

City of Baltimore
Maryland

Comprehensive Annual Financial Report
Year Ended June 30, 2007

City of Baltimore, Maryland

Comprehensive Annual Financial Report

Year Ended June 30, 2007

Prepared by the Department of Finance

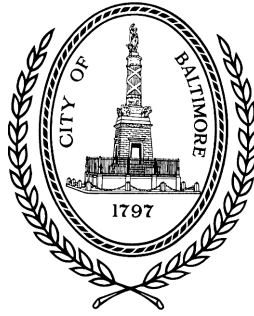
Edward J. Gallagher

Director of Finance

Bureau of Accounting and Payroll Services

Michael E. Broache

Bureau Chief



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

George L. Winfield

CITY SOLICITOR

George Nilson

CITY COUNCIL

Stephanie Rawlings-Blake, *President*

Robert Curran, *Vice-President*

FIRST DISTRICT

James B. Kraft

SECOND DISTRICT

Nicholas D'Adamo, Jr.

THIRD DISTRICT

Robert Curran

FOURTH DISTRICT

Kenneth N. Harris, Sr.

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

Keiffer Jackson Mitchell

TWELFTH DISTRICT

Bernard "Jack" Young

THIRTEENTH DISTRICT

Vernon E. Crider

FOURTEENTH DISTRICT

Mary Pat Clarke

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Introductory Section

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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 28, 2007

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, 2007. 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 independent auditors' opinion, Management's Discussion and Analysis, basic financial statements with related notes, and required supplementary information with related notes. The financial section also includes the combining and individual fund financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a 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, 2007. 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 Hotel Corporation, and the Baltimore City Public School System (discretely presented component unit), 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 population of 640,961. The City is a major deep-water seaport located on the Patapsco River, a tributary of the Chesapeake Bay. It is served by Baltimore/Washington International Thurgood Marshall Airport in adjacent Anne Arundel County. The City is almost completely surrounded by Baltimore County, a separate entity, which borders the City on the east, north, west and part of the south. Anne Arundel County adjoins the City on its southern border.

The City provides the full range of municipal services contemplated by statute or charter, which are provided or paid for by the City from local, State or Federal sources. These services include public safety (police and fire protection), water and waste water utilities, highways and streets, sanitation, health and human services, culture and recreation, education (elementary through high school, provided by a component unit, the Baltimore City Public School System), public improvements, planning and zoning, parking facilities, mortgage loan programs, industrial development, and general and administrative services. The City is also responsible for 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 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 community having a conservative approach to all aspects of debt management, including debt service expenses, debt retirement schedules, and debt capacity ratios. An update to the existing debt policy is currently being developed by the City, based on results of a debt study completed by a team of consultants from Public Resources Advisory Group and Evergreen Capital. A revised policy is anticipated to be adopted by the end of calendar year 2007.

OTHER FINANCIAL INFORMATION

Retirement Plans

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

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

Temporary Investment of Cash Balances

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

Risk Management

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

Internal Control

Management of the City of Baltimore has established a comprehensive internal control framework that is designed to compile sufficient reliable information for the preparation of the City of Baltimore's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Baltimore's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

ECONOMIC PROFILE AND OUTLOOK

Baltimore is the historic, business, education and cultural center of Maryland. The City benefits from being in the wealthiest State in the nation and one of the few states in the nation that experienced job growth annually during the last ten 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 location factors including access to mid-western and northeastern markets, an excellent highway and rail transportation system, international port, and access to a large and diversified work force. About 350,000 or 28.0% of the 1.25 million jobs in the metropolitan area are located in the City. The rapid completion and leasing out of the first building at the University of Maryland's Westside bio-technology park, and the immediate decision to begin construction on the second business park building in the center is one example of growing recognition of the location advantages. Among important achievements in

Fiscal 2007 was the groundbreaking for the first residential building at the East Baltimore Development Initiative, and the completed construction phase of 563,000 square feet for the National Institutes for Health at Hopkins Bayview area. As of June 2007, there were seven major biomedical and life science projects under construction, representing a total addition of 3.2 million square feet.

With regard to the employment market, the City has been less reliant for several decades on traditional manufacturing industries than other jurisdictions. Manufacturing jobs comprise only 4.9% of the City's jobs. This is a lower percentage than the region, the State and the nation. A total of 25.8% of the jobs located in the City are in health-related and education-related services, which is a significantly higher proportion than in the region, State and nation. The growing prominence of health and knowledge-related industries are reflected in major employers. Among the ten largest non-governmental employers in the City, eight are health and education-related entities, one is a utility service provider, and one provides administrative services. The City derives economic strength from a concentration 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 of its low cost, high value housing and business location options in Fiscal 2007.

The City supports and builds on the strengths of growth sector employers, the internationally renowned 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. The National Institutes of Health (NIH) programs facilities are also expanding in the City. The City continued work with its health and education partners for two major bio-medical business centers planned for areas adjacent to the campuses of the Johns Hopkins and University of Maryland Medical Centers on the east and west side of downtown, respectively. The two major medical institutions have jointly promoted the projects. Additionally, important expansions in the health related projects, including John Hopkins Hospital, University of Maryland Medical System, Mercy, St. Agnes, and Maryland General Hospitals, are expected to generate more than 12,000 jobs in the next five years.

Population trend is often considered the single most important economic factor. Baltimore City'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. Some decades saw 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. Like in prior years, the Census Bureau has accepted the City's appeal to the July 1, 2006 population estimate, which is now set at 640,961, representing an increase of 897 City residents compared to the July 1, 2005 estimate. This is only the second incremental increase in the City's population since 1971. Based on this estimate, the five-year period 2001 to 2006 averaged a decline of 72 per month, which enforces the belief that an accurate mid-decade count would show that the City's population has stabilized and perhaps increased slightly. This is a dramatic change from the prior three decades. It confirms the City's efforts to address the problems associated with being the State's oldest urban center with a disproportionate share of the State's poor and areas of disinvestment and abandonment. In order to support redevelopment and strengthen the revenue base, careful application of tax and development incentives have been and will continue to be used.

Positive outcomes of development efforts are reflected in current development activity underway in 2007, estimated to be in excess of \$3.0 billion. These redevelopment investments are at numerous sites spread widely throughout the City. A portion of these have been assisted through the use of public subsidies such as low interest loans, negotiated payments in lieu of taxes for major commercial and apartment developments, tax increment financing for redevelopment of facilities in neighborhoods, old industrial sites, and on the waterfront. Property tax credit programs for new owner occupied residential construction, historic property rehabilitation, and job creation projects are also used.

Local Economic Outlook

The key factors affecting the local economy show reason for measured optimism looking forward. But the local situation could be dramatically altered as the local economy is affected by national and international political and economic events and changes. There are many uncertainties in the national and international outlook that require a cautious outlook.

Jobs and Employment

The most recent reliable data from the State Department of Labor, Licensing and Regulation (DLLR) indicates a leveling off in the job loss that the City has experienced since employment last peaked to 387,600 jobs in 2000. The DLLR reported an average of 349,100 jobs located in the City during 2006, which represents a minimal 0.3 percent decline compared to the average of 350,000 jobs in 2005. Jobs located in the City declined on average about 626 per month from Calendar 2000 through Calendar 2005; however, in Calendar 2006 the average decline was down to 534 per month. The unemployment rate for residents in the City has also shown improvements in Fiscal 2007. The unemployment rate declined to 6.3% in Fiscal 2007 compared to 6.5% in Fiscal 2006. This improvement in the rate of change in jobs and in unemployment rate will hopefully be sustained as the City's development efforts expand and take hold providing a broader base for job growth.

Retail Sales

Retail sales reported by the State of Maryland for the City grew from \$5.70 billion in Fiscal 2006 to \$5.74 billion in Fiscal 2007, representing a slight increase of 0.7%. Fiscal 2007 corresponds to the sixth consecutive year of growth in retail sales generated in the City; however, the City experienced a decline on its growth rate compared to Fiscal 2006 from 6.1% to 0.7%, which corresponds to the decline experienced by the State from 6.8% in Fiscal 2006 to 2.2% in Fiscal 2007. The City has benefited by opening major grocery stores such as Superfresh, the return of department store to Downtown with Filene's Basement, and the opening of several 7-Eleven convenience stores throughout the City.

Housing

Housing development, both new construction and the conversion of existing sites to apartments, condominiums, town homes and single-family homes continues to be strong; however, important signs of the weakening of the national housing market are also evidenced in the City and the Baltimore area markets. In Calendar 2006, City single-family home sales through the multiple listing services reflected a substantial decline of 14.2% in total dollar sales volume compared to 2005, while the total number of units sold decreased by 22.6%. The Baltimore area also experienced a similar situation with declines of 14.3% and 18.1% respectively in Calendar 2006 compared to 2005. On the other hand, the average selling price in the City increased by 11.7% during Calendar 2006, greater than the 5.2% experienced in the metropolitan area. Still, the City is the location of reasonable and low cost housing alternatives for the area for buyers in tight and/or contracting housing markets. This is particularly important as the regional market has grown to include more Washington and Northern Virginia commuters.

The apartment market in the City is still strong. In Fiscal 2007, 283 newly constructed apartments were completed in the downtown area and 327 in adjacent neighborhoods for both rental and sale. This brings the total number of new apartments built in downtown to 2,960 since 1999. Another 1,260 apartment units are currently under construction in the downtown area and 643 units in the adjacent neighborhoods with expecting delivery time between Fiscal 2008 and Fiscal 2010.

Port

Port activity is sensitive to factors that affect world trade, the state of the economies abroad, currency markets, and other factors. Calendar year 2006 was a strong year for the port. Twenty-eight million one hundred thousand tons of cargo passed through the port in 2006, a slight increase over the 27.7 million cargo tons processed in calendar 2005. The Port was 12th nationwide for 2006 in dollar value of cargo, and 14th nationwide in tonnage. While not a major container port, the tonnage of containers increased 6% in calendar 2006. International foreign policy and economic factors will determine the near term outcome, but, assuming no major changes, the outlook is positive.

Tourism and Travel Industry

Positive signs are reflected in air and cruise boat travel. In calendar year 2006, about 20.7 million commercial passengers used Baltimore/Washington International Thurgood Marshall Airport. A total of twenty eight cruises originated from the Port in 2006 and three cruise ships made port call stops in Baltimore. On the other hand, the hotel occupancy rate experienced a regional decline of 2.5%, while the City had a 3.2% decline, with an average occupancy rate per year of 65.6% and 66.0%, respectively. In addition, the Baltimore Convention Center experienced a decrease in the number of events held, falling from 201 in Fiscal 2006 to 166 in Fiscal 2007; however, the average attendance per event increased from 2,711 in Fiscal 2006 to 3,283 or 21.1% in Fiscal 2007. The Baltimore Area Convention and Visitors Association has an aggressive strategy for boosting the number of convention bookings in coming years, a significant piece of which is the new Convention Center Hotel, currently under construction.

Office Development

Office development activity has continued to stabilize the office occupancy rates as well as rental rates in the City and the Baltimore area. Important leasing contracts for office spaces in the City such as the leases signed by Under Armor, Smith Barney, and OM Financial Life Insurance, with total inventory absorption of 206,407 square feet, have helped to lower the Fiscal 2007 Baltimore area's average vacancy rate to 12.0% compared to the 13.2% in Fiscal 2006. As of the fourth quarter of Fiscal 2007, the City enjoys a 14.2% vacancy rate of the total inventory of 19,515,016 square feet, experiencing net inventory absorption of 352,536 square feet during the last six month of Fiscal 2007, and a total of 554,000 square feet of leasing space under construction; on the other hand, the Downtown market has continued tightening its vacancy rate to 11.0%. Additionally, the higher demand for office space in the Baltimore area has pulled the average asking leasing rate to the record of \$22.3 per square foot during the last quarter of Fiscal 2007; meanwhile the City averaged \$22.6 per square foot.

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 2007 follow:

- In May 2007, Standard and Poor's and Moody's Investors Service upgraded Baltimore's general obligation bond ratings to AA- from A+ and to Aa3 from A1, respectively. In explaining the improved ratings, Moody's said, "The rating upgrade reflects the City's strong financial position, characterized by conservative fiscal management, improved reserve levels, and sustained operating stability." The ratings affect the City's ability to borrow at favorable interest rates, and the higher bond ratings should result in annual interest savings.
- Strong budget performance in recent years enabled the City to continue to attack its greatest competitive disadvantage, the real property tax rate—which is almost twice as high as any other Maryland county's rate—by reducing it another 2 cents. The plan, which was implemented in Fiscal 2006, called for a five year 10-cent rate reduction. Fiscal 2007, the second year of the rate reduction effort, represented the lowest City property tax rate in at least the past 35 years, at \$2.288 per \$100 of assessed value. The tax reduction saved taxpayers \$10.2 million for fiscal year 2007, with cumulative savings of \$15 million for the two years of the reduction.
- During the summer of 2007, the City successfully transitioned from a 40-year old legacy payroll system to a new ADP payroll system and implemented a new purchasing system, CitiBuy. The age of the legacy payroll system, and the fact that it was written in an almost extinct programming language that was becoming more difficult to support as key programming personnel retired, presented serious vulnerabilities to the City's daily operations. The benefits of the new system include that it is hosted externally in Ann Arbor, Michigan by ADP, thereby removing the risk and cost associated with processing payroll internally. In addition, the new purchasing system is one aspect of a multi-pronged plan to improve the City's purchasing process. With the implementation, all purchase requisitions are entered and managed electronically, thus improving the efficiency of the procurement process and the timeliness to obtain City goods and services.
- In June 2007, the City announced the expansion of its ability to process online payments for City bills through direct debit from a person's or business' checking account. Online payment through a checking account is free and available 24 hours a day, 7 days a week. Online payments can be made for Property Tax, Metered Water, Parking Fines, Red Light Citations, and various other Miscellaneous Bills. This technological advancement provides additional convenience to the City's customers while also decreasing processing time for personnel within Collections.
- The Department announced in June 2007 the start of a program to use an outside collection firm, Linebarger Goggan et. al., to assist in the collection of delinquent parking fines, fees and penalties. This program is designed to help increase the collection of delinquent parking fine revenues. The collection firm began its efforts in mid-July, which supplement the City's existing collection efforts, including scofflaw enforcement through license plate recognition, boot and tow activities.
- 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 occurrence of on-the-job injuries. The City reduced the number of Workers' Compensation claims filed by 20 percent in Fiscal 2007 compared to five years earlier (4,905 claims in Fiscal 2002 versus 3,920 in Fiscal 2007), and reduced the amount of incurred costs for those claims (as of June 30th of each year) by 33 percent. 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 85 percent since Fiscal 2002 (25,232 open claims in Fiscal 2002 versus 3,844 for Fiscal 2007). 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 87 percent in Fiscal 2007.

- In Fiscal 2007, the City began preparing for GASB 45, which requires the City's Other Post Employment Benefits (OPEB) liability to be disclosed as part of the Fiscal 2008 CAFR. As part of the planning efforts, the City contracted the Hay Group to complete an actuarial study (completed in November 2006) to determine the City's OPEB liability and related Annual Required Contribution. In addition, the City entered into a Memorandum of Understanding with the Employees' Retirement System (ERS) to establish a Retiree Benefit Trust whereby ERS will act as fiduciary for the purpose of investing the funds of the Trust. Concurrently, the City gained approval from the IRS for a private letter ruling to exclude from federal taxation the income from this Trust. Also during Fiscal 2007, the City began making contributions to this Trust.

The positive outcome of effective financial management is evident in the City's General Fund Balance position, which continued to improve substantially in Fiscal 2007. An additional \$5.4 million was made to the budget stabilization fund, which, at June 30, 2007, had a balance of \$88.2 million. When combined with the undesignated unreserved fund balance of \$56.0 million, the total of \$144.2 million comprises about 10.1% of General Fund revenues, another step to strengthen 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 well 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 2007 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 the City's population, promoting economic growth, and creating and retaining jobs. By the end of 2006, the City continued its trend in reducing the total number of crimes while recording the lowest yearly total of violent crimes this decade. In 2006, violent crime was reduced by 3.8% compared to 2005, and property crime was reduced by 2.8% compared to 2005, resulting in a combined Part I index crime reduction of 3.0%. This is on top of reductions of 40% in the incidence of violent crime and 41% for property crime between 1999 and 2005.

Targeted Enforcement

The City is targeting resources and enforcement activity in areas impacted by violent crime. Specifically, the Police Department is focusing on combating gangs and removing illegal guns from City streets. The Police Department and its Organized Crime Division have arrested close to 600 known gang members in 2007 through targeted initiatives. A closer look reveals that 82% of all homicides were committed with a gun. To help increase gun seizures, suppress illegal trafficking, and enforce existing gun laws, the City is working with regional partners in 2007 to develop the Gun Trace Task Force. This task force includes the Baltimore Police Department, the federal Bureau of Alcohol, Tobacco and Firearms, the Maryland State Police and the Baltimore County Police Department. The goal of the task force is to reduce the number of illegally possessed guns by targeting the predominant source of these guns—problem gun dealers and illegal secondary transfers. As of August 2007, the Police Department seized 2,322 illegal guns, a 13% increase over the prior year. Furthermore, the City has implemented Gun Stat to track the most violent offenders through the sentencing process and identify trends and strategies to improve performance within the Police Department.

Community Engagement

Critical to the success of the City's crime fighting strategy is the cooperation between citizens and the police. In addition to expanded foot patrols, the Police Department is engaging communities with a number of different programs:

- **Citizens on Patrol (COP)** – Experience has proven that a small group of concerned, dedicated citizens with the proper training, and the support of their community and law enforcement, can make a difference. This year, more than 200 people have been trained in the best practices for creating and sustaining a viable COP program. The training was designed to encourage participation and to exchange program information between COP attendees. Community partnerships were established during this training that will be used as a stepping-stone to improve the Baltimore Police Department's relationship with the communities they serve.
- **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 and is applied through four consistent components:
 - The redirection of non-residential traffic patterns,
 - The coordination of targeted city resources,
 - The organization and deployment of social service outreach teams, and
 - The organization of police sponsored community events.
- **Adopt-A-Block** – Each of the nine police districts identified three violent blocks (for a total of 27 blocks citywide) for increased foot patrols and community involvement. In concert with the Department's Crime Control Strategy, Adopt-A-Block is designed to decrease the occurrence of violent crime by increasing community support mechanisms and improving upon the lines of communication between the communities and the Baltimore Police Department. This effort is aimed to improve safety by assigning police officers to specific city blocks where they will walk with community advocates to resolve neighborhood problems before they escalate.
- **Buprenorphine Initiative** – The Baltimore City Health Department launched an initiative to expand the use of buprenorphine as an alternative to methadone for drug treatment in the city. As part of the Baltimore Buprenorphine Initiative, 388 patients received Buprenorphine treatment as well as outpatient substance abuse treatment services between October 2006 and June 2007. Of these patients, 176 or 65% remained in treatment for at least 90 days. Through June 2007, 93 physicians have enrolled in the City sponsored online Buprenorphine training course. Various foundations and organizations including the Annie E. Casey Foundation, the Abell Foundation, the Open Society Institute, Baltimore Substance Abuse Systems, Inc. and Baltimore HealthCare Access, Inc. have provided additional funding.
- **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. With supplemental City funding, the program has doubled its caseload capacity from approximately 75 in Fiscal 2005 to 150 in Fiscal 2006 and Fiscal 2007. Since its inception in 2002, OSK has achieved a 33.0% reduction in arrests in participants first year after enrollment, a 44.0% reduction in arrests for violent crimes and a 55.0% job placement rate for eligible youth. 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. OSK has also worked in collaboration with the Baltimore City Community College and the Mayor's Office of Employment Development to provide pre-GED services and job-readiness training to OSK youth. To date, this program has served 30 youths.
- **Operation Safe Streets** – In Fiscal 2007, the Health Department launched a new intervention, Operation Safe Streets (OSS). OSS 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. OSS replicates Ceasefire Chicago, which is a model based on five core components: community coalition building, street outreach to at-risk youth, public education, clergy involvement, and law enforcement collaboration. The Health Department launched its first OSS site in Southeast Baltimore near McElderry Park in June 2007 and expects to begin service at a second site, on the west side of Baltimore in fall 2007.

Objective 2: Make Baltimore a cleaner and greener city

Cleaner Baltimore Initiative

On March 1, 2007, the City launched the Cleaner Baltimore Initiative. Since then, the City has implemented numerous operational changes to improve efficiency and effectiveness of the city's trash and recycling operations. Key among them are:

- Response time for cleaning complaints (dirty alleys, backyards, lots) reduced from 21 to 14 days.
- Response time for boarding of vacant houses reduced from 21 to 7 days.
- Graffiti removal crews increased their work schedules to seven days a week to be able to respond to graffiti removal along all major gateways within three days and all other City-wide requests within seven days.
- Mechanical sweeping operations increased to serve an additional 320 miles of streets each week.
- An additional 750 trash cans were installed along gateways and at bus stops across the City of Baltimore.
- The Sanitation Code Enforcement unit was transferred from the Department of Public Works to the Department of Housing and Community Development to increase efficiency of management and service delivery.
- The Cleaning and Boarding activity was transferred from the Department of Housing and Community Development to the Department of Public Works to augment and compliment existing cleaning operations.

The Fiscal 2007 General Fund surplus provided supplemental funds for the Clean & Green Initiatives. Included among these initiatives are:

- \$200,000 for an anti-litter campaign, that will include the use of multi-media to heighten awareness about litter, target messages to specific demographic groups to inform them as to what they can do to keep the City clean and partner with schools to develop lower and upper school curriculums to promote the right behaviors and recycling.
- \$300,000 for the development of Clean Action Plans, a process through which community organizations, businesses, citizens groups or individuals can propose a clean plan for their block or community. These plans will address major trash problems and/or chronic trash issues. The City will respond to these requests by organizing a team based on issues outlined, meeting with the individuals who proposed the plans and developing short and long term solutions to address the issues raised.

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

After School Programs

Over the past two years, the City has succeeded in markedly expanding its school-based after school programs and initiating the establishment of community schools throughout the City. In addition, the City also contributed to the establishment and operation of Youth Places and A-Teams. Youth Places are high quality community based (center based) after school programs that connect youth to caring adults and allow the youth to develop safe and supportive environments throughout the City. The A-Team program connects middle school aged youth to professionals in the art, athletics and enhanced academics over a six to eight month period, allowing students to master new skills and increase their sense of future opportunities. To ensure appropriate program implementation, the City will continue to work closely with representatives of the Baltimore City Public School System, the Family League of Baltimore City and numerous children and youth centered non-profits.

