



**City of Baltimore
Department of Finance
Quadrennial Financial Audit for
Fiscal Years 2010-2013**

City of Baltimore
Department of Finance
Quadrennial Financial Audit for
Fiscal Years 2010-2013

Henry J. Raymond
Director

Prepared by Bureau of Accounting and Payroll Services
Tom Reese, *Chief*



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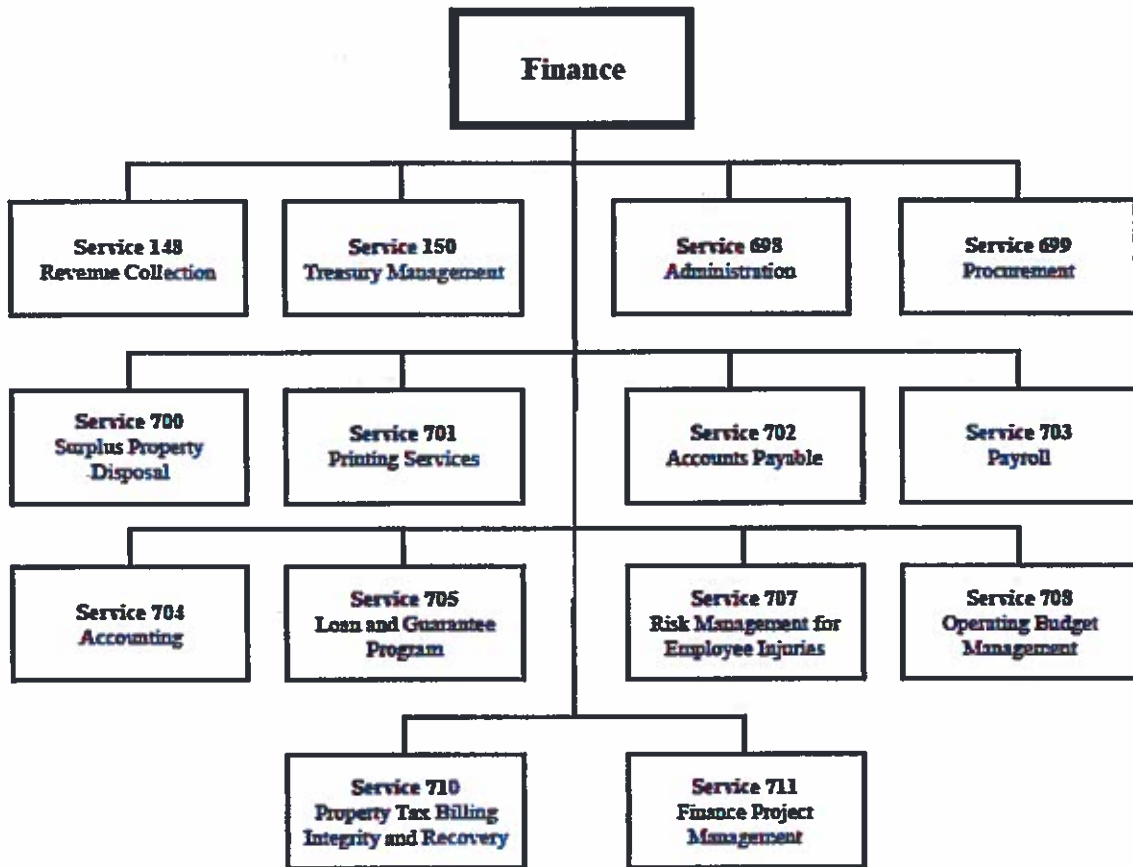
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FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

December 3, 2015

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

Report on the Financial Statements

We have audited the accompanying Balance Sheet – Governmental Funds and the Statement of Revenues, Expenditures, and Changes in Fund Balance, and the financial statements of the governmental activities, of the Department of Finance, an agency of the primary government, City of Baltimore, Maryland, as of and for the years ending June 30, 2010 through June 30, 2013, which collectively comprise the Department of Finance'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 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 of 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 risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Department of Finance'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 Department of Finance'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 respective financial position of the governmental activities of the Department of Finance as of June 30,

2010, June 30, 2011, June 30, 2012 and June 30, 2013, and the respective changes in the financial position thereof and the respective budgetary comparison for the General Fund for the years then ended, in accordance with accounting principles generally accepted in the United States.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States require that the Management's Discussion and Analysis, on pages 3 to 5, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standard 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Department of Finance's basic financial statements. The introductory section, as listed in the table of contents, is presented for the purposes of additional analysis and is not a required part of the financial statements.

The introductory section, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report, dated December 3, 2015, on our consideration of the Department of Finance's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts 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 the 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 Department of Finance's internal control over financial reporting and compliance.

