

TOWN OF CUMBERLAND, RHODE ISLAND
ANNUAL FINANCIAL STATEMENTS

For the Fiscal Year Ended
June 30, 2009

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TABLE OF CONTENTS

| | |
|--|-------------|
| INDEPENDENT AUDITORS' REPORT | 1-2 |
| REQUIRED SUPPLEMENTARY INFORMATION | |
| <i>Management's Discussion and Analysis.....</i> | <i>3-13</i> |
| BASIC FINANCIAL STATEMENTS | |
| <i>Government-wide Financial Statements:</i> | |
| Statement of Net Assets..... | 14 |
| Statement of Activities | 15 |
| <i>Fund Financial Statements:</i> | |
| Balance Sheet - Governmental Funds | 16 |
| Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets..... | 17 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds... | 18 |
| Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in the Fund Balances to Government-Wide Statement of Activities..... | 19 |
| Statement of Net Assets - Proprietary Funds | 20 |
| Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds..... | 21 |
| Statement of Cash Flows - Proprietary Funds | 22-23 |
| Statement of Net Assets - Fiduciary Funds | 24 |
| Statement of Changes in Net Assets - Fiduciary Funds | 25 |
| Notes to Basic Financial Statements | 26-56 |
| REQUIRED SUPPLEMENTARY INFORMATION | |
| Pension Plan and Other Post Employment Plan Schedule of Funding Progress..... | 57 |
| Police Pension Plan – Schedule of Employer Contributions | 58 |
| Schedule of Revenues, Expenditures and Changes in Fund Balance - General Fund | 59-60 |
| Schedule of Revenues, Expenditures and Changes in Fund Balances - School Unrestricted Fund..... | 61 |
| Notes to Required Supplementary Information..... | 62-65 |

TOWN OF CUMBERLAND, RHODE ISLAND
ANNUAL FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2009

TABLE OF CONTENTS (Continued)

OTHER SUPPLEMENTARY INFORMATION

| | |
|---|------------------------|
| Combining Balance Sheet - Nonmajor Governmental Funds | 66-73 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds | 74-81 |
| Combining Balance Sheet - Special Revenue Funds - School Restricted Fund | 82-83 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Special Revenue Funds - School Restricted Fund..... | 84-85 |
| Combining Statement of Net Assets - Private Purpose Trust Funds..... | 86 |
| Combining Statement of Changes in Net Assets - Private Purpose Trust Funds..... | 87 |
| Combining Statement of Net Assets - Agency Funds | 88 |
| Tax Collector's Annual Report | 89 |
| Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards | |
| Schedule of Findings and Responses | 90-91 92-94 |

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor
and Members of the Town Council
Cumberland, Rhode Island

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 Town of Cumberland, Rhode Island, as of and for the year ended June 30, 2009, which collectively comprise the Town's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Town of Cumberland, Rhode Island'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 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 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 Town of Cumberland, Rhode Island, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2009 on our consideration of the Town of Cumberland, Rhode Island's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal 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.

The Management's Discussion and Analysis, budgetary comparison information and supplementary pension and other post employment benefit information on pages 3 through 13 and 57 through 65 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Cumberland, Rhode Island's basic financial statements. The combining nonmajor fund financial statements, the combining fiduciary fund financial statements and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements, the combining fiduciary fund financial statements and other supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bacm & Company, LLC

Warwick, Rhode Island
December 29, 2009

TOWN OF CUMBERLAND MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the Town of Cumberland provides this Management Discussion and Analysis of the Town of Cumberland's Annual Financial Report for the readers of the Town's financial statements. This narrative overview and analysis of the financial statements of the Town of Cumberland is for fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the additional information that is furnished in the Town's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- At the end of the current fiscal year, total fund balance for the General Fund was \$5,080,624 or 6.6% of total 2009 budgeted revenues of \$76,903,052. This is a decrease of \$690,575 from the prior year total fund balance.
- The total unreserved fund balance of the General Fund is \$892,252 or 1.16% of total 2009 budgeted revenues.
- The total reserved fund balance of the General Fund is \$4,188,372. This is a decrease of \$512,136 from the prior year reserved fund balance.
- The Town General Fund ended fiscal year 2009 with a budgetary operating deficit of (\$690,575) and the School Unrestricted Fund ended with a budgetary operating surplus of \$428,093.
- The total bonded debt amount of the Town of Cumberland decreased by \$3,720,000.
- As reported in the government wide financial statements, the assets of the Town of Cumberland exceeded its liabilities at the close of the most recent fiscal year by \$93,483,960. The Town has chosen conservative fiscal policy whereby it has developed its capital asset base from current operations rather than debt. Further, the Town has recorded its property and equipment at original values in order to insure proper asset management.
- The Town's total net assets increased by \$1,193,861 for the fiscal year ended June 30, 2009.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's annual audit report. The financial section of this report consists of four parts – management's discussion and analysis (this section), the basic financial statements, required supplementary information, and other supplementary information that includes combining statements for non-major governmental funds and other fiduciary funds.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Town's overall status.
- The remaining statements are fund financial statements that focus on individual parts of the Town government, reporting the Town's operations in more detail than the government-wide statements.

- ✓ The *governmental funds* statements tell how general government services like public safety were financed in the short term as well as what remains for future spending.
- ✓ *Proprietary fund* statements offer short and long term financial information about the activities the government operates like businesses, such as the water system.
- ✓ *Fiduciary Fund* statements provide information about assets that are held by the Town as a trustee or agent for the benefit of someone or something other than the Town itself. The Town cannot use these assets to support its own programs.

The financial statements also include notes that provide more detailed data about some of the information in the financial statements. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and how they relate to one another. In addition to these required elements, we have included a section with combining statements that provide details about our non-major governmental funds and fiduciary funds, which are added together and presented in a single column in the basic financial statements.

Figure A-1
Required Components of
Town of Cumberland’s Basic Financial Report

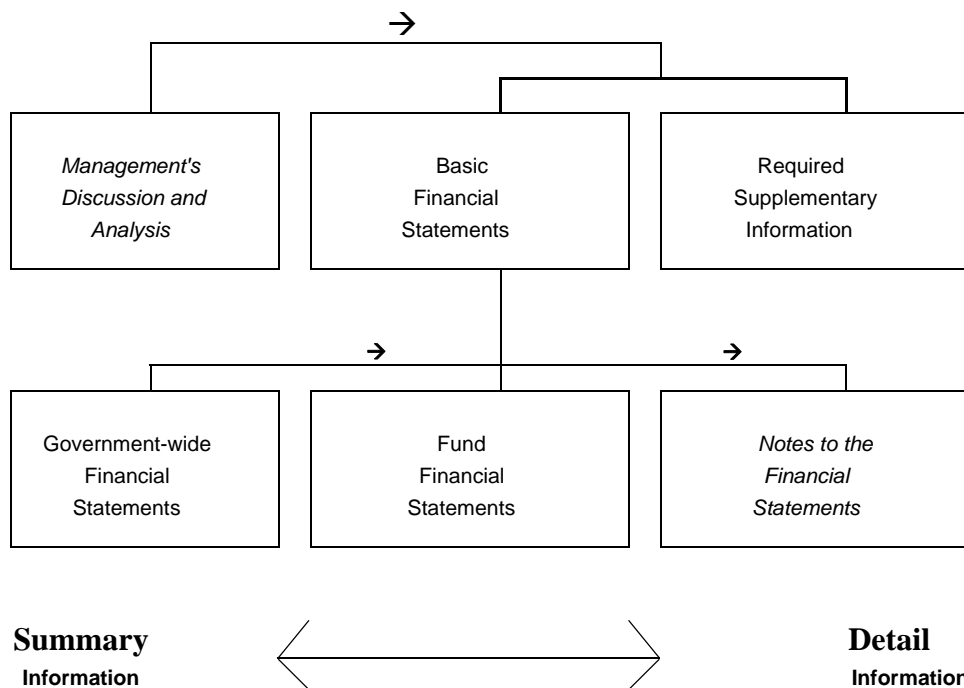


Figure A- 2

Major Features of the Town of Cumberland’s Government-Wide and Fund Financial Statements

| | Fund Statements | | | |
|---------------------------------------|---|---|--|--|
| | Government- Wide Statements | Governmental Funds | Proprietary Funds | Fiduciary Funds |
| Scope | Entire Town government (except fiduciary funds) | The activities of the Town that are not proprietary or fiduciary, such as police, rescue and DPW. | Activities the Town operates similar to private businesses such as the water system. | Instances in which the Town is the trustee or agent for someone else’s resources. |
| Required financial Statements | Statement of Net Assets Statement of Activities | Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balances | Statement of Net Assets Statement of Revenues, Expenses, and Changes in Net Assets Statement of Cash Flows | Statement of Fiduciary Net Assets Statement of Changes in Fiduciary Net Assets |
| Accounting Basis & Measurement Focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus | Accrual accounting and economic resources focus | Accrual accounting and economic resources focus |
| Type of Assets/ Liability Information | All assets and liabilities both financial and capital, and short-term and long-term | Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included | All assets and liabilities, both financial and capital, and short-term and long-term | All assets and liabilities, both short-term and long-term; the Town’s funds do not currently contain capital assets, although they can |
| Type of inflow/ Outflow information | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due | All revenues and expenses during the year, regardless of when cash is received or paid | All additions and deductions during year, regardless of when cash is received or paid |

Figure A-2 summarizes the major features of the Town’s financial statements, including the portion of the Town government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

Government-wide financial statements – The government-wide statements report information about the Town as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government’s assets and liabilities. All of the current year’s revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Town’s *net assets* and how they have changed. Net assets – the difference between the Town’s assets and liabilities – is one way to measure the Town’s financial health, or position.

- Over time, increases or decreases in the Town’s net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

- To assess the overall health of the Town you need to consider additional non-financial factors such as changes in the Town's property tax base and the condition of the Town's roads.

The government-wide financial statements of the Town are divided into three categories.

- *Governmental activities* – Most of the Town's basic services are included here, such as the police, rescue, library, public works and general administration. Property taxes, charges for services and state funding finance most of these activities.
- *Business-Type activities* - The Town charges fees to customers to cover the costs of certain services it provides. The Town's water system is included here.
- *Component units* – The Town does not have any entities that are deemed to be component units.

Fund Financial Statements – A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements focus on individual parts of the Town government, reporting the Town's operations in more detail than the government-wide statements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. It is important to note that these fund categories use different accounting approaches and should be interpreted differently.

Governmental Funds – Most of the basic services provided by the Town are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the government fund statements focus on near-term inflows and outflows of spendable resources. They also focus on the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirement.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and the governmental activities.

The basic governmental fund financial statements are presented on pages 16 through 19 of this report.

Proprietary Funds – The Town maintains one proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. A brief description follows:

Cumberland Water Department – the Town has a municipally owned water system. Its one reservoir and well system give the town adequate water supply for all industrial, commercial and residential consumption.

The basic proprietary fund financial statements are presented on pages 20 through 23.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements are presented on pages 24 and 25.

Notes to Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow the basic financial statements.

The notes of the financial statements are presented on pages 26 through 56.

Other Information – **In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information.** This section includes budgetary comparison schedules, which include a reconciling entry between the statutory fund balance for budgetary purposes and the fund balances for the General Fund and School Unrestricted Funds as presented in the governmental fund financial statements. **Required supplementary information follows the notes to the financial statements.**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of the Town of Cumberland's Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Cumberland, assets exceeded liabilities by \$93,483,960 as of June 30, 2009.

In regard to the Town's net assets (71.2%) consists of its investments in capital assets such as land, buildings and improvements, motor vehicles, furniture and equipment and infrastructure, less any debt used to acquire these assets which is still outstanding. The Town uses these capital assets to provide services to its citizens. Consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves are highly unlikely to be used to liquidate these liabilities.

TOWN OF CUMBERLAND'S NET ASSETS

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
| | <u>2009</u> | <u>2008</u> | <u>2009</u> | <u>2008</u> | <u>2009</u> | <u>2008</u> |
| Current and Other Assets | \$46,368,618 | \$48,175,937 | (\$1,203,259) | \$(1,389,428) | \$45,165,359 | \$46,786,509 |
| Capital Assets | 108,552,845 | 108,382,344 | 25,361,423 | 25,550,107 | 133,914,268 | 133,932,451 |
| Total Assets | 154,921,463 | 156,558,281 | 24,158,164 | 24,160,679 | 179,079,627 | 180,718,960 |
| Current Liabilities | 11,475,981 | 11,687,127 | 1,170,612 | 1,116,657 | 12,646,593 | 12,803,784 |
| Long-term Liabilities | 71,647,351 | 73,802,729 | 1,301,723 | 1,822,348 | 72,949,074 | 75,625,077 |
| Total Liabilities | 83,123,332 | 85,489,856 | 2,472,335 | 2,939,005 | 85,595,667 | 88,428,861 |
| Net Assets: | | | | | | |
| Invested in Capital Assets Net of Related Debt | 42,958,924 | 40,479,478 | 23,596,656 | 23,287,187 | 66,555,580 | 63,766,665 |
| Restricted | 3,311,914 | 4,172,418 | | | 3,311,914 | 4,172,418 |
| Unrestricted | 25,527,293 | 26,416,529 | (1,910,827) | (2,065,513) | 23,616,466 | 24,351,016 |
| Total Net Assets | <u>\$71,798,131</u> | <u>\$71,068,425</u> | <u>\$21,685,829</u> | <u>\$21,221,674</u> | <u>\$93,483,960</u> | <u>\$92,290,099</u> |

An additional portion of the Town's net assets \$3,311,914 (3.5%) represents resources that are subject to external restriction on how they may be used. This leaves a remaining balance for unrestricted net assets of \$23,616,466 which the Town may use to meet ongoing obligations to its citizens and creditors.

Change in Net Assets

The total net assets of the Town of Cumberland increased by \$ 1,193,861 during fiscal year 2008-2009.

Analysis of the Town of Cumberland's Operations

The following analysis provides a summary of the Town's operations for the year ended June 30, 2009.

Governmental activities increased the Town's net assets by \$729,706 accounting for 61.1% of the Town's total growth in net assets, while business type activities increased the Town's net assets by \$464,155 accounting for 38.9% of the Town's total growth in net assets.

TOWN OF CUMBERLAND'S CHANGES IN NET ASSETS

| | Governmental Activities | | Business-Type Activities | | Total | |
|----------------------------------|-------------------------|--------------|--------------------------|--------------|--------------|--------------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| Revenues | | | | | | |
| Program | | | | | | |
| Charges for Services | \$5,566,501 | \$4,924,871 | \$4,680,867 | \$4,318,882 | \$10,247,368 | \$9,243,753 |
| Operating Grants & Contributions | 19,533,491 | 19,320,729 | | | 19,533,491 | 19,320,729 |
| Capital Grants & Contributions | 493,234 | 230,702 | 142,552 | 974,687 | 635,786 | 1,205,389 |
| General Revenues | | | | | | |
| Property Taxes | 52,143,563 | 49,810,015 | | | 52,143,563 | 49,810,015 |
| State Aid | 4,108,805 | 4,776,254 | | | 4,108,805 | 4,776,254 |
| Investment Earnings | 229,738 | 916,653 | 148 | 849 | 229,886 | 917,502 |
| Miscellaneous | 433,336 | 113,007 | | | 433,336 | 113,007 |
| Total Revenues | 82,508,668 | 80,092,231 | 4,823,567 | 5,294,418 | 87,332,235 | 85,386,649 |
| Program Expenses | | | | | | |
| General Government | 3,495,760 | 4,021,063 | | | 3,495,760 | 4,021,063 |
| Community Development | 319,262 | 375,533 | | | 319,262 | 375,533 |
| Public Safety | 10,332,234 | 8,150,570 | | | 10,332,234 | 8,150,570 |
| Public Works | 6,351,659 | 6,214,692 | | | 6,351,659 | 6,214,692 |
| Social Services | 2,377,429 | 2,055,155 | | | 2,377,429 | 2,055,155 |
| Education | 55,683,900 | 54,803,576 | | | 55,683,900 | 54,803,576 |
| Interest on Long-Term Debt | 3,218,718 | 2,960,946 | | | 3,218,718 | 2,960,946 |
| Water Fund | | | 4,359,412 | 4,384,712 | 4,359,412 | 4,384,712 |
| Total Expenses | 81,778,962 | 78,581,535 | 4,359,412 | 4,384,712 | 86,138,374 | 82,966,247 |
| Increase to Net Assets | 729,706 | 1,510,696 | 464,155 | 909,706 | 1,193,861 | 2,420,402 |
| Net Assets Beginning of Year | 71,068,425 | 69,557,729 | 21,221,674 | 20,311,968 | 92,290,099 | 89,869,697 |
| Net Assets End of Year | \$71,798,131 | \$71,068,425 | \$21,685,829 | \$21,221,674 | \$93,483,960 | \$92,290,099 |

Financial Analysis of the Town of Cumberland's Funds

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

At the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$7,276,759. The General Fund reported an unreserved fund balance of \$892,252 representing approximately (12%) of total fund balance of all governmental funds.

Reserved fund balances:

| | |
|-----------------------------|------------------|
| Pre-paid Expenditures | \$ 12,676 |
| Advances to Other Funds | <u>4,175,696</u> |
| Total Reserved Fund Balance | \$ 4,188,372 |

Proprietary Funds – The Town of Cumberland's proprietary fund statements provide the same type of information as presented in the government-wide financial statements, but in more detail.

Unrestricted net assets of the respective proprietary fund are the Cumberland Water Fund (\$1,910,827).

The Town of Cumberland's General Fund Budgetary Highlights

Reserves to fund balance as of June 30, 2009 include:

- Pre-paid expenditures reserved in the amount of \$12,676 and
- Reserved for advances to other funds in the amount of \$4,175,696.

Please note that in 2004, the Town adopted by ordinance a fund balance policy, which will require that the fund balance amount be maintained at a minimum of 10% of operating revenues. Operating revenues, being budgeted revenues in the current fiscal year, which do not include General and Educational Aid from the State of Rhode Island, total \$56,127,152. The fund balance amount of \$5,080,624 equals 9.05% of the total operating revenues.

The Town of Cumberland's Capital Assets

The Town of Cumberland's investment in capital assets for its governmental and business-type activities amounts to \$133,914,268 net of accumulated depreciation at June 30, 2009. Included are land, building and improvements, construction in progress, motor vehicles, furniture and equipment, and infrastructure.

Major capital events during the fiscal year 2008-2009:

The Town completed three major school improvement projects during the 2008-2009 fiscal year. The Cumberland High School improvement project incurred expenditures of approximately \$140,000 during the fiscal year, which resulted in the completion of the project at a capitalized cost \$29.3 million. The Elementary School improvement projects incurred expenditures of approximately \$675,000 resulting in capitalized cost of \$5.1 million.

**TOWN OF CUMBERLAND'S CAPITAL ASSETS AT YEAR END
NET OF ACCUMULATED DEPRECIATION**

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| Land | \$19,006,430 | \$18,429,829 | \$196,599 | \$196,599 | \$19,203,029 | \$18,626,428 |
| Land Improvements | 923,213 | 994,622 | | | 923,213 | 994,622 |
| Building and Improvement | 69,229,785 | 35,736,213 | 1,822,629 | 1,863,038 | 71,052,414 | 37,599,251 |
| Construction in Progress | 108,210 | 33,660,702 | | | 108,210 | 33,660,702 |
| Motor Vehicles | 833,889 | 1,125,956 | 118,755 | 118,180 | 952,644 | 1,244,136 |
| Furniture and Equipment | 2,654,501 | 2,756,167 | | | 2,654,501 | 2,756,167 |
| Infrastructure | <u>15,796,817</u> | <u>15,678,855</u> | <u>23,223,440</u> | <u>23,372,290</u> | <u>39,020,257</u> | <u>39,051,145</u> |
| Total | <u>\$108,552,845</u> | <u>\$108,382,344</u> | <u>\$25,361,423</u> | <u>\$25,550,107</u> | <u>\$133,914,268</u> | <u>\$133,932,451</u> |

Additional information on the Town of Cumberland's Capital assets is located in note 2 of the notes to the financial statements.

The Town of Cumberland's Debt Administration

At the end of the current fiscal year, the Town of Cumberland had a total bonded debt of \$35,745,000. Of this amount, \$1,793,100 was bonded debt for the Enterprise Funds.

**TOWN OF CUMBERLAND'S OUTSTANDING DEBT AT YEAR END
BONDS, NOTES AND CAPITALIZED LEASES PAYABLE**

| | <u>Governmental Activities 2009</u> | <u>Business-type Activities 2009</u> | <u>Total</u> |
|--------------------------|---|--|---------------------|
| General obligation bonds | | | |
| Payable | \$33,951,900 | \$1,793,100 | \$35,745,000 |
| Capital leases payable | 1,298,637 | 0 | 1,298,637 |
| Notes payable | 32,541,853 | 0 | 32,541,853 |
| Totals | <u>\$67,792,390</u> | <u>\$1,793,100</u> | <u>\$69,585,490</u> |

The Town's general obligation bond rating as reaffirmed by Moody's Investors Service in April of 2008 is A3. By Standard & Poor's, the Town's general obligation bond rating was reaffirmed as A in July of 2008.

The State of Rhode Island imposes a limit of 3 percent of the fair market value of all taxable town property on the general obligation debt that a municipality can issue. The Town of Cumberland's limit is \$116,849,029 at year-end. The Town's outstanding general obligation debt subject to the limit is \$4,396,250 at year-end, which is \$112,452,779 under the State imposed limitation.

Several of the Town's bonds are insured and thus hold a Triple A credit rating from both Moody's and Standard & Poor's.

Additional information on the Town of Cumberland's long-term debt can be found in footnote 7 of the financial statements.

Subsequent Fiscal Year 2009-2010 Budget and Tax Rates

The Town of Cumberland's total general fund budget for fiscal year 2010 is \$77,519,478; which reflects an increase of \$243,043 over the fiscal 2009 budget. In the Town's 2010 budget, \$52,891,469 or 68% is allocated for educational purposes and \$24,628,009, or 32% is budgeted for other purposes.

Of the \$52,891,469 budgeted for educational purposes, the State of Rhode Island is budgeted for fiscal year 2010 to contribute \$16,688,995 to the Town's education department and the Town is budgeted to contribute \$36,202,474. The amount contributed by the State is based on the Town being considered an outlying suburban community. The total population of the School District and the average level of wages earned by its citizens are the determining factors for this designation.

The Town's tax rate for fiscal year 2009 was \$12.81 per thousand for real estate, \$25.62 per thousand for tangible personal property, \$19.87 per hundred for motor vehicles. Of the total taxes collected, 25% was allocated for general government and 75% was allocated for education.

General Economic Factors

The November 2009 unemployment rate for Cumberland of 11.2% compares favorably to the unemployment rate of the State of Rhode Island of 12.7% however exceeds the national rate of 10.0%. According to the 2000 U.S. Census, the median family income of the Town was \$63,194 compared to \$52,781 for the State. Median family income in the Town increased from \$45,695 in 1990, an increase of 38%. The Town's 2000 median family income ranks fifteenth among Rhode Island cities and towns.

The per capita income of the Town of Cumberland was \$25,592 compared to \$21,688 for the State in 2000. Per capita income in the Town increased from \$17,166 in 1990, an increase of 49%. The Town's 2000 per capita income ranks fourteenth among the thirty-nine Rhode Island cities and towns.

Request for Information

The financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the tax dollars received. If you have any questions about this report or need additional financial information, please contact the Finance Director, Cumberland Town Hall, 45 Broad Street, Cumberland, RI 02864.

