

CITY OF
CUMBERLAND
MARYLAND

**Comprehensive Annual Financial Report
For the Fiscal Year End June 30, 2019**

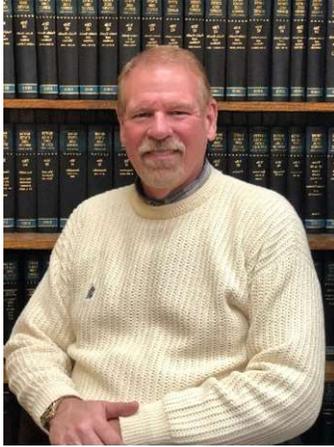




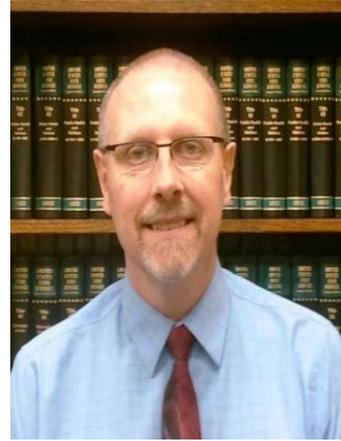
**Comprehensive
Annual
Financial Report**

**Fiscal Year 2019
July 1, 2018 - June 30, 2019**

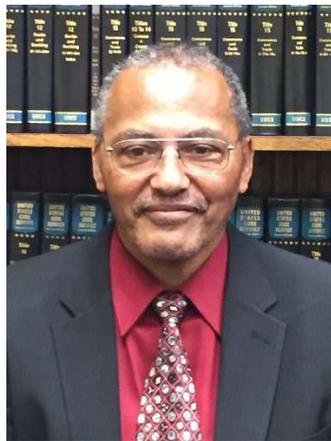
City of Cumberland Administration



Raymond M. Morriss
Mayor



Jeffrey D. Rhodes
City Administrator



Eugene T. Frazier
Councilman



Seth D. Bernard
Councilman



Laurie P. Marchini
Councilwoman



Richard J. Cioni, Jr.
Councilman

***City of Cumberland
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Introductory Section



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December 18, 2019

To the Honorable Mayor, Members of the City Council,
and Citizens of the City of Cumberland, Maryland

State law requires that all general-purpose local governments publish within four months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report (CAFR) for the City of Cumberland, Maryland, for the year ended June 30, 2019.

This report consists of management's representations concerning the finances of the City of Cumberland. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Cumberland has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the City of Cumberland's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Cumberland's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Turnbull, Hoover & Kahl, PA., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Cumberland, Maryland, for the fiscal year ended June 30, 2019, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used, and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended June 30, 2019, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and compliance with legal requirements, with emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of Cumberland’s separately issued Single Audit Report.

The Management Discussion and Analysis (MD&A) portion of the financial statements provides greater detail regarding management’s discussion of the financial condition of the City and what has transpired during fiscal year 2019. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City’s MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Cumberland is empowered to levy a property tax on both real and personal properties located within its boundaries. The City is also empowered by the state to extend its corporate limits by annexation, which occurs periodically when deemed necessary by the Mayor and Council. The Mayor and Council are responsible for the passing of ordinances, adopting the budget, appointing committees, and hiring the City Administrator, City Solicitor, and the City Clerk. The City Administrator is responsible for carrying out the policies and ordinances of the Mayor and Council, for overseeing day-to-day operations of the city government, and for appointing the heads of the various departments.

The City of Cumberland provides a full range of services, including water, sewer, refuse, streets and drainage, recreation and parks, police, fire, planning and zoning, and community development. The City’s schools and library are operated by Allegany County, Maryland.

The City of Cumberland was established in 1787 and incorporated in 1815. Its legal authority is derived from Article XI-E of the State Constitution and Article 23-A of the Annotated Code of Maryland. Cumberland has an estimated population of 19,480 and a land area of approximately 11 square miles. The City has operated under the Council-Manager form of government since 1981.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Cumberland operates.

Local Economy: Cumberland, Maryland, has historically been the center for manufacturing and industry within Western Maryland with multimodal (e.g., rail, auto,

and recreation) transportation access to the metropolitan areas of Pittsburgh, PA, Washington, DC, and Baltimore, MD. Over the last several decades, the influence and prominence of Cumberland as an industrial and manufacturing hub in the region diminished as businesses gravitated to lower cost environments in the southern U.S. and abroad. The closure of the Kelly-Springfield Tire Company plant in 1987 truly signaled the end of the City's industrial and manufacturing prominence. The loss of industry was accompanied by a dramatic decline in the local economy and other material demographics, including, (a) the population of Cumberland declined from a high of about 39,483 citizens in 1940 to its current level of about 19,480; (b) the median household income in the City is about \$32,825 compared to the State average of \$78,916 and the national average of \$57,652; (c) the percentage of citizens below the poverty level is about 24.4% compared to the State level of 9.0% and the national level of 11.8%; (d) the median value of owner-occupied housing is about \$89,600 compared to the State average of \$296,500 and national average of \$193,500; and (e) the owner occupied housing unit rate for the City is about 52% compared to the State average of 67% and the national average of 64%.

Long Term Planning: In an effort to address the lagging economy, the Mayor and City Council of Cumberland adopted the RKG Associates, Inc.'s Strategic Development Plan (the "Plan") on or about December 4, 2014. The Plan is available at the City's web site at www.cumberlandmd.gov. The Plan provides a framework to pursue a proactive, comprehensive economic development effort aimed at increasing the local tax base, attracting new employers, enabling existing employers to grow, and supporting the continued development of the arts and tourism industries. Consistent with the Plan, the City promoted the creation of an implementation entity during fiscal year 2016 known as the Cumberland Economic Development Corporation ("CEDC"). The CEDC is a 501(c)3 non-profit governed by a Board of Directors comprised of private and public stakeholders. The CEDC has aggressively pursued the action items identified in the Plan, including the development and improvement of various economic development "opportunity sites" identified in the Plan.

The City formed a committee during fiscal year 2017 to update its asset management plan and create the procedures to provide continual updates. The City staff continues to make significant progress documenting the condition and scheduling of necessary improvements of major infrastructure assets within the City to include the water filtration plant, wastewater treatment plant, water distribution and waste collection systems, flood control systems, bridges and roads.

Major Initiatives:

Utility Initiatives

- The City is obligated through consent decree to address its combined sewer overflow problem and as a result two major projects have been initiated.
 1. The Combined Sewer Overflow (CSO) Storage Facility project represents a major upgrade to our wastewater treatment plant. The City was successful in obtaining State grants to pay for 87.5% of the \$30 million CSO project. The balance is being paid through the issuance of Maryland Water Quality debt.

The CSO project began late in fiscal year 2017 and was roughly 65% complete at June 30, 2019 and is expected to be completed in February 2020.

2. The second project is called the Mill Race Pipeline. The City is performing the initial engineering work on the project. The total estimated project cost is in the \$40 to \$50 million range. The City also expects to secure a grant for 87.5% of the project with the balance funded through Maryland Water Quality debt.

Economic Development Initiatives

- In past years, the City acquired a property known as the Eastside School site and razed buildings at the former Memorial Hospital site.. Both properties been prepared for commercial and/or residential development. The City is currently in negotiations to sell the Eastside School site for construction of a new 40-unit apartment complex and continues to seek a developer for the Memorial Hospital site.
- In addition, there are three major economic development projects on-going as follows:

1. Baltimore Street Access Project.

The City of Cumberland and its strategic partners anticipate commencing the Baltimore Street Access Project construction in or around September, 2020. The project involves the City's effort to:

- Re-introduce automobile and bicycle traffic onto Baltimore Street (the City's historic office and retail center) which, in turn, will improve connectivity of the intermodal transportation system, e.g., Canal Place, the Western Maryland Scenic Railroad, the Great Allegheny Passage, the Amtrak station, the County bus transit system, I-68 ingress and egress, and bicycle trails throughout the City;
- Introduce fiber optic cable to each building along Baltimore Street; thereby, completing the downtown fiber loop and creating a "giga-byte downtown";
- Install infrastructure to each building along Baltimore Street to accommodate fire suppression / sprinkler systems; thereby, promoting upper story redevelopment for residential purposes and lower story redevelopment for commercial purposes;
- Replace underground infrastructure that has not been materially improved since well before the 1978 installation of the pedestrian mall along Baltimore Street;
- Install a new streetscape design along Baltimore Street and two adjoining parklets that incorporates modern principles of community development and smart growth, and which is intended to rival modern metropolitan tourist and downtown destinations.

The project is presently being designed by The EADS Group, a civil engineering firm hired by the City, in coordination with City engineering and Maryland State

Highway. Project construction is expected to occur over an eighteen-month period, with a total investment of about \$ 9.6 million. The City expects to utilize \$6.0 million in federal funding that has been secured for the project, has committed City funds of \$0.7 million for engineering and streetscape design, and continues to seek additional funding for the balance of the project.

This project is being undertaken pursuant to, and consistent with, the City's Strategic Economic Development Plan (the "ED Plan") and an economic impact analysis and retail gap analysis performed by Sage Policy Group, Inc. The project is also being undertaken as part of a much broader economic and community development revitalization effort for the City's urban core that includes, among other things, the development of a 45,000 s.f. building along Baltimore Street for purposes of a 48-room boutique hotel (the "Boutique Hotel Project"), and the redevelopment of a 6.5 acre area adjacent to I-68 for commercial development (the "Cumberland Gateway Project").

2. Boutique Hotel Project.

The Boutique Hotel Project is being pursued by the Cumberland Economic Development Corporation (the "CEDC"), the City's economic development agent. The CEDC acquired the premises located at 118 Baltimore Street, Cumberland, Maryland, in June, 2019, at a cost of \$500,000, funded through a grant from the State of Maryland. The premise is a 45,000 square foot, five story building and is centrally located within the City's historic downtown district. The projected capital cost of the project cost estimate is \$9.0 million. It is anticipated that the project will be developed in conjunction with a private developer over the course of an eighteen-month period beginning in the summer of 2020.

3. Cumberland Gateway Project

The ED Plan identified seven (7) areas or "opportunity sites" throughout the City to focus economic development efforts. Each site is envisioned to accommodate a particular opportunity and fulfil a particular need. The "Rolling Mill Corridor" is a large, multi-use site listed among the opportunity areas which is bounded by Interstate 68 to the North, Lamont Street to the South, Maryland Avenue to the East, and the CSX railroad to the West.

Following the ED Plan, the City and CEDC sought to first acquire properties within a 6.5acre portion of the Rolling Mill Site located immediately adjacent to Interstate 68 (the "Cumberland Gateway Site"). The City and CEDC acquired about forty-eight (48) of the sixty-nine (69) parcels located within the Cumberland Gateway Site. All structures situated upon City and CEDC owned properties have been removed. The project has been funded to-date through a new debt issue by the City for \$3.5 million and utilization of state and county grants of \$0.5 million. These properties were transferred to a chosen real estate developer in December, 2018.

The developer has acquired an additional five (5) parcels within the area at a cost of \$0.4 million and is pursuing acquisition of additional properties. The developer is performing the engineering work, in conjunction with the City, to prepare several commercial pads within the site and has obtained the permits to raze all structures situated upon the five (5) lots it acquired. Construction is reasonably anticipated to commence with regard to phase one of the projects in the summer of 2020. A hotel, nationally branded restaurants, a nationally branded convenience store and retail shops are planned for the area. With regard to the development of the entire Cumberland Gateway Site, the City and CEDC anticipate a capital investment by the developer of at least \$15 million.

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Cumberland for its comprehensive annual financial report for the fiscal year ended June 30, 2018. This was the 12th year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles (GAAP) and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the Finance Office and the Tax and Utility Office. I wish to express my appreciation to all members of the departments who assisted and contributed to the preparation of this report. Credit must also be given to the Mayor and City Council for their support in maintaining the highest standards of professionalism in the management of the City of Cumberland's finances.

Respectfully submitted,

Ken Tressler, CPA
City Comptroller



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Cumberland
Maryland**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morvill

Executive Director/CEO

City of Cumberland, Maryland

List of Elected Officials and Administrators Contact Information

Central Contact Information:

City of Cumberland
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Mayor and Council:

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Richard (Rock) Cioni, Jr. Councilman
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Eugene T. Frazier, Councilman
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Laurie Marchini, Councilwoman
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City of Cumberland, Maryland

List of Elected Officials and Administrators Contact information

(continued)

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Police Department

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Administrative Services:

Finance and Collections

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Community Development

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Management Information Systems

Johnna L. Byers

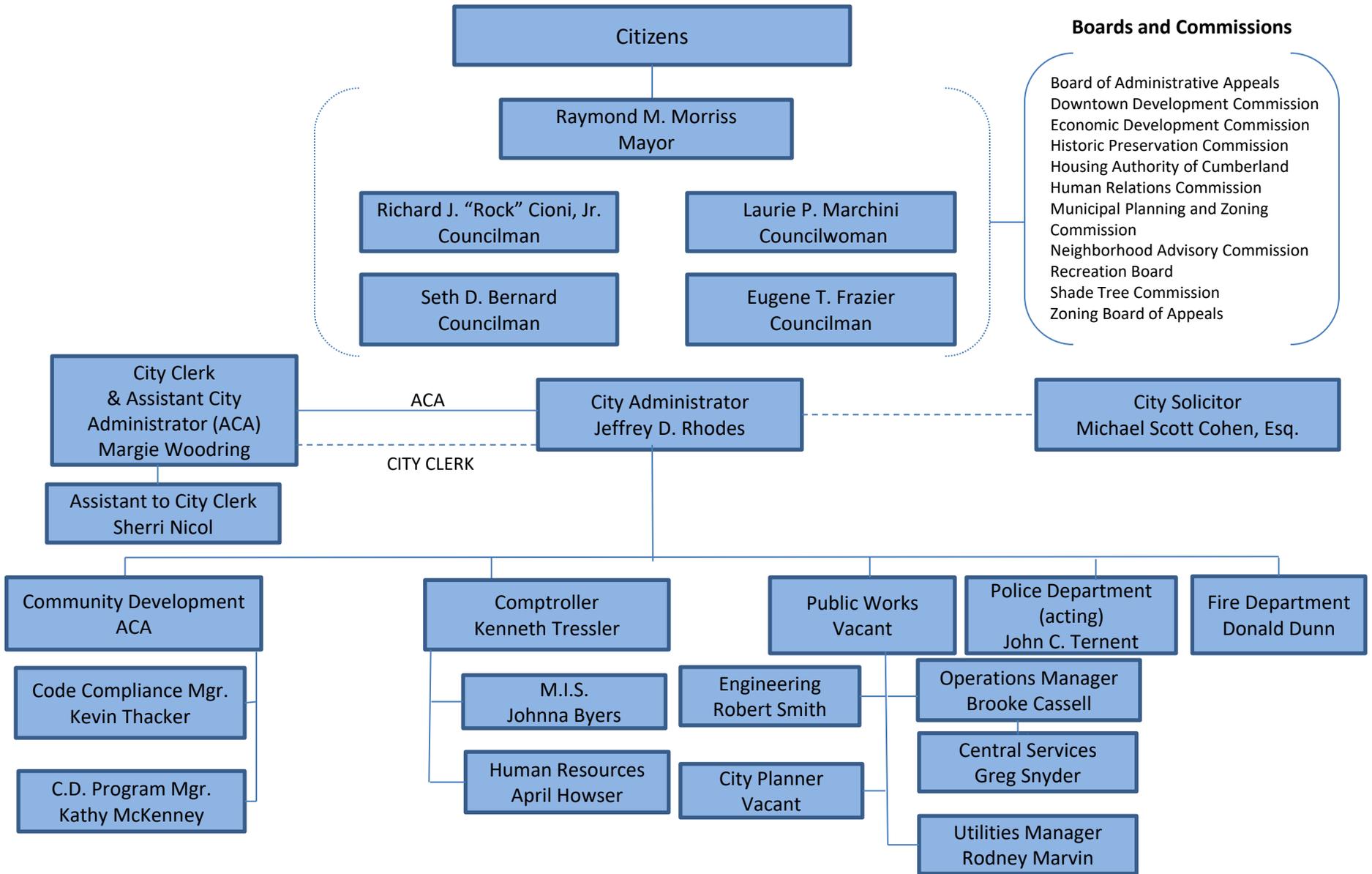
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Parks and Recreation

Diane Johnson

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City of Cumberland Organizational Chart



Financial Section

David W. Turnbull, CPA
Richard J. Hoover, CPA
Bernard B. Kahl, CPA



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Honorable Mayor and Members
of the City Council
City of Cumberland
Cumberland, Maryland

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Cumberland, Maryland (the City), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City'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.

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 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 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Cumberland, Maryland, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 14 through 27, the budgetary comparison schedule on page 87, the City's schedule of changes in total other post-employment benefits and related ratios on page 88, the schedule of the City's proportionate share of the net pension liability on 89 the schedule of the City's pension contributions on page 90 and the notes to required supplementary information on page 91 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 basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cumberland, Maryland's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2019, on our consideration of the City of Cumberland, Maryland'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Cumberland, Maryland's 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 City of Cumberland, Maryland's internal control over financial reporting and compliance.



Cumberland, MD
December 18, 2019

CITY OF CUMBERLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Cumberland, we offer readers of the City of Cumberland's financial statements this narrative overview and analysis of the financial activities of the City of Cumberland for the fiscal year ended June 30, 2019. The MD&A is best understood if read in conjunction with the Transmittal Letter and the City's basic financial statements.

FINANCIAL HIGHLIGHTS

- The City of Cumberland's assets and deferred outflows of resources exceeded its liabilities (net position) and deferred inflows of resources by \$81.6 million at June 30, 2019. Of this amount, the business-type activities net position of \$90.4 million was offset by the governmental activities net position deficit of \$8.8 million. The net position is comprised of net investments in capital assets in the amount of \$92.2 million, \$2.0 million restricted for specific purposes (*restricted net position*) including capital projects, community development and public safety and an *unrestricted net position* deficit of \$12.5 million.
- At June 30, 2019, the City's business-type activities had an unrestricted net position of \$10.3 million with \$80.1 million invested in capital assets. The overall business-type net position of \$90.4 million at June 30, 2019 represents an increase of \$13.5 million primarily due to capital contributions for the CSO project and net income not related to the capital contributions generated by the Sewer Fund.
- The overall net position deficit in the governmental activities decreased by \$0.6 million to \$8.8 million at June 30, 2019. The \$8.8 million net position deficit is comprised of the following: 1) \$12.1 million represents a net investment in capital assets. 2) \$2.0 million restricted for specific purposes and 3) a unrestricted net position deficit of \$22.8 million caused primarily by long term liabilities which are not due and payable in the current year and as such are excluded from the fund statements including: \$10.1 million in bonds and notes that do not represent an offset to capital assets, a \$15.1 million net pension liability, a worker's compensation liability of \$3.5 million and a compensated absences of \$1.9 million
- The City's total outstanding bonds and notes payable increased by \$1.1 million to \$58.7 million during fiscal year 2019. The increase was attributable to issuance of \$4.9 million in new debt partially offset by \$3.8 million in debt service payments. All debt payments made during fiscal year 2019, which were made in compliance with all debt service agreements. During fiscal year 2019 the City issued new Community Development Administration (CDA) debt of \$2.5 million through the Maryland Department of Housing and Community Development for the purchase of information and technology equipment, vehicles, heavy duty equipment, facility improvements and water distribution system improvements. In addition, the City issued \$0.6 million in

debt to fund a portion of the Willowbrook Road waterline improvement. Finally, during fiscal year 2017 the City issued two separate bonds through the Maryland Water Quality Financing Administration in the amounts of \$3.0 million and \$0.3 million for the Sewer Fund Combined Sewer Overflow (CSO) Wastewater Treatment Plant and Evitts Creek projects. The City drew \$1.8 million during fiscal year 2019 on the Wastewater Treatment Plant project. This project is expected to be completed during fiscal year 2020. There were no debt draws on the Evitts Creek project as the City is looking to significantly expand the project and the project is on hold until additional funding can be secured. Additional information on the City's long-term debt can be found elsewhere within this MD&A and in Note 7 of the notes to the financial statements.

- In fiscal year 2017 the State of Maryland approved Bay Restoration Fee grants in the amounts of \$26.5 million and \$1.2 million to assist in the financing of the Wastewater Treatment Plant and Evitts Creek CSO projects. During fiscal year 2019, \$11.6 million was received from the Wastewater Treatment Plant grant bringing the project to-date grant funding to \$17.8 million. The City expects to utilize the balance of this grant during fiscal year 2020. The City has not utilized any grant proceeds for the Evitts Creek CSO project grant funds as the project is on hold as discussed in the preceding paragraph.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$8.7 million, a decrease of \$1.0 million in comparison to the prior year. The unassigned fund balance increased \$0.6 million and the nonspendable and restricted fund balances decreased \$1.6 million. Approximately 42% (\$3.6 million) of the combined fund balance is restricted for specific purposes and is comprised primarily of undrawn or unused debt proceeds. Approximately 29% (\$2.5 million) of the combined fund balance is considered nonspendable and is comprised primarily of prepaid worker's compensation expenses. Approximately 30% (\$2.6 million) of the combined fund balance is considered unassigned and available for spending at the government's discretion. The unassigned fund balance has increased \$2.2 million since FY 2015.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City of Cumberland's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private sector business.

The *statement of net position* presents financial information on all of the City's assets, liabilities and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (for example: uncollected taxes and earned but unused and vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Cumberland that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The government activities of the City include general government, public safety, public works, recreation, and community development and housing. The business-type activities of the City include the Water Fund, the Sewer Fund, the Municipal Parking Authority and the Trash Fund.

The government-wide financial statements include not only the City of Cumberland itself (known as the *primary government*), but also a legally separate economic development corporation known as the Cumberland Economic Development Corporation (CEDC). Financial information for this component unit is reported separately from the financial information for the primary government itself. Detailed financial information on the component unit can be found in CEDC's separately issued financial statements.

The government-wide financial statements can be found on pages 28-30 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Cumberland, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City's two categories of funds, governmental and proprietary, use different accounting approaches.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact

of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between *governmental funds* and *governmental activities*.

The City of Cumberland maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Housing Assistance Fund, which are considered to be major funds. Data from the other nine governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 31-34 of this report.

Proprietary Funds. The City of Cumberland has one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type* activities in the government-wide financial statements. The City uses enterprise funds to account for its Water Fund, Sewer Fund, Municipal Parking Authority, and Trash Fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Funds, both of which are considered to be major funds of the City of Cumberland. Conversely, the Municipal Parking Authority fund and the trash fund are combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund data for these funds are provided in the form of *combining statements* elsewhere in this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 39-86 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's progress in funding its obligation to provide OPEB and pension benefits to its employees. Required supplementary information can be found on pages 88-91 of the report.

Also reported as required supplementary information are budgetary comparisons for the General Fund. The General Fund budgetary comparison can be found on page 87.

The combining statements referred to earlier in connection with nonmajor governmental funds and proprietary funds are presented immediately following the required

supplementary information on OPEB and pensions. Combining fund statements can be found on pages 92-97 of this report.

Complete financial statements of the component unit can be obtained from the Cumberland Economic Development Corporation administrative office.

Government-wide Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City of Cumberland, assets exceeded liabilities by \$81.6 million at June 30, 2019.

By far, the largest portion of the City's net position is an \$92.2 million investment in capital assets (e.g., land, machinery, equipment, vehicles, and infrastructure) less any related outstanding debt that was used to acquire those assets. The City of Cumberland uses these capital assets in a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position in the amount of \$2.0 million is comprised of resources that are subject to external restrictions on how they may be used.

The City's net position also included an *unrestricted net position* deficit of \$12.5 million at June 30, 2019. The deficit was a combination of an unrestricted net position surplus for the business type activities of \$10.3 million and the governmental activities' \$22.8 million deficit.

	Net Position					
	(000's)					
	Governmental		Business-type		Totals	
	Activities		Activities			
	FY 19	FY 18	FY 19	FY 18	FY 19	FY 18
Current and other assets	\$ 11,778	\$ 12,575	\$ 21,828	\$ 17,962	\$ 33,606	\$ 30,537
Capital assets	27,140	26,371	109,323	96,836	136,463	123,207
Total assets	<u>38,918</u>	<u>38,946</u>	<u>131,151</u>	<u>114,798</u>	<u>170,069</u>	<u>153,744</u>
Deferred outflows of resources	<u>3,356</u>	<u>3,866</u>	<u>936</u>	<u>974</u>	<u>4,292</u>	<u>4,840</u>
Long-term liabilities	43,796	45,302	30,825	33,745	74,621	79,047
Current liabilities	<u>6,081</u>	<u>5,801</u>	<u>10,573</u>	<u>4,887</u>	<u>16,654</u>	<u>10,688</u>
Total Liabilities	<u>49,877</u>	<u>51,103</u>	<u>41,398</u>	<u>38,632</u>	<u>91,275</u>	<u>89,735</u>
Deferred Inflows of resources	<u>1,175</u>	<u>1,041</u>	<u>330</u>	<u>284</u>	<u>1,505</u>	<u>1,325</u>
Net Position:						
Net Investment in Capital Assets	12,080	12,315	80,076	70,128	92,156	82,443
Restricted	1,963	3,564	-	-	1,963	3,564
Unrestricted (deficit)	<u>(22,822)</u>	<u>(25,210)</u>	<u>10,282</u>	<u>6,729</u>	<u>(12,540)</u>	<u>(18,481)</u>
Total Net Position	<u>\$ (8,779)</u>	<u>\$ (9,331)</u>	<u>\$ 90,358</u>	<u>\$ 76,857</u>	<u>\$ 81,579</u>	<u>\$ 67,526</u>

During fiscal year 2019 the City's net position increased by \$14.0 million to \$81.6 million compared to an increase of \$7.7 million during fiscal year 2018. Fiscal year 2019 revenue increased \$7.8 million to \$55.6 million and expenses increased \$1.5 million to \$41.6 million when compared to fiscal year 2018.

