

***TOWN OF CUMBERLAND, RHODE ISLAND
ANNUAL FINANCIAL STATEMENTS***

*For the Fiscal Year Ended
June 30, 2010*

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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, 2010, 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, 2010, 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 January 14, 2011 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 66 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.

Baer & Company, LLC

Warwick, Rhode Island
January 14, 2011

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, 2010. 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 \$3,445,933 or 5.7% of total 2010 budgeted revenues of \$59,717,100. This is a decrease of \$1,634,691 from the prior year total fund balance.
- The total unreserved fund balance of the General Fund is (\$1,125,975) or (1.8%) of total 2010 budgeted revenues.
- The total reserved fund balance of the General Fund is \$4,571,908. This is an increase of \$383,536 from the prior year reserved fund balance. The total reserved fund balance includes a reserve of \$4,571,908 for advances to other funds. The Town has payment plans in place to repay the General Fund for these advances.
- The Town General Fund ended fiscal year 2010 with a budgetary operating deficit of \$1,096,592 and the School Unrestricted Fund ended with a budgetary operating surplus of \$1,184,901.
- The total debt amount of the Town of Cumberland decreased by \$797,855.
- 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 \$92,798,832. The Town has chosen conservative fiscal policy whereby it has developed its capital asset base from current operations rather than debt. Also, the Town's policy is to fully record and fund its pension trust fund. 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 decreased by \$422,547 for the fiscal year ended June 30, 2010.

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

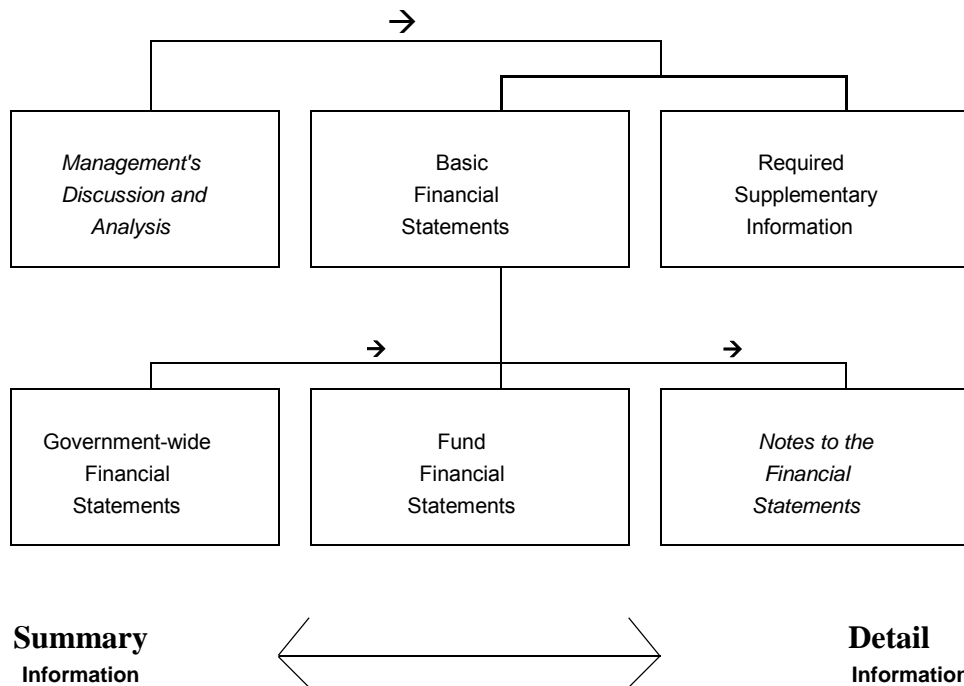


Figure A- 2

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 type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town’s proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town has one enterprise fund. 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 \$92,798,832 as of June 30, 2010.

In regard to the Town's net assets (75%) 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>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Current Assets	\$46,247,095	\$42,235,740	\$3,382,840	\$(1,223,612)	\$49,629,935	\$41,012,128
Capital Assets and Other Assets	109,556,489	112,685,723	25,854,529	25,381,776	135,411,018	138,067,499
Total Assets	155,803,584	154,921,463	29,237,369	24,158,164	185,040,953	179,079,627
Current Liabilities	15,511,842	11,475,981	1,456,949	1,170,612	16,968,791	12,646,593
Long-term Liabilities	69,795,819	71,909,932	5,477,511	1,301,723	75,273,330	73,211,655
Total Liabilities	85,307,661	83,385,913	6,934,460	2,472,335	92,242,121	85,858,248
Net Assets:						
Invested in Capital Assets Net of Related Debt	45,038,691	42,958,924	24,266,066	23,596,656	69,304,757	66,555,580
Restricted	3,759,607	3,311,914	0	0	3,759,607	3,311,914
Unrestricted	21,697,625	25,264,712	(1,963,157)	(1,910,827)	19,734,468	23,353,885
Total Net Assets	<u>\$70,495,923</u>	<u>\$71,535,550</u>	<u>\$22,302,909</u>	<u>\$21,685,829</u>	<u>\$92,798,832</u>	<u>\$93,221,379</u>

An additional portion of the Town's net assets \$3,759,607 (4%) represents resources that are subject to external restriction on how they may be used. This leaves a remaining balance for unrestricted net assets of \$19,734,468 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 decreased by \$422,547 during fiscal year 2009-2010.

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, 2010.

Governmental activities decreased the Town's net assets by \$1,039,627 accounting for 246% of the Town's total decrease in net assets, while business type activities increased the Town's net assets by \$617,080 accounting for (146%) of the Town's total decrease in net assets.

