

City of Baltimore *Maryland*



Comprehensive Annual Financial Report
Year Ended June 30, 2011

City of Baltimore, Maryland

Comprehensive Annual Financial Report

Year Ended June 30, 2011

Prepared by the Department of Finance
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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



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

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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

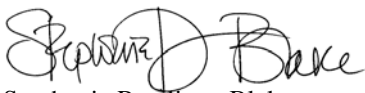
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Baltimore, Maryland, for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2010.

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.

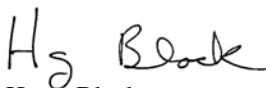
A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements.

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,

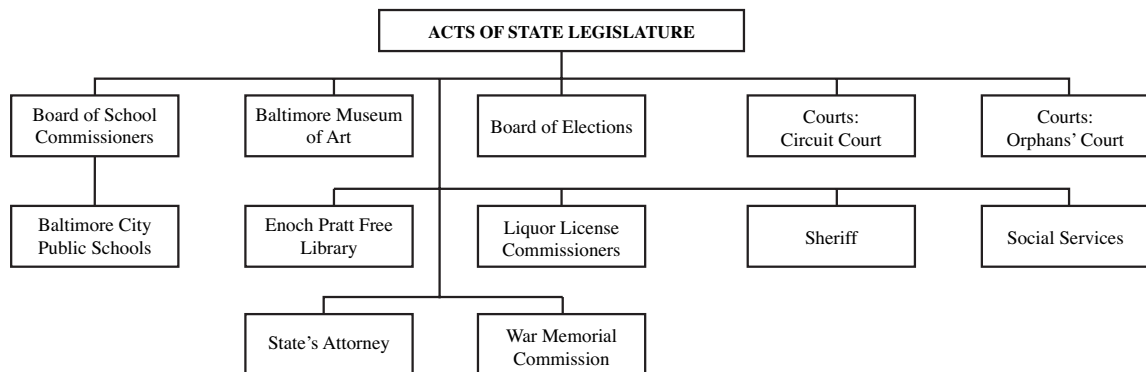
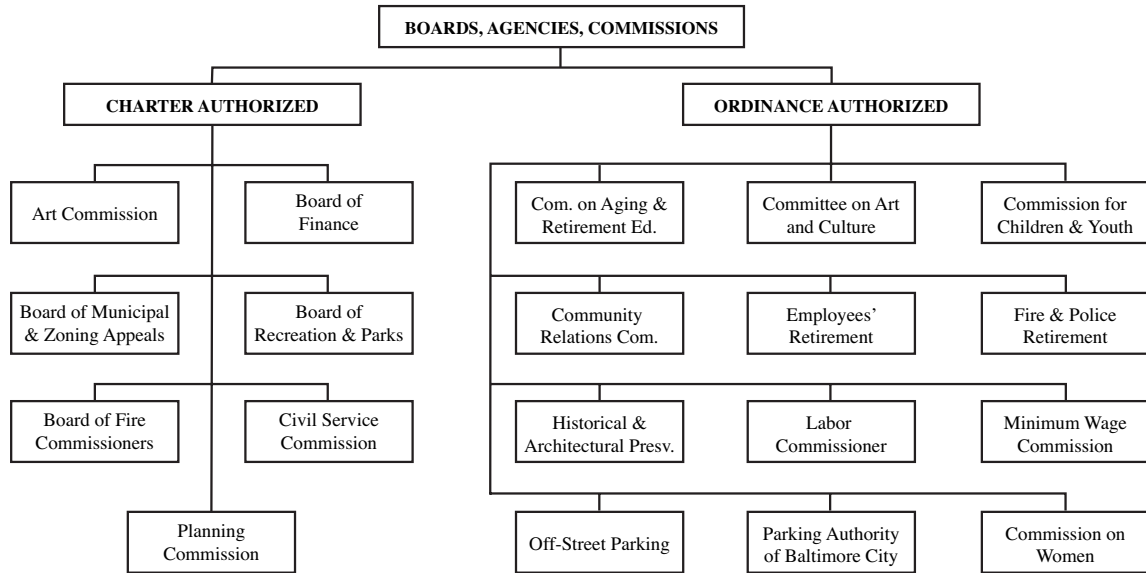
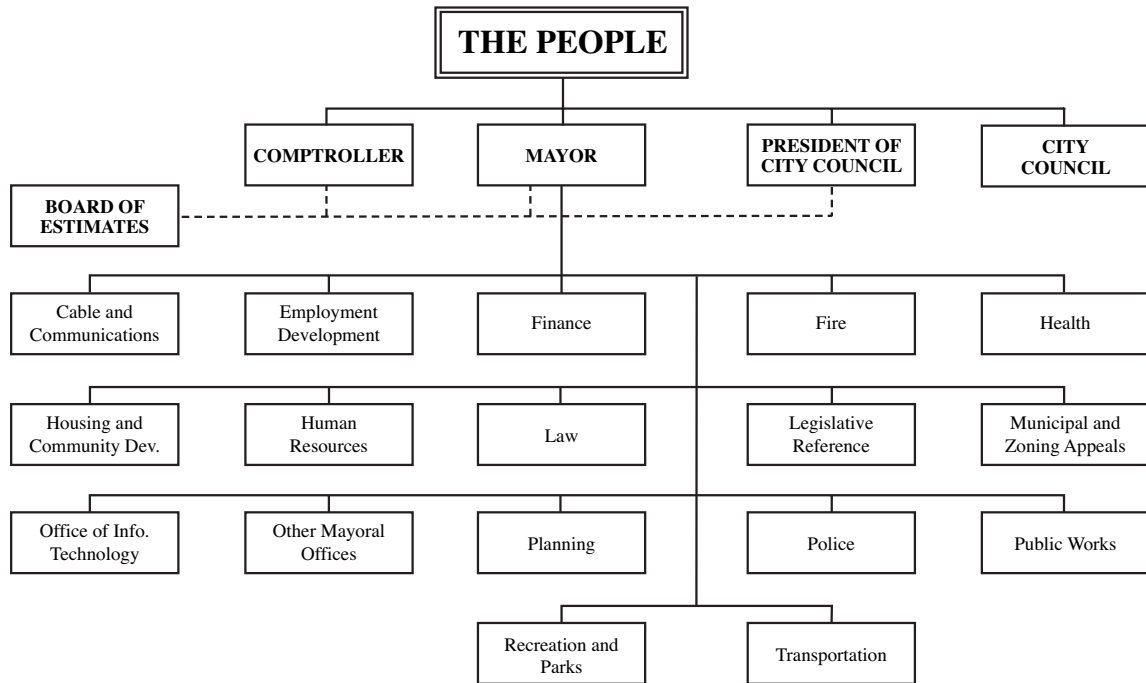