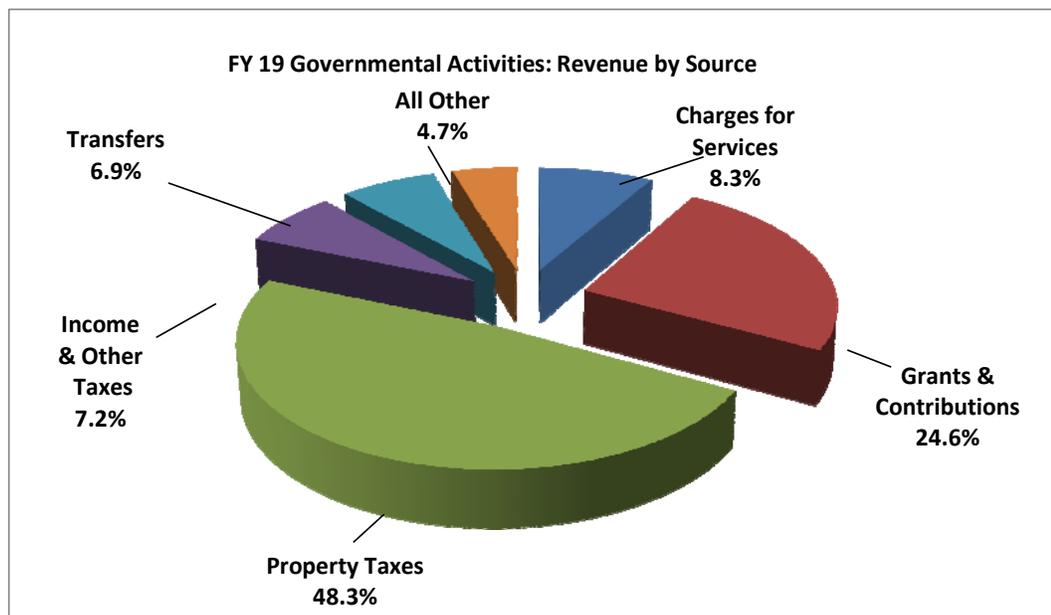
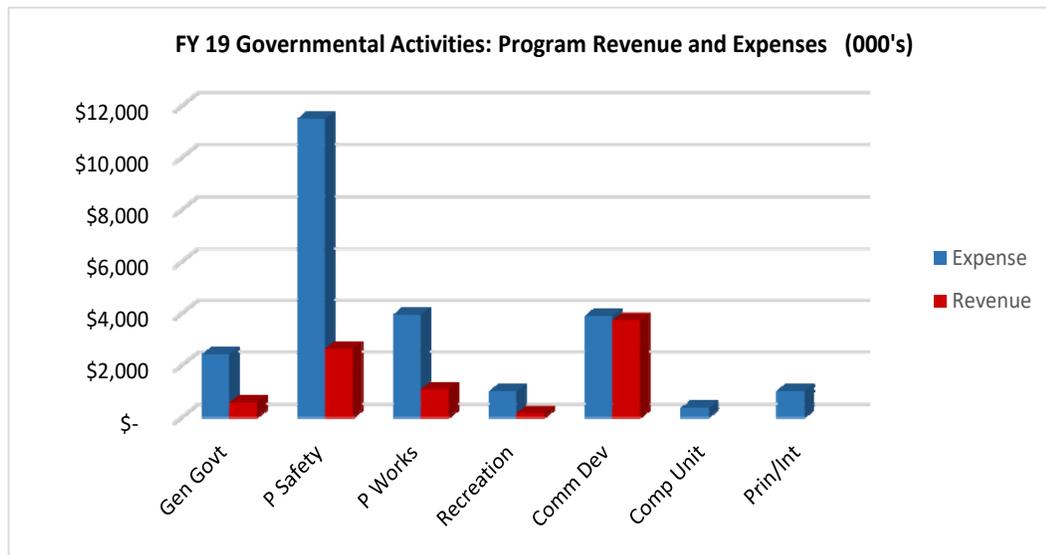
Changes in Net Position

(In Millions)

	Governmental		Business-Type		Total Primary	
	<u>Activities</u>		<u>Activities</u>		<u>Government</u>	
	FY 19	FY 18	FY 19	FY 18	FY 19	FY 18
Revenues						
Program Revenues						
Charges for services	\$ 2.0	\$ 2.1	\$ 20.9	\$ 19.9	\$ 22.9	\$ 22.0
Operating Grants	6.0	5.3	-	-	6.0	5.3
Capital Grants and Contributions	0.1	0.3	11.4	5.6	11.5	5.9
General Revenues						
Property Taxes	11.9	12.0	-	-	11.9	12.0
Other taxes	0.7	0.6	-	-	0.7	0.6
Shared Revenues	1.4	1.3	-	-	1.4	1.3
Miscellaneous	0.9	0.6	0.3	0.1	1.2	0.7
TOTAL REVENUES	<u>23.0</u>	<u>22.2</u>	<u>32.6</u>	<u>25.6</u>	<u>55.6</u>	<u>47.8</u>
Program Expenses						
General Government	2.4	2.3	-	-	2.4	2.3
Public Safety	11.6	10.9	-	-	11.6	10.9
Public Works	3.9	3.7	-	-	3.9	3.7
Recreation	1.0	0.9	-	-	1.0	0.9
Community Development	3.9	3.9	-	-	3.9	3.9
Payment to component unit	0.3	0.4	-	-	0.3	0.4
Interest on LT Debt	1.0	0.9	-	-	1.0	0.9
Water	-	-	7.2	7.3	7.2	7.3
Sewer	-	-	8.3	7.8	8.3	7.8
Municipal Parking Authority	-	-	0.5	0.5	0.5	0.5
Trash	-	-	1.5	1.5	1.5	1.5
TOTAL EXPENSES	<u>24.1</u>	<u>23.0</u>	<u>17.5</u>	<u>17.1</u>	<u>41.6</u>	<u>40.1</u>
Excess/Deficiency Before Transfers and Special Items	(1.1)	(0.8)	15.1	8.5	14.0	7.7
Special Items	-	-	-	-	-	-
Transfers	1.7	1.8	(1.7)	(1.8)	-	-
Change in Net Position	<u>0.6</u>	<u>1.0</u>	<u>13.4</u>	<u>6.7</u>	<u>14.0</u>	<u>7.7</u>
Net Position- Beginning	(9.3)	(9.4)	76.8	70.7	67.5	61.3
Restatement	-	(0.9)	-	(0.6)	-	(1.5)
Net Position-Beginning (as restated)	<u>(9.3)</u>	<u>(10.3)</u>	<u>76.8</u>	<u>70.1</u>	<u>67.5</u>	<u>59.8</u>
Net Position-Ending	<u>\$ (8.7)</u>	<u>\$ (9.3)</u>	<u>\$ 90.2</u>	<u>\$ 76.8</u>	<u>\$ 81.5</u>	<u>\$ 67.5</u>

Governmental activities. The City's governmental activities' net position improved by \$0.6 million reducing the deficit to \$8.7 million. This compares to a reduction in the deficit of \$1.0 million in the net position during fiscal year 2018 representing a year over year decline in the deficit reduction of \$0.4 million. Expenses were up \$1.1 million and were partially offset by an increase in revenue of \$0.8 million. Transfers-in were down \$0.1 million in fiscal year 2019. Key differences are listed below:

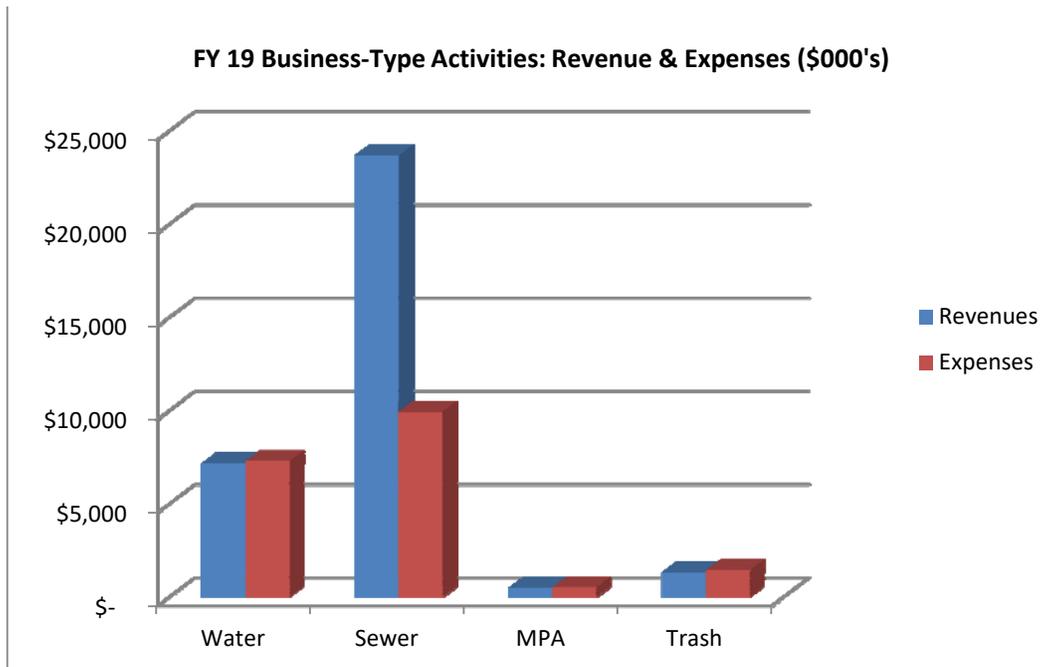
- The main reason for the revenue increase was an increase in operating grants of \$0.7 million in fiscal year 2019. Public Safety operating grants were up \$0.2 million as we experienced a full year of a police labor reimbursement grant (MORE Cops) and a few smaller new police grants. Community Development housing grants were up \$0.1 million and Community Development Block grants were up \$0.3 million.
- Governmental activity expenses increased \$1.1 million. The major increases were as follows: public safety personnel expenses increased \$0.43 million, public safety operating grant program expenses increased \$0.11 million, public works personnel and maintenance expenses increased \$0.2 million. The balance is comprised of many smaller changes.

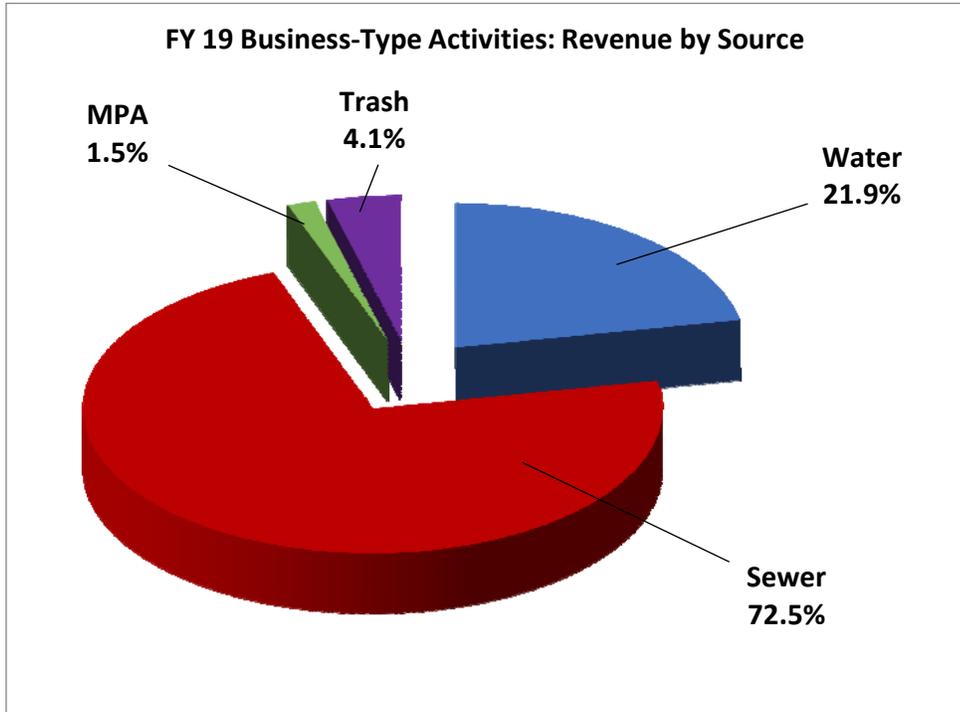


Business-type activities. The City’s net position for the business-type activities increased \$13.4 million in fiscal year 2019 compared to an increase of \$6.7 million in fiscal year 2018. The overall \$6.7 million improvement is due primarily to the following items:

- Capital contributions increased \$5.8 million due to grants the City received from the State of Maryland for cost reimbursement associated with capital expenditure increases on a major Sewer Fund construction project.
- Income before transfers and special items \$6.6 million as a revenue increase \$7.0 million was only partially offset by an expense increase of \$0.4 million. The major revenue increases were as follows: Capital grants \$5.8 million, sanitary commission revenue increased by \$.06 million due to a flow increase caused by an unusual amount of rainfall and the fact that most of the sanitary commissions have combined storm and sanitary sewer systems, a fiscal year 2019 grant of \$0.45 million was received as the City met wastewater treatment requirements that were not met in fiscal year 2018 and administration revenue for managing a capital project. In addition, trash collection revenue increased \$0.05 million as a result of a 5% rate increase. A 5% water rate increase was offset by a decline in water company revenue.
- A \$0.1 million general fund transfer to the Municipal Parking Authority caused the increase in transfers in.

The following charts include operating revenue and expenses, non-operating revenue and expenses, contributions, special items and/or transfers in the revenue and other expense figures.





Financial Analysis of the Government’s Funds

As noted earlier, the City of Cumberland uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City of Cumberland’s *governmental funds* is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City’s financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City’s governmental funds reported combined fund balances of \$8.7 million, a decrease of \$1.0 million as compared to the prior year. Approximately 30% of this amount (\$2.6 million) constitutes *unassigned fund balance*, which is available for spending at the government’s discretion. The *unassigned fund balance* increased \$0.6 million during fiscal 2019. The remainder of the fund balance is either *nonspendable or restricted* to indicate that it is: 1) not in spendable form (\$2.5 million) or 2) restricted for particular purposes (\$3.6 million).

The General Fund is the chief operating fund of the City of Cumberland. At the end of the current fiscal year the unassigned fund balance of the General Fund was \$2.7 million, out of a total fund balance of \$7.2 million. This represents an increase of \$0.6 million to the unassigned fund balance and a \$0.5 million decrease to the total fund balance compared to balances from the prior year. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to fund expenditures. Unassigned fund balance represents 14.4% of the general fund expenditures, while total fund balance represents 37.7% of that same amount.

The General Fund nonspendable fund balance of \$2.5 million at June 30, 2019 consists almost entirely of prepaid workers compensation costs. The nonspendable balance decreased \$0.2 million when compared to the previous year mainly due to the lack of prepaid healthcare costs which existed at the close of fiscal year 2018, but were paid after year end in fiscal year 2019. The restricted fund balance of \$2.0 million is associated primarily with unspent debt proceeds restricted for specific purposes. The restricted fund balance decreased \$1.1 million as the utilization of debt proceeds from prior years was partially offset with an unspent balance from the CDA debt that was issued during 2019.

Proprietary Funds. The City of Cumberland's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Net position at year end and the change in net position during the current year are highlighted in the following table:

City of Cumberland
Business-Type Enterprise Funds Net Position Detail
June 30, 2019

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Other Enterprise Funds</u>	<u>Totals</u>
Net Position				
Net investment in Capital Assets	\$ 16,065,640	\$ 62,452,565	\$ 1,558,202	\$ 80,076,407
Unrestricted	2,872,577	7,288,458	120,454	10,281,489
Total Net Position	<u>\$ 18,938,217</u>	<u>\$ 69,741,023</u>	<u>\$ 1,678,656</u>	<u>\$ 90,357,896</u>
Change in net position during the year, increase (decrease)	<u>\$ (126,209)</u>	<u>\$ 13,763,871</u>	<u>\$ (136,585)</u>	<u>\$ 13,501,077</u>

Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

Over the course of the fiscal year, the Mayor and City Council revises the City's General Fund budget. These budget amendments fall into three categories. The first category includes amendments and supplemental appropriations. The second category includes changes that are made to adjust for unforeseen savings and expenses in order to reflect a more accurate budget. Lastly, the Mayor and Council amend appropriations to prevent budget overruns.

During fiscal year 2019, The City made supplemental appropriations of \$23,000 during the year to provide for expenditures associated with a grant from the Maryland Center for School Safety to provide for safety education, officer overtime and school safety patrols. In addition, minor transfers were made between government activities.

With these amendments, the charges to expenditures were \$575,000 (2.9%) below the final budgeted amount for fiscal year 2019. The primary variances are as follows:

- The public works expenditure variance was favorable by \$144,000 mainly due to delays in capital equipment purchases and lower than expected vehicle maintenance costs.
- Recreation expenditures were \$168,000 below budget due to delays in capital equipment purchases and decline in summer activities due to an unusually large amount of rain.
- Community Development and Housing expenditures were \$163,000 below expectations primarily due to delays in blight removal projects.

Transfers-out were \$695,000 below budget chiefly due to delays in a budgeted capital bridge project.

Capital Asset and Debt Administration

Capital Assets. The City of Cumberland's investment in capital assets as of June 30, 2019 was \$136.4 million, which included governmental activities of \$27.1 million and business-type activities of \$109.4 million.

Major capital expenditures during the fiscal year included the following:

Governmental activities (\$2.9 million):

- \$1.8 million on paving and other street and bridge improvements.
- \$0.2 million on park lighting.
- \$0.56 million on vehicles, machinery & equipment and building improvements.
- \$0.2 million on land acquisitions.

Business-type activities (\$15.7 million):

- The Water Fund spent \$0.9 million on water distribution system improvements.
- The Sewer Fund spent \$14.4 million on building and infrastructure improvements with the majority of this amount (\$13.8 million) attributed to the Wastewater Treatment CSO project discussed earlier.

- The Sewer and Water Funds spent \$0.4 million on vehicles, machinery and equipment.

During fiscal year 2019 the water funds traded in a fully depreciated heavy-duty vehicle with an original cost of \$24,000. The water and sewer funds wrote off \$146,000 in costs of work in process projects that were cancelled.

Additional detail regarding the City of Cumberland’s capital assets can be found in Note 5 of the notes to the financial statements. p

Long-term Debt. At the end of the current fiscal year, the City of Cumberland had total debt outstanding of \$58.7 million which was comprised of governmental activity debt of \$26.7 million and business-type activity debt of \$32.0 million.

City of Cumberland Outstanding Debt						
General Obligation Bonds and Notes Payable						
(000's)						
	Governmental		Business-type		Totals	
	Activities		Activities			
	FY 19	FY 18	FY 19	FY 18	FY 19	FY 18
General Obligation Bonds	\$ 25,399	\$ 26,527	\$ 31,885	\$ 29,668	\$ 57,284	\$ 56,195
Bond Premium	620	701	91	-	711	701
Notes Payable	708	771	10	13	718	784
Total	<u>\$ 26,727</u>	<u>\$ 27,999</u>	<u>\$ 31,986</u>	<u>\$ 29,681</u>	<u>\$ 58,713</u>	<u>\$ 57,680</u>

As discussed in the financial highlights section, the City issued bonds through the Maryland Water Quality Financing Administration and the Maryland Community Development Administration.

At June 30, 2019, the City had an unspent balance of \$2.1 million from a fiscal year 2019 CDA bond issue of \$2.5 million, an unspent balance of \$0.1 million from a fiscal year 2018 CDA bond issue of \$1.2 million, an unspent balance of \$1.8 million from a fiscal year 2016 CDA bond issue of \$3.2 million and an unspent balance of \$0.6 million from a fiscal year 2014 CDA bond issue of \$7.5 million.

In addition, the City has two ongoing Sewer Fund CSO projects funded through Maryland Water Quality Bonds totaling \$3.3 million that are drawn as the project proceeds. The amount remaining to be drawn on these bonds is \$0.8 million.

In June 2017, Standards & Poor’s affirmed the City’s rating of “A”. In November 2019, Fitch affirmed the City’s rating of “A”.

- Additional information on the City of Cumberland’s long-term debt can be found in Note 7 of the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The City's elected and appointed officials considered many factors when setting the budget, tax rates for the General Fund and fees that will be charged for the business-type activities for fiscal year 2020. One of those factors is the economy. Unemployment, a key indicator, was 5.9% in June 2019, in the Cumberland/Allegany County area. This represents a decrease in unemployment of 0.2% when compared to a year ago, but is well above the State of Maryland and national unemployment rates of 3.8% and 3.7% respectively.

Based on the Maryland State constant yield notice the City expects an increase in the assessable real estate tax base of \$11.4 million (1.3%) for fiscal year 2020. The City's fiscal year 2020 General Fund budget reflects a slight increase in the unassigned fund balance of \$0.1 million.

The General Fund real estate tax rate of \$1.0595 per \$100 of assessable base was not changed. The trash rates were increased 37% (an average of \$4.08 per month per household) to keep pace with the trash collection contract. Water rates were increased 5% (an average of \$0.92 per month per residential account).

For the expenditure budgets, department heads were directed to submit their budgets with a focus on maintaining or reducing operating expenses where possible. The fiscal year 2020 General Fund budget includes 4 new positions. Health insurance costs were budgeted to increase 11.6%. Except for promotion and longevity increase situations, the fiscal year 2020 personnel wage increases are being limited to 2% or less.

The City continues to take a proactive approach to economic development by investing in economic development initiatives and staffing to support such initiatives. The Cumberland Economic Development Corporation (CEDC a component unit of the City of Cumberland) is actively marketing several sites previously acquired and prepared for commercial and/or residential development. Please see the transmittal letter for a discussion of CEDC activities.

A copy of the City's budget is available on our web site at www.ci.cumberland.md.us.

Requests for Information

This financial report is designed to provide a general overview of the City of Cumberland's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Comptroller's Office at 57 N. Liberty Street, Cumberland, Maryland, 21502.

Basic Financial Statements

CITY OF CUMBERLAND, MARYLAND
STATEMENT OF NET POSITION
JUNE 30, 2019

	<i>Primary Government</i>			<i>Component Unit</i>
	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>	
ASSETS:				
Current assets:				
Cash	\$ 425,372	\$ 730,093	\$ 1,155,465	\$ 85,063
Investments	1,201,740	14,004,996	15,206,736	-
Taxes receivable	1,562,198	-	1,562,198	-
Accounts receivable	285,302	2,167,691	2,452,993	26,530
Accrued interest receivable	5,256	-	5,256	-
Due from other governments	2,947,983	3,966,274	6,914,257	500,000
Internal balances	319,153	(319,153)	-	-
Prepaid expenses	2,461,005	622,263	3,083,268	2,422
Due from component unit	500,000	-	500,000	-
Inventory	21,248	630,614	651,862	-
Other investment in real estate	-	-	-	511,820
Total Current Assets	9,729,257	21,802,778	31,532,035	1,125,835
Noncurrent assets:				
Housing loans receivable	257,260	-	257,260	-
Loans receivable	563,642	-	563,642	-
Notes receivable	685,000	-	685,000	-
Restricted cash	453,499	-	453,499	-
Restricted investments	88,932	-	88,932	-
Capital assets:				
Non-depreciable	2,716,173	24,217,194	26,933,367	-
Depreciable, net	24,423,457	85,105,806	109,529,263	-
Other assets	-	25,000	25,000	-
Total Non-Current Assets	29,187,963	109,348,000	138,535,963	-
Total Assets	38,917,220	131,150,778	170,067,998	1,125,835
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred outflows related to pension	2,420,355	690,662	3,111,017	-
Deferred charge on refunding	834,907	160,371	995,278	-
Deferred outflows related to OPEB	100,999	84,872	185,871	-
Total Deferred Outflows of Resources	3,356,261	935,905	4,292,166	-
Total Assets and Deferred Outflows of Resources	\$ 42,273,481	\$ 132,086,683	\$ 174,360,164	\$ 1,125,835

CITY OF CUMBERLAND, MARYLAND
STATEMENT OF NET POSITION
JUNE 30, 2019
(continued)

	<i>Primary Government</i>			<i>Component Unit</i>
	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>	
LIABILITIES:				
Current liabilities:				
Accounts payable	\$ 807,770	\$ 1,398,057	\$ 2,205,827	\$ 19,052
Accrued wages	511,061	-	511,061	-
Accrued interest	123,844	138,636	262,480	-
Unearned revenue	-	11,560	11,560	15,000
Deposits payable	63,287	-	63,287	-
Due to primary government	-	-	-	500,000
Accrued health claims	243,262	110,218	353,480	-
Current portion of compensated absences	868,757	360,465	1,229,222	-
Current portion of workers' comp payable	1,767,893	392,685	2,160,578	-
Current portion of bonds and notes payable	1,695,251	8,161,329	9,856,580	-
Total Current Liabilities	6,081,125	10,572,950	16,654,075	534,052
Noncurrent liabilities:				
Compensated absences (net of current portion)	1,009,129	563,251	1,572,380	-
Workers' comp claims payable (net of current portion)	1,686,591	374,627	2,061,218	-
Bonds and notes payable (net of current portion and premium)	25,032,647	23,824,619	48,857,266	-
Retainage payables	76,140	1,630,423	1,706,563	-
Total other post-employment benefit (OPEB) liability	863,169	725,338	1,588,507	-
Net pension liability	15,128,198	3,707,082	18,835,280	-
Total Non-Current Liabilities	43,795,874	30,825,340	74,621,214	-
Total Liabilities	49,876,999	41,398,290	91,275,289	534,052
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension	1,175,243	330,497	1,505,740	-
NET POSITION:				
Net investment in capital assets	12,080,334	80,076,407	92,156,741	-
Restricted for:				
Capital Projects	20,361	-	20,361	-
Community Development	1,844,130	-	1,844,130	-
Public Safety	98,202	-	98,202	-
Unrestricted (Deficit)	(22,821,788)	10,281,489	(12,540,299)	591,783
Total Net Position	(8,778,761)	90,357,896	81,579,135	591,783
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 42,273,481	\$ 132,086,683	\$ 174,360,164	\$ 1,125,835

**CITY OF CUMBERLAND, MARYLAND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

Functions/Programs	Expenses	Indirect Expense Allocation	Program Revenues			Primary Government			Component Unit CEDC
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position			
						Governmental Activities	Business-type Activities	Total	
Governmental Activities:									
General government	\$ 3,878,995	\$ (1,477,699)	\$ 546,417	\$ 6,997	\$ -	\$ (1,847,882)	\$ -	\$ (1,847,882)	\$ -
Public safety	11,485,183	-	1,243,427	1,382,537	-	(8,859,219)	-	(8,859,219)	-
Public works	4,116,843	(181,490)	-	992,024	75,167	(2,868,162)	-	(2,868,162)	-
Recreation	982,830	-	123,692	11,323	6,400	(841,415)	-	(841,415)	-
Community development and housing	3,873,235	9,281	135,258	3,577,629	1,058	(168,571)	-	(168,571)	-
Payment to component unit	346,401	-	-	-	-	(346,401)	-	(346,401)	-
Interest on long-term debt	997,113	-	-	-	-	(997,113)	-	(997,113)	-
Total Governmental Activities	<u>25,680,600</u>	<u>(1,649,908)</u>	<u>2,048,794</u>	<u>5,970,510</u>	<u>82,625</u>	<u>(15,928,763)</u>	<u>-</u>	<u>(15,928,763)</u>	<u>-</u>
Business-type Activities:									
Water	6,462,191	615,690	6,923,970	-	120,300	-	(33,611)	(33,611)	-
Sewer	7,490,760	847,748	12,195,610	-	11,287,320	-	15,144,422	15,144,422	-
Municipal Parking Authority	499,862	33,190	409,836	-	-	-	(123,216)	(123,216)	-
Trash	1,285,654	153,280	1,337,719	-	-	-	(101,215)	(101,215)	-
Total Business-type Activities	<u>15,738,467</u>	<u>1,649,908</u>	<u>20,867,135</u>	<u>-</u>	<u>11,407,620</u>	<u>-</u>	<u>14,886,380</u>	<u>14,886,380</u>	<u>-</u>
Total Government	<u>\$ 41,419,067</u>	<u>\$ -</u>	<u>\$ 22,915,929</u>	<u>\$ 5,970,510</u>	<u>\$ 11,490,245</u>	<u>\$ (15,928,763)</u>	<u>\$ 14,886,380</u>	<u>\$ (1,042,383)</u>	<u>\$ -</u>
Component Unit:									
Cumberland Economic Development Corporation	<u>\$ 363,897</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,000</u>	<u>\$ 500,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 171,103</u>
General Revenues:									
Taxes:									
Property taxes						\$ 11,853,684	\$ -	\$ 11,853,684	\$ -
Franchise Fees						276,142	-	276,142	-
Other Taxes						376,173	-	376,173	-
Appropriation from City of Cumberland, Maryland						-	-	-	346,401
Shared revenues - income tax						1,395,021	-	1,395,021	-
Investment earnings						135,229	315,449	450,678	77
Miscellaneous						743,987	-	743,987	16,250
Transfers						1,700,752	(1,700,752)	-	-
Total General Revenues and Transfers						<u>16,480,988</u>	<u>(1,385,303)</u>	<u>15,095,685</u>	<u>362,728</u>
Change in Net Position						<u>552,225</u>	<u>13,501,077</u>	<u>14,053,302</u>	<u>533,831</u>
Net Position - Beginning						<u>(9,330,986)</u>	<u>76,856,819</u>	<u>67,525,833</u>	<u>57,952</u>
Net Position - Ending						<u>\$ (8,778,761)</u>	<u>\$ 90,357,896</u>	<u>\$ 81,579,135</u>	<u>\$ 591,783</u>

CITY OF CUMBERLAND, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

	<u>General Fund</u>	<u>Housing Assistance Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 425,372	\$ -	\$ 114,185	\$ 539,557
Investments	1,201,740	-	88,932	1,290,672
Taxes receivable	1,538,543	-	23,655	1,562,198
Accounts receivable	263,951	-	21,351	285,302
Due from other governments	2,226,646	13,106	708,231	2,947,983
Interfund receivables	669,690	-	-	669,690
Prepaid expenditures	2,461,005	-	-	2,461,005
Due from component unit	500,000	-	-	500,000
Inventory	21,248	-	-	21,248
Restricted cash	339,314	-	-	339,314
Housing loans receivable	-	-	257,260	257,260
Loans receivable	-	-	563,642	563,642
Notes receivable	-	-	685,000	685,000
Total Assets	<u>\$ 9,647,509</u>	<u>\$ 13,106</u>	<u>\$ 2,462,256</u>	<u>\$ 12,122,871</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 288,537	\$ -	\$ 519,233	\$ 807,770
Accrued wages	511,061	-	-	511,061
Interfund payables	-	13,106	337,431	350,537
Deposits payable	63,287	-	-	63,287
Total Liabilities	<u>862,885</u>	<u>13,106</u>	<u>856,664</u>	<u>1,732,655</u>
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenues	1,584,242	-	110,634	1,694,876
FUND BALANCES:				
Fund balances (deficit):				
Nonspendable	2,482,253	-	-	2,482,253
Restricted	1,970,400	-	1,642,638	3,613,038
Unassigned	2,747,729	-	(147,680)	2,600,049
Total Fund Balances (Deficit)	<u>7,200,382</u>	<u>-</u>	<u>1,494,958</u>	<u>8,695,340</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 9,647,509</u>	<u>\$ 13,106</u>	<u>\$ 2,462,256</u>	<u>\$ 12,122,871</u>

CITY OF CUMBERLAND, MARYLAND
RECONCILIATION OF THE GOVERNMENTAL BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AS OF JUNE 30, 2019

Fund Balances - Total Governmental Funds \$ 8,695,340

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Governmental Capital Assets	68,518,277	
Less: Accumulated Depreciation	<u>(41,378,647)</u>	27,139,630

Other assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Accrued interest receivable		5,256
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Pension & OPEB related deferred outflows of resources and deferred inflows of resources that are not due and payable in the current year and, therefore are not reported in the governmental funds, as follows:

Deferred Outflows of Resources	2,521,354	
Deferred Inflows of Resources	<u>(1,175,243)</u>	1,346,111

Long-term liabilities, are not due and payable in the current period and therefore are not reported in the governmental funds.

