CITY OF BALTIMORE

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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CITY OF BALTIMORE
SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2008

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PART I

COMPREHENSIVE ANNUAL FINANCIAL REPORT

City of Baltimore
Maryland

Comprehensive Annual Financial Report
Year Ended June 30, 2008

City of Baltimore, Maryland

Comprehensive Annual Financial Report

Year Ended June 30, 2008

Prepared by the Department of Finance
Edward J. Gallagher
Director of Finance

Bureau of Accounting and Payroll Services
Michael E. Broache
Bureau Chief

454 City Hall, 100 N. Holliday Street, Baltimore, Maryland 21202

ELECTED OFFICIALS

MAYOR
Sheila Dixon

PRESIDENT OF THE CITY COUNCIL
Stephanie Rawlings-Blake

COMPTROLLER
Joan M. Pratt

BOARD OF ESTIMATES

PRESIDENT
Stephanie Rawlings-Blake

MAYOR
Sheila Dixon

COMPTROLLER
Joan M. Pratt

DIRECTOR OF PUBLIC WORKS
David Scott

CITY SOLICITOR
George Nilson

CITY COUNCIL

Stephanie Rawlings-Blake, *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
Bernard "Jack" Young

THIRTEENTH DISTRICT
Warren Branch

FOURTEENTH DISTRICT
Mary Pat Clarke

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CITY OF BALTIMORE

SHEILA DIXON, Mayor

DEPARTMENT OF FINANCE

EDWARD GALLAGHER, Director
469 City Hall
Baltimore, Maryland 21202

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

December 23, 2008

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, 2008. 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 auditor's opinion, management's discussion and analysis, basic financial statements with related notes, and required supplementary information with related notes. The financial section also includes the combining and individual fund financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multiyear basis.

Management has provided a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (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, Ernst & Young LLP, to perform a joint audit with the City Auditor of the basic financial statements of the City for the year ended June 30, 2008. 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 2007 population of 637,455. The City is a major deep-water seaport located on the Patapsco River, a tributary of the Chesapeake Bay. It is served by Baltimore/Washington International Thurgood Marshall Airport in adjacent Anne Arundel County. The City is almost completely surrounded by Baltimore County, a separate entity, which borders the City on the east, north, west and part of the south. Anne Arundel County adjoins the City on its southern border.

The City provides the full range of municipal services contemplated by statute or charter, which are provided or paid for by the City from local, State or Federal sources. These services include public safety (police and fire protection), water and waste water utilities, highways and streets, sanitation, health and human services, culture and recreation, education (elementary through high school, provided by a component unit, the Baltimore City Public School System), public improvements, planning and zoning, parking facilities, mortgage loan programs, industrial development, and general and administrative services. The City is also responsible for adoption and maintenance of building codes, and regulation of licenses and permits, collection of certain taxes and revenues, maintenance of public records and the conduct of elections. These activities are included in the reporting entity. There are no overlapping local governmental entities or taxing jurisdictions. Accordingly, there is no overlapping debt of the City.

Under the 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 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 City Charter sets forth a schedule requiring the budget to be adopted before the beginning of the fiscal year, July 1.

Budget Amendment: The Charter provides means for adopting supplemental appropriations funded from unanticipated revenues and/or new grants and sources that materialize during the year. The City's policy is to minimize the use of supplemental appropriations. In addition, the 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. As part of the review, the City plans to maintain the $60 million annual general obligation debt authorization that was spelled out in 1990.

Budget Stabilization Reserve Policy: In November 2008, the City's Board of Estimates approved a Budget Stabilization Reserve Policy that establishes the basis for having a Budget Stabilization Reserve as well as identifying its maintenance level, scope of coverage, circumstances under which funds shall be drawn down from the reserve, and the requirements to replenish the reserve when utilized. The policy stipulates that the reserve serves to provide a budget defense to stabilize a post-adopted budget that has been impacted by an uncorrectable shortfall in revenues and/or an unanticipated and uncorrectable emergency expense. The reserve is the revenue source of last resort to avoid a budget deficit. Under no circumstances is the reserve to be used as a revenue source to balance a planning year budget. The policy further stipulates that the reserve shall be maintained on any June 30th at a minimum level of 8% of the combined value of the General Fund and Motor Vehicle Fund operating budgets of the subsequent fiscal year.

OTHER FINANCIAL INFORMATION

Retirement Plans

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

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

Temporary Investment of Cash Balances

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

Risk Management

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

Internal Control

City management is responsible for establishing and maintaining effective internal control over financial reporting. There are no material weaknesses in internal control over financial reporting and there have been no significant changes in internal control since June 30, 2008.

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 one of few states that experienced job growth annually during the last 10 years. The City 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 344,000 or 27.4% of the 1.26 million jobs in the metropolitan area are located in the City.

For several decades, the City has become less reliant on traditional manufacturing industries. Manufacturing jobs comprise only 4.7% of the City's total jobs, which represents a lower percentage than the region, the state and the nation. However, health and education related services continue to be the leading employment industry, representing 26.7% of the 2007 jobs located in the City. This proportion is twice as high as the State and region's total of 12.1% and 12.9% respectively. The growing prominence of 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 fast growing health sector, and in knowledge- and information-based education and information services sectors. An increasing number of workers in the Washington, D.C. and Northern Virginia area commute to jobs from homes in Baltimore. The City expanded its aggressive marketing efforts in the Washington, D.C. area promoting its low cost, high value housing and business location options in Fiscal 2008.

The City supports and builds on the strengths of its internationally renowned higher education, health and hospital 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. Eight major developments under construction during Fiscal 2008 are related to higher education, health and hospital institutions including: the new clinical building for the Johns Hopkins Hospital, the new Maryland Institute College of Arts' (MICA) student housing and studios, and the University of Baltimore's School of Communication and Design. In addition, the construction of 211,000 square feet of the University of Maryland's Biotechnology Park Building II, and the 110,000 square feet for the Baltimore School for the Arts in Mount Vernon was completed. As of June 2008, the major biomedical and life science projects under construction represented a total addition of 1.9 million square feet and another 883,000 square feet are in the planning stage.

Population trend is often considered the single most important economic factor in the City primarily due to the fact that Baltimore's population peaked at 949,708 in 1950 and declined to 651,154 by 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 nearly 12,000 per year, or nearly 1,000 per month; however, this rate of loss has rapidly declined in recent years, and the City's resident population is beginning to stabilize. The Census Bureau recently released the preliminary July 1, 2007 population estimate of 637,455 for Baltimore City. This figure has already been appealed, and, as in prior years, is in the process of revision for a favorable upwards response from the Census Bureau based on other demographic data such as income tax receipts. This result will likely be similar to the experience in 2006, whereby the City saw an increase of 897 residents over 2005 for a total estimate of 640,961; only the second increase in the City's population since 1971. This is a dramatic change from the prior three decades, and it 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 2010 budget planning cycle is the most challenging the City has seen in several years. The nation's financial difficulties have wide-ranging impacts on the City's finances. Home sales are down approximately 50% from last year, resulting in lower transfer and recordation tax revenues. Housing prices have flattened out, which could have longer term effects on property tax revenue. The stock market has fallen significantly from its peak in 2007, hurting the City's pension funds and other investments. Inflation is up, with the highest increase in the Baltimore area's CPI in July 2008 since 1991, as is the cost of borrowing money, making everything from park maintenance to health screenings to bridge repair more expensive. Unemployment is also on the rise, increasing demands on many City programs while threatening to erode the income tax base. The Administration expects these conditions to persist into Fiscal 2010. In order to weather these financial challenges, the City has implemented plans to reduce expenditures in Fiscal 2009 and is taking an especially conservative approach to budget planning for Fiscal 2010.

Jobs and Employment

The most recent reliable data from the State Department of Labor, Licensing and Regulation (DLLR) indicates that the City has experienced a slight decline in the number of jobs during calendar 2007. The DLLR reported an average of 344,200 jobs located in the City during calendar 2007, which represents a 1.4 percent decline compared to the average of 349,100 jobs in calendar 2006. Total employment in the City last peaked in 2000 with 387,600 jobs, since then, the City has experienced an average monthly decline of about 534 per month through calendar 2006; however, in calendar 2007 the average decline was slightly down to 517 per month. Even though the City experienced a substantial decline in the number of jobs, the unemployment rate for residents in the City has shown improvements in Fiscal 2008 by declining to 5.8% compared to 6.0% in Fiscal 2007. While employment opportunities for City residents are somewhat buffered in this current economic downturn by the fact that the education, health care, and government sectors make up such a large portion of the job market in the City and the State of Maryland, unemployment rates in the City will undoubtedly be impacted by the challenges facing the nation's economy.

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 did not show any material growth in Fiscal 2008. The total value of sales generated in the City slightly increased $3.3 million or 0.1%, to reach the annual total of $5.74 billion. In Fiscal 2008, the City experienced the smallest growth of the last six years, where the average annual increase was 3.8%. 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 8.4% in Fiscal 2007 and 2008. Still, the City is experiencing important growth in the local retail activity, with at least 15 new retail businesses, including restaurants, convenient stores and bookstores opening during Fiscal 2008 and another 39 retailers scheduled to open within Fiscal 2009. Certainly retail sales activity in the city is also subject to pressure from the impacts of the national economic downturn.

Housing

Fiscal 2008 represented one of the toughest years for the housing market across the nation, and the City saw some impacts as well. In Fiscal 2008, single-family home sales in the City as reported through the multiple listing services (MLS) reflected a substantial decline of 31.0% in total dollar sales value compared to 2007, while the total number of units sold decreased by 33.3%. The Baltimore area also experienced a similar situation with declines of 29.4% and 28.2% respectively in Fiscal 2008 and 2007. On the other hand, the average selling price in the City increased by 1.7% during Fiscal 2008, while the Baltimore area experienced a decline of 1.8%. The City projects that the level of activity will continue to decrease, and more severe adjustment in selling price will be needed in order to absorb the level of speculative gains during the housing boom. However, the apartment market in the City is still strong. In Fiscal 2008, 1,427 newly constructed apartments were completed in the downtown area and 1,145 in adjacent neighborhoods for both rental and sale. This brings the total number of new apartments built in downtown to 4,121 since calendar 1999. Another 261 apartment units are currently under construction in the downtown area with expected delivery time between Fiscal 2009 and Fiscal 2010. Despite the downturn in the housing market regionally and nationally, the City still represents a location of reasonable and low cost housing alternative for the area for buyers in the contracting housing market. This is particularly important as the regional market has grown to include more Washington and Northern Virginia commuters.

Port

Port activity is sensitive to factors that affect world trade: the state of the economies abroad and currency markets, among other factors. Calendar year 2007 was another strong year for the Port of Baltimore. For the third consecutive year, the total foreign cargo exceeded the 30 million ton mark with 30.8 million tons, 0.7% above the 30.6 million tons handled during 2006. The Port also reached its all-time record in cargo value of $41.9 billion, 14.2% higher than the $36.7 billion in calendar 2006, which helped it maintain its standing as the 12th largest nationwide port for calendar 2007 in dollar value, and 14th largest nationwide in tonnage. In addition, the Port increased the number of vehicles exported in calendar 2007 by 14.2%, and, while not a major container port, the tonnage of containers also increased by 3.3%. For the Port, keeping the current level of activity will be challenging given the present state of the economy. Much will depend on the status of international foreign policies and the international economy.

Tourism and Travel Industry

The City continues to see positive signs as it relates to travel and tourism, particularly reflected in air and cruise boat travel. In calendar year 2007, about 21.0 million commercial passengers used Baltimore Washington International Thurgood

Marshall Airport, representing an increase of 1.7% compared to Calendar 2006. A total of 29 cruises originated from the Port in 2007 and four cruise ships made port call stops in Baltimore. The City experienced a 0.3% increase in the hotel occupancy rate, while the Baltimore area experienced a decline of 0.8%. The average occupancy rate during Calendar 2007 was 67.0% and 65.5% for the City and Baltimore area, respectively. The Baltimore Convention Center experienced an increase in the number of events held in Fiscal 2008, increasing to 171 from 166 in Fiscal 2007. However, the average attendance per event decreased from 3,283 in Fiscal 2007 to 2,898 in Fiscal 2008, or a decline of 11.7%. In August 2008, the new Convention Center Hotel opened its doors to the public, bringing 756 high-class rooms to the downtown inventory, and facilitating the increase in convention center bookings in coming years. Although bookings are on the rise related to the Baltimore Convention Center, the City remains cautious about the impact the national economic downturn on travel and tourism.

Office Development

During Fiscal 2008, the City experienced a stabilization of its office occupancy rates and rental rates. Important leasing contracts for office spaces in the City, such as those signed by the Maryland Insurance Administration, University of Maryland, and the law firm of Hogan & Hartson, with total inventory absorption of 170,151 square feet, has helped the City to keep a low vacancy rate and an average rental rate of $21.9 per square foot. Meanwhile, the Downtown market has continued tightening its vacancy rate to 11.7% and has maintained an average asking leasing rate of $22.6 per square foot during Fiscal 2008. As of the fourth quarter of Fiscal 2008, the City enjoys a 13.8% vacancy rate of its total inventory of 21,445,474 square feet, and experienced net inventory absorption of 333,467 square feet during the last six months of Fiscal 2008. The City currently has about 854,642 square feet of important leasing space under construction in Harbor East and Harbor Point.

FINANCIAL ACCOMPLISHMENTS

Providing a broad range of urban services with a limited tax base requires maximizing use of scarce resources and constant improvement to all aspects of financial management—treasury, budgeting, payroll, risk management, accounting and procurement. Selected highlights of financial management accomplishments in Fiscal 2008 follow:

- In May 2008 and October 2008, Standard and Poor's and Moody's Investors Service maintained Baltimore's general obligation bond ratings at AA- and Aa3, respectively.
- In accordance with the Department of Finance's Strategic Plan for Information Technology and Financial Systems (completed in calendar 2006), the Fiscal 2008 Capital Budget provided $5.0 million to implement a new general ledger financial system to replace the City's current 38-year-old legacy system. The new system will provide for more timely financial reporting and streamline the City's current accounts payable and accounts receivable systems. The new financial system is expected to be operational in February 2009. This is the latest in a series of system upgrades that include a new Human Resource Information System (HRIS), a new payroll system, a new procurement system, and a new integrated tax system that is under development.
- The Bureau of Purchases' new procurement system, CitiBuy, adds increased transparency and reporting capabilities to the City's procurement operation, and the procurement process has improved significantly as a result. Since its implementation in July 2007, average turnaround times for purchasing requisitions have been reduced and are generally meeting established benchmarks. Also, increased efficiency has boosted productivity and led to better customer service.
- The City has taken important steps to comply with GASB 45 on Other Postemployment 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, 2008 was $76.0 million. The City fully funded the Annual Required Contribution (ARC) for Fiscal Year 2008, which consisted of $101 million in pay-as-you-go costs for current benefits and $63 million in contributions above pay-as-you-go toward the ARC.
- The City has implemented various reforms within its Bureau of Revenue Collections aimed at reducing operational expenses, enhancing the efficiency of its payment processing operations, boosting collections and improving customer service. These efforts include new vendor contracts for internet and telephone credit card payment processing services with lower fees than were previously passed on to customers, a new option for paying City bills via electronic debit from a checking account with no fees, a new arrangement with a collection agency for the collection of delinquent parking fines, a reorganized Bureau of Revenue Collections, and new tools for quality control and accountability within the customer service units.

- The City continues to focus on Workers' Compensation reform by holding managers throughout City government accountable for the timely reporting of claims and for the prevention of on-the-job injuries. The City reduced the number of Workers' Compensation claims filed by 20 percent in Fiscal 2008 compared to Fiscal 2002 (4,905 claims in Fiscal 2002 versus 3,900 in Fiscal 2008). Claim payments made for all claims have decreased by 10% since Fiscal 2004 ($48 million in Fiscal 2004 versus $43 million in Fiscal 2008). In addition, by working aggressively to settle old claims and to maintain a closure ratio (ratio of new claims opened to claims closed) of at least 100%, the City has reduced its inventory of open claims by 87 percent since Fiscal 2002 (25,232 open claims in Fiscal 2002 versus 3,258 for Fiscal 2008). Furthermore, the percentage of Workers Compensation claims that were reported to the claims administrator within five days from the date of incident increased from 50 percent in Fiscal 2004 to 88 percent in Fiscal 2008.

The positive outcome of effective financial management is evident in the City's General Fund Balance position, which continued to improve substantially in Fiscal 2008. An additional $4.1 million was added to the budget stabilization fund, which, at June 30, 2008, had a balance of $92.5 million. When combined with the undesignated unreserved fund balance of $13.5 million, the total of $106.0 million comprises about 8.3% of General Fund revenues, a positive reflection of the strength of the City's balance sheet.

MAJOR INITIATIVES AND ACCOMPLISHMENTS

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

The following sections will highlight key Fiscal 2008 actions and accomplishments towards meeting the Administration's five major objectives.

Objective 1: Make Baltimore a safe and healthier city

Crime Reduction

Making Baltimore safer is one key component to increasing Baltimore's population, promoting economic growth, and creating and retaining jobs. In calendar 2008, Baltimore continued to reduce crime. The reductions in homicides and shootings are unprecedented. The strategies developed by Mayor Dixon and the Baltimore Police Department have significantly reduced homicides and shootings since July 2007. Homicides are down 22.0% and shootings are down 26.0% when comparing Fiscal 2007 to 2008.

Gun Task Force

Established on June 1, 2007, the Gun Tracing Task Force (GTTF), made up of members of the Baltimore Police Department, Maryland State Police, and Bureau of Alcohol, Tobacco and Firearms (ATF), suppresses gun trafficking and unlawful firearms possession by targeting straw purchasers and gun dealers who fail to comply with state and federal laws. During Fiscal 2008, the GTTF executed 82 search and seizure warrants, seized or recovered 356 guns and made 55 arrests, 41 of which included a handgun violation charge.

Violent Crime Impact Division

In calendar 2007, the Police Department's Organized Crime Division was reorganized and restructured. The new Violent Crime Impact Division's (VCID) detectives target the most violent offenders. This new focus has resulted in significant crime reductions in the geographic areas where VCID is present. Compared to the same period of 2007 (January 1 through August 9), the VCID increased overall arrests by 164%, guns seized/recovered by 16.8%, felony drug narcotic arrests by 199% and misdemeanor narcotic arrests by 412%. It also seized or recovered nearly $23.0 million in cash, an increase of 475%.

Citizens on Patrol

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 Fiscal 2008, the Mayor's Office of Criminal Justice received a

$50,000 supplemental appropriation to fund the Citizens on Patrol (COP) Community Grants Program. 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.

Operation PROTECT

The Baltimore Police Department partners with other City agencies and community groups to implement a neighborhood stabilization strategy that expands upon the award winning Community Safe Zone project. Operation PROTECT seeks to prevent drug related violence, restore community stability, and promote police/community relations in targeted distressed neighborhoods. Operation PROTECT is placed operationally into targeted neighborhoods for six-week cycles. In 2007 and 2008, there have been 11 Safe Zone/PROTECT Block Parties. These parties bring the neighborhood within the PROTECT zone together for a Community Day/Block Party, with entertainment, activities for youth and information and resources for residents.

Adopt-A-Block

Established in July 2007 through a $100,000 federal grant, the Adopt-A-Block Program aims to accomplish a partnership between officers on the street, local businesses, and citizens in the neighborhood. The program assigns an officer to target blocks in each of the nine districts. That officer is responsible for foot patrols and establishing community relations with business owners and citizens, with the goal of strengthening community trust and gaining intelligence on the criminal element in the area. Officers involved in the program submit a bi-weekly report to the District Commander and the Chief of Patrol, who monitor the progress made in each block. In 2008, the Chief of Patrol Office hosted seven Adopt-A-Block Events. All of the events were a success and resulted in positive community engagement.

Operation Safe Kids

The Health Department's Operation Safe Kids (OSK) program provides intensive case management to high-risk juvenile offenders between the ages of 13 and 18. In Spring 2007, OSK began a new initiative, OSK Court, to address the needs of juvenile youth who are at risk of being placed outside of the home. OSK has worked in collaboration with the State's Attorney and Public Defender's Offices, Department of Juvenile Services and the Juvenile Court to implement this program. Twenty-three youth are enrolled in the OSK court initiative at this time. OSK has the capacity to serve 120 youth. Since its inception, the program has completed two quantitative evaluations. In both of these analyses, the primary outcome measure was the rate of re-arrest. Data showed that OSK participants in 2005 and 2006 had 33.0% to 43.0% fewer arrests in the year following program entry than in the year prior to program entry.

Safe Streets

Safe Streets is a community mobilization and outreach program focused on reducing shootings and homicides in the City. This intervention targets at-risk youth, aged 14 to 25 years. Safe Streets replicates CeaseFire Chicago. The CeaseFire model is based on five core components: community coalition building, street outreach to at-risk youth, public education, clergy involvement, and law enforcement collaboration. The model relies on 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 Police Department, Safe Streets includes a strong public campaign to provide the message that shootings and violence are unacceptable in our communities. The City currently has two Safe Streets zones being implemented by the Living Classrooms Foundation and is planning to begin a third Safe Streets zone in the Fall 2008. In January 2008, Mayor Dixon committed $1.0 million in City funds to reach a $2.0 million fundraising goal to expand and extend the Safe Street effort through June 2009. As of July 2008, $1.7 million had been raised.

Objective 2: Make Baltimore a cleaner and greener city

Energy Office

The City's Energy Office has been instrumental in reducing energy costs throughout the City. The City has implemented energy saving measures in municipal and public school buildings, replaced traffic light bulbs with LEDs, and utilized the bio-gas at the Back River Waste Water Treatment Plant, which was previously considered waste, to provide more than 30%

of that facility's energy needs. The Back River project has received national recognition for clean energy innovation. These kinds of investments are paying for themselves through energy savings and generate additional savings for the City in the long term, particularly as energy costs rise.

Solid Waste Initiatives

On January 8, 2008, the Department of Public Works (DPW), Bureau of Solid Waste, instituted a citywide single stream recycling program whereby paper, plastic, glass, bottles and jars are now placed in one container and collected on the former paper recycling day. The results have been immediate with a 26% increase in residential recycling tonnage through September 2008; reduced route time and operating costs; and increased recycling participation in areas of the City that previously had very low participation.

Other initiatives include increased mechanical street sweeping operations to clean an additional 320 miles of streets each week; now approximately 3,200 miles of roadway are cleaned every two weeks. Also, Solid Waste added over 700 new public trashcans and dedicated collection crews to maintain the cans along the most heavily traveled corridors. Response times have been improved with the establishment of a proactive seven-day graffiti removal operation along all major gateways and a reduction to the response time for cleaning dirty alleys, backyards and lots from 21 to 14 days.

Baltimore City's Sustainability Plan

Baltimore City's Office of Sustainability and a Sustainability Commission was created in 2008. Sustainability is defined as "Meeting the environmental, social and economic needs of Baltimore without compromising the ability of future generations to meet these needs." The Sustainability Commission is working with the office to develop Baltimore's Sustainability Plan by the end of calendar 2008. The purpose of the plan is to engage the Baltimore community in a comprehensive discussion on sustainability; inventory existing programs, organizations and resources; articulate and prioritize sustainability goals for the community; and serve as a roadmap for future legislation, public/private partnership, programs and educational campaigns.

Environmentally Friendly Fleet

The City is committed to deploying a more environmentally friendly fleet of vehicles. In a joint effort with the Maryland Department of the Environment, the City has obtained EPA grant funding for exhaust reduction equipment. This equipment is retrofitted to a vehicle's exhaust system to achieve a significant reduction in overall air pollutants generated by diesel engines. To date, 63 Fire Department vehicles have been modified for a 36.6% reduction in emissions contaminants (the first project of its kind in the nation). In addition, 26 dump trucks from multiple agencies and 106 of the Bureau of Solid Waste's load packers have been modified for a 30.0% reduction in emissions contaminants.

Objective 3: Increase educational, cultural and recreational opportunities for children

After School/Home Visiting Programs

The Fiscal 2009 budget maintains a $6.5 million commitment to after school and community school programs that the City began with the use of supplemental appropriations derived from General Fund surpluses in Fiscal 2005 and 2006. In addition, $1.0 million is included to pay for pre-natal and post-natal home visits and $250,000 to fund the Experience Corps program.

Summer Jobs for Youth

In 2008, approximately 6,800 youth ages 14-21 were employed in a variety of public and private sector settings, including City agencies and local nonprofit organizations or special community-based projects. The summer program surpassed its goal of placing at least 6,500 Baltimore City youth in summer jobs, which represented an increase of 20% from the participation in the summer of 2007.

Creative Baltimore Fund/Free Fall Baltimore

The Creative Baltimore Program is a competitive grant award program that streamlines and makes more transparent and equitable the process by which cultural organizations serving Baltimore receive City funding. For the second year in a row in Fiscal 2008, the City provided funds to contribute toward free admissions at the Baltimore Museum of Art and the Walters Art Museum.

Objective 4: Strengthen Baltimore's economy by increasing the tax base, jobs and minority business opportunities

Blue Ribbon Commission on City Taxes

As one of her first acts upon taking office, Mayor Dixon appointed a broad-based Blue Ribbon Commission of 30 community leaders, business people, and elected officials to study and recommend options for realigning the City property tax rate and fee structure for the purpose of reducing the property tax rate and making the City more competitive with surrounding jurisdictions. The Administration is actively pursuing several of the Committee's recommendations, including a comprehensive fee study and a vacant housing strategy, and continuing to consider the other recommendations.

East Baltimore Development Initiative (EBDI)

The City, through EBDI, 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. The single largest redevelopment effort in the City is expected to generate over 8,000 new jobs and produce over 2,000 units of mixed-income housing. Phase I of this effort consists of 31 acres, which is anchored by a Science and Technology Park. The first biotechnology building opened in May 2008. The Phase 1 development area also includes three rental and two homeownership communities, which opened in 2007 and are fully leased.

Minority Business Opportunities

As a result of the Administration's efforts to create business opportunities for minority-owned and women-owned firms, the Board of Estimates contract awards to minority-owned and women-owned businesses more than tripled from $44.7 million in 2000 to $137.5 million in calendar 2007. In this time, the City has awarded 140 contracts of $1.0 million or more to minority-owned and women-owned businesses. More importantly, a large number of minority-owned and women-owned enterprises are developing equity stakes in major development projects in the City. Four major construction projects, with a total development cost of $359.5 million, have had a minority business enterprise equity ownership interest of more than half since 2000. Currently, more than half (53.0%) of Baltimore Development Corporation (BDC) projects that receive support from the City include minority ownership.

Objective 5: Create stable and healthy neighborhoods

Affordable Housing Program

Initiated in calendar 2006, the Baltimore City Affordable Housing Program (AHP) provides for acquisition and demolition of real property, the relocation of households and businesses from acquired properties and the creation of financial incentives for rental and sale housing. The program is designed to help transform entire blocks, clusters of blocks or whole neighborhoods. It is intended to serve working families and other low and moderate-income households and to promote economic diversity in City neighborhoods through mixed income redevelopment. The funding for the program is $59.8 million over the five-year period from Fiscal 2006 through Fiscal 2010. This fund targets neighborhoods throughout the City and has subsidized the first new homes built in the Oliver community in 50 years, the redevelopment of Claremont Homes and Freedom Village as Orchard Ridge and the demolition of the former Uplands Apartments. Through the efforts of the AHP, Baltimore Housing expects to realize 1,043 affordable rental units and 916 affordable homeownership units.

Operation Orange Cone

In calendar 2007, the Department of Transportation was challenged to find new ways of coordinating its resources to make road construction more efficient. The result – known as Operation Orange cone – has led to a record amount of road resurfacing throughout the City. In calendar 2007, the City paved 139 lane miles. In calendar 2008, the City is on track toward completing the goal of repaving 200 lane miles, representing the most significant capital improvement in years and the most substantial paving project ever.

10-Year Plan to End Homelessness

In January 2008, the Dixon Administration released its 10-Year Plan to End Homelessness. The culmination of work by hundreds of participants, including leaders from the nonprofit, business and philanthropic communities, housing developers, service providers, advocates and formerly homeless individuals, the plan has raised visibility and support for new strategies designed to end homelessness by 2018.

Objective 6: Manage City government efficiently and effectively

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. During bi-weekly CitiStat sessions, the Mayor's Office and the City's operating agencies work together to formulate effective tactics and strategies to improve government services and address problems. In addition to assessing individual agency performance, the Mayor has encouraged inter-agency cooperation to tackle some of the City's largest problems. Two examples of agencies working together towards a common goal include GunStat and CleanStat. GunStat, active since May 2007, is a collaboration among law enforcement, prosecution and supervisory agencies that meets bi-weekly to prioritize felony gun cases. CleanStat is an inter-agency meeting focused on cleaning Baltimore through coordination among the Mayor's Office, the Department of Public Work's Bureau of Solid Waste, and the Department of Housing and Community Development's Code Enforcement section and the Department of Transportation Maintenance.

Innovation Bank

In May 2008, Mayor Dixon announced the creation of the Innovation Bank to harness the ingenuity of the City's workforce by seeking their ideas for improving government operations in a consistent and constructive form. City employees can submit their ideas for organizational improvement to the Innovation Bank committee, which judges these ideas and announces quarterly and annual awards for the best submissions. The goal is to make Baltimore City government more effective, efficient and customer friendly.

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, 2007.

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

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

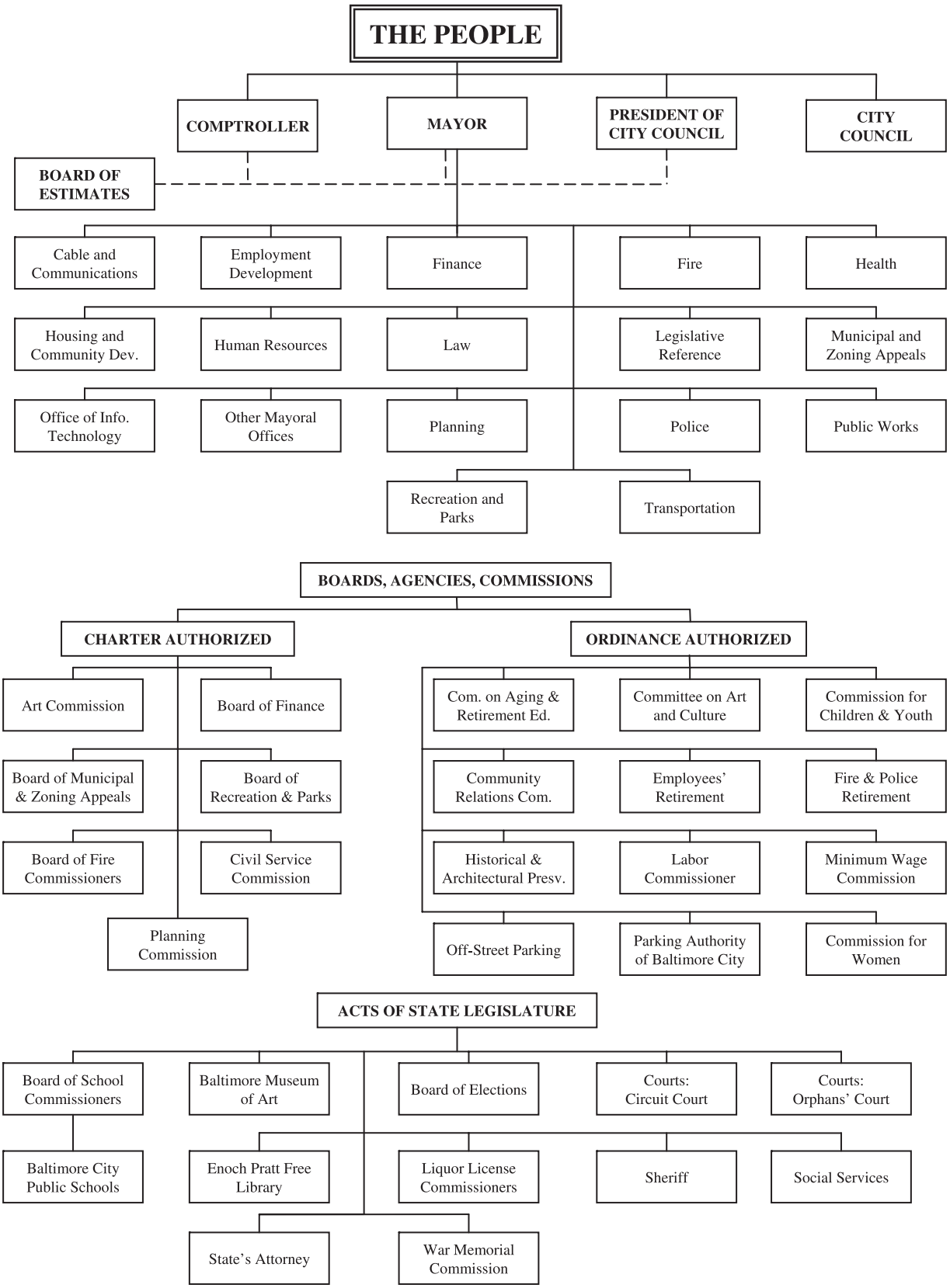
The preparation of this annual report could not have been accomplished without the efficient and dedicated services of the entire staff of the Bureau of Accounting and Payroll Services of the Department of Finance. We wish to express our appreciation to all members of the Bureau who assisted and contributed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

Respectfully submitted,

Sheila Dixon
Mayor

Edward J. Gallagher
Director of Finance

MUNICIPAL ORGANIZATION CHART



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Baltimore, Maryland

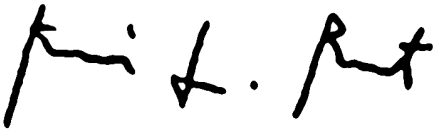
For its Comprehensive Annual

Financial Report

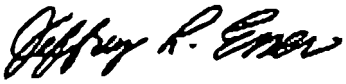
for the Fiscal Year Ended

June 30, 2007

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
SHEILA DIXON
Mayor

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

ERNST & YOUNG
621 E. Pratt Street
Baltimore, Maryland 21202

December 23, 2008

Report of Independent Auditors

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

We have jointly audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Baltimore, Maryland, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Baltimore, Maryland's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not jointly audit the financial statements of the Pension Trust Funds, the Baltimore City Public School System and the Baltimore Hotel Corporation component units. The financial statements of the Pension Trust Funds were audited by the City Auditor acting separately, and the Baltimore City Public School System and the Baltimore Hotel Corporation were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Pension Trust Funds, the Baltimore City Public School System and the Baltimore Hotel Corporation, are based solely on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Baltimore, Maryland, as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States.

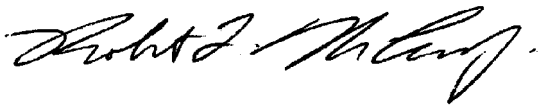
As discussed in Notes 9, 12 and 13, the City adopted certain required provisions of Governmental Accounting Standards Board (GASB) Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, GASB Statement No. 50, *Pension Disclosures*, and GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2008, on our consideration of the City of Baltimore, Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing,

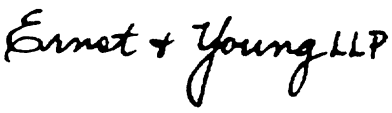
and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 15, and the additional required supplementary information on pages 70 through 73, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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



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



Ernst & Young LLP
Independent Auditors

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Baltimore's (the 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, 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

FINANCIAL HIGHLIGHTS

The assets of the City exceeded its liabilities at the close of the most recent fiscal year by $4.4 billion (net assets). This amount includes $244.6 million (restricted net assets) and is net of an unrestricted deficit of $149.6 million. During the fiscal year, the City's total net assets increased by $42.8 million.

As of June 30, 2008, the City's governmental funds reported combined ending fund balances of $353.8 million. At the close of the current fiscal year, unreserved fund balance for the general fund was $33.6 million or 2.7% of total general fund expenditures of $1.2 billion.

The City's total long-term debt increased by $107.6 million, during the current fiscal year. The key factors in this increase were issuances of $80.7 million in general obligation bonds and the issuance of $66.9 million in special obligation bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The City's basic financial statements comprise three components:

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

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

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

Financial Report Layout and Structure

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

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

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

C A F R					
	Introductory Section				
	Financial Section				
		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 Cash Flows	Statement of Changes in Fiduciary Net Assets
		Statement of Activities			
		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 also audited, as did the Baltimore Hotel Corporation.

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 propriety fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Fiduciary funds

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

Notes to the Basic Financial Statements

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

Required Supplementary Information and Combining and Individual Fund Statements and Schedules

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

Statistical Section

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Primary Government)

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

CITY OF BALTIMORE

Net Assets

(Expressed in Thousands)

	Governmental activities		Business-type activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	$1,306,819	$1,323,709	$ 653,083	$ 675,504	$1,959,902	$1,999,213
Capital assets, net	3,548,171	3,420,879	2,384,745	2,216,814	5,932,916	5,637,693
Total assets	4,854,990	4,744,588	3,037,828	2,892,318	7,892,818	7,636,906
Long-term liabilities outstanding	1,373,190	1,275,212	1,248,104	1,188,576	2,621,294	2,463,788
Other liabilities	725,370	708,287	116,331	108,092	841,701	816,379
Total liabilities	2,098,560	1,983,499	1,364,435	1,296,668	3,462,995	3,280,167
Net assets:						
Invested in capital assets, net of related debt	3,138,558	2,622,303	1,196,193	1,088,511	4,334,751	3,710,814
Restricted	13,250	26,516	231,382	369,069	244,632	395,585
Unrestricted	(395,378)	112,270	245,818	138,070	(149,560)	250,340
Total net assets	$2,756,430	$2,761,089	$1,673,393	$1,595,650	$4,429,823	$4,356,739

Analysis of Net Assets

As noted earlier, net assets may serve as a useful indicator of the City's financial position. For the City, assets exceeded liabilities by $4.4 billion at the close of the current fiscal year. The City's net assets include its investment of $5.9 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, $245.8 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance is a deficit in unrestricted net assets of $149.6 million.

CITY OF BALTIMORE

Changes in Net Assets

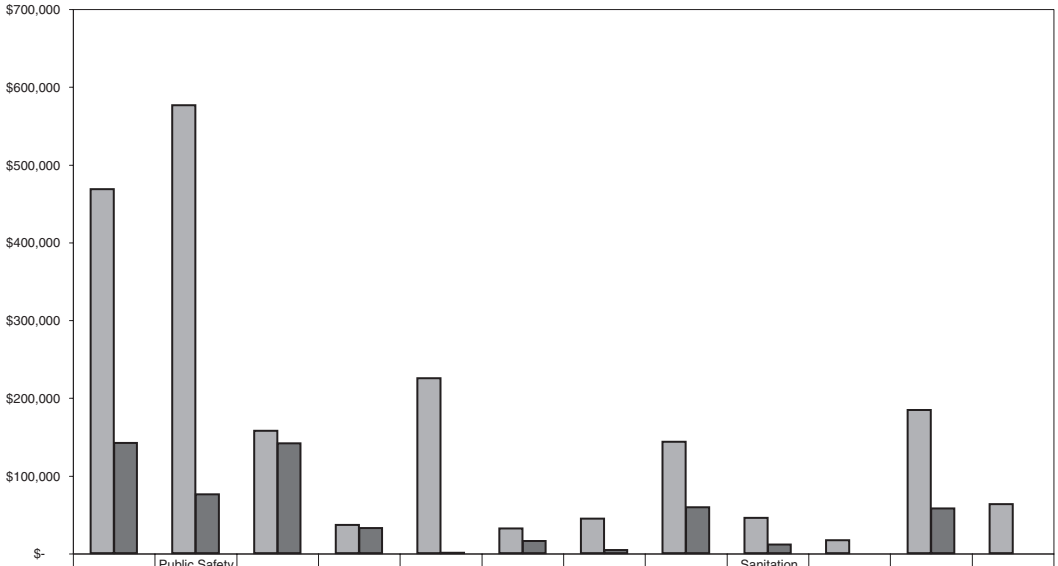
(Expressed in Thousands)

	Governmental activities		Business-type activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	$ 99,185	$ 93,046	$ 370,752	$ 337,818	$ 469,937	$ 430,864
Operating grants and contributions	386,972	382,316			386,972	382,316
Capital grants and contributions	51,559	48,085	40,928	78,032	92,487	126,117
General revenues:						
Property taxes	626,420	592,065			626,420	592,065
Income taxes	267,625	243,611			267,625	243,611
State shared revenue	213,899	226,692			213,899	226,692
Transfer and recordation tax	75,682	105,383			75,682	105,383
Electric and gas tax	27,726	18,654			27,726	18,654
Telecommunications tax	28,705	29,537			28,705	29,537
Admission	9,775	9,188			9,775	9,188
Other	126,202	131,040			126,202	131,040
Total revenues	1,913,750	1,879,617	411,680	415,850	2,325,430	2,295,467
Expenses:						
General government	468,113	452,353			468,113	452,353
Public safety and regulation	575,859	536,508			575,859	536,508
Conservation of health	157,549	104,879			157,549	104,879
Social services	36,202	2,252			36,202	2,252
Education	224,830	227,377			224,830	227,377
Public library	31,736	24,006			31,736	24,006
Recreation and culture	44,295	42,420			44,295	42,420
Highways and streets	143,340	122,212			143,340	122,212
Sanitation and waste removal	45,366	44,169			45,366	44,169
Public service	16,769	15,141			16,769	15,141
Economic development	184,286	145,160			184,286	145,160
Interest	63,070	58,327			63,070	58,327
Water			105,882	95,576	105,882	95,576
Waste water			145,611	131,610	145,611	131,610
Parking			20,317	16,520	20,317	16,520
Conduits			11,207	5,937	11,207	5,937
Development loans			4,900	3,033	4,900	3,033
Industrial development			3,339	3,687	3,339	3,687
Total expenses	1,991,415	1,774,804	291,256	256,363	2,282,671	2,031,167
Increase (decrease) in net assets before transfers	(77,665)	104,813	120,424	159,487	42,759	264,300
Transfers:						
Transfers in (out)	42,681	33,870	(42,681)	(33,870)		
Change in net assets	(34,984)	138,683	77,743	125,617	42,759	264,300
Net assets — beginning restated	2,791,414	2,622,406	1,595,650	1,470,033	4,387,064	4,092,439
Net assets — ending	$2,756,430	$2,761,089	$1,673,393	$1,595,650	$4,429,823	$4,356,739

Analysis of Changes in Net Assets

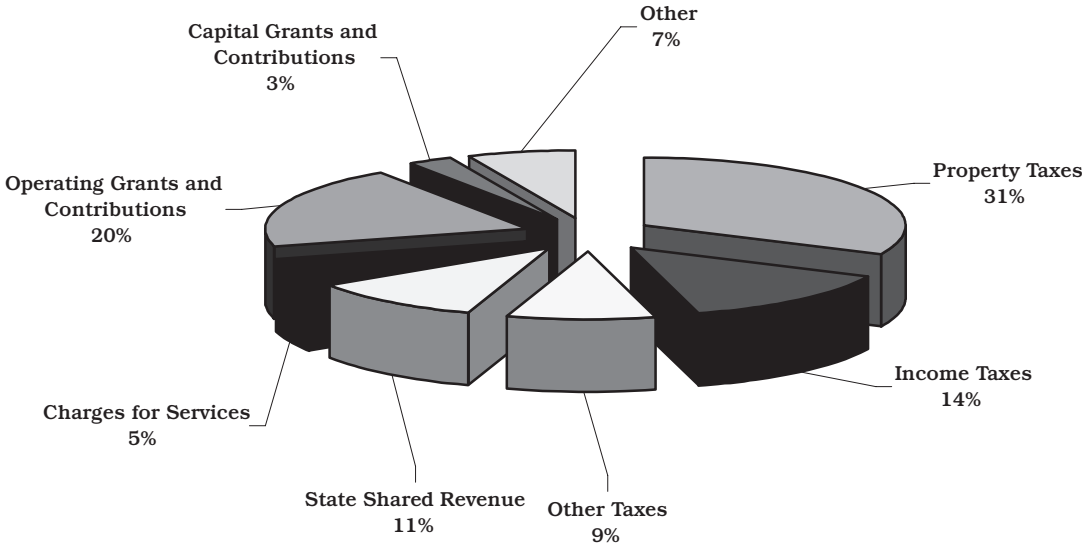
The overall increase in the City's net assets amounted to $42.8 million during the current fiscal year. These changes are explained in the government and business-type activities discussion below.

