



**Department of General Services**  
**Biennial Financial Audit**  
**Fiscal Years Ended June 30, 2016 and 2015**

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CITY OF BALTIMORE

JOAN M. PRATT, CPA  
Comptroller



DEPARTMENT OF AUDITS

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**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Financial Statements**

We have audited the accompanying cash basis financial statements of the governmental activities, of the Department of General Services (the Agency), an agency of the primary government of the City of Baltimore, Maryland, which comprise the Schedule of Revenues, Expenditures and Encumbrances, and Changes in Fund Balance, Budget and Actual, Budgetary Basis, General Fund; Schedule of Revenues, Expenditures and Encumbrances, and Changes in Fund Balance, Budget and Actual, Budgetary Basis, Building Maintenance Fund; Schedule of Revenues, Expenditures and Encumbrances, and Changes in Fund Balance, Budget and Actual, Budgetary Basis, Energy Conservation Fund; Schedule of Revenues, Expenditures and Encumbrances, and Changes in Fund Balance, Budget and Actual, Budgetary Basis, Mobile Equipment Fund; Statement of Revenues, Expenditures and Changes in Fund Balance, Capital Projects; and Statement of Revenues, Expenditures and Changes in Grant Cash Balance, for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 3; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation

and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the revenues collected and expenses paid for governmental activities, of the Agency, for the years ended June 30, 2016 and 2015 in accordance with the cash basis of accounting described in Note 3.

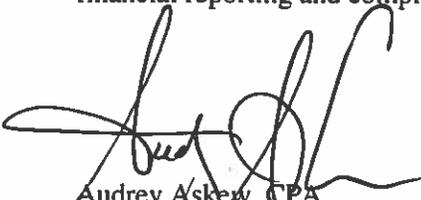
***Basis of Accounting***

The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

***Report on Other Legal and Regulatory Requirements***

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

In accordance with Government Auditing Standards, we have also issued our report, dated February 12, 2018, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Agency's internal control over financial reporting and compliance.



Audrey Askew, CPA  
Deputy City Auditor  
February 12, 2018

**CITY OF BALTIMORE**  
**Department of General Services**  
**Schedule of Revenues, Expenditures and Encumbrances, and Changes in Fund Balance**  
**Budget and Actual – Budgetary Basis – General Fund**  
**For Fiscal Years Ended June 30, 2016 and 2015**

|   | <u>2016</u>       |                   |                  |
|---|-------------------|-------------------|------------------|
|   | <u>Budget</u>     | <u>Actual</u>     | <u>Variance</u>  |
| <b>Revenues</b>   |                   |                   |                  |
| Appropriation Revenue   | \$ 20,793,333     | \$ 16,134,498     | \$ 4,658,835     |
| <b>Expenditures and Encumbrances</b>                                |                   |                   |                  |
| Administration  | 1,636,820         | 2,645,487         | (1,008,667)      |
| Facilities Management   | 18,795,152        | 12,790,270        | 6,004,882        |
| Building and Energy Improvements                                    | 361,361           | 698,741           | (337,380)        |
| Total Expenditures and Encumbrances                                 | <u>20,793,333</u> | <u>16,134,498</u> | <u>4,658,835</u> |
| <b>Excess of Revenues over Expenditures and Encumbrances (GAAP)</b> | -                 | -                 | -                |
| <b>Beginning Budgetary Fund Balance</b>                             | -                 | -                 | -                |
| <b>Ending Budgetary Fund Balance</b>                                | <u>\$ -</u>       | <u>\$ -</u>       | <u>\$ -</u>      |