Governmental Bonds and Notes Payable	(26,107,684)	
Plus: Deferred charge on refunding (to be amortized as interest expense)	834,907	
Less: Premium on bonds (to be amortized as interest expense)	(620,214)	
Compensated Absences	(1,877,886)	
Retainage	(76,140)	
Total Other Post-Employment Benefit Liability	(863,169)	
Workers Compensation	(3,454,484)	
Accrued Health Claims	(243,262)	
Net Pension Liability	(15,128,198)	
Accrued Interest	<u>(123,844)</u>	(47,659,974)

Unavailable revenue reported on modified accrual basis of accounting in governmental funds is susceptible to full accrual on the entity-wide statements.

Unavailable Revenue		<u>1,694,876</u>
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Net Position of Governmental Activities		<u><u>\$ (8,778,761)</u></u>
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CITY OF CUMBERLAND, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	<i>General Fund</i>	<i>Housing Assistance Fund</i>	<i>Non-Major Governmental Funds</i>	<i>Total Governmental Funds</i>
Revenues:				
Taxes	\$ 12,105,267	\$ -	\$ 204,324	\$ 12,309,591
Licenses and permits	82,829	-	-	82,829
Intergovernmental	3,343,016	2,306,740	1,937,383	7,587,139
Charges for services	1,585,937	-	-	1,585,937
Fines and forfeitures	930	-	-	930
Interest	103,890	-	43,020	146,910
Miscellaneous	970,502	-	62,990	1,033,492
Total Revenues	<u>18,192,371</u>	<u>2,306,740</u>	<u>2,247,717</u>	<u>22,746,828</u>
Expenditures:				
Current:				
General government	1,823,932	-	306,804	2,130,736
Public safety	10,739,877	-	452,106	11,191,983
Public works	2,486,454	-	-	2,486,454
Recreation	832,010	-	-	832,010
Community development and housing	1,086,336	2,306,740	1,307,144	4,700,220
Capital Outlay	-	-	1,872,178	1,872,178
Debt service:				
Principal	1,150,910	-	589,000	1,739,910
Interest	974,524	-	53,638	1,028,162
Bond Issue Costs	24,134	-	-	24,134
Total Expenditures	<u>19,118,177</u>	<u>2,306,740</u>	<u>4,580,870</u>	<u>26,005,787</u>
Revenues in Excess of (Less Than) Expenditures	<u>(925,806)</u>	<u>-</u>	<u>(2,333,153)</u>	<u>(3,258,959)</u>
Other Financing Sources (Uses):				
Transfers-in	1,789,211	-	1,882,229	3,671,440
Transfers-out	(1,953,716)	-	(16,972)	(1,970,688)
Issuance of debt	549,975	-	-	549,975
Original issue premium	23,345	-	-	23,345
Total Other Financing Sources	<u>408,815</u>	<u>-</u>	<u>1,865,257</u>	<u>2,274,072</u>
Net Change in Fund Balance	(516,991)	-	(467,896)	(984,887)
Fund balance (deficit), beginning	<u>7,717,373</u>	<u>-</u>	<u>1,962,854</u>	<u>9,680,227</u>
Fund balance (deficit), ending	<u>\$ 7,200,382</u>	<u>\$ -</u>	<u>\$ 1,494,958</u>	<u>\$ 8,695,340</u>

CITY OF CUMBERLAND, MARYLAND
RECONCILIATION OF THE STATEMENT OF THE GOVERNMENTAL
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019

Net Change in Fund Balances - Total Governmental Funds \$ (984,887)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives. This is the amount by which capital outlays exceed depreciation in the current year.

Expenditures for capital assets	2,922,031	
Retainage on construction projects	(76,140)	
Disposal of land	(1,100)	
Donated capital assets	160,700	
Less: current year depreciation	<u>(2,313,445)</u>	692,046

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This is the amount by which proceeds exceeded repayments in the current year and refunded debt deferred charges and premiums incurred in the current year.

Bond and loan proceeds	(549,975)	
Bond premium	(23,345)	
Principal payments	<u>1,739,910</u>	1,166,590

Some revenues reported in the statement of activities do not require the use of current financial resources and therefore are not reported as revenues in governmental funds.

Interest accrued on note receivable	(10,579)	
Unavailable revenues		(13,684)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated absences	(1,240)	
Other post-employment benefit obligation	58,954	
Workers compensation	50,025	
Accrued interest adjustment	19,402	
Amortization of premium on refunding and other debt	104,330	
Amortization of deferred charge on refunding	(92,683)	
Accrued health claims	(16,862)	
Pension expense	<u>(419,187)</u>	<u>(297,261)</u>

Change in Net Position of Governmental Activities \$ 552,225

CITY OF CUMBERLAND, MARYLAND
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2019

BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Non-Major Proprietary Funds</u>	<u>Total</u>
ASSETS				
<u>Current Assets:</u>				
Cash and cash equivalents	\$ 200,873	\$ 213,191	\$ 316,029	\$ 730,093
Investments	4,683,260	9,321,736	-	14,004,996
Accounts receivable	771,913	1,301,242	94,536	2,167,691
Due from other governments	1,552,127	2,414,147	-	3,966,274
Prepaid expenses	327,420	294,843	-	622,263
Inventory	630,450	164	-	630,614
Total Current Assets	<u>8,166,043</u>	<u>13,545,323</u>	<u>410,565</u>	<u>22,121,931</u>
<u>Noncurrent Assets:</u>				
Capital assets:				
Non-depreciable	271,867	23,764,590	180,737	24,217,194
Depreciable, net	28,506,246	53,322,172	3,277,388	85,105,806
Evitts Creek Water Company, capital stock	25,000	-	-	25,000
Total Non-Current Assets	<u>28,803,113</u>	<u>77,086,762</u>	<u>3,458,125</u>	<u>109,348,000</u>
Total Assets	<u>36,969,156</u>	<u>90,632,085</u>	<u>3,868,690</u>	<u>131,469,931</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pension	323,024	338,779	28,859	690,662
Deferred charge on refunding	73,749	82,404	4,218	160,371
Deferred outflows related to OPEB	49,888	34,347	637	84,872
Total Deferred Outflows of Resources	<u>446,661</u>	<u>455,530</u>	<u>33,714</u>	<u>935,905</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 37,415,817</u>	<u>\$ 91,087,615</u>	<u>\$ 3,902,404</u>	<u>\$ 132,405,836</u>
LIABILITIES				
<u>Current Liabilities:</u>				
Accounts payable	\$ 107,944	\$ 1,181,310	\$ 108,803	\$ 1,398,057
Accrued interest	84,918	39,893	13,825	138,636
Unearned revenues	4,800	-	6,760	11,560
Interfund payables, current	319,153	-	-	319,153
Accrued health claims	52,785	54,173	3,260	110,218
Current portion of compensated absences	174,496	176,396	9,573	360,465
Current portion of workers' comp. claims payable	207,869	184,816	-	392,685
Current portion of bonds and notes payable	1,047,139	6,982,885	131,305	8,161,329
Total Current Liabilities	<u>1,999,104</u>	<u>8,619,473</u>	<u>273,526</u>	<u>10,892,103</u>
<u>Noncurrent Liabilities:</u>				
Compensated absences (net of current portion)	272,608	272,508	18,135	563,251
Workers' comp. claims payable (net of current portion)	198,310	176,317	-	374,627
Retainage payables	-	1,630,423	-	1,630,423
Total other post-employment benefit (OPEB) liability	426,357	293,549	5,432	725,338
Bonds and notes payable (net of current portion)	13,685,582	8,338,316	1,800,721	23,824,619
Net pension liability	1,740,541	1,852,282	114,259	3,707,082
Total Non-Current Liabilities	<u>16,323,398</u>	<u>12,563,395</u>	<u>1,938,547</u>	<u>30,825,340</u>
Total Liabilities	<u>18,322,502</u>	<u>21,182,868</u>	<u>2,212,073</u>	<u>41,717,443</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension	155,098	163,724	11,675	330,497
NET POSITION				
Net investment in capital assets	16,065,640	62,452,565	1,558,202	80,076,407
Unrestricted	2,872,577	7,288,458	120,454	10,281,489
Total Net Position	<u>18,938,217</u>	<u>69,741,023</u>	<u>1,678,656</u>	<u>90,357,896</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 37,415,817</u>	<u>\$ 91,087,615</u>	<u>\$ 3,902,404</u>	<u>\$ 132,405,836</u>

The accompanying Notes to Financial Statements are an integral part of this statement

CITY OF CUMBERLAND, MARYLAND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS

	Water Fund	Sewer Fund	Non-Major Proprietary Funds	Total
Operating Revenues:				
Charges for Services:				
Domestic	\$ 2,457,148	\$ 5,643,246	\$ 1,307,646	\$ 9,408,040
Industrial	2,182,514	784,309	2,774	2,969,597
Sanitary commissions	-	4,836,184	-	4,836,184
Water companies	2,048,880	-	-	2,048,880
Rents/Concessions	-	-	378,926	378,926
Connection Charges	110,012	3,735	-	113,747
Other	125,416	928,136	58,209	1,111,761
Total Operating Revenues	<u>6,923,970</u>	<u>12,195,610</u>	<u>1,747,555</u>	<u>20,867,135</u>
Operating Expenses:				
Personal services	2,792,656	3,011,031	216,650	6,020,337
Utilities	201,991	543,916	12,677	758,584
Supplies	285,588	550,715	-	836,303
Repairs and maintenance	624,865	304,646	10,963	940,474
Landfill and recycling	-	2,323	462,843	465,166
Depreciation	1,193,098	1,695,834	134,738	3,023,670
Contractual services	119,148	1,049,257	822,086	1,990,491
Other operating expenses	1,223,716	1,005,721	224,516	2,453,953
Total Operating Expenses	<u>6,441,062</u>	<u>8,163,443</u>	<u>1,884,473</u>	<u>16,488,978</u>
Operating Income (Loss)	<u>482,908</u>	<u>4,032,167</u>	<u>(136,918)</u>	<u>4,378,157</u>
Non-Operating Revenues (Expenses):				
Interest income	125,201	190,114	134	315,449
Interest expense	(425,310)	(162,128)	(87,513)	(674,951)
Bond issue costs	(83,794)	(12,937)	-	(96,731)
Gain (Loss) on disposal of capital assets	-	(127,715)	-	(127,715)
Total Non-Operating Income (Loss)	<u>(383,903)</u>	<u>(112,666)</u>	<u>(87,379)</u>	<u>(583,948)</u>
Net Income Before Contributions, Special Items, and Transfers	99,005	3,919,501	(224,297)	3,794,209
Capital contributions	120,300	11,287,320	-	11,407,620
Assumption of debt by other proprietary activities	-	26,448	-	26,448
Assumption of other proprietary activities debt	(26,448)	-	-	(26,448)
Transfers-in	26,448	-	87,712	114,160
Transfers-out	<u>(345,514)</u>	<u>(1,469,398)</u>	<u>-</u>	<u>(1,814,912)</u>
Net Income (Loss)	(126,209)	13,763,871	(136,585)	13,501,077
Net position-beginning of year	19,064,426	55,977,152	1,815,241	76,856,819
Net position-end of year	<u>\$ 18,938,217</u>	<u>\$ 69,741,023</u>	<u>\$ 1,678,656</u>	<u>\$ 90,357,896</u>

CITY OF CUMBERLAND, MARYLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS			
	Water Fund	Sewer Fund	Non-Major Proprietary Funds	Total
Cash Flows from Operating Activities:				
Cash receipts from customers	\$ 6,835,461	\$ 11,512,080	\$ 1,685,147	\$ 20,032,688
Cash payments to suppliers	(2,431,599)	(3,484,545)	(1,566,367)	(7,482,511)
Cash payments for personal services	(2,798,453)	(2,970,243)	(209,806)	(5,978,502)
Other operating receipts	125,416	928,136	58,209	1,111,761
Net Cash Provided (Used) Operating Activities	<u>1,730,825</u>	<u>5,985,428</u>	<u>(32,817)</u>	<u>7,683,436</u>
Cash Flows from Noncapital Financing Activities:				
Transfers from other funds	26,448	-	87,712	114,160
Transfers to other funds	(345,514)	(1,469,398)	-	(1,814,912)
Principal paid on noncapital debt	(5,070)	(5,665)	(290)	(11,025)
Loans from other funds	319,153	-	-	319,153
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(4,983)</u>	<u>(1,475,063)</u>	<u>87,422</u>	<u>(1,392,624)</u>
Cash Flows from Capital and Related Financing Activities:				
Release (utilization) of debt proceeds held by State	(1,264,486)	144,560	-	(1,119,926)
Change in capital intergovernmental receivables	(270)	643,539	-	643,269
Capital contributions	120,300	11,287,320	-	11,407,620
Acquisition and construction of capital assets	(1,185,951)	(13,849,112)	-	(15,035,063)
Proceeds from premiums on debt issuance	85,751	11,654	-	97,405
Proceeds from capital debt	2,162,773	2,052,458	-	4,215,231
Principal paid on capital debt	(997,198)	(863,562)	(129,847)	(1,990,607)
Interest paid on capital debt	(410,183)	(154,971)	(87,779)	(652,933)
Bond issue costs	(83,794)	(12,937)	-	(96,731)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,573,058)</u>	<u>(741,051)</u>	<u>(217,626)</u>	<u>(2,531,735)</u>
Cash Flows from Investing Activities:				
Interest on investments	125,201	190,114	134	315,449
Net Cash Provided (Used) by Investing Activities:	<u>125,201</u>	<u>190,114</u>	<u>134</u>	<u>315,449</u>
Net Increase (Decrease) in Cash and Cash Equivalents	277,985	3,959,428	(162,887)	4,074,526
Cash and Cash Equivalents at Beginning of Year	4,606,148	5,575,499	478,916	10,660,563
Cash and Cash Equivalents at End of Year	<u>\$ 4,884,133</u>	<u>\$ 9,534,927</u>	<u>\$ 316,029</u>	<u>\$ 14,735,089</u>

CITY OF CUMBERLAND, MARYLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019
(continued)

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS			
	Water Fund	Sewer Fund	Non-Major Proprietary Funds	Total
Reconciliation of Cash to Statement of Net Position				
Cash balance-Statement of Net Position	\$ 200,873	\$ 213,191	\$ 316,029	\$ 730,093
Investment balance-Statement of Net Position	4,683,260	9,321,736	-	14,004,996
Cash and Cash Equivalents-Statement of Cash Flows	\$ 4,884,133	\$ 9,534,927	\$ 316,029	\$ 14,735,089
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	\$ 482,908	\$ 4,032,167	\$ (136,918)	\$ 4,378,157
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	1,193,098	1,695,834	134,738	3,023,670
Pension expense	128,158	126,376	7,773	262,307
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	35,707	244,606	(2,509)	277,804
(Increase) decrease in prepaid expenses	43,644	34,268	-	77,912
(Increase) decrease in inventory	10,545	2	-	10,547
Increase (decrease) in accounts payable	(30,480)	(62,237)	(33,282)	(125,999)
Increase (decrease) in unavailable revenues	1,200	-	(1,690)	(490)
Increase (decrease) in accrued health claims	6,818	4,315	(269)	10,864
Increase (decrease) in total other post- employment benefit (OPEB) liability	2,935	51,332	(774)	53,493
Increase (decrease) in workers' comp. claims payable	(108,072)	(91,855)	-	(199,927)
Increase (decrease) in accrued wages and compensated absences	(35,636)	(49,380)	114	(84,902)
Net cash provided (used) by operating activities	\$ 1,730,825	\$ 5,985,428	\$ (32,817)	\$ 7,683,436
Noncash operating, financing, and investing activities:				
Loss on disposition of capital assets	\$ -	\$ 127,715	\$ -	\$ 127,715
Assumption of debt by other proprietary activities	-	26,448	-	26,448
Assumption of other proprietary activities debt	(26,448)	-	-	(26,448)
Debt proceeds not received from government	1,551,857	1,269,594	-	2,821,451

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 1. Summary of Significant Accounting Policies

A. Introduction

The City of Cumberland, Maryland (the City) was incorporated January 23, 1815. The City operates under a Council-Manager form of government per Charter Amendment #79 dated November 10, 1980 and provides the following services as authorized by its charter: public safety (police and fire), public works (maintenance, sewer, streets, water), recreation, community development and housing, and general administrative services.

The City's financial statements are prepared in accordance with generally accepted accounting principles in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The more significant accounting policies established in GAAP and used by the City are discussed below.

B. Financial reporting entity

The reporting entity includes all of the City's departments and agencies.

GASB Statement 14 defines component units as legally separate entities that are to be included in a government's reporting entity because of the significance of their operating or financial relationships with the government. The City has determined the following organization to be a component unit that is to be discretely presented in the City's basic financial statements:

The Cumberland Economic Development Corporation (the CEDC) is a corporation formed and operated under the provisions of the Corporate Law of the State of Maryland to support economic development and property and community development in the City. The CEDC has its own separate governing board, which is not appointed by the City. Although it is legally separate from the City, the CEDC is reported as a component unit by virtue of the CEDC's fiscal dependency on the City. The CEDC is unable to issue bonded debt. The City must issue the debt required to fund CEDC's projects. Additionally, the City is currently the primary funding source for the CEDC's operations. All activities of the CEDC must be consistent with the Strategic Economic Development Plan adopted by the City. Bi-annual reports of all expenditures are required to be submitted to the City. The CEDC has a June 30 year end and issues separate financial statements.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 1. Summary of Significant Accounting Policies – (Continued)

Complete financial statements of the component unit can be obtained by contacting the following office:

Cumberland Economic Development Corporation
60 Pershing Street
Cumberland, Maryland 21502

C. Basic Financial Statements

The City's basic financial statements include both (1) government-wide (reporting the City as a whole) and (2) fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City's police and fire protection, parks, recreation, public works, community development and housing, and general administrative services are classified as governmental activities. The City's water, sewer and trash services, and municipal parking authority operations are classified as business-type activities.

Government-wide financial statements

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts - Net investment in capital assets; restricted net position; and unrestricted net position. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net costs of each of the City's functions and business-type activities (public safety, public works, etc.). The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (public safety, public works, community development and housing, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

Amounts reported as program revenues include (1) charges to customers for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 1. Summary of Significant Accounting Policies – (Continued)

general revenues rather than as program revenues. Likewise, general revenues include all taxes.

The net costs (by function or business-type activity) are normally covered by general revenue (property, or income taxes, intergovernmental revenues, interest income, etc.).

The City allocates indirect costs from the General Fund to the Water, Sewer, Trash, MPA, and certain special revenue funds. To accomplish this allocation, the General Fund charges an administrative service charge to those funds to recover the costs of General Fund services provided (finance, personnel, purchasing, legal, technology management, etc.). The government-wide financial statements present this allocation in a separate column entitled “Indirect Expense Allocation”. In the fund financial statements described below, these charges are reported as expenses in the Water, Sewer, Trash and special revenue funds rather than in the General Fund.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City’s net position resulting from the current year’s activities.

Fund financial statements

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund balance, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the City:

1. Governmental Funds:

The focus of the governmental funds’ measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

- a. General fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 1. Summary of Significant Accounting Policies – (Continued)

- b. Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- c. Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds).

2. Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The only proprietary funds used by the City are enterprise funds which are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

Major Funds – Fund Financial Statements

GASBS No. 34 establishes criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a single column in the fund financial statements.

The City reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Housing Assistance Fund accounts for the administration and payment of rent to provide improved housing for low income residents of the City of Cumberland. Funding is provided by the U.S. Department of Housing and Urban Development to the State of Maryland and then passed through to the City as a sub recipient. All funding received by the City is then passed through as a sub recipient to the Allegany County Human Resources Development Commission, Inc. who administers the Section 8 Housing Choice Voucher Program. Approximately 350 individuals are assisted annually.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 1. Summary of Significant Accounting Policies – (Continued)

The City reports the following major proprietary funds:

The Water Fund accounts for the acquisition and maintenance of the water service provided to users within the boundaries of the City of Cumberland and certain outlying areas.

The Sewer Fund accounts for the acquisition and maintenance of the sewer service provided to users within the boundaries of the City of Cumberland and certain outlying areas.

D. Basis of Accounting and Measurement Focus

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual:

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting and utilize the economic resource focus. Revenues are recognized when earned and expenses are recognized when a liability is incurred.

Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues when eligibility requirements have been met.

2. Modified Accrual:

The governmental funds financial statements are presented on the modified accrual basis of accounting and utilize the current financial resources measurement focus. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. “Available” means collectible within the current period or within 60 days after year-end. Revenue sources subject to accrual include property taxes and other revenues such as income taxes, federal grants, and state grants. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the payment is due.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 1. Summary of Significant Accounting Policies – (Continued)

E. Financial Statement Amounts

Cash

Cash and cash equivalents in the statement of cash flows includes currency on hand, demand deposits and investments with maturities of three months or less.

Investments

Investments consist of funds with the MD Local Government Investment Pool which are reported at current value.

Inventory

Inventories are recorded at average cost which approximates market. The inventory is recorded as an asset when purchased and charged to expenditure when used.

Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid items under the consumption method.

Receivables

The accounts receivable in the Water Fund, Sewer Fund and Trash Fund represent gross receivables of the respective funds with no valuation allowance made for doubtful accounts since the City has preferred status in that water, sewer and trash services are not resumed for the property until the receivables are collected. Similarly, no valuation allowance is made for real estate property taxes receivable since title to real property does not pass until real estate taxes are paid in full.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “interfund receivables” and “interfund payables” in the fund financial statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

Capital Assets

Capital assets purchased or acquired with an original cost of \$10,000 or more are reported at historical cost or estimated historical cost. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 1. Summary of Significant Accounting Policies – (Continued)

Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Management estimates no salvage value when computing depreciation on fixed assets. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives.

Buildings	40-50 years
Water and sewer system	40-50 years
Machinery and equipment	5-20 years
Improvements	10-30 years
Other infrastructure	10-75 years

Long-Term Liabilities

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental and business-type resources are reported as obligations in the government-wide statements. The long-term liabilities consist primarily of bonds payable, notes payable, accrued compensated absences, workers' compensation payable, retainage payable and net pension and other post-employment benefits liabilities.

Long-term liabilities for governmental funds are not reported as a liability in the fund financial statements. The debt proceeds are reported as other financial sources while the payment of principal and interest is reported as an expenditure. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

Compensated Absences

The City accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 1. *Summary of Significant Accounting Policies – (Continued)*

Interfund Activity

Interfund activity is reported as loans, services provided reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation in the government-wide financial statements. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses and are not eliminated in the process of consolidation in the government-wide financial statements. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Deferred Outflows/Inflows of Resources

As defined by GASB Concept Statement No. 4, *“Elements of Financial Statements,”* deferred outflows/inflows of resources are the consumption/acquisition of net position by the government that are applicable to a future reporting period.

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period or periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports deferred outflows related to the pension and other post-employment benefits in its statement of net position. A deferred outflow of resources related to the pension and other post-employment benefits results from differences between expected and actual experience, changes in assumptions or other inputs. The deferred pension and other post-employment benefits outflows are amortized in a systematic and rational method as pension and other post-employment benefits expense in future periods in accordance with generally accepted accounting principles. The City also reports deferred outflows related to deferred charge on refunding in its statement of net position in connection with the City’s prior year refundings of City debt. The deferred charge on refunding is the difference between the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 1. Summary of Significant Accounting Policies – (Continued)

element, deferred inflows of resources, represents an acquisition of net position that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time. The City currently has two types of deferred inflows of resources: (1) The City reports unavailable revenue only in the governmental funds balance sheet; it is deferred and recognized as an inflow of resources (revenues) in the period the amounts become available, (2) The City also reports deferred inflows related to pension in its statement of net position in connection with the City’s participation in the Maryland State Retirement and Pension System. The deferred pension inflows are amortized in a systematic and rational method and recognized as a reduction of pension expense in future periods in accordance with generally accepted accounting principles.

Deferred inflows of resources reported in the governmental funds for unavailable revenues are as follows:

	General Fund	Nonmajor Governmental Funds	Total
Property Taxes	\$ 1,351,141	\$ 21,818	\$ 1,372,959
Governmental Grants	233,101	88,816	321,917
Total	\$ 1,584,242	\$ 110,634	\$ 1,694,876

Capitalized Interest

Interest costs are capitalized when incurred by proprietary funds on debt where proceeds were used to finance the construction of assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized. The following funds were affected:

	Total Interest Costs Incurred	Interest Charged To Expense	Interest Cost Capitalized	Interest Revenue Used to Offset Interest Costs	Net Capitalized Interest
Water Fund	\$ 425,788	\$ 425,310	\$ 478	\$ -	\$ 478
Sewer Fund	178,272	162,128	16,144	-	16,144
Non-Major Proprietary Funds	87,513	87,513	-	-	-

Interest costs are expensed when incurred by governmental fund types where proceeds are used to finance the construction of capital assets.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 1. Summary of Significant Accounting Policies – (Continued)

Classification of Net Position – Government-wide Financial Statements

In the government-wide financial statements, net position is classified in the following categories:

Net Investment In Capital Assets – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted Net Position – This category represents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. The City’s policy is generally to use restricted resources first, as appropriate opportunities arise.

