

THE CITY OF CUMBERLAND, MD

FINANCIAL REPORT

JUNE 30, 2005

TURNBULL, HOOVER & KAHL, P.A.
Certified Public Accountants

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

INDEPENDENT AUDITOR'S REPORT

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, 2005, which collectively comprise the City's basic financial statements as listed in the table contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2005, and the respective changes in financial position, and, where applicable, cash flows thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2006 on our consideration of the City's internal control over financial reporting and 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 controls over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on

compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 10 and page 46, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 combining and individual nonmajor fund financial statements as listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Cumberland, Maryland. The combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the combined financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Turnbull, Hoover + Kahl, P.A.

Cumberland, MD
May 17, 2006

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, 2005 and 2004, 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 assets are \$15.2 million and \$16.6 million for fiscal years 2005 and 2004 respectively. The net assets of our business-type activities are \$35.9 million and \$35.4 million for fiscal years 2005 and 2004 respectively. Net assets of our governmental activities decreased \$1.4 million in fiscal year 2005, and \$1.0 million in fiscal year 2004. Net assets of our business-type activities increased \$477,431 and \$3.6 million for fiscal years 2005 and 2004 respectively.
- During the year, the City incurred expenses of \$11.8 million and \$10.8 million more than the \$7.7 and \$8.8 million generated in program revenues for governmental programs for fiscal years 2005 and 2004. General revenues in the amount of \$9.2 and \$9.1 million and transfer fees of \$1.2 million and \$0.8 million funded all but \$1.4 million and \$1.0 million of these deficits.
- The City's business-type activities generated \$1.7 and \$4.3 million of total revenue in excess of \$11.0 and \$10.8 million of expenses for fiscal years 2005 and 2004. In fiscal year 2005, the City received \$370,258 in grant revenue from the Environmental Protection Agency and the Maryland Department of the Environment for our combined sewer overflow project, as opposed to the \$2.8 million in fiscal year 2004.
- The total cost of all of the City's programs was \$30.5 million for fiscal year 2005, and \$30.4 million for fiscal year 2004. There were no new programs added this year.
- On the Fund Financial Statements, the General Fund reported a \$1.2 million deficit and \$1.1 million deficit for the fiscal years 2005 and 2004.
- The resources available for appropriation reflect \$886,325 and \$1.2 million less than budgeted for in the General Fund for fiscal years 2005 and 2004. However, approximately \$612,000 is due to the change in method of recording our payments in lieu of taxes. It is now recorded as a transfer as opposed to revenue. Approximately \$800,000 of inter-fund charges being reclassified to a reduction of expenditures in the general government category for fiscal year 2004. In addition, the City's portion of Highway User revenue decreased 14.79% in fiscal year 2004. Supplemental appropriations in the amount of \$807,265 and \$563,240 were approved for fiscal years 2005 and 2004.

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 Assets 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

Our 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 Assets 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 assets and changes in them. You can think of the City's net assets, 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 assets are one indicator as to whether the City's financial health is improving or deteriorating. Keep in mind that you will also need 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 Assets and the Statement of Activities, we divide the City into 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

Our analysis of the City's major funds reflected in the Fund financial statements, provide 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. Beginning in fiscal year 2005, the Housing Assistance Fund became a major fund under the criteria required by GASB.

- *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 you determine whether there are more or fewer financial resources that can be utilized in the near future to finance the City's programs. We describe the relationship (difference) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in the Reconciliation of the Balance Sheet to the Statement of Net Assets report.
- *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 Assets 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 we report 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 assets are \$51.1 million and \$52 million, with total revenues of \$29.6 million and \$33 million and total expenses of \$30.5 million and \$30.4 million for fiscal years 2005 and 2004, respectively.

Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	FY05	FY04	FY05	FY04	FY05	FY04
Current and Other Assets	\$3,604,442	\$5,392,397	\$4,722,634	\$5,096,868	\$8,327,076	\$10,489,265
Capital Assets	<u>20,576,253</u>	<u>20,402,436</u>	<u>59,064,675</u>	<u>58,991,504</u>	<u>79,640,928</u>	<u>79,393,940</u>
Total Assets	<u>24,180,695</u>	<u>25,794,833</u>	<u>63,787,309</u>	<u>64,088,372</u>	<u>87,968,004</u>	<u>89,883,205</u>
Long-term Debt (net of current portion)	6,398,332	6,508,100	24,490,633	25,663,625	30,888,965	32,171,725
Other Liabilities	<u>2,543,945</u>	<u>2,675,620</u>	<u>3,399,822</u>	<u>3,005,324</u>	<u>5,943,767</u>	<u>5,680,944</u>
Total Liabilities	<u>8,942,277</u>	<u>9,183,720</u>	<u>27,890,455</u>	<u>28,668,949</u>	<u>36,832,732</u>	<u>37,852,669</u>
Net Assets:						
Invested in Capital Assets (net of debt)	15,267,735	15,184,517	33,492,177	32,351,648	48,759,912	47,536,165
Restricted	505,291	641,121	232,096	227,092	737,387	868,213
Unrestricted (deficit)	<u>(534,608)</u>	<u>785,475</u>	<u>2,172,581</u>	<u>2,840,683</u>	<u>1,637,973</u>	<u>3,626,158</u>
Total Net Assets	<u>\$15,238,418</u>	<u>\$16,611,113</u>	<u>\$35,896,854</u>	<u>\$35,419,423</u>	<u>\$51,135,272</u>	<u>\$52,030,536</u>

Changes in Net Assets
(In Millions)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	FY05	FY04	FY05	FY04	FY05	FY04
Revenues						
Program Revenues						
Charges for Service	\$1.4	\$1.5	\$12.3	\$12.3	\$13.7	\$13.8
Operating Grants	5.9	6.3			5.9	6.3
Capital Grants	0.3	1.0	0.4	2.8	0.7	3.8
General Revenues:						
Property Taxes	7.6	7.4			7.6	7.4
Other Taxes	0.1	0.1			0.1	0.1
Shared Revenues	1.1	1.1			1.1	1.1
Unrestricted Investment Earnings	.03	.04	.04	.03	.07	.07
Miscellaneous	<u>0.4</u>	<u>0.4</u>			<u>0.4</u>	<u>0.4</u>
TOTAL REVENUES	<u>16.9</u>	<u>17.9</u>	<u>12.7</u>	<u>15.1</u>	<u>29.6</u>	<u>33.0</u>
Program Expenses						
General Government	2.2	2.1			2.2	2.1
Public Safety	8.9	8.6			8.9	8.6
Public Works	3.1	3.2			3.1	3.2
Recreation	1.0	1.0			1.0	1.0
Community Development	4.0	4.5			4.0	4.5
Interest of LT Debt	0.3	0.3			0.3	0.3
Water			5.7	5.3	5.7	5.3
Sewer			4.1	4.3	4.1	4.3
Municipal Parking Authority			0.4	0.4	0.4	0.4
Trash			0.8	0.7	0.8	0.7
Property Rental			<u>.07</u>	<u>.07</u>	<u>.07</u>	<u>.07</u>
TOTAL EXPENSES	<u>19.5</u>	<u>19.7</u>	<u>11.0</u>	<u>10.8</u>	<u>30.5</u>	<u>30.5</u>
Excess Before Transfers	(2.6)	(1.8)	1.7	4.4	(0.9)	2.6
Transfers	1.2	0.8	(1.2)	(0.8)	0	0
Change in Net Assets	(1.4)	(1.0)	0.5	3.6	0.9	2.6
Net Assets-Beginning	<u>16.6</u>	<u>17.6</u>	<u>35.4</u>	<u>31.8</u>	<u>52.0</u>	<u>49.4</u>
Net Assets-Ending	<u>\$15.2</u>	<u>\$16.6</u>	<u>\$35.9</u>	<u>\$35.4</u>	<u>\$51.0</u>	<u>\$52.0</u>

