

# **City of Baltimore, Maryland**

## **Comprehensive Annual Financial Report**

Year Ended June 30, 2001

Prepared by the Department of Finance

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Services

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*Bureau Chief*

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## ELECTED OFFICIALS

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MAYOR

Martin O'Malley

PRESIDENT OF THE CITY COUNCIL

Sheila Dixon

COMPTROLLER

Joan M. Pratt

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## BOARD OF ESTIMATES

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PRESIDENT

Sheila Dixon

MAYOR

Martin O'Malley

COMPTROLLER

Joan M. Pratt

DIRECTOR OF PUBLIC WORKS

George L. Winfield

CITY SOLICITOR

Thurman Zollicoffer

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## CITY COUNCIL

Sheila Dixon, *President*

Stephanie C. Rawlings, *Vice-President*

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FIRST DISTRICT

John L. Cain

Nicholas C. D'Adamo, Jr.

Lois Garey

SECOND DISTRICT

Paula Johnson Branch

Bea Gaddy

Bernard C. Young

THIRD DISTRICT

Robert W. Curran

Kenneth N. Harris, Sr.

Lisa Joi Stancil

FOURTH DISTRICT

Keiffer J. Mitchell, Jr.

Catherine E. Pugh

Agnes Welch

FIFTH DISTRICT

Helen Holton

Stephanie C. Rawlings

Rochelle "Rikki" Spector

SIXTH DISTRICT

Dr. Norman A. Handy, Sr.

Edward L. Reisinger

Melvin L. Stukes

City of Baltimore  
 Comprehensive Annual Financial Report  
 Year Ended June 30, 2001

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December 12, 2001

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

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, 2001. 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 results of operations 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, a list of principal officials and the certificate of achievement for excellence in financial reporting. The financial section includes the general purpose financial statements and the combining and individual fund financial statements and schedules, as well as the auditors' report on the financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multiyear basis.

#### **The Reporting Entity and Its Services**

This report includes all of the fund and account groups of the City which 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. Two component units, the Baltimore Industrial Development Authority and the Baltimore City Public School System (BCPSS), 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 City provides the full range of municipal services contemplated by statute or charter. This includes 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), public improvements, planning and zoning, parking facilities, mortgage loan programs, industrial development and general and administrative services; these activities are included in the reporting entity. 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 general purpose financial statements.

#### **Economic Condition**

Baltimore is the center of the 13th largest metropolitan statistical area in the country. In calendar year 2000, it was the location of a growing number of jobs, about 388,000 jobs or 32.5% of the metropolitan area jobs. The City is the "low cost location option," and the northern anchor of the Washington-Baltimore Consolidated Metropolitan Statistical Area (CMSA) — the fourth largest, and one of the wealthiest and best-educated population centers in the country. Its location in the northeast corridor, access to mid-western and northeastern markets, excellent transportation system, international port, and access to a large and diversified work force continue to be cited as positive location factors. The City is home of internationally renowned health and hospital institutions, most notably the Johns Hopkins, the world's premier medical facility, and the University of Maryland School of Medicine, the nation's first public medical school and the 9th largest public medical school research dollar recipient. It is the site of an expanding number of National Institutes of Health (NIH) programs and facilities.

With these and other strengths, the City is burdened by the negative consequences of the sprawl of jobs and residences. The decline in the City's population over the last decade was not as great as State and Census forecasts, but the City lost more population (about 85,000 residents) than any other large City. Slowing and reversing the exodus from the city requires careful use of limited resources, creative partnering with the private sector, and large amounts of intergovernmental aid to deal with problems resulting from the concentration of a disproportionate share of the State's poor. Crime, drug addiction, job losses, public school performance, stagnant revenues, and aging infrastructure all drive public policy priorities.

In stark contrast to the weak economic trends of most of the 1990's, the last three years have featured relatively strong economic activity. The number of jobs in the City grew after a decade of decline for the second year from 383,000 to 388,000 or about 1.3% between calendar year 1999 and 2000. The strong economy resulted in positive economic news, including the following:

- The real property tax base grew for the third consecutive year, continuing the reversal of the downward trend after the recession of the early 1990's.
- Calendar year 2000 was the third year of increase in the number of residential home sales. The City, for the third year in a row, led its suburban neighbors with a 12.2% increase.
- Net taxable income grew 6.3% between calendar year 1999 and 2000, surpassing the 3.7% growth in the prior year and the largest growth rate in over a decade.
- The number of taxable income tax returns grew in calendar year 2000 for the third consecutive year after 12 years of decline.
- Passenger volume at the Baltimore/Washington International Airport grew in calendar year 2000 for the seventh straight year, increasing by 12.6%, from 17.4 to 19.6 million passengers. The airport, 15 minutes from downtown, recently became the busiest in the Baltimore-Washington area.
- Foreign commerce at the Port of Baltimore increased 13.9% in calendar year 2000 to 26.2 million from 23.0 million tons.
- Taxable hotel sales continued to grow for the tenth consecutive year, posting about 12.1% growth in fiscal year 2001.

In fiscal year 2001, the City convention and tourism programs received several awards. Among them, the American Bus Association voted Baltimore the "Hottest Up and Coming Destination" and the Convention Center received the "Overall Best Web Site" award from a leading industry journal—*Trade Show Week*. Baltimore's unique joint bid with Washington, D.C. to host the 2012 Summer Olympics, moved forward to the United States' final four joining New York, Houston and San Francisco.

### **Economic Outlook**

The outlook set forth in the fiscal year 2002 budget called for an economic slow down extending through 2002 and possibly into the following fiscal year. The forecast called for an increase in the unemployment rate, a slow down in the growth of jobs located in the City and an upturn in the office vacancy rate. While the forecast anticipated the slow down, the magnitude and term of the slow down remains to be seen. Softening the impact of the slow down is the fact that the City is less reliant on manufacturing, telecommunication, and computer technology employment than the State and nation as a whole, and the City benefits by the relative strength of the Maryland economy. Maryland is the fourth largest recipient among all states of Federal contract dollars. The slow down is evident in the following statistics.

- The combined class A and B commercial office vacancy rate at the end of fiscal year 2001 stood at about 11.2%, an increase compared to fiscal year 2000, but the second lowest rate in 15 years.
- The fiscal year 2001 unemployment rate of 7.7%, remained unchanged from the prior year, but still remains the lowest rate of the decade.
- Taxable retail sales, reported by the State Comptroller's Office, slowed to about 1% between fiscal years 2000 and 2001.

Despite the national economic slowdown, numerous development and job generating projects were completed or initiated in fiscal year 2001. From the bases of strength along the waterfront and at major institutions, development spread throughout the City, moving beyond the Inner Harbor. For instance, on the east side substantial redevelopment is linking the Johns Hopkins medical campus to downtown and a string of developments representing everything from architectural offices to "wet labs" for biomedical research stretches from the Inner Harbor East complex to the Bay View medical campus on the eastern edge of the City. On the near west side of downtown over \$400 million worth of work funded by Federal, State, City and private sources was underway to create a new mixed-use neighborhood. Further west, work progressed on the redevelopment of the region's largest private office complex, the 1.3 million square foot Montgomery Park Business Center. Going south, the City's first major "big box" retail complex, a \$50 million private investment is being made in Port Covington and an \$18 million state of the art auto import/export facility was completed on the port waterfront. Going north, the Mercy Hospital expansion, Symphony Center project, and Penn Station transportation center redevelopment are a few development examples. In summary, over \$1.0 billion dollars worth of office, retail, housing, parking, industrial and institutional development was completed or under construction.

## MAJOR INITIATIVES

The Mayor's objectives are focused on the critical long-term concerns facing the City—the loss of population and jobs and the continuing concentration of a disproportionate share of the State's poor. Tackling urban ills, for instance, those associated with having one of the highest murder rates and the highest heroin addiction rate in the country, requires that the City adopt the best practices that can be found and take the risk to pioneer innovations. The following sections provide examples of fiscal year 2001 initiatives and accomplishments within the framework of the Mayor's key objectives.

### **Objective 1: Make Baltimore a safe, clean city**

To sustain an urban revival, public safety needs are primary. Law enforcement spending is a priority and the results of crime fighting initiatives are positive. In calendar year 2000 murders were reduced 14.4% to 251, the first time the number of murders was below 300 in a decade. Overall violent crime was down 14.1%. The successful Eastern Police District Safe Streets Initiative is being launched in the Western District.

Underlying the violent crime problem is drug addiction. The City lobbied aggressively and successfully in fiscal year 2001 for major additional State and federal funding for substance abuse services. The effort resulted in \$24.0 million in additional appropriations for fiscal year 2002, allowing for an increase from \$19.6 to \$43.6 million in appropriations to expand the number of substance abuse treatment slots to over 7,400. This is the largest increase in treatment funding in City history. The effectiveness of increased drug treatment availability is reflected in a national study which found a decline in emergency room visits due to drug overdose and in the overall crime rate trend itself.

Baltimore continues to be a national leader in pioneering public health programs. The City was selected by the Center for Disease Control to be one of five demonstration cities to promote HIV and sexually transmitted disease prevention. The most recent statistics show a continuing decline in the incidence of TB, sexually transmitted diseases, and diagnosed AIDS cases. Other initiatives address asthma, lead paint, teen health, and hepatitis among others.

Beyond the highly visible crime rate and drug addiction problems, the City initiated a wide range of clean up actions. For instance, through CitiStat, the City developed performance standards for its food service inspectors to reduce the inspection backlog. The City's "Zero Tolerance on Grime" policy led to a new police unit and the first arrests for illegal dumping. The City's environmental enforcement citation effort achieved a record of over \$800,000 in fines collected. The City's solid waste program was reorganized and a number of operational and scheduling changes implemented. The result included an increase in the number of tons of street, alley and vacant lot waste collected from 45,000 to 74,000 tons, a 64% increase, a decrease in overtime expenditures, a 90%+ decline in the number of complaints received for bulk trash pick up, and other improvements.

### **Objective 2: Increase educational, cultural and recreational opportunities for children**

Only a healthy child can take full advantage of the opportunities to grow offered by a community. Baltimore continues to be a leader in child immunization and other youth health efforts. Fiscal year 2001 saw a number of important new initiatives to provide a stronger community resource base, involving public and private participation.

The City continues to increase its per pupil spending for the public schools as part of the pioneering five year State and local partnering effort. In fiscal year 2001, \$5.1 million more than the State mandated minimum support was provided and the fiscal year 2002 budget calls for this amount to be sustained. The City continues to work closely with the Schools on key enhancements in order to prepare children for higher educational opportunities and work place effectiveness in the digital age. In particular, efforts are directed to provide expanded arts programs and technology systems, such as the Be-Instrumental music program initiative, that have substantial private sector partners. Among other accomplishments, the number of full day pre-kindergarten programs increased from 0 to 16 and the number of full day kindergarten classes increased from 30 to 65. Standardized test scores continued to show improvement.

There was a substantial increase in spending for recreation services of about \$1.5 million, with new programs being initiated for lacrosse and tennis. The new programs involved partnering with the private sector and nearly \$1.0 million cash and in-kind private contributions were realized. Plans were completed to inaugurate new recreational program offerings in fiscal year 2002 including golf, boxing, gymnastics and instrumental music.

The new After School Strategy, working through the private Family League agency, introduced evaluation standards, competition, and performance measurement for providers. City funds leveraged private, federal and State dollars to provide \$5.2 million, increasing nearly four fold the funding available for after school programs compared to fiscal year 2000. An additional creative partnering effort was initiated involving faith based organizations, Baltimore Rising. This Mayoral initiative for dealing with troubled youth received commitments for over \$1 million and over \$700,000 was raised in fiscal year 2001 to support adult mentors for the City's most troubled youth. Managed by community faith based organizations, the effort has already reached several hundred children.

In fiscal year 2001, the Enoch Pratt Free Library purchased a new book mobile, the “Book Buggy,” to focus on visits to pre-school and Head Start programs. Also, the new \$1.2 million Children’s Garden, funded by the Joseph and Rebecca Meyerhoff Foundation, opened in the Central Branch.

### **Objective 3: Make government responsive, accountable and cost effective**

Strong management and central policy guidance is fundamental. The City’s strong mayoral form of government set forth in the City Charter is further strengthened with the creation of a management office focusing on performance and reflecting the Mayor’s policies. CitiStat, a statistics based performance management tool, provides the City with the rigor required to deal with complex urban problems. The Office is drawing national attention in its first full year of operation. The consistent management review technique has yielded results improving the cost effectiveness of government including reduced overtime costs, improved accountability for time lost due to job injury and other absenteeism, reduced fleet size, improved fleet maintenance, closure of underutilized facilities, changes in scheduling and other operating practices. Strategies are developed and employed, managers held accountable, and results measured on a bi-weekly basis.

In order to improve accountability the CitiTrack system was implemented during fiscal year 2001 as the enterprise-wide Customer Relationship Management application to be the single-source for capturing customer complaints and provide for work order management. This multi-agency tool, which directly feeds into the nationally acclaimed CitiStat process, serves as the pre-requisite to the upcoming One Call Center operation. It reflects the concern for responsiveness found in initiatives such as the “24-Hour Pot Hole Repair Guarantee.”

A number of budgetary actions were implemented in fiscal year 2001 to achieve cost savings. Most notable was a reduction in the number of engine units operated by the Fire Department that was achieved while increasing the number of medic units. In addition, plans were developed to privatize certain health services and building guard and custodial services for implementation in fiscal year 2002.

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

Fiscal year 2001 was the second consecutive year of growth in jobs located in the City after a decade of decline. Of particular note, the number of “high technology” jobs in the City increased nearly two times the rate of the prior year (1,130 versus 568) and the number of high tech jobs added was the third highest of all Maryland counties. Over \$1.0 billion worth of construction activity was underway or completed throughout Baltimore involving private, institutional and public investment. City financial incentives and development support played a key role in stimulating a number of projects and providing an environment to support private investment. Many major and many minor projects moved forward without direct local support. For example, in the downtown area alone during fiscal year 2001 work was in progress or completed on nine apartment projects representing about \$100 million in investment and providing over 800 apartment units. Ground was broken for three new office buildings. Two new hotels opened in the Inner Harbor East area. Construction was in progress or completed on eight parking garages providing nearly 4,600 spaces representing \$90 million in public and private investment in or on the edge of the center city area.

The Baltimore Development Corporation is the City’s lead agency for economic development. General Fund spending increased about 18% for the activities of this agency in fiscal year 2001. The agency reported providing direct assistance to 76 businesses in calendar year 2000 that retained or attracted over 6,000 jobs. The agency initiated creative funding efforts to make possible complex projects such as the 1.3 million square foot Montgomery Park Business Center, an adaptive reuse of a large, obsolete Montgomery Wards east-coast distribution center. This \$92 million project involves federal, State, and local participation in order to compliment the private investment to make possible the recycling of this large brownfield site. It moves major redevelopment beyond the bounds of the Inner Harbor, creating the largest private office building in the region and one that is within walking distance of a park, golf course, and regional hiking/biking trail.

Preparing a workforce takes the program initiatives of a number of City departments to compliment the work of the City schools. For instance, the Mayor’s Office of Employment Development won the State of Maryland’s largest incentive award for outstanding job placement performance. The United States Department of Labor has recognized the successful performance of the City’s Youth Opportunity (YO!) Centers. The Enoch Pratt Free Library continues to be perhaps the only public library in the nation to offer free computer training through its Pratt Center for Technology. Over 6,000 individuals utilized this service at its three sites in fiscal year 2001.

The Mayor issued an executive order requiring 30 percent minority business inclusion on all City contracts and five-percent inclusion of businesses owned by women. City Council supported the initiative by passing Council Bill 00-211, which defined guidelines to guard against discrimination in City contracting practices. The Mayor’s Office of Minority Business Development was created to ensure compliance and promote participation. The City has appropriated funds for a



new automated purchasing system that will include the capability to improve statistical reporting to meet the requirements of the MBE program.

### **Objective 5: Create stable and healthy neighborhoods**

The effort to stabilize neighborhoods involves increasing the number of homeowners, increasing the level of investment by residents, making the neighborhoods safer by addressing health and safety problems such as housing code violations and lead-paint poisoning, redeveloping high rise public housing projects that had become a destabilizing influence, and encouraging development of neighborhood retail services. The Mayor's new Office of Neighborhoods became operational and the last of the City's high rise public housing projects was demolished.

Another fiscal year 2001 initiative revolved around strengthening neighborhood retail centers. Modeled on the national "Main Streets" program the City created what has become the nation's second largest city-wide Main Street program. Thus far, \$11 million in new private investment has been generated in the seven neighborhood retail areas initially selected and 54 net new businesses were created or expanded. Early in fiscal year 2001, the "Mayor's Healthy Neighborhoods Initiative" was announced. This innovative demonstration project aims to maintain and enhance the strength of neighborhoods by providing private sector lending, low-cost government sponsored loans, and small improvement grants to targeted neighborhoods. A unique feature of this initiative is that it is managed by a private entity, the Baltimore Community Foundation.

Many other agency initiatives strengthen neighborhoods. For instance, the Department of Recreation and Parks initiated a major playground refurbishment program. The Enoch Pratt Free Library expanded the number of depository locations, kiosks, Web site services, and began site acquisition for the new South East Regional Library. With increased federal and State funds, the Health Department increased the number of lead paint enforcement actions to over 200 and the number of properties with violation abated or in the process of abatement numbers about 400.

### **Information Technology Focus**

The City continued to make substantial operating and multi-year capital commitments to adapt legacy applications to a modern, enterprise-wide systems (e.g. networking, E-mail, Web access, etc.) using both centralized and distributed computing.

Construction was completed on the Metropolitan Area Network backbone that provides core network services and connectivity to City departments within the Central Business District. This network facilitated the implementation of a global standards-based messaging (E-mail) platform for internal and external electronic communications as well as uniform, secure enterprise-wide Internet/Intranet access. The network also permitted easier distribution of the City's GIS database allowing for more efficient map construction and database analysis. The City's Web site continually improved with enhanced content and higher levels of customer interactivity.

### **Major Financial Accomplishments**

While funding innovative programs and producing balanced budgets, continued budgetary improvements must be realized in order to balance expenditure requirements with the limited growth in local, own source revenues. In the spring of fiscal year 2001, a budget was adopted that contributed toward reducing the future year's structural deficit. The City adopted a major income tax increase and developed an innovative agreement with the major non-profit institutions for a four-year, \$20 million payment in lieu of taxes.

The strong economy and effective budget management enabled the City to substantially improve its fund balance position. A significant addition of \$16.6 million was made to the budget stabilization fund, which, at June 30, 2001, had a balance of \$38.9 million or about 4.2% of General Fund revenues. When combined with the undesignated unreserved fund balance of \$7.0 million, the total of \$45.9 million comprises about 4.9% of General Fund revenues, a major step to strengthen the City's balance sheet. This positive trend is important in face of the national economic downturn.

In addition, the City made a first year payment of \$2.8 million in a 15-year plan to extinguish vested compensated absence obligations associated with the separation of the Baltimore City Public Schools. The City has continued to comply with the prudent limits of its debt management policy. Moody's, Fitch, and Standard & Poor's affirmed the City's credit rating citing a number of positive factors.

## General Fund Operations

The General Fund accounts for all revenues and expenditures which are not accounted for in other funds. It is the principal fund of the City and finances most City governmental functions.

General Fund budgetary revenues and other financing sources totaled \$964,788,000 for fiscal year 2001, as compared to \$909,511,000 for fiscal year 2000, an increase of \$55,277,000 or 5.8%. Property taxes produced 51.7% of these revenues in fiscal year 2001, as compared to 52.4% in fiscal year 2000. The following tabulation shows the source of these revenues.

Source	Fiscal 2001 Amount (In Thousands)	Percent of Total	Increase (Decrease) From Fiscal 2000 (In Thousands)	Percent of Increase (Decrease)
Local taxes:				
Property .....	\$498,297	51.7%	\$21,208	4.3%
Income .....	170,907	17.7	24,099	14.1
Other .....	89,147	9.2	507	.6
Licenses and permits .....	21,348	2.2	(663)	(3.1)
Fines and forfeitures .....	1,298	0.1	(2,039)	(157.1)
Interest, rentals and other investment income .....	36,637	3.8	2,759	7.5
Federal, state, and other grants .....	79,047	8.2	4,138	5.2
Charges for current services .....	34,580	3.6	466	1.3
Other .....	3,233	0.3	1,096	33.9
Transfers from other funds .....	30,295	3.1	3,706	12.2
Totals .....	\$964,789	100.0%	\$55,277	5.8%

Revenues from real and personal property taxes in fiscal year 2001 increased \$21,208,000 or 4.3% compared to the prior year.

Other local taxes increased by \$507,000 or .6% from fiscal year 2000. This increase is primarily attributed to an increase in payments in lieu of taxes.

Assessed valuations of all taxable property were \$8.722 billion, an increase of 2.2% over fiscal year 2000. Real property assessed valuations totaled \$6.828 billion, a decrease of .2% over the previous year.

The City's fiscal year 2001 total property tax levy was \$505,064,000, of which \$486,170,000 or 96.3% was collected through June 30, 2001, which compares to 96.5% for the previous year. Delinquent tax collections were \$5,072,000 higher than in fiscal year 2000. The ratio of total tax collections to the current tax levy was 99.7%, compared to 99.0% last year.

Income tax revenue for fiscal year 2001 was up \$24,099,000 over the prior year due to the improvement in the economy.

Other revenues increased by \$1,096,000 from last year, attributable primarily to non-recurring events in fiscal year 2001.

Budgetary based expenditures and encumbrances and other financing uses totaled \$932,954,000 for fiscal year 2001 as compared to \$904,741,000 for fiscal year 2000, an increase of \$28,213,000 or 3.0%, as shown in the following tabulation:

Function	Fiscal 2001 Amount (In Thousands)	Percent of Total	Increase (Decrease) From Fiscal 2000 (In Thousands)	Percent of Increase (Decrease)
General government .....	\$205,581	22.0%	\$18,380	8.9%
Public safety and regulation .....	329,390	35.3	17,382	5.3
Conservation of health .....	24,847	2.7	1,679	6.8
Social services .....	791	0.1	(8)	(1.0)
Education .....	1,316	0.1	438	33.3
Public library .....	18,794	2.0	46	0.2
Recreation and culture .....	23,451	2.5	670	2.9
Highways and streets .....	3,256	0.3	(286)	(8.8)
Sanitation and waste removal .....	33,297	3.6	3,471	10.4
Public service .....	12,148	1.3	791	6.5
Economic development .....	20,651	2.2	2,581	12.5
Transfers to other funds .....	58,658	6.3	(17,369)	(29.6)
Transfers to component unit .....	200,774	21.5	438	0.2
Totals .....	\$932,954	100.0%	\$28,213	3.0%

General government expenditures increased by \$18,380,000 or 8.9% from fiscal year 2000. This increase was primarily caused by increases in various lease payments of \$1.2 million, an increase in retirees' health care of \$5.4 million, and an increase in contributions to self-insurance of \$6.2 million.

Public safety and regulation increased by \$17,382,000 or 5.3% from fiscal year 2000. This increase is attributed to the City's desire to increase law enforcement efforts.