Unrestricted Net Position – this category represents the net position of the City, which is not restricted for any project or other purpose.

Classification of Fund Balance – Fund Financial Statements

In the fund financial statements, governmental funds report the following components of fund balance:

Nonspendable – amounts that are not in a spendable form or are required to be maintained intact.

Restricted – amounts constrained to specific purposes by their providers through constitutional provisions, or by enabling legislation.

Committed – amounts constrained to specific purposes by the City itself through a resolution, using the highest level of decision making authority, namely, Mayor & City Council; to be reported as committed, amounts cannot be used for any other purpose unless the Mayor & City Council takes the same action to remove or change the constraint.

Assigned – amounts the City intends to use for a specific purpose; intent can be expressed by the Mayor & City Council or by an official or body to which the Mayor & City Council delegates the authority. Effective June 30, 2015, the Mayor & City Council delegated the City Comptroller the authorization to assign fund balances for specific purposes.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 1. Summary of Significant Accounting Policies – (Continued)

Unassigned – amounts that are available for any purpose; these amounts are reported only in the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Mayor & City Council has provided otherwise in its commitment or assignment functions.

The Mayor & City Council adopted a fund balance policy for the General Fund. The policy states that it is the City's goal to achieve and maintain an unassigned fund balance at fiscal year end to be at least equal to 25% of the subsequent years budgeted expenditures. The policy also states that should the unassigned fund balance at fiscal year end fall below 5% of the subsequent years budgeted expenditures, the fund balance is to be rebuilt within a reasonable time frame.

Operating and Non-Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include salaries and wages, administrative fees, operating and maintenance, and depreciation and amortization. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Pension

For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Maryland State Retirement and Pension System ("the System") and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 1. Summary of Significant Accounting Policies – (Continued)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

F. Stewardship, Compliance and Accountability

Budgets and Budgetary Accounting

An annual operating budget is legally adopted for the General Fund. The budget amounts in the required supplemental information were adopted on a basis consistent with generally accepted accounting principles and are as originally adopted or as amended by the City Council. During fiscal year 2019 and 2020, the Mayor & City Council approved an increase in appropriations in the amount of \$23,080 for fiscal year 2019.

Annual budgets for other major governmental funds are not adopted and therefore are not presented.

The City utilizes encumbrance accounting, the recording of purchase orders, in order to internally monitor annual appropriations, in the General Fund. Encumbrances outstanding at year-end are not classified as committed in the General Fund as the encumbrances do not represent enforceable commitments approved by the Mayor and City Council. Encumbrances in the General Fund total \$74,689 as of June 30, 2019.

The City follows these procedures in establishing the budgetary data reflected in the financial statements. Expenditures may not legally exceed appropriations at the function level.

1. Approximately in February, revenues are projected for the fiscal year commencing the following July 1. This information is forwarded to the individual department heads to prepare their budgets according to the projected revenues.
2. The department budgets are accumulated by the City Administrator, who prepares a formal budget and submits it to the Mayor and City Council.
3. Public hearings are conducted at the City Hall to obtain taxpayer comments.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 1. Summary of Significant Accounting Policies – (Continued)

4. Prior to July 1, the budget is legally enacted through passage of an ordinance.
5. The Mayor and City Council can approve supplemental appropriations during the year.
6. The Mayor and City Council can approve budget amendments between departments during the year.

Net Position/Fund Balance Deficit

The following funds had a deficit net position/fund balance at June 30, 2019:

Police Grants Fund	(\$ 9,435)
Capital Projects Fund	(104,201)
Street Improvement Fund	(34,044)

The aforementioned funds will have their deficit fund balances restored principally with the recognition of unavailable revenues at June 30, 2019 as revenue in fiscal year 2020 or with revenues earned in future years.

Compliance with Finance Related Legal and Contractual Provisions

The City incurred no material violations of finance related legal and contractual provisions.

G. Implementation of New Accounting Principle

The City implemented GASB Statement No. 88, entitled, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, in the current fiscal year. The implementation of this statement did not have a material effect on the City's financial statements.

Note 2. Cash and Investments

Cash

As of June 30, 2019, the carrying amount of the City's deposits was \$1,608,964 and the bank balance was \$2,074,101 (including an investment in an overnight sweep account in the amount of \$1,677,621).

Cash Risks and Policies

Custodial credit risk for deposits is the risk that in the event of a bank failure, the

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 2. Cash and Investments – (Continued)

City’s deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City’s policy requires 102% of uninsured deposits with financial institutions to be fully secured by collateral. The City’s cash balances at financial institutions at June 30, 2019 are fully collateralized with securities held by the City’s agent in a custodial account and pledged to the City’s name.

Investments

As of June 30, 2019, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Total</u>	<u>Investment Maturity</u>		<u>Credit Rating</u>
		<u>Less than 90 Days</u>	<u>90 days to one year</u>	
Maryland Local Government Investment Pool	\$ 15,295,668	\$ 15,295,668	\$ -	AAAm
	\$ 15,295,668	\$ 15,295,668	\$ -	

The City invests in the Maryland Local Government Investment Pool (MLGIP) which is administered by PNC Bank. The external investment pool is treated as a 2a-7 pool. The MLGIP has a Standard and Poor’s rating of AAAm and is administered by the State Treasurer. The MLGIP fund maintains a \$1.00 per share net asset value and is stated at cost, which is the same as fair value. The Board for the Maryland State Treasurer’s Office oversees its operations, and a financial report for the MLGIP is available at www.mlgip.com.

Investment Risks and Policies

Credit Risk: Article 95, Section 22 of the Annotated Code of Maryland authorizes the City to invest surplus funds in bonds or in other obligations of which the full faith and credit of the United States of America are pledged, obligations of federal government agencies issued in accordance with an Act of Congress, repurchase agreements that are secured by any bond or other obligation for the payment of which the full faith and credit of the United States are pledged, any bank or banks in the State of Maryland, any savings and loan association, any building and loan association, in interest-bearing time deposit; and/or savings accounts, or in the Maryland Local Government Investment Pool. The City’s investment policy limits its investments to those authorized by State statute. The City is in compliance with State statutes and its investment policy.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 2. Cash and Investments – (Continued)

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City’s investment policy indicates that the majority of the investments of the City will be on a short term basis (less than one year). However, a portion of the portfolio can contain investments with longer maturities (up to two years from date of purchase). These investments are limited to direct federal government obligations and to securities issued by U.S. Government agencies.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the City’s investment in a single issuer. The City’s investment policy for cash and investments specifies the following diversification by instrument:

<u>Diversification by Instrument</u>	<u>Maximum Percent of Portfolio</u>
U.S. Treasury Obligations	100%
Maryland Local Government Investment Pool	90%
Repurchase Agreements (Master Repurchase Agreement required)	70%
Collateralized Certificates of Deposit (Only Maryland Commercial Banks)	70%
U.S. Government Agency and U.S. Government-sponsored instrumentalities	50%

Additionally, no more than 70% of the City’s total cash and investment balances may be placed at any one financial institution.

The City’s investments meet the aforementioned policy.

Custodial Credit Risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities in the possession of an outside party. City policy provides that investment collateral is to be held by a third party custodian with whom the City has a current custodial agreement in the City’s name. All of the City’s investments are either collateralized with securities held by the City’s agent and pledged in the City’s name or held at the MLGIP. The City’s investment policy and state law requires collateralization of 102% of fair value of investments. The City does not have any investments exposed to custodial credit risk.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 2. Cash and Investments – (Continued)

Restricted cash is reported in the General Fund and on the Government-Wide financial statements in the amount of \$339,314. This cash was obtained from advancement of grant funding and through police seizures of cash that are restricted for public safety activities.

Additionally, on the Government-Wide financial statements, cash and investments of certain special revenue funds in the amount of \$203,117 are reported as restricted non-current assets due to the fact that these funds are designated for the construction and acquisition of non-current assets, community legacy projects, and downtown development.

Note 3. Due from Other Governments

Amounts due from other governments primarily represent tax, grant and shared revenues due from the Federal, State and local governments, as well as unspent bond proceeds held by the State of Maryland.

Note 4. Interfund Receivables, Payables and Transfers – Fund Financial Statements

Interfund receivables and payables and transfers as of June 30, 2019 are as follows:

Interfund Receivables/Payables - Current:	Interfund Receivables	Interfund Payables
Governmental Funds:		
General Fund	\$ 669,690	\$ -
Housing Assistance Fund	-	13,106
Non-Major Governmental Funds	-	337,431
Sub-total	669,690	350,537
Proprietary Funds:		
Water Fund	-	319,153
Sewer Fund	-	-
Non-Major Proprietary Funds	-	-
Sub-total	-	319,153
Total Interfund Receivables/Payables - Current	\$ 669,690	\$ 669,690

All current interfund receivables are expected to be repaid within the next fiscal year. The interfund balances as of June 30, 2019 are the result of a centralized cash receipt and disbursement function. This results in funds having a deficiency or excess of cash depending on the timing of the receipt of revenues or other sources and/or the payment of expenditures (or expenses) or other uses of cash.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

*Note 4. Interfund Receivables, Payables and Transfers – Fund Financial Statements –
(Continued)*

Transfers:	Interfund Transfers-In	Interfund Transfer-Out
Governmental Funds:		
General Fund	\$ 1,789,211	\$ 1,953,716
Housing Assistance Fund	-	-
Non-Major Governmental Funds	1,882,229	16,972
Sub-total	3,671,440	1,970,688
Proprietary Funds:		
Water Fund	26,448	345,514
Sewer Fund	-	1,469,398
Non-Major Proprietary Funds	87,712	-
Sub-total	114,160	1,814,912
Total Transfers (Fund Financial Statements)	\$ 3,785,600	\$ 3,785,600

Transfers to support the operations of other funds are classified as “Other Financing Sources (Uses)” in the fund statements. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the Government-Wide financial statements. The significant transfers made in fiscal year 2019 are described in the following paragraph.

The City transferred \$345,514 and \$1,442,950 from the Water and Sewer Funds, respectively, to the General Fund for payment in lieu of taxes. The City transferred \$87,712 from the General Fund to the Municipal Parking Authority Fund to fund operations. In addition, the City transferred \$150,807 from the General Fund to the Capital Projects Fund to fund various capital projects. Finally, the \$1,635,922 transfer-in reported in the Street Improvement Fund consists of a transfer of \$481,750 in property tax revenues and other General Fund monies used to make the debt service payment in the Street Improvement Fund, as well as \$1,154,172 used for street improvement projects that were funded through General Fund debt.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 5. Capital Assets

City of Cumberland capital assets activity for the year ended is as follows:

	Beginning Balance	Reclassifications /Additions	Reclassifications /Retirements	Ending Balance
GOVERNMENTAL ACTIVITIES:				
Non-depreciable assets:				
Land	\$ 1,431,579	\$ 189,700	\$ (1,100)	\$ 1,620,179
Construction in progress	243,181	1,028,145	(175,332)	1,095,994
Total non-depreciable assets	<u>1,674,760</u>	<u>1,217,845</u>	<u>(176,432)</u>	<u>2,716,173</u>
Depreciable assets:				
Buildings and improvements	15,930,064	221,831	(12,967)	16,138,928
Machinery and equipment	8,714,475	506,768	(135,978)	9,085,265
Infrastructure	39,266,292	1,311,619	-	40,577,911
Total depreciable assets	<u>63,910,831</u>	<u>2,040,218</u>	<u>(148,945)</u>	<u>65,802,104</u>
Accumulated depreciation:				
Buildings and improvements	10,854,254	394,201	(12,967)	11,235,488
Machinery and equipment	7,142,527	486,048	(135,978)	7,492,597
Infrastructure	21,217,366	1,433,196	-	22,650,562
Total accumulated depreciation	<u>39,214,147</u>	<u>2,313,445</u>	<u>(148,945)</u>	<u>41,378,647</u>
Depreciable assets, net	<u>24,696,684</u>	<u>(273,227)</u>	<u>-</u>	<u>24,423,457</u>
Governmental activities capital assets, net	<u>\$ 26,371,444</u>	<u>\$ 944,618</u>	<u>\$ (176,432)</u>	<u>\$ 27,139,630</u>
BUSINESS-TYPE ACTIVITIES:				
Non-depreciable assets:				
Land	\$ 368,371	\$ -	\$ -	\$ 368,371
Land improvements	446,208	-	-	446,208
Construction in progress	9,491,020	15,015,087	(1,103,492)	23,402,615
Total non-depreciable assets	<u>10,305,599</u>	<u>15,015,087</u>	<u>(1,103,492)</u>	<u>24,217,194</u>
Depreciable assets:				
Buildings and improvements	138,616,773	1,223,987	(13,102)	139,827,658
Machinery and equipment	4,945,853	374,725	(10,898)	5,309,680
Total depreciable assets	<u>143,562,626</u>	<u>1,598,712</u>	<u>(24,000)</u>	<u>145,137,338</u>
Accumulated depreciation:				
Buildings and improvements	53,146,661	2,818,200	(2,620)	55,962,241
Machinery and equipment	3,885,201	205,470	(21,380)	4,069,291
Total accumulated depreciation	<u>57,031,862</u>	<u>3,023,670</u>	<u>(24,000)</u>	<u>60,031,532</u>
Depreciable assets, net	<u>86,530,764</u>	<u>(1,424,958)</u>	<u>-</u>	<u>85,105,806</u>
Business-type capital assets, net	<u>\$ 96,836,363</u>	<u>\$ 13,590,129</u>	<u>\$ (1,103,492)</u>	<u>\$ 109,323,000</u>

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 5. Capital Assets – (Continued)

Depreciation expense is charged to functions as follows:

Governmental Activities		Business-Type Activities	
General Government	\$ 317,162	Water	\$ 1,193,098
Public Safety	312,912	Sewer	1,695,834
Public Works	1,513,380	Municipal Parking	<u>134,738</u>
Recreation	155,945		<u>\$ 3,023,670</u>
Urban Development & Housing	<u>14,046</u>		
	<u>\$ 2,313,445</u>		

For the fiscal year ended June 30, 2019, there were no transfers of assets between the governmental and proprietary funds.

Note 6. Other Investment in Real Estate

The Cumberland Economic Development Corporation holds an investment in real estate purchased and held for development. The CEDC purchased a 44,170 square foot building along Baltimore Street in Cumberland, Maryland on June 28, 2019 with an emphasis on redeveloping the property into its adaptive re-use as a 48-room boutique hotel. This project is being undertaken as part of the much broader economic and community development revitalization plan of the Cumberland downtown pedestrian mall. At June 30, 2019, the real estate is reported at cost of \$511,820, which is the lower of cost or fair value.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 7. Long-Term Liabilities

Long-Term Liability Activity

Long-term liability activity for the year ended June 30, 2019 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<u>Governmental Activities:</u>					
Bonds and notes payable:					
General obligation bonds	\$ 26,526,620	\$ 549,975	\$ (1,677,275)	\$ 25,399,320	\$ 1,632,305
Bond premium	701,199	23,345	(104,330)	620,214	-
Notes payable	770,999	-	(62,635)	708,364	62,946
Total bonds and notes payable	27,998,818	573,320	(1,844,240)	26,727,898	1,695,251
Compensated absences	1,876,646	1,610,651	(1,609,411)	1,877,886	868,757
Retainage payable	-	76,140	-	76,140	-
Workers' comp payable	3,504,509	360,640	(410,665)	3,454,484	1,767,893
OPEB obligation	821,124	42,045	-	863,169	-
Pension liability	15,361,137	-	(232,939)	15,128,198	-
Total Governmental Activities Long-Term Liabilities	\$ 49,562,234	\$ 2,662,796	\$ (4,097,255)	\$ 48,127,775	\$ 4,331,901
<u>Business-Type Activities:</u>					
Bonds and notes payable:					
General obligation bonds	\$ 29,667,965	\$ 4,215,231	\$ (1,998,360)	\$ 31,884,836	\$ 8,157,924
Bond premium	-	97,405	(6,306)	91,099	-
Notes payable	13,285	-	(3,272)	10,013	3,405
Total bonds and notes payable	29,681,250	4,312,636	(2,007,938)	31,985,948	8,161,329
Compensated absences	1,008,618	603,597	(688,499)	923,716	360,465
Retainage payable	695,028	937,570	(2,175)	1,630,423	-
Workers' comp payable	967,239	80,105	(280,032)	767,312	392,685
OPEB obligation	586,973	138,365	-	725,338	-
Pension liability	3,601,057	106,025	-	3,707,082	-
Total Business-Type Activities Long-Term Liabilities	\$ 36,540,165	\$ 6,178,298	\$ (2,978,644)	\$ 39,739,819	\$ 8,914,479

Liabilities for compensated absences, workers' compensation, OPEB and pension are liquidated using resources from the fund in which the employee performing service previously charged his or her salary and benefit costs.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 7. Long-Term Liabilities – (Continued)

Long-term debt payable at June 30, 2019 is comprised of the following General Obligation Bonds:

<i>\$400,000 1999 Water Fund bond due in annual installments of \$20,173 through February, 2029; interest at 2.39%</i>	<i>\$169,267</i>
<i>\$5,000,000, 1999 Sewer Fund bond authorized due in annual installments of \$332,120 through February, 2021; interest at 2.39%</i>	<i>612,771</i>
<i>\$6,000,000, 2001 Water Fund bond due in semi-annual installments of \$5,124 and \$99,934 through February, 2032; interest at 1.50%, \$1,200,000 was forgiven March, 2011</i>	<i>2,344,759</i>
<i>\$220,007, 2005 Water Quality State Revolving Fund Loan due in annual installments of \$12,887 through February, 2024; interest at 0.4%</i>	<i>59,786</i>
<i>\$2,485,000, 2005 Drinking Water State Revolving Fund Loan due in annual installments of \$72,776 through February, 2034; interest at 0.4%, \$497,000 was forgiven November, 2014.</i>	<i>1,057,488</i>
<i>\$341,035, 2008 Water Quality State Revolving Fund Loan due in semi-annual installments of \$19,930 to \$21,248 through February, 2028 at 1.10%</i>	<i>169,888</i>
<i>\$4,665,000, 2009 GOB Pension Contribution Bonds due in annual installments of \$50,000 to \$75,000 through June, 2021; interest at 5.400% to 6.625%</i>	<i>135,001</i>
<i>\$2,068,475, 2009 Maryland Water Quality Financing Administration bond due in annual installments of \$78,949 to \$110,474 through February, 2029; interest at 0.00%</i>	<i>1,073,212</i>
<i>\$6,000,000, 2009 ARRA Maryland Water Quality Financing Administration Bond; \$6,000,000 to be forgiven October, 2019.</i>	<i>6,000,000</i>
<i>\$3,657,700, 2009 Water Quality Bond due in annual installments of \$192,458 through February, 2030 at 0.00%</i>	<i>1,812,533</i>
<i>\$11,415,000, 2011 Maryland Community Development Administration Bond due in annual installments of \$464,438 to \$1,227,787 through June, 2032 at 2.0% to 5.0%.</i>	<i>8,965,002</i>
<i>\$152,000, 2012 Maryland Water Quality Financing Administration Bond due in annual installments of \$9,099 to \$10,168 through February, 2033 at 0.90%</i>	<i>82,339</i>
<i>\$1,515,491, 2012 Maryland Community Development Administration Bond due in annual installments of \$80,340 to \$101,747 through May 2032; Interest at 0.61% to 3.42%.</i>	<i>1,055,900</i>
<i>\$2,680,000 2013 Tax-Exempt Refunding Bonds due in annual installments of \$280,000 to \$320,000 through November 2021; interest at 2.00% to 2.40%.</i>	<i>945,000</i>

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 7. Long-Term Liabilities – (Continued)

<i>\$5,040,000 2013 Taxable Redevelopment and Refunding Bonds due in annual installments of \$235,000 to \$975,000 through November 2032; interest at 0.75% to 5.31%.</i>	<i>3,545,000</i>
<i>\$7,520,000 2014 Maryland Community Development Administration Bond due in annual installments of \$305,500 to \$471,500 through May 2034; interest at 0.2% to 3.6%.</i>	<i>5,542,000</i>
<i>\$3,161,491 2015 Maryland Community Development Administration Bond due in annual installments of \$180,606 to \$255,834 through April 2035; interest at 2.34% to 3.34%</i>	<i>2,570,501</i>
<i>\$2,992,819 2017 Maryland Water Quality Financing Administration Bond due in annual installments of \$115,792 to \$117,902 through February 2049; interest at 0.80%.</i>	<i>2,386,902</i>
<i>\$300,000 2017 Maryland Water Quality Financing Administration Bond due in annual installments of \$10,750 to \$11,850 through February 2047; interest at 0.80%.</i>	<i>125,413</i>
<i>\$1,200,000 2017 Maryland Community Development Administration Bond due in annual installments of \$86,242 to \$158,416 through April 2027; interest at 1.86% to 2.23%.</i>	<i>956,394</i>
<i>\$6,155,000 2017 Tax-Exempt Public Improvement Refunding Bonds due in annual installments of \$215,644 to \$772,300 through June 2029; interest at 2.0% to 5.0%.</i>	<i>6,155,000</i>
<i>\$8,900,000 2017 Taxable Redevelopment and Pension Contribution Refunding Bonds due in annual installments of \$250,224 to \$842,699 through June 2037; interest at 1.6% to 4.26%.</i>	<i>8,625,000</i>
<i>\$2,446,601 2018 Maryland Community Development Administration Bond due in annual installments of \$59,691 to \$170,161 through April 2048; interest at 2.62% to 4.14%.</i>	<i>2,332,500</i>
<i>\$562,500, 2018 Maryland Water Quality Financing Administration bond due in annual installments of \$22,458 to \$22,853 through February, 2049; interest at 0.90%</i>	<i><u>562,500</u></i>
<i>Total</i>	<i><u>\$57,284,156</u></i>

Long-term debt payable at June 30, 2019 is comprised of the following Notes and Capital Leases:

<i>\$1,400,000 (Face amount and cost of expense), Section 108 loan due in semi-annual installments of \$1,119 to \$87,339 through August 2028; interest at 2.72%-2.99%</i>	<i>685,000</i>
<i>\$56,471 (Face amount and cost of expense), 2017 Copier Lease due in Monthly installments of \$1,040 through March 2022; interest at 4.00%</i>	<i><u>33,377</u></i>
<i>Total</i>	<i><u>\$718,377</u></i>

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 7. Long-Term Liabilities – (Continued)

In December 2018, the City issued Maryland Water Quality Bonds financed through the Maryland Water Quality Financing Administration in the amount of \$562,500 with an interest rate of 0.90%. The proceeds of the bond issuance are for the purpose of financing the Willowbrook Road 12” Waterline Replacement project.

In August 2018, the City issued Local Government Infrastructure Bonds through the Community Development Administration in the amount of \$2,446,601 with interest rates ranging from 2.62% to 4.14%. These bonds have 7, 10 and 30 year terms and mature in April 2048, with annual payments ranging from \$59,691 to \$170,161, due annually each April 1st, beginning April 1, 2019. The proceeds of the bond issuance are for the purpose of (a) information system improvements and acquisition of equipment and software, (b) acquisition of new and/or replacement vehicles and equipment, (c) water system improvements, and (d) bond issuance costs. The unspent portion at June 30, 2019 was \$2,055,694 which was being held in an escrow account by the State of Maryland.

In August 2017, the City issued Local Government Infrastructure Bonds through the Community Development Administration in the amount of \$1,200,000 with interest rates ranging from 1.86% to 2.23%. These bonds have 7 and 10 year terms and mature in April 2027, with annual payments ranging from \$86,242 to \$158,416, due annually each April 1st, beginning April 1, 2018. The proceeds of the bond issuance are for the purpose of (a) information system improvements and acquisition of equipment and software, (b) acquisition of new and/or replacement vehicles and equipment, (c) funding a portion of a capital reserve fund, and (d) bond issuance costs. The unspent portion at June 30, 2019 was \$121,752 which was being held in an escrow account by the State of Maryland.

In May 2017, the City issued Maryland Water Quality Bonds financed through the Maryland Water Quality Financing Administration in the amount of \$2,992,819 with an interest rate of 0.80%. The proceeds of the bond issuance are for the purpose of financing the Combined Sewer Overflow (CSO) Storage Facility Project. The amount advanced under these bonds was \$2,386,902 at June 30, 2019.

In May 2017, the City issued Maryland Water Quality Bonds financed through the Maryland Water Quality Financing Administration in the amount of \$300,000 with an interest rate of 0.80%. The proceeds of the bond issuance are for the purpose of financing the site evaluation costs of the Evitts Creek Combined Sewer Overflow (CSO) Phase 3 Project. The amount advanced under these bonds was \$143,260 at June 30, 2019, with repayments of \$17,847.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 7. Long-Term Liabilities – (Continued)

In August 2015, the City issued Local Government Infrastructure Bonds through the Community Development Administration in the amount of \$3,161,491 with interest rates ranging from 2.34% to 3.34%. These bonds have 10 and 20 year terms and mature in April 2035, with annual payments ranging from \$180,606 to \$255,834, due annually each April 1st, beginning April 1, 2016. The proceeds of the bond issuance are for the purpose of (a) water and sewer system improvements, (b) facility and property improvements, (c) information system improvements and equipment, (d) street improvements, (e) acquisition of new and/or replacement vehicles and equipment, (f) funding a portion of a capital reserve fund, and (g) bond issuance costs. The unspent portion at June 30, 2019 was \$1,762,737 which was being held in an escrow account by the State of Maryland.

In August 2014, the City issued Local Government Infrastructure Bonds through the Community Development Administration in the amount of \$7,520,000 with interest rates ranging from 0.2% to 3.6%. These bonds have 10, 15 and 20 year terms and mature in May 2034, with principal payments ranging from \$305,500 to \$471,500, due annually each May 1st, beginning May 1, 2015. The proceeds of the bond issuance are for the purpose of (a) water and sewer system improvements, (b) facility and property improvements, (c) information system improvements and equipment, (d) street improvements, (e) acquisition of new and/or replacement vehicles and equipment, (f) funding a portion of a capital reserve fund, and (g) bond issuance costs. The unspent portion at June 30, 2019 was \$575,642 which was being held in an escrow account by the State of Maryland.

