



City of Cumberland Maryland



Looking Westward with a view of the "Narrows" in Cumberland, Maryland

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2014



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of the

City of Cumberland Maryland

For the Fiscal Year Ended June 30, 2014

MAYOR

Brian K. Grim

COUNCIL MEMBERS

David Caporale
David F. Kauffman

Nicholas J. Scarpelli
Nicole Wagoner

CITY ADMINISTRATOR

Jeffrey D. Rhodes

Prepared By:

Joseph D. Urban, CPA, Comptroller

City of Cumberland
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Introductory Section



CITY OF CUMBERLAND
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December 17, 2014

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 at 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, 2014.

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, 2014, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used, and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2014, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

The Management Discussion and Analysis portion of the financial statements provides greater detail regarding management's discussion of the financial condition of the City and what has transpired during fiscal year 2014. This letter of transmittal is designed to compliment the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

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

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

The City of Cumberland was incorporated in 1815. Its legal authority is derived from Article XI-E of the State Constitution and Article 23-A of the Annotated Code of Maryland. Cumberland has an estimated population of 21,518 and a land area of 17.6 square miles. The City has operated under the Council-Manager form of government since 1981.

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.

Economic Condition and Outlook

Cumberland is located in Allegany County of Western Maryland, equidistant from Washington, DC, Baltimore, MD, and Pittsburgh, PA. Economically, Cumberland closely resembles the Monongahela Valley (Mon. Valley) Industrial region of Western Pennsylvania and Northern West Virginia more than it does the rest of the state of Maryland. Like the Monongahela Valley, Allegany County experienced a rapid decline in high-paying manufacturing jobs during the 1980's. These losses were aggravated by the closure of Kelly Springfield (Tires), Celanese (Chemicals), and Pittsburgh Plate Glass. However, three major industrial employers: Alliant Tech (Rocket Center, MD), CSX (Cumberland, MD), and Westvaco (Luke, MD), continue to function within the region. The economy and unemployment rate of Allegany County has increased with the rest of the State, and currently has an unemployment rate of 7.5%, as compared to 6.1% for Maryland and the national average of 6.1%.

This stabilization of employment has created a greater diversified job segment and has allowed for jobs in the service, retail trade and government sectors to expand and fortify the regions economy outside of the manufacturing industry. However, the region has not completely abandoned its manufacturing past, as it has been able to attract a number of light manufactures in (Hunter Douglas) and (Bayliner), along with service industries (Biospherics) and (Litton Industries), as well as government employers Western Correctional Institute, the Federal Correctional Institute and North Branch Correctional Institute.

Even with the regions increased job opportunities and stabilized economy, median household income has remained stagnant as compared to the rest of Maryland as the State's median household income increased from \$48,550 in 1997 to \$69,272 in 2014. While Allegany County has seen its median household income increase, it still lags greatly behind the rest of the State with income of \$29,050 in 1997 to \$39,886 in 2014. The reason for this is because, although the region has seen an influx of job opportunities, these jobs are consistently lower paying than the previous high-paying manufacturing jobs of the 1980's. These economic circumstances are particularly reflected within the families of the lower end of the economic ladder. According to the 1990 U.S Census, Allegany County poverty stood at 16.5% for all residents and 24.2% for children under the age of 18. It would be expected that the increased job opportunities and stabilized unemployment rate would drastically reduce these poverty numbers, however, according to the 2000 U.S. Census, the poverty numbers have not declined; in fact, they have risen. The 2000 Census listed the overall poverty rate for Allegany County as 19.8% and 29.4% for children under the age of 18. With the regions continued economic development and

continuing stabilized economy, specifically over the past five years, according to the 2010 Census, the overall poverty rate for Allegany County was 14.80% and 17.70% of those under the age of 18.

Significant Financial Policies

The City has a conservative approach to investment management wherein there is a balance between maximizing return on its investments and ensuring that its investments are properly secured. To achieve this goal, the City has an investment policy that is consistent with Maryland Law and requires collateralization of 102% of market value of investments. With the exception of direct purchase of U.S. Treasury's, no more than 90% of the City's total investments may be placed at the Maryland Local Government Investment Pool and no more than 70% of the City's total investment may be placed at any one financial institution. Consistent implementation of this policy when the market is experiencing moments of volatility has preserved the foundation of the City investments. This policy is described in greater detail in Note #2 to the city's financial statement, titled "Cash and Investments."

On October September 29, 2009, the Mayor and City Council approved a "Debt Management Policy" to establish guidelines for the issuance and management of the City's debt. The policy confirms the commitment of the Mayor and City Council, the City Administrator, other City management and staff and advisors to: i) adhere to sound debt issuance and management practices, including the full and timely repayment of all borrowings; ii) achieve the lowest practical cost of borrowing commensurate with prudent level of risk; and iii) obtain unfettered access to the capital markets through preserving and enhancing of the quality of the City's bonds and other debt.

On June 21, 2011, the Mayor and City Council approved a "Fund Balance Policy" to define certain terms and to designate the desired target unreserved fund balance equal to 12.5% of the General Fund expenditures. The intent was to provide increased financial stability and to ensure that the City maintains a prudent level of financial resources to protect against temporary revenue shortfalls and unexpected one-time expenditures.

In August 2012, the City received the report from the financial consultants, Davenport & Company, who were engaged to review the City's financial policies, as well as develop a Budget Projection Model that the City would provide five-year projections for the impact of current budgeting alternatives. The consultant's report reaffirmed that the City's financial policies were very effective and strong.

Long Term Planning

In June 2005, the City issued its "Sustainable Economic Development Strategic Plan" that defined a program focusing the City's resources on actions that can most effectively promote a more prosperous economy. The City has made positive steps in advancing this plan with the creation and hiring of an economic development specialist and the recent hire of a city planner. The plan is available at the City's web site www.ci.cumberland.md.us.

The financial strength of the City allowed the City to issue \$7,500,000 in general obligation bonds on August 28, 2014. 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 main purpose of these bonds was to fund (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 City had intended to use these bonds before June 30, 2014, with approximately \$1,700,000 of the proceeds budgeted in the General Fund as an other financing source to offset \$1,700,000 in eligible General Fund expenditures. In addition, the City issued \$7,720,000 in general obligation bonds on July 2, 2013. The main purpose of these bonds was to refund \$2,680,000 in Tax-Exempt Bonds as well as finance \$5,040,000 in Taxable Redevelopment Bonds and Refunding Bonds related to the demolition of the Memorial Hospital Facility. These bonds received a rating of "A" by Fitch and a rating of "A" by S&P.

In December 2012, the City entered into a loan agreement with the Community Development Administration in the principle amount of \$1,515,491.29 to be used for street, road, facility and water systems improvements, and providing related costs, terms and disbursements of the note. The note has an interest rate ranging from 0.61% to 3.42% and matures in 2032, with principle payments ranging from \$63,591 to \$97,000 due annually on each May 1st beginning May 1, 2013. The City issued \$9,070,000 in general obligation bonds in October 2008. The main purpose of these bonds was to fund improvements to the various streets throughout the City. These bonds were rated "A" by Fitch, and this rating was reaffirmed by Fitch on December 16, 2011 and it was again re-affirmed on December 10, 2012. On May 31, 2013 Fitch revised the Rating Outlook to Stable from Negative. Similarly, at the date of issue, these bonds were rated "A" by S&P. On April 2, 2012 S&P changed the rating to "A-" from "A" and changed the outlook to negative from stable; however, on May 31, 2013 S&P revised its outlook on Cumberland to positive from negative and reaffirmed its "A-" rating for the City of Cumberland. These changes were the direct result of the fact that on August 31, 2011, the City issued Local Government Infrastructure Bonds Series 2011A in the amount of \$12,275,000 for refunding the certain outstanding bonds to improve its cash flow and liquidity. Lastly, on July 29, 2014 Standard & Poor's Rating Services raised its rating on Cumberland Mayor & City Council, Md's outstanding general obligation (GO) debt one notch to "A" from "a-" under their local GO criteria, released on September 12, 2013, as well as due to the city's improved financial position. The outlook is positive. In addition, the \$6 million bonds were financed by a forgivable loan from the State of Maryland. Lastly, in October 2009 the City issued Water Quality Bonds in the amount of \$6 million and \$3,657,700, which were financed by the Maryland Water Quality Financing Administration with a zero percent interest rate.

The Western Maryland Health System officially opened doors to begin providing the tri-state area residents with comprehensive health care on November 21, 2009. This is a state-of-the-art facility that rises seven stories and has 275 beds and covers 585,000 square feet of space. This facility enables the Western Maryland Health System to continue to provide a level of care that patients once had to travel to Baltimore, Washington D.C. or Pittsburg to receive. This new facility is expected to have a positive impact on the City's economic growth.

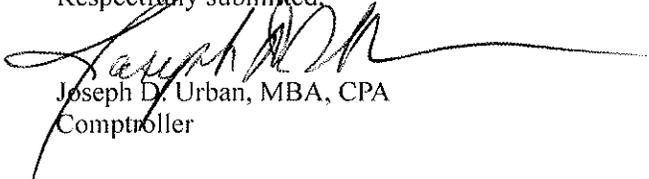
Awards and Acknowledgements

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, 2013. This was the seventh 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 City Administrator and 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,


Joseph D. Urban, MBA, CPA
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, 2013

Executive Director/CEO

City of Cumberland, Maryland

List of Elected Officials and Administrators with contact information

Central Contact Information:

City of Cumberland
57 North Liberty Street
Cumberland, Maryland
21501-1702
(301) 722-2000

Mayor and Council:

Brian K. Grim, Mayor
bgrim@ci.cumberland.md.us

David Caporale, Councilman
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David F. Kauffman, Councilman
dkauffman@ci.cumberland.md.us

Nicholas J. Scarpelli, Councilman
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Nicole Wagoner
nwagoner@ci.cumberland.md.us

Administration:

Jeffrey D. Rhodes
jrhodes@ci.cumberland.md.us

Margie Eirich, City Clerk
meirich@ci.cumberland.md.us

Human Resources
April Howser
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City of Cumberland, Maryland

List of Elected Officials and Administrators
with 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
John DiFonzo
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Administrative Services:

Finance and Collections
Joseph D. Urban
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Community Development
Jay Oliver
joliver@ci.cumberland.md.us

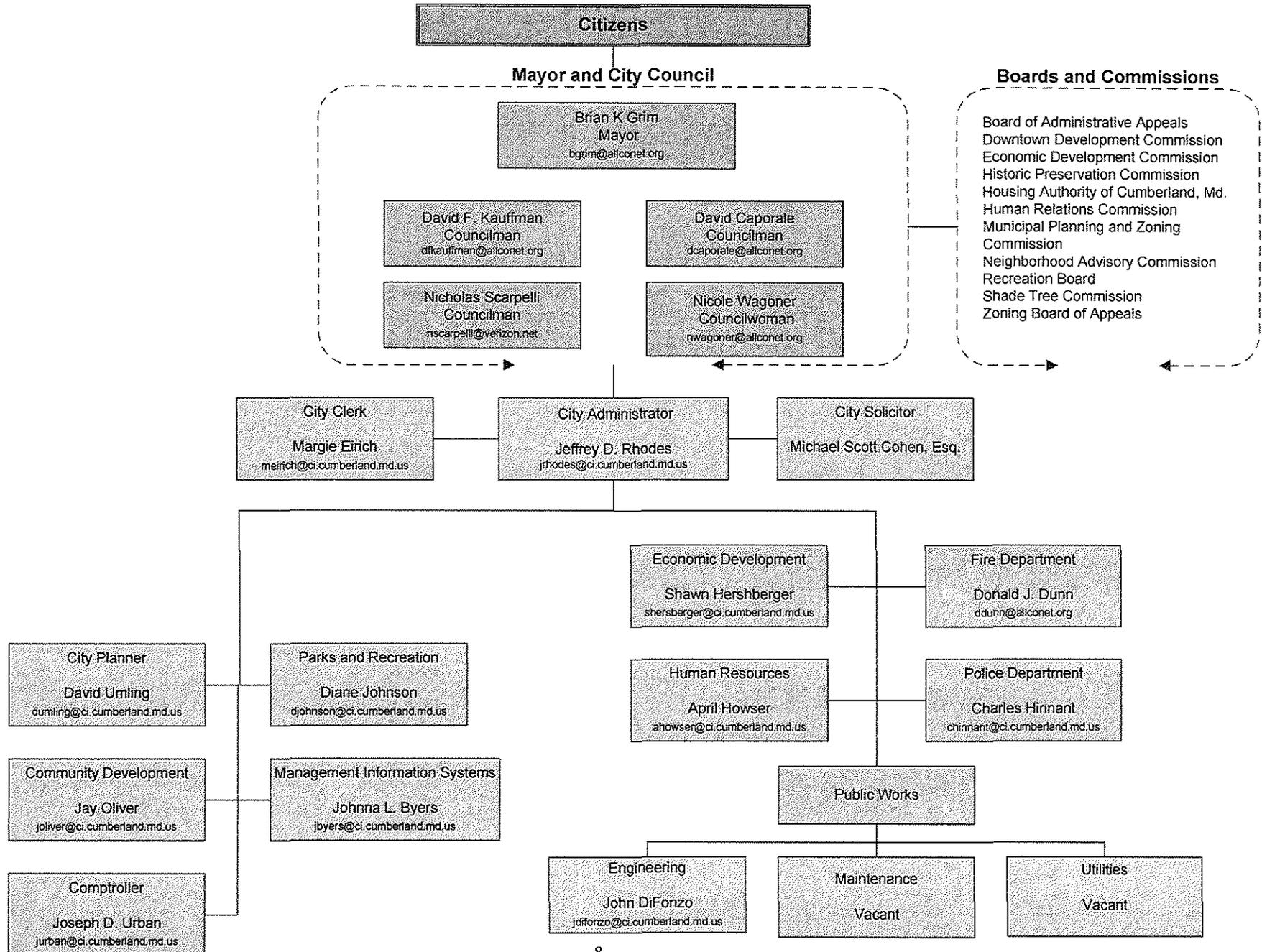
Management Information Systems
Johnna L. Byers
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Parks and Recreation
Diane Johnson
djohnson@ci.cumberland.md.us

Planning
David Umling
dumling@ci.cumberland.md.us

City of Cumberland Organizational Chart

January 2013



Financial Section

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



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

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, 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, 2014, 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, each major fund, and the aggregate remaining fund information of the City of Cumberland, Maryland, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 12 through 20, budgetary comparison information on pages 67 and the other post-employment benefits schedule of funding progress on page 68 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 17, 2014, on our consideration of the City of Cumberland, Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Cumberland, Maryland's internal control over financial reporting and compliance.



Cumberland, MD
December 17, 2014

CITY OF CUMBERLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Cumberland's financial performance provides an overview of the City's financial activities for the fiscal years ended June 30, 2014 and 2013, respectively. Please read this in conjunction with the basic financial statements, notes to the basic financial statements, and the required supplemental information for a complete and detailed understanding.

FINANCIAL HIGHLIGHTS

- The City's governmental activities net position is \$12.4 million and \$12.0 million for fiscal years 2014 and 2013 respectively. There was a decrease in cash of \$192,440 and taxes receivable of \$311,485, with a decrease in restricted investments of \$556,597 and an increase in unearned revenue of \$119,440 with a decrease in the current worker's compensation payable of \$161,243 and long-term worker's compensation payable of \$139,507, and long-term bonds payable decreased \$818,041. The net position of business-type activities is \$69.3 million and \$70.2 million for fiscal years 2014 and 2013 respectively. Net position of governmental activities increased \$0.4 million and decreased \$1.2 million for 2014 and 2013 respectively. Net position of business-type activities decreased \$0.9 million and decreased \$1.6 million for fiscal years 2014 and 2013 respectively. In FY 2013, there was a prior period adjustment of \$391,067 for governmental activities and \$692,867 for the business-type activities related to the adoption of GASB 65 and the treatment of bond issue costs as a period expense.
- During the year, the City incurred net expenses of \$14.0 and \$15.7 million, in comparison to the \$7.4 and \$6.5 million generated in program revenues for governmental programs for fiscal years 2014 and 2013. General revenues received totaled \$12.9 and \$12.6 million and transfer fees totaled \$1.5 and \$2.3 million for FY's 2014 and 2013, respectively.
- The City's business-type activities generated \$1.8 and \$2.9 million of total revenue in excess of \$16.4 and \$14.6 million of expenses for fiscal years 2014 and 2013. The most significant component was an increase in charges for services of \$1.1 million associated with the sewer rate increase; combined with a decrease in capital grants and contributions of \$0.4 million for the Waste Water Treatment Plant. The City reported \$1.6 million in demolition costs as a special item related to the decision to demolish the Memorial Hospital rental property.
- The total cost of all of the City's programs was \$37.7 million for fiscal year 2014, and \$36.8 million for fiscal year 2013. There were no new programs added in FY 2014.
- On the Fund Financial Statements, the General Fund reported a \$0.3 million deficit and a \$0.8 million surplus for the fiscal years 2014 and 2013. There was an increase in taxes of \$0.4 million with an increase in debt payments of \$0.6 million with an increase in transfers-out of \$1.1 million. The City incurred increased expenditures in excess of \$1.7 million in FY 2014 representing expenditures incurred in advance of the proceeds from the CDA 2014 bond proceed which were received during a closing that occurred in August 2014. The City had initially projected this debt issue to occur within fiscal year 2014.

- The City has its Worker's Compensation claims prepaid where the City prefunded the payment of claims and has recorded this as a prepaid expense in the amount of \$1.9 million for governmental activities and in the amount of \$0.9 million for business type activities. For the government-wide statements there is a related contingent liability. This matter is explained in further detail in Note 13, "Risk Management" to the financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements known as the basic financial statements. The government-wide financial statements consist of the Statement of Net Position and the Statement of Activities that provide information about the activities of the City as a whole and present a long-term view of the City's finances. Also included are Fund Financial Statements. For governmental activities, these statements reflect how these services were financed in the short term, as well as what is available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

REPORTING THE CITY AS A WHOLE

An analysis of the City as a whole and as to whether it is better off as a result of the year's activities is reflected in the Statement of Net Position and the Statement of Activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is actually received or paid.

These two statements report the City's net position and changes in them. The City's net position reflects the difference between assets and liabilities, as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position is one indicator as to whether the City's financial health is improving or deteriorating. Keep in mind to consider other non-financial factors, such as changes in the City's property tax base and the condition of the City's roads, to assess the overall health of the City.