TOWN OF CUMBERLAND, RHODE ISLAND

Statement of Net Assets

June 30, 2009

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|--|------------------------------------|-------------------------------------|----------------------|
| Assets: | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 4,272,711 | \$ 83,096 | \$ 4,355,807 |
| Investments | 39,147 | - | 39,147 |
| Real estate and personal property tax receivable, net | 29,953,952 | - | 29,953,952 |
| Water and sewer user fees receivable, net | 132,740 | 2,887,186 | 3,019,926 |
| Sewer assessments receivable | 253,909 | - | 253,909 |
| Due from federal and state government | 2,915,856 | - | 2,915,856 |
| Internal balances | 4,204,902 | (4,204,902) | - |
| Other receivables, net | 462,523 | 11,008 | 473,531 |
| Total current assets | <u>42,235,740</u> | <u>(1,223,612)</u> | <u>41,012,128</u> |
| Noncurrent assets: | | | |
| Sewer assessments receivable | 2,929,333 | - | 2,929,333 |
| Capital assets: (Note 2) | | | |
| Land | 19,006,430 | 196,599 | 19,203,029 |
| Depreciable buildings, property, equipment, infrastructure, net | 89,438,205 | 25,164,824 | 114,603,029 |
| Construction in progress | 108,210 | - | 108,210 |
| Capital assets, net | <u>108,552,845</u> | <u>25,361,423</u> | <u>133,914,268</u> |
| Other assets, net | 1,203,545 | 20,353 | 1,223,898 |
| Total noncurrent assets | <u>112,685,723</u> | <u>25,381,776</u> | <u>138,067,499</u> |
| Total assets | <u>154,921,463</u> | <u>24,158,164</u> | <u>179,079,627</u> |
| Liabilities: | | | |
| Current liabilities: | | | |
| Accounts payable and accrued liabilities | 5,631,478 | 609,507 | 6,240,985 |
| Accrued interest payable | 832,058 | 23,405 | 855,463 |
| Legal settlement payable - due within one year | 299,183 | - | 299,183 |
| Other commitments - due within one year | 17,850 | - | 17,850 |
| Long-term debt - due within one year (Note 7) | 4,695,412 | 537,700 | 5,233,112 |
| Total current liabilities | <u>11,475,981</u> | <u>1,170,612</u> | <u>12,646,593</u> |
| Noncurrent liabilities: | | | |
| Unearned revenue | 2,929,333 | - | 2,929,333 |
| Legal settlement payable - due in more than one year | 124,836 | - | 124,836 |
| Long-term debt - due in more than one year (Note 7) | 63,473,152 | 1,247,420 | 64,720,572 |
| Accrued compensated absences | 2,378,208 | 54,303 | 2,432,511 |
| Deferred salary | 246,713 | - | 246,713 |
| Other commitments - due in more than one year | 321,300 | - | 321,300 |
| Net other post employment benefit obligation | 2,173,809 | - | 2,173,809 |
| Total noncurrent liabilities | <u>71,647,351</u> | <u>1,301,723</u> | <u>72,949,074</u> |
| Total liabilities | <u>83,123,332</u> | <u>2,472,335</u> | <u>85,595,667</u> |
| Net Assets: | | | |
| Invested in capital assets, net of related debt | 42,958,924 | 23,596,656 | 66,555,580 |
| Restricted for: | | | |
| Specific projects and programs | 3,311,914 | - | 3,311,914 |
| Unrestricted | 25,527,293 | (1,910,827) | 23,616,466 |
| Total net assets | <u>\$ 71,798,131</u> | <u>\$ 21,685,829</u> | <u>\$ 93,483,960</u> |

The accompanying notes are an integral part of the basic financial statements.

TOWN OF CUMBERLAND, RHODE ISLAND
Statement of Activities
For the Fiscal Year Ended June 30, 2009

| <u>Functions/Programs</u> | <u>Program Revenues</u> | | | | <u>Net (Expense) Revenue and Changes in Net Assets</u> | | |
|--|-------------------------|-----------------------------|---|---|--|---------------------------------|----------------------|
| | <u>Expenses</u> | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
| Governmental Activities: | | | | | | | |
| General government | \$ 3,495,760 | \$ 1,263,966 | \$ 33,832 | \$ 82,857 | \$ (2,115,105) | \$ - | \$ (2,115,105) |
| Community development | 319,262 | 12,405 | 46,992 | 16,880 | (242,985) | - | (242,985) |
| Public safety | 10,332,234 | 864,344 | 119,292 | 67,710 | (9,280,888) | - | (9,280,888) |
| Public works | 6,351,659 | 1,074,489 | 116,044 | 325,787 | (4,835,339) | - | (4,835,339) |
| Social services | 2,377,429 | 90,381 | 630,356 | - | (1,656,692) | - | (1,656,692) |
| Education | 55,683,900 | 1,586,433 | 16,637,559 | - | (37,459,908) | - | (37,459,908) |
| Interest on long-term debt | 3,218,718 | 674,483 | 1,949,416 | - | (594,819) | - | (594,819) |
| Total governmental activities | 81,778,962 | 5,566,501 | 19,533,491 | 493,234 | (56,185,736) | - | (56,185,736) |
| Business-Type Activities: | | | | | | | |
| Water | 4,359,412 | 4,680,867 | - | 142,552 | - | 464,007 | 464,007 |
| Total business-type activities | 4,359,412 | 4,680,867 | - | 142,552 | - | 464,007 | 464,007 |
| Total | \$ 86,138,374 | \$ 10,247,368 | \$ 19,533,491 | \$ 635,786 | (56,185,736) | 464,007 | (55,721,729) |
| General Revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes | | | | | | | |
| | | | | | 52,143,563 | - | 52,143,563 |
| State aid and in lieu of taxes, unrestricted | | | | | | | |
| | | | | | 4,108,805 | - | 4,108,805 |
| Investment earnings | | | | | | | |
| | | | | | 229,738 | 148 | 229,886 |
| Miscellaneous | | | | | | | |
| | | | | | 433,336 | - | 433,336 |
| | | | | | 56,915,442 | 148 | 56,915,590 |
| | | | | | 729,706 | 464,155 | 1,193,861 |
| | | | | | 71,068,425 | 21,221,674 | 92,290,099 |
| | | | | | \$ 71,798,131 | \$ 21,685,829 | \$ 93,483,960 |

The accompanying notes are an integral part of the basic financial statements.

TOWN OF CUMBERLAND, RHODE ISLAND
Balance Sheet
Governmental Funds
June 30, 2009

| | <i>General Fund</i> | <i>School Unrestricted Fund</i> | <i>Sewer Fund</i> | <i>Other Governmental Funds</i> | <i>Total Governmental Funds</i> |
|---|-------------------------|---|-----------------------|---|---|
| Assets | | | | | |
| Cash and cash equivalents | \$ 1,056,256 | \$ 1,673,551 | \$ - | \$ 1,559,931 | \$ 4,289,738 |
| Investments | 33,344 | - | - | 5,803 | 39,147 |
| Real estate and personal property tax receivable (net) | 29,670,306 | - | - | - | 29,670,306 |
| Sewer use and assessment receivable | - | - | 2,904,024 | 411,958 | 3,315,982 |
| Due from federal and state governments | 1,546,532 | 43,973 | - | 1,325,351 | 2,915,856 |
| Due from other funds | 2,816,689 | 2,796,349 | - | 609,406 | 6,222,444 |
| Advances to other funds | 4,175,696 | - | - | - | 4,175,696 |
| Other receivables | 157,414 | 17,494 | - | 279,006 | 453,914 |
| Prepaid expenditures | 12,676 | - | - | - | 12,676 |
| Other assets | 204,403 | 235,950 | - | - | 440,353 |
| Total assets | \$ 39,673,316 | \$ 4,767,317 | \$ 2,904,024 | \$ 4,191,455 | \$ 51,536,112 |
| Liabilities and Fund Balances | | | | | |
| Liabilities: | | | | | |
| Cash overdraft | \$ - | \$ - | \$ - | \$ 17,027 | \$ 17,027 |
| Accounts payable and accrued expenditures | 1,111,725 | 2,384,273 | 22,463 | 217,217 | 3,735,678 |
| Due to other funds | 2,952,438 | 20,039 | - | 1,155,262 | 4,127,739 |
| Advances from other funds | - | - | 1,644,766 | 620,103 | 2,264,869 |
| Advance from pension trust fund | 1,162,867 | - | - | - | 1,162,867 |
| Deferred revenues | 28,840,708 | - | 2,904,024 | 681,487 | 32,426,219 |
| Due to federal and state governments | 49,913 | - | - | - | 49,913 |
| Other liabilities | 475,041 | - | - | - | 475,041 |
| Total liabilities | 34,592,692 | 2,404,312 | 4,571,253 | 2,691,096 | 44,259,353 |
| Fund Balances (Deficits): | | | | | |
| Reserved for: | | | | | |
| Prepaid expenditures | 12,676 | - | - | - | 12,676 |
| Advances to other funds | 4,175,696 | - | - | - | 4,175,696 |
| Unreserved: | | | | | |
| Designated for capital and other projects | - | 1,061,000 | - | - | 1,061,000 |
| Undesignated | 892,252 | 1,302,005 | (1,667,229) | - | 527,028 |
| Unreserved, reported in: | | | | | |
| Special revenue funds | - | - | - | 1,381,937 | 1,381,937 |
| Capital project funds | - | - | - | 118,422 | 118,422 |
| Total fund balances (deficits) | 5,080,624 | 2,363,005 | (1,667,229) | 1,500,359 | 7,276,759 |
| Total liabilities and fund balances | \$ 39,673,316 | \$ 4,767,317 | \$ 2,904,024 | \$ 4,191,455 | \$ 51,536,112 |

The accompanying notes are an integral part of the basic financial statements.

TOWN OF CUMBERLAND, RHODE ISLAND
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2009

| | |
|---|--|
| Total Fund Balances - Total Governmental Funds | \$ 7,276,759 |
| <i>Amounts reported for Governmental Activities in the Statement of Net Assets are different because:</i> | |
| Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet. | 108,552,845 |
| Accrued interest receivable on property taxes is reported as revenue in Government-Wide financial statements in the period earned. In Governmental Funds financial statements, interest on property taxes is reported when received. | 283,646 |
| Other long-term receivables are not available to pay for current period expenditures and, therefore, are deferred in Governmental Funds financial statements. | 269,529 |
| Special Assessments are reported as revenue when levied in Government-Wide financial statements. In Governmental Funds financial statements, these assessments are reported as revenue when received. | 386,649 |
| Property taxes are recognized as revenue in the period for which levied in the Government-Wide financial statements, but are reported as revenue when received in Governmental Funds financial statements. | 28,840,708 |
| Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in Governmental Funds Balance Sheet. | (832,058) |
| Long-term liabilities (including bonds and notes payable, capital leases, legal settlements, compensated absences, net other post employment benefit obligations) are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. See Note 7 to the financial statements. | (73,730,463) |
| Bond issue costs are reported as expenditures in the Governmental Funds financial statements. The cost and related accumulated amortization is reflected as an other asset on the Government-Wide financial statements. | <u>750,516</u> |
| Net Assets of Governmental Activities | <u><u>\$ 71,798,131</u></u> |

The accompanying notes are an integral part of the basic financial statements.

TOWN OF CUMBERLAND, RHODE ISLAND
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2009

| | <u>General Fund</u> | <u>School Unrestricted Fund</u> | <u>Sewer Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|---|-----------------------|---|---|
| Revenues: | | | | | |
| General property taxes and interest | \$ 50,000,349 | \$ - | \$ - | \$ - | \$ 50,000,349 |
| Investment and interest income | 190,636 | 32,018 | - | 7,084 | 229,738 |
| Other local and departmental revenue | 1,715,209 | - | 1,200,321 | 1,799,777 | 4,715,307 |
| Federal and State aid and grants | 6,277,640 | 13,123,174 | - | 4,199,507 | 23,600,321 |
| Other revenues | 342,310 | 775,454 | - | 476,828 | 1,594,592 |
| Total revenues | <u>58,526,144</u> | <u>13,930,646</u> | <u>1,200,321</u> | <u>6,483,196</u> | <u>80,140,307</u> |
| Expenditures: | | | | | |
| <i>Current:</i> | | | | | |
| General government | 1,736,294 | - | - | 1,035,763 | 2,772,057 |
| Community development | 209,802 | - | - | 63,872 | 273,674 |
| Public safety | 5,425,840 | - | - | 219,550 | 5,645,390 |
| Public works | 4,694,096 | - | 248,477 | 202,641 | 5,145,214 |
| Social services | 1,376,722 | - | - | 422,831 | 1,799,553 |
| Other | 411,946 | - | - | - | 411,946 |
| Employee benefits | 4,776,313 | - | - | - | 4,776,313 |
| Education | - | 49,914,656 | - | 3,071,170 | 52,985,826 |
| Cafeteria | - | - | - | 1,175,948 | 1,175,948 |
| Debt service | 5,375,280 | - | 1,137,066 | 299,238 | 6,811,584 |
| Capital outlay | 48,545 | - | - | 1,227,451 | 1,275,996 |
| Total expenditures | <u>24,054,838</u> | <u>49,914,656</u> | <u>1,385,543</u> | <u>7,718,464</u> | <u>83,073,501</u> |
| Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses) | <u>34,471,306</u> | <u>(35,984,010)</u> | <u>(185,222)</u> | <u>(1,235,268)</u> | <u>(2,933,194)</u> |
| Other financing sources (uses): | | | | | |
| Capital leases | 35,400 | - | - | - | 35,400 |
| Issuance of debt | - | - | - | 325,000 | 325,000 |
| Transfers from other funds | 810,537 | 35,967,718 | - | 178,727 | 36,956,982 |
| Transfers to other funds | (36,007,818) | - | (70,000) | (879,164) | (36,956,982) |
| Total other financing sources (uses) | <u>(35,161,881)</u> | <u>35,967,718</u> | <u>(70,000)</u> | <u>(375,437)</u> | <u>360,400</u> |
| Net change in fund balances | (690,575) | (16,292) | (255,222) | (1,610,705) | (2,572,794) |
| Fund balances (deficits), beginning of year | <u>5,771,199</u> | <u>2,379,297</u> | <u>(1,412,007)</u> | <u>3,111,064</u> | <u>9,849,553</u> |
| Fund balances (deficits), end of year | <u>\$ 5,080,624</u> | <u>\$ 2,363,005</u> | <u>\$ (1,667,229)</u> | <u>\$ 1,500,359</u> | <u>\$ 7,276,759</u> |

The accompanying notes are an integral part of the basic financial statements.

TOWN OF CUMBERLAND, RHODE ISLAND
*Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and
Changes in the Fund Balances to Government-Wide Statement of Activities
For the Year Ended June 30, 2009*

Net Changes in Fund Balances - Total Governmental Funds \$ (2,572,794)

Amounts reported for Governmental Activities in the Statement of Activities are different because:

| | |
|--|------------------|
| Governmental Funds financial statements report capital outlay as expenditures. However, in the Government-Wide Statement of Activities, the cost of those assets is allocated over their estimated useful depreciation expense. This is the amount of capital assets recorded in the current period. | 2,263,449 |
| Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities, but does not require the use of current financial resources. Therefore, depreciation expense is not reported in the Governmental Funds financial statements. | (2,477,689) |
| Proceeds from the sale of capital assets provide current financial resources and are reported as revenue in the Governmental Funds. In the Government-Wide Statement of Net Assets, the net carrying value of the capital asset sold is reduced. This amount represent the net carrying value of capital assets sold. | (298,046) |
| Long-term compensated absences and net other post employee benefit (OPEB) obligation are reported in the Government-Wide financial statements, but do not require the use of current financial resources. Therefore, compensated absences and net OPEB obligation are not reported as expenditures in Governmental Funds financial statements. This amount represents the change in these long-term liabilities from the prior year. | (2,409,409) |
| Bond, lease and loan proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Assets. Repayment of debt principal is an expenditure in Government Funds, but the payments reduce long-term liabilities in the Government-Wide Statement of Net Assets. | |
| This amount represents long-term debt payments. | 4,201,983 |
| This amount represents bond, loan and lease proceeds. | (360,400) |
| Accrued interest expense on long-term debt is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but does not require the use of current financial resources. Therefore, accrued interest expense is not reported as expenditures in Governmental Funds financial statements. The following amount represents the change in accrued interest from prior year. | (255,087) |
| Bonds issued at a premium provide current financial resources to Governmental Funds, but increase the long-term liabilities in the Statement of Net Assets. Bond issuance costs are expenditures to Governmental Funds, but are deferred assets in the Government-Wide Statement of Net Assets. | (46,558) |
| Payments of other commitments are expenditures in the Governmental Funds, but reduce long-term liabilities in the Government-Wide Statement of Net Assets. | 17,850 |
| Legal settlements payable in future fiscal years through property tax credits are reported in the Government-Wide Statement of Activities and Changes in Net Assets, but do not require the use of current financial resources. Therefore, the legal settlements are not reported as an expenditure in the Governmental Funds financial statements. | 324,838 |
| Revenues in the Statement of Activities that are not available in Governmental Funds are not reported as revenue in the Governmental Funds. | <u>2,341,569</u> |

Change in Net Assets of Governmental Activities \$ 729,706

The accompanying notes are an integral part of the basic financial statements.

TOWN OF CUMBERLAND, RHODE ISLAND
Statement of Net Assets
Proprietary Funds
June 30, 2009

| | <i>Business-Type Activities</i> <i>Enterprise Funds</i> |
|---|--|
| | <i>Water</i> <i>Fund</i> |
| Assets | |
| Current assets: | |
| Cash and cash equivalents | \$ 83,096 |
| Accounts receivable: | |
| Water user fees, less allowance for uncollectible accounts of \$74,583 | 2,887,186 |
| Other | 11,008 |
| Total current assets | 2,981,290 |
| Noncurrent assets: | |
| Capital assets: | |
| Non-depreciable assets | 196,599 |
| Depreciable assets - net | 25,164,824 |
| Other assets - net | 20,353 |
| Total noncurrent assets | 25,381,776 |
| Total assets | 28,363,066 |
| Liabilities | |
| Current liabilities: | |
| Accounts payable and accrued expenses | 609,507 |
| Accrued interest payable | 23,405 |
| Due to other funds | 2,294,075 |
| Current portion of long term debt | 537,700 |
| Total current liabilities | 3,464,687 |
| Noncurrent liabilities: | |
| Advances from other funds | 1,910,827 |
| Accrued compensated absences | 54,303 |
| General obligation bonds payable | 1,247,420 |
| Total noncurrent liabilities | 3,212,550 |
| Total liabilities | 6,677,237 |
| Net assets | |
| Investment in capital assets, net of related debt | 23,596,656 |
| Unrestricted | (1,910,827) |
| Total net assets | \$21,685,829 |

The accompanying notes are an integral part of the basic financial statements.

TOWN OF CUMBERLAND, RHODE ISLAND
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2009

| | Business-Type Activities Enterprise Funds |
|---|--|
| | Water Fund |
| Operating revenues | |
| User fees and charges | \$ 4,611,540 |
| Other revenues | 69,327 |
| Total operating revenues | 4,680,867 |
| Operating expenses | |
| Personnel services | 1,098,016 |
| Maintenance and servicing | 193,421 |
| Operating supplies | 360,698 |
| Fixed and general charges | 1,990,492 |
| Depreciation and amortization | 506,109 |
| Total operating expenses | 4,148,736 |
| Operating income | 532,131 |
| Nonoperating revenues (expenses) | |
| Interest income | 148 |
| Interest expense | (210,676) |
| Total nonoperating revenues (expenses) | (210,528) |
| Income before contributions | 321,603 |
| Capital contributions and grants | 142,552 |
| Change in net assets | 464,155 |
| Total net assets - beginning of year | 21,221,674 |
| Total net assets - end of year | \$21,685,829 |

The accompanying notes are an integral part of the basic financial statements.

TOWN OF CUMBERLAND, RHODE ISLAND
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2009

| | <i>Business-Type Activities</i> <i>Enterprise Funds</i> |
|--|--|
| | <i>Water</i> <i>Fund</i> |
| <i>Cash flows from operating activities</i> | |
| Cash received from customers | \$ 4,178,854 |
| Cash payments to suppliers for goods and services | (2,608,858) |
| Cash payments to employees for services | (1,088,255) |
| <i>Net cash provided by operating activities</i> | 481,741 |
| <i>Cash flows from non-capital financing activities</i> | |
| Proceeds from revenue anticipation note | 4,000,000 |
| Principal paid on revenue anticipation note | (4,000,000) |
| Interfund transactions | 214,199 |
| <i>Net cash provided by non-capital financing activities</i> | 214,199 |
| <i>Cash flows from capital and related financing activities</i> | |
| Acquisition and construction of capital assets | (188,279) |
| Capital contributions and grants | 110,552 |
| Principal paid on bonds and leases | (488,149) |
| Interest paid on bonds, leases, and interfund balance | (189,247) |
| <i>Net cash used for capital and related financing activities</i> | (755,123) |
| <i>Cash flows from investing activities</i> | |
| Investment income | 148 |
| <i>Net cash provided by investing activities</i> | 148 |
| <i>Net decrease in cash and cash equivalents</i> | (59,035) |
| <i>Cash and cash equivalents, beginning of year</i> | 142,131 |
| <i>Cash and cash equivalents, end of year</i> | \$ 83,096 |
| <i>Noncash capital and related financing activities:</i> | |
| Increase in capital assets | \$ 32,000 |

(Continued)

The accompanying notes are an integral part of the basic financial statements.

TOWN OF CUMBERLAND, RHODE ISLAND
Statement of Cash Flows (Continued)
Proprietary Funds
For the Fiscal Year Ended June 30, 2009

| | <i>Business-Type Activities</i> |
|---|---------------------------------|
| | <i>Enterprise Funds</i> |
| | <i>Water Fund</i> |
| <i>Reconciliation of operating income to net cash provided by operating activities</i> | |
| Operating income | \$ 532,131 |
| <i>Adjustments to reconcile operating income to net cash provided by operating activities:</i> | |
| Depreciation and amortization | 506,109 |
| Bad debt expense | 36,103 |
| Changes in assets and liabilities: | |
| (Increase) decrease in accounts receivable | (502,110) |
| (Increase) decrease in other receivables | 286 |
| Increase (decrease) in accounts payable and accrued expenses | (97,504) |
| Increase (decrease) in compensated absences | 6,726 |
| | \$ 481,741 |
| <i>Net cash provided by operating activities</i> | |

The accompanying notes are an integral part of the basic financial statements.

TOWN OF CUMBERLAND, RHODE ISLAND
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2009

| | <i>Pension Trust Fund</i> | <i>Private- Purpose Trust Funds</i> | <i>Agency Funds</i> |
|--|--|--|--------------------------------|
| <i>Assets</i> | | | |
| Cash and cash equivalents | \$ 1,074,630 | \$ 229,371 | \$ 223,681 |
| Investments at fair value: | | | |
| U.S. government obligations | 218,577 | - | - |
| Corporate bonds | 2,545,274 | - | - |
| Common stock | 2,857,557 | - | - |
| Foreign stock | 83,987 | - | - |
| Mutual funds - equity | 422,263 | - | - |
| Accrued interest receivable | 38,941 | - | - |
| Due from other funds | - | 25,000 | 182,979 |
| Advance to General Fund | 1,162,867 | - | - |
| | <u>8,404,096</u> | <u>254,371</u> | <u>406,660</u> |
| <i>Total assets</i> | | | |
| | 8,404,096 | 254,371 | 406,660 |
| <i>Liabilities</i> | | | |
| Due to other funds | - | - | 8,609 |
| Deposits held in custody for others | - | - | 398,051 |
| | <u>-</u> | <u>-</u> | <u>406,660</u> |
| <i>Total liabilities</i> | | | |
| | - | - | 406,660 |
| <i>Net Assets</i> | | | |
| Held in trust for pension benefits and other purposes | <u>\$ 8,404,096</u> | <u>\$ 254,371</u> | <u>\$ -</u> |

The accompanying notes are an integral part of the basic financial statements.