Expenses and Program Revenues — Governmental Activities



	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	Interest
Expenses	$468,113	$575,859	$157,549	$36,202	$224,830	$31,736	$44,295	$143,340	$45,366	$16,769	$184,286	$63,070
Program Rev	$141,580	$75,520	$140,960	$32,145	$438	$15,594	$4,174	$58,831	$11,030		$57,444	

Revenues By Source — Governmental Activities



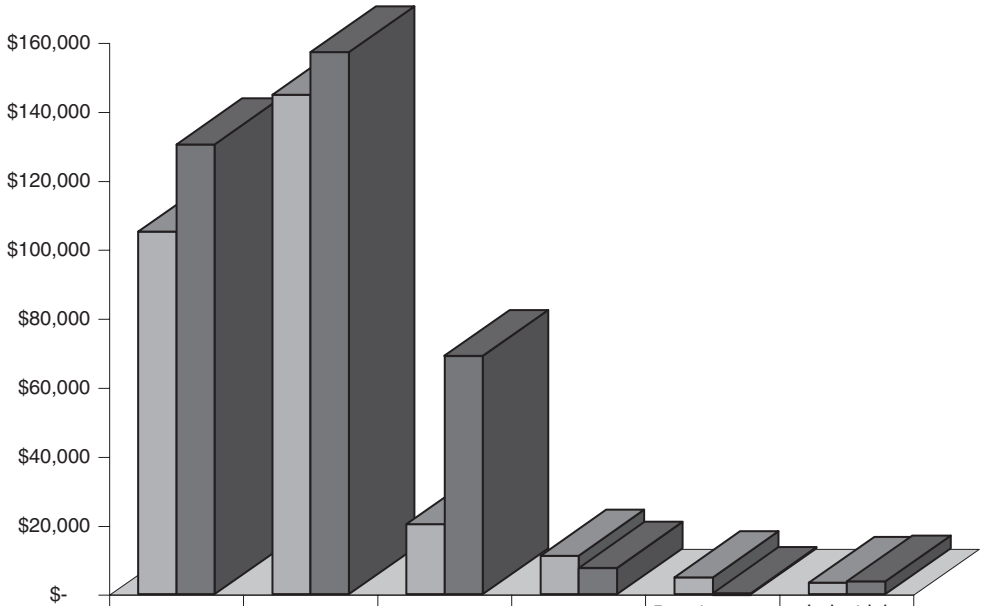
Governmental activities

During the current fiscal year, expenses related to governmental activities amounted to $2.0 billion, this is more than revenues by $77.7 million. Total revenue of $1.9 billion is comprised of program revenues totaling $537.7 million, or 28.3%, and general revenues of $1.4 billion, or 71.7%. 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 2008, governmental activities revenues increased by $34.1 million. The growth in revenue is attributable to the continued growth in the assessed value of city property and the associated increase in property tax revenues. This growth is demonstrated by the fact that actual city assessed value increased by $3.6 billion from fiscal year 2007 to fiscal year 2008.

Governmental expenses increased $216.6 million during fiscal year 2008. This increase is primarily attributable to increase in general government, public safety, conservation of health, and economic development in the amounts of $15.8 million, $39.3 million, $52.7 million and $39.1 million, respectively. The general government increase is attributable to built in salary, retirement and health care expenses. Increases in public safety continues to reflect the city's commitment to reduce crime. Increases in conservation of health spending are attributable to increased aid from the Federal and State governments as reflected by the increase of $18.3 million in additional grants revenue for health. Economic Development increases are a reflection of the continued development of the City's neighborhoods, in particular the development in the neighborhoods surrounding Johns Hopkins Hospital.

Expenses and Program Revenues—Business-type Activities



	Water	Waste Water	Parking	Conduits	Development Loans	Industrial Development
Expenses	$105,882	$145,611	$20,317	$11,207	$4,900	$3,339
Charges for Services	$131,233	$157,974	$69,868	$7,603	$363	$3,711

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 $370.8 million. Expenses and transfers for these activities totaled $333.9 million and resulted in an increase in net assets of $36.9 million.

Operating revenues increased by $32.9 million in fiscal year 2008 in the Water and Waste Water Utility Funds. The increase in revenues is attributable to 9% rate increases in both fiscal years 2007 and 2008. The rate increases are driven in both funds by the need to generate capital to comply with various environmental regulations. Accordingly, capital assets increased by $162.7 million as a result of the two utilities funds' efforts to build environmentally sound facilities.

Increases in capital assets in the Parking Facilities Fund of $5.9 million are part of the fund's effort to upgrade existing facilities and the City's effort to replace existing parking meters with more advanced electronic meters.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the City's financing requirements. In particular, an unreserved fund balance may serve as a useful measure of a City's net resources available for spending at the end of the fiscal year. Types of major governmental funds reported by the City include the General Fund, Motor Vehicle Fund, Grants Revenue Fund, and Capital Projects Fund. Data from the remaining governmental funds are combined into a single, aggregated presentation as Other Funds.

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

For the Fiscal Years 2008 and 2007

(Expressed in Thousands)

	2008	2007	Variance Amount
Revenues:			
General fund:			
Property taxes	$ 626,420	$ 592,065	$ 34,355
Income taxes	267,625	243,611	24,014
Other local — taxes	180,189	204,685	(24,496)
Total local taxes	1,074,234	1,040,361	33,873
Licenses and permits	34,717	32,784	1,933
Interest, rentals, and other investment income	38,602	34,047	4,555
State grants	101,235	98,120	3,115
Other	62,648	53,283	9,365
Total revenues — general fund	1,311,436	1,258,595	52,841
Other governmental funds:			
Motor vehicle fund	232,716	244,316	(11,600)
Grants revenue fund	231,047	258,288	(27,241)
Capital projects fund	65,129	66,341	(1,212)
Other funds	36,696	55,941	(19,245)
Total revenues other governmental funds	565,588	624,886	(59,298)
Total revenues all governmental funds	1,877,024	1,883,481	(6,457)
Expenditures:			
General fund:			
General government	368,022	337,700	30,322
Public safety and regulation	475,629	446,072	29,557
Conservation of health	29,371	28,948	423
Social services	4,498	3,007	1,491
Education	205,858	206,016	(158)
Public library	24,253	23,135	1,118
Recreation and culture	37,707	34,568	3,139
Highways and streets	720	484	236
Sanitation and waste removal	40,032	39,754	278
Public service	13,259	12,210	1,049
Economic development	39,616	30,440	9,176
Total expenditures — general fund	1,238,965	1,162,334	76,631
Other governmental funds:			
Motor vehicle fund	175,354	164,419	10,935
Grants revenue fund	259,387	257,756	1,631
Capital projects fund	317,031	246,775	70,256
Other funds	122,053	124,497	(2,444)
Total expenditures other governmental funds	873,825	793,447	80,378
Total expenditures all governmental funds	2,112,790	1,955,781	157,009
Excess of expenditures over revenue	(235,766)	(72,300)	(163,466)
Other financing sources:			
Transfers, net	36,044	20,694	15,350
Capital Projects Fund:			
Capital leases	7,372	25,447	(18,075)
Face value of federal loans	7,775		7,775
Face value of funding and refunding general obligation bonds	80,730	51,915	28,815
Face value of transportation revenue bonds		30,000	(30,000)
Proceeds from sale of TIFS	66,409		66,409
Total other financing sources	198,330	128,056	70,274
Net changes in fund balances	(37,436)	55,756	(93,192)
Fund balances beginning restated	391,214	305,133	86,081
Fund balances ending	$ 353,778	$ 360,889	$ (7,111)

Revenues for governmental functions overall totaled approximately $1.9 billion in the fiscal year ended June 30, 2008, which represents a decrease of 0.3% from the fiscal year ended June 30, 2007. Expenditures for governmental functions, totaling $2.1 billion, increased by approximately 8.0% from the fiscal year ended June 30, 2007. In the fiscal year ended June 30, 2008, expenditures for governmental functions exceeded revenues by $235.8 million, or 12.0%.

The General Fund is the chief operating fund of the City. Revenues in the General Fund increased by $52.8 million over last fiscal year. The primary factor in this increase was the continued growth in local taxes, which increased by $33.9 million. Property taxes increased by $34.4 million as a result of low interest rates driving continued growth in the housing market across the region. Income taxes increased by $24.0 million as a result of the improving economy. Other local taxes decreased by $24.5 million. Expenditures in the General Fund grew by $76.6 million.

The primary areas of increase in general fund expenditures were in General Government, Public Safety, and Public Buildings and School Maintenance.

- *General Government* expenditures increased by $30.3 million as a result of the City's increased contributions to employee retirement and benefit programs.
- *Public Safety* expenditures increased by $29.6 million as a result of overtime for both police officers and fire fighters reflecting the City's commitment to the safety of its citizens.
- *Public Buildings and School Maintenance* expenditures largely reflected increased costs of upgrading and maintaining the City's aging buildings.

At the end of the current fiscal year, the unreserved undesignated fund balance of the General Fund was $13.5 million, while total fund balance was $214.4 million. The fund balance in the City's General Fund decreased by $10.6 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 $232.7 million were more than outlays of $175.4 million by $57.3 million. The fund balance decreased from $14.9 million to $10.2 million during the fiscal year, of which $1.6 million was unreserved and undesignated.

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

The Capital Projects Fund is used to account for the overall financing and expenditures of uncompleted projects. The fund balance of $174.8 million represent authorized projects which are still in progress.

Proprietary Funds

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

	(Expressed in Thousands)					
	Water and Waste Water Utility Funds		Parking Facility Fund		Nonmajor Other Funds	
	2008	2007	2008	2007	2008	2007
Operating revenue	$289,207	$262,514	$ 69,868	$ 62,706	$11,677	$12,598
Operating expenses	239,765	229,186	11,692	9,579	19,367	12,982
Operating income	49,442	33,328	58,176	53,127	(7,690)	(384)
Non operating revenues (expenses), capital contributions, and transfers	32,926	70,440	(50,172)	(41,393)	(1,118)	1,676
Change in net assets	$ 82,368	$103,768	$ 8,004	$ 11,734	$ (8,808)	$ 1,292

As discussed in the Business-type activities section, both the Water and Waste Water Utilities Funds experienced operating revenue increases in fiscal year 2008. These increases are attributable to 9% rate increases in both fiscal years 2006 and 2007. Expenses in both funds have increased primarily due to increased energy and labor costs.

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

General Fund budgetary highlights

CITY OF BALTIMORE
Schedule of Revenues, Expenditures and Encumbrances
and Changes in Fund Balance — Budget and Actual
Budgetary Basis — General Fund
For the Year Ended June 30, 2008

(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance With Original Budget Positive (Negative)	Variance With Final Budget Positive
Total revenues	$1,269,486	$1,280,407	$1,310,046	$ 40,560	$29,639
Expenditures and encumbrances:					
General government	373,796	375,438	369,984	3,812	5,454
Public safety and regulation	464,807	475,873	474,891	(10,084)	982
Conservation of health	30,750	32,134	31,258	(508)	876
Social services	4,435	4,435	4,380	55	55
Education	205,802	205,802	205,802		
Public library	22,542	22,542	22,491	51	51
Recreation and culture	37,497	37,497	37,418	79	79
Highways and streets	698	698	698		
Sanitation and waste removal	39,596	39,346	39,068	528	278
Public service	15,043	15,043	15,043		
Economic development	38,454	39,666	39,342	(888)	324
Total expenditures	1,233,420	1,248,474	1,240,375	$ (6,955)	$ 8,099
Excess of revenues over expenditures and encumbrances	36,066	31,933	69,671		
Other financing uses:					
Transfers in	39,669	39,669	40,246		
Transfers out	(142,171)	(142,171)	(153,574)		
Total other financing uses	(102,502)	(102,502)	(113,328)		
Net changes in fund balances	(66,436)	(70,569)	(43,657)		
Fund balances beginning (as restated)	211,561	211,561	211,561		
Fund balances ending	$ 145,125	$ 140,992	167,904		
Adjustments to reconcile to GAAP basis:					
Addition of encumbrances outstanding			57,050		
Less: Accounts payable not recorded for budgetary purposes			(10,531)		
Fund balance June 30, 2008 - GAAP Basis			$ 214,423		

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 $15.0 million were approved, all of which were approved from prior year surplus or from unexpected increases in revenue sources. Actual expenditures for the year exceeded the original budget by $6.9 million, but were $8.0 million less than adjusted appropriations. Of this amount, $7.8 million was related to five governmental activities: lower than budgeted cost for public safety operations amounted to $1.0 million; lower than budgeted cost for general government operations amounted to $5.5 million; lower than budgeted cost for economic development operations amounted to $0.3 million, lower than budgeted cost for conservation of health operations amounted to $0.9 million, and lower than budgeted cost for recreation and culture amounted to $0.1 million.

On a budgetary basis, revenue for fiscal year 2008 totaled $1,310.0 million and expenditures and transfers totaled $1,353.7 million. The excess of revenues over expenditures resulted in a budget basis fund balance at June 30, 2008 of $167.9 million, a decrease of $43.7 million. In creating its budget for the fiscal year ended June 30, 2008, the City used $20.2 million of this fund balance for subsequent year's expenditures.

Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2008, amount to $5.9 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 5.0% (a 3.6% increase for governmental activities and a 7.0% increase for business-type activities) as shown in the table which follows.

Capital Assets, Net of Depreciation

(Expressed in Thousands)

	Governmental activities		Business-type activities		Total	
	2008	2007	2008	2007	2008	2007
Land	$ 142,202	$ 142,202	$ 23,846	$ 23,846	$ 166,048	$ 166,048
Buildings and Improvements	670,979	606,177	1,178,717	1,200,157	1,849,696	1,806,334
Machinery and Equipment	121,239	111,668	33,262	33,951	154,501	145,619
Infrastructure	1,215,737	1,261,886	36,162	36,841	1,251,899	1,298,727
Library Books	29,321	29,100			29,321	29,100
Construction in Progress	1,368,693	1,269,846	1,112,758	922,019	2,481,451	2,191,865
Total	$3,548,171	$3,420,879	$2,384,745	$2,216,814	$5,932,916	$5,637,693

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, $648.8 million was general obligation bonds backed by the full faith and credit of the City, $401.4 million was revenue bonds for governmental activity at the Convention Center, the Convention Center Hotel, for various stormwater projects and transportation bonds, and $1.4 billion was revenue bonds related to commercial business activity. The remainder includes revenue bonds, and other obligations of City business and governmental activities.

The City's debt increased by $166.4 million during the current year. The major factors in the increase are the issuance of $82.7 million in General Obligation Bonds, $28.7 million in Revenue Bonds, and $66.9 million in special obligation bonds.

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

	FY 2008	FY 2007
Net general bonded debt (Expressed in thousands)	$563,954	$579,654
Net general bonded debt per capita (Rounded to nearest dollar)	N/A	909.33
Ratio of net general bonded debt to net assessed value	1.9%	2.3%

See note number 7 on long-term obligations.
N/A Information not available

As of June 30, 2008, the City had $646.5 million in authorized, outstanding property tax-supported general obligation bonds. This amount is reduced by net assets in the Debt Service Fund of $82.6 million for net tax-supported bonded debt of $563.9 million, which is equal to approximately 1.92% of the assessed value of property (net of exemptions). There are an additional $202.2 million in bonds that are authorized, but unissued.

Economic Factors and Next Year's Budget and Rates

The Fiscal 2009 budget submitted by the Board of Estimates to the Baltimore City Council proposed total appropriations of $2,937,312,000 of which $1,345,525,000 were for General Fund operations and Pay-As-You-Go (PAYGO) capital; $241,827,000 was for Motor Vehicle Fund operations and PAYGO capital; and $45,370,000 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 remains unchanged at 3.05%. The Ordinance of Estimates was adopted by the City Council and signed by the Mayor on June 16, 2008.

Fiscal 2009 Budget—Economic Factors

The economic outlook for the current Fiscal Year 2009 and the Fiscal Year 2010 budget planning cycle is the most challenging the City has seen in several years. The nation's financial difficulties have wide-ranging impacts on the City's finances. Home sales are down approximately 50% from last year, resulting in lower transfer and recordation tax revenues. Recordation and transfer tax revenues are expected to barely reach the pre-boom combined level of $48 million in Fiscal 2009, representing a 58.8% decline from a peak of $116 million in Fiscal 2006. Housing prices have flattened out, which could have longer term effects on property tax revenue. The stock market has fallen significantly from its peak in 2007, hurting the City's pension funds and other investments. Inflation is up, and is the highest increase in the Baltimore area's CPI in July 2008 since 1991, as is the cost of borrowing money, making everything from park maintenance to health screenings to bridge repair more expensive. Unemployment is also on the rise, increasing demands on many City programs while threatening the City's ability to sustain the positive growth it has experienced in its income tax base over the past five years. The Administration expects these conditions to persist into Fiscal 2010. In order to weather these financial challenges, the City has implemented plans to reduce expenditures in Fiscal 2009 and taking an especially conservative approach to budget planning for Fiscal 2010.

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 454, City Hall
100 N. Holliday Street
Baltimore, Maryland 21202

CITY OF BALTIMORE

Statement of Net Assets

June 30, 2008

(Expressed in Thousands)

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Baltimore City Public School System	Baltimore Hotel Corporation
Assets:					
Cash and cash equivalents	$ 426,900	$ 210,911	$ 637,811	$160,483	$ 19
Investments	170,389		170,389	32,762	156,753
Property taxes receivable, net	49,485		49,485		
Other receivables, net	43,587	72,588	116,175	1,734	
Due from other governments	272,642	23,250	295,892	34,528	
Internal balances	3,514	(3,514)			
Due from primary government				37,475	
Inventories	4,727	4,926	9,653	1,243	
Restricted:					
Cash and cash equivalents		270,563	270,563		
Accounts receivable		11,441	11,441		
Notes and mortgages receivable, net	310,826	53,766	364,592	9	4,505
Other assets	24,749		24,749	544	11,948
Issuance costs		9,152	9,152		
Capital assets, net of accumulated depreciation	2,037,275	1,248,141	3,285,416	516,410	
Capital assets, not depreciated	1,510,896	1,136,604	2,647,500		158,922
Total assets	4,854,990	3,037,828	7,892,818	785,188	332,147
Liabilities:					
Accounts payable and accrued liabilities	169,034	13,822	182,856	162,408	15,877
Accrued interest payable	15,480	17,687	33,167		
Estimated claims in progress:					
Due within one year	59,248		59,248		
Due in more than one year	106,451		106,451		
Due to fiduciary trust funds	4,784		4,784		
Due to other governments	428	3,391	3,819		
Unamortized premiums on bonds	14,776	7,438	22,214		
Matured bonds payable	2		2		
Unearned revenue	160,608		160,608	3,061	
Notes Payable					300,940
Deposits subject to refund	80,391	15	80,406		
Restricted accounts payable		35,852	35,852		
Revenue bonds payable:					
Due within one year	6,227	22,813	29,040		
Due in more than one year	395,144	1,240,946	1,636,090		
Long term debt payable:					
Due within one year	53,727	987	54,714	4,925	
Due in more than one year	728,984	1,532	730,516	50,880	
Capital leases payable:					
Due within one year	16,753		16,753	7,970	
Due in more than one year	155,158		155,158	69,468	
Compensated absences:					
Due within one year	40,725	8,107	48,832	5,848	
Due in more than one year	69,173	4,062	73,235	72,350	
Landfill closure due in more than one year	17,809		17,809		
Other liabilities	3,658	7,783	11,441	3,701	15,590
Total liabilities	2,098,560	1,364,435	3,462,995	380,611	332,407
Net assets:					
Invested in capital assets, net of related debt	3,138,558	1,196,193	4,334,751	379,633	
Restricted for:					
Construction		124,099	124,099	195	
Debt service		107,283	107,283	1,421	
Perpetual care:					
Expendable	6,693		6,693		
Nonexpendable	6,557		6,557	816	
Unrestricted	(395,378)	245,818	(149,560)	22,512	(260)
Total net assets	$2,756,430	$1,673,393	$4,429,823	$404,577	$ (260)

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, 2008

(Expressed in Thousands)

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets				
					Primary Government			Component Units	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Baltimore City Public School System	Baltimore Hotel Corporation
Primary Government:									
Governmental activities:									
General government	$ 468,113	$ 24,406	$ 117,174		$ (326,533)		$ (326,533)		
Public safety and regulation	575,859	33,529	41,991		(500,339)		(500,339)		
Conservation of health	157,549	2,214	138,746		(16,589)		(16,589)		
Social services	36,202	480	31,665		(4,057)		(4,057)		
Education	224,830		438		(224,392)		(224,392)		
Public library	31,736	266	15,328		(16,142)		(16,142)		
Recreation and culture	44,295	758	828	$ 2,588	(40,121)		(40,121)		
Highways and streets	143,340	26,882		31,949	(84,509)		(84,509)		
Sanitation and waste removal	45,366	10,650		380	(34,336)		(34,336)		
Public service	16,769				(16,769)		(16,769)		
Economic development	184,286		40,802	16,642	(126,842)		(126,842)		
Interest	63,070				(63,070)		(63,070)		
Total governmental activities	1,991,415	99,185	386,972	51,559	(1,453,699)		(1,453,699)		
Business-type activities:									
Water	105,882	131,233		13,859		$ 39,210	39,210		
Waste water	145,611	157,974		27,052		39,415	39,415		
Parking	20,317	69,868				49,551	49,551		
Conduits	11,207	7,603		(95)		(3,699)	(3,699)		
Development loans	4,900	363		112		(4,425)	(4,425)		
Industrial development	3,339	3,711				372	372		
Total business-type activities	291,256	370,752		40,928		120,424	120,424		
Total primary government	$2,282,671	$469,937	$ 386,972	$ 92,487	(1,453,699)	120,424	(1,333,275)		
Component units:									
Baltimore City Public School System	$1,329,727	$ 2,542	$1,301,621	$116,722				$ 91,158	
Baltimore Hotel Corporation	$ 2,571								$(2,571)
	General revenues:								
	Property taxes				626,420		626,420		
	Income taxes				267,625		267,625		
	Transfer and recordation tax				75,682		75,682		
	Electric and gas tax				27,726		27,726		
	Telecommunications tax				28,705		28,705		
	Admission tax				9,775		9,775		
	Other local taxes				38,301		38,301		
	State shared revenues				213,899		213,899		
	Unrestricted investment income				53,503		53,503	8,630	495
	Miscellaneous				34,398		34,398	3,926	262
	Transfers				42,681	(42,681)			
	Total general revenues and transfers				1,418,715	(42,681)	1,376,034	12,556	757
	Change in net assets				(34,984)	77,743	42,759	103,714	(1,814)
	Net assets — beginning restated — See Note 20				2,791,414	1,595,650	4,387,064	300,863	1,554
	Net assets — ending				$ 2,756,430	$1,673,393	$4,429,823	$404,577	$ (260)

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

CITY OF BALTIMORE

Balance Sheet

Governmental Funds

June 30, 2008

(Expressed in Thousands)

	General Fund	Motor Vehicle Fund	Grants Revenue Fund	Capital Projects Fund	Other Funds	Total
Assets:						
Cash and cash equivalents	$221,817	$ 122	$ 75	$ 65,926	$ 65,379	$ 353,319
Investments	35,278			99,760	30,479	165,517
Property taxes receivable, net	49,485					49,485
Other receivables, net	14,033	817		3,865	97	18,812
Due from other governments	32,892	27,534	37,197	29,669	3,878	131,170
Due from other funds	76,207			4,486	1,358	82,051
Notes, mortgages receivable, net	5,100				3,526	8,626
Inventories, at cost	729	1,887				2,616
Other assets	22,399					22,399
Total assets	457,940	30,360	37,272	203,706	104,717	833,995
Liabilities and fund balances:						
Liabilities:						
Accounts payable and accrued liabilities	91,808	6,747	26,572	18,464	2,303	145,894
Retainages payable				9,063		9,063
Property taxes payable–State	428					428
Due to other funds	4,784	12,547	48,461	1,358	10,802	77,952
Deposits subject to refund	80,390					80,390
Deferred revenue	66,107	817	95,823		3,741	166,488
Matured bonds payable					2	2
Total liabilities	243,517	20,111	170,856	28,885	16,848	480,217
Fund balances:						
Reserved for:						
Budget stabilization	92,510					92,510
Landfill closure	15,491					15,491
Landfill development	8,860					8,860
Encumbrances	57,051	6,744		144,570	100	208,465
Inventories	729	1,887				2,616
Other assets	1,432					1,432
Long term receivable	4,721					4,721
Non-major special revenue funds					6,557	6,557
Non-major permanent funds					6,693	6,693
Unreserved:						
Designated for subsequent years' expenditures	20,179			30,251		50,430
Undesignated	13,450	1,618	(133,584)			(118,516)
Unreserved reported in:						
Debt service fund					82,579	82,579
Special revenue funds					(8,060)	(8,060)
Total fund balances	214,423	10,249	(133,584)	174,821	87,869	353,778
Total liabilities and fund balances	$457,940	$30,360	$ 37,272	$203,706	$104,717	

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	3,491,248
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds	419,299
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.	(24,195)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(1,483,700)
Net assets of governmental activities	$ 2,756,430

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

CITY OF BALTIMORE

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2008

(Expressed in Thousands)

	General Fund	Motor Vehicle Fund	Grants Revenue Fund	Capital Projects Fund	Other Funds	Total
Revenues:						
Taxes — local	$1,074,234					$1,074,234
State shared revenue		$ 213,325			$ 574	213,899
Licenses and permits	34,717	918				35,635
Fines and forfeitures	7,321	6,067				13,388
Interest, rentals and other investment income	38,602	4,238		$ 8,609	2,054	53,503
Federal grants	99		$ 137,640	44,431	17,712	199,882
State grants	101,235		66,441	7,128		174,804
Other grants	153		26,966			27,119
Charges for services	42,646	7,516				50,162
Miscellaneous	12,429	652		4,961	16,356	34,398
Total revenues	1,311,436	232,716	231,047	65,129	36,696	1,877,024
Expenditures:						
Current:						
General government	368,022	27,901	36,383		2,212	434,518
Public safety and regulation	475,629	41,623	41,859		751	559,862
Conservation of health	29,371		126,955			156,326
Social services	4,498		31,665			36,163
Education	205,858	3,654			16	209,528
Public library	24,253		7,270		73	31,596
Recreation and culture	37,707		551		155	38,413
Highways and streets	720	102,176			31	102,927
Sanitation and waste removal	40,032					40,032
Public services	13,259					13,259
Economic development	39,616		14,704	117,144	10,923	182,387
Debt service:						
Principal					56,694	56,694
Interest					51,198	51,198
Capital outlay				192,515		192,515
Capital leases				7,372		7,372
Total expenditures	1,238,965	175,354	259,387	317,031	122,053	2,112,790
Excess (deficiency) of revenues over (under) expenditures	72,471	57,362	(28,340)	(251,902)	(85,357)	(235,766)
Other financing sources (uses):						
Transfers in	40,246	11,500		98,598	142,818	293,162
Transfers out	(153,574)	(73,472)		(17,787)	(12,285)	(257,118)
Capital leases				7,372		7,372
Face value of funding and refunding general obligation bonds				80,730		80,730
Face value of federal loans				7,775		7,775
Face value from sale of TIFs				66,409		66,409
Total other financing sources (uses)	(113,328)	(61,972)		243,097	130,533	198,330
Net change in fund balance	(40,857)	(4,610)	(28,340)	(8,805)	45,176	(37,436)
Fund balances — beginning (as restated) — See Note 20	255,280	14,859	(105,244)	183,626	42,693	391,214
Fund balances — ending	$ 214,423	$ 10,249	$ (133,584)	$ 174,821	$ 87,869	$ 353,778

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, 2008

(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)	$ (37,436)
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	199,887
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	36,726
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	(162,782)
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	(33,358)
The net expense of certain activities of internal service funds is reported with governmental activities	(38,021)
Change in net assets of governmental activities (page 17)	$ (34,984)

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, 2008

(Expressed in Thousands)

	Enterprise Funds					
	Water Utility Fund	Waste Water Utility Fund	Parking Facilities Fund	Other Funds	Total	Governmental Activities Internal Service Funds
Assets:						
Current assets:						
Cash and cash equivalents	$ 58,536	$ 83,651	$ 23,824	$44,900	$ 210,911	$ 73,581
Investments						4,872
Accounts receivable, net:						
Service billings	40,757	27,000		4,298	72,055	
Other			308	225	533	24,775
Due from other governments	1,259	21,991			23,250	
Inventories	4,760	166			4,926	2,110
Current restricted assets:						
Cash and cash equivalents	101,609	143,386	25,568		270,563	
Accounts receivable, net	3,592	7,849			11,441	
Total current assets	210,513	284,043	49,700	49,423	593,679	105,338
Noncurrent assets:						
Restricted assets:						
Mortgages receivable			53,766		53,766	
Capital assets, net	771,914	1,438,880	131.933	42,018	2,384,745	56,924
Other assets						2,350
Issuance costs	3,860	2,575	2,441	276	9,152	
Total noncurrent assets	775,774	1,441,455	188,140	42,294	2,447,663	59,274
Total assets	986,287	1,725,498	237,840	91,717	3,041,342	164,612
Liabilities:						
Current liabilities:						
Accounts payable and accrued liabilities	2,855	8,092	1,834	1,041	13,822	14,077
Accrued interest payable.	5,364	8,983	3,209	131	17,687	
Deposits subject to refund	15				15	
Due to other funds				1,667	1,667	7,216
Due to other governments	3,391				3,391	
Estimated liability for claims in progress						59,248
Other liabilities	3,720	9,733		258	13,711	3,661
Accounts payable from restricted assets	11,273	24,436	126	17	35,852	
Revenue bonds payable	3,273	13,480	6,060		22,813	
General long-term debt payable		987			987	
Total current liabilities	29,891	65,711	11,229	3,114	109,945	84,202
Noncurrent liabilities:						
Revenue bonds payable, net.	438,961	620,164	161,688	20,133	1,240,946	
Other liabilities.	1,668	2,473		2,100	6,241	
Unamortized bond premiums		7,438			7,438	
General long-term debt payable	897	635			1,532	
Estimated liability for claims in progress						106,451
Total noncurrent liabilities	441,526	630,710	161,688	22,233	1,256,157	106,451
Total liabilities	471,417	696,421	172,917	25,347	1,366,102	190,653
Net assets:						
Invested in capital assets, net of related debt	332,984	799,255	21,936	42,018	1,196,193	56,924
Restricted for:						
Debt service	40,961	55,120	11,202		107,283	
Future capital construction	27,069	82,664	14,366		124,099	
Unrestricted (deficit)	113,856	92,038	17,419	24,352	247,665	(82,965)
Total net assets	$514,870	$1,029,077	$ 64,923	$66,370		$ (26,041)
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds					(1,847)	
Net assets of business-type activities					$1,673,393	

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, 2008

(Expressed in Thousands)

	Enterprise Funds					
	Water Utility Fund	Waste Water Utility Fund	Parking Facilities Fund	Other Funds	Total	Governmental Activities Internal Service Funds
Operating revenues:						
Charges for sales and services:						
Water and sewer service	$131,233	$ 157,974			$289,207	
Rents, fees and other income			$ 69,868	$10,084	79,952	$221,268
Interest income				1,593	1,593	
Total operating revenues	131,233	157,974	69,868	11,677	370,752	221,268
Operating expenses:						
Salaries and wages	30,323	34,611		1,748	66,682	15,765
Other personnel costs	11,947	13,638		730	26,315	5,674
Contractual services	36,498	60,594	10,622	8,174	115,888	43,060
Materials and supplies	5,455	9,757		231	15,443	15,667
Minor equipment				25	25	12
Claims paid and incurred						197,627
Postage and delivery services						1,100
Depreciation	11,686	25,256	1,070	679	38,691	6,886
Program expenses				4,878	4,878	
Interest				2,902	2,902	
Total operating expenses	95,909	143,856	11,692	19,367	270,824	285,791
Operating income (loss)	35,324	14,118	58,176	(7,690)	99,928	(64,523)
Nonoperating revenues (expenses):						
Loss on disposal of property						(575)
Interest income (expense), net	(8,199)	214	(8,626)		(16,611)	1,612
Total nonoperating revenues (expenses)	(8,199)	214	(8,626)		(16,611)	1,037
Income (loss) before contributions and transfers	27,125	14,332	49,550	(7,690)	83,317	(63,486)
Capital contributions	13,859	27,052		17	40,928	15,007
Transfers in				1,365	1,365	6,637
Transfers out			(41,546)	(2,500)	(44,046)	
Change in net assets	40,984	41,384	8,004	(8,808)	81,564	(41,842)
Total net assets — beginning	473,886	987,693	56,919	75,178		15,801
Total net assets — ending	$514,870	$1,029,077	$ 64,923	$66,370		$ (26,041)
Adjustment to reflect the consolidation of internal service activities related to enterprise funds					(3,821)	
Change in net assets of business-type activities					$ 77,743	

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, 2008

(Expressed in Thousands)

	Enterprise Funds					
	Water Utility Fund	Waste Water Utility Fund	Parking Facilities Fund	Other Funds	Total	Governmental Activities-Internal Service Funds
Cash flow from operating activities:						
Receipts from customers	$127,021	$ 214,124	$ 70,018	$ 11,790	$ 422,953	$ 209,707
Payments to employees	(41,874)	(47,827)		(2,468)	(92,169)	(21,222)
Payments to suppliers	(49,106)	(87,603)	(9,864)	(14,021)	(160,594)	(239,595)
Net cash provided (used) by operating activities	36,041	78,694	60,154	(4,699)	170,190	(51,110)
Cash flows from noncapital financing activities:						
Transfers in (out)			(41,546)	(1,135)	(42,681)	6,637
Net cash provided (used) by noncapital financing activities			(41,546)	(1,135)	(42,681)	6,637
Cash flows from capital and related financing activities:						
Mortgages receivable principal payments			2,692		2,692	
Proceeds from revenue bonds	27,175	56,711	(5,685)		78,201	
Principal paid on revenue bonds	(3,472)	(13,343)		2,742	(14,073)	
Interest income (expense)	(8,392)	903	(8,938)		(16,427)	
Acquisition and construction of capital assets	(55,310)	(144,320)	(6,988)	(4)	(206,622)	(25,619)
Capital contributions	13,859	27,052		17	40,928	15,007
Net cash provided (used) by capital and related financing activities	(26,140)	(72,997)	(18,919)	2,755	(115,301)	(10,612)
Cash flows from investing activities:						
Proceeds from the sale and maturities of investments	4,277	3,737			8,014	7,181
Purchase of investments						(7,237)
Interest on investments						1,612
Net cash provided (used) by investing activities	4,277	3,737			8,014	1,556
Net increase in cash and cash equivalents	14,178	9,434	(311)	(3,079)	20,222	(53,529)
Cash and cash equivalents, beginning of year	145,967	217,603	49,703	47,979	461,252	127,110
Cash and cash equivalents, end of year	$160,145	$ 227,037	$ 49,392	$ 44,900	$ 481,474	$ 73,581
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating income (loss)	$ 35,324	$ 14,118	$ 58,176	$ (7,690)	$ 99,928	$ (64,523)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation expense	11,686	25,256	1,070	679	38,691	6,886
Amortization of bond discounts				34	34	
Changes in assets and liabilities:						
Accounts receivables	(4,212)	56,150	150	113	52,201	(11,410)
Due from other funds		7,000			7,000	
Inventories	(91)	32			(59)	537
Other assets						(2,194)
Accounts payable and accrued liabilities	46	1,590	758	241	2,635	6,926
Other liabilities	376	870		1,758	3,004	13
Estimated liability for claims in progress						11,149
Accrued interest payable	602	4,928			5,530	
Restricted accounts payable	(2,657)	(7,584)		5	(10,236)	
Due to other funds	(7,000)	(23,666)		161	(30,505)	1,506
Due to other governments	1,967				1,967	
Total adjustments	717	64,576	1,978	2,991	70,262	13,413
Net cash provided (used) by operating activities	$ 36,041	$ 78,694	$ 60,154	$ (4,699)	$ 170,190	$ (51,110)

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, 2008

(Expressed in Thousands)

	Pension Trust Funds	OPEB Trust Fund	Agency Funds
Assets:			
Cash and cash equivalents	$ 70,102	$ 5,756	$12,583
Investments:			
Stocks	1,997,615	53,718	
Bonds	1,171,296	37,162	51
Mutual funds	17,019		
Repurchase agreements		55,284	
Real estate	344,735		
Securities lending collateral	385,561		
Due from other funds		4,784	
Other assets	58,378	52	
Total assets	4,044,706	156,756	12,634
Liabilities:			
Obligations under securities lending program	385,561		
Accounts payable	133,627	75,194	
Other	500		12,634
Total liabilities	519,688	75,194	12,634
Net assets:			
Held in trust for benefits	$3,525,018	$ 81,562	

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, 2008

(Expressed in Thousands)

	Pension Trust Funds	OPEB Trust Fund
Additions:		
Contributions:		
Employer	$ 116,750	$183,252
Employee	16,996	34,510
Total contributions	133,746	217,762
Investment income:		
Net appreciation (depreciation) in fair value of investments	(260,579)	111
Securities lending income	2,750	
Interest and dividend income	102,839	2,997
Total investment income	(154,990)	3,108
Less: investment expense	13,212	133
Net investment income	(168,202)	2,975
Total additions	(34,456)	220,737
Deductions:		
Retirement allowances	282,389	
Health benefits		139,175
Death benefits	1,124	
Administrative expenses	6,203	
Other	1,839	
Total deductions	291,555	139,175
Changes in net assets	(326,011)	81,562
Net assets — beginning of the year	3,851,029	
Net assets — end of the year	$3,525,018	$ 81,562

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

CITY OF BALTIMORE

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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 acquiring, constructing and 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

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

B. Basis of Presentation, Basis of Accounting

Basis of Presentation

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

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operations or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

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

The City reports the following major governmental funds:

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

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

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

The City reports the following major enterprise funds:

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

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

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

The City reports the following other fund types:

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

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

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

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

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

Measurement Focus, Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements with the exception of agency funds, which have no measurement focus, are reported using the economic resources measurement focus and are reported on the accrual basis of accounting. Revenues are recorded when earned and expenses recorded at the time liabilities are incurred, regardless of when the related cash flows take place. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Operating revenue in the proprietary funds are those that result from the services provided by the funds, all other revenue is considered to be non-operating.

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

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, 2008, 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, government-wide, 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 fixed assets are recorded at their estimated fair value at the date of receipt. Infrastructure assets acquired prior to July 1, 2001 are reported at estimated historical cost using deflated replacement cost. Infrastructure assets, such as streets, highways, bridges, sidewalks, street lighting, traffic poles and signals, and storm sewers are required to be capitalized under GAAP. Capitalization thresholds are: $250,000 for buildings, improvements and infrastructure; and $5,000 for equipment. Library books are capitalized as a collection based on total purchases. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

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, 2008. This liability, which includes estimates for known and incurred but not reported claims, is based upon an actuarial valuation of the City's claim payment history discounted at a rate of 3.0%, for all claims except medical, for which claims are not discounted.

Property Tax and Property Tax Calendar

The City levies an annual tax for the fiscal year beginning July 1 and ending June 30, on real and personal property located in the City, due and payable each July 1 (lien date), based on assessed values as of the previous January 1. These assessed values are established by the State of Maryland Department of Assessments and Taxation at various rates of estimated market value. A discount of 1% and ½% is allowed for payments made in July and August, respectively. Unpaid property taxes are considered in arrears on October 1, and penalty and interest of 2% is assessed each month. Real property subject to tax liens is sold at public auction in May in instances where the taxes have remained delinquent since the preceding October 1.

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

State law requires that all real property be reassessed every three years, and further provides that the amount of any increase over previous established market values be phased in over a three-year period. To accomplish the triennial assessment requirement, approximately one-third of all real property is reviewed annually. The City Council, effective with the fiscal year beginning July 1, 1991, enacted a 104% homestead tax credit program which will protect home owners from increases in assessments that are greater than 4% in any one year. The assessed value of real property in Baltimore City for fiscal year 2008 was $23,943,402,000 which was approximately 88.2% of the estimated market value.

The tax rate in Baltimore City for real property taxes for fiscal year 2008 was $2.268 per $100 of assessed value. Pursuant to State Law, the personal property tax and tax rate applied to operating property of public utilities is 2.5 times the real property rate or $5.67 per $100 of assessed value. Current collections were 94.1% of the total tax levy.

At June 30, 2008, the City had property taxes receivable of $49,485,000, net of an allowance for uncollectible accounts of $136,772,000.