|   | <u>2015</u>       |                   |                  |
|---|-------------------|-------------------|------------------|
|   | <u>Budget</u>     | <u>Actual</u>     | <u>Variance</u>  |
| <b>Revenues</b>   |                   |                   |                  |
| Appropriation Revenue   | \$ 20,794,517     | \$ 17,395,894     | \$ 3,398,623     |
| <b>Expenditures and Encumbrances</b>                                |                   |                   |                  |
| Administration  | 1,043,727         | 648,464           | 395,263          |
| Building Permits and Municipal Consents                             | 2,779,205         | 1,788,784         | 990,421          |
| Real Property Database Management                                   | 769,490           | 618,544           | 150,946          |
| Facilities Management   | 16,191,408        | 13,368,172        | 2,823,236        |
| Building and Energy Improvements                                    | 10,687            | 971,929           | (961,242)        |
| Total Expenditures and Encumbrances                                 | <u>20,794,517</u> | <u>17,395,894</u> | <u>3,398,623</u> |
| <b>Excess of Revenues over Expenditures and Encumbrances (GAAP)</b> | -                 | -                 | -                |
| <b>Beginning Budgetary Fund Balance</b>                             | -                 | -                 | -                |
| <b>Ending Budgetary Fund Balance</b>                                | <u>\$ -</u>       | <u>\$ -</u>       | <u>\$ -</u>      |

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

**CITY OF BALTIMORE**  
**Department of General Services**  
**Schedule of Revenues, Expenditures and Encumbrances, and Changes in Fund Balance**  
**Budget and Actual – Budgetary Basis – Building Maintenance Fund**  
**For Fiscal Years Ended June 30, 2016 and 2015**

|   | <u>2016</u>         |                   |                     |
|---|---------------------|-------------------|---------------------|
|   | <u>Final Budget</u> | <u>Actual</u>     | <u>Variance</u>     |
| <b>Revenues</b>   |                     |                   |                     |
| Appropriation Revenue   | \$ 13,585,680       | \$ 12,271,833     | \$ 1,313,847        |
| <b>Expenditures and Encumbrances</b>                                |                     |                   |                     |
| Salaries and Wages  | 1,707,270           | 903,075           | 804,195             |
| Other Personnel Cost  | 747,964             | 607,904           | 140,060             |
| Contractual Services  | 10,764,348          | 9,754,669         | 1,009,679           |
| Material and Supplies   | 280,124             | 294,421           | (14,297)            |
| Minor Equipment   | 9,008               | 18,580            | (9,572)             |
| Other   | 76,966              | 81,662            | (4,696)             |
| Total Expenditures and Encumbrances                                 | <u>13,585,680</u>   | <u>11,660,311</u> | <u>1,925,369</u>    |
| <b>Excess of Revenues over Expenditures and Encumbrances (GAAP)</b> | <u>\$ -</u>         | <u>\$ 611,522</u> | <u>\$ (611,522)</u> |

|  | <u>2015</u>         |                     |                   |
|--|---------------------|---------------------|-------------------|
|  | <u>Final Budget</u> | <u>Actual</u>       | <u>Variance</u>   |
| <b>Revenues</b>  |                     |                     |                   |
| Appropriation Revenue  | \$ 12,709,939       | \$ 11,248,787       | \$ 1,461,152      |
| <b>Expenditures</b>  |                     |                     |                   |
| Salaries and Wages   | 2,044,830           | 837,348             | 1,207,482         |
| Other Personnel Cost   | 703,116             | 665,716             | 37,400            |
| Contractual Services   | 9,462,617           | 9,960,500           | (497,883)         |
| Material and Supplies  | 388,245             | 270,780             | 117,465           |
| Minor Equipment  | 4,384               | 14,762              | (10,378)          |
| Major Equipment  | -                   | 2,504               | (2,504)           |
| Other  | 106,747             | 8,157               | 98,590            |
| Total Expenditures and Encumbrances                                  | <u>12,709,939</u>   | <u>11,759,767</u>   | <u>950,172</u>    |
| <b>Deficit of Revenues over Expenditures and Encumbrances (GAAP)</b> | <u>\$ -</u>         | <u>\$ (510,980)</u> | <u>\$ 510,980</u> |