Respectfully submitted,



Robert L. McCarty, Jr., CPA
City Auditor

CITY OF BALTIMORE
Department of Finance
Financial Report
For the Fiscal Years Ended
June 30, 2010, 2011, 2012 and 2013

Management's Discussion and Analysis

This section of the Department of Finance financial report seeks to present a discussion and analysis of the agency's financial activities for the fiscal years ended June 30, 2010, 2011, 2012 and 2013.

Overview of the Financial Statements

The financial statements presented provide information on the stewardship of the agency to manage the funds entrusted to it by the public to provide important City services. The basic financial statements comprise three components: (1) fund balance sheet or financial statement of net position, (2) changes in fund balances and notes to the financial statements, and (3) report on other supplementary information.

These financial statements are only of the City of Baltimore, Department of Finance's operations and are not intended to present the financial position, changes in financial position or, where applicable, cash flows of the City of Baltimore.

Analysis of the Balance Sheet

The Balance Sheet is a statement of assets, liabilities and resulting fund balance generated for the operational results throughout the fiscal years under review. The following is an analysis of each balance by fund:

General funds

The assets of the Department of Finance's General Fund are valued at \$901,792, \$950,215, \$1,191,364, and \$1,723,398 for fiscal years 2010, 2011, 2012, and 2013, respectively. Liabilities equaling the amount of the assets are presented resulting in a zero balance at each year. All assets are owned by the Mayor and City Council of Baltimore. All debt and long-term liabilities are the responsibility of the Mayor and City Council of Baltimore. The 'due to the other funds' is driven by cumulative deficit in the amount of \$1,469,420 in the Bureau of Purchases' Surplus Property operation and Bureau of Revenue Collections' Business Licenses Inspection section.

Capital Project Fund

The Fund Balances of the Department of Finance's Capital Project Fund are valued at \$9,016,622, \$8,958,926, \$14,978,074, and \$12,097,493, respectively. The fund balances in the Capital Project Fund are primarily used by the Department to acquire, develop and implement financial accounting systems for the City of Baltimore.

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Internal Service Fund Reproduction and Printing

The Net Position of the Department's Internal Service Fund for Reproduction and Printing has declined from a deficit of \$5,333,443 in fiscal year 2010 to a deficit of \$7,176,115 in fiscal year 2013. The deficits in this fund will need to be made up by increased fees for services or contributions from other funds.

Analysis of Statement of Changes in Financial Position

The Statement of Changes in Financial Position provides an overview of the financial operations of the agency. The following is an analysis of the Department's operations by fund.

General Fund

During the four year period, the Department's General Fund expenditures increased from \$12,849,048 in fiscal year 2010 to \$17,769,185 in fiscal year 2013. The primary factor driving this increase was a policy change in fiscal year 2013 to charge employer pension expense directly to the various City agencies, where as in the past this expense was centrally charged to one account in one General Fund cost center. This change in policy resulted in increasing the Department's General Fund expenditures by \$2,791,000 in fiscal year 2013. Also during the period the Department established two new programs, Property Tax Billing Integrity and Recovery, and Finance Project Management. These two programs collectively increased the operating expenditures by \$350,000 annually.

Capital Projects

Funding for the Capital Project Fund is provided based on a per project basis. Typically funding is provided when the specific project is identified and work begins, therefore any analysis of changes in financial position has to be performed on a pre-project basis. Currently the Department is undertaking two large system implementations. The first project is the replacement of the City's real property system. The cost of this project is estimated to be approximately \$6.7 million. As of June 20, 2013, actual expenditures were \$898,120. This project is estimated to be completed by July 2016. Additionally, the Department is in the early implementation stage of upgrading the City's general ledger system. Preliminary estimates of the cost of this project are \$3.5 million. This project is anticipated to be completed by September 2016.

Internal Service Fund Reproduction and Printing

As an Internal Service Fund, it is the objective of Reproduction and Printing to cover the cost of their services from the user agencies. As such, revenue fluctuates based on usage. During this four year period, revenues fluctuated from a high of \$3,055,794 in fiscal year 2012 to a low of \$2,236,966 in fiscal year 2011. Fiscal year 2013 revenues were \$2,850,565. An analysis of expenses showed that fund expenses did not fluctuate in proportion to the revenue fluctuations. In fiscal year 2010, actual expenses exceeded revenues by \$821,766, in 2011 by \$1,294,897, in 2012 by \$536,005 and in 2013 by \$2,820. The deficit has declined in later years as the Department reduced some of the cost in the fund

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from a high of \$4,036,365 in fiscal year 2010 to a low of \$2,853,385 in fiscal year 2013. This reduction in cost, along with an effort to promptly bill agencies for charges, reduced the fiscal 2013 deficit to \$2,820.