Gains and Losses on Early Extinguishment of Debt from Refundings

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

Encumbrances

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

Bond Anticipation Notes

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

Sick, Vacation and Personal Leave

Employees earn one day of sick leave for each completed month of service, and there is no limitation on the number of sick days that employees can accumulate. A portion of unused sick leave earned annually during each twelve-month base period may be converted to cash at a maximum of three days, computed on an attendance formula. Upon retirement with pension benefits, or termination of employment after completion of twenty or more years of service without pension benefits, employees receive one day's pay for every four sick days accumulated and unused at the date of separation; under any other conditions of separation, unused sick leave is forfeited.

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

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

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

Restricted Assets

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

Fund Equity

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

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

Reserved for budget stabilization — Maryland State law authorizes its political subdivisions to establish reserve accounts for the purpose of maintaining fiscal stability in the event of economic downturns affecting local revenues. As of June 30, 2008, the City had reserved $92,510,000 of its General Fund fund balance for that purpose. The reserve can be used in case of emergency at the discretion of the Board of Estimates.

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

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

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

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

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

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

Interfund Transactions

The City has three types of transactions among funds:

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

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

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

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.

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	$ 5,422,650
Less: Accumulated depreciation	(1,931,402)
Total	$ 3,491,248
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:	
Due from other governments	$ 141,472
Notes receivable	302,200
Deferred revenue	5,880
Accrued interest payable	(15,477)
Unamortized bond premiums	(14,776)
Total	$ 419,299
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.	$ (24,195)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
Long-term bonds	$ (782,711)
Revenue bonds	(401,371)
Capital leases	(171,911)
Compensated absences	(109,898)
Landfill closure liability	(17,809)
Total	$(1,483,700)

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	$ 192,515
Capital leases	7,372
Total	$ 199,887
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	$ 36,726
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	$ (80,730)
Proceeds from capital leases	(7,372)
Proceeds of special obligation bonds	(66,905)
Proceeds from federal loans	(7,775)
Total	$ (162,782)
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	$ 56,694
Debt service interest (capital leases, GO bonds, and accrued interest)	(11,872)
Capital related expenditures	(70,575)
Compensated absences	(7,605)
Total	$ (33,358)
The net expense of certain activities of internal service funds is reported with governmental activities:	
Internal service funds net expenses attributed to governmental activities	$ (38,021)

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, 2008 (amounts expressed in thousands):

	Pooled Cash and Investments	Other	Total
Carrying value of bank deposits	$ (19,840)	$ 75,858	$ 56,018
Investments	1,111,237	3,676,829	4,788,066
Total	$1,091,397	$3,752,687	$4,844,084

	Government-wide Statement of Net Assets	Fiduciary Funds Statement of Net Assets	Total
Cash and cash equivalents	$ 637,811	$ 88,441	$ 726,252
Investments	170,389	3,676,880	3,847,269
Restricted cash and equivalents	270,563		270,563
Total	$1,078,763	$3,765,321	$4,844,084

B. Cash Deposits

As of June 30, 2008, the carrying amount of the City's bank deposits was $56,018,000 and the respective bank balances totaled $6,911,000. 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, 2008, BCPSS and BHC had demand deposits with carrying values of $18,235,000 and $19,000, 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.

The primary government's investments at June 30, 2008, 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	$ 78,410	$ 20,026	$10,139	$48,245
U.S. Agencies	521,547	466,135	11,145	44,267
Repurchase agreements	137,257	137,257		
Money market mutual funds	297,517	297,517		
Maryland Local Government Investment Pool	65,000	65,000		
Commercial paper	7,963	7,963		
Guaranteed investment contracts	1,353	1,353		
	1,109,047	$995,251	$21,284	$92,512
Other investment:				
Equity mutual funds	2,190			
	1,111,237			
Less: cash equivalents	940,797			
Total investments	$ 170,440			

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

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

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

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

As discussed above the City Board of Finance limits City investments to only the highest rated investments in the categories discussed above. The City's rated debt investments as of June 30, 2008 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	$521,547	$521,547	
Money market mutual funds	297,517	297,517	
Maryland Local Government Investment Pool	65,000	65,000	
Commercial paper	7,963		$7,963
Total rated debt investments	$892,027	$884,064	$7,963

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, 2008 that were more than five percent of total investments (dollar amounts expressed in thousands):

Investment	Fair Value	Percentage of Portfolio
Federal Home Loan Board	$152,741	13.70%
Federal National Mortgage Corporation	249,209	22.35
Federal Home Loan Mortgage Corporation	57,324	5.14

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, 2008 are as follows (amounts expressed in thousands):

	Carrying Value			
Investment Type	Employees' Retirement System	Elected Officials' Retirement System	Fire and Police Employees' Retirement System	Total
Debt Securities:				
U.S. Treasury notes and bonds	$ 49,134		$ 175,755	$ 224,889
U.S. Government agency bonds	120,409		134,958	255,367
Corporate bonds	259,365		311,452	570,817
Lehmann aggregate index			31,334	31,334
Mutual funds	42,397	$17,263	27,461	87,121
Absolute return strategic funds			88,889	88,889
Total debt securities	471,305	17,263	769,849	1,258,417
Other:				
Domestic equities	603,504		684,320	1,287,824
International equities	178,409		323,093	501,502
Hedge funds	64,217		144,072	208,289
Real estate	123,381		221,354	344,735
Total other	969,511		1,372,839	2,342,350
Total investments	1,440,816	17,263	2,142,688	3,600,767
Less: Cash and cash equivalents	42,397	244	27,461	70,102
Total net investments	$1,398,419	$17,019	$2,115,227	$3,530,665

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.

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 Elected Officials' Retirement System was not subject to foreign currency risk at June 30, 2008.

The foreign currency risk for each system at June 30, 2008, is presented on the following table (amounts expressed in thousands):

Currency	Employees' Retirement System	Fire and Police Employees' Retirement System	Total
Euro Currency Unit	$ 55,268	$ 82,226	$137,494
British Pound Sterling	23,169	41,785	64,954
Japanese Yen	25,854	28,515	54,369
South Korean Won		5,373	5,373
Hong Kong Dollar	5,988	4,463	10,451
Swiss Franc	6,981	13,727	20,708
Mexican New Peso	(114)	424	310
South African Comm Rand		997	997
Malaysian Ringgit		704	704
Taiwan Dollar		4,530	4,530
Brazil Real	445	4,439	4,884
Canadian Dollar	5,429	9,198	14,627
Turkish Lira	460	424	884
Russian Rubel	699	407	1,106
Australian Dollar	2,242	5,051	7,293
Swedish Krona	2,200	5,386	7,586
Norwegian Krone	4,229	2,654	6,883
Singapore Dollar	1,740	3,818	5,558
Egyptian Pound		1,056	1,056
Indonesian Rupin		559	559
Danish Krone	4,059	3,105	7,164
Total Fair Market Value	$138,649	$218,841	$357,490

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

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

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

The credit ratings and durations of investments at June 30, 2008 are as follows (amounts expressed in thousands):

Asset Type	Duration	Carrying Value	AAA thru A	BBB thru B	CCC Thru C	Not Rated
Employees' Retirement System:						
U.S. Treasury notes and bonds	6.01	$ 49,134	$ 49,134			
U.S. Government agency bonds	4.55	120,409	120,409			
Corporate bonds	4.50	259,365	159,028	$ 49,908	$1,243	$49,186
Mutual funds	0.09	42,397				42,397
Total debt securities		471,305	328,571	49,908	1,243	91,583
Elected Officials' Retirement System:						
Mutual funds	0.00	17,019				17,019
Fire and Police Employees' Retirement System:						
U.S. Treasury notes and bonds	13.07	175,755	175,755			
U.S. Government agency bonds	5.74	134,958	134,958			
Lehmann aggregate index	5.24	31,334	31,334			
Corporate bonds	4.33	311,452	185,296	112,040	1,521	12,595
Mutual funds	0.08	27,461				27,461
Absolute return strategic funds	3.63	88,889	88,889			
Total debt securities		$769,849	$616,232	$112,040	$1,521	$40,056

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

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

At June 30, 2008, 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, 2008, was $372,502,000, and the market value of the collateral received for those securities on loan was $385,561,000. The Retirement Systems did not impose any restrictions during the fiscal year on the amount of loans the custodian made on its behalf. The terms of the Securities Lending Authorization Agreement require that the custodian indemnify the retirement systems against: (1) the failure to demand adequate and appropriate collateral from a borrower as and when required pursuant hereto; (2) the failure to comply with the investment guidelines in connection with the investment and reinvestment of cash collateral; (3) the failure to obtain and perfect a security interest or rights equivalent thereto in and to the collateral; or (4) the failure to make a reasoned determination of the creditworthiness of any borrower. There were no such failures by any borrowers during the fiscal year. Moreover, there were no losses during the fiscal year resulting from default of the borrowers or the custodian.

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

Other Postemployment Benefits Fund

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

The invested assets of the Trust Fund at June 30, 2008 are as follows (expressed in thousands):

		Investment Maturities (In Months)		
Investment Type	Fair Value	Less than 6	6 to 12	Greater than 12
Repurchase agreements	$ 55,284	$55,284		
U. S. agencies	13,655			$13,655
Mutual funds	5,756	5,756		
Total	74,695	$61,040		$13,655
Equity mutual funds	77,225			
Total investments	151,920			
Less: cash and cash equivalents	5,756			
Total net investments	$146,164			

All U.S. agencies securities and the underlying securities for the repurchase agreements are rated AAA. The mutual funds are not rated.

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

Baltimore City Public School System

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

The BCPSS is authorized by State law to invest in direct or indirect obligations of the U.S. Government, certificates of deposit, repurchase agreements and related mutual funds. The BCPSS's investments at June 30, 2008 are presented below. All investments are presented by investment type (expressed in thousands).

		Investments Maturities (In Months)				
Investment Type	Fair Market Value	Less Than 6	6 to 12	Greater Than 12	Percent	Max. allowed per Investment Policy
Money Market Funds	$ 18,235	$ 18,235			9%	100%
Commercial Paper	9,966	9,966			5	5
U.S. Government Agencies	136,720	136,213	$ 507		69	100
Certificates of Deposit	24,147	10,513	8,598	$5,036	12	25
MLGIP (Other)	4,010	4,010			2	100
MLGIP (Bonds)	59	59			0	100
MLGIP (Leases)	3,409	3,409			2	100
MLGIP (Debt Service)	2,684	2,684			1	100
Total Invested Funds	199,230	$185,089	$9,105	$5,036	100%	
Less: Cash and cash equivalents	166,468					
Total Investments	$ 32,762					

Investment Ratings

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

S&P/Moody's	Percent	Fair Value
AAA/AAA	27.19%	$ 54,178
AA-/AAA	1.78	3,554
AA-/AA2	2.53	5,041
A-1+/AAA	10.03	19,984
A-1+/P-1	38.13	75,954
A-1/P-1	2.25	4,486
A+/A1	2.77	5,507
AE/A1	2.51	5,001
Not rated	12.81	25,525
	100.00%	$199,230

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.

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 BCPSS has not adopted a formal policy on the concentration of credit risk. At June 30, 2008, BCPSS has no concentration risk.

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

Baltimore Hotel Corporation

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

The BHC has no formal policy for limiting risk associated with these investments. The City of Baltimore Department of Finance directs the selection of investment funds. At year-end BHC held investments in the amount of $156,753,000; consisting entirely of repurchase agreements with various financial institutions.

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	$ 49,485						$ 49,485
Service billings					$ 67,757	$ 4,298	72,055
Due from other governments	32,892	$ 27,534	$ 37,197	$ 29,669	23,250	3,878	154,420
Notes and mortgages receivable	5,100					3,526	8,626
Other	14,033	817		3,865	308	25,097	44,120
Restricted accounts receivable					11,441		11,441
Total	$101,510	$ 28,351	$ 37,197	$ 33,534	$102,756	$ 36,799	$340,147

5. Capital Assets

Capital assets activity for the year ended June 30, 2008, are as follows (expressed in thousands):

Governmental Activities Capital Assets:

Class	Balance June 30, 2007	Additions	Deductions	Balance June 30, 2008
Capital assets, not being depreciated:				
Land	$ 142,202			$ 142,202
Construction in progress	784,573	$ 99,963	$ 94,777	789,759
Construction in progress—infrastructure	485,273	94,634	972	578,935
Total capital assets, not being depreciated	1,412,048	194,597	95,749	1,510,896
Capital assets, being depreciated:				
Buildings and improvements	1,352,101	93,704		1,445,805
Equipment	380,450	36,402	9,924	406,928
Infrastructure	2,065,237	972		2,066,209
Library books	47,699	4,813	2,777	49,735
Total capital assets, being depreciated	3,845,487	135,891	12,701	3,968,677
Less: accumulated depreciation for:				
Buildings and improvements	745,924	28,902		774,826
Equipment	268,782	23,557	6,649	285,690
Infrastructure	803,351	47,121		850,472
Library books	18,599	4,492	2,677	20,414
Total accumulated depreciation	1,836,656	104,072	9,326	1,931,402
Total capital assets, being depreciated, net	2,008,831	31,819	3,375	2,037,275
Governmental activities capital assets, net	$3,420,879	$ 226,416	$ 99,124	$3,548,171

Business-type Activities Capital Assets:

Class	Balance June 30, 2007	Additions	Deductions	Balance June 30, 2008
Capital assets, not being depreciated:				
Land	$ 23,846			$ 23,846
Construction in progress	922,020	$202,102	$11,364	1,112,758
Total capital assets, not being depreciated	945,866	202,102	11,364	1,136,604
Capital assets, being depreciated:				
Buildings and improvements	1,826,519	11,364		1,837,883
Equipment	147,028	4,520		151,548
Infrastructure	54,306			54,306
Total capital assets, being depreciated	2,027,853	15,884		2,043,737
Less: accumulated depreciation for:				
Buildings and improvements	626,357	32,809		659,166
Equipment	113,083	5,203		118,286
Infrastructure	17,465	679		18,144
Total accumulated depreciation	756,905	38,691		795,596
Total capital assets, being depreciated, net	1,270,948	(22,807)		1,248,141
Business-type activities capital assets, net	$2,216,814	$179,295	$11,364	$2,384,745

Depreciation expense was charged to functions/programs of the City for the fiscal year ended June 30, 2008 (amounts expressed in thousands):

Governmental activities:

General government	$ 4,676
Public safety and regulation	12,805
Conservation of health	398
Social services	39
Education	15,702
Public library	4,785
Recreation and parks	5,570
Highways and streets	43,466
Sanitation and waste removal	4,808
Public service	2,971
Economic development	1,047
Internal service funds	7,805
Total	$104,072

Business-type activities:

Water	$ 11,686
Waste water	25,256
Parking	1,069
Conduits	680
Total	$ 38,691

At June 30, 2008, the outstanding commitments relating to projects of the City of Baltimore amount to approximately $138,768,000 for governmental activities and $212,723,000 for business-type activities. Interest is capitalized on business-type capital assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of borrowing until completion of the project, with interest earned on invested proceeds over the period. Interest is also capitalized on proprietary fund capital assets acquired with tax-exempt debt. During fiscal year 2008, net interest expense of $27,557,000 (net of interest income of $9,194,000) was capitalized.

6. Interfund Balances and Activity

A. Balance Due to/from Other Funds

Balances due to/from other funds at June 30, 2008, were as follows (amounts expressed in thousands):

Fund	Interfund Receivable	Interfund Payable
General	$76,207	$ 4,784
Motor vehicle		12,547
Grant revenue		48,461
Capital projects	4,486	1,358
Nonmajor governmental funds	1,358	10,802
Nonmajor proprietary funds		1,667
Internal service funds		7,216
OPEB trust fund	4,784	
Totals	$86,835	$86,835

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, 2008, certain transactions between funds had not been completed.

B. Transfers to/from Other Funds

Transfers to/from other funds at June 30, 2008, consist of the following (amounts expressed in thousands):

Fund	General	Capital Projects	Nonmajor Special Revenue	Nonmajor Proprietary Fund	Motor Vehicle	Parking	Total Transfers To
General						$40,246	$ 40,246
Debt service	$114,236	$17,787			$10,795		142,818
Loan and guarantee	1,365						1,365
Capital projects	21,273		$12,285	$2,500	61,240	1,300	98,598
Internal service funds	5,200				1,437		6,637
Motor vehicle	11,500						11,500
Totals transfers from	$153,574	$17,787	$12,285	$2,500	$73,472	$41,546	$301,164

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

C. Deficits

The following funds had a deficit in unrestricted net assets/fund balances at June 30, 2008 (amounts expressed in thousands):

Special Revenue Funds:	
Grants Revenue	$133,584
CDBG	8,386
Internal Services Funds:	
Risk management	120,838
Municipal Post Office	432
Reproduction and printing	6,089

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 2009.

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.

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, 2008, are as follows (amounts expressed in thousands):

	June 30, 2007	Appreciation(a)	New Debt Issued	Debt Retired	June 30, 2008	Due within One Year
GOVERNMENTAL ACTIVITIES						
General Obligation Bonds:						
Highways	$ 18,480	$ 135		$ 2,436	$ 16,179	$ 2,312
Health	2,637			108	2,529	125
Public safety	12,555	110	$ 728	1,354	12,039	1,217
Off-street parking	24,883	178		2,602	22,459	3,148
Parks and recreation	21,843	75	1,479	1,686	21,711	1,312
Public buildings and facilities	56,991	108	3,495	4,128	56,466	2,495
Schools	145,456	638	34,298	5,971	174,421	6,449
Storm water	7,231	261		1,444	6,048	1,410
Urban renewal	293,797	823	40,730	24,900	310,450	29,677
Waste disposal	2,644	69		1,383	1,330	656
Unallocated	23,433	423		955	22,901	1,077
Total general obligation bonds	609,950	2,820	80,730	46,967	646,533	49,878
Special Obligation Bonds						
Special Obligation Bonds	26,211		66,905	98	93,018	136
Long-term financing with the Federal Government:						
Federal economic development loans	46,926		7,775	3,272	51,429	3,373
Long-term financing with the State of Maryland:						
State economic development loans	2,266			321	1,945	340
Total Governmental Activities	$685,353	$2,820	$155,410	$50,658	$792,925	$53,727
BUSINESS-TYPE ACTIVITIES						
General Obligation Bonds:						
Water	$ 855	$ 42			$ 897	
Waste Water	1,616	66		$ 352	1,330	$ 914
Total general obligation bonds	2,471	108		352	2,227	914
Long-term financing with the State of Maryland:						
Sewer construction loans	360			68	292	73
Total Business-type Activities	$ 2,831	$ 108		$ 420	$ 2,519	$ 987
COMPONENT UNIT — BALTIMORE CITY PUBLIC SCHOOL SYSTEM						
General Obligation Bonds:						
Schools	$ 60,540			$ 4,735	$ 55,805	$ 4,925

(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 2008 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 $24,463,000 as of June 30, 2008. 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.

Variable Rate Demand General Obligation Bonds

The City has issued $40,425,000 in taxable variable rate demand Consolidated Public Improvement Bonds Series C and D to construct various capital projects throughout the City. The bonds mature on October 15, 2020 and 2022, respectively.

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

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

Pursuant to the Agreement between the City and the Bank, the issuer is required to reimburse the Bank the amount drawn upon remarketing or in a lump sum payment as of May 14, 2011. If the takeout agreement were to be exercised because issue of bonds was put but not sold, the City would be required to pay approximately $1,722,000 in interest annually with a lump sum payment of principal at the end of the agreement. The interest rate on draws made under this agreement is the LIBOR one month rate plus 1% for draws of less than 90 days, the LIBOR rate plus 2% for draws greater the 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 2008, the City made no draws under the Agreement, and no amounts drawn against the Agreement were outstanding at June 30, 2008.

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 $10,214,000 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, 2008, principal owed for these bonds was $93,018,000 and interest of $125,586,000 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, 2008, the principal owed to the Federal government was $51,429,000 and interest of $20,492,000 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, 2008, the principal owed to the State was $1,946,000 and interest of $229,000 will be due thereon in future years. These loans bear interest at rates ranging from 2.0% to 11.2% and the final payment is due in 2016.
- *Sewer Construction Loans:* Under the provisions of Chapter 445, laws of Maryland 1968, and Chapter 286, laws of Maryland 1974, loans were made available to counties and municipalities charged with providing sewerage facilities to assist in the construction of such facilities. Since December 1980, the City has borrowed a total of $1,184,000 for sewer projects. At June 30, 2008, the principal owed to the State was $292,000 and interest of $48,000 will be due thereon in future years.

Compensated Absences

Compensated absences at June 30, 2008 totaled $109,898,000 for governmental activities and $12,169,000 for business-type activities, of which $40,310,000 and $7,531,000 respectively, were due within one year. For the Baltimore City Public School System, compensated absences totaled $78,198,000, of which $5,848,000 were due within one year.

Changes in compensated absences during fiscal year 2008 (amounts expressed in thousands):

	Governmental Activities	Business-type Activities	Total
Balance, July 1, 2007	$102,290	$11,094	$113,384
Leave earned	48,333	9,182	57,515
Leave used	(40,725)	(8,107)	(48,832)
Balance, June 30, 2008	$109,898	$12,169	$122,067

B. Debt Service Requirements

Debt service requirements on long-term debt at June 30, 2008, are as follows (amounts expressed in thousands):

	Governmental Activities								
	General Obligation Bonds			Long-Term Financing with State Of Maryland		Long-Term Financing with Federal Government		Special Obligation Bonds	
Fiscal Year	Principal	Interest	Interest Rate Swap Net(a)	Principal	Interest	Principal	Interest	Principal	Interest
2009	$ 49,878	$ 23,872	$ 3,839	$ 340	$ 77	$ 3,373	$ 2,628	$ 136	$ 4,510
2010	53,274	23,063	3,722	366	57	3,867	3,285	316	5,121
2011	54,456	21,736	3,593	256	33	3,285	2,204	618	5,095
2012	54,648	21,819	3,461	202	21	2,796	2,021	670	5,061
2013	46,065	16,466	3,260	214	18	2,894	1,847	4,330	26,514
2014-2018	145,822	62,890	12,261	567	23	16,141	6,349	7,531	27,447
2019-2023	164,525	35,414	4,004			10,050	1,985	14,468	24,212
2024-2028	71,630	9,664				9,023	173	24,481	17,616
2029-2033	6,235	155						26,828	9,020
2034-2038								13,640	990
Totals	$646,533	$215,079	$34,140	$1,945	$229	$51,429	$20,492	$93,018	$125,586

(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, 2008, assuming current interest rates remain the same for their term. As rates vary, variable rate bond interest payments and net swap payments will vary.

	Business-type Activities			
	General Obligation Bonds		Long-Term Financing with State Of Maryland	
Fiscal Year	Principal	Interest	Principal	Interest
2009	$ 914	$ 31	$ 73	$19
2010	790	50	77	14
2011	523	131	82	9
2012			60	6
Totals	$2,227	$212	$292	$48

A summary of general obligation bonds outstanding and bonds authorized but unissued (amounts expressed in thousands) at June 30, 2008, are as follows:

Purpose	Outstanding Due Dates	Outstanding Interest Rates	Outstanding Amount	Authorized But Unissued Amount
Fire, police and public protection	2009 to 2016	4.7% to 9.0%	$ 12,039	$ 1,130
Off-street parking	2009 to 2017	1.5% to 9.0%	22,459	345
Parks and recreation	2009 to 2017	2.7% to 9.0%	21,711	14,469
Public building and facilities	2009 to 2017	2.7% to 9.5%	56,466	22,514
Schools	2009 to 2021	2.7% to 9.0%	174,421	41,516
Waste water and storm sewer	2009 to 2012	2.5% to 9.0%	7,378	
Urban renewal and development	2009 to 2021	2.7% to 9.5%	310,450	96,782
Water	2009 to 2011	4.0% to 9.0%	897	
Highways	2009 to 2021	4.7% to 9.0%	16,179	220
Waste disposal	2009 to 2011	4.75% to 8.9%	1,330	
Finance				20,000
Health	2009 to 2018	5.125% to 5.3%	2,529	5,233
Unallocated	2009 to 2011	4.7% to 5.5%	22,901	
Totals			$648,760	$202,209

Baltimore City Public School System (BCPSS) General Obligation Bonds

BCPSS has issued $25,000,000 of Series 2000 general obligation bonds (Series 2000 Bonds), maturing through the year ended June 30, 2015. The net proceeds of the Series 2000 Bonds will be used to fund various capital improvements to existing schools within the BCPSS, including technical writing projects to accommodate Internet connectivity, and various renovations and repairs to school buildings. As the BCPSS enters into capital project contracts with one or more contractors, funds are to be drawn from the Series 2000 Bonds escrow account to fund capital expenditures. Interest rates range from 4.25% to 5.125% and interest is payable semiannually on November and May 1 of each year. The Series 2000 Bonds are the debt and obligation of the BCPSS and are not a debt and obligation or pledge of the faith and credit of the City of Baltimore. As of June 30, 2008, the outstanding balance on the 2000 bonds is $15,395,000.

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

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

As the BCPSS enters into the capital project contracts with one or more contractors, funds are to be drawn from the Series 2003A Bonds escrow account to fund capital expenditures. Under the terms of the Series 2003A Bonds, funds will be maintained by the US Bank (formerly Wachovia). Interest rates range from 2.0% to 5.0% and interest is payable semiannually on November and May 1 of each year. As of June 30, 2008, there was $59,121 remaining in the construction account which consisted of interest earnings.

The Series 2003A Bonds are the debt and obligation of the BCPSS and are not a debt and obligation of, or pledge of, the faith and credit of the City of Baltimore and the State of Maryland. As of June 30, 2008, the outstanding balance on the 2003A bonds is $40,410,000.

Future minimum bond payments are as follows at year ending June 30, 2008 (amounts expressed in thousands):

Fiscal Year	Principal	Interest	Total
2009	$ 4,925	$ 2,619	$ 7,544
2010	5,115	2,426	7,541
2011	5,350	2,188	7,538
2012	5,600	1,936	7,536
2013	5,835	1,696	7,531
2014-2018	28,980	3,993	32,973
Total	$55,805	$14,858	$70,663

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 2008, the City's capital lease obligations decreased by $7,984,000 (which is net of new leases in the amount of $7,372,000 and lease principal payments of $15,356,000) over the fiscal year 2007 total of $179,895,000. Future minimum lease payments at June 30, 2008, are as follows (amounts expressed in thousands):

Fiscal Year	
2009	$ 26,846
2010	26,135
2011	26,107
2012	24,242
2013	23,513
2014-2018	84,545
2019-2023	9,150
Total minimum lease payments	220,538
Less: deferred interest	(48,627)
Present value minimum lease payments	$171,911

The following is a schedule of leased property under capital leases by major class at June 30, 2008 (amounts expressed in thousands):

Classes of Property	
Buildings	$173,756
Equipment	175,532
Total	$349,288

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" at the Harbor Bank. All contractors have been paid and satisfied and the account at the Harbor Bank is now closed. 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, 2008, the outstanding balance on the 1999 lease is $8,161,000.

BCPSS has also entered into a vehicle lease agreement with the Branch Banking and Trust Company (BB&T) to provide financing for the $2,000,000 purchase of vehicles.

Under the terms of this lease, the amortization period is six years at a 3.79% annual interest rate. Payments of $187,902 are due beginning on June 27, 2002 and semiannually thereafter with a final payment of all outstanding principal and accrued interest due on December 27, 2007. As of June 30, 2008 the outstanding balance on the 2001 Master Lease is $0.00.

Additionally, BCPSS has entered into a $25,000,000 capital lease agreement (the Master Equipment Lease) with Wachovia Bank, (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 Wachovia Bank (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, 2008 the outstanding balance on the 2003 Master Lease is $10,695,000.

On June 13, 2006, the Baltimore City Public School System contracted with six (6) financial institutions for the ability to issue capital leases to help finance its Energy Conservation Program (ESCO) on a competitive basis. Funds available on the master leases after all addendums have been issued will not be used and the contracts could be terminated at the time. During fiscal year 2007, the System issued $60,272,000 in various ESCO projects. As of June 30, 2008 the outstanding balance on the 2006 Master Lease Addendums is $58,582,000.

Future minimum lease payments as of June 30, 2008, are as follows (expressed in thousands):

	Capital Leases	
Fiscal Year	Principal	Interest
2009	$ 7,970	$ 3,202
2010	6,172	2,970
2011	6,611	2,636
2012	6,628	2,351
2013	6,540	1,890
2014-2018	29,505	5,817
2019-2023	14,012	1,240
Present value minimum lease payments	$77,438	$20,106

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 $96,081,000 at June 30, 2008, and revenues of the Water and Waste Water Funds are pledged as collateral for the bonds. Bonds outstanding as of June 30, 2008, consist of (amounts expressed in thousands):

	Water Utility Fund	Waste Water Utility Fund
Serial bonds series 1993-A maturing in annual installments from $1,010,000 to $1,250,000 through July 1, 2008, with interest ranging from 5.1% to 5.5%, payable semiannually		$ 1,250
Serial bonds series 1993-A maturing in annual installments from $1,815,000 to $2,125,000 through July 1, 2008, with interest ranging from 5.1% to 5.5%, payable semiannually	$ 2,125	
Serial bonds series 1994-A maturing in annual installments from $485,000 to $590,000 through July 1, 2009, with interest ranging from 4.6% to 5.0%, payable semiannually		1,150
Serial bonds series 1994-A maturing in annual installments from $700,000 to $850,000 through July 1, 2009, with interest ranging from 4.6% to 5.0%, payable semiannually	1,660	
Serial bonds series 1994-B maturing in annual installments from $332,000 to $406,000 through February 1, 2015, with interest rate at 2.25%, payable semiannually		2,658
Serial bonds series 1994-C maturing in annual installments from $310,000 to $387,000 through February 1, 2015, with interest rate at 2.5%, payable semiannually		2,519
Serial bonds series 1994-D maturing in annual installments from $215,000 to $296,000 through February 1, 2015, with interest rate at 3.6%, payable semiannually		1,865
Serial bonds series 1996-B maturing in annual installments from $148,000 to $208,000 through February 1, 2017, with interest rate at 3.17%, payable semiannually		1,659
Serial bonds series 1998-A maturing in annual installments from $287,000 to $414,000 through February 1, 2019, with interest rate at 2.87%, payable semiannually		3,973
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		1,635
Serial bonds series 1999-B maturing in annual installments from $433,000 to $652,000 through February 1, 2021, with interest rate at 2.61%, payable semiannually		6,737
Serial bonds series 2001-A maturing in annual installments from $569,000 to $819,000 through February 1, 2022, with interest rate at 2.3%, payable semiannually		9,741
Serial bonds series 2002-A maturing in annual installments from $1,145,000 to $1,660,000 from July 1, 2009 through July 1, 2021, with variable interest through July 1, 2016 and a fixed rate of 4.85% - 5.0% thereafter payable semiannually		18,925
Serial bonds series 2002-A maturing in annual installments from $1,855,000 to $1,975,000 from July 1, 2009 through July 1, 2021, with variable interest through July 1, 2016 and a fixed rate of 4.85% - 5.0% thereafter payable semiannually	24,600	
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	1,581	
Serial bonds series 2003-B maturing in annual installments from $308,000 to $984,000 through February 1, 2024, with interest rate at 0.40%, payable semiannually		4,807
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 ranging from 4.125% to 4.20%, payable semiannually		6,035
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	4,989	
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		15,278
Serial bonds series 2004-C maturing in annual installments from $846,000 to $984,000 through February 1, 2023, with interest rate at 0.25%, payable semiannually		14,094
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		18,295
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 rates of 3.25% to 5.00%, payable semiannually		16,665
Term bonds series 1993-A with interest at 5.6%, payable semiannually, due July 1, 2013	12,200	7,100
Term bonds series 1993-A with interest at 5.65%, payable semiannually, due July 1, 2020	23,900	14,000
Term bonds series 1994-A with interest at 6.0%, payable semiannually, due July 1, 2015	6,250	4,330
Term bonds series 1994-A with interest at 5.0%, payable semiannually, due July 1, 2022		7,115
Term bonds series 1994-A with interest at 5.0%, payable semiannually, due July 1, 2024	10,280	
Term bonds series 2002-A with interest at 5.0%, payable semiannually, due July 1, 2023	4,250	2,470
Term bonds series 2002-A with interest at 5.0%, payable semiannually, due July 1, 2027	9,845	6,070
Term bonds series 2002-A with interest at 5.2%, 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-C, payable monthly, due July 1, 2032		47,400
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, 2037	40,800	
Term bonds series 2003-A with interest at 4.20%, payable semiannually, due July 1, 2028	12,835	
Auction Rate Notes Series 2004-B, payable monthly, due July 1, 2034	47,500	
Auction Rate Notes Series 2004-A, payable monthly, due July 1, 2034		17,500
Serial bonds series 2005-C maturing in annual installments from $599,000 to $735,000 through July 1, 2012, with interest at 0.70%, payable semiannually		2,761
Serial bonds series 2006-A maturing in annual installments from $515,000 to $1,035,000 from July 1, 2009 through July 1, 2026 with interest rates of 4.00% to 4.50%, payable semiannually	13,310	
Term bond series 2006-A with interest at 4.625%, payable semiannually, due July 1, 2031	5,930	
Term bond series 2006-A with interest at 4.625%, payable semiannually, due July 1, 2036	7,435	
Serial bonds series 2006-B maturing in annual installments from $338,000 to $362,000 through February 1, 2026, with interest rate at 0.40%, payable semiannually		6,302
Serial bonds series 2006-A maturing in annual installments from $1,380,000 to $1,561,000 through February 1, 2026, with interest rate of 0.40%, payable semiannually		27,162
Serial bonds series 2006-C maturing in annual installments from $990,000 to $2,090,000 from July 1, 2009 through July 1, 2026, with interest rates of 4.00% to 5.00% , payable semiannually		26,105
Term Bond series 2006-C with interest at 5.00%, payable semiannually, due July 1, 2029		6,920
Serial bonds series 2007-A maturing in annual installments from $64,000 to $80,000 through February 1, 2037, with interest rate at 0.40%, payable semiannually	2,182	
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		38,002
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		2,956
Serial bonds series 2007-B maturing in annual installments from $30,000 to $3,860,000 from July 1, 2009 through July 1, 2027, with interest rates of 3.60% to 4.50%, payable semiannually	19,835	
Term bond series 2007-B with interest at 4.50%, payable semiannually, due July 1, 2032	22,995	
Term bond series 2007-B with interest at 4.50%, payable semiannually, due July 1, 2035	7,910	
Serial bonds series 2007-C maturing in annual installments from $35,000 to $3,935,000 from July 1, 2009 through July 1, 2027, with interest rates of 3.60% to 4.50%, payable semiannually		11,090

	Water Utility Fund	Waste Water Utility Fund
Term bond series 2007-C with interest at 4.50%, payable semiannually, due July 1, 2032		29,795
Term bond series 2007-C with interest at 4.50%, payable semiannually, due July 1, 2036		19,255
Serial bonds series 2007-C maturing in annual installments from $740,000 to $1,570,000 from July 1, 2010 through July 1, 2027, with interest rates of 3.75% to 5.00%, payable semiannually	19,530	
Term bond series 2007-C with interest at 5.00%, payable semiannually, due July 1, 2032	9,115	
Term bond series 2007-C with interest at 5.00%, payable semiannually, due July 1, 2037	11,630	
Serial bonds series 2007-D maturing in annual installments from $1,890,000 to $4,330,000 from July 1, 2010 through July 1, 2027, with interest rates of 5.00%, payable semiannually		53,140
Term bond series 2007-D with interest at 5.00%, payable semiannually, due July 1, 2032		25,120
Term bond series 2007-D with interest at 5.00%, payable semiannually, due July 1, 2037		32,050
Serial bonds series 2008-A maturing in annual installments from $475,000 to $1,005,000 from July 1, 2009 through July 1, 2028, with interest rates of 2.00% to 4.50%, payable semiannually	14,170	
Term bond series 2008-A with interest at 4.625%, payable semiannually, due July 1, 2033	5,740	
Term bond series 2008-A with interest at 4.73%, payable semiannually, due July 1, 2038	1,115	
Term bond series 2008-A with interest at 5.00%, payable semiannually, due July 1, 2038	6,150	
Serial bonds series 2008-A maturing in annual installments from $475,000 to $1,005,000 from July 1, 2009 through July 1, 2028, with interest rates of 2.00% to 5.00%, payable semiannually		28,835
Term bond series 2008-A with interest at 5.00%, payable semiannually, due July 1, 2033		12,205
Term bond series 2008-A with interest at 5.00%, payable semiannually, due July 1, 2038		15,575
	450,057	636,954
Less: unamortized charges	7,823	3,310
	$442,234	$633,644

At June 30, 2008, the Water Utility fund had $106,600,000 of auction rate notes outstanding. Interest rates for these notes are determined every 7 to 35 days depending on the date of issue. In the event of a failed auction, the auction agent assesses the failed auction rate to the issuers of the notes. Interest paid under these conditions is currently limited to 150% to 175% of the non-financial commercial paper rate depending on the rating of the insurance provider on each note issue. At November 10, 2008 the failed auction rate on these notes was in the 1% range or less.

At June 30, 2008, the Waste Water Utility fund had $90,200,000 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. At November 10, 2008 the failed auction rate on these notes was in the 1% range or less.

Parking Facilities Revenue Bonds

The City has issued various funding and refunding revenue bonds, the proceeds of which were used to finance constructions of parking facilities and refinance existing debt of the Parking Facilities Fund. Assets with a carrying value of $11,202,000 at June 30, 2008, and revenues of the Parking Facilities Fund are pledged as collateral for the bonds. Bonds outstanding as of June 30, 2008, consist of (amounts expressed in thousands):

Serial bonds series 1993-A maturing in annual installments from $3,475,000 to $3,810,000 through July 1, 2008, with interest ranging from 4.45% to 4.7%, payable semiannually	$ 3,810
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	14,025
Auction rate notes series 2002, payable monthly due July 1, 2032	77,500
Term bonds series 1997-A with interest at 5.9%, payable semiannually, due July 1, 2013	21,760
Term bonds series 1997-A with interest at 6.0%, payable semiannually, due July 1, 2018	29,040
Term bonds series 1998-A with interest at 4.9%, payable semiannually, due July 1, 2011	85
Term bonds series 1998-A with interest at 5.25%, payable semiannually, due July 1, 2014	1,770
Term bonds series 1998-A with interest at 5.25%, payable semiannually, due July 1, 2017	2,060
Term bonds series 1998-A with interest at 5.25%, payable semiannually, due July 1, 2021	3,300
Term bonds series 2005 with interest at 5.27%, payable semiannually, due July 1, 2018	5,315
Term bonds series 2005 with interest at 5.30%, payable semiannually, due July 1, 2027	10,470
Term bonds series 2005 with interest at 5.62%, payable semiannually, due July 1, 2035	1,000
	170,135
Less: unamortized charges	2,387
	$167,748

The City has issued $80,770,000 in taxable variable rate demand revenue bonds to construct various parking facilities in the City. The bonds mature serially starting on July 1, 2003 through July 1, 2032. The series 2002 bonds are subject to mandatory sinking fund redemption prior to maturity beginning on or after July 1, 2003, at a redemption price of 100% of the principal amount plus interest accrued to the redemption date. The series 2002 term bonds due July 1, 2032, are subject to redemption at par prior to maturity by operation of a mandatory sinking fund on or after July 1, 2003, at annual principal amounts ranging from $470,000 to $7,900,000.

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

In conjunction with the issuance of the bonds, Dexia Credit Local, New York (Bank) issued a standby purchase agreement (Agreement) in the amount of the Series 2004 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 June 27, 2009, 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 the prime rate plus 1%.

The City is required to pay the Bank's fee throughout the effectiveness of the Agreement equal to 0.225% per annum of the average daily amount of the available commitment.

During fiscal year 2008, the City made several draws under the Agreement, and $74,775,000 was drawn against the Agreement and was outstanding at June 30, 2008.

Industrial Development Revenue Bonds

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

The bonds bear interest at a variable rate that is reset by the Remarketing Agent on a weekly basis. During fiscal year 2008, the variable interest rate paid by the City on these bonds ranged from 1.15% to 3.95%. It is the objective of the Remarketing Agent to set interest rates high enough to assure that the bonds are readily marketable, yet maintain the lowest possible interest cost for the IDA.

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

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

During fiscal year 2008, the City made no draws under the letter of credit and no amounts drawn against the letter of credit were outstanding at June 30, 2008.

Convention Center Refunding Revenue Bonds

The Convention Center Refunding Revenue Bonds, Series 1998 were issued May 1, 1998 and are special, limited obligations of the City to refund the $56,385,000 Mayor and City Council Convention Center Revenue Bonds Series 1994. The bonds are payable solely from the revenues which consists of certain hotel taxes and certain receipts derived from the ownership and operation of the Baltimore Convention Center. These bonds include $22,915,000 in serial bonds, which are due to mature on September 1, in each of the years 2004 to 2012, inclusive; $6,695,000 in 5.5% term bonds due to mature on September 1, 2014; $3,625,000 in 5.5% term bonds due to mature on September 1, 2015 and $16,485,000 in 5.0% term bonds due to mature on September 1, 2019. Interest on the bonds is payable on

each March 1 and September 1 in each year. The bonds maturing on or after September 1, 2009 are subject to redemption prior to maturity beginning on or after September 1, 2008 at redemption prices ranging from 102% to 100% of the principal amount. The term bonds due September 1, 2014 are subject to redemption at par prior to maturity by operation of a sinking fund on or after September 1, 2013, at annual principal amounts ranging from $3,260,000 to $3,345,000. The term bonds due September 1, 2019 are subject to redemption at par prior to maturity by operation of a sinking fund on or after September 1, 2016, at annual principal amounts ranging from $3,825,000 to $4,425,000. These revenue bonds have been recorded as governmental activities because they are expected to be paid by general revenues.

Stormwater Special Revenue Bond

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

County Transportation Revenue Bonds

The City has entered into an agreement with the State of Maryland to borrow $60,000,000 in County Transportation Revenue Bonds. The proceeds from these bonds will be used to fund certain highway improvements throughout the City. These bonds are secured by a pledge of the City's share of the highway user revenues.