Prior Year Defeasance of Debt

On July 11, 2017, the City entered into an advance refunding transaction related to certain issues of its bonded debt. A portion of the proceeds of the refunding bond issues were placed in an irrevocable trust with an escrow agent, to be used to purchase U.S. government securities to meet all debt service requirements of the refunded debt. The escrow agent has not been authorized to substitute assets that are not essentially risk-free in the trust portfolio. The liability for the refunded bonds and the related securities and escrow accounts were not included in the accompanying financial statements, as the City defeased its obligations for payment of the refunded debt upon completion of the refunding transaction. At June 30, 2019, \$10,565,000 of bonds remained outstanding and are considered defeased.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 7. *Long-Term Liabilities – (Continued)*

Debt Maturity

Debt service requirements at June 30, 2019 are as follows:

Governmental Funds						
Year	General Obligation Bonds		Notes from Direct Borrowings		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
	2020	\$ 1,632,305	\$ 951,259	\$ 62,946	\$ 15,715	\$ 1,695,251
2021	1,801,666	909,986	68,270	16,866	1,869,936	926,852
2022	1,949,921	850,397	72,148	14,932	2,022,069	865,329
2023	1,939,551	782,204	65,000	13,137	2,004,551	795,341
2024	2,022,107	709,888	65,000	11,458	2,087,107	721,346
2025-2029	9,160,246	2,507,093	375,000	27,784	9,535,246	2,534,877
2030-2034	5,335,903	974,078	-	-	5,335,903	974,078
2035-2039	1,557,621	114,364	-	-	1,557,621	114,364
	\$25,399,320	\$ 7,799,269	\$ 708,364	\$ 99,892	\$26,107,684	\$ 7,899,161

Proprietary Funds						
Year	General Obligation Bonds		Notes from Direct Borrowings		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
	2020	\$ 8,157,924	\$ 648,953	\$ 3,405	\$ 339	\$ 8,161,329
2021	2,205,504	601,766	3,544	200	2,209,048	601,966
2022	2,085,415	550,324	3,064	56	2,088,479	550,380
2023	1,900,811	504,613	-	-	1,900,811	504,613
2024	1,943,553	462,620	-	-	1,943,553	462,620
2025-2029	8,493,778	1,551,062	-	-	8,493,778	1,551,062
2030-2034	4,428,832	607,501	-	-	4,428,832	607,501
2035-2039	1,082,071	190,814	-	-	1,082,071	190,814
2040-2044	800,662	111,326	-	-	800,662	111,326
2045-2049	786,286	35,072	-	-	786,286	35,072
	\$31,884,836	\$ 5,264,051	\$ 10,013	\$ 595	\$31,894,849	\$ 5,264,646

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 8. Compensated Absences

Governmental standards require employers to accrue a liability for certain future vacation, sick, and other leave benefits provided the following conditions are met:

- a. The employer's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered.
- b. The obligation relates to rights that vest.
- c. Payment of the compensation is probable and not contingent on a specific event outside the control of the City or the employee.
- d. The amount can be reasonably estimated.

City employees earn vacation time depending upon their length of service to the City and are eligible to use this vacation time in the year subsequent to the year it is earned.

City employees earned fifteen sick leave days per year with no maximum accumulation ceiling. As of June 30, 2019, Local Union 553 (general trades, labor, technical, clerical staff) and Local Union 1715 (fire department) members are entitled to a maximum payout of 86 days of sick leave and non-union employees are eligible to receive 80 days of sick leave accumulated upon retirement if the employee is eligible to receive service benefits from the State of Maryland. The payout occurs after the employee has applied for their retirement benefits. The sick leave payout liability is calculated based on a vesting schedule.

All vacation payout, to which employees are entitled, have been accrued when incurred in the government-wide financial statements. A liability for the sick leave payout is reported in governmental funds only if it has matured (for example, as a result of employee resignations and retirements). The estimate of the accrued sick leave and vacation liabilities reported in the governmental activities section of the government-wide financial statements is \$1,877,886. Accrued sick leave and vacation liabilities for the City's proprietary funds in the amount of \$923,716 have been recorded in both the fund financial statements and the government-wide financial statements.

Liabilities for compensated absences are liquidated using resources from the fund in which the employee terminating service previously charged his or her salary and benefit costs. Governmental funds utilize the General Fund to pay these benefit costs, while proprietary obligations are paid from the Water, Sewer and MPA Funds.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 9. Fund Balance - Fund Financial Statements

As of June 30, 2019, fund balances reported in the fund financial statements are composed of the following:

	General Fund	Housing Assistance Fund	Non-Major Governmental Funds	Total Governmental Funds
Nonspendable:				
Prepaid Expenditures	\$ 2,461,005	\$ -	\$ -	\$ 2,461,005
Inventories	21,248	-	-	21,248
Restricted:				
Public Safety	70,088	-	-	70,088
TIF District	-	-	-	-
CDBG	-	-	834,539	834,539
Housing Assistance	-	-	257,260	257,260
Capital Outlay	1,694,373	-	-	1,694,373
Street Improvements	-	-	-	-
Special Taxing District	-	-	76,073	76,073
Community Develop.	205,939	-	-	205,939
Community Legacy	-	-	474,766	474,766
Unassigned	2,747,729	-	(147,680)	2,600,049
Total Fund Balances	\$ 7,200,382	\$ -	\$ 1,494,958	\$ 8,695,340

Note 10. Property Taxes

Taxes are levied July 1 of each year. State law mandates owner-occupied residential property owners may elect to pay real property taxes under a semi-annual payment schedule. The first installment is due by September 30, and the second installment is due December 31, of the tax year without interest. A lien for property taxes attaches to the property at the time of billing, but the enforcement of the lien does not occur until the City initiates such action which historically has not been until the property taxes have been unpaid for a period of three years.

General Fund

As permitted by the City Charter, as amended, the City levied taxes in fiscal year 2019 at a rate of \$1.0595 per \$100 of assessed valuation on real property which is assessed at full market value. The present adjusted assessed valuation of real property after tax credits is \$863 million.

The City levied taxes at a rate of \$2.648 per \$100 of assessed valuation on personal property which is assessed at depreciated value.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 10. Property Taxes (continued)

Special Taxing District

The City is permitted by City Charter Amendment Resolution number 81 dated March 10, 1981 to levy taxes on certain real property located within the two zones of the special taxing district to provide funds for the payment of the costs of operation of a pedestrian mall within the central business district including debt service payments on the portion of general obligation bonds payable used to finance the construction of the mall.

The two zones within the special taxing districts are identified as the Primary and Secondary zones.

Primary Zone

The tax rate in the primary zone for the year ended June 30, 2019 was \$0.456 per \$100 of assessed valuation. Real property is assessed at full market value. The present adjusted assessed valuation is \$24 million.

Secondary Zone

The tax rate in the secondary zone for the year ended June 30, 2019 was \$0.268 per \$100 of assessed valuation. Real property is assessed at full market value. The present adjusted assessed valuation is \$29 million.

Note 11. Tax Abatements

The City is subject to Enterprise Zone Credits granted by the State of Maryland by authority of Section 9-103 of the Tax Property Article of the Annotated Code of Maryland. The Enterprise Zone tax credit is available to businesses that locate in designated areas of Cumberland and is designed to spur economic growth in these areas. This real property tax credit is available only for nonresidential properties located within the Enterprise Zones and is based on growth in property assessment. Under the Enterprise Zone law, personal property is not included. The “base year assessment” is the real property assessment for the year before any new construction or refurbishing is done. The credit is based on the increase in the assessment for each of the next 10 years compared to the base-year assessment. The credit itself will be given on the actual taxes that result from the increase in assessment, using the following rate schedule:

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 11. Tax Abatement – (Continued)

Year	Percentage of Assessment Increase Credit
1-5	80%
6	70%
7	60%
8	50%
9	40%
10	30%

The State subsequently reimburses the City for 50% of the annual tax credit. The fiscal year 2019 enterprise zone credits amounted to \$117,896 and the State of Maryland reimbursed \$58,948.

In addition, the City also provides a Historic Preservation tax credit program, a low income housing tax credit program and other tax credits as provided by law as follows:

1. The City of Cumberland has a Historic Preservation tax program whereas property owners are eligible to receive property tax credits of up to 10% of properly documented expenses when the existing structure is renovated or preserved. By authority of Section 9-204 of the Tax Property Article of the Annotated Code of Maryland, state law provides that a tax credit of up to 5% may be provided for the new construction costs of architecturally compatible structures and allows a property owner of program structure to have the assessed value of the property frozen for up to 10 years at the pre-renovation value. A property must be a certified historic structure meaning that it must possess one of the following designations:
 - a. listed individually in the National Register of Historic Places
 - b. listed in a National Register historic or landmark district
 - c. listed in a property or district designated as an historic property or district under local law
 - d. included within the boundaries of a certified heritage area

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 11. Tax Abatement – (Continued)

The following table is utilized by the City of Cumberland to determine the length of the property tax assessment freeze for approved properties:

Improvement Cost as Percentage of Base Assessment	Available Tax Exempt Status of Improvement
10%	1 Year
20%	2 Years
30%	2 Years
40%	3 Years
50%	3 Years
60%	4 Years
70%	4 Years
80%	5 Years
90%	6 Years
100%	7 Years
200%	8 Years
300%	9 Years
400%	9 Years
500%	10 Years

2. The City provides tax credits to owners of low income housing structures or projects pursuant to Section 7-505 of the Tax Property Article of the Annotated Code of Maryland for properties that are substantially rehabilitated under a federal, state or local government program that funds construction or insures its financing or provides interest subsidy, rent subsidy or rent supplements and is completed after July 1, 1978. The city abates property taxes under varying structures ranging from a tax credit of 60% to freezing the taxes to the base year.

3. Upon annual request the City may provide tax credits to certain organizations named in Section 9-302 of the Tax Property Article of the Annotated Code of Maryland. Pursuant to this section, the City granted tax credits to the Western Maryland Scenic Railroad Development Corporation, Inc., Cumberland Outdoor Club and Family Junction for the full amount of real estate taxes billed in 2019.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 11. Tax Abatement – (Continued)

The table below illustrates the tax abatements that the City granted in fiscal year 2019.

Tax Abatement Program	Amount of Taxes Abated during FY 2019
Historic Preservation	\$ 78,545
Low Income Housing	21,040
Section 9-302 Credits	35,808
	\$ 135,393

The City’s policies and procedures do not provide for the recapture of abated taxes in the event an abatement recipient does not fulfill the commitment it makes in return for the tax abatement.

Note 12. Pending Claims and Litigation

There are several pending lawsuits in which the City is involved. Management estimates that the potential claims against the City not covered by insurance resulting from such litigation would not materially affect the financial statements of the City at June 30, 2019.

Note 13. Contingent Liabilities

The City participates in a number of federal and state assisted grant programs, principal of which are the Community Development Block Grant and Section Eight housing programs. These programs are subject to program compliance audits by the grantors. Accordingly, the City’s compliance with applicable grant requirements may not be established until some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Note 14. Commitments

The City has active construction projects as of June 30, 2019. The projects include widening and construction of existing streets, demolition projects, and the construction of additional wastewater treatment facilities. At year-end, the City’s commitments with contractors are as follows:

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 14. Commitments – (Continued)

Project	Contract Amount	Change Orders	Remaining Commitment	Fund(s)
Evitts Creek CSO Upgrade	\$ 177,690	\$ -	\$ 49,316	Sewer
CSO Storage Facility at WWTP Phase One	28,081,519	16,583	8,244,595	Sewer
Baltimore St. Bridge	189,158	-	174,683	Street Improvement & Capital Projects
Cumberland St. Bridge	10,046	-	413	Street Improvement & Capital Projects
Baltimore St. Town Center	314,797	-	113,333	Street Improvement & Capital Projects
Paint Primary Clarifier at WWTP	116,728	-	28,939	Sewer
78" Pipeline	498,429	-	447,402	Sewer
SCADA Software Upgrade	122,256	-	2,067	Water/Sewer
Koon Dam Sidewalk Repairs	78,500	-	78,500	Water
Mechanic St. Access Roads	1,958,441	-	1,272,948	Street Improvement & CDGB
WWTP Aeration Blower	1,368,750	-	1,365,780	Sewer
City Hall HVAC Pipe	109,690	-	109,690	Capital Projects
New Inlet Screens for Gate House at WFP	57,000	-	48,600	Water
Total	<u>\$ 33,083,004</u>	<u>\$ 16,583</u>	<u>\$ 11,936,266</u>	

The State of Maryland had previously filed suit against the City of Cumberland and neighboring jurisdictions which use the Cumberland Wastewater Treatment Plant seeking a court-enforceable timetable for correcting the City's Combined Sewer Overflow problem. On November 6, 2001, the City executed a Consent Decree and Judgment in the litigation brought by the Maryland Department of the Environment. The Consent Decree and Judgment requires the City to correct the Combined Sewer Overflow problems in phases over 20 years after the acceptance of all of the Long-Term Control Plans (LTCP) from LaVale, Allegany County, and the City of Frostburg. Those plans have been now accepted by MDE, and the City

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 14. Commitments – (Continued)

was required to revise its LTCP. The revised plan, submitted to MDE on February 3, 2006, added the Evitts Creek Pump Station and Conveyance to the Phase 1A (Mill Race sewer relocation and screens) and Phase 1B (parallel pipelines from Mill Race to a storage facility). To date Phase 1A is complete and part of Phase 1B was completed in FY '06. The LTCP includes an estimate of future project costs. The older estimated cost was \$56,490,000, and the work is required to be completed by 2026. The work is expected to be funded through EPA Grants, MDE Grants, and MDE SRF Loans. Phase 1 work has been delayed because of delays associated with funding of the rewatering of the C&O Canal. The City has entered into an agreement with the United States Army Corps of Engineers in September 2019 to generate a Decision Document to allow federal funds to be allocated to the C&O Canal Rewatering Project. The Decision Document is expected to be completed in FY'20. The City is not expected to contribute any local match to the approximately \$25 million C&O Canal Rewatering Project. In FY'07, it was decided to transfer all remaining EPA and MDE Grant Funds from the Phase 1 project to the Evitts Creek Pump CSO Project which was completed in FY'09. The force main and gravity sewer portions (Phase II) of the Evitts Creek CSO Project was awarded in FY'10 and was completed in FY'11. The Cedar Street CSO line under CSX was also given priority, and all of the City's EPA funding for CSO work was committed to that project rather than lose it with the potential changes to the Federal Budget in 2010. Construction was completed in FY'13. A portion of that line under CSX had to be removed from the work plan because of high cost; however, the City plans to do a rehabilitation project of the existing lines under the tracks in the future. The City closed on a \$300,000 SRF loan in May 2017 for an evaluation of the CSX site. The CSX project's revised estimated cost is \$6.0 Million. The City is seeking funding approval for 87.5% from the Bay Restoration Funds (BRF) and 12.5% through SRF loan funds. The City has updated the LTCP and plans to include CSO Storage and that project went into the design phase in FY'14. A \$26.4 million construction contract to Leonard S. Fiore, Inc. for the CSO Storage Facility project was awarded in December 2016. With engineering, administrative and contingency the cost to complete is estimated at \$30.2 million. The project was approximately 65% complete at June 30, 2019 and is being funded at 87.5% from the Bay Restoration Funds (BRF) and 12.5% through SRF loan funds. The City is also collecting base line water quality data to be used to determine the CSO effect on the water quality of the Potomac River. It is anticipated that the study will show a positive effect of the CSO Storage Facility. The flow from the Mill Race CSO will need to be conveyed to the storage facility via a 78" pipeline. This project is currently in the final design stage and the drawings are expected to be completed in April 2020. Upon approval of award by MDE, this project is expected to cost \$40-\$50 Million and take two years to complete and with the other projects, the City expects a funding split of 87.5% from the Bay Restoration Funds (BRF) and 12.5% through SRF loan funds.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 15. Risk Management

The City is exposed to various risks of loss due to theft of, damage to, and destruction of assets; errors and omissions; natural disasters; wrongful acts committed by or on behalf of public officials and the police department; and fleet coverage, for which it carries commercial insurance. The City retains no risk of liability for claims covered by such policies up to the policy limits except for deductible amounts.

For general liability claims, the City is self-insured with the exception of certain site-specific commercial policies. The City's general liability damage payouts and/or insurance deductibles totaled \$17,091, \$58,632 and \$14,617 for fiscal years 2019, 2018 and 2017, respectively. In accordance with the provisions of the Local Government Tort Claims Act (Md. Cts. & Jud. Procs. Code Ann. §§ 5-301, et seq.), the City's liability for tort claims is limited to \$400,000 per individual claim and \$800,000 in total claims arising from the same occurrence. Additionally, to further limit risk, the City requires that contractors on projects for the City provide certain levels of insurance coverage and the policies must name the City as an additional insured. Likewise, organizations of special events occurring within the City that are not sponsored by the City must provide special event insurance which names the City as an additional insured.

Worker's Compensation

The City's insurance carrier provides, for a premium, a high-deductible worker's compensation insurance policy to the City under a Prefunded Deductible Program. The City's per claim deductible is \$350,000 with a deductible aggregate ranging from \$1,757,000 to \$2,047,000 depending on the policy year. As of June 30, 2019, the unspent, prefunded amount paid to the insurance carrier has been included in the financial statements as a prepaid expense.

- The City estimated the claims liability reported in the various funds at June 30, 2019. It is based on the requirements of Governmental Accounting Standards Board No. 10, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. Liabilities for claims are liquidated using resources from the fund in which the injured employee previously charged his or her salary and benefit costs, using a five-year average of claims paid.

Because actual claims liabilities depend on such complex factors as inflation, change in legal doctrines and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 15. Risk Management – (Continued)

The workers' compensation claims liability is presented at its net present value of \$4,221,796 (a non-discounted amount of \$4,554,197) using a 2.85% annual discount rate. The following represents the change in approximate aggregate liabilities for the City from July 1, 2016 to June 30, 2019:

Fiscal Year Ended June 30,	Claims Payable July 1,	Claims and Changes in Estimates	Claims Paid	Claims Payable June 30,
2017	\$ 3,964,060	\$ 1,025,246	\$ (751,201)	\$ 4,238,105
2018	4,238,105	1,068,540	(834,897)	4,471,748
2019	4,471,748	440,745	(690,697)	4,221,796

Self-Insured Health Care

Until December 1, 2014, employee health benefits were covered by commercial insurance purchased by the City, with no risk of loss retained by the City. Effective December 1, 2014, the City is self-insured for hospitalization and medical benefits provided to its employees through its membership in the Maryland Local Government Health Cooperative (Cooperative) which was established by the Maryland Local Government Insurance Trust (LGIT). LGIT is a self-insured public entity risk pool, which is owned and directed by the local governments that subscribe to its coverages and operates under the terms of a Trust Agreement. The Cooperative was established as a self-insured health plan for the purpose of providing group health benefits to its members' employees and eligible dependents. The plan is administered by Benecon Group, Inc. (Benecon).

Benecon submits invoices monthly to the City for their share of the premiums payable and their pro rata share of the costs and expenses of administering the Cooperative. The City has no responsibility or liability for, and cannot be assessed for, any deficit that may occur in funding the plan benefits or the Cooperative. As part of the Cooperative agreement, the City has stop-loss policies in place for individual participant claims in excess of \$70,000 per year and the aggregate annual participant claims in excess of \$3,723,733.

The third-party actuary estimated the non-discounted claims liability at June 30, 2019. It is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. Liabilities for claims are liquidated using resources from the fund in which the covered employee previously charged his or her salary and benefit costs. Because actual claims liabilities depend on such complex factors as inflation, change in legal doctrines and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 15. Risk Management – (Continued)

are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. The following represents the change in the balance of claims payable for the City from July 1, 2016 to June 30, 2019:

Fiscal Year Ended June 30,	Claims Payable July 1,	Claims and Changes in Estimates	Claims Paid	Claims Payable June 30,
2017	\$ 373,224	\$ 3,389,491	\$ (3,457,437)	\$ 305,278
2018	305,278	3,443,623	(3,423,147)	325,754
2019	325,754	4,127,594	(4,099,868)	353,480

Note 16. Pension and Retirement Systems

Defined Benefit Plans

Plan Description

The employees of the City are provided retirement benefits through the Maryland State Retirement and Pension System (the System) which administers the Maryland State Teachers & Employees Retirement System (TRS/ERS) (comprising the Employees' Retirement System (established October 1, 1941 and closed for new entrants on December 31, 1979) and the Employees' Pension System (established January 1, 1980)), the Alternate Contributory Pension System (ACPS), and the Law Enforcement Officers' Pension System (LEOPS) for eligible law enforcement officers (effective July 1, 2008). The ACPS was closed to new members as of June 30, 2011 and was replaced with the Employees' Reformed Contributory Pension System (RCPB) which was established July 1, 2011 under the provisions of State Personnel and Pension Article 73B of the Annotated Code of Maryland.

The City contributes to the Retirement Systems and Pension Systems. These plans are cost-sharing multiple-employer defined benefit plans, providing retirement, disability, annual cost-of-living adjustments, and death benefits to plan members and their beneficiaries. Responsibility for the organization and administration of the systems is vested in the Board of Trustees of the Maryland State Retirement and Pension Systems. The System issues a publicly available financial report which includes financial statements and required supplementary information. The report may be obtained at <http://www.sra.state.md.us> or by writing to the following:

Maryland State Retirement Agency
120 East Baltimore Street
Baltimore, Maryland 21202-6700

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 16. Pension and Retirement Systems – (Continued)

Benefits Provided

All plans provide retirement, disability, and death benefits. For all individuals who are members of the Employees' Retirement System on or before June 30, 2011, retirement allowances are computed using both the highest three years' Average Final Compensation (AFC) and the actual number of years of accumulated creditable service. For all individuals who are members of the Employees' Pension Systems on or before June 30, 2011, pension allowances are computed using both the highest three consecutive years' AFC and the actual number of years of accumulated creditable service. For any individual who becomes a member of the Employees' Pension System after July 1, 2011, pension allowances are computed using both the highest five consecutive years' AFC and the actual number of years of accumulated creditable service. Various retirement options are available under each system which ultimately determines how a retiree's benefit allowance will be computed. Some of these options require actuarial reductions based on the retirees' and/or designated beneficiary's attained age and similar actuarial factors. A member of the Employees' Retirement System is generally eligible for full retirement benefits upon the earlier of attaining age 60 or accumulating 30 years of creditable service regardless of age. An individual who is a member of the Employees' Pension System on or before June 30, 2011, is eligible for full retirement benefits upon the earlier of attaining age 62, with specified years of eligibility service, or accumulating 30 years of eligibility service regardless of age. An individual who becomes a member of the Employees' Pension System on or after July 1, 2011, is eligible for full retirement benefits if the member's combined age and eligibility service equals at least 90 years or if the member is at least 65 and has accrued at least 10 years of eligibility service. A member of the Law Enforcement Officers' Pension System (LEOPS) is eligible for full retirement benefits upon the earlier of attaining age 50 or accumulating 25 years of eligibility service regardless of age. Employees who are permanently and totally disabled as the result of an accident occurring in the line of duty are eligible for disability regardless of length of service. Five years of service is required for non-service related disability eligibility. Disability benefits are determined as a percentage of AFC. Death benefits are equal to the member's annual salary as of the date of death plus all member contributions and interest.

In addition, the benefit attributable to service on or after July 1, 2011 in many of the pension systems now will be subject to different cost-of-living adjustments (COLA) that is based on the increase in the Consumer Price Index (CPI) and capped at 2.5% or 1.0% based on whether the market value investment return for the preceding calendar year was higher or lower than the investment return assumption used in the valuation.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 16. Pension and Retirement Systems – (Continued)

Contributions

Employees covered under the ERS were required to contribute 6% of their annual compensation and the employees covered under the LEOPS, ACPS and RCPB plans were required to contribute 7% of their annual compensation during fiscal year 2019. The City is required to contribute at an actuarially determined rate. The current rate is 10.47% of covered payroll for the ERS system and 5.47% of covered payroll for the ACPC and RCPB systems. The City also is required to pay an ACPS and RCPB surcharge at a rate of 7.44% of covered payroll. The contribution requirements of plan members and the City of Cumberland are established and may be amended by the System's Board of Trustees. The City's contributions for the years ended June 30, 2019, 2018, and 2017 were \$1,160,395, \$1,089,771 and \$1,051,785, respectively, equal to the required employer contributions for each year.

Employees covered under the LEOPS contribute 7% of their earnable base salary in excess of the social security wage base. The City is required to contribute an actuarially determined rate. The current contribution rate for the City is 31.43% of covered payroll for the pension system. The City of Cumberland's contribution to LEOPS for the years ended June 30, 2019, 2018, and 2017, were \$693,778, \$700,320 and \$733,042, respectively, equal to the required employer contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the City reported a liability of \$18,835,280 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the City's proportion was 0.0898 percent, which was an increase of 0.002 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City recognized pension expense of \$2,535,664. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 16. Pension and Retirement Systems – (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	(\$1,505,740)
Change of assumptions	531,365	-
Net difference between projected and actual earnings on pension plan investments	725,478	-
City contributions subsequent to the measurement date	1,854,174	-
Total	\$ 3,111,017	(\$1,505,740)

The City reported \$1,854,174 as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	Deferred Outflows (Inflows) of Resources
2020	\$ 506,071
2021	99,766
2022	(533,295)
2023	(262,906)
2024	(58,533)
Total	\$ (248,897)

Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Inflation	2.60% general, 3.10% wage
Salary Increases	3.10% to 9.10%, including inflation
Discount Rate	7.45%
Investment Rate of Return	7.45%

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 16. Pension and Retirement Systems – (Continued)

Mortality RP-2014 Mortality Tables with generational mortality projections using scale MP-2014, calibrated to MSRPS experience

The actuarial assumptions used in both the June 30, 2018 and the June 30, 2017 valuations were based on the results of an actuarial experience study for the five-year period of 2010-2014. Based on the 2015 experience study, the actuary recommended changes in actuarial assumptions. The changes include 1) a decrease in the general inflation rate from 2.65% to 2.60%, 2) a decrease in the wage inflation rate from 3.15% to 3.10%, 3) salary increases changed from 3.15% to 9.15% to 3.10% to 9.10%, 4) a decrease in the discount rate from 7.50% to 7.45%, and 5) a decrease in the investment rate of return from 7.50% to 7.45%.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	37%	5.8%
Rate Sensitive	19%	1.1%
Credit Opportunity	9%	3.6%
Real Assets	14%	4.8%
Absolute Return	8%	3.2%
Private Equity	<u>13%</u>	6.7%
Total	<u>100%</u>	

Discount Rate

A single discount rate of 7.45% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.45%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contributions rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 16. Pension and Retirement Systems – (Continued)

plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.45%, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.45 percent) or 1-percentage point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
City’s proportionate share of the net pension liability	\$27,129,262	\$18,835,280	\$11,951,865

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued System’s Comprehensive Annual Financial Report for the fiscal year ended June 30, 2019. This can be found at: <http://www.sra.maryland.gov/annual-financial-reports/>.

Deferred Compensation Plan/Defined Contribution Plan

The City allows employees to defer portions of their compensation, up to the applicable Internal Revenue Code limits, into a trust (The City of Cumberland Deferred Compensation Plan and Trust), which is a separate entity self-trusted by the City under Internal Revenue Code Section 457(b). The trust owns all plan assets for the exclusive benefit of the participants and their beneficiaries. For the year ended June 30, 2019, employee contributions totaled \$149,610 to this plan. The City made \$48,990 in contributions to the plan on behalf of employees that elected to opt-out of the City health insurance plan and \$5,000 pursuant to certain employment agreements.

The City Administrator, City Solicitor and City Comptroller are trustees of the plan and administer the plan. Plan provisions and contribution requirements are established by and may be amended by the City. Employees are 100% vested immediately in contributions from all sources and no forfeitures exist for the plan.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 17. Post-Employment Health Care Benefits (OPEB)

Plan Description

The City of Cumberland sponsors a single-employer post-retirement defined benefit medical plan administered by the City of Cumberland. The Plan provides medical and prescription benefits to eligible retirees and their spouses. The authority under which benefit provisions are established or may be amended rests with the Mayor & City Council of Cumberland, Maryland. The Plan does not issue a publicly available report. The City has not established a trust fund to finance the cost of the OPEB benefits. The costs related to the OPEB benefits are paid by the City on a pay-as-you-go basis.