Recreation and culture increased by \$670,000 or 2.9% from fiscal year 2000. This increase was primarily caused by shifting maintenance responsibilities to the Department of Public Works.

Transfers to other funds decreased \$17,369,000 attributed, primarily, to a decrease in the amount forwarded to the Capital Projects Fund for pay-as-you-go projects of \$16,967,000 and a decrease in debt service funding of \$467,000 in fiscal year 2001.

The City concluded fiscal year 2001 with an unreserved fund balance, on the budgetary basis, of \$39,877,000. Of this amount, \$23,465,000 has been designated for subsequent year's expenditures. After allocating \$ to satisfy additional liabilities recorded under GAAP, there remains an undesignated fund balance of \$6,971,000 on a GAAP basis.

### Special Revenue Funds

These funds are used to account for revenues derived from certain State shared taxes, governmental grants and other revenue sources that are restricted by law or administrative action to be expended for specific purposes. Following are comments, on the individual funds included under this category.

*Grants Revenue Fund* — The City government currently administers approximately 500 Federal, State, and other sources supported grant programs in this fund. For fiscal year 2001, a total of \$275,008,000 was expended for various governmental operating functions which were supported from the following funding sources:

<u>Source</u>	<u>Amount (In Thousands)</u>
Federal grants .....	\$197,262
State grants .....	64,897
Other grants .....	35,741
Total .....	<u>\$297,900</u>

Grant appropriations are not closed out annually, but are carried forward to succeeding fiscal years as on-going programs until concluded or otherwise liquidated.

*Motor Vehicle Fund* — This fund was established to account for highway user revenues distributed to Baltimore City by the State of Maryland which must be used for the construction, reconstruction or maintenance of the streets and highways in Baltimore City and other related activities as provided for under applicable provisions of the State law.

Budgetary basis revenues credited to this fund, from State distributions and other sources, in fiscal year 2001 were \$188,115,000. Expenditures and encumbrances and other financing uses totaled \$173,583,000 for the year. At June 30, 2001, unreserved fund balance, on the budgetary basis, was \$16,496,000.

*Community Development Block Grant Fund* — This fund was established to account for the financial activities of Federal grant entitlements awarded to the City by the U.S. Department of Housing and Urban Development under provisions of Title I of the Housing and Community Development Act of 1974. Generally, these grants replace a number of former categorical grant programs for certain urban renewal, neighborhood development and model cities activities. These grants, which are awarded annually, do not have termination dates for incurring expenditures and remain open until fully expended by grant years. During fiscal year 2001, the City recorded revenues of \$36,347,000 in Federal funds for a like amount of incurred expenditures and financing uses.

*Special Racetrack Fund* — This fund accounts for State distributions of certain horse racing tax revenues to assist in the funding of services and facilities located within six miles of specified race tracks. During fiscal year 2001, the City received from the State a total of \$584,000 and had recorded expenditures and encumbrances and other financing uses for the year totaling \$806,000. At June 30, 2001, fund balance on the budgetary basis was \$165,000, all of which was appropriated for fiscal year 2001 operations.

### Enterprise Funds

The Enterprise Funds account for those operations that are financed and operated in a manner similar to a private business enterprise, where the cost (expenses, including depreciation) of providing services to the general public is recovered in whole or in part through user charges.

The following summary (amounts expressed in thousands) reflects results of operations for the Enterprise Funds for the current fiscal year:

	Operating Revenues	Operating Expenses	Operating Income (Loss)	Net Non-Operating Revenues (Expenses)	Operating Transfers (Out)	Net Income (Loss)
Water Utility .....	\$ 83,961	\$ 71,755	\$12,206	\$(1,148)		\$11,058
Waste Water Utility .....	114,945	110,744	4,201	6		4,207
Parking Facilities .....	46,176	6,139	40,037	(6,504)	\$(30,295)	3,238
Loan and Guarantee Program .....	1,455	3,070	(1,615)			(1,615)
Industrial Development Authority .....	5,348	4,114	1,234			1,234

### 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 old 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 are equal to the benefits paid.

The City's contributions to its pension systems for fiscal year 2001, and the actuarial accrued excess at June 30, 2001 (expressed in thousands) are as follows:

	City Contributions FY 2001	Actuarial Accrued (Excess) at June 30, 2001
Fire and Police Employees' Retirement System (F&P) .....	\$ 217	\$ (1,938)
Employees' Retirement System (ERS) .....	16,592	(91,070)
Elected Officials' Retirement System (EOS) .....		(3,320)
Unfunded Fire and Police Plan .....	6,839	
	<u>\$23,648</u>	

The funding periods of the actuarial accrued liabilities of the F&P, ERS and EOS are 20, 20 and 10 years, respectively. The Unfunded Fire and Police Plan is on a pay-as-you-go basis and since all of its members are retired, the City expects to continue to fund this plan in accordance with the present method.

### Debt Administration

The ratio of net general bonded debt to assessed value and the amount of net general bonded debt per capita are useful indicators of the City's debt position and are listed below:

	2001	2000
Ratio of net general bonded debt to assessed value .....	5.0%	5.0%
Net general bonded debt per capita .....	\$687	\$687

The following is a summary of general obligation debt activity (expressed in thousands) for fiscal year 2001:

Gross general bonded debt outstanding, July 1, 2000 .....	\$488,306
Add:	
Bond sales, note sales, and accretion .....	33,838
Subtotal .....	522,144
Deduct:	
Bonds and notes redeemed in fiscal year 2001 .....	27,629
Gross general bonded debt outstanding, June 30, 2001 .....	494,515
Deduct:	
Self-supporting debt .....	34,509
Funds available in Debt Service Fund .....	20,647
Net general bonded debt, June 30, 2001 .....	<u>\$439,359</u>

The preceding totals do not include \$8,514,000 borrowed from the State of Maryland for capital construction purposes which are not general obligation debt of the City as defined in the Maryland Constitution and the City is not required to levy taxes to meet the debt service requirements. The debt service is withheld by the State Comptroller from payments due the City as its share of distributions primarily from income taxes and highway user revenues.

## **Temporary Investment of Cash Balances**

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

The City utilizes the practice of recording investment income in the period in which it is earned. Investment income for fiscal year 2001 totaled \$22,200,000, for an effective yield of 5.92%. Earnings on investments include those funds which participate in the City's consolidated cash account. Not included are the Baltimore City Public School System, Industrial Development Authority Fund, and Pension Trust Funds.

## **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 fund is administered by the Office of Risk Management.

Operating revenues in the Risk Management Fund totaled \$241.6 million in the fiscal year ended June 30, 2001. Operating expenses, including claims paid and incurred, totaled \$243.9 million for the year ended June 30, 2001. The Risk Management Fund's accumulated deficit at June 30, 2001 was \$32.8 million.

During fiscal year 2001, charges to City agencies increased by \$26.1 million, from \$215.5 million to \$241.6 million. This increase, along with certain cost containment efforts, was designed to reduce the prior deficit.

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 eliminating the accumulated Risk Management Fund deficit over the next eight years.

## **Independent Audit**

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 general purpose 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 general purpose financial statements of the City for the year ended June 30, 2001. Their joint audit report is contained herein.

## **Future Operations**

The fiscal year 2002 General Fund Budget was adopted on June 21, 2001. The budget totals \$930.6 million, an increase of \$23.8 million, or 2.6%, from the fiscal year 2001 budget of \$906.8 million. The major element of change reflects a decrease of \$2.2 million, from \$11.8 million to \$9.6 million, in pay-as-you-go capital appropriations. Operating appropriations increased \$260.0 million for fiscal year 2001 from \$895.0 million to \$921.0 million.

## **Certificate of Achievement**

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, 2000.

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 Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

### **Acknowledgements**

The preparation of this annual report on a timely basis 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 and 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 City Council for their interest and support in planning and conducting the financial affairs of the City in a responsible and progressive manner.

Respectfully submitted,

[TO COME]  
MARTIN O'MALLEY  
*Mayor*

[TO COME]  
PEGGY J. WATSON  
*Director of Finance*

**MUNICIPAL ORGANIZATION CHART**  
**[To Come]**

**[To Come]**



# Financial Section

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## Report of Independent Auditors

December 12, 2001

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

We have audited the accompanying general purpose financial statements of the City of Baltimore, Maryland, as of June 30, 2001 and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the City of Baltimore, Maryland's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the Baltimore City Public School System component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, expressed herein, insofar as it relates to the amounts included for that component unit is based solely on the report 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose 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 report of the other auditors provides a reasonable basis for our opinion.

In our opinion, based upon our audit and the report of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Baltimore, Maryland as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended, in conformity with accounting principles generally accepted in the United States.

As discussed in Note 3 to the general purpose financial statements, the City of Baltimore, Maryland adopted Governmental Accounting Standards Board Statement Number 33, "Accounting and Financial Reporting for Nonexchange Transactions."

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City of Baltimore, Maryland. Such information has been subjected to the auditing procedures applied in our audit of the general purpose financial statements and, in our opinion, is fairly presented, in all material respects in relation to the general purpose financial statements taken as a whole.

We did not audit the data included in the introductory and statistical sections of this report and, therefore express no opinion thereon.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 12, 2001 on our consideration of the City of Baltimore, Maryland's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

[TO COME]  
Yovonda D. Brooks CPA  
City Auditor  
Department of Audits

[TO COME]

**CITY OF BALTIMORE**

**Combined Balance Sheet**

**All Fund Types, Account Groups and Discretely Presented Component Unit**

**June 30, 2001**

(Expressed in Thousands)

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)	Component Unit	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	Primary Government	Baltimore City Public School System	Reporting Entity
<b>ASSETS AND OTHER DEBITS</b>												
Cash and cash equivalents . . . . .	\$ 70,057	\$ 613	\$15,827	\$ 5,431	\$ 122,713	\$ 89,971	\$ 117,233			\$ 421,845	\$ 29,247	\$ 451,092
Investments . . . . .	41,735	10,213	8,472	91,499	439	11,880	3,706,884			3,871,122		3,871,122
Property taxes receivable . . . . .	23,124				58,353					81,477		81,477
Other accounts receivable, net . . . . .	16,326	3,450	31			3,807				23,614	2,217	25,831
Due from other governments . . . . .	15,388	70,283		366						86,037	30,438	116,475
Due from other funds . . . . .	42,132		1,295	38,801						82,228	15,145	97,373
Due from primary government . . . . .											11,399	11,399
Due from component unit . . . . .	5,097	4,453				3,435				12,985		12,985
Notes and mortgages receivable, net . . . . .	10,669	2,971	7,201		47,856					68,697		68,697
Inventories, at cost . . . . .	1,979	1,645			4,110	1,300				9,034	791	9,825
Other assets . . . . .	20,359	122			9,984	242	40,843			71,550	156	71,706
Restricted assets:												
Cash and cash equivalents . . . . .					31,511					31,511	27,995	59,506
Investments . . . . .					57,049					57,049		57,049
Accounts receivable, net . . . . .					33,156					33,156		33,156
Due from other funds . . . . .					22,528	47,030				22,528		22,528
Property, plant and equipment, net . . . . .					1,403,380			\$2,193,314		3,643,724	111,541	3,755,265
Amount available in debt service fund for retirement of general long-term debt . . . . .									\$ 20,647	20,647	100,466	121,113
Amount to be provided in future years . . . . .									842,556	842,556	1,856	844,412
<b>Total assets and other debits . . . . .</b>	<b>\$246,866</b>	<b>\$93,750</b>	<b>\$32,826</b>	<b>\$136,097</b>	<b>\$1,791,079</b>	<b>\$157,665</b>	<b>\$3,864,960</b>	<b>\$2,193,314</b>	<b>\$863,203</b>	<b>\$9,379,760</b>	<b>\$331,251</b>	<b>\$9,711,011</b>

(Continued)

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)	Component Unit	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	Primary Government	Baltimore City Public School System	Reporting Entity
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>												
<b>Liabilities:</b>												
Accounts payable and accrued liabilities	\$ 39,616	\$ 21,676		\$ 11,100	\$ 19,983	\$ 8,406	\$ 66,485			\$ 167,266	\$ 64,292	\$ 231,558
Retainages payable				11,612						11,612		11,612
Property taxes payable — State	750									750		750
Due to other funds	1,295	41,037			61,723	701				104,756	15,145	119,901
Due to primary government											12,986	12,986
Due to other governments					1,852					1,852		1,852
Due to component unit	11,399									11,399		11,399
Deposits subject to refund	8,914				13					8,927		8,927
Obligations under securities lending program							418,139			418,139		418,139
Estimated liability for claims in progress						106,337				106,337		106,337
Other liabilities					14,305	3,038	2,780			20,123	6,305	26,428
Accounts payable from restricted assets					12,844					12,844		12,844
Deferred revenue	77,714	47,393	\$ 7,201							132,308	9,717	142,025
Vested compensated absences									\$ 67,375	67,375	63,076	130,451
Notes payable					178					178		178
Revenue bonds payable, net					536,672				55,510	592,182	25,000	617,182
Matured bonds — principal and interest payable			4,978							4,978		4,978
General long-term debt payable					4,614					541,663		541,663
Capital lease obligations										190,892	13,974	204,866
Landfill closure and postclosure liability										12,377		12,377
<b>Total liabilities</b>	<b>139,688</b>	<b>110,106</b>	<b>12,179</b>	<b>22,712</b>	<b>652,184</b>	<b>118,482</b>	<b>487,404</b>		<b>863,203</b>	<b>2,405,958</b>	<b>210,495</b>	<b>2,616,453</b>
<b>Equity and other credits:</b>												
Investment in general fixed assets								\$ 2,193,314		2,193,314	111,541	2,304,855
Contributed capital					954,652	65,870				1,020,522		1,020,522
Retained earnings:												
Reserved for:												
Revenue bond retirements					58,456					58,456		58,456
Unreserved (deficit)					125,787	(26,687)				99,100		99,100
Fund balances:												
Reserved for:												
Budget stabilization	37,827									37,827		37,827
Landfill closure	2,603									2,603		2,603
Encumbrances	32,892	5,072		35,642						73,606	35,792	109,398
Inventories	1,978	1,645								3,623	293	3,916
Other assets	1,441	122								1,563		1,563
Pension benefits							3,361,292			3,361,292		3,361,292
Library services							1,876			1,876		1,876
Scholarships and memorials							14,388			14,388		14,388
Unreserved:												
Designated for:												
Debt service			20,647							20,647		20,647
Subsequent year's expenditures	23,466	8,169								31,635	(26,870)	31,635
Undesignated (deficit)	6,971	(31,364)		77,743						53,350		26,480
<b>Total equity and other credits</b>	<b>107,178</b>	<b>(16,356)</b>	<b>20,647</b>	<b>113,385</b>	<b>1,138,895</b>	<b>39,183</b>	<b>3,377,556</b>	<b>2,193,314</b>		<b>6,973,802</b>	<b>120,756</b>	<b>7,094,558</b>
<b>Total liabilities, equity and other credits</b>	<b>\$246,866</b>	<b>\$93,750</b>	<b>\$32,826</b>	<b>\$136,097</b>	<b>\$1,791,079</b>	<b>\$157,665</b>	<b>\$3,864,960</b>	<b>\$ 2,193,314</b>	<b>\$863,203</b>	<b>\$9,379,760</b>	<b>\$331,251</b>	<b>\$9,711,011</b>

See notes to general purpose financial statements.

**CITY OF BALTIMORE**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances**

**All Governmental Fund Types, Expendable Trust Fund and Discretely Presented Component Unit**

**for the year ended June 30, 2001**

(Expressed in Thousands)

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)	Component Unit	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	Primary Government	Baltimore City Public School System	Reporting Entity
<b>Revenues:</b>								
Taxes — local	\$ 758,351					\$ 758,351		\$ 758,351
State shared revenue		\$174,134				174,134		174,134
Licenses and permits	21,347	537				21,884		21,884
Fines and forfeitures	1,298	5,906				7,204		7,204
Interest, rentals and other investment income	36,637	4,531	\$ 2,524	\$ 5,798	\$ 670	50,160	\$ 4,598	54,758
Federal grants	68	233,609		10,390		244,067	115,904	359,971
State grants	79,985	64,897		3,376		148,258	580,015	728,273
Other grants	159	35,741				35,900	3,387	39,287
Charges for current services	34,581	2,700				37,281		37,281
Miscellaneous	3,233	891	5,329	2,076	4,250	15,779	57,779	73,558
<b>Total revenues</b>	<b>935,659</b>	<b>522,946</b>	<b>7,853</b>	<b>21,640</b>	<b>4,920</b>	<b>1,493,018</b>	<b>761,683</b>	<b>2,254,701</b>
<b>Expenditures:</b>								
<b>Current:</b>								
General government	204,564	69,951				274,515		274,515
Public safety and regulation	332,315	61,649				393,964		393,964
Conservation of health	24,355	129,093				153,448		153,448
Social services	754	23,161				23,915		23,915
Education	1,308				241	1,549	916,318	917,867
Public library	19,521	6,642				26,163		26,163
Recreation and culture	24,685	5,813				30,498		30,498
Highways and streets	3,348	80,563				83,911		83,911
Sanitation and waste removal	33,751					33,751		33,751
Public service	12,039					12,039		12,039
Economic development	23,672	44,850		22,538		91,060		91,060
Capital outlay				81,594		81,594	46,514	128,108
Capital leases				21,082		21,082	5,529	26,611
<b>Debt Service:</b>								
<b>Principal retirements:</b>								
City bonds			23,064			23,064		23,064
Bond anticipation notes			4,000			4,000		4,000
State construction loans			593			593		593
Federal loans			6,880			6,880		6,880
Other loans			2,804			2,804		2,804
Revenue bonds			1,780			1,780		1,780
<b>Interest payments:</b>								
City bonds			26,158			26,158		26,158
Bond anticipation notes			293			293		293
State construction loans			42			42		42
Federal loans			2,415			2,415		2,415
Other loans			862			862		862
Revenue bonds			2,758			2,758		2,758
Fiscal charges			462			462		462
<b>Total expenditures</b>	<b>680,312</b>	<b>421,722</b>	<b>72,111</b>	<b>125,214</b>	<b>241</b>	<b>1,299,600</b>	<b>968,361</b>	<b>2,267,961</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>255,347</b>	<b>101,224</b>	<b>(64,258)</b>	<b>(103,574)</b>	<b>4,679</b>	<b>193,418</b>	<b>(206,678)</b>	<b>(13,260)</b>
<b>Other financing sources (uses):</b>								
Proceeds from capital leases				21,082		21,082	5,529	26,611
Proceeds from federal loans				7,870		7,870		7,870
Proceeds from general obligation bonds				26,584		26,584		26,584
Proceeds from revenue bonds							25,000	25,000
Operating transfers in	30,295		62,854	64,452		157,601		157,601
Operating transfers from primary government							204,428	204,428
Operating transfers out	(58,658)	(59,220)		(9,428)		(127,306)		(127,306)
Operating transfers to component unit	(200,774)	(3,654)				(204,428)		(204,428)
<b>Total other financing sources (uses)</b>	<b>(229,137)</b>	<b>(62,874)</b>	<b>62,854</b>	<b>110,560</b>		<b>(118,597)</b>	<b>234,957</b>	<b>116,360</b>
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses</b>	<b>26,210</b>	<b>38,350</b>	<b>(1,404)</b>	<b>6,986</b>	<b>4,679</b>	<b>74,821</b>	<b>28,279</b>	<b>103,100</b>
Fund balances, July 1, 2000, as restated	80,968	(54,706)	22,051	106,399	5,565	160,277	(19,064)	141,213
<b>Fund balances, June 30, 2001</b>	<b>\$ 107,178</b>	<b>\$(16,356)</b>	<b>\$ 20,647</b>	<b>\$ 113,385</b>	<b>\$10,244</b>	<b>\$ 235,098</b>	<b>\$ 9,215</b>	<b>\$ 244,313</b>

See notes to general purpose financial statements.

**CITY OF BALTIMORE**

**Combined Statement of Revenues, Expenditures and Encumbrances and**

**Changes in Fund Balances Budget and Actual — Budgetary Basis — General and Budgeted Special Revenue Funds  
for the year ended June 30, 2001**

(Expressed in Thousands)

	General Fund			Budgeted Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Taxes — local . . . . .	\$730,866	\$758,351	\$27,485			
State shared revenue . . . . .				\$162,292	\$174,134	\$11,842
Licenses and permits . . . . .	22,948	21,347	(1,601)	180	537	357
Fines and forfeitures . . . . .	2,302	1,298	(1,004)	5,673	5,906	233
Interest, rentals and other investment income . . . . .	34,118	36,637	2,519	3,017	4,531	1,514
Federal grants . . . . .	75	68	(7)			
State grants . . . . .	80,177	78,820	(1,357)			
Other grants . . . . .	159	159				
Charges for current services . . . . .	34,933	34,581	(352)	2,250	2,700	450
Miscellaneous . . . . .	1,425	3,233	1,808	7	891	884
<b>Total revenues . . . . .</b>	<b>907,003</b>	<b>934,494</b>	<b>27,491</b>	<b>173,419</b>	<b>188,699</b>	<b>15,280</b>
<b>Expenditures and encumbrances:</b>						
General government . . . . .	205,705	205,581	124	10,910	10,910	
Public safety and regulation . . . . .	329,395	329,390	5	35,981	35,980	1
Conservation of health . . . . .	24,856	24,847	9			
Social services . . . . .	791	791				
Education . . . . .	1,316	1,316				
Public library . . . . .	18,830	18,794	36			
Recreation and culture . . . . .	23,455	23,451	4	16	16	
Highways and streets . . . . .	3,256	3,256		81,166	81,166	
Sanitation and waste removal . . . . .	33,297	33,297				
Public service . . . . .	12,148	12,148				
Economic development . . . . .	20,768	20,651	117	68	68	
<b>Total expenditures and encumbrances . . . . .</b>	<b>673,817</b>	<b>673,522</b>	<b>295</b>	<b>128,141</b>	<b>128,140</b>	<b>1</b>
Excess of revenues over expenditures and encumbrances . . . . .	233,186	260,972	27,786	45,278	60,559	15,281
<b>Other financing sources (uses):</b>						
Operating transfers in . . . . .	29,887	30,295	408			
Operating transfers out . . . . .	(58,662)	(58,658)	4	(42,597)	(42,595)	2
Operating transfers to component unit . . . . .	(200,774)	(200,774)		(3,654)	(3,654)	
<b>Total other financing sources (uses) . . . . .</b>	<b>(229,549)</b>	<b>(229,137)</b>	<b>412</b>	<b>(46,251)</b>	<b>(46,249)</b>	<b>2</b>
Excess (deficiency) of revenues and other financing sources over expenditures and encumbrances and other financing uses . . . . .	3,637	31,835	28,198	(973)	14,310	15,283
Fund balances, July 1, 2000 (budgetary basis), as restated . . . . .	51,889	51,889		9,190	9,190	
<b>Fund balances, June 30, 2001 (budgetary basis) . . . . .</b>	<b>\$ 55,526</b>	<b>83,724</b>	<b>\$28,198</b>	<b>\$ 8,217</b>	<b>23,500</b>	<b>\$15,283</b>
<b>Adjustments required to reconcile to GAAP basis :</b>						
Addition of encumbrances outstanding . . . . .		32,892			5,076	
Less accounts payable not recorded for budgetary purposes . . . . .		(9,438)			(456)	
Less deficit in non-annually budgeted funds . . . . .					(84,586)	
<b>Fund balances, June 30, 2001 (GAAP basis) . . . . .</b>		<b>\$107,178</b>			<b>\$ (56,466)</b>	

See notes to general purpose financial statements.