TOWN OF CUMBERLAND'S CHANGES IN NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues						
Program						
Charges for Services	\$5,440,968	\$5,566,501	\$4,429,329	\$4,680,867	\$9,870,297	\$10,247,368
Operating Grants & Contributions	19,474,227	19,533,491			19,474,227	19,533,491
Capital Grants & Contributions	345,906	493,234	782,643	142,552	1,128,549	635,786
General Revenues						
Property Taxes	51,998,372	52,143,563			51,998,372	52,143,563
State Aid	3,175,396	4,108,805			3,175,396	4,108,805
Investment Earnings	158,535	229,738	85	148	158,620	229,886
Miscellaneous	705,159	433,336			705,159	433,336
Total Revenues	81,298,563	82,508,668	5,212,057	4,823,567	86,510,620	87,332,235
Program Expenses						
General Government	3,393,965	3,495,760			3,393,965	3,495,760
Community Development	405,621	319,262			405,621	319,262
Public Safety	10,908,288	10,513,594			10,908,288	10,513,594
Public Works	6,266,443	6,351,659			6,266,443	6,351,659
Social Services	2,064,848	2,377,429			2,064,848	2,377,429
Education	56,093,074	55,683,900			56,093,074	55,683,900
Interest on Long-Term Debt	3,205,951	3,218,718			3,205,951	3,218,718
Water Fund			4,594,977	4,359,412	4,594,977	4,359,412
Total Expenses	82,338,190	81,960,322	4,594,977	4,359,412	86,933,167	86,319,734
Increase (decrease) to Net Assets	(1,039,627)	548,346	617,080	464,155	(422,547)	1,012,501
Net Assets Beginning of Year	71,535,550	70,987,204	21,685,829	21,221,674	93,221,379	92,208,878
Net Assets End of Year	<u>\$70,495,923</u>	<u>\$71,535,550</u>	<u>\$22,302,909</u>	<u>\$21,685,829</u>	<u>\$92,798,832</u>	<u>\$93,221,379</u>

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 \$6,461,203. The General Fund reported an unreserved fund deficit of \$1,125,975 representing approximately (-17.4%) of total fund balance of all governmental funds.

Reserved fund balances:

Encumbrances	\$ 54,700
Advances to Other Funds	<u>4,571,908</u>
Total Reserved Fund Balance	\$ 4,626,608

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 (\$1,963,157).

The Town of Cumberland's General Fund Budgetary Highlights

Reserves to fund balance as of June 30, 2010 include:

- Encumbrances reserved in the amount of \$54,700 and
- Reserved for advances to other funds in the amount of \$4,571,908.

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, which do not include General and Educational Aid from the State of Rhode Island, total \$58,228,466. The fund balance amount of \$3,445,933 equals 5.9 % of the total operating revenues. The fund balance was depleted in 2010 due to the late mailing of motor vehicle taxes due to the State's late decision to cut the motor vehicle excise tax program. This resulted in an approximate \$1,000,000 shortfall in expected revenue. This will be made up in the 2011 fiscal year.

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 \$131,949,654 net of accumulated depreciation at June 30, 2010. Included are land, building and improvements, construction in progress, motor vehicles, furniture and equipment, and infrastructure.

Major capital events during the fiscal year 2009-2010:

There were no major capital projects in 2009-2010.

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

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$18,995,057	\$19,006,430	\$196,599	\$196,599	\$19,191,656	\$19,203,029
Land Improvements	851,805	923,213			851,805	923,213
Building and Improvement	67,755,010	69,229,785	1,782,220	1,822,629	69,537,230	71,052,414
Construction in Progress	308,267	108,210	861,217	0	1,169,484	108,210
Motor Vehicles	712,810	833,889	87,456	118,755	800,266	952,644
Machinery and Equipment	2,325,404	2,654,501			2,325,404	2,654,501
Infrastructure	15,238,360	15,796,817	22,835,449	23,223,440	38,073,809	39,020,257
Total	\$106,186,713	\$108,552,845	\$25,762,941	\$25,361,423	\$131,949,654	\$133,914,268

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 \$32,310,000. Of this amount, \$1,255,400 comprised was bonded debt for the Enterprise Funds.

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

	<u>Governmental Activities 2010</u>	<u>Business-type Activities 2010</u>	<u>Total</u>
General obligation bonds Payable	\$31,054,600	\$1,255,400	\$32,310,000
Capital leases payable	887,307	0	887,307
Notes and loans payable	31,174,070	4,416,258	35,590,328
Totals	\$63,115,977	\$5,671,658	\$68,787,635

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 2010.

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 \$118,809,221 at year-end. The Town's outstanding general obligation debt subject to the limit is \$ 4,110,000 at year-end, which is \$114,699,221 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 2010-2011 Budget and Tax Rates

The Town of Cumberland's total general fund budget for fiscal year 2011 is \$76,220,999; which reflects a decrease of \$1,298,480 over the fiscal 2010 budget. In the Town's 2011 budget, \$50,658,001 or 66.4% is allocated for educational purposes and \$25,562,998, or 33.6% is budgeted for other purposes.

Of the \$50,658,001 budgeted for educational purposes, the State of Rhode Island is budgeted for fiscal year 2011 to contribute \$14,817,552 to the Town's education department and the Town is budgeted to contribute \$35,840,449. 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 2010 was \$13.15 per thousand for real estate, \$26.30 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 May 2010 unemployment rate for Cumberland of 10.8% compares favorably to the unemployment rate of the State of Rhode Island of 11.8% and unfavorably to the national rate of 9.3%. 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, 2010