Request for Information

This financial report is designed to provide a general overview of the Department of Finance's operations to all interested parties. Questions concerning any information provided in this report or requests for additional financial information should be addressed to:

Henry Raymond
Director of Finance
City of Baltimore
Department of Finance
Room 454 City Hall
Baltimore, Maryland 21202

CITY OF BALTIMORE
Department of Finance

Balance Sheet - Governmental Funds
June 30, 2010

	General Fund	Capital Projects Fund	Total
Assets:			
Due from the City		\$ 9,056,312	\$ 9,056,312
Appropriations Receivable	\$ 901,792		901,792
Total Assets	901,792	9,056,312	9,958,104
Liabilities:			
Accounts Payable	799,993	39,690	839,683
Due to Other Funds	101,799		101,799
Total Liabilities	901,792	39,690	941,482
Fund Balances:			
Unassigned			
Assigned		9,016,622	9,016,622
Total Fund Balances		9,016,622	9,016,622
Total Liabilities and Fund Balances	\$ 901,792	\$ 9,056,312	\$ 9,958,104

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

CITY OF BALTIMORE
Department of Finance

Balance Sheet - Governmental Funds
June 30, 2011

	General Fund	Capital Projects Fund	Total
Assets:			
Due from the City		\$ 8,958,926	\$ 8,958,926
Appropriations Receivable	\$ 950,215		950,215
Total Assets	950,215	8,958,926	9,909,141
Liabilities:			
Accounts Payable	548,930		548,930
Due to Other Funds	401,285		401,285
Total Liabilities	950,215		950,215
Fund Balances:			
Unassigned			
Assigned		8,958,926	8,958,926
Total Fund Balances		8,958,926	8,958,926
Total Liabilities and Fund Balances	\$ 950,215	\$ 8,958,926	\$ 9,909,141

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

CITY OF BALTIMORE
Department of Finance

Balance Sheet - Governmental Funds
June 30, 2012

	General Fund	Capital Projects Fund	Total
Assets:			
Due from the City		\$ 15,168,318	\$ 15,168,318
Appropriations Receivable	\$ 1,191,364		1,191,364
Total Assets	1,191,364	15,168,318	16,359,682
Liabilities:			
Accounts Payable	248,288	190,244	438,532
Due to Other Funds	943,076		943,076
Total Liabilities	1,191,364	190,244	1,381,608
Fund Balances:			
Unassigned			
Assigned		14,978,074	14,978,074
Total Fund Balances		14,978,074	14,978,074
Total Liabilities and Fund Balances	\$ 1,191,364	\$ 15,168,318	\$ 16,359,682

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

CITY OF BALTIMORE
Department of Finance

Balance Sheet - Governmental Funds
June 30, 2013

	General Fund	Capital Projects Fund	Total
Assets:			
Due from the City		\$ 14,177,533	\$ 14,177,533
Appropriations Receivable	\$ 1,723,398		1,723,398
Total Assets	<u>1,723,398</u>	<u>14,177,533</u>	<u>15,900,931</u>
Liabilities:			
Accounts Payable	253,978	2,080,040	2,334,018
Due to Other Funds	1,469,420		1,469,420
Total Liabilities	<u>1,723,398</u>	<u>2,080,040</u>	<u>3,803,438</u>
Fund Balances:			
Unassigned			
Assigned		12,097,493	12,097,493
Total Fund Balances		<u>12,097,493</u>	<u>12,097,493</u>
Total Liabilities and Fund Balances	<u>\$ 1,723,398</u>	<u>\$ 14,177,533</u>	<u>\$ 15,900,931</u>

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

CITY OF BALTIMORE
Department of Finance

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2010

	General Fund	Capital Projects Fund	Total	Risk Management Fund
Revenues:				
General Fund Appropriations	\$ 12,849,048		\$ 12,849,048	
Internal Service Fund Appropriations				\$ 6,248,488
Other Revenues		\$ 87,953	87,953	
Total Revenues	12,849,048	87,953	12,937,001	6,248,488
Expenditures:				
Office of the Director	961,480		961,480	
Bureau of Budget and Management Research	1,406,829		1,406,829	
Bureau of Accounting and Payroll Services	4,234,454		4,234,454	
Bureau of Purchases	2,293,572		2,293,572	
Bureau of Revenue Collections	3,793,940		3,793,940	
Bureau of Treasury Management	158,773		158,773	
Office of Risk Management				6,248,488
Capital Outlay		2,052,765	2,052,765	
Total Expenditures	12,849,048	2,052,765	14,901,813	6,248,488
Excess (Deficiency) Revenues over Expenditures		(1,964,812)	(1,964,812)	
Fund Balance Beginning		10,981,434	10,981,434	
Fund Balance Ending	\$	\$ 9,016,622	\$ 9,016,622	\$

