



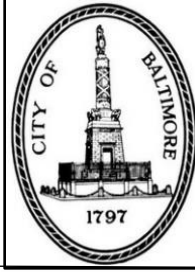
Department of Housing and Community Development
Biennial Financial Audit
Fiscal Years Ended June 30, 2016 and 2015

Table of Contents

Independent Auditor’s Report.....	1
Basic Financial Statements	
Schedule of Revenues, Expenditures and Encumbrances and Changes in Fund Balance - Budget and Actual - Budgetary Basis - General Fund.....	3
Statement of Revenues, Expenditures and Changes in Fund Balance - Capital Projects.....	5
Schedule of Revenues, Expenditures and Encumbrances and Changes in Fund Balance – Community Development Block Grant	6
Statement of Revenues, Expenditures and Changes in Grant Cash Balances.....	7
Notes to the Financial Statements	9

CITY OF BALTIMORE

JOAN M. PRATT, CPA
Comptroller



DEPARTMENT OF AUDITS

AUDREY, ASKEW, CPA

Deputy City Auditor
100 N. Holiday Street
Room 321, City Hall
Baltimore, MD 21202
Telephone: 410-396-4783
Telefax: 410-545-3961

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 Housing and Community Development (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; Statement of Revenues, Expenditures and Changes in Fund Balance, Capital Projects; Schedule of Revenues, Expenditures and Encumbrances, and Changes in Fund Balance, Community Development Block Grant; and Statement of Revenues, Expenditures and Changes in Grant Cash Balances, 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.

A handwritten signature in black ink, appearing to read "Audrey Askew". The signature is fluid and cursive, with the first name "Audrey" written in a larger, more prominent script than the last name "Askew".

Audrey Askew, CPA
Deputy City Auditor
February 12, 2018

CITY OF BALTIMORE
Department of Housing and Community Development
Schedule of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance
Budget and Actual – Budgetary Basis – General Fund
For Fiscal Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Appropriation Revenue	\$ 36,963,233	\$ 33,710,871	\$ 3,252,361
Expenditures and Encumbrances:			
Before and After Care	175,689	143,190	32,499
Administration	2,628,578	2,723,721	(95,144)
Weatherization	246,372	8,068	238,304
Dawson Center	52,887	31,614	21,273
Promote Homeownership	277,888	106,990	170,898
Housing Code Enforcement	14,706,819	14,255,066	451,752
Register and License Properties and Contractors	612,077	455,198	156,879
Housing Development Finance and Project Management	-	712	(712)
Blight Elimination	2,810,189	2,657,700	152,488
Housing Rehabilitation Loans	13,973	4,534	9,439
Building and Zoning Inspections and Permits	6,458,847	5,008,811	1,450,036
Community Outreach Services	1,061,369	1,360,339	(298,971)
Summer Food Service Program	250,000	-	250,000
BDC - Retention, Expansion, and Attraction of Business	1,530,330	1,530,330	-
BDC - Real Estate Development	1,787,471	1,787,471	-
BDC - Inner Harbor Coordination	759,238	283,240	475,998
BDC - Small Business Resource Center	466,848	466,848	-
BDC - Emerging Technology Center	815,156	815,156	-
BDC - Improve and Promote Retail Districts Beyond			
Downtown	1,674,592	1,498,522	176,070
Live Baltimore	634,911	573,359	61,552
Total Expenditures and Encumbrances	<u>36,963,233</u>	<u>33,710,871</u>	<u>3,252,361</u>
Excess of Revenues over Expenditures and Encumbrances (GAAP)	-	-	-
Beginning Budgetary Fund Balance	-	-	-
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Appropriation Revenue	\$ 36,205,800	\$ 33,860,184	\$ 2,345,617
Expenditures and Encumbrances			
Before and After Care	170,043	116,858	53,185
Administration	2,928,735	2,444,753	483,982
Weatherization	321,738	192,200	129,538
Dawson Center	80,437	46,754	33,683
Promote Homeownership	166,303	274,507	(108,204)
Housing Code Enforcement	14,573,564	13,294,440	1,279,124
Register and License Properties and Contractors	581,305	570,071	11,234
Housing Development Finance and Project Management	-	692	(692)
Blight Elimination	2,926,303	2,170,605	755,698
Housing Rehabilitation Loans	63,256	257,132	(193,876)
Building and Zoning Inspections and Permits	6,292,222	5,099,804	1,192,418
Community Outreach Services	961,193	1,117,540	(156,347)
Summer Food Service Program	-	1,548,649	(1,548,649)
BDC - Retention, Expansion, and Attraction of Business	1,500,324	1,500,324	-
BDC - Real Estate Development	1,752,423	1,752,608	(185)
BDC - Inner Harbor Coordination	749,018	489,515	259,503
BDC - Small Business Resource Center	228,847	228,847	-
BDC - Emerging Technology Center	799,173	799,173	-
BDC - Improve and Promote Retail Districts Beyond			
Downtown	1,643,483	1,555,448	88,035
Live Baltimore	467,434	400,264	67,169
Total Expenditures and Encumbrances	<u>36,205,800</u>	<u>33,860,184</u>	<u>2,345,617</u>
Excess of Revenues over Expenditures and Encumbrances (GAAP)	-	-	-
Beginning Budgetary Fund Balance	-	-	-
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