TOWN OF CUMBERLAND, RHODE ISLAND
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2009

| | <u>Pension Trust Funds</u> | <u>Private- Purpose Trust Funds</u> |
|---|------------------------------------|---|
| Additions | | |
| Contributions: | | |
| Employer | \$ 1,135,722 | \$ - |
| Plan member | 191,251 | - |
| Total contributions | <u>1,326,973</u> | <u>-</u> |
| Investment income: | | |
| Net depreciation in fair value of investments | (1,142,483) | - |
| Interest and dividends | 238,744 | 1,677 |
| Less: investment expense | <u>(46,384)</u> | <u>-</u> |
| Net investment income | <u>(950,123)</u> | <u>1,677</u> |
| Other revenue | <u>-</u> | <u>24,508</u> |
| Total additions | <u>376,850</u> | <u>26,185</u> |
| Deductions | | |
| Benefits | 993,885 | - |
| Scholarships | - | 16,023 |
| Total deductions | <u>993,885</u> | <u>16,023</u> |
| Change in net assets | (617,035) | 10,162 |
| Net assets - beginning of year | <u>9,021,131</u> | <u>244,209</u> |
| Net assets - end of year | <u>\$ 8,404,096</u> | <u>\$ 254,371</u> |

The accompanying notes are an integral part of the basic financial statements.

TOWN OF CUMBERLAND, RHODE ISLAND

Notes to Financial Statements

June 30, 2009

The financial statements of the Town of Cumberland, Rhode Island, have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following notes to the financial statements are an integral part of the Town's financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The Town of Cumberland was founded in 1747. The Town of Cumberland is governed largely under the 1978 Home Rule Charter, which provides for a Council-Mayor form of government. In some matters, including the issuance of short and long-term debt, the Town is governed by the general laws of the State of Rhode Island. Legislative authority is vested in a seven-member Town Council, one from each of five voting districts and two at large. The Mayor and Members of the Town Council are elected to biennial terms. A seven-member School Committee, one from each of the five voting districts and two at large, is vested with autonomous legislative authority over the Town's public school system. Members of the School Committee are elected to nonpartisan biennial terms.

The Mayor serves as the chief executive officer over all municipal services except those performed by the Canvassing Authority, whose members are appointed by and report directly to the Council. Municipal services include public safety, highway and streets, sanitation, health and social services, culture-recreation, education, public improvements, planning, zoning, inspection, and general administrative services.

The Superintendent of Schools, appointed by the School Committee, serves as the chief executive officer for the School Department. The School Department provides elementary and secondary education to Town residents.

In evaluating the inclusion of other separate and distinct legal entities as component units within its financial reporting entity, the Town applied the criteria prescribed by GASB Statement No. 14, as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units." A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable or for which the nature and significance of its relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Town of Cumberland does not have any component units.

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2009

B. BASIS OF PRESENTATION AND ACCOUNTING

The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds to demonstrate legal compliance and to aid management by segregating transactions related to specific Town functions or activities.

Government-Wide Financial Statements

The Town's Government-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the Town accompanied by a total column. Fiduciary activities of the Town are not included in these statements.

These statements are presented on an "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all the Town's assets and liabilities, including capital assets as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the Town are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total column.

The Town applies to the Business-Type Activities and Enterprise Funds all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedure.

Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net assets and changes in net assets presented in the Government-Wide Financial Statements.

TOWN OF CUMBERLAND, RHODE ISLAND

Notes to Financial Statements

June 30, 2009

All governmental funds are accounted for on a spending or “*current financial resources*” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due.

The primary revenue sources which have been treated as susceptible to accrual by the Town are property tax and intergovernmental revenues. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Major Governmental Funds:

General Fund – The General Fund is used to account for resources devoted to financing the general services that the Town performs for its citizens.

School Unrestricted Fund – The School Unrestricted Fund is used to account for the budgeted resources devoted to financing the general operations of the School Department.

Sewer Fund – The Sewer Fund is used to account for sewer use and sewer assessment fees and the expenses associated with providing sewer service to Town residents.

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets, and a Statement of Cash Flows.

Proprietary funds are accounted for using the “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2009

The Town has one Enterprise Fund, which is a major fund as follows:

Water Fund – The Water Fund is used to account for the water use fees and the expenses associated with providing water service to Town residents.

Fiduciary Fund Financial Statements

Fiduciary Fund Financial Statements include a Statement of Net Assets and a Statement of Changes in Fiduciary Net Assets. The Town’s Fiduciary Funds include Private Purpose Trust Funds, a Pension Trust Fund and Agency Funds. Fiduciary Funds are used to account for assets held by the Town in a trustee capacity or as an agent for individuals, private organizations or other governments. The Fiduciary Funds are accounted for on a spending or “economic resources” measurement focus and the accrual basis of accounting. Agency funds are purely custodial and these do not involve measurement of results of operations.

Pension Trust Fund – This fund accounts for resources held in trust for members and beneficiaries of the Town administered defined benefit pension plan.

Private Purpose Trust Funds – These funds account for assets held by the Town under various trust arrangements for the benefits of certain individuals.

Agency Funds – These funds account for assets held by the Town as agent for individuals, student groups and private organizations.

C. CASH AND CASH EQUIVALENTS

For the purpose of the Statement of Cash Flows, the Town considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

D. INVESTMENTS

Investments are recorded at fair value. Unrealized gains and losses from changes in fair value are recognized as investment income.

E. ACCOUNTS RECEIVABLE AND TAXES RECEIVABLE

Accounts receivable and taxes receivable are shown net of an allowance for uncollectible accounts. The allowances are calculated from the age of the individual receivables.

Property taxes which were levied in May 2009 and other delinquent balances are recorded as receivables.

TOWN OF CUMBERLAND, RHODE ISLAND

Notes to Financial Statements

June 30, 2009

F. UNBILLED SERVICES RECEIVABLE

Water Fund revenue is recorded when earned. Residential customers are billed semi-annually, while commercial customers are billed quarterly. The estimated value of services provided but unbilled at year-end has been included in the accompanying financial statements.

G. CAPITAL ASSETS AND DEPRECIATION

Capital assets are reported in the government-wide statement of net assets but are not reported in the governmental fund financial statements.

All capital assets are capitalized at historical or estimated historical cost. Donated capital assets are recorded at the fair market value as of the date received. The Town follows the policy of not capitalizing assets with a cost of less than \$5,000 and a useful life of less than 1 year.

Depreciation is calculated on the straight-line basis over the following useful lives:

| <u>Description</u> | <u>Useful Life</u> |
|----------------------------|--------------------|
| Buildings | 50 years |
| Mains, valves and laterals | 50-100 years |
| Standpipes and wells | 30-50 years |
| Equipment and vehicles | 5-30 years |
| Infrastructure | 30-50 years |

H. DEBT PREMIUMS AND ISSUANCE COSTS

In the governmental fund financial statements, debt issuance costs are treated as period costs in the year of issuance and are shown as an “expenditure”. Debt premiums are reported as an “other financing source”.

In the government-wide statements, debt premiums and debt issuance costs are deferred and amortized over the term of the debt. Debt premiums are presented as an addition to the face amount of the debt whereas issuance costs are recorded as other assets.

I. DEFERRED REVENUE

In the governmental fund financial statements deferred revenue represents funds received in advance of being owed or receivables which will be collected and included in revenues of future fiscal years. In the General Fund, deferred revenues relate to uncollected property taxes which were levied during the fiscal year, plus delinquent balances less property tax amounts due as of June 30, 2009 and received sixty days after. In the Sewer Fund and Sewer – Ferncrest & Willow Fund, deferred revenue relates to the current and long-term portion of the sewer assessment receivables and the sewer use receivable. In the Public Fund, deferred revenue relates to rescue billings due as of June 30, 2009.

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2009

J. PROPERTY TAXES

The Town is permitted by State Law to levy property taxes. The Town's fiscal 2008-2009 property taxes were levied in May 2009 on assessed valuation as of December 31, 2008. Upon levy these taxes are payable quarterly and are due in May, August, November and February. Failure to mail payments by due dates will result in a lien on the taxpayer's property. Assessed values are established by Tax Assessor's Office.

K. COMPENSATED ABSENCES

Under the terms of various contracts and agreements, Town employees are granted vacation and sick leave in varying amounts based on length of service. Vacation benefits are accrued as a liability based on the accumulated benefits earned at June 30. Sick leave benefits are based on the sick leave accumulated at June 30 by those employees who are currently eligible to receive termination payments and those employees for whom it is probable they will become eligible to receive termination benefits in the future. The liability is calculated at the rate of pay in effect at June 30, 2009.

The entire compensated absence liability is reported on the government-wide financial statements. For the governmental fund financial statements, the amount of accumulated vacation and sick leave has been recorded as a current liability to the extent that the amounts are due to employees that have resigned or retired.

L. ACCRUED LIABILITIES AND LONG-TERM DEBT

All accrued liabilities and long-term debt are reported in the government-wide financial statements.

For governmental fund financial statements, the accrued liabilities are generally reported as a governmental fund liability if due for payment as of the balance sheet date regardless of whether they will be liquidated with current financial resources. However, claims and judgments and compensated absences paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources. Long-term debt paid from governmental funds is not recognized as a liability in the fund financial statements until due.

M. ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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/expenses during the reporting period. Actual results could differ from those estimates.

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2009

NOTE 2 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June, 30, 2009 was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Retirements</u> | <u>Ending Balance</u> |
|---|------------------------------|----------------------|----------------------|---------------------------|
| Governmental Activities: | | | | |
| Nondepreciable assets: | | | | |
| Land | \$ 18,429,829 | \$ 874,647 | \$ 298,046 | \$ 19,006,430 |
| Construction in progress | 33,660,702 | 82,857 | 33,635,349 | 108,210 |
| | <u>52,090,531</u> | <u>957,504</u> | <u>33,933,395</u> | <u>19,114,640</u> |
| Depreciable assets: | | | | |
| Land improvements | 1,455,735 | - | - | 1,455,735 |
| Infrastructure | 27,265,128 | 710,787 | - | 27,975,915 |
| Buildings and improvements | 49,633,089 | 34,485,830 | - | 84,118,919 |
| Machinery and equipment | 3,480,971 | 364,871 | - | 3,845,842 |
| Vehicles | 3,710,930 | 62,593 | 10,000 | 3,763,523 |
| | <u>85,545,853</u> | <u>35,624,081</u> | <u>10,000</u> | <u>121,159,934</u> |
| Total Capital Assets | <u>137,636,384</u> | <u>36,581,585</u> | <u>33,943,395</u> | <u>140,274,574</u> |
| Less accumulated depreciation for: | | | | |
| Land improvements | 461,113 | 71,409 | - | 532,522 |
| Infrastructure | 11,586,273 | 592,825 | - | 12,179,098 |
| Buildings and improvements | 13,896,876 | 992,258 | - | 14,889,134 |
| Machinery and equipment | 724,804 | 466,537 | - | 1,191,341 |
| Vehicles | 2,584,974 | 354,660 | 10,000 | 2,929,634 |
| Total Accumulated Depreciation | <u>29,254,040</u> | <u>2,477,689</u> | <u>10,000</u> | <u>31,721,729</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 108,382,344</u> | <u>\$ 34,103,896</u> | <u>\$ 33,933,395</u> | <u>\$ 108,552,845</u> |
| Business-Type Activities | | | | |
| Nondepreciable assets: | | | | |
| Land | \$ 196,599 | \$ - | \$ - | \$ 196,599 |
| | <u>196,599</u> | <u>-</u> | <u>-</u> | <u>196,599</u> |
| Depreciable assets: | | | | |
| Buildings | 2,444,492 | - | - | 2,444,492 |
| Mains, laterals, standpipes and other | 32,751,427 | 271,554 | - | 33,022,981 |
| Vehicles | 360,761 | 39,554 | - | 400,315 |
| | <u>35,556,680</u> | <u>311,108</u> | <u>-</u> | <u>35,867,788</u> |
| Total Capital Assets | <u>35,753,279</u> | <u>311,108</u> | <u>-</u> | <u>36,064,387</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 581,454 | 40,409 | - | 621,863 |
| Mains, laterals, standpipes and other | 9,379,137 | 420,404 | - | 9,799,541 |
| Vehicles | 242,581 | 38,979 | - | 281,560 |
| Total Accumulated Depreciation | <u>10,203,172</u> | <u>499,792</u> | <u>-</u> | <u>10,702,964</u> |
| Business-Type Activities Capital Assets, Net | <u>\$ 25,550,107</u> | <u>\$ (188,684)</u> | <u>\$ -</u> | <u>\$ 25,361,423</u> |

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2009

Depreciation expense was charged to functions as follows:

| | |
|-----------------------------------|-----------------------------------|
| General Government | \$ 14,455 |
| Public Safety | 317,753 |
| Public works | 782,426 |
| Social services | 132,169 |
| Education | 1,230,886 |
| Total Depreciation Expense | <u><u>\$ 2,477,689</u></u> |

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. LEGAL DEBT MARGIN – The Town’s legal debt margin as set forth by State Statute is limited to three percent of the total taxable assessed value which approximates \$116,849,029. As of June 30, 2009, the Town’s debt subject to the debt limit is \$4,396,250 and the Town is under the debt limit by \$112,452,779. The debt subject to the debt limitation is based on the type of debt issued.

B. DEFICIT FUND BALANCE IN FUND FINANCIAL STATEMENTS – The following individual funds reported deficits in the unreserved fund balance/unrestricted net assets in the fund financial statements at June 30, 2009:

| | |
|----------------------------|-------------|
| Open Space | \$(82,996) |
| School Improvements 2004 | (314,029) |
| CHS 2010 Phase III | (253,580) |
| Water Fund | (1,910,827) |
| Sewer Fund | (1,667,229) |
| Sewer – Ferncrest & Willow | (70,344) |
| Library Bond | (88,616) |
| Tucker Field Phase II | (25,353) |
| RIPTIDE DUI | (652) |
| RIPTIDE Speed | (184) |
| Athletic Fund | (275) |

NOTE 4 – CASH DEPOSITS

DEPOSITS – are in various financial institutions and are carried at cost. The carrying amount of deposits is separately displayed on the Balance Sheet of the Fund Financial Statements and Government-Wide Statement of Net Assets as “Cash and Cash Equivalents”.

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2009

| | |
|---|-------------------------------|
| | <u>Carrying Amount</u> |
| Total Deposits | \$4,674,003 |
| Add: Investments classified as cash equivalents | <u>1,209,486</u> |
| Total Cash and Cash Equivalents Reported in the Financial Statements | <u>\$5,883,489</u> |

CUSTODIAL CREDIT RISK – custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the Town will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Town does not have a formal deposit policy for custodial credit risk, but is governed by State Laws as described below.

As of June 30, 2009, \$4,720,097 of the Town’s bank balance of \$5,712,169 was exposed to custodial credit risk as follows:

| | |
|---|----------------------------|
| | <u>Bank Balance</u> |
| Insured (Federal depository insurance funds) | \$992,072 |
| Collateralized with securities held by pledging financial institutions or its agent, in the Town’s name | 877,499 |
| Uninsured and uncollateralized | <u>3,842,598</u> |
| Total | <u>\$5,712,169</u> |

Under Rhode Island general laws, depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State, shall at a minimum, insure or pledge eligible collateral equal to one hundred percent (100%) of the deposits which are time deposits with maturities greater than sixty (60) days. Any of these institutions which do not meet minimum capital standards prescribed by federal regulators shall insure or pledge eligible collateral equal to one hundred percent (100%) of the deposits, regardless of maturity. At June 30, 2009 the Town's uncollateralized deposits with an institution was \$3,842,598.

NOTE 5 – INVESTMENTS

As of June 30, 2009, the Town had the following investments:

| <u>Investment</u> | <u>Maturity</u> | <u>Fair Value</u> | <u>Moody’s Rating</u> |
|--------------------------------------|------------------------|--------------------------|------------------------------|
| MBIA RI Investment Pool | N/A | \$ 174,003 | Not rated |
| Federated Government Obligation Fund | N/A | 812,732 | Not rated |
| Federated Prime Obligation Fund | N/A | 261,898 | AAA |
| Corporate Bond | 06/01/2018 | 308,346 | Aa2 |
| Corporate Bond | 05/15/2017 | 201,460 | A2 |
| Corporate Bond | 05/01/2015 | 480,765 | A1 |
| Corporate Bond | 04/01/2018 | 219,056 | A1 |
| Corporate Bond | 02/15/2014 | 103,720 | A2 |
| Corporate Bond | 05/15/2016 | 76,343 | A1 |

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2009

| <u>Investment</u> | <u>Maturity</u> | <u>Fair Value</u> | <u>Moody's Rating</u> |
|--|------------------------|---------------------------|----------------------------------|
| Corporate Bond | 09/15/2014 | 72,873 | A2 |
| Corporate Bond | 05/15/2012 | 84,940 | Aa2 |
| Corporate Bond | 04/15/2014 | 105,612 | A2 |
| Corporate Bond | 12/06/2017 | 196,408 | Aa2 |
| Corporate Bond | 01/15/2012 | 159,710 | A1 |
| Corporate Bond | 07/15/2018 | 74,572 | Aaa |
| Corporate Bond | 03/06/2014 | 205,912 | A1 |
| Corporate Bond | 01/15/2016 | 104,642 | A2 |
| Corporate Bond | 08/10/2009 | 150,915 | Aa2 |
| Federal Farm Credit Bank | 08/16/2011 | 107,938 | Aaa |
| Federal National Mortgage Assoc. | 10/02/2013 | 110,639 | Aaa |
| Common Stock | N/A | 2,857,557 | Not rated |
| Foreign Stock | N/A | 83,987 | Not rated |
| Mutual Funds - Equity | N/A | 422,263 | Not rated |
| | | <u>7,376,291</u> | |
| Less: Investments classified as cash equivalents | | <u>(1,209,486)</u> | |
| <i>Total Investments Reported in the Financial Statements</i> | | <u>\$6,166,805</u> | |

The Town has established an investment policy for the Town's Police Pension Plan. The asset allocation guidelines include an allocation of both equities (40% - 65%) and fixed income investments (20% - 60%).

Interest Rate Risk – The Town does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – The Town has limited its investments in equities in the Police Pension Plan to common stock and convertible securities. Mutual equity funds and foreign investments are also allowable with Pension Board approval. The fixed income portfolio for the Police Pension Plan is limited to U.S. Treasury and Agency securities and dollar denominated corporate bonds of U.S. companies. Mutual bond funds and foreign investments are also allowable with Pension Board approval. The minimum average portfolio rating shall be 3.0 in regard to the following listed table:

| <u>Moody's</u> | <u>S&P</u> | <u>Value</u> |
|-----------------------|-----------------------|---------------------|
| Aaa | AAA | 4 |
| Aa | AA | 3 |
| A | A | 2 |

TOWN OF CUMBERLAND, RHODE ISLAND

Notes to Financial Statements

June 30, 2009

U.S. Treasury and Agency shall equal 4.0. The investment manager may not purchase fixed income securities rated lower than “A”. The Town does not have a formal policy that limits investment choices in the other funds.

Concentration of Credit Risk – The Town has established limits on the amount the Town may invest in the Police Pension Plan in any one issuer. No individual security in the equity portfolio shall represent more than 5% of the portfolio market value and the aggregate value of all foreign investments is limited to a value of 7% of the value of total investment fund. No individual security in the fixed income portfolio shall represent more than 7% of the portfolio market value and the aggregate value of all foreign investments is limited to a value of 5% of the total investment fund value. The Town does not have a formal policy that limits the amount the Town may invest in any one issuer for the other funds.

Custodial Credit Risk – Custodial credit risk for investments is the risk that in the event of failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town’s investments in corporate bonds, Federal Farm Credit Bank, Federal National Mortgage Assoc. and common and foreign stock are held by the investment counterparty in the counterparty’s name. The Town does not have a formal policy relative to custodial credit risk.

Foreign Currency Risk – The Town has policies related to foreign investments for its Police Pension Plan as described above. The Pension Trust Fund has \$83,987 invested in foreign stock as of June 30, 2009. The Town does not have a formal policy related to foreign investments in the other funds.

NOTE 6 – SHORT TERM DEBT

The Town issued general obligation tax anticipation notes in advance of property tax collections, depositing the proceeds in its General Fund. The Town issued general obligation revenue anticipation notes, depositing the proceeds in the Water Fund.

Short-term debt activity for the year ended June 30, 2009, was as follows:

| | <u><i>Beginning Balance</i></u> | <u><i>Issued</i></u> | <u><i>Redeemed</i></u> | <u><i>Ending Balance</i></u> |
|--|-------------------------------------|----------------------|------------------------|----------------------------------|
| General obligation tax anticipation notes | \$ - | \$7,500,000 | \$7,500,000 | \$ - |
| General obligation revenue anticipation notes | \$ - | \$4,000,000 | \$4,000,000 | \$ - |

TOWN OF CUMBERLAND, RHODE ISLAND

Notes to Financial Statements

June 30, 2009

NOTE 7 – LONG-TERM LIABILITIES

A. Long-term liability activity for the year ended June 30, 2009 was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Retirements</u> | <u>Ending Balance</u> | <u>Amounts Due Within One Year</u> |
|---|------------------------------|---------------------|---------------------|---------------------------|--|
| Governmental Activities: | | | | | |
| Bonds, notes and capital leases payable: | | | | | |
| Bonds payable | \$ 37,198,400 | \$ - | \$ 3,246,500 | \$ 33,951,900 | \$ 2,897,300 |
| Notes payable | 32,711,553 | 325,000 | 494,700 | 32,541,853 | 1,366,825 |
| Capital lease payable | 1,724,019 | 35,400 | 460,782 | 1,298,637 | 431,287 |
| Plus amortized premium bonds | 917,320 | - | 63,666 | 853,654 | - |
| Less deferred amounts on refunding | (531,965) | - | (54,485) | (477,480) | - |
| Total bonds, notes and capital leases payable | 72,019,327 | 360,400 | 4,211,163 | 68,168,564 | 4,695,412 |
| Other liabilities: | | | | | |
| Legal settlement payable | 748,857 | - | 324,838 | 424,019 | 299,183 |
| Deferred salary | 271,069 | - | 24,356 | 246,713 | - |
| Compensated absences | 2,118,252 | 259,956 | - | 2,378,208 | - |
| Net other post employment benefit obligation | - | 2,173,809 | - | 2,173,809 | - |
| Other commitments | - | 357,000 | 17,850 | 339,150 | 17,850 |
| Governmental activities Long-term liabilities | \$ 75,157,505 | \$ 3,151,165 | \$ 4,578,207 | \$ 73,730,463 | \$ 5,012,445 |
| Business-Type Activities: | | | | | |
| Bonds payable | \$ 2,266,600 | \$ - | \$ 473,500 | \$ 1,793,100 | \$ 537,700 |
| Capital lease payable | 14,649 | - | 14,649 | - | - |
| Plus amortized premium bonds | 29,508 | - | 4,718 | 24,790 | - |
| Less deferred amounts on refunding | (47,837) | - | (15,067) | (32,770) | - |
| Total bonds and capital leases payable | 2,262,920 | - | 477,800 | 1,785,120 | 537,700 |
| Compensated absences | 47,577 | 6,726 | - | 54,303 | - |
| Business-type activities Long-term liabilities | \$ 2,310,497 | \$ 6,726 | \$ 477,800 | \$ 1,839,423 | \$ 537,700 |

TOWN OF CUMBERLAND, RHODE ISLAND

Notes to Financial Statements

June 30, 2009

The payments on the governmental activities capital leases are paid from the General Fund and the School Unrestricted Fund. The governmental activities bonds and notes are paid from the General Fund and Sewer Fund. The compensated absences from governmental activities are paid from the General Fund and School Unrestricted Fund. The deferred salary is paid from the School Unrestricted Fund. The legal settlement payable is paid from the General Fund. The other commitments are paid from the Sewer – Ferncrest & Willow Fund.