**CITY OF BALTIMORE**  
**Combined Statement of Revenues, Expenses and Changes in Equity**  
**All Proprietary Fund Types and Nonexpendable Trust Funds**  
**for the year ended June 30, 2001**

(Expressed in Thousands)

	Proprietary Fund Types		Fiduciary Fund Types	Total (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
<b>Operating revenues:</b>				
Charges for services . . . . .	\$ 247,048	\$ 294,138		\$ 541,186
Interest and other investment income . . . . .	4,838			4,838
Total operating revenues . . . . .	251,886	294,138		546,024
<b>Operating expenses:</b>				
Salaries and wages . . . . .	54,303	13,914		68,217
Other personnel costs . . . . .	19,875	4,604		24,479
Contractual services . . . . .	66,100	23,032		89,132
Materials and supplies . . . . .	13,769	10,087		23,856
Minor equipment . . . . .	2,241	901		3,142
Claims paid and incurred . . . . .		234,982		234,982
Postage and delivery service . . . . .		924		924
General government overhead . . . . .	9,004			9,004
Bad debts . . . . .	3,527			3,527
Depreciation . . . . .	19,824	8,419		28,243
Benefits paid . . . . .			\$ 214	214
Program expenses . . . . .	3,090			3,090
Amortization of bond issuance costs . . . . .	418			418
Interest . . . . .	3,671			3,671
Total operating expenses . . . . .	195,822	296,863	214	492,899
Operating income (loss) . . . . .	56,064	(2,725)	(214)	53,125
<b>Nonoperating revenues (expenses):</b>				
Investment income . . . . .		3,874	1,700	5,574
Interest expense . . . . .	(7,714)			(7,714)
Loss on sale of property . . . . .		(1,021)		(1,021)
Gain on sale of investments . . . . .	68			68
Net nonoperating revenues (expenses) . . . . .	(7,646)	2,853	1,700	(3,093)
Income before operating transfers . . . . .	48,418	128	1,486	50,032
Operating transfers out . . . . .	(30,295)			(30,295)
Net income . . . . .	18,123	128	1,486	19,737
Add depreciation on fixed assets acquired with contributed capital . . . . .	7,935			7,935
Increase in retained earnings . . . . .	26,058	128	1,486	27,672
Retained earnings (deficit)/fund balance — July 1, 2000 . . . . .	158,185	(26,815)	4,534	135,904
Retained earnings (deficit)/fund balance — June 30, 2001 . . . . .	184,243	(26,687)	6,020	163,576
Contributed capital — July 1, 2000 . . . . .	924,739	61,088		985,827
Additions, net . . . . .	37,848	4,782		42,630
Less depreciation on fixed assets acquired with contributed capital . . . . .	(7,935)			(7,935)
Contributed capital — June 30, 2001 . . . . .	954,652	65,870		1,020,522
Total equity — June 30, 2001 . . . . .	\$1,138,895	\$ 39,183	\$6,020	\$1,184,098

See notes to general purpose financial statements.



**CITY OF BALTIMORE**  
**Combined Statement of Cash Flows**  
**All Proprietary Fund Types and Nonexpendable Trust Funds**  
**for the year ended June 30, 2001**

(Expressed in Thousands)

	Proprietary Fund Types		Fiduciary Fund Types	Total (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
<b>Cash flows from operating activities:</b>				
Operating income (loss) . . . . .	\$ 56,064	\$(2,725)	\$1,486	\$ 54,825
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation . . . . .	19,824	8,419		28,243
Amortization of bond issuance costs . . . . .	418			418
(Increase) decrease in accounts receivable . . . . .	805	(1,833)		(1,028)
Decrease in due from other funds . . . . .		1,052		1,052
(Increase) in due to component units . . . . .		(3,435)		(3,435)
Write off of equipment . . . . .		(1,021)		(1,021)
Decrease (increase) in inventories . . . . .	671	(76)		595
Decrease in other assets . . . . .	247	35	16	298
Increase in accounts payable and accrued liabilities . . . . .	890	1,574		2,464
Increase in estimated liability for claims in progress . . . . .		3,965		3,965
Increase in other liabilities . . . . .	2,631	411		3,042
(Decrease) in deferred revenue . . . . .	(20)			(20)
Amortization of early extinguishment of debt . . . . .	559			559
(Decrease) in deposits subject to refund . . . . .	(1)			(1)
Increase in accrued interest payable . . . . .	1,269			1,269
(Decrease) in notes payable . . . . .	(50)			(50)
Increase in due to other funds . . . . .	40,281	607		40,888
(Decrease) in due to other governments . . . . .	(305)			(305)
Net cash provided by operating activities . . . . .	123,283	6,973	1,502	131,758
<b>Cash flows from noncapital financing activities:</b>				
Operating transfers out . . . . .	(30,295)			(30,295)
<b>Cash flows from capital and related financing activities:</b>				
Proceeds from sale of bonds, net . . . . .	40,436			40,436
Acquisition and construction of capital assets . . . . .	(102,400)	(12,100)		(114,500)
Mortgage receivable principal repayments . . . . .	1,575			1,575
Decrease in notes receivable . . . . .	444			444
Change in restricted assets . . . . .	(11,638)			(11,638)
Change in restricted accounts payable . . . . .	(1,227)			(1,227)
Principal paid on revenue bonds . . . . .	(51,857)			(51,857)
Principal paid on bonds . . . . .	(589)			(589)
Interest paid . . . . .	(12,917)			(12,917)
Capital contributions — increases . . . . .	38,301	4,782		43,083
Capital contributions — decreases . . . . .	(453)			(453)
Net cash used by capital and related financing activities . . . . .	(100,325)	(7,318)		(107,843)
<b>Cash flows from investing activities:</b>				
Proceeds from sale and maturities of mortgages and investment securities . . . . .		16		16
(Purchase) sale of investments . . . . .	84	(1,633)	(1,318)	(2,867)
Interest and other investment income . . . . .	5,967	3,874		9,841
Net cash provided (used) by investing activities . . . . .	6,051	2,257	(1,318)	6,990
Net increase (decrease) in cash and cash equivalents . . . . .	(1,286)	1,912	184	810
Cash and cash equivalents, July 1, 2000 . . . . .	155,510	88,059	1,422	244,991
Cash and cash equivalents, June 30, 2001 . . . . .	154,224	89,971	1,606	245,801
Cash and cash equivalents (Expendable Trust Fund) . . . . .			6,770	6,770
Cash and cash equivalents (Agency Funds) . . . . .			2,074	2,074
Cash and cash equivalents (Pension Trust Funds) . . . . .			106,783	106,783
Cash and cash equivalents, June 30, 2001 . . . . .	\$154,224	\$89,971	\$117,233	\$361,428

See notes to general purpose financial statements.

**CITY OF BALTIMORE**  
**Combined Statement of Changes in Plan Net Assets**  
**Pension Trust Funds**  
**for the year ended June 30, 2001**

(Expressed in Thousands)

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Additions:	
Contributions:	
Employer .....	\$ 16,809
Employee .....	11,966
Investment income:	
Net depreciation in fair market value of investments .....	(210,685)
Securities lending income .....	1,732
Interest and dividend income, net .....	120,120
Investment expense .....	(10,389)
Total additions .....	(70,447)
Deductions:	
Retirement allowances .....	204,720
Death benefits .....	2,419
Administrative expense .....	2,826
Other .....	1,021
Total deductions .....	210,986
Net (decrease) .....	(281,433)
Net assets held in trust for pension benefits:	
July 1, 2000 .....	3,642,725
June 30, 2001 .....	\$3,361,292

See notes to general purpose financial statements.

**CITY OF BALTIMORE**  
**Index to the Notes to the General Purpose Financial Statements**

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**CITY OF BALTIMORE**  
**Notes to General Purpose Financial Statements**

**1. The Reporting Entity and Description of Funds and Account Groups:**

A. THE REPORTING ENTITY:

The City of Baltimore 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 of America for governmental entities (GAAP), the financial statements of the reporting entity include those of the City of Baltimore (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

In conformity with GAAP, the financial statements of component units have been included in the financial reporting entity either as a blended component unit or as a discretely presented component unit.

*Blended component unit.* The Baltimore Industrial Development Authority (IDA), an entity legally separate from the City, is governed by a Board appointed by the Mayor and is financially accountable to the City government. The IDA was established to finance capital construction projects such as water/waste water facilities and office buildings which solely benefit the City. The IDA does not provide financing to other governments, private businesses or individuals. The financial statements of this component unit are, for reporting purposes, blended with that of the primary government.

*Discretely presented component unit.* Legislation enacted by the 1997 Maryland General Assembly established a new, legally separate, nine member Baltimore City Public School System (BCPSS) which is jointly appointed by the Mayor and Governor. The Board has the authority and responsibility for all system functions including the adoption of rules and regulations, and prescribing policies and procedures for management, maintenance, operation and control of the school system. Prior to this legislation, the City's Department of Education operated the school system and was not legally separate from the City. The Board remains financially accountable to the City. The Board is reported as a component unit in a separate column to emphasize that it is legally separate from the City.

Complete financial information regarding the discretely presented component unit, including financial statements, can be obtained directly from the Chief Financial Officer, Baltimore City Public School System, 200 East North Avenue, Baltimore, Maryland 21202.

*Related Organizations.* The City is responsible for appointing the board members of several entities, but the City's accountability for these organizations does not extend beyond making appointments. These boards include:

Baltimore City Foundation  
Lexington Market  
Baltimore Area Convention and Visitors Association  
City of Baltimore Development Corporation  
Baltimore Community Development Finance Corporation  
Empower Baltimore Management Corporation  
Special Benefits Taxing Districts

In addition, the Housing Authority of Baltimore City (HABC) is considered a related organization. HABC is a separate legal entity and is governed by a Commission of five citizens appointed to staggered terms by the Mayor. The Commission establishes the operating policies of the HABC, which are 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 nor impose a burden relationship upon the HABC. This organization is not financially accountable to the City and maintains its own separate accounting systems.

## CITY OF BALTIMORE

### Notes to General Purpose Financial Statements

(Continued)

#### B. DESCRIPTION OF FUNDS AND ACCOUNT GROUPS:

The City's accounting system is organized and operated on a fund and account group basis. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts, recording cash and other financial resources, together with related liabilities and residual equities or fund balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions or limitations. The various funds are grouped by type in the financial statements. The types of funds and account groups maintained by the City are as follows:

##### *Governmental Fund Types:*

**General Fund** — The General Fund is the principal fund of the City which accounts for all financial transactions not accounted for in other funds.

**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. Special Revenue Funds include the Grants Revenue Fund, Motor Vehicle Fund, Community Development Block Grant Fund and Special Racetrack 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.

**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.

##### *Proprietary Fund Types:*

**Enterprise Funds** — These funds account for the operations of governmental facilities operated in a manner similar to commercial enterprises where the intent is to recover, in whole or in part, through user charges, the costs or expenses (including depreciation) of providing goods or services to the general public on a continuing basis, except for the Industrial Development Authority, which provides revolving loan services to City agencies. These funds include:

- **Water Utility Fund** — Accounts for the operations of the City's water supply system.
- **Waste Water Utility Fund** — Accounts for the operations of the City's sewerage system.
- **Parking Facilities Fund** — Accounts for the operations of the City-owned off-street parking facilities.
- **Loan and Guarantee Program Fund** — Accounts for the City's economic development financing activities.
- **Industrial Development Authority** — Accounts for the activities of the City's Industrial Development Authority.

**Internal Service Funds** — These funds account for the financing of goods or services provided by certain City agencies to various other agencies and programs of the City on a cost reimbursement basis. The following funds are included in this category:

- **Mobile Equipment Fund** — Accounts for the service, repair, operation and replacement of the City's equipment fleet.
- **Reproduction and Printing Fund** — Accounts for the operations of the City's printing shop.
- **Municipal Post Office Fund** — Accounts for the operations of the City's internal post office facility offering complete mail services, including interdepartmental pick-up and delivery services, for various City departments and agencies.
- **Municipal Telephone Exchange Fund** — Accounts for the administration and operations of the City's telephone exchange.
- **Electronic Equipment Maintenance Fund** — Accounts for the administration and operations of the City's telecommunications system.

## CITY OF BALTIMORE

### Notes to General Purpose Financial Statements

(Continued)

- Risk Management 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.

#### *Fiduciary Fund Types:*

Transactions related to assets held by the City in a trustee capacity or as an agent for individuals, private organizations and other governments are accounted for in fiduciary fund types. Fiduciary fund types are comprised of:

- An Expendable Trust Fund which accounts for assets received and expended by the City as trustee for the Scholarship Fund.
- Nonexpendable Trust Funds which reflect the transactions related to endowments provided to the City by private donors for the Enoch Pratt Free Library and Memorials.
- Pension Trust Funds which account for the receipt, investment and distribution of retirement contributions made for the benefit of policemen, firemen, elected officials and other City employees.
- Agency Funds which account for assets held by the City as a custodial trustee.

#### *Account Groups:*

- General Fixed Assets Account Group — This account group is used to account for the fixed assets of the City, other than those fixed assets reported in the Enterprise and Internal Service Funds. These assets are stated at their original cost and are not depreciated. Capital expenditures are carried in this account group as construction in progress until the projects are completed and are then capitalized by function and classification. Infrastructures, such as streets, highways, bridges, sidewalks, street lighting, traffic poles and signals, and storm sewers, are not reported in the General Fixed Assets Account Group. Such assets are immovable and of value only to the City.
- General Long-Term Obligations Account Group — This account group is used to account for the general obligation bonded debt of the City, capital lease obligations, vested compensated absences of governmental funds and long-term financing agreements other than debt related to the Enterprise and Internal Service Funds.

## **2. Summary of Significant Accounting Policies:**

The accounting and financial reporting policies of the City included in this report conform to GAAP and reporting standards as promulgated by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants and other appropriate sources.

The following is a summary of the more significant policies:

#### *Basis of Accounting:*

The accounting and financial reporting applied to a fund is determined by its measurement focus. All governmental and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheets. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by all governmental fund types, expendable trust funds, agency funds and the Baltimore City Public School System. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e., both measurable and available). “Measurable” means that the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to

**CITY OF BALTIMORE**  
**Notes to General Purpose Financial Statements**  
**(Continued)**

pay liabilities of the current period. Expenditures are recognized when the related fund liabilities are incurred except for debt service which is considered an expenditure when due, and accumulated employee leave which is considered an expenditure when paid. The availability period is generally 120 days.

Revenues which have been treated as susceptible to accrual include property taxes collected within 60 days after year-end; locally imposed State-collected taxes on income; State-shared taxes; Federal, State and other grant and entitlement revenues, and interest. All other revenues are recorded when received.

All proprietary funds, nonexpendable trust funds and pension trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheets. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components and operating statements present increases (i.e., revenues/additions) and decreases (i.e., expenses/deductions) in net total assets.

GAAP allows governments to choose either not to implement, in proprietary fund types, pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989, unless those pronouncements are specifically adopted by GASB (provided that this is applied on a consistent basis) or to continue to follow FASB standards for these fund types. The City has elected not to implement FASB pronouncements issued after that date for its proprietary fund types.

The accrual basis of accounting is utilized by proprietary funds, nonexpendable trust funds and pension trust funds. Under this method, revenues/additions are recorded when earned and expenses/deductions are recorded at the time liabilities are incurred.

*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.

*Inventories:*

Inventories are stated at cost, using primarily the moving average method. Inventories of governmental fund types are accounted for on the consumption method.

*Unbilled Water and Waste Water Utility User Charges:*

Unbilled water and waste water user charges are estimated and accrued at year-end.

*Property, Plant and Equipment — Proprietary Fund Types:*

Property, plant and equipment of the proprietary fund types are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives, as follows:

Buildings	50 years
Improvements	20 – 50 years
Equipment	2 – 25 years

Depreciation on assets acquired or constructed with contributed capital is recognized in the operating statement and then transferred to the appropriate contributed capital account.

*Long-Term Debt:*

General obligation debt expected to be financed from governmental fund types is accounted for in the General Long-Term Obligations Account Group. The general obligation debt recorded in the Enterprise Funds is intended to be financed from these funds. All general obligation debt is secured by the full faith and credit of the City. The principal and interest of the revenue bonds recorded in the Water Utility, Waste Water Utility, Industrial Development Authority and Parking Facilities Funds are payable exclusively from the earnings of the respective funds, where applicable.

*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.

*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. The BANs are recorded in the General Long-Term Obligations Account Group because the stated maturities are long-term. Although the City has the authority to and may refinance these notes, it is not required to do so.

**CITY OF BALTIMORE**  
**Notes to General Purpose Financial Statements**  
**(Continued)**

*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, Special Revenue, 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.

*Total Memorandum Only:*

The “Total Memorandum Only” columns are for overview informational purposes only. They do not fairly present financial position, results of operations or cash flows in conformity with GAAP and do not present consolidated financial information.

*Sick, Vacation and Personal Leave:*

Employees earn one day of sick leave for each completed month of service; there is no limitation on the number of sick leave days that may be accumulated. At June 30, 2001, the estimated accumulated sick leave for the City was \$64,438,000. Sick leave benefit expenditures are not recorded until paid. A portion of unused sick leave earned annually during each twelve-month base period may be converted to cash for 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 leave days accumulated and unused as of the date of separation; under any other conditions of separation, unused sick leave is forfeited. Vested unused sick leave for employees with service of 20 or more years, whose activities are accounted for in governmental fund types and similar trust funds, are recorded in the General Long-Term Obligations Account Group. The liability is not expected to be paid from current expendable available financial resources. Vested unused sick leave for employees with 20 or more years of service, whose activities are accounted for in proprietary fund types, are recorded when leave is earned.

Employees 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 upon termination or retirement. Accumulated vacation and personal leave for employees whose activities are accounted for in governmental fund types and similar trust funds are recorded in the General Long-Term Obligations Account Group. The liability is not expected to be reduced from current expendable available financial resources. Accumulated vacation and personal leave for employees whose activities are accounted for in proprietary fund types are recorded when leave is earned.

Baltimore City Public School System’s employees are granted vacation, personal leave and sick leave in varying amounts based on length of service and bargaining unit. A limited number of vacation, personal leave and sick leave days may be carried forward from year to year and upon retirement with pension benefits or separation of employment with 20 years of service, employees are paid accumulated vacation and sick leave days at the appropriate formula and rates. The unpaid vested vacation, personal leave and sick leave have been reported as vested compensated absences.

*Budgetary Data:*

The Combined Statement of Revenues, Expenditures and Encumbrances and Changes in Fund Balance — Budget and Actual — General and Budgeted Special Revenue Funds, reflects the budgeted and actual amounts for the General Fund, and only the budgeted Special Revenue Funds (Motor Vehicle and Special Racetrack Funds). Other Special Revenue Funds (Grants Revenue and Community Development Block Grant Funds) do not have annual budgets, since grant awards recorded in these funds span more than a single fiscal year.

*Donated Fixed Assets:*

Donated fixed assets are recorded at their estimated fair value at the date of receipt.

*Estimated Liability for Claims in Progress:*

The liability for claims in progress represents estimates for all personal injury, workers’ compensation, unemployment, property damage, and medical claims at June 30, 2001. 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 5.9%, for all claims except medical, for which claims are not discounted.



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**Notes to General Purpose Financial Statements**  
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*Grant Revenues:*

Revenues from Federal, State and other grants, the purpose of which is to fund specific City expenditures, are recognized at the time of the specific expenditures and when the federal reimbursement funding is available. The availability period is approximately 120 days.

*Property Tax:*

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 after the date that the taxes remain unpaid. Tax liens on real property are sold at public auction in May in instances where the taxes have remained delinquent since the preceding October 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 2001 was \$6,828,402,000, which was approximately 40.7% of the estimated market value.

The tax rate in Baltimore City for real and personal property for fiscal year 2001 was \$5.82 per \$100 of assessed value. Current collections were 96.3% of the total tax levy.

At June 30, 2001, the City had property taxes receivable of \$23,124,000, net of an allowance for uncollectible accounts of \$60,537,000.

*Restricted Assets:*

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

*Budget Stabilization Reserve:*

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, 2001, the City had reserved \$37,827,000 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.

*Designated for Subsequent Year's Expenditures:*

The City administratively designates for subsequent year's expenditures a portion of its unreserved fund balance to be expended on specific projects. Before these projects begin, the City must obtain appropriation authority from the City Council. At June 30, 2001, unreserved fund balances designated for this purpose were \$23,466,000 and \$8,169,000, for the General and Special Revenues Funds, respectively.

*Interfund Transactions:*

The City has the following types of transactions among funds:

Statutory transfers (Operating Transfers) — Legally required transfers that are reported when incurred as "Operating transfers in" by the recipient fund and as "Operating transfers out by the disbursing fund. Legally required transfers between primary government and component unit organizations are reported when incurred as "Operating transfers in from component unit" by the recipient organization and "Operating transfers out to primary government" or "Operating transfers out to component unit" by the disbursing fund and "Operating transfers in from primary government".

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 (Quasi-external Transactions) — 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.

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**Notes to General Purpose Financial Statements**  
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**2. Pending Changes in Accounting Principles:**

In June 1999, GASB issued Statement No. 34, Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments. The Statement establishes financial reporting standards for state and local governments. The City is in the process of assessing the impact of this Statement and will implement it as of the effective date for the fiscal period beginning July 1, 2001.

**3. Accounting Changes:**

Effective July 1, 2000, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 33, “Accounting and Financial Reporting for Nonexchange Transactions”. This statement established standards for the recognition of revenues resulting from nonexchange transactions and clarified the application of the modified accrual basis of accounting to nonexchange transactions.

The changes resulting from application of GASB Statement No. 33 are presented in the following table:

(Amounts Expressed in Thousands)

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Capital Projects Fund</b>
Fund Balance as previously reported, July 1, 2000 . . . . .	\$79,814	\$ 11,605	\$109,410
Adjustment . . . . .	1,159	(66,311)	(3,033)
Fund balance as restated, July 1, 2000 . . . . .	\$80,968	\$(54,706)	\$106,377

**4. Budgeting and Budgetary Control:**

Annual budgets are adopted for the General Fund and all Special Revenue Funds, except the Grants Revenue and Community Development Block Grant Funds, on a basis consistent with GAAP, except for certain miscellaneous general expenses which are not budgeted and encumbrances which are recognized as expenditures for budgetary purposes. 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 City Council shall adopt the budget at least 5 days before the beginning of the fiscal year.

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 over to the ensuing fiscal year until utilized or cancelled.

The adopted budgets are prepared and appropriated on an agency, program, activity and object of expenditure basis by fund. Purchase orders which result in an overrun of either operating or capital balances are not released until additional appropriations are made available. Expenditures for each adopted annual 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.