CITY OF BALTIMORE
Department of Housing and Community Development
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>
Revenues		
General Fund	\$ 6,610,000	\$ 3,750,000
Federal Grant	2,936,998	4,439,447
State Grant	7,261,323	5,753,242
GO Bonds	18,988,571	22,985,930
CDBG (Transfer in)	4,916,491	5,912,126
Other Revenues	17,426,063	7,330,742
Total Revenues	<u>58,139,446</u>	<u>50,171,487</u>
Expenditures		
Economic Development	45,913,238	41,670,810
Excess of Revenues over Expenditures	12,226,208	8,500,677
Beginning Fund Balance	<u>(8,405,838)</u>	<u>(16,906,515)</u>
Ending fund Balance	<u>\$ 3,820,370</u>	<u>\$ (8,405,838)</u>

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

CITY OF BALTIMORE
Department of Housing and Community Development
Schedule of Revenues, Expenditures and Encumbrances, and Changes in Fund Balance
Community Development Block Grant
For Fiscal Years Ended June 30, 2016 and 2015

	2016	2015
Revenues		
Federal Grant Revenue	\$ 16,021,131	\$ 16,382,776
Less: Transfer to capital	(4,916,491)	(5,912,126)
Total Revenues	11,104,640	10,470,650
Expenditures and Encumbrances		
Community Support Projects	6,024,155	6,078,316
Before and After Care	-	1,075,301
Administration	942,519	1,096,397
Weatherization	-	88,658
Dawson Center	333,200	327,132
Promote Homeownership	550,552	479,683
Housing Development Finance and Project Management	208,641	479,437
Housing Rehabilitation Loans	1,243,225	920,076
Building and Zoning Inspections and Permits	1,416	3,368
Community Outreach Services	1,124	1,984
Summer Food Service Program	-	10,014
Total Expenditures and Encumbrances	9,304,832	10,560,366
Excess (Deficit) of Revenues over Expenditures and Encumbrances	\$ 1,799,808	\$ (89,716)

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

CITY OF BALTIMORE
Department of Housing and Community Development
Statement of Revenues, Expenditures and Changes in Grant Cash Balance
For Fiscal Year Ended June 30, 2016

	<u>Cash Balance 2015</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Cash Balance 2016</u>
Federal Grants				
Housing Code Enforcement	\$ (19,839)	\$ -	\$ -	\$ (19,839)
Housing Development Finance and Project Management	(175,853)	351,957	253,696	(77,592)
Housing Rehabilitation Loans	(157,656)	189,280	77,166	(45,542)
Total revenues, expenditures and change in grant balances - Federal	<u>(353,348)</u>	<u>541,237</u>	<u>330,862</u>	<u>(142,973)</u>
State Grants				
Neighborhood Service Centers	(301,893)	-	18,189	(320,082)
Administration	(2,175)	-	-	(2,175)
Weatherization	(2,279,448)	10,567,326	7,843,732	444,147
Dawson Center	(373,028)	-	-	(373,028)
Housing Rehabilitation Loans	41,623	709,378	420,748	330,252
Summer Food Service Program	1,233	2,433,640	2,271,383	163,489
Total revenues, expenditures and change in grant balances - State	<u>(2,913,688)</u>	<u>13,710,344</u>	<u>10,554,052</u>	<u>242,604</u>
Other Grants				
Community Support Projects	25,003	-	-	25,003
Before and After Care	140,161	-	-	140,161
Weatherization	(117,045)	113,766	30,672	(33,951)
Housing Code Enforcement	227,292	138,108	-	365,400
Housing Development Finance and Project Management	(5,385)	-	-	(5,385)
Housing Rehabilitation Loans	13,680	6,891	826	19,745
Community Outreach Services	298,454	18,700	-	317,154
Total revenues, expenditures and change in grant balances - Other	<u>582,160</u>	<u>277,465</u>	<u>31,498</u>	<u>828,127</u>
Total Grants	<u>\$ (2,684,876)</u>	<u>\$ 14,529,046</u>	<u>\$ 10,916,412</u>	<u>\$ 927,758</u>

