

CITY OF BALTIMORE
DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

Financial Statements
Together with Independent Auditor's Report

For the Years Ended June 30, 2011, 2012, 2013 and 2014

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INDEPENDENT AUDITOR'S REPORT

To the Mayor, City Council, Comptroller and Board of Estimates
City of Baltimore, Maryland

We have audited the accompanying financial statements for the governmental funds of the City of Baltimore, Maryland, Department of Housing and Community Development, as of and for the years ending June 30, 2011 through June 30, 2014, and the related notes to the financial statements which collectively comprise the Department of Housing and Community Development'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 of America; 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Department of Housing and Community Development'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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental funds for the Department of Housing and Community Development, as of June 30, 2011, June 30, 2012, June 30, 2013 and June 30, 2014, in accordance with accounting principles generally accepted in the United States.

Other Matters

The financial statements of the Department of Housing and Community Development are intended to present the financial position and changes in financial position of only that portion of the financial reporting segment of the City of Baltimore, Maryland that is attributable to the transactions of the Department of Housing and Community Development . They do not purport to, and do not, present fairly the financial position and changes in financial position of the City of Baltimore, Maryland as of and for the years ended June 30, 2011, June 30, 2012, June 30, 2013 and June 30, 2014. Additionally, these financial statements do not contain all the minimum disclosures required by U.S. generally accepted accounting principles for legally separate entities. Specifically, government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and management’s discussion and analysis, to introduce the financial statements and provide an analytical overview of the government’s financial activities, are excluded from these statements as the Department of Housing and Community Development is not legally separate from the City of Baltimore.

These financial statements do contain budgetary comparison schedules for governmental funds as required supplementary information to supplement the basic financial statements. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about methods of preparing the information and comparing the information for consistency with management’s responses 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 Reporting Required by Government Auditing Standard

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2016 on our consideration of the Department of Housing and Community Development’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulation, contracts and other matters. The purpose of that report is to describe the scope of our 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 Housing and Community Development’s internal control over financial reporting and compliance.

Hamilton Enterprises LLC

Greenbelt, Maryland
November 10, 2016

CITY OF BALTIMORE
DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

Basic Financial Statements
Notes to the Financial Statements

For the Years Ended June 30, 2011, 2012, 2013 and 2014

CITY OF BALTIMORE
Department of Housing and Community Development

Balance Sheet - Governmental Funds
June 30, 2011

	General Fund	Motor Vehicle Fund	Grants Revenue Fund	Community Development Block Grant Fund	Capital Projects Fund	Total
Assets:						
Due from Baltimore City	\$ 876,957	\$ 7,751	\$ -	\$ 307,893	\$ -	\$ 1,192,601
Due from Other Governments	-	-	10,659,494	-	-	10,659,494
Other Receivables	-	-	-	-	-	-
Total Assets	<u>\$ 876,957</u>	<u>7,751</u>	<u>\$ 10,659,494</u>	<u>\$ 307,893</u>	<u>\$ -</u>	<u>\$ 11,852,095</u>
Liabilities:						
Due to the City	\$ -	\$ -	\$ 7,359,693	\$ -	\$ 36,603,518	\$ 43,963,211
Accounts Payable	75,382	-	988,405	43,303	2,341,335	3,448,425
Retainages Payable	-	-	-	-	383,812	383,812
Accrued Payroll	801,575	7,751	269,679	264,590	-	1,343,595
Other Payables	-	-	-	-	82	82
Advance	-	-	2,041,717	-	-	2,041,717
Total Liabilities	<u>876,957</u>	<u>7,751</u>	<u>10,659,494</u>	<u>307,893</u>	<u>39,328,747</u>	<u>51,180,842</u>
Fund Balances:						
Assigned						-
Unassigned	-	-	-	-	(39,328,747)	(39,328,747)
Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(39,328,747)</u>	<u>(39,328,747)</u>
Total Liabilities and Fund Balances	<u>\$ 876,957</u>	<u>\$ 7,751</u>	<u>\$ 10,659,494</u>	<u>\$ 307,893</u>	<u>\$ -</u>	<u>\$ 11,852,095</u>

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

CITY OF BALTIMORE
Department of Housing and Community Development

Balance Sheet - Governmental Funds
June 30, 2012

	General Fund	Grants Revenue Fund	Community Development Block Grant Fund	Capital Projects Fund	Total
Assets:					
Due from Baltimore City	\$ 450,838	\$ -	\$ 192,783	\$ -	\$ 643,621
Due from Other Governments	-	12,713,448	-	-	12,713,448
Other Receivables	-	-	-	-	-
Total Assets	<u>\$ 450,838</u>	<u>\$ 12,713,448</u>	<u>\$ 192,783</u>	<u>\$ -</u>	<u>\$ 13,357,069</u>
Liabilities:					
Due to the City	\$ -	\$ 5,561,740	\$ -	\$ 55,792,969	\$ 61,354,709
Accounts Payable	140,249	530,177	104,133	1,665,251	2,439,810
Retainages Payable	-	-	-	248,280	248,280
Accrued Payroll	310,589	114,523	88,650	-	513,762
Other Payables	-	-	-	-	-
Advance	-	6,507,008	-	-	6,507,008
Total Liabilities	<u>450,838</u>	<u>12,713,448</u>	<u>192,783</u>	<u>57,706,500</u>	<u>71,063,569</u>
Fund Balances:					
Assigned	-	-	-	-	-
Unassigned	-	-	-	(57,706,500)	(57,706,500)
Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>(57,706,500)</u>	<u>(57,706,500)</u>
Total Liabilities and Fund Balances	<u>\$ 450,838</u>	<u>\$ 12,713,448</u>	<u>\$ 192,783</u>	<u>\$ -</u>	<u>\$ 13,357,069</u>

