



**City of Baltimore**  
**Department of Finance**  
**Biennial Financial Audit for**  
**Fiscal Years Ended June 30, 2015 and 2016**

**CITY OF BALTIMORE**  
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**Fiscal Years Ending June 30, 2015 and 2016**

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***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 Department, for the years ended June 30, 2015 and 2016 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 January 17, 2018, on our consideration of the Department'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 Department's internal control over financial reporting and compliance.



Robert L. McCarty, Jr., CPA  
City Auditor  
January 17, 2018

**CITY OF BALTIMORE**

**General Fund**

**Schedule of Revenues, Expenditures and Encumbrances, and Changes in Fund Balance**

**Budget and Actual – Budgetary Basis**

**For Fiscal Years Ended June 30, 2015 and 2016**

|                                                                     | <u><b>Fiscal Year 2015</b></u> |                      |                        |
|---------------------------------------------------------------------|--------------------------------|----------------------|------------------------|
|                                                                     | <u><b>Final Budget</b></u>     | <u><b>Actual</b></u> | <u><b>Variance</b></u> |
| <b>Revenues:</b>                                                    |                                |                      |                        |
| Appropriations Revenues                                             | \$ 30,492,710                  | \$ 19,629,005        | \$ 10,863,705          |
| <b>Expenditures and Encumbrances:</b>                               |                                |                      |                        |
| Revenue Collection                                                  | 10,253,016                     | 7,265,521            | 2,987,495              |
| Treasury Management                                                 | 1,669,677                      | (139,390)            | 1,809,067              |
| Administration                                                      | 1,516,995                      | 1,574,893            | (57,898)               |
| Procurement                                                         | 3,406,792                      | 2,831,777            | 575,015                |
| Account Payable                                                     | 1,459,816                      | 1,324,002            | 135,814                |
| Payroll                                                             | 4,176,997                      | 2,879,775            | 1,297,222              |
| Accounting                                                          | 3,671,012                      | 1,786,097            | 1,884,915              |
| Operating budget management                                         | 2,812,352                      | 1,181,785            | 1,630,567              |
| Property tax billing integrity and recovery                         | 1,238,378                      | 751,859              | 486,519                |
| Finance project management                                          | 287,675                        | 172,686              | 114,989                |
| Total expenditures and encumbrances                                 | <u>30,492,710</u>              | <u>19,629,005</u>    | <u>10,863,705</u>      |
| <b>Excess of revenues over expenditures and encumbrances (GAAP)</b> | <u>\$ -</u>                    | <u>\$ -</u>          | <u>\$ -</u>            |

|                                                                     | <u><b>Fiscal Year 2016</b></u> |                      |                        |
|---------------------------------------------------------------------|--------------------------------|----------------------|------------------------|
|                                                                     | <u><b>Final Budget</b></u>     | <u><b>Actual</b></u> | <u><b>Variance</b></u> |
| <b>Revenues:</b>                                                    |                                |                      |                        |
| Appropriations Revenues                                             | \$ 31,078,087                  | \$ 16,295,597        | \$ 14,782,490          |
| <b>Expenditures and Encumbrances:</b>                               |                                |                      |                        |
| Revenue Collection                                                  | 11,676,032                     | 4,043,062            | 7,632,970              |
| Treasury Management                                                 | 1,637,217                      | (120,474)            | 1,757,691              |
| Administration                                                      | 1,432,120                      | 1,564,169            | (132,049)              |
| Procurement                                                         | 3,685,492                      | 2,510,260            | 1,175,232              |
| Account Payable                                                     | 1,547,637                      | 822,045              | 725,592                |
| Payroll                                                             | 4,134,785                      | 3,508,815            | 625,970                |
| Accounting                                                          | 3,261,814                      | 1,658,448            | 1,603,366              |
| Operating budget management                                         | 2,151,243                      | 1,531,313            | 619,930                |
| Property tax billing integrity and recovery                         | 1,349,336                      | 605,038              | 744,298                |
| Finance project management                                          | 202,411                        | 172,920              | 29,491                 |
| Total expenditures and encumbrances                                 | <u>31,078,087</u>              | <u>16,295,597</u>    | <u>14,782,490</u>      |
| <b>Excess of revenues over expenditures and encumbrances (GAAP)</b> | <u>\$ -</u>                    | <u>\$ -</u>          | <u>\$ -</u>            |

