

**CITY OF BALTIMORE
MAYOR'S OFFICE OF INFORMATION TECHNOLOGY
Baltimore, Maryland**

DEPARTMENTAL FINANCIAL STATEMENTS

June 30, 2011, 2012, 2013 and 2014

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Independent Auditors' Report

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

We have audited the accompanying Balance Sheet-Governmental Funds and the Statement of Revenues, Expenditures, and Changes in Fund Balance, of the Baltimore City Mayor's Office of Information Technology (MOIT or the Department) as of and for the years ending June 30, 2011, 2012, 2013 and 2014, which collectively comprise the Department's 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.

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

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

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Department as of June 30, 2011, 2012, 2013 and 2014 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, the financial statements of the Department are intended to present the financial position, and the changes in financial position and of only that portion of the City of Baltimore that is attributable to the operations and transactions of the Department. They do not purport to, and do not, present fairly the financial position of the City of Baltimore as June 30, 2011, 2012, 2013 and 2014, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires 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 basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedules, as listed in the table of contents, 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 Standards Board who considers it to be an essential part of 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 of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the 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 Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 28, 2016 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.

Restriction on Use

This report is intended solely for the information and use of the Mayor, City Council, management, and others within the City Baltimore and is not intended to be and should not be used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Baltimore, Maryland
November 28, 2016

CITY OF BALTIMORE
Mayor's Office of Information Technology
Balance Sheet - Governmental Funds
June 30, 2011 and 2012

	2011				2012			
	General Fund	Grants Revenue Fund	Capital Projects Fund	Total	General Fund	Grants Revenue Fund	Capital Projects Fund	Total
Assets:								
Due from Baltimore City	\$ 1,185,577	\$ -	\$ -	\$ 1,185,577	\$ 2,248,027	\$ -	\$ -	\$ 2,248,027
Due from Other Governments	-	-	-	-	-	-	-	-
Total Assets	<u>\$ 1,185,577</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,185,577</u>	<u>\$ 2,248,027</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,248,027</u>
Liabilities:								
Accounts Payable	\$ 837,474	\$ -	\$ -	\$ 837,474	\$ 2,123,503	\$ -	\$ -	\$ 2,123,503
Accrued Payroll	348,103	-	-	348,103	124,524	-	-	124,524
Total Liabilities	<u>1,185,577</u>	<u>-</u>	<u>-</u>	<u>1,185,577</u>	<u>2,248,027</u>	<u>-</u>	<u>-</u>	<u>2,248,027</u>
Fund Balances:								
Unassigned	-	-	-	-	-	-	-	-
Total Liabilities and Fund Balance	<u>\$ 1,185,577</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,185,577</u>	<u>\$ 2,248,027</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,248,027</u>

See accompanying Notes to Financial Statements.

CITY OF BALTIMORE
Mayor's Office of Information Technology
Balance Sheet - Governmental Funds
June 30, 2013 and 2014

	2013			2014			
	General Fund	Grants Revenue Fund	Capital Projects Fund	General Fund	Grants Revenue Fund	Capital Projects Fund	Total
Assets:							
Due from Baltimore City	\$ 1,993,013	\$ -	\$ -	\$ 4,093,223	\$ 478,408	\$ 110,838	\$ 4,682,469
Due from Other Governments	-	2,725,453	-	-	-	-	-
Total Assets	<u>\$ 1,993,013</u>	<u>\$ 2,725,453</u>	<u>\$ -</u>	<u>\$ 4,093,223</u>	<u>\$ 478,408</u>	<u>\$ 110,838</u>	<u>\$ 4,682,469</u>
Liabilities:							
Due to the City	\$ -	\$ 2,457,548	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	1,735,761	204,605	-	3,741,590	406,483	110,838	4,258,911
Accrued Payroll	257,252	63,300	-	351,633	71,925	-	423,558
Total Liabilities	<u>1,993,013</u>	<u>2,725,453</u>	<u>-</u>	<u>4,093,223</u>	<u>478,408</u>	<u>110,838</u>	<u>4,682,469</u>
Fund Balances:							
Unassigned	-	-	-	-	-	-	-
Total Liabilities and Fund Balance	<u>\$ 1,993,013</u>	<u>\$ 2,725,453</u>	<u>\$ -</u>	<u>\$ 4,093,223</u>	<u>\$ 478,408</u>	<u>\$ 110,838</u>	<u>\$ 4,682,469</u>

See accompanying Notes to Financial Statements.