In the Statement of Net Position and the Statement of Activities, the City has two kinds of activities:

- *Governmental Activities* – Most of the City's basic services are reported here, including the police, fire & ambulance, public works, parks and recreation department and general administration. Property taxes, franchise fees, and state and federal grants finance most of these activities.
- *Business-type Activities* – The City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's water and sewer systems, parking facilities, and trash collection operations are reported here.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

An analysis of the City's major funds reflected in the Fund financial statements provides detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes (specific projects), or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two kinds of funds, governmental and proprietary, use different accounting approaches.

- *Governmental Funds* – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be utilized in the near future to finance the City's programs. The relationship (difference) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is provided in the Reconciliation of the Balance Sheet to the Statement of Net Position report on page 24.
- *Proprietary Funds* – When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities that are reported in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds.

THE CITY AS A WHOLE

The City's combined net position are \$81.7 million and \$82.2 million, with total revenues of \$37.1 million and \$36.6 million and total expenses of \$38.7 million and \$38.4 million for fiscal years 2014 and 2013, respectively.

Net Position

	Governmental Activities		Business-type Activities		Totals	
	FY14	FY13	FY14	FY13	FY14	FY13
Current and Other Assets	\$ 8,760,417	\$ 9,214,721	\$ 10,283,863	\$ 6,517,639	\$ 19,044,280	\$ 15,732,360
Capital Assets	<u>25,678,744</u>	<u>25,706,897</u>	<u>97,921,744</u>	<u>99,110,539</u>	<u>123,600,488</u>	<u>124,817,436</u>
Total Assets	<u>34,439,161</u>	<u>34,921,618</u>	<u>108,205,607</u>	<u>105,628,178</u>	<u>142,644,768</u>	<u>140,549,796</u>
Long-term Debt (net of current portion)	17,620,061	18,602,677	34,806,770	32,716,094	52,426,831	51,318,771
Other Liabilities	<u>4,417,755</u>	<u>4,276,155</u>	<u>4,132,975</u>	<u>2,743,893</u>	<u>8,550,730</u>	<u>7,020,048</u>
Total Liabilities	<u>22,037,816</u>	<u>22,878,832</u>	<u>38,939,745</u>	<u>35,459,987</u>	<u>60,977,561</u>	<u>58,338,819</u>
Net Position:						
Net Investment in Capital Assets	14,620,530	14,417,904	68,227,169	69,384,635	82,847,699	83,802,539
Restricted	1,190,885	1,153,832	-	-	1,190,885	1,153,832
Unrestricted (deficit)	<u>(3,410,070)</u>	<u>(3,528,950)</u>	<u>1,038,693</u>	<u>783,556</u>	<u>(2,371,377)</u>	<u>(2,745,394)</u>
Total Net Position	<u>\$ 12,401,345</u>	<u>\$ 12,042,786</u>	<u>\$ 69,265,862</u>	<u>\$ 70,168,191</u>	<u>\$81,667,207</u>	<u>\$82,210,977</u>

Changes in Net Position (In Millions)

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>		<u>Primary</u>	
	<u>FY14</u>	<u>FY13</u>	<u>FY14</u>	<u>FY13</u>	<u>FY14</u>	<u>FY13</u>
Revenues						
Program Revenues						
Charges for Service	\$2.0	\$1.9	\$17.7	\$16.6	\$19.7	\$18.5
Operating Grants	4.7	4.4			4.7	4.4
Capital Grants	0.6	0.2	0.5	0.9	1.1	1.1
General Revenues:						
Property Taxes	10.8	10.5			10.8	10.5
Other Taxes	0.5	0.5			0.5	0.5
Shared Revenues	1.4	1.3			1.4	1.3
Unrestricted Investment Earnings	0.1	0.1			0.1	0.1
Gain on sale of capital asset		0.1				0.1
Miscellaneous	<u>0.1</u>	<u>0.1</u>	<u>0.2</u>	<u>0.0</u>	<u>0.3</u>	<u>0.1</u>
TOTAL REVENUES	<u>20.2</u>	<u>19.1</u>	<u>18.4</u>	<u>17.5</u>	<u>38.6</u>	<u>36.6</u>
Program Expenses						
General Government	1.7	2.1			1.7	2.1
Public Safety	10.9	11.8			10.9	11.8
Public Works	3.5	3.0			3.5	3.0
Recreation	1.0	1.0			1.0	1.0
Community Development	3.4	3.4			3.4	3.4
Interest on LT Debt	0.8	0.9			0.8	0.9
Water			6.4	5.9	6.4	5.9
Sewer			7.9	6.6	7.9	6.6
Municipal Parking						
Authority			0.4	0.5	0.4	0.5
Trash			1.0	1.1	1.0	1.1
Property Rental			<u>0.5</u>	<u>0.5</u>	<u>0.5</u>	<u>0.5</u>
TOTAL EXPENSES	<u>21.3</u>	<u>22.2</u>	<u>16.2</u>	<u>14.6</u>	<u>37.5</u>	<u>36.8</u>
Excess Before Transfers and Special Items	-1.1	-3.1	2.2	2.9	1.1	-0.2
Special Item – Demolition Costs			-1.6	-0.1	-1.6	-0.1
Special Item – Loss on Asset Impairment				-1.4		-1.4
Transfers	<u>1.5</u>	<u>2.3</u>	<u>-1.5</u>	<u>-2.3</u>	<u>-</u>	<u>-</u>
Change in Net Position	0.4	-0.8	-0.9	-0.9	-0.5	-1.7
Net Position-Beginning	<u>12.0</u>	<u>12.8</u>	<u>70.2</u>	<u>71.1</u>	<u>82.2</u>	<u>83.9</u>
Net Position-Ending	<u>\$12.4</u>	<u>\$12.0</u>	<u>\$69.3</u>	<u>\$70.2</u>	<u>\$81.7</u>	<u>\$82.2</u>

THE CITY'S FUNDS

As the City completed the year, its governmental funds reported a combined fund balance of \$3,953,571 and \$4,933,160 million for fiscal years 2014 and 2013. This is a decrease of \$1.0 million compared to fiscal year 2013, where a decrease of \$0.6 million was attributable to the Street Improvement Fund debt proceeds used for street improvements, combined with a decrease in the General Fund of \$0.4 million resulting from increased expenditures.

For the General Fund, the expenditures increased \$1.7 million while revenues increased by \$0.9 million from FY 2013. The Public Safety expenses increased by \$363,566; debt, interest and bond issue costs was increased by \$601,759; Community Development and Housing was increased by \$329,719 due to the inclusion of the Economic Development Office in the General Fund. The transfer-in from other funds increased by \$228,644 while the transfer out increased by \$1,107,975 from FY 2013 which included \$723,776 for the operating deficit in the Rental Fund and \$221,047 for capital projects and \$220,572 for a transfer to the Sewer Fund for the transfer of prepaid worker's compensation expenses. While the increase in intergovernmental revenue was related to the one-time receipt of HUR in the amount of \$527,465 and the increase of \$350,102 for taxes was related to an improvement in the collection of taxes both current and prior years.

The Water Fund operating expenses increased by \$172,665 due to an increase in the worker's compensation and overtime expenses and Sewer Fund expenditures increased by \$1,213,822 which related to an increase in worker's compensation expenses and in administration expense charges. The Sewer Fund had an increase in revenue of \$1,444,144, of which \$1,148,554 is related to the increase in consumption charges. The Rental Fund had a Special Item for the Demolition Costs for the demolition of the entire Memorial Hospital in the amount of \$1,553,042 and a transfer-in of \$723,776 to cover demolition costs. The net transfers out from the water and sewer funds decreased by \$756,083 and \$346,756, respectively.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the City Council revised the City budget several times. These budget amendments fall into three categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year. The second category includes changes that the Council made during the third quarter to adjust for unforeseen savings and expenses and to reflect a more accurate budget. Lastly, the Council approved several increases in appropriations to prevent budget overruns.

With these adjustments, the actual charges to appropriations (expenditures) were \$ 814,003 and \$144,861 below the final budgeted amounts for fiscal years 2014 and 2013. The City anticipated issuing debt in conjunction with the Maryland Community Development Administration in fiscal year 2014. The debt issuance did not occur until August 2014. Numerous capital items were budgeted in the General Government, Public Safety and Public Works departments, However due to lack of funding these items were not acquired in fiscal year 2014. Other capital items were expended in fiscal year 2014 with the expectation of using bond proceeds to reimburse the City for these costs.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014 and 2013, the City had \$25.7 and \$25.7 million invested in a broad range of capital assets for Governmental activities and \$97.9 and \$99.1 million for the Business-type activities.

This year the City completed several capital projects in the business type activities, which included the Outfall Relocation project for \$70,533; the Filter Building Roof for \$13,108; the Love's Travel Stop Water Line for \$12,573; the Kentucky Avenue Water Main for \$48,017; seven replacement vehicles for \$157,284; a Bobcat Excavator for \$51,793; other water lines for \$58,012; a Sewer Camera Inspection System for \$73,480; and Sludge Clarifier repairs for \$26,900. Also additions to work in process of \$1,377,052, included \$530,632 for various Water Fund projects, \$787,441 for various Sewer Fund projects, \$32,708 for capitalized interest and \$26,270 for retainage.

In the Governmental activities, the City acquired five replacement vehicles for \$128,190; a Livescan Fingerprint System for \$20,335; a New Network File Server for \$21,684; other equipment in the amount of \$28,034; acquired various properties for \$34,706; additions to Work in Process for infrastructure of \$1,128,932; upgrades to the ERP System for \$182,486, server upgrades for \$169,370 and improvements to a new e-mail system for \$16,145.

Additional detail regarding Capital Assets can be found in Note 5 to the financial statements, titled "Capital Assets."

Debt

At year-end, the City had \$52.8 million and \$51.1 million in bonds, notes and leases outstanding for fiscal years 2014 and 2013. In July 2013 the City issued Maryland General Obligation Bonds comprised of \$5,040,000 Taxable Redevelopment and Refinancing Bonds of 2013 (the "Taxable Bonds") and \$2,680,000 Tax-Exempt Refunding Bonds of 2013 (the Tax-Exempt Bonds), with interest rates ranging from .75% to 5.31%. The City reduced its aggregate debt service payments by \$370,781 over the next twelve years, and obtained an economic gain (difference between the present value of the old and new debt service payments) of \$306,079.

In December 2012, the City authorized \$1,515,491 in Local Government Infrastructure Bonds, 2012 Series B-1 and Series B-2 financed through the Maryland Community Development Administration. The unspent portion at June 30, 2014 was \$623,560 which is being held in an escrow account by the State of Maryland.

Outstanding Debt at Year-End

	Governmental		Business-Type		Totals	
	Activities		Activities			
	FY14	FY13	FY14	FY13	FY14	FY13
General Obligation Bonds	\$15,677,315	\$15,572,124	\$35,861,554	\$30,176,967	\$51,538,869	\$45,749,091
Notes and Leases	<u>1,262,800</u>	<u>2,151,184</u>	<u>6,825</u>	<u>3,222,865</u>	<u>1,269,705</u>	<u>5,374,049</u>
Totals	<u>\$ 16,940,195</u>	<u>\$ 17,723,308</u>	<u>\$ 35,868,379</u>	<u>\$ 33,399,832</u>	<u>\$ 52,808,574</u>	<u>\$ 51,123,140</u>

The detail of the various operating leases can be found in Note 6 of the financial statements, which also includes additional detail regarding the City’s debt.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES

The City’s elected and appointed officials considered many factors when setting the fiscal year 2015 budget, tax rates and fees that will be charged for the business-type activities. One of those factors is the economy. Unemployment in the City/County now stands at 7.1%, which was a 1.5% decrease from FY 2013. This compares with the State’s unemployment rate of 5.8%.

The City experienced a nominal increase in real property values within the City which totaled 0.95% of the FY 2014 assessable tax base for FY 2015. The City has directed all departments to submit their FY 2015 budget with a focus on maintaining operating expenses with increases for only extraordinary items.

The City has added no new major programs or initiatives to the 2015 budget.

In August 2014, the City entered into a loan agreement with the Community Development Administration in the principal amount of \$7,520,000 to be used for street, road, facility and water system improvements, and providing for related costs, terms and disbursement of the note. The note has an interest rate ranging from 0.2% to 3.6% and matures in 2034, with principal payments ranging from \$305,500 to \$471,500 due annually on each May 1st, beginning May 1, 2015. Additionally, the Sewer rates for FY 2015 were increased by 20% to fund the anticipated increase in operating costs for the ENR Plant.

CONTACT THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If there are any questions about this report or if additional financial information is needed, please contact the City Comptroller's Office at 57 N. Liberty Street, Cumberland, Maryland, 21502.

Basic Financial Statements

CITY OF CUMBERLAND, MARYLAND
STATEMENT OF NET POSITION
JUNE 30, 2014

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS:			
Current assets:			
Cash	\$ 219,762	\$ 2,927,122	\$ 3,146,884
Investments	57,127	6,334	63,461
Taxes receivable	1,781,265		1,781,265
Accounts receivable	279,169	2,001,639	2,280,808
Accrued interest receivable	23,041	-	23,041
Due from other governments	1,074,704	594,061	1,668,765
Internal balances	(500,781)	500,781	-
Prepaid expenses	2,066,328	856,854	2,923,182
Inventory	11,937	395,368	407,305
Total Current Assets	<u>5,012,552</u>	<u>7,282,159</u>	<u>12,294,711</u>
Noncurrent assets:			
Housing loans receivable	295,085		295,085
Loans receivable	541,715		541,715
Notes receivable	970,000		970,000
Restricted cash	1,099,648	-	1,099,648
Restricted investments	737,589	2,976,704	3,714,293
Property, plant and equipment:			
Land and land improvements	950,724	814,579	1,765,303
Buildings & improvements	14,717,598	136,276,925	150,994,523
Machinery and equipment	7,216,851	4,797,667	12,014,518
Infrastructure	33,230,712		33,230,712
Construction in progress	1,350,258	2,208,349	3,558,607
Accumulated depreciation	(31,787,399)	(46,175,776)	(77,963,175)
Other assets		25,000	25,000
Net OPEB asset	103,828		103,828
Total Non-Current Assets	<u>29,426,609</u>	<u>100,923,448</u>	<u>130,350,057</u>
Total Assets	<u>\$ 34,439,161</u>	<u>\$ 108,205,607</u>	<u>\$ 142,644,768</u>
LIABILITIES:			
Current liabilities:			
Accounts payable	\$ 555,320	\$ 1,397,289	\$ 1,952,609
Accrued wages	221,335	70,446	291,781
Accrued interest	216,756	151,814	368,570
Unearned revenue	896,699	1,000	897,699
Deposits payable	31,406		31,406
Current portion of compensated absences	880,124	278,923	1,159,047
Current portion of workers' comp payable	775,093	349,534	1,124,627
Current portion of bonds and notes payable	841,022	1,883,969	2,724,991
Total Current Liabilities	<u>4,417,755</u>	<u>4,132,975</u>	<u>8,550,730</u>
Noncurrent liabilities:			
Compensated absences (net of current portion)	275,374	136,601	411,975
Workers' comp claims payable (net of current portion)	1,175,591	530,275	1,705,866
Bonds and notes payable (net of current portion)	16,099,173	33,984,410	50,083,583
Retainage payables	69,923	155,484	225,407
Total Non-Current Liabilities	<u>17,620,061</u>	<u>34,806,770</u>	<u>52,426,831</u>
Total Liabilities	<u>22,037,816</u>	<u>38,939,745</u>	<u>60,977,561</u>
NET POSITION:			
Net investment in capital assets	14,620,530	68,227,169	82,847,699
Restricted for:			
Capital Projects	187,613		187,613
Community Development	107,379		107,379
Housing Assistance Program	295,085		295,085
Economic Development	224,817		224,817
Public Safety	375,991	-	375,991
Unrestricted (Deficit)	(3,410,070)	1,038,693	(2,371,377)
Total Net Position	<u>12,401,345</u>	<u>69,265,862</u>	<u>81,667,207</u>
Total Liabilities and Net Position	<u>\$ 34,439,161</u>	<u>\$ 108,205,607</u>	<u>\$ 142,644,768</u>

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

CITY OF CUMBERLAND, MARYLAND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Indirect Expense Allocation	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:								
General government	\$ 3,132,183	\$ (1,407,233)	\$ 733,794	\$ 55,577	\$ -	\$ (935,579)	\$ -	\$ (935,579)
Public safety	10,880,639	-	1,142,733	1,269,813	4,412	(8,463,681)	-	(8,463,681)
Public works	3,939,090	(394,182)	-	758,781	515,290	(2,270,837)	-	(2,270,837)
Recreation	1,001,674	-	134,003	5,100	82,335	(780,236)	-	(780,236)
Community development and housing	3,356,297	-	43,091	2,627,918	-	(685,288)	-	(685,288)
Interest on long-term debt	825,858	-	-	-	-	(825,858)	-	(825,858)
Total Governmental Activities	23,135,741	(1,801,415)	2,053,621	4,717,189	602,037	(13,961,479)	-	(13,961,479)
Business-type Activities:								
Water	5,707,785	732,654	7,387,413	-	-	-	946,974	946,974
Sewer	6,934,381	949,601	8,508,661	-	456,986	-	1,081,665	1,081,665
Property Rental	380,680	-	9,470	-	-	-	(371,210)	(371,210)
Municipal Parking Authority	541,410	-	543,007	-	-	-	1,597	1,597
Trash	1,017,364	119,160	1,306,586	-	-	-	170,062	170,062
Total Business-type Activities	14,581,620	1,801,415	17,755,137	-	456,986	-	1,829,088	1,829,088
Total Government	\$ 37,717,361	\$ -	\$ 19,808,758	\$ 4,717,189	\$ 1,059,023	\$ (13,961,479)	\$ 1,829,088	\$ (12,132,391)
General Revenues:								
Taxes:								
Property taxes						\$ 10,792,698		\$ 10,792,698
Franchise Fees						268,964		268,964
Other Taxes						259,413		259,413
Shared revenues - income tax						1,366,598		1,366,598
Investment earnings						58,442	7,804	66,246
Miscellaneous						117,744	270,000	387,744
Special Item - Demolition Costs						-	(1,553,042)	(1,553,042)
Transfers						1,456,179	(1,456,179)	-
Total General Revenues, Special Items, and Transfers						14,320,038	(2,731,417)	11,588,621
Change in Net Position						358,559	(902,329)	(543,770)
Net Position - Beginning						12,042,786	70,168,191	82,210,977
Net Position - Ending						\$ 12,401,345	\$ 69,265,862	\$ 81,667,207

