,658,014 |
| Net assets: | | | | | | |
| Invested in capital assets, net of related debt | 2,989,607 | 2,681,668 | 1,461,618 | 1,377,641 | 4,451,225 | 4,059,309 |
| Restricted | 14,931 | 14,787 | 142,070 | 124,756 | 157,001 | 139,543 |
| Unrestricted | (595,687) | (360,180) | 172,004 | 182,655 | (423,683) | (177,525) |
| Total net assets and deferred outflows of resources | \$2,408,851 | \$2,336,275 | \$1,775,692 | \$1,685,052 | \$4,184,543 | \$4,021,327 |

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 \$4.2 billion at the close of fiscal year 2011. The City's net assets include its investment of \$4.5 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, \$157.0 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 \$423.7 million.

CITY OF BALTIMORE Changes in Net Assets For the fiscal years 2011 and 2010

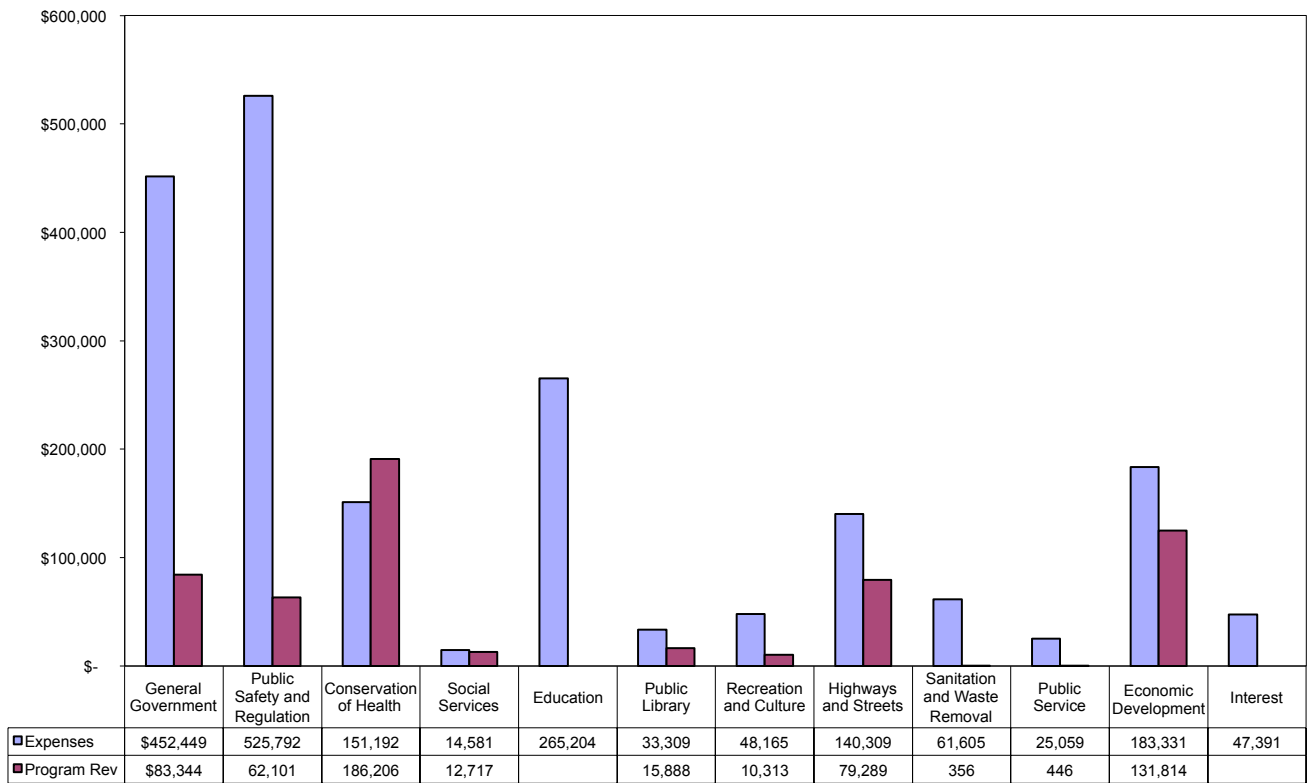
(Expressed in Thousands)

| | Governmental activities | | Business-type activities | | Total | |
|--|-------------------------|--------------------|--------------------------|--------------------|--------------------|--------------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 109,872 | \$ 85,683 | \$ 382,387 | \$ 374,277 | \$ 492,259 | \$ 459,960 |
| Operating grants and contributions | 399,844 | 359,769 | | | 399,844 | 359,769 |
| Capital grants and contributions | 72,758 | 63,437 | 72,257 | 38,313 | 145,015 | 101,750 |
| General revenues: | | | | | | |
| Property taxes | 813,613 | 770,320 | | | 813,613 | 770,320 |
| Income taxes | 234,955 | 251,731 | | | 234,955 | 251,731 |
| State shared revenue | 127,433 | 135,226 | | | 127,433 | 135,226 |
| Transfer and recordation tax | 41,270 | 26,023 | | | 41,270 | 26,023 |
| Electric and gas tax | 37,532 | 30,163 | | | 37,532 | 30,163 |
| Telecommunications tax | 34,937 | 26,292 | | | 34,937 | 26,292 |
| Admission | 8,185 | 7,475 | | | 8,185 | 7,475 |
| Other | 85,042 | 68,633 | 5,743 | | 90,785 | 68,633 |
| Total revenues | 1,965,441 | 1,824,752 | 460,387 | 412,590 | 2,425,828 | 2,237,342 |
| Expenses: | | | | | | |
| General government | 452,449 | 545,037 | | | 452,449 | 545,037 |
| Public safety and regulation | 525,792 | 504,730 | | | 525,792 | 504,730 |
| Conservation of health | 151,192 | 164,751 | | | 151,192 | 164,751 |
| Social services | 14,581 | 435 | | | 14,581 | 435 |
| Education | 265,204 | 228,788 | | | 265,204 | 228,788 |
| Public library | 33,309 | 33,915 | | | 33,309 | 33,915 |
| Recreation and culture | 48,165 | 39,205 | | | 48,165 | 39,205 |
| Highways and streets | 140,309 | 191,536 | | | 140,309 | 191,536 |
| Sanitation and waste removal | 61,605 | 52,905 | | | 61,605 | 52,905 |
| Public service | 25,059 | 24,316 | | | 25,059 | 24,316 |
| Economic development | 183,331 | 182,816 | | | 183,331 | 182,816 |
| Interest | 47,391 | 50,105 | | | 47,391 | 50,105 |
| Water | | | 120,736 | 107,982 | 120,736 | 107,982 |
| Waste water | | | 159,776 | 157,605 | 159,776 | 157,605 |
| Parking | | | 19,853 | 24,832 | 19,853 | 24,832 |
| Conduits | | | 9,688 | 5,947 | 9,688 | 5,947 |
| Development loans | | | 3,243 | 3,258 | 3,243 | 3,258 |
| Industrial development | | | 929 | 2,333 | 929 | 2,333 |
| Total expenses | 1,948,387 | 2,018,539 | 314,225 | 301,957 | 2,262,612 | 2,320,496 |
| Increase (decrease) in net assets before transfers | 17,054 | (193,787) | 146,162 | 110,633 | 163,216 | (83,154) |
| Transfers: | | | | | | |
| Transfers in (out) | 55,522 | 40,707 | (55,522) | (40,707) | | |
| Change in net assets | 72,576 | (153,080) | 90,640 | 69,926 | 163,216 | (83,154) |
| Net assets— beginning | 2,336,275 | 2,489,355 | 1,685,052 | 1,615,126 | 4,021,327 | 4,104,481 |
| Net assets— ending | \$2,408,851 | \$2,336,275 | \$1,775,692 | \$1,685,052 | \$4,184,543 | \$4,021,327 |

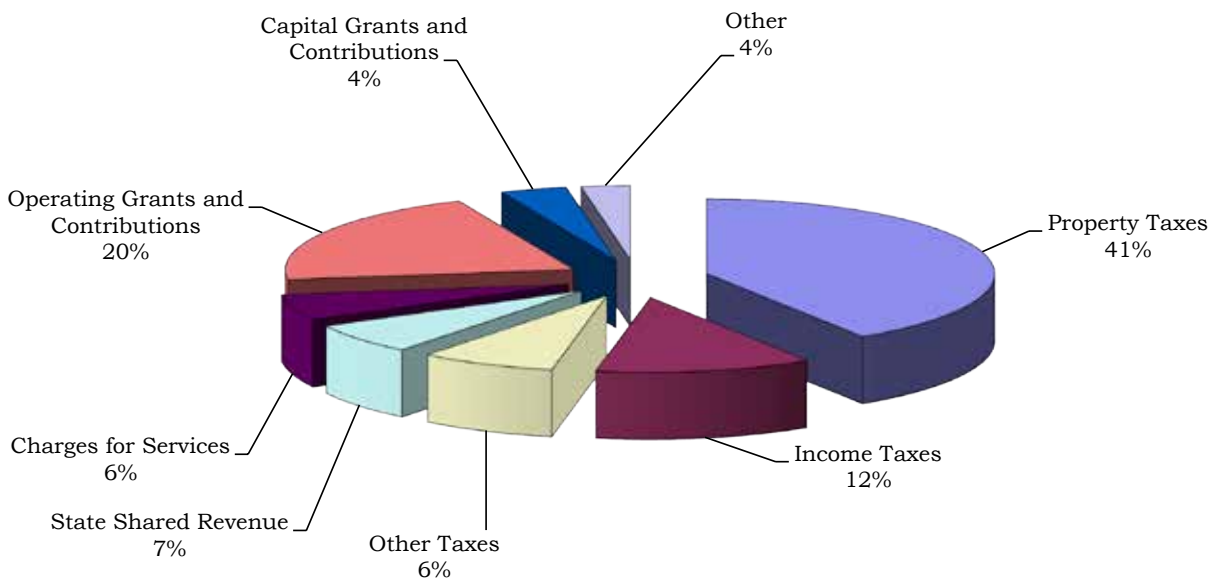
Analysis of Changes in Net Assets

The overall increase in the City’s net assets amounted to \$163.2 million during fiscal year 2011. 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

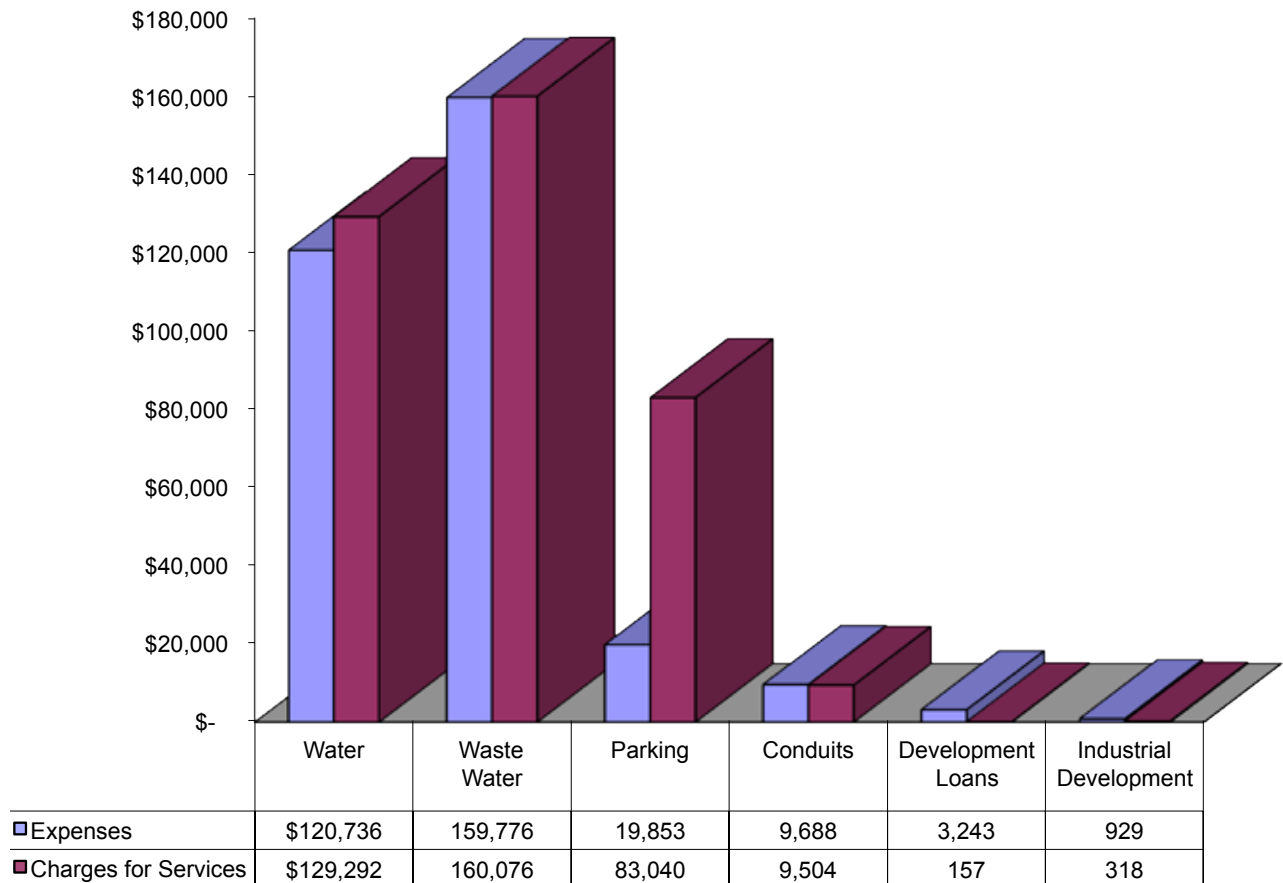
During the current fiscal year, expenses related to governmental activities amounted to \$1.9 billion, this is less than revenues by \$17.1 million. Total revenue of \$2.0 billion is comprised of program revenues totaling \$582.5 million, or

29.1%. 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 2011, governmental revenue increased by \$140.7 million. This increase is attributable to increases in property taxes of \$43.3 million, transfer and recordation taxes of \$15.2 million and operating grants revenue of \$40.1 million.

Governmental expenses decreased by \$70.2 million during fiscal year 2011. This decrease is primarily attributable to decreases in general government of \$92.6 million and in highways and streets of \$51.2 million. The decrease in general fund is a result of shifting some cost for retiree health care to education as well as the continuing effect of the economic downturn on general fund operations. The decrease was offset by increases in education of \$36.4 million and increases in public safety of \$21.1 million. The increase in education is attributable to a shift in retiree health cost from general government to education. The increase in public safety is a result of the City’s efforts to make it safer for its residents.

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 \$460.4 million. Expenses and transfers for these activities totaled \$369.7 million and resulted in an increase in net assets of \$90.6 million.

Operating revenues decreased by \$7.1 million in fiscal year 2011 in the Water and Waste Water Utility Funds. The decrease is attributable to refunds made to customers during the fiscal year. Capital assets increased by \$114.1 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 a City's net resources available for spending at the end of the fiscal year. Types of major governmental funds reported by the City include the General Fund, Motor Vehicle Fund, Grants Revenue Fund, and Capital Projects Fund. Data from the remaining governmental funds are combined into a single, aggregated presentation as Other Funds.

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

For the Fiscal Years 2011 and 2010

(Expressed in Thousands)

| | 2011 | 2010 | Variance Amount |
|--|------------|------------|--------------------|
| Revenues: | | | |
| General fund: | | | |
| Property taxes | \$ 793,717 | \$ 770,320 | \$ 23,397 |
| Income taxes | 234,955 | 251,731 | (16,776) |
| Other local— taxes | 147,366 | 115,472 | 31,894 |
| Total local taxes | 1,176,038 | 1,137,523 | 38,515 |
| Licenses and permits | 42,129 | 34,438 | 7,691 |
| Interest, rentals, and other investment income | 21,903 | 24,148 | (2,245) |
| State grants | 89,453 | 97,320 | (7,867) |
| Other | 53,313 | 41,154 | 12,159 |
| Total revenues— general fund | 1,382,836 | 1,334,583 | 48,253 |
| Other governmental funds: | | | |
| Motor vehicle fund | 160,974 | 156,590 | 4,384 |
| Grants revenue fund | 292,887 | 270,692 | 22,195 |
| Capital projects fund | 84,230 | 75,296 | 8,934 |
| Other funds | 26,245 | 28,641 | (2,396) |
| Total revenues other governmental funds | 564,336 | 531,219 | 33,117 |
| Total revenues all governmental funds | 1,947,172 | 1,865,802 | 81,370 |
| Expenditures: | | | |
| General fund: | | | |
| General government | 375,814 | 410,746 | (34,932) |
| Public safety and regulation | 452,977 | 437,031 | 15,946 |
| Conservation of health | 44,076 | 44,950 | (874) |
| Social services | 1,361 | 396 | 965 |
| Education | 247,074 | 207,657 | 39,417 |
| Public library | 23,890 | 24,246 | (356) |
| Recreation and culture | 37,981 | 30,212 | 7,769 |
| Highways and streets | 16,838 | 16,376 | 462 |
| Sanitation and waste removal | 39,503 | 37,862 | 1,641 |
| Public service | 16,403 | 21,455 | (5,052) |
| Economic development | 36,589 | 36,186 | 403 |
| Total expenditures— general fund | 1,292,506 | 1,267,117 | 25,389 |
| Other governmental funds: | | | |
| Motor vehicle fund | 140,223 | 191,558 | (51,335) |
| Grants revenue fund | 292,497 | 280,603 | 11,894 |
| Capital projects fund | 199,217 | 275,701 | (76,484) |
| Other funds | 119,750 | 120,778 | (1,028) |
| Total expenditures other governmental funds | 751,687 | 868,640 | (116,953) |
| Total expenditures all governmental funds | 2,044,193 | 2,135,757 | (91,564) |
| Excess of expenditures over revenue | (97,021) | (269,955) | 172,934 |
| Other financing sources: | | | |
| Transfers, net | 27,422 | 40,707 | (13,285) |
| Capital Projects Fund: | | | |
| Capital leases | 11,020 | 75,099 | (64,079) |
| Face value of funding and refunding general obligation bonds | 54,730 | 54,688 | 42 |
| Total other financing sources | 93,172 | 170,494 | (77,322) |
| Net changes in fund balances | (3,849) | (99,461) | 95,612 |
| Fund balances beginning | 283,085 | 382,546 | 99,461 |
| Fund balances ending | \$ 279,236 | \$ 283,085 | \$ (3,849) |

Revenues for governmental functions overall totaled approximately \$1.9 billion in the fiscal year ended June 30, 2011, which represents an increase of 4.3% from the fiscal year ended June 30, 2010. Expenditures for governmental functions, totaling \$2.0 billion, decreased by approximately 4.2% from the fiscal year ended June 30, 2010. In the fiscal year ended June 30, 2011, expenditures for governmental functions exceeded revenues by \$97.0 million, or 5.0%.

The General Fund is the chief operating fund of the City. Revenue in the General Fund increased \$48.2 million as compared to last year. During fiscal year 2011, the City continued to experience growth in property taxes attributable to increased assessments in fiscal year 2011. Actual property tax revenue grew by \$23.4 million during fiscal year 2011. During fiscal year 2011, General Fund expenditures increased by \$25.4 million.

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

General government expenditures decreased partly because of a shift of retiree health care expenditures of approximately \$31.0 to education as well as 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 discussed above.

Public safety expenditures increased by \$15.9 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 \$93.9 million, while total fund balance was \$204.9 million. The fund balance in the City's General Fund increased by \$27.3 million during the fiscal year.

The Motor Vehicle Fund was established to account for operating and capital transportation programs supported primarily by State-shared revenues. Every effort is made to spend available proceeds from these funding sources in the year received. For the current year, receipts of \$161.0 million were more than outlays of \$140.2 million by \$20.8 million. The fund balance increased from \$16.7 million to \$17.8 million during the fiscal year, of which \$15.2 million was assigned for subsequent years' expenditures.

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 balance of \$48.3 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 | |
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Operating revenue | \$289,368 | \$296,738 | \$ 83,040 | \$ 67,760 | \$ 9,979 | \$ 9,989 |
| Operating expenses | 252,040 | 250,164 | 13,165 | 13,821 | 13,887 | 11,560 |
| Operating income (loss) | 37,328 | 46,574 | 69,875 | 53,939 | (3,908) | (1,571) |
| Non operating revenues (expenses), capital contributions, and transfers | 47,739 | 20,928 | (64,940) | (53,083) | 3,640 | 2,261 |
| Change in net assets | \$ 85,067 | \$ 67,502 | \$ 4,935 | \$ 856 | \$ (268) | \$ 690 |

As discussed in the Business-type activities section, both the Water and Waste Water Utilities Funds experienced operating revenue decreases in fiscal year 2011. These decreases are attributable to refunds made to customers in fiscal year 2011.

The Parking Facilities Fund revenues have increased during the current year as a result of having new garages and increased numbers of parking meters as well as more successful collections.

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, 2011

(Expressed in Thousands)

| | Original Budget | Final Budget | Actual | Variance With Original Budget Positive (Negative) | Variance With Final Budget Positive (Negative) |
|--|--------------------|-----------------|-------------|--|---|
| Total revenues | \$1,389,370 | \$1,389,370 | \$1,381,024 | \$ (8,346) | \$ (8,346) |
| Expenditures and encumbrances: | | | | | |
| General government | 393,332 | 395,179 | 354,702 | 38,630 | 40,477 |
| Public safety and regulation | 475,714 | 502,625 | 494,580 | (18,866) | 8,045 |
| Conservation of health | 35,658 | 37,982 | 25,906 | 9,752 | 12,076 |
| Social services | 8,053 | 8,178 | 2,686 | 5,367 | 5,492 |
| Education | 244,709 | 244,908 | 245,901 | (1,192) | (993) |
| Public library | 24,964 | 24,964 | 23,176 | 1,788 | 1,788 |
| Recreation and culture | 26,030 | 33,961 | 32,711 | (6,681) | 1,250 |
| Highways and streets | 813 | 813 | 757 | 56 | 56 |
| Sanitation and waste removal | 43,232 | 49,473 | 48,510 | (5,278) | 963 |
| Public service | 25,936 | 25,936 | 22,443 | 3,493 | 3,493 |
| Economic development | 45,036 | 49,459 | 49,125 | (4,089) | 334 |
| Total expenditures | 1,323,477 | 1,373,478 | 1,300,497 | 22,980 | 72,981 |
| Excess of revenues over expenditures and encumbrances | 65,893 | 15,892 | 80,527 | | |
| Other financing uses: | | | | | |
| Transfers in | 32,170 | 32,170 | 52,945 | | |
| Transfers out | (97,685) | (97,685) | (115,947) | | |
| Total other financing uses | (65,515) | (65,515) | (63,002) | | |
| Net changes in fund balances | 378 | (49,623) | 17,525 | | |
| Fund balances beginning | 132,461 | 132,461 | 132,461 | | |
| Fund balances ending | \$ 132,839 | \$ 82,838 | 149,986 | | |
| Adjustments to reconcile to GAAP basis: | | | | | |
| Addition of encumbrances outstanding | | | 63,751 | | |
| Less: Accounts payable not recorded for budgetary purposes | | | (8,837) | | |
| Fund balance June 30, 2011 - GAAP Basis | | | \$ 204,900 | | |

The City's final budget differs from the original budget in that it contains carry-forward appropriations for various programs and projects, and supplemental appropriations approved after adoption, and during the fiscal year. Supplemental appropriations totaling \$50.0 million were approved, all of which were approved from prior year surplus or from unexpected increases in revenue sources. Actual expenditures for the year were less than the original budget by \$23.0 million, but were \$73.0 million less than adjusted appropriations. Of this amount, \$66.1 million was related to four governmental activities: lower than budgeted cost for general government operations amounted to \$40.5 million; lower than budgeted cost for public safety operations amounted to \$8.0 million; lower than budgeted cost for health operations amounted to \$12.1 million, and lower than budgeted cost for social services amounted to \$5.5 million.

On a budgetary basis, revenue for fiscal year 2011 totaled \$1,381.0 million and expenditures and transfers totaled \$1,363.5 million. The excess of revenues over expenditures and transfers resulted in a budget basis fund balance at June 30, 2011 of \$150.0 million, an increase of \$17.5 million.

Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2011, amount to \$6.1 billion (net of accumulated depreciation). Capital assets include land, buildings and improvements, machinery and equipment, park facilities, roads, streets, bridges, and library books. The total increase in the City's net capital assets for the current fiscal year was 2.2% (a 0.4% increase for governmental activities and a 4.5% increase for business-type activities) as shown in the table which follows.

Capital Assets, Net of Depreciation For the Fiscal Years 2011 and 2010

(Expressed in Thousands)

| | Governmental activities | | Business-type activities | | Total | |
|---------------------------------|-------------------------|--------------|--------------------------|--------------|--------------|--------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Land and Other..... | \$ 374,437 | \$ 363,359 | \$ 36,597 | \$ 36,597 | \$ 411,034 | \$ 399,956 |
| Buildings and Improvements..... | 1,048,649 | 997,912 | 1,946,997 | 1,463,714 | 2,995,646 | 2,461,626 |
| Machinery and Equipment..... | 92,340 | 102,490 | 26,823 | 31,312 | 119,163 | 133,802 |
| Infrastructure..... | 1,690,969 | 1,461,937 | 45,669 | 39,883 | 1,736,638 | 1,501,820 |
| Library Books..... | 26,473 | 27,217 | | | 26,473 | 27,217 |
| Construction in Progress..... | 218,838 | 483,476 | 583,993 | 954,158 | 802,831 | 1,437,634 |
| Total..... | \$ 3,451,706 | \$ 3,436,391 | \$ 2,640,079 | \$ 2,525,664 | \$ 6,091,785 | \$ 5,962,055 |

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 \$2.6 billion. Of this amount, \$631.0 million was general obligation bonds backed by the full faith and credit of the City, \$422.0 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 2011, the City sold \$54.7 million in general obligation bonds and \$186.4 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 2011 | FY 2010 |
|---|-----------|-----------|
| Net general bonded debt (expressed in thousands)..... | \$594,696 | \$590,674 |
| Net general bonded debt per capita..... | N/A | 951.23 |
| Ratio of net general bonded debt to net assessed value..... | 1.5% | 1.6% |

See note number 7 on long-term obligations.

N/A Information not available

As of June 30, 2011, the City had \$631.0 million in authorized, outstanding property tax-supported general obligation bonds. This amount is reduced by net assets in the Debt Service Fund of \$36.3 million for net tax-supported bonded debt of \$594.7 million, which is equal to approximately 1.8% 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 2012 budget submitted by the Board of Estimates to the Baltimore City Council proposed total appropriations of \$2,703,078,000 of which \$1,416,868,000 were for General Fund operations and Pay-As-You-Go (PAYGO) capital; \$156,296,000 was for Motor Vehicle Fund operations and PAYGO capital; and \$60,939,000 was for Special Fund operations. 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 21, 2011.

Fiscal 2012 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 2012 and Fiscal 2013, 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 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 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 2010 and 2011. The Governor has proposed shifting large and growing teacher pension costs to the City without sufficient revenue offsets.

In 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, 2011

(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 | \$ 239,677 | \$ 495,734 | \$ 735,411 | \$ 176,229 | \$ 2,690 |
| Investments | 139,779 | | 139,779 | 53,585 | 33,523 |
| Property taxes receivable, net | 31,274 | | 31,274 | | |
| Other receivables, net | 39,989 | 96,938 | 136,927 | 2,778 | 1,039 |
| Due from other governments | 182,358 | 21,461 | 203,819 | 74,656 | |
| Internal balances | 409 | (409) | | | |
| Due from primary government | | | | 4,009 | |
| Inventories, at cost | 7,157 | 5,175 | 12,332 | 4,121 | 121 |
| Notes and mortgages receivable, net | 309,329 | 65,653 | 374,982 | | |
| Other assets | 17,383 | 53,040 | 70,423 | 391 | 3,929 |
| Issuance costs | | 3,624 | 3,624 | 1,086 | 11,058 |
| Capital assets being depreciated, net of accumulated depreciation | 2,858,431 | 2,019,489 | 4,877,920 | 611,192 | 233,421 |
| Capital assets not being depreciated | 593,275 | 620,590 | 1,213,865 | | |
| Deferred outflow of resources - interest rate SWAPS | 18,725 | 58,891 | 77,616 | | |
| Total assets and deferred outflows of resources | 4,437,786 | 3,440,186 | 7,877,972 | 928,047 | 285,781 |
| Liabilities: | | | | | |
| Accounts payable and accrued liabilities | 112,309 | 25,400 | 137,709 | 128,174 | 5,723 |
| Accrued interest payable | 14,374 | 22,159 | 36,533 | | 5,295 |
| Estimated claims in progress: | | | | | |
| Due within one year | 55,654 | | 55,654 | | |
| Due in more than one year | 126,332 | | 126,332 | | |
| Unamortized premiums on bonds | 15,958 | 10,924 | 26,882 | | |
| Matured bonds payable | 2 | | 2 | | |
| Unearned revenue | 60,280 | | 60,280 | 28,900 | 2,197 |
| Notes Payable | | | | | 300,940 |
| Due to other governments | | 17,953 | 17,953 | | |
| Deposits subject to refund | 21,965 | 15 | 21,980 | | |
| Revenue bonds payable net of deferred loss on bond refunding and unamortized charges: | | | | | |
| Due within one year | 11,641 | 36,858 | 48,499 | | |
| Due in more than one year | 410,370 | 1,443,554 | 1,853,924 | | |
| Long term debt payable: | | | | | |
| Due within one year | 64,753 | 41 | 64,794 | 6,184 | |
| Due in more than one year | 716,782 | 20 | 716,802 | 148,540 | |
| Derivative instrument liability | 18,725 | 93,149 | 111,874 | | |
| Capital leases payable: | | | | | |
| Due within one year | 21,762 | | 21,762 | 6,350 | |
| Due in more than one year | 139,168 | | 139,168 | 50,335 | |
| Compensated absences: | | | | | |
| Due within one year | 44,173 | 4,738 | 48,911 | 9,639 | |
| Due in more than one year | 66,353 | 8,244 | 74,597 | 66,883 | |
| Landfill closure due in more than one year | 19,072 | | 19,072 | | |
| Other postemployment benefits obligation | 105,100 | | 105,100 | | |
| Other liabilities | 4,162 | 1,439 | 5,601 | 3,959 | 14,110 |
| Total liabilities | 2,028,935 | 1,664,494 | 3,693,429 | 448,964 | 328,265 |
| Net assets (deficits): | | | | | |
| Invested in capital assets, net of related debt | 2,989,607 | 1,461,618 | 4,451,225 | 322,585 | (67,519) |
| Restricted for: | | | | | |
| Construction | | | | 81,658 | |
| Debt service | | 142,070 | 142,070 | | |
| Perpetual care: | | | | | |
| Expendable | 8,280 | | 8,280 | | |
| Nonexpendable | 6,651 | | 6,651 | | |
| Unrestricted (deficits) | (595,687) | 172,004 | (423,683) | 74,840 | 25,035 |
| Total net assets | \$ 2,408,851 | \$ 1,775,692 | \$ 4,184,543 | \$ 479,083 | \$ (42,484) |

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, 2011
(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 | \$ 452,449 | \$ 47,916 | \$ 31,872 | \$ 3,556 | \$ (369,105) | | \$ (369,105) | | | |
| Public safety and regulation | 525,792 | 17,014 | 45,087 | | (463,691) | | (463,691) | | | |
| Conservation of health | 151,192 | 2,471 | 183,735 | | 35,014 | | 35,014 | | | |
| Social services | 14,581 | | 12,717 | | (1,864) | | (1,864) | | | |
| Education | 265,204 | | | | (265,204) | | (265,204) | | | |
| Public library | 33,309 | 319 | 15,569 | | (17,421) | | (17,421) | | | |
| Recreation and culture | 48,165 | | 2,588 | 7,725 | (37,852) | | (37,852) | | | |
| Highways and streets | 140,309 | 31,185 | | 48,104 | (61,020) | | (61,020) | | | |
| Sanitation and waste removal | 61,605 | 13 | 343 | | (61,249) | | (61,249) | | | |
| Public service | 25,059 | | 446 | | (24,613) | | (24,613) | | | |
| Economic development | 183,331 | 10,954 | 107,487 | 13,373 | (51,517) | | (51,517) | | | |
| Interest | 47,391 | | | | (47,391) | | (47,391) | | | |
| Total governmental activities | 1,948,387 | 109,872 | 399,844 | 72,758 | (1,365,913) | | (1,365,913) | | | |
| Business-type activities: | | | | | | | | | | |
| Water | 120,736 | 129,292 | | 21,765 | | \$ 30,321 | 30,321 | | | |
| Waste water | 159,776 | 160,076 | | 49,582 | | 49,882 | 49,882 | | | |
| Parking | 19,853 | 83,040 | | | | 63,187 | 63,187 | | | |
| Conduits | 9,688 | 9,504 | | | | (184) | (184) | | | |
| Development loans | 3,243 | 157 | | 910 | | (2,176) | (2,176) | | | |
| Industrial development | 929 | 318 | | | | (611) | (611) | | | |
| Total business-type activities | 314,225 | 382,387 | | 72,257 | | 140,419 | 140,419 | | | |
| Total primary government | \$ 2,262,612 | \$ 492,259 | \$ 399,844 | \$ 145,015 | (1,365,913) | 140,419 | (1,225,494) | | | |
| Component units: | | | | | | | | | | |
| Baltimore City Public School System | \$ 1,430,669 | | \$ 1,387,954 | \$ 32,132 | | | | \$ (10,583) | | |
| Baltimore Hotel Corporation | \$ 66,981 | \$ 55,402 | | | | | | | \$ (11,579) | |
| General revenues: | | | | | | | | | | |
| Property taxes | | | | | 813,613 | | 813,613 | | | |
| Income taxes | | | | | 234,955 | | 234,955 | | | |
| Transfer and recordation tax | | | | | 41,270 | | 41,270 | | | |
| Electric and gas tax | | | | | 37,532 | | 37,532 | | | |
| Telecommunications tax | | | | | 34,937 | | 34,937 | | | |
| Admission tax | | | | | 8,185 | | 8,185 | | | |
| Other local taxes | | | | | 25,442 | | 25,442 | | | |
| State shared revenues | | | | | 127,433 | | 127,433 | | | |
| Unrestricted investment income | | | | | 23,905 | 5,743 | 29,648 | 149 | 497 | |
| Miscellaneous | | | | | 35,695 | | 35,695 | 11,328 | | |
| Transfers | | | | | 55,522 | (55,522) | | | | |
| Total general revenues and transfers | | | | | 1,438,489 | (49,779) | 1,388,710 | 11,477 | 497 | |
| Change in net assets | | | | | 72,576 | 90,640 | 163,216 | 894 | (11,082) | |
| Net assets— beginning (as restated) | | | | | 2,336,275 | 1,685,052 | 4,021,327 | 478,189 | (31,402) | |
| Net assets— ending | | | | | \$ 2,408,851 | \$ 1,775,692 | \$ 4,184,543 | \$ 479,083 | \$ (42,484) | |

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

CITY OF BALTIMORE

Balance Sheet

Governmental Funds

June 30, 2011

(Expressed in Thousands)

| | General Fund | Motor Vehicle Fund | Grants Revenue Fund | Capital Projects Fund | Nonmajor Funds | Total |
|---|-------------------|-----------------------|------------------------|-----------------------------|-------------------|----------------|
| Assets: | | | | | | |
| Cash and cash equivalents | \$ 73,193 | | | | \$ 29,124 | \$ 102,317 |
| Investments | 97,906 | | | \$14,505 | 22,268 | 134,679 |
| Property taxes receivable, net | 31,274 | | | | | 31,274 |
| Other receivables, net | 26,605 | \$ 1,804 | | 1,764 | 4,203 | 34,376 |
| Due from other governments | 28,361 | 22,280 | \$ 87,650 | 43,865 | 202 | 182,358 |
| Due from other funds | 71,173 | | | 1,519 | 1,358 | 74,050 |
| Notes, mortgages receivable, net | 6,204 | | | | 925 | 7,129 |
| Inventories, at cost | | 2,658 | | | | 2,658 |
| Other assets | 17,328 | | | | | 17,328 |
| Total assets | 352,044 | 26,742 | 87,650 | 61,653 | 58,080 | 586,169 |
| Liabilities and fund balances (deficits): | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable and accrued liabilities | 69,373 | 5,193 | 11,621 | 1,984 | 658 | 88,829 |
| Retainages payable | | 2 | | 8,437 | | 8,439 |
| Due to other funds | | 1,908 | 44,382 | 2,958 | 13,983 | 63,231 |
| Deposits subject to refund | 21,965 | | | | | 21,965 |
| Deferred revenue | 55,806 | 1,804 | 64,335 | | 2,522 | 124,467 |
| Matured bonds payable | | | | | 2 | 2 |
| Total liabilities | 147,144 | 8,907 | 120,338 | 13,379 | 17,165 | 306,933 |
| Fund balances: | | | | | | |
| Nonspendable | 6,154 | 2,658 | | | 2,811 | 11,623 |
| Assigned | 104,862 | 15,177 | | 128,813 | 48,837 | 297,689 |
| Unassigned | 93,884 | | (32,688) | (80,539) | (10,733) | (30,076) |
| Total fund balances (deficits) | 204,900 | 17,835 | (32,688) | 48,274 | 40,915 | 279,236 |
| Total liabilities and fund balances (deficits) | \$ 352,044 | \$ 26,742 | \$ 87,650 | \$ 61,653 | \$ 58,080 | |

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 | 3,392,973 |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds | 320,925 |
| 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. | 6,992 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. | (1,591,275) |
| Net assets of governmental activities | \$2,408,851 |

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, 2011
(Expressed in Thousands)

| | General Fund | Motor Vehicle Fund | Grants Revenue Fund | Capital Projects Fund | Nonmajor Funds | Total |
|---|-------------------|--------------------|---------------------|-----------------------|------------------|-------------------|
| Revenues: | | | | | | |
| Taxes— local | \$1,176,038 | | | | | \$1,176,038 |
| State shared revenue | | \$ 127,310 | | | \$ 123 | 127,433 |
| Licenses and permits | 42,129 | 762 | | | | 42,891 |
| Fines and forfeitures | 8,055 | 25,655 | | | | 33,710 |
| Interest, rentals and other investment income | 21,903 | 630 | | \$ 378 | 994 | 23,905 |
| Federal grants | | | \$ 199,372 | 53,774 | 25,128 | 278,274 |
| State grants | 89,453 | | 55,875 | 18,985 | | 164,313 |
| Other grants | 25 | | 37,640 | | | 37,665 |
| Charges for services | 26,654 | 6,617 | | | | 33,271 |
| Miscellaneous | 18,579 | | | 11,093 | | 29,672 |
| Total revenues | 1,382,836 | 160,974 | 292,887 | 84,230 | 26,245 | 1,947,172 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| General government | 375,814 | 29,560 | 33,071 | | 3,714 | 442,159 |
| Public safety and regulation | 452,977 | 29,898 | 42,065 | | 14 | 524,954 |
| Conservation of health | 44,076 | | 107,127 | | | 151,203 |
| Social services | 1,361 | 150 | 13,031 | | | 14,542 |
| Education | 247,074 | | | | 424 | 247,498 |
| Public library | 23,890 | | 7,681 | | 25 | 31,596 |
| Recreation and culture | 37,981 | 550 | 2,651 | | 36 | 41,218 |
| Highways and streets | 16,838 | 58,506 | 351 | | | 75,695 |
| Sanitation and waste removal | 39,503 | 21,321 | | | | 60,824 |
| Public service | 16,403 | | 5,764 | | | 22,167 |
| Economic development | 36,589 | 238 | 80,756 | 56,231 | 10,117 | 183,931 |
| Debt service: | | | | | | |
| Principal | | | | | 61,282 | 61,282 |
| Interest | | | | | 38,256 | 38,256 |
| Other bond costs | | | | | 5,882 | 5,882 |
| Capital outlay | | | | 131,966 | | 131,966 |
| Capital leases | | | | 11,020 | | 11,020 |
| Total expenditures | 1,292,506 | 140,223 | 292,497 | 199,217 | 119,750 | 2,044,193 |
| Excess (deficiency) of revenues over (under) expenditures | 90,330 | 20,751 | 390 | (114,987) | (93,505) | (97,021) |
| Other financing sources (uses): | | | | | | |
| Transfers in | 52,945 | | 5,307 | 20,294 | 99,997 | 178,543 |
| Transfers out | (115,947) | (19,618) | | (5,469) | (10,087) | (151,121) |
| Capital leases | | | | 11,020 | | 11,020 |
| Face value of funding and general obligation bonds | | | | 54,730 | | 54,730 |
| Total other financing sources (uses) | (63,002) | (19,618) | 5,307 | 80,575 | 89,910 | 93,172 |
| Net change in fund balance | 27,328 | 1,133 | 5,697 | (34,412) | (3,595) | (3,849) |
| Fund balances (deficits)— beginning | 177,572 | 16,702 | (38,385) | 82,686 | 44,510 | 283,085 |
| Fund balances (deficits)— ending | \$ 204,900 | \$ 17,835 | \$ (32,688) | \$ 48,274 | \$ 40,915 | \$ 279,236 |

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, 2011

(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) | \$ (3,849) |
| 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 . . . | 37,738 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds | 18,271 |
| 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 | (65,750) |
| 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 | 76,413 |
| The net expense of certain activities of internal service funds is reported with governmental activities | 9,753 |
| Change in net assets of governmental activities (page 17) | \$ 72,576 |

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, 2011

(Expressed in Thousands)

| | Enterprise Funds | | | | Total | Governmental Activities Internal Service Funds |
|--|--------------------------|-----------------------------------|-------------------------------|-------------------|--------------|---|
| | Water Utility Fund | Waste Water Utility Fund | Parking Facilities Fund | Nonmajor Funds | | |
| Assets and deferred outflows of resources: | | | | | | |
| Current assets: | | | | | | |
| Cash and cash equivalents | \$ 50,736 | \$ 70,756 | \$ 22,723 | \$ 45,759 | \$ 189,974 | \$137,360 |
| Investments | | | | | | 5,100 |
| Accounts receivable, net: | | | | | | |
| Service billings | 42,772 | 27,254 | | 3,181 | 73,207 | |
| Other | 246 | 217 | 230 | 13 | 706 | 5,613 |
| Due from other governments | 8,301 | 13,160 | | | 21,461 | |
| Inventories | 4,903 | 272 | | | 5,175 | 4,499 |
| Total current assets | 106,958 | 111,659 | 22,953 | 48,953 | 290,523 | 152,572 |
| Noncurrent assets: | | | | | | |
| Restricted assets: | | | | | | |
| Cash and cash equivalents | 105,154 | 159,719 | 38,020 | 2,867 | 305,760 | |
| Accounts receivable | 8,452 | 14,573 | | | 23,025 | |
| Notes and mortgages receivable | | | 65,653 | | 65,653 | |
| Capital assets, net of accumulated depreciation | 681,466 | 1,202,955 | 89,399 | 45,669 | 2,019,489 | 58,733 |
| Capital assets not being depreciated | 213,404 | 382,946 | 22,411 | 1,829 | 620,590 | |
| Other assets | | | | 53,040 | 53,040 | 55 |
| Issuance costs | 1,444 | | 2,008 | 172 | 3,624 | |
| Deferred outflow of resources - interest rate swaps | 28,698 | 21,719 | 136 | 8,338 | 58,891 | |
| Total noncurrent assets | 1,038,618 | 1,781,912 | 217,627 | 111,915 | 3,150,072 | 58,788 |
| Total assets and deferred outflows of resources | 1,145,576 | 1,893,571 | 240,580 | 160,868 | 3,440,595 | 211,360 |
| Liabilities: | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable and accrued liabilities | 3,256 | 7,192 | 409 | 637 | 11,494 | 15,041 |
| Accrued interest payable | 8,432 | 10,588 | 3,128 | 11 | 22,159 | |
| Deposits subject to refund | 15 | | | | 15 | |
| Due to other funds | | | | 1,519 | 1,519 | 9,300 |
| Due to other governments | 7,090 | 10,863 | | | 17,953 | |
| Estimated liability for claims in progress | | | | | | 55,654 |
| Other liabilities | 2,155 | 2,583 | | | 4,738 | 4,162 |
| Accounts payable from restricted assets | 4,871 | 8,861 | | 174 | 13,906 | |
| Revenue bonds payable | 8,936 | 20,704 | 7,218 | | 36,858 | |
| General long-term debt payable | | 41 | | | 41 | |
| Total current liabilities | 34,755 | 60,832 | 10,755 | 2,341 | 108,683 | 84,157 |
| Noncurrent liabilities: | | | | | | |
| Revenue bonds payable, net | 508,197 | 707,370 | 150,087 | 77,900 | 1,443,554 | |
| Other liabilities | 3,575 | 4,136 | | 1,972 | 9,683 | |
| Unamortized bond premiums | | 10,924 | | | 10,924 | |
| General long-term debt payable | | 20 | | | 20 | |
| Estimated liability for claims in progress | | | | | | 119,101 |
| Derivative instrument liability | 38,120 | 21,921 | 22,927 | 10,181 | 93,149 | |
| Total noncurrent liabilities | 549,892 | 744,371 | 173,014 | 90,053 | 1,557,330 | 119,101 |
| Total liabilities | 584,647 | 805,203 | 183,769 | 92,394 | 1,666,013 | 203,258 |
| Net assets: | | | | | | |
| Invested in capital assets, net of related debt | 433,421 | 975,108 | 5,591 | 47,498 | 1,461,618 | 58,733 |
| Restricted for: | | | | | | |
| Debt service | 49,431 | 64,970 | 27,669 | | 142,070 | |
| Unrestricted (deficit) | 78,077 | 48,290 | 23,551 | 20,976 | 170,894 | (50,631) |
| Total net assets | \$ 560,929 | 1,088,368 | \$ 56,811 | \$ 68,474 | 1,774,582 | \$ 8,102 |
| Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds | | | | | 1,110 | |
| Net assets of business-type activities | | | | | \$ 1,775,692 | |

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, 2011

(Expressed in Thousands)

| | Enterprise Funds | | | | Total | Governmental Activities Internal Service Funds |
|--|--------------------------|-----------------------------------|-------------------------------|-------------------|-----------|---|
| | Water Utility Fund | Waste Water Utility Fund | Parking Facilities Fund | Nonmajor Funds | | |
| Operating revenues: | | | | | | |
| Charges for sales and services: | | | | | | |
| Water and sewer service | \$ 129,292 | \$ 160,076 | | | \$289,368 | |
| Rents, fees and other income | | | \$83,040 | \$9,941 | 92,981 | \$235,009 |
| Interest income | | | | 38 | 38 | |
| Total operating revenues | 129,292 | 160,076 | 83,040 | 9,979 | 382,387 | 235,009 |
| Operating expenses: | | | | | | |
| Salaries and wages | 34,792 | 39,216 | | 2,805 | 76,813 | 18,345 |
| Other personnel costs | 11,964 | 11,617 | | 1,105 | 24,686 | 6,213 |
| Contractual services | 34,325 | 51,611 | 10,728 | 1,545 | 98,209 | 37,146 |
| Materials and supplies | 9,189 | 7,517 | | 3,582 | 20,288 | 12,124 |
| Minor equipment | 316 | 170 | | 10 | 496 | 31 |
| Claims paid and incurred | | | | | | 173,340 |
| Postage and delivery services | | | | | | 1,776 |
| Depreciation | 16,728 | 34,595 | 2,437 | 826 | 54,586 | 8,137 |
| Program expenses | | | | 3,395 | 3,395 | |
| Interest | | | | 619 | 619 | |
| Total operating expenses | 107,314 | 144,726 | 13,165 | 13,887 | 279,092 | 257,112 |
| Operating income (loss) | 21,978 | 15,350 | 69,875 | (3,908) | 103,295 | (22,103) |
| Nonoperating revenues (expenses): | | | | | | |
| Loss on sale of investments | (115) | (61) | | | (176) | |
| Gain on sale of capital asset | | | 5,042 | | 5,042 | |
| Loss on sale of equipment | | | | | | (1,317) |
| Interest income | 4,435 | 1,308 | | | 5,743 | 376 |
| Interest expense | (13,742) | (15,433) | (11,730) | | (40,905) | |
| Total nonoperating revenues (expenses), net | (9,422) | (14,186) | (6,688) | | (30,296) | (941) |
| Income (loss) before capital contributions and transfers | 12,556 | 1,164 | 63,187 | (3,908) | 72,999 | (23,044) |
| Capital contributions | 21,765 | 49,582 | | 910 | 72,257 | 5,603 |
| Transfers in | | | | 2,730 | 2,730 | 28,100 |
| Transfers out | | | (58,252) | | (58,252) | |
| Change in net assets | 34,321 | 50,746 | 4,935 | (268) | 89,734 | 10,659 |
| Total net assets (deficits) — beginning | 526,608 | 1,037,622 | 51,876 | 68,742 | | (2,557) |
| Total net assets— ending | \$560,929 | \$1,088,368 | \$ 56,811 | \$ 68,474 | | \$ 8,102 |
| Adjustment to reflect the consolidation of internal service activities related to enterprise funds | | | | | 906 | |
| Change in net assets of business-type activities | | | | | \$ 90,640 | |

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, 2011

(Expressed in Thousands)

| | Enterprise Funds | | | | Total | Governmental Activities Internal Service Funds |
|---|--------------------------|-----------------------------------|-------------------------------|-------------------|------------|---|
| | Water Utility Fund | Waste Water Utility Fund | Parking Facilities Fund | Nonmajor Funds | | |
| Cash flow from operating activities: | | | | | | |
| Receipts from customers..... | \$ 137,438 | \$ 147,920 | \$ 83,201 | \$ 8,967 | \$ 377,526 | \$ 243,867 |
| Payments to employees..... | (46,756) | (50,833) | | (3,427) | (101,016) | (24,465) |
| Payments to suppliers..... | (47,666) | (50,652) | (10,643) | (9,023) | (117,984) | (203,455) |
| Net cash provided (used) by operating activities..... | 43,016 | 46,435 | 72,558 | (3,483) | 158,526 | 15,947 |
| Cash flows from noncapital financing activities: | | | | | | |
| Transfers in..... | | | | 2,730 | 2,730 | 28,100 |
| Transfers out..... | | | (58,252) | | (58,252) | |
| Net cash provided (used) by noncapital financing activities..... | | | (58,252) | 2,730 | (55,522) | 28,100 |
| Cash flows from capital and related financing activities: | | | | | | |
| Mortgages receivable principal payments..... | | | 3,297 | | 3,297 | |
| Proceeds from revenue bonds..... | 53,060 | 103,865 | 29,505 | | 186,430 | |
| Principal paid on revenue bonds..... | (8,036) | (20,171) | (7,250) | (8,200) | (43,657) | |
| Principal paid on general long-term debt..... | | (464) | | | (464) | |
| Interest income..... | 4,435 | 1,308 | | | 5,743 | |
| Interest expense..... | (13,461) | (15,445) | (11,039) | | (39,945) | |
| Acquisition and construction of capital assets..... | (72,439) | (87,516) | (16,431) | (2,844) | (179,230) | (4,438) |
| Capital contributions..... | 21,765 | 49,582 | | 910 | 72,257 | 5,603 |
| Other assets..... | | | | 9,578 | 9,578 | |
| Net cash provided (used) by capital and related financing activities..... | (14,676) | 31,159 | (1,918) | (556) | 14,009 | 1,165 |
| Cash flows from investing activities: | | | | | | |
| Proceeds from the sale and maturities of investments..... | | | | | | 3,649 |
| Interest on investments..... | | | | | | 376 |
| Purchase of investments..... | | | | | | (3,755) |
| Loss on sale of equipment..... | | | | | | (1,317) |
| Net cash provided (used) by investing activities..... | | | | | | (1,047) |
| Net increase (decrease) in cash and cash equivalents..... | 28,340 | 77,594 | 12,388 | (1,309) | 117,013 | 44,165 |
| Cash and cash equivalents, beginning of year..... | 127,550 | 152,881 | 48,355 | 49,935 | 378,721 | 93,195 |
| Cash and cash equivalents, end of year..... | \$ 155,890 | \$ 230,475 | \$ 60,743 | \$ 48,626 | \$ 495,734 | \$ 137,360 |
| Reconciliation of operating income to net cash provided by operating activities: | | | | | | |
| Operating income (loss)..... | \$ 21,978 | \$ 15,350 | \$ 69,875 | \$ (3,908) | \$ 103,295 | \$(22,103) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | | | | |
| Depreciation expense..... | 16,728 | 34,595 | 2,437 | 826 | 54,586 | 8,137 |
| Changes in assets and liabilities: | | | | | | |
| Accounts receivables..... | 10,196 | (16,028) | 161 | (1,012) | (6,683) | 4,945 |
| Due from other governments..... | | 3,872 | | | 3,872 | |
| Inventories..... | (420) | (41) | | | (461) | (204) |
| Other assets..... | | | | | | 2,434 |
| Accounts payable and accrued liabilities..... | (4,295) | (3,757) | (611) | 458 | (8,205) | 4,506 |
| Other liabilities..... | (3,087) | (82) | | (906) | (4,075) | 73 |
| Other noncurrent assets..... | | | | 1,149 | 1,149 | |
| Estimated liability for claims in progress..... | | | | | | 16,476 |
| Accrued interest payable..... | | 683 | 802 | (19) | 1,466 | |
| Restricted accounts payable..... | (2,050) | 980 | (106) | (72) | (1,248) | |
| Due to other funds..... | | | | 1 | 1 | 1,683 |
| Due to other governments..... | 3,966 | 10,863 | | | 14,829 | |
| Total adjustments..... | 21,038 | 31,085 | 2,683 | 425 | 55,231 | 38,050 |
| Net cash provided (used) by operating activities..... | \$ 43,016 | \$ 46,435 | \$ 72,558 | \$ (3,483) | \$ 158,526 | \$ 15,947 |

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, 2011
(Expressed in Thousands)

| | Pension Trust Funds | OPEB Trust Fund | Agency Funds |
|--|---------------------------|-----------------------|-----------------|
| Assets: | | | |
| Cash and cash equivalents | \$ 119,050 | \$ 23,644 | \$ 619 |
| Investments: | | | |
| Stocks | 2,095,166 | 108,609 | |
| Bonds | 904,594 | 42,037 | 51 |
| Real estate | 254,128 | 42,769 | |
| Securities lending collateral | 278,665 | | |
| Accounts receivable, net: | | | |
| Other | | 169 | |
| Redemption receivable | 59,127 | | |
| Forward foreign contracts | 66,505 | | |
| Other assets | 39,185 | 244 | |
| Total assets | 3,816,420 | 217,472 | 670 |
| Liabilities: | | | |
| Obligations under securities lending program | 278,665 | | |
| Forward foreign contracts | 66,325 | | |
| Accounts payable | 61,255 | 4,771 | |
| Other | 6,379 | 5,552 | 670 |
| Total liabilities | 412,624 | 10,323 | 670 |
| Net assets: | | | |
| Held in trust for benefits | \$ 3,403,796 | \$ 207,149 | |

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, 2011

(Expressed in Thousands)

| | Pension Trust Funds | OPEB Trust Fund |
|---|---------------------------|-----------------------|
| Additions: | | |
| Contributions: | | |
| Employer | \$ 170,872 | \$ 142,814 |
| Employee | 20,045 | 45,209 |
| Total contributions | <u>190,917</u> | <u>188,023</u> |
| Investment income: | | |
| Net appreciation in fair value of investments | 531,564 | 30,143 |
| Securities lending income | 651 | |
| Interest and dividend income (loss) | 63,117 | (1,753) |
| Total investment income | <u>595,332</u> | <u>28,390</u> |
| Less: investment expense | <u>14,082</u> | <u>287</u> |
| Net investment income | <u>581,250</u> | <u>28,103</u> |
| Total additions | <u>772,167</u> | <u>216,126</u> |
| Deductions: | | |
| Retirement allowances | 316,501 | |
| Health benefits | | 158,054 |
| Death benefits | 802 | |
| Administrative expenses | 7,486 | |
| Other | 1,709 | |
| Total deductions | <u>326,498</u> | <u>158,054</u> |
| Changes in net assets | <u>445,669</u> | <u>58,072</u> |
| Net assets— beginning of the year | <u>2,958,127</u> | <u>149,077</u> |
| Net assets— end of the year | <u>\$ 3,403,796</u> | <u>\$ 207,149</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.