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

CITY OF BALTIMORE
Department of Finance

Statement of Revenues, Expenditures, and Changes In Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

	General Fund	Capital Projects Fund	Total	Risk Management Fund
Revenues:				
General Fund Appropriations	\$ 13,337,732		\$ 13,337,732	
Internal Service Fund Appropriations				\$ 5,389,714
Total Revenues	13,337,732		13,337,732	5,389,714
Expenditures:				
Office of the Director	853,629		853,629	
Bureau of Budget and Management Research	1,245,862		1,245,862	
Bureau of Accounting and Payroll Services	5,062,954		5,062,954	
Bureau of Purchases	1,579,428		1,579,428	
Bureau of Revenue Collections	4,987,662		4,987,662	
Bureau of Treasury Management	(391,803)		(391,803)	
Office of Risk Management				5,389,714
Capital Outlay		\$ 57,696	57,696	
Total Expenditures	13,337,732	57,696	13,395,428	5,389,714
Excess (Deficiency) Revenues over Expenditures		(57,696)	(57,696)	
Fund Balance Beginning		9,016,622	9,016,622	
Fund Balance Ending	\$	\$ 8,958,926	\$ 8,958,926	\$

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

CITY OF BALTIMORE
Department of Finance

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2012

	General Fund	Capital Projects Fund	Total	Risk Management Fund
Revenues:				
General Fund Appropriations	\$ 13,560,682		\$ 13,560,682	
Internal Service Fund Appropriations				\$ 5,428,453
Other Revenues		\$ 6,271,605	6,271,605	
Total Revenues	13,560,682	6,271,605	19,832,287	5,428,453
Expenditures:				
Office of the Director	1,244,435		1,244,435	
Bureau of Budget and Management Research	1,733,030		1,733,030	
Bureau of Accounting and Payroll Services	4,617,076		4,617,076	
Bureau of Purchases	1,756,353		1,756,353	
Bureau of Revenue Collections	3,469,924		3,469,924	
Bureau of Treasury Management	739,864		739,864	
Office of Risk Management				5,428,453
Capital Outlay		252,457	252,457	
Total Expenditures	13,560,682	252,457	13,813,139	5,428,453
Excess (Deficiency) Revenues over Expenditures		6,019,148	6,019,148	
Fund Balance Beginning		8,958,926	8,958,926	
Fund Balance Ending	\$	\$ 14,978,074	\$ 14,978,074	\$

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

CITY OF BALTIMORE
Department of Finance

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2013

	General Fund	Capital Projects Fund	Total	Risk Management Fund
Revenues:				
General Fund Appropriations	\$ 17,769,185		\$ 17,769,185	
Internal Service Fund Appropriations				\$ 6,062,528
Total Revenues	17,769,185		17,769,185	6,062,528
Expenditures:				
Office of the Director	1,042,090		1,042,090	
Bureau of Budget and Management Research	2,127,560		2,127,560	
Bureau of Accounting and Payroll Services	5,538,342		5,538,342	
Bureau of Purchases	2,070,867		2,070,867	
Bureau of Revenue Collections	6,756,387		6,756,387	
Bureau of Treasury Management	233,939		233,939	
Office of Risk Management				6,062,528
Capital Outlay		\$ 2,880,581	2,880,581	
Total Expenditures	17,769,185	2,880,581	20,649,766	6,062,528
Excess (Deficiency) Revenues over Expenditures		(2,880,581)	(2,880,581)	
Fund Balance Beginning		14,978,074	14,978,074	
Fund Balance Ending	\$	\$ 12,097,493	\$ 12,097,493	\$

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

CITY OF BALTIMORE
Department of Finance

Statement of Net Position - Reproduction and Printing
Internal Service Fund
For the Fiscal Years Ended June 30,
2010, 2011, 2012 and 2013