CITY OF BALTIMORE
Mayor's Office of Information Technology
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds
For the Years Ended June 30, 2011 and 2012

	2011			2012			
	General Fund	Grants Revenue Fund	Capital Projects Fund	General Fund	Grants Revenue Fund	Capital Projects Fund	Total
Expenditures:							
Administration	\$ 1,901,354	\$ -	\$ -	\$ 1,901,354	\$ -	\$ -	\$ 994,238
IT Application Support Services	5,665,605	-	-	5,665,605	-	-	4,466,903
Call Center Services	1,394,240	-	-	1,394,240	-	-	1,314,141
IT Infrastructure Support Services	2,270,353	-	-	2,270,353	-	-	4,666,865
Total Expenditures	11,231,552	-	-	11,231,552	-	-	11,442,148
Other Financing Sources:							
General Fund Appropriations	11,231,552	-	-	11,231,552	-	-	11,442,148
Net Change in Fund Balance	-	-	-	-	-	-	-
Fund Balance Beginning	-	-	-	-	-	-	-
Fund Balance Ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

See accompanying Notes to Financial Statements.

CITY OF BALTIMORE
Mayor's Office of Information Technology
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds
For the Years Ended June 30, 2013 and 2014

	2013			2014				
	General Fund	Grants Revenue Fund	Capital Projects Fund	Total	General Fund	Grants Revenue Fund	Capital Projects Fund	Total
Revenues:								
Grant Revenue	\$ -	\$ 2,778,653	\$ -	\$ 2,778,653	\$ -	\$ 4,833,594	\$ -	\$ 4,833,594
Expenditures:								
Administration	1,178,446	-	-	1,178,446	1,502,905	36,054	-	1,538,959
Enterprise Innovation and Application Services	3,191,968	-	-	3,191,968	5,917,954	-	-	5,917,954
Enterprise Unified Call Center	13,768,279	5,848,226	-	19,616,505	13,435,419	6,364,780	-	19,800,199
Enterprise IT Delivery Services	4,517,317	48,060	-	4,565,377	6,358,408	25,740	-	6,384,148
Capital Outlay	-	-	-	-	-	-	1,142,276	1,142,276
Total Expenditures	22,656,010	5,896,286	-	28,552,296	27,214,686	6,426,574	1,142,276	34,783,536
Excess of Expenditures over Revenues	(22,656,010)	(3,117,633)	-	(25,773,643)	(27,214,686)	(1,592,980)	(1,142,276)	(29,949,942)
Other Financing Sources:								
Transfers from/To City	-	3,117,633	-	3,117,633	-	1,592,980	-	1,592,980
General Fund Appropriations	22,656,010	-	-	22,656,010	27,214,686	-	1,142,276	28,356,962
Total Other Financing Sources	22,656,010	3,117,633	-	25,773,643	27,214,686	1,592,980	1,142,276	29,949,942
Net Change in Fund Balance	-	-	-	-	-	-	-	-
Fund Balance Beginning	-	-	-	-	-	-	-	-
Fund Balance Ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

See accompanying Notes to Financial Statements.

CITY OF BALTIMORE
Mayor's Office of Information Technology
Notes to the Financial Statements
Fiscal Years Ended June 30, 2011, 2012, 2013, and 2014

1. Description of the Mayor's Office of Information Technology

The Mayor's Office of Information Technology (MOIT) is responsible for providing information technology leadership to the entire City, utilizing and leveraging information technology to enhance productivity, broaden the capabilities, and reduce the operating costs of Baltimore City government, thereby improving the quality and timeliness of services delivered to the citizenry.

MOIT is responsible for Information Technology (IT) policy, standards, inter-agency synergy, and providing city government with an ample return on its IT investments, while delivering a robust, secure, metropolitan wide networked computing environment which supports both the internal needs of approximately 9,000 computer users as well as external parties. MOIT is also responsible for the development, implementation and continuing support of the CitiTrack Customer Service Request System which provides a universal, standardized, inter-agency call-intake and work order management methodology with a direct linkage to the CitiStat system and process. The CitiTrack system is the Customer Relations Management tool for the City's One Call Center which is also directly supported and managed by the agency. In July 2012 MOIT took over 911 and Police Dispatch under the first phase of moving toward a Unified Communications Center to improve efficiency.

The City provides support to MOIT and allocates certain shared and payroll costs. Therefore, the accompanying financial statements are not indicative of MOIT as if it were a stand-alone entity.