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, 2011, 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, 2011. 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 4.5%, 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 2011 was \$29,613,826,000 which was approximately 80.5% of the estimated market value.

The tax rate in Baltimore City for real property taxes for fiscal year 2011 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 100.3% of the total tax levy.

At June 30, 2011, the City had property taxes receivable of \$31,274,000 net of an allowance for uncollectible accounts of \$19,896,000.

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

Fund Balance

During fiscal year 2011, the City adopted the provisions of GASB Statement No. 54 "Fund Balance Reporting and Fund Type Definitions." Accordingly, the fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement No. 54. Fund balances are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. As a result, amounts previously reported as reserved or unreserved are now reported as nonspendable, restricted or committed.

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.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

The City's general spending prioritization policy is to consider restricted resources to have been used first, followed by committed, assigned, and unassigned amounts when expenditures have been incurred for which resources in more than one classification could be used.

Nonspendable fund balance

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

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

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

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 2012 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

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

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.

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. 64

In June 2011, the GASB issued statement No. 64, “Derivative Instruments: Application of Hedge Accounting Termination Provisions, an amendment of GASB Statement No. 53”. The objective of this statement is to clarify whether an effective hedging relationship continues after replacement of a swap counterparty or a swap counterparty’s credit support provider. The City is required to adopt GASB No. 64 for its fiscal year 2012 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 | \$ 5,560,093 |
| Less: Accumulated depreciation | (2,167,120) |
| Total | \$ 3,392,973 |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds: | |
| Notes receivable | \$ 302,200 |
| Deferred outflows of resources - interest rate SWAPS | 18,725 |
| Total | \$ 320,925 |
| 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. | |
| | \$ 6,992 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds: | |
| Deferred revenue | \$ 64,187 |
| Accrued interest payable | (14,374) |
| Unamortized bond premiums | (15,958) |
| Long-term bonds | (781,535) |
| Revenue bonds | (422,011) |
| Capital leases | (160,930) |
| Compensated absences | (110,526) |
| Net OPEB obligation | (105,100) |
| Estimated claims in progress | (7,231) |
| Landfill closure liability | (19,072) |
| Derivative instrument liability | (18,725) |
| Total | \$(1,591,275) |

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 | \$ 134,584 |
| Capital leases | 11,020 |
| Depreciation | (107,864) |
| Total | \$ 37,738 |
| 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 | \$ 18,271 |
| The issuance of long-term debt (e. g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities: | |
| Proceeds from general obligation bonds | \$ (54,730) |
| Proceeds from capital leases | (11,020) |
| Total | \$ (65,750) |
| 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 | \$ 70,544 |
| Debt service interest (capital leases, GO bonds, and accrued interest) | (4,263) |
| Claims liability | 18,260 |
| Compensated absences | 10,272 |
| Increase in net OPEB obligation | (18,400) |
| Total | \$ 76,413 |
| The net expense of certain activities of internal service funds is reported with governmental activities: | |
| Internal service funds net expenses attributed to governmental activities | \$ 9,753 |

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, 2011 (amounts expressed in thousands):

| | Pooled Cash and Investments | Other | Total |
|---|--------------------------------|--------------|--------------|
| Carrying value of bank deposits | \$ 165,003 | \$ 142,694 | \$ 307,697 |
| Investments | 710,857 | 3,725,968 | 4,436,825 |
| Total | \$ 875,860 | \$ 3,868,662 | \$ 4,744,522 |

| | Government- wide Statement of Net Assets | Fiduciary Funds Statement of Net Assets Total | |
|--|--|---|--------------|
| Cash and cash equivalents | \$ 429,651 | \$ 143,312 | \$ 572,963 |
| Investments | 139,779 | 3,726,020 | 3,865,799 |
| Restricted cash and cash equivalents | 305,760 | | 305,760 |
| Total | \$ 875,190 | \$ 3,869,332 | \$ 4,744,522 |

B. CASH DEPOSITS

As of June 30, 2011, the carrying amount of the City's bank deposits was \$165,003,000 and the respective bank balances totaled \$170,885,000. 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, 2011, BCPSS and BHC had demand deposits with carrying values of \$45,300,000 and \$2,690,000, 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, 2011, 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 | \$ 121,456 | \$ 38,246 | \$ 4,998 | \$ 78,212 |
| U.S. Agencies | 48,463 | 18,277 | | 30,186 |
| Repurchase agreements | 85,000 | 85,000 | | |
| Certifical of deposit | 3,021 | | 3,021 | |
| Money market mutual funds | 279,558 | 279,558 | | |
| Maryland Local Government Investment Pool | 154,095 | 154,095 | | |
| Commercial paper | 11,329 | 11,329 | | |
| Guaranteed investment contracts | 5,205 | 5,205 | | |
| | \$ 708,127 | \$ 591,710 | \$ 8,019 | \$ 108,398 |
| Other investment: | | | | |
| Equity mutual funds | 2,724 | | | |
| | 710,851 | | | |
| Less: cash equivalents | 571,021 | | | |
| Total investments | \$ 139,830 | | | |

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, 2011 were rated by a nationally recognized statistical rating agency and are presented below using the Standard and Poor's rating scale (amounts expressed in thousands):

| Investment Type | Fair Value | Quality Ratings | |
|---|-------------------|-------------------|------------------|
| | | AAA | A1-P1 |
| Debt securities: | | | |
| U.S. Agencies | \$48,463 | \$ 48,463 | |
| Money market mutual funds | 279,558 | 279,558 | |
| Maryland Local Government Investment Pool | 154,095 | 154,095 | |
| Commercial paper | 11,329 | | \$ 11,329 |
| Total rated debt investments | \$ 493,445 | \$ 482,116 | \$ 11,329 |

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

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

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

The City had the following debt security investments at June 30, 2011, that were more than five percent of total investments (dollar amounts expressed in thousands):

| Investment | Fair Value | Percentage of Portfolio |
|---------------------------------------|------------|-------------------------|
| Cantor Repurchase Agreement | \$ 85,000 | 11.96% |

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, 2011, 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 | \$ 10,117 | | \$ 185,656 | \$ 195,773 |
| U.S. Government agency bonds | 62,734 | | 126,800 | 189,534 |
| Corporate bonds | 130,664 | \$ 6,147 | 313,158 | 449,969 |
| Barclay aggregate index fund | | | 5,232 | 5,232 |
| Mutual funds | 55,018 | 109 | 63,923 | 119,050 |
| Absolute return strategic funds | | | 64,086 | 64,086 |
| Total debt securities | 258,533 | 6,256 | 758,855 | 1,023,644 |
| Other: | | | | |
| Domestic equities | 665,394 | 7,705 | 548,052 | 1,221,151 |
| International equities | 188,782 | 3,921 | 417,021 | 609,724 |
| Hedge funds | 61,019 | | 12,805 | 73,824 |
| Private equity funds | | | 110,935 | 110,935 |
| Energy master limited partnerships | | | 79,533 | 79,533 |
| Real estate | 89,592 | | 164,535 | 254,127 |
| Total other | 1,004,787 | 11,626 | 1,332,881 | 2,349,294 |
| Total investments | 1,263,320 | 17,882 | 2,091,736 | 3,372,938 |
| Less: Cash and cash equivalents | 55,018 | 109 | 63,923 | 119,050 |
| Total net investments | \$ 1,208,302 | \$ 17,773 | \$ 2,027,813 | \$ 3,253,888 |

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, 2011, is presented on the following table (amounts expressed in thousands):

| Currency | Employees' Retirement System | Fire and Police Employees' Retirement System | Total |
|---|------------------------------------|---|-------------------|
| Euro Currency Unit | \$45,448 | \$ 84,942 | \$ 130,390 |
| British Pound Sterling | 35,717 | 49,261 | 84,978 |
| Japanese Yen | 21,161 | 36,100 | 57,261 |
| South Korean Won | 2,677 | 9,516 | 12,193 |
| Hong Kong Dollar | 9,805 | 11,394 | 21,199 |
| Swiss Franc | 6,109 | 19,587 | 25,696 |
| Mexican New Peso | 668 | 574 | 1,242 |
| South African Comm Rand | 382 | 2,094 | 2,476 |
| Malaysian Ringgit | 223 | | 223 |
| New Zealand Dollar | 2,098 | | 2,098 |
| Philippines Peso | 422 | 285 | 707 |
| New Taiwan Dollar | | 3,834 | 3,834 |
| Brazil Real | 1,047 | 2,868 | 3,915 |
| Canadian Dollar | 6,829 | 4,698 | 11,527 |
| New Turkish Lira | 468 | 516 | 984 |
| Israeli Shekel | | 710 | 710 |
| Australian Dollar | 6,355 | 260 | 6,615 |
| Swedish Krona | 1,825 | 4,824 | 6,649 |
| Norwegian Krone | 2,368 | 1,200 | 3,568 |
| Singapore Dollar | 10,560 | 6,233 | 16,793 |
| Chinese Yuan Renminbi | 3,695 | | 3,695 |
| Indonesian Rupian | 209 | 2,494 | 2,703 |
| Danish Krone | 1,731 | 1,648 | 3,379 |
| Egyptian Pound | | 378 | 378 |
| Thailand Baht | | 546 | 546 |
| Chilean Peso | | 374 | 374 |
| Polish Zloty | | 6 | 6 |
| Total Foreign Currency | <u>\$ 159,797</u> | <u>\$ 244,342</u> | <u>\$ 404,139</u> |
| U.S. Dollars (Held in international equity) | <u>\$ 43,058</u> | <u>\$ 172,679</u> | <u>\$ 215,737</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, 2011 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 | 6.44 | \$10,117 | | | | | \$ 10,117 |
| U.S. Government agency bonds | 5.64 | 62,734 | \$ 27,099 | \$ 16,138 | \$2,125 | | 17,372 |
| Corporate bonds | 4.61 | 130,664 | 32,429 | 65,199 | 1,300 | | 31,736 |
| Mutual funds | 0.08 | 55,018 | | | | | 55,018 |
| Total debt securities | | 258,533 | 59,528 | 81,337 | 3,425 | | 114,243 |
| <i>Elected Officials' Retirement System:</i> | | | | | | | |
| Corporate bonds | 4.07 | 6,147 | | | | | 6,147 |
| Mutual funds | 0.00 | 109 | | | | | 109 |
| Total debt securities | | 6,256 | | | | | 6,256 |
| <i>Fire and Police Employees' Retirement System:</i> | | | | | | | |
| U.S. Treasury notes and bonds | 10.49 | 185,656 | 185,656 | | | | |
| U.S. Government agency bonds | 4.67 | 126,800 | 126,800 | | | | |
| Barclay aggregate index | 5.10 | 5,232 | 5,232 | | | | |
| Corporate bonds | 5.16 | 313,158 | 171,207 | 117,311 | 5,264 | \$ 319 | 19,057 |
| Mutual funds | 0.08 | 63,923 | | | | | 63,923 |
| Absolute return strategic funds | 1.50 | 64,086 | 64,086 | | | | |
| Total debt securities | | \$ 758,855 | \$ 552,981 | \$ 117,311 | \$ 5,264 | \$ 319 | \$ 82,980 |

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, 2011, 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, 2011, was \$271,289,000, and the market value of the collateral received for those securities on loan was \$278,665,000. 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, 2011 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 | \$ 23,644 | \$ 23,644 | | |
| Bonds | 42,037 | | | \$ 42,037 |
| Mutual funds | 42,769 | 42,769 | | |
| Total | 108,450 | \$ 66,413 | | \$ 42,037 |
| Stock | 108,609 | | | |
| Total investments | 217,059 | | | |
| Less: Cash and cash equivalents | 23,644 | | | |
| Total net investments | \$ 193,415 | | | |

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, certificates of deposit, repurchase agreements and related mutual funds. The BCPSS's investments at June 30, 2011 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 | \$ 81,140 | \$ 81,140 | | 40.3% | 100.0% |
| Commercial paper | 5,749 | 5,749 | | 2.9 | 5.0 |
| Repurchase agreement | 36,534 | 36,534 | | 18.2 | 100.0 |
| U.S. Government agencies | 70,719 | 18,576 | \$ 52,143 | 35.2 | 100.0 |
| Certificates of deposit | 3,635 | 2,193 | 1,442 | 1.8 | 25.0 |
| MLGIP (Other) | 3,312 | 3,312 | | 1.6 | 100.0 |
| Total invested funds | 201,089 | \$ 147,504 | \$ 53,585 | 100.0% | |
| Less: Cash and cash equivalents | 147,504 | | | | |
| Total net investments | \$ 53,585 | | | | |

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

Investment Ratings

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

| Investment Ratings | Percent | Fair Value |
|------------------------|---------|------------|
| AAA/AAA | 64.0% | \$ 128,679 |
| A-1+/A-1/P-1 | 17.8 | 35,876 |
| Not rated | 18.2 | 36,534 |
| | 100.0% | \$ 201,089 |

Risk Classifications

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

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

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

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

Cash and cash equivalents 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 \$33,523,000; consisting of repurchase agreements with various financial institutions and government money market funds.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

4. Receivables

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

| Receivables | General Fund | Motor Vehicle Fund | Grants Revenue Fund | Capital Projects Fund | Enterprise Funds | Nonmajor and Other Funds | Total |
|--|------------------|--------------------------|---------------------------|-----------------------------|---------------------|--------------------------------|-------------------|
| Property taxes | \$ 31,274 | | | | | | \$31,274 |
| Service billings | | | | | \$70,026 | \$ 3,181 | 73,207 |
| Due from other governments | 28,361 | \$ 22,280 | \$ 87,650 | \$ 43,865 | 21,461 | 202 | 203,819 |
| Notes and mortgages receivable | 6,204 | | | | 65,653 | 925 | 72,782 |
| Other | 26,605 | 1,804 | | 1,764 | 693 | 69,125 | 99,991 |
| Restricted accounts receivable | | | | | 23,025 | | 23,025 |
| Total | \$ 92,444 | \$ 24,084 | \$ 87,650 | \$ 45,629 | \$180,858 | \$ 73,433 | \$ 504,098 |

Service billings are reported net of an allowance for doubtful accounts of \$19,592,000. Bad debt expense for fiscal year 2011 was \$3,992,000.

5. Capital Assets

Capital assets activity for the year ended June 30, 2011, is as follows (expressed in thousands):

Governmental Activities Capital Assets:

| Class | Balance June 30, 2010 | Additions | Deductions | Balance June 30, 2011 |
|---|-----------------------------|-------------------|-------------------|-----------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 144,132 | | | \$ 144,132 |
| Other | 219,227 | \$ 11,455 | \$ 377 | 230,305 |
| Construction in progress | 107,425 | 27,525 | 97,399 | 37,551 |
| Construction in progress—infrastructure | 376,051 | 93,576 | 288,340 | 181,287 |
| Total capital assets, not being depreciated | 846,835 | 132,556 | 386,116 | 593,275 |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 1,888,560 | 100,541 | | 1,989,101 |
| Equipment | 419,207 | 18,489 | 19,742 | 417,954 |
| Infrastructure | 2,433,408 | 288,339 | | 2,721,747 |
| Library books | 50,808 | 3,989 | 3,574 | 51,223 |
| Total capital assets, being depreciated | 4,791,983 | 411,358 | 23,316 | 5,180,025 |
| Less: accumulated depreciation for: | | | | |
| Buildings and improvements | 890,648 | 49,804 | | 940,452 |
| Equipment | 316,717 | 21,241 | 12,344 | 325,614 |
| Infrastructure | 971,471 | 59,307 | | 1,030,778 |
| Library books | 23,591 | 4,733 | 3,574 | 24,750 |
| Total accumulated depreciation | 2,202,427 | 135,085 | 15,918 | 2,321,594 |
| Total capital assets, being depreciated, net | 2,589,556 | 276,273 | 7,398 | 2,858,431 |
| Governmental activities capital assets, net | \$ 3,436,391 | \$ 408,829 | \$ 393,514 | \$ 3,451,706 |

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

Business-type Activities Capital Assets:

| Class | Balance June 30, 2010 | Additions | Deductions | Balance June 30, 2011 |
|--|-----------------------------|------------|------------|-----------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 36,597 | | | \$ 36,597 |
| Construction in progress | 954,158 | \$ 170,885 | \$ 541,050 | 583,993 |
| Total capital assets, not being depreciated | 990,755 | 170,885 | 541,050 | 620,590 |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 2,205,477 | 531,920 | | 2,737,397 |
| Equipment | 160,395 | 634 | | 161,029 |
| Infrastructure | 59,482 | 6,612 | | 66,094 |
| Total capital assets, being depreciated | 2,425,354 | 539,166 | | 2,964,520 |
| Less: accumulated depreciation for: | | | | |
| Buildings and improvements | 741,763 | 48,637 | | 790,400 |
| Equipment | 129,083 | 5,123 | | 134,206 |
| Infrastructure | 19,599 | 826 | | 20,425 |
| Total accumulated depreciation | 890,445 | 54,586 | | 945,031 |
| Total capital assets, being depreciated, net | 1,534,909 | 484,580 | | 2,019,489 |
| Business-type activities capital assets, net | \$ 2,525,664 | \$ 655,465 | \$ 541,050 | \$ 2,640,079 |

Depreciation expense was charged to functions/programs of the City for the fiscal year ended June 30, 2011 (amounts expressed in thousands):

Governmental activities:

| | |
|--|------------|
| General government | \$ 11,190 |
| Public safety and regulation | 12,715 |
| Conservation of health | 368 |
| Social services | 39 |
| Education | 17,706 |
| Public library | 5,669 |
| Recreation and parks | 7,405 |
| Highways and streets | 65,883 |
| Sanitation and waste removal | 1,827 |
| Public service | 3,029 |
| Economic development | 1,117 |
| Internal service funds | 8,137 |
| Total | \$ 135,085 |

Business-type activities:

| | |
|-----------------------|-----------|
| Water | \$ 16,728 |
| Waste water | 34,595 |
| Parking | 2,437 |
| Conduits | 826 |
| Total | \$ 54,586 |

At June 30, 2011, the outstanding commitments relating to projects of the City of Baltimore amount to approximately \$128,813,000 for governmental activities and \$311,470,000 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 2011, net interest cost of \$21,457,000 (net of interest income of \$3,359,000) 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, 2011, were as follows (amounts expressed in thousands):

| Fund | Interfund | |
|-----------------------|------------|-----------|
| | Receivable | Payable |
| General | \$ 71,173 | |
| Motor vehicle | | \$ 1,908 |
| Grants revenue | | 44,382 |
| Capital projects | 1,519 | 2,958 |
| Nonmajor governmental | 1,358 | 13,983 |
| Nonmajor proprietary | | 1,519 |
| Internal service | | 9,300 |
| Totals | \$ 74,050 | \$ 74,050 |

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, 2011, certain transactions between funds had not been completed.

B. TRANSFERS TO/FROM OTHER FUNDS

Transfers to/from other funds at June 30, 2011, consist of the following (amounts expressed in thousands):

| Fund | General | Motor Vehicle | Capital Projects | Nonmajor Governmental | Parking | Total Transfers To |
|-----------------------|------------|---------------|------------------|-----------------------|-----------|--------------------|
| General | | | | | \$ 52,945 | \$ 52,945 |
| Grants revenue | | | | | 5,307 | 5,307 |
| Capital projects | \$ 5,207 | \$ 5,000 | | \$ 10,087 | | 20,294 |
| Nonmajor governmental | 79,910 | 14,618 | \$ 5,469 | | | 99,997 |
| Internal service | 28,100 | | | | | 28,100 |
| Nonmajor proprietary | 2,730 | | | | | 2,730 |
| Total transfers from | \$ 115,947 | \$ 19,618 | \$ 5,469 | \$ 10,087 | \$ 58,252 | \$ 209,373 |

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, 2011, (amounts expressed in thousands):

| | |
|-----------------------------------|-----------|
| Special Revenue Funds: | |
| Grants revenue | \$ 32,688 |
| CDBG (nonmajor governmental fund) | 10,733 |
| Internal Service Funds: | |
| Risk management | 91,129 |
| Energy conservation | 1,237 |
| Municipal post office | 466 |
| Reproduction and printing | 6,628 |

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 2012.

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, 2011, are as follows (amounts expressed in thousands):

| | June 30, 2010 | Appreciation(a) | New Debt Issued | Debt Retired | June 30, 2011 | Due Within One Year |
|---|---------------|-----------------|-----------------|--------------|---------------|---------------------|
| GOVERNMENTAL ACTIVITIES | | | | | | |
| <i>General Obligation Bonds:</i> | | | | | | |
| Highways | \$ 11,068 | \$ 67 | | \$ 2,318 | \$ 8,817 | \$ 1,897 |
| Health | 3,340 | | \$ 69 | 171 | 3,238 | 188 |
| Public safety | 9,998 | 56 | 19 | 1,887 | 8,186 | 2,034 |
| Off-street parking | 15,806 | 55 | | 2,959 | 12,902 | 2,643 |
| Parks and recreation | 23,466 | 35 | 1,975 | 1,902 | 23,574 | 2,119 |
| Public buildings and facilities | 56,204 | 42 | 11,197 | 3,288 | 64,155 | 3,720 |
| Schools | 202,738 | 171 | 13,563 | 15,779 | 200,693 | 10,263 |
| Storm water | 3,184 | 95 | | 2,089 | 1,190 | 1,190 |
| Urban renewal | 284,465 | 351 | 27,907 | 25,259 | 287,464 | 25,297 |
| Waste disposal | 210 | 5 | | 141 | 74 | 74 |
| Unallocated | 21,514 | 488 | | 1,338 | 20,664 | 11,657 |
| Total general obligation bonds | 631,993 | 1,365 | 54,730 | 57,131 | 630,957 | 61,082 |
| <i>Special Obligation Bonds:</i> | | | | | | |
| Special Obligation Bonds | 116,205 | | | 605 | 115,600 | 655 |
| <i>Long-term financing with the Federal Government:</i> | | | | | | |
| Federal economic development loans | 45,436 | | | 3,285 | 42,151 | 2,796 |
| <i>Long-term financing with the State of Maryland:</i> | | | | | | |
| State economic development loans | 1,186 | | | 261 | 925 | 220 |
| Total Governmental Activities | \$794,820 | \$ 1,365 | \$ 54,730 | \$ 61,282 | \$ 789,633 | \$ 64,753 |
| BUSINESS-TYPE ACTIVITIES | | | | | | |
| <i>General Obligation Bonds:</i> | | | | | | |
| Water | \$ 118 | \$ 2 | | \$ 120 | | |
| Waste Water | 458 | 6 | | 464 | | |
| Total general obligation bonds | 576 | 8 | | 584 | | |
| <i>Long-term financing with the State of Maryland:</i> | | | | | | |
| Sewer construction loans | 145 | | | 84 | \$ 61 | \$ 41 |
| Total Business-type Activities | \$ 721 | \$8 | | \$ 668 | \$ 61 | \$ 41 |
| COMPONENT UNIT — BALTIMORE CITY PUBLIC SCHOOL SYSTEM | | | | | | |
| <i>Bonds:</i> | | | | | | |
| Schools | \$ 96,100 | | \$ 60,825 | \$ 5,350 | \$ 151,575 | \$ 5,235 |

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

No current interest is payable on the Series A or C Capital Appreciation Bonds, which are scheduled to mature on October 15 in each of the years 2010 to 2011, inclusive. Interest on the Series A and C Capital Appreciation Bonds accrues from the date of delivery, is compounded semiannually on each April 15 and October 15 and will be paid at the maturity or redemption date thereon. The accreted amount due at maturity is \$11,785,000 as of June 30, 2011. The Series A Capital Appreciation Bonds are subject to redemption prior to maturity beginning on October 15, 2005, as a whole at any time or in part thereafter on October 15 or April 15.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

Variable Rate Demand General Obligation Bonds

The City has \$30,560,000 in 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 issuance of the bonds, Bank of America N/A (Bank) issued a standby purchase agreement (Agreement) in the amount of \$44,793,000 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 amounts necessary to pay the principal portion and related accrued interest on the bonds tendered for purchase and not remarked.

Pursuant to the Agreement between the City and the Bank, the issuer is required to reimburse the Bank the amount drawn upon remarketing or in a lump sum payment as of August 14, 2014. If the takeout agreement were to be exercised because the issuance of bonds was put but not sold, the City would be required to pay approximately \$1,722,000 in interest annually with a lump sum payment of principal at the end of the agreement. The interest rate on draws made under this agreement is the LIBOR one month rate plus 1% for draws of less than 90 days, the LIBOR rate plus 2% for draws greater than 90 days, and after 180 days, the Bank of America Prime plus 0.5%.

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

During fiscal year 2011, the City made no draws under the Agreement, and no amounts drawn against the Agreement were outstanding at June 30, 2011.

At June 30, 2011, the City had \$154,755,000 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 was less than 1%.

The liabilities for governmental activities are principally liquidated by the general, capital projects and motor vehicle funds, while liabilities for business-type activities are liquidated by the Water and Waste Water Funds. Long-term debt payable on the Statement of Net Assets is presented net of \$8,102,000 of unamortized losses on early extinguishment of debt.

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

- *Special Obligation Bonds:* The City has borrowed funds to provide funds for capital projects in the development district. At June 30, 2011, principal owed for these bonds was \$115,600,000, and interest of \$158,787,000 at the interest rates ranging from 5.5% to 7.0% per annum will be due in future years.
- *Federal Economic Development Loan:* The City has borrowed funds from the Federal government to provide for various development projects. At June 30, 2011, the principal owed to the Federal government was \$42,151,000, and interest of \$15,749,000 will be due thereon in future years. The loan bears interest at rates ranging from 6.0% to 10.9% and matures serially through 2024.
- *State Economic Development Loans:* The City has borrowed \$24,685,000 from the State of Maryland to provide for various economic development projects under the Maryland Industrial Land Act and the Industrial Commercial Redevelopments Act. At June 30, 2011, the principal owed to the State was \$925,000, and interest of \$63,000 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)

- *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, 2011, the principal owed to the State was \$61,000, and interest of \$6,000 will be due thereon in future years.

Compensated Absences

Compensated absences at June 30, 2011 totaled \$110,526,000 for governmental activities and \$12,982,000 for business-type activities, of which \$44,173,000 and \$4,738,000 respectively, were due within one year. For the Baltimore City Public School System, compensated absences totaled \$76,522,000, of which \$9,639,000 were due within one year.

Changes in compensated absences during fiscal year 2011 (amounts expressed in thousands):

| | Governmental Activities | Business-type Activities | Total |
|------------------------------|----------------------------|-----------------------------|-----------|
| Balance, June 30, 2010 | \$120,798 | \$12,856 | \$133,654 |
| Leave earned | 33,901 | 4,864 | 38,765 |
| Leave used | (44,173) | (4,738) | (48,911) |
| Balance, June 30, 2011 | \$110,526 | \$12,982 | \$123,508 |

B. DEBT SERVICE REQUIREMENTS

Debt service requirements on long-term debt at June 30, 2011, 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 |
| 2012 | \$ 61,082 | \$ 19,910 | \$ 6,082 | \$ 2,796 | \$ 2,201 | \$ 655 | \$ 6,279 | \$ 220 | \$ 23 |
| 2013 | 50,976 | 18,502 | 5,693 | 2,894 | 2,060 | 610 | 6,690 | 195 | 16 |
| 2014 | 39,794 | 17,276 | 5,168 | 3,000 | 1,906 | 667 | 6,650 | 184 | 12 |
| 2015 | 33,886 | 16,263 | 4,641 | 3,104 | 1,744 | 730 | 6,607 | 182 | 8 |
| 2016 | 34,905 | 15,270 | 4,201 | 3,225 | 1,571 | 1,061 | 7,488 | 144 | 4 |
| 2017-2021 | 172,180 | 60,902 | 15,222 | 13,213 | 4,381 | 5,378 | 31,074 | | |
| 2022-2026 | 161,415 | 34,207 | 1,701 | 12,915 | 1,860 | 11,587 | 36,359 | | |
| 2027-2031 | 72,880 | 8,650 | | 1,004 | 26 | 23,860 | 30,419 | | |
| 2032-2036 | 3,839 | 106 | | | | 34,334 | 20,142 | | |
| 2037-2041 | | | | | | 36,718 | 7,079 | | |
| Totals | \$ 630,957 | \$ 191,086 | \$ 42,708 | \$ 42,151 | \$ 15,749 | \$ 115,600 | \$ 158,787 | \$ 925 | \$ 63 |

- (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, 2011, 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 | |
|--------------|---|----------|
| | Long-Term Financing with State of Maryland | |
| | Principal | Interest |
| 2012 | \$ 41 | \$ 4 |
| 2013 | 20 | 2 |
| Totals | \$ 61 | \$ 6 |

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, 2011, are as follows:

| Purpose | Outstanding | | | Authorized |
|--|--------------|----------------|------------|------------------------|
| | Due Dates | Interest Rates | Amount | But Unissued Amount |
| Fire, police and public protection | 2012 to 2016 | 4.7% to 9.0% | \$8,185 | \$ 150 |
| Off-street parking | 2012 to 2017 | 1.5 to 9.0 | 12,902 | 345 |
| Parks and recreation | 2012 to 2017 | 2.7 to 9.0 | 23,574 | 35,929 |
| Public building and facilities | 2012 to 2017 | 2.7 to 9.5 | 64,155 | 44,589 |
| Schools | 2012 to 2021 | 2.7 to 9.0 | 200,693 | 56,779 |
| Waste water and storm sewer | 2012 | 2.5 to 9.0 | 1,190 | |
| Urban renewal and development | 2012 to 2021 | 2.7 to 9.5 | 287,465 | 85,610 |
| Highways | 2012 to 2021 | 4.7 to 9.0 | 8,817 | 220 |
| Waste disposal | 2012 | 4.75 to 8.9 | 75 | |
| Finance | | | | 20,000 |
| Health | 2012 to 2018 | 5.125 to 5.3 | 3,237 | 4,071 |
| Unallocated | 2012 | 4.7 to 5.5 | 20,664 | |
| Totals | | | \$ 630,957 | \$ 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 fiscal year 2005 Strategic Facilities Plan approved by the School Board.

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

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

The Series 2003A Bonds are the debt and obligation of the BCPSS and are not a debt and obligation of, or pledge of, the faith and credit of the City of Baltimore. On December 17, 2009, BCPSS refunded \$25,295,000 of the Series 2003A Bonds. As of June 30, 2011, the outstanding balance on the 2003A bonds is \$7,615,000.

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, 2011, 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, 2011 the outstanding balance on the Series 2009 Refunding Bonds is \$32,335,000.

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 of each year. As of June 30, 2011, the outstanding balance on the Series 2011 Bonds is \$60,825,000.

Future minimum bond payments are as follows at year ending June 30, 2011 (amounts expressed in thousands):

| Fiscal Year | Principal | Interest | Total |
|-----------------|------------|-----------|------------|
| 2012 | \$5,235 | \$ 2,806 | \$ 8,041 |
| 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 |
| 2017-2021 | 59,883 | 4,861 | 64,744 |
| 2022-2026 | 58,816 | 3,104 | 61,920 |
| Total | \$ 151,575 | \$ 19,163 | \$ 170,738 |

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 2011, the City's capital lease obligations decreased by \$8,170,000 (which is net of new leases in the amount of \$11,020,000 and lease principal payments of \$19,190,000) over the fiscal year 2010 total of \$169,100,000. Future minimum lease payments at June 30, 2011, are as follows (amounts expressed in thousands):

| Fiscal Year | |
|--------------------------------------|------------|
| 2012 | \$ 29,878 |
| 2013 | 30,093 |
| 2014 | 25,479 |
| 2015 | 23,253 |
| 2016 | 26,314 |
| 2017-2021 | 54,043 |
| 2022-2026 | 7,996 |
| 2027 | 355 |
| Total minimum lease payments | 197,411 |
| Less: deferred interest | (36,481) |
| Present value minimum lease payments | \$ 160,930 |

The following is a schedule of leased property under capital leases by major class at June 30, 2011 (amounts expressed in thousands):

| Classes of Property | |
|---------------------|-----------|
| Buildings | \$173,756 |
| Equipment | 228,362 |
| Total | \$402,118 |

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, 2011, the outstanding balance on the 1999 lease is \$5,377,000.

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, 2011 the outstanding balance on the 2003 Master Lease is \$3,392,000.

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. As of June 30, 2011 the outstanding balance on the 2006 Master Lease Addendums is \$47,916,000.

Future minimum lease payments as of June 30, 2011, are as follows (expressed in thousands):

| Fiscal Year | Capital Leases Principal |
|--|--------------------------------|
| 2012 | \$ 8,680 |
| 2013 | 8,879 |
| 2014 | 9,067 |
| 2015 | 8,052 |
| 2016 | 7,482 |
| 2017-2021 | 22,328 |
| 2022-2026 | 3,645 |
| Total minimum lease payments | 68,133 |
| Less: deferred interest | (11,448) |
| Present value minimum lease payments | \$ 56,685 |

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 \$116,890,000 at June 30, 2011, and revenues of the Water and Waste Water Funds are pledged as collateral for the bonds. Bonds outstanding as of June 30, 2011, 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 | \$7,700 | \$4,500 |
| 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 | 5,355 | 3,710 |
| 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 | | 1,569 |
| 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 | | 1,493 |
| Serial bonds series 1994-D maturing in annual installments from \$215,000 to \$296,000 through February 1, 2015, with interest rate at 3.60%, payable semiannually | | 1,122 |
| Serial bonds series 1996-B maturing in annual installments from \$148,000 to \$208,000 through February 1, 2017, with interest at 3.17%, payable semiannually | | 1,157 |
| Serial bonds series 1998-A maturing in annual installments from \$287,000 to \$414,000 through February 1, 2019, with interest at 2.87%, payable semiannually | | 3,009 |
| 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 | | 1,232 |
| 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 | | 5,263 |
| 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 | | 7,871 |
| Serial bonds series 2002-A maturing in annual installments from \$1,145,000 to \$1,660,000 from July 1, 2011 through July 1, 2021, with variable interest through July 1, 2016 and a fixed rate of 4.85% to 5.00% thereafter payable semiannually | | 15,480 |
| Serial bonds series 2002-A maturing in annual installments from \$1,855,000 to \$1,975,000 from July 1, 2011 through July 1, 2021, with variable interest through July 1, 2016 and a fixed rate of 4.85% to 5.01% thereafter payable semiannually | 20,845 | |
| 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 | | 46,400 |
| Auction rate notes series 2002-C, payable monthly, due July 1, 2037 | 40,800 | |

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Notes to Basic Financial Statements
(Continued)

| | Water Utility Fund | Waste Water Utility Fund |
|---|-----------------------|-----------------------------|
| 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 | | 3,826 |
| 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 | 1,379 | |
| 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 | 4,388 | |
| 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 | | 12,487 |
| Auction rate notes series 2004-B, payable monthly, due July 1, 2034 | 47,100 | |
| 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 | | 11,520 |
| 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 | | 13,043 |
| Serial bonds series, 2005-A maturing in annual installments from \$580,000 to \$3,500,000 from July 1, 2021 through July 1, 2025, with interest rate of 4.00% to 5.00%, payable semiannually | 1,670 | |
| Serial bonds series, 2005-B maturing in annual installments from \$750,000 to \$1,010,000 from July 1, 2007 through July 1, 2016, with interest rate of 3.25% to 5.00%, payable semiannually | | 14,265 |
| Serial bonds series, 2005-C maturing in annual installments from \$599,000 to \$735,000 through July 1, 2012, with interest at 0.70%, payable semiannually | | 730 |
| Serial bonds series, 2006-A maturing in annual installments from \$515,000 to \$1,035,000 from July 1, 2011 through July 1, 2026, with interest rates of 4.00% to 4.50%, payable semiannually | 12,260 | |
| 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 | | 22,770 |
| Serial bonds series, 2006-B maturing in annual installments from \$338,000 to \$362,000 through February 1, 2026, with interest rate at 0.40%, payable semiannually | | 5,106 |
| Serial bonds series, 2006-C maturing in annual installments from \$990,000 to \$2,090,000 from July 1, 2011 through July 1, 2026, with interest rates of 4.00% to 5.00%, payable semiannually | | 24,085 |
| 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 | 1,967 | |
| 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 | | 31,856 |
| 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 | | 2,504 |
| Serial bonds series, 2007-B maturing in annual installments from \$30,000 to \$3,860,000 from July 1, 2011 through July 1, 2027, with interest rates of 3.60% to 4.50%, payable semiannually | 19,775 | |
| 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, 2011 through July 1, 2027, with interest rates of 3.60% to 4.50%, payable semiannually | | 11,000 |
| Term bond series 2007-C with interest at 4.50%, payable semiannually, due July 1, 2032 | | 29,795 |
| Term bond series 2007-C with interest at 4.50%, payable semiannually, due July 1, 2036 | | 19,255 |
| Serial bonds series, 2007-C maturing in annual installments from \$740,000 to \$1,570,000 from July 1, 2011 through July 1, 2027, with interest rates of 3.75% to 5.00%, payable semiannually | 18,790 | |
| 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, 2011 through July 1, 2027, with interest rates of 5.00%, payable semiannually | | 51,250 |
| 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, 2011 through July 1, 2028, with interest rates of 2.00% to 4.50%, payable semiannually | 13,170 | |
| Term bond series 2008-A with interest at 4.625%, payable semiannually, due July 1, 2033 | 5,740 | |
| Term bond series 2008-A with interest at 4.73%, payable semiannually, due July 1, 2038 | 1,115 | |
| Term bond series 2008-A with interest at 5.00%, payable semiannually, due July 1, 2038 | 6,150 | |

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

| | Water Utility Fund | Waste Water Utility Fund |
|--|-----------------------|-----------------------------|
| Serial bonds series, 2008-A maturing in annual installments from \$475,000 to \$1,005,000 from July 1, 2011 through July 1, 2028, with interest rates of 2.00% to 5.00%, payable semiannually | | 26,890 |
| 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, 2011 through July 1, 2021, with interest rates of 2.00% to 4.50%, payable semiannually | 5,615 | |
| 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, 2011 through February 1, 2029, with an interest rate at 0.00% | | 7,671 |
| 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% | | 1,732 |
| Serial bonds series, 2009-B maturing in annual installments of \$586,172 from February 1, 2015 through February 1, 2042 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, 2011 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 \$158,000 from February 1, 2014 through February 1, 2032, with an interest rate of 0.00% | | 3,000 |
| Serial bonds series 2010 A maturing in annual installments from \$16,000 to \$37,000 from February 1, 2011 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 |
| | 524,179 | 730,976 |
| Less unamortized charges | 7,046 | 2,902 |
| | \$517,133 | \$728,074 |

At June 30, 2011, the Water Utility fund had \$106,400,000 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, 2011, the Waste Water Utility fund had \$89,200,000 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 the insurance provider on each note issue. The interest rate in the event of a failed auction on these notes was less than 1%.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

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 \$30,297,000 at June 30, 2011, and revenues of the Parking Facilities Fund are pledged as collateral for the bonds. Bonds outstanding as of June 30, 2011, consist of (amounts expressed in thousands):

| | |
|---|-----------|
| Term bonds series 1997-A with interest at 5.90%, payable semiannually, due July 1, 2013..... | \$13,800 |
| Term bonds series 1997-A with interest at 6.00%, payable semiannually, due July 1, 2018..... | 29,040 |
| Term bonds series 1998-A with interest at 4.90%, payable semiannually, due July 1, 2011..... | 25 |
| 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..... | 8,260 |
| 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..... | 75,670 |
| 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..... | 5,325 |
| 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 |
| | 180,215 |
| Less deferred loss on bonds refunding and unamortized charges..... | 22,910 |
| | \$157,305 |

The City has \$75,670,000 of Series 2008 refunding taxable variable rate demand revenue bonds outstanding as of June 30, 2011. The bonds mature serially starting on July 1, 2011 through July 1, 2032. The Series 2008 Bonds are subject to redemption prior to maturity at anytime, at a redemption price of 100% of the principal amount plus interest accrued to the redemption date. The Series 2008 Bonds annual principal amounts range from \$915,000 to \$7,965,000.

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

The City reassigned the floating to fixed interest rate swaps in place as an interest rate hedge for the Series 2002 bonds to the Series 2008 bonds. The notional amount of the swaps equaled the outstanding principal amount of the refunded bonds. At the time of the refunding of the 2002 bonds, the balance of the deferred outflows of resources related to the swaps was included in the the deferred loss on bond refunding, which is reported as a reduction of the total revenue bonds outstanding and is being amortized over the term of the Series 2008 bonds. The unamortized deferred loss on bond refunding as of June 30, 2011 is \$19,095,000.

In conjunction with the issuance of the bonds, Bank of America, NA (Bank) issued a direct pay letter of credit in the amount of the Series 2008 Bonds available principal and interest commitment in favor of the City and Manufacturer and Traders Trust Company (formerly Allfirst Trust Company National Association) as trustee. The Agreement expires November 19, 2012, but can be extended for additional years. The existing Agreement permits the fiscal agent to draw amounts necessary to pay the principal portion and related accrued interest on the bonds tendered for purchase and not remarketed. The interest rate on draws made under this agreement is a defined base rate plus, up to an additional 2.00% depending on the terms of the draw.

The City is required to pay the Bank’s fee throughout the effectiveness of the Agreement equal to 0.58% per annum of the average daily amount of the available commitment.

Since issuance of the bonds, no draws have been made under the Agreement, and no draws were outstanding at June 30, 2011.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

Industrial Development Revenue Bonds

The City has \$77,900,000 variable rate demand revenue bonds Series 1986 outstanding as of June 30, 2011. 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. During fiscal year 2011, the variable interest rate paid by the City on these bonds ranged from 0.13% to 0.40%. It is the objective of the Remarketing Agent to set interest rates high enough to assure that the bonds are readily marketable, yet maintain the lowest possible interest cost for the IDA.

After the expiration of the letter of credit issued in conjunction with the issuance of the bonds, Bayerische Landesbank (BL) issued an irrevocable letter of credit in the amount of \$77,900,000 in favor of the City and M&T Bank as trustee and the Chase Manhattan Bank as fiscal agent for the bondholders. The letter of credit will expire on November 30, 2015. The City may request an extension beyond November 30, 2015. The existing letter of credit permits the fiscal agent to draw amounts necessary to pay the principal portion and related accrued interest on bonds when tendered for purchase and not remarketed. Pursuant to the letter of credit agreement between the City, BL and the fiscal agent, the issuer is required to reimburse BL the amount drawn upon remarketing. If the takeout agreement were to be exercised because the outstanding bonds in the amount of \$77,900,000 of demand bonds was put and not resold, the City would be required to pay approximately \$6,232,000 per year through the expiration of the agreement. The interest rate draws made from the letter of credit is at BL's prime interest rate.

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

During fiscal year 2011, the City made no draws under the letter of credit and no amounts drawn against the letter of credit were outstanding at June 30, 2011.

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, 2011, the balance outstanding on the Series 1998 bonds was \$32,835,000 and includes \$6,030,000 in serial bonds, which are due to mature on September 1, in each of the years 2012 to 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; \$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 100% to 102% of the principal amount. The term bonds due September 1, 2014 are subject to redemption at par prior to maturity by operation of a sinking fund on or after September 1, 2013, at annual principal amounts ranging from \$3,260,000 to \$3,345,000. The term bonds due September 1, 2019 are subject to redemption at par prior to maturity by operation of a sinking fund on or after September 1, 2016, at annual principal amounts ranging from \$3,825,000 to \$4,425,000. These revenue bonds have been recorded in governmental activities because they are expected to be paid by general revenues.

Stormwater Special Revenue Bond

The City has issued a Stormwater Special Revenue Bond, Series 2004 in the amount of \$5,120,000. This bond will fund various City stormwater capital projects associated with road construction. The bond is secured by a pledge of the City's share of State highway user revenues.

County Transportation Revenue Bonds

The City has entered into agreements with the State of Maryland to borrow County Transportation Revenue Bonds with \$83,115,000 outstanding. 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.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

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, 2011, 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, 2011, are as follows (amounts expressed in thousands):

| | June 30, 2010 | New Debt Issues | Debt Retired | June 30, 2011 | Due within One Year |
|--|--------------------|-------------------|------------------|---------------------|------------------------|
| <i>Governmental Activities</i> | | | | | |
| Convention Center and Hotel | \$ 336,545 | | \$ 2,770 | \$ 333,775 | \$ 5,000 |
| Storm Water | 5,475 | | 354 | 5,121 | 356 |
| Transportation | 89,135 | | 6,020 | 83,115 | 6,285 |
| Total Governmental Activities | \$ 431,155 | | \$ 9,144 | \$ 422,011 | \$ 11,641 |
| <i>Business-Type Activities</i> | | | | | |
| Water | \$ 479,155 | \$ 53,060 | \$ 8,036 | \$ 524,179 | \$ 8,936 |
| Waste Water | 647,282 | 103,865 | 20,171 | 730,976 | 20,704 |
| Parking Facilities | 157,960 | 29,505 | 7,250 | 180,215 | 8,450 |
| Industrial Development | 86,100 | | 8,200 | 77,900 | |
| Total Business-Type Activities | \$1,370,497 | \$ 186,430 | \$ 43,657 | \$ 1,513,270 | \$ 38,090 |

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

| Fiscal Year | Governmental Activities | | | | | | | |
|---------------------|--------------------------------|------------------|-------------------|----------------|-----------------|---------------|---------------------------------|------------------|
| | Baltimore Hotel Corporation | | Convention Center | | Storm Water | | Transportation Revenue Bonds | |
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2012 | \$ 2,065 | \$ 15,886 | \$ 2,935 | \$ 1,637 | \$ 356 | \$ 20 | \$ 6,285 | \$ 3,375 |
| 2013 | 2,420 | 15,783 | 3,095 | 1,475 | 358 | 19 | 6,565 | 3,177 |
| 2014 | 2,795 | 15,652 | 3,260 | 1,302 | 359 | 18 | 6,860 | 2,981 |
| 2015 | 3,190 | 15,522 | 3,435 | 1,118 | 361 | 16 | 7,185 | 2,750 |
| 2016 | 3,605 | 15,662 | 3,625 | 924 | 362 | 15 | 7,540 | 2,433 |
| 2017-2021 | 25,425 | 73,470 | 16,485 | 1,699 | 1,832 | 52 | 37,565 | 7,263 |
| 2022-2026 | 40,895 | 65,096 | | | 1,492 | 15 | 11,115 | 1,149 |
| 2027-2031 | 61,365 | 52,251 | | | | | | |
| 2032-2036 | 87,930 | 33,877 | | | | | | |
| 2037-2041 | 71,250 | 7,905 | | | | | | |
| Totals | \$300,940 | \$311,104 | \$ 32,835 | \$8,155 | \$ 5,120 | \$ 155 | \$ 83,115 | \$ 23,128 |

CITY OF BALTIMORE
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) |
| 2012 | \$ 8,936 | \$ 17,965 | \$ 4,558 | \$ 20,704 | \$ 23,038 | \$ 3,819 | \$ 8,450 | \$ 10,420 | \$ 4,383 | | \$ 78 | \$ 2,625 |
| 2013 | 10,344 | 18,643 | 4,567 | 22,702 | 24,859 | 3,850 | 8,410 | 9,825 | 4,322 | | 78 | 2,625 |
| 2014 | 10,830 | 18,175 | 4,574 | 23,942 | 24,193 | 3,868 | 9,280 | 9,351 | 4,257 | | 78 | 2,625 |
| 2015 | 12,038 | 17,678 | 4,578 | 24,584 | 23,480 | 3,877 | 9,800 | 8,836 | 4,191 | | 78 | 2,625 |
| 2016 | 12,609 | 17,176 | 4,548 | 24,962 | 22,756 | 3,836 | 10,600 | 8,277 | 4,117 | | 77 | 2,625 |
| 2017-2021 | 71,930 | 78,198 | 21,262 | 133,052 | 43,410 | 17,403 | 43,615 | 32,697 | 19,279 | \$ 77,900 | 39 | 1,312 |
| 2022-2026 | 80,815 | 64,572 | 17,671 | 131,152 | 95,610 | 13,007 | 28,125 | 23,685 | 15,702 | | | |
| 2027-2031 | 97,197 | 49,550 | 13,018 | 128,096 | 76,570 | 7,151 | 37,670 | 13,828 | 9,179 | | | |
| 2032-2036 | 116,462 | 31,107 | 6,252 | 130,059 | 53,489 | 1,023 | 24,265 | 2,567 | 919 | | | |
| 2037-2041 | 79,236 | 13,871 | 102 | 75,934 | 26,152 | | | | | | | |
| 2042-2046 | 23,782 | 1,091 | (45) | 15,789 | 5,504 | | | | | | | |
| Totals | \$ 524,179 | \$ 328,026 | \$ 81,085 | \$ 730,976 | \$ 419,061 | \$ 57,834 | \$ 180,215 | \$ 119,486 | \$ 66,349 | \$ 77,900 | \$ 428 | \$ 14,437 |

(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, 2011, 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 \$524,179,000 and \$730,976,000 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 \$933,290,000 and \$1,207,871,000 respectively. Principal and interest paid for the current year and current pledged revenue for the Water Utility Fund were \$30,543,000 and \$129,292,000, respectively. Principal and interest paid for the current year and current pledged revenue for the Waste Water Utility Fund were \$45,131,000 and \$164,369,000, respectively.