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

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

|                                                                         | <u>Fiscal Year 2015</u> |                       |                       |
|-------------------------------------------------------------------------|-------------------------|-----------------------|-----------------------|
|                                                                         | <u>Final Budget</u>     | <u>Actual</u>         | <u>Variance</u>       |
| <b>Revenues:</b>                                                        |                         |                       |                       |
| Appropriations Revenues                                                 | \$ 11,256,230           | \$ 9,261,010          | \$ 1,995,220          |
| <b>Expenditures and Encumbrances:</b>                                   |                         |                       |                       |
| Salaries and Wages                                                      | 1,049,870               | 755,154               | 294,716               |
| Other Personnel Cost                                                    | 413,537                 | 379,117               | 34,420                |
| Contractual Services                                                    | 9,651,230               | 9,717,293             | (66,063)              |
| Material and Supplies                                                   | 88,889                  | 18,013                | 70,876                |
| Minor Equipment                                                         | 52,704                  | 10,225                | 42,479                |
| Other                                                                   | -                       | 1,880                 | (1,880)               |
| Total expenditures and encumbrances                                     | <u>11,256,230</u>       | <u>10,881,682</u>     | <u>374,548</u>        |
| <b>Deficiency of revenues over expenditures and encumbrances (GAAP)</b> | <u>\$ -</u>             | <u>\$ (1,620,672)</u> | <u>\$ 1,620,672</u>   |
|                                                                         |                         |                       |                       |
|                                                                         | <u>Fiscal Year 2016</u> |                       |                       |
|                                                                         | <u>Final Budget</u>     | <u>Actual</u>         | <u>Variance</u>       |
| <b>Revenues:</b>                                                        |                         |                       |                       |
| Appropriations Revenues                                                 | \$ 13,013,975           | \$ 10,208,240         | \$ 2,805,735          |
| <b>Expenditures and Encumbrances:</b>                                   |                         |                       |                       |
| Salaries and Wages                                                      | 1,077,230               | 824,215               | 253,015               |
| Other Personnel Cost                                                    | 399,763                 | 337,370               | 62,393                |
| Contractual Services                                                    | 11,394,291              | 5,585,919             | 5,808,372             |
| Material and Supplies                                                   | 86,365                  | 11,579                | 74,786                |
| Minor Equipment                                                         | 52,638                  | 10,592                | 42,046                |
| Other                                                                   | 3,688                   | 1,856                 | 1,832                 |
| Total expenditures and encumbrances                                     | <u>13,013,975</u>       | <u>6,771,531</u>      | <u>6,242,444</u>      |
| <b>Excess of revenues over expenditures and encumbrances (GAAP)</b>     | <u>\$ -</u>             | <u>\$ 3,436,709</u>   | <u>\$ (3,436,709)</u> |

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

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

|                                                                         | <u>Fiscal Year 2015</u> |                     |                   |
|-------------------------------------------------------------------------|-------------------------|---------------------|-------------------|
|                                                                         | <u>Final Budget</u>     | <u>Actual</u>       | <u>Variance</u>   |
| <b>Revenues:</b>                                                        |                         |                     |                   |
| Appropriations Revenues                                                 | \$ 3,492,521            | \$ 2,794,806        | \$ 697,715        |
| <b>Expenditures:</b>                                                    |                         |                     |                   |
| Salaries and Wages                                                      | 591,409                 | 805,054             | (213,645)         |
| Other Personnel Cost                                                    | 330,831                 | 348,476             | (17,645)          |
| Contractual Services                                                    | 2,241,528               | 1,028,101           | 1,213,427         |
| Material and Supplies                                                   | 318,081                 | 899,513             | (581,432)         |
| Minor Equipment                                                         | 10,672                  | 6,576               | 4,096             |
| Total expenditures and encumbrances                                     | <u>3,492,521</u>        | <u>3,087,720</u>    | <u>404,801</u>    |
| <b>Deficiency of revenues over expenditures and encumbrances (GAAP)</b> | <u>\$ -</u>             | <u>\$ (292,914)</u> | <u>\$ 292,914</u> |
|                                                                         |                         |                     |                   |
|                                                                         | <u>Fiscal Year 2016</u> |                     |                   |
|                                                                         | <u>Final Budget</u>     | <u>Actual</u>       | <u>Variance</u>   |
| <b>Revenues:</b>                                                        |                         |                     |                   |
| Appropriations Revenues                                                 | \$ 3,359,496            | \$ 2,524,956        | \$ 834,540        |
| <b>Expenditures and Encumbrances:</b>                                   |                         |                     |                   |
| Salaries and Wages                                                      | 629,091                 | 820,676             | (191,585)         |
| Other Personnel Cost                                                    | 289,191                 | 325,908             | (36,717)          |
| Contractual Services                                                    | 1,180,121               | 978,342             | 201,779           |
| Material and Supplies                                                   | 1,245,146               | 959,396             | 285,750           |
| Minor Equipment                                                         | 12,919                  | 8,948               | 3,971             |
| Other                                                                   | 3,028                   | 3,028               | -                 |
| Total expenditures and encumbrances                                     | <u>3,359,496</u>        | <u>3,096,298</u>    | <u>263,198</u>    |
| <b>Deficiency of revenues over expenditures and encumbrances (GAAP)</b> | <u>\$ -</u>             | <u>\$ (571,342)</u> | <u>\$ 571,342</u> |