June 30	2010	2011	2012	2013
Assets:				
<i>Current assets:</i>				
Accounts Receivable	\$ 887,575	\$ 458,598	\$ 321,122	\$ 66,926
Inventories	731,279	701,581	815,119	1,252,119
Total current assets	<u>1,618,854</u>	<u>1,160,179</u>	<u>1,136,241</u>	<u>1,319,045</u>
<i>Noncurrent assets:</i>				
Capital Assets - net		16,110	12,530	8,950
Total noncurrent assets		<u>16,110</u>	<u>12,530</u>	<u>8,950</u>
Total assets	<u>\$ 1,618,854</u>	<u>\$ 1,176,289</u>	<u>\$ 1,148,771</u>	<u>\$ 1,327,995</u>
Liabilities:				
<i>Current liabilities:</i>				
Accounts payable and accrued liabilities	\$ 190,167	\$ 136,102	\$ 139,008	\$ 181,129
Due to other funds	6,638,423	7,563,847	8,066,424	8,196,324
Other liabilities	123,707	104,680	107,684	117,707
Total liabilities	<u>6,952,297</u>	<u>7,804,629</u>	<u>8,313,116</u>	<u>8,495,160</u>
Net position:				
Net investment in capital assets		16,110	12,530	8,950
Unrestricted (Deficit)	(5,333,443)	(6,644,450)	(7,176,875)	(7,176,115)
Total net position (Deficit)	<u>\$ (5,333,443)</u>	<u>\$ (6,628,340)</u>	<u>\$ (7,164,345)</u>	<u>\$ (7,167,165)</u>

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

CITY OF BALTIMORE
Department of Finance

Statement of Revenues, Expenses, and Changes in Net Position - Reproduction and Printing
Internal Service Fund
For the Fiscal Years Ended June 30,
2010, 2011, 2012 and 2013

June 30	2010	2011	2012	2013
Operating Revenues:				
Charges for services	\$ 3,214,599	\$ 2,236,966	\$ 3,055,794	\$ 2,850,565
Operating Expenses:				
Salaries and wages	1,082,217	821,601	784,700	763,264
Other personnel costs	560,715	307,782	381,540	394,099
Contractual services	1,322,146	2,136,504	1,239,434	1,112,535
Material and supplies	1,048,630	264,186	1,182,545	579,907
Minor Equipment	22,657			
Depreciation		1,790	3,580	3,580
Total operating expenses	4,036,365	3,531,863	3,591,799	2,853,385
Change in net position	(821,766)	(1,294,897)	(536,005)	(2,820)
Total net position - beginning	(4,511,677)	(5,333,443)	(6,628,340)	(7,164,345)
Total net position - ending	\$ (5,333,443)	\$ (6,628,340)	\$ (7,164,345)	\$ (7,167,165)

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

CITY OF BALTIMORE
Department of Finance

Statement of Cash Flows - Reproduction and Printing
Internal Service Fund
For the Fiscal Years Ended June 30,
2010, 2011, 2012 and 2013

June 30	2010	2011	2012	2013
Cash flow from operating activities:				
Receipts from customers	\$ 4,287,512	\$ 3,591,367	\$ 3,695,847	\$ 3,234,661
Payments to employees	(1,633,904)	(1,161,171)	(1,156,594)	(1,147,017)
Payments to suppliers	(2,653,608)	(2,412,407)	(2,539,142)	(2,087,644)
Net cash provided (used) by operating activities:		17,789	111	
Cash flows from capital and related financing activities:				
Acquisition of capital assets		(17,789)	(111)	
Net cash used by capital and related financing activities		(17,789)	(111)	
Cash and cash equivalents, beginning of year				
Cash and cash equivalents, end of year	\$	\$	\$	\$
Reconciliation of operating loss to net cash provided by operating activities:				
Operating loss	\$ (821,766)	\$ (1,294,897)	\$ (536,005)	\$ (2,820)
Adjustment to reconcile operating loss to net cash provided by operating activities:				
Depreciation		1,790	3,580	3,580
Accounts receivable	(632,317)	428,977	137,476	254,196
Inventories	(179,926)	29,588	(113,428)	(437,000)
Accounts payable and accrued liabilities	(77,095)	(54,065)	2,906	42,121
Other liabilities	5,874	(19,028)	3,005	10,023
Due to other funds	1,705,230	925,424	502,577	129,900
Total adjustments	821,766	1,312,686	536,116	2,820
Net cash provided by operating activities	\$	\$ 17,789	\$ 111	\$

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

CITY OF BALTIMORE
Department of Finance
Notes to the Financial Statements
Fiscal Years Ended June 30,
2010, 2011, 2012, and 2013

1. Description of the Department of Finance

The Department of Finance is responsible for safeguarding the financial integrity of the City of Baltimore through the development and implementation of sound financial policies and practices.

The Department of Finance is comprised of five bureaus and two offices.

The Bureau of the Budget and Management Research formulates the City's annual operating budget and recommends annual capital expenditures to the Director of Finance. It provides policy and fiscal research and analysis on a variety of administrative, departmental and City-wide issues. The Bureau also provides oversight of all budget expenditures.

The Bureau of Revenue Collections has the responsibility to collect all revenues owed to the City through various taxes, fines, fees and penalties.