Employees Covered By Benefit Terms

At July 1, 2018, the following employees were covered by the benefit terms:

Active	130
Retired	22
Retired Spouses	<u>4</u>
Total	<u>156</u>

Benefits Provided

Retirees are offered the option to maintain health insurance after they retire (including subsidized beneficial coverage) until they reach age 65. To be eligible for benefits you must be age 60 or have 30 years of service. OPEB benefits were phased out by June 30, 2011, except for a small group of grandfathered retirees and the members of Local #553, AFSCME, and Local #1715, IAFF. For employees that retired before October 2003 and have not yet reached the age of 65, the City pays either 85% or 97% of the medical plan costs depending on the plan option the retiree chooses. For employees that retire after October 2003, the City pays towards medical plan costs until they reach the age of 65. For fiscal year 2019, the City's monthly subsidy is \$260.66 for Local 553 AFSCME retirees and \$263.27 for Local #1715 IAFF retirees which is adjusted annually by COLA. The City allows medical plan coverage for retiree dependents until the dependent reaches the age of 65, but does not subsidize the cost.

Total OPEB Liability

The City's total post-retirement benefit (OPEB) liability of \$1,588,507 was measured as of June 30, 2019, and was determined by an actuarial valuation as of July 1, 2018.

Actuarial Assumptions

The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 17. Post-Employment Health Care Benefits (OPEB) – (Continued)

Measurement Date: June 30, 2019
 Actuarial Valuation Date: July 1, 2018
 Actuarial Cost Method: Entry Age Normal
 Mortality: RP-2014 Blue Collar Mortality Table with Scale MP-2018. This table is used pending the release by the Society of Actuaries of a Governmental Mortality Study.
 Turnover: Employees were assumed to terminate according to the Male Annual Rates of Withdrawal used in the Maryland State Retirement Employees' Pension. Sample Rates are as follows:

<u>Ages</u>	<u>Years of Service</u>	<u>Rates of Withdrawal</u>
All	0	21.00%
	1	15.00%
	5	7.25%
	9	4.50%
25	10+	4.00%
35		2.75%
45+		2.00%

Retirement Age: Employees were assumed to retire according to the Male Annual Rates of Normal Retirement used in the Maryland State Retirement Employees' Pension. Sample rates are as follows:

<u>Ages</u>	<u>Retirement Rates</u>	
	<u><30Years of Service</u>	<u>30+ Years of Service</u>
60	0%	10%
61	0%	13%
62	16%	25%
63	13%	23%
64	13%	18%

Salary Scale: 3.0%
 Core Inflation Assumption: 3.0%
 Utilization: It is assumed that 40% of future eligible retirees will participate in the plan for healthcare coverage based on recent experience. The prior valuation assumed 50%.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 17. Post-Employment Health Care Benefits (OPEB) – (Continued)

Discount Rate:	The discount rate used to measure the total OPEB liability was 3.50%. Because the plan is unfunded, the plan's projected benefits are discounted back using rates equivalent to Aa 20-year municipal bonds. The GO Bond Buyer Index was used to approximate those yields as of June 30, 2019.
Valuation of Assets:	N/A
Per Capita Claims:	Medical premium equivalent rates illustrated in the plan provisions were age-adjusted based on actual ages of the enrolled participants and the aging factors derived from the 2013 Society of Actuaries Study "Health Care Costs from Birth to Death". COBRA rates were used.
Trend:	Per-capita claims costs are projected to increase at actual rate 11.6% in year 1 and continue to increase with an initial rate of 7.5% with annual declines of 0.50% until an ultimate rate of 5.0% is achieved.
Marriage Assumption:	It is assumed that 75% of future participating retirees will have eligible dependents at retirement, of which 50% will elect coverage based on recent experience. Wives are assumed to be two years younger than their husbands. The prior valuation assumed 75% will elect coverage.
Excise Tax:	The federal government will charge a non-deductible 40% Excise Tax on Cadillac plans beginning 2022. The obligations due to the Excise Tax were estimated by projecting the cost thresholds for pre-65 and post-65 benefits increasing at a CPI assumption of 2.50% (CPI + 1% for 2018) as compared to the projected plan costs increasing at the assumed healthcare cost trend assumption. The present value of the excess of the projected plan cost over the projected cost thresholds based on benefits earned as of the valuation date, at the 40% Excise Tax rate, has been included in the benefit obligations.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 17. Post-Employment Health Care Benefits (OPEB) – (Continued)

Family Coverage It is assumed the participating retirees do not have covered children based on the plan design and experience.

The actuarial assumptions used in the July 1, 2018 and July 1, 2017 valuations were based on employee data as of July 1, 2018 and July 1, 2017, as provided by the plan sponsor.

Changes in Assumptions

For the July 1, 2018 valuation, the present value of accumulated benefits amounts are based on an assumed discount rate of 3.5%, and an assumed healthcare cost trend rate of 11.6% decreasing to 5.0%. Mortality is based on the RP-2014 Mortality Table with Scale MP-2018. Utilization assumes 40% of future eligible retirees and 50% of retiree spouses will participate in the plan for healthcare coverage based on recent experience. The July 1, 2018 valuation also included a provision for the 40% excise tax on Cadillac health plans which is to take effect in fiscal year 2022.

For the July 1, 2017 valuation, the present value of accumulated benefits amounts are based on an assumed discount rate of 3.87%, and an assumed healthcare cost trend rate of 8.0% decreasing to 5.0%. Mortality is based on the RP-2014 Mortality Table with Scale MP-2017. Utilization assumes 50% of future eligible retirees and 75% of retiree spouses will participate in the plan for healthcare coverage.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2018	\$1,408,097
Changes for the year:	
Service cost	33,861
Interest	52,038
Difference between expected & actual experience	20,347
Assumption changes	202,258
Contributions – employer	-
Contributions – employee	-
Net investment income	-
Benefit payments	(128,094)
Administrative expense	-
Other changes	-
Net changes	180,410
Balance at June 30, 2019	\$1,588,507

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 17. *Post-Employment Health Care Benefits (OPEB) – (Continued)*

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the City recognized OPEB expense of \$122,634. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB liability from the following sources:

Deferred Outflows of Resources and Deferred Inflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ 16,989	-
Change of assumptions	168,882	-
Net difference between projected and actual earnings on OPEB plan investments	-	-
Total	<u>\$ 185,871</u>	<u>-</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

FY 2020	\$ 36,734
FY 2021	36,734
FY 2022	36,734
FY 2023	36,734
FY 2024	36,734
Thereafter	<u>2,201</u>
Total	<u>\$ 185,871</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current discount rate:

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
	<u> </u>	<u> </u>	<u> </u>
Total OPEB Liability	\$1,686,305	\$1,588,507	\$1,495,894

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 17. Post-Employment Health Care Benefits (OPEB) – (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage- point lower (10.6 percent decreasing to 4.0 percent) or 1-percentage-point higher (12.6 percent decreasing to 6.0 percent) than the current healthcare cost trend rates:

	1% Decrease (10.6% decreasing to 4.0%)	Healthcare Cost Trend Rates (11.6% decreasing to 5.0%)	1% Increase (12.6% decreasing to 6.0%)
Total OPEB Liability	\$1,458,396	\$1,588,507	\$1,738,959

Note 18. Related Party Transactions

In accordance with the Memorandum of Understanding (MOU) dated July 21, 2015 and executed by the Mayor of the City and a representative of the board of directors of the CEDC, the City will provide annual operational funding appropriations to the CEDC. Operational funding appropriations amounted to \$346,401 for the period ended June 30, 2019. As of June 30, 2019, there were no amounts owed from the City to the CEDC. During fiscal year 2019, the City advanced \$500,000 to the CEDC for the purchase of real estate held for development. As of June 30, 2019, \$500,000 was owed to the City from the CEDC. Full repayment of this related party loan is expected upon the CEDC’s receipt of grant funds which were awarded but not received in the current fiscal year.

Note 19. Subsequent Events

The City has evaluated, for possible financial statement disclosure, subsequent events through December 18, 2019, the date which the financial statements were available to be issued, and determined the following to be subsequent events.

In October 2009, the City authorized \$9,657,700 in Water Quality Bonds financed through the Maryland Water Quality Financing Administration, of which \$6,000,000 was eligible to be forgiven in October 2019 if certain conditions were met. The conditions were satisfied on October 16, 2019 and \$6,000,000 was forgiven.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 19. Subsequent Events – (Continued)

On November 21, 2019, the City of Cumberland issued new debt of \$3,277,767 to pay the cost of issuance and to purchase vehicles, equipment, building improvements and street improvements through a larger Maryland Department of Housing and Community Development Administration Bond issue. The Local Government Infrastructure Bonds 2019 Series B-1 and B-2 for 7-year, 10-year and 20-year terms were issued in the amounts of \$252,995, \$805,077 and \$2,219,695, respectively, and carry interest rates of 1.65%, due in annual installments through April 2026, 1.82%, due in annual installments through April 2029 and 2.99% due in annual installments through April 2039.

Required Supplementary Information

CITY OF CUMBERLAND, MARYLAND
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	<i>Budgeted Amounts</i>		<i>Actual</i> <i>Amounts</i>	<i>Variance with</i> <i>Final Budget</i>
	<i>Original</i>	<i>Final</i>		
Revenues:				
Taxes	\$ 12,209,440	\$ 12,209,440	\$ 12,105,267	\$ (104,173)
Licenses and permits	141,500	141,500	82,829	(58,671)
Intergovernmental	3,096,050	3,096,050	3,343,016	246,966
Charges for services	1,456,700	1,456,700	1,585,937	129,237
Fines and forfeitures	600	600	930	330
Interest	35,100	35,100	103,890	68,790
Miscellaneous	916,300	916,300	970,502	54,202
Total Revenues	<u>17,855,690</u>	<u>17,855,690</u>	<u>18,192,371</u>	<u>336,681</u>
Expenditures:				
Current:				
General government	1,767,771	1,827,771	1,823,932	3,839
Public safety	10,934,399	10,827,479	10,739,877	87,602
Public works	2,630,767	2,630,767	2,486,454	144,313
Recreation	999,638	999,638	832,010	167,628
Community development and housing	1,249,668	1,249,668	1,086,336	163,332
Debt Service:				
Principal	1,103,127	1,158,879	1,150,910	7,969
Interest	967,151	974,524	974,524	-
Bond issue costs	17,259	24,134	24,134	-
Total Expenditures	<u>19,669,780</u>	<u>19,692,860</u>	<u>19,118,177</u>	<u>574,683</u>
Revenues in Excess of (Less Than) Expenditures	<u>(1,814,090)</u>	<u>(1,837,170)</u>	<u>(925,806)</u>	<u>911,364</u>
Other Financing Sources (Uses):				
Transfers-in	1,796,963	1,796,963	1,789,211	(7,752)
Transfers-out	(2,648,760)	(2,648,760)	(1,953,716)	695,044
Issuance of debt	552,000	552,000	549,975	(2,025)
Original issue premium	-	-	23,345	23,345
Total Other Financing Sources	<u>(299,797)</u>	<u>(299,797)</u>	<u>408,815</u>	<u>708,612</u>
Net Change in Fund Balances	<u>\$ (2,113,887)</u>	<u>\$ (2,136,967)</u>	<u>(516,991)</u>	<u>\$ 1,619,976</u>
Fund balance, beginning			<u>7,717,373</u>	
Fund balance, ending			<u>\$ 7,200,382</u>	

CITY OF CUMBERLAND, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S
TOTAL OTHER POST EMPLOYMENT BENEFITS LIABILITY AND RELATED RATIOS

LAST TEN FISCAL YEARS*

	2019	2018
Total OPEB liability		
Service cost	\$ 33,861	\$ 32,250
Interest	52,038	53,803
Changes in benefit terms	-	-
Differences between expected and actual experience	20,347	-
Changes in assumptions, including discount rate	202,258	-
Benefit payments	(128,094)	(135,164)
Net change in total OPEB liability	180,410	(49,111)
Total OPEB liability-beginning	1,408,097	1,457,208
Total OPEB liability-ending	\$ 1,588,507	\$ 1,408,097
Covered employee payroll	\$ 5,928,837	\$ 5,874,883
Total OPEB liability as a percentage of covered employee payroll	26.79%	23.97%

*This schedule is designed to present information for a 10 year period beginning with fiscal year 2018.
Until a full 10 year trend is compiled, the City will be presenting information only for those years for which information is available.

CITY OF CUMBERLAND, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY

MARYLAND STATE RETIREMENT SYSTEM EMPLOYEE PENSION SYSTEM
LAST TEN FISCAL YEARS*

	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.0547%	0.0517%	0.0552%	0.0527%	0.0478%
City's proportionate share of the net pension liability	11,466,535	11,174,272	13,023,735	10,947,232	8,483,657
City's covered payroll	8,782,480	8,749,237	8,692,424	8,183,050	8,050,908
City's proportionate share of the net pension liability as a percentage of its covered payroll	130.56%	127.72%	149.83%	133.78%	105.38%
Plan fiduciary net position as a percentage of the total pension liability	69.53%	66.71%	62.97%	66.26%	69.53%

LAW ENFORCEMENT OFFICERS' PENSION SYSTEM
LAST TEN FISCAL YEARS*

	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.0351%	0.0360%	0.0381%	0.0330%	0.0316%
City's proportionate share of the net pension liability	7,368,745	7,787,922	8,979,462	6,865,824	5,616,351
City's covered payroll	2,277,464	2,351,000	2,321,244	2,286,856	2,322,088
City's proportionate share of the net pension liability as a percentage of its covered payroll	323.55%	331.26%	386.84%	300.23%	241.87%
Plan fiduciary net position as a percentage of the total pension liability	62.60%	62.80%	58.88%	61.30%	62.60%

*This schedule is designed to present information for a 10 year period beginning with fiscal year 2015. Until a full 10 year trend is compiled, the City will be presenting information only for those years for which information is available.

CITY OF CUMBERLAND, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PENSION CONTRIBUTIONS

MARYLAND STATE RETIREMENT SYSTEM EMPLOYEE PENSION SYSTEM
LAST TEN FISCAL YEARS*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,160,395	\$ 1,089,771	\$ 1,051,785	\$ 1,075,328	\$ 1,110,294
Contributions in relation to the contractually required contribution	<u>(1,160,395)</u>	<u>(1,089,771)</u>	<u>(1,051,785)</u>	<u>(1,075,328)</u>	<u>(1,110,294)</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	<u>\$ 9,031,040</u>	<u>\$ 8,872,480</u>	<u>\$ 8,749,237</u>	<u>\$ 8,692,424</u>	<u>\$ 8,183,050</u>
Contributions as a percentage of covered payroll	12.85%	12.28%	12.02%	12.37%	13.57%

LAW ENFORCEMENT OFFICERS' PENSION SYSTEM
LAST TEN FISCAL YEARS*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 693,778	\$ 700,320	\$ 733,042	\$ 741,405	\$ 696,348
Contributions in relation to the contractually required contribution	<u>(693,778)</u>	<u>(700,320)</u>	<u>(733,042)</u>	<u>(741,405)</u>	<u>(696,348)</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	<u>\$ 2,207,376</u>	<u>\$ 2,277,464</u>	<u>\$ 2,351,000</u>	<u>\$ 2,321,244</u>	<u>\$ 2,286,856</u>
Contributions as a percentage of covered payroll	31.43%	30.75%	31.18%	31.94%	30.45%

*This schedule is designed to present information for a 10 year period beginning with fiscal year 2015. Until a full 10 year trend is compiled, the City will be presenting information only for those years for which information is available

CITY OF CUMBERLAND, MARYLAND
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019

Note 1. Budgetary Information

An annual budget is adopted for the General Fund on a basis consistent with generally accepted accounting principles. Encumbrances and appropriations generally lapse at year-end and are treated as expenditures in the year the liability is incurred. Annual budgets are not adopted for any other governmental fund, as the City is not legally required to adopt such budgets.

Note 2. Pension Information

Maryland State Retirement Employees' Retirement and Pension Systems:

Change in Benefit Terms

-There were no benefit changes during the year.

Change in Assumptions

Adjustments to the rollforward liabilities were made to reflect the following assumption changes in the 2018 valuation:

- The inflation assumption changed from 2.65% to 2.60% for general and from 3.15% to 3.10% for wages.
- The salary increases changed from a range of 3.15% to 9.15% to a range of 3.10% to 9.10%.
- The discount rate changed from 7.50% to 7.45%.
- The investment rate of return changed from 7.50% to 7.45%.

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions for 2018 Valuation

Actuarial	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Inflation	2.60% general, 3.10% wage
Salary Increases	3.10% to 9.10%, including inflation
Discount Rate	7.45%
Investment Rate of Return	7.45%
Mortality	RP 2014 Mortality Tables with generational mortality projections using scale MP-2014, calibrated to MSRPS experience

Note 2. Other Post Employment Benefits Information

Change in Benefit Terms

-There were no benefit changes during the year.

Change in Assumptions

Adjustments to the rollforward liabilities were made to reflect the following assumption changes in the 2018 valuation:

- The discount rate changed from 3.87% to 3.50%.
- The Mortality Table changed from the RP-2014 Mortality Table Scale MP-2017 to the RP-2014 Mortality Scale MP-2018
- The trend assumption was changed from 8.0% as of 2017 with annual declines of 0.50% until an ultimate rate of 5.0% is achieved to 11.6% as of 2018 with annual declines of 0.50% until an ultimate rate of 5.0% is achieved.
- The utilization rate was changed from 50% for eligible retirees and 75% of retiree spouses in 2017 to 40% of retirees and 50% of retiree spouses in 2018.
- The July 1, 2018 valuation included a provision for the 40% excise tax on Cadillac health plans which is to take effect in FY 2022

Plan Assets

- No assets are accumulated in a trust that meets all of the following criteria of GASBS No. 75, paragraph 4, to pay benefits:
 - Contributions from the employer and any nonemployer contributing entities, and earnings thereon, must be irrevocable
 - Plan assets must be dedicated to providing OPEB to Plan members in accordance with benefit terms
 - Plan assets must be legally protected from the creditors of the employer, nonemployer contributing entities, the Plan Administrator, and Plan members.

**Combining and Individual
Nonmajor Fund
Financial Statements**

**CITY OF CUMBERLAND, MARYLAND
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019**

	<i>Special Revenue Funds</i>					<i>Capital Project Funds</i>			<i>Total Non-Major Governmental Funds</i>	
	<i>CDBG Fund</i>	<i>Rehabilitation Loan Fund</i>	<i>Special Taxing District</i>	<i>Community Legacy</i>	<i>Police Grants</i>	<i>Special Projects</i>	<i>Tax Increment Financing District</i>	<i>Capital Projects Fund</i>		<i>Street Improvement Fund</i>
ASSETS										
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 24,264	\$ -	\$ -	\$ -	\$ -	\$ 89,921	\$ 114,185
Investments	-	-	88,932	-	-	-	-	-	-	88,932
Taxes receivable	-	-	23,655	-	-	-	-	-	-	23,655
Accounts receivable	-	-	253	-	-	7,998	-	13,100	-	21,351
Due from other governments	327,616	-	2,601	39,692	155,397	-	-	31,154	151,771	708,231
Housing loans receivable	-	257,260	-	-	-	-	-	-	-	257,260
Loans receivable	150,000	-	-	413,642	-	-	-	-	-	563,642
Notes receivable	685,000	-	-	-	-	-	-	-	-	685,000
Total Assets	<u>\$ 1,162,616</u>	<u>\$ 257,260</u>	<u>\$ 115,441</u>	<u>\$ 477,598</u>	<u>\$ 155,397</u>	<u>\$ 7,998</u>	<u>\$ -</u>	<u>\$ 44,254</u>	<u>\$ 241,692</u>	<u>\$ 2,462,256</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES										
<i>LIABILITIES:</i>										
Accounts payable	\$ 215,837	\$ -	\$ 12,804	\$ 2,832	\$ 7,084	\$ -	\$ -	\$ 59,345	\$ 221,331	\$ 519,233
Interfund payables	112,240	-	4,746	-	154,491	7,998	-	57,956	-	337,431
Total Liabilities	<u>328,077</u>	<u>-</u>	<u>17,550</u>	<u>2,832</u>	<u>161,575</u>	<u>7,998</u>	<u>-</u>	<u>117,301</u>	<u>221,331</u>	<u>856,664</u>
<i>DEFERRED INFLOWS OF RESOURCES:</i>										
Unavailable revenues	-	-	21,818	-	3,257	-	-	31,154	54,405	110,634
<i>FUND BALANCES:</i>										
Fund balances (deficit):										
Restricted	834,539	257,260	76,073	474,766	-	-	-	-	-	1,642,638
Unassigned	-	-	-	-	(9,435)	-	-	(104,201)	(34,044)	(147,680)
Total Fund Balances (Deficit)	<u>834,539</u>	<u>257,260</u>	<u>76,073</u>	<u>474,766</u>	<u>(9,435)</u>	<u>-</u>	<u>-</u>	<u>(104,201)</u>	<u>(34,044)</u>	<u>1,494,958</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,162,616</u>	<u>\$ 257,260</u>	<u>\$ 115,441</u>	<u>\$ 477,598</u>	<u>\$ 155,397</u>	<u>\$ 7,998</u>	<u>\$ -</u>	<u>\$ 44,254</u>	<u>\$ 241,692</u>	<u>\$ 2,462,256</u>

CITY OF CUMBERLAND, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	<i>Special Revenue Funds</i>					<i>Capital Project Funds</i>			<i>Total Non-Major Governmental Funds</i>	
	<i>CDBG Fund</i>	<i>Rehabilitation Loan Fund</i>	<i>Special Taxing District</i>	<i>Community Legacy</i>	<i>Police Grants</i>	<i>Special Projects</i>	<i>Tax Increment Financing District</i>	<i>Capital Projects Fund</i>		<i>Street Improvement Fund</i>
Revenues:										
Taxes	\$ -	\$ -	\$ 177,339	\$ -	\$ -	\$ -	\$ 26,985	\$ -	\$ -	\$ 204,324
Intergovernmental	932,342	-	-	190,603	466,209	101,684	-	10,748	235,797	1,937,383
Interest	39,960	-	1,939	1,102	-	-	19	-	-	43,020
Miscellaneous	3,903	-	15,898	-	-	-	-	42,618	571	62,990
Total Revenues	<u>976,205</u>	<u>-</u>	<u>195,176</u>	<u>191,705</u>	<u>466,209</u>	<u>101,684</u>	<u>27,004</u>	<u>53,366</u>	<u>236,368</u>	<u>2,247,717</u>
Expenditures:										
Current:										
General government	-	-	306,804	-	-	-	-	-	-	306,804
Public safety	-	-	-	-	452,106	-	-	-	-	452,106
Public works	-	-	-	-	-	-	-	-	-	-
Recreation	-	-	-	-	-	-	-	-	-	-
Community development and housing	952,470	-	-	221,836	-	101,684	-	31,154	-	1,307,144
Capital Outlay	-	-	-	-	-	-	-	276,473	1,595,705	1,872,178
Debt Service:										
Principal	55,000	-	-	-	-	-	64,000	-	470,000	589,000
Interest	39,960	-	-	-	-	-	1,928	-	11,750	53,638
Total Expenditures	<u>1,047,430</u>	<u>-</u>	<u>306,804</u>	<u>221,836</u>	<u>452,106</u>	<u>101,684</u>	<u>65,928</u>	<u>307,627</u>	<u>2,077,455</u>	<u>4,580,870</u>
Revenues in Excess of (Less Than) Expenditures	<u>(71,225)</u>	<u>-</u>	<u>(111,628)</u>	<u>(30,131)</u>	<u>14,103</u>	<u>-</u>	<u>(38,924)</u>	<u>(254,261)</u>	<u>(1,841,087)</u>	<u>(2,333,153)</u>
Other Financing Sources (Uses):										
Transfers-in	16,225	-	45,618	-	-	-	33,657	150,807	1,635,922	1,882,229
Transfers-out	-	(16,225)	-	-	-	-	-	(747)	-	(16,972)
Total Other Financing Sources (Uses)	<u>16,225</u>	<u>(16,225)</u>	<u>45,618</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,657</u>	<u>150,060</u>	<u>1,635,922</u>	<u>1,865,257</u>
Net Change in Fund Balance	(55,000)	(16,225)	(66,010)	(30,131)	14,103	-	(5,267)	(104,201)	(205,165)	(467,896)
Fund balance (deficit), beginning	889,539	273,485	142,083	504,897	(23,538)	-	5,267	-	171,121	1,962,854
Fund balance (deficit), ending	<u>\$ 834,539</u>	<u>\$ 257,260</u>	<u>\$ 76,073</u>	<u>\$ 474,766</u>	<u>\$ (9,435)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (104,201)</u>	<u>\$ (34,044)</u>	<u>\$ 1,494,958</u>

CITY OF CUMBERLAND, MARYLAND
COMBINING STATEMENT OF NET POSITION
NON-MAJOR PROPRIETARY FUNDS
JUNE 30, 2019

	<i>Municipal Parking Authority</i>	<i>Trash</i>	<i>Total Non-Major Proprietary Funds</i>
ASSETS			
<u>Current Assets:</u>			
Cash and cash equivalents	\$ -	\$ 316,029	\$ 316,029
Accounts receivable	1,119	93,417	94,536
Total Current Assets	<u>1,119</u>	<u>409,446</u>	<u>410,565</u>
<u>Noncurrent Assets:</u>			
Capital assets:			
Non-depreciable	180,737	-	180,737
Depreciable, net	3,277,388	-	3,277,388
Total Non-Current Assets	<u>3,458,125</u>	<u>-</u>	<u>3,458,125</u>
Total Assets	<u>3,459,244</u>	<u>409,446</u>	<u>3,868,690</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	28,859	-	28,859
Deferred charge on refunding	4,218	-	4,218
Deferred outflows related to OPEB	637	-	637
Total Deferred Outflows of Resources	<u>33,714</u>	<u>-</u>	<u>33,714</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 3,492,958</u>	<u>\$ 409,446</u>	<u>\$ 3,902,404</u>
LIABILITIES			
<u>Current Liabilities:</u>			
Accounts payable	\$ 1,856	\$ 106,947	\$ 108,803
Accrued interest	13,825	-	13,825
Unearned revenues	6,760	-	6,760
Accrued health claims	3,260	-	3,260
Current portion of compensated absences	9,573	-	9,573
Current portion of bonds and notes payable	131,305	-	131,305
Total Current Liabilities	<u>166,579</u>	<u>106,947</u>	<u>273,526</u>
<u>Noncurrent Liabilities:</u>			
Compensated absences (net of current portion)	18,135	-	18,135
Total other post-employment benefit (OPEB) liability	5,432	-	5,432
Bonds and notes payable (net of current portion)	1,800,721	-	1,800,721
Net pension liability	114,259	-	114,259
Total Non-Current Liabilities	<u>1,938,547</u>	<u>-</u>	<u>1,938,547</u>
Total Liabilities	<u>2,105,126</u>	<u>106,947</u>	<u>2,212,073</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension	11,675	-	11,675
NET POSITION			
Net investment in capital assets	1,558,202	-	1,558,202
Unrestricted	(182,045)	302,499	120,454
Total Net Position	<u>1,376,157</u>	<u>302,499</u>	<u>1,678,656</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 3,492,958</u>	<u>\$ 409,446</u>	<u>\$ 3,902,404</u>