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

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

**Fiscal Year 2015**

|                                                                      | <u>Cash Balance<br/>7/01/14</u> | <u>Revenue</u>      | <u>Expenditures</u> | <u>Cash Balance<br/>6/30/2015</u> |
|----------------------------------------------------------------------|---------------------------------|---------------------|---------------------|-----------------------------------|
| <b>Other Grants</b>                                                  |                                 |                     |                     |                                   |
| Property Disposal                                                    | \$ (522,655)                    | \$ 650,000          | \$ 64,051           | \$ 63,294                         |
| Revenue Collections Inspection                                       | (1,203,232)                     | 1,009,702           | 60,210              | (253,739)                         |
| <b>Total revenues, expenditure and<br/>changes in grant balances</b> | <b>\$ (1,725,887)</b>           | <b>\$ 1,659,702</b> | <b>\$ 124,260</b>   | <b>\$ (190,445)</b>               |

**Fiscal Year 2016**

|                                                                       | <u>Cash Balance<br/>7/1/2015</u> | <u>Revenue</u>    | <u>Expenditures</u> | <u>Cash Balance<br/>6/30/2016</u> |
|-----------------------------------------------------------------------|----------------------------------|-------------------|---------------------|-----------------------------------|
| <b>Other Grants</b>                                                   |                                  |                   |                     |                                   |
| Property Disposal                                                     | \$ 63,294                        | \$ 150,000        | \$ 122,930          | \$ 90,364                         |
| Revenue Collections Inspection                                        | (253,739)                        | 410,709           | 1,279               | 155,691                           |
| <b>Total revenues, expenditures and<br/>changes in grant balances</b> | <b>\$ (190,445)</b>              | <b>\$ 560,709</b> | <b>\$ 124,209</b>   | <b>\$ 246,055</b>                 |

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

**CITY OF BALTIMORE**  
**Capital Projects**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For Fiscal Year Ended June 30, 2015 and 2016**

|                                             | <u>2015</u>         | <u>2016</u>          |
|---------------------------------------------|---------------------|----------------------|
| <b>Revenues</b>                             |                     |                      |
| General Fund                                | \$ -                | \$ 4,000,000         |
| Other                                       | 2,078,870           | -                    |
| <b>Total Revenues</b>                       | <u>2,078,870</u>    | <u>4,000,000</u>     |
| <b>Expenditures</b>                         |                     |                      |
| Capital Outlay                              | <u>1,192,369</u>    | <u>1,873,786</u>     |
| <b>Excess of Revenues over Expenditures</b> | 886,501             | 2,126,214            |
| <b>Beginning Fund Balance</b>               | <u>8,758,614</u>    | <u>9,645,115</u>     |
| <b>Ending Fund Balance</b>                  | <u>\$ 9,645,115</u> | <u>\$ 11,771,329</u> |

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



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

**1. Description of the Department of Finance**

The Department of Finance (the Department) 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 is comprised of five bureaus and two offices as follows:

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 projects, grants, fixed assets, 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 the Printing and Reproduction 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, obtains and monitors 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's Risk Management Office are presented in a separate internal service fund.

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

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

**2. Fund Financial Statements**

The Department'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 expire at year end. The special revenue funds receive grant from the Federal, State and other sources. Appropriations for special revenue funds 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 Accounting Policies**

The financial statements of the Agency are prepared on a 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. 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.

**4. Budget Process**

The Department 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 Department is a chartered agency within the City of Baltimore municipal government. Therefore, its exposure to various risks is managed by the City's Risk Management Office.

**6. Subsequent Events**

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