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

CITY OF BALTIMORE
Department of Housing and Community Development

Balance Sheet - Governmental Funds
June 30, 2013

	General Fund	Grants Revenue Fund	Community Development Block Grant Fund	Capital Projects Fund	Total
Assets:					
Due from Baltimore City	\$ 447,518	\$ 3,083,187	\$ 113,329	\$ -	\$ 3,644,034
Due from Other Governments	-	4,152,773	-	-	4,152,773
Other Receivables	-	-	-	-	-
Total Assets	<u>\$ 447,518</u>	<u>\$ 7,235,960</u>	<u>\$ 113,329</u>	<u>\$ -</u>	<u>\$ 7,796,807</u>
Liabilities:					
Due to the City	\$ -	\$ -	\$ -	\$ 22,268,837	\$ 22,268,837
Accounts Payable	115,960	647,860	26,625	2,376,097	3,166,542
Retainages Payable	-	-	-	56,155	56,155
Accrued Payroll	331,558	81,092	86,704	-	499,354
Other Payables	-	-	-	81	81
Advance	-	6,507,008	-	-	6,507,008
Total Liabilities	<u>447,518</u>	<u>7,235,960</u>	<u>113,329</u>	<u>24,701,170</u>	<u>32,497,977</u>
Fund Balances:					
Assigned	-	-	-	-	-
Unassigned	-	-	-	(24,701,170)	(24,701,170)
Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>(24,701,170)</u>	<u>(24,701,170)</u>
Total Liabilities and Fund Balances	<u>\$ 447,518</u>	<u>\$ 7,235,960</u>	<u>\$ 113,329</u>	<u>\$ -</u>	<u>\$ 7,796,807</u>

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

CITY OF BALTIMORE
Department of Housing and Community Development

Balance Sheet - Governmental Funds
June 30, 2014

	General Fund	Grants Revenue Fund	Community Development Block Grant Fund	Capital Projects Fund	Totals
Assets:					
Due from Baltimore City	\$ 573,948	\$ 13,971,639	\$ -	\$ -	\$ 14,545,587
Due from Other Governments	-	-	127,190	-	127,190
Other Receivables	-	-	-	-	-
Total Assets	<u>\$ 573,948</u>	<u>\$ 13,971,639</u>	<u>\$ 127,190</u>	<u>\$ -</u>	<u>\$ 14,672,777</u>
Liabilities:					
Due to the City	\$ -	\$ -	\$ -	\$ 16,166,405	\$ 16,166,405
Due to Other Governments	-	1,232,475	-	-	1,232,475
Accounts Payable	164,194	1,225,228	32,185	3,517,813	4,939,420
Retainages Payable	-	-	-	58,984	58,984
Accrued Payroll	409,754	107,955	95,005	-	612,714
Other Payables	-	-	-	-	-
Advance	-	11,405,981	-	-	11,405,981
Total Liabilities	<u>573,948</u>	<u>13,971,639</u>	<u>127,190</u>	<u>19,743,202</u>	<u>34,415,979</u>
Fund Balances:					
Assigned	-	-	-	-	-
Unassigned	-	-	-	(19,743,202)	(19,743,202)
Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>(19,743,202)</u>	<u>(19,743,202)</u>
Total Liabilities and Fund Balances	<u>\$ 573,948</u>	<u>\$ 13,971,639</u>	<u>\$ 127,190</u>	<u>\$ -</u>	<u>\$ 14,672,777</u>

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

CITY OF BALTIMORE
Department of Housing and Community Development

Statement of Revenues, Expenditure, and Changes in Fund Balances (Deficits)
 Governmental Funds
 For the Year Ended June 30, 2011

