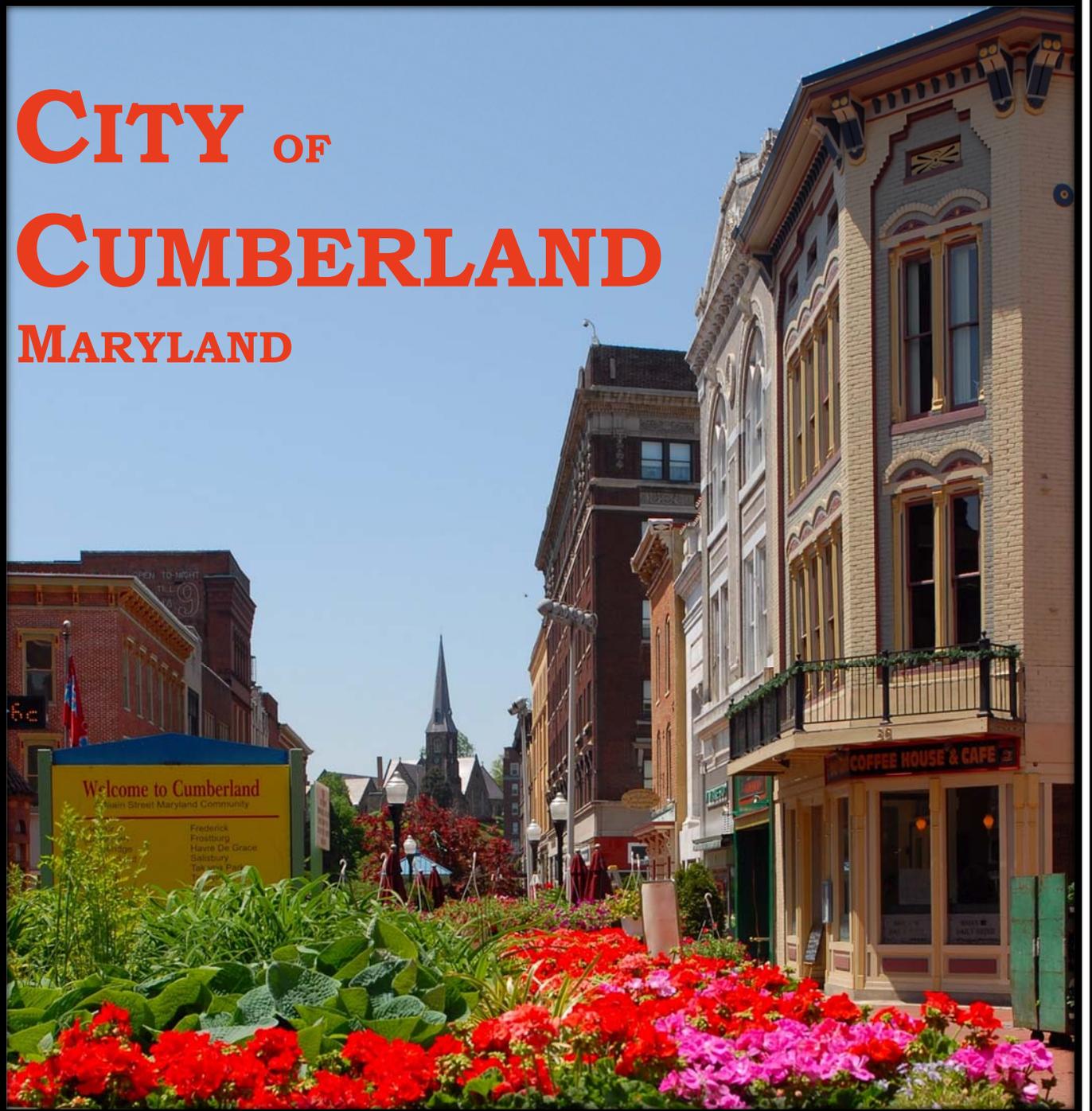


CITY OF CUMBERLAND MARYLAND



Comprehensive Annual Financial Report For the Fiscal Year End June 30, 2018



**Comprehensive
Annual
Financial Report**

**Fiscal Year 2018
July 1, 2017 - June 30, 2018**

City of Cumberland Administration



Brian K. Grim
Mayor



Jeffrey D. Rhodes
City Administrator



Eugene T. Frazier
Councilman



Seth D. Bernard
Councilman



David J. Caporale
Councilman



Richard J. Cioni, Jr.
Councilman

***City of Cumberland
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Introductory Section



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www.cumberlandmd.gov

December 18, 2018

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, 2018.

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, 2018, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used, and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended June 30, 2018, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

The Management Discussion and Analysis (MD&A) portion of the financial statements provides greater detail regarding management’s discussion of the financial condition of the City and what has transpired during fiscal year 2018. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City’s MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

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

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

The City of Cumberland was established in 1787 and incorporated in 1815. Its legal authority is derived from Article XI-E of the State Constitution and Article 23-A of the Annotated Code of Maryland. Cumberland has an estimated population of 19,907 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, Maryland has historically been the center for manufacturing and industry within Western Maryland with multimodal (e.g., rail, auto,

and recreation) transportation access to the metropolitan areas of Pittsburgh, PA, Washington, DC and Baltimore, MD. Over the last several decades, the influence and prominence of Cumberland as an industrial and manufacturing hub in the region diminished as businesses gravitated to lower cost environments in the southern U.S. and abroad. The closure of the Kelly-Springfield Tire Company plant in 1987 truly signaled the end of the City's industrial and manufacturing prominence. The loss of industry was accompanied by a dramatic decline in the local economy and other material demographics, including, (a) the population of Cumberland declined from a high of about 39,483 citizens in 1940 to its current level of about 19,707; (b) the median household income in the City is about \$32,825 compared to the State average of \$78,916 and the national average of \$57,652; (c) the percentage of citizens below the poverty level is about 24.4% compared to the State level of 9.3% and the national level of 12.3%; (d) the median value of owner-occupied housing is about \$89,600 compared to the State average of \$296,500 and national average of \$193,500; and (e) the owner occupied housing unit rate for the City's roughly 10,692 units is about 52% compared to the State average of 67% and the national average of 64%.

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

The City formed a committee during fiscal year 2017 to update its asset management plan and create the procedures to provide continual updates. Substantial progress was made during fiscal year 2018 to document the condition and schedule necessary improvements of major infrastructure assets within the City to include the water filtration plant, wastewater treatment plant, water distribution and waste collection systems, flood control systems and roads.

Major Initiatives:

- The City is obligated through consent decree to address its combined sewer overflow problem and as a result two major projects have been initiated.
 - The Combined Sewer Overflow (CSO) Storage Facility project represents a major upgrade to our wastewater treatment plant. The City was successful in obtaining State grants to pay for 87.5% of the \$30 million CSO project. The balance is being paid through the issuance of Maryland Water Quality debt. The CSO project began late in fiscal year 2017 and was roughly 25% complete at June 30, 2018.

- The second project is called the Mill Race Pipeline. We are performing the initial engineering work on the project which is expected to cost in the \$40 to \$50 million range. The City is also expected to secure grant for 87.5% of the project with the balance funded through Maryland water quality debt.
- The CEDC is actively marketing two properties that were previously acquired and prepared for commercial and/or residential development known as the Eastside School and Memorial Hospital properties.
- The CEDC in conjunction with the City identified for commercial development an area measuring about 6.5 acres that is situated along Interstate I-68 in the Plan's Maryland Avenue opportunity site. The development site includes about sixty-nine parcels of real estate of which fifty parcels are now owned by the CEDC and City. With one exception, all structures owned by the CEDC or the City have been razed and those parcels are ready for development. Project acquisition and demolition costs of \$4.0 million were funded by \$3.5 million in City issued debt and \$.5 million in grants from the Allegany County government and the Maryland department of Housing and Community Development. The CEDC, City and Cumberland Gateway Real Estate, LLC entered a written development agreement in or around October, 2018 whereby the developer will receive the aforementioned fifty parcels of land, negotiate in good faith with the balance of the remaining owners for acquisition of their land and commence commercial development of the site. It is expected that the developer will finalize its negotiations within the next several months to acquire the additional six parcels within the project area. Per the agreement, the developer is required to complete the development in phases with the first phase being complete around October, 2020 and each successive phase being completed within six months of the prior phase.
- The City has initiated a downtown revitalization project known as the Baltimore Street Redevelopment Project to potentially open a pedestrian mall to vehicular traffic and upgrade utilities and communication service lines. An engineering firm was hired to prepare above and below grade engineering plans, specifications and estimates for the redevelopment of Baltimore Street, including the replacement of aged underground infrastructure and the introduction of fiber optic cable along the thoroughfare. In addition, a streetscape design firm was hired to prepare the above grade streetscape design, e.g., a plan for how the surface would look and function. Preliminary estimates of the cost of the project are between \$5 and \$7 million. Following extensive review by Maryland State Highway Administration (SHA) in 2019 and pending adequate financing, the City anticipates the start and completion of construction in 2020. The Appalachian Regional Commission, through its Local Access Road Funds, has committed to provide \$1.25 million toward the project and the Maryland Department of Transportation has already awarded the City the sum of \$2.04 million through its Transportation Alternatives Program for above grade constructions costs. The City, CEDC and its State partners are actively working to secure additional project funding.
- The CEDC is actively seeking private sector acquisition for currently vacant and/or underutilized buildings in the downtown revitalization project area and was the recipient of a Governor's FY2018 Capital Budget Grant for \$500,000 and a Governor's FY2019 Capital Budget Grant for \$420,000, both of which are available to facilitate these initiatives.

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, 2017. This was the 11th year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles (GAAP) and applicable legal requirements.

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

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

Respectfully submitted,

Ken Tressler, CPA
City Comptroller



Government Finance Officers Association

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

Presented to

**City of Cumberland
Maryland**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

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

Eugene T. Frazier, Councilman
eugene.frazier@cumberlandmd.gov

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

Administration:

Jeffrey D. Rhodes
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Margie Woodring, City Clerk Assistant City Administrator (ACA)
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Human Resources
April Howser
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City of Cumberland, Maryland

List of Elected Officials and Administrators Contact information

(continued)

Public Safety:

Fire Department

Chief Donald Dunn

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Police Department

Chief Charles Hinnant

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Public Works:

Engineering

Robert Smith

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Administrative Services:

Finance and Collections

Kenneth Tressler

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Community Development

Margie Woodring ACA

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Management Information Systems

Johnna L. Byers

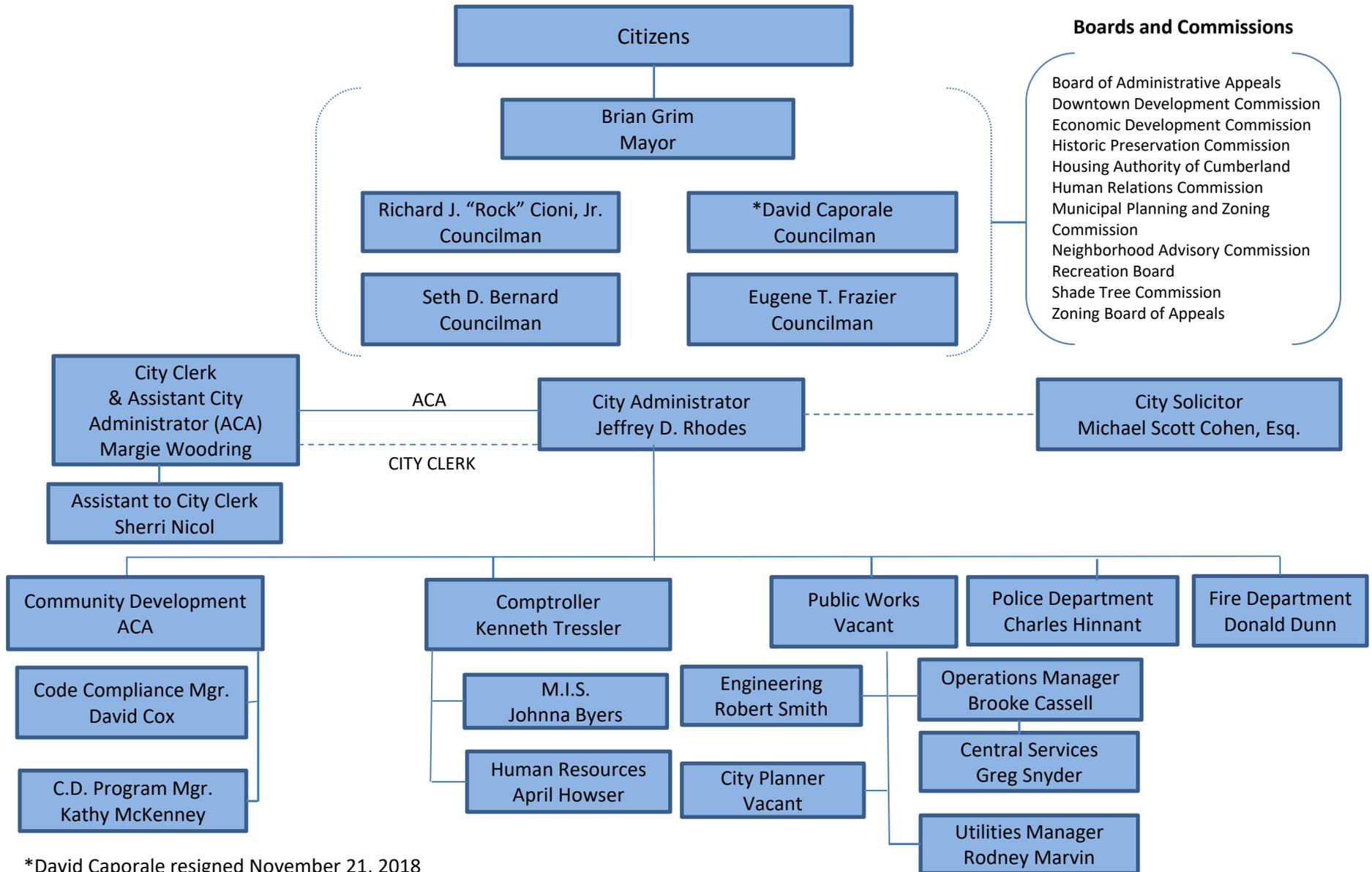
johnna.byers@cumberlandmd.gov

Parks and Recreation

Diane Johnson

diane.johnson@cumberlandmd.gov

City of Cumberland Organizational Chart



Boards and Commissions

- Board of Administrative Appeals
- Downtown Development Commission
- Economic Development Commission
- Historic Preservation Commission
- Housing Authority of Cumberland
- Human Relations Commission
- Municipal Planning and Zoning Commission
- Neighborhood Advisory Commission
- Recreation Board
- Shade Tree Commission
- Zoning Board of Appeals

*David Caporale resigned November 21, 2018

Financial Section

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



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Cumberland, Maryland 21502
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Honorable Mayor and Members
of the City Council
City of Cumberland
Cumberland, Maryland

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Cumberland, Maryland (the City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Cumberland, Maryland, as of June 30, 2018, 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.

Emphasis of Matter

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2018, the City adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

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 13 through 28, the budgetary comparison schedule on page 87, the City's schedule of changes in total other post-employment benefits and related ratios on page 88, the schedule of the City's proportionate share of the net pension liability on 89 the schedule of the City's pension contributions on page 90 and the notes to required supplementary information on page 91 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2018, on our consideration of the City of Cumberland, Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Cumberland, Maryland's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Cumberland, Maryland's internal control over financial reporting and compliance.



Cumberland, MD
December 18, 2018

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, 2018. 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 raised the real estate tax rate by 9.75% from \$0.9654 to \$1.0595 per \$100 of assessable base. The increase in the tax rate generated an additional \$0.84 million in real estate tax revenue.
- The City of Cumberland's assets exceeded its liabilities (net position) by \$67.5 million at June 30, 2018. Of this amount, the business-type activities net position of \$76.8 million was offset by the governmental activities net position deficit of \$9.3 million. The net position is comprised of net investments in capital assets in the amount of \$82.4 million, \$3.6 million restricted for specific purposes (*restricted net position*) including capital projects, community development and public safety and an *unrestricted net position* deficit of \$18.5 million.
- The City adopted GASB No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions as of July 1, 2017. As a result, the City's net position as of June 30, 2017 was restated for the cumulative effect of adopting GASB No. 75. The restatement resulted in a total decrease to net position of \$1.6 million including \$0.6 million for business-type activities and \$1.0 million for governmental activities.
- At June 30, 2018, the City's business-type activities had an unrestricted net position of \$6.7 million, while the governmental activities had an unrestricted deficit of \$25.2 million. The unrestricted net position deficit of the governmental activities decreased \$1.0 million compared to the restated balance at June 30, 2017. The increase is mainly due to a net change in fund balance as a result of 2018 operations. The unrestricted net position deficit of the governmental activities includes the government funds' long-term liabilities of \$13.9 million in bonds and notes payable that do not represent an offset to capital assets, \$15.3 million net pension liability, a worker's compensation liability of \$3.5 million and compensated absences of \$1.9 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 decreased by \$0.94 million to \$57 million during fiscal year 2018. The decrease was attributable to debt payments made during fiscal year 2018, which were made in compliance with all debt service agreements and were partially offset by the issuance of new debt. During fiscal year

2018 the City issued taxable and tax-exempt debt refunding bonds to refinance all or the majority of the outstanding debt of three previous bond issues two for as total refunded amount of \$15.1 million. By taking advantage of lower interest rates, over time the City will save \$1.0 as a result of the debt refunding. In addition, in August 2017, the City issued new Community Development Administration (CDA) debt of \$1.2 million through the Maryland Department of Housing and Community Development for the purchase of vehicles, heavy duty equipment and technical equipment and software. Finally, during fiscal year 2017 the City issued two separate bonds through the Maryland Water Quality Financing Administration in the amounts of \$3.0 million and \$0.3 million for the Sewer Fund Combined Sewer Overflow (CSO) Wastewater Treatment Plant and Evitts Creek projects. The City drew \$0.54 million during fiscal year 2018 and \$0.77 million through June 30, 2018 for the CSO projects. 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.

- In fiscal year 2017 the State of Maryland approved Bay Restoration Fee grants in the amounts of \$26.5 million and \$1.2 million to assist in the financing of the Wastewater Treatment Plant and Evitts Creek CSO projects. During fiscal year 2018, \$5.6 million was received from these grants.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$9.7 million, an increase of \$1.0 million in comparison to the prior year. The unassigned fund balance increased \$0.9 million and the nonspendable and restricted fund balances increased \$0.14 million. Approximately 52% (\$5.0 million) of the combined fund balance is restricted for specific purposes and is comprised primarily of undrawn or unused debt proceeds. Approximately 27% (\$2.6 million) of the combined fund balance is considered nonspendable and is comprised primarily of prepaid worker's compensation expenses. Approximately 21% (\$2.0 million) of the combined fund balance is considered unassigned and available for spending at the government's discretion. The unassigned fund balance has increased \$1.9 million during the last three fiscal years.

Overview of the Financial Statements

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

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

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

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

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

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

The government-wide financial statements can be found on pages 29-31 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 32-35 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 40-86 of this report.

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

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

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

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

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

Government-wide Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City of Cumberland, assets exceeded liabilities by \$67.5 million at June 30, 2018.

By far, the largest portion of the City's net position is an \$82.4 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 \$3.6 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 \$18.5 million at June 30, 2018. The deficit was a combination of an unrestricted net position surplus for the business type activities of \$6.7 million and the governmental activities' \$25.2 million deficit.

Net Position						
(000's)						
	Governmental		Business-type		Totals	
	Activities		Activities			
	FY 18	FY 17 as restated	FY 18	FY 17	FY 18	FY 17 as restated
Current and other assets	\$ 12,575	\$ 12,150	\$ 17,962	\$ 15,295	\$ 30,537	\$ 27,445
Capital assets	26,371	27,445	96,836	91,993	123,207	119,438
Total assets	<u>38,946</u>	<u>39,595</u>	<u>114,798</u>	<u>107,288</u>	<u>153,744</u>	<u>146,883</u>
Deferred outflows of resources	<u>3,866</u>	<u>4,105</u>	<u>974</u>	<u>1,078</u>	<u>4,840</u>	<u>5,183</u>
Long-term liabilities	45,302	47,895	33,745	34,196	79,047	82,091
Current liabilities	<u>5,800</u>	<u>5,703</u>	<u>4,887</u>	<u>3,946</u>	<u>10,687</u>	<u>9,649</u>
Total Liabilities	<u>51,102</u>	<u>53,598</u>	<u>38,632</u>	<u>38,142</u>	<u>89,734</u>	<u>91,740</u>
Deferred Inflows of resources	<u>1,041</u>	<u>422</u>	<u>284</u>	<u>109</u>	<u>1,325</u>	<u>531</u>
Net Position:						
Net Investment in Capital Assets	12,315	13,281	70,127	64,451	82,442	77,732
Restricted	3,564	3,683	-	-	3,564	3,683
Unrestricted (deficit)	<u>(25,210)</u>	<u>(27,284)</u>	<u>6,729</u>	<u>5,664</u>	<u>(18,481)</u>	<u>(21,620)</u>
Total Net Position	<u>\$ (9,331)</u>	<u>\$ (10,320)</u>	<u>\$ 76,856</u>	<u>\$ 70,115</u>	<u>\$ 67,525</u>	<u>\$ 59,795</u>

During fiscal year 2018 the City’s net position increased by \$7.7 million to \$67.5 million compared to a decline of \$1.7 million during fiscal year 2017. Revenue increased \$5.2 million to \$47.8 million and expenses decreased \$4.2 million to \$40.1 million. The fiscal year 2018 beginning balance was restated and reduced by \$1.5 million, as described in Note 19.