Creative Baltimore Fund

The City used \$750,000 from the Fiscal 2006 surplus to provide the Baltimore Office of Promotion and the Arts (BOPA) to create the Creative Baltimore Fund. This fund enabled the Baltimore based non-profit art, culture and heritage organizations to offer free admission to attractions, programs, workshops, classes, performances and special events during the Fall 2006. The funds were used to expand BOPA's outreach to families, young adults and other traditionally undeveloped audiences.

Free Fall Baltimore

The City continued Free Fall Baltimore and the Baltimore Museum of Art/Walters Art Museum free admission program during Fiscal 2007. The Free Fall Baltimore program provided grants to the City's cultural organizations that allowed them

to present free programming including admissions, workshops, performances, lectures and tours to residents during October 2007. The 2007 program reached about 90,000 residents and guests.

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

Blue Ribbon Commission

During the first quarter of 2007, the Mayor appointed a broad based Blue Ribbon Commission of 30 community leaders, businesspeople, and elected officials to study and recommend opportunities for realigning the city property tax rate and fee structure for the purposes of reducing the property tax rate and to make the City more competitive with surrounding jurisdictions. Currently the City's real property tax rate can be a disincentive for residents and business to invest in City property because the rate is at least twice the rate of surrounding counties. The committee is to establish recommendations for reforming the local tax and fee structure for the City to allow less dependency on property taxes and to support the city's long-term fiscal health. The committee is scheduled to submit its recommendations to the Mayor in January of 2008.

Job Development

The Baltimore Development Corporation's (BDC) mission is to stabilize and expand the City's job base by retaining existing City-based employers, helping them grow and recruiting new employers to the City. In Calendar 2006, BDC directly assisted 140 small, medium and large companies, accounting for 3,996 jobs retained and created. Since 2000, BDC has assisted 665 businesses and development projects, resulting in the retention and creation of 33,995 jobs. On average, 83.0% of the businesses and projects assisted by BDC in any given year are outside of downtown in Baltimore's industrial areas, retail districts and neighborhoods.

Minority Business Opportunities

The Mayor's Office of Minority Business Development was established in April 2001 with a stated mission of creating wealth through business opportunities for minority-owned and women-owned firms. As a result of the Administration's efforts, the Board of Estimates contract awards to minority-owned and women-owned businesses more than tripled from \$44.7 million in 2000 to \$142.2 million in 2006. In this time, the City has awarded 118 contracts of \$1.0 million or more to minority-owned and women-owned businesses. Currently, more than half (53.0%) of Baltimore Development Corporation (BDC) projects receiving support from the City include minority ownership.

East Baltimore Development Initiative (EBDI)

The City, through East Baltimore Development, Inc. (EBDI), is working to create a privately owned biotechnology center north of the Johns Hopkins Medical Institutions and revitalize the surrounding neighborhoods through the construction and selective renovation of homes and commercial properties. This is expected to create 8,000 new jobs and construct over 2,000 new and rehabilitated housing units. The strategy is to simultaneously develop a new biotechnology building and to rehabilitate vacant substandard homes in surrounding neighborhoods to create a mixture of new and restored properties for a mix of family incomes north of the biotechnology center. Phase I of the EBDI area is well underway. The first building at the Science & Technology Park at Johns Hopkins is expected to open in Spring 2008. Also included in Phase I are:

- Park View at Ashland Terrace, a 74 unit building available to individuals 62 or older with household income that are 50% or less of the Area Median Income (AMI) opened in September 2007;
- A mixed income development that includes the renovation of existing buildings along with new construction is underway along Chase, Washington and McDonogh Streets. This will provide 63 rental and 123 homeownership units and is anticipated to be completed in 2008; and
- Ashland Commons will consist of 74 units of workforce housing and is expected to be available for occupancy in December 2007.

Training for Health Care Workers

The Fiscal 2007 surplus provided \$175,000 to the Health Department to provide funding for the training to support the upgrade of skills of City residents who work in organized health care facilities. The funding will provide grants to the Service

Employees International Union (SEIU) and the American Federation of State, Counties and Municipal Employees (AFSCME). An Advisory Board comprised of, but not limited to, the Labor Commissioner, Commissioner of Health, Director of Mayor's Office of Employment Development and representatives of SEIU and AFSCME will review training proposals.

Objective 5: Create stable and healthy neighborhoods

Affordable Housing Program

Initiated in 2006, the Baltimore City Affordable Housing Program 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 for 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 a five-year period and half of this amount has been committed to major residential redevelopment projects including Uplands, O'Donnell Heights, Poppleton (Phase I), Oliver and Claremont for acquisition, demolition and relocation activities. Additionally, in 2007 the City Council approved an Inclusionary Zoning ordinance that requires the inclusion of affordable housing units in certain new housing developments going forward.

Homeownership Programs

To help ensure that homeownership remains an attainable goal for Baltimore's working households, the City provides down payment and closing cost assistance through several programs including:

- **Live Near Your Work** – Provides a \$2,000 grant to first time homebuyers with no income restriction. This is a matching grant program, with \$1,000 provided by the City and \$1,000 provided by participating employers. Some 300 households are served through the program annually.
- **Buying Into Baltimore** – A joint venture of the City and the Live Baltimore Home Center. Neighborhood tours are scheduled in the spring and fall. Homebuyers that attend the trolley tour and execute a sales contract within 90 days receive a \$3,000 award towards closing costs. The program assists over 100 households a year.
- **American Dream Downpayment Initiative (ADDI)** – Provides down payment and closing cost assistance to households with incomes that are at or below 80% of the AMI. Purchasers can receive up to \$10,000 structured as a five-year forgivable loan. The program assists between two and three hundred households a year.

Neighborhood Initiatives

- **Park Heights Master Plan** – \$6.0 million in supplemental funds from the Fiscal 2006 surplus and another \$4.0 million in supplemental funds from the Fiscal 2007 surplus were approved for the implementation of the Park Heights Master Plan. The plan represents a collective multi-agency effort to plan the revitalization and renaissance of the Parks Heights neighborhood. The funds in the first phase of the plan will be used for blight elimination activity, particularly in a ten-block area that is almost entirely vacant, home improvement incentives in the form of forgivable loans and seed money for human and social service projects.
- **Healthy Neighborhoods** – \$1.0 million in supplemental funds from both the Fiscal 2006 and Fiscal 2007 surplus were approved to expand the Healthy Neighborhoods Initiative (HNI). The initiative is an effort of area foundations and the City to invest strategically in targeted blocks within certain neighborhoods. Special purchase-rehabilitation mortgages and home improvement loans are available for properties on HNI blocks.
- **New Southeast Anchor Library** – During the Spring of 2007, the first new library in the City in more than 30 years was opened. The new library replaces the Highlandtown branch and has a significantly larger collection, more convenient service hours, a café, and space for public programs and meetings not available at the old branch.

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, 2006.

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,

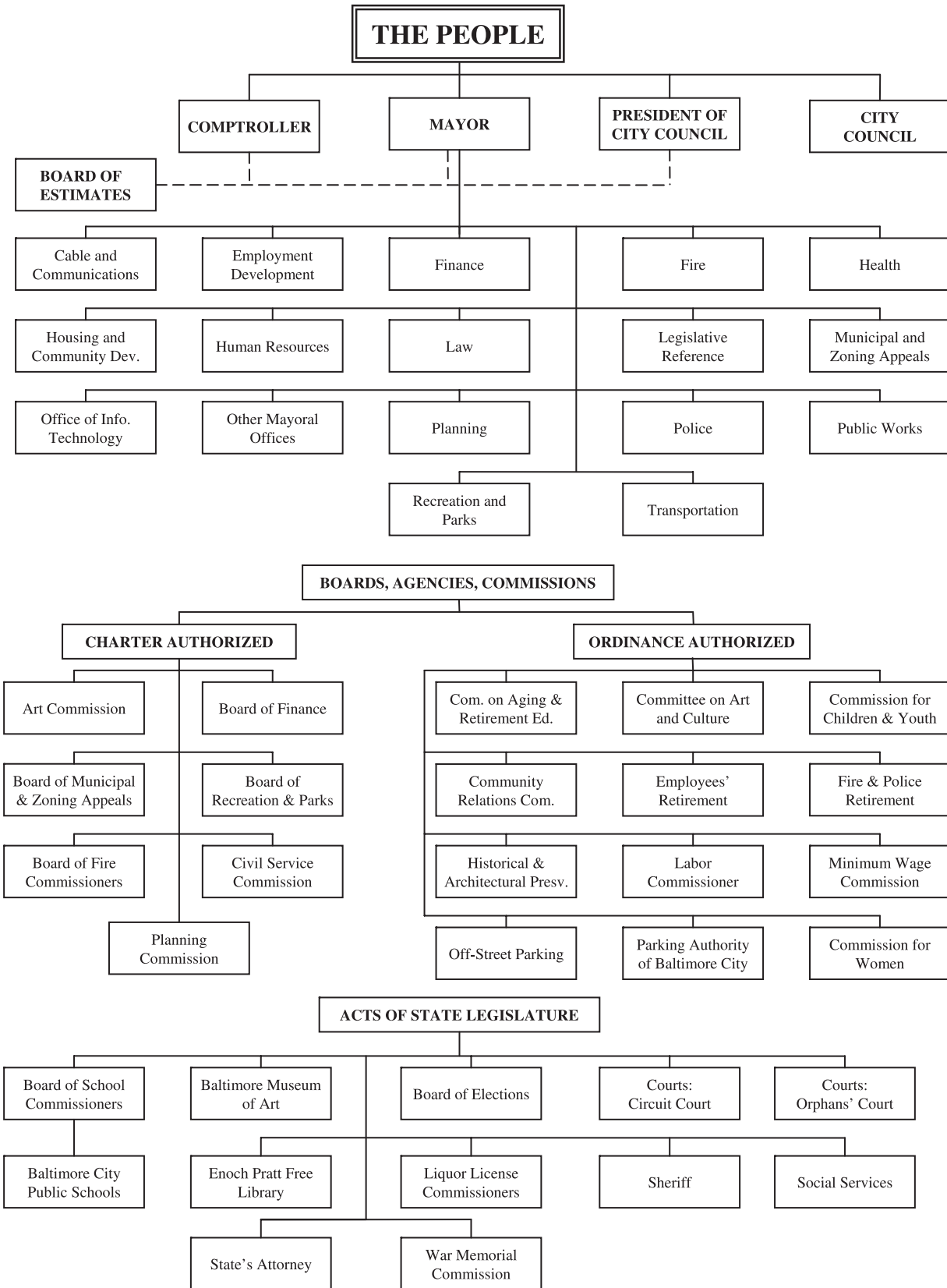


Sheila Dixon
Mayor



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, 2006

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



President

Executive Director

Financial Section

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

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CITY OF BALTIMORE

SHEILA DIXON
Mayor



621 E. Pratt Street
Baltimore, Maryland 21202

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

December 28, 2007

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, 2007, 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.

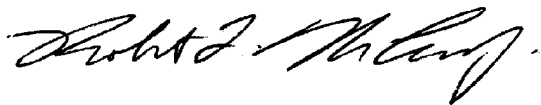
We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform 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, 2007, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States.

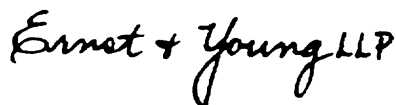
In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2007, on our consideration of the City of Baltimore, Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and 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 66 through 69, 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, 2007. 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 \$395.6 million (restricted net assets) and is net of an unrestricted surplus of \$250.3 million. During the fiscal year, the City's total net assets increased by \$555.1 million.

As of June 30, 2007, the City's governmental funds reported combined ending fund balances of \$360.9 million. At the close of the current fiscal year, unreserved fund balance for the general fund was \$56.0 million or 4.7% of total general fund expenditures of \$1.2 billion.

The City's total long-term debt increased by \$5.6 million (1.0%), during the current fiscal year. The key factors in this increase were issuances of \$51.9 million in general obligation bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The City's basic financial statements comprise three components:

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

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

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

Financial Report Layout and Structure

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

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

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

C A F R	Introductory Section				
	Financial Section				
	Management's Discussion and Analysis				
		Government-wide Statements	Fund Statements		
			Governmental Funds	Proprietary Funds	Fiduciary Funds
	View	Broad overview similar to a private sector business	Grouping of related activities used by state and local governments to ensure and demonstrate compliance with finance-related legal requirements		
	TYPES OF FINANCIAL STATEMENTS	Statement of Net Assets	Balance Sheet	Statement of Fund Net Assets	Statement of Fiduciary Net Assets
			Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Revenues, Expenses, and Changes in Fund Net Assets	
		Statement of Activities		Statement of Cash Flows	Statement of Changes in Fiduciary Net Assets
		Full accrual basis for revenues and expenses, includes all assets and liabilities. Economic resource focus	Modified accrual basis for revenues and expenses. Financial resource measurement focus	Full accrual basis for revenues and expenses, includes all assets and liabilities. Economic resource focus	Accrual basis-agency funds do not have measurement focus
	Notes to the Basic Financial Statements				
	Required Supplementary Information				
	Combining and Individual Fund Statements and Schedules				
	Statistical Section				

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City’s finances, in a manner similar to a private-sector business. This section contains the Statement of Net Assets and the Statement of Activities.

The Statement of Net Assets presents information on all of the City’s assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether or not the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City’s net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as, revenues pertaining to uncollected taxes and expenses pertaining to earned, but unused, vacation and sick leave.

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

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

The government-wide financial statements include, not only the City itself (known as the primary government), but also the legally separate activities of the Baltimore City Public School System and the Baltimore Hotel Corporation. Summary financial information for these component units are reported separately from the financial information presented for the primary government itself. The Baltimore City Public School System prepared its own financial statements, which are also prepared in conformity with GASB 34 and 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 proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Fiduciary funds

Fiduciary funds are used to report assets held in a trust or agency capacity for others. These resources cannot be used to support the City's own programs and are not reflected in the government-wide financial statements. The City's fiduciary funds are comprised of pension trust 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	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$1,323,709	\$ 882,476	\$ 675,504	\$ 560,279	\$1,999,213	\$1,442,755
Capital assets, net	3,420,879	3,345,855	2,216,814	2,016,783	5,637,693	5,362,638
Total assets	4,744,588	4,228,331	2,892,318	2,577,062	7,636,906	6,805,393
Long-term liabilities outstanding	1,275,212	1,222,382	1,188,576	1,012,384	2,463,788	2,234,766
Other liabilities	708,287	675,127	108,092	93,899	816,379	769,026
Total liabilities	1,983,499	1,897,509	1,296,668	1,106,283	3,280,167	3,003,792
Net assets:						
Invested in capital assets, net of related debt	2,622,303	2,684,600	1,088,511	1,127,216	3,710,814	3,811,816
Restricted	26,516	13,773	369,069	282,924	395,585	296,697
Unrestricted	112,270	(367,551)	138,070	60,639	250,340	(306,912)
Total net assets	\$2,761,089	\$2,330,822	\$1,595,650	\$1,470,779	\$4,356,739	\$3,801,601

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 \$5.6 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, \$396 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance is a surplus in unrestricted net assets of \$250.3 million.

CITY OF BALTIMORE

Changes in Net Assets

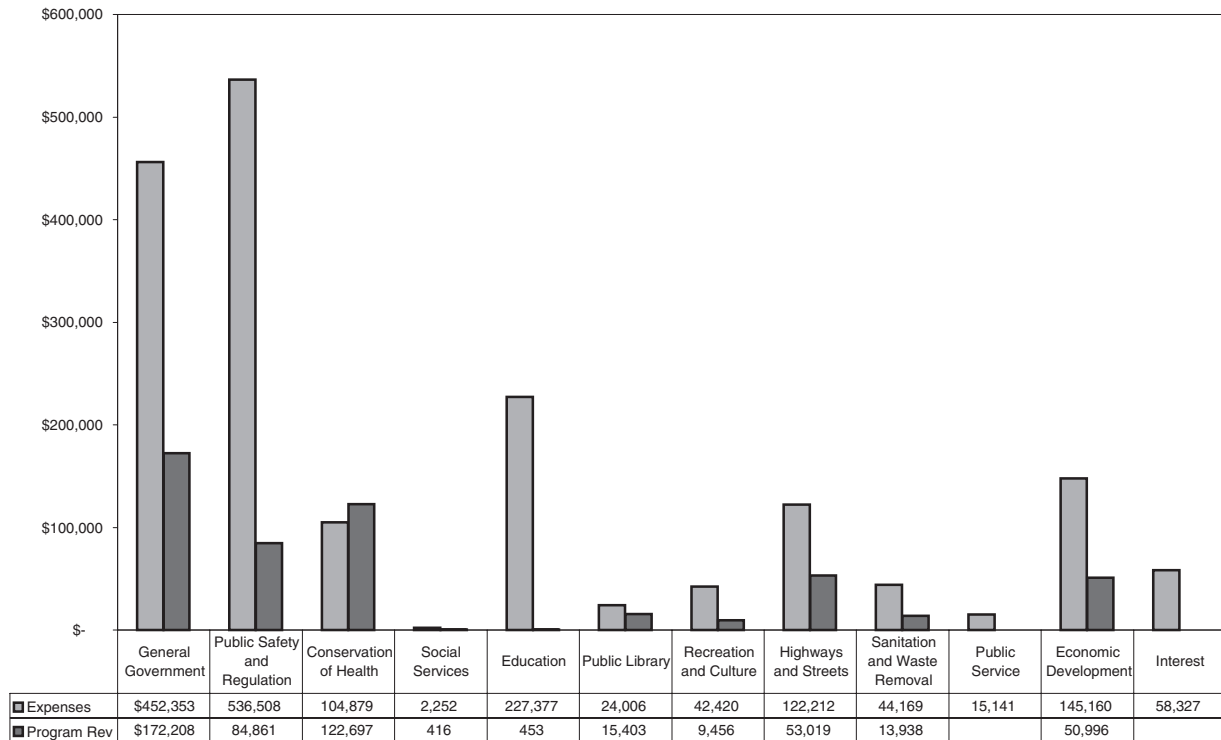
(Expressed in Thousands)

	Governmental activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for services	\$ 93,046	\$ 90,545	\$ 337,818	\$ 317,743	\$ 430,864	\$ 408,288
Operating grants and contributions	382,316	393,328			382,316	393,328
Capital grants and contributions	48,085	57,313	78,032	69,370	126,117	126,683
General revenues:						
Property taxes	592,065	558,089			592,065	558,089
Income taxes	243,611	225,517			243,611	225,517
State shared revenue	226,692	222,911			226,692	222,911
Transfer and recordation tax	105,383	116,515			105,383	116,515
Electric and gas tax	18,654	27,595			18,654	27,595
Telecommunications tax	29,537	28,874			29,537	28,874
Admission	9,188	8,562			9,188	8,562
Other	131,040	98,815		1,665	131,040	100,480
Total revenues	1,879,617	1,828,064	415,850	388,778	2,295,467	2,216,842
Expenses:						
General government	452,353	339,059			452,353	339,059
Public safety and regulation	536,508	514,299			536,508	514,299
Conservation of health	104,879	162,319			104,879	162,319
Social services	2,252	30,584			2,252	30,584
Education	227,377	225,890			227,377	225,890
Public library	24,006	30,400			24,006	30,400
Recreation and culture	42,420	33,060			42,420	33,060
Highways and streets	122,212	123,930			122,212	123,930
Sanitation and waste removal	44,169	40,155			44,169	40,155
Public service	15,141	15,218			15,141	15,218
Economic development	145,160	449,746			145,160	449,746
Interest	58,327	50,070			58,327	50,070
Water			95,576	95,010	95,576	95,010
Waste water			131,610	134,290	131,610	134,290
Parking			16,520	19,441	16,520	19,441
Conduits			5,937	8,065	5,937	8,065
Development loans			3,033	2,999	3,033	2,999
Industrial development			3,687	3,226	3,687	3,226
Total expenses	1,774,804	2,014,730	256,363	263,031	2,031,167	2,277,761
Increase (decrease) in net assets before transfers	104,813	(186,666)	159,487	125,747	264,300	(60,919)
Transfers:						
Transfers in (out)	33,870	34,024	(33,870)	(34,024)		
Change in net assets	138,683	(152,642)	125,617	91,723	264,300	(60,919)
Net assets — beginning restated	2,622,406	2,483,464	1,470,033	1,379,056	4,092,439	3,862,520
Net assets — ending	\$2,761,089	\$2,330,822	\$1,595,650	\$1,470,779	\$4,356,739	\$3,801,601

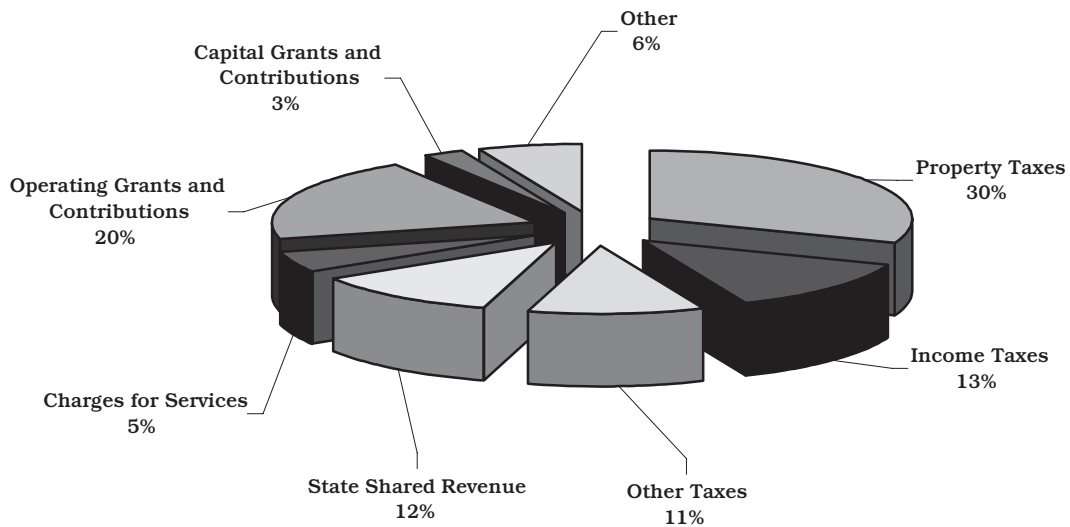
Analysis of Changes in Net Assets

The overall increase in the City’s net assets amounted to \$264.3 million during the current fiscal year. These changes are explained in the government and business-type activities discussion below.