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Current assets:			
Cash and cash equivalents	\$ 7,431,239	\$ 367,819	\$ 7,799,058
Restricted cash and cash equivalents	-	318,974	318,974
Investments	6,264	-	6,264
Real estate and personal property tax receivable, net	31,203,918	-	31,203,918
Water and sewer user fees receivable, net	170,749	2,986,795	3,157,544
Sewer assessments receivable	283,933	-	283,933
Due from federal and state government	2,087,685	4,385,557	6,473,242
Internal balances	4,689,409	(4,689,409)	-
Other receivables, net	373,898	13,104	387,002
Total current assets	<u>46,247,095</u>	<u>3,382,840</u>	<u>49,629,935</u>
Noncurrent assets:			
Sewer assessments receivable	2,367,249	-	2,367,249
Capital assets: (Note 2)			
Land	18,995,057	196,599	19,191,656
Depreciable buildings, property, equipment, infrastructure, net	86,883,389	24,705,125	111,588,514
Construction in progress	308,267	861,217	1,169,484
Capital assets, net	<u>106,186,713</u>	<u>25,762,941</u>	<u>131,949,654</u>
Other assets, net	1,002,527	91,588	1,094,115
Total noncurrent assets	<u>109,556,489</u>	<u>25,854,529</u>	<u>135,411,018</u>
Total assets	<u>155,803,584</u>	<u>29,237,369</u>	<u>185,040,953</u>
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	9,378,633	1,179,848	10,558,481
Accrued interest payable	784,465	30,933	815,398
Legal settlement payable - due within one year	124,837	-	124,837
Other commitments - due within one year	17,850	-	17,850
Long-term debt - due within one year (Note 7)	5,206,057	246,168	5,452,225
Total current liabilities	<u>15,511,842</u>	<u>1,456,949</u>	<u>16,968,791</u>
Noncurrent liabilities:			
Unearned revenue	2,367,249	-	2,367,249
Long-term debt - due in more than one year (Note 7)	58,276,913	5,427,859	63,704,772
Accrued compensated absences	2,388,026	49,652	2,437,678
Deferred salary	196,044	-	196,044
Other commitments - due in more than one year	303,450	-	303,450
Net pension obligation	1,103,868	-	1,103,868
Net other post employment benefit obligation	5,160,269	-	5,160,269
Total noncurrent liabilities	<u>69,795,819</u>	<u>5,477,511</u>	<u>75,273,330</u>
Total liabilities	<u>85,307,661</u>	<u>6,934,460</u>	<u>92,242,121</u>
Net Assets:			
Invested in capital assets, net of related debt	45,038,691	24,266,066	69,304,757
Restricted for:			
Specific projects and programs	3,759,607	-	3,759,607
Unrestricted	21,697,625	(1,963,157)	19,734,468
Total net assets	<u>\$ 70,495,923</u>	<u>\$ 22,302,909</u>	<u>\$ 92,798,832</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, 2010

<u><i>Functions/Programs</i></u>	<u><i>Expenses</i></u>	<u><i>Program Revenues</i></u>			<u><i>Net (Expense) Revenue and Changes in Net Assets</i></u>		
		<u><i>Charges for Services</i></u>	<u><i>Operating Grants and Contributions</i></u>	<u><i>Capital Grants and Contributions</i></u>	<u><i>Governmental Activities</i></u>	<u><i>Business-Type Activities</i></u>	<u><i>Total</i></u>
<i>Governmental Activities:</i>							
General government	\$ 3,393,965	\$ 1,279,384	\$ 1,000	\$ 269,057	\$ (1,844,524)	\$ -	\$ (1,844,524)
Community development	405,621	6,240	162,959	9,960	(226,462)	-	(226,462)
Public safety	10,908,288	721,962	142,314	66,889	(9,977,123)	-	(9,977,123)
Public works	6,266,443	1,119,573	-	-	(5,146,870)	-	(5,146,870)
Social services	2,064,848	113,800	422,236	-	(1,528,812)	-	(1,528,812)
Education	56,093,074	1,538,487	16,712,224	-	(37,842,363)	-	(37,842,363)
Interest on long-term debt	3,205,951	661,522	2,033,494	-	(510,935)	-	(510,935)
<i>Total governmental activities</i>	82,338,190	5,440,968	19,474,227	345,906	(57,077,089)	-	(57,077,089)
<i>Business-Type Activities:</i>							
Water	4,594,977	4,429,329	-	782,643	-	616,995	616,995
<i>Total business-type activities</i>	4,594,977	4,429,329	-	782,643	-	616,995	616,995
<i>Total</i>	\$ 86,933,167	\$ 9,870,297	\$ 19,474,227	\$ 1,128,549	(57,077,089)	616,995	(56,460,094)
<i>General Revenues:</i>							
Taxes:							
Property taxes							
					51,998,372	-	51,998,372
State aid and in lieu of taxes, unrestricted							
					3,175,396	-	3,175,396
Investment earnings							
					158,535	85	158,620
Miscellaneous							
					705,159	-	705,159
			<i>Total general revenues</i>		56,037,462	85	56,037,547
			<i>Change in net assets</i>		(1,039,627)	617,080	(422,547)
			<i>Net assets - beginning of year, as restated</i>		71,535,550	21,685,829	93,221,379
			<i>Net assets - end of year</i>		\$ 70,495,923	\$ 22,302,909	\$ 92,798,832