	General Fund	Motor Vehicle Fund	Grants Revenue Fund	Community Development Block Grant Fund	Capital Projects Fund	Total
Revenues:						
General Fund Appropriations	\$ 30,161,381	\$ -	\$ -	\$ -	\$ 1,457,000	\$ 31,618,381
Motor Vehicle Appropriations	-	238,000	-	-	-	238,000
CDBG	-	-	-	-	37,653,422	37,653,422
Federal Grant Revenue	-	-	36,168,476	11,212,776	6,327,904	53,709,156
State Grant Revenue	-	-	5,204,720	-	7,034,755	12,239,475
Other Grant Revenue	-	-	342,815	-	-	342,815
Other Revenues	-	-	-	-	3,602,265	3,602,265
Transfers	-	-	-	-	-	-
Total Revenues	30,161,381	238,000	41,716,011	11,212,776	56,075,346	139,403,514
Expenditures:						
Neighborhood Services	-	-	-	-	-	-
Services for Homeless Persons	-	-	-	-	-	-
Community Support Projects	114	-	-	6,816,420	-	6,816,534
Early Childhood Education	-	-	-	935,047	-	935,047
Head Start	12,705	-	30,622,884	-	-	30,635,589
Administration	6,885,769	-	3,074	1,133,298	-	8,022,141
Energy Assistance	258	-	1,558,018	-	-	1,558,276
Dawson Center	41,393	-	-	498,471	-	539,864
Promote Homeownership	336,665	-	-	173,968	-	510,633
Housing Code Enforcement	9,469,386	-	-	-	-	9,469,386
Register and License Properties and Contractors	380,994	-	-	-	-	380,994
Housing Development Finance and Project Management	1,560	-	-	509,516	-	511,076
Blight Elimination	1,610,694	-	-	693,537	-	2,304,231
Housing Rehabilitation Loans	-	-	-	408,788	-	408,788
Building and Zoning Inspections and Permits	5,094,404	-	-	27,877	-	5,122,281
Community Outreach Services	2,276,860	-	-	-	-	2,276,860
Community Development	15,265	-	-	-	-	15,265
Summer Food Service Program	-	-	571,315	-	-	571,315
Affordable Housing Program	-	-	-	-	-	-
BDC - Retention, Expansion, and Attraction of Business	792,652	-	-	-	-	792,652
BDC - Real Estate Development	1,328,216	-	-	-	-	1,328,216
BDC - Inner Harbor Coordination	403,853	238,000	-	-	-	641,853
BDC - Small Business Resource Center	160,000	-	-	-	-	160,000
BDC - Emerging Technology Center	575,000	-	-	-	-	575,000
BDC - Improve and Promote Retail Districts Beyond Downtown	775,593	-	-	-	-	775,593
Live Baltimore	-	-	-	-	-	-
Finance and Development	-	-	-	15,229	-	15,229
Baltimore Development Corporation	-	-	302,444	-	-	302,444
Arts and Education	-	-	2,256,393	625	-	2,257,018
Economic Development	-	-	-	-	61,556,580	61,556,580
Transfers	-	-	6,401,883	-	-	6,401,883
Total Expenditures	30,161,381	238,000	41,716,011	11,212,776	61,556,580	144,884,748
Excess (Deficiency) of Revenues over Expenditures	-	-	-	-	(5,481,234)	(5,481,234)
Other Financing Sources:						
Transfers from/To City	-	-	-	-	(56,000)	(56,000)
Bonds Sale Proceeds	-	-	-	-	-	-
Total Other Financing Sources	-	-	-	-	(56,000)	(56,000)
Fund Balance Beginning	-	-	-	-	(33,791,513)	(33,791,513)
Fund Balance Ending	\$ -	\$ -	\$ -	\$ -	\$ (39,328,747)	\$ (39,328,747)

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

CITY OF BALTIMORE
Department of Housing and Community Development

Statement of Revenues, Expenditure, and Changes in Fund Balances (Deficits)

Governmental Funds

For the Year Ended June 30, 2012

	General Fund	Grants Revenue Fund	Community Development Block Grant Fund	Capital Projects Fund	Total
Revenues:					
General Fund Appropriations	\$ 27,118,475	\$ -	\$ -	\$ 125,000	\$ 27,243,475
Motor Vehicle Appropriations	-	-	-	-	-
CDBG	-	-	-	7,908,200	7,908,200
Federal Grant Revenue	-	30,686,133	14,997,675	7,102,613	52,786,421
State Grant Revenue	-	3,990,372	-	10,975,133	14,965,505
Other Grant Revenue	-	411,816	-	-	411,816
Other Revenues	-	-	-	8,127,051	8,127,051
Transfers	-	155,152	-	-	155,152
Total Revenues	27,118,475	35,243,473	14,997,675	34,237,997	111,597,620
Expenditures:					
Neighborhood Services	-	221	-	-	221
Services for Homeless Persons	685	-	-	-	685
Community Support Projects	50,099	-	10,223,144	-	10,273,243
Early Childhood Education	116,667	-	991,608	-	1,108,275
Head Start	-	30,845,910	-	-	30,845,910
Administration	1,765,909	2,980	1,272,131	-	3,041,020
Energy Assistance	664	1,523,844	46,800	-	1,571,308
Dawson Center	8,854	-	190,604	-	199,458
Promote Homeownership	128,465	-	334,300	-	462,765
Housing Code Enforcement	11,261,100	77,082	-	-	11,338,182
Register and License Properties and Contractors	436,180	-	-	-	436,180
Housing Development Finance and Project Management	860	-	630,467	-	631,327
Blight Elimination	2,457,056	-	-	-	2,457,056
Housing Rehabilitation Loans	62,674	105,168	1,244,487	-	1,412,329
Building and Zoning Inspections and Permits	5,050,974	-	39,454	-	5,090,428
Community Outreach Services	1,502,361	-	-	-	1,502,361
Community Development	-	-	-	-	-
Summer Food Service Program	-	2,360,642	-	-	2,360,642
Affordable Housing Program	-	-	-	-	-
BDC - Retention, Expansion, and Attraction of Business	712,739	-	-	-	712,739
BDC - Real Estate Development	1,197,441	-	-	-	1,197,441
BDC - Inner Harbor Coordination	506,000	-	-	-	506,000
BDC - Small Business Resource Center	144,000	-	-	-	144,000
BDC - Emerging Technology Center	675,000	-	-	-	675,000
BDC - Improve and Promote Retail Districts Beyond Downtown	765,534	-	-	-	765,534
Live Baltimore	275,213	-	-	-	275,213
Finance and Development	-	15,173	23,556	-	38,729
Baltimore Development Corporation	-	302,404	-	-	302,404
Arts and Education	-	10,049	1,124	-	11,173
Economic Development	-	-	-	52,615,749	52,615,749
Transfers	-	-	-	-	-
Total Expenditures	27,118,475	35,243,473	14,997,675	52,615,749	129,975,372
Excess (Deficiency) of Revenues over Expenditures	-	-	-	(18,377,752)	(18,377,752)
Other Financing Sources:					
Transfers from/To City	-	-	-	-	-
Bonds Sale Proceeds	-	-	-	-	-
Total Other Financing Sources	-	-	-	-	-
Fund Balance Beginning	-	-	-	(39,328,748)	(39,328,748)
Fund Balance Ending	\$ -	\$ -	\$ -	\$ (57,706,500)	\$ (57,706,500)

