

Comprehensive Annual Financial Report

CITY OF CUMBERLAND MARYLAND



For the Fiscal Year End June 30, 2016





**Comprehensive Annual
Financial Report
Fiscal Year 2016
July 1, 2015 - June 30, 2016**

City of Cumberland Administration



Brian K. Grim
Mayor



Jeffrey D. Rhodes
City Administrator



Nicole Alt-Myers
Councilwoman



Seth D. Bernard
Councilman



David J. Caporale
Councilman



Richard J. Cioni, Jr.
Councilman

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Introductory Section



CITY OF CUMBERLAND
57 N LIBERTY STREET
CUMBERLAND, MARYLAND 21502
PHONE: 301.759.6434 • FAX: 301.759.6413
www.cumberlandmd.gov

December 20, 2016

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, 2016.

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, 2016, 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 unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2016, 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 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 2016. This letter of transmittal is designed to compliment 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 levying 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 cities schools and library are operated by Allegany County, Maryland.

The City of Cumberland was 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 20,235 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 the City of Cumberland operates.

Local Economy: Cumberland is located in Allegany County of Western Maryland, equidistant from Washington, DC, Baltimore, MD, and Pittsburgh, PA. Economically, Cumberland closely resembles the Monongahela Valley (Mon. Valley) Industrial region of Western Pennsylvania and Northern West Virginia more than it does the rest of the state of Maryland. Like the Monongahela Valley, Allegany County experienced a rapid decline in high-paying manufacturing jobs during the 1980's. These losses were aggravated by the closure of Kelly Springfield Tire Company (Tires), Celanese (Chemicals), and Pittsburgh Plate Glass. However, three major employers: Orbital ATK (Rocket Center, MD), CSX Transportation (Cumberland, MD), and Verso Paper (Luke, MD), continue to function within the region. The economy and unemployment rate of Allegany County has improved with the rest of the State, and currently has an unemployment rate of 6.4%, as compared to 4.3% for Maryland and the national average of 4.9% compared 7.2%, 5.4% and 5.3% respectively a year ago.

This stabilization of employment has created a greater diversified job segment and has allowed for jobs in the service, retail trade, tourism, and government sectors to expand and fortify the regions economy outside of the manufacturing industry. However, the region has not completely abandoned its manufacturing past, as it has been able to attract and retain a number of light manufacturers including Hunter Douglas, American Woodmark, and Berry Plastics. Additionally, a strong presence

exists in public and service sectors including: the Western Maryland Health System, Western Correctional Institute, the Federal Correctional Institution, North Branch Correctional Institute, Frostburg State University, Rocky Gap Resort & Casino, Allegany County, the Allegany County Board of Education and the City of Cumberland.

Even with the increased job opportunities in the region, stabilized economy and the fact that Allegany County's median household income of \$39,794 has increased, it is still significantly lower than the national average of \$53,482 and the state of Maryland's average of \$74,149. The reason for this is, although the region has seen an influx of job opportunities, these jobs are lower paying compared to the previous higher-paying manufacturing jobs of the 1980's. The population has been relatively stable since 2000, but recently dropped 3% in 2016 to an estimated 20,235.

Long Term Planning: In an effort to address the lagging economy the City of Cumberland adopted a new Economic Development Strategic Plan in 2014 that defined a program focusing the City's resources on actions that can most effectively promote a more prosperous economy. The City has made positive steps in advancing this plan with the creation of the Cumberland Economic Development Corporation (CEDC). The CEDC is a 501c3 non-profit corporation established to enhance economic development efforts in the community. The plan is available at the City's web site www.cumberlandmd.gov.

The City has formed a committee to update its asset management plan and create the procedures to provide continual updates. Initial steps include combining detail from existing separate plans, geo-referencing water and sewer lines (including size, dates of

installations/improvements, etc.), mapping and continual updating of street maintenance projects, and documenting details of other major infrastructure assets

Major Initiatives: In June 2016, the City issued a \$3,500,000 bond anticipation note associated with a joint effort project with the CEDC to acquire and raze residential and commercial buildings in a corridor largely consisting of substandard housing and blight to capitalize on the increased level of interest in commercial development in our market. The goal of this project is to improve assessable base and employment opportunities in the direct and surrounding areas of the project.

In addition, the City acquired and razed an unused school to entice commercial and/or residential development. This project was completed with a mix of City funds and a State grant.

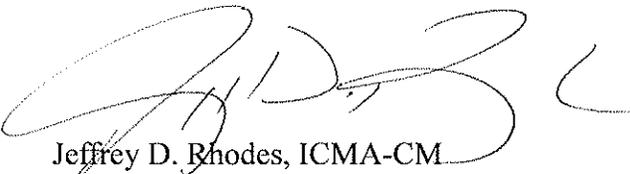
Awards and Acknowledgments

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, 2015. This was the ninth 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,



Jeffrey D. Rhodes, ICMA-CM
City Administrator



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, 2015

Executive Director/CEO

City of Cumberland, Maryland

List of Elected Officials and Administrators Contact Information

Central Contact Information:

City of Cumberland
57 North Liberty Street
Cumberland, Maryland
21502
(301) 722-2000

Mayor and Council:

Brian K. Grim, Mayor
briangrim@verizon.net

David Caporale, Councilman
dcaporale@atlanticbb.net

Richard (Rock) Cioni, Jr. Councilman
richardjcioni@hotmail.com

Nicole Alt-Myers, Councilwoman
nicole.alt-myers@cumberlandmd.gov

Seth D. Bernard, Councilman
seth.bernard@cumberlandmd.gov

Administration:

Jeffrey D. Rhodes
jeff.rhodes@cumberlandmd.gov

Margie Woodring, City Clerk Assistant City Administrator (ACA)
margie.woodring@cumberlandmd.gov

Human Resources
April Howser
april.howser@cumberlandmd.gov

City of Cumberland, Maryland

List of Elected Officials and Administrators Contact information (continued)

Public Safety:

Fire Department
Chief Donald Dunn
donald.dunn@cumberlandmd.gov

Police Department
Chief Charles Hinnant
charles.hinnant@cumberlandmd.gov

Public Works:

Engineering
John DiFonzo
john.difonzo@cumberlandmd.gov

Administrative Services:

Finance and Collections
Kenneth Tressler
ken.tressler@cumberlandmd.gov

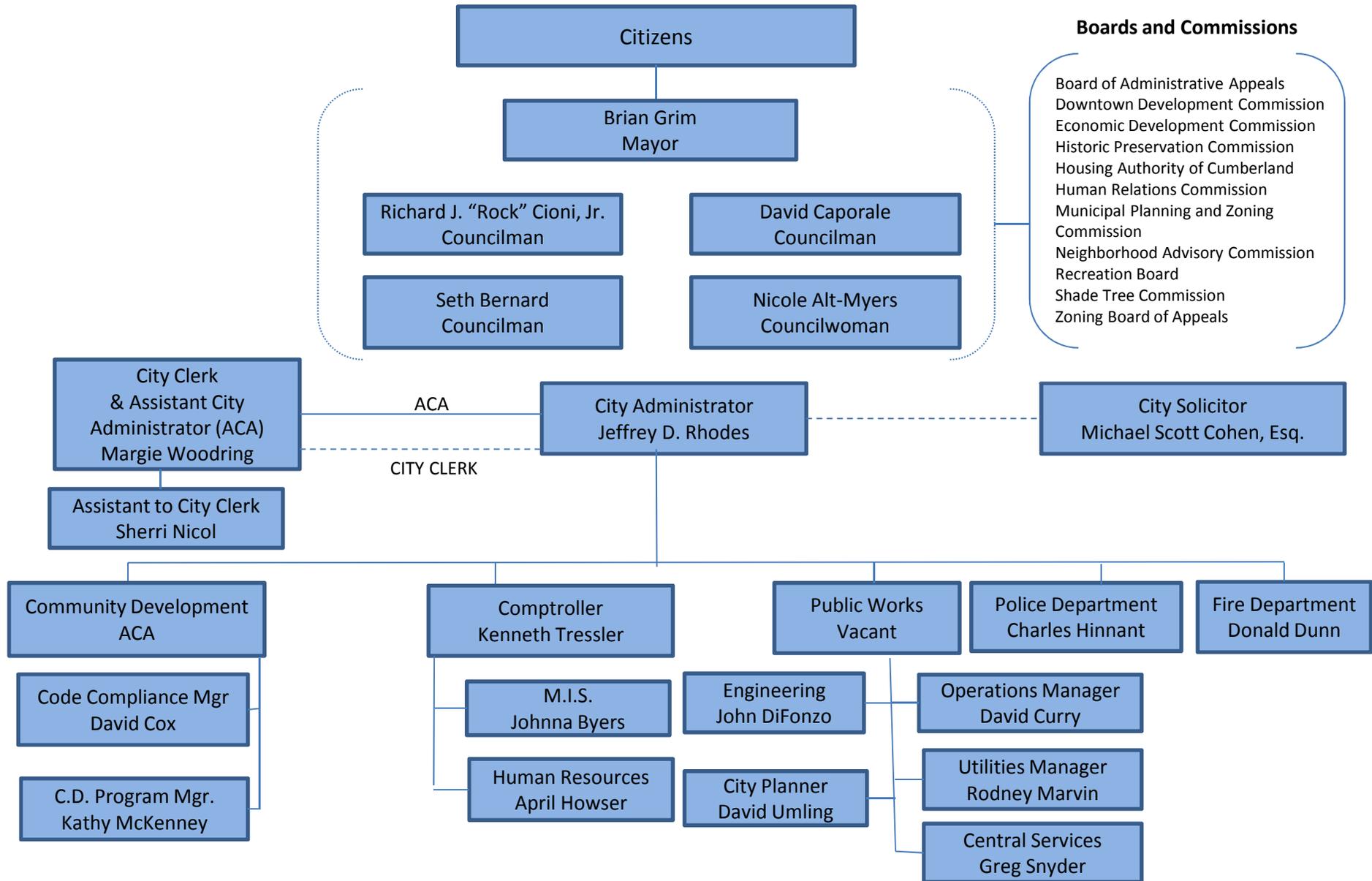
Community Development
Margie Woodring ACA
margie.woodring@cumberlandmd.gov

Management Information Systems
Johnna L. Byers
johnna.byers@cumberlandmd.gov

Parks and Recreation
Diane Johnson
diane.johnson@cumberlandmd.gov

Planning
David Umling
dave.uml原因ing@cumberlandmd.gov

City of Cumberland Organizational Chart



Financial Section

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



217 Glenn Street, Suite 200
Cumberland, Maryland 21502
Phone: 301.759.3270
www.thkcpas.com

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, 2016, 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 did not audit the financial statements of the Cumberland Economic Development Corporation, which represent 100% of the assets, net position and revenues of the component unit. Those statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Cumberland Economic Development Corporation, is based solely on the report of the other auditor. 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, based on our audit and the report of the other auditor, 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, 2016, 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 12 through 24, the budgetary comparison schedule on pages 78, the other post-employment benefits schedule of funding progress on page 79, the schedule of the City's proportionate share of the net pension liability on page 80, the schedule of the City's pension contributions on page 81 and the notes to required supplementary information on page 82, 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 20, 2016, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Cumberland, Maryland's internal control over financial reporting and compliance.

Turnbull, Hoover + Kahl, P.A.

Cumberland, MD
December 20, 2016

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, 2016. 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 exceeded its liabilities (net position) by \$63.0 million at June 30, 2016. Of this amount, the business-type activities net position of \$69.9 million was offset by the governmental activities net position deficit of \$6.9 million. The net position is comprised of net investments in capital assets in the amount of \$78 million, \$3.9 million restricted for specific purposes (*restricted net position*) including capital projects, community development and public safety and an *unrestricted net position* deficit of \$19.2 million.
- At June 30, 2016, the City's business-type activities had an unrestricted net position of \$5.0 million, while the governmental activities had an unrestricted deficit of \$24 million. The unrestricted net position deficit of the governmental activities includes the government funds' long-term liabilities of \$15 million in bonds and notes payable that do not represent an offset to capital assets, \$14 million net pension liability, a worker's compensation liability of \$2.9 million, compensated absences of \$1.5 million, and a state income tax obligation of \$1.0 million, which are not due and payable in the current period and as such are excluded from the fund statements.
- The City's total outstanding bonds and notes payable increased by \$3.7 million to \$61 million during fiscal year 2016. The increases were a result of the City issuing a bond anticipation note in the amount of \$3.5 million to cover costs associated with an Economic Development area revitalization project and the issuance of a \$3.2 million infrastructure bond through the Maryland Community Development Administration to fund various capital projects and capital asset acquisitions. Debt payments during fiscal year 2016 reduced the debt balance by \$3.1 million and were made in compliance with all debt service agreements. Additional information on the City's long-term debt can be found elsewhere within this MD&A and on Note 7 of the notes to the financial statements.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$11.0 million, an increase of \$1 million in comparison to the prior year. Approximately 75% (\$8.3 million) of the combined fund balance is restricted for specific purposes and is comprised primarily of undrawn or unused debt proceeds. Approximately 20% (\$2.2 million) of the combined fund balance is considered nonspendable and is comprised primarily of prepaid worker's compensation expenses.

Approximately 5% (\$0.5 million) of the combined fund balance is considered unassigned and available for spending at the government's discretion.

- The City was notified by the State of Maryland that the State had over allocated income tax revenue to the City of Cumberland covering a period of several years. The State is allowing a 10-year repayment period beginning in 2024. As a result, the City reported a \$0.98 million long-term liability in the Governmental Activity section of the government-wide financial statements. Additional information on this subject can be found on Note 9 of the notes to the financial statements.

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. 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 on their separately issued financial statements.

The government-wide financial statements can be found on pages 25-27 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 ten 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 eight 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 28-31 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 36-77 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 79-82 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 78.

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 83-88 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 \$63.0 million at June 30, 2016.

By far, the largest portion of the City's net position is its \$78.3 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 \$3.9 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 \$19.2 million at June 30, 2016. The deficit was a combination of an unrestricted net position surplus for the

business type activities of \$5.0 million and the governmental activities' \$24.1 million deficit.

	Net Position					
	(000's)					
	Governmental		Business-type		Totals	
	<u>Activities</u>		<u>Activities</u>		<u>Activities</u>	
	FY 16	FY 15 As restated	FY 16	FY 15	FY 16	FY 15 As restated
Current and Other Assets	\$ 15,024	\$ 13,263	\$ 13,607	\$ 11,249	\$ 28,631	\$ 24,512
Capital Assets	27,257	27,221	93,722	95,915	120,979	123,136
Deferred Outflows	2,612	1,613	661	397	3,273	2,010
Total Assets and Deferred Outflows	<u>44,893</u>	<u>42,097</u>	<u>107,990</u>	<u>107,561</u>	<u>152,883</u>	<u>149,658</u>
Long-term Liabilities (net of current portion)	45,264	38,835	34,422	33,550	79,686	72,385
Current Liabilities	6,214	5,072	3,628	2,986	9,842	8,058
Deferred Inflows	291	1,244	74	299	365	1,543
Total Liabilities and deferred inflows	<u>51,769</u>	<u>45,151</u>	<u>38,124</u>	<u>36,835</u>	<u>89,893</u>	<u>81,986</u>
Net Position:						
Net Investment in Capital Assets	13,379	16,053	64,873	66,478	78,252	82,531
Restricted	3,894	2,743	-	1,079	3,894	3,822
Unrestricted (deficit)	<u>(24,148)</u>	<u>(21,850)</u>	<u>4,993</u>	<u>3,169</u>	<u>(19,155)</u>	<u>(18,681)</u>
Total Net Position	<u>\$ (6,875)</u>	<u>\$ (3,054)</u>	<u>\$ 69,866</u>	<u>\$ 70,726</u>	<u>\$ 62,991</u>	<u>\$ 67,672</u>

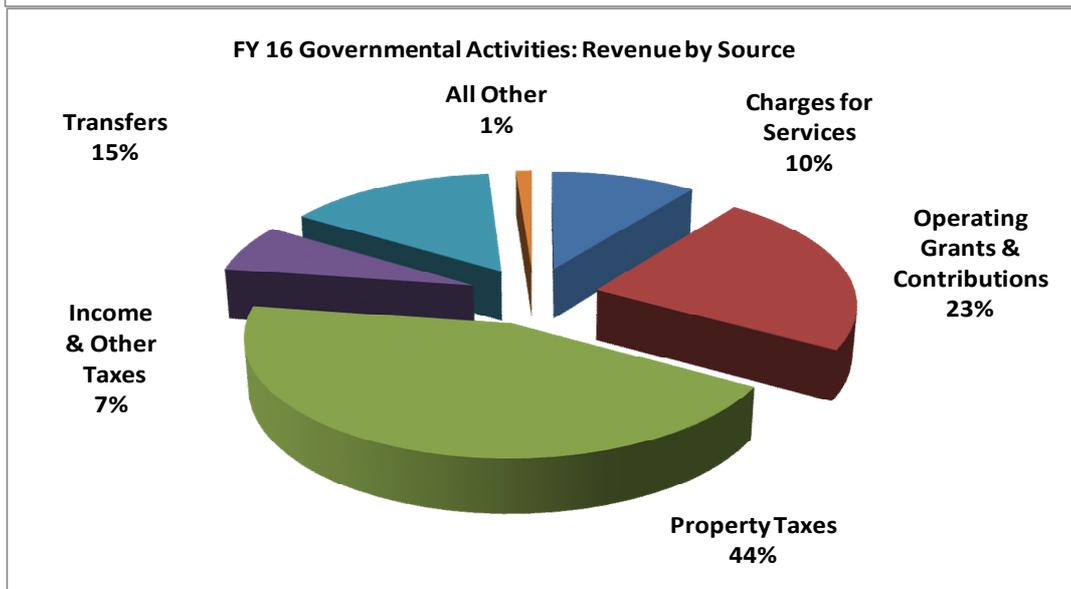
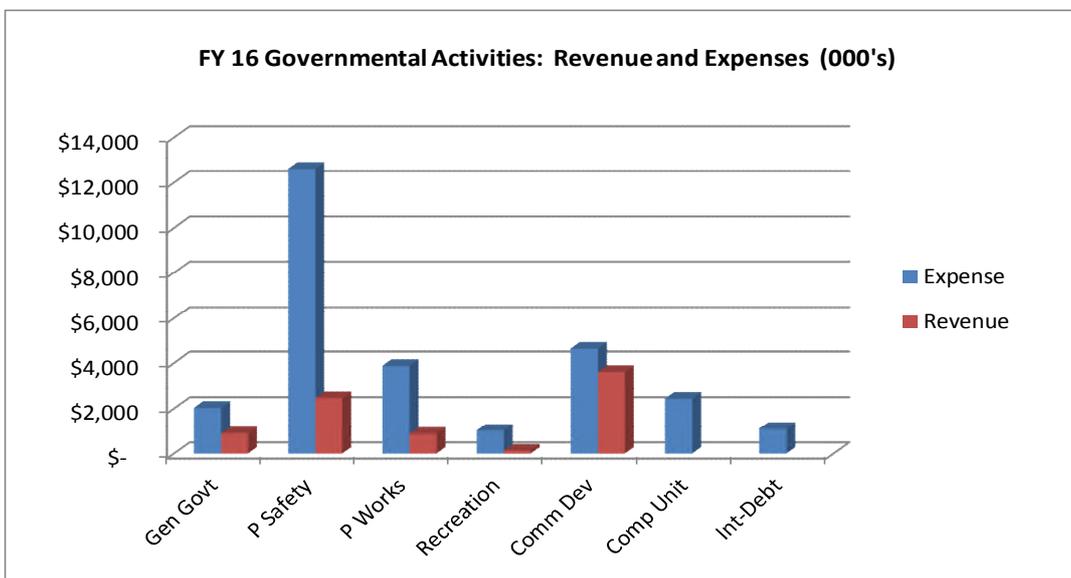
The ending fiscal year 2014 net positions for the governmental activities and the business-type activities were restated by \$10.6 million and \$2.7 million respectively due to the implementation of GASB Statement 68, (Accounting and Financial Reporting for Pensions). The ending fiscal year 2015 net position for the governmental activities was restated as a result of the State of Maryland November 2016 notification correcting an over allocation of income taxes spanning several years.