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

CITY OF BALTIMORE
Department of Housing and Community Development
Statement of Revenues, Expenditures and Changes in Grant Cash Balance
For Fiscal Year Ended June 30, 2015

	<u>Cash Balance 2014</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Cash Balance 2015</u>
Federal Grants				
Housing Code Enforcement	\$ 300,268	\$ -	\$ 320,107	\$ (19,839)
Housing Development Finance and Project Management	(94,494)	138,974	220,333	(175,853)
Housing Rehabilitation Loans	(249,175)	1,760,703	1,669,183	(157,656)
Total revenues, expenditures and change in grant balances - Federal	<u>(43,402)</u>	<u>1,899,677</u>	<u>2,209,623</u>	<u>(353,348)</u>
State Grants				
Neighborhood Service Centers	(281,838)	-	20,055	(301,893)
Administration	(10,923)	8,748	-	(2,175)
Weatherization	(1,391,467)	9,680,187	10,568,168	(2,279,448)
Dawson Center	(373,028)	-	-	(373,028)
Housing Rehabilitation Loans	38,919	356,746	354,042	41,623
Summer Food Service Program	(1,278,545)	2,881,909	1,602,131	1,233
Total revenues, expenditures and change in grant balances - State	<u>(3,296,882)</u>	<u>12,927,591</u>	<u>12,544,397</u>	<u>(2,913,688)</u>
Other Grants				
Community Support Projects	25,003	-	-	25,003
Before and After Care	140,161	-	-	140,161
Weatherization	(76,887)	-	40,158	(117,045)
Housing Code Enforcement	46,742	180,550	-	227,292
Housing Development Finance and Project Management	(5,385)	-	-	(5,385)
Housing Rehabilitation Loans	10,111	5,840	2,271	13,680
Community Outreach Services	283,277	15,177	-	298,454
Total revenues, expenditures and change in grant balances - Other	<u>423,022</u>	<u>201,567</u>	<u>42,429</u>	<u>582,160</u>
Total Grants	<u>\$ (2,917,261)</u>	<u>\$ 15,028,834</u>	<u>\$ 14,796,449</u>	<u>\$ (2,684,876)</u>

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

CITY OF BALTIMORE
Department of Housing and Community Development
Notes to the Financial Statements
For Fiscal Years Ended June 30, 2016 and 2015

1. Description of the Department of Housing and Community Development

The mission of the Department of Housing and Community Development (the Agency) is to ensure that all citizens of Baltimore City have access to adequate and affordable housing opportunities in safe, livable and decent neighborhoods. The department is committed to expanding housing choices and promoting healthy neighborhoods for all the citizens of Baltimore. Major responsibilities of the Agency include: increasing the availability of new housing for low and moderate income families; providing financing to rehabilitate older housing; recycling land and buildings to maximize community stability, thereby creating jobs and increasing the assessable tax base; proposing and expediting the funding of community projects; ensuring the safety and structural integrity of all buildings; and enforcing the City's housing code. Other responsibilities include: increasing homeownership opportunities for Baltimore's residents; preserving the historic integrity of older neighborhoods and buildings; and providing technical assistance and operating support to non-profit organizations that support the City's housing mission.

2. Fund Financial Statements

The Agency's services are reported in both the City's general, special revenue, Community Development Block Grant (CDBG) and capital projects funds. The Agency receives appropriations from both the general, special revenue, CDBG and capital projects funds. General fund appropriation expired at year end. The special revenue and CDBG funds receive grants from the Federal, State and other sources. Appropriations for special revenue, CDBG and capital projects funds do not expire at year end and continue until they are used for grant/capital related expenditures. Because of these differences, the financial statements of the Agencies general fund activity 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 projects funds are reported in Statement of Revenues, Expenditures and Changes in Fund 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 omission 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 Housing and Community Development
Notes to the Financial Statements
For Fiscal Years Ended June 30, 2016 and 2015

4. 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.

5. 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.

6. Subsequent Events

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