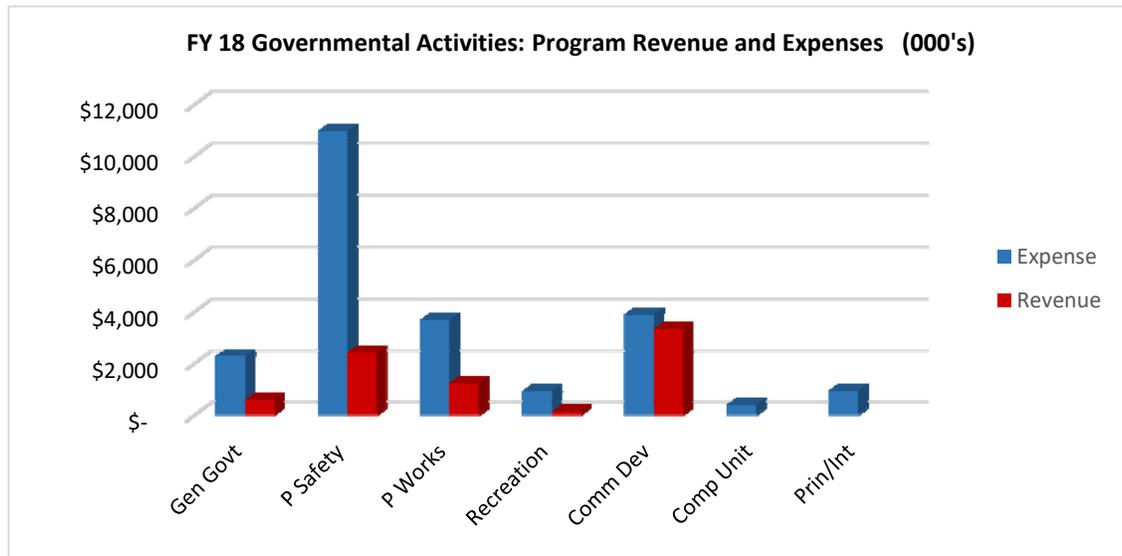
Changes in Net Position

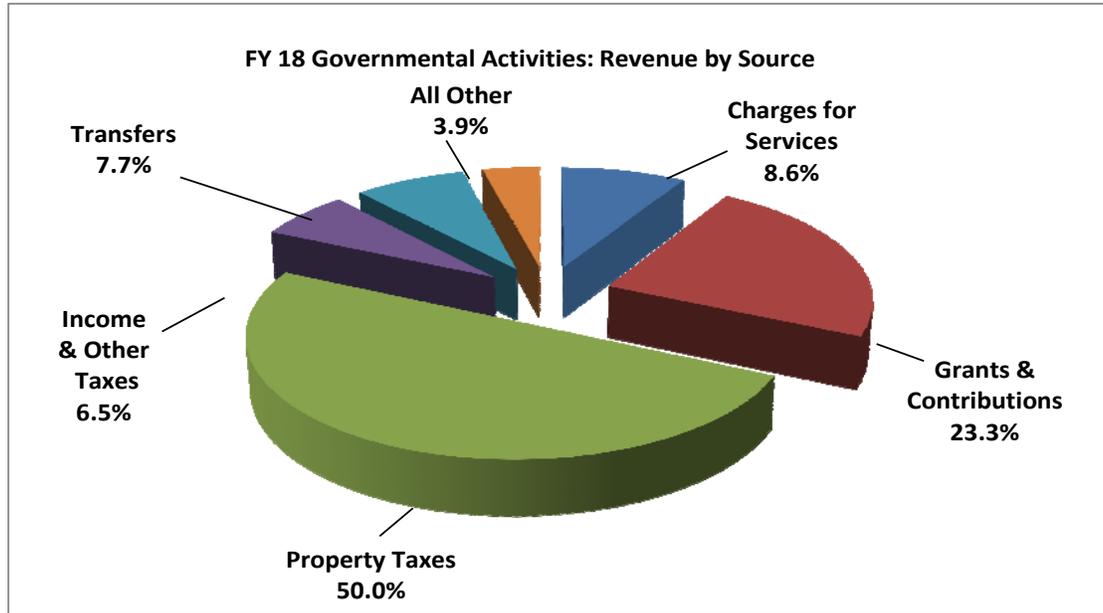
(In Millions)

	Governmental		Business-Type		Total Primary	
	<u>Activities</u>		<u>Activities</u>		<u>Government</u>	
	FY 18	FY 17	FY 18	FY 17	FY 18	FY 17
Revenues						
Program Revenues						
Charges for services	\$ 2.1	\$ 2.2	\$ 19.9	\$ 19.8	\$ 22.0	\$ 22.0
Operating Grants	5.3	5.2	-	-	5.3	5.2
Capital Grants and Contributions	0.3	1.0	5.6	0.5	5.9	1.5
General Revenues						
Property Taxes	12.0	10.8	-	-	12.0	10.8
Other taxes	0.6	0.6	-	-	0.6	0.6
Shared Revenues	1.3	1.2	-	-	1.3	1.2
Miscellaneous	0.6	1.3	0.1	-	0.7	1.3
TOTAL REVENUES	<u>22.2</u>	<u>22.3</u>	<u>25.6</u>	<u>20.3</u>	<u>47.8</u>	<u>42.6</u>
Program Expenses						
General Government	2.3	2.6	-	-	2.3	2.6
Public Safety	10.9	13.2	-	-	10.9	13.2
Public Works	3.7	4.1	-	-	3.7	4.1
Recreation	0.9	1.0	-	-	0.9	1.0
Community Development	3.9	4.1	-	-	3.9	4.1
Payment to component unit	0.4	1.7	-	-	0.4	1.7
Interest on LT Debt	0.9	1.1	-	-	0.9	1.1
Water	-	-	7.3	6.6	7.3	6.6
Sewer	-	-	7.8	7.9	7.8	7.9
Municipal Parking Authority	-	-	0.5	0.6	0.5	0.6
Trash	-	-	1.5	1.4	1.5	1.4
TOTAL EXPENSES	<u>23.0</u>	<u>27.8</u>	<u>17.1</u>	<u>16.5</u>	<u>40.1</u>	<u>44.3</u>
Excess Before Transfers and Special Items	(0.8)	(5.5)	8.5	3.8	7.7	(1.7)
Special Items	-	-	-	-	-	-
Transfers	1.8	3.0	(1.8)	(3.0)	-	-
Change in Net Position	<u>1.0</u>	<u>(2.5)</u>	<u>6.7</u>	<u>0.8</u>	<u>7.7</u>	<u>(1.7)</u>
Net Position- Beginning	(9.4)	(6.9)	70.7	69.9	61.3	63.0
Restatement	(0.9)	-	(0.6)	-	(1.5)	-
Net Position-Beginning (as restated)	<u>(10.3)</u>	<u>(6.9)</u>	<u>70.1</u>	<u>69.9</u>	<u>59.8</u>	<u>63.0</u>
Net Position-Ending	<u>\$ (9.3)</u>	<u>\$ (9.4)</u>	<u>\$ 76.8</u>	<u>\$ 70.7</u>	<u>\$ 67.5</u>	<u>\$ 61.3</u>

Governmental activities. The City's governmental activities' net position increased by \$1.0 million to a deficit of \$9.3 million after considering the beginning balance restatement of \$0.9 million. This compares to a decline in the net position of \$2.5 million during fiscal year 2017, representing a \$3.5 million improvement. Expenses were down \$4.8 million and were partially offset by a slight reduction of \$0.1 million in revenue and a transfers-in reduction of \$1.2 million. Key differences are listed below:

- A tax revenue increase of \$1.2 million was offset by a \$0.7 million decrease in capital grants and a \$0.7 million decrease in miscellaneous revenue. The tax revenue increase was primarily caused by the tax rate increase mentioned earlier. A state grant for a road improvement (\$0.4 million) and a federal program open space grant for \$0.3 million received in 2017 were not repeated in 2018 causing the \$0.7 million decrease in capital grants. In 2017 the State of Maryland forgave a \$1.0 million debt associated with an over-allocation of income taxes, this was partially offset by a 2018 health insurance refund of \$0.3 million causing an overall \$0.7 million reduction in miscellaneous revenue.
- Overall expenses decreased \$4.8 million. The most significant changes between years was a \$2.7 million decrease in pension expenses caused by changes in assumption and estimates by the Maryland State Retirement System. A \$1.3 million reduction in payments to a component unit as support for an economic development activity ended in fiscal year 2017. In addition, compensated absences, workers' compensation expenses and interest expenses combined increased \$0.5 million. The balance is comprised of many smaller changes.
- The fiscal year 2018 transfers-in were \$1.2 million lower than the previous year as a 2017 \$0.9 million discretionary transfer from the sewer fund was not repeated in 2018. In addition, a \$.03 million transfer from the Water and Sewer Funds was made in 2017 for a reallocation of prepaid workers compensation expenses was not necessary in 2018.

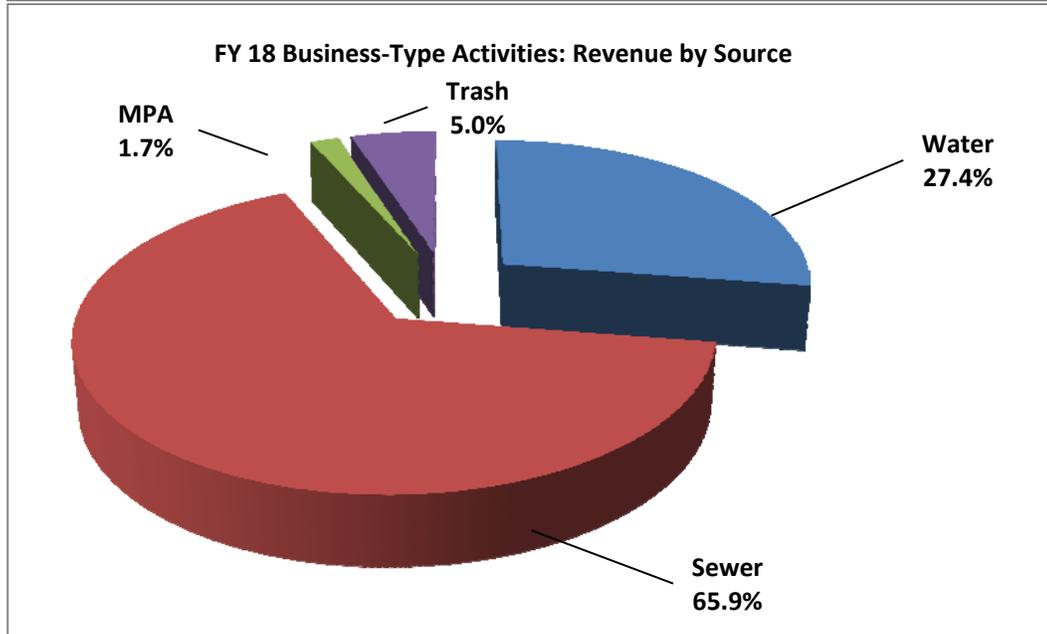
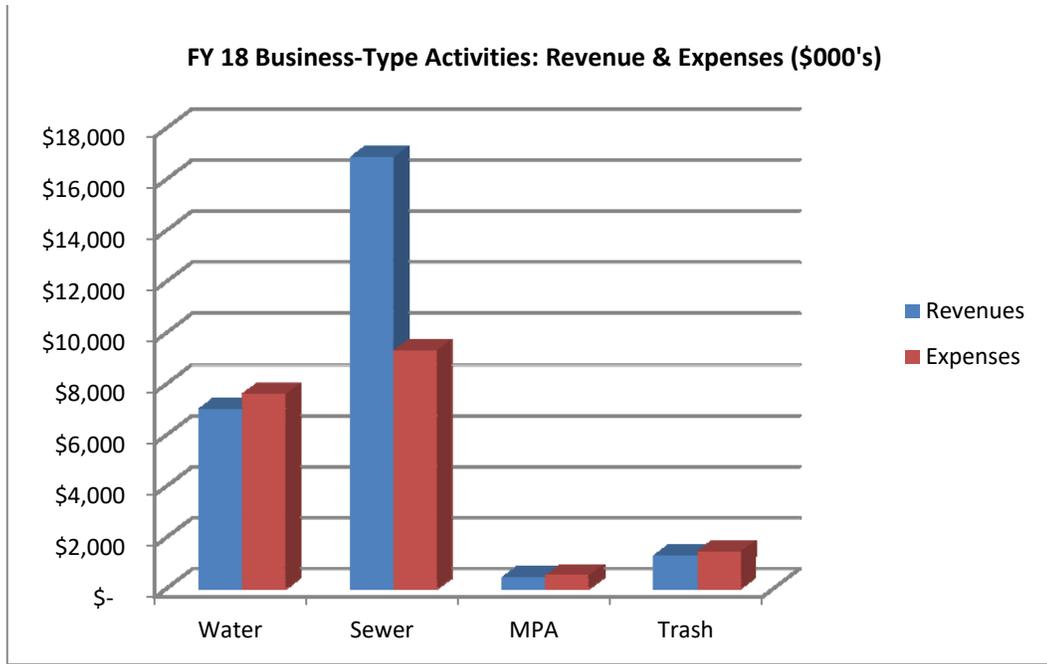




Business-type activities. The City's net position for the business-type activities increased \$6.7 million in fiscal year 2018 compared to an increase of \$0.8 million in fiscal year 2017. The overall \$5.9 million improvement is due primarily to the following items:

- Revenue increased \$5.3 million primarily due to \$5.6 million in grants the City received from the State of Maryland for cost reimbursement associated with a major Sewer Fund construction project. The project started late in fiscal 2017 and the grant for that year was \$0.5 million.
- Expenses increased \$0.6 million as an increase in Water Fund operating costs of \$0.7 million was partially offset by small operating cost decreases in the Sewer and Municipal Parking Authority Funds. The increases in the Water Fund were due to unusual maintenance costs associated with water line breaks (\$0.3 million) and increases of \$0.15 million each in personnel and other operating costs
- An absence of discretionary utility and prepaid workers compensation expense reallocation transfers to the General Fund caused a \$1.2 million decrease to transfers-out.

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



Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined fund balances of \$9.7 million, an increase of \$1.0 million as compared to the prior year. Approximately 27% of this amount (\$2.0 million) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The *unassigned fund balance* increased \$0.9 million during fiscal 2018. The remainder of the fund balance is either *nonspendable or restricted* to indicate that it is: 1) not in spendable form (\$2.6 million) or 2) restricted for particular purposes (\$5.0 million).

The General Fund is the chief operating fund of the City of Cumberland. At the end of the current fiscal year the unassigned fund balance of the General Fund was \$2.1 million, out of a total fund balance of \$7.7 million. This represents an increase of \$0.9 million to the unassigned fund balance and a \$0.7 million increase to the total fund balance compared to balances from the prior year. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to fund expenditures. Unassigned fund balance represents 9.1% of the general fund expenditures, while total fund balance represents 34.0% of that same amount.

The General Fund nonspendable fund balance of \$2.6 million at June 30, 2018 consists primarily of prepaid workers compensation (\$2.3 million) and employee healthcare (\$0.3 million) costs. The nonspendable balance increased slightly when compared to the previous year. The restricted fund balance decrease of \$3.0 million is associated primarily with unspent debt proceeds restricted for specific purposes. The restricted fund balance decreased \$0.2 million as the utilization of debt proceeds from prior years was partially offset with an unspent balance from the CDA debt that was issued during 2018.

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, 2018

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Other Enterprise Funds</u>	<u>Totals</u>
Net Position				
Net investment in Capital Assets	\$ 16,162,664	\$ 52,401,804	\$ 1,563,093	\$ 70,127,561
Unrestricted	<u>2,901,762</u>	<u>3,575,348</u>	<u>252,148</u>	<u>6,729,258</u>
Total Net Position	<u>\$ 19,064,426</u>	<u>\$ 55,977,152</u>	<u>\$ 1,815,241</u>	<u>\$ 76,856,819</u>
Restatement prior year net position	\$ (386,562)	\$ (215,120)	\$ (5,763)	\$ (607,445)
Change in net position during the year, increase (decrease)	<u>\$ (578,820)</u>	<u>\$ 7,563,100</u>	<u>\$ (242,273)</u>	<u>\$ 6,742,007</u>

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

General Fund Budgetary Highlights

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

With these amendments, the charges to expenditures were \$121,000 below the final budgeted amounts for fiscal year 2018. The key amendments were as follows:

- The City made supplemental appropriations of \$177,000 during the year mainly to provide for an equipment purchase, two police drug detection dogs and a project associated with a community parks and playground grant.
- The City initially budgeted \$13.0 million for proceeds and disbursements associated with the debt refunding discussed in the financial highlights section of the MD&A and in Note 7 of the notes to the financial statements. The actual amount refunded amount was \$1.7 million more than anticipated. The refunded debt includes \$10.9 million paid to refunded bond escrow agents and \$3.5 million direct principal payment and \$0.3 million in issue costs.
- The City's General Fund transferred \$1.3 million less to the Capital Projects and Street Improvement Funds than originally budgeted primarily due to delays in street paving projects.

Capital Asset and Debt Administration

Capital Assets. The City of Cumberland’s investment in capital assets as of June 30, 2018 was \$123.2 million, which included governmental activities of \$26.4 million and business-type activities of \$96.8 million.

Major capital expenditures during the fiscal year included the following:

Governmental activities (\$1.3 million):

- \$0.14 million on paving and other street improvements throughout the city.
- \$0.4 million on parks and bikeways.
- \$0.5 million on machinery & equipment and building improvements.
- \$0.3 million on land acquisitions (including donations of \$0.11 million).

Business-type activities (\$7.9 million):

- The Water Fund spent \$0.1 million on water collection and distribution system improvements.
- The Sewer Fund spent \$7.3 million on infrastructure improvements primarily at the wastewater treatment plant.
- The Sewer and Water Funds spent \$0.6 million on vehicles, machinery and equipment.

During fiscal year 2018 the water and sewer funds disposed, traded in or sold various fully depreciated assets that primarily consisted of vehicles and heavy-duty equipment with a combined original cost of \$0.6 million.

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 \$57 million which was comprised of governmental activity debt of \$27.3 million and business-type activity debt of \$29.7 million.

City of Cumberland Outstanding Debt						
General Obligation Bonds and Notes Payable						
(000's)						
	Governmental		Business-type		Totals	
	Activities		Activities			
	FY 18	FY 17	FY 18	FY 17	FY 18	FY 17
General Obligation Bonds	\$ 26,527	\$ 26,909	\$ 29,668	\$ 30,162	\$ 56,195	\$ 57,071
Bond Premium	701	-	-	-	701	-
Notes Payable	771	833	13	16	784	849
Total	<u>\$ 27,999</u>	<u>\$ 27,742</u>	<u>\$ 29,681</u>	<u>\$ 30,178</u>	<u>\$ 57,680</u>	<u>\$ 57,920</u>

As discussed in the financial highlights section, the City issued debt refunding bonds and a new CDA Bond in 2018.

At June 30, 2018, the City had an unspent balance of \$0.5 million from a fiscal year 2018 CDA bond issue of \$1.2 million, an unspent balance of \$2.1 million from a fiscal year 2016 CDA bond issue of \$3.2 million and an unspent balance of \$0.8 million from a fiscal year 2014 CDA bond issue of \$7.5 million.

In addition, the City has two ongoing Sewer Fund CSO projects funded through Maryland Water Quality Bonds totaling \$3.3 million that are drawn as the project proceeds. The amount remaining to be drawn on these bonds is \$2.6 million

In June 2017, Fitch and Standards & Poor's affirmed the City's rating of "A".

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

Economic Factors and Next Year's Budgets and Rates

The City's elected and appointed officials considered many factors when setting the budget, tax rates and fees that will be charged for the business-type activities for fiscal year 2018. One of those factors is the economy. Unemployment, a key indicator, was 6.1% in June 2018, in the Cumberland/Allegany County area. This represents an increase in unemployment of 0.3% when compared to a year ago and is well above the State of Maryland and national unemployment rates of 4.3% and 4.0% respectively.

Based on the Maryland State constant yield notice the City expects a decrease in assessable real property tax base of \$14.2 million (1.6%) beginning July 1, 2018. In July 2017, the City raised the real property tax rate by 9.75% to \$1.0595 per \$100 of assessable base and that rate remained in effect for fiscal 2019 beginning July 1, 2018. The City's fiscal year 2019 budget is basically break even reflecting a slight increase in the unassigned fund balance of \$0.01 million.

During the fiscal year 2019 budget process, City finance staff directed all departments to submit their budgets with a focus on maintaining or reducing operating expenses with increases for only extraordinary items. Except for promotion situations, the fiscal year 2019 personnel wage increases are being limited to 2% or less. In addition, several positions that became open in fiscal 2017 are still not being filled.