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 2001, supplemental appropriation ordinances were required for the General Fund in the amount of \$20,388,229 and the Motor Vehicle Fund in the amount of \$3,800,000.

Summarizations of the budgets adopted by the City Council for the General Fund and the Special Revenue Funds are presented in the Combined Statement of Revenues, Expenditures and Encumbrances and Changes in Fund Balance —

**CITY OF BALTIMORE**  
**Notes to General Purpose Financial Statements**  
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Budget and Actual — General and Budgeted Special Revenue Funds. The City’s records are maintained on a budgetary basis and reported on a GAAP basis. The reconciliation of budget to GAAP follows:

Reconciliation: Budgetary to GAAP (Expressed in Thousands)	General Fund	Special Revenue Funds
Excess of revenues and other financing sources over expenditures and encumbrances and other financing uses — budgetary basis — fiscal year 2001 .....	\$31,835	\$14,310
Change in encumbrances — fiscal year 2001 over 2000 .....	1,008	2,085
Change in expenditures not recorded for budgetary purposes — fiscal year 2001 over 2000 .....	(6,633)	120
Add excess in non annually budgeted funds .....	—	21,835
Excess of revenues and other financing sources over expenditures and other financing sources (uses) — GAAP basis — fiscal year 2001 .....	\$26,210	\$38,350

**5. Cash Deposits:**

The carrying amount of the City’s deposits with financial institutions, including non-negotiable certificates of deposits, as of June 30, 2001, was a net overdraft of \$9,227,000 resulting from the City’s policy of investing the “bank float” (payments in transit) in order to maximize the amount of interest earnings. The bank balances as of June 30, 2001 were \$6,512,000. All of the City’s cash deposits are either insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by securities held in the name of the City, by the City’s agent.

At June 30, 2001, the BCPSS has demand deposits with a carrying value of \$57,242,000. These funds are collateralized in risk categories as follows:

	<b>(Expressed in Thousands)</b>
Amounts insured by FDIC or collateralized with the securities held by the financial institution or its agent in the name of BCPSS .....	\$ 8,982
Amounts insured by FDIC or collateralized with the securities held by the financial institution or its agent but not in the name of BCPSS .....	<u>48,260</u>
	<u>\$57,242</u>

**6. Notes and Mortgages Receivable:**

Notes and mortgages receivable as of June 30, 2001, consist of the following:

- The General and Special Revenue Funds have mortgages receivable of \$10,669,000, net of a \$1,000,000 allowance for losses, and \$2,971,000 collateralized by real property, respectively. These mortgages bear interest at rates ranging from 1% to 12% and mature over 30 years.
- The Debt Service Fund has mortgages receivable of \$7,201,000 collateralized by real property. These mortgages bear interest at rates ranging from 5.46% to 11.16% and mature over 30 years.
- The Loan and Guarantee Program Fund has notes receivable of \$3,311,000, net of an allowance for losses of \$44,599,000, collateralized by mortgages and deeds of trust. Interest bearing notes have rates ranging from 1% to prime plus 6% and mature over 40 years. At June 30, 2001, the prime rate was 6.75%. The allowance for these loans is estimated by management to be a reasonable provision for losses on these loans which were funded from the proceeds of general obligation bonds and Federal grants.
- The Parking Facilities Fund has notes receivable of \$44,546,000 collateralized by real property. These notes bear interest at rates ranging from 6.1% to 6.9% and mature over 30 years.

**7. Investments:**

Other than pension funds, the City 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. City policy requires that securities underlying repurchase agreements must have a market value of at least 100% of the cost of the repurchase agreement and the City takes possession of the securities when the repurchase agreement’s maturity is greater than five days. The City has complied with this policy throughout the year.

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**Notes to General Purpose Financial Statements**  
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The pension funds are authorized by City law to invest in obligations of the U.S. government and Canada, deposits in savings accounts, corporate bonds, publicly traded preferred and common stocks, bankers' acceptance notes, the State's local government investment pool, loans secured by first mortgages, guaranteed investment contracts, covered call options and real estate equity investments. All of the deposits and investments of the pension funds are invested by outside money managers and are held under a custodial agreement.

Investments made by the City are summarized below. Investments represented by specific identifiable investment securities are classified as to credit risk by the three categories below:

Category 1 — Insured or registered, or securities held by the City or its agent in the City's name.

Category 2 — Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.

Category 3 — Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

(Expressed in Thousands)	Category		Carrying Value
	1	2	
Repurchase agreements . . . . .	\$ 52,776	\$49,296	\$ 102,072
U.S. Treasury and Agencies			
Not on securities loan . . . . .	645,520		645,520
On securities loan for cash collateral . . . . .	283,662		283,662
Corporate bonds			
Not on securities loan . . . . .	337,987		337,987
On securities loan for cash collateral . . . . .	36,543		36,543
Stocks			
Not on securities loan . . . . .	1,165,600		1,165,600
On securities loan for cash collateral . . . . .	85,576		85,576
	<u>\$2,607,664</u>	<u>\$49,296</u>	<u>2,656,960</u>
Mutual funds . . . . .			1,157,891
Guaranteed investment contracts . . . . .			71,360
Real estate equity investments . . . . .			86,404
Securities lending collateral pool . . . . .			418,139
			4,390,754
Less: cash equivalents . . . . .			462,583
Total . . . . .			<u>\$3,928,171</u>

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 the current appraisals. Investments that do not have an established market are reported at estimated fair value.

At June 30, 2001, the City's retirement systems held foreign investments with a market value of \$487,454,000. These securities are subject to foreign exchange risk. At June 30, 2001, the retirement systems held currency options and forward contracts hedging their foreign investment position totaling approximately \$1,980,000 in U.S. currency in French Franc, Japanese Yen, German Deutsche Mark, Austrian Dollar, British Pound, Thailand Baht, and Netherlands Guilder dominations. Gains and losses on these forward contracts are recorded as investment income or expense.

On June 7, 1999, the City's retirement systems 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 loaned is deposited into an escrow account for the retirement systems benefit for the duration of the loan. At no time does the retirement system lose custody of either the security or the

**CITY OF BALTIMORE**

**Notes to General Purpose Financial Statements**

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collateral. Collateral in exchange for the principal loaned may be in the form of cash, or securities issued or guaranteed by the U.S. government, or its agencies or instrumentalities. The minimum levels of collateral are set at 102% of the market value of domestic securities loaned, including all accrued income, and 105% of the market value of international securities loaned, including all accrued income. If the market value of the collateral falls below 100% of the loaned securities, additional collateral is deposited to adjust up to the appropriate minimum level of collateral. All collateral amounts are adjusted to market daily.

At June 30, 2001, 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, 2001, was \$405,781,000, and the market value of the collateral received for those securities on loan was \$418,139,000. 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 requires 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.

**8. Property, Plant and Equipment:**

General fixed assets of the City are recorded at cost. General fixed assets activity by major class and function and sources of investment in general fixed assets (amounts expressed in thousands) for the fiscal year ended June 30, 2001, are as follows:

General Fixed Assets	Balance July 1, 2000	Additions and Transfers	Retirements and Transfers	Balance June 30, 2001
Activity by major class:				
Land .....	\$ 146,321			\$ 146,321
Buildings and improvements .....	1,201,923	\$ 4,383		1,206,306
Equipment .....	156,290			156,290
Construction in progress .....	640,981	62,239	\$18,823	684,397
<b>Total .....</b>	<b>\$2,145,515</b>	<b>\$66,622</b>	<b>\$18,823</b>	<b>\$2,193,314</b>
Activity by major function:				
General government .....	\$ 226,260			\$ 226,260
Public safety and regulation .....	71,859			71,859
Public works .....	35,562			35,562
Public health and welfare .....	13,849			13,849
Education .....	790,251			790,251
Recreation and culture .....	285,633	\$ 4,383		290,016
Economic development .....	11,951			11,951
Other .....	69,169			69,169
Construction in progress .....	640,981	62,239	\$18,823	684,397
<b>Total .....</b>	<b>\$2,145,515</b>	<b>\$66,622</b>	<b>\$18,823</b>	<b>\$2,193,314</b>
Sources of investment:				
Property acquired prior to July 1, 1966 .....	\$ 382,255			\$ 382,255
Property acquired July 1, 1966 and thereafter:				
General fund .....	74,666			74,666
Motor vehicle fund .....	10,633			10,633
Revenue sharing fund .....	2,659			2,659
Special capital improvement funds:				
City funds .....	34,953	\$ 888		35,841
State construction loans .....	55,121			55,121
State grants .....	389,908	2,042		391,950
Federal grants .....	106,774			106,774
County funds .....		1,453		1,453
Debt proceeds .....	447,565			447,565
Various funds, construction in progress .....	640,981	62,239	\$18,823	684,397
<b>Total .....</b>	<b>\$2,145,515</b>	<b>\$66,622</b>	<b>\$18,823</b>	<b>\$2,193,314</b>

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**Notes to General Purpose Financial Statements**  
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Composition of construction in progress (amounts expressed in thousands) as of June 30, 2001, is as follows:

	Cumulative Appropriations June 30, 2001	Expended to June 30, 2001	Commitments	Unencumbered Appropriations
Composition of construction in progress:				
General government .....	\$ 110,109	\$ 86,585	\$ 3,001	\$ 20,523
Public health and welfare .....	4,102	931		3,171
Public safety and regulation .....	135,768	128,657	2,831	4,280
Sanitation and waste disposal .....	48,448	33,333	1,403	13,712
Education .....	136,899	118,108	1	18,790
Recreation and culture .....	112,392	66,518	2,796	43,078
Economic development .....	269,198	240,462	3,073	25,663
Other .....	15,332	9,803	1,688	3,841
<b>Total .....</b>	<b>\$ 832,248</b>	<b>\$684,397</b>	<b>\$14,793</b>	<b>\$133,058</b>

Property held by the Baltimore City Public Schools prior to the creation of the Baltimore City Public School System effective June 1, 1997, is reported in the City's General Fixed Assets Account Group. Equipment purchased on or subsequent to that date is reported as component unit property, plant and equipment net, in the amount of \$111,541,000.

Property, plant and equipment (amounts expressed in thousands) recorded in the Enterprise and Internal Service Funds as of June 30, 2001, consist of the following:

Enterprise Funds	Land	Buildings and Improvements	Equipment	Accumulated Depreciation	Construction in Progress	Net Total	Commitments
Water Utility .....	\$12,232	\$358,916	\$ 48,330	\$(273,129)	\$294,022	\$ 440,371	\$25,091
Waste Water Utility .....	2,345	504,937	79,501	(269,906)	567,137	884,014	52,604
Parking Facilities .....	2,375	52,402	538	(10,920)	34,420	78,815	914
<b>Total .....</b>	<b>\$16,952</b>	<b>\$916,255</b>	<b>\$128,369</b>	<b>\$(553,955)</b>	<b>\$895,579</b>	<b>\$1,403,200</b>	<b>\$78,609</b>
<b>Internal Service Funds</b>							
Mobile Equipment .....	\$ 794	\$ 5,047	\$107,695	\$( 67,196)		\$ 46,340	
Reproduction and Printing .....			1,147	(1,035)		112	
Municipal Post Office .....			120	(105)		15	
Municipal Telephone Exchange .....			215	(180)		35	
Risk Management .....			1,434	(906)		528	
<b>Total .....</b>	<b>\$ 794</b>	<b>\$ 5,047</b>	<b>\$110,611</b>	<b>\$( 69,422)</b>		<b>\$ 47,030</b>	

Interest is capitalized on proprietary fund type assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project, with interest earned on invested proceeds over the same period. During fiscal year 2001, net interest expense of \$11,912,000 (net of interest income of \$3,375,000) was capitalized.

**9. Deferred Revenue:**

Deferred revenue in the General Fund is associated with property taxes, mortgages receivable and other miscellaneous items.

Deferred revenue in the Debt Service Fund is associated with mortgages receivable.

Deferred revenue in the Special Revenue Funds is associated with grant funds received as of June 30, 2001, 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, 2001.

**10. Debt (Other Than Revenue Bonds):**

**A. LONG-TERM DEBT:**

The City of Baltimore does not have a debt limit. However, the Constitution of Maryland requires a three-step procedure for the creation of debt by the City of Baltimore:

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

**CITY OF BALTIMORE**  
**Notes to General Purpose Financial Statements**  
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A summary of general long-term debt activity (amounts expressed in thousands) for fiscal year 2001 is as follows:

	Amount Payable June 30, 2000	Adjustments (b)	New Debt Issued	Debt Retired	Amount Payable June 30, 2001
General obligation serial bonds:					
Highways	\$ 21,835	\$ 116	\$ 780	\$ 894	\$ 21,837
Health	1,150		305	10	1,445
Public safety	14,705	96		780	14,021
Off-street parking	30,898	108	1,155	1,572	30,589
Parks and recreation	12,279	64	390	614	12,119
Public buildings and facilities	27,854	111	4,005	1,245	30,725
Schools	89,800	243	4,810	3,086	91,767
Waste water and storm sewer	15,098	185		1,338	13,945
Urban renewal and development	252,021	624	19,425	13,514	258,556
Water	2,033	8		349	1,692
Waste disposal	3,929	30		227	3,732
Unallocated	5,409	3	1,380		6,792
Total bonded debt	477,011	1,588	32,250	23,629	487,220
Bond anticipation notes	11,295			4,000	7,295
Long-term financing with the Federal Government:					
Federal economic development loan	28,918	3,970	7,870	6,689	34,069
Environmental Protection Agency loan	1,237			191	1,046
Total long-term financing with the Federal Government	30,155	3,970	7,870	6,880	35,115
Private:					
Fannie Mae	4,692			1,173	3,519
Long-term financing with the State of Maryland (a):					
Highway construction loans	1,212			593	619
State economic development loans	8,832			1,631	7,201
Sewer construction loans	738			44	694
Total long-term financing with the State of Maryland	10,782			2,268	8,514
Total long-term debt	533,935	5,558	40,120	37,950	541,663
Less: amount recorded in Enterprise Funds	5,195	28		609	4,614
Total general long-term debt	\$528,740	\$5,530	\$40,120	\$37,341	\$537,049

(a) Under the Constitution of Maryland and applicable State law, certain State loans are not general obligation debts of the political subdivisions, and the political subdivisions, including the City of Baltimore, are not required to levy taxes to meet the debt service thereon. The debt service is deducted by the State Comptroller from payments due the City for its share of distributions from State income taxes and highway user revenues.

(b) The Mayor and City Council of Baltimore issued, as fully registered bonds, \$6,062,000 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 2006 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 \$8,075,000 on the Series A and \$33,000 on the Series C as of June 30, 2001. 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.

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**Notes to General Purpose Financial Statements**  
**(Continued)**

The following is a summary of debt activity other than general obligation bonds and bond anticipation notes:

- *Federal Economic Development Loan:*

The City has borrowed funds from the Federal Government to provide for various development projects throughout the City. At June 30, 2001, the principal owed to the Federal government was \$34,069,000 and interest of \$13,633,000 will be due thereon in future years. The loan bears interest at rates ranging from 7.9% to 9.08% and matures serially through 2017.

- *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 Walbrook Senior High School. At June 30, 2001, the principal owed to the EPA was \$1,046,000. The principal shall be repaid in annual installments of approximately \$191,000 at zero interest and final payment is due on July 31, 2006.

- *Private Financing:*

The City has borrowed funds from the Federal National Mortgage Corporation to provide construction financing for various housing projects. Since 1997, the City has borrowed a total of \$7,730,000 for such purposes. The principal will be paid in semi-annual installments through January 31, 2004. At June 30, 2001, the principal owed to the Federal National Mortgage Corporation was \$3,519,000 and interest of \$374,000, at interest rates ranging from 7.0% to 8.16%, will be due thereon in future years.

- *Highway Construction Loans:*

Under an amendment to State law enacted in 1970, the City became eligible to borrow funds from the State of Maryland for highway construction purposes in the same manner that counties are permitted to borrow. Since 1971, the City has borrowed from the State a total of \$254,817,000 for such purposes. At June 30, 2001, the principal owed to the State was \$619,000 and interest of \$14,000, at interest rates ranging from 4.0% to 6.2, will be due in 2002.

- *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 Redevelopment Act. At June 30, 2001, the principal owed to the State was \$7,201,000 and interest of \$4,265,000 will be due thereon in future years. These loans bear interest at rates ranging from 2.0% to 11.16% and the final payment is due in 2029.

- *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, 2001, the principal owed to the State was \$694,000 and interest of \$288,000 will be due thereon in future years.

*Variable Rate Demand General Obligation Bonds*

On June 27, 2001, the City issued \$51,900,000 in variable rate demand general obligation bonds, Series 2001 A and B. The purpose of these bonds was to refund certain tax-exempt public improvement bonds and to fund various public improvements. The bonds mature on October 1, 2022 (Series A) and October 1 2012 (Series B) and are subject to mandatory sinking fund redemptions prior to maturity at a redemption price of 100 percent.

The bonds bear interest at a variable rate that is reset by the Remarketing Agent on a weekly (Series A) and monthly (Series B) basis. 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 to the city.



**CITY OF BALTIMORE**

**Notes to General Purpose Financial Statements**

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In conjunction with the issuance of the bonds, Toronto-Dominion Bank (Bank), Houston Branch issued a standby bond purchase agreement (Agreement) in the amount of \$52,397,672 in favor of the City and Allfirst Trust of Maryland as trustee and Allfirst Bank of Maryland as fiscal agent for the bondholders. The Agreement expires June 27, 2004, 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 bonds tendered for purchase and not remarketed. Pursuant to the Agreement between the City, the Bank and the fiscal agent, the issuer is required to reimburse the Bank the amount drawn upon remarketing or in a lump sum of June 27, 2004, whichever is earlier. If the takeout agreement were to be exercised because the entire issue of \$51,900,000 of demand bonds was put and not resold, the City would be required to pay approximately \$4,281,750 per year with a lump sum payment of all outstanding principal balances at the expiration of the Agreement. The interest rate on draws made from the Agreement range from the Federal Funds Rate plus 1.00% or the Prime Rate plus 0.50% up to the Federal Fund Rate plus 2% or the Prime Rate plus 1.50% depending on the length of time the draw remains outstanding.

The City is required to pay the Bank fee throughout the period of effectiveness of the letter of equal to 0.14% per annum of the daily average unutilized amount.

During fiscal year 2001, the City made no draws under the letter of credit, and no amounts drawn against the letter of credit were outstanding at June 30, 2001.

The following is a schedule of the principal and interest payments (amounts expressed in thousands) required to service the existing debt of the City until maturity:

Fiscal Year	General Obligation Bonds		Bond Anticipation Notes*		Long-Term Financing with State of Maryland		Long-Term Financing with Federal Government		Private Financing	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2002	\$ 19,333	\$ 27,764	\$4,115	\$282	\$1,435	\$ 523	\$ 6,183	\$ 1,945	\$1,173	\$218
2003	23,561	26,861	3,180	21	816	462	5,426	1,819	1,173	125
2004	28,158	25,112			908	421	2,951	1,541	1,173	31
2005	33,917	22,799			454	379	3,540	1,337		
2006 and thereafter	382,251	180,309			4,901	2,782	17,015	6,991		
<b>Total</b>	<b>\$487,220</b>	<b>\$282,845</b>	<b>\$7,295</b>	<b>\$303</b>	<b>\$8,514</b>	<b>\$4,567</b>	<b>\$35,115</b>	<b>\$13,633</b>	<b>\$3,519</b>	<b>\$374</b>

\* Bond Anticipation Notes' maturities are reported at stated redemption dates which cannot be accelerated by the holders.

A summary of general obligation bonds and bond anticipation notes outstanding and bonds authorized but unissued (amounts expressed in thousands) at June 30, 2001, is as follows:

Purpose	Due Dates	Outstanding		Authorized But Unissued
		Interest Rates	Amount	Amount
Fire, police and public protection	2002 to 2016	4.7% to 9.0%	\$ 14,876	\$ 3,985
Off-street parking	2002 to 2017	2.7% to 9.0%	30,589	4,685
Parks and recreation	2002 to 2017	2.7% to 9.0%	13,499	10,036
Public buildings and facilities	2002 to 2017	2.7% to 9.5%	30,724	23,953
Schools	2002 to 2021	2.7% to 9.0%	93,102	51,075
Waste water and storm sewer	2002 to 2012	4.7% to 9.0%	13,945	
Urban renewal and development	2002 to 2021	2.7% to 9.5%	262,282	70,451
Water	2002 to 2011	4.7% to 9.0%	1,693	
Highways	2002 to 2021	2.7% to 9.0%	21,837	5,541
Waste disposal	2002 to 2011	4.7% to 8.9%	3,731	
Finance				20,000
Health	2002 to 2018	5.125% to 7.5%	1,445	6,525
Unallocated	2002 to 2011	4.7% to 5.5%	6,792	
<b>Total</b>			<b>\$494,515</b>	<b>\$ 196,251</b>

**B. CAPITAL LEASE OBLIGATIONS:**

*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

**CITY OF BALTIMORE**  
**Notes to General Purpose Financial Statements**  
**(Continued)**

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. Further, upon satisfaction of the purchase agreement, title to the facilities and equipment will pass to the City. During fiscal year 2001, the City's capital lease obligation increased by \$10,170,000 (which includes an increase of \$21,082,000 in additional leases) over the fiscal year 2000 total of \$180,722,000. This represents a 5.6% increase from the prior year.

The following is an analysis of the leased property under capital leases by major classes (amounts expressed in thousands) at June 30, 2001:

Classes of Property	
Buildings .....	\$ 118,938
Equipment .....	<u>119,412</u>
Total .....	<u>\$ 238,350</u>

The following is a schedule of the future minimum payments (amounts expressed in thousands) under the conditional purchase agreements:

2002 .....	\$ 23,840
2003 .....	23,439
2004 .....	20,117
2005 .....	19,322
2006 and thereafter .....	<u>196,248</u>
Total .....	282,966
Less: interest .....	<u>(92,074)</u>
Present value of conditional purchase agreements .....	<u>\$190,892</u>

Residual funds available from these conditional purchase agreements in the amount of \$37,612,000, recorded in the Capital Projects Fund as investments as of June 30, 2001, will be used to acquire additional facilities.

*Baltimore City Public School Systems (BCPSS)*

On December 17, 1998, the BCPSS entered into a lease purchase agreement with the First Municipal Credit Corporation (FMCC) to provide financing for the \$24,768,000 purchase of the newly implemented ORACLE computer system (the 1998 Lease Agreement). Under the terms of the 1998 Lease Agreement, funds were to be deposited into an "Acquisition Account" at Harbor Bank. As the BCPSS entered into purchase agreements with one or more vendors for various items of equipment, moneys were to be drawn from the "Acquisition Account" to fund actual purchases. In addition, if at September 15, 2000, all of the moneys on deposit in the "Acquisition Account" at the Harbor Bank have not been paid out, the BCPSS agreed to return the remaining moneys to FMCC to be applied against the interest portion of the lease payment due September 15, 2000, with any excess applied against the interest portion of one or more future lease payments; per an amendment dated September 12, 2000, there was an extension granted to extend this date from September 15, 2000 to September 15, 2001. Interest earned on the escrow balance remains in the escrow account and is to be used for the same purposes as the principal.