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

**CITY OF BALTIMORE**  
**Department of General Services**  
**Schedule of Revenues, Expenditures and Encumbrances, and Changes in Fund Balance**  
**Budget and Actual – Budgetary Basis – Energy Conservation Fund**  
**For Fiscal Year Ended June 30, 2015**

|   | <u>Budget</u>    | <u>Actual</u>     | <u>Variance</u>     |
|---|------------------|-------------------|---------------------|
| <b>Revenues</b>   |                  |                   |                     |
| Appropriation Revenue   | \$ 2,395,503     | \$ 1,948,831      | \$ 446,672          |
| <b>Expenditures and Encumbrances</b>                                |                  |                   |                     |
| Salaries and Wages  | 1,378,003        | 424,280           | 953,723             |
| Other Personnel Cost  | 185,887          | 198,622           | (12,735)            |
| Contractual Services  | 738,619          | 835,893           | (97,274)            |
| Material and Supplies   | 32,106           | 2,231             | 29,875              |
| Minor Equipment   | 60,888           | 14,097            | 46,791              |
| Total Expenditures and Encumbrances                                 | <u>2,395,503</u> | <u>1,475,123</u>  | <u>920,380</u>      |
| <b>Excess of Revenues over Expenditures and Encumbrances (GAAP)</b> | <u>\$ -</u>      | <u>\$ 473,708</u> | <u>\$ (473,708)</u> |

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



**CITY OF BALTIMORE**  
**Department of General Services**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Capital Projects**  
**For Fiscal Years Ended June 30, 2016 and 2015**

|  | <u>2016</u>         | <u>2015</u>         |
|--|---------------------|---------------------|
| <b>Revenues</b>                          |                     |                     |
| General Fund                             | \$ 350,000          | \$ 3,320,000        |
| Public Building Loans                    | 8,957,341           | 1,265,577           |
| Other                                    | (109,100)           | -                   |
| Total Revenues                           | <u>9,198,241</u>    | <u>4,585,577</u>    |
| <b>Expenditures</b>                      |                     |                     |
| Capital Outlay                           | <u>10,169,476</u>   | <u>2,571,228</u>    |
| <b>Excess (Deficit) of Revenues over</b> |                     |                     |
| <b>Expenditures</b>                      | (971,235)           | 2,014,350           |
| Beginning Fund Balance                   | <u>4,728,331</u>    | <u>2,713,982</u>    |
| Ending fund Balance                      | <u>\$ 3,757,096</u> | <u>\$ 4,728,331</u> |

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

**CITY OF BALTIMORE**  
**Department of General Services**  
**Statement of Revenues, Expenditures and Changes in Grant Cash Balance**  
**For Fiscal Years Ended June 30, 2016 and 2015**

|   | <u>Cash<br/>Balance<br/>7/1/2015</u> | <u>Revenues</u>     | <u>Expenditures</u> | <u>Cash<br/>Balance<br/>6/30/2016</u> |
|---|--------------------------------------|---------------------|---------------------|---------------------------------------|
| <b>Federal Grants</b>   |                                      |                     |                     |                                       |
| Facilities Management   | \$ 24,648                            | \$ -                | \$ -                | \$ 24,648                             |
| <b>Total Revenues, Expenditures<br/>and Changes in Grant Cash<br/>Balance - Federal</b> | <u>\$ 24,648</u>                     | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ 24,648</u>                      |
|   |                                      |                     |                     |                                       |
|   | <u>Cash<br/>Balance<br/>7/1/2014</u> | <u>Revenues</u>     | <u>Expenditures</u> | <u>Cash<br/>Balance<br/>6/30/2015</u> |
| <b>Federal Grants</b>   |                                      |                     |                     |                                       |
| Facilities Management   | \$ 24,648                            | \$ -                | \$ -                | \$ 24,648                             |
| <b>Total Revenues, Expenditures<br/>and Changes in Grant Cash<br/>Balance - Federal</b> | <u>24,648</u>                        | <u>-</u>            | <u>-</u>            | <u>24,648</u>                         |
| <b>State Grants</b>   |                                      |                     |                     |                                       |
| Administration  | 4,641,554                            | 5,430,146           | 3,263,563           | 6,808,137                             |
| <b>Total Revenues, Expenditures<br/>and Changes in Grant Cash<br/>Balances - State</b>  | <u>4,641,554</u>                     | <u>5,430,146</u>    | <u>3,263,563</u>    | <u>6,808,137</u>                      |
| <b>Total Grants</b>   | <u>\$4,666,202</u>                   | <u>\$ 5,430,146</u> | <u>\$ 3,263,563</u> | <u>\$ 6,832,785</u>                   |