The Bureau of Accounting and Payroll Services manages both accounting and payroll operations. Activities include accounts payable; payroll; disbursements; accounts receivable; capital, grant, and fixed asset accounting; billing; and revenue control.

The Bureau of Purchases is responsible for procuring supplies, services and equipment for most City agencies. The Bureau also provides printing and graphic services to various City agencies and others through an internal service fund.

The Bureau of Treasury Management is responsible for the day-to-day cash management of the City. Also, the Bureau manages the City's investment portfolio, issues new debt and manages existing debt.

The Office of the Director provides administration direction and performs the departmental personnel functions.

The Office of Risk Management advises City agencies on risk management issues and in certain cases, obtaining and monitoring insurance policies. The activities of this office are fully funded by the City's Internal Service Risk Management Fund. Expenditures for the portion of the Risk Management Fund controlled by the Department of Finance's Risk Management Office are presented on the face of the Governmental Fund Statements in a separate column.

Not included in these financial statements is the City's Loan and Guarantee Program which is audited separately by KPMG LLP and the Baltimore City Department of Audits.

CITY OF BALTIMORE
Department of Finance
Notes to the Financial Statements
Fiscal Years Ended June 30,
2010, 2011, 2012, and 2013

2. Fund Financial Statements

The Department's services are reported in both the governmental and Internal Service Funds of the City of Baltimore. Information for each governmental fund is presented separately in the Balance Sheet and in the Statement of Revenues, Expenditures and Changes in Fund Balances and for the Internal Service Fund in the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position.

General Fund

The General Fund accounts for the activity of the Department which is funded by appropriations from the City of Baltimore's General Fund.

Capital Projects Fund

The Capital Projects Fund is used to account for capital improvements, acquisitions, software development, and related activities, all of which are funded by the General Fund and other revenues sources.

Internal Service Fund

The Internal Service Fund accounts for the activities of the Reproduction and Printing Fund that provide goods and services to other departments on a cost-reimbursement basis.

3. Summary of Significant Accounting Policies

Basis of Accounting

Governmental Funds

The accounting and financial reporting policies of the Department of Finance conform to accounting principles generally accepted in the United States and reporting standards as promulgated by the Governmental Accounting Standards Board for governmental funds.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues applicable to the current fiscal year and collected soon after year-end are recognized as revenue. Expenditures expected to be paid from currently available resources are recorded when the related fund liability is incurred, except payments for compensated absences which are recognized as expenditures when paid.

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Fiscal Years Ended June 30,
2010, 2011, 2012, and 2013

Internal Service Fund

The Reproduction and Printing Fund, an internal service fund, financial statements are reported using the economic resources measurement focus and are reported on the accrual basis of accounting. Revenues are recorded when earned and expenses are reported as incurred regardless of when the related cash flows take place.

Compensated Absences

The liability for compensated absences reported in the Internal Service Fund consists of unpaid accumulated annual sick, vacation, and personal leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and others who are expected to become eligible at termination. Payments made to terminated employees for accumulated leave are charged as expenditure/expenses, primarily in the General Fund. Estimated accumulated leave balances by fiscal year for the Department of Finance are as follows:

Fiscal Year	Governmental Funds	Reproduction and Printing
2010	\$ 3,086,274	\$ 123,707
2011	2,806,504	104,680
2012	2,550,272	107,684
2013	3,106,776	117,707

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Fiscal Years Ended June 30,
2010, 2011, 2012, and 2013

4. Capital Assets

Capital Assets activity by year for the Reproduction and Printing Internal Service Fund are as follows:

Class/Fiscal Year	Beginning Balance	Additions	Deductions	Ending Balance
<i>Capital Assets being Depreciated</i>				
<i>Equipment</i>				
2010	\$ 1,042,930			\$ 1,042,930
2011	1,042,930	\$ 17,900		1,060,830
2012	1,060,830			1,060,830
2013	1,060,830			1,060,830
<i>Less Accumulated Depreciation</i>				
2010	\$ 1,042,930			\$ 1,042,930
2011	1,042,930	\$ 1,790		1,044,720
2012	1,044,720	3,580		1,048,300
2013	1,048,300	3,580		1,051,880

5. Due to Other Funds

Balances due to other funds are primarily the result of the City's policy not to reflect cash deficits in its individual agencies. Due to other funds, by fund, are as follows:

Fund	Fiscal Year	Amount
General Fund	2010	\$ 101,799
General Fund	2011	401,285
General Fund	2012	943,076
General Fund	2013	1,469,420
Reproduction and Printing	2010	6,638,423
Reproduction and Printing	2011	7,563,847
Reproduction and Printing	2012	8,066,424
Reproduction and Printing	2013	8,196,324

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Fiscal Years Ended June 30,
2010, 2011, 2012, and 2013

The due to the General Fund represents deficits in the Bureau of Purchases' surplus property program. The Department of Finance has not yet identified how the deficit in the surplus property program and reproduction and printing will be funded.