THE CITY'S FUNDS

As the City completed the year, its governmental funds reported a combined fund balance of \$379,905 and \$2.1 million for fiscal years 2005 and 2004. This is a decrease of \$1.7 million compared to fiscal year 2004. Health insurance, retirement, fuel prices and vehicle maintenance expenditures contributed to the decrease in fiscal year 2005. This decrease is also due to a 22% decrease in Community Development Block grant revenues and Public Improvement bond proceeds received in a prior year being used to fund \$207,000 of capital expenditures.

Fiscal year 2004, showed a decrease of \$2.1 million over 2003. This decrease is mostly due to a 22.06% reduction in Community Legacy, 74.02% reduction in Community Parks and 17.27% reduction in Community Development Block grant revenues. In addition, a few fiscal year 2003 grants expired, reducing revenues even further.

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 \$119,949 and \$0.00 below the final budgeted amounts for fiscal years 2005 and 2004.

Actual revenue shortfalls for 2005, include taxes, licenses and permits, intergovernmental and interest. Most of the \$886,325 shortfall appears in intergovernmental revenue. However, approximately \$612,000 of this is due to the change in method of recording our payment in lieu of taxes. It is now recorded as a transfer, as opposed to revenue. Cumberland Housing Authority revenue received was 49.51% less and State Income Tax revenue was 3.03% less than received in fiscal year 2004.

It also appears that there is a significant revenue shortfall in service revenue of \$769,783 for fiscal year 2004. However, this is not a true deficiency. Approximately \$800,000 of inter-fund charges were reclassified to a reduction of expenditures in the general government category. Actual revenue shortfalls for 2004, include taxes, intergovernmental and interest. Most of the \$484,546 shortfall in intergovernmental revenue was due to the City's portion of Highway User revenue received was 14.79% less, State Income Tax revenue received was 10.42% less and Police Protection revenue was 4.47% less than received in fiscal year 2003.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005 and 2004, the City had \$20.6 and \$20.4 million invested in a broad range of capital assets for their Governmental activities and \$59.1 and \$59 million for the Business-type activities.

This years major additions continued to included widening and construction of existing streets and the continued construction of additional wastewater treatment facilities. The Combined Sewer Overflow project incurred costs of \$2.8 million in fiscal year 2004. This phase of the project ended in fiscal year 2005, with only \$17,500 of costs incurred.

The New Hampshire road paving project was completed in fiscal year 2005, in the approximate amount of \$700,000, which was funded by Community Development Block Grant and Public Improvement bond funds. In fiscal year 2005, the City incurred \$480,000 to pave Welton Drive and install lighting. Drinking water bonds were obtained to help fund the Supervisory Control and Data Acquisition (SCADA) and water tank replacement projects. Fiscal year 2005 costs were approximately \$560,000 for SCADA and \$480,000 for the Fort Hill and Ridgedale tank replacements.

The City purchased two international dump trucks for Public Works in the amount of \$213,000, and continued the replacement of police vehicles in the approximate amount of \$100,000.

Debt

At year-end, the City had \$31.1 million and \$32.2 million in bonds, notes and leases outstanding for fiscal years 2005 and 2004.

Outstanding Debt at Year-End

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	FY05	FY04	FY05	FY04	FY05	FY04
General						
Obligation Bonds	\$5,075,871	\$5,021,209	\$25,697,741	\$26,747,614	\$30,773,612	\$31,768,823
Notes and Leases	<u>267,708</u>	<u>428,304</u>	<u>33,556</u>	<u>52,499</u>	<u>301,264</u>	<u>480,803</u>
Totals	<u>\$5,343,579</u>	<u>\$5,449,513</u>	<u>\$25,731,297</u>	<u>\$26,800,113</u>	<u>\$31,074,876</u>	<u>\$32,249,626</u>

