



**Fire Department  
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 AUDREY ASKEW, CPA

Acting 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 Fire Department (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; Statements of Revenues, Expenditures and Changes in Fund Balance, Capital Projects; 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. **(Errata - Correction to Auditor's Responsibility)**

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 April 3, 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  
Acting City Auditor

April 3, 2018

**CITY OF BALTIMORE**  
**Fire Department**  
**Schedule of Revenues, Expenditures and 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>
<b>Revenues</b>			
Appropriation Revenue	\$ 212,004,866	\$ 207,806,686	\$ 4,198,180
<b>Expenditures and Encumbrances</b>			
Administration	9,054,434	5,378,073	3,676,361
Fire Suppression and Emergency Rescue	145,123,865	145,484,423	(360,558)
Emergency Management	861,837	692,747	169,090
Emergency Medical Services	22,590,280	21,994,796	595,484
Fire and Emergency Community Outreach	484,707	190,465	294,242
Fire Code Enforcement	4,515,538	5,000,609	(485,071)
Fire Investigation	973,340	859,203	114,137
Facilities Maintenance and Replacement	18,589,341	17,729,334	860,007
Fire Communications and Dispatch	5,933,230	6,748,727	(815,497)
Recruitment and Training	3,878,294	3,728,309	149,985
<b>Total Expenditures and Encumbrances</b>	<u>212,004,866</u>	<u>207,806,686</u>	<u>4,198,180</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**  
**Fire Department**  
**Schedule of Revenues, Expenditures and 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>
<b>Revenues</b>			
Appropriation Revenue	\$ 218,117,694	\$ 210,342,316	\$ 7,775,378
<b>Expenditures and Encumbrances</b>			
Administration	18,918,339	17,210,948	1,707,391
Fire Suppression and Emergency Rescue	144,167,539	139,527,702	4,639,837
Emergency Management	425,308	1,377,153	(951,845)
Emergency Medical Services	24,403,472	21,409,662	2,993,810
Fire and Emergency Community Outreach	636,471	317,319	319,152
Fire Code Enforcement	4,213,911	4,795,229	(581,318)
Fire Investigation	873,655	905,841	(32,186)
Facilities Maintenance and Replacement	16,098,585	15,953,348	145,237
Fire Communications and Dispatch	5,226,444	5,808,968	(582,524)
Recruitment and Training	3,153,970	3,036,146	117,824
<b>Total Expenditures and Encumbrances</b>	<u>218,117,694</u>	<u>210,342,316</u>	<u>7,775,378</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></u>	<u><u>\$ -</u></u>

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

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

	<b>2016</b>	<b>2015</b>
<b>Revenues</b>		
Proceeds from Bond Sale	\$ 125,383	\$ 246,557
<b>Expenditures</b>		
Capital Outlay	456,330	111,800
<b>(Deficit) Excess of Revenues over Expenditures</b>	(330,947)	134,757
<b>Beginning Fund Balance</b>	299,326	164,569
<b>Ending Fund Balance</b>	\$ (31,621)	\$ 299,326