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

CITY OF CUMBERLAND, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	<u>General Fund</u>	<u>Housing Assistance Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 219,762	\$ -	\$ 696,349	\$ 916,111
Investments	57,127		735,956	793,083
Taxes receivable	1,763,170		18,095	1,781,265
Accounts receivable	278,601		568	279,169
Due from other governments	630,147	-	444,557	1,074,704
Interfund receivables	539,046		-	539,046
Prepaid expenditures	1,914,534	150,774	1,020	2,066,328
Inventory	11,937		-	11,937
Restricted cash	403,299		-	403,299
Restricted investment	1,633		-	1,633
Housing loans receivable	-		295,085	295,085
Loans receivable	-		541,715	541,715
Notes receivable	-		970,000	970,000
Total Assets	<u>\$ 5,819,256</u>	<u>\$ 150,774</u>	<u>\$ 3,703,345</u>	<u>\$ 9,673,375</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 424,722	\$ -	\$ 130,598	\$ 555,320
Accrued wages	209,030		12,305	221,335
Interfund payables	853,608		186,219	1,039,827
Unearned revenues	168,747	150,774	577,178	896,699
Deposits payable	31,406		-	31,406
Total Liabilities	<u>1,687,513</u>	<u>150,774</u>	<u>906,300</u>	<u>2,744,587</u>
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenues	1,793,025	-	1,182,192	2,975,217
Total Deferred inflows of Resources	<u>1,793,025</u>	<u>-</u>	<u>1,182,192</u>	<u>2,975,217</u>
FUND BALANCES:				
Fund balances (deficit):				
Nonspendable	1,926,471		-	1,926,471
Restricted	375,991		1,675,300	2,051,291
Unassigned	36,256		(60,447)	(24,191)
Total Fund Balances (Deficit)	<u>2,338,718</u>	<u>-</u>	<u>1,614,853</u>	<u>3,953,571</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 5,819,256</u>	<u>\$ 150,774</u>	<u>\$ 3,703,345</u>	<u>\$ 9,673,375</u>

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

CITY OF CUMBERLAND, MARYLAND
RECONCILIATION OF THE GOVERNMENTAL BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AS OF JUNE 30, 2014

Fund Balances - Total Governmental Funds \$ 3,953,571

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	57,466,143	
Less: Accumulated Depreciation	<u>(31,787,399)</u>	25,678,744

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

Accrued interest receivable		23,041
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Net OPEB asset is not included in the governmental funds		103,828
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Long-term liabilities, compensated absences, are not due and payable in the current period and therefore are not reported in the governmental funds.

Governmental Bonds and Notes Payable	(16,940,195)	
Compensated Absences	(1,155,498)	
Retainage on Construction Project	(69,923)	
Workers Compensation	(1,950,684)	
Accrued Interest	<u>(216,756)</u>	(20,333,056)

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>2,975,217</u>
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Net Position of Governmental Activities		<u>\$ 12,401,345</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, 2014

	<u>General Fund</u>	<u>Housing Assistance Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes	\$ 10,935,713	\$ -	\$ 239,584	\$ 11,175,297
Licenses and permits	151,120			151,120
Intergovernmental	3,269,829	1,854,173	1,364,780	6,488,782
Charges for services	1,475,442		-	1,475,442
Fines and forfeitures	805			805
Interest	6,359		55,384	61,743
Miscellaneous	551,974	-	43,464	595,438
Total Revenues	<u>16,391,242</u>	<u>1,854,173</u>	<u>1,703,212</u>	<u>19,948,627</u>
Expenditures:				
Current:				
General government	1,711,168		239,790	1,950,958
Public safety	10,494,540		325,804	10,820,344
Public works	2,617,524		-	2,617,524
Recreation	837,579		-	837,579
Community development and housing	834,590	1,854,173	629,471	3,318,234
Capital Outlay	-		1,178,513	1,178,513
Debt service:				
Principal	996,427		510,286	1,506,713
Interest	384,856		454,028	838,884
Bond Issue Costs	39,246		-	39,246
Total Expenditures	<u>17,915,930</u>	<u>1,854,173</u>	<u>3,337,892</u>	<u>23,107,995</u>
Revenues in Excess of (Less Than) Expenditures	<u>(1,524,688)</u>	<u>-</u>	<u>(1,634,680)</u>	<u>(3,159,368)</u>
Other Financing Sources (Uses):				
Transfers-in	2,564,065	-	1,031,066	3,595,131
Transfers-out	(2,117,761)	(1,584)	(19,607)	(2,138,952)
Issuance of refunding bonds	723,600	-	-	723,600
Total Other Financing Sources	<u>1,169,904</u>	<u>(1,584)</u>	<u>1,011,459</u>	<u>2,179,779</u>
Net Change in Fund Balance	(354,784)	(1,584)	(623,221)	(979,589)
Fund balance (deficit), beginning, as restated	<u>2,693,502</u>	<u>1,584</u>	<u>2,238,074</u>	<u>4,933,160</u>
Fund balance (deficit), ending	<u>\$ 2,338,718</u>	<u>\$ -</u>	<u>\$ 1,614,853</u>	<u>\$ 3,953,571</u>

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

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, 2014

Net Change in Fund Balances - Total Governmental Funds \$ (979,589)

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	1,788,721	
Retainage on Construction Projects	29,213	
Less: Current Year Depreciation	(1,816,874)	1,060

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which proceeds exceeded repayments in the current year.

Bond and Loan Proceeds	(723,600)	
Principal Payments	1,506,713	783,113

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		(1,542)
Unavailable Revenues		289,621

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	(34,436)	
Other post-employment benefit obligation	(13,444)	
Workers compensation	300,750	
Accrued interest adjustment	13,026	265,896

Change in Net Position of Governmental Activities \$ 358,559

CITY OF CUMBERLAND, MARYLAND
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Property Rental</u>	<u>Non-Major Proprietary Funds</u>	<u>Total</u>
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 2,308,933	\$ 9	\$ -	\$ 618,180	\$ 2,927,122
Investments	3,620	2,714	-	-	6,334
Accounts receivable	795,844	1,113,117	-	92,678	2,001,639
Due from other governments	315,924	245,505	32,632	-	594,061
Prepaid expenses	513,558	342,995	-	301	856,854
Inventory	395,232	136	-	-	395,368
Interfund receivables, current	176,299	15,149	-	-	191,448
Total Current Assets	<u>4,509,410</u>	<u>1,719,625</u>	<u>32,632</u>	<u>711,159</u>	<u>6,972,826</u>
Noncurrent Assets:					
interfund receivables, non-current	1,273,873	-	-	431,500	1,705,373
Restricted investments	2,207	2,207	2,972,290	-	2,976,704
Land and land improvements	187,634	446,208	-	180,737	814,579
Buildings and improvements	49,145,774	81,175,395	-	5,955,756	136,276,925
Machinery and equipment	2,471,174	1,978,461	-	348,032	4,797,667
Accumulated depreciation	(20,690,953)	(23,060,959)	-	(2,423,864)	(46,175,776)
Construction in progress	679,517	1,528,832	-	-	2,208,349
Evitts Creek Water Company, capital stock	25,000	-	-	-	25,000
Total Non-Current Assets	<u>33,094,226</u>	<u>62,070,144</u>	<u>2,972,290</u>	<u>4,492,161</u>	<u>102,628,821</u>
Total Assets	<u>\$ 37,603,636</u>	<u>\$ 63,789,769</u>	<u>\$ 3,004,922</u>	<u>\$ 5,203,320</u>	<u>\$ 109,601,647</u>
LIABILITIES					
Current Liabilities:					
Accounts payable	\$ 547,797	\$ 452,910	\$ 389,943	\$ 6,639	\$ 1,397,289
Accrued wages	32,737	33,847	-	3,862	70,446
Accrued interest	74,612	32,441	28,477	16,284	151,814
Unearned revenues	-	1,000	-	-	1,000
Interfund payables, current	-	538,540	-	-	538,540
Current portion of compensated absences	120,646	150,217	-	8,060	278,923
Current portion of workers' comp. claims payable	209,855	139,679	-	-	349,534
Current portion of bonds and notes payable	1,027,963	610,681	235,000	10,325	1,883,969
Total Current Liabilities	<u>2,013,610</u>	<u>1,959,315</u>	<u>653,420</u>	<u>45,170</u>	<u>4,671,515</u>
Noncurrent Liabilities:					
Compensated absences (net of current portion)	43,037	80,307	-	13,257	136,601
Workers' comp. claims payable (net of current portion)	318,278	211,997	-	-	530,275
Retainage payables	15,863	10,408	129,213	-	155,484
Interfund payables, non-current	-	857,500	-	-	857,500
Bonds and notes payable (net of current portion)	14,204,756	12,886,312	4,540,000	2,353,342	33,984,410
Total Non-Current Liabilities	<u>14,581,934</u>	<u>14,046,524</u>	<u>4,669,213</u>	<u>2,366,599</u>	<u>35,664,270</u>
Total Liabilities	<u>16,595,544</u>	<u>16,005,839</u>	<u>5,322,633</u>	<u>2,411,769</u>	<u>40,335,785</u>
NET POSITION					
Net investment in capital assets	17,266,090	49,236,966	-	1,724,113	68,227,169
Unrestricted	3,742,002	(1,453,036)	(2,317,711)	1,067,438	1,038,693
Total Net Position	<u>21,008,092</u>	<u>47,783,930</u>	<u>(2,317,711)</u>	<u>2,791,551</u>	<u>69,265,862</u>
Total Liabilities and Net Position	<u>\$ 37,603,636</u>	<u>\$ 63,789,769</u>	<u>\$ 3,004,922</u>	<u>\$ 5,203,320</u>	<u>\$ 109,601,647</u>

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

CITY OF CUMBERLAND, MARYLAND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS				
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Property Rental</u>	<u>Non-Major Proprietary Funds</u>	<u>Total</u>
Operating Revenues:					
Charges for Services:					
Domestic	\$ 2,540,253	\$ 4,689,735	\$ -	\$ 1,286,075	\$ 8,516,063
Industrial	2,368,264	683,627	-	3,125	3,055,016
Sanitary commissions	-	2,514,663	-	-	2,514,663
Water companies	2,299,859	-	-	-	2,299,859
Rents/Concessions	-	-	9,470	506,258	515,728
Connection Charges	121,676	2,490	-	-	124,166
Other	57,361	618,146	-	54,135	729,642
Total Operating Revenues	<u>7,387,413</u>	<u>8,508,661</u>	<u>9,470</u>	<u>1,849,593</u>	<u>17,755,137</u>
Operating Expenses:					
Personal services	2,265,792	2,458,572	-	217,011	4,941,375
Utilities	221,158	566,186	35,151	32,842	855,337
Supplies	300,766	524,882	369	38,495	864,512
Repairs and maintenance	550,436	263,273	371	24,456	838,536
Landfill fees	292	5,505	-	292,117	297,914
Depreciation	1,123,498	1,683,016	-	136,212	2,942,726
Contractual services	78,488	1,070,137	9,651	697,243	1,855,519
Other operating expenses	1,130,843	1,126,749	2,773	140,141	2,400,506
Total Operating Expenses	<u>5,671,273</u>	<u>7,698,320</u>	<u>48,315</u>	<u>1,578,517</u>	<u>14,996,425</u>
Operating Income (Loss)	<u>1,716,140</u>	<u>810,341</u>	<u>(38,845)</u>	<u>271,076</u>	<u>2,758,712</u>
Non-Operating Revenues (Expenses):					
Interest income	340	6,297	1,167	-	7,804
Interest expense	(355,727)	(134,387)	(172,015)	(99,417)	(761,546)
Bond issue costs	(53,439)	(51,275)	(160,350)	-	(265,064)
Claims and judgments	(360,000)	-	-	-	(360,000)
Other nonoperating revenue	-	-	270,000	-	270,000
Total Non-Operating Income (Loss)	<u>(768,826)</u>	<u>(179,365)</u>	<u>(61,198)</u>	<u>(99,417)</u>	<u>(1,108,806)</u>
Net Income Before Contributions, Special Items, and Transfers	947,314	630,976	(100,043)	171,659	1,649,906
Capital contributions	-	456,986	-	-	456,986
Special Item - Demolition costs	-	-	(1,553,042)	-	(1,553,042)
Transfers-in	57,394	228,372	723,776	-	1,009,542
Transfers-(out)	(898,268)	(1,567,453)	-	-	(2,465,721)
Net Income (Loss)	106,440	(251,119)	(929,309)	171,659	(902,329)
Net position-beginning of year, as restated	<u>20,901,652</u>	<u>48,035,049</u>	<u>(1,388,402)</u>	<u>2,619,892</u>	<u>70,168,191</u>
Net position-end of year	<u>\$ 21,008,092</u>	<u>\$ 47,783,930</u>	<u>\$ (2,317,711)</u>	<u>\$ 2,791,551</u>	<u>\$ 69,265,862</u>

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

CITY OF CUMBERLAND, MARYLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS				
	Water Fund	Sewer Fund	Property Rental	Non-Major Proprietary Funds	Total
Cash Flows from Operating Activities:					
Cash receipts from customers	\$ 7,355,597	\$ 7,607,603	\$ 11,470	\$ 1,794,391	\$ 16,769,061
Cash payments to suppliers	(2,447,529)	(3,810,809)	(39,990)	(1,252,434)	(7,550,762)
Cash payments for personal services	(2,226,917)	(2,229,702)	(1,081)	(213,960)	(4,671,660)
Other operating receipts	57,361	618,146	-	54,135	729,642
Net Cash Provided (Used) Operating Activities	2,738,512	2,185,238	(29,601)	382,132	5,276,281
Cash Flows from Noncapital Financing Activities:					
Transfers (to) other funds	(840,874)	(1,339,081)	723,776	-	(1,456,179)
Noncapital grant proceeds	-	-	237,368	-	237,368
Proceeds from noncapital debt	-	-	5,040,000	-	5,040,000
Principal paid on noncapital debt	-	-	(1,615,341)	-	(1,615,341)
Interest paid on noncapital debt	-	-	(164,021)	-	(164,021)
Bond issue costs	-	-	(160,350)	-	(160,350)
Demolition costs	-	-	(1,060,708)	-	(1,060,708)
Loans from (to) other funds	21,358	309,700	-	-	331,058
Net Cash Provided (Used) by Noncapital Financing Activities	(819,516)	(1,029,381)	3,000,724	-	1,151,827
Cash Flows from Capital and Related Financing Activities:					
Capital grant proceeds	5,964	610,537	-	-	616,501
Acquisition and construction of capital assets	(715,620)	(1,142,605)	-	-	(1,858,225)
Proceeds from capital debt/reallocation of capital debt	1,831,926	1,090,240	-	-	2,922,166
Principal paid on capital debt	(1,460,891)	(1,530,974)	-	(10,325)	(3,002,190)
Interest paid on capital debt	(360,425)	(140,063)	-	(99,460)	(599,948)
Bond issue costs	(53,439)	(51,275)	-	-	(104,714)
Net Cash Provided (Used) by Capital and Related Financing Activities	(752,485)	(1,164,140)	-	(109,785)	(2,026,410)
Cash Flows from Investing Activities:					
Interest on investments	340	6,297	1,167	-	7,804
Net sale (purchase) of investments	1,553	1,988	(2,972,290)	210	(2,968,539)
Net Cash Provided (Used) by Investing Activities:	1,893	8,285	(2,971,123)	210	(2,960,735)
Net Increase (Decrease) in Cash and Cash Equivalents	1,168,404	2	-	272,557	1,440,963
Cash and Cash Equivalents at Beginning of Year	1,144,149	2,721	-	345,623	1,492,493
Cash and Cash Equivalents at End of Year	\$ 2,312,553	\$ 2,723	\$ -	\$ 618,180	\$ 2,933,456

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

CITY OF CUMBERLAND, MARYLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014
(continued)

BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS

	<i>Water Fund</i>	<i>Sewer Fund</i>	<i>Property Rental</i>	<i>Non-Major Proprietary Funds</i>	<i>Total</i>
Reconciliation of Cash to Statement of Net Position					
Cash balance-Statement of Net Position	\$ 2,308,933	\$ 9	\$ -	\$ 618,180	\$ 2,927,122
Investment balance-Statement of Net Position	3,620	2,714	-	-	6,334
Cash and Cash Equivalents-Statement of Cash Flows	<u>\$ 2,312,553</u>	<u>\$ 2,723</u>	<u>\$ -</u>	<u>\$ 618,180</u>	<u>\$ 2,933,456</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:					
Operating Income (Loss)	\$ 1,716,140	\$ 810,341	\$ (38,845)	\$ 271,076	\$ 2,758,712
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	1,123,498	1,683,016	-	136,212	2,942,726
Change in assets and liabilities:					
(Increase) decrease in accounts receivable	25,745	(283,912)	2,000	(1,067)	(257,234)
(Increase) decrease in prepaid expenses	(142,373)	(228,085)	8,325	(301)	(362,434)
(Increase) decrease in inventory	(71,077)	(6)	-	-	(71,083)
Increase (decrease) in accounts payable	47,904	(25,986)	-	(26,839)	(4,921)
Increase (decrease) in unavailable revenues	(200)	1,000	-	-	800
Increase (decrease) in workers' comp. claims payable	52,510	205,870	-	-	258,380
Increase (decrease) in accrued wages and compensated absences	(13,635)	23,000	(1,081)	3,051	11,335
Net cash provided (used) by operating activities	<u>\$ 2,738,512</u>	<u>\$ 2,185,238</u>	<u>\$ (29,601)</u>	<u>\$ 382,132</u>	<u>\$ 5,276,281</u>
Noncash operating, financing, and investing activities:					
Debt proceeds not received from government	\$ 315,924	\$ 177,638	\$ -	\$ -	\$ 493,562
Capital contributions due from government	5,964	153,551	-	-	159,515

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

*CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014*

Note 1. Summary of Significant Accounting Policies

A. Introduction

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

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

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

B. Financial reporting entity

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

GASB Statement 14 defines component units as legally separate entities that are to be included in a government's reporting entity because of the significance of their operating or financial relationships with the government. The City has determined it does not have any component units required to be included in its financial statements.