The City continues to take a proactive approach to economic development by investing in economic development initiatives and staffing to support such initiatives. The Cumberland Economic Development Corporation (a component unit of the City of Cumberland) is actively marketing several sites previously acquired and prepared for commercial and/or residential development. In addition, the City has hired an engineering firm and streetscape design firm to design and estimate costs associated with an economic development project known as the Baltimore Street Redevelopment Project to open to one-way traffic to a downtown pedestrian mall.

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.

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Basic Financial Statements

CITY OF CUMBERLAND, MARYLAND
STATEMENT OF NET POSITION
JUNE 30, 2018

	<i>Primary Government</i>			<i>Component Unit</i>
	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>	
ASSETS:				
Current assets:				
Cash	\$ 973,822	\$ 1,519,963	\$ 2,493,785	\$ 58,567
Investments	798,216	9,140,600	9,938,816	-
Taxes receivable	1,597,696	-	1,597,696	-
Accounts receivable	254,747	2,445,495	2,700,242	-
Accrued interest receivable	15,835	-	15,835	-
Due from other governments	2,826,775	3,489,617	6,316,392	-
Prepaid expenses	2,617,151	700,175	3,317,326	1,980
Inventory	20,506	641,161	661,667	-
Total Current Assets	9,104,748	17,937,011	27,041,759	60,547
Noncurrent assets:				
Housing loans receivable	273,485	-	273,485	-
Loans receivable	616,705	-	616,705	-
Notes receivable	740,000	-	740,000	-
Restricted cash	649,279	-	649,279	-
Restricted investments	1,191,155	-	1,191,155	-
Capital assets:				
Non-depreciable	1,674,760	10,305,599	11,980,359	-
Depreciable, net	24,696,684	86,530,764	111,227,448	-
Other assets	-	25,000	25,000	-
Total Non-Current Assets	29,842,068	96,861,363	126,703,431	-
Total Assets	38,946,816	114,798,374	153,745,190	60,547
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred outflows related to pension	2,938,347	800,608	3,738,955	-
Deferred charge on refunding	927,590	173,889	1,101,479	-
Total Deferred Outflows of Resources	3,865,937	974,497	4,840,434	-
Total Assets and Deferred Outflows of Resources	\$ 42,812,753	\$ 115,772,871	\$ 158,585,624	\$ 60,547

CITY OF CUMBERLAND, MARYLAND
STATEMENT OF NET POSITION
JUNE 30, 2018
(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	\$ 320,276	\$ 1,856,492	\$ 2,176,768	\$ 2,595
Accrued wages	544,601	-	544,601	-
Accrued interest	143,246	123,830	267,076	-
Unearned revenue	219,106	12,050	231,156	-
Deposits payable	86,767	-	86,767	-
Accrued health claims	226,400	99,354	325,754	-
Current portion of compensated absences	845,609	376,903	1,222,512	-
Current portion of workers' comp payable	1,754,394	483,068	2,237,462	-
Current portion of bonds and notes payable	1,660,127	1,935,314	3,595,441	-
Total Current Liabilities	<u>5,800,526</u>	<u>4,887,011</u>	<u>10,687,537</u>	<u>2,595</u>
Noncurrent liabilities:				
Compensated absences (net of current portion)	1,031,037	631,715	1,662,752	-
Workers' comp claims payable (net of current portion)	1,750,115	484,171	2,234,286	-
Bonds and notes payable (net of current portion and premium)	26,338,691	27,745,936	54,084,627	-
Retainage payables	-	695,028	695,028	-
Total other post-employment benefit (OPEB) liability	821,124	586,973	1,408,097	-
Net pension liability	15,361,137	3,601,057	18,962,194	-
Total Non-Current Liabilities	<u>45,302,104</u>	<u>33,744,880</u>	<u>79,046,984</u>	<u>-</u>
Total Liabilities	<u>51,102,630</u>	<u>38,631,891</u>	<u>89,734,521</u>	<u>2,595</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension	1,041,109	284,161	1,325,270	-
NET POSITION:				
Net investment in capital assets	12,314,980	70,127,561	82,442,541	-
Restricted for:				
Capital Projects	1,343,171	-	1,343,171	-
Community Development	2,121,041	-	2,121,041	-
Public Safety	99,663	-	99,663	-
Unrestricted (Deficit)	(25,209,841)	6,729,258	(18,480,583)	57,952
Total Net Position	<u>(9,330,986)</u>	<u>76,856,819</u>	<u>67,525,833</u>	<u>57,952</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 42,812,753</u>	<u>\$ 115,772,871</u>	<u>\$ 158,585,624</u>	<u>\$ 60,547</u>

**CITY OF CUMBERLAND, MARYLAND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

<i>Functions/Programs</i>	<i>Expenses</i>	<i>Indirect Expense Allocation</i>	<i>Program Revenues</i>			<i>Primary Government</i>			<i>Component Unit</i>
			<i>Charges for Services</i>	<i>Operating Grants and Contributions</i>	<i>Capital Grants and Contributions</i>	<i>Net (Expense) Revenue and Changes in Net Position</i>			
						<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>	
Governmental Activities:									
General government	\$ 3,552,562	\$ (1,288,385)	\$ 570,439	\$ 7,483	\$ -	\$ (1,686,255)	\$ -	\$ (1,686,255)	\$ -
Public safety	10,955,490	-	1,236,980	1,176,072	-	(8,542,438)	-	(8,542,438)	-
Public works	3,924,292	(261,808)	-	943,645	262,566	(2,456,273)	-	(2,456,273)	-
Recreation	905,104	-	111,594	868	12,632	(780,010)	-	(780,010)	-
Community development and housing	3,862,242	10,145	143,805	3,172,659	-	(555,923)	-	(555,923)	-
Payment to component unit	376,305	-	-	-	-	(376,305)	-	(376,305)	-
Interest on long-term debt	916,833	-	-	-	-	(916,833)	-	(916,833)	-
Total Governmental Activities	<u>24,492,828</u>	<u>(1,540,048)</u>	<u>2,062,818</u>	<u>5,300,727</u>	<u>275,198</u>	<u>(15,314,037)</u>	<u>-</u>	<u>(15,314,037)</u>	<u>-</u>
Business-type Activities:									
Water	6,585,477	645,402	6,948,985	-	-	-	(281,894)	(281,894)	-
Sewer	7,090,059	727,645	11,223,906	-	5,576,404	-	8,982,606	8,982,606	-
Municipal Parking Authority	480,173	27,032	423,892	-	-	-	(83,313)	(83,313)	-
Trash	1,300,299	139,969	1,281,244	-	-	-	(159,024)	(159,024)	-
Total Business-type Activities	<u>15,456,008</u>	<u>1,540,048</u>	<u>19,878,027</u>	<u>-</u>	<u>5,576,404</u>	<u>-</u>	<u>8,458,375</u>	<u>8,458,375</u>	<u>-</u>
Total Government	<u>\$ 39,948,836</u>	<u>\$ -</u>	<u>\$ 21,940,845</u>	<u>\$ 5,300,727</u>	<u>\$ 5,851,602</u>	<u>\$ (15,314,037)</u>	<u>\$ 8,458,375</u>	<u>\$ (6,855,662)</u>	<u>\$ -</u>
Component Unit:									
Cumberland Economic Development Corporation	<u>\$ 723,532</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 250,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (473,532)</u>
General Revenues:									
Taxes:									
Property taxes						\$ 11,972,514	\$ -	\$ 11,972,514	\$ -
Franchise Fees						286,095	-	286,095	-
Other Taxes						300,557	-	300,557	-
Appropriation from City of Cumberland, Maryland						-	-	-	376,305
Shared revenues - income tax						1,269,117	-	1,269,117	-
Investment earnings						93,970	117,534	211,504	63
Miscellaneous						547,270	-	547,270	2,500
Transfers						<u>1,833,902</u>	<u>(1,833,902)</u>	<u>-</u>	<u>-</u>
Total General Revenues and Transfers						<u>16,303,425</u>	<u>(1,716,368)</u>	<u>14,587,057</u>	<u>378,868</u>
Change in Net Position						<u>989,388</u>	<u>6,742,007</u>	<u>7,731,395</u>	<u>(94,664)</u>
Net Position - Beginning, As Restated						<u>(10,320,374)</u>	<u>70,114,812</u>	<u>59,794,438</u>	<u>152,616</u>
Net Position - Ending						<u>\$ (9,330,986)</u>	<u>\$ 76,856,819</u>	<u>\$ 67,525,833</u>	<u>\$ 57,952</u>

CITY OF CUMBERLAND, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	<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	\$ 919,543	\$ 161,216	\$ 225,400	\$ 1,306,159
Investments	798,216	-	86,994	885,210
Taxes receivable	1,566,852	-	30,844	1,597,696
Accounts receivable	254,494	-	253	254,747
Due from other governments	2,105,014	12,905	708,856	2,826,775
Interfund receivables	314,012	-	-	314,012
Prepaid expenditures	2,617,151	-	-	2,617,151
Inventory	20,506	-	-	20,506
Restricted cash	316,942	-	-	316,942
Restricted investment	1,104,161	-	-	1,104,161
Housing loans receivable	-	-	273,485	273,485
Loans receivable	-	-	616,705	616,705
Notes receivable	-	-	740,000	740,000
Total Assets	\$ 10,016,891	\$ 174,121	\$ 2,682,537	\$ 12,873,549
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 242,960	\$ 12,905	\$ 64,411	\$ 320,276
Accrued wages	544,601	-	-	544,601
Interfund payables	-	-	314,012	314,012
Unearned revenues	-	161,216	57,890	219,106
Deposits payable	86,767	-	-	86,767
Total Liabilities	874,328	174,121	436,313	1,484,762
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenues	1,425,190	-	283,370	1,708,560
FUND BALANCES:				
Fund balances (deficit):				
Nonspendable	2,637,657	-	-	2,637,657
Restricted	3,023,182	-	1,986,392	5,009,574
Unassigned	2,056,534	-	(23,538)	2,032,996
Total Fund Balances (Deficit)	7,717,373	-	1,962,854	9,680,227
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 10,016,891	\$ 174,121	\$ 2,682,537	\$ 12,873,549

CITY OF CUMBERLAND, MARYLAND
RECONCILIATION OF THE GOVERNMENTAL BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AS OF JUNE 30, 2018

Fund Balances - Total Governmental Funds \$ 9,680,227

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	65,585,591	
Less: Accumulated Depreciation	<u>(39,214,147)</u>	26,371,444

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

Accrued interest receivable		15,835
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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	2,938,347	
Deferred Inflows of Resources	<u>(1,041,109)</u>	1,897,238

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	(27,297,619)	
Plus: Deferred charge on refunding (to be amortized as interest expense)	927,590	
Less: Premium on bonds (to be amortized as interest expense)	(701,199)	
Compensated Absences	(1,876,646)	
Total Other Post-Employment Benefit Liability	(821,124)	
Workers Compensation	(3,504,509)	
Accrued Health Claims	(226,400)	
Net Pension Liability	(15,361,137)	
Accrued Interest	<u>(143,246)</u>	(49,004,290)

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>1,708,560</u>
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Net Position of Governmental Activities		<u><u>\$ (9,330,986)</u></u>
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CITY OF CUMBERLAND, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>General Fund</u>	<u>Housing Assistance Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes	\$ 12,276,206	\$ -	\$ 210,012	\$ 12,486,218
Licenses and permits	120,149	-	-	120,149
Intergovernmental	3,112,727	2,203,069	1,815,625	7,131,421
Charges for services	1,572,403	-	-	1,572,403
Fines and forfeitures	955	-	-	955
Interest	54,638	-	41,517	96,155
Miscellaneous	775,765	-	24,650	800,415
Total Revenues	<u>17,912,843</u>	<u>2,203,069</u>	<u>2,091,804</u>	<u>22,207,716</u>
Expenditures:				
Current:				
General government	1,465,998	-	223,271	1,689,269
Public safety	10,986,653	-	341,905	11,328,558
Public works	2,446,528	-	122,627	2,569,155
Recreation	794,300	-	7,027	801,327
Community development and housing	1,195,184	2,203,069	952,711	4,350,964
Capital Outlay	-	-	460,357	460,357
Debt service:				
Principal	4,608,511	-	192,000	4,800,511
Interest	938,646	-	69,442	1,008,088
Bond Issue Costs	281,891	-	-	281,891
Total Expenditures	<u>22,717,711</u>	<u>2,203,069</u>	<u>2,369,340</u>	<u>27,290,120</u>
Revenues in Excess of (Less Than) Expenditures	<u>(4,804,868)</u>	<u>-</u>	<u>(277,536)</u>	<u>(5,082,404)</u>
Other Financing Sources (Uses):				
Transfers-in	1,837,074	-	511,258	2,348,332
Transfers-out	(419,636)	-	(94,794)	(514,430)
Issuance of debt	425,995	-	-	425,995
Proceeds of refunding bonds	13,864,300	-	-	13,864,300
Refunded bond premium	790,643	-	-	790,643
Payment to refunded bond escrow agent	(10,944,852)	-	-	(10,944,852)
Total Other Financing Sources	<u>5,553,524</u>	<u>-</u>	<u>416,464</u>	<u>5,969,988</u>
Net Change in Fund Balance	748,656	-	138,928	887,584
Fund balance (deficit), beginning, as restated	<u>6,968,717</u>	<u>-</u>	<u>1,823,926</u>	<u>8,792,643</u>
Fund balance (deficit), ending	<u>\$ 7,717,373</u>	<u>\$ -</u>	<u>\$ 1,962,854</u>	<u>\$ 9,680,227</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, 2018

Net Change in Fund Balances - Total Governmental Funds \$ 887,584

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	1,189,068	
Disposal of land	(130,700)	
Donated capital assets	148,621	
Less: current year depreciation	(2,280,604)	(1,073,615)

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

Bond and loan proceeds	(14,290,295)	
Bond premium	(790,643)	
Deferred bond charges from refunding	1,009,975	
Principal payments	14,735,388	664,425

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		(1,039)
Unavailable revenues		(241,232)

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	120,854	
Other post-employment benefit obligation	28,639	
Workers compensation	(133,520)	
Accrued interest adjustment	84,196	
Amortization of premium on refunding	89,444	
Amortization of deferred charge on refunding	(82,385)	
Accrued health claims	(9,480)	
Retainage on non-construction projects	85,084	
Pension expense	570,433	753,265

Change in Net Position of Governmental Activities \$ 989,388

CITY OF CUMBERLAND, MARYLAND
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS			
	Water Fund	Sewer Fund	Non-Major Proprietary Funds	Total
ASSETS				
<u>Current Assets:</u>				
Cash and cash equivalents	\$ 24,971	\$ 1,016,076	\$ 478,916	\$ 1,519,963
Investments	4,581,177	4,559,423	-	9,140,600
Accounts receivable	807,620	1,545,848	92,027	2,445,495
Due from other governments	287,371	3,202,246	-	3,489,617
Prepaid expenses	371,064	329,111	-	700,175
Inventory	640,995	166	-	641,161
Total Current Assets	<u>6,713,198</u>	<u>10,652,870</u>	<u>570,943</u>	<u>17,937,011</u>
<u>Noncurrent Assets:</u>				
<u>Capital assets:</u>				
Non-depreciable	274,521	9,850,341	180,737	10,305,599
Depreciable, net	28,541,431	54,577,207	3,412,126	86,530,764
Evitts Creek Water Company, capital stock	25,000	-	-	25,000
Total Non-Current Assets	<u>28,840,952</u>	<u>64,427,548</u>	<u>3,592,863</u>	<u>96,861,363</u>
Total Assets	<u>35,554,150</u>	<u>75,080,418</u>	<u>4,163,806</u>	<u>114,798,374</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pension	378,710	384,819	37,079	800,608
Deferred charge on refunding	79,965	89,350	4,574	173,889
Total Deferred Outflows of Resources	<u>458,675</u>	<u>474,169</u>	<u>41,653</u>	<u>974,497</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 36,012,825</u>	<u>\$ 75,554,587</u>	<u>\$ 4,205,459</u>	<u>\$ 115,772,871</u>
LIABILITIES				
<u>Current Liabilities:</u>				
Accounts payable	\$ 169,116	\$ 1,545,291	\$ 142,085	\$ 1,856,492
Accrued interest	71,426	37,957	14,447	123,830
Unearned revenues	3,600	-	8,450	12,050
Accrued health claims	45,967	49,858	3,529	99,354
Current portion of compensated absences	178,243	189,087	9,573	376,903
Current portion of workers' comp. claims payable	256,637	226,431	-	483,068
Current portion of bonds and notes payable	956,618	848,559	130,137	1,935,314
Total Current Liabilities	<u>1,681,607</u>	<u>2,897,183</u>	<u>308,221</u>	<u>4,887,011</u>
<u>Noncurrent Liabilities:</u>				
Compensated absences (net of current portion)	304,497	309,197	18,021	631,715
Workers' comp. claims payable (net of current portion)	257,614	226,557	-	484,171
Retainage payables	-	695,028	-	695,028
Total other post-employment benefit (OPEB) liability	373,534	207,870	5,569	586,973
Bonds and notes payable (net of current portion)	12,507,980	13,305,930	1,932,026	27,745,936
Net pension liability	1,689,332	1,796,614	115,111	3,601,057
Total Non-Current Liabilities	<u>15,132,957</u>	<u>16,541,196</u>	<u>2,070,727</u>	<u>33,744,880</u>
Total Liabilities	<u>16,814,564</u>	<u>19,438,379</u>	<u>2,378,948</u>	<u>38,631,891</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension	133,835	139,056	11,270	284,161
NET POSITION				
Net investment in capital assets	16,162,664	52,401,804	1,563,093	70,127,561
Unrestricted	2,901,762	3,575,348	252,148	6,729,258
Total Net Position	<u>19,064,426</u>	<u>55,977,152</u>	<u>1,815,241</u>	<u>76,856,819</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 36,012,825</u>	<u>\$ 75,554,587</u>	<u>\$ 4,205,459</u>	<u>\$ 115,772,871</u>

CITY OF CUMBERLAND, MARYLAND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS			
	Water Fund	Sewer Fund	Non-Major Proprietary Funds	Total
Operating Revenues:				
Charges for Services:				
Domestic	\$ 2,331,534	\$ 5,670,864	\$ 1,250,686	\$ 9,253,084
Industrial	2,173,000	854,661	3,026	3,030,687
Sanitary commissions	-	4,260,022	-	4,260,022
Water companies	2,244,588	-	-	2,244,588
Rents/Concessions	-	-	393,706	393,706
Connection Charges	104,600	-	-	104,600
Other	95,263	438,359	57,718	591,340
Total Operating Revenues	6,948,985	11,223,906	1,705,136	19,878,027
Operating Expenses:				
Personal services	2,793,899	2,769,414	189,913	5,753,226
Utilities	208,748	479,894	14,386	703,028
Supplies	266,786	500,389	-	767,175
Repairs and maintenance	905,882	340,941	17,911	1,264,734
Landfill and recycling	-	4,288	479,054	483,342
Depreciation	1,201,157	1,684,109	135,619	3,020,885
Contractual services	146,027	1,068,311	819,022	2,033,360
Other operating expenses	1,308,435	774,692	198,782	2,281,909
Total Operating Expenses	6,830,934	7,622,038	1,854,687	16,307,659
Operating Income (Loss)	118,051	3,601,868	(149,551)	3,570,368
Non-Operating Revenues (Expenses):				
Interest income	60,344	57,126	64	117,534
Interest expense	(384,074)	(173,153)	(92,786)	(650,013)
Bond issue costs	(15,871)	(22,513)	-	(38,384)
Total Non-Operating Income (Loss)	(339,601)	(138,540)	(92,722)	(570,863)
Net Income Before Contributions, Special Items, and Transfers	(221,550)	3,463,328	(242,273)	2,999,505
Capital contributions	-	5,576,404	-	5,576,404
Transfers-out	(357,270)	(1,476,632)	-	(1,833,902)
Net Income (Loss)	(578,820)	7,563,100	(242,273)	6,742,007
Net position-beginning of year, as restated	19,643,246	48,414,052	2,057,514	70,114,812
Net position-end of year	\$ 19,064,426	\$ 55,977,152	\$ 1,815,241	\$ 76,856,819