On October 1, 1999, the BCPSS entered into a \$12,370,000 thirty-year capital lease (the 1999 Lease Agreement) with 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 Harbor Bank. As the BCPSS entered into purchase agreements with one or more vendors related to the purchase and repair of certain boilers, moneys were to be drawn from the "Acquisition Account" to fund actual purchases. In addition, if at February 15, 2001, all of the moneys on deposit in the "Acquisition Account" at the Harbor Bank have not been paid out, the BCPSS agreed to return the remaining moneys to FMCC to be applied against the interest portion of the lease payment due on February 15, 2001, with any excess applied against the interest portion of one or more future lease payments. Interest earned on the escrow balance is to be paid to FMCC as set forth in the escrow agreement.

During fiscal year 2001, the BCPSS had purchases of \$1,926,000 and \$2,902,000 related to the 1998 Lease Agreement and the 1999 Lease Agreement, respectively. Of these purchases, \$814,000 and 317,000 was unpaid related to the 1998 Lease Agreement and the 1999 Lease Agreement, respectively, as of June 30, 2001.

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**Notes to General Purpose Financial Statements**

**(Continued)**

The future minimum lease payments under the 1998 Lease Agreement and the 1999 Lease Agreement as of June 30, 2001 are \$2,288,000 and \$11,686,000, respectively.

The remaining unused portion of the moneys on deposit for the 1998 Lease Agreement and the 1999 Lease Agreement of \$4,009,000 and \$1,163,000, respectively, as of June 30, 2001, have been included in the combined balance sheet in cash and other liabilities.

Future minimum lease payments, as of June 30, 2001, are as follows (amounts expressed in thousands):

	<u>Total</u>
For the year ending June 30,	
2002 .....	\$ 8,010
2003 .....	1,401
2004 .....	1,401
2005 .....	1,401
2006 and thereafter .....	<u>14,717</u>
	26,930
Unused portion of funds received as of June 30, 2001 .....	(5,172)
Future interest component .....	<u>(7,784)</u>
Capital lease obligations—Baltimore City Public School System .....	<u>\$13,974</u>
Capital lease obligations—Baltimore City Public School System, June 30, 2000 .....	\$12,554
New capital leases .....	6,008
Payment of principal .....	(5,999)
Fiscal year 2000 accounts payable paid in fiscal year 2001 .....	2,543
Accounts payable as of June 30, 2001 .....	<u>(1,132)</u>
Capital lease obligations—Baltimore City Public School System, June 30, 2001 .....	<u>\$13,974</u>

**C. COMPENSATED ABSENCES:**

Vested compensated absences at June 30, 2001 related to the government funds of the City and the Baltimore City Public School System were \$67,375,000 and \$63,076,000, respectively. These amounts will be paid from expendable available resources provided for in the budgets of future years. For proprietary fund types, vested compensated absences as of June 30, 2001, totalling \$8,757,000 in enterprise funds and \$2,426,000 in internal service funds, are recorded in other liabilities.

**D. LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS:**

State and Federal laws and regulations require that the City place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, a liability has been established in the General Long-Term Obligations Account Group based on the City's estimate of the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and postclosure care costs is \$12,377,000 as of June 30, 2001, which is based on 53.19% usage (filled) of the landfill. It is estimated that an additional \$10,894,000 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 (2015). The estimated total current cost of the landfill closure and postclosure care (\$23,271,000) is based on the amount that would be paid if all equipment, facilities and services required to close, monitor and maintain the landfill were acquired as of June 30, 2001. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

As of June 30, 2001, the City's General Fund held investments of \$2,592,000, to help finance the landfill closure and postclosure care costs. 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 or 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.

**CITY OF BALTIMORE**

**Notes to General Purpose Financial Statements**

(Continued)

**11. Revenue Bonds:**

The City has issued revenue bonds and revenue bond anticipation notes, the proceeds of which were used to provide funds for capital improvements to water and waste water facilities. Assets with a carrying value of \$44,992,000 at June 30, 2001, and certain revenues of the Water and Waste Water Utility Funds are pledged as collateral for the bonds. Bonds outstanding (amounts in columns expressed in thousands) as of June 30, 2001, consist of:

	Water Utility Fund	Waste Water Utility Fund
Serial bonds series 1993-A maturing in annual installments from \$840,000 to \$1,250,000 from July 1, 2001 through July 1, 2008, with interest ranging from 4.7% to 5.5%, payable semiannually		\$ 8,405
Serial bonds series 1993-A maturing in annual installments from \$1,430,000 to \$2,125,000 from July 1, 2001 through July 1, 2008, with interest ranging from 4.5% to 5.5%, payable semiannually	\$ 14,320	
Serial bonds series 1994-A maturing in annual installments from \$390,000 to \$590,000 from July 1, 2001 through July 1, 2009, with interest ranging from 4.1% to 5.0%, payable semiannually		4,435
Serial bonds series 1994-A maturing in annual installments from \$570,000 to \$850,000 from July 1, 2001 through July 1, 2009, with interest ranging from 4.1% to 5.0%, payable semiannually	6,405	
Serial bonds series 1994-B maturing in annual installments from \$297,000 to \$406,000 from February 1, 2002 through February 1, 2015, with interest rate at 2.25%, payable semiannually		4,933
Serial bonds series 1994-C maturing in annual installments from \$274,000 to \$387,000 from February 1, 2002 through February 1, 2015, with interest rate at 2.5%, payable semiannually		4,638
Serial bonds series 1994-D maturing in annual installments from \$181,000 to \$297,000 from February 1, 2002 through February 1, 2015, with interest rate at 3.6%, payable semiannually		3,306
Serial bonds series 1996-A maturing in annual installments from \$475,000 to \$745,000 from July 1, 2001 through July 1, 2009, with interest ranging from 4.5% to 5.55%, payable semiannually		5,500
Serial bonds series 1996-A maturing in annual installments from \$685,000 to \$1,070,000 from July 1, 2001 through July 1, 2009, with interest ranging from 4.5% to 5.55%, payable semiannually	7,920	
Serial bonds series 1996-B maturing in annual installments from \$115,000 to \$208,000 from February 1, 2002 through February 1, 2017, with interest at 3.18%, payable semiannually		2,662
Serial bonds series 1998-A maturing in annual installments from \$505,000 to \$835,000 from July 1, 2001 through July 1, 2012, with interest ranging from 3.75% to 4.8%, payable semiannually	7,975	
Serial bonds series 1998-A maturing in annual installments from \$249,000 to \$414,00 from February 1, 2002 through February 1, 2019, with interest rate at 2.87%, payable semiannually		5,929
Serial bonds series 1998-B maturing in annual installments from \$465,000 to \$765,000 from July 1, 2001 through July 1, 2012, with interest ranging from 3.75% to 4.8%, payable semiannually		7,320
Serial bonds series 1999-A maturing in annual installments from \$1,000 to \$167,000 from August 1, 2001 through February 1, 2019, with interest rate at 2.52%, payable semiannually		2,466
Serial bonds series 1999-B maturing in annual installments from \$400,000 to \$652,000 from February 1, 2002 through February 1, 2021, with interest rate at 2.61%, payable semiannually		10,324
Serial bonds series 2000-A maturing in annual installments from \$365,000 to \$1,015,000 from July 1, 2001 through July 1, 2020, with interest ranging from 4.75% to 5.625%, payable semiannually		13,015
Serial bonds series 2000-A maturing in annual installments from \$525,000 to \$1,650,000 from July 1, 2001 through July 1, 2021, with interest ranging from 4.5% to 6.0%, payable semiannually	21,025	
Serial bonds series 2001-A maturing in annual installments from \$1,000 to \$818,594 from August 1, 2003 through February 1, 2022, with interest rate at 2.3%, payable semiannually		12,774
Term bonds series 1990-B with interest at 3.806%, payable semiannually, due February 1, 2012		6,704
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	30,475	
Term bonds series 1996-A with interest at 5.8%, payable semiannually, due July 1, 2015	7,845	5,445
Term bonds series 1996-A with interest at 5.5%, payable semiannually, due July 1, 2026	23,115	16,040
Term bonds series 1998-A with interest at 5.375%, payable semiannually, due July 1, 2015	2,765	
Term bonds series 1998-A with interest at 5.0%, payable semiannually, due July 1, 2018	3,220	
Term bonds series 1998-A with interest at 5.0%, payable semiannually, due July 1, 2028	14,890	
Term bonds series 1998-B with interest at 5.375%, payable semiannually, due July 1, 2015		2,540
Term bonds series 1998-B with interest at 5.0%, payable semiannually, due July 1, 2018		2,960
Term bonds series 1998-B with interest at 5.0%, payable semiannually, due July 1, 2028		13,700
Term bonds series 2000-A with interest at 5.625%, payable semiannually, due July 1, 2030		13,885
Term bonds series 2000-A with interest at 5.75%, payable semiannually, due July 1, 2030	19,880	
Bond anticipation notes series 2001-A, water projects, floating interest rate, payable monthly, due July 1, 2003	14,886	
Bond anticipation notes series 2001-A, waste water projects, floating interest rate, payable monthly, due July 1, 2003		12,776
	217,071	192,303
Less unamortized charges	824	749
	\$216,247	\$191,554

The term bonds series 1990-B due February 1, 2012, are subject to redemption at par prior to maturity by operation of a mandatory sinking fund in annual principal amounts ranging from \$483,715 to \$729,519. The term bonds series 1993-A due July 1, 2013, are subject to mandatory redemption at par prior to maturity by operation of a sinking fund

## CITY OF BALTIMORE

### Notes to General Purpose Financial Statements

(Continued)

on or after July 1, 2009, at annual principal amounts ranging from \$1,100,000 to \$1,350,000 for the Water Utility Fund and from \$650,000 to \$800,000 for the Waste Water Utility Fund. The term bonds series 1993-A due July 1, 2020, are subject to mandatory redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2014, at annual principal amounts ranging from \$1,450,000 to \$2,000,000 for the Water Utility Fund and \$850,000 to \$1,150,000 for the Waste Water Utility Fund.

The serial bonds series 1994-A are subject to redemption prior to maturity beginning on and after July 1, 2004, at redemption prices ranging from 102% to 100% of the principal amount. The term bonds series 1994-A due July 1, 2015, are subject to mandatory redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2010, at annual principal amounts ranging from \$895,000 to \$1,200,000 for the Water Utility Fund and \$620,000 to \$830,000 for the Waste Water Utility Fund. The term bonds series 1994-A due July 1, 2022, are subject to mandatory redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2016, at annual principal amounts ranging from \$875,000 to \$1,170,000. The term bonds series 1994-A due July 1, 2024, are subject to mandatory redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2016, at annual principal amounts ranging from \$1,265,000 to \$6,320,000.

The serial bonds series 1996-A are subject to redemption prior to maturity beginning on or after July 1, 2006, at redemption prices ranging from 101% to 100% of the principal amount. The term bonds series 1996-A due July 1, 2015, are subject to mandatory redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2010, at annual principal amounts ranging from \$1,130,000 to \$1,500,000 for the Water Utility Fund and \$785,000 to \$1,040,000 for the Waste Water Utility Fund. The term bonds series 1996-A due July 1, 2026, are subject to mandatory redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2016, at annual principal amounts ranging from \$1,585,000 to \$2,710,000 for the Water Utility Fund and \$1,100,000 to \$1,880,000 for the Waste Water Utility Fund.

The serial bonds series 1998-A and 1998-B are subject to redemption prior to maturity beginning on or after July 1, 2008, at redemption prices ranging from 101% to 100% of the principal amount. The term bonds series 1998-A and 1998-B due July 1, 2015, are subject to mandatory redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2013, at annual principal amounts ranging from \$875,000 to \$970,000 for the Water Utility Fund and \$805,000 to \$890,000 for the Waste Water Utility Fund. The term bonds series 1998-A and 1998-B due July 1, 2018, are subject to mandatory redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2016, at annual principal amounts ranging from \$1,020,000 to \$1,125,000 for the Water Utility Fund and \$940,000 to \$1,035,000 for the Waste Water Utility Fund. The term bonds series 1998-A and 1998-B due July 1, 2028, are subject to mandatory redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2019, at annual principal amounts ranging from \$1,185,000 to \$1,835,000 for the Water Utility Fund and \$1,090,000 to \$1,690,000 for the Waste Water Utility Fund.

The serial bonds series 2000-A maturing on or after July 1, 2011 are subject to redemption prior to maturity beginning on or after July 1, 2010, at par plus accrued interest. The term bonds series 2000-A due July 1, 2030, are subject to mandatory redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2022, at annual principal amounts ranging from \$1,750,000 to \$2,735,000 for the Water Utility Fund. The term bonds series 2000-A due July 1, 2030, are subject to mandatory redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2021, at annual principal amounts ranging from \$1,070,000 to \$1,755,000 for the Waste Water Utility Fund.

**CITY OF BALTIMORE**

**Notes to General Purpose Financial Statements**

(Continued)

The City has issued refunding revenue bonds, the proceeds of which were used to refinance all prior existing debt of the Parking Facilities Fund. Assets with a carrying value of \$13,464,000 at June 30, 2001, and certain revenues of the Parking Facilities Fund are pledged as collateral for the bonds. Bonds outstanding (amounts expressed in thousands) as of June 30, 2001, consist of:

Serial bonds series 1992-B maturing in annual installments from \$410,000 to \$510,000 from July 1, 2001 through July 1, 2003, with interest ranging from 7.50% to 7.95%, payable semiannually .....	\$ 1,425
Serial bonds series 1993 maturing in annual installments from \$2,685,000 to \$3,810,000 from July 1, 2001 through July 1, 2008, with interest ranging from 4.05% to 4.7%, payable semiannually .....	26,165
Serial bonds series 1997-B maturing in annual installments from \$265,000 to \$495,000 from July 1, 2001 through July 1, 2010, with interest ranging from 6.05% to 6.5%, payable semiannually .....	3,790
Term bonds series 1992-B with interest at 8.4%, payable semiannually, due July 1, 2011 .....	5,955
Term bonds series 1993-A with interest at 5.1%, payable semiannually, due July 1, 2013 .....	3,395
Term bonds series 1993-A with interest at 5.0%, payable semiannually, due July 1, 2018 .....	4,330
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 1997-B with interest at 6.75%, payable semiannually, due July 1, 2017 .....	4,510
Term bonds series 1997-B with interest at 6.625%, payable semiannually, due July 1, 2022 .....	4,735
Term bonds series 1997-B with interest at 6.625%, payable semiannually, due July 1, 2027 .....	6,525
Term bonds series 1998-A with interest at 4.9%, payable semiannually, due July 1, 2011 .....	175
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
	<u>118,935</u>
Less unamortized charges .....	3,342
	<u>\$115,593</u>

The serial bonds series 1992-B are subject to redemption prior to maturity beginning on or after July 1, 2002, at redemption prices ranging from 102% to 100% of the principal amount. The series 1992-B term bonds due July 1, 2011, are subject to redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2004, at annual principal amounts ranging from \$550,000 to \$970,000. The serial bonds series 1993 due July 1, 2004 and July 1, 2005, are subject to redemption prior to maturity beginning on or after July 1, 2003, at redemption prices ranging from 102% to 100% of the principal amount. The series 1993 term bonds due July 1, 2013 and July 1, 2018, are subject to redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2009, at annual principal amounts ranging from \$615,000 to \$960,000. The series 1997-A term bonds due July 1, 2013 are subject to redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2009, at annual principal amounts ranging from \$3,860,000 to \$4,870,000. The series 1997-A term bonds due July 1, 2018 are subject to redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2014, at annual principal amounts ranging from \$5,160,000 to \$6,505,000. The serial bonds series 1997-B are subject to redemption prior to maturity beginning on or after July 1, 2007, at redemption prices ranging from 101% to 100% of the principal amount. The series 1997-B term bonds due July 1, 2017 are subject to redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2011, at annual principal amounts ranging from \$525,000 to \$775,000. The series 1997-B term bonds due July 1, 2022 are subject to redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2018, at annual principal amounts ranging from \$830,000 to \$1,070,000. The series 1997-B term bonds due July 1, 2027 are subject to redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2023, at annual principal amounts ranging from \$1,145,000 to \$1,475,000. The series 1998-A term bonds due July 1, 2011 are subject to redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2003, at annual principal amounts ranging from \$15,000 to \$25,000. The series 1998-A term bonds due July 1, 2014, are subject to redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2012, at annual principal amounts ranging from \$560,000 to \$620,000. The series 1998-A term bonds due July 1, 2017, are subject to redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2015, at annual principal amounts ranging from \$650,000 to \$725,000. The series 1998-A term bonds due July 1, 2021, are subject to redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2018, at annual principal amounts ranging from \$760,000 to \$890,000.

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 2001, the variable interest rate paid by the City on these bonds ranged from a high of 5.8% to a low of 2.8%. It is the

**CITY OF BALTIMORE**

**Notes to General Purpose Financial Statements**

**(Continued)**

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.

In conjunction with the issuance of the bonds, Bayerische Landesbank Girozentrale, New York Branch (the Bank) issued an irrevocable letter of credit in the amount of \$102,500,000 in favor of the City and Allfirst Trust of Maryland as trustee and Chemical Bank as fiscal agent for the bondholders. The letter of credit expires July 13, 2004, but can be extended for an additional two years. 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, the Bank and the fiscal agent, the issuer is required to reimburse the Bank the amount drawn upon remarketing or in a lump sum on July 13, 2004, whichever is earlier. 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 on draws made from the letter of credit is at the Bank's prime interest rate.

The City is required to pay the Bank a fee throughout the period of effectiveness of the letter of credit equal to 0.275% per annum of the daily average unutilized amount and 0.20% per annum of the daily average utilized amount.

During fiscal year 2001, the City made no draws under the letter of credit, and no amounts drawn against the letter of credit were outstanding at June 30, 2001.

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 revenues which consists of certain hotel taxes and certain receipts derived from the ownership and operation of the Baltimore Convention Center. These bonds include \$31,710,000 in serial bonds, which are due to mature on September 1, in each of the years 1999 to 2012, inclusive; \$6,695,000 in 5.5% term bonds due to mature on September 1, 2014; \$3,625,000 in 5.5% term bonds due to mature on September 1, 2015 and \$16,485,000 in 5.0% term bonds due to mature on September 1, 2019. Interest on the bonds is payable on each March 1 and September 1 in each year. The bonds maturing on or after September 1, 2009 are subject to redemption prior to maturity beginning on or after September 1, 2008 at redemption prices ranging from 102% to 100% of the principal amount. The term bonds due September 1, 2014, are subject to redemption at par prior to maturity by operation of a sinking fund on or after September 1, 2013, at annual principal amounts ranging from \$3,260,000 to \$3,345,000. The term bonds due September 1, 2019, are subject to redemption at par prior to maturity by operation of a sinking fund on or after September 1, 2016, at annual principal amounts ranging from \$3,825,000 to \$4,425,000. These revenue bonds have been recorded in the General Long-Term Obligations Account Group because they are expected to be paid by General Fund revenues.

Principal maturities and interest (amounts expressed in thousands) of revenue bonds and revenue bond anticipation notes are as follows:

	Water Utility		Waste Water Utility		Parking Facilities		Industrial Development Authority		Convention Center	
	Principal	Interest*	Principal	Interest*	Principal	Interest*	Principal	Interest*	Principal	Interest*
2002 .....	\$ 3,860	\$ 10,737	\$ 4,789	\$ 7,834	\$ 3,515	\$ 6,813	\$ 8,000	\$ 1,850	\$ 2,758	
2003 .....	4,090	10,552	5,024	7,791	3,690	6,636	8,000	1,930	2,679	
2004 .....	4,295	10,354	5,760	7,705	3,885	6,446	8,000	2,010	2,596	
2005 .....	4,495	10,142	5,980	7,487	4,080	6,241	8,000	2,095	2,508	
2006 and thereafter .....	185,445	132,779	157,974	87,504	103,765	57,493	\$100,000	96,000	47,625	20,880
Total .....	\$202,185	\$174,564	\$179,527	\$118,321	\$118,935	\$83,629	\$100,000	\$128,000	\$55,510	\$31,421

\* Variable rate bonds' interest estimated at 8%.

Revenue bonds payable are presented on the combined balance sheet net of unamortized charges in the amount of \$4,915,000.

At June 30, 2001, revenue bonds payable for the Industrial Development Authority (IDA) are presented on the combined balance sheet net of \$86,722,000 of notes and obligations purchased from the City by the IDA. These obligations have been included in the General Long-Term Obligations Account Group.

**CITY OF BALTIMORE**

**Notes to General Purpose Financial Statements**

**(Continued)**

*Baltimore City Public School System Revenue Obligation Bonds*

On October 18, 2000, the Baltimore City Public School System (BCPSS) issued \$25,000,000 of revenue obligation bonds, Series 2000 (the 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 wiring 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. Under the terms of the Series 2000 Bonds, funds initially will be maintained at the Depository Trust Company (DTC), New York, New York. Interest on the Series 2000 Bond was paid on May 12, 2001. Interest rates range from 4.25 percent to 5.125 percent and interest is payable semiannually on November 12 and May 12 of each year.

The Series 2000 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 Baltimore City.

Future minimum bond payments are as follows for the year ending June 30, 2001 (amounts expressed in thousands):

	<u>Series 2000 Bonds</u>
2002 .....	\$ 1,205
2003 .....	1,255
2004 .....	1,310
2005 .....	1,365
2006 and thereafter .....	<u>19,865</u>
General long-term obligation .....	25,000
Future interest component .....	<u>10,112</u>
Total debt service .....	<u><u>\$35,112</u></u>

**12. 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, 2001, \$174,841,000 of debt outstanding is considered defeased.

**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, 2001, future minimum lease payments (amounts expressed in thousands) are as follows:

2002 .....	\$ 5,271
2003 .....	4,114
2004 .....	3,906
2005 .....	3,676
2006 and thereafter .....	<u>21,914</u>
Total .....	<u><u>\$38,881</u></u>

All leases contain cancellation provisions and are subject to annual appropriations by the City Council. During fiscal year 2001, rent expenditures approximated \$14,498,000 for all types of leases. These expenditures were made primarily from the General Fund.

**14. Retirement Systems:**

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 System to which the City and the Board make no contributions, are covered under one of the following Public Employees Retirement Systems (PERS).