2. Summary of Significant Accounting Policies

Budgetary Data

Annual budgets are adopted for the General Fund and all Special Revenue Funds, except for Grants Revenue on a basis consistent with Generally Accepted Accounting Principles, except for certain miscellaneous general expenditures which are not budgeted and encumbrances which are recognized as expenditures for budgetary purposes.

CITY OF BALTIMORE
Mayor's Office of Information Technology
Notes to the Financial Statements
Fiscal Years Ended June 30, 2011, 2012, 2013, and 2014

2. Summary of Significant Accounting Policies (Continued)

Budgetary Data (continued)

The budget of the City is a detailed operating plan, which identifies estimated costs and results in relation to estimated revenues. The budget includes: (1) the programs, projects, services, and activities to be provided during the fiscal year, (2) the estimated resources (inflows) and amounts available for appropriation, and (3) the estimated charges to appropriations. The budget represents a process through which policy decisions are made, implemented, and controlled. The City Charter prohibits expending funds for which there is no legal appropriation.

The following procedures establish the budgetary data reflected in the financial statements:

Original Budget

- (1) City agencies submit their anticipated annual budget needs to the Department of Finance during December.
- (2) From December through March, the Mayor and the Department of Finance analyze, review, and refine the budget submittals.
- (3) In April, the Director of Finance sends the recommended budget plan to the Board of Estimates. The Board then holds hearings and the recommended budget is amended as necessary. Citizens have the opportunity to offer input before the Board votes on the budget.
- (4) In May, a majority vote of the Board of Estimates approves the total budget and sends it to the City Council. The Board of Estimates must submit the proposed budget for the next fiscal year to the City Council at least 45 days before the beginning of said fiscal year. The Board of Estimates prepares a proposed Ordinance of Estimates to be submitted to the City Council. The Ordinance of Estimates is the legal authority for the enactment of the budget.
- (5) The City Council then holds hearings on the proposed Ordinance of Estimates, with additional citizen input before it votes in June. The City Council shall adopt the budget at least five days before the beginning of the fiscal year. The City Council then sends the approved Ordinance of Estimates to the Mayor.
- (6) The Mayor then either approves the total Ordinance of Estimates, or disapproves some items and approves the rest of the Ordinance of Estimates.

CITY OF BALTIMORE
Mayor's Office of Information Technology
Notes to the Financial Statements
Fiscal Years Ended June 30, 2011, 2012, 2013, and 2014

3. Summary of Significant Accounting Policies (Continued)

Budgetary Data (continued)

Final Budget

The final budgetary data presented in the financial statements reflects the following changes to the original budget:

- (1) Appropriations for a particular program, purpose, activity, or project may, upon the recommendation of the head of the municipal agency concerned and the Director of Finance, and with the approval of the Board of Estimates, be carried over to the subsequent fiscal year to carry out the initial appropriation objectives. All appropriations not carried over lapse at the end of the fiscal year in which they were made. In addition, funds encumbered for contracts, purchase orders, approved requisitions or other actual commitments, as well as funds dedicated to grant programs and capital improvements are carried out over the ensuing fiscal year until utilized or cancelled.
- (2) The adopted budget is prepared and appropriated on an agency, program, activity, and object of expenditure basis by fund. Purchase orders which result in an operating or capital overrun are not released until additional appropriations are made available. Expenditures for each adopted operating budget may not legally exceed appropriations at the agency level. Administratively, the Department of Finance has the authority to move appropriations between activities of the same program within the same agency. The Board of Estimates has the authority to transfer appropriations between programs within the same agency. Only the City Council can transfer appropriations between agencies.
- (3) The City Charter permits further appropriations for programs included in the original Ordinance of Estimates made necessary by material changes in circumstances and additional appropriations for new programs or grant awards which could not reasonably be anticipated when formulating the original Ordinance of Estimates. These changes require supplemental appropriation ordinances.

Budgetary data is presented as required supplementary information for the general fund. There were no supplemental appropriations or the years ended June 30, 2012, 2013 and 2014. Supplemental appropriations for the year ended June 30, 2011 increases the original budget by \$1,000,000.

Basis of Accounting

The Department's services are reported in the Governmental funds of the City of Baltimore. Information for each Governmental Fund is presented separately in the Balance Sheet.

CITY OF BALTIMORE
Mayor's Office of Information Technology
Notes to the Financial Statements
Fiscal Years Ended June 30, 2011, 2012, 2013, and 2014

2. Summary of Significant Accounting Policies (Continued)

Basis of Accounting (continued)

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 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.

The accounting and financial reporting policies of the Department conform to accounting principles generally accepted in the United States and reporting standards as promulgated by the Governmental Accounting Standards Board (GASB).