CITY OF CUMBERLAND, MARYLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS				
	Water Fund	Sewer Fund	Non-Major Proprietary Funds	Total
Cash Flows from Operating Activities:				
Cash receipts from customers	\$ 6,822,151	\$ 10,399,714	\$ 1,646,361	\$ 18,868,226
Cash payments to suppliers	(2,908,221)	(3,293,882)	(1,527,024)	(7,729,127)
Cash payments for personal services	(2,836,393)	(2,836,466)	(191,766)	(5,864,625)
Other operating receipts	95,263	438,359	57,718	591,340
Net Cash Provided (Used) Operating Activities	1,172,800	4,707,725	(14,711)	5,865,814
Cash Flows from Noncapital Financing Activities:				
Transfers to other funds	(357,270)	(1,476,632)	-	(1,833,902)
Proceeds from noncapital debt	547,560	611,820	31,320	1,190,700
Proceeds from refunding placed in escrow	(450,723)	(503,618)	(25,781)	(980,122)
Principal paid on noncapital debt	(2,439)	(3,013)	(207)	(5,659)
Deferred charge	(79,965)	(89,350)	(4,574)	(173,889)
Loans from other funds	1,000,000	-	-	1,000,000
Net Cash Provided (Used) by Noncapital Financing Activities	657,163	(1,460,793)	758	(802,872)
Cash Flows from Capital and Related Financing Activities:				
Release (utilization) of debt proceeds held by State	(43,396)	(101,676)	-	(145,072)
Change in capital intergovernmental receivables	-	(1,530,043)	-	(1,530,043)
Capital contributions	-	5,576,404	-	5,576,404
Acquisition and construction of capital assets	(171,293)	(6,101,325)	-	(6,272,618)
Proceeds from capital debt	248,543	1,067,301	-	1,315,844
Principal paid on capital debt	(1,029,379)	(822,957)	(165,966)	(2,018,302)
Interest paid on capital debt	(387,068)	(171,339)	(93,732)	(652,139)
Bond issue costs	(15,871)	(22,513)	-	(38,384)
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,398,464)	(2,106,148)	(259,698)	(3,764,310)
Cash Flows from Investing Activities:				
Interest on investments	60,344	57,126	64	117,534
Net Cash Provided (Used) by Investing Activities:	60,344	57,126	64	117,534
Net Increase (Decrease) in Cash and Cash Equivalents	491,843	1,197,910	(273,587)	1,416,166
Cash and Cash Equivalents at Beginning of Year	4,114,305	4,377,589	752,503	9,244,397
Cash and Cash Equivalents at End of Year	\$ 4,606,148	\$ 5,575,499	\$ 478,916	\$ 10,660,563

CITY OF CUMBERLAND, MARYLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018
(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	\$ 24,971	\$ 1,016,076	\$ 478,916	\$ 1,519,963
Investment balance-Statement of Net Position	4,581,177	4,559,423	-	9,140,600
Cash and Cash Equivalents-Statement of Cash Flows	\$ 4,606,148	\$ 5,575,499	\$ 478,916	\$ 10,660,563
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	\$ 118,051	\$ 3,601,868	\$ (149,551)	\$ 3,570,368
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	1,201,157	1,684,109	135,619	3,020,885
Pension expense	(105,633)	(127,578)	1,003	(232,208)
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	(31,571)	(385,833)	5,873	(411,531)
(Increase) decrease in prepaid expenses	(68,370)	(76,238)	768	(143,840)
(Increase) decrease in inventory	(20,799)	14	-	(20,785)
Increase (decrease) in accounts payable	16,826	(49,143)	1,363	(30,954)
Increase (decrease) in unavailable revenues	-	-	(6,930)	(6,930)
Increase (decrease) in accrued health claims	6,861	3,641	494	10,996
Increase (decrease) in total other post- employment benefit (OPEB) liability	(13,028)	(7,250)	(194)	(20,472)
Increase (decrease) in workers' comp. claims payable	50,179	49,944	-	100,123
Increase (decrease) in accrued wages and compensated absences	19,127	14,191	(3,156)	30,162
Net cash provided (used) by operating activities	\$ 1,172,800	\$ 4,707,725	\$ (14,711)	\$ 5,865,814
Noncash operating, financing, and investing activities:				
Debt proceeds not received from government	\$ 287,371	\$ 1,414,154	\$ -	\$ 1,701,525

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 1. Summary of Significant Accounting Policies

A. Introduction

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

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

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

B. Financial reporting entity

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

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

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

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

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

Cumberland Economic Development Corporation
60 Pershing Street
Cumberland, Maryland 21502

C. Basic Financial Statements

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

Government-wide financial statements

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position 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, community development and housing, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

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

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

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

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

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

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

Fund financial statements

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

The following fund types are used by the City:

1. Governmental Funds:

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

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

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

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

2. Proprietary Funds:

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

Major Funds – Fund Financial Statements

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

The City reports the following major governmental funds:

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

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

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

The City reports the following major proprietary funds:

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

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

D. Basis of Accounting and Measurement Focus

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

1. Accrual:

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

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

2. Modified Accrual:

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

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

E. Financial Statement Amounts

Cash

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

Investments

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

Inventory

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

Prepaid Items

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

Receivables

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

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

Capital Assets

Capital assets purchased or acquired with an original cost of \$10,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

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	5-20 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.

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 and other post-employment benefits liabilities.

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

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

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

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

Deferred Outflows/Inflows of Resources

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

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(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. The City also reports deferred outflows related to deferred charge on refunding in its statement of net position in connection with the City’s current year debt refunding. The deferred charge on refunding is the difference between the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

resources (revenues) in the period the amounts become available, (2) The City also reports deferred inflows related to pension in its statement of net position in connection with the City’s participation in the Maryland State Retirement and Pension System. The deferred pension inflows are amortized in a systematic and rational method and recognized as a reduction of pension expense in future periods in accordance with generally accepted accounting principles.

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

	General Fund	Nonmajor Governmental Funds	Total
Property Taxes	\$ 1,187,350	\$ 12,818	\$ 1,200,168
Governmental Grants	237,840	270,552	508,392
Total	\$ 1,425,190	\$ 283,370	\$ 1,708,560

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	\$ 384,416	\$ 384,074	\$ 342	\$ -	\$ 342
Sewer Fund	176,263	173,153	3,110	-	3,110
Non-Major Proprietary Funds	92,786	92,786	-	-	-

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:

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

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

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

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

Classification of Fund Balance – Fund Financial Statements

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

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

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

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

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

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

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

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

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

Operating and Non-Operating Revenues and Expenses

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

Pension

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

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

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

F. Stewardship, Compliance and Accountability

Budgets and Budgetary Accounting

An annual operating budget is legally adopted for the General Fund. The budget amounts in the required supplemental information were adopted on a basis consistent with generally accepted accounting principles and are as originally adopted or as amended by the City Council. During fiscal year 2018 and 2019, the Mayor & City Council approved an increase in appropriations in the amount of \$176,921 for fiscal year 2018.

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 \$148,948 as of June 30, 2018.

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.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

Net Position/Fund Balance Deficit

The following fund had a deficit net position/fund balance at June 30, 2018:

Police Grants Fund	(\$ 23,538)
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The aforementioned fund will have the deficit fund balance restored principally with the recognition of unavailable revenues at June 30, 2018 as revenue in fiscal year 2019 or with revenues earned in future years.

Compliance with Finance Related Legal and Contractual Provisions

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

G. Implementation of New Accounting Principle

The City implemented GASB Statement No. 85, entitled, *Omnibus 2017*, and GASB Statement No. 86, entitled, *Certain Debt Extinguishment Issues*, in the current fiscal year. The implementation of these statements did not have a material effect on the City's financial statements.

The City implemented GASB Statement No. 75, entitled, *Accounting and Financial Reporting for Post-Employment Benefits Other than Pensions*, in the current fiscal year and made the required disclosures in Note 19. The implementation of this statement did have a material effect on the City's financial statements.

Note 2. Cash and Investments

Cash

As of June 30, 2018, the carrying amount of the City's deposits was \$3,143,064 and the bank balance was \$4,700,314 (including an investment in an overnight sweep account in the amount of \$4,384,699).

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. The

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 2. Cash and Investments – (Continued)

City’s cash balances at financial institutions at June 30, 2018 are fully collateralized with securities held by the City’s agent in a custodial account and pledged to the City’s name.

Investments

As of June 30, 2018, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Total</u>	<u>Investment Maturity</u>		<u>Credit Rating</u>
		<u>Less than 90 Days</u>	<u>90 days to one year</u>	
Maryland Local Government Investment Pool	\$ 11,129,971	\$ 11,129,971	\$ -	AAAm
	\$ 11,129,971	\$ 11,129,971	\$ -	

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

Investment Risks and Policies

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

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

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 2. Cash and Investments – (Continued)

basis (less than one year). However, a portion of the portfolio can contain investments with longer maturities (up to two years from date of purchase). These investments are limited to direct federal government obligations and to securities issued by U.S. Government agencies.

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

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

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

The City’s investments meet the aforementioned policy.

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

Restricted cash is reported in the General Fund and on the Government-Wide financial statements in the amount of \$316,942. This cash was obtained from advancement of grant funding and through police seizures of cash that are restricted for public safety activities.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 2. Cash and Investments – (Continued)

Restricted investments are reported in the General Fund in the amount of \$1,104,161. 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 \$419,331 are reported as restricted non-current assets due to the fact that these funds are designated for the construction and acquisition of non-current assets, community legacy projects, and downtown development.

Note 3. Due from Other Governments

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

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

Interfund receivables and payables and transfers as of June 30, 2018 are as follows:

Interfund Receivables/Payables - Current:	Interfund Receivables	Interfund Payables
Governmental Funds:		
General Fund	\$ 314,012	\$ -
Non-Major Governmental Funds	-	314,012
Sub-total	314,012	314,012
Proprietary Funds:		
Water Fund	-	-
Sewer Fund	-	-
Sub-total	-	-
Total Interfund Receivables/Payables - Current	\$ 314,012	\$ 314,012

All current interfund receivables are expected to be repaid within the next fiscal year. The interfund balances as of June 30, 2018 are the result of a centralized cash receipt and disbursement function. This results in funds having a deficiency or excess of cash depending on the timing of the receipt of revenues or other sources and/or the payment of expenditures (or expenses) or other uses of cash.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

Transfers:	Interfund Transfers-In	Interfund Transfer-Out
Governmental Funds:		
General Fund	\$ 1,837,074	\$ 419,636
Non-Major Governmental Funds	511,258	94,794
Sub-total	2,348,332	514,430
Proprietary Funds:		
Water Fund	-	357,270
Sewer Fund	-	1,476,632
Sub-total	-	1,833,902
Total Transfers (Fund Financial Statements)	\$ 2,348,332	\$ 2,348,332

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 2018 are described in the following paragraph.

The City transferred \$357,270 and \$1,476,632 from the Water and Sewer Funds, respectively, to the General Fund for payment in lieu of taxes. The City transferred \$69,106 and \$91,622 from the General and Street Improvement Funds, respectively, to the Capital Projects Fund to fund various capital projects, as well as a \$60,000 operational transfer from the General Fund to the Special Taxing District for discretionary financial assistance. Finally, the \$270,144 transfer-in reported in the Street Improvement Fund consists of a transfer of \$132,125 in property tax revenues and other General Fund monies used to make the debt service payment in the Street Improvement Fund, as well as \$138,019 used for street improvement projects that were funded through General Fund debt.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 5. Capital Assets

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

	Beginning Balance	Reclassifications /Additions	Reclassifications /Retirements	Ending Balance
GOVERNMENTAL ACTIVITIES:				
Non-depreciable assets:				
Land	\$ 1,265,599	\$ 296,680	\$ (130,700)	\$ 1,431,579
Construction in progress	374,084	440,254	(571,157)	243,181
Total non-depreciable assets	<u>1,639,683</u>	<u>736,934</u>	<u>(701,857)</u>	<u>1,674,760</u>
Depreciable assets:				
Buildings and improvements	15,808,111	164,163	(42,210)	15,930,064
Machinery and equipment	8,363,538	543,994	(193,057)	8,714,475
Infrastructure	38,648,587	617,705	-	39,266,292
Total depreciable assets	<u>62,820,236</u>	<u>1,325,862</u>	<u>(235,267)</u>	<u>63,910,831</u>
Accumulated depreciation:				
Buildings and improvements	10,469,580	426,884	(42,210)	10,854,254
Machinery and equipment	6,714,926	619,858	(192,257)	7,142,527
Infrastructure	19,830,354	1,387,012	-	21,217,366
Total accumulated depreciation	<u>37,014,860</u>	<u>2,433,754</u>	<u>(234,467)</u>	<u>39,214,147</u>
Depreciable assets, net	<u>25,805,376</u>	<u>(1,107,892)</u>	<u>(800)</u>	<u>24,696,684</u>
Governmental activities capital assets, net	<u>\$ 27,445,059</u>	<u>\$ (370,958)</u>	<u>\$ (702,657)</u>	<u>\$ 26,371,444</u>
BUSINESS-TYPE ACTIVITIES:				
Non-depreciable assets:				
Land	\$ 368,371	\$ -	\$ -	\$ 368,371
Land improvements	446,208	-	-	446,208
Construction in progress	2,161,615	7,329,405	-	9,491,020
Total non-depreciable assets	<u>2,976,194</u>	<u>7,329,405</u>	<u>-</u>	<u>10,305,599</u>
Depreciable assets:				
Buildings and improvements	138,569,974	46,799	-	138,616,773
Machinery and equipment	5,087,814	491,621	(633,582)	4,945,853
Total depreciable assets	<u>143,657,788</u>	<u>538,420</u>	<u>(633,582)</u>	<u>143,562,626</u>
Accumulated depreciation:				
Buildings and improvements	50,328,326	2,818,335	-	53,146,661
Machinery and equipment	4,312,169	202,550	(629,518)	3,885,201
Total accumulated depreciation	<u>54,640,495</u>	<u>3,020,885</u>	<u>(629,518)</u>	<u>57,031,862</u>
Depreciable assets, net	<u>89,017,293</u>	<u>(2,482,465)</u>	<u>(4,064)</u>	<u>86,530,764</u>
Business-type capital assets, net	<u>\$ 91,993,487</u>	<u>\$ 4,846,940</u>	<u>\$ (4,064)</u>	<u>\$ 96,836,363</u>

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 5. Capital Assets – (Continued)

Depreciation expense is charged to functions as follows:

Governmental Activities	Business-Type Activities
General Government	Water
\$ 324,270	\$ 1,201,157
Public Safety	Sewer
278,531	1,684,109
Public Works	Municipal Parking
1,471,972	<u>135,619</u>
Recreation	<u>\$ 3,020,885</u>
Urban Development & Housing	
<u>44,693</u>	
<u>\$ 2,280,604</u>	

Assets costing \$157,214 with accumulated depreciation of \$153,150 were transferred from the proprietary funds to the governmental funds. The net effect of the transfer of assets results in a difference of \$153,150 between the additions reported in the accumulated depreciation section of the governmental-type activities and the governmental-type activities depreciation expense.

Note 6. Real Estate Developed For Sale

The Cumberland Economic Development Corporation holds 5 acres of land known as the Rolling Mill Project for sale and /or development. This property is reported at an estimated net realizable value of zero.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 7. Long Term Liabilities

Long-term Liability Activity

Long term liability activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<u>Governmental Activities:</u>					
Bonds and notes payable:					
General Obligation Bonds	\$ 26,909,376	\$ 14,290,295	\$ (14,673,051)	\$ 26,526,620	\$ 1,597,492
Bond Premium	-	790,643	(89,444)	701,199	-
Notes payable	833,336	-	(62,337)	770,999	62,635
Total bonds and notes payable	27,742,712	15,080,938	(14,824,832)	27,998,818	1,660,127
Compensated absences	1,997,500	1,501,830	(1,622,684)	1,876,646	845,609
Retainage payable	85,084	-	(85,084)	-	-
Workers comp payable	3,370,989	837,414	(703,894)	3,504,509	1,754,394
OPEB obligation	849,763	-	(28,639)	821,124	-
Pension liability	17,717,557	-	(2,356,420)	15,361,137	-
Governmental activities long-term Liabilities	\$ 51,763,605	\$ 17,420,182	\$ (19,621,553)	\$ 49,562,234	\$ 4,260,130
<u>Business-type Activities:</u>					
Bonds and notes payable:					
General Obligation Bonds	\$ 30,162,360	\$ 2,506,542	\$ (3,000,937)	\$ 29,667,965	\$ 1,932,042
Notes payable	16,429	-	(3,144)	13,285	3,272
Total bonds and notes payable	30,178,789	2,506,542	(3,004,081)	29,681,250	1,935,314
Compensated absences	978,456	689,256	(659,094)	1,008,618	376,903
Retainage payable	-	695,028	-	695,028	-
Workers comp payable	867,116	231,126	(131,003)	967,239	483,068
OPEB obligation	607,445	-	(20,472)	586,973	-
Pension liability	4,285,641	-	(684,584)	3,601,057	-
Business-type activities long-term Liabilities	\$ 36,917,447	\$ 4,121,952	\$ (4,499,234)	\$ 36,540,165	\$ 2,795,285

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

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 7. Long Term Liabilities – (Continued)

Long-Term debt payable at June 30, 2018 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>	\$184,098
<i>\$5,000,000, 1999 Sewer Fund bond authorized due in annual installments of \$332,120 through February, 2021; interest at 2.39%</i>	908,471
<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>	2,507,022
<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>	72,408
<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>	1,125,761
<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>	64,000
<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>	187,752
<i>\$4,665,000, 2009 GOB Pension Contribution Bonds due in annual installments of \$50,000 to \$75,000 through June, 2021; interest at 5.400% to 6.625%</i>	185,000
<i>\$9,070,000, 2008 GOB (Street Imp Fund) due in annual installments of \$470,000 final payment September, 2018; interest at 4.375% to 5.0%</i>	470,000
<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>	1,183,686
<i>\$6,000,000, 2009 ARRA Maryland Water Quality Financing Administration Bond; \$6,000,000 to be forgiven October, 2019.</i>	6,000,000
<i>\$3,657,700, 2009 Water Quality Bond due in annual installments of \$192,458 through February, 2030 at 0.00%</i>	2,004,991
<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>	9,575,000

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 7. Long Term Liabilities – (Continued)

<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>	89,929
<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>	1,123,900
<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>	1,245,000
<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>	3,800,000
<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>	5,965,500
<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>	2,731,500
<i>\$2,992,819 2017 Maryland Water Quality Financing Administration Bond due in annual installments of \$115,792 to \$117,902 through February 2049; interest at 0.80%</i>	635,136
<i>\$300,000 2017 Maryland Water Quality Financing Administration Bond due in annual installments of \$10,750 to \$11,850 through February 2047; interest at 0.80%</i>	129,931
<i>\$1,200,000 2017 Maryland Community Development Administration Bond due in annual installments of \$86,242 to \$158,416 through April 2027; interest at 1.86% to 2.23%</i>	1,090,500
<i>\$6,155,000 2017 Tax-Exempt Public Improvement Refunding Bonds due in annual installments of \$215,644 to \$772,300 through June 2029; interest at 2.0% to 5.0%</i>	6,155,000
<i>\$8,900,000 2017 Taxable Redevelopment and Pension Contribution Refunding Bonds due in annual installments of \$250,224 to \$842,699 through June 2037; interest at 1.6% to 4.26%</i>	<u>8,760,000</u>
<i>Total</i>	<u>\$56,194,585</u>

Long-Term debt payable at June 30, 2018 is comprised of the following Notes and Capital Leases:

<i>\$1,400,000 (Face amount and cost of expense), Section 108 loan due in semi-annual installments of \$40,446 to \$116,538 through August 2028; interest at 2.62%-5.42%</i>	\$740,000
<i>\$56,471(Face amount and cost of expense), 2017 Copier Lease due in Monthly installments of \$1,040 through March 2022; interest at 4.00%</i>	<u>44,284</u>
<i>Total</i>	<u>\$784,284</u>

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 7. Long Term Liabilities – (Continued)

In August 2017, the City issued Local Government Infrastructure Bonds through the Community Development Administration in the amount of \$1,200,000 with interest rates ranging from 1.86% to 2.23%. These bonds have 7 and 10 year terms and mature in April 2027, with annual payments ranging from \$86,242 to \$158,416, due annually each April 1st, beginning April 1, 2018. The proceeds of the bond issuance are for the purpose of (a) information system improvements and acquisition of equipment and software, (b) acquisition of new and/or replacement vehicles and equipment, (c) funding a portion of a capital reserve fund, and (d) bond issuance costs. The unspent portion at June 30, 2018 was \$515,821 which was being held in an escrow account by the State of Maryland.

In May 2017, the City issued Maryland Water Quality Bonds financed through the Maryland Water Quality Financing Administration in the amount of \$2,992,819 with an interest rate of 0.80%. The proceeds of the bond issuance are for the purpose of financing the Combined Sewer Overflow (CSO) Storage Facility Project. The amount advanced under these bonds was \$635,136 at June 30, 2018.

In May 2017, the City issued Maryland Water Quality Bonds financed through the Maryland Water Quality Financing Administration in the amount of \$300,000 with an interest rate of 0.80%. The proceeds of the bond issuance are for the purpose of financing the site evaluation costs of the Evitts Creek Combined Sewer Overflow (CSO) Phase 3 Project. The amount advanced under these bonds was \$129,931 at June 30, 2018.

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, 2018 was \$2,073,771 which was being held in an escrow account by the State of Maryland.

In August 2014, the City issued Local Government Infrastructure Bonds through the Community Development Administration in the amount of \$7,520,000 with interest rates ranging from 0.2% to 3.6%. These bonds have 10, 15 and 20 year terms and mature in May 2034, with principal payments ranging from \$305,500 to \$471,500, due annually each May 1st, beginning May 1, 2015. The proceeds of the bond issuance are for the purpose of (a) water and sewer system improvements, (b)

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 7. Long Term Liabilities – (Continued)

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, 2018 was \$800,777 which was being held in an escrow account by the State of Maryland.