B. CAPITAL LEASE COMMITMENTS

Obligations under capital leases at June 30, 2009 were as follows:

| <u>Fiscal Year</u> <u>Ended June 30,</u> | <u>Governmental Activities</u> <u>Lease Payment</u> <u>Requirements</u> |
|---|--|
| 2010 | \$ 482,416 |
| 2011 | 369,928 |
| 2012 | 291,837 |
| 2013 | 262,899 |
| Total minimum lease payments | 1,407,080 |
| Less: Amount representing interest cost | (108,443) |
| Present value of minimum lease payments | \$1,298,637 |

C. GENERAL OBLIGATION BONDS DEBT SERVICE REQUIREMENTS

The debt service requirements at June 30, 2009, were as follows:

| <u>Fiscal Year</u> <u>Ending June 30,</u> | <u>Governmental Activities</u> <u>General Obligation Bonds</u> | | <u>Business Type Activities</u> <u>General Obligation</u> <u>Bonds</u> | |
|--|---|------------------------|---|------------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2010 | \$ 2,897,300 | \$1,324,333 | \$537,700 | \$60,463 |
| 2011 | 3,239,600 | 1,217,303 | 245,400 | 46,724 |
| 2012 | 2,620,000 | 1,113,149 | 270,000 | 35,863 |
| 2013 | 2,710,000 | 1,014,323 | 280,000 | 24,150 |
| 2014 | 2,805,000 | 918,004 | 110,000 | 16,813 |
| 2015-2019 | 12,850,000 | 2,973,337 | 350,000 | 24,739 |
| 2020-2024 | 6,370,000 | 855,990 | - | - |
| 2025-2026 | 460,000 | 31,050 | - | - |
| | \$33,951,900 | \$9,447,489 | \$1,793,100 | \$208,752 |

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2009

D. SCHEDULE OF BONDS PAYABLE

| <u>Purpose</u> | <u>Date Issued</u> | <u>Interest Rate</u> | <u>Maturity Date</u> | <u>Authorized and Issued</u> | <u>Outstanding June 30, 2008</u> | <u>New Issues</u> | <u>Maturities During Year</u> | <u>Outstanding June 30, 2009</u> |
|---------------------------------------|--------------------|----------------------|----------------------|------------------------------|----------------------------------|-------------------|-------------------------------|----------------------------------|
| Governmental Activities: | | | | | | | | |
| School Bond (Refunding) | 06/10/08 | 2.00%-3.45% | 08/01/14 | \$ 3,570,000 | \$ 3,570,000 | \$ - | \$ 435,000 | \$ 3,135,000 |
| Library Bond (Refunding) | 06/10/08 | 2.00%-4.76% | 08/01/18 | 2,850,000 | 2,850,000 | - | 160,000 | 2,690,000 |
| School Bond (Refunding) | 06/10/08 | 2.00%-4.75% | 08/01/18 | 5,740,000 | 5,740,000 | - | 320,000 | 5,420,000 |
| Judgment Bond | 08/24/01 | 5.50% | 08/15/08 | 850,000 | 120,000 | - | 120,000 | - |
| Open Space Bond | 03/15/02 | 4.00%-5.50% | 10/01/21 | 1,500,000 | 1,265,000 | - | 65,000 | 1,200,000 |
| School Bond | 03/15/02 | 4.00%-5.50% | 10/01/21 | 3,000,000 | 2,500,000 | - | 130,000 | 2,370,000 |
| Judgment Bond | 03/15/02 | 4.00%-5.50% | 10/01/16 | 500,000 | 335,000 | - | 30,000 | 305,000 |
| Judgment Bond | 03/15/02 | 4.00%-5.50% | 10/01/08 | 1,000,000 | 160,000 | - | 160,000 | - |
| Judgment Bond | 06/10/08 | 5.14% | 06/01/18 | 1,130,000 | 1,130,000 | - | 115,000 | 1,015,000 |
| Roads Improvement Bond (Refunding) | 03/15/02 | 4.00%-5.50% | 10/01/10 | 1,392,000 | 526,000 | - | 167,000 | 359,000 |
| Recreation Bond (Refunding) | 03/15/02 | 4.00%-5.50% | 10/01/10 | 360,000 | 136,000 | - | 43,200 | 92,800 |
| School Bond (Refunding) | 03/15/02 | 4.00%-5.50% | 10/01/08 | 619,000 | 101,800 | - | 101,800 | - |
| Open Space Bond (Refunding) | 03/15/02 | 4.00%-5.50% | 10/01/10 | 670,000 | 253,400 | - | 80,700 | 172,700 |
| School Bond | 02/01/03 | 2.30%-4.30% | 02/01/23 | 5,000,000 | 3,750,000 | - | 250,000 | 3,500,000 |
| High School Improvements | 03/15/04 | 3.75%-5.00% | 03/15/24 | 5,500,000 | 5,370,000 | - | 130,000 | 5,240,000 |
| Road Improvements | 03/15/04 | 3.50%-5.00% | 03/15/24 | 2,000,000 | 1,950,000 | - | 50,000 | 1,900,000 |
| Library Bond | 03/15/04 | 3.50%-3.75% | 03/15/24 | 400,000 | 390,000 | - | 10,000 | 380,000 |
| School Bond | 03/15/04 | 3.50%-5.00% | 03/15/24 | 500,000 | 490,000 | - | 10,000 | 480,000 |
| School Bond | 05/01/06 | 4.00%-5.00% | 05/01/26 | 3,000,000 | 2,920,000 | - | 105,000 | 2,815,000 |
| Sewer Bond (Refunding) | 06/10/08 | 2.00%-4.77% | 08/01/18 | 2,015,000 | 2,015,000 | - | 115,000 | 1,900,000 |
| Sewer Bond (Refunding) | 06/10/08 | 2.00%-4.81% | 08/01/16 | 285,000 | 285,000 | - | 15,000 | 270,000 |
| Sewer Bond (Refunding) | 03/15/02 | 4.00%-5.50% | 10/01/10 | 2,735,000 | 1,036,200 | - | 328,800 | 707,400 |
| Sewer Bond (Refunding) | 03/15/02 | 4.00%-5.50% | 10/01/08 | 1,824,000 | 305,000 | - | 305,000 | - |
| Total Governmental Activities | | | | 46,440,000 | 37,198,400 | - | 3,246,500 | 33,951,900 |
| Business Type Activities: | | | | | | | | |
| Water Bond (Refunding) | 03/15/02 | 4.00%-5.50% | 10/01/12 | 1,512,000 | 786,600 | - | 143,500 | 643,100 |
| Water Bond (Refunding) | 06/10/08 | 2.00%-4.74% | 08/01/16 | 915,000 | 915,000 | - | 55,000 | 860,000 |
| Water Bond (Refunding) | 06/10/08 | 2.00%-3.00% | 08/01/09 | 565,000 | 565,000 | - | 275,000 | 290,000 |
| Total Business Type Activities | | | | 2,992,000 | 2,266,600 | - | 473,500 | 1,793,100 |
| Total Bonds | | | | \$ 49,432,000 | \$ 39,465,000 | \$ - | \$ 3,720,000 | \$ 35,745,000 |

TOWN OF CUMBERLAND, RHODE ISLAND

Notes to Financial Statements

June 30, 2009

E. NOTES PAYABLE

The Town of Cumberland has entered into eight note agreements as follows:

| <u>Description</u> | <u>Note Date</u> | <u>Original Amount</u> | <u>Interest Rate</u> | <u>Matures</u> |
|---------------------------|------------------|------------------------|----------------------|-----------------|
| RIHBEC School Note | 05/14/2008 | \$30,000,000 | 3.5-5% | 04/01/2010-2028 |
| RI Clean Water Sewer Note | 03/10/1993 | 3,000,000 | 3.56% | 09/01/1996-2015 |
| RI Clean Water Sewer Note | 09/01/1996 | 1,000,000 | 3.33% | 09/01/1997-2016 |
| Lambert Property Note | 05/01/1997 | 190,000 | 2.59% | 06/01/1998-2023 |
| Gainsboro Note | 10/21/1998 | 1,700,000 | 5.61% | 10/21/1999-2008 |
| Pratt Note | 08/03/2006 | 500,000 | 2.5% | 08/03/2007-2012 |
| NRIC Holdings Note | 09/30/2008 | 225,000 | 5.0% | 09/30/2008-2010 |
| McGrath Note | 07/30/2008 | 100,000 | 2.5% | 07/30/2009-2013 |

The debt service requirements for the above notes payable at June 30, 2009 were as follows:

| <u>Fiscal Year Ending June 30,</u> | <u>Governmental Activities</u> | |
|------------------------------------|--------------------------------|---------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2010 | \$ 1,366,825 | \$ 1,442,965 |
| 2011 | 1,639,896 | 1,415,839 |
| 2012 | 1,473,025 | 1,327,787 |
| 2013 | 1,441,711 | 1,260,599 |
| 2014 | 1,495,457 | 1,201,686 |
| 2015-2019 | 7,677,996 | 4,969,287 |
| 2020-2024 | 8,896,943 | 3,201,772 |
| 2025-2028 | 8,550,000 | 1,028,150 |
| | <u>\$32,541,853</u> | <u>\$15,848,085</u> |

F. DEFERRED SALARY

In connection with a school certified personnel collective bargaining agreement signed in 1991, a salary deferral arrangement was negotiated whereby the members of the bargaining unit become entitled to a 3% of salary payment upon termination of employment. The payment is based upon current salary rates and is added to the individual's wage base in the year of termination.

G. OTHER COMMITMENTS

The Town is committed to reimburse a private installer 75% of the reimbursable cost associated with the sewer project for Ferncrest and Willow Drives. The reimbursement of \$357,000 will be paid over 20 years without interest in equal payments of \$17,850.

NOTE 8 – OPERATING LEASES

As of June 30, 2009, the Town is committed for various leases for office equipment. These leases are considered operating leases. Lease expenditures for the year ended June 30, 2009 amounted to approximately \$84.

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2009

NOTE 9 – INTERFUND BALANCES

The Town reports interfund balance between many of its funds. The totals of all balances agree with the sum of interfund and advance balances presented in the fund statements.

| | <i>Due From:</i> | | | | | | <i>Total</i> |
|-----------------------------|---------------------|--------------------------|------------------------------------|---------------------|---------------------|-----------------|----------------------|
| | <i>General Fund</i> | <i>Unrestricted Fund</i> | <i>Nonmajor Governmental Funds</i> | <i>Water Fund</i> | <i>Sewer Fund</i> | <i>Other</i> | |
| <i>Due To:</i> | | | | | | | |
| General Fund | \$ - | \$ - | \$ 1,134,108 | \$ 4,204,902 | \$ 1,644,766 | \$ 8,609 | \$ 6,992,385 |
| School Unrestricted | 2,155,092 | - | 641,257 | - | - | - | 2,796,349 |
| Nonmajor Governmental Funds | 592,655 | 16,751 | - | - | - | - | 609,406 |
| Other | 1,367,558 | 3,288 | - | - | - | - | 1,370,846 |
| Total | \$ 4,115,305 | \$ 20,039 | \$ 1,775,365 | \$ 4,204,902 | \$ 1,644,766 | \$ 8,609 | \$ 11,768,986 |

Included above are loans made to provide financing resources to the following funds: \$1,644,766 Sewer; \$1,910,827 Water; \$52,494 Sewer - Ferncrest & Willow; \$253,580 CHS 2010 Phase III; \$314,029 School Improvements 2004; and \$1,162,867 General Fund. All remaining interfund balances resulted from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

NOTE 10 – INTERFUND TRANSFERS

| | <i>Transfer From:</i> | | | <i>Total</i> |
|-----------------------------|-----------------------|------------------------------------|-------------------|----------------------|
| | <i>General Fund</i> | <i>Nonmajor Governmental Funds</i> | <i>Sewer Fund</i> | |
| <i>Transfer To:</i> | | | | |
| General Fund | \$ - | \$ 740,537 | \$ 70,000 | \$ 810,537 |
| Unrestricted Fund | 35,829,091 | 138,627 | - | 35,967,718 |
| Nonmajor Governmental Funds | 178,727 | - | - | 178,727 |
| Total | \$ 36,007,818 | \$ 879,164 | \$ 70,000 | \$ 36,956,982 |

Transfers are used to (1) move revenues from the fund that the budget requires to collect them, to the funds that the budget requires to expend them. For example, the \$35,829,091 is the School appropriation that is budgeted in the General Fund as a revenue source to be transferred to the School Unrestricted Fund and expended.

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2009

NOTE 11 – NET ASSETS/FUND BALANCES

The government-wide financial statements utilize a net asset presentation. Net assets are categorized as invested in capital assets, net of related debt; restricted; and unrestricted.

Invested in Capital Assets, Net of Related Debt – This category groups all capital assets 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 the balance in this category.

Restricted Net Assets – This category presents external restrictions imposed by grantors or laws and regulations.

Unrestricted Net Assets – This category represents net assets of the Town, not restricted for any project or other purpose.

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. At June 30, 2009, reservations and designations of fund balance are described below:

Reserved for prepaid expenditures – to reserve for payments made in the current year for future expenditures.

Reserved for advances to other funds – to reserve funds related to advances to other funds.

Designated for capital and other projects – to designate funds approved by the School Committee to be used for capital improvements and other educational projects that were not completed as of June 30, 2009.

NOTE 12 – DISAGGREGATION OF RECEIVABLE AND PAYABLE BALANCES

A. ACCOUNTS RECEIVABLE

The Town disaggregates significant components of receivables in the financial statements. Receivable balances determined immaterial are included as other receivables. The Town expects to receive all receivables within the subsequent year. The following allowances for doubtful accounts are included in the financial statements:

| <u>Fund/Description</u> | <u>Allowance For Doubtful Accounts</u> |
|---|--|
| General Fund – Real estate and personal property tax receivable | \$1,040,556 |
| Water Fund – Water use fees receivable | 74,583 |

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2009

B. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The accounts payable and accrued liabilities at June 30, 2009, were as follows:

| | <u>Vendors</u> | <u>Salaries and Benefits</u> | <u>Other</u> | <u>Total</u> |
|---|---------------------|----------------------------------|---------------------|---------------------|
| Governmental Activities: | | | | |
| General Fund | \$ 661,533 | \$ 418,500 | \$ 31,692 | \$ 1,111,725 |
| School Unrestricted Fund | 1,624,730 | 759,543 | - | 2,384,273 |
| Sewer Fund | 21,415 | 1,048 | - | 22,463 |
| Other Governmental Funds | 216,507 | 710 | - | 217,217 |
| Reconciliation of balances in fund financial statements to government wide financial statements | - | - | 1,895,800 | 1,895,800 |
| Total Governmental Activities | <u>\$ 2,524,185</u> | <u>\$ 1,179,801</u> | <u>\$ 1,927,492</u> | <u>\$ 5,631,478</u> |
| Business-Type Activities: | | | | |
| Water Fund | \$ 565,504 | \$ 26,629 | \$ 17,374 | \$ 609,507 |
| Total Business-Type Activities | <u>\$ 565,504</u> | <u>\$ 26,629</u> | <u>\$ 17,374</u> | <u>\$ 609,507</u> |

NOTE 13 – POST EMPLOYMENT BENEFITS

Plan Description

The Town of Cumberland administers a single-employer, defined benefit post-employment health insurance plan. This plan does not include the pension benefits discussed in Note 17. The plan provides medical and dental insurance for eligible retirees and their dependents through the Town's group health and dental insurance plans, which cover both active and retired members. Benefit provisions are established and amended by the union contracts through negotiations between the Town and the respective unions. The plan does not issue a publicly available financial report. The Town implemented GASB Statement No. 45 in fiscal year 2009 on a prospective basis.

Funding Policy

Contribution requirements are negotiated between the Town and the respective unions. The Town is required to contribute the cost of medical and dental benefits, less the amount of any applicable employee share of medical or dental premiums. For the year ended June 30, 2009, the plan operated on a pay as you go basis and no provision has been made to fund future benefits to be provided to plan members. For the fiscal year ended June 30, 2009, the Town contributed \$1,569,191 to the plan.

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2009

Annual OPEB Cost and Net OPEB Obligation

The Town's annual other post-employment benefit (OPEB) cost for the plan is calculated based on the annual required contribution (ARC) for the employer, 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 accrued liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the Town's net OPEB obligation:

| | |
|--|-------------|
| Annual required contribution (ARC) | \$3,743,000 |
| Interest on net OPEB obligation | - |
| Adjustment to annual required contribution | - |
| Annual OPEB cost | 3,743,000 |
| Contributions made | 1,569,191 |
| Increase in net OPEB obligation | 2,173,809 |
| Net OPEB obligation, beginning of year | - |
| Net OPEB obligation, end of year | \$2,173,809 |

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal 2009 are as follows:

| <u><i>Fiscal Year Ended</i></u> | <u><i>Annual OPEB Cost</i></u> | <u><i>Percentage of Annual OPEB Cost Contributed</i></u> | <u><i>Net OPEB Obligation</i></u> |
|---------------------------------|--------------------------------|--|-----------------------------------|
| 6/30/09 | \$3,743,000 | 41.9% | \$2,173,809 |

Funded Status and Funding Progress

The funded status of the Town's plan as of July 1, 2008, the most recent actuarial valuation, is as follows:

| | |
|---|--------------|
| Actuarial Accrued Liability (AAL) | \$46,872,000 |
| Actuarial Value of Plan Assets | - |
| Unfunded Actuarial Accrued Liability (UAAL) | \$46,872,000 |
| Funded ratio (Actuarial Value of Plan Assets/AAL) | 0% |
| Annual Covered Payroll (Active Plan Members) | N/A |
| UAAL as a Percentage of Covered Payroll | N/A |

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2009

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 the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The annual required contribution for fiscal 2009 was determined as part of the July 1, 2008 actuarial valuation using the projected unit credit actuarial cost method. Under this funding method, the recommended annual contributions consist of two pieces: normal cost plus a payment towards the unfunded accrued liability. The accrued liability is determined directly as the present value of benefits accrued to date, where the accrued benefit for each member is the pro-rata portion (based on service to date) of the projected benefit payable at death, disability, retirement or termination. The normal cost is similarly determined as the present value of the portion of the projected benefit attributable to the current year. The actuarial assumptions included: a) 4% discount rate and b) medical inflation rate – 6.9% per year grading down to an ultimate rate of 4.4% per year over a period of 51 years. The unfunded actuarial accrued liability as of the July 1, 2008 is being amortized using level percent 25-year open amortization.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Examples include assumptions about employment, mortality and healthcare cost trends. Actuarial valuations are subject to continual revision as actual results are compared to past expectations and new estimates are formulated about the future.

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2009

NOTE 14 – SUMMARY DISCLOSURE OF SIGNIFICANT COMMITMENTS AND CONTINGENCIES

A. LITIGATION

The Town has several tax appeal cases that relate to tax year 2002 through 2006 that are pending in Providence Superior Court. The potential liability to the Town, if any or an evaluation of the outcome to these matters cannot be made at the present time.

During fiscal year 2008, the Town reached a settlement agreement with a taxpayer who was disputing their tax assessments from previous years. The agreement with Pawtucket Water Supply Board, called for a payment from the Town in the amount of \$1,000,000 to the Pawtucket Water Supply Board. This payment was recorded as an accrued liability in the fiscal year 2007 financial statements. Additionally, the settlement with the Pawtucket Water Supply Board called for the Town to issue credits towards future years taxes in the amount of \$574,345 to the Pawtucket Water Supply Board. Only \$200,000 of credits may be used in any one tax year. Pawtucket Water Supply Board used \$200,000 of credits in fiscal year 2008 and fiscal year 2009. The amount of \$174,345 is reflected as a liability in the Government-Wide Financial Statements only.

During fiscal year 2008, the Town reached a settlement agreement with a taxpayer who was disputing their tax assessments from previous years. The agreement with New England Gas called for the Town to issue credits towards future years taxes in the amount of \$374,513 to New England Gas. Only \$124,836 of credits may be used in any one tax year. New England Gas used \$124,839 of credits in fiscal year 2009. The amount of \$249,674 is reflected as a liability in the Government-Wide Financial Statements only.

In addition, during the ordinary course of its operations, the Town is a party to various other claims, legal actions and complaints. In the opinion of the Town's management and legal counsel, these matters are not anticipated to have a material financial impact on the Town.

B. FEDERALLY ASSISTED PROGRAMS - COMPLIANCE AUDITS

The Town and School Department participates in a number of federally assisted programs. The audits of these programs through the year ended June 30, 2009 were audited in connection with the accompanying financial statements under the Single Audit concept and the auditor's reports thereon are presented in a separate Single Audit Report. The amount, if any, of expenditures which may be disallowed will not be material to the financial position of the Town.

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2009

NOTE 15 – RISK MANAGEMENT

A. HEALTH CARE

The Town uses a combination of financing plans to pay for its medical and dental programs for all eligible employees of the Town and their dependents. These plans consist of the following:

- Cost Plus Basis – under which the Town pays for the actual cost of covered health care services plus a fee to the provider for the administration of the program, and
- Prospective Premium Basis – a fully insured plan.

The Town’s Finance Department oversees the self-insured program and claims payment services are provided by Blue Cross and Blue Shield of Rhode Island (Plan Administration). “Incurred but not reported claims” as of June 30, 2009 are estimated to be \$572,148. The Town has provided a required deposit in the amount of \$314,600 to Blue Cross.

In order to avoid catastrophic losses, the Town “reinsures” the program by purchasing insurance known as “stop-loss insurance”.

B. OTHER INSURANCE

The Town of Cumberland is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; injuries to employees; and natural disasters. As a result, the Town participates in a non-profit, public entity risk pool (Rhode Island Interlocal Risk Management Trust, Inc.) which provides coverage for property/liability claims. Upon joining the Trust, the Town signed a participation agreement which outlines the rights and responsibilities of both the Trust and the Town. The agreement states that for premiums paid by the Town, the Trust will assume financial responsibility for the Town's losses up to the maximum amount of insurance purchased, minus the Town's deductible amounts. The Trust provides this insurance coverage through a pooled, self-insurance mechanism which includes reinsurance purchased by the Trust to protect against large, catastrophic claims above the losses the Trust retains internally for payment from the pooled contributions of its members.

The Town purchases commercial insurance which provides coverage for workers’ compensation claims.

The Town is self-insured for unemployment benefits. There were no “incurred but not reported” claims as of June 30, 2009.

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2009

NOTE 16 – SUBSEQUENT EVENTS

- A. On July 2, 2009, the Town issued \$14,000,000 in General Obligation Tax Anticipation Notes, which bear interest of 2.88% and mature on June 30, 2010.
- B. On July 2, 2009, the Town issued \$1,400,000 in General Obligation Revenue Anticipation Notes, which bear interest of 2.88% and mature June 30, 2010.
- C. On October 27, 2009, the Town entered into a loan agreement with RI Clean Water Finance Agency in the amount of \$5,750,000. The loan bears interest of 3.283% and has a 20-year term with annual payments.

NOTE 17 – PENSION PLANS

A. EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF RHODE ISLAND

All Town of Cumberland certified school personnel participate in the Employees' Retirement System of the State of Rhode Island ("ERS"), a cost-sharing multiple-employer defined benefit plan administered by the State of Rhode Island. The payroll for employees covered by the ERS for the year ended June 30, 2009 was \$25,284,241.