In fiscal year 2005, new debt consisted of \$480,000 of Tax Incremental Financing used for the construction of a road and lighting at Welton Drive. The City's Business-type activities incurred bond debt of approximately \$650,000 from the issuance of Drinking Water bonds

and Water Quality bonds in the approximate amount of \$61,500. These funds were used for the SCADA and the Fort Hill and Ridgedale tank replacements and maintenance projects. However, the \$105,934 overall decrease in the governmental debt is a result of debt payments exceeding new debt obligations in fiscal year 2005. The overall debt decrease in the business-type activities also results from 2005, debt payments exceeding the same new debt obligations. Please see footnote #6, Long-term Liabilities, for more detail.

In fiscal year 2004, new debt resulted from entering into two leases for approximately \$350,000 for new copy machines and police vehicles. The City also refunded their 1994 CDA bonds. The \$135,128 overall decrease in the governmental debt is a result of fiscal year 2004, debt payments exceeding new debt obligations. The overall debt decrease in the business-type activities also results from 2004, debt payments exceeding the same new debt obligations.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2006 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 5.8%. This compares with the State's unemployment rate of 4.1% and the national rate of 5.1%.

These indicators were taken into account when adopting the General Fund budget for 2006. Amounts available for appropriation in the General Fund budget are \$14.9 million.

The City has added no new major programs or initiatives to the 2006 budget.

Effective July 1, 2005, water billings are no longer billed at a tiered rate. Billings are now based on actual consumption and billed based on equivalent dwelling units.

As for the City's business-type activities, we expect that the 2006 results will also improve based on this rate changes.

In addition, to improve cash flow and to take advantage of lower interest rates, City management has decided to refinance approximately \$7.5 million of the 1994 General Improvement Serial Bonds by issuing refunding bonds. By refinancing, the City will save approximately \$341,516 over the next 15 years.

The City anticipates the purchase of additional capital equipment in the amount of \$1.3 million through leasing to include a telephone system, Horton ambulance, street sweeper, vac truck and various other vehicles.

CONTACT THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and 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 you have questions about this report or need additional financial information, contact the City Comptroller's Office at P.O. Box 1702, Cumberland, Maryland, 21502 or 57 N. Liberty Street, Cumberland, Maryland, 21502.

CITY OF CUMBERLAND, MARYLAND
STATEMENT OF NET ASSETS
JUNE 30, 2005

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS:			
Current assets:			
Cash	\$ 353,266	\$ 683,334	\$ 1,036,600
Investments	997,455	153,701	1,151,156
Taxes receivable	976,240		976,240
Accounts receivable	193,490	2,649,450	2,842,940
Due from other governments	1,070,385	86,408	1,156,793
Internal balances	(614,773)	614,773	-
Prepaid expenditures	28,083	3,094	31,177
Inventory	29,028	115,979	145,007
Noncurrent assets:			
Housing loans receivable	447,522		447,522
Loans receivable	111,219		111,219
Notes receivable	12,527		12,527
Restricted investments		232,096	232,096
Property, plant and equipment:			
Land and land improvements	1,012,946	825,680	1,838,626
Buildings & improvements	12,804,351	75,100,281	87,904,632
Machinery and equipment	5,756,914	3,969,837	9,726,751
Infrastructure	20,013,751		20,013,751
Construction in progress	1,148,792	6,604,849	7,753,641
Accumulated depreciation	(20,160,501)	(27,435,972)	(47,596,473)
Other assets		25,000	25,000
Deferred charge		158,799	158,799
Total Assets	\$ 24,180,695	\$ 63,787,309	\$ 87,968,004
LIABILITIES:			
Current liabilities:			
Accounts payable	793,696	944,367	1,738,063
Accrued wages	307,462	135,879	443,341
Accrued interest	75,410	238,942	314,352
Deposits payable	79,851		79,851
Current portion of compensated absences	657,238	201,865	859,103
Current portion of bonds and notes payable	630,288	1,878,769	2,509,057
Noncurrent liabilities:			
Bonds and notes payable (net of current portion)	4,713,289	23,852,528	28,565,817
Compensated absences (net of current portion)	1,661,819	638,105	2,299,924
Lenders loan pool payable	23,224		23,224
Total Liabilities	8,942,277	27,890,455	36,832,732
NET ASSETS:			
Investment in capital assets (net of related debt)	15,267,735	33,492,177	48,759,912
Restricted for:			
Community Development	451,680		451,680
Housing Assistance Program	34,585		34,585
Other Purposes	19,026	232,096	251,122
Unrestricted (Deficit)	(534,608)	2,172,581	1,637,973
Total Net Assets	15,238,418	35,896,854	51,135,272
Total Liabilities and Net Assets	\$ 24,180,695	\$ 63,787,309	\$ 87,968,004