Government activities. The net position for the governmental activities declined by \$3.8 million to a deficit of \$6.9 million during fiscal year 2016. The combined governmental funds' fund balance increased by \$1.0 million in FY 2016, but this was offset on the government-wide statement of net position primarily by increases in long term liabilities and compensated balances not due and payable in fiscal 2016 as follows:

- An increase in outstanding debt not related to capital assets of \$3.4 million

- An increase in compensated absences of \$345,000 mainly due to the City’s reversal of the intention to phase out the accumulated sick leave buy-out at retirement benefit for two employee unions
- The net pension liability increased by \$2.9 million, but this was partially offset by a net increase in deferred pension outflows of \$1.0 million and a net decrease in deferred pension inflows of \$0.95 million
- An increase in worker’s compensation related liabilities of \$373,000

Public safety comprised 51.2% of the net governmental expenses (expenses less program revenues) in fiscal year 2016.



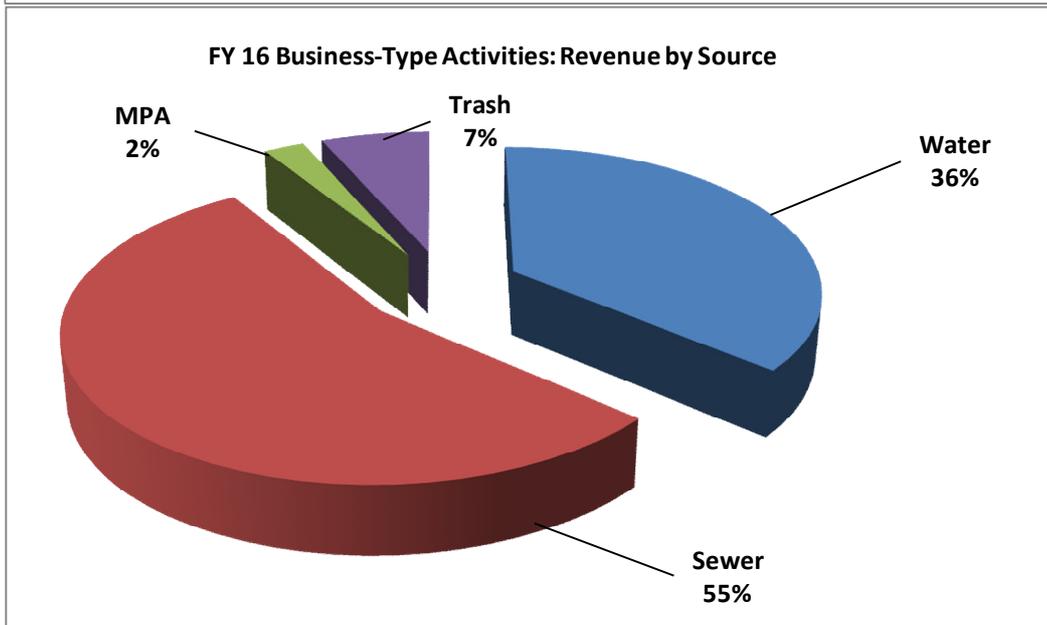
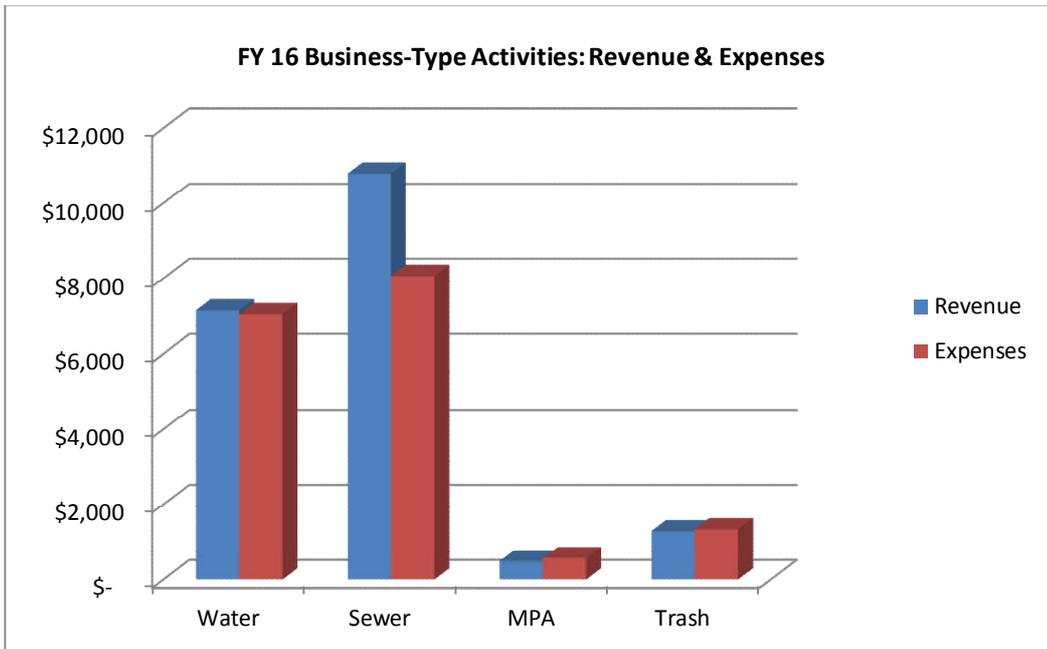
Business-type activities. The City's net position for the business-type activities declined \$0.8 million in fiscal year 2016 compared to an increase of \$4.1 million in fiscal year 2015. A 10% increase in sewer rates was the primary cause of an increase of \$0.6 million in charges for services in fiscal year 2016 compared to fiscal year 2015.

Business-type activity expenses increased by \$1.2 million in fiscal year 2016 due mainly to the following items:

- Pension related expenses increased \$0.32 million
- Indirect expense allocations increased \$0.3 million
- Compensated balance for sick leave increased \$0.26 million as the City reversed a previous stated intention of removing a sick leave buy-out benefit at retirement for 2 of the City's employee unions
- The expenses listed above were operating expenses. In addition the business-type activities disposed of capital assets causing a non-operating loss of \$0.39 million in fiscal 2016. There was no such loss in fiscal year 2015

Miscellaneous income was \$0.5 million lower in fiscal year 2016 as there was \$0.5 million of debt forgiveness in fiscal year 2015 which was not repeated in fiscal 2016.

The business-type activities for fiscal year 2016 net transfers-out of \$3.6 million was \$3.8 million higher than the net transfers-in of \$0.2 million in fiscal year 2015. The closure of the Property Rental Fund resulted in a \$2.3 million benefit in fiscal year 2015 that was not repeated in fiscal year 2016. The business-type activities make an annual transfer of \$1.9 representing payment in lieu of taxes in fiscal 2016, which represents a slight decrease of \$0.02 million when compared to fiscal year 2015. The City reallocated prepaid worker's compensation expenses, which resulted in transfers of \$0.34 million in fiscal year 2016. The City made an additional fiscal year 2016 transfer of \$1.5 million from the business-type activities to the general fund.



Changes in Net Position

(In Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY 16	FY 15	FY 16	FY 15	FY 16	FY 15
Revenues						
Program Revenues						
Charges for services	\$ 2.5	\$ 2.6	\$ 19.7	\$ 19.1	\$ 22.2	\$ 21.7
Operating Grants	5.5	5.3	-	-	5.5	5.3
Capital Grants and Contributions	-	0.4	-	-	-	0.4
General Revenues						
Property Taxes	10.6	10.7	-	-	10.6	10.7
Other taxes	0.6	0.5	-	-	0.6	0.5
Shared Revenues	1.3	1.4	-	-	1.3	1.4
Miscellaneous	0.1	0.3	-	0.5	0.1	0.8
TOTAL REVENUES	<u>20.6</u>	<u>21.2</u>	<u>19.7</u>	<u>19.6</u>	<u>40.3</u>	<u>40.8</u>
Program Expenses						
General Government	2.1	1.9	-	-	2.1	1.9
Public Safety	12.6	12.2	-	-	12.6	12.2
Public Works	3.9	4.0	-	-	3.9	4.0
Recreation	1.0	0.9	-	-	1.0	0.9
Community Development	4.7	4.1	-	-	4.7	4.1
Payment to component unit	2.5	-	-	-	2.5	-
Interest on LT Debt	1.1	1.1	-	-	1.1	1.1
Water	-	-	7.0	6.0	7.0	6.0
Sewer	-	-	8.0	7.7	8.0	7.7
Municipal Parking Authority	-	-	0.6	0.6	0.6	0.6
Trash	-	-	1.3	1.4	1.3	1.4
TOTAL EXPENSES	<u>27.9</u>	<u>24.2</u>	<u>16.9</u>	<u>15.7</u>	<u>44.8</u>	<u>39.9</u>
Excess Before Transfers and Special Items	(7.3)	(3.0)	2.8	3.9	(4.5)	0.9
Special Items	(0.1)	(0.7)	-	-	(0.1)	(0.7)
Transfers	3.6	(0.2)	(3.6)	0.2	-	-
Change in Net Position	<u>(3.8)</u>	<u>(3.9)</u>	<u>(0.8)</u>	<u>4.1</u>	<u>(4.6)</u>	<u>0.2</u>
Net Position- Beginning	(2.1)	12.4	70.7	69.3	68.6	81.7
Restatement (Note 16)	(1.0)	(10.6)	-	(2.7)	(1.0)	(13.3)
Net Position-Beginning (as restated)	<u>(3.1)</u>	<u>1.8</u>	<u>70.7</u>	<u>66.6</u>	<u>67.6</u>	<u>68.4</u>
Net Position-Ending	<u>\$ (6.9)</u>	<u>\$ (2.1)</u>	<u>\$ 69.9</u>	<u>\$ 70.7</u>	<u>\$ 63.0</u>	<u>\$ 68.6</u>

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 \$10.9 million, an increase of \$1.0 million as compared to the prior year. Approximately 5.0% of this amount (\$0.5 million) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable or restricted* to indicate that it is 1) not in spendable form (\$2.2 million), or 2) restricted for particular purposes (\$8.3 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 \$0.83 million, out of a total fund balance of \$9.2 million. This represents increases of \$0.47 million and \$1.8 million respectively 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 3.8% of the general fund expenditures, while total fund balance represents 42.5% of that same amount.

The \$1.4 million difference between the total fiscal year 2016 fund balance increase and the unassigned fund balance is explained as follows:

- The nonspendable fund balance increase of \$0.5 million was primarily due to an increase in the prepaid Worker's Compensation expenses.
- The restricted fund balance increase of \$0.9 million is associated primarily with the increase in unspent debt proceeds.

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, 2016**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Other Enterprise Funds</u>	<u>Totals</u>
Net Position				
Net investment in Capital Assets	\$ 16,517,769	\$ 46,827,085	\$ 1,528,511	\$ 64,873,365
Unrestricted	<u>3,527,076</u>	<u>667,013</u>	<u>798,806</u>	<u>4,992,895</u>
Total Net Position	<u>\$ 20,044,845</u>	<u>\$ 47,494,098</u>	<u>\$ 2,327,317</u>	<u>\$ 69,866,260</u>
Change in net position during the				

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

General Fund Budgetary Highlights

Over the course of the year, the Mayor and City Council revises the City 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.

With these amendments, the charges to appropriations (expenditures) were \$28,000 below the final budgeted amounts for fiscal year 2016. The key amendments were as follows:

- The City initially did not budget for the bonds proceeds and associated costs related to a neighborhood revitalization project known as the Maryland Avenue Redevelopment Project. The bond proceeds and expenditures associated with this project were \$3.5 million and \$2.1 million respectively. The remaining \$1.4 million is restricted for the project costs in subsequent years.

Capital Asset and Debt Administration

Capital Assets. The City of Cumberland’s investment in capital assets as of June 30, 2016 was \$121.0 million, which included governmental activities of \$27.3 million and business-type activities of \$93.7 million.

Major capital events during the fiscal year included the following:

Governmental activities:

- \$1.5 million was spent on paving jobs throughout the city.
- \$0.2 million was spent of public safety equipment including \$120,000 on a command vehicle.
- \$0.2 million was spent on street department vehicles.
- \$0.3 million was spent on building improvements and broadband equipment installation.

- Nuisance and blighted property worth \$113,000 was acquired and \$193,000 was disposed.

Business-type activities:

- The water fund spent \$0.4 million on water line system improvements and \$0.4 million on chlorine handling system improvements
- The sewer fund spent \$0.2 million on flood control and wastewater treatment plant improvements.
- The sewer and water funds spent \$0.07 on vehicles and accessories
- The Municipal Parking Authority spent \$0.07 on a parking improvements and parking kiosks.

The water and sewer funds disposed of water and sewer system monitoring assets during fiscal year 2016. The assets were originally purchased in 2010 for \$0.5 million and had a book value of \$0.35 million at the time of disposition.

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

Long-term Debt. At the end of the current fiscal year, the City of Cumberland had total debt outstanding of \$61.0 million which was comprised of governmental activity debt of \$29.2 million and business-type activity debt of \$31.8 million.

City of Cumberland Outstanding Debt						
General Obligation Bonds and Notes Payable						
(000's)						
	Governmental		Business-type		Totals	
	Activities		Activities			
	FY 16	FY 15	FY 16	FY 15	FY 16	FY 15
General Obligation Bonds	\$ 28,351	\$ 24,720	\$ 31,785	\$ 31,527	\$ 60,136	\$ 56,247
Notes Payable	845	1,038	-	3	845	1,041
Total	<u>\$ 29,196</u>	<u>\$ 25,758</u>	<u>\$ 31,785</u>	<u>\$ 31,530</u>	<u>\$ 60,981</u>	<u>\$ 57,288</u>

In fiscal year 2016 the City issued \$3.2 million in infrastructure bonds through the Maryland Community Development Administration (CDA). The unspent portion of this new debt issue was \$2.7 million at June 30, 2016. The City also issued \$3.5 million in General Obligation Bond Anticipation Notes (BANs). The unspent portion of the BANs was \$1.4 million at June 30, 2016.

At June 30, 2016, the City had an unspent balance of \$2.1 million from a fiscal year 2015 CDA bond issue of \$7.5 million.

In March 2016, Standards and Poor’s affirmed the City 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 and fees that will be charged for the business-type activities for fiscal year 2016. One of those factors is the economy. Unemployment in the Cumberland/Allegany County area on June 30, 2016 was 6.4%. While this represents an improvement of .8% when compared to a year ago, it is still well above the State of Maryland unemployment rate of 4.5% as of June 30, 2016.

The City experienced an increase in assessable real property tax base of \$15.4 million beginning July 1, 2016. The budget for fiscal year 2017 reflects a 17% increase in the City's health care costs representing an increase of over \$0.6 million.

During the fiscal year 16 budget process, City staff directed all departments to submit their budgets with a focus on maintaining operating expenses with increases for only extraordinary items. Except for promotion situations, the fiscal year 2017 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 Eastside School project to demolish buildings and prepare for residential or commercial development was completed in fiscal 2016. The Cumberland Economic Development Corporation's (a component unit of the City of Cumberland) Maryland Avenue Redevelopment project is ongoing and includes plans to acquire and demolish approximately 67 properties, consisting primarily of substandard housing and associated blight, to prepare for future commercial development.