Expenses and Program Revenues — Governmental Activities



Revenues By Source — Governmental Activities



Governmental activities

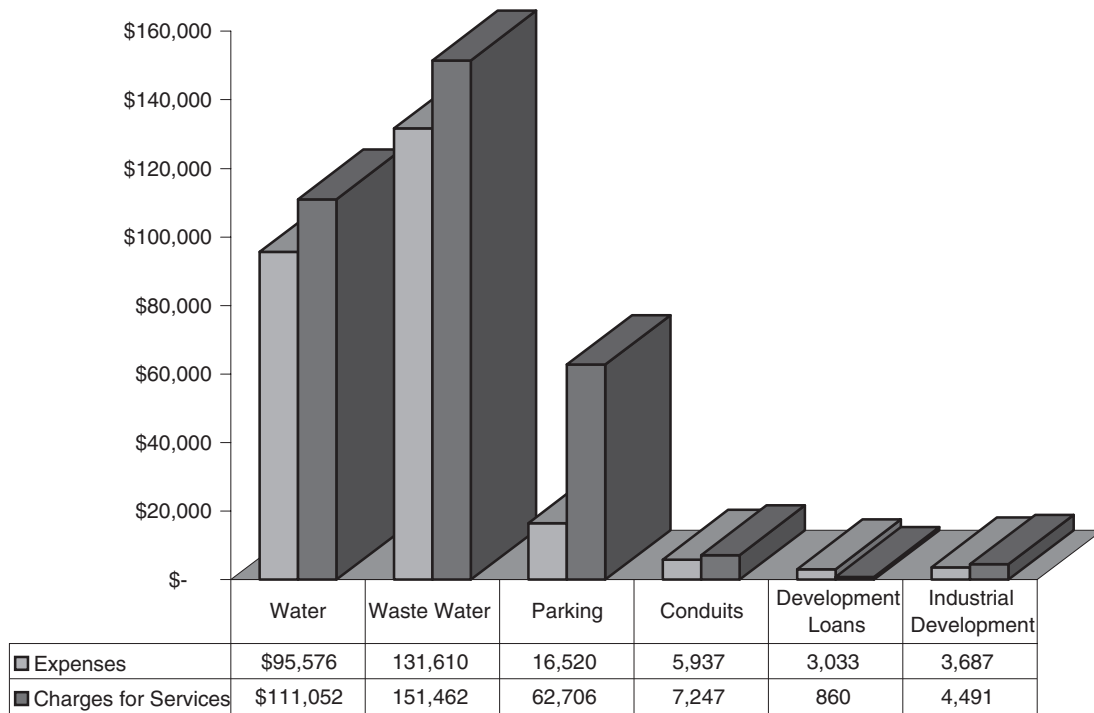
During the current fiscal year, expenses related to governmental activities amounted to \$1.8 billion, this is less than revenues by \$104.8 million. Total revenue of \$1.9 billion is comprised of program revenues totaling \$523.4 million, or 27.5%, and general revenues of \$1.4 billion, or 73.7%. Program 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 2007, governmental activities revenues increased by \$51.5 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 \$1.4 billion from fiscal year 2006 to fiscal year 2007.

Governmental expenses decreased by \$239.9 million during fiscal year 2007. The decrease is primarily attributable to one-time economic development expenses in fiscal 2006 of \$300.1 million to fund the Baltimore Hotel Corporation. Public Safety expenses increased by \$22.2 million in fiscal year 2007 as the city continued its efforts to reduce violent crimes.

Governmental unrestricted net assets increased by \$479.8 million during fiscal year 2007. This increase is attributable to recording a notes receivable from the Baltimore Hotel Corporation for monies due the primary government from the initial funding of the convention center hotel.

Expenses and Program Revenues—Business-type Activities



Business-type Activities

Charges for services represent the principal revenue source for the City’s business-type activities. During the current fiscal year, revenue from business-type activities totaled \$415.9 million. Expenses and transfers for these activities totaled \$290.2 million and resulted in an increase in net assets of \$125.6 million.

Operating revenues increased by \$16.6 million in fiscal year 2007 in the Water and Waste Water Utility Funds. The increase in revenues is attributable to 9% rate increases in both 2006 and 2007. 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 \$196.2 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 \$4.7 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 2007 and 2006

(Expressed in Thousands)

	2007	2006	Variance Amount
Revenues:			
General fund:			
Property taxes	\$ 592,065	\$ 552,538	\$ 39,527
Income taxes	243,611	225,250	18,361
Other local — taxes	204,685	214,676	(9,991)
Total local taxes	<u>1,040,361</u>	<u>992,464</u>	<u>47,897</u>
Licenses and permits	32,784	31,143	1,641
Interest, rentals, and other investment income	34,047	31,206	2,841
State grants	98,120	91,331	6,789
Other	53,283	54,597	(1,314)
Total revenues — general fund	<u>1,258,595</u>	<u>1,200,741</u>	<u>57,854</u>
Other governmental funds:			
Motor vehicle fund	244,316	238,002	6,314
Grants revenue fund	258,288	280,232	(21,944)
Capital projects fund	66,341	84,247	(17,906)
Other funds	55,941	32,251	23,690
Total revenues other governmental funds	<u>624,886</u>	<u>634,732</u>	<u>(9,846)</u>
Total revenues all governmental funds	<u>1,883,481</u>	<u>1,835,473</u>	<u>48,008</u>
Expenditures:			
General fund:			
General government	337,700	290,727	46,973
Public safety and regulation	446,072	416,781	29,291
Conservation of health	28,948	30,507	(1,559)
Social services	3,007	2,138	869
Education	206,016	205,552	464
Public library	23,135	20,853	2,282
Recreation and culture	34,568	29,151	5,417
Highways and streets	484	312	172
Sanitation and waste removal	39,754	37,474	2,280
Public service	12,210	12,448	(238)
Economic development	30,440	21,420	9,020
Total expenditures — general fund	<u>1,162,334</u>	<u>1,067,363</u>	<u>94,971</u>
Other governmental funds:			
Motor vehicle fund	164,419	157,248	7,171
Grants revenue fund	257,756	272,814	(15,058)
Capital projects fund	246,775	568,951	(322,176)
Other funds	124,497	102,527	21,970
Total expenditures other governmental funds	<u>793,447</u>	<u>1,101,540</u>	<u>(308,093)</u>
Total expenditures all governmental funds	<u>1,955,781</u>	<u>2,168,903</u>	<u>(213,122)</u>
Excess of expenditures over revenue	<u>(72,300)</u>	<u>(333,430)</u>	<u>261,130</u>
Other financing sources (uses):			
Transfers, net	20,694	16,568	4,126
Capital Projects Fund:			
Capital leases	25,447	10,265	15,182
Face value of federal loans		11,700	(11,700)
Face value of funding and refunding general obligation bonds	51,915	47,535	4,380
Face value of transportation revenue bonds	30,000	300,940	(270,940)
Face value of special obligation bonds		2,977	(2,977)
Proceeds from revenue bond premium		16,524	(16,524)
Demand obligation transferred from fund liability		38,531	(38,531)
Total other financing sources (uses)	<u>128,056</u>	<u>445,040</u>	<u>(316,984)</u>
Net changes in fund balances	55,756	111,610	(55,854)
Fund balances beginning	<u>305,133</u>	<u>193,523</u>	<u>111,610</u>
Fund balances ending	<u>\$ 360,889</u>	<u>\$ 305,133</u>	<u>\$ 55,756</u>

Revenues for governmental functions overall totaled approximately \$1.9 billion in the fiscal year ended June 30, 2007, which represents an increase of 2.6% from the fiscal year ended June 30, 2006. Expenditures for governmental functions, totaling \$2.0 billion, decreased by approximately 10.9% from the fiscal year ended June 30, 2006. In the fiscal year ended June 30, 2007, expenditures for governmental functions exceeded revenues by \$72.3 million, or 3.6%.

The General Fund is the chief operating fund of the City. Revenues in the General Fund increased by \$57.9 million over last fiscal year. The primary factor in this increase was the continued growth in local taxes, which increased by \$47.9 million. Property taxes increased by \$39.5 million as a result of low interest rates driving continued growth in the housing market across the region. Income taxes increased by \$18.4 million as a result of the improving economy. Other local taxes decreased by \$10.0 million. Expenditures in the General Fund grew by \$95.0 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 \$46.9 million as a result of the City’s increased contributions to employee retirement and benefit programs.
- *Public Safety* expenditures increased by \$29.3 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 \$12.8 million, while total fund balance was \$225.0 million. The fund balance in the City’s General Fund increased by \$13.4 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 \$244.3 million were more than outlays of \$164.4 by \$79.9 million. The fund balance decreased from \$16.9 to \$14.9 million during the fiscal year, of which \$4.7 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 \$183.6 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.

	Water and Waste Water Utility Funds		Parking Facility Fund		Nonmajor Other Funds	
	2007	2006	2007	2006	2007	2006
Operating revenue	\$262,514	\$245,876	\$ 62,706	\$ 61,896	\$12,598	\$11,636
Operating expenses	229,186	223,645	9,579	10,767	12,982	14,447
Operating income	33,328	22,231	53,127	51,129	(384)	(2,811)
Non operating revenues (expenses), capital contributions, and transfers	70,440	60,394	(41,393)	(44,193)	1,676	1,572
Change in net assets	\$103,768	\$ 82,625	\$ 11,734	\$ 6,936	\$ 1,292	\$(1,239)

As discussed in the Business-type activities section, both the Water and Waste Water Utilities Funds experienced operating revenue increases in fiscal year 2007. 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, 2007

(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance With Original Budget Positive (Negative)	Variance With Final Budget Positive
Total revenues	\$1,199,103	\$1,235,936	\$1,257,489	\$ 58,386	\$21,553
Expenditures and encumbrances:					
General government	340,395	351,661	342,293	(1,898)	9,368
Public safety and regulation	424,621	449,221	447,990	(23,369)	1,231
Conservation of health	29,297	31,422	29,904	(607)	1,518
Social services	3,695	3,695	3,095	600	600
Education	206,057	206,057	206,057		
Public library	22,210	22,210	22,201	9	9
Recreation and culture	34,754	36,094	33,750	1,004	2,344
Highways and streets	525	525	525		
Sanitation and waste removal	39,973	40,273	39,973		300
Public service	13,297	13,297	12,646	651	651
Economic development	31,005	33,377	30,443	562	2,934
Total expenditures	1,145,829	1,187,832	1,168,877	\$(23,048)	\$18,955
Excess of revenues over expenditures and encumbrances	53,274	48,104	88,612		
Other financing uses:					
Transfers in	34,162	34,162	35,370		
Transfers out	(119,307)	(119,307)	(118,200)		
Total other financing uses	(85,145)	(85,145)	(82,830)		
Net changes in fund balances	(31,871)	(37,041)	5,782		
Fund balances beginning	175,454	175,454	175,454		
Fund balances ending	\$ 143,583	\$ 138,413	181,236		
Adjustments to reconcile to GAAP basis:					
Addition of encumbrances outstanding			53,395		
Less: Accounts payable not recorded for budgetary purposes			(9,676)		
Fund balance June 30, 2007 - GAAP Basis			\$ 224,955		

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 \$42.0 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 \$23.0 million, but were \$19.0 million less than adjusted appropriations. Of this amount, \$18.0 million was related to six governmental activities: lower than budgeted cost for public safety operations amounted to \$1.2 million; lower than budgeted cost for general government operations amounted to \$9.4 million; lower than budgeted cost for economic development operations amounted to \$2.9 million, lower than budgeted cost for conservation of health operations amounted to \$1.5 million, and lower than budgeted cost for recreation and culture amounted to \$2.3 million, and lower than budget cost for public service amounted to \$0.7 million.

On a budgetary basis, revenue for fiscal year 2007 totaled \$1,257.5 million and expenditures and transfers totaled \$1,251.7 million. The excess of revenues over expenditures resulted in a budget basis fund balance at June 30, 2007 of \$181.2 million, an increase of \$5.8 million. In creating its budget for the fiscal year ended June 30, 2007, the City used \$43.2 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, 2007, amount to \$5.6 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 5.1% (a 2.2% increase for governmental activities and a 9.9% 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	
	2007	2006	2007	2006	2007	2006
Land	\$ 142,202	\$ 142,202	\$ 23,846	\$ 23,846	\$ 166,048	\$ 166,048
Buildings and Improvements	606,177	621,108	1,200,157	1,206,586	1,806,334	1,827,694
Machinery and Equipment	111,668	97,132	33,951	37,104	145,619	134,236
Infrastructure	1,261,886	1,307,809	36,841	37,520	1,298,727	1,345,329
Library Books	29,100	21,876			29,100	21,876
Construction in Progress	1,269,846	1,155,728	922,019	711,727	2,191,865	1,867,455
Total	\$3,420,879	\$3,345,855	\$2,216,814	\$2,016,783	\$5,637,693	\$5,362,638

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 \$2.3 billion. Of this amount, \$609.9 million is general obligation bonds backed by the full faith and credit of the City, \$407.4 million is revenue bonds for governmental activity at the Convention Center, the Convention Center Hotel, for various stormwater projects and transportation bonds, and \$1.30 billion is 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 \$358.5 million during the current year. The major factors in the increase are the issuance of \$51.9 million in General Obligation Bonds, and \$306.6 million in Revenue Bonds.

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

	FY 2007	FY 2006
Net general bonded debt (Expressed in thousands)	\$579,654	\$562,522
Net general bonded debt per capita (Rounded to nearest dollar)	N/A	844
Ratio of net general bonded debt to net assessed value	2.3%	2.4%

See note number 7 on long-term obligations.

N/A Information not available

As of June 30, 2007, the City had \$612.4 million in authorized, outstanding property tax-supported general obligation bonds. This amount is reduced by net assets in the Debt Service Fund of \$30.3 million for net tax-supported bonded debt of \$582.1 million, which is equal to approximately 2.6% of the assessed value of property (net of exemptions). There are an additional \$282.9 million in bonds that are authorized, but unissued.

Economic Factors and Next Year's Budget and Rates

The Fiscal 2008 budget submitted by the Board of Estimates to the Baltimore City Council proposed total appropriations of \$2,648,180,694 of which \$1,282,973,000 were for General Fund operations and Pay-As-You-Go (PAYGO) capital; \$245,965,000 was for Motor Vehicle Fund operations and PAYGO capital; and \$44,181,000 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 rate on real property was reduced by \$0.02 to \$2.268 per \$100 of assessed valuation, and by \$0.05 to \$5.67 per \$100 of assessed valuation on personal property. This was the third year of a five year plan to reduce the real property tax rate by ten cents. In the first three years of the plan the real property rate has been reduced by six cents. 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 11, 2007.

Fiscal 2008 Budget—Economic Factors

The City will face in Fiscal 2008 a budget year full of challenges. However, unlike prior years, market conditions suggest prudence in compromising the City's future revenue resources. The unprecedented housing market activity of recent years took the City's tax base to record levels. For the fifth consecutive year, the City experienced a two digit assessment growth, and doubled the average home prices during the same period, which are still growing at a faster pace than the other counties within the Baltimore Metropolitan Area. However, the main challenge for Fiscal 2008 is to maintain a sustainable growth path that will support the proper resources allocation.

There are two aspects for consideration as the City plans for the budget year. First, on the positive side, the City is beginning to experience a demographic change in its income tax base. The latest Census Bureau estimate (based on the City's appeal of the 2006 estimate) shows the first increase in population since 1971. Additionally, there are strong signs that this shift in population is also generating more average revenues per city resident. As an example, historically City income tax revenues grew at about 50% of State growth rate, but in Fiscal 2007, the City had a significant 8.2% growth, which exceeds the estimated 6.8% for the State. The second area for consideration is the impact of the national housing market slowdown on the Fiscal 2008 City budget. Revenues related to this segment of the economy such as recordation and transfer tax, were adjusted to reflect the current market conditions.

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, 2007

(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	\$ 294,364	\$ 185,632	\$ 479,996	\$ 33,494	\$ 11
Investments	304,257		304,257	136,750	269,657
Property taxes receivable, net	25,919		25,919		
Other receivables, net	32,101	70,820	102,921	2,074	
Due from other governments	263,219	3,426	266,645	46,472	
Internal balances	23,198	(23,198)			
Due from primary government				22,862	
Inventories	4,677	4,867	9,544	979	
Restricted:					
Cash and cash equivalents	7,438	275,620	283,058		
Investments		8,014	8,014		
Accounts receivable		85,234	85,234		
Notes and mortgages receivable, net	310,066	56,459	366,525		
Other assets	58,470		58,470	77	12,829
Issuance costs		8,630	8,630	606	
Capital assets, net of accumulated depreciation	2,008,831	1,270,998	3,279,829	416,759	
Capital assets, not depreciated	1,412,048	945,816	2,357,864		42,657
Total assets	4,744,588	2,892,318	7,636,906	660,073	325,154
Liabilities:					
Accounts payable and accrued liabilities	198,353	11,022	209,375	136,298	6,577
Accrued interest payable	13,647	12,183	25,830		
Estimated claims in progress	154,550		154,550		
Due to other governments		1,424	1,424		
Unamortized premiums on bonds	15,216	6,277	21,493		
Matured bonds payable	1,092		1,092		
Unearned revenue	152,986		152,986	4,159	
Notes Payable					300,940
Deposits subject to refund	63,401	15	63,416		
Restricted accounts payable		46,649	46,649		
Revenue bonds payable:					
Due within one year	2,060	16,147	18,207		
Due in more than one year	405,347	1,183,173	1,588,520		
Long term debt payable:					
Due within one year	49,326	415	49,741	4,735	
Due in more than one year	625,108	2,416	627,524	55,805	
Capital leases payable:					
Due within one year	15,355		15,355	6,447	
Due in more than one year	164,540		164,540	77,418	
Compensated absences:					
Due within one year	38,653	8,107	46,760	5,897	
Due in more than one year	63,637	2,987	66,624	68,432	
Landfill closure due in more than one year	16,580		16,580		
Other liabilities	3,648	5,853	9,501	19	16,083
Total liabilities	1,983,499	1,296,668	3,280,167	359,210	323,600
Net assets:					
Invested in capital assets, net of related debt	2,622,303	1,088,511	3,710,814	268,460	
Restricted for:					
Construction		262,739	262,739	16,863	
Debt service		106,330	106,330	2,499	
Perpetual care:					
Expendable	19,997		19,997		
Nonexpendable	6,519		6,519	519	
Unrestricted	112,270	138,070	250,340	12,522	1,554
Total net assets	\$2,761,089	\$1,595,650	\$4,356,739	\$300,863	\$ 1,554

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, 2007

(Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets					
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units		
					Governmental Activities	Business-type Activities	Total	Baltimore City Public School System	Baltimore Hotel Corporation	
Primary Government:										
Governmental activities:										
General government	\$ 452,353	\$ 20,456	\$ 151,752		\$ (280,145)		\$ (280,145)			
Public safety and regulation	536,508	32,018	52,843		(451,647)		(451,647)			
Conservation of health	104,879	2,253	120,444		17,818		17,818			
Social services	2,252	416			(1,836)		(1,836)			
Education	227,377		453		(226,924)		(226,924)			
Public library	24,006	315	15,088		(8,603)		(8,603)			
Recreation and culture	42,420	627	4,110	\$ 4,719	(32,964)		(32,964)			
Highways and streets	122,212	23,023		29,996	(69,193)		(69,193)			
Sanitation and waste removal	44,169	13,938			(30,231)		(30,231)			
Public service	15,141				(15,141)		(15,141)			
Economic development	145,160		37,626	13,370	(94,164)		(94,164)			
Interest	58,327				(58,327)		(58,327)			
Total governmental activities	1,774,804	93,046	382,316	48,085	(1,251,357)		(1,251,357)			
Business-type activities:										
Water	95,576	111,052		23,160		\$ 38,636	38,636			
Waste water	131,610	151,462		53,776		73,628	73,628			
Parking	16,520	62,706		920		47,106	47,106			
Conduits	5,937	7,247		144		1,454	1,454			
Development loans	3,033	860		32		(2,141)	(2,141)			
Industrial development	3,687	4,491				804	804			
Total business-type activities	256,363	337,818		78,032		159,487	159,487			
Total primary government	\$2,031,167	\$430,864	\$ 382,316	\$ 126,117	(1,251,357)	159,487	(1,091,870)			
Component units:										
Baltimore City Public School System	\$1,151,407	\$ 2,683	\$1,138,603	\$ 43,690				\$ 33,569		
Baltimore Hotel Corporation	1,075									\$(1,075)
General revenues:										
Property taxes					592,065		592,065			
Income taxes					243,611		243,611			
Transfer and recordation tax					105,383		105,383			
Electric and gas tax					18,654		18,654			
Telecommunications tax					29,537		29,537			
Admission tax					9,188		9,188			
Other local taxes					41,923		41,923			
State shared revenues					226,692		226,692			
Unrestricted investment income					47,560		47,560	11,900	2,372	
Miscellaneous					41,557		41,557	16,587	257	
Transfers					33,870	(33,870)				
Total general revenues and transfers					1,390,040	(33,870)	1,356,170	28,487	2,629	
Change in net assets										
Net assets — beginning restated — See Note 19					138,683	125,617	264,300	62,056	1,554	
Net assets — ending					2,622,406	1,470,033	4,092,439	238,807		
Net assets — ending					\$ 2,761,089	\$1,595,650	\$4,356,739	\$300,863	\$ 1,554	

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

CITY OF BALTIMORE

Balance Sheet

Governmental Funds

June 30, 2007

(Expressed in Thousands)