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, 2005

Functions/Programs	Expenses	Indirect Expense Allocation	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:								
General government	\$ 3,141,506	\$ (912,449)	\$ 578,659	\$ 34,418	\$ -	\$ (1,615,980)	\$ -	\$ (1,615,980)
Public safety	8,889,680		661,666	850,839	-	(7,377,175)		(7,377,175)
Public works	3,123,299		-	1,432,773	167,980	(1,522,546)		(1,522,546)
Recreation	1,025,874		130,142	-	121,879	(773,853)		(773,853)
Community development and housing	3,992,664		78,652	3,629,665	6,376	(277,971)		(277,971)
Interest on long-term debt	252,283					(252,283)		(252,283)
Total Governmental Activities	20,425,306	(912,449)	1,449,119	5,947,695	296,235	(11,819,808)	-	(11,819,808)
Business-type Activities:								
Water	5,224,164	439,662	6,582,264	-	-	918,438	918,438	918,438
Sewer	3,662,232	407,274	4,339,904	370,258	-	640,656	640,656	640,656
Municipal Parking Authority	393,676		445,424	-	-	51,748	51,748	51,748
Trash	709,742	65,513	745,363	-	-	(29,892)	(29,892)	(29,892)
Property Rental	67,670		152,987	-	-	85,317	85,317	85,317
Total Business-type Activities	10,057,484	912,449	12,265,942	370,258	-	1,666,267	1,666,267	1,666,267
Total Government	\$ 30,482,790	\$ -	\$ 13,715,061	\$ 5,947,695	\$ 666,493	\$ (11,819,808)	\$ 1,666,267	\$ (10,153,541)
General Revenues:								
Taxes:								
Property taxes						\$ 7,593,762		\$ 7,593,762
Other Taxes						141,977		141,977
Shared revenues						1,079,029		1,079,029
Unrestricted investment earnings						34,466	36,306	70,772
Miscellaneous						372,737		372,737
Transfers						1,225,142	(1,225,142)	-
Total General Revenues and Transfers						10,447,113	(1,188,836)	9,258,277
Change in Net Assets						(1,372,695)	477,431	(895,264)
Net Assets - Beginning						16,611,113	35,419,423	52,030,536
Net Assets - Ending						\$ 15,238,418	\$ 35,896,854	\$ 51,135,272