6. Fund Balances and Deficits

The Department of Finance had fund deficits at June 30 as follows:

Fund	Fiscal Year	Fund Balance Deficit
Reproduction and Printing	2010	\$ 5,333,443
Reproduction and Printing	2011	6,628,340
Reproduction and Printing	2012	7,164,345
Reproduction and Printing	2013	7,167,165

7. Pension Plan

Classified employees of the Department of Finance are required to join the City of Baltimore's Employees' Retirement System (ERS). The ERS is a cost-sharing multiple employer defined benefit pension plan which provides retirement, disability and death benefits to plan members and beneficiaries. The plan is managed by a Board of Trustee in accordance with Article 22 of the Baltimore City Code. Plan provisions may be amended only by the City Council.

8. Other Postemployment Benefit

Baltimore City administrative policy provides that other postemployment benefits, other than pension benefits, be provided to all employees of the City. These benefits include certain healthcare and life insurance benefits. All employees who retire are eligible to receive these benefits. The City of Baltimore provides other postemployment benefits (OPEB) to all qualified City employees. The OPEB Plan (Plan) is a contributory single employer defined benefit plan. The benefits and contribution provision of the Plan are established and may be amended by the City. The Plan provides postemployment healthcare, prescription and life insurance benefits to retirees and their beneficiaries. In order to effectively manage the Plan, the City established an OPEB Trust Fund. All retiree and City contributions are deposited into the Trust Fund and all retiree related health and life benefits are paid from the Trust Fund. The City also contracted with the Board of Trustees of the Employees' Retirement System to act as investment manager for the Trust Fund, and BNY Mellon Bank Asset Servicing is the Trust Fund's asset custodian. The

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Plan does not issue stand-alone financial statements; however, the OPEB Trust Fund is included in the City's Financial Statements in the Fiduciary Funds.

It is the City policy to fund benefits on a pay-as-you-go basis plus additional contributions comprising Federal retiree drug subsidy payments and additional annual appropriations.

Retirees are required to contribute at various rates ranging from \$3 to \$2,288 on a monthly basis, depending on the health plan and level of coverage elected and whether Medicare supplemental coverage is present. In addition, retirees contribute 20% toward the prescription plan coverage. Administrative costs of the Plan are covered by the City.

9. Budget Process

The Department of Finance 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.

10. 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 Department of Finance 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.

SUPPLEMENTARY INFORMATION



• Budget and Actual – General Fund

CITY OF BALTIMORE
Department of Finance

Schedule of Revenues, Expenditures and Encumbrances, and Changes in Fund Balance
Budget and Actual - Budgetary Basis - General Fund
For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance with Original Budget Positive (Negative)	Variance with Final Budget Positive (Negative)
Revenues:					
Appropriations revenues	\$ 22,201,514	\$ 22,201,514	\$ 12,849,048	\$ (9,352,466)	\$ (9,352,466)
Total revenues	22,201,514	22,201,514	12,849,048	(9,352,466)	(9,352,466)
Expenditures and Encumbrances:					
Office of the Director	1,010,239	1,010,239	1,461,224	(450,985)	(450,985)
Bureau of Budget and Management Research	1,637,203	1,637,203	1,175,383	461,820	461,820
Bureau of Accounting and Payroll Services	8,014,106	8,014,106	3,536,196	4,477,910	4,477,910
Bureau of Purchases	3,359,537	3,359,537	1,856,648	1,502,889	1,502,889
Bureau of Revenue Collections	6,189,222	6,189,222	3,437,050	2,752,172	2,752,172
Bureau of Treasury Management	1,991,207	1,991,207	116,803	1,874,404	1,874,404
Total expenditures and encumbrances	22,201,514	22,201,514	11,583,304	10,618,210	10,618,210
Excess of revenues over expenditures and encumbrances			1,265,744	1,265,744	1,265,744
Effect of Change in encumbrances			(1,675,718)		
Effect of change in accounts payable			409,974		
Excess (deficiency) revenue over expenditures (GAAP)	\$	\$	\$	\$ 1,265,744.00	\$ 1,265,744.00

