OFFICIAL STATEMENT DATED AUGUST 18, 2011

NEW ISSUE – BOOK-ENTRY ONLY

In the opinion of Bond Counsel, (i) assuming compliance with certain covenants described herein, under existing statutes, regulations, and decisions, interest on the Series 2011A Bonds will be excludable from gross income for federal income tax purposes and will not be includable in the alternative minimum taxable income of individuals, corporations or other taxpayers as an enumerated item of tax preference or other specific adjustment; however, interest on the Series 2011A Bonds will be includable in a corporation's "adjusted current earnings" in the calculation of a corporation's alternative minimum taxable income for federal income tax purposes and will be subject to the branch profits tax imposed on foreign corporations engaged in a trade or business in the United States and, (ii) by the terms of the Act, the Series 2011A Bonds, their transfer, the interest payable thereon, and any income derived therefrom, including any profit realized in their sale or exchange, are exempt from taxation of every kind and nature whatsoever by the State of Maryland, or by any of its political subdivisions, or any of its governmental units of any kind, except that no opinion is expressed as to estate or inheritance taxes, or other taxes not levied or assessed directly on the Series 2011A Bonds, their transfer or income therefrom. See "Tax Matters."

DHCD
Maryland Department of Housing and Community Development

$12,275,000
COMMUNITY DEVELOPMENT ADMINISTRATION
MARYLAND DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
LOCAL GOVERNMENT INFRASTRUCTURE BONDS
(Mayor and City Council of Cumberland Issue), 2011 SERIES A

Dated: Date of Delivery **Due June 1, as shown herein**

The Series 2011A Bonds are issuable only as fully registered bonds and initially will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC") which will act as securities depository for the Series 2011A Bonds. Purchases of the Series 2011A Bonds will be in book-entry form only, in principal amounts of $5,000, or any integral multiple thereof. Interest on the Series 2011A Bonds is payable December 1, 2011 and semiannually thereafter on June 1 and December 1 of each year to DTC by Manufacturers and Traders Trust Company, as trustee (the "Trustee"). DTC will remit such payments to participating financial organizations for subsequent disbursement to beneficial owners of the Series 2011A Bonds. Additional information is contained under the caption "The Series 2011A Bonds" herein.

The Series 2011A Bonds are subject to redemption prior to maturity as set forth under "THE SERIES 2011A BONDS – Redemption Provisions" herein.

The Series 2011A Bonds are special obligations of the Community Development Administration (the "Administration"), an agency in the Division of Development Finance of the Maryland Department of Housing and Community Development (the "Department"), payable solely from the Revenues and property of the Administration pledged therefor under the Cumberland Issue Resolution described herein providing for the issuance of the Series 2011A Bonds and any Additional Bonds of the Administration to be issued under the Cumberland Issue Resolution. The Series 2011A Bonds shall not be a debt of, and do not pledge the faith, credit or taxing power of the State, the Department, the Administration or any political subdivision, and shall be payable solely from the Revenues and property provided for in the Cumberland Issue Resolution and in accordance with the Act. The Administration has no taxing power.

FOR MATURITY SCHEDULE, INTEREST RATES, PRICES OR YIELDS
SEE INSIDE COVER

The Series 2011A Bonds are offered for delivery when, as and if issued, subject to the opinion of McKennon Shelton & Henn LLP, Baltimore, Maryland, Bond Counsel, as to the validity of the Series 2011A Bonds and the excludability from gross income of interest thereon for federal income tax purposes. Certain legal matters will be passed upon for the Administration by an Assistant Attorney General of the State of Maryland as Counsel to the Department. Certain legal matters will also be passed on for the Underwriters by Miles & Stockbridge P.C. It is expected that the Series 2011A Bonds in definitive form will be available for delivery to DTC in New York, New York on or about August 31, 2011.

This cover page contains certain information for quick reference only. It is not a summary of this Official Statement. Investors must read the entire Official Statement to obtain information essential to the making of an informed decision.

M&T Securities, Inc.

BofA Merrill Lynch **J.P. Morgan** **RBC Capital Markets**

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, PRICES OR YIELDS AND CUSIPS

$12,275,000
Local Government Infrastructure Bonds
(Mayor and City Council of Cumberland Issue),
2011 Series A

$8,355,000 Serial Bonds

Year	Amount	Interest Rate%†	Yield%†	CUSIP	Year	Amount	Interest Rate%†	Yield%†	CUSIP
2013	$ 50,000	2.000	0.550	57419PU31	2020	$ 615,000	4.000	2.750	57419PV22
2014	50,000	2.000	0.700	57419PU49	2021	650,000	4.000	2.920	57419PV30
2015	50,000	2.000	0.900	57419PU56	2022	855,000	3.000	3.160	57419PV48
2016	235,000	3.000	1.300	57419PU64	2023	890,000	3.250	3.350	57419PV55
2017	670,000	3.000	1.740	57419PU72	2024	920,000	3.375	3.490	57419PV63
2018	785,000	3.000	2.130	57419PU80	2025	965,000	3.500	3.620	57419PV71
2019	610,000	2.400	2.470	57419PU98	2026	1,010,000	5.000	3.740*	57419PV89

Term Bonds
$3,920,000 4.125%† Term Bond due June 1, 2032 Yield @ 4.250%† Cusip: 57419PV97

* Yield to first par call of June 1, 2021.
† The interest rates, yields or prices to be shown above were furnished by the Underwriters for the Series 2011A Bonds. All other information concerning the terms of reoffering of the Series 2011A Bonds should be obtained from the Underwriters and not from the Administration.

No dealer, broker, salesman or any other person has been authorized by the Administration to give any information or to make any representations, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2011A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been furnished by the Administration and by other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Administration as to information from sources other than the Administration.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

All quotations from and summaries and explanations of provisions of laws and documents herein do not purport to be complete and reference is made to such laws and documents for full and complete statements of their provisions. This Official Statement is not to be construed as a contract or agreement between the Administration and the purchasers or owners of any of the Series 2011A Bonds. All statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact. The cover page hereof, inside front cover, and the appendices attached hereto are part of this Official Statement. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Series 2011A Bonds shall under any circumstances create any implication that there has been no change in the affairs of the Administration since the date hereof.

This Official Statement contains statements relating to future results that are “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words “estimate,” “forecast,” “intend,” “expect” and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof.

No registration statement relating to the Series 2011A Bonds has been filed with the United States Securities and Exchange Commission or with any state security agency, nor has the Cumberland Issue Resolution authorizing the Series 2011A Bonds been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions contained in such acts. The Series 2011A Bonds have not been approved or disapproved by the Securities and Exchange Commission or any state securities agency nor has the Securities and Exchange Commission or any state securities agency passed upon the accuracy or adequacy of this Official Statement. Any representation to the contrary may be a criminal offense.

IN CONNECTION WITH THIS OFFERING THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2011A BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE INITIAL PUBLIC OFFERING PRICES SET FORTH ON THE INSIDE COVER OF THIS OFFICIAL STATEMENT MAY BE CHANGED BY THE UNDERWRITERS, AND THE UNDERWRITERS MAY OFFER TO SELL THE SERIES 2011A BONDS TO CERTAIN DEALERS AND OTHERS AT PRICES LOWER THAN THE OFFERING PRICES AS SET FORTH ON THE INSIDE COVER PAGE.

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OFFICIAL STATEMENT
of the
Community Development Administration
Maryland Department of Housing and Community Development
Relating to
$12,275,000
Local Government Infrastructure Bonds
(Mayor and City Council of Cumberland Issue), 2011 Series A

INTRODUCTION

The purpose of this Official Statement, which includes the cover page, the inside cover page and the Appendices, is to set forth information in connection with the sale by the Community Development Administration (the "Administration"), a unit of the Division of Development Finance of the Department of Housing and Community Development (the "Department"), a principal department of the government of the State of Maryland (the "State" or "Maryland"), of its Local Government Infrastructure Bonds (Mayor and City Council of Cumberland Issue), 2011 Series A (the "Series 2011A Bonds"). The Administration is authorized to issue the Series 2011A Bonds pursuant to Sections 4-101 through 4-255 of the Housing and Community Development Article of the Annotated Code of Maryland, as amended (the "Act"); and in accordance with a Resolution Providing for the Issuance of Local Government Infrastructure Bonds adopted by the Administration as of August 1, 2011 (the "Cumberland Issue Resolution"). The Cumberland Issue Resolution appoints Manufacturers and Traders Trust Company, a New York banking corporation with trust powers and having a corporate trust office in Baltimore, Maryland, as trustee (the "Trustee").

Capitalized terms used herein and not otherwise defined herein shall have the meaning assigned them in Appendix D hereof unless the context clearly indicates otherwise. See Appendix D - "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE CUMBERLAND ISSUE RESOLUTION - Certain Definitions."

The Cumberland Issue Resolution authorizes the Administration to issue the Series 2011A Bonds in the aggregate principal amount of $12,275,000 under the Cumberland Issue Resolution. The proceeds of the Series 2011A Bonds will provide funds to finance a loan (the "Series 2011A Infrastructure Loan") to the Mayor and City Council of Cumberland (the "City") as a participant in the Administration's Local Government Infrastructure Financing Program (the "Program") established under the Act as administered under the Cumberland Issue Resolution for the purpose of (i) refinancing certain outstanding indebtedness of the City (the "Refunded City Loans"), issued for the purpose of financing and refinancing certain Infrastructure Projects of the City (collectively, the "Series 2011A Infrastructure Project"), (ii) funding a debt service reserve fund and (iii) paying other costs related to issuance of the Series 2011A Bonds.

The Series 2011A Bonds are the first Series of Bonds issued under the Cumberland Issue Resolution. The Series 2011A and any Additional Bonds (collectively, the "Bonds"), which the Administration may issue for the City under the Cumberland Issue Resolution, are and will be on a parity, and will be equally and ratably secured under the Cumberland Issue Resolution.

Under the Cumberland Issue Resolution, all Bonds issued and outstanding thereunder are payable from payments made by the City on bonds, notes, repayment agreements, instruments or other obligations of the City (each, a "City Obligation") issued by the City to evidence its obligation to repay the related Infrastructure Loans made by the Administration to the City from the proceeds of such Bonds. All such City Obligations (regardless of when they were entered into or from what series of Bonds the related Infrastructure Loan was made) and the payments made thereon are pledged to pay debt service on the Series 2011A Bonds and any Additional Bonds issued in the future under the Cumberland Issue Resolution.

Infrastructure Loans made to the City under the Program are to be funded with proceeds of Bonds, for any undertaking, project or facility that is or has been planned, acquired, owned, developed, constructed, reconstructed, rehabilitated, or improved by or on behalf of the City, to provide the essential physical elements that are the basis of the public service system (the "Infrastructure Projects") or to refinance any indebtedness of the City issued to finance or refinance an Infrastructure Project of the City and to pay bond issuance costs, including any fee or charge necessary for the Administration (i) to sell any series of Bonds, (ii) to provide financial assistance for any series of Bonds, (iii) to provide any guarantee, credit enhancement or additional security for any series of Bonds or (iv) to insure any series of Bonds. Infrastructure Projects include streets, sidewalks, curbs, sewer and water systems, bridges, and public buildings that are owned by the City or a governmental unit of the City. Each Infrastructure Loan of the City must be evidenced by a City Obligation. See "SECURITY FOR THE SERIES 2011A BONDS – City Obligation and Series 2011A Infrastructure Loan" and "THE PROGRAM" for more information.

As used herein, "Local Government" means, (i) the City, a municipal corporation in Maryland subject to the provisions of Article XI-E of the Maryland Constitution, (ii) any of the State's 23 counties and Baltimore City (each, a "County"), (iii) any other municipal corporation in Maryland subject to the provisions of Article XI-E of the Maryland Constitution (including the City, each, a "Municipality"), and (iv) a governmental unit of the any County or any Municipality (each, a "Political Subdivision") and "Local Obligation" means any City Obligation and any bonds, notes, repayment agreements, instruments or other obligations of any other Local Government in connection with any infrastructure loan under the Program.

Brief descriptions of the Series 2011A Bonds and the security for the Series 2011A Bonds are included in this Official Statement. Descriptions of the Department and the Administration can be found in Appendix A to this Official Statement. Certain information regarding the City can be found in Appendix B to this Official Statement. The Comprehensive Annual Financial Report of the City for the fiscal year ended June 30, 2010 is included in this Official Statement as Appendix C. Certain definitions used in this Official Statement and a summary of certain provisions of the Cumberland Issue Resolution are included in this Official Statement as Appendix D. The proposed form of the opinion of Bond Counsel is included in this Official Statement as Appendix E. **The appendices to this Official Statement constitute a part of this Official Statement and contain information which any potential investor should read in conjunction with the other parts of this Official Statement in order to make an informed investment decision.**

Certain capitalized terms are defined in Appendix D - "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE CUMBERLAND ISSUE RESOLUTION - Certain Definitions." Capitalized terms not otherwise defined herein are used as defined in the Cumberland Issue Resolution. All references herein to the Cumberland Issue Resolution and other documents and agreements are qualified in their entirety by reference to such documents and agreements, and references herein to the Series 2011A Bonds are qualified in their entirety by reference to the form thereof included in the Cumberland Issue Resolution and the information with respect thereto included in the Cumberland Issue Resolution, documents and agreements, copies of which are available for inspection at the office of the Administration located at 100 Community Place, Crownsville, Maryland 21032-2023. Inquiries for documents or concerning this Official Statement should be directed to Investor Relations, at telephone: 410-514-7326, fax: 410-514-7431 or email: cda_bonds@mdhousing.org.

THE SERIES 2011A BONDS

General Description

The Series 2011A Bonds will be dated the date of their delivery (the "Delivery Date"). The Series 2011A Bonds will be issuable only as fully registered bonds in denominations of $5,000 each or any integral multiple thereof. The Series 2011A Bonds initially will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC") which will act as securities depository for the Series 2011A Bonds. Purchases of the Series 2011A Bonds will be in book-entry form only. See "DTC and Book-Entry" below for a description of DTC and the book-entry system. The Series 2011A Bonds will mature in the years and amounts set forth on the inside cover page of this Official Statement and will bear interest from the Delivery Date, payable semiannually on June 1 and December 1 of each year, commencing December 1, 2011, to DTC by the Trustee. If any such dates are not business days, then such payments will be made on the next business day. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

Plan of Financing

Financing of Infrastructure Loans. The Administration will apply a portion of the proceeds of the Series 2011A Bonds in the amount of $10,773,760.87 to pay a portion of the $10,859,901.67 needed to refinance and redeem the Refunded City Loans. The City will provide the remaining portion of $86,140.80 needed to refinance and redeem the Refunded City Loans in whole. Upon the issuance of the Series 2011A Bonds, the $10,773,760.87 portion of the proceeds allocated to the Series 2011A Infrastructure Loan shall be deposited to the credit of the Loan Fund established with respect to the Series 2011A Bonds (the "Series 2011A Loan Fund"), in accordance with the terms of the Cumberland Issue Resolution. Such amounts will be deposited in the Series 2011A Loan Fund and disbursed by the Trustee in accordance with the requirements of the Cumberland Issue Resolution and the Program to refinance the Refunded City Loans. See "THE PROGRAM" and Appendix D - "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE CUMBERLAND ISSUE RESOLUTION – Summary of Certain Provisions of the Cumberland Issue Resolution – Establishment of Series 2011A Loan Fund and Other Loan Funds and Loan Accounts."

Funding Debt Service Reserve Fund. The Administration will deposit proceeds of the Series 2011A Bonds in the amount $1,098,762.22 to fund the Debt Service Reserve Fund securing the Series 2011A Bonds (the "Series 2011A Debt Service Reserve Fund") in the amount required to make the amount on deposit therein equal the Debt Service Reserve Fund Requirement. See "SECURITY FOR THE SERIES 2011A BONDS – Series 2011A Debt Service Reserve Fund."

Payment of Cost of Issuance. The Administration will directly apply $492,359.01 of the proceeds of the Series 2011A Bonds to the payment of the total costs of issuing the Series 2011A Bonds. The Administration will directly net $129,133.00 of the proceeds of the Series 2011A Bonds as the Underwriters' fee.

Application of Series 2011A Bond Proceeds

Series 2011A Bonds. The proceeds of the sale of the Series 2011A Bonds will be applied and deposited as follows:

	Total
Sources of Funds:	
Par Amount	$12,275,000.00
Net Original Issue Premium/(Discount)	219,015.10
Total Sources of Funds	**$12,494,015.10**
Uses of Funds:	
Loan Accounts	$10,773,760.87
Debt Service Reserve Fund	1,098,762.22
Costs of Issuance Account[1]	492,359.01
Underwriters' Fee	129,133.00
Total Uses of Funds	**$12,494,015.10**

[1] Includes certain fees and expenses of the Administration, the Trustee, the City and other miscellaneous expenses.

Redemption Provisions

Optional Redemption. The Series 2011A Bonds maturing on or after June 1, 2022, are subject to redemption, at the option of the Administration, in whole or in part at any time, on or after June 1, 2021, at the principal amount thereof, plus accrued interest thereon.

Mandatory Sinking Fund Redemption.

The Series 2011A Bonds maturing on June 1, 2032 are subject to mandatory sinking fund redemption, at a price equal to the principal amount thereof plus accrued interest thereon, on June 1 of each of the following years and in the following amounts:

$3,920,000 Term Bond due June 1, 2032

Year	Sinking Fund Installment
2027	$1,055,000
2028	365,000
2029	385,000
2030	400,000
2031	415,000
2032[1]	1,300,000

[1] Final maturity

Special Redemption. The Series 2011A Bonds are subject to special redemption at the principal amount thereof, plus accrued interest thereon, at the option of the Administration, in whole or in part, at any time, without premium, from (1) Series 2011A Bonds proceeds deposited in the Loan Fund and not used to finance an Infrastructure Loan, and (2) amounts on deposit in the Surplus Fund.

General Provisions. Any Series 2011A Bonds to be purchased or redeemed, except by a Sinking Fund Installment, shall be purchased or redeemed only upon receipt by the Trustee of a certificate signed by an Authorized Officer which sets forth the following: (1) the maturities to be purchased or redeemed, (2) the principal amount and maximum price of the Series 2011A Bonds within such maturities to be purchased or redeemed, (3) the amount, if any, to be transferred from other moneys to pay applicable redemption premiums or purchase prices, and (4) if any of the Series 2011A Bonds to be purchased or redeemed are Term Bonds, the amounts by which the applicable Sinking Fund Installments are to be reduced.

If more than one Series of Bonds is outstanding, the Administration may choose any outstanding Series of Bonds and maturities within such Series to be redeemed from prepayments of Infrastructure Loans or from moneys in the Surplus Fund; under such circumstances, there can be no assurance that any particular Series of Bonds or maturity within a Series of Bonds will not be called for redemption.

Not fewer than 20 days before the date fixed for redemption of any Series 2011A Bonds, notice of redemption is to be given as provided in the Cumberland Issue Resolution (see Appendix D - "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE CUMBERLAND ISSUE RESOLUTION - Summary of Certain Provisions of the Cumberland Issue Resolution - Publication of Notices"), but failure to give notice will not affect the validity of any proceedings for redemption of other Bonds of such Series. The Administration may provide in a Series Resolution for shorter or longer periods for the publication of redemption notice for any Series of Additional Bonds, including, without limitation, redemption of any Series of Bonds with no prior notice to Bondholders. If fewer than all of the Bonds of a Series having the same maturity are called for redemption, the particular Bonds or units of fully registered Bonds to be redeemed are to be selected by the Trustee by lot using such method of selection as it shall deem proper pursuant to the Cumberland Issue Resolution. All Bonds called for redemption will cease to accrue interest on the specified redemption date and shall no longer be considered Outstanding under the Cumberland Issue Resolution, provided that funds sufficient for the redemption of such Bonds are deposited with the Trustee. Upon presentation and surrender of Bonds called for redemption at the place or places of payment, together with a written instrument of transfer duly executed by the owner thereof or by the owner's attorney duly authorized in writing, such Bonds are to be paid and redeemed. See "DTC and Book-Entry" below for a description of redemption procedures under DTC's book-entry system.

The Administration has covenanted that it will not, at any time, cause Bonds to be purchased or redeemed, if this would have any material adverse effect on its ability to pay, when due, the principal of and interest on the Bonds Outstanding after such purchase or redemption. Accordingly, the Administration will select the maturities within each Series of Bonds to be purchased or redeemed (which may include maturities with the highest interest rate) in a manner which will enable the Administration to pay, when due, such principal and interest.

DTC and Book-Entry

At the time of delivery of the Series 2011A Bonds, DTC will act as securities depository for the Series 2011A Bonds. The ownership of one fully registered Series 2011A Bond for each maturity, in the aggregate principal amount of such maturity, initially will be registered in the name of Cede & Co., as nominee for DTC, or such other name as may be requested by an authorized representative of DTC, and deposited with DTC or its designated custodian. DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Series 2011A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2011A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2011A Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2011A Bonds are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2011A Bonds, except in the event that use of the book-entry system for the Series 2011A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2011A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2011A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2011A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2011A Bonds are credited, which may or may not be the Beneficial Owners. The Direct or Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

The Trustee will make payments of principal of, redemption premium, if any, and interest on the Series 2011A Bonds to Cede & Co., or such other DTC nominee as may be requested by an authorized representative of DTC. DTC's current practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Administration or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium (if any) and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Administration or the Trustee, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursements of such payments to the Beneficial Owners entitled thereto is the responsibility of Direct and Indirect Participants. DTC, the Trustee and the Administration are not responsible for and make no representations concerning the manner of, or any charges that may be associated with, payments by Direct Participants or Indirect Participants to Beneficial Owners.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Series 2011A Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominees) will consent or vote with respect to the Series 2011A Bonds, unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Administration as soon as possible after the record date for any consent or vote. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2011A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Neither the Department nor the Administration nor the Trustee will have any responsibility or obligation to the Direct Participants or the Beneficial Owners with respect to (A) the accuracy of any records maintained by DTC or any Participant; (B) the payment by any Participant of any amount due to any Beneficial Owner in respect of the principal of and premium, if any, and interest on the Series 2011A Bonds; (C) the delivery or timeliness of delivery by any Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Cumberland Issue Resolution to be given to Bondholders; or (D) any other action taken by DTC, or its nominee, Cede & Co., as Bondholder, including the effectiveness of any action taken pursuant to an Omnibus Proxy.

The Administration and the Trustee cannot give any assurances that DTC will distribute payments of principal of, redemption premium, if any, and interest on the Series 2011A Bonds paid to DTC or its nominee, as the registered owner, or any redemption or other notices, to the Direct Participants or that they will do so on a timely basis, that Direct Participants or Indirect Participants will distribute to Beneficial Owners any payments or notices received by them or do so on a timely basis, or that DTC will serve and act in the manner described in this Official Statement.

So long as Cede & Co. is the registered owner of the Series 2011A Bonds, as nominee of DTC, references in this Official Statement to the owners of the Series 2011A Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners and Cede & Co. will be treated as the only Bondholder of Series 2011A Bonds for all purposes under the Cumberland Issue Resolution.

The Administration may enter into amendments to the agreement with DTC or successor agreements with a successor securities depository, relating to the book-entry system to be maintained with respect to Series 2011A Bonds without the consent of Beneficial Owners or Bondholders.

DTC may discontinue providing its services as a securities depository with respect to the Series 2011A Bonds at any time by giving reasonable notice to the Administration or Trustee. Under such circumstances, in the event that a successor depository is not obtained, bond certificates for the Series 2011A Bonds will be printed and delivered. The Administration may decide at any time to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository) by giving notice to DTC. In that event, bond certificates for the Series 2011A Bonds will be printed and delivered.

Information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Administration believes to be reliable, but the Administration takes no responsibility for the accuracy thereof.

Definitive Bonds

DTC (or a successor securities depository) may discontinue providing its service with respect to the Series 2011A Bonds at any time by giving notice to the Administration or the Trustee. Under such circumstances, in the event a successor securities depository is not obtained, certificates for the Series 2011A Bonds are required to be printed and delivered. In addition, the Administration, in its sole discretion and without the consent of any other person, may not use or may terminate the services of DTC (or a successor securities depository). Under such circumstances, the Series 2011A Bonds will be delivered as provided in the Cumberland Issue Resolution, and registered in accordance with the instructions of the purchasers, and the following requirements of the Cumberland Issue Resolution will apply. Interest on the Series 2011A Bonds will be payable: (a) by check or draft mailed by the Trustee to the registered owner thereof, or (b) upon the request of a registered owner of any Series 2011A Bonds having a principal amount of $1,000,000 or more, by wire transfer from the Trustee to the registered owner thereof. The principal of and redemption premium, if any, on the Series 2011A Bonds are payable at the principal office of the Trustee, or its successor, upon presentation of any Series 2011A Bonds on or after the date of maturity or redemption. Each exchange or transfer of any Series 2011A Bonds may require the payment by the registered owner of any tax, fee or other charge imposed by law and a reasonable transfer fee of the Trustee. The Administration shall not be obligated to make any such exchange or transfer of Series 2011A Bonds during the fifteen business days next preceding an Interest Payment Date on the

Series 2011A Bonds, or in the case of any proposed redemption of Series 2011A Bonds, after the giving of notice calling such Series 2011A Bonds or portions thereof for redemption.

SECURITY FOR THE SERIES 2011A BONDS

Pursuant to the Cumberland Issue Resolution, the security for the Series 2011A Bonds is a pledge of and lien on:

(1) proceeds of the sale of Bonds (other than proceeds deposited in trust for the retirement of Outstanding Bonds),

(2) the City Obligations acquired by the Administration with proceeds of Bonds,

(3) the Administration's right, title and interest in all Infrastructure Loans to the City under the Cumberland Issue Resolution,

(4) all Revenues (primarily payments of principal of and interest on Infrastructure Loans to the City) and Prepayments,

(5) all Pledged Funds pledged in connection with the City Obligations acquired by the Administration with proceeds of Bonds, and

(6) all moneys, Permitted Investments and other assets and income held in and receivable by Funds and Accounts established by or pursuant to the Cumberland Issue Resolution.

The pledge and security interest are subject to the power of the Administration to direct the release of amounts from such funds and accounts free and clear of such pledge and security interest after satisfying the then current requirements for all funds and accounts and certain other conditions as provided in the Cumberland Issue Resolution. Moneys necessary to pay arbitrage rebate, if any, to the United States are administered outside of, and are not subject to the lien of, the Cumberland Issue Resolution.

THE SERIES 2011A BONDS ARE SPECIAL OBLIGATIONS OF THE ADMINISTRATION PAYABLE SOLELY FROM THE REVENUES AND PROPERTY OF THE ADMINISTRATION PLEDGED THEREFOR UNDER THE CUMBERLAND ISSUE RESOLUTION. THE SERIES 2011A BONDS OF THE ADMINISTRATION SHALL NOT BE A DEBT OF, AND DO NOT PLEDGE THE FAITH, CREDIT OR TAXING POWER OF THE STATE, THE DEPARTMENT, THE ADMINISTRATION OR ANY POLITICAL SUBDIVISION, AND SHALL BE PAYABLE SOLELY FROM THE REVENUES AND PROPERTY PROVIDED FOR IN THE CUMBERLAND ISSUE RESOLUTION AND IN ACCORDANCE WITH THE ACT. THE ADMINISTRATION HAS NO TAXING POWER.

The Series 2011A Bonds are *not* secured by the Administration's General Bond Reserve Fund, and Bondholders for the Series 2011A Bonds have no right to any of the moneys or investments held in such fund.

Under prior separate bond resolutions, the Administration has issued other series of bonds under its infrastructure financing program to finance infrastructure projects of local governments. See Appendix A - "THE DEPARTMENT AND THE ADMINISTRATION - Other Programs of the Department - *Infrastructure Financing Program Under Prior Resolutions.*" None of the infrastructure loans financed from such other series of bonds, or the assets or revenues held under the bond and series resolutions relating to such bonds, are subject to the lien of the Cumberland Issue Resolution or available to pay principal of or interest on the Series 2011A Bonds. The Series 2011A Infrastructure Loan to be made by the Administration to the City from the proceeds of the Series 2011A Bonds or any assets or revenues held under the Cumberland Issue Resolution are not available to pay principal of or interest on any of these other series of bonds.

City Obligation and Series 2011A Infrastructure Loan

Before the Administration makes the Series 2011A Infrastructure Loan to the City, the Cumberland Issue Resolution requires the City to:

(1) Execute and deliver to the Administration the City Obligation evidencing the payment obligations of the City with respect to the Series 2011A Infrastructure Loan;

(2) Execute any and all other agreements, certificates or documents as the Administration may require; and

(3) Provide an opinion of counsel acceptable to counsel to the Administration.

The Administration will not finance the Series 2011A Infrastructure Loan unless payments of principal and interest scheduled to be derived with respect to the Series 2011A Infrastructure Loan, together with interest and other income estimated to be derived from the investment or deposit of money in funds and accounts, are expected to be sufficient to pay the principal of and interest on all the Series 2011A Bonds under the Cumberland Issue Resolution.

The City Obligation issued to provide for repayment of the Series 2011A Infrastructure Loan will be secured by the full faith and credit of the City. To secure such City Obligation, the City will execute an agreement (the "City Pledge Agreement") pledging, among other things, certain funding the City may receive from the State and an agreement (the "City Repayment Agreement") in which the City will agree (i) to pay principal of and interest on the City Obligation, and (ii) to maintain funds on deposit or credited to the Series 2011A Debt Service Reserve Fund in an amount equal to the Debt Service Reserve Fund Requirement for the Series 2011A Debt Service Reserve Fund. See "Intercept of City Local Government Payments," the "THE PROGRAM – Infrastructure Loans Generally" and "THE PROGRAM - Security for Infrastructure Loans under the Act."

On the date of closing of the Series 2011A Bonds, the entire proceeds of the Series 2011A Infrastructure Loan to be financed by the Series 2011A Bonds will be deemed to be lent to the City; however, pursuant to the City Repayment Agreement, the Trustee will disburse the proceeds of the Series 2011A Infrastructure Loan only upon receipt of a requisition by the City which includes an itemization of the costs for which the City requests payment. Upon receipt by the City of any funds, the City must immediately apply the funds to the payment of development costs of the Series 2011A Infrastructure Project. The Administration will not be responsible or liable in any event to any person other than the City for the disbursement of or failure to disburse the Series 2011 Infrastructure Loan proceeds, or any part thereof, and no third party will have any contractual right or claim against the Administration under the City Repayment Agreement.

Pursuant to the City Repayment Agreement, the City is required to make scheduled payments on the Series 2011A Infrastructure Loan on May 1 and November 1 of each year during the term of the Series 2011A Infrastructure Loan.

See "Factors Affecting the Series 2011A Infrastructure Loan or the Series 2011A Bonds" below for a discussion of possible limitations upon the enforcement of and other factors affecting the City Obligation.

Intercept of the City Local Government Payments from the State

The City will enter into the City Pledge Agreement with the Administration pledging the State shared revenues, State collected local taxes, the City's share of State taxes, including the State income taxes, general grants or payments, State highway user revenues and any payment pursuant to any program which replaces any of the foregoing (collectively, the "Local Government Payments"). The following table sets forth the amount of such Local Government Payments for the City for calendar years 2005 through 2010 and the maximum annual debt service secured and to be secured by the Local Government Payments.

State-aid Intercept Pledge : Analysis

Available funds received (Period : CY-2009)	Available funds received (Period : CY-2010)	Average of funds received (Period : CY-2005 thru CY-2010)	Maximum Annual Debt Service (MADS) on pledged indebtedness [1]
$10,614,405	$21,639,247	$12,466,992	$2,311,057

[1] Total of all existing debt and proposed Series 2011A Infrastructure Loan (excluding June 1, 2032 sinking fund installment expected to be paid from amounts on deposit in Series 2011A Debt Service Reserve Fund) with State-aid intercept pledge.

If the Administration does not receive scheduled payments on any Infrastructure Loan financed with the proceeds of Bonds, the Administration may give notice of the amount remaining unpaid to the Comptroller and the Treasurer of the State. The Comptroller or the Treasurer, upon receipt of such notice, has agreed to pay or cause to be paid to the Trustee such unpaid amount from any available Local Government Payments held by the Comptroller or the Treasurer that the City is entitled to receive from the State. If the Local Government Payments held by the Comptroller or Treasurer are not enough to satisfy the amount in the notice, the Comptroller or Treasurer will continue to withhold Local Government Payments and to pay them to the Administration. The Comptroller or Treasurer (as the case may be) will use its best efforts to make such payments within five (5) business days, but no later than the ten (10) business days following receipt of the notice. Such Local Government Payments, however, may not be sufficient to pay amounts due and unpaid on the Series 2011A Infrastructure Loan. See "Factors Affecting the Series 2011A Infrastructure Loan or the Series 2011A Bonds" below and "THE PROGRAM – Security for Infrastructure Loans under the Act – Pledge of State Assistance to Local Governments."

Series 2011A Debt Service Reserve Fund

The Cumberland Issue Resolution will establish the Series 2011A Debt Service Reserve Fund to secure payment of the Series 2011A Bonds. Upon the delivery of the Series 2011A Bonds, the Administration will deposit proceeds of the Series 2011A Bonds to the Series 2011A Debt Service Reserve Fund in the amount necessary to make the amount on deposit therein equal to the Debt Service Reserve Fund Requirement for the Series 2011A Debt Service Reserve Fund. The Series 2011A Debt Service Reserve Fund may secure Additional Bonds provided that upon the issuance of such Additional Bonds, there is deposited therein the amount required to make the amount on deposit in the Series 2011A Debt Service Reserve Fund equal the Debt Service Reserve Fund Requirement, after giving effect to the issuance of such Additional Bonds. The Cumberland Issue Resolution establishes the Debt Service Reserve Fund Requirement for the Series 2011A Debt Service Reserve Fund as an amount equal to the least of (i) 10% of the proceeds of the Bonds secured thereby, (ii) Maximum Annual Debt Service on all outstanding Bonds secured thereby, and (iii) 125% of the average annual Debt Service Requirements of all Bonds secured thereby.

If as a result of any withdrawal from the Series 2011A Debt Service Reserve Fund, the amount credited thereto is less than the Debt Service Reserve Fund Requirement, the Administration is required under the Cumberland Issue Resolution to replenish the Series 2011A Debt Service Reserve Fund from Revenues, including but not limited to Local Government Payments.

The Administration is required under the Cumberland Issue Resolution to make monthly payments in such amounts as will cure the deficiency within a twelve month period. The Cumberland Issue Resolution also contains provisions which require the Administration to make certain payments in the event of certain investment losses. See APPENDIX D - "DEFINITIONS AND SUMMARY OF

CERTAIN PROVISIONS OF THE CUMBERLAND ISSUE RESOLUTION – Summary of Certain Provisions of the Cumberland Issue Resolution – Funds and Accounts – Debt Service Reserve Fund."

Additional Bonds

The Cumberland Issue Resolution permits the issuance of Additional Bonds to provide funds to make or purchase Infrastructure Loans to the City and to refund Outstanding Bonds issued under the Cumberland Issue Resolution or other obligations issued to finance Infrastructure Loans to the City, but only upon the satisfaction of certain conditions set forth in the Cumberland Issue Resolution, including the requirement that the issuance of such Additional Bonds will have no material adverse effect on the then current rating on the outstanding Bonds or on the ability of the Administration to pay when due the principal of, redemption premium, if any, and interest on the Outstanding Bonds and delivery of a cash flow certificate. The Series 2011A Bonds and any Additional Bonds issued under the Cumberland Issue Resolution on a parity basis will be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Cumberland Issue Resolution. The Administration does not currently contemplate issuing Additional Bonds under the Cumberland Issue Resolution.

Factors Affecting the Series 2011A Infrastructure Loan and the Series 2011A Bonds

The timely payment by the Administration of the principal of and interest on the Series 2011A Bonds may be adversely affected by: (1) failure of the City to make timely payment on the related City Obligation, and (2) the ability of the Administration to enforce, and the availability of Local Government Payments of the City under, the City Pledge Agreement.

Enforcement of City Obligation. There can be no assurance that the City will timely pay the City Obligation. The Administration maintains no debt service reserve fund or other funds, except the Series 2011A Debt Service Reserve Fund for the Series 2011A Bonds and any funds and accounts created under the Cumberland Issue Resolution and the Surplus Fund, to pay debt service on the Series 2011A Bonds should the City fail to timely pay the principal of and interest on the City Obligation. The Administration requires, however, that payments of principal and interest on the City Obligation be made 30 days prior to the date on which payment is due on the Series 2011A Bonds. Despite the risk of non-payment by the City, there has never been an occurrence where a delay in payment by Local Governments participating in the Administration's infrastructure financing programs has resulted in a default in payment on bonds issued pursuant to such programs; however, there can be no assurance that such a delay will not result in a default in the future.

Upon the occurrence of an event of default under any document relating to the City's participation in the Program, the Administration or the Trustee may sue and obtain a judgment against the City. Nevertheless, upon obtaining a judgment, it may be necessary to seek additional relief, such as mandamus against officials of the City, to compel the City to levy and collect such taxes or to set and collect fees as may be necessary to provide funds from which the judgment may be paid. The efficacy of such relief may depend upon the cooperation of the City and its officials. Enforcement of the claim for payment of principal and interest on the defaulted Series 2011A Infrastructure Loan may be subject to the provisions of Chapter IX of the United States Bankruptcy Code or statutes hereinafter enacted which extend the time of payment or impose constraints upon enforcement.

The ability of the Administration or the Trustee to enforce their respective rights or exercise remedies upon default under the Series 2011A Infrastructure Loan is dependent upon legal and procedural requirements and judicial actions which may be subject to discretion and delay. Under existing law and judicial decisions (including laws relating to bankruptcy), the remedies provided for under the Series 2011A Infrastructure Loan documents may not be readily available or may be limited. There is no direct authority under Maryland law permitting a levy upon the property of the City for the payment of its debts or judgments against it.

The City Pledge Agreement. The Administration may, on default in the payment of the principal of and interest on the City Obligation, exercise its rights under the City Pledge Agreement to require payment of Local Government Payments due the City from the State directly to the Administration or the Trustee. The Administration's ability to enforce the City Pledge Agreement or to obtain any such Local Government Payments of the City from the State in accordance with the City Pledge Agreement may be subject to the availability of such funds, to court proceedings, the timing and outcome of which are uncertain, and to other uncertainties. In addition, Local Government Payments may be pledged to secure other loans from or amounts due to the Administration, other agencies of the State, or other creditors. See "SECURITY FOR SERIES 2011A BONDS – Intercept of City Local Government Payments from State" for a description of available Local Government Payments of the City for certain fiscal years. The Comptroller and the Treasurer of the State have not established any system to determine the priority of such pledges. Accordingly, there can be no assurance as to the priority, if any, of any such pledge, or of the availability of funds from any such pledge to pay the amounts due on an Series 2011A Infrastructure Loan financed with the proceeds of the Series 2011A Bonds. Certain Local Government Payments may be dedicated to specific uses or purposes, such as education or transportation, and, accordingly, may not be available to pay debt service on the City Obligation.

Failure of City Government to Comply with Covenants Relating to Tax-Exemption of Series 2011A Bonds. The Administration and the City have covenanted to comply with certain restrictions designed to assure that interest on the Series 2011A Bonds will not become includable in gross income. Failure to comply with these covenants may result in interest on the Series 2011A Bonds being included in gross income from the date of issue of the Series 2011A Bonds regardless of the date on which the event causing such taxability occurs. In such event, enforcement remedies available to the Administration may be inadequate to prevent the loss of tax exemption of interest on the Series 2011A Bonds retroactive to the date of issuance of the Series 2011A Bonds. In such event, there is no provision for either acceleration or redemption of the Series 2011A Bonds or to increase the rate of interest paid on any of the Series 2011A Bonds, and owners of the Series 2011A Bonds may be required to hold such Series 2011A Bonds bearing taxable interest until maturity.

Default Scenario – Sequence of Events

Employ State-aid Intercept mechanism

Apply funds from available revenues generated from the Cumberland Issue Resolution, if any

Draw on Debt Service Reserve Fund

Replenish Debt Service Reserve Fund with Revenues, including Local Government Payments

Ongoing : The Administration shall enforce its rights, as provided for and described under the City Repayment Agreement and Maryland law, including the State-aid Intercept mechanism, to recover any balance owed by the City.