The Parking Facility Fund

The Parking Facility fund has pledged future revenue from parking fees and fines to repay \$180,215,000 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 \$366,050,000. For the current year, principal and interest payments and current pledged revenue were \$16,184,000 and \$83,040,000, respectively.

Tax Increment Revenue Pledges

The City has pledged a portion of future property tax revenues to repay \$116,205,000 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 \$274,387,000. For the current year, principal and interest payments and current pledged revenue were \$2,811,000 and \$7,369,000, 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

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

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 \$612,044,000. 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, 2011, \$184,055,000 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, 2011, \$36,200,000 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.

Terms, fair value and credit risk. The terms, fair values and credit rating of the outstanding swaps as of June 30, 2011, 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.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

Hedged Derivative Instruments

At June 30, 2011, the City had deferred liabilities for various hedged derivative instruments with the total fair values of these instruments in the amounts of \$18,724,348 and \$58,891,582, for governmental and business-type activities, respectively. The notional amounts for these hedged derivative instruments at June 30, 2011, were \$279,710,000 and \$370,330,000, for governmental and business-type activities, respectively. During fiscal year 2011, the fair values of these instruments increased \$18,235,000 and \$13,685,000, 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, 2011:

SWAP PROFILE as of June 30, 2011

| 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 | \$20,300,000 | (\$2,192,448) | A/A2 |
| 2001 Bonds | 6/27/2001 | 10/1/2022 | 5.060% | SIFMA | 22,500,000 | (4,363,217) | A/A2 |
| 2003 Bonds | 5/14/2003 | 10/15/2020 | 2.950% | 67% LIBOR | 55,825,000 | (3,353,349) | A+/Aa3 |
| 2003 Bonds | 5/14/2003 | 10/15/2022 | 3.450% | 67% LIBOR | 47,350,000 | (5,551,840) | A+/Aa3 |
| 2003 Bonds | 5/14/2003 | 10/15/2020 | 4.215% | 1M LIBOR | 13,405,000 | (1,119,609) | A+/Aa3 |
| 2003 Bonds | 5/14/2003 | 10/15/2022 | 4.970% | 1M LIBOR | 17,155,000 | (2,773,595) | A+/Aa3 |
| <i>Basis Swaps:</i> | | | | | | | |
| 2003 Bonds | 6/29/2004 | 10/15/2020 | 67% LIBOR | 60% LIBOR + 29.5 bps | 55,825,000 | 316,344 | AA-/Aa1 |
| 2003 Bonds | 6/29/2004 | 10/15/2020 | 67% LIBOR | 60% LIBOR + 29.5 bps | 47,350,000 | 313,566 | AA-/Aa1 |
| Total Governmental Activities | | | | | \$279,710,000 | (\$18,724,348) | |
| 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 | (\$8,338,134) | A/A2 |
| Water Utility Fund Revenue Bonds Series | | | | | | | |
| <i>Floating to Fixed Swaps</i> | | | | | | | |
| 2002 Revenue Bonds | 5/7/2002 | 7/1/2037 | 4.555% | 67% LIBOR | \$59,100,000 | (\$16,322,187) | A/A2 |
| 2002 Revenue Bonds | 5/7/2002 | 7/1/2011 | 4.10% | Bond Rate/CPI | 1,955,000 | 28,289 | A/A2 |
| 2002 Revenue Bonds | 5/7/2002 | 7/1/2012 | 4.20% | Bond Rate/CPI | 2,110,000 | 7,844 | A/A2 |
| 2002 Revenue Bonds | 5/7/2002 | 7/1/2013 | 4.30% | Bond Rate/CPI | 2,170,000 | (5,735) | A/A2 |
| 2002 Revenue Bonds | 5/7/2002 | 7/1/2014 | 4.39% | Bond Rate/CPI | 2,325,000 | (16,694) | A/A2 |
| 2002 Revenue Bonds | 5/7/2002 | 7/1/2015 | 4.50% | Bond Rate/CPI | 1,615,000 | (15,713) | A/A2 |
| 2002 Revenue Bonds | 5/7/2002 | 7/1/2016 | 4.61% | Bond Rate/CPI | 1,685,000 | (17,846) | A/A2 |
| 2004 Revenue Bonds | 6/1/2004 | 7/1/2034 | 5.21% | SIFMA | 47,100,000 | (12,356,376) | A/A2 |
| Total Water Utility Fund | | | | | \$118,060,000 | (\$28,698,418) | |
| 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 | \$ 71,700,000 | (\$16,937,935) | A/A2 |
| 2002 Revenue Bonds | 5/7/2002 | 7/1/2011 | 4.10% | Bond Rate/CPI | 1,820,000 | 26,336 | A/A2 |
| 2002 Revenue Bonds | 5/7/2002 | 7/1/2012 | 4.20% | Bond Rate/CPI | 1,930,000 | 7,175 | A/A2 |
| 2002 Revenue Bonds | 5/7/2002 | 7/1/2013 | 4.30% | Bond Rate/CPI | 1,960,000 | (5,180) | A/A2 |
| 2002 Revenue Bonds | 5/7/2002 | 7/1/2014 | 4.39% | Bond Rate/CPI | 2,040,000 | (14,647) | A/A2 |
| 2002 Revenue Bonds | 5/7/2002 | 7/1/2015 | 4.50% | Bond Rate/CPI | 1,240,000 | (12,064) | A/A2 |
| 2002 Revenue Bonds | 5/7/2002 | 7/1/2016 | 4.61% | Bond Rate/CPI | 1,280,000 | (13,557) | A/A2 |
| 2004 Revenue Bonds | 6/1/2004 | 7/1/2034 | 5.21% | SIFMA | 17,500,000 | (4,769,626) | A/A2 |
| Total Wastewater Utility Fund | | | | | \$99,470,000 | (\$21,719,498) | |
| Parking Revenue Bonds Series | | | | | | | |
| <i>Floating to Fixed Swaps</i> | | | | | | | |
| 2008 Bonds | 6/19/2002 | 7/1/2032 | 6.098% | 1M LIBOR | \$66,100,000 | \$176,631 | A+/Aa3 |
| 2008 Bonds | 6/19/2002 | 7/1/2025 | 5.915% | 1M LIBOR | 8,800,000 | (312,163) | A+/Aa3 |
| Total Parking Facilities Fund | | | | | \$74,900,000 | \$(135,532) | |
| Total Business-type Activities | | | | | \$370,330,000 | (\$58,891,582) | |

Credit risk — As of June 30, 2011, 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 six swap agreements that have positive fair value, the City has credit exposure to the counterparty as of June 30, 2011. 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' \$699,554 fair value.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

The swap agreements contain varying collateral agreements with counterparties. In general, these agreements require full collateralization of the fair value of the swap should the counterparty's credit rating fall below Baa as issued by Moody's or BBB as issued by Standard and Poor's. Collateral on all swaps may be in the form of cash or U. S. government securities held by the City. Although the City executes transactions with various counterparties, nineteen swaps or approximating 52% of the notional amount of swaps outstanding, are held with one counterparty that is currently rated A/A2. Of the remaining swaps, the City holds two swaps with a counterparty, rated A+/Aa3, approximating 32% of the outstanding notional value, six swaps with one counterparty rated A+/Aa3, approximately 32% of the outstanding notional value, two swaps are with one counterparty rated AA-/Aa1, approximating 16% of the outstanding notional value.

Basis risk — The City's variable rate bonds are of three types: remarketed variable rate demand bonds (VRDBs), auction rate bonds (ARBs), and CPI index bonds. For those swaps associated with the VRDBs and ARBs, the City receives a floating rate based on either the SIFMA Index or one-month LIBOR. For the SIFMA based swaps, the City is exposed to basis risk should the spread between the SIFMA and the VRDBs or ARBs rate change. If a change occurs that results in the spread widening, the expected cost savings may not be realized. As of June 30, 2011, the SIFMA rate for the prior 52-week period ranged from 0.09% to 0.34%, whereas the City tax-exempt market ranged from 0.11% to 0.53%. 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, 2011, LIBOR for the prior 52-weeks ranged from 0.19% to 0.35%, whereas the City's taxable market ranged from 0.15% to 0.35%. 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 at June 30, 2011, classified by type and the changes in fair value of such derivative instruments for the year ended June 30, 2011 are as follows:

| | Changes in Fair Value | | Fair Value at June 30, 2011 | | |
|---|-----------------------|-------------|-----------------------------|----------------|-----------------|
| | Classification | Amount | Classification | Amount | Notional |
| Business Type Activities | | | | | |
| Water Utility Fund | | | | | |
| Fixed to Floating | Investment Revenue | (\$124,748) | Debt | (\$347,873) | (\$13,220,453) |
| Floating to Fixed | Investment Revenue | 2,175,175 | Debt | (9,074,013) | (71,455,000) |
| Total Water Utility Fund | | 2,050,427 | | (9,421,886) | (84,675,453) |
| Waste Water Utility Fund | | | | | |
| Fixed to Floating | Investment Revenue | (56,720) | Debt | (201,572) | (7,469,047) |
| Industrial Development Authority | | | | | |
| Fixed to Floating | Investment Revenue | (311,191) | Debt | (1,842,728) | (22,100,000) |
| Total Business Type Activity | | \$1,682,516 | | (\$11,466,186) | (\$114,244,500) |

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

Credit Risk: At June 30, 2011, 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, 2011, was AA/Aa2 for four derivative instruments held by the Waste Water Utility Fund and A/A2 for one derivative instrument held by the Industrial Development Authority. For the Water Utility Fund the counter party rating was AA/Aa2 for four derivative instruments representing approximately 84% of the notional amount outstanding and, one swap representing 16% of the notional amount with a counter party rating of Aa1/AAA. The change in the fair value of investment swaps in the amount of a gain of \$1,682,000 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, 2011:

| 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 | \$ 298,820 | \$ 2,563,984 | \$ 291,732 | \$ 2,554,098 | \$ 2,798 |
| Brazil Real | 270,469 | 270,469 | 271,253 | 270,764 | 489 |
| British Pound Sterling | 16,617,767 | 16,617,767 | 16,631,407 | 16,407,563 | 223,844 |
| Canadian Dollar | 1,691,442 | 9,477,062 | 1,691,421 | 9,371,378 | 105,663 |
| Chilean Peso | 3,777,562 | 82,269 | 3,764,326 | 81,331 | (12,298) |
| Chinese Yuan Renminbi | 27,609 | 27,609 | 27,429 | 27,609 | (180) |
| Euro Currency Unit | 15,556,315 | 20,072,118 | 15,588,848 | 20,104,209 | 442 |
| Hong Kong Dollar | 8,618 | 8,618 | 8,617 | 8,618 | (1) |
| Israel Shekel | 6,074 | 6,074 | 6,074 | 6,104 | (30) |
| Japanese Yen | 9,429,561 | 9,433,561 | 9,429,561 | 9,394,545 | 39,016 |
| Mexican New Peso | 51,470 | 51,470 | 51,470 | 51,749 | (279) |
| New Turkish Lira | 22,695 | 22,695 | 22,695 | 22,716 | (21) |
| Norwegian Krone | 104,515 | | 106,565 | | 2,050 |
| Philippines Peso | 344,067 | | 344,000 | | (67) |
| Singapore Dollar | 220,622 | 118,702 | 220,232 | 118,726 | (414) |
| South Korean Won | 318,700 | | 304,356 | | (14,344) |
| Swiss Franc | 2,585,098 | 2,576,783 | 2,584,891 | 2,564,489 | 12,087 |
| U.S. Dollar | 15,159,872 | 5,340,907 | 15,159,873 | 5,340,907 | 1 |
| Total | \$ 66,491,276 | \$ 66,670,088 | \$ 66,504,750 | \$ 66,324,806 | \$ 358,756 |

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 | 39.1% | 15.9% | 79.4% |
| Employee | 7.1% | 0.1% | 8.4% |
| Annual pension cost | \$107,540 | \$62,375 | \$957 |
| Contributions made | \$107,540 | \$62,375 | \$957 |
| Actuarial cost method | Projected Unit Credit Cost | Projected Unit Credit Cost | Projected Unit Credit Cost |
| Amortization method | Level Dollar Open | Level Dollar Open | Level Dollar Open |
| Remaining amortization period | 20 years | 20 years | 16 years |
| Assets valuation method | 5 year smoothed market | 5 year smoothed market | 5 year smoothed market |
| Actuarial assumptions: | | | |
| Investment rate of return: | | | |
| Pre-retirement | 8.0% | 8.0% | 7.5% |
| Post-retirement | 8.0% | 6.8% | 5.0% |
| Projected salary increases | 4.0-8.0% | 2.75% | 5.0% |
| Includes inflation rate at | 3.0% | 2.75% | 5.0% |
| Cost-of-living adjustment | 1-2% | 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 report dated June 30, 2011 and the actuarial valuation dated June 30, 2011.

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, 2011 | \$107,540 | 100% | \$0 |
| June 30, 2010 | 94,098 | 100 | 0 |
| June 30, 2009 | 69,513 | 100 | 0 |
| Employees' Retirement System: | | | |
| June 30, 2011 | \$62,375 | 100% | \$0 |
| June 30, 2010 | 48,748 | 100 | 0 |
| June 30, 2009 | 43,673 | 100 | 0 |
| Elected Officials' Retirement System: | | | |
| June 30, 2011 | \$ 957 | 100% | \$0 |
| June 30, 2010 | 340 | 100 | 0 |
| June 30, 2009 | 0 | N/A | 0 |

Schedule of Funding Progress for Fiscal Year Ended June 30, 2011
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, 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 |
| June 30, 2009 | 2,587,235 | 3,050,887 | 463,652 | 84.8 | 281,424 | 164.8 |
| Employees' Retirement System: | | | | | | |
| June 30, 2011 | \$1,410,211 | \$1,940,447 | \$530,236 | 72.7% | \$392,941 | 134.9% |
| June 30, 2010 | 1,390,055 | 1,819,340 | 429,285 | 76.4 | 393,178 | 109.2 |
| June 30, 2009 | 1,424,203 | 1,724,931 | 300,728 | 82.6 | 398,009 | 75.6 |
| Elected Officials' Retirement System: | | | | | | |
| 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 |
| June 30, 2009 | 14,161 | 16,957 | 2,796 | 83.5 | 1,182 | 236.5 |

The Unfunded Fire and Police Pension Plan

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

Three -Year Trend Information
(Expressed in Thousands)

| | Employer Contribution | Unfunded Accrued Liability |
|---------------------|-----------------------|----------------------------|
| June 30, 2011 | \$1,184 | \$4,732 |
| June 30, 2010 | 1,250 | 5,182 |
| June 30, 2009 | 1,521 | 6,529 |

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

The Maryland State Retirement and Pension Systems

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

The State of Maryland pays, on behalf of the BCPSS, the employer’s share of retirement and pension costs to the State Systems for teachers and related positions. During the fiscal year ended June 30, 2011, the State paid \$81,700,000 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, 2011 was \$1,182,000. 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, 2010 was as follows:

| | Number of Participants | | |
|---------------|------------------------|--------|--------|
| | City | School | Total |
| Active | 15,147 | 9,194 | 24,341 |
| Retired | 14,332 | 7,302 | 21,634 |
| Total | 29,479 | 16,496 | 45,975 |

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 \$3 to \$2,288 on a monthly basis, depending on the health plan and level of coverage elected and whether Medicare supplemental coverage is present. Administrative costs of the Plan are covered by the City.

For fiscal year 2011, City contributions to the Plan were \$142.8 million which was less than the annual OPEB cost of \$161.2 million resulting in a net increase to the OPEB liability of \$18.4 million for the current year. Interest on the OPEB liability amounted to \$5.4 million in fiscal year 2011. The OPEB liability at June 30, 2011 was \$105.1 million. An additional adjustment in the amount of (\$4.4) 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 2011 was \$161.2 million. The following table shows the components of the City's annual OPEB cost for the years ended June 30, 2011, June 30, 2010 and June 30, 2009, respectively, and the amount actually contributed to the plan (dollars expressed in millions):

| | Fiscal Year Ended | | |
|--|-------------------|---------------|---------------|
| | June 30, 2009 | June 30, 2010 | June 30, 2011 |
| Normal Cost | \$ 73.2 | \$ 81.5 | \$ 55.2 |
| Amortization of Unfunded Actuarial Liability | 106.3 | 121.9 | 105.0 |
| Annual Required Contribution (ARC) | 179.5 | 203.4 | 160.2 |
| Interest on Unfunded ARC | (0.7) | 1.6 | 5.4 |
| Adjustment of ARC | 0.5 | (1.3) | (4.4) |
| Annual OPEB Cost | 179.3 | 203.7 | 161.2 |
| Actual Contributions | 142.2 | 142.2 | 142.8 |
| Increase/(Decrease) in OPEB Obligation | 37.1 | 61.5 | 18.4 |
| Net OPEB (Asset) Obligation | 25.2 | 86.7 | 105.1 |
| Percentage Contributed | 79.3% | 69.8% | 89.1% |

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, 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 |

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, 2011, using census data as of that date and health care claims costs for the year ended June 30, 2011.

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 6.25%, which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the Plan at valuation date. Assets are valued at fair value. Past service costs are calculated using the level dollar method with a closed amortization period of 30 years. The valuation also assumes an 8.0% healthcare trend for fiscal year 2011, reduced by decrements to a rate of 5.0% in 2017 and continuing through fiscal year 2025. Pharmacy benefits are assumed to decrease to 7.0% in 2011, reduced by decrements to a rate of 5.0% by fiscal year 2015 and continuing through fiscal year 2017. Salary increases were not considered as OPEB benefits and OPEB benefits are not based on pay.

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

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, 2011, the City has determined that the range of potential claims liability for the fund to be between \$181,986,000 and \$206,087,000. The claims liability of \$181,986,000 reported in the fund is based on the requirement that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). This liability, which has been discounted at 4.5% at June 30, 2011, 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 \$181,986,000 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 2010 and 2011 were (amounts expressed in thousands):

| | 2011 | 2010 |
|--------------------------|------------|------------|
| Unpaid claims, beginning | \$ 183,769 | \$ 160,148 |
| Claims incurred | 171,557 | 166,015 |
| Claims paid | (173,340) | (142,394) |
| Unpaid claims, ending | \$ 181,986 | \$ 183,769 |

The City estimates that \$55,654,000 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, 2011, future minimum lease payments are as follows (amounts expressed in thousands):

| | |
|--------------|-----------------|
| 2012 | \$ 6,177 |
| 2013 | 5,282 |
| 2014 | 4,209 |
| 2015 | 2,612 |
| 2016 | 1,553 |
| 2017-2021 | 3,116 |
| 2022-2026 | 1,172 |
| 2027-2031 | 371 |
| Total | \$24,492 |

All leases contain cancellation provisions and are subject to annual appropriations by the City Council. During fiscal year 2011, rent expenditures approximated \$28,845,000 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, 2011, rent and lease expenditures approximated \$1,500,000. These expenditures were made primarily from the General Fund. As of June 30, 2011, future minimum lease payments approximate \$4,700,000, which relates to July 1, 2011 through April 30, 2014 when the leases expire.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

16. Landfill Closure and Postclosure Care Costs

State and Federal laws and regulations require that the City place a final cover on its landfill site and perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty years after closure. In addition to operating expenses related to current activities of the landfill site, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and postclosure care costs is \$19,072,000 as of June 30, 2011, which is based on 66.62% usage (filled) of the landfill. This is an increase in the liability of \$846,000 since June 30, 2010. This increase is primarily caused by an increase in the estimated usage (filled) of the landfill of 64.94% for the fiscal year 2010 to 66.62% in fiscal year 2011. It is estimated that an additional \$9,556,000 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 2028). The estimated total current cost of the landfill closure and postclosure care, \$28,629,000, 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, 2011. 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 2012.

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, 2011, investments of \$17,427,000 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, 2011, consist of the following:

- A. The General Fund has notes receivable of \$6,204,000, 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 \$925,000 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 \$65,653,000 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, 2011, 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, 2011.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

19. Fund Balance

The composition of the fund balances of the governmental funds for fiscal year ended June 30, 2011 are as follows (amounts expressed in thousands):

| | General | Motor Vehicle | Grants | Capital Projects | Other Funds | Total Governmental Funds |
|------------------------------------|------------|---------------|-------------|---------------------|----------------|--------------------------------|
| Fund Balances | | | | | | |
| Nonspendable: | | | | | | |
| Inventory | | \$ 2,658 | | | | \$ 2,658 |
| Reserved for other assets | \$ 6,154 | | | | | 6,154 |
| Permanent fund | | | | | | |
| Education | | | | | \$ 169 | 169 |
| Public library | | | | | 833 | 833 |
| Recreation and culture | | | | | 1,809 | 1,809 |
| Total nonspendable | 6,154 | 2,658 | | | 2,811 | 11,623 |
| Assigned to: | | | | | | |
| General government | 50,157 | 8,022 | | \$15,783 | 456 | 74,418 |
| Public safety and regulation | 8,502 | 1,550 | | 289 | | 10,341 |
| Conservation of health | 4,690 | 57 | | 52 | | 4,799 |
| Social services | 599 | | | | | 599 |
| Education | 55 | | | | 8,111 | 8,166 |
| Public library | 1,433 | | | 54 | 1,314 | 2,801 |
| Recreation and culture | 988 | 15 | | 8,224 | 2,695 | 11,922 |
| Highways | 151 | 5,252 | | 87,601 | | 93,004 |
| Sanitation and waste removal | 35,626 | 281 | | 2,970 | | 38,877 |
| Public service | 1,895 | | | | | 1,895 |
| Economic development | 766 | | | 13,840 | | 14,606 |
| Debt service | | | | | 36,261 | 36,261 |
| Total assigned | 104,862 | 15,177 | | 128,813 | 48,837 | 297,689 |
| Unassigned | 93,884 | | \$ (32,688) | (80,539) | (10,733) | (30,076) |
| Total fund balances | \$ 204,900 | \$ 17,835 | \$ (32,688) | \$ 48,274 | \$ 40,915 | \$ 279,236 |

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.

As of June 30, 2011, the City is contingently liable for loans guaranteed by the Loan and Guarantee Program in an aggregate amount of approximately \$1,500,000.

The City receives significant financial assistance from the U.S. Government and the State of Maryland in the form of grants. Entitlement to grant resources is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable Federal and State regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits in accordance with grantors' requirements. Any disallowances as a result of these audits become a liability of the City. As of June 30, 2011, the City estimates that no material liabilities will result from such audits.

Under the terms of a Waste Disposal Agreement, the City has committed to deliver 900 tons of solid waste per day to the

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

Northeast Maryland Waste Disposal Authority. The City's current tipping fee expense for delivering the solid waste is \$33.00 per ton. Such tipping fee is subject to adjustment for inflation and certain other factors as provided for in the Waste Disposal Agreement.

The City has entered into a 20-year Sewerage Sludge Disposal Agreement with the Northeast Maryland Waste Disposal Authority in connection with the financing of a sludge composting facility in Baltimore City. The agreement obligates the City to deliver approximately 55,000 tons of sewerage sludge per year and to pay a tipping fee comparable to alternative methods currently being used by the City. The debt service on variable rate bonds is a component of the tipping fee. These fees are recorded in the Waste Water Utility Enterprise Fund. The City's current tipping fee expense for delivering sewerage sludge is \$126.09 per wet ton.

The City has also entered into 20-year Service Agreements with Wheelabrator Water Technologies Baltimore L.L.C. in connection with the financing of heat drying facilities for processing biosolids at the City's Back River and Patapsco Waste Water Treatment Plants. The agreements obligate the City to deliver approximately 20,000 dry tons of biosolids per year at each facility and to pay a tipping fee. The debt service on the bonds is a component of the tipping fee. These fees are recorded in the Waste Water Utility Enterprise Fund. The City's current tipping fee expense for delivering biosolids is \$562.69 per dry ton.

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

21. Subsequent Events

On August 31, 2011, the City entered into two Waste Water loan agreements with the Maryland Water Quality Financing Administration Water Quality Revolving Loan Fund for amounts of \$3,706,500 and \$1,235,500. The rate of interest on the first loan is set at 1% per annum while the second loan shall be forgiven and is not expected to be repaid.

Several members of the Fire and Police Employees' Retirement System (System) as well as the City's fire and police unions have brought suit against the City and the System's Board of Trustees. The suit alleges, among other things, that the City violated various provisions of state and federal law in enacting and implementing comprehensive statutory changes to the System in 2010. The United States Court for the District of Maryland has certified a class of retired and retirement-eligible members and has found that one of the statutory changes violated the federal Constitution. The City intends to appeal that ruling when it becomes final, which has not yet occurred. The City's counsel believes there are substantial grounds supporting its appeal.

Based on the actuarial estimates that the City has received to date, it believes that, with curative legislation to address the court's ruling, the retroactive impact will be in the vicinity of \$10-\$15 million even if the ruling is upheld on appeal. Should the City's appeal be unsuccessful, without curative legislation the City's contributions to the pension fund are estimated to increase by approximately \$80 million and more in future years. The Administration plans to introduce and press for any necessary and appropriate curative bill to eliminate or greatly moderate this potential cost increase.

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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, 2011
(Expressed in Thousands)

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|--------------------|------------------|-------------------|---|
| Revenues: | | | | |
| Taxes— local | \$ 1,175,484 | \$ 1,175,484 | \$1,176,038 | \$ 554 |
| Licenses and permits | 31,672 | 31,672 | 42,129 | 10,457 |
| Fines and forfeitures | 10,301 | 10,301 | 8,055 | (2,246) |
| Interest, rentals, and other investment income | 18,995 | 18,995 | 21,903 | 2,908 |
| Federal grants | 179 | 179 | | (179) |
| State grants | 92,367 | 92,367 | 87,641 | (4,726) |
| Other grants | 55 | 55 | 25 | (30) |
| Charges for current services | 37,648 | 37,648 | 26,654 | (10,994) |
| Miscellaneous | 22,669 | 22,669 | 18,579 | (4,090) |
| Total revenues | 1,389,370 | 1,389,370 | 1,381,024 | (8,346) |
| Expenditures and encumbrances: | | | | |
| Civil Service Commission | 5,641 | 5,641 | 4,672 | 969 |
| Community Relations Commission | 813 | 813 | 787 | 26 |
| Comptroller | 5,644 | 5,644 | 3,802 | 1,842 |
| City Council | 5,032 | 5,032 | 4,630 | 402 |
| Office of Financial Review | 463 | 463 | 458 | 5 |
| Courts | 8,867 | 8,867 | 8,317 | 550 |
| Supervisors of Elections | 8,199 | 8,199 | 5,059 | 3,140 |
| Department of Finance | 20,375 | 20,375 | 13,578 | 6,797 |
| Department of Fire | 144,933 | 152,542 | 147,231 | 5,311 |
| Department of Health | 27,990 | 30,614 | 25,948 | 4,666 |
| Department of Housing and Community Development | 45,755 | 49,648 | 48,392 | 1,256 |
| Department of Law | 3,786 | 3,786 | 3,499 | 287 |
| Department of Legislative Reference | 834 | 834 | 760 | 74 |
| Enoch Pratt Library | 24,964 | 24,964 | 23,176 | 1,788 |
| Board of Liquor License Commissioners | 2,208 | 2,208 | 2,150 | 58 |
| Mayoralty | 337,665 | 346,708 | 310,876 | 35,832 |
| Department of Planning | 1,712 | 1,712 | 1,505 | 207 |
| Department of Police | 304,885 | 313,683 | 313,906 | (223) |
| Department of Public Works | 45,641 | 51,882 | 46,147 | 5,735 |
| Department of Recreation and Parks | 18,916 | 26,498 | 25,693 | 805 |
| Office of Sheriff | 15,976 | 15,976 | 15,743 | 233 |
| Department of Transportation | 28,506 | 32,717 | 30,557 | 2,160 |
| Office of State's Attorney | 25,928 | 25,928 | 25,078 | 850 |
| Wage Commission | 169 | 169 | 174 | (5) |
| Department of Municipal and Zoning Appeals | 502 | 502 | 286 | 216 |
| Baltimore City Public School System | 238,073 | 238,073 | 238,073 | |
| Total expenditures and encumbrances | 1,323,477 | 1,373,478 | 1,300,497 | 72,981 |
| Excess of revenues over expenditures and encumbrances | 65,893 | 15,892 | 80,527 | 64,635 |
| Other financing sources (uses): | | | | |
| Transfers in | 32,170 | 32,170 | 52,945 | 20,775 |
| Transfers out | (97,685) | (97,685) | (115,947) | (18,262) |
| Total other financing sources (uses) | (65,515) | (65,515) | (63,002) | 2,513 |
| Net change in fund balances | 378 | (49,623) | 17,525 | 67,148 |
| Fund balances— beginning | 132,461 | 132,461 | 132,461 | |
| Fund balances— ending | <u>\$ 132,839</u> | <u>\$ 82,838</u> | <u>149,986</u> | <u>\$ 67,148</u> |
| Adjustments to reconcile to GAAP basis: | | | | |
| Addition of encumbrances outstanding | | | 63,751 | |
| Less: accounts payable not recorded for budgetary purposes | | | (8,837) | |
| Fund balance— June 30, 2011 (GAAP basis) | | | <u>\$ 204,900</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 \$1,182,000 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, 2011

(Expressed in Thousands)

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|--------------------|-------------------|------------------|---|
| Revenues: | | | | |
| State shared revenue | \$ 124,010 | \$124,010 | \$ 127,310 | \$ 3,300 |
| Licenses and permits | 905 | 905 | 762 | (143) |
| Fines and forfeitures | 15,908 | 15,908 | 25,655 | 9,747 |
| Interest, rentals, and other investment income | 520 | 520 | 630 | 110 |
| Charges for current services | 8,070 | 8,070 | 6,617 | (1,453) |
| Total revenues | 149,413 | 149,413 | 160,974 | 11,561 |
| Expenditures and encumbrances: | | | | |
| Department of Recreation and Parks | 3,480 | 3,480 | 3,288 | 192 |
| Department of Transportation | 84,868 | 90,368 | 91,865 | (1,497) |
| Department of Planning | 574 | 574 | (3) | 577 |
| Department of Police | 8,613 | 8,613 | 8,580 | 33 |
| Department of Public Works | 27,496 | 27,496 | 23,254 | 4,242 |
| Mayoralty | 39,774 | 39,774 | 9,416 | 30,358 |
| Department of Health | 319 | 319 | 206 | 113 |
| Total expenditures and encumbrances | 165,124 | 170,624 | 136,606 | 34,018 |
| Excess of revenues over expenditures and encumbrances | (15,711) | (21,211) | 24,368 | 45,579 |
| Other financing sources (uses): | | | | |
| Transfers in | 8,866 | 8,866 | | (8,866) |
| Transfers out | | | (19,618) | (19,618) |
| Total other financing sources (uses) | 8,866 | 8,866 | (19,618) | (28,484) |
| Net change in fund balances | (6,845) | (12,345) | 4,750 | 17,095 |
| Fund balances— beginning | 9,221 | 9,221 | 9,221 | |
| Fund balances— ending | <u>\$ 2,376</u> | <u>\$ (3,124)</u> | 13,971 | <u>\$ 17,095</u> |
| Adjustments to reconcile to GAAP Basis: | | | | |
| Addition of encumbrances outstanding | | | 8,000 | |
| Less: accounts payable not recorded for budgetary purposes | | | (4,136) | |
| Fund balance— June 30, 2011 (GAAP basis) | | | <u>\$ 17,835</u> | |

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

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

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

(Dollars Expressed in Thousands)

| 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, 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 |
| June 30, 2009 | 2,587,235 | 3,050,887 | 463,652 | 84.8 | 281,424 | 164.8 |
| Employees' Retirement System | | | | | | |
| June 30, 2011 | \$1,410,211 | \$1,940,447 | \$530,236 | 72.7% | \$392,941 | 134.9% |
| June 30, 2010 | 1,390,055 | 1,819,340 | 429,285 | 76.4 | 393,178 | 109.2 |
| June 30, 2009 | 1,424,203 | 1,724,931 | 300,728 | 82.6 | 398,009 | 75.6 |
| Elected Officials' Retirement System | | | | | | |
| 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 |
| June 30, 2009 | 14,161 | 16,957 | 2,796 | 83.5 | 1,182 | 236.5 |

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

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

(Dollars Expressed in Millions)

| Fiscal Year Ended | Actuarial Value of Plan Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded Actuarial Accrued Liability (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|---------------------|---------------------------------------|--|---|--------------------|------------------------|--|
| June 30, 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, 2011 | \$ 160.2 | \$ 142.8 | 89.1% |
| June 30, 2010 | 203.7 | 142.2 | 69.8 |
| June 30, 2009 | 179.3 | 142.2 | 79.3 |
| 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 2011, supplemental appropriation ordinances were required for the General Fund in the amount of \$50,001,000. During fiscal year 2011, supplemental appropriation ordinances were required for the Motor Vehicle Fund in the amount of \$5,500,000.

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

**Combining and
Individual Fund
Statements and
Schedules**



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Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

Permanent Funds

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

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

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

Debt Service Fund

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

CITY OF BALTIMORE
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011
(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 | | \$ 259 | \$ 7,516 | \$ 7,775 | \$ 18 | \$ 482 | \$ 500 | \$ 20,849 | \$29,124 |
| Investments | | | 760 | 760 | 2,118 | 4,012 | 6,130 | 15,378 | 22,268 |
| Other receivables, net | \$ 4,142 | | 4 | 4,146 | 11 | 10 | 21 | 36 | 4,203 |
| Due from other governments | | 202 | | 202 | | | | | 202 |
| Due from other funds | 1,358 | | | 1,358 | | | | | 1,358 |
| Notes and mortgages receivable, net | | | | | | | | 925 | 925 |
| Total assets | 5,500 | 461 | 8,280 | 14,241 | 2,147 | 4,504 | 6,651 | 37,188 | 58,080 |
| Liabilities and fund balances: | | | | | | | | | |
| Liabilities: | | | | | | | | | |
| Accounts payable and accrued liabilities | 653 | 5 | | 658 | | | | | 658 |
| Due to other funds | 13,983 | | | 13,983 | | | | | 13,983 |
| Deferred revenue | 1,597 | | | 1,597 | | | | 925 | 2,522 |
| Matured bonds payable | | | | | | | | 2 | 2 |
| Total liabilities | 16,233 | 5 | | 16,238 | | | | 927 | 17,165 |
| Fund balances: | | | | | | | | | |
| Nonspendable | | | 169 | 169 | 833 | 1,809 | 2,642 | | 2,811 |
| Assigned | | 456 | 8,111 | 8,567 | 1,314 | 2,695 | 4,009 | 36,261 | 48,837 |
| Unassigned | (10,733) | | | (10,733) | | | | | (10,733) |
| Total fund balances (deficits) | (10,733) | 456 | 8,280 | (1,997) | 2,147 | 4,504 | 6,651 | 36,261 | 40,915 |
| Total liabilities and fund balances | \$ 5,500 | \$461 | \$ 8,280 | \$ 14,241 | \$ 2,147 | \$4,504 | \$ 6,651 | \$37,188 | \$ 58,080 |

CITY OF BALTIMORE
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2011
(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 | | \$ 123 | | \$ 123 | | | | | \$ 123 |
| Interest, rentals and other investment income | | | \$493 | 493 | \$ 23 | \$ 113 | \$ 136 | \$ 365 | 994 |
| Federal grants | \$ 25,128 | | | 25,128 | | | | | 25,128 |
| Total revenues | 25,128 | 123 | 493 | 25,744 | 23 | 113 | 136 | 365 | 26,245 |
| Expenditures: | | | | | | | | | |
| Current: | | | | | | | | | |
| General government | 3,674 | 40 | | 3,714 | | | | | 3,714 |
| Public safety and regulation | | 14 | | 14 | | | | | 14 |
| Education | | | 424 | 424 | | | | | 424 |
| Public library | | | | | 25 | | 25 | | 25 |
| Recreation and culture | | | | | | 36 | 36 | | 36 |
| Economic development | 10,092 | 25 | | 10,117 | | | | | 10,117 |
| Debt service: | | | | | | | | | |
| Principal | | | | | | | | 61,282 | 61,282 |
| Interest | | | | | | | | 38,256 | 38,256 |
| Other bond costs | | | | | | | | 5,882 | 5,882 |
| Total expenditures | 13,766 | 79 | 424 | 14,269 | 25 | 36 | 61 | 105,420 | 119,750 |
| Excess (deficiency) of revenues over (under) expenditures | 11,362 | 44 | 69 | 11,475 | (2) | 77 | 75 | (105,055) | (93,505) |
| Other financing sources (uses): | | | | | | | | | |
| Transfers in | | | | | | | | 99,997 | 99,997 |
| Transfers out | (9,827) | (260) | | (10,087) | | | | | (10,087) |
| Total other financing sources (uses) | (9,827) | (260) | | (10,087) | | | | 99,997 | 89,910 |
| Net change in fund balances | 1,535 | (216) | 69 | 1,388 | (2) | 77 | 75 | (5,058) | (3,595) |
| Fund balances—beginning | (12,268) | 672 | 8,211 | (3,385) | 2,149 | 4,427 | 6,576 | 41,319 | 44,510 |
| Fund balances—ending | \$ (10,733) | \$ 456 | \$ 8,280 | \$ (1,997) | \$ 2,147 | \$ 4,504 | \$ 6,651 | \$ 36,261 | \$ 40,915 |

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, 2011
(Expressed in Thousands)

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|--------------------|-----------------|--------|---|
| Revenues: | | | | |
| State shared revenues | \$ 65 | \$ 65 | \$ 123 | \$ 58 |
| Expenditures and encumbrances: | | | | |
| Department of Planning | 100 | 100 | | 100 |
| Department of Police | 9 | 9 | | 9 |
| Department of Transportation | 15 | 15 | 14 | 1 |
| Department of Recreation and Parks | 11 | 11 | 40 | (29) |
| Department of Housing and Community Development | 30 | 30 | 25 | 5 |
| Total expenditures and encumbrances | 165 | 165 | 79 | 86 |
| Excess of revenues over expenditures and encumbrances | (100) | (100) | 44 | 144 |
| Other financing (uses): | | | | |
| Transfers out | (260) | (260) | (260) | |
| Total other financing uses | (260) | (260) | (260) | |
| Net change in fund balances | (360) | (360) | (216) | 144 |
| Fund balances—beginning | 672 | 672 | 672 | |
| Fund balances—June 30, 2011 (GAAP basis) | \$ 312 | \$ 312 | \$ 456 | \$ 144 |

- (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, 2011
(Expressed in Thousands)

| | Loan and Guarantee Program | Industrial Development Authority | Conduit Fund | Total |
|---|----------------------------------|--|------------------|------------------|
| Assets: | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 4,263 | \$ 40,824 | \$ 672 | \$ 45,759 |
| Accounts receivable, net: | | | | |
| Service billings | | | 3,181 | 3,181 |
| Other | 1 | 12 | | 13 |
| Total current assets | 4,264 | 40,836 | 3,853 | 48,953 |
| Noncurrent assets: | | | | |
| Restricted assets: | | | | |
| Cash and cash equivalents | | | 2,867 | 2,867 |
| Capital assets, net | | | 47,498 | 47,498 |
| Issuance costs | | 172 | | 172 |
| Other assets | 32 | 53,008 | | 53,040 |
| Deferred outflow SWAPS | | 8,338 | | 8,338 |
| Total noncurrent assets | 32 | 61,518 | 50,365 | 111,915 |
| Total assets | 4,296 | 102,354 | 54,218 | 160,868 |
| Liabilities: | | | | |
| Current liabilities: | | | | |
| Accounts payable and accrued liabilities | 17 | | 620 | 637 |
| Accrued interest payable | | 11 | | 11 |
| Due to other funds | | 1,519 | | 1,519 |
| Current liabilities payable from restricted assets: | | | | |
| Accounts payable from restricted assets | | | 174 | 174 |
| Total current liabilities | 17 | 1,530 | 794 | 2,341 |
| Noncurrent liabilities: | | | | |
| Revenue bonds payable | | 77,900 | | 77,900 |
| Other liabilities | 1,537 | | 435 | 1,972 |
| Derivative instrument liability | | 10,181 | | 10,181 |
| Total noncurrent liabilities | 1,537 | 88,081 | 435 | 90,053 |
| Total liabilities | 1,554 | 89,611 | 1,229 | 92,394 |
| Net assets: | | | | |
| Invested in capital assets, net of related debt | | | 47,498 | 47,498 |
| Unrestricted | 2,742 | 12,743 | 5,491 | 20,976 |
| Total net assets | \$ 2,742 | \$ 12,743 | \$ 52,989 | \$ 68,474 |

CITY OF BALTIMORE
Combining Statement of Revenues, Expenses,
and Changes in Fund Net Assets
Nonmajor Proprietary Funds
For the Year Ended June 30, 2011
(Expressed in Thousands)

| | Loan and Guarantee Program | Industrial Development Authority | Conduit Fund | Total |
|-------------------------------------|----------------------------------|--|-----------------|-----------|
| Operating revenues: | | | | |
| Rents, fees, and other income | \$ 152 | \$ 285 | \$ 9,504 | \$ 9,941 |
| Interest income on loans | 5 | 33 | | 38 |
| Total operating revenues | 157 | 318 | 9,504 | 9,979 |
| Operating expenses: | | | | |
| Salaries and wages | 117 | | 2,688 | 2,805 |
| Other personnel costs | 41 | | 1,064 | 1,105 |
| Contractual services | | | 1,545 | 1,545 |
| Program expenses | 3,085 | 310 | | 3,395 |
| Materials and supplies | | | 3,582 | 3,582 |
| Minor equipment | | | 10 | 10 |
| Depreciation | | | 826 | 826 |
| Interest | | 619 | | 619 |
| Total operating expenses | 3,243 | 929 | 9,715 | 13,887 |
| Operating loss | (3,086) | (611) | (211) | (3,908) |
| Capital contributions | 910 | | | 910 |
| Transfers in | 2,730 | | | 2,730 |
| Changes in net assets | 554 | (611) | (211) | (268) |
| Total net assets— beginning | 2,188 | 13,354 | 53,200 | 68,742 |
| Total net assets— ending | \$ 2,742 | \$12,743 | \$ 52,989 | \$ 68,474 |

CITY OF BALTIMORE
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the Year Ended June 30, 2011
(Expressed in Thousands)

| | Loan and Guarantee Program | Industrial Development Authority | Conduit Fund | Total |
|--|----------------------------------|--|-----------------|------------|
| Cash flows from operating activities: | | | | |
| Receipts from customers | \$ 157 | \$ 341 | \$ 8,469 | \$ 8,967 |
| Payments to employees | (158) | | (3,269) | (3,427) |
| Payments to suppliers | (3,078) | (600) | (5,345) | (9,023) |
| Net cash provided (used) by operating activities | (3,079) | (259) | (145) | (3,483) |
| Cash flows from non-capital financing activities: | | | | |
| Transfers in | 2,730 | | | 2,730 |
| Net cash provided by non-capital financing activities | 2,730 | | | 2,730 |
| Cash flows from capital and related financing activities: | | | | |
| Acquisition and construction of capital assets | | | (2,844) | (2,844) |
| Other assets | | 9,578 | | 9,578 |
| Capital contributions | 910 | | | 910 |
| Principal paid on revenue bonds | | (8,200) | | (8,200) |
| Net cash provided (used) by capital and related financing activities | 910 | 1,378 | (2,844) | (556) |
| Net increase (decrease) in cash and cash equivalents | 561 | 1,119 | (2,989) | (1,309) |
| Cash and cash equivalents, beginning of year | 3,702 | 39,705 | 6,528 | 49,935 |
| Cash and cash equivalents, end of year | \$ 4,263 | \$ 40,824 | \$ 3,539 | \$ 48,626 |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | | |
| Operating loss | \$ (3,086) | \$ (611) | \$ (211) | \$ (3,908) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | |
| Depreciation expense | | | 826 | 826 |
| Accounts receivable | | 23 | (1,035) | (1,012) |
| Accounts payable and accrued liabilities | (2) | | 460 | 458 |
| Accrued interest payable | | (18) | | (18) |
| Accounts payable from restricted assets | | | (72) | (72) |
| Other noncurrent assets | | 1,149 | | 1,149 |
| Other liabilities | 9 | (802) | (113) | (906) |
| Total adjustments | 7 | 352 | 66 | 425 |
| Net cash provided (used) by operating activities | \$ (3,079) | \$ (259) | \$ (145) | \$ (3,483) |

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, 2011
(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 | | \$ 1,095 | \$ 50,863 | | | \$ 1,010 | \$ 84,392 | \$ 137,360 |
| Investments | | | | | | | 5,100 | 5,100 |
| Accounts receivable, net: | | | | | | | | |
| Other | | | 338 | \$ 459 | | 10 | 4,806 | 5,613 |
| Inventories | | | 3,764 | 702 | \$ 33 | | | 4,499 |
| Total current assets | | \$ 1,095 | 54,965 | 1,161 | 33 | 1,020 | 94,298 | 152,572 |
| Noncurrent assets: | | | | | | | | |
| Capital assets, net | | | 58,715 | 16 | | | 2 | 58,733 |
| Other assets | | | | | | | 55 | 55 |
| Total noncurrent assets | | | 58,715 | 16 | | | 57 | 58,788 |
| Total assets | | \$ 1,095 | 113,680 | 1,177 | 33 | 1,020 | 94,355 | 211,360 |
| Liabilities: | | | | | | | | |
| Current liabilities: | | | | | | | | |
| Accounts payable and accrued liabilities | \$ 52 | 29 | 4,522 | 136 | 26 | 100 | 10,176 | 15,041 |
| Due to other funds | 1,028 | | 300 | 7,564 | 408 | | | 9,300 |
| Estimated liability for claims in progress | | | | | | | 55,654 | 55,654 |
| Other liabilities | 157 | | 3,094 | 105 | 65 | 188 | 553 | 4,162 |
| Total current liabilities | 1,237 | 29 | 7,916 | 7,805 | 499 | 288 | 66,383 | 84,157 |
| Noncurrent liabilities: | | | | | | | | |
| Estimated liability for claims in progress | | | | | | | 119,101 | 119,101 |
| Total liabilities | 1,237 | 29 | 7,916 | 7,805 | 499 | 288 | 185,484 | 203,258 |
| Net assets: | | | | | | | | |
| Invested in capital assets | | | 58,715 | 16 | | | 2 | 58,733 |
| Unrestricted (deficit) | (1,237) | 1,066 | 47,049 | (6,644) | (466) | 732 | (91,131) | (50,631) |
| Total net assets (deficits) | \$ (1,237) | \$ 1,066 | \$ 105,764 | \$ (6,628) | \$ (466) | \$ 732 | \$ (91,129) | \$ 8,102 |

CITY OF BALTIMORE
Combining Statement of Revenues, Expenses,
and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2011
(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 | \$ 151 | \$ 3,412 | \$ 41,578 | \$ 2,237 | \$ 2,461 | \$ 9,703 | \$ 175,467 | \$ 235,009 |
| Operating expenses: | | | | | | | | |
| Salaries and wages | 707 | | 13,121 | 822 | 330 | 809 | 2,556 | 18,345 |
| Other personnel costs | 215 | | 4,485 | 308 | 118 | 315 | 772 | 6,213 |
| Contractual services | 175 | 3,231 | 9,510 | 2,136 | 52 | 8,335 | 13,707 | 37,146 |
| Materials and supplies | 13 | | 11,816 | 264 | 14 | 2 | 15 | 12,124 |
| Minor equipment | 13 | | | | 2 | 9 | 7 | 31 |
| Claims paid and incurred | | | | | | | 173,340 | 173,340 |
| Postage and delivery service | | | | | 1,776 | | | 1,776 |
| Depreciation | | | 8,134 | 2 | | | 1 | 8,137 |
| Total operating expenses | 1,123 | 3,231 | 47,066 | 3,532 | 2,292 | 9,470 | 190,398 | 257,112 |
| Operating income (loss) | (972) | 181 | (5,488) | (1,295) | 169 | 233 | (14,931) | (22,103) |
| Nonoperating revenues expenses: | | | | | | | | |
| Investment income | | | | | | | 376 | 376 |
| Loss on sale of equipment | | | (1,317) | | | | | (1,317) |
| Total nonoperating revenues expenses | | | (1,317) | | | | 376 | (941) |
| Income (loss) before contributions and transfers | | | | | | | | |
| | (972) | 181 | (6,805) | (1,295) | 169 | 233 | (14,555) | (23,044) |
| Capital contributions | | | 5,603 | | | | | 5,603 |
| Transfers in | | | | | | | 28,100 | 28,100 |
| Total net assets (deficits) — beginning | (265) | 885 | 106,966 | (5,333) | (635) | 499 | (104,674) | (2,557) |
| Total net assets (deficits) — ending | \$ (1,237) | \$ 1,066 | \$ 105,764 | \$ (6,628) | \$ (466) | \$ 732 | \$ (91,129) | \$ 8,102 |

CITY OF BALTIMORE
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2011
(Expressed in Thousands)

| | Energy Conservation | Municipal Communication | Mobile Equipment | Reproduction and Printing | Municipal Post Office | Municipal Telephone Exchange | Risk Management | Total |
|--|------------------------|----------------------------|---------------------|------------------------------|--------------------------|------------------------------------|--------------------|------------|
| Cash flow from operating activities: | | | | | | | | |
| Receipts from customers | \$ 1,078 | \$ 3,412 | \$ 41,214 | \$ 3,621 | \$ 2,281 | \$ 9,705 | \$ 182,556 | \$ 243,867 |
| Payments to employees | (873) | | (17,559) | (1,162) | (439) | (1,097) | (3,335) | (24,465) |
| Payments to suppliers | (205) | (3,249) | (21,218) | (2,441) | (1,842) | (8,869) | (165,631) | (203,455) |
| Net cash provided (used) by operating activities | | 163 | 2,437 | 18 | | (261) | 13,590 | 15,947 |
| Cash flows from noncapital financing activities: | | | | | | | | |
| Transfers in | | | | | | | 28,100 | 28,100 |
| Net cash provided by noncapital financing activities | | | | | | | 28,100 | 28,100 |
| Cash flows from capital and related financing activities: | | | | | | | | |
| Acquisition and construction of capital assets | | | (4,420) | (18) | | | | (4,438) |
| Capital contributions | | | 5,603 | | | | | 5,603 |
| Net cash provided (used) by capital and related financing activities | | | 1,183 | (18) | | | | 1,165 |
| Cash flows from investing activities: | | | | | | | | |
| Loss on sale of equipment | | | (1,317) | | | | | (1,317) |
| Proceeds from the sale and maturities of investments | | | | | | | 3,649 | 3,649 |
| Purchase of investments | | | | | | | (3,755) | (3,755) |
| Interest on investments | | | | | | | 376 | 376 |
| Net cash provided (used) by investing activities | | | (1,317) | | | | 270 | (1,047) |
| Net increase (decrease) in cash and cash equivalents | | 163 | 2,303 | | | (261) | 41,960 | 44,165 |
| Cash and cash equivalents, beginning of year | | 932 | 48,560 | | | 1,271 | 42,432 | 93,195 |
| Cash and cash equivalents, end of year | | \$ 1,095 | \$ 50,863 | | | \$ 1,010 | \$ 84,392 | \$ 137,360 |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | | | | | | |
| Operating income (loss) | \$ (972) | \$ 181 | \$ (5,488) | \$ (1,295) | \$ 169 | \$ 233 | \$ (14,931) | \$(22,103) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | | | | | |
| Changes in assets and liabilities: | | | | | | | | |
| Depreciation | | | 8,134 | 2 | | | 1 | 8,137 |
| Accounts receivable | | | (141) | 429 | | 2 | 4,655 | 4,945 |
| Inventories | | | (223) | 29 | (10) | | (204) | (204) |
| Other assets | | | | | | | 2,434 | 2,434 |
| Accounts payable and accrued liabilities | (4) | (18) | 172 | (54) | 2 | (518) | 4,926 | 4,506 |
| Other liabilities | 49 | | (17) | (19) | 9 | 22 | 29 | 73 |
| Due to other funds | 927 | | | 926 | (170) | | | 1,683 |
| Estimated liability for claims in progress | | | | | | | 16,476 | 16,476 |
| Total adjustments | 972 | (18) | 7,925 | 1,313 | (169) | (494) | 28,521 | 38,050 |
| Net cash provided (used) by operating activities | | \$ 163 | \$ 2,437 | \$ 18 | | \$ (261) | \$ 13,590 | \$ 15,947 |