Stephanie Rawlings-Blake
Mayor



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.

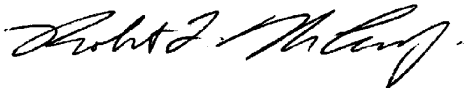
As described in Note 1 (C) to the financial statements, the City adopted Governmental Accounting Standards Board (GASB) No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, during fiscal year 2011.

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 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

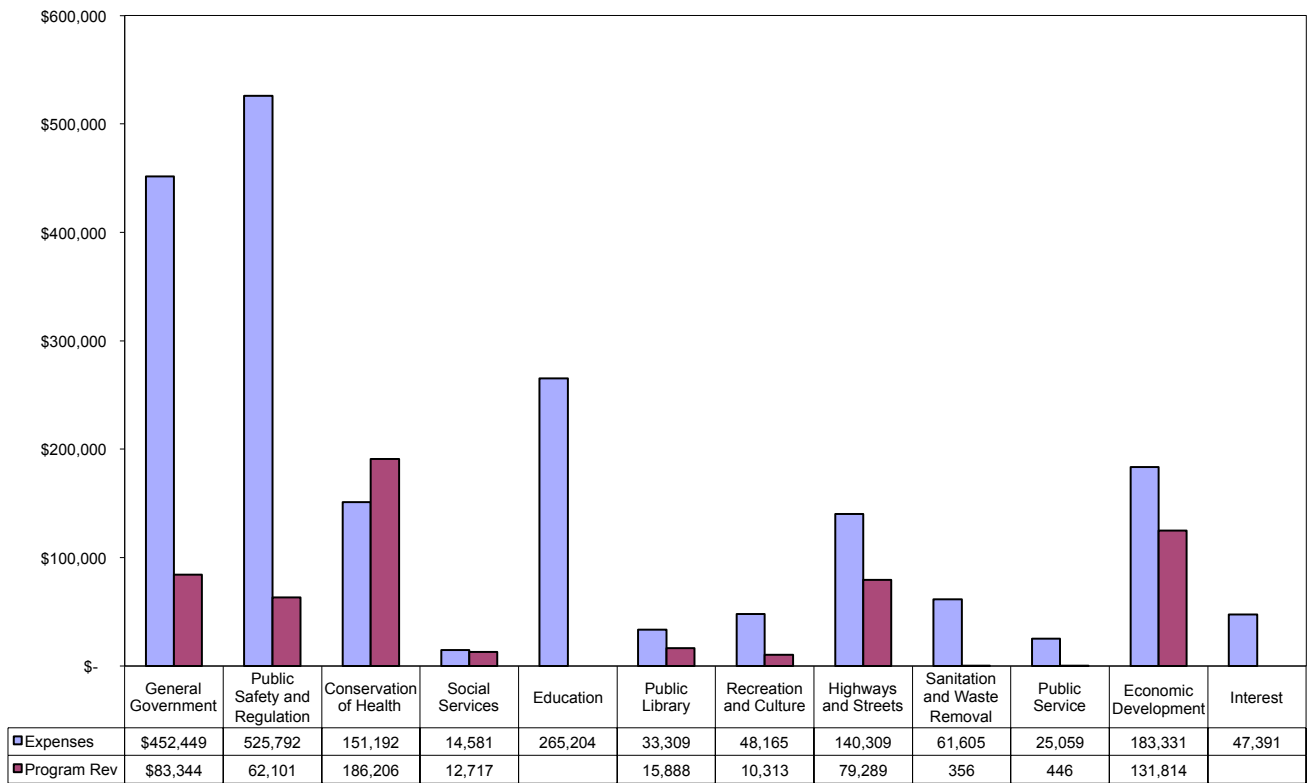
(Expressed in Thousands)

