



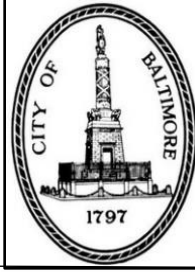
Mayor's Office of Human Services
Biennial Financial Audit
Fiscal Years Ended June 30, 2016 and 2015

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CITY OF BALTIMORE

JOAN M. PRATT, CPA
Comptroller



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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 Mayor's Office of Human Services (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, Budgetary Basis and the Statement of Revenues, Expenditures and Changes in Grant Cash Balances, for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 3; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the revenues collected and expenses paid for governmental activities, of the Agency, for the years ended June 30, 2016 and 2015 in accordance with the cash basis of accounting described in Note 3.

Basis of Accounting

The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Report on Other Legal and Regulatory Requirements

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

In accordance with Government Auditing Standards, we have also issued our report, dated February 12, 2018, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Agency's internal control over financial reporting and compliance.

A handwritten signature in cursive script, appearing to read "Audrey Askew".

Audrey Askew, CPA
Deputy City Auditor

February 12, 2018

CITY OF BALTIMORE
Mayor's Office of Human Services
Schedule of Revenues, Expenditures and Encumbrances, and Changes in Fund Balances
Budget and Actual – Budgetary Basis – General Fund
For Fiscal Years Ended June 30, 2016 and 2015

	<u>2016</u>		
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Appropriation Revenue	\$ 14,028,588	\$ 9,312,211	\$ 4,716,377
Expenditures and Encumbrances:			
Administration	928,184	1,146,193	(218,009)
Head Start	575,000	190,338	384,662
Community Centers	1,361,327	1,535,664	(174,337)
Homeless Services	11,164,077	6,440,016	4,724,061
Total Expenditures and Encumbrances	<u>14,028,588</u>	<u>9,312,211</u>	<u>4,716,377</u>
Excess of Revenues over Expenditures and Encumbrances (GAAP)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	<u>2015</u>		
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Appropriation Revenue	\$ 10,673,422	\$ 9,362,593	\$ 1,310,829
Expenditures and Encumbrances			
Administration	629,807	1,234,980	(605,173)
Community Centers	924,024	697,607	226,417
Homeless Services	9,119,591	7,430,006	1,689,585
Total Expenditures and Encumbrances	<u>10,673,422</u>	<u>9,362,593</u>	<u>1,310,829</u>
Excess of Revenues over Expenditures and Encumbrances (GAAP)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

CITY OF BALTIMORE
Mayor's Office of Human Services
Statement of Revenues, Expenditures and Changes in Grant Cash Balances
For Fiscal Year Ended June 30, 2016

	<u>Cash Balance 7/1/2015</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Cash Balance 6/30/2016</u>
Federal Grants				
Administration	\$ (4,361,137)	\$ -	\$ -	\$ (4,361,137)
Head Start	(5,457,113)	6,120,147	5,260,646	(4,597,612)
Homeless Services	<u>(5,279,662)</u>	<u>32,388,029</u>	<u>29,890,703</u>	<u>(2,782,336)</u>
Total Revenues, Expenditures and Changes in Grant Cash Balances	<u>(15,097,912)</u>	<u>38,508,176</u>	<u>35,151,349</u>	<u>(11,741,085)</u>
State Grants				
Administration	(1,843,479)	-	-	(1,843,479)
Head Start	517,385	-	130,589	386,796
Community Centers	4,038,709	4,640,961	4,457,158	4,222,512
Homeless Services	(4,571,862)	908,755	2,152,340	(5,815,447)
Energy Assistance	<u>(23,231)</u>	<u>950,000</u>	<u>-</u>	<u>926,769</u>
Total Revenues, Expenditures and Changes in Grant Cash Balances	<u>(1,882,478)</u>	<u>6,499,716</u>	<u>6,740,087</u>	<u>(2,122,849)</u>
Private Grants				
Homeless Services	<u>-</u>	<u>200,000</u>	<u>200,000</u>	<u>-</u>
Total Grants	<u><u>\$ (16,980,390)</u></u>	<u><u>\$ 45,207,892</u></u>	<u><u>\$ 42,091,436</u></u>	<u><u>\$ (13,863,934)</u></u>

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

CITY OF BALTIMORE
Mayor's Office of Human Services
Statement of Revenues, Expenditures and Changes in Grant Cash Balances
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>
Federal Grants				
Administration	\$ (4,361,137)	\$ -	\$ -	\$ (4,361,137)
Head Start	(5,836,886)	9,171,251	8,791,478	(5,457,113)
Homeless Services	<u>(5,255,452)</u>	<u>31,169,492</u>	<u>31,193,702</u>	<u>(5,279,662)</u>
Total Revenues, Expenditures and Changes in Grant Cash Balances	<u>(15,453,475)</u>	<u>40,340,743</u>	<u>39,985,180</u>	<u>(15,097,912)</u>
State Grants				
Administration	(1,843,479)	-	-	(1,843,479)
Head Start	(130,301)	1,442,538	794,852	517,385
Community Centers	1,008,484	8,341,904	5,311,679	4,038,709
Homeless Services	(4,531,193)	3,009,864	3,050,532	(4,571,862)
Energy Assistance	<u>567,195</u>	<u>40,912</u>	<u>631,338</u>	<u>(23,231)</u>
Total Revenues, Expenditures and Changes in Grant Cash Balances	<u>(4,929,294)</u>	<u>12,835,218</u>	<u>9,788,401</u>	<u>(1,882,478)</u>
Total Grants	<u><u>\$ (20,382,769)</u></u>	<u><u>\$ 53,175,961</u></u>	<u><u>\$ 49,773,582</u></u>	<u><u>\$ (16,980,390)</u></u>

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

CITY OF BALTIMORE
Mayor's Office of Human Services
Notes to the Financial Statements
For Fiscal Years Ended June 30, 2016 and 2015

1. Description of the Mayor's Office of Human Services

The Mayor's Office of Human Services' (the Agency) mission is to prevent homelessness and provide outreach services to low and moderate income families. The Agency was created to develop and implement an integrated system of support for vulnerable populations through four focus areas – Community Action Partnership, Head Start, Homeless Services, and Reentry. The critical mission of the Agency is to oversee the development of:

- A continuum of housing services for individuals experiencing homelessness or at-risk of experiencing homelessness,
- A comprehensive service delivery model for Community Action Program centers located throughout Baltimore City,
- Early intervention services for child development and school readiness, and
- A collaborative strategy to support those transitioning from prison to their communities and families.

2. Fund Financial Statements

The Agency's services are reported in both the City's general and special revenue funds. The Agency annually receives appropriations from both the general and special revenue funds. General fund appropriation expires at year end. The special revenue fund receives grants from 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 Agency's general fund activity are reported on a budgetary basis in the Schedule of Revenues, Expenditures, Encumbrances and Changes in Fund Balance. The financial statement of the special revenue funds are reported in the Schedule of Revenues, Expenditures and Changes in Grant Cash Balances.

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.

CITY OF BALTIMORE
Mayor's Office of Human Services
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 entity 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.