The State of Rhode Island Employees' Retirement System issues a publicly available annual financial report that includes financial statements and required supplementary information. That report may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 40 Fountain Street, Providence, Rhode Island.

Plan Description

The following eligibility and benefit provisions are established by Rhode Island General Laws, Title 16, Chapter 16-16, and were amended by the General Assembly in 2005 and 2009. All Cumberland School Department certified school personnel are eligible to participate in the System if they are certified by the Board of Regents, engaged in teaching as principal occupation and are regularly employed on at least a half time basis. Superintendents, principals, business agents and other administrators participate as teachers. Employees are vested in their retirement benefits upon completion of 10 years of service.

Schedule A Provisions – Members Vested as of June 30, 2005

Employees who retire at or after age 60 with 10 years of credited service, or after 28 years of credited service regardless of age are entitled to a retirement benefit. The retirement benefit is equal to 1.7% of final average salary for each year of credited service up to 10 years, plus 1.9% of final average salary in excess of 10 years through 20 years, plus 3.0% of final average salary in excess of 20 years up to the 34th year of service, plus 2.0% of final average salary for the 35th year, up to a maximum benefit of

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2009

80% of final average salary. Final average salary is the average of the three highest consecutive years of earned salary exclusive of overtime, bonuses, or severance pay. Members receive a 3% compounded increase in their retirement benefit each year, beginning in January of the year in which the member reaches the third anniversary of retirement.

Schedule B Provisions – Members Vested After June 30, 2005

Employees who retire at or after age 65 with 10 years of credited service, or at or after age 59 with 29 years of credited service are entitled to a retirement benefit. In addition, a member may retire with a reduced benefit after attaining age 55 with at least 20 years of service credit. The benefit is calculated in the same manner as the unreduced benefit, but is reduced on an actuarial basis for each year the member's age at retirement is less than 65. The retirement benefit is equal to 1.6% of final average salary for each year of credited service up to 10 years, plus 1.8% of final average salary in excess of 10 years through 20 years, plus 2.0% of final average salary in excess of 20 years through 25 years, plus 2.25% of final average salary in excess of 25 years through 30 years, plus 2.5% of final average salary in excess of 30 years through 37 years of service, plus 2.25% of final average salary for the 38th year, up to a maximum benefit of 75% of final average salary. Final average salary is the average of the three highest consecutive years of earned salary exclusive of overtime, bonuses, or severance pay. Beginning the month after the 3rd anniversary of a member's date of retirement, members receive a cost of living adjustment that depends on the change in the CPI for all Urban Consumers, as published by the Bureau of Labor Statistics. The increase is equal to the year-to-year change in the CPI – U as of the prior September. The increase is limited to 3.0% in any year.

Plan Changes Enacted into Law by General Assembly in 2009

The following plan changes become effective October 1, 2009. Plan members who are eligible to retire as of September 30, 2009, are not affected by the changes, even if the plan members do not retire. The plan changes are as follows:

Retirement Eligibility

The law establishes a minimum retirement age of 62 for all members, except those Schedule B members who retire with less than 29 years of service; their retirement eligibility still remains 65 years old with a minimum of 10 years of service credit. The law provides a proportional downward adjustment of the minimum retirement age based on the years of service credited to the plan member's account as of September 30, 2009.

Service Credit Accrual Rates

The law freezes service credit earned for members under Schedule A as of September 30, 2009. Future accrual of service credits will be earned under Schedule B.

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2009

Final Average Salary

For members not eligible to retire as of September 30, 2009, the final average salary will be based on the 5 consecutive highest years of salary.

Cost of Living Adjustments (COLA)

The law changes the COLA to that provided under Schedule B which is the lower of the Consumer Prime Index (CPI) or 3%, and requires a full 3 year anniversary for receipt.

Service Credit Purchases

Effective for all service credit purchase requests received after June 16, 2009, the cost will be determined at full actuarial value, except purchases of military service and contribution refund paybacks.

Disability Provisions

Effective for applications filed after September 30, 2009, accidental disability will be available at 66 2/3% for members who are permanently and totally disabled as determined by the Retirement Board. If the disability is determined to be partial and the member is able to work in other jobs, the benefit will be limited to 50%.

Funding Policy

Covered employees are required by State Statute to contribute 9.5% of their salary to the plan. The State and the School Department are required to contribute an amount determined annually by the actuary and as provided by State Statute. The split between State and the School Department is specified by State Statute. The contribution requirement for fiscal 2008-2009 is 20.07%. The Teachers' Plan cost is paid 60% by the School Department and 40% by the State. However, the State will pay the total cost of the contribution deferrals which were .26%. This results in a contribution requirement for the School of 11.89% and a contribution requirement for the State of 8.18%.

The State contribution for the cut-off year ended June 30, 2009 was \$2,010,030 which represented 7.95% of covered payroll. The payments made by the State to the Employees' Retirement System are considered on-behalf payments and are reported as a revenue and as an expenditure in the financial statements. The School's contribution requirement for the cut-off year ended June 30, 2009 was \$5,465,537 which consisted of \$3,063,534 from the School Department, and \$2,402,003 from employees. These contributions represented 12.12% and 9.5% of covered payroll respectively. The annual required contribution was determined as part of the June 30, 2006 actuarial valuation.

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2009

The School Department does not have any investments or related party investments with the ERS. The School Department contribution represented 2.54% of total contributions required of all participating entities.

Three-Year Trend Information

| <i>Fiscal Year</i> | <i>Annual Required Contribution</i> | <i>Percentage Contributed</i> |
|------------------------|---|-----------------------------------|
| 2007 | \$2,812,939 | 100% |
| 2008 | 3,117,587 | 100% |
| 2009 | 3,063,534 | 100% |

B. MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF RHODE ISLAND

The Town of Cumberland participates in the Municipal Employees' Retirement System ("MERS"), an agent multiple employer defined benefit plan administered by the State of Rhode Island. All Town employees except for certified school personnel and police officers participate in the MERS. The payroll for employees covered by the MERS for the year ended June 30, 2009 was \$9,223,814 (general employees - \$8,331,385 and rescue employees - \$892,429).

The State of Rhode Island Municipal Employees' Retirement System issues a publicly available annual financial report that includes financial statements and required supplementary information. That report may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 40 Fountain Street, Providence, Rhode Island.

Plan Description

The following eligibility and benefit provisions are established by Rhode Island General Laws, Title 45, Chapter 19, 19.1, 21, 21.1, 21.2 and 21.3 and may be amended by State Statute. The MERS generally provides retirement benefits equal to 2% of a member's final average salary multiplied by the number years of total service up to 37.5 years, with a maximum benefit of 75% of final average salary. Final average salary is the three highest consecutive years of earned salary exclusive of overtime, bonuses or severance pay. Such benefits are available to members at least age 58 with 10 years of service or after 30 years regardless of age. Under the 25-year service normal plan, police and firefighters may retire with unreduced accrued benefits at age 55 with 10 years of service or after 25 years regardless of age. The benefit accrual rate is 2% of final average salary per year of service. If the municipality elects the 20-year retirement provisions, police and firefighters may retire at any age after 20 years of service. This optional plan provides a benefit equal to 2.5% of final average salary per year of service up to 30 years. The maximum benefit is 75% of final average salary under both the normal plan and the optional plan. Early retirement is only available to police and firefighters under the normal plan. The plan also provides non-service connected disability benefits after 5 years of service, service connected disability benefits with no minimum service requirement, survivors' benefits, and certain lump sum death

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2009

benefits. Employees are vested in their retirement benefits upon the completion of 10 years of service. Members employed by municipalities who elect one of the optional COLA provisions receive an increase equal to 3% of the original retirement benefit each year beginning January 1 following the member's retirement. The Town has elected COLA provision C for its rescue employees.

Funding Policy

General employees are required by State Statute to contribute 6% of their annual earnings. The contribution rate is increased to 7% with the optional cost-of-living provision. Police and firefighters are required by State Statute to contribute 7%. The contribution rate is increased to 8% with the optional cost-of-living provision. The contribution rate is increased by an additional 1% for the 20-year service plan. The Town is required to contribute based on an actuarially determined amount and as provided by State Statute for each participating municipality. The Town's rate for fiscal year 2008-2009 was 10.1% for general employees and 8.62% rescue employees.

Annual Pension Cost

For fiscal year 2008-2009, the Town's annual pension cost of \$913,123 for the MERS was equal to the Town's required and actual contributions.

Three-Year Trend Information

General Municipal Employees

| <u><i>Fiscal Year</i></u> | <u><i>Annual Pension Cost</i></u> | <u><i>Percentage of APC Contributed</i></u> | <u><i>Net Pension Obligation</i></u> |
|---------------------------|-----------------------------------|---|--------------------------------------|
| 2007 | \$662,858 | 100% | \$ - |
| 2008 | 738,933 | 100% | - |
| 2009 | 836,196 | 100% | - |

Rescue Employees

| <u><i>Fiscal Year</i></u> | <u><i>Annual Pension Cost</i></u> | <u><i>Percentage of APC Contributed</i></u> | <u><i>Net Pension Obligation</i></u> |
|---------------------------|-----------------------------------|---|--------------------------------------|
| 2007 | \$126,987 | 100% | \$ - |
| 2008 | 116,954 | 100% | - |
| 2009 | 76,927 | 100% | - |

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2009

The required contribution was determined as part of the June 30, 2006 actuarial valuation. The actuarial method used is the entry age normal actuarial cost method. Under this method, the employer contribution rate is the sum of (i) the employer normal cost rate, and (ii) a rate that will amortize the unfunded actuarial accrued liability. Significant actuarial assumptions used in the June 30, 2006 valuation include the following:

- 1) Investment return – 8.25%, compounded annually, composed of an assumed 3.0% inflation rate and a 5.25% net real rate of return
- 2) Projected salary increases – general employees – a 4.5% wage inflation assumption (composed of a 3% price inflation assumption and a 1.5% additional general increase) plus a service related component; rescue employees – a 4.75% wage inflation assumption (composed of a 3% price inflation assumption and a 1.75% additional general increase) plus a service related component
- 3) Cost of living adjustment – 3%, not compounded

The actuarial value of assets is based on market value of assets with a five year phase-in of actual investment return in excess of (less than) expected investment income. The MERS' unfunded actuarial accrued liability is being amortized over 30 years as a level percentage of payroll on a closed basis. The remaining amortization period at June 30, 2006 was 23 years.

Funded Status and Funding Progress

As of June 30, 2008, the most recent actuarial valuation date, the general employees plan was 79.4% funded. The actuarial accrued liability for benefits was \$23,145,827, and the actuarial value of assets was \$18,381,290, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,764,537. The covered payroll (annual payroll of active employees covered by the plan) was \$8,064,217, and the ratio of the UAAL to the covered payroll was 59.1%. As of June 30, 2008, the rescue employees plan was 119.5% funded. The actuarial accrued liability for benefits was \$3,218,249, and the actuarial value of assets was \$3,846,676, resulting in an unfunded actuarial accrued liability (funding excess) of (\$628,427). The covered payroll was \$905,218, and the ratio of the UAAL (funding excess) to the covered payroll was (69.4%). The June 30, 2008 actuarial valuation used the same methods and assumptions described above under annual pension cost.

The schedule of funding progress, presented as RSI 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 liability for benefits.

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2009

C. TOWN ADMINISTERED PENSION PLAN

Plan Description

All full-time police officers and certain other former employees are covered by the Town of Cumberland's Pension Plan which is administered by an outside party. This plan is a single-employer defined benefit pension plan that was established by the Town in accordance with Town Charter and State Statutes. The pension plan is reported as a pension trust fund in the Town's financial statements. The plan does not issue a separate publicly available financial report.

As of July 1, 2009, employees' membership data related to the pension plan was as follows:

| | |
|---------------------------|-----------|
| Active members | 46 |
| Retired and beneficiaries | 51 |
| Terminated vested | <u>1</u> |
| | <u>98</u> |

Benefit Provisions

The pension plan provides retirement, disability and survivorship benefits. A member may retire after 20 years of service with mandatory retirement at 26 years. Pension benefits equal 55% of average compensation plus 1% for each year of credited service in excess of 20 years, up to 25 years, with a maximum benefit of 60% of average compensation.

The average compensation is the average of the final three highest consecutive years of base annual pay including overtime and longevity pay.

Upon death after retirement, benefits are paid to a surviving spouse until death or remarriage or to surviving dependent children under the age of eighteen.

Employees are required to contribute 7% of compensation to the pension plan.

Summary of Significant Accounting Policies:

Basis of Accounting - The Pension Trust Fund's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which employees provide service to the Town. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2009

Method Used to Value Investments – Investments are reported at fair value.

Funding Policy

Active plan members are required to contribute 7% of compensation. The Town has an actuarial calculation done to determine the actuarially required contribution.

Annual Pension Cost and Net Pension Obligation

The Town’s annual pension cost and net pension obligation to the Pension Plan for the current year are as follows:

| | |
|---|-------------|
| Annual required contribution | \$1,135,722 |
| Annual pension cost | 1,135,722 |
| Contributions made | 1,135,722 |
| Increase in net pension obligation | - |
| Net pension obligation, beginning of year | - |
| Net pension obligation, end of year | \$ - |

The Town’s annual contribution to the plan was determined as part of the July 1, 2007 actuarial valuation using the Entry Age Normal actuarial cost method and is based upon a funding policy which provides for the payment of the normal cost plus a 25 year amortization of the unfunded actuarial accrued liability, beginning July 1, 2001 as a level percentage of payroll. The actuarial assumptions included a) 8% investment rate of return (net of investment expenses), and b) projected salary increases of 3.5% per year. The cost of living adjustment is 3%, non-compounded, from age 57 for retirement on or after July 1, 1992. No COLA for retirement before July 1, 1992. For valuation purposes a smoothed, actuarial value of assets was used to dampen the effect of market swings by gradually recognizing market gains or losses over a five year period.

Three-Year Trend Information

| <i>Fiscal Year</i> | <i>Annual Pension Cost (APC)</i> | <i>Percentage of APC Contributed</i> | <i>Net Pension Obligation</i> |
|------------------------|--|--|---------------------------------------|
| 2007 | \$ 737,697 | 100% | \$ - |
| 2008 | 923,078 | 100% | \$ - |
| 2009 | 1,135,722 | 100% | \$ - |

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2009

Funded Status and Fund Progress

As of July 1, 2009, the most recent actuarial valuation, the plan was 44.63% funded. The actuarial accrued liability for benefits was \$22,683,424, and the actuarial value of assets was \$10,122,643, resulting in an unfunded actuarial accrued liability (UAAL) of \$12,560,781. The covered payroll (annual payroll of active employees covered by the plan) was \$2,873,991, and the ratio of the UAAL to the covered payroll was 437.05%. The July 1, 2009 actuarial valuation used the same methods and assumptions described above under annual pension cost and net pension obligation.

The schedule of funding progress, presented as RSI 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 liability for benefits.

TOWN OF CUMBERLAND, RHODE ISLAND
Required Supplementary Information - Pension Plans and Other Post Employment Benefit Plan
Schedule of Funding Progress (1)
"Unaudited"

| | <i>Actuarial Valuation Date</i> | <i>Actuarial Value of Assets</i> | <i>Actuarial Accrued Liability (AAL) (2)</i> | <i>Unfunded Liability/ (Funding) (Excess)</i> | <i>Funded Ratio</i> | <i>Covered Payroll</i> | <i>Unfunded Liability/ (Funding Excess) as a Percentage of Covered Payroll</i> |
|--|---|--|--|---|-------------------------|----------------------------|--|
| Municipal Employees Retirement System (General Employees) | | | | | | | |
| | 6/30/2006 | \$14,790,736 | \$20,731,738 | \$5,941,002 | 71.3% | \$7,710,472 | 77.1% |
| | 6/30/2007 | \$16,641,567 | \$21,987,295 | \$5,345,728 | 75.7% | \$7,994,747 | 66.9% |
| | 6/30/2008 | \$18,381,290 | \$23,145,827 | \$4,764,537 | 79.4% | \$8,064,217 | 59.1% |
| Municipal Employees Retirement System (Rescue) | | | | | | | |
| | 6/30/2006 | \$2,816,142 | \$2,384,836 | (\$431,306) | 118.1% | \$805,414 | (53.6%) |
| | 6/30/2007 | \$3,356,013 | \$2,852,603 | (\$503,410) | 117.6% | \$952,281 | (52.9%) |
| | 6/30/2008 | \$3,846,676 | \$3,218,249 | (\$628,427) | 119.5% | \$905,218 | (69.4%) |
| Town Police Pension Plan | | | | | | | |
| | 7/1/2004 | \$7,468,383 | \$14,908,835 | \$7,440,452 | 50.1% | \$2,376,349 | 313.10% |
| | 7/1/2005 | \$9,288,610 | \$15,617,633 | \$6,329,023 | 59.5% | \$2,321,689 | 272.60% |
| | 7/1/2006 | \$9,548,804 | \$17,254,197 | \$7,705,393 | 55.3% | \$2,445,466 | 315.09% |
| | 7/1/2007 | \$9,901,410 | \$19,688,480 | \$9,787,070 | 50.3% | \$2,580,899 | 379.21% |
| | 7/1/2008 | \$10,221,370 | \$21,462,122 | \$11,240,752 | 47.6% | \$2,586,734 | 434.55% |
| | 7/1/2009 | \$10,122,643 | \$22,683,424 | \$12,560,781 | 44.6% | \$2,873,991 | 437.05% |
| Other Post Employment Benefit Plan | | | | | | | |
| | 7/1/2008 | \$0 | \$46,872,000 | \$46,872,000 | 0.0% | N/A | N/A |

(1) The information included in the schedule of funding progress was obtained from the annual actuarial valuation at the date indicated.

(2) Pension Plans - Entry Age Actuarial Cost Method and Other Post Employment Benefit Plan - Projected Unit Credit Actuarial Cost Method.

TOWN OF CUMBERLAND, RHODE ISLAND
Required Supplementary Information - Police Pension Plan
Schedule of Employer Contributions
"Unaudited"

| <i>Fiscal Year</i> <i>Ending</i> <i>June 30</i> | <i>Annual</i> <i>Required</i> <i>Contribution</i> | <i>Actual</i> <i>Contribution</i> | <i>Percent</i> <i>Funded</i> |
|---|---|--------------------------------------|---------------------------------|
| 2004 | \$ 672,572 | \$ 672,572 | 100% |
| 2005 | 763,015 | 763,015 | 100% |
| 2006 | 806,797 | 812,311 | 101% |
| 2007 | 737,697 | 737,697 | 100% |
| 2008 | 923,078 | 923,078 | 100% |
| 2009 | 1,135,722 | 1,135,722 | 100% |

TOWN OF CUMBERLAND, RHODE ISLAND
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2009

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance With</u> |
|--------------------------------------|-------------------------|-------------------|--|---|
| | <u>Original</u> | <u>Final</u> | <u>Amounts</u> <u>(Budgetary</u> <u>Basis)</u> | <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u> |
| Revenues | | | | |
| General property taxes and interest | \$ 51,236,827 | \$ 50,315,011 | \$ 50,000,349 | \$ (314,662) |
| Investment and interest income | 90,000 | 175,000 | 190,636 | 15,636 |
| Other local and departmental revenue | 1,932,150 | 1,645,801 | 1,715,209 | 69,408 |
| Federal and State aid and grants | 6,501,916 | 6,264,284 | 6,277,640 | 13,356 |
| Other revenues | 143,000 | 399,620 | 342,310 | (57,310) |
| Appropriation from surplus | 100,000 | - | - | - |
| Total revenues | <u>60,003,893</u> | <u>58,799,716</u> | <u>58,526,144</u> | <u>(273,572)</u> |
| Expenditures | | | | |
| General Government: | | | | |
| Mayor's office | 162,700 | 161,566 | 165,976 | (4,410) |
| Town Clerk | 278,230 | 276,292 | 252,661 | 23,631 |
| Town Council | 37,900 | 37,636 | 37,535 | 101 |
| Town Solicitor | 198,817 | 197,432 | 175,944 | 21,488 |
| Municipal Court | 46,554 | 46,230 | 42,783 | 3,447 |
| Town officers | 5,300 | 5,300 | 2,044 | 3,256 |
| Boards and commissions | 2,000 | 2,000 | 629 | 1,371 |
| Probate court | 8,332 | 8,332 | 6,801 | 1,531 |
| Board of canvassers | 64,294 | 63,846 | 58,903 | 4,943 |
| Finance office | 549,098 | 556,401 | 570,174 | (13,773) |
| Collections | 179,367 | 178,117 | 209,060 | (30,943) |
| Tax Assessor | 143,146 | 180,149 | 213,784 | (33,635) |
| | <u>1,675,738</u> | <u>1,713,301</u> | <u>1,736,294</u> | <u>(22,993)</u> |
| Community Development | | | | |
| Planning | 205,671 | 204,238 | 165,162 | 39,076 |
| Zoning | 54,544 | 54,164 | 44,640 | 9,524 |
| | <u>260,215</u> | <u>258,402</u> | <u>209,802</u> | <u>48,600</u> |
| Public Safety: | | | | |
| Police department | 3,694,362 | 3,673,013 | 3,547,251 | 125,762 |
| Telecommunication | 295,768 | 295,269 | 297,105 | (1,836) |
| Rescue service | 1,351,674 | 1,342,257 | 1,443,259 | (101,002) |
| Animal control | 131,363 | 129,698 | 138,225 | (8,527) |
| | <u>5,473,167</u> | <u>5,440,237</u> | <u>5,425,840</u> | <u>14,397</u> |
| Public Works: | | | | |
| Inspection | 156,041 | 154,954 | 171,061 | (16,107) |
| Public works | 2,319,212 | 2,303,056 | 2,321,884 | (18,828) |
| Highway | 1,710,117 | 1,692,117 | 1,775,438 | (83,321) |
| Recreation | 284,227 | 246,246 | 253,445 | (7,199) |
| Town Hall | 157,162 | 149,151 | 136,868 | 12,283 |
| | <u>4,626,759</u> | <u>4,545,524</u> | <u>4,658,696</u> | <u>(113,172)</u> |
| Social Services: | | | | |
| Library | 1,168,578 | 1,145,267 | 1,129,944 | 15,323 |
| Children and Learning | 69,900 | 69,900 | 85,748 | (15,848) |
| Senior Services | 169,016 | 167,837 | 161,030 | 6,807 |
| | <u>1,407,494</u> | <u>1,383,004</u> | <u>1,376,722</u> | <u>6,282</u> |
| Other Expenditures: | | | | |
| Outside agencies | 69,400 | 69,400 | 59,668 | 9,732 |
| Veteran services | 3,000 | 3,000 | 3,000 | - |
| Adult literacy | 5,000 | 5,000 | 4,285 | 715 |

(Continued)

The notes to required supplementary information are an integral part of this schedule.