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

CITY OF BALTIMORE
Department of Housing and Community Development

Statement of Revenues, Expenditure, and Changes in Fund Balances (Deficits)

Governmental Funds

For the Year Ended June 30, 2013

	General Fund	Grants Revenue Fund	Community Development Block Grant Fund	Capital Projects Fund	Total
Revenues:					
General Fund Appropriations	\$ 32,983,120	\$ -	\$ -	\$ 250,000	\$ 33,233,120
Motor Vehicle Appropriations	-	-	-	-	-
CDBG	-	-	-	35,378,482	35,378,482
Federal Grant Revenue	-	-	12,106,757	13,422,652	25,529,409
State Grant Revenue	-	9,696,136	-	22,369,007	32,065,143
Other Grant Revenue	-	318,471	-	-	318,471
Other Revenues	-	-	-	8,117,440	8,117,440
Transfers	-	3,672,618	-	-	3,672,618
Total Revenues	32,983,120	13,687,225	12,106,757	79,537,581	138,314,683
Expenditures:					
Neighborhood Services	-	-	1,558	-	1,558
Services for Homeless Persons	554	-	-	-	554
Community Support Projects	118	-	7,716,552	-	7,716,670
Early Childhood Education	175,000	-	1,119,984	-	1,294,984
Head Start	-	-	-	-	-
Administration	2,518,854	-	1,161,081	-	3,679,935
Energy Assistance	133,115	10,465,446	-	-	10,598,561
Dawson Center	34,307	-	244,469	-	278,776
Promote Homeownership	105,057	-	291,596	-	396,653
Housing Code Enforcement	14,453,030	-	-	-	14,453,030
Register and License Properties and Contractors	545,934	-	-	-	545,934
Housing Development Finance and Project Management	977	-	474,072	-	475,049
Blight Elimination	2,055,485	-	-	-	2,055,485
Housing Rehabilitation Loans	63,801	489,985	993,387	-	1,547,173
Building and Zoning Inspections and Permits	5,012,388	-	40,108	-	5,052,496
Community Outreach Services	1,204,277	-	45,000	-	1,249,277
Community Development	-	-	-	-	-
Summer Food Service Program	-	2,358,627	-	-	2,358,627
Affordable Housing Program	-	-	-	-	-
BDC - Retention, Expansion, and Attraction of Business	1,755,052	161,000	-	-	1,916,052
BDC - Real Estate Development	1,758,331	104,000	-	-	1,862,331
BDC - Inner Harbor Coordination	514,096	-	-	-	514,096
BDC - Small Business Resource Center	146,000	-	-	-	146,000
BDC - Emerging Technology Center	685,800	-	-	-	685,800
BDC - Improve and Promote Retail Districts Beyond Downtown	1,565,122	101,600	-	-	1,666,722
Live Baltimore	255,822	-	-	-	255,822
Finance and Development	-	1,746	16,922	-	18,668
Baltimore Development Corporation	-	-	-	-	-
Arts and Education	-	4,821	2,028	-	6,849
Economic Development	-	-	-	46,532,251	46,532,251
Total Expenditures	32,983,120	13,687,225	12,106,757	46,532,251	105,309,353
Excess (Deficiency) of Revenues over Expenditures	-	-	-	33,005,330	33,005,330
Other Financing Sources:					
Transfers from/To City	-	-	-	-	-
Bonds Sale Proceeds	-	-	-	-	-
Total Other Financing Sources	-	-	-	-	-
Fund Balance Beginning	-	-	-	(57,706,500)	(57,706,500)
Fund Balance Ending	\$ -	\$ -	\$ -	\$ (24,701,170)	\$ (24,701,170)

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

CITY OF BALTIMORE
Department of Housing and Community Development

Statement of Revenues, Expenditure, and Changes in Fund Balances (Deficits)