Debt Refunding

On July 11, 2017 the City of Cumberland issued the Taxable Redevelopment and Pension Contribution Refunding Bonds of 2017 in the amount of \$8,900,000. The bonds were issued to pay the cost of issuance and to refund the \$3,500,000 2016 Bond Anticipation Note (BAN) and \$4,445,000 of the 2009 GOB Pension Contribution Bonds. The refunding bonds were issued at interest rates ranging from 1.6% to 4.26% and due in annual installments through June 2037, whereas the 2016 BAN was issued at a rate of 2.75% and matured in June 2019 and the 2009 GOB Bonds were issued at interest rates ranging from 5.4% to 6.625% due in annual installments through June 2036.

On July 11, 2017 the City also issued the Public Improvement Refunding Bond of 2017 in the amount of \$6,155,000 with a premium of \$790,643. The bonds were issued to pay the cost of issuance and refund \$6,470,000 from the 2008 GOB Street Improvements Bonds. The refunding bonds were issued at interest rates ranging from 2.0% to 4.0% and due in annual installments through June 2029, whereas the 2008 GOB Bonds were issued at interest rates ranging from 4.375% to 5.0% and matured in September 2028.

The net proceeds of the advance refunding in the amount of \$12,110,879, were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent for future debt service payments on the refunded bonds. As a result, the refundable bonds are considered to be defeased, and the related liability for those bonds has been removed from the City's financial statements. The escrow agent has not been authorized to substitute assets that are not essentially risk-free in the trust portfolio. At June 30, 2018, \$10,565,000 of bonds remained outstanding and are considered defeased.

The debt refundings reduced debt payments by \$951,048 over the next nineteen years, and obtained an economic gain (difference between the present values of the old debt and new debt service payments) of \$1,025,133. Debt service payments in the Water, Sewer, General and Non-Major Proprietary Funds are impacted by the refunding.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

Debt Maturity

Debt service requirements at June 30, 2018 were as follows:

Governmental Funds						
Year	Bonds		Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	1,597,492	973,821	62,635	38,044	1,660,127	1,011,865
2020	1,598,603	935,501	62,946	35,124	1,661,549	970,625
2021	1,734,500	894,769	68,270	31,973	1,802,770	926,742
2022	1,879,671	837,201	72,148	28,509	1,951,819	865,710
2023	1,866,543	771,616	65,000	25,069	1,931,543	796,685
2024-2028	9,153,808	2,838,877	365,000	71,395	9,518,808	2,910,272
2029-2033	6,288,253	1,233,187	75,000	2,033	6,363,253	1,235,220
2034-2038	2,407,750	216,044	-	-	2,407,750	216,044
	<u>\$26,526,620</u>	<u>\$ 8,701,016</u>	<u>\$ 770,999</u>	<u>\$ 232,147</u>	<u>\$27,297,619</u>	<u>\$ 8,933,163</u>

Proprietary Funds						
Year	Bonds		Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	1,932,042	621,062	3,272	472	1,935,314	621,534
2020	8,051,710	573,561	3,405	339	8,055,115	573,900
2021	2,045,209	528,206	3,544	200	2,048,753	528,406
2022	1,921,139	479,693	3,064	56	1,924,203	479,749
2023	1,733,225	439,915	-	-	1,733,225	439,915
2024-2028	8,386,773	1,517,619	-	-	8,386,773	1,517,619
2029-2033	4,565,143	533,968	-	-	4,565,143	533,968
2034-2038	862,665	47,247	-	-	862,665	47,247
2039-2043	114,502	183	-	-	114,502	183
2044-2048	55,557	28	-	-	55,557	28
	<u>\$29,667,965</u>	<u>\$ 4,741,482</u>	<u>\$ 13,285</u>	<u>\$ 1,067</u>	<u>\$29,681,250</u>	<u>\$ 4,742,549</u>

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 8. Compensated Absences

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

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

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

City employees earned fifteen sick leave days per year with no maximum accumulation ceiling. As of June 30, 2018, Local Union 553 (general trades, labor, technical, clerical staff) and Local Union 1715 (fire department) members are entitled to a maximum payout of 86 days of sick leave and non-union employees are eligible to receive 80 days of sick leave accumulated upon retirement if the employee is eligible to receive service benefits from the State of Maryland. The payout occurs after the employee has applied for their retirement benefits. The sick leave payout liability is calculated based on a vesting schedule.

All vacation payout, to which employees are entitled, have been accrued when incurred in the government-wide financial statements. A liability for the sick leave payout is reported in governmental funds only if it has matured (for example, as a result of employee resignations and retirements). The estimate of the accrued sick leave and vacation liabilities reported in the governmental activities section of the government-wide financial statements is \$1,876,646. Accrued sick leave and vacation liabilities for the City's proprietary funds in the amount of \$1,008,618 have been recorded in both the fund financial statements and the government-wide financial statements.

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

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 9. Fund Balance - Fund Financial Statements

As of June 30, 2018, fund balances reported in the fund financial statements are composed of the following:

	General Fund	Housing Assistance Fund	Non-Major Governmental Funds	Total Governmental Funds
Nonspendable:				
Prepaid Expenditures	\$ 2,617,151	\$ -	\$ -	\$ 2,617,151
Inventories	20,506	-	-	20,506
Restricted:				
Public Safety	77,411	-	-	77,411
TIF District	-	-	5,267	5,267
CDBG	-	-	889,539	889,539
Housing Assistance	-	-	273,485	273,485
Capital Outlay	2,793,007	-	-	2,793,007
Street Improvements	-	-	171,121	171,121
Special Taxing District	-	-	142,083	142,083
Community Develop.	152,764	-	-	152,764
Community Legacy	-	-	504,897	504,897
Unassigned	2,056,534	-	(23,538)	2,032,996
Total Fund Balances	\$ 7,717,373	\$ -	\$ 1,962,854	\$ 9,680,227

Note 10. Property Taxes

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

General Fund

As permitted by the City Charter, as amended, the City levied taxes in fiscal year 2018 at a rate of \$1.0595 per \$100 of assessed valuation on real property which is assessed at full market value. The present adjusted assessed valuation of real property is \$883 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, 2018

Note 10. Property Taxes (continued)

Special Taxing District

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

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

Primary Zone

The tax rate in the primary zone for the year ended June 30, 2018 was \$0.456 per \$100 of assessed valuation. Real property is assessed at full market value. The present adjusted assessed valuation is \$25 million.

Secondary Zone

The tax rate in the secondary zone for the year ended June 30, 2018 was \$0.268 per \$100 of assessed valuation. Real property is assessed at full market value. The present adjusted assessed valuation is \$29 million.

Note 11. Tax Abatements

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

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 11. Tax Abatement – (Continued)

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

The State subsequently reimburses the City for 50% of the annual tax credit. The fiscal year 2018 enterprise zone credits amounted to \$138,842 and the State of Maryland reimbursed \$69,421.

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

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

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 11. Tax Abatement – (Continued)

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

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

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

3. Upon annual request the City may provide tax credits to certain organizations named in Section 9-302 of the Tax Property Article of the Annotated Code of Maryland. Pursuant to this section, the City granted tax credits to the Western Maryland Scenic Railroad Development Corporation, Inc. and the Carver Community Center for the full amount of real estate taxes billed in 2018.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 11. Tax Abatement – (Continued)

The table below illustrates the tax abatements that the City granted in fiscal year 2018.

Tax Abatement Program	Amount of Taxes Abated during FY 2018
Historic Preservation	\$ 49,097
Low Income Housing	27,479
Section 9-302 Credits	<u>29,882</u>
	<u>\$ 106,458</u>

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

Note 12. Pending Claims and Litigation

There are several pending lawsuits in which the City is involved. Management estimates that the potential claims against the City not covered by insurance resulting from such litigation would not materially affect the financial statements of the City at June 30, 2018.

Note 13. Contingent Liabilities

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

Note 14. Commitments

The City has active construction projects as of June 30, 2018. The projects include widening and construction of existing streets, demolition projects, and the construction of additional wastewater treatment facilities. At year-end, the City’s commitments with contractors are as follows:

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 14. Commitments – (Continued)

Project	Contract Amount	Change Orders	Remaining Commitment	Fund(s)
Willowbrook Road Waterline	\$ 422,440	\$ 288,000	\$ 684,644	Water
Dewatering Bldg. Roof	149,400	-	108,075	Sewer
Evitts Creek CSO Upgrade	177,690	-	49,316	Sewer
CSO Storage Facility at WWTP Phase One	28,081,519	16,583	21,168,457	Sewer
WTTP Sludge Screening Project Engineering	177,600	-	25,817	Sewer
Baltimore St. Bridge	9,377	-	759	Street Improvement & Capital Projects
Cumberland St. Bridge	10,046	-	413	Street Improvement & Capital Projects
Baltimore St. Town Center	314,797	-	241,426	Street Improvement & Capital Projects
Total	<u>\$ 29,342,869</u>	<u>\$ 304,583</u>	<u>\$ 22,278,907</u>	

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

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 14. Commitments – (Continued)

decided to transfer all remaining EPA and MDE Grant Funds from the Phase 1 project to the Evitts Creek Pump CSO Project which was completed in FY'09. The force main and gravity sewer portions (Phase II) of the Evitts Creek CSO Project was awarded in FY'10 and was completed in FY'11. The Cedar Street CSO line under CSX was also given priority, and all of the City's EPA funding for CSO work was committed to that project rather than lose it with the potential changes to the Federal Budget in 2010. Construction was completed in FY'13. A portion of that line under CSX had to be removed from the work plan because of high cost; however, the City plans to do a rehabilitation project of the existing lines under the tracks in the future. The City closed on a \$300,000 SRF loan in May 2017 for an evaluation of the CSX site. The CSX project is estimated to cost \$1.4 Million and to be funded at 87.5% from the Bay Restoration Funds (BRF) and 12.5% through SRF loan funds. The City has updated the LTCP and plans to include CSO Storage and that project went into the design phase in FY'14. A \$26.4 million construction contract to Leonard S. Fiore, Inc. for the CSO Storage Facility project was awarded in December 2016. With engineering, administrative and contingency the cost to complete is estimated at \$30.2 million. The project is approximately 25% complete at June 30, 2018 and is being funded at 87.5% from the Bay Restoration Funds (BRF) and 12.5% through SRF loan funds. The City is also collecting base line water quality data to be used to determine the CSO effect on the water quality of the Potomac River. It is anticipated that the study will show a positive effect of the CSO Storage Facility. 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 \$40 - \$50 million range.

Note 15. Risk Management

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

For general liability claims, the City is self-insured with the exception of certain site-specific commercial policies. The City's general liability damage payouts and/or insurance deductibles totaled \$58,632, \$14,617 and \$14,599 for fiscal years 2018, 2017 and 2016 respectively. In accordance with the provisions of the Local Government Tort Claims Act (Md. Cts. & Jud. Procs. Code Ann. §§ 5-301, et seq.), the City's liability for tort claims is limited to \$400,000 per individual claim and \$800,000 in total claims arising from the same occurrence. Additionally, to

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 15. Risk Management – (Continued)

further limited risk, the City requires that contractors on projects for the City provide certain levels of insurance coverage and the policies must name the City as an additional insured. Likewise, organizations of special events occurring within the City that are not sponsored by the City must provide special event insurance which names the City as an additional insured.

Worker’s Compensation

The City’s insurance carrier provides, for a premium, a high-deductible worker’s compensation insurance policy to the City under a Prefunded Deductible Program. The City’s per claim deductible is \$350,000 with a deductible aggregate ranging from \$1,757,000 to \$2,047,000 depending on the policy year. As of June 30, 2018, 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, 2018. 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.

The workers’ compensation claims liability is presented at its net present value of \$4,471,748 (a non-discounted amount of \$4,868,935) using a 2.92% annual discount rate. The following represents the change in approximate aggregate liabilities for the City from July 1, 2015 to June 30, 2018:

Fiscal Year Ended June 30,	Claims Payable July 1,	Claims and Changes in Estimates	Claims Paid	Claims Payable June 30,
2016	\$ 3,583,505	\$ 954,152	\$ (573,597)	\$ 3,964,060
2017	3,964,060	1,025,246	(751,201)	4,238,105
2018	4,238,105	1,068,540	(834,897)	4,471,748

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 15. Risk Management – (Continued)

Self-Insured Health Care

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

Benecon submits invoices monthly to the City for their share of the premiums payable and their pro rata share of the costs and expenses of administering the Cooperative. The City has no responsibility or liability for, and cannot be assessed for, any deficit that may occur in funding the plan benefits or the Cooperative. As part of the Cooperative agreement, the City has stop-loss policies in place for individual participant claims in excess of \$70,000 per year and the aggregate annual participant claims in excess of \$3,798,017.

The third-party actuary estimated the non-discounted claims liability at June 30, 2018. It is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. Liabilities for claims are liquidated using resources from the fund in which the covered employee previously charged his or her salary and benefit costs. Because actual claims liabilities depend on such complex factors as inflation, change in legal doctrines and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities 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, 2015 to June 30, 2018:

Fiscal Year Ended June 30,	Claims Payable July 1,	Claims and Changes in Estimates	Claims Paid	Claims Payable June 30,
2016	\$ 351,163	\$ 4,383,466	\$ (4,361,405)	\$ 373,224
2017	373,224	3,389,491	(3,457,437)	305,278
2018	305,278	3,443,623	(3,423,147)	325,754

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 16. Pension and Retirement Systems

Defined Benefit Plans

Plan Description

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

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

Maryland State Retirement Agency
120 E. Baltimore Street
Baltimore, Maryland 21202-6700

Benefits Provided

All plans provide retirement, disability, and death benefits. For all individuals who are members of the Employees' Retirement System on or before June 30, 2011, retirement allowances are computed using both the highest three years' Average Final Compensation (AFC) and the actual number of years of accumulated creditable service. For all individuals who are members of the Employees' Pension Systems on or before June 30, 2011, pension allowances are computed using both the highest three consecutive years' AFC and the actual number of years of accumulated creditable service. For any individual who becomes a member of the Employees' Pension System after July 1, 2011, pension allowances are

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 16. Pension and Retirement Systems – (Continued)

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.

Contributions

Employees covered under the TRS/ERS were required to contribute 5% of their annual compensation and the employees covered under the LEOPS, ACPS and RCPB plans were required to contribute 7% of their annual compensation during fiscal year 2018. The City is required to contribute at an actuarially determined rate. The current rate is 5.03% of covered payroll for the TRS/ERS system and 5.00% of covered payroll for the ACPC and RCPB systems. The City also is required to pay an ACPS and RCPB surcharge at a rate of 7.44% of covered payroll. The contribution requirements of plan members and the City of Cumberland are established and may be amended by the System's Board of Trustees. The City's contributions for the years ended June 30, 2018, 2017, and

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 16. Pension and Retirement Systems – (Continued)

2016 were \$1,089,771, \$1,051,785, and \$1,075,328, 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 30.75% of covered payroll for the pension system. The City of Cumberland’s contribution to LEOPS for the years ended June 30, 2018, 2017, and 2016, were \$700,320, \$733,042, and \$741,405, 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, 2018, the City reported a liability of \$18,962,194 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2017, the City’s proportion was 0.0877 percent, which was a decrease of .0056 from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City recognized pension expense of \$987,456. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ -	(\$1,325,270)
Change of assumptions	670,881	-
Net difference between projected and actual earnings on pension plan investments	1,277,983	-
City contributions subsequent to the measurement date	1,790,091	-
Total	<u>\$ 3,738,955</u>	<u>(\$1,325,270)</u>

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 16. Pension and Retirement Systems – (Continued)

The City reported \$1,790,091 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, 2019. 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
2019	\$ 299,772
2020	634,614
2021	228,310
2022	(404,751)
2023	(134,351)
Total	\$ 623,594

Actuarial Assumptions

The total pension liability in the June 30, 2017 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	2.65% general, 3.15% wage
Salary Increases	3.15% to 9.15%, including inflation
Discount Rate	7.50%
Investment Rate of Return	7.50%
Mortality	RP-2014 Mortality Tables with generational mortality projections using scale MP-2014, calibrated to MSRPS experience

The actuarial assumptions used in both the June 30, 2017 and the June 30, 2016 valuations were based on the results of an actuarial experience study for the five year period of 2010-2014. Based on the 2015 experience study, the actuary recommended changes in actuarial assumptions. The changes include 1) a decrease in the general inflation rate from 2.70% to 2.65%, 2) a decrease in the wage inflation rate from 3.20% to 3.15%, 3) salary decreases from 3.30% to 9.20% to 3.15% to 9.15%, 4) a decrease in the discount rate from 7.55% to 7.50%, and 5) a decrease in the investment rate of return from 7.55% to 7.50%.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 16. Pension and Retirement Systems – (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Public Equity	36%	5.3%
Rate Sensitive	21%	1.2%
Credit Opportunity	9%	3.6%
Real Assets	15%	5.7%
Absolute Return	8%	3.1%
Private Equity	<u>11%</u>	7.0%
Total	100%	

Discount Rate

A single discount rate of 7.50% 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 7.50%. 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.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 16. Pension and Retirement Systems – (Continued)

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 7.50%, 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 (6.50 percent) or 1-percentage point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City’s proportionate share of the net pension liability	\$26,873,193	\$18,962,194	\$12,398,314

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued System’s Comprehensive Annual Financial Report for the fiscal year ended June 30, 2018. This can be found at: <http://www.sra.state.md.us/Agency/Downloads/CAFR/>.

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, 2018, employee contributions totaled \$132,997 to this plan. The City made \$47,495 in contributions to the plan on behalf of employees that elected to opt-out of the City health insurance plan and \$7,600 pursuant to certain employment agreements.

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

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

Plan Description

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

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

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

Employees Covered By Benefit Terms

At June 30, 2018, the following employees were covered by the benefit terms:

Active	130
Retired	27
Retired Spouses	<u>5</u>
Total	<u>162</u>

Benefits Provided

Retirees are offered the option to maintain health insurance after they retire (including subsidized beneficial coverage) until they reach age 65. To be eligible for benefits you must be age 60 or have 30 years of service. OPEB benefits were phased out by June 30, 2011, except for a small group of grandfathered retirees and the members of Local #553, AFSCME, and Local #1715, IAFF. For employees that retired before October 2003 and have not yet reached the age of 65, the City pays either 85% or 97% of the medical plan costs depending on the plan option the retiree chooses. For employees that retire after October 2003, the City pays towards medical plan costs until they reach the age of 65. For fiscal year 2018, the City monthly subsidy is \$260.66 for Local 553 AFSCME retirees and \$263.27 for Local #1715 IAFF retirees which is adjusted annually by COLA. The City allows medical plan coverage for retiree dependents until the dependent reaches the age of 65, but does not subsidize the cost.

Total OPEB Liability

The City's total post-retirement benefit (OPEB) liability of \$1,408,097 was measured as of June 30, 2018, and was determined by an actuarial valuation as of July 1, 2017.

Actuarial Assumptions

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Measurement Date:	June 30, 2018
Actuarial Valuation Date:	July 1, 2017
Actuarial Cost Method:	Entry Age Normal

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

Mortality: RP-2014 Blue Collar Mortality Table with Scale MP-2017. This table is used pending the release by the Society of Actuaries of a Governmental Mortality Study.

Turnover: Employees were assumed to terminate according to the Male Annual Rates of Withdrawal used in the Maryland State Retirement Employees’ Pension. Sample Rates are as follows:

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

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

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

Salary Scale: 3.0%

Core Inflation Assumption: 3.0%

Utilization: 50% for retiree and 75% for spouse

Discount Rate: The discount rate used to measure the total OPEB liability was 3.87%. Because the plan is unfunded, the plan’s projected benefits are discounted back using rates equivalent to Aa 20-year municipal

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

	bonds. The GO Bond Buyer Index was used to approximate those yields as of June 30, 2018.
Valuation of Assets:	N/A
Per Capita Claims:	Claims were developed by adjusting the underlying medical premiums for the ages of retirees compared to the underlying active populations. The adjustment was done using the morbidity adjustments in Chart 5 from the 2013 Society of Actuaries Study “Health Care Costs from Birth to Death”.
Trend:	Per-capita claims costs are projected to increase at an initial rate of 8.0% with annual declines of 0.50% until an ultimate rate of 5.0% is achieved.
Marriage Assumption:	It was assumed that 75% of the population would be married with males being 2 years older than females.

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

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2017	\$1,457,208
Changes for the year:	
Service cost	32,250
Interest	53,803
Difference between expected & actual experience	-
Assumption changes	-
Contributions – employer	-
Contributions – employee	-
Net investment income	-
Benefit payments	(135,164)
Administrative expense	-
Other changes	-
Net changes	(49,111)
Balance at June 30, 2018	<u>\$1,408,097</u>

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

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

For the year ended June 30, 2018, the City recognized OPEB expense of \$86,053. Since this is the first year of implementation of GASB 75 with regard to the OPEB portion of the City’s post-employment health subsidy, there were no deferred outflows and deferred inflows of resources. In subsequent years, the City will report information on deferred outflows and deferred inflows of resources at year end as well as a schedule of amounts of those deferred outflows of resources and deferred inflows of resources that will be recognized in OPEB expense for the following five years.