TOWN OF CUMBERLAND, RHODE ISLAND
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Continued)
General Fund
For the Fiscal Year Ended June 30, 2009

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts (Budgetary Basis)</u> | <u>Variance With Final Budget Positive (Negative)</u> |
|--|-------------------------|---------------------|---|---|
| | <u>Original</u> | <u>Final</u> | | |
| Emergency management | 10,000 | 10,000 | 10,301 | (301) |
| Mason building improvements | 10,000 | 10,000 | 10,000 | - |
| Contingencies | 40,000 | 20,000 | - | 20,000 |
| Information technology | 95,500 | 95,500 | 103,741 | (8,241) |
| STRESS | 15,000 | 15,000 | 12,679 | 2,321 |
| Traffic calming plan | 15,000 | 15,000 | 11,268 | 3,732 |
| Tax collection costs | - | - | 166,939 | (166,939) |
| Legal settlements | - | - | 16,589 | (16,589) |
| Municipal dues | 13,600 | 13,600 | 13,476 | 124 |
| | <u>276,500</u> | <u>256,500</u> | <u>411,946</u> | <u>(155,446)</u> |
| Employee benefits | 4,781,171 | 4,801,171 | 4,776,313 | 24,858 |
| Debt service: | | | | |
| Town debt service | 1,827,216 | 1,561,484 | 1,693,867 | (132,383) |
| School debt service | 3,681,413 | 3,681,413 | 3,681,413 | - |
| | <u>5,508,629</u> | <u>5,242,897</u> | <u>5,375,280</u> | <u>(132,383)</u> |
| Capital outlay and reserves: | | | | |
| Capital improvements | 95,900 | 75,900 | 48,545 | 27,355 |
| | <u>95,900</u> | <u>75,900</u> | <u>48,545</u> | <u>27,355</u> |
| Total expenditures | <u>24,105,573</u> | <u>23,716,936</u> | <u>24,019,438</u> | <u>(302,502)</u> |
| Excess of revenues over expenditures before other financing sources and uses | <u>35,898,320</u> | <u>35,082,780</u> | <u>34,506,706</u> | <u>(576,074)</u> |
| Other financing sources and uses: | | | | |
| Transfers from other funds | | | | |
| Special revenue funds | 650,000 | 795,000 | 810,537 | 15,537 |
| Transfers to other funds | | | | |
| School unrestricted fund | (36,519,631) | (35,829,091) | (35,829,091) | - |
| Open space fund | - | - | (112,321) | (112,321) |
| Library capital | (21,689) | (31,689) | (31,689) | - |
| Library capital reserve | (5,000) | (15,000) | (15,000) | - |
| Special revenue funds | (2,000) | (2,000) | (19,717) | (17,717) |
| Total other financing sources and uses | <u>(35,898,320)</u> | <u>(35,082,780)</u> | <u>(35,197,281)</u> | <u>(114,501)</u> |
| Deficiency of revenues and other financing sources under expenditures and other financing uses, budgetary basis | <u>\$ -</u> | <u>\$ -</u> | (690,575) | <u>\$ (690,575)</u> |
| Fund balance - beginning of year | | | <u>5,771,199</u> | |
| Fund balance - end of year | | | <u>\$ 5,080,624</u> | |

The notes to required supplementary information are an integral part of this schedule.

TOWN OF CUMBERLAND, RHODE ISLAND
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
School Unrestricted Fund
For the Fiscal Year Ended June 30, 2009

| | <u>Budgeted Amounts</u> | | <i>Actual</i> <i>Amounts</i> <i>(Budgetary</i> <i>Basis)</i> | <i>Variance With</i> <i>Final Budget</i> <i>Positive</i> <i>(Negative)</i> |
|---|-------------------------|---------------------|---|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Federal and state aid and grants | \$12,851,773 | \$10,789,559 | \$11,113,144 | \$ 323,585 |
| Other revenues | 687,641 | 687,641 | 807,472 | 119,831 |
| Budgeted fund balance | 397,180 | 397,180 | 397,180 | - |
| Total revenues | <u>13,936,594</u> | <u>11,874,380</u> | <u>12,317,796</u> | <u>443,416</u> |
| Expenditures | | | | |
| Education | 50,837,112 | 47,855,382 | 47,857,421 | (2,039) |
| Total expenditures | <u>50,837,112</u> | <u>47,855,382</u> | <u>47,857,421</u> | <u>(2,039)</u> |
| Deficiency of revenues under expenditures before other financing sources (uses) | <u>(36,900,518)</u> | <u>(35,981,002)</u> | <u>(35,539,625)</u> | <u>441,377</u> |
| Other financing sources (uses) | | | | |
| Town appropriation | 36,519,631 | 35,829,091 | 35,829,091 | - |
| Transfers from other funds | 380,887 | 151,911 | 138,627 | (13,284) |
| Total other financing sources | <u>36,900,518</u> | <u>35,981,002</u> | <u>35,967,718</u> | <u>(13,284)</u> |
| Excess of revenues and other financing sources over expenditures and other financing uses, budgetary basis | <u>\$ -</u> | <u>\$ -</u> | 428,093 | <u>\$ 428,093</u> |
| Adjustment of budgetary basis to GAAP basis: | | | | |
| <i>Use of fund balance</i> | | | (397,180) | |
| <i>Change in encumbrances</i> | | | (47,205) | |
| Deficiency of revenues and other financing sources under expenditures and other financing uses, GAAP basis | | | (16,292) | |
| Fund balance - beginning of year | | | <u>2,379,297</u> | |
| Fund balance - end of year | | | <u>\$ 2,363,005</u> | |

The notes to required supplementary information are an integral part of this schedule.

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Required Supplementary Information
"Unaudited"

NOTE 1 - SCHEDULE OF FUNDING PROGRESS

The information presented in the required supplementary schedules was determined as part of the annual actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

| | <i>General Municipal Employees Pension Plan</i> | <i>Municipal Rescue Pension Plan</i> |
|-----------------------------|---|---|
| | _____ | _____ |
| Valuation date | 6/30/2008 | 6/30/2008 |
| Actuarial cost method | Entry Age | Entry Age |
| Amortization method | Level percent of payroll over a closed period | Level percent of payroll over a closed period |
| Average amortization period | 30 years from June 30, 1999 or 21 years remaining as of the valuation date | 30 years from June 30, 1999 or 21 years remaining as of the valuation date |
| Asset valuation method | Market value of assets with a five year phase in of actual investment return in excess of (less than) expected investment income | Market value of assets with a five year phase in of actual investment return in excess of (less than) expected investment income |
| Actuarial assumptions: | | |
| Investment rate of return | 8.25%, compounded annually, composed of an assumed 3.0% inflation rate and a 5.25% net real rate of return | 8.25%, compounded annually, composed of an assumed 3.0% inflation rate and a 5.25% net real rate of return |
| Projected salary increases | A 4.5% wage inflation assumption (composed of a 3.0% price inflation assumption and a 1.5% additional general increase) plus a service related component | A 4.75% wage inflation assumption (composed of a 3% price inflation assumption and a 1.75% additional general increase) plus a service related component |
| Cost-of-living adjustments | Not applicable | 3%, not compounded |
| Participant information | Active employees 256 Retirees and beneficiaries 145 <u> </u> 401 | Active employees 18 Retirees and beneficiaries 3 <u> </u> 21 |

(Continued)

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Required Supplementary Information
"Unaudited"

The information presented in the required supplementary schedules was determined as part of the annual actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

| | <u>Town Police Pension</u> | | <u>Other Postemployment Benefit Plan</u> | |
|-----------------------------|--|-----------|--|------------|
| Valuation date | 7/1/2009 | | 7/1/2008 | |
| Actuarial cost method | Entry Age Normal Cost | | Projected Unit Credit Cost | |
| Amortization method | Level percent of payroll over a closed period | | Level percent of payroll over an open period | |
| Average amortization period | 25 years from July 1, 2001 - 17 years remaining | | 25 years | |
| Asset valuation method | Recognizing market gains or losses over five years | | Not applicable - the plan has no assets | |
| Actuarial assumptions: | | | | |
| Investment rate of return | 8.00%, per annum (net of investment expenses) | | Not applicable | |
| Discount rate | Not applicable | | 4% | |
| Projected salary increases | 3.5% annually | | Town - 4.5%; School - 3% | |
| Cost-of-living adjustments | 3%, not compounded | | Not applicable | |
| Participant information | | | | |
| | Active employees | 46 | Active employees | 587 |
| | Retirees and beneficiaries | 51 | Retirees and beneficiaries | <u>275</u> |
| | Terminated vested | <u>1</u> | | <u>862</u> |
| | | <u>98</u> | | |

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Required Supplementary Information
June 30, 2009

NOTE 2 - BUDGETARY DATA AND BUDGETARY COMPLIANCE

Annual budgets are adopted for the Town's General Fund and the School Unrestricted Fund. Annual budgets are adopted on a basis that differs from generally accepted accounting principles (GAAP). Budgetary expenditures include encumbrances and reserves which are not recognized under GAAP. School Unrestricted Fund budgetary revenues and expenditures exclude the State of Rhode Island's teacher's pension contribution.

On or before the first Monday in March of each year, all agencies of the Town submit requests for appropriation to the Town's Finance Director so that a budget may be prepared. The budget is prepared by fund, function and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year.

The Finance Director must submit his recommendations to the Mayor no later than the third Monday in April. The Mayor may change the Finance Director's recommendations except that the Mayor does not have the authority to change any item in the school expenditure request except the overall amount.

On or before the second Monday in May, the Mayor presents the proposed budget to the Town's Council for review. The Town's Council holds public hearings and may add to, subtract from or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated as available by the Town's Finance Director or the revenue estimates must be changed by an affirmative vote of the majority of the Town's Council.

The table below shows the amounts by which certain municipal department expenditures exceeded fiscal year 2009 appropriations:

| <u>Department</u> | <u>Fund or Fund Type</u> | <u>Expenditures in Excess of Budget</u> |
|------------------------|------------------------------|---|
| Mayor's office | General | \$ 4,410 |
| Finance office | General | 13,773 |
| Collections | General | 30,943 |
| Telecommunications | General | 1,836 |
| Animal control | General | 8,527 |
| Tax Assessor | General | 33,635 |
| Highway | General | 83,321 |
| Emergency management | General | 301 |
| Children and learning | General | 15,848 |
| Rescue | General | 101,002 |
| Inspection | General | 16,107 |
| Recreation | General | 7,199 |
| Tax collection costs | General | 166,939 |
| Legal settlements | General | 16,589 |
| Public works | General | 18,828 |
| Information technology | General | 8,241 |
| Town debt service | General | 132,383 |

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Required Supplementary Information
June 30, 2009

Explanation of Differences between Budgetary Revenues and Expenditures and GAAP Revenues and Expenditures

| <u>Revenues</u> | <u>General Fund</u> | <u>School Unrestricted Fund</u> |
|--|----------------------------|--|
| Actual amounts (budgetary basis) | \$58,526,144 | \$12,317,796 |
| Differences – budget to GAAP: | | |
| Prior year budgeted surplus is a budgetary revenue, but is not current year revenue for financial reporting purposes. | - | (397,180) |
| The pension contributions made to the Employees’ Retirement System by the State on behalf of the Town of Cumberland are not reported as a budgetary revenue, but are current year revenues for financial reporting purposes. | - | 2,010,030 |
| <i>Total revenues as reported on the statement of revenues, expenditures and changes in fund balances – governmental funds</i> | <u>\$58,526,144</u> | <u>\$13,930,646</u> |
| | | |
| <u>Expenditures</u> | | |
| Actual amounts (budgetary basis) | \$24,019,438 | \$47,857,421 |
| Differences – budget to GAAP: | | |
| Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year received for financial reporting purposes. | - | 47,205 |
| Capital assets acquired by a capital lease are not reported as budgetary expenditures, but are current year expenditures for financial reporting purposes. | 35,400 | - |
| The pension contributions made to the Employees Retirement System by the State on behalf of the Town of Cumberland are not reported as budgetary expenditures, but are current year expenditures for financial reporting purposes. | - | 2,010,030 |
| <i>Total expenditures as reported in the statement of revenues, expenditures and changes in fund balances – governmental funds</i> | <u>\$24,054,838</u> | <u>\$49,914,656</u> |

TOWN OF CUMBERLAND, RHODE ISLAND
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2009

| | <i>Special Revenue Funds</i> | | | | | | |
|--|---------------------------------------|----------------------------------|----------------------------------|--------------------------|--------------------------|---|---------------------------|
| | <i>School Restricted Fund</i> | <i>School Lunch Fund</i> | <i>School Administration</i> | <i>Athletic Fund</i> | <i>Franklin Farm</i> | <i>Sewer Ferncrest & Willow</i> | <i>Animal Control</i> |
| ASSETS | | | | | | | |
| Cash | \$ 48,314 | \$ 235,900 | \$ 21,683 | \$ - | \$ - | \$ - | \$ 11,520 |
| Investments | - | - | - | - | - | - | - |
| Due from federal and state governments | 1,031,252 | 42,732 | - | - | - | - | - |
| Due from other funds | - | - | - | 16,752 | 18,187 | - | - |
| Sewer assessments receivable | - | - | - | - | - | 411,958 | - |
| Other receivables | - | 1,406 | - | - | - | - | - |
| Total assets | <u>\$ 1,079,566</u> | <u>\$ 280,038</u> | <u>\$ 21,683</u> | <u>\$ 16,752</u> | <u>\$ 18,187</u> | <u>\$ 411,958</u> | <u>\$ 11,520</u> |
| | | | | | | | |
| LIABILITIES AND FUND BALANCES | | | | | | | |
| Liabilities | | | | | | | |
| Cash overdraft | \$ - | \$ - | \$ - | \$ 17,027 | \$ - | \$ - | \$ - |
| Accounts payable and accrued expenditures | 41,405 | 94,338 | - | - | 403 | 17,850 | - |
| Due to other funds | 616,402 | 24,854 | - | - | - | - | - |
| Advances from other funds | - | - | - | - | - | 52,494 | - |
| Deferred revenue | - | - | - | - | - | 411,958 | - |
| Total liabilities | <u>657,807</u> | <u>119,192</u> | <u>-</u> | <u>17,027</u> | <u>403</u> | <u>482,302</u> | <u>-</u> |
| Fund balances (deficits) | | | | | | | |
| Unreserved - undesignated | 421,759 | 160,846 | 21,683 | (275) | 17,784 | (70,344) | 11,520 |
| Total fund balances (deficits) | <u>421,759</u> | <u>160,846</u> | <u>21,683</u> | <u>(275)</u> | <u>17,784</u> | <u>(70,344)</u> | <u>11,520</u> |
| Total liabilities and fund balances | <u>\$ 1,079,566</u> | <u>\$ 280,038</u> | <u>\$ 21,683</u> | <u>\$ 16,752</u> | <u>\$ 18,187</u> | <u>\$ 411,958</u> | <u>\$ 11,520</u> |

(Continued)

TOWN OF CUMBERLAND, RHODE ISLAND
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2009

| | <i>Special Revenue Funds</i> | | | | | | |
|--|------------------------------|-------------------------------|--------------------------|---|-------------------|------------------------------|--------------------------------------|
| | <i>DARE</i> | <i>Recreation Program</i> | <i>Police Grants</i> | <i>Emergency Management Performance</i> | <i>RI EMA</i> | <i>Police Forfeiture</i> | <i>Senior Center Program</i> |
| ASSETS | | | | | | | |
| Cash | \$ 8,918 | \$ 84,060 | \$ 50,430 | \$ - | \$ - | \$ - | \$ 37,735 |
| Investments | - | - | - | - | - | - | - |
| Due from federal and state governments | - | - | 1,008 | - | 83,445 | - | - |
| Due from other funds | 325 | - | 3,222 | 1,394 | - | 4,668 | 27,484 |
| Sewer assessments receivable | - | - | - | - | - | - | - |
| Other receivables | - | - | - | - | - | - | - |
| Total assets | \$ 9,243 | \$ 84,060 | \$ 54,660 | \$ 1,394 | \$ 83,445 | \$ 4,668 | \$ 65,219 |
| LIABILITIES AND FUND BALANCES | | | | | | | |
| Liabilities | | | | | | | |
| Cash overdraft | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Accounts payable and accrued expenditures | 1,798 | 4,405 | - | 100 | - | - | 3,300 |
| Due to other funds | - | 42,633 | - | - | 83,445 | - | - |
| Advances from other funds | - | - | - | - | - | - | - |
| Deferred revenue | - | - | - | - | - | - | - |
| Total liabilities | 1,798 | 47,038 | - | 100 | 83,445 | - | 3,300 |
| Fund balances (deficits) | | | | | | | |
| Unreserved - undesignated | 7,445 | 37,022 | 54,660 | 1,294 | - | 4,668 | 61,919 |
| Total fund balances (deficits) | 7,445 | 37,022 | 54,660 | 1,294 | - | 4,668 | 61,919 |
| Total liabilities and fund balances | \$ 9,243 | \$ 84,060 | \$ 54,660 | \$ 1,394 | \$ 83,445 | \$ 4,668 | \$ 65,219 |

(Continued)

TOWN OF CUMBERLAND, RHODE ISLAND
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2009

| | <i>Special Revenue Funds</i> | | | | | | |
|--|------------------------------|-------------------------|-----------------------|--------------------|--|----------------------------------|----------------------|
| | <i>Monastery</i> | <i>Revaluation Fund</i> | <i>Revolving Loan</i> | <i>Impact Fees</i> | <i>Community Development Block Grant</i> | <i>Library Legislative Grant</i> | <i>CERT Donation</i> |
| ASSETS | | | | | | | |
| Cash | \$ - | \$ - | \$ 271 | \$ 177,545 | \$ - | \$ - | \$ - |
| Investments | - | 1,168 | - | - | - | - | - |
| Due from federal and state governments | - | - | - | - | 77,799 | - | - |
| Due from other funds | 34,126 | 17,286 | 49,776 | 12,554 | - | - | 150 |
| Sewer assessments receivable | - | - | - | - | - | - | - |
| Other receivables | - | - | - | - | - | - | - |
| Total assets | \$ 34,126 | \$ 18,454 | \$ 50,047 | \$ 190,099 | \$ 77,799 | \$ - | \$ 150 |
| LIABILITIES AND FUND BALANCES | | | | | | | |
| Liabilities | | | | | | | |
| Cash overdraft | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Accounts payable and accrued expenditures | 350 | - | - | - | 7,874 | - | - |
| Due to other funds | - | - | - | - | 63,050 | - | - |
| Advances from other funds | - | - | - | - | - | - | - |
| Deferred revenue | - | - | - | - | - | - | - |
| Total liabilities | 350 | - | - | - | 70,924 | - | - |
| Fund balances (deficits) | | | | | | | |
| Unreserved - undesignated | 33,776 | 18,454 | 50,047 | 190,099 | 6,875 | - | 150 |
| Total fund balances (deficits) | 33,776 | 18,454 | 50,047 | 190,099 | 6,875 | - | 150 |
| Total liabilities and fund balances | \$ 34,126 | \$ 18,454 | \$ 50,047 | \$ 190,099 | \$ 77,799 | \$ - | \$ 150 |

(Continued)

TOWN OF CUMBERLAND, RHODE ISLAND
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2009

| | Special Revenue Funds | | | | | |
|--|------------------------------|-----------------------------|---------------------------------|---|-------------------------|-------------------|
| | <i>Rescue Fund</i> | <i>Partington House</i> | <i>Property Acquisition</i> | <i>Substance Abuse Prevention</i> | <i>Town Special</i> | <i>Public</i> |
| ASSETS | | | | | | |
| Cash | \$ 9,481 | \$ 13,002 | \$ - | \$ - | \$ 2,922 | \$ 40,828 |
| Investments | - | - | - | - | - | 4,635 |
| Due from federal and state governments | - | - | - | 2,715 | - | - |
| Due from other funds | - | - | 64,765 | 2,870 | - | - |
| Sewer assessments receivable | - | - | - | - | - | - |
| Other receivables | - | - | - | - | - | 272,600 |
| Total assets | \$ 9,481 | \$ 13,002 | \$ 64,765 | \$ 5,585 | \$ 2,922 | \$ 318,063 |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Liabilities | | | | | | |
| Cash overdraft | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Accounts payable and accrued expenditures | - | - | - | 1,787 | - | 6,506 |
| Due to other funds | - | - | - | - | - | 42,028 |
| Advances from other funds | - | - | - | - | - | - |
| Deferred revenue | - | - | - | - | - | 269,529 |
| Total liabilities | - | - | - | 1,787 | - | 318,063 |
| Fund balances (deficits) | | | | | | |
| Unreserved - undesignated | 9,481 | 13,002 | 64,765 | 3,798 | 2,922 | - |
| Total fund balances (deficits) | 9,481 | 13,002 | 64,765 | 3,798 | 2,922 | - |
| Total liabilities and fund balances | \$ 9,481 | \$ 13,002 | \$ 64,765 | \$ 5,585 | \$ 2,922 | \$ 318,063 |

(Continued)

TOWN OF CUMBERLAND, RHODE ISLAND
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2009

| | <i>Special Revenue Funds</i> | | | | | | |
|--|------------------------------|--------------------|---|--------------------------------------|------------------------|--------------------------|--------------------------------------|
| | <i>Animal Husbandry</i> | <i>OC & YL</i> | <i>Recycling Liaison & Overhead</i> | <i>DPH Homeland Security</i> | <i>RIPTIDE DUI</i> | <i>RIPTIDE Speed</i> | <i>Manville Hill Landing</i> |
| ASSETS | | | | | | | |
| Cash | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Investments | - | - | - | - | - | - | - |
| Due from federal and state governments | - | 81,987 | - | - | 760 | - | - |
| Due from other funds | 3,323 | - | 11,138 | 908 | - | - | - |
| Sewer assessments receivable | - | - | - | - | - | - | - |
| Other receivables | - | - | - | - | - | - | - |
| Total assets | \$ 3,323 | \$ 81,987 | \$ 11,138 | \$ 908 | \$ 760 | \$ - | \$ - |
| LIABILITIES AND FUND BALANCES | | | | | | | |
| Liabilities | | | | | | | |
| Cash overdraft | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Accounts payable and accrued expenditures | - | - | - | - | - | - | - |
| Due to other funds | - | 77,349 | - | - | 1,412 | 184 | - |
| Advances from other funds | - | - | - | - | - | - | - |
| Deferred revenue | - | - | - | - | - | - | - |
| Total liabilities | - | 77,349 | - | - | 1,412 | 184 | - |
| Fund balances (deficits) | | | | | | | |
| Unreserved - undesignated | 3,323 | 4,638 | 11,138 | 908 | (652) | (184) | - |
| Total fund balances (deficits) | 3,323 | 4,638 | 11,138 | 908 | (652) | (184) | - |
| Total liabilities and fund balances | \$ 3,323 | \$ 81,987 | \$ 11,138 | \$ 908 | \$ 760 | \$ - | \$ - |

(Continued)

TOWN OF CUMBERLAND, RHODE ISLAND
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2009

| | <i>Special Revenue Funds</i> | | | | | | <i>Total Special Revenue Funds</i> |
|--|------------------------------|---------------------------------------|-----------------------------------|-----------------------------------|----------------------|-------------------|--|
| | <i>DOJ COPS 2008</i> | <i>Child Passenger Safety</i> | <i>Click it or Ticket</i> | <i>Town Clerk Special</i> | <i>CERT 2004</i> | <i>Historical</i> | |
| ASSETS | | | | | | | |
| Cash | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,451 | \$ 744,060 |
| Investments | - | - | - | - | - | - | 5,803 |
| Due from federal and state governments | 1,525 | - | 2,128 | - | - | - | 1,325,351 |
| Due from other funds | 11,700 | 56 | - | 243,725 | - | 14,814 | 539,223 |
| Sewer assessments receivable | - | - | - | - | - | - | 411,958 |
| Other receivables | - | - | - | - | - | - | 274,006 |
| Total assets | \$ 13,225 | \$ 56 | \$ 2,128 | \$ 243,725 | \$ - | \$ 16,265 | \$ 3,300,401 |
| LIABILITIES AND FUND BALANCES | | | | | | | |
| Liabilities | | | | | | | |
| Cash overdraft | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 17,027 |
| Accounts payable and accrued expenditures | 13,225 | - | - | 16,906 | - | 3,912 | 214,159 |
| Due to other funds | - | - | 1,940 | - | - | - | 953,297 |
| Advances from other funds | - | - | - | - | - | - | 52,494 |
| Deferred revenue | - | - | - | - | - | - | 681,487 |
| Total liabilities | 13,225 | - | 1,940 | 16,906 | - | 3,912 | 1,918,464 |
| Fund balances (deficits) | | | | | | | |
| Unreserved - undesignated | - | 56 | 188 | 226,819 | - | 12,353 | 1,381,937 |
| Total fund balances (deficits) | - | 56 | 188 | 226,819 | - | 12,353 | 1,381,937 |
| Total liabilities and fund balances | \$ 13,225 | \$ 56 | \$ 2,128 | \$ 243,725 | \$ - | \$ 16,265 | \$ 3,300,401 |