THE PROGRAM

The State created the Program to provide an additional, accessible and uncomplicated mechanism to finance the public infrastructure maintained by Local Governments in order to promote sound community development, improve the quality of the environment, strengthen the economy and otherwise promote the health, safety and welfare of the citizens of the State. The Series 2011A Bonds are the first Series of Bonds issued under the Cumberland Issue Resolution. The Series 2011A Bonds and any Additional Bonds which the Administration may issue on parity under the Cumberland Issue Resolution will be equally and ratably secured under the Cumberland Issue Resolution. Under prior separate bond resolutions (other than the Cumberland Issue Resolution), the Administration has issued other series of bonds under the Program to finance Infrastructure Projects of Local Governments. See Appendix A - "THE DEPARTMENT AND THE ADMINISTRATION - Other Programs of the Department - *Infrastructure Financing Program Under Prior Resolutions.*" None of the infrastructure loans financed from those other series of bonds, or the assets or revenues held under the bond and series resolutions relating to such bonds, are subject to the lien of the Cumberland Issue Resolution or available to pay principal of or interest on the Series 2011A Bonds or any Additional Bonds issued under the Cumberland Issue Resolution. Neither the Series 2011A Infrastructure Loan, nor any other Infrastructure Loan to be made from the proceeds of Additional Bonds issued under the Cumberland Issue Resolution or any assets or revenues held under the Cumberland Issue Resolution are available to pay principal of or interest on any of these other series of bonds issued under Prior Resolutions.

The Administration may issue Additional Bonds from time to time under the Cumberland Issue Resolution to finance additional Infrastructure Loans to the City upon compliance with the requirements of the Cumberland Issue Resolution. See "SECURITY FOR THE SERIES 2011A BONDS – Additional Bonds."

General

Under the Program, a Local Government may file an application for an Infrastructure Loan when the Local Government (1) has defined and engineered a capital improvement project to the point where a reasonably reliable estimate of its costs is available and the Local Government is prepared to proceed with construction, or (2) plans the acquisition of or refinancing of existing indebtedness for a project eligible under the Program. A project is eligible for financing or refinancing through the Program if it is an undertaking, project or facility that is planned, acquired, owned, developed, constructed, reconstructed, rehabilitated, or improved by or on behalf of a Local Government to provide the essential physical elements that are the basis of the public service system. Such projects include, but are not limited to, any of the following: water production, treatment, storage and distribution systems; sewer collection and treatment facilities; solid waste transfer, conversion and disposal facilities; storm water control and drainage facilities; bulkheads, piers, wharves and ramps; bridges, streets, and roads; facilities for police, fire, transportation, education, culture, health, recreation, maintenance and other facilities for the delivery of public services; street lighting, landscaping and other public space improvements. The project may not include any facilities with respect to which the Local Obligations of the Local Government financing such facilities would be "private activity bonds" within the meaning of Code §141, for which a volume cap allocation under Code §146 would be required. The amount of the Infrastructure Loan may include the costs of preparing studies, surveys and plans and specifications; architectural, engineering and other professional services; acquisition of land and buildings thereon; site preparation and development; acquisition of machinery, equipment and furnishings, and financing costs.

The Department has promulgated regulations governing the operation of the Program. These regulations set forth standards for determining the eligibility of projects and costs to be financed under the Program, and describe the general terms and conditions required for the Infrastructure Loans. The regulations also provide procedures for approval of the Infrastructure Loans and set forth certain other general requirements as to Infrastructure Loans and Infrastructure Projects, some of which are described below. The regulations are subject to amendment and revision. Particular provisions of the regulations may be waived or varied by the Secretary to the extent that the waiver is not inconsistent with the Act or contrary to the provisions of the related bond resolution, indenture or similar agreement if: (i) adherence to the requirements of any federal, State, or local program used in connection with a project necessitates waiver or variance of a regulation; or (ii) in the determination of the Secretary, the application of a regulation in a specific case or in an emergency situation would be inequitable or contrary to the purposes of the Act.

After receiving an application, the Program staff reviews the application for completeness. In support of the application, Local Governments are required to submit audited financial statements, interim (unaudited) financial statements, operating budgets and capital budgets (as available). Local Governments are also asked to submit data with respect to assessed valuation of real property, tax collections, outstanding and projected indebtedness, current population figures, unemployment rates, per capita income, median household income, principal tax payers and major employers. Program staff analyze the data submitted and several years worth of historical data to determine the general economic condition and financial viability of the community. Program staff also undertake a detailed analysis of available Local

Government Payments which flow from the State to each Local Government. The Program does not review or monitor the plans and specifications of the Infrastructure Project, any testing or surveys of or with respect to any part of the Infrastructure Project, any required permits or approval, construction in progress, payment of contractors, disputes or pending or threatened litigation affecting the Infrastructure Project. The Local Government is responsible for obtaining all licenses, permits and approvals, undertaking any necessary or appropriate tests or surveys (including environmental or hazardous or toxic waste surveys) and acquiring, constructing, operating, maintaining and managing the Infrastructure Project and any related services and providing for its continued availability and use. The Local Government must certify that the Infrastructure Project is consistent with the local comprehensive plan or warranted by extraordinary circumstances with no reasonably feasible alternative in accordance with State law. The Department is required to determine that the Infrastructure Project is consistent generally with the State Economic Growth, Resource Protection, and Planning Policy.

In addition to the formal credit analysis outlined above, proposed Infrastructure Loans and Bond issuances are submitted to the Department's Housing Finance Review Committee (the "Review Committee") and the Revenue Bond Advisory Board (the "Board") for review and approval. Before the earlier of the public distribution of a preliminary official statement or submission of a preliminary official statement to any rating agency for review, the Board reviews and makes recommendations to the Secretary regarding the issuance of bonds, notes, or other securities by the Administration. For more information regarding the Review Committee and the Board, see Appendix A – "THE DEPARTMENT AND THE ADMINISTRATION – General Information."

The Administration pays Program operating costs and certain costs of issuance of bonds (including the Series 2011A Bonds) from earnings received from its programs financed by its bond resolutions, certificates and indentures (including the Cumberland Issue Resolution) in excess of amounts required to pay debt service on its bonds. The costs of issuing the Series 2011A Bonds (including Underwriters' discount) will be financed from the proceeds of the Series 2011A Bonds.

Infrastructure Loans Generally

Terms of Infrastructure Loans. The term of the Series 2011 Infrastructure Loan and any other Infrastructure Loan may not exceed the lesser of the useful life of the related Infrastructure Projects or 30 years, the final term being at the discretion of the Administration, taking into consideration the applicable requirements of the related bond resolution or indenture. In the case of any county transportation facility financed by an Infrastructure Loan and secured by a pledge of a County's share of State highway user revenues, the term may not exceed 15 years. Infrastructure Loans may be made in any amounts that are necessary to finance eligible costs of an Infrastructure Project, but may not exceed 100 percent of the eligible costs of the Infrastructure Project.

Events of Default Under a Repayment Agreement. Events of default ("Repayment Events of Default;" each, a "Repayment Event of Default") under the City Repayment Agreement and any other agreement between the Administration and a Local Government regarding the Local Government obligation to repay each Infrastructure Loan and related amounts (including the City Repayment Agreement, each, a "Repayment Agreement") include (1) failure by the Local Government to pay, on the date on which such amount is due and payable, (a) the principal of, premium, if any, or interest or any other charges or sums on or under the related Local Obligation (whether upon maturity, on any installment payment date, after notice of prepayment, or otherwise), or (b) any other payment required by a Repayment Agreement or any of the other documents relating to the Program; (2) default by the Local Government in the due and punctual observance or performance of any other term, covenant or agreement contained in a Repayment Agreement, including failure by the Local Government to levy taxes or appropriate funds pursuant to the requirements of such Repayment Agreement, or with respect to any other of the Local Government's payment requirements, which default remains unremedied for 30 days (or such other cure period as may be specified in such Repayment Agreement or in any of the other documents relating to the Program) after notice to the Local Government; provided, however, that if such default cannot be corrected within 30 days (or such other cure period as may be specified in the Repayment Agreement), it will not be a Repayment Event of Default if the applicable Local Government is taking appropriate corrective action to cure the default; (3) the occurrence of a filing of a petition in bankruptcy under the Bankruptcy Code or the commencement of a proceeding under any other applicable law concerning insolvency, reorganization, or bankruptcy by or against the particular Local Government as debtor, or the Local Government becoming generally unable to pay its debts as they become due; or (4) the occurrence of an event of default under any of the other documents relating to the Program.

Whenever any Repayment Event of Default has occurred, the Administration or the appointed trustee under the related bond resolution, may: (1) bring legal proceedings against the Local Government to enforce the Administration's rights under the Repayment Agreement and to require the Local Government to carry out its agreements and perform its duties under the Repayment Agreement; (2) bring suit upon the Repayment Agreement; (3) sue to enjoin any acts or things which are unlawful or violate the rights of the Administration or the Trustee; or (4) take necessary action to collect the payments and other amounts then or thereafter due or to exercise any rights or remedies under the Repayment Agreement.

Security for Infrastructure Loans under the Act

General Obligation Pledge of Local Governments. Local Obligations issued by any Local Government to provide for repayment of one or more Infrastructure Loans financed with the proceeds of bonds of the Administration issued under the Program and any other bond resolution or indenture may be secured by the full faith and credit of the applicable Local Government or the Political Subdivision guaranteeing the Local Obligation of such Local Government. A Local Obligation secured by full faith and credit requires that annual debt service payments be made from the collection of ad valorem taxes if other sources of funds or revenues of the Local Government or the Political Subdivision guaranteeing the Local Obligation of such Local Government are insufficient to pay debt service on the Local Obligation. The City Obligation issued to provide for repayment of the Series 2011 Infrastructure Loan financed with proceeds of the Series 2011A Bonds and any other City Obligation issued by the City to provide for repayment of any Additional Bonds issued under the Cumberland Resolution shall be secured by the full faith and credit of the City. See "SECURITY FOR THE SERIES 2011A BONDS – City Obligation and Series 2011A Infrastructure Loan."

Revenue Pledge of Local Government or Infrastructure Project; Local Obligations Subject to Annual Appropriations. Under the Act, the Administration may permit Local Governments pursuant to the terms of any other bond resolution or indenture to secure Infrastructure Loans by either (i) a pledge of certain revenues or assets of the Local Government, or (ii) revenues derived from or assets consisting of the related Infrastructure Project. In addition, Local Obligations may be payable from general funds of the Local Government which are subject to annual appropriations; in such cases the primary remedies upon non-appropriation of funds to pay the Local Obligation would be to repossess the property financed and sell it, or exercise remedies under the related Pledge Agreement between the Administration and the Local Government of the kind described below. The Cumberland Resolution does not provide for a revenue pledge from the City to the Administration as security for the Series 2011A Infrastructure Loan.

Pledge of State Assistance to Local Governments. Each Local Government receiving an Infrastructure Loan financed with the proceeds of bonds issued by the Administration under the Program will enter into an agreement with the Administration (including the City Pledge Agreement, each, a "Pledge Agreement") pledging its Local Government Payments, if any, such Local Government is entitled to receive from the State. A Local Government that is an agency or instrumentality of a Political Subdivision may not be entitled to receive any Local Government Payments from the State, and in that case Local Government Payments can be pledged only if the Political Subdivision entitled to receive Local Government Payments guarantees the Local Obligation of such Local Government and enters into a Pledge Agreement. If the Administration does not receive scheduled payments on an Infrastructure Loan financed with the proceeds of bonds issued under the Program, the Administration may give notice of the amount remaining unpaid to the Comptroller or the Treasurer of the State under the terms of the State Intercept Memorandum of Understand dated as of June 21, 2010, by and among the Administration, the Comptroller and the Treasurer. The Comptroller or the Treasurer, upon receipt of such notice, has agreed within two (2) business days after receipt of the notice to intercept or stop payments of the Local Government Payments due to the defaulting Local Government or the Political Subdivision guaranteeing the Local Obligation of such Local Government identified in the notice and to use their best efforts to make payment to the related trustee within five (5) business days after such interception but not later than ten (10) business days. Such payment to the Trustee will be from any available Local Government Payments that the defaulting Local Government or the Political Subdivision guaranteeing the Local Obligation of such Local Government is entitled to receive from the State. Such Local Government Payments, however, may not be sufficient to pay amounts due and unpaid on the applicable Infrastructure Loan. Upon the issuance of the Series 2011A Bonds by the Administration, the City will enter into the City Pledge Agreement to pledge, among other things, the Local Government Payments the City is entitled to receive from the State. If the City receives Infrastructure Loans made with the proceeds of Additional Bonds, the City may not be required to enter into a Pledge Agreement with the Administration. The Series 2011A Bonds and any Additional Bonds will be secured equally and ratably under the Cumberland Issue Resolution even though Infrastructure Loans financed with the proceeds of Additional Bonds may or may not be subject to a Pledge Agreement. The Administration does not currently contemplate issuing Additional Bonds under the Cumberland Issue Resolution. See "SECURITY FOR SERIES 2011A BONDS – Intercept of City Local Government Payments from the State."

Loans to Finance County Transportation Facilities. Under the Act, the Administration is permitted to enter into an Infrastructure Loan to finance a county transportation facility secured by the pledge of a County's share of State highway user revenues, the County shall execute a participation agreement which shall: (1) constitute a pledge of the County's share of State highway user revenues to the Administration in an amount sufficient to repay the related series of bonds issued by the Administration, and the interest payable thereon, in 15 years; (2) authorize the State Comptroller to withhold and deposit such County's share of State highway user revenues into a sinking fund maintained to pay the principal of and interest on the related series of bonds due on the next payment date under the applicable bond resolution or indenture; and (3) require such County to use the proceeds of the Infrastructure Loan solely for activities permitted by Transportation I Article, §8-401 through §8-413 of the Annotated Code of Maryland.

The Cumberland Issue Resolution does not provide for the financing of any county transportation facility from the proceeds of Bonds.

TAX MATTERS

Maryland Income Taxation

In the opinion of Bond Counsel, by the terms of the Act, Series 2011A Bonds, their transfer, the interest payable thereon, and any income derived therefrom, including any profit realized in their sale and exchange, are exempt from taxation of every kind and nature of taxation whatsoever by the State of Maryland or by any of its political subdivisions, or any of its governmental units of any kind. No opinion is expressed as to estate or inheritance taxes, or any other taxes not levied or assessed directly on the Series 2011A Bonds, their transfer or income therefrom.

Interest on the Series 2011A Bonds may be subject to state or local income taxes in jurisdictions other than the State of Maryland under applicable state or local tax laws. Holders or prospective purchasers of the Series 2011A Bonds should consult their tax advisors regarding the taxable status of the Series 2011A Bonds in a particular state or local jurisdiction other than the State of Maryland.

Federal Income Taxation

In the opinion of Bond Counsel, assuming compliance with certain covenants described herein, the interest on the Series 2011A Bonds will be excludable from gross income for federal income tax purposes under existing statutes, regulations, and decisions.

Under the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), there are certain restrictions that must be met subsequent to the delivery of the Series 2011A Bonds in order for interest on the Series 2011A Bonds to remain excludable from gross income for federal income tax purposes, including restrictions that must be complied with throughout the term of the Series 2011A Bonds. These include the following: (i) a requirement that certain earnings received from the investment of the proceeds of the Series 2011A Bonds be rebated (or that certain payments in lieu of rebate be made) to the United States of America under certain circumstances; (ii) other requirements applicable to the investment of the proceeds of the Series 2011A Bonds; and (iii) other requirements applicable to the use of the proceeds of the Series 2011A Bonds and the use of the facilities financed and refinanced with such proceeds. Failure to comply with one or more of these requirements could result in the inclusion of the interest payable on the Series 2011A Bonds in gross income for federal income tax purposes, effective from the date of their issuance. The Administration and the City have made certain covenants regarding actions required to maintain the excludability from gross income for federal income tax purposes of interest on the Series 2011A Bonds. It is the opinion of Bond Counsel that, assuming compliance with such covenants, the interest on the Series 2011A Bonds will remain excludable from gross income for federal income tax purposes under the provisions of the Code

Interest on the Series 2011A Bonds will not be includable in the alternative minimum taxable income of individuals, corporations, or other taxpayers as an enumerated item of tax preference or other specific adjustment. However, for purposes of calculating the corporate alternative minimum tax, a corporation subject to such tax may be required to increase its alternative minimum taxable income by 75% of the amount by which its "adjusted current earnings" exceeds its alternative minimum taxable increase (computed without regard to this current earnings adjustment alternative tax net operating loss deduction). For such purposes "adjusted current earnings" may include, among other items, interest income from the Series 2011A Bonds. In addition, interest income on the Series 2011A Bonds will be subject to the branch profits tax imposed by the Code on foreign corporations engaged in a trade or business in the United States.

In rendering its opinion, Bond Counsel will rely on the Tax and Section 148 Certificate made on behalf of the Administration by officers thereof with respect to certain material facts within the knowledge of the Administration, and on related certificates made on behalf of the City with respect to certain matters within the knowledge of the City relevant to the tax-exempt status of interest on the Series 2011A Bonds.

Tax Accounting Treatment of Discount Bonds

Certain maturities of the Series 2011A Bonds may be issued at an initial public offering price which is less than the amount payable on such Series 2011A Bonds at maturity (the "Discount Bonds"). The difference between the initial offering price at which a substantial amount of the Discount Bonds of each maturity was first sold and the principal amount of such Discount Bonds payable at maturity constitutes original issue discount. In the case of any holder of Discount Bonds, the amount of such original issue discount which is treated as having accrued with respect to such Discount Bonds is added to the original cost basis of the holder in determining, for federal income tax purposes, gain or loss upon disposition (including sale, early redemption or repayment at maturity). For federal income tax purposes (i) any holder of a Discount Bond will recognize gain or loss upon the disposition of such security (including sale, early redemption or payment at maturity) in an amount equal to the difference between (a) the amount received upon such disposition and (b) the sum of (1) the holder's original cost basis in such Discount Bond, and (2) the amount of original issue discount attributable to the period during which the holder held such Discount Bond, and (ii) the amount of the basis adjustment described in clause (i)(b)(2) will not be included in the gross income of the holder.

Original issue discount on Discount Bonds will be attributed to permissible compounding periods during the life of any Discount Bonds in accordance with a constant rate of interest accrual method. The yield to maturity of the Discount Bonds of each maturity is determined using permissible compounding periods. In general, the length of a permissible compounding period cannot exceed the length of the interval between debt service payments on the Discount Bonds and must begin or end on the date of such payments. Such yield then is used to determine an amount of accrued interest for each permissible compounding period. For this purpose, interest is treated as compounding periodically at the end of each applicable compounding period. The amount of original issue discount which is treated as having accrued in respect of a Discount Bond for any particular compounding period is equal to the excess of (i) the product of (a) the yield for the Discount Bond (adjusted as necessary for an initial short period) divided by the number of compounding periods in a year multiplied by (b) the amount that would be the tax basis of such Discount Bond at the beginning of such period if held by an original purchaser who purchased at the initial public offering price, over (ii) the amount actually payable as interest on such Discount Bond during such period. For purposes of the preceding sentence, the tax basis of a Discount Bond, if held by an original purchaser, can be determined by adding to the initial issue price of such Discount Bond the original issue discount that is treated as having accrued during all prior compounding periods. If a Discount Bond is sold or otherwise disposed of between compounding dates, then interest which would have accrued for that compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Holders of Discount Bonds should note that, under the tax regulations, the yield and maturity of a Discount Bond are determined without regard to commercially reasonable sinking fund payments and any original issue discount remaining unaccrued at the time that a Discount Bond is redeemed in advance of stated maturity will be treated as taxable gain. Moreover, tax regulations prescribe special conventions for determining the yield and maturity of certain debt instruments that provide for alternative payment schedules applicable upon the occurrence of certain contingencies.

The foregoing summarizes certain federal income tax consequences of original issue discount with respect to the Discount Bonds but does not purport to deal with all aspects of federal income taxation that may be relevant to particular investors or circumstances, including those set out above. Prospective purchasers of Discount Bonds should consider possible state and local income, excise or franchise tax consequences arising from original issue discount on Discount Bonds. In addition, prospective corporate purchasers should consider possible federal tax consequences arising from original issue discount on such Discount Bonds under the branch profits tax. The amount of original issue discount considered to have accrued may be reportable in the year of accrual for state and local tax purposes or for purposes of the branch profits tax without a corresponding receipt of cash with which to pay any tax liability attributable to such discount. Purchasers with questions concerning the detailed tax consequences of transactions in the Discount Bonds should consult their tax advisors.

The yields (and related prices) provided by the Underwriters for the Series 2011A Bonds and shown on the inside cover of this Official Statement may not reflect the initial offering prices for purposes of determining the original issue discount for federal income tax purposes.

Additional Federal Income Tax Considerations

Certain Federal Tax Consequences of Ownership

There are other federal income tax consequences of ownership of obligations such as the Series 2011A Bonds under certain circumstances, including the following: (i) deductions are disallowed for certain expenses of taxpayers allocable to interest on tax-exempt obligations, as well as interest on indebtedness incurred or continued to purchase or carry tax-exempt obligations and interest expense of financial institutions allocable to tax-exempt interest, subject to adjustments for certain tax-exempt bonds issued in 2009 and 2010; (ii) for property and casualty insurance companies, the amount of the deduction for losses incurred must be reduced by 15% of the sum of tax-exempt interest received or accrued and the deductible portion of dividends received by such companies; (iii) interest income which is exempt from tax must be taken into account for the purpose of determining whether, and what amount of, social security or railroad retirement benefits are includable in gross income for federal income taxation purposes; and (iv) for S corporations having Subchapter C earnings and profits, the receipt of certain levels of passive investment income, including interest on tax-exempt obligations such as the Series 2011A Bonds, can result in the imposition of tax on such passive investment income and, in some cases, loss of S corporation status.

Purchase, Sale and Retirement of Series 2011A Bonds

Except as noted below in the case of market discount, the sale or other disposition of a Series 2011A Bond will normally result in capital gain or loss to its holder. A holder's initial tax basis in a Series 2011A Bond will be its cost. Upon the sale or retirement of a Series 2011A Bond, for federal income tax purposes a holder will recognize capital gain or loss upon the disposition of such security (including sale, early redemption or payment at maturity) in an amount equal to the difference between (a) the amount received upon such disposition and (b) the tax basis in such Series 2011A Bond, determined by adding to the original cost basis in such Series 2011A Bond the amount of original issue discount that is treated as having accrued as described below under "Tax Accounting Treatment of Discount Bonds." Such gain or loss will be a long-term capital gain or loss if at the time of the sale or retirement the Series 2011A Bond has been held for more than one year. Present law taxes both long and short-term capital gains of corporations at the rates applicable to ordinary income. For noncorporate taxpayers, however, net capital gains will be taxed at a maximum rate of 15%, while short-term capital gains and other ordinary income will be taxed at a maximum rate of 35%. Net capital gains are the excess of net long-term capital gains (gains on capital assets held for more than one year) over net short-term capital losses. Because of the limitation on itemized deductions and the deduction for personal exemptions applicable to higher income taxpayers, the effective rate of tax may be higher in certain circumstances. The operation of sunset, effective date and similar timing provisions in current law would result in a change in the tax rates in certain future time periods.

If a holder acquires a Series 2011A Bond after its original issuance at a discount below its principal amount (or in the case of a Series 2011A Bond issued at an original issue discount, at a price that produces a yield to maturity higher than the yield to maturity at which such Series 2011A Bond was first issued), the holder will be deemed to have acquired the Series 2011A Bond at "market discount," unless the amount of market discount is de minimis, as described in the following paragraph. If a holder that acquires a Series 2011A Bond with market discount subsequently realizes a gain upon the disposition of the Series 2011A Bond, such gain shall be treated as taxable interest income to the extent such gain does not exceed the accrued market discount attributable to the period during which the holder held such Series 2011A Bond, and any gain realized in excess of such market discount will be treated as capital gain. Potential purchasers should consult their tax advisors as to the proper method of accruing market discount.

In the case of a Series 2011A Bond not issued at an original issue discount, market discount will be de minimis if the excess of the Series 2011A Bond's stated redemption price at maturity over the holder's cost of acquiring the Series 2011A Bond is less than 0.25% of the stated redemption price at maturity multiplied by the number of complete years between the date the holder acquires the Series 2011A Bond and its stated maturity date. In the case of a Series 2011A Bond issued with original issue discount, market discount will be de minimis if the excess of the Series 2011A Bond's revised issue price over the holder's cost of acquiring the Series 2011A Bond is less than 0.25% of the revised issue price multiplied by the number of complete years between the date the holder acquires the Series 2011A Bond and its stated maturity date. For this purpose, a Series 2011A Bond's "revised issue price" is the sum of (i) its original issue price and (ii) the aggregate amount of original issue discount that is treated as having accrued with respect to the Series 2011A Bond during the period between its original issue date and the date of acquisition by the holder.

A Series 2011A Bond will be considered to have been issued at a premium if, and to the extent that, the holder's tax basis in the Series 2011A Bond exceeds the amount payable at maturity. Under tax regulations applicable to the Series 2011A Bonds, the amount of the premium would be determined with reference to the amount payable on that call date (including for this purpose the maturity date) which produces the lowest yield to maturity on the Series 2011A Bonds. The holder will be required to reduce his tax basis in the Series 2011A Bond for purposes of determining gain or loss upon disposition of the Series 2011A Bond by the amount of amortizable bond premium that accrues (determined in the manner prescribed in the regulations) during his period of ownership. No deduction (or other tax benefit) is allowable in respect of any amount of amortizable bond premium on the Series 2011A Bonds.

Backup Withholding

Under current United States federal income tax law, a 28% backup withholding tax requirement may apply to certain payments of interest and original issue discount on, and the proceeds of the sale, exchange or redemption of, the Series 2011A Bonds. In addition, certain persons making such payments are required to submit information returns (i.e., Internal Revenue Service Forms 1099) to the Internal Revenue Service with regard to those payments. Backup withholding and information reporting will generally not apply with respect to payments made to certain exempt recipients such as corporations or certain exempt entities.

The foregoing is only a general summary of certain provisions of the Code as enacted and in effect on the date hereof and does not purport to be complete; holders of the Series 2011A Bonds should consult their own tax advisors as to the effects, if any, of the Code (and any proposed or subsequently enacted amendments to the Code) in their particular circumstances.

See Appendix E hereto for the proposed form of opinion of Bond Counsel.

LITIGATION

There is no pending litigation of any nature restraining or enjoining or seeking to restrain or enjoin the issuance, sale or delivery of the Series 2011A Bonds or in any way contesting or affecting the validity of the Series 2011A Bonds, the Cumberland Issue Resolution or other proceedings of the Secretary taken with respect to the authorization, issuance or sale of the Series 2011A Bonds, the Program, the pledge or application of any moneys by the Administration under the Cumberland Issue Resolution, or the existence or powers of the Administration.

LEGAL MATTERS

McKennon Shelton & Henn LLP, Baltimore, Maryland, Bond Counsel, is acting as Bond Counsel to the Administration in connection with the issuance of the Series 2011A Bonds. The proposed form of Bond Counsel's approving opinion will be in substantially the form set forth in Appendix E. Certain legal matters pertaining to the Administration will be passed upon by an Assistant Attorney General of the State as Counsel to the Department. Certain legal matters will also be passed on for the Underwriters by Miles & Stockbridge P.C.

LEGALITY FOR INVESTMENT

Under the Act, the Series 2011A Bonds are securities in which all public officers and governmental units of the State and its political subdivisions and all banks, trust companies, savings and loan associations, investment companies, and others carrying on a banking business, all insurance companies, insurance associations, and others carrying on an insurance business, all personal representatives, guardians, trustees, and other fiduciaries, and all other persons, may legally and properly invest funds, including capital in their control or belonging to them. The Series 2011A Bonds are securities which may properly and legally be deposited with and received by any officer of the State or any political subdivision or by any unit or political subdivision of the State for any purpose for which the deposit of bonds or other obligations of the State is authorized by law.

UNDERWRITING

The Series 2011A Bonds are being purchased on a negotiated basis pursuant to the Bond Purchase Agreement dated August 18, 2011 (the "Bond Purchase Agreement") between the Administration and M&T Securities, Inc., as representative for the underwriters named in the Bond Purchase Agreement (the "Underwriters"). The Underwriters have agreed to purchase the Series 2011A Bonds at the initial offering prices set forth on the inside cover hereof, which reflects a net original issue premium of $219,015.10. The Underwriters will receive a fee of $129,133.00 relating to their purchase of the Series 2011A Bonds. The Bond Purchase Agreement provides that the Underwriters will purchase all but not less than all of the Series 2011A Bonds. The Underwriters' obligation to make such purchase is subject to certain conditions set forth in the Bond Purchase Agreement. The prices at which the Series 2011A Bonds are offered to the public (and the yields resulting therefrom) may vary from the initial public offering prices appearing on the inside cover page of this Official Statement. In addition, the Underwriters may offer and sell any of the Series 2011A Bonds to certain dealers (including dealers depositing such Series 2011A Bonds into investment trusts) and certain dealer banks and banks acting as agents at prices lower than the initial public offering prices stated on the inside cover page hereof.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the Series 2011A Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of UBS Financial Services Inc. ("UBSFS") and Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement (if applicable to this transaction), each of UBSFS and CS&Co. will purchase Series 2011A Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 2011A Bond that such firm sells.

RATINGS

Moody's Investors Service, Inc. ("Moody's") has assigned its municipal bond rating of "Aa2" to the Series 2011A Bonds based upon certain materials furnished to it with respect to the City and the State-aid intercept mechanism described in this Official Statement under "SECURITY FOR SERIES 2011A BONDS – Intercept of City Local Government Payments from State."

The assigned rating reflects only the views of Moody's and an explanation of the significance of the rating may be obtained only from Moody's. There is no assurance that the rating, once assigned, will continue for any period of time or that the rating will not be revised, reduced or withdrawn for the Series 2011A Bonds. The Administration has not agreed to maintain the rating, to notify the owners of the Series 2011A Bonds of any proposed or threatened change or withdrawal of the rating (other than actual rating changes within the scope of the Administration's secondary market disclosure undertaking described below) or to oppose any proposed or threatened change or withdrawal of the rating. Any reduction or withdrawal of the rating for the Series 2011A Bonds will have an adverse effect upon the market price of the Series 2011A Bonds.

Due to the ongoing uncertainty regarding the economy of the United States of America, including, without limitation, matters such as the future political uncertainty regarding the United States debt limit, obligations issued by state and local governments, their agencies and their units, such as the Series 2011A Bonds, could be subject to a rating downgrade. Additionally, if a significant default or other financial crisis should occur in the affairs of the United States or of any of its agencies or political subdivisions, then such event could also adversely affect the market for and ratings, liquidity, and market value of outstanding debt obligations, including the Series 2011A Bonds.

SECONDARY MARKET DISCLOSURE

The Administration

Annual Information. The Administration has agreed, in accordance with the provisions of Rule 15c2-12 (the "Rule"), adopted by the Securities and Exchange Commission (the "Commission") under the Securities and Exchange Act of 1934, as amended, to provide, or cause to be provided, to each nationally recognized municipal securities information repository and to the appropriate state information depository, if any, for the State, in accordance with the Rule, when and if available, but in any event within nine months after the end of each fiscal year of the Administration, the following annual financial information and operating data (the "Annual Information"):

1. a copy of the annual financial statement of the City, as of the end of such fiscal year, prepared and audited in accordance with law (which currently requires that such statements be prepared in accordance with generally accepted accounting principles and audited by a certified public accountant);

2. an update of the financial information in this Official Statement under the heading "SECURITY FOR THE SERIES 2011A BONDS – Intercept of City Local Government Payments from the State" for the preceding five (5) years;" and

3. an update of the information of the City in Appendix B - "CERTAIN INFORMATION REGARDING THE CITY" as described below in subparagraph (a) (ii) under the heading "The City."

As of the date of this Official Statement the repository established by the Municipal Securities Rulemaking Board ("MSRB"), known as the Electronic Municipal Market Access System ("EMMA") http://emma.msrb.org/, is the only repository approved by the Commission. The Administration may, at its option, satisfy the foregoing obligations by either: (i) providing an official statement for one or more Series of Bonds or by specific reference, in accordance with the Rule, to one or more official statements provided previously, or (ii) to the extent permitted by the Rule, by filing (or requiring the City to file) and incorporating by reference the annual audited financial statements of the City, or the Uniform Financial Report (Forms F-65(MD-2) or F-65(MD-2A) or any substitute or successor reports) prepared and filed by the City with the Maryland State Department of Legislative Services pursuant to Section 37 of Article 19 of the Annotated Code of Maryland that meets the requirements of paragraph 2 above, for so long as any Infrastructure Loan of the City is outstanding. The Administration may, at its option, but is not obligated to, provide other information about the City.

Event Information. The Administration has also agreed to provide, or cause to be provided, in a timely manner to the MSRB notice of the occurrence of any of the following events with respect to any of the Series 2011A Bonds:

1. principal and interest payment delinquencies,
2. non-payment related defaults,
3. unscheduled draws on debt service reserves reflecting financial difficulties,
4. unscheduled draws on credit enhancements, if any, reflecting financial difficulties,
5. substitution of credit or liquidity providers, if any, or their failure to perform,
6. adverse tax opinions, Internal Revenue Service notices or events affecting the tax-exempt status of any of the Series 2011A Bonds,
7. modifications to rights of Bondholders, if material,
8. bond calls, if material,
9. defeasances,
10. release, substitution, or sale of property securing repayment of any of the Series 2011A Bonds,
11. rating changes,
12. tender offers,
13. bankruptcy, insolvency, receivership or similar event of the obligated person,
14. merger, consolidation or acquisition of the obligated person, if material, or

15. appointment of a successor or additional trustee, or the change of name of a trustee, if material.

The events numbered 4, 5 and 12 above may not be applicable because no credit or liquidity facility has been established with respect to the Series 2011A Bonds and no tender rights have been established for the Series 2011A Bonds.

Additional Agreements and Limitations. In a timely manner, the Administration will give, or cause to be given to the MSRB notice of any failure by the Administration or the City to provide any information described under the headings "Annual Information" or "Event Information" on or before the dates specified therein.

The Administration has reserved the right to modify from time to time the specific types of information provided and the format of the presentation of such financial information, to the extent necessary or appropriate in the judgment of the Administration. The Administration has agreed that any such modification will be undertaken in a manner consistent with the Rule.

The Administration has reserved the right to terminate its obligation to provide financial information and notices of material events, as described above, as to any Series of Bonds or the owners thereof if and when the Administration no longer remains an obligated person with respect to such Series of Bonds within the meaning of the Rule.

The Administration has agreed that its undertaking pursuant to the Rule described herein is intended to be for the benefit of any holder or beneficial owner of any of the Series 2011A Bonds. Such holder's and beneficial owner's right to enforce the provisions of this undertaking is limited to a right to obtain specific enforcement of the Administration's obligations with respect thereto. The undertaking further provides that the venue for any legal proceeding to enforce the undertaking shall be in a court within the State. Any failure by the Administration to comply with the provisions of its undertaking will not be an event of default with respect to the Series 2011A Bonds under the Cumberland Issue Resolution or any Additional Bonds under any Series Resolution.

The provisions of the undertaking with respect to the Rule described above may be amended, without the consent of the holders or the beneficial owners of any of the Series 2011A Bonds, to the extent required or permitted by any amendment to the Rule becoming effective after the date hereof.

Compliance. The Administration is in compliance with the Rule.

The City

(a) The City agrees to provide to the Administration the following information in accordance with the Rule:

(i) annual audited financial statements of the City;

(ii) an update of the annual financial information and operating data substantially in the form presented in Appendix B to this Official Statement and as updated for the completed fiscal year for: (1) contributions to Employees' Retirement and Pension Systems, (2) General Fund Statement of Revenues, Expenditures and Changes in Fund Balances, (3) assessed value of property and tax rates in the nature of that presented in the chart in Appendix B under the heading "CITY REVENUES AND EXPENDITURES – Property Taxes and Assessments," (4) Property Tax Levies and Collections, and (5) Schedule of Debt Service Requirements of Long-Term Obligations; and

(iii) all other financial and operating information that the Administration requests in order to comply with the requirements of the Rule.

(b) The City shall provide to the Administration, in a timely manner, notice of the following events relating to the City Obligation related to the Series 2011A Infrastructure Loan or the City:

(1) principal and interest payment delinquencies;

(2) non-payment related defaults;

(3) unscheduled draws on reserves reflecting financial difficulties;

(4) unscheduled draws on credit enhancements reflecting financial difficulties;

(5) substitution of credit or liquidity providers, or their failure to perform,

(6) adverse tax opinions or events affecting the tax-exempt status of the security;

(7) modifications to rights of security holders;

(8) bond calls;

(9) defeasances;

(10) release, substitution, or sale of property securing repayment of the City Obligation related to the Series 2011A Infrastructure Loan;

(11) rating changes;

(12) tender offers;

(13) bankruptcy, insolvency, receivership or similar event of the City;

(14) merger, consolidation or acquisition of the City, if material; or

(15) appointment of a successor or additional trustee, or the change of name of a trustee, if material.

(c) The Administration may report to the Municipal Securities Rulemaking Board any failure of the City to provide timely the information listed above.

MISCELLANEOUS

Summaries and Descriptions in this Official Statement

The summaries and explanation of, or references to, the Act, the Program financing documents, the Cumberland Issue Resolution and the Series 2011A Bonds included in this Official Statement do not purport to be comprehensive or definitive; such summaries, references and descriptions are qualified in their entirety by reference to each such document, copies of which are on file at the offices of the Administration.

Financial Advisors

Caine Mitter & Associates, Incorporated and Strategic Solutions Center, LLC serve as financial advisors to the Administration and have assisted in the preparation of this Official Statement and in other matters relating to the planning, structuring, issuance and sale of the Series 2011A Bonds.

City's Independent Auditors

The financial statements of the City included in Appendix C of this Official Statement have been audited by Turnbull, Hoover & Kahl, P.A., an independent certified public accounting firm, to the extent and for the period stated in their report appearing therein, and should be read in their entirety. The independent accountants were not requested to review or update such financial statements or their report in connection with the issuance of the Series 2011A Bonds and the City did not request such independent accountants' consent to the inclusion of their report in this Official Statement. Such report speaks only as of its date.

Selection and Compensation of Professionals

The Administration's financial advisors are selected by the Administration periodically through a competitive process in accordance with State procurement law. Compensation of the financial advisors is not contingent on the sale of the Series 2011A Bonds. Bond Counsel was selected by the Office of the Attorney General of the State through a process of review of responses to a request for proposals. Compensation of Bond Counsel is not contingent on the sale of the Series 2011A Bonds.

Relationship of Parties

M&T Securities, Inc., the representative for the Underwriters of the Series 2011A Bonds, is a subsidiary of Manufacturers and Traders Trust Company, the Trustee for the Series 2011A Bonds.

A Principal of Miles & Stockbridge P.C., counsel to the Underwriters in connection with the issuance of the Series 2011A Bonds, is a member of the Board. See Appendix A – "The Department and the Administration – General Information" for a description of the Board. No lawyer at Miles & Stockbridge P.C. participated in the selection of the Underwriters or Underwriters' counsel in connection with the issuance of the Series 2011A Bonds under the Program.

* * * * *

This Official Statement is not to be construed as a contract or agreement between the Administration and the purchasers or the owners of any of the Series 2011A Bonds.

The execution and delivery of this Official Statement and the incorporation of the Appendices hereto by the Administration have been duly authorized by the Secretary of Housing and Community Development.

COMMUNITY DEVELOPMENT ADMINISTRATION
MARYLAND DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

By: /s/ Frank B. Coakley
Frank B. Coakley, Director

August 18, 2011

THE DEPARTMENT AND THE ADMINISTRATION

General Information

The Administration was created in 1970 as a division of the Department of Economic and Community Development to meet the shortage of adequate, safe and sanitary housing in the State of Maryland (the "State"), particularly for persons or families of limited incomes. Chapter 311 of the Laws of Maryland 1987, effective July 1, 1987, abolished the Department of Economic and Community Development, created the Department and assigned the Administration as a governmental unit in the Division of Development Finance of the Department.