C. Basic Financial Statements

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

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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

Government-wide financial statements

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

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

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, 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.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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

Fund financial statements

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

The following fund types are used by the City:

1. Governmental Funds:

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

- a. General fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- c. Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds).

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.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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

Major Funds – Fund Financial Statements

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

The City reports the following major governmental funds:

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

The Housing Assistance Fund accounts for the administration and payment of rent to provide improved housing for low income residents of the City of Cumberland. Funding is provided by the U.S. Department of Housing and Urban Development to the State of Maryland and then passed through to the City as a sub recipient. All funding received by the City is then passed through as a sub recipient to the Allegany County Human Resources Development Commission, Inc. who administers the Section 8 Housing Choice Voucher Program. Approximately 500 individuals are assisted annually.

The City reports the following major proprietary funds:

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

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

The Property Rental Fund accounts for the bond proceeds, grants and costs related to the demolition of the former Memorial Hospital building, which is the sole remaining property in the Property Rental Fund.

*CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014*

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

D. Basis of Accounting and Measurement Focus

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

1. Accrual:

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

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

2. Modified Accrual:

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

E. Financial Statement Amounts

Cash

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

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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

Investments

Investments for all funds are reported at fair value, which is determined using selected bases. Short-term investments such as overnight repurchase agreements, repurchase agreements, and U.S. Treasury obligations are reported at cost, which approximates fair value. Cash deposits are reported at carrying amount, which reasonably estimates fair value. Investments with the MD Local Government Investment Pool 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”.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives.

Buildings	40-50 years
Water and sewer system	40-50 years
Machinery and equipment	3-20 years
Improvements	10-30 years
Other infrastructure	10-75 years

Long-term Debt

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

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 capital leases payable.

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.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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

Interfund Activity

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial 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 therefore, will not be recognized as an outflow of resources (expense/expenditure) until then. The City does not have any deferred outflows.

In addition to liabilities, the statement of financial position includes 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 therefore, will not be recognized as an inflow of resources (revenue) until that time. The City's unavailable revenue reported in the fund financial statements qualifies for reporting in this category. Unavailable revenue results from property tax levies and non-exchange revenue (for example, most taxes, grants, and private donations) not being collected and/or received within sixty days past year-end, being deferred and recognized as revenue in future periods when it becomes available.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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

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

	<u>General Fund</u>	Nonmajor Governmental <u>Funds</u>	<u>Total</u>
Property Taxes	\$ 1,572,194	\$ 9,977	\$ 1,582,171
Deferred Loans	-	970,000	970,000
Governmental Grants	<u>220,831</u>	<u>202,215</u>	<u>423,046</u>
 Total	 <u>\$ 1,793,025</u>	 <u>\$ 1,182,192</u>	 <u>\$ 2,975,217</u>

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	\$ 383,107	\$ 355,727	\$ 27,380	\$ 109	\$ 27,271
Sewer Fund	139,841	134,387	5,454	17	5,437
Property Rental Fund	172,015	172,015	-	-	-
Non-Major Proprietary Funds	99,417	99,417	-	-	-

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

Classification of Net Position – Government-wide Financial Statements

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

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

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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

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. As of June 30, 2014, the Mayor & City Council has not delegated an official or body to classify assigned fund balances.

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

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

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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

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 12.5% 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

The statement of revenues, expenses and changes in net position distinguishes between operating and non-operating revenues. For this purpose, operating revenues, such as water, sewer, and trash fees, result from exchange transactions associated with the principal activities of the City. Exchange transactions are those in which each party to the transactions receives or gives up essentially equal values. Non-operating revenues arise from exchange transactions not associated with the City's principal activities (such as investment income) and from all non-exchange transactions (such as grants).

Estimates

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

F. Stewardship, Compliance and Accountability

Budgets and Budgetary Accounting

An annual operating budget is legally adopted for the General Fund. The budget amounts in the required supplemental information were adopted on a basis consistent with generally accepted accounting principles and are as originally adopted or as amended by the City Council. During fiscal year 2014 and fiscal year 2015, Mayor and City Council approved a decrease in appropriations in the amount of \$6,131 for fiscal year 2014.

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

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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

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 \$665,813 as of June 30, 2014.

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

1. Approximately in February, revenues are projected for the fiscal year commencing the following July 1. This information is forwarded to the individual department heads to prepare their budgets according to the projected revenues.
2. The department budgets are accumulated by the City Administrator, who prepares a formal budget and submits it to the Mayor and City Council.
3. Public hearings are conducted at the City Hall to obtain taxpayer comments.
4. Prior to July 1, the budget is legally enacted through passage of an ordinance.
5. The Mayor and City Council can approve supplemental appropriations during the year.
6. The Mayor and City Council can approve budget amendments between departments during the year.

Net Position/Fund Balance Deficit

The following funds had deficit net positions/fund balances at June 30, 2014:

Tax Increment Financing District	(18,348)
Police Grant Funds	(14,152)
Capital Projects	(27,947)
Property Rental	(2,317,711)

The first three aforementioned funds will have their deficit fund balances restored with the recognition of deferred revenue at June 30, 2014 as revenue in fiscal year 2015 or with the receipt of grant reimbursements and fund transfers in future years. The City plans to close the property rental fund upon the complete demolition of the sole rental property in the fund. The City then plans to sell the remaining land, liquidate liabilities and assign any remaining bond payable balance to another City fund. See Note 17.

*CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014*

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

Compliance with Finance Related Legal and Contractual Provisions

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

New GASB Pronouncements

In June 2012, the GASB approved Statement No. 68, *Accounting and Financial Reporting for Pensions* (Statement 68). This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits.

Governmental employers participating in a cost-sharing plan will also be required to report a net pension liability, pension expense and pension-related assets and liabilities based on their proportionate share of the collective amounts for all governments in the plan. All governments participating in the defined benefit pension plan would also have the following in their note disclosures:

- Descriptions of the plan and benefits provided
- Significant assumptions employed in the measurement of the net pension liability
- Descriptions of benefit changes and changes in assumptions
- Assumptions related to the discount rate and impact on the total pension liability of a 1 percentage point increase and decrease in the discount rate
- Net pension assets and liabilities

The provisions of Statement 68 are effective for fiscal years beginning after June 15, 2014. The City is currently evaluating the effects of this statement on its financial statements.

Note 2. Cash and Investments

Cash

As of June 30, 2014, the carrying amount of the City's deposits was \$4,246,532 and the bank balance was \$5,167,533 (including an investment in an overnight repurchase agreement in the amount of \$4,332,302).

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 2. Cash and Investments – (Continued)

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 deposits with financial institutions to be fully secured by collateral. The City’s cash balances at financial institutions at June 30, 2014 are fully collateralized with securities held by the City’s agent in the City’s name.

Investments

As of June 30, 2014, 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>	
Municipal Money Market Savings	\$ -	\$ -	\$ -	N/A
Maryland Local Government Investment Pool	3,777,754	3,777,754	-	AAA
U.S. Treasury Money Market	-	-	-	N/A
	\$3,777,754	\$ 3,777,754	\$ -	

Investment Risks and Policies

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

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 2. Cash and Investments – (Continued)

The City invests in the Maryland Local Government Investment Pool which is administered by the PNC Bank. These approved investments are carried at cost, which approximates market and may be liquidated as needed. Due to the short-term nature of the Maryland Local Government Investment Pools' assets and liabilities, the carrying value as recorded in the statements of assets and liabilities approximates fair value. The Board for the Maryland State Treasurer's Office oversees the Maryland Local Government Investment Pool's operations.

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

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City's investment policy 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.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 2. Cash and Investments -- (Continued)

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 collateralized with securities held by the City's agent in the City's name. The City's investment policy and state law requires collateralization of 102% of fair value of investments. The City's is in compliance with its investment policy and State law having all deposits and investments collateralized at 102% of fair value with bonds or other obligations secured by the full faith and credit of the United States.

Restricted cash is reported in the General Fund and on the Government-Wide financial statements in the amount of \$403,299. This cash was obtained from advancement of grant funding and through police seizures of cash that are restricted for public safety activities.

Restricted investments are reported in the General, Water, Sewer, Property Rental, Non-Major Governmental, and Non-Major Proprietary Funds in the amount of \$2,978,337. 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 \$1,433,938 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.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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

Interfund receivables and payables and transfers as of June 30, 2014 are as follows:

	Interfund Receivables	Interfund Payables
Governmental Funds:		
General Fund	\$ 539,046	\$ 5,735
Non-Major Government Funds	-	186,219
Sub-total	539,046	191,954
Proprietary Funds:		
Water Fund	176,299	-
Sewer Fund	15,149	538,540
Sub-total	191,448	538,540
Total Interfund Receivable/Payable-Current	\$ 730,494	\$ 730,494

All current interfund receivables are expected to be repaid within the next fiscal year. The interfund balances as of June 30, 2014 are the result of a centralized cash receipt and disbursement function. This results in funds having a deficiency or excess of cash depending on the timing of the receipt of revenues or other sources and/or the payment of expenditures (or expenses) or other uses of cash.

	Interfund Receivables	Interfund Payables
Governmental Funds:		
General Fund	\$ -	\$ 847,873
Sub-total	-	847,873
Proprietary Funds:		
Water Fund	1,273,873	-
Sewer Fund	-	857,500
Non-Major Proprietary Funds	431,500	-
Sub-total	1,705,373	857,500
Total Interfund Receivable/Payable Non-Current	\$ 1,705,373	\$ 1,705,373

All non-current interfund receivables are expected to be repaid within a reasonable amount of time, but not necessarily within the next fiscal year. Material interfund loans include amounts owed by the General Fund and Sewer Fund to the Water Fund, as well as amounts owed by the Sewer Fund to the Trash Fund. These interfund loans are the culmination of years of cash deficiencies and repayment is expected in future years as excess revenue is generated and assets are sold.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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

Transfers:	Interfund Transfers-In	Interfund Transfer-Out
Governmental Funds:		
General Fund	\$ 2,564,065	\$ 2,117,761
Housing Assistance Fund	-	1,584
Non-Major Governmental Funds	1,031,066	19,607
Sub-total	3,595,131	2,138,952
Proprietary Funds:		
Water Fund	57,394	898,268
Sewer Fund	228,372	1,567,453
Property Rental	723,776	-
Non-Major Proprietary Funds	-	-
Sub-total	1,009,542	2,465,721
Total Transfers (Fund Financial Statements)	\$ 4,604,673	\$ 4,604,673

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 2014 are described in the following paragraph.

The City transferred \$373,042 from the Water Fund to the General Fund and \$1,567,453 from the Sewer Fund to the General Fund for payment in lieu of taxes. The City also transferred fifty percent of the “Net Income Before Contributions, Special Items and Transfers” of the Water Fund or \$473,657 to the General Fund. The City transferred \$221,047 from the General Fund to the Capital Projects Fund to fund various projects. The \$723,776 Property Rental Fund transfer-in represents a transfer from the General Fund to the Property Rental Fund to cover a combination of expenses such as an increasing cash deficit arising from the normal operating costs of the building that had to be maintained prior to the start of the demolition, as well as to account for a timing difference for expenses paid in advance of proceeds received from the GOB 2013 demolition bond. The demolition of the sole building in the Property Rental Fund is further described in Note 17. Additionally, the \$778,494 transfer-in reported in the Street Improvement Fund represents a transfer of property tax revenues and other General Fund monies used to make the debt service payment in the Street Improvement Fund. Finally, the City transferred \$200,572 from the General Fund to the Sewer Fund to adjust for the Sewer Fund contributing a portion of the General Fund’s required prepayment of worker’s compensation estimated liability in a previous year.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 5. Capital Assets

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

	Beginning Balance	Additions	Reclassifications /Retirements	Ending Balance
GOVERNMENTAL ACTIVITIES:				
Non-depreciable assets:				
Land	\$ 915,117	\$ 35,607	\$ -	\$ 950,724
Construction in progress	2,122,611	1,559,612	(2,331,965)	1,350,258
Total non-depreciable assets	<u>3,037,728</u>	<u>1,595,219</u>	<u>(2,331,965)</u>	<u>2,300,982</u>
Depreciable assets:				
Buildings and improvements	14,717,598	-	-	14,717,598
Machinery and equipment	7,324,564	198,243	(305,956)	7,216,851
Infrastructure	30,929,379	2,327,224	(25,891)	33,230,712
Total depreciable assets	<u>52,971,541</u>	<u>2,525,467</u>	<u>(331,847)</u>	<u>55,165,161</u>
Accumulated depreciation:				
Buildings and improvements	8,761,436	460,419	-	9,221,855
Machinery and equipment	6,351,840	300,425	(305,956)	6,346,309
Infrastructure	15,189,096	1,056,030	(25,891)	16,219,235
Total accumulated depreciation	<u>30,302,372</u>	<u>1,816,874</u>	<u>(331,847)</u>	<u>31,787,399</u>
Depreciable assets, net	<u>22,669,169</u>	<u>708,593</u>	<u>-</u>	<u>23,377,762</u>
Governmental activities capital assets, net	<u>\$ 25,706,897</u>	<u>\$ 2,303,812</u>	<u>\$ (2,331,965)</u>	<u>\$ 25,678,744</u>
BUSINESS-TYPE ACTIVITIES:				
Non-depreciable assets:				
Land	\$ 368,371	\$ -	\$ -	\$ 368,371
Land improvements	446,208	-	-	446,208
Construction in progress	975,528	1,377,052	(144,231)	2,208,349
Total non-depreciable assets	<u>1,790,107</u>	<u>1,377,052</u>	<u>(144,231)</u>	<u>3,022,928</u>
Depreciable assets:				
Buildings and improvements	136,065,274	211,651	-	136,276,925
Machinery and equipment	4,511,380	309,459	(23,172)	4,797,667
Total depreciable assets	<u>140,576,654</u>	<u>521,110</u>	<u>(23,172)</u>	<u>141,074,592</u>
Accumulated depreciation:				
Buildings and improvements	39,331,636	2,774,437	-	42,106,073
Machinery and equipment	3,924,586	168,289	(23,172)	4,069,703
Total accumulated depreciation	<u>43,256,222</u>	<u>2,942,726</u>	<u>(23,172)</u>	<u>46,175,776</u>
Depreciable assets, net	<u>97,320,432</u>	<u>(2,421,616)</u>	<u>0</u>	<u>94,898,816</u>
Business-type capital assets, net	<u>\$ 99,110,539</u>	<u>\$ (1,044,564)</u>	<u>\$ (144,231)</u>	<u>\$ 97,921,744</u>

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 5. Capital Assets – (Continued)

Depreciation expense is charged to functions as follows:

<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
General Government	\$ 173,459	Water	\$ 1,123,498
Public Safety	325,753	Sewer	1,683,016
Public Works	1,104,043	Municipal Parking	136,212
Recreation	143,988	Property Rental	<u>0</u>
Urban Development & Housing	<u>69,631</u>		<u>\$ 2,942,726</u>
	<u>\$ 1,816,874</u>		

For the fiscal year ended June 30, 2014, there were no transfers of assets between the proprietary and governmental funds.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 6. Long Term Liabilities

Long-term Liability Activity

Long term liability activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Additions	Reductions/ Reallocation of Debt	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Bonds and notes payable:					
General Obligation Bonds	\$15,572,124	\$ 723,600	\$ (618,409)	\$15,677,315	\$ 632,057
Notes and capital leases	2,151,184	-	(888,304)	1,262,880	208,965
Total bonds, notes and leases payable	17,723,308	723,600	(1,506,713)	16,940,195	841,022
Compensated absences	1,121,062	1,310,839	(1,276,403)	1,155,498	880,124
Retainage payable	99,136	69,923	(99,136)	69,923	-
Workers comp payable	2,251,434	720,150	(1,020,900)	1,950,684	775,093
Governmental activities long-term Liabilities	\$21,194,940	\$ 2,824,512	\$ (3,903,152)	\$20,116,300	\$2,496,239
Business-type Activities:					
Bonds and notes payable:					
General Obligation Bonds	\$30,176,967	\$ 7,086,078	\$ (1,401,491)	\$35,861,554	\$1,880,321
Notes and capital leases payable	3,222,865	-	(3,216,040)	6,825	3,648
Total bonds and notes payable	33,399,832	7,086,078	(4,617,531)	35,868,379	1,883,969
Compensated absences	411,811	383,627	(379,914)	415,524	278,923
Retainage payable	-	155,484	-	155,484	-
Workers comp payable	621,429	324,757	(66,377)	879,809	349,534
Business-type activities long-term liabilities	\$34,433,072	\$ 7,949,946	\$ (5,063,822)	\$37,319,196	\$2,512,426

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 6. Long Term Liabilities – (Continued)

Long-Term debt payable at June 30, 2014 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>	240,040
<i>\$5,000,000, 1999 Sewer Fund bond authorized due in annual installments of \$332,120 through February, 2021; interest at 2.39%</i>	2,023,840
<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>	3,132,445
<i>\$1,400,000, 2002 Merchant's Alley Public Improvement Bonds due in installments of \$26,800 to \$136,877 through August, 2016; interest at 4.030%</i>	323,080
<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>	122,395
<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 to be forgiven November, 2014.</i>	1,893,144
<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>	192,000
<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>	257,287
<i>\$4,665,000, 2009 GOB Pension Contribution Bonds due in annual installments of \$310,542 to \$570,444 through June, 2036; interest at 5.400% to 6.625%</i>	4,665,000
<i>\$9,070,000, 2008 GOB (Street Imp Fund) due in annual installments of \$375,000 to \$750,000 through September, 2028; interest at 4.0% to 5.0%</i>	8,305,000
<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>	1,625,579
<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>	2,774,822

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 6. Long Term Liabilities – (Continued)

<i>\$11,415,000, 2011 Maryland Community Development Administration Bond due in annual installments of \$464,438 to \$1,227,787 through June, 2032 at 2.0% to 5.0%.</i>	<i>11,315,000</i>
<i>\$152,000, 2012 Maryland Water Quality Financing Administration Bond due in annual installments of \$9,099 to \$10,168 through February, 2033 at 0.90%</i>	<i>111,831</i>
<i>\$1,515,491, 2012 Maryland Community Development Administration Bond due in annual installments of \$80,340 to \$101,747 through May 2032; Interest at 0.61% to 3.42%.</i>	<i>1,387,406</i>
<i>\$2,680,000 2013 Tax-Exempt Refunding Bonds due in annual installments of \$280,000 to \$320,000 through November 2021; interest at 2.00% to 2.40%.</i>	<i>2,395,000</i>
<i>\$5,040,000 2013 Taxable Redevelopment and Refunding Bonds due in annual installments of \$235,000 to \$975,000 through November 2032; interest at 0.75% to 5.31%.</i>	<i>4,775,000</i>
	<u><i>\$51,538,869</i></u>

In July 2013, the City issued 2013 Maryland General Obligation Bonds comprised of \$5,040,000 Taxable Redevelopment and Refunding Bonds of 2013 (the “Taxable Bonds”) and \$2,680,000 Tax-Exempt Refunding Bonds of 2013 (the “Tax-Exempt Bonds”), with interest rates ranging from .75% to 5.31%. The City reduced its aggregate debt service payments by \$370,781 over the next twelve years, and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$306,079.

