

INDEPENDENT AUDITOR'S REPORT

**BALTIMORE CITY POLICE DEPARTMENT
DEATH RELIEF FUND**

**FOR THE CALENDAR YEARS ENDED
DECEMBER 31, 2012 AND 2011**



**City of Baltimore
Department of Audits**

AUDIT REPORT

**BALTIMORE CITY POLICE DEPARTMENT
DEATH RELIEF FUND
FOR THE CALENDAR YEARS ENDED DECEMBER 31, 2012 AND 2011**

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CITY OF BALTIMORE

STEPHANIE RAWLINGS-BLAKE, Mayor



DEPARTMENT OF AUDITS

ROBERT L. McCARTY, JR., CPA

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

INDEPENDENT AUDITOR'S REPORT

July 19, 2013

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

Board of Trustees of the
Baltimore City Police Department
Death Relief Fund

Report on the Financial Statements

We have audited the accompanying Balance Sheets and the Statements of Revenue, Expenditures and Changes in Fund Balance of the Baltimore City Police Department's Death Relief Fund as of and for the years ended December 31, 2012 and 2011, 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 accounting principles generally accepted in the United States; this includes 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 an opinion 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 judgment, including the assessment of the 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 financial position of the Baltimore City Police Department's Death Relief Fund for the years ended December 31, 2012 and 2011, in accordance with accounting principles generally accepted in the United States.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 19, 2013, on our consideration of the Baltimore City Police Department's Death Relief Fund'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 Baltimore City Police Department's Death Relief Fund's internal control over financial reporting and compliance.

This report is intended solely for the information and use of the Baltimore City Police Department, the State of Maryland, and the City of Baltimore management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Robert L. McCarty, Jr., CPA
City Auditor

**BALTIMORE CITY POLICE DEPARTMENT
DEATH RELIEF FUND
BALANCE SHEETS
DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<i>Assets:</i>		
Cash and cash equivalents	\$ 62,137	\$ 47,681
Investments, at fair value	443,289	421,226
Accrued investment income	273	1,421
<i>Total assets</i>	505,699	470,328
 <i>Liabilities and fund balance:</i>		
<i>Liabilities:</i>		
Fund balance	505,699	470,328
<i>Total liabilities and fund balance</i>	\$ 505,699	\$ 470,328

The accompanying notes are an integral part of these financial statements.

**BALTIMORE CITY POLICE DEPARTMENT
DEATH RELIEF FUND
STATEMENTS OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<i>Revenue:</i>		
Net increase (decrease) in fair value of investments	\$ 22,063	\$ (3,093)
Interest and dividends	23,308	5,454
<i>Total revenue</i>	45,371	2,361
 <i>Expenditures:</i>		
Death benefits to beneficiaries	10,000	
Accounting and Administration		5,000
<i>Total expenditures</i>	10,000	5,000
<i>Excess (deficiency) of revenue over expenditures</i>	35,371	(2,639)
<i>Fund balance, January 1</i>	470,328	472,967
<i>Fund balance, December 31</i>	\$ 505,699	\$ 470,328

The accompanying notes are an integral part of these financial statements.

**BALTIMORE CITY POLICE DEPARTMENT
DEATH RELIEF FUND**

Notes to Financial Statements

1. Organization and Purpose

The Baltimore City Police Department's Death Relief Fund (Fund) was established in 1967 as an instrumentality of the State of Maryland to pay a special one-time death benefit to eligible beneficiaries upon the deaths of actively employed police officers or civilian members of the Baltimore City Police Department. The Fund is operated in accordance with Article 24, Title 16 of the Annotated Code of Maryland (Code). The Fund is currently administered by the Board of Trustees of the Baltimore City Police Department's Death Relief Fund. The Code states that the Board of Trustees shall consist of nine members of the Baltimore City Police Department (one member of the rank of major or higher, one deputy major, one lieutenant, one sergeant, three patrolmen, one civilian employee of the Department, and the Director of the Department's Fiscal Affairs Division).

With the exception of the Director of the Fiscal Affairs Division, members of the Board of Trustees shall be elected at large, and shall serve a term of four years. Elections will be held biennially with the terms for half of the Board of Trustees' members terminating at alternate two-year periods with those of the remaining members. Vacated positions will be filled from the nominees of comparable rank with the next highest vote tally, or in the absence of such nominees, the Board of Trustees shall elect a comparable replacement from the Department at large. This new member will serve the uncompleted term of the replaced member.

2. Summary of Significant Accounting Policies

a. Basis of Accounting

The accompanying financial statements were prepared using the modified accrual basis of accounting since the Fund is an expendable trust fund. The trust fund is expendable because the fund's principal can be expended toward the specific purpose of the trust. Under the modified accrual basis of accounting, revenues susceptible to accrual are recognized in the financial statements when they are measurable and available to finance operations during the year or liquidate liabilities existing at the end of the year.

b. Valuation of Investments

The Annotated Code of Maryland Article 24, Title 16-106(c) states that the Board of Trustees may invest the assets of the Fund in such investments as in their discretion

they deem prudent. Investments are reported at fair value. Fair value is based on valuations provided by the custodial fund manager. For investments held in the equity and fixed income funds, fair value is based on the last reported sales price if traded on national exchanges, or market prices provided by independent pricing services. For investments held in the money market fund, fair value is determined under the amortized cost method which approximates current market. Under this method, securities are valued at cost when purchased and, thereafter, a constant proportionate amortization of any discount or premium is recorded until maturity of the security. Investment purchases and sales are recorded on the trade date.

3. Deposits and Investments

Deposits and investments held at December 31, 2012 and December 31, 2011, had fair values of \$505,426 and \$468,907, respectively. Investments include indirect investments in equity (stock) and fixed income (bond) funds through mutual funds. Investments are categorized as mutual funds and are held in the name of the fund's custodial fund manager or agent. Cash and cash equivalents include money market funds which consist of government, bank and commercial obligations (for example, bankers' acceptances, certificates of deposit, etc.).

<u>Category Type</u>	<u>Fair Market Value</u>	
	<u>2012</u>	<u>2011</u>
Cash and cash equivalents.....	\$ 62,137	\$ 47,681
Mutual funds.....	443,289	421,226
Total.....	<u>\$ 505,426</u>	<u>\$ 468,907</u>

The custodial fund manager charged the fund fees for administration and investment advice. These fees were netted against investment income by the custodial fund manager.

Foreign Currency Exposure Risk

Foreign currency exposure risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Fund does not hold any foreign investment positions. The Board of Trustees has not adopted a formal policy to limit foreign currency risk.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of investments. The Fund's debt investments are in money

market funds. The Board of Trustees has not adopted a formal policy to limit interest rate risk.

Credit Risk by Quality

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Fund's debt investments are in money market funds. The Board of Trustees has not adopted a formal policy to limit credit risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. As of December 31, 2012 and 2011, the Fund had no single issuer that exceeded five percent of total investments. The Board of Trustees has not adopted a formal policy to limit concentration of credit risk.

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**AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

July 19, 2013

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

Board of Trustees of the
Baltimore City Police Department
Death Relief Fund

We have audited the accompanying Balance Sheets and the Statements of Revenue, Expenditures and Changes in Fund Balance of the Baltimore City Police Department's Death Relief Fund as of and for the years ended December 31, 2012 and 2011, and have issued our report thereon dated July 19, 2013. 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.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Baltimore City Police Department's Death Relief Fund's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Baltimore City Police Department's Death Relief Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Baltimore City Police Department's Death Relief Fund's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented,

or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Baltimore City Police Department's Death Relief Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Robert L. McCarty, Jr., CPA
City Auditor