Convention Center Hotel Revenue Bonds

The City issued Convention Center Revenue Bonds in the amount of $300,940,000. The proceeds of these bonds are to be used to finance the acquisition, demolition, construction and equipping of a convention center hotel in the City. The bonds are secured by pledges of revenues from the operation of the hotel, certain City hotel taxes and limited guarantees from the hotel operator. Bonds outstanding at June 30, 2008, 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, 2008, are as follows (amounts expressed in thousands):

	June 30, 2007	New Debt Issues	Debt Retired	June 30, 2008	Due within One Year
Governmental Activities					
Convention Center	$ 344,100		$ 2,395	$ 341,705	$ 2,515
Storm Water	6,532		351	6,181	352
Transportation	56,775		3,290	53,485	3,360
Total Governmental Activities	$ 407,407		$ 6,036	$ 401,371	$ 6,227
Business-Type Activities					
Water	$ 426,655	$27,175	$ 3,773	$ 450,057	$ 3,273
Waste Water	593,369	56,615	13,030	636,954	13,480
Parking Facilities	175,950		5,815	170,135	6,060
Industrial Development	100,000			100,000	
Total Business-Type Activities	$1,295,974	$83,790	$22,618	$1,357,146	$22,813

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

	Governmental Activities							
	Baltimore Hotel Corporation		Convention Center		Storm Water		Transportation Revenue Bonds	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009		$ 15,886	$ 2,515	$ 2,070	$ 352	$ 25	$ 3,360	$ 2,125
2010		15,886	2,645	1,941	354	23	3,495	1,987
2011		15,886	2,770	1,796	355	22	3,655	1,843
2012		15,886	2,935	1,637	356	20	3,820	1,712
2013	$ 2,065	15,886	3,095	1,637	358	19	3,995	1,563
2014-2018	16,060	77,801	18,160	4,606	1,810	74	23,180	5,330
2019-2023	28,170	72,107	8,645	437	1,847	37	11,980	1,152
2024-2028	44,570	62,904			749	5		
2029-2033	66,080	49,127						
2034-2038	94,320	29,193						
2039-2042	49,675	4,086						
Totals	$300,940	$374,648	$40,765	$14,124	$6,181	$225	$53,485	$15,712

	Business-type Activities											
	Water Utility			Waste Water Utility			Parking Facilities			Industrial Development Authority		
Fiscal Year	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)
2009	$ 3,273	$ 20,276	$ 2,922	$ 13,480	$ 22,441	$ 2,426	$ 6,060	$ 12,775	$ 2,786		$ 1,720	$ 1,947
2010	6,264	20,574	2,950	16,822	23,327	2,443	6,900	12,401	2,755		1,720	1,948
2011	7,666	20,212	2,999	19,663	22,848	2,487	7,235	11,970	2,723		1,720	1,947
2012	8,542	19,791	3,030	20,166	22,284	2,525	7,675	11,515	2,689		1,720	1,948
2013	9,024	19,336	3,052	20,079	21,693	2,562	7,635	11,040	2,652		1,720	1,948
2014-2018	52,708	89,036	15,301	109,154	98,628	12,827	45,085	47,192	12,617	$100,000	6,020	6,816
2019-2023	65,273	74,924	13,588	115,086	80,654	10,804	26,815	34,141	11,157			
2024-2028	71,354	59,982	10,793	106,455	61,627	7,395	26,730	24,022	8,287			
2029-2033	91,757	42,360	7,179	112,255	38,738	3,016	35,575	9,393	3,341			
2034-2038	87,506	20,919	1,863	81,550	14,997	95	425	37				
2039-2042	46,690	6,058	(251)	22,244	2,824							
Totals	$450,057	$393,468	$63,426	$636,954	$410,061	$46,580	$170,135	$174,486	$49,007	$100,000	$14,620	$16,554

(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, 2008, 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 $450,057,000 and $636,954,000 of revenue bond debt, respectively. Proceeds from these revenue bonds were used to build and improve various aspects of the City's Water and Waste Water Utility systems. The bonds are payable solely from the revenues of the two Utility Funds and are payable through 2042. Annual principal and interest payments on these revenue bonds are expected to require 16% of pledged revenues. Total principal and interest remaining to be paid on the revenue bonds for the Water and Waste Water Utility Funds are $906,951,000 and $1,093,595,000 respectively. Principal and interest paid for the current year and current pledged revenue for the Water Utility Fund were $20,052,000 and $131,233,000, respectively. Principal and interest paid for the current year and current pledged revenue for the Waste Water Utility Fund were $26,545,000 and $157,974,000, respectively.

The Parking Facility Fund

The Parking Facility fund has pledged future revenue from parking fees and fines to repay $170,135,000 of revenue bond debt. Proceeds from these revenue bonds were used to construct various garages throughout the City. The bonds are payable solely from the pledged revenue and are payable through 2038. Annual principal and interest payments are expected to require less than 22% of pledged revenue. Total principal and interest remaining to be paid on these revenue bonds is $393,628,000. For the current year, principal and interest payments and current pledged revenue were $14,771,000 and $69,868,000 respectively.

Tax Increment Revenue Pledges

The City has pledged a portion of future property tax revenues to repay $93,018,000 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 $218,604,000. For the current year, principal and interest payments and current pledged revenue were $1,615,000 and $4,821,000, respectively.

Convention Center Hotel

The City has pledged a portion of its hotel occupancy tax as security for revenue bonds, the proceeds of which were used to build the City's Convention Center Headquarters Hotel. The City's hotel occupancy tax is one of several pledged revenue sources the City used to issue $300,940,000 Convention Center Headquarter Hotel Bonds. Following the net 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 is scheduled to open in the fall of 2008. Total principal and interest remaining to be paid on these bonds is $675,588,000. For the current year, there were no principal payments due, and interest payments were $15,886,000.

10. Prior-Year Defeasance of Debt

In prior years, the City defeased certain revenue bonds and other obligations by placing the proceeds of new debt issues in an irrevocable trust to provide for all future debt service payments on the old debt. Accordingly, the trust account assets and the liability for the defeased debt are not included in the City's financial statements. At June 30, 2008, $334,955,000 of debt outstanding is considered defeased, which includes debt defeased during the current year.

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 financings (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, 2008, 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.

Outstanding Bonds	Effective Date	Termination Date	Interest Rate Paid by City	Interest Rate Received	Notional Amount	Fair Value	Counterparty Credit Rating
General Obligation Bonds							
Floating to Fixed Swaps:							
2001 Bonds	6/27/2001	10/1/2020	4.595%	Bond Rate/SIFMA	$ 20,600,000	$ (1,637,067)	A+/Aa3
2001 Bonds	6/27/2001	10/1/2022	5.060%	Bond Rate/SIFMA	22,500,000	(2,919,841)	A+/Aa3
2003 Bonds	5/14/2003	10/15/2020	2.950%	SIFMA/67% LIBOR	77,800,000	(227,164)	A/A1
2003 Bonds	5/14/2003	10/15/2022	3.450%	SIFMA/67% LIBOR	47,350,000	(1,334,499)	A/A1
2003 Bonds	5/14/2003	10/15/2020	4.215%	1M LIBOR	19,180,000	(13,827)	A/A1
2003 Bonds	5/14/2003	10/15/2022	4.970%	1M LIBOR	17,155,000	(413,274)	A/A1
Basis Swaps:							
2003 Bonds	6/29/2004	10/15/2020	67% LIBOR	60% LIBOR + 29.5 bps	77,800,000*	(10,277)	AAA/Aaa
2003 Bonds	6/29/2004	10/15/2020	67% LIBOR	60% LIBOR + 29.5 bps	47,350,000*	(144,994)	AAA/Aaa
Total General Obligation Bonds					$329,735,000*	$ (6,700,943)	
Industrial Development Authority Revenue Bonds							
Floating to Fixed Swaps:							
1986 Revenue Bonds	11/1/2001	11/1/2016	3.4975%	SIFMA Index	$100,000,000	$ (4,860,731)	A+/Aa3
Water Utility Fund Revenue Bonds Series							
Fixed to Floating Swaps:							
1993 Revenue Bonds	1/1/2008	7/1/2020	SIFMA Index	5.54%	$ 4,276,748	$ (870,470)	AA/Aa2
1994 Revenue Bonds	1/1/2008	7/1/2024	SIFMA Index	5.26%	4,108,595	(136,719)	AA/Aa2
1998 Revenue Bonds	2/1/2001	7/1/2028	SIFMA Index	5.17%	24,695,000	555,766	AA/Aa2
1998 Revenue Bonds	7/1/2008	7/1/2028	SIFMA Index	5.08%	1,927,360	(92,126)	AA/Aa2
2000 Revenue Bonds	7/1/2003	7/1/2030	SIFMA Index	5.70%	2,907,750	(63,618)	AA/Aa2
Floating to Fixed Swaps:							
1998 Revenue Bonds	10/26/2001	7/1/2008	5.17%	SIFMA Index	24,695,000*	(363,282)	A+/Aa3
2002 Revenue Bonds	5/7/2002	7/1/2037	4.555%	SIFMA/67% LIBOR	59,100,000	(9,883,688)	A+/Aa3
2002 Revenue Bonds	5/7/2002	7/1/2009	3.87%	Bond Rate/CPI	1,855,000	46,551	A+/Aa3
2002 Revenue Bonds	5/7/2002	7/1/2010	4.00%	Bond Rate/CPI	1,900,000	52,138	A+/Aa3
2002 Revenue Bonds	5/7/2002	7/1/2011	4.10%	Bond Rate/CPI	1,955,000	61,478	A+/Aa3
2002 Revenue Bonds	5/7/2002	7/1/2012	4.20%	Bond Rate/CPI	2,110,000	67,366	A+/Aa3
2002 Revenue Bonds	5/7/2002	7/1/2013	4.30%	Bond Rate/CPI	2,170,000	70,474	A+/Aa3
2002 Revenue Bonds	5/7/2002	7/1/2014	4.39%	Bond Rate/CPI	2,325,000	62,306	A+/Aa3
2002 Revenue Bonds	5/7/2002	7/1/2015	4.50%	Bond Rate/CPI	1,615,000	31,373	A+/Aa3
2002 Revenue Bonds	5/7/2002	7/1/2016	4.61%	Bond Rate/CPI	1,685,000	26,997	A+/Aa3
2004 Revenue Bonds	6/1/2004	7/1/2034	5.21%	SIFMA Index	47,500,000	(8,433,351)	A+/Aa3
Basis Swap:							
2002 Revenue Bonds	4/20/2005	7/1/2042	SIFMA	67% LIBOR + 20 bps	71,455,000	(6,984,482)	AAA/Aaa
Total Water Utility Fund					$256,280,453*	$(25,853,287)	
Wastewater Utility Fund Revenue Bonds Series							
Fixed to Floating Swaps:							
1993 Revenue Bonds	1/1/2008	7/1/2020	SIFMA Index	5.54%	$ 2,507,350	$ (51,281)	AA/Aa2
1994 Revenue Bonds	1/1/2008	7/1/2024	SIFMA Index	5.26%	1,229,550	(40,915)	AA/Aa2
1998 Revenue Bonds	2/1/2001	7/1/2028	SIFMA Index	5.17%	22,705,000	604,438	AA/Aa2
1998 Revenue Bonds	7/1/2008	7/1/2028	SIFMA Index	5.08%	1,876,278	(89,684)	AA/Aa2
2000 Revenue Bonds	7/1/2003	7/1/2030	SIFMA Index	5.70%	1,855,869	(56,628)	AA/Aa2
Floating to Fixed Swaps:							
1998 Revenue Bonds	10/26/2001	7/1/2008	5.17%	SIFMA Index	22,705,000*	(334,007)	A+/Aa3
2002 Revenue Bonds	5/7/2002	7/1/2037	4.555%	SIFMA/67% LIBOR	72,700,000	(10,377,708)	A+/Aa3
2002 Revenue Bonds	5/7/2002	7/1/2009	3.87%	Bond Rate/CPI	1,660,000	41,657	A+/Aa3
2002 Revenue Bonds	5/7/2002	7/1/2010	4.00%	Bond Rate/CPI	1,785,000	48,982	A+/Aa3
2002 Revenue Bonds	5/7/2002	7/1/2011	4.10%	Bond Rate/CPI	1,820,000	57,233	A+/Aa3
2002 Revenue Bonds	5/7/2002	7/1/2012	4.20%	Bond Rate/CPI	1,930,000	61,619	A+/Aa3
2002 Revenue Bonds	5/7/2002	7/1/2013	4.30%	Bond Rate/CPI	1,960,000	63,654	A+/Aa3
2002 Revenue Bonds	5/7/2002	7/1/2014	4.39%	Bond Rate/CPI	2,040,000	54,669	A+/Aa3
2002 Revenue Bonds	5/7/2002	7/1/2015	4.50%	Bond Rate/CPI	1,240,000	24,087	A+/Aa3
2002 Revenue Bonds	5/7/2002	7/1/2016	4.61%	Bond Rate/CPI	1,280,000	20,508	A+/Aa3
2004 Revenue Bonds	6/1/2004	7/1/2034	5.21%	SIFMA Index	17,500,000	(3,199,367)	A+/Aa3
Total Wastewater Utility Funds					$156,794,047*	$(13,172,745)	
Parking Revenue Bonds Series							
Floating to Fixed Swaps:							
2002 Bonds	6/19/2002	7/1/2032	6.098%	1M LIBOR	$ 67,800,000	$(10,347,052)	AA/Aa2
2002 Bonds	6/19/2002	7/1/2025	5.915%	1M LIBOR	9,700,000	(994,253)	AA/Aa2
Total Parking Facilities Fund					$ 77,500,000	$(11,341,305)	
Grand Total Swaps Outstanding					$920,309,500*	$(61,929,011)	

* Note: Notional principal totals include swaps that amended or partially reversed other swaps previously entered into by the City. If these offsetting and amended swaps are excluded, notional principal totals would be lower as follows: General Obligation $204,585,000; Water Utility $231,585,453; Wastewater Utility $134,089,047; Grand Total Swaps Outstanding $747,759,500.

Credit risk — As of June 30, 2008, the City is not exposed to credit risk on all but sixteen 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 eighteen swap agreements that have positive fair value, the City has credit exposure to the counterparty as of June 30, 2008. Should the counterparty to these transactions fail to perform according to the terms of the swap contract, the City faces a maximum loss equivalent to the swaps' $7,849,101 fair value. However, because certain of these swap counterparties are also party to other swaps whose fair value is currently negative, the City could use netting provisions to offset the potential loss.

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 is to be in the form of U. S. government securities held by the City.

Although the City executes transactions with various counterparties, 25 swaps or approximately 45% of the notional amount of swaps outstanding, are held with one-counterparty that is currently rated AA-/Aa3. Of the remaining swaps, the City holds 3 swaps with another counterparty, rated AAA/Aaa approximating 20% of the outstanding notional value, 4 swaps are with a counterparty rated A+/A1, approximating 18% of the outstanding notional value, 12 swaps are with a counterparty rated AA+/Aaa, approximately 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 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, 2008, the SIFMA rate for the prior 52-week period ranged from 1.24% to 3.95%, whereas the City tax-exempt market ranged from 1.15% to 6.10%. For seven of the swaps, the City will receive a percent of LIBOR or a percent of LIBOR plus 29.5 basis points, 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. As of June 30, 2008, LIBOR for the prior 52-weeks ranged from 2.56% to 5.82%, whereas the City's taxable market ranged from 2.33% to 10.00%. For those swaps associated with CPI index bonds, there is no basis risk, because the floating rate on the swaps is identical to the floating rate on the bonds.

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

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

12. Pension Plans

Plan Descriptions

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

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

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

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

Baltimore City Retirement Systems
7 East Redwood Street, 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 holding 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	26.9%	12.9%	12.5%
Employee	6.0%	4.0%	5.0%
Annual pension cost	$72,688	$43,918	$144
Contributions made	$72,688	$43,918	$144
Basis of accounting	Accrual	Accrual	Accrual
Actuarial cost method	Projected Unit Credit Cost	Projected Unit Credit Cost	Projected Unit Credit Cost
Amortization method	Level Dollar Open	Level Dollar Open	Level Dollar Open
Remaining amortization period	20 years	20 years	10 years
Assets valuation method	5 year smoothed market	5 year smoothed market	5 year smoothed market
Actuarial assumptions:			
Investment rate of return:			
Pre-retirement	8.25%	8.0%	7.5%
Post-retirement	6.8%	6.8%	6.0%
Projected salary increases	4.0%-8.5%	4.75%-7.0%	6.0%
Includes inflation rate at	3.0%	3.0%	4.0%
Costs during adjustment	Variable dependent upon investment performance	none	Variable dependent upon investment performance

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, 2008 and the actuarial valuation dated June 30, 2008.

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, 2008	$72,688	100%	$0
June 30, 2007	60,129	100	0
June 30, 2006	49,248	100	0
Employees' Retirement System:			
June 30, 2008	$43,918	100%	$0
June 30, 2007	36,841	100	0
June 30, 2006	31,003	100	0
Elected Officials' Retirement System:			
June 30, 2008	$ 144	100%	$0
June 30, 2007	382	110	0
June 30, 2006	517	100	0

Schedule of Funding Progress for Fiscal Year ended June 30, 2008
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, 2008	$2,676,355	$2,994,394	$318,039	89.4%	$269,690	117.9%
June 30, 2007	2,658,735	2,893,890	235,155	91.9	254,489	92.4
Employees' Retirement System						
June 30, 2008	$1,475,533	1,664,078	188,545	88.7%	367,517	51.3%
June 30, 2007	1,447,197	1,598,682	151,485	90.5	346,692	43.7
Elected Officials' Retirement System						
June 30, 2008	$18,273	$16,953	$(1,320)	107.8%	$1,142	(115.5%)
June 30, 2007	17,524	14,189	(3,335)	123.5	863	(386.5)

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, 2008	$1,902	$ 7,920
June 30, 2007	2,170	9,315
June 30, 2006	2,266	10,792

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, 2008, the State paid $53,696,000 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, 2008 was $1,390,000. This amount has also been recognized as both a revenue and an expenditure in the accompanying Statement of Activities.

Deferred Compensation

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

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

13. Other Postemployment Benefits

Plan Description

The City of Baltimore provides other postemployment benefits (OPEB) to all qualified City and BCPSS employees. All costs of the Plan for employees of the BCPSS are the responsibility of the City and reflected as such in this Note and the City's financial statements. The Plan is a contributory, single employer defined benefit plan. The benefit and contribution provisions of the Plan are established and may be amended by the City. The Plan provides postemployment healthcare and prescription drug benefits to retirees and their beneficiaries. Retirees may choose from five health plan options and four levels of coverage.

The following schedule outlines the eligibility requirements to participants in the Plan by employee group:

Post Retirement Medical Benefit Eligibility Requirement*

Employee Group	Requirement
Maryland State Retirement and Pension Systems	If hired before January 1, 1980: Age 60 or 25 years of service
	If hired on or after January 1, 1980: Age 55 with at least 15 year of service
Fire and Police Employees' Retirement System	If hired before July 1, 2004: Age 50 or 20 years of service
	If hired on or after July 1, 2004: Age 50 or 10 years of service
Employees' Retirement System & Elected Officials' Retirement System	Age 65 with at least 5 years of service
	Any age with at least 30 years of service

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

Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, has been implemented prospectively by the City during fiscal year 2008 and there were no net OPEB obligation or assets were carried forward from prior years. The effect of adopting GASB Statement No. 45 was an increase in OPEB expense of $78.6 million for the City's governmental activities, for the fiscal year ended June 30, 2008.

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 a Trust and Agency Fund.

The number of participants in the Plan as of July 1, 2007 is as follows:

Number of Participants

	City	School	Total
Active	15,220	9,769	24,989
Retired	14,181	6,836	21,017
Total	29,401	16,605	46,006

Significant Accounting Policies of the OPEB Trust Fund:

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

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

Funding Policy:

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

For fiscal year 2008, City contributions to the Plan were $183.3 million which exceeded the annual required contribution (ARC) of $164.6 million to the Plan resulting in a net OPEB asset of $18.7 million at year end. The contributions toward the ARC consisted of $78.6 million transferred to the OPEB Trust Fund plus $139.2 million paid to retiree medical benefit providers for current costs, offset by $34.5 million in contributions from retirees.

Annual OPEB Cost and Net OPEB Assets:

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 accrued liabilities over a period not to exceed 30 years. The City's annual OPEB cost (expense) for fiscal 2008 was equal to its ARC of $164.6 million. The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2008, and the amount actually contributed to the plan (dollars expressed in millions):

Fiscal Year Ended	Normal Cost	Amortization of Unfunded Actuarial Accrued Liability	Annual Required Contribution	Annual Contributions	Percentage Contributed	Net OPEB Assets
June 30, 2008	$59.2	$105.4	$164.6	$183.3	111.4%	$18.7

Funding Status and Funding Progress:

Schedule of 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, 2008	$76.0	$2,149.8	$2,073.8	3.5%	$1,307.6	158.6%

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

Actuarial Method and Assumptions:

Data in the above tables were obtained from an actuarial valuation prepared by an independent actuary made as of July 1, 2007 using census data as of that date and health care claims costs for the year ended June 30, 2007.

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

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

In performing their valuation, the actuary used a discount rate of 6.7%, 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 the valuation date. Assets are valued at fair market value. Past service costs are calculated using the level dollar method with a closed amortization period of 30 years. The valuation also assumes a 6.0% healthcare trend decrease for fiscal year 2008 reduced by decrements to a rate of 5.0% by fiscal year 2010. Pharmacy benefits are assumed to decrease 8.0% in 2008, reduced by decrements to a rate of 5.0% by fiscal year 2011. Salary increases were not considered as OPEB benefits are not based upon 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 commercial insurance. The Risk Management Fund services all claims for risk of loss, including general liability, property and casualty, workers' compensation, unemployment compensation, automobile physical damage and bodily injury, and sundry other risks. Commercial insurance coverage is provided for each property damage claim in excess of $750,000 with a cap of $250,000,000. Settled claims have not exceeded this commercial coverage in any of the past three years. The City also provides medical insurance coverage for all employees and retirees. Employees are required to pay a percentage of the annual cost of the medical plans and the remaining costs are paid by the internal service fund.

All funds of the City and the Baltimore City Public School System participate and make payments to the Risk Management Fund based on actuarial estimates and historical cost information of the amounts needed to pay prior and current year claims. As of June 30, 2008, the City has determined that the range of potential claims liability for the fund to be between $165,699,000 and $239,821,000. The claims liability of $165,199,000 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, 2008, 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 $165,699,000 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 2007 and 2008 were (amounts expressed in thousands):

	2008	2007
Unpaid claims, beginning	$ 154,550	$ 164,840
Claims incurred	208,776	203,289
Claims paid	(197,627)	(213,579)
Unpaid claims, ending	$ 165,699	$ 154,550

The City estimates that $59,248,000 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, 2008, future minimum lease payments are as follows (amounts expressed in thousands):

2009	$ 6,733
2010	6,465
2011	5,821
2012	4,591
2013	3,802
2014-2018	7,858
2019-2023	3,123
2024-2028	587
2029-2033	254
Total	$39,234

All leases contain cancellation provisions and are subject to annual appropriations by the City Council. During fiscal year 2008, rent expenditures approximated $21,059,000 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, 2008, rent and lease expenditures approximated $2,337,000. These expenditures were made primarily from the General Fund. As of June 30, 2008, future minimum lease payments approximate $4,432,000 of which $1,447,000 is due in fiscal year 2009 and $1,773,000 relates to fiscal year 2010.

16. Landfill Closure and Postclosure Care Costs

State and Federal laws and regulations require that the City place a final cover on its landfill site and perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty years after closure. In addition to operating expenses related to current activities of the landfill site, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and postclosure care costs is $17,809,000 as of June 30, 2008, which is based on 65.0% usage (filled) of the landfill. This is an increase in the liability of $1,229,000 since June 30, 2007. It is estimated that an additional $9,590,000 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 2019). The estimated total current cost of the landfill closure and postclosure care ($27,399,000) 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, 2008. 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 2009.

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, 2008, investments of $15,491,000 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, 2008, consist of the following:

A. The General Fund has notes receivable of $5,100,000, net of a $1,000,000 allowance for losses. These notes bear interest rates ranging from 1.0% to 12.0% and mature over 30 years.

B. The Debt Service Fund has mortgages receivable of $1,945,000 collateralized by real property. These mortgages bear interest at rates ranging from 5.46% to 11.16% and mature over 30 years.

C. The Parking Facilities Fund has mortgages receivable of $53,766,000 collateralized by real property. These notes bear interest at rates ranging from 6.1% to 6.9% and mature over 30 years.

D. The Community Development Block Grant Fund has $1,581,000 in mortgages receivable collateralized by real property, bearing interest rates ranging from 1.0% to 12.0% and mature over 30 years.

E. Governmental activities has notes receivable of $310,826,000 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, 2008, 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, 2008.

19. Commitments and Contingencies

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

As of June 30, 2008, the City is contingently liable for loans guaranteed by the Loan and Guarantee Program in an aggregate amount of approximately $2,100,000.

The City receives significant financial assistance from the U.S. Government and the State of Maryland in the form of grants. Entitlement to grant resources is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable Federal and State regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits in accordance with grantors' requirements. Any disallowances as a result of these audits become a liability of the City. As of June 30, 2008, the City estimates that no material liabilities will result from such audits.

Under the terms of a Waste Disposal Agreement, the City has committed to deliver 900 tons of solid waste per day to the Northeast Maryland Waste Disposal Authority. The City's current tipping fee expense for delivering the solid waste is $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 $128.69 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 $506.66 per dry ton.

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

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

notified the Chief Executive Officer of City Schools of its intent to recoup approximately $8.1 million from City Schools as its alleged share of the funds disallowed by DHHS the "recoupment decision"). The State's recoupment decision has been appealed to the Office of Administrative Hearings of the State. Prehearing motions are scheduled for filing in November 2008 with the hearing scheduled for May 2009.

An audit performed by the Maryland State Department of Education ("MSDE"), dated July 9, 2004, covering fiscal years 2001-2004, resulted in MSDE requesting repayment of Title I and IDEA funds totaling $18 million. The BCPSS filed a timely appeal. However, rather than proceeding with the appeal, the BCPSS and MSDE agreed to take part in the federally, created Cooperative Audit Resolution and Oversight Initiative (CAROI) process. Teams from MSDE and the BCPSS have been meeting since November 1, 2004, in an attempt to resolve the audit findings and to determine the underlying causes for the findings. An agreement was reached, which requires the BCPSS to use state and local funds for specific purposes over 4 school years (beginning with 2005-2006 school year) in lieu of repayment. The unspent, unencumbered balance of the settlement amount at June 30, 2008 was $5.441 million.

20. Beginning Balance Adjustments

Primary Government

As of July 1, 2007, the City increased its beginning net assets and fund balance for its governmental activities and general fund by $30,325,000 to recognize revenue from the partial payment of taxes that had previously been deferred until the taxes were paid in full.

21. Subsequent Events

On November 18, 2008, the City sold $77,500,000 of taxable variable note demand Parking Facilities refunding revenue bonds series 2008. The proceed of these bonds were used to refund the existing maturities of the 2002 Parking Facilities variable note demand bonds. These revenue bonds bear a rate that generally tracks the LIBOR Rate and are due serially through 2032.

Due to the economic downturn that occurred since June 30, 2008, there has been a significant decline in the fair market value of the investments of the City's Fire and Police Employees' Retirement System (F&P), Employees' Retirement System (ERS), and Elected Officials' Retirement System (EOS). Since June 30, 2008, the fair market value of investments has decreased by $392,083,000, or 18%, for F&P; $309,130,000, or 21%, for ERS; and, $4,369,000, or 26%, for EOS.

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Required Supplementary Information

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CITY OF BALTIMORE

Schedule of Revenues, Expenditures and Encumbrances,

and Changes in Fund Balance — Budget and Actual — Budgetary Basis(1), (2)

General Fund

For the Year Ended June 30, 2008

(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes — local	$1,053,884	$1,053,884	$1,074,234	$ 20,350
Licenses and permits	31,743	31,743	34,717	2,974
Fines and forfeitures	5,612	5,612	7,321	1,709
Interest, rentals, and other investment income	31,110	35,806	38,602	2,796
Federal grants	119	119	99	(20)
State grants	102,499	102,499	99,845	(2,654)
Other grants	175	175	153	(22)
Charges for current services	42,381	42,381	42,646	265
Miscellaneous	1,963	8,188	12,429	4,241
Total revenues	1,269,486	1,280,407	1,310,046	29,639
Expenditures and encumbrances:				
Civil Service Commission	4,612	4,612	4,612	0
Community Relations Commission	946	946	929	17
Comptroller	4,140	4,140	3,852	288
City Council	4,473	4,473	4,473	0
Office of Financial Review	569	569	539	30
Courts	8,857	8,857	8,708	149
Supervisors of Elections	6,832	6,832	6,413	419
Department of Finance	12,772	12,772	12,752	20
Department of Fire	134,725	140,950	140,950	0
Department of Health	28,123	29,812	28,536	1,276
Department of Housing and Community Development	29,135	29,235	28,408	827
Department of Law	4,138	4,138	4,065	73
Department of Legislative Reference	738	738	737	1
Enoch Pratt Library	22,542	22,542	22,491	51
Board of Liquor License Commissioners	1,865	1,865	1,865	0
Mayoralty	300,687	303,886	299,634	4,252
Department of Planning	1,659	1,659	1,410	249
Department of Police	311,738	316,274	316,274	0
Department of Public Works	80,598	79,903	79,625	278
Department of Recreation and Parks	28,390	28,390	28,312	78
Office of Sheriff	12,751	12,751	12,689	62
Office of State's Attorney	27,209	27,209	27,206	3
Department of Transportation	698	698	698	0
Wage Commission	395	395	376	19
Department of Municipal and Zoning Appeals	359	359	352	7
Baltimore City Public School System	204,469	204,469	204,469	0
Total expenditures	1,233,420	1,248,474	1,240,375	8,099
Excess of revenues over expenditures	36,066	31,933	69,671	37,738
Other financing sources (uses):				
Transfers in	39,669	39,669	40,246	577
Transfers out	(142,171)	(142,171)	(153,574)	(11,403)
Total other financing sources (uses)	(102,502)	(102,502)	(113,328)	(10,826)
Net change in fund balances	(66,436)	(70,569)	(43,657)	26,912
Fund balances — beginning	211,561	211,561	211,561	
Fund balances — ending	$ 145,125	$ 140,992	167,904	$ 26,912
Adjustments to reconcile to GAAP basis:				
Addition of encumbrances outstanding			57,050	
Less: accounts payable not recorded for budgetary purposes			(10,531)	
Fund balance — June 30, 2008 (GAAP basis)			$ 214,423	

(1) Annual budgets are adopted for the General Fund and all Special Revenue Funds, except for Grant 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 $1,390,000 which was paid by the Maryland State Retirement System on behalf of the City of Baltimore for the employees of the Enoch Pratt Free Library.

CITY OF BALTIMORE

Schedule of Revenues, Expenditures and Encumbrances, and Changes in Fund Balance — Budget and Actual — Budgetary Basis(1)

Motor Vehicle Fund

For the Year Ended June 30, 2008

(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
State shared revenue	$229,150	$229,150	$213,325	$(15,825)
Licenses and permits	667	667	918	251
Fines and forfeitures	6,700	6,700	6,067	(633)
Interest, rentals, and other investment income	2,886	2,886	4,238	1,352
Charges for current services	7,999	7,999	7,516	(483)
Miscellaneous			652	652
Total revenues	247,402	247,402	232,716	(14,686)
Expenditures and encumbrances:				
Department of Recreation and Parks	4,470	4,470	4,470	
Department of Transportation	92,869	96,569	96,568	1
Department of Planning	747	747	650	97
Department of Police	12,350	12,350	12,094	256
Department of Public Works	38,860	38,120	33,994	4,126
Mayoralty	21,963	21,963	21,938	25
Baltimore City Public School System	3,654	3,654	3,654	
Total expenditures and encumbrances	174,913	177,873	173,368	4,505
Excess of revenues over expenditures and encumbrances	72,489	69,529	59,348	(10,181)
Other financing sources (uses):				
Transfers in			11,500	11,500
Transfers out	(72,473)	(73,473)	(73,472)	1
Total other financing sources (uses)	(72,473)	(73,473)	(61,972)	11,501
Net change in fund balances	16	(3,944)	(2,624)	1,320
Fund balances — beginning	7,187	7,187	7,187	
Fund balances — ending	$ 7,203	$ 3,243	4,563	$ 1,320
Adjustments to reconcile to GAAP Basis:				
Addition of encumbrances outstanding			8,067	
Less: accounts payable not recorded for budgetary purposes			(2,381)	
Fund balance — June 30, 2008 (GAAP basis)			$ 10,249	

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

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

CITY OF BALTIMORE

Schedule of Funding Progress(1)
Pension Trust Funds

(Dollars Expressed in Thousands)

Actuarial Valuation Dates	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Excess of) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL (Excess of) as a Percentage of Covered Payroll ((b-a)/c)
Fire and Police Employees' Retirement System						
June 30, 2008	$2,676,355	$2,994,394	$318,039	89.4%	$269,690	117.9%
June 30, 2007	2,658,735	2,893,890	235,155	91.9	254,489	92.4
June 30, 2006	2,505,471	2,709,930	204,459	92.5	245,558	83.3
Employees' Retirement System						
June 30, 2008	1,475,533	1,664,078	188,545	88.7	367,517	51.3
June 30, 2007	1,447,197	1,598,682	151,485	90.5	346,692	43.7
June 30, 2006	1,411,165	1,530,526	119,361	92.2	331,888	36.0
Elected Officials' Retirement System						
June 30, 2008	18,273	16,953	(1,320)	107.8	1,142	(115.5)
June 30, 2007	17,524	14,189	(3,335)	123.5	863	(386.5)
June 30, 2006	15,940	13,546	(2,394)	117.7	963	(248.5)

(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, 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, 2008	$164.6	$183.3	111.4%

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 2008, supplemental appropriation ordinances were required for the General Fund in the amount of $15,054,000, and Motor Vehicle Fund in the amount of $2,960,000.

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 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, 2008

(Expressed in Thousands)

	Special Revenue Funds				Permanent Funds				
	Community Development Block Grant Fund	Special Racetrack Fund	Scholarship Fund	Total	Enoch Pratt Free Library Fund	Memorial Fund	Total	Debt Service Fund	Total Nonmajor Governmental Funds
Assets:									
Cash and cash equivalents		$124	$5,907	$ 6,031	$ 220	$ 566	$ 786	$58,562	$ 65,379
Investments			643	643	1,874	3,982	5,856	23,980	30,479
Other receivables, net			7	7	21	30	51	39	97
Due from other governments	$ 3,569	309		3,878					3,878
Due from other funds	1,358			1,358					1,358
Notes and mortgages receivable, net	1,581			1,581				1,945	3,526
Total assets	6,508	433	6,557	13,498	2,115	4,578	6,693	84,526	104,717
Liabilities and fund balances:									
Liabilities:									
Accounts payable and accrued liabilities	2,296	7		2,303					2,303
Due to other funds	10,802			10,802					10,802
Deferred revenue	1,796			1,796				1,945	3,741
Matured bonds payable								2	2
Total liabilities	14,894	7		14,901				1,947	16,848
Fund balances:									
Reserved for encumbrances		100		100					100
Reserved for Scholarship, Library and Memorial			6,557	6,557	2,115	4,578	6,693		13,250
Unreserved (deficit)	(8,386)	326		(8,060)				82,579	74,519
Total fund balances	(8,386)	426	6,557	(1,403)	2,115	4,578	6,693	82,579	87,869
Total liabilities and fund balances	$ 6,508	$433	$6,557	$13,498	$2,115	$4,578	$6,693	$84,526	$104,717

CITY OF BALTIMORE

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2008

(Expressed in Thousands)

	Special Revenue Funds				Permanent Funds				
	Community Development Block Grant Fund	Special Racetrack Fund	Scholarship Fund	Total	Enoch Pratt Free Library Fund	Memorial Fund	Total	Debt Service Fund	Total Nonmajor Governmental Funds
Revenues:									
State shared revenue		$574		$ 574					$ 574
Interest, rentals and other investment income			$ 675	675	$ 77	$ 301	$ 378	$ 1,001	2,054
Federal grants	$ 17,712			17,712					17,712
Miscellaneous								16,356	16,356
Total revenues	17,712	574	675	18,961	77	301	378	17,357	36,696
Expenditures:									
Current:									
General government	2,212			2,212					2,212
Public safety and regulation	733	18		751					751
Education			16	16					16
Public library					73		73		73
Recreation and culture		24		24		131	131		155
Highways and streets		31		31					31
Economic development	10,868	55		10,923					10,923
Debt service:									
Principal								56,694	56,694
Interest								51,198	51,198
Total expenditures	13,813	128	16	13,957	73	131	204	107,892	122,053
Excess (deficiency) of revenues over (under) expenditures	3,899	446	659	5,004	4	170	174	(90,535)	(85,357)
Other financing sources (uses):									
Transfers in								142,818	142,818
Transfers out	(12,285)			(12,285)					(12,285)
Total other financing sources (uses)	(12,285)			(12,285)				142,818	130,533
Net change in fund balances	(8,386)	446	659	(7,281)	4	170	174	52,283	45,176
Fund balances—beginning		(20)	5,898	5,878	2,111	4,408	6,519	30,296	42,693
Fund balances—ending	$ (8,386)	$426	$6,557	$ (1,403)	$2,115	$4,578	$6,693	$82,579	$87,869

CITY OF BALTIMORE

Schedule of Revenues, Expenditures,

and Changes in Fund Balance — Budget and Actual — Budgetary Basis(1)

Special Racetrack Fund

For the Year Ended June 30, 2008

(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive
Revenues:				
State shared revenues	$ 228	$ 228	$574	$346
Expenditures and encumbrances:				
Department of Planning	200	200		200
Department of Police	18	18	18	
Department of Transportation	31	31	31	
Department of Recreation and Parks	24	24	24	
Department of Housing and Community Development	55	55	55	
Total expenditures	328	328	128	200
Excess of revenues over expenditures	(100)	(100)	446	546
Fund balances — beginning	(570)	(363)	(20)	343
Fund balances — June 30, 2008 (GAAP basis)	$(670)	$(463)	$426	$889

(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, 2008

(Expressed in Thousands)

	Loan and Guarantee Program	Industrial Development Authority	Conduit Fund	Total
Assets:				
Current assets:				
Cash and cash equivalents	$6,840	$36,851	$ 1,209	$44,900
Accounts receivable, net:				
Service billings	46		4,252	4,298
Other	39	186		225
Total current assets	6,925	37,037	5,461	49,423
Noncurrent assets:				
Capital assets, net			42,018	42,018
Issuance costs		276		276
Total noncurrent assets		276	42,018	42,294
Total assets	6,925	37,313	47,479	91,717
Liabilities:				
Current liabilities:				
Accounts payable and accrued liabilities	36	2	1,003	1,041
Accrued interest payable		131		131
Due to other funds		1,552	115	1,667
Other liabilities			258	258
Current liabilities payable from restricted assets:				
Accounts payable from restricted assets			17	17
Total current liabilities	36	1,685	1,393	3,114
Noncurrent liabilities:				
Revenue bonds payable, net		20,133		20,133
Other liabilities	2,100			2,100
Total noncurrent liabilities	2,100	20,133		22,233
Total liabilities	2,136	21,818	1,393	25,347
Net assets:				
Invested in capital assets, net of related debt			42,018	42,018
Unrestricted	4,789	15,495	4,068	24,352
Total net assets	$4,789	$15,495	$46,086	$66,370

CITY OF BALTIMORE

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets

Nonmajor Proprietary Funds

For the Year Ended June 30, 2008

(Expressed in Thousands)

	Loan and Guarantee Program	Industrial Development Authority	Conduit Fund	Total
Operating revenues:				
Rents, fees, and other income	$ 158	$ 2,323	$ 7,603	$10,084
Interest income on loans	205	1,388		1,593
Total operating revenues	363	3,711	7,603	11,677
Operating expenses:				
Salaries and wages	126		1,622	1,748
Other personnel costs	43		687	730
Contractual services	283		7,891	8,174
Program expenses	4,441	437		4,878
Materials and supplies			231	231
Minor equipment			25	25
Depreciation			679	679
Interest		2,902		2,902
Total operating expenses	4,893	3,339	11,135	19,367
Operating income (loss)	(4,530)	372	(3,532)	(7,690)
Capital contributions	112		(95)	17
Transfers in	1,365			1,365
Transfers out	(2,500)			(2,500)
Changes in net assets	(5,553)	372	(3,627)	(8,808)
Total net assets — beginning	10,342	15,123	49,713	75,178
Total net assets — ending	$ 4,789	$15,495	$46,086	$66,370

CITY OF BALTIMORE

Combining Statement of Cash Flows

Nonmajor Proprietary Funds

For the Year Ended June 30, 2008

(Expressed in Thousands)

	Loan and Guarantee Program	Industrial Development Authority	Conduit Fund	Total
Cash flows from operating activities:				
Receipts from customers	$ 393	$ 3,949	$ 7,448	$ 11,790
Payments to employees	(176)		(2,292)	(2,468)
Payments to suppliers	(3,359)	(3,427)	(7,235)	(14,021)
Net cash provided (used) by operating activities	(3,142)	522	(2,079)	(4,699)
Cash flows from non-capital financing activities:				
Transfers in	1,365			1,365
Transfers out	(2,500)			(2,500)
Net cash used by non-capital financing activities	(1,135)			(1,135)
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets			(4)	(4)
Capital contributions	112		(95)	17
Principal paid on revenue bonds		2,742		2,742
Net cash provided (used) by capital and related financing activities	112	2,742	(99)	2,755
Net increase (decrease) in cash and cash equivalents	(4,165)	3,264	(2,178)	(3,079)
Cash and cash equivalents, beginning of year	11,005	33,587	3,387	47,979
Cash and cash equivalents, end of year	$ 6,840	$36,851	$ 1,209	$ 44,900
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	$ (4,530)	$ 372	$(3,532)	$ (7,690)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense			679	679
Amortization of bond issuance costs		34		34
Accounts receivable	30	238	(155)	113
Accounts payable and accrued liabilities	(142)	(168)	551	241
Accounts payable from restricted assets			5	5
Other liabilities	1,500		258	1,758
Due to other funds		46	115	161
Total adjustments	1,388	150	1,453	2,991
Net cash provided (used) by operating activities	$ (3,142)	$ 522	$(2,079)	$ (4,699)

Internal Service Funds

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government, and to other governmental units, on a cost reimbursement basis.

Municipal Communication Fund. — This fund accounts for the repair and maintenance of the City's radios.