In July 2012, the City authorized \$152,000 in Maryland Water Quality Bonds financed through the Maryland Water Quality Financing Administration. The amount advanced under these bonds was \$111,831 at June 30, 2014.

In December 2012, the City authorized \$1,515,491 in Local Government Infrastructure Bonds, 2012 Series B-1 and 2012 Series B-2 financed through the Maryland Community Development Administration. The unspent portion at June 30, 2014 was \$623,560 which was being held in an escrow account by the State of Maryland.

Notes and capital leases payable

<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>	<i>1,030,000</i>
<i>\$329,550 (Face amount and cost of asset/expense), 2011 equipment lease due in semi-annual installments of \$35,109 through March 2016; interest at 2.62%</i>	<i>135,954</i>
<i>\$263,792 (Face amount and cost of asset), copier equipment lease due in monthly installments of \$4,925 through May 2016; interest at 0.4%</i>	<u><i>103,751</i></u>
	<u><i>\$1,269,705</i></u>

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 6. Long Term Liabilities – (Continued)

Debt Maturity

Debt service requirements at June 30, 2014 were as follows:

Year	Governmental Funds				Total	
	Bonds		Notes & Leases		Principal	Interest
	Principal	Interest	Principal	Interest		
2015	632,057	750,595	208,965	55,409	841,022	806,004
2016	690,358	727,364	208,915	47,322	899,273	774,686
2017	813,120	701,655	50,000	41,842	863,120	743,497
2018	764,544	670,721	55,000	39,468	819,544	710,189
2019	760,715	637,627	55,000	36,944	815,715	674,571
2020-2024	4,255,759	2,673,521	310,000	141,001	4,565,759	2,814,522
2025-2029	5,128,229	1,563,407	375,000	51,713	5,503,229	1,615,120
2030-2034	1,845,382	612,542	-	-	1,845,382	612,542
2035-2039	787,151	79,787	-	-	787,151	79,787
	<u>\$15,677,315</u>	<u>\$ 8,417,219</u>	<u>\$1,262,880</u>	<u>\$ 413,699</u>	<u>\$16,940,195</u>	<u>\$8,830,918</u>

Year	Proprietary Funds				Total	
	Bonds		Notes & Leases		Principal	Interest
	Principal	Interest	Principal	Interest		
2015	1,880,321	782,765	3,648	235	1,883,969	783,000
2016	1,549,891	764,654	3,177	67	1,553,068	764,721
2017	1,902,924	740,095	-	-	1,902,924	740,095
2018	2,014,312	702,103	-	-	2,014,312	702,103
2019	1,904,354	659,318	-	-	1,904,354	659,318
2020-2024	15,175,441	2,646,206	-	-	15,175,441	2,646,206
2025-2029	7,579,246	1,427,742	-	-	7,579,246	1,427,742
2030-2034	3,632,214	406,117	-	-	3,632,214	406,117
2035-2039	222,851	22,570	-	-	222,851	22,570
	<u>\$ 35,861,554</u>	<u>\$ 8,151,570</u>	<u>\$ 6,825</u>	<u>\$ 302</u>	<u>\$35,868,379</u>	<u>\$ 8,151,872</u>

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 7. 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.

Prior to fiscal year 2010, City employees earned fifteen sick leave days per year with no maximum accumulation ceiling. As of June 30, 2014, only Local Union 553 (general trades, labor, technical, clerical staff) and Local Union 1715 (fire department) members are entitled to a maximum payout of 86 days of sick leave days accumulated upon retirement until a new contract is negotiated to replace the ones that expired on June 30, 2010 (Local Union 1715) and June 30, 2011 (Local Union 553). These contracts are expected to be negotiated to change this benefit language for the contracts that begin on July 1, 2016. Therefore it is expected that if an employee in one of these unions is not eligible to retire by June 30, 2016, this benefit will not be available to that employee.

All vacation pay and unpaid sick leave to which employees are entitled have been accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if it has matured (for example, as a result of employee resignations and retirements). The estimate of the accrued sick leave and vacation liabilities reported in the governmental activities section of the government-wide financial statements is \$1,155,498. Accrued sick leave and vacation liabilities for the City's proprietary funds in the amount of \$415,524 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, 2014

Note 8. Fund Balance - Fund Financial Statements

As of June 30, 2014, 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	\$ 1,914,534	\$ -	\$ -	\$ 1,914,534
Inventories	11,937	-	-	11,937
Restricted:				
Public Safety	375,991	-	-	375,991
Housing Assistance	-	-	295,085	295,085
Street Improvements	-	-	1,154,051	1,154,051
Special Taxing District	-	-	118,785	118,785
Community Legacy	-	-	107,379	107,379
Unassigned	36,256	-	(60,447)	(24,191)
Total Fund Balances	\$ 2,338,718	\$ -	\$ 1,614,853	\$ 3,953,571

Note 9. 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 2014 at a rate of \$0.9654 per \$100 of assessed valuation on real property which is assessed at full market value. The present adjusted assessed valuation of real property is \$865 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.

In fiscal year 2009, the City increased tax rates by \$0.0175 for real property and \$0.06 for personal property in order to partially fund the principal and interest payments on the 2008 general obligation street improvement bonds.

*CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014*

Note 9. 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, 2014 was \$0.456 per \$100 of assessed valuation. Real property is assessed at full market value. The present adjusted assessed valuation is \$27 million.

Secondary Zone

The tax rate in the secondary zone for the year ended June 30, 2014 was \$0.268 per \$100 of assessed valuation. Real property is assessed at full market value. The present adjusted assessed valuation is \$29 million.

Tax Incremental Financing District

The City is permitted by Resolution dated September 21, 2004 to levy taxes on certain real property located within a special taxing district known as the “Shades Lane Development District” to provide funds for the payment of debt service on special obligation bonds issued to finance capital improvements within the district. The tax rate for the property within this district was \$0.22 per \$100 of assessed valuation. Real property is assessed at full market value. The present adjusted assessed valuation is \$2,081,733.

Note 10. 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, 2014.

Note 11. 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

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 11. Contingent Liabilities – (Continued)

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 12. Commitments

The City has active construction projects as of June 30, 2014. The projects include widening and construction of existing streets, and the construction of additional wastewater treatment facilities. At year-end, the government’s commitments with contractors are as follows:

<u>Project</u>	<u>Contract Amount</u>	<u>Change Orders</u>	<u>Remaining Commitment</u>	<u>Fund</u>
CSO Storage Facility at WWTP Final Design	\$1,403,003		\$412,027	Sewer
Replacement of 36” Inlet and Outlet Valves at FH Reservoir	\$312,500	\$4,750	\$32,773	Water
Demolition of Memorial Ave Design	\$175,000		\$17,686	Property Rental
Demolition of Memorial Ave Demolition	\$1,474,900	\$476,784	\$854,051	Property Rental
Digester Inspection	\$38,000		\$1,000	Sewer
Digester Gas Line Replacement	\$177,054		\$83,383	Sewer
Digester Painting	\$72,280		\$72,280	Sewer
Baltimore Avenue Construction	\$1,398,466		\$723,323	Street Improvement
Total	<u>\$5,051,203</u>	<u>\$481,534</u>	<u>\$2,196,523</u>	

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 12. Commitments – (Continued)

The State of Maryland had previously filed suit against the City of Cumberland and neighboring jurisdictions which use the Cumberland Wastewater Treatment Plant seeking a court-enforceable timetable for correcting the City's Combined Sewer Overflow problem. On November 6, 2001, the City executed a Consent Decree and Judgment in the litigation brought by the Maryland Department of the Environment. The Consent Decree and Judgment requires the City to correct the Combined Sewer Overflow problems in phases over 20 years after the acceptance of all of the Long-Term Control Plans (LTCP) from LaVale, Allegany County, and the City of Frostburg. Those plans have been now accepted by MDE, and the City was required to revise its LTCP. The revised plan, submitted to MDE on February 3, 2006, added the Evitts Creek Pump Station and Conveyance to the Phase 1A (Mill Race sewer relocation and screens) and Phase 1B (parallel pipelines from Mill Race to a storage facility). To date Phase 1A is complete and part of Phase 1B was completed in FY '06. The LTCP includes an estimate of future project costs. The estimated cost is \$56,490,000, and the work is required to be completed by 2026. The work is expected to be funded through EPA Grants, MDE Grants, and MDE SRF Loans. Phase 1 work has been delayed because of delays associated with funding of the rewatering of the C&O Canal. In FY'07, it was decided to transfer all remaining EPA and MDE Grant Funds from the Phase 1 project to the Evitts Creek Pump CSO Project which was completed in FY'09. The forces main and gravity sewer portions (Phase II) of the Evitts Creek CSO Project was awarded in FY'10 and was completed in FY'11. The Cedar Street CSO line under CSX was also given priority, and all of the City's EPA funding for CSO work was committed to that project rather than lose it with the potential changes to the Federal Budget in 2010. Construction was completed in FY'13. A portion of that line under CSX had to be removed from the work plan because of high cost; however the City plans to do a rehabilitation project of the existing lines under the tracks in the future. The City has updated the LTCP and plans to include CSO Storage and that project went into the design phase in FY'14. The CSO Storage Facility is estimated to cost \$27,000,000, and the City will be seeking funding. MDE has modified its funding and currently cannot provide more than \$1,500,000 in grants or loan forgiveness. The City must have additional funding in order to complete this mandated project.

Note 13. Risk Management

The City is exposed to various risks of loss to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which it carries commercial insurance. The City retains no risks for claims up to the maximum amount of the policy except for deductible amounts. The City did not have losses in excess of its insurance coverage for the three prior fiscal years. However, in the current fiscal year, the City incurred damages and judgments in

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 13. Risk Management – (Continued)

the amount of \$360,000 in the Water Fund in excess of insurance coverage. This expense was reported as a non-operating expense of the Water Fund.

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 \$1,758,000 to \$1,985,000 depending on the policy year. As of June 30, 2014, 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, 2014. 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 three 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 necessary 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 \$2,830,493 (a non-discounted amount of \$3,180,982) and is discounted at a 4.0% annual rate. The following represents the change in approximate aggregate liabilities for the City from July 1, 2011 to June 30, 2014:

Fiscal Year Ended June 30,	Claims Payable July 1,	Claims and Changes in Estimates	Claims Paid	Claims Payable June 30,
2012	\$ 2,327,885	\$ 988,440	\$ 737,314	\$ 2,579,011
2013	2,579,011	975,334	681,480	2,872,865
2014	2,872,865	401,330	443,702	2,830,493

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 14. Pension and Retirement Systems

Defined Benefit Plans

Plan Description

The employees of the City are provided retirement benefits through the Maryland State Retirement Systems (MSRS) which administer 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), under the provisions of State Personnel and Pension Article 73B of the Annotated Code of Maryland.

The City's employees, other than uniformed police officers, are members of the Employees Pension System. The City elected to join the Alternate Contributory Pension Selection (ACPS) which was established as of July 1, 2006. Beginning in fiscal year 2002, uniformed police officers were covered under the Local Fire and Police System (LFPS). Effective July 1, 2008, the uniformed police officers transferred from the Local Fire and Police System (LFPS) to the Law Enforcement Officers' Pension System (LEOPS).

Both of 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 MSRS, which issues its own financial report, is a component unit of the State of Maryland's financial reporting entity. Detailed information of the plans and copies of its financial report may be obtained from:

State Retirement Agency of Maryland
120 E. Baltimore Street
Baltimore, Maryland 21202

Funding Policy

Employees covered under the ACPS were required to contribute 5% of their earnable compensation during FY 2014. The City is required to contribute at an actuarially determined rate. The current rate is 6.47% of covered payroll. The City also is required to pay an ACPS surcharge at a rate of 7.44% and a Retirement System Surcharge of 5% of covered payroll. The contribution requirements of plan members and the City of Cumberland are established and may be amended by the MSRS Board of Trustees. The City's base contributions for the years ended June 30, 2014, 2013 and 2012 were \$532,932, \$459,084, and \$630,987, respectively, equal to the required employer contributions for each year. The City's ACPS surcharge for the year ended June 30, 2014 was \$581,075, equal to the required employer contribution for the year.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 14. Pension and Retirement Systems – (Continued)

Employees covered under the LEOPS contribute 5% of their earnable base salary in excess of the social security wage base. The City is required to contribute an actuarially determined rate. The current contribution rate for the City is 31.76% of covered payroll for the pension system. The City of Cumberland's contribution to LEOPS for the year ended June 30, 2014 totaled \$737,495. The City's contributions for LEOPS for the years ended June 30, 2013 and 2012 were \$652,063 and \$756,133, respectively, which were equal to the required employer contributions for each year.

Deferred Compensation Plan/Defined Contribution Plan

The City allows employees to defer portions of their compensation into a trust which is a separate entity self trusted by the City under Internal Revenue Code Section 457(b) Deferred Compensation Plan. The trust owns all plan assets for the exclusive benefit of the participants and their beneficiaries. Employees deferred \$164,056 into the deferred compensation plan during the current year.

The City has established a defined contribution plan under the Internal Revenue Code Section 401(a) entitled "City of Cumberland 401(a) Match Plan". The City contributed \$20,201 in accordance with employee contract agreements into the deferred compensation plan for the current year. The City also contributed \$60,490 into this deferred compensation plan for employees who elected to opt-out of the City health insurance plan.

The City Administrator, City Solicitor and City Comptroller are trustees of both plans and administer both plans. Plan provisions and contribution requirements are established by and may be amended by the City.

Note 15. Post-Employment Health Care Benefits

Plan Description. The City of Cumberland sponsors a single-employer post-retirement medical plan administered by the City of Cumberland. The Plan provides medical, prescription, and death benefits to eligible retirees and their spouses. The authority under which benefit provisions are established or may be amended rests with the Mayor & City Council of Cumberland, Maryland. The Plan does not issue a publicly available report.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 15. Post-Employment Health Care Benefits – (Continued)

Funding Policy. The contribution requirements of plan members and the City are established and may be amended by the Mayor & City Council of Cumberland, Maryland. The required contribution is based on projected pay-as-you-go financing requirements. Certain retirees are offered the option to maintain health insurance after they retire (including subsidized beneficial coverage), until they reach age 65. Retirees must pay 50% of the COBRA equivalent cost of this benefit for their coverage and 100% of the COBRA equivalent cost of the beneficial coverage. After 65, the City pays for the retirees “standard” Medicare Supplement (excluding drugs) and the retiree must pay for any additional benefits (i.e. Major medical and/or beneficial coverage).

These benefits were phased out by June 30, 2011 except for a small group of grandfathered retirees and members of two local unions. Amortization periods have been adjusted to reflect the cessation of the City’s supplementation of these post-retirement benefits.

Annual OPEB Cost and Net OPEB Obligation. The City’s annual other post-retirement (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC rate is 8.66 percent of annual covered payroll. The following table shows the components of the City’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City’s net OPEB Obligation.

Components of Net OPEB Obligation

Annual Required Contribution	\$98,937
Interest on Net OPEB Obligation	(5,277)
Adjustment to Annual Required Contribution	<u>42,660</u>
Annual OPEB Cost (Expense)	\$136,320
Contributions Made	<u>(122,876)</u>
Increase/(Decrease) in Net Obligation	\$13,444
Net OPEB Obligation (Asset), 7/1/13	<u>(117,272)</u>
Net OPEB Obligation (Asset), 6/30/14	<u><u>\$(103,828)</u></u>

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 15. Post-Employment Health Care Benefits – (Continued)

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

Fiscal Year Ended	Annual OPEB Cost	OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2012	\$124,649	153.6%	(\$76,211)
6/30/2013	\$103,255	139.8%	(\$117,272)
6/30/2014	\$136,320	90.1%	(\$103,828)

Funded Status and Funding Progress. As of July 1, 2013, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$185,277 and the actuarial value of assets was \$0 resulting in an unfunded actuarial accrued liability (UAAL) of \$185,277. The covered payroll (annual payroll of active employees covered by the plan) was \$1,142,669 and the ratio of the UAAL to the covered payroll was 16.2%.

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

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

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 15. Post-Employment Health Care Benefits – (Continued)

In the July 1, 2013 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses), which is a rate based on the employer's own investments calculated based on the funded level of the plan assets at the valuation date, and an annual healthcare cost trend rate of 8% initially, reduced by decrements to an ultimate rate of 5% after three years. Both rates included a 5% inflation assumption. The actuarial value of assets was determined using a standard balanced portfolio expectation for retirement plan asset returns. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining amortization period at July 1, 2013 was 2 years to reflect the pending cessation of the Plan for all but a few grandfathered retirees. No OPEB benefits are based on future salary levels.