	General Fund	Motor Vehicle Fund	Grants Revenue Fund	Capital Projects Fund	Other Funds	Total
Assets:						
Cash and cash equivalents	\$133,337	\$ 122	\$ 75	\$ 16,736	\$24,422	\$174,692
Investments	149,880			130,385	19,176	299,441
Property taxes receivable, net	25,919					25,919
Other receivables, net	14,590	514		3,425	207	18,736
Due from other governments	39,385	39,144	31,476	41,962	6,507	158,474
Due from other funds	45,613			27,088	1,358	74,059
Notes, mortgages receivable, net	5,279				3,847	9,126
Inventories, at cost	793	1,237				2,030
Other assets	58,314					58,314
Total assets	\$473,110	\$41,017	\$ 31,551	\$219,596	\$55,517	\$820,791
Liabilities and fund balances:						
Liabilities:						
Accounts payable and accrued liabilities	\$126,273	\$ 6,494	\$ 22,778	\$ 23,829	\$ 945	\$180,319
Retainages payable			100	10,783		10,883
Due to other funds		19,150	19,028	1,358	4,545	44,081
Deposits subject to refund	63,401					63,401
Deferred revenue	58,481	514	94,889		6,242	160,126
Matured bonds payable					1,092	1,092
Total liabilities	248,155	26,158	136,795	35,970	12,824	459,902
Fund balances:						
Reserved for:						
Budget stabilization	88,164					88,164
Landfill closure	14,099					14,099
Landfill development	6,309					6,309
Encumbrances	53,395	8,965		126,965	100	189,425
Inventories	793	1,237				2,030
Other assets	1,431					1,431
Long term receivable	4,721					4,721
Non-major special revenue funds					5,898	5,898
Non-major permanent funds					6,519	6,519
Unreserved:						
Designated for subsequent years' expenditures	43,223			56,661		99,884
Undesignated	12,820	4,657	(105,244)			(87,767)
Unreserved reported in:						
Debt service fund					30,296	30,296
Special revenue funds					(120)	(120)
Total fund balances	224,955	14,859	(105,244)	183,626	42,693	360,889
Total liabilities and fund balances	\$473,110	\$41,017	\$ 31,551	\$219,596	\$55,517	

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	3,383,017
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds	383,962
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.	13,827
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(1,380,606)
Net assets of governmental activities	\$ 2,761,089

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, 2007

(Expressed in Thousands)

	General Fund	Motor Vehicle Fund	Grants Revenue Fund	Capital Projects Fund	Other Funds	Total
Revenues:						
Taxes — local	\$1,040,361					\$1,040,361
State shared revenue		\$ 226,222			\$ 470	226,692
Licenses and permits	32,784	826				33,610
Fines and forfeitures	2,900	4,873				7,773
Interest, rentals and other investment income	34,047	4,171		\$ 4,049	5,293	47,560
Federal grants	93		\$ 154,745	31,696	29,506	216,040
State grants	98,120		61,066	16,389		175,575
Other grants	173		42,477			42,650
Charges for services	43,697	7,966				51,663
Miscellaneous	6,420	258		14,207	20,672	41,557
Total revenues	1,258,595	244,316	258,288	66,341	55,941	1,883,481
Expenditures:						
Current:						
General government	337,700	24,078	70,071		2,988	434,837
Public safety and regulation	446,072	42,725	52,058		602	541,457
Conservation of health	28,948		109,128			138,076
Social services	3,007					3,007
Education	206,016	3,654			2,079	211,749
Public library	23,135		7,829		94	31,058
Recreation and culture	34,568		3,922		131	38,621
Highways and streets	484	93,962			31	94,477
Sanitation and waste removal	39,754					39,754
Public services	12,210					12,210
Economic development	30,440		14,748	81,477	11,090	137,755
Debt service:						
Principal					53,351	53,351
Interest					47,302	47,302
Other bond costs					6,829	6,829
Capital outlay				139,851		139,851
Capital leases				25,447		25,447
Total expenditures	1,162,334	164,419	257,756	246,775	124,497	1,955,781
Excess (deficiency) of revenues over (under) expenditures	96,261	79,897	532	(180,434)	(68,556)	(72,300)
Other financing sources (uses):						
Transfers in	35,370			117,070	86,862	239,302
Transfers out	(118,200)	(81,986)		(6,160)	(12,262)	(218,608)
Capital leases				25,447		25,447
Face value of funding and refunding general obligation bonds				51,915		51,915
Face value of transportation revenue bonds				30,000		30,000
Total other financing sources (uses)	(82,830)	(81,986)		218,272	74,600	128,056
Net change in fund balance	13,431	(2,089)	532	37,838	6,044	55,756
Fund balances — beginning	211,524	16,948	(105,776)	145,788	36,649	305,133
Fund balances — ending	\$ 224,955	\$ 14,859	\$ (105,244)	\$ 183,626	\$ 42,693	\$ 360,889

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, 2007

(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)	\$ 55,756
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 ..	165,298
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	(3,668)
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	(107,362)
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	(42,143)
The net expense of certain activities of internal service funds is reported with governmental activities	<u>70,802</u>
Change in net assets of governmental activities (page 17)	<u>\$ 138,683</u>

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

CITY OF BALTIMORE
Statement of Fund Net Assets
Proprietary Funds

June 30, 2007

(Expressed in Thousands)

	Enterprise Funds					Governmental Activities Internal Service Funds
	Water Utility Fund	Waste Water Utility Fund	Parking Facilities Fund	Other Funds	Total	
Assets:						
Current assets:						
Cash and cash equivalents	\$ 54,730	\$ 62,748	\$ 20,400	\$47,754	\$ 185,632	\$119,672
Investments						4,816
Accounts receivable, net:						
Service billings	33,743	31,983	408	4,212	70,346	
Other			50	424	474	13,365
Due from other funds		7,000			7,000	
Due from other governments		3,426			3,426	
Inventories	4,669	198			4,867	2,647
Current restricted assets:						
Cash and cash equivalents	91,237	154,855	29,303	225	275,620	7,438
Investments	4,277	3,737			8,014	
Accounts receivable, net	7,653	77,581			85,234	
Total current assets	196,309	341,528	50,161	52,615	640,613	147,938
Noncurrent assets:						
Restricted assets:						
Mortgages receivable			56,459		56,459	
Capital assets, net	728,290	1,319,816	126,015	42,693	2,216,814	37,862
Other assets						156
Issuance costs	3,667	2,103	2,550	310	8,630	
Total noncurrent assets	731,957	1,321,919	185,024	43,003	2,281,903	38,018
Total assets	928,266	1,663,447	235,185	95,618	2,922,516	185,956
Liabilities:						
Current liabilities:						
Accounts payable and accrued liabilities	2,809	6,502	1,076	635	11,022	7,151
Accrued interest payable	4,762	4,055	3,070	296	12,183	
Deposits subject to refund	15				15	
Due to other funds	7,000	23,666		1,506	32,172	4,806
Due to other governments	1,424				1,424	
Estimated liability for claims in progress						56,904
Other liabilities	3,719	8,695			12,414	3,648
Accounts payable from restricted assets	13,930	32,020	687	12	46,649	
Revenue bonds payable	3,119	13,028	5,815		21,962	
General long-term debt payable		415			415	
Total current liabilities	36,778	88,381	10,648	2,449	138,256	72,509
Noncurrent liabilities:						
Revenue bonds payable, net	415,454	576,895	167,618	17,391	1,177,358	
Other liabilities	1,293	2,640		600	4,533	
Unamortized bond premiums		6,277			6,277	
General long-term debt payable	855	1,561			2,416	
Estimated liability for claims in progress						97,646
Total noncurrent liabilities	417,602	587,373	167,618	17,991	1,190,584	97,646
Total liabilities	454,380	675,754	178,266	20,440	1,328,840	170,155
Net assets:						
Invested in capital assets, net of related debt	308,861	727,916	9,041	42,693	1,088,511	37,862
Restricted for:						
Debt service	37,784	53,248	15,298		106,330	
Future capital construction	65,384	182,925	14,205	225	262,739	
Unrestricted (deficit)	61,857	23,604	18,375	32,260	136,096	(22,061)
Total net assets	\$473,886	\$ 987,693	\$ 56,919	\$75,178		\$ 15,801
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds					1,974	
Net assets of business-type activities					\$1,595,650	

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, 2007

(Expressed in Thousands)

	Enterprise Funds				Total	Governmental Activities Internal Service Funds
	Water Utility Fund	Waste Water Utility Fund	Parking Facilities Fund	Other Funds		
Operating revenues:						
Charges for sales and services:						
Water and sewer service	\$111,052	\$151,462			\$262,514	
Rents, fees and other income			\$ 62,706	\$10,409	73,115	\$334,621
Interest income on loans				2,189	2,189	
Total operating revenues	111,052	151,462	62,706	12,598	337,818	334,621
Operating expenses:						
Salaries and wages	27,250	30,813		1,621	59,684	15,113
Other personnel costs	10,603	12,381		633	23,617	5,157
Contractual services	37,559	59,653	8,509	3,403	109,124	30,203
Materials and supplies	6,310	8,030		93	14,433	14,297
Minor equipment				26	26	60
Claims paid and incurred						203,289
Postage and delivery services						2,566
Depreciation	11,634	24,953	1,070	910	38,567	6,065
Program expenses				2,612	2,612	
Interest				3,684	3,684	
Total operating expenses	93,356	135,830	9,579	12,982	251,747	276,750
Operating income (loss)	17,696	15,632	53,127	(384)	86,071	57,871
Nonoperating revenues (expenses):						
Gain (loss) on sale of investments	(231)		24		(207)	1,724
Loss on disposal of property						(476)
Interest expense, net	(6,297)	32	(6,967)		(13,232)	
Total nonoperating revenues (expenses)	(6,528)	32	(6,943)		(13,439)	1,248
Income (loss) before contributions and transfers	11,168	15,664	46,184	(384)	72,632	59,119
Capital contributions	23,160	53,776	920	176	78,032	7,331
Transfers in (out)			(35,370)	1,500	(33,870)	13,176
Change in net assets	34,328	69,440	11,734	1,292	116,794	79,626
Total net assets — beginning (as restated) (See note 19)	439,558	918,253	45,185	73,886		(63,825)
Total net assets — ending	\$473,886	\$987,693	\$ 56,919	\$75,178		\$ 15,801
Adjustment to reflect the consolidation of internal service activities related to enterprise funds					8,823	
Change in net assets of business-type activities					\$125,617	

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, 2007

(Expressed in Thousands)

	Enterprise Funds					Governmental Activities- Internal Service Funds
	Water Utility Fund	Waste Water Utility Fund	Parking Facilities Fund	Other Funds	Total	
Cash flow from operating activities:						
Receipts from customers	\$116,381	\$ 151,462	\$ 62,607	\$ 11,862	\$ 342,312	\$ 326,843
Payments to employees	(37,582)	(41,097)		(2,141)	(80,820)	(20,060)
Payments to suppliers	(43,993)	(69,410)	(8,978)	(11,920)	(134,301)	(260,677)
Payments for interfund services used		(7,000)			(7,000)	
Net cash provided (used) by operating activities	34,806	33,955	53,629	(2,199)	120,191	46,106
Cash flows from noncapital financing activities:						
Transfers in (out)	(4,277)		(35,370)	1,644	(38,003)	13,176
Net cash provided (used) by noncapital financing activities	(4,277)		(35,370)	1,644	(38,003)	13,176
Cash flows from capital and related financing activities:						
Mortgages receivable principal payments			2,532		2,532	
Proceeds from revenue bonds	93,491	214,135	44	689	308,359	
Principal paid on revenue bonds	(55,317)	(71,788)	(5,080)		(132,185)	
Interest paid	(5,571)	(2,080)	(6,976)		(14,627)	
Acquisition and construction of capital assets	(71,430)	(153,018)	(5,334)	27	(229,755)	(13,356)
Capital contributions	33,917	51,060	920	32	85,929	7,331
Net cash provided (used) by capital and related financing activities	(4,910)	38,309	(13,894)	748	20,253	(6,025)
Cash flows from investing activities:						
Proceeds from the sale and maturities of investments						7,139
Purchase of investments						(7,242)
Interest on investments						1,724
Net cash provided (used) by investing activities						1,621
Net increase in cash and cash equivalents	25,619	72,264	4,365	193	102,441	54,878
Cash and cash equivalents, beginning of year	120,348	145,339	45,338	47,786	358,811	72,232
Cash and cash equivalents, end of year	\$145,967	\$ 217,603	\$ 49,703	\$ 47,979	\$ 461,252	\$ 127,110
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 17,695	\$ 15,632	\$ 53,127	\$ (384)	\$ 86,070	\$ 57,871
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation expense	11,634	24,953	1,070	910	38,567	6,065
Amortization of bond discounts				35	35	
Changes in assets and liabilities:						
Accounts receivables	1,026	(2,687)	(99)	(736)	(2,496)	(9,452)
Inventories	(471)	(6)			(477)	(622)
Other assets		(2,103)			(2,103)	31
Accounts payable and accrued liabilities	348	(8,720)	(469)	(626)	(9,467)	55
Other liabilities	271	2,084		(412)	1,943	183
Estimated liability for claims in progress						(10,290)
Accrued interest payable		9			9	
Restricted accounts payable	4,303	9,358			13,661	
Due to other funds		(4,565)		(986)	(5,551)	2,265
Total adjustments	17,111	18,323	502	(1,815)	34,121	(11,765)
Net cash provided (used) by operating activities	\$ 34,806	\$ 33,955	\$ 53,629	\$ (2,199)	\$ 120,191	\$ 46,106

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, 2007
(Expressed in Thousands)

	Pension Trust Funds	Agency Funds
Assets:		
Cash and cash equivalents	\$ 96,696	\$ 2,211
Investments:		
Stocks	2,346,620	13,018
Bonds	1,183,929	51
Mutual funds	5,669	
Real estate	310,803	
Securities lending collateral	611,232	
Other assets	138,784	
Total assets	<u>4,693,733</u>	<u>15,280</u>
Liabilities:		
Obligations under securities lending program	611,232	
Accounts payable	230,668	
Other	804	15,280
Total liabilities	<u>842,704</u>	<u>15,280</u>
Net assets:		
Held in trust for pension benefits	<u>\$3,851,029</u>	

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

CITY OF BALTIMORE
Statement of Changes in Fiduciary Net Assets
Pension Trust Funds
For the Year Ended June 30, 2007
(Expressed in Thousands)

	Pension Trust Funds
<hr/>	
Additions:	
Contributions:	
Employer	\$ 97,352
Employee	<u>15,794</u>
Total contributions	<u>113,146</u>
Investment income:	
Net appreciation in fair value of investments	485,229
Securities lending income	1,226
Interest and dividend income	<u>97,303</u>
Total investment income	583,758
Less: investment expense	<u>13,477</u>
Net investment income	<u>570,281</u>
Total additions	<u>683,427</u>
Deductions:	
Retirement allowances	266,195
Death benefits	2,017
Administrative expenses	5,460
Other	<u>2,168</u>
Total deductions	<u>275,840</u>
Changes in net assets	407,587
Net assets — beginning of the year	<u>3,443,442</u>
Net assets — end of the year	<u>\$3,851,029</u>

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

CITY OF BALTIMORE
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CITY OF BALTIMORE
Notes to Basic Financial Statements

1. Summary of Significant Accounting Policies

A. REPORTING ENTITY

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

Blended Component Unit

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

Discretely Presented Component Units

The Baltimore City Public School System (BCPSS) is responsible for elementary and secondary education within the City's jurisdiction. The BCPSS receives significant funding from, and is financially accountable to, the City. 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.

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

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

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

B. BASIS OF PRESENTATION, BASIS OF ACCOUNTING

Basis of Presentation

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

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

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

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

The City reports the following major governmental funds:

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

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

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

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

The City reports the following major enterprise funds:

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

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

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

The City reports the following other fund types:

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

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

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:

- 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.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

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

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, 2007, 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.

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.

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 primarily 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

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

Compensated Absences

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

Estimated Liability for Claims in Process

The liability for claims in process represents estimates for all personal injury, workers' compensation, unemployment, property damage, and medical claims at June 30, 2007. 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 2007 was \$21,254,392,000, which was approximately 92.1% of the estimated market value.

The tax rate in Baltimore City for real property taxes for fiscal year 2007 was \$2.288 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 \$5.72 per \$100 of assessed value. Current collections were 96.4% of the total tax levy.

At June 30, 2007, the City had property taxes receivable of \$25,919,000, net of an allowance for uncollectible accounts of \$124,645,000.

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.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

Bond Anticipation Notes

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

Sick, Vacation and Personal Leave

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

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

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

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

Restricted Assets

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

Fund Equity

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

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

Reserved for budget stabilization — Maryland State law authorizes its political subdivisions to establish reserve accounts for the purpose of maintaining fiscal stability in the event of economic downturns affecting local revenues. As of June 30, 2007, the City had reserved \$88,164,000 of its General Fund fund balance for that purpose. The reserve can be used in case of emergency at the discretion of the Board of Estimates.

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

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

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

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

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

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

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.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

Explanation of differences between the governmental fund balance sheet and the government-wide statement of net assets
(amounts expressed in thousands):

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Capital assets	\$ 5,148,603
Less: Accumulated depreciation	(1,765,586)
Total	<u>\$ 3,383,017</u>
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:	
Due from other governments	\$ 104,745
Notes receivable	300,940
Deferred revenue	7,140
Accrued interest payable	(13,647)
Unamortized bond premiums	(15,216)
Total	<u>\$ 383,962</u>
Internal service funds are used by management to charge the cost of fleet management, mailing, communications, printing and risk management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	
	<u>\$ 13,827</u>
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
Long-term bonds	\$ (674,434)
Revenue bonds	(407,407)
Capital leases	(179,895)
Compensated absences	(102,290)
Landfill closure liability	(16,580)
Total	<u>\$(1,380,606)</u>

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Capital outlay	\$ 139,851
Capital leases	25,447
Total	<u>\$ 165,298</u>
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Grant reimbursements not received for several months after the fiscal year end are not considered as available revenues in the governmental funds	<u>\$ (3,668)</u>
The issuance of long-term debt (e. g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:	
Proceeds from general obligation bonds	\$ (51,915)
Proceeds from capital leases	(25,447)
Proceeds from revenue bonds	(30,000)
Total	<u>\$ (107,362)</u>
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:	
Debt service principal	\$ 53,351
Debt service interest (capital leases, GO bonds, and accrued interest)	(11,025)
Capital related expenditures	(77,123)
Compensated absences	(7,346)
Total	<u>\$ (42,143)</u>
The net expense of certain activities of internal service funds is reported with governmental activities:	
Internal service funds net expenses attributed to governmental activities	<u>\$ 70,802</u>

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

3. Deposits and Investments

A. SUMMARY of DEPOSIT and INVESTMENT BALANCES

The following is a reconciliation of the City's deposit and investment balances as of June 30, 2007 (amounts expressed in thousands):

	Pooled Cash and Investments	Other	Total
Carrying value of bank deposits	\$ (16,823)	\$ 96,696	\$ 79,873
Investments	1,107,428	3,847,021	4,954,449
Total	\$1,090,605	\$3,943,717	\$5,034,322

	Government- wide Statement of Net Assets	Fiduciary Funds Statement of Net Assets	Total
Cash and cash equivalents	\$ 479,996	\$ 98,907	\$ 578,903
Investments	304,257	3,860,090	4,164,347
Restricted cash and equivalents	283,058		283,058
Restricted investments	8,014		8,014
Total	\$1,075,325	\$3,958,997	\$5,034,322

B. CASH DEPOSITS

As of June 30, 2007, the carrying amount of the City's bank deposits was \$79,873,000 and the respective bank balances totaled \$5,645,555. 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, 2007, BCPSS and BHC had demand deposits with carrying values of \$21,853,000 and \$11,000, respectively.

C. INVESTMENTS

Primary Government

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

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

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

The primary government's investments at June 30, 2007, 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	\$ 65,325	\$ 1,257		\$ 64,068
U.S. Agencies	342,171	267,848	\$8,000	66,323
Repurchase agreements	189,145	189,145		
Money market mutual funds	350,579	350,579		
Maryland Local Government Investment Pool	90,000	90,000		
Commercial paper	53,351	53,351		
Guaranteed investment contracts	1,385	1,385		
	1,091,956	\$953,565	\$8,000	\$130,391
Other investment:				
Equity mutual funds	15,472			
	1,107,428			
Less: cash equivalents	782,088			
Total investments	\$ 325,340			

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, 2007 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	\$ 342,171	\$342,171	
Repurchase agreements:			
Underlying securities	189,145	189,145	
Money market mutual funds	350,579	350,579	
Maryland Local Government Investment Pool	90,000	90,000	
Commercial paper	53,351		\$53,351
Guaranteed investment contracts:			
Underlying securities	1,385	1,385	
Total rated debt investments	\$1,026,631	\$973,280	\$53,351

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

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

The City had the following debt security investments at June 30, 2007 that were more than five percent of total investments (amounts dollars expressed in thousands):

Investment	Fair Value	Percentage of Portfolio
Repurchase Agreement—Merrill Lynch	\$ 99,000	8.91%
Federal Home Loan Board	57,869	5.21%
Federal Home Loan Mortgage Corporation	66,776	6.01%
Federal National Mortgage Corporation	176,916	15.91%

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 Board of Trustees has 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, 2007 are as follows (amounts expressed in thousands):

Investment Type	Carrying Value			Total
	Employees’ Retirement System	Elected Officials’ Retirement System	Fire and Police Employees’ Retirement System	
Debt Securities:				
U.S. Treasury notes and bonds	\$ 94,393		\$ 60,238	\$ 154,631
U.S. Government agency bonds	166,485		276,712	443,197
Corporate bonds	203,897		185,972	389,869
Lehmann aggregate index			104,177	104,177
Mutual funds	64,627	\$19,317	32,035	115,979
Absolute return strategic funds			88,897	88,897
Total debt securities	529,402	19,317	748,031	1,296,750
Other:				
Domestic equities	649,341		865,318	1,514,659
International equities	223,345		392,846	616,191
Hedge funds	69,052		136,262	205,314
Real estate	101,055		209,748	310,803
Total other	1,042,793		1,604,174	2,646,967
Total investments	1,572,195	19,317	2,352,205	3,943,717
Less: Cash and cash equivalents	64,627	34	32,035	96,696
Total net investments	\$1,507,568	\$19,283	\$2,320,170	\$3,847,021

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

CITY OF BALTIMORE
Notes to Basic Financial Statements
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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, 2007.