Mobile Equipment Fund. — This fund accounts for the service, repair, operation, and replacement of the City's equipment fleet.

Reproduction and Printing Fund. — This fund accounts for the operation of the City's printing shop.

Municipal Post Office Fund. — This fund accounts for the operations of the City's internal post office facility.

Municipal Telephone Exchange Fund. — This fund accounts for the administration and operations of the City's telephone exchange.

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

CITY OF BALTIMORE

Combining Statement of Fund Net Assets

Internal Service Funds

June 30, 2008

(Expressed in Thousands)

	Municipal Communication	Mobile Equipment	Reproduction and Printing	Municipal Post Office	Municipal Telephone Exchange	Risk Management	Total
Assets:							
Current assets:							
Cash and cash equivalents	$213	$ 44,970			$9,101	$ 19,297	$ 73,581
Investments						4,872	4,872
Accounts receivable, net:							
Other		256	$ 190		1	24,328	24,775
Inventories		1,897	198	$ 15			2,110
Total current assets	213	47,123	388	15	9,102	48,497	105,338
Noncurrent assets:							
Capital assets		56,874	1		25	24	56,924
Other assets						2,350	2,350
Total noncurrent assets		56,874	1		25	2,374	59,274
Total assets	213	103,997	389	15	9,127	50,871	164,612
Liabilities:							
Current liabilities:							
Accounts payable and accrued liabilities	10	6,997	427	20	1,223	5,400	14,077
Due to other funds		904	5,928	384			7,216
Estimated liability for claims in progress						59,248	59,248
Other liabilities		2,753	123	43	132	610	3,661
Total current liabilities	10	10,654	6,478	447	1,355	65,258	84,202
Noncurrent liabilities:							
Estimated liability for claims in progress						106,451	106,451
Total liabilities	10	10,654	6,478	447	1,355	171,709	190,653
Net assets:							
Invested in capital assets,		56,874	1		25	24	56,924
Unrestricted (deficit)	203	36,469	(6,090)	(432)	7,747	(120,862)	(82,965)
Total net assets	$203	$ 93,343	$(6,089)	$(432)	$7,772	$(120,838)	$(26,041)

CITY OF BALTIMORE

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets

Internal Service Funds

For the Year Ended June 30, 2008

(Expressed in Thousands)

	Municipal Communication	Mobile Equipment	Reproduction and Printing	Municipal Post Office	Municipal Telephone Exchange	Risk Management	Total
Operating revenues:							
Charges for services	$3,063	$51,257	$ 2,389	$1,920	$11,328	$ 151,311	$221,268
Operating expenses:							
Salaries and wages		10,716	1,116	320	803	2,810	15,765
Other personnel costs		3,865	424	116	329	940	5,674
Contractual services	2,860	17,669	1,997	41	9,606	10,887	43,060
Materials and supplies		14,381	1,248	14	6	18	15,667
Minor equipment			2		5	5	12
Claims paid and incurred						197,627	197,627
Postage and delivery service				1,100			1,100
Depreciation		6,814	3		25	44	6,886
Total operating expenses	2,860	53,445	4,790	1,591	10,774	212,331	285,791
Operating income (loss)	203	(2,188)	(2,401)	329	554	(61,020)	(64,523)
Nonoperating revenues (expenses):							
Investment income						1,612	1,612
Loss on disposal of property		(575)					(575)
Total nonoperating revenues (expenses)		(575)				1,612	1,037
Net income (loss) before contributions and transfers	203	(2,763)	(2,401)	329	554	(59,408)	(63,486)
Contributions		15,007					15,007
Transfers in		2,587				4,050	6,637
Total net assets — beginning		78,512	(3,688)	(761)	7,218	(65,480)	15,801
Total net assets — ending	$ 203	$93,343	$(6,089)	$ (432)	$ 7,772	$(120,838)	$ (26,041)

CITY OF BALTIMORE

Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended June 30, 2008

(Expressed in Thousands)

	Municipal Communication	Mobile Equipment	Reproduction and Printing	Municipal Post Office	Municipal Telephone Exchange	Risk Management	Total
Cash flow from operating activities:							
Receipts from customers	$ 3,063	$ 51,569	$ 4,590	$ 1,609	$11,331	$ 137,545	$209,707
Payments to employees		(14,441)	(1,506)	(437)	(1,132)	(3,706)	(21,222)
Payments to suppliers	(2,850)	(31,021)	(3,084)	(1,172)	(8,537)	(192,931)	(239,595)
Net cash provided (used) by operating activities	213	6,107			1,662	(59,092)	(51,110)
Cash flows from noncapital financing activities:							
Transfers in		2,587				4,050	6,637
Net cash provided by noncapital financing activities		2,587				4,050	6,637
Cash flows from capital and related financing activities:							
Acquisition and construction of capital assets		(25,619)					(25,619)
Capital contributions		15,007					15,007
Net cash used by capital and related financing activities		(10,612)					(10,612)
Cash flows from investing activities:							
Proceeds from the sale and maturities of investments						7,181	7,181
Purchase of investments						(7,237)	(7,237)
Interest on investments						1,612	1,612
Net cash provided by investing activities						1,556	1,556
Net increase in cash and cash equivalents	213	(1,918)			1,662	(53,486)	(53,529)
Cash and cash equivalents, beginning of year		46,888			7,439	72,783	127,110
Cash and cash equivalents, end of year	$ 213	$ 44,970			$ 9,101	$ 19,297	$ 73,581
Reconciliation of operating income (loss) to net cash provided by operating activities:							
Operating income (loss)	$ 203	$ (2,188)	$(2,401)	$ 329	$ 554	$ (61,020)	$ (64,523)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:							
Depreciation		6,814	3		25	44	6,886
Changes in assets and liabilities:							
Accounts receivable		181	(22)		3	(11,572)	(11,410)
Inventories		131	401	5			537
Other assets						(2,194)	(2,194)
Accounts payable and accrued liabilities	10	1,188	175	(17)	1,080	4,490	6,926
Other liabilities		(19)	22	(1)		11	13
Due to other funds			1,822	(316)			1,506
Estimated liability for claims in progress						11,149	11,149
Total adjustments	10	8,295	2,401	(329)	1,108	1,928	13,413
Net cash provided by operating activities	$ 213	$ 6,107			$ 1,662	$ (59,092)	$ (51,110)

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, 2008

(Expressed in Thousands)

	Employees' Retirement System	Elected Officials' Retirement System	Fire and Police Employees' Retirement System	Total
Assets:				
Cash and cash equivalents	$ 42,397	$ 244	$ 27,461	$ 70,102
Investments:				
Stocks	846,129		1,151,486	1,997,615
Bonds	428,909		742,387	1,171,296
Mutual funds		17,019		17,019
Real estate	123,381		221,354	344,735
Securities lending collateral	87,598		297,963	385,561
Other assets	33,134	1	25,243	58,378
Total assets	1,561,548	17,264	2,465,894	4,044,706
Liabilities:				
Obligations under securities lending program	87,598		297,963	385,561
Accounts payable	117,867	32	15,728	133,627
Pension benefits payable			500	500
Total liabilities	205,465	32	314,191	519,688
Net assets held in trust for pension benefits	$1,356,083	$17,232	$2,151,703	$3,525,018

CITY OF BALTIMORE

Combining Statement of Changes in Fiduciary Net Assets

Pension Trust Funds

For the Year Ended June 30, 2008

(Expressed in Thousands)

	Employees' Retirement System	Elected Officials' Retirement System	Fire and Police Employees' Retirement System	Total
Additions:				
Contributions:				
Employer	$ 43,918	$ 144	$ 72,688	$ 116,750
Employee	346	103	16,547	16,996
Total contributions	44,264	247	89,235	133,746
Investment income:				
Net depreciation in fair market value of investments	(111,675)	(1,589)	(147,315)	(260,579)
Securities lending income	701		2,049	2,750
Interest and dividend income	46,116	26	56,697	102,839
Total investment income	(64,858)	(1,563)	(88,569)	(154,990)
Less: investment expense	6,275	25	6,912	13,212
Net investment income	(71,133)	(1,588)	(95,481)	(168,202)
Total additions	(26,869)	(1,341)	(6,246)	(34,456)
Deductions:				
Retirement allowances	101,462	689	180,238	282,389
Death benefits	1,061		63	1,124
Administrative expenses	2,913	26	3,264	6,203
Other	187	24	1,628	1,839
Total deductions	105,623	739	185,193	291,555
Changes in net assets	(132,492)	(2,080)	(191,439)	(326,011)
Net assets — beginning of the year	1,488,575	19,312	2,343,142	3,851,029
Net assets — end of the year	$1,356,083	$17,232	$2,151,703	$3,525,018

CITY OF BALTIMORE

Combining Statement of Fiduciary Net Assets

Agency Funds

June 30, 2008

(Expressed in Thousands)

	Unpresented Stock and Coupon Bonds	Property Sold for Taxes	Bid Deposit Refunds	Waterloo Summit	Recreation Accessory	Insurance Deposits	Total
Assets:							
Cash and cash equivalents	$55	$86	$111		$1,612	$10,719	$12,583
Investments				$51			51
Total assets	55	86	111	51	1,612	10,719	12,634
Liabilities:							
Other	55	86	111	51	1,612	10,719	12,634
Total liabilities	$55	$86	$111	$51	$1,612	$10,719	$12,634

CITY OF BALTIMORE

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2008

(Expressed in Thousands)

	Balance June 30, 2007	Additions	Deductions	Balance June 30, 2008
Unpresented Stock and Coupon Bonds				
Assets:				
Cash	$ 55			$ 55
Total assets	55			55
Liabilities:				
Other	55			55
Total liabilities	55			55
Property Sold for Taxes				
Assets:				
Cash	86			86
Total assets	86			86
Liabilities:				
Other	86			86
Total liabilities	86			86
Bid Deposit Refunds				
Assets:				
Cash	77	$ 34		111
Total assets	77	34		111
Liabilities:				
Other	77	34		111
Total liabilities	77	34		111
Waterloo Summit				
Assets:				
Investments	51			51
Total assets	51			51
Liabilities:				
Other	51			51
Total liabilities	51			51
Recreation Accessory				
Assets:				
Cash	1,525	2,596	$ 2,509	1,612
Total assets	1,525	2,596	2,509	1,612
Liabilities:				
Other	1,525	2,596	2,509	1,612
Total liabilities	1,525	2,596	2,509	1,612
Insurance Deposits				
Assets:				
Cash	468	10,251		10,719
Investments	13,018		13,018	
Total assets	13,486	10,251	13,018	10,719
Liabilities:				
Other	13,486	10,251	13,018	10,719
Total liabilities	13,486	10,251	13,018	10,719
Total All Agency Funds				
Assets:				
Cash	2,211	12,881	2,509	12,583
Investments	13,069		13,018	51
Total assets	15,280	12,881	15,527	12,634
Liabilities:				
Other	15,280	12,881	15,527	12,634
Total liabilities	$15,280	$12,881	$15,527	$12,634

Statistical Section

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CITY OF BALTIMORE

Statistical Section

(Unaudited)

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Debt Capacity

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Demographic and Economic Information

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Source: Unless otherwise noted, the information in these tables is derived from the annual financial reports for the relevant year. The City implemented GASB No. 34 in fiscal year 2002; therefore, tables presenting government-wide information include only seven years.

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Financial Trends

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CITY OF BALTIMORE

Net Assets by Component

Last Seven Fiscal Years

(Accrual Basis of Accounting)

(Expressed in Thousands)

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
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
Restricted	15,650	15,444	15,084	13,774	13,773	26,516	13,250
Unrestricted	(178,915)	(369,729)	(439,890)	(428,921)	(367,551)	112,270	(395,378)
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
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
Restricted	215,671	224,150	256,964	252,812	282,924	369,069	231,382
Unrestricted	59,185	182,449	207,744	125,132	60,639	138,070	245,818
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
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
Restricted	231,321	239,594	272,048	266,586	296,697	395,585	244,632
Unrestricted	(119,730)	(187,280)	(232,146)	(303,789)	(306,912)	250,340	(149,560)
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

CITY OF BALTIMORE
Changes in Net Assets
Last Seven Fiscal Years
(Accrual Basis of Accounting)
(Expressed in Thousands)

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

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

CITY OF BALTIMORE

Fund Balances, Governmental Funds

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)

(Expressed in Thousands)

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Fund										
Reserved	$ 49,988	$ 60,850	$ 76,741	$ 89,278	$ 88,422	$101,777	$119,793	$146,107	$168,912	$180,794
Unreserved	20,820	18,964	30,437	33,459	40,902	37,878	72,762	65,417	56,043	33,629
Total General Fund	$ 70,808	$ 79,814	$107,178	$122,737	$129,324	$139,655	$192,555	$211,524	$224,955	$214,423
All Other Governmental Funds										
Reserved	$ 65,801	$ 70,388	$ 42,481	$ 91,079	$134,313	$123,991	$121,639	$138,734	$149,684	$166,551
Unreserved reported in:										
Motor vehicle fund	3,485	6,823	21,112	14,772	6,825	6,625	8,024	9,504	4,657	1,618
Grants revenue fund			(47,086)	(71,738)	(75,579)	(93,848)	(113,194)	(105,776)	(105,244)	(133,584)
Capital projects fund	74,512	43,413	77,743	37,025	(87,579)	(44,106)	(83,622)	28,370	56,661	30,251
Debt service fund	25,369	22,051	20,647	22,990	17,715	18,099	27,503	26,082	30,296	82,579
Non-major special revenue funds	456	391	169	8,135	4,606	(965)	(3,156)	(3,305)	(120)	(8,060)
Non-major permanent funds	11,166	10,099	16,264	6,659	6,602	6,237	13,774			
Total all other governmental funds	$180,789	$153,165	$131,330	$108,922	$ 6,903	$ 16,033	$ (29,032)	$ 93,609	$135,934	$139,355

CITY OF BALTIMORE

Changes in Fund Balances

Governmental Funds

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)

(Expressed in Thousands)

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Revenues:										
General fund:										
Taxes — Local	$ 700,625	$ 712,536	$ 758,351	$ 767,384	$ 793,817	$ 821,701	$ 910,701	$ 992,464	$1,040,361	$1,074,234
Licenses and permits	17,954	22,011	21,347	22,051	21,429	26,805	28,570	31,143	32,784	34,717
Fines and forfeitures	2,679	3,337	1,298	2,162	2,401	4,408	3,575	3,372	2,900	7,321
Interest, rentals, and other investment income	34,912	33,878	36,637	27,468	24,968	20,729	25,364	31,206	34,047	38,602
Federal grants	37	13	68	45	77	111	150	90	93	99
State grants	70,374	75,981	79,985	87,580	98,778	96,412	92,240	91,331	98,120	101,235
Other grants	161	159	159	4,139	6,112	6,064	4,174	75	173	153
Charges for services	32,863	34,114	34,581	35,718	36,315	39,692	39,770	42,243	43,697	42,646
Miscellaneous	2,900	2,137	3,233	8,945	6,694	9,889	2,643	8,817	6,420	12,429
Total revenues — general fund	862,505	884,166	935,659	955,492	990,591	1,025,811	1,107,187	1,200,741	1,258,595	1,311,436
Other governmental funds:										
Motor vehicle fund	164,472	173,559	188,115	185,538	187,891	187,119	212,477	238,002	244,316	232,716
Grants revenue fund	263,550	293,697	334,831	287,578	340,989	324,317	263,542	280,232	258,288	231,047
Capital projects fund	53,085	32,987	21,640	40,913	60,345	68,647	64,031	84,247	66,341	65,129
Other funds	6,023	2,694	12,773	48,986	25,555	29,820	37,334	32,251	55,941	36,696
Total revenues — other governmental funds	487,130	502,937	557,359	563,015	614,780	609,903	577,384	634,732	624,886	565,588
Total revenues all governmental funds	1,349,635	1,387,103	1,493,018	1,518,507	1,605,371	1,635,714	1,684,571	1,835,473	1,883,481	1,877,024
Expenditures:										
General fund:										
General government	177,895	187,425	204,564	214,288	253,812	267,527	273,606	290,727	337,700	368,022
Public safety and regulation	300,313	308,806	332,315	350,941	377,494	376,052	383,318	416,781	446,072	475,629
Conservation of health	22,364	24,061	24,355	24,102	24,760	23,528	24,442	30,507	28,948	29,371
Social Services	1,008	916	754	1,743	1,952	2,032	2,146	2,138	3,007	4,498
Education	776	880	1,308	202,117	202,046	202,192	205,067	205,552	206,016	205,858
Public library	20,134	18,817	19,521	19,680	19,493	20,124	18,093	20,853	23,135	24,253
Recreation and culture	22,627	21,417	24,685	26,255	25,998	27,143	26,464	29,151	34,568	37,707
Highways and streets	4,378	3,711	3,348	175	153	244	407	312	484	720
Sanitation and waste removal	31,040	30,002	33,751	29,435	30,617	29,209	28,109	37,474	39,754	40,032
Public service	9,798	11,471	12,039	12,170	11,889	12,234	12,715	12,448	12,210	13,259
Economic development	18,386	17,880	23,672	14,631	19,077	19,262	18,854	21,420	30,440	39,616
Total expenditures — general fund	608,719	625,386	680,312	895,537	967,291	979,547	993,221	1,067,363	1,162,334	1,238,965
Other governmental funds:										
Motor vehicle fund	120,098	125,983	125,781	132,117	144,495	148,268	148,974	157,248	164,419	175,354
Grants revenue fund	252,628	272,900	298,551	316,563	344,830	342,586	282,888	272,814	257,756	259,387
Capital projects fund	198,968	178,156	125,214	171,910	206,246	217,621	208,219	568,951	246,775	317,031
Debt Service Fund:										
Principal	28,177	35,408	39,121	34,080	36,065	36,209	42,048	48,073	53,351	56,694
Interest	29,306	31,532	32,528	34,900	31,760	29,674	30,197	30,555	47,302	51,198
Other bond costs	453	1,455	462				1,357	1,861	6,829	
Other funds	350	815	241	23,180	21,524	22,752	25,052	22,038	17,015	14,161
Total expenditures other governmental funds	629,980	646,249	621,898	712,750	784,920	797,110	738,735	1,101,540	793,447	873,825
Total expenditures all governmental funds	1,238,699	1,271,635	1,302,210	1,608,287	1,752,211	1,776,657	1,731,956	2,168,903	1,955,781	2,112,790
Excess (deficiency) of revenues over expenditures	110,936	115,468	190,808	(89,780)	(146,840)	(140,943)	(47,385)	(333,430)	(72,300)	(235,766)
Other financing sources (uses):										
Transfers, net	(188,780)	(188,384)	(174,133)	27,661	31,570	28,401	33,873	16,568	20,694	36,044
Capital leases	23,253	9,064	21,082	12,400	433	25,136	10,189	10,265	25,447	7,372
Face value of bonds and loans	61,883	46,162	34,454	42,869	201,399	65,996	49,689	379,676	81,915	154,914
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)	(103,644)	(133,158)	(118,597)	82,930	51,408	160,404	55,220	445,040	128,056	198,330
Net changes in fund balances	$ 7,292	$ (17,690)	$ 72,211	$ (6,850)	$ (95,432)	$ 19,461	$ 7,835	$ 111,610	$ 55,756	$ (37,436)
Debt service as a percentage of noncapital expenditures	4.95%	5.66%	5.82%	4.62%	4.31%	4.14%	4.62%	4.02%	5.92%	5.47%

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
1999	$483,042	$467,651	96.8%	$ 9,606	$477,257	98.8%
2000	496,166	478,991	96.5	12,095	491,086	99.0
2001	505,064	486,170	96.3	17,167	503,337	99.7
2002	515,463	494,379	95.9	8,613	502,992	97.6
2003	517,977	500,522	96.6	12,836	513,358	99.1
2004	523,226	510,710	97.6	14,235	524,945	100.3
2005	548,552	529,074	96.4	6,144	535,218	97.6
2006	565,648	544,463	96.3	8,161	552,624	97.7
2007	599,534	577,759	96.4	6,776	584,535	97.5
2008	655,080	605,961	92.5	10,601	616,562	94.1

CITY OF BALTIMORE

Assessed and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years

(Dollars Expressed in Thousands)

	Real Property		Personal Property		Total		
Fiscal Year	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Ratio of Total Assessed Value to Total Estimated Actual Value
1999	$ 6,828,724	$16,638,885	$1,482,570	$1,482,570	$ 8,311,294	$18,121,455	45.9%
2000	6,839,568	16,769,650	1,695,691	1,695,691	8,535,259	18,465,341	46.2
2001	6,828,402	16,963,236	1,893,784	1,893,784	8,722,186	18,857,020	46.3
2002	16,893,662(1)	17,257,859	1,955,068	1,955,068	18,848,730(1)	19,212,927	98.1(1)
2003	17,316,114(1)	17,846,735	1,820,389	1,820,389	19,136,503(1)	19,667,124	97.3(1)
2004	17,844,363(1)	18,594,723	1,764,282	1,764,282	19,608,645(1)	20,359,005	96.3(1)
2005	18,781,171(1)	19,783,195	1,847,190	1,847,190	20,628,361(1)	21,630,385	95.4(1)
2006	19,918,443(1)	21,334,553	1,783,249	1,783,249	21,701,692(1)	23,117,802	93.9(1)
2007	21,254,392(1)	23,236,872	1,893,973	1,893,973	23,148,365(1)	25,130,845	92.1(1)
2008	23,943,402(1)	27,398,671	1,965,726	1,965,726	25,909,128(1)	29,364,397	88.2(1)

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

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

Source: Baltimore City Department of Finance

CITY OF BALTIMORE

Direct and Overlapping Property Tax Rates

Last Ten Fiscal Years(1)

Fiscal Year	City Tax Rate	State Tax Rate (2)	Total (3)
1999	5.820	.210	6.030
2000	5.820	.210	6.030
2001	5.820	.210	6.030
2002(4)	2.328	.084	2.412
2003(4)	2.328	.084	2.412
2004(4)	2.328	.132	2.460
2005(4)	2.328	.132	2.460
2006(4)	2.308	.132	2.440
2007(4)	2.288	.112	2.440
2008(4)	2.268	.112	2.380

Notes:

(1) Tax rates are for each $100 of assessed valuation.

(2) The State tax rate is shown for informational purposes only, since the City acts in the role of collector and does not report this portion of the property tax as revenue.

(3) The City has no special assessments.

(4) As of fiscal year 2002, real property taxes are assessed at the property's full estimated actual value; previously, real property taxes were assessed at 40% of the property's estimated actual value. Accordingly, the tax rates were adjusted to maintain the same effective tax rate.

Source: Baltimore City Department of Finance

CITY OF BALTIMORE

Principal Property Taxpayers

Current Year and Nine Years Ago

(Dollars Expressed in Thousands)

	2008			1999		
	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)	$ 621,765	1	2.4%	$ 582,395	1	7.1%
Verizon - Maryland	360,146	2	1.4	339,517	2	4.1
Baltimore Center Association LTD Partnership	169,375	3	0.7	47,854	5	0.6
100 E. Pratt Street Business	160,001	4	0.6			
CSX Transportation	120,342	5	0.5	30,025	8	0.4
Harbor East Limited	118,565	6	0.5			
ABB South Street Associates	72,781	7	0.3			
951 Fell Street Limited	68,489	8	0.3			
US Bank National Association	65,036	9	0.3			
Canton Crossing Tower, LLC	64,847	10	0.3			
General Electric Capital Corporation				115,032	3	1.4
AT & T Communications of Maryland				66,490	4	0.8
Boston Properties, Inc.				37,906	6	0.5
Wheelabrator Baltimore, LLC				33,737	7	0.4
TMCT, LLC				21,698	9	0.3
Baltimore Steam Company (TRIGEN)				20,403	10	0.2
Total	$1,821,347		7.3%	$1,295,057		15.8%

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)

	Governmental Activities						Business-Type Activities					
Fiscal Year	General Obligation Bonds	Bond Anticipation Notes	Special Obligation Bonds	Long-term Financing with Federal Government	Long-term Financing with State of Maryland	Private	Water	Waste Water	Sewer Construction Loans	Total Primary Government	Percentage of Personal Income(b)	Per Capita(a)
1999	$453,987	$14,810		$31,176	$10,353	$5,006	$2,729	$2,542	$780	$521,383	3.01%	$826
2000	472,554	11,295		30,155	10,044	4,692	2,034	2,423	738	533,935	3.01	852
2001	483,300	7,295		35,115	7,820	3,519	1,693	2,227	694	541,663	3.09	847
2002	506,079	3,180		39,057	6,467	1,897	1,417	2,152	647	560,896	3.09	883
2003	564,380		$ 7,479	33,632	5,295	724	1,113	2,107	596	615,326	2.89	964
2004	579,382		23,324	30,681	4,872		1,037	1,963	542	641,801	2.92	999
2005	579,960		23,324	42,141	4,519		908	1,719	485	653,056	2.72	1,028
2006	588,604		26,301	51,311	3,697		746	1,413	425	672,497	3.48	1,051
2007	609,950		26,211	46,926	2,266		855	1,616	360	688,184	3.47	1,073
2008	646,533		93,018	51,429	1,945		897	1,330	292	795,444	N/A	1,248

(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)
1999	$453,987	$14,810	$468,797	$25,369	$443,428	2.45%	$702.18
2000	472,554	11,295	483,849	22,051	461,798	2.50	736.52
2001	483,300	7,295	490,595	20,647	469,948	2.49	734.98
2002	506,079	3,180	509,259	22,990	486,269	2.53	765.54
2003	564,380		564,380	17,715	546,665	2.78	856.04
2004	579,382		579,382	18,099	561,283	2.76	873.32
2005	579,960		579,960	27,503	552,457	2.55	868.23
2006	588,604		588,604	26,082	562,522	2.43	884.73
2007	609,950		609,950	30,296	579,654	2.31	909.33
2008	646,533		646,533	82,579	563,954	1.92	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, 2008

The City of Baltimore has no Overlapping Debt.

CITY OF BALTIMORE

Legal Debt Margin Information

June 30, 2008

The City has no Legal Debt Margin.

CITY OF BALTIMORE

Pledged Revenue Coverage

Last Ten Fiscal Years

(Dollars Expressed in Thousands)

	Water Revenue Bonds						Waste Water Revenue Bonds					
				Debt Service						Debt Service		
Fiscal Year	Water Utility Revenues	Less: Operating Expenses	Net Available Revenue	Principal	Interest	Coverage	Waste Water Utility Revenues	Less: Operating Expenses	Net Available Revenue	Principal	Interest	Coverage
1999	$ 72,949	$60,780	$12,169	$2,465	$ 8,245	1.14	$105,718	$ 92,350	$13,368	$ 2,830	$ 5,851	1.54
2000	79,427	69,826	9,601	2,940	8,725	0.82	117,028	107,829	9,199	3,544	5,163	1.06
2001	83,961	64,353	19,608	3,190	9,936	1.49	114,945	99,112	15,833	3,877	7,201	1.43
2002	84,083	65,938	18,145	3,860	10,737	1.24	128,681	104,324	24,357	4,789	7,834	1.93
2003	92,214	74,974	17,240	2,185	6,972	1.88	121,131	105,974	15,157	2,234	8,344	1.43
2004	102,612	76,616	25,996	2,295	10,529	2.03	125,942	104,859	21,083	4,660	9,595	1.48
2005	99,282	76,772	22,510	2,655	16,091	1.20	134,805	105,030	29,775	4,794	12,559	1.72
2006	109,471	77,776	31,695	2,779	17,137	1.59	136,405	113,542	22,863	7,658	12,630	1.13
2007	111,052	81,722	29,330	2,920	15,818	1.57	151,462	110,877	40,585	9,405	16,631	1.56
2008	131,233	95,909	35,324	3,574	16,279	1.78	157,974	143,856	14,118	13,027	13,517	.53

	Parking Facilities Revenue Bonds						Convention Center Revenue Bonds				
				Debt Service					Debt Service		
Fiscal Year	Parking Facilities Revenues	Less: Operating Expenses	Net Available Revenue	Principal	Interest	Coverage	Convention Center Revenues	Net Available Revenue	Principal	Interest	Coverage
1999	$41,248	$ 3,703	$37,545	$2,835	$ 7,313	3.70	$3,861	$3,861		$2,429	1.59
2000	38,527	5,508	33,019	3,205	7,131	3.19	4,567	4,567	$1,225	2,891	1.11
2001	46,176	4,963	41,213	3,360	6,977	3.99	4,631	4,631	1,780	2,832	1.00
2002	46,043	5,790	40,253	3,515	6,813	3.90	4,636	4,636	1,850	2,578	1.05
2003	49,883	6,845	43,038	3,690	7,803	3.74	4,637	4,637	1,930	2,679	1.01
2004	53,539	7,447	46,092	4,355	11,999	2.82	4,579	4,579	2,010	2,596	.99
2005	56,613	6,986	49,627	4,680	11,812	3.01	4,566	4,566	2,095	2,508	.99
2006	61,896	9,697	52,199	4,900	9,828	3.54	3,904	3,904	2,185	2,415	.85
2007	62,706	8,509	54,197	5,080	6,967	4.50	4,523	4,523	2,280	2,310	.99
2008	69,868	11,692	58,176	5,815	8,956	3.94	4,516	4,516	2,193	2,395	.98

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

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DEMOGRAPHIC AND ECONOMIC INFORMATION

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CITY OF BALTIMORE

Demographic and Economic Statistics

Last Ten Calendar Years

Calendar Year	Population(a)	Personal Income(b) *(thousands of dollars)*	Per Capita Personal Income(c)	Total Employment(d)	Unemployment Rate(d)
1999	657,441	15,680,975	23,852	271,697	8.0%
2000	651,154	16,076,869	24,690	266,533	6.6
2001	645,253	16,727,455	25,924	261,808	6.1
2002	645,253	17,305,179	26,819	254,830	7.1
2003	642,324	17,740,954	27,620	255,083	7.4
2004	641,004	18,754,000	29,257	253,695	7.3
2005	640,064	19,810,000	30,950	255,081	6.9
2006	640,961	20,796,000	32,445	257,382	6.2
2007	637,455	N/A	N/A	258,936	5.8
2008	N/A	N/A	N/A	N/A	N/A

(a) Population data was collected from the following sources:

1999: Maryland State Department of Planning

2000-2007: City of Baltimore Department of Planning

(b) U.S. Bureau of Economic Analysis

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

(d) Department of Labor, Licensing and Regulation

N/A Information not available

CITY OF BALTIMORE

Principal Employers

Current Year and Nine Years Ago

	2008			1999		
Employer	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Government[1]						
State	41,295	1	12.00%	39,619	1	10.34%
Other Government authority (City, Schools, etc)	28,171	2	8.18	32,695	2	8.54
Federal	8,462	3	2.46	12,449	3	3.25
Subtotal Government	77,928		22.64	84,763		22.13
Ten Largest Private Sector Employers[2]						
Johns Hopkins University	24,485	1	7.11	21,688	1	5.66
Johns Hopkins Hospital and Health System	12,117	2	3.52	14,260	2	3.72
University of Maryland Medical System	9,415	3	2.74	9,590	3	2.50
University of Maryland, Baltimore (UMB)	6,615	4	1.92			
LifeBridge Health	5,094	5	1.48	3,651	4	0.95
St. Agnes Health care	3,079	6	0.89	3,028	6	0.79
Abacus	3,000	7	0.87			
Constellation Energy / BGE	2,670	8	0.78	3,265	5	0.85
Mercy Medical Center	2,506	9	0.73	2,695	8	0.70
Kennedy Krieger Institute	2,135	10	0.62			
M&T Bank				2,926	7	0.76
Deutsche Banc Alex Brown				2,680	9	0.70
Verizon - Maryland				2,624	10	0.68
Subtotal Private Sector Employers	71,116		20.66	66,407		17.31
Total Government and Ten Largest Private Employers	149,044		43.30%	151,170		39.44%

Source:

[1] Maryland Dept of Labor Licensing and Regulations, Employment Data files for the Period Ending 12/31/2007.

[2] Private sector: For calendar year 2008, data collected by the Baltimore Development Corporation; 1999 is a calculated average for the calendar year. Private employer list excludes temporary service/personnel agencies supporting other employers.

OPERATING INFORMATION

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CITY OF BALTIMORE

Full Time Equivalent Employees By Function

Last Ten Years

	Full-time equivalent Employees at June 30									
Function/program	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General government	1,830	1,771	1,816	1,766	1,725	1,695	1,722	1,710	1,690	1,720
Public safety										
Police	4,043	4,160	3,961	4,131	4,102	4,030	3,983	3,935	3,937	3,930
Fire	1,777	1,830	1,754	1,750	1,748	1,737	1,741	1,743	1,743	1,796
Other	601	638	692	714	738	725	727	735	752	766
Conservation of health	793	780	760	773	770	742	719	680	671	761
Public library	393	399	402	411	416	432	421	417	418	437
Recreation and parks	345	321	326	433	372	368	362	364	364	369
Highways and streets	1,777	1,720	1,636	1,511	1,511	1,511	1,515	1,510	1,518	1,523
Public Works										
Water	903	917	957	942	952	957	936	926	900	901
Waste Water	1,065	1,063	1,103	1,093	1,088	1,091	1,086	1,069	1,059	1,031
Solid Waste	1,027	978	972	974	954	891	872	868	863	899
Other	991	943	856	826	626	609	570	598	606	607
Public service	65	61	58	55	63	64	64	64	68	68
Economic development	633	572	578	522	528	533	528	518	541	518
	16,243	16,153	15,871	15,901	15,593	15,385	15,246	15,137	15,130	15,326

Source: Baltimore City Bureau of Budget and Management Research

CITY OF BALTIMORE

Operating Indicators By Function/Program

Last Ten Fiscal Years

	Fiscal Year									
Function/Program	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Police										
Arrests*	80,778	81,226	93,780	102,397	110,167	100,388	99,981	92,904	76,587	61,637
Fire										
Fire Suppression Units Dispatched	NA	NA	NA	NA	NA	106,822	120,906	126,942	132,560	137,272
Structural Fires	NA	NA	2,884	2,758	2,223	2,132	2,370	2,372	2,275	2,177
EMS Transports	NA	NA	81,029	83,026	82,453	83,348	83,828	86,881	89,331	88,831
Inspections	NA	NA	24,795	21,805	12,560	14,707	20,250	20,543	23,630	26,594
Solid Waste										
Refuse Collected (tons)	NA	NA	206,851	208,970	212,711	218,324	220,063	218,194	206,333	195,601
Recyclables Collected (tons)	NA	NA	NA	NA	NA	NA	NA	166,656	167,236	217,026
Water/Wastewater										
Number of Accounts	NA	NA	NA	NA	NA	NA	NA	409,208	439,327	439,676
Average Daily Water Production (MGD)	NA	NA	NA	NA	NA	NA	NA	251	251	226
Average Daily Sewage Treatment (MGD)	NA	NA	NA	NA	NA	NA	NA	210	210	192
Transportation										
Miles Streets Resurfaced/Reconstructed	82.2	56.0	73.7	103.2	144.1	38.7	113.5	13.5	94.8	69.5
Potholes Repaired	NA	NA	NA	NA	7,769	11,592	19,000	16,054	15,345	15,478
Traffic Citations Issued	NA	NA	NA	2,660	3,233	9,760	12,422	7,744	4,488	4,909
Parking Citations Issued	NA	NA	NA	328,038	331,422	340,448	340,444	364,041	400,263	368,099
Traffic Signals Repaired	NA	NA	NA	NA	NA	8,274	10,973	11,482	9,737	5,513
Street Lights Repaired	NA	NA	NA	NA	12,248	13,345	12,982	21,527	27,459	24,847
Housing										
Number of inspections (housing and code enforcement)	NA	NA	NA	NA	NA	179,385	199,830	169,727	180,073	175,922
Number of permits issued	NA	NA	20,133	20,803	23,138	26,692	32,780	38,787	38,455	34,565
Property Management Service Requests Completed**	NA	NA	NA	NA	NA	13,109	15,635	30,537	24,951	26,630
Recreation and Parks										
Enrollment at Recreation Centers	NA	NA	NA	NA	170,440	152,660	155,193	138,583	141,232	142,009
Permits Issued for Park Facilities	NA	NA	NA	NA	526	572	808	661	723	698
Library										
Volumes in Circulation (millions)	3.3	3.5	3.1	3.1	3.2	2.7	2.2	2.3	2.6	2.5
Volumes Borrowed (millions)	1.3	1.3	1.4	1.2	1.4	1.4	1.4	1.4	1.4	1.3

NA Data not available.

* Yearly arrests are based on calendar year data, not fiscal year. The 2008 numbers are through 9/30/08.

** 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

	Fiscal Year									
Function/Program	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Police/Sheriff										
Buildings	NA	NA	NA	NA	NA	NA	10	10	10	10
Marked Patrol Units	NA	NA	NA	NA	NA	NA	NA	525	466	473
Other vehicles	NA	NA	NA	NA	NA	NA	NA	616	654	639
Fire Stations										
Buildings	NA	NA	NA	NA	NA	NA	39	39	39	39
Fire/EMS Apparatus (Tankers/Ladders/Medics) (Fleet)	NA	NA	NA	NA	NA	NA	NA	160	160	160
Other vehicles	NA	NA	NA	NA	NA	NA	NA	152	168	164
Recreation and Parks										
Buildings	NA	NA	NA	NA	NA	NA	147	148	148	148
Acreage	NA	6,500	6,500	6,500	5,827	5,827	5,827	5,827	5,827	5,827
Vehicles	NA	NA	NA	NA	NA	NA	NA	127	129	125
Equipment	NA	NA	NA	NA	NA	NA	NA	304	309	295
Public Works (Transportation, Solid Waste, and General Services)										
Buildings	NA	NA	NA	NA	NA	NA	30	30	30	30
Vehicles	NA	NA	NA	NA	NA	NA	NA	990	971	980
Equipment	NA	NA	NA	NA	NA	NA	NA	496	509	515
Streets (miles)	NA	NA	NA	NA	NA	NA	2,000	2,000	2,000	2,000
Water/Wastewater										
Treatment plants	NA	NA	NA	NA	NA	NA	4	4	4	4
Other Buildings	NA	NA	NA	NA	NA	NA	31	31	31	31
Vehicles	NA	NA	NA	NA	NA	NA	NA	611	625	615
Equipment	NA	NA	NA	NA	NA	NA	NA	411	412	420
Water Mains (Miles)	NA	NA	NA	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)	NA	NA	NA	1,340	1,340	1,340	1,340	1,340	1,340	1,335
Storm sewers (miles)	NA	NA	NA	1,080	1,080	1,080	1,080	1,080	1,080	1,100
Wastewater Treatment capacity (MGD)	250	250	250	250	250	250	250	253	253	253
Libraries										
Buildings	NA	NA	NA	NA	NA	NA	32	32	33	34
Vehicles	NA	NA	NA	NA	NA	NA	NA	17	17	17
Other-General Government										
Buildings	NA	NA	NA	NA	NA	NA	1,353*	1,353*	1,353*	1,353*
Vehicles	NA	NA	NA	NA	NA	NA	NA	197	211	201
Equipment	NA	NA	NA	NA	NA	NA	NA	59	62	66

* 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.

NA Data not available

Source: Baltimore City Department of Finance

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City of Baltimore

Sheila Dixon, Mayor

The Greatest City in America

PART II

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

CITY OF BALTIMORE
SHEILA DIXON
Mayor

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

ERNST & YOUNG
621 E. Pratt Street
Baltimore, Maryland 21202

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

December 23, 2008

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

We have jointly audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Baltimore, Maryland, as of and for the year ended June 30, 2008, which collectively comprise the City of Baltimore, Maryland's basic financial statements, and have issued our report thereon dated December 23, 2008. We did not audit the financial statements of the Pension Trust Funds, the Baltimore City Public School System and the Baltimore Hotel Corporation component units. The financial statements of the Pension Trust Funds were audited by the City Auditor acting separately, and the Baltimore City Public School System and the Baltimore Hotel Corporation were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Pension Trust Funds, the Baltimore City Public School System and the Baltimore Hotel Corporation, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Baltimore, Maryland's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Baltimore, Maryland's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant

deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described below (2007-1, 2008-1, and 2008-2) to be significant deficiencies in internal control over financial reporting.

Finding 2007-1: During fiscal year 2007, the Department of Finance's Collection Division's Overpayment and Refund Sections had serious internal control weaknesses regarding the lack of management oversight and review of overpayment and refund transactions, the lack of adequate segregation of duties, and the lack of periodic reconciliations between the overpayments' general ledger balance and the subsidiary records listing the details of outstanding overpayments. An employee of this Division diverted funds of almost $10,000 for personal gain during fiscal year 2007. While the Department of Finance transferred responsibility for the receipts distribution office to its Bureau of Accounting and Payroll Services, adequately segregated duties within these divisions, and began the essential reviews and reconciliations of accounts during fiscal year 2008, the investigation of the employee who diverted the funds has not been concluded.

Department of Finance Response:

During fiscal year 2008, the Department of Finance resolved Finding 2007-2 by establishing procedures to reconcile the metered water billing receivable account in the general ledger to its subsidiary account in the Department of Finance's Collection Division on a quarterly basis.

During fiscal year 2008, The Department of Finance resolved Finding 2007-3 by annually reviewing the Compensated Billwork account, aggressively pursuing outstanding balances, and making the necessary adjustments to this account.

Finding 2008-1: The Department of Finance's Collection Division's Property Tax Section discovered $39,714,985 of previously deferred real and personal property tax collections that had not been recognized as revenue. When a property owner makes a partial payment of his annual real or personal property tax bill, the City defers this revenue until the property tax bill is paid in full. However, the City has not adhered to this procedure. Even though a property owner's tax bill had been partially paid in the general ledger and was properly accounted for in the City's property tax subsidiary

records, the City had not recognized revenue for these partial payments of property taxes from the deferred revenue account. The Department of Finance proposed an adjustment to recognize this previously deferred revenue of $39,714,985, of which $9,389,968 is revenue for fiscal year 2008, and $30,325,017 is a prior period adjustment. The Department of Audits and Ernst and Young concur with this adjustment. We recommend that the Department of Finance review its accounting procedures to ensure that partial payments of property taxes are recognized as revenue when the tax bills are paid in full.

Department of Finance Response:

During fiscal year 2008, established new accounting procedures to insure that partial payments will be recorded in the year in which they are collected.