Note 16. Restatement of Fund Balance and Net Position

For fiscal year ended June 30, 2014, the City determined that the Economic Development Fund no longer qualified as a special revenue fund in accordance with GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*, and was therefore reclassified to the general fund as of the beginning of the year. In addition, the Street Improvement Fund no longer qualified as a major fund in accordance with GASB Statement No. 34 criteria, and was thus reclassified as a Non-Major Governmental Fund. Finally, the City determined that the Property Rental Fund, which was previously considered a Non-Major Proprietary Fund, now fulfilled the specifications of GASB Statement No. 34 to be a major fund and was reclassified accordingly. These reclassifications resulted in beginning fund balance and beginning net assets being restated as follows:

	General Fund	Non-Major Governmental Funds	Street Improvement Fund
Fund Balance July 1, 2013, as previously stated	\$ 2,693,825	\$ 465,464	\$ 1,772,287
Economic Development Fund Reclassification	(323)	323	-
Street Improvement Fund Reclassification	-	<u>1,772,287</u>	<u>(1,772,287)</u>
Fund Balance July 1, 2013, as restated	<u>\$ 2,693,502</u>	<u>\$ 2,238,074</u>	<u>\$ -</u>
	Property Rental Fund	Non-Major Proprietary Funds	
Net Assets July 1, 2013, as previously stated	\$ -	\$ 1,231,490	
Property Rental Fund Reclassification	<u>(1,388,402)</u>	<u>1,388,402</u>	
Net Assets July 1, 2013, as restated	<u>\$ (1,388,402)</u>	<u>\$ 2,619,892</u>	

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 17. Subsequent Events

The City has evaluated, for possible financial statement disclosure, subsequent events through December 17, 2014, the date which the financial statements were available to be issued, and determined the following to be subsequent events.

Upon the complete demolition of the Memorial Hospital property (the sole property in the property rental fund), the City plans to sell the remaining land, liquidate any accounts payable in the property rental fund, transfer responsibility of any remaining annual debt service payment requirements on long term debt in the property rental fund to the General Fund, and close the property rental fund. The Governmental Activities on the Government-wide financial statements will absorb the remaining debt and fund deficit.

In August 2014, the City issued Local Government Infrastructure Bonds through the Community Development Administration in the amount of \$7,520,000 with interest rates ranging from .2% to 3.6%. These bonds have 10, 15 and 20 year terms and mature in May 2034, with principal payments ranging from \$305,500 to \$471,500, due annually each May 1st, beginning May 1, 2015. The proceeds of the bond issuance are for the purpose of (a) water and sewer system improvements, (b) facility and property improvements, (c) information system improvements and equipment, (d) street improvements, (e) acquisition of new and/or replacement vehicles and equipment, (f) funding a portion of a capital reserve fund, and (g) bond issuance costs. The City had intended to issue these bonds before June 30, 2014, with approximately \$1,700,000 of the proceeds budgeted in the General Fund as an other financing source to offset \$1,700,000 in eligible General Fund expenditures.

Required Supplementary Information

CITY OF CUMBERLAND, MARYLAND
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	<i>Budgeted Amounts</i>		<i>Actual Amounts</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
Revenues:				
Taxes	\$ 10,572,506	\$ 10,572,506	\$ 10,935,713	\$ 363,207
Licenses and permits	190,200	190,200	151,120	(39,080)
Intergovernmental	2,967,290	2,967,290	3,269,829	302,539
Charges for services	1,464,500	1,464,500	1,475,442	10,942
Fines and forfeitures	2,000	2,000	805	(1,195)
Interest	2,500	2,500	6,359	3,859
Miscellaneous	456,424	456,424	551,974	95,550
Total Revenues	<u>15,655,420</u>	<u>15,655,420</u>	<u>16,391,242</u>	<u>735,822</u>
Expenditures:				
Current:				
General government	2,725,120	2,016,215	1,711,168	305,047
Public safety	10,792,460	10,824,295	10,494,540	329,755
Public works	2,718,820	2,725,000	2,617,524	107,476
Recreation	842,145	871,605	837,579	34,026
Community development and housing	841,818	841,818	834,590	7,228
Debt Service:				
Principal	596,454	1,000,000	996,427	3,573
Interest	168,247	400,000	384,856	15,144
Bond issue costs	51,000	51,000	39,246	11,754
Total Expenditures	<u>18,736,064</u>	<u>18,729,933</u>	<u>17,915,930</u>	<u>814,003</u>
Revenues in Excess of (Less Than) Expenditures	<u>(3,080,644)</u>	<u>(3,074,513)</u>	<u>(1,524,688)</u>	<u>1,549,825</u>
Other Financing Sources (Uses):				
Transfers-in	2,401,149	2,401,149	2,564,065	162,916
Transfers-out	(1,052,166)	(1,777,166)	(2,117,761)	(340,595)
Issuance of refunding bonds	-	725,000	723,600	(1,400)
Financing proceeds	-	1,700,000	-	(1,700,000)
Total Other Financing Sources	<u>1,348,983</u>	<u>3,048,983</u>	<u>1,169,904</u>	<u>(1,879,079)</u>
Net Change in Fund Balances	<u>\$ (1,731,661)</u>	<u>\$ (25,530)</u>	<u>(354,784)</u>	<u>\$ (329,254)</u>
Fund balance, beginning, as restated			2,693,502	
Fund balance, ending			<u>\$ 2,338,718</u>	

NOTES TO REQUIRED SUPPLEMENTARY SCHEDULE
JUNE 30, 2014

- (1) 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.
- (2) Annual budgets are not adopted for any other governmental fund as the City is not legally required to adopt such budgets.

CITY OF CUMBERLAND, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION

OTHER POST-EMPLOYMENT BENEFITS SCHEDULE OF FUNDING PROGRESS

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Funded Ratio	Unfunded Actuarial Accrued Liability (UAAL)	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2011	\$0	\$304,592	0%	\$304,592	\$1,027,533 *	45.7%
July 1, 2012	\$0	\$209,147	0%	\$209,147	\$1,142,669 *	18.3%
July 1, 2013	\$0	\$185,277	0%	\$185,277	\$1,142,669	16.2%

* Restatement of previously reported information

City of Cumberland, Maryland

COMBINING AND INDIVIDUAL NONMAJOR FUND FINANCIAL STATEMENTS

Non-major Governmental Funds

Tax Increment Financing District

This fund represents Special Obligation Bond funds that were used to develop Shades Lane. Tax increment revenues used to pay bonds.

CDBG

This fund reflects the transactions related to the City's utilization of federal community block grant funds passed on from the State of Maryland.

Rehabilitation Loan Fund

Loan program provided to property owners to make improvements to their residents.

Special Taxing District

Accounts for the special tax on property owners in the downtown area to pay for the development of the Downtown Mall.

Community Legacy

Community Legacy is a state grant that provides funds to aid local governments and non profits in meeting a variety of community development needs.

Police Grants

The City receives federal and state grants to be used by the Police Department which are accounted for in this fund.

Capital Projects Fund

Includes revenues collected and expended specifically for the capital equipment acquisition and capital projects.

Street Improvement Fund

Includes payment of debt for GOB 2008 - General Obligation Bonds.

Non-major Proprietary Funds

Municipal Parking Authority

Revenues and expenditures related to the operation of the City's various parking facilities and surface parking lots.

Trash

Revenues and expenses for the City's trash collection.

**CITY OF CUMBERLAND, MARYLAND
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014**

	<u>Tax Increment Financing District</u>	<u>CDBG Fund</u>	<u>Rehabilitation Loan Fund</u>	<u>Special Taxing District</u>	<u>Community Legacy</u>	<u>Police Grants</u>	<u>Capital Projects Fund</u>	<u>Street Improvement Fund</u>	<u>Total Non-Major Governmental Funds</u>
ASSETS									
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 21,095	\$ 142,313	\$ -	\$ -	\$ 532,941	\$ 696,349
Investments				85,439				650,517	735,956
Taxes receivable				18,095					18,095
Accounts receivable				568					568
Due from other governments		125,166		22,746	5,527	103,505	187,613		444,557
Prepaid expenditures				1,020					1,020
Housing loans receivable			295,085						295,085
Loans receivable					541,715				541,715
Notes receivable		970,000							970,000
Total Assets	<u>\$ -</u>	<u>\$ 1,095,166</u>	<u>\$ 295,085</u>	<u>\$ 148,963</u>	<u>\$ 689,555</u>	<u>\$ 103,505</u>	<u>\$ 187,613</u>	<u>\$ 1,183,458</u>	<u>\$ 3,703,345</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES									
<i>LIABILITIES:</i>									
Accounts payable	\$ -	\$ 53,072	\$ -	\$ 14,417	\$ 4,998	\$ 14,685	\$ 22,047	\$ 21,379	\$ 130,598
Accrued wages		3,188		2,487		5,340		1,290	12,305
Interfund payables	18,348	68,906				86,327	5,900	6,738	186,219
Unearned revenue					577,178				577,178
Total Liabilities	<u>18,348</u>	<u>125,166</u>	<u>-</u>	<u>16,904</u>	<u>582,176</u>	<u>106,352</u>	<u>27,947</u>	<u>29,407</u>	<u>906,300</u>
<i>DEFERRED INFLOWS OF RESOURCES:</i>									
Unavailable revenues		970,000		13,274		11,305	187,613		1,182,192
Total Deferred Inflows of Resources	<u>-</u>	<u>970,000</u>	<u>-</u>	<u>13,274</u>	<u>-</u>	<u>11,305</u>	<u>187,613</u>	<u>-</u>	<u>1,182,192</u>
<i>FUND BALANCES:</i>									
Fund balances (deficit):									
Restricted		-	295,085	118,785	107,379	-	-	1,154,051	1,675,300
Unassigned	(18,348)	-	-	-	-	(14,152)	(27,947)	-	(60,447)
Total Fund Balances (Deficit)	<u>(18,348)</u>	<u>-</u>	<u>295,085</u>	<u>118,785</u>	<u>107,379</u>	<u>(14,152)</u>	<u>(27,947)</u>	<u>1,154,051</u>	<u>1,614,853</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ -</u>	<u>\$ 1,095,166</u>	<u>\$ 295,085</u>	<u>\$ 148,963</u>	<u>\$ 689,555</u>	<u>\$ 103,505</u>	<u>\$ 187,613</u>	<u>\$ 1,183,458</u>	<u>\$ 3,703,345</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, 2014

	<i>Tax Increment Financing District</i>	<i>CDBG Fund</i>	<i>Rehabilitation Loan Fund</i>	<i>Special Taxing District</i>	<i>Community Legacy</i>	<i>Police Grants</i>	<i>Capital Projects Fund</i>	<i>Street Improvement Fund</i>	<i>Total Non-Major Governmental Funds</i>
Revenues:									
Taxes	\$ 18,943	\$ -	\$ -	\$ 220,641	\$ -	\$ -	\$ -	\$ -	\$ 239,584
Intergovernmental		593,862		34,175	97,007	312,059	327,677		1,364,780
Interest	-	52,502	-	51	1,759	-		1,072	55,384
Miscellaneous		25,000		18,464					43,464
Total Revenues	18,943	671,364	-	273,331	98,766	312,059	327,677	1,072	1,703,212
Expenditures:									
Current:									
General government				239,790	-				239,790
Public safety						325,804			325,804
Community development and housing		532,464	-		97,007				629,471
Capital Outlay							564,871	613,642	1,178,513
Debt Service:									
Principal	32,000	87,255		1,031				390,000	510,286
Interest	6,991	52,759		118				394,160	454,028
Total Expenditures	38,991	672,478	-	240,939	97,007	325,804	564,871	1,397,802	3,337,892
Revenues in Excess of (Less Than) Expenditures	(20,048)	(1,114)	-	32,392	1,759	(13,745)	(237,194)	(1,396,730)	(1,634,680)
Other Financing Sources (Uses):									
Transfers-in	16,565	-	-	10,548		4,412	221,047	778,494	1,031,066
Transfers-out				(19,607)					(19,607)
Total Other Financing Sources (Uses)	16,565	-	-	(9,059)	-	4,412	221,047	778,494	1,011,459
Net Change in Fund Balance	(3,483)	(1,114)	-	23,333	1,759	(9,333)	(16,147)	(618,236)	(623,221)
Fund balance (deficit), beginning, as restated	(14,865)	1,114	295,085	95,452	105,620	(4,819)	(11,800)	1,772,287	2,238,074
Fund balance (deficit), ending	\$ (18,348)	\$ -	\$ 295,085	\$ 118,785	\$ 107,379	\$ (14,152)	\$ (27,947)	\$ 1,154,051	\$ 1,614,853

CITY OF CUMBERLAND, MARYLAND
COMBINING STATEMENT OF NET POSITION
NON-MAJOR PROPRIETARY FUNDS
JUNE 30, 2014

	<i>Municipal Parking Authority</i>	<i>Trash</i>	<i>Total Non-Major Proprietary Funds</i>
ASSETS			
<u>Current Assets:</u>			
Cash and cash equivalents	\$ 303,408	\$ 314,772	\$ 618,180
Accounts receivable	770	91,908	92,678
Prepaid Expenses	301	-	301
Total Current Assets	<u>304,479</u>	<u>406,680</u>	<u>711,159</u>
<u>Noncurrent Assets:</u>			
Interfund receivables, non-current	-	431,500	431,500
Land and land improvements	180,737	-	180,737
Buildings and improvements	5,955,756	-	5,955,756
Machinery and equipment	348,032	-	348,032
Accumulated depreciation	(2,423,864)	-	(2,423,864)
Total Non-Current Assets	<u>4,060,661</u>	<u>431,500</u>	<u>4,492,161</u>
Total Assets	<u>\$ 4,365,140</u>	<u>\$ 838,180</u>	<u>\$ 5,203,320</u>
LIABILITIES			
<u>Current Liabilities:</u>			
Accounts payable	\$ 3,402	\$ 3,237	\$ 6,639
Accrued wages	3,862	-	3,862
Accrued interest	16,284	-	16,284
Current portion of compensated absences	8,060	-	8,060
Current portion of bonds and notes payable	10,325	-	10,325
Total Current Liabilities	<u>41,933</u>	<u>3,237</u>	<u>45,170</u>
<u>Noncurrent Liabilities:</u>			
Compensated absences (net of current portion)	13,257	-	13,257
Bonds and notes payable (net of current portion)	2,353,342	-	2,353,342
Total Non-Current Liabilities	<u>2,366,599</u>	<u>-</u>	<u>2,366,599</u>
Total Liabilities	<u>2,408,532</u>	<u>3,237</u>	<u>2,411,769</u>
NET POSITION			
Net investment in capital assets	1,724,113	-	1,724,113
Unrestricted	232,495	834,943	1,067,438
Total Net Assets	<u>1,956,608</u>	<u>834,943</u>	<u>2,791,551</u>
Total Liabilities and Net Assets	<u>\$ 4,365,140</u>	<u>\$ 838,180</u>	<u>\$ 5,203,320</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, 2014

	<u>Municipal Parking Authority</u>	<u>Trash</u>	<u>Total Non-Major Proprietary Funds</u>
Operating Revenues:			
Charges for Services:			
Domestic	\$ -	\$ 1,286,075	\$ 1,286,075
Industrial	-	3,125	3,125
Rents/Concessions	506,258	-	506,258
Other	36,749	17,386	54,135
Total Operating Revenues	<u>543,007</u>	<u>1,306,586</u>	<u>1,849,593</u>
Operating Expenses:			
Personal services	217,011	-	217,011
Utilities	32,842	-	32,842
Supplies	-	38,495	38,495
Repairs and maintenance	24,456	-	24,456
Landfill fees	-	292,117	292,117
Depreciation	136,212	-	136,212
Contractual Service	16,464	680,779	697,243
Other operating expenses	15,008	125,133	140,141
Total Operating Expenses	<u>441,993</u>	<u>1,136,524</u>	<u>1,578,517</u>
Operating Income (loss)	<u>101,014</u>	<u>170,062</u>	<u>271,076</u>
Non-Operating (Expenses):			
Interest expense	(99,417)	-	(99,417)
Total Non-Operating (loss)	<u>(99,417)</u>	<u>-</u>	<u>(99,417)</u>
Net Income (loss) Before Contributions, Special Items, and Transfers	<u>1,597</u>	<u>170,062</u>	<u>171,659</u>
Net Income (loss)	1,597	170,062	171,659
Net position-beginning of year, as restated	<u>1,955,011</u>	<u>664,881</u>	<u>2,619,892</u>
Net position-end of year	<u>\$ 1,956,608</u>	<u>\$ 834,943</u>	<u>\$ 2,791,551</u>

**CITY OF CUMBERLAND, MARYLAND
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Municipal Parking Authority</u>	<u>Trash</u>	<u>Total Non-Major Proprietary Funds</u>
Cash Flows from Operating Activities:			
Cash receipts from customers	\$ 505,778	\$ 1,288,613	\$ 1,794,391
Cash payments to suppliers	(87,368)	(1,165,066)	(1,252,434)
Cash payments for personal services	(213,960)	-	(213,960)
Other operating receipts	36,749	17,386	54,135
Net Cash Provided (Used) by Operating Activities	<u>241,199</u>	<u>140,933</u>	<u>382,132</u>
Cash Flows from Capital and Related Financing Activities:			
Principal paid on capital debt	(10,325)	-	(10,325)
Interest paid on capital debt	(99,460)	-	(99,460)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(109,785)</u>	<u>-</u>	<u>(109,785)</u>
Cash Flows from Investing Activities:			
Net sale (purchase) of Investments	210	-	210
Net Cash from Investing Activities:	<u>210</u>	<u>-</u>	<u>210</u>
Net Increase in Cash and Cash Equivalents	131,624	140,933	272,557
Cash and Cash Equivalents at Beginning of Year	171,784	173,839	345,623
Cash and Cash Equivalents at End of Year	<u>\$ 303,408</u>	<u>\$ 314,772</u>	<u>\$ 618,180</u>

CITY OF CUMBERLAND, MARYLAND
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014
(continued)

	<u>Municipal Parking Authority Fund</u>	<u>Trash Fund</u>	<u>Total Non-Major Proprietary Funds</u>
Reconciliation of Cash to Statement of Net Position			
Cash balance-Statement of Net Position	\$ 303,408	\$ 314,772	\$ 618,180
Investment balance-Statement of Net Position	-	-	-
Cash and Cash Equivalents-Statement of Cash Flows	<u>\$ 303,408</u>	<u>\$ 314,772</u>	<u>\$ 618,180</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ 101,014	\$ 170,062	\$ 271,076
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	136,212	-	136,212
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	(480)	(587)	(1,067)
(Increase) in prepaid expenses	(301)	-	(301)
Increase (decrease) in accounts payable	1,703	(28,542)	(26,839)
Increase (decrease) in accrued wages and compensated absences	3,051	-	3,051
Net cash provided (used) by operating activities	<u>\$ 241,199</u>	<u>\$ 140,933</u>	<u>\$ 382,132</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>	75 - 78
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>	79 - 82
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>	83 - 85
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>	86 - 88
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>	89 - 92
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:

Financial Trend, Revenue Capacity and Debt Capacity data was compiled from various sources of information maintained by the City Finance Office and the Tax and Utility Office.