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, 2016

	<i>Primary Government</i>			<i>Component Unit</i>
	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>	
ASSETS:				
Current assets:				
Cash	\$ 567,578	\$ 3,444,647	\$ 4,012,225	\$ 15,836
Investments	362,556	4,515,110	4,877,666	-
Taxes receivable	1,689,628	-	1,689,628	-
Accounts receivable	253,985	2,207,787	2,461,772	-
Accrued interest receivable	19,486	-	19,486	-
Due from other governments	3,905,755	2,008,265	5,914,020	-
Prepaid expenses	2,333,614	755,812	3,089,426	-
Due from primary government	-	-	-	15,791
Inventory	15,283	650,084	665,367	-
Property held for sale/development	-	-	-	-
Total Current Assets	<u>9,147,885</u>	<u>13,581,705</u>	<u>22,729,590</u>	<u>31,627</u>
Noncurrent assets:				
Housing loans receivable	273,485	-	273,485	-
Loans receivable	464,206	-	464,206	-
Notes receivable	845,000	-	845,000	-
Restricted cash	1,087,558	-	1,087,558	26,992
Restricted investments	3,113,186	-	3,113,186	-
Capital assets:				
Non-depreciable	1,759,202	2,437,653	4,196,855	-
Depreciable, net	25,497,830	91,284,470	116,782,300	-
Other assets	-	25,000	25,000	-
Net OPEB asset	92,494	-	92,494	-
Total Non-Current Assets	<u>33,132,961</u>	<u>93,747,123</u>	<u>126,880,084</u>	<u>26,992</u>
Total Assets	<u>42,280,846</u>	<u>107,328,828</u>	<u>149,609,674</u>	<u>58,619</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred outflows related to pension	<u>2,611,735</u>	<u>661,115</u>	<u>3,272,850</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 44,892,581</u>	<u>\$ 107,989,943</u>	<u>\$ 152,882,524</u>	<u>\$ 58,619</u>

CITY OF CUMBERLAND, MARYLAND
STATEMENT OF NET POSITION
JUNE 30, 2016

(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	\$ 1,211,740	\$ 734,293	\$ 1,946,033	\$ 9,895
Accrued wages	476,447	-	476,447	-
Accrued interest	260,664	135,482	396,146	-
Unearned revenue	165,961	2,400	168,361	-
Deposits payable	67,410	-	67,410	-
Due to component unit	15,791	-	15,791	-
Accrued health claims	269,369	103,855	373,224	-
Current portion of compensated absences	866,951	315,828	1,182,779	-
Current portion of workers' comp payable	1,387,325	489,975	1,877,300	-
Current portion of bonds and notes payable	1,491,852	1,846,160	3,338,012	-
Total Current Liabilities	<u>6,213,510</u>	<u>3,627,993</u>	<u>9,841,503</u>	<u>9,895</u>
Noncurrent liabilities:				
Compensated absences (net of current portion)	678,792	394,062	1,072,854	-
Workers' comp claims payable (net of current portion)	1,542,115	544,645	2,086,760	-
Bonds and notes payable (net of current portion)	27,704,377	29,938,989	57,643,366	-
Retainage payables	85,084	-	85,084	-
State income tax revenue repayment obligation	984,506	-	984,506	-
Net pension liability	14,269,129	3,543,927	17,813,056	-
Total Non-Current Liabilities	<u>45,264,003</u>	<u>34,421,623</u>	<u>79,685,626</u>	<u>-</u>
Total Liabilities	<u>51,477,513</u>	<u>38,049,616</u>	<u>89,527,129</u>	<u>9,895</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension	290,726	74,067	364,793	-
NET POSITION:				
Net investment in capital assets	13,378,759	64,873,365	78,252,124	-
Restricted for:				
Capital Projects	1,582,442	-	1,582,442	-
Community Development	1,949,754	-	1,949,754	26,992
Public Safety	361,462	-	361,462	-
Unrestricted (Deficit)	(24,148,075)	4,992,895	(19,155,180)	21,732
Total Net Position	<u>(6,875,658)</u>	<u>69,866,260</u>	<u>62,990,602</u>	<u>48,724</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 44,892,581</u>	<u>\$ 107,989,943</u>	<u>\$ 152,882,524</u>	<u>\$ 58,619</u>

**CITY OF CUMBERLAND, MARYLAND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

Primary Government

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Indirect Expense Allocation</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>			<u>Component Unit</u>
			<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
Governmental Activities:									
General government	\$ 3,431,557	\$ (1,388,810)	\$ 897,159	\$ 6,159	\$ -	\$ (1,139,429)	\$ -	\$ (1,139,429)	\$ -
Public safety	12,594,730	-	1,425,189	1,056,164	-	(10,113,377)	-	(10,113,377)	-
Public works	4,395,329	(503,126)	-	888,863	-	(3,003,340)	-	(3,003,340)	-
Recreation	1,033,016	-	139,169	5,050	-	(888,797)	-	(888,797)	-
Community development and housing:	4,652,159	28,505	-	3,585,888	49,922	(1,044,854)	-	(1,044,854)	(2,418,341)
Payment to component unit	2,448,609	-	-	-	-	(2,448,609)	-	(2,448,609)	-
Interest on long-term debt	1,115,167	-	-	-	-	(1,115,167)	-	(1,115,167)	-
Total Governmental Activities	29,670,567	(1,863,431)	2,461,517	5,542,124	49,922	(19,753,573)	-	(19,753,573)	(2,418,341)
Business-type Activities:									
Water	6,308,007	744,361	7,152,928	-	-	-	100,560	100,560	-
Sewer	7,079,358	986,546	10,789,365	-	-	-	2,723,461	2,723,461	-
Municipal Parking Authority	571,886	-	486,880	-	-	-	(85,006)	(85,006)	-
Trash	1,208,416	132,524	1,292,005	-	-	-	(48,935)	(48,935)	-
Total Business-type Activities	15,167,667	1,863,431	19,721,178	-	-	-	2,690,080	2,690,080	-
Total Government	\$ 44,838,234	\$ -	\$ 22,182,695	\$ 5,542,124	\$ 49,922	\$ (19,753,573)	\$ 2,690,080	\$ (17,063,493)	\$ (2,418,341)
General Revenues:									
Taxes:									
Property taxes						\$ 10,552,030	\$ -	\$ 10,552,030	\$ -
Franchise Fees						292,056	-	292,056	-
Other Taxes						280,393	-	280,393	-
Appropriation from City of Cumberland, Maryland						-	-	-	2,448,609
Shared revenues - income tax						1,305,437	-	1,305,437	-
Investment earnings						55,175	14,598	69,773	120
Miscellaneous						131,128	-	131,128	18,336
Special Item - Demolition Costs						(249,193)	-	(249,193)	-
Transfers						3,564,470	(3,564,470)	-	-
Total General Revenues, Special Items, and Transfers						15,931,496	(3,549,872)	12,381,624	2,467,065
Change in Net Position						(3,822,077)	(859,792)	(4,681,869)	48,724
Net Position - Beginning, as restated						(3,053,581)	70,726,052	67,672,471	-
Net Position - Ending						\$ (6,875,658)	\$ 69,866,260	\$ 62,990,602	\$ 48,724

CITY OF CUMBERLAND, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	<i>General Fund</i>	<i>Housing Assistance Fund</i>	<i>Non-Major Governmental Funds</i>	<i>Total Governmental Funds</i>
ASSETS				
Cash and cash equivalents	\$ 506,436	\$ -	\$ 594,556	\$ 1,100,992
Investments	283,509	-	289,362	572,871
Taxes receivable	1,663,695	-	25,933	1,689,628
Accounts receivable	253,716	-	269	253,985
Due from other governments	3,321,984	-	583,771	3,905,755
Interfund receivables	246,496	-	-	246,496
Prepaid expenditures	2,162,538	165,961	5,115	2,333,614
Inventory	15,283	-	-	15,283
Restricted cash	554,144	-	-	554,144
Restricted investment	2,902,871	-	-	2,902,871
Housing loans receivable	-	-	273,485	273,485
Loans receivable	-	-	464,206	464,206
Notes receivable	-	-	845,000	845,000
Total Assets	\$ 11,910,672	\$ 165,961	\$ 3,081,697	\$ 15,158,330
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
<i>LIABILITIES:</i>				
Accounts payable	\$ 394,864	\$ -	\$ 816,876	\$ 1,211,740
Accrued wages	476,447	-	-	476,447
Interfund payables	-	-	246,496	246,496
Due to component unit	15,791	-	-	15,791
Unearned revenues	-	165,961	-	165,961
Deposits payable	67,410	-	-	67,410
Total Liabilities	954,512	165,961	1,063,372	2,183,845
<i>DEFERRED INFLOWS OF RESOURCES:</i>				
Unavailable revenues	1,760,647	-	231,723	1,992,370
<i>FUND BALANCES:</i>				
Fund balances (deficit):				
Nonspendable	2,177,821	-	-	2,177,821
Restricted	6,186,903	-	2,068,127	8,255,030
Unassigned	830,789	-	(281,525)	549,264
Total Fund Balances (Deficit)	9,195,513	-	1,786,602	10,982,115
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 11,910,672	\$ 165,961	\$ 3,081,697	\$ 15,158,330

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

CITY OF CUMBERLAND, MARYLAND
RECONCILIATION OF THE GOVERNMENTAL BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AS OF JUNE 30, 2016

Fund Balances - Total Governmental Funds \$ 10,982,115

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	62,456,285	
Less: Accumulated Depreciation	<u>(35,199,253)</u>	27,257,032

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

Accrued interest receivable		19,486
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Net OPEB asset is not included in the governmental funds		92,494
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Pension 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	2,611,735	
Deferred Inflows of Resources	<u>(290,726)</u>	2,321,009

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	(29,196,229)	
Compensated Absences	(1,545,743)	
Retainage	(85,084)	
Workers Compensation	(2,929,440)	
Accrued Health Claims	(269,369)	
State Income Tax Revenue Repayment Obligation	(984,506)	
Net Pension Liability	(14,269,129)	
Accrued Interest	<u>(260,664)</u>	(49,540,164)

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>1,992,370</u>
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Net Position of Governmental Activities		<u>\$ (6,875,658)</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, 2016

	<u>General Fund</u>	<u>Housing Assistance Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes	\$ 10,781,864	\$ -	\$ 219,156	\$ 11,001,020
Licenses and permits	213,539	-	-	213,539
Intergovernmental	3,361,131	2,053,022	1,593,340	7,007,493
Charges for services	1,688,563	-	-	1,688,563
Fines and forfeitures	1,840	-	-	1,840
Interest	10,946	-	47,325	58,271
Miscellaneous	651,531	-	28,318	679,849
Total Revenues	<u>16,709,414</u>	<u>2,053,022</u>	<u>1,888,139</u>	<u>20,650,575</u>
Expenditures:				
Current:				
General government	1,737,551	-	294,740	2,032,291
Public safety	10,932,748	-	279,111	11,211,859
Public works	2,730,567	-	-	2,730,567
Recreation	842,531	-	-	842,531
Community development and housing	3,647,733	2,053,022	1,358,021	7,058,776
Capital Outlay	-	-	1,277,315	1,277,315
Debt service:				
Principal	938,826	-	549,987	1,488,813
Interest	701,841	-	412,300	1,114,141
Bond Issue Costs	101,887	-	-	101,887
Total Expenditures	<u>21,633,684</u>	<u>2,053,022</u>	<u>4,171,474</u>	<u>27,858,180</u>
Revenues in Excess of (Less Than) Expenditures	<u>(4,924,270)</u>	<u>-</u>	<u>(2,283,335)</u>	<u>(7,207,605)</u>
Other Financing Sources (Uses):				
Transfers-in	3,693,851	-	1,486,062	5,179,913
Transfers-out	(1,491,472)	-	(5,733)	(1,497,205)
Issuance of debt	4,811,250	-	-	4,811,250
Total Other Financing Sources	<u>7,013,629</u>	<u>-</u>	<u>1,480,329</u>	<u>8,493,958</u>
Special Item - Demolition Costs	<u>(249,193)</u>	<u>-</u>	<u>-</u>	<u>(249,193)</u>
Net Change in Fund Balance	1,840,166	-	(803,006)	1,037,160
Fund balance (deficit), beginning	<u>7,355,347</u>	<u>-</u>	<u>2,589,608</u>	<u>9,944,955</u>
Fund balance (deficit), ending	<u>\$ 9,195,513</u>	<u>\$ -</u>	<u>\$ 1,786,602</u>	<u>\$ 10,982,115</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, 2016

Net Change in Fund Balances - Total Governmental Funds \$ 1,037,160

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	2,374,138	
Retainage on construction projects	4,702	
Write-down of land to net realizable value	(192,425)	
Less: current year depreciation	<u>(2,145,732)</u>	40,683

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. This is the amount by which proceeds exceeded repayments in the current year.

Bond and loan proceeds	(4,811,250)	
Assumption of debt from proprietary funds	(115,661)	
Principal payments	<u>1,488,813</u>	(3,438,098)

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	(1,865)
Unavailable revenues	10,262

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	(344,624)	
Other post-employment benefit obligation	19,791	
Workers compensation	(373,207)	
Accrued interest adjustment	(3,603)	
Accrued health claims	(17,321)	
Retainage on non-construction projects	200,730	
Pension expense	<u>(951,985)</u>	(1,470,219)

Change in Net Position of Governmental Activities \$ (3,822,077)

CITY OF CUMBERLAND, MARYLAND
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS

	<i>Water Fund</i>	<i>Sewer Fund</i>	<i>Non-Major Proprietary Funds</i>	<i>Total</i>
ASSETS				
<u>Current Assets:</u>				
Cash and cash equivalents	\$ 1,635,531	\$ 854,399	\$ 954,717	\$ 3,444,647
Investments	3,009,662	1,505,448	-	4,515,110
Accounts receivable	796,988	1,289,684	121,115	2,207,787
Due from other governments	570,752	1,437,513	-	2,008,265
Prepaid expenses	396,729	359,083	-	755,812
Inventory	650,004	80	-	650,084
Total Current Assets	<u>7,059,666</u>	<u>5,446,207</u>	<u>1,075,832</u>	<u>13,581,705</u>
<u>Noncurrent Assets:</u>				
Capital assets:				
Non-depreciable	198,523	2,058,393	180,737	2,437,653
Depreciable, net	30,362,255	57,236,553	3,685,662	91,284,470
Evitts Creek Water Company, capital stock	25,000	-	-	25,000
Total Non-Current Assets	<u>30,585,778</u>	<u>59,294,946</u>	<u>3,866,399</u>	<u>93,747,123</u>
Total Assets	<u>37,645,444</u>	<u>64,741,153</u>	<u>4,942,231</u>	<u>107,328,828</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pension	<u>304,977</u>	<u>316,588</u>	<u>39,550</u>	<u>661,115</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 37,950,421</u>	<u>\$ 65,057,741</u>	<u>\$ 4,981,781</u>	<u>\$ 107,989,943</u>
LIABILITIES				
<u>Current Liabilities:</u>				
Accounts payable	\$ 93,073	\$ 498,519	\$ 142,701	\$ 734,293
Accrued interest	78,875	40,363	16,244	135,482
Unearned revenues	2,400	-	-	2,400
Accrued health claims	48,259	51,579	4,017	103,855
Current portion of compensated absences	152,236	150,956	12,636	315,828
Current portion of workers' comp. claims payable	257,190	232,785	-	489,975
Current portion of bonds and notes payable	938,655	765,295	142,210	1,846,160
Total Current Liabilities	<u>1,570,688</u>	<u>1,739,497</u>	<u>317,808</u>	<u>3,627,993</u>
<u>Noncurrent Liabilities:</u>				
Compensated absences (net of current portion)	214,201	162,756	17,105	394,062
Workers' comp. claims payable (net of current portion)	285,887	258,758	-	544,645
Bonds and notes payable (net of current portion)	14,140,044	13,576,148	2,222,797	29,938,989
Net pension liability	1,660,413	1,790,447	93,067	3,543,927
Total Non-Current Liabilities	<u>16,300,545</u>	<u>15,788,109</u>	<u>2,332,969</u>	<u>34,421,623</u>
Total Liabilities	<u>17,871,233</u>	<u>17,527,606</u>	<u>2,650,777</u>	<u>38,049,616</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension	<u>34,343</u>	<u>36,037</u>	<u>3,687</u>	<u>74,067</u>
NET POSITION				
Net investment in capital assets	16,517,769	46,827,085	1,528,511	64,873,365
Unrestricted	3,527,076	667,013	798,806	4,992,895
Total Net Position	<u>20,044,845</u>	<u>47,494,098</u>	<u>2,327,317</u>	<u>69,866,260</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 37,950,421</u>	<u>\$ 65,057,741</u>	<u>\$ 4,981,781</u>	<u>\$ 107,989,943</u>

CITY OF CUMBERLAND, MARYLAND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS			
	Water Fund	Sewer Fund	Non-Major Proprietary Funds	Total
Operating Revenues:				
Charges for Services:				
Domestic	\$ 2,393,786	\$ 5,795,612	\$ 1,266,986	\$ 9,456,384
Industrial	2,325,593	853,798	3,086	3,182,477
Sanitary commissions	-	3,581,065	-	3,581,065
Water companies	2,234,762	-	-	2,234,762
Rents/Concessions	-	-	467,315	467,315
Connection Charges	154,530	6,225	-	160,755
Other	44,257	552,665	41,498	638,420
Total Operating Revenues	<u>7,152,928</u>	<u>10,789,365</u>	<u>1,778,885</u>	<u>19,721,178</u>
Operating Expenses:				
Personal services	2,736,023	2,683,909	267,823	5,687,755
Utilities	220,252	476,007	14,664	710,923
Supplies	289,684	496,135	-	785,819
Repairs and maintenance	568,796	359,363	10,778	938,937
Landfill and recycling	-	4,597	432,538	437,135
Depreciation	1,199,276	1,687,421	138,319	3,025,016
Contractual services	69,390	959,852	777,880	1,807,122
Other operating expenses	1,176,661	1,217,947	162,648	2,557,256
Total Operating Expenses	<u>6,260,082</u>	<u>7,885,231</u>	<u>1,804,650</u>	<u>15,949,963</u>
Operating Income (Loss)	<u>892,846</u>	<u>2,904,134</u>	<u>(25,765)</u>	<u>3,771,215</u>
Non-Operating Revenues (Expenses):				
Interest income	5,972	8,613	13	14,598
Interest expense	(402,266)	(180,673)	(108,176)	(691,115)
Bond issue costs	(1,143)	-	-	(1,143)
Gain (Loss) on disposal of capital assets	(211,300)	(175,000)	-	(386,300)
Total Non-Operating Income (Loss)	<u>(608,737)</u>	<u>(347,060)</u>	<u>(108,163)</u>	<u>(1,063,960)</u>
Net Income Before Contributions, Special Items, and Transfers	<u>284,109</u>	<u>2,557,074</u>	<u>(133,928)</u>	<u>2,707,255</u>
Assumption of debt by other proprietary activities	59,877	78,178	-	138,055
Assumption of debt by governmental activities	129,381	-	-	129,381
Assumption of governmental activities debt	(13,720)	-	-	(13,720)
Assumption of other proprietary activities debt	(44,835)	(59,877)	(33,343)	(138,055)
Transfers-in	74,109	59,877	34,780	168,766
Transfers-(out)	<u>(1,560,868)</u>	<u>(2,290,606)</u>	<u>-</u>	<u>(3,851,474)</u>
Net Income (Loss)	<u>(1,071,947)</u>	<u>344,646</u>	<u>(132,491)</u>	<u>(859,792)</u>
Net position-beginning of year	<u>21,116,792</u>	<u>47,149,452</u>	<u>2,459,808</u>	<u>70,726,052</u>
Net position-end of year	<u>\$ 20,044,845</u>	<u>\$ 47,494,098</u>	<u>\$ 2,327,317</u>	<u>\$ 69,866,260</u>