Finding 2008-2: The Bureau of Solid Waste (BSW) did not use the applicable 2008 consultant volumetric analysis report as the basis for calculating the total amount of solid waste in the Quarantine Road landfill (Landfill) at June 30, 2008. Instead, BSW based this calculation on its monthly tonnage reports, which are not as accurate as the consultant volumetric analysis report for purposes of this calculation. Additionally, the applicable 2008 consultant volumetric analysis report did not cover the City's fiscal year from July 1, 2007 through June 30, 2008. Instead, this report covered the period from February 2007 through April 2008. We recommend that future calculations of the amount of solid waste currently in the Landfill be made from a consultant volumetric analysis report that is prepared for the period coinciding with the City's fiscal year from July 1 through June 30.

Department of Finance Response:

The Department of Finance will ask the Department of Public Works to switch the dates of the volumetric analysis to correspond with the city's fiscal year if practical. However, we still maintain that the April 2008 date provides a reasonable estimate of the percentage of usage (filled) at June 30, each year.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider findings 2007-1 and 2008-1 to be material weaknesses.

Compliance and Other Matters

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

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

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

Ernst & Young LLP
Independent Auditors

PART III

REPORT ON SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CITY OF BALTIMORE

SHEILA DIXON, Mayor

DEPARTMENT OF AUDITS

ROBERT L. McCARTY, JR., CPA
City Auditor

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

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

December 23, 2008

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

We have jointly audited with Ernst & Young LLP, the basic financial statements of the City of Baltimore, Maryland, as of and for the year ended June 30, 2008, and have issued our report thereon dated December 23, 2008. These basic financial statements are the responsibility of the City of Baltimore, Maryland's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

We did not perform tests of compliance with requirements of federal financial assistance programs received by the Baltimore City Public School System (BCPSS) and the Enoch Pratt Free Library (EPFL). Consequently, although these entities' financial statements are included in the City's Comprehensive Annual Financial Report, these entities have not been included in this report. Both the BCPSS and the EPFL are subject to separate audits in accordance with Federal and State requirements. Federal financial assistance program expenditures covered in these separate reports totaled $143,200,618 for the BCPSS and $369,300 for the EPFL.

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

Respectfully submitted,

Robert L. McCarty, Jr., CPA
City Auditor

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2008

CITY OF BALTIMORE - SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED June 30, 2008

FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE	FEDERAL CFDA NUMBER (5)		FEDERAL IDENTIFICATION NUMBER (4)	STATE GRANT IDENTIFICATION NUMBER	DISBURSE-MENTS/ EXPENDI-TURES
OFFICE OF NATIONAL DRUG CONTROL POLICY					
DIRECT GRANTS					
High Intensity Drug Trafficking Areas (HIDTA)	07	(3-a)	I3PWB529		$191,637
High Intensity Drug Trafficking Areas (HIDTA) EXILE	07	(3-a)	HIDTA GY 2004		13,247
TOTAL DIRECT GRANTS					$204,884
TOTAL OFFICE OF NATIONAL DRUG CONTROL POLICY					$204,884
DEPARTMENT OF AGRICULTURE					
MARYLAND STATE DEPARTMENT OF EDUCATION					
Child and Adult Care Food Program - Day Care Centers FY2007	10.558			366700	40,149
Child and Adult Care Food Program - Rec. Centers FY2007	10.558		2008IN109941	537300	24,529
Child and Adult Care Food Program - Rec. Centers FY2008	10.558			537300	99,555
Child and Adult Care Food Program FY2004	10.558			014-220	2,193
Child and Adult Care Food Program FY2005	10.558			014-220	(3,109)
Child and Adult Care Food Program FY2006	10.558			014-220	4,879
Child and Adult Care Food Program FY2007	10.558		2008IN109941	014-220	1,941,583
Summer 2008 Food Service Program for Children	10.559		2008IN109941	347041	1,665,282
TOTAL MARYLAND STATE DEPARTMENT OF EDUCATION					$3,775,061
MARYLAND STATE DEPARTMENT OF HEALTH AND MENTAL HYGIENE					
Women, Infants, and Children Food Program (WIC) FY2006	10.557			WI 213 WIC	111
Women, Infants, and Children Food Program (WIC) FY2007	10.557			WI 213 WIC	73,178
Women, Infants, and Children Food Program (WIC) FY2008	10.557			WI 213 WIC	1,490,003
Child and Adult Care Food Program	10.558			014-220	4,067,764
TOTAL MARYLAND STATE DEPARTMENT OF HEALTH AND MENTAL HYGIENE					$5,631,056
MARYLAND STATE DEPARTMENT OF HUMAN RESOURCES					
Emergency Food Assistance Program FY2007	10.569	(7)		CSA/FNS-07-003	223,705

CITY OF BALTIMORE - SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED June 30, 2008

FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE	FEDERAL CFDA NUMBER (5)	FEDERAL IDENTIFICATION NUMBER (4)	STATE GRANT IDENTIFICATION NUMBER	DISBURSE-MENTS/ EXPENDI-TURES
Emergency Food Assistance Program FY2008	10.569 (7)			459,744
TOTAL MARYLAND STATE DEPARTMENT OF HUMAN RESOURCES				$683,449
MARYLAND STATE DEPARTMENT OF AGING				
USDA Congregate Meals and Home Delivery	10.550		7-24-AAA-002	78,771
USDA Congregate Meals and Home Delivery FY2001	10.550		3-24-AAA-002	(141,141)
USDA Congregate Meals and Home Delivery FY2002	10.550		7-24-AAA-002	40,336
USDA Congregate Meals and Home Delivery FY2004	10.550		7-24-AAA-002	(40,336)
TOTAL MARYLAND STATE DEPARTMENT OF AGING				($62,370)
TOTAL DEPARTMENT OF AGRICULTURE				$10,027,196
DEPARTMENT OF COMMERCE				
DIRECT GRANTS				
National Oceanic and Atmospheric Administration (NOAA) Grant	11.457	NA03NMF4570241		(9,110)
Watershed Travelers Grant (NOAA)	11.457	NA03NMF4570241		13,113
TOTAL DIRECT GRANTS				$4,003
BALTIMORE METROPOLITAN COUNCIL				
Economic Development Assistance (EDA)	11.302			62,078
TOTAL BALTIMORE METROPOLITAN COUNCIL				$62,078
TOTAL DEPARTMENT OF COMMERCE				$66,081
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
DIRECT GRANTS				
CDBG-15	14.218	B89-MC-24-0010		180
CDBG-21	14.218	B95-MC-24-0010		14,666
CDBG-24	14.218	B98-MC-24-0010		433,852
CDBG-25	14.218	B99-MC-24-0010		4,827

CITY OF BALTIMORE - SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED June 30, 2008

FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE	FEDERAL CFDA NUMBER (5)	FEDERAL IDENTIFICATION NUMBER (4)	STATE GRANT IDENTIFICATION NUMBER	DISBURSE-MENTS/ EXPENDI-TURES
CDBG-26	14.218	B00-MC-24-0010		(34,834)
CDBG-27	14.218	B01-MC-24-0010		97,943
CDBG-28	14.218	B02-MC-24-0010		222,786
CDBG-29	14.218	B03-MC-24-0010		433,647
CDBG-30	14.218	B04-MC-24-0010		71,823
CDBG-30	14.218	B04-MC-24-0010		984,048
CDBG-31	14.218	B05-MC-24-0010		1,244,949
CDBG-31 Dawson Safe House	14.218	B05-MC-24-0010		47,100
CDBG-32	14.218	B06-MC-24-0010		6,423,760
CDBG-33	14.218	B07-MC-24-0010		11,759,491
UDAG Repayments	14.221			174,704
Emergency Shelter Grant	14.231	S-04-MC-24-0001		8,330
Emergency Shelter Grant	14.231	S-06-MC-24-0001		495,340
Emergency Shelter Grant	14.231	MD07-MC-24-0001		75,000
Emergency Shelter Grant 2006	14.231	MD07-MC-24-0001		229,832
Supportive Housing Program FY2003	14.235	MD06B301-XXX		27,376
Supportive Housing Program FY2004 SuperNOFA	14.235	MD06B401-XXX		571,798
Supportive Housing Program FY2005 SuperNOFA	14.235	MD06B501-XXX		4,285,336
Supportive Housing Program FY2006	14.235	MD06B601		3,303,083
Shelter Plus Care	14.238	MD06C93-1128		191,489
Shelter Plus Care FY2000	14.238	MD06C00-1003,1004,1022,1031		188,614
Shelter Plus Care FY2001	14.238	MD06C101-XXX		229,986
Shelter Plus Care FY2002	14.238	MD06C200-XXX		71,590
Shelter Plus Care FY2003	14.238	MD06C301-XXX		246,760
Shelter Plus Care FY2004 SuperNOFA	14.238	MD06C401-XXX		60,966
Shelter Plus Care FY2005 SuperNOFA	14.238	MD06C501-XXX		(185,169)
Shelter Plus Care FY2006	14.238	MD06C601		6,499,668
American Dream Downpayment Initiative FY2005	14.239	M-05-MC-24-0200		(10,000)
American Dream Downpayment Initiative FY2006	14.239	M-06-MC-24-0200		543,040
HOME Program FY2001	14.239	M-01-MC-24-0200		246,872
HOME Program FY2003	14.239	M-03-MC-24-0200		1,257,646

CITY OF BALTIMORE - SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED June 30, 2008

FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE	FEDERAL CFDA NUMBER (5)	FEDERAL IDENTIFICATION NUMBER (4)	STATE GRANT IDENTIFICATION NUMBER	DISBURSE-MENTS/ EXPENDI-TURES
HOME Program FY2003 - American Dream	14.239	M-03-MC-24-0200		135,125
HOME Program FY2004	14.239	M-04-MC-24-0200		3,280,332
HOME Program FY2005	14.239	M-05-MC-24-0200		3,103,684
HOME Program FY2006	14.239	M-06-MC-24-0200		4,106,080
HOME Program FY2007	14.239	M-07-MC-24-0200		2,010,504
HOPWA Homeless Shelter 2004 Entitlement Grant	14.241	MD04-F001		759,982
HOPWA Homeless Shelter 2005 Entitlement Grant	14.241	MD05-F001		636,454
HOPWA Homeless Shelter 2006 Entitlement Grant	14.241	MD06-F001		621,435
Housing Opportunity for Persons with AIDS (HOPWA)	14.241	MD06-F001		1,643,467
Housing Opportunity for Persons with AIDS (HOPWA)	14.241	MD-H07-F001		231,438
Housing Opportunity for Persons with AIDS (HOPWA)	14.241	MD05-F001		2,843,825
Housing Opportunity for Persons with AIDS (HOPWA)	14.241	MD-H07-F001		1,736,367
Housing Opportunity for Persons with AIDS (HOPWA) 2003	14.241	MD-H03-0024		1,145,197
Healthy Neighborhood Initiative Program - Federal	14.246	B-01-NI-MD-BA-0002		134,699
East Baltimore Development Initiative (EBDI) - HUD 108	14.248	B-02-MC-24-0010-A		192,046
East Baltimore Development Initiative (EBDI) - HUD 108 - Administration	14.248	B-02-MC-24-0010-A		102,888
Gateway South/Acme - HUD 108	14.248	B-03-MC-24-0010		7,850,426
Gateway South/Warner Street - Russell Street - HUD 108	14.248	B-03-MC-24-0010		4,173,591
Lead Abatement Action	14.900	MDLHB0140-99		4,394
Lead Abatement Action	14.900	MDLHB0140-99		26,591
Lead Hazard Reduction Demonstration II	14.905	HDLHD 0021-04		734,917
Lead Hazard Reduction Demonstration III	14.905	MDLHD 0137-05		769,649
TOTAL DIRECT GRANTS				$76,459,590
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				$76,459,590
DEPARTMENT OF JUSTICE				
DIRECT GRANTS				
U.S. Dept. of Justice - Asset Forfeitures	16 (3-b)			5,710
U.S. Dept. of Justice - Asset Sharing (Police)	16 (3-b)			987,167
U.S. Dept. of Justice - Asset Sharing (Police)	16 (3-b)			1,434,184

CITY OF BALTIMORE - SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED June 30, 2008

FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE	FEDERAL CFDA NUMBER (5)	FEDERAL IDENTIFICATION NUMBER (4)	STATE GRANT IDENTIFICATION NUMBER	DISBURSE-MENTS/ EXPENDI-TURES
Grants to Encourage Arrest Policies	16.528	2004-WE-AX-0068		19,193
Juvenile Justice and Delinquency Prevention	16.540	52-6000817		38,636
Cal Ripken Sr. Community Baseball	16.541	2004-JL-FX-0024-S07-FR-MD01		24,728
Multisystemic Therapy	16.541	2006-JL-FX-0049		141,379
DNA Backlog Reduction FY2004	16.560	2004-DN-BX-K059		110,122
DNA Backlog Reduction FY2004	16.560	2004-DN-BX-K059		40,222
DNA Capacity Enhancement Program	16.560	2005-DA-BX-K017		125
DNA Capacity Enhancement Program - FY2004	16.560	2004-DN-BX-K143		2,504
No Suspect Casework DNA Backlog Reduction Program FY2003	16.564	2003-DN-BX-K118		4,818
Baltimore City Gun & Gang Violence Impact	16.580	2007-DD-BX-0638		679,011
Drug Interdiction & Violence Reduction Initiative	16.580	2004-DD-BX-1304		24,445
Ex-Offender	16.580	2006-DD-BX-0313		405,969
Safe Streets	16.580	2005-DD-BX-1233		309,870
Weed and Seed	16.595	1999-WS-2X-0104		8,829
Weed and Seed - Oswego Mall Initiative	16.595			42,281
Project Safe Neighborhood - FY2004	16.609			113,298
Central MD Communications Project	16.710	2003-IN-WX-0009		1,194,438
COPS FY2006 Technology Mobile Work Station	16.710	2006-CK-WX-0391		98,723
COPS Secure Our Schools	16.710	2006-CK-WX-0712		482,408
Baltimore City Truancy Assessment	16.738	BJAG-2005-1068		36,824
GOCCP - Byrne JAG Felony Diversion Initiative	16.738	BJAG-2005-1045		60,352
JAG II Program Income	16.738	2006-DJ-BX-0398		159,323
Justice Assistance Grant (JAG 111)	16.738	2007-DJ-BX-0470		7,363
Justice Assistance Grant (JAG)	16.738	2005-DJ-BX-0300		999,167
Local Law Enforcement Block Grant Round VII	16.738	2002-LB-BX-2410		264
Local Law Enforcement Block Grant Round VIII	16.738	2003-LB-BX-0988		377
Forensic DNA Capacity Enhancement Program FY2006	16.741	2006-DN-BX-K166		15,169
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	CFS1-2006-1018		33,821
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	2006-DN-BX-0023		5,874
No Suspect Casework DNA Backlog #1	16.743	2002-DN-BX-K014		125,954
PSN Anti-Gang Initiative	16.744	PSNI-2006-1001		69,637

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FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE	FEDERAL CFDA NUMBER (5)	FEDERAL IDENTIFICATION NUMBER (4)	STATE GRANT IDENTIFICATION NUMBER	DISBURSE-MENTS/ EXPENDI-TURES
TOTAL DIRECT GRANTS				$7,682,185
MARYLAND STATE DEPARTMENT OF HEALTH AND MENTAL HYGIENE				
Multi-systemic Therapy	16.541	2006-JL-FX-0049		14,808
TOTAL MARYLAND STATE DEPARTMENT OF HEALTH AND MENTAL HYGIENE				$14,808
MARYLAND STATE DEPARTMENT OF HUMAN RESOURCES				
Family Bereavement Center	16.575		CSA/CVA/07-015	224,711
Family Bereavement Center	16.575		CSA/CVA/01-006	8,704
Juvenile Courts - Victim's Specialist	16.575		CSEA/CR-07-0-009	62,654
Drug Court Discretionary Grant Program (B)	16.585			63,917
TOTAL MARYLAND STATE DEPARTMENT OF HUMAN RESOURCES				$359,986
MARYLAND DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONAL SERVICES				
Serious and Violent Offender Re-entry Initiative	16.202	2002-RE-CX-0009		129,509
TOTAL MARYLAND DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONAL SERVICES				$129,509
MARYLAND GOVERNOR'S OFFICE OF CRIME CONTROL AND PREVENTION				
Community Conferencing - Community Based Diversion	16.523	BJAG-2007-1279		66,728
Coverdell-Accreditation/Training	16.560	CFSI-2007-1006		848
Drug Court Juvenile (GOCCP)	16.579	2002-DB-BX-0024		101,832
Enhancing Service to Victims	16.579		BYRN-2000-1090	4,537
Greenbook Approach to Prosecution & Enhanced Services (GAPES)	16.579	BYRN-2004-1059		1,379
Domestic Violence - Victim/Witness	16.588		VAWA-2006-1026	70,333
Domestic Violence - Victim/Witness	16.588		VAWA-2007-1426	59,239
Domestic Violence - Victim/Witness Liaison Program	16.588		VAWA-2005-1026	(18,302)
Adopt A Block Grant	16.738	BJAG-2005-1050		82,818
Criminal Analysis Training - LETS	16.738	BJAG-2006-1090		4,725
Domestic Violence Unit Centralization Project	16.738	BJAG-2005-1072		23,633
Greenbook Approach to Prosecution & Enhanced Services (GAPES)	16.738	BJAG-2005-2001		16,627

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FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE	FEDERAL CFDA NUMBER (5)	FEDERAL IDENTIFICATION NUMBER (4)	STATE GRANT IDENTIFICATION NUMBER	DISBURSE-MENTS/ EXPENDI-TURES
Inter-Agency War Room Coordination Project	16.738		BJNT-2006-1504	270,919
Project Exile Baltimore - Anti-Gang Initiative	16.744	PSNI-2007-1008		8,019
TOTAL MARYLAND GOVERNOR'S OFFICE OF CRIME CONTROL AND PREVENTION				$693,335
TOTAL DEPARTMENT OF JUSTICE				$8,879,823
DEPARTMENT OF LABOR				
DIRECT GRANTS				
Senior Community Service Employment Program (From Senior Services America)	17.235			89,192
Senior Community Service Employment Program (From Senior Services America)	17.235			494,109
Senior Community Service Employment Program (From Senior Services America)	17.235			280
Ex-Offender Community Collaboration	17.257	FB-14803-05-60		55,398
Ex-Offender Earmark Grant	17.261	EA-15426-06-60		221,115
Operation Safe Kids	17.263			71,857
Operation Safe Kids	17.263			49,605
Youth Opportunity Grant	17.263	AZ 10110-00-60		(454)
Youth Opportunity Grant (Mod #011)	17.263	AZ-10110-00-60		(1,009)
Youth Opportunity Grant (Mod #011)	17.263	AZ-10110-00-60		(185)
Youth Opportunity Grant (Mod #011)	17.263	AZ-10110-00-60		(1,173)
Youth Opportunity Initiative Project FY2004	17.263	AZ-10110-00-60		2,340
TOTAL DIRECT GRANTS				$981,075
MARYLAND STATE DEPARTMENT OF LABOR, LICENSING AND REGULATION				
Workforce Investment Act - Healthcare Incumbent Worker (Mod #001)	17.257		P00B6200064	8,085
MOED Administrative Cost Pool FY2005	17.258			(21)
MOED Administrative Cost Pool FY2008	17.258			242,037
MOED Program Cost Pool FY2005	17.258			32,822
MOED Program Cost Pool FY2008	17.258			385,797
Regional BRAC Project (Mod #002)	17.258		P00B8200076	36,759
Workforce Investment Act - Administration - Adult (Mod #002)	17.258		P00B7200004-A	142,128
Workforce Investment Act - Administration - Adult (Mod #003)	17.258		P00B8200031-A	27,410

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FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE	FEDERAL CFDA NUMBER (5)	FEDERAL IDENTIFICATION NUMBER (4)	STATE GRANT IDENTIFICATION NUMBER	DISBURSE-MENTS/ EXPENDI-TURES
Workforce Investment Act - Administration Cost Pool FY2007	17.258			141,332
Workforce Investment Act - Administrative Cost Pool FY2001	17.258			(463)
Workforce Investment Act - Administrative Cost Pool FY2006	17.258			14,310
Workforce Investment Act - Adult (Mod #001)	17.258		P00B6200038-B	182,886
Workforce Investment Act - Adult (Mod #002)	17.258		P00B4200029-B	2,116
Workforce Investment Act - Adult (Mod #002)	17.258		P00B7200004-B	992,401
Workforce Investment Act - Adult (Mod #003)	17.258		P00B5200159-B	17,910
Workforce Investment Act - Adult (Mod #003)	17.258		P00B8200031-B	1,793,889
Workforce Investment Act - Governor's 15% Statewide Grant	17.258		P00B5200010	(95)
Workforce Investment Act - Governor's 15% Statewide Grant (Mod #001)	17.258		P00B5200011	(47)
Workforce Investment Act - Incentive Grant	17.258		P00B7200109	25,700
Workforce Investment Act - Program Cost Pool FY2006	17.258			245
Workforce Investment Act - Program Cost Pool FY2007	17.258			(800,331)
Workforce Investment Act - Statewide 50% Grant (Mod #001)	17.258		P00B6200039	9,519
Workforce Investment Act - Statewide Grant	17.258		P00B6200075	(1,170)
Workforce Investment Act - Administration - Youth (Mod #002)	17.259		P00B7200004-A	150,404
Workforce Investment Act - Administration - Youth (Mod #003)	17.259		P00B8200031-A	29,850
Workforce Investment Act - Youth (Mod #001)	17.259		P00B6200038-C	10,896
Workforce Investment Act - Youth (Mod #001)	17.259		P00B7200004-C	784,687
Workforce Investment Act - Youth (Mod #002)	17.259		P00B3200020-C	645
Workforce Investment Act - Youth (Mod #003)	17.259		P00B4200159-C	16
Workforce Investment Act - Youth (Mod #003)	17.259		P00B8200031-C	1,892,303
Workforce Investment Act - Youth Demonstration Grant (BBI)	17.259		P00B8200054	61,290
Workforce Investment Act - Youth Statewide Grant	17.259		P00B8200062	1,800
Workforce Investment Act - Administration - Dislocated Worker (Mod #002)	17.260		P00B7200004-A	67,286
Workforce Investment Act - Administration - Dislocated Worker (Mod #003)	17.260		P00B8200031-A	14,494
Workforce Investment Act - Dislocated Worker	17.260		P00B8200031-D	912,180
Workforce Investment Act - Dislocated Worker (Mod #002)	17.260		P00B7200004-D	357,139
Workforce Investment Act - Dislocated Worker (Mod #002)	17.260		P00B4200029-D	(97)
Workforce Investment Act - Dislocated Worker (Mod #002)	17.260		P00B6200038-D	55,090
Workforce Investment Act - Dislocated Worker (Mod #003)	17.260		P00B4200159-D	11,405

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FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE	FEDERAL CFDA NUMBER (5)	FEDERAL IDENTIFICATION NUMBER (4)	STATE GRANT IDENTIFICATION NUMBER	DISBURSE-MENTS/ EXPENDI-TURES
Workforce Investment Act - Early Intervention Facilitator	17.260		P00B8200007	108,387
Workforce Investment Act - Early Intervention Facilitator	17.260		P00B7200029	74
Workforce Investment Act - Rapid Response Grant (Mod #001)	17.260		P00B5200109	811
Workforce Investment Act - S.E.A. Project Administrative Cost Pool	17.260		P00B8200056	18,214
Workforce Investment Act - S.E.A. Project Administrative Cost Pool	17.260		P00B7200030	12,924
Workforce Investment Act - S.E.A. Project Program Cost Pool	17.260		P00B8200056	163,928
Workforce Investment Act - S.E.A. Project Program Cost Pool	17.260		P00B7200030	116,318
Workforce Investment Act - Disability Navigator Grant	17.266		P00B8200040	7,743
Workforce Investment Act - Disability Navigator Grant (Mod #003)	17.266		P00B6200076	17,085
Workforce Investment Act - Maryland Business Works (Mod #001)	17.267		P00B5200055	1,489
Workforce Investment Act - Maryland Business Works (Mod #001)	17.267		P00B7200049	50,091
Workforce Investment Act - Maryland Business Works (Mod #003)	17.267		P00B8200018	57,478
Workforce Investment Act - Youth Demonstration Grant (Mod #1)	17.267		P00B7200162	70,235
TOTAL MARYLAND STATE DEPARTMENT OF LABOR, LICENSING AND REGULATION				$8,227,384
TOTAL DEPARTMENT OF LABOR				$9,208,459
DEPARTMENT OF TRANSPORTATION				
DIRECT GRANTS				
Traffic Safety Grant	20.600	52-6002034		54,439
Traffic Safety Grant	20.600	52-6002034		10,665
Traffic Safety Grant	20.605	52-6002034		8,295
Traffic Safety Grant	20.605	52-6002034		42,342
Safe Route to School	20.609	52-609-769		13,287
Safe Route to School	20.609	52-609-769		30,032
TOTAL DIRECT GRANTS				$159,060
BALTIMORE METROPOLITAN COUNCIL				
Unified Planning Work Program (UPWP)	20.505			3,670
Unified Planning Work Program (UPWP)	20.505	L30B-B-00		90,204

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FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE	FEDERAL CFDA NUMBER (5)	FEDERAL IDENTIFICATION NUMBER (4)	STATE GRANT IDENTIFICATION NUMBER	DISBURSE-MENTS/ EXPENDI-TURES
TOTAL BALTIMORE METROPOLITAN COUNCIL				$93,874
MARYLAND STATE DEPARTMENT OF TRANSPORTATION				
2005 Bridge Inspection Program for Baltimore City	20.205	BRF-NBIS(103)	BC269-075-815	112,839
Annapolis Road Bridge	20.205	BRF-IX-000S(76)	269-060-815	242,891
Argonne Drive Bridge	20.205	BHF-3206(001)E	269-065-815	37,941
Argonne Drive Streetscape - Hillen Rd. to McCallum Drive	20.205	STP-3206(3)	315-065-815	143,711
Argonne Drive/39th Street from University Pkwy. To Hilton Rd.	20.205	STP-3206(2)E	315-056-815	8,959
Baltimore City's Management and Inspection for Traffic Management Ctr.	20.205	STP-0001(820)	BC315-067-815	339,874
Baltimore City's Traffic Management Center	20.205	HP-1226(005)	BC318-010-815	2,167,724
Baltimore City-Wide Traffic Signal System Integration	20.205	HP-1263(002), HP-0459(002)	BC318-002-815	2,051,444
Belair Rd. and Erdman Ave. Resurfacing	20.205	STP-000S(907)E	315-043-815	24,576
Boston Street: Fleet to Ponca	20.205	IX-3045(3)	311-043-815	(8,333)
Bowley's Lane - Mannasota Ave. to Moravia	20.205	STP-3240-(001)	315-052-815	2,115
Bridge Inspection for Baltimore City	20.205	NBIS(106)	269-076-815	946,140
Calvert Street Reconstruction from Lombard St. to Baltimore St.	20.205	STP-1191(028)	BC315-061-815	1,478,774
Caton Ave. Resurfacing - Frederick to Benson Ave.	20.205	3009(011)	315-077-815	596,061
Charles St. - 25th St. to University Pkwy.	20.205	STP-3071(003)	315-055-815	10,718
Charles Street Resurfacing and Streetscape	20.205	3071 (004)	315-066-815	1,401,179
Chesapeake Avenue - Phase 1	20.205	3314(001)	315-059-815	696
Chesapeake Avenue Phase II	20.205	3314(002)	315-074-532	10,812
Eastern Avenue Streetscape	20.205	STP 3035 (023)	315-069-815	3,145,368
Edmondson Ave. Bridge Over CSX	20.205	BR-2441(017)	269-066-815	3,920
Empowerment Zone	20.205	HP-0459-(002)	308-003-815	5,003
Erdman Ave. - Sinclair to Macon St.	20.205	3034(012)	315-076-815	411,225
Eutaw Street - Lombard to Fayette	20.205	3251 (002)	315-068-815	1,636,189
Exeter Hall - Greenmount to Aisquith St.	20.205	STP-3056(4)E	315-050-815	5,028
Fayette St. - President to Broadway	20.205	STP-3060(1)(E)	315-054-815	62,989
Forest Park Avenue Bridge over Gwynns Falls	20.205	BRF-3149(3)	269-062-815	185,952
FY2003 Bridge Inspection Program	20.205	BRO-BRF-NBIS(100)E	269-069-815	11,813
Gay Street - North Ave. to Preston	20.205	STP-000S(906)	315-040-815	6,853

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FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE	FEDERAL CFDA NUMBER (5)	FEDERAL IDENTIFICATION NUMBER (4)	STATE GRANT IDENTIFICATION NUMBER	DISBURSE-MENTS/ EXPENDI-TURES
Gwynns Falls Greenway Enhancement	20.205			15,800
Gwynn's Falls Pkwy. - Garrison Blvd. to Longwood	20.205	STP-3158(1)	315-053-815	163
Gwynns Falls Trail Extension in Leakin Park	20.205	HP-0928(001)	BC318-008-815	1,812,313
Hanover St. Bridge over Middle Branch	20.205	STP-1191(026)	269-073-815	32,284
Harford Road Bridge Over Herring Run	20.205	BRP-3033(005)	269-067-815	25,254
Harford Road Streetscape from Argonne Dr. to Bayonne Ave.	20.205	STP-3033(006)	BC315-057-815	3,092,032
Hawkins Point Road Bridge	20.205			896
Hawkins Point Road Bridge	20.205	BRF-3001(34)E	269-059-815	79,393
Hillen Road - 33rd St. to Cold Spring Ln.	20.205	STP-1231(033)	315-033-815	10,576
I-83 Rehab: Calvert St. Bridge and St. Paul	20.205	BH-0005(326)	269-045-815	164,116
I-83 Resurfacing - Howard to Kelly Ave. Bridge	20.205	IM-G-83-1(172)E	243-086-815	394,869
Monroe St. Viaduct Replacement	20.205	BRF-234-1(31)N	269-068-815	875
Monroe Street Viaduct	20.205			(875)
North Ave. - Greenmount to Howard	20.205	STP-2811(30)E	315-032-815	12,276
North Ave. - Howard St. to Mt. Royal Ave.	20.205	2811(032)	315-060-815	341
Park Heights - Druid Hill Dr. to Garrison Blvd.	20.205	3019(004)	315-073-815	1,313
Park Heights/Northern Parkway	20.205	STP-000S(903)E	315-035-815	15,854
Pennington Ave. Drawbridge over Curtis Creek	20.205	STP-3001(039)	269-072-815	1,660,732
Potee Street - Resurfacing	20.205	1191(024)	315-048-815	168,694
Public Pedestrian at Union Wharf	20.205	STP-0001(756)E	AT-459-5125	3,317
Radecke Ave. - Frankford to City Line	20.205	STP-3211-(001)	315-042-815	(47,553)
Repl. PF The Potee St. Bridge	20.205	DPB-BRF-1191(23)N	314-012-815	149,684
Resurfacing Liberty Heights Avenue	20.205	STP-00S(883)E	315-034-815	14,911
Resurfacing of Cross Country Blvd. and Echodale Ave.	20.205	IX-0005-(313)E	311-212-815	82,186
Russell St. Viaduct over Monroe St.	20.205	BRF-111-1(22)N	BC314-013-815	5,972,484
Signal Timing Optimization - Cent. Bus. District and Principal Gateway Arterials	20.205	BRF-3149(004)	BC315-070-815	196,152
Swann's Wharf Bulkhead and Promenade	20.205	STP-1(714)E	AT-286-5125	7
Traffic Detectors and Signal Engineering	20.205	000A(009)	315-064-815	105,795
Traffic Signal Controller Replacement	20.205	AC/HP1263(1)N	318-001-815	215,629
Traffic Signal Reconstruction - Phase II	20.205	STP-G-0005(486)E	315-024-815	37,155
Washington Street - North of Monument	20.205	STP-3061(2)	315-038-815	9,156

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Wilkens Ave. Bridge over Gwynns Falls	20.205	BHF-2511(055)	269-071-815	26,660
Jones Falls Trail III Construction Project	20.219	STP-1(851)E	AT-829-5125	1,727,139
Center Plaza Improvement	20.500		MD03 0101 00	116,837
Rideshare/Commuter Assistance Grant	20.507	MD90-X081	MD90-9081	573
Ridesharing	20.507		MD90-9102	55,853
Ridesharing	20.507		MD95-9003	19,529
Highway Safety Grant	20.600		94631	16,309
TOTAL MARYLAND STATE DEPARTMENT OF TRANSPORTATION				$31,231,190
TOTAL DEPARTMENT OF TRANSPORTATION				$31,484,124
EQUAL EMPLOYMENT OPPORTUNITY COMMISSION				
DIRECT GRANTS				
Equal Employment Opportunity	30.002	9/5010/0004	MD920401-000	61,880
TOTAL DIRECT GRANTS				$61,880
TOTAL EQUAL EMPLOYMENT OPPORTUNITY COMMISSION				$61,880
ENVIRONMENTAL PROTECTION AGENCY				
DIRECT GRANTS				
Childhood Asthma Program	66.034	XA 97300001		7
Brownfield Incentive Fund	66.811	BP993393013		66,146
TOTAL DIRECT GRANTS				$66,153
MARYLAND STATE DEPARTMENT OF THE ENVIRONMENT				
Lower Jones Falls Interceptor, SC 818 - EPA Grant	66.202	XP 973076-01-03	WQ02-266-03L	831
Back River Secondary Clarifiers	66.418	C-24062146-0		795,500
Biddison Run Sanitary Sewer Overflow SC 766	66.458		WQ05-362-03L	2,115,195
Jones Falls Pumping Station Capacity Upgrade (SC 822)	66.458		WQ02-266-05-03L	452,683
New Jones Falls Force Main/Pressure Sewer (SC 800R)	66.458		WQ02-266-05-03L	1,139,813

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Cherry Hill Water Main Cleaning	66.468		DW03-254-03L	161,395
Montebello Filters & Chemicals	66.468		DW05-341-03L	218,708
TOTAL MARYLAND STATE DEPARTMENT OF THE ENVIRONMENT				$4,884,125
TOTAL ENVIRONMENTAL PROTECTION AGENCY				$4,950,278
DEPARTMENT OF ENERGY				
DIRECT GRANTS				
EUAP (Electric Universal Asst Program) Weatherization Assistance Program	81.042	R340649		2,961
EUAP (Electric Universal Asst Program) Weatherization Assistance Program	81.042	R340649		220,531
EUAP (Electric Universal Asst Program) Weatherization Assistance Program	81.042	R340649		25,118
MEAP - Weatherization	81.042	R340649		205,261
MEAP-WAP Furnace Replacement	81.042	R340649		19,470
MEAP-WAP Furnace Replacement	81.042	R340649		86,654
TOTAL DIRECT GRANTS				$559,995
MARYLAND STATE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT				
BGE-CHIP	81.042	R340649		380,527
Weatherization Assistance for Low Income Persons	81.042	R340649	S00P7200113	(82,950)
Weatherization Assistance for Low Income Persons	81.042	R340649	S00P7200113	(19,181)
Weatherization Assistance for Low Income Persons	81.042	R340649	S00P7200113	33,094
Weatherization Assistance for Low Income Persons	81.042	R340649		320,372
TOTAL MARYLAND STATE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT				$631,862
TOTAL DEPARTMENT OF ENERGY				$1,191,857
DEPARTMENT OF EDUCATION				
MARYLAND STATE DEPARTMENT OF EDUCATION				
Infants & Toddlers	84.027		800650	140,686
Infants & Toddlers	84.027		500995	(10)

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Infants & Toddlers	84.027		601844-03	(315)
Infants & Toddlers - Consolidated Local Implementation	84.027	H027A070035	701053-03	22,703
Infants & Toddlers - Consolidated Local Implementation	84.027	H027A070035	701053-03	(47)
Infants & Toddlers	84.173		500995	(1)
Infants & Toddlers	84.173		601844-04	(22)
Infants & Toddlers	84.173		800650	9,018
Infants & Toddlers - Consolidated Local Implementation	84.173	H173A060089	701053-04	(3)
Infants & Toddlers - Consolidated Local Implementation	84.173	H173A060089	701053-04	1,455
Infants & Toddlers	84.181		601844-01/02	(2,510)
Infants & Toddlers	84.181		500995	(63)
Infants & Toddlers	84.181		800650	898,224
Infants & Toddlers - Consolidated Local Implementation	84.181	H181A050124	701053-01/02	(309)
Infants & Toddlers - Consolidated Local Implementation	84.181	H181A050124	701053-01/02	150,188
MSDE - Division of Rehabilitation Services	84.235			9,000
MSDE - DORS - Literacy	84.235		700277-04	2,000
MSDE - DORS - Literacy	84.235	H235P030010	702012-01	11,000
TOTAL MARYLAND STATE DEPARTMENT OF EDUCATION				$1,240,994
TOTAL DEPARTMENT OF EDUCATION				$1,240,994
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
DIRECT GRANTS				
OMH TACD	93.006	5 TAC MPO 500 10-03-00		109,596
OMH TACD 2005	93.006	6TACP050010-01		224,521
DHHS - Medical Reserve Corp (MRC)	93.008	5MRCSG030054-03-00		(1)
Tuberculosis Elimination and Laboratory	93.116	U52/CCU300466-21		(148,381)
Tuberculosis Elimination and Laboratory	93.116	U52/CCU300466-21		(328)
Tuberculosis Elimination and Laboratory	93.116	U52/CCU300466-27		109,905
Tuberculosis Elimination and Laboratory	93.116	U52/CCU300466-21		470,008
HIV RED Ribbon Outreach - AIDS Prevention - STD Diversion	93.137	D53MP02102-01-2		6,560
Healthy Schools/Healthy Communities	93.224	6 H80 CS00366-04-01		383,496

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
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FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE	FEDERAL CFDA NUMBER (5)	FEDERAL IDENTIFICATION NUMBER (4)	STATE GRANT IDENTIFICATION NUMBER	DISBURSE-MENTS/ EXPENDI-TURES
Healthy Schools/Healthy Communities	93.224	6 H80 CS00366-04-01		(106,377)
Healthy Schools/Healthy Communities	93.224	6 H80 CS00366-03-02		185,797
Baltimore School Base Recovery Service	93.243	5 H79 TI16418-03		150,238
Enhanced Linkages for Adolescent Abusers	93.243	5 H79 TI12786-03		(294)
SAMHSA	93.243	5 H79 TI16418-03		736
CAA Children's Services - Head Start FY2005	93.600	03CH0207/40		(10,221)
CAA Children's Services - Head Start FY2006	93.600	03CH0207/41		(15,492)
CAA Children's Services - Head Start FY2007	93.600	03CH0207/41		2,552,734
CAA Children's Services - Head Start FY2008	93.600	03CH0207/43		26,899,808
DHHS Oral Health Grant	93.600	03CH0207/43		62,757
Mentoring Children of Prisoners	93.616	90CV0215		225
Mentoring Children of Prisoners	93.616	90CV0215		227,650
Mentoring Children of Prisoners	93.616	90CV0215		1,385
Mentoring Children of Prisoners	93.616	90CV0215		15,413
HIV Emergency	93.914	5 H89 HA00017		125
HIV Emergency	93.914	5 H89 HA00017-16		10,685
HIV Emergency	93.914	5 H89 HA00017-14		97,753
HIV Emergency	93.914	5 H89 HA00017		1,076
HIV Emergency	93.914	5 H89 HA00017-13		(56,512)
HIV Emergency	93.914	5 H89 HA00017		1,632,733
HIV Emergency	93.914	5 H89 HA00017-16		14,860,223
HIV Emergency - Minority AIDS Initiative (MAI)	93.914	H3M HA08436		1,142,691
Healthy Start FY2003	93.926	5 H49 MC00085-2		301
Healthy Start FY2005	93.926	5 H49 MC00085		40,418
Healthy Start FY2007	93.926	5 H49 MC00085		1,033
Federal Grant - MSM	93.941	5UR6OS000329-02		45
Federal Grant - MSM	93.941	1UR6PS00032		99,227
Contact U	93.974	FPRPA 006024		35,984
Contact U	93.974	FPRPA 006024		16,152
Male Reproductive Health	93.974	IFPRPA 006804		110,967
Male Reproductive Health	93.974	IFPRPA 006004		(15,584)

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FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE	FEDERAL CFDA NUMBER (5)	FEDERAL IDENTIFICATION NUMBER (4)	STATE GRANT IDENTIFICATION NUMBER	DISBURSE-MENTS/ EXPENDI-TURES
Male Reproductive Health	93.974	1FPRPA 006804		58,943
Male Reproductive Health	93.974	IFPRPA		19,755
Sexually Transmitted Disease Accelerated Prevention Campaign FY2002	93.977	H25/CCH304322-12		519
Sexually Transmitted Disease Accelerated Prevention Campaign FY2003	93.977	H25/CCH304322-13		1,552
Sexually Transmitted Disease Accelerated Prevention Campaign FY2004	93.977	H25/CCH304322-14		101
Sexually Transmitted Disease Accelerated Prevention Campaign FY2005	93.977	H25/CCH304322-14		9,995
Sexually Transmitted Disease Accelerated Prevention Campaign FY2006	93.977	H25/CCH304322-14		72,301
Sexually Transmitted Disease Accelerated Prevention Campaign FY2007	93.977	H25/CCH304322-15		1,255,926
Sexually Transmitted Disease Control Program	93.977	H25/CCH304322		4,929
Sexually Transmitted Disease Control Program	93.977	H25/CCH304322-17		346,208
TOTAL DIRECT GRANTS				$50,867,281
MARYLAND STATE DEPARTMENT OF EDUCATION				
Head Start & Early Head Start Continuation Grant	93.575		600823	167,353
Head Start	93.600		)OR6201230/ROOP620279952-12124	124,353
TOTAL MARYLAND STATE DEPARTMENT OF EDUCATION				$291,706
MARYLAND STATE DEPARTMENT OF HEALTH AND MENTAL HYGIENE				
Tuberculosis Control	93.116		CH 441 MMC	21,300
Pediatric AIDS Health Care	93.153		AD 431 HRS	425,224
Pediatric AIDS Service Demo	93.153		AD 431 WI	264,281
RWD - Youth Health Support	93.153		AD 655 YHS	77,442
HIV Integration into Family Planning	93.217		FH 771 HIV	101,060
HIV Integration into Family Planning	93.217		FH 771 HIV	10,808
HIV Integration into Family Planning	93.217		FH 771 HIV	122,521
Reproductive Health/Family Planning	93.217		FH 201 FFP	35
Reproductive Health/Family Planning	93.217		FH 201 FFP	(960)
Reproductive Health/Family Planning	93.217		FH 201 FFP	493,524
Reproductive Health/Family Planning	93.217		FH 201 FFP	82,861
Reproductive Health/Family Planning	93.217		FH 201 FFP	(1,873)
Abstinence Education Grant	93.235		FH 807 ABS	11,074