The Department consists of five divisions: the Division of Development Finance ("DDF"), the Division of Credit Assurance, the Division of Neighborhood Revitalization ("DNR"), the Division of Finance and Administration ("DFA") and the Division of Information Technology ("IT"). The Secretary of Housing and Community Development (the "Secretary") is the head of the Department and is appointed by the Governor with the advice and consent of the Senate.

DDF, through the Administration, is the bond issuing division of the Department. DDF is also a lending division of the Department, originating loans under various lending programs and providing loan underwriting services to the Department and its other divisions and governmental units. DDF is responsible for managing all aspects relating to the bond issuance and the Program's general management and administration, including marketing, coordination, and customer service, to DNR.

DFA provides budget, accounting, auditing and administrative services to the Department. In addition, the Administration has a finance office which handles finance and accounting for lending and bond activities and insurance activities. The Administration's finance office reports directly to the Director of the Administration.

IT develops and maintains information systems and trains staff of the Department in the use of computer resources.

The Secretary, with the approval of the Governor, appoints the Director of the Administration. The Director of the Administration, with the approval of the Secretary, appoints the Deputy Director of the Administration and other senior staff members of the Administration. The Act establishes a Housing Finance Review Committee (the "Review Committee") which has the responsibility to review and give recommendations to the Secretary regarding loans or categories of loans and the investment and project financing policies of the Administration. The Review Committee consists of seven members appointed by the Governor, including three members of the public, three members of the Department and one member of the Executive Branch not employed by the Department. When urgent action is required, the Secretary may approve a specific loan request without receiving the recommendation of the Review Committee.

The Department has established a Revenue Bond Advisory Board (the "Board"). The Board provides independent advice and expertise to the Department with respect to the issuance of revenue bonds, including the Bonds. The Board consists of seven members appointed by the Secretary, including the Deputy Secretary (who chairs the Board), one other representative of the Department, two representatives from other executive branch agencies of State government (one from an agency which issues revenue bonds), one representative from the State Treasurer's Office, and two members of the public. The Board reviews and makes recommendations to the Secretary with respect to each issuance of bonds. The Secretary has the final authority to approve each issuance after receipt of the Board's recommendation. When urgent action is required, the Secretary may approve an issuance of bonds without action by the Board or may vary the terms of the Board's recommendation. In addition, the Board advises the Department on procedures for issuing bonds and on selection and performance of financial advisors, underwriters, and accountants.

The Administration pays all costs and expenses of operating its programs from earnings received from its programs financed by the Cumberland Issue Resolution and other bond indentures of the Administration in excess of the amounts required to pay principal of and interest on its bonds and notes.

The office of the Administration is located at 100 Community Place, Crownsville, Maryland 21032-2023. Inquiries for documents or concerning this Official Statement should be directed to Investor Relations, at telephone: 410-514-7326, fax: 410-514-7431 or email: cda_bonds@mdhousing.org.

Principal Executive Officers

Certain principal executive officers of the Department and the Administration are briefly described below.

Raymond A. Skinner was appointed by the Governor as Secretary of the Department effective February 12, 2007. From January, 2003 until his current appointment as Secretary, Mr. Skinner was President of The Skinner Group, LLC, a consulting firm providing services in housing policy analysis, community revitalization, and economic development. Mr. Skinner previously served as Secretary of the Department between December, 1998 and January, 2003, and as Deputy Secretary from January, 1995 until his earlier appointment as Secretary. From January, 1991, until his appointment as Deputy Secretary, Mr. Skinner served as the Director of the Department of Housing and Community Development of Prince George's County, Maryland, and as Executive Secretary to the Board of Commissioners of the Housing Authority of Prince George's County. Previously, he was the Executive Director of the District of Columbia Office of Business and Economic Development. In all, Mr. Skinner has over 30 years of experience in housing and community development, having held positions with the Department of Housing and Urban Development, the City of Philadelphia, Pennsylvania, and the City of Baltimore, Maryland. He holds a Bachelor of Science degree from the Pennsylvania State University and a Master of City Planning degree from the University of Pennsylvania.

Clarence J. Snuggs was appointed by the Secretary, with the approval of the Governor, effective March 26, 2007, as Deputy Secretary of the Department. Since 2003, Mr. Snuggs served as Director of Enterprise Community Partners' Baltimore office. In that capacity he had overall responsibility for operating the office and its programs, which focused on affordable housing production, capacity building for local community leaders and community-based organizations, public education system reforms and other community development initiatives. Between 1998 and 2003, Mr. Snuggs was Deputy Executive Director and Corporate Treasurer for the congressionally chartered Neighborhood Reinvestment Corporation in Washington, D.C. Prior to Neighborhood Reinvestment, Mr. Snuggs served as Vice President for Community Lending at Maryland National Bank and Signet Bank. Mr. Snuggs has been active in affordable housing and community development for nearly 20 years through his leadership and involvement in a host of regional and local community and civic organizations. He holds a Bachelor of Arts degree from Winston-Salem State University and a MBA degree from Howard University.

Stephen D. Silver was appointed on August 26, 2009 as Chief Financial Officer of the Department and Special Advisor to the Secretary. From September, 2007 to his recent appointment, Mr. Silver served as Vice President of Finance for a private Baltimore real estate development firm. From November 1983 to September 2007, Mr. Silver served in various financial capacities at the Department, including: Chief Financial Officer of the Department, the Administration and the Maryland Housing Fund; Director of the Department's Division of Finance and Administration; Director of Accounting for the Division of Finance and Administration; and Director of Finance for the Maryland Housing Fund. Prior to joining the Department, Mr. Silver worked briefly with a public accounting firm in Baltimore, Maryland. Mr. Silver is a Certified Public Accountant, was granted a B.S. degree in accounting from

Towson University in 1980 and received his M.B.A. degree from the University of Baltimore in 1991.

Frank B. Coakley was appointed by the Secretary with the approval of the Governor effective March 26, 2007 as Assistant Secretary of the Department responsible for the Administration and as Director of the Administration. He also previously served as Assistant Secretary and Director of the Administration between 1995 and 2000. Before his recent appointment, Mr. Coakley was Senior Vice President/Branch Administration for Harbor Bank of Maryland. Prior to joining Harbor Bank, Mr. Coakley was the Director of Fannie Mae's Baltimore Partnership office. From 1989 until joining the Administration in 1995, Mr. Coakley served as Executive Vice President of the Baltimore Community Development Financing Corporation. Previously, he served as a manager and Vice President of Maryland National Bank. Mr. Coakley is a graduate of Morgan State University and served as a Loaned Executive to Morgan State University as a Senior Adviser assisting the Community Development office on housing and housing related projects.

William F. Ariano, Jr. was appointed by the Secretary with the approval of the Governor effective July 5, 2007, as the Deputy Director of the Administration. He previously served as Vice-President of Residential and Consumer Lending and CRA Officer at Chesapeake Bank of Maryland. He served in that capacity at several Baltimore community banks and his responsibilities included secondary marketing, underwriting, and the management of staff for origination, closing, sales and post-closing of various first lien mortgage products. Prior to his employment in the private sector, he directed a quasi-public agency for the City of Baltimore which developed, constructed and managed rental and for-sale housing for families with low to moderate incomes, and directed a community based development corporation. Mr. Ariano holds a Bachelor of Science degree from Mount Saint Mary's University and an MBA degree from Loyola University (Baltimore).

Carol Anne Gilbert was appointed by the Secretary with the approval of the Governor effective April 11, 2007 as Assistant Secretary of the Department and Director, Division of Neighborhood Revitalization. Prior to joining the Department, Ms. Gilbert served as both a program consultant and program officer with the Goldseker Foundation, specializing in providing investment strategies and community development expertise to support nonprofit organizations helping communities and individuals in the Baltimore metropolitan area. Ms. Gilbert is a former executive director of the Neighborhood Design Center, a 30 year-old nonprofit organization dedicated to providing lower income communities with access to professional community design services. She also founded the Baltimore Homeownership Preservation Coalition, a public-private partnership working to prevent the loss of affordable housing due to mortgage foreclosure and predatory lending. Ms. Gilbert received a bachelor's degree in English from the University of Virginia and a master's degree in architecture from the University of Maryland College Park's Graduate School of Architecture.

Roy A. Westlund was appointed Deputy Director, Bond Finance, for the Administration, effective as of January, 1996. For the previous seven years, he had served as the Administration's Director of Finance. Mr. Westlund has been active in the field of housing finance since 1980, including serving as Manager of Financial Operations for the Wisconsin Housing and Economic Development Authority. Mr. Westlund is a Certified Public Accountant and holds a B.B.A. degree from the University of Wisconsin, Madison.

Senior Staff of the Administration

Certain information relating to senior staff members who have primary responsibility for the Program is provided below.

Teresa Renee Smith was appointed Director, CDA Finance, effective March 23, 2011 having served as Acting Director since October 2010. For the fourteen months preceding her appointment as Acting Director, Ms. Smith was the Deputy Director of CDA Finance. From August 2006 to August 2009, Ms. Smith was the Portfolio Research and SEC Compliance Officer for an Annapolis financial planning firm. From July 2004 to August 2006, she served the

Department in the CDA Finance division as a Senior Financial Analyst. Prior to joining the Department in 2004, Ms. Smith worked briefly for the Baltimore Housing finance division and in other various financial management and investment capacities. Ms. Smith holds a B.B.A. in Finance from the University of Hawaii and an M.B.A. from Cameron University in Oklahoma.

Charles F. G. Day Jr., Manager, Infrastructure Finance Program, has been with the Maryland Department of Housing and Community Development since October 2003. Before joining the Department, Mr. Day was employed at Ferris, Baker Watts, Inc. for nearly ten years, working on their municipal fixed income trading desk. Mr. Day holds a Bachelors of Business Administration degree (1991) from James Madison University and a Masters of Business Administration degree (2007) from the University of Maryland - Robert H. Smith School of Business.

Other Programs of the Department

In addition to the Program, the staff of the Administration is also responsible for a broad range of housing, community revitalization and other financing programs operated by the Department. The proceeds of Bonds, other funds held under the Cumberland Issue Resolution and any funds held under Prior Resolutions are not used to support the Department's housing and other financing programs. Revenues generated by and assets held under such other programs are not subject to the lien of the Cumberland Issue Resolution, any Prior Resolution or available to pay principal of or interest on the Bonds. However, the executive officers of the Department and the Administration and certain senior staff members who are responsible for the Program also are responsible for the Department's other programs; therefore, under certain circumstances these other programs may compete with the Program for administrative and policy priority.

Infrastructure Financing Program Under Prior Resolutions. Between 1988 and 1995, the Administration issued eight series of bonds in the original principal amount of $55,075,000 Infrastructure Financing Bonds (Ambac Insured) under its Resolution adopted as of January 1, 1988 (the "1988 Resolution"), for the purpose of financing loans to 34 Local Governments under the infrastructure financing program. Seven series of these bonds were insured and one series was uninsured. As of June 30, 2011, no Infrastructure Financing Bonds (Ambac Insured) remain outstanding. These bonds were issued under the 1988 Resolution and related series resolutions and not the Cumberland Issue Resolution. **These infrastructure loans and the assets and revenues held under the 1988 Resolution and related series resolutions are not subject to the lien of the Cumberland Issue Resolution and are not available to pay principal of or interest on the Bonds.**

Between 1996 and 2001, the Administration issued nine series of bonds in the original principal amount of $83,190,000 Infrastructure Financing Bonds (MBIA Insured) under its Resolution adopted as of May 1, 1996 (the "1996 Resolution"), for the purpose of financing loans to 44 Local Governments under its infrastructure financing program. As of June 30, 2011, $21,925,000 of the Infrastructure Financing Bonds (MBIA Insured) remain outstanding for the purpose of financing loans to 29 Local Governments. These bonds were issued under the 1996 Resolution and related series resolutions and not the Cumberland Issue Resolution. **These infrastructure loans and the assets and revenues held under the 1996 Resolution and related series resolutions are not subject to the lien of the Cumberland Issue Resolution and are not available to pay principal of or interest on the Bonds.**

Between 2002 and 2007, the Administration issued nine series of bonds in the original principal amount of $96,985,000 Local Government Infrastructure Bonds (Ambac Insured) under its Resolution adopted as of February 1, 2002 (the "2002 Resolution"), for the purpose of financing loans to 28 Local Governments under its infrastructure financing program. As of June 30, 2011, $78,565,000 of the Local Government Infrastructure Bonds (Ambac Insured) remains outstanding for the purpose of financing loans to 28 Local Governments. These bonds were issued under the 2002 Resolution and related series resolutions and not the Cumberland Issue Resolution. **These infrastructure loans and the assets and revenues held under the 2002 Resolution and related series resolutions are not subject to the lien of the Cumberland Issue Resolution and are not available to pay principal of or interest on the Bonds.**

In 2010, the Administration issued two series of bonds in the original aggregate principal amount of $27,910,000 Local Government Infrastructure Bonds under its Resolution adopted as of August 1, 2010 (the "2010 Resolution"), for the purpose of financing loans to 6 Local Governments under its infrastructure financing program. As of June 30, 2011, $26,665,000 of such Local Government Infrastructure Bonds remains outstanding for the purpose of financing loans to those 6 Local Governments. These bonds were issued under the 2010 Resolution and not the Cumberland Issue Resolution. **These infrastructure loans and the assets and revenues held under the 2010 Resolution are not subject to the lien of the Cumberland Issue Resolution and are not available to pay principal of or interest on the Bonds.**

Homeownership Programs. The Administration, through the issuance of Single Family Program Bonds and Residential Revenue Bonds, currently provides reduced-interest mortgage loans to eligible homebuyers. Under this program, the Administration purchases loans originated by private lending institutions and makes loans directly for the purchase of newly constructed, substantially rehabilitated or existing homes. Beginning in 2011, the Administration purchases mortgage backed securities instead of whole loans. The loans backing the securities are loans originated under the Administration's Maryland Mortgage Program.

The Administration's homeownership staff also operates single family homeownership programs which are funded with State appropriations. These programs, which may or may not be funded at varying levels from year to year, provide low interest mortgages to low-income home buyers, refinance existing loans for homeowners under hardship circumstances, assist low-income homeowners who suffer temporary involuntary loss of income to avoid mortgage default through deferred loans, provide reverse equity mortgages for elderly homeowners and provide settlement expense loans for low and moderate income homebuyers.

Multi-Family Programs. Multi-Family Programs include the Department's Housing Development Programs and Rental Service Programs. The Department's Housing Development Programs encompass a number of finance programs which support the production, rehabilitation and preservation of affordable rental housing, including the following:

The Administration's multi-family housing revenue bond program provides financing for development of rental developments whose owners are required to set aside certain percentages of available units for families of low or moderate income.

The Rental Housing Fund consists of rental housing finance programs funded with State appropriations and federal HOME funds which provide low-interest mortgages with flexible repayment terms, interest rate write-downs and operating subsidies to increase the supply of new rental housing and upgrade, rehabilitate and maintain existing rental housing and to maintain and rehabilitate existing rental housing for low income elderly and family tenants.

The Partnership Rental Housing Program provides funding from State general obligation bonds to local governments, housing authorities, and partnerships in which these entities are involved, to assist in financing the construction or rehabilitation of low income housing. The public entities provide the land and participate in the ownership and management of the properties. The properties are intended to remain low income housing in perpetuity, and the State moneys are required to be repaid only if the low income requirements are not enforced.

The Department's Rental Service Programs include the Rental Assistance Program and the Project-Based Section 8 Contract Administration. Under the Rental Assistance Program, the Administration administers the rental subsidies provided under Section 8 of the United States Housing Act of 1937, as amended, in every County of the State. The Rental Assistance Program staff also administers a Rental Allowance Program, which is funded with State appropriations. The program is administered through local governments and provides fixed monthly rental assistance payments up to twelve months, subject to extension by the Secretary, to lower income households that cannot be served by federal or other state programs and are either homeless or have critical and emergency housing needs.

Neighborhood Revitalization Programs. The Department operates neighborhood revitalization programs through DNR. DNR administers a number of federally and state financed community development programs, including the Neighborhood Business Works Program, which provides gap financing to small businesses and non-profit organizations that are locating or expanding in communities designated for revitalization by local governments.

Outstanding Bonds of the Administration

Since 1976, the Administration has issued bonds to finance its various housing and other programs. As of June 30, 2011, the Administration had housing bonds outstanding of $3,365,830,000, with an original principal amount of $4,282,450,000. **Revenues generated by and assets held under these other bond issues are not subject to the lien of the Cumberland Issue Resolution or available to pay principal of or interest on the Bonds.**

Capitalized terms used in this Appendix and not otherwise defined herein shall have the meaning assigned them in Appendix D of this Official Statement unless the context clearly indicates otherwise. See Appendix D - "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE CUMBERLAND ISSUE RESOLUTION - Certain Definitions."

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APPENDIX B

CERTAIN INFORMATION REGARDING THE CITY

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CERTAIN INFORMATION REGARDING THE CITY

CITY GOVERNMENT AND ADMINISTRATION

General

Since 1981, the City has operated under the Council-Manager (Administrator) form of government. The legislative functions of the City are vested in a five-member Mayor and City Council. All members are elected at large on a non-partisan basis. Previously, the Mayor was elected for a two-year term and the City Council members served staggered four-year terms. The City Charter was amended on January 15, 2002 to provide that the term of the Mayor elected in 2000 was extended to January 2003, the terms of the two City Council members elected in 1998 were extended until January 2003, and the terms of the two City Council members elected in 2000 were extended to January 2005. Since the amendments, the Mayor and each City Council member holds office for four years, with the qualified voters electing a Mayor and/or two Council members at staggered elections held every two years beginning in May 2002. The Mayor serves as President of the Council and as the City's chief elected official.

All ordinances, resolutions and orders require the affirmative vote of a majority of all members of the Council to be adopted.

The Mayor and City Council are empowered to appoint a City Administrator who is the head of the Administrative Branch of the City Government. He is chosen based upon his educational and administrative background, and serves at the pleasure of the Mayor and City Council.

The City Administrator's duties and responsibilities include the appointment and removal of all officers and employees, the supervision of the administration of the affairs of the City, the making of such recommendations to the Mayor and City Council concerning the affairs of the City as may seem to him desirable, the preparation and submission of an annual budget estimate to the Council, and the performance of such other duties as may be prescribed by Charter or required of him by ordinance, resolution or order of the Mayor and City Council.

Certain City Officials

Brian K. Grim, Mayor, was elected to the City Council in 2008 and was elected as Mayor in 2010. Mr. Grim is currently the concession manager at Rocky Gap State Park.

Mary Beth Pirolozzi, Councilwoman, was appointed to the City Council in September 2007 to fill the unexpired term of a Council member who had resigned and elected to serve a full term in 2008. She is currently employed by the United Way of Allegany County, Maryland.

David F. Kauffman, Councilman, was elected to the City Council in 2010. Mr. Kauffman opened Kauffman Music, LLC in the summer of 2000 in Cumberland, Maryland.

Nicholas Scarpelli, Councilman, was elected to the City Council in 2010. Mr. Scarpelli is a native of Cumberland and has worked at his family's funeral business for over 30 years. He has a degree in Mortuary Science, an M.B.A. from Frostburg State University and a bachelor's degree from James Madison University.

Harold L. Hendershot, Jr., Councilman, was elected to the City Council in 1994 and re-elected in 1998, 2002, 2006 and 2010; Mr. Hendershot was elected in 2010 to fill the unexpired term of Councilman Brian K. Grim, who had resigned his City Council seat to run for the office of Mayor. Mr. Hendershot graduated with a B.S. degree from Frostburg State University in 1985 and is employed as Director of Residential Services with Archway Station, Inc.

Jeffrey D. Rhodes, Acting City Administrator, graduated from Frostburg State University with a Master of Business Administration degree and from West Virginia University with a Bachelor of Science degree. Mr. Rhodes has been employed by the City since 1998 and has over 20 years of experience in municipal administration and management. Mr. Rhodes assumed the role of Acting City Administrator on July 1, 2011 and continues to hold his appointment as the Director of Administrative Services.

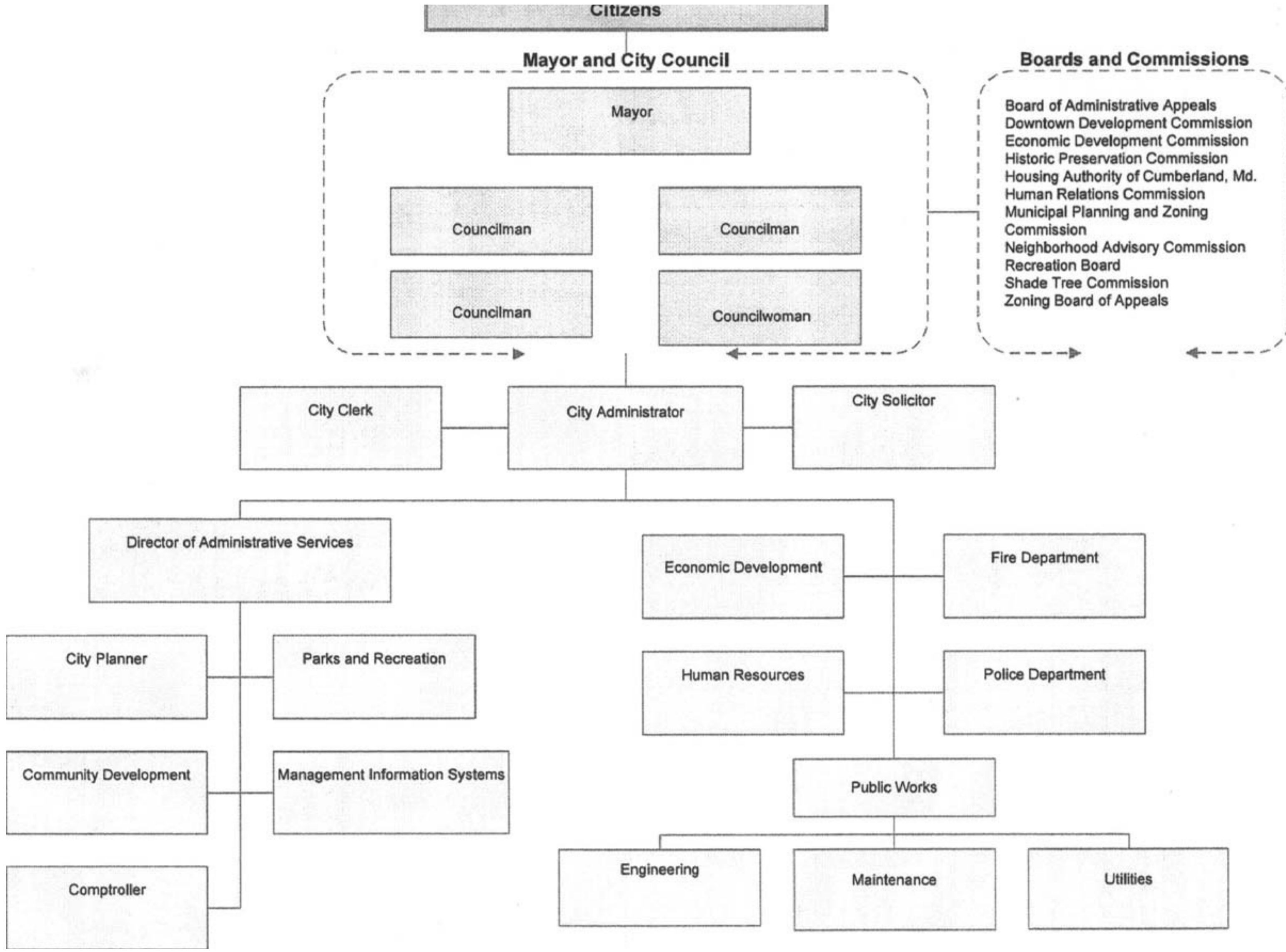
Margie A. Eirich, City Clerk, graduated from Frostburg State University in 1986 with a Bachelor of Science degree and has served in several positions in the City, including 12 years as Executive Administrative Assistant to the City Administrator. Ms. Eirich was appointed on May 1, 2008 to the position of City Clerk.

Joseph D. Urban, Comptroller, is a Certified Public Accountant, and graduated from the University of Baltimore with a Master of Business Administration degree and from Towson State University with a Bachelor of Science degree in Business Administration. Mr. Urban has been employed by the City since October 2006 and has over 30 years of experience in financial administration and governmental accounting.

The City's organizational chart appears on the next page.

City of Cumberland Organization Chart

April 2011



Pension and Retirement System

City employees other than uniformed police officers participate in one of two retirement programs maintained by the State of Maryland: the Employees' Retirement System and the Employees' Pension System. Employees who are employed after December 31, 1979 must join the Pension System, and others who are members of the Retirement System may elect to join the Pension System. Under legislation enacted by the General Assembly of Maryland in 1984, members of the Retirement System who do not elect to join the Pension System will receive benefits for service to July 1, 1984 calculated under the Retirement System, and benefits for service after that date under the Pension System, unless the member elects to receive benefits under the Retirement System, but subject to a limitation of 5% (compounded) on the annual cost-of-living adjustment, but with an increase in the rate of the member's contribution to that system from 5% to 7% of compensation.

The City elected to join the Alternate Contributory Pension Selection (ACPS) of the Employees' Pension System that 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 City's participation for uniformed police officers was transferred from the LFPS to the Law Enforcement Officers' Pension System (LEOPS). In connection with its entry into the LEOPS, the State allowed the City to make a lump sum payment to fund its special accrued liability contribution for participating employees.

As of July 1, 2011, six City employees were members of the Retirement System, 189 were members of the Pension System and 50 were members of the LEOPS.

The Employees' Retirement System and the Employees' Pension System are both jointly contributory. Members of the Retirement System, depending upon which option they choose, contribute 5% or 7% of their compensation. Members of the Pension System contribute 5% of that part of their compensation that is in excess of the F.I.C.A. taxable wage base. Members of the LEOPS contribute 4% of their earnable compensation.

The Employees' Retirement System provides annual pensions for members who retire after the normal retirement age of 60 or after 30 years of credited service, whichever comes first. The benefit paid is equal to 1/55 of the average compensation for the three highest paid years before retirement multiplied by the total years of service, adjusted each year after retirement to reflect increases in the cost of living as evidenced by changes in the Consumer Price Index. However, as indicated above, the benefits of members of the Retirement System for service after July 1, 1984 are calculated under the Pension System, unless the member elects either to increase his or her rate of contribution from 5% to 7% of compensation or agrees to a maximum annual cost-of-living increase of 5%.

Annual retirement benefits payable under Employees' Pension System differ from the benefits payable under the Employees' Retirement System in that the Pension System, by use of the "excess integration" approach, takes into account Social Security benefits and in that cost-of-living adjustments under the Pension System are limited. A pension is payable to a member of the Pension System reaching the age of 62 and is computed as 0.8% of that part of the member's highest average annual compensation for three consecutive years that does not exceed the Social Security integration level, plus 1.5% of that part of such compensation which exceeds the Social Security integration level, each multiplied by the number of years of service. The benefits paid to members will be adjusted annually for increases in the cost-of-living as evidenced by changes in the Consumer Price Index, but the adjustment in any year may not exceed 3% of the initial retirement allowance.

A pension is payable to an employee who is a member of the LEOPS reaching either the age of 50 or 25 years of eligible service. The total Basic Allowance for members of the LEOPS equals 2% of the average final compensation for each year of creditable service up to a maximum of 30 years. LEOPS retirees receive a cost of living adjustment based on their current allowance and the system limits the increase a member may receive to a maximum of 3%.

The following tables present the City's contributions for the various retirement and pension systems for the five most recent fiscal years for which audited information is available:

Employees' Retirement and Pension Systems

Fiscal Year	Retirement System	Pension System	LEOPS System [1]	Unfunded Liability [2]
2010………....	$82,477	$961,264	$669,643	
2009………..	$107,122	$911,017	$797,760	$155,913
2008………..	$142,719	$992,535	$522,506	$148,489
2007………..	$127,210	$587,557	$473,393	$141,418
2006………..	$99,910	$520,100	$500,875	$134,684

Source: City of Cumberland Comprehensive Annual Financial Report for Fiscal Year 2010 - Financial Statements.

[1] Obligation was to the Police & Fire System in fiscal years 2006-2009.

[2] This liability was prepaid from a May 2009 general obligation bond issue.

In December 2010 the City made the following contributions for fiscal year 2011: (i) $1,202,076 to the Retirement and Pension Systems, and (ii) $711,846 to the LEOPS (uniformed police officers having been transferred from the LFPS to the LEOPS as of July 1, 2008).

Other Post-Employment Benefits

The City provides its retirees with other post-employment benefits ("OPEB") which historically have been funded on a pay-as-you-go basis.

Plan Description. The City sponsors a single-employer post-retirement medical plan administered by the City. 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 and City Council. The plan does not issue a publicly available report.

Funding Policy. The contribution requirements of plan members and the City are established and may be amended by the Mayor and City Council. 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).

OPEB benefits were phased out by June 30, 2011 except for a small group of grandfathered retirees. Amortization periods have been adjusted to reflect the pending cessation of the City's supplementation of these post-retirement benefits.

Annual OPEB Cost and Net OPEB Obligation. The City's annual 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 22.32% 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	$168,995
Interest on Net OPEB Obligation	6,441
Adjustment to Annual Required Contribution	(19,591)
Annual OPEB Cost (Expense)	$155,845
Contributions Made	(245,652)
Increase/(Decrease) in Net Obligation	(89,807)
Net OPEB Obligation	$ 85,983
Net OPEB Obligation	(3,824)

Source: City of Cumberland – Other Post-Retirement Benefits under GASB-45 Actuarial Valuation Report for year ending June 30, 2010.

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
6/30/2010	$155,845	157.6%	($3,824)
6/30/2009	549,149	84.3	85,983

Source: City of Cumberland – Other Post-Retirement Benefits under GASB-45 Actuarial Valuation Report for year ending June 30, 2010.

Funded Status and Funding Progress. As of July 1, 2009, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was $601,049 and the actuarial value of assets was $0 resulting in an unfunded actuarial accrued liability (UAAL) of $601,049. The covered payroll (annual payroll of active employees covered by the plan) was $757,004 and the ratio of the UAAL to the covered payroll was 79.4%.

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 for fiscal year 2010 set forth in Appendix C to this Official Statement, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the July 1, 2009 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. 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, 2009 was five 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.

Labor Relations

The City employs approximately 290 full-time permanent employees. The City has a civil service system. The City maintains collective bargaining agreements with (i) public works employees represented by Local #553, AFSCME ("American Federation of State, County and Municipal Employees"), AFL-CIO, with 82 members; (ii) firemen represented by Local #1715, I.A.F.F. ("International Association of Fire Fighters"), AFL-CIO, with 65 members; and (iii) police represented by Lodge #90, Fraternal Order of Police, with 45 members. The City Administrator, City Solicitor, Chief of Police, Fire Chief, Director of Public Works and Director of Administrative Services serve as professional contract employees.

Each of the bargaining units is working under a three-year contract. The contract for Local #553, AFSCME expired on June 30, 2011; the contract with Local #1715, I.A.F.F expired June 30, 2011 and the contract with Lodge #90, FOP expires on June 30, 2012. The contracts with Local #553, AFSCME and Local #1715, I.A.F.F. will continue in effect until the City and the bargaining units enter into new contract agreements. Although the City expects to enter into discussions with such bargaining units in the near future, the City anticipates that the contracts that expired on June 30, 2011 will remain in effect for an extended period of time. The City recently negotiated a special amendment of the contract with Local #1715 to cover the "SAFER" Grant where the funding for eight (8) firefighters is provided through grant funds for the first two years and where the Ctiy agrees to fund the third year for these eight positions. The City has not experienced a work stoppage since August 1981, when fire fighters engaged in a four-day strike. Labor-Management Committees exist in the Public Works Department and the Fire Department and such a Committee representing clerical-technical employees has been formed. The existence of these Committees, composed of labor and management personnel, represents a cooperative effort to solve problems and to reduce grievances and disputes.

The Administration of the City believes its labor relations are satisfactory.

Leases and Other Contracts

The City has a contract with International Business Machines Corporation for a AS/400 computer which is being used for such operations as budgetary and project accounting, budget preparation, payroll, water and sewer billing, and inventory control. The charge for this equipment is $2,468 monthly, with provision for termination upon 30 days' written notice.

In addition to contracts for goods and services performed in the ordinary course of business of the City, the City is a party to numerous other contracts, primarily with engineers, architects and contractors, relating to capital projects.

The City is party to numerous leases/contracts under which payments accrue to the City. Included are rental of space in municipal buildings, and the provision of water and sewer service to non-City customers.

The City utilizes capital leases to provide funding for the acquisition of capital equipment on a rolling basis, and such leases are routinely for five year periods. The balance of outstanding capital leases for the governmental fund and enterprise funds as of June 30, 2010 were $3,278,349 and $2,952,059, respectively. The annual payments, including principal and interest, for the governmental and enterprise funds for fiscal year 2010 were $572,711 and $340,523, respectively. The budgeted payments for leases for the governmental and enterprise funds for fiscal year 2011 were $426,431 and $307,737, respectively.

Budget

The City's annual budget includes an operating budget and identification of capital projects proposed to be undertaken in the ensuing fiscal year along with an accompanying message. It is prepared by the City Administrator pursuant to the requirements of the City Charter, with assistance from the Comptroller and Finance Department staff. The current operating budget is submitted in April and adopted in June prior to the start of the fiscal year. Between those dates the Mayor and City Council conduct budget review meetings and hold a formal public hearing on the proposed budget.

The annual budget is based upon estimated revenues and expenditures of operation for the ensuing fiscal year submitted by the head of each office, department, or commission of the City government. The budget contains the following information for the general fund (principal operating fund) and all other special purpose funds of the City:

(1) a statement of all revenue estimated to be received by the City during the ensuing fiscal year, classified to show the receipts by funds and sources of income;

(2) a statement of debt service requirements for the ensuing fiscal year;

(3) a statement of the estimated surplus, if any, available for expenditure during the ensuing fiscal year; and

(4) a comparative statement of the receipts and expenditures for the last two completed fiscal years, the estimated receipts and expenditures of the current fiscal year, and the expenditures approved by the Mayor and City Council for the ensuing fiscal year for each program or project which must be classified by fund and function.

Variance reports of actual revenues and expenditures versus budgeted revenues and expenditures are prepared by the Comptroller on a monthly basis. Additionally, individual offices, departments, and commissions of the City review on a monthly basis all events affecting their budgetary estimates and can request supplemental appropriations to increase their budgetary allowances. The Mayor and City Council in turn has the power to grant or deny such requests.

Basis of Accounting

All City governmental funds and Expendable Trust Funds are accounted for using the modified accrual basis of accounting. Revenues in these funds are recognized when they become measurable and available as net current assets.

Expenditures are recognized under the modified accrual basis of accounting when the related fund liability is incurred.

All proprietary funds are accounted for using the accrual basis of accounting. Proprietary fund revenues are recognized when they are earned and their expenses are recognized when they are incurred. Unbilled Water Fund and Sewer Fund utility service receivables are recorded at year end.

CERTAIN SERVICES AND RESPONSIBILITIES

Education

The public school system serving the City is administered by the Allegany County Superintendent of Schools and his staff, under the direction of the Board of Education of Allegany County. The Board of Education, which consists of five elected members, together with the Superintendent of Schools determines basic policy for the school system. The City provides no direct funding.

Police and Fire

The City of Cumberland Police Department provides police protection within the eight square miles of the City limits and consists of 50 sworn officers of various ranks, divided into three basic shifts, and an investigation unit, to provide a 24-hour service. The Police Department also has eight civilian employees, who perform various clerical and communication functions.

Fire protection for the City is provided by a paid Fire Department of 56 fire personnel and one civilian operating out of three stations. The Department also provides an Emergency Rescue Service with two fully equipped ambulances. The Fire Department is financed completely by the City, with the exception of $51,000 per year received from Allegany County.

Utilities

Water and sewage services are provided to the residents of the City and surrounding areas of Allegany County. Residents of certain nearby communities in West Virginia and Pennsylvania also receive water service from the City.

The City’s water supply and production facilities, which are located in Pennsylvania, consist of two reservoirs (Lake Gordon and Lake Koon) and a water filtration plant having a rated design capacity of 18 million gallons per day. The City’s wastewater treatment plant, which provides both primary and secondary treatment, has a rated capacity of 15 million gallons per day. Average water production is currently about 7½ million gallons per day, and the average daily volume of sewage treated is approximately 10 million gallons.

In compliance with a directive of the Pennsylvania Department of Environmental Resources, the City undertook a capital improvements project to bring the dam at its Lake Gordon reservoir, constructed in 1910, into compliance with current federal dam safety regulations. This project was completed in 1993. In addition, the City has undertaken a capital improvements project to provide treatment of filter backwash water prior to its discharge from the City's Water Filtration Plant and to relieve filter clogging at the plant that reduced the plant's capacity to supply water. The City elected to solve both of these problems by providing Dissolved Air Flotation ("DAF") pretreatment as an intermediate step between the Lake Gordon reservoir and the Water Filtration Plant. The DAF unit removes the vast majority of filter clogging matter prior to the water being filtered. The float matter is discharged directly to a drying bed. Because the water is pretreated, filter runs were extended and backwash water was reduced. Filter backwash treatment is provided by a concrete settling basin. As part of the project, the City installed washwater treatment basins, drying beds and DAF pretreatment units.

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 ("MDE"). 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 fiscal year 2006. 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 Maryland Water Quality Financing Administration ("MWQFA") state revolving fund loans ("SRF").

The City has committed to provide Enhanced Nutrient Removal (ENR) at the City's Wastewater Treatment Plant. Engineering was completed in fiscal year 2009 and construction began in fiscal year 2010, and was completed in fiscal year 2011. The total cost of this major project is $35,146,609. 73% of the project cost was funded through State of Maryland's ENR Program; the local share of 27% was funded through SRF. In July 2009 (fiscal year 2010), the City was awarded federal stimulus money of $6 million through the American Recovery and Reinvestment Act (ARRA) which was administered by MWQFA. This stimulus money was used to fund the 27% of the local share of the ENR project and is the form of a forgivable loan from MWQFA.

Historically the City has maintained a separate Water Fund and a separate Sewer Fund to record revenues and expenditures associated with these services. These funds are operated on an enterprise fund accounting basis, utilizing the full accrual basis of accounting and providing for such elements as depreciation, rate of return from extra-territorial sales and payments in lieu of taxes.

Water and sewer charges are set through ordinances enacted by the Mayor and City Council. In fiscal year 2005, the City engaged the services of a consultant to determine the cost of service, identify revenue requirements, and design a rate structure for water and sewer that is consistent with the City's goals and objectives. During fiscal year 2005, the City received the consultant's report and implemented a different billing methodology that will provide the City with the ability to collect the required revenue from each customer class to recover the costs of providing water and sewer service.

The City's current water and sewer rates are provided in the following tables:

Water Rates

Decreasing Block Rate Structure w/ Ready-to-Serve

	Monthly Customers	
	Inside	Outside
Ready-to-serve Charge: 0 - 100cf	$ 4.43	$ 6.65
Level 1: 101 - 1,000 cu.ft.		
Rate (cubic feet) =	0.0404	0.0606
Level 2: 1,001 cu.ft - 200,000 cu.ft.		
Rate (cubic feet) =	0.0323	0.0452
Level 3: 200,001 cu.ft - 1,334,000 cu.ft.		
Rate (cubic feet) =	0.0256	0.0384
Level 4: 1,334,001 cu.ft - 2,500,000 cu.ft.		
Rate (cubic feet) =	0.01161	0.01161
Level 5: over 2,500,000 cu.ft.		
Rate (cubic feet) =	0.00281	0.00281

Source: City Ordinance No. 3616.

Sewer Rates

Rate Structure w/ Ready-to-Serve

	Monthly Customers	
	Inside	Outside
Ready-to-serve Charge per EDU =	$ 5.91	$ 8.86
Rate (cubic feet) =	0.0471	0.0705

Source: City Ordinance No. 3617.