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

TOWN OF CUMBERLAND, RHODE ISLAND

*Balance Sheet
Governmental Funds
June 30, 2010*

	<u>General Fund</u>	<u>School Unrestricted Fund</u>	<u>Sewer Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and cash equivalents	\$ 6,704,262	\$ 90,247	\$ -	\$ 2,193,717	\$ 8,988,226
Investments	447	-	-	5,817	6,264
Real estate and personal property tax receivable (net)	30,924,305	-	-	-	30,924,305
Sewer use and assessment receivable	-	-	2,426,187	395,744	2,821,931
Due from federal and state governments	527,325	153,343	-	1,407,017	2,087,685
Due from other funds	3,585,096	9,476,002	-	1,555,060	14,616,158
Advances to other funds	4,571,908	-	-	-	4,571,908
Other receivables	35,955	4,935	-	236,626	277,516
Other assets	171,250	136,500	-	-	307,750
Total assets	<u>\$ 46,520,548</u>	<u>\$ 9,861,027</u>	<u>\$ 2,426,187</u>	<u>\$ 5,793,981</u>	<u>\$ 64,601,743</u>
Liabilities and Fund Balances					
Liabilities:					
Cash overdraft	\$ -	\$ 1,550,660	\$ -	\$ 6,327	\$ 1,556,987
Accounts payable and accrued expenditures	1,473,004	5,616,964	2,101	490,459	7,582,528
Due to other funds	10,058,621	10,962	-	1,727,028	11,796,611
Advances from other funds	-	-	1,701,094	907,657	2,608,751
Advance from pension trust fund	1,195,027	-	-	-	1,195,027
Deferred revenues	29,749,972	-	2,426,187	626,486	32,802,645
Due to federal and state governments	75,433	-	-	-	75,433
Other liabilities	522,558	-	-	-	522,558
Total liabilities	<u>43,074,615</u>	<u>7,178,586</u>	<u>4,129,382</u>	<u>3,757,957</u>	<u>58,140,540</u>
Fund Balances (Deficits):					
Reserved for:					
Encumbrances	-	54,700	-	-	54,700
Advances to other funds	4,571,908	-	-	-	4,571,908
Unreserved:					
Designated for capital and other projects	-	861,000	-	-	861,000
Designated for 2011 budget	-	581,840	-	-	581,840
Undesignated	(1,125,975)	1,184,901	(1,703,195)	-	(1,644,269)
Unreserved, reported in:					
Special revenue funds	-	-	-	2,031,261	2,031,261
Capital project funds	-	-	-	4,763	4,763
Total fund balances (deficits)	<u>3,445,933</u>	<u>2,682,441</u>	<u>(1,703,195)</u>	<u>2,036,024</u>	<u>6,461,203</u>
Total liabilities and fund balances	<u>\$ 46,520,548</u>	<u>\$ 9,861,027</u>	<u>\$ 2,426,187</u>	<u>\$ 5,793,981</u>	<u>\$ 64,601,743</u>

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, 2010

Total Fund Balances - Total Governmental Funds	\$ 6,461,203
 Amounts reported for Governmental Activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.	106,186,713
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.	279,613
Other long-term receivables are not available to pay for current period expenditures and, therefore, are deferred in Governmental Funds financial statements.	401,491
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.	283,933
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.	29,749,972
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.	(784,465)
Long-term liabilities (including bonds and notes payable, capital leases, legal settlements, compensated absences, net other post employment benefit obligations, deferred salary, other commitments, and net pension 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.	(72,777,314)
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>694,777</u>
 Net Assets of Governmental Activities	 <u><u>\$ 70,495,923</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, 2010

	<i>General Fund</i>	<i>School Unrestricted Fund</i>	<i>Sewer Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
Revenues:					
General property taxes and interest	\$ 50,793,960	\$ -	\$ -	\$ -	\$ 50,793,960
Investment and interest income	158,398	-	-	137	158,535
Other local and departmental revenue	1,680,894	-	1,165,970	1,782,529	4,629,393
Federal and State aid and grants	5,418,891	12,531,281	-	4,978,467	22,928,639
Other revenues	176,323	808,619	-	580,808	1,565,750
Total revenues	<u>58,228,466</u>	<u>13,339,900</u>	<u>1,165,970</u>	<u>7,341,941</u>	<u>80,076,277</u>
Expenditures:					
<i>Current:</i>					
General government	1,754,952	-	-	337,402	2,092,354
Community development	199,760	-	-	144,125	343,885
Public safety	5,544,784	-	-	206,959	5,751,743
Public works	4,866,609	-	265,178	184,263	5,316,050
Social services	1,611,368	-	-	225,411	1,836,779
Other	246,656	-	-	-	246,656
Employee benefits	3,568,765	-	-	-	3,568,765
Education	-	49,222,938	-	3,560,065	52,783,003
Cafeteria	-	-	-	1,189,079	1,189,079
Debt service	6,590,112	-	906,758	130,000	7,626,870
Capital outlay	212,060	-	-	-	212,060
Total expenditures	<u>24,595,066</u>	<u>49,222,938</u>	<u>1,171,936</u>	<u>5,977,304</u>	<u>80,967,244</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>33,633,400</u>	<u>(35,883,038)</u>	<u>(5,966)</u>	<u>1,364,637</u>	<u>(890,967)</u>
Other financing sources (uses):					
Capital lease proceeds	75,411	-	-	-	75,411
Transfers from other funds	942,254	36,202,474	-	83,282	37,228,010
Transfers to other funds	(36,285,756)	-	(30,000)	(912,254)	(37,228,010)
Total other financing sources (uses)	<u>(35,268,091)</u>	<u>36,202,474</u>	<u>(30,000)</u>	<u>(828,972)</u>	<u>75,411</u>
Net change in fund balances	(1,634,691)	319,436	(35,966)	535,665	(815,556)
Fund balances (deficits), beginning 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>
Fund balances (deficits), end of year	<u>\$ 3,445,933</u>	<u>\$ 2,682,441</u>	<u>\$ (1,703,195)</u>	<u>\$ 2,036,024</u>	<u>\$ 6,461,203</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, 2010

Net Changes in Fund Balances - Total Governmental Funds	\$ (815,556)
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.	735,089
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.	(3,089,848)
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.	(11,373)
Long-term compensated absences, deferred salary, net pension obligation 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 deferred salary, net pension obligation 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.	(3,786,895)
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.	4,751,823
This amount represents lease proceeds.	(75,411)
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.	47,593
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.	299,182
Revenues in the Statement of Activities that are not available in Governmental Funds are not reported as revenue in the Governmental Funds.	934,477
Change in Net Assets of Governmental Activities	\$ (1,039,627)