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

The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87 percent) or 1-percentage-point higher (4.87 percent) than the current discount rate:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Total OPEB Liability	\$1,504,755	\$1,408,097	\$1,317,939

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

The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage- point lower (7.0 percent decreasing to 4.0 percent) or 1-percentage-point higher (9.0 percent decreasing to 6.0 percent) than the current healthcare cost trend rates:

	1% Decrease (7.0% decreasing to 4.0%)	Healthcare Cost Trend Rates (8.0% decreasing to 5.0%)	1% Increase (9.0% decreasing to 6.0%)
Total OPEB Liability	\$1,295,247	\$1,408,097	\$1,540,013

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 18. Related Party Transactions

In accordance with the Memorandum of Understanding (MOU) dated July 21, 2015 and executed by the Mayor of the City and a representative of the board of directors of the CEDC, the City will provide annual operational funding appropriations to the CEDC. Operational funding appropriations amounted to \$301,835 for the period ended June 30, 2018. In addition, the City issued bond anticipation notes totaling \$3,500,000 during the period ended June 30, 2016 to fund the CEDC's Rolling Mill project. Of this funding, \$74,470 was distributed to the CEDC during the period ended June 30, 2018. As of June 30, 2018, there were no amounts owed to or from the City to the CEDC.

Note 19. Restatement of Fund Balance and Net Position

Effective for fiscal year 2018, the City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures for other postemployment benefits. The Statement also requires enhanced note disclosures and schedules of required supplementary information that will be presented by the other postemployment benefit plan that is within its scope.

Additionally, the City determined that a loan previously written off as uncollectible in one Non-Major Governmental Fund, the CDBG Fund, should be presented as a long-term note receivable. The recording of this note receivable resulted in an increase in the Non-Major Governmental Fund's beginning fund balance in the amount of \$150,000, as well as an increase in the City's Governmental Activities beginning net position of \$150,000.

In summary, the restatements had the following effect on the City's net position and fund balance:

	<u>Water Fund</u>	<u>Sewer Fund</u>	Non-Major Proprietary <u>Funds</u>
Net Position June 30, 2017, as previously stated	\$20,029,808	\$48,629,172	\$2,063,277
Removal of OPEB asset in accordance with GASB #45	-	-	-
Recognition of OPEB liability in accordance with GASB #75	(386,562)	(215,120)	(5,763)
Net Position June 30, 2017, as restated	<u>\$19,643,246</u>	<u>\$48,414,052</u>	<u>\$2,057,514</u>

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 19. Restatement of Fund Balance and Net Position – (Continued)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Net Position June 30, 2017, as previously stated	\$(9,439,426)	\$70,722,257
Removal of OPEB asset in accordance with GASB #45	(181,185)	-
Recognition of OPEB liability in accordance with GASB #75	(849,763)	(607,445)
Recognition of note receivable	150,000	-
Net Position June 30, 2017, as restated	\$(10,320,374)	\$70,114,812

	<u>Non-Major Governmental Funds</u>
Fund Balance June 30, 2017, as previously stated	\$1,673,926
Recognition of note receivable	150,000
Fund Balance June 30, 2017, as restated	\$1,823,926

Note 20. Subsequent Events

The City has evaluated, for possible financial statement disclosure, subsequent events through December 18, 2018, the date which the financial statements were available to be issued, and determined the following to be subsequent events.

On August 1, 2018 the City of Cumberland issued new debt of \$2,450,139 to pay the cost of issuance and to purchase vehicles, equipment and utility improvements through a larger Maryland Department of Housing and Community Development Administration Bond issue. The Local Government Infrastructure Bonds 2018 Series A-1, A-2 and A-3 were issued in the amounts of \$525,894, \$646,000 and \$1,274,707, respectively, and carry interest rates of 2.62%, due in annual installments through April 2025, 2.92%, due in annual installments through April 2028 and 4.14% due in annual installments through April 2048.

In December 2018, the City approved an order to authorize the issuance and sale of up to \$562,500 in general obligation bonds to be used for the public purpose of financing or reimbursing costs of the Willowbrook Road Waterline Replacement Project.

Required Supplementary Information

CITY OF CUMBERLAND, MARYLAND
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	<i>Budgeted Amounts</i>		<i>Actual Amounts</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
Revenues:				
Taxes	\$ 12,074,000	\$ 12,074,000	\$ 12,276,206	\$ 202,206
Licenses and permits	179,500	179,500	120,149	(59,351)
Intergovernmental	3,226,070	3,346,070	3,112,727	(233,343)
Charges for services	1,705,112	1,705,112	1,572,403	(132,709)
Fines and forfeitures	500	500	955	455
Interest	4,000	4,000	54,638	50,638
Miscellaneous	465,950	465,950	775,765	309,815
Total Revenues	<u>17,655,132</u>	<u>17,775,132</u>	<u>17,912,843</u>	<u>137,711</u>
Expenditures:				
Current:				
General government	1,805,372	1,575,372	1,465,998	109,374
Public safety	10,754,165	10,987,086	10,986,653	433
Public works	2,686,150	2,451,150	2,446,528	4,622
Recreation	941,361	796,361	794,300	2,061
Community development and housing	1,374,212	1,199,212	1,195,184	4,028
Debt Service:				
Principal	1,096,576	4,608,664	4,608,511	153
Interest	734,088	939,000	938,646	354
Bond issue costs	-	282,000	281,891	109
Total Expenditures	<u>19,391,924</u>	<u>22,838,845</u>	<u>22,717,711</u>	<u>121,134</u>
Revenues in Excess of (Less Than) Expenditures	<u>(1,736,792)</u>	<u>(5,063,713)</u>	<u>(4,804,868)</u>	<u>258,845</u>
Other Financing Sources (Uses):				
Transfers-in	1,898,854	1,898,854	1,837,074	(61,780)
Transfers-out	(1,667,542)	(422,542)	(419,636)	2,906
Financing proceeds	426,000	426,000	425,995	(5)
Proceeds of refunding bonds	12,970,000	13,865,000	13,864,300	(700)
Refunded bond premium	-	790,000	790,643	643
Payment to refunded bond escrow agent	(12,970,000)	(10,945,000)	(10,944,852)	148
Total Other Financing Sources	<u>657,312</u>	<u>5,612,312</u>	<u>5,553,524</u>	<u>(58,788)</u>
Net Change in Fund Balances	<u>\$ (1,079,480)</u>	<u>\$ 548,599</u>	748,656	<u>\$ 200,057</u>
Fund balance, beginning			6,968,717	
Fund balance, ending			<u>\$ 7,717,373</u>	

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

LAST TEN FISCAL YEARS*

	2018
Total OPEB liability	
Service cost	\$ 32,250
Interest	53,803
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions, including discount rate	-
Benefit payments	(135,164)
Net change in total OPEB liability	(49,111)
Total OPEB liability-beginning	1,457,208
Total OPEB liability-ending	\$ 1,408,097
Covered employee payroll	\$ 5,874,883
Total OPEB liability as a percentage of covered employee payroll	23.97%

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

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

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

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

LAW ENFORCEMENT OFFICERS' PENSION SYSTEM
LAST TEN FISCAL YEARS*

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

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

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

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,089,771	\$ 1,051,785	\$ 1,075,328	\$ 1,110,294
Contributions in relation to the contractually required contribution	<u>(1,089,771)</u>	<u>(1,051,785)</u>	<u>(1,075,328)</u>	<u>(1,110,294)</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	<u>\$ 8,600,271</u>	<u>\$ 8,749,237</u>	<u>\$ 8,692,424</u>	<u>\$ 8,183,050</u>
Contributions as a percentage of covered payroll	12.67%	12.02%	12.37%	13.57%

LAW ENFORCEMENT OFFICERS' PENSION SYSTEM
LAST TEN FISCAL YEARS*

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

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

CITY OF CUMBERLAND, MARYLAND
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018

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 2017 valuation:

- The inflation assumption changed from 2.70% to 2.65% for general and from 3.20% to 3.15% for wages.
- The salary increases changed from a range of 3.30% to 9.20% to a range of 3.15% to 9.15%.
- The discount rate changed from 7.55% to 7.50%.
- The investment rate of return changed from 7.55% to 7.50%.

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions for 2017 Valuation

Actuarial	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Inflation	2.65% general, 3.15% wage
Salary Increases	3.15% to 9.15%, including inflation
Discount Rate	7.50%
Investment Rate of Return	7.50%
Mortality	RP 2014 Mortality Tables with generational mortality projections using scale MP-2014, calibrated to MSRPS experience

Note 2. Other Post Employment Benefits Information

Change in Benefit Terms

-There were no benefit changes during the year.

Change in Assumptions

-There were no changes in assumptions during the year.

Plan Assets

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

**Combining and Individual
Nonmajor Fund
Financial Statements**

**CITY OF CUMBERLAND, MARYLAND
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018**

	<u>Special Revenue Funds</u>					<u>Capital Project Funds</u>			<u>Total Non-Major Governmental Funds</u>
	<u>CDBG Fund</u>	<u>Rehabilitation Loan Fund</u>	<u>Special Taxing District</u>	<u>Community Legacy</u>	<u>Police Grants</u>	<u>Tax Increment Financing District</u>	<u>Capital Projects Fund</u>	<u>Street Improvement Fund</u>	
ASSETS									
Cash and cash equivalents	\$ -	\$ -	\$ 54,279	\$ -	\$ -	\$ -	\$ -	\$ 171,121	\$ 225,400
Investments	-	-	86,994	-	-	-	-	-	86,994
Taxes receivable	-	-	16,225	-	-	14,619	-	-	30,844
Accounts receivable	-	-	253	-	-	-	-	-	253
Due from other governments	145,587	-	3,236	161,988	130,712	-	15,727	251,606	708,856
Housing loans receivable	-	273,485	-	-	-	-	-	-	273,485
Loans receivable	150,000	-	-	466,705	-	-	-	-	616,705
Notes receivable	740,000	-	-	-	-	-	-	-	740,000
Total Assets	<u>\$ 1,035,587</u>	<u>\$ 273,485</u>	<u>\$ 160,987</u>	<u>\$ 628,693</u>	<u>\$ 130,712</u>	<u>\$ 14,619</u>	<u>\$ 15,727</u>	<u>\$ 422,727</u>	<u>\$ 2,682,537</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES									
<i>LIABILITIES:</i>									
Accounts payable	\$ 17,596	\$ -	\$ 2,850	\$ 23,501	\$ 10,372	\$ -	\$ 10,092	\$ -	\$ 64,411
Interfund payables	128,452	-	-	42,405	128,168	9,352	5,635	-	314,012
Unearned revenue	-	-	-	57,890	-	-	-	-	57,890
Total Liabilities	<u>146,048</u>	<u>-</u>	<u>2,850</u>	<u>123,796</u>	<u>138,540</u>	<u>9,352</u>	<u>15,727</u>	<u>-</u>	<u>436,313</u>
<i>DEFERRED INFLOWS OF RESOURCES:</i>									
Unavailable revenues	-	-	16,054	-	15,710	-	-	251,606	283,370
<i>FUND BALANCES:</i>									
Fund balances (deficit):									
Restricted	889,539	273,485	142,083	504,897	-	5,267	-	171,121	1,986,392
Unassigned	-	-	-	-	(23,538)	-	-	-	(23,538)
Total Fund Balances (Deficit)	<u>889,539</u>	<u>273,485</u>	<u>142,083</u>	<u>504,897</u>	<u>(23,538)</u>	<u>5,267</u>	<u>-</u>	<u>171,121</u>	<u>1,962,854</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,035,587</u>	<u>\$ 273,485</u>	<u>\$ 160,987</u>	<u>\$ 628,693</u>	<u>\$ 130,712</u>	<u>\$ 14,619</u>	<u>\$ 15,727</u>	<u>\$ 422,727</u>	<u>\$ 2,682,537</u>

CITY OF CUMBERLAND, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	<i>Special Revenue Funds</i>					<i>Capital Project Funds</i>			<i>Total Non-Major Governmental Funds</i>
	<i>CDBG Fund</i>	<i>Rehabilitation Loan Fund</i>	<i>Special Taxing District</i>	<i>Community Legacy</i>	<i>Police Grants</i>	<i>Tax Increment Financing District</i>	<i>Capital Projects Fund</i>	<i>Street Improvement Fund</i>	
Revenues:									
Taxes	\$ -	\$ -	\$ 195,393	\$ -	\$ -	\$ 14,619	\$ -	\$ -	\$ 210,012
Intergovernmental	610,071	-	5,400	155,991	348,164	-	187,535	508,464	1,815,625
Interest	39,468	-	903	1,146	-	-	-	-	41,517
Miscellaneous	5,928	-	18,722	-	-	-	-	-	24,650
Total Revenues	<u>655,467</u>	<u>-</u>	<u>220,418</u>	<u>157,137</u>	<u>348,164</u>	<u>14,619</u>	<u>187,535</u>	<u>508,464</u>	<u>2,091,804</u>
Expenditures:									
Current:									
General government	-	-	222,496	-	-	-	-	775	223,271
Public safety	-	-	-	-	341,905	-	-	-	341,905
Public works	-	-	-	-	-	-	-	122,627	122,627
Recreation	-	-	-	-	-	-	7,027	-	7,027
Community development and housing	626,628	-	-	145,575	-	-	180,508	-	952,711
Capital Outlay	-	-	-	-	-	-	157,279	303,078	460,357
Debt Service:									
Principal	55,000	-	-	-	-	32,000	-	105,000	192,000
Interest	39,468	-	-	-	-	2,849	-	27,125	69,442
Total Expenditures	<u>721,096</u>	<u>-</u>	<u>222,496</u>	<u>145,575</u>	<u>341,905</u>	<u>34,849</u>	<u>344,814</u>	<u>558,605</u>	<u>2,369,340</u>
Revenues in Excess of (Less Than) Expenditures	<u>(65,629)</u>	<u>-</u>	<u>(2,078)</u>	<u>11,562</u>	<u>6,259</u>	<u>(20,230)</u>	<u>(157,279)</u>	<u>(50,141)</u>	<u>(277,536)</u>
Other Financing Sources (Uses):									
Transfers-in	-	-	60,000	1,883	-	18,503	160,728	270,144	511,258
Transfers-out	-	-	-	-	(3,172)	-	-	(91,622)	(94,794)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>60,000</u>	<u>1,883</u>	<u>(3,172)</u>	<u>18,503</u>	<u>160,728</u>	<u>178,522</u>	<u>416,464</u>
Net Change in Fund Balance	(65,629)	-	57,922	13,445	3,087	(1,727)	3,449	128,381	138,928
Fund balance (deficit), beginning, as restated	955,168	273,485	84,161	491,452	(26,625)	6,994	(3,449)	42,740	1,823,926
Fund balance (deficit), ending	<u>\$ 889,539</u>	<u>\$ 273,485</u>	<u>\$ 142,083</u>	<u>\$ 504,897</u>	<u>\$ (23,538)</u>	<u>\$ 5,267</u>	<u>\$ -</u>	<u>\$ 171,121</u>	<u>\$ 1,962,854</u>

CITY OF CUMBERLAND, MARYLAND
COMBINING STATEMENT OF NET POSITION
NON-MAJOR PROPRIETARY FUNDS
JUNE 30, 2018

	<i>Municipal Parking Authority</i>	<i>Trash</i>	<i>Total Non-Major Proprietary Funds</i>
ASSETS			
<u>Current Assets:</u>			
Cash and cash equivalents	\$ 25,768	\$ 453,148	\$ 478,916
Accounts receivable	1,935	90,092	92,027
Total Current Assets	<u>27,703</u>	<u>543,240</u>	<u>570,943</u>
<u>Noncurrent Assets:</u>			
Capital assets:			
Non-depreciable	180,737	-	180,737
Depreciable, net	3,412,126	-	3,412,126
Total Non-Current Assets	<u>3,592,863</u>	<u>-</u>	<u>3,592,863</u>
Total Assets	<u>3,620,566</u>	<u>543,240</u>	<u>4,163,806</u>
 DEFERRED OUTFLOWS OF RESOURCES			
Deferred inflows related to pension	37,079	-	37,079
Deferred charge on refunding	4,574	-	4,574
Total Deferred Outflows of Resources	<u>41,653</u>	<u>-</u>	<u>41,653</u>
 Total Assets and Deferred Outflows of Resources	 <u>\$ 3,662,219</u>	 <u>\$ 543,240</u>	 <u>\$ 4,205,459</u>
 LIABILITIES			
<u>Current Liabilities:</u>			
Accounts payable	\$ 2,559	\$ 139,526	\$ 142,085
Accrued interest	14,447	-	14,447
Unearned revenues	8,450	-	8,450
Accrued health claims	3,529	-	3,529
Current portion of compensated absences	9,573	-	9,573
Current portion of bonds and notes payable	130,137	-	130,137
Total Current Liabilities	<u>168,695</u>	<u>139,526</u>	<u>308,221</u>
<u>Noncurrent Liabilities:</u>			
Compensated absences (net of current portion)	18,021	-	18,021
Total other post-employment benefit (OPEB) liability	5,569	-	5,569
Bonds and notes payable (net of current portion)	1,932,026	-	1,932,026
Net pension liability	115,111	-	115,111
Total Non-Current Liabilities	<u>2,070,727</u>	<u>-</u>	<u>2,070,727</u>
Total Liabilities	<u>2,239,422</u>	<u>139,526</u>	<u>2,378,948</u>
 DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension	11,270	-	11,270
 NET POSITION			
Net investment in capital assets	1,563,093	-	1,563,093
Unrestricted	(151,566)	403,714	252,148
Total Net Position	<u>1,411,527</u>	<u>403,714</u>	<u>1,815,241</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 3,662,219</u>	<u>\$ 543,240</u>	<u>\$ 4,205,459</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, 2018

	<i>Municipal Parking Authority</i>	<i>Trash</i>	<i>Total Non-Major Proprietary Funds</i>
<i>Operating Revenues:</i>			
Charges for Services:			
Domestic	\$ -	\$ 1,250,686	\$ 1,250,686
Industrial	-	3,026	3,026
Rents/Concessions	393,706	-	393,706
Other	30,186	27,532	57,718
Total Operating Revenues	<u>423,892</u>	<u>1,281,244</u>	<u>1,705,136</u>
<i>Operating Expenses:</i>			
Personal services	189,913	-	189,913
Utilities	14,386	-	14,386
Repairs and maintenance	17,911	-	17,911
Landfill and recycling	-	479,054	479,054
Depreciation	135,619	-	135,619
Contractual Service	17,365	801,657	819,022
Other operating expenses	39,225	159,557	198,782
Total Operating Expenses	<u>414,419</u>	<u>1,440,268</u>	<u>1,854,687</u>
Operating Income (loss)	<u>9,473</u>	<u>(159,024)</u>	<u>(149,551)</u>
<i>Non-Operating (Expenses):</i>			
Interest income	64	-	64
Interest expense	(92,786)	-	(92,786)
Total Non-Operating (loss)	<u>(92,722)</u>	<u>-</u>	<u>(92,722)</u>
Net Income (loss)	(83,249)	(159,024)	(242,273)
Net position-beginning of year, as restated	<u>1,494,776</u>	<u>562,738</u>	<u>2,057,514</u>
Net position-end of year	<u>\$ 1,411,527</u>	<u>\$ 403,714</u>	<u>\$ 1,815,241</u>

CITY OF CUMBERLAND, MARYLAND
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	<i>Municipal Parking Authority</i>	<i>Trash</i>	<i>Total Non-Major Proprietary Funds</i>
Cash Flows from Operating Activities:			
Cash receipts from customers	\$ 385,905	\$ 1,260,456	\$ 1,646,361
Cash payments to suppliers	(121,430)	(1,405,594)	(1,527,024)
Cash payments for personal services	(191,766)	-	(191,766)
Other operating receipts	30,186	27,532	57,718
Net Cash Provided (Used) by Operating Activities	<u>102,895</u>	<u>(117,606)</u>	<u>(14,711)</u>
Cash Flows from Noncapital Financing Activities:			
Proceeds from noncapital debt	31,320	-	31,320
Proceeds from refunding placed in escrow	(25,781)	-	(25,781)
Principal paid on noncapital debt	(207)	-	(207)
Deferred charge	(4,574)	-	(4,574)
Net Cash Provided (Used) By Noncapital Financing Activities	<u>758</u>	<u>-</u>	<u>758</u>
Cash Flows from Capital and Related Financing Activities:			
Principal paid on capital debt	(165,966)	-	(165,966)
Interest paid on capital debt	(93,732)	-	(93,732)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(259,698)</u>	<u>-</u>	<u>(259,698)</u>
Cash Flows from Investing Activities:			
Interest on investments	64	-	64
Net Cash from Investing Activities:	<u>64</u>	<u>-</u>	<u>64</u>
Net Increase in Cash and Cash Equivalents	(155,981)	(117,606)	(273,587)
Cash and Cash Equivalents at Beginning of Year	181,749	570,754	752,503
Cash and Cash Equivalents at End of Year	<u>\$ 25,768</u>	<u>\$ 453,148</u>	<u>\$ 478,916</u>

CITY OF CUMBERLAND, MARYLAND
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018
(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	\$ 25,768	\$ 453,148	\$ 478,916
Investment balance-Statement of Net Position	-	-	-
Cash and Cash Equivalents-Statement of Cash Flows	<u>\$ 25,768</u>	<u>\$ 453,148</u>	<u>\$ 478,916</u>