Governmental Funds

For the Year Ended June 30, 2014

	General Fund	Grants Revenue Fund	Community Development Block Grant Fund	Capital Projects Fund	Total
Revenues:					
General Fund Appropriations	\$ 32,378,831	\$ -	\$ -	\$ 13,244,000	\$ 45,622,831
Motor Vehicle Appropriations	-	-	-	-	-
CDBG	-	-	-	11,748,560	11,748,560
Federal Grant Revenue	-	460,159	12,297,786	8,460,619	21,218,564
State Grant Revenue	-	8,235,396	-	8,713,219	16,948,615
Other Grant Revenue	-	144	-	-	144
Other Revenues	-	-	-	9,690,266	9,690,266
Transfers	-	10,171,562	-	-	10,171,562
Total Revenues	32,378,831	18,867,261	12,297,786	51,856,664	115,400,542
Expenditures:					
Neighborhood Services	-	-	407	-	407
Services for Homeless Persons	-	-	-	-	-
Community Support Projects	53	-	7,100,407	-	7,100,460
Early Childhood Education	170,626	-	1,354,319	-	1,524,945
Administration	2,626,656	8,748	1,188,300	-	3,823,704
Energy Assistance	69,021	15,178,332	94,011	-	15,341,364
Dawson Center	66,904	-	246,838	-	313,742
Promote Homeownership	193,309	-	403,352	-	596,661
Housing Code Enforcement	13,606,310	-	-	-	13,606,310
Register and License Properties and Contractors	421,540	-	-	-	421,540
Housing Development Finance and Project Management	766	-	449,560	-	450,326
Blight Elimination	2,139,050	-	-	-	2,139,050
Housing Rehabilitation Loans	59,345	1,141,758	1,413,393	-	2,614,496
Building and Zoning Inspections and Permits	5,196,379	-	29,769	-	5,226,148
Community Outreach Services	867,510	-	-	-	867,510
Community Development	-	-	-	-	-
Summer Food Service Program	-	2,531,479	-	-	2,531,479
Affordable Housing Program	-	-	-	-	-
BDC - Retention, Expansion, and Attraction of Business	1,640,518	-	-	-	1,640,518
BDC - Real Estate Development	1,792,618	81	-	-	1,792,699
BDC - Inner Harbor Coordination	511,004	-	-	-	511,004
BDC - Small Business Resource Center	228,846	-	-	-	228,846
BDC - Emerging Technology Center	802,274	-	-	-	802,274
BDC - Improve and Promote Retail Districts Beyond Downtown	1,595,641	-	-	-	1,595,641
Live Baltimore	390,461	-	-	-	390,461
Finance and Development	-	1,799	13,650	-	15,449
Baltimore Development Corporation	-	2,400	-	-	2,400
Arts and Education	-	2,664	3,780	-	6,444
Economic Development	-	-	-	46,898,696	46,898,696
Total Expenditures	32,378,831	18,867,261	12,297,786	46,898,696	110,442,574
Excess (Deficiency) of Revenues over Expenditures	-	-	-	4,957,968	4,957,968
Other Financing Sources:					
Transfers from/To City	-	-	-	-	-
Bonds Sale Proceeds	-	-	-	-	-
Total Other Financing Sources	-	-	-	-	-
Fund Balance Beginning	-	-	-	(24,701,170)	(24,701,170)
Fund Balance Ending	\$ -	\$ -	\$ -	\$ (19,743,202)	\$ (19,743,202)

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

CITY OF BALTIMORE
Department of Housing and Community Development
Notes to the Financial Statements
Fiscal Years Ended June 30,
2011, 2012, 2013, and 2014

1. Description of the Department of Housing and Community Development

The mission of the Department of Housing and Community Development (HCD) is to ensure that all citizens of Baltimore City have access to adequate and affordable housing opportunities in safe, livable and decent neighborhoods. The department is committed to expanding housing choices and promoting healthy neighborhoods for all the citizens of Baltimore. HCD also oversees the Baltimore Development Corporation.

Major responsibilities of the Department of Housing and Community Development include: increasing the availability of new housing for low and moderate income families; providing financing to rehabilitate older housing stock; recycling land and buildings to maximize community stability, thereby creating jobs and increasing the assessable tax base; proposing and expediting the funding of community projects; ensuring the safety and structural integrity of all buildings; and enforcing the City's housing code. Other responsibilities include: increasing homeownership opportunities for Baltimore's residents; assisting the indigent with housing and emergency services; preserving the historic integrity of older neighborhoods and buildings; and providing technical assistance and operating support to non-profit organizations that support the City's housing mission.

Baltimore Development Corporation (BDC) is a quasi-government corporation under contract with the City of Baltimore to act as its economic development agency. The corporation has responsibility for city-wide economic and downtown development which includes business retention; spurring minority and women participation in business; creating a coordinated marketing effort to promote the development of downtown; promoting urban tourism; neighborhood commercial revitalization; and expanding Baltimore's role as an international gateway.

2. Fund Financial Statements

The Department's services are reported in, both, the Governmental and Enterprise 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 Enterprise 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.

CITY OF BALTIMORE
Department of Housing and Community Development
Notes to the Financial Statements
Fiscal Years Ended June 30,
2011, 2012, 2013, and 2014

Motor Vehicle Fund

The Motor Vehicle Fund accounts for the activity of the Department which is funded by appropriations from the City of Baltimore's motor vehicle fund. During fiscal year 2013, the City consolidated the activity of the Motor Vehicle fund into the General Fund.

Capital Projects Fund

The Capital Projects Fund is used to account for capital improvement, acquisitions, and related activities all of which is funded by proceeds of bonds issuances, grants and other revenues sources.

Grants Revenue Fund

The Grants Revenue Fund is used to account for operating revenues received from Federal, State and private sources. The funds are restricted by law, contract or regulations to expenditures for specific purposes.

Community Development Block Grant

The Community Development Block Grant Fund (CDBG) is used to account for the operating revenues and expenditures of Federal Community Block Grants. The funds are restricted Law to expenditures for a specific purpose.