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, 2010

	<u><i>Enterprise Funds</i></u>
	<u><i>Water Fund</i></u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 367,819
Restricted cash and cash equivalents	318,974
Accounts receivable:	
Water user fees, less allowance for uncollectible accounts of \$149,070	2,986,795
Other	13,104
Due from state	4,385,557
Total current assets	<u>8,072,249</u>
Noncurrent assets:	
Capital assets:	
Non-depreciable assets	1,057,816
Depreciable assets - net	24,705,125
Other assets - net	91,588
Total noncurrent assets	<u>25,854,529</u>
Total assets	<u>33,926,778</u>
Liabilities	
Current liabilities:	
Accounts payable and accrued expenses	1,179,848
Accrued interest payable	30,933
Due to other funds	2,726,252
Current portion of long term debt	246,168
Total current liabilities	<u>4,183,201</u>
Noncurrent liabilities:	
Advances from other funds	1,963,157
Accrued compensated absences	49,652
Loan payable	4,415,490
General obligation bonds payable	1,012,369
Total noncurrent liabilities	<u>7,440,668</u>
Total liabilities	<u>11,623,869</u>
Net assets	
Investment in capital assets, net of related debt	24,266,066
Unrestricted	(1,963,157)
Total net assets	<u>\$ 22,302,909</u>

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, 2010

	Enterprise Funds
	Water Fund
Operating revenues	
User fees and charges	\$ 4,342,176
Other revenues	87,153
Total operating revenues	4,429,329
 Operating expenses	
Personnel services	1,215,490
Maintenance and servicing	174,675
Operating supplies	414,081
Fixed and general charges	2,094,023
Depreciation and amortization	497,156
Total operating expenses	4,395,425
 Operating income	33,904
 Nonoperating revenues (expenses)	
Interest income	85
Interest expense	(199,552)
Total nonoperating revenues (expenses)	(199,467)
 Loss before contributions	(165,563)
Capital contributions and grants	782,643
 Change in net assets	617,080
 Total net assets - beginning of year	21,685,829
 Total net assets - end of year	\$ 22,302,909

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, 2010

	<u><i>Enterprise Funds</i></u>
	<u><i>Water Fund</i></u>
<i>Cash flows from operating activities</i>	
Cash received from customers	\$ 4,245,808
Cash payments to suppliers for goods and services	(2,595,638)
Cash payments to employees for services	(1,208,766)
<i>Net cash provided by operating activities</i>	<u>441,404</u>
<i>Cash flows from non-capital financing activities</i>	
Proceeds from revenue anticipation note	1,400,000
Principal paid on revenue anticipation note	(1,400,000)
Interfund transactions	484,507
<i>Net cash provided by non-capital financing activities</i>	<u>484,507</u>
<i>Cash flows from capital and related financing activities</i>	
Acquisition and construction of capital assets	(249,581)
Proceeds from loan	572,116
Capital contributions and grants	74,540
Principal paid on bonds and loans	(537,700)
Interest paid on bonds, loans, and interfund balance	(181,674)
<i>Net cash used for capital and related financing activities</i>	<u>(322,299)</u>
<i>Cash flows from investing activities</i>	
Investment income	85
<i>Net cash provided by investing activities</i>	<u>85</u>
<i>Net increase in cash and cash equivalents</i>	603,697
<i>Cash and cash equivalents, beginning of year</i>	<u>83,096</u>
<i>Cash and cash equivalents, end of year</i>	<u><u>\$ 686,793</u></u>
<i>Noncash capital and related financing activities:</i>	
Increase in capital assets	\$ 733,605
Increase in due from state	3,766,590
Increase in other assets	77,552
Increase in loans payable	3,844,142

(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, 2010

	<i>Enterprise Funds</i>
	<i>Water Fund</i>
<i>Reconciliation of operating income to net cash provided by operating activities</i>	
Operating income	\$ 33,904
<i>Adjustments to reconcile operating income to net cash provided by operating activities:</i>	
Depreciation and amortization	497,156
Bad debt expense	74,487
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(174,096)
(Increase) decrease in other receivables	(2,096)
Increase (decrease) in accounts payable and accrued expenses	16,700
Increase (decrease) in compensated absences	(4,651)
<i>Net cash provided by operating activities</i>	\$ 441,404

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, 2010

	<i>Pension Trust Fund</i>	<i>Private- Purpose Trust Funds</i>	<i>Agency Funds</i>
Assets			
Cash and cash equivalents	\$ 145,759	\$ 258,170	\$ 431,960
Investments at fair value:			
U.S. government obligations	217,860	-	-
Corporate bonds	3,000,293	-	-
Common stock	3,311,840	-	-
Mutual funds - equity	529,668	-	-
Accrued interest receivable	39,070	-	-
Due from other funds	-	-	3,087
Advance to General Fund	1,195,027	-	-
Other receivables	21,044	-	-
	Total assets	258,170	435,047
 Liabilities			
Due to other funds	-	-	96,382
Deposits held in custody for others	-	-	338,665
	Total liabilities	-	435,047
 Net Assets			
Held in trust for pension benefits and other purposes	\$ 8,460,561	\$ 258,170	\$ -

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, 2010

	<u><i>Pension Trust Funds</i></u>	<u><i>Private- Purpose Trust Funds</i></u>
<i>Additions</i>		
Contributions:		
Employer	\$ 211,425	\$ -
Plan member	191,206	-
Total contributions	<u>402,631</u>	<u>-</u>
Investment income:		
Net appreciation in fair value of investments	592,799	-
Interest and dividends	233,603	312
Less: investment expense	<u>(66,892)</u>	<u>-</u>
Net investment income	<u>759,510</u>	<u>312</u>
Other revenue	<u>-</u>	<u>25,916</u>
<i>Total additions</i>	<u>1,162,141</u>	<u>26,228</u>
<i>Deductions</i>		
Benefits	1,105,676	-
Scholarships	<u>-</u>	<u>22,429</u>
<i>Total deductions</i>	<u>1,105,676</u>	<u>22,429</u>
<i>Change in net assets</i>	56,465	3,799
<i>Net assets - beginning of year</i>	<u>8,404,096</u>	<u>254,371</u>
<i>Net assets - end of year</i>	<u><u>\$ 8,460,561</u></u>	<u><u>\$ 258,170</u></u>

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

TOWN OF CUMBERLAND, RHODE ISLAND

Notes to Financial Statements

June 30, 2010

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, 2010

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, 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, 2010

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 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, 2010

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 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 benefit 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 April 2010 and other delinquent balances are recorded as receivables.