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

Operating Income (Loss)	\$ 9,473	\$ (159,024)	\$ (149,551)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	135,619	-	135,619
Pension expense	1,003	-	1,003
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	(871)	6,744	5,873
(Increase) in prepaid expenses	768	-	768
Increase (decrease) in accounts payable	(33,311)	34,674	1,363
Increase (decrease) in unavailable revenues	(6,930)	-	(6,930)
Increase (decrease) in accrued health claims	494	-	494
Increase (decrease) in total other post- employment benefit (OPEB) liability	(194)	-	(194)
Increase (decrease) in accrued wages and compensated absences	<u>(3,156)</u>	<u>-</u>	<u>(3,156)</u>
Net cash provided (used) by operating activities	<u>\$ 102,895</u>	<u>\$ (117,606)</u>	<u>\$ (14,711)</u>

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>	98 - 101
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>	102 - 106
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>	107 - 110
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>	111 - 113
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>	114 - 116
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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Governmental Activities										
Net investment in capital assets	\$ 14,988,772	\$ 15,427,981	\$ 16,111,275	\$ 15,315,474	\$ 14,417,904	\$ 14,620,530	\$ 16,053,058	\$ 13,378,759	\$ 13,280,688	\$ 12,314,980
Restricted	886,915	917,895	1,072,036	982,836	1,153,832	1,190,885	2,742,539	3,893,658	3,682,490	3,563,875
Unrestricted	<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>	<u>(26,402,604)</u>	<u>(25,209,841)</u>
Total Governmental Activities Net Position	<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>	<u>\$ (9,439,426)</u>	<u>\$ (9,330,986)</u>
Business-Type Activities										
Net investment in capital assets	\$ 42,359,859	\$ 57,597,712	\$ 69,709,393	\$ 70,443,754	\$ 69,384,635	\$ 68,227,169	\$ 66,477,517	\$ 64,873,365	\$ 64,450,544	\$ 70,127,561
Restricted	-	-	-	-	-	-	1,079,295	-	-	-
Unrestricted	<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>	<u>6,271,713</u>	<u>6,729,258</u>
Total Business-Type Activities Net Position	<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>	<u>\$ 70,722,257</u>	<u>\$ 76,856,819</u>
Primary Government										
Net investment in capital assets	\$ 57,348,631	\$ 73,025,693	\$ 85,820,668	\$ 85,759,228	\$ 83,802,539	\$ 82,847,699	\$ 82,530,575	\$ 78,252,124	\$ 77,731,232	\$ 82,442,541
Restricted	886,915	917,895	1,072,036	982,836	1,153,832	1,190,885	3,821,834	3,893,658	3,682,490	3,563,875
Unrestricted	<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>	<u>(20,130,891)</u>	<u>(18,480,583)</u>
Total Primary Government Net Position	<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>	<u>\$ 61,282,831</u>	<u>\$ 67,525,833</u>

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

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental activities:										
General Government	\$ 2,264.9	\$ 2,008.3	\$ 1,954.2	\$ 1,771.7	\$ 2,118.6	\$ 1,725.0	\$ 1,849.3	\$ 2,042.7	\$ 2,539.2	\$ 2,264.2
Payment to component unit	-	-	-	-	-	-	-	-	15.0	-
Public Safety	10,600.7	9,770.8	10,859.6	10,208.1	11,821.8	10,880.6	12,157.6	12,594.7	12,764.1	10,955.5
Public Works	3,131.2	2,948.3	3,179.7	3,286.2	3,068.2	3,544.9	4,021.8	3,892.2	3,901.5	3,662.5
Recreation	995.4	961.3	1,044.7	911.6	868.6	1,001.7	926.6	1,033.0	1,014.3	905.1
Community Development and Housing	4,294.0	4,849.2	3,757.4	3,538.7	3,433.5	3,356.3	4,111.0	4,680.7	4,745.1	3,872.4
Payment to component unit	-	-	-	-	-	-	-	2,448.6	1,695.9	376.3
Interest on long-term debt	869.3	1,019.3	990.3	898.0	872.1	825.9	1,096.7	1,115.2	1,144.2	916.8
Total governmental activities expense:	\$ 22,155.5	\$ 21,557.2	\$ 21,785.9	\$ 20,614.3	\$ 22,182.8	\$ 21,334.4	\$ 24,163.0	\$ 27,807.1	\$ 27,819.3	\$ 22,952.8
Business-type activities:										
Water	\$ 6,161.8	\$ 6,320.2	\$ 6,428.6	\$ 6,171.3	\$ 5,887.9	\$ 6,080.4	\$ 6,049.2	\$ 7,052.4	\$ 6,574.2	\$ 7,230.9
Sewer	5,171.3	5,247.6	6,132.2	7,381.0	6,649.1	7,884.0	7,655.3	8,065.9	7,949.0	7,817.7
Municipal Parking Authority	548.4	524.6	542.4	528.3	517.2	541.4	571.6	571.9	600.5	507.2
Trash	1,075.3	1,053.8	1,115.0	1,146.0	1,135.8	1,136.5	1,439.9	1,340.9	1,378.6	1,440.3
Property Rental	120.1	301.9	850.9	765.5	428.6	740.7	-	-	-	-
Total business-type activities expenses	13,076.9	13,448.1	15,069.1	15,992.1	14,618.6	16,383.0	15,716.0	17,031.1	16,502.3	16,996.1
Total primary government expense:	\$ 35,232.4	\$ 35,005.3	\$ 36,855.0	\$ 36,606.4	\$ 36,801.4	\$ 37,717.4	\$ 39,879.0	\$ 44,838.2	\$ 44,321.6	\$ 39,948.9
Program Revenues										
Governmental activities:										
Charges for services:										
General Government	\$ 678.8	\$ 694.3	\$ 763.4	\$ 702.2	\$ 648.0	\$ 733.8	786.4	\$ 897.2	\$ 627.5	\$ 570.4
Public Safety	1,348.9	1,160.0	1,214.7	1,308.0	1,094.7	1,142.7	1,612.9	1,425.2	1,223.9	1,237.0
Public Works	-	-	-	-	-	-	-	-	-	-
Recreation	116.7	101.9	109.9	159.5	137.2	134.0	151.7	139.2	131.0	111.6
Community Development and Housing	109.0	79.1	130.5	120.6	51.6	43.1	27.8	-	225.8	143.8
Operating grants and contributions	5,915.6	5,992.9	4,497.2	5,255.4	4,412.4	4,717.2	5,328.5	5,542.1	5,234.5	5,300.7
Capital grants and contributions	701.1	300.7	1,199.0	292.9	183.9	602.0	354.0	49.9	966.6	275.2
Total governmental activities program revenue	\$ 8,870.1	\$ 8,328.9	\$ 7,914.7	\$ 7,838.6	\$ 6,527.8	\$ 7,372.8	\$ 8,261.3	\$ 8,053.6	\$ 8,409.3	\$ 7,638.7
Business-type activities:										
Water	\$ 8,139.8	\$ 7,980.1	\$ 7,635.6	\$ 7,595.1	\$ 7,413.1	\$ 7,387.4	\$ 7,429.6	\$ 7,152.9	\$ 7,036.8	\$ 6,949.0
Sewer	5,526.2	5,326.6	5,913.1	6,526.3	7,064.5	8,508.7	9,881.9	10,789.4	11,090.0	11,223.9
Municipal Parking Authority	628.8	660.6	648.5	600.1	584.5	543.0	442.1	486.9	424.7	423.9
Trash	1,131.8	1,305.8	1,349.4	1,329.3	1,319.5	1,306.6	1,304.9	1,292.0	1,290.3	1,281.2
Property Rental	136.1	88.0	443.2	494.9	247.8	9.5	-	-	-	-
Capital grants and contributions	2,116.2	16,441.4	10,721.0	1,580.3	900.1	457.0	22.9	-	487.9	5,576.4
Total business-type activities program revenue:	17,678.9	31,802.5	26,710.8	18,126.0	17,529.5	18,212.2	19,081.4	19,721.2	20,329.7	25,454.4
Total primary government revenue	\$ 26,549.0	\$ 40,131.4	\$ 34,625.5	\$ 25,964.6	\$ 24,057.3	\$ 25,585.0	\$ 27,342.7	\$ 27,774.8	\$ 28,739.0	\$ 33,093.1
Net (Expense)/Revenue										
Governmental activities	\$ (13,285.4)	\$ (13,228.3)	\$ (13,871.2)	\$ (12,775.7)	\$ (15,655.0)	\$ (13,961.6)	\$ (15,901.7)	\$ (19,753.5)	\$ (19,410.0)	\$ (15,314.1)
Business-type activities	4,602.0	18,354.4	11,641.7	2,133.9	2,910.9	1,829.2	3,365.4	2,690.1	3,827.4	8,458.3
Total primary government net expense	\$ (8,683.4)	\$ 5,126.1	\$ (2,229.5)	\$ (10,641.8)	\$ (12,744.1)	\$ (12,132.4)	\$ (12,536.3)	\$ (17,063.4)	\$ (15,582.6)	\$ (6,855.8)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes	\$ 9,434.3	\$ 10,309.7	\$ 10,731.2	\$ 10,808.4	\$ 10,522.2	\$ 10,792.7	\$ 10,698.6	\$ 10,552.0	\$ 10,769.8	\$ 11,972.5
Franchise Fees ¹	276.4	281.5	277.3	272.6	270.1	269.0	278.1	292.1	297.7	286.1
Other taxes	150.4	209.6	244.0	291.3	225.3	259.4	274.9	280.4	288.0	300.6
Shared revenues	1,357.7	1,477.3	1,298.6	1,219.7	1,292.2	1,366.6	1,413.6	1,305.4	1,184.6	1,269.1
Investment earnings	123.2	134.7	110.4	73.4	63.0	58.4	56.1	55.2	62.1	94.0
Gain on sale of capital assets	-	-	-	-	144.0	-	-	-	-	-
Special Item - Demolition Costs	-	-	-	-	-	-	(661.3)	(249.2)	-	-
Miscellaneous	352.9	144.6	183.3	748.1	88.5	117.7	178.2	131.1	1,243.2	547.3
Transfers	2,052.9	2,088.8	932.3	812.3	2,270.1	1,456.2	(246.3)	3,564.5	3,001.0	1,833.9
Total governmental activities	13,747.8	14,646.2	13,777.1	14,225.8	14,875.4	14,320.0	11,991.9	15,931.5	16,846.4	16,303.5
Business-type activities:										
Investment earnings	17.6	3.6	8.2	4.3	3.6	7.8	7.4	14.6	29.5	117.5
Miscellaneous	-	-	-	-	-	270.0	497.0	-	-	-
Special Item - Demolition Costs	-	-	-	-	(72.3)	(1,553.0)	-	-	-	-
Special Item - Loss on Asset Impairment	-	-	-	-	(1,493.3)	-	-	-	-	-
Gain on sale of capital asset	-	152.4	1,200.0	-	-	-	-	-	-	-
Transfers	(2,052.9)	(2,088.8)	(932.3)	(812.3)	(2,270.1)	(1,456.2)	246.3	(3,564.5)	(3,001.0)	(1,833.9)
Total business-type activities	(2,035.3)	(1,932.8)	275.9	(808.0)	(3,832.1)	(2,731.4)	750.7	(3,549.9)	(2,971.5)	(1,716.4)
Total primary government	\$ 11,712.5	\$ 12,713.4	\$ 14,053.0	\$ 13,417.8	\$ 11,043.3	\$ 11,588.6	\$ 12,742.6	\$ 12,381.6	\$ 13,874.9	\$ 14,587.1
Changes in Net Position:										
Governmental activities	\$ 462.4	\$ 1,417.9	\$ (94.1)	\$ 1,450.1	\$ (779.6)	\$ 358.4	\$ (3,909.8)	\$ (3,822.0)	\$ (2,563.6)	\$ 989.4
Business-type activities	2,566.7	16,421.6	11,917.6	1,325.9	(921.2)	(902.2)	4,116.1	(859.8)	855.9	6,741.9
Total primary government	\$ 3,029.1	\$ 17,839.5	\$ 11,823.5	\$ 2,776.0	\$ (1,700.8)	\$ (543.8)	\$ 206.3	\$ (4,681.8)	\$ (1,707.7)	\$ 7,731.3

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

	Fiscal Year									
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
General Fund										
Reserved	\$ 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	2,582,740	2,637,657
Restricted	-	-	595,203	527,991	475,607	375,991	5,326,935	6,186,903	3,221,990	3,023,182
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	357,957	-	-	-
Unassigned	-	-	(1,606,117)	(862,478)	438,716	36,256	-	830,789	1,163,987	2,056,534
Unreserved	(1,223,111)	(1,912,378)	-	-	-	-	-	-	-	-
Total general fund	<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>	<u>\$ 6,968,717</u>	<u>\$ 7,717,373</u>
Housing Fund										
Reserved	\$ 38,724	\$ 39,059	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	39,139	39,139	1,584	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	(60,820)	(37,555)	-	-	-	-	-	-
Unreserved	(79,948)	(60,790)	-	-	-	-	-	-	-	-
Total housing fund	<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>	<u>\$ -</u>	<u>\$ -</u>
All Other Governmental Funds										
Reserved	\$ 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	1,704,000	1,986,392
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	(65,124)	(19,351)	(31,807)	(60,447)	(190,441)	(281,525)	(30,074)	(23,538)
Unreserved	-	-	-	-	-	-	-	-	-	-
Special Revenue Funds	196,397	274,530	-	-	-	-	-	-	-	-
Capital Projects Funds	9,167,317	7,845,997	-	-	-	-	-	-	-	-
Total all other governmental funds	<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>	<u>1,673,926</u>	<u>1,962,854</u>
All Governmental Funds										
Total Fund Balance All Governmental Funds	<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>	<u>\$ 8,642,643</u>	<u>\$ 9,680,227</u>

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>Fiscal Year 2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Revenues										
Taxes	\$ 9,799,768	\$ 10,353,170	\$ 11,646,674	\$ 10,882,483	\$ 10,817,154	\$ 11,175,297	\$ 11,275,178	\$ 11,001,020	\$ 11,530,679	\$ 12,486,218
Licenses and permits	236,101	288,312	233,466	184,514	136,179	151,120	248,312	213,539	203,847	120,149
Intergovernmental	8,205,565	7,968,020	7,128,218	6,852,312	5,984,096	6,488,782	7,118,645	7,007,493	7,131,752	7,131,421
Charges for Services	1,605,836	1,336,093	1,563,396	1,679,527	1,371,488	1,475,442	1,948,052	1,688,563	1,630,969	1,572,403
Fines and Forfeitures	500	1,810	391	1,080	1,785	805	1,155	1,840	1,265	955
Interest	124,986	108,498	112,613	75,937	65,277	61,743	59,038	58,271	65,903	96,155
Miscellaneous	797,017	565,979	623,303	755,678	524,720	595,438	527,463	679,849	613,514	800,415
Total revenue	<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>	<u>21,177,929</u>	<u>22,207,716</u>
Expenditures										
Current Operations:										
General Government	\$ 2,206,697	\$ 1,897,553	\$ 1,784,431	\$ 1,601,303	\$ 1,718,106	\$ 1,950,958	\$ 2,027,160	\$ 2,032,291	\$ 2,110,185	\$ 1,689,269
Public Safety	10,670,154	10,266,999	10,676,478	10,283,408	10,364,932	10,820,344	11,650,997	11,211,859	10,789,586	11,328,558
Public Works	2,486,053	2,435,387	2,401,370	2,692,508	2,421,606	2,617,524	2,953,458	2,730,567	2,534,738	2,569,155
Recreation	1,009,605	872,041	888,296	786,257	804,246	837,579	806,133	842,531	813,098	801,327
Community development and housing	5,449,267	5,287,740	4,044,178	3,645,278	3,318,134	3,318,234	4,451,754	7,058,776	5,659,488	4,350,964
Capital Outlay	930,412	1,502,551	3,650,316	1,332,967	2,047,829	1,178,513	1,628,048	1,277,315	1,980,388	460,357
Principal	1,164,828	1,181,844	931,548	653,691	902,173	1,506,713	1,309,403	1,488,813	1,493,047	4,800,511
Interest	717,536	1,011,608	998,502	920,672	883,645	838,884	1,056,403	1,114,141	1,177,373	1,008,088
Bond issue costs	294,690	-	-	141,397	-	39,246	59,900	101,887	-	281,891
Total Expenditures	<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>	<u>26,557,903</u>	<u>27,290,120</u>
Excess (deficiency) revenue over expenditures	<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>	<u>\$ (5,379,974)</u>	<u>\$ (5,082,404)</u>
Other Financing Sources (Uses)										
Transfers-in	\$ 2,477,328	\$ 2,637,175	\$ 1,699,381	\$ 2,560,339	\$ 3,407,141	\$ 3,595,131	\$ 6,289,161	\$ 5,179,913	\$ 5,214,542	\$ 2,348,332
Transfers-out	(683,366)	(472,516)	(708,450)	(1,250,111)	(1,144,392)	(2,138,952)	(1,670,601)	(1,497,205)	(2,213,570)	(514,430)
Issuance of debt	9,154,872	-	576,003	2,587,781	10,103	-	5,352,339	4,811,250	39,530	425,995
Sale of capital assets	-	-	-	-	144,039	-	-	-	-	-
Refunding proceeds	3,636,221	-	-	-	-	-	-	-	-	13,864,300
Refunded bond premium	-	-	-	-	-	-	-	-	-	790,643
Special Item - Demolition Costs	-	-	-	-	-	-	(661,280)	(249,193)	-	-
Payment to refund bonds	(3,148,677)	-	-	(2,520,929)	-	723,600	-	-	-	(10,944,852)
Total Other Financing Sources (Uses)	<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>	<u>\$ 3,040,502</u>	<u>\$ 5,969,988</u>
Net change in fund balances	<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>	<u>\$ (2,339,472)</u>	<u>\$ 887,584</u>
Debt Service as percentage of non-capital expenditures	8.01%	9.79%	9.35%	8.08%	8.81%	10.70%	10.51%	10.22%	11.11%	22.38%
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	\$ 1,426,658	\$ 2,052,867	\$ 4,740,097	\$ 2,563,575	\$ 2,196,361	\$ 1,817,934	\$ 3,428,901	\$ 2,378,840	\$ 2,517,001	\$ 1,337,689

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		Total Collections to Date		Outstanding Delinquent Taxes	City Percent of Delinquent Taxes to Tax Levy
		Amount	%age of Levy	Amount	%age of Levy		
2018	\$ 11,539,587	\$ 10,613,427	91.97%	\$ 10,613,427	91.97%	926,160	8.03%
2017	\$ 10,490,966	\$ 9,692,052	92.38%	\$ 10,159,409	96.84%	331,557	3.16%
2016	\$ 10,141,863	\$ 9,339,789	92.09%	\$ 10,100,425	99.59%	41,438	0.41%
2015	\$ 10,309,841	\$ 9,382,860	91.01%	\$ 10,266,401	99.58%	43,440	0.42%
2014	\$ 10,280,128	\$ 9,367,169	91.12%	\$ 10,255,686	99.76%	24,442	0.24%
2013	\$ 10,137,308	\$ 8,943,020	88.22%	\$ 10,112,787	99.76%	24,521	0.24%
2012	\$ 10,549,106	\$ 9,409,920	89.20%	\$ 10,521,824	99.74%	27,282	0.26%
2011	\$ 10,221,915	\$ 9,672,280	94.62%	\$ 10,175,767	99.55%	46,148	0.45%
2010	\$ 9,765,311	\$ 8,509,422	87.14%	\$ 9,680,072	99.13%	85,239	0.87%
2009	\$ 8,940,621	\$ 8,296,738	92.80%	\$ 8,930,924	99.89%	9,697	0.11%