*Plan Descriptions:*

The City contributes to two single-employer defined benefit pension plans, the Fire and Police Employees' Retirement System and the Elected Officials' Retirement System, and a cost sharing multiple employer plan, the Employees' Retirement System. Each plan provides retirement benefits as well as disability benefits to plan members and their



**CITY OF BALTIMORE**  
**Notes to General Purpose Financial Statements**  
**(Continued)**

beneficiaries. The plans are each managed by a Board of Trustees in accordance with Article 22 of the Baltimore City Code. Plan benefits provision 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 general purpose financial statements as pension trust funds. Each plan issues a publicly available financial report that includes financial statements and required supplementary information for that plan. Those reports may be obtained by writing to the Retirement Systems at the following address:

Baltimore City Retirement Systems  
Room 640, City Hall  
100 N. Holliday Street  
Baltimore, Maryland 21202

*Funding Policy and Annual Pension Cost*

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 rates:			
Employer .....	0.1%	6.1%	14.4%
Employee .....	6%	4%	5%
Annual pension cost .....	\$217	\$16,592	\$0
Contribution made .....	\$217	\$16,592	\$0
Basis of Accounting .....	Accrual	Accrual	Accrual
Actuarial valuation date .....	June 30, 2001	June 30, 2001	June 30, 2001
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 assumption:			
Investment rate of return:			
Pre-retirement .....	8.25%	8.0%	7.5%
Post-retirement .....	6.8%	6.8%	7.5%
Projected salary increases .....	4.5%-10.0%	4.75%-7.0%	6.0%
Includes inflation at .....	3.75%	3.75%	3.75%

**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, 2001 .....	\$ 217*	100%	\$0
June 30, 2000 .....	235**	100	0
June 30, 1999 .....	268***	100	0
Employees' Retirement System:			
June 30, 2001 .....	16,592	100	0
June 30, 2000 .....	18,869	100	0
June 30, 1999 .....	19,710	100	0
Elected Officials' Retirement System:			
June 30, 2001 .....	0	0	0
June 30, 2000 .....	165	100	0
June 30, 1999 .....	\$ 217	100%	\$0

\*Fiscal year 2001 was reduced by \$27 million of interest surplus as provided by law.

\*\*Fiscal year 2000 was reduced by \$28 million of interest surplus as provided by law.

\*\*\*Fiscal year 1999 was reduced by \$30 million of interest surplus as provided by law.

**CITY OF BALTIMORE**

**Notes to General Purpose Financial Statements**

**(Continued)**

**Required Supplementary Information  
Schedule of Funding Progress  
(Dollars Expressed in Thousands)  
(Unaudited)**

Actuarial Valuation Date	Actuarial Value of 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)
<b>Fire and Police Employees' Retirement System:</b>						
June 30, 2001	\$2,098,741	\$2,096,803	\$ (1,938)	100.1%	\$209,528	(00.1)%
June 30, 2000	2,078,331	2,029,568	(48,763)	102.4	191,003	(25.5)
June 30, 1999	1,974,471	1,919,288	(55,183)	102.9	183,068	(30.1)
<b>Employees' Retirement System:</b>						
June 30, 2001	1,283,030	1,374,100	(91,070)	93.4	309,602	(29.4)
June 30, 2000	1,309,548	1,217,622	(91,926)	107.5	308,896	(29.8)
June 30, 1999	1,247,952	1,193,031	(54,921)	104.6	305,212	(18.0)
<b>Elected Officials' Retirement System:</b>						
June 30, 2001	14,255	10,935	(3,320)	130.4	1,150	(288.7)
June 30, 2000	13,100	11,231	(1,869)	116.6	1,150	(162.5)
June 30, 1999	\$ 12,650	\$ 10,140	\$(2,510)	124.8%	\$ 893	(281.1)%

Analysis of the 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 plan 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. All City funded retirement plans at June 30, 1999, 2000 and 2001, are funded in excess of the actuarial accrued liability.

*The Unfunded Fire and Police Pension Plan*

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 4.0%. 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 and unfunded accrued liability for the last three years are as follows:

**Three-Year Trend Information  
(Dollars Expressed in Thousands)**

	Employer Contributions	Unfunded Accrued Liability
June 30, 2001	\$6,839	\$23,661
June 30, 2000	5,585	32,370
June 30, 1999	\$6,086	\$33,134

**CITY OF BALTIMORE**

**Notes to General Purpose Financial Statements**

**(Continued)**

*The Maryland State Retirement and Pension Systems*

Under Maryland law, the Baltimore City Public School System (BCPSS) is required to make no contributions to the State Systems. The covered employees are required by State statute to contribute to the State Systems. The contribution from employees is 5% for participants in the State Systems retirement plans (with a 5% limit on the annual 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 Systems 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 System for teachers and related positions. During the year ended June 30, 2001, the State paid \$43,660,000 in such costs. This amount has been recorded by the BCPSS as both a revenue and an expenditure in the accompanying Combined Statement of Revenues, Expenditures and Changes in Fund Balances.

The State also makes contributions on behalf of Enoch Pratt Free Library employees. The State's contributions for the year ended June 30, 2001 was \$1,165,000. This amount has also been recognized as both a revenue and an expenditure in the accompanying Combined Statement of Revenues, Expenditures and Changes in Fund Balances.

**15. Risk Management:**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1987, the City established the Risk Management Fund (an internal service fund) to account for and finance its uninsured risks. The City's risk financing techniques include a combination of risk retention through self-insurance and risk transfer through the purchase of commercial insurance. The Risk Management Fund services all claims for risk of loss, including general liability, property and casualty, workers' compensation, unemployment compensation, automobile physical damage and bodily injury, and sundry other risks. Commercial insurance coverage is provided for each property damage claim in excess of \$750,000 with a cap of \$250,000,000. Settled claims have not exceeded this commercial coverage in any of the past three years. The City also provides medical insurance coverage for all employees and retirees. Employees are required to pay a percentage of the annual cost of the medical plans and the remaining costs are paid by the internal service fund.

All funds of the City and the Baltimore City Public School System participate in the program 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, 2001, the City has determined that the range of potential claims liability for the fund to be between \$106,337,000 and \$133,337,000. The claims liability of \$106,337,000 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. This liability, which has been discounted at 5.9% at June 30, 2001, 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 \$106,337,000 will be charged or credited to expense in the periods in which they are made. Changes in the Risk Management Fund's claims liability (amounts expressed in thousands) in fiscal years 2000 and 2001 were:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	End of Fiscal Year Liability
2000 .....	\$ 97,616	\$217,093	\$(212,337)	\$102,372
2001 .....	\$102,372	\$234,982	\$(231,017)	\$106,337

**CITY OF BALTIMORE**  
**Notes to General Purpose Financial Statements**  
(Continued)

**16. Postemployment Benefits:**

City administrative policy provides that certain postemployment benefits, other than pension benefits, be provided to all its employees, including the Baltimore City Public School System. These benefits include certain health care and life insurance benefits. All employees who retire are eligible to receive these benefits. At June 30, 2001, there were 18,971 retirees eligible for these benefits. The City reimburses approximately 63% of the premium cost incurred by pre-Medicare retirees and their dependents. The City also reimburses approximately 84% 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 2001, these postemployment benefits amounted to \$65,670,000.

**17. Individual Fund Disclosures:**

Interfund receivables and payables (amounts expressed in thousands) at June 30, 2001, are as follows:

	Interfund Receivables	Interfund Payables
General .....	\$ 42,132	\$ 1,295
Special Revenue:		
Grants Revenue .....		34,376
Motor Vehicle .....		108
Community Development Block Grants .....		6,337
Special Racetrack .....		216
		<u>41,037</u>
Internal Service:		
Mobile Equipment .....		323
Reproduction and Printing .....		279
Risk Management .....		99
		<u>701</u>
Capital Projects .....	<u>38,801</u>	
Enterprise:		
Water Utility .....	11,260	1,777
Waste Water Utility .....	11,268	6,378
Parking Facilities .....		18,757
Loan and Guarantee Program .....		1,803
Industrial Development Authority .....		33,008
	<u>22,528</u>	<u>61,723</u>
Debt Service .....	<u>1,295</u>	
Total .....	<u>\$ 104,756</u>	<u>\$ 104,756</u>

The following funds had a deficit (amounts expressed in thousands) in retained earnings at June 30, 2001:

Internal Service Funds:	
Reproduction and Printing .....	\$ (95)
Municipal Post Office .....	(48)
Risk Management .....	(32,850)
Enterprise Funds:	
Loan and Guarantee Program .....	(36,282)
Component Unit:	
Baltimore City Public School System .....	\$(26,870)

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 eliminating the accumulated Risk Management Fund deficit over the next ten years.

The deficits in the other Internal Service Funds will be eliminated by reduced salary expenses and increases in user fees. At the completion of the Loan and Guarantee Program, the City plans to eliminate its deficit by offsetting it against contributed capital.

The deficit of the Baltimore City Public School System, a component unit of the City, will be funded by future cost savings or by supplemental grants from the City or the State of Maryland.

**CITY OF BALTIMORE**  
**Notes to General Purpose Financial Statements**  
**(Continued)**

**18. Segment Information — Enterprise Funds:**

Selected financial information (amounts expressed in thousands) with respect to business segments of Enterprise Funds as of June 30, 2001, and the year then ended is as follows:

	Water Utility	Waste Water Utility	Parking Facilities	Loan and Guarantee Program	Industrial Development Authority	Total
Operating revenues .....	\$ 83,961	\$114,945	\$ 46,176	\$ 1,456	\$ 5,348	\$ 251,886
Depreciation and amortization expense .....	7,399	11,632	1,176		35	20,242
Operating income (loss) .....	12,206	4,201	40,037	(1,614)	1,234	56,064
Operating transfers out .....			(30,295)			(30,295)
Net income (loss) .....	11,058	4,207	3,238	(1,614)	1,234	18,123
Net working capital .....	36,373	41,856	8,440	17,602	60,032	164,303
Changes in contributed capital, net .....	12,961	17,405		(499)		29,867
Changes in property, plant and equipment ..	34,078	40,930	7,568			82,576
Total assets .....	551,201	999,890	158,283	20,915	60,790	1,791,079
General long-term debt payable .....	1,693	2,921				4,614
Notes payable .....				178		178
Revenue bonds payable, net .....	216,247	191,554	115,593		13,278	536,672
Total equity .....	\$313,973	\$777,311	\$ 20,027	\$13,321	\$14,263	\$1,138,895

**19. Commitments and Contingencies:**

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

As of June 30, 2001, the City is contingently liable for loans guaranteed by the Loan and Guarantee Program in an aggregate amount of approximately \$1,048,000.

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, 2001, 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 \$41 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 \$99.40 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

**CITY OF BALTIMORE**  
**Notes to General Purpose Financial Statements**  
**(Continued)**

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 \$497.00 per dry ton.

# Financial Statements

**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, 2001**  
(Expressed in Thousands)

	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes—local:			
Real property . . . . .	\$377,823	\$393,821	\$15,998
Personal property . . . . .	109,782	104,475	(5,307)
Sales and services . . . . .	74,500	77,287	2,787
Payments in lieu of taxes . . . . .	5,158	6,480	1,322
Income . . . . .	160,913	170,908	9,995
Other . . . . .	2,690	5,380	2,690
Total taxes—local . . . . .	<u>730,866</u>	<u>758,351</u>	<u>27,485</u>
Licenses and permits:			
General government . . . . .	3,529	3,758	229
Public safety and regulation . . . . .	15,722	14,077	(1,645)
Conservation of health . . . . .	1,995	1,712	(283)
Highways . . . . .	1,702	1,800	98
Total licenses and permits . . . . .	<u>22,948</u>	<u>21,347</u>	<u>(1,601)</u>
Fines and forfeitures:			
General government . . . . .	2,082	1,108	(974)
Library . . . . .	220	190	(30)
Total fines and forfeitures . . . . .	<u>2,302</u>	<u>1,298</u>	<u>(1,004)</u>
Interest, rentals and other investment income . . . . .	34,118	36,637	2,519
Federal grants:			
Public safety and regulation . . . . .	75	68	(7)
State grants:			
General government . . . . .	63,915	63,765	(150)
Public safety and regulation . . . . .	316	318	2
Health . . . . .	10,738	10,337	(401)
Library . . . . .	5,068	4,244	(824)
Recreation and culture . . . . .	140	156	16
Total State grants . . . . .	<u>80,177</u>	<u>78,820</u>	<u>(1,357)</u>
Other grants:			
Library . . . . .	159	159	
Charges for current services:			
General government . . . . .	12,395	11,999	(396)
Public safety and regulation . . . . .	6,074	6,594	520
Fire . . . . .	13	16	3
Conservation of health . . . . .	167	185	18
Social services . . . . .	840	768	(72)
Library . . . . .	72	65	(7)
Recreation and culture . . . . .	699	844	145
Highways, sanitation and waste removal . . . . .	14,673	14,110	(563)
Total charges for current services . . . . .	<u>34,933</u>	<u>34,581</u>	<u>(352)</u>
Miscellaneous . . . . .	1,425	3,233	1,808
Total revenues . . . . .	<u>\$907,003</u>	<u>\$934,494</u>	<u>\$27,491</u>

(Continued)



**CITY OF BALTIMORE**  
**Schedule of Revenues, Expenditures and Encumbrances**  
**and Changes in Fund Balance — Budget and Actual (Budgetary Basis), Continued**  
**General Fund**  
**for the year ended June 30, 2001**  
(Expressed in Thousands)

	Revised Budget	Actual	Variance Favorable (Unfavorable)
Expenditures and encumbrances by agency:			
Community Relations Commission . . . . .	\$ 900	\$ 900	
Department of Comptroller . . . . .	4,311	4,308	\$ 3
City Council . . . . .	3,462	3,458	4
Office of Financial Review . . . . .	578	578	
Courts . . . . .	8,580	8,567	13
Supervisors of Elections . . . . .	2,629	2,626	3
Department of Finance . . . . .	13,296	13,292	4
Department of Fire . . . . .	97,570	97,566	4
Department of Health . . . . .	19,599	19,572	27
Department of Housing and Community Development . . . . .	15,551	15,551	
Department of Law . . . . .	4,089	4,069	20
Department of Legislative Reference . . . . .	723	723	
Enoch Pratt Free Library . . . . .	18,830	18,795	35
Board of Liquor License Commissioners . . . . .	1,456	1,456	
Mayoralty and Related Functions . . . . .	149,547	149,507	40
Office of Occupational Medicine and Safety . . . . .	536	536	
Department of Human Resources . . . . .	1,955	1,955	
Department of Planning . . . . .	1,134	1,121	13
Department of Police . . . . .	222,250	222,250	
Department of Public Works . . . . .	65,918	65,910	8
Department of Recreation and Parks . . . . .	16,154	16,154	
Office of Sheriff . . . . .	7,356	7,314	42
Office of State's Attorney . . . . .	16,558	16,525	33
Wage Commission . . . . .	500	457	43
Department of Municipal and Zoning Appeals . . . . .	335	332	3
Total expenditures and encumbrances . . . . .	673,817	673,522	295
Excess of revenues over expenditures and encumbrances . . . . .	233,186	260,972	27,786
Other financing sources (uses):			
Operating transfers in . . . . .	29,887	30,295	408
Operating transfers out . . . . .	(58,662)	(58,658)	4
Operating transfers to component unit . . . . .	(200,774)	(200,774)	
Net other financing uses . . . . .	(229,549)	(229,137)	412
Excess of revenues over expenditures and encumbrances and net other financing uses . . . . .	3,637	31,835	28,198
Fund balance, July 1, 2000 (budgetary basis), as restated . . . . .	51,889	51,889	
Fund balance, June 30, 2001 (budgetary basis) . . . . .	\$ 55,526	\$ 83,724	\$28,198

This schedule does not include a non-budgetary revenue and expense item in the amount which was paid by the State of Maryland to the Maryland State Retirement System on behalf of the City of Baltimore for employees of the Enoch Pratt Free Library.

**CITY OF BALTIMORE**  
**Combining Balance Sheet**  
**Special Revenue Funds**  
**June 30, 2001**

(Expressed in Thousands)

	Grants Revenue	Motor Vehicle	Community Development Block Grants	Special Racetrack	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 75	\$ 538			\$ 613
Investments		10,213			10,213
Other accounts receivable, net	3,231	219			3,450
Due from Federal government	27,591		\$ 5,556		33,147
Due from State of Maryland	9,660	19,154		\$396	29,210
Due from other grantors	7,926				7,926
Due from component unit	4,453				4,453
Inventories of supplies and materials		1,645			1,645
Notes and mortgages receivable, net			2,971		2,971
Other assets		122			122
Total assets	<u>\$ 52,936</u>	<u>\$31,891</u>	<u>\$ 8,527</u>	<u>\$396</u>	<u>\$ 93,750</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ 17,456	\$ 3,613	\$ 596	\$ 11	\$ 21,676
Due to other funds	34,376	108	6,337	216	41,037
Deferred revenue	41,248	219	5,926		47,393
Total liabilities	<u>93,080</u>	<u>3,940</u>	<u>12,859</u>	<u>227</u>	<u>110,106</u>
<b>Fund balances:</b>					
<b>Reserved for:</b>					
Encumbrances		5,072			5,072
Inventories		1,645			1,645
Other assets		122			122
<b>Unreserved:</b>					
Designated for subsequent year's expenditures		8,000		169	8,169
Undesignated (deficit)	(40,144)	13,112	(4,332)		(31,364)
Total fund balances	<u>(40,144)</u>	<u>27,951</u>	<u>(4,332)</u>	<u>169</u>	<u>(16,356)</u>
Total liabilities and fund balances	<u>\$ 52,936</u>	<u>\$31,891</u>	<u>\$ 8,527</u>	<u>\$396</u>	<u>\$ 93,750</u>

**CITY OF BALTIMORE**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balances (GAAP Basis)**  
**Special Revenue Funds**  
**for the year ended June 30, 2001**

(Expressed in Thousands)

	Grants Revenue	Motor Vehicle	Community Development Block Grants	Special Racetrack	Total
<b>Revenues:</b>					
State shared revenue . . . . .		\$ 173,550		\$ 584	\$174,134
Licenses and permits . . . . .		537			537
Fines and forfeitures . . . . .		5,906			5,906
Interest and other investment income . . . . .		4,531			4,531
Federal grants . . . . .	\$197,262		\$ 36,347		233,609
State grants . . . . .	64,897				64,897
Other grants . . . . .	35,741				35,741
Charges for current services . . . . .		2,700			2,700
Miscellaneous . . . . .		891			891
<b>Total revenues . . . . .</b>	<b>297,900</b>	<b>188,115</b>	<b>36,347</b>	<b>584</b>	<b>522,946</b>
<b>Expenditures:</b>					
General government . . . . .	55,049	10,790	4,092	20	69,951
Public safety and regulation . . . . .	26,106	34,438	1,065	40	61,649
Conservation of health . . . . .	128,996		97		129,093
Social services . . . . .	23,161				23,161
Public library . . . . .	6,642				6,642
Recreation and culture . . . . .	5,504		293	16	5,813
Highways and streets . . . . .		80,553		10	80,563
Economic development . . . . .	30,507		14,215	68	44,850
<b>Total expenditures . . . . .</b>	<b>276,025</b>	<b>125,781</b>	<b>19,762</b>	<b>154</b>	<b>420,722</b>
<b>Excess of revenues over expenditures . . . . .</b>	<b>21,875</b>	<b>62,334</b>	<b>16,585</b>	<b>430</b>	<b>101,224</b>
<b>Other financing uses:</b>					
Operating transfers out . . . . .		(41,943)	(16,625)	(652)	(59,220)
Operating transfers to component unit . . . . .		(3,654)			(3,654)
<b>Total other financing uses . . . . .</b>		<b>(45,597)</b>	<b>(16,625)</b>	<b>(652)</b>	<b>(62,874)</b>
<b>Excess (deficiency) of revenues over expenditures and other     financing uses . . . . .</b>	<b>21,875</b>	<b>16,737</b>	<b>(40)</b>	<b>(222)</b>	<b>38,350</b>
Fund balances, July 1, 2000, as restated . . . . .	(62,019)	11,214	(4,292)	391	(54,700)
<b>Fund balances, June 30, 2001 . . . . .</b>	<b>\$ (40,144)</b>	<b>\$ 27,951</b>	<b>\$ (4,332)</b>	<b>\$ 169</b>	<b>\$ (16,350)</b>

**CITY OF BALTIMORE**  
**Schedule of Revenues, Expenditures and Encumbrances and Changes in**  
**Fund Balance — Budget and Actual (Budgetary Basis)**  
**Motor Vehicle Fund**  
**for the year ended June 30, 2001**  
(Expressed in Thousands)

	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
State shared:			
State highway user revenue .....	\$163,000	\$174,357	\$11,357
Overhead reimbursement .....	(1,100)	(807)	293
Total State shared revenues .....	161,900	173,550	11,650
Licenses and permits .....	180	537	357
Fines and forfeitures .....	5,673	5,906	233
Interest and other investment income .....	3,017	4,531	1,514
Charges for current services:			
Department of Public Works:			
Impounding cars .....	1,650	1,910	260
Highways .....	600	790	190
Total charges for current services .....	2,250	2,700	450
Miscellaneous .....	7	891	884
Total revenues .....	173,027	188,115	15,088
Expenditures and encumbrances:			
Department of Recreation and Parks .....	2,253	2,253	
Department of Planning .....	784	784	
Department of Police .....	9,892	9,891	1
Department of Public Works .....	108,250	108,250	
Mayoralty .....	6,808	6,808	
Total expenditures and encumbrances .....	127,987	127,986	1
Excess of revenues over expenditures and encumbrances .....	45,040	60,129	15,089
Other financing uses:			
Operating transfers out .....	(41,945)	(41,943)	2
Operating transfers to component unit .....	(3,654)	(3,654)	
Total other financing uses .....	(45,599)	(45,597)	2
Excess (deficiency) of revenues over expenditures and encumbrances and other financing uses .....	(559)	14,532	15,091
Fund balance, July 1, 2000 (budgetary basis) .....	8,803	8,803	
Fund balance, June 30, 2001 (budgetary basis) .....	\$ 8,244	\$ 23,335	\$15,091

**CITY OF BALTIMORE**  
**Schedule of Revenues, Expenditures and Encumbrances and Changes in**  
**Fund Balance — Budget and Actual (Budgetary Basis)**  
**Special Racetrack Fund**  
**for the year ended June 30, 2001**  
(Expressed in Thousands)

	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
State-shared:			
Racetrack fees .....	\$ 392	\$ 584	\$192
Total revenues .....	392	584	192
Expenditures and encumbrances:			
Department of Public Works .....	30	30	
Department of Recreation and Parks .....	16	16	
Department of Housing and Community Development .....	68	68	
Department of Police .....	23	23	
Department of Transportation .....	17	17	
Total expenditures and encumbrances .....	154	154	
Excess of revenues over expenditures and encumbrances .....	238	430	192
Other financing uses:			
Operating transfers out .....	(652)	(652)	
Deficiency of revenues over expenditures and encumbrances and other financing uses .....	(414)	(222)	192
Fund balance, July 1, 2000 (budgetary basis) .....	387	387	
Fund balance, June 30, 2001 (budgetary basis) .....	\$ (27)	\$ 165	\$192

**CITY OF BALTIMORE**  
**Combining Balance Sheet**  
**Enterprise Funds**  
**June 30, 2001**

(Expressed in Thousands)