TOWN OF CUMBERLAND, RHODE ISLAND

Notes to Financial Statements

June 30, 2010

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 and improvements	20-50 years
Mains, valves and laterals	50-100 years
Standpipes and wells	10-50 years
Equipment and vehicles	5-25 years
Infrastructure	30-50 years
Land improvements	15-30 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, 2010 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, 2010.

TOWN OF CUMBERLAND, RHODE ISLAND

Notes to Financial Statements

June 30, 2010

J. PROPERTY TAXES

The Town is permitted by State Law to levy property taxes. The Town's fiscal 2009-2010 property taxes were levied in April 2010 on assessed valuation as of December 31, 2009. 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. Motor vehicle property tax bills for the 2010 year were not mailed until after June 30, 2010 and hence are not included in the property tax receivable balance at June 30, 2010.

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, 2010.

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, 2010

NOTE 2 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June, 30, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
Nondepreciable assets:				
Land	\$ 19,006,430	\$ -	\$ 11,373	\$ 18,995,057
Construction in progress	108,210	200,057	-	308,267
	<u>19,114,640</u>	<u>200,057</u>	<u>11,373</u>	<u>19,303,324</u>
Depreciable assets:				
Land improvements	1,455,735	-	-	1,455,735
Infrastructure	27,975,915	48,584	-	28,024,499
Buildings and improvements	84,118,919	211,684	-	84,330,603
Machinery and equipment	3,845,842	166,253	-	4,012,095
Vehicles	3,763,523	108,511	-	3,872,034
	<u>121,159,934</u>	<u>535,032</u>	<u>-</u>	<u>121,694,966</u>
Total Capital Assets	<u>140,274,574</u>	<u>735,089</u>	<u>11,373</u>	<u>140,998,290</u>
Less accumulated depreciation for:				
Land improvements	532,522	71,408	-	603,930
Infrastructure	12,179,098	607,041	-	12,786,139
Buildings and improvements	14,889,134	1,686,459	-	16,575,593
Machinery and equipment	1,191,341	495,350	-	1,686,691
Vehicles	2,929,634	229,590	-	3,159,224
Total Accumulated Depreciation	<u>31,721,729</u>	<u>3,089,848</u>	<u>-</u>	<u>34,811,577</u>
Governmental Activities Capital Assets, Net	<u>\$108,552,845</u>	<u>\$(2,354,759)</u>	<u>\$ 11,373</u>	<u>\$ 106,186,713</u>
Business-Type Activities				
Nondepreciable assets:				
Land	\$ 196,599	\$ -	\$ -	\$ 196,599
Construction in progress	-	861,217	-	861,217
	<u>196,599</u>	<u>861,217</u>	<u>-</u>	<u>1,057,816</u>
Depreciable assets:				
Buildings	2,444,492	-	-	2,444,492
Mains, laterals, standpipes and other	33,022,981	31,140	-	33,054,121
Vehicles	400,315	-	-	400,315
	<u>35,867,788</u>	<u>31,140</u>	<u>-</u>	<u>35,898,928</u>
Total Capital Assets	<u>36,064,387</u>	<u>892,357</u>	<u>-</u>	<u>36,956,744</u>
Less accumulated depreciation for:				
Buildings	621,863	40,409	-	662,272
Mains, laterals, standpipes and other	9,799,541	419,131	-	10,218,672
Vehicles	281,560	31,299	-	312,859
Total Accumulated Depreciation	<u>10,702,964</u>	<u>490,839</u>	<u>-</u>	<u>11,193,803</u>
Business-Type Activities Capital Assets, Net	<u>\$ 25,361,423</u>	<u>\$ 401,518</u>	<u>\$ -</u>	<u>\$ 25,762,941</u>

TOWN OF CUMBERLAND, RHODE ISLAND

Notes to Financial Statements

June 30, 2010

Depreciation expense was charged to functions as follows:

General Government	\$ 18,223
Public safety	234,882
Public works	764,505
Social services	122,537
Education	1,949,701
Total Depreciation Expense	\$ 3,089,848

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 \$118,809,221. As of June 30, 2010, the Town’s debt subject to the debt limit is \$4,110,000 and the Town is under the debt limit by \$114,699,221. 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, 2010:

Open Space	\$(212,996)
School Improvements 2004	(314,029)
CHS 2010 Phase III	(253,580)
Water Fund	(1,963,157)
Sewer Fund	(1,703,195)
Sewer – Ferncrest & Willow	(121,744)
Library Bond	(20,305)
Tucker Field Phase II	(25,353)
General Fund	(1,125,975)

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” and “Cash Overdraft.”

	<u>Carrying Amount</u>
Total Deposits	\$8,218,633
Add: Cash on hand	110,394
Add: Investments classified as cash equivalents	624,894
Total Cash and Cash Equivalents Reported in the Financial Statements	\$8,953,921

Water Fund cash and cash equivalents of \$318,974 are restricted for a debt service reserve in accordance with a trust indenture.