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, 2011
(Expressed in Thousands)

| | Employees' Retirement System | Elected Officials' Retirement System | Fire and Police Employees' Retirement System | Total |
|--|------------------------------------|---|---|--------------|
| Assets: | | | | |
| Cash and cash equivalents | \$ 55,018 | \$ 109 | \$ 63,923 | \$ 119,050 |
| Investments: | | | | |
| Stocks | 915,194 | 11,626 | 1,168,346 | 2,095,166 |
| Bonds | 203,515 | 6,147 | 694,932 | 904,594 |
| Real estate | 89,593 | | 164,535 | 254,128 |
| Securities lending collateral | 77,577 | | 201,088 | 278,665 |
| Redemption receivable | | | 59,127 | 59,127 |
| Forward foreign contracts | 20,501 | | 46,004 | 66,505 |
| Other assets | 25,150 | 2 | 14,033 | 39,185 |
| Total assets | 1,386,548 | 17,884 | 2,411,988 | 3,816,420 |
| Liabilities: | | | | |
| Obligations under securities lending program | 77,577 | | 201,088 | 278,665 |
| Forward foreign contracts | 20,501 | | 45,824 | 66,325 |
| Accounts payable | 46,550 | 13 | 14,692 | 61,255 |
| Pension benefits payable | | | 6,379 | 6,379 |
| Total liabilities | 144,628 | 13 | 267,983 | 412,624 |
| Net assets held in trust for pension and OPEB benefits | \$ 1,241,920 | \$ 17,871 | \$ 2,144,005 | \$ 3,403,796 |

CITY OF BALTIMORE
Combining Statement of Changes in Fiduciary Net Assets
Pension Trust Funds
For the Year Ended June 30, 2011
(Expressed in Thousands)

| | Employees' Retirement System | Elected Officials' Retirement System | Fire and Police Employees' Retirement System | Total |
|---|------------------------------------|---|---|----------------|
| Additions: | | | | |
| Contributions: | | | | |
| Employer | \$ 62,375 | \$ 957 | \$ 107,540 | \$ 170,872 |
| Employee | 358 | 101 | 19,586 | 20,045 |
| Total contributions | 62,733 | 1,058 | 127,126 | 190,917 |
| Investment income (loss): | | | | |
| Net appreciation in fair value of investments | 195,927 | 3,510 | 332,127 | 531,564 |
| Securities lending income | 199 | | 452 | 651 |
| Interest and dividend income (loss) | 20,583 | 1 | 42,533 | 63,117 |
| Total investment income | 216,709 | 3,511 | 375,112 | 595,332 |
| Less: investment expense | 6,115 | 21 | 7,946 | 14,082 |
| Net investment income | 210,594 | 3,490 | 367,166 | 581,250 |
| Total additions | 273,327 | 4,548 | 494,292 | 772,167 |
| Deductions: | | | | |
| Retirement allowances | 112,642 | 817 | 203,042 | 316,501 |
| Death benefits | 547 | | 255 | 802 |
| Administrative expenses | 3,190 | 55 | 4,241 | 7,486 |
| Other | 219 | | 1,490 | 1,709 |
| Total deductions | 116,598 | 872 | 209,028 | 326,498 |
| Changes in net assets | 156,729 | 3,676 | 285,264 | 445,669 |
| Net assets— beginning of the year | 1,085,191 | 14,195 | 1,858,741 | 2,958,127 |
| Net assets— end of the year | \$ 1,241,920 | \$ 17,871 | \$ 2,144,005 | \$ 3,403,796 |

CITY OF BALTIMORE
Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2011

(Expressed in Thousands)

| | Unpresented Stock and Coupon Bonds | Property Sold for Taxes | Bid Deposit Refunds | Waterloo Summit | Recreation Accessory | Total |
|---------------------------------|--|-------------------------------|---------------------------|--------------------|-------------------------|---------------|
| Assets: | | | | | | |
| Cash and cash equivalents | \$ 55 | \$ 86 | \$ 96 | \$ 1 | \$ 381 | \$ 619 |
| Investments | | | | 51 | | 51 |
| Total assets | 55 | 86 | 96 | 52 | 381 | 670 |
| Liabilities: | | | | | | |
| Other | 55 | 86 | 96 | 52 | 381 | 670 |
| Total liabilities | \$ 55 | \$ 86 | \$ 96 | \$ 52 | \$ 381 | \$ 670 |

CITY OF BALTIMORE
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2011
(Expressed in Thousands)

| | Balance June 30, 2010 | Additions | Deductions | Balance June 30, 2011 |
|---|--------------------------|-----------|------------|--------------------------|
| <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 | 79 | \$ 17 | | 96 |
| Total assets | 79 | 17 | | 96 |
| Liabilities: | | | | |
| Other | 79 | 17 | | 96 |
| Total liabilities | 79 | 17 | | 96 |
| <i>Waterloo Summit</i> | | | | |
| Assets: | | | | |
| Cash | | 1 | | 1 |
| Investments | 51 | | | 51 |
| Total assets | 51 | 1 | | 52 |
| Liabilities: | | | | |
| Other | 51 | 1 | | 52 |
| Total liabilities | 51 | 1 | | 52 |
| <i>Recreation Accessory</i> | | | | |
| Assets: | | | | |
| Cash | 1,187 | 2,471 | \$ 3,277 | 381 |
| Total assets | 1,187 | 2,471 | 3,277 | 381 |
| Liabilities: | | | | |
| Other | 1,187 | 2,471 | 3,277 | 381 |
| Total liabilities | 1,187 | 2,471 | 3,277 | 381 |
| <i>Total All Agency Funds</i> | | | | |
| Assets: | | | | |
| Cash | 1,407 | 2,488 | 3,277 | 618 |
| Investments | 51 | 1 | | 52 |
| Total assets | 1,458 | 2,489 | 3,277 | 670 |
| Liabilities: | | | | |
| Other | 1,458 | 2,489 | 3,277 | 670 |
| Total liabilities | \$1,458 | \$ 2,489 | \$ 3,277 | \$ 670 |

STATISTICAL SECTION



See Independent Auditor's Report

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CITY OF BALTIMORE

Statistical Section

(Unaudited)

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Debt Capacity

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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.117

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.121

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 | | | | | | | | | |
|---------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| Governmental activities | | | | | | | | | | |
| Invested in capital assets, | | | | | | | | | | |
| net of related debt | \$2,643,306 | \$2,812,963 | \$2,810,155 | \$2,898,611 | \$2,684,600 | \$2,622,303 | \$3,138,558 | \$ 2,121,998 | \$ 2,681,668 | \$ 2,989,607 |
| Restricted | 15,650 | 15,444 | 15,084 | 13,774 | 13,773 | 26,516 | 13,250 | 13,191 | 14,787 | 14,931 |
| Unrestricted | (178,915) | (369,729) | (439,890) | (428,921) | (367,551) | 112,270 | (395,378) | (475,903) | (360,180) | (595,687) |
| Total governmental activities | | | | | | | | | | |
| net assets | \$2,480,041 | \$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 |
| Business-type activities | | | | | | | | | | |
| Invested in capital assets, | | | | | | | | | | |
| net of related debt | \$953,214 | \$ 840,900 | \$ 854,007 | \$1,001,112 | \$1,127,216 | \$1,088,511 | \$1,196,193 | \$ 1,371,993 | \$ 1,377,641 | \$ 1,461,618 |
| Restricted | 215,671 | 224,150 | 256,964 | 252,812 | 282,924 | 369,069 | 231,382 | 260,575 | 124,756 | 142,070 |
| Unrestricted | 59,185 | 182,449 | 207,744 | 125,132 | 60,639 | 138,070 | 245,818 | (27,495) | 182,655 | 172,004 |
| Total Business-type activities | \$1,228,070 | \$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 |
| Primary government | | | | | | | | | | |
| Invested in capital assets, | | | | | | | | | | |
| net of related debt | \$3,596,520 | \$3,653,863 | \$3,664,162 | \$3,899,723 | \$3,811,816 | \$3,710,814 | \$4,334,751 | \$ 3,493,991 | \$ 4,059,309 | \$ 4,451,225 |
| Restricted | 231,321 | 239,594 | 272,048 | 266,586 | 296,697 | 395,585 | 244,632 | 273,766 | 139,543 | 157,001 |
| Unrestricted | (119,730) | (187,280) | (232,146) | (303,789) | (306,912) | 250,340 | (149,560) | (503,398) | (177,525) | (423,683) |
| Total primary government | | | | | | | | | | |
| net assets | \$3,708,111 | \$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 |

CITY OF BALTIMORE

Changes in Net Assets

Last Ten Fiscal Years

(Accrual Basis of Accounting)

(Expressed in Thousands)

| | Fiscal Year | | | | | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| Expenses | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government | \$ 280,380 | \$ 311,906 | \$ 406,520 | \$ 406,849 | \$ 339,059 | \$ 452,353 | \$ 468,113 | \$ 521,242 | \$ 545,037 | \$ 452,449 |
| Public safety and regulation .. | 434,567 | 459,806 | 462,910 | 476,157 | 514,299 | 536,508 | 575,859 | 541,778 | 504,730 | 525,792 |
| Conservation of health | 176,159 | 189,881 | 195,024 | 142,219 | 162,319 | 104,879 | 157,549 | 147,054 | 164,751 | 151,192 |
| Social services | 26,966 | 31,382 | 36,822 | 29,451 | 30,584 | 2,252 | 36,202 | 6,096 | 435 | 14,581 |
| Education | 224,218 | 219,904 | 219,932 | 226,913 | 225,890 | 227,377 | 224,830 | 221,829 | 228,788 | 265,204 |
| Public library | 27,159 | 26,877 | 27,251 | 23,303 | 30,400 | 24,006 | 31,736 | 33,728 | 33,915 | 33,309 |
| Recreation and culture | 53,199 | 35,119 | 36,326 | 36,304 | 33,060 | 42,420 | 44,295 | 42,565 | 39,205 | 48,165 |
| Highways and streets | 159,481 | 195,148 | 186,393 | 132,909 | 123,930 | 122,212 | 143,340 | 135,992 | 191,536 | 140,309 |
| Sanitation and waste removal .. | 36,569 | 38,882 | 34,151 | 36,836 | 40,155 | 44,169 | 45,366 | 51,167 | 52,905 | 61,605 |
| Public service | 12,646 | 14,945 | 15,150 | 15,695 | 15,218 | 15,141 | 16,769 | 24,637 | 24,316 | 25,059 |
| Economic development | 134,031 | 100,343 | 96,964 | 80,045 | 449,746 | 145,160 | 184,286 | 204,557 | 182,816 | 183,331 |
| Interest | 46,037 | 41,271 | 43,588 | 40,944 | 50,070 | 58,327 | 63,070 | 37,885 | 50,105 | 47,391 |
| Total governmental activities expenses | 1,611,412 | 1,665,464 | 1,761,031 | 1,647,625 | 2,014,730 | 1,774,804 | 1,991,415 | 1,968,530 | 2,018,539 | 1,948,387 |
| Business-type activities: | | | | | | | | | | |
| Water | 84,454 | 97,883 | 95,745 | 96,893 | 95,010 | 95,576 | 105,882 | 116,407 | 107,982 | 120,736 |
| Waste water | 125,859 | 132,785 | 127,009 | 133,463 | 134,290 | 131,610 | 145,611 | 152,595 | 157,605 | 159,776 |
| Parking | 13,733 | 13,060 | 15,272 | 17,478 | 19,441 | 16,520 | 20,317 | 23,422 | 24,832 | 19,853 |
| Conduits | 2,754 | 3,075 | 3,481 | 3,917 | 8,065 | 5,937 | 11,207 | 7,312 | 5,947 | 9,688 |
| Development loans | 3,227 | 3,202 | 3,430 | 3,193 | 2,999 | 3,033 | 4,900 | 3,212 | 3,258 | 3,243 |
| Industrial development | 2,241 | 1,660 | 1,444 | 2,173 | 3,226 | 3,687 | 3,339 | 1,829 | 2,333 | 929 |
| Total business-type activities expenses | 232,268 | 251,665 | 246,381 | 257,117 | 263,031 | 256,363 | 291,256 | 304,777 | 301,957 | 314,225 |
| Total primary government expenses | 1,843,680 | 1,917,129 | 2,007,412 | 1,904,742 | 2,277,761 | 2,031,167 | 2,282,671 | 2,273,307 | 2,320,496 | 2,262,612 |
| Program revenues | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services (a) | 66,089 | 73,636 | 88,587 | 83,950 | 90,545 | 93,046 | 99,185 | 94,297 | 85,683 | 109,872 |
| Operating grants and contributions | 429,036 | 472,628 | 477,870 | 401,958 | 393,328 | 382,316 | 386,972 | 402,343 | 359,769 | 399,844 |
| Capital grants and contributions .. | 41,863 | 35,873 | 51,910 | 49,013 | 57,313 | 48,085 | 51,559 | 23,181 | 63,437 | 72,758 |
| Total governmental activities revenue | 536,988 | 582,137 | 618,367 | 534,921 | 541,186 | 523,447 | 537,716 | 519,821 | 508,889 | 582,474 |
| Business-type activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Water | 84,083 | 92,214 | 104,436 | 99,282 | 109,471 | 111,052 | 131,233 | 119,840 | 130,512 | 129,292 |
| Waste water | 128,681 | 121,131 | 126,869 | 134,805 | 136,405 | 151,462 | 157,974 | 158,305 | 166,016 | 160,076 |
| Parking | 46,043 | 49,883 | 54,196 | 56,613 | 61,896 | 62,706 | 69,868 | 64,380 | 67,760 | 83,040 |
| Conduits | 4,858 | 4,137 | 3,783 | 5,890 | 7,387 | 7,247 | 7,603 | 10,511 | 9,044 | 9,504 |
| Development loans | 1,092 | 3,219 | 359 | 49 | 109 | 860 | 363 | 299 | 555 | 157 |
| Industrial development .. | 2,179 | 1,500 | 1,190 | 1,524 | 2,475 | 4,491 | 3,711 | 1,630 | 390 | 318 |
| Capital grants and contributions .. | 37,840 | 30,580 | 55,165 | 51,057 | 69,370 | 78,032 | 40,928 | 22,818 | 38,313 | 72,257 |
| Total business-type activities revenues | 304,776 | 302,664 | 345,998 | 349,220 | 387,113 | 415,850 | 411,680 | 377,783 | 412,590 | 454,644 |
| Total primary government revenues | 841,764 | 884,801 | 964,365 | 884,141 | 928,299 | 939,297 | 949,396 | 897,604 | 921,479 | 1,037,118 |
| Net (Expense)/Revenue | | | | | | | | | | |
| Governmental activities | (1,074,424) | (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) |
| Business-type activities | 72,508 | 50,999 | 99,617 | 92,103 | 124,082 | 159,487 | 120,424 | 73,006 | 110,633 | 140,419 |
| Total primary government net expenses | (1,001,916) | (1,032,328) | (1,043,047) | (1,020,601) | (1,349,462) | (1,091,870) | (1,333,275) | (1,375,703) | (1,399,017) | (1,225,494) |
| General Revenues and Other Changes in Net Assets | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Property Taxes | 487,776 | 517,452 | 527,215 | 539,195 | 558,089 | 592,065 | 626,420 | 693,767 | 770,320 | 813,613 |
| Income Taxes | 181,574 | 173,466 | 182,506 | 199,635 | 225,517 | 243,611 | 267,625 | 262,901 | 251,731 | 234,955 |
| Other local taxes | 97,239 | 102,899 | 111,980 | 171,871 | 208,858 | 204,685 | 180,189 | 148,369 | 115,472 | 147,366 |
| State shared revenues | 173,604 | 173,412 | 169,703 | 200,199 | 222,911 | 226,692 | 213,899 | 187,986 | 135,226 | 127,433 |
| Franchise fees | 3,956 | | | | | | | | | |
| Unrestrictive investment income .. | 40,290 | 31,841 | 25,032 | 30,170 | 41,776 | 47,560 | 53,503 | 35,756 | 27,308 | 23,905 |
| Miscellaneous | 22,621 | 31,324 | 24,498 | 36,884 | 29,727 | 41,557 | 34,398 | 14,568 | 15,806 | 35,695 |
| Transfers | 27,661 | 31,570 | 28,401 | 32,865 | 34,024 | 33,870 | 42,681 | 34,339 | 40,707 | 55,522 |
| Total governmental activities | 1,034,721 | 1,061,964 | 1,069,335 | 1,210,819 | 1,320,902 | 1,390,040 | 1,418,715 | 1,377,686 | 1,356,570 | 1,438,489 |
| Business-type activities: | | | | | | | | | | |
| Unrestrictive investment income .. | 2,416 | | | 1,103 | 1,665 | | | 747 | | 5,743 |
| Transfers | (27,661) | (31,570) | (28,401) | (32,865) | (34,024) | (33,870) | (42,681) | (34,339) | (40,707) | (55,522) |
| Total business-type activities | (25,245) | (31,570) | (28,401) | (31,762) | (32,359) | (33,870) | (42,681) | (33,592) | (40,707) | (49,779) |
| Total primary government | 1,009,476 | 1,030,394 | 1,040,934 | 1,179,057 | 1,288,543 | 1,356,170 | 1,376,034 | 1,344,094 | 1,315,863 | 1,388,710 |
| Change in Net Assets | | | | | | | | | | |
| Governmental activities | (39,703) | (21,363) | (73,329) | 98,115 | (152,642) | 138,683 | (34,984) | (71,023) | (153,080) | 72,576 |
| Business-type activities | 47,263 | 19,429 | 71,216 | 60,341 | 91,723 | 125,617 | 77,743 | 36,101 | 69,926 | 90,640 |
| Total primary government | \$ 7,560 | \$ (1,934) | \$ (2,113) | \$ 158,456 | \$ (60,919) | \$ 264,300 | \$ 42,759 | \$ (34,922) | \$ (83,154) | \$ 163,216 |

(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 | | | | | | | | | |
|---|-------------------|-------------------|-------------------|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | |
| General Fund | | | | | | | | | | |
| Reserved | \$ 89,278 | \$ 88,422 | \$ 101,777 | \$ 119,793 | \$ 146,107 | \$ 168,912 | \$ 180,794 | \$ 181,585 | \$ 157,131 | |
| Unreserved | 33,459 | 40,902 | 37,878 | 72,762 | 65,417 | 56,043 | 33,629 | 35,344 | 20,441 | |
| Total General Fund | \$ 122,737 | \$ 129,324 | \$ 139,655 | \$ 192,555 | \$ 211,524 | \$ 224,955 | \$ 214,423 | \$ 216,929 | \$ 177,572 | |
| All Other Governmental Funds | | | | | | | | | | |
| Reserved | \$ 91,079 | \$ 134,313 | \$ 123,991 | \$ 121,639 | \$ 138,734 | \$ 149,684 | \$ 166,551 | \$ 119,928 | \$ 151,855 | |
| Unreserved reported in: | | | | | | | | | | |
| Special revenue funds | (48,831) | (64,148) | (88,188) | (108,326) | (99,577) | (100,707) | (140,026) | (43,679) | (43,687) | |
| Capital projects fund | 37,025 | (87,579) | (44,106) | (83,622) | 28,370 | 56,661 | 30,251 | 48,128 | (43,974) | |
| Debt service fund | 22,990 | 17,715 | 18,099 | 27,503 | 26,082 | 30,296 | 82,579 | 41,240 | 41,319 | |
| Permanent funds | 6,659 | 6,602 | 6,237 | 13,774 | | | | | | |
| Total all other governmental funds | \$ 108,922 | \$ 6,903 | \$ 16,033 | \$ (29,032) | \$ 93,609 | \$ 135,934 | \$ 139,355 | \$ 165,617 | \$ 105,513 | |

| | Fiscal Year |
|---|-------------------|
| | 2011 (1) |
| General Fund | |
| Nonspendable | \$ 6,154 |
| Assigned | 104,862 |
| Unassigned | 93,884 |
| Total General Fund | \$ 204,900 |
| All Other Governmental Funds | |
| Nonspendable | |
| Motor vehicle fund | \$ 2,658 |
| Other nonmajor funds | 2,811 |
| Assigned | |
| Motor vehicle fund | 15,177 |
| Capital projects fund | 128,813 |
| Other nonmajor funds | 48,837 |
| Unassigned | |
| Grants revenue fund | (32,688) |
| Capital projects fund | (80,539) |
| Other nonmajor funds | (10,733) |
| Total all other Governmental Funds | \$ 74,336 |

(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 | | | | | | | | | |
|--|-------------------|--------------------|------------------|------------------|-------------------|------------------|--------------------|------------------|--------------------|-------------------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| Revenues: | | | | | | | | | | |
| General fund: | | | | | | | | | | |
| Taxes— Local | \$ 767,384 | \$ 793,817 | \$ 821,701 | \$ 910,701 | \$ 992,464 | \$ 1,040,361 | \$ 1,074,234 | \$ 1,105,037 | \$ 1,137,523 | \$ 1,176,038 |
| Licenses and permits | 22,051 | 21,429 | 26,805 | 28,570 | 31,143 | 32,784 | 34,717 | 29,390 | 34,438 | 42,129 |
| Fines and forfeitures | 2,162 | 2,401 | 4,408 | 3,575 | 3,372 | 2,900 | 7,321 | 6,896 | 7,116 | 8,055 |
| Interest, rentals, and other investment income | 27,468 | 24,968 | 20,729 | 25,364 | 31,206 | 34,047 | 38,602 | 23,616 | 24,148 | 21,903 |
| Federal grants | 45 | 77 | 111 | 150 | 90 | 93 | 99 | 224 | 213 | |
| State grants | 87,580 | 98,778 | 96,412 | 92,240 | 91,331 | 98,120 | 101,235 | 99,423 | 97,320 | 89,453 |
| Other grants | 4,139 | 6,112 | 6,064 | 4,174 | 75 | 173 | 153 | 154 | 46 | 25 |
| Charges for services | 35,718 | 36,315 | 39,692 | 39,770 | 42,243 | 43,697 | 42,646 | 41,560 | 29,251 | 26,654 |
| Miscellaneous | 8,945 | 6,694 | 9,889 | 2,643 | 8,817 | 6,420 | 12,429 | 234 | 4,528 | 18,579 |
| Total revenues— general fund | 955,492 | 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 |
| Other governmental funds: | | | | | | | | | | |
| Motor vehicle fund | 185,538 | 187,891 | 187,119 | 212,477 | 238,002 | 244,316 | 232,716 | 206,015 | 156,590 | 160,974 |
| Grants revenue fund | 287,578 | 340,989 | 324,317 | 263,542 | 280,232 | 258,288 | 231,047 | 338,749 | 270,692 | 292,887 |
| Capital projects fund | 40,913 | 60,345 | 68,647 | 64,031 | 84,247 | 66,341 | 65,129 | 46,028 | 75,296 | 84,230 |
| Other funds | 48,986 | 25,555 | 29,820 | 37,334 | 32,251 | 55,941 | 36,696 | 33,030 | 28,641 | 26,245 |
| Total revenues— other governmental funds | 563,015 | 614,780 | 609,903 | 577,384 | 634,732 | 624,886 | 565,588 | 623,822 | 531,219 | 564,336 |
| Total revenues all governmental funds | 1,518,507 | 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 |
| Expenditures: | | | | | | | | | | |
| General fund: | | | | | | | | | | |
| General government | 214,288 | 253,812 | 267,527 | 273,606 | 290,727 | 337,700 | 368,022 | 368,279 | 410,746 | 375,814 |
| Public safety and regulation | 350,941 | 377,494 | 376,052 | 383,318 | 416,781 | 446,072 | 475,629 | 474,031 | 437,031 | 452,977 |
| Conservation of health | 24,102 | 24,760 | 23,528 | 24,442 | 30,507 | 28,948 | 29,371 | 33,066 | 44,950 | 44,076 |
| Social services | 1,743 | 1,952 | 2,032 | 2,146 | 2,138 | 3,007 | 4,498 | 6,057 | 396 | 1,361 |
| Education | 202,117 | 202,046 | 202,192 | 205,067 | 205,552 | 206,016 | 205,858 | 205,909 | 207,657 | 247,074 |
| Public library | 19,680 | 19,493 | 20,124 | 18,093 | 20,853 | 23,135 | 24,253 | 25,720 | 24,246 | 23,890 |
| Recreation and culture | 26,255 | 25,998 | 27,143 | 26,464 | 29,151 | 34,568 | 37,707 | 35,163 | 30,212 | 37,981 |
| Highways and streets | 175 | 153 | 244 | 407 | 312 | 484 | 720 | 244 | 16,376 | 16,838 |
| Sanitation and waste removal | 29,435 | 30,617 | 29,209 | 28,109 | 37,474 | 39,754 | 40,032 | 40,593 | 37,862 | 39,503 |
| Public service | 12,170 | 11,889 | 12,234 | 12,715 | 12,448 | 12,210 | 13,259 | 17,510 | 21,455 | 16,403 |
| Economic development | 14,631 | 19,077 | 19,262 | 18,854 | 21,420 | 30,440 | 39,616 | 36,573 | 36,186 | 36,589 |
| Total expenditures— general fund | 895,537 | 967,291 | 979,547 | 993,221 | 1,067,363 | 1,162,334 | 1,238,965 | 1,243,145 | 1,267,117 | 1,292,506 |
| Other governmental funds: | | | | | | | | | | |
| Motor vehicle fund | 132,117 | 144,495 | 148,268 | 148,974 | 157,248 | 164,419 | 175,354 | 173,570 | 191,558 | 140,223 |
| Grants revenue fund | 316,563 | 344,830 | 342,586 | 282,888 | 272,814 | 257,756 | 259,387 | 238,399 | 280,603 | 292,497 |
| Capital projects fund | 171,910 | 206,246 | 217,621 | 208,219 | 568,951 | 246,775 | 317,031 | 267,641 | 275,701 | 199,217 |
| Debt service fund: | | | | | | | | | | |
| Principal | 34,080 | 36,065 | 36,209 | 42,048 | 48,073 | 53,351 | 56,694 | 52,651 | 60,054 | 61,282 |
| Interest | 34,900 | 31,760 | 29,674 | 30,197 | 30,555 | 47,302 | 51,198 | 26,144 | 39,014 | 38,256 |
| Other bond costs | | | | 1,357 | 1,861 | 6,829 | | 13,945 | 9,847 | 5,882 |
| Other funds | 23,180 | 21,524 | 22,752 | 25,052 | 22,038 | 17,015 | 14,161 | 18,052 | 11,863 | 14,330 |
| Total expenditures other governmental funds | 712,750 | 784,920 | 797,110 | 738,735 | 1,101,540 | 793,447 | 873,825 | 790,402 | 868,640 | 751,687 |
| Total expenditures all governmental funds | 1,608,287 | 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 |
| Excess (deficiency) of revenues over expenditures | (89,780) | (146,840) | (140,943) | (47,385) | (333,430) | (72,300) | (235,766) | (103,191) | (269,955) | (97,021) |
| Other financing sources (uses): | | | | | | | | | | |
| Transfers, net | 27,661 | 31,570 | 28,401 | 33,873 | 16,568 | 20,694 | 36,044 | 27,839 | 40,707 | 27,422 |
| Capital leases | 12,400 | 433 | 25,136 | 10,189 | 10,265 | 25,447 | 7,372 | 3,956 | 75,099 | 11,020 |
| Face value of bonds and loans | 42,869 | 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) | 82,930 | 51,408 | 160,404 | 55,220 | 445,040 | 128,056 | 198,330 | 131,959 | 170,494 | 93,172 |
| Net changes in fund balances | \$ (6,850) | \$ (95,432) | \$ 19,461 | \$ 7,835 | \$ 111,610 | \$ 55,756 | \$ (37,436) | \$ 28,768 | \$ (99,461) | \$ (3,849) |
| Debt service as a percentage of noncapital expenditures | 4.66% | 4.31% | 4.17% | 4.57% | 1.78% | 5.62% | 5.64% | 3.50% | 5.26% | 5.24% |

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 |
|-------------|----------------|--|---------------------------|----------------------------|-----------------------|--|
| 2002 | \$515,463 | \$494,379 | 95.9% | \$8,613 | \$502,992 | 97.6% |
| 2003 | 517,977 | 500,522 | 96.6 | 12,836 | 513,358 | 99.1 |
| 2004 | 523,226 | 510,710 | 97.6 | 14,235 | 524,945 | 100.3 |
| 2005 | 548,552 | 529,074 | 96.4 | 6,144 | 535,218 | 97.6 |
| 2006 | 565,648 | 544,463 | 96.3 | 8,161 | 552,624 | 97.7 |
| 2007 | 599,534 | 577,759 | 96.4 | 6,776 | 584,535 | 97.5 |
| 2008 | 655,080 | 605,961 | 92.5 | 10,601 | 616,562 | 94.1 |
| 2009 | 728,359 | 671,869 | 92.2 | 16,238 | 688,107 | 94.5 |
| 2010 | 751,510 | 723,533 | 96.3 | 60,319 | 766,628 | 102.0 |
| 2011 | 777,332 | 750,144 | 96.5 | 29,647 | 779,791 | 100.3 |

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 | | |
| 2002 | \$16,893,662 | \$17,257,859 | \$1,955,068 | \$1,955,068 | \$18,848,730 | \$19,212,927 | 98.1% | \$2.412 |
| 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 |

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) |
|-------------|---------------|----------------|---------------|
| 2002 | \$2.328 | \$.084 | \$2.412 |
| 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 |

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)

| | 2011 | | | 2002 | | |
|--|------------------------|------|---|------------------------|------|---|
| | 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) | \$ 628,619 | 1 | 2.0% | \$ 572,785 | 1 | 3.1% |
| Verizon - Maryland | 234,768 | 2 | 0.7 | 362,481 | 2 | 1.9 |
| Harbor East Limited - Parcel B | 188,748 | 3 | 0.6 | | | |
| 100 East Pratt Street Business | 175,700 | 4 | 0.6 | | | |
| Baltimore Hotel Corporation | 166,720 | 5 | 0.5 | | | |
| Baltimore Center Associates | 165,713 | 6 | 0.5 | 135,241 | 3 | 0.7 |
| Harbor East Limited | 143,906 | 7 | 0.5 | | | |
| CSX Transportation | 141,915 | 8 | 0.5 | 78,185 | 5 | 0.4 |
| Canton Crossing Tower, LLC | 78,969 | 9 | 0.3 | | | |
| ABB South Street Associates, LLC | 77,626 | 10 | 0.2 | 59,153 | 7 | 0.3 |
| Boston Properties, Inc | | | | 126,985 | 4 | 0.7 |
| TMCT, LLC | | | | 60,470 | 6 | 0.3 |
| MCI Worldcom | | | | 58,430 | 8 | 0.3 |
| Pratt Street Hotel | | | | 49,246 | 9 | 0.3 |
| A T & T Communications of Maryland | | | | 39,346 | 10 | 0.2 |
| Total | \$ 2,002,684 | | 6.4% | \$ 1,542,322 | | 8.2% |

Debt Capacity

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

| Fiscal Year | Governmental Activities | | | | | Business-Type Activities | | | | | Total Primary Government | Percentage of Personal Income(b) | Per Capita(a) |
|-------------|--------------------------------|-------------------------------|--------------------------------|--|---|--------------------------|---------|----------------|--------------------------------|-----------|--------------------------------|--|------------------|
| | General Obligation Bonds | Bond Anticipation Notes | Special Obligation Bonds | Long-term Financing with Federal Government | Long-term Financing with State of Maryland | Private | Water | Waste Water | Sewer Construction Loans | | | | |
| 2002 | \$506,079 | \$3,180 | | \$39,057 | \$6,467 | \$1,897 | \$1,417 | \$2,152 | \$647 | \$560,896 | 3.09% | \$883 | |
| 2003 | 564,380 | | \$ 7,479 | 33,632 | 5,295 | 724 | 1,113 | 2,107 | 596 | 615,326 | 2.89 | 964 | |
| 2004 | 579,382 | | 23,324 | 30,681 | 4,872 | | 1,037 | 1,963 | 542 | 641,801 | 2.92 | 999 | |
| 2005 | 579,960 | | 23,324 | 42,141 | 4,519 | | 908 | 1,719 | 485 | 653,056 | 2.72 | 1,028 | |
| 2006 | 588,604 | | 26,301 | 51,311 | 3,697 | | 746 | 1,413 | 425 | 672,497 | 3.48 | 1,051 | |
| 2007 | 609,950 | | 26,211 | 46,926 | 2,266 | | 855 | 1,616 | 360 | 688,184 | 3.47 | 1,073 | |
| 2008 | 646,533 | | 93,018 | 51,429 | 1,945 | | 897 | 1,330 | 292 | 795,444 | 3.43 | 1,248 | |
| 2009 | 629,018 | | 116,508 | 50,803 | 1,553 | | 941 | 438 | 221 | 799,482 | 3.36 | 1,254 | |
| 2010 | 631,993 | | 116,205 | 45,436 | 1,186 | | 118 | 458 | 143 | 795,539 | N/A | 1,281 | |
| 2011 | 630,957 | | 115,600 | 42,151 | 925 | | | | 63 | 789,696 | N/A | N/A | |

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

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

N/A Information not available.

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

(Dollars Expressed in Thousands)

| Fiscal Year | General Obligation Bonds | Bond Anticipation Notes | Total | Funds Available in Debt Service Funds(b) | Net General Bonded Debt | Percentage of Actual Taxable Value of Property | Per Capita(a) |
|-------------|--------------------------|-------------------------|-----------|--|-------------------------|--|---------------|
| 2002 | \$506,079 | \$3,180 | \$509,259 | \$22,990 | \$486,269 | 2.53% | \$765.54 |
| 2003 | 564,380 | | 564,380 | 17,715 | 546,665 | 2.78 | 856.04 |
| 2004 | 579,382 | | 579,382 | 18,099 | 561,283 | 2.76 | 873.32 |
| 2005 | 579,960 | | 579,960 | 27,503 | 552,457 | 2.55 | 868.23 |
| 2006 | 588,604 | | 588,604 | 26,082 | 562,522 | 2.43 | 884.73 |
| 2007 | 609,950 | | 609,950 | 30,296 | 579,654 | 2.31 | 909.33 |
| 2008 | 646,533 | | 646,533 | 82,579 | 563,954 | 1.92 | 885.44 |
| 2009 | 629,018 | | 629,018 | 41,240 | 587,778 | 1.72 | 922.12 |
| 2010 | 631,993 | | 631,993 | 41,319 | 590,674 | 1.58 | 951.23 |
| 2011 | 630,957 | | 630,957 | 36,261 | 594,696 | 1.54 | 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, 2011

The City of Baltimore has no Overlapping Debt.

CITY OF BALTIMORE
Legal Debt Margin Information
June 30, 2011

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 | |
| 2002 | \$ 84,083 | \$ 65,938 | \$ 18,145 | \$ 3,860 | \$ 10,737 | 1.24 | \$ 128,681 | \$ 104,324 | \$ 24,357 | \$ 4,789 | \$ 7,834 | 1.93 |
| 2003 | 92,214 | 74,974 | 17,240 | 2,185 | 6,972 | 1.88 | 121,131 | 105,974 | 15,157 | 2,234 | 8,344 | 1.43 |
| 2004 | 102,612 | 76,616 | 25,996 | 2,295 | 10,529 | 2.03 | 125,942 | 104,859 | 21,083 | 4,660 | 9,595 | 1.48 |
| 2005 | 99,282 | 76,772 | 22,510 | 2,655 | 16,091 | 1.20 | 134,805 | 105,030 | 29,775 | 4,794 | 12,559 | 1.72 |
| 2006 | 109,471 | 77,776 | 31,695 | 2,779 | 17,137 | 1.59 | 136,405 | 113,542 | 22,863 | 7,658 | 12,630 | 1.13 |
| 2007 | 111,052 | 81,722 | 29,330 | 2,920 | 15,818 | 1.57 | 151,462 | 110,877 | 40,585 | 9,405 | 16,631 | 1.56 |
| 2008 | 131,233 | 95,909 | 35,324 | 3,574 | 16,279 | 1.78 | 157,974 | 143,856 | 14,118 | 13,027 | 13,517 | .53 |
| 2009 | 120,292 | 106,435 | 13,857 | 3,273 | 20,692 | .58 | 161,061 | 146,268 | 14,793 | 13,480 | 22,133 | .42 |
| 2010 | 129,579 | 102,962 | 26,617 | 6,264 | 20,202 | 1.01 | 166,072 | 147,202 | 18,870 | 16,822 | 25,627 | .44 |
| 2011 | 129,292 | 107,314 | 21,978 | 8,036 | 22,507 | 0.72 | 160,076 | 144,726 | 15,350 | 20,090 | 25,031 | .34 |

| 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 | |
| 2002 | \$46,043 | \$ 5,790 | \$40,253 | \$3,515 | \$ 6,813 | 3.90 | \$4,636 | \$4,636 | \$1,850 | \$2,578 | 1.05 |
| 2003 | 49,883 | 6,845 | 43,038 | 3,690 | 7,803 | 3.74 | 4,637 | 4,637 | 1,930 | 2,679 | 1.01 |
| 2004 | 53,539 | 7,447 | 46,092 | 4,355 | 11,999 | 2.82 | 4,579 | 4,579 | 2,010 | 2,596 | .99 |
| 2005 | 56,613 | 6,986 | 49,627 | 4,680 | 11,812 | 3.01 | 4,566 | 4,566 | 2,095 | 2,508 | .99 |
| 2006 | 61,896 | 9,697 | 52,199 | 4,900 | 9,828 | 3.54 | 3,904 | 3,904 | 2,185 | 2,415 | .85 |
| 2007 | 62,706 | 8,509 | 54,197 | 5,080 | 6,967 | 4.50 | 4,523 | 4,523 | 2,280 | 2,310 | .99 |
| 2008 | 69,868 | 11,692 | 58,176 | 5,815 | 8,956 | 3.94 | 4,516 | 4,516 | 2,193 | 2,395 | .98 |
| 2009 | 64,380 | 13,240 | 51,140 | 6,060 | 14,224 | 2.52 | 4,463 | 4,463 | 2,515 | 2,070 | .97 |
| 2010 | 67,760 | 13,821 | 53,939 | 6,915 | 9,352 | 3.32 | 4,344 | 4,344 | 2,645 | 1,794 | .98 |
| 2011 | 83,040 | 13,165 | 69,875 | 7,250 | 8,934 | 4.32 | 5,355 | 5,355 | 2,770 | 1,796 | 1.17 |

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) |
|---------------|---------------|---|-------------------------------|---------------------|----------------------|
| 2002 | 642,246 | \$17,391,891 | \$ 27,080 | 254,830 | 7.1% |
| 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 | 261,355 | 5.6 |
| 2008 | 638,091 | 23,367,979 | 36,622 | 259,710 | 6.7 |
| 2009 | 637,418 | 23,828,466 | 37,383 | 247,600 | 10.4 |
| 2010 | 620,961 | N/A | N/A | 247,026 | 10.7 |
| 2011 | N/A | N/A | N/A | N/A | N/A |

Source:

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

CITY OF BALTIMORE
Principal Employers
Current Year and Nine Years Ago

| Employer | 2011 | | | 2002 | | |
|--|-----------------------|------|-------------------------------------|-----------------------|------|-------------------------------------|
| | Employees | Rank | Percentage of Total City Employment | Employees | Rank | Percentage of Total City Employment |
| Government [1] | | | | | | |
| State | 41,552 | 1 | 12.72% | 38,649 | 1 | 10.15% |
| Other Government authority (City, Schools, etc)... | 27,844 | 2 | 8.52 | 31,383 | 2 | 8.24 |
| Federal | 10,775 | 3 | 3.30 | 10,386 | 3 | 2.73 |
| Subtotal Government | <u>80,171</u> | | <u>24.54</u> | <u>80,418</u> | | <u>21.12</u> |
| Ten Largest Private Sector Employers [2] | | | | | | |
| Johns Hopkins University | 22,000 | 1 | 6.73 | 24,440 | 1 | 6.42 |
| Johns Hopkins Hospital and Health System | 16,552 | 2 | 5.07 | 14,428 | 2 | 3.79 |
| University of Maryland Medical System | 9,467 | 3 | 2.90 | 8,016 | 4 | 2.10 |
| University System of Maryland | 8,900 | 4 | 2.72 | | | |
| MedStar Health | 6,294 | 5 | 1.93 | 9,000 | 3 | 2.36 |
| LifeBridge Health | 5,213 | 6 | 1.60 | 5,747 | 6 | 1.51 |
| Mercy Health Services | 3,280 | 7 | 1.00 | 2,800 | 9 | 0.73 |
| Constellation Energy / BGE | 3,273 | 8 | 1.00 | 6,600 | 5 | 1.73 |
| St. Agnes HealthCare | 3,022 | 9 | 0.93 | 3,000 | 7 | 0.79 |
| Kennedy Krieger Institute | 2,449 | 10 | 0.75 | | | |
| T. Rowe Price Group | | | | 2,822 | 8 | 0.74 |
| Bank of America Corporation | | | | 2,300 | 10 | 0.60 |
| Subtotal Ten Largest Private Sector Employers | <u>80,450</u> | | <u>24.63</u> | <u>79,153</u> | | <u>20.77</u> |
| Total Government and Ten Largest Private Sector Employers | <u><u>160,621</u></u> | | <u><u>49.17%</u></u> | <u><u>159,571</u></u> | | <u><u>41.89%</u></u> |

Source:

[1] For the government sector: Maryland Dept of Labor Licensing and Regulations, Employment data files for the period ending 12/31/2010.

[2] For the private sector: For 2011, Department of Business and Economic Development data files for calendar year 2011; For 2002, Baltimore Business Journal, Book of Lists 2003.

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 | | | | | | | | | |
|------------------------------|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| General government | 1,766 | 1,725 | 1,695 | 1,722 | 1,710 | 1,690 | 1,720 | 1,733 | 1,725 | 1,700 |
| Public safety | | | | | | | | | | |
| Police | 4,131 | 4,102 | 4,030 | 3,983 | 3,935 | 3,937 | 3,930 | 3,909 | 3,897 | 3,897 |
| Fire | 1,750 | 1,748 | 1,737 | 1,741 | 1,743 | 1,743 | 1,796 | 1,800 | 1,795 | 1,795 |
| Other | 714 | 738 | 725 | 727 | 735 | 752 | 766 | 793 | 795 | 791 |
| Conservation of health | 773 | 770 | 742 | 719 | 680 | 671 | 761 | 883 | 878 | 875 |
| Public library | 411 | 416 | 432 | 421 | 417 | 418 | 437 | 430 | 432 | 430 |
| Recreation and parks | 433 | 372 | 368 | 362 | 364 | 364 | 369 | 404 | 400 | 399 |
| Highways and streets | 1,511 | 1,511 | 1,511 | 1,515 | 1,510 | 1,518 | 1,523 | 1,514 | 1,499 | 1,458 |
| Public Works | | | | | | | | | | |
| Water | 942 | 952 | 957 | 936 | 926 | 900 | 901 | 893 | 878 | 875 |
| Waste Water | 1,093 | 1,088 | 1,091 | 1,086 | 1,069 | 1,059 | 1,031 | 1,014 | 1,011 | 1,012 |
| Solid Waste | 974 | 954 | 891 | 872 | 868 | 863 | 899 | 876 | 875 | 856 |
| Other | 826 | 626 | 609 | 570 | 598 | 606 | 607 | 627 | 621 | 625 |
| Public service | 55 | 63 | 64 | 64 | 64 | 68 | 68 | 68 | 68 | 67 |
| Economic development | 522 | 528 | 533 | 528 | 518 | 541 | 518 | 598 | 564 | 563 |
| | 15,901 | 15,593 | 15,385 | 15,246 | 15,137 | 15,130 | 15,326 | 15,542 | 15,438 | 15,343 |

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 | | | | | | | | | |
|--|-------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| <i>Police</i> | | | | | | | | | | |
| Arrests* | 102,397 | 110,167 | 100,388 | 99,981 | 92,904 | 76,587 | 86,027 | 81,895 | 82,369 | 56,606 |
| <i>Fire</i> | | | | | | | | | | |
| Fire Suppression Units Dispatched | N/A | N/A | 106,822 | 120,906 | 126,942 | 132,560 | 137,272 | 136,003 | 135,421 | 121,483 |
| Structural Fires | 2,758 | 2,223 | 2,132 | 2,370 | 2,372 | 2,275 | 2,177 | 2,100 | 2,154 | 2,460 |
| EMS Transports | 83,026 | 82,453 | 83,348 | 83,828 | 86,881 | 89,331 | 88,831 | 86,128 | 86,985 | 86,901 |
| Inspections | 21,805 | 12,560 | 14,707 | 20,250 | 20,543 | 23,630 | 26,594 | 25,654 | 24,156 | N/A |
| <i>Solid Waste</i> | | | | | | | | | | |
| Refuse Collected (tons) | 208,970 | 212,711 | 218,324 | 220,063 | 218,194 | 206,333 | 195,601 | 181,397 | 178,121 | 145,345 |
| Recyclables Collected (tons) | N/A | N/A | N/A | N/A | 166,656 | 167,236 | 13,465 | 15,914 | 256,422 | 25,557 |
| <i>Water/Wastewater</i> | | | | | | | | | | |
| Number of Accounts | N/A | N/A | N/A | N/A | 409,208 | 439,327 | 439,676 | 440,215 | 441,209 | 445,335 |
| Average Daily Water Production (MGD) | N/A | N/A | N/A | N/A | 251 | 251 | 226 | 226 | 218 | 218 |
| Average Daily Sewage Treatment (MGD) | N/A | N/A | N/A | N/A | 210 | 210 | 192 | 192 | 192 | 208 |
| <i>Transportation</i> | | | | | | | | | | |
| Miles Streets Resurfaced/Reconstructed | 103.2 | 144.1 | 38.7 | 113.5 | 13.5 | 136.6 | 220.2 | 188.1 | 82.3 | 185.0 |
| Potholes Repaired | N/A | 7,769 | 11,592 | 19,000 | 16,054 | 15,345 | 15,478 | 14,879 | 15,121 | 15,045 |
| Traffic Citations Issued | 2,660 | 3,233 | 9,760 | 12,422 | 7,744 | 4,488 | 4,909 | 3,186 | 6,231 | 63 |
| Parking Citations Issued | 328,038 | 331,422 | 340,448 | 340,444 | 364,041 | 400,263 | 368,099 | 389,642 | 379,633 | 388,338 |
| Traffic Signals Repaired | N/A | N/A | 8,274 | 10,973 | 11,482 | 9,737 | 5,513 | 5,124 | 6,901 | 5,538 |
| Street Lights Repaired | N/A | 12,248 | 13,345 | 12,982 | 21,527 | 27,459 | 24,847 | 22,008 | 25,415 | 29,012 |
| <i>Housing</i> | | | | | | | | | | |
| Number of inspections (housing and code enforcement) | N/A | N/A | 179,385 | 199,830 | 169,727 | 180,073 | 190,031 | 198,742 | 169,987 | 363,720 |
| Number of permits issued | 20,803 | 23,138 | 26,692 | 32,780 | 38,787 | 38,455 | 34,565 | 33,068 | 36,630 | 27,600 |
| Property Management Service Requests Completed** | N/A | N/A | 13,109 | 15,635 | 30,537 | 36,810 | 83,207 | 82,311 | 21,421 | 75,251 |
| <i>Recreation and Parks</i> | | | | | | | | | | |
| Enrollment at Recreation Centers | N/A | 170,440 | 152,660 | 155,193 | 138,583 | 141,232 | 142,009 | 139,632 | 135,547 | 154,528 |
| Permits Issued for Park Facilities | N/A | 526 | 572 | 808 | 661 | 723 | 698 | 789 | 653 | 741 |
| <i>Library</i> | | | | | | | | | | |
| Volumes in Circulation (millions) | 3.1 | 3.2 | 2.7 | 2.2 | 2.3 | 2.6 | 2.5 | 2.5 | 2.6 | 2.6 |
| Volumes Borrowed (millions) | 1.2 | 1.4 | 1.4 | 1.4 | 1.4 | 1.4 | 1.3 | 1.5 | 1.5 | 1.7 |

N/A Data not available.

* Yearly arrests are based on calendar year data, not fiscal year. The 2011 numbers are through 12/31/2011.

** 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 | | | | | | | | | |
|---|-------------|-------|-------|--------|--------|--------|--------|--------|--------|--------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| <i>Police/Sheriff</i> | | | | | | | | | | |
| Buildings | N/A | N/A | N/A | 10 | 10 | 10 | 10 | 10 | 10 | 13 |
| Marked Patrol Units | N/A | N/A | N/A | N/A | 525 | 466 | 473 | 471 | 487 | 479 |
| Other vehicles | N/A | N/A | N/A | N/A | 616 | 654 | 639 | 645 | 633 | 616 |
| <i>Fire Stations</i> | | | | | | | | | | |
| Buildings | N/A | N/A | N/A | 39 | 39 | 39 | 39 | 39 | 39 | 39 |
| Fire/EMS Apparatus (Tankers/Ladders/Medics) (Fleet) | N/A | N/A | N/A | N/A | 160 | 160 | 160 | 160 | 160 | 137 |
| Other vehicles | N/A | N/A | N/A | N/A | 152 | 168 | 164 | 164 | 164 | 176 |
| <i>Recreation and Parks</i> | | | | | | | | | | |
| Buildings | N/A | N/A | N/A | 147 | 148 | 148 | 148 | 148 | 148 | 148 |
| Acreage | 6,500 | 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 | N/A | 127 | 129 | 125 | 119 | 123 | 120 |
| Equipment | N/A | N/A | N/A | N/A | 304 | 309 | 295 | 286 | 296 | 183 |
| <i>Public Works (Transportation, Solid Waste, and General Services)</i> | | | | | | | | | | |
| Buildings | N/A | N/A | N/A | 30 | 30 | 30 | 30 | 30 | 30 | 30 |
| Vehicles | N/A | N/A | N/A | N/A | 990 | 971 | 980 | 968 | 952 | 984 |
| Equipment | N/A | N/A | N/A | N/A | 496 | 509 | 515 | 503 | 515 | 595 |
| Streets (miles) | N/A | N/A | N/A | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 |
| <i>Water/Wastewater</i> | | | | | | | | | | |
| Treatment plants | N/A | N/A | N/A | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Other Buildings | N/A | N/A | N/A | 31 | 31 | 31 | 31 | 31 | 31 | 31 |
| Vehicles | N/A | N/A | N/A | N/A | 611 | 625 | 615 | 608 | 599 | 632 |
| Equipment | N/A | N/A | N/A | N/A | 411 | 412 | 420 | 418 | 429 | 495 |
| 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 | 1,340 | 1,335 | 1,335 | 1,335 | 1,335 |
| Storm sewers (miles) | 1,080 | 1,080 | 1,080 | 1,080 | 1,080 | 1,080 | 1,100 | 1,100 | 1,100 | 1,100 |
| Wastewater Treatment capacity (MGD) | 250 | 250 | 250 | 250 | 253 | 253 | 253 | 253 | 253 | 253 |
| <i>Libraries</i> | | | | | | | | | | |
| Buildings | N/A | N/A | N/A | 32 | 32 | 33 | 34 | 34 | 34 | 22 |
| Vehicles | N/A | N/A | N/A | N/A | 17 | 17 | 17 | 16 | 16 | 20 |
| <i>Other-General Government</i> | | | | | | | | | | |
| Buildings | N/A | N/A | N/A | 1,353* | 1,353* | 1,353* | 1,353* | 1,353* | 1,353* | 4,250* |
| Vehicles | N/A | N/A | N/A | N/A | 197 | 211 | 799 | 1,017 | 1,141 | 753 |
| Equipment | N/A | N/A | N/A | N/A | 59 | 62 | 66 | 64 | 61 | 249 |

* 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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CITY OF BALTIMORE
STEPHANIE RAWLINGS-BLAKE
Mayor

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



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

**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, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 6, 2012. The financial statements of the Pension Trust Funds were audited by the City Auditor acting separately. Our report was modified to include a reference to other auditors and included an explanatory paragraph regarding the City adopting the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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



The Mayor, City Council, Comptroller and
Board of Estimates
City of Baltimore, Maryland:
December 6, 2012
Page 2 of 2

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.

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 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 items 2011-1 through 2011-5 in the accompanying schedule of findings and responses to be material weaknesses.

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 an instance of noncompliance with the City's investment policy, as described in item 2011-05, that is 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 February 4, 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.

December 6, 2012

CITY OF BALTIMORE, MARYLAND

Schedule of Findings and Responses

Year ended June 30, 2011

2011-01. 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 Bureau 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, 2011, we noted numerous 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 GASB 33 adjustment calculation, the compensated absences calculation, the reconciliation of the retainages payable subledger to the trial balance, the reconciliation of the City's fleet management system's (FASTER) numerical data to the mobile equipment fund general ledger and the capital leases lead schedule.

Lack of Controls over Accounting for Leases

Several revisions to the fiscal year 2011 capital lease lead schedule were required by Treasury Management to ensure its mathematical accuracy. Additionally, Treasury Management did not project several of the Industrial Development Authority (IDA) capital lease interest payments at the required rate of eight percent, as required. Also, certain data on four of the capital lease agreement addenda initially did not agree to the capital lease lead schedule as Treasury Management initially used preliminary lease offering statements rather than final lease offering statements to prepare the capital lease lead schedule. Treasury Management subsequently made the required corrections to this schedule. Lastly, the City does

CITY OF BALTIMORE, MARYLAND

Schedule of Findings and Responses

Year ended June 30, 2011

not evaluate known operating leases to determine if the operating leases are properly classified based on the four criteria found in SFAS 13. Since the population of operating leases is unknown, we determined that financial effect of this non-GAAP policy is undeterminable.