Refuse collection and disposal service is provided under contract between the City and a private hauler. Service is provided within the City limits to residential, commercial and industrial customers according to the following rate schedule:

Municipal Solid Waste Rates

	Monthly Customers
Residential	$10.40
Commercial	19.78
Industrial	19.78
Tax Exempt	10.40

Source: City Ordinance No. 3618.

Public Works and Engineering

Besides water and sewer services, the City's Public Works/Engineering Department also has a full range of municipal service responsibilities, including repair and maintenance of over 100 miles of City streets, as well as municipal buildings and vehicles. The Department also maintains the municipal airport and a federally constructed flood control project consisting of 1.6 miles of concrete channel, levees, flood walls and pumping stations.

Street lighting is provided under contract with the local electric utility.

Parks and Recreation

Recreational activities are provided by the Cumberland Parks and Recreation Department. Utilizing the City's athletic complexes and parks, public school buildings, and the municipal pool, the Department offers a variety of activities throughout the year for all segments of the population.

Among the City's recreational assets are a pool, 129 acres of park land, 17 playing fields, 15 playgrounds, eight tennis courts, picnic pavilions and an amphitheater.

Community Development

The Community Development staff administers the Federal Community Development Block Grant Program, provides housing assistance, ensures preservation of historic structures and the historical district, performs code enforcement activities, performs housing inspections, and manages the building permit process and inspections.

Planning and Zoning

The Cumberland Municipal Planning and Zoning Commission was established in 1943 by the Mayor and City Council. The five Commission members are appointed by the Mayor and City Council for five-year terms and serve in an advisory capacity.

In 1944, Cumberland adopted a Zoning Ordinance, which was comprehensively amended in 1964, 1974, 1985, 1996, 2002 and most recently in 2006. The City also completed comprehensive updates to the Comprehensive Plan in 1996 and 2004.

Historic Preservation Regulations were included in the 1974 Zoning Ordinance, and in 1978 the Historic Preservation Commission was established to work in an advisory capacity to the Municipal Planning and Zoning Commission. In 1996 the Commission adopted Design and Preservation Guidelines and became Maryland's first Certified Heritage Area. Those guidelines were amended in 2005.

CERTAIN DEMOGRAPHIC AND ECONOMIC FACTORS

Population

The City's population has declined over the past several decades, as is shown in the following table:

Year	City of Cumberland	Allegany County
2010	20,968	75,087
2000	21,518	74,930
1990	23,706	74,946
1980	25,933	80,548
1970	29,724	84,044

Source: U.S. Department of Commerce, U.S. Census Bureau.

Income

The U.S. Census Bureau reported the median Allegany family income for 2009 to be $37,151. Certain comparison figures are as follows:

Allegany County	$37,151
Garrett County	42,320
Washington County	48,883
State of Maryland	69,193
United States	50,223

Source: U.S. Census 2010, Quick Facts.

Employment

Employment and unemployment figures are available on a county-wide basis only. The following table sets forth Allegany County's unemployment rate as compared with the two other Western Maryland counties, the State of Maryland and the United States for the years 2006-2010.

Average Annual Unemployment Rate

	2010	2009	2008	2007	2006
Allegany County	9.2%	8.7%	5.5%	5.2%	5.5%
Garrett County	8.1	7.9	4.7	4.5	4.7
Washington County	10.3	9.9	5.0	4.5	4.4
State of Maryland	7.5	7.1	3.8	3.6	3.8
United States	9.5	9.1	5.2	4.6	4.6

Source: Maryland Department of Labor, Licensing and Regulation, Office of Labor Market Analysis and Information.
U.S. Department of Labor, Bureau of Labor Statistics.

The 10 largest employers in the City for which employment figures are available are listed below:

Ten Largest Employers

Company	Employees As of March 31, 2009
Western Maryland Health System	2,350
CSX Transportation	800
Allegany College of Maryland	568
Friends Aware Industries	158
CareFirst BC/BS of Maryland	151
Cumberland Times-News	136
PharmaCare	132
CBIZ Insurance	125
Verizon	65
M & T Bank	63

Source: Allegany County Economic Development Office, 2009.

Construction Activity

Construction activity in the City over the past four calendar years, as reflected in building permits issued, is shown on the following table:

	2010 Issued	2010 Value	2009 Issued	2009 Value	2008 Issued	2008 Value	2007 Issued	2007 Value	2006 Issued	2006 Value
Residential	43	$16,902,316	34	$1,156,302	54	$7,275,039	45	$2,034,514	104	$7,275,039
Commercial	45	$13,517,100	30	$20,210,138	27	$28,073,590	29	$237,472,069	41	$13,082,211
Total New Construction	**88**	**$30,419,416**	**64**	**$21,366,440**	**81**	**$33,167,434**	**74**	**$239,506,583**	**145**	**$20,357,250**

Source: City of Cumberland Uniform Financial Reports for Fiscal Years 2006-2010.
Note: Calendar year 2007 activity includes construction of the new Western Maryland Health System facility with an estimated value of $158,570,000.

CITY REVENUES AND EXPENDITURES

The City's principal sources of revenue are taxes, water sales revenue and sewerage charges which combined represent approximately 71.5% of total revenues in fiscal year 2011. The balance of revenue is comprised of federal housing assistance, municipal parking, non-major proprietary and non-major governmental funding.

In accordance with the general practice of governmental units, the City records its transactions under various funds. The largest, the General Fund, is that from which all general costs of City government are paid and to which taxes and other revenues, not specifically directed by law to be recorded in special funds, are recorded. In addition to the General Fund, several special funds receive revenues from particular sources for specific purposes, all as prescribed by law.

The following table indicates the City's General Fund revenues and expenditures and changes in fund balances for each of the City's five most recent fiscal years ended June 30 for which audited information is available:

General Fund
Statement of Revenues, Expenditures
And Changes in Fund Balances

	2006	2007	2008	2009	2010
Revenues					
Taxes	$ 8,445,424	$ 8,652,112	$ 8,779,740	$ 9,799,768	$ 10,353,170
Licenses and permits	189,907	1,129,714	274,909	236,101	288,312
Intergovernmental	7,215,047	7,393,334	8,009,375	8,205,565	7,968,020
Charges for Services	1,123,787	1,210,380	1,331,927	1,605,836	1,336,093
Fines and Forfeitures	793	25	375	500	1,810
Interest	95,332	140,472	118,953	124,986	108,498
Miscellaneous	563,407	677,262	536,508	797,017	565,979
Total revenue	17,633,697	19,203,299	19,051,787	20,769,773	20,621,882
Expenditures					
Current Operations					
General Government	1,848,084	2,049,116	2,203,636	2,206,697	1,897,553
Public Safety	9,601,532	10,008,301	10,364,099	10,670,154	10,266,999
Public Works	2,467,915	2,608,485	3,087,626	2,486,053	2,435,387
Recreation	1,138,786	1,008,340	1,147,048	1,009,605	872,041
Community development and housing	3,505,883	3,362,049	4,090,933	5,449,267	5,287,740
Capital Outlay	116,420	916,129	2,077,914	930,412	1,502,551
Debt Service					
Principal	790,555	763,831	902,588	1,164,828	1,181,844
Interest	261,936	299,992	332,758	717,536	1,011,608
Bond issue costs	7,998	8,007		294,690	
Total Expenditures	19,739,109	21,024,250	24,206,602	24,929,242	24,455,723
Excess (deficiency) revenue over expenditures	($2,105,412)	($1,820,951)	($5,154,815)	($4,159,469)	($3,833,841)
Other Financing Sources (Uses)					
Transfers-in	1,185,643	2,297,823	1,647,212	2,477,328	2,637,175
Transfers-out	(47,956)	(511,711)	(481,787)	(683,366)	(472,516)
Financing Proceeds	1,057,100	3,118,258	2,280,600	9,154,872	
Refunding Proceeds	417,144	1,226,597		3,636,221	
Payment to refund bonds	(398,377)	(1,198,352)		(3,148,677)	
Total Other Financing Sources (Uses)	2,213,554	4,932,615	3,446,025	11,436,378	2,164,659
Net change in fund balances	**$108,142**	**$3,111,664**	**($1,708,790)**	**$7,276,909**	**($1,669,182)**
Debt Service as percentage of non-capital expenditures	5.70%	5.44%	5.84%	8.00%	9.79%

Note: Expenditures for Capital Assets are reported above as "Capital Outlays", as well as departmental expenditures.
The total expenditures for capital assests is utlized for computing the ratio above.

	2006	2007	2008	2009	2010
Total Expenditures for Capital Assets	**$1,272,265**	**$1,454,302**	**$3,036,705**	**$1,413,617**	**$2,058,085**

Source: City of Cumberland Comprehrensive Annual Financial Report for Fiscal Year 2010 - Financial Statements.

Tax Revenues by Source

The following table presents the City's General Fund tax revenues by source for each of the five most recent fiscal years ended June 30 for which such information is available:

Tax Revenues by Source

	Total Taxes	Local Property Taxes (1)	Income Taxes	Other Taxes
2010	$11,493,207	$9,902,861	$1,460,972	$129,374
2009	10,921,004	9,395,356	1,360,525	165,123
2008	9,733,206	8,324,725	1,367,249	41,232
2007	9,667,616	8,308,004	1,316,374	43,238
2006	9,372,493	8,158,193	1,189,395	24,905

(1) Includes additions, and abatements, penalties, interest, and credits.
Source: City of Cumberland Uniform Financial Reports for Fiscal Years 2006-2010.

General Property Taxes

Under the Charter, the Mayor and City Council have the power to levy and collect a tax on the assessable property of the City for the general purposes of the City, not exceeding in any one year $1.00 on each $100 worth of assessable real property, and, in addition, to levy and collect such a tax on the assessable property of the City as may be necessary to pay the interest on all outstanding City bonds, and to provide a fund for the redemption and payment thereof at maturity.

Property Taxes and Assessments

The assessment of all real and tangible personal property for purposes of property taxation by the City is the sole responsibility of the State Department of Assessment and Taxation, an independent State agency (the "Department").

Real property is assessed at market value (full cash value). The State maintains a triennial assessment system under which all real property in the State is physically inspected and its full market value determined once every three years. If an inspected property has increased in market value since its last inspection, the increase is phased into the determination of assessed valuation over the ensuing three years by increasing the property's "market value" subject to taxation in three equal annual increments.

Tangible personal property and manufacturing inventory of businesses are assessed at fair market value with no inflation allowance, determined from annual reports filed with the Department. Public utility property is assessed at fair market value determined by reference to both income and property values.

Exemptions from property taxation include public property, property owned by religious groups or organizations for public religious worship, property owned by charitable, fraternal, benevolent, educational, and literary organizations, operating property owned by railroads and transportation companies, tangible personal property of savings institutions and commercial banks, vessels, aircraft and motor vehicles, farming implements, livestock, certain agricultural products and commodities, and all personal property located at a taxpayer's place of residence other than property used in connection with any business, occupation or profession.

Under the City Code, the City Council may exempt from taxation for a period of up to 10 years the real and personal property of any new manufacturing, fabricating, or assembling industry that locates in the City.

The following table sets forth the assessed value of all property subject to taxation by the City for fiscal years 2006-2010, and the City tax rate applicable in each of those years. Tax exempt properties owned by federal, State and local governments, churches, schools, etc. are not included in the table. Such tax exempt properties aggregated approximately $339,601,711 in fiscal year 2010.

Assessed Value	2010	2009	2008	2007	2006
Real Property	$786,812,202	$721,894,655	$675,560,720	$651,505,538	$607,847,477
Half Year Real Property	16,944,050	208,390	151,265	4,560,091	1,852,064
Personal Property	44,049,615	35,532,594	77,442,050	36,286,408	45,854,245
Privately Owned Railroads & Public Utilities	34,788,640	38,538,100	37,694,880	42,019,704	41,165,849
Total Base	$882,594,507	$796,173,739	$790,848,915	$734,371,741	$696,719,635
City Real Property Tax Rate	0.9654	0.9654	0.9479	0.9479	0.8720
(Per $100 assessed Value)	7,595,885	6,969,171	6,403,640	6,175,621	5,300,430
City Real Property Tax Rate(Half Year)	0.4827	0.4827	0.436	0.4360	0.4360
(Per $100 assessed Value)	81,789	1,006	660	19,882	8,075
City Personal Property & Public Utility Tax Rate	2.648	2.648	2.568	2.568	2.568
(Per $100 assessed Value)	2,087,637	1,961,392	2,956,716	2,010,901	2,234,676
Total City Tax Levy	**$9,765,311**	**$8,931,569**	**$9,361,016**	**$8,206,404**	**$7,543,181**

Source: City of Cumberland Finance Department.

Assessable property in the City is also subject to taxation by Allegany County and by the State of Maryland to provide for the costs of services rendered, and debt incurred by those governments. The County's real property tax rates per $100 of assessed value for fiscal years 2004, 2005, 2006, 2007, 2008, 2009 and 2010 were respectively: $1.0000, $1.0007, $1.0007, $0.9829 , $0.9829 , $0.9829 and $.9829; the State's real property tax rates for the same fiscal years were respectively: $0.132, $0.132, $0.112, $0.112, $0.112 , $0.112 and $0.112.

The City's fiscal year 2011 real property tax rate per $100 of assessed value was $0.9654 and its personal property tax rate per $100 of assessed value was $2.648; the fiscal year 2011 real property rates per $100 of assessed value for the County and State were $0.9829 and $0.112, respectively. The City's fiscal year 2012 budgeted real property and personal property tax rates per $100 of assessed value are $0.9654 and $2.648, respectively, and the County's and the State's budgeted real property tax rates per $100 of assessed value for fiscal year 2012 are $0.9819 and $0.112, respectively.

A Charter amendment adopted in 1977 authorized the Mayor and City Council to create a Special Taxing District and to levy additional ad valorem real property taxes on property within that District for the purpose of financing the establishment of a pedestrian mall in the central business district of the City. The Special Taxing District is divided into two benefit districts: the Primary Benefit District (properties fronting on the pedestrian mall) and the Secondary Benefit District (certain other properties in the vicinity). The additional property taxes authorized to be levied in the Special Taxing District may not exceed $1.30 per $100 of assessed value in the Primary Benefit District or $0.80 per $100 of assessed value in the Secondary Benefit District.

For fiscal year 2010, additional real property taxes at the rate of $0.456 per $100 of assessed value were levied on property in the Primary Benefit District, which had a total assessed valuation of $28,316,059 and additional real property taxes at the rate of $0.268 per $100 of assessed value were levied on property in the Secondary Benefit District, which had a total assessed valuation of $31,833,336.

City taxes are due and payable as of July 1 of each fiscal year. The City does not allow any discounts for tax payments made before the due date, but the City does assess a 2% penalty per month for the late payment of taxes. The City allows owner-occupied residential property owners to make semi-annual tax payments, which are due by September 30th and December 31st of each year. The City records property tax revenues as taxes are billed and defers a portion of the revenues which amounts to the taxes that are not collected within the current fiscal year and 60 days thereafter in accordance with Governmental Accounting Standards Board Statement 33, non-exchange revenue. Beginning October 1 interest and penalty (at the rate of 2.0% per month) is charged for each month or fraction thereof during which taxes remain unpaid. Delinquent taxes are satisfied, after prior notice, at public auction in the second year of delinquency.

The following table sets forth certain information with respect to the City's tax levies and tax collections for each of the five most recent fiscal years ended June 30 for which such information is available:

City of Cumberland, Maryland
Property Tax Levies and Collections

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
2010................	$9,765,311	$8,509,422	87.14%	N/A	$8,509,422	95.18%	$1,255,889	12.86%
2009................	8,940,621	8,296,738	92.80%	295,697	8,592,435	96.11%	348,186	3.89%
2008................	6,566,258	5,933,129	90.36%	609,523	6,542,652	99.64%	23,606	0.36%
2007................	6,210,956	5,986,973	96.39%	205,525	6,192,498	99.70%	18,458	0.30%
2006................	5,315,397	5,122,796	96.38%	180,037	5,302,833	99.76%	12,564	0.24%

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: City of Cumberland Uniform Financial Reports Fiscal Years 2006-2010.

The following table sets forth real property tax rates and tax levies for the City and overlapping governments for each of the 10 most recent fiscal years ended June 30 for which such information is available:

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

Last Ten Fiscal Years

	Tax Rate per $100 of Assessed Value				Tax Levies			
Fiscal Year Ended 30-Jun	City	County	State	Total	City	County	State	Total
2010.....	0.9654	0.9829	0.112	2.06	$7,595,884	$7,733,576	$881,230	$16,210,690
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
2004.....	0.872	1.00	0.132	2.00	$4,983,126	$6,486,420	$856,207	$12,325,753
2003.....	0.872	0.9838	0.132	1.99	$4,759,251	$6,210,960	$833,346	$11,803,557
2002.....	0.872	0.984	0.084	1.94	$4,670,932	$6,085,752	$519,515	$11,276,199
2001.....	2.6	0.904	0.084	3.59	$5,430,220	$2,564,500	$238,294	$8,233,014

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 Reports.

Source: Assessed value for County and State according to the Allegany County Comprehensive Annual Financial Reports for the respective years shown.

The following table shows the City's 10 largest taxpayers and the assessed value of their taxable real property and tax levies for fiscal year 2010:

Taxpayer	Taxable Assessed Value	Taxes	Percentage of Total Assessed Value of Real Property in the City
CSX Transportation	$7,764,930	$74,963	2.12%
Canal Place Preservation	$6,794,633	$65,595	1.85%
ARC Cumberland	$6,717,700	$64,853	1.83%
Sacred Heart Hospital	$6,642,066	$64,123	1.81%
W2001 Eastern Hotel Realty LP	$5,766,900	$55,674	1.57%
S-N Realty LLC	$5,606,633	$54,126	1.53%
Allegany Healthcare Group LLC	$5,239,733	$50,584	1.43%
Perini Services-Devlin Manor	$5,117,266	$49,402	1.39%
123 South Liberty Street LLC	$4,591,333	$44,325	1.25%
Cumberland Manor Associates	$3,437,366	$33,184	0.94%
Percentage of total taxes for year			15.72%
Total	$367,094,286		

Source: City of Cumberland Finance Department.

Income Taxes

The State imposes an income tax on the adjusted gross income of individuals as determined for federal income tax purposes, subject to certain adjustments. Effective January 1, 2008, the personal State income tax rate is graduated up to 6.25%. Each county and Baltimore City must levy a local income tax at the rate of at least 1% of Maryland taxable income, but not in excess of 3.29%.

Pursuant to State law, the City receives a share of Allegany County's income tax based on the higher of two calculations: either 17% of the total local income tax liability for City residents or 0.37% of the aggregate net taxable income for City residents. In fiscal year 2010, the City received $1,460,972 from the County as the City's share of personal income tax revenues.

State and Federal Assistance

During fiscal year 2010, the City received from the State of Maryland shared revenues in the amount of $216,578 from Highway User Revenues and a grant for police protection in the amount of $473,486 for use as operating funds. For fiscal year 2011, the City budgeted receipt of $57,330 in Highway User Revenues and a $335,711 grant for police protection.

Fiscal Year 2012 Budget

On June 7, 2011, the City Council approved the budget for fiscal year 2012. The budget provides sufficient funds to meet all funding requirements of the several departments and offices of the City, and for the objects and purposes for which the City must provide.

The total assessed valuation of all real property was estimated at $896,834,367 and the real property tax rate was set at $0.9654 per $100 of assessed value.

The fiscal year 2012 budget as adopted appropriates a total of $16,804,437 to the General Fund.

The last rate increase for water service became effective on July 20, 2010 and the last increase for sewer service became effective on July 1, 2011. Rates are set to produce revenues sufficient to fund the operations of these utility services in fiscal year 2012.

Estimated General Fund revenues for fiscal year 2012 are as follows:

Property and Other Taxes	$11,067,916
Licenses and Permits	172,600
Intergovernmental Revenues	2,515,833
Charges for Services	1,558,390
All Other Revenues	513,968
Total Revenues	16,784,462
Inter-fund Transfers	976,000
Total Funding Sources	$16,804,437

Source: City of Cumberland Finance Department.

Appropriations by fund for fiscal year 2012 are as follows:

General Fund	$16,804,437
Special Purpose Funds	4,222,338
Water and Sewer Funds	14,904,023
Total Appropriations	35,930,798
Less Interfund Transfers	976,000
Adjusted Appropriations	$34,954,798

Source: City of Cumberland Finance Department.

Fiscal Year 2011 Expected Results

Revenues collected to date for fiscal year 2011 were consistent with the initial budgeted amounts. The collection of property tax revenues shows a decrease in the amount of outstanding current revenues from $863,998 for June 30, 2010 to $529,219 for June 30, 2011. At June 30, 2010 the City collected 97.8% of the budgeted income tax revenue in the amount of $1,337,918 and for June 30, 2011, the City collected 104% of the budgeted income tax revenue in the amount of $1,416,370. The City was proactive with its approach to managing expenditures at the start of fiscal year 2011, and during the last half of fiscal year 2011 the City limited all expenditures to those that were deemed necessary and essential. The City expects to close fiscal year 2011 with a nominal surplus. The enterprise operations of the City (Water, Sewer, Trash, Parking and Property Rental) are all expected to close the year with a surplus in each fund.

In recent years, the City has continued to experience a nominal increase in the assessable real property tax base. For fiscal year 2010, the net assessable real property tax base was $819,407,161 and for fiscal year 2011, the net assessable real property tax base was $861,731,365, an increase of $42,324,204 over fiscal year 2010. This is primarily due to the fact that the City has been insulated from the spikes in property values experienced in other jurisdictions in Maryland and in other areas of the country. For fiscal year 2011, the State of Maryland reduced the City's allocation of the Highway User Revenues from $1,300,259 to $57,330, a reduction of $1,249,929, which resulted in a corresponding decrease in street maintenance operating expenditures in fiscal year 2011.

The following tables set forth the revenues and expenditures for the Water Fund and the Sewer Fund for each of the five most recent fiscal years ended June 30 for which such information is available:

City of Cumberland
Water Fund
Summary of Revenues and Expenditures
(Unaudited)

	Fiscal Years Ended June 30				
Operating Revenues:	**2010**	**2009**	**2008**	**2007**	**2006**
Charges for Services:					
Domestic	$2,690,062	$2,919,667	$2,551,030	$2,546,703	$2,462,390
Industrial	2,320,721	2,286,093	2,133,514	1,985,003	1,940,905
Sanitary Commissions	-	-	-	-	-
Water Companies	2,740,312	2,806,629	2,683,056	2,628,066	2,487,631
Rents/Concessions	-	-	-	-	-
Connection Charges	172,161	79,959	132,296	32,678	36,509
Other	56,812	47,495	124,642	77,955	129,268
Total Operation Revenues	7,980,068	8,139,843	7,624,538	7,270,405	7,056,703
Operating Expenses:					
Personal services	2,204,118	2,179,197	2,090,973	1,902,722	1,804,781
Utilities	209,193	198,599	196,979	207,325	190,111
Supplies	414,260	384,174	330,006	287,789	310,503
Repairs & Maintenance	563,152	640,179	615,755	580,131	739,606
Landfill fees	-	-	-	-	-
Depreciation	1,147,009	1,099,277	1,082,657	1,001,969	934,202
Contractual Services	119,031	98,485	104,226	118,571	80,994
Other Operating Expenses	1,061,699	1,087,052	1,063,170	1,013,834	1,065,759
Total Operating Expenses	5,718,462	5,686,963	5,483,766	5,112,341	5,125,956
Operating Income (Loss)	2,261,606	2,452,880	2,140,772	2,158,064	1,930,747
Non-Operating Revenues (Expenses):					
Interest Income	545	9,756	55,759	72,770	8,290
Interest Expense	(437,568)	(449,806)	(476,929)	(571,471)	(686,141)
Amortization Expense	(11,771)	(11,274)	(10,777)	(6,909)	(6,102)
Loss on disposal of assets	(152,404)	(13,776)	(3,209)	-	(15,555)
Total Non-Operating Income (Loss)	(601,198)	(465,100)	(435,156)	(505,610)	(699,508)
Net Income Before					
Contributions and Transfers	1,660,408	1,987,780	1,705,616	1,652,454	1,231,239
Capital Contributions	94,781	1,439,997	-	20,000	-
Assumption of Governmental debt	(17,000)	(1,270,640)	-	-	-
Assumption of other proprietary activities debt	(10,309)	-	-	-	-
Restatement for Compensated Absences	-	(415,089)	-	-	-
Operating transfers -(out)	(801,707)	-	(545,695)	(472,835)	(186,630)
Net Income (Loss)	926,173	1,742,048	1,159,921	1,199,619	1,044,609
Net assets-beginning of year	17,257,398	15,515,350	14,355,429	13,155,810	12,111,201
Net assets-end of year	$18,183,571	$17,257,398	$15,515,350	$14,355,429	$13,155,810

Source: City of Cumberland Audited Financial Statements for Fiscal Years 2006-2008 and the Comprehensive Annual Financial Reports for Fiscal Years 2009 and 2010.

City of Cumberland
Sewer Fund
Summary of Revenues and Expenditures
(Unaudited)

Operating Revenues:	2010	2009	2008	2007	2006
Charges for Services:					
Domestic	$3,043,565	$3,286,398	$2,763,192	$2,845,944	$2,815,324
Industrial	355,448	467,244	423,651	406,929	426,899
Sanitary Commissions	1,751,474	1,666,225	1,560,065	1,332,997	1,431,744
Water Companies	-	-	-	-	-
Rents/Concessions	-	-	-	-	-
Connection Charges	6,540	3,735	14,940	4,980	4,955
Other	169,556	102,603	101,529	84,080	53,230
Total Operation Revenues	5,326,583	5,526,205	4,863,377	4,674,930	4,732,152
Operating Expenses:					
Personal services	2,011,165	2,097,266	2,274,407	1,947,904	1,893,106
Utilities	418,514	391,156	347,482	309,780	295,267
Supplies	165,493	188,376	147,231	160,908	131,713
Repairs & Maintenance	254,457	336,274	300,812	306,954	281,263
Landfill fees	10,422	13,780	-	-	-
Depreciation	1,038,801	1,013,697	1,007,861	989,924	918,506
Contractual Services	481,408	255,417	272,596	285,225	300,641
Other Operating Expenses	668,457	673,305	675,382	595,159	573,497
Total Operating Expenses	5,048,717	4,969,271	5,025,771	4,595,854	4,393,993
Operating Income (Loss)	277,866	556,934	(162,394)	79,076	338,159
Non-Operating Revenues (Expenses):					
Interest Income	3,005	4,752	24,239	92,836	35,390
Interest Expense	(195,920)	(162,602)	(142,372)	(152,991)	(159,702)
Amortization Expense	(2,919)	(2,356)	(1,799)	(1,769)	(1,682)
Loss on disposal of assets	-	(37,113)	(8,042)	-	(21,273)
Total Non-Operating Income (Loss)	(195,834)	(197,319)	(127,974)	(61,924)	(147,267)
Net Income Before Contributions and Transfers	82,032	359,615	(290,368)	17,152	190,892
Capital Contributions	16,364,642	676,224	2,723,293	431,607	612,707
Restatement for Compensated Absences	-	(464,054)	-	-	-
Assumption of Governmental debt	3,051	-	-	-	-
Assumption of other proprietary activities debt	10,309	-	-	-	-
Operating transfers - (out)	(592,245)	(607,276)	(586,501)	(862,848)	(951,057)
Net Income (Loss)	15,867,789	(35,491)	1,846,424	(414,089)	(147,458)
Net assets-beginning of year	22,616,179	22,651,670	20,805,246	21,219,335	21,366,793
Net assets-end of year	$38,483,968	$22,616,179	$22,651,670	$20,805,246	$21,219,335

Source: City of Cumberland Audited Financial Statements for Fiscal Years 2006-2008 and the Comprehensive Annual Financial Reports for Fiscal Years 2009 and 2010.

The following table sets forth a summary of revenues and expenditures for the City's non-major proprietary funds for the five most recent fiscal years for which such information is available:

City of Cumberland
Non-Major Proprietary Funds (Municipal Parking Authority, Trash, Rental)
Summary of Revenues and Expenditures
(Unaudited)

	Fiscal Years Ended June 30				
Operating Revenues:	**2010**	**2009**	**2008**	**2007**	**2006**
Charges for Services:					
Domestic	$ 1,287,080	$ 1,112,821	$ 1,090,589	$ 960,029	$ 925,676
Industrial	2,890	2,732	2,647	2,342	1,374
Sanitary Commissions	-	-	-	-	-
Water Companies	-	-	-	-	-
Rents/Concessions	696,466	716,902	825,662	560,607	569,136
Connection Charges	-	-	-	-	-
Other	67,997	64,207	44,395	41,176	49,227
Total Operation Revenues	2,054,433	1,896,662	1,963,293	1,564,154	1,545,413
Operating Expenses:					
Personal services	200,845	204,896	197,413	181,305	185,460
Utilities	256,835	70,654	59,691	23,453	19,287
Supplies	5,324	17,790	25,993	12,088	9,059
Repairs & Maintenance	41,789	29,341	18,000	10,421	17,367
Landfill fees	325,773	403,305	456,149	456,329	442,816
Depreciation	141,656	168,924	142,827	135,200	136,182
Contractual Services	661,210	566,631	553,489	525,960	534,631
Other Operating Expenses	129,871	121,907	130,558	124,126	124,635
Total Operating Expenses	1,763,303	1,583,448	1,584,120	1,468,882	1,469,437
Operating Income (Loss)	291,130	313,214	379,173	95,272	75,976
Non-Operating Revenues (Expenses):					
Interest Income	52	3,061	24,433	60,124	-
Interest Expense	(114,590)	(132,740)	(54,111)	(76,222)	(92,698)
Amortization Expense	(2,431)	(2,388)	(2,389)	(1,195)	(859)
Loss on disposal of assets	152,383	(25,204)		-	(56,257)
Total Non-Operating Income (Loss)	35,414	(157,271)	(32,067)	(17,293)	(149,814)
Net Income Before Contributions and Transfers	326,544	155,961	347,106	77,979	(73,838)
Capital Contributions	-	-	-	-	-
Assumption of Governmental debt	-	(258,954)	-	-	-
Operating transfers -(out)	(770,707)	83,954	(33,229)	(450,429)	-
Net Income (Loss)	(372,377)	(19,039)	313,877	(372,450)	(73,838)
Net assets-beginning of year	2,267,410	2,286,449	1,972,572	2,345,022	2,418,860
Net assets-end of year	$ 1,895,033	$ 2,267,410	$ 2,286,449	$ 1,972,572	$ 2,345,022

Source: City of Cumberland Audited Financial Statements for Fiscal Years 2006-2008 and the Comprehensive Annual Financial Reports for Fiscal Years 2009 and 2010.

CERTAIN DEBT INFORMATION

Bonded Indebtedness of the City

Under the City Charter, the Mayor and City Council may by ordinance authorize the borrowing of such sums of money as they may deem necessary for any proper public purpose.

For a detailed list of the City's outstanding obligations as of June 30, 2010, refer to Note 8 in Appendix C to this Official Statement, which contains the City's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2010. References to Enterprise Fund or Proprietary Fund supported debt in this section captioned "CERTAIN DEBT INFORMATION" are to obligations payable in the first instance from the Water Fund, the Sewer Fund or the Municipal Parking Fund even if issued as general obligation debt of the City.

The following table presents the City's bonded indebtedness as a percentage of assessed value for each of the five most recent fiscal years ended June 30 for which such information is available:

Ratio of Annual Debt Service Expenditures

Fiscal Year Ended June 30	Principal	Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to Total General Governmental Expenditures
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%

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

The following table sets forth the City's General Fund debt service as a percentage of General Fund revenues for each of the five most recent fiscal years for which such information is available:

Fiscal Year	General Fund Revenues (Excludes Transfers-in of Enterprise Fund Revenues)	General Fund Debt Service	Ratio of Debt Payment to General Fund Revenue
2010.............	$16,052,155	$1,564,272	9.7%
2009.............	$15,704,585	$1,608,368	10.2%
2008.............	$14,442,574	$1,145,953	7.9%
2007.............	$15,218,649	$987,369	6.5%
2006............	$13,884,264	$976,857	7.0%

Source: City of Cumberland Finance Department.

The following table sets forth the rapidity of the City's net debt payments as of June 30, 2010.

Rapidity of Net Debt Payments

Fiscal Year	Principal Paid	Percentage Paid
5 Years	$13,892,568	31.1%
10 Years	27,185,975	61.0
15 Years	34,689,829	77.8
20 Years	41,239,484	92.5
26 Years	44,603,619	100.0

Source: City of Cumberland Finance Department.

The following table sets forth the schedule of the City's debt service requirements on long-term obligations as of June 30, 2010.

Schedule of Debt Service Requirements of Long-Term Obligations (As of June 30, 2010)

Fiscal Year Ending	General Fund		Proprietary Funds		Total		Total Debt Service
	Principal	Interest	Principal	Interest	Principal	Interest	
2011	$652,609	$814,770	$3,872,598	$584,111	$4,525,207	$1,398,881	$5,924,088
2012	673,471	787,583	2,715,939	495,996	3,389,410	1,283,579	4,672,989
2013	752,996	754,546	1,059,154	417,045	1,812,150	1,171,591	2,983,741
2014	778,718	721,798	1,081,060	389,827	1,859,778	1,111,625	2,971,403
2015	717,141	687,921	1,588,882	361,805	2,306,023	1,049,726	3,355,749
2016	648,595	660,480	1,096,487	334,235	1,745,082	994,715	2,739,797
2017	675,797	634,319	1,131,107	306,394	1,806,904	940,712	2,747,616
2018	603,655	606,242	1,157,209	277,305	1,760,864	883,547	2,644,411
2019	642,516	576,783	1,194,950	247,294	1,837,466	824,077	2,661,543
2020	679,663	546,283	5,463,427	215,860	6,143,090	762,143	6,905,233
2021	683,686	515,866	1,264,419	183,188	1,948,104	699,054	2,647,158
2022	703,038	484,317	593,668	149,221	1,296,706	633,538	1,930,244
2023	751,030	450,906	609,132	136,968	1,360,162	587,875	1,948,037
2024	796,878	414,222	622,706	123,965	1,419,583	538,188	1,957,771
2025	849,870	374,455	629,429	110,268	1,479,299	484,723	1,964,023
2026	904,615	331,299	648,244	95,814	1,552,859	427,113	1,979,972
2027	963,381	284,579	668,090	80,417	1,631,471	364,996	1,996,467
2028	909,875	237,161	465,263	68,997	1,375,138	306,158	1,681,295
2029	972,158	188,316	425,247	61,692	1,397,404	250,008	1,647,412
2030	253,338	155,125	339,445	54,050	592,783	209,175	801,958
2031	288,415	138,658	347,213	46,239	635,628	184,898	820,526
2032	323,493	119,551	360,332	37,638	683,824	157,189	841,013
2033	362,468	98,120	174,730	28,334	537,197	126,454	663,651
2034	331,288	74,106	166,199	21,253	497,486	95,359	592,845
2035	370,263	52,158	104,738	14,754	475,000	66,913	541,913
2036	416,886	27,628	118,114	7,815	535,000	35,444	570,444
Total	$16,705,839	$10,737,193	$27,897,781	$4,850,487	$44,603,619	$15,587,680	$60,191,299

Note: Ties to Fiscal Year 2010 Financial Statement Notes.

Source: City of Cumberland Comprehensive Annual Financial Report for Fiscal Year 2010.

The following table sets forth debt service on the City's long-term obligations, as adjusted to reflect the refunding of the Refunded City Loans.

Summary of Debt Service
As Adjusted to Reflect Issuance of the City Obligation Related to the Series 2011A Infrastructure Loan

Fiscal Year Ending	Existing Debt Service[(1)]	City Obligation for Series 2011A Infrastructure Loan[(3)] Principal	Interest[(2)]	Total Debt Service[(4)]
2012……..	$ 2,786,907	$ -	$ 321,600	$ 3,108,507
2013……..	2,756,971	50,000	478,423	3,285,394
2014……..	2,751,171	50,000	477,163	3,278,334
2015……..	2,744,830	50,000	475,903	3,270,733
2016……..	2,678,415	235,000	474,643	3,388,058
2017……..	2,681,140	670,000	466,371	3,817,511
2018……..	2,584,327	785,000	442,787	3,812,114
2019……..	2,598,812	610,000	415,155	3,623,967
2020……..	2,607,134	615,000	397,343	3,619,477
2021……..	2,583,591	650,000	369,545	3,603,136
2022……..	2,278,487	855,000	340,165	3,473,652
2023……..	1,956,341	890,000	310,069	3,156,410
2024……..	1,963,392	920,000	276,516	3,159,908
2025……..	1,972,506	965,000	240,682	3,178,188
2026……..	1,906,702	1,010,000	201,889	3,118,591
2027……..	1,846,424	1,055,000	146,137	3,047,561
2028……..	1,868,446	365,000	97,132	2,330,578
2029……..	1,834,563	385,000	80,178	2,299,741
2030……..	989,108	400,000	62,295	1,451,403
2031……..	820,526	415,000	43,715	1,279,241
2032……..	841,013	440,000	24,438	1,305,451
2033……..	663,651	-	-	663,651
2034……..	592,845	-	-	592,845
2035……..	541,913	-	-	541,913
2036……..	570,444	-	-	570,444
Total	$47,419,657	$11,415,000	$6,142,149	$64,976,808

(1) Existing debt service is on long-term obligations as adjusted to reflect the refunding and redemption in whole of the Refunded City Loans.
(2) Interest rates range from 2.520% to 5.520%. Included in the interest payment amounts are annual trustee fee payments of $4,000 due from the City to the Administration.
(3) Excludes amounts borrowed by the Administration to fund a debt service reserve fund that is expected to be used to pay the June 1, 2032 sinking fund installment on the Administration's Series 2011A Bonds. Any payment that the City would be obligated to make to replenish the debt service reserve fund for the amount of any draw is unknown and therefore not reflected here.
(4) Totals may not add due to rounding.
Source: Davenport & Company LLC.

The following table sets forth a loan from Allegany County to the City which also imposes on the City a requirement to levy taxes for repayment.

	Principal Loaned	Principal Outstanding
Highway Improvement Promissory Note of 1981……	$500,000	$111,119

Overlapping Debt

Residents of the City are obligated to pay a share of the debt incurred by Allegany County through taxes levied directly by the County. Such "overlapping debt", however, is not bonded debt of the City on either a direct or contingent basis. Allegany County's gross bonded indebtedness as of June 30, 2010, was $59,338,310, and the County's net bonded indebtedness on the same date was $21,920,544. (The County's gross bonded indebtedness includes obligations of the Allegany County Water Commission, Allegany County Sanitary District and of the La Vale Sanitary District payable in the first instance from various charges that those entities are authorized to levy but to the payment of which the full faith and credit of the County are pledged; net bonded indebtedness does not include such obligations.) The assessed value of taxable property in the City as of June 30, 2010 ($786,812,202) was approximately 25.0% of the assessed value of taxable property in the County as a whole as of that date ($3,141,346,303). Accordingly, the amount of the County's gross bonded indebtedness as of June 30, 2010 allocable to the City, on the basis of assessed valuations, was approximately $59,338,310 while the amount of the County's net bonded indebtedness so allocable to the City was approximately $14,834,577.

Figures in this section relating to the indebtedness of Allegany County are based upon information supplied by the Allegany County Office of Finance.

Obligations Incurred in Fiscal Year 2011

On July 1, 2010, the City issued $2 million of tax anticipation notes to manage the temporary cash flow deficits that occur when the timing of required expenditures does not coincide with the timing of the collection of taxes and other revenues. The notes were issued in anticipation of collection of property taxes to be received during fiscal year 2010 and were repaid by October 1, 2010.

On November 22, 2010, the City settled on a 15 year loan in the amount of $1,532,200. The proceeds from the loan are being used to finance upgrades to the HVAC equipment located at the Memorial Campus Facility. The loan carries an interest rate of 6% payable in semi-annual payments due each April 1st and November 1st. The first payment was due on April 1, 2011.