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Schedule of Revenues, Expenditures and Encumbrances, and Changes in Fund Balance
Budget and Actual - Budgetary Basis - General Fund
For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Original Budget Positive (Negative)	Variance with Final Budget Positive (Negative)
Revenues:					
Appropriations revenues	\$ 20,375,185	\$ 20,375,185	\$ 13,337,732	\$ (7,037,453)	\$ (7,037,453)
Total revenues	<u>20,375,185</u>	<u>20,375,185</u>	<u>13,337,732</u>	<u>(7,037,453)</u>	<u>(7,037,453)</u>
Expenditures and Encumbrances:					
Office of the Director	1,449,408	1,449,408	347,274	1,102,134	1,102,134
Bureau of Budget and Management Research	1,345,789	1,345,789	2,005,549	(659,760)	(659,760)
Bureau of Accounting and Payroll Services	7,646,237	7,646,237	4,183,415	3,462,822	3,462,822
Bureau of Purchases	2,953,445	2,953,445	1,288,428	1,665,017	1,665,017
Bureau of Revenue Collections	5,228,033	5,228,033	6,527,095	(1,299,062)	(1,299,062)
Bureau of Treasury Management	1,752,273	1,752,273	(247,626)	1,999,899	1,999,899
Total expenditures and encumbrances	<u>20,375,185</u>	<u>20,375,185</u>	<u>14,104,135</u>	<u>6,271,050</u>	<u>6,271,050</u>
Excess (deficiency) of revenues over expenditures and encumbrances			(766,403)	(766,403)	(766,403)
Effect of change in encumbrances			633,211		
Effect of change in accounts payable			133,192		
Excess (deficiency) revenue over expenditures (GAAP)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ (766,403)</u>	<u>\$ (766,403)</u>

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Schedule of Revenues, Expenditures and Encumbrances, and Changes in Fund Balance
 Budget and Actual - Budgetary Basis - General Fund
 For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance with Original Budget Positive (Negative)	Variance with Final Budget Positive (Negative)
Revenues:					
Appropriations revenues	\$ 20,926,852	\$ 20,926,852	\$ 13,560,682	\$ (7,366,170)	\$ (7,366,170)
Total revenues	20,926,852	20,926,852	13,560,682	(7,366,170)	(7,366,170)
Expenditures and Encumbrances:					
Office of the Director	879,247	879,247	1,244,286	(365,039)	(365,039)
Bureau of Budget and Management Research	2,464,520	2,464,520	1,758,798	705,722	705,722
Bureau of Accounting and Payroll Services	6,414,625	6,414,625	4,529,967	1,884,658	1,884,658
Bureau of Purchases	2,935,845	2,935,845	1,678,331	1,257,514	1,257,514
Bureau of Revenue Collections	6,586,336	6,586,336	4,507,145	2,079,191	2,079,191
Bureau of Treasury Management	1,646,279	1,646,279	664,992	981,287	981,287
Total expenditures and encumbrances	20,926,852	20,926,852	14,383,519	6,543,333	6,543,333
Excess (deficiency) of revenues over expenditures and encumbrances			(822,837)	(822,837)	(822,837)
Effect of change in encumbrances			651,365		
Effect of change in accounts payable			171,472		
Excess (deficiency) revenue over expenditures (GAAP)	\$	\$	\$	\$ (822,837)	\$ (822,837)

CITY OF BALTIMORE
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Schedule of Revenues, Expenditures and Encumbrances, and Changes in Fund Balance
 Budget and Actual - Budgetary Basis - General Fund
 For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Original Budget Positive (Negative)	Variance with Final Budget Positive (Negative)
Revenues:					
Appropriations revenues	\$ 25,988,440	\$ 25,988,440	\$ 17,769,185	\$ (8,219,255)	\$ (8,219,255)
Total revenues	25,988,440	25,988,440	17,769,185	(8,219,255)	(8,219,255)
Expenditures and Encumbrances:					
Office of the Director	979,267	979,267	1,044,137	(64,870)	(64,870)
Bureau of Budget and Management Research	2,932,147	2,932,147	1,761,424	1,170,723	1,170,723
Bureau of Accounting and Payroll Services	6,931,288	6,931,288	6,724,502	206,786	206,786
Bureau of Purchases	3,289,653	3,289,653	1,749,950	1,539,703	1,539,703
Bureau of Revenue Collections	10,216,238	10,216,238	7,106,944	3,109,294	3,109,294
Bureau of Treasury Management	1,639,847	1,639,847	235,991	1,403,856	1,403,856
Total expenditures and encumbrances	25,988,440	25,988,440	18,622,948	7,365,492	7,365,492
Excess (deficiency) of revenues over expenditures and encumbrances			(853,763)	(853,763)	(853,763)
Effect of change in encumbrances			975,643		
Effect of change in accounts payable			(121,880)		
Excess (deficiency) revenue over expenditures (GAAP)	\$	\$	\$	\$ (853,763)	\$ (853,763)