CITY OF CUMBERLAND, MARYLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS			
	Water Fund	Sewer Fund	Non-Major Proprietary Funds	Total
Cash Flows from Operating Activities:				
Cash receipts from customers	\$ 7,125,597	\$ 10,111,707	\$ 1,704,388	\$ 18,941,692
Cash payments to suppliers	(2,356,542)	(3,520,998)	(1,360,403)	(7,237,943)
Cash payments for personal services	(2,374,025)	(2,403,256)	(267,606)	(5,044,887)
Other operating receipts	44,257	552,665	41,498	638,420
Net Cash Provided (Used) Operating Activities	<u>2,439,287</u>	<u>4,740,118</u>	<u>117,877</u>	<u>7,297,282</u>
Cash Flows from Noncapital Financing Activities:				
Transfers (to) other funds	(1,486,759)	(2,230,729)	34,780	(3,682,708)
Loans from (to) other funds	16,318	15,150	-	31,468
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(1,470,441)</u>	<u>(2,215,579)</u>	<u>34,780</u>	<u>(3,651,240)</u>
Cash Flows from Capital and Related Financing Activities:				
Utilization of debt proceeds held by State	(7,997)	(32,709)	-	(40,706)
Acquisition and construction of capital assets	(843,596)	(305,349)	(69,862)	(1,218,807)
Proceeds from capital debt/reallocation of capital debt	446,339	524,851	31,435	1,002,625
Principal paid on capital debt	(708,242)	(719,408)	(52,364)	(1,480,014)
Interest paid on capital debt	(402,150)	(172,871)	(100,260)	(675,281)
Bond issue costs	(1,143)	-	-	(1,143)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,516,789)</u>	<u>(705,486)</u>	<u>(191,051)</u>	<u>(2,413,326)</u>
Cash Flows from Investing Activities:				
Interest on investments	5,972	8,613	13	14,598
Net sale (purchase) of investments	2,347	2,347	-	4,694
Net Cash Provided (Used) by Investing Activities:	<u>8,319</u>	<u>10,960</u>	<u>13</u>	<u>19,292</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(539,624)	1,830,013	(38,381)	1,252,008
Cash and Cash Equivalents at Beginning of Year	5,184,817	529,834	993,098	6,707,749
Cash and Cash Equivalents at End of Year	<u>\$ 4,645,193</u>	<u>\$ 2,359,847</u>	<u>\$ 954,717</u>	<u>\$ 7,959,757</u>

CITY OF CUMBERLAND, MARYLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016
(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	\$ 1,635,531	\$ 854,399	\$ 954,717	\$ 3,444,647
Investment balance-Statement of Net Position	3,009,662	1,505,448	-	4,515,110
Cash and Cash Equivalents-Statement of Cash Flows	<u>\$ 4,645,193</u>	<u>\$ 2,359,847</u>	<u>\$ 954,717</u>	<u>\$ 7,959,757</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	\$ 892,846	\$ 2,904,134	\$ (25,765)	\$ 3,771,215
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	1,199,276	1,687,421	138,319	3,025,016
Pension expense	152,798	165,491	1,991	320,280
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	15,726	(124,993)	(32,999)	(142,266)
(Increase) decrease in prepaid expenses	(54,550)	(43,582)	-	(98,132)
(Increase) decrease in inventory	(13,466)	244	-	(13,222)
Increase (decrease) in accounts payable	36,257	36,241	38,105	110,603
Increase (decrease) in unavailable revenues	1,200	-	-	1,200
Increase (decrease) in accrued health claims	3,300	2,455	(1,015)	4,740
Increase (decrease) in workers' comp. claims payable	8,606	(1,258)	-	7,348
Increase (decrease) in accrued wages and compensated absences	197,294	113,965	(759)	310,500
Net cash provided (used) by operating activities	<u>\$ 2,439,287</u>	<u>\$ 4,740,118</u>	<u>\$ 117,877</u>	<u>\$ 7,297,282</u>
Noncash operating, financing, and investing activities:				
Loss on disposition of capital assets	\$ 211,300	\$ 175,000	\$ -	\$ 386,300
Assumption of debt by other proprietary activities	59,877	78,178	-	138,055
Assumption of debt by governmental activities	129,381	-	-	129,381
Assumption of governmental activities debt	(13,720)	-	-	(13,720)
Assumption of other proprietary activities debt	(44,835)	(59,877)	(33,343)	(138,055)
Debt proceeds not received from government	562,755	1,364,156	-	1,926,911

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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 City-Administrator 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 because the CEDC is fiscally dependent on the City, as the City is currently the primary funding source for the CEDC's operations. The CEDC has a June 30 year end. The CEDC issues separate financial statements.

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

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

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, municipal parking authority and property rental 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 are 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, urban 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 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.).

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

The City allocates indirect costs from the General Fund to the Water, Sewer, Trash, 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.
- 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).

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

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 500 individuals are assisted annually.

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.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

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.

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.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

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 \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at acquisition value as of the date donated. 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. 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	3-20 years
Improvements	10-30 years
Other infrastructure	10-75 years

Long-term Debt

The accounting treatment of long-term debt 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.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

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

Long-term debt for governmental funds is 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.

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 assets/position by the government that are applicable to a future reporting period.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

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(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports deferred outflows 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 outflows are either (1) recognized in a subsequent period as a reduction of the net pension liability (which includes pension contributions made after the measurement date) or (2) amortized in a systematic and rational method as pension expense in future periods in accordance with generally accepted accounting principles.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) 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:

	<u>General Fund</u>	Nonmajor Governmental <u>Funds</u>	<u>Total</u>
Property Taxes	\$ 1,554,776	\$ 24,348	\$ 1,579,124
Governmental Grants	<u>205,871</u>	<u>207,375</u>	<u>413,246</u>
Total	<u>\$ 1,760,647</u>	<u>\$ 231,723</u>	<u>\$ 1,992,370</u>

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

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	\$ 416,537	\$ 402,266	\$ 14,271	\$ -	\$ 14,271
Sewer Fund	188,923	180,673	8,250	-	8,250
Non-Major Proprietary Funds	108,176	108,176	-	-	-

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

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.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

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.

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.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

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.

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 years 2016 and 2017 the Mayor & City Council approved an increase in appropriations in the amount of \$1,415,000 for fiscal year 2016.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

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 \$1,124,599 as of June 30, 2016.

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.
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 deficit net positions/fund balances at June 30, 2016:

Police Grant Funds	(118,167)
Capital Projects	(163,358)

The two aforementioned funds will have their deficit fund balances restored principally with the recognition of unavailable revenues at June 30, 2016 as revenue in fiscal year 2017 or with revenues earned in future years.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

Compliance with Finance Related Legal and Contractual Provisions

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

Note 2. Cash and Investments

Cash

As of June 30, 2016, the carrying amount of the City's deposits was \$5,099,783 and the bank balance was \$5,616,714.

Cash Risks and Policies

Custodial credit risk for deposits is the risk that in the event of a bank failure, the 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. As of June 30, 2016, \$5,305,252 of the bank balance was collateralized rather than the City's required collateralization amount of \$5,719,048.

Investments

As of June 30, 2016, the City had the following investments and maturities:

		<u>Investment Maturity</u>		
<u>Investment Type</u>	<u>Total</u>	<u>Less than 90 Days</u>	<u>90 days to one year</u>	<u>Credit Rating</u>
Maryland Local Government Investment Pool	7,990,852	7,990,852	-	AAAm
	\$7,990,852	\$ 7,990,852	\$ -	

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.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 2. *Cash and Investments – (Continued)*

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.

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.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 2. Cash and Investments – (Continued)

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 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.

Restricted cash is reported in the General Fund and on the Government-Wide financial statements in the amount of \$554,144. This cash was obtained from advancement of grant funding and through police seizures of cash that are restricted for public safety activities.

Restricted investments are reported in the General Fund in the amount of \$2,902,871. These investments are restricted for the acquisition of assets and improvements under various financing arrangements.

Additionally, on the Government-Wide financial statements, cash and investments of certain special revenue funds in the amount of \$743,729 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.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

Interfund receivables and payables and transfers as of June 30, 2016 are as follows:

	Interfund Receivables	Interfund Payables
Governmental Funds:		
General Fund		
Non-Major Governmental Funds	\$ 246,496	\$ -
Sub-total	-	246,496
Proprietary Funds:	246,496	246,496
Water Fund	-	-
Sewer Fund	-	-
Non-Major Proprietary Funds	-	-
Sub-total	-	-
Total Interfund Receivable/Payable-Current	\$ 246,496	\$ 246,496

All current interfund receivables are expected to be repaid within the next fiscal year. The interfund balances as of June 30, 2016 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.

	Interfund Transfers-In	Interfund Transfer-Out
Transfers:		
Governmental Funds:		
General Fund	\$ 3,693,851	\$ 1,491,472
Non-Major Governmental Funds	1,486,062	5,733
Sub-total	5,179,913	1,497,205
Proprietary Funds:		
Water Fund	74,109	1,560,868
Sewer Fund	59,877	2,290,606
Non-Major Proprietary Funds	34,780	-
Sub-total	168,766	3,851,474
Total Transfers (Fund Financial Statements)	\$ 5,348,679	\$ 5,348,679

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 2016 are described in the following paragraph.

The City transferred \$371,611 and \$1,562,102 from the Water and Sewer Funds respectively, to the General Fund for payment in lieu of taxes. The City transferred \$129,380 and \$130,758 from the Water and Sewer Funds, respectively, to the General Fund as prepaid workers compensation expenses were reallocated based on actual experience. In addition, and as budgeted, the City made discretionary transfers of \$1,000,000 and \$500,000 from the Water and Sewer Funds,

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

respectively, to the General Fund. The City transferred \$630,495 from the General Fund to the Capital Projects Fund to fund various capital projects. Finally, the \$783,060 transfer-in reported in the Street Improvement Fund represents a transfer of property tax revenues and other General Fund monies used to make the debt service payment in the Street Improvement Fund.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 5. Capital Assets

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

	Beginning Balance	Additions	Reclassifications /Retirements	Ending Balance
GOVERNMENTAL ACTIVITIES:				
Non-depreciable assets:				
Land	\$ 1,151,955	\$ 113,300	\$ (192,624)	\$ 1,072,631
Construction in progress	2,618,634	553,543	(2,485,606)	686,571
Total non-depreciable assets	<u>3,770,589</u>	<u>666,843</u>	<u>(2,678,230)</u>	<u>1,759,202</u>
Depreciable assets:				
Buildings and improvements	14,802,367	309,546	-	15,111,913
Machinery and equipment	8,049,138	837,409	(362,847)	8,523,700
Infrastructure	34,015,324	3,046,146	-	37,061,470
Total depreciable assets	<u>56,866,829</u>	<u>4,193,101</u>	<u>(362,847)</u>	<u>60,697,083</u>
Accumulated depreciation:				
Buildings and improvements	9,681,363	425,743	-	10,107,106
Machinery and equipment	6,418,173	502,448	(362,847)	6,557,774
Infrastructure	17,316,832	1,217,541	-	18,534,373
Total accumulated depreciation	<u>33,416,368</u>	<u>2,145,732</u>	<u>(362,847)</u>	<u>35,199,253</u>
Depreciable assets, net	<u>23,450,461</u>	<u>2,047,369</u>	<u>-</u>	<u>25,497,830</u>
Governmental activities capital assets, net	<u>\$ 27,221,050</u>	<u>\$ 2,714,212</u>	<u>\$ (2,678,230)</u>	<u>\$ 27,257,032</u>
BUSINESS-TYPE ACTIVITIES:				
Non-depreciable assets:				
Land	\$ 368,371	\$ -	\$ -	\$ 368,371
Land improvements	446,208	-	-	446,208
Construction in progress	1,675,382	857,164	(909,472)	1,623,074
Total non-depreciable assets	<u>2,489,961</u>	<u>857,164</u>	<u>(909,472)</u>	<u>2,437,653</u>
Depreciable assets:				
Buildings and improvements	137,397,442	1,174,530	(590,206)	137,981,766
Machinery and equipment	5,110,547	122,761	(156,176)	5,077,132
Total depreciable assets	<u>142,507,989</u>	<u>1,297,291</u>	<u>(746,382)</u>	<u>143,058,898</u>
Accumulated depreciation:				
Buildings and improvements	44,896,478	2,826,809	(203,907)	47,519,380
Machinery and equipment	4,186,156	225,068	(156,176)	4,255,048
Total accumulated depreciation	<u>49,082,634</u>	<u>3,051,877</u>	<u>(360,083)</u>	<u>51,774,428</u>
Depreciable assets, net	<u>93,425,355</u>	<u>(1,754,586)</u>	<u>(386,299)</u>	<u>91,284,470</u>
Business-type capital assets, net	<u>\$ 95,915,316</u>	<u>\$ (897,422)</u>	<u>\$ (1,295,771)</u>	<u>\$ 93,722,123</u>

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 5. Capital Assets – (Continued)

Depreciation expense is charged to functions as follows:

Governmental Activities		Business-Type Activities	
General Government	\$ 278,127	Water	\$ 1,199,276
Public Safety	354,940	Sewer	1,687,421
Public Works	1,293,019	Municipal Parking	<u>138,319</u>
Recreation	147,776		<u>\$ 3,025,016</u>
Urban Development & Housing	<u>71,870</u>		
	<u>\$ 2,145,732</u>		

Assets costing \$26,861 with accumulated depreciation of \$26,861 were transferred from the governmental funds to the proprietary funds. The net effect of the transfer of assets results in a difference of \$26,861 between the additions reported in the accumulated depreciation section of the business-type activities and the business-type activities depreciation expense.

Note 6. Property Held For Sale/Development

The Cumberland Economic Development Corporation holds 5 acres of land known as the Rolling Mill Project for sale and /or development. This property is recorded at a cost of \$2,090,791, less an allowance of \$2,090,791, for a net realizable value of zero.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 7. Long Term Liabilities

Long-term Liability Activity

Long term liability activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Additions/ Reallocation of Debt	Reductions/ Reallocation of Debt	Ending Balance	Amounts Due Within One Year
<u>Governmental Activities:</u>					
Bonds and notes payable:					
General Obligation Bonds	\$24,720,173	\$4,926,911	\$ (1,295,855)	\$28,351,229	\$1,441,852
Notes payable	1,037,958	-	(192,958)	845,000	50,000
Total bonds and notes payable	25,758,131	4,926,911	(1,488,813)	29,196,229	1,491,852
Compensated absences	1,201,119	1,643,568	(1,298,944)	1,545,743	866,951
Retainage payable	290,516	-	(205,432)	85,084	-
Workers comp payable	2,556,233	705,119	(331,912)	2,929,440	1,387,325
Pension liability	11,365,275	2,903,854	-	14,269,129	-
Governmental activities long-term Liabilities	\$41,171,274	\$10,179,452	\$ (3,325,101)	\$48,025,625	\$3,746,128
<u>Business-type Activities:</u>					
Bonds and notes payable:					
General Obligation Bonds	\$31,527,406	\$ 1,850,242	\$ (1,592,499)	\$31,785,149	\$1,846,160
Notes payable	3,177	-	(3,177)	-	-
Total bonds and notes payable	31,530,583	1,850,242	(1,595,676)	31,785,149	1,846,160
Compensated absences	399,390	760,799	(450,299)	709,890	315,828
Workers comp payable	1,027,272	249,033	(241,685)	1,034,620	489,975
Pension liability	2,734,732	809,195	-	3,543,927	-
Business-type activities long-term liabilities	\$35,691,977	\$ 3,669,269	\$ (2,287,660)	\$37,073,586	\$2,651,963

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 7. Long Term Liabilities – (Continued)

Long-Term debt payable at June 30, 2016 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>\$212,728</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>1,479,324</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>2,824,389</i>
<i>\$1,400,000, 2002 Merchant's Alley Public Improvement Bonds due in installments of \$26,800 to \$136,877 through August, 2016; interest at 4.030%</i>	<i>107,695</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>97,501</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>1,261,491</i>
<i>\$480,000, 2005 Tax Incremental Financing bond due in semi-annual installments of \$16,400 to \$28,600 through May, 2020; interest at 5.0%</i>	<i>128,000</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>222,899</i>
<i>\$4,665,000, 2009 GOB Pension Contribution Bonds due in annual installments of \$310,542 to \$570,444 through June, 2036; interest at 5.400% to 6.625%</i>	<i>4,665,000</i>
<i>\$9,070,000, 2008 GOB (Street Imp Fund) due in annual installments of \$375,000 to \$750,000 through September, 2028; interest at 4.0% to 5.0%</i>	<i>7,480,000</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>1,404,631</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>2,389,906</i>

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 7. Long Term Liabilities – (Continued)

<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>11,029,998</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>104,906</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>1,257,399</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>1,830,000</i>
<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>4,295,000</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>6,800,999</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>3,044,512</i>
<i>\$3,500,000 2016 Taxable Bond Anticipation Note due in full June 2019; interest rate at 2.75%.</i>	<i><u>3,500,000</u></i>
<i>Total</i>	<i><u>\$60,136,378</u></i>

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, 2016 was \$2,659,735 which was being held in an escrow account by the State of Maryland.

In June 2016, the City issued General Obligation Bond Anticipation Notes (BANs) in the amount of \$3,500,000 with an interest rate of 2.75%. These BANs mature and are payable in June 2019. The BANs shall be subject to redemption prior to maturity at the option of the City, in whole or in part, in June 2017 or any date thereafter. The proceeds of the BAN issuance are for the purpose of financing or reimbursing the costs of the Maryland Avenue Redevelopment Project. The unspent portion at June 30, 2016 was \$1,403,338 which was being held in an investment account by the Maryland Local

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 7. Long Term Liabilities – (Continued)

Government Investment Pool.

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 .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, 2016 was \$2,054,132 which was being held in an escrow account by the State of Maryland.