	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

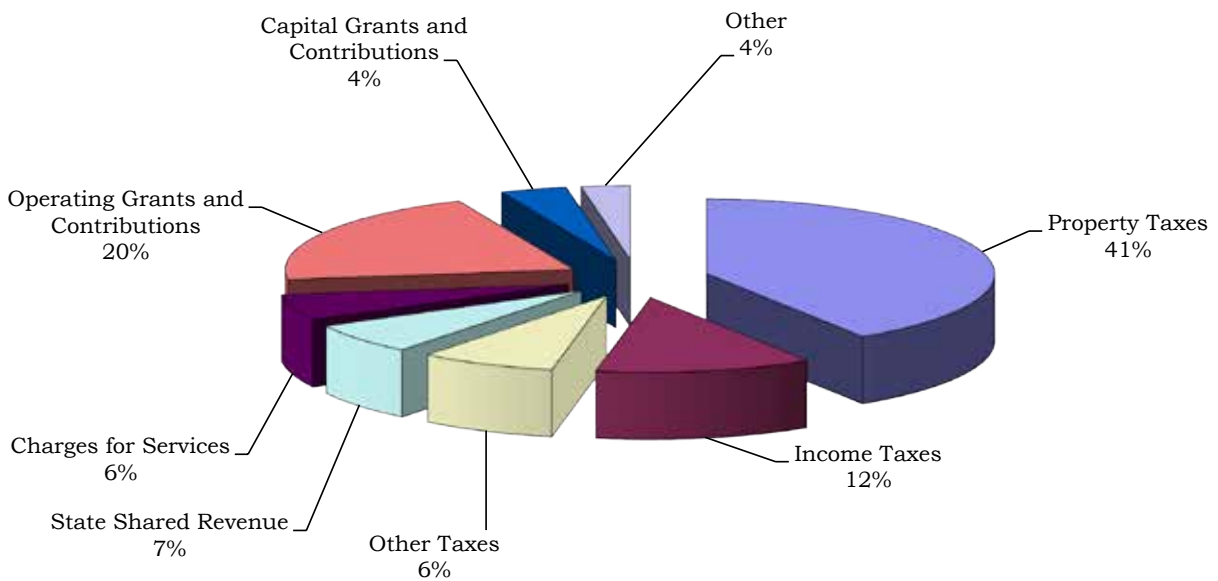
Analysis of Changes in Net Assets

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

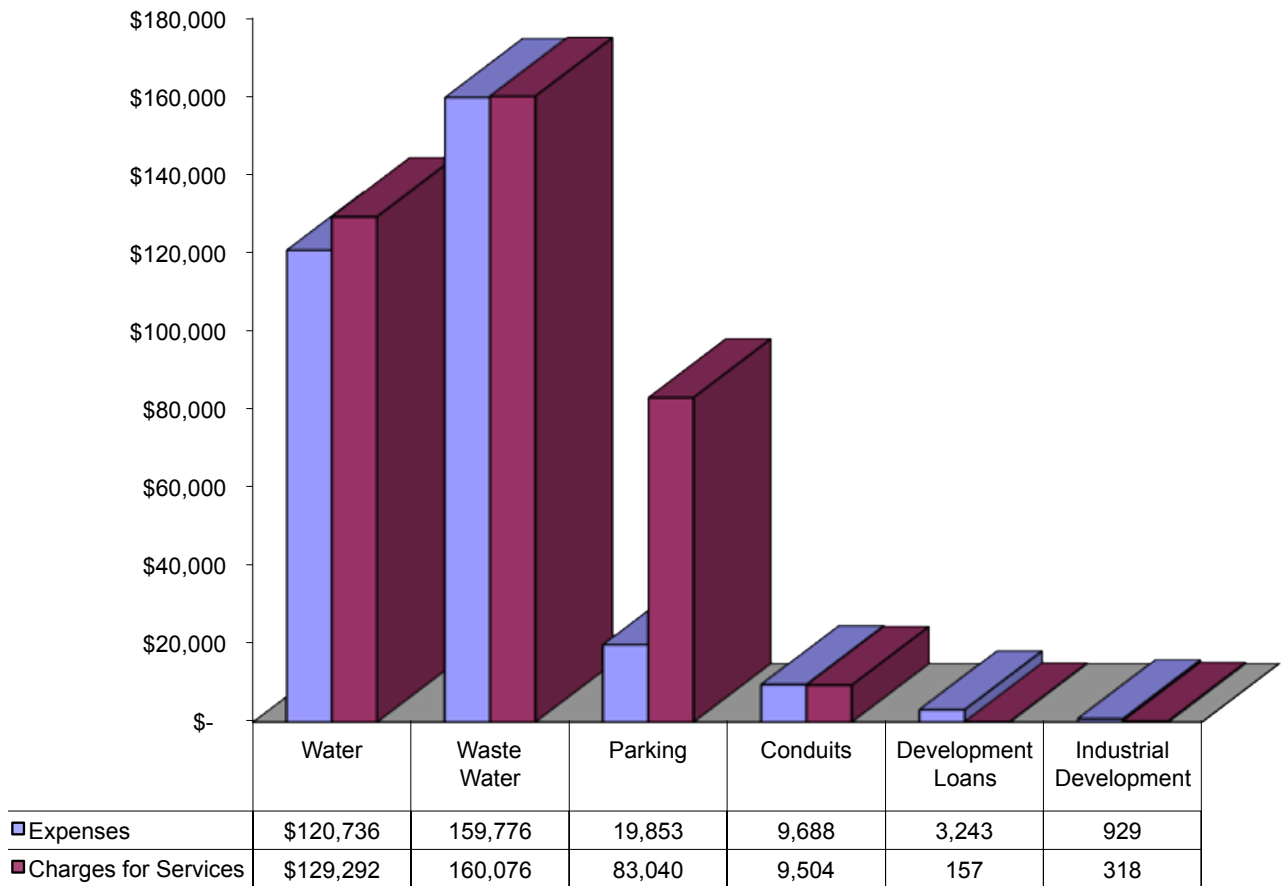
During the current fiscal year, expenses related to governmental activities amounted to \$1.9 billion, this is less than revenues by \$17.1 million. Total revenue of \$2.0 billion is comprised of program revenues totaling \$582.5 million, or

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	190,917	188,023
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	595,332	28,390
Less: investment expense	14,082	287
Net investment income	581,250	28,103
Total additions	772,167	216,126
Deductions:		
Retirement allowances	316,501	
Health benefits		158,054
Death benefits	802	
Administrative expenses	7,486	
Other	1,709	
Total deductions	326,498	158,054
Changes in net assets	445,669	58,072
Net assets— beginning of the year	2,958,127	149,077
Net assets— end of the year	\$ 3,403,796	\$ 207,149

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
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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
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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
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	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	

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	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%.

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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.

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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.

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Notes to Basic Financial Statements
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Convention Center Hotel Revenue Bonds

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

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Notes to Basic Financial Statements
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Fiscal Year	Business-type Activities											
	Water Utility			Waste Water Utility			Parking Facilities			Industrial Development Authority		
	Principal	Interest	Swap Interest Rate Net(a)	Principal	Interest	Swap Interest Rate Net(a)	Principal	Interest	Swap Interest Rate Net(a)	Principal	Interest	Swap Interest Rate Net(a)
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

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operating income and the property tax increment for the Hotel, the site specific occupancy tax is pledged to pay principal and interest payments on the bonds. If these sources are insufficient, 15% (of the maximum annual debt service) of the citywide occupancy tax is also pledged. If a shortfall still remains, and following a Hilton Hotel guarantee of 10% of the Maximum Annual Debt Service, 10% (maximum annual debt service) is pledged. The Hotel opened August 22, 2008. Total principal and interest remaining to be paid on these bonds is \$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.

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Notes to Basic Financial Statements
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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.

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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:

Investment Derivative Instruments

	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)

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Notes to Basic Financial Statements
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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 Yaun 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

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.111

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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