CITY OF CUMBERLAND, MARYLAND
COMBINING STATEMENT OF REVENUES,
EXPENSES, AND CHANGES IN NET POSITION
NON-MAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	<i>Municipal Parking Authority</i>	<i>Trash</i>	<i>Total Non-Major Proprietary Funds</i>
Operating Revenues:			
Charges for Services:			
Domestic	\$ -	\$ 1,307,646	\$ 1,307,646
Industrial	-	2,774	2,774
Rents/Concessions	378,926	-	378,926
Other	30,910	27,299	58,209
Total Operating Revenues	<u>409,836</u>	<u>1,337,719</u>	<u>1,747,555</u>
Operating Expenses:			
Personal services	216,650	-	216,650
Utilities	12,677	-	12,677
Repairs and maintenance	10,963	-	10,963
Landfill and recycling	-	462,843	462,843
Depreciation	134,738	-	134,738
Contractual Service	17,367	804,719	822,086
Other operating expenses	53,144	171,372	224,516
Total Operating Expenses	<u>445,539</u>	<u>1,438,934</u>	<u>1,884,473</u>
Operating Income (loss)	<u>(35,703)</u>	<u>(101,215)</u>	<u>(136,918)</u>
Non-Operating (Expenses):			
Interest income	134	-	134
Interest expense	(87,513)	-	(87,513)
Total Non-Operating (loss)	<u>(87,379)</u>	<u>-</u>	<u>(87,379)</u>
Net Income (loss) Before Contributions, Special Items, and Transfers	(123,082)	(101,215)	(224,297)
Transfers-in	<u>87,712</u>	<u>-</u>	<u>87,712</u>
Net Income (loss)	(35,370)	(101,215)	(136,585)
Net position-beginning of year	<u>1,411,527</u>	<u>403,714</u>	<u>1,815,241</u>
Net position-end of year	<u>\$ 1,376,157</u>	<u>\$ 302,499</u>	<u>\$ 1,678,656</u>

CITY OF CUMBERLAND, MARYLAND
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	<i>Municipal Parking Authority</i>	<i>Trash</i>	<i>Total Non-Major Proprietary Funds</i>
Cash Flows from Operating Activities:			
Cash receipts from customers	\$ 378,052	\$ 1,307,095	\$ 1,685,147
Cash payments to suppliers	(94,854)	(1,471,513)	(1,566,367)
Cash payments for personal services	(209,806)	-	(209,806)
Other operating receipts	30,910	27,299	58,209
Net Cash Provided (Used) by Operating Activities	<u>104,302</u>	<u>(137,119)</u>	<u>(32,817)</u>
Cash Flows from Noncapital Financing Activities:			
Transfers from other funds	87,712	-	87,712
Principal paid on noncapital debt	(290)	-	(290)
Net Cash Provided (Used) By Noncapital Financing Activities	<u>87,422</u>	<u>-</u>	<u>87,422</u>
Cash Flows from Capital and Related Financing Activities:			
Principal paid on capital debt	(129,847)	-	(129,847)
Interest paid on capital debt	(87,779)	-	(87,779)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(217,626)</u>	<u>-</u>	<u>(217,626)</u>
Cash Flows from Investing Activities:			
Interest on investments	134	-	134
Net Cash from Investing Activities:	<u>134</u>	<u>-</u>	<u>134</u>
Net Increase in Cash and Cash Equivalents	(25,768)	(137,119)	(162,887)
Cash and Cash Equivalents at Beginning of Year	25,768	453,148	478,916
Cash and Cash Equivalents at End of Year	<u>\$ -</u>	<u>\$ 316,029</u>	<u>\$ 316,029</u>

CITY OF CUMBERLAND, MARYLAND
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019
(continued)

	<i>Municipal Parking Authority Fund</i>	<i>Trash Fund</i>	<i>Total Non-Major Proprietary Funds</i>
	<u> </u>	<u> </u>	<u> </u>
Reconciliation of Cash to Statement of Net Position			
Cash balance-Statement of Net Position	\$ -	\$ 316,029	\$ 316,029
Investment balance-Statement of Net Position	-	-	-
Cash and Cash Equivalents-Statement of Cash Flows	<u>\$ -</u>	<u>\$ 316,029</u>	<u>\$ 316,029</u>

**Reconciliation of Operating Income (Loss) to Net Cash
Provided (Used) by Operating Activities:**

Operating Income (Loss)	\$ (35,703)	\$ (101,215)	\$ (136,918)
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Adjustments to reconcile operating income (loss) to
net cash provided (used) by operating activities:

Depreciation	134,738	-	134,738
Pension expense	7,773	-	7,773
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	816	(3,325)	(2,509)
Increase (decrease) in accounts payable	(703)	(32,579)	(33,282)
Increase (decrease) in unavailable revenues	(1,690)	-	(1,690)
Increase (decrease) in accrued health claims	(269)	-	(269)
Increase (decrease) in total other post- employment benefit (OPEB) liability	(774)	-	(774)
Increase (decrease) in accrued wages and compensated absences	<u>114</u>	<u>-</u>	<u>114</u>

Net cash provided (used) by operating activities	<u>\$ 104,302</u>	<u>\$ (137,119)</u>	<u>\$ (32,817)</u>
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Statistical Section

The information in this section is not covered by the Independent Auditor's Report, but is presented as supplemental data for the benefit of the readers of the comprehensive annual financial report. The objectives of statistical section information are to provide financial statement users with additional historical perspective, context, and detail to assist in using the information in the financial statements, notes to financial statements, and required supplementary information to understand and assess a government's economic condition.

CONTENTS	PAGES
<i>Financial Trends</i>	<i>98 - 101</i>
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
<i>Revenue Capacity</i>	<i>102 - 106</i>
These schedules contain trend information to help the reader assess the City's most significant local revenue source, the property tax.	
<i>Debt Capacity</i>	<i>107 - 110</i>
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the near future.	
<i>Economic and Demographic Information</i>	<i>111 - 113</i>
These schedules offer economic and demographic data to help the reader understand the Environment within which the City's financial activities take place.	
<i>Operating Information</i>	<i>114 - 116</i>
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	

Sources:

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant years.

City of Cumberland, Maryland

Net Position by Category Government Wide, Last Ten Years

	Fiscal Year									
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Governmental Activities										
Net investment in capital assets	\$ 15,427,981	\$ 16,111,275	\$ 15,315,474	\$ 14,417,904	\$ 14,620,530	\$ 16,053,058	\$ 13,378,759	\$ 13,280,688	\$ 12,314,980	\$ 12,080,334
Restricted	917,895	1,072,036	982,836	1,153,832	1,190,885	2,742,539	3,893,658	3,682,490	3,563,875	1,962,693
Unrestricted	(4,488,333)	(5,420,125)	(3,084,925)	(3,528,950)	(3,410,070)	(20,864,672)	(24,148,075)	(26,402,604)	(25,209,841)	(22,821,788)
Total Governmental Activities Net Position	<u>\$ 11,857,543</u>	<u>\$ 11,763,186</u>	<u>\$ 13,213,385</u>	<u>\$ 12,042,786</u>	<u>\$ 12,401,345</u>	<u>\$ (2,069,075)</u>	<u>\$ (6,875,658)</u>	<u>\$ (9,439,426)</u>	<u>\$ (9,330,986)</u>	<u>\$ (8,778,761)</u>
Business-Type Activities										
Net investment in capital assets	\$ 57,597,712	\$ 69,709,393	\$ 70,443,754	\$ 69,384,635	\$ 68,227,169	\$ 66,477,517	\$ 64,873,365	\$ 64,450,544	\$ 70,127,561	\$ 80,076,407
Restricted	-	-	-	-	-	1,079,295	-	-	-	-
Unrestricted	941,058	747,042	1,338,550	783,556	1,038,693	3,169,240	4,992,895	6,271,713	6,729,258	10,281,489
Total Business-Type Activities Net Position	<u>\$ 58,538,770</u>	<u>\$ 70,456,435</u>	<u>\$ 71,782,304</u>	<u>\$ 70,168,191</u>	<u>\$ 69,265,862</u>	<u>\$ 70,726,052</u>	<u>\$ 69,866,260</u>	<u>\$ 70,722,257</u>	<u>\$ 76,856,819</u>	<u>\$ 90,357,896</u>
Primary Government										
Net investment in capital assets	\$ 73,025,693	\$ 85,820,668	\$ 85,759,228	\$ 83,802,539	\$ 82,847,699	\$ 82,530,575	\$ 78,252,124	\$ 77,731,232	\$ 82,442,541	\$ 92,156,741
Restricted	917,895	1,072,036	982,836	1,153,832	1,190,885	3,821,834	3,893,658	3,682,490	3,563,875	1,962,693
Unrestricted	(3,547,275)	(4,673,083)	(1,746,375)	(2,745,394)	(2,371,377)	(17,695,432)	(19,155,180)	(20,130,891)	(18,480,583)	(12,540,299)
Total Primary Government Net Position	<u>\$ 70,396,313</u>	<u>\$ 82,219,621</u>	<u>\$ 84,995,689</u>	<u>\$ 82,210,977</u>	<u>\$ 81,667,207</u>	<u>\$ 68,656,977</u>	<u>\$ 62,990,602</u>	<u>\$ 61,282,831</u>	<u>\$ 67,525,833</u>	<u>\$ 81,579,135</u>

¹ Net position was restated in certain years due to prior period adjustments

City of Cumberland, Maryland
Changes in Net Position by Category Government Wide, Last Ten Years
Fiscal Year (in Thousands 000's)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses											
Governmental activities:											
General Government	\$ 2,264.9	\$ 2,008.3	\$ 1,954.2	\$ 1,771.7	\$ 2,118.6	\$ 1,725.0	\$ 1,849.3	\$ 2,042.7	\$ 2,539.2	\$ 2,264.2	\$ 2,401.3
Payment to component unit	-	-	-	-	-	-	-	-	15.0	-	-
Public Safety	10,600.7	9,770.8	10,859.6	10,208.1	11,821.8	10,880.6	12,157.6	12,594.7	12,764.1	10,955.5	11,485.2
Public Works	3,131.2	2,948.3	3,179.7	3,286.2	3,068.2	3,544.9	4,021.8	3,892.2	3,901.5	3,662.5	3,935.4
Recreation	995.4	961.3	1,044.7	911.6	868.6	1,001.7	926.6	1,033.0	1,014.3	905.1	982.8
Community Development and Housing	4,294.0	4,849.2	3,757.4	3,538.7	3,433.5	3,356.3	4,111.0	4,680.7	4,745.1	3,872.4	3,882.5
Payment to component unit	-	-	-	-	-	-	-	2,448.6	1,695.9	376.3	346.4
Interest on long-term debt	869.3	1,019.3	990.3	898.0	872.1	825.9	1,096.7	1,115.2	1,144.2	916.8	997.1
Total governmental activities expense:	\$ 22,155.5	\$ 21,557.2	\$ 21,785.9	\$ 20,614.3	\$ 22,182.8	\$ 21,334.4	\$ 24,163.0	\$ 27,807.1	\$ 27,819.3	\$ 22,952.8	\$ 24,030.7
Business-type activities:											
Water	\$ 6,161.8	\$ 6,320.2	\$ 6,428.6	\$ 6,171.3	\$ 5,887.9	\$ 6,080.4	\$ 6,049.2	\$ 7,052.4	\$ 6,574.2	\$ 7,230.9	\$ 7,077.9
Sewer	5,171.3	5,247.6	6,132.2	7,381.0	6,649.1	7,884.0	7,655.3	8,065.9	7,949.0	7,817.7	8,338.5
Municipal Parking Authority	548.4	524.6	542.4	528.3	517.2	541.4	571.6	571.9	600.5	507.2	533.1
Trash	1,075.3	1,053.8	1,115.0	1,146.0	1,135.8	1,136.5	1,439.9	1,340.9	1,378.6	1,440.3	1,438.9
Property Rental	120.1	301.9	850.9	765.5	428.6	740.7	-	-	-	-	-
Total business-type activities expense:	13,076.9	13,448.1	15,069.1	15,992.1	14,618.6	16,383.0	15,716.0	17,031.1	16,502.3	16,996.1	17,388.4
Total primary government expense:	\$ 35,232.4	\$ 35,005.3	\$ 36,855.0	\$ 36,606.4	\$ 36,801.4	\$ 37,717.4	\$ 39,879.0	\$ 44,838.2	\$ 44,321.6	\$ 39,948.9	\$ 41,419.1
Program Revenues											
Governmental activities:											
Charges for services:											
General Government	\$ 678.8	\$ 694.3	\$ 763.4	\$ 702.2	\$ 648.0	\$ 733.8	786.4	\$ 897.2	\$ 627.5	\$ 570.4	\$ 546.4
Public Safety	1,348.9	1,160.0	1,214.7	1,308.0	1,094.7	1,142.7	1,612.9	1,425.2	1,223.9	1,237.0	1,243.4
Public Works	-	-	-	-	-	-	-	-	-	-	-
Recreation	116.7	101.9	109.9	159.5	137.2	134.0	151.7	139.2	131.0	111.6	123.7
Community Development and Housing	109.0	79.1	130.5	120.6	51.6	43.1	27.8	-	225.8	143.8	135.3
Operating grants and contributions	5,915.6	5,992.9	4,497.2	5,255.4	4,412.4	4,717.2	5,328.5	5,542.1	5,234.5	5,300.7	5,970.5
Capital grants and contributions	701.1	300.7	1,199.0	292.9	183.9	602.0	354.0	49.9	966.6	275.2	82.6
Total governmental activities program revenue	\$ 8,870.1	\$ 8,328.9	\$ 7,914.7	\$ 7,838.6	\$ 6,527.8	\$ 7,372.8	\$ 8,261.3	\$ 8,053.6	\$ 8,409.3	\$ 7,638.7	\$ 8,101.9
Business-type activities:											
Water	\$ 8,139.8	\$ 7,980.1	\$ 7,635.6	\$ 7,595.1	\$ 7,413.1	\$ 7,387.4	\$ 7,429.6	\$ 7,152.9	\$ 7,036.8	\$ 6,949.0	\$ 6,924.0
Sewer	5,526.2	5,326.6	5,913.1	6,526.3	7,064.5	8,508.7	9,881.9	10,789.4	11,090.0	11,223.9	12,195.6
Municipal Parking Authority	628.8	600.6	648.5	600.1	584.5	543.0	442.1	486.9	424.7	423.9	409.8
Trash	1,131.8	1,305.8	1,349.4	1,329.3	1,319.5	1,306.6	1,304.9	1,292.0	1,290.3	1,281.2	1,337.7
Property Rental	136.1	88.0	443.2	494.9	247.8	9.5	-	-	-	-	-
Capital grants and contributions	2,116.2	16,441.4	10,721.0	1,580.3	900.1	457.0	22.9	-	487.9	5,576.4	11,407.6
Total business-type activities program revenue	17,678.9	31,802.5	26,710.8	18,126.0	17,529.5	18,212.2	19,081.4	19,721.2	20,329.7	25,454.4	32,274.7
Total primary government revenue	\$ 26,549.0	\$ 40,131.4	\$ 34,625.5	\$ 25,964.6	\$ 24,057.3	\$ 25,585.0	\$ 27,342.7	\$ 27,774.8	\$ 28,739.0	\$ 33,093.1	\$ 40,376.6
Net (Expense)/Revenue											
Governmental activities	\$ (13,285.4)	\$ (13,228.3)	\$ (13,871.2)	\$ (12,775.7)	\$ (15,655.0)	\$ (13,961.6)	\$ (15,901.7)	\$ (19,753.5)	\$ (19,410.0)	\$ (15,314.1)	\$ (15,928.8)
Business-type activities	4,602.0	18,354.4	11,641.7	2,133.9	2,910.9	1,829.2	3,365.4	2,690.1	3,827.4	8,458.3	14,886.3
Total primary government net expense:	\$ (8,683.4)	\$ 5,126.1	\$ (2,229.5)	\$ (10,641.8)	\$ (12,744.1)	\$ (12,132.4)	\$ (12,536.3)	\$ (17,063.4)	\$ (15,582.6)	\$ (6,855.8)	\$ (1,042.5)
General Revenues and Other Changes in Net Position											
Governmental activities:											
Property taxes	\$ 9,434.3	\$ 10,309.7	\$ 10,731.2	\$ 10,808.4	\$ 10,522.2	\$ 10,792.7	\$ 10,698.6	\$ 10,552.0	\$ 10,769.8	\$ 11,972.5	\$ 11,853.7
Franchise Fees ¹	276.4	281.5	277.3	272.6	270.1	269.0	278.1	292.1	297.7	286.1	276.1
Other taxes	150.4	209.6	244.0	291.3	225.3	259.4	274.9	288.0	288.0	300.6	376.2
Shared revenues	1,357.7	1,477.3	1,298.6	1,219.7	1,292.2	1,366.6	1,413.6	1,305.4	1,184.6	1,269.1	1,395.0
Investment earnings	123.2	134.7	110.4	73.4	63.0	58.4	56.1	55.2	62.1	94.0	135.2
Gain on sale of capital assets	-	-	-	-	144.0	-	-	-	-	-	-
Special Item - Demolition Costs	-	-	-	-	-	-	(661.3)	(249.2)	-	-	-
Miscellaneous	352.9	144.6	183.3	748.1	88.5	117.7	178.2	131.1	1,243.2	547.3	744.0
Transfers	2,052.9	2,088.8	932.3	812.3	2,270.1	1,456.2	(246.3)	3,564.5	3,001.0	1,833.9	1,700.8
Total governmental activities	13,747.8	14,646.2	13,777.1	14,225.8	14,875.4	14,320.0	11,991.9	15,931.5	16,846.4	16,303.5	16,481.0
Business-type activities:											
Investment earnings	17.6	3.6	8.2	4.3	3.6	7.8	7.4	14.6	29.5	117.5	315.4
Miscellaneous	-	-	-	-	-	270.0	497.0	-	-	-	-
Special Item - Demolition Costs	-	-	-	-	(72.3)	(1,553.0)	-	-	-	-	-
Special Item - Loss on Asset Impairment	-	-	-	-	-	(1,493.3)	-	-	-	-	-
Gain on sale of capital asset	-	152.4	1,200.0	-	-	-	-	-	-	-	-
Transfers	(2,052.9)	(2,088.8)	(932.3)	(812.3)	(2,270.1)	(1,456.2)	246.3	(3,564.5)	(3,001.0)	(1,833.9)	(1,700.8)
Total business-type activities	(2,035.3)	(1,932.8)	275.9	(808.0)	(3,832.1)	(2,731.4)	750.7	(3,549.9)	(2,971.5)	(1,716.4)	(1,385.4)
Total primary government:	\$ 11,712.5	\$ 12,713.4	\$ 14,053.0	\$ 13,417.8	\$ 11,043.3	\$ 11,588.6	\$ 12,742.6	\$ 12,381.6	\$ 13,874.9	\$ 14,587.1	\$ 15,095.6
Changes in Net Position:											
Governmental activities:	\$ 462.4	\$ 1,417.9	\$ (94.1)	\$ 1,450.1	\$ (779.6)	\$ 358.4	\$ (3,909.8)	\$ (3,822.0)	\$ (2,563.6)	\$ 989.4	\$ 552.2
Business-type activities:	2,566.7	16,421.6	11,917.6	1,325.9	(921.2)	(902.2)	4,116.1	(859.8)	855.9	6,741.9	13,500.9
Total primary government:	\$ 3,029.1	\$ 17,839.5	\$ 11,823.5	\$ 2,776.0	\$ (1,700.8)	\$ (543.8)	\$ 206.3	\$ (4,681.8)	\$ (1,707.7)	\$ 7,731.3	\$ 14,053.1

City of Cumberland, Maryland
Fund Balances - Governmental Funds
Last Ten Years

	Fiscal Year									
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
General Fund										
Reserved	\$ 2,145,060	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Nonspendable	-	1,631,590	2,225,805	1,779,502	1,926,471	1,670,455	2,177,821	2,582,740	2,637,657	2,482,253
Restricted	-	595,203	527,991	475,607	375,991	5,326,935	6,186,903	3,221,990	3,023,182	1,970,400
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	357,957	-	-	-	-
Unassigned	-	(1,606,117)	(862,478)	438,716	36,256	-	830,789	1,163,987	2,056,534	2,747,729
Unreserved	(1,912,378)	-	-	-	-	-	-	-	-	-
Total general fund	<u>\$ 232,682</u>	<u>\$ 620,676</u>	<u>\$ 1,891,318</u>	<u>\$ 2,693,825</u>	<u>\$ 2,338,718</u>	<u>\$ 7,355,347</u>	<u>\$ 9,195,513</u>	<u>\$ 6,968,717</u>	<u>\$ 7,717,373</u>	<u>\$ 7,200,382</u>
Housing Fund										
Reserved	\$ 39,059	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	39,139	39,139	1,584	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	(60,820)	(37,555)	-	-	-	-	-	-	-
Unreserved	(60,790)	-	-	-	-	-	-	-	-	-
Total housing fund	<u>\$ (21,731)</u>	<u>\$ (21,681)</u>	<u>\$ 1,584</u>	<u>\$ 1,584</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
All Other Governmental Funds										
Reserved	\$ 493,737	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Nonspendable	-	322,743	313,169	-	-	-	-	-	-	-
Restricted	-	5,468,497	3,889,521	2,269,558	1,675,300	2,780,049	2,068,127	1,854,000	1,986,392	1,642,638
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	(65,124)	(19,351)	(31,807)	(60,447)	(190,441)	(281,525)	(30,074)	(23,538)	(147,680)
Unreserved	-	-	-	-	-	-	-	-	-	-
Special Revenue Funds	274,530	-	-	-	-	-	-	-	-	-
Capital Projects Funds	7,845,997	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>8,614,264</u>	<u>5,726,116</u>	<u>4,183,339</u>	<u>2,237,751</u>	<u>1,614,853</u>	<u>2,589,608</u>	<u>1,786,602</u>	<u>1,823,926</u>	<u>1,962,854</u>	<u>1,494,958</u>
All Governmental Funds										
Total Fund Balance All Governmental Funds	<u>\$ 8,825,215</u>	<u>\$ 6,325,111</u>	<u>\$ 6,076,241</u>	<u>\$ 4,933,160</u>	<u>\$ 3,953,571</u>	<u>\$ 9,944,955</u>	<u>\$ 10,982,115</u>	<u>\$ 8,792,643</u>	<u>\$ 9,680,227</u>	<u>\$ 8,695,340</u>

City of Cumberland, Maryland
Changes in Fund Balances - Governmental Funds
Last Ten Years

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Revenues										
Taxes	\$ 10,353,170	\$ 11,646,674	\$ 10,882,483	\$ 10,817,154	\$ 11,175,297	\$ 11,275,178	\$ 11,001,020	\$ 11,530,679	\$ 12,486,218	\$ 12,309,591
Licenses and permits	288,312	233,466	184,514	136,179	151,120	248,312	213,539	203,847	120,149	82,829
Intergovernmental	7,968,020	7,128,218	6,852,312	5,984,096	6,488,782	7,118,645	7,007,493	7,131,752	7,131,421	7,587,139
Charges for Services	1,336,093	1,563,396	1,679,527	1,371,488	1,475,442	1,948,052	1,688,563	1,630,969	1,572,403	1,585,937
Fines and Forfeitures	1,810	391	1,080	1,785	805	1,155	1,840	1,265	955	930
Interest	108,498	112,613	75,937	65,277	61,743	59,038	58,271	65,903	96,155	146,910
Miscellaneous	565,979	623,303	755,678	524,720	595,438	527,463	679,849	613,514	800,415	1,033,492
Total revenue	<u>20,621,882</u>	<u>21,308,061</u>	<u>20,431,531</u>	<u>18,900,699</u>	<u>19,948,627</u>	<u>21,177,843</u>	<u>20,650,575</u>	<u>21,177,929</u>	<u>22,207,716</u>	<u>22,746,828</u>
Expenditures										
Current Operations:										
General Government	\$ 1,897,553	\$ 1,784,431	\$ 1,601,303	\$ 1,718,106	\$ 1,950,958	\$ 2,027,160	\$ 2,032,291	\$ 2,110,185	\$ 1,689,269	\$ 2,130,736
Public Safety	10,266,999	10,676,478	10,283,408	10,364,932	10,820,344	11,650,997	11,211,859	10,789,586	11,328,558	11,191,983
Public Works	2,435,387	2,401,370	2,692,508	2,421,606	2,617,524	2,953,458	2,730,567	2,534,738	2,569,155	2,486,454
Recreation	872,041	888,296	786,257	804,246	837,579	806,133	842,531	813,098	801,327	832,010
Community development and housing	5,287,740	4,044,178	3,645,278	3,318,134	3,318,234	4,451,754	7,058,776	5,659,488	4,350,964	4,700,220
Capital Outlay	1,502,551	3,650,316	1,332,967	2,047,829	1,178,513	1,628,048	1,277,315	1,980,388	460,357	1,872,178
Principal	1,181,844	931,548	653,691	902,173	1,506,713	1,309,403	1,488,813	1,493,047	4,800,511	1,739,910
Interest	1,011,608	998,502	920,672	883,645	838,884	1,056,403	1,114,141	1,177,373	1,008,088	1,028,162
Bond issue costs	-	-	141,397	-	39,246	59,900	101,887	-	281,891	24,134
Total Expenditures	<u>24,455,723</u>	<u>25,375,119</u>	<u>22,057,481</u>	<u>22,460,671</u>	<u>23,107,995</u>	<u>25,943,256</u>	<u>27,858,180</u>	<u>26,557,903</u>	<u>27,290,120</u>	<u>26,005,787</u>
Excess (deficiency) revenue over expenditures	<u>\$ (3,833,841)</u>	<u>\$ (4,067,058)</u>	<u>\$ (1,625,950)</u>	<u>\$ (3,559,972)</u>	<u>\$ (3,159,368)</u>	<u>\$ (4,765,413)</u>	<u>\$ (7,207,605)</u>	<u>\$ (5,379,974)</u>	<u>\$ (5,082,404)</u>	<u>\$ (3,258,959)</u>
Other Financing Sources (Uses)										
Transfers-in	\$ 2,637,175	\$ 1,699,381	\$ 2,560,339	\$ 3,407,141	\$ 3,595,131	\$ 6,289,161	\$ 5,179,913	\$ 5,214,542	\$ 2,348,332	\$ 3,671,440
Transfers-out	(472,516)	(708,450)	(1,250,111)	(1,144,392)	(2,138,952)	(1,670,601)	(1,497,205)	(2,213,570)	(514,430)	(1,970,688)
Issuance of debt	-	576,003	2,587,781	10,103	-	5,352,339	4,811,250	39,530	425,995	549,975
Sale of capital assets	-	-	-	144,039	-	-	-	-	-	-
Refunding proceeds	-	-	-	-	-	-	-	-	13,864,300	23,345
Bond Premiums	-	-	-	-	-	-	-	-	790,643	-
Special Item - Demolition Costs	-	-	-	-	-	(661,280)	(249,193)	-	-	-
Payment to refund bonds	-	-	(2,520,929)	-	723,600	-	-	-	(10,944,852)	-
Total Other Financing Sources (Uses)	<u>\$ 2,164,659</u>	<u>\$ 1,566,934</u>	<u>\$ 1,377,080</u>	<u>\$ 2,416,891</u>	<u>\$ 2,179,779</u>	<u>\$ 9,309,619</u>	<u>\$ 8,244,765</u>	<u>\$ 3,040,502</u>	<u>\$ 5,969,988</u>	<u>\$ 2,274,072</u>
Net change in fund balances	<u>\$ (1,669,182)</u>	<u>\$ (2,500,124)</u>	<u>\$ (248,870)</u>	<u>\$ (1,143,081)</u>	<u>\$ (979,589)</u>	<u>\$ 4,544,206</u>	<u>\$ 1,037,160</u>	<u>\$ (2,339,472)</u>	<u>\$ 887,584</u>	<u>\$ (984,887)</u>
Debt Service as percentage of non-capital expenditure:	9.86%	9.35%	7.83%	8.82%	10.70%	10.50%	10.21%	11.04%	22.25%	11.99%
Note: Expenditures for Capital Assets are reported above as "Capital Outlays, as well as departmental expenditures. The total expenditures for capital assets is utilized for computing the ratio above										
Total Expenditures for Capital Assets	\$ 2,209,720	\$ 4,734,230	\$ 1,946,132	\$ 2,215,695	\$ 1,788,721	\$ 3,422,107	\$ 2,374,138	\$ 2,363,501	\$ 1,189,068	\$ 2,922,031