Lack of Controls over Cash

Treasury Management supervisory personnel do not formally and effectively review bank reconciliations, including significant unreconciled differences, and the related adjusting journal entries prepared by its staff. Further, we noted checks issued by the City to third parties that were not cashed within six months of the check date were identified. Although Treasury Management maintains a database of stale checks, this database is not reconciled to the general ledger control account to ensure an accurate accounting of outstanding (stale) checks. The stale check general ledger liability control account is in excess of \$2.7 million at June 30, 2011. Due to the lack of reconciliations, we were unable to determine if the City has properly escheated uncashed checks to the State of Maryland in accordance with the Abandoned Property Act and Regulations of the State of Maryland.

Lack of Controls over Grants Receivables

At year-end, BAPS calculates deferred grant revenue recognized in accordance with GASB 33 for its grant funds by comparing cash collections during its period of availability to the outstanding grant receivable by grant. BAPS determines the individual grant receivable as cumulative revenue less cumulative expenses by grant. The City's grant receivable totaled \$87.7 million at June 30, 2011. For the twenty-five grant projects initially selected for audit, we noted that the underlying reports from CityDynamics did not reconcile for seven projects within various system reports. At our request, the City performed a reconciliation of these accounts and we tested a revised twenty-six project selection, for which grants receivable totaled \$28.6 million. Although we obtained numerous revisions to this schedule, we noted that the cumulative revenue in the calculation for one project selected for testing was understated by approximately \$1.2 million. We did not identify any additional system errors and the error was subsequently corrected in the financial statements.

Improper Revenue Recognition of Property Taxes

In accordance with generally accepted accounting principles, the City revenue recognition policy for property tax revenue considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. During our audit, we noted that the City improperly recognized property tax revenue of approximately \$10.7 million on a payment received on the 72nd day after year-end. This amount was subsequently corrected in the financial statements.

Lack of Controls over Accounting for Capital Assets

Although the City began establishing new policies and procedures for properly identifying and capitalizing assets during fiscal year 2011, we noted several instances where the City is still not properly accounting for its capital assets. Specifically, we noted that although the City purchased an administrative building for \$2.6 million during fiscal year 2011, the City failed to properly capitalize the building as of June 30, 2011. In addition, we noted that the City purchased a parking garage for \$15.9 million which was subsequently sold for \$20.9 million resulting in a gain of \$5 million. However, the asset was not properly removed from the general ledger nor was the gain properly recorded in ledger. Lastly, we noted \$796.5 million of assets for which construction had been completed that were not properly transferred from the

CITY OF BALTIMORE, MARYLAND

Schedule of Findings and Responses

Year ended June 30, 2011

construction work in process account to the appropriate asset account. These errors were subsequently corrected in the financial statements.

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 \$45 million of member contributions against expenses on the draft financial statements. This error was subsequently corrected in the financial statements.

Lack of Controls over Fleet Management Transactions

During our audit, we noted that the City placed reliance on reports generated from FASTER without ensuring that the data was accurate. Specifically, we noted an unreconciled difference of \$1.3 million between amounts in FASTER and the City's general ledger. Additionally, we noted that made an unsupported adjustment of approximately \$18 million to the City's general ledger based on FASTER system data. The amounts were subsequently corrected in the financial statements. In addition, we noted that there is not a clear approval process for much of the invoicing of fleet management costs to the related agencies.

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 2011. Specifically, BAPS has not performed a reconciliation of this account since January 2010. The subsidiary ledger for this account reflects a liability balance approximately \$3 million higher than the related amount of \$14.6 million that is recorded in the general ledger control account at June 30, 2011. 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 2011. 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 due to not importing all retainages payable data from the prior City accounting system to the current City accounting system, City Dynamics, when the system was implemented in March 2009. Lastly, we noted several debit balances totaling \$1.6 million in the accounts that comprised the retainage payable balances due to uncorrected posting errors. These errors were subsequently corrected by management. Lastly, of sixty-seven retainage payable accounts selected for audit totaling \$32.5 million, we noted that the City could not locate the contracts for two accounts, totaling \$60 thousand, due to the age of the projects.

Lack of Controls over Accounting for Compensated Absences

The City's leave system of record is the E-Time system. During our audit, we noted that the following City agencies maintained alternate systems for compensated absences, the Police Department; the State's Attorney's Office, the Sheriff's Department, and the Circuit Court. These records were not included on or reconciled to the City's E-Time system, but were ultimately included correctly in the financial statements.

CITY OF BALTIMORE, MARYLAND

Schedule of Findings and Responses

Year ended June 30, 2011

Lack of Controls over Investments

During our audit of the City's investments, we noted that there were eight active investment accounts totaling \$200 thousand for which bank confirmations could not be obtained. Upon investigation, we noted that the reason the banks were unwilling to confirm the accounts was that no current member of Treasury Management was authorized on these accounts. In addition, we noted that although a daily Treasury Management meeting is held to discuss the City's cash needs for the day, there is no evidence to verify that the daily investment decisions were properly authorized and approved.

Lack of Controls over Hedged Derivative Instruments

The City invests in derivative cash flow hedges (swap agreements) in order to limit its exposure to the variability of cash flow that is attributable all or some of its future interest payments on variable rate bonds. The total fair values of these instruments are approximately \$18.7 million and \$58.9 million for governmental and business-type activities, respectively. During our audit, we noted that although an annual analysis of the effectiveness of the City's swap agreements is required by Governmental Accounting Standards Board (GASB) Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, the City had not performed a re-evaluation of its swap agreement effectiveness for fiscal year 2011. Instead, the City relied on an analysis performed by its third-party trustee in fiscal year 2010. During our audit, we noted several material errors in the presentation of derivative-related balances on both the balance sheet and in the related notes to the financial statements reflecting a lack of supervisory review and understanding of required presentation and disclosure requirements in accordance with GAAP. When determining the value of the swap in the Parking Facilities Fund, the City calculated the deferred outflows based on the swap's association with the 2002 revenue bonds. However, the 2002 revenue bonds were refunded in 2008 and the swaps were reassigned to the 2008 refunding revenue bonds. As a result, the City had failed to report deferred outflows in the amount of \$24.9 million and a derivative instrument liability for the same amount on the Parking Fund's 2010 balance sheet. The errors were subsequently corrected in the financial statements.

Lack of Controls over Terminated Employee Checklists

The City has a policy in place whereby a termination checklist is to be completed for all terminated employees to ensure that the terminated employee's access is removed from the City's systems, property, etc. During our audit, we noted that of the forty termination checklists selected for testing, one checklist could not be located, twenty-two checklists were not fully and properly completed, eighteen checklists were not signed by the employee and two checklists were not signed by the agency or department human resource representative, as required. In addition, of the eighteen checklists that were not properly signed by the employee, we were unable to identify valid reason for remaining unsigned, such as death, job abandonment, etc.

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."

CITY OF BALTIMORE, MARYLAND

Schedule of Findings and Responses

Year ended June 30, 2011

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 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.

Lastly, we recommend that BAPS take appropriate ownership of the City's financial statements and the amounts therein and rely less on the audit process to identify errors and propose significant adjustments.

Views of Responsible Officials

The Department of Finance agrees that it should continue to refine the process by which the CAFR is prepared and reviewed. BAPS has always accepted ownership of the CAFR and the associated process and will continue to refine its process and oversight for this extremely important function.

In March 2009, BAPS implemented Microsoft Dynamics GP GAAP compliant best practices software. The City of Baltimore, like many other local governments, utilizes modified accrual accounting during the year. At the end of each year, full accrual entries are made where appropriate. This is consistent with GAAP. Certain accounting functions are decentralized and carried out in City agencies. The Department of Finance is evaluating a strategy to provide additional accounting oversight of the accounting functions performed by City agencies. BAPS has developed a process to prepare quarterly GAAP financial statements and plans to implement this process no later than the first quarter of FY 2014. We believe that this process will improve internal control, identify issues early, and help improve the overall annual CAFR preparation process.

Generation of Transaction Detail Underlying Financial Statement Balances.

During the course of the audit, Finance did receive requests for information from the auditor. Many times these requests were vague and in some cases changed before the final data was assembled. Sometimes these requests required special reports that arrayed data in a manner that had not been previously requested. Finance will continue to work with the auditors to provide accurate and timely information to the auditors through the audit process.

CITY OF BALTIMORE, MARYLAND

Schedule of Findings and Responses

Year ended June 30, 2011

Lack of Controls over Accounting for Leases

The Department of Finance will evaluate its current lease process and make appropriate changes. BAPS will revise its procedures to review operating leases to determine eligibility capitalization.

Lack of Control over Cash

The \$5.7 million relates to a misclassification of cash as investment on the general ledger in December 2010. The misclassification was corrected in January 2012. The Department of Finance will evaluate its current reconciliation process and make appropriate adjustments to enhance internal control.

Lack of Controls over Grants Receivables

The \$1.2 million represents revenue collected before FY 2009. During the general ledger system conversion process this account was combined with other revenue accounts to meet the new account format. BAPS reconciled all of the converted data at the time of the conversion to all data transferred correctly. Both Audits and the prior external auditor reviewed this reconciliation. Based on the reconciliation that was performed at the time the data was converted, BAPS does not agree that revenues were understated.

Improper Revenue Recognition of Property Tax Revenue.

The \$10.7 million in revenue referred to in this finding represents money owed to the City by the State of Maryland for enterprise zone tax credits that are reimbursable by the State. Because the \$10.7 million relates to property taxes, we classified this receivable as a property tax receivable in the financial statement. In determining eligibility for accrual, GASB does limit property taxes receivable to the revenue collected 60 days after year end. However, GASB also suggests that entities can establish other periods of eligibility for different types of revenue using the city's payment cycle as a guideline. The GASB specifically says for example, some intergovernmental revenue can have a 90 day cycle if the account payable supports 90 day accounts payable cycle. The City already uses a 90 day cycle for some grants. Because these enterprise credits were due from the State (Intergovernmental revenue), Finance believes it to be appropriate to use 90 days rather than 60 days. Based on this logic, we believe the \$10.7 million was properly accrued.

Auditor's Response

The City's established revenue recognition policy, as disclosed in note 1 to the City's basic financial statements states that "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". As such, we believe the condition noted above, as it relates to property tax revenue recognition, is indicative of a material weakness as the City did not adhere to its established policy for revenue recognition.

Lack of Controls over Capital Assets

Finance is currently working on implementing a fixed assets module to its existing general ledger system. Once fully implemented, this module will prevent the issues described in the finding from occurring. Additionally, BAPS is working with all of the other operating agencies in the city to develop methods to identify when projects are completed and need to be transferred to depreciable assets. BAPS is currently meeting quarterly with each agency with active capital projects.

CITY OF BALTIMORE, MARYLAND

Schedule of Findings and Responses

Year ended June 30, 2011

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

For FY 2011, the City initially changed its method of reporting expenses in the OPEB Trust Fund to netting retiree contributions against expenses. We made this change after consulting with the Fund's actuary to more closely align with the expense used in the actuarial valuation. After reviewing our financial statement, the auditor questioned the new format. BAPS points out that the issue discussed in this finding is purely a report format issue and no adjustments were needed to the underlying accounting records.

Auditor's Response

The City's management is responsible for preparing its financial statements in accordance with generally accepted accounting principles (GAAP). The above accounting treatment of netting contributions against expenses is not in accordance with GAAP. Due to the material nature (\$45 million) of this improper application of GAAP, we consider this to be a material weakness over financial reporting.

Lack of Controls over Fleet Management Transactions

The City currently uses the "FASTER" system to account for transactions relating to fleet management assets and charges. The "FASTER" system is primarily designed to monitor vehicle maintenance. The City recognizes its drawbacks as a fixed assets system and plans to include the City fleet in the new fixed assets accounting module previously discussed. The Department of Finance is also currently working with the Central Garage, the owners of FASTER, to improve the reliability of revenue recognition in the FASTER system.

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

BAPS will review its current reconciliation procedures and make appropriate adjustments to ensure effective internal controls.

Lack of Proper Reconciliation of Retainages Payable

BAPS will review its current reconciliation procedures and make appropriate adjustments to ensure effective internal controls.

Lack of Controls over Accounting for Compensated Absences

At the end of FY 2011, there were four agencies whose leave was not controlled in e-time. They were the Fire Department, Police Department, State's Attorney's Office and the Sheriff's Office. Both the Fire and Police Departments' leave have been moved to e-time and are now controlled through e-time. The other two agencies are controlled by separately elected officials that have chosen not to have their leave controlled by the e-time system. Finance will encourage the two remaining agencies to consider converting to e-time.

Lack of Controls over Hedge Derivative Instruments.

The City implemented GASB No. 53 in FY 2010. As part of that implementation, the City did hire an outside consultant to assist the City in making some of the more technical calculations required by the GASB. Working with our auditor in FY2010, BAPS developed both the note disclosures and accounting entries necessary to comply with the pronouncement at the end of FY 2010. Both the accounting entries and note disclosures were audited by the auditors and no issues were raised. During FY2011, the City again contacted our outside consultant to perform the required calculations and we were told by the consultant nothing changed as to the effectiveness of the SWAP and the only changes that needed to be reflected were the market values of the SWAPS. The City believes this inquiry met the requirements of

CITY OF BALTIMORE, MARYLAND

Schedule of Findings and Responses

Year ended June 30, 2011

the GASB for annual analysis. Our new auditors disagreed with this position and ultimately the City hired the consultant to reperform the calculation. The material error referred to two SWAP agreements that were reassigned in FY 2008. The City's initial understanding was that because this reassignment did not occur in FY 2010, the year we implemented GASB 53, no retroactive implementation was required. Our auditor at the time concurred with that decision. Ultimately, that position was proven to be incorrect and the city restated the 2010 implementation to correct for the reassigned SWAPS. Throughout this entire process, the City tried to take prudent steps to ensure accurate implementation of the GASB 53. The City hired a well respected SWAP consultant for assistance with the process. We recognize that we may have made mistakes in our initial implementation, but fail to see how the process outlined above can be described as lack of supervisory review and understanding of the disclosure requirement of GASB 53.

Auditor's Response:

The City's management is responsible for preparing its financial statements in accordance with generally accepted accounting principles (GAAP). The City clearly did not have the requisite knowledge of the proper accounting for its derivative investments under GASB No. 53, and instead relied on external parties to account for its SWAP investments with no oversight or ownership of the process. Due to the material nature of this improper application of GAAP, we consider this to be a material weakness over financial reporting.

Lack of Controls over Terminated Employee Checklists

BAPS will review its process for handling Terminated Employee Checklist to ensure they are properly completed.

Lack of Control over Investments

The investment accounts will be corrected. The accounts in question were associated with long existing Board of Finance Trust investments established many years ago. All of the investment accounts were properly reported and at no time was the principal at risk.

Investment decisions are made in consultation with the Treasury Assistant and the supervisor. In addition, all investments are made with trade tickets signed by an authorized Treasury Official and are transmitted to the safekeeping bank. The safekeeping bank would not accept these investment trades without the duly authorized trade tickets which they maintain for their records. The City also maintains a file of every trade ticket and is available for review.

CITY OF BALTIMORE, MARYLAND

Schedule of Findings and Responses

Year ended June 30, 2011

2011-02. Lack of Controls over Journal Entries

Background/Condition

As noted above in item 2011-01, 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 \$13.9 billion of manual journal entries during fiscal year 2011. During our testing of fifty-five journal entries, we noted that four journal entries totaling \$107.2 million were not properly approved or supported.

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

Views of Responsible Officials

With the implementation of Microsoft Dynamics in March 2009, the City implemented GAAP compliant software. One of the features of this software is no journal entry can be posted unless it is approved. The ability to approve journal entries rest entirely with BAPS personnel. All four of the journal entries mentioned above were approved by BAPS. We do agree with the auditors that the journal entries in question should have had more detailed support. BAPS will continue to review its approval process to ensure all journals have sufficient support.

Auditor's Response:

As noted above, when proper controls do not exist over journal entries, it is possible for management to override other manual controls through the use of journal entries. As we do not believe that the City has effective controls in place to mitigate this risk, we consider this to be a material weakness over financial reporting.

CITY OF BALTIMORE, MARYLAND

Schedule of Findings and Responses

Year ended June 30, 2011

2011-03. Lack of Controls over Water and Waste Water Billing Process

Background/Condition

After our review of *Allegations Regarding Water and Waste Water Billing Procedures to Determine the Validity of Those Allegations and Identify Opportunities for Improvement* Report issued by the City Auditor in February 2012, we performed audit procedures related to 70,103 customer accounts with true readings. These allegations included over, under, mismanaged, and missed billings. Based on certain assumptions, the Department of Public Works (DPW) initially identified and recorded approximately \$4.2 million in net adjustments to utility customers. At our request, the City performed additional analysis and increased its proposed gross adjustment to \$9.2 million, allocated between fiscal years 2010 and prior and fiscal year 2011.

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 accurate meter reading and 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, material misstatements to the financial statements could go undetected.

Recommendation

We recommend that the City take appropriate action to ensure that meter readings are properly performed in the field and 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 limitations 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 Responses

Year ended June 30, 2011

2011-04. Lack of Controls over Grants Receivable and Deferred Revenue

Background/Condition

As noted above in item 2011-01, the City's financial reporting process is heavily reliant on the recording of various manual adjustments. During the review of the deferred revenue balance and the related fund balance deficit, we noted that grants revenues for particular grants were being recorded in one grant project while corresponding grant expenditures were recorded in multiple grant projects under a single grant. The initial grant advance/deferral analysis did not appropriately consider the grouping of grant projects under specific grants and therefore the accrual adjustment was miscalculated. At our request, an additional analysis was performed which provided a more reasonable basis for matching revenues with appropriate expenses. This resulted in approximately \$56.5 million of adjustments in grants receivable and \$57.6 million in grants deferred revenue, thus creating an overall reduction to the deficit in the grants revenue fund by approximately \$114.1 million.

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 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 the accrual adjustment is properly calculated and reflected in the general ledger and financial statements.

Effect

As proper controls do not exist over the grants, material misstatements to the financial statements could go undetected.

Recommendation

We recommend that the City take appropriate action to ensure that grants revenue and expenses are properly matched and recorded in the general ledger and other accounting records to avoid inconsistencies. We also recommend that the accrual adjustment captures appropriate information, and is properly reviewed and approved prior to posting in the general ledger and financial statements.

Views of Responsible Officials

The Finance Department recognizes that there are problems with the decentralized nature of grants management. The department is currently evaluating how grants are managed and expects to make enhancements to its grants oversight responsibilities during calendar year 2013. BAPS will be taking a more active oversight of agency accounting including, accounting for grants to ensure that grants are effectively controlled.

CITY OF BALTIMORE, MARYLAND

Schedule of Findings and Responses

Year ended June 30, 2011

2011-05. Non-compliance with the Investment Policy

Condition

The City did not comply with investment policy provisions during fiscal year 2011. Specifically, we noted that:

- Cash investments in the Maryland Local Government Investment Pool (MLGIP) exceeded the allowable ceiling of 40% by 3% or \$10.8 million of total short-term, idle cash balances.
- Treasury Management purchased two and redeemed three investments that each exceeded the allowable non-repurchase agreement ceiling of \$25 million. The total amount in excess of the allowable non-repurchase agreement ceiling was \$68.4 million.
- According to Treasury Management officials, required monthly Board of Finance (BOF) meetings were not held, and no documentation exists to document the required monitoring of BOF investments by the BOF members.
- Documentation maintained by Treasury Management demonstrating investee companies' eligibility to do business with the City was insufficient as it did not include documentation as to whether an annual review of audited financial statements, disclosures, or bidders is performed, following up with brokers regarding if the City's policy was read, and a review of bank's capital compliance. Though information is available online, the City should retain copies on file, such as documentation of banks' state license, financial statements, and NASD certificate.

Lastly we noted that the Treasury Management lead accountant is permitted to authorize and approve financial transactions in those cases where supervisors are unavailable. However, there is no formal follow-up supervisory review of such transactions.

Criteria

The City has a written investment policy that includes the following provisions:

- Investments in the MLGIP may not exceed 40% of total short-term, idle cash balances.
- Investment transactions are not permitted in excess of \$25 million that are not repurchase agreements (repos).
- City BOF meetings are to be held monthly for the purpose of monitoring those City investments falling under BOF purview.
- Certain documentation is required to be obtained and maintained by Treasury Management showing an investee company's eligibility to do business with the City.

Cause

Controls are not adequately designed and operating effectively to ensure compliance with the City's investment policy

Effect

The City is not in compliance with its investment policy.

Recommendation

We recommend that the City establish appropriate processes to ensure that monitoring procedures and controls are in place and operating effectively to ensure compliance with the City's investment policies.

CITY OF BALTIMORE, MARYLAND

Schedule of Findings and Responses

Year ended June 30, 2011

Views of Responsible Officials

The detail response is noted below for each item cited:

Comment: Cash investments in the Maryland Local Government Investment Pool (MLGIP) exceeded the allowable ceiling of 40% by 3% or \$10.8 million of total short-term, idle cash balances.

Response: The investment policy establishes max percentage at time of purchase. If due to redemptions, certain percentages fall out of balance – no more purchases of a particular investment can be made until the limit has been restored. That was the case in the above example. To do otherwise may expose the city to market risk and loss of principal.

Comment: Treasury Management purchased two and redeemed three investments that each exceeded the allowable non-repurchase agreement ceiling of \$25 million. The total amount in excess of the allowable non-repurchase agreement ceiling was \$68.4 million.

Response: These investments were associated with money market funds. In each case, the amounts when purchased were less than the maximum allowed under the policy. The policy never intended to include MMFs - to do so would result in multiple wires on the same day to the same fund. The policy now specifically eliminates this restriction.

Comment: According to Treasury Management officials, required monthly Board of Finance (BOF) meetings were not held, and no documentation exists to document the required monitoring of BOF investments by the BOF members.

Response: Treasury Management officials never made this comment. The Board is not required to meet monthly. When the Board does meet – all the previous investment activity is presented and approved by the Board. The Board minutes reflect this.

Comment: Documentation maintained by Treasury Management demonstrating investee companies' eligibility to do business with the City was insufficient as it did not include documentation as to whether an annual review of audited financial statements, disclosures, or bidders is performed, following up with brokers regarding if the City's policy was read, and a review of bank's capital compliance. Though information is available online, the City should retain copies on file, such as documentation of banks' state license, financial statements, and NASD certificate.

Response: All the available financial information is available on line and is reviewed annually as required under our policy. We document our review of the online material in writing in the broker/dealer file. We see no need to print hundreds of document pages to simply place them in a file. The fed has digitized these documents for ease of access and use. Our policy allows for this and we intend to continue in this manner.

Comment: Lastly, we noted that the Treasury Management lead accountant is permitted to authorize and approve financial transactions in those cases where supervisors are unavailable. However, there is no formal follow-up supervisory review of such transactions.

Response: Each day the supervisory staff receives a complete investment report of all investment activity. This includes the prior day. It is reviewed at that time.

CITY OF BALTIMORE, MARYLAND

Schedule of Findings and Responses

Year ended June 30, 2011

Auditor's Response:

We have reviewed management's responses to our finding and continue to believe that there is no auditable evidence to substantiate that the City was in compliance with the investment policy in place at the time of our audit.

PART III

REPORT ON SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS

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

December 6, 2012

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, 2011, and have issued our report thereon dated December 6, 2012. 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 \$254,378,092 for the BCPSS and no federal expenditures 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,

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

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**CITY OF BALTIMORE - SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2011**

| <u>FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE</u> | <u>FEDERAL CFDA NUMBER (5)</u> | <u>ARRA (8)</u> | <u>FEDERAL IDENTIFICATION NUMBER (4)</u> | <u>STATE GRANT IDENTIFICATION NUMBER</u> | <u>DISBURSEMENTS/ EXPENDITURES</u> |
|---|--|-----------------|--|--|--|
| DEPARTMENT OF AGRICULTURE | | | | | |
| MARYLAND STATE DEPARTMENT OF EDUCATION | | | | | |
| Child and Adult Care Food Program FY2005 | 10.558 | | | 014-220 | \$4,665 |
| Child and Adult Care Food Program FY2008 | 10.558 | | | 014-220 | 201 |
| Child and Adult Care Food Program FY2009 | 10.558 | | | 014-220 | (5,760) |
| Child and Adult Care Food Program FY2010 | 10.558 | | | 014-220 | 3,071,466 |
| Child and Adult Care Food Program FY2011 | 10.558 | | | 014-220 | 2,539,601 |
| Summer 2006 Food Service Program for Children | 10.559 | | 2006-IN-10-9941 | 347041 | 1,743 |
| Summer 2008 Food Service Program for Children | 10.559 | | 2008-IN-10-9941 | 347041 | 2,037 |
| Summer 2009 Food Service Program for Children | 10.559 | | 2009-IN-10-9941 | 347041 | 2,839,787 |
| Summer 2010 Food Service Program for Children | 10.559 | | 2010-IN-10-9941 | 347041 | 125,374 |
| Summer 2011 Food Service Program for Children | 10.559 | | 2011-IN-10-9941 | 347041 | 203,327 |
| TOTAL MARYLAND STATE DEPARTMENT OF EDUCATION | | | | | \$8,782,441 |
| MARYLAND STATE DEPARTMENT OF HEALTH AND MENTAL HYGIENE | | | | | |
| Women, Infants and Children Food Program (WIC) FY2006 | 10.557 | | | WI 213 WIC | 1,240 |
| Women, Infants and Children Food Program (WIC) FY2008 | 10.557 | | | WI 213 WIC | (11,350) |
| Women, Infants and Children Food Program (WIC) FY2009 | 10.557 | | | WI 213 WIC | (100,723) |
| Women, Infants and Children Food Program (WIC) FY2010 | 10.557 | | | WI 213 WIC | 237,064 |
| Women, Infants and Children Food Program (WIC) FY2011 | 10.557 | | | WI 213 WIC | 2,021,153 |
| TOTAL MARYLAND STATE DEPARTMENT OF HEALTH AND MENTAL HYGIENE | | | | | \$2,147,384 |
| MARYLAND STATE DEPARTMENT OF HUMAN RESOURCES | | | | | |
| Supplemental Nutrition Assistance Prg - DHR/BCDSS Food Stamp Employment | 10.561 | | | BCDSS/FIA-08-065 | 128,706 |
| Supplemental Nutrition Assistance Prg - DHR/BCDSS Food Stamp Employment | 10.561 | | | BCDSS/FIA-08-065 | 1,595 |

**CITY OF BALTIMORE - SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2011**

| <u>FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE</u> | <u>FEDERAL CFDA NUMBER (5)</u> | <u>ARRA (8)</u> | <u>FEDERAL IDENTIFICATION NUMBER (4)</u> | <u>STATE GRANT IDENTIFICATION NUMBER</u> | <u>DISBURSEMENTS/ EXPENDITURES</u> |
|---|--|-----------------|--|--|--|
| Supplemental Nutrition Assistance Prg - DHR/BCDSS Food Stamp Employment | 10.561 | | | BCDSS/FIA-11-065 | 68,991 |
| Emergency Food Assistance Program FY2009 (Admin Costs) | 10.568 | | | CSA/FNS-09-003 | 388,635 |
| Emergency Food Assistance Program FY2011 (Food Commodities) | 10.569 (9) | | | | 678,623 |
| TOTAL MARYLAND STATE DEPARTMENT OF HUMAN RESOURCES | | | | | \$1,266,550 |
| TOTAL DEPARTMENT OF AGRICULTURE | | | | | \$12,196,375 |
| DEPARTMENT OF COMMERCE | | | | | |
| BALTIMORE METROPOLITAN COUNCIL | | | | | |
| Economic Development Assistance (EDA) | 11.302 | | 01-69-08944 | | 2,972 |
| TOTAL BALTIMORE METROPOLITAN COUNCIL | | | | | \$2,972 |
| TOTAL DEPARTMENT OF COMMERCE | | | | | \$2,972 |
| DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | | | |
| DIRECT GRANTS | | | | | |
| Affordable Housing Program (AHP) - Uplands Demolition | 14.218 | | UPG04MD01306 | | (2,220,444) |
| Community Development Block Grant (CDBG) Entitlement Grants | 14.218 | Y | B09-MY-24-0010 | | 2,278,234 |
| CDBG - Restoration Gardens | 14.218 | Y | | | 811,248 |
| Federal Neighborhood Stabilization Program | 14.218 | | | | 1,666,796 |
| CDBG | 14.218 | | B08-MC-24-0010 | | 13,183 |
| CDBG | 14.218 | | B06-MC-24-0010 | | 120,072 |
| CDBG-19 | 14.218 | | B00-MC-24-0010 | | (2,000) |
| CDBG-23 | 14.218 | | B00-MC-24-0010 | | (14,000) |
| CDBG-24 | 14.218 | | B08-MC-24-0010 | | (149,242) |
| CDBG-25 | 14.218 | | B99-MC-24-0010 | | (233,683) |
| CDBG-26 | 14.218 | | B00-MC-24-0010 | | 10 |

**CITY OF BALTIMORE - SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2011**

| <u>FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE</u> | <u>FEDERAL CFDA NUMBER (5)</u> | <u>ARRA (8)</u> | <u>FEDERAL IDENTIFICATION NUMBER (4)</u> | <u>STATE GRANT IDENTIFICATION NUMBER</u> | <u>DISBURSEMENTS/ EXPENDITURES</u> |
|--|--|-----------------|--|--|--|
| CDBG-28 | 14.218 | | B02-MC-24-0010 | | 310,827 |
| CDBG-29 | 14.218 | | B03-MC-24-0010 | | 35,082 |
| CDBG-30 | 14.218 | | B04-MC-24-0010 | | (384,150) |
| CDBG-31 | 14.218 | | B05-MC-24-0010 | | 175,175 |
| CDBG-32 | 14.218 | | B06-MC-24-0010 | | 29,608 |
| CDBG-33 | 14.218 | | B07-MC-24-0010 | | 2,683,874 |
| CDBG-34 | 14.218 | | B08-MC-24-0010 | | (980,813) |
| CDBG-35 | 14.218 | | B09-MC-24-0010 | | 2,964,511 |
| CDBG-36 | 14.218 | | B00-MC-24-0010 | | 16,413,371 |
| UDAG Repayments | 14.221 | | | | (14,388) |
| UDAG Repayments | 14.221 | | | | 839,069 |
| Emergency Shelter Grant | 14.231 | | | | 421 |
| Emergency Shelter Grant FY2010 | 14.231 | | MD08-MC-24-0001 | | 170,539 |
| Emergency Shelter Grant FY2011 | 14.231 | | MD08-MC-24-0001 | | 806,252 |
| Supportive Housing Program SuperNOFA | 14.235 | | MD 06 B 401-XXX | | 2,258 |
| Supportive Housing Program FY2008 | 14.235 | | MD 06 B 1001 | | 2,694,881 |
| Supportive Housing Program FY2009 | 14.235 | | MD 06 B 701 | | 834,099 |
| Supportive Housing Program FY2011 | 14.235 | | MD 06 B 1001 | | 5,580,359 |
| Shelter Plus Care FY2008 | 14.238 | | MD 06 C 601 | | (19,852) |
| Shelter Plus Care FY2009 | 14.238 | | MD 06 C 701 | | 87,910 |
| Shelter Plus Care FY2010 | 14.238 | | MD 06 C 1001-XXX | | 44,729 |
| Shelter Plus Care FY2011 | 14.238 | | MD 06 C 1001-XXX | | 7,054,136 |
| HOME Program - Coppin Heights Project | 14.239 | | | | 17,000 |
| HOME Program - Poppleton II Project | 14.239 | | | | 108,850 |
| HOME Program FY2001 | 14.239 | | M-01-MC-24-0200 | | (342,002) |

**CITY OF BALTIMORE - SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2011**

| <u>FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE</u> | <u>FEDERAL CFDA NUMBER (5)</u> | <u>ARRA (8)</u> | <u>FEDERAL IDENTIFICATION NUMBER (4)</u> | <u>STATE GRANT IDENTIFICATION NUMBER</u> | <u>DISBURSEMENTS/ EXPENDITURES</u> |
|--|--|-----------------|--|--|--|
| HOME Program FY2004 | 14.239 | | M-04-MC-24-0200 | | 150 |
| HOME Program FY2006 | 14.239 | | M-06-MC-24-0200 | | 1,330 |
| HOME Program FY2007 | 14.239 | | M-07-MC-24-0200 | | 1,309 |
| HOME Program FY2008 | 14.239 | | M-08-MC-24-0200 | | 308,862 |
| HOME Program FY2008 | 14.239 | | M-08-MC-24-0200 | | 2,714,271 |
| HOME Program FY2008 | 14.239 | | | | 460,000 |
| HOME Program FY2009 | 14.239 | | M-09-MC-24-0200 | | (7,102) |
| HOME Program FY2009 | 14.239 | | M-09-MC-24-0200 | | 25,139 |
| HOME Program FY2009 | 14.239 | | | | 590,903 |
| HOME Program FY2009 | 14.239 | | | | 446,744 |
| HOME Program FY2009 | 14.239 | | | | 349,000 |
| HOME Program FY2009 | 14.239 | | | | (286,477) |
| HOME Program FY2010 | 14.239 | | M-10-MC-24-0200 | | 604,990 |
| Housing Opportunity for Persons with AIDS (HOPWA) | 14.241 | | MD 05 F 001 | | 4,153 |
| Housing Opportunity for Persons with AIDS (HOPWA) | 14.241 | | MD 06 F 001 | | 418,578 |
| Housing Opportunity for Persons with AIDS (HOPWA) | 14.241 | | MD-H07-F001 | | 4,655 |
| Housing Opportunity for Persons with AIDS (HOPWA) | 14.241 | | MD-H07-F001 | | 10,009 |
| Housing Opportunity for Persons with AIDS (HOPWA) | 14.241 | | MD-H07-F001 | | 72,758 |
| Housing Opportunity for Persons with AIDS (HOPWA) | 14.241 | | MD-H07-F001 | | 78,797 |
| Housing Opportunity for Persons with AIDS (HOPWA) 2009 | 14.241 | | MD-H08-F001 | | 1,135,783 |
| Housing Opportunity for Persons with AIDS (HOPWA) 2009 | 14.241 | | MD-H09-0024 | | 615,255 |
| Housing Opportunity for Persons with AIDS (HOPWA) 2010 | 14.241 | | MD-H07-F001 | | 804,694 |
| Housing Opportunity for Persons with AIDS (HOPWA) 2010 | 14.241 | | MD-H08-F001 | | 5,813,577 |
| Housing Opportunity for Persons with AIDS (HOPWA) 2011 | 14.241 | | MD-H08-F001 | | 1,326,152 |
| Housing Opportunity for Persons with AIDS (HOPWA) 2011 | 14.241 | | MD-H09-0024 | | 459,637 |

**CITY OF BALTIMORE - SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2011**

| <u>FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE</u> | <u>FEDERAL CFDA NUMBER (5)</u> | <u>ARRA (8)</u> | <u>FEDERAL IDENTIFICATION NUMBER (4)</u> | <u>STATE GRANT IDENTIFICATION NUMBER</u> | <u>DISBURSEMENTS/ EXPENDITURES</u> |
|--|--|-----------------|--|--|--|
| Healthy Neighborhood Initiative Program - Federal | 14.246 | | B01-NI-MD-BA-0002 | | 248,609 |
| Dawson Safe Haven - HUD 108 | 14.248 | | | | 17,090 |
| East Baltimore Development Initiative (EBDI) - HUD 108 | 14.248 | | B02-MC-24-0010-A | | (3,975) |
| East Baltimore Development Initiative (EBDI) Median Project - HUD 108 | 14.248 | | | | 145,791 |
| East Baltimore Development Initiative (EBDI) - HUD 108 | 14.248 | | B02-MC-24-0010-A | | 429 |
| Gateway South/Warner Street - Russell Street - HUD 108 | 14.248 | | B03-MC-24-0010 | | 4,375 |
| Community Empowerment - HUD 108 | 14.248 | | | | 9,519 |
| HUD Neighborhood Grant Initiative | 14.251 | | | | 729 |
| Homelessness Prevention & Rapid Re-Housing Program (HPRP) | 14.257 | Y | S09-MY-24-0001 | | 81,436 |
| Homelessness Prevention & Rapid Re-Housing Program (HPRP) | 14.257 | Y | S09-MY-24-0001 | | 4,566,972 |
| Lead Abatement Action | 14.900 | | MDLHB0140-99 | | 466 |
| Maternal and Child Health - Lead Abatement | 14.900 | | | | 2,068 |
| Lead Hazard Reduction Demonstration II | 14.905 | | HDLHD 0021-04 | | 751 |
| Lead Hazard Reduction Demonstration III | 14.905 | | MDLHD 0137-05 | | 15,658 |
| TOTAL DIRECT GRANTS | | | | | \$62,425,005 |
| TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | | | \$62,425,005 |
| DEPARTMENT OF JUSTICE | | | | | |
| DIRECT GRANTS | | | | | |
| Safe Haven for Children | 16.527 | | SHSV-2009-0001 | | 38,627 |
| Juvenile Justice & Delinquency Prevention | 16.540 | | 2009-JL-FX-0168 | | 58,700 |
| Multi-Systemic Therapy | 16.541 | | 2006-JL-FX-0049 | | 44,363 |
| Anti-Gang Strategy Program Byrnes Memorial State and Local Law Enforcement A | 16.580 | | I-37-1239 | | 26,552 |
| Drug Interdiction & Violence Reduction Initiative | 16.580 | | 2004-DD-BX-1304 | | 1,230 |
| Edward Byrne Memorial Discretionary Grants- Gun & Gang Violence Impact Progr | 16.580 | | 2009-D1-BX-0328 | | 335,496 |

**CITY OF BALTIMORE - SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2011**

| <u>FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE</u> | <u>FEDERAL CFDA NUMBER (5)</u> | <u>ARRA (8)</u> | <u>FEDERAL IDENTIFICATION NUMBER (4)</u> | <u>STATE GRANT IDENTIFICATION NUMBER</u> | <u>DISBURSEMENTS/ EXPENDITURES</u> |
|--|--|-----------------|--|--|--|
| Edward Byrne Memorial State & Local Law Enforcement Assistance | 16.580 | | 2008-LB-BX-2532 | | 629,640 |
| Local Law Enforcement Block Grant Round VII | 16.580 | | 2002-LB-BX-2410 | | 120 |
| Operation Safe Streets | 16.580 | | 2005-DD-BX-1233 | | 57 |
| Baltimore's DV Victim/Witness Liaison Program - VAWA | 16.588 | | VAWA-2010-1426 | | 71,657 |
| Weed and Seed - Community Capacity Development Office | 16.595 | | 1999-WS-2X-0104 | | 7,478 |
| COPS Tech Grant FY2009 - DNA Efficiency Project | 16.710 | | 2008-CK-WX-0441 | | (2,041) |
| Public Safety Partnership & Community Policing Grant (COPS) | 16.710 | Y | 2009-RJ-WX-0051 | | 1,932,351 |
| Public Safety Partnership & Community Policing Grant (COPS) | 16.710 | Y | 2009-RJ-WX-0051 | | 481,490 |
| Gang Resistance Education & Training (GREAT) Program | 16.737 | | 2008-JV-FX-0041 | | 954 |
| Edward Byrne Memorial Justice Assistance Grant (JAG) V | 16.738 | | 2009-DJ-BX-1436 | | 454,223 |
| Edward Byrne Memorial Justice Assistance Grant (JAG) V | 16.738 | | 2009-DJ-BX-1436 | | 60,522 |
| Impact Teams | 16.738 | | BJNT-2007-1015 | | 117,951 |
| Justice Assistance Grant (JAG 4) | 16.738 | | 2008-DJ-BX-0366 | | 19,149 |
| Justice Assistance Grant (JAG 6) | 16.738 | | 2010-DJ-BX-0705 | | 141,195 |
| Justice Assistance Grant (JAG II) | 16.738 | | 2006-DJ-BX-0398 | | 122,698 |
| Justice Assistance Grant (JAG III) | 16.738 | | 2007-DJ-BX-0470 | | 334,032 |
| Justice Assistance Grant (JAG) | 16.738 | | | | (19,264) |
| DNA Backlog Reduction Program FY2007 | 16.741 | | 2007-DN-BX-K118 | | (5,637) |
| DNA Backlog Reduction Program FY2008 | 16.741 | | 2008-DN-BX-K064 | | 133,406 |
| DNA Backlog Reduction Program FY2008 | 16.741 | | 2008-DN-BX-K064 | | 23,789 |
| DNA Backlog Reduction Program FY2009 - Forensic | 16.741 | | 2009-DN-BX-K096 | | 348,037 |
| DNA Backlog Reduction Program FY2010 | 16.741 | | 2010-DN-BX-K105 | | 123,501 |
| Coverdell Competitive FY2009 | 16.742 | | 2009-CD-BX-0098 | | 112,506 |
| BJA Smart Policing - Gun Violence | 16.752 | | 2010-DB-BX-0017 | | 86,824 |
| Crime Analysis Expansion - LETR | 16.803 | Y | | BJRA-2009-1237 | 50,710 |

**CITY OF BALTIMORE - SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2011**

| <u>FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE</u> | <u>FEDERAL CFDA NUMBER (5)</u> | <u>ARRA (8)</u> | <u>FEDERAL IDENTIFICATION NUMBER (4)</u> | <u>STATE GRANT IDENTIFICATION NUMBER</u> | <u>DISBURSEMENTS/ EXPENDITURES</u> |
|--|--|-----------------|--|--|--|
| State Grants-PAL Center Improv-JRA-Regular Recreational Services | 16.803 | Y | | BJRA-2009-1111 | 89,676 |
| Edward Byrne Memorial Justice Assistance Grant (JAG) to States | 16.803 | Y | | BJRA-2009-1074 | 731,920 |
| Edward Byrne Memorial Justice Assistance Grant (JAG) to Local Gov'ts | 16.804 | Y | 2009-SB-B9-0020 | | 2,805,354 |
| Edward Byrne Memorial Grant - Crime Analysis Expansion Program | 16.808 | Y | 2009-SC-B9-0130 | | 399,440 |
| Equitable Sharing Program (Police) | 16.922 | | | | 976,108 |
| TOTAL DIRECT GRANTS | | | | | \$10,732,814 |
| BALTIMORE CITY PUBLIC SCHOOL SYSTEM | | | | | |
| BCPSS - Alternative High School | 16.541 | | | | 32,578 |
| BCPSS - Alternative High School | 16.541 | | | | 134,375 |
| Youth Opportunity Westside Center (YO) | 16.541 | | | | 191 |
| TOTAL BALTIMORE CITY PUBLIC SCHOOL SYSTEM | | | | | \$167,144 |
| MARYLAND STATE DEPARTMENT OF HEALTH AND MENTAL HYGIENE | | | | | |
| Operation Safe Streets | 16.580 | | 2005-DD-BX-1233 | | 4,070 |
| TOTAL MARYLAND STATE DEPARTMENT OF HEALTH AND MENTAL HYGIENE | | | | | \$4,070 |
| MARYLAND STATE DEPARTMENT OF HUMAN RESOURCES | | | | | |
| Family Bereavement Center-Crime Victim Assistance Program | 16.575 | | | CSA/CVA-01-006 | 7,033 |
| Family Bereavement Center-Crime Victim Assistance Program | 16.575 | | | CSA/CVA-07-15 | (3,254) |
| Family Bereavement Center-Crime Victim Assistance Program | 16.575 | | | VOCA-2010-1011 | 223,857 |
| Juvenile Courts - Victim's Specialist - Crime Victims Assistance | 16.575 | | | CSA/CVA-07-0-009 | (1,318) |
| Juvenile Courts - Victim's Specialist - Crime Victims Assistance | 16.575 | | | VOCA-2010-1012 | 74,334 |
| TOTAL MARYLAND STATE DEPARTMENT OF HUMAN RESOURCES | | | | | \$300,652 |
| MARYLAND GOVERNOR'S OFFICE OF CRIME CONTROL AND PREVENTION | | | | | |
| Prosecution of Criminals | 16 | (3a) | | | 26,161 |

**CITY OF BALTIMORE - SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2011**

| <u>FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE</u> | <u>FEDERAL CFDA NUMBER (5)</u> | <u>ARRA (8)</u> | <u>FEDERAL IDENTIFICATION NUMBER (4)</u> | <u>STATE GRANT IDENTIFICATION NUMBER</u> | <u>DISBURSEMENTS/ EXPENDITURES</u> |
|---|--|-----------------|--|--|--|
| Drug Court Juvenile (GOCCP) Edward Byrne Memorial Formula Grant | 16.579 | | | | 58,029 |
| Enhancing Service to Victims - Edward Byrne Memorial Formula Grant | 16.579 | | BYRN-2000-1090 | | 3,292 |
| Special Ops SWAT-Special Operations-Marine Unit | 16.579 | | | | 96,622 |
| Gun & Gang Impact FY2010 | 16.580 | | 2010-DD-BX-0027 | | 438,179 |
| Baltimore City's Lethality Assessment | 16.588 | Y | VAWA-2010-1019 | | 25,279 |
| Interpersonal Violence - Swift and Ongoing Services | 16.588 | | VAWA-2010-1229 | | 31,344 |
| Violence Against Women - DV Victim/Witness Liaison Program | 16.588 | | VAWA-2009-1626 | | 22,735 |
| Gang Resistance Education & Training (GREAT) Program | 16.710 | | | | 65,884 |
| Domestic Violence Unit Centralization Project Leonard Byrne Memorial Justice As | 16.738 | | | BJAG-2005-1072 | 3,484 |
| GOCCP - BYRNE JAG Felony Diversion | 16.738 | | 2008-DD-BX-0660 | BJAG-2005-1045 | 108,484 |
| Inter-Agency War Room Coordination Project | 16.738 | | | BJAG-2008-1704 | 831,709 |
| Inter-Agency War Room Coordination Project | 16.738 | | | BJAG-2007-1804 | 10,697 |
| Inter-Agency War Room Coordination Project | 16.738 | | WRBC-2009-1604 | | (8,736) |
| Inter-Agency War Room Coordination Project (War Room II) | 16.738 | | BJNT-2007-1604 | | (6,567) |
| National Cruelty Investigations Training - LETS | 16.738 | | | BJAG-2007-1139 | 7,200 |
| Prostitution Court Pilot Program-Edward Byrne Memorial Justice Assistance | 16.738 | | | BJAG-2009-1031 | 5,812 |
| Prostitution Court Pilot Program-Edward Byrne Memorial Justice Assistance | 16.738 | | | BJAG-2006-1107 | 38,371 |
| Sexual Assault Response - SART | 16.738 | | | BJAG-2009-1016 | 31,259 |
| Summer Warrant Initiative - WATF | 16.738 | | | BJAG-2009-1063 | 106,751 |
| War Room Project B | 16.738 | | | | 12,803 |
| Felony Diversion | 16.738 | | 2008-DD-BX-0255 | | 80,844 |
| Coverdell Formulary FY2008 | 16.742 | | CFSI-2008-1706 | | 14,237 |
| Coverdell Formulary FY2009 (BPD Crime Lab Training) | 16.742 | | CFSI-2009-1806 | | 9,636 |
| Coverdell FY2010 - Forensic Capacity Enhancement | 16.742 | | CFSI-2010-1906 | | 44,189 |
| TOTAL MARYLAND GOVERNOR'S OFFICE OF CRIME CONTROL AND PREVENTION | | | | | \$2,057,698 |

**CITY OF BALTIMORE - SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2011**

| <u>FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE</u> | <u>FEDERAL CFDA NUMBER (5)</u> | <u>ARRA (8)</u> | <u>FEDERAL IDENTIFICATION NUMBER (4)</u> | <u>STATE GRANT IDENTIFICATION NUMBER</u> | <u>DISBURSEMENTS/ EXPENDITURES</u> |
|--|--|-----------------|--|--|--|
| TOTAL DEPARTMENT OF JUSTICE | | | | | \$13,262,378 |
| DEPARTMENT OF LABOR | | | | | |
| DIRECT GRANTS | | | | | |
| Corps Initiative - DJS | 17.261 | | YV-18882096-0-A24 | | (109,300) |
| TOTAL DIRECT GRANTS | | | | | (\$109,300) |
| BALTIMORE CITY PUBLIC SCHOOL SYSTEM | | | | | |
| BCPSS - After School Matters | 17.261 | | | | 109,507 |
| BCPSS - FUTURES | 17.261 | | | | 189,569 |
| BCPSS - FUTURES W.E.B. Dubois High School | 17.261 | | | | 62,493 |
| WIA Pilots, Demonstrations and Research Projects - BCPS - WEB DuBois Prg | 17.261 | | | | 347,008 |
| WIA Pilots, Demonstrations and Research Projects - BCPS - WEB DuBois Prg | 17.261 | | | | 24,447 |
| TOTAL BALTIMORE CITY PUBLIC SCHOOL SYSTEM | | | | | \$733,024 |
| MARYLAND STATE DEPARTMENT OF LABOR, LICENSING AND REGULATION | | | | | |
| WIA - Adult | 17.258 | Y | | | 78,024 |
| WIA - Adult | 17.258 | Y | | P00B9200150-A | 925,918 |
| WIA - Adult (Mod #002) | 17.258 | | | P00B4200029-B | 2,711 |
| WIA - Incentive Grant FY2009 | 17.258 | | | P00B0400194 | 18,150 |
| Maryland Business Works (Mod # 005) | 17.258 | Y | | P00B0400009 | 96,153 |
| WIA - Adult | 17.258 | | | P00B9200038/71-A | 60,142 |
| WIA - Adult | 17.258 | | | P00B1400007/105-A | 2,913,054 |
| WIA - Maryland Business Works (Mod #003) | 17.258 | | | P00B9200041 | (8,495) |
| WIA - Youth (Mod #002) | 17.259 | | | P00B3200020-C | (1,515) |
| WIA - Youth Activities | 17.259 | Y | | P00B9200150-B | 743,652 |

**CITY OF BALTIMORE - SINGLE AUDIT
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FISCAL YEAR ENDED JUNE 30, 2011**

| FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE | FEDERAL CFDA NUMBER (5) | ARRA (8) | FEDERAL IDENTIFICATION NUMBER (4) | STATE GRANT IDENTIFICATION NUMBER | DISBURSEMENTS/ EXPENDITURES |
|---|--|-----------------|--|--|--|
| WIA - Youth Supplemental Grant (Mod # 001) | 17.259 | Y | | P00B1400038 | 169,974 |
| WIA - Administrative Cost Pool (Youth) | 17.259 | | | P00B9200038-B | 115,651 |
| WIA - Youth | 17.259 | | | P00B1400007-B | 2,596,863 |
| WIA - Youth | 17.259 | | | P00B8200031-C | 1 |
| WIA - Youth (Mod #003) | 17.259 | | | P00B4200159-C | (8,849) |
| WIA - Youth (Mod #002) | 17.259 | | | P00B7200004-C | 1,009 |
| WIA - Dislocated Worker | 17.260 | Y | | P00B9200150-C | 741,461 |
| WIA - Dislocated Worker (Mod #002) | 17.260 | | | P00B6200038-D | 83 |
| Early Intervention Facilitator (Mod # 001) | 17.260 | Y | | P00B0400021 | 132,869 |
| WIA - Dislocated Worker | 17.260 | | | P00B1400007/105-C | 994,123 |
| WIA - Dislocated Worker | 17.260 | | | P00B9200038/71-C | 131,840 |
| WIA - S.E.A. Project (Mod # 001) | 17.260 | | | P00B9200056 | 19,077 |
| Youth Violence Reduction - Futures | 17.261 | | | | 447,824 |
| TOTAL MARYLAND STATE DEPARTMENT OF LABOR, LICENSING AND REGULATION | | | | | \$10,169,720 |
| SENIOR SERVICE AMERICA, INC. | | | | | |
| Senior Community Service Employment Program | 17.235 | | AD-20017-10-60-A-24 | | 395,263 |
| Senior Community Service Employment Program | 17.235 | | | | 215,662 |
| Senior Community Service Employment Program | 17.235 | | | | (17,757) |
| Senior Community Service Employment Program | 17.235 | | | | 33,573 |
| Senior Community Service Employment Program | 17.235 | | | | 237 |
| TOTAL SENIOR SERVICE AMERICA, INC. | | | | | \$626,978 |
| TOTAL DEPARTMENT OF LABOR | | | | | \$11,420,422 |