On December 22, 2010, the City issued $2 million of tax anticipation notes to manage the cash flow needs for the first half of calendar year 2011. The notes were issued in anticipation of collection of property taxes to be received during the last half of fiscal year 2011 and were repaid on June 30, 2011.

On June 17, 2011, the City settled on a capital equipment lease in the amount of $329,550 for the purchase and equipping of three police cruisers and one ambulance. The lease carries an interest rate of 2.62% payable in semi-annual payments due each September 1st and March 1st to and including March 1, 2016, with the first payment scheduled to be made on September 1, 2011.

Future Plans to Issue Debt

The City does not currently have any plans to issue debt for governmental purposes or to issue tax anticipation notes in fiscal year 2012. The City anticipates borrowing funds through MWQFA's SRF program in fiscal year 2013 or fiscal year 2014 in order to continue Combined Sewer Overflow project improvements.

APPENDIX C

CITY COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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City of Cumberland
Maryland

City Hall Rotunda, Cumberland, Maryland

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2010

Comprehensive Annual Financial Report

of the

City of Cumberland Maryland

For the Fiscal Year Ended June 30, 2010

MAYOR
Lee N. Fiedler

COUNCIL MEMBERS

Floyd "Pete" Elliott	Brian K. Grim
Harold "Butch" Hendershot	Mary Beth Pirolozzi

CITY ADMINISTRATOR
Jeffrey E. Repp

Prepared By:
Joseph D. Urban, CPA, Comptroller

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Introductory Section

City of Cumberland
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MARYLAND
21501-1702
(301) 722-2000
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December 23, 2010

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, 2010.

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, 2010, 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, 2010, 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 2010. 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 20,758 and a land area of 9.1 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 8.93%, as compared to 7.1% for Maryland.

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 $70,545 in 2009. 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 $39,494 in 2009. 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, it is expected that these numbers will drastically decline with the 2010 Census, which is scheduled to be released after January 1, 2011.

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.

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 has allowed the City to issue $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 received a rating of AA by Fitch and a rating of AAA by S&P. 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. In addition, the $6 million bonds were financed by a forgivable loan from the State of Maryland. The detail of this debt is discussed in note 18 to the financial statements.

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, 2009. This was the third 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

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, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

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:

Lee N. Fiedler, Mayor
lfiedler@ci.cumberland.md.us

Floyd "Pete" Elliott, Councilman
felliott@ci.cumberland.md.us

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

Harold "Butch" Hendershot, Councilman
hhendershot@ci.cumberland.md.us

Mary Beth Pirolozzi, Councilman
mbpirolozzi@ci.cumberland.md.us

Administration:

Jeffrey E. Repp, City Administrator
jrepp@ci.cumberland.md.us

Margie Eirich, City Clerk
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Brenda Smith, Economic Development
brendasmith@allconet.org

Human Resources
April Howser
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City of Cumberland, Maryland

List of Elected Officials and Administrators
with contact information
(continued)

Fire Department
Chief William G. Herb
wherbaugh@ci.cumberland.md.us

Police Department
Chief Charles Hinnant
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Public Works:

Engineering
John DiFonzo
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Maintenance
John Chapman
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Utilities
Fred Streett
fstreett@ci.cumberland.md.us

Administrative Services:

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

Community Development
Jay Oliver
joliver@ci.cumberland.md.us

Finance and Collections
Joseph D. Urban
jurban@ci.cumberland.md.us

Management Information Systems
Johnna L. Byers
jbyers@ci.cumberland.md.us

Parks and Recreation
Diane Johnson
djohnson@ci.cumberland.md.us

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

City of Cumberland Organizational Chart

(June 2007)

Citizens

Mayor and City Council

- Lee N. Fiedler, Mayor — lfiedler@ci.cumberland.md.us
- Floyd "Pete" Elliott, Councilman — felliott@ci.cumberland.md.us
- Harold "Butch" Hendershot, Councilman — hhendershot@ci.cumberland.md.us
- Ed Hedrick, Jr., Councilman — ehedrick@ci.cumberland.md.us
- Mary Beth Pirolozzi, Councilwoman — mpirolozzi@ci.cumberland.md.us

Boards and Commissions

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

City Administrator

City Administrator — Jeffrey E. Repp — jrepp@ci.cumberland.md.us

- City Clerk — Sharon Clark — sclark@ci.cumberland.md.us
- City Solicitor — Michael Scott Cohen, Esq.

Director of Administrative Services — Jeffrey D. Rhodes — jrhodes@ci.cumberland.md.us

- City Planner — David Umling — dumling@ci.cumberland.md.us
- Parks and Recreation — Diane Johnson — djohnson@ci.cumberland.md.us
- Community Development — Jay Oliver — joliver@ci.cumberland.md.us
- Management Information Systems — Johnna L. Byers — jbyers@ci.cumberland.md.us
- Comptroller — Joseph D. Urban — jurban@ci.cumberland.md.us

Departments

- Economic Development — Margie Eirich — meirich@ci.cumberland.md.us
- Fire Department — William G. Herbaugh — wherbaugh@ci.cumbverland.md.us
- Human Resources — April Howser — ahowser@ci.cumberland.md.us
- Police Department — Charles Hinnant — chinnant@ci.cumberland.md.us
- Public Works
  - Engineering — John DiFonzo — jdifonzo@ci.cumberland.md.us
  - Maintenance — John E. Chapman — jchapman@ci.cumberland.md.us
  - Utilities — Fred Streett — fstreet@ci.cumberland.md.us

Financial Section

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

Turnbull Hoover & Kahl P.A. CPA

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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, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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, 2010, and the respective changes in financial position, and cash flows, where applicable, 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 December 22, 2010 on our consideration of the City'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 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 11 through 19, budgetary comparison information on page 66 and the schedule of other post-employment benefit obligations on page 67 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Auditing 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. 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 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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 it.

Turnbull, Hoover + Kahl, P.A.

Cumberland, MD
December 22, 2010

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, 2010 and 2009, 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 $11.9 million and $10.4 million for fiscal years 2010 and 2009 respectively. There was a decrease in the liability for compensated absences of $1.0 million in the governmental activities and $0.4 million in the business-type activities due to the elimination of the payout of sick leave upon retirement for most employees. The net assets of business-type activities are $58.5 million and $42.1 million for fiscal years 2010 and 2009 respectively. Net assets of governmental activities increased $1.4 million and $0.5 million for fiscal years 2010 and 2009 respectively. Net assets of business-type activities increased $16.4 million and $2.6 million for fiscal years 2010 and 2009 respectively.

- During the year, the City incurred net expenses of $13.2 million and $13.3 million, in comparison to the $8.3 and $8.9 million generated in program revenues for governmental programs for fiscal years 2010 and 2009. General revenues in the amount of $12.6 million and $11.7 million and transfer fees of $2.1 million and $2.0 million with a surplus of $1.4 million for FY 2010 and $.6 million for FY 2009.

- The City's business-type activities generated $18.3 and $4.6 million of total revenue in excess of $13.4 and $13.1 million of expenses for fiscal years 2010 and 2009. The most significant component was from $16.3 million of capital contributions from the State of Maryland related to the new ENR treatment plant.

- The total cost of all of the City's programs was $35.0 million for fiscal year 2010, and $35.2 million for fiscal year 2009. There were no new programs added in FY 2010.

- On the Fund Financial Statements, the General Fund reported a $0.2 million surplus and $0.7 million surplus for the fiscal years 2010 and 2009. There was a decrease in Highway User and Police Protection Revenues from the State of Maryland of $1.2 million, which is part of the intergovernmental revenues.

- 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 $1,740,782 for governmental activities and in the amount of $391,512 for business type activities. For the government-wide statements there is a related contingent liability. This matter is explained in further detail in Note 18, "Risk Management" to the financial statements.

- On October 14, 2009 the City settled on the sale of an asset known as the Naval Reserve Property, located at 1 James Day Drive, for a sale price of $1,350,000. On October 16, 2009, the City issued Water Quality Bonds Series 2009A in the amount of $3,657,700 and Water Quality Bonds Series 2009B in the amount of $6,000,000 (which were sold to the State of Maryland) for the ENR Project. These bond issues are discussed in Note 8, Long Term Liabilities.

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

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 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. The City's net assets reflect 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 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, 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. Beginning in fiscal year 2005, the Housing Assistance Fund became a major governmental fund and in fiscal year 2009 the CDBG Fund and the Street Improvement Fund became major funds, under the criteria required by GASB and for fiscal year 2007, the Municipal Parking Authority Fund became a major proprietary fund.

- *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 Assets and the Statement of Activities) and governmental funds is provided in the Reconciliation of the Balance Sheet to the Statement of Net Assets report on page 23.

- *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 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 assets are $70.4 million and $52.5 million, with total revenues of $52.8 million and $38.2 million and total expenses of $35.0 million and $35.2 million for fiscal years 2010 and 2009, respectively.

Net Assets

	Governmental Activities		Business-type Activities		Totals	
	FY10	FY09	FY10	FY09	FY10	FY09
Current and Other Assets	$ 14,913,094	$ 15,984,485	$ 8,268,130	$ 4,270,218	$ 23,181,224	$ 20,254,703
Capital Assets	22,120,503	21,462,324	90,376,584	68,041,734	112,497,087	89,504,058
Total Assets	37,033,597	37,446,809	98,644,714	72,311,952	135,678,311	109,758,761
Long-term Debt (net of current portion)	19,754,221	21,748,924	28,242,387	24,821,498	47,996,608	46,570,422
Other Liabilities	5,421,833	5,258,240	11,863,557	5,373,269	17,285,390	10,631,509
Total Liabilities	25,176,054	27,007,164	40,105,944	30,194,767	65,281,998	57,201,931
Net Assets:						
Invested in Capital Assets (net of debt)	15,427,981	14,988,772	57,597,712	42,359,859	73,025,693	57,348,631
Restricted	917,895	886,915	-	-	917,895	886,915
Unrestricted (deficit)	(4,488,333)	(5,436,042)	941,058	(242,674)	(3,547,275)	(5,678,716)
Total Net Assets	$ 11,857,543	$ 10,439,645	$58,538,770	$42,117,185	$70,396,313	$52,556,830

Changes in Net Assets
(In Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY10	**FY09**	**FY10**	**FY09**	**FY10**	**FY09**
Revenues						
Program Revenues						
Charges for Service	$2.0	$2.3	$15.4	$15.6	$17.4	$17.9
Operating Grants	6.0	5.9			6.0	5.9
Capital Grants	0.3	0.7	16.4	2.1	16.7	2.8
General Revenues:						
Property Taxes	10.3	9.4			10.3	9.4
Other Taxes	0.5	0.4			0.5	0.4
Shared Revenues	1.5	1.4			1.5	1.4
Unrestricted Investment Earnings	0.1	0.1		0.0	0.1	0.1
Gain on sale of capital asset			0.2		0.2	
Miscellaneous	0.1	0.4	—	—	0.1	0.4
TOTAL REVENUES	20.8	20.6	32.0	17.7	52.8	38.3
Program Expenses						
General Government	2.0	2.3			2.0	2.3
Public Safety	9.8	10.6			9.8	10.6
Public Works	2.9	3.1			2.9	3.1
Recreation	1.0	1.0			1.0	1.0
Community Development	4.8	4.3			4.8	4.3
Interest on LT Debt	1.0	0.9			1.0	0.9
Water			6.3	6.2	6.3	6.2
Sewer			5.2	5.2	5.2	5.2
Municipal Parking Authority			0.5	0.5	0.5	0.5
Trash			1.1	1.1	1.1	1.1
Property Rental	—	—	0.3	0.1	0.3	0.1
TOTAL EXPENSES	21.5	22.2	13.4	13.1	34.9	35.3
Excess Before Transfers	-0.7	-1.6	18.6	4.6	17.9	3.0
Transfers	2.1	2.1	-2.1	-2.1	-	-
Change in Net Assets	1.4	0.5	16.5	2.5	17.9	3.0
Net Assets-Beginning	10.4	10.0	42.1	39.5	52.5	49.5
Net Assets-Ending	$11.8	$10.5	$58.6	$42.0	$70.4	$52.5

THE CITY'S FUNDS

As the City completed the year, its governmental funds reported a combined fund balance of $8,825,215 and $10,494,397 million for fiscal years 2010 and 2009. This is a decrease of $1.7 million compared to fiscal year 2009, where $1.2 was attributable to the GOB debt proceeds used for street improvements.

For the General Fund, most operating costs remained relatively stable from FY 2009. Public Safety expenses were reduced by $200,246, most of which was overtime reductions and one-time 2009 expenses. The City did not issue any new bonds, resulting in a reduction of bond issue costs by $222,271 from FY 2009. The Street Improvement Fund saw an increase in capital outlay in the amount of $1,034,832. CDBG Fund saw a decrease in expenditures related to the one-time $1.4 million loan proceeds for the HRDC facility in FY 2009.

Fiscal year 2010, showed an increase in taxes of $553,402, due in part to the increase in assessable property values. There was a decrease in intergovernmental revenues from the State of Maryland for approximately $1.3 million in revenue, but this was offset by an increase in other intergovernmental grant revenues for the HRDC facility construction. There was also a decrease in charges for services, including $184,081 for a reduction in ambulance services and $90,790 for drug forfeiture/seizure funds.

The water fund expenditures remained relatively stable but the revenue for this fund in decreased slightly. There was a slight decrease in water revenue of $159,775, but there was still a net operating income in the amount of $2,261,606, before transfers and non-operating expenses. The sewer fund realized a significant increase in capital contributions of $15,688,418, related to the construction of the new ENR facility. Operating revenues and expenses for the Sewer Fund remained relatively stable from FY 2009.

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 $63,278 and $1,074,258 below the final budgeted amounts for fiscal years 2010 and 2009. The main increase in expenditures was for pass-thru grants for the construction of the HRDC facility.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010 and 2009, the City had \$22.1 and \$21.5 million invested in a broad range of capital assets for Governmental activities and \$90.4 and \$68.0 million for the Business-type activities.

This year the City completed several capital projects in the business type activities, which major projects included \$3,620,403 for the Ridgedale Tank Project, \$3,118,690 for the Water Meter Network Upgrade, \$18,292 for Check Processing Equipment. The major projects that are still active and had additions to Work In Process for FY 2010 are as follows: ENR Improvements for \$25,336,413, CSO Phase II for \$3,002,765, Rolling Mills Project for \$666,297, WFP Chlorine System for \$36,388 and Memorial Avenue Water Main for \$25,934.

In the Governmental activities, the City completed several projects including Public Safety Building improvements for \$552,857, Lighting improvements for \$57,143, Marion Street Bridge improvements for \$172,678 and Paving Projects for \$216,223. There are multiple projects that are still active, including: Rolling Mill Access Road for \$3,193,067, Henderson Avenue Bridge for \$23,245, Washington Street Improvements for \$679,283, Virginia Avenue Project for \$532,259 Henderson Avenue Improvements for \$69,726 Street Pavement Projects for \$263,766 and \$183,089 for other miscellaneous projects. In addition the City acquired new equipment that cost a total of \$100,604, which was added to the City's Capital Asset System including In-car Computers for \$10,058, Public Safety vehicle for \$25,157, Office Equipment for \$6,450, Public Works Equipment for \$13,950 and other miscellaneous equipment for \$44,989.

Additional detail regarding Capital Assets can be found in Note 6 to the financial statements, titled "Capital Assets."

Debt

At year-end, the City had \$50.1 million and \$47.5 million in bonds, notes and leases outstanding for fiscal years 2010 and 2009.

Outstanding Debt at Year-End

	Governmental Activities		Business-Type Activities		Totals	
	FY10	FY09	FY10	FY09	FY10	FY09
General Obligation Bonds	$16,705,844	$17,257,140	$27,897,779	$23,857,252	$44,603,643	$41,114,392
Notes and Leases	2,851,918	3,424,629	2,644,322	2,984,845	5,496,240	6,409,474
Totals	$ 19,557,762	$ 20,681,769	$ 30,542,101	$ 26,842,097	$ 50,099,883	$ 47,523,866

In fiscal year 2010, the City authorized $9,657,700 in Water Quality Bonds financed through the Maryland Water Quality Financing Administration, of which $6,000,000 is to be forgiven in October 2019. The amount advanced under these bonds was $4,335,087 at June 30, 2010. The detail of the various operating leases can be found in Note 8 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 2010 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 8.7%, which was a 0.1% increase from FY 2009. This compares with the State's unemployment rate of 7.3%.

The City continues to experience a gradual increase in real property values within the City. However, the State of Maryland reduced its contribution for Highway User Revenue and Police Subsidy by $1.3 million three months into the FY 2010 fiscal year. The City has taken a number of steps to address this budget shortfall, including a major reduction of its OPEB health care for retirees and an early retirement incentive program, wherein most vacancies that are created will not be filled. These reductions and other operating cost savings should provide the needed expenditure reductions.

The City has added no new major programs or initiatives to the 2011 budget.

In October 2010 the City obtained a 15 year loan in the amount of $1,532,200 to finance upgrades to the HVAC system at the Memorial Campus Facility. This loan has an interest rate of 6.0% with semi-annual payment due each April 1st and October 1st, where the first payment in due on April 1, 2011.

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 or 57 N. Liberty Street, Cumberland, Maryland, 21502.

Basic Financial Statements

CITY OF CUMBERLAND, MARYLAND
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current assets:			
Cash	$ 161,353	$ 100,602	$ 261,955
Investments	240,630	6,304	246,934
Taxes receivable	1,908,743		1,908,743
Accounts receivable	285,241	1,649,613	1,934,854
Accrued interest receivable	27,907	-	27,907
Due from other governments	1,071,434	4,603,863	5,675,297
Internal balances	(1,041,107)	1,041,107	-
Prepaid expenses	1,753,252	391,512	2,144,764
Inventory	7,482	272,652	280,134
Total Current Assets	4,414,935	8,065,853	12,480,588
Noncurrent assets:			
Housing loans receivable	321,627		321,627
Loans receivable	564,373		564,373
Notes receivable	1,040,477		1,040,477
Restricted cash	4,563,155		4,563,155
Restricted investments	3,727,792	44,671	3,772,463
Property, plant and equipment:			
Land and land improvements	974,596	814,579	1,789,175
Buildings & improvements	14,266,301	91,548,710	105,815,011
Machinery and equipment	6,960,541	4,477,083	11,437,624
Infrastructure	20,955,153		20,955,153
Construction in progress	4,874,709	29,067,799	33,942,508
Accumulated depreciation	(25,910,797)	(35,531,587)	(61,442,384)
Other assets		25,000	25,000
Deferred charge	276,911	132,806	409,717
Net OPEB asset	3,824		3,824
Total Non-Current Assets	32,618,662	90,579,061	123,197,723
Total Assets	$ 37,033,597	$ 98,644,714	$ 135,678,311
LIABILITIES:			
Current liabilities:			
Accounts payable	1,960,911	7,022,312	8,983,223
Accrued wages	473,922	156,769	630,691
Accrued interest	272,199	175,126	447,325
Unearned revenue	538,697	-	538,697
Deposits payable	21,878		21,878
Current portion of compensated absences	804,916	244,554	1,049,470
Current portion of workers' comp payable	270,270	84,461	354,731
Current portion of bonds and notes payable	1,079,040	4,180,335	5,259,375
Total Current Liabilities	5,421,833	11,863,557	17,285,390
Noncurrent liabilities:			
Bonds and notes payable (net of current portion)	18,478,722	26,216,246	44,694,968
Compensated absences (net of current portion)	162,231	98,652	260,883
Retainage payables	239,012	1,654,277	1,893,289
rkers' comp claims payable (net of current portion)	874,256	273,212	1,147,468
ıtal Non-Current Liabilities	19,754,221	28,242,387	47,996,608
Total Liabilities	25,176,054	40,105,944	65,281,998
NET ASSETS:			
Investment in capital assets (net of related debt)	15,427,981	57,597,712	73,025,693
Restricted for:			
Community Development	451,752		451,752
Housing Assistance Program	39,059		39,059
Noncapital Purposes	427,084	-	427,084
Unrestricted (Deficit)	(4,488,333)	941,058	(3,547,275)
Total Net Assets	11,857,543	58,538,770	70,396,313
Total Liabilities and Net Assets	$ 37,033,597	$ 98,644,714	$ 135,678,311

CITY OF CUMBERLAND, MARYLAND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

			Program Revenues			*Net (Expense) Revenue and Changes in Net Assets*		
Functions/Programs	*Expenses*	*Indirect Expense Allocation*	*Charges for Services*	*Operating Grants and Contributions*	*Capital Grants and Contributions*	*Governmental Activities*	*Business-type Activities*	*Total*
Governmental Activities:								
General government	$ 2,931,719	$ (923,464)	$ 694,279	$ 47,875	$ -	$ (1,266,101)	$ -	$ (1,266,101)
Public safety	9,770,827		1,160,036	967,155	-	(7,643,636)		(7,643,636)
Public works	3,340,244	(391,924)	-	226,069	267,545	(2,454,706)		(2,454,706)
Recreation	961,292	-	101,905	8,861	32,200	(818,326)		(818,326)
Community development and housing	4,849,201		79,104	4,742,899	973	(26,225)		(26,225)
Interest on long-term debt	1,019,308					(1,019,308)		(1,019,308)
Total Governmental Activities	22,872,591	(1,315,388)	2,035,324	5,992,859	300,718	(13,228,302)	-	(13,228,302)
Business-type Activities:								
Water	5,688,819	631,386	7,980,068		76,781		1,736,644	1,736,644
Sewer	4,655,631	591,925	5,326,583		16,364,642		16,443,669	16,443,669
Municipal Parking Authority	524,639		660,608		-		135,969	135,969
Trash	961,733	92,077	1,305,827		-		252,017	252,017
Property Rental	301,875		87,998		-		(213,877)	(213,877)
Total Business-type Activities	12,132,697	1,315,388	15,361,084	-	16,441,423	-	18,354,422	18,354,422
Total Government	$ 35,005,288	$ -	$ 17,396,408	$ 5,992,859	$16,742,141	$ (13,228,302)	$ 18,354,422	$ 5,126,120
General Revenues:								
Taxes:								
Property taxes						$ 10,309,651		$ 10,309,651
Franchise Fees						281,486		281,486
Other Taxes						209,624		209,624
Shared revenues - income tax						1,477,345		1,477,345
Investment earnings						134,696	3,603	138,299
Gain on sale of capital assets						-	152,383	152,383
Miscellaneous						144,575		144,575
Transfers						2,088,823	(2,088,823)	-
Total General Revenues and Transfers						14,646,200	(1,932,837)	12,713,363
Change in Net Assets						1,417,898	16,421,585	17,839,483
Net Assets - Beginning						10,439,645	42,117,185	52,556,830
Net Assets - Ending						$ 11,857,543	$ 58,538,770	$ 70,396,313

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

CITY OF CUMBERLAND, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General Fund	Housing Assistance Fund	CDBG Fund	Street Improvement Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS						
Cash	$ 31,203	$ 2,369	$ 57	$ 4,515,193	$ 127,724	$ 4,676,546
Investments	52,092			3,579,570	188,538	3,820,200
Taxes receivable	1,873,738				35,005	1,908,743
Accounts receivable	280,215	-			5,026	285,241
Due from other governments	552,018	-	187,244		332,172	1,071,434
Interfund receivables	59,749	-		225,000	217,300	502,049
Prepaid expenditures	1,740,782	-	-		12,470	1,753,252
Inventory	7,482					7,482
Restricted cash	46,833		1,129			47,962
Restricted investment	128,160		11,683		8,379	148,222
Housing loans receivable					321,627	321,627
Loans receivable					564,373	564,373
Notes receivable			1,040,000		477	1,040,477
Total Assets	$ 4,772,272	$ 2,369	$ 1,240,113	$ 8,319,763	$ 1,813,091	$ 16,147,608
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Accounts payable	$ 1,032,803	$ 7,100	$ 166,907	$ 509,188	$ 244,913	$ 1,960,911
Accrued wages	440,658	-	15,594	4,279	13,391	473,922
Interfund payables	1,320,755	17,000	4,800		200,601	1,543,156
Deferred revenue	1,723,496	-	1,040,000		559,030	3,322,526
Deposits payable	21,878					21,878
Total Liabilities	4,539,590	24,100	1,227,301	513,467	1,017,935	7,322,393
FUND BALANCES:						
Fund balances (deficit):						
Reserved for restrictions	301,413	39,059	12,812		8,379	361,663
Reserved for long-term assets	59,749				394,420	454,169
Reserved for inventories	7,482					7,482
Reserved for prepaids	1,740,782	-	-		12,470	1,753,252
Reserved for encumbrances	35,634				65,656	101,290
Unreserved:						
Undesignated-General Fund	(1,912,378)					(1,912,378)
Undesignated-Special Revenue Funds		(60,790)	-		274,530	213,740
Undesignated-Capital Projects Fund				7,806,296	39,701	7,845,997
Total Fund Balances (Deficit)	232,682	(21,731)	12,812	7,806,296	795,156	8,825,215
otal Liabilities and Fund Balances	$ 4,772,272	$ 2,369	$ 1,240,113	$ 8,319,763	$ 1,813,091	$ 16,147,608

CITY OF CUMBERLAND, MARYLAND
RECONCILIATION OF THE GOVERNMENTAL BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
AS OF JUNE 30, 2010

Fund Balances - Total Governmental Funds		$ 8,825,215
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	48,031,300	
Less: Accumulated Depreciation	(25,910,797)	22,120,503
Other assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Accrued interest receivable		27,907
Bond issue costs to be amortized over the life of the debt.		
Deferred Charges - Bond Issue Costs, Net of Amortization		276,911
Net OPEB asset is not included in the governmental funds		3,824
Long-term liabilities, including a portion of compensated absences are not due and and payable in the current period and therefore are not reported in the governmental funds.		
Governmental Bonds and Notes Payable	(19,557,762)	
Compensated Absences	(967,147)	
Retainage on Construction Project	(239,012)	
Workers Compensation	(1,144,526)	
Accrued Interest	(272,199)	(22,180,646)
Deferred revenue reported on modified accrual basis of accounting in governmental funds is susceptible to full accrual on the entity-wide statements.		
Deferred Revenue		2,783,829
Net Assets of Governmental Activities		$ 11,857,543

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

CITY OF CUMBERLAND, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	General Fund	Housing Assistance Fund	CDBG Fund	Street Improvement Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	$ 10,125,116	$ -	$ -	$ -	$ 228,054	$ 10,353,170
Licenses and permits	288,312					288,312
Intergovernmental	3,793,551	1,842,572	977,338		1,354,559	7,968,020
Charges for services	1,333,993				2,100	1,336,093
Fines and forfeitures	1,810					1,810
Interest	3,939		43,356	58,973	2,230	108,498
Miscellaneous	505,434	2,344	500		57,701	565,979
Total Revenues	16,052,155	1,844,916	1,021,194	58,973	1,644,644	20,621,882
Expenditures:						
Current:						
General government	1,621,847				275,706	1,897,553
Public safety	10,023,519				243,480	10,266,999
Public works	2,421,251				14,136	2,435,387
Recreation	859,541				12,500	872,041
Community development and housing	1,702,207	1,820,623	922,306		842,604	5,287,740
Capital Outlay				1,113,058	389,493	1,502,551
Debt service:						
Principal	1,054,179	4,800	63,823	-	59,042	1,181,844
Interest	510,093		62,827	416,960	21,728	1,011,608
Total Expenditures	18,192,637	1,825,423	1,048,956	1,530,018	1,858,689	24,455,723
Revenues in Excess of (Less Than) Expenditures	(2,140,482)	19,493	(27,762)	(1,471,045)	(214,045)	(3,833,841)
Other Financing Sources (Uses):						
Transfers-in	2,151,600	-	21,333	246,961	217,281	2,637,175
Transfers-out	(451,085)				(21,431)	(472,516)
Total Other Financing Sources	1,700,515	-	21,333	246,961	195,850	2,164,659
Net Change in Fund Balance	(439,967)	19,493	(6,429)	(1,224,084)	(18,195)	(1,669,182)
Fund balance, beginning	672,649	(41,224)	19,241	9,030,380	813,351	10,494,397
Fund balance (deficit), ending	$ 232,682	$ (21,731)	$ 12,812	$ 7,806,296	$ 795,156	$ 8,825,215

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, 2010

Net Change in Fund Balances - Total Governmental Funds		$ (1,669,182)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives. This is the amount by which capital outlays exceed depreciation in the current year.		
Expenditures for Capital Assets	2,209,720	
Retainage on Construction Projects	(156,853)	
Capital Assets Contributed to Proprietary Funds	(18,000)	
Less: Current Year Depreciation	(1,533,541)	501,326
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments in the current year.		
Amortization of Bond Issue Costs	(11,852)	
Principal Payments/Assumptions of Debt	1,124,007	1,112,155
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		27,907
Deferred Revenue		242,207
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	987,901	
Other post-employment benefit obligation	68,227	
Workers compensation	155,057	
Accrued interest adjustment	(7,700)	1,203,485
}e in Net Assets of Governmental Activities		$ 1,417,898

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

CITY OF CUMBERLAND, MARYLAND
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS				
	Water Fund	Sewer Fund	Municipal Parking Authority	Non-Major Proprietary Funds	Total
ASSETS					
Current Assets:					
Cash and cash equivalents	$ 21,742	$ 1,036	$ 59,928	$ 17,896	$ 100,602
Investments	3,603	2,701	-	-	6,304
Accounts receivable	919,739	613,955	12,808	103,111	1,649,613
Due from other governments	15,041	4,588,822	-	-	4,603,863
Prepaid expenses	311,244	80,268	-	-	391,512
Inventory	272,548	104	-	-	272,652
Interfund receivables, current	473,855	290,000	-	296,400	1,060,255
Total Current Assets	2,017,772	5,576,886	72,736	417,407	8,084,801
Noncurrent Assets:					
Interfund receivables, non-current	146,867	355,954	-	-	502,821
Restricted investments	19,332	21,202	4,137	-	44,671
Land and land improvements	187,634	446,208	180,737	-	814,579
Buildings and improvements	47,177,018	38,410,692	5,955,756	5,244	91,548,710
Machinery and equipment	2,383,464	1,812,637	280,982	-	4,477,083
Accumulated depreciation	(16,119,151)	(17,556,244)	(1,856,016)	(176)	(35,531,587)
Construction in progress	537,310	28,530,489	-	-	29,067,799
Deferred charge	79,290	38,003	15,513	-	132,806
Evitts Creek Water Company, capital stock	25,000	-	-	-	25,000
Total Non-Current Assets	34,436,764	52,058,941	4,581,109	5,068	91,081,882
Total Assets	$ 36,454,536	$ 57,635,827	$ 4,653,845	$ 422,475	$ 99,166,683
LIABILITIES					
Current Liabilities:					
Accounts payable	242,151	6,617,166	6,241	156,754	7,022,312
Accrued wages	74,405	74,189	8,175	-	156,769
Accrued interest	91,844	51,984	31,298	-	175,126
Interfund payables, current	-	-	45,000	-	45,000
Current portion of compensated absences	115,328	117,059	12,167	-	244,554
Current portion of workers' comp. claims payable	49,130	35,331	-	-	84,461
Current portion of bonds and notes payable	3,282,829	574,124	323,382	-	4,180,335
Total Current Liabilities	3,855,687	7,469,853	426,263	156,754	11,908,557
Noncurrent Liabilities:					
Compensated absences (net of current portion)	12,494	86,158	-	-	98,652
Workers' comp. claims payable (net of current portion)	158,950	114,262	-	-	273,212
Retainage payables	-	1,654,277	-	-	1,654,277
Interfund payables, non-current	-	-	285,604	191,365	476,969
Bonds and notes payable (net of current portion)	14,243,834	9,827,309	2,145,103	-	26,216,246
Total Non-Current Liabilities	14,415,278	11,682,006	2,430,707	191,365	28,719,356
Total Liabilities	18,270,965	19,151,859	2,856,970	348,119	40,627,913
NET ASSETS					
Invested in capital assets, net of related debt	17,113,843	38,355,579	2,123,222	5,068	57,597,712
Restricted	-	-	-	-	-
Unrestricted	1,069,728	128,389	(326,347)	69,288	941,058
Total Net Assets	18,183,571	38,483,968	1,796,875	74,356	58,538,770
Total Liabilities and Net Assets	$ 36,454,536	$ 57,635,827	$ 4,653,845	$ 422,475	$ 99,166,683

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 ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS				
	Water Fund	Sewer Fund	Municipal Parking Authority	Non-Major Proprietary Funds	Total
Operating Revenues:					
Charges for Services:					
Domestic	$ 2,690,062	$ 3,043,565	$ -	$ 1,287,080	$ 7,020,707
Industrial	2,320,721	355,448	-	2,890	2,679,059
Sanitary commissions	-	1,751,474	-	-	1,751,474
Water companies	2,740,312	-	-	-	2,740,312
Rents/Concessions	-	-	608,468	87,998	696,466
Connection Charges	172,161	6,540	-	-	178,701
Other	56,812	169,556	52,140	15,857	294,365
Total Operating Revenues	7,980,068	5,326,583	660,608	1,393,825	15,361,084
Operating Expenses:					
Personal services	2,204,118	2,011,165	192,233	8,612	4,416,128
Utilities	209,193	418,514	34,578	222,257	884,542
Supplies	414,260	165,493	-	5,324	585,077
Repairs and maintenance	563,152	254,457	12,641	29,148	859,398
Landfill fees	-	10,422	-	325,773	336,195
Depreciation	1,147,009	1,038,801	141,480	176	2,327,466
Contractual services	119,031	481,408	13,447	647,763	1,261,649
Other operating expenses	1,061,699	668,457	13,671	116,200	1,860,027
Total Operating Expenses	5,718,462	5,048,717	408,050	1,355,253	12,530,482
Operating Income (Loss)	2,261,606	277,866	252,558	38,572	2,830,602
Non-Operating Revenues (Expenses):					
Interest income	545	3,005	52	-	3,602
Interest expense	(437,568)	(195,920)	(114,158)	(432)	(748,078)
Amortization expense	(11,771)	(2,919)	(2,431)	-	(17,121)
Gain (Loss) on disposal of capital assets	(152,404)	-	-	152,383	(21)
Total Non-Operating Income (Loss)	(601,198)	(195,834)	(116,537)	151,951	(761,618)
Net Income Before Contributions and Transfers	1,660,408	82,032	136,021	190,523	2,068,984
Capital contributions	76,781	16,364,642	-	-	16,441,423
Capital contributions from governmental activities	18,000	-	-		18,000
Assumption of debt by governmental activities	-	3,051	27,107	44,679	74,837
Assumption of governmental activities debt	(17,000)	-	-		(17,000)
Assumption of other proprietary activities debt	(10,309)	10,309	-		-
Transfers-in(out)	(801,707)	(592,245)	(27,107)	(743,600)	(2,164,659)
Net Income (Loss)	926,173	15,867,789	136,021	(508,398)	16,421,585
Net assets-beginning of year	17,257,398	22,616,179	1,660,854	582,754	42,117,185
Net assets-end of year	$ 18,183,571	$ 38,483,968	$ 1,796,875	$ 74,356	$ 58,538,770

CITY OF CUMBERLAND, MARYLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS				
	Water Fund	Sewer Fund	Municipal Parking Authority	Non-Major Proprietary Funds	Total
Cash Flows from Operating Activities:					
Cash receipts from customers	$ 8,456,407	$ 5,724,437	$ 596,371	$ 1,373,337	$ 16,150,552
Cash payments to suppliers	(2,531,895)	(597,330)	(75,552)	(1,324,149)	(4,528,926)
Cash payments for personal services	(2,303,355)	(2,169,477)	(214,581)	(8,612)	(4,696,025)
Other operating receipts	56,812	169,556	52,140	15,857	294,365
Net Cash Provided (Used) Operating Activities	3,677,969	3,127,186	358,378	56,433	7,219,966
Cash Flows from Noncapital Financing Activities:					
Transfers (to) other funds	(801,707)	(592,245)	(27,107)	(743,600)	(2,164,659)
Loans from (to) other funds	(485,806)	(140,000)	97,700	(276,400)	(804,506)
Net Cash Provided (Used) by Noncapital Financing Activities	(1,287,513)	(732,245)	70,593	(1,020,000)	(2,969,165)
Cash Flows from Capital and Related Financing Activities:					
Capital grant proceeds	208,764	11,848,309	-	7,085	12,064,158
Acquisition and construction of capital assets	(2,368,793)	(17,880,170)	(2)	(5,469)	(20,254,434)
Proceeds from sale of capital assets	-	-	-	959,625	959,625
Proceeds from capital debt/reallocation of capital debt	2,068,475	4,366,069	-	-	6,434,544
Principal paid on capital debt	(1,903,810)	(606,376)	(308,179)	(3,858)	(2,822,223)
Interest paid on capital debt	(423,918)	(194,330)	(117,671)	(1,282)	(737,201)
Deferred financing charge	(158)	(176)	(9)	224	(119)
Net Cash Provided (Used) by Capital and Related Financing Activities	(2,419,440)	(2,466,674)	(425,861)	956,325	(4,355,650)
Cash Flows from Investing Activities:					
Interest on Investments	545	3,005	52	-	3,602
Net sale (purchase) of investments	49,545	63,183	27,423	-	140,151
Net Cash Provided (Used) by Investing Activities:	50,090	66,188	27,475	-	143,753
Net Increase (Decrease) in Cash and Cash Equivalents	21,106	(5,545)	30,585	(7,242)	38,904
Cash and Cash Equivalents at Beginning of Year	4,239	9,282	29,343	25,138	68,002
Cash and Cash Equivalents at End of Year	$ 25,345	$ 3,737	$ 59,928	$ 17,896	$ 106,906

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, 2010
(continued)

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS				
	Water Fund	Sewer Fund	Municipal Parking Authority	Non-Major Proprietary Funds	Total
Reconciliation of Cash to Statement of Net Assets					
Cash balance-Statement of Net Assets	$ 21,742	$ 1,036	$ 59,928	$ 17,896	$ 100,602
Investment balance-Statement of Net Assets	3,603	2,701	-	-	6,304
Cash and Cash Equivalents-Statement of Cash Flows	$ 25,345	$ 3,737	$ 59,928	$ 17,896	$ 106,906
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:					
Operating Income	$ 2,261,606	$ 277,866	$ 252,558	$ 38,572	$ 2,830,602
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	1,147,009	1,038,801	141,480	176	2,327,466
Change in assets and liabilities:					
(Increase) decrease in accounts receivable	533,151	567,410	(12,097)	2,454	1,090,918
(Increase) decrease in prepaid expenses	68,108	(46,458)	-	-	21,650
(Increase) decrease in inventory	(48,341)	1,383	-	-	(46,958)
Increase (decrease) in accounts payable	(54,909)	(200,956)	(1,215)	22,316	(234,764)
(Decrease) in deferred revenues	-	-	-	(7,085)	(7,085)
Increase (decrease) in retainage payable	(129,418)	1,647,452	-	-	1,518,034
Increase (decrease) in other post-employment benefit (OPEB) obligation	(11,633)	(8,935)	(1,012)		(21,580)
Increase (decrease) in workers' comp. claims payable	123,257	10,876	-	-	134,133
Increase (decrease) in accrued wages and compensated absences	(210,861)	(160,253)	(21,336)	-	(392,450)
Net cash provided (used) by operating activities	$ 3,677,969	$ 3,127,186	$ 358,378	$ 56,433	$ 7,219,966
Noncash operating, financing, and investing activities:					
Contribution of capital assets from government	$ 18,000	$ -	$ -	$ -	$ 18,000
Loss on disposition of capital assets	152,404	-	-	-	152,404
Assumption of debt by govermental activities	-	3,051	27,107	44,679	74,837
Assumption of governmental activities debt	17,000	-	-	-	17,000
Assumption of other proprietary activities debt	(10,309)	10,309	-	-	-
Amortization of bond issuance costs	11,771	2,919	2,431	-	17,121

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

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). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so.

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.

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

Government-wide financial statements

In the government-wide Statement of Net Assets, 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 assets are reported in three parts—invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. 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 assets resulting from the current year's activities.