These financials statements are intended to present the activities of MOIT and they do not purport to, and do not include the operations of the City of Baltimore. GASB sets accounting standards for primary governments and does not address the reporting requirements for departments, as this report is for a department of a primary government only the fund financial statements have been presented.

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
Mayor's Office of Information Technology
Notes to the Financial Statements
Fiscal Years Ended June 30, 2011, 2012, 2013, and 2014

2. Summary of Significant Accounting Policies (Continued)

Compensated Absences

The liability for compensated absences reported in the City's 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. These liabilities are not allocated to the Department in the accompanying financial statement.

Estimated accumulated leave balance by fiscal year for the Department are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2011	\$ 1,360,940
2012	979,732
2013	1,419,975
2014	1,515,894

3. Capital Assets

MOIT 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 the Department rent free. The Department does pay for certain utility and maintenance cost out of its annual budget. No amounts have been recorded in the accompanying financial statements for these amounts.

4. Grant Fund Operating Deficits

The Mayor's Office of Information Technology Grant Fund expenditures exceeded grant revenues in fiscal years 2013 and 2014. Accordingly, the City transferred \$3,117,633 and \$1,592,981 for fiscal years 2013 and 2014, respectively, from the City's General Fund to cover the operating deficits in the Grant Fund. Should funds for these deficits be received from the grantor, the City's General Fund will be reimbursed.

CITY OF BALTIMORE
Mayor's Office of Information Technology
Notes to the Financial Statements
Fiscal Years Ended June 30, 2011, 2012, 2013, and 2014

5. Pension Plan

Classified employees of the Department 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.

Costs associated for Department employees participating in ERS were not allocated to the individual departments for the fiscal years ended June 30, 2011, 2012, 2013 and 2014.

6. 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 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.

Costs associated for Department employees participating in the Plan were not allocated for the fiscal years ended June 30, 2011, 2012, 2013 and 2014.

CITY OF BALTIMORE
Mayor's Office of Information Technology
Notes to the Financial Statements
Fiscal Years Ended June 30, 2011, 2012, 2013, and 2014

7. 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.

8. 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 the City's Office of Risk Management.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BALTIMORE
Mayor's Office of Information Technology
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual-General Fund
For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Appropriations revenues	\$ 16,914,139	\$ 17,914,139	\$ 11,231,552	\$ (6,682,587)
Total revenues	16,914,139	17,914,139	11,231,552	(6,682,587)
Expenditures and Encumbrances:				
Administration	3,757,526	3,757,526	403,800	3,353,726
IT Application Support Services	9,098,102	9,098,102	3,971,703	5,126,399
Call Center Services	1,871,059	2,871,059	2,868,371	2,688
IT Infrastructure Support Services	2,187,452	2,187,452	3,858,407	(1,670,955)
Total expenditures and encumbrances	16,914,139	17,914,139	11,102,281	6,811,858
Excess of revenues over expenditures (Budgetary)			129,271	\$ 129,271
Effect of change in encumbrances			(336,176)	
Effect of change in accounts payable			206,905	
Excess of revenues over expenditures (GAAP)			<u>\$ -</u>	

CITY OF BALTIMORE
Mayor's Office of Information Technology
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual-General Fund
For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Appropriations revenues	\$ 15,997,209	\$ 15,997,209	\$ 11,442,148	\$ (4,555,061)
Total revenues	15,997,209	15,997,209	11,442,148	(4,555,061)
Expenditures and Encumbrances:				
Administration	897,204	897,204	935,978	(38,774)
IT Application Support Services	7,053,432	7,053,432	2,591,871	4,461,561
Call Center Services	4,186,329	4,186,329	736,165	3,450,164
IT Infrastructure Support Services	3,860,244	3,860,244	6,308,122	(2,447,878)
Total expenditures and encumbrances	15,997,209	15,997,209	10,572,136	5,425,073
Excess of revenues over expenditures (Budgetary)			870,012	\$ 870,012
Effect of change in encumbrances			416,017	
Effect of change in accounts payable			(1,286,029)	
Excess of revenues over expenditures (GAAP)			<u>\$ -</u>	