Economic and Demographic Information, and Operating Information were compiled from data maintained by the various departments within the City.

Notes:

The City implemented GASB Statement 34 in FY 2003; schedules presenting government-wide information include information beginning in that year.

Where ten years of data is available, that information is presented. For consistency and comparability purposes, where ten years of data was not available, the City has presented data for the current year and ten years prior, if available.

City of Cumberland, Maryland

Net Position by Category Government Wide, Last Ten Years

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental Activities										
Invested in Capital Assets, Net of Related Debt	15,267,735	14,711,560	14,091,543	11,085,676	14,988,772	15,427,981	16,111,275	15,315,474	14,417,904	14,620,530
Restricted	505,291	734,463	749,796	657,169	886,915	917,895	1,072,036	982,836	1,153,832	1,190,885
Unrestricted	(534,608)	(588,266)	710,280	(1,765,789)	(5,436,042)	(4,488,333)	(5,420,125)	(3,084,925)	(3,528,950)	(3,410,070)
Total Governmental Activities Net Position	15,238,418	14,857,757	15,551,619	9,977,056	10,439,645	11,857,543	11,763,186	13,213,385	12,042,786	12,401,345
Business-Type Activities										
Invested in Capital Assets, Net of Related Debt	33,492,177	33,748,518	35,809,340	37,686,049	42,359,859	57,597,712	69,709,393	70,443,754	69,384,635	68,227,169
Restricted	232,096	634,853	249,144		-	-	-	-		
Unrestricted	2,172,581	2,336,796	1,074,763	1,864,475	(242,674)	941,058	747,042	1,338,550	783,556	1,038,693
Total Business-Type Activities Net Position	35,896,854	36,720,167	37,133,247	39,550,524	42,117,185	58,538,770	70,456,435	71,782,304	70,168,191	69,265,862
Primary Government										
Invested in Capital Assets, Net of Related Debt	48,759,912	48,460,078	49,900,883	48,771,725	57,348,631	73,025,693	85,820,668	85,759,228	83,802,539	82,847,699
Restricted	737,387	1,369,316	998,940	657,169	886,915	917,895	1,072,036	982,836	1,153,832	1,190,885
Unrestricted	1,637,973	1,748,530	1,785,043	98,686	(5,678,716)	(3,547,275)	(4,673,083)	(1,746,375)	(2,745,394)	(2,371,377)
Total Primary Government Net Assets¹	51,135,272	51,577,924	52,684,866	49,527,580	52,556,830	70,396,313	82,219,621	84,995,689	82,210,977	81,667,207

¹ Net Assets for FY 2008 were restated due to a prior period adjustment presented in note 12 to the financial statements, for a pension bond obligation that should have been reported as a liability.

City of Cumberland, Maryland
Changes in Net Position by Category Government Wide, Last Ten Years

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities:										
General Government	2,229,057	1,924,694	2,529,184	2,719,050	2,264,903	2,008,255	1,954,195	1,771,708	2,118,553	1,724,950
Public Safety	8,889,680	9,729,813	10,001,075	11,400,713	10,600,736	9,770,827	10,859,621	10,208,106	11,821,758	10,860,639
Public Works	3,123,299	2,984,833	3,043,152	3,614,261	3,131,186	2,948,320	3,179,717	3,286,166	3,068,169	3,544,908
Recreation	1,025,874	1,051,627	984,452	1,231,744	995,368	961,292	1,044,698	911,635	868,557	1,001,674
Community Development and Housing	3,992,664	3,207,042	3,238,798	3,948,656	4,293,984	4,849,201	3,757,418	3,538,677	3,433,535	3,356,297
Interest on long-term debt	252,283	262,084	329,613	340,306	869,308	1,019,308	990,323	897,962	872,117	825,858
Total governmental activities expenses	19,512,857	19,160,093	20,126,274	23,254,730	22,155,505	21,557,203	21,785,972	20,614,254	22,182,689	21,334,326
Business-type activities:										
Water	5,663,826	5,833,754	5,690,721	5,974,681	6,161,821	6,320,205	6,428,633	6,171,341	5,887,924	6,080,439
Sewer	4,069,506	4,576,650	4,750,614	5,177,984	5,171,342	5,247,566	6,132,152	7,381,049	6,649,059	7,883,982
Municipal Parking Authority	393,676	427,664	387,032	408,599	548,361	524,639	542,434	528,298	517,206	541,410
Trash	775,255	1,060,739	1,085,377	1,119,361	1,075,309	1,053,810	1,115,033	1,116,001	1,135,797	1,136,524
Property Rental	67,670	130,848	73,890	112,660	120,112	301,875	850,855	765,482	428,583	740,680
Total business-type activities expenses	10,969,933	12,029,655	11,987,634	12,793,285	13,076,945	13,448,085	15,069,107	15,992,171	14,618,569	16,383,035
Total primary government expenses	30,482,790	31,189,748	32,113,908	36,048,015	36,272,450	35,005,288	36,855,079	36,606,425	36,801,258	37,717,361
Program Revenues										
Governmental activities:										
Charges for services:										
General Government	578,659	588,073	632,090	597,521	678,839	694,279	763,443	702,228	648,035	733,794
Public Safety	661,666	850,504	1,825,283	1,106,758	1,348,944	1,160,036	1,214,660	1,308,047	1,094,678	1,142,733
Public Works		14,986	4,196	1,549						
Recreation	130,142	134,664	146,491	158,651	116,668	101,905	109,860	159,464	137,208	134,003
Community Development and Housing	78,652	86,723	111,423	92,655	109,047	79,104	130,487	120,596	51,590	43,091
Interest on long-term debt										
Operating grants and contributions	5,947,695	5,635,159	5,794,322	5,835,567	5,915,626	5,992,859	4,497,211	5,255,440	4,412,402	4,717,189
Capital grants and contributions	296,235	284,407	154,534	953,810	701,110	300,718	1,198,996	292,939	183,882	602,037
Total governmental activities program revenues	7,693,049	7,594,516	8,668,249	8,746,511	8,870,254	8,328,901	7,914,657	7,838,714	6,527,795	7,372,847
Business-type activities:										
Water	6,582,264	7,056,703	7,270,405	7,624,538	8,139,843	7,980,068	7,635,639	7,595,136	7,413,084	732,654
Sewer	4,339,904	4,732,152	4,674,930	4,863,377	5,526,205	5,326,583	5,913,116	6,526,272	7,064,517	8,508,667
Municipal Parking Authority	445,424	461,314	440,612	648,710	628,769	660,608	648,535	600,125	584,461	543,001
Trash	745,363	942,212	976,787	1,109,411	1,131,770	1,305,827	1,349,372	1,329,289	1,319,512	1,306,586
Property Rental	152,987	141,887	146,755	205,172	136,123	87,998	443,180	494,909	247,771	9,470
Operating grants and contributions										
Capital grants and contributions	370,258	612,707	451,607	2,788,679	2,116,221	16,441,423	10,720,996	1,580,339	900,099	456,986
Total business-type activities program revenues	12,636,200	13,946,975	13,961,096	17,239,887	17,678,931	31,802,507	26,710,838	18,126,070	17,529,444	11,557,364
Total primary government revenues	20,329,249	21,541,491	22,629,345	25,986,398	26,549,185	40,131,408	34,625,495	25,964,784	24,057,239	18,930,211
Net (Expense)/Revenue										
Governmental activities	(11,819,808)	(11,565,577)	(11,458,025)	(14,508,219)	(13,285,251)	(13,228,302)	(13,871,315)	(12,775,540)	(15,654,894)	(13,961,479)
Business-type activities	1,665,267	1,917,320	1,973,462	4,446,602	4,601,986	18,354,422	11,641,731	2,133,899	2,910,875	1,829,088
Total primary government net expense	(10,153,541)	(9,648,257)	(9,484,563)	(10,061,617)	(8,683,265)	5,126,120	(2,229,584)	(10,641,641)	(12,744,019)	(12,132,391)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes	7,593,762	8,150,523	8,350,221	8,678,884	9,434,314	10,309,651	10,731,178	10,808,379	10,522,165	10,792,698
Franchise Fees ¹			246,754	247,550	276,445	281,486	277,341	272,618	270,090	268,964
Other taxes	141,977	139,034	153,686	178,467	150,390	209,624	244,000	291,276	225,263	259,413
Shared revenues	1,079,029	1,279,788	1,288,824	1,430,311	1,357,674	1,477,345	1,298,567	1,219,683	1,292,210	1,366,598
Unrestricted investment earnings	34,466	91,276	137,013	115,410	123,212	134,696	110,360	73,366	62,981	58,442
Gain on sale of capital assets									144,039	
Miscellaneous	372,737	386,608	189,277	284,957	352,889	144,576	183,250	748,079	88,496	117,744
Transfers	1,225,142	1,137,687	1,786,112	971,858	2,052,916	2,088,823	932,262	812,338	2,270,118	1,456,179
Total governmental activities	10,447,113	11,184,916	12,151,887	11,907,437	13,747,840	14,646,200	13,776,958	14,225,739	14,875,362	14,320,038
Business-type activities:										
Unrestricted investment earnings	36,306	43,680	225,730	164,431	17,551	3,603	8,196	4,308	3,629	7,804
Miscellaneous										270,000
Special Item - Demolition Costs									(72,311)	(1,553,042)
Special Item - Loss on Asset Impairment									(1,493,321)	
Gain on sale of capital asset						152,383	1,200,000			
Transfers	(1,225,142)	(1,137,687)	(1,786,112)	(971,858)	(2,052,916)	(2,088,823)	(932,262)	(812,338)	(2,270,118)	(1,456,179)
Total business-type activities	(1,188,836)	(1,094,007)	(1,560,382)	(867,427)	(2,035,325)	(1,932,837)	275,934	(806,030)	(3,832,121)	(2,731,417)
Total primary government	9,258,277	10,090,909	10,591,505	11,040,010	11,712,515	12,713,363	14,052,892	13,417,709	11,043,241	11,588,621
Changes in Net Assets										
Governmental activities:										
(1,372,695)	(380,661)	693,862	(2,600,782)	462,589	1,417,898	(94,357)	1,450,199	(779,532)	358,559	
Business-type activities:	477,431	823,313	413,080	3,579,175	2,566,661	16,421,585	11,917,665	1,325,869	(921,246)	(902,329)
Total primary government	(895,264)	442,652	1,106,942	978,393	3,029,250	17,839,483	11,823,308	2,776,068	(1,700,778)	(543,770)

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund										
Reserved	45,909	211,258	999,506	1,596,462	1,895,760	2,145,060				
Nonspendable							1,631,590	2,225,805	1,779,502	1,926,471
Restricted							595,203	527,991	475,607	375,991
Committed							-	-	-	-
Assigned							-	-	-	-
Unassigned							(1,606,117)	(862,478)	438,716	(437,401)
Unreserved	<u>(81,703)</u>	<u>8,176</u>	<u>64,288</u>	<u>(865,200)</u>	<u>(1,223,111)</u>	<u>(1,912,378)</u>	-	-	-	-
Total general fund	<u>(35,794)</u>	<u>219,434</u>	<u>1,063,794</u>	<u>731,262</u>	<u>672,649</u>	<u>232,682</u>	<u>620,676</u>	<u>1,891,318</u>	<u>2,693,825</u>	<u>1,865,061</u>
Housing Fund										
Reserved	34,585	29,340	19,636	30,041	38,724	39,059				
Nonspendable							-	-		
Restricted							39,139	39,139	1,584	
Committed							-	-	-	-
Assigned							-	-	-	-
Unassigned							(60,820)	(37,555)	-	-
Unreserved	<u>37,866</u>	<u>(15,681)</u>	<u>(21,042)</u>	<u>(42,550)</u>	<u>(79,948)</u>	<u>(60,790)</u>	-	-	-	-
Total housing fund	<u>72,451</u>	<u>13,659</u>	<u>(1,406)</u>	<u>(12,509)</u>	<u>(41,224)</u>	<u>(21,731)</u>	<u>(21,681)</u>	<u>1,584</u>	<u>1,584</u>	<u>-</u>
All Other Governmental Funds										
Reserved	571,268	568,889	511,654	1,882,533	499,258	493,737				
Nonspendable							322,743	313,169	-	-
Restricted							5,468,497	3,889,521	2,269,558	1,675,300
Committed							-	-	-	-
Assigned							-	-	-	-
Unassigned							(65,124)	(19,351)	(31,807)	(60,447)
Unreserved										
Special Revenue Funds	(221,023)	(281,823)	135,492	(5,014)	196,397	274,530				
Capital Projects Funds	<u>(6,997)</u>	<u>(32,112)</u>	<u>1,890,177</u>	<u>621,216</u>	<u>9,167,317</u>	<u>7,845,997</u>	-	-	-	-
Total all other governmental funds	<u>343,248</u>	<u>254,954</u>	<u>2,537,323</u>	<u>2,498,735</u>	<u>9,862,972</u>	<u>8,614,264</u>	<u>5,726,116</u>	<u>4,183,339</u>	<u>2,237,751</u>	<u>1,614,853</u>
All Governmental Funds										
Total Fund Balance All Governmental Funds	379,905	488,047	3,599,711	3,217,488	10,494,397	8,825,215	6,325,111	6,076,241	4,933,160	3,479,914

Note: GASB 54 changed the classification of the components of Fund Balance to Spendable, Restricted, Committed, Assigned and Unassigned and FY 2003 thru FY 2010 were not restated.

City of Cumberland

Changes in Fund Balances - Governmental Funds
Last Ten Years

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Taxes	7,876,051	8,445,424	8,652,112	8,779,740	9,799,768	10,353,170	11,646,674	10,882,483	10,817,154	11,175,297
Licenses and permits	109,803	189,907	1,129,714	274,909	236,101	288,312	233,466	184,514	136,179	151,120
Intergovernmental	7,206,070	7,215,047	7,393,334	8,009,375	8,205,565	7,968,020	7,128,218	6,852,312	5,984,096	6,488,782
Charges for Services	1,002,146	1,123,787	1,210,380	1,331,927	1,605,836	1,336,093	1,563,396	1,679,527	1,371,488	1,475,442
Fines and Forfeitures	2,520	793	25	375	500	1,810	391	1,080	1,785	805
Interest	38,257	95,332	140,472	118,953	124,986	108,498	112,613	75,937	65,277	61,743
Miscellaneous	556,262	563,407	677,262	536,508	797,017	565,979	623,303	755,678	524,720	595,438
Total revenue	<u>16,791,109</u>	<u>17,633,697</u>	<u>19,203,299</u>	<u>19,051,787</u>	<u>20,769,773</u>	<u>20,621,882</u>	<u>21,308,061</u>	<u>20,431,531</u>	<u>18,900,699</u>	<u>19,948,627</u>
Expenditures										
Current Operations										
General Government	1,862,090	1,848,084	2,049,116	2,203,636	2,206,697	1,897,553	1,784,431	1,601,303	1,718,106	1,950,958
Public Safety	8,700,636	9,601,532	10,008,301	10,364,099	10,670,154	10,266,999	10,676,478	10,283,408	10,364,932	10,820,344
Public Works	3,184,789	2,467,915	2,608,485	3,087,626	2,486,053	2,435,387	2,401,370	2,692,508	2,421,606	2,617,524
Recreation	1,040,133	1,138,786	1,008,340	1,147,048	1,009,605	872,041	888,296	786,257	804,246	837,579
Community development and housing	4,116,848	3,505,883	3,362,049	4,090,933	5,449,267	5,287,740	4,044,178	3,645,278	3,318,134	3,318,234
Capital Outlay	449,720	116,420	916,129	2,077,914	930,412	1,502,551	3,650,316	1,332,967	2,047,829	1,178,513
Debt Service										
Principal	585,934	790,555	763,831	902,588	1,164,828	1,181,844	931,548	653,691	902,173	1,506,713
Interest	255,809	261,936	299,992	332,758	717,536	1,011,608	998,502	920,672	883,645	838,884
Bond issue costs	25,267	7,998	8,007		294,690			141,397		39,246
Total Expenditures	<u>20,221,226</u>	<u>19,739,109</u>	<u>21,024,250</u>	<u>24,206,602</u>	<u>24,929,242</u>	<u>24,455,723</u>	<u>25,375,119</u>	<u>22,057,481</u>	<u>22,460,671</u>	<u>23,107,995</u>
Excess (deficiency) revenue over expenditures	(3,430,117)	(2,105,412)	(1,820,951)	(5,154,815)	(4,159,469)	(3,833,841)	(4,067,058)	(1,625,950)	(3,559,972)	(3,159,368)
Other Financing Sources (Uses)										
Transfers-in	1,344,611	1,185,643	2,297,823	1,647,212	2,477,328	2,637,175	1,699,381	2,560,339	3,407,141	3,297,382
Transfers-out	(119,469)	(47,956)	(511,711)	(481,787)	(683,366)	(472,516)	(708,450)	(1,250,111)	(1,144,392)	(2,314,860)
Issuance of debt	480,000	1,057,100	3,118,258	2,280,600	9,154,872		576,003	2,587,781	10,103	
Sale of capital assets									144,039	
Refunding Proceeds		417,144	1,226,597		3,636,221					
Payment to refund bonds		(398,377)	(1,198,352)		(3,148,677)			(2,520,929)		723,600
Total Other Financing Sources (Uses)	<u>1,705,142</u>	<u>2,213,554</u>	<u>4,932,615</u>	<u>3,446,025</u>	<u>11,436,378</u>	<u>2,164,659</u>	<u>1,566,934</u>	<u>1,377,080</u>	<u>2,416,891</u>	<u>1,706,122</u>
Net change in fund balances	(1,724,975)	108,142	3,111,664	(1,708,790)	7,276,909	(1,669,182)	(2,500,124)	(248,870)	(1,143,081)	(1,453,246)
Debt Service as percentage of non-capital expend:	4.50%	5.70%	5.44%	5.84%	8.00%	9.79%	8.88%	7.60%	8.75%	10.70%
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	\$ 1,534,452	\$ 1,272,265	\$ 1,454,302	\$ 3,036,705	\$ 1,413,617	\$ 2,058,085	\$ 3,650,316	\$ 1,332,967	\$ 2,047,829	\$ 1,178,513

City of Cumberland, Maryland

Property Tax Levies and Collections

Last Ten Fiscal Years

Fiscal Year Ended June 30	Total Tax Levy	Current Tax Collections and Credits	Percent of Levy Collected	Delinquent Tax Collections and Credits	Total Tax Collections and Credits	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Tax Levy
2014	10,280,128	9,367,169	91.12%		9,367,169	91.12%	912,959	8.88%
2013	10,137,308	8,943,020	88.22%	794,906	9,737,926	96.06%	399,382	3.94%
2012	10,549,106	9,409,920	89.20%	1,069,627	10,479,547	99.34%	69,559	0.66%
2011	10,221,915	9,672,280	94.62%	491,680	10,163,960	99.43%	57,955	0.57%
2010	9,765,311	8,509,422	87.14%	1,167,092	9,676,514	99.09%	88,797	0.91%
2009	8,940,621	8,296,738	92.80%	632,137	8,928,875	99.87%	11,746	0.13%
2008	6,566,258	5,933,129	90.36%	625,898	6,559,027	99.89%	7,231	0.11%
2007	6,210,956	5,986,973	96.39%	211,049	6,198,022	99.79%	12,934	0.21%
2006	5,315,397	5,122,796	96.38%	183,170	5,305,966	99.82%	9,431	0.18%
2005	5,185,638	5,002,804	96.47%	169,698	5,172,502	99.75%	13,136	0.25%

Note: The above information relates to property tax levies and collections in the General Fund.
Total collections include adjustments in "total tax levy" in year prior to original tax levy.