(Continued)

TOWN OF CUMBERLAND, RHODE ISLAND
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2009

| | Capital Project Funds | | | | | |
|--|-------------------------------|---|-------------------|-------------------------|-----------------------------------|-----------------------|
| | <i>CHS 2010 Phase III</i> | <i>School Improvements 2004</i> | <i>Playground</i> | <i>Library Bond</i> | <i>Capital Lease Fund</i> | <i>Open Space</i> |
| ASSETS | | | | | | |
| Cash | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Investments | - | - | - | - | - | - |
| Due from federal and state governments | - | - | - | - | - | - |
| Due from other funds | - | - | 14,719 | - | 30,464 | - |
| Sewer assessments receivable | - | - | - | - | - | - |
| Other receivables | 5,000 | - | - | - | - | - |
| Total assets | \$ 5,000 | \$ - | \$ 14,719 | \$ - | \$ 30,464 | \$ - |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Liabilities | | | | | | |
| Cash overdraft | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Accounts payable and accrued expenditures | - | - | - | - | - | - |
| Due to other funds | 5,000 | - | - | 88,616 | - | 82,996 |
| Advances from other funds | 253,580 | 314,029 | - | - | - | - |
| Deferred revenue | - | - | - | - | - | - |
| Total liabilities | 258,580 | 314,029 | - | 88,616 | - | 82,996 |
| Fund balances (deficits) | | | | | | |
| Unreserved - undesignated | (253,580) | (314,029) | 14,719 | (88,616) | 30,464 | (82,996) |
| Total fund balances (deficits) | (253,580) | (314,029) | 14,719 | (88,616) | 30,464 | (82,996) |
| Total liabilities and fund balances | \$ 5,000 | \$ - | \$ 14,719 | \$ - | \$ 30,464 | \$ - |

(Continued)

TOWN OF CUMBERLAND, RHODE ISLAND
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2009

| | <u>Capital Project Funds</u> | | | <i>Total Capital Project Funds</i> | <i>Total All Nonmajor Governmental Funds</i> |
|--|--------------------------------------|--|-------------------|--|--|
| | <i>Tucker Field Phase II</i> | <i>Capital Reserve Library</i> | <i>Drainage</i> | | |
| ASSETS | | | | | |
| Cash | \$ - | \$ - | \$ 815,871 | \$ 815,871 | \$ 1,559,931 |
| Investments | - | - | - | - | 5,803 |
| Due from federal and state governments | - | - | - | - | 1,325,351 |
| Due from other funds | - | 25,000 | - | 70,183 | 609,406 |
| Sewer assessments receivable | - | - | - | - | 411,958 |
| Other receivables | - | - | - | 5,000 | 279,006 |
| Total assets | <u>\$ -</u> | <u>\$ 25,000</u> | <u>\$ 815,871</u> | <u>\$ 891,054</u> | <u>\$ 4,191,455</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities | | | | | |
| Cash overdraft | \$ - | \$ - | \$ - | \$ - | \$ 17,027 |
| Accounts payable and accrued expenditures | - | - | 3,058 | 3,058 | 217,217 |
| Due to other funds | 25,353 | - | - | 201,965 | 1,155,262 |
| Advances from other funds | - | - | - | 567,609 | 620,103 |
| Deferred revenue | - | - | - | - | 681,487 |
| Total liabilities | <u>25,353</u> | <u>-</u> | <u>3,058</u> | <u>772,632</u> | <u>2,691,096</u> |
| Fund balances (deficits) | | | | | |
| Unreserved - undesignated | (25,353) | 25,000 | 812,813 | 118,422 | 1,500,359 |
| Total fund balances (deficits) | <u>(25,353)</u> | <u>25,000</u> | <u>812,813</u> | <u>118,422</u> | <u>1,500,359</u> |
| Total liabilities and fund balances | <u>\$ -</u> | <u>\$ 25,000</u> | <u>\$ 815,871</u> | <u>\$ 891,054</u> | <u>\$ 4,191,455</u> |

TOWN OF CUMBERLAND, RHODE ISLAND
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2009

| | <i>Special Revenue Funds</i> | | | | | | |
|--|---------------------------------------|----------------------------------|----------------------------------|--------------------------|--------------------------|---|---------------------------|
| | <i>School Restricted Fund</i> | <i>School Lunch Fund</i> | <i>School Administration</i> | <i>Athletic Fund</i> | <i>Franklin Farm</i> | <i>Sewer Ferncrest & Willow</i> | <i>Animal Control</i> |
| Revenues | | | | | | | |
| Investment and interest income | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 110 |
| Other local and departmental revenue | - | 758,817 | - | 49,310 | - | 31,044 | - |
| Federal and State aid and grants | 3,012,395 | 480,803 | - | - | - | - | - |
| Other revenue | 21,187 | - | 2,852 | - | 6,210 | - | 240 |
| Total revenues | <u>3,033,582</u> | <u>1,239,620</u> | <u>2,852</u> | <u>49,310</u> | <u>6,210</u> | <u>31,044</u> | <u>350</u> |
| Expenditures | | | | | | | |
| Current: | | | | | | | |
| General government | - | - | - | - | 1,500 | - | - |
| Community development | - | - | - | - | - | - | - |
| Public safety | - | - | - | - | - | - | 3,060 |
| Public works | - | - | - | - | - | 101,388 | - |
| Social services | - | - | - | - | - | - | - |
| Education | 2,851,781 | - | 6 | 49,585 | - | - | - |
| Cafeteria | - | 1,175,948 | - | - | - | - | - |
| Debt service | - | - | - | - | - | - | - |
| Capital outlay | - | - | - | - | - | - | - |
| Total expenditures | <u>2,851,781</u> | <u>1,175,948</u> | <u>6</u> | <u>49,585</u> | <u>1,500</u> | <u>101,388</u> | <u>3,060</u> |
| Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses) | <u>181,801</u> | <u>63,672</u> | <u>2,846</u> | <u>(275)</u> | <u>4,710</u> | <u>(70,344)</u> | <u>(2,710)</u> |
| Other financing sources (uses) | | | | | | | |
| Note proceeds | - | - | - | - | - | - | - |
| Transfers from other funds | - | - | - | - | 2,000 | - | - |
| Transfers to other funds | - | - | - | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,000</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | 181,801 | 63,672 | 2,846 | (275) | 6,710 | (70,344) | (2,710) |
| Fund balances (deficits), beginning of year | <u>239,958</u> | <u>97,174</u> | <u>18,837</u> | <u>-</u> | <u>11,074</u> | <u>-</u> | <u>14,230</u> |
| Fund balances (deficits), end of year | <u>\$ 421,759</u> | <u>\$ 160,846</u> | <u>\$ 21,683</u> | <u>\$ (275)</u> | <u>\$ 17,784</u> | <u>\$ (70,344)</u> | <u>\$ 11,520</u> |

(Continued)

TOWN OF CUMBERLAND, RHODE ISLAND
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2009

| | Special Revenue Funds | | | | | | |
|--|------------------------------|---------------------------|----------------------|---|---------------|--------------------------|------------------------------|
| | <i>DARE</i> | <i>Recreation Program</i> | <i>Police Grants</i> | <i>Emergency Management Performance</i> | <i>RI EMA</i> | <i>Police Forfeiture</i> | <i>Senior Center Program</i> |
| Revenues | | | | | | | |
| Investment and interest income | \$ 166 | \$ - | \$ 374 | \$ - | \$ - | \$ - | \$ 411 |
| Other local and departmental revenue | - | 83,770 | - | - | - | - | 25,204 |
| Federal and State aid and grants | - | - | 6,118 | 7,000 | 83,445 | 1,229 | - |
| Other revenue | 1,212 | - | 24,707 | - | - | - | - |
| Total revenues | <u>1,378</u> | <u>83,770</u> | <u>31,199</u> | <u>7,000</u> | <u>83,445</u> | <u>1,229</u> | <u>25,615</u> |
| Expenditures | | | | | | | |
| Current: | | | | | | | |
| General government | - | - | - | - | - | - | - |
| Community development | - | - | - | - | - | - | - |
| Public safety | - | - | 8,224 | 5,706 | 83,445 | 1,836 | - |
| Public works | - | 50,879 | - | - | - | - | - |
| Social services | 9,815 | - | - | - | - | - | 8,345 |
| Education | - | - | - | - | - | - | - |
| Cafeteria | - | - | - | - | - | - | - |
| Debt service | - | - | - | - | - | - | - |
| Capital outlay | - | - | - | - | - | - | - |
| Total expenditures | <u>9,815</u> | <u>50,879</u> | <u>8,224</u> | <u>5,706</u> | <u>83,445</u> | <u>1,836</u> | <u>8,345</u> |
| Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses) | <u>(8,437)</u> | <u>32,891</u> | <u>22,975</u> | <u>1,294</u> | <u>-</u> | <u>(607)</u> | <u>17,270</u> |
| Other financing sources (uses) | | | | | | | |
| Note proceeds | - | - | - | - | - | - | - |
| Transfers from other funds | - | - | - | - | - | - | - |
| Transfers to other funds | - | (20,000) | - | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>(20,000)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | <u>(8,437)</u> | <u>12,891</u> | <u>22,975</u> | <u>1,294</u> | <u>-</u> | <u>(607)</u> | <u>17,270</u> |
| Fund balances (deficits), beginning of year | <u>15,882</u> | <u>24,131</u> | <u>31,685</u> | <u>-</u> | <u>-</u> | <u>5,275</u> | <u>44,649</u> |
| Fund balances (deficits), end of year | <u>\$ 7,445</u> | <u>\$ 37,022</u> | <u>\$ 54,660</u> | <u>\$ 1,294</u> | <u>\$ -</u> | <u>\$ 4,668</u> | <u>\$ 61,919</u> |

(Continued)

TOWN OF CUMBERLAND, RHODE ISLAND
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2009

| | <i>Special Revenue Funds</i> | | | | | | |
|--|------------------------------|-------------------------|-----------------------|--------------------|--|----------------------------------|----------------------|
| | <i>Monastery</i> | <i>Revaluation Fund</i> | <i>Revolving Loan</i> | <i>Impact Fees</i> | <i>Community Development Block Grant</i> | <i>Library Legislative Grant</i> | <i>CERT Donation</i> |
| Revenues | | | | | | | |
| Investment and interest income | \$ - | \$ 71 | \$ 624 | \$ - | \$ - | \$ - | \$ - |
| Other local and departmental revenue | - | - | - | 162,358 | - | - | - |
| Federal and State aid and grants | - | - | - | - | 63,872 | - | - |
| Other revenue | - | - | - | - | - | - | - |
| Total revenues | <u>-</u> | <u>71</u> | <u>624</u> | <u>162,358</u> | <u>63,872</u> | <u>-</u> | <u>-</u> |
| Expenditures | | | | | | | |
| Current: | | | | | | | |
| General government | 1,893 | - | - | - | - | - | - |
| Community development | - | - | - | - | 63,872 | - | - |
| Public safety | - | - | - | - | - | - | - |
| Public works | - | - | - | - | - | - | - |
| Social services | - | - | - | - | - | - | - |
| Education | - | - | - | - | - | - | - |
| Cafeteria | - | - | - | - | - | - | - |
| Debt service | - | - | - | - | - | - | - |
| Capital outlay | - | - | - | - | - | - | - |
| Total expenditures | <u>1,893</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>63,872</u> | <u>-</u> | <u>-</u> |
| Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses) | <u>(1,893)</u> | <u>71</u> | <u>624</u> | <u>162,358</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Other financing sources (uses) | | | | | | | |
| Note proceeds | - | - | - | - | - | - | - |
| Transfers from other funds | - | - | - | - | - | - | - |
| Transfers to other funds | - | - | - | (160,000) | - | (2) | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>(160,000)</u> | <u>-</u> | <u>(2)</u> | <u>-</u> |
| Net change in fund balances | (1,893) | 71 | 624 | 2,358 | - | (2) | - |
| Fund balances (deficits), beginning of year | <u>35,669</u> | <u>18,383</u> | <u>49,423</u> | <u>187,741</u> | <u>6,875</u> | <u>2</u> | <u>150</u> |
| Fund balances (deficits), end of year | <u>\$ 33,776</u> | <u>\$ 18,454</u> | <u>\$ 50,047</u> | <u>\$ 190,099</u> | <u>\$ 6,875</u> | <u>\$ -</u> | <u>\$ 150</u> |

(Continued)

TOWN OF CUMBERLAND, RHODE ISLAND
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2009

| | Special Revenue Funds | | | | | |
|--|------------------------------|-----------------------------|---------------------------------|---|-------------------------|------------------|
| | <i>Rescue Fund</i> | <i>Partington House</i> | <i>Property Acquisition</i> | <i>Substance Abuse Prevention</i> | <i>Town Special</i> | <i>Public</i> |
| Revenues | | | | | | |
| Investment and interest income | \$ 126 | \$ 158 | \$ - | \$ - | \$ 15 | \$ 2,296 |
| Other local and departmental revenue | - | - | - | - | - | 585,604 |
| Federal and State aid and grants | - | - | - | 32,581 | - | - |
| Other revenue | - | - | 400,000 | - | - | - |
| Total revenues | <u>126</u> | <u>158</u> | <u>400,000</u> | <u>32,581</u> | <u>15</u> | <u>587,900</u> |
| Expenditures | | | | | | |
| Current: | | | | | | |
| General government | - | - | 629,950 | - | - | - |
| Community development | - | - | - | - | - | - |
| Public safety | - | - | - | - | - | 27,365 |
| Public works | - | - | - | - | - | - |
| Social services | - | - | - | 34,053 | - | - |
| Education | - | - | - | - | - | - |
| Cafeteria | - | - | - | - | - | - |
| Debt service | - | - | - | - | - | - |
| Capital outlay | - | - | - | - | - | - |
| Total expenditures | <u>-</u> | <u>-</u> | <u>629,950</u> | <u>34,053</u> | <u>-</u> | <u>27,365</u> |
| Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses) | <u>126</u> | <u>158</u> | <u>(229,950)</u> | <u>(1,472)</u> | <u>15</u> | <u>560,535</u> |
| Other financing sources (uses) | | | | | | |
| Note proceeds | - | - | 225,000 | - | - | - |
| Transfers from other funds | - | - | - | - | - | - |
| Transfers to other funds | - | - | - | - | - | (560,535) |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>225,000</u> | <u>-</u> | <u>-</u> | <u>(560,535)</u> |
| Net change in fund balances | 126 | 158 | (4,950) | (1,472) | 15 | - |
| Fund balances (deficits), beginning of year | <u>9,355</u> | <u>12,844</u> | <u>69,715</u> | <u>5,270</u> | <u>2,907</u> | <u>-</u> |
| Fund balances (deficits), end of year | <u>\$ 9,481</u> | <u>\$ 13,002</u> | <u>\$ 64,765</u> | <u>\$ 3,798</u> | <u>\$ 2,922</u> | <u>\$ -</u> |

(Continued)

TOWN OF CUMBERLAND, RHODE ISLAND
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2009

| | <i>Special Revenue Funds</i> | | | | | | |
|--|------------------------------|--------------------|---|--------------------------------------|------------------------|--------------------------|--------------------------------------|
| | <i>Animal Husbandry</i> | <i>OC & YL</i> | <i>Recycling Liaison & Overhead</i> | <i>DPH Homeland Security</i> | <i>RIPTIDE DUI</i> | <i>RIPTIDE Speed</i> | <i>Manville Hill Landing</i> |
| Revenues | | | | | | | |
| Investment and interest income | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Other local and departmental revenue | 1,138 | 34,797 | - | - | - | - | - |
| Federal and State aid and grants | - | 339,236 | - | 60,519 | 3,458 | 2,280 | 82,857 |
| Other revenue | - | - | 20,420 | - | - | - | - |
| Total revenues | <u>1,138</u> | <u>374,033</u> | <u>20,420</u> | <u>60,519</u> | <u>3,458</u> | <u>2,280</u> | <u>82,857</u> |
| Expenditures | | | | | | | |
| Current: | | | | | | | |
| General government | - | - | - | - | - | - | 82,857 |
| Community development | - | - | - | - | - | - | - |
| Public safety | - | - | - | 60,519 | 4,110 | 2,464 | - |
| Public works | - | - | 9,282 | - | - | - | - |
| Social services | - | 370,618 | - | - | - | - | - |
| Education | - | - | - | - | - | - | - |
| Cafeteria | - | - | - | - | - | - | - |
| Debt service | - | - | - | - | - | - | - |
| Capital outlay | - | - | - | - | - | - | - |
| Total expenditures | <u>-</u> | <u>370,618</u> | <u>9,282</u> | <u>60,519</u> | <u>4,110</u> | <u>2,464</u> | <u>82,857</u> |
| Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses) | <u>1,138</u> | <u>3,415</u> | <u>11,138</u> | <u>-</u> | <u>(652)</u> | <u>(184)</u> | <u>-</u> |
| Other financing sources (uses) | | | | | | | |
| Note proceeds | - | - | - | - | - | - | - |
| Transfers from other funds | - | - | - | - | - | - | - |
| Transfers to other funds | - | - | - | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | 1,138 | 3,415 | 11,138 | - | (652) | (184) | - |
| Fund balances (deficits), beginning of year | <u>2,185</u> | <u>1,223</u> | <u>-</u> | <u>908</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balances (deficits), end of year | <u>\$ 3,323</u> | <u>\$ 4,638</u> | <u>\$ 11,138</u> | <u>\$ 908</u> | <u>\$ (652)</u> | <u>\$ (184)</u> | <u>\$ -</u> |

(Continued)

TOWN OF CUMBERLAND, RHODE ISLAND
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2009

| | Special Revenue Funds | | | | | | <i>Total Special Revenue Funds</i> |
|--|------------------------------|---------------------------------------|-----------------------------------|-----------------------------------|----------------------|-------------------|--|
| | <i>DOJ COPS 2008</i> | <i>Child Passenger Safety</i> | <i>Click it or Ticket</i> | <i>Town Clerk Special</i> | <i>CERT 2004</i> | <i>Historical</i> | |
| Revenues | | | | | | | |
| Investment and interest income | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 74 | \$ 4,425 |
| Other local and departmental revenue | - | - | - | 44,471 | - | 23,264 | 1,799,777 |
| Federal and State aid and grants | 17,785 | 1,976 | 3,192 | - | - | 761 | 4,199,507 |
| Other revenue | - | - | - | - | - | - | 476,828 |
| Total revenues | 17,785 | 1,976 | 3,192 | 44,471 | - | 24,099 | 6,480,537 |
| Expenditures | | | | | | | |
| Current: | | | | | | | |
| General government | - | - | - | 34,557 | 17,717 | 17,239 | 785,713 |
| Community development | - | - | - | - | - | - | 63,872 |
| Public safety | 17,785 | 1,920 | 3,116 | - | - | - | 219,550 |
| Public works | - | - | - | - | - | - | 161,549 |
| Social services | - | - | - | - | - | - | 422,831 |
| Education | - | - | - | - | - | - | 2,901,372 |
| Cafeteria | - | - | - | - | - | - | 1,175,948 |
| Debt service | - | - | - | - | - | - | - |
| Capital outlay | - | - | - | - | - | - | - |
| Total expenditures | 17,785 | 1,920 | 3,116 | 34,557 | 17,717 | 17,239 | 5,730,835 |
| Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses) | - | 56 | 76 | 9,914 | (17,717) | 6,860 | 749,702 |
| Other financing sources (uses) | | | | | | | |
| Note proceeds | - | - | - | - | - | - | 225,000 |
| Transfers from other funds | - | - | - | - | 17,717 | - | 19,717 |
| Transfers to other funds | - | - | - | - | - | - | (740,537) |
| Total other financing sources (uses) | - | - | - | - | 17,717 | - | (495,820) |
| Net change in fund balances | - | 56 | 76 | 9,914 | - | 6,860 | 253,882 |
| Fund balances (deficits), beginning of year | - | - | 112 | 216,905 | - | 5,493 | 1,128,055 |
| Fund balances (deficits), end of year | \$ - | \$ 56 | \$ 188 | \$ 226,819 | \$ - | \$ 12,353 | \$ 1,381,937 |

(Continued)

TOWN OF CUMBERLAND, RHODE ISLAND
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2009

| | Capital Project Funds | | | | | |
|--|-------------------------------|---|-------------------|-------------------------|-----------------------------------|-----------------------|
| | <i>CHS 2010 Phase III</i> | <i>School Improvements 2004</i> | <i>Playground</i> | <i>Library Bond</i> | <i>Capital Lease Fund</i> | <i>Open Space</i> |
| Revenues | | | | | | |
| Investment and interest income | \$ 1,660 | \$ - | \$ - | \$ - | \$ - | \$ 541 |
| Other local and departmental revenue | - | - | - | - | - | - |
| Federal and State aid and grants | - | - | - | - | - | - |
| Other revenue | - | - | - | - | - | - |
| Total revenues | <u>1,660</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>541</u> |
| Expenditures | | | | | | |
| Current: | | | | | | |
| General government | - | - | - | - | - | 250,050 |
| Community development | - | - | - | - | - | - |
| Public safety | - | - | - | - | - | - |
| Public works | - | - | - | - | - | - |
| Social services | - | - | - | - | - | - |
| Education | - | - | - | - | 169,798 | - |
| Cafeteria | - | - | - | - | - | - |
| Debt service | - | - | - | - | - | 299,238 |
| Capital outlay | 632,624 | 585,100 | 9,727 | - | - | - |
| Total expenditures | <u>632,624</u> | <u>585,100</u> | <u>9,727</u> | <u>-</u> | <u>169,798</u> | <u>549,288</u> |
| Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses) | <u>(630,964)</u> | <u>(585,100)</u> | <u>(9,727)</u> | <u>-</u> | <u>(169,798)</u> | <u>(548,747)</u> |
| Other financing sources (uses) | | | | | | |
| Note proceeds | - | - | - | - | - | 100,000 |
| Transfers from other funds | - | - | - | 31,689 | - | 112,321 |
| Transfers to other funds | - | - | - | - | (138,627) | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>31,689</u> | <u>(138,627)</u> | <u>212,321</u> |
| Net change in fund balances | (630,964) | (585,100) | (9,727) | 31,689 | (308,425) | (336,426) |
| Fund balances (deficits), beginning of year | <u>377,384</u> | <u>271,071</u> | <u>24,446</u> | <u>(120,305)</u> | <u>338,889</u> | <u>253,430</u> |
| Fund balances (deficits), end of year | <u>\$ (253,580)</u> | <u>\$ (314,029)</u> | <u>\$ 14,719</u> | <u>\$ (88,616)</u> | <u>\$ 30,464</u> | <u>\$ (82,996)</u> |

(Continued)