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

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

	<u>Cash Balance</u> <u>7/1/2015</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Cash Balance</u> <u>6/30/2016</u>
<b>Federal Grants</b>				
Administration	\$ (226,398)	\$ -	\$ -	\$ (226,398)
Fire Suppression and Emergency Rescue	(3,089)	12,944	17,188	(7,333)
Emergency Management	-	-	235,850	(235,850)
Emergency Medical Services	31,823	27,488	27,749	31,562
Fire Code Enforcement	(29,689)	162,386	111,872	20,825
Facilities Maintenance and Replacement	-	2,747,358	2,879,625	(132,267)
<b>Total Revenues, Expenditures and</b>				
<b>Change in Grant Balances - Federal</b>	<u>(227,353)</u>	<u>2,950,176</u>	<u>3,272,284</u>	<u>(549,461)</u>
<b>State Grants</b>				
Fire Suppression and Emergency Rescue	(308,172)	1,227,724	1,399,927	(480,375)
Emergency Management	(7,272)	-	33	(7,305)
Emergency Medical Services	66,299	22,000	714	87,585
Fire Code Enforcement	47,485	-	94	47,391
Facilities Maintenance and Replacement	(161,391)	-	1,067,975	(1,229,366)
Fire Communications and Dispatch	2,615	-	-	2,615
<b>Total Revenues, Expenditures and</b>				
<b>Change in Grant Balances - State</b>	<u>(360,436)</u>	<u>1,249,724</u>	<u>2,468,743</u>	<u>(1,579,455)</u>
<b>Other Grants</b>				
Administration	(119,389)	-	-	(119,389)
Fire Suppression and Emergency Rescue	7,016	-	-	7,016
Emergency Medical Services	5,023,023	192,152	374,143	4,841,032
Fire Code Enforcement	13,398	-	-	13,398
Facilities Maintenance and Replacement	(111,615)	114,139	2,492	32
<b>Total Revenues, Expenditures and</b>				
<b>Change in Grant Balances - Other</b>	<u>4,812,433</u>	<u>306,291</u>	<u>376,635</u>	<u>4,742,089</u>
<b>Total Grants</b>	<u>\$ 4,224,644</u>	<u>\$ 4,506,191</u>	<u>\$ 6,117,662</u>	<u>\$ 2,613,173</u>

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



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

	<u>Cash Balance 7/1/2014</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Cash Balance 6/30/2015</u>
<b>Federal Grants</b>				
Administration	\$ (226,398)	\$ -	\$ -	\$ (226,398)
Fire Suppression and Emergency Rescue	(4,200)	9,579	8,468	(3,089)
Emergency Medical Services	31,823	-	-	31,823
Fire Code Enforcement	20,825	23,556	74,070	(29,689)
<b>Total Revenues, Expenditures and Change in Grant Balances - Federal</b>	<u>(177,950)</u>	<u>33,135</u>	<u>82,538</u>	<u>(227,353)</u>
<b>State Grants</b>				
Fire Suppression and Emergency Rescue	205,704	155,144	669,020	(308,172)
Emergency Management	(7,272)	-	-	(7,272)
Emergency Medical Services	66,370	68,262	68,333	66,299
Fire Code Enforcement	47,485	-	-	47,485
Facilities Maintenance and Replacement	(919,785)	758,394	-	(161,391)
Fire Communications and Dispatch	2,615	2,685	2,685	2,615
<b>Total Revenues, Expenditures and Change in Grant Balances - State</b>	<u>(604,883)</u>	<u>984,485</u>	<u>740,038</u>	<u>(360,436)</u>
<b>Other Grants</b>				
Administration	(119,389)	-	-	(119,389)
Fire Suppression and Emergency Rescue	7,462	-	446	7,016
Emergency Medical Services	4,648,495	374,528	-	5,023,023
Fire Code Enforcement	13,398	-	-	13,398
Facilities Maintenance and Replacement	110,000	12,500	234,115	(111,615)
<b>Total Revenues, Expenditures and Change in Grant Balances - Other</b>	<u>4,659,966</u>	<u>387,028</u>	<u>234,561</u>	<u>4,812,433</u>
<b>Total Grants</b>	<u>\$ 3,877,133</u>	<u>\$ 1,404,648</u>	<u>\$ 1,057,137</u>	<u>\$ 4,224,644</u>

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

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

**1. Description of the Fire Department**

The mission of the Fire Department is to protect lives, property, and the environment within the corporate limits of Baltimore City. The City Charter established the Fire Department, and its roles and responsibilities are specified in the City Code. Its primary and most visible functions are to prevent and suppress fires, and to provide emergency medical services.

Although response to emergencies is the focus of most of the Agency's resources, increased prevention efforts including residential fire safety training, the Mobile Safety Center, the Juvenile Fire Setters Intervention Program, early childhood education and the free smoke detector programs have been extremely effective in controlling the incidence of fires and related injuries.

**(Errata - Correction to the Description of the Fire Department 3-6-2019)**

**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**  
**Fire Department**  
**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.