Notes payable

*\$1,400,000 (Face amount and cost of expense), Section 108 loan
due in semi-annual installments of \$40,446 to \$116,538 through
August 2028; interest at 2.62%-5.42%*

\$845,000

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 7. Long Term Liabilities – (Continued)

Debt Maturity

Debt service requirements at June 30, 2016 were as follows:

Year	Governmental Funds				Total	
	<u>Bonds</u>		<u>Notes</u>			
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 1,441,852	\$1,135,312	\$ 50,000	\$ 41,842	\$ 1,491,852	\$ 1,177,154
2018	1,404,585	1,103,962	55,000	39,468	1,459,585	1,143,430
2019	4,909,159	1,059,621	55,000	36,944	4,964,159	1,096,565
2020	1,459,447	917,572	55,000	34,334	1,514,447	951,906
2021	1,487,518	867,363	60,000	31,507	1,547,518	898,870
2022-2026	7,982,361	3,434,459	335,000	107,849	8,317,361	3,542,308
2027-2031	6,368,994	1,708,416	235,000	19,025	6,603,994	1,727,441
2032-2036	3,297,313	478,626	-	-	3,297,313	478,626
	<u>\$28,351,229</u>	<u>\$10,705,331</u>	<u>\$ 845,000</u>	<u>\$ 310,969</u>	<u>\$ 29,196,229</u>	<u>\$ 11,016,300</u>

Year	Proprietary Funds				Total	
	<u>Bonds</u>		<u>Notes</u>			
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 1,846,160	\$ 687,896	\$ -	\$ -	\$ 1,846,160	\$ 687,896
2018	1,954,759	652,757	-	-	1,954,759	652,757
2019	1,842,416	612,539	-	-	1,842,416	612,539
2020	7,872,171	577,904	-	-	7,872,171	577,904
2021	1,923,563	534,281	-	-	1,923,563	534,281
2022-2026	8,311,092	2,042,505	-	-	8,311,092	2,042,505
2027-2031	5,898,790	938,823	-	-	5,898,790	938,823
2032-2036	2,136,198	198,090	-	-	2,136,198	198,090
	<u>\$ 31,785,149</u>	<u>\$ 6,244,795</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$31,785,149</u>	<u>\$ 6,244,795</u>

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.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 8. Compensated Absences (Continued)

- 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, 2016, only 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 days 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.

All vacation pay and unpaid sick leave to which employees are entitled have been accrued when incurred in the government-wide financial statements. A liability for these amounts 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 \$1,545,743. Accrued sick leave and vacation liabilities for the City's proprietary funds in the amount of \$709,890 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.

Note 9. State Income Tax Revenue Repayment Obligation and Restatement of Net Position

The City was notified by the State of Maryland (the State) that the State had over allocated state income tax revenue to the City covering a period of several years. The State is allowing this obligation to be repaid without interest over a ten year repayment period beginning in 2024. The City has recorded a \$984,506 long-term liability and related restatement of net positions at June 30, 2015 in the Governmental Activities section of the government-wide financial statements. The City expects this obligation to be liquidated from the General Fund in future years.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 10. Fund Balance - Fund Financial Statements

As of June 30, 2016, fund balances reported in the fund financial statements are composed of the following:

	<u>General Fund</u>	<u>Housing Assistance Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:				
Prepaid Expenditures	\$ 2,162,538	\$ -	\$ -	\$ 2,162,538
Inventories	15,283	-	-	15,283
Restricted:				
Public Safety	217,094	-	-	217,094
TIF District	-	-	9,381	9,381
CDBG	-	-	804,947	804,947
Housing Assistance	-	-	273,485	273,485
Capital Outlay	5,660,887	-	-	5,660,887
Street Improvements	-	-	339,862	339,862
Special Taxing District	-	-	127,185	127,185
Community Develop.	308,922	-	-	308,922
Community Legacy	-	-	513,267	513,267
Unassigned	830,789	-	(281,525)	549,264
Total Fund Balances	<u>\$ 9,195,513</u>	<u>\$ -</u>	<u>\$ 1,786,602</u>	<u>\$ 10,982,115</u>

Note 11. 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 2016 at a rate of \$0.9654 per \$100 of assessed valuation on real property which is assessed at full market value. The present adjusted assessed valuation of real property is \$852 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, 2016

Note 11. 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, 2016 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, 2016 was \$0.268 per \$100 of assessed valuation. Real property is assessed at full market value. The present adjusted assessed valuation is \$28 million.

Tax Incremental Financing District

The City is permitted by Resolution dated September 21, 2004 to levy taxes on certain real property located within a special taxing district known as the “Shades Lane Development District” to provide funds for the payment of debt service on special obligation bonds issued to finance capital improvements within the district. The tax rate for the property within this district was \$1.2560 per \$100 of assessed valuation. Real property is assessed at full market value. The present adjusted assessed valuation is \$2,103,433.

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, 2016.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 14. Commitments

The City has active construction projects as of June 30, 2016. The projects include widening and construction of existing streets, demolition projects, and the construction of additional wastewater treatment facilities. At year-end, the government's commitments with contractors are as follows:

<u>Project</u>	<u>Contract Amount</u>	<u>Change Orders</u>	<u>Remaining Commitment</u>	<u>Fund</u>
Amtrak Trail Connection	\$150,024		\$50,024	Community Legacy/ Capital Projects
Baltimore Avenue Construction	\$2,047,806	\$261,366	\$399,183	Street Improvement
Canal Place Bikeway Improvements	\$ 48,000		\$1,277	Capital Projects
City Hall Sidewalk Improvements	\$90,800		\$18,765	General
City Phone System Installation	\$89,991		\$89,991	Capital Projects
Constitution Park Tennis Court Rehab	\$30,625		\$13,125	Capital Projects
CSO Storage Facility at WWTP Final Design	\$111,037		\$111,037	Sewer
Evitts Creek CSO Upgrade	\$177,690		\$164,947	Sewer
Filtration Plant Chlorine Feed Permit	\$2,179		\$2,179	Sewer
Installation of Fiber	\$35,688		\$21,160	General
Mechanic Street Improvements	\$35,250		\$24,493	Capital Projects
Mill, Patch Work on Various Streets	\$2,432,016	\$365,128	\$451,425	Capital Projects
Rebuild Backwash Pump at Filtration Plant	\$47,744		\$37,027	Water
Ridgely Flood Control Pump Station Rehab	\$80,745		\$1,739	Sewer
WWTP Sludge Screening Project-Engineering	\$177,600		\$28,406	Sewer
Total	<u>\$5,557,195</u>	<u>\$626,494</u>	<u>\$1,414,778</u>	

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 14. Commitments – (Continued)

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 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. 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 has updated the LTCP and plans to include CSO Storage and that project went into the design phase in FY'14. The CSO Storage Facility is estimated to cost \$30,000,000, and was included in the FY'17 Governor's Proposed Budget. The project is expected to be funded at 87.5% from the Bay Restoration Funds (BRF) and 12.5% through SRF loan funds. Bids were received on this project in the fall of 2016 and expected to be awarded early in 2017. 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. However, it is believed that flow from the Mill race CSO will still need to be transferred to the storage facility. This project has not been estimated, but it will be significant, potentially in the \$50,000,000 range.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 15. Risk Management

The City is exposed to various risks of loss to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which it carries commercial insurance. The City retains no risks for claims up to the maximum amount of the policy except for deductible amounts. The City did not have losses in excess of its insurance coverage for the current and prior fiscal years 2015 & 2013. However, in fiscal year 2014, the City incurred damages and judgments in the amount of \$360,000 in the Water Fund in excess of insurance coverage. This expense was reported as a non-operating expense of the Water Fund in fiscal year 2014.

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 \$1,989,000 depending on the policy year. As of June 30, 2016, 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, 2016. 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, 2016

Note 15. Risk Management (Continued)

The workers' compensation claims liability is presented at its net present value of \$3,964,060 (a non-discounted amount of \$4,408,183) using a 4.0% annual discount rate. The following represents the change in approximate aggregate liabilities for the City from July 1, 2013 to June 30, 2016:

Fiscal Year Ended June 30,	Claims Payable July 1,	Claims and Changes in Estimates	Claims Paid	Claims Payable June 30,
2014	\$ 2,872,865	\$ 401,330	\$ 443,702	\$ 2,830,493
2015	2,830,493	1,426,254	673,242	3,583,505
2016	3,583,505	954,152	573,597	3,964,060

Self-Insured Health Care

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 coverage's 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 \$55,000 per year and the aggregate annual participant claims in excess of \$3,180,590.

The third-party actuary estimated the non-discounted claims liability at June 30, 2016. 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 employees 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

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 15. Risk Management (Continued)

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. The following represents the change in the balance of claims payable for the City from July 1, 2014 to June 30, 2016:

Fiscal Year Ended June 30,	Claims Payable July 1,	Claims and Changes in Estimates	Claims Paid	Claims Payable June 30,
2015	\$ -	\$ 2,194,534	\$ 1,843,371	\$ 351,163
2016	\$ 351,163	\$ 4,383,466	\$ 4,361,405	\$ 373,224

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 administer the Employees' Retirement System (established October 1, 1941 and closed for new entrants on December 31, 1979), the Employees' Pension System (established January 1, 1980), and the Law Enforcement Officers' Pension System (LEOPS) for eligible law enforcement officers (effective July 1, 2008), and the Employees' Reformed Contributory Pension (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, which are cost sharing multiple-employer defined benefit plans. 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 Systems issue 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 E. Baltimore Street
Baltimore, Maryland 21202-6700

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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 Employee's 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, 2016

Note 16. Pension and Retirement Systems – (Continued)

Contributions

The City elected to join the Alternate Contributory Pension Selection (ACPS) of the Maryland State Retirement System (MSRS) which is governed by law, including Division II of the State Personnel and Pension Article of the Annotated Code of Maryland and Title 22 of the Code of Maryland Regulations. Employees covered under the ACPS were required to contribute 7% of their earnable compensation during fiscal year 2016. The City is required to contribute at an actuarially determined rate. The current rate is 5.0% of covered payroll for the Employees Retirement and Pension System and 5.0% of covered payroll for the Employees Retirement System. The City also is required to pay an ACPS 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, 2016, 2015, and 2014 were \$1,075,328, \$1,110,294, and \$1,114,007, 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 31.94% of covered payroll for the pension system. The City of Cumberland's contribution to LEOPS for the years ended June 30, 2016, 2015, and 2014 were \$741,405, \$696,348, and \$737,495 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, 2016, the City reported a liability of \$17,813,056 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2015, the City's proportion was 0.0857 percent, which was an increase of .006 from its proportion measured as of June 30, 2014.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 16. Pension and Retirement Systems – (Continued)

For the year ended June 30, 2016, the City recognized pension expense of \$3,088,998. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 364,793
Change of assumptions	1,044,661	-
Net difference between projected and actual earnings on pension plan investments	411,456	-
City contributions subsequent to the measurement date	<u>1,816,733</u>	<u>-</u>
Total	<u>\$ 3,272,850</u>	<u>\$ 364,793</u>

The City reported \$1,816,733 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, 2017. 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
2017	\$ 165,588
2018	165,588
2019	165,588
2020	500,430
2021	94,130
Total	<u>\$ 1,091,324</u>

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 16. Pension and Retirement Systems – (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2015 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	2.95% general, 3.45% wage
Salary Increases	3.45% to 10.70%, including inflation
Discount Rate	7.55%
Investment Rate of Return	7.55%
Mortality	RP-2014 Mortality Tables with generational mortality projections using scale MP-2014, calibrated to MSRPS experience

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the five year period of 2010-2014. The June 30, 2014 assumptions were based on a 2012 valuation pursuant to an actuarial experience study of the period 2006-2010. Based on the 2015 experience study, the actuary recommended changes in actuarial assumptions. The changes include 1) an increase in the general inflation rate from 2.90% to 2.95%, 2) an increase in the wage inflation rate from 3.40% to 3.45%, 3) salary increases from 3.40% to 11.90% to 3.45% to 10.70%, and 4) changes to mortality assumptions. Additionally, both the discount rate and investment rate of return decreased from 7.65% to 7.55%.

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:

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 16. Pension and Retirement Systems – (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Public Equity	35%	6.30%
Fixed Income	10%	0.60%
Credit Opportunity	10%	3.20%
Real Return	14%	1.80%
Absolute Return	10%	4.20%
Private Equity	10%	7.20%
Real Estate	10%	4.40%
Cash	<u>1%</u>	0.00%
Total	100%	

Discount Rate

A single discount rate of 7.55% 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 7.55%. 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 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 7.55%, 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 (6.55 percent) or 1-percentage point higher (8.55 percent) than the current rate:

	<u>1% Decrease (6.55%)</u>	<u>Current Discount Rate (7.55%)</u>	<u>1% Increase (8.55%)</u>
City's proportionate share of the net pension liability	\$25,176,024	\$17,813,056	\$11,707,689

Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued Maryland State Retirement System's financial report.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 16. Pension and Retirement Systems – (Continued)

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, 2016, employee contributions totaled \$169,536 to this plan.

The City has also established a defined contribution plan under the Internal Revenue Code Section 401(a) entitled “City of Cumberland 401(a) Match Plan” for employer contributions. Except for contributions made pursuant to certain employment agreements, employer contributions are discretionary. The City contributed \$8,503 in accordance with employment agreements into the deferred compensation plan for the current year. The City also contributed \$52,785 into this deferred compensation plan for employees who elected to opt-out of the City health insurance plan.

The City Administrator, City Solicitor and City Comptroller are trustees of both plans and administer both plans. 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 both plans.

Note 17. Post-Employment Health Care Benefits

Plan Description. The City of Cumberland sponsors a single-employer post-retirement medical plan administered by the City of Cumberland. The Plan provides medical, prescription, and death 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.

Funding Policy. The contribution requirements of plan members and the City are established and may be amended by the Mayor & City Council of Cumberland, Maryland. The required contribution is based on projected pay-as-you-go financing requirements. 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. As of May 2016, there are six employees remaining in this group. For employees in the Local #553 and #1715 unions that retire after October 2003, the City pays \$250 per month (adjusted by COLA) towards medical plan costs until they reach the age of 65. The City allows

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

medical plan coverage for retiree dependents until the dependent reaches the age of 65, but does not subsidize the cost. The required contribution is based on projected pay-as-you-go financing requirements.

In prior years, the City of Cumberland had anticipated the cessation of the post-employment health care benefits for employees in the Local #553 and #1715 unions due to pending contract negotiations, and therefore, accounted for only those employees retiring prior to the completion of the union negotiations. However, the benefits were retained with the March 2016 Local #553 union negotiations, and the City now expects the benefits will be retained with the upcoming Local #1715 union negotiations scheduled in July 2017, resulting in members of these two unions being included in the current year calculation.

Annual OPEB Cost and Net OPEB Obligation. The City’s annual other post-retirement benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC rate is 2.17 percent of annual covered payroll. The following table shows the components of the City’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City’s net OPEB Obligation.

Components of Net OPEB Obligation

Annual Required Contribution	\$ 118,774
Interest on Net OPEB Obligation	(3,272)
Adjustment to Annual Required Contribution	<u>3,710</u>
Annual OPEB Cost (Expense)	\$119,212
Contributions Made	<u>(139,003)</u>
Increase/(Decrease) in Net Obligation	(\$19,791)
Net OPEB Obligation (Asset), 7/1/15	<u>(72,703)</u>
Net OPEB Obligation (Asset), 6/30/16	<u>\$ (92,494)</u>

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are as follows:

Fiscal Year Ended	Annual OPEB Cost	OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2014	\$136,320	90.1%	\$(103,828)
6/30/2015	\$144,071	78.4%	\$(72,703)
6/30/2016	\$119,212	116.6%	\$(92,494)

Funded Status and Funding Progress. As of July 1, 2015, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$1,830,356 and the actuarial value of assets was \$0 resulting in an unfunded actuarial accrued liability (UAAL) of \$1,830,356. The covered payroll (annual payroll of active employees covered by the plan) was \$5,461,779 and the ratio of the UAAL to the covered payroll was 33.5%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on substantive plan (the plan as understood by the employer and the plan members) and includes the type of benefits provided at the time of each valuation and the historical pattern of sharing the benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2015 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.50% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer’s own

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

investments calculated based on the funded level of the plan assets at the valuation date, and an annual healthcare cost trend rate of 8% initially, reduced by decrements to an ultimate rate of 5% after six years. Both rates included a 5% inflation assumption. The actuarial value of assets was determined using a standard balanced portfolio expectation for retirement plan asset returns. The UAAL is being amortized as a level percentage of payroll over an open period of 30 years. No OPEB benefits are based on future salary levels.

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 a minimum of \$350,000 in annual operational funding appropriations to the CEDC. Operational funding appropriations amounted to \$357,818 for the initial period ended June 30, 2016. In addition, the City issued bond anticipation notes totaling \$3,500,000 to fund the CEDC's Rolling Mill project. Of this funding, \$2,075,000 was distributed to the CEDC during the period ended June 30, 2016. As of June 30, 2016, the City owed \$15,791 to the CEDC, which is reported on the government-wide financial statements as due to component unit.

Note 19. Subsequent Events

The City has evaluated, for possible financial statement disclosure, subsequent events through December 20, 2016, the date which the financial statements were available to be issued, and determined the following to be subsequent events.

In July 2016, the City approved an order to authorize the issuance and sale of general obligation bonds and general bond anticipation notes each in an aggregate principal amount not to exceed \$5,388,000, as well as general obligation refunding bonds which shall not exceed 130% of the aggregate principal amount of the bonds refunded there from, by private sale to the MD Water Quality Financing Administration for the purpose of financing costs of the Combined Sewer Overflow Storage Facility Project and related costs.

In July 2016, the City approved an order to authorize the issuance and sale of general obligation bonds and general obligation bond anticipation notes, each in an aggregate principal amount not to exceed \$477,000 and general obligation refunding bonds which shall not exceed 130% of the aggregate principal amount of the bonds refunded there from, by private sale to the MD Water Quality Financing Administration for the purpose of financing costs of Phase III of the Evitts Creek CSO Upgrade Project and related costs.