TOWN OF CUMBERLAND, RHODE ISLAND

Notes to Financial Statements

June 30, 2010

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, 2010, \$8,222,320 of the Town’s bank balance of \$9,875,683 was exposed to custodial credit risk as follows:

	<u>Bank Balance</u>
Insured (Federal depository insurance funds)	\$1,653,363
Collateralized with securities held by pledging financial institution or its agent in the Town’s name	3,809,957
Uninsured and uncollateralized	4,412,363
Total	\$9,875,683

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, 2010 the Town's uncollateralized deposits with an institution was \$4,412,363.

NOTE 5 – INVESTMENTS

As of June 30, 2010, the Town had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
MBIA RI Investment Pool	N/A	\$ 166,425	Not rated
Prime Obligation Fund	N/A	145,759	Not rated
Fidelity Governmental Fund	N/A	318,974	AAAm
US Government Obligation - FFCB	08/16/2011	105,281	Aaa
US Government Obligation - FNMA	10/02/2013	112,579	Aaa
Corporate Bond	02/15/2014	109,524	A2
Corporate Bond	05/27/2020	73,331	A1
Corporate Bond	09/15/2012	104,081	A2
Corporate Bond	09/15/2014	77,784	A2
Corporate Bond	05/15/2012	84,932	Aa2
Corporate Bond	01/15/2020	105,562	A1
Corporate Bond	04/15/2014	112,128	A2
Corporate Bond	05/15/2017	222,318	A2
Corporate Bond	12/06/2017	217,482	Aa2
Corporate Bond	01/15/2012	158,646	A1

TOWN OF CUMBERLAND, RHODE ISLAND

Notes to Financial Statements

June 30, 2010

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
Corporate Bond	04/01/2018	235,692	A1
Corporate Bond	05/01/2015	533,480	A1
Corporate Bond	07/15/2018	79,434	Aaa
Corporate Bond	03/06/2014	217,306	A1
Corporate Bond	01/15/2016	113,473	A2
Corporate Bond	06/01/2018	332,343	Aa3
Corporate Bond	05/16/2013	108,153	A2
Corporate Bond	12/15/2017	114,624	A2
Common Stock	N/A	3,311,840	Not rated
Mutual Funds - Equity	N/A	529,668	Not rated
		<hr/>	
		7,690,819	
Less: Investments classified as cash equivalents		(624,894)	
		<hr/>	
Total Investments Reported in the		\$7,065,925	
Financial Statements		<hr/>	

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

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.

TOWN OF CUMBERLAND, RHODE ISLAND

Notes to Financial Statements

June 30, 2010

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. The Town’s investments in the following issuers represent more than 5% of total investments as follows:

<u>Issuer</u>	<u>Amount</u>	<u>% of Total Investments</u>
Goldman Sachs Group	\$447,109 (\$394,338 bonds and \$52,771 stock)	5.8%
JP Morgan Chase	\$600,110 (\$533,480 bonds and \$66,630 stock)	7.8%
PepsiCo Inc.	\$411,578 (\$332,343 bonds and \$79,235 stock)	5.4%

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, U.S government obligations and common 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 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, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
General obligation tax anticipation notes	\$ -	\$14,000,000	\$14,000,000	\$ -
General obligation revenue anticipation notes	\$ -	\$1,400,000	\$1,400,000	\$ -

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2010

NOTE 7 – LONG-TERM LIABILITIES

A. Long-term liability activity for the year ended June 30, 2010 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, loans, and capital leases payable:					
Bonds payable	\$33,951,900	\$ -	\$ 2,897,300	\$ 31,054,600	\$ 3,239,600
Notes and loans payable	32,541,853	-	1,367,783	31,174,070	1,639,896
Capital lease payable	1,298,637	75,411	486,741	887,307	326,561
Plus amortized premium bonds	853,654	-	63,665	789,989	-
Less deferred amounts on refunding	(477,480)	-	(54,484)	(422,996)	-
Total bonds, notes, loans, and capital leases payable	68,168,564	75,411	4,761,005	63,482,970	5,206,057
Other liabilities:					
Legal settlement payable	424,019	-	299,182	124,837	124,837
Deferred salary	246,713	-	50,669	196,044	-
Compensated absences	2,459,429	-	71,403	2,388,026	-
Net other post employment benefit obligation	2,355,169	2,805,100	-	5,160,269	-
Net pension obligation	-	1,103,868	-	1,103,868	-
Other commitments	339,150	-	17,850	321,300	17,850
Governmental activities Long-term liabilities	\$73,993,044	\$ 3,984,379	\$ 5,200,109	\$ 72,777,314	\$ 5,348,744
Business-Type Activities:					
Bonds payable	\$ 1,793,100	\$ -	\$ 537,700	\$ 1,255,400	\$ 245,400
Loan payable	-	4,416,258	-	4,416,258	768
Plus amortized premium bonds	24,790	-	4,718	20,072	-
Less deferred amounts on refunding	(32,770)	-	(15,067)	(17,703)	-
Total bonds and loans payable	1,785,120	4,416,258	527,351	5,674,027	246,168
Compensated absences	54,303	-	4,651	49,652	-
Business-type activities Long-term liabilities	\$ 1,839,423	\$ 4,416,258	\$ 532,002	\$ 5,723,679	\$ 246,168

TOWN OF CUMBERLAND, RHODE ISLAND

Notes to Financial Statements

June 30, 2010

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, 2010 were as follows:

<u>Fiscal Year Ended June 30,</u>	Governmental Activities Lease Payment Requirements
2011	\$358,243
2012	308,339
2013	279,401
Total minimum lease payments	<u>945,983</u>
Less: Amount representing interest cost	<u>(58,676)</u>
Present value of minimum lease payments	<u><u>\$887,307</u></u>

Equipment and vehicles are reported as machinery and equipment or vehicles in the statement of net assets at a cost of \$1,617,560. Amortization of assets acquired under capital leases is included in depreciation expense for the year ended June 30, 2010.