Source: Property Taxes and Taxes Receivable – Uniform Financial Report.

City of Cumberland, Maryland

Assessed and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Real Property</u>		<u>Real Property</u> <u>Total Direct</u> <u>Tax Rate</u>	<u>Personal Property -</u> <u>Unincorporated</u>		<u>Personal Property - Privately</u> <u>Owned Railroads and</u> <u>Public Utilities</u>		<u>Personal Property -</u> <u>Corporation</u>		<u>Total Personal Property Tax</u> <u>Base</u>		<u>Personal</u> <u>Property</u> <u>Total Direct</u> <u>Tax Rate</u>
	<u>Assessed</u> <u>Value</u>	<u>Estimated</u> <u>Actual Value</u>		<u>Assessed</u> <u>Value</u>	<u>Estimated</u> <u>Actual Value</u>	<u>Assessed</u> <u>Value</u>	<u>Estimated</u> <u>Actual Value</u>	<u>Assessed</u> <u>Value</u>	<u>Estimated</u> <u>Actual Value</u>	<u>Assessed</u> <u>Value</u>	<u>Estimated</u> <u>Actual Value</u>	
2014	\$844,353,117	\$844,353,117	\$0.9654	\$1,777,681	\$1,777,681	\$36,838,390	\$36,838,390	\$42,150,092	\$42,150,092	925,119,280	\$925,119,280	\$2.648
2013	\$837,573,545	\$837,573,545	\$0.9654	\$1,979,532	\$1,979,532	\$35,630,660	\$35,630,660	\$40,595,652	\$40,595,652	915,779,389	\$915,779,389	\$2.648
2012	\$885,953,180	\$885,953,180	\$0.9654	1,503,927	1,503,927	43,186,620	43,186,620	32,027,657	\$32,027,657	962,671,384	\$962,671,384	\$2.648
2011	839,310,545	839,310,545	\$0.9654	1,684,932	1,684,932	33,803,640	33,803,640	45,071,441	45,071,441	919,870,558	919,870,558	\$2.648
2010	786,812,202	786,812,202	\$0.9654	1,583,459	1,583,459	34,788,640	34,788,640	\$59,410,206	\$59,410,206	882,594,507	882,594,507	\$2.648
2009	721,894,655	721,894,655	\$0.9654	1,798,753	1,798,753	38,538,100	38,538,100	\$33,942,231	\$33,942,231	796,173,739	796,173,739	\$2.648
2008	675,560,720	675,560,720	\$0.9479	2,164,894	\$2,164,894	\$37,694,880	\$37,694,880	\$75,428,421	\$75,428,421	790,848,915	790,848,915	\$2.568
2007	651,505,538	651,505,538	\$0.9479	1,996,728	1,996,728	42,019,704	42,019,704	38,849,771	38,849,771	734,371,741	734,371,741	\$2.568
2006	607,847,477	607,847,477	\$0.9479	2,145,639	2,145,639	41,165,849	41,165,849	45,560,670	45,560,670	696,719,635	696,719,635	\$2.568
2005	543,954,320	543,954,320	\$0.9479	2,376,716	2,376,713	40,624,961	40,624,961	88,673,297	88,673,297	675,629,291	675,629,291	\$2.568
2004	570,157,798	570,157,798	\$0.8720	2,462,827	2,462,827	41,645,527	41,645,527	34,375,911	34,375,911	648,642,063	648,642,063	\$2.370

Notes: As the result of a change to state law, all real property will be assessed at 100 percent of value, rather than 40 percent for the tax year beginning July 1, 2001

Source: Property Taxes and Taxes Recivable - Uniform Financial Report

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>City</u>	<u>County</u>	<u>State</u>	<u>Total</u>	<u>City</u>	<u>County</u>	<u>State</u>	<u>Total</u>
<u>30-Jun</u>								
2014	0.9654	0.8530	0.112	1.93	8,151,385	7,202,247	945,675	16,299,307
2013	0.9654	0.8424	0.112	1.92	8,085,935	7,055,720	938,082	16,079,737
2012	0.9654	0.8371	0.112	1.91	8,552,992	7,416,314	992,268	16,961,574
2011	0.9654	0.8519	0.112	1.93	8,102,704	7,150,087	940,028	16,192,818
2010	0.9654	0.899	0.112	1.98	7,595,884	7,073,442	881,230	15,550,555
2009	0.9654	0.9907	0.112	2.06	6,969,170	7,151,810	808,522	14,929,502
2008	0.9479	0.9829	0.112	2.04	6,403,640	6,640,086	756,628	13,800,354
2007	0.9479	0.9828	0.112	2.04	6,175,620	6,402,996	729,686	13,308,302
2006	0.9479	0.9309	0.112	1.99	5,308,503	6,485,763	780,325	12,574,591
2005	0.872	0.9248	0.132	2.00	5,183,117	6,248,219	891,830	12,323,166

Note: City Tax Levies calculated by adding full and semi levies. County and State calculated by using County assessment numbers in the Allegany County Comprehensive Annual Financial Report

Source: Assessed value for County and State according to the Allegany County Comprehensive Annual Financial Report

City of Cumberland, Maryland

Principal Property Tax Payers
Real Property Taxes

Current Year and Nine Years Ago

Taxpayer	2014			Taxpayer	2004		
	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	16,621,700	1	1.97%	ARC Cumberland	6,105,632	1	1.07%
CSX Transportation	11,271,050	2	1.33%	Western Maryland Health System	5,999,032	2	1.06%
ARC Cumberland	9,027,867	3	1.07%	CSX Transportation	5,100,430	3	0.90%
Canal Place Preservation Dev Auth	6,667,700	4	0.79%	Allegany Healthcare Group	5,075,300	4	0.89%
S-N Realty LLC	5,512,500	5	0.65%	Allcity Hospitality Cumberland	5,021,532	5	0.88%
CFBC Properties	5,438,600	6	0.64%	Cumberland Manor Associates	4,973,300	6	0.88%
Perini Services-Devlin Manor	5,236,800	7	0.62%	Cumberland Housing Preservation	4,452,232	7	0.78%
123 South Liberty St LLC	5,061,900	8	0.60%	S-N Realty LLC	4,423,400	8	0.78%
Allegany Healthcare Group LLC	4,248,000	9	0.50%	Housing Authority of Cumberland	4,371,566	9	0.77%
BOIII Cumberland LLC	3,466,767	10	0.41%	Perini Services-Devlin Manor	3,964,232	10	0.70%
Percentage of total taxes for year			8.59%				8.71%
Total	844,353,117				568,048,694		

Source: City of Cumberland, Finance Department

City of Cumberland, Maryland

Principal Property Tax Payers
Corporation Personal Property Taxes

Current Year and Nine Years Ago

2014				2004			
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Assessed Value of Real Property in the City	Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Assessed Value of Real Property in the City
Potomac Edison Company	12,016,320	1	15.22%	Verizon - Maryland	16,401,752	1	21.75%
Verizon - Maryland	8,218,700	2	10.41%	Potomac Edison Company	9,953,172	2	13.20%
CSX Transportation	8,037,100	3	10.18%	Columbia Gas of Maryland	8,011,132	3	10.62%
Columbia Gas of Maryland	7,513,090	4	9.52%	CSX Transportation	3,710,857	4	4.92%
Atlantic Broadband	3,647,160	5	4.62%	Charter Communications VI	3,229,173	5	4.28%
Maryland Sheetz	2,472,060	6	3.13%	Giant Food Stores	1,373,735	6	1.82%
Galliker Dairy Company	1,564,530	7	1.98%	Spherix Incorporated	1,200,821	7	1.59%
Giant Food Stores	1,384,460	8	1.75%	Level 3 Communications	1,094,785	8	1.45%
F. Daniel Jackson MD	1,331,520	9	1.69%	Community Holdings of MD	973,357	9	1.29%
Cumberland (Wineow) Hotel	1,259,420	10	1.60%	Mobile Interim Solutions, LLC	798,563	10	1.06%
Percentage of total taxes for year			60.09%				61.98%
Total	78,955,131				75,423,755		

Source: City of Cumberland, Finance Department

City of Cumberland, Maryland

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

Last Ten Fiscal Years

<u>Fiscal Year Ended</u>	<u>Assessed Value</u>	<u>Total Bonded Debt - Primary Government</u> ³	<u>Proprietary Funds</u> ⁴	<u>Governmental Funds (Net)</u>	<u>Net Governmental Bonded Debt to Assessed Value Ratio</u>	<u>Net Governmental Bonded Debt to Per Capita Ratio</u>	<u>Notes and Leases for Governmental Funds</u>	<u>Notes and Leases for Proprietary Funds</u>	<u>Total Debt Per capita</u>	
2014	20,452	925,119	51,538,869	35,861,554	15,677,315	16.94%	766.54	\$1,262,880	\$6,825	\$ 2,582.07
2013	20,572	915,779	45,749,091	30,176,967	15,572,124	17.00%	756.96	\$2,151,184	\$3,222,865	\$ 2,485.08
2012	20,859	962,671	45,656,257	29,567,795	16,088,462	16.71%	771.30	\$2,526,912	\$3,517,656	\$ 2,478.59
2011	20,859	919,870	45,873,604	29,702,693	16,170,911	17.58%	775.25	\$3,031,306	\$3,842,922	\$ 2,528.78
2010	20,449	882,594	44,603,623	27,897,779	16,705,844	18.93%	816.95	\$2,851,918	\$2,644,322	\$ 2,449.99
2009	20,495	796,174	41,286,363	24,029,223	17,257,140	21.68%	842.02	\$3,424,630	\$2,984,847	\$ 2,327.19
2008	20,758	790,849	30,379,946	24,946,950	5,432,996	6.87%	261.73	\$3,817,476	\$3,322,252	\$ 1,807.48
2007	21,518	734,371	32,979,947	26,987,965	5,991,982	8.16%	278.46	\$2,019,579	\$3,310,224	\$ 1,780.36
2006	20,758	696,719	30,508,048	25,881,353	4,626,695	6.64%	222.89	\$1,002,193	\$514,854	\$ 1,542.78
2005	20,954	675,629	30,803,596	25,727,725	5,075,871	7.51%	242.24	\$267,708	\$33,556	\$ 1,484.44
2004	21,199	648,642	31,803,421	26,782,209	5,021,212	9.28%	284.03	\$428,304	\$52,499	\$ 1,522.91

¹ Source: City of Cumberland – Community Development.

² Source: Property Taxes and Taxes Receivable – Uniform Financial Report.

³ Source: Outstanding Debt at Years End – Financial Report.

⁴ Source: Notes to the Financial Statement.

Personal Income Information Not Available

City of Cumberland, Maryland
 Computation of Direct and Overlapping Debt
 June 30, 2014

<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	\$16,940,195	100%	\$16,940,195
Allegany County, Maryland ²	19,469,995	24.27% ³	5,813,903
Total debt and overlapping debt	\$36,410,190		\$22,754,098

¹ Source: Notes to the Financial Statement

² Source: According to the Allegany County Comprehensive Annual Financial Report

³ Percentage based on Net Assessable Tax Base

City of Cumberland, Maryland

Ratios of Annual Debt Service Expenditures

For General Bonded Debt to Total General Governmental Expenditures

Last Ten Fiscal Years

<u>Fiscal</u> <u>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>Governmental</u> <u>Expenditures</u>
2014	409,378	409,392	818,770	16,180,521	5.06%
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%
2007	715,842	271,527	987,369	15,235,900	6.5%
2006	746,627	230,230	976,857	15,824,776	6.17%
2005	572,126	247,077	819,203	15,014,078	5.45%

Source: Schedule of Revenues, Expenditures and Changes in Fund Balance: Budget and Actual, General Fund - Financial Report.

City of Cumberland, Maryland

Economic and Demographic Statistics

<u>Calendar Year</u>	<u>Population</u> ¹
1950	37,679
1960	33,415
1970	29,724
1980	25,933
1990	23,712
2000	21,518
2005	20,915
2008	20,758
2009	20,495
2010	20,449
2011	20,859
2012	21,518
2013	20,572
2014	20,452

Employment in Cumberland, Maryland²

Estimated	8,779
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	2014 Median Household Income ³	2014 Per Capita Personal Income	2014 Total Personal Income (000's)	Unemployment Rate ⁴
Allegany County	\$39,886	\$34,547	\$2,453,991	7.5%
Maryland (Average)	69,272	51,971	275,200,825	6.1%

¹ Source: City of Cumberland - Community Development-Legacy Plan

² Source: United States Census - 2000

³ Source: <http://www.choosemaryland.org/factsandfigures/demographics/incomedate.html> (Income)

⁴ Source: Bureau of Labor Statistics - <http://www.bls.gov/ro3/mdlaus.htm>

Information was not available for previous years.

City of Cumberland, Maryland

Number of Employees for Ten Largest
Employers within the City for Current Year and Nine Years Ago

Employer	2014			2005		
	# of Employees	Rank	Percentage of Total City Employment	# of Employees	Rank	Percentage of Total City Employment
Western Maryland Health System	2,200	1	19.97%	2,300	1	20.88%
Allegany County Board of Education	1239	2	11.25%	1,335	4	12.12%
CSX Transportation	900	3	8.17%	1,000	2	9.08%
Allegany College of MD	800	4	7.26%	460	5	4.18%
Allegany County Government	427	5	3.88%	588	3	5.34%
City of Cumberland	285	6	2.59%	295	7	2.68%
Friends Aware	175	7	1.59%	212	8	1.92%
Martins	172	8	1.56%	200	9	1.82%
CareFirst BC/BS	170	9	1.54%			
YMCA	168	10	1.53%			
Spherix				425	6	3.86%
M& T Bank				158	10	1.43%
Total employees for ten largest employers	6,536		59.33%	6,973		63.30%

Source: Information provided by Economic Development Office

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
2014	16	\$5,222,000	24	\$2,413,000
2013	23	2,440,450	21	945,250
2012	26	6,274,930	49	6,691,581
2011	29	14,209,451	32	1,960,500
2010	45	13,517,100	43	16,902,316
2009	30	20,210,138	34	1,156,302
2008	27	28,073,590	54	5,093,844
2007	29	237,472,069	45	2,034,514
2006	40	13,042,211	104	7,313,839
2005	44	3,122,964	41	1,277,931
2004	38	13,830,750	37	2,034,276

Source: Department of Community Development - Codes Technician

City of Cumberland, Maryland
Employees by Function

<u>General Government</u>	June 30, 2014	June 30, 2013	June 30, 2012	June 30, 2011	June 30, 2010	June 30, 2009	June 30, 2008	June 30, 2007
Administration:								
Mayor & Council	5	5	5	5	5	5	5	5
City Administrator	1	1	1	2	2	2	2	2
City Clerk	2	2	1	1	1	1	1	1
Personnel	2	2	2	2	2	2	2	2
Economic Development	2	2	2	2	2	3	3	3
Finance	11	11	11	12	13	13	13	13
MIS	4	4	4	4	4	4	4	4
Community Development	15	12	12	14	14	14	16	24
Parks and Recreation	1	1	1	1	8	8	8	7
Public Works:								
Administration	3	3	3	3	3	3	3	3
Engineering	10	9	9	8	8	9	9	8
Vehicle Maintenance	4	2	4	6	6	6	6	7
Street Department	16	18	19	20	16	18	18	18
Police Department	66	61	61	55	53	56	54	63
Fire Department	62	66	66	64	62	62	65	63
Enterprise Operations								
Water Distribution	21	21	21	22	23	24	24	25
Water Filtration	9	9	9	9	9	10	10	9
Waste Water	17	17	16	18	18	18	14	18
Flood/Sewer	14	13	13	13	13	12	12	14
Total Employees	265	259	260	261	262	270	269	289

Note: Information was not available for FY 2001 through FY 2006

Source: City of Cumberland Human Resources Department

City of Cumberland, Maryland
Capital Assets Statistics by Function

Function	June 30, 2014	June 30, 2013	June 30, 2012	June 30, 2011	June 30, 2010	June 30, 2009	June 30, 2008	June 30, 2007
General Government								
Public Safety:								
Stations	1	1	1	1	1	1	1	1
Number of Patrol Units	33	32	32	34	38	42	39	39
Fire:								
Stations	3	3	3	3	3	3	3	3
Number of Vehicles	15	14	14	14	16	16	16	16
Public Works:								
Streets (miles)	150.7	150.7	150.07	150.7	148.339	150.7	150.7	189.33
Traffic Signals	22	22	22	22	22	22	24	24
Enterprise Operations								
Water Operations:								
Miles of Water Main	120	120	135	142.24	142.24	142.24	142.24	142.24
Number of Fire Hydrants	900	900	900	932	932	932	932	932
Waste Water Operations:								
Miles of Storm/Sanitary Sewers	135	135	135	135	135	122.72	122.72	122.72
Number of Treatment Plants	1	1	1	1	1	1	1	1

Note: Information was not available for FY 2001 through FY 2006

Sources: Information provided by central office for each respective City department.

City of Cumberland, Maryland
Operating Indicators by Function

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

Note: Information was not available for FY 2001 through FY 2006
Sources: information provided by central office for each respective City department.