Required Supplementary Information

CITY OF CUMBERLAND, MARYLAND
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	<i>Budgeted Amounts</i>		<i>Actual Amounts</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
Revenues:				
Taxes	\$ 10,476,987	\$ 10,476,987	\$ 10,781,864	\$ 304,877
Licenses and permits	172,700	172,700	213,539	40,839
Intergovernmental	3,055,404	3,055,404	3,361,131	305,727
Charges for services	1,591,428	1,591,428	1,688,563	97,135
Fines and forfeitures	2,000	2,000	1,840	(160)
Interest	6,050	6,050	10,946	4,896
Miscellaneous	620,374	620,374	651,531	31,157
Total Revenues	<u>15,924,943</u>	<u>15,924,943</u>	<u>16,709,414</u>	<u>784,471</u>
Expenditures:				
Current:				
General government	1,684,034	1,739,034	1,737,551	1,483
Public safety	11,028,402	10,938,402	10,932,748	5,654
Public works	3,234,761	2,734,761	2,730,567	4,194
Recreation	1,226,544	846,544	842,531	4,013
Community development and housing	1,472,161	3,652,161	3,647,733	4,428
Debt Service:				
Principal	1,159,756	945,010	938,826	6,184
Interest	438,982	701,841	701,841	-
Bond issue costs	-	101,887	101,887	-
Total Expenditures	<u>20,244,640</u>	<u>21,659,640</u>	<u>21,633,684</u>	<u>25,956</u>
Revenues in Excess of (Less Than) Expenditures	<u>(4,319,697)</u>	<u>(5,734,697)</u>	<u>(4,924,270)</u>	<u>810,427</u>
Other Financing Sources (Uses):				
Transfers-in	4,396,705	3,796,705	3,693,851	(102,854)
Transfers-out	(863,116)	(1,493,116)	(1,491,472)	1,644
Financing proceeds	1,289,000	4,789,000	4,811,250	22,250
Total Other Financing Sources	<u>4,822,589</u>	<u>7,092,589</u>	<u>7,013,629</u>	<u>(78,960)</u>
Special Item - Demolition costs	<u>-</u>	<u>(250,000)</u>	<u>(249,193)</u>	<u>807</u>
Net Change in Fund Balances	<u>\$ 502,892</u>	<u>\$ 1,107,892</u>	1,840,166	<u>\$ 732,274</u>
Fund balance, beginning			7,355,347	
Fund balance, ending			<u>\$ 9,195,513</u>	

CITY OF CUMBERLAND, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POST-EMPLOYMENT BENEFITS SCHEDULE OF FUNDING PROGRESS

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Funded Ratio	Unfunded Actuarial Accrued Liability (UAAL)	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2013	\$0	\$185,277	0%	\$185,277	\$5,481,511 *	3.4%
July 1, 2014	\$0	\$142,338	0%	\$142,338	\$5,491,376 *	2.6%
July 1, 2015	\$0	\$1,830,356	0%	\$1,830,356	\$5,461,779	33.5%

* Restatement of previously reported information to exclude employees who have opted out of coverage under the OPEB Plan..

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*

	2016	2015
City's proportion of the net pension liability	5.3%	4.8%
City's proportionate share of the net pension liability	10,947,232	8,483,657
City's covered-employee payroll	8,183,050	8,050,908
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	133.78%	105.38%
Plan fiduciary net position as a percentage of the total pension liability	66.26%	69.53%

LAW ENFORCEMENT OFFICERS' PENSION SYSTEM
LAST TEN FISCAL YEARS*

	2016	2015
City's proportion of the net pension liability	3.3%	3.2%
City's proportionate share of the net pension liability	6,865,824	5,616,351
City's covered-employee payroll	2,286,856	2,322,088
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	300.23%	241.87%
Plan fiduciary net position as a percentage of the total pension liability	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>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,075,328	\$ 1,110,294
Contributions in relation to the contractually required contribution	<u>(1,075,328)</u>	<u>(1,110,294)</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>
City's covered-employee payroll	<u>\$ 8,692,424</u>	<u>\$ 8,183,050</u>
Contributions as a percentage of covered-employee payroll	12.37%	13.57%

LAW ENFORCEMENT OFFICERS' PENSION SYSTEM
LAST TEN FISCAL YEARS*

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 741,405	\$ 696,348
Contributions in relation to the contractually required contribution	<u>(741,405)</u>	<u>(696,348)</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>
City's covered-employee payroll	<u>\$ 2,321,244</u>	<u>\$ 2,286,856</u>
Contributions as a percentage of covered-employee payroll	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, 2016

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 2015 valuation:

- The investment return assumption changed from 7.65% to 7.55% during the year.
- The inflation assumption changed from 2.90% to 2.95% during the year and from 3.4% to 3.45% for wages.
- The disability mortality assumption changed from:
 RP-200 Combined Healthy Mortality table projected to year 2025, to
 RP-2014 with generated mortality projections using scale MP-2014, calibrated to MSRPS experience

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions for 2015 Valuation

Actuarial	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Inflation	2.95% general, 3.45% wage
Salary Increases	3.45% to 10.70%, including inflation
Discount Rate	7.55%
Investment Rate of Return	7.55%
Mortality	RP 2014 Mortality Tables with generational mortality projections using scale MP-2014, calibrated to MSRPS experience

**CITY OF CUMBERLAND, MARYLAND
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016**

	<i>Tax Increment Financing District</i>	<i>CDBG Fund</i>	<i>Rehabilitation Loan Fund</i>	<i>Special Taxing District</i>	<i>Community Legacy</i>	<i>Police Grants</i>	<i>Capital Projects Fund</i>	<i>Street Improvement Fund</i>	<i>Total Non-Major Governmental Funds</i>
ASSETS									
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 37,598	\$ -	\$ -	\$ 23,544	\$ 533,414	\$ 594,556
Investments	-	-	-	85,646	-	-	-	203,716	289,362
Taxes receivable	-	-	-	25,933	-	-	-	-	25,933
Accounts receivable	-	16	-	253	-	-	-	-	269
Due from other governments	14,545	282,384	-	6,758	92,747	117,870	69,467	-	583,771
Prepaid expenditures	-	115	-	5,000	-	-	-	-	5,115
Housing loans receivable	-	-	273,485	-	-	-	-	-	273,485
Loans receivable	-	-	-	-	464,206	-	-	-	464,206
Notes receivable	-	845,000	-	-	-	-	-	-	845,000
Total Assets	\$ 14,545	\$ 1,127,515	\$ 273,485	\$ 161,188	\$ 556,953	\$ 117,870	\$ 93,011	\$ 737,130	\$ 3,081,697
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES									
<i>LIABILITIES:</i>									
Accounts payable	\$ -	\$ 180,595	\$ -	\$ 6,331	\$ 18,000	\$ 20,371	\$ 194,311	\$ 397,268	\$ 816,876
Interfund payables	5,164	101,920	-	-	25,686	113,726	-	-	246,496
Total Liabilities	5,164	282,515	-	6,331	43,686	134,097	194,311	397,268	1,063,372
<i>DEFERRED INFLOWS OF RESOURCES:</i>									
Unavailable revenues	-	40,053	-	27,672	-	101,940	62,058	-	231,723
<i>FUND BALANCES:</i>									
Fund balances (deficit):									
Restricted	9,381	804,947	273,485	127,185	513,267	-	-	339,862	2,068,127
Unassigned	-	-	-	-	-	(118,167)	(163,358)	-	(281,525)
Total Fund Balances (Deficit)	9,381	804,947	273,485	127,185	513,267	(118,167)	(163,358)	339,862	1,786,602
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 14,545	\$ 1,127,515	\$ 273,485	\$ 161,188	\$ 556,953	\$ 117,870	\$ 93,011	\$ 737,130	\$ 3,081,697

CITY OF CUMBERLAND, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	<i>Tax Increment Financing District</i>	<i>CDBG Fund</i>	<i>Rehabilitation Loan Fund</i>	<i>Special Taxing District</i>	<i>Community Legacy</i>	<i>Police Grants</i>	<i>Capital Projects Fund</i>	<i>Street Improvement Fund</i>	<i>Total Non-Major Governmental Funds</i>
Revenues:									
Taxes	\$ 40,964	\$ -	\$ -	\$ 178,192	\$ -	\$ -	\$ -	\$ -	\$ 219,156
Intergovernmental	-	917,790	-	15,975	307,310	305,543	46,722	-	1,593,340
Interest	-	45,019	-	165	1,231	-	-	910	47,325
Miscellaneous	-	-	-	28,318	-	-	-	-	28,318
Total Revenues	40,964	962,809	-	222,650	308,541	305,543	46,722	910	1,888,139
Expenditures:									
Current:									
General government	-	-	-	293,965	-	-	-	775	294,740
Public safety	-	-	-	-	-	279,111	-	-	279,111
Community development and housing	-	948,524	-	-	409,497	-	-	-	1,358,021
Capital Outlay	-	-	-	-	-	-	819,116	458,199	1,277,315
Debt Service:									
Principal	32,000	97,050	-	937	-	-	-	420,000	549,987
Interest	4,933	45,062	-	20	-	-	-	362,285	412,300
Total Expenditures	36,933	1,090,636	-	294,922	409,497	279,111	819,116	1,241,259	4,171,474
Revenues in Excess of (Less Than) Expenditures	4,031	(127,827)	-	(72,272)	(100,956)	26,432	(772,394)	(1,240,349)	(2,283,335)
Other Financing Sources (Uses):									
Transfers-in	16,774	5,733	-	50,000	-	-	630,495	783,060	1,486,062
Transfers-out	-	-	(5,733)	-	-	-	-	-	(5,733)
Total Other Financing Sources (Uses)	16,774	5,733	(5,733)	50,000	-	-	630,495	783,060	1,480,329
Net Change in Fund Balance	20,805	(122,094)	(5,733)	(22,272)	(100,956)	26,432	(141,899)	(457,289)	(803,006)
Fund balance (deficit), beginning	(11,424)	927,041	279,218	149,457	614,223	(144,599)	(21,459)	797,151	2,589,608
Fund balance (deficit), ending	\$ 9,381	\$ 804,947	\$ 273,485	\$ 127,185	\$ 513,267	\$ (118,167)	\$ (163,358)	\$ 339,862	\$ 1,786,602

CITY OF CUMBERLAND, MARYLAND
COMBINING STATEMENT OF NET POSITION
NON-MAJOR PROPRIETARY FUNDS
JUNE 30, 2016

	<u>Municipal Parking Authority</u>	<u>Trash</u>	<u>Total Non-Major Proprietary Funds</u>
ASSETS			
<u>Current Assets:</u>			
Cash and cash equivalents	\$ 295,839	\$ 658,878	\$ 954,717
Accounts receivable	22,998	98,117	121,115
Total Current Assets	<u>318,837</u>	<u>756,995</u>	<u>1,075,832</u>
<u>Noncurrent Assets:</u>			
Capital assets:			
Non-depreciable	180,737	-	180,737
Depreciable, net	3,685,662	-	3,685,662
Total Non-Current Assets	<u>3,866,399</u>	<u>-</u>	<u>3,866,399</u>
Total Assets	<u>4,185,236</u>	<u>756,995</u>	<u>4,942,231</u>
 DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	<u>39,550</u>	<u>-</u>	<u>39,550</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 4,224,786</u>	<u>\$ 756,995</u>	<u>\$ 4,981,781</u>
 LIABILITIES			
<u>Current Liabilities:</u>			
Accounts payable	\$ 36,737	\$ 105,964	\$ 142,701
Accrued interest	16,244	-	16,244
Accrued health claims	4,017	-	4,017
Current portion of compensated absences	12,636	-	12,636
Current portion of bonds and notes payable	142,210	-	142,210
Total Current Liabilities	<u>211,844</u>	<u>105,964</u>	<u>317,808</u>
<u>Noncurrent Liabilities:</u>			
Compensated absences (net of current portion)	17,105	-	17,105
Bonds and notes payable (net of current portion)	2,222,797	-	2,222,797
Net pension liability	93,067	-	93,067
Total Non-Current Liabilities	<u>2,332,969</u>	<u>-</u>	<u>2,332,969</u>
Total Liabilities	<u>2,544,813</u>	<u>105,964</u>	<u>2,650,777</u>
 DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension	<u>3,687</u>	<u>-</u>	<u>3,687</u>
 NET POSITION			
Net investment in capital assets	1,528,511	-	1,528,511
Unrestricted	147,775	651,031	798,806
Total Net Position	<u>1,676,286</u>	<u>651,031</u>	<u>2,327,317</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 4,224,786</u>	<u>\$ 756,995</u>	<u>\$ 4,981,781</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, 2016

	<i>Municipal Parking Authority</i>	<i>Trash</i>	<i>Total Non-Major Proprietary Funds</i>
Operating Revenues:			
Charges for Services:			
Domestic	\$ -	\$ 1,266,986	\$ 1,266,986
Industrial	-	3,086	3,086
Rents/Concessions	467,315	-	467,315
Other	19,565	21,933	41,498
Total Operating Revenues	<u>486,880</u>	<u>1,292,005</u>	<u>1,778,885</u>
Operating Expenses:			
Personal services	267,823	-	267,823
Utilities	14,664	-	14,664
Repairs and maintenance	10,778	-	10,778
Landfill and recycling	-	432,538	432,538
Depreciation	138,319	-	138,319
Contractual Service	17,560	760,320	777,880
Other operating expenses	14,566	148,082	162,648
Total Operating Expenses	<u>463,710</u>	<u>1,340,940</u>	<u>1,804,650</u>
Operating Income (loss)	<u>23,170</u>	<u>(48,935)</u>	<u>(25,765)</u>
Non-Operating (Expenses):			
Interest income	13	-	13
Interest expense	<u>(108,176)</u>	<u>-</u>	<u>(108,176)</u>
Total Non-Operating (loss)	<u>(108,163)</u>	<u>-</u>	<u>(108,163)</u>
Net Income (loss) Before Contributions, Special Items, and Transfers	<u>(84,993)</u>	<u>(48,935)</u>	<u>(133,928)</u>
Assumption of other proprietary activities debt	(33,343)	-	(33,343)
Transfers-in	<u>34,780</u>	<u>-</u>	<u>34,780</u>
Net Income (loss)	(83,556)	(48,935)	(132,491)
Net position-beginning of year	<u>1,759,842</u>	<u>699,966</u>	<u>2,459,808</u>
Net position-end of year	<u>\$ 1,676,286</u>	<u>\$ 651,031</u>	<u>\$ 2,327,317</u>

CITY OF CUMBERLAND, MARYLAND
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	<i>Municipal Parking Authority</i>	<i>Trash</i>	<i>Total Non-Major Proprietary Funds</i>
Cash Flows from Operating Activities:			
Cash receipts from customers	\$ 445,272	\$ 1,259,116	\$ 1,704,388
Cash payments to suppliers	(22,683)	(1,337,720)	(1,360,403)
Cash payments for personal services	(267,606)	-	(267,606)
Other operating receipts	19,565	21,933	41,498
Net Cash Provided (Used) by Operating Activities	<u>174,548</u>	<u>(56,671)</u>	<u>117,877</u>
Cash Flows from Noncapital Financing Activities:			
Transfers from (to) other funds	34,780	-	34,780
Net Cash Provided (Used) By Noncapital Financing Activities	<u>34,780</u>	<u>-</u>	<u>34,780</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(69,862)	-	(69,862)
Proceeds from capital debt/reallocation of capital debt	31,435	-	31,435
Principal paid on capital debt	(52,364)	-	(52,364)
Interest paid on capital debt	(100,260)	-	(100,260)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(191,051)</u>	<u>-</u>	<u>(191,051)</u>
Cash Flows from Investing Activities:			
Interest on investments	13	-	13
Net Cash from Investing Activities:	<u>13</u>	<u>-</u>	<u>13</u>
Net Increase in Cash and Cash Equivalents	18,290	(56,671)	(38,381)
Cash and Cash Equivalents at Beginning of Year	277,549	715,549	993,098
Cash and Cash Equivalents at End of Year	<u>\$ 295,839</u>	<u>\$ 658,878</u>	<u>\$ 954,717</u>

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

CITY OF CUMBERLAND, MARYLAND
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016
(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	\$ 295,839	\$ 658,878	\$ 954,717
Investment balance-Statement of Net Position	-	-	-
Cash and Cash Equivalents-Statement of Cash Flows	<u>\$ 295,839</u>	<u>\$ 658,878</u>	<u>\$ 954,717</u>

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

Operating Income (Loss)	\$ 23,170	\$ (48,935)	\$ (25,765)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	138,319	-	138,319
Pension expense	1,991	-	1,991
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	(22,043)	(10,956)	(32,999)
Increase (decrease) in accounts payable	34,885	3,220	38,105
Increase (decrease) in accrued health claims	(1,015)	-	(1,015)
Increase (decrease) in accrued wages and compensated absences	<u>(759)</u>	<u>-</u>	<u>(759)</u>
Net cash provided (used) by operating activities	<u>\$ 174,548</u>	<u>\$ (56,671)</u>	<u>\$ 117,877</u>

Noncash operating, financing, and investing activities:

Assumption of other proprietary activities debt	\$ (33,343)	\$ -	\$ (33,343)
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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>	89 - 92
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>	93 - 97
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>	98 - 100
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>	101 - 103
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>	104 - 106
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>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Governmental Activities										
Net investment in capital assets	\$ 14,091,543	\$ 11,085,676	\$ 14,988,772	\$ 15,427,981	\$ 16,111,275	\$ 15,315,474	\$ 14,417,904	\$ 14,620,530	\$ 16,053,058	\$ 13,378,759
Restricted	749,796	657,169	886,915	917,895	1,072,036	982,836	1,153,832	1,190,885	2,742,539	3,893,658
Unrestricted	<u>710,280</u>	<u>(1,765,789)</u>	<u>(5,436,042)</u>	<u>(4,488,333)</u>	<u>(5,420,125)</u>	<u>(3,084,925)</u>	<u>(3,528,950)</u>	<u>(3,410,070)</u>	<u>(20,864,672)</u>	<u>(24,148,075)</u>
Total Governmental Activities Net Position	\$ <u>15,551,619</u>	\$ <u>9,977,056</u>	\$ <u>10,439,645</u>	\$ <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>
Business-Type Activities										
Net investment in capital assets	\$ 35,809,340	\$ 37,686,049	\$ 42,359,859	\$ 57,597,712	\$ 69,709,393	\$ 70,443,754	\$ 69,384,635	\$ 68,227,169	\$ 66,477,517	\$ 64,873,365
Restricted	249,144	-	-	-	-	-	-	-	1,079,295	-
Unrestricted	<u>1,074,763</u>	<u>1,864,475</u>	<u>(242,674)</u>	<u>941,058</u>	<u>747,042</u>	<u>1,338,550</u>	<u>783,556</u>	<u>1,038,693</u>	<u>3,169,240</u>	<u>4,992,895</u>
Total Business-Type Activities Net Position	\$ <u>37,133,247</u>	\$ <u>39,550,524</u>	\$ <u>42,117,185</u>	\$ <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>
Primary Government										
Net investment in capital assets	\$ 49,900,883	\$ 48,771,725	\$ 57,348,631	\$ 73,025,693	\$ 85,820,668	\$ 85,759,228	\$ 83,802,539	\$ 82,847,699	\$ 82,530,575	\$ 78,252,124
Restricted	998,940	657,169	886,915	917,895	1,072,036	982,836	1,153,832	1,190,885	3,821,834	3,893,658
Unrestricted	<u>1,785,043</u>	<u>98,686</u>	<u>(5,678,716)</u>	<u>(3,547,275)</u>	<u>(4,673,083)</u>	<u>(1,746,375)</u>	<u>(2,745,394)</u>	<u>(2,371,377)</u>	<u>(17,695,432)</u>	<u>(19,155,180)</u>
Total Primary Government Net Position	\$ <u>52,684,866</u>	\$ <u>49,527,580</u>	\$ <u>52,556,830</u>	\$ <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>