CITY OF CUMBERLAND, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	<u>General Fund</u>	<u>Housing Assistance Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash	\$ 105,367	\$ 76,992	\$ 170,907	\$ 353,266
Investments	487,636		509,819	997,455
Taxes receivable	965,448		10,792	976,240
Accounts receivable	192,484		1,006	193,490
Due from other governments	592,542		477,843	1,070,385
Prepaid expenditures	16,881		11,202	28,083
Inventory	29,028			29,028
Housing loans receivable			447,522	447,522
Loans receivable			111,219	111,219
Notes receivable			12,527	12,527
Total Assets	<u>\$ 2,389,386</u>	<u>\$ 76,992</u>	<u>\$ 1,752,837</u>	<u>\$ 4,219,215</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 358,805	\$ 640	\$ 434,251	\$ 793,696
Accrued wages	281,720	3,901	21,841	307,462
Interfund payables	139,866		474,907	614,773
Compensated absences	657,238			657,238
Deferred revenue	907,700		455,366	1,363,066
Lenders loan pool payable			23,224	23,224
Deposits payable	79,851			79,851
Total Liabilities	<u>2,425,180</u>	<u>4,541</u>	<u>1,409,589</u>	<u>3,839,310</u>
FUND BALANCES:				
Fund balances (deficit):				
Reserved for fund purposes		34,585	-	34,585
Reserved for long-term assets	-		571,268	571,268
Reserved for inventories	29,028			29,028
Reserved for prepaids	16,881			16,881
Unreserved:				
Undesignated-General Fund	(81,703)			(81,703)
Undesignated-Special Revenue Funds		37,866	(196,432)	(158,566)
Undesignated-Capital Projects Fund			(31,588)	(31,588)
Total Fund Balances (Deficit)	<u>(35,794)</u>	<u>72,451</u>	<u>343,248</u>	<u>379,905</u>
Total Liabilities and Fund Balances	<u>\$ 2,389,386</u>	<u>\$ 76,992</u>	<u>\$ 1,752,837</u>	<u>\$ 4,219,215</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 ASSETS
AS OF JUNE 30, 2005

Fund Balances - Total Governmental Funds \$ 379,905

Amounts reported for governmental activities in the statement of net assets 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	40,736,754	
Less: Accumulated Depreciation	<u>(20,160,501)</u>	20,576,253

Long-term liabilities, including a portion of 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	(5,343,577)	
Compensated Absences	(1,661,819)	
Accrued Interest	<u>(75,410)</u>	(7,080,806)

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

Deferred Revenue		<u>1,363,066</u>
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Net Assets of Governmental Activities		<u><u>\$ 15,238,418</u></u>
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CITY OF CUMBERLAND, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	<u>General Fund</u>	<u>Housing Assistance Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes	\$ 7,742,444	\$ -	\$ 133,607	\$ 7,876,051
Licenses and permits	109,803			109,803
Intergovernmental	3,350,802	1,775,978	2,079,290	7,206,070
Charges for services	1,002,146			1,002,146
Fines and forfeitures	2,520			2,520
Interest	25,257		13,000	38,257
Miscellaneous	427,678		128,584	556,262
Total Revenues	<u>12,660,650</u>	<u>1,775,978</u>	<u>2,354,481</u>	<u>16,791,109</u>
Expenditures:				
Current:				
General government	1,445,381		416,709	1,862,090
Public safety	8,677,051		23,585	8,700,636
Public works	2,739,851		444,938	3,184,789
Recreation	881,117		159,016	1,040,133
Community development and housing	451,475	1,806,576	1,858,797	4,116,848
Capital Outlay			449,720	449,720
Debt service:				
Principal	572,126		13,808	585,934
Interest	247,077		8,732	255,809
Bond Issue Costs			25,267	25,267
Total Expenditures	<u>15,014,078</u>	<u>1,806,576</u>	<u>3,400,572</u>	<u>20,221,226</u>
Revenues in Excess of (Less Than) Expenditures	<u>(2,353,428)</u>	<u>(30,598)</u>	<u>(1,046,091)</u>	<u>(3,430,117)</u>
Other Financing Sources (Uses):				
Transfers-in	1,230,290		114,321	1,344,611
Transfers-out	(94,468)		(25,001)	(119,469)
Financing proceeds	-		480,000	480,000
Total Other Financing Sources	<u>1,135,822</u>	<u>-</u>	<u>569,320</u>	<u>1,705,142</u>
Net Change in Fund Balance	(1,217,606)	(30,598)	(476,771)	(1,724,975)
Fund balance, beginning	<u>1,181,812</u>	<u>103,049</u>	<u>820,019</u>	<u>2,104,880</u>
Fund balance (deficit), ending	<u>\$ (35,794)</u>	<u>\$ 72,451</u>	<u>\$ 343,248</u>	<u>\$ 379,905</u>

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