City of Cumberland, Maryland

Property Tax Levies and Collections

Last Ten Fiscal Years

Fiscal Year Ended June 30,	Total Tax Levy	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	%age of Levy		Amount	%age of Levy
2019	\$ 11,605,113	\$ 10,647,083	91.74%		\$ 10,647,083	91.74%
2018	\$ 11,539,587	\$ 10,613,427	91.97%	\$ 500,247	\$ 11,113,674	96.31%
2017	\$ 10,490,966	\$ 9,692,052	92.38%	\$ 751,209	\$ 10,443,261	99.55%
2016	\$ 10,141,863	\$ 9,339,789	92.09%	\$ 769,796	\$ 10,109,585	99.68%
2015	\$ 10,309,841	\$ 9,382,860	91.01%	\$ 898,462	\$ 10,281,322	99.72%
2014	\$ 10,280,128	\$ 9,367,169	91.12%	\$ 895,076	\$ 10,262,245	99.83%
2013	\$ 10,137,308	\$ 8,943,020	88.22%	\$ 1,180,565	\$ 10,123,585	99.86%
2012	\$ 10,549,106	\$ 9,409,920	89.20%	\$ 1,132,229	\$ 10,542,149	99.93%
2011	\$ 10,221,915	\$ 9,672,280	94.62%	\$ 546,153	\$ 10,218,433	99.97%
2010	\$ 9,765,311	\$ 8,509,422	87.14%	\$ 1,253,899	\$ 9,763,321	99.98%

Source: City of Cumberland, Finance Department

City of Cumberland, Maryland

Assessed and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years

Fiscal Year ended June 30,	Real Property	Real Property Rate	Real Property - Less than Full Rate	Half-Year Tax Rate	Personal Property - Unincorporated	Personal Property - Corporation	Personal Property - Privately Owned Railroads and Public Utilites	Total Personal Property Tax Base	Personal Property
2019	\$ 863,404,153	\$ 1.0595	4,914,600	\$ 0.5298	\$ 1,583,898	\$ 43,282,998	\$ 46,949,970	\$ 91,816,866	\$ 2.6480
2018	863,629,825	1.0595	-	0.5298	1,773,565	43,288,379	45,173,290	90,235,234	2.6480
2017	850,099,543	0.9654	2,195,896	0.4827	2,074,168	42,060,780	41,722,490	85,857,438	2.6480
2016	830,803,398	0.9654	3,713,487	0.4827	2,230,023	36,407,247	40,794,830	79,432,100	2.6480
2015	847,037,497	0.9654	960,845	0.4827	1,620,657	40,053,327	38,684,890	80,358,874	2.6480
2014	844,353,117	0.9654	459,291	0.4827	1,777,681	41,690,801	36,838,390	80,306,872	2.6480
2013	837,573,545	0.9654	901,388	0.4827	1,979,532	39,694,264	35,630,660	77,304,456	2.6480
2012	885,953,180	0.9654	1,634,141	0.4827	1,503,927	30,393,516	43,186,620	75,084,063	2.6480
2011	839,310,545	0.9654	647,400	0.4827	1,684,932	44,424,041	33,803,640	79,912,613	2.6480
2010	786,812,202	0.9654	16,944,050	0.4827	1,583,459	42,466,156	34,788,640	78,838,255	2.6480

Source: City of Cumberland, Finance Department

City of Cumberland, Maryland

Property Tax Rates and Tax Levies (Real Property) – Direct Overlapping Governments

Last Ten Fiscal Years

<u>Fiscal Year Ended</u>	<u>Tax Rate per \$100 of Assessed Value</u>				<u>Tax Levies</u>			
	<u>June 30</u>	<u>City</u>	<u>County (1)</u>	<u>State</u>	<u>Total</u>	<u>City</u>	<u>County</u>	<u>State</u>
2019	\$ 1.0595	\$ 0.8385	\$ 0.112	\$ 2.01	\$ 9,147,767	\$ 7,239,644	\$ 967,013	\$ 17,354,423
2018	\$ 1.0595	\$ 0.8324	\$ 0.112	\$ 2.00	\$ 9,150,158	\$ 7,188,855	\$ 967,265	\$ 17,306,278
2017	\$ 0.9654	\$ 0.8452	\$ 0.112	\$ 1.92	\$ 8,206,861	\$ 7,185,041	\$ 952,111	\$ 16,344,014
2016	\$ 0.9654	\$ 0.8486	\$ 0.112	\$ 1.93	\$ 8,020,576	\$ 7,050,198	\$ 930,500	\$ 16,001,273
2015	\$ 0.9654	\$ 0.8530	\$ 0.112	\$ 1.93	\$ 8,177,300	\$ 7,225,230	\$ 948,682	\$ 16,351,212
2014	\$ 0.9654	\$ 0.8424	\$ 0.112	\$ 1.92	\$ 8,151,385	\$ 7,112,831	\$ 945,675	\$ 16,209,891
2013	\$ 0.9654	\$ 0.8371	\$ 0.112	\$ 1.91	\$ 8,085,935	\$ 7,011,328	\$ 938,082	\$ 16,035,346
2012	\$ 0.9654	\$ 0.8519	\$ 0.112	\$ 1.93	\$ 8,552,992	\$ 7,547,435	\$ 992,268	\$ 17,092,695
2011	\$ 0.9654	\$ 0.8999	\$ 0.112	\$ 1.98	\$ 8,102,704	\$ 7,552,956	\$ 940,028	\$ 16,595,687
2010	\$ 0.9654	\$ 0.9016	\$ 0.112	\$ 1.98	\$ 7,595,885	\$ 7,093,899	\$ 881,230	\$ 15,571,013
2009	\$ 0.9654	\$ 0.9074	\$ 0.112	\$ 2.06	\$ 6,969,171	\$ 6,550,472	\$ 808,522	\$ 14,328,165

Source: (1) Allegany County, Finance Department

City of Cumberland, Maryland

**Principal Property Tax Payers
Real Property Taxes**

Current Year and Nine Years Ago

Taxpayer	2019			2010		
	Taxable Assessed Value	Rank	Percentage of Total Assessed Value of Real Property in the City	Taxable Assessed Value	Rank	Percentage of Total Assessed Value of Real Property in the City
Western MD Health System Inc.	\$ 19,006,600	1	2.20%			
Loves Travel Stops & Country Store	\$ 11,395,267	2	1.32%			
CSX Transportation	\$ 10,947,730	3	1.27%	\$ 7,764,930	1	1.0%
ARC Cumberland LLC	\$ 8,519,500	4	0.99%			
Willowbrook Holdings LLC	\$ 7,459,300	5	0.86%			
Cumberland Hospitality LLC	\$ 7,041,040	6	0.82%			
Chrisite Realty LLC	\$ 6,388,433	7	0.74%			0.0%
Furnace Realty LLC	\$ 5,055,667	8	0.59%			
EII Cumberland Associates LLC	\$ 5,005,567	9	0.58%			
Allegany County Commissioners	\$ 5,000,600	10	0.58%			
Canal Place Preservation				\$ 6,794,633	2	
ARC Cumberland				\$ 6,717,700	3	0.9%
Sacred Heart Hospital				\$ 6,642,066	4	0.8%
W2001 Eastern Hotel Reality LP				\$ 5,766,900	5	0.7%
S-N Realty LLC				\$ 5,606,633	6	0.7%
Allegheny Healthcare Group LLC				\$ 5,239,733	7	0.7%
Perini Services - Delvin Manor				\$ 5,117,266	8	0.7%
123 South Liberty Street LLC				\$ 4,591,333	9	0.6%
Cumberland Manor Associates				\$ 3,437,366	10	0.4%
Total	\$ 85,819,704		9.94%	\$ 57,678,560		5.45%

Source: City of Cumberland, Finance Department

City of Cumberland, Maryland
Principal Property Tax Payers
Corporation Personal Property Taxes
Current Year and Nine Years Ago

Taxpayer	2019			2010		
	Taxable Assessed Value	Rank	Percentage of Total Assessed Value of Real Property in the City	Taxable Assessed Value	Rank	Percentage of Total Assessed Value of Real Property in the City
Potomac Edison Company	\$ 15,733,870	1	17.14%	\$ 11,770,800	1	14.93%
Columbia Gas of Maryland	\$ 12,515,490	2	13.63%	\$ 6,978,000	3	8.85%
CSX Transportation Inc.	\$ 8,740,450	3	9.52%	\$ 4,138,920	4	5.25%
Verizon - Maryland	\$ 7,016,020	4	7.64%	\$ 10,548,970	2	13.38%
Atlantic Broadband	\$ 6,423,620	5	7.00%	\$ 2,994,190	5	3.80%
Maryland Sheetz, Inc	\$ 1,617,580	6	1.76%			
Loves Travel Stops & Country Store	\$ 1,522,960	7	1.66%			
Giant Food Stores	\$ 1,290,120	8	1.41%	\$ 2,971,210	6	
Black Sapphire C Settlers Ridge	\$ 1,222,670	9	1.33%			0.00%
CenturyLink Communications(Level 3)	\$ 1,213,930	10	1.32%	\$ 1,188,830	9	1.51%
Infospherix Inc				\$ 2,579,400	7	3.27%
F.Daniel Jackson MD PA				\$ 1,681,100	8	2.13%
Haystack Imaging Services LLC				\$ 891,630	10	1.13%
Total	\$ 57,296,710		62.40%	\$ 45,743,050		54.25%

Source: City of Cumberland, Finance Department

City of Cumberland, Maryland

Ratio of Outstanding Debt by Type

Last Ten Fiscal Years

Fiscal Year Ended June 30	Personal Income	Population	Government Activities		Business-Type Activities		Total Outstanding Debt	Percentage of Personal Income	Debt Per Capita
			General Obligation Bonds	Notes and Leases	General Obligation Bonds	Notes and Leases			
2019	\$401,268,520	19,480	\$ 26,019,534	\$ 708,364	\$ 31,975,935	\$ 10,013	\$ 58,713,846	14.63%	\$ 3,014
2018	\$398,554,368	19,707	\$ 27,227,819	\$ 770,999	\$ 29,667,965	\$ 13,285	\$ 57,680,068	14.47%	\$ 2,927
2017	\$455,698,180	19,978	\$ 26,909,376	\$ 833,336	\$ 30,162,360	\$ 16,429	\$ 57,921,501	12.71%	\$ 2,899
2016	\$441,169,080	20,130	\$ 28,351,229	\$ 845,000	\$ 31,785,149	\$ -	\$ 60,981,378	13.82%	\$ 3,029
2015	\$413,206,326	20,297	\$ 24,720,173	\$ 1,037,958	\$ 31,527,406	\$ 3,177	\$ 57,288,714	13.86%	\$ 2,823
2014	\$421,618,922	20,458	\$ 15,677,315	\$ 1,262,880	\$ 35,861,554	\$ 6,825	\$ 52,808,574	12.53%	\$ 2,581
2013	\$402,956,400	20,580	\$ 15,572,124	\$ 2,151,184	\$ 30,176,967	\$ 3,222,865	\$ 51,123,140	12.69%	\$ 2,484
2012	\$449,454,674	20,738	\$ 16,088,462	\$ 2,526,912	\$ 29,567,795	\$ 3,517,656	\$ 51,700,825	11.50%	\$ 2,493
2011	\$438,414,462	20,859	\$ 16,170,911	\$ 3,031,306	\$ 29,702,693	\$ 3,842,922	\$ 52,747,832	12.03%	\$ 2,529
2010	\$422,292,299	20,449	\$ 16,705,844	\$ 2,851,918	\$ 27,897,779	\$ 2,644,322	\$ 50,099,863	11.86%	\$ 2,450

See Economic and Demographic Statistics Chart for Personal Income and Population sources
 Details regarding the City's outstanding debt can be found in the notes to the financial statements

City of Cumberland, Maryland

Ratio of General Obligation Debt Outstanding

Last Ten Fiscal Years

Fiscal Year Ended June 30	Population	Assessed Value (000's)	General Obligation Bonds	Percentage of Total Taxable Value of Property	Per Capita
2019	19,480	\$ 863,404,153	\$ 57,995,469	6.72%	\$ 2,977
2018	19,707	\$ 863,629,825	\$ 56,895,784	6.59%	\$ 2,887
2017	19,978	\$ 850,099,543	\$ 57,071,736	6.71%	\$ 2,857
2016	20,130	\$ 830,803,398	\$ 60,136,378	7.24%	\$ 2,987
2015	20,297	\$ 847,037,497	\$ 56,247,579	6.64%	\$ 2,771
2014	20,458	\$ 844,353,117	\$ 51,538,869	6.10%	\$ 2,519
2013	20,580	\$ 837,573,545	\$ 45,749,091	5.46%	\$ 2,223
2012	20,738	\$ 885,953,180	\$ 45,656,257	5.15%	\$ 2,202
2011	20,859	\$ 839,310,545	\$ 45,873,604	5.47%	\$ 2,199
2010	20,449	\$ 786,812,202	\$ 44,603,623	5.67%	\$ 2,181

Fiscal Year Ended June 30	Population	Assessed Value (000's)	General Obligation <u>Governmental</u> Bonds	Percentage of Total Taxable Value of Property	Per Capita
2019	19,480	\$ 863,404,153	\$ 26,019,534	3.01%	\$ 1,336
2018	19,707	\$ 863,629,825	\$ 27,227,819	3.15%	\$ 1,382
2017	19,978	\$ 850,099,543	\$ 26,909,376	3.17%	\$ 1,347
2016	20,130	\$ 830,803,398	\$ 28,351,229	3.41%	\$ 1,408
2015	20,297	\$ 847,037,497	\$ 24,720,173	2.92%	\$ 1,218
2014	20,458	\$ 844,353,117	\$ 15,677,315	1.86%	\$ 766
2013	20,580	\$ 837,573,545	\$ 15,572,124	1.86%	\$ 757
2012	20,738	\$ 885,953,180	\$ 16,088,462	1.82%	\$ 776
2011	20,859	\$ 839,310,545	\$ 16,170,911	1.93%	\$ 775
2010	20,449	\$ 786,812,202	\$ 16,705,844	2.12%	\$ 817

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements

Source: City of Cumberland, Finance Department

City of Cumberland, Maryland
Ratios of Annual Debt Service Expenditures
For General Bonded Debt to Total General Fund Expenditures
Last Ten Fiscal Years

<u>Fiscal Year</u> <u>Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Debt</u> <u>Service</u>	<u>Total General</u> <u>Fund</u> <u>Expenditures</u>	<u>Ratio of Debt</u> <u>Service to Total</u> <u>General</u> <u>Fund</u> <u>Expenditures</u>
2019	1,150,910	974,524	2,125,434	19,118,177	11.12%
2018 (1)	4,608,511	938,646	5,547,157	22,717,711	24.42%
2017	976,047	786,199	1,762,246	19,864,905	8.87%
2016	938,826	701,841	1,640,667	21,633,684	7.58%
2015	778,964	623,022	1,401,986	19,944,887	7.03%
2014	996,427	384,856	1,381,283	17,915,930	7.71%
2013	409,378	409,392	818,770	16,180,521	5.06%
2012	537,321	434,667	971,988	16,633,582	5.84%
2011	814,737	505,787	1,320,524	16,973,912	7.78%
2010	1,054,179	510,093	1,564,272	18,192,637	8.60%
2009	1,094,334	514,034	1,608,368	17,986,019	8.94%
2008	839,453	306,500	1,145,953	17,912,962	6.40%

(1) 2018 includes 2016 BAN debt refunding which skews the ratio. The Ratio of debt to General Fund expenditures is 10.65% excluding the 2016 BAN refunding.

Source: City of Cumberland, Finance Department

City of Cumberland, Maryland

Computation of Direct and Overlapping Debt

June 30, 2019

<u>Municipality</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to the City Rounded</u>	<u>Amount Applicable to the City</u>
City of Cumberland 1	\$26,727,898	100.0%	\$26,727,898
Allegany County, Maryland 2	\$34,439,724	22.0%	\$7,592,213
Total debt and overlapping debt	\$61,167,622		\$34,320,111

Note: The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county' taxabe assessed value that is within the government's boundaries and dividing it by the county's total assessed value

Source: City of Cumberland

1) City of Cumberland, Finance Department

2) Allegany County, Finance Department

City of Cumberland, Maryland
Economic and Demographic Statistics
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Per Capita</u>		<u>Personal Income</u>	<u>Unemployment</u>
		<u>Personal Income</u>	<u>(1)</u>		
2019	19,480	\$	20,599	\$ 401,268,520	5.9%
2018	19,707	\$	20,224	\$ 398,554,368	6.1%
2017	19,978	\$	22,810	\$ 455,698,180	5.8%
2016	20,130	\$	21,916	\$ 441,169,080	6.2%
2015	20,297	\$	20,358	\$ 413,206,326	7.4%
2014	20,458	\$	20,609	\$ 421,618,922	8.0%
2013	20,580	\$	19,580	\$ 402,956,400	8.5%
2012	20,738	\$	21,673	\$ 449,454,674	9.3%
2011	20,859	\$	21,018	\$ 438,414,462	9.0%
2010	20,449	\$	20,651	\$ 422,292,299	9.3%
2009	20,535	\$	22,398	\$ 459,942,930	8.5%

Sources:

(1) United States Census Bureau - <https://www.census.gov/quickfacts/fact/table/cumberlandcitymaryland/PST045217>

(2) <https://fred.stlouisfed.org/series/CUMB024URN>

**City of Cumberland, Maryland
Principal Employers in Allegany County, Maryland
Current Year and Nine Years Ago**

Employer	2019			2010		
	# of Employees	Rank	Percentage of Total County Employment	# of Employees	Rank	Percentage of Total County Employment
Western Maryland Regional Medical	2,200	1	6.14%	2,258	1	7.33%
Frostburg State University	1,005	2	3.76%	930	5	2.73%
Hunter Douglas	900	3	2.93%	594	7	1.66%
American Woodmark Corporation	570	4	2.73%			2.96%
Allegany College of Maryland	510	5	2.51%			2.38%
CSX Transportation	500	6	2.40%	900	6	
Rocky Gap Casino Resort	500	7	2.23%			
Webstaurant Store	415	8	1.95%			
Conduent	380	9	1.64%			
Aspira	325	10	1.60%			
ATK Tactical Systems				1,472	2	4.33%
Allegany County Board of Education				1,401	3	4.25%
Verso (New Page, Westvaco)				973	4	
ACS, Inc				592	8	1.75%
Western Correctional Institution				552	10	1.66%
North Branch Correctional Institution				557	9	
Allegany County Government				900	6	1.79%
Total employees for ten largest employers	7,305		27.89%	10,229		30.84%

Source: Allegany County Finance Department
Information not available for City of Cumberland

City of Cumberland, Maryland
Building Permits Issued and Property Values
Last Ten Fiscal Years

Fiscal Year Ended June 30	<u>Commercial Construction</u>		<u>Residential Construction</u>	
	Number of Units	Value	Number of Units	Value
2019	27	\$ 5,682,883	23	\$ 1,730,700
2018	30	\$ 4,987,842	5	\$ 281,974
2017	35	\$ 42,136,430	12	\$ 557,700
2016	28	\$ 61,123,104	14	\$ 1,415,030
2015	17	\$ 7,915,500	27	\$ 3,621,518
2014	16	\$ 5,222,000	24	\$ 2,413,000
2013	23	\$ 2,440,450	21	\$ 945,250
2012	26	\$ 6,274,930	49	\$ 6,691,581
2011	29	\$ 14,209,451	32	\$ 1,960,500
2010	45	\$ 13,517,100	43	\$ 16,902,316

(1) Includes permit for non-taxable Wastewater Treatment Plant Improvements - \$26,403,440

(2) Includes permit for non-taxable Board of Education High School construction - \$50,783,000

Source: City of Cumberland, Department of Community Development

City of Cumberland, Maryland
Annual Budget Approved Employees by Function

Function	Actual at 6/30	Adopted	2018	2017	2016	2015	2014	2013	2012	2011	2010
	2019	2019									
Governmental Fund Departments											
General Government											
Mayor & Council	5	5	5	5	5	5	5	5	5	5	5
City Administrator	1	1	1	1	1	1	1	2	2	2	3
City Clerk	2	2	2	2	2	2	2	1	1	1	1
Personnel	2	2	2	2	2	2	2	2	2	2	2
Finance	11	11	11	11	11	11	11	11	11	12	10
MIS	4	4	4	4	4	4	4	4	4	4	4
Central Services	6	6	6	6	6	6	5	1	1	1	2
Public Safety											
Police Department	50	54	54	56	56	51	50	48	51	53	51
Police Full-time Grant	3	3	3	2	2	5	3	3	3	-	-
Fire Department	49	49	49	54	61	56	58	59	58	58	62
Fire Full-time Grant	-	-	-	-	-	6	8	8	9	-	-
Public Works:											
Administration	2	2	3	3	3	3	4	4	4	4	5
Engineering	9	8	9	8	8	9	8	8	9	8	8
Vehicle Maintenance	4	4	4	4	4	4	4	4	4	4	4
Street Department	15	15	15	16	16	15	15	16	17	17	18
Recreation											
Recreation	1	1	1	1	1	1	1	1	1	1	1
Parks	3	4	4	4	4	4	4	4	4	4	6
Community Development											
Community Development	7	7	8	10	12	11	9	10	11	13	16
Economic Development	2	3	3	3	2	2	2	2	2	2	2
Downtown Development	3	3	4	4	4	3	1	1	1	1	1
Total Governmental Funds	179	184	188	196	204	201	197	194	200	192	201
Proprietary Fund Departments:											
Water Distribution	21	21	21	21	21	22	20	21	22	22	24
Water Filtration	10	10	11	10	10	10	8	8	9	9	10
Wastewater Treatment	13	13	13	13	13	13	14	14	15	16	15
Flood/Sewer	13	14	14	13	11	13	12	12	12	13	13
Utility Services	4	3	1	-	-	-	-	3	3	3	2
Municipal Parking Authority	1	1	2	2	2	2	1	1	1	1	1
Total Proprietary Funds	62	62	62	59	57	60	55	59	62	64	65
Total Full-time and Elected	236	241	245	250	256	256	247	248	257	251	261
Elected Public Officials	5	5	5	5	5	5	5	5	5	5	5

Source: City of Cumberland Human Resources Department

City of Cumberland, Maryland
Capital Assets Statistics by Function
Last Ten Fiscal Years

Function	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General Government										
Public Safety:										
Stations	1	1	1	1	1	1	1	1	1	1
Number of Patrol Units	32	34	31	30	33	33	32	32	34	38
Fire:										
Stations	3	3	3	3	3	3	3	3	3	3
Number of Vehicles	15	14	15	15	15	15	14	14	14	16
Public Works:										
Streets (miles)	150.7	150.7	150.7	150.7	150.7	150.7	150.7	150.1	150.7	150.7
Traffic Signals	22	22	22	22	22	22	22	22	22	22
Enterprise Operations										
Water Operations:										
Miles of Water Main	150.5	150.5	150.5	150.5	150.5	150.5	150.5	150.5	150.5	150.5
Number of Fire Hydrants	900	900	900	900	900	900	900	900	932	932
Waste Water Operations:										
Miles of Storm/Sanitary Sewers	135	135	135.0	135.0	135.0	135.0	135.0	135.0	135.0	135.0
Number of Treatment Plants	1	1	1	1	1	1	1	1	1	1

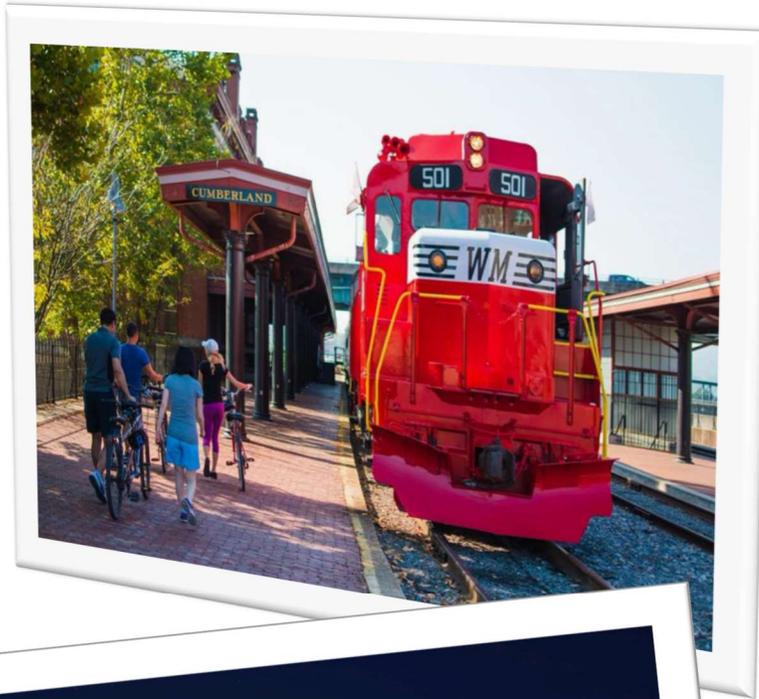
Source: City of Cumberland, Finance Department

City of Cumberland, Maryland

Operating Indicators by Function

<u>Function</u>	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012	June 30, 2011	June 30, 2010
General Government										
Building Permits Issued										
Commercial Permits Issued	27	30	35	28	17	16	23	26	29	45
Residential Permits Issued	23	5	12	14	27	24	21	49	32	43
Total Value of Permits Issued	\$ 7,413,583	\$ 5,269,816	\$ 42,694,130	\$ 62,538,134	\$ 11,537,018	\$ 7,635,000	\$ 3,385,700	\$ 12,966,511	\$ 16,169,951	\$ 30,419,416
Public Safety										
Traffic Citations	828	778	690	796	722	1,025	1,275	1,909	952	2,339
Arrests	2,151	2,276	2,144	1,926	1,956	1,859	2,298	2,354	2,220	2,070
Fire										
Number of Ambulance Calls	5,181	5,262	5,594	5,770	5,658	4,934	4,923	4,642	4,566	4,743
Number of Fire Calls	1,333	1,453	1,370	1,322	1,341	1,257	1,222	1,249	1,164	1,304
Public Works										
Miles of Streets Maintained	133.4	133.4	133.4	133.4	133.4	133.4	133.4	133.4	133.4	133.4
Miles of New Street Overlay	2.77	4.25	1.10	8.44	4.61	6.62	2.11	0.10	5.93	3.16
Enterprise Operations										
Water Operations										
Number of Service Connections	9,810	9,818	9,820	9,876	9,895	9,890	8,982	9,901	9,868	9,843
Maximum Daily Capacity (Gallons/Millions)	15	15	15	15	15	15	15	15	15	15
Average daily plant production (Gallons/Millions)	6.334	6.554	6.939	7.463	7.323	7.791	7.415	7.486	7.587	7.947
Wastewater Operations										
Number of Service Connections	8,967	8,949	8,951	8,957	8,980	8,979	9,892	8,879	8,914	8,894
Maximum Daily Capacity (Gallons/Millions)	25	25	25	25	25	25	25	25	25	25
Average daily plant production (Gallons/Millions)	15.295	11.011	10.838	9.872	8.505	9.538	10.006	11.555	10.448	13.026

Source: City of Cumberland, Finance Department



Photos from Allegany County, the Mountain Side of Maryland's posts