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities:										
General Government	\$ 2,529.2	\$ 2,719.1	\$ 2,264.9	\$ 2,008.3	\$ 1,954.2	\$ 1,771.7	\$ 2,118.6	\$ 1,725.0	\$ 1,849.3	\$ 2,042.7
Public Safety	10,001.1	11,400.7	10,600.7	9,770.8	10,859.6	10,208.1	11,821.8	10,880.6	12,157.6	12,594.7
Public Works	3,043.2	3,614.3	3,131.2	2,948.3	3,179.7	3,286.2	3,068.2	3,544.9	4,021.8	3,892.2
Recreation	984.5	1,231.7	995.4	961.3	1,044.7	911.6	868.6	1,001.7	926.6	1,033.0
Community Development and Housing	3,238.8	3,948.7	4,294.0	4,849.2	3,757.4	3,538.7	3,433.5	3,356.3	4,111.0	4,680.7
Payment to component unit	-	-	-	-	-	-	-	-	-	-
Interest on long-term debt	329.6	340.3	869.3	1,019.3	990.3	898.0	872.1	825.9	1,096.7	1,115.2
Total governmental activities expenses	\$ 20,126.4	\$ 23,254.8	\$ 22,155.5	\$ 21,557.2	\$ 21,785.9	\$ 20,614.3	\$ 22,182.8	\$ 21,334.4	\$ 24,163.0	\$ 25,358.5
Business-type activities:										
Water	\$ 5,690.7	\$ 5,974.7	\$ 6,161.8	\$ 6,320.2	\$ 6,428.6	\$ 6,171.3	\$ 5,887.9	\$ 6,080.4	\$ 6,049.2	\$ 7,052.4
Sewer	4,750.6	5,178.0	5,171.3	5,247.6	6,132.2	7,381.0	6,649.1	7,884.0	7,655.3	8,065.9
Municipal Parking Authority	387.0	408.6	548.4	524.6	542.4	528.3	517.2	541.4	571.6	571.9
Trash	1,085.4	1,119.4	1,075.3	1,053.8	1,115.0	1,146.0	1,135.8	1,136.5	1,439.9	1,340.9
Property Rental	73.9	112.7	120.1	301.9	850.9	765.5	428.6	740.7	-	-
Total business-type activities expenses	11,987.6	12,793.4	13,076.9	13,448.1	15,069.1	15,992.1	14,618.6	16,383.0	15,716.0	17,031.1
Total primary government expenses	\$ 32,114.0	\$ 36,048.2	\$ 35,232.4	\$ 35,005.3	\$ 36,855.0	\$ 36,606.4	\$ 36,801.4	\$ 37,717.4	\$ 39,879.0	\$ 42,389.6
Program Revenues										
Governmental activities:										
Charges for services:										
General Government	\$ 632.1	\$ 597.5	\$ 678.8	\$ 694.3	\$ 763.4	\$ 702.2	\$ 648.0	\$ 733.8	786.4	\$ 897.2
Public Safety	1,825.3	1,106.8	1,348.9	1,160.0	1,214.7	1,308.0	1,094.7	1,142.7	1,612.9	1,425.2
Public Works	4.1	1.5	-	-	-	-	-	-	-	-
Recreation	146.5	158.7	116.7	101.9	109.9	159.5	137.2	134.0	151.7	139.2
Community Development and Housing	111.4	92.7	109.0	79.1	130.5	120.6	51.6	43.1	27.8	-
Operating grants and contributions	5,794.3	5,835.6	5,915.6	5,992.9	4,497.2	5,255.4	4,412.4	4,717.2	5,328.5	5,542.1
Capital grants and contributions	154.5	953.8	701.1	300.7	1,199.0	292.9	183.9	602.0	354.0	49.9
Total governmental activities program revenues	\$ 8,668.2	\$ 8,746.6	\$ 8,870.1	\$ 8,328.9	\$ 7,914.7	\$ 7,838.6	\$ 6,527.8	\$ 7,372.8	\$ 8,261.3	\$ 8,053.6
Business-type activities:										
Water	\$ 7,270.4	\$ 7,624.5	\$ 8,139.8	\$ 7,980.1	\$ 7,635.6	\$ 7,595.1	\$ 7,413.1	\$ 7,387.4	\$ 7,429.6	\$ 7,152.9
Sewer	4,674.9	4,863.4	5,526.2	5,326.6	5,913.1	6,526.3	7,064.5	8,508.7	9,881.9	10,789.4
Municipal Parking Authority	440.6	648.7	628.8	660.6	648.5	600.1	584.5	543.0	442.1	486.9
Trash	976.8	1,109.4	1,131.8	1,305.8	1,349.4	1,329.3	1,319.5	1,306.6	1,304.9	1,292.0
Property Rental	146.8	205.2	136.1	88.0	443.2	494.9	247.8	9.5	-	-
Capital grants and contributions	451.6	2,788.7	2,116.2	16,441.4	10,721.0	1,580.3	900.1	457.0	22.9	-
Total business-type activities program revenues	13,961.1	17,239.9	17,678.9	31,802.5	26,710.8	18,126.0	17,529.5	18,212.2	19,081.4	19,721.2
Total primary government revenues	\$ 22,629.3	\$ 25,986.5	\$ 26,549.0	\$ 40,131.4	\$ 34,625.5	\$ 25,964.6	\$ 24,057.3	\$ 25,585.0	\$ 27,342.7	\$ 27,774.8
Net (Expense)/Revenue										
Governmental activities	\$ (11,458.2)	\$ (14,508.2)	\$ (13,285.4)	\$ (13,228.3)	\$ (13,871.2)	\$ (12,775.7)	\$ (15,655.0)	\$ (13,961.6)	\$ (15,901.7)	\$ (17,304.9)
Business-type activities	1,973.5	4,446.5	4,602.0	18,354.4	11,641.7	2,133.9	2,910.9	1,829.2	3,365.4	2,690.1
Total primary government net expense	\$ (9,484.7)	\$ (10,061.7)	\$ (8,683.4)	\$ 5,126.1	\$ (2,229.5)	\$ (10,641.8)	\$ (12,744.1)	\$ (12,132.4)	\$ (12,536.3)	\$ (14,614.8)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes	\$ 8,350.2	\$ 8,678.9	\$ 9,434.3	\$ 10,309.7	\$ 10,731.2	\$ 10,808.4	\$ 10,522.2	\$ 10,792.7	\$ 10,698.6	\$ 10,552.0
Franchise Fees	246.8	247.6	276.4	281.5	277.3	272.6	270.1	269.0	278.1	292.1
Other taxes	153.7	178.5	150.4	209.6	244.0	291.3	225.3	259.4	274.9	280.4
Shared revenues	1,288.8	1,430.3	1,357.7	1,477.3	1,298.6	1,219.7	1,292.2	1,366.6	1,413.6	1,305.4
Unrestricted investment earnings	137.0	115.4	123.2	134.7	110.4	73.4	63.0	58.4	56.1	55.2
Gain on sale of capital assets	-	-	-	-	-	-	144.0	-	-	-
Special Item - Demolition Costs	-	-	-	-	-	-	-	-	(661.3)	(249.2)
Miscellaneous	189.3	285.0	352.9	144.6	183.3	748.1	88.5	117.7	178.2	131.1
Transfers	1,786.1	971.9	2,052.9	2,088.8	932.3	812.3	2,270.1	1,456.2	(246.3)	3,564.5
Total governmental activities	12,151.9	11,907.6	13,747.8	14,646.2	13,777.1	14,225.8	14,875.4	14,320.0	11,991.9	15,931.5
Business-type activities:										
Unrestricted investment earnings	225.7	104.4	17.6	3.6	8.2	4.3	3.6	7.8	7.4	14.6
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	(1,786.1)	(971.9)	(2,052.9)	(2,088.8)	(932.3)	(812.3)	(2,270.1)	(1,456.2)	246.3	(3,564.5)
Total business-type activities	(1,560.4)	(867.5)	(2,035.3)	(1,932.8)	275.9	(808.0)	(3,832.1)	(2,731.4)	750.7	(3,549.9)
Total primary government	\$ 10,591.5	\$ 11,040.1	\$ 11,712.5	\$ 12,713.4	\$ 14,053.0	\$ 13,417.8	\$ 11,043.3	\$ 11,588.6	\$ 12,742.6	\$ 12,381.6
Changes in Net Assets:										
Governmental activities:	\$ 693.7	\$ (2,600.6)	\$ 462.4	\$ 1,417.9	\$ (94.1)	\$ 1,450.1	\$ (779.6)	\$ 358.4	\$ (3,909.8)	\$ (1,373.4)
Business-type activities:	413.1	3,579.0	2,566.7	16,421.6	11,917.6	1,325.9	(921.2)	(902.2)	4,116.1	(859.8)
Total primary government	\$ 1,106.8	\$ 978.4	\$ 3,029.1	\$ 17,839.5	\$ 11,823.5	\$ 2,776.0	\$ (1,700.8)	\$ (543.8)	\$ 206.3	\$ (2,233.2)

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Reserved	\$ 999,506	\$ 1,596,462	\$ 1,895,760	\$ 2,145,060	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Nonspendable	-	-	-	-	1,631,590	2,225,805	1,779,502	1,926,471	1,670,455	2,177,821
Restricted	-	-	-	-	595,203	527,991	475,607	375,991	5,326,935	6,186,903
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	357,957	-
Unassigned	-	-	-	-	(1,606,117)	(862,478)	438,716	36,256	-	830,789
Unreserved	64,288	(865,200)	(1,223,111)	(1,912,378)	-	-	-	-	-	-
Total general fund	<u>\$ 1,063,794</u>	<u>\$ 731,262</u>	<u>\$ 672,649</u>	<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>
Housing Fund										
Reserved	\$ 19,636	\$ 30,041	\$ 38,724	\$ 39,059	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	39,139	39,139	1,584	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	(60,820)	(37,555)	-	-	-	-
Unreserved	(21,042)	(42,550)	(79,948)	(60,790)	-	-	-	-	-	-
Total housing fund	<u>\$ (1,406)</u>	<u>\$ (12,509)</u>	<u>\$ (41,224)</u>	<u>\$ (21,731)</u>	<u>\$ (21,681)</u>	<u>\$ 1,584</u>	<u>\$ 1,584</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
All Other Governmental Funds										
Reserved	\$ 511,654	\$ 1,882,533	\$ 499,258	\$ 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
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	(65,124)	(19,351)	(31,807)	(60,447)	(190,441)	(281,525)
Unreserved	-	-	-	-	-	-	-	-	-	-
Special Revenue Funds	135,492	(5,014)	196,397	274,530	-	-	-	-	-	-
Capital Projects Funds	1,890,177	621,216	9,167,317	7,845,997	-	-	-	-	-	-
Total all other governmental funds	<u>2,537,323</u>	<u>2,498,735</u>	<u>9,862,972</u>	<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>
All Governmental Funds										
Total Fund Balance All Governmental Funds	<u>\$ 3,599,711</u>	<u>\$ 3,217,488</u>	<u>\$ 10,494,397</u>	<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>

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>Fiscal Year 2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenues										
Taxes	\$ 8,652,112	\$ 8,779,740	\$ 9,799,768	\$ 10,353,170	\$ 11,646,674	\$ 10,882,483	\$ 10,817,154	\$ 11,175,297	\$ 11,275,178	\$ 11,001,020
Licenses and permits	1,129,714	274,909	236,101	288,312	233,466	184,514	136,179	151,120	248,312	213,539
Intergovernmental	7,393,334	8,009,375	8,205,565	7,968,020	7,128,218	6,852,312	5,984,096	6,488,782	7,118,645	7,007,493
Charges for Services	1,210,380	1,331,927	1,605,836	1,336,093	1,563,396	1,679,527	1,371,488	1,475,442	1,948,052	1,688,563
Fines and Forfeitures	25	375	500	1,810	391	1,080	1,785	805	1,155	1,840
Interest	140,472	118,953	124,986	108,498	112,613	75,937	65,277	61,743	59,038	58,271
Miscellaneous	677,262	536,508	797,017	565,979	623,303	755,678	524,720	595,438	527,463	679,849
Total revenue	<u>19,203,299</u>	<u>19,051,787</u>	<u>20,769,773</u>	<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>
Expenditures										
Current Operations:										
General Government	\$ 2,049,116	\$ 2,203,636	\$ 2,206,697	\$ 1,897,553	\$ 1,784,431	\$ 1,601,303	\$ 1,718,106	\$ 1,950,958	\$ 2,027,160	\$ 2,032,291
Public Safety	10,008,301	10,364,099	10,670,154	10,266,999	10,676,478	10,283,408	10,364,932	10,820,344	11,650,997	11,211,859
Public Works	2,608,485	3,087,626	2,486,053	2,435,387	2,401,370	2,692,508	2,421,606	2,617,524	2,953,458	2,730,567
Recreation	1,008,340	1,147,048	1,009,605	872,041	888,296	786,257	804,246	837,579	806,133	842,531
Community development and housing	3,362,049	4,090,933	5,449,267	5,287,740	4,044,178	3,645,278	3,318,134	3,318,234	4,451,754	7,058,776
Capital Outlay	916,129	2,077,914	930,412	1,502,551	3,650,316	1,332,967	2,047,829	1,178,513	1,628,048	1,277,315
Principal	763,831	902,588	1,164,828	1,181,844	931,548	653,691	902,173	1,506,713	1,309,403	1,488,813
Interest	299,992	332,758	717,536	1,011,608	998,502	920,672	883,645	838,884	1,056,403	1,114,141
Bond issue costs	8,007	-	294,690	-	-	141,397	-	39,246	59,900	101,887
Total Expenditures	<u>21,024,250</u>	<u>24,206,602</u>	<u>24,929,242</u>	<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>
Excess (deficiency) revenue over expenditures	<u>\$ (1,820,951)</u>	<u>\$ (5,154,815)</u>	<u>\$ (4,159,469)</u>	<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>
Other Financing Sources (Uses)										
Transfers-in	\$ 2,297,823	\$ 1,647,212	\$ 2,477,328	\$ 2,637,175	\$ 1,699,381	\$ 2,560,339	\$ 3,407,141	\$ 3,595,131	\$ 6,289,161	\$ 5,179,913
Transfers-out	(511,711)	(481,787)	(683,366)	(472,516)	(708,450)	(1,250,111)	(1,144,392)	(2,138,952)	(1,670,601)	(1,497,205)
Issuance of debt	3,118,258	2,280,600	9,154,872	-	576,003	2,587,781	10,103	-	5,352,339	4,811,250
Sale of capital assets	-	-	-	-	-	-	144,039	-	-	-
Refunding Proceeds	1,226,597	-	3,636,221	-	-	-	-	-	-	-
Special Item - Demolition Costs	-	-	-	-	-	-	-	-	(661,280)	(249,193)
Payment to refund bonds	(1,198,352)	-	(3,148,677)	-	-	(2,520,929)	-	723,600	-	-
Total Other Financing Sources (Uses)	<u>\$ 4,932,615</u>	<u>\$ 3,446,025</u>	<u>\$ 11,436,378</u>	<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>
Net change in fund balances	<u>\$ 3,111,664</u>	<u>\$ (1,708,790)</u>	<u>\$ 7,276,909</u>	<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>
Debt Service as percentage of non-capital expenditures	5.44%	5.84%	8.01%	9.79%	9.35%	8.08%	8.81%	10.70%	10.51%	10.22%
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	\$ 1,454,302	\$ 3,063,203	\$ 1,426,658	\$ 2,052,867	\$ 4,740,097	\$ 2,563,575	\$ 2,196,361	\$ 1,817,934	\$ 3,428,901	\$ 2,378,840

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		Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Tax Levy
		Amount	%age of Levy		Amount	%age of Levy		
2016	\$ 10,141,863	\$ 9,339,789	92.09%	\$ -	\$ 9,339,789	92.09%	802,074	7.91%
2015	\$ 10,309,841	\$ 9,382,860	91.01%	\$ 523,570	\$ 9,906,430	96.09%	403,411	3.91%
2014	\$ 10,280,128	\$ 9,367,169	91.12%	\$ 871,143	\$ 10,238,312	99.59%	41,816	0.41%
2013	\$ 10,137,308	\$ 8,943,020	88.22%	\$ 1,160,002	\$ 10,103,022	99.66%	34,286	0.34%
2012	\$ 10,549,106	\$ 9,409,920	89.20%	\$ 1,103,777	\$ 10,513,697	99.66%	35,409	0.34%
2011	\$ 10,221,915	\$ 9,672,280	94.62%	\$ 498,126	\$ 10,170,406	99.50%	51,509	0.50%
2010	\$ 9,765,311	\$ 8,509,422	87.14%	\$ 1,169,257	\$ 9,678,679	99.11%	86,632	0.89%
2009	\$ 8,940,621	\$ 8,296,738	92.80%	\$ 632,761	\$ 8,929,499	99.88%	11,122	0.12%
2008	\$ 6,566,258	\$ 5,933,129	90.36%	\$ 625,917	\$ 6,559,046	99.89%	7,212	0.11%
2007	\$ 6,210,956	\$ 5,986,973	96.39%	\$ 211,049	\$ 6,198,022	99.79%	12,934	0.21%