The foreign currency risk for each system at June 30, 2007, is presented on the following table (amounts expressed in thousands):

Currency	Employees' Retirement System	Fire and Police Employees' Retirement System	Total
Euro Currency Unit	\$ 76,873	\$ 98,993	\$175,866
British Pound Sterling	33,619	55,664	89,283
Japanese Yen	28,962	26,222	55,184
South Korean Won	3,249	27,145	30,394
Hong Kong Dollar	12,308	25,826	38,134
Swiss Franc	7,993	17,265	25,258
Mexican New Peso	(966)	11,815	10,849
South African Comm Rand		12,369	12,369
Malaysian Ringgit		6,974	6,974
Taiwan Dollar		15,054	15,054
Brazil Real		15,993	15,993
Canadian Dollar	4,628	8,958	13,586
Thailand Baht		10,637	10,637
Russian Rubel (new)	741		741
Australian Dollar	3,843	6,711	10,554
Swedish Krona	3,192	4,753	7,945
Norwegian Krone	3,681	5,120	8,801
Chilean Peso		3,509	3,509
Singapore Dollar	1,349	4,280	5,629
Egyptian Pound		951	951
Indonesian Rupin		1,168	1,168
Danish Krone	4,128		4,128
Israeli Shekel		3,084	3,084
Polish Zloty		2,646	2,646
Total Foreign Currency	\$183,600	\$365,137	\$548,737

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 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.

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Notes to Basic Financial Statements
(Continued)

The credit ratings and durations of investments at June 30, 2007 are as follows (amounts expressed in thousands):

Asset Type	Duration	Carrying Value	AAA thru A	BBB thru B	CCC Thru C	Not Rated
<i>Employees' Retirement System:</i>						
U.S. Treasury notes and bonds	12.64	\$ 94,393	\$ 94,079			\$ 314
U.S. Government agency bonds	4.13	166,485	166,485			
Corporate bonds	4.62	203,897	112,424	\$51,073	\$ 509	39,891
Mutual funds	.12	64,627				64,627
Total Debt Securities		529,402	372,988	51,073	509	104,832
<i>Elected Officials' Retirement System:</i>						
Mutual funds	.00	19,317				19,317
<i>Fire and Police Employees' Retirement System:</i>						
U.S. Treasury notes and bonds	3.81	60,238	59,199			1,039
U.S. Government agency bonds	8.80	276,712	250,255			26,457
Lehmann aggregate index	4.97	104,177	104,177			
Corporate bonds	3.96	185,972	96,032	80,376	2,275	7,289
Mutual funds	.08	32,035				32,035
Absolute return strategic funds	3.39	88,897	88,897			
Total Debt Securities		\$748,031	\$598,560	\$80,376	\$2,275	\$ 66,820

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, 2007, 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, 2007, was \$596,271,000, and the market value of the collateral received for those securities on loan was \$611,232,000. 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.

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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, 2007 are presented below. All investments are presented by investment type.

Investment Type	Fair Market Value	Investments Maturities (In Months)			Percent	Max. allowed per Investment Policy
		Less Than 6	6 to 12	Greater Than 12		
Money Market Funds	\$ 19,877,615	\$ 19,877,615			12%	100%
Commercial Paper	6,472,333	6,472,333			4%	5%
U.S. Government Agencies	93,567,152	68,500,550	\$12,556,538	\$12,510,064	55%	100%
Certificates of Deposit	36,709,991	11,692,314	14,489,851	10,527,826	22%	25%
MLGIP (Bonds)	5,698,238	5,698,238			3%	100%
MLGIP (Leases)	5,419,138	5,419,138			3%	100%
MLGIP (Debt Service)	2,499,632	2,499,632			1%	100%
Total Invested Funds	<u>\$170,244,099</u>	<u>\$120,159,820</u>	<u>\$27,046,389</u>	<u>\$23,037,890</u>	<u>100%</u>	
Less: Cash and cash equivalents	<u>\$(33,494,623)</u>					
Total Investments	<u>\$136,749,476</u>					

Risk Classifications

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

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

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

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

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, 2007, BCPSS has no concentration risk.

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

Baltimore Hotel Corporation

The 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.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

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 \$269,657,000; 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 governmental funds and other funds (including internal service and fiduciary funds) are as follows (amounts expressed in thousands):

Receivables	General Fund	Motor Vehicle Fund	Grants Revenue Fund	Capital Projects Fund	Enterprise Funds	Nonmajor and Other Funds	Total
Property taxes	\$ 25,919						\$ 25,919
Service billings					\$ 66,134	\$ 4,212	70,346
Due from other governments	39,385	\$ 39,144	\$ 31,476	\$ 41,962	3,426	6,507	161,900
Notes and mortgages receivable	5,279					3,847	9,126
Other	14,590	514		3,425	50	631	19,210
Restricted accounts receivable					85,234		85,234
Total	\$85,173	\$ 39,658	\$ 31,476	\$ 45,387	\$154,844	\$ 15,197	\$371,735

5. Capital Assets

Capital assets activity for the year ended June 30, 2007, are as follows (expressed in thousands):

Governmental Activities Capital Assets:

Class	Balance June 30, 2006	Additions	Decreases	Balance June 30, 2007
Capital assets, not being depreciated:				
Land	\$ 142,202			\$ 142,202
Construction in progress	752,470	\$ 47,040	\$14,937	784,573
Construction in progress—infrastructure	403,258	83,453	1,438	485,273
Total capital assets, not being depreciated	1,297,930	130,493	16,375	1,412,048
Capital assets, being depreciated:				
Buildings and improvements	1,340,004	12,097		1,352,101
Equipment	356,017	36,509	12,076	380,450
Infrastructure	2,063,799	1,438		2,065,237
Library books	38,962	10,899	2,162	47,699
Total capital assets, being depreciated	3,798,782	60,943	14,238	3,845,487
Less: accumulated depreciation for:				
Buildings and improvements	718,896	27,028		745,924
Equipment	258,885	19,987	10,090	268,782
Infrastructure	755,990	47,361		803,351
Library books	17,086	3,674	2,161	18,599
Total accumulated depreciation	1,750,857	98,050	12,251	1,836,656
Total capital assets, being depreciated, net	2,047,925	(37,107)	1,987	2,008,831
Governmental activities capital assets, net	\$3,345,855	\$ 93,386	\$18,362	\$3,420,879

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

Business-type Activities Capital Assets:

Class	Balance June 30, 2006	Additions	Deductions	Balance June 30, 2007
Capital assets, not being depreciated:				
Land	\$ 23,846			\$ 23,846
Construction in progress	711,727	\$272,179	\$61,936	921,970
Total capital assets, not being depreciated	735,573	272,179	61,936	945,816
Capital assets, being depreciated:				
Buildings and improvements	1,783,279	26,113		1,809,392
Equipment	144,956	2,072		147,028
Infrastructure	54,306			54,306
Total capital assets, being depreciated	1,982,541	28,185		2,010,726
Less: accumulated depreciation for:				
Buildings and improvements	576,693	32,663	120	609,236
Equipment	107,852	5,225		113,077
Infrastructure	16,786	679		17,465
Total accumulated depreciation	701,331	38,567	120	739,778
Total capital assets, being depreciated, net	1,281,210	(10,382)	(120)	1,270,948
Business-type activities capital assets, net	\$2,016,783	\$261,797	\$61,816	\$2,216,764

Depreciation expense was charged to functions/programs of the City for the fiscal year ended June 30, 2007 (amounts expressed in thousands):

Governmental activities:

General government	\$ 4,682
Public safety and regulation	9,508
Conservation of health	517
Social services	39
Education	15,728
Public library	3,965
Recreation and parks	5,150
Highways and streets	43,701
Sanitation and waste removal	4,792
Public service	2,939
Economic development	1,059
Internal service funds	5,970
Total	\$98,050

Business-type activities:

Water	\$11,634
Waste water	24,953
Parking	1,070
Conduits	910
Total	\$38,567

At June 30, 2007, the outstanding commitments relating to projects of the City of Baltimore amount to approximately \$311,633,000 for governmental activities and \$142,699,000 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 2007, net interest expense of \$21,046,000 (net of interest income of \$947,000) was capitalized.

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Notes to Basic Financial Statements
(Continued)

6. Interfund Balances and Activity

A. BALANCE DUE TO/FROM OTHER FUNDS

Balances due to/from other funds at June 30, 2007, were as follows (amounts expressed in thousands):

Fund	Interfund	
	Receivable	Payable
General	\$45,613	
Motor vehicle		\$19,150
Grant revenue		19,028
Capital projects	27,088	1,358
Nonmajor governmental funds	1,358	4,545
Water		7,000
Waste water	7,000	23,666
Nonmajor proprietary funds		1,506
Internal service funds		4,806
Totals	\$81,059	\$81,059

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, 2007, certain transactions between funds had not been completed.

B. TRANSFERS TO/FROM OTHER FUNDS

Transfers to/from other funds at June 30, 2007, consist of the following (amounts expressed in thousands):

Fund	General	Capital Projects	Nonmajor Special Revenue	Motor Vehicle	Parking	Total Transfers To
General					\$35,370	\$ 35,370
Debt service	\$ 72,452	\$6,160		\$ 8,043		86,655
Loan and guarantee	1,500					1,500
Capital projects	30,865		\$12,262	73,943		117,070
Internal service funds	13,176					13,176
Special racetrack	207					207
Totals transfers from	\$118,200	\$6,160	\$12,262	\$81,986	\$35,370	\$253,978

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, 2007 (amounts expressed in thousands):

Special Revenue Funds:		
Grants Revenue		\$105,244
Special Race Track		20
Internal Services Funds:		
Risk management		65,480
Municipal Post Office		761
Reproduction and printing		3,688

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 2008.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

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, 2007, are as follows (amounts expressed in thousands):

	June 30, 2006 as adjusted(b)	Adjustments(a)	New Debt Issued	Debt Retired	June 30, 2007	Due within One Year
GOVERNMENTAL ACTIVITIES						
<i>General Obligation Bonds:</i>						
Highways	\$ 20,593	\$ 153		\$ 2,266	\$ 18,480	\$ 2,221
Health	2,471		\$ 311	145	2,637	107
Public safety	13,026	126	444	1,041	12,555	1,177
Off-street parking	27,328	198		2,643	24,883	2,427
Parks and recreation	21,554	98	1,397	1,206	21,843	1,444
Public buildings and facilities	52,564	185	6,706	2,464	56,991	3,355
Schools	137,979	688	14,681	7,892	145,456	5,687
Storm water	8,346	308		1,423	7,231	994
Urban renewal	286,848	968	28,376	22,395	293,797	27,532
Waste disposal	3,110	119		585	2,644	915
Unallocated	24,140	402		1,109	23,433	955
Total general obligation bonds	597,959	3,245	51,915	43,169	609,950	46,814
<i>Special Obligation Bonds</i>						
Special Obligation Bonds	26,301			90	26,211	98
<i>Long-term financing with the Federal Government:</i>						
Federal economic development loans	51,120			4,194	46,926	2,025
Environmental Protection Agency loans	191			191		
Total long-term financing with the Federal Government	51,311			4,385	46,926	2,025
<i>Long-term financing with the State of Maryland:</i>						
State economic development loans	3,697			1,431	2,266	389
Total Governmental Activities	\$679,268	\$3,245	\$51,915	\$49,075	\$685,353	\$49,326
BUSINESS-TYPE ACTIVITIES						
<i>General Obligation Bonds:</i>						
Water	\$ 1,005	\$ 44		\$ 194	\$ 855	
Waste Water	1,900	83		367	1,616	\$ 347
Total general obligation bonds	2,905	127		561	2,471	347
<i>Long-term financing with the State of Maryland:</i>						
Sewer construction loans	425			65	360	68
Total Business-type Activities	\$ 3,330	\$ 127		\$ 626	\$ 2,831	\$ 415
COMPONENT UNIT — BALTIMORE CITY PUBLIC SCHOOL SYSTEM						
<i>General Obligation Bonds:</i>						
Schools	\$ 65,085			\$ 4,545	\$ 60,540	\$ 4,735

(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 \$26,008,000 as of June 30, 2007. 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.

(b) See note 19.

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Notes to Basic Financial Statements
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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 \$2,022,000 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 and the LIBOR rate plus 2% for draws greater the 90 days.

The City is required to pay the Bank fees throughout the effective dates of the Agreement of .20% per annum of the average daily amount of available commitment.

During fiscal year 2007, the City made no draws under the Agreement, and no amounts drawn against the Agreement were outstanding at June 30, 2007.

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 \$10,919,000 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, 2007, principal owed for these bonds was \$26,211,000 and interest of \$29,635,000 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, 2007, the principal owed to the Federal government was \$46,926,000 and interest of \$22,374,000 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.
- *Federal Environmental Protection Loan:* The United States Environmental Protection Agency (EPA) has granted the City a loan under the Asbestos School Hazard Abatement Act of 1984 to provide for asbestos removal. At June 30, 2007, the principal owed the EPA was \$191,000. The principal shall be repaid in annual installments of approximately \$191,000 at zero percent interest and final payment is due on July 31, 2006.
- *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, 2007, the principal owed to the State was \$2,266,000 and interest of \$321,000 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, 2007, the principal owed to the State was \$361,000 and interest of \$71,000 will be due thereon in future years.

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Notes to Basic Financial Statements
(Continued)

Compensated Absences

Compensated absences at June 30, 2007 totaled \$102,290 for governmental activities and \$11,942 for business-type activities, of which \$38,653 and \$8,107 respectively, were due within one year. For the Baltimore City Public School System, compensated absences totaled \$74,329,000, of which \$5,897,000 were due within one year.

Changes in compensated absences during fiscal year 2007 (amounts expressed in thousands):

	Governmental Activities	Business-type Activities	Total
Balance, July 1, 2006	\$ 94,944	\$11,337	\$106,281
Leave earned	45,999	8,712	54,711
Leave used	(38,653)	(8,955)	(47,608)
Balance, June 30, 2007	\$102,290	\$11,094	\$113,384

B. DEBT SERVICE REQUIREMENTS

Debt service requirements on long-term debt at June 30, 2007, are as follows (amounts expressed in thousands):

Fiscal Year	Governmental Activities								
	General Obligation Bonds			Long-Term Financing with State Of Maryland		Long-Term Financing with Federal Government		Special Obligation Bonds	
	Principal	Interest	Interest Rate Swap Net(a)	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 46,814	\$ 25,421	\$ (628)	\$ 389	\$119	\$ 2,025	\$ 2,786	\$ 98	\$ 1,691
2009	49,372	24,213	(553)	413	96	3,373	2,628	136	1,684
2010	50,222	22,593	(470)	443	70	3,867	2,415	316	1,669
2011	51,182	21,407	(376)	338	42	3,285	2,204	356	1,648
2012	50,962	21,598	(281)	262	27	2,796	2,021	398	1,624
2013-2017	152,823	61,484	(907)	421	42	15,563	7,338	2,744	7,647
2018-2022	129,480	33,615	(208)			12,275	2,670	4,369	6,510
2023-2027	75,205	7,171	(11)			3,742	312	6,480	4,744
2028-2032	3,890	95						8,741	2,259
2033-2035								2,573	159
	\$609,950	\$217,597	\$(3,434)	\$2,266	\$396	\$46,926	\$22,374	\$26,211	\$29,635

(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, 2007, assuming current interest rates remain the same for their term. As rates vary, variable rate bond interest payments and net swap payments will vary.

Fiscal Year	Business-type Activities			
	General Obligation Bonds		Long-Term Financing with State Of Maryland	
	Principal	Interest	Principal	Interest
2008	\$ 347	\$131	\$ 68	\$24
2009	883	112	73	19
2010	795	66	77	14
2011	446	24	82	9
2012			60	6
Totals	\$2,471	\$333	\$360	\$72

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

A summary of general obligation bonds outstanding and bonds authorized but unissued (amounts expressed in thousands) at June 30, 2007, are as follows:

Purpose	Due Dates	Outstanding		Authorized
		Interest Rates	Amount	But Unissued Amount
Fire, police and public protection	2008 to 2016	4.7% to 9.0%	\$ 12,555	\$ 1,858
Off-street parking	2008 to 2017	1.5% to 9.0%	24,883	345
Parks and recreation	2008 to 2017	2.7% to 9.0%	21,843	15,948
Public building and facilities	2008 to 2017	2.7% to 9.5%	56,991	26,009
Schools	2008 to 2021	2.7% to 9.0%	145,456	75,814
Waste water and storm sewer	2008 to 2012	2.5% to 9.0%	8,847	
Urban renewal and development	2008 to 2021	2.7% to 9.5%	293,799	137,512
Water	2008 to 2011	4.0% to 9.0%	855	
Highways	2008 to 2021	4.7% to 9.0%	18,480	220
Waste disposal	2008 to 2011	4.75% to 8.9%	2,644	
Finance				20,000
Health	2008 to 2018	5.125% to 5.3%	2,637	5,233
Unallocated	2008 to 2011	4.7% to 5.5%	23,431	
Totals			\$612,421	\$282,939

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.

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

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

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

The Series 2003A Bonds are the debt and obligation of the BCPSS and are not a debt and obligation of, or pledge of, the faith and credit of the City of Baltimore and the State of Maryland.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

Future minimum bond payments are as follows for the year ending June 30, 2007 (amounts expressed in thousands):

Fiscal Year	Principal	Interest	Total
2008	\$ 4,735	\$ 2,807	\$ 7,542
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
2013-2017	29,865	5,442	35,307
2018-2022	4,950	247	5,197
Total	\$60,540	\$17,665	\$78,205

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 2007, the City's capital lease obligations increased by \$10,889,000 (which is net of new leases in the amount of \$25,447,000 and lease principal payments of \$14,558,000) over the fiscal year 2006 total of \$169,007,000. Future minimum lease payments at June 30, 2007, are as follows (amounts expressed in thousands):

Fiscal Year	
2008	\$ 24,509
2009	26,001
2010	24,743
2011	24,710
2012	22,834
2013-2017	95,581
2018-2022	17,233
Total minimum lease payments	235,611
Less: deferred interest	(55,716)
Present value minimum lease payments	\$179,895

The following is a schedule of leased property under capital leases by major class at June 30, 2007 (amounts expressed in thousands):

Classes of Property	
Buildings	\$173,756
Equipment	168,160
Total	\$341,916

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, 2007, the outstanding balance on the 1999 lease is \$8,973,000.

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.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

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, 2007 the outstanding balance on the 2001 Master Lease is \$184,407.

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.

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 \$60,271,901 in various ESCO projects. As of June 30, 2007 the outstanding balance on the 2006 Master Lease Addendums is \$60,271,901.

Future minimum lease payments as of June 30, 2007, are as follows (amounts expressed in thousands):

Fiscal Year	Capital Leases	
	Principal	Interest
2008	\$ 6,446,513	\$ 3,442,020
2009	7,970,212	3,201,861
2010	6,171,726	2,880,238
2011	6,610,936	2,593,625
2012	6,349,548	2,352,458
2013-2017	32,372,519	7,225,414
2018-2022	17,516,954	1,893,860
2023-2027	426,557	2,616
Present value minimum lease payments	\$83,864,965	\$23,592,092

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

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 \$84,302,000 at June 30, 2007, and revenues of the Water and Waste Water Funds are pledged as collateral for the bonds. Bonds outstanding as of June 30, 2007, 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		\$ 2,430
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	\$ 4,140	
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		1,685
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	2,435	
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		3,005
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		2,845
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		2,096
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		1,816
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		4,277
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		1,763
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		7,204
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		10,336
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	1,831	
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		5,117
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	5,659	
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		16,201
Serial bonds series 2004-C maturing in annual installments from \$846,000 to \$984,000 through February 1, 2024 with interest rate at 0.25%, payable semiannually		14,945
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		19,333
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		17,415
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		47,900
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 weekly, due July 1, 2034	47,500	
Auction Rate Notes Series 2004-A, payable weekly, 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		3,390
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		6,640
Serial bonds series 2006-A maturing annual installments from \$1,380,000 to \$1,561,000 through February 1, 2026, with interest rate of 0.40%, payable semiannually		28,615
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	2,245	
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		39,836
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		3,090
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

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	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
	426,655	593,369
Less: unamortized charges	8,082	3,446
	<u>\$418,573</u>	<u>\$589,923</u>

During fiscal year 2007, the City sold \$50,740,000 and \$60,140,000 of project and refunding revenue bonds for the Water and Waste Water Utility Funds, respectively. This transaction was taken to refund certain revenue bonds. The City placed a total of \$54,622,000 into an irrevocable trust consisting of \$50,740,000 of the Water Utility Bond proceeds and additional funds totaling \$3,882,000 for the purpose of generating all future principal and interest requirements to extinguish \$50,740,000 of the Water Utility Fund's existing debt. The City also placed \$60,140,000 of the Waste Water Utility Bond proceeds into an irrevocable trust for the purpose of generating all future principal and interest requirements to extinguish \$60,140,000 of the Waste Water Utility Fund's existing debt. Both of these advance refundings met the requirements of an in-substance defeasance and accordingly the assets and the liabilities have been removed from the statement of net assets.

As a result of the advance refunding, the City decreased its debt service requirement by \$9,118,000 in the Water Utility Fund and by \$9,154,000 in the Waste Water Utility Fund. The economic gain resulting from the Water Utility Fund transaction was \$1,947,000. The economic gain resulting from the Waste Water Utility Fund transaction was \$2,027,000.

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 \$15,298,000 at June 30, 2007, and revenues of the Parking Facilities Fund are pledged as collateral for the bonds. Bonds outstanding as of June 30, 2007, consist of (amounts expressed in thousands):

Serial bonds series 1993-A maturing in annual installments from \$3,320,000 to \$3,810,000 through July 1, 2008, with interest ranging from 4.45% to 4.7%, payable semiannually	\$ 7,445
Serial bonds series 1997-B maturing in annual installments from \$360,000 to \$495,000 through July 1, 2010, with interest ranging from 6.4% to 6.5%, payable semiannually	410
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	14,975
Auction rate notes series 2002, payable monthly due July 1, 2032	78,300
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	105
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
	175,950
Less: unamortized charges	2,517
	<u>\$173,433</u>

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.

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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 2007, the City made no draws under the Agreement, and no amounts drawn against the Agreement were outstanding at June 30, 2007.

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 2007, the variable interest rate paid by the City on these bonds ranged from 2.02% to 3.82%. 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 third, 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 2007, the City made no draws under the letter of credit and no amounts drawn against the letter of credit were outstanding at June 30, 2007.