	Water Utility	Waste Water Utility	Parking Facilities	Loan and Guarantee Program	Industrial Development Authority	Total
<b>ASSETS</b>						
Cash and cash equivalents . . . . .	\$ 9,354	\$ 24,516	\$ 11,963	\$16,997	\$59,883	\$ 122,713
Investments . . . . .				439		439
Accounts receivable, net						
Utility services . . . . .	13,411	9,102	240			22,753
Other . . . . .					390	390
Unbilled accounts receivable . . . . .	18,684	16,358		168		35,210
Inventories . . . . .	4,008	102				4,110
Notes and mortgages receivable, net . . . . .			44,545	3,311		47,856
Restricted assets: cash, investments, loans and accounts receivable:						
Future capital expenditures . . . . .	35,172	43,394	7,222			85,788
Revenue bond and note debt service account . . . . .	23,436	15,837	12,448			51,721
Revenue bond and note contingency account . . . . .	2,439	3,280	1,016			6,735
Property, plant and equipment, net . . . . .	440,371	884,194	78,815			1,403,380
Issuance costs . . . . .	4,326	3,107	2,034		517	9,984
Total assets . . . . .	<u>\$551,201</u>	<u>\$999,890</u>	<u>\$158,283</u>	<u>\$20,915</u>	<u>\$60,790</u>	<u>\$1,791,079</u>
<b>LIABILITIES AND EQUITY</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities . . . . .	\$ 1,853	\$ 4,844	\$ 314	\$ 2	\$ 26	\$ 7,039
Accrued interest payable . . . . .	4,746	4,534	3,449		215	12,944
Deposits subject to refund . . . . .	13					13
Due to other funds . . . . .	1,777	6,378	18,757	1,803	33,008	61,723
Due to other governments . . . . .	1,852					1,852
Accounts payable from restricted assets . . . . .	5,287	7,414	143			12,844
Notes payable . . . . .				178		178
Revenue bonds payable, net . . . . .	216,247	191,554	115,593		13,278	536,672
Other liabilities . . . . .	3,760	4,934		5,611		14,305
General long-term debt payable . . . . .	1,693	2,921				4,614
Total liabilities . . . . .	<u>237,228</u>	<u>222,579</u>	<u>138,256</u>	<u>7,594</u>	<u>46,527</u>	<u>652,184</u>
<b>Equity:</b>						
Contributed capital . . . . .	209,793	694,664	592	49,603		954,652
Retained earnings:						
Reserved for:						
Revenue bond retirements . . . . .	25,875	19,117	13,464			58,456
Unreserved (deficit) . . . . .	78,305	63,530	5,971	(36,282)	14,263	125,787
Total equity . . . . .	<u>313,973</u>	<u>777,311</u>	<u>20,027</u>	<u>13,321</u>	<u>14,263</u>	<u>1,138,895</u>
Total liabilities and equity . . . . .	<u>\$551,201</u>	<u>\$999,890</u>	<u>\$158,283</u>	<u>\$20,915</u>	<u>\$60,790</u>	<u>\$1,791,079</u>

**CITY OF BALTIMORE**  
**Combining Statement of Revenues, Expenses and Changes in Equity**  
**Enterprise Funds**  
**for the year ended June 30, 2001**

(Expressed in Thousands)

	Water Utility	Waste Water Utility	Parking Facilities	Loan and Guarantee Program	Industrial Development Authority	Total
Operating revenues:						
Water and sewer service	\$ 83,961	\$114,945				\$ 198,906
Rents, fees and other income			\$ 46,176	\$ 313	\$1,653	48,142
Interest and investment income				1,143	3,695	4,838
<b>Total operating revenues</b>	<b>83,961</b>	<b>114,945</b>	<b>46,176</b>	<b>1,456</b>	<b>5,348</b>	<b>251,886</b>
Operating expenses:						
Salaries and wages	24,405	29,790		108		54,303
Other personnel costs	8,891	10,954		30		19,875
Contractual services	18,800	42,087	4,963	250		66,100
Materials and supplies	6,258	7,511				13,769
Minor equipment	1,166	1,075				2,241
General government overhead	3,537	5,467				9,004
Bad debts	1,299	2,228				3,527
Depreciation	7,215	11,540	1,069			19,824
Program expenses				2,682	408	3,090
Amortization of bond issuance costs	184	92	107		35	418
Interest					3,671	3,671
<b>Total operating expenses</b>	<b>71,755</b>	<b>110,744</b>	<b>6,139</b>	<b>3,070</b>	<b>4,114</b>	<b>195,822</b>
<b>Operating income (loss)</b>	<b>12,206</b>	<b>4,201</b>	<b>40,037</b>	<b>(1,614)</b>	<b>1,234</b>	<b>56,064</b>
Nonoperating revenues (expenses):						
Gain on sale of investments	59		9			68
Interest income (expense)	(1,207)	6	(6,513)			(7,714)
<b>Net nonoperating revenues (expenses)</b>	<b>(1,148)</b>	<b>6</b>	<b>(6,504)</b>			<b>(7,646)</b>
<b>Income (loss) before operating transfers</b>	<b>11,058</b>	<b>4,207</b>	<b>33,533</b>	<b>(1,614)</b>	<b>1,234</b>	<b>48,418</b>
<b>Operating transfers out</b>			<b>(30,295)</b>			<b>(30,295)</b>
<b>Net income (loss)</b>	<b>11,058</b>	<b>4,207</b>	<b>3,238</b>	<b>(1,614)</b>	<b>1,234</b>	<b>18,123</b>
Add depreciation on fixed assets acquired by contributed capital						
	1,565	6,370				7,935
<b>Increase (decrease) in retained earnings</b>	<b>12,623</b>	<b>10,577</b>	<b>3,238</b>	<b>(1,614)</b>	<b>1,234</b>	<b>26,058</b>
<b>Retained earnings (deficit) — July 1, 2000</b>	<b>91,557</b>	<b>72,070</b>	<b>16,197</b>	<b>(34,668)</b>	<b>13,029</b>	<b>158,185</b>
<b>Retained earnings (deficit) — June 30, 2001</b>	<b>104,180</b>	<b>82,647</b>	<b>19,435</b>	<b>(36,282)</b>	<b>14,263</b>	<b>184,243</b>
Contributed capital — July 1, 2000						
	196,832	677,259	592	50,056		924,739
Additions, net	14,526	23,775		(453)		37,848
Less depreciation on fixed assets acquired by contributed capital	(1,565)	(6,370)				(7,935)
<b>Contributed capital — June 30, 2001</b>	<b>209,793</b>	<b>694,664</b>	<b>592</b>	<b>49,603</b>		<b>954,652</b>
<b>Total equity — June 30, 2001</b>	<b>\$313,973</b>	<b>\$777,311</b>	<b>\$ 20,027</b>	<b>\$ 13,321</b>	<b>\$14,263</b>	<b>\$1,138,895</b>

**CITY OF BALTIMORE**  
**Combining Statement of Cash Flows**  
**Enterprise Funds**  
**for the year ended June 30, 2001**

(Expressed in Thousands)

	Water Utility	Waste Water Utility	Parking Facilities	Loan and Guarantee Program	Industrial Development Authority	Total
Cash flows from operating activities:						
Net operating income (loss) . . . . .	\$ 12,206	\$ 4,201	\$ 40,037	\$ (1,614)	\$ 1,234	\$ 56,064
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:						
Depreciation . . . . .	7,215	11,540	1,069			19,824
Amortization of bond issuance costs . . . . .	184	92	107		35	418
(Increase) decrease in accounts receivable . . . . .	(3,331)	2,832	988	(1)	317	805
(Increase) decrease in inventories . . . . .	674	(3)				671
Decrease in other assets . . . . .				247		247
Increase (decrease) in accounts payable and accrued liabilities . . . . .	(642)	1,590	(68)	2	8	890
Increase in other liabilities . . . . .	387	650		1,594		2,631
(Decrease) in deferred revenue . . . . .				(20)		(20)
Amortization of early extinguishment of debt . . . . .	275	284				559
(Decrease) in deposits subject to refund . . . . .	(1)					(1)
Increase (decrease) in accrued interest payable . . . . .	340	1,271	(79)	(82)	(181)	1,269
(Decrease) in notes payable . . . . .				(50)		(50)
(Decrease) in due to other governments . . . . .	(305)					(305)
Increase in due to other funds . . . . .	829	4,535	7,333		27,584	40,281
Net cash provided by operating activities . . . . .	17,831	26,992	49,387	76	28,997	123,283
Cash flows from noncapital financing activities:						
Operating transfers out . . . . .			(30,295)			(30,295)
Cash flows from capital and related financing activities:						
Proceeds from sale of bonds, net . . . . .	14,886	25,550				40,436
Acquisition and construction of capital assets . . . . .	(41,293)	(52,470)	(8,637)			(102,400)
Mortgage receivable principal repayments . . . . .			1,575			1,575
Decrease in notes receivable . . . . .				444		444
Changes in restricted assets . . . . .	564	(12,202)				(11,638)
Changes in restricted accounts payable . . . . .	(389)	(982)	144			(1,227)
Principal paid on revenue bonds . . . . .	(3,198)	(3,968)	(3,360)		(41,331)	(51,857)
Principal paid on bonds . . . . .	(349)	(240)				(589)
Interest paid . . . . .	(4,460)	(2,750)	(5,707)			(12,917)
Capital contributions . . . . .	14,526	23,775		(453)		37,848
Net cash (used) by capital and related financing activities . . . . .	(19,713)	(23,287)	(15,985)	(9)	(41,331)	(100,325)
Cash flows from investing activities:						
Purchase of Investments . . . . .	84					84
Interest on investments . . . . .	3,244	2,756	9	(42)		5,967
Net cash provided (used) from investment activities . . . . .	3,328	2,756	9	(42)		6,051
Net increase (decrease) in cash and cash equivalents . . . . .	1,446	6,461	3,116	25	(12,334)	(1,286)
Cash and cash equivalents, July 1, 2000 . . . . .	17,145	24,026	25,150	16,972	72,217	155,510
Cash and cash equivalents, June 30, 2001 . . . . .	\$ 18,591	\$ 30,487	\$ 28,266	\$ 16,997	\$ 59,883	\$ 154,224



**CITY OF BALTIMORE**  
**Combining Balance Sheet**  
**Internal Service Funds**  
**June 30, 2001**

(Expressed in Thousands)

	Mobile Equipment	Reproduction and Printing	Municipal Post Office	Municipal Telephone Exchange	Electronic Equipment Maintenance	Risk Management	Total
<b>ASSETS</b>							
Cash and cash equivalents . . . . .	\$27,146		\$ 27	\$ 5,052	\$ 1,462	\$ 56,284	\$ 89,971
Investments . . . . .						11,880	11,880
Accounts receivable, net:							
Other . . . . .	515	\$ 347		1	2	2,942	3,807
Due from component unit . . . . .						3,435	3,435
Inventories . . . . .	950	212	20		118		1,300
Property, plant and equipment, net . . . . .	46,340	112	15	35		528	47,030
Other . . . . .						242	242
<b>Total assets . . . . .</b>	<b>\$74,951</b>	<b>\$ 671</b>	<b>\$ 62</b>	<b>\$ 5,088</b>	<b>\$ 1,582</b>	<b>\$ 75,311</b>	<b>\$157,665</b>
<b>LIABILITIES AND EQUITY</b>							
<b>Liabilities:</b>							
Accounts payable and accrued liabilities . . . . .	\$ 4,029	\$ 202	\$ 21	\$ 2,877	\$ 5	\$ 1,272	\$ 8,406
Due to other funds . . . . .	323	279				99	701
Estimated liability for claims in progress . . . . .						106,337	106,337
Other liabilities . . . . .	2,336	138	52	41	18	453	3,038
<b>Total liabilities . . . . .</b>	<b>6,688</b>	<b>619</b>	<b>73</b>	<b>2,918</b>	<b>23</b>	<b>108,161</b>	<b>118,482</b>
<b>Equity:</b>							
Contributed capital . . . . .	65,654	147	37	32			65,870
Retained earnings:							
Unreserved (deficit) . . . . .	2,609	(95)	(48)	2,138	1,559	(32,850)	(26,687)
<b>Total equity (deficit) . . . . .</b>	<b>68,263</b>	<b>52</b>	<b>(11)</b>	<b>2,170</b>	<b>1,559</b>	<b>(32,850)</b>	<b>39,183</b>
<b>Total liabilities and equity . . . . .</b>	<b>\$74,951</b>	<b>\$ 671</b>	<b>\$ 62</b>	<b>\$ 5,088</b>	<b>\$ 1,582</b>	<b>\$ 75,311</b>	<b>\$ 157,665</b>

**CITY OF BALTIMORE**  
**Combining Statement of Revenues, Expenses and Changes in Equity**  
**Internal Service Funds**  
**for the year ended June 30, 2001**

(Expressed in Thousands)

	Mobile Equipment	Reproduction and Printing	Municipal Post Office	Municipal Telephone Exchange	Electronic Equipment Maintenance	Risk Management	Total
Operating revenues:							
Charges for services . . . . .	\$ 35,828	\$2,633	\$1,356	\$12,310	\$ 457	\$241,554	\$294,138
Operating expenses:							
Salaries and wages . . . . .	9,159	932	271	546	198	2,808	13,914
Other personnel costs . . . . .	3,193	301	108	176	62	764	4,604
Contractual services . . . . .	7,938	657	50	9,041	160	5,186	23,032
Materials and supplies . . . . .	9,391	656	2	2	17	19	10,087
Minor equipment . . . . .	771	21	30	20		59	901
Claims paid and incurred . . . . .						234,982	234,982
Postage and delivery service . . . . .			924				924
Depreciation . . . . .	8,221	49	6	22		121	8,419
Total operating expenses . . . . .	38,673	2,616	1,391	9,807	437	243,939	296,863
Operating income (loss) . . . . .	(2,845)	17	(35)	2,503	20	(2,385)	(2,725)
Nonoperating revenues (expenses):							
Investment income . . . . .						3,874	3,874
Loss on sale of property . . . . .	(1,021)						(1,021)
Total nonoperating revenues (expenses) . . . . .	(1,021)					3,874	2,853
Net income (loss) . . . . .	(3,866)	17	(35)	2,503	20	1,489	128
Retained earnings (deficit) –							
July 1, 2000 . . . . .	6,475	(112)	(13)	(365)	1,539	(34,339)	(26,815)
Retained earnings (deficit) –							
June 30, 2001 . . . . .	2,609	(95)	(48)	2,138	1,559	(32,850)	(26,687)
Contributed capital –							
July 1, 2000 . . . . .	60,872	147	37	32			61,088
Additions, net . . . . .	4,782						4,782
Contributed capital –							
June 30, 2001 . . . . .	65,654	147	37	32			65,870
Total equity (deficit) –							
June 30, 2001 . . . . .	\$ 68,263	\$ 52	\$ (11)	\$ 2,170	\$1,559	\$(32,850)	\$ 39,183

**CITY OF BALTIMORE**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**for the year ended June 30, 2001**

(Expressed in Thousands)

	Mobile Equipment	Reproduction and Printing	Municipal Post Office	Municipal Telephone Exchange	Electronic Equipment Maintenance	Risk Management	Total
Cash flows from operating activities:							
Net operating income (loss) . . . . .	\$ (2,845)	\$ 17	\$(35)	\$2,503	\$ 20	\$(2,385)	\$(2,725)
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:							
Depreciation . . . . .	8,221	49	6	22		121	8,419
(Increase) decrease in accounts receivable . . . . .	(241)	(305)		(1)	7	(1,293)	(1,833)
(Increase) in due from component units . . . . .						(3,435)	(3,435)
(Increase) decrease in inventories . . . . .	(71)	5	(9)		(1)		(76)
Write off of equipment . . . . .	(1,021)						(1,021)
Decrease in due from other funds . . . . .				1,052			1,052
Decrease in other assets . . . . .						35	35
Increase (decrease) in accounts payable and accrued liabilities . . . . .	(87)	62	(1)	1,484	(2)	118	1,574
Increase in due to other funds . . . . .	323	185				99	607
Increase in estimated liability for claims in progress . . . . .						3,965	3,965
Increase (decrease) in other liabilities . . . . .	371	(5)	1	(7)	3	48	411
Net cash provided (used) by operating activities . . . . .	4,650	8	(38)	5,053	27	(2,727)	6,973
Cash flows from capital and related financing activities:							
Acquisition and construction of capital assets . . . . .	(12,091)	(8)		(1)			(12,100)
Capital contributions . . . . .	4,782						4,782
Net cash used by capital and related financing activities . . . . .	(7,309)	(8)		(1)			(7,318)
Cash flows from investing activities:							
Proceeds from sale and maturities of investments . . . . .						16	16
Purchase of investment securities . . . . .						(1,633)	(1,633)
Interest on investments . . . . .						3,874	3,874
Net cash provided by investing activities . . . . .						2,257	2,257
Net increase (decrease) in cash and cash equivalents . . . . .	(2,659)		(38)	5,052	27	(470)	1,912
Cash and cash equivalents, July 1, 2000 . . . . .	29,805		65		1,435	56,754	88,059
Cash and cash equivalents, June 30, 2001 . . . . .	\$ 27,146		\$ 27	\$5,052	\$1,462	\$56,284	\$89,971

**CITY OF BALTIMORE**

**Combining Balance Sheet**

**Trust and Agency Funds**

**June 30, 2001**

(Expressed in Thousands)

	Expendable Trust Fund	Nonexpendable Trust Funds			Agency Funds						Total
		Scholarship	Enoch Pratt Free Library	Memorials	Pension Trust Funds	Unpresented Stock and Coupon Bonds	Property Sold for Taxes	Bid Deposit Refunds	Waxter Center Accessary	Waterloo Summit	
<b>ASSETS</b>											
Cash and cash equivalents . . . . .	\$ 6,770	\$ 123	\$1,483	\$ 106,783	\$55	\$448	\$29	\$13		\$1,529	\$ 117,233
Investments . . . . .	3,463	1,737	2,641	3,698,985					\$58		3,706,884
Other assets, principally accrued interest receivable . . . . .	11	16	20	40,796							40,843
<b>Total assets . . . . .</b>	<b>\$10,244</b>	<b>\$1,876</b>	<b>\$4,144</b>	<b>\$3,846,564</b>	<b>\$55</b>	<b>\$448</b>	<b>\$29</b>	<b>\$13</b>	<b>\$58</b>	<b>\$1,529</b>	<b>\$3,864,960</b>
<b>LIABILITIES AND FUND BALANCE</b>											
Liabilities:											
Accounts payable and accrued liabilities . . . . .				\$ 64,353	\$55	\$448	\$29	\$13	\$58	\$1,529	\$ 66,485
Obligations under securities lending program . . . . .				418,139							418,139
Pension benefits payable . . . . .				2,780							2,780
<b>Total liabilities . . . . .</b>				<b>485,272</b>	<b>55</b>	<b>448</b>	<b>29</b>	<b>13</b>	<b>58</b>	<b>1,529</b>	<b>487,404</b>
Fund balance:											
Reserved for:											
Pension benefits . . . . .				3,361,292							3,361,292
Library services . . . . .		\$1,876									1,876
Scholarships and memorials . . . . .	\$10,244		\$4,144								14,388
<b>Total fund balance . . . . .</b>	<b>10,244</b>	<b>1,876</b>	<b>4,144</b>	<b>3,361,292</b>							<b>3,377,556</b>
<b>Total liabilities and fund balance . . . . .</b>	<b>\$10,244</b>	<b>\$1,876</b>	<b>\$4,144</b>	<b>\$3,846,564</b>	<b>\$55</b>	<b>\$448</b>	<b>\$29</b>	<b>\$13</b>	<b>\$58</b>	<b>\$1,529</b>	<b>\$3,864,960</b>

**CITY OF BALTIMORE**  
**Combining Statement of Plan Net Assets**  
**Pension Trust Funds**  
**June 30, 2001**

(Expressed in Thousands)

	Employees' Retirement System	Elected Officials' Retirement System	Fire and Police Employees' Retirement System	Total
<b>ASSETS</b>				
Cash and cash equivalents . . . . .	\$ 53,846	\$ 18	\$ 52,919	\$ 106,783
Investments . . . . .	1,486,245	13,521	2,199,219	3,698,985
Other assets, principally accrued interest receivable . . . . .	23,815	2	16,979	40,796
Total assets . . . . .	1,563,906	13,541	2,269,117	3,846,564
<b>LIABILITIES</b>				
Obligations under securities lending program . . . . .	204,357		213,782	418,139
Accounts payable . . . . .	50,716	12	13,625	64,353
Pension benefits payable . . . . .	1,266	6	1,508	2,780
Total liabilities . . . . .	256,339	18	228,915	485,272
Net assets held in trust for pension benefits, June 30, 2001 . . . . .	\$1,307,567	\$13,523	\$2,040,202	\$3,361,292

**CITY OF BALTIMORE**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Expendable Trust Fund**  
**for the year ended June 30, 2001**

(Expressed in Thousands)

	Scholarship
<b>Revenues:</b>	
Interest and other investment income . . . . .	\$ 670
Contributions . . . . .	4,250
Total revenues . . . . .	4,920
<b>Expenditures:</b>	
Education . . . . .	241
Excess of revenues over expenditures . . . . .	4,679
Fund balance, July 1, 2000 . . . . .	5,565
Fund balance, June 30, 2001 . . . . .	\$ 10,244

**CITY OF BALTIMORE**  
**Combining Statement of Revenues, Expenses and Changes in Fund Balance**  
**Nonexpendable Trust Funds**  
**for the year ended June 30, 2001**  
(Expressed in Thousands)

	Enoch Pratt Free Library	Memorials	Total
<b>Revenues:</b>			
Interest and other investment income .....	\$ 447	\$1,253	\$1,700
Total revenues .....	447	1,253	1,700
<b>Expenses:</b>			
Claims, awards and benefits .....	159	55	214
Net gain .....	288	1,198	1,486
Fund balance, July 1, 2000 .....	1,588	2,946	4,534
Fund balance, June 30, 2001 .....	\$1,876	\$4,144	\$6,020

**CITY OF BALTIMORE**  
**Combining Statement of Cash Flows**  
**Nonexpendable Trust Funds**  
**for the year ended June 30, 2001**  
(Expressed in Thousands)

	Enoch Pratt Free Library	Memorials	Total
<b>Cash flows from operating activities:</b>			
Net gain .....	\$ 288	\$ 1,198	\$ 1,486
<b>Adjustments to reconcile net loss to net cash used by operating activities:</b>			
Decrease in other assets .....	11	5	16
Net cash provided by operating activities .....	299	1,203	1,502
<b>Cash flows from investing activities:</b>			
Purchase of investments .....	(191)	(1,127)	(1,318)
Net cash used by investing activities .....	(191)	(1,127)	(1,318)
Net increase in cash and cash equivalents .....	108	76	184
Cash and cash equivalents, July 1, 2000 .....	15	1,407	1,422
Cash and cash equivalents, June 30, 2001 .....	\$ 123	\$ 1,483	\$ 1,606

**CITY OF BALTIMORE**  
**Combining Statement of Changes in Plan Net Assets**  
**Pension Trust Funds**  
**for the year ended June 30, 2001**  
(Expressed in Thousands)