CITY OF BALTIMORE
Mayor's Office of Information Technology
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual-General Fund
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Appropriations revenues	\$ 30,171,649	\$ 30,171,649	\$ 22,656,010	\$ (7,515,639)
Total revenues	<u>30,171,649</u>	<u>30,171,649</u>	<u>22,656,010</u>	<u>(7,515,639)</u>
Expenditures and Encumbrances:				
Administration	1,417,404	1,417,404	1,377,287	40,117
IT Application Support Services	4,785,966	4,785,966	3,832,338	953,628
Call Center Services	14,806,702	14,806,702	13,046,216	1,760,486
IT Infrastructure Support Services	9,161,578	9,161,578	4,187,974	4,973,604
Total expenditures and encumbrances	<u>30,171,649</u>	<u>30,171,649</u>	<u>22,443,815</u>	<u>7,727,834</u>
Excess of revenues over expenditures (Budgetary)			212,195	<u>\$ 212,195</u>
Effect of change in encumbrances			(599,937)	
Effect of change in accounts payable			387,742	
Excess of revenues over expenditures (GAAP)			<u>\$ -</u>	

CITY OF BALTIMORE
Mayor's Office of Information Technology
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual-General Fund
For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Appropriations revenues	\$ 31,263,672	\$ 31,263,672	\$ 27,214,686	\$ (4,048,986)
Total revenues	<u>31,263,672</u>	<u>31,263,672</u>	<u>27,214,686</u>	<u>(4,048,986)</u>
Expenditures and Encumbrances:				
Administration	1,503,796	1,503,796	1,483,487	20,309
IT Application Support Services	6,816,527	6,816,527	5,886,323	930,204
Call Center Services	14,156,376	14,156,376	13,278,694	877,682
IT Infrastructure Support Services	8,786,972	8,786,972	4,710,731	4,076,241
Total expenditures and encumbrances	<u>31,263,672</u>	<u>31,263,672</u>	<u>25,359,235</u>	<u>5,904,437</u>
Excess of revenues over expenditures (Budgetary)			1,855,451	<u>\$ 1,855,451</u>
Effect of change in encumbrances			150,379	
Effect of change in accounts payable			<u>(2,005,830)</u>	
Excess of revenues over expenditures (GAAP)			<u>\$ -</u>	

INDEPENDENT AUDITORS' 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*

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

We have audited, in accordance with the 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 Balance Sheet-Governmental Funds and the Statement of Revenues, Expenditures, and Changes in Fund Balance, and the financial statements of the Baltimore City Mayor's Office of Information Technology (MOIT or the Department) as of and for the years ending June 30, 2011, 2012, 2013 and 2014, and the related notes to the financial statements, which collectively comprise the Department's financial statements, and have issued our report thereon dated November 28, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department'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's internal control. Accordingly, we do not express an opinion on the effectiveness of Department's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 result 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.

Restriction on Use

This report is intended solely for the information and use of the Mayor, City Council, management, and others within the City Baltimore and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Baltimore, Maryland

November 28, 2016

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

We have audited the Balance Sheet-Governmental Funds and the Statement of Revenues, Expenditures, and Changes in Fund Balance, and the financial statements of the Baltimore City Mayor's Office of Information Technology (the Department) as of and for the years ending June 30, 2011, 2012, 2013 and 2014 and have issued our report thereon dated November 28, 2016. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings

Qualitative aspects of accounting practices

Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Baltimore City Mayor's Office of Information Technology are described in Note 2 to the financial statements.

No new accounting policies were adopted and the application of existing policies was not changed during the years ending June 30, 2011, 2012, 2013 and 2014.

We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no accounting estimates affecting the financial statements which were particularly sensitive or required substantial judgments by management.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties encountered in performing the audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

Corrected misstatements

Management did not identify and we did not notify them of any financial statement misstatements detected as a result of audit procedures.

Disagreements with management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

Management representations

We have requested certain representations from management that are included in the attached management representation letter dated November 28, 2016.

Management consultations with other independent accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Significant issues discussed with management prior to engagement

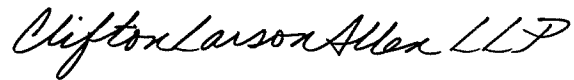
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the entity's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

Other information in documents containing audited financial statements

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

* * *

This communication is intended solely for the information and use of the Mayor, City Council, Comptroller and Board of Estimates and management of the Baltimore City Mayor's Office of Information Technology and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Baltimore, Maryland
November 28, 2016

CITY OF BALTIMORE

STEPHANIE RAWLINGS-BLAKE, Mayor



DEPARTMENT OF FINANCE

HENRY J. RAYMOND, Director
454 City Hall
Baltimore, Maryland 21202
410-396-4940

November 28, 2016

CliftonLarsonAllen LLP
1966 Greenspring Drive, Suite 300
Timonium, MD 21093

This representation letter is provided in connection with your audit of the financial statements of the Baltimore City Mayor's Office of Information Technology (the Department) as of and for the years ending June 30, 2011, 2012, 2013 and 2014, which comprise the respective Balance Sheet-Governmental Funds and the Statement of Revenues, Expenditures, and Changes in Fund Balance, and the related notes to the financial statements, for the purpose of expressing opinions on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

We confirm, to the best of our knowledge and belief, as of November 28, 2016, the following representations made to you during your audit of the financial statements as of and for the years ended June 30, 2011, 2012, 2013 and 2014.