Fund financial statements

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity,

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

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 or that have been segregated by management to account for resources.

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 net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the City:

a. Enterprise funds 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.

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

Major Funds – Government-wide 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 Department of Housing and Urban Development to the State of Maryland and then passed through to the City as a sub recipient. Approximately 500 individuals are assisted annually.

The Community Development Block Grant (CDBG) Fund is a special revenue fund for segregating and tracking expenditures related to CDBG funds received from the Department of Housing and Urban Development and utilized to support Community Development activities throughout the City.

The Street Improvement Fund (SIF) is a capital projects fund that the Mayor and City Council directed to have created for tracking the tax revenue proceeds collected from the tax increase that was authorized in FY 2009 and beyond, to support the debt payments, as well as to track the utilization of the bond proceeds for the SIF of $9,070,000 received in FY 2009.

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 Municipal Parking Authority accounts for the acquisition and maintenance of the municipal parking facilities within the boundaries of the City of Cumberland, which are available for use by the public.

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

<u>Cash</u>
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.

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. Investment's with the MD Local Government Investment Pool are reported at current value.

Inventory
Inventory is valued at cost, using the first-in, first-out (FIFO) cost method. 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.

Prepaid items of governmental funds in the fund financial statements are offset by fund balance reserve amounts to indicate that they do not represent spendable available resources.

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".

Any long-term portion of interfund receivables, as reported in the fund financial statements, is offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

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

Deferred Revenues – Fund Financial Statements

Property tax revenue is required to be recognized in the fiscal year for which taxes have been levied, provided they are available to finance the budget for a particular period. Available means when due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Generally accepted accounting principles provide that such time thereafter shall not exceed sixty days. To the extent property tax levies have not been collected within sixty days past year-end, the City has deferred the revenue.

In accordance with Governmental Accounting Standards Board Statement 33, non-exchange revenue (for example, most taxes, grants, and private donations) not received within sixty days after the fiscal year end is deferred and recognized as revenue in future periods when it becomes available.

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.

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

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financial sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund 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. The non-current portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

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.

Bond Discounts and Issuance Costs

In the governmental funds, bond discounts and issuance costs are treated as period costs in the year of issues.

In proprietary funds, bond discounts and issuance costs are deferred and amortized over the term of the bonds using the effective interest method. Bond discounts are presented as a reduction of the face amount of the revenue bonds payable whereas issuance costs are recorded as other costs.

At the government-wide level these costs in the governmental funds are adjusted and reported in the same way as in proprietary funds.

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

Capitalized Interest

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

	Total Interest Costs Incurred	Interest Charged To Expense	Interest Cost Capitalized	Interest Revenue Used to Offset Interest Costs	Net Capitalized Interest
Water Fund	$ 466,825	$ 437,568	$ 29,257	$ 23	$ 29,234
Sewer Fund	207,778	195,920	11,858	40	11,818
MPA Fund	114,158	114,158	-	-	-
Non-Major Proprietary Funds	432	432	-	-	-

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

Operating and Non-Operating Revenues

The statement of revenues, expenses and changes in net assets 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.

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

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. Supplemental appropriations in the amount of $1,078,327 were approved for fiscal year 2010 during fiscal year 2010 and fiscal year 2011.

Annual budgets for other governmental fund types are not adopted and therefore are not presented.

The City has elected to employ the use of encumbrance accounting for financial and budgetary reporting purposes for the governmental funds in order to carry forward the requisite governmental funds for purchase orders that are outstanding at year end and where these commitments are intended to be fulfilled. These governmental funds are reserved and are not available for new spending. Appropriations for proprietary fund generally lapse at year end and are treated as expenditures in the year the liability is incurred.

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.

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

6. The Mayor and City Council can approve budget amendments between departments during the year.

Net Assets/Fund Balance Deficit
The following funds had deficit fund balances at June 30, 2010:

Housing Assistance Fund	(21,731)
Program Open Space	(10,373)
Tax Increment Financing District	(27,319)
Economic Development	(770)
Miscellaneous Special Revenue/Capital Projects Funds	
Capital Projects	(43,021)
Special Recreation	(24,084)
Shade Tree Commission	(7,198)

All of the aforementioned funds will have their deficit fund balances restored with the recognition of deferred revenue at June 30, 2010 as revenue in fiscal year 2011 or with the receipt of grant reimbursements and fund transfers in future years.

Compliance with Finance Related Legal and Contractual Provisions
The City incurred no material violations of finance related legal and contractual provisions.

Note 2. Cash and Investments

Cash

As of June 30, 2010, the carrying amount of the City's deposits was $4,825,110 and the bank balance was $7,316,581 (including an investment in an overnight repurchase agreement in the amount of $2,515,596).

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, 2010 are fully collateralized with securities held by the City's agent in the City's name.

Note 2. Cash and Investments – (Continued)

Investments

As of June 30, 2010, the City had the following investments and maturities:

		Investment Maturity		
Investment Type	Total	Less than 90 Days	90 days to one year	Credit Rating
Municipal Money Market Savings	$ -	$ -	$ -	N/A
Maryland Local Government Investment Pool	4,019,397	4,019,397	-	AAA
U.S. Treasury Money Market	-	-	-	N/A
	$4,019,397	$ 4,019,397	$ -	

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 statue. The City is in compliance with State statutes and its investment policy.

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 Maryland Local Government Investment Pool is not registered with the Securities and Exchange Commission. The Board for the Maryland State Treasurer's Office oversees its operations.

Note 2. Cash and Investments – (Continued)

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

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

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

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

The City's investments meet the aforementioned policy.

Custodial Credit Risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities in the possession of an outside party. City policy provides that investment collateral is to be held by a third party custodian with whom the City has a current custodial agreement in the City's name. All of the City's investments are 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 market 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 market value with bonds or other obligations secured by the full faith and credit of the United States.

Note 2. Cash and Investments – (Continued)

Restricted cash is reported in the General Fund in the amount of $46,833. This cash is obtained through police seizures and restricted for public safety activities. Restricted cash is also reported in the CDBG Fund in the amount of $1,129. This cash is restricted for the purpose of the Section 108 HUD Loan.

Restricted investments are reported in the General, CDBG Fund, Water, Sewer, MPA, and Non-Major Governmental Funds in the amount of $192,894. These investments are restricted for the acquisition of assets and improvements under various financing arrangements.

On the Government-wide financial statements, cash and investments of the Street Improvement Fund 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.

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.

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

Interfund receivables and payables and transfers as of June 30, 2010 are as follows:

	Interfund Receivables	Interfund Payables
Governmental Funds:		
General Fund	$ -	$ 1,320,755
Housing Assistance Fund	-	17,000
CDBG Fund	-	4,800
Street Improvement Fund	225,000	-
Non-Major Government Funds	217,300	115,000
Sub-total	442,300	1,457,555
Proprietary Funds:		
Water Fund	473,855	-
Sewer Fund	290,000	-
MPA Fund	-	45,000
Non-Major Proprietary Funds	296,400	-
Sub-total	1,060,255	45,000
Total Interfund Receivable/Payable-Current	**$ 1,502,555**	**$ 1,502,555**

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

All current interfund receivables are expected to be repaid within the next fiscal year. The interfund balances as of June 30, 2010 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	$ 59,749	$ -
Housing Assistance Fund	-	-
CDBG Fund	-	-
Street Improvement Fund	-	-
Non-Major Governmental Funds	-	85,601
Sub-total	59,749	85,601
Proprietary Funds:		
Water Fund	146,867	-
Sewer Fund	355,954	-
MPA Fund	-	285,604
Non-Major Proprietary Funds	-	191,365
Sub-total	502,821	476,969
Total Interfund Receivable/Payable Non-Current	**$ 562,570**	**$ 562,570**

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 Trash Fund to the Sewer Fund, as well as amounts owed by the MPA Fund to the General, Water and Sewer Funds. These interfund loans are the culmination of years of cash deficiencies and repayment is expected in future years as excess revenue is generated.

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

Transfers:	Interfund Transfers-In	Interfund Transfer-Out
Governmental Funds:		
General Fund	$ 2,151,600	$ 451,085
Housing Assistance Fund	-	-
CDBG Fund	21,333	-
Street Improvement Fund	246,961	-
Non-Major Governmental Funds	217,281	21,431
Sub-total	2,637,175	472,516
Proprietary Funds:		
Water Fund	27,309	829,016
Sewer Fund	-	592,245
MPA Fund	-	27,107
Non-Major Proprietary Funds	-	743,600
Sub-total	27,309	2,191,968
Total Transfers (Fund Financial Statements)	**2,664,484**	**2,664,484**
Debt Transfers (Government-Wide Financials)		
General Fund	74,837	
Economic Development Fund		17,000
Water Fund	17,000	
Sewer Fund		3,051
MPA Fund		27,107
Property Rental Fund		44,679
Sub-total	91,837	91,837

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 combination of the transfer–out's in the Water and Sewer Funds represents management's transfer of 80% of the combined "net income before capital contributions" of those two funds to the General Fund for use in the operation of the general government.

In addition, the Economic Development Fund transferred a copier lease in the amount of $17,000 to the Water Fund. The Property Rental Fund transferred $44,679 in long-term debt associated with the disposition of a rental property to the General Fund. The Sewer and MPA Funds transferred $3,051 and $27,107 in debt to the General Fund to reallocate bond proceeds between funds for associated project costs. Because the governmental funds do not report long-term liabilities, these transfers are reported as assumptions of debt in the proprietary fund statement of revenues, expenses and changes in net assets and reclassified as transfers in the government-wide statement of activities.

Note 5. Note Receivable

The City entered into a loan agreement for $1.4 million with the Department of Housing and Urban Development in fiscal year 2008. The City disbursed $1,400,000 of these funds to Allegany County Human Resources Development Commission (HRDC) in fiscal year 2009. The repayment terms specify HRDC reimburse the City the amount of $1,040,000 with annual principal payments ranging from $10,000 to $95,000 and semi-annual interest payments ranging from $2,033 to $31,007 from January 17, 2009 until July 17, 2028. A note receivable in the CDBG Fund recognizes this obligation. In fiscal year 2010, the City recognized $43,249 in interest income in the CDBG Fund for the interest earned on the $1,040,000 note receivable from HRDC. The City in turn paid the Department of Housing and Urban Development $62,801 in interest expense on the $1,400,000 note payable. Interest income and expense in the amount of $27,907 was also accrued on the government-wide financial statements on these obligations.

Note 6. Capital Assets

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

	Beginning Balance	Additions	Retirements	Ending Balance
GOVERNMENTAL ACTIVITIES:				
Non-depreciable assets:				
Land	$ 974,496	$ 200	$ (100)	$ 974,596
Construction in progress	3,731,488	1,925,899	(782,678)	4,874,709
Total non-depreciable assets	4,705,984	1,926,099	(782,778)	5,849,305
Depreciable assets:				
Buildings and improvements	13,700,162	570,057	(3,918)	14,266,301
Machinery and equipment	7,277,903	100,604	(417,966)	6,960,541
Infrastructure	20,526,362	446,044	(17,253)	20,955,153
Total depreciable assets	41,504,427	1,116,705	(439,137)	42,181,995
Accumulated depreciation:				
Buildings and improvements	6,997,959	446,503	(3,918)	7,440,544
Machinery and equipment	5,086,625	593,382	(412,649)	5,267,358
Infrastructure	12,663,503	556,645	(17,253)	13,202,895
Total accumulated depreciation	24,748,087	1,596,530	(433,820)	25,910,797
Depreciable assets, net	16,756,340	(479,825)	(5,317)	16,271,198
Governmental activities capital assets, net	$ 21,462,324	$ 1,446,274	$ (788,095)	$ 22,120,503
BUSINESS-TYPE ACTIVITIES:				
Non-depreciable assets:				
Land	$ 368,371	$ -	$ -	$ 368,371
Land improvements	446,208	-	-	446,208
Construction in progress	10,338,978	25,467,916	(6,739,095)	29,067,799
Total non-depreciable assets	11,153,557	25,467,916	(6,739,095)	29,882,378
Depreciable assets:				
Buildings and improvements	86,543,240	6,840,282	(1,834,812)	91,548,710
Machinery and equipment	4,526,171	34,632	(83,720)	4,477,083
Total depreciable assets	91,069,411	6,874,914	(1,918,532)	96,025,793
Accumulated depreciation:				
Buildings and improvements	31,213,786	1,941,971	(875,483)	32,280,274
Machinery and equipment	2,967,448	385,495	(101,630)	3,251,313
Total accumulated depreciation	34,181,234	2,327,466	(977,113)	35,531,587
Depreciable assets, net	56,888,177	4,547,448	(941,419)	60,494,206
Business-type capital assets, net	$ 68,041,734	$ 30,015,364	$ (7,680,514)	$ 90,376,584

Note 6. Capital Assets – (Continued)

Depreciation expense is charged to functions as follows:

Governmental Activities			Business-Type Activities		
General Government	$	192,308	Water	$	1,147,009
Public Safety		355,431	Sewer		1,038,801
Public Works		742,614	Municipal Parking		141,480
Recreation		162,403	Property Rental		176
Urban Development & Housing		80,785		$	2,327,466
	$	1,533,541			

Assets costing $74,989 with accumulated depreciation of $74,989 were transferred from the proprietary funds to the governmental funds. Additionally, assets costing $30,000 with accumulated depreciation of $12,000 were transferred from the governmental funds to the proprietary funds. The net effect of the transfer of fixed assets results in a difference of $62,989 between the additions reported in the accumulated depreciation section of the governmental activities and the governmental activities depreciation expense.

Note 7: Short Term Liabilities

On July 1, 2009, the City issued a 90-day tax anticipation note (TAN) in the amount of $1.5 million to manage temporary cash flow deficits that occur when the timing of required expenditures does not coincide with the timing of the collection of taxes and other revenues. On December 29, 2009, the City issued a 180-day tax anticipation note in the amount of $1.5 million. The proceeds were available as a line of credit and were drawn upon as needed, to pay authorized expenditures of the fiscal year. The tax anticipation notes were repaid on the respective due dates of September 30, 2009 and June 30, 2010.

	Beginning Balance	Additions	Retirements	Ending Balance
TAN	$ -	$ 3,000,000	$ (3,000,000)	$ -

Note 8: Long Term Liabilities

Long-term Liability Activity

Long term liability activity for the year ended June 30, 2010 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	17,257,140	-	(551,296)	16,705,844	$ 652,609
Notes and capital leases	3,424,629	-	(572,711)	2,851,918	426,431
Less: deferred amounts on refunds	-	-	-	-	-
Total bonds, notes and leases payable	20,681,769	-	(1,124,007)	19,557,762	1,079,040
Compensated absences	1,955,048	1,514,802	(2,502,703)	967,147	804,916
Retainage payable	82,159	156,853	-	239,012	-
Other post-employment benefit (OPEB) obligation	64,403	-	(64,403)	-	-
Workers comp payable	1,299,583	443,151	(598,208)	1,144,526	270,270
Governmental activities long-term Liabilities	$24,082,962	$2,114,806	$(4,289,321)	$21,908,447	$2,154,226
Business-type Activities:					
Bonds and notes payable:					
General Obligation Bonds	24,029,223	6,434,544	(2,565,988)	27,897,779	$3,872,598
Notes and capital leases payable	2,984,845	-	(340,523)	2,644,322	307,737
Less: deferred amounts on refunds	(171,971)	-	26,451	(145,520)	-
Total bonds and notes payable	26,842,097	6,434,544	(2,880,060)	30,396,581	4,180,335
Compensated absences	748,087	455,745	(860,626)	343,206	244,554
Retainage payable	136,243	1,654,277	(136,243)	1,654,277	-
Other post-employment benefit (OPEB) obligation	21,580	-	(21,580)	-	-
Workers comp payable	223,540	138,488	(4,355)	357,673	84,461
Business-type activities long-term liabilities	$27,971,547	$ 8,683,054	$(3,902,864)	$32,751,737	$4,509,350

Note 8: Long Term Liabilities – (Continued)

Long-Term debt payable at June 30, 2010 is comprised of the following General Obligation Bonds:

$755,795, 1991 Sewer Fund bonds due in annual installments of $42,465 to $60,557 through February, 2011; interest at 3.594%	*$ 38,979*
$376,255, 1991 Sewer Fund bonds due in annual installments of $25,747 to $27,458 through February, 2012; interest at 3.375%	*49,815*
$400,000 1999 Water Fund bond due in annual installments of $20,173 through February, 2029; interest at 2.39%	*290,936*
$5,000,000, 1999 Sewer Fund bond authorized due in annual installments of $332,120 through February, 2021; interest at 2.39%	*3,038,659*
$2,231,000, 1999 Public Improvement bond due in semi-annual installments of $108,592 through September, 2014; interest at 5.28%	*859,878*
$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 to be forgiven March, 2011	*4,921,708*
$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%	*753,847*
$586,200, 2004 Community Development Administration Infrastructure Financing bond due in annual installments of $83,286 to $85,059 through May, 2012; interest at 2.96%	*158,198*
$220,007, 2005 Water Quality State Revolving Fund Loan due in annual installments of $12,887 through February, 2024; interest at 0.4%	*171,590*
$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.	*2,159,243*
$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%	*320,000*
$7,900,442, 2005 General Obligation bond due in semi-annual installments of $7,837 to $873,773 through May, 2021; interest at 3.97%.	*4,631,363*
$4,500,000, 2006 Public Improvement Bond due in semi-annual installments of $145,000 to $330,000 through September, 2026 at 4.36%	*4,049,999*

Note 8: Long Term Liabilities – (Continued)

$6,219,000, 2007 Public Improvement Bond due in semi-annual installments of $416,000 to $687,000 through April, 2012 at 3.63%	*2,697,000*
$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%	*323,846*
$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%	*4,665,000*
$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%	*9,070,000*
$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%	*2,068,475*
$6,000,000, 2009 ARRA Maryland Water Quality Financing Administration Bond; $6,000,000 to be forgiven October, 2019.	*4,234,207*
$3,657,700, 2009 Water Quality Bond due in annual installments of $192,458 through February, 2030 at 0.00%	*100,880*
	$44,603,623

In October 2009, the City authorized $9,657,700 in Water Quality Bonds financed through the Maryland Water Quality Financing Administration, of which $6,000,000 is eligible to be forgiven in October 2019 if certain conditions are met. The amount advanced under these bonds was $4,335,087 at June 30, 2010.

Notes and capital leases payable

$336,600 (Face amount and cost of asset), copier equipment capital lease due in monthly installments of $6,120 through April 2011; interest at 0%	*138,720*
$651,501 (Face amount and cost of asset), 2005 equipment lease due in quarterly installments of $35,414 through July 2010; interest at 3.59%.	*35,099*
$323,969 (Face amount and cost of asset), VAC and Dump Trucks lease due in quarterly installments of $17,768 through December 2010; interest at 3.98%	*35,012*
$130,194 (Face amount and cost of asset), trucks and SUV lease due in quarterly installments of $7,194 through February 2011; interest at 4.30%	*21,124*
$456,000 (Face amount and cost of asset), 2007 Equipment lease due in quarterly installments of $25,244 through January 2012; interest at 3.96%	*169,912*

Note 8: Long Term Liabilities – (Continued)

$3,749,401 (Face amount and cost of asset/expense), 2007 lease due in semi-annual installments of $170,856 through May 2022; interest at 4.097%	*3,213,867*
$804,500 (Face amount and cost of asset), equipment lease due in semi-annual installments of $44,826 through April 2012; interest at 3.719%	*506,769*
$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%	*1,340,000*
$84,872 (Face amount and cost of asset), IBM lease due in monthly installments of $2,468 through September 2011; interest at 2.99%	*35,737*
	$5,496,240

Debt Maturity

Debt service requirements at June 30, 2010 were as follows:

Governmental Funds

	Bonds		Notes & Leases		Total	
Year	Principal	Interest	Principal	Interest	Principal	Interest
2011	652,609	814,770	426,431	111,687	1,079,040	926,457
2012	673,471	787,583	357,446	99,375	1,030,917	886,958
2013	752,996	754,546	264,672	88,721	1,017,668	843,267
2014	778,718	721,798	149,704	80,060	928,422	801,858
2015	717,141	687,921	157,382	73,819	874,523	761,740
2016-2020	3,250,226	3,024,107	691,124	277,792	3,941,350	3,301,899
2021-2025	3,784,501	2,239,766	500,161	133,934	4,284,662	2,373,700
2026-2030	4,003,366	1,196,480	304,998	33,523	4,308,364	1,230,003
2031-2035	1,675,925	482,593	-	-	1,675,925	482,593
2036-2040	416,891	27,628	-	-	416,891	27,628
	$16,705,844	$10,737,192	$ 2,851,918	$ 898,911	$19,557,762	$11,636,103

Note 8: Long Term Liabilities – (Continued)

Proprietary Funds

	Bonds		Notes & Leases		Total	
Year	Principal	Interest	Principal	Interest	Principal	Interest
2011	3,872,598	584,111	307,738	102,644	4,180,336	686,755
2012	2,715,939	495,996	253,710	91,873	2,969,649	587,869
2013	1,059,154	417,045	220,660	82,693	1,279,814	499,738
2014	1,081,060	389,827	174,940	74,510	1,256,000	464,337
2015	1,588,882	361,805	182,181	67,269	1,771,063	429,074
2016-2020	10,043,180	1,381,087	1,030,447	216,799	11,073,627	1,597,886
2021-2025	3,719,354	703,612	474,646	24,539	4,194,000	728,151
2026-2030	2,546,289	360,970	-	-	2,546,289	360,970
2031-2035	1,153,210	148,218	-	-	1,153,210	148,218
2036-2040	118,113	7,815	-	-	118,113	7,815
	$ 27,897,779	$4,850,486	$2,644,322	$ 660,327	$30,542,101	$5,510,813

Note 9. *Deferred Revenue*

The governmental fund balance sheet reports $1,723,496, $1,040,000, and $559,030 of deferred revenues in the General, CDBG, and Non-Major Governmental Funds, respectively. Included in those deferred revenues are $286,255 revenues deferred solely because they are not yet considered available as defined by GASB 33 and as discussed in Note 1(E). The remainder of the deferred revenue represents deferred property tax revenues in the amount of $1,457,574 and deferred rehabilitation loans in the amount of $492,057. Additionally, CDBG has a deferred note receivable for a Section 108 loan in the amount of $1,040,000. The General Fund also received $46,640 in deferred tax revenue related to the 2010-2011 tax levy.

Note 10. *Compensated Absences*

Statement 16 of the Governmental Accounting Standards Board (GASB) - Accounting for Compensated Absences requires 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.

Note 10. Compensated Absences – (Continued)

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 earn fifteen sick leave days per year with no maximum accumulation ceiling. As of June 30, 2010, only Local Union 553 (general trades, labor, technical, clerical staff) members are entitled to the payout of 86 days of sick leave days accumulated upon retirement (until June 30, 2011 when the union contract expires). If the employee is not eligible to retire by June 30, 2011, this benefit is not 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 $967,147. Accrued sick leave and vacation liabilities for the City's proprietary funds in the amount of $343,206 have been recorded in both the fund financial statements and the government-wide financial statements.

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

Note 11. Classification of Net Assets – Government-wide Financial Statements

In the government-wide financial statements, net assets are classified in the following categories:

<u>Invested In Capital Assets Net Of Related Debt</u> – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Note 11. Classification of Net Assets – Government-wide Financial Statements – (Continued)

Restricted Net Assets – 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 net assets first, as appropriate opportunities arise.

Unrestricted Net Assets – this category represents the net assets of the City, which are not restricted for any project or other purpose.

Note 12. Fund Balance Reserves and Designation – Fund Financial Statements

In the fund financial statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are reestablished by actions of the City Council and Management and can be increased, reduced or eliminated by similar actions. As of June 30, 2010, reservations of fund balance are described below:

The "Reserved for restrictions" classification in the fund equity section of the governmental fund balance sheet reflects assets that have been legally restricted for specified purposes and are not available for other uses.

The "Reserved for long term assets" classification in the fund equity section of the governmental fund balance sheet is comprised of the following as it represents assets that are not "available spendable resources":

	General Fund	Housing Assistance Fund	CDGB Fund	Street Improvement Fund	Non-major Funds
Housing loans receivable	$ -	$ -	$ -	$ -	$ 321,627
Loans receivable, net of deferred portion	-	-	-	-	72,316
Notes receivable	-	-	-	-	477
Interfund Receivables, non-current	59,749	-	-	-	-
Total	$59,749	$ -	$ -	$ -	$394,420

Note 12. Fund Balance Reserves and Designation – Fund Financial Statements – (Continued)

Designations of equity, if any, are used to show the amounts within unreserved equity, which are intended to be used for specific purposes, but are not legally restricted.

Note 13. 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 property taxes have been unpaid for period of three years.

General Fund

As permitted by the City Charter, as amended, the City levied taxes in fiscal year 2010 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 $784 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.

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.

Note 13. Property Taxes – (Continued)

Primary Zone
The tax rate in the primary zone for the year ended June 30, 2010 was $0.456 per $100 of assessed valuation. Real property is assessed at full market value. The present adjusted assessed valuation is $26 million.

Secondary Zone
The tax rate in the secondary zone for the year ended June 30, 2010 was $0.268 per $100 of assessed valuation. Real property is assessed at full market value. The present adjusted assessed valuation is $30 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 $2.17 per $100 of assessed valuation. Real property is assessed at full market value. The present adjusted assessed valuation is $1,561,332.

Note 14. 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, 2010.

Note 15. Contingent Liabilities

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

Note 16. Construction Commitments

The City has active construction projects as of June 30, 2010. 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:

Project	Contract Amount	Change Orders	Remaining Commitment	Fund
Virginia Avenue Corridor Improvements	$ 1,189,497	$ 353,895	$ 1,138,439	General/CDBG/ GOB 08
Evitts Creek Force Main Gravity Sewer Phase 1A	2,101,813	-	2,101,813	Sewer
Washington Street Improvements	1,148,256	-	669,195	General/GOB 08
Henderson Avenue Improvements	1,224,851	-	1,224,851	GOB 08/Water
ENR WWTP (construction)	22,470,000	10,585,535	11,357,109	Sewer
Rolling Mills Access Roads Phase 2 & 3 (MD Ave Jefferson to Short St Reconstruction)	1,950,388	1,324,368	398,849	General/CDBG/ PIB 06/GOB 08
Total	$ 30,084,805	$ 12,263,798	$ 16,890,256	

Note 17. Other Commitments

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 is expected to be begin in FY'11. The City has committed to provide Enhanced Nutrient Removal (ENR) at the City's Wastewater Treatment Plant. Engineering was completed in FY'09 and construction began in FY'10, and is expected to be complete in FY'11. The estimated cost of this major project is $38,000,000. 73% of the project cost will be funded through State of Maryland's ENR Program; the local share of 27% will be funded through State Revolving Loan Funds (SRF). In July 2009 (FY'10), the City was awarded federal stimulus money of $6 million from the American Recovery and Reinvestment Act (ARRA) which will be administered by MDE. This stimulus money will be used to fund the 27% of the local share of the ENR project and will be a forgivable loan.

Note 18. Risk Management

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

Note 18. Risk Management – (Continued)

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 $1,750,000 to $1,998,000 depending on the policy year. As of June 30, 2010, 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, 2010. 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.

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 $1,502,199 (a non-discounted amount of $1,713,353) and is discounted at a 4.0% annual rate. The following represents the change in approximate aggregate liabilities for the City from July 1, 2007 to June 30, 2010:

Fiscal Year Ended June 30,	Claims Payable July 1,	Claims and Changes in Estimates	Claims Paid	Claims Payable June 30,
2007	$ -0-	$ 877,660	$ 144,888	$ 732,772
2008	732,772	1,802,156	516,975	2,017,953
2009	2,017,953	9,101	503,931	1,523,123
2010	1,523,123	584,243	605,167	1,502,199

Note 19. 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 2010. The City is required to contribute at an actuarially determined rate. The current rate is 4.05% 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, 2010, 2009, and 2008 were $365,760, $333,979, and $435,236 respectively, equal to the required employer contributions for each year. The City's ACPS surcharge for the year ended June 30, 2010 was $600,395, equal to the required employer contribution for the year.

Note 19. 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 30.03% of covered payroll for the pension system. The City of Cumberland's contribution to LEOPS for the year ended June 30, 2010 totaled $669,643. The City's contributions for LFPS for the years ended June 30, 2009 and 2008 were $802,397 and $522,506, 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 $264,569 into the deferred compensation plan during the current year.

The City had also established a defined contribution plan under the Internal Revenue Code Section 401(a) entitled "City of Cumberland 401(a) Match Plan," however the City's obligation to match the first $300 the City management employees deferred into the deferred compensation plan described in the preceding paragraph, ended June 30, 2007 but the plan also receives other employer contributions. The City contributed $10,832 in accordance with employee contract agreements into the deferred compensation plan for the current year. The City also contributed $71,645 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 20. 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.

Note 20. 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 will be phased out by June 30, 2011 except for a small group of grandfathered retirees. Amortization periods have been adjusted to reflect the pending 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 22.32 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	$168,995
Interest on Net OPEB Obligation	6,441
Adjustment to Annual Required Contribution	(19,591)
Annual OPEB Cost (Expense)	$155,845
Contributions Made	(245,652)
Increase/(Decrease) in Net Obligation	($89,807)
Net OPEB Obligation (BOY)	$85,983
Net OPEB Obligation (EOY)	(3,824)

Note 20. 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
6/30/2009	$549,149	84.3%	$85,983
6/30/2010	$155,845	157.6%	($3,824)

Funded Status and Funding Progress. As of July 1, 2009, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was $601,049 and the actuarial value of assets was $0 resulting in an unfunded actuarial accrued liability (UAAL) of $601,049. The covered payroll (annual payroll of active employees covered by the plan) was $757,004 and the ratio of the UAAL to the covered payroll was 79.4%.

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.

Note 20. Post-Employment Health Care Benefits – (Continued)

In the July 1, 2009 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. 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, 2009 was 5 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 21. Subsequent Events

The City has evaluated, for possible financial statement disclosure, subsequent events through December 22, 2010, the date which the financial statements were available to be issued, and determined the following to be subsequent events.

On July 1, 2010, the City issued $2 million of tax anticipation notes to manage the temporary cash flow deficits that occur when the timing of required expenditures does not coincide with the timing of the collection of taxes and other revenues. The notes were issued in anticipation of collection of property taxes to be received during the 2010-2011 fiscal year and was repaid with property tax revenue and other income (with the exception of water department income) by October 1, 2010.

On November 22, 2010, the City settled on a 15 year loan in the amount of $1,532,200. The proceeds from the loan will be used to finance upgrades to the HVAC equipment located at their Memorial Campus Facility. The loan carries an interest rate of 6% payable in semi-annual payments due each April 1st and October 1st, with the first payment scheduled to be made on April 1, 2011.

Required Supplementary Information

CITY OF CUMBERLAND, MARYLAND
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts			
Revenues:	***Original***	***Final***	***Actual Amounts***	***Variance with Final Budget***
Taxes	$ 10,518,734	$ 10,518,734	$ 10,125,116	$ (393,618)
Licenses and permits	197,860	197,860	288,312	90,452
Intergovernmental	3,480,724	3,480,724	3,793,551	312,827
Charges for services	1,650,617	1,650,617	1,333,993	(316,624)
Fines and forfeitures	2,500	2,500	1,810	(690)
Interest	25,000	25,000	3,939	(21,061)
Miscellaneous	818,714	818,714	505,434	(313,280)
Total Revenues	16,694,149	16,694,149	16,052,155	(641,994)
Expenditures:				
Current:				
General government	1,637,811	1,625,000	1,621,847	3,153
Public safety	10,418,197	10,025,000	10,023,519	1,481
Public works	2,708,379	2,425,000	2,421,251	3,749
Recreation	1,049,520	860,000	859,541	459
Community development and housing	446,681	1,705,000	1,702,207	2,793
Debt Service:				
Principal	659,708	1,100,000	1,054,179	45,821
Interest	462,417	515,000	510,093	4,907
Total Expenditures	17,382,713	18,255,000	18,192,637	62,363
Revenues in Excess of (Less Than) Expenditures	(688,564)	(1,560,851)	(2,140,482)	(579,631)
Other Financing Sources (Uses):				
Transfers-in	940,056	2,200,000	2,151,600	(48,400)
Transfers-out	(245,960)	(452,000)	(451,085)	915
Total Other Financing Sources	694,096	1,748,000	1,700,515	(47,485)
Net Change in Fund Balances	$ 5,532	$ 187,149	(439,967)	$ (627,116)
Fund balance, beginning			672,649	
Fund balance, ending			$ 232,682	

NOTES TO REQUIRED SUPPLEMENTARY SCHEDULE
JUNE 30,2010

(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.

OTHER POST-EMPLOYMENT BENEFIT PLAN CONTRIBUTIONS

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, 2008	$0	$7,874,830	0%	$7,874,830	$6,204,000	127.0%
July 1, 2009	$0	$601,049	0%	$601,049	$757,004	79.4%

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.

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.

Lender's Loan
Fund tracks the City's portion of a small business loan program that provides funds through the state, City, and local banks.

Program Open Space
Program Open Space funds are provided by the state for outdoor park projects and tracked through this fund.

Community Parks
Grant funds provided through the Maryland Community Parks and Playgrounds Program.

Economic Development
Expenditures are designed to specifically support economic development activities and initiatives.

PIB06
Public Improvement Bond used to fund security upgrades throughout City buildings, infrastructure and building capital improvement projects, and a new fire engine.

Johnson Controls
This fund was established for a lease agreement with M&T Bank for the payment of Johnson Controls Energy Performance Contract. The funds were held in escrow until payment of completed work which was invoiced by Johnson Controls.

Misc Funds
Includes revenues collected and expended for specific purposes, for example fireworks donations and Let's Beautify Cumberland, where the City desires to track revenue and expenses separately.

Non-major Proprietary Funds

Trash
Revenues and expenses for the City's trash collection.

Property Rental
Rental revenues and expenses related to rental of City owned properties – Naval Reservoir and HRDC building.

CITY OF CUMBERLAND, MARYLAND
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

	Tax Increment Financing District	*Rehabilitation Loan Fund*	*Special Taxing District*	*Community Legacy*	*Police Grants*	*Lender's Loan*	*Program Open Space*	*Community Parks*	*Economic Dev*	*PIB 2006*	*Misc. Capital Projects Funds*	*Misc Special Revenue Funds*	*Total Non-Major Governmental Funds*
ASSETS													
Cash and Cash Equivalents	$ 5,530	$ -	$ 8,116	$ 14	$ 10,671	$ 1,340	$ 2,259	$ 4,486	$ 4,056	$ 4,670	$ 15,106	$ 71,476	$ 127,724
Investments			107,982							80,556		-	188,538
Accounts receivable			100									4,926	5,026
Prepaid Expenses			6,220									6,250	12,470
Housing loans receivable		321,627										-	321,627
Taxes receivable			35,005									-	35,005
Notes receivable		477										-	477
Loans receivable				564,373								-	564,373
Due from other governments				159,231	71,453				7,337		90,767	3,384	332,172
Restricted investment			8,379										8,379
Due from other funds	12,300					105,000		20,000				80,000	217,300
Total Assets	$ 17,830	$ 322,104	$ 165,802	$ 723,618	$ 82,124	$ 106,340	$ 2,259	$ 24,486	$ 11,393	$ 85,226	$ 105,873	$ 166,036	$ 1,813,091
LIABILITIES AND FUND EQUITY													
LIABILITIES:													
Accounts payable	$ -	$ -	$ 4,265	$ 15,000	$ 65,505	$ -	$ -	$ -	$ 9,470	$ 2,504	$ 135,804	$ 12,365	$ 244,913
Accrued wages			5,064		3,395				2,693		2,239	-	13,391
Interfund payables	45,149			111,400			12,632					31,420	200,601
Deferred revenues			20,314	524,481			-				10,851	3,384	559,030
Loans payable												-	-
Total Liabilities	45,149	-	29,643	650,881	68,900	-	12,632	-	12,163	2,504	148,894	47,169	1,017,935
FUND BALANCES:													
Fund balances:													
Reserved for prepaids			6,220		-				-			6,250	12,470
Reserved for encumbrances			4,206						60,500			950	65,656
Reserved for restrictions			8,379										8,379
Reserved for long-term assets		322,104		72,316		-							394,420
Unreserved - Capital Projects										82,722	(43,021)	-	39,701
Unreserved - Special Revenue Funds	(27,319)		117,354	421	13,224	106,340	(10,373)	24,486	(61,270)			111,667	274,530
Total Fund Balances	(27,319)	322,104	136,159	72,737	13,224	106,340	(10,373)	24,486	(770)	82,722	(43,021)	118,867	795,156
Total Liabilities and Fund Balances	$ 17,830	$ 322,104	$ 165,802	$ 723,618	$ 82,124	$ 106,340	$ 2,259	$ 24,486	$ 11,393	$ 85,226	$ 105,873	$ 166,036	$ 1,813,091

CITY OF CUMBERLAND, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Tax Increment Financing District	Rehabilitation Loan Fund	Special Taxing District	Community Legacy	Police Grants	Lender's Loan	Program Open Space	Community Parks	Economic Dev	PIB 2006	Misc. Capital Projects Funds	Misc Funds	Total Non-Major Governmental Funds
Revenues:													
Taxes	$ 44,659	$ -	$ 183,395	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 228,054
Charges for services												2,100	2,100
Intergovernmental revenues			500	628,409	355,333		-	17,200	39,930		256,694	56,493	1,354,559
Interest	-	3	286	1,463	223	23				223		9	2,230
Miscellaneous		116	33,516		-				600			23,469	57,701
Total Revenues	44,659	119	217,697	629,872	355,556	23	-	17,200	40,530	223	256,694	82,071	1,644,644
Expenditures:													
Current:													
General government			222,287	15,000								38,419	275,706
Public safety					243,480							-	243,480
Public works	-									1,199	10,787	2,150	14,136
Recreation							-					12,500	12,500
Community development and housing		-		635,062					153,408			54,134	842,604
Capital Outlay								17,200		72,844	284,249	15,200	389,493
Debt Service:													
Principal	32,000		20,086						6,956			-	59,042
Interest	17,198		4,530									-	21,728
Total Expenditures	49,198	-	246,903	650,062	243,480	-	-	17,200	160,364	74,043	295,036	122,403	1,858,689
Total Revenues in Excess of (Less Than) Expenditures	(4,539)	119	(29,206)	(20,190)	112,076	23	-	-	(119,834)	(73,820)	(38,342)	(40,332)	(214,045)
Other Financing Sources (Uses):													
Operating transfers-in	11,541	-	4,415		-		-		145,000	32,325	-	24,000	217,281
Operating transfers-out		(21,333)				(40)			-	-		(58)	(21,431)
Total Other Financing Sources (Uses)	11,541	(21,333)	4,415	-	-	(40)	-	-	145,000	32,325	-	23,942	195,850
Net Change in Fund Balance	7,002	(21,214)	(24,791)	(20,190)	112,076	(17)	-	-	25,166	(41,495)	(38,342)	(16,390)	(18,195)
Fund balance (deficit), beginning	(34,321)	343,318	160,950	92,927	(98,852)	106,357	(10,373)	24,486	(25,936)	124,217	(4,679)	135,257	813,351
Fund balance (deficit), ending	$ (27,319)	$ 322,104	$ 136,159	$ 72,737	$ 13,224	$ 106,340	$ (10,373)	$ 24,486	$ (770)	$ 82,722	$ (43,021)	$ 118,867	$ 795,156