3. Summary of Significant Accounting Policies

Basis of Accounting

Governmental Funds

The accounting and financial reporting policies of the Department of Housing and Community Development 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.

CITY OF BALTIMORE
Department of Housing and Community Development
Notes to the Financial Statements
Fiscal Years Ended June 30,
2011, 2012, 2013, and 2014

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 payment and others who are expected to become eligible at termination are included. Payments made to terminated employees for accumulated leave are charged as expenditure/expenses, primarily in the General Fund. Estimated accumulated leave balance by fiscal year for the Department of Housing and Community Development are as follows:

Fiscal Year	Governmental Funds
2011	\$ 4,050,557
2012	4,336,238
2013	4,243,314
2014	4,156,508

4. Capital Assets

The Department of Housing and Community Development uses and maintains various City facilities throughout the city. All fixed assets used by the Department are owned by the City and are used by Housing and Community Development. The Department does pay for certain utility and maintenance cost out of its annual budget.

CITY OF BALTIMORE
Department of Housing and Community Development
Notes to the Financial Statements
Fiscal Years Ended June 30,
2011, 2012, 2013, and 2014

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
Grants Revenue	2011	\$ 7,359,693
Grants Revenue	2012	5,561,740
Capital Projects	2011	36,603,518
Capital Projects	2012	55,792,969
Capital Projects	2013	22,268,837
Capital Projects	2014	16,166,405

6. Fund Balances and Deficits

The Department of Housing and Community Development had fund deficits at June 30 as follows:

Fund	Fiscal Year	Fund Balance Deficit
Capital Projects	2011	\$ 39,328,747
Capital Projects	2012	57,706,500
Capital Projects	2013	24,701,170
Capital Projects	2014	19,743,202

The deficit in Capital Projects is primarily caused by timing differences between expenditures and receipt of funding from various sources.

7. Grant Fund Operating Deficits

The Department of Housing and Community Development Grant Fund expenditures exceeded grant revenues in fiscal years 2012, 2013 and 2014. Accordingly, the City transferred \$155,152, \$3,672,618 and \$10,171,562 for fiscal years 2012, 2013 and 2014, respectively, from the City's General Fund to cover the operating deficits in the Grant Fund. These advances are included in Due from the City of Baltimore in the Governmental Fund Balance Sheets.

CITY OF BALTIMORE
Department of Housing and Community Development
Notes to the Financial Statements
Fiscal Years Ended June 30,
2011, 2012, 2013, and 2014

Should funds for these deficits be received from the grantor, the City's General Fund will be reimbursed.

8. Pension Plan

Classified employees of the Department of Housing and Community Development 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.

9. Other Postemployment Benefit

Baltimore City administrative policy provides that other postemployment benefits, other than pension benefits, be available 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 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.

CITY OF BALTIMORE
Department of Housing and Community Development
Notes to the Financial Statements
Fiscal Years Ended June 30,
2011, 2012, 2013, and 2014

10. Budget Process

The Department of Housing and Community Development 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.

11. 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 Housing and Community Development is a chartered agency within the City of Baltimore municipal government. Therefore, its exposure to various risks is managed the City's Office of Risk Management.

**CITY OF BALTIMORE
DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**

Required Supplementary Information

For the Years Ended June 30, 2011, 2012, 2013 and 2014

See Independent Auditors' Report

CITY OF BALTIMORE
Department of Housing and Community Development

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	\$ 27,963,152	\$ 29,765,152	\$ 30,161,381	\$ 2,198,229	\$ 396,229
Total revenues	27,963,152	29,765,152	30,161,381	2,198,229	396,229
Expenditures and Encumbrances:					
Administration	2,059,226	2,059,226	6,913,185	(4,853,959)	(4,853,959)
Affordable Housing Program	-	-	-	-	-
BDC - Emerging Technology Center	575,000	575,000	575,000	-	-
BDC - Improve and Promote Retail Districts Beyond Downtown	775,593	850,593	775,593	-	75,000
BDC - Inner Harbor Coordination	403,853	403,853	641,853	(238,000)	(238,000)
BDC - Real Estate Development	1,330,490	1,330,490	1,328,216	2,274	2,274
BDC - Retention, Expansion, and Attraction of Business	791,932	791,932	792,652	(720)	(720)
BDC - Small Business Resource Center	160,000	160,000	160,000	-	-
Blight Elimination	1,587,889	2,994,889	1,668,197	(80,308)	1,326,692
Building and Zoning Inspections and Permits	6,120,143	6,120,143	5,338,017	782,126	782,126
Community Development	-	-	15,265	(15,265)	(15,265)
Community Outreach Services	719,080	1,039,080	1,689,994	(970,914)	(650,914)
Community Support Projects	25,000	25,000	-	25,000	25,000
Dawson Center	-	-	49,187	(49,187)	(49,187)
Early Childhood Education	116,489	116,489	-	116,489	116,489
Energy Assistance	-	-	258	(258)	(258)
Head Start	-	-	12,705	(12,705)	(12,705)
Housing Code Enforcement	12,025,168	12,025,168	9,681,015	2,344,153	2,344,153
Housing Development Finance and Project Management	-	-	1,560	(1,560)	(1,560)
Housing Rehabilitation Loans	-	-	586	(586)	(586)
Live Baltimore	-	-	-	-	-
Promote Homeownership	315,000	315,000	439,999	(124,999)	(124,999)
Register and License Properties and Contractors	399,870	399,870	388,114	11,756	11,756
Services for Homeless Persons	558,419	558,419	-	558,419	558,419
Summer Food Service Program	-	-	-	-	-
Total expenditures and encumbrances	27,963,152	29,765,152	30,471,396	(2,508,244)	(706,244)
Excess (deficiency) of revenues over expenditures	-	-	(310,015)	(310,015)	(310,015)
Effect of change in encumbrances	-	-	366,965	-	-
Effect of change in accounts payable	-	-	(54,790)	-	-
Excess (deficiency) of revenues over expenditures (GAAP)	\$ -	\$ -	\$ 2,160	\$ (310,015)	\$ (310,015)