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

**CITY OF BALTIMORE**  
**Department of General Services**  
**Notes to the Financial Statements**  
**For Fiscal Years Ended June 30, 2016 and 2015**

**1. Description of the Department of General Services**

The Department of General Services (Agency) is responsible for providing healthy work environments and safe reliable vehicles for City employees by delivering high quality and cost-effective support services to City agencies who serve Baltimore's citizens and stakeholders. The Department oversees six major divisions: Fleet Management, Facilities Management, Permits and Municipal Consents, Real Property Database Management, Public and Private Energy Performance, and Building and Energy Improvements. Other duties include: delivering cost effective, high quality, reliable and sustainable services by managing quality facilities; ensuring efficient fleet operations; and maintaining exemplary administrative customer service that support Baltimore City agencies in the advancement of their goals. Initiatives also include modernizing and reducing the size of the City's fleet, conducting behavior change programs to reduce energy consumption, installing solar capacity to serve multiple facilities, managing the purchase of energy commodities and maximizing opportunities from renewable energy sources consistent with the City's Sustainability Plan and State mandates to promote a clean environment. At the end of fiscal year 2015, the Building Permits and Municipal Consents and Real Property Database Management offices were moved to the Department Of Transportation. Additionally, responsibility for Public and Private Energy Performance was transferred to the Department of Public Works.

**2. Fund Financial Statements**

The Agency's services are reported in the City's general, internal service, special revenue and capital projects funds. The Agency annually receives appropriations from both the general, internal service, special revenue funds and capital projects funds. General fund and internal service fund appropriations expired at year end. The special revenue funds receive grant from the Federal, State and other sources. Appropriations for special revenue fund do not expire at year end and continue until they are used for grant related expenditures. Because of these differences, the financial statements of the Agencies general and enterprise fund activities are reported on a budgetary basis in the *Statement of Revenues, Expenditure, Encumbrances and Changes in Fund Balance*. The financial statement of the special revenue and Capital project funds are reported in Statement of Revenues, Expenditures and Changes in Cash Balance.

**3. Summary of Significant Accounting Policies**

*Basis of Accounting*

The financial statements of the Agency are prepared on the cash basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles. This basis of presentation differs from accounting principles generally accepted in the United States of America (GAAP) in that revenues are recognized when received rather than earned and expenses are recognized when paid rather than when the obligation is incurred. Specifically, the variances from GAAP include the mission of receivables and payables of the Agency, and such variances are presumed to be material. The accompanying financial statements are not intended to present the financial position and results of operations in conformity with accounting principles generally accepted in the United States of America.

**CITY OF BALTIMORE**  
**Department of General Services**  
**Notes to the Financial Statements**  
**For Fiscal Years Ended June 30, 2016 and 2015**

**4. Vehicle Purchases**

The Agency entered into various Conditional Purchase Agreements (loans in escrow), which totaled \$68,336,290 as of June 30, 2016, to fund the purchase of vehicles. Under these agreements, the Agency purchases the vehicles and charges the cost to equipment expenditures. The Treasury Department uses the escrow account to reimburse the Agency for equipment purchases. On an annual basis, the Agency charges a lease payment total to the respective City agencies, which is used to service the debt. The budget deficit reflected in the Schedule of Revenues, Expenditures and Encumbrances, and Changes in Fund Balance – Budget and Actual – Budgetary Basis – Mobile Equipment Fund is caused primarily by unreimbursed equipment expenditures.

**5. Budget Process**

The Agency participates in the City of Baltimore's Outcome Based Budgeting process. Outcome Based Budgeting is a budget process that aligns resources with results produced. This budgeting tool integrates strategic planning, long-range financial planning and performance management, and is a recommended practice of the Government Finance Officers Association.

**6. Risk Management**

The City of Baltimore 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 members of the public; and natural disasters. The Agency is a chartered agency within the City of Baltimore municipal government. Therefore, its exposure to various risks is managed by the City's Office of Risk Management.

**7. Subsequent Events**

No subsequent events have occurred that would require recognition or disclosure in the financial statements.