**CITY OF BALTIMORE - SINGLE AUDIT
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FISCAL YEAR ENDED JUNE 30, 2011**

| <u>FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE</u> | <u>FEDERAL CFDA NUMBER (5)</u> | <u>ARRA (8)</u> | <u>FEDERAL IDENTIFICATION NUMBER (4)</u> | <u>STATE GRANT IDENTIFICATION NUMBER</u> | <u>DISBURSEMENTS/ EXPENDITURES</u> |
|--|--|-----------------|--|--|--|
| DEPARTMENT OF TRANSPORTATION | | | | | |
| BALTIMORE METROPOLITAN COUNCIL | | | | | |
| Unified Planning Work Program-Metropolitan Transportation Planning | 20.505 | | | | 24,625 |
| TOTAL BALTIMORE METROPOLITAN COUNCIL | | | | | \$24,625 |
| MARYLAND STATE DEPARTMENT OF TRANSPORTATION | | | | | |
| 1976 & 79 Interstate Project | 20.205 | | | | (946) |
| Assets Mgmt Program | 20.205 | | | 315-091-815 | 71,300 |
| Baltimore St. Bridge over Gwynns Falls CO# 96329 | 20.205 | | 3062 (003) | 269-053-815 | 91,829 |
| Baltimore Waterfront Project Co #97332 | 20.205 | | | | (1,346) |
| Boston/O'Donnell St Project | 20.205 | | | | 2,548 |
| Canton Industrial Park | 20.205 | | 3009 (011) | 315-090-815 | 1,882 |
| Chesapeake Avenue Phase I | 20.205 | | | 315-059-815 | 4,731 |
| Chesapeake Avenue West of Sun Street | 20.205 | | 3314 (002) | 315-074-815 | 938,644 |
| Citwide Traffic Signal Reconstruction | 20.205 | | | 315-024-815 | 60,367 |
| CSX Railroad Bridge | 20.205 | | | | (15,126) |
| D.O.T. Park Circle Intersection | 20.205 | | 000A (709) | 319-012-815 | 38,753 |
| Eutaw St. Baltimore to Lombard | 20.205 | | 3251 (002) | 315-068-815 | 74 |
| Fairfield Ecological Industrial | 20.205 | | 0459 (006) | 318-017-815 | 1,217,297 |
| Federal Resurfacing - Citywide TR11304 | 20.205 | | 000A (651) | 315-097-815 | 35,936 |
| Federal Resurfacing - NE TR11300 | 20.205 | | 000A (738) | 315-102-815 | 5,119 |
| Federal Resurfacing - SW TR11302 | 20.205 | | 000A (624) | 315-093-815 | 3,803 |
| Federal Resurfacing - TR11301 | 20.205 | | 000A (739) | 315-103-815 | 3,758 |
| Federal Resurfacing - TR11303 | 20.205 | | 000A (741) | 315-105-815 | 3,807 |
| Ferry Boat Program | 20.205 | | 0003 (141) | 321-009-815 | 870,474 |

**CITY OF BALTIMORE - SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2011**

| <u>FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE</u> | <u>FEDERAL CFDA NUMBER (5)</u> | <u>ARRA (8)</u> | <u>FEDERAL IDENTIFICATION NUMBER (4)</u> | <u>STATE GRANT IDENTIFICATION NUMBER</u> | <u>DISBURSEMENTS/ EXPENDITURES</u> |
|--|--|-----------------|--|--|--|
| Forest Park Avenue Bridge/Gwynns Falls | 20.205 | | | 269-070-815 | 216,303 |
| Fort Avenue Bridge over CSX | 20.205 | | 3260 (003) | 269-081-815 | 5,112 |
| Frankford Avenue | 20.205 | | | | 939 |
| Frankfurt Ave Prj | 20.205 | | | | (756) |
| Franklinton Road from Balt. St. to Edmond | 20.205 | | 3152 (001) | 315-041-815 | 14,754 |
| Frederick Rd Bridge over Amtrak | 20.205 | | | 269-041-815 | 187,220 |
| Hamburg St Bridge over B&O Railroad | 20.205 | | | | (126) |
| Highway Planning & Construction Baltimore City Traffic Mgmt Center | 20.205 | | | BC319-011-815 | 2,627,039 |
| Highway Planning & Construction Baltimore City Traffic Mgmt Center | 20.205 | | | BC319-009-815 | 288,312 |
| I-83 Rehab (Chase St. - North) | 20.205 | | | 311-131-815 | 10,671 |
| I-83 Resurfacing (Howard St to Kelly Ave) | 20.205 | | 0831 (172) | 243-086-815 | 72,227 |
| Inner Harbor East - Phase III | 20.205 | | | | 7,863 |
| Jones Falls near Harbor Trail | 20.205 | | 1377(002) | 318-014-815 | 20,326 |
| Jones Falls Trail Enhancement | 20.205 | | | | (2,273) |
| Key Highway Gateway Beautification | 20.205 | | 0928 (001) | 318-008-815 | 1,366 |
| Liberty Hghts - Powder Mill/Calla | 20.205 | | 2341 (017) | 315-003-815 | 25,795 |
| Liberty Hghts Ave - Reisterstown | 20.205 | | 2341 (032) | 315-051-815 | 27,265 |
| Midtown Streetscape | 20.205 | | 000A (735) | 315-101-815 | 12,265 |
| Monroe Street Viaduct | 20.205 | | | 269-068-815 | 621,561 |
| Moravia Road (Pulaski Hwy - Harb) | 20.205 | | | 311-208-805 | 32,678 |
| National Aquarium - CALC TR 09307 | 20.205 | | 4311 (001) | 318-019-815 | 5,984 |
| Neighborhood Resurfacing Project | 20.205 | | | | 573 |
| North Avenue Streetscape | 20.205 | | 0468 (002) | 315-079-815 | 4,432 |
| NW Resurfacing Project | 20.205 | | | | (660) |
| Patapsco Ave/Pennington/CU | 20.205 | | | 318-005-815 | 127,999 |

**CITY OF BALTIMORE - SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2011**

| <u>FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE</u> | <u>FEDERAL CFDA NUMBER (5)</u> | <u>ARRA (8)</u> | <u>FEDERAL IDENTIFICATION NUMBER (4)</u> | <u>STATE GRANT IDENTIFICATION NUMBER</u> | <u>DISBURSEMENTS/ EXPENDITURES</u> |
|---|--|-----------------|--|--|--|
| Pavement Mgmt Federal | 20.205 | | 000A (750) | 315-106-815 | 4,629 |
| Pratt St Resurfacing | 20.205 | | | | (975) |
| Radecke Ave from Frankford to Ci | 20.205 | | | 315-042-815 | 27,088 |
| Replacement of Clifton CO# 98337 | 20.205 | | 3592 (002) | 269-056-815 | 184,259 |
| Resurfacing Loch Raven Blvd 25th St to - | 20.205 | | 3031 (004) | 315-037-815 | 20,122 |
| Resurfacing Projects (Various) | 20.205 | | | | 6,844 |
| Sandtown Winchester FY2010 | 20.205 | | | 317-013-815 | 25,813 |
| TR 10311 Historic Preservation | 20.205 | | 0928 (002) | 318-012-815 | 318 |
| Traffic Signal Computer Repl S | 20.205 | | 1263 (001) | 318-001-815 | 622,915 |
| Water Taxi - Maritime Training | 20.205 | | 4306 (001) | 318-015-815 | 93,428 |
| West Baltimore Trail | 20.205 | | 0033 (001) | 318-021-815 | 675 |
| Westport Trail | 20.205 | | 0003 (197) | 322-001-815 | 91 |
| Wilkens Avenue | 20.205 | | | | 2,000 |
| Wilkens Avenue Pine Heights to | 20.205 | | 2511 (064) | 315-086-815 | 8,516 |
| Annapolis Road Bridge | 20.205 | | | 269-077-815 | 239,385 |
| Annapolis Road Bridge | 20.205 | | BRF-IX-000S(76) | 269-060-815 | 413,755 |
| Argonne Drive Bridge (Construction Portion) | 20.205 | Y | BHF-3206(001)E | 269-065-815/321-006-815 | 3,809,342 |
| Argonne Drive Streetscape - Hillen Rd. to McCallum Drive | 20.205 | | STP-3206(3) | 315-065-815 | 670 |
| Baltimore City's Traffic Management Center | 20.205 | | HP-1226(002) | BC318-010-815 | 8,461 |
| Baltimore City-Wide Traffic Signal System Integration | 20.205 | | HP-1263(002), HP-0459(002) | BC318-002-815 | 227,267 |
| Boston Street: Fleet to Ponca | 20.205 | | IX-3045(3) | 311-043-815 | (5,833) |
| Bridge Inspection for Baltimore City | 20.205 | | NBIS(106) | 269-076-815 | 233,257 |
| Bridge Inspection Program FY2009/10 | 20.205 | | NBIS 107 | 269-080-815 | 1,070,767 |
| Bridge Inspection Program FY2007 | 20.205 | | | 269-076-815 | (1,223) |
| Calvert Street Reconstruction from Lombard St. to Baltimore St. | 20.205 | | STP-1191(028) | BC315-061-815 | (322) |

**CITY OF BALTIMORE - SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2011**

| FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE | FEDERAL CFDA NUMBER (5) | ARRA (8) | FEDERAL IDENTIFICATION NUMBER (4) | STATE GRANT IDENTIFICATION NUMBER | DISBURSEMENTS/ EXPENDITURES |
|---|--|-----------------|--|--|--|
| Capital Project (Hwy) Northern Parkway | 20.205 | | 3341 (002) | 321-001-815 | 3,412,398 |
| Caton Ave. Resurfacing - Frederick to Benson Ave. | 20.205 | | 3009 (011) | 315-077-815 | 868 |
| Central Avenue Reconstruction (Lancaster) | 20.205 | | | 320-001-815 | 215,320 |
| Charles St. - 25th St. to University Pkwy. | 20.205 | | STP-3071(003) | 315-055-815 | 1,110,350 |
| Charles Street Resurfacing & Streetscape | 20.205 | | 3071 (004) | 315-066-815 | 1,231,049 |
| Construction on CCTV Cameras & Signals Rewiring - JOC | 20.205 | | 000 A (519) | 319-010-815 | 480,452 |
| Downtown Infrastructure Improvements | 20.205 | | 000 A 638 | 315-096-815 | 4,174,743 |
| Druid Hill Park | 20.205 | | | | 37,039 |
| Eastern Avenue Streetscape | 20.205 | | STP 3035 (023) | 315-069-815 | 36,930 |
| EBDI Life Science | 20.205 | | HP1571(001)E | 318-013-815 | 274,245 |
| Edmondson Ave. Bridge over CSX | 20.205 | | BR-2441(017) | 269-066-815 | 339,522 |
| Edmondson Avenue Lighting | 20.205 | | 000A 539 | 321-010-815 | 150,916 |
| Erdman Ave. - Sinclair to Macon St. | 20.205 | | 3034 (012) | 315-076-815 | 5,178 |
| Federal Resurfacing - Citywide | 20.205 | | 000A 537 | 321-008-815 | 1,882,861 |
| Federal Resurfacing - NE Hartford Road - North Avenue to Chesterfield | 20.205 | | 3033 (007) | 315-088-815 | 1,691,194 |
| Federal Resurfacing - NW SEC 1 | 20.205 | | 000A 623 | 315-092-815 | 869,833 |
| Federal Resurfacing - NW SEC 2 | 20.205 | | 000 A 627 | 315-094-815 | 1,364,533 |
| Federal Resurfacing - NW SEC 3 | 20.205 | | 000 A 624 | 315-093-815 | 842,879 |
| Federal Resurfacing - NW SEC 4 | 20.205 | | 000 A 628 | 315-095-815 | 898,046 |
| Federal Resurfacing - Southwest | 20.205 | | 3034 (010) | 315-071-815 | 126,240 |
| Frederick Avenue Bridge over Gwynns Falls | 20.205 | | BRF-3012(13)E | 269-061-815 | 208,718 |
| Gwynns Falls Greenway Enhancement | 20.205 | | | | 19,095 |
| Gwynns Falls Trail Extension in Leakin Park | 20.205 | | HP-0928(001) | BC318-008-815 | 925 |
| Hanover St Bridge over Middle Branch | 20.205 | | STP-1191(026) | 269-073-815 | 60,903 |
| Harford Road Bridge over Herring Run | 20.205 | | BRP-3033(005) | 269-067-815 | 104,661 |

**CITY OF BALTIMORE - SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2011**

| <u>FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE</u> | <u>FEDERAL CFDA NUMBER (5)</u> | <u>ARRA (8)</u> | <u>FEDERAL IDENTIFICATION NUMBER (4)</u> | <u>STATE GRANT IDENTIFICATION NUMBER</u> | <u>DISBURSEMENTS/ EXPENDITURES</u> |
|--|--|-----------------|--|--|--|
| Harford Road Streetscape from Argonne Dr. to Bayonne Ave. | 20.205 | | STP-3033(006) | BC315-057-815 | 6,211 |
| Hawkins Point Road Bridge | 20.205 | | BRF-3001(34)E | 269-059-815 | 56,781 |
| ITS - Installation of Fiber and Copper Communication Systems | 20.205 | | 0001 888 | 319-008-815 | 391,525 |
| JFX Rehab (Biddle Street Bridge) | 20.205 | | | 311-184-815 | (88,755) |
| Jones Falls Penn Station Acc | 20.205 | | | 318-004-815 | 1,132 |
| Lafayette Ave. Bridge over Amtrak | 20.205 | | BHF-337 (001) E | 269-064-815 | 215,475 |
| Orlean Street Improvements - Aisquith | 20.205 | | 1251 034 | 321-003-815 | 2,961,763 |
| Pennington Ave. Drawbridge over Curtis Creek | 20.205 | | STP-3001(039) | 269-072-815 | 9,660,612 |
| Reconstruct Traffic Signals & REW | 20.205 | | 000 A 502 | 321-007-815 | 357,294 |
| Reconstruction Key Hwy #33 | 20.205 | | 3068 (002) | 311-200-815 | 20,520 |
| Resurfacing Edison Hwy TR 0306 | 20.205 | | 3042 (001) | 315-083-815 | 629,568 |
| Resurfacing Kane St. - Pratt Street to North Point Blvd. | 20.205 | | 3230 (012) | 315-085-815 | 574,217 |
| Resurfacing North Ave from Hilton Street to Fulton Avenue | 20.205 | | STP-3022 1 E | 315-046-815 | 1,660 |
| Resurfacing Sector III - Curtis Avenue | 20.205 | | STP000 A 493 | 315-084-815 | 717,164 |
| Russell St. Viaduct over Monroe St. | 20.205 | | BRF-111-1(22)N | BC314-013-815 | 591 |
| Signal Timing Optimization-Central Bus. District and Principal Gateway Arterials | 20.205 | | BRF-3149(004) | BC315-070-815 | 390,125 |
| TR 02380 Hanover St. to Frankfurt Ave. Resurfacing | 20.205 | | | 315-058-815 | 50,139 |
| TR 02394 Park Heights Ave. Rehab: Northern Pkwy. to Garrison Ave. | 20.205 | Y | | 321-005-815 | 840,755 |
| TR 05302 Park Heights Resurfacing - Druid Hill Dr. to Garrison Blvd. | 20.205 | | 3019 (004) | 315-073-815 | 2,404 |
| TR 05303 SW Resurfacing: Hilton St. from Frederick Ave. to Mulberry St. | 20.205 | Y | | 321-002-815 | 84,037 |
| TR 06301 Rehab of B & O Railroad Museum | 20.205 | | | AW-188-5325 | 231,677 |
| TR 07303 Resurfacing Sector 1 - Parkside Dr.: Mannasota Ave. to Sinclair Lane | 20.205 | | | 315-080-815 | 40,098 |
| TR 07304 Resurfacing Sector 2 - Gwynns Falls Pkwy: Longwood to Reisterstown | 20.205 | | | 315-081-815 | 2,109 |
| TR 08301 Frankford Ave. from Moravia Park Dr. to Sinclair Lane | 20.205 | Y | | 321-004-815 | 43,280 |
| TR 08312 Replacement of Water Taxi Dock @ Fells Point | 20.205 | | | 318-015-815 | 13,316 |

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| <u>FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE</u> | <u>FEDERAL CFDA NUMBER (5)</u> | <u>ARRA (8)</u> | <u>FEDERAL IDENTIFICATION NUMBER (4)</u> | <u>STATE GRANT IDENTIFICATION NUMBER</u> | <u>DISBURSEMENTS/ EXPENDITURES</u> |
|--|--|-----------------|--|--|--|
| Traffic Detector Upgrade | 20.205 | | 000 A 453 | 319-005-815 | 1,062,546 |
| Traffic Detectors & Signal Engineering | 20.205 | | 000A(009) | 315-064-815 | 1,261 |
| Variable Message Signs | 20.205 | | 000A 454 | 319-007-815 | 481,790 |
| Washington Blvd./I-95 | 20.205 | | | 315-062-815 | 1,781,828 |
| Wilkens Ave. Bridge over Gwynns Falls | 20.205 | | BHF-2511(055) | 269-071-815 | 2,708 |
| Wilkens Avenue (Fulton-Dukeland) | 20.205 | | 2511 (064) | 315-086-815 | 2,681,776 |
| Ridesharing - Metropolitan Transportation Planning | 20.507 | | | MD-95-0005 | 68,905 |
| Ridesharing/Commuter Assistance Grant - Metropolitan Transportation Planning | 20.507 | | MD 90 X 081 | MD-90-9081 | 503 |
| Ridesharing - Metropolitan Transportation Planning | 20.507 | | | MD-95-0005 | (233) |
| Traffic Safety Grant - State and Community Highway Safety | 20.600 | | 52-6000769 | 10-1740 | 57,784 |
| Traffic Safety Grant - State and Community Highway Safety | 20.600 | | 52-6002034 | 09-1740 | 36,714 |
| Traffic Safety Grant - State and Community Highway Safety | 20.600 | | 52-6002034 | 09-1740 | (694) |
| Safe Route to School - Safety Belt Performance Grants | 20.609 | | 52-600-169 | S08-008 | 71,961 |
| Safe Route to School - Safety Belt Performance Grants | 20.609 | | 52-600-169 | S08-008 | 886 |
| Safe Route to School - Safety Belt Performance Grants | 20.609 | | 52-600-169 | S08-008 | 167,574 |
| Safe Route to School - Safety Belt Performance Grants | 20.609 | | 52-600-169 | S08-008 | 20,429 |
| TOTAL MARYLAND STATE DEPARTMENT OF TRANSPORTATION | | | | | \$57,809,356 |
| TOTAL DEPARTMENT OF TRANSPORTATION | | | | | \$57,833,981 |
| DEPARTMENT OF TREASURY | | | | | |
| DIRECT GRANTS | | | | | |
| Asset Forfeiture Program | 21 | (3b) | | | 26,770 |
| TOTAL DIRECT GRANTS | | | | | \$26,770 |
| TOTAL DEPARTMENT OF TREASURY | | | | | \$26,770 |

**CITY OF BALTIMORE - SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2011**

| <u>FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE</u> | <u>FEDERAL CFDA NUMBER (5)</u> | <u>ARRA (8)</u> | <u>FEDERAL IDENTIFICATION NUMBER (4)</u> | <u>STATE GRANT IDENTIFICATION NUMBER</u> | <u>DISBURSEMENTS/ EXPENDITURES</u> |
|--|--|-----------------|--|--|--|
| EQUAL EMPLOYMENT OPPORTUNITY COMMISSION | | | | | |
| DIRECT GRANTS | | | | | |
| Equal Employment Opportunity | 30.002 | | | MD-92-0401-000 | 28,500 |
| Equal Employment Opportunity | 30.002 | | 9/5010/0004 | MD-92-0401-000 | (30,680) |
| TOTAL DIRECT GRANTS | | | | | <u>(\$2,180)</u> |
| TOTAL EQUAL EMPLOYMENT OPPORTUNITY COMMISSION | | | | | <u>(\$2,180)</u> |
| ENVIRONMENTAL PROTECTION AGENCY | | | | | |
| DIRECT GRANTS | | | | | |
| Integrated Pest Management | 66.716 | | X8-83445701 | | 181,228 |
| Brownfield Incentive Fund | 66.811 | | BP993393013 | | 105,889 |
| TOTAL DIRECT GRANTS | | | | | <u>\$287,117</u> |
| MARYLAND STATE DEPARTMENT OF THE ENVIRONMENT | | | | | |
| Back River Secondary Clarifiers | 66.418 | | XP-24062146-0 | | 174,167 |
| Patapsco WWTP Enhanced Nutrient Removal (ENR) | 66.458 | Y | | STM-331-CW | 139,613 |
| Patapsco WWTP Enhanced Nutrient Removal (ENR) | 66.458 | Y | | STM-121-CW | 146,259 |
| Patapsco WWTP Enhanced Nutrient Removal (ENR) | 66.458 | Y | | STM-118-CW | 249,039 |
| Patapsco WWTP Enhanced Nutrient Removal (ENR) | 66.458 | Y | | STM-316-CW | 208,429 |
| Patapsco WWTP Enhanced Nutrient Removal (ENR) | 66.458 | Y | | STM-206-CW | 391,176 |
| Patapsco WWTP Enhanced Nutrient Removal (ENR) | 66.458 | Y | | STM-281-CW | 747,265 |
| Patapsco WWTP Enhanced Nutrient Removal (ENR) | 66.458 | Y | | STM-342-CW | 495,848 |
| Patapsco WWTP Enhanced Nutrient Removal (ENR) | 66.458 | Y | | STM-292-CW | 642,730 |
| Patapsco WWTP Gravity Sludge Thickener Renovation | 66.458 | | | DL2926C | 1,392,111 |

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|--|--|-----------------|--|--|--|
| Montebello Plant Water Reservoir (1160R) | 66.468 | Y | | STM-041-DW | 1,578,597 |
| Montebello Plant Water Reservoir (1160R) | 66.468 | Y | | STM-045-DW | 1,070,562 |
| Montebello Plant Water Reservoir (1160R) | 66.468 | Y | | STM-047-DW | 1,583,940 |
| Montebello Plant Water Reservoir (1160R) | 66.468 | Y | | STM-091-DW | 75,381 |
| Montebello Plant Water Reservoir (1160R) | 66.468 | Y | | STM-076-DW | 660,077 |
| Montebello Plant Water Reservoir (1160R) | 66.468 | Y | | STM-054-DW | 1,115,438 |
| W/C Montebello Plant | 66.468 | | | DL2988D | 1,157,510 |
| W/C Montebello Plant | 66.468 | | | DL3033D | 839,453 |
| W/C Montebello Plant | 66.468 | | | DL3045D | 280,893 |
| Water Conservation - Buildings and Libraries | 66.468 | Y | | STM-061-DW | 67,910 |
| Water Conservation - Buildings and Libraries | 66.468 | Y | | STM-060-DW | 44,462 |
| Water Conservation and Efficiency Improvements-PB09826 Various Bldgs | 66.468 | Y | 2 F09364809 | DWS 660844203L | 771,632 |
| Water Conservation and Efficiency Improvements-PB09827 Libraries | 66.468 | Y | 2 F09364809 | DWS 660844203L | 69,387 |
| TOTAL MARYLAND STATE DEPARTMENT OF THE ENVIRONMENT | | | | | \$13,901,879 |
| TOTAL ENVIRONMENTAL PROTECTION AGENCY | | | | | \$14,188,996 |
| DEPARTMENT OF ENERGY | | | | | |
| DIRECT GRANTS | | | | | |
| Weatherization Assistance | 81.042 | Y | DE-EE00110 | | 203,475 |
| Weatherization Assistance Program FY2010 MEAP | 81.042 | | | | 23,983 |
| Weatherization Assistance Program FY2011 MEAP | 81.042 | | R340649 | | 1,478,950 |
| Local Energy Assurance Planning (LEAP) | 81.122 | Y | DE-DE0000410 | | 4,000 |
| Energy Efficiency and Conservation Block Grant (EECG) | 81.128 | Y | DE-EE0000738 | | 1,288,863 |
| TOTAL DIRECT GRANTS | | | | | \$2,999,271 |

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|--|--|-----------------|--|--|--|
| MARYLAND STATE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT | | | | | |
| Weatherization Assistance | 81.042 | Y | DE-EE000040 | | 5,054,244 |
| Weatherization Assistance for Low Income Persons | 81.042 | | | | 75,530 |
| Weatherization Assistance for Low Income Persons | 81.042 | | | | 25,019 |
| Weatherization Assistance for Low Income Persons | 81.042 | | | S00P7200113 | 2,728 |
| Weatherization Assistance for Low Income Persons | 81.042 | | R340649 | | 252,155 |
| Weatherization Assistance for Low Income Persons | 81.042 | | | | 1,345 |
| Weatherization Assistance for Low Income Persons | 81.042 | | DE-EE000289 | | 26,330 |
| Weatherization Assistance for Low Income Persons | 81.042 | | | S00P7200113 | 120 |
| TOTAL MARYLAND STATE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT | | | | | \$5,437,471 |
| MARYLAND ENERGY ADMINISTRATION | | | | | |
| Electric Vehicle Infrastructure Program (EVIP) | 81.129 | Y | | | 1,197 |
| TOTAL MARYLAND ENERGY ADMINISTRATION | | | | | \$1,197 |
| TOTAL DEPARTMENT OF ENERGY | | | | | \$8,437,939 |
| DEPARTMENT OF EDUCATION | | | | | |
| MARYLAND STATE DEPARTMENT OF EDUCATION | | | | | |
| Infants and Toddlers | 84.027 | | | SG 030744-01 | 798,498 |
| Infants and Toddlers | 84.027 | | | 800650 | 33 |
| Infants and Toddlers | 84.027 | | | 900559-02 | 2,953 |
| Infants and Toddlers - Consolidated Local Implementation | 84.027 | | | SG 030744-02 | 82,247 |
| Infants and Toddlers | 84.173 | | | SG 030744-01 | 142,589 |
| Infants and Toddlers - Consolidated Local Implementation | 84.173 | | | SG 030744-03 | 14,086 |
| Infants and Toddlers | 84.173 | | | 900559-03 | 436 |

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|--|--|-----------------|--|--|--|
| Infants and Toddlers | 84.173 | | | 800650 | 2 |
| Infants and Toddlers | 84.181 | | | SG 030744-01 | 10,694 |
| Infants and Toddlers | 84.181 | | | 800650 | 204 |
| Infants and Toddlers | 84.181 | | | 900559-01 | 30 |
| Infants and Toddlers - Consolidated Local Implementation | 84.181 | | | SG 030744-01 | 909 |
| Infants & Toddlers - Part C | 84.393 | Y | | 104572 | 247 |
| Infants & Toddlers - Part C | 84.393 | Y | | 104572 | 709,965 |
| Infants & Toddlers - Part C | 84.393 | Y | | 104572 | 222,619 |
| Infants & Toddlers - Part C | 84.393 | Y | | 104572 | 139,607 |
| TOTAL MARYLAND STATE DEPARTMENT OF EDUCATION | | | | | <u>\$2,125,119</u> |
| MARYLAND GOVERNOR'S OFFICE FOR CHILDREN | | | | | |
| Reaching Families Early | 84.181 | | | 9624 D | 66,910 |
| Reaching Families Early | 84.181 | | | 9624 D | (46,099) |
| TOTAL MARYLAND GOVERNOR'S OFFICE FOR CHILDREN | | | | | <u>\$20,811</u> |
| TOTAL DEPARTMENT OF EDUCATION | | | | | <u>\$2,145,930</u> |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | | | |
| DIRECT GRANTS | | | | | |
| Healthy Homes - Asthma | 93.061 | | 5R18EH000349-03 | | 218,615 |
| Healthy Homes - Asthma Disability FY2009 | 93.061 | | | | (23,140) |
| Healthy Homes - Asthma Disability FY2010 | 93.061 | | | | 351,643 |
| Health Tuberculosis | 93.116 | | | | 461,644 |
| Tuberculosis Elimination and Laboratory | 93.116 | | 5U52PS300466-30 | | 170 |
| Tuberculosis Elminiation and Laboratory | 93.116 | | U52/CCU300466-30 | | 272,517 |

**CITY OF BALTIMORE - SINGLE AUDIT
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| <u>FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE</u> | <u>FEDERAL CFDA NUMBER (5)</u> | <u>ARRA (8)</u> | <u>FEDERAL IDENTIFICATION NUMBER (4)</u> | <u>STATE GRANT IDENTIFICATION NUMBER</u> | <u>DISBURSEMENTS/ EXPENDITURES</u> |
|--|--|-----------------|--|--|--|
| Tuberculosis Elimination and Laboratory | 93.116 | | U52/CCU300466-27 | | 5,772 |
| Tuberculosis Elimination and Laboratory | 93.116 | | U52/CCU300466-28 | | 18,947 |
| Tuberculosis Elimination and Laboratory | 93.116 | | U52/CCU300466-29 | | 3,005 |
| Healthy Schools/Healthy Communities | 93.224 | | 6-H80-CS00366-03-02 | | 270,987 |
| Healthy Schools/Healthy Communities | 93.224 | | 6-H80 CS00366-03-02 | | 182,874 |
| Healthy Schools/Healthy Communities | 93.224 | | 6-H80 CS00366-03-2 | | (33,834) |
| Healthy Schools/Healthy Communities | 93.224 | | 6 H80 CS00366-03-02 | | 389 |
| Alcohol Exposed Pregnancy Intervention | 93.283 | | 1U4DD000555-02 | | 39,075 |
| CAA Children's Services - Head Start FY2009 | 93.600 | | 03CH0207/44 | | (1,764) |
| CAA Children's Services - Head Start FY2009 | 93.600 | | 03CH0207/44 | | (287,077) |
| CAA Children's Services - Head Start FY2009 | 93.600 | | 03CH0207/44 | | 3,973 |
| CAA Children's Services - Head Start FY2010 | 93.600 | | 03CH0207/45 | | 5,985 |
| CAA Children's Services - Head Start FY2010 | 93.600 | | 03CH0207/45 | | 1,304,460 |
| CAA Children's Services - Head Start FY2010 | 93.600 | | 03CH0207/45 | | 50,374 |
| CAA Children's Services - Head Start FY2010 | 93.600 | | 03CH0207/45 | | 319,684 |
| CAA Children's Services - Head Start FY2010 | 93.600 | | 03CH0207/46 | | 2,595,743 |
| CAA Children's Services - Head Start FY2011 | 93.600 | | 03CH0207/46 | | 232,152 |
| CAA Children's Services - Head Start FY2011 | 93.600 | | 03CH0207/46 | | 25,603,848 |
| CAA Children's Services - Head Start FY2012 | 93.600 | | 03CH0207/47 | | 100 |
| Early Head Start | 93.600 | | 03CH0207/45 | | 48,885 |
| Early Head Start | 93.600 | | 03CH0207/46 | | 41,143 |
| CARE Congregate Meals | 93.705 | | | | 188,105 |
| CARE Congregate Meals | 93.705 | Y | | | 321,409 |
| Headstart - Cola Adjustment | 93.708 | Y | | | 947,959 |
| Chronic Disease | 93.725 | Y | | ST-ARRA 09-001 | 4,337 |

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|---|--|-----------------|--|--|--|
| Chronic Disease | 93.725 | Y | | ST-ARRA 09-001 | 14,681 |
| HIV Emergency | 93.914 | | 5 H89 HA00017 | | 264 |
| HIV Emergency | 93.914 | | 5 H89 HA00017-14 | | 1,205 |
| HIV Emergency | 93.914 | | 5 H89 HA00017-16 | | 5,031 |
| HIV Emergency | 93.914 | | 5 H89 HA00017 | | (1,052) |
| HIV Emergency | 93.914 | | 5 H89 HA00017 | | 1,630 |
| HIV Emergency | 93.914 | | 5 H89 HA00017 | | 271,100 |
| HIV Emergency | 93.914 | | 5 H89 HA00017 | | 16,147,715 |
| HIV Emergency | 93.914 | | 5 H89 HA00017 | | 2,347,398 |
| HIV Emergency - Minority AIDS Initiative (MAI) | 93.914 | | H3M HA08436 | | 5 |
| HIV Emergency - Minority AIDS Initiative (MAI) | 93.914 | | H3M HA 08436 | | 584,420 |
| HIV Emergency - Minority AIDS Initiative (MAI) | 93.914 | | H3M HA 08436 | | 1,805,636 |
| Healthy Start FY2003 | 93.926 | | 5 H49 MC00085-2 | | 2,191 |
| Healthy Start FY2005 | 93.926 | | 5 H49 MC00085 | | 23,851 |
| Healthy Start FY2007 | 93.926 | | 5 H49 MC00085 | | 13,939 |
| Federal Grant - MSM | 93.941 | | SUR605000329-02 | | 5 |
| Federal Grant - MSM | 93.941 | | SUR605000329-03 | | 135,316 |
| Contact U | 93.974 | | FPRPA 006024 | | 26,038 |
| Contact U | 93.974 | | FPRPA 006024 | | 63 |
| Contact U | 93.974 | | FPRPA 006024 | | 9,106 |
| Healthy Teens and Young Adults | 93.974 | | FPRPA 006024 | | 179,908 |
| Male Reproductive Health | 93.974 | | 1 FPRPA 006804 | | 25,591 |
| Sexually Transmitted Disease Accelerated Prevention Campaign FY2011 | 93.977 | Y | | | 1,018,913 |
| Sexually Transmitted Disease Accelerated Prevention Campaign FY2006 | 93.977 | | H25/CCH304322-14 | | 23,203 |
| Sexually Transmitted Disease Accelerated Prevention Campaign FY2007 | 93.977 | | H25/CCH304322-15 | | 5,122 |

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|---|--|-----------------|--|--|--|
| Sexually Transmitted Disease Accelerated Prevention Campaign FY2009 | 93.977 | | 5H25/PS001395-01 | | 106,361 |
| Sexually Transmitted Disease Accelerated Prevention Campaign FY2010 | 93.977 | | 5H25/PS001395-02 | | 639,112 |
| Sexually Transmitted Disease Accelerated Prevention Campaign FY2011 | 93.977 | | 5H25/PS001395-03 | | 768,432 |
| Sexually Transmitted Disease Control Program | 93.977 | | H25/CCH304322-17 | | 22,235 |
| Sexually Transmitted Disease Surveillance Network | 93.977 | | 5H25/PS001278-01 | | 22,054 |
| Sexually Transmitted Disease Surveillance Network | 93.977 | | 5H25/PS001278-02 | | 62,647 |
| Sexually Transmitted Disease Surveillance Network | 93.977 | | 5H25/PS001278-03 | | 12,403 |
| TOTAL DIRECT GRANTS | | | | | \$57,422,503 |
| MARYLAND STATE DEPARTMENT OF EDUCATION | | | | | |
| Head Start - State Supplemental | 93.575 (7a) | | | SG 104893 | 88,837 |
| Head Start - State Supplemental | 93.575 (7a) | | | SG 104893 | 80,834 |
| Head Start - Dunbar CCC Program | 93.600 (7b) | | | | 505,236 |
| TOTAL MARYLAND STATE DEPARTMENT OF EDUCATION | | | | | \$674,907 |
| MARYLAND STATE DEPARTMENT OF HEALTH AND MENTAL HYGIENE | | | | | |
| Public Health Preparedness and Response to Bio-Terrorism | 93.069 | | | CH 831 PHP | 16,305 |
| Public Health Preparedness and Response | 93.069 | | | CH 831 PHP | 564 |
| Public Health Preparedness and Response | 93.069 | | | CH 831 PHP | (166,718) |
| Public Health Preparedness and Response | 93.069 | | | CH 831 PHP | 385,603 |
| Public Health Preparedness and Response | 93.069 | | | CH 831 PHP | 346,261 |
| Public Health Emergency Response (PHER) Phase I | 93.069 | | | CH 831 PHP | 77,975 |
| PHER Phase II | 93.069 | | | CH 831 PHP | 92,297 |
| PHER Phase III | 93.069 | | | CH 831 PHP | 132,566 |
| PHER Phase IV | 93.069 | | | CH 831 PHP | 10,000 |
| PHER Phase IV | 93.069 | | | CH 831 PHP | 192,411 |

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| FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE | FEDERAL CFDA NUMBER (5) | ARRA (8) | FEDERAL IDENTIFICATION NUMBER (4) | STATE GRANT IDENTIFICATION NUMBER | DISBURSEMENTS/ EXPENDITURES |
|--|--|-----------------|--|--|--|
| Greater Baltimore Asthma Alliance | 93.070 | | | FHA 69 AST | 1,455 |
| Pediatric AIDS Services Demo | 93.153 | | | AD 431 WIC | 236,622 |
| Pediatric AIDS Services Demo | 93.153 | | | AD 431 WIC | 363,053 |
| RWD - Youth Health Support | 93.153 | | | AD 655 YHS | 99,815 |
| RWD - Youth Health Support | 93.153 | | | AD 655 YHS | 187,181 |
| Reproduction Health/Family Planning | 93.217 | | | FH 201 FFP | (35) |
| Reproductive Health/Family Planning | 93.217 | | | FH 201 FFP | 582 |
| Reproductive Health/Family Planning | 93.217 | | | FH 201 FFP | (12,751) |
| Reproductive Health/Family Planning | 93.217 | | | FH 201 FFP | 5,847 |
| Reproductive Health/Family Planning | 93.217 | | | FH 201 FFP | 3,810 |
| Reproductive Health/Family Planning | 93.217 | | | FH 201 FFP | 96,294 |
| Reproductive Health/Family Planning | 93.217 | | | FH 201 FFP | 926,132 |
| Reproductive Health/Family Planning FY 2012 | 93.217 | | | FH 201 FFP | 1,139 |
| HIV Integration into Family Planning | 93.217 | | | FH 771 HIV | 16,112 |
| HIV Integration into Family Planning | 93.217 | | | FH 771 HIV | 65,155 |
| Baltimore City Immunization Program FY2009 | 93.268 | | | CH 054 IMM | (62,199) |
| Baltimore City Immunization Program FY2010 | 93.268 | | | CH 054 IMM | (34,856) |
| Baltimore City Immunization Program FY2011 | 93.268 | | | CH 054 IMM | 716,946 |
| Baltimore City Immunization Program FY2012 | 93.268 | | | CH 054 IMM | 5,936 |
| Baltimore City Immunization Program FY2011 - Vaccine | 93.268 (6) | | | CH 054 IMM | 256,995 |
| Immunization - Hepatitis B | 93.268 | | | CH 350 IMM | (11,875) |
| Immunization - Hepatitis B | 93.268 | | | CH 350 IMM | 39,604 |
| Immunization - Hepatitis B | 93.268 | | | CH 350 IMM | 103,186 |
| Greater Baltimore Asthma Alliance | 93.283 | | | FHA 68 AST | 6,155 |
| Home Visiting Planning | 93.505 | | | FHB 64 HVP | 800 |

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|--|--|-----------------|--|--|--|
| Surveillance (AIDS) | 93.523 | | | AD 407 SUR | 2,350 |
| Surveillance (AIDS) | 93.523 | | | AD 407 SUR | 16,552 |
| Immunization | 93.712 | Y | | CH 811 ARR | 118,870 |
| PWC Eligibility | 93.767 | | | MA 157 ACM | 339,865 |
| PWC Eligibility | 93.778 | | | MA 157 ACM | 509,798 |
| Administrative Care Coordination | 93.778 | | | MA 005 EPS | 2,708 |
| Administrative Care Coordination | 93.778 | | | MA 005 EPS | 29,745 |
| Administrative Care Coordination | 93.778 | | | MA 005 EPS | (14,040) |
| Administrative Care Coordination | 93.778 | | | MA 005 EPS | 1,538 |
| Administrative Care Coordination | 93.778 | | | MA 005 EPS | 1,871,954 |
| General Transportation Services FY2001 | 93.778 | | | MA 365 GTS | 9,425 |
| General Transportation Services FY2007 | 93.778 | | | MA 365 GTS | 8,724 |
| General Transportation Services FY2008 | 93.778 | | | MA 365 GTS | 1,745 |
| General Transportation Services FY2009 | 93.778 | | | MA 365 GTS | 3,888 |
| General Transportation Services FY2010 | 93.778 | | | MA 365 GTS | 652,299 |
| General Transportation Services FY2011 | 93.778 | | | MA 365 GTS | 3,314,032 |
| Ryan White II - Consortia Services FY2006 | 93.917 | | | AD 419 RWS | 85 |
| Ryan White II - Consortia Services FY2009 | 93.917 | | | AD 419 RWS | (1,960) |
| Ryan White II - Consortia Services FY2010 | 93.917 | | | AD 419 RWS | 856,569 |
| Ryan White II - Consortia Services FY2011 | 93.917 | | | AD 419 RWS | 2,174,558 |
| Healthy Start Program | 93.926 | | | MA 411 HSP | (2,402) |
| Transgender Comm. Education and Outreach-HIV Prevention Activities | 93.940 | | 52-1212473 | AD 639 MSM | 31,446 |
| Behavioral Intervention with Sexual Minorities | 93.940 | | | AD 639 MSM | 14 |
| Behavioral Intervention with Sexual Minorities | 93.940 | | | AD 639 MSM | 178,695 |
| Behavioral Surveillance Research | 93.940 | | | AD 626 BSR | 3 |

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|--|--|-----------------|--|--|--|
| Counseling, Testing and Referral | 93.940 | | | AD 243 CTR | 33,449 |
| Counseling, Testing and Referral | 93.940 | | | AD 243 CTR | 140,693 |
| Counseling, Testing and Referral | 93.940 | | | AD 243 CTR | 716,168 |
| Expanded HIV Testing | 93.940 | | | AD 659 ECT | 135,970 |
| Expanded HIV Testing | 93.940 | | | AD 656 EHT | 40 |
| Expanded HIV Testing | 93.940 | | | AD 656 EHT | 7,250 |
| Expanded HIV Testing | 93.940 | | | AD 656 EHT | 424,704 |
| Expanded HIV Testing | 93.940 | | | AD 656 EHT | 377,967 |
| Health Education and Risk Reduction | 93.940 | | | AD 364 HER | 21,054 |
| Health Education and Risk Reduction | 93.940 | | | AD 364 HER | 168,811 |
| Health Education and Risk Reduction | 93.940 | | | AD 364 HER | 216,342 |
| HIV Partner Services | 93.940 | | | AD 631 HPS | 128 |
| Intravenous Drug Users | 93.940 | | | AD 637 IDU | 46,046 |
| Ryan White II - Consortia Services FY2006 | 93.940 | | | AD 419 RWS | 1,616 |
| Ryan White II - Consortia Services FY2010 | 93.940 | | | AD 419 RWS | 47,587 |
| Ryan White II - Consortia Services FY2011 | 93.940 | | | AD 419 RWS | 241,617 |
| Behavioral Surveillance Research | 93.941 | | | AD 626 BSR | 1 |
| Federal Grant - MSM | 93.941 | | SUR605000329-03 | | 1,912 |
| Behavioral Surveillance Research | 93.944 | | | AD 626 BSR | 5 |
| Behavioral Surveillance Research | 93.944 | | | AD 626 BSR | 315,912 |
| Behavioral Surveillance Research | 93.944 | | | AD 626 BSR | 1,896 |
| Surveillance (AIDS) FY2007 | 93.944 | | | AD 407 SUR | 3,028 |
| Surveillance (AIDS) | 93.944 | | | AD 407 SUR | 21 |
| Surveillance (AIDS) | 93.944 | | | AD 407 SUR | (34,109) |
| Surveillance (AIDS) | 93.944 | | | AD 407 SUR | 97,372 |

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|--|--|-----------------|--|--|--|
| Surveillance (AIDS) | 93.944 | | | AD 407 SUR | 12,336 |
| Surveillance (AIDS) | 93.944 | | | AD 407 SUR | 86,897 |
| Alcoholism and Drug Block Grant FY2008 | 93.959 | | | AS 019 ABG | 484 |
| Intravenous Drug Users | 93.959 | | | AD 637 IDU | 275,956 |
| Sexually Transmitted Disease/HIV Partner Counseling & Referral Svcs (PCRS) | 93.977 | | | CH 051 STD | 1 |
| Sexually Transmitted Disease/HIV Partner Counseling & Referral Svcs (PCRS) | 93.977 | | | CH 051 STD | 39,386 |
| Sexually Transmitted Disease/HIV Partner Counseling & Referral Svcs (PCRS) | 93.977 | | | CH 051 STD | 36,492 |
| Service to Health Centers | 93.991 | Y | | CH 580 OIP | 44,179 |
| Cardiovascular Block Grant | 93.991 | | | FHA 76 NRR | 109,000 |
| Children Oral Health # Flourine FY2010 | 93.991 | | | CH 580 01P | 20 |
| Children Oral Health # Flourine FY2011 | 93.991 | | | CH 580 01P | 1,505 |
| Rat Control Program FY2010 | 93.991 | | | LH 001 RAT | 22,633 |
| Rat Control Program FY2011 | 93.991 | | | LH 001 RAT | 91,592 |
| State's Community Based Injury Control | 93.991 | | | FHA 56 IPP | 819 |
| CORE Public Health Services FY2011 | 93.994 | | | CH 560 CFT | 797,025 |
| Children Adolescent Health Advocacy Program FY2010 | 93.994 | | | FH 219 PYD | 3,168 |
| Children Adolescent Health Advocacy Program FY2011 | 93.994 | | | FH 219 PYD | 95,818 |
| Improved Pregnancy Outcome FY2007 | 93.994 | | | FH 892 IPO | (477) |
| Improved Pregnancy Outcome FY2008 | 93.994 | | | FH 892 IPO | (387) |
| Improved Pregnancy Outcome FY2009 | 93.994 | | | FH 892 IPO | (542) |
| Improved Pregnancy Outcome FY2009 | 93.994 | | | FH 182 IPO | (20,211) |
| Improved Pregnancy Outcome FY2010 | 93.994 | | | FH 892 IPO | 112,457 |
| Improved Pregnancy Outcome FY2011 | 93.994 | | | FH 892 IPO | 209,484 |
| Lead Paint Poisoning Prevention FY2005 | 93.994 | | | FH 181 MCH | 2,938 |
| Lead Paint Poisoning Prevention FY2006 | 93.994 | | | FH 181 MCH | 852 |

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|---|--|-----------------|--|--|--|
| Lead Paint Poisoning Prevention FY2008 | 93.994 | | | FH 181 MCH | 86 |
| Lead Paint Poisoning Prevention FY2009 | 93.994 | | | FH 181 MCH | (118,366) |
| Lead Paint Poisoning Prevention FY2009 | 93.994 | | | FH 181 MCH | 171,420 |
| Lead Paint Poisoning Prevention FY2011 | 93.994 | | | FH 181 MCH | 98,442 |
| Lead Paint Poisoning Prevention FY2011 | 93.994 | | | FH 181 MCH | 426,690 |
| Lead Paint Poisoning Prevention FY2012 | 93.994 | | | FH 181 MCH | 11,555 |
| Medical Home Project | 93.994 | | | CH 929 MHP | 3,439 |
| Medical Home Project | 93.994 | | | CH 929 MHP | 11,855 |
| TOTAL MARYLAND STATE DEPARTMENT OF HEALTH AND MENTAL HYGIENE | | | | | \$19,696,854 |
| MARYLAND STATE DEPARTMENT OF HUMAN RESOURCES | | | | | |
| Cooperative Reimbursement-Child Support Enforcement | 93.563 | | | CSEA/CRA-09-032 | 2,854 |
| Cooperative Reimbursement-Child Support Enforcement | 93.563 | | | CSEA/CRA-08-027 | (53,755) |
| Cooperative Reimbursement-Child Support Enforcement | 93.563 | | | CSEA/CRA-11-032 | 151,804 |
| Cooperative Reimbursement-Child Support Enforcement | 93.563 | | | CSEA/CRA-10-032 | 1,185 |
| Cooperative Reimbursement-Child Support Enforcement | 93.563 | | | CSEA/CRA-04-027 | 38,498 |
| Cooperative Reimbursement-Child Support Enforcement | 93.563 | | | CSEA/CRA-11-027 | 1,018,107 |
| Cooperative Reimbursement-Child Support Enforcement | 93.563 | | | CSEA/CRA-01-027 | 1,540 |
| Courts: Domestic Relations Mas 01-Circuit Court | 93.563 | | | | (85,388) |
| Low Income Home Energy Assistance - MD Energy Assistance Prg FY2007 | 93.568 | | | CSA/EA-07/04-30 | 1,837 |
| Low Income Home Energy Assistance - MD Energy Assistance Prg FY2008 | 93.568 | | | CSA/EA-07/04-30 | 18,908 |
| Low Income Home Energy Assistance - MD Energy Assistance Prg FY2009 | 93.568 | | | CSA/EA-07/04-30 | 17,078 |
| Low Income Home Energy Assistance - MD Energy Assistance Prg FY2010 | 93.568 | | | CSA/EA-07/04-30 | 96,288 |
| TOTAL MARYLAND STATE DEPARTMENT OF HUMAN RESOURCES | | | | | \$1,208,956 |

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|--|--|-----------------|--|--|--|
| MARYLAND STATE DEPARTMENT OF AGING | | | | | |
| Title VII Older Americans Act Ombudsman/Elder Abuse FY2004 | 93.042 | | | 3-24-AAA-002 | 505 |
| Title VII Older Americans Act Ombudsman/Elder Abuse FY2009 | 93.042 | | | AAA-3-24-003 | (183,430) |
| Title VII Older Americans Act Ombudsman/Elder Abuse FY2010 | 93.042 | | | AAA-3-24-003 | 41,232 |
| Title VII Older Americans Act Ombudsman/Elder Abuse FY2011 | 93.042 | | | AAA-3-24-003 | 12,772 |
| Supportive Services Title IIIB FY2000 | 93.044 | | | 3-24-AAA-002 | 25,000 |
| Supportive Services Title IIIB FY2004 | 93.044 | | | 3-24-AAA-002 | 20,787 |
| Supportive Services Title IIIB FY2004 (Administration) | 93.044 | | | 3-24-AAA-002 | 988 |
| Supportive Services Title IIIB FY2008 | 93.044 | | | AAA-3-24-003 | (29,230) |
| Supportive Services Title IIIB FY2009 | 93.044 | | | AAA-3-24-003 | (257,714) |
| Supportive Services Title IIIB FY2010 | 93.044 | | | 3-24-AAA-003 | 935,191 |
| Supportive Services Title IIIB FY2011 | 93.044 | | | 3-24-AAA-003 | 1,212,574 |
| Elderly Nutrition Title IIIC-1 FY2002 | 93.045 | | | 3-24-AAA-002 | 18 |
| Elderly Nutrition Title IIIC-1 FY2005 | 93.045 | | | AAA-3-24-003 | 4,572 |
| Elderly Nutrition Title IIIC-1 FY2006 | 93.045 | | | AAA-3-24-003 | 5,746 |
| Elderly Nutrition Title IIIC-1 FY2009 | 93.045 | | | AAA-3-24-003 | (35,981) |
| Elderly Nutrition Title IIIC-1 FY2010 | 93.045 | | | 3-24-AAA-002 | (406,401) |
| Elderly Nutrition Title IIIC-1 FY2011 | 93.045 | | 07AAMDT3SP | AAA-3-24-003 | 1,474,100 |
| Home Delivered Meals Title IIIC-2 FY2008 | 93.045 | | | AAA-3-24-003 | (103,727) |
| Home Delivered Meals Title IIIC-2 FY2009 | 93.045 | | | AAA-3-24-003 | (76,223) |
| Home Delivered Meals Title IIIC-2 FY2010 | 93.045 | | | AAA-3-24-003 | 189,983 |
| Home Delivered Meals Title IIIC-2 FY2011 | 93.045 | | | AAA-3-24-003 | 723,682 |
| Title IIID Medication Management | 93.046 | | | AAA-3-24-003 | 45,116 |
| Title IIID Medication Management | 93.046 | | | AAA-3-24-003 | 113,681 |
| Older Americans Act Title IIIE FY2008 | 93.052 | | | AAA-3-24-003 | 411 |