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

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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 operating of the hotel, certain City hotel taxes and limited guarantees from the hotel operator. Bonds outstanding at June 30, 2007 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, 2007, are as follows (amounts expressed in thousands):

	June 30, 2006	New Debt Issues	Debt Retired	June 30, 2007	Due within One Year
<i>Governmental Activities</i>					
Convention Center	\$ 346,380		\$ 2,280	\$ 344,100	\$ 2,395
Storm Water	6,882		350	6,532	351
Transportation	28,420	\$ 30,000	1,645	56,775	1,710
Total Governmental Activities	\$ 381,682	\$ 30,000	\$ 4,275	\$ 407,407	\$ 4,456
<i>Business-Type Activities</i>					
Water	\$ 387,805	\$ 93,261	\$ 54,411	\$ 426,655	\$ 3,119
Waste Water	449,804	213,376	69,811	593,369	13,028
Parking Facilities	181,030		5,080	175,950	5,815
Industrial Development	100,000			100,000	
Total Business-Type Activities	\$1,118,639	\$306,637	\$129,302	\$1,295,974	\$21,962

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

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

Fiscal Year	Governmental Activities								
	Baltimore Hotel Corporation		Convention Center		Storm Water		Transportation Revenue Bonds		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2008		\$ 15,886	\$ 2,395	\$ 2,193	\$ 351	\$ 26	\$ 1,710	\$ 2,182	
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	\$ 2,065	15,886	2,935	1,637	356	20	3,820	1,712	
2013-2017	16,060	77,801	17,240	5,548	1,803	81	22,075	6,201	
2018-2022	28,170	72,107	12,660	970	1,840	45	18,660	1,844	
2023-2027	44,570	62,904			1,121	9			
2028-2037		66,080		49,127					
2038-2042		94,320		29,193					
2043-2047		49,675		4,086					
Totals		\$300,940	\$374,648	\$43,160	\$16,155	\$6,532	\$251	\$56,775	\$17,894

Fiscal Year	Business-type Activities											
	Water Utility			Waste Water Utility			Parking Facilities			Industrial Development Authority		
	Principal	Interest	Swap Interest Rate Net(a)	Principal	Interest	Swap Interest Rate Net(a)	Principal	Interest	Swap Interest Rate Net(a)	Principal	Interest	Swap Interest Rate Net(a)
2008	\$ 3,119	\$ 17,474	\$ 982	\$ 13,443	\$ 17,387	\$ 576	\$ 5,815	\$ 9,464	\$ 588		\$ 3,770	\$ (272)
2009	3,273	19,218	982	14,436	20,886	572	6,060	9,174	582		3,770	(273)
2010	6,543	18,988	1,003	15,980	20,573	588	6,900	8,840	576		3,770	(273)
2011	7,243	18,654	1,041	19,115	20,127	624	7,235	8,452	570		3,770	(273)
2012	8,002	18,269	1,073	19,171	19,604	659	7,675	8,041	563		3,770	(272)
2013-2017	47,221	84,632	5,728	101,008	89,290	3,704	42,700	33,395	2,695	\$100,000	20,735	(1,499)
2018-2022	59,541	71,814	5,484	108,235	73,193	3,443	32,445	21,405	2,431			
2023-2027	65,337	58,048	4,547	100,222	56,471	2,488	25,195	14,764	1,916			
2028-2032	80,248	42,703	3,337	96,645	36,949	1,239	33,475	6,944	974			
2033-2036	88,779	23,243	1,504	78,405	15,650	109	8,450	274	31			
2038-2042	48,185	8,363	268	22,695	3,798							
2043-2047	9,164	256	8	4,014	154							
Totals	\$426,655	\$381,662	\$25,957	\$593,369	\$374,082	\$14,002	\$175,950	\$120,753	\$10,926	\$100,000	\$39,585	\$(2,861)

(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, 2007, 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. 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, 2007, \$389,550,000 of debt outstanding is considered defeased, which includes debt defeased during the current year.

10. 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, 2007, were as follows. The notional amounts of the swaps match the principal amount of the associated debt. The City's swap agreements contain scheduled reductions to outstanding notional amounts that are designed to track the scheduled or anticipated reductions in the associated "bonds payable" category.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

Outstanding Bonds	Effective Date	Termination Date	Interest Rate Paid by City	Interest Rate Received	Notional Amount	Fair Value	Counterparty Credit Rating
General Obligation Bonds							
<i>Floating to Fixed Swaps:</i>							
2001 Bonds	6/27/2001	10/1/2020	4.595%	Bond Rate/BMA	\$ 20,600,000	\$ (941,421)	AA-/Aa3
2001 Bonds	6/27/2001	10/1/2022	5.060%	Bond Rate/BMA	22,500,000	(1,973,817)	AA-/Aa3
2003 Bonds	5/14/2003	10/15/2020	2.950%	BMA/67% LIBOR	84,000,000	2,987,706	A+/A1
2003 Bonds	5/14/2003	10/15/2022	3.450%	BMA/67% LIBOR	47,350,000	1,601,536	A+/A1
2003 Bonds	5/14/2003	10/15/2020	4.215%	1M LIBOR	20,310,000	1,137,198	A+/A1
2003 Bonds	5/14/2003	10/15/2022	4.970%	1M LIBOR	17,155,000	1,057,253	A+/A1
<i>Basis Swaps:</i>							
2003 Bonds	6/29/2004	10/15/2020	67% LIBOR	60% LIBOR + 0.295%	84,000,000*	(346,947)	AAA/Aaa
2003 Bonds	6/29/2004	10/15/2020	67% LIBOR	60% LIBOR + 0.295%	47,350,000*	(444,899)	AAA/Aaa
Total General Obligation Bonds					\$343,265,000*	\$ 3,076,609	
Industrial Development Authority Revenue Bonds							
<i>Floating to Fixed Swaps</i>							
1986 Revenue Bonds	11/1/2001	11/1/2016	3.4975%	BMA Index	\$100,000,000	\$ (1,044,030)	AA-/Aa3
Water Utility Fund Revenue Bonds Series							
<i>Fixed to Floating Swaps</i>							
1993 Revenue Bonds	1/1/2008	7/1/2020	BMA Index	5.54%	\$ 4,276,748	\$ (76,130)	AA+/Aaa
1994 Revenue Bonds	1/1/2008	7/1/2024	BMA Index	5.26%	4,108,595	(104,185)	AA+/Aaa
1998 Revenue Bonds	2/1/2001	7/1/2027	BMA Index	5.17%	22,860,000	480,483	AA+/Aaa
1998 Revenue Bonds	7/1/2008	7/1/2028	BMA Index	5.08%	1,927,360	(85,783)	AA+/Aaa
2000 Revenue Bonds	7/1/2003	7/1/2030	BMA Index	5.70%	2,907,750	(54,533)	AA+/Aaa
<i>Floating to Fixed Swaps</i>							
1998 Revenue Bonds	10/26/2001	7/1/2008	5.17%	BMA Index	22,860,000*	(549,228)	AA-/Aa3
2002 Revenue Bonds	5/7/2002	7/1/2037	4.555%	BMA/67% LIBOR	59,100,000	(5,054,843)	AA-/Aa3
2002 Revenue Bonds	5/7/2002	7/1/2009	3.87%	Bond Rate/CPI	1,855,000	16,724	AA-/Aa3
2002 Revenue Bonds	5/7/2002	7/1/2010	4.00%	Bond Rate/CPI	1,900,000	16,514	AA-/Aa3
2002 Revenue Bonds	5/7/2002	7/1/2011	4.10%	Bond Rate/CPI	1,955,000	14,823	AA-/Aa3
2002 Revenue Bonds	5/7/2002	7/1/2012	4.20%	Bond Rate/CPI	2,110,000	14,033	AA-/Aa3
2002 Revenue Bonds	5/7/2002	7/1/2013	4.30%	Bond Rate/CPI	2,170,000	10,517	AA-/Aa3
2002 Revenue Bonds	5/7/2002	7/1/2014	4.39%	Bond Rate/CPI	2,325,000	2,173	AA-/Aa3
2002 Revenue Bonds	5/7/2002	7/1/2015	4.50%	Bond Rate/CPI	1,615,000	(4,465)	AA-/Aa3
2002 Revenue Bonds	5/7/2002	7/1/2016	4.61%	Bond Rate/CPI	1,685,000	(7,517)	AA-/Aa3
2004 Revenue Bonds	6/1/2004	7/1/2034	5.21%	BMA Index	47,500,000	(5,621,139)	AA-/Aa3
<i>Basis Swap:</i>							
2002 Revenue Bonds	4/20/2005	7/1/2042	BMA	67%LIBOR+20bps	71,455,000	(5,148,535)	AAA/Aaa
Total Water Utility Fund					\$252,610,453*	\$(16,151,091)	
Wastewater Utility Fund Revenue Bonds Series							
<i>Fixed to Floating Swaps:</i>							
1993 Revenue Bonds	1/1/2008	7/1/2020	BMA Index	5.54%	\$ 2,507,350	\$ (44,633)	AA+/Aaa
1994 Revenue Bonds	1/1/2008	7/1/2024	BMA Index	5.26%	1,229,550	(38,946)	AA+/Aaa
1998 Revenue Bonds	2/1/2001	7/1/2027	BMA Index	5.17%	21,015,000	441,620	AA+/Aaa
1998 Revenue Bonds	7/1/2008	7/1/2028	BMA Index	5.08%	1,876,278	(83,509)	AA+/Aaa
2000 Revenue Bonds	7/1/2003	7/1/2030	BMA Index	5.70%	1,855,869	(51,982)	AA+/Aaa
<i>Floating to Fixed Swaps:</i>							
1998 Revenue Bonds	10/26/2001	7/1/2008	5.17%	BMA Index	21,015,000*	(504,962)	AA-/Aa3
2002 Revenue Bonds	5/7/2002	7/1/2037	4.555%	BMA/67% LIBOR	73,200,000	(5,351,531)	AA-/Aa3
2002 Revenue Bonds	5/7/2002	7/1/2009	3.87%	Bond Rate/CPI	1,660,000	14,966	AA-/Aa3
2002 Revenue Bonds	5/7/2002	7/1/2010	4.00%	Bond Rate/CPI	1,785,000	15,515	AA-/Aa3
2002 Revenue Bonds	5/7/2002	7/1/2011	4.10%	Bond Rate/CPI	1,820,000	13,799	AA-/Aa3
2002 Revenue Bonds	5/7/2002	7/1/2012	4.20%	Bond Rate/CPI	1,930,000	12,835	AA-/Aa3
2002 Revenue Bonds	5/7/2002	7/1/2013	4.30%	Bond Rate/CPI	1,960,000	9,499	AA-/Aa3
2002 Revenue Bonds	5/7/2002	7/1/2014	4.39%	Bond Rate/CPI	2,040,000	1,907	AA-/Aa3
2002 Revenue Bonds	5/7/2002	7/1/2015	4.50%	Bond Rate/CPI	1,240,000	(3,428)	AA-/Aa3
2002 Revenue Bonds	5/7/2002	7/1/2016	4.61%	Bond Rate/CPI	1,280,000	(5,711)	AA-/Aa3
2004 Revenue Bonds	6/1/2004	7/1/2034	5.21%	BMA Index	17,500,000	(2,126,606)	AA-/Aa3
Total Wastewater Utility Funds					\$153,914,047*	\$ (7,701,167)	
Parking Revenue Bonds Series							
<i>Floating to Fixed Swaps:</i>							
2002 Bonds	6/19/2002	7/1/2032	6.098%	1M LIBOR	\$ 67,800,000	\$ (2,930,699)	AA+/Aaa
2002 Bonds	6/19/2002	7/1/2025	5.915%	1M LIBOR	9,700,000	(214,704)	AA+/Aaa
Total Parking Facilities Fund					\$ 77,500,000	\$ (3,145,403)	
Grand Total Swaps Outstanding					\$927,289,500*	\$(24,965,082)	

* 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 \$220,455,000; Water Utility \$232,895,453; Wastewater Utility \$135,794,047; Grand Total Swaps Outstanding \$768,244,500.

CITY OF BALTIMORE
Notes to Basic Financial Statements
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Credit risk — As of June 30, 2007, 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, 2007. 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 15% 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. The City believes the VRDBs and ARBs will closely approximate the BMA rate over time. For those swaps associated the VRDBs and ARBs, the City receives a floating rate based on the either the BMA Index or one-month LIBOR. For the BMA based swaps, the City is exposed to basis risk should the spread between the BMA 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, 2007 the BMA rate for the 52-week period ranged from 3.35% to 3.97%, whereas the City market ranges from 3.00% to 5.30%. For four of the swaps, the City will receive 67% percent of LIBOR, a rate 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, 2007, 67% of LIBOR for the 52-week ranged from 3.56% to 3.6%. 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.

11. 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

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

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

Baltimore City Retirement Systems
7 East Redwood Street, 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

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	19.9%	9.56%	47.81%
Employee	6.0%	4%	5.0%
Annual pension cost	\$59,597	\$36,841	\$382
Contributions made	\$59,597	\$36,841	\$382
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%

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, 2007 and the actuarial valuation dated June 30, 2007.

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, 2007	\$60,129	100	\$0
June 30, 2006	49,248	100	0
June 30, 2005	48,667	100	0
Employees' Retirement System:			
June 30, 2007	36,841	100	0
June 30, 2006	31,003	100	0
June 30, 2005	23,625	100	0
Elected Officials' Retirement System:			
June 30, 2007	382	110	0
June 30, 2006	517	100	0
June 30, 2005	575	100	0

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Notes to Basic Financial Statements
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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, 2007	\$2,170	\$ 9,315
June 30, 2006	2,266	10,792
June 30, 2005	2,967	13,418

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, 2007, the State paid \$42,628,000 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, 2007 was \$1,105,000. 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.

12. 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

CITY OF BALTIMORE
Notes to Basic Financial Statements
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\$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, 2007, the City has determined that the range of potential claims liability for the fund to be between \$154,550,000 and \$219,067,000. The claims liability of \$154,550,000 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, 2007, 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 \$154,550,000 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 2006 and 2007 were (amounts expressed in thousands):

	2007	2006
Unpaid claims, beginning	\$ 164,840	\$ 164,577
Claims incurred	203,289	208,824
Claims paid	(213,579)	(208,561)
Unpaid claims, ending	\$ 154,550	\$ 164,840

The City estimates that \$56,904,000 of the estimated claims liability is due within one year.

13. 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, 2007, future minimum lease payments are as follows (amounts expressed in thousands):

2008	\$ 7,134
2009	6,606
2010	6,414
2011	5,906
2012	4,189
2013-2017	9,998
2018-2022	1,127
2023-2027	587
2028-2032	371
Total	\$42,332

All leases contain cancellation provisions and are subject to annual appropriations by the City Council. During fiscal year 2007, rent expenditures approximated \$19,016,000 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, 2007, rent and lease expenditures approximated \$2,748,000. These expenditures were made primarily from the General Fund. As of June 30, 2007, future minimum lease payments approximate \$4,831,000 of which \$2,415,000 is due in fiscal year 2008 and \$2,415,000 relates to fiscal year 2009.

14. 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

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

the landfill used during the year. The estimated liability for landfill closure and postclosure care costs is \$16,580,000 as of June 30, 2007, which is based on 62.9% usage (filled) of the landfill. This is an increase in the liability of \$1,107,000 since June 30, 2006. It is estimated that an additional \$9,780,000 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 (\$26,360,000) 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, 2007. 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 2008.

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, 2007, investments of \$14,099,000 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.

15. Notes and Mortgages Receivable

Notes and mortgages receivable as of June 30, 2007, consist of the following:

- A. The General Fund has notes receivable of \$5,279,000, 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 \$2,266,000 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 \$56,459,000 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 \$310,066,000 due from BHC. These notes bear interest at rates ranging from 3.6% to 5.6% and mature over 30 years.

16. 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, 2007, 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, 2007.

17. Postemployment Benefits

City administrative policy provides that certain postemployment benefits, other than pension benefits, be provided to all its employees, including those in the BCPSS. These benefits include certain health care and life insurance benefits. All employees who retire are eligible to receive these benefits. At June 30, 2007, there were 24,761 retirees eligible for these benefits. The City reimburses approximately 50% of the premium cost incurred by pre-Medicare retirees and their dependents. The City also reimburses approximately 50% of the cost for Medicare supplement for each retiree or dependent eligible for Medicare. Such benefits are accounted for on a cash basis so that payments during the current year represent benefit coverage for currently retired employees or their beneficiaries. During fiscal year 2007, these postemployment benefits amounted to \$116,923,777.

The Governmental Accounting Standards Board has issued Statement No. 45 "Accounting and Financial Reporting by employers for Postemployment Benefits Other Than Pension" and Statement No. 47 "Accounting for Termination Benefits". The City must implement these two statements for the fiscal year beginning July 1, 2007.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

18. 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 12. 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, 2007, the City is contingently liable for loans guaranteed by the Loan and Guarantee Program in an aggregate amount of approximately \$600,000.

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, 2007, 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 through May 2005 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 \$115.45 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 \$599.75 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. The OIG recommended that DHHS seek reimbursement from the State of Maryland, who ultimately may seek reimbursement from the county boards of education, but no final decision has been made by DHHS. The BCPSS intends vigorously to defend the allegations and to oppose any attempt to obtain reimbursement. DHHS accepted the OIG's findings and the State filed an appeal to the Departmental Appeal Board in Washington, D.C. The Baltimore County School Board has joined the State in the appeal and the BCPSS anticipates that it will also join. Three other Boards affected by the findings are considering joining the appeal.

CITY OF BALTIMORE
Notes to Basic Financial Statements
(Continued)

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.

19. Beginning Balance Adjustments

Primary Government

During fiscal year 2007, the City recorded a long term note receivable from the Baltimore Hotel Corporation in the amount of \$300,940,000. This note represents funds lent to the Corporation by the City in fiscal year 2006 to fund construction of the hotel. The Corporation will repay the notes from the operations of the hotel. The effect of the adjustment was to increase governmental activities net assets at July 1, 2006.

Also during fiscal year 2007, the City restated the carrying value of certain capital appreciation bonds. The adjustment reflects corrections to the amortization that previously understated the amount of interest accruing on these bonds. The effect of this adjustment was to increase general obligation bonds payable by \$9,356,000 and \$747,000 in the Primary Government’s Governmental and Business-type Activities, respectively, at July 1, 2006.

Component Unit

Baltimore City Public Schools (BCPSS):

In the past year, BCPSS capitalized equipment based on total cost rather than unit cost as required by the capitalization policy. This inflated the cost and subsequent depreciation expense recognized by BCPSS. In the summer of 2006, BCPSS performed a system-wide physical inventory which resulted in an adjustment to furniture and equipment being capitalized. In addition, costs associated with buildings and improvements had been incorrectly depreciated at the time of processing rather than accumulated in a construction-in-progress account and capitalized at the completion of the project. Net assets at July 1, 2006 have been restated to reflect an increase of \$44,000,000.

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, 2007
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive
Revenues:				
Taxes — local	\$ 998,044	\$1,025,227	\$1,040,361	\$15,134
Licenses and permits	30,826	31,601	32,784	1,183
Fines and forfeitures	2,728	2,728	2,900	172
Interest, rentals, and other investment income	25,489	34,364	34,047	(317)
Federal grants	119	119	93	(26)
State grants	97,982	97,982	97,015	(967)
Other grants	96	96	174	78
Charges for current services	41,979	41,979	43,697	1,718
Miscellaneous	1,840	1,840	6,418	4,578
Total revenues	1,199,103	1,235,936	1,257,489	21,553
Expenditures and encumbrances:				
Civil Service Commission	2,752	2,752	2,752	
Community Relations Commission	930	930	930	
Comptroller	4,876	4,876	4,344	532
City Council	4,350	4,350	4,099	251
Office of Financial Review	600	600	600	
Courts	9,076	9,076	8,688	388
Supervisors of Elections	6,489	6,489	6,481	8
Department of Finance	10,376	10,376	10,376	
Department of Fire	121,925	126,725	126,725	
Department of Health	26,370	28,495	26,977	1,518
Department of Housing and Community Development	20,614	22,814	18,365	4,449
Department of Law	3,168	3,168	3,005	163
Department of Legislative Reference	775	775	754	21
Enoch Pratt Library	22,210	22,210	22,201	9
Board of Liquor License Commissioners	1,879	1,879	1,666	213
Mayoralty	275,057	288,540	279,881	8,659
Department of Planning	1,475	1,775	1,470	305
Department of Police	285,532	305,332	305,332	
Department of Public Works	78,311	77,606	77,253	353
Department of Recreation and Parks	25,638	25,638	25,194	444
Office of Sheriff	11,935	11,935	11,934	1
Office of State's Attorney	25,824	25,824	24,292	1,532
Department of Transportation	525	525	525	
Wage Commission	466	466	358	108
Department of Municipal and Zoning Appeals	389	389	388	1
Baltimore City Public School System	204,287	204,287	204,287	
Total expenditures	1,145,829	1,187,832	1,168,877	18,955
Excess of revenues over expenditures	53,274	48,104	88,612	40,508
Other financing sources (uses):				
Transfers in	34,162	34,162	35,370	1,208
Transfers out	(119,307)	(119,307)	(118,200)	1,107
Total other financing sources (uses)	(85,145)	(85,145)	(82,830)	2,315
Net change in fund balances	(31,871)	(37,041)	5,782	
Fund balances — beginning	175,454	175,454	175,454	
Fund balances — ending	\$ 143,583	\$ 138,413	181,236	\$42,823
Adjustments to reconcile to GAAP basis:				
Addition of encumbrances outstanding			53,395	
Less: accounts payable not recorded for budgetary purposes			(9,676)	
Fund balance — June 30, 2007 (GAAP basis)			\$ 224,955	

(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 \$1,105,000 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, 2007
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
State shared revenue	\$237,838	\$237,838	\$226,222	\$(11,616)
Licenses and permits	827	827	826	(1)
Fines and forfeitures	6,200	6,200	4,873	(1,327)
Interest, rentals, and other investment income	903	903	4,171	3,268
Charges for current services	7,670	7,670	7,966	296
Miscellaneous	29	29	258	229
Total revenues	253,467	253,467	244,316	(9,151)
Expenditures and encumbrances:				
Department of Recreation and Parks	4,491	4,491	4,207	284
Department of Transportation	92,593	95,743	92,567	3,176
Department of Planning	732	732	704	28
Department of Police	11,904	11,904	11,388	516
Department of Public Works	39,489	39,489	36,820	2,669
Mayoralty	25,148	25,148	18,923	6,225
Baltimore City Public School System	3,654	3,654	3,654	
Total expenditures and encumbrances	178,011	181,161	168,263	12,898
Excess of revenues over expenditures and encumbrances	75,456	72,306	76,053	3,747
Other financing uses:				
Transfers out	(81,537)	(81,986)	(81,986)	
Net change in fund balances	(6,081)	(9,680)	(5,933)	3,747
Fund balances — beginning	13,120	13,120	13,120	
Fund balances — ending	<u>\$ 7,039</u>	<u>\$ 3,440</u>	7,187	<u>\$ 3,747</u>
Adjustments to reconcile to GAAP Basis:				
Addition of encumbrances outstanding			10,503	
Less: accounts payable not recorded for budgetary purposes			<u>(2,831)</u>	
Fund balance — June 30, 2007 (GAAP basis)			<u>\$ 14,859</u>	

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

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

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

(Dollars Expressed in Thousands)

Actuarial Valuation Dates	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Excess of) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL (Excess of) as a Percentage of Covered Payroll ((b-a)/c)
Fire and Police Employees' Retirement System						
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
June 30, 2005	2,456,565	2,560,985	104,420	95.9	244,815	42.7
Employees' Retirement System						
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
June 30, 2005	1,403,207	1,466,857	63,650	95.7	320,986	19.8
Elected Officials' Retirement System						
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)
June 30, 2005	15,183	14,447	(736)	105.1	963	(76.4)

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

CITY OF BALTIMORE

Notes to the Required Supplementary Information

1. Budgetary Data

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

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

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

Original Budget

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

Final Budget

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

- (1) Appropriations for a particular program, purpose, activity, or project may, upon the recommendation of the head of the municipal agency concerned and the Director of Finance, and with the approval of the Board of Estimates, be carried over to the subsequent fiscal year to carry out the initial appropriation objectives. All appropriations not carried over lapse at the end of the fiscal year in which they were made. In addition, funds encumbered for contracts, purchase orders, approved requisitions or other actual commitments, as well as funds dedicated to grant programs and capital improvements are carried out over the ensuing fiscal year until utilized or cancelled.
- (2) The adopted budget is prepared and appropriated on an agency, program, activity, and object of expenditure basis by fund. Purchase orders which result in an operating or capital overrun are not released until additional appropriations are made available. Expenditures for each adopted operating budget may not legally exceed appropriations at the agency level. Administratively, the Department of Finance has the authority to move appropriations between activities of the same program within the same agency. The Board of Estimates has the authority to transfer appropriations between programs within the same agency. Only the City Council can transfer appropriations between agencies.
- (3) The City Charter permits further appropriations for programs included in the original Ordinance of Estimates made necessary by material changes in circumstances and additional appropriations for new programs or grant awards which could not reasonably be anticipated when formulating the original Ordinance of Estimates. These changes require supplemental appropriation ordinances. During fiscal year 2007, supplemental appropriation ordinances were required for the General Fund in the amount of \$42.0 million, and Motor Vehicle Fund in the amount of \$3.1 million.