Source: City of Cumberland, Finance Department

City of Cumberland, Maryland

Assessed and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Real Property</u>		<u>Real Property</u> <u>Total Direct</u> <u>Tax Rate</u>	<u>Personal Property -</u> <u>Unincorporated</u>		<u>Personal Property - Privately</u> <u>Owned Railroads and Public</u> <u>Utilites</u>		<u>Personal Property - Corporation</u>		<u>Total Personal Property Tax</u> <u>Base</u>		<u>Personal</u> <u>Property</u> <u>Total Direct</u> <u>Tax Rate</u>
	<u>Assessed</u> <u>Value</u>	<u>Estimated</u> <u>Actual Value</u>		<u>Assessed</u> <u>Value</u>	<u>Estimated</u> <u>Actual Value</u>	<u>Assessed</u> <u>Value</u>	<u>Estimated</u> <u>Actual Value</u>	<u>Assessed</u> <u>Value</u>	<u>Estimated</u> <u>Actual Value</u>	<u>Assessed</u> <u>Value</u>	<u>Estimated</u> <u>Actual Value</u>	
2016	\$ 830,803,398	\$ 830,803,398	\$0.9654	\$ 2,230,023	\$ 2,230,023	\$ 40,794,830	\$ 40,794,830	\$ 40,120,734	\$ 40,120,734	\$ 913,948,985	\$ 913,948,985	\$2.648
2015	\$ 847,037,497	\$ 847,037,497	\$0.9654	\$ 1,620,657	\$ 1,620,657	\$ 38,684,890	\$ 38,684,890	\$ 41,014,172	\$ 41,014,172	\$ 928,357,216	\$ 928,357,216	\$2.648
2014	\$ 844,353,117	\$ 844,353,117	\$0.9654	\$ 1,777,681	\$ 1,777,681	\$ 36,838,390	\$ 36,838,390	\$ 42,150,092	\$ 42,150,092	\$ 925,119,280	\$ 925,119,280	\$2.648
2013	\$ 837,573,545	\$ 837,573,545	\$0.9654	\$ 1,979,532	\$ 1,979,532	\$ 35,630,660	\$ 35,630,660	\$ 40,595,652	\$ 40,595,652	\$ 915,779,389	\$ 915,779,389	\$2.648
2012	\$ 885,953,180	\$ 885,953,180	\$0.9654	\$ 1,503,927	\$ 1,503,927	\$ 43,186,620	\$ 43,186,620	\$ 32,027,657	\$ 32,027,657	\$ 962,671,384	\$ 962,671,384	\$2.648
2011	\$ 839,310,545	\$ 839,310,545	\$0.9654	\$ 1,684,932	\$ 1,684,932	\$ 33,803,640	\$ 33,803,640	\$ 45,071,441	\$ 45,071,441	\$ 919,870,558	\$ 919,870,558	\$2.648
2010	\$ 786,812,202	\$ 786,812,202	\$0.9654	\$ 1,583,459	\$ 1,583,459	\$ 34,788,640	\$ 34,788,640	\$ 59,410,206	\$ 59,410,206	\$ 882,594,507	\$ 882,594,507	\$2.648
2009	\$ 721,894,655	\$ 721,894,655	\$0.9654	\$ 1,798,753	\$ 1,798,753	\$ 38,538,100	\$ 38,538,100	\$ 33,942,231	\$ 33,942,231	\$ 796,173,739	\$ 796,173,739	\$2.648
2008	\$ 675,560,720	\$ 675,560,720	\$0.9479	\$ 2,164,894	\$ 2,164,894	\$ 37,694,880	\$ 37,694,880	\$ 75,428,421	\$ 75,428,421	\$ 790,848,915	\$ 790,848,915	\$2.568
2007	\$ 651,505,538	\$ 651,505,538	\$0.9479	\$ 1,996,728	\$ 1,996,728	\$ 42,019,704	\$ 42,019,704	\$ 38,849,771	\$ 38,849,771	\$ 734,371,741	\$ 734,371,741	\$2.568

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>
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
2008	\$ 0.9479	\$ 0.9090	\$ 0.112	\$ 2.04	\$ 6,403,640	\$ 6,140,847	\$ 756,628	\$ 13,301,115
2007	\$ 0.9479	\$ 0.9087	\$ 0.112	\$ 2.04	\$ 6,175,621	\$ 5,920,231	\$ 729,686	\$ 13,308,302

Source: (1) Allegany County, Finance Department

City of Cumberland, Maryland

**Principal Property Tax Payers
Real Property Taxes**

Current Year and Nine Years Ago

Taxpayer	2016			2007		
	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	\$ 17,737,433	1	2.13%			
CSX Transportation	\$ 11,064,400	2	1.33%	\$ 6,756,990	1	1.04%
ARC Cumberland	\$ 9,203,500	3	1.11%			
Devlin Manor Realty LLC	\$ 5,316,700	4	0.64%			
EII Cumberland Associates LLC	\$ 4,544,867	5	0.55%			
Allegany Healthcare Group LLC	\$ 4,256,933	6	0.51%			
BOIII Cumberland LLC	\$ 4,109,567	7	0.49%			
Hamstead Cumberland Arms	\$ 3,526,267	8	0.42%			
Cumberland Manor Associates	\$ 3,433,200	9	0.41%	\$ 4,000,000	6	0.61%
Memorial Hospital-Medical Center	\$ 3,233,567	10	0.39%	\$ 3,270,466	8	0.50%
Sacred Heart Hospital				\$ 6,248,900	2	0.96%
W2001 Eastern Hotel Realty, LP				\$ 5,188,200	3	0.80%
S-N Realty, LLC				\$ 4,804,466	4	0.74%
Perini Services - Devlin Manor				\$ 4,416,600	5	0.68%
Cumberland Plaza Associates, LP				\$ 3,368,000	7	0.52%
American Trust Bank				\$ 3,153,333	9	0.48%
1050 Industrial Boulevard, LLC				\$ 3,000,000	10	0.46%
Total	\$ 66,426,434		8.00%	\$ 44,206,955		5.84%

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	2016			2007		
	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	\$ 13,883,770	1	17.58%	\$ 11,252,890	2	14.22%
CSX Transportation	\$ 9,184,900	2	11.63%	\$ 3,478,460	5	4.40%
Columbia Gas of Maryland	\$ 8,839,560	3	11.20%	\$ 8,245,600	3	10.42%
Verizon - Maryland	\$ 6,873,550	4	8.71%	\$ 17,747,480	1	22.42%
Atlantic Broadband	\$ 3,511,130	5	4.45%	\$ 3,493,510	4	4.41%
De Lage Landen Operational Serv	\$ 1,669,600	6	2.11%			
Giant Food Stores	\$ 1,254,180	7	1.59%	\$ 1,018,030	10	1.29%
Haystack Imaging Services	\$ 1,177,730	8	1.49%	\$ 1,274,230	6	1.61%
Level 3 Communications	\$ 1,154,160	9	1.46%	\$ 1,145,690	9	1.45%
Black Sapphire C Cumberland	\$ 901,030	10	1.14%			
HFS Lease Residual Holding, LLC				\$ 1,190,710	7	1.50%
Spherix Incorporated				\$ 1,155,880	8	1.46%
Total	\$ 48,449,610		61.36%	\$ 50,002,480		34.15%

Source: City of Cumberland, Finance Department

City of Cumberland, Maryland

Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita

Last Ten Fiscal Years

<u>Fiscal Year</u> <u>Ended June</u> <u>30</u>	<u>Population</u> ¹	<u>Assessed Value</u> <u>(000's)</u> ²	<u>Total Bonded</u> <u>Debt - Primary</u> <u>Government</u> ²	<u>Proprietary</u> <u>Funds</u> ²	<u>Governmental</u> <u>Funds (Net)</u>	<u>Net</u> <u>Governmental</u> <u>Bonded Debt to</u> <u>Assessed Value</u> <u>Ratio</u>	<u>Net</u> <u>Governmental</u> <u>Bonded Debt</u> <u>to Per Capita</u> <u>Ratio</u>	<u>Notes and</u> <u>Leases for</u> <u>Governmental</u> <u>Funds</u>	<u>Notes and</u> <u>Leases for</u> <u>Proprietary</u> <u>Funds</u>	<u>Total Debt</u> <u>Per capita</u>
2016	20,235	\$ 913,949	\$ 60,136,378	\$ 31,785,149	\$ 28,351,229	3.10%	\$ 1,401	\$845,000	\$ -	\$ 3,014
2015	20,859	\$ 928,357	\$ 56,247,579	\$ 31,527,406	\$ 24,720,173	2.66%	\$ 1,185	\$1,037,958	\$ 3,177	\$ 2,746
2014	20,452	\$ 925,119	\$ 51,538,869	\$ 35,861,554	\$ 15,677,315	1.69%	\$ 767	\$1,262,880	\$ 6,825	\$ 2,582
2013	20,572	\$ 915,779	\$ 45,749,091	\$ 30,176,967	\$ 15,572,124	1.70%	\$ 757	\$2,151,184	\$ 3,222,865	\$ 2,485
2012	21,518	\$ 962,671	\$ 45,656,257	\$ 29,567,795	\$ 16,088,462	1.67%	\$ 748	\$2,526,912	\$ 3,517,656	\$ 2,403
2011	20,859	\$ 919,871	\$ 45,873,604	\$ 29,702,693	\$ 16,170,911	1.76%	\$ 775	\$3,031,306	\$ 3,842,922	\$ 2,529
2010	20,449	\$ 882,595	\$ 44,603,623	\$ 27,897,779	\$ 16,705,844	1.89%	\$ 817	\$2,851,918	\$ 2,644,322	\$ 2,450
2009	20,495	\$ 796,174	\$ 41,286,363	\$ 24,029,223	\$ 17,257,140	2.17%	\$ 842	\$3,424,630	\$ 2,984,847	\$ 2,327
2008	20,758	\$ 790,849	\$ 30,379,946	\$ 24,946,950	\$ 5,432,996	0.69%	\$ 262	\$3,817,476	\$ 3,322,252	\$ 1,807
2007	20,643	\$ 734,372	\$ 32,979,947	\$ 26,987,965	\$ 5,991,982	0.82%	\$ 290	\$2,019,579	\$ 3,310,224	\$ 1,856

¹ Source: City of Cumberland – Community Development Department

² Source: City of Cumberland - Finance Department

Personal Income Information Not Available

City of Cumberland, Maryland
Computation of Direct and Overlapping Debt
June 30, 2016

<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	\$29,196,229	100.0%	\$29,196,229
Allegany County , Maryland 2	\$21,058,882	24.3%	\$5,110,991
Total debt and overlapping debt	\$50,255,111		\$34,307,220

Source: City of Cumberland

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

<u>Fiscal Year</u> <u>Ended</u> <u>June 30</u>	<u>Population 1</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Debt</u> <u>Service</u>	<u>Total General</u> <u>Governmental</u> <u>Expenditures</u>	<u>Ratio of Debt</u> <u>Service to Total</u> <u>General</u> <u>Governmental</u> <u>Expenditures</u>
2016	20,235	938,826	701,841	1,640,667	21,633,684	7.58%
2015	20,859	778,964	623,022	1,401,986	19,944,887	7.03%
2014	20,452	996,427	384,856	1,381,283	17,915,930	7.71%
2013	20,572	409,378	409,392	818,770	16,180,521	5.06%
2012	21,518	537,321	434,667	971,988	16,633,582	5.84%
2011	20,859	814,737	505,787	1,320,524	16,973,912	7.78%
2010	20,449	1,054,179	510,093	1,564,272	18,192,637	8.60%
2009	20,495	1,094,334	514,034	1,608,368	17,986,019	8.94%
2008	20,758	839,453	306,500	1,145,953	17,912,962	6.40%
2007	20,643	715,842	271,527	987,369	15,235,900	6.50%

Source:

1) <http://www.city-data.com/city/Cumberland-Maryland.html>

City of Cumberland, Maryland

Economic and Demographic Statistics

<u>Calendar Year</u>	<u>Population</u> 2
1950	37,679
1960	33,415
1970	29,724
1980	25,933
1990	23,712
2000	21,518
2005	20,915
2006	20,467
2007	20,643
2008	20,758
2009	20,495
2010	20,449
2011	20,859
2012	21,518
2013	20,572
2014	20,452
2015	20,859
2016	20,235

	2016 Median Household Income	2016 Per Capita Personal Income	2016 Total Personal Income (Millions)	Unemployment Rate
City of Cumberland 1	\$ 33,732	\$ 21,916	\$ 683	Not Available
Allegany County 2	\$ 39,794	\$ 21,653	\$ 1,533	5.4%
Maryland (Average) 2	\$ 74,149	\$ 36,670	\$ 209,422	4.2%

Source:

1 <http://maryland.hometownlocator.com/md/allegany/cumberland.cfm>

2 <http://commerce.maryland.gov/Documents/ResearchDocument/AlleganyBef.pdf>

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

Employer	2016			2007		
	# of Employees	Rank	Percentage of Total County Employment	# of Employees	Rank	Percentage of Total County Employment
Western Maryland Health System	2,200	1	6.14%	2,400	1	7.18%
Allegany County Board of Education	1,346	2	3.76%	1,421	2	4.25%
ATK Tactical Systems	1050	3	2.93%	1,032	4	3.09%
Frostburg State University	977	4	2.73%	904	6	2.70%
CSX Transportation	900	5	2.51%	925	5	2.77%
Hunter Douglas	860	6	2.40%	570	8	1.71%
Allegany Colege	800	7	2.23%	507	9	1.52%
New Page Corporation	700	8	1.95%	1,100	3	3.29%
Western Maryland Correctional Institution	588	9	1.64%			
North Branch Correctional Institute	574	10	1.60%			
Allegany County Government				589	7	1.76%
Spherix				475	10	1.42%
Total employees for ten largest employers	9,995		27.89%	9,923		29.69%

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
2016	52	\$ 61,674,629	93	\$ 1,725,361
2015	29	\$ 14,277,583	105	\$ 4,052,790
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
2009	30	\$ 20,210,138	34	\$ 1,156,302
2008	27	\$ 28,073,590	54	\$ 5,093,844
2007	29	\$ 237,472,069	45	\$ 2,034,514

Source: City of Cumberland, Department of Community Development

City of Cumberland, Maryland
Employees by Function
Last Ten Fiscal Years

Function	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<u>General Government</u>										
Administration:										
Mayor & Council	5	5	5	5	5	5	5	5	5	5
City Administrator	1	1	1	1	1	2	2	2	2	2
City Clerk	2	2	2	2	1	1	1	1	1	1
Personnel	2	2	2	2	2	2	2	2	2	2
Economic Development	3	2	2	2	2	2	2	3	3	3
Finance	11	11	11	11	11	12	13	13	13	13
MIS	4	4	4	4	4	4	4	4	4	4
Central Services	5									
Community Development	18	15	15	12	12	14	14	14	16	24
Parks and Recreation	5	1	1	1	1	1	8	8	8	7
Public Works:										
Administration	3	3	3	3	3	3	3	3	3	3
Engineering	11	10	10	9	9	8	8	9	9	8
Vehicle Maintenance	4	4	4	2	4	6	6	6	6	7
Street Department	16	16	16	18	19	20	16	18	18	18
Police Department	60	66	66	61	61	55	53	56	54	63
Fire Department	55	62	62	66	66	64	62	62	65	63
<u>Enterprise Operations</u>										
Water Distribution	22	21	21	21	21	22	23	24	24	25
Water Filtration	11	9	9	9	9	9	9	10	10	9
Municipal Parking Authority	1									
Waste Water	13	17	17	17	16	18	18	18	14	18
Flood/Sewer	13	14	14	13	13	13	13	12	12	14
Total Employees	265	265	265	259	260	261	262	270	269	289

Source: City of Cumberland Human Resources Department

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

Function	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Government										
Public Safety:										
Stations	1	1	1	1	1	1	1	1	1	1
Number of Patrol Units	30	33	33	32	32	34	38	42	39	39
Fire:										
Stations	3	3	3	3	3	3	3	3	3	3
Number of Vehicles	15	15	15	14	14	14	16	16	16	16
Public Works:										
Streets (miles)	150.7	150.7	150.7	150.7	150.1	150.7	148.3	150.7	150.7	189.3
Traffic Signals	22	22	22	22	22	22	22	22	24	24
Enterprise Operations										
Water Operations:										
Miles of Water Main	120.0	120.0	120.0	120.0	135.0	142.2	142.2	142.2	142.2	142.2
Number of Fire Hydrants	900	900	900	900	900	932	932	932	932	932
Waste Water Operations:										
Miles of Storm/Sanitary Sewers	135.0	135.0	135.0	135.0	135.0	135.0	135.0	122.7	122.7	122.7
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

Function	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012	June 30, 2011	June 30, 2010	June 30, 2009	June 30, 2008	June 30, 2007
General Government										
Building Permits Issued:										
Commercial Permits Issued	56	38	16	23	26	29	45	30	27	29
Residential Permits Issued	130	15	24	21	49	32	43	34	54	45
Total Value of Permits Issued	\$71,966,422	\$18,330,373	\$7,635,000	\$3,385,700	\$12,966,511	\$16,169,951	\$30,419,416	\$21,366,440	\$33,167,434	\$239,506,583
Public Safety:										
Traffic Citations	796	722	1,025	1,275	1,909	952	2,339	1,137	943	1,346
Arrests	1,926	1,956	1,859	2,298	2,354	2,220	2,070	2,420	2,066	2,863
Fire:										
Number of Emergency Calls	5,770	5,658	4,934	4,923	4,642	4,566	4,743	4,694	4,515	4,320
Number of Fire Calls	1,322	1,341	1,257	1,222	1,249	1,164	1,304	1,127	1,200	1,255
Public Works:										
Miles of Streets Maintained	134	134	133.57	133.57	133.57	133.57	133.214	133.57	133.57	189.33
Street Overlay Costs	\$130,757	\$53,833	\$24,472	\$12,828	\$192,864	\$58,015	\$192,976	\$73,310	\$146,648	\$42,794.0
Enterprise Operations										
Water Operations:										
Number or Service Connections	9,876	9,895	9,890	8,982	9,901	9,868	9,843	9,827	9,852	9,253
Average Daily Consumption (Gallons)	5.067 Million	5.583 Million	5.523 Million	5.323 Million	5.703 Million	5.418 Million	5.646 Million	6.205 Million	5.352 Million	8.658 Million
Maximum Daily Capacity of Plant (Gallons)	15Million	15Million	15 Million	15 Million	15 Million	15 Million	15 Million	15 Million	15 Million	15 Million
Waste Water Operations:										
Number of Service Connections	8,957	8,980	8,979	9,892	8,879	8,914	8,894	8,879	8,888	9,254
Average Daily Treatment (Gallons)	10.122 Million	10.335 Million	10.764 Million	9.815 Million	10.428 Million	10.428 Million	12.383 Million	12.383 Million	12.676 Million	13.761 Million
Maximum Daily Capacity of Plant (gallons)	15 Million	15 Million	15 Million	15 Million	15 Million	15 Million	15 Million	15 Million	15 Million	15 Million

Source: City of Cumberland, Finance Department