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|---|--|-----------------|--|--|--|
| Older Americans Act Title IIIE FY2009 | 93.052 | | | AAA-3-24-003 | 118,851 |
| Older Americans Act Title IIIE FY2010 | 93.052 | | | AAA-3-24-003 | 168,179 |
| Older Americans Act Title IIIE FY2011 | 93.052 | | | 3-24-AAA-022 | 261,060 |
| Senior Nutrition Services Incentive Program (NSIP) | 93.053 | | | ST-2505-002 | 27,644 |
| Senior Nutrition Services Incentive Program (NSIP) | 93.053 | | | ST-2505-002 | (215,704) |
| Senior Health Insurance Program (SHIP) FY2009 | 93.779 | | | ST-2513-003 | 42,628 |
| Senior Health Insurance Program (SHIP) FY2010 | 93.779 | | | ST-2531-003 | 1,216 |
| Senior Health Insurance Program (SHIP) FY2011 | 93.779 | | | ST-2531-003 | 60,035 |
| Senior Medicare Patrol (SMP) | 93.779 | | | ST-2516-003 | 16,325 |
| Senior Medicare Patrol (SMP) | 93.779 | | | ST-2516-003 | 15,776 |
| TOTAL MARYLAND STATE DEPARTMENT OF AGING | | | | | \$4,209,662 |
| MARYLAND STATE DEPARTMENT OF THE ENVIRONMENT | | | | | |
| Community Based Childhood Lead Poisoning | 93.197 | | 5 H64 EH000137-04 | 606071 | 6,759 |
| Community Based Childhood Lead Poisoning | 93.197 | | 5 H64 EH000137-04 | 610071 | (1,654) |
| Community Based Childhood Lead Poisoning | 93.197 | | 5 H64 EH000137-04 | | 137,240 |
| Community Bases Childhood Lead Poisoning | 93.197 | | 5 H64 EH0001374 | | 218,905 |
| TOTAL MARYLAND STATE DEPARTMENT OF THE ENVIRONMENT | | | | | \$361,250 |
| MARYLAND STATE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT | | | | | |
| Community Services Block Grant | 93.569 | | | | 994 |
| Community Services Block Grant | 93.569 | | | | 4,067 |
| Community Services Block Grant FY2004 | 93.569 | | | S00P4200562 | 1,881 |
| Community Services Block Grant FY2007 | 93.569 | | G07B1-MDCOSR | S00P7200478 | 3,228 |
| Community Services Block Grant FY2008 | 93.569 | | G08B1-MDCOSR | S00P820552 | 42 |
| Community Services Block Grant FY2009 | 93.569 | | G09B1-MDCOSR | | 11,124 |

**CITY OF BALTIMORE - SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2011**

| <u>FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE</u> | <u>FEDERAL CFDA NUMBER (5)</u> | <u>ARRA (8)</u> | <u>FEDERAL IDENTIFICATION NUMBER (4)</u> | <u>STATE GRANT IDENTIFICATION NUMBER</u> | <u>DISBURSEMENTS/ EXPENDITURES</u> |
|--|--|-----------------|--|--|--|
| Community Services Block Grant FY2010 | 93.569 | | | | 500,074 |
| Community Services Block Grant FY2011 | 93.569 | | | | 2,294,275 |
| Community Service Block Grant | 93.710 | Y | B08-MC-24-0010 | | 3,067,045 |
| TOTAL MARYLAND STATE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT | | | | | \$5,882,730 |
| TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | | | \$89,456,862 |
| CORPORATION FOR NATIONAL & COMMUNITY SERVICE | | | | | |
| DIRECT GRANTS | | | | | |
| Retired and Senior Volunteer Program FY2006 | 94.002 | | 03-SRA-MD-005-03SR | | 39 |
| Retired and Senior Volunteer Program FY2009 | 94.002 | | 03-SRA-MD-005-03SR | | 85 |
| Retired and Senior Volunteer Program FY2010 | 94.002 | | 09-SRA-MD-005 | | 115,253 |
| Retired and Senior Volunteer Program FY2011 | 94.002 | | 09-SRA-MD-005 | | 7,474 |
| Senior Companion Program FY2009 | 94.016 | | 03-SCA-MD-001 | | 3,498 |
| Senior Companion Program FY2010 | 94.016 | | 09-SCA-MD-001 | | 14,671 |
| Senior Companion Program FY2011 | 94.016 | | 03-SCA-MD-001 | | 315,665 |
| TOTAL DIRECT GRANTS | | | | | \$456,685 |
| TOTAL CORPORATION FOR NATIONAL & COMMUNITY SERVICE | | | | | \$456,685 |
| EXECUTIVE OFFICE OF THE PRESIDENT | | | | | |
| DIRECT GRANTS | | | | | |
| High Intensity Drug Trafficking Areas (HIDTA EXILE) | 95.001 | | | | 47,803 |
| High Intensity Drug Trafficking Areas (HIDTA EXILE) | 95.001 | | HIDTA GY 2004 | | (941) |
| High Intensity Drug Trafficking Areas (HIDTA) | 95.001 | | | | 82,190 |
| High Intensity Drug Trafficking Areas (HIDTA) | 95.001 | | | | 187,083 |
| High Intensity Drug Trafficking Areas (HIDTA) | 95.001 | | | | (1,198) |

**CITY OF BALTIMORE - SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2011**

| <u>FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE</u> | <u>FEDERAL CFDA NUMBER (5)</u> | <u>ARRA (8)</u> | <u>FEDERAL IDENTIFICATION NUMBER (4)</u> | <u>STATE GRANT IDENTIFICATION NUMBER</u> | <u>DISBURSEMENTS/ EXPENDITURES</u> |
|---|--|-----------------|--|--|--|
| High Intensity Drug Trafficking Areas (HIDTA) | 95.001 | | I3PWB529 | | (2,569) |
| TOTAL DIRECT GRANTS | | | | | \$312,368 |
| TOTAL EXECUTIVE OFFICE OF THE PRESIDENT | | | | | \$312,368 |
| DEPARTMENT OF HOMELAND SECURITY | | | | | |
| DIRECT GRANTS | | | | | |
| Interoperable Emergency Communication Grant FY2008 (IECGP) | 97.055 | | 2008-I0-T8-0051 | | 21,308 |
| Port Security V - Homeland Security | 97.056 | | 2005-GB-T5-0093 | | (24,275) |
| Homeland Security Grant Program FY2006 | 97.067 | | 2006-GE-T6-0006 | | 2,019 |
| TOTAL DIRECT GRANTS | | | | | (\$948) |
| MARYLAND EMERGENCY MANAGEMENT AGENCY | | | | | |
| UASI FY2007 - Regional Emergency Health Preparedness | 97.008 | | 2007-GE-T7-0040 | | 5 |
| UASI FY2007 - (IMT, CCTV, US&R, Radio) - Non-Profit Security Program | 97.008 | | 2007-GE-T7-0040 | | 36,153 |
| UASI FY2007 - (Command Vehicle Maintenance) - Non-Profit Security Program | 97.008 | | 2007-GE-T7-0040 | | 34 |
| UASI FY2007 - Volunteer Mobilization | 97.008 | | 2007-GE-T7-0040 | | 19,418 |
| UASI FY2007 - Hazmat & Subway - Non Profit Security Program | 97.008 | | 2007-GE-T7-0040 | | 192,463 |
| UASI FY2008 - Non-Profit Security Program | 97.008 | | 2008-GE-T8-0011 | | 2,754,869 |
| UASI FY2008 - Non-Profit Security Program | 97.008 | | 2008-GE-T8-0011 | | 12,526 |
| UASI FY2009 - (Urban Area Security Initiative) | 97.008 | | 2009-SS-T9-0080 | | 501,169 |
| UASI FY2010 - (Urban Area Security Initiative) | 97.008 | | 2010-SS-T0-0025 | | 1,945 |
| Homeland Security Grant Program FY2007 | 97.067 | | 2007-GE-T7-0040 | | 620,607 |
| MMRS (Metropolitan Medical Response System) FY2007 - MEMA | 97.067 | | 2007-GE-T7-0040 | | 9,995 |
| MMRS (Metropolitan Medical Response System) FY2008 - MEMA | 97.067 | | 2008-GE-T8-0011 | | 205,581 |
| UASI FY2006 - Non Profit Security Program | 97.067 | | 2006-GE-T6-0006 | | 289 |

**CITY OF BALTIMORE - SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2011**

| <u>FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE</u> | <u>FEDERAL CFDA NUMBER (5)</u> | <u>ARRA (8)</u> | <u>FEDERAL IDENTIFICATION NUMBER (4)</u> | <u>STATE GRANT IDENTIFICATION NUMBER</u> | <u>DISBURSEMENTS/ EXPENDITURES</u> |
|--|--|-----------------|--|--|--|
| MMRS (Metropolitan Medical Response System) FY2009 | 97.071 | | 2009-SS-T9-0080 | | 104,438 |
| MMRS (Metropolitan Medical Response System) FY2010 | 97.071 | | 2010-SS-T0-0025 | | 5,278 |
| Citizen Corps Program FY2009 | 97.073 | | 2009-SS-T9-0080 | | 6,864 |
| State Homeland Security Program (SHSP) FY2008 | 97.073 | | 2008-GE-T8-0011 | | 1,313,422 |
| State Homeland Security Program (SHSP) FY2009 | 97.073 | | 2009-SS-T9-0080 | | 897,719 |
| State Homeland Security Program (SHSP) FY2010 | 97.073 | | 2010-SS-T0-0025 | | 20,085 |
| Buffer Zone Protection Program FY2007 - MEMA | 97.078 | | 2007-BZ-T7-0026 | | 42,820 |
| Buffer Zone Protection Program FY2008 - MEMA | 97.078 | | 2008-BZ-T8-0004 | | 117,728 |
| Hazardous Materials Emergency Preparedness FY2010 | 97.093 | | | | 15,270 |
| TOTAL MARYLAND EMERGENCY MANAGEMENT AGENCY | | | | | <u>\$6,878,678</u> |
| TOTAL DEPARTMENT OF HOMELAND SECURITY | | | | | <u>\$6,877,730</u> |
| TOTAL EXPENDITURE OF FEDERAL AWARDS | | | | | <u><u>\$279,042,233</u></u> |

**CITY OF BALTIMORE - SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SUMMARY BY FEDERAL PROGRAM)
FISCAL YEAR ENDED JUNE 30, 2011**

| <u>FEDERAL GRANTOR</u> | <u>FEDERAL PROGRAM TITLE</u> | <u>FEDERAL CFDA NUMBER (5)</u> | <u>DISBURSE- MENTS/ EXPENDI- TURES</u> | <u>PAYMENTS MADE TO SUBRE- CIPIENTS</u> |
|---|--|--|--|---|
| DEPARTMENT OF AGRICULTURE | Special Supplemental Nutrition Program for Women, Infants, and Children | 10.557 | \$2,147,384 | |
| DEPARTMENT OF AGRICULTURE | Child and Adult Care Food Program | 10.558 | 5,610,173 | |
| DEPARTMENT OF AGRICULTURE | Summer Food Service Program for Children | 10.559 | 3,172,268 | |
| DEPARTMENT OF AGRICULTURE | State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | 199,292 | |
| DEPARTMENT OF AGRICULTURE | Emergency Food Assistance Program (Administrative Costs) | 10.568 | 388,635 | \$342,414 |
| DEPARTMENT OF AGRICULTURE | Emergency Food Assistance Program (Food Commodities) | 10.569 (9) | 678,623 | |
| DEPARTMENT OF COMMERCE | Economic Development - Support for Planning Organizations | 11.302 | 2,972 | |
| DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | Community Development Block Grants/Entitlement Grants | 14.218 | 23,517,659 | 6,253,229 |
| DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | Urban Development Action Grants/Repayments | 14.221 | 824,681 | |
| DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | Emergency Shelter Grants Program | 14.231 | 977,212 | 921,196 |
| DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | Supportive Housing Program | 14.235 | 9,111,597 | 8,232,525 |
| DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | Shelter Plus Care | 14.238 | 7,166,923 | 6,925,653 |
| DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | HOME Investment Partnerships Program | 14.239 | 4,992,967 | |
| DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | Housing Opportunities for Persons with AIDS | 14.241 | 10,744,048 | 3,751,722 |
| DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | Community Development Block Grants/Brownfields Economic Development Initiative | 14.246 | 248,609 | |
| DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | Community Development Block Grants - Section 108 Loan Guarantees | 14.248 | 173,229 | |
| DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | Economic Development Initiative-Special Project, Neighborhood Initiative and Miscellaneous Grant | 14.251 | 729 | |
| DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | Homeless Prevention and Rapid Re-Housing Prog (HPRP) | 14.257 | 4,648,408 | 3,800,488 |
| DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | Lead-Based Paint Hazard Control in Privately-Owned Housing | 14.900 | 2,534 | |
| DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | Lead Hazard Reduction Demonstration Grant Program | 14.905 | 16,409 | |
| DEPARTMENT OF JUSTICE | U.S. Department of Justice - Asset Forfeitures | 16 (3a) | 26,161 | |
| DEPARTMENT OF JUSTICE | Supervised Visitation, Safe Havens for Children | 16.527 | 38,627 | |
| DEPARTMENT OF JUSTICE | Juvenile Justice and Delinquency Prevention - Allocation to States | 16.540 | 58,700 | |
| DEPARTMENT OF JUSTICE | Developing, Testing and Demonstrating Promising New Programs | 16.541 | 211,507 | 44,363 |
| DEPARTMENT OF JUSTICE | Crime Victim Assistance | 16.575 | 300,652 | |
| DEPARTMENT OF JUSTICE | Byrne Formula Grant Program | 16.579 | 157,943 | |
| DEPARTMENT OF JUSTICE | Edward Byrne Memorial State & Local Law Enforcement Assistance Discretionary Grants Program | 16.580 | 1,435,344 | 13,276 |
| DEPARTMENT OF JUSTICE | Violence Against Women Formula Grants | 16.588 | 151,015 | 25,279 |
| DEPARTMENT OF JUSTICE | Community Capacity Development Office | 16.595 | 7,478 | |
| DEPARTMENT OF JUSTICE | Public Safety Partnership and Community Policing Grants | 16.710 | 2,477,684 | |
| DEPARTMENT OF JUSTICE | Gang Resistance Education and Training | 16.737 | 954 | |

**CITY OF BALTIMORE - SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SUMMARY BY FEDERAL PROGRAM)
FISCAL YEAR ENDED JUNE 30, 2011**

| <u>FEDERAL GRANTOR</u> | <u>FEDERAL PROGRAM TITLE</u> | <u>FEDERAL CFDA NUMBER (5)</u> | <u>DISBURSE- MENTS/ EXPENDI- TURES</u> | <u>PAYMENTS MADE TO SUBRE- CIPIENTS</u> |
|---|--|--|--|---|
| DEPARTMENT OF JUSTICE | Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 2,452,617 | |
| DEPARTMENT OF JUSTICE | Forensic DNA Capacity Enhancement Program | 16.741 | 623,096 | |
| DEPARTMENT OF JUSTICE | Paul Coverdell Forensic Sciences Improvement Grant Program | 16.742 | 180,568 | |
| DEPARTMENT OF JUSTICE | Economic High-Tech and Cyber Crime Prevention | 16.752 | 86,824 | |
| DEPARTMENT OF JUSTICE | ARRA - (JAG) Program/Grants to States and Territories | 16.803 | 872,306 | 418,339 |
| DEPARTMENT OF JUSTICE | ARRA - (JAG) Program/Grants to Units of Local Government | 16.804 | 2,805,354 | |
| DEPARTMENT OF JUSTICE | ARRA - Edward Byrne Memorial Competitive Grant Program | 16.808 | 399,440 | 250,349 |
| DEPARTMENT OF JUSTICE | Equitable Sharing Program | 16.922 | 976,108 | |
| DEPARTMENT OF LABOR | Senior Community Service Employment Program | 17.235 | 626,978 | |
| DEPARTMENT OF LABOR | Workforce Investment Act Adult Program | 17.258 | 4,085,657 | 311,326 |
| DEPARTMENT OF LABOR | Workforce Investment Act Youth Activities | 17.259 | 3,616,786 | 860,125 |
| DEPARTMENT OF LABOR | Workforce Investment Act Dislocated Workers | 17.260 | 2,019,453 | 218,450 |
| DEPARTMENT OF LABOR | WIA Pilots, Demonstrations, and Research Projects | 17.261 | 1,071,548 | 70,129 |
| DEPARTMENT OF TRANSPORTATION | Highway Planning and Construction | 20.205 | 57,385,527 | |
| DEPARTMENT OF TRANSPORTATION | Federal Transit - Metropolitan Planning Grants | 20.505 | 24,625 | |
| DEPARTMENT OF TRANSPORTATION | Federal Transit - Formula Grants | 20.507 | 69,175 | |
| DEPARTMENT OF TRANSPORTATION | State and Community Highway Safety | 20.600 | 93,804 | |
| DEPARTMENT OF TRANSPORTATION | Safety Belt Performance Grants | 20.609 | 260,850 | |
| DEPARTMENT OF TREASURY | Asset Forfeiture Program | 21 (3b) | 26,770 | |
| EQUAL EMPLOYMENT OPPORTUNITY COMMISSION | Employment Discrimination - State and Local Fair Employment Practices Agency Contracts | 30.002 | (2,180) | |
| ENVIRONMENTAL PROTECTION AGENCY | Construction Grants for Wastewater Treatment Works | 66.418 | 174,167 | |
| ENVIRONMENTAL PROTECTION AGENCY | Capitalization Grants for Clean Water State Revolving Funds | 66.458 | 4,412,470 | |
| ENVIRONMENTAL PROTECTION AGENCY | Capitalization Grants for Drinking Water State Revolving Funds | 66.468 | 9,315,242 | |
| ENVIRONMENTAL PROTECTION AGENCY | Research, Development, Monitoring, Public Education, Training, Demonstrations, and Studies | 66.716 | 181,228 | 14,731 |
| ENVIRONMENTAL PROTECTION AGENCY | Brownfield Pilots Cooperative Agreements | 66.811 | 105,889 | |
| DEPARTMENT OF ENERGY | Weatherization Assistance for Low-Income Persons | 81.042 | 7,143,879 | |
| DEPARTMENT OF ENERGY | Electricity Delivery and Energy Reliability, Research, Development and Analysis (Recovery) | 81.122 | 4,000 | |
| DEPARTMENT OF ENERGY | Energy Efficiency and Conservation Block Grant Program (EECBG) | 81.128 | 1,288,863 | |
| DEPARTMENT OF ENERGY | Energy Efficiency and Reasonable Energy Technology Deployment, Demonstration and Commercialization | 81.129 | 1,197 | |
| DEPARTMENT OF EDUCATION | Special Education - Grants to States | 84.027 | 883,731 | 302,506 |
| DEPARTMENT OF EDUCATION | Special Education - Preschool Grants | 84.173 | 157,113 | 52,936 |

**CITY OF BALTIMORE - SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SUMMARY BY FEDERAL PROGRAM)
FISCAL YEAR ENDED JUNE 30, 2011**

| <u>FEDERAL GRANTOR</u> | <u>FEDERAL PROGRAM TITLE</u> | <u>FEDERAL CFDA NUMBER (5)</u> | <u>DISBURSE- MENTS/ EXPENDI- TURES</u> | <u>PAYMENTS MADE TO SUBRE- CIPIENTS</u> |
|---|--|--|--|---|
| DEPARTMENT OF EDUCATION | Special Education - Grants for Infants and Families with Disabilities | 84.181 | 32,648 | 3,878 |
| DEPARTMENT OF EDUCATION | Grants for Infants and Families, Recovery Act | 84.393 | 1,072,438 | 880,269 |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES | Special Programs for the Aging-Title VII, Chapter 2 - Long Term Care | 93.042 | (128,921) | |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES | Special Programs for the Aging-Title III, Part B - Grants for Supportive Services & Senior Centers | 93.044 | 1,907,596 | 527,858 |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES | Special Programs for the Aging-Title III, Part C - Nutrition Services | 93.045 | 1,775,769 | |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES | Special Programs for the Aging-Title III, Part D - In-Home Services for Frail Older Individuals | 93.046 | 158,797 | 38,400 |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES | National Family Caregiver Support | 93.052 | 548,501 | 76,648 |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES | Nutrition Services Incentive Program | 93.053 | (188,060) | |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES | Innovations in Applied Public Health Research | 93.061 | 547,118 | 123,121 |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES | Public Health Emergency Preparedness | 93.069 | 1,087,264 | 129,851 |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES | Environmental Public Health and Emergency Response | 93.070 | 1,455 | |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES | Project Grants and Cooperative Agreements for Tuberculosis Control Programs | 93.116 | 762,055 | 471,601 |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES | Coordinated Services and Access to Research for Women, Infants, Children, and Youth | 93.153 | 886,671 | 885,541 |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES | Childhood Lead Poisoning Prevention Projects | 93.197 | 361,250 | |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES | Family Planning Services | 93.217 | 1,102,285 | 90,640 |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES | Consolidated Health Centers | 93.224 | 420,416 | 54,443 |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES | Immunization Grants | 93.268 (6) | 1,013,737 | |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES | Centers for Disease Control and Prevention - Investigations and Technical Assistance | 93.283 | 45,230 | 4,155 |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES | Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program | 93.505 | 800 | |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES | Affordable Care Act (ACA): Human Immunodeficiency Virus (HIV) Preventn and Public Hlth Fd A | 93.523 | 18,902 | 11,292 |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES | Child Support Enforcement | 93.563 | 1,074,845 | |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES | Low-Income Home Energy Assistance Program | 93.568 | 134,111 | |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES | Community Services Block Grant | 93.569 | 2,815,685 | |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES | Child Care Development Block Grant | 93.575 (7a) | 169,671 | 150,469 |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES | Head Start | 93.600 (7b) | 30,422,742 | 27,964,988 |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES | Aging Home-Delivered Nutrition Services for States - ARRA | 93.705 | 509,514 | |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES | ARRA - Head Start | 93.708 | 947,959 | 854,278 |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES | Community Services Block Grant - ARRA | 93.710 | 3,067,045 | 1,773,493 |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES | Immunization- ARRA | 93.712 | 118,870 | |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES | ARRA-Communities Putting Prevention to Work: Chronic Disease Self-Management Program | 93.725 | 19,018 | |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES | State Children's Insurance Program | 93.767 | 339,865 | 339,865 |

CITY OF BALTIMORE - SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SUMMARY BY FEDERAL PROGRAM)
FISCAL YEAR ENDED JUNE 30, 2011

| <u>FEDERAL GRANTOR</u> | <u>FEDERAL PROGRAM TITLE</u> | <u>FEDERAL CFDA NUMBER (5)</u> | <u>DISBURSE- MENTS/ EXPENDI- TURES</u> | <u>PAYMENTS MADE TO SUBRE- CIPIENTS</u> |
|--|---|--|--|---|
| DEPARTMENT OF HEALTH AND HUMAN SERVICES | Medical Assistance Program | 93.778 | 6,391,816 | 2,164,254 |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES | Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations | 93.779 | 135,980 | |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES | HIV Emergency Relief Project/Formula Grants | 93.914 | 21,163,352 | 19,766,917 |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES | HIV Care Formula Grants | 93.917 | 3,029,252 | 1,870,354 |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES | Healthy Start Initiative | 93.926 | 37,579 | |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES | HIV Prevention Activities - Health Department Based | 93.940 | 2,789,600 | 2,678,538 |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES | HIV Demonstration, Research, Public and Professional Education Projects | 93.941 | 137,234 | 136,391 |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES | Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveill | 93.944 | 483,358 | 440,862 |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES | Block Grants for Prevention and Treatment of Substance Abuse | 93.959 | 276,440 | 276,440 |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES | Family Planning - Service Delivery Improvement Research Grants | 93.974 | 240,706 | |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES | Preventive Health Services - Sexually Transmitted Diseases Control Grants | 93.977 | 2,756,361 | 686,222 |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES | Preventive Health and Health Services Block Grant | 93.991 | 269,748 | 109,000 |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES | Maternal and Child Health Services Block Grant to the States | 93.994 | 1,805,246 | 244,932 |
| CORPORATION FOR NATIONAL & COMMUNITY SERVICE | Retired and Senior Volunteer Program | 94.002 | 122,851 | |
| CORPORATION FOR NATIONAL & COMMUNITY SERVICE | Senior Companion Program | 94.016 | 333,834 | |
| EXECUTIVE OFFICE OF THE PRESIDENT | High Intensity Drug Trafficking Areas | 95.001 | 312,368 | |
| DEPARTMENT OF HOMELAND SECURITY | Urban Areas Security Initiative | 97.008 | 3,518,582 | 45,000 |
| DEPARTMENT OF HOMELAND SECURITY | Interoperable Emergency Communications | 97.055 | 21,308 | |
| DEPARTMENT OF HOMELAND SECURITY | Port Security Grant Program | 97.056 | (24,275) | |
| DEPARTMENT OF HOMELAND SECURITY | Homeland Security Grant Program | 97.067 | 838,491 | |
| DEPARTMENT OF HOMELAND SECURITY | Metropolitan Medical Response System | 97.071 | 109,716 | |
| DEPARTMENT OF HOMELAND SECURITY | State Homeland Security Program (SHSP) | 97.073 | 2,238,090 | |
| DEPARTMENT OF HOMELAND SECURITY | Buffer Zone Protection Plan (BZPP) | 97.078 | 160,548 | |
| DEPARTMENT OF HOMELAND SECURITY | Fire Service Hazardous Material Preparedness and Response | 97.093 | 15,270 | |
| TOTAL ALL PROGRAMS | | | \$279,042,233 | \$95,608,736 |

CITY OF BALTIMORE - SINGLE AUDIT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2011

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

Active Operating Grant - Any operating grant having current fiscal year 2011 expenditures.

Active Project Grant - Any project grant having current fiscal year 2011 expenditures.

Other Financial Assistance - Any contract, loan, loan guarantee, property, cooperative agreement, interest subsidy, insurance or direct appropriation having current fiscal year 2011 disbursements.

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

| | <u>Federal CFDA Number</u> | <u>Federal Program Title</u> | <u>Number of Awards</u> | <u>Current Expenditures Per Accounting Records</u> |
|---------------------------|------------------------------------|---|-----------------------------|--|
| Total Schedule | | | <u>677</u> | <u>\$279,042,233</u> |
| Major Federal Programs | 10.558 | Child and Adult Care Food Program | 5 | \$5,610,173 |
| | 10.559 | Summer Food Service Program for Children | 5 | 3,172,268 |
| | 14.218/253/254 | Community Development Block Grants/Entitlement Grants | 20 | 23,517,659 |
| | 14.235 | Supportive Housing Program | 4 | 9,111,597 |
| | 14.238 | Shelter Plus Care | 4 | 7,166,923 |
| | 14.239 | HOME Investment Partnerships Program | 16 | 4,992,967 |
| | 14.241 | Housing Opportunities for Persons with AIDS | 12 | 10,744,048 |
| | 14.257 | Homeless Prevention and Rapid Re-Housing Prog (HPRP) | 2 | 4,648,408 |
| | 17.258/259/260 | Workforce Investment Act Adult Program, Youth Activities, and Dislocated Workers | 22 | 9,721,896 |
| | 20.205 | Highway Planning and Construction | 125 | 57,385,527 |
| | 66.458 | Capitalization Grants for Clean Water State Revolving Funds | 9 | 4,412,470 |
| | 66.468 | Capitalization Grants for Drinking Water State Revolving Funds | 13 | 9,315,242 |
| | 81.042 | Weatherization Assistance for Low-Income Persons | 11 | 7,143,879 |
| | 93.044/045/053 | Special Programs for the Aging - Title III, Parts B & C, and Nutrition Services Incentive Prg | 19 | 3,495,305 |
| | 93.569/710 | Community Services Block Grant | 9 | 5,882,730 |
| | 93.600/708/709 | Head Start | 15 | 31,370,701 |
| | 93.778 | Medical Assistance Program | 12 | 6,391,816 |
| | 93.914 | HIV Emergency Relief Project/Formula Grants | 11 | 21,163,352 |
| | 93.917 | HIV Care Formula Grants | 4 | 3,029,252 |
| | 97.067/008/004 | Homeland Security Grant Program | 25 | 6,877,730 |
| Total Audit Coverage | | | <u>343</u> | <u>\$235,153,943</u> |
| Percent of Total Schedule | | | <u>50.7%</u> | <u>84.3%</u> |

CITY OF BALTIMORE - SINGLE AUDIT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2011

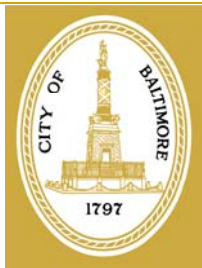
3. The following programs do not have complete 5-digit CFDA Numbers. The fund sources are as follows:
 - (a) Federal assistance (CFDA Number 16) to the City was funded by the U.S. Department of Justice.
 - (b) Federal assistance (CFDA Number 21) to the City was funded by the U.S. Department of the Treasury.
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 2011 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 funding for the following Head Start programs were passed through the Maryland State Department of Education (MSDE). During the City's fiscal year 2011, funding in the following amounts were paid by MSDE to the City:
 - (a) Funding in the amount of \$699,349 was received by the City for CFDA #93.575.
 - (b) Funding in the amount of \$343,173 was received by the City for CFDA #93.600.
8. The items marked with a "Y" in this column were funded with American Recovery and Reinvestment Act (ARRA) funds.
9. 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.

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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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**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**

March 28, 2013

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, 2011. 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 \$254,378,092 in federal expenditures and the EPFL incurred no federal expenditures during the year ended June 30, 2011. 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, 2011. 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 11-1 through 11-14.

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 items 11-15 through 11-18 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.

Other matters are described in the accompanying schedule of findings and questioned costs as items 11-19 and 11-20. These items disclose two audit reports issued by separate federal Offices of Inspector General that are reporting on 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, 2011

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CITY OF BALTIMORE, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

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?

 X Yes No

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

 Yes X None reported

Noncompliance material to financial statements noted?

 X 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 X No

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

 X Yes None reported

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

Unqualified opinion

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

 X Yes No

CITY OF BALTIMORE, MARYLAND
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2011
 (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> |
|------------------------|---|
| 10.558 | Child and Adult Care Food Program |
| 10.559 | Summer Food Service Program for Children |
| 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 |
| 14.257 | Homelessness Prevention and Rapid Re-Housing Program |
| 17.258/259/260 | 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 |
| 93.917 | HIV Care 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, 2011

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 five material weaknesses, including one instance of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. The five material weaknesses are described below.

2011-01. 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 Bureau 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, 2011, we noted numerous 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, 2011

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 GASB 33 adjustment calculation, the compensated absences calculation, the reconciliation of the retainages payable subledger to the trial balance, the reconciliation of the City's fleet management system's (FASTER) numerical data to the mobile equipment fund general ledger and the capital leases lead schedule.

Lack of Controls over Accounting for Leases

Several revisions to the fiscal year 2011 capital lease lead schedule were required by Treasury Management to ensure its mathematical accuracy. Additionally, Treasury Management did not project several of the Industrial Development Authority (IDA) capital lease interest payments at the required rate of eight percent, as required. Also, certain data on four of the capital lease agreement addenda initially did not agree to the capital lease lead schedule as Treasury Management initially used preliminary lease offering statements rather than final lease offering statements to prepare the capital lease lead schedule. Treasury Management subsequently made the required corrections to this schedule. Lastly, the City does not evaluate known operating leases to determine if the operating leases are properly classified based on the four criteria found in SFAS 13. Since the population of operating leases is unknown, we determined that financial effect of this non-GAAP policy is undeterminable.

Lack of Controls over Cash

Treasury Management supervisory personnel do not formally and effectively review bank reconciliations, including significant unreconciled differences, and the related adjusting journal entries prepared by its staff. Further, we noted checks issued by the City to third parties that were not cashed within six months of the check date were identified. Although Treasury Management maintains a database of stale checks, this database is not reconciled to the general ledger control account to ensure an accurate accounting of outstanding (stale) checks. The stale check general ledger liability control account is in excess of \$2.7 million at June 30, 2011. Due to the lack of reconciliations, we were unable to determine if the City has properly escheated uncashed checks to the State of Maryland in accordance with the Abandoned Property Act and Regulations of the State of Maryland.

CITY OF BALTIMORE, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

Lack of Controls over Grants Receivables

At year-end, BAPS calculates deferred grant revenue recognized in accordance with GASB 33 for its grant funds by comparing cash collections during its period of availability to the outstanding grant receivable by grant. BAPS determines the individual grant receivable as cumulative revenue less cumulative expenses by grant. The City's grant receivable totaled \$87.7 million at June 30, 2011. For the twenty-five grant projects initially selected for audit, we noted that the underlying reports from CityDynamics did not reconcile for seven projects within various system reports. At our request, the City performed a reconciliation of these accounts and we tested a revised twenty-six project selection, for which grants receivable totaled \$28.6 million. Although we obtained numerous revisions to this schedule, we noted that the cumulative revenue in the calculation for one project selected for testing was understated by approximately \$1.2 million. We did not identify any additional system errors and the error was subsequently corrected in the financial statements.

Improper Revenue Recognition of Property Taxes

In accordance with generally accepted accounting principles, the City revenue recognition policy for property tax revenue considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. During our audit, we noted that the City improperly recognized property tax revenue of approximately \$10.7 million on a payment received on the 72nd day after year-end. This amount was subsequently corrected in the financial statements.

Lack of Controls over Accounting for Capital Assets

Although the City began establishing new policies and procedures for properly identifying and capitalizing assets during fiscal year 2011, we noted several instances where the City is still not properly accounting for its capital assets. Specifically, we noted that although the City purchased an administrative building for \$2.6 million during fiscal year 2011, the City failed to properly capitalize the building as of June 30, 2011. In addition, we noted that the City purchased a parking garage for \$15.9 million which was subsequently sold for \$20.9 million resulting in a gain of \$5 million. However, the asset was not properly removed from the general ledger nor was the gain properly recorded in ledger. Lastly, we noted \$796.5 million of assets for which construction had been completed that were not properly transferred from the construction work in process account to the appropriate asset account. These errors were subsequently corrected in the financial statements.

CITY OF BALTIMORE, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

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 \$45 million of member contributions against expenses on the draft financial statements. This error was subsequently corrected in the financial statements.

Lack of Controls over Fleet Management Transactions

During our audit, we noted that the City placed reliance on reports generated from FASTER without ensuring that the data was accurate. Specifically, we noted an unreconciled difference of \$1.3 million between amounts in FASTER and the City's general ledger. Additionally, we noted that made an unsupported adjustment of approximately \$18 million to the City's general ledger based on FASTER system data. The amounts were subsequently corrected in the financial statements. In addition, we noted that there is not a clear approval process for much of the invoicing of fleet management costs to the related agencies.

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 2011. Specifically, BAPS has not performed a reconciliation of this account since January 2010. The subsidiary ledger for this account reflects a liability balance approximately \$3 million higher than the related amount of \$14.6 million that is recorded in the general ledger control account at June 30, 2011. 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 2011. 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 due to not importing all retainages payable data from the prior City accounting system to the current City accounting system, City Dynamics, when the system was implemented in March 2009. Lastly, we noted several debit balances totaling \$1.6 million in the accounts that comprised the retainage payable balances due to uncorrected posting errors. These errors were subsequently corrected by management. Lastly, of sixty-seven retainage payable accounts selected for audit totaling \$32.5 million, we noted that the City could not locate the contracts for two accounts, totaling \$60 thousand, due to the age of the projects.

CITY OF BALTIMORE, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

Lack of Controls over Accounting for Compensated Absences

The City's leave system of record is the E-Time system. During our audit, we noted that the following City agencies maintained alternate systems for compensated absences, the Police Department; the State's Attorney's Office, the Sheriff's Department, and the Circuit Court. These records were not included on or reconciled to the City's E-Time system, but were ultimately included correctly in the financial statements.

Lack of Controls over Investments

During our audit of the City's investments, we noted that there were eight active investment accounts totaling \$200 thousand for which bank confirmations could not be obtained. Upon investigation, we noted that the reason the banks were unwilling to confirm the accounts was that no current member of Treasury Management was authorized on these accounts. In addition, we noted that although a daily Treasury Management meeting is held to discuss the City's cash needs for the day, there is no evidence to verify that the daily investment decisions were properly authorized and approved.

Lack of Controls over Hedged Derivative Instruments

The City invests in derivative cash flow hedges (swap agreements) in order to limit its exposure to the variability of cash flow that is attributable all or some of its future interest payments on variable rate bonds. The total fair values of these instruments are approximately \$18.7 million and \$58.9 million for governmental and business-type activities, respectively. During our audit, we noted that although an annual analysis of the effectiveness of the City's swap agreements is required by Governmental Accounting Standards Board (GASB) Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, the City had not performed a re-evaluation of its swap agreement effectiveness for fiscal year 2011. Instead, the City relied on an analysis performed by its third-party trustee in fiscal year 2010. During our audit, we noted several material errors in the presentation of derivative-related balances on both the balance sheet and in the related notes to the financial statements reflecting a lack of supervisory review and understanding of required presentation and disclosure requirements in accordance with GAAP. When determining the value of the swap in the Parking Facilities Fund, the City calculated the deferred outflows based on the swap's association with the 2002 revenue bonds. However, the 2002 revenue bonds were refunded in 2008 and the swaps were reassigned to the 2008 refunding revenue bonds. As a result, the City had failed to report deferred outflows in the amount of \$24.9 million and a derivative instrument liability for the same amount on the Parking Fund's 2010 balance sheet. The errors were subsequently corrected in the financial statements.

CITY OF BALTIMORE, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

Lack of Controls over Terminated Employee Checklists

The City has a policy in place whereby a termination checklist is to be completed for all terminated employees to ensure that the terminated employee's access is removed from the City's systems, property, etc. During our audit, we noted that of the forty termination checklists selected for testing, one checklist could not be located, twenty-two checklists were not fully and properly completed, eighteen checklists were not signed by the employee and two checklists were not signed by the agency or department human resource representative, as required. In addition, of the eighteen checklists that were not properly signed by the employee, we were unable to identify valid reason for remaining unsigned, such as death, job abandonment, etc.

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.

CITY OF BALTIMORE, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

Lastly, we recommend that BAPS take appropriate ownership of the City's financial statements and the amounts therein and rely less on the audit process to identify errors and propose significant adjustments.

Views of Responsible Officials

The Department of Finance agrees that it should continue to refine the process by which the CAFR is prepared and reviewed. BAPS has always accepted ownership of the CAFR and the associated process and will continue to refine its process and oversight for this extremely important function.

In March 2009, BAPS implemented Microsoft Dynamics GP GAAP compliant best practices software. The City of Baltimore, like many other local governments, utilizes modified accrual accounting during the year. At the end of each year, full accrual entries are made where appropriate. This is consistent with GAAP. Certain accounting functions are decentralized and carried out in City agencies. The Department of Finance is evaluating a strategy to provide additional accounting oversight of the accounting functions performed by City agencies. BAPS has developed a process to prepare quarterly GAAP financial statements and plans to implement this process no later than the first quarter of FY 2014. We believe that this process will improve internal control, identify issues early, and help improve the overall annual CAFR preparation process.

Generation of Transaction Detail Underlying Financial Statement Balances.

During the course of the audit, Finance did receive requests for information from the auditor. Many times these requests were vague and in some cases changed before the final data was assembled. Sometimes these requests required special reports that arrayed data in a manner that had not been previously requested. Finance will continue to work with the auditors to provide accurate and timely information to the auditors through the audit process.

Lack of Controls over Accounting for Leases

The Department of Finance will evaluate its current lease process and make appropriate changes. BAPS will revise its procedures to review operating leases to determine eligibility capitalization.

Lack of Control over Cash

The \$5.7 million relates to a misclassification of cash as investment on the general ledger in December 2010. The misclassification was corrected in January 2012. The Department of Finance will evaluate its current reconciliation process and make appropriate adjustments to enhance internal control.

Lack of Controls over Grants Receivables

The \$1.2 million represents revenue collected before FY 2009. During the general ledger system conversion process this account was combined with other revenue accounts to meet the new account format. BAPS reconciled all of the converted data at the time of the conversion to all data transferred correctly. Both Audits and the prior external auditor

CITY OF BALTIMORE, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

reviewed this reconciliation. Based on the reconciliation that was performed at the time the data was converted, BAPS does not agree that revenues were understated.

Improper Revenue Recognition of Property Tax Revenue.

The \$10.7 million in revenue referred to in this finding represents money owed to the City by the State of Maryland for enterprise zone tax credits that are reimbursable by the State. Because the \$10.7 million relates to property taxes, we classified this receivable as a property tax receivable in the financial statement. In determining eligibility for accrual, GASB does limit property taxes receivable to the revenue collected 60 days after year end. However, GASB also suggests that entities can establish other periods of eligibility for different types of revenue using the city's payment cycle as a guideline. The GASB specifically says for example, some intergovernmental revenue can have a 90 day cycle if the account payable supports 90 day accounts payable cycle. The City already uses a 90 day cycle for some grants. Because these enterprise credits were due from the State (Intergovernmental revenue), Finance believes it to be appropriate to use 90 days rather than 60 days. Based on this logic, we believe the \$10.7 million was properly accrued.

Auditor's Response

The City's established revenue recognition policy, as disclosed in note 1 to the City's basic financial statements states that "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". As such, we believe the condition noted above, as it relates to properly tax revenue recognition, is indicative of a material weakness as the City did not adhere to its established policy for revenue recognition.

Lack of Controls over Capital Assets

Finance is currently working on implementing a fixed assets module to its existing general ledger system. Once fully implemented, this module will prevent the issues described in the finding from occurring. Additionally, BAPS is working with all of the other operating agencies in the city to develop methods to identify when projects are completed and need to be transferred to depreciable assets. BAPS is currently meeting quarterly with each agency with active capital projects.

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

For FY 2011, the City initially changed its method of reporting expenses in the OPEB Trust Fund to netting retiree contributions against expenses. We made this change after consulting with the Fund's actuary to more closely align with the expense used in the actuarial valuation. After reviewing our financial statement, the auditor questioned the new format. BAPS points out that the issue discussed in this finding is purely a report format issue and no adjustments were needed to the underlying accounting records.

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Auditor's Response

The City's management is responsible for preparing its financial statements in accordance with generally accepted accounting principles (GAAP). The above accounting treatment of netting contributions against expenses is not in accordance with GAAP. Due to the material nature (\$45 million) of this improper application of GAAP, we consider this to be a material weakness over financial reporting.

Lack of Controls over Fleet Management Transactions

The City currently uses the "FASTER" system to account for transactions relating to fleet management assets and charges. The "FASTER" system is primarily designed to monitor vehicle maintenance. The City recognizes its drawbacks as a fixed assets system and plans to include the City fleet in the new fixed assets accounting module previously discussed. The Department of Finance is also currently working with the Central Garage, the owners of FASTER, to improve the reliability of revenue recognition in the FASTER system.

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

BAPS will review its current reconciliation procedures and make appropriate adjustments to ensure effective internal controls.

Lack of Proper Reconciliation of Retainages Payable

BAPS will review its current reconciliation procedures and make appropriate adjustments to ensure effective internal controls.

Lack of Controls over Accounting for Compensated Absences

At the end of FY 2011, there were four agencies whose leave was not controlled in e-time. They were the Fire Department, Police Department, State's Attorney's Office and the Sheriff's Office. Both the Fire and Police Departments' leave have been moved to e-time and are now controlled through e-time. The other two agencies are controlled by separately elected officials that have chosen not to have their leave controlled by the e-time system. Finance will encourage the two remaining agencies to consider converting to e-time.

Lack of Controls over Hedge Derivative Instruments.

The City implemented GASB No. 53 in FY 2010. As part of that implementation, the City did hire an outside consultant to assist the City in making some of the more technical calculations required by the GASB. Working with our auditor in FY2010, BAPS developed both the note disclosures and accounting entries necessary to comply with the pronouncement at the end of FY 2010. Both the accounting entries and note disclosures were audited by the auditors and no issues were raised. During FY2011, the City again contacted our outside consultant to perform the required calculations and we were told by the consultant nothing changed as to the effectiveness of the SWAP and the only changes that needed to be reflected were the market values of the SWAPS. The City believes this inquiry met the requirements of the GASB for annual analysis. Our new auditors

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disagreed with this position and ultimately the City hired the consultant to reperform the calculation. The material error referred to two SWAP agreements that were reassigned in FY 2008. The City's initial understanding was that because this reassignment did not occur in FY 2010, the year we implemented GASB 53, no retroactive implementation was required. Our auditor at the time concurred with that decision. Ultimately, that position was proven to be incorrect and the city restated the 2010 implementation to correct for the reassigned SWAPS. Throughout this entire process, the City tried to take prudent steps to ensure accurate implementation of the GASB 53. The City hired a well respected SWAP consultant for assistance with the process. We recognize that we may have made mistakes in our initial implementation, but fail to see how the process outlined above can be described as lack of supervisory review and understanding of the disclosure requirement of GASB 53.

Auditor's Response:

The City's management is responsible for preparing its financial statements in accordance with generally accepted accounting principles (GAAP). The City clearly did not have the requisite knowledge of the proper accounting for its derivative investments under GASB No. 53, and instead relied on external parties to account for its SWAP investments with no oversight or ownership of the process. Due to the material nature of this improper application of GAAP, we consider this to be a material weakness over financial reporting.

Lack of Controls over Terminated Employee Checklists

BAPS will review its process for handling Terminated Employee Checklist to ensure they are properly completed.

Lack of Control over Investments

The investment accounts will be corrected. The accounts in question were associated with long existing Board of Finance Trust investments established many years ago. All of the investment accounts were properly reported and at no time was the principal at risk.

Investment decisions are made in consultation with the Treasury Assistant and the supervisor. In addition, all investments are made with trade tickets signed by an authorized Treasury Official and are transmitted to the safekeeping bank. The safekeeping bank would not accept these investment trades without the duly authorized trade tickets which they maintain for their records. The City also maintains a file of every trade ticket and is available for review.

2011-02. Lack of Controls over Journal Entries

Background/Condition

As noted above in item 2011-01, 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.

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Specifically, we noted that the City posted \$13.9 billion of manual journal entries during fiscal year 2011. During our testing of fifty-five journal entries, we noted that four journal entries totaling \$107.2 million were not properly approved or supported.

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

With the implementation of Microsoft Dynamics in March 2009, the City implemented GAAP compliant software. One of the features of this software is no journal entry can be posted unless it is approved. The ability to approve journal entries rest entirely with BAPS personnel. All four of the journal entries mentioned above were approved by BAPS. We do agree with the auditors that the journal entries in question should have had more detailed support. BAPS will continue to review its approval process to ensure all journals have sufficient support.

Auditor's Response:

As noted above, when proper controls do not exist over journal entries, it is possible for management to override other manual controls through the use of journal entries. As we do not believe that the City has effective controls in place to mitigate this risk, we consider this to be a material weakness over financial reporting.

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2011-03. Lack of Controls over Water and Waste Water Billing Process

Background/Condition

After our review of *Allegations Regarding Water and Waste Water Billing Procedures to Determine the Validity of Those Allegations and Identify Opportunities for Improvement* Report issued by the City Auditor in February 2012, we performed audit procedures related to 70,103 customer accounts with true readings. These allegations included over, under, mismanaged, and missed billings. Based on certain assumptions, the Department of Public Works (DPW) initially identified and recorded approximately \$4.2 million in net adjustments to utility customers. At our request, the City performed additional analysis and increased its proposed gross adjustment to \$9.2 million, allocated between fiscal years 2010 and prior and fiscal year 2011.

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 accurate meter reading and 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, material misstatements to the financial statements could go undetected.

Recommendation

We recommend that the City take appropriate action to ensure that meter readings are properly performed in the field and 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 limitations 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

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billing personnel, and long term strategic planning to design and procure a replacement for the legacy billing system.

2011-04. Lack of Controls over Grants Receivable and Deferred Revenue

Background/Condition

As noted above in item 2011-01, the City's financial reporting process is heavily reliant on the recording of various manual adjustments. During the review of the deferred revenue balance and the related fund balance deficit, we noted that grants revenues for particular grants were being recorded in one grant project while corresponding grant expenditures were recorded in multiple grant projects under a single grant. The initial grant advance/deferral analysis did not appropriately consider the grouping of grant projects under specific grants and therefore the accrual adjustment was miscalculated. At our request, an additional analysis was performed which provided a more reasonable basis for matching revenues with appropriate expenses. This resulted in approximately \$56.5 million of adjustments in grants receivable and \$57.6 million in grants deferred revenue, thus creating an overall reduction to the deficit in the grants revenue fund by approximately \$114.1 million.

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 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 the accrual adjustment is properly calculated and reflected in the general ledger and financial statements.

Effect

As proper controls do not exist over the grants, material misstatements to the financial statements could go undetected.

Recommendation

We recommend that the City take appropriate action to ensure that grants revenue and expenses are properly matched and recorded in the general ledger and other accounting records to avoid inconsistencies. We also recommend that the accrual adjustment captures appropriate information, and is properly reviewed and approved prior to posting in the general ledger and financial statements.

Views of Responsible Officials

The Finance Department recognizes that there are problems with the decentralized nature of grants management. The department is currently evaluating how grants are managed and expects to make enhancements to its grants oversight responsibilities during calendar

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year 2013. BAPS will be taking a more active oversight of agency accounting including, accounting for grants to ensure that grants are effectively controlled.

2011-05. Non-compliance with the Investment Policy

Condition

The City did not comply with investment policy provisions during fiscal year 2011. Specifically, we noted that:

- Cash investments in the Maryland Local Government Investment Pool (MLGIP) exceeded the allowable ceiling of 40% by 3% or \$10.8 million of total short-term, idle cash balances.
- Treasury Management purchased two and redeemed three investments that each exceeded the allowable non-repurchase agreement ceiling of \$25 million. The total amount in excess of the allowable non-repurchase agreement ceiling was \$68.4 million.
- According to Treasury Management officials, required monthly Board of Finance (BOF) meetings were not held, and no documentation exists to document the required monitoring of BOF investments by the BOF members.
- Documentation maintained by Treasury Management demonstrating investee companies' eligibility to do business with the City was insufficient as it did not include documentation as to whether an annual review of audited financial statements, disclosures, or bidders is performed, following up with brokers regarding if the City's policy was read, and a review of bank's capital compliance. Though information is available online, the City should retain copies on file, such as documentation of banks' state license, financial statements, and NASD certificate.

Lastly we noted that the Treasury Management lead accountant is permitted to authorize and approve financial transactions in those cases where supervisors are unavailable. However, there is no formal follow-up supervisory review of such transactions.

Criteria

The City has a written investment policy that includes the following provisions:

- Investments in the MLGIP may not exceed 40% of total short-term, idle cash balances.
- Investment transactions are not permitted in excess of \$25 million that are not repurchase agreements (repos).
- City BOF meetings are to be held monthly for the purpose of monitoring those City investments falling under BOF purview.
- Certain documentation is required to be obtained and maintained by Treasury Management showing an investee company's eligibility to do business with the City.

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Cause

Controls are not adequately designed and operating effectively to ensure compliance with the City's investment policy

Effect

The City is not in compliance with its investment policy.

Recommendation

We recommend that the City establish appropriate processes to ensure that monitoring procedures and controls are in place and operating effectively to ensure compliance with the City's investment policies.

Views of Responsible Officials

The detail response is noted below for each item cited:

Comment: Cash investments in the Maryland Local Government Investment Pool (MLGIP) exceeded the allowable ceiling of 40% by 3% or \$10.8 million of total short-term, idle cash balances.

Response: The investment policy establishes max percentage at time of purchase. If due to redemptions, certain percentages fall out of balance – no more purchases of a particular investment can be made until the limit has been restored. That was the case in the above example. To do otherwise may expose the city to market risk and loss of principal.

Comment: Treasury Management purchased two and redeemed three investments that each exceeded the allowable non-repurchase agreement ceiling of \$25 million. The total amount in excess of the allowable non-repurchase agreement ceiling was \$68.4 million.

Response: These investments were associated with money market funds. In each case, the amounts when purchased were less than the maximum allowed under the policy. The policy never intended to include MMFs - to do so would result in multiple wires on the same day to the same fund. The policy now specifically eliminates this restriction.

Comment: According to Treasury Management officials, required monthly Board of Finance (BOF) meetings were not held, and no documentation exists to document the required monitoring of BOF investments by the BOF members.

Response: Treasury Management officials never made this comment. The Board is not required to meet monthly. When the Board does meet – all the previous investment activity is presented and approved by the Board. The Board minutes reflect this.

Comment: Documentation maintained by Treasury Management demonstrating investee companies' eligibility to do business with the City was insufficient as it did not include documentation as to whether an annual review of audited financial statements,

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disclosures, or bidders is performed, following up with brokers regarding if the City's policy was read, and a review of bank's capital compliance. Though information is available online, the City should retain copies on file, such as documentation of banks' state license, financial statements, and NASD certificate.

Response: All the available financial information is available on line and is reviewed annually as required under our policy. We document our review of the online material in writing in the broker/dealer file. We see no need to print hundreds of document pages to simply place them in a file. The fed has digitized these documents for ease of access and use. Our policy allows for this and we intend to continue in this manner.

Comment: Lastly, we noted that the Treasury Management lead accountant is permitted to authorize and approve financial transactions in those cases where supervisors are unavailable. However, there is no formal follow-up supervisory review of such transactions.

Response: Each day the supervisory staff receives a complete investment report of all investment activity. This includes the prior day. It is reviewed at that time.

Auditor's Response:

We have reviewed management's responses to our finding and continue to believe that there is no auditable evidence to substantiate that the City was in compliance with the investment policy in place at the time of our audit.