	Employees' Retirement System	Elected Officials' Retirement System	Fire and Police Employees' Retirement System	Total
<b>Additions:</b>				
Contributions:				
Employer .....	\$ 16,592		\$ 217	\$ 16,809
Employee .....	381	\$ 58	11,527	11,966
Investment income:				
Net decline in fair market value of investments .....	(58,275)	(1,119)	(151,291)	(210,685)
Securities lending income .....	828		904	1,732
Interest and dividend income .....	53,592	563	65,965	120,120
Investment expense .....	(4,064)	(19)	(6,306)	(10,389)
Total additions .....	9,054	(517)	(78,984)	(70,447)
<b>Deductions:</b>				
Retirement allowances .....	77,269	486	126,965	204,720
Death benefits .....	1,887		532	2,419
Administrative expense .....	1,514	27	1,285	2,826
Other .....	217		804	1,021
Total deductions .....	80,887	513	129,586	210,986
Net (decrease) .....	(71,833)	(1,030)	(208,570)	(281,433)
<b>Net assets held in trust for pension benefits:</b>				
July 1, 2000 .....	1,379,400	14,553	2,248,772	3,642,725
June 30, 2001 .....	\$1,307,567	\$ 13,523	\$2,040,202	\$3,361,292

**CITY OF BALTIMORE**  
**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
**for the year ended June 30, 2001**  
(Expressed in Thousands)

	Balance July 1, 2000	Additions	Deductions	Balance June 30, 2001
<b>Unpresented Stock and Coupon Bonds</b>				
<b>Assets:</b>				
Cash .....	\$ 55			\$ 55
Total assets .....	55			55
<b>Liabilities:</b>				
Accounts payable and accrued liabilities .....	43			43
Other .....	12			12
Total liabilities .....	55			55
<b>Property Sold for Taxes</b>				
<b>Assets:</b>				
Cash .....	459	\$ 39	\$ 50	448
Total assets .....	459	39	50	448
<b>Liabilities:</b>				
Other .....	459	39	50	448
Total liabilities .....	459	39	50	448
<b>Bid Deposit Refunds</b>				
<b>Assets:</b>				
Cash .....	48	41	60	29
Total assets .....	48	41	60	29
<b>Liabilities:</b>				
Other .....	48	41	60	29
Total liabilities .....	48	41	60	29
<b>Waxter Center Accessary</b>				
<b>Assets:</b>				
Cash .....	13			13
Total assets .....	13			13
<b>Liabilities:</b>				
Other .....	13			13
Total liabilities .....	13			13
<b>Waterloo Summit</b>				
<b>Assets:</b>				
Investments .....	58	11	11	58
Total assets .....	58	11	11	58
<b>Liabilities:</b>				
Other .....	58	11	11	58
Total liabilities .....	58	11	11	58
<b>Recreation Accessary</b>				
<b>Assets:</b>				
Cash .....	1,315	1,621	1,407	1,529
Total assets .....	1,315	1,621	1,407	1,529
<b>Liabilities:</b>				
Other .....	1,315	1,621	1,407	1,529
Total liabilities .....	1,315	1,621	1,407	1,529
<b>Total-All Agency Funds</b>				
<b>Assets:</b>				
Cash .....	1,890	1,701	1,517	2,074
Investments .....	58	11	11	58
Total assets .....	1,948	1,712	1,528	2,132
<b>Liabilities:</b>				
Accounts payable and accrued liabilities .....	43			43
Other .....	1,905	1,712	1,528	2,089
Total liabilities .....	\$1,948	\$1,712	\$1,528	\$2,132



# Statistical Section

**CITY OF BALTIMORE**  
**General Governmental Revenues by Source (GAAP Basis)**

**Last Ten Fiscal Years (1)**

(Expressed in Thousands)

**Unaudited**

Fiscal Year	State Shared Revenue and Taxes	Licenses and Permits	Federal, State and Other Grants (2)	Charges for Services	Fines and Forfeitures	Interest, Rental and Other Investment Income	Miscellaneous	Total
1992	\$778,647	\$14,844	\$625,477	\$33,704	\$4,795	\$46,867	\$ 3,517	\$1,507,851
1993	806,534	15,149	653,700	39,170	5,463	42,527	5,177	1,567,720
1994	824,907	15,569	740,932	42,727	2,657	41,981	20,125	1,688,898
1995	828,484	17,575	787,550	33,661	2,225	51,692	7,496	1,728,683
1996	828,756	16,636	852,279	33,065	2,218	55,480	33,052	1,821,486
1997	855,103	17,744	919,106	32,915	2,287	47,410	8,179	1,882,744
1998	837,392	18,265	324,877	34,191	2,219	54,249	21,296	1,292,489
1999	858,748	18,187	345,718	35,615	3,136	56,745	28,240	1,346,389
2000	877,115	22,105	386,993	36,584	6,837	48,255	22,266	1,400,155
2001	932,485	21,884	428,225	37,281	7,204	49,490	11,529	1,488,098

Notes:

- (1) Includes General, Special Revenue, Debt Service and Capital Projects Funds.
- (2) Effective 7/1/97, State grants for the Baltimore City Public School System are shown as a discretely presented component unit.

**CITY OF BALTIMORE**  
**General Governmental Expenditures by Function (GAAP Basis)**

**Last Ten Fiscal Years (1)**

(Expressed in Thousands)

**Unaudited**

Fiscal Year	General Government	Public Safety	Corrections	Highways and Streets	Sanitation	Public Library	Conservation of Health	Social Services	Recreation and Culture	Economic Development	Education (2)	Public Service	Debt Service	Capital Expenditures	Total
1992	\$170,528	\$292,415	\$4,752	\$39,841	\$53,717	\$15,940	\$123,196	\$12,028	\$42,139	\$ 58,620	\$542,136	\$ 8,504	\$ 90,502	\$162,292	\$1,616,610
1993	168,313	299,704		43,927	54,378	16,416	134,655	13,536	38,448	76,270	560,578	8,979	102,615	105,189	1,623,008
1994	174,798	310,604		44,362	62,017	18,139	152,560	12,910	40,634	113,328	626,293	8,955	99,697	94,285	1,758,582
1995	178,597	320,873		43,888	60,681	18,701	173,231	14,628	41,907	105,681	637,729	8,377	129,341	124,682	1,858,316
1996	196,103	331,597		86,570	33,267	20,996	166,160	17,048	42,082	88,260	704,324	6,925	57,657	153,531	1,904,520
1997	197,620	319,234		79,504	31,839	21,770	180,654	19,026	41,138	74,817	744,639	9,049	44,486	162,534	1,926,310
1998	224,773	347,333		96,910	31,224	22,313	145,165	18,438	39,175	56,496	1,080	9,609	55,476	171,249	1,219,241
1999	239,389	346,758		84,361	31,040	24,173	143,482	18,737	27,267	88,221	776	9,798	57,936	162,408	1,234,346
2000	257,612	364,443		85,351	30,002	23,428	145,314	21,972	26,735	92,220	880	11,471	68,395	143,184	1,271,007
2001	274,515	393,964		83,911	33,751	26,163	153,448	23,915	30,498	90,060	1,308	12,039	72,111	102,676	1,298,359

Notes:

- (1) Includes General, Special Revenue, Debt Service and Capital Projects Funds.
- (2) Effective 7/1/97, education expenditures are reported as a discretely presented component unit.

**CITY OF BALTIMORE**  
**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**

(Dollars Expressed in Thousands)

**Unaudited**

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Current and Prior Years' Adjustments	Outstanding Delinquent Taxes (a)	Percent of Delinquent Taxes to Tax Levy
1992	\$477,796	\$461,228	96.5%	\$3,284	\$464,512	97.2%	\$(11,636)	\$17,349	3.6%
1993	486,949	469,004	96.3	6,622	475,626	97.7	(9,605)	19,067	3.9
1994	485,291	471,864	97.2	4,629	476,493	98.2	(13,942)	13,923	2.9
1995	481,529	469,075	97.4	3,336	472,411	98.1	(10,581)	12,460	2.6
1996	482,014	463,887	96.2	526	464,413	96.3	(11,861)	18,200	3.8
1997	483,009	466,782	96.6	7,043	473,825	98.1	(11,158)	16,226	3.4
1998	475,125	461,022	97.0	9,238	470,260	99.0	7,022	14,069	3.0
1999	483,042	467,651	96.8	9,606	477,257	98.8	4,489	15,365	3.2
2000	496,166	478,991	96.5	12,095	491,086	99.0	(6,879)	27,324	5.5
2001	505,064	486,170	96.3	17,167	503,337	99.7	1,818	27,233	5.4

Note:

- (a) Excludes State portion of delinquent property taxes, which at June 30, 2001 totaled \$430,000. This column is net of additions, abatements and provision for doubtful accounts.

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

(Dollars Expressed in Thousands)

**Unaudited**

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	
1992	\$6,743,056	\$16,304,564	\$1,375,767	\$1,375,767	\$8,118,823	\$17,680,331	45.9%
1993	6,909,633	16,688,960	1,375,816	1,375,816	8,285,449	18,064,776	45.9
1994	6,919,889	17,080,579	1,312,421	1,312,421	8,232,310	18,393,000	44.8
1995	6,878,428	16,941,298	1,361,857	1,361,857	8,240,285	18,303,155	45.0
1996	6,867,382	16,782,536	1,382,719	1,382,719	8,250,101	18,165,255	45.4
1997	6,864,457	16,695,103	1,416,870	1,416,870	8,281,327	18,111,973	45.7
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

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.

**CITY OF BALTIMORE**

**Property Tax Rates**

**Last Ten Fiscal Years (1)**

**Unaudited**

Fiscal Year	City Tax Rate	State Tax Rate(2)	Total(3)
1992	\$5.90	\$.21	\$6.11
1993	5.90	.21	6.11
1994	5.90	.21	6.11
1995	5.85	.21	6.06
1996	5.85	.21	6.06
1997	5.85	.21	6.06
1998	5.85	.21	6.06
1999	5.82	.21	6.03
2000	5.82	.21	6.03
2001	5.82	.21	6.03

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.

**CITY OF BALTIMORE**

**Ratio of Annual Debt Service Expenditures for  
General Bonded Debt to Total General Expenditures**

**Last Ten Fiscal Years (2)**

(Dollars Expressed in Thousands)

**Unaudited**

Fiscal Year	Principal	Interest	Total Debt Service	Total General Expenditures (1)	Ratio of Total Debt Service to Total General Expenditures (2)
1992	\$51,798(3)	\$29,575(4)	\$81,373	\$1,446,527	5.6%
1993	64,485(5)	29,166(6)	93,651	1,502,556	6.2
1994	59,334(7)	29,751(8)	89,085	1,618,273	5.5
1995	47,464(9)	27,807(10)	75,271	1,693,767	4.4
1996	24,019(11)	29,481(12)	53,500	1,725,382	3.1
1997	13,618(13)	26,997(14)	40,615	1,739,062	2.3
1998	19,376(15)	31,460(16)	50,836	1,031,090	4.9
1999	26,936(17)	28,478(18)	55,414	1,049,381	5.3
2000	35,401(19)	30,124(20)	65,525	1,092,664	6.0
2001	32,241(21)	27,556(22)	59,797	1,173,174	5.1

Notes:

- (1) Includes General, Special Revenue and Debt Service Funds.
- (2) The City has no legal debt margin, however, all bond issues must be approved by the State Legislature. The City has no overlapping debt.
- (3) Excludes \$6,616,000 in federal loans.
- (4) Excludes \$2,159,000 in federal loans.
- (5) Excludes \$7,010,000 in federal loans.
- (6) Excludes \$1,863,000 in federal loans.
- (7) Excludes \$7,390,000 in federal loans.
- (8) Excludes \$1,256,000 in federal loans.
- (9) Excludes \$3,390,000 in federal loans.
- (10) Excludes \$890,000 in federal loans.
- (11) Excludes \$3,315,000 in federal loans.
- (12) Excludes \$842,000 in federal loans.
- (13) Excludes \$3,376,000 in federal loans.
- (14) Excludes \$495,000 in federal loans.
- (15) Excludes \$3,721,000 in federal loans.
- (16) Excludes \$919,000 in federal loans.
- (17) Excludes \$1,240,000 in federal loans.
- (18) Excludes \$829,000 in federal loans.
- (19) Excludes \$6,421,000 in federal loans.
- (20) Excludes \$1,408,000 in federal loans.
- (21) Excludes \$6,880,000 in federal loans.
- (22) Excludes \$2,416,000 in federal loans.

**CITY OF BALTIMORE**  
**Ratio of Net General Bonded Debt to Assessed Value**  
**and Net General Bonded Debt Per Capita**  
**Last Ten Fiscal Years**

(Dollars Expressed in Thousands)

**Unaudited**

Fiscal Year	Population	Assessed Value	Gross Bonded Debt	Deduct Other Self-Supporting Debt	Funds Available In Debt Service Fund	Net General Bonded Debt	Ratio of Net General Bonded Debt to Assessed Value	Net General Bonded Debt Per Capita (Rounded to nearest dollar)
1992	730,300	\$8,118,823	\$392,462	\$50,750	\$28,787	\$312,925	3.9%	\$428
1993	723,500	8,285,449	407,190	50,406	29,356	327,428	4.0	453
1994	709,200	8,232,310	392,840	45,190	21,388	326,262	4.0	460
1995	700,000	8,240,285	390,814	44,712	39,250	306,852	3.7	438
1996	683,300	8,250,101	416,293	43,826	34,926	337,541	4.1	494
1997	669,900	8,281,327	441,435	41,991	36,485	362,959	4.4	542
1998	650,900	8,126,887	457,039	39,097	30,379	387,563	4.8	595
1999	631,500	8,311,294	474,068	36,487	25,369	412,212	5.0	653
2000	627,000	8,535,259	488,306	35,356	22,051	430,899	5.0	687
2001	639,400	8,722,186	494,515	34,509	20,647	439,359	5.0	687

Note:

Composition of other self-supporting debt at June 30, 2001 was:

Off-street parking facilities general obligation bonds and notes (portion reimbursable by private operators) . . . . .	\$ 30,589
Water utility general obligation bonds . . . . .	1,692
Waste water utility general obligation bonds . . . . .	2,228
<b>Total . . . . .</b>	<b>\$ 34,509</b>

**CITY OF BALTIMORE**  
**Revenue Bond Coverage**  
**Water Utility, Waste Water Utility,**  
**Parking Facilities and Convention Center Bonds**  
**Last Ten Fiscal Years**

(Dollars Expressed in Thousands)

**Unaudited**

	Fiscal Year	Gross Revenue	Direct Operating Expense(1)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
					Principal	Interest	Total	
Water Utility	1992	\$ 54,951	\$ 45,196	\$ 9,755		\$3,779	\$3,779	2.58
	1993	56,679	44,520	12,159		4,786	4,786	2.54
	1994	75,734	48,842	26,892		4,041	4,041	6.65
	1995	61,475	49,149	12,326	\$ 655	5,427	6,082	2.03
	1996	64,067	52,357	11,710	1,505	5,385	6,890	1.70
	1997	69,640	55,293	14,347	1,705	6,459	8,164	1.76
	1998	68,707	58,000	10,707	2,370	7,509	9,879	1.08
	1999	72,949	60,780	12,169	2,465	8,245	10,710	1.13
	2000	79,427	69,826	9,601	2,940	8,725	11,665	.82
	2001	83,961	64,353	19,605	3,190	9,936	13,126	1.45
Waste Water Utility	1992	76,416	69,623	6,793		1,267	1,267	5.36
	1993	88,043	67,519	20,524		1,903	1,903	10.79
	1994	89,988	74,804	15,184		1,954	1,954	7.77
	1995	87,064	80,627	6,437	3,167	3,172	6,339	1.02
	1996	91,466	82,095	9,371	2,094	3,594	5,688	1.65
	1997	100,405	88,060	12,345	2,112	4,180	6,292	1.96
	1998	103,643	88,933	14,710	2,632	5,010	7,642	1.92
	1999	105,718	92,350	13,368	2,830	5,851	8,681	1.54
	2000	117,028	107,829	9,199	3,544	5,163	8,707	1.02
	2001	114,945	99,112	15,833	3,877	7,201	11,078	1.53
Parking Facilities	1992	35,154	2,866	32,288	1,495	6,571	8,066	4.00
	1993	35,686	2,207	33,479	1,575	7,883	9,458	3.54
	1994	33,429	3,536	29,893		4,667	4,667	6.41
	1995	33,741	2,563	31,178	275	7,295	7,570	4.12
	1996	33,361	3,033	30,328	2,085	6,720	8,805	3.44
	1997	37,382	3,715	33,667	2,620	10,289	12,909	2.61
	1998	37,283	3,721	33,562	2,725	6,122	8,847	3.79
	1999	41,248	3,703	37,545	2,835	7,313	10,148	3.70
	2000	38,527	5,508	33,019	3,205	7,131	10,336	3.19
	2001	46,176	4,963	41,213	3,360	6,977	10,337	3.99
Convention Center(2)	1995	8,721		8,721		1,904	1,904	4.58
	1996	9,591		9,591		3,265	3,265	2.94
	1997	11,059		11,059		3,265	3,265	3.39
	1998	3,654		3,654		3,265	3,265	1.12
	1999	3,861		3,861		2,429	2,429	1.59
	2000	4,567		4,567	1,225	2,891	4,116	1.11
2001	4,631		4,631	1,780	2,832	4,612	1.00	

Notes:

- (1) Operating expenses — excluding depreciation and amortization.
- (2) Bonds issued during fiscal year 1995.

**CITY OF BALTIMORE**  
**Computation of Overlapping Debt**

**June 30, 2001**

**Unaudited**

The City of Baltimore has no Overlapping Debt.

**CITY OF BALTIMORE**

**Real Property Value, Construction Permits and Bank Deposits Last Ten Fiscal Years**

(Dollars Expressed in Thousands)

**Unaudited**

Fiscal Year	Commercial Construction (3)		Residential Construction (3)		Real Property Value (2)			Commercial Bank Deposits (5)
	Number of Permits	Value (1)	Number of Units	Value	Commercial	Residential	Exempt	
1992	2,419	\$215,277	208	\$10,086	\$6,698,397	\$ 9,606,167	\$6,662,506	\$ 9,663,868
1993	966(4)	211,162	156	6,704	6,959,775	9,729,185	6,984,155	8,204,950
1994	1,015	128,089	304	15,276	7,218,642	9,861,937	7,080,398	7,584,447
1995	1,201	223,963	300	17,167	6,868,865	10,072,433	7,416,788	7,305,798
1996	1,472	563,801	310	29,593	6,527,246	10,255,289	8,326,719	6,442,122
1997	1,045	301,210	179	15,563	6,833,124	10,485,062	7,510,520	7,024,263
1998	1,153	532,405	171	19,158	6,756,076	10,853,717	7,537,284	8,743,095
1999	1,320	335,380	396	45,508	6,789,443	10,913,873	8,377,825	10,538,115
2000	1,979	861,674	102	64,188	6,854,669	11,142,555	8,355,897	11,567,509
2001	2,103	864,762	255	36,627	7,243,580	11,534,114	8,519,217	

Notes:

- (1) Includes additions, conversions and razings.
- (2) Source: State of Maryland, Department of Assessments and Taxation.
- (3) Source: City of Baltimore, Bureau of Information Technology Services.
- (4) Effective July 1, 1992, only permits with a value of \$10,000 or more are reported.
- (5) Source: FDIC Data Book for respective years, figure for fiscal year 2001 unavailable.

**CITY OF BALTIMORE**

**Principal Taxpayers**

**for the year ended June 30, 2001**

(Dollars Expressed in Thousands)

**Unaudited**

Taxpayer	Type of Business	2001 Assessed Value	Percentage of Total Assessed Value
BGE (Baltimore Gas & Electric Company)	Power Utility . . . . .	\$ 577,947	6.6%
Verizon—Maryland	Telephone/Communications . . . . .	344,854	4.0%
AT&T Communications of Maryland	Telephone/Communications . . . . .	82,531	0.9%
Baltimore Center Associates LTD. Partnership	Real Estate . . . . .	51,961	0.6%
Boston Properties, Inc.	Real Estate . . . . .	49,319	0.6%
MCI Worldcom	Telephone/Communications . . . . .	38,345	0.4%
Baltimore Refuse Energy Systems, Comp. (BRESKO)	Solid Waste Disposal . . . . .	34,264	0.4%
United Cable Television of Baltimore, LTD Partnership	Cable Company . . . . .	25,421	0.3%
Pratt Street Hotel, LLC	Hotel/Hospitality . . . . .	24,400	0.3%
Xerox Corporation	Document Company . . . . .	24,001	0.3%
		<u>\$1,253,043</u>	<u>14.4%</u>

**CITY OF BALTIMORE**  
**Demographic and Miscellaneous Statistics**  
**for the year ended June 30, 2001**  
**Unaudited**

**Form and Structure**

City incorporated in 1797 with Home Rule Charter since 1918

Executive and Legislative Officials:

Mayor	runs city-wide
Comptroller	runs city-wide
City Council, President	runs city-wide
Other City Council Members	by district

Above officials serve concurrent four year terms with no term limits. There are three Council Members in each of the six districts.

**Infrastructure**

Police Stations	9
Fire Stations	46
Street miles	2,000
Storm Drain miles	1,000
Sanitary Sewer miles	3,100
Park acreage	6,500
<b>Recreation Facilities:</b>	
Zoo (attendance)	543,000
Arena (attendance)	576,000
Aquarium (attendance)	1.6 million
Pools and Beaches	10
Golf Courses	5
Ice Rinks	2
Indoor Soccer Fields	2
Library Facilities	26
Volumes (millions)	3.1
Circulation (millions)	1.4
<b>Other Facilities (attendance):</b>	
Oriole Park at Camden Yards	3.1 million
PSINet Stadium	666,000
Convention Center	579,000
Baltimore Museum of Art	240,000
Walters Art Museum	120,000
Meyerhoff Symphony Hall	303,000

**Principal Public Service Departments**

Department	Full Time Budgeted Positions		
	FY2001	FY1997	FY1993
Police	3,961	3,878	3,650
Fire	1,754	1,770	1,888
Public Works	5,580	5,754	6,031
Recreation and Parks	326	582	728
All Other Employees	4,250	4,180	4,194
<b>Totals</b>	<b>15,871</b>	<b>16,164</b>	<b>16,491</b>

**Economy**

	FY2001	FY1997	FY1993
Retail Sales (in billions) (1)	\$ 4.8	\$ 4.2	\$ 3.6
Income/Cap (2)	(3)\$ 26,655	\$ 23,705	\$ 19,808
Total Employment	274,833	284,680	285,685
% Unemployment	7.7%	8.7%	10.9%
Office Vacancy Rate	11.2%	19.1%	20.0%
Real Property Tax Rate	\$5.82/100	\$5.85/100	\$5.90/100

(1) FY2000 not comparable with the rest of the years due to changes in reporting method effective January 1997.  
(2) Calendar year figures.  
(3) Calendar year 1999 is the latest year available.

**Demographics (thousands)**

Fiscal Year	Population(1)	65 or Older(1)	Registered Voters
2000	651.2	86.0	(3)279.0
1990	736.0	99.9	386.6
1980	786.8	100.6	392.8
1970	905.7	95.7	431.1
1960	925.2	85.9	(2)440.4

(1) Calendar year figures, U.S. Department of Commerce, Census Bureau.  
(2) Imputed from 1970 ratio to population.  
(3) General election figure from 2001.