CITY OF BALTIMORE
Department of Housing and Community Development

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	\$ 29,778,525	\$ 29,778,525	\$ 27,118,475	\$ (2,660,050)	\$ (2,660,050)
Total revenues	29,778,525	29,778,525	27,118,475	(2,660,050)	(2,660,050)
Expenditures and Encumbrances:					
Administration	1,932,501	1,932,501	1,791,767	140,734	140,734
Affordable Housing Program	-	-	-	-	-
BDC - Emerging Technology Center	675,000	675,000	675,000	-	-
BDC - Improve and Promote Retail Districts Beyond Downtown	765,534	765,534	765,534	-	-
BDC - Inner Harbor Coordination	744,000	744,000	506,000	238,000	238,000
BDC - Real Estate Development	1,197,441	1,197,441	1,197,441	-	-
BDC - Retention, Expansion, and Attraction of Business	712,739	712,739	1,037,739	(325,000)	(325,000)
BDC - Small Business Resource Center	144,000	144,000	144,000	-	-
Blight Elimination	1,997,359	1,997,359	2,478,286	(480,927)	(480,927)
Building and Zoning Inspections and Permits	6,400,205	6,400,205	4,866,004	1,534,201	1,534,201
Community Development	-	-	-	-	-
Community Outreach Services	1,005,142	1,005,142	1,506,238	(501,096)	(501,096)
Community Support Projects	-	-	50,099	(50,099)	(50,099)
Dawson Center	257,790	257,790	-	257,790	257,790
Early Childhood Education	100,000	100,000	114,663	(14,663)	(14,663)
Energy Assistance	-	-	664	(664)	(664)
Head Start	-	-	-	-	-
Housing Code Enforcement	12,883,013	12,883,013	11,470,817	1,412,196	1,412,196
Housing Development Finance and Project Management	-	-	860	(860)	(860)
Housing Rehabilitation Loans	59,243	59,243	62,674	(3,431)	(3,431)
Live Baltimore	315,000	315,000	315,000	-	-
Promote Homeownership	181,545	181,545	86,596	94,949	94,949
Register and License Properties and Contractors	408,013	408,013	460,459	(52,446)	(52,446)
Services for Homeless Persons	-	-	685	(685)	(685)
Summer Food Service Program	-	-	-	-	-
Total expenditures and encumbrances	29,778,525	29,778,525	27,530,526	2,247,999	2,247,999
Excess (deficiency) of revenues over expenditures	-	-	(412,051)	(412,051)	(412,051)
Effect of change in encumbrances	-	-	478,922	-	-
Effect of change in accounts payable	-	-	(64,867)	-	-
Excess (deficiency) of revenues over expenditures (GAAP)	\$ -	\$ -	\$ 2,004	\$ (412,051)	\$ (412,051)

CITY OF BALTIMORE
Department of Housing and Community Development

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	\$ 26,354,164	\$ 26,354,164	\$ 32,983,120	\$ 6,628,956	\$ 6,628,956
Total revenues	26,354,164	26,354,164	32,983,120	6,628,956	6,628,956
Expenditures and Encumbrances:					
Administration	2,420,383	2,420,383	2,475,303	(54,920)	(54,920)
Affordable Housing Program	-	-	-	-	-
BDC - Emerging Technology Center	-	-	685,800	(685,800)	(685,800)
BDC - Improve and Promote Retail Districts Beyond Downtown	-	-	1,565,121	(1,565,121)	(1,565,121)
BDC - Inner Harbor Coordination	-	-	514,096	(514,096)	(514,096)
BDC - Real Estate Development	-	-	1,758,331	(1,758,331)	(1,758,331)
BDC - Retention, Expansion, and Attraction of Business	-	-	1,430,052	(1,430,052)	(1,430,052)
BDC - Small Business Resource Center	-	-	146,000	(146,000)	(146,000)
Blight Elimination	2,646,993	2,646,993	2,060,760	586,233	586,233
Building and Zoning Inspections and Permits	5,855,699	5,855,699	5,000,601	855,098	855,098
Community Development	-	-	-	-	-
Community Outreach Services	-	-	1,207,311	(1,207,311)	(1,207,311)
Community Support Projects	-	-	118	(118)	(118)
Dawson Center	280,872	280,872	139,266	141,606	141,606
Early Childhood Education	175,000	175,000	175,000	-	-
Energy Assistance	-	-	133,115	(133,115)	(133,115)
Housing Code Enforcement	14,125,169	14,125,169	14,106,518	18,651	18,651
Housing Development Finance and Project Management	-	-	977	(977)	(977)
Housing Rehabilitation Loans	64,708	64,708	63,801	907	907
Live Baltimore	-	-	282,523	(282,523)	(282,523)
Promote Homeownership	154,856	154,856	43,592	111,264	111,264
Register and License Properties and Contractors	630,484	630,484	524,594	105,890	105,890
Services for Homeless Persons	-	-	554	(554)	(554)
Summer Food Service Program	-	-	-	-	-
Total expenditures and encumbrances	26,354,164	26,354,164	32,313,433	(5,959,269)	(5,959,269)
Excess (deficiency) of revenues over expenditures	-	-	669,687	669,687	669,687
Effect of change in encumbrances	-	-	(693,976)	-	-
Effect of change in accounts payable	-	-	24,289	-	-
Excess (deficiency) of revenues over expenditures (GAAP)	\$ -	\$ -	\$ -	\$ 669,687	\$ 669,687