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, 2007
(Expressed in Thousands)

	Special Revenue Funds				Permanent Funds			Total	Debt Service Fund	Total Nonmajor Governmental Funds
	Community Development Block Grant Fund	Special Racetrack Fund	Scholarship Fund	Total	Enoch Pratt Free Library Fund	Memorial Fund	Total			
Assets:										
Cash and cash equivalents			\$5,250	\$ 5,250	\$ 9	\$ 574	\$ 583	\$18,589	\$24,422	
Investments			641	641	2,072	3,804	5,876	12,659	19,176	
Other receivables, net			7	7	30	30	60	140	207	
Due from other governments	\$6,207	\$ 300		6,507				6,507	6,507	
Due from other funds	1,358			1,358					1,358	
Notes and mortgages receivable, net	1,581			1,581				2,266	3,847	
Total assets	9,146	300	5,898	15,344	2,111	4,408	6,519	33,654	55,517	
Liabilities and fund balances:										
Liabilities:										
Accounts payable and accrued liabilities	941	4		945					945	
Due to other funds	4,229	316		4,545				2,266	4,545	
Deferred revenue	3,976			3,976				1,092	6,242	
Matured bonds payable									1,092	
Total liabilities	9,146	320		9,466				3,358	12,824	
Fund balances:										
Reserved for encumbrances		100		100					100	
Reserved for Scholarship, Library and Memorial		(120)	5,898	5,898	2,111	4,408	6,519	30,296	12,417	
Unreserved (deficit)		(20)		(120)					30,176	
Total fund balances	\$9,146	\$ 300	\$5,898	\$15,344	\$2,111	\$4,408	\$6,519	\$33,654	\$55,517	
Total liabilities and fund balances										

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

Nonmajor Governmental Funds

For the Year Ended June 30, 2007

(Expressed in Thousands)

	Special Revenue Funds				Permanent Funds				Total	Debt Service Fund	Total Nonmajor Governmental Funds
	Community Development Block Grant Fund	Special Racetrack Fund	Scholarship Fund	Total	Enoch Pratt Free Library Fund	Memorial Fund	Total				
Revenues:											
State shared revenue		\$ 470		\$ 470							\$ 470
Interest, rentals and other investment income				509	\$ 143		\$ 415		\$ 4,369		5,293
Federal grants	\$ 29,506		\$ 509	29,506							29,506
Miscellaneous									20,672		20,672
Total revenues	29,506	470	509	30,485	143	272	415		25,041		55,941
Expenditures:											
Current:											
General government	2,988			2,988							2,988
Public safety and regulation	584	18		602							602
Education			2,079	2,079							2,079
Public library					94						94
Recreation and culture		24		24		107					131
Highways and streets		31		31							31
Economic development	11,036	54		11,090							11,090
Debt service:											
Principal									53,351		53,351
Interest									47,302		47,302
Other bond cost									6,829		6,829
Total expenditures	14,608	127	2,079	16,814	94	107	201		107,482		124,497
Excess (deficiency) of revenues over (under) expenditures	14,898	343	(1,570)	13,671	49	165	214		(82,441)		(68,556)
Other financing sources (uses):											
Transfers in		207		207					86,655		86,862
Transfers out	(11,762)	(500)		(12,262)							(12,262)
Total other financing sources (uses)	(11,762)	(293)		(12,055)							(12,055)
Net change in fund balances	3,136	50	(1,570)	1,616	49	165	214		4,214		6,044
Fund balances—beginning	(3,136)	(70)	7,468	4,262	2,062	4,243	6,305		26,082		36,649
Fund balances—ending		\$ (20)	\$ 5,898	\$ 5,878	\$ 2,111	\$ 4,408	\$ 6,519		\$ 30,296		\$ 42,693

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, 2007
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive
Revenues:				
State shared revenues	\$ 227	\$ 227	\$ 470	\$243
Expenditures and encumbrances:				
Department of Planning	100	100		100
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	54	54	54	
Total expenditures	227	227	127	100
Excess of revenues over expenditures			343	343
Other financing uses:				
Transfers in		207	207	
Transfers out	(500)	(500)	(500)	
Total other financing uses	(500)	(293)	(293)	
Net change in fund balances (deficit)	(500)	(293)	50	343
Fund balances — beginning	(70)	(70)	(70)	
Fund balances — June 30, 2007 (GAAP basis)	\$(570)	\$(363)	\$ (20)	\$343

- (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, 2007

(Expressed in Thousands)

	Loan and Guarantee Program	Industrial Development Authority	Conduit Fund	Total
Assets:				
Current assets:				
Cash and cash equivalents	\$11,005	\$33,587	\$ 3,162	\$47,754
Accounts receivable, net:				
Service billings	115		4,097	4,212
Other		424		424
Restricted cash and cash equivalents			225	225
Total current assets	<u>11,120</u>	<u>34,011</u>	<u>7,484</u>	<u>52,615</u>
Noncurrent assets:				
Capital assets, net			42,693	42,693
Issuance costs		310		310
Total noncurrent assets		<u>310</u>	<u>42,693</u>	<u>43,003</u>
Total assets	<u>11,120</u>	<u>34,321</u>	<u>50,177</u>	<u>95,618</u>
Liabilities:				
Current liabilities:				
Accounts payable and accrued liabilities	178	5	452	635
Accrued interest payable		296		296
Due to other funds		1,506		1,506
Current liabilities payable from restricted assets:				
Accounts payable from restricted assets			12	12
Total current liabilities	<u>178</u>	<u>1,807</u>	<u>464</u>	<u>2,449</u>
Noncurrent liabilities:				
Revenue bonds payable, net		17,391		17,391
Other liabilities	600			600
Total noncurrent liabilities	<u>600</u>	<u>17,391</u>		<u>17,991</u>
Total liabilities	<u>778</u>	<u>19,198</u>	<u>464</u>	<u>20,440</u>
Net assets:				
Invested in capital assets, net of related debt			42,693	42,693
Restricted for:				
Future capital expenditures			225	225
Unrestricted	<u>10,342</u>	<u>15,123</u>	<u>6,795</u>	<u>32,260</u>
Total net assets	<u>\$10,342</u>	<u>\$15,123</u>	<u>\$49,713</u>	<u>\$75,178</u>

CITY OF BALTIMORE
Combining Statement of Revenues, Expenses,
and Changes in Fund Net Assets
Nonmajor Proprietary Funds
For the Year Ended June 30, 2007

(Expressed in Thousands)

	Loan and Guarantee Program	Industrial Development Authority	Conduit Fund	Total
Operating revenues:				
Rents, fees, and other income	\$ 396	\$ 2,766	\$ 7,247	\$10,409
Interest income on loans	464	1,725		2,189
Total operating revenues	<u>860</u>	<u>4,491</u>	<u>7,247</u>	<u>12,598</u>
Operating expenses:				
Salaries and wages	87		1,534	1,621
Other personnel costs	26		607	633
Contractual services	310		3,093	3,403
Program expenses	2,609	3		2,612
Materials and supplies			93	93
Minor equipment			26	26
Depreciation			910	910
Interest		3,684		3,684
Total operating expenses	<u>3,032</u>	<u>3,687</u>	<u>6,263</u>	<u>12,982</u>
Operating income (loss)	<u>(2,172)</u>	<u>804</u>	<u>984</u>	<u>(384)</u>
Capital contributions	32		144	176
Transfers in	1,500			1,500
Changes in net assets	(640)	804	1,128	1,292
Total net assets — beginning	<u>10,982</u>	<u>14,319</u>	<u>48,585</u>	<u>73,886</u>
Total net assets — ending	<u>\$10,342</u>	<u>\$15,123</u>	<u>\$49,713</u>	<u>\$75,178</u>

CITY OF BALTIMORE
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the Year Ended June 30, 2007

(Expressed in Thousands)

	Loan and Guarantee Program	Industrial Development Authority	Conduit Fund	Total
Cash flows from operating activities:				
Receipts from customers	\$ 813	\$ 4,487	\$ 6,562	\$ 11,862
Payments to employees			(2,141)	(2,141)
Payments to suppliers	(2,884)	(4,640)	(4,396)	(11,920)
Net cash provided (used) by operating activities	(2,071)	(153)	25	(2,199)
Cash flows from non-capital financing activities:				
Transfers in	1,500		144	1,644
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets			27	27
Capital contributions	32			32
Principal paid on revenue bonds		689		689
Net cash provided by capital and related financing activities	32	689	27	748
Net (decrease) increase in cash and cash equivalents	(539)	536	196	193
Cash and cash equivalents, beginning of year	11,544	33,051	3,191	47,786
Cash and cash equivalents, end of year	\$11,005	\$33,587	\$ 3,387	\$ 47,979
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (2,172)	\$ 804	\$ 984	\$ (384)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation			910	910
Amortization of bond issuance costs		35		35
Accounts receivable	(47)	(4)	(685)	(736)
Accounts payable and accrued liabilities	148	(2)	(772)	(626)
Other liabilities			(412)	(412)
Due to other funds		(986)		(986)
Total adjustments	101	(957)	(959)	(1,815)
Net cash provided (used) by operating activities	\$ (2,071)	\$ (153)	\$ 25	\$ (2,199)

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.

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, 2007

(Expressed in Thousands)

	Mobile Equipment	Reproduction and Printing	Municipal Post Office	Municipal Telephone Exchange	Risk Management	Total
Assets:						
Current assets:						
Cash and cash equivalents	\$39,450			\$7,439	\$ 72,783	\$119,672
Investments					4,816	4,816
Accounts receivable, net:						
Other	437	\$ 168		4	12,756	13,365
Inventories	2,028	599	\$ 20			2,647
Current restricted assets:						
Cash and cash equivalents	7,438					7,438
Total current assets	49,353	767	20	7,443	90,355	147,938
Noncurrent assets:						
Capital assets	37,740	4		50	68	37,862
Other assets					156	156
Total noncurrent assets	37,740	4		50	224	38,018
Total assets	87,093	771	20	7,493	90,579	185,956
Liabilities:						
Current liabilities:						
Accounts payable and accrued liabilities	5,809	252	37	143	910	7,151
Due to other funds		4,106	700			4,806
Estimated liability for claims in progress					56,904	56,904
Other liabilities	2,772	101	44	132	599	3,648
Total current liabilities	8,581	4,459	781	275	58,413	72,509
Noncurrent liabilities:						
Estimated liability for claims in progress					97,646	97,646
Total liabilities	8,581	4,459	781	275	156,059	170,155
Net assets:						
Invested in capital assets	37,740	4		50	68	37,862
Unrestricted (deficit)	40,772	(3,692)	(761)	7,168	\$(65,548)	(22,061)
Total net assets	\$78,512	\$(3,688)	\$(761)	\$ 7,218	\$(65,480)	\$ 15,801

CITY OF BALTIMORE
Combining Statement of Revenues, Expenses,
and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2007

(Expressed in Thousands)

	Mobile Equipment	Reproduction and Printing	Municipal Post Office	Municipal Telephone Exchange	Risk Management	Total
Operating revenues:						
Charges for services	\$49,316	\$ 2,282	\$2,631	\$ 5,075	\$ 275,317	\$334,621
Operating expenses:						
Salaries and wages	10,329	1,049	308	806	2,621	15,113
Other personnel costs	3,526	394	107	298	832	5,157
Contractual services	9,488	1,559	165	7,723	11,268	30,203
Materials and supplies	13,990	244	17	6	40	14,297
Minor equipment		23	5	11	21	60
Claims paid and incurred					203,289	203,289
Postage and delivery service			2,566			2,566
Depreciation	5,973	3		25	64	6,065
Total operating expenses	43,306	3,272	3,168	8,869	218,135	276,750
Operating income (loss)	6,010	(990)	(537)	(3,794)	57,182	57,871
Nonoperating revenues (expenses):						
Investment income					1,724	1,724
Loss on disposal of property	(476)					(476)
Total nonoperating revenues (expenses)	(476)				1,724	1,248
Net income (loss) before contributions and transfers	5,534	(990)	(537)	(3,794)	58,906	59,119
Contributions	7,331					7,331
Transfers in	5,576				7,600	13,176
Total net assets — beginning	60,071	(2,698)	(224)	11,012	(131,986)	(63,825)
Total net assets — ending	\$78,512	\$(3,688)	\$(761)	\$ 7,218	\$(65,480)	\$ 15,801

CITY OF BALTIMORE
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2007

(Expressed in Thousands)

	Mobile Equipment	Reproduction and Printing	Municipal Post Office	Municipal Telephone Exchange	Risk Management	Total
Cash flow from operating activities:						
Receipts from customers	\$ 48,955	\$ 3,499	\$ 3,157	\$ 5,071	\$ 266,161	\$326,843
Payments to employees	(13,621)	(1,488)	(422)	(1,100)	(3,429)	(20,060)
Payments to suppliers	(22,091)	(2,011)	(2,735)	(9,133)	(224,707)	(260,677)
Net cash provided (used) by operating activities	13,243			(5,162)	38,025	46,106
Cash flows from noncapital financing activities:						
Transfers in	5,576				7,600	13,176
Net cash provided by noncapital financing activities	5,576				7,600	13,176
Cash flows from capital and related financing activities:						
Acquisition and construction of capital assets	(13,356)					(13,356)
Capital contributions	7,331					7,331
Net cash used by capital and related financing activities	(6,025)					(6,025)
Cash flows from investing activities:						
Proceeds from the sale and maturities of investments					7,139	7,139
Purchase of investments					(7,242)	(7,242)
Interest on investments					1,724	1,724
Net cash provided by investing activities					1,621	1,621
Net increase in cash and cash equivalents	12,794			(5,162)	47,246	54,878
Cash and cash equivalents, beginning of year	34,094			12,601	25,537	72,232
Cash and cash equivalents, end of year	\$ 46,888			\$ 7,439	\$ 72,783	\$127,110
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating income (loss)	\$ 6,010	\$ (990)	\$ (537)	\$ (3,794)	\$ 57,182	\$ 57,871
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	5,973	3		25	64	6,065
Changes in assets and liabilities:						
Accounts receivable	(111)	(150)		(4)	(9,187)	(9,452)
Inventories	(250)	(353)	(19)			(622)
Other assets					31	31
Accounts payable and accrued liabilities	1,411	(185)	18	(1,393)	204	55
Other liabilities	210	(45)	(7)	4	21	183
Due to other funds		1,720	545			2,265
Estimated liability for claims in progress					(10,290)	(10,290)
Total adjustments	7,233	990	537	(1,368)	(19,157)	(11,765)
Net cash provided by operating activities	\$ 13,243			\$ (5,162)	\$ 38,025	\$ 46,106

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, 2007
(Expressed in Thousands)

	Employees' Retirement System	Elected Officials' Retirement System	Fire and Police Employees' Retirement System	Total
Assets:				
Cash and cash equivalents	\$ 64,627	\$ 34	\$ 32,035	\$ 96,696
Investments:				
Stocks	941,738	10,455	1,394,427	2,346,620
Bonds	464,775	3,159	715,995	1,183,929
Mutual funds		5,669		5,669
Real estate	101,055		209,748	310,803
Securities lending collateral	215,754		395,478	611,232
Other assets	27,255	6	111,523	138,784
Total assets	<u>1,815,204</u>	<u>19,323</u>	<u>2,859,206</u>	<u>4,693,733</u>
Liabilities:				
Obligations under securities lending program	215,754		395,478	611,232
Accounts payable	110,330	8	120,330	230,668
Pension benefits payable	545	3	256	804
Total liabilities	<u>326,629</u>	<u>11</u>	<u>516,064</u>	<u>842,704</u>
Net assets held in trust for pension benefits	<u>\$1,488,575</u>	<u>\$19,312</u>	<u>\$2,343,142</u>	<u>\$3,851,029</u>

CITY OF BALTIMORE
Combining Statement of Changes in Fiduciary Net Assets
Pension Trust Funds
For the Year Ended June 30, 2007
(Expressed in Thousands)

	Employees' Retirement System	Elected Officials' Retirement System	Fire and Police Employees' Retirement System	Total
Additions:				
Contributions:				
Employer	\$ 36,841	\$ 382	\$ 60,129	\$ 97,352
Employee	309	46	15,439	15,794
Total contributions	<u>37,150</u>	<u>428</u>	<u>75,568</u>	<u>113,146</u>
Investment income:				
Net appreciation in fair market value of investments	177,596	3,075	304,558	485,229
Securities lending income	328		757	1,085
Interest and dividend income	47,136	30	50,137	97,303
Total investment income	<u>225,060</u>	<u>3,105</u>	<u>355,452</u>	<u>583,617</u>
Less: investment expense	5,684	25	7,627	13,336
Net investment income	<u>219,376</u>	<u>3,080</u>	<u>347,825</u>	<u>570,281</u>
Total additions	<u>256,526</u>	<u>3,508</u>	<u>423,393</u>	<u>683,427</u>
Deductions:				
Retirement allowances	97,104	501	168,590	266,195
Death benefits	1,295		722	2,017
Administrative expenses	2,615	26	2,819	5,460
Other	161		2,007	2,168
Total deductions	<u>101,175</u>	<u>527</u>	<u>174,138</u>	<u>275,840</u>
Changes in net assets	155,351	2,981	249,255	407,587
Net assets — beginning of the year	<u>1,333,224</u>	<u>16,331</u>	<u>2,093,887</u>	<u>3,443,442</u>
Net assets — end of the year	<u>\$1,488,575</u>	<u>\$19,312</u>	<u>\$2,343,142</u>	<u>\$3,851,029</u>

CITY OF BALTIMORE
Combining Statement of Fiduciary Net Assets
Agency Funds
June 30, 2007

(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	\$77		\$1,525	\$ 468	\$ 2,211
Investments				\$51		13,018	13,069
Total assets	55	86	77	51	1,525	13,486	15,280
Liabilities:							
Other	55	86	77	51	1,525	13,486	15,280
Total liabilities	\$55	\$86	\$77	\$51	\$1,525	\$13,486	\$15,280

CITY OF BALTIMORE
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2007
(Expressed in Thousands)

	Balance June 30, 2006	Additions	Deductions	Balance June 30, 2007
<i>Unpresented Stock and Coupon Bonds</i>				
Assets:				
Cash	\$ 55			\$ 55
Total assets	55			55
Liabilities:				
Other	55			55
Total liabilities	55			55
<i>Property Sold for Taxes</i>				
Assets:				
Cash	86			86
Total assets	86			86
Liabilities:				
Other	86			86
Total liabilities	86			86
<i>Bid Deposit Refunds</i>				
Assets:				
Cash	67	\$ 42	\$ 32	77
Total assets	67	42	32	77
Liabilities:				
Other	67	42	32	77
Total liabilities	67	42	32	77
<i>Waterloo Summit</i>				
Assets:				
Investments	51			51
Total assets	51			51
Liabilities:				
Other	51			51
Total liabilities	51			51
<i>Recreation Accessory</i>				
Assets:				
Cash	1,590	2,471	2,536	1,525
Total assets	1,590	2,471	2,536	1,525
Liabilities:				
Other	1,590	2,471	2,536	1,525
Total liabilities	1,590	2,471	2,536	1,525
<i>Insurance Deposits</i>				
Assets:				
Cash	323	145		468
Investments	10,206	2,812		13,018
Total assets	10,529	2,957		13,486
Liabilities:				
Other	10,529	2,957		13,486
Total liabilities	10,529	2,957		13,486
<i>Total All Agency Funds</i>				
Assets:				
Cash	2,121	2,658	2,568	2,211
Investments	10,257	2,812		13,069
Total assets	12,378	5,470	2,568	15,280
Liabilities:				
Other	12,378	5,470	2,568	15,280
Total liabilities	\$12,378	\$5,470	\$2,568	\$15,280

Statistical Section

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CITY OF BALTIMORE

Statistical Section

(Unaudited)

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Debt Capacity	
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These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.	107
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These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.	111

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 six years.