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FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE	FEDERAL CFDA NUMBER (5)		FEDERAL IDENTIFICATION NUMBER (4)	STATE GRANT IDENTIFICATION NUMBER	DISBURSE-MENTS/ EXPENDI-TURES
Abstinence Education Grant	93.235			FH 807 ABS	(35)
Abstinence Education Grant	93.235			FH 807 ABS	29,294
Targeted Capacity Expansion	93.243			AD 627 TCE	325,224
Targeted Capacity Expansion	93.243			AD 627 TCE	(12)
Targeted Capacity Expansion - FY2008	93.243			AD 627 TCE	50,000
Baltimore City Immunization Program FY2006	93.268			CH 054 IMM	(362)
Baltimore City Immunization Program FY2007	93.268			CH 054 IMM	4,277
Baltimore City Immunization Program FY2008	93.268			CH 054 IMM	765,780
Baltimore City Immunization Program FY2008 - Vaccine	93.268	(6)		CH 054 IMM	577,174
Immunization - Hepatitis B	93.268			CH 350 IMM	33,803
Immunization - Hepatitis B	93.268			CH 350 IMM	64,003
Public Health Preparedness & Response	93.283			CH 831 PHP	637,211
Public Health Preparedness and Response to Bio-Terrorism	93.283			CH 831 PHP	1,142
Public Health Preparedness and Response to Bio-Terrorism	93.283			CH 831 PHP	(143)
Public Health Preparedness and Response to Bio-Terrorism	93.283			CH 831 PHP	268,921
Public Health Preparedness and Response to Terrorism	93.283			CH 756 PHP	(713)
Administrative Care Coordination	93.778			MA 005 EPS	(101)
Administrative Care Coordination	93.778			MA 005 EPS	190,871
Administrative Care Coordination	93.778			MA 005 EPS	1,535,683
Administrative Care Coordination	93.778			MA 005 EPS	(77,813)
Administrative Care Coordination	93.778			MA 005 EPS	73,793
Babies Born Healthy	93.778			CH 903 BBH	13,740
General Transportation Services FY2001	93.778			MA 365 GTS	(48,414)
General Transportation Services FY2004	93.778			MA 365 GTS	252
General Transportation Services FY2005	93.778			MA 365 GTS	(731)
General Transportation Services FY2006	93.778			MA 365 GTS	(623)
General Transportation Services FY2007	93.778			MA 365 GTS	1,766,975
General Transportation Services FY2008	93.778			MA 365 GTS	3,300,183
PWC Eligibility	93.778			MA 157 ACM	676,080
Ryan White II - Consortia Services FY2006	93.917			AD 419 RWS	717
Ryan White II - Consortia Services FY2007	93.917			AD 419 RWS	823,964

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FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE	FEDERAL CFDA NUMBER (5)	FEDERAL IDENTIFICATION NUMBER (4)	STATE GRANT IDENTIFICATION NUMBER	DISBURSE-MENTS/ EXPENDI-TURES
Ryan White II - Consortia Services FY2008	93.917		AD 419 CON	2,192,611
Breast and Cervical Cancer Program	93.919		FH 447 CBC	(470)
Behavioral Interventions w/Sexual Minorities	93.940		AD 639 MSN	265,550
Behavioral Prevention	93.940		AD 639 MSM	269,171
Behavioral Surveillance Research	93.940		AD 626 BSR	2,276
Counseling, Testing and Referral	93.940		AD 243 CTR	11,695
Counseling, Testing and Referral	93.940		AD 243 CTR	455,912
Expanded HIV testing	93.940		AD 656 EHT	97,214
Health Education and Risk Reduction	93.940		AD 364 HER	(49)
Health Education and Risk Reduction	93.940		AD 364 HER	67,429
Health Education and Risk Reduction	93.940		AD 364 HER	(13)
Health Education and Risk Reduction	93.940		AD 364 HER	210,028
Intravenous Drug Users	93.940		AD 637 IDU	33,113
Intravenous Drug Users	93.940		AD 637 IDU	14,337
Local Prevention Initiatives	93.940		AD 243 CTS	(100)
Local Prevention Initiatives	93.940		AD 243 CTS	182,469
Ryan White II - Consortia Services FY2006	93.940		AD 419 RWS	39
Ryan White II - Consortia Services FY2007	93.940		AD 419 RWS	5,150
Transgender Comm. Education and Outreach	93.940	52-1212473	AD 639 MSM	42,094
Behavioral Surveillance Research	93.943		AD 626 BSR	234,272
AIDS Surveillance FY2006	93.944		AD 407 SUR	3,231
AIDS Surveillance FY2007	93.944		AD 407 SUR	30,873
Behavioral Surveillance Research	93.944		AD 626 BSR	2,576
Behavioral Surveillance Research	93.944		AD 626 BSR	285,179
Surveillance (Aids)	93.944		AD 407 SUR	75,397
Alcoholism & Drug Block Grant FY2004	93.959		AS 019 ABG	(4,800)
Alcoholism & Drug Block Grant FY2005	93.959		AS 019 ABG	76
Alcoholism & Drug Block Grant FY2005	93.959		AS 019 ABG	8,910
Alcoholism & Drug Block Grant FY2006	93.959		AS 019 ABG	791
Alcoholism & Drug Block Grant FY2006	93.959		AS 019 ABG	87
Alcoholism & Drug Block Grant FY2007	93.959		AS 019 ABG	59,247

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FEDERAL GRANT/PASS-THROUGH GRANTOR/ GRANT TITLE	FEDERAL CFDA NUMBER (5)	FEDERAL IDENTIFICATION NUMBER (4)	STATE GRANT IDENTIFICATION NUMBER	DISBURSE-MENTS/ EXPENDI-TURES
Alcoholism & Drug Block Grant FY2007	93.959		AS 019 ABG	1,533
Alcoholism and Drug Block Grant	93.959		AS 019 ABG	(379)
Alcoholism and Drug Block Grant	93.959		AS 019 ABG	40,360
Alcoholism and Drug Block Grant	93.959		AS 019 ABG	48,803
Intravenous Drug Users	93.959		AD 637 IDU	31,913
Intravenous Drug Users	93.959		AD 637 IDU	27,092
STD/HIV PCRS	93.977		CH 051 STD	4,534
STD/HIV PCRS	93.977		CH 051 STD	19,028
Tuberculosis Control	93.977		CH 864 TBF	41,197
Tuberculosis Control	93.977		CH 865 TBC	5,685
Rat Control Program 2001	93.991		LH 001 RAT	(113,429)
Rat Control Program 2008	93.991		LH 001 RAT	102,802
Children/Adolescent Health Advocacy Program FY2006	93.994		FH 219 PYD	18,800
Children/Adolescent Health Advocacy Program FY2008	93.994		FH 219 PYD	97,018
Comprehensive Children and Youth Services	93.994		FH 022 MCH	2,559
Comprehensive Children and Youth Services FY2003	93.994		FH 022 MCH	2,467
CORE Public Health Services - FY2007	93.994		CH 560 CFT	824,321
Improved Pregnancy Outcome	93.994		FH 892 IPO	(33)
Improved Pregnancy Outcome	93.994		FH 892 IPO	750
Improved Pregnancy Outcome FY2006	93.994		FH 892 IPO	6,123
Improved Pregnancy Outcome FY2007	93.994		FH 892 IPO	(51,404)
Improved Pregnancy Outcome FY2007	93.994		FH 892 IPO	148,049
Improved Pregnancy Outcome FY2008	93.994		FH 892 IPO	483,533
Improved Pregnancy Outcome FY2008	93.994		FH 892 IPO	55,314
Lead Paint Poisoning Prevention FY2004	93.994		FH 181 MCH	1,489
Lead Paint Poisoning Prevention FY2005	93.994		FH 181 MCH	(8,212)
Lead Paint Poisoning Prevention FY2006	93.994		FH 181 MCH	1,667
Lead Paint Poisoning Prevention FY2007	93.994		FH 181 MCH	48,185
Lead Paint Poisoning Prevention FY2008	93.994		FH 181 MCH	457,977
Medical Home Project	93.994		CH 929 MHP	3,441
Medical Home Project	93.994		CH 929 MHP	26,570

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TOTAL MARYLAND STATE DEPARTMENT OF HEALTH AND MENTAL HYGIENE				$19,489,485
MARYLAND STATE DEPARTMENT OF HUMAN RESOURCES				
Child Support Enforcement Administration (CSEA)	93.563		CSEA/CRA-08-029	18,600
Cooperative Reimbursement	93.563		CSEA/CRA/08-027	15,269
Cooperative Reimbursement	93.563		CSEA/CR-00-030	201,291
Cooperative Reimbursement	93.563		CSEA/CR-01-027	1,396
Cooperative Reimbursement	93.563		CSEA/CR-00-027	(93,407)
Cooperative Reimbursement	93.563		CSEA/CR-04-027	707,476
Cooperative Reimbursement	93.563		CSEA/CR-06	3,848
Cooperative Reimbursement - Sheriff	93.563		CSEA/CRA-07-029	480,464
Maryland Energy Assistance Program	93.568		CSA/EA-07/04-30	40,896
Maryland Energy Assistance Program	93.568		CSA/EA-07/04-30	1,086,989
TOTAL MARYLAND STATE DEPARTMENT OF HUMAN RESOURCES				$2,462,822
MARYLAND STATE DEPARTMENT OF AGING				
Title VII Older Americans Act Ombudsman/Elder Abuse FY2004	93.042		3-24-AAA-002	(738)
Title VII Older Americans Act Ombudsman/Elder Abuse FY2006	93.042		AAA-3-24-003	(447)
Title VII Older Americans Act Ombudsman/Elder Abuse FY2007	93.042	07AAMDT7SP	AAA-3-24-003	(10,654)
Title VII Older Americans Act Ombudsman/Elder Abuse FY2008	93.042		AAA-3-24-003	118,838
Supportive Services Title IIIB FY2000	93.044		3-24-AAA-002	(306,764)
Supportive Services Title IIIB FY2001	93.044		3-24-AAA-002	(151,191)
Supportive Services Title IIIB FY2002	93.044		3-24-AAA-002	191,673
Supportive Services Title IIIB FY2003	93.044		3-24-AAA-002	(197,180)
Supportive Services Title IIIB FY2004	93.044		3-24-AAA-002	489,483
Supportive Services Title IIIB FY2004 (Administration)	93.044		3-24-AAA-002	(457,980)
Supportive Services Title IIIB FY2005	93.044		AAA-3-24-003	424,627
Supportive Services Title IIIB FY2005 (Administration)	93.044		3-24-AAA-002	(987,535)
Supportive Services Title IIIB FY2006	93.044		AAA-3-24-003	743,890
Supportive Services Title IIIB FY2006 (Administration)	93.044		3-24-AAA-002	(582,264)
Supportive Services Title IIIB FY2007	93.044	07AAMDT3SP	AAA-3-24-003	526,453

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Supportive Services Title IIIB FY2007 (Administration)	93.044		AAA-3-24-003	168
Supportive Services Title IIIB FY2007 (Administration)	93.044	07AAMDT3SP	3-24-AAA-002	(29,181)
Supportive Services Title IIIB FY2008	93.044		AAA-3-24-003	2,092,844
Supportive Services Title IIIB Guardianship FY2004 (Administration)	93.044		3-24-AAA-002	(27,675)
Supportive Services Title IIIB Guardianship FY2005 (Administration)	93.044		3-24-AAA-003	(48,718)
Supportive Services Title IIIB Guardianship FY2006 (Administration)	93.044	06AAMDT3SP	3-24-AAA-003	(120,805)
Supportive Services Title IIIB Guardianship FY2006 (Administration)	93.044		3-24-AAA-003	(211)
Home Delivered Meals Title IIIC-2 FY2000	93.045		3-24-AAA-002	382,547
Home Delivered Meals Title IIIC-2 FY2003	93.045		3-24-AAA-002	22,974
Home Delivered Meals Title IIIC-2 FY2004	93.045		3-24-AAA-002	(345,254)
Home Delivered Meals Title IIIC-2 FY2005	93.045		AAA-3-24-003	(237,905)
Home Delivered Meals Title IIIC-2 FY2006	93.045		AAA-3-24-003	83,626
Home Delivered Meals Title IIIC-2 FY2006	93.045	06AAMDT3SP	AAA-3-24-003	143,165
Home Delivered Meals Title IIIC-2 FY2008	93.045		AAA-3-24-003	586,188
Nutrition Elderly Title IIIC-1 FY1998	93.045		3-24-AAA-002	(572,466)
Nutrition Elderly Title IIIC-1 FY2000	93.045		3-24-AAA-002	(475,408)
Nutrition Elderly Title IIIC-1 FY2001	93.045		3-24-AAA-002	561,510
Nutrition Elderly Title IIIC-1 FY2002	93.045		3-24-AAA-002	387,982
Nutrition Elderly Title IIIC-1 FY2003	93.045		3-24-AAA-002	(69,060)
Nutrition Elderly Title IIIC-1 FY2005	93.045		AAA-3-24-003	7,087
Nutrition Elderly Title IIIC-1 FY2005	93.045	05AAMDT3SP	AAA-3-24-003	(95,721)
Nutrition Elderly Title IIIC-1 FY2006	93.045		AAA-3-24-003	(1,862)
Nutrition Elderly Title IIIC-1 FY2007	93.045	07AAMDT3SP	AAA-3-24-003	65,600
Nutrition Elderly Title IIIC-1 FY2008	93.045		AAA-3-24-003	898,913
Aging & Retirement Education Title IIID FY2004	93.046		3-24-AAA-002	(4,862)
Aging & Retirement Education Title IIID FY2005	93.046		AAA-3-24-003	516
Area Agency on Aging Title IIID Day Care FY2000	93.046		AAA-3-24-003	11,671
Title IIID Medication Management	93.046	07AAMDT3SP	AAA-3-24-003	3,279
Title IIID Medication Management	93.046		AAA-3-24-003	70,571
Alzheimer’s Disease Demonstration Grants	93.051	90AZ279402	ST-2521-013	59,300
Alzheimer's Disease Demonstration Grants	93.051		ST-2521-013	3,346

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Alzheimer's Disease Demonstration Grants	93.051		ST-2521-013	26,112
Older Americans Act Title IIIE FY2003	93.052		3-24-AAA-002	(424,639)
Older Americans Act Title IIIE FY2005	93.052		AAA-3-24-003	245,876
Older Americans Act Title IIIE FY2005	93.052	05AAMDT3SP	AAA-3-24-003	(355,771)
Older Americans Act Title IIIE FY2006	93.052		AAA-3-24-003	68,192
Older Americans Act Title IIIE FY2007	93.052	07AAMDT3SP	AAA-3-24-003	263,514
Older Americans Act Title IIIE FY2008	93.052		AAA-3-24-003	698,731
Senior Nutrition Services Incentive Program (NSIP)	93.053		ST-2505-002	759,474
Curbing Abuse in Medicare & Medicaid (CAMM)	93.779		ST-2516-003	(975)
Senior Health Insurance Program (SHIP) FY2004	93.779		ST-2515-005	1,263
Senior Health Insurance Program (SHIP) FY2005	93.779		ST-2515-005	(3,002)
Senior Health Insurance Program (SHIP) FY2006	93.779		ST-2513-003	(16,945)
Senior Health Insurance Program (SHIP) FY2007	93.779	0000020190-3/15	ST-2513-003	24,847
Senior Health Insurance Program (SHIP) FY2008	93.779		ST-2513-003	49,444
Senior Medicare Patrol Project (SMP)	93.779		ST-2516-003	16,733
Senior Medicare Patrol Project (SMP)	93.779		ST-2516-003	975
TOTAL MARYLAND STATE DEPARTMENT OF AGING				$4,506,199
MARYLAND STATE DEPARTMENT OF THE ENVIRONMENT				
Community Based Childhood Lead Poisoning	93.197	US7/CCU322871-03	606071	1,764
Community Based Childhood Lead Poisoning	93.197	H64/CCH306546-01		14,341
TOTAL MARYLAND STATE DEPARTMENT OF THE ENVIRONMENT				$16,105
MARYLAND STATE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT				
Community Services Block Grant FY2004	93.569		S00P4200562	(5,090)
Community Services Block Grant FY2005	93.569		S00P5201186	(37,162)
Community Services Block Grant FY2006	93.569	G06B1-MDCOSR	S00P6201020	63,066
Community Services Block Grant FY2007	93.569	G07B1-MDCOSR	S00P7200478	878,727
Community Services Block Grant FY2008	93.569	G08B1-MDCOSR	S00P820552	2,299,873
Supplement to CSBG	93.569		S00P820551	6,277

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TOTAL MARYLAND STATE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT				$3,205,691
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES				$80,839,289
CORPORATION FOR NATIONAL & COMMUNITY SERVICE				
DIRECT GRANTS				
Retired Senior Volunteer Program FY2006	94.002	03-SRA-MD-005-03SR		(12,824)
Retired Senior Volunteer Program FY2007	94.002	03-SRA-MD-005-03SR		160,702
Retired Senior Volunteer Program FY2008	94.002	03-SRA-MD-005-03SR		1,271
Senior Companion Program FY2007	94.002	03-SCA-MD-001		(7,714)
Senior Companion Program FY2006	94.016	02-SCA-MD-017		(20)
Senior Companion Program FY2008	94.016	06-SCA-MD-001		376,200
TOTAL DIRECT GRANTS				$517,615
TOTAL CORPORATION FOR NATIONAL & COMMUNITY SERVICE				$517,615
DEPARTMENT OF HOMELAND SECURITY				
DIRECT GRANTS				
Baltimore Domestic Preparedness	16.007	2002-TE-CX-0134		1,630
Assist. To Firefighters - Fire Prevention & Safety	97.044	EMW-2004-FP-02587		17,041
FEMA Assistance to Fire Fighters	97.044	EMW-2007-FO-09446		409,542
Cooperating Technical Partners (CTP) for NFIP	97.045	›-2004-GR-3646 and EMP-2005-GR-3		216,336
Port Security V - Homeland Security	97.056	2005-GB-T5-0093		(8,710)
Homeland Security Grant Program	97.067	2006-GE-T6-0006		2,415,135
Homeland Security Grant Program	97.067	2006-GE-T6-0006		911,597
Buffer Zone Protection Plan (BZPP)	97.078	2005-GR-T5-0063		1,026,526
TOTAL DIRECT GRANTS				$4,989,097
MARYLAND EMERGENCY MANAGEMENT AGENCY				
Urban Areas Security Initiative - FY2004 - Domestic Preparedness Equipment	16.007	2004-TU-T4-0001		719

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FY2006 UASI (Incident Management & Related Training)	97.008	2006-GE-T6-0006		1,999
FY2007 UASI (IMT, CCTV, US&R, Radio)	97.008	2007-GE-T7-0040		105,910
Urban Areas Security Initiative - FY2004 - Urban Search & Rescue Team	97.008	2004-TU-T4-0001		4,302
Hurricane Isabel - Fort Smallwood Pier Reconstruction	97.036	FEMA-1492-DR-MD		8,515
Waterway Improvement - Fort Armistead Park	97.036	FEMA-1492-DR-MD		4,454
CCTV Project (MEMA FY2006 UASI)	97.067	2006-GE-T6-0006		550,000
Emergency Management Assistance Program FY2007	97.067	2007-GE-T5-0026		32,982
Emergency Management Assistance Program FY2008	97.067			65,964
FY2006 MEMA Metropolitan Response	97.067	2006-GE-T6-0006		177,601
FY2007 BACI 1Emergency Management Support	97.067	2007-GE-T7-0040		28,069
Homeland Security FY2007	97.067	2007-GE-T7-0040		884,029
MEMA FY2005 Homeland Security Grant Program (HSGP)	97.067	2005-GR-T5-0026		31,292
MMRS FY2007 (MEMA)	97.067	2007-GE-T7-0040		11,778
TOTAL MARYLAND EMERGENCY MANAGEMENT AGENCY				$1,907,614
TOTAL DEPARTMENT OF HOMELAND SECURITY				$6,896,711
TOTAL EXPENDITURE OF FEDERAL AWARDS				$232,028,781

CITY OF BALTIMORE - SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SUMMARY BY FEDERAL PROGRAM)
FISCAL YEAR ENDED JUNE 30, 2008

FEDERAL GRANTOR	FEDERAL PROGRAM TITLE	FEDERAL CFDA NUMBER (5)		DISBURSE-MENTS/ EXPENDI-TURES	PAYMENTS MADE TO SUBRE-CIPIENTS
OFFICE OF NATIONAL DRUG CONTROL POLICY	High Intensity Drug Trafficking Area	07	(3-a)	$204,884	
DEPARTMENT OF AGRICULTURE	Food Donation	10.550		(62,370)	
DEPARTMENT OF AGRICULTURE	Special Supplemental Nutrition Program for Women, Infants, and Children	10.557		1,563,292	
DEPARTMENT OF AGRICULTURE	Child and Adult Care Food Program	10.558		6,177,543	
DEPARTMENT OF AGRICULTURE	Summer Food Service Program for Children	10.559		1,665,282	
DEPARTMENT OF AGRICULTURE	Emergency Food Assistance Program (Food Commodities)	10.569	(7)	683,449	$106,125
DEPARTMENT OF COMMERCE	Economic Development - Support for Planning Organizations	11.302		62,078	
DEPARTMENT OF COMMERCE	Chesapeake Bay Studies	11.457		4,003	
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	Community Development Block Grants/Entitlement Grants	14.218		21,704,238	6,001,146
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	Urban Development Action Grants/Repayments	14.221		174,704	
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	Emergency Shelter Grants Program	14.231		808,502	751,647
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	Supportive Housing Program	14.235		8,187,593	7,787,339
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	Shelter Plus Care	14.238		7,303,904	6,988,054
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	HOME Investment Partnerships Program	14.239		14,673,283	
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	Housing Opportunities for Persons with AIDS	14.241		9,618,165	4,030,201
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	Community Development Block Grants/Brownfields Economic Development Initiative	14.246		134,699	
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	Community Development Block Grants - Section 108 Loan Guarantees	14.248		12,318,951	
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900		30,985	
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	Lead Hazard Reduction Demonstration Grant Program	14.905		1,504,566	817,779
DEPARTMENT OF JUSTICE	U.S. Department of Justice - Asset Forfeitures	16	(3-b)	2,427,061	
DEPARTMENT OF HOMELAND SECURITY	State Domestic Preparedness Equipment Support Program	16.007		2,349	
DEPARTMENT OF JUSTICE	Offender Reentry Program	16.202		129,509	129,509
DEPARTMENT OF JUSTICE	Juvenile Accountability Incentive Block Grants	16.523		66,728	66,728
DEPARTMENT OF JUSTICE	Training Grants To Stop Abuse and Sexual Assault of Older and Disabled Individuals	16.528		19,193	
DEPARTMENT OF JUSTICE	Juvenile Justice and Delinquency Prevention - Allocation to States	16.540		38,636	
DEPARTMENT OF JUSTICE	Developing, Testing and Demonstrating Promising New Programs	16.541		180,915	141,379
DEPARTMENT OF JUSTICE	National Institute of Justice Research, Evaluation and Development Project Grants	16.560		153,821	
DEPARTMENT OF JUSTICE	Crime Laboratory Improvement - Combined Offender DNA Index System Backlog Reduction	16.564		4,818	
DEPARTMENT OF JUSTICE	Crime Victim Assistance	16.575		296,069	
DEPARTMENT OF JUSTICE	Byrne Formula Grant Program	16.579		107,748	
DEPARTMENT OF JUSTICE	Edward Byrne Memorial State & Local Law Enforcement Assistance Discretionary Grants Program	16.580		1,419,295	213,810

CITY OF BALTIMORE - SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SUMMARY BY FEDERAL PROGRAM)
FISCAL YEAR ENDED JUNE 30, 2008

FEDERAL GRANTOR	FEDERAL PROGRAM TITLE	FEDERAL CFDA NUMBER (5)	DISBURSE-MENTS/ EXPENDI-TURES	PAYMENTS MADE TO SUBRE-CIPIENTS
DEPARTMENT OF JUSTICE	Drug Court Discretionary Grant Program	16.585	63,917	
DEPARTMENT OF JUSTICE	Violence Against Women Formula Grants	16.588	111,270	
DEPARTMENT OF JUSTICE	Community Capacity Development Office	16.595	51,110	
DEPARTMENT OF JUSTICE	Community Prosecution and Project Safe Neighborhoods	16.609	113,298	113,298
DEPARTMENT OF JUSTICE	Public Safety Partnership and Community Policing Grants	16.710	1,775,569	
DEPARTMENT OF JUSTICE	Edward Byrne Memorial Justice Assistance Grant Program	16.738	1,662,392	
DEPARTMENT OF JUSTICE	Forensic DNA Capacity Enhancement Program	16.741	15,169	
DEPARTMENT OF JUSTICE	Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	39,695	
DEPARTMENT OF JUSTICE	Forensic Casework DNA Backlog Reduction Program	16.743	125,954	
DEPARTMENT OF JUSTICE	Anti-Gang Initiative	16.744	77,656	
DEPARTMENT OF LABOR	Senior Community Service Employment Program	17.235	583,581	
DEPARTMENT OF LABOR	One-Stop Career Initiative	17.257	63,483	15,478
DEPARTMENT OF LABOR	Workforce Investment Act Adult Program	17.258	3,245,134	786,669
DEPARTMENT OF LABOR	Workforce Investment Act Youth Activities	17.259	2,931,891	619,052
DEPARTMENT OF LABOR	Workforce Investment Act Dislocated Workers	17.260	1,838,153	466,447
DEPARTMENT OF LABOR	Employment and Training Administration Pilots, Demonstrations, and Research Projects	17.261	221,115	164,551
DEPARTMENT OF LABOR	Youth Opportunity Grants	17.263	120,981	
DEPARTMENT OF LABOR	Work Incentives Grant	17.266	24,828	
DEPARTMENT OF LABOR	Workforce Investmant Act Incentive Grants-Section 503 Grants to States	17.267	179,293	
DEPARTMENT OF TRANSPORTATION	Highway Planning and Construction	20.205	29,294,950	
DEPARTMENT OF TRANSPORTATION	Recreational Trails Program	20.219	1,727,139	
DEPARTMENT OF TRANSPORTATION	Federal Transit - Capital Investment Grants	20.500	116,837	
DEPARTMENT OF TRANSPORTATION	Federal Transit - Metropolitan Planning Grants	20.505	93,874	
DEPARTMENT OF TRANSPORTATION	Federal Transit - Formula Grants	20.507	75,955	
DEPARTMENT OF TRANSPORTATION	State and Community Highway Safety	20.600	81,413	
DEPARTMENT OF TRANSPORTATION	Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons (2000U)	20.605	50,637	
DEPARTMENT OF TRANSPORTATION	Safety Belt Performance Grants	20.609	43,319	
EQUAL EMPLOYMENT OPPORTUNITY COMMISSION	Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	30.002	61,880	
ENVIRONMENTAL PROTECTION AGENCY	Surveys, Studies, Invest., Demon. & Spec. Purpose Activities Relating to the Clean Air Act	66.034	7	
ENVIRONMENTAL PROTECTION AGENCY	Congressionally Mandated Projects	66.202	831	
ENVIRONMENTAL PROTECTION AGENCY	Construction Grants for Wastewater Treatment Works	66.418	795,500	

CITY OF BALTIMORE - SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SUMMARY BY FEDERAL PROGRAM)
FISCAL YEAR ENDED JUNE 30, 2008

FEDERAL GRANTOR	FEDERAL PROGRAM TITLE	FEDERAL CFDA NUMBER (5)	DISBURSE-MENTS/ EXPENDI-TURES	PAYMENTS MADE TO SUBRE-CIPIENTS
ENVIRONMENTAL PROTECTION AGENCY	Capitalization Grants for Clean Water State Revolving Funds	66.458	3,707,691	
ENVIRONMENTAL PROTECTION AGENCY	Capitalization Grants for Drinking Water State Revolving Funds	66.468	380,103	
ENVIRONMENTAL PROTECTION AGENCY	Brownfield Pilots Cooperative Agreements	66.811	66,146	
DEPARTMENT OF ENERGY	Weatherization Assistance for Low-Income Persons	81.042	1,191,857	283,469
DEPARTMENT OF EDUCATION	Special Education - Grants to States	84.027	163,017	
DEPARTMENT OF EDUCATION	Special Education - Preschool Grants	84.173	10,447	
DEPARTMENT OF EDUCATION	Special Education - Grants for Infants and Families with Disabilities	84.181	1,045,530	884,190
DEPARTMENT OF EDUCATION	Rehabilitation Services Demonstration and Training Program	84.235	22,000	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	State and Territorial and Technical Asstnce Capacity Development Minority HIV/AIDS Demo Prg	93.006	334,117	334,019
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Medical Reserve Corps Small Grant Program	93.008	(1)	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Special Programs for the Aging-Title VII, Chapter 2 - Long Term Care	93.042	106,999	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Special Programs for the Aging-Title III, Part B - Grants for Supportive Services & Senior Centers	93.044	1,559,634	557,788
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Special Programs for the Aging-Title III, Part C - Nutrition Services	93.045	1,341,916	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Special Programs for the Aging-Title III, Part D - In-Home Services for Frail Older Individuals	93.046	81,175	30,023
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Alzheimers Disease Demonstration Grants to States	93.051	88,758	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	National Family Caregiver Support	93.052	495,903	144,146
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Nutrition Services Incentive Program	93.053	759,474	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	452,504	21,300
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Community Programs to Improve Minority Health Grant Program	93.137	6,560	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153	766,947	745,030
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Childhood Lead Poisoning Prevention Projects	93.197	16,105	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Family Planning Services	93.217	807,976	180,670
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Consolidated Health Centers	93.224	462,916	64,342
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Abstinence Education Program	93.235	40,333	30,554
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	525,892	497,415
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Immunization Grants	93.268 (6)	1,444,675	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	906,418	547,419
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Child Support Enforcement	93.563	1,334,937	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Low-Income Home Energy Assistance	93.568	1,127,885	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Community Services Block Grant	93.569	3,205,691	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Child Care Development Block Grant	93.575	167,353	167,353

CITY OF BALTIMORE - SINGLE AUDIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SUMMARY BY FEDERAL PROGRAM)
FISCAL YEAR ENDED JUNE 30, 2008

FEDERAL GRANTOR	FEDERAL PROGRAM TITLE	FEDERAL CFDA NUMBER (5)	DISBURSE-MENTS/ EXPENDI-TURES	PAYMENTS MADE TO SUBRE-CIPIENTS
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Head Start	93.600	29,613,939	29,085,951
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Mentoring Children of Prisoners	93.616	244,673	226,424
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Medical Assistance Program	93.778	7,429,895	4,184,145
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	72,340	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	HIV Emergency Relief Project/Formula Grants	93.914	17,688,774	17,328,629
DEPARTMENT OF HEALTH AND HUMAN SERVICES	HIV Care Formula Grants	93.917	3,017,292	2,799,787
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Coop. Agreements for State-Based Comprehensive Breast & Cervical Cancer Early Detection Prgs	93.919	(470)	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Healthy Start Initiative	93.926	41,752	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	HIV Prevention Activities - Health Department Based	93.940	1,656,315	1,093,370
DEPARTMENT OF HEALTH AND HUMAN SERVICES	HIV Demonstration, Research, Public and Professional Education Projects	93.941	99,272	72,333
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Epidemiologic Research Studies of AIDS and HIV	93.943	234,272	234,272
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surve	93.944	397,256	328,370
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Block Grants for Prevention and Treatment of Substance Abuse	93.959	213,633	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Family Planning - Service Delivery Improvement Research Grants	93.974	226,217	83,039
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Preventive Health Services - Sexually Transmitted Diseases Control Grants	93.977	1,761,975	614,330
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Preventive Health and Health Services Block Grant	93.991	(10,627)	
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Maternal and Child Health Services Block Grant to the States	93.994	2,118,614	508,730
CORPORATION FOR NATIONAL & COMMUNITY SERVICE	Retired and Senior Volunteer Program	94.002	141,435	
CORPORATION FOR NATIONAL & COMMUNITY SERVICE	Senior Companion Program	94.016	376,180	
DEPARTMENT OF HOMELAND SECURITY	Urban Areas Security Initiative	97.008	112,211	
DEPARTMENT OF HOMELAND SECURITY	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	12,969	
DEPARTMENT OF HOMELAND SECURITY	Assistance to Firefighters Grant	97.044	426,583	
DEPARTMENT OF HOMELAND SECURITY	Cooperating Technical Partners	97.045	216,336	
DEPARTMENT OF HOMELAND SECURITY	Port Security Grant Program	97.056	(8,710)	
DEPARTMENT OF HOMELAND SECURITY	Homeland Security Grant Program	97.067	5,108,447	
DEPARTMENT OF HOMELAND SECURITY	Buffer Zone Protection Plan (BZPP)	97.078	1,026,526	
TOTAL ALL PROGRAMS			$232,028,781	$90,246,310

CITY OF BALTIMORE - SINGLE AUDIT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2008

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

   Active Operating Grant - Any operating grant having current fiscal year 2008 expenditures.

   Active Project Grant - Any project grant having current fiscal year 2008 expenditures.

   Other Financial Assistance - Any contract, loan, loan guarantee, property, cooperative agreement, interest subsidy, insurance or direct appropriation having current fiscal year 2008 disbursements.

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

	Federal CFDA Number	Federal Program Title	Number of Awards	Current Expenditures Per Accounting Records
Total Schedule			577	$232,028,781
Major Federal Programs	10.558	Child and Adult Care Food Program	8	$6,177,543
	14.218	Community Development Block Grants/Entitlement Grants	14	21,704,238
	14.235	Supportive Housing Program	4	8,187,593
	14.238	Shelter Plus Care	8	7,303,904
	14.239	HOME Investment Partnerships Program	9	14,673,283
	14.241	Housing Opportunities for Persons with AIDS	8	9,618,165
	14.248	Community Development Block Grants - Section 108 Loan Guarantees	4	12,318,951
	16.007/97.004/067	Homeland Security Grant Program	12	5,110,796
	17.258/259/260	Workforce Investment Act Adult Program, Youth Activities, and Dislocated Workers	45	8,015,178
	20.205	Highway Planning and Construction	60	29,294,950
	66.458	Capitalization Grants for Clean Water State Revolving Funds	3	3,707,691
	93.044/045/053	Special Programs for the Aging - Title III, Parts B & C, and Nutrition Services Incentive Prg	36	3,661,024
	93.569	Community Services Block Grant	6	3,205,691
	93.600	Head Start	6	29,613,939
	93.778	Medical Assistance Program	13	7,429,895
	93.914	HIV Emergency Relief Project/Formula Grants	8	17,688,774
	93.917	HIV Care Formula Grants	3	3,017,292
Total Audit Coverage			247	$190,728,907
% of Total Schedule			42.8%	82.2%

3. These programs do not have complete 5-digit CFDA Numbers. The fund sources are as follows:
   (a) Federal assistance (CFDA Number 07) to the City was funded by the Office of National Drug Control Policy.
   (b) Federal assistance (CFDA Number 16) to the City was funded by the Asset Forfeiture Program of the United States Department of Justice.

4. In those instances where federal grant identification is not shown, it is because this information could not be determined.

5. Federal CFDA numbers were updated to reflect revisions as of the 2008 Edition of the Catalog of Federal Domestic Assistance.

6. The Baltimore City Immunization Program (CFDA Number 93.268) includes the value of vaccines distributed to the City from the Maryland State Department of Health and Mental Hygiene.

7. The Emergency Food Assistance Program (CFDA Number 10.569) includes the value of commodities distributed to the City from the Maryland State Department of Human Resources.

PART IV

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

CITY OF BALTIMORE

SHEILA DIXON, Mayor

DEPARTMENT OF AUDITS

ROBERT L. McCARTY, JR., CPA
City Auditor

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Baltimore, Maryland 21202
Telephone: 410-396-4783
Telefax: 410-545-3961

Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance In Accordance with OMB Circular A-133

March 27, 2009

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

Compliance

We have audited the compliance of the City of Baltimore, Maryland, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The City of Baltimore, Maryland's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Baltimore, Maryland's management. Our responsibility is to express an opinion on the City of Baltimore, Maryland's compliance based on our audit.

The City of Baltimore, Maryland's basic financial statements include the operations of the Baltimore City Public School System (BCPSS) and the Enoch Pratt Free Library (EPFL), which incurred a total of $143,200,618 and $369,300, respectively, in federal expenditures during the year ended June 30, 2008. Our audit, described below, did not include the operations of the BCPSS and the EPFL because they are subject to separate audits in accordance with Federal and State requirements

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

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

In our opinion, the City of Baltimore, Maryland complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 08-1 through 08-9.

Internal Control Over Compliance

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

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 08-10 through 08-12 to be significant deficiencies.

We also note other matters that are included in the accompanying schedule of findings and questioned costs as items 08-13 and 08-14. These items are described in separately issued audit reports.

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

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

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

Respectfully submitted,

Robert L. McCarty, Jr., CPA
City Auditor

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PART V

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CITY OF BALTIMORE, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

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CITY OF BALTIMORE, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

Section I - Summary of Auditors' Results

Part I – Comprehensive Annual Financial Report

Type of auditors' report issued: Unqualified opinion

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

Internal control over financial reporting:

Material weaknesses identified?	**X**	Yes	____	No
Significant deficiencies identified that are not considered to be material weaknesses?	**X**	Yes	____	None reported
Noncompliance material to financial statements noted?	____	Yes	**X**	No

Part III - Supplementary Schedule of Expenditures of Federal Awards

Type of auditor's report issued: Unqualified opinion

Part IV – Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance

Internal control over major programs:

Material weaknesses identified?	____	Yes	**X**	No
Significant deficiencies identified that are not considered to be material weaknesses?	**X**	Yes	____	None reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? **X** Yes ____ No

Part IV – Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance (continued)

Identification of major programs:

CFDA Number	Title
10.558	Child and Adult Care Food Program
14.218	Community Development Block Grants/Entitlement Grants
14.235	Supportive Housing Program
14.238	Shelter Plus Care
14.239	HOME Investment Partnerships Program
14.241	Housing Opportunities for Persons with AIDS
14.248	Community Development Block Grants – Section 108 Loan Guarantees
16.007/97.004/067	Homeland Security Grant Program
17.258/259/260	Workforce Investment Act Adult Programs, Youth Activities, and Dislocated Workers
20.205	Highway Planning and Construction
66.458	Capitalization Grants for Clean Water State Revolving Funds
93.044/045/053	Special Programs for the Aging -Title III, Parts B & C, and Nutrition Services Incentive Program (NSIP)
93.569	Community Services Block Grant
93.600	Head Start
93.778	Medical Assistance Program
93.914	HIV Emergency Relief Project/Formula Grants
93.917	HIV Care Formula Grants

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

Auditee qualified as low-risk auditee? **X** Yes _____ No

Section II – Financial Statement Findings

The Report on Internal Control Over Financial Reporting and on Compliance and Other Matters, included in Part II of this Single Audit, identifies one significant deficiency, two material weaknesses, and no instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

Section III – Federal Award Findings and Questioned Costs

Compliance With Requirements Applicable to Each Major Program

Finding #:	**08-1**
CFDA #:	**10.558, 93.569**
Program Titles:	**Child and Adult Care Food Program**
	Community Services Block Grant
Federal Agency:	**Various**
Federal Award #:	**Various**
Pass-Through:	**None**

Documentation of Participant Eligibility Was Not on File

The Office of Management and Budget Circular A-133 requires the auditor to determine whether program participants are eligible for program services by examining applicable documentation and verifying such eligibility.

The Baltimore City Health Department administered federal program number 10.558 – Child and Adult Care Food Program. We selected 33 participants for testing of certain eligibility requirements. Of the 33 participants selected, four enrollment applications were missing, and one enrollment application did not contain the participant's age.

The Department of Housing and Community Development administers federal program number 93.569 – Community Services Block Grant. We selected 18 participants for testing of certain eligibility requirements. Of the 18 participants selected, we could not verify eligibility for two of the 18, as one file was missing and one file did not contain a current application.

We recommend that the City ensure that each participant's eligibility is properly documented and maintained on site.

Response:
The Baltimore City Health Department and the Department of Housing and Community Development concur with this finding and their corrective action plans are included in Part VII – Auditee's Corrective Action Plan on Current Audit Findings.

Finding #: **08-2**
CFDA #: **93.914**
Program Title: **HIV Emergency Relief Project/Formula Grants**
Federal Agency: **Department of Health and Human Services**
Federal Award #: **Various**
Pass-Through: **None**

A City Agency Was Unable to Demonstrate that the Cash Management Requirement Was Followed

Office of Management and Budget (OMB) Circular A-102 Common Rule Section .37(a)(4) requires that subrecipients minimize the time elapsing between the transfer of Federal funds from the recipient and the pay out of funds for program purposes. Our testing disclosed that the Baltimore City Health Department (BCHD) was unable to provide documentation demonstrating that the agency complied with this requirement for one transaction totaling $1,237,499.

We recommend that the BCHD maintain adequate documentation to demonstrate future compliance with this requirement.

Response:
The Baltimore City Health Department concurs with this finding and their corrective action plan is included in Part VII – Auditee's Corrective Action Plan on Current Audit Findings.

Finding #: **08-3**
CFDA #: **93.044/045/053**
Program Title: **Special Programs for the Aging – Title III, Parts B & C, and Nutrition Services Incentive Program**
Federal Agency: **Department of Health and Human Services**
Federal Award #: **None**
Pass-Through: **Maryland Department of Aging**

Documentation Was Not Provided to Support Earmarking, Program Income, and Internal Monitoring

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

The Baltimore City Commission on Aging and Retirement Education (CARE) was unable to provide documentation to support legal services, in-home services, and access services earmarking requirements; subrecipient and contractual program income requirements, and internal monitoring requirements.

We recommend that CARE implement procedures to ensure that such documentation is provided in the future.

Response:
The Commission on Aging and Retirement Education concurs with this finding and its corrective action plan is included in Part VII – Auditee's Corrective Action Plan on Current Audit Findings.