Source: City of Cumberland, Finance Department

City of Cumberland, Maryland

Assessed and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years

Fiscal Year Ended 30-Jun	Real Property			Real Property - Less than Full Rate			Personal Property - Unincorporated		Personal Property - Privately Owned Railroads and Public Utilities		Personal Property - Corporation		Total Personal Property Tax Base		Personal Property
	Assessed Value	Estimated Actual Value	Real Property Total Direct Tax Rate	Assessed Value	Estimated Actual Value	Real Property Total Direct Tax Rate	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Total Direct Tax Rate
2018	\$ 863,629,825	\$ 863,629,825	\$1.0595	\$ -	\$ -	\$0.5298	\$ 1,773,565	\$ 1,773,565	\$ 45,173,290	\$ 45,173,290	\$ 43,288,379	\$ 43,288,379	\$ 90,235,234	\$ 90,235,234	\$2.648
2017	\$ 850,099,543	\$ 850,099,543	\$0.9654	\$ 2,195,896	\$ 2,195,896	\$0.4827	\$ 2,074,168	\$ 2,074,168	\$ 41,722,490	\$ 41,722,490	\$ 42,060,780	\$ 42,060,780	\$ 85,857,438	\$ 85,857,438	\$2.648
2016	\$ 830,803,398	\$ 830,803,398	\$0.9654	\$ 3,713,487	\$ 3,713,487	\$0.4827	\$ 2,230,023	\$ 2,230,023	\$ 40,794,830	\$ 40,794,830	\$ 36,407,247	\$ 36,407,247	\$ 79,432,100	\$ 79,432,100	\$2.648
2015	\$ 847,037,497	\$ 847,037,497	\$0.9654	\$ 960,845	\$ 960,845	\$0.4827	\$ 1,620,657	\$ 1,620,657	\$ 38,684,890	\$ 38,684,890	\$ 40,053,327	\$ 40,053,327	\$ 80,358,874	\$ 80,358,874	\$2.648
2014	\$ 844,353,117	\$ 844,353,117	\$0.9654	\$ 459,291	\$ 459,291	\$0.4827	\$ 1,777,681	\$ 1,777,681	\$ 36,838,390	\$ 36,838,390	\$ 41,690,801	\$ 41,690,801	\$ 80,306,872	\$ 80,306,872	\$2.648
2013	\$ 837,573,545	\$ 837,573,545	\$0.9654	\$ 901,388	\$ 901,388	\$0.4827	\$ 1,979,532	\$ 1,979,532	\$ 35,630,660	\$ 35,630,660	\$ 39,694,264	\$ 39,694,264	\$ 77,304,456	\$ 77,304,456	\$2.648
2012	\$ 885,953,180	\$ 885,953,180	\$0.9654	\$ 1,634,141	\$ 1,634,141	\$0.4827	\$ 1,503,927	\$ 1,503,927	\$ 43,186,620	\$ 43,186,620	\$ 30,393,516	\$ 30,393,516	\$ 75,084,063	\$ 75,084,063	\$2.648
2011	\$ 839,310,545	\$ 839,310,545	\$0.9654	\$ 647,400	\$ 647,400	\$0.4827	\$ 1,684,932	\$ 1,684,932	\$ 33,803,640	\$ 33,803,640	\$ 44,424,041	\$ 44,424,041	\$ 79,912,613	\$ 79,912,613	\$2.648
2010	\$ 786,812,202	\$ 786,812,202	\$0.9654	\$ 16,944,050	\$ 16,944,050	\$0.4827	\$ 1,583,459	\$ 1,583,459	\$ 34,788,640	\$ 34,788,640	\$ 42,466,156	\$ 42,466,156	\$ 78,838,255	\$ 78,838,255	\$2.648
2009	\$ 721,894,655	\$ 721,894,655	\$0.9654	\$ 2,083,900	\$ 2,083,900	\$0.4827	\$ 1,798,753	\$ 1,798,753	\$ 38,538,100	\$ 38,538,100	\$ 33,733,841	\$ 33,733,841	\$ 74,070,694	\$ 74,070,694	\$2.648

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>
2018	\$ 1.0595	\$ 0.8324	\$ 0.112	\$ 2.00	\$ 9,150,158	\$ 7,188,855	\$ 967,265	\$ 17,306,278
2017	\$ 0.9654	\$ 0.8452	\$ 0.112	\$ 1.92	\$ 8,206,861	\$ 7,185,041	\$ 952,111	\$ 16,344,014
2016	\$ 0.9654	\$ 0.8486	\$ 0.112	\$ 1.93	\$ 8,020,576	\$ 7,050,198	\$ 930,500	\$ 16,001,273
2015	\$ 0.9654	\$ 0.8530	\$ 0.112	\$ 1.93	\$ 8,177,300	\$ 7,225,230	\$ 948,682	\$ 16,351,212
2014	\$ 0.9654	\$ 0.8424	\$ 0.112	\$ 1.92	\$ 8,151,385	\$ 7,112,831	\$ 945,675	\$ 16,209,891
2013	\$ 0.9654	\$ 0.8371	\$ 0.112	\$ 1.91	\$ 8,085,935	\$ 7,011,328	\$ 938,082	\$ 16,035,346
2012	\$ 0.9654	\$ 0.8519	\$ 0.112	\$ 1.93	\$ 8,552,992	\$ 7,547,435	\$ 992,268	\$ 17,092,695
2011	\$ 0.9654	\$ 0.8999	\$ 0.112	\$ 1.98	\$ 8,102,704	\$ 7,552,956	\$ 940,028	\$ 16,595,687
2010	\$ 0.9654	\$ 0.9016	\$ 0.112	\$ 1.98	\$ 7,595,885	\$ 7,093,899	\$ 881,230	\$ 15,571,013
2009	\$ 0.9654	\$ 0.9074	\$ 0.112	\$ 2.06	\$ 6,969,171	\$ 6,550,472	\$ 808,522	\$ 14,328,165

Source: (1) Allegany County, Finance Department

City of Cumberland, Maryland

Principal Property Tax Payers Real Property Taxes

Current Year and Nine Years Ago

Taxpayer	2018			2009		
	Taxable Assessed Value	Rank	Percentage of Total Assessed Value of Real Property in the City	Taxable Assessed Value	Rank	Percentage of Total Assessed Value of Real Property in the City
Western MD Health System Inc.	\$ 19,706,700	1	2.28%			
Loves Travel Stops & Country Store	\$ 11,354,200	2	1.31%			
CSX Transportation	\$ 11,292,510	3	1.31%	\$ 6,687,402	1	0.9%
ARC Cumberland LLC	\$ 9,203,400	4	1.07%			
Black Sapphire C Cumberland	\$ 5,859,450	5	0.68%			
Christie Realty LLC	\$ 5,476,500	6	0.63%			
EII Cumberland Associates	\$ 4,578,200	7	0.53%	\$ 5,057,074	3	0.7%
123 South Liberty	\$ 4,401,700	8	0.51%			
Furnace Realty LLC	\$ 4,274,800	9	0.49%			
BOIII Cumberland LLC	\$ 4,203,100	10	0.49%			
Sacred Heart				\$ 5,999,694	2	0.8%
Maryland Motel Management				\$ 5,011,515	4	0.7%
Perini Services-Devlin Manor				\$ 4,555,923	5	0.6%
Cumberland Plaze Associates				\$ 3,416,942	6	0.5%
Cumberland Manor Associates				\$ 3,098,027	7	0.4%
Memorial Hospital - Medical Center				\$ 3,098,027	8	0.4%
American Trust Bank				\$ 2,961,350	9	0.4%
Nationwide Health Prop				\$ 2,792,872	10	0.4%
Total	\$ 80,350,560		9.30%	\$ 42,678,826		5.11%

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	2018			2009		
	Taxable Assessed Value	Rank	Percentage of Total Assessed Value of Real Property in the City	Taxable Assessed Value	Rank	Percentage of Total Assessed Value of Real Property in the City
Potomac Edison Company	\$ 15,546,060	1	17.23%	\$ 11,770,800	1	15.89%
Columbia Gas of Maryland	\$ 10,929,140	2	12.11%	\$ 6,978,000	3	9.42%
CSX Transportation Inc.	\$ 9,440,320	3	10.46%	\$ 4,138,920	4	5.59%
Verizon - Maryland	\$ 6,952,220	4	7.70%	\$ 10,548,970	2	14.24%
Atlantic Broadband	\$ 5,616,680	5	6.22%	\$ 2,994,190	5	4.04%
Maryland Sheetz, Inc	\$ 1,854,170	6	2.05%			
Loves Travel Stops & Country Store	\$ 1,613,360	7	1.79%			
A.D.R. LLC	\$ 1,492,760	8	1.65%			
Giant Food Stores	\$ 1,294,460	9	1.43%	\$ 2,429,600	6	3.28%
Level 3 Communications	\$ 1,230,290	10	1.36%	\$ 1,188,830	8	1.60%
F.Daniel Jackson MD PA				\$ 1,681,100	7	2.27%
Haystack Imaging Services LLC				\$ 891,630	9	1.20%
General Electric Credit Corporation				\$ 720,000	10	0.97%
Total	\$ 55,969,460		62.03%	\$ 43,342,040		57.54%

Source: City of Cumberland, Finance Department

City of Cumberland, Maryland

Ratio of Outstanding Debt by Type

Last Ten Fiscal Years

Fiscal Year Ended June 30	Personal Income	Population	Government Activities		Business-Type Activities		Total Outstanding Debt	Percentage of Personal Income	Debt Per Capita
			General Obligation Bonds	Notes and Leases	General Obligation Bonds	Notes and Leases			
2018	\$398,554,368	19,707	\$ 26,526,620	\$ 770,999	\$ 29,667,965	\$ 13,285	\$ 56,978,869	14.30%	\$ 2,891
2017	\$455,698,180	19,978	\$ 26,909,376	\$ 833,336	\$ 30,162,360	\$ 16,429	\$ 57,921,501	12.71%	\$ 2,899
2016	\$441,169,080	20,130	\$ 28,351,229	\$ 845,000	\$ 31,785,149	\$ -	\$ 60,981,378	13.82%	\$ 3,029
2015	\$413,206,326	20,297	\$ 24,720,173	\$ 1,037,958	\$ 31,527,406	\$ 3,177	\$ 57,288,714	13.86%	\$ 2,823
2014	\$421,618,922	20,458	\$ 15,677,315	\$ 1,262,880	\$ 35,861,554	\$ 6,825	\$ 52,808,574	12.53%	\$ 2,581
2013	\$402,956,400	20,580	\$ 15,572,124	\$ 2,151,184	\$ 30,176,967	\$ 3,222,865	\$ 51,123,140	12.69%	\$ 2,484
2012	\$449,454,674	20,738	\$ 16,088,462	\$ 2,526,912	\$ 29,567,795	\$ 3,517,656	\$ 51,700,825	11.50%	\$ 2,493
2011	\$438,414,462	20,859	\$ 16,170,911	\$ 3,031,306	\$ 29,702,693	\$ 3,842,922	\$ 52,747,832	12.03%	\$ 2,529
2010	\$422,292,299	20,449	\$ 16,705,844	\$ 2,851,918	\$ 27,897,779	\$ 2,644,322	\$ 50,099,863	11.86%	\$ 2,450
2009	\$459,942,930	20,535	\$ 17,257,140	\$ 3,424,630	\$ 24,029,223	\$ 2,984,847	\$ 47,695,840	10.37%	\$ 2,323
2008	\$516,859,434	20,643	\$ 5,432,996	\$ 3,817,476	\$ 24,946,950	\$ 3,322,252	\$ 37,519,674	7.26%	\$ 1,818

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

City of Cumberland, Maryland

Ratio of General Obligation Debt Outstanding

Last Ten Fiscal Years

Fiscal Year Ended June 30	Population	Assessed Value (000's)	General Obligation Bonds	Percentage of Total Taxable Value of Property	Per Capita
2018	19,707	\$ 863,629,825	\$ 56,194,585	6.51%	\$ 2,852
2017	19,978	\$ 850,099,543	\$ 57,071,736	6.71%	\$ 2,857
2016	20,130	\$ 830,803,398	\$ 60,136,378	7.24%	\$ 2,987
2015	20,297	\$ 847,037,497	\$ 56,247,579	6.64%	\$ 2,771
2014	20,458	\$ 844,353,117	\$ 51,538,869	6.10%	\$ 2,519
2013	20,580	\$ 837,573,545	\$ 45,749,091	5.46%	\$ 2,223
2012	20,738	\$ 885,953,180	\$ 45,656,257	5.15%	\$ 2,202
2011	20,859	\$ 839,310,545	\$ 45,873,604	5.47%	\$ 2,199
2010	20,449	\$ 786,812,202	\$ 44,603,623	5.67%	\$ 2,181
2009	20,535	\$ 721,894,655	\$ 41,286,363	5.72%	\$ 2,011
2008	20,643	\$ 675,560,720	\$ 30,379,946	4.50%	\$ 1,472

Fiscal Year Ended June 30	Population	Assessed Value (000's)	General Obligation Governmental Bonds	Percentage of Total Taxable Value of Property	Per Capita
2018	19,707	\$ 863,629,825	\$ 26,526,620	3.07%	\$ 1,346
2017	19,978	\$ 850,099,543	\$ 26,909,376	3.17%	\$ 1,347
2016	20,130	\$ 830,803,398	\$ 28,351,229	3.41%	\$ 1,408
2015	20,297	\$ 847,037,497	\$ 24,720,173	2.92%	\$ 1,218
2014	20,458	\$ 844,353,117	\$ 15,677,315	1.86%	\$ 766
2013	20,580	\$ 837,573,545	\$ 15,572,124	1.86%	\$ 757
2012	20,738	\$ 885,953,180	\$ 16,088,462	1.82%	\$ 776
2011	20,859	\$ 839,310,545	\$ 16,170,911	1.93%	\$ 775
2010	20,449	\$ 786,812,202	\$ 16,705,844	2.12%	\$ 817
2009	20,535	\$ 721,894,655	\$ 17,257,140	2.39%	\$ 840
2008	20,643	\$ 675,560,720	\$ 5,432,996	0.80%	\$ 263

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

Source: City of Cumberland, Finance Department

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

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

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

Source: City of Cumberland, Finance Department

City of Cumberland, Maryland

Computation of Direct and Overlapping Debt

June 30, 2018

<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	\$27,297,619	100.0%	\$27,297,619
Allegany County, Maryland 2	\$25,071,144	22.1%	\$5,545,353
Total debt and overlapping debt	\$52,368,763		\$32,842,972

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

Source: City of Cumberland

1) City of Cumberland, Finance Department

2) Allegany County, Finance Department

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

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

Sources:

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

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

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

<u>Employer</u>	<u>2018</u>			<u>2009</u>		
	<u># of Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>	<u># of Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
Western Maryland Regional Medical	2,200	1	6.14%	2,460	1	7.33%
Frostburg State University	1,065	2	3.76%	916	5	2.73%
Hunter Douglas	965	3	2.93%	558	9	1.66%
Verso	700	4	2.73%	994	4	2.96%
CSX Transportation	635	5	2.51%	800	6	2.38%
North Branch Correctional Institute	574	6	2.40%			
Allegany College of Maryland	550	7	2.23%			
American Woodmark Corporation	545	8	1.95%			
Rocky Gap Casino Resort	500	9	1.64%			
Conduent	380	10	1.60%			
ATK Tactical Systems				1,453	2	4.33%
Allegany County Board of Education				1,424	3	4.25%
Allegany County Government				599	7	1.79%
ACS, Inc				587	8	1.75%
Western Correctional Institution				557	10	1.66%
Total employees for ten largest employers	8,114		27.89%	10,348		30.84%

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

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

Fiscal Year Ended June 30	<u>Commercial Construction</u>			<u>Residential Construction</u>		
	Number of Units	Value		Number of Units	Value	
2018	30	\$ 4,987,842	(1)	5	\$ 281,974	
2017	35	\$ 43,112,485	(2)	12	\$ 557,700	
2016	28	\$ 61,123,104	(3)	14	\$ 1,415,030	
2015	17	\$ 7,915,500		27	\$ 3,621,518	
2014	16	\$ 5,222,000		24	\$ 2,413,000	
2013	23	\$ 2,440,450		21	\$ 945,250	
2012	26	\$ 6,274,930		49	\$ 6,691,581	
2011	29	\$ 14,209,451		32	\$ 1,960,500	
2010	45	\$ 13,517,100		43	\$ 16,902,316	
2009	30	\$ 20,210,138		34	\$ 1,156,302	
2008	27	\$ 28,073,590		54	\$ 5,093,844	

(1) Includes permit for non-taxable Allegany College Improvements - \$550,000

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

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

Source: City of Cumberland, Department of Community Development

City of Cumberland, Maryland
Annual Budget Approved Employees by Function

Function	Actual at 6/30	Adopted	2017	2016	2015	2014	2013	2012	2011	2010	2009
	2018	2018									
Governmental Fund Departments											
<u>General Government</u>											
Mayor & Council	5	5	5	5	5	5	5	5	5	5	5
City Administrator	1	1	1	1	1	1	2	2	2	3	2
City Clerk	2	2	2	2	2	2	1	1	1	1	1
Personnel	2	2	2	2	2	2	2	2	2	2	2
Finance	11	11	11	11	11	11	11	11	12	10	10
MIS	4	4	4	4	4	4	4	4	4	4	4
Central Services	6	6	6	6	6	5	1	1	1	2	2
<u>Public Safety</u>											
Police Department	50	54	56	56	51	50	48	51	53	51	57
Police Full-time Grant	3	3	2	2	5	3	3	3	-	-	-
Fire Department	49	49	54	61	56	58	59	58	58	62	64
Fire Full-time Grant	-	-	-	-	6	8	8	9	-	-	-
<u>Public Works</u>											
Administration	3	3	3	3	3	4	4	4	4	5	5
Engineering	9	9	8	8	9	8	8	9	8	8	8
Vehicle Maintenance	3	4	4	4	4	4	4	4	4	4	4
Street Department	15	15	16	16	15	15	16	17	17	18	18
<u>Recreation</u>											
Recreation	1	1	1	1	1	1	1	1	1	1	1
Parks	4	4	4	4	4	4	4	4	4	6	6
<u>Community Development</u>											
Community Development	7	8	10	12	11	9	10	11	13	16	18
Economic Development	2	3	3	2	2	2	2	2	2	2	2
Downtown Development	3	4	4	4	3	1	1	1	1	1	1
Total Governmental Funds	180	188	196	204	201	197	194	200	192	201	210
Proprietary Fund Departments:											
Water Distribution	21	21	21	21	22	20	21	22	22	24	24
Water Filtration	10	11	10	10	10	8	8	9	9	10	10
Wastewater Treatment	13	13	13	13	13	14	14	15	16	15	16
Flood/Sewer	13	14	13	11	13	12	12	12	13	13	12
Utility Services	2	1	-	-	-	-	3	3	3	2	2
Municipal Parking Authority	2	2	2	2	2	1	1	1	1	1	2
Total Proprietary Funds	61	62	59	57	60	55	59	62	64	65	66
Total Full-time and Elected	236	245	250	256	256	247	248	257	251	261	271
Elected Public Officials	5	5	5	5	5	5	5	5	5	5	5

Source: City of Cumberland Human Resources Department

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

Function	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Government										
Public Safety:										
Stations	1	1	1	1	1	1	1	1	1	1
Number of Patrol Units	34	31	30	33	33	32	32	34	38	42
Fire:										
Stations	3	3	3	3	3	3	3	3	3	3
Number of Vehicles	14	15	15	15	15	14	14	14	16	16
Public Works:										
Streets (miles)	150.7	150.7	150.7	150.7	150.7	150.7	150.1	150.7	150.7	150.7
Traffic Signals	22	22	22	22	22	22	22	22	22	22
Enterprise Operations										
Water Operations:										
Miles of Water Main	150.5	150.5	150.5	150.5	150.5	150.5	150.5	150.5	150.5	150.5
Number of Fire Hydrants	900	900	900	900	900	900	900	932	932	932
Waste Water Operations:										
Miles of Storm/Sanitary Sewers	135	135.0	135.0	135.0	135.0	135.0	135.0	135.0	135.0	135.0
Number of Treatment Plants	1	1	1	1	1	1	1	1	1	1

Source: City of Cumberland, Finance Department

City of Cumberland, Maryland

Operating Indicators by Function

<u>Function</u>	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012	June 30, 2011	June 30, 2010	June 30, 2009
General Government										
Building Permits Issued:										
Commercial Permits Issued	30	35	28	17	16	23	26	29	45	30
Residential Permits Issued	5	12	14	27	24	21	49	32	43	34
Total Value of Permits Issued	\$ 5,269,816	\$ 43,670,185	\$ 62,538,134	\$ 11,537,018	\$ 7,635,000	\$ 3,385,700	\$ 12,966,511	\$ 16,169,951	\$ 30,419,416	\$ 21,366,440
Public Safety:										
Traffic Citations	778	690	796	722	1,025	1,275	1,909	952	2,339	1,137
Arrests	2,276	2,144	1,926	1,956	1,859	2,298	2,354	2,220	2,070	2,420
Fire:										
Number of Emergency Calls	5,262	5,594	5,770	5,658	4,934	4,923	4,642	4,566	4,743	4,694
Number of Fire Calls	1,453	1,370	1,322	1,341	1,257	1,222	1,249	1,164	1,304	1,127
Public Works:										
Miles of Streets Maintained	134	134	134	134	134	134	134	134	133	134
Street Overlay Costs	\$ 95,280	\$ 62,366	\$ 130,757	\$ 53,833	\$ 24,472	\$ 12,828	\$ 192,864	\$ 58,015	\$ 192,976	\$ 73,310
Enterprise Operations										
Water Operations:										
Number or Service Connections	9,818	9,820	9,876	9,895	9,890	8,982	9,901	9,868	9,843	9,827
Average Daily Consumption (Gallons)	4.500 Million	4.736 Million	5.067 Million	5.583 Million	5.523 Million	5.323 Million	5.703 Million	5.418 Million	5.646 Million	6.205 Million
Maximum Daily Capacity of Plant (Gallons)	15 Million	15 Million	15 Million	15 Million	15 Million	15 Million				
Waste Water Operations:										
Number of Service Connections	8,949	8,951	8,957	8,980	8,979	9,892	8,879	8,914	8,894	8,879
Average Daily Treatment (Gallons)	10.747 Million	10.827 Million	10.122 Million	10.335 Million	10.764 Million	9.815 Million	10.428 Million	10.428 Million	12.383 Million	12.383 Million
Maximum Daily Capacity of Plant (gallons)	25 Million	15 Million	15 Million	15 Million	15 Million	15 Million				

Source: City of Cumberland, Finance Department