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Financial Trends

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CITY OF BALTIMORE
Net Assets by Component
Last Six Fiscal Years
(Accrual Basis of Accounting)
(Expressed in Thousands)

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
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
Restricted	15,650	15,444	15,084	13,774	13,773	26,516
Unrestricted	(178,915)	(369,729)	(439,890)	(428,921)	(367,551)	112,270
Total governmental activities net assets	\$2,480,041	\$2,458,678	\$2,385,349	\$2,483,464	\$2,330,822	\$2,761,089
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
Restricted	215,671	224,150	256,964	252,812	282,924	369,069
Unrestricted	59,185	182,449	207,744	125,132	60,639	138,070
Total Business-type activities	\$1,228,070	\$1,247,499	\$1,318,715	\$1,379,056	\$1,470,779	\$1,595,650
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
Restricted	231,321	239,594	272,048	266,586	296,697	395,585
Unrestricted	(119,730)	(187,280)	(232,146)	(303,789)	(306,912)	250,340
Total primary government net assets	\$3,708,111	\$3,706,177	\$3,704,064	\$3,862,520	\$3,801,601	\$4,356,739

CITY OF BALTIMORE

Changes in Net Assets

Last Six Fiscal Years

(Accrual Basis of Accounting)

(Expressed in Thousands)

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

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

(Modified Accrual Basis of Accounting)

(Expressed in Thousands)

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Fund										
Reserved	\$ 48,997	\$ 49,988	\$ 60,850	\$ 76,741	\$ 89,278	\$ 88,422	\$101,777	\$119,793	\$146,107	\$168,912
Unreserved	28,863	20,820	18,964	30,437	33,459	40,902	37,878	72,762	65,417	56,043
Total General Fund	\$ 77,860	\$ 70,808	\$ 79,814	\$107,178	\$122,737	\$129,324	\$139,655	\$192,555	\$211,524	\$224,955
All Other Governmental Funds										
Reserved	\$ 91,635	\$ 65,801	\$ 70,388	\$ 42,481	\$ 91,079	\$134,313	\$123,991	\$121,639	\$138,734	\$149,684
Unreserved reported in:										
Motor vehicle fund	11,398	3,485	6,823	21,112	14,772	6,825	6,625	8,024	9,504	4,657
Grants revenue fund				(47,086)	(71,738)	(75,579)	(93,848)	(113,194)	(105,776)	(105,244)
Capital projects fund	24,464	74,512	43,413	77,743	37,025	(87,579)	(44,106)	(83,622)	28,370	56,661
Debt service fund	30,379	25,369	22,051	20,647	22,990	17,715	18,099	27,503	26,082	30,296
Non-major special revenue funds	299	456	391	169	8,135	4,606	(965)	(3,156)	(3,305)	(120)
Non-major permanent funds	8,184	11,166	10,099	16,264	6,659	6,602	6,237	13,774		
Total all other governmental funds	\$166,359	\$180,789	\$153,165	\$131,330	\$108,922	\$ 6,903	\$ 16,033	\$(29,032)	\$ 93,609	\$135,934

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

(Modified Accrual Basis of Accounting)

(Expressed in Thousands)

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Revenues:										
General fund:										
Taxes — Local	\$ 680,627	\$ 700,625	\$ 712,536	\$ 758,351	\$ 767,384	\$ 793,817	\$ 821,701	\$ 910,701	\$ 992,464	\$1,040,361
Licenses and permits	18,099	17,954	22,011	21,347	22,051	21,429	26,805	28,570	31,143	32,784
Fines and forfeitures	2,219	2,679	3,337	1,298	2,162	2,401	4,408	3,575	3,372	2,900
Interest, rentals, and other investment income	32,645	34,912	33,878	36,637	27,468	24,968	20,729	25,364	31,206	34,047
Federal grants	45	37	13	68	45	77	111	150	90	93
State grants	68,437	70,374	75,981	79,985	87,580	98,778	96,412	92,240	91,331	98,120
Other grants	165	161	159	159	4,139	6,112	6,064	4,174	75	173
Charges for services	31,965	32,863	34,114	34,581	35,718	36,315	39,692	39,770	42,243	43,697
Miscellaneous	14,262	2,900	2,137	3,233	8,945	6,694	9,889	2,643	8,817	6,420
Total revenues — general fund	848,464	862,505	884,166	935,659	955,492	990,591	1,025,811	1,107,187	1,200,741	1,258,595
Other governmental funds:										
Motor vehicle fund	165,788	164,472	173,559	188,115	185,538	187,891	187,119	212,477	238,002	244,316
Grants revenue fund	244,321	263,550	293,697	334,831	287,578	340,989	324,317	263,542	280,232	258,288
Capital projects fund	32,699	53,085	32,987	21,640	40,913	60,345	68,647	64,031	84,247	66,341
Other funds	1,998	6,023	2,694	12,773	48,986	25,555	29,820	37,334	32,251	55,941
Total revenues other governmental funds	444,806	487,130	502,937	557,359	563,015	614,780	609,903	577,384	634,732	624,886
Total revenues all governmental funds	1,293,270	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
Expenditures:										
General fund:										
General government	182,438	177,895	187,425	204,564	214,288	253,812	267,527	273,606	290,727	337,700
Public safety and regulation	296,806	300,313	308,806	332,315	350,941	377,494	376,052	383,318	416,781	446,072
Conservation of health	21,593	22,364	24,061	24,355	24,102	24,760	23,528	24,442	30,507	28,948
Social Services	963	1,008	916	754	1,743	1,952	2,032	2,146	2,138	3,007
Education	1,080	776	880	1,308	202,117	202,046	202,192	205,067	205,552	206,016
Public library	18,239	20,134	18,817	19,521	19,680	19,493	20,124	18,093	20,853	23,135
Recreation and culture	35,954	22,627	21,417	24,685	26,255	25,998	27,143	26,464	29,151	34,568
Highways and streets	785	4,378	3,711	3,348	175	153	244	407	312	484
Sanitation and waste removal	31,224	31,040	30,002	33,751	29,435	30,617	29,209	28,109	37,474	39,754
Public service	9,609	9,798	11,471	12,039	12,170	11,889	12,234	12,715	12,448	12,210
Economic development	18,586	18,386	17,880	23,672	14,631	19,077	19,262	18,854	21,420	30,440
Total expenditures — general fund	617,277	608,719	625,386	680,312	895,537	967,291	979,547	993,221	1,067,363	1,162,334
Other governmental funds:										
Motor vehicle fund	120,663	120,098	125,983	125,781	132,117	144,495	148,268	148,974	157,248	164,419
Grants revenue fund	237,674	252,628	272,900	298,551	316,563	344,830	342,586	282,888	272,814	257,756
Capital projects fund	188,151	198,968	178,156	125,214	171,910	206,246	217,621	208,219	568,951	246,775
Debt Service Fund:										
Principal	23,097	28,177	35,408	39,121	34,080	36,065	36,209	42,048	48,073	53,351
Interest	29,160	29,306	31,532	32,528	34,900	31,760	29,674	30,197	30,555	47,302
Other bond costs	3,219	453	1,455	462				1,357	1,861	6,829
Other funds	40	350	815	241	23,180	21,524	22,752	25,052	22,038	17,015
Total expenditures other governmental funds	602,004	629,980	646,249	621,898	712,750	784,920	797,110	738,735	1,101,540	793,447
Total expenditures all governmental funds	1,219,281	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
Excess of expenditures over revenue	73,989	110,936	115,468	190,808	(89,780)	(146,840)	(140,943)	(47,385)	(333,430)	(72,300)
Other financing sources (uses):										
Transfers, net	(176,378)	(188,780)	(188,384)	(174,133)	27,661	31,570	28,401	33,873	16,568	20,694
Capital leases	67,954	23,253	9,064	21,082	12,400	433	25,136	10,189	10,265	25,447
Face value of bonds and loans	136,551	61,883	46,162	34,454	42,869	201,399	65,996	49,689	379,676	81,915
Premium (discount) on sale of bonds						(2,064)	731			
Payments to escrow agents	(104,088)					(128,030)	(11,760)			
Demand obligation transferred from fund liability						(51,900)	51,900	(38,531)	38,531	
Total other financing sources (uses)	(75,961)	(103,644)	(133,158)	(118,597)	82,930	51,408	160,404	55,220	445,040	128,056
Net changes in fund balances	\$ (1,972)	\$ 7,292	\$ (17,690)	\$ 72,211	\$ (6,850)	\$ (95,432)	\$ 19,461	\$ 7,835	\$ 111,610	\$ 55,756
Debt service as a percentage of noncapital expenditures	5.21%	4.95%	5.66%	5.82%	4.62%	4.31%	4.14%	4.62%	4.02%	5.92%

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
1998	\$475,125	\$461,022	97.0%	\$ 9,238	\$470,260	99.0%
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

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

(Dollars Expressed in Thousands)

Fiscal Year	Real Property		Personal Property		Total		Ratio of Total Assessed Value to Total Estimated Actual Value
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	
1998	\$ 6,820,914	\$16,574,901	\$1,305,973	\$1,305,973	\$ 8,126,887	\$17,880,874	45.5%
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	21,334,553	1,783,249	1,783,249	21,701,692(1)	23,117,802	93.9(1)
2007	21,254,392	23,236,872	1,893,973	1,893,973	23,148,365(1)	25,130,845	92.1(1)

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

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

Source: Baltimore City Department of Finance

CITY OF BALTIMORE
Direct and Overlapping Property Tax Rates

Last Ten Fiscal Years(1)

Fiscal Year	City Tax Rate	State Tax Rate (2)	Total (3)
1998	5.850	.210	6.060
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

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

	2007			1998		
	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)	\$ 608,910	1	2.6%	\$ 541,675	1	6.5%
Verizon-Maryland	372,966	2	1.6%	292,116	2	3.5%
Baltimore Center Association LTD Partnership	160,438	3	0.7%	46,600	4	0.6%
AT & T Communications of Maryland				60,300	3	0.7%
100 E. Pratt St.	139,884	4	0.6%			
Harbor East Limited	111,292	5	0.5%			
Wheelabrator Baltimore LLC				33,764	5	0.4%
CSX Transportation, Inc.	107,133	6	0.5%	30,107	7	0.4%
Boston Properties, Inc.				32,200	6	0.4%
ABB South Street Associates, LLC	69,000	7	0.3%			
TMCT, LLC	63,000	8	0.3%	21,698	10	0.3%
Baltimore Steam Company (TRIGEN)				22,263	8	0.3%
Candler Associates, LLC	62,996	9	0.3%			
United Cable Television of Baltimore, LTD Partnership				21,897	9	0.3%
U.S. Bank National	62,703	10	0.3%			
Total	\$1,758,322		7.7%	\$1,102,620		13.4%

DEBT CAPACITY

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

Fiscal Year	Governmental Activities					Business-Type Activities					Total Primary Government	Percentage of Personal Income(b)	Per Capita(a)
	General Obligation Bonds	Bond Anticipation Notes	Special Obligation Bonds	Long-term Financing with Federal Government	Long-term Financing with State of Maryland	Private	Water	Waste Water	Sewer Construction Loans				
1998	\$432,595	\$18,100		\$14,261	\$13,056	\$2,246	\$3,403	\$2,941	\$819	\$487,421	3.09%	\$749	
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	N/A	N/A	
2007	609,950		26,211	46,926	2,266		855	1,616	360	688,184	N/A	N/A	

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

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

N/A Information not available.

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

(Dollars Expressed in Thousands)

Fiscal Year	General Obligation Bonds	Bond Anticipation Notes	Total	Funds Available in Debt Service Funds(b)	Net General Bonded Debt	Percentage of Actual Taxable Value of Property	Per Capita(a)
1998	\$432,595	\$18,100	\$450,695	\$30,379	\$420,316	2.35%	\$645.75
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%	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, 2007

The City of Baltimore has no Overlapping Debt.

CITY OF BALTIMORE
Legal Debt Margin Information
June 30, 2007

The City has no Legal Debt Margin

CITY OF BALTIMORE
Pledged Revenue Coverage
Last Ten Fiscal Years

(dollars expressed in thousands)

Fiscal Year	Water Revenue Bonds						Waste Water Revenue Bonds					
	Water Utility Revenues	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	Waste Water Utility Revenues	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principle	Interest					Principle	Interest	
1998	\$ 68,707	\$58,000	\$10,707	\$2,370	\$ 7,509	1.08	\$103,643	\$ 88,933	\$14,710	\$2,632	\$ 5,010	1.92
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

Fiscal Year	Parking Facilities Revenue Bonds						Convention Center Revenue Bonds					
	Parking Facilities Revenues	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	Convention Center Revenues	Net Available Revenue	Debt Service		Coverage	
				Principle	Interest				Principle	Interest		
1998	\$37,283	\$3,721	\$33,562	\$2,725	\$ 6,122	3.79	\$3,654	\$3,654		\$3,265	1.12	
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	

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

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DEMOGRAPHIC AND ECONOMIC INFORMATION

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CITY OF BALTIMORE
Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year	Population(a)	Personal Income(b) <i>(thousands of dollars)</i>	Per Capita Personal Income(c)	Total Employment(d)	Unemployment Rate(d)
1998	667,479	15,041,485	22,535	277,234	8.9%
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	18,867,201	29,434	253,695	7.3%
2005	640,064	20,114,221	31,425	255,081	5.0%
2006	640,961	N/A	N/A	262,024	6.4%
2007	N/A	N/A	N/A	N/A	N/A

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

1997-1999: Maryland State Department of Planning

2000-2006: 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

Employer	2007			1998		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Government[1]						
State	39,399	1	11.28%	39,207	1	10.35%
Other Government authority (City, Schools, etc)	27,661	2	7.92%	32,932	2	8.69%
Federal	8,255	3	2.36%	13,004	3	3.43%
Sub Total Government	75,315		21.56%	85,143		22.47%
Ten Largest Private Sector Employers[2]						
Johns Hopkins University	24,500	1	7.02%	16,200	1	4.28%
Johns Hopkins and Health Systems	13,800	2	3.95%	7,900	2	2.09%
University of Maryland Medical System	10,800	3	3.09%	6,000	4	1.58%
University of Maryland, Baltimore (UMB)	6,700	4	1.92%			
LifeBridge Health-Sinai	5,100	5	1.46%	2,000	10	0.53%
St. Agnes Health Care	3,100	6	0.89%	3,100	6	0.82%
Abacus	3,000	7	0.86%			
Constellation Energy / BGE	2,700	8	0.77%	3,000	8	0.79%
Mercy Health Service	2,600	9	0.74%			
Kennedy Krieger Institute	2,200	10	0.63%			
Bell Atlantic				6,600	3	1.74%
Nations Bank Corporation				4,600	5	1.21%
General Motors Corporation				3,100	7	0.82%
T. Rowe Price				2,600	9	0.69%
Sub Total Private Sector	74,500		21.33%	55,100		14.55%
Total Government and Ten Largest Private Employers	149,815		42.89%	140,243		37.02%

Source:

- [1] Maryland Dept of Labor Licensing and Regulations, Employment Data files for the Period Ending 12/31/2006.
[2] Private sector: For calendar year 2007, data collected by the Baltimore Development Corporation; 1998 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

Function/program	Full-time equivalent Employees at June 30									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General government	1,863	1,830	1,771	1,816	1,766	1,725	1,695	1,722	1,710	1,690
Public safety										
Police	3,907	4,043	4,160	3,961	4,131	4,102	4,030	3,983	3,935	3,937
Fire	1,772	1,777	1,830	1,754	1,750	1,748	1,737	1,741	1,743	1,743
Other	574	601	638	692	714	738	725	727	735	752
Conservation of health	812	793	780	760	773	770	742	719	680	671
Public library	391	393	399	402	411	416	432	421	417	418
Recreation and parks	521	345	321	326	433	372	368	362	364	364
Highways and streets	1,832	1,777	1,720	1,636	1,511	1,511	1,511	1,515	1,510	1,518
Public Works										
Water	900	903	917	957	942	952	957	936	926	900
Waste Water	1,067	1,065	1,063	1,103	1,093	1,088	1,091	1,086	1,069	1,059
Solid Waste	1,055	1,027	978	972	974	954	891	872	868	863
Other	714	991	943	856	826	626	609	570	598	606
Public service	63	65	61	58	55	63	64	64	64	68
Economic development	616	633	572	578	522	528	533	528	518	541
	16,087	16,243	16,153	15,871	15,901	15,593	15,385	15,246	15,137	15,130

Source: Baltimore City budget

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

Function/Program	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<i>Police</i>										
Arrests*	82,379	80,778	81,226	93,780	102,397	110,167	100,388	99,981	92,904	58,517
<i>Fire</i>										
Fire Suppression Units Dispatched	NA	NA	NA	NA	NA	NA	106,822	120,906	126,942	132,560
Structural Fires	NA	NA	NA	2,884	2,758	2,223	2,132	2,370	2,372	2,275
EMS Transports	NA	NA	NA	81,029	83,026	82,453	83,348	83,828	86,881	89,331
Inspections	NA	NA	NA	24,795	21,805	12,560	14,707	20,250	20,543	23,630
<i>Solid Waste</i>										
Refuse Collected (tons)	NA	NA	NA	206,851	208,970	212,711	218,324	220,063	218,194	206,333
Recyclables Collected (tons)	NA	NA	NA	NA	NA	NA	NA	NA	166,656	167,236
<i>Water/Wastewater</i>										
Number of Accounts	NA	NA	NA	NA	NA	NA	NA	NA	409,208	439,327
Average Daily Water Production (MGD)	NA	NA	NA	NA	NA	NA	NA	NA	251	251
Average Daily Sewage Treatment (MGD)	NA	NA	NA	NA	NA	NA	NA	NA	210	210
<i>Transportation</i>										
Miles Streets Resurfaced/Reconstructed	NA	82.2	56.0	73.7	103.2	144.1	38.7	113.5	13.5	94.8
Potholes Repaired	NA	NA	NA	NA	NA	7,769	11,592	19,000	16,054	15,345
Traffic Citations Issued	NA	NA	NA	NA	2,660	3,233	9,760	12,422	7,744	4,488
Parking Citations Issued	NA	NA	NA	NA	328,038	331,422	340,448	340,444	364,041	400,263
Traffic Signals Repaired	NA	NA	NA	NA	NA	NA	8,274	10,973	11,482	9,737
Street Lights Repaired	NA	NA	NA	NA	NA	12,248	13,345	12,982	21,527	27,459
<i>Housing</i>										
Number of inspections (housing and code enforcement)	NA	NA	NA	NA	NA	NA	179,385	199,830	169,727	180,073
Number of permits issued	NA	NA	NA	20,133	20,803	23,138	26,692	32,780	38,787	38,455
Property Management Service Requests Completed**	NA	NA	NA	NA	NA	NA	13,109	15,635	30,537	24,951
<i>Recreation and Parks</i>										
Enrollment at Recreation Centers	NA	NA	NA	NA	NA	170,440	152,660	155,193	138,583	141,232
Permits Issued for Park Facilities	NA	NA	NA	NA	NA	526	572	808	661	723
<i>Library</i>										
Volumes in Collection (millions)	3.1	3.3	3.5	3.1	3.1	3.2	2.7	2.2	2.3	2.6
Volumes Borrowed (millions)	1.5	1.3	1.3	1.4	1.2	1.4	1.4	1.4	1.4	1.4

NA Data not available.

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

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

Source: Baltimore City Department of Finance

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

Function/Program	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<i>Police/Sheriff</i>										
Buildings	NA	NA	NA	NA	NA	NA	NA	10	10	10
Marked Patrol Units	NA	NA	NA	NA	NA	NA	NA	NA	525	466
Other vehicles	NA	NA	NA	NA	NA	NA	NA	NA	616	654
<i>Fire Stations</i>										
Buildings	NA	NA	NA	NA	NA	NA	NA	39	39	39
Fire/EMS Apparatus (Tankers/Ladders/Medics) (Fleet)	NA	NA	NA	NA	NA	NA	NA	NA	160	160
Other vehicles	NA	NA	NA	NA	NA	NA	NA	NA	152	168
<i>Recreation and Parks</i>										
Buildings	NA	NA	NA	NA	NA	NA	NA	147	148	148
Acreage	NA	NA	6,500	6,500	6,500	5,827	5,827	5,827	5,827	5,827
Vehicles	NA	NA	NA	NA	NA	NA	NA	NA	127	129
Equipment	NA	NA	NA	NA	NA	NA	NA	NA	304	309
<i>Public Works (Transportation, Solid Waste, and General Services)</i>										
Buildings	NA	NA	NA	NA	NA	NA	NA	30	30	30
Vehicles	NA	NA	NA	NA	NA	NA	NA	NA	990	971
Equipment	NA	NA	NA	NA	NA	NA	NA	NA	496	509
Streets (miles)	NA	NA	NA	NA	NA	NA	NA	2,000	2,000	2,000
<i>Water/Wastewater</i>										
Treatment plants	NA	NA	NA	NA	NA	NA	NA	4	4	4
Other Buildings	NA	NA	NA	NA	NA	NA	NA	31	31	31
Vehicles	NA	NA	NA	NA	NA	NA	NA	NA	611	625
Equipment	NA	NA	NA	NA	NA	NA	NA	NA	411	412
Water Mains (Miles)	NA	NA	NA	NA	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	NA	1,340	1,340	1,340	1,340	1,340	1,340
Storm sewers (miles)	NA	NA	NA	NA	1,080	1,080	1,080	1,080	1,080	1,080
Wastewater Treatment capacity (MGD)	250	250	250	250	250	250	250	250	253	253
<i>Libraries</i>										
Buildings	NA	NA	NA	NA	NA	NA	NA	32	32	33
Vehicles	NA	NA	NA	NA	NA	NA	NA	NA	17	17
<i>Other-General Government</i>										
Buildings	NA	NA	NA	NA	NA	NA	NA	1,353*	1,353*	1,353*
Vehicles	NA	NA	NA	NA	NA	NA	NA	NA	197	211
Equipment	NA	NA	NA	NA	NA	NA	NA	NA	59	62

* 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