CITY OF CUMBERLAND, MARYLAND
COMBINING STATEMENT OF NET ASSETS
NON-MAJOR PROPRIETARY FUNDS
JUNE 30, 2010

	Trash	Property Rental	Total Non-Major Proprietary Funds
ASSETS			
Current Assets:			
Cash	$ 1,651	$ 16,245	$ 17,896
Accounts receivable	77,784	25,327	103,111
Interfund receivables, current	290,000	6,400	296,400
Total Current Assets	369,435	47,972	417,407
Noncurrent Assets:			
Buildings and improvements	-	5,244	5,244
Accumulated depreciation	-	(176)	(176)
Total Non-Current Assets	-	5,068	5,068
Total Assets	$ 369,435	$ 53,040	$ 422,475
LIABILITIES			
Current Liabilities:			
Accounts payable	114,531	42,223	156,754
Total Current Liabilities	114,531	42,223	156,754
Noncurrent Liabilities:			
Interfund payables, non-current	191,365	-	191,365
Total Non-Current Liabilities	191,365	-	191,365
Total Liabilities	305,896	42,223	348,119
NET ASSETS			
Invested in capital assets, net of related debt	-	5,068	5,068
Restricted Net Assets	-	-	-
Unrestricted	63,539	5,749	69,288
Total Net Assets	63,539	10,817	74,356
Total Liabilities and Net Assets	$ 369,435	$ 53,040	$ 422,475

CITY OF CUMBERLAND, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
NON-MAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Trash	Property Rental	Total Non-Major Proprietary Funds
Operating Revenues:			
Charges for Services:			
Domestic	$ 1,287,080	$ -	$ 1,287,080
Industrial	2,890	-	2,890
Rents/Concessions	-	87,998	87,998
Other	15,857	-	15,857
Total Operating Revenues	1,305,827	87,998	1,393,825
Operating Expenses:			
Personal services	-	8,612	8,612
Utilities	-	222,257	222,257
Supplies	5,324	-	5,324
Repairs and maintenance	-	29,148	29,148
Landfill fees	325,773	-	325,773
Depreciation	-	176	176
Contractual Service	626,016	21,747	647,763
Other operating expenses	96,697	19,503	116,200
Total Operating Expenses	1,053,810	301,443	1,355,253
Operating Income (loss)	252,017	(213,445)	38,572
Non-Operating (Expenses):			
Interest expense	-	(432)	(432)
Gain (Loss) on disposal of assets	-	152,383	152,383
Total Non-Operating (loss)	-	151,951	151,951
Net Income (loss) Before Contributions and Transfers	252,017	(61,494)	190,523
Assumption of debt by governmental activities	-	44,679	44,679
Transfers-in (out)	-	(743,600)	(743,600)
Net Income (loss)	252,017	(760,415)	(508,398)
Net assets-beginning of year	(188,478)	771,232	582,754
Net assets-end of year	$ 63,539	$ 10,817	$ 74,356

CITY OF CUMBERLAND, MARYLAND
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Trash	Property Rental	Total Non-Major Proprietary Funds
Cash Flows from Operating Activities:			
Cash receipts from customers	$ 1,317,751	$ 55,586	$ 1,373,337
Cash payments to suppliers	(1,062,451)	(261,698)	(1,324,149)
Cash payments for personal services	-	(8,612)	(8,612)
Other operating receipts	15,857	-	15,857
Net Cash Provided (Used) by Operating Activities	271,157	(214,724)	56,433
Cash Flows from Noncapital Financing Activities:			
Transfers from (to) other funds	-	(743,600)	(743,600)
Loans from other funds	(270,000)	(6,400)	(276,400)
Net Cash Provided (Used) By Noncapital Financing Activities	(270,000)	(750,000)	(1,020,000)
Cash Flows from Capital and Related Financing Activities:			
Capital contributions	-	7,085	7,085
Acquisition and construction of capital assets	-	(5,469)	(5,469)
Proceeds from sale of capital assets	-	959,625	959,625
Principal paid on capital debt	-	(3,858)	(3,858)
Interest paid on capital debt	-	(1,282)	(1,282)
Deferred financing charge	-	224	224
Net Cash Provided (Used) by Capital and Related Financing Activities	-	956,325	956,325
Net Increase in Cash and Cash Equivalents	1,157	(8,399)	(7,242)
Cash and Cash Equivalents at Beginning of Year	494	24,644	25,138
Cash and Cash Equivalents at End of Year	$ 1,651	$ 16,245	$ 17,896
Reconciliation of Cash to Statement of Net Assets			
Cash balance-Statement of Net Assets	$ 1,651	$ 16,245	$ 17,896
Investment balance-Statement of Net Assets	-	-	-
Cash and Cash Equivalents-Statement of Cash Flows	$ 1,651	$ 16,245	$ 17,896
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	$ 252,017	$ (213,445)	$ 38,572
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	-	176	176
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	27,781	(25,327)	2,454
Increase (decrease) in accounts payable	(8,641)	30,957	22,316
Increase (decrease) in deferred revenues	-	(7,085)	(7,085)
Net cash provided (used) by operating activities	$ 271,157	$ (214,724)	$ 56,433
Noncash operating, financing, and investing activities:			
Assumption of debt by govermental activities	$ -	$ 44,679	$ 44,679

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**

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 Assets by Category Government Wide, Last Eight Years

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Governmental Activities								
Invested in Capital Assets, Net of Related Debt	14,626,885	15,184,517	15,267,735	14,711,560	14,091,543	11,085,676	14,988,772	15,427,981
Restricted	1,114,859	641,121	505,291	734,463	749,796	657,169	886,915	917,895
Unrestricted	1,860,966	785,475	(534,608)	(588,266)	710,280	(1,765,789)	(5,436,042)	(4,488,333)
Total Governmental Activities Net Assets	17,602,710	16,611,113	15,238,418	14,857,757	15,551,619	9,977,056	10,439,645	11,857,543
Business-Type Activities								
Invested in Capital Assets, Net of Related Debt	28,936,326	32,351,648	33,492,177	33,748,518	35,809,340	37,686,049	42,359,859	57,597,712
Restricted	227,092	227,092	232,096	634,853	249,144		-	-
Unrestricted	2,644,273	2,840,683	2,172,581	2,336,796	1,074,763	1,864,475	(242,674)	941,058
Total Business-Type Activities Net Assets	31,807,691	35,419,423	35,896,854	36,720,167	37,133,247	39,550,524	42,117,185	58,538,770
Primary Government								
Invested in Capital Assets, Net of Related Debt	43,563,211	47,536,165	48,759,912	48,460,078	49,900,883	48,771,725	57,348,631	73,025,693
Restricted	1,341,951	868,213	737,387	1,369,316	998,940	657,169	886,915	917,895
Unrestricted	4,505,239	3,626,158	1,637,973	1,748,530	1,785,043	98,686	(5,678,716)	(3,547,275)
Total Primary Government Net Assets[1]	49,410,401	52,030,536	51,135,272	51,577,924	52,684,866	49,527,580	52,556,830	70,396,313

Note: Government-wide statement were not available until FY 2003.

[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 Assets by Category Government Wide, Last Eight Years

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Expenses								
Governmental activities:								
General Government	1,507,459	2,101,017	2,229,057	1,924,694	2,529,184	2,719,050	2,264,903	2,008,255
Public Safety	9,244,760	8,609,865	8,889,680	9,729,813	10,001,075	11,400,713	10,600,736	9,770,827
Public Works	4,011,070	3,203,225	3,123,299	2,984,833	3,043,152	3,614,261	3,131,186	2,948,320
Recreation	957,612	975,202	1,025,874	1,051,627	984,452	1,231,744	995,388	961,292
Community Development and Housing	3,780,353	4,499,317	3,992,664	3,207,042	3,238,798	3,948,656	4,293,984	4,849,201
Interest on long-term debt	286,264	272,162	252,283	262,084	329,613	340,306	869,308	1,019,308
Total governmental activities expenses	19,787,518	19,660,788	19,512,857	19,160,093	20,126,274	23,254,730	22,155,505	21,557,203
Business-type activities:								
Water	5,352,997	5,302,049	5,663,826	5,833,754	5,690,721	5,974,681	6,161,821	6,320,205
Sewer	3,868,362	4,263,477	4,069,506	4,576,650	4,750,614	5,177,984	5,171,342	5,247,556
Municipal Parking Authority	412,183	394,348	393,676	427,664	387,032	408,599	548,361	524,639
Trash	542,392	729,114	775,255	1,060,739	1,085,377	1,119,361	1,075,309	1,053,810
Property Rental	70,616	69,381	67,670	130,848	73,890	112,660	120,112	301,875
Total business-type activities expenses	10,246,550	10,758,369	10,969,933	12,029,655	11,987,634	12,793,285	13,076,945	13,448,085
Total primary government expenses	30,034,068	30,419,157	30,482,790	31,189,748	32,113,908	36,048,015	36,272,450	35,005,288
Program Revenues								
Governmental activities:								
Charges for services:								
General Government	440,646	578,373	578,659	588,073	632,090	597,521	678,839	694,279
Public Safety	635,716	731,682	661,666	850,504	1,825,283	1,106,758	1,348,944	1,160,036
Public Works				14,986	4,106	1,549		
Recreation	96,618	122,907	130,142	134,664	146,491	158,651	116,688	101,905
Community Development and Housing	75,742	71,437	78,652	86,723	111,423	92,655	109,047	79,104
Interest on long-term debt								
Operating grants and contributions	5,914,518	6,297,814	5,947,695	5,635,159	5,794,322	5,835,567	5,915,626	5,992,859
Capital grants and contributions	653,444	1,008,619	296,235	284,407	154,534	953,810	701,110	300,718
Total governmental activities program reve	7,816,684	8,810,832	7,693,049	7,594,516	8,668,249	8,746,511	8,870,254	8,328,901
Business-type activities:								
Water	6,373,990	6,686,957	6,582,264	7,056,703	7,270,405	7,624,538	8,139,843	7,980,068
Sewer	4,088,688	4,213,406	4,339,904	4,732,152	4,674,930	4,863,377	5,526,205	5,326,583
Municipal Parking Authority	444,707	498,329	445,424	461,314	440,612	648,710	628,769	660,608
Trash	524,359	746,155	745,363	942,212	976,787	1,109,411	1,131,770	1,305,827
Property Rental	109,750	137,091	152,987	141,887	146,755	205,172	136,123	87,998
Operating grants and contributions								
Capital grants and contributions	2,408,026	2,824,151	370,258	612,707	451,607	2,788,679	2,116,221	16,441,423
Total business-type activities program reve	13,949,520	15,106,089	12,636,200	13,946,975	13,961,096	17,239,887	17,678,931	31,802,507
Total primary government revenues	21,766,204	23,916,921	20,329,249	21,541,491	22,629,345	25,986,398	26,549,185	40,131,408
Net (Expense)/Revenue								
Governmental activities	(11,970,834)	(10,849,956)	(11,819,808)	(11,565,577)	(11,458,025)	(14,508,219)	(13,285,251)	(13,228,302)
Business-type activities	3,702,970	4,347,720	1,666,267	1,917,320	1,973,462	4,446,602	4,601,986	18,354,422
Total primary government net expense	(8,267,864)	(6,502,236)	(10,153,541)	(9,648,257)	(9,484,563)	(10,061,617)	(8,683,265)	5,126,120
General Revenues and Other Changes in Net Assets								
Governmental activities:								
Property taxes	7,554,128	7,360,358	7,593,762	8,150,523	8,350,221	8,678,884	9,434,314	10,309,651
Franchise Fees [1]					246,754	247,550	276,445	281,486
Other taxes	143,552	133,645	141,977	139,034	153,686	178,467	150,390	209,624
Shared revenues	1,257,087	1,139,105	1,079,029	1,279,788	1,288,824	1,430,311	1,357,674	1,477,345
Unrestricted investment earnings	64,152	38,922	34,466	91,276	137,013	115,410	123,212	134,696
Miscellaneous	363,632	421,664	372,737	386,608	189,277	284,957	352,889	144,575
Transfers	1,082,465	764,665	1,225,142	1,137,687	1,786,112	971,858	2,052,916	2,088,823
Total governmental activities	10,465,016	9,858,359	10,447,113	11,184,916	12,151,887	11,907,437	13,747,840	14,646,200
Business-type activities:								
Unrestricted investment earnings	41,816	28,677	36,306	43,680	225,730	104,431	17,591	3,603
Gain on sale of capital asset								152,383
Transfers	(1,082,465)	(764,665)	(1,225,142)	(1,137,687)	(1,786,112)	(971,858)	(2,052,916)	(2,088,823)
business-type activities	(1,040,649)	(735,988)	(1,188,836)	(1,094,007)	(1,560,382)	(867,427)	(2,035,325)	(1,932,837)
primary government	9,424,367	9,122,371	9,258,277	10,090,909	10,591,505	11,040,010	11,712,515	12,713,363
es in Net Assets								
nmental activities:	(1,505,818)	(991,597)	(1,372,695)	(380,661)	693,862	(2,600,782)	462,589	1,417,898
Business-type activities:	2,662,321	3,611,732	477,431	823,313	413,080	3,579,175	2,566,661	16,421,585
Total primary government	1,156,503	2,620,135	(895,264)	442,652	1,106,942	978,393	3,029,250	17,839,483

[1] Franchise Fees were previously reports as miscellaneous income in years 2003 thru 2006

Note: Government-wide statement were not available until FY 2003.

City of Cumberland, Maryland

Fund Balances - Governmental Funds
Last Seven Years

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
General Fund								
Reserved	770,226	39,149	45,909	211,258	999,506	1,596,462	1,895,760	2,145,060
Unreserved	1,535,038	1,142,663	(81,703)	8,176	64,288	(865,200)	(1,223,111)	(1,912,378)
Total general fund	2,305,264	1,181,812	(35,794)	219,434	1,063,794	731,262	672,649	232,682
Housing Fund								
Reserved	14,858	30,711	34,585	29,340	19,636	30,041	38,724	39,059
Unreserved	65,006	72,338	37,866	(15,681)	(21,042)	(42,550)	(79,948)	(60,790)
Total housing fund	79,864	103,049	72,451	13,659	(1,406)	(12,509)	(41,224)	(21,731)
All Other Governmental Funds								
Reserved	640,256	593,562	571,268	568,889	511,654	1,882,533	499,258	493,737
Unreserved								
Special Revenue Funds	229,472	(73,186)	(221,023)	(281,823)	135,492	(5,014)	196,397	274,530
Capital Projects Funds	927,551	299,643	(6,997)	(32,112)	1,890,177	621,216	9,167,317	7,845,997
Total all other governmental funds	1,797,279	820,019	343,248	254,954	2,537,323	2,498,735	9,862,972	8,614,264
All Governmental Funds								
Total Fund Balance All Governmental Funds	4,182,407	2,104,880	379,905	488,047	3,599,711	3,217,488	10,494,397	8,825,215

Note: For consistency purposes, financial data is only presented for the last eight years, since the government-wide data was only availble for those periods.

City of Cumberland

Changes in Fund Balances - Governmental Funds
Last Eight Years

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Revenues								
Taxes	7,725,846	7,664,751	7,876,051	8,445,424	8,652,112	8,779,740	9,799,768	10,353,170
Licenses and permits	161,295	132,615	109,803	189,907	1,129,714	274,909	236,101	288,312
Intergovernmental	8,007,629	8,312,003	7,206,070	7,215,047	7,393,334	8,009,375	8,205,565	7,968,020
Charges for Services	862,361	1,026,313	1,002,146	1,123,787	1,210,380	1,331,927	1,605,836	1,336,093
Fines and Forfeitures	5,081	4,646	2,520	793	25	375	500	1,810
Interest	69,670	42,538	38,257	95,332	140,472	118,953	124,986	108,498
Miscellaneous	547,477	609,705	556,262	563,407	677,262	536,508	797,017	565,979
Total revenue	17,379,359	17,792,571	16,791,109	17,633,697	19,203,299	19,051,787	20,769,773	20,621,882
Expenditures								
Current Operations								
General Government	1,717,065	1,766,887	1,862,090	1,848,084	2,049,116	2,203,636	2,206,697	1,897,553
Public Safety	8,736,735	8,588,961	8,700,636	9,601,532	10,008,301	10,364,099	10,670,154	10,266,999
Public Works	3,104,463	2,747,694	3,184,789	2,467,915	2,608,485	3,087,626	2,486,053	2,435,387
Recreation	985,084	896,376	1,040,133	1,138,786	1,008,340	1,147,048	1,009,605	872,041
Community development and housing	3,963,105	4,719,401	4,116,848	3,505,883	3,362,049	4,090,933	5,449,267	5,287,740
Capital Outlay	452,363	1,503,702	449,720	116,420	916,129	2,077,914	930,412	1,502,551
Debt Service								
Principal	426,470	488,690	585,934	790,555	763,831	902,588	1,164,828	1,181,844
Interest	268,892	276,610	255,809	261,936	299,992	332,758	717,536	1,011,608
Bond issue costs			25,267	7,998	8,007		294,690	
Total Expenditures	19,654,177	20,988,321	20,221,226	19,739,109	21,024,250	24,206,602	24,929,242	24,455,723
Excess (deficiency) revenue over expenditures	(2,274,818)	(3,195,750)	(3,430,117)	(2,105,412)	(1,820,951)	(5,154,815)	(4,159,469)	(3,833,841)
Other Financing Sources (Uses)								
Transfers-in	1,378,019	1,558,573	1,344,611	1,185,643	2,297,823	1,647,212	2,477,328	2,637,175
Transfers-out	(295,554)	(793,910)	(119,469)	(47,956)	(511,711)	(481,787)	(683,366)	(472,516)
Financing Proceeds	1,448,655	349,238	480,000	1,057,100	3,118,258	2,280,600	9,154,872	
Refunding Proceeds		69,992		417,144	1,226,597		3,636,221	
Payment to refund bonds		(65,670)		(398,377)	(1,198,352)		(3,148,677)	
Total Other Financing Sources (Uses)	2,531,120	1,118,223	1,705,142	2,213,554	4,932,615	3,446,025	11,436,378	2,164,659
Net change in fund balances	**256,302**	**(2,077,527)**	**(1,724,975)**	**108,142**	**3,111,664**	**(1,708,790)**	**7,276,909**	**(1,669,182)**
Debt Service as percentage of non-capital expenditures	3.82%	4.05%	4.50%	5.70%	5.44%	5.84%	8.00%	9.79%

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.

	2003	2004	2005	2006	2007	2008	2009	2010
Total Expenditures for Capital Assets	$ 1,471,191	$ 2,100,452	$ 1,534,452	$ 1,272,265	$ 1,454,302	$3,036,705	$ 1,413,617	$ 2,058,085

Note: For consistency purposes, financial data is only presented for the last eight years, since the government-wide data was only availble for those periods.

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
2010	9,765,311	8,509,422	87.14%		8,509,422	95.18%	1,255,889	12.86%
2009	8,940,621	8,296,738	92.80%	295,697	8,592,435	96.11%	348,186	3.89%
2008	6,566,258	5,933,129	90.36%	609,523	6,542,652	99.64%	23,606	0.36%
2007	6,210,956	5,986,973	96.39%	205,525	6,192,498	99.70%	18,458	0.30%
2006	5,315,397	5,122,796	96.38%	180,037	5,302,833	99.76%	12,564	0.24%
2005	5,185,638	5,002,804	96.47%	166,404	5,169,208	99.68%	16,430	0.32%
2004	4,993,434	4,817,654	96.48%	163,574	4,981,228	99.76%	12,206	0.24%
2003	4,774,182	4,528,706	94.86%	220,947	4,749,653	99.49%	24,529	0.51%
2002	4,674,414	4,485,582	95.96%	164,965	4,650,547	99.49%	23,867	0.51%
2001	5,456,464	5,231,337	95.87%	211,124	5,442,461	99.74%	14,003	0.26%

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

Fiscal Year Ended June 30	Real Property Assessed Value	Real Property Estimated Actual Value	Real Property Total Direct Tax Rate	Personal Property - Unincorporated Assessed Value	Personal Property - Unincorporated Estimated Actual Value	Personal Property - Privately Owned Railroads and Public Utilites Assessed Value	Personal Property - Privately Owned Railroads and Public Utilites Estimated Actual Value	Personal Property - Corporation Assessed Value	Personal Property - Corporation Estimated Actual Value	Total Personal Property Tax Base Assessed Value	Total Personal Property Tax Base Estimated Actual Value	Personal Property Total Direct Tax Rate
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
2003	545,342,890	545,342,890	0.8720	2,802,532	2,802,532	45,195,232	45,195,232	37,982,807	37,982,807	631,323,461	631,323,461	$2.370
2002	534,386,927	534,386,927	0.8720	2,710,844	2,710,844	43,907,131	43,907,131	37,465,889	37,465,889	618,470,791	618,470,791	$2.370
2001	208,582,385	208,582,385	1.0400	1,508,385	1,508,385	42,908,692	42,908,692	30,684,270	30,684,270	283,683,732	283,683,732	$2.370
2000	$207,568,696	$207,568,696	1.0480	$2,758,664	$2,758,664	$40,886,183	$40,886,183	$33,380,503	$33,380,503	$284,594,046	$284,594,046	$2.620

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

	Tax Rate per $100 of Assessed Value				... Tax Levies ...			
Fiscal Year Ended 30-Jun	City	County	State	Total	City	County	State	Total
2010	0.9654	0.8990	0.0112	1.8756	7,595,884	7,073,442	881,230	15,550,555
2009	0.9654	0.9907	0.1120	2.0681	6,969,170	7,151,810	808,522	14,929,502
2008	0.9479	0.9829	0.1120	2.0428	6,403,640	6,640,086	756,628	13,800,354
2007	0.9479	0.9828	0.1120	2.0427	6,175,620	6,402,996	729,686	13,308,302
2006	0.9479	0.9309	0.1120	1.9908	5,308,503	6,485,763	780,325	12,574,591
2005	0.8720	0.9248	0.1320	1.9288	5,183,117	6,248,219	891,830	12,323,166
2004	0.8720	1.0000	0.1320	2.0040	4,983,126	6,486,420	856,207	12,325,753
2003	0.8720	0.9838	0.1320	1.9878	4,759,251	6,210,960	833,346	11,803,557
2002	0.8720	0.9840	0.0840	1.9400	4,670,932	6,085,752	519,515	11,276,199
2001 [1]	1.0400	0.9040	0.0840	2.0280	5,430,220	2,564,500	238,294	8,233,014

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

[1] In FY 2001, the value of real property assessments were presented as 40% of the estimated actual value. In FY 2002, Maryland State Law changed the assessment valuation for real property from 40% to 100%. Real property tax rates were proportionately reduced. FY 2001 has been adjusted for comparison purposes.

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

	2010				2001		
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
CSX Transportation	$ 7,764,930	1	2.12%				
Canal Place Preservation	6,794,633	2	1.85%				
ARC Cumberland	6,717,700	3	1.83%	ARC Cumberland	$ 929,378	9	1.09%
Sacred Heart Hospital	6,642,066	4	1.81%	Sacred Heart Hospital	1,101,600	7	1.30%
W2001 Eastern Hotel Realty LP	5,766,900	5	1.57%	W2001 Eastern Hotel Realty LP	1,553,350	2	1.83%
S-N Realty LLC	5,606,633	6	1.53%				
Allegany Healthcare Group LLC	5,239,733	7	1.43%				
Perini Services-Devlin Manor	5,117,266	8	1.39%				
123 South Liberty Street LLC	4,591,333	9	1.25%				
Cumberland Manor Associates	3,437,366	10	0.94%	Cumberland Manor Associates	1,989,320	1	2.34%
				Memorial Hospital-Medical Cent	1,263,240	3	1.49%
				1050 Industrial Blvd LLC	1,257,440	4	1.48%
				Cumberland Plaza Associates LI	1,243,060	5	1.46%
				American Trust Bank	1,230,000	6	1.45%
				Nationwide Health Prop Finance	953,360	8	1.12%
				Steinbach, Louis & David Truste	918,600	10	1.08%
Percentage of total taxes for year			15.72%				14.64%
Total	$ 367,094,286				$ 84,936,303		

Source: City of Cumberland, Finance Department

City of Cumberland, Maryland

Principal Property Tax Payers
Corporation Personal Property Taxes

Current Year and Nine Years Ago

Taxpayer	2010 Taxable Assessed Value	2010 Rank	2010 Percentage of Total Assessed Value of Real Property in the City	Taxpayer	2001 Taxable Assessed Value	2001 Rank	2001 Percentage of Total Assessed Value of Real Property in the City
Potomac Edison Company	$ 11,770,800	1	14.91%				
Verizon - Maryland	10,548,970	2	13.36%				
Columbia Gas of Maryland	6,978,000	3	8.84%	Verizon - Maryland	$ 17,751,250	1	20.53%
CSX Transportation	4,138,920	4	5.24%	Potomac Edison Company	12,217,290	2	14.13%
Atlantic Broadband	2,994,190	5	3.79%	CSX Transportation	6,506,410	3	7.53%
Giant Food Stores	2,971,210	6	3.76%	Columbia Gas of Maryland	6,091,900	4	7.05%
Infospherix Inc	2,579,400	7	3.27%	Giant Food Stores	1,704,670	7	1.97%
F Daniel Jackson M.D., P.A.	1,681,100	8	2.13%				
Level 3 Communications	1,188,830	9	1.51%				
Haystack Imaging Services LLC	891,630	10	1.13%				
				Charter Communications VI	3,737,250	5	4.32%
				General Electric Capital	2,439,070	6	2.82%
				Thomson Newspapers	1,293,050	8	1.50%
				Mellon Leasing Corp	792,280	9	0.92%
				Christopher Photo Lab	738,840	10	0.85%
Percentage of total taxes for year			57.94%				61.62%
Total	$ 78,959,852				$ 86,447,775		

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

Fiscal Year Ended June 30	Population [1]	Assessed Value (000's)[2]	Total Bonded Debt - Primary Government[3]	Proprietary Funds[4]	Governmental Funds (Net)	Net Governmental Bonded Debt to Assessed Value Ratio	Net Governmental Bonded Debt to Per Capita Ratio	Notes and Leases for Governmental Funds	Notes and Leases for Proprietary Funds	Total Debt Per capita
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
2003	21,077	631,323	33,712,960	28,396,810	5,316,150	8.42%	252.23	268,491	62,210	1,615.20
2002	21,219	618,470	31,332,053	27,131,565	4,200,488	6.79%	197.96	361,966	$78,150	1,497.35
2001	21,426	$ 283,683	$ 29,378,585	$ 24,890,168	$ 4,488,417	15.82%	209.48	$411,184		$ 1,390.36

[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.

City of Cumberland, Maryland

Computation of Direct and Overlapping Debt

as of June 30, 2010

Municipality	Net Debt Outstanding	Percentage Applicable to the City Rounded	Amount Applicable to the City
City of Cumberland [1]	$16,705,844	100%	$16,705,844
Allegany County , Maryland [2]	35,667,904	23.9%	8,524,629
Total Direct and Overlapping Debt	$52,373,748		$25,230,473

[1] Source: City of Cumberland Finance Department

[2] Source: Allegany County Comprehensive Annual Financial Report

City of Cumberland, Maryland

Ratios of Annual Debt Service Expenditures

For General Bonded Debt to Total General Governmental Expenditures

Last Ten Fiscal Years

Fiscal Year Ended June 30	Principal	Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to Total General Governmental Expenditures
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%
2004	421,052	264,566	685,618	14,560,024	4.71%
2003	359,222	252,693	611,915	14,347,280	4.27%
2002	395,113	240,221	635,334	14,748,061	3.58%
2001	$ 353,603	$ 256,611	$ 610,214	$ 14,511,327	4.21%

Source: City of Cumberland Finance Department

City of Cumberland, Maryland

Economic and Demographic Statistics

Calendar Year	Population [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

Employment in Cumberland, Maryland [2]

Estimated	8,779

	2009 Median Household Income [3]	2009 Per Capita Personal Income	2009 Total Personal Income (000's)	2009 Unemployment Rate[4]
Allegany County	$39,900	$30,337	$2,204,237	8.7%
Maryland (Average)	$69,272	$48,275	$275,200,825	7.3%

[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

	2010			2001		
Employer	# of Employees	Rank	Percentage of Total City Employment	# of Employees	Rank	Percentage of Total City Employment
Western Maryland Health System	2,258	1	20.50%	2,350	1	21.33%
CSX Transportation Inc.	900	2	8.17%	1,000	2	9.08%
Allegany College of MD	300	3	2.72%	445	3	4.04%
Friends Aware	161	4	1.46%	150	6	1.36%
CareFirst BC/BS of Maryland	160	5	1.45%	116	9	1.05%
PharmaCare	143	6	1.30%	89	10	
YMCA	140	7	1.27%			
Cumberland Times-News	136	8	1.23%	159	5	1.44%
CBIZ Insurance	121	9	1.10%	133	7	1.21%
UPS	96	10	0.87%			
InfoSpherix				240	4	2.18%
Verizon				125	8	1.13%
Total employees for ten largest employers	4,415		40.08%	4,807		42.83%

Source: Information provided by Economic Development Office

City of Cumberland, Maryland

Building Permits Issued and Property Values

Last Ten Fiscal Years

	Commercial Construction		Residential Construction	
Fiscal Year Ended June 30	Number of Units	Value	Number of Units	Value
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
2003	43	8,768,004	25	1,286,100
2002	34	11,473,530	28	1,283,584
2001	50	$17,140,978	31	$833,894

Source: Department of Community Development - Codes Technician

City of Cumberland, Maryland

Employees by Function

Last Four Years

General Government	FY 2010	FY 2009	FY 2008	FY 2007
Administration:				
Mayor & Council	5	5	5	5
City Administrator	2	2	2	2
City Clerk	1	1	1	1
Personnel	2	2	2	2
Economic Development	2	3	3	3
Finance	13	13	13	13
MIS	4	4	4	4
Community Development	14	14	16	24
Parks and Recreation	8	8	8	7
Public Works:				
Administration	3	3	3	3
Engineering	8	9	9	8
Vehicle Maintenance	6	6	6	7
Street Department	16	18	18	18
Police Department	53	56	54	63
Fire Department	62	62	65	63
Enterprise Operations				
Water Distribution	23	24	24	25
Water Filtration	9	10	10	9
Waste Water	18	18	14	18
Flood/Sewer	13	12	12	14
Total Employees	**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

Last Four Years

Function	FY 2010	FY 2009	FY 2008	FY 2007
General Government				
Public Safety:				
Stations	1	1	1	1
Number of Patrol Units	38	42	39	39
Fire:				
Stations	3	3	3	3
Number of Vehicles	16	16	16	16
Public Works:				
Streets (miles)	148.34	150.70	150.70	189.33
Traffic Signals	22	22	24	24
Enterprise Operations				
Water Operations:				
Miles of Water Main	142.24	142.24	142.24	142.24
Number of Fire Hydrants	932	932	932	932
Waste Water Operations:				
Miles of Storm/Sanitary Sewers	135.00	122.72	122.72	122.72
Number of Treatment Plants	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

Last Four Years

Function	FY 2010	FY 2009	FY 2008	FY 2007
General Government				
Building Permits Issued:				
Commercial Permits Issued	45	30	27	29
Residential Permits Issued	43	34	54	45
Total Value of Permits Issued	$30,419,416	$21,366,440	$33,167,434	$239,506,583
Public Safety:				
Traffic Citations	2,339	1,137	943	1,346
Arrests	2,070	2,420	2,066	2,863
Fire:				
Number of Emergency Calls	4,743	4,694	4,515	4,320
Number of Fire Calls	1,304	1,127	1,200	1,255
Public Works:				
Miles of Streets Maintained	133.214	133.57	133.57	189.33
Street Overlay Costs	$192,976	$73,310	$146,648	$42,794.0
Enterprise Operations				
Water Operations:				
Number or Service Connections	9,843	9,827	9,852	9,253
Average Daily Consumption (Gallons)	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
Waste Water Operations:				
Number of Service Connections	8,894	8,879	8,888	9,254
Average Daily Treatment (Gallons)	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

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

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

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DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE CUMBERLAND ISSUE RESOLUTION

CERTAIN DEFINITIONS

In addition to the terms defined elsewhere in this Official Statement, the following are definitions of certain terms contained in this Official Statement. Terms used but not defined herein shall have the meanings set forth in the Cumberland Issue Resolution.

"**Additional Bonds**" means any obligation, other than the Series 2011A Bonds, issued by the Administration pursuant to the Cumberland Issue Resolution and Series Resolution.

"**Authorized Denomination**" or "**Authorized Denominations**," (i) when used with respect to the Series 2011A Bonds, $5,000 or any integral multiple thereof, and (ii) when used with respect to any Additional Bonds, the term shall have the meaning set forth in the Series Resolution authorizing the issuance of such Additional Bonds.

"**Authorized Officer**" means the Secretary, the Deputy Secretary of the Department, the Director, any Deputy Director of the Administration and any program director within the Administration and, when used with respect to any act, any other person duly authorized by the regulations of the Administration or by the Secretary to perform such act.

"**Bonds**" means the Series 2011A Bonds and any Additional Bonds.

"**Cash Flow Certificate**" means a Certificate of the Administration demonstrating that the sum of:

(a) the Revenues scheduled to be derived with respect to all outstanding Infrastructure Loans,

(b) any other amounts payable under outstanding Infrastructure Loans,

(c) interest and other income estimated by the Administration to be derived from the investment or deposit of money available therefor in any fund or account created by or pursuant to the Cumberland Issue Resolution, and

(d) any other moneys or funds pledged to the payments of the Bonds, will be sufficient to pay the principal of and interest on all Outstanding Bonds.

"**City**" means the Mayor and City Council of Cumberland, a Maryland municipal corporation.

"**City Obligation**" means any bonds, notes, repayment agreements, instruments or other obligations of the City evidencing the obligation of the City to repay an Infrastructure Loan from the Administration to the City from the proceeds of Bonds.

"**Cost of Issuance**" means all items of expense payable or reimbursable directly or indirectly by the Administration and related to the authorization, sale and issuance of Bonds and the financing of Infrastructure Loans.

"**County**" means any of the twenty-three counties of the State or Baltimore City.

"**Cumberland Issue Resolution**" means the Resolution Providing for the issuance of Local Government Infrastructure Bonds adopted by the Administration as of August 1, 2011, as amended and supplemented.

"**Debt Service Reserve Fund**" means the fund so designated which is established by the Cumberland Issue Resolution.

"**Deputy Director**" means any deputy director of the Administration duly appointed by the Secretary pursuant to the Act.

"**Deputy Secretary**" means any deputy secretary of Housing and Community Development duly appointed by the Secretary pursuant to the Act.

"**Director**" means the director of the Administration duly appointed by the Secretary with the approval of Governor of the State pursuant to the Act.

"**Federal Obligations**" means direct obligations of (including obligations issued or held in book entry form on the books of) the Department of Treasury of the United States of America.

"**Fiscal Year**" means the period of 12 calendar months commencing on July 1 in any calendar year and ending on June 30 in the following calendar year or such other period of 12 calendar months as shall be established as the fiscal year of the Administration.

"**Infrastructure Loan**" means the Series 2011A Infrastructure Loan and any other loan financing or refinancing one or more Infrastructure Projects.

"**Infrastructure Project**" means the Series 2011A Infrastructure Project and any other undertaking, project or facility that is planned, acquired, owned, developed, constructed, reconstructed, rehabilitated, or improved by or on behalf of a Local Government to provide the essential physical elements that are the basis of the public service system or any "infrastructure project" with the meaning of the Act, as now in effect or hereafter amended.

"**Interest Payment Date**" means each date on which interest on any Bonds is required to be paid under the Cumberland Issue Resolution and the applicable Series Resolution.

"**Loan Accounts**" means the accounts so designated which may be established pursuant to the Cumberland Issue Resolution.

"**Local Government**" means (i) any County, (iii) any Municipality, or (iv) a governmental unit or agency of the City, any County or any Municipality.

"**Local Obligation**" means any City Obligation and the bonds, notes, repayment agreements, instruments or other obligations of any other Local Government evidencing the obligation to repay an Infrastructure Loan from the Administration.

"**Municipality**" means the City and any other municipal corporation in Maryland subject to the provisions of Article XI-E of the Maryland Constitution.

"**Outstanding**" or "**Bonds Outstanding**" means all Bonds which have been delivered under the Cumberland Issue Resolution, except:

(a) Bonds surrendered to the Trustee for cancellation;

(b) Bonds or portions thereof for the payment or redemption of which cash funds or Federal Obligations or any combination thereof shall have been theretofore deposited with the Trustee (whether upon or before the maturity or redemption date of any such Bonds); *provided* that, if such Bonds are to be redeemed before the maturity thereof, notice of such redemption shall have been given or arrangements satisfactory to the Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Trustee shall have been filed with the Trustee; and

(c) Bonds in lieu of which other Bonds have been authenticated and delivered under the Cumberland Issue Resolution.

"**Paying Agent**" means any bank or trust company designated pursuant to a Series Resolution to serve as a paying agent or place of payment for Bonds, and any successors designated in accordance with the Cumberland Issue Resolution.

"**Permitted Investments**" means any of the following investments which at the time are legal investments for moneys of the Administration which are then proposed to be invested therein:

(1) Federal Obligations;

(2) bonds, debentures, notes or other evidences of indebtedness issued or guaranteed by any federal agency, instrumentality or public corporation including (without limitation): Farmers Home Administration; General Services Administration; U.S. Maritime Administration; Small Business Administration; Government National Mortgage Association (GNMA); and U.S. Department of Housing & Urban Development;

(3) bonds, notes or other evidences of indebtedness rated in the highest investment grade rating by any Rating Agency issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation with remaining maturities not exceeding three years;

(4) U.S. dollar denominated deposit accounts, federal funds and banker's acceptances with domestic commercial banks short term certificates of deposit of which are rated on the date of purchase in one of the two highest rating categories of any Rating Agency maturing no more than 360 days after the date of purchase;

(5) commercial paper which is rated at the time of purchase in the highest rating category of any Rating Agency which matures not more than 270 days after the date of purchase;

(6) pre-refunded municipal obligations consisting of bonds or other obligations of any state of the United States of America or of any agency, instrumentality or political subdivision thereof which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice (A) which are rated in the highest rating category of any nationally recognized rating agency; or (B) which are fully secured as to principal, interest and redemption premium, if any, by a fund consisting only of cash or obligations described in paragraph (1) above, which fund may be applied only to the payment of such principal, interest and redemption premium, if any, on the maturity date thereof, respectively, or the redemption date set forth in such irrevocable instructions, as appropriate, *provided* that the sufficiency of such cash or obligation to provide for such payment shall have been verified by a nationally recognized independent certified public accountant;

(7) repurchase agreements for obligations described in clause (1) or (2) above or investment agreements which are, or are issued or guaranteed by an entity, rated by a Rating Agency in its highest rating category or fully collateralized by obligations described in clause (1) or (2) above (any such collateralized investment agreement being referred to as a "Collateralized Investment Agreement"); *provided* that (i) such obligations shall be delivered to the Trustee or supported by a safekeeping receipt or other confirmatory documentation satisfactory to the

Trustee; (ii) the Trustee shall have a perfected security interest in such obligations; (iii) such obligations shall be free and clear of any other liens or encumbrances; and (iv) such repurchase agreements or Collateralized Investment Agreements shall provide that the value of the underlying obligations shall be continuously maintained at a current market value of not less than 102% of the repurchase price or the amount deposited thereunder, as the case may be (the value of such obligations to be determined by the Trustee at least once in each seven day period);

(8) shares in investment companies at least 90% of the assets of which consist of obligations described in clauses (1) through (7) above, including any proprietary mutual fund of the Trustee for which the Trustee or an affiliate is investment advisor or provides other services and receives reasonable compensation for such services; and

(9) Other forms of investments approved in writing by the issuer of a credit facility securing the related series of Bonds.

"**Pledged Funds**" means any and all revenues, proceeds, payments, rents, charges and other income derived from an Infrastructure Project or any other facilities of a Local Government that are pledged to secure payment of a Local Obligation.

"**Political Subdivision**" means any County or Municipality.

"**Prepayment**" means any money received from a payment of principal on an Infrastructure Loan in excess of the scheduled payments of principal then due on such Infrastructure Loan or from the sale of an Infrastructure Loan pursuant to the Cumberland Issue Resolution.

"**Program**" means the Administration's program of financing of each Infrastructure Loan pursuant to the provisions of the Act.

"**Redemption Fund**" means the fund so designated which is established by the Cumberland Issue Resolution.

"**Refunded City Loans**" means certain outstanding indebtedness of the City issued to finance and refinance certain Capital projects constituting "infrastructure projects within the meaning of the Act.

"**Revenue Fund**" means the fund so designated which is established by the Cumberland Issue Resolution.