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated July 28, 2015, for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP. The financial statements include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- We acknowledge and have fulfilled our responsibility 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.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- We have identified all accounting estimates that could be material to the financial statements, including the key factors and significant assumptions used in making those estimates, and we believe the estimates (including those measured at fair value) and the significant assumptions used in making those accounting estimates are reasonable.
- Significant estimates have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. Significant estimates are estimates at the financial statement date that could change materially within the next year.



- Related party relationships and transactions, including, but not limited to, revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- No events, including instances of noncompliance, have occurred subsequent to the financial statement date and through the date of this letter that would require adjustment to, or disclosure in, the financial statements.
- We have not identified or been notified of any uncorrected financial statement misstatements.
- We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- Guarantees, whether written or oral, under which the entity is contingently liable, if any, have been properly recorded or disclosed in accordance with U.S. GAAP.
- Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the financial statement date and have been reduced to their estimated net realizable value.
- The methods and significant assumptions used result in a measure of fair value appropriate for financial statement measurement and disclosure purposes.
- We believe that all material expenditures that have been deferred to future periods will be recoverable.

Information Provided

- We have provided you with:
 - Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters.
 - Additional information that you have requested from us for the purpose of the audit.
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - Complete minutes of the meetings of the governing board and related committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
 - All communications from regulatory agencies, grantors, lenders, and other funding sources concerning noncompliance with, or deficiencies in, financial reporting practices.

- All communications from regulatory agencies, grantors, lenders, and other funding sources concerning noncompliance with the provisions of laws, regulations, contracts, and grant agreements.
 - Access to all audit or relevant monitoring reports, if any, received from funding sources.
- All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - Management;
 - Employees who have significant roles in internal control; or
 - Others when the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, grantors, regulators, or others.
- We are not aware of any pending or threatened litigation, claims, or assessments, or unasserted claims or assessments, that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- There are no other material liabilities or gain or loss contingencies that are required to be accrued or disclosed in accordance with U.S. GAAP.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- The entity has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral, except as made known to you and disclosed in the financial statements.
- We have taken timely and appropriate steps to remedy fraud, violations of laws, regulations, contracts, or grant agreements, or abuse that you have reported to us.
- We have a process to track the status of audit findings and recommendations.
- We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

- We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
- We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to City of Baltimore- Mayor's Office of Information Technology, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
- There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- The entity has complied with all aspects of contractual or grant agreements that would have a material effect on the financial statements in the event of noncompliance.
- We have complied with all restrictions on resources (including donor restrictions) and all aspects of contractual and grant agreements that would have a material effect on the financial statements in the event of noncompliance. This includes complying with donor requirements to maintain a specific asset composition necessary to satisfy their restrictions.
- We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
- The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures, jointly governed organizations, and other related organizations.
- The financial statements properly classify all funds and activities.
- All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- Components of net position (net investment in capital assets; restricted; and unrestricted) and equity amounts are properly classified and, if applicable, approved.
- Provisions for uncollectible receivables have been properly identified and recorded.
- Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.

- Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- We have appropriately disclosed the entity's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- As part of your audit, you prepared the draft financial statements and related notes. We have designated an individual who possesses suitable skill, knowledge, and/or experience to understand and oversee your services; have made all management judgments and decisions; and have assumed all management responsibilities. We have evaluated the adequacy and results of the service. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
- We understand that as part of your audit, you prepared the adjusting journal entries necessary to convert our cash basis records to the accrual basis of accounting and acknowledge that we have reviewed and approved those entries and accepted responsibility for them.
- In regards to the other nonattest services performed by you, we have:
 - Made all management judgments and decisions and assumed all management responsibilities.
 - Designated an individual who possesses suitable skill, knowledge, or and/or experience to understand and oversee the services.
 - Evaluated the adequacy and results of the services performed.
 - Accepted responsibility for the results of the services.

Signature: *H. Rapronce* Title: *Director of Finance*