Finding #: **08-4**
CFDA #: **14.235, 14.241, 93.044/045/053, 93.569, 93.778, 93.914**
Program Titles: **Supportive Housing Program**
Housing Opportunities for Persons with AIDS
Special Programs for the Aging – Title III, Parts B & C, and Nutrition Services Incentive Program (NSIP)
Community Services Block Grant
Medical Assistance Program
HIV Emergency Relief Project/Formula Grants
Federal Agency: **Various**
Federal Award #: **Various**
Pass-Through: **Various**

Financial Reports Were Not Supported by the Underlying Accounting Records

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

As part of our fiscal year 2008 audit, we selected 32 financial reports for active awards within all major federal programs, and reviewed and compared these to the City's underlying accounting records. Of those reviewed, the following ten final financial reports could not be reconciled to the City's accounting records:

PROGRAM TITLE	FEDERAL/ STATE ID NUMBER	REPORT PERIOD	(REV) / EXP REFLECTED ON REPORT	(REV) / EXP PER CITY'S ACCOUNTING RECORDS	(OVER) / UNDER REPORTED
CFDA #14.235					
Project Plase - PH	MD06B501-008	7/1/06-6/30/07	$118,836	$116,007	($2,829)
Project Plase - PH	MD06B501-006	8/1/06-7/31/07	117,066	114,279	(2,787)
Jobs, Housing and Recovery	MD06B501-041	1/1/07-12/31/07	214,026	208,930	(5,096)
Mercy Medical Center	MD06B501-034	2/1/06-1/31/07	335,087	327,108	(7,979)
Salvation Army	MD06B501-044	10/1/06-9/30/07	155,549	145,554	(9,995)
CFDA #14.241					
Housing Opportunities for Persons with AIDS	MDH04F001	7/1/04-6/30/07	7,718,414	10,422,500	2,704,086
CFDA # 93.044/045/053					
Special Programs for the Aging – Title III, Parts B & C and NSIP	AAA-3-24-003	10/1/06–9/30/07	4,406,460	5,165,312	758,852
	AAA-3-24-003	10/1/06–9/30/07	(4,409,835)	(3,776,234)	(633,601)

PROGRAM TITLE	FEDERAL/ STATE ID NUMBER	REPORT PERIOD	(REV) / EXP REFLECTED ON REPORT	(REV) / EXP PER CITY'S ACCOUNTING RECORDS	(OVER) / UNDER REPORTED
CFDA #93.569 Community Services Block Grant	SOOP7204078	10/1/06-9/30/07	$2,858,256	$2,804,438	($53,818)
CFDA #93.778 Medical Assistance Program	MA 365 GTS	7/1/06-6/30/07	8,460,590	8,159,754	(300,836)
CFDA #93.914 HIV Emergency Relief Project/Formula Grants	5 H89 HA00017-14	3/1/07-2/28/08	18,465,944	18,980,707	514,763

We recommend that future federal financial reports be prepared directly from the City's accounting records. We also recommend that copies of all federal financial reports be maintained for review.

Responses:

The Commission on Aging and Retirement Education, the Department of Housing and Community Development, and the Baltimore City Health Department concur with this finding and their corrective action plans are included in Part VII – Auditee's Corrective Action Plan on Current Audit Findings.

Finding #: **08-5**
CFDA #: **14.235, 14.238, 14.241, 93.778, 93.917**
Program Titles: **Supportive Housing Program**
Shelter Plus Care
Housing Opportunities for Persons with AIDS
Medical Assistance Program
HIV Care Formula Grants
Federal Agency: **Various**
Federal Award #: **Various**
Pass-Through: **Various**

Financial Reports Were Not Submitted in a Timely Manner

The Federal Common Rule, Subpart C, Section .41, sets forth uniform reporting requirements including the timing, frequency and format of financial reports prepared and submitted by grant recipients. Of the 32 financial reports selected for review, we found that three of these reports had significant deviations with regard to the timing requirement as follows:

PROGRAM TITLE	FEDERAL GRANT NUMBER	STATE GRANT NUMBER	DATE OF REQUIRED REPORT SUBMISSION	DATE REPORT WAS SUBMITTED
CFDA #14.241 Housing Opportunities for Persons with AIDS	MD-H03-0024		6/30/07	Not Yet Submitted
CFDA #93.778 Medical Assistance Program		CH 903 BBH	8/31/07	11/13/07
CFDA #93.917 HIV Care Formula Grants		AD 419 RWS	10/31/07	12/12/07

Additionally, the Baltimore City Health Department (BCHD) administered federal program number 14.235 – Supportive Housing Program. BCHD provided the auditors with a schedule of 52 Annual Progress Reports due to the U.S. Department of Housing and Urban Development during fiscal year 2008. According to BCHD's schedule, 51 of the 52 reports had significant deviations with regard to the timing requirement.

The Baltimore City Health Department also administered federal program number 14.238 – Shelter Plus Care. BCHD provided the auditors with a schedule of 34 Annual Progress Reports due to the U.S. Department of Housing and Urban Development during fiscal year 2008. We selected six of the 34 reports, and found that four of them had significant deviations with regard to the timing requirement.

We recommend that the City make every effort to meet future timing deadlines through appropriate staffing and workload scheduling, and by establishing and enforcing strict timing requirements. Additionally, we recommend improving the computerized tracking of grants from the date of completion of a project and/or the end of the grant period, to the date of the required submission of the report.

Responses:

The Baltimore City Health Department concurs with this finding and their corrective action plan is included in Part VII – Auditee's Corrective Action Plan on Current Audit Findings.

Finding #:	**08-6**
CFDA #:	**16.007/97.004/067, 93.044/45/53, 93.778, 93.914, 93.917**
Program Titles:	**Homeland Security Grant Program**
	Special Programs for the Aging – Title III, Parts B & C, and Nutrition Services Incentive Program
	Medical Assistance Program
	HIV Emergency Relief Project/Formula Grants
	HIV Care Formula Grants
Federal Agency:	**Various**
Federal Award #:	**Various**
Pass-Through:	**Various**

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

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

During the fiscal year 2008 audit, we determined that five major federal programs did not meet the 90-day liquidation requirement; however, the amounts identified for these programs after the liquidation period were otherwise allowable costs. Since the City's procedures for acquiring, paying and accounting for items and services frequently require greater than 90 days to liquidate, there are no associated questioned costs.

The Baltimore City Police Department administered federal program cluster 16.007/97.004/067 – Homeland Security Grant Program. For fiscal year 2008, costs in the amount of $4,253 were not in compliance with the 90-day liquidation requirement.

The Baltimore City Commission on Aging and Retirement Education administered federal program cluster 93.044/045/053 – Special Programs for the Aging – Title III, Parts B & C, and Nutrition Services Incentive Program. For fiscal year 2008, costs in the amount of $314,882 were not in compliance with the 90-day liquidation requirement.

The Baltimore City Health Department administered federal program number 93.778 – Medical Assistance Program, federal program number 93.914 – HIV Emergency Relief Project/Formula Grants, and federal program number 93.917 – HIV Care Formula Grants. For fiscal year 2008, costs in the amount of $708,880, $3,150,195, and $136,180, respectively, were not in compliance with the 90-day liquidation requirement.

Responses:

The Baltimore City Police Department, the Baltimore City Commission on Aging and Retirement Education, and the Baltimore City Health Department concur with this

finding and their corrective action plans are included in Part VII – Auditee's Corrective Action Plan on Current Audit Findings.

Finding #: **08-7**
CFDA #: **16.007/97.004/067**
Program Titles: **Homeland Security Grant Program**
Federal Agency: **Department of Homeland Security**
Federal Award #: **Various**
Pass-Through: **None**

Equipment Records Were Not Adequate

The Federal Common Rule, Subpart C, Section .32 requires property records to be maintained accurately and include a description of the property, inventory identification numbers, the source of the property, title holder, acquisition date, cost, location, use, condition and disposition of the property.

The Baltimore City Police Department (BPD) administered federal program cluster 16.007/97.004/067 – Homeland Security Grant Program. During fiscal year 2008, BPD purchased equipment of $3,542,457 that was not documented in accordance with federal equipment inventory regulations.

We recommend that the Baltimore City Police Department develop appropriate property records to comply with the requirements set forth in Common Rule, Subpart C, Section .32.

Response:
The Baltimore City Police Department concurs with this finding and its corrective action plan is included in Part VII – Auditee's Corrective Action Plan on Current Audit Findings.

Finding #: **08-8**
CFDA #: **14.239**
Program Titles: **HOME Investment Partnerships Program**
Federal Agency: **Department of Housing and Urban Development**
Federal Award #: **Various**
Pass-Through: **None**

Reported Program Income Was Not Reconciled to Underlying Accounting Records

The Office of Management and Budget Circular A-133 requires the auditor to determine whether reported program income is supported by the underlying accounting records.

The Department of Housing and Community Development (DHCD) administered federal program number 14.239 – HOME Investment Partnerships Program. During fiscal year 2008, DHCD reported $899,018 in program income, of which $66,803 was not recorded in the City's accounting records until August and September 2008, and $5,585 could not be reconciled to the City's accounting records.

We recommend that DHCD annually reconcile reported program income to the underlying accounting records.

Response:
The Department of Housing and Community Development concurs with this finding and its corrective action plan is included in Part VII – Auditee's Corrective Action Plan on Current Audit Findings.

Finding #: **08-9**
CFDA #: **16.007/97.004/067**
Program Titles: **Homeland Security Grant Program**
Federal Agency: **Department of Homeland Security**
Federal Award #: **Various**
Pass-Through: **None**

Reimbursement Requests Were Not Submitted

The Federal Common Rule, subpart C, Section 20 (b) (7), requires entities to establish procedures to insure complete and accurate cash transactions reported for reimbursement.

The Baltimore City Police Department (BPD) administered federal program cluster 16.007/97.004/067 – Homeland Security Grant Program. During fiscal year 2008, five grant projects incurred $5,000,248 in costs recorded in the City's accounting records that were not reported for reimbursement.

We recommend that BPD submit timely quarterly financial reports for reimbursement of eligible costs.

Response:
The Baltimore City Police Department concurs with this finding and its corrective action plan is included in Part VII – Auditee's Corrective Action Plan on Current Audit Findings.

Internal Control Over Compliance

Finding #: **08-10**
CFDA #: **93.044/045/053**
Program Title: **Special Programs for the Aging – Title III, Parts B & C, and Nutrition Services Incentive Program**
Federal Agency: **Department of Health and Human Services**
Federal Award #: **None**
Pass-Through: **Maryland Department of Aging**

Documentation Was Not Provided to Support Earmarking, Program Income, and Internal Monitoring

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

The Baltimore City Commission on Aging and Retirement Education (CARE) was unable to provide documentation to support legal services, in-home services, and access services earmarking requirements; subrecipient and contractual program income requirements, and internal monitoring requirements.

We recommend that CARE implement procedures to ensure that such documentation is provided in the future.

Response:
The Commission on Aging and Retirement Education concurs with this finding and its corrective action plan is included in Part VII – Auditee's Corrective Action Plan on Current Audit Findings.

Finding #: **08-11**
CFDA #: **93.044/045/053**
Program Title: **Special Programs for the Aging – Title III, Parts B & C, and Nutrition Services Incentive Program**
Federal Agency: **Department of Health and Human Services**
Federal Award #: **None**
Pass-Through: **Maryland Department of Aging**

Procedures Were Not Adequate to Ensure Compliance with Financial Reporting and Grant Accounting Requirements

The Department of Health and Human Services – Uniform Administrative Requirements for Grants, 45 CFR 92.41, requires financial reports to be prepared from the grantee's accounting records and that transactions be properly documented and supported.

The Baltimore City Commission on Aging and Retirement Education (CARE) did not have adequate procedures in place to ensure compliance with federal financial reporting standards. CARE was unable to provide documentation to demonstrate that amounts included in its fiscal year 2007 final financial report submitted to the Maryland Department of Aging during fiscal year 2008 were reliable and supported by the City's accounting records. This report could not be reconciled to the City's accounting records, and CARE has been unable to resolve financial reporting findings included in prior Single Audit reports.

We recommend that CARE implement procedures to ensure that financial reports are supported by the City's accounting records.

Response:
The Commission on Aging and Retirement Education concurs with this finding and its corrective action plan is included in Part VII – Auditee's Corrective Action Plan on Current Audit Findings.

Finding #:	**08-12**
CFDA #:	**10.558, 14.218, 14.235, 14.238, 14.239, 14.241, 17.258/259/260, 93.044/045/053, 93.569, 93.600, 93.778, 93.917**
Program Titles:	**Various**
Federal Agency:	**Various**
Federal Award #:	**Various**
Pass-Through:	**Various**

Inactive Grants Were Not Removed from Accounting Records in a Timely Manner

The Federal Common Rule, Subpart C, Section .20, prescribes standards for financial management systems incorporating grants accounting. While the City of Baltimore financial management systems are generally in compliance with these standards, there were inadequacies in accounting for grants.

We observed a significant number of inactive accounts carried in the City's accounting records for 12 major federal programs as of June 30, 2008, that were established to account for operating grants received in fiscal year 2004 or earlier. Inactive accounts contain either relatively small surpluses, which should be returned to the grantor; or deficits, which should be charged against City general funds.

We recommend that accounts for inactive grants be closed out on a timely basis with any surplus funds returned to the grantor and any deficits transferred to City general funds.

Response:
The Bureau of Accounting and Payroll Services concurs with this finding and its corrective action plan is included in Part VII – Auditee's Corrective Action Plan on Current Audit Findings.

Finding #:	**08-13**
CFDA #:	**93.616**
Program Titles:	**Mentoring Children of Incarcerated Parents**
Federal Agency:	**Department of Health and Human Services, Administration on Children, Youth and Families**
Federal Award #:	**90CV0215**
Pass-Through:	**None**

Financial Reports Were Not Supported by the Underlying Accounting Records

Office of Management and Budget Circular A-133 requires the auditor to determine whether financial reports, submitted to account for federal financial assistance, contain information that is supported by the underlying accounting records and other documentation.

The Mayor's Office of Children, Youth and Families (MOCYF) administers federal program number 93.616 – Mentoring Children of Incarcerated Parents. We performed an audit, which will be issued separately, for the project period from July 30, 2004 through December 31, 2007. This program was non-major for fiscal year 2008.

Our audit determined that reported amounts were not supported by the City's accounting records; cash management procedures were deficient; required in-kind contributions were not supported; and grant approval by the City's Board of Estimates for the second and third years of the project period was not obtained.

Based on our audit, we questioned the entire award amount of $900,000. We recommended that MOCYF ensure that reported expenditure and in-kind contribution amounts be supported by the City's accounting records, that cash management procedures be improved, and that MOCYF obtain approval of its grant awards.

Response:
The Mayor's Office of Children, Youth and Families response to our audit will be included in the separately issued audit report.

Finding #: **08-14**
CFDA #: **16.007/97.004/067**
Program Titles: **Homeland Security Grant Program**
Federal Agency: **Department of Homeland Security**
Federal Award #: **2003-TE-TX-0180**
Pass-Through: **Maryland Emergency Management Agency**

Financial Reports Were Not Supported by the Underlying Accounting Records

Office of Management and Budget Circular A-133 requires the auditor to determine whether financial reports, submitted to account for federal financial assistance, contain information that is supported by the underlying accounting records and other documentation, and that costs be reported net of all applicable credits.

As part of our investigation of the Baltimore City Fire Department (BCFD), as detailed in a report to be issued in April 2009, we found returns, credits, and rebates totaling $164,628 applicable to equipment purchases totaling $1,178,172 that were not credited to the Baltimore City Police Department's (BPD) Homeland Security Grant Program during the period from November 21, 2003 through April 30, 2004. As a result, final financial reports submitted to the Department of Homeland Security over-reported expenditures by $164,628.

Our investigation determined that, due to a lack of adequate internal controls in accounting and procurement, a BCFD employee was able to obtain these returns, credits and rebates, and to apply them for other purposes. The City's accounting records were not adjusted, and BPD did not revise their financial reports, for these credits.

Therefore, we are questioning $164,628 in equipment costs charged to the Homeland Security Grant Program. We recommend, unless these questioned costs can be resolved with the grantor, that the City return $164,628 to the Department of Homeland Security.

Response:
The Baltimore Police Department's response to our investigation will be included in the separately issued report.

PART VI

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008

Finding Number/Finding	Status	Planned Corrective Action

Findings in this schedule are presented in the same order in which they appeared in the Fiscal Year 2007 Single Audit report. Each finding number contains a number 07, 06, 05, 04, 03, 02, 01 or 00 to the left of the dash, which designates the Fiscal Year 2007, 2006, 2005, 2004, 2003, 2002, 2001 or 2000 audit report. The number to the right of the dash reflects the finding number. The following abbreviations have been used for City agencies: Baltimore City Health Department (BCHD); Commission on Aging and Retirement Education (CARE); Department of Housing and Community Development (DHCD); Department of Transportation (DOT); Baltimore City Police Department (BPD); Bureau of Accounting and Payroll Services (BAPS), and Mayor's Office of Criminal Justice (MOCJ).

Fiscal Year 2007 Single Audit
Schedule of Findings and Questioned Costs
Section III - Federal Award Findings and Questioned Costs
Compliance With Requirements Applicable to Each Major Program

Finding # 07-01		
For federal program number 14.241 - Housing Opportunities for Persons with AIDS (HOPWA), the Baltimore City Health Department (BCHD) did not obtain an annual quality housing inspection for one of the twelve housing units selected for testing. The auditors recommended that BCHD ensure mandated housing inspections are performed as required by the Department of Housing and Urban Development.	Corrected	
Finding # 07-02		
For federal program number 14.239 - HOME Investment Partnerships Program (HOME), the Department of Housing and Community Development (DHCD) did not provide applicable rent limitation records for three of six projects tested. The auditors recommended that DHCD ensure that project rental records are properly maintained.	Corrected	

CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008
(continued)

Finding Number/Finding	Status	Planned Corrective Action
Finding # 07-03		
For federal program numbers 93.044/045/053 - Special Programs for the Aging - Title III, Parts B & C, CARE expended $78,655 in legal services costs, representing an earmarking shortfall of $2,305. CARE also spent $712,526 in administrative costs, exceeding the allowable limit by $426,288. The auditors recommended that controls and reporting procedures be developed to ensure that future legal assistance and administration earmarking requirements are met.	Not Corrected	CARE will closely monitor future earmarking requirements for compliance. Implementation date: June 2009 John Stewart, Executive Director, CARE

CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008
(continued)

Finding Number/Finding	Status	Planned Corrective Action
Finding # 07-04		
For federal program number 14.218 - Community Development Block Grant, reported expenditures were understated by $101,950. For federal program number 93.569 - Community Services Block Grant, reported expenditures were overstated by $277,437. The auditors recommended that future federal financial reports be prepared directly from the City's accounting records. The auditors also recommended that copies of all federal financial reports be maintained for review.	Partially Corrected	For federal program number 14.218, please refer to the letter from HUD to DHCD dated March 13, 2009. In that letter, it is stated that DHCD has submitted an amended FSF addressing the underreporting of CDBG expenditures during program year 2007. In light of this letter, we feel that this finding should be considered closed. For federal program number 93.569, the Fiscal Operations Division will notify all relevant staff in order to reinforce the procedure requiring all financial reports, prepared by the other Divisions within the Department, to be reviewed for accuracy by Fiscal Operations Division staff, prior to distribution to any outside entity. William Colbert, Chief of Fiscal Services, DHCD
For federal program numbers 14.241 and 93.778 - Housing Opportunities for Persons with AIDS, and Medical Assistance Program, reported expenditures were overstated by $49,414, and $37,432, respectively. Additionally, for federal program number 14.235 - Supportive Housing Program, BCHD was unable to provide us with all three Annual Progress Reports selected for review. The auditors recommended that future federal financial reports be prepared directly from the City's accounting records. The auditors also recommended that copies of all federal financial reports be maintained for review.	Not Corrected	Federal program 14.241 and 14.235 transitioned from BCHD to DHCD on July 1, 2008. The City will ensure that reports are prepared directly from the City's accounting records and that copies of federal financial reports are maintained for review. For federal program 93.778, BCHD has completed its year end adjustments to reconcile its accounting records and financial report. Implementation date: June 2009 Thomas Kim, Chief Financial Officer, BCHD

CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008
(continued)

Finding Number/Finding	Status	Planned Corrective Action
For federal program numbers 93.044/045/053 - Special Programs for the Aging - Title III, Parts B & C, reported expenditures were understated by $270,853, and reported revenues were understated by $363,705 The auditors recommended that future federal financial reports be prepared directly from the City's accounting records. The auditors also recommended that copies of all federal financial reports be maintained for review.	Not Corrected	CARE will revise the fiscal year 2006 Closeout Report to adjust the discrepancies between the submitted reports and the City's accounting records. CARE will prepare future reports based on the underlying accounting records. Implementation date: June 2009 John Stewart, Executive Director, CARE
Finding # 07-08 For federal program numbers 93.044/045/053 - Special Programs for the Aging - Title III, Parts B & C, CARE did not have adequate procedures in place to ensure compliance with federal financial reporting standards and grant accounting requirements. The auditors recommended that CARE implement procedures to ensure that financial reports are supported by the City's accounting records.	Not Corrected	CARE will revise the fiscal year 2006 Closeout Report to adjust the discrepancies between the submitted reports and the City's accounting records. CARE will prepare future reports based on the underlying accounting records. Implementation date: June 2009 John Stewart, Executive Director, CARE

CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008
(continued)

Finding Number/Finding	Status	Planned Corrective Action
Fiscal Year 2006 Single Audit **Schedule of Findings and Questioned Costs** **Section III - Federal Award Findings and Questioned Costs** **Compliance With Requirements Applicable to Each Major Program**		
Finding # 06-02 For federal program numbers 14.235 - Supportive Housing Program, 14.238 - Shelter Plus Care and 14.241 - Housing Opportunities for Persons with AIDS (HOPWA), 12 of 16 subrecipients did not have the required financial and compliance audits performed. The auditors recommended that the City agency adhere to appropriate external monitoring procedures.	Partially Corrected	These programs transitioned from BCHD to DHCD on July 1, 2008. The City will make every effort to obtain and review the missing subrecipients' audit reports. Implementation date: June 2009. Thomas Kim, Chief Financial Officer, BCHD
Finding # 06-03 For federal program numbers 93.044/045/053 - Special Programs for the Aging - Title III, Parts B & C, CARE expended $77,600 in legal services costs, representing an earmarking shortfall of $13,201. CARE also spent $1,009,256 in administrative costs, exceeding the allowable limit by $616,126. The auditors recommended that controls and reporting procedures be developed to ensure that future legal assistance and administration earmarking requirements are met.	Not Corrected	CARE will closely monitor future earmarking requirements for compliance. Implementation date: June 2009 John Stewart, Executive Director, CARE

CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008
(continued)

Finding Number/Finding	Status	Planned Corrective Action
Finding # 06-04 For federal program numbers 93.044/045/053 - Special Programs for the Aging - Title III, Parts B & C, reported expenditures were understated by $890,041. Reported revenues for this report were in excess of the City's accounting records in the amount of $104,126. The auditors recommended that future financial reports be prepared directly from the City's accounting records.	Not Corrected	CARE has submitted a revised report to the Maryland Department of Aging and is in the process of adjusting the City's accounting records accordingly. Implementation date: June 2009 John Stewart, Executive Director, CARE
For federal program number 93.778 - Medical Assistance Program, the City's accounting records were in excess of the reported expenditures in the amount of $106,640. The auditors recommended that future financial reports be prepared directly from the City's accounting records.	Partially Corrected	BCHD is in the process of completing its year end adjustments to reconcile its accounting records and financial report . Implementation date: June 2009 Thomas Kim, Chief Financial Officer, BCHD
Finding # 06-08 For federal program number 14.238 - Shelter Plus Care, BCHD did not obtain an annual quality housing inspection for one of the 18 housing units selected for testing. The auditors recommended that BCHD ensure that mandated housing inspections are performed as required by the Department of Housing and Urban Development.	Not Corrected	BCHD will ensure that mandated housing inspections are performed timely as required. Implementation date: June 2009 Thomas Kim, Chief Financial Officer, BCHD

CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008
(continued)

Finding Number/Finding	Status	Planned Corrective Action
Finding # 06-09 For federal program number 14.241 - Housing Opportunities for Persons with AIDS, BCHD did not obtain an annual quality housing inspection for one of the 12 housing units selected for testing. The auditors recommended that BCHD ensure that mandated housing inspections are performed as required by the Department of Housing and Urban Development.	Not Corrected	This program transitioned from BCHD to DHCD on July 1, 2008. The City will ensure that mandated housing inspections are performed timely as required. Implementation date: June 2009 Thomas Kim, Chief Financial Officer, BCHD

CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008
(continued)

Finding Number/Finding	Status	Planned Corrective Action
Finding # 06-10 For federal program number 93.268 - Immunization Grants, permanent immunization records were unavailable for 4 of the 14 individuals selected for testing. The auditors recommended that BCHD ensure that individual immunization records are properly maintained.	Partially Corrected	BCHD will ensure the maintenance of required immunization records through the expansion of its computerized database. Implementation date: June 2009 Thomas Kim, Chief Financial Officer, BCHD
Finding # 06-11 For federal program number 20.205 - Highway Planning and Construction, DOT did not provide State Materials Certification Letters for the two projects selected for testing. The auditors recommended that DOT implement procedures to ensure that all required external documents are received and maintained.	Partially Corrected	DOT has obtained one of the letters, and will provide the other certification letter upon obtaining it from the Federal Highway Administration. The Contract Administration Section has put in place necessary procedures to make sure that all the required documents are collected and maintained with each contract. Implementation date: June 2009 Alfred Foxx, Director, DOT
Finding # 06-12 For federal program numbers 93.044/045/053 - Special Programs for the Aging - Title III, Parts B & C, CARE was unable to provide documentation to demonstrate that amounts included in its fiscal year 2005 financial report were reliable and supported by the City's accounting records. The auditors recommended that CARE implement procedures to ensure that financial reports are supported by the City's accounting records. Additionally, CARE did not report program income in its 2005 report.	Not Corrected	CARE has submitted a revised report to the Maryland Department of Aging and is in the process of adjusting the City's accounting records accordingly. Implementation date: June 2009 John Stewart, Executive Director, CARE

CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008
(continued)

Finding Number/Finding	Status	Planned Corrective Action
Fiscal Year 2006 Single Audit - Audit follow-up of HOME Program **Schedule of Findings and Questioned Costs** **Section III - Federal Award Findings and Questioned Costs** **Compliance With Requirements Applicable to Each Major Program**		
Finding # 2 Some project files requested for tests of income eligibility, period of affordability, and maximum per unit subsidy were either not provided, were incomplete, or had income amounts that exceeded HUD income limits or did not agree with other rent documentation.	Corrected	

CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008
(continued)

Finding Number/Finding	Status	Planned Corrective Action
Finding # 3 DHCD did not provide supporting documentation of income eligibility for four of six ADDI assisted housing units, and one file selected did not have the homebuyer's promissory note signature page.	Partially Corrected	The DHCD Office of Project Finance has implemented the following procedures as it relates to the collection of data & information for ADDI Program: The Office of Project Finance has entered into a Memorandum of Understanding (MOU) with the Department's Homeownership Institute. Prior to the disbursement of ADDI funds, a Compliance Officer will review the for sale file to make sure that all of the items listed on the compliance checklist are in place. The Compliance Officer will verify the income eligibility levels. Once compliance has been determined, a settlement check is ordered and the documents are transmitted electronically to the City's Law Department for sign off and approval. After settlement, the title company will transmit a fully executed set of documents to the Compliance manager. If the Compliance manager has determined something is missing or is incorrect, a place marker is inserted in the file indicating what is missing. It is then the responsibility of the Compliance manager to contact the title company and the builder to correct the matter. William Colbert, Chief of Fiscal Services, DHCD
Finding # 6 DHCD did not meet the cumulative commitment requirement for the 2004 HOME grant program year.	Corrected	

CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008
(continued)

Finding Number/Finding	Status	Planned Corrective Action
Fiscal Year 2005 Single Audit **Schedule of Findings and Questioned Costs** **Section III - Federal Award Findings and Questioned Costs** **Compliance With Requirements Applicable to Each Major Program**		
Finding # 05-01 For federal program numbers 14.235 - Supportive Housing Program, 14.238 - Shelter Plus Care and 14.241 - Housing Opportunities for Persons with AIDS (HOPWA), 7 of 18 subrecipients did not have the required financial and compliance audits performed. The auditors recommended that the City agency adhere to appropriate external monitoring procedures.		This audit finding does not warrant further action. Two years have passed since the audit report in which the finding occurred was submitted to the Federal Single Audit Clearinghouse. The grantor has not followed up with the auditee on the audit finding and a management decision was not issued. Therefore, this finding will no longer appear on the Auditee's Summary Schedule of Prior Audit Findings.
For federal program numbers 93.044/045/053 - Special Programs for the Aging - Title III, Parts B and C, two CARE subrecipients were required to have financial and compliance audits performed, but CARE did not obtain and review them. The auditors recommended that the City agency adhere to appropriate external monitoring procedures.		This audit finding does not warrant further action. Two years have passed since the audit report in which the finding occurred was submitted to the Federal Single Audit Clearinghouse. The grantor has not followed up with the auditee on the audit finding and a management decision was not issued. Therefore, this finding will no longer appear on the Auditee's Summary Schedule of Prior Audit Findings.

CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008
(continued)

Finding Number/Finding	Status	Planned Corrective Action
Finding # 05-03		
For federal program numbers 93.044/045/053 - Special Programs for the Aging - Title III, Parts B and C, reported expenditures were in excess of the City's accounting records in the amount of $179,074. Reported revenues for this report were overstated by $795,509. The auditors recommended that future financial reports be prepared directly from the City's accounting records.	Partially Corrected	CARE has submitted a revised report to the Maryland Department of Aging and is in the process of adjusting the City's accounting records accordingly. Implementation date: June 2009 John Stewart, Executive Director, CARE
For federal program number 93.778 - Medical Assistance Program, the City's accounting records were in excess of the reported expenditures in the amount of $451,659. The auditors recommended that future financial reports be prepared directly from the City's accounting records.	Corrected	

CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008
(continued)

Finding Number/Finding	Status	Planned Corrective Action
Finding # 05-09 For federal program numbers 93.044/045/053 - Special Programs for the Aging - Title III, Parts B and C, CARE was unable to provide documentation to demonstrate that amounts included in its fiscal year 2004 financial report were reliable and supported by the City's accounting records. The auditors recommended that CARE implement procedures to ensure that financial reports are supported by the City's accounting records. Additionally, CARE did not provide supporting documentation for two transactions during fiscal year 2005 totaling $205,555.		This audit finding does not warrant further action. Two years have passed since the audit report in which the finding occurred was submitted to the Federal Single Audit Clearinghouse. The grantor has not followed up with the auditee on the audit finding and a management decision was not issued. Therefore, this finding will no longer appear on the Auditee's Summary Schedule of Prior Audit Findings.
Finding # 05-13 For federal program number 93.778 - Medical Assistance Program, out of 45 participant files tested, one file was missing, 7 files did not include the required physician's certifications, and 3 of those 7 did not have the required scheduling ticket for services rendered. The auditors recommended that each participant's eligibility be supported by the applicable physician's certification and scheduling ticket.		This audit finding does not warrant further action. Two years have passed since the audit report in which the finding occurred was submitted to the Federal Single Audit Clearinghouse. The grantor has not followed up with the auditee on the audit finding and a management decision was not issued. Therefore, this finding will no longer appear on the Auditee's Summary Schedule of Prior Audit Findings.

CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008
(continued)

Finding Number/Finding	Status	Planned Corrective Action
Finding # 05-14 For federal program number 14.241 - Housing Opportunities for Persons with AIDS (HOPWA), BCHD did not maintain community residence occupancy information for the five units at the Bright Hope Project. The auditors recommended that BCHD implement procedures to ensure that occupancy data is maintained for each client at a community residence.		This audit finding does not warrant further action. Two years have passed since the audit report in which the finding occurred was submitted to the Federal Single Audit Clearinghouse. The grantor has not followed up with the auditee on the audit finding and a management decision was not issued. Therefore, this finding will no longer appear on the Auditee's Summary Schedule of Prior Audit Findings.

CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008
(continued)

Finding Number/Finding	Status	Planned Corrective Action
Fiscal Year 2004 Single Audit **Schedule of Findings and Questioned Costs** **Section III - Federal Award Findings and Questioned Costs** **Compliance With Requirements Applicable to Each Major Program**		
Finding # 04-03 For federal program number 14.235 - Supportive Housing Program, reported expenditures for four reports were in excess of the City's accounting records in the amount of $30,162. The auditors recommended that future financial reports be prepared directly from the City's accounting records.	Not Corrected	BCHD is implementing procedures to ensure that future financial reports are prepared directly from the City's accounting records. Implementation date: June 2009 Thomas Kim, Chief Financial Officer, BCHD

CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008
(continued)

Finding Number/Finding	Status	Planned Corrective Action
For federal program numbers 93.044/045/053 - Special Programs for the Aging - Title III, Parts B and C, reported expenditures for two reports were in excess of the City's accounting records in the amount of $720,576. Reported revenues for these reports were understated by $520,857. The auditors recommended that future financial reports be prepared directly from the City's accounting records.	Partially Corrected	CARE has submitted a revised report to the Maryland Department of Aging and is in the process of adjusting the City's accounting records accordingly. Implementation date: June 2009 John Stewart, Executive Director, CARE
For federal program number 93.778 - Medical Assistance Program, the City's accounting records were in excess of the reported expenditures in the amount of $81,432. The auditors recommended that future financial reports be prepared directly from the City's accounting records.	Corrected	

CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008
(continued)

Finding Number/Finding	Status	Planned Corrective Action
Fiscal Year 2002 Single Audit **Schedule of Findings and Questioned Costs** **Section III - Federal Award Findings and Questioned Costs** **Compliance With Requirements Applicable to Each Major Program**		
Finding # 02-11 For federal program number 16.592 - Local Law Enforcement Block Grants (LLEBG), cost transfers of $696,877 from the State's Attorney's account to the MOCJ's LLEBG account were not properly supported. The auditors recommended that MOCJ develop appropriate supporting documentation for the cost transfers and adjust the LLEBG financial report as necessary.	Not Corrected	Payroll documentation to support the cost transfers from the States Attorney's account to MOCJ's LLEBG account has been obtained. Accordingly, appropriate adjustments will be made to the LLEBG financial reports. Implementation date: June 2009 Deborah Owens, Deputy Police Commissioner, Administrative Bureau, BPD

CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008
(continued)

Finding Number/Finding	Status	Planned Corrective Action
Fiscal Year 2001 Single Audit **Schedule of Findings and Questioned Costs** **Section III - Federal Award Findings and Questioned Costs** **Compliance With Requirements Applicable to Each Major Program**		
Finding # 01-03 Reported expenditures for federal program number 93.044/045 - Special Programs for the Aging, Title III, Parts B and C were in excess of the City's accounting records in the amount of $1,872,217. Reported revenues were also overstated by $1,915,034. The auditors recommended that the reported overstated revenues and expenditures be reduced and that future federal financial reports be prepared directly from the City's accounting records.	Partially Corrected	CARE has submitted a revised report to the Maryland Department of Aging and is in the process of adjusting the City's accounting records accordingly. Implementation date: June 2009 John Stewart, Executive Director, CARE

CITY OF BALTIMORE
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008
(continued)

Finding Number/Finding	Status	Planned Corrective Action
Fiscal Year 2000 Single Audit **Schedule of Findings and Questioned Costs** **Section III - Federal Award Findings and Questioned Costs** **Compliance With Requirements Applicable to Each Major Program**		
Finding # 00-02 Reported expenditures for federal program number 93.044/93.045 - Special Programs for the Aging, Title III, Parts B and C were in excess of the City's accounting records in the amount of $1,805,646. Reported revenues were also overstated by $1,671,011. The auditors recommended that the reported overstated revenues and expenditures be reduced and that future federal financial reports be prepared directly from the City's accounting records.	Partially Corrected	CARE has submitted a revised report to the Maryland Department of Aging and is in the process of adjusting the City's accounting records accordingly. Implementation date: June 2009 John Stewart, Executive Director, CARE

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PART VII

CORRECTIVE ACTION PLAN ON CURRENT AUDIT FINDINGS

CITY OF BALTIMORE
AUDITEE'S CORRECTIVE ACTION PLAN ON CURRENT AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008

Finding Number/Finding	Contact Person	Planned Corrective Action	Anticipated Completion Date

Findings in this schedule are presented in the same order in which they appear in the Auditor's Schedule of Findings and Questioned Costs - Section III, Federal Award Findings and Questioned Costs. The following abbreviations have been used for City agencies: Baltimore City Health Department (BCHD); Department of Housing and Community Development (DHCD); Mayor's Office of Employment Development (MOED); Commission on Aging and Retirement Education (CARE); Baltimore City Police Department (BPD); and Bureau of Accounting and Payroll Services (BAPS).

Finding # 08-01 Documentation of Participant Eligibility Was Not on File	Thomas Kim, Chief Financial Officer, BCHD	BCHD will ensure that participant eligibility is properly documented and maintained on site.	June 2009
	William Colbert, Chief of Fiscal Services, DHCD	Regarding the file that was missing, the client failed to provide all of the required information and was denied service. Once denied service, the file is placed in a pending file for a period of 15 days and then sent to the Maryland State Office of Home Energy Programs. Regarding the file that lacked complete documentation, there appears to be some confusion as to the file provided to the auditor for review. It is our contention that the file was not from the fiscal year under audit, thereby explaining the incompleteness of the file. DHCD has procedures in place and will ensure, through additional staff training, that files are maintained completely and accurately, and that correct materials are provided during future audits.	June 2009
Finding # 08-02 A City Agency Was Unable to Demonstrate that the Cash Management Requirement Was Followed	Thomas Kim, Chief Financial Officer, BCHD	BCHD will maintain adequate documentation to ensure future compliance with this requirement.	June 2009

CITY OF BALTIMORE
AUDITEE'S CORRECTIVE ACTION PLAN ON CURRENT AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008
(continued)

Finding Number/Finding	Contact Person	Planned Corrective Action	Anticipated Completion Date
Finding # 08-03 Documentation Was Not Provided to Support Earmarking, Program Income, and Internal Monitoring	John Stewart, Executive Director, CARE	CARE will implement procedures to ensure that such documentation is provided in the future.	June 2009
Finding # 08-04 Financial Reports Were Not Supported by the Underlying Accounting Records	Thomas Kim, Chief Financial Officer, BCHD	BCHD has completed its year end adjustments to reconcile its accounting records and financial report.	June 2009
	John Stewart, Executive Director, CARE	CARE will revise the fiscal year 2007 Closeout Report to adjust the discrepancies between the submitted reports and the City's accounting records. CARE will prepare future reports based on the underlying City accounting records.	June 2009
	William Colbert, Chief of Fiscal Services, DHCD	The Fiscal Operations Division will notify all relevant staff in order to re-enforce the procedure requiring all financial reports, prepared by the other Divisions within the Department, to be reviewed for accuracy by Fiscal Operations Division staff, prior to distribution to any outside entity.	June 2009
Finding # 08-05 Financial Reports Were Not Submitted in a Timely Manner	Thomas Kim, Chief Financial Officer, BCHD	For some reports, BCHD obtained prior approval from the funding source to submit the reports past the normal due date. For other reports, BCHD will adopt a plan of corrective action to ensure the timely submission of its reports.	June 2009

CITY OF BALTIMORE
AUDITEE'S CORRECTIVE ACTION PLAN ON CURRENT AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008
(continued)

Finding Number/Finding	Contact Person	Planned Corrective Action	Anticipated Completion Date
Finding # 08-06 Obligations Incurred Were Not Liquidated Within 90 Days of the End of the Funding Period	Deborah Owens, Police Deputy Commissioner, Administrative Bureau, BPD	BPD will make every effort to ensure that obligations incurred are liquidated within 90 days of the end of the funding period.	June 2009
	John Stewart, Executive Director, CARE	CARE will make every effort to ensure that obligations incurred are liquidated within 90 days of the end of the funding period.	June 2009
	Thomas Kim, Chief Financial Officer, BCHD	BCHD will make every effort to ensure that obligations incurred are liquidated within 90 days of the end of the funding period.	June 2009
Finding # 08-07 Equipment Records Were Not Adequate	Deborah Owens, Police Deputy Commissioner, Administrative Bureau, BPD	BPD will develop appropriate equipment records in order to comply with the Common Rule.	June 2009
Finding # 08-08 Reported Program Income Was Not Reconciled to Underlying Accounting Records	William Colbert, Chief of Fiscal Services, DHCD	Upon receipt of program income, the Office of Project Finance prepares a deposit ticket and submits the deposit ticket and funds to DHCD's Budget Office. We believe that the delay in reporting program income is a timing issue and any potential holdup is not within DHCD. We are researching the City's procedures to identify where the delay could be occurring. DHCD's Budget Office and the Office of Project Finance will be reconciling the accounting records as it relates to $5,585. We anticipate having the reconciliation completed within the next 30-45 days.	June 2009

CITY OF BALTIMORE
AUDITEE'S CORRECTIVE ACTION PLAN ON CURRENT AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008
(continued)

Finding Number/Finding	Contact Person	Planned Corrective Action	Anticipated Completion Date
Finding # 08-09 Reimbursement Requests Were Not Submitted	Deborah Owens, Police Deputy Commissioner, Administrative Bureau, BPD	BPD will ensure that quarterly financial reports are submitted for reimbursement of eligible costs.	June 2009
Finding # 08-10 Documentation Was Not Provided to Support Earmarking, Program Income, and Internal Monitoring	John Stewart, Executive Director, CARE	CARE will implement procedures to ensure that such documentation is provided in the future.	June 2009
Finding # 08-11 Procedures Were Not Adequate to Ensure Compliance with Financial Reporting and Grant Accounting Requirements	John Stewart, Executive Director, CARE	CARE will revise the fiscal year 2007 Closeout Report to adjust the discrepancies between the submitted reports and the City's accounting records. CARE will prepare future reports based on the underlying City accounting records.	June 2009
Finding # 08-12 Inactive Grants Were Not Removed from Accounting Records in a Timely Manner	Michael Broache, Chief, BAPS	BAPS does not remove an account from the accounting records without consent of the grantee agency. The grantee agency will not close out a grant until the grantor accepts the final report. BAPS will work with the grantee agencies to accelerate the close-out process. Additionally, BAPS will impose restrictions on access to grant accounts 120 days after the close of the grant year or grant termination date.	June 2009