CITY OF BALTIMORE
Department of Housing and Community Development

Schedule of Revenues, Expenditures and Encumbrances, and Changes in Fund Balance
Budget and Actual - Budgetary Basis - General Fund
For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Original Budget Positive (Negative)	Variance with Final Budget Positive (Negative)
Revenues:					
Appropriations revenues	\$ 26,866,315	\$ 26,866,315	\$ 32,378,831	\$ 5,512,516	\$ 5,512,516
Total revenues	26,866,315	26,866,315	32,378,831	5,512,516	5,512,516
Expenditures and Encumbrances:					
Administration	2,648,341	2,648,341	2,630,187	18,154	18,154
Affordable Housing Program	-	-	-	-	-
BDC - Emerging Technology Center	-	-	802,274	(802,274)	(802,274)
BDC - Improve and Promote Retail Districts Beyond Downtown	-	-	1,683,676	(1,683,676)	(1,683,676)
BDC - Inner Harbor Coordination	-	-	511,004	(511,004)	(511,004)
BDC - Real Estate Development	-	-	1,792,618	(1,792,618)	(1,792,618)
BDC - Retention, Expansion, and Attraction of Business	-	-	1,640,518	(1,640,518)	(1,640,518)
BDC - Small Business Resource Center	-	-	228,846	(228,846)	(228,846)
Blight Elimination	2,637,179	2,637,179	2,376,982	260,197	260,197
Building and Zoning Inspections and Permits	6,120,405	6,120,405	5,485,706	634,699	634,699
Community Development	-	-	-	-	-
Community Outreach Services	-	-	863,955	(863,955)	(863,955)
Community Support Projects	-	-	53	(53)	(53)
Dawson Center	133,488	133,488	15,630	117,858	117,858
Early Childhood Education	170,626	170,626	170,626	-	-
Energy Assistance	260,210	260,210	86,321	173,889	173,889
Housing Code Enforcement	14,117,865	14,117,865	13,652,878	464,987	464,987
Housing Development Finance and Project Management	-	-	766	(766)	(766)
Housing Rehabilitation Loans	66,792	66,792	59,345	7,447	7,447
Live Baltimore	-	-	390,581	(390,581)	(390,581)
Promote Homeownership	101,089	101,089	193,309	(92,220)	(92,220)
Register and License Properties and Contractors	610,320	610,320	426,066	184,254	184,254
Services for Homeless Persons	-	-	-	-	-
Summer Food Service Program	-	-	-	-	-
Total expenditures and encumbrances	26,866,315	26,866,315	33,011,341	(6,145,026)	(6,145,026)
Excess (deficiency) of revenues over expenditures	-	-	(632,510)	(632,510)	(632,510)
Effect of change in encumbrances	-	-	680,744	-	-
Effect of change in accounts payable	-	-	(48,234)	-	-
Excess (deficiency) of revenues over expenditures (GAAP)	\$ -	\$ -	\$ -	\$ (632,510)	\$ (632,510)

CITY OF BALTIMORE
Department of Housing and Community Development

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

	Original Budget	Final Budget	Actual	<i>Variance with Original Budget Positive (Negative)</i>	<i>Variance with Original Budget Positive (Negative)</i>
Revenues:					
Appropriations revenues	\$ 238,000	\$ 238,000	\$ 238,000	\$ -	\$ -
Total revenues	<u>238,000</u>	<u>238,000</u>	<u>238,000</u>	<u>-</u>	<u>-</u>
Expenditures and Encumbrances:					
BDC - Inner Harbor Coordination	238,000	238,000	238,000	-	-
Total expenditures and encumbrances	<u>238,000</u>	<u>238,000</u>	<u>238,000</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	-	-	-	-	-
Effect of change in encumbrances	-	-	-	-	-
Effect of change in accounts payable	-	-	-	-	-
Excess (deficiency) of revenues over expenditures (GAAP)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**INDEPENDENT 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**

The Mayor, City Council, Comptroller and Board of Estimates
City of Baltimore, Maryland

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the carve out financial statements for the governmental funds of the City of Baltimore, Maryland, Department of Housing and Community Development as of and for the years ended June 30, 2011 through June 30, 2014, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated November 10, 2016. Carve out financial statements are a component unit or part of a legal entity, but not the entire entity and, as such, the reporting unit is not a separate legal entity. Our audit was of the Department of Housing and Community Development and not of the City of Baltimore as a whole or any other funds or operations.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department of Housing and Community Development's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department of Housing and Community Development's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department of Housing and Community Development'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 Department'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.

Hamilton Enterprises LLC

Greenbelt, Maryland
November 10, 2016