TOWN OF CUMBERLAND, RHODE ISLAND
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2009

| | <u>Capital Project Funds</u> | | | <i>Total Capital Project Funds</i> | <i>Total All Nonmajor Governmental Funds</i> |
|--|--------------------------------------|--|-------------------|--|--|
| | <i>Tucker Field Phase II</i> | <i>Capital Reserve Library</i> | <i>Drainage</i> | | |
| Revenues | | | | | |
| Investment and interest income | \$ - | \$ - | \$ 458 | \$ 2,659 | \$ 7,084 |
| Other local and departmental revenue | - | - | - | - | 1,799,777 |
| Federal and State aid and grants | - | - | - | - | 4,199,507 |
| Other revenue | - | - | - | - | 476,828 |
| Total revenues | <u>-</u> | <u>-</u> | <u>458</u> | <u>2,659</u> | <u>6,483,196</u> |
| Expenditures | | | | | |
| Current: | | | | | |
| General government | - | - | - | 250,050 | 1,035,763 |
| Community development | - | - | - | - | 63,872 |
| Public safety | - | - | - | - | 219,550 |
| Public works | - | - | 41,092 | 41,092 | 202,641 |
| Social services | - | - | - | - | 422,831 |
| Education | - | - | - | 169,798 | 3,071,170 |
| Cafeteria | - | - | - | - | 1,175,948 |
| Debt service | - | - | - | 299,238 | 299,238 |
| Capital outlay | - | - | - | 1,227,451 | 1,227,451 |
| Total expenditures | <u>-</u> | <u>-</u> | <u>41,092</u> | <u>1,987,629</u> | <u>7,718,464</u> |
| Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses) | <u>-</u> | <u>-</u> | <u>(40,634)</u> | <u>(1,984,970)</u> | <u>(1,235,268)</u> |
| Other financing sources (uses) | | | | | |
| Note proceeds | - | - | - | 100,000 | 325,000 |
| Transfers from other funds | - | 15,000 | - | 159,010 | 178,727 |
| Transfers to other funds | - | - | - | (138,627) | (879,164) |
| Total other financing sources (uses) | <u>-</u> | <u>15,000</u> | <u>-</u> | <u>120,383</u> | <u>(375,437)</u> |
| Net change in fund balances | - | 15,000 | (40,634) | (1,864,587) | (1,610,705) |
| Fund balances (deficits), beginning of year | <u>(25,353)</u> | <u>10,000</u> | <u>853,447</u> | <u>1,983,009</u> | <u>3,111,064</u> |
| Fund balances (deficits), end of year | <u>\$ (25,353)</u> | <u>\$ 25,000</u> | <u>\$ 812,813</u> | <u>\$ 118,422</u> | <u>\$ 1,500,359</u> |

TOWN OF CUMBERLAND, RHODE ISLAND

Combining Balance Sheet

Special Revenue Funds - School Restricted Fund

June 30, 2009

| | <u>Title I</u> | <u>Title II Professional Development</u> | <u>Title IV</u> | <u>Literacy</u> | <u>Professional Development</u> | <u>Technology</u> | <u>Project IDEA</u> |
|--|-------------------|--|-----------------|------------------|-------------------------------------|-------------------|-------------------------|
| ASSETS | | | | | | | |
| Cash | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Due from the federal and state governments | 170,528 | 77,930 | 193 | - | - | - | 345,209 |
| Due from other funds | - | - | - | 99,225 | 134,236 | 146,964 | - |
| Total assets | <u>\$ 170,528</u> | <u>\$ 77,930</u> | <u>\$ 193</u> | <u>\$ 99,225</u> | <u>\$ 134,236</u> | <u>\$ 146,964</u> | <u>\$ 345,209</u> |
| LIABILITIES AND FUND BALANCES | | | | | | | |
| Liabilities | | | | | | | |
| Account payable and accrued expenditures | \$ 863 | \$ - | \$ - | \$ 710 | \$ - | \$ 5,690 | \$ 11,749 |
| Due to other funds | 169,665 | 77,930 | 193 | - | - | - | 333,460 |
| Total liabilities | <u>170,528</u> | <u>77,930</u> | <u>193</u> | <u>710</u> | <u>-</u> | <u>5,690</u> | <u>345,209</u> |
| Fund balances | <u>-</u> | <u>-</u> | <u>-</u> | <u>98,515</u> | <u>134,236</u> | <u>141,274</u> | <u>-</u> |
| Total liabilities and fund balances | <u>\$ 170,528</u> | <u>\$ 77,930</u> | <u>\$ 193</u> | <u>\$ 99,225</u> | <u>\$ 134,236</u> | <u>\$ 146,964</u> | <u>\$ 345,209</u> |

(Continued)

TOWN OF CUMBERLAND, RHODE ISLAND

*Combining Balance Sheet (Continued)
Special Revenue Funds - School Restricted Fund
June 30, 2009*

| | <u>Preschool Section 619</u> | <u>Title III</u> | <u>Title V</u> | <u>Federal Stabilization</u> | <u>State Breakfast</u> | <u>Other Miscellaneous Grants</u> | <u>Total</u> |
|--|----------------------------------|------------------|-----------------|----------------------------------|----------------------------|---|---------------------|
| ASSETS | | | | | | | |
| Cash | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 48,314 | \$ 48,314 |
| Due from the federal and state governments | 11,034 | 11,228 | 5,013 | 410,117 | - | - | 1,031,252 |
| Due from other funds | | - | - | - | 380 | 16,214 | 397,019 |
| | <u>11,034</u> | <u>11,228</u> | <u>5,013</u> | <u>410,117</u> | <u>380</u> | <u>64,528</u> | <u>1,476,585</u> |
| Total assets | <u>\$ 11,034</u> | <u>\$ 11,228</u> | <u>\$ 5,013</u> | <u>\$ 410,117</u> | <u>\$ 380</u> | <u>\$ 64,528</u> | <u>\$ 1,476,585</u> |
| | | | | | | | |
| LIABILITIES AND FUND BALANCES | | | | | | | |
| Liabilities | | | | | | | |
| Account payable and accrued expenditures | \$ - | \$ 969 | \$ 4,970 | \$ - | \$ - | \$ 16,454 | \$ 41,405 |
| Due to other funds | 11,034 | 10,259 | 43 | 410,117 | - | 720 | 1,013,421 |
| Total liabilities | <u>11,034</u> | <u>11,228</u> | <u>5,013</u> | <u>410,117</u> | <u>-</u> | <u>17,174</u> | <u>1,054,826</u> |
| | | | | | | | |
| Fund balances | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>380</u> | <u>47,354</u> | <u>421,759</u> |
| | | | | | | | |
| Total liabilities and fund balances | <u>\$ 11,034</u> | <u>\$ 11,228</u> | <u>\$ 5,013</u> | <u>\$ 410,117</u> | <u>\$ 380</u> | <u>\$ 64,528</u> | <u>\$ 1,476,585</u> |

TOWN OF CUMBERLAND, RHODE ISLAND
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Special Revenue Funds - School Restricted Fund
 For the Fiscal Year Ended June 30, 2009

| | <u>Title I</u> | <u>Title II Professional Development</u> | <u>Title IV</u> | <u>Literacy</u> | <u>Professional Development</u> | <u>Technology</u> | <u>Project IDEA</u> |
|--|----------------|--|-----------------|------------------|-------------------------------------|-------------------|-------------------------|
| Revenues | | | | | | | |
| Federal and State aid and grants | \$ 447,928 | \$ 200,857 | \$ 15,622 | \$ 334,046 | \$ - | \$ 116,373 | \$ 1,018,896 |
| Other revenue | - | - | - | - | - | - | - |
| Total revenues | <u>447,928</u> | <u>200,857</u> | <u>15,622</u> | <u>334,046</u> | <u>-</u> | <u>116,373</u> | <u>1,018,896</u> |
| Expenditures | | | | | | | |
| Education | 447,928 | 200,857 | 15,622 | 236,862 | - | 5,690 | 1,018,896 |
| Total expenditures | <u>447,928</u> | <u>200,857</u> | <u>15,622</u> | <u>236,862</u> | <u>-</u> | <u>5,690</u> | <u>1,018,896</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>97,184</u> | <u>-</u> | <u>110,683</u> | <u>-</u> |
| Fund balances - beginning of year | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,331</u> | <u>134,236</u> | <u>30,591</u> | <u>-</u> |
| Fund balances - end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 98,515</u> | <u>\$ 134,236</u> | <u>\$ 141,274</u> | <u>\$ -</u> |

(Continued)

TOWN OF CUMBERLAND, RHODE ISLAND

*Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Special Revenue Funds - School Restricted Fund
For the Fiscal Year Ended June 30, 2009*

| | <i>Preschool Section 619</i> | <i>Title III</i> | <i>Title V</i> | <i>Federal Stabilization</i> | <i>State Breakfast</i> | <i>Other Miscellaneous Grants</i> | <i>Total</i> |
|--|----------------------------------|------------------|----------------|----------------------------------|----------------------------|---|-------------------|
| Revenues | | | | | | | |
| Federal and State aid and grants | \$ 40,514 | \$ 11,228 | \$ 5,013 | \$ 821,918 | \$ - | \$ - | \$ 3,012,395 |
| Other revenue | - | - | - | - | - | 21,187 | 21,187 |
| Total revenues | <u>40,514</u> | <u>11,228</u> | <u>5,013</u> | <u>821,918</u> | <u>-</u> | <u>21,187</u> | <u>3,033,582</u> |
| Expenditures | | | | | | | |
| Education | 40,514 | 11,228 | 5,013 | 821,918 | - | 47,253 | 2,851,781 |
| Total expenditures | <u>40,514</u> | <u>11,228</u> | <u>5,013</u> | <u>821,918</u> | <u>-</u> | <u>47,253</u> | <u>2,851,781</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(26,066)</u> | <u>181,801</u> |
| Fund balances - beginning of year | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>380</u> | <u>73,420</u> | <u>239,958</u> |
| Fund balances - end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 380</u> | <u>\$ 47,354</u> | <u>\$ 421,759</u> |

TOWN OF CUMBERLAND, RHODE ISLAND

Combining Statement of Net Assets

Private-Purpose Trusts

June 30, 2009

| | <u><i>Burial</i></u> | <u><i>Scholarship</i></u> | <u><i>Total Private- Purpose Trusts</i></u> |
|----------------------------------|----------------------|---------------------------|---|
| <i>Assets</i> | | | |
| Cash and cash equivalents | \$ 193,714 | \$ 35,657 | \$ 229,371 |
| Due from other funds | <u>25,000</u> | <u>-</u> | <u>25,000</u> |
| <i>Total assets</i> | <u>218,714</u> | <u>35,657</u> | <u>254,371</u> |
| <i>Net Assets</i> | | | |
| Held in trust for other purposes | <u>\$ 218,714</u> | <u>\$ 35,657</u> | <u>\$ 254,371</u> |

TOWN OF CUMBERLAND, RHODE ISLAND

Combining Statement of Changes in Net Assets

Private-Purpose Trusts

For the Fiscal Year Ended June 30, 2009

| | <u><i>Burial</i></u> | <u><i>Scholarship</i></u> | <u><i>Total Private- Purpose Trusts</i></u> |
|--|----------------------|---------------------------|---|
| <i>Additions</i> | | | |
| Donations | \$ - | \$ 24,508 | \$ 24,508 |
| Interest | 1,677 | - | 1,677 |
| <i>Total additions</i> | <u>1,677</u> | <u>24,508</u> | <u>26,185</u> |
| | | | |
| <i>Deductions</i> | | | |
| Scholarships | - | 16,023 | 16,023 |
| <i>Total deductions</i> | <u>-</u> | <u>16,023</u> | <u>16,023</u> |
| | | | |
| <i>Change in net assets</i> | 1,677 | 8,485 | 10,162 |
| | | | |
| <i>Net assets - beginning of year</i> | <u>217,037</u> | <u>27,172</u> | <u>244,209</u> |
| | | | |
| <i>Net assets - end of year</i> | <u>\$ 218,714</u> | <u>\$ 35,657</u> | <u>\$ 254,371</u> |

TOWN OF CUMBERLAND, RHODE ISLAND

Combining Statement of Net Assets

Agency Funds

June 30, 2009

| | <u>Student Activities</u> | <u>Alumni</u> | <u>Curb Cuts</u> | <u>Portuguese Exchange</u> | <u>Substance Abuse Prevention Task Force</u> | <u>Coalition of Communities</u> | <u>Cumberland Fest</u> | <u>Total Agency Funds</u> |
|-------------------------------------|-------------------------------|-------------------------|--------------------------|--------------------------------|--|---|----------------------------|-----------------------------------|
| Assets | | | | | | | | |
| Cash | \$ 86,152 | \$ 85,077 | \$ 5,058 | \$ 5,816 | \$ 37,135 | \$ 4,109 | \$ 334 | \$ 223,681 |
| Due from other funds | <u>3,288</u> | <u>-</u> | <u>179,691</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>182,979</u> |
| Total assets | <u><u>\$ 89,440</u></u> | <u><u>\$ 85,077</u></u> | <u><u>\$ 184,749</u></u> | <u><u>\$ 5,816</u></u> | <u><u>\$ 37,135</u></u> | <u><u>\$ 4,109</u></u> | <u><u>\$ 334</u></u> | <u><u>\$ 406,660</u></u> |
| Liabilities | | | | | | | | |
| Due to other funds | \$ - | \$ - | \$ - | \$ 4,500 | \$ - | \$ 4,109 | \$ - | \$ 8,609 |
| Deposits held in custody for others | <u>89,440</u> | <u>85,077</u> | <u>184,749</u> | <u>1,316</u> | <u>37,135</u> | <u>-</u> | <u>334</u> | <u>398,051</u> |
| Total liabilities | <u><u>\$ 89,440</u></u> | <u><u>\$ 85,077</u></u> | <u><u>\$ 184,749</u></u> | <u><u>\$ 5,816</u></u> | <u><u>\$ 37,135</u></u> | <u><u>\$ 4,109</u></u> | <u><u>\$ 334</u></u> | <u><u>\$ 406,660</u></u> |

TOWN OF CUMBERLAND, RHODE ISLAND
Tax Collector's Annual Report
For the Fiscal Year Ending June 30, 2009

Real Estate and Personal Property Taxes

| <u>Year</u> | <u>Balance June 30, 2008</u> | <u>Levy</u> | <u>Additions</u> | <u>Abatements and Adjustments</u> | <u>Amount to be Collected</u> | <u>Current Year Collections</u> | <u>Balance June 30, 2009</u> |
|-------------|----------------------------------|----------------------|-------------------|---|---------------------------------------|---|----------------------------------|
| 2009 | \$ - | \$ 52,119,987 | \$ 62,325 | \$ (642,711) | \$ 51,539,601 | \$ 23,346,944 | \$ 28,192,657 |
| 2008 | 27,011,580 | - | 190,944 | (83,711) | 27,118,813 | 25,921,090 | 1,197,723 |
| 2007 | 905,372 | - | 6,158 | 1,194 | 912,724 | 738,674 | 174,050 |
| 2006 | 196,374 | - | 7,898 | 27,295 | 231,567 | 125,690 | 105,877 |
| 2005 | 88,311 | - | 4,375 | 14,479 | 107,165 | 12,142 | 95,023 |
| 2004 | 114,835 | - | 1,139 | 5,845 | 121,819 | 4,319 | 117,500 |
| 2003 | (19,322) | - | 1,574 | 17,915 | 167 | 1,340 | (1,173) |
| 2002 | (9,482) | - | 735 | 10,918 | 2,171 | 1,058 | 1,113 |
| 2001 | 51,202 | - | - | (10,010) | 41,192 | 4,082 | 37,110 |
| 2000 | 51,840 | - | - | 5,282 | 57,122 | 368 | 56,754 |
| 1999 | 9,041 | - | - | 9 | 9,050 | 433 | 8,617 |
| 1998 | 28,441 | - | - | 1,223 | 29,664 | 88 | 29,576 |
| 1997 | 40,845 | - | - | 749 | 41,594 | 320 | 41,274 |
| 1996 | 52,976 | - | - | (181) | 52,795 | 237 | 52,558 |
| 1995 | 111,818 | - | - | (301) | 111,517 | 243 | 111,274 |
| 1994 | 278,725 | - | - | (342) | 278,383 | 510 | 277,873 |
| 1993 | 73,433 | - | - | (6,143) | 67,290 | - | 67,290 |
| 1992 | 65,428 | - | - | (2,864) | 62,564 | - | 62,564 |
| 1991 | 23,901 | - | - | (5,285) | 18,616 | - | 18,616 |
| 1990 | 31,784 | - | - | (5,083) | 26,701 | - | 26,701 |
| 1989 | 37,345 | - | - | - | 37,345 | - | 37,345 |
| 1988 | 540 | - | - | - | 540 | - | 540 |
| | <u>\$ 29,144,987</u> | <u>\$ 52,119,987</u> | <u>\$ 275,148</u> | <u>\$ (671,722)</u> | <u>\$ 80,868,400</u> | <u>\$ 50,157,538</u> | <u>\$ 30,710,862</u> |

Allowance for Uncollectible Accounts (1,040,556)
Net Property Tax Receivable \$ 29,670,306

Schedule of Most Recent Net Assessed Property Value by Category

| <u>Description of Property</u> | <u>Valuation</u> |
|--------------------------------|-------------------------|
| Real property | \$ 3,834,870,100 |
| Motor vehicles | 250,582,239 |
| Tangible personal property | 113,080,866 |
| Total | <u>4,198,533,205</u> |
| Exemptions | <u>303,565,566</u> |
| Net assessed value | <u>\$ 3,894,967,639</u> |

***REPORT ON THE INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS***

To the Honorable Mayor and
Members of the Town Council
Cumberland, Rhode Island

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 Town of Cumberland, Rhode Island, as of and for the year ended June 30, 2009, which collectively comprise the Town of Cumberland, Rhode Island's basic financial statements as listed in the table of contents and have issued our report thereon dated December 29, 2009. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Town of Cumberland, Rhode Island's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Town of Cumberland's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Cumberland, Rhode Island's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that

a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and response to be significant deficiencies in internal control over financial reporting. The significant deficiencies are described in the accompanying schedule of findings and responses as 09-1 and 09-2 and 09-3.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly would not necessarily disclose all significant deficiencies that are considered to be material weaknesses. However, of the significant deficiencies described above we consider items 09-1, 09-2 and 09-3 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Cumberland's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of the Town of Cumberland, Rhode Island in a separate letter dated December 29, 2009.

The Town of Cumberland's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Town of Cumberland's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Town Council, the School Committee, the State of Rhode Island Auditor General and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Bacon & Company, LLC

Warwick, Rhode Island
December 29, 2009

TOWN OF CUMBERLAND, RHODE ISLAND
Schedule of Findings and Responses
For the Fiscal Year Ending June, 30, 2009

SIGNIFICANT DEFICIENCIES

Segregation of Duties

09-1 Significant Deficiency – The Town’s current internal control procedures over financial reporting has resulted in the lack of segregation of duties in certain areas, which is a weakness in internal controls.

The Deputy Finance Director has the responsibility for maintaining the general ledger for all funds, including reconciling certain cash accounts, preparing and posting journal entries and preparing all the trial balances for the year-end audit. Although journal entries are occasionally approved by the Finance Director, we reviewed several journal entries that were not approved. The internal control system does not include formal procedures that require the Finance Director to approve all journal entries and review and approve all financial reports. The Deputy Finance Director is also responsible for approving disbursements in the Finance Director’s absence and is an authorized signer on the Town accounts.

The Deputy Finance Director’s responsibilities should not include the custody of assets, and the initiating and recording of transactions. The current responsibilities of the Deputy Finance Director and the lack of a formal policy requiring approval of all journal entries and the review of all financial reports results in a lack of segregation of duties and as a result a weakness in internal control. This weakness in internal control could result in material misstatements in the financial statements going undetected.

Recommendation – We recommend that the Town review the current job responsibilities of the Deputy Finance Director and reassign those responsibilities that result in a lack of segregation of duties. We also recommend that the Town implement formal procedures that require the Finance Director to approve all journal entries and review on a periodic basis all financial reports.

Management’s Response – Management agrees with the recommendations. Formal procedures will be established to insure that the approval of the Finance Director is obtained for all journal entries and financial reports. The Finance Director, as required, will continue to complete the monthly finance report. The Town will remove the Assistant Finance Director from the list of authorized check signers. In the absence of the Finance Director, the appropriate individual to approve disbursements will be the Mayor.

TOWN OF CUMBERLAND, RHODE ISLAND
Schedule of Findings and Responses
For the Fiscal Year Ending June, 30, 2009

Financial Reporting

09-2 Significant Deficiency – The Town’s internal controls over financial reporting are not designed or operating effectively to allow for the prevention and detection of misstatements of the financial statements. We proposed numerous audit adjustments to correct misstatements, including several that were considered material misstatements that were noted during the performance of audit procedures for the year ended June 30, 2009. The Town was not performing certain monthly closing and reconciliation procedures that resulted in the misstatements going undetected which included the following:

- a) The inter-fund transactions and receivable and payable accounts between the Town and School Department were not being reconciled on a monthly basis, resulting in misstatements to both the General and School Unrestricted Fund financial reports.
- b) The revenues wired from the State of RI were recorded to a suspense account and were not allocated in a timely manner to the appropriate revenue general ledger account, which resulted in misstatements to numerous revenues accounts.
- c) The Town did not perform a monthly review of the fund financial reports to determine if request for grant reimbursements had been received or requested and to verify that the transactions to the funds had been recorded properly. The lack of review procedures resulted in errors within the funds, deficit spending in the funds and delays in requests for reimbursements.
- d) The Town is not reconciling the general ledger accounts for the Water Funds for the water use billings and related payable accounts, which resulted in errors in the revenues, expenses and liability accounts.

Recommendation – We strongly recommend that the Town perform monthly closing and reconciliation procedures for all funds. All variances and errors should be corrected and recorded to the general ledger in a timely manner, to prevent material misstatement of the financial statements. We also recommend that the Town discontinue the use of the suspense account and record all revenue wired from the State of RI to the appropriate revenue account at the time it is received.

Management’s Response – The Finance Director and the School Department Business Manager have agreed that there will be a monthly reconciliation procedure, and if needed, a meeting in order to effectively reconcile the interfund liability between the pertinent Town and School Funds. A formal procedure will be established in regard to the monthly reconciliation of all funds and the correction of computer generated fund financial statements.

TOWN OF CUMBERLAND, RHODE ISLAND
Schedule of Findings and Responses
For the Fiscal Year Ending June, 30, 2009

The suspense account had never been used by the department prior to fiscal year 2008-2009. During fiscal year 2008-2009, it was not cleared out on a periodic basis prior to year end which created as significant problem. The Finance Department has established a policy which prohibits future use of a suspense account.

Capital Assets – Governmental Funds and Water Fund

09-3 Significant Deficiency – The Town and School Department do not have formal polices and procedures and an accounting system in place to properly maintain and account for their capital assets on a perpetual basis or to provide for the periodic inventory of capital assets. Although a list of capital assets and depreciation schedules were prepared as of June 30, 2009, the schedules were prepared after year-end and were incomplete and several audit adjustments were proposed to correct the list of capital assets, depreciation expense and accumulated depreciation. In addition, the documentation to support the infrastructure capital assets is insufficient. The governmental infrastructure assets are only reported in total by category.

Recommendation – We recommend that the Town and School Department implement policies, procedures, and an accounting system to account for, on a perpetual basis, the additions and deletions of capital assets, the related depreciation expense and accumulated depreciation. We also recommend that the Town prepare a detail report of infrastructure assets. The Town and School Department’s policies and procedures should also include a physical inventory of the capital assets on at least an annual basis. This will ensure proper recording and safeguarding of the Town and School Department’s capital assets.

Management’s Response – Town management agrees with the recommendations. Proper procedures for capital asset transactions and depreciation will be established. Our potential acquisition of the integrated capital asset software module provided by our current accounting software vendor will offer necessary structure that complements proper procedures. Also, the Town will complete a detailed listing of all infrastructure related assets and conduct an annual physical inventory of all capital assets.