"**Revenues**" means all payments, proceeds, rents, charges and other cash income derived by or for the account of the Administration from or related to the Program, including (without limitation) the payments of principal of and interest on Infrastructure Loans (whether paid by or on behalf of any Local Government), exclusive of (1) Prepayments, (2) investment income in any funds and accounts established under the Cumberland Issue Resolution, and (3) any financing, commitment or similar fees or charges of the Administration in connection with the financing of an Infrastructure Loan (unless expressly pledged as security for Bonds).

"**Secretary**" means the Secretary of Housing and Community Development.

"**Serial Bonds**" means Bonds so designated in the Cumberland Issue Resolution or a Series Resolution.

"**Series**" or "**Series of Bonds**" means all Bonds designated as such in the Cumberland Issue Resolution or a Series Resolution authorizing the issuance thereof, regardless of variations in maturity, interest rate or other provisions, and any Bond thereafter delivered in lieu of or in substitution for any of such Bonds.

"**Series 2011A Bonds**" means, the Community Development Administration Maryland Department of Housing and Community Development Local Government Infrastructure Bonds (Mayor and City Council of Cumberland Issue), 2011 Series A in the original aggregate principal amount of $12,275,000.

"**Series 2011A Infrastructure Loan**" means the loan from the Administration to the City to refinance the Refunded City Loans previously issued to finance and refinance the Series 2011A Infrastructure Project.

"**Series 2011A Infrastructure Project**" means, collectively, the undertakings, projects or facilities planned, acquired, owned, developed, constructed, reconstructed, rehabilitated, or improved by or on behalf of the City to provide the essential physical elements that are the basis of the public service system or any other "infrastructure project" within the meaning of the Act financed and refinanced by the City with the proceeds of the Refunded City Loans.

"**Series Resolution**" means a resolution and determination of the Administration, with the approval of the Secretary, authorizing the issuance of Additional Bonds.

"**Sinking Fund Installment**" means any amount of money required by or pursuant to a Series Resolution to be paid on a specified date by the Administration toward the retirement of any particular Term Bonds before maturity.

"**Supplemental Resolution**" means a resolution of the Administration adopted pursuant to the Cumberland Issue Resolution.

"**Surplus Fund**" means the fund so designated which is established by the Cumberland Issue Resolution.

"**Taxable Bonds**" means any Bonds the income from which will be or is intended to be includable in gross income for federal income tax purposes under the Code as determined at the time of issue by the Administration.

"**Tax-Exempt Bonds**" means Bonds with respect to which there shall have been delivered to the Administration an Opinion of Bond Counsel to the effect that the interest on such Bonds will be or is intended to be excludable from gross income for federal income tax purposes under the Code as determined at the time of issue by the Administration.

"**Term Bonds**" means Bonds so designated in the Cumberland Issue Resolution or a Series Resolution.

"**Trust Estate**" means all property pledged and assigned to the Trustee pursuant to the Cumberland Issue Resolution and any other property that from time to time may be pledged and assigned to the Trustee to secure the payment and performance of the obligations of the Administration under the Cumberland Issue Resolution.

SUMMARY OF CERTAIN PROVISIONS OF THE CUMBERLAND ISSUE RESOLUTION

The following is a brief summary of certain provisions of the Cumberland Issue Resolution. It is not a complete recital of the terms of the Cumberland Issue Resolution and reference should be made to the Cumberland Issue Resolution for a complete statement of its terms.

Additional Obligations

The Administration expressly reserves the right to adopt one or more additional bond or note resolutions and reserves the right to issue bonds, notes or other obligations for any lawful purpose or program so long as they are not secured by a charge or lien prohibited under the Cumberland Issue Resolution.

Temporary Accounts

Each Series Resolution may establish a Capitalized Interest Account to provide funds to be transferred by the Trustee to the Revenue Fund from time to time for the payment of interest to accrue on Bonds.

Each Series Resolution may establish a Cost of Issuance Account to provide funds to be applied by the Trustee to pay the Cost of Issuance of Bonds.

The Trustee shall transfer any remaining balance in any Capitalized Interest Account or Cost of Issuance Account to a Loan Account or to the Revenue Fund as directed in a certificate of the Administration.

Establishment of Series 2011A Loan Fund and Other Loan Funds and Loan Accounts

The Cumberland Issue Resolution established the Series 2011A Loan Fund. Within the Series 2011A Loan Fund, the Trustee shall establish a Series 2011A Loan Account and a Series 2011A Cost of Issuance Account for the Series 2011A Infrastructure Loan to be purchased with proceeds of the Series 2011A Bonds to record the receipt and disbursement of proceeds of the Series 2011A Bonds. The Trustee may establish additional accounts within the Series 2011A Loan Fund as directed by the Administration.

Each Series Resolution may establish a separate Loan Fund to be held by the Trustee, to record the receipt and disbursement of any proceeds of Additional Bonds authorized under such Series Resolution for the financing of Infrastructure Loans, or for the refinancing of Infrastructure Loans previously financed by the Administration. Within a Loan Fund, the Trustee may establish a Loan Account for each Infrastructure Loan as shall be directed by the Administration in accordance with such Series Resolution.

The Trustee shall, from time to time, pay out money in each Loan Account held for the purpose of making or purchasing Infrastructure Loans or reimbursing the Administration for payments made by it from other funds for that purpose upon the following terms:

(1) on or before the first disbursement with respect to each Infrastructure Loan, there shall be delivered to the Trustee each of the following:

(a) a Certificate of the Administration (A) identifying such Infrastructure Loan, (B) setting forth the principal amount thereof and the date and amount of each loan payment due under such Infrastructure Loan, (C) if such Infrastructure Loan is to be funded from sources other than proceeds of Bonds, identifying such sources and the amount thereof and (D) including a statement to the effect that such Infrastructure Loan is made in accordance with the provisions of the Cumberland Issue Resolution; and

(b) a Cash Flow Certificate, if either (A) such Infrastructure Loan is to be made or an existing Infrastructure Loan is to be increased from Prepayments of another Infrastructure Loan deposited into the Redemption Fund, or is being made in lieu of an Infrastructure Loan identified in a previous Cash Flow Certificate and (B) the terms of such Infrastructure Loan materially differ from the terms of the Infrastructure Loan which was prepaid or so identified, respectively.

(2) on or before each disbursement with respect to such Infrastructure Loan, a Certificate of the Administration stating:

(a) the Loan Account from which such disbursement is to be made;

(b) the name of the person to, and Infrastructure Loan for, which the payment is to be made;

(c) the amount to be paid and the manner of the payment; and

(d) that the amount then to be disbursed, together with all prior disbursements from such Loan Account and any other funding source for such Infrastructure Loan on account of such Infrastructure Loan, will not exceed in the aggregate the authorized amount of such Infrastructure Loan.

All interest and other income received from the deposit and investment of money in Loan Accounts shall be transferred by the Trustee, as received, to the Revenue Fund.

Upon the direction of the Administration, the Trustee shall (1) transfer amounts in any Loan Account to the Redemption Fund and (2) transfer any part or all of the amounts so transferred to the Loan Account for disbursement.

The City under the provisions of an Infrastructure Loan made or a City Obligation purchased with proceeds of Bonds constituting Tax-Exempt Bonds shall make tax covenants regarding development costs of the infrastructure project and use of proceeds of the City Obligation. These covenants may be set forth in the General Certificate or such other certificate to be executed by the City.

The Administration covenants to enforce the provisions of each Infrastructure Loan or accompanying documents required against the City.

The Administration will not make any Infrastructure Loan or purchase any City Obligation unless the Administration first receives an opinion of counsel to the City acceptable to counsel to the Administration to the effect that: (i) the City has duly authorized the execution and delivery of the City Obligation, the Repayment Agreement and the Pledge Agreement, and (ii) the City has pledged its full faith and credit to the payment of the City Obligation.

Deposit into Funds and Accounts

The Administration will collect and deposit with the Trustee all Revenues and Prepayments received from the City on the date of receipt or as soon thereafter as practicable. The source of all moneys so deposited shall be identified by the Administration. All such moneys and any other moneys that the Trustee receives on account of any Infrastructure Loan shall be paid as follows:

(1) all Revenues shall be deposited in the Revenue Fund; and

(2) all Prepayments shall be deposited in the Redemption Fund.

Funds and Accounts

Revenue Fund. On or before each Interest Payment Date with respect to any Bonds, each date on which Bonds mature or are to be redeemed and such other date as shall be directed by the Administration, the Trustee shall withdraw moneys in the Revenue Fund and, except as otherwise provided in any Series Resolution pursuant to which such Bonds are issued, apply the amounts withdrawn in the following order of priority:

(1) an amount equal to the unpaid interest due and payable on outstanding Bonds on such date shall be applied to the payment of such interest, or transmitted to one or more Paying Agents who shall apply such amount to such payment;

(2) an amount equal to the principal amount of such Outstanding Bonds, if any, shall be applied to the payment of such principal or transmitted to one or more Paying Agents who shall apply such amount to such payment on such date, and an amount equal to the Sinking Fund Installment, if any, due on such date shall be applied to the redemption of a like principal amount of Term Bonds redeemed on such date or transmitted to one or more Paying Agents who shall apply such amount to such redemption;

(3) any amount necessary to make the amount on deposit in any Debt Service Reserve Fund maintained for any Bonds equal to the Debt Service Reserve Fund Requirement for such Debt Service Reserve Fund shall be transferred to such Debt Service Reserve Fund; and

(4) upon the payment of the principal of or the Sinking Fund Installment for Bonds with respect to each Fiscal Year, the remainder shall be paid to the Surplus Fund.

On or before each date on which a Sinking Fund Installment is due, the Trustee shall proceed to select for redemption from all Outstanding Bonds subject to redemption from such Sinking Fund Installment Bonds in principal amount equal to such Sinking Fund Installment, and shall call such Bonds for redemption. Prior to the date on which the Trustee is required to give notice of the redemption of Bonds from a Sinking Fund Installment, the Administration may deliver to the Trustee for cancellation Bonds which are subject to redemption from such Sinking Fund Installment. Each Bond or portion thereof so delivered and any Bonds subject to redemption from a Sinking Fund Installment that are redeemed shall be credited by the Trustee at the principal amount against such Sinking Fund Installments and the principal amount of Bonds to be redeemed from such Sinking Fund Installment shall be accordingly reduced.

Upon the direction of the Administration, the Trustee shall apply moneys in the Revenue Fund held for the payment of any Sinking Fund Installment to the purchase of Outstanding Bonds subject to redemption from such Sinking Fund Installment, and upon such purchase such Bonds shall be canceled and the amount of such Sinking Fund Installment shall thereupon be reduced by the principal amount of such Bonds so purchased and canceled. The price paid by the Trustee (excluding accrued interest, but including any brokerage and other charges) for any Bond purchased shall not exceed 100% of the principal amount thereof, plus interest accrued to the date of such purchase.

The Administration reserves the right to transfer any amount from other legally available funds including (without limitation) proceeds of Refunding Bonds, to the Trustee for deposit to the Revenue Fund in payment and satisfaction of a corresponding amount of the scheduled principal or interest payments due on any Infrastructure Loan or to advance such money to cure or avert a default on any Infrastructure Loan, or to make any payment of principal of and premium, if any, and interest or any Sinking Fund Installment for any Bonds. The Administration shall be entitled to recover from the City any amounts so advanced, together with interest thereon at the rate payable on the Infrastructure Loan, or to enforce its right to such recovery under the Infrastructure Loan.

Debt Service Reserve Fund.

(a) Series 2011A Debt Service Reserve Fund.

(1) If the amount on deposit in the Revenue Fund is insufficient to provide for the payment of the principal of, any Sinking Fund Installment for or any interest on Outstanding Series 2011A Bonds or any series of Additional Bonds secured thereby on any date, then the Trustee forthwith shall transfer moneys from the Series 2011A Debt Service Reserve Fund to the Revenue Fund to the extent necessary to make good any such deficiency.

(2) The Trustee shall determine the value of the assets of the Series 2011A Debt Service Reserve Fund as of the close of business on each June 1 and December 1, and on any other date upon the Request of the Administration. As promptly as practicable after making such determination, the Trustee shall notify the Administration of the result of such determination and of the amount of any deficiency or surplus determined to exist in the Series 2011A Debt Service Reserve Fund. Interest earned and profits realized as a result of the investment of amounts on deposit in the Series 2011A Debt Service Reserve Fund shall be applied as provided in the Cumberland Issue Resolution.

(3) In the case of the Series 2011A Debt Service Reserve Fund:

(i) a "deficiency" shall mean that the value of the assets of the Series 2011A Debt Service Reserve Fund, determined in accordance with the Cumberland Issue Resolution is less than the Debt Service Reserve Fund Requirement for such fund; and

(ii) a "surplus" shall mean that the value of the assets of the Series 2011A Debt Service Reserve Fund, determined in accordance with the Cumberland Issue Resolution, is in excess of the Debt Service Reserve Fund Requirement for such fund.

(4) If the amount on deposit in the Series 2011A Debt Service Reserve Fund exceeds the Debt Service Reserve Fund Requirement for such fund, then the Trustee shall transfer the amount of the surplus from time to time to such funds and accounts as shall be directed by the Administration.

(5) If the Administration shall determine to provide for the payment of the Series 2011A Bonds, or any series of Additional Bonds secured by the Series 2011A Debt Service Reserve Fund as provided in the Cumberland Issue Resolution, on the date on which such Bonds are deemed to be paid, the amount by which the amount then on deposit in the Series 2011A Debt Service Reserve Fund securing such Bonds exceeds the Debt Service Reserve Fund Requirement for such fund, taking into account the Bonds then deemed to be paid in accordance with the Cumberland Issue Resolution, then an amount necessary to provide for the payment of the Bonds pursuant to the Cumberland Issue Resolution shall be paid to the escrow deposit agent for such Bonds upon the Order of the Administration.

(b) Additional Bonds.

(1) Any Series Resolution authorizing the issuance of Additional Bonds may provide that (i) such Bonds shall be secured by the Series 2011A Debt Service Reserve Fund, (ii) such Bonds shall not be secured by a Debt Service Reserve Fund, or (iii) such Bonds shall be secured by a separate Debt Service Reserve Fund.

(2) If any Series Resolution authorizing the issuance of Additional Bonds provides that such Bonds shall be secured by the Series 2011A Debt Service Reserve Fund or any other Debt Service Reserve Fund securing other Bonds, such Series Resolution shall provide for the deposit in such Debt Service Reserve Fund on the date of issuance of such Bonds of the amount, if any, necessary to make the amount on deposit in such Debt Service Reserve Fund equal to the Debt Service Reserve Fund Requirement for the Series 2011A Debt Service Reserve Fund, after giving effect to the issuance of such Bonds.

(3) If any Series Resolution authorizing the issuance of Additional Bonds provides that such Bonds shall be secured by a separate Debt Service Reserve Fund, such Series Resolution shall (i) establish the amount of the Debt Service Reserve Fund Requirement for such Debt Service Reserve Fund, and (ii) provide such terms with respect to the valuation of such Debt Service Reserve Fund and the application of any earnings on or surpluses in such Debt Service Reserve Fund as the Administration shall deem appropriate, any other provision of the Cumberland Issue Resolution to the contrary notwithstanding. If a separate Debt Service Reserve Fund is created for any Bonds, the Debt Service Reserve Fund Requirement and amounts to be deposited to the Debt Service Reserve Fund shall be calculated separately for each Debt Service Reserve Fund.

(4) Any provision of the Cumberland Issue Resolution requiring or permitting the application of amounts in the Debt Service Reserve Fund to the payment of any Bond shall refer to the Bonds secured by such Debt Service Reserve Fund.

(5) Unless the Administration directs otherwise, the Trustee shall transfer Revenues or any other amounts deposited with the Trustee for transfer to each Debt Service Reserve Fund on any date shall be allocated *pro rata* among all Debt Service Reserve Funds on the basis of the respective aggregate principal amounts of the Bonds outstanding secured by such Debt Service Reserve Funds.

Redemption Fund. Prepayments which shall be used and applied, either (1) to provide funds to a Loan Account to finance any Infrastructure Loan, including (without limitation) any additional advances under an existing Infrastructure Loan authorized by the Administration, (2) for the purchase or redemption of Outstanding Bonds, (3) for transfer to the Revenue Fund of amounts included in a Prepayment representing interest on a Infrastructure Loan, or (4) if a sufficient amount of Bonds are not redeemable within such period and cannot be purchased at or below their principal amount or the redemption price applicable on their next ensuing redemption date, then any amount not so applied during said period shall be used and applied for one or more of the purposes authorized in clauses (1), (2) or (3) of this paragraph as soon thereafter as possible; provided that on the first day of each month while any Prepayment or amount transferred from a Loan Account is held in the Redemption Fund, the Trustee shall, unless otherwise directed by the Administration, transfer from the Redemption Fund to the Revenue Fund the scheduled monthly payment of principal of the Infrastructure Loan with respect to which the Prepayment was received or to which the Infrastructure Loan was to be made. Such Prepayments shall be so used and applied within six months after the receipt of such Prepayments, except that such six-month period may be extended if the Administration files with the Trustee a Cash Flow Certificate based upon the estimated investment earnings on such Prepayments, the scheduled Revenues to be received, if any, from any new Infrastructure Loans to be financed or amounts of any Infrastructure Loans to be increased, or upon the redemption of such Bonds.

The Administration may authorize an increase in the amount of any Infrastructure Loan or the financing of a new Infrastructure Loan, as contemplated above, and for such purpose, may appropriate any money at the time available in or transferred to the Redemption Fund, except as provided above, to one or more designated Loan Accounts for disbursement.

Upon receipt of the Certificate of the Administration, the Trustee shall apply money in the Redemption Fund not otherwise applied as indicated above to the purchase or redemption of Bonds designated in the Certificate. Bonds not purchased may be redeemed at a redemption price determined by the Series Resolution. Bonds shall not be purchased pursuant to this paragraph after notice is sent to Bondholders of the redemption of Bonds.

Interest and other income from the investment of amounts in the Redemption Fund shall be transferred by the Trustee to the Revenue Fund upon receipt thereof. Notwithstanding the foregoing sentence, the Administration may transfer moneys held in the Redemption Fund credited to or derived from any Series of Bonds being refunded to any other Series of Bonds, including without limitation, Refunding Bonds (whether or not issued pursuant to the Cumberland Issue Resolution).

Surplus Fund. Subject to the further provisions of the Cumberland Issue Resolution, and subject to the provisions of any Series Resolution, amounts in the Surplus Fund shall be withdrawn by the Trustee from time to time upon the Order of the Administration and paid as follows:

(1) to any fund or account established or created pursuant to the Cumberland Issue Resolution or any Series Resolution; or

(2) to the Administration, free and clear of any lien and pledge created by the Cumberland Issue Resolution or any Series Resolution, for any lawful purpose of the Administration.

If there is not a sufficient amount in the Revenue Fund to provide for the payment of the principal of and interest on the Bonds and any Sinking Fund Installment due on Outstanding Bonds on any date, the Trustee shall withdraw from the Surplus Fund and pay into the Revenue Fund the amount of the deficiency then remaining. The Trustee shall notify the Administration in writing before any such withdrawal from the Surplus Fund.

Investment of Funds and Accounts

The Administration may direct the Trustee to, and in the absence of direction the Trustee shall, invest moneys in the funds and accounts held by the Trustee in Permitted Investments, the maturity or redemption date of which shall coincide as nearly as practicable with the times at which moneys in such funds or accounts will be required for the purposes provided in the Cumberland Issue Resolution.

Obligations purchased as an investment of moneys in any fund or account held by the Trustee under the provisions of the Cumberland Issue Resolution shall be deemed at all times to be a part of such fund or account, and except as otherwise expressly provided in the Cumberland Issue Resolution, the income or interest earned by, or the increment to, a fund or account due to the investment thereof shall be transferred to the Revenue Fund as received.

Except as otherwise provided in a Series Resolution, the amount in any fund or account held by the Trustee under the provisions of the Cumberland Issue Resolution shall be determined as of the end of each month on the basis of the market value of the obligations in which such amount is invested.

The Trustee shall sell at the best price obtainable, as determined by the Administration, or present for redemption, any obligation purchased by it as an investment whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the fund or account for which such investment was made. The Trustee shall advise the Administration in writing, on or before the last day of each calendar month, of the details of all cash and investments held for the credit of, and transactions in, each fund or account in its custody under the provisions of the Cumberland Issue Resolution as of the end of the preceding month.

Discharge of Lien of Cumberland Issue Resolution

If the Administration shall pay or cause to be paid, or there shall otherwise be paid or provision for payment made, to the holders of the Bonds the principal of and premium, if any, and interest on the Bonds due or to become due at the times and in the manner stipulated in such Bonds, then unless there shall be delivered to the Trustee a Certificate of the Administration to the contrary, these presents and the estate and rights hereby granted shall cease, determine and be void, whereupon the Trustee shall cancel and discharge the lien of the Cumberland Issue Resolution, and execute and deliver to the Administration such instruments in writing as shall be requisite to release the lien hereof, and reconvey, release, assign and deliver to the Administration any and all of the estate, right, title and interest in and to any and all rights or property assigned or pledged to the Trustee or otherwise subject to the lien of the Cumberland Issue Resolution, except moneys and securities held by the Trustee or any Paying Agent for the payment of the principal of and premium, if any, and interest on Bonds not theretofore presented for payment.

Any Bond shall be deemed to be paid and for all purposes of the Cumberland Issue Resolution when payment of the principal of and premium, if any, and interest thereon to the due date thereof (whether such due date is by reason of maturity or upon redemption) either (1) shall have been made or caused to be made in accordance with the terms thereof, or (2) shall have been provided for by the irrevocable deposit with the Trustee, in trust, of moneys and Federal Obligations maturing as to principal and interest in such amounts and at such times as will ensure the availability of sufficient moneys to make such payment. At such time as a Bond shall be deemed to be paid in accordance with the Cumberland Issue Resolution, it shall no longer be secured by or entitled to the benefits of the Cumberland Issue Resolution, except for the purposes of any such payment from such moneys or Federal Obligations.

Notwithstanding the foregoing, in the case of Bonds which are to be redeemed before their stated maturity, no deposit under the immediately preceding paragraph shall be deemed a payment of such Bonds until the Administration shall have given the Trustee irrevocable instructions to call such Bonds for redemption. All moneys or Federal Obligations set aside and held in trust pursuant to the provisions of this section for the payment of Bonds shall be applied to and used solely for the payment of such Bonds.

Events of Default.

Each of the following shall constitute an Event of Default under the Cumberland Issue Resolution and is herein called an “Event of Default”:

(a) interest on any Bond is not paid when the same becomes due, or the principal or redemption price of any Bond is not paid at maturity or at a redemption date at which such Bond is required to be redeemed or a Sinking Fund Installment is not paid when due;

(b) if there is a default in the performance or observance of any other covenants, agreements or conditions on the part of the Administration contained in the Cumberland Issue Resolution, a Series Resolution or the Bonds, and such default is not remedied after notice thereof; or

(c) if the Administration shall file a petition seeking a composition between the Administration and its creditors, or for the purpose of adjusting the claims of such creditors, under the federal bankruptcy laws or under any other applicable law or statute of the United States of

America or of the State if the claims of such creditors are under any circumstances payable from the Revenues.

A default under the Cumberland Issue Resolution shall not be or constitute a default under any other resolution adopted by the Administration or with respect to any other obligation of the Administration.

Remedies; Rights of Bondholders

Upon the occurrence of such Event of Default the Trustee may, and upon the Request of the holders of not less than 25% of the Bonds shall proceed, to protect and enforce its rights and the rights of the holders of Bonds under the laws of the State and under the Cumberland Issue Resolution by such suits, actions or special proceedings in equity or at law, either for the specific performance of any covenant contained in the Cumberland Issue Resolution, or in aid or execution of any power granted, or for an accounting against the Administration as if the Administration were the trustee of an express trust or for the enforcement of any proper legal or equitable remedy as the Trustee shall deem most effectual to protect and enforce such rights.

Except as provided in the Cumberland Issue Resolution, the holders of a majority in aggregate principal amount of Bonds then Outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Cumberland Issue Resolution, or for the appointment of a receiver or any other proceedings under the Cumberland Issue Resolution; provided that such direction shall not be otherwise than in accordance with the provisions of law and of the Cumberland Issue Resolution.

No holder of any Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of the Cumberland Issue Resolution or for the execution of any trust hereof or for the appointment of a receiver or any other remedy under the Cumberland Issue Resolution, unless (a) an Event of Default shall have occurred and be continuing and the owners of not less than 25% of the Bonds shall have given written notice to the Trustee thereof and shall have offered the Trustee a reasonable opportunity either to proceed to exercise the powers granted or to institute such action, suit or proceeding in the Trustee’s or their name, (b) there shall have been offered to the Trustee indemnity, and (c) the Trustee shall thereafter fail or refuse to exercise the powers granted, or to institute such action, suit or proceeding within a reasonable time; and such notification, request and offer of indemnity are hereby declared in every case at the option of the Trustee to be conditions precedent to the execution of the powers and trusts of the Cumberland Issue Resolution, and to any action or cause of action for the enforcement of the Cumberland Issue Resolution, or for the appointment of a receiver or for any other remedy under the Cumberland Issue Resolution; it being understood and intended that no one or more holders of the Bonds shall have any right in any manner whatsoever to affect, disturb or prejudice the lien of the Cumberland Issue Resolution by such holder’s action or to enforce any right except in the manner provided in the Cumberland Issue Resolution, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Cumberland Issue Resolution and for the equal and ratable benefit of the holders of all Bonds then Outstanding. However, nothing contained in the Cumberland Issue Resolution shall affect or impair the right of any Bondholders to enforce the payment of the principal of and interest on any Bond at and after the maturity thereof, or the obligation of the Administration to pay the principal of and interest on each of the Bonds issued under the Cumberland Issue Resolution to the respective holders thereof at the time, place, from the source and in the manner expressed in the Bonds.

The Trustee may at its discretion waive any Event of Default and its consequences, and shall do so upon the written request of the holders of (a) a majority of the Bonds in respect of which default in the payment of principal or interest, or both, exists, or (b) more than 25% of the Bonds in the case of any other default, and in case of any such waiver or rescission, or in case any proceedings taken by the Trustee on account of any such default shall have been discontinued or abandoned or determined adversely, then and in every such case the Administration, the Trustee and the Bondholders shall be restored to their former positions and rights, respectively, but no such waiver or rescission shall extend to any subsequent or other default, or impair any right consequent thereon.

Supplemental Bond Resolutions

At any time or from time to time, a resolution of the Administration supplementing the Cumberland Issue Resolution or any Series Resolution may be adopted for any one or more of the following purposes, which resolution, upon filing with the Trustee of a copy thereof certified by an Authorized Officer, shall be fully effective in accordance with its terms:

(1) to close the Cumberland Issue Resolution against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the Cumberland Issue Resolution on, the issuance in the future of Bonds;

(2) to add to the covenants or agreements of the Administration in the Cumberland Issue Resolution other covenants or agreements to be observed by the Administration which are not contrary to or inconsistent with the Cumberland Issue Resolution as theretofore in effect;

(3) to add to the limitations, restrictions or provisions in the Cumberland Issue Resolution other limitations, restrictions or provisions to be observed by the Administration which are not contrary to or inconsistent with the Cumberland Issue Resolution as theretofore in effect;

(4) to surrender any right, power or privilege reserved to or conferred upon the Administration by the Cumberland Issue Resolution;

(5) to confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Cumberland Issue Resolution, of the Trust Estate or any portion thereof; or

(6) to specify, determine or authorize any and all matters relative to any Additional Bonds or the proceeds thereof which are not contrary to or inconsistent with the Cumberland Issue Resolution as theretofore in effect.

Except as provided above, at any time and from time to time, with the consent of the holders of a majority of the Bonds, the Administration may adopt a resolution modifying, altering, amending, adding to or rescinding any of the terms or provisions contained in the Cumberland Issue Resolution or in any Series Resolutions; *provided*, however, that nothing in this paragraph shall permit, or be construed as permitting (a) an extension of the maturity date of any Bond or the due date for the payment of any Sinking Fund Installment or any interest on any Bond, or a reduction in the principal amount of any Bond or the rate of interest thereon or the dates and prices at which such Bond is subject to redemption without the consent of such holder, or (b) a privilege or priority of any Bond or Bonds over any other Bond or Bonds without the consent of all holders adversely affected thereby, or (c) a reduction in the aggregate principal amount of the Bonds the consent of the holders of which is required for any Resolution without the consent of the holders of all Outstanding Bonds, or (d) any modification of the obligations, duties, immunities and privileges of the Trustee without the written consent of the Trustee.

The Trustee

The Administration may appoint a Registrar or Co-Registrar other than the Trustee to serve as Registrar for any Bonds by Series Resolution adopted before their delivery and may, at any time or from time to time by a Supplemental Resolution or Series Resolution, appoint one or more other Registrars or Co-Registrars for such Bonds. Each Registrar or Co-Registrar and any successor thereof shall be a bank, trust company or national banking association having trust powers and having a capital and surplus aggregating at least $25,000,000 if there be such a bank or trust company or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Cumberland Issue Resolution. Each Registrar or Co-Registrar shall signify its acceptance of the duties and obligations imposed upon it by the Cumberland Issue Resolution by executing and delivering to the Administration and the Trustee a written acceptance thereof.

The Trustee may become the owner of or may deal in Bonds as fully and with the same rights it would have if it were not the Trustee. To the extent permitted by law, the Trustee may act as depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or to effect or aid in any reorganization growing out of the enforcement of the Bonds or the Cumberland Issue Resolution, whether or not any such committee shall represent the holders of a majority in aggregate principal amount of the Bonds Outstanding.

The Trustee, or any successor thereof, may at any time resign and be discharged of its duties and obligations created by the Cumberland Issue Resolution by giving not less than 60 days' written notice to the Administration and publishing notice thereof, specifying the date when such resignation shall take effect, within 20 days after the giving of such written notice. Such resignation shall take effect upon the day specified in such notice, unless previously a successor shall have been appointed by the Administration or Bondholders, in which event such resignation shall take effect immediately on the appointment of such successor.

The Trustee, or any successor thereof, may be removed at any time by the Administration (so long as the Administration is not in default under the Cumberland Issue Resolution), by notice given to the Trustee by the Administration, or by the holders of a majority of the Bonds then Outstanding, excluding any Bonds held by or for the account of the Administration, by an instrument or concurrent instruments in writing signed and duly acknowledged by such Bondholders or by their attorneys duly authorized in writing and delivered to the Administration.

If the Trustee or any successor thereof, shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent or if a receiver, liquidator or conservator of the Trustee or of its property shall be appointed or if any public office shall take charge or control of the Trustee or of its property or affairs, a successor may be appointed by the holders of a majority in aggregate principal amount of the Bonds then Outstanding, excluding any Bonds held by or for the account of the Administration, by an instrument or concurrent instruments in writing signed by such Bondholders or their attorneys duly authorized in writing and delivered to such successor Trustee, notification thereof being given to the Administration and the predecessor Trustee. Pending such appointment, the Administration shall forthwith appoint a Trustee to fill such vacancy until a successor Trustee shall be appointed by Bondholders. Notwithstanding any other provision of the Cumberland Issue Resolution, no removal, resignation or termination of the Trustee shall take effect until a successor, shall be appointed. The Administration shall, within 20 days after such appointment, publish in any manner permitted under the Cumberland Issue Resolution, notice of any such appointment. Any successor Trustee appointed by the Administration shall, immediately and without further act, be superseded by a Trustee appointed by Bondholders. If in a proper case, no appointment of a successor Trustee shall be made within 45 days after the Trustee shall have given to the Administration written notice of resignation or after the occurrence of any other event requiring or authorizing such appointment, the Trustee or any Bondholder may apply to any court of competent jurisdiction to appoint a successor. Said court may thereupon, after such notice, if any, as said court may deem proper and prescribe, appoint a successor Trustee. Any Trustee appointed shall be a bank, trust company or national banking association in good standing located in or incorporated under the laws of the State, duly authorized to exercise trust powers and subject to examination by federal or state authorities, having a reported capital and surplus of not less than $75,000,000.

The Administration reserves the right to approve, in its sole discretion, any successor Trustee if any Trustee is merged or converted or consolidated or if any Trustee sells or transfers all or substantially all of its corporate trust business.

The Administration, in its sole discretion, reserves the right, in the future and from time to time, to undertake to obtain competitive bids from financial and trust institutions for the performance of the services of Trustee under the Cumberland Issue Resolution. The Trustee agrees that in the event it is not the successful bidder for trustee services in the future, it shall resign as Trustee upon request of the Administration. Alternatively, at the option of the Administration, the failure of the Trustee to be the successful bidder for trustee services in the future, shall constitute sufficient reason for removal of the Trustee under the Cumberland Issue Resolution by the Administration.

Publication of Notice.

When the Trustee shall be required or authorized, or shall receive notice from the Administration of its election, to redeem Bonds, the Trustee shall, in accordance with the terms and provisions of the Bonds and of the Cumberland Issue Resolution and the Series Resolutions, select the Bonds to be redeemed and shall give notice, in the name of the Administration, of the redemption of Bonds at least 20 days before the redemption date.

The notice of redemption shall contain the following information: (1) the redemption date, (2) the redemption price of the Bonds being called for redemption, (3) the numbers, maturity dates, interest rates and CUSIP numbers of the Bonds being called for redemption, (4) the portions of any Bond to be redeemed (if any Bond is to be redeemed in part), (5) any redemption, (6) a statement that the Bonds will not bear interest after the redemption date if moneys for the payment of the redemption price are held by the Trustee on such date and (7) the place or places where the redemption price is payable. Any error in or the omission of any such information shall not affect the validity of any such notice.

The failure to give such notice, or any defect therein, shall not affect the validity of any proceeding for the redemption of any Bonds.

The Administration may provide in a Series Resolution for shorter or longer periods for the giving of redemption notices for any Bonds, including (without limitation) redemption of Bonds with no prior notice to Bondholders.

APPENDIX E

PROPOSED FORM OF OPINION OF BOND COUNSEL

[closing date]

Community Development Administration
Maryland Department of Housing and Community Development
100 Community Place
Crownsville, Maryland 21032

Ladies and Gentlemen:

In connection with the issuance and sale by the Community Development Administration (the "Administration"), an agency in the Division of Development Finance of the Maryland Department of Housing and Community Development (the "Department") of its $12,275,000 Local Government Infrastructure Bonds (Mayor and City Council of Cumberland Issue), 2011 Series A (the "Series 2011A Bonds"), we have examined:

(i) Sections 4-101 through 4-255 of the Housing and Community Development Article of the Annotated Code of Maryland, as amended (the "Act");

(ii) the Resolution Providing for the Issuance of Local Government Infrastructure Bonds of the Community Development Administration, adopted as of August 1, 2011 (the "Bond Resolution") authorizing the issuance of the Series 2011A Bonds, duly adopted by the Administration and accepted by Manufacturers and Traders Trust Company, as trustee (the "Trustee");

(iii) the form of Series 2011A Bond;

(iv) relevant provisions of the Internal Revenue Code of 1986, as amended (the "Code"); and

(v) other proofs submitted to us relative to the issuance and sale of the Series 2011A Bonds.

The terms of the Series 2011A Bonds are contained in the Bond Resolution and the Series 2011A Bonds. The Administration will make funds available from the Series 2011A Bonds to finance and refinance loans to the Mayor and City Council of Cumberland, a Maryland municipal corporation (the "City") in order to finance and refinance infrastructure projects of the City.

In rendering this opinion, we have relied, without investigations on the Tax and Section 148 Certificate dated this date made on behalf of the Administration by officers thereof with respect to certain material facts within the knowledge of the Administration, and on related certificates made on behalf of the City with respect to certain matters within the knowledge of the City relevant to the tax-exempt status of interest on the Series 2011A Bonds, including but not limited to the investment and use of the proceeds of the Series 2011A Bonds and the use of the infrastructure projects financed with the proceeds of the Series 2011A Bonds.

In our review of the documents referred to above, we have assumed and have not independently verified that all signatures are genuine, that all documents submitted to or obtained by us as originals are authentic, and that all documents submitted to or obtained by us as conformed, reproduction, or specimen copies conform to the original documents.

We have made no investigation of, and are rendering no opinion regarding, the title to real or personal property.

Based upon the foregoing, it is our opinion that:

(a) The Administration is validly created and existing under the provisions of the Act.

(b) The Bond Resolution has been duly and lawfully adopted by the Administration, is in full force and effect and is valid and binding upon the Administration.

(c) The Administration is duly authorized to issue the Series 2011A Bonds pursuant to and subject to the provisions of the Act and the Bond Resolution. The Series 2011A Bonds, executed and authenticated as provided in the Bond Resolution, have been duly and validly issued by the Administration and constitute valid and binding special obligations of the Administration, payable from the Revenues, as defined in the Bond Resolution, and other funds of the Administration pledged therefor pursuant to the Bond Resolution.

(d) The Series 2011A Bonds are subject to bankruptcy, insolvency, moratorium, reorganization and other state and federal laws affecting the enforcement of creditors' rights and to general principles of equity.

(e) By the terms of the Act and the Bond Resolution, the Series 2011A Bonds shall not be a debt of, and do not pledge the faith, credit or taxing power of the State, the Department, the Administration or any political subdivision, and shall be payable solely from the Revenues and property provided in the Bond Resolution and in accordance with the Act. The Administration has no taxing power.

(f) By the terms of the Act, the Series 2011A Bonds, their transfer, the interest payable thereon and any income derived therefrom, including any profit realized in their sale or exchange, are exempt from taxation of every kind and nature whatsoever by the State or by its political subdivisions, or by its governmental units of any kind, but no opinion is expressed as to such exemption from estate or inheritance taxes or any other taxes not levied or assessed directly on the Series 2011A Bonds, their transfer or income therefrom.

(g) Assuming compliance with the covenants referred to herein, interest on the Series 2011A Bonds will be excludable from gross income for federal income tax purposes under existing statutes, regulations and decisions. It is noted that under the provisions of the Code, there are certain restrictions that must be met subsequent to the delivery of the Series 2011A Bonds in order for interest on the Series 2011A Bonds to remain excludable from gross income for federal income tax purposes, including restrictions that must be complied with throughout the term of the Series 2011A Bonds. These include: (i) a requirement that certain earnings received from the investment of the proceeds of the Series 2011A Bonds be rebated (or that certain payments in lieu of rebate be made) to the United States of America under certain circumstances; (ii) other requirements applicable to the investment of the proceeds of the Series 2011A Bonds; and (iii) other requirements applicable to the use of the proceeds of the Series 2011A Bonds and the use of the facilities financed and refinanced with proceeds of the Series 2011A Bonds. Failure to comply with one or more of these requirements could result in the inclusion of the interest payable on the Series 2011A Bonds in gross income for federal income tax purposes, effective from the date of their issuance. The Administration and the City have made certain covenants regarding actions required to maintain the excludability from gross income for federal income tax purposes of interest on the Series 2011A Bonds. It is our opinion that, assuming compliance with such covenants, the interest on the Series 2011A Bonds will remain excludable from gross income for federal income tax purposes under the provisions of the Code.

(h) Interest on the Series 2011A Bonds will not be included in the alternative minimum taxable income of individuals, corporations or other taxpayers as an enumerated item of tax preference or other specific adjustment. However, for purposes of calculating the corporate alternative minimum tax, a corporation subject to such tax may be required to increase its alternative minimum taxable income by 75% of the amount by which its "adjusted current earnings" exceed its alternative minimum taxable income (computed without regard to this current earnings adjustment and the alternative tax net operating loss deduction). For such purposes, "adjusted current earnings" may include, among other items, interest income from the Series 2011A Bonds. In addition, interest income on the Series 2011A Bonds will be subject to the branch profits tax imposed by the Code on foreign corporations engaged in a trade or business in the United States of America.

We assume no obligation to supplement this opinion if any applicable laws or interpretations thereof change after the date hereof or if we become aware of any facts or circumstances that might change the opinions expressed herein after the date hereof. The opinions expressed above are limited to the matters set forth above, and no other opinions should be inferred beyond the matters expressly stated.

Very truly yours,

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