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Section III – Federal Award Findings and Questioned Costs

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

Finding #: 11-1
CFDA #: 10.558, 93.569, 93.710
Program Titles: Child and Adult Care Food Program
Community Services Block Grant
Federal Agency: Various
Federal Award #: Various
Pass-Through: Various

Certain Enrollment Applications Were Missing and a Participant Population Was Not Compiled

The Office of Management and Budget Circular A-133 requires the auditor to determine whether program participants are eligible for program services by examining applicable documentation and verifying such eligibility. Additionally, the Code of Federal Regulations (CFR), Title 7, Section 226.15(e), requires that Child and Adult Care Food Program documentation include enrollment applications for all program participants.

The Baltimore City Health Department (BCHD) administered federal program number 10.558 – Child and Adult Care Food Program. We tested 24 program participants in April 2011 for certain eligibility requirements. Enrollment applications were missing for three of these participants.

The Mayor’s Office of Human Services (MOHS) administered federal program numbers 93.569 and 93.710 – Community Services Block Grant (CSBG). Although client files were maintained by MOHS for CSBG participants, MOHS did not compile a complete population for all CSBG participants served. Accordingly, we were unable to verify the total CSBG participant population from which to select a participant sample to test CSBG eligibility requirements.

We recommend that BCHD maintain documentation that supports eligibility determination for all Child and Adult Care Food Program participants. We also recommend that MOHS compile and maintain a CSBG participant population that covers all of its CSBG program participants.

Responses:

The Baltimore City Health Department 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.

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Finding #: 11-2
CFDA #: 14.235, 14.238, 14.241, 14.257
Program Titles: Supportive Housing Program
Shelter Plus Care
Housing Opportunities for Persons with AIDS (HOPWA)
Homelessness Prevention and Rapid Re-Housing Program
Federal Agency: Department of Housing and Urban Development
Federal Award #: Various
Pass-Through: None

MOHS Did Not Adhere to Federal Requirements Regarding Monitoring of Subrecipients

The Federal Common Rule, Subpart C, Section .26, requires grant recipients to: (i) determine whether their subrecipients that expend \$500,000 or more in federal awards have been audited in accordance with the Office of Management and Budget (OMB) Circular A-133; (ii) issue timely management decisions on audit findings; (iii) ensure that appropriate corrective action is taken by the subrecipient within six months after receipt of an audit report; and (iv) consider whether the subrecipient audits necessitate adjustment of the City's records.

The Mayor's Office of Human Services (MOHS) administered federal program numbers 14.235 - Supportive Housing Program, 14.238 - Shelter Plus Care, 14.241 - HOPWA, and 14.257 - Homelessness Prevention and Rapid Re-Housing Program. Certain subrecipients were funded by more than one of these federal programs. We selected four subrecipients receiving over \$500,000 in federal funds from among these programs for testing of their required OMB A-133 Single Audit Reports. The MOHS did not provide any of the requested reports to us. Therefore, we could not determine that the MOHS obtained, reviewed or issued management decisions regarding the A-133 reports of their subrecipients as required by federal regulations.

We recommend that the MOHS obtain and review audit reports from their subrecipients that are required to have an audit in accordance with OMB Circular A-133. We further recommend that, based on its review of the subrecipient audits, MOHS issue timely management decisions on audit findings; require subrecipients to take timely corrective action on deficiencies, if any, identified in those audits; and, if appropriate, properly reflect the effects of subrecipient noncompliance reported in those audits in the City's 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.

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Finding #: 11-3
CFDA #: 14.241, 93.044/045/053
Program Title: Housing Opportunities for Persons with AIDS
Special Programs for the Aging – Title III, Parts B & C, and
Nutrition Services Incentive Program
Federal Agency: Various
Federal Award #: Various
Pass-Through: Maryland Department of Aging

Documentation for Testing Provisions of the City’s Procurement Procedures and for Earmarking Requirements Was Not Provided

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

The Mayor’s Office of Human Services (MOHS) administered federal program number 14.241 - Housing Opportunities for Persons with AIDS (HOPWA). We selected 15 contracts for City-wide testing of compliance with the provisions of the City’s procurement procedures. The City did not provide us with one of the 15 contracts selected. Therefore, we were unable to determine whether this contract was in compliance with the City’s procurement provisions. Expenditures incurred under this contract were made using HOPWA funds.

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 2011, BCHD did not provide documentation to support the following earmarking requirements: legal services, in-home services, access services, and administrative costs.

We recommend that the City ensure that contract information be maintained and readily accessible, and remain as such, for at least three years after contract completion. We also recommend that BCHD ensure that earmarking documentation is maintained and made available for 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.

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Finding #: 11-4
CFDA #: 14.235, 93.044/045/053, 93.914, 93.917, 93.778
Program Titles: Supportive Housing Program
 Special Programs for the Aging – Title III, Parts B & C, and
 Nutrition Services Incentive Program
 HIV Emergency Relief Project/Formula Grants
 HIV Care Formula Grants
 Medical Assistance Program
Federal Agency: Various
Federal Award #: Various
Pass-Through: Various

Financial Reports Were Not Supported by the Underlying Accounting Records

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

As part of our fiscal year 2011 audit, we selected 43 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 10 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: | | | | | |
| WHC – Jenkins House PHP | MD0013B3B010800 | | \$45,954 | \$255,985 | \$210,031 |
| SVdP – Home Connections II - PHP | MD06B701-001 | | 398,009 | 1,011,610 | 613,601 |
| JHR Carrington House Expansion | MD0047B3B010800 | | 390,921 | 812,498 | 421,577 |
| Day Spring Program - PH | MD0034B3B010801 | | 291,244 | 557,203 | 265,959 |
| ACC – My Sisters Place Lodge (THP) | MD0029B3B010802 | | 297,461 | 973,789 | 676,328 |
| <u>CFDA #93.044/045/053</u> | | | | | |
| Special Programs for the Aging – Title III, Parts B & C and NSIP | | | | | |
| | AAA-3-24-003 | 10/1/08-9/30/09 | (4,712,683) | (3,670,154) | (1,042,529) |

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| | | | | | | |
|-------------------------------------|------------------|----------------|-------------|-------------|-----------|--|
| <u>CFDA #93.778</u> | | | | | | |
| Administrative Care Coordination | MA 005 EPS | 7/1/09-6/30/10 | 3,626,818 | 4,041,881 | 415,063 | |
| | | | (3,626,818) | (4,091,510) | 464,692 | |
| | | | | | | |
| General Transportation Services | MA 365 GTS | 7/1/09-6/30/10 | 9,421,772 | 10,293,695 | 871,923 | |
| | | | | | | |
| <u>CFDA #93.914</u> | | | | | | |
| Minority Aids Initiative | 5 H89 HA00017-16 | 8/1/09-7/31/10 | 2,094,362 | 2,117,866 | 23,504 | |
| | | | | | | |
| <u>CFDA #93.917</u> | | | | | | |
| HIV Care Formula Grants | AD 419 RWS | 7/1/09-6/30/10 | 3,361,120 | 3,174,253 | (186,867) | |

We recommend that future 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.

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.

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Finding #: 11-5
CFDA #: 14.235, 93.044/045/053, 93.914, 93.917, 93.778
Program Titles: Supportive Housing Program
 Special Programs for the Aging – Title III, Parts B & C, and
 Nutrition Services Incentive Program (NSIP)
 HIV Emergency Relief Project/Formula Grants
 HIV Care Formula Grants
 Medical Assistance 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, sets forth uniform reporting requirements including the timing, frequency and format of financial reports prepared and submitted by grant recipients. Of the 48 final financial reports selected for compliance with the timing of report submissions, we found that eight of these reports had significant deviations with regard to the timing requirement as follows:

| <u>PROGRAM TITLE</u> | <u>FEDERAL GRANT NUMBER</u> | <u>STATE 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-Jenkins House PHP | MD0013B3B010800 | | 10/31/10 | 12/6/10 |
| ACC-My Sister's Place Lodge (THP) | MD0029B3B010802 | | 4/30/11 | 6/7/11 |
| <u>CFDA #93.044/045/053</u> | | | | |
| Special Programs for the Aging – Title III, Parts B & C and NSIP | AAA-3-24-003 | | 1/31/10 | 12/15/10 |
| Special Programs for the Aging – Title III, Parts B & C and NSIP | AAA-3-24-003 | | 1/31/11 | 8/12/11 |
| <u>CFDA #93.914</u> | | | | |
| HIV Emergency Relief Project/Formula Grants | 5 H89 HA00017-16 | | 5/31/11 | 9/2/11 |
| <u>CFDA #93.917</u> | | | | |
| HIV Care Formula Grants | | AD 419 RWS | 8/31/10 | 1/4/11 |
| <u>CFDA #93.778</u> | | | | |
| Admin. Care Coordination | | MA 005 EPS | 8/31/10 | 10/14/10 |
| General Transportation Services | | MA 005 EPS | 8/31/10 | 11/3/10 |

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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' 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, 2011

Finding #: 11-6
CFDA #: 93.044/045/053, 93.917
Program Titles: Special Programs for the Aging – Title III, Parts B & C, and
Nutrition Services Incentive Program (NSIP)
HIV Care Formula Grants
Federal Agency: Department of Health and Human Services
Federal Award #: Various
Pass-Through: Various

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

The Federal Common Rule, Subpart C, Section .23, requires that when a funding period is specified, a grantee must liquidate all obligations incurred under the award not later than 90 days after the end of the funding period.

During the fiscal year 2011 audit, we determined that two major federal programs 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, and federal program number 93.917 – HIV Care Formula Grants. For fiscal year 2011, costs in the amount of \$37,723 and \$170,121, respectively, were not in compliance with the 90-day liquidation requirement.

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, 2011

Finding #: 11-7
CFDA #: 14.235
Program Titles: Supportive Housing Program
Federal Agency: Department of Housing and Urban Development
Federal Award #: Various
Pass-Through: None

Drawdowns of Funds Exceeded Program Expenditures

The Office of Management and Budget (OMB) Circular A-102 Common Rule Section .37(a)(4) requires that subrecipients minimize the time elapsing between the transfer of Federal funds to the subrecipient for reimbursement of program costs and the subrecipient'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 2010, February 2011, March 2011, and May 2011), the SHP cumulative amount of revenues at month's end exceeded the cumulative amount of expenditures by \$6,444,073, \$5,597,880, \$6,070,822, and \$6,425,517, respectively, thus demonstrating that revenues were being drawn down prior to the expenditure of equivalent amounts. This demonstrates that the rate of grant expenditures is not keeping pace with the grant revenues received.

We recommend that MOHS establish and/or follow procedures to review drawdown requests to ensure that any significant excess of revenues over expenditures is not obtained.

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, 2011

Finding #: 11-8
CFDA #: 93.044/045/053
Program Titles: Special Programs for the Aging – Title III, Parts B & C, and Nutrition Services Incentive Program (NSIP)
Federal Agency: Department of Health and Human Services
Federal Award #: None
Pass-Through: Maryland Department of Aging

BCHD Did Not Report Certain Program Income on the Annual Financial Report

The Maryland Department of Aging requires that annual financial reports submitted to account for federal financial assistance include applicable program income.

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. The annual financial report under audit (for the period October 1, 2008 through September 30, 2009) reported no program income for Title III C1, Title III C2, and Title III E. However, total budgeted program income related to this federal program cluster was \$289,229. Additionally, the prior year annual financial report (for the period October 1, 2007 through September 30, 2008) reported program income totaling \$611,254 for Title III C1, Title III C2, and Title III E (\$37,901, \$425,596, and \$147,757, respectively). Accordingly, program income appears to have been underreported on the annual financial report under audit, although we were unable to determine and quantify the extent of such apparent underreporting.

We recommend that BCHE accurately report program income on applicable future annual financial reports.

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, 2011

Finding #: 11-9
CFDA #: 14.238
Program Title: Shelter Plus Care
Federal Agency: Department of Housing and Urban Development
Federal Award #: Various
Pass-Through: None

Certain Housing Quality Inspections Were Not Performed

The Housing Quality Standards under Code of Federal Regulations Title 24, Section 582.305(a), requires that before financial rental assistance is provided to a grant program participant, the grantor must physically inspect each applicable housing unit to insure that housing quality standards are met.

The Mayor's Office of Human Services (MOHS) administered federal program number 14.238 – Shelter Plus Care. From a population of 793 housing units, we tested 25 for compliance with applicable housing quality standards by reviewing the related housing quality inspection documentation. For nine of the housing units tested, MOHS did not provide documentation demonstrating that a housing quality inspection had been performed for these units.

We recommend that MOHS ensure that mandated housing inspections are performed and documented as required by the U. S. Department of Housing and Urban Development. Such documentation should be maintained and available for audit review.

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, 2011

Finding #: 11-10
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

Landlord Received Certain Unallowable Rental Subsidies through the HOPWA Program

The Department of Housing and Urban Development (HUD) tenant-based rental assistance guidelines require that in order for a landlord to receive a rental subsidy on behalf of an eligible rental assistance tenant, the tenant must occupy the applicable rental unit on a continuing basis. Additionally, the Tenant-Based Rental Assistance Administrative Plan for Baltimore City, Section IV H (Termination of Landlord/Owner Participation) states that, landlords may be terminated from participation in the Housing Opportunities for Persons with AIDS (HOPWA) tenant-based rental assistance program (under HUD) for failure to report to the Mayor's Office of Human Services (MOHS) within 30 days any HOPWA rental assistance tenant that vacates an applicable rental unit.

The MOHS administered federal program number 14.241 – HOPWA. Our testing disclosed that \$6,453 of unallowable HOPWA rental subsidies for the period January 2010 through December 2010 were paid by MOHS to a certain landlord for a tenant who had vacated the applicable rental unit in January 2010. The landlord did not notify MOHS of this violation within 30 days as required. Additionally, of the \$6,453 in unallowable HOPWA rental subsidies paid by MOHS to the landlord, the landlord has returned only \$4,302 to MOHS, leaving a balance due of \$2,151.

We recommend that MOHS recover the remaining uncollected \$2,151 of unallowable rental subsidies from the landlord. We also recommend that MOHS institute sufficient monitoring controls and procedures to ensure that payment of unallowable rental subsidies to landlords does not occur in the future.

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, 2011

Finding #: 11-11
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 \$1,752,916 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 are 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 City, through DHCD, weatherized a population of 1,464 homes during fiscal year 2011. In accordance with State guidelines, the State added to the City's expenditure reimbursements, amounts up to \$1,500 for each weatherized 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 the 1,464 homes weatherized by the City during fiscal year 2011 totaled \$1,752,916. We disagree 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.

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 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 told 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.

CITY OF BALTIMORE, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

Before the release of the Single Audit, we were provided information by the City's DHCD in the form of a reconciliation of the WAP ARRA grant. It was prepared for the State for the period April 2009 through August 2012 in response to the OIG's audit findings. The City believes that the information provided to the State, along with a return of ARRA grant funds in the amount of \$680,666 in November 2012 resolves this finding.

On January 2, 2013, the State wrote to DHCD and stated that DHCD had satisfied the State's requests, at that time, related to the City's accuracy of WAP financial records and program support costs. While the State appears to be satisfied with the City's efforts to resolve the WAP findings, the OIG did release its report after this effort with the questioned costs of \$9.5 million still intact.

Therefore, we are questioning these unallowable program support costs of \$1,752,916. We recommend that the City resolve the \$1,752,916 in questioned costs in accordance with the Department of Energy's determination. We also recommend that DHCD obtain and maintain supporting documentation for all weatherization program expenditures.

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, 2011

Finding #: 11-12
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

Program Expenditures of \$30,612 Were Not Supported

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

The Department of Housing and Community Development (DHCD) administered federal program number 81.042 - Weatherization Assistance for Low-Income Persons (WAP). This program is funded by 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 to Baltimore City (City).

From a fiscal year 2011 population of 1,464 homes weatherized by the City under this program, we tested the supporting documentation for weatherization expenditures from 110 homes. These expenditures are in addition to the program support charges discussed previously in Finding 11-11. Our testing disclosed that expenditures in the amount of \$30,612 did not have sufficient supporting documentation. We are therefore questioning these unsupported expenditures in the amount of \$30,612.

We recommend that the City resolve the \$30,612 in questioned costs in accordance with the Department of Energy's determination. We also recommend that DHCD obtain and maintain supporting documentation for all weatherization program expenditures.

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, 2011

Finding #: 11-13
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 Subrecipient Payments Were Not Supported by the City's 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 review of the fiscal year 2011 Housing Opportunities for Persons with AIDS (HOPWA) final financial report, we compared the Integrated Disbursement and Information System (IDIS) subrecipient payments from the 18 service providers to the City's underlying accounting records. Thirteen of the 18 subrecipients reviewed could not be reconciled to the City's accounting records. Subrecipient payments exceeded expenditures in the City's underlying accounting records for seven of these providers, while for the remaining six providers, payments were less than expenditures in the City's underlying accounting records, as follows:

| <u>PROGRAM TITLE</u> | <u>IDIS SUBRECIPIENT PAYMENTS</u> | <u>EXP PER CITY'S ACCOUNTING RECORDS</u> | <u>(OVER) / UNDER CITY EXP</u> |
|------------------------------|---|--|--|
| Rental Assistance | \$4,419,528 | \$3,887,938 | \$(531,590) |
| Balt. City Hous. Counsel. | 221,626 | 161,416 | (60,210) |
| Chase Brexton | 152,108 | 118,294 | (33,814) |
| Hero | 384,552 | 352,446 | (32,106) |
| Project PLASE | 228,540 | 211,315 | (17,225) |
| HOPWA Staff – Admin. | 233,909 | | (233,909) |
| Carroll County | <u>32,088</u> | <u>23,973</u> | <u>(8,115)</u> |
| Total (Over)-Reported | <u>\$5,672,351</u> | <u>\$4,755,382</u> | <u>\$(916,969)</u> |
| AIRS | \$306,835 | \$309,335 | \$2,500 |
| MCC – Meals & Van | 340,549 | 856,073 | 515,524 |
| Univ. of MD | 76,125 | 76,946 | 821 |
| Anne Arundel County | 321,641 | 343,666 | 22,025 |
| Baltimore County | 811,604 | 1,063,583 | 251,979 |
| Harford County | <u>140,470</u> | <u>258,657</u> | <u>118,187</u> |
| Total Under-Reported | <u>\$1,997,224</u> | <u>\$2,908,260</u> | <u>\$911,036</u> |

CITY OF BALTIMORE, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

The amounts shown represent significant differences. We therefore recommend that subrecipient payments be reconciled to the City's accounting records. Detailed reconciliations should be prepared for each of the providers showing how the payment 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, 2011

Finding # 11-14
CFDA # 93.710
Program Titles: Community Services Block Grant - ARRA
Federal Agency: Department of Health and Human Services
Federal Award #: N/A
Pass-Through: MD Department of Housing and Community Development

Unexpended ARRA Funds of \$647,366 Should be Returned

The City of Baltimore (City) through the Mayor's Office of Human Services (MOHS) was awarded Community Services Block Grant funds from the Department of Health and Human Services as a pass-through grant from the Maryland Department of Housing and Community Development (DHCD). The award, which was funded by the American Recovery and Reinvestment Act (ARRA), was for \$4,606,217 for the period July 1, 2009 through September 30, 2010.

The entire award amount of \$4,606,217 was received by the City. Section 1(b) of the grant agreement between the City and DHCD required that the City obligate all grant funds by September 30, 2010. Furthermore, Section 4(b)(iii) states that any unexpended grant proceeds remaining as of September 30, 2010 shall be returned to DHCD. Period of Availability requirements provide that obligations must be liquidated within 90 days of the end of the grant period. Through December 31, 2010, which is 90 days after the end of the grant period, grant expenditures of \$3,958,851 were incurred, leaving a balance of \$647,366 of unspent ARRA funds.

We recommend that the City return these unexpended ARRA funds of \$647,366 to DHCD. We also recommend that future grant awards to MOHS be administered in a manner that ensures that grant funds are appropriately obligated and liquidated in accordance with the grant agreements.

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, 2011

Internal Control Over Compliance

Finding #: 11-15
CFDA #: 93.044/045/053
Program Titles: Special Programs for the Aging – Title III, Parts B & C, and
Nutrition Services Incentive Program (NSIP)
Federal Agency: Department of Health and Human Services
Federal Award #: None
Pass-Through: Maryland Department of Aging

BCHD Did Not Report Certain Program Income on the Annual Financial Report

The Maryland Department of Aging requires that annual financial reports submitted to account for federal financial assistance include applicable program income.

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. The annual financial report under audit (for the period October 1, 2008 through September 30, 2009) reported no program income for Title III C1, Title III C2, and Title III E. However, total budgeted program income related to this federal program cluster was \$289,229. Additionally, the prior year annual financial report (for the period October 1, 2007 through September 30, 2008) reported program income totaling \$611,254 for Title III C1, Title III C2, and Title III E (\$37,901, \$425,596, and \$147,757, respectively). Accordingly, program income appears to have been underreported on the annual financial report under audit, although we were unable to determine and quantify the extent of such apparent underreporting.

We recommend that appropriate internal controls be established and/or followed to ensure that BCHD accurately report program income on applicable future annual financial reports.

Response:

The Baltimore City Health Department 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, 2011

Finding #: 11-16
CFDA #: 93.778
Program Title: Medical Assistance Program:
 Administrative Care Coordination
 General Transportation Services
 Maryland Children’s Health Program
Federal Agency: Department of Health and Human Services
Federal Award #: None
Pass-Through: Department of Health and Mental Hygiene

Grant Expenditures Far Exceeded Grant Revenues

Baltimore City procedure requires that grant expenditures are to be incurred and reimbursed timely based on available grant revenues.

The Baltimore City Health Department (BCHD) administered federal program number 93.778 – Medical Assistance Program (MAP): Administrative Care Coordination, General Transportation Services, and Maryland Children’s Health Program. During fiscal year 2011, we determined that grant expenditures far exceeded grant revenues according to the City’s accounting records for each of these programs:

| <u>PROGRAM TITLE</u> | <u>EXPENDITURES PER CITY’S ACCOUNTING RECORDS</u> | <u>REVENUES PER CITY’S ACCOUNTING RECORDS</u> | <u>EXPENDITURE OVERAGE</u> |
|---|---|---|--------------------------------|
| Admin. Care Coordination | \$3,783,811 | \$1,524,163 | \$2,259,648 |
| General Transportation Services | 7,980,225 | 1,711,176 | 6,269,049 |
| Maryland Children’s Health Program | <u>1,544,842</u> | <u>514,947</u> | <u>1,029,895</u> |
| Total | <u>\$13,308,878</u> | <u>\$3,750,286</u> | <u>\$9,558,592</u> |

CITY OF BALTIMORE, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

We recommend that BCHD determine the reasons for the excess of expenditures over revenues for these MAP programs and correct the City's accounting records as warranted. If applicable, we also recommend that BCHD request grant reimbursements from the grantor in a more timely manner. Finally, we recommend that BCHD implement and/or follow internal control procedures to ensure that the agency seeks timely reimbursement of MAP grant expenditures to prevent significant account deficits.

Response:

The Baltimore City Health Department 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, 2011

Finding #: 11-17
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

Documentation Was Not Provided to Support Earmarking

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. For fiscal year 2011, BCHD was unable to provide documentation to support the following earmarking requirements: legal services, in-home services, access services, and administrative costs.

We recommend that BCHD establish and/or follow appropriate internal controls to ensure that documentation is maintained that supports earmarking requirements.

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, 2011

Finding #: 11-18
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 Accounting 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 that transactions be properly documented and supported.

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 2011, BCHD did not have adequate procedures in place to ensure compliance with federal financial reporting standards. BCHD did not submit its final report in a timely manner to the Maryland Department of Aging for fiscal year 2010 that was due by January 31, 2011, and has been unable to resolve financial reporting findings included in prior Single Audit reports.

We recommend that BCHD implement procedures to ensure that financial reports are submitted timely and supported by the City’s accounting records, and that steps be taken to resolve the prior years’ audit findings in conjunction with the Maryland Department of Aging.

Response:

The Baltimore City Health Department’s response and corrective action plan is 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, 2011

Other Matters

Finding #: 11-19
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

Report of Other Auditors

Generally Accepted Government Auditing Standards (GAGAS) require that we include disclosure of other known audit reports prepared in accordance with GAGAS that are related to the City's federal financial assistance.

In January 2013, the U.S. Department of Energy Office of Inspector General released an audit report titled *The Department of Energy's Weatherization Assistance Program Funded under the American Recovery and Reinvestment Act for the State of Maryland* for the period October 1, 2009 through December 31, 2011. This report also covered the City's Weatherization Assistance 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 OIG audit determined that Maryland had not always managed its Weatherization Program efficiently and effectively. The OIG audit questioned \$9.56 million in reimbursement claims that included approximately \$2.35 million related to Baltimore City.

The DHCD believes that, in cooperation with the State, it has resolved these findings through providing support for most of the questioned items and a return of funds for the balance. At this time, the U.S. Department of Energy has not yet cleared its findings.

Response:

The City awaits the U.S. Department of Energy's final determination of its findings and will respond accordingly.

CITY OF BALTIMORE, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

Finding #: 11-20
CFDA #: 14.257
Program Titles: Homelessness Prevention and Rapid Re-Housing Program
Federal Agency: Department of Housing and Urban Development
Federal Award #: S09-MY-24-0001
Pass-Through:

Report of Other Auditors

Generally Accepted Government Auditing Standards (GAGAS) require that we include disclosure of other known audit reports prepared in accordance with GAGAS that are related to the City's federal financial assistance.

In November 2012, the U.S. Department of Housing and Urban Development (HUD) Office of Inspector General (OIG) released an audit report titled *The City of Baltimore, MD Homelessness Prevention and Rapid Re-Housing Program* for the period September 1, 2009 through December 31, 2011.

The Mayor's Office of Human Services (MOHS) administered federal program number 14.257 - Homelessness Prevention and Rapid Re-Housing Program (HPRP). Grant funds were provided through the American Recovery and Reinvestment Act (ARRA). These HPRP funds were passed from the grantor, the U.S. Department of Housing and Urban Development to Baltimore City.

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 audit questioned approximately \$9.47 million in unsupported costs.

Response:

The City looks forward to working with the HUD field office to address the issues included in the audit report including resolution of the questioned costs.

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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, 2011**

| <u>Finding Number/Finding</u> | <u>Status</u> | <u>Planned Corrective Action</u> |
|-------------------------------|---------------|----------------------------------|
|-------------------------------|---------------|----------------------------------|

Findings in this schedule are presented in the same order in which they appeared in the Fiscal Year 2010 Single Audit Report. Each finding number contains a number 10, 09, 08, 07, 06, 05, 04, 01 or 00 to the left of the dash, which designates the Fiscal Year 2010, 2009, 2008, 2007, 2006, 2005, 2004, 2001 or 2000 audit report. The number to the right of the dash reflects the finding number. The following abbreviations have been used for City agencies: Baltimore City Health Department (BCHD); Department of Housing and Community Development (DHCD); Commission on Aging and Retirement Education (CARE); Baltimore Homeless Services (BHS); and Mayor's Office of Human Services (MOHS).

**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**

10-01

For federal program number 10.558 - Child and Adult Care Food Program, BCHD did not provide complete enrollment applications for 4 of 26 participants. The auditors recommended that each participant's eligibility be properly documented, maintained, and made available for review.

Not Corrected

See current period finding 11-1 for action taken related to this finding.

Jerome Chester, Chief Financial Officer, BCHD

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.

Not Corrected

See current period finding 11-1 for planned corrective action.

Olivia Farrow, Director, MOHS

**CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

(continued)

| <u>Finding Number/Finding</u> | <u>Status</u> | <u>Planned Corrective Action</u> |
|---|---------------|--|
| <p><u>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> | Not Corrected | <p>See current period finding 11-2 for planned corrective action.</p> <p>Olivia Farrow, Director, MOHS</p> |
| <p>For federal program number 93.600 - Head Start, documentation of internal monitoring of DHCD's subrecipients was incomplete for the four subrecipients included in our audit procedures.</p> | Corrected | |
| <p><u>10-03</u> For federal program numbers 14.235 - Supportive Housing Program and 14.238 - Shelter Plus Care, MOHS did not provide support for compliance with the earmarking requirement for administrative costs or the earmarking requirement for administering housing assistance, respectively.</p> | Corrected | |

**CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

(continued)

| <u>Finding Number/Finding</u> | <u>Status</u> | <u>Planned Corrective Action</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. | Not Corrected | See current period finding 11-3 for planned corrective action. Jerome Chester, Chief Financial Officer, BCHD |
| <u>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. | Not Corrected | See current period finding 11-4 for planned corrective action. Olivia Farrow, Director, MOHS |
| 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. | Not Corrected | See current period finding 11-4 for planned corrective action. Jerome Chester, Chief Financial Officer, BCHD |

**CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

(continued)

| <u>Finding Number/Finding</u> | <u>Status</u> | <u>Planned Corrective Action</u> |
|---|---------------------|--|
| <p><u>10-08</u> For federal program numbers 14.235 - Supportive Housing Program, and 14.241 - Housing Opportunities for Persons with AIDS, MOHS di not comply with federal requirements regarding monitoring of subrecipients.</p> | Not Corrected | <p>See current period finding 11-2 for planned corrective action.</p> <p>Olivia Farrow, Director, MOHS</p> |
| <p><u>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> | Not Corrected | <p>The MOHS will strive to comply with the HUD requirements and maintain inspection documentation for Shelter Plus Care and HOPWA housing units.</p> <p>Olivia Farrow, Director, MOHS</p> |
| <p><u>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> | Partially Corrected | <p>Upon notification of the non-compliance of the procurement procedures used to purchase the monitoring services, the DHCD ceased similar purchasing procedures until the 1985 agreement between HABC and DHCD that was relied upon as a guide to make the monitoring services procurement could be revised. That agreement was revised and approved by the BOE in February 2013. It provides for appropriate BOE oversight and review of certain purchases related to joint HABC/DHCD projects.</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, 2011**

(continued)

| <u>Finding Number/Finding</u> | <u>Status</u> | <u>Planned Corrective Action</u> |
|---|---------------------|--|
| <u>10-11</u> For federal program numbers 14.235 - Supportive Housing Program and 14.238 - Shelter Plus Care, MOHS did not provide support for compliance with the earmarking requirement for administrative costs or the earmarking requirement for administering housing assistance, respectively. | Corrected | |
| 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. | Partially Corrected | See current period finding 11-17 for planned corrective action. Jerome Chester, Chief Financial Officer, BCHD |
| <u>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. The auditors recommended that BCHD implement procedures to ensure that financial reports are supported by the City's accounting records. | Not Corrected | See current period finding 11-18 for planned corrective action. Jerome Chester, Chief Financial Officer, BCHD |

**CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

(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></p> | | |
| <p>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. The auditors recommended that each participant's eligibility be properly documented, maintained, and made available for review.</p> | <p>Not Corrected</p> | <p>See current period finding 11-1 for planned corrective action.</p> <p style="text-align: right;">Jerome Chester, Chief Financial Officer, BCHD</p> |
| <p><u>Finding # 09-03</u></p> | | |
| <p>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. The auditors recommended that CARE implement procedures to ensure that such documentation is provided in the future.</p> | <p>Not Corrected</p> | <p>See current period finding 11-3 for planned corrective action.</p> <p style="text-align: right;">Jerome Chester, Chief Financial Officer, BCHD</p> |

**CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

(continued)

| <u>Finding Number/Finding</u> | <u>Status</u> | <u>Planned Corrective Action</u> |
|--|---------------|---|
| For federal program number 93.914 - HIV Emergency Relief Project/Formula Grants, BCHD was unable to provide documentation to support grantee administrative costs, sub-grantee administrative costs, and funds for the quality management program. The auditors recommended that BCHD implement procedures to ensure that such documentation is provided in the future. | Corrected | |
| <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. The auditors recommended that future federal financial reports be prepared directly from the City's accounting records. | Not Corrected | See current period finding 11-4 for planned corrective action. Olivia Farrow, Director, MOHS |
| 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. The auditors recommended that future federal financial reports be prepared directly from the City's accounting records. The auditors also recommended that program income, if applicable, be shown in the financial reports. | Not Corrected | BCHD will reconcile the records and reports in the future. Implementation date: June 2013 |

Jerome Chester, Chief Financial Officer, BCHD

**CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

(continued)

| <u>Finding Number/Finding</u> | <u>Status</u> | <u>Planned Corrective Action</u> |
|---|---------------|---|
| <p>For federal program number 93.914 - HIV Emergency Relief Project/Formula Grants, BCHD was unable to provide documentation to support grantee administrative costs, sub-grantee administrative costs, and funds for the quality management program. The auditors recommended that BCHD implement procedures to ensure that such documentation is provided in the future.</p> | Corrected | |
| <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. The auditors recommended that CARE implement procedures to ensure that financial reports are supported by the City's accounting records.</p> | Not Corrected | See current period finding 11-18 for planned corrective action. |

Jerome Chester, Chief Financial Officer, BCHD

**CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

(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. The auditors recommended that each participant's eligibility be properly documented and maintained.</p> | <p>Not Corrected</p> | <p>See current period finding 11-1 for planned corrective action.</p> <p>Jerome Chester, Chief Financial Officer, BCHD</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. The auditors recommended that CARE implement procedures to ensure that such documentation is provided in the future.</p> | <p>Not Corrected</p> | <p>See current period finding 11-3 for planned corrective action.</p> <p>Jerome Chester, Chief Financial Officer, BCHD</p> |

**CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

(continued)

| <u>Finding Number/Finding</u> | <u>Status</u> | <u>Planned Corrective Action</u> |
|--|---------------|---|
| <p><u>Finding # 08-04</u></p> <p>For federal program number 14.235 - Supportive Housing Program, reported expenditures for five selected reports were overstated by a total of \$28,686. For federal program number 14.241 - Housing Opportunities for Persons With AIDS (HOPWA), reported expenditures were understated by a total of \$2,704,086. For federal program number 93.569 - Community Services Block Grant, reported expenditures were overstated by a total of \$53,818. (These programs are now administered by MOHS.) The auditors recommended that future federal financial reports be prepared directly from the City's accounting records. The auditors also recommended that copies of all federal financial reports be maintained for review.</p> | Not Corrected | <p>See current period finding 11-4 for planned corrective action.</p> <p style="text-align: right;">Olivia Farrow, Director, MOHS</p> |
| <p>For federal program numbers 93.044/045/053 - Special Programs for the Aging - Title III, Parts B & C, reported expenditures were understated by \$758,852, and reported revenues were overstated by \$633,601. The auditors recommended that future federal financial reports be prepared directly from the City's accounting records. The auditors also recommended that copies of all federal financial reports be maintained for review. (CARE is now administered by BCHD.)</p> | Not Corrected | <p>See current period finding 11-4 for planned corrective action.</p> <p style="text-align: right;">Jerome Chester, Chief Financial Officer, BCHD</p> |

**CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

(continued)

| <u>Finding Number/Finding</u> | <u>Status</u> | <u>Planned Corrective Action</u> |
|--|---------------|--|
| <p>For federal program number 93.778 - Medical Assistance Program, reported expenditures were overstated by \$300,836. For federal program number 93.914 - HIV Emergency Relief Project/Formula Grants, reported expenditures were understated by \$514,763. The auditors recommended that future federal financial reports be prepared directly from the City's accounting records. The auditors also recommended that copies of all federal financial reports be maintained for review.</p> | Not Corrected | <p>See current period finding 11-4 for planned corrective action.</p> <p style="text-align: right;">Jerome Chester, Chief Financial Officer, BCHD</p> |
| <p><u>Finding # 08-10</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. The auditors recommended that CARE implement procedures to ensure that such documentation is provided in the future.</p> | Not Corrected | <p>See current period finding 10-11 for planned corrective action.</p> <p style="text-align: right;">Jerome Chester, Chief Financial Officer, BCHD</p> |

**CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

(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. The auditors recommended that CARE implement procedures to ensure that financial reports are supported by the City's accounting records.</p> | Not Corrected | <p>See current period finding 11-18 for planned corrective action.</p> <p style="text-align: right;">Jerome Chester, Chief Financial Officer, BCHD</p> |
| <p><u>Finding # 08-13</u> For federal program number 93.616 - Mentoring Children of Incarcerated Parents, a separate audit was performed for the project period dated from July 30, 2004 through December 31, 2007. Our audit determined that reported amounts were not supported by the City's accounting records; cash management procedures were deficient; required in-kind contributions were not supported; and grant approval by the City's Board of Estimates for the second and third years of the project period was not obtained. The auditors questioned the entire award amount of \$900,000, and recommended that reported expenditure and in-kind contribution amounts be supported by the City's accounting records, that cash management procedures be improved, and that approval of its grant awards be obtained.</p> | | <p>The City returned \$900,000 in questiond costs to the U. S. Department of Health and Human Services on May 16, 2011. Baltimore Rising, Inc. is no longer affiliated with the City of Baltimore.</p> |

**CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

(continued)

| <u>Finding Number/Finding</u> | <u>Status</u> | <u>Planned Corrective Action</u> |
|---|----------------------|--|
| <p>Fiscal Year 2007 Single Audit Schedule of Findings and Questioned Costs Section III - Federal Award Findings and Questioned Costs Compliance With Requirements Applicable to Each Major Program</p> | | |
| <p><u>Finding # 07-03</u></p> | | |
| <p>For federal program numbers 93.044/045/053 - Special Programs for the Aging - Title III, Parts B & C, CARE (now administered by BCHD) expended \$78,655 in legal services costs, representing an earmarking shortfall of \$2,305. CARE also spent \$712,526 in administrative costs, exceeding the allowable limit by \$426,288. The auditors recommended that controls and reporting procedures be developed to ensure that future legal assistance and administration earmarking requirements are met.</p> | <p>Not Corrected</p> | <p>See current period finding 11-3 for planned corrective action.</p> <p style="text-align: right;">Jerome Chester, Chief Financial Officer, BCHD</p> |
| <p><u>Finding # 07-04</u></p> | | |
| <p>For federal program number 14.241 - Housing Opportunities for Persons with AIDS, reported expenditures were overstated by \$49,414. Additionally, for federal program number 14.235 - Supportive Housing Program, BCHD was unable to provide us with all three Annual Progress Reports selected for review. The auditors recommended that future federal financial reports be prepared directly from the City's accounting records. The auditors also recommended that copies of all federal financial reports be maintained for review.</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, 2011**

(continued)

| <u>Finding Number/Finding</u> | <u>Status</u> | <u>Planned Corrective Action</u> |
|---|---------------|--|
| <p>For federal program numbers 93.044/045/053 - Special Programs for the Aging - Title III, Parts B & C, reported expenditures were understated by \$270,853, and reported revenues were understated by \$363,705. The auditors recommended that future federal financial reports be prepared directly from the City's accounting records. The auditors also recommended that copies of all federal financial reports be maintained for review. (CARE is now administered by BCHD.)</p> | Not Corrected | <p>See current period finding 11-4 for planned corrective action.</p> <p style="text-align: right;">Jerome Chester, Chief Financial Officer, BCHD</p> |
| <p>For federal program number 93.569 - Community Services Block Grant, reported expenditures were overstated by \$277,437. The auditors recommended that future federal financial reports be prepared directly from 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, 2011**

(continued)

| <u>Finding Number/Finding</u> | <u>Status</u> | <u>Planned Corrective Action</u> |
|--|----------------------|--|
| <p>For federal program number 93.778 - Medical Assistance Program, reported expenditures were overstated by \$37,432. The auditors recommended that future federal financial reports be prepared directly from 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> |
| <p><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. The auditors recommended that CARE 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 11-18 for planned corrective action.</p> |

Jerome Chester, Chief Financial Officer, BCHD

**CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

(continued)

| <u>Finding Number/Finding</u> | <u>Status</u> | <u>Planned Corrective Action</u> |
|--|----------------------|---|
| <p>Fiscal Year 2006 Single Audit Schedule of Findings and Questioned Costs Section III - Federal Award Findings and Questioned Costs Compliance With Requirements Applicable to Each Major Program</p> | | |
| <p><u>Finding # 06-03</u></p> | | |
| <p>For federal program numbers 93.044/045/053 - Special Programs for the Aging - Title III, Parts B & C, CARE (now administered by BCHD) expended \$77,600 in legal services costs, representing an earmarking shortfall of \$13,201. CARE also spent \$1,009,256 in administrative costs, exceeding the allowable limit by \$616,126. The auditors recommended that controls and reporting procedures be developed to ensure that future legal assistance and administration earmarking requirements are met.</p> | <p>Not Corrected</p> | <p>See current period finding 11-3 for planned corrective action.</p> <p style="text-align: right;">Jerome Chester, Chief Financial Officer, BCHD</p> |
| <p><u>Finding # 06-04</u></p> | | |
| <p>For federal program numbers 93.044/045/053 - Special Programs for the Aging - Title III, Parts B & C, CARE (now administered by BCHD) reported expenditures that were understated by \$890,041. Reported revenues for this report were in excess of the City's accounting records in the amount of \$104,126. The auditors recommended that future financial reports be prepared directly from the City's accounting records.</p> | <p>Not Corrected</p> | <p>See current period finding 11-4 for planned corrective action.</p> <p style="text-align: right;">Jerome Chester, Chief Financial Officer, BCHD</p> |

**CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

(continued)

| <u>Finding Number/Finding</u> | <u>Status</u> | <u>Planned Corrective Action</u> |
|--|---------------|--|
| <p>For federal program number 93.778 - Medical Assistance Program, the City's accounting records were in excess of the reported expenditures in the amount of \$106,640. The auditors recommended that future financial reports be prepared directly from 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> |
| <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. The auditors 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> | Not Corrected | See current period finding 11-18 for planned corrective action. |

Jerome Chester, Chief Financial Officer, BCHD

**CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

(continued)

| <u>Finding Number/Finding</u> | <u>Status</u> | <u>Planned Corrective Action</u> |
|--|------------------------|--|
| 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 | | |
| <u>Finding # 05-03</u> | | |
| For federal program numbers 93.044/045/053 - Special Programs for the Aging - Title III, Parts B and C, CARE (now administered by BCHD) reported expenditures that were in excess of the City's accounting records in the amount of \$179,074. Reported revenues for this report were overstated by \$795,509. The auditors recommended that future financial reports be prepared directly from the City's accounting records. | Partially Corrected | See current period finding 11-3 for planned corrective action. |

Jerome Chester, Chief Financial Officer, BCHD

**CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

(continued)

| <u>Finding Number/Finding</u> | <u>Status</u> | <u>Planned Corrective Action</u> |
|--|--------------------------------|--|
| <p>Fiscal Year 2004 Single Audit Schedule of Findings and Questioned Costs Section III - Federal Award Findings and Questioned Costs Compliance With Requirements Applicable to Each Major Program</p> | | |
| <p><u>Finding # 04-03</u></p> | | |
| <p>For federal program number 14.235 - Supportive Housing Program, reported expenditures for four reports that were in excess of the City's accounting records in the amount of \$30,162. The auditors recommended that future financial reports be prepared directly from 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> |
| <p>For federal program numbers 93.044/045/053 - Special Programs for the Aging - Title III, Parts B and C, CARE (now administered by BCHD) reported expenditures for two reports that were in excess of the City's accounting records in the amount of \$720,576. Reported revenues for these reports were understated by \$520,857. The auditors recommended that future financial reports be prepared directly from the City's accounting records.</p> | <p>Partially Corrected</p> | <p>See current period finding 11-3 for planned corrective action.</p> |

Jerome Chester, Chief Financial Officer, BCHD

**CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

(continued)

| <u>Finding Number/Finding</u> | <u>Status</u> | <u>Planned Corrective Action</u> |
|--|--------------------------------|---|
| <p>Fiscal Year 2001 Single Audit Schedule of Findings and Questioned Costs Section III - Federal Award Findings and Questioned Costs Compliance With Requirements Applicable to Each Major Program</p> | | |
| <p><u>Finding # 01-03</u></p> | | |
| <p>For federal program numbers 93.044/93.045 - Special Programs for the Aging, Title III, Parts B and C, CARE (now administered by BCHD) reported expenditures that were in excess of the City's accounting records in the amount of \$1,872,217. Reported revenues were also overstated by \$1,915,034. The auditors 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 11-3 for planned corrective action.</p> |

Jerome Chester, Chief Financial Officer, BCHD

**CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

(continued)

| <u>Finding Number/Finding</u> | <u>Status</u> | <u>Planned Corrective Action</u> |
|---|------------------------|--|
| 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 | | |
| <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. The auditors 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. | Partially Corrected | See current period finding 11-3 for planned corrective action. |

Jerome Chester, Chief Financial Officer, 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, 2011**

| <u>Finding Number/Finding</u> | <u>Contact Person</u> | <u>Planned Corrective Action</u> | <u>Anticipated Completion Date</u> |
|--|---|--|--|
| 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); Baltimore Homeless Services (BHS); and Bureau of Accounting and Payroll Services (BAPS). | | | |
| <u>Finding # 11-01</u> | | | |
| Certain Enrollment Applications Were Missing and a Participant Population Was Not Compiled | Jerome Chester, Chief Financial Officer, BCHD | This finding is a programmatic one. The State terminated the program with the department. The BCHD staff has been terminated. The program no longer exists. | June 2013 |
| | Olivia Farrow, Director, MOHS | The MOHS will continue its implementation of a new data system that will enable the agency to track service delivery, client progress and maintain a database of clients served. | June 2013 |
| <u>Finding # 11-02</u> | | | |
| MOHS Was Not Adhering to Federal Requirements Regarding Monitoring of Subrecipients | Olivia Farrow, Director, MOHS | The MOHS will establish a plan to monitor its subrecipients in order to adhere to OMB Circular A-133 requirements. | June 2013 |
| <u>Finding # 11-03</u> | | | |
| Documentation Was Not Provided for Testing Provisions of the City's Procurement Procedures and for Earmarking Requirements | Olivia Farrow, Director, MOHS | The MOHS will strive to keep contract information available in order to retain appropriate support for its contractual expenditures. | June 2013 |
| | Jerome Chester, Chief Financial Officer, BCHD | 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. | June 2013 |

**CITY OF BALTIMORE
AUDITEE'S CORRECTIVE ACTION PLAN ON CURRENT AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

(continued)

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|---|---|--|------------------------------------|
| <u>Finding # 11-04</u> Financial Reports Were Not Supported by the Underlying Accounting Records | Olivia Farrow, Director, MOHS | The MOHS will update and maintain Annual Progress Report files based upon financial data from the City's accounting records. | June 2013 |
| | Jerome Chester, Chief Financial Officer, BCHD | For the CARE program, the lack of reconciliation occurred while CARE was an independent agency. BCHD does not have the documents from CARE to reconcile the records and the report. For the MAP and HIV programs, BCHD has adopted measures to ensure the reconciliation of records and reports in the future and will reconcile this account by June 30, 2013. | June 2013 |
| <u>Finding # 11-05</u> Financial Reports Were Not Submitted in a Timely Manner | Olivia Farrow, Director, MOHS | The MOHS will strive to comply with the reporting requirements related to report submission due dates for the Supportive Housing Program. | June 2013 |
| | Jerome Chester, Chief Financial Officer, BCHD | For its noted programs, BCHD has adopted measures to submit reports timely in the future. | June 2013 |
| <u>Finding # 11-06</u> Obligations Incurred Were Not Liquidated Within 90 Days of the End of the Funding Period | Jerome Chester, Chief Financial Officer, BCHD | BCHD has adopted measures to monitor and to liquidate encumbrances timely in the future. | June 2013 |
| <u>Finding # 11-07</u> Drawdowns of Funds Exceeded Program Expenditures | Olivia Farrow, Director, MOHS | The MOHS will strive to comply with OMB Circular A-102 and request reimbursement based on actual expenditures recorded in the City's financial records. | June 2013 |

**CITY OF BALTIMORE
AUDITEE'S CORRECTIVE ACTION PLAN ON CURRENT AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

(continued)

| <u>Finding Number/Finding</u> | <u>Contact Person</u> | <u>Planned Corrective Action</u> | <u>Anticipated Completion Date</u> |
|---|--|--|--|
| <u>Finding # 11-08</u> BCHD Did Not Report Certain Program Income on the Annual Financial Report | Jerome Chester, Chief Financial Officer, BCHD | BCHD has adopted measures to monitor and report program income accurately. | June 2013 |
| <u>Finding # 11-09</u> Certain Housing Quality Inspections Were Not Performed | Olivia Farrow, Director, MOHS | The MOHS will strive to comply with the HUD requirements and maintain inspection documentation for Shelter Plus Care housing units. | June 2013 |
| <u>Finding # 11-10</u> Landlord Received Certain Unallowable Rental Subsidies through the HOPWA Program | Olivia Farrow, Director, MOHS | MOHS will make a determination concerning the balance of the unallowable rent payments. MOHS will also review its monitoring procedures to prevent a recurrence. | June 2013 |

**CITY OF BALTIMORE
AUDITEE'S CORRECTIVE ACTION PLAN ON CURRENT AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

(continued)

| <u>Finding Number/Finding</u> | <u>Contact Person</u> | <u>Planned Corrective Action</u> | <u>Anticipated Completion Date</u> |
|---|--|--|--|
| <p><u>Finding # 11-11</u> Program Support Costs of \$1,752,916 Were Determined Unallowable</p> | <p>William Colbert, Chief Fiscal Officer, DHCD</p> | <p>The City's Department of Housing and Community Development (DHCD) believes that this finding has been fully resolved. The WAP ARRA grant for the period of April 1, 2009 through August 31, 2012 has been fully reconciled and on September 18, 2012, we shared this reconciliation with the State. Both the City and State agree that all issues concerning unsupported program support costs have been resolved.</p> <p>There are no unallowable or unsupported costs charged to the WAP ARRA grant. On September 18, 2012, the City's DHCD sent a reconciliation of the WAP ARRA grant to the State. On December 12, 2012, the City's (DHCD) sent the same reconciliation to the Department of Audits for the WAP ARRA grant. This reconciliation clearly stated the status of expenditures and revenue as of August 31, 2012 but also documentation of a return of funds to the State, invoices for administrative and case cost, general ledger detail, etc. All costs including program support costs have been identified, documented and correctly classified. The payment made by the State that was in excess of program support costs incurred by the City, in the amount of \$680,666.03, was returned to the State on November 9, 2012.</p> <p>On January 2, 2013, we received a letter from the State's Deputy Secretary Clarence Snuggs stating, "We have no remaining requests or compliance concerns regarding the ARRA funds administered by your office for the Weatherization Assistance Program at this time." Therefore, we believe that this finding has been fully addressed and resolved.</p> <p>Based on the fact that this Department has satisfied all requirements of the State and are now in compliance with Federal regulations governing the receipt of program support reimbursements from the State, this finding for fiscal year 2011 should be closed.</p> | <p>June 2013</p> |

**CITY OF BALTIMORE
AUDITEE'S CORRECTIVE ACTION PLAN ON CURRENT AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

(continued)

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|---|--|--|--|
| Finding # 11-12 Program Expenditures of \$30,612 Were Not Supported | William Colbert, Chief Fiscal Officer, DHCD | The Department of Housing and Community Development disagrees with this audit finding. Only \$4,325 of the \$30,612 is questioned cost. Items containing \$26,287 have documentation in the case folders. To address this small amount of questioned cost and to provide better record management in the future, we have established procedures and hired additional staff to provide greater scrutiny and oversight of case files. | June 2013 |
| Finding # 11-13 HOPWA Subrecipient Payments Were Not Supported by the City's Accounting Records | Olivia Farrow, Director, MOHS | The MOHS will strive to update its files so that subrecipient payment support based upon financial data from the City's accounting records will be maintained. | June 2013 |
| Finding # 11-14 Unexpended ARRA Funds of \$647,366 | Olivia Farrow, Director, MOHS | The MOHS will strive to administer future grant awards in a manner that obligates and liquidates its grant funds in accordance with grant agreements. | June 2013 |
| Finding # 11-15 BCHD Did Not Report Certain Program Income on the Annual Financial Report | Jerome Chester, Chief Financial Officer, BCHD | The BCHD will establish and/or follow appropriate internal controls to ensure that program income will be reported accurately. | June 2013 |
| Finding # 11-16 Grant Expenditures Far Exceeded Grant Revenues | Jerome Chester, Chief Financial Officer, BCHD | BCHD has adopted measures to ensure the reconciliation of records and reports in the future and will reconcile this account by June 30 2013. | June 2013 |

CITY OF BALTIMORE
AUDITEE'S CORRECTIVE ACTION PLAN ON CURRENT AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011
(continued)

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|---|---|---|--|
| <u>Finding # 11-17</u> Documentation Was Not Provided to Support Earmarking, Program Income, and Internal Monitoring | Jerome Chester, Chief Financial Officer, BCHD | 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. | June 2013 |
| <u>Finding # 11-18</u> Procedures Were Not Adequate to Ensure Compliance with Financial Reporting and Grant Accounting Requirements | Jerome Chester, Chief Financial Officer, BCHD | BCHD has adopted measures to ensure compliance in the future. BCHD has adopted measures to submit reports timely in the future. The lack of reconciliation occurred while CARE was an independent agency. BCHD does not have the documents from CARE to reconcile the records and the report. | June 2013 |

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