C. GENERAL OBLIGATION BONDS DEBT SERVICE REQUIREMENTS

The debt service requirements at June 30, 2010, were as follows:

<u>Fiscal Year Ending June 30,</u>	Governmental Activities General Obligation Bonds		Business Type Activities General Obligation Bonds	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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	2,890,000	813,497	110,000	13,201
2016-2020	11,330,000	2,449,233	240,000	11,538
2021-2025	5,225,000	587,072	-	-
2026	235,000	10,575	-	-
	<u><u>\$31,054,600</u></u>	<u><u>\$8,123,156</u></u>	<u><u>\$1,255,400</u></u>	<u><u>\$148,289</u></u>

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
 June 30, 2010

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, 2009</u>	<u>New Issues</u>	<u>Maturities During Year</u>	<u>Outstanding June 30, 2010</u>
Governmental Activities:								
School Bond (Refunding)	06/10/08	2.00%-3.45%	08/01/14	\$ 3,570,000	\$ 3,135,000	\$ -	\$ 465,000	\$ 2,670,000
Library Bond (Refunding)	06/10/08	2.00%-4.76%	08/01/18	2,850,000	2,690,000	-	230,000	2,460,000
School Bond (Refunding)	06/10/08	2.00%-4.75%	08/01/18	5,740,000	5,420,000	-	465,000	4,955,000
Open Space Bond	03/15/02	4.00%-5.50%	10/01/21	1,500,000	1,200,000	-	70,000	1,130,000
School Bond	03/15/02	4.00%-5.50%	10/01/21	3,000,000	2,370,000	-	130,000	2,240,000
Judgment Bond	03/15/02	4.00%-5.50%	10/01/16	500,000	305,000	-	30,000	275,000
Judgment Bond	06/10/08	5.14%	06/01/18	1,130,000	1,015,000	-	115,000	900,000
Roads Improvement Bond (Refunding)	03/15/02	4.00%-5.50%	10/01/10	1,392,000	359,000	-	175,000	184,000
Recreation Bond (Refunding)	03/15/02	4.00%-5.50%	10/01/10	360,000	92,800	-	45,300	47,500
Open Space Bond (Refunding)	03/15/02	4.00%-5.50%	10/01/10	670,000	172,700	-	84,000	88,700
School Bond	02/01/03	2.30%-4.30%	02/01/23	5,000,000	3,500,000	-	250,000	3,250,000
High School Improvements	03/15/04	3.75%-5.00%	03/15/24	5,500,000	5,240,000	-	130,000	5,110,000
Road Improvements	03/15/04	3.50%-5.00%	03/15/24	2,000,000	1,900,000	-	50,000	1,850,000
Library Bond	03/15/04	3.50%-3.75%	03/15/24	400,000	380,000	-	10,000	370,000
School Bond	03/15/04	3.50%-5.00%	03/15/24	500,000	480,000	-	10,000	470,000
School Bond	05/01/06	4.00%-5.00%	05/01/26	3,000,000	2,815,000	-	110,000	2,705,000
Sewer Bond (Refunding)	06/10/08	2.00%-4.77%	08/01/18	2,015,000	1,900,000	-	160,000	1,740,000
Sewer Bond (Refunding)	06/10/08	2.00%-4.81%	08/01/16	285,000	270,000	-	25,000	245,000
Sewer Bond (Refunding)	03/15/02	4.00%-5.50%	10/01/10	2,735,000	707,400	-	343,000	364,400
Total Governmental Activities				<u>42,147,000</u>	<u>33,951,900</u>	<u>-</u>	<u>2,897,300</u>	<u>31,054,600</u>
Business Type Activities:								
Water Bond (Refunding)	03/15/02	4.00%-5.50%	10/01/12	1,512,000	643,100	-	147,700	495,400
Water Bond (Refunding)	06/10/08	2.00%-4.74%	08/01/16	915,000	860,000	-	100,000	760,000
Water Bond (Refunding)	06/10/08	2.00%-3.00%	08/01/09	565,000	290,000	-	290,000	-
Total Business Type Activities				<u>2,992,000</u>	<u>1,793,100</u>	<u>-</u>	<u>537,700</u>	<u>1,255,400</u>
Total Bonds				<u>\$ 45,139,000</u>	<u>\$ 35,745,000</u>	<u>\$ -</u>	<u>\$ 3,435,000</u>	<u>\$ 32,310,000</u>

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2010

E. NOTES AND LOANS 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 Loan	05/14/2008	\$30,000,000	3.5-5%	04/01/2010-2028
RI Clean Water Sewer Loan	03/10/1993	3,000,000	3.56%	09/01/1996-2015
RI Clean Water Sewer Loan	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
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
RI Clean Water Loan	11/19/2009	5,750,000	1.15-4.04%	09/01/2010-2030

On November 19, 2009 the Town entered into a loan agreement with Rhode Island Clean Water Finance Agency in the amount of \$5,750,000. The loan agreement includes ARRA principal forgiveness of \$1,333,742 for a net loan amount of \$4,416,258 that will be repaid by the Town. The loan proceeds are to be used by the Town for various water system projects. The Agency pays project invoices certified by the Town directly to the contractors or reimburses the Town for costs incurred on the projects. As of June 30, 2010 a loan payable of \$4,416,258 is reflected in the Water Fund. A due from the Rhode Island Clean Water Finance Agency of \$3,766,590 is shown for that portion of the \$4,416,258 net loan which has not been advanced as of June 30, 2010. The Town is responsible to drawdown the full loan amount and to repay the net loan amount. The loan is secured by a pledge of water system revenues.

The debt service requirements for the above notes payable at June 30, 2010 were as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 1,639,896	\$ 1,415,839	\$ 768	\$ 98,060
2012	1,473,024	1,327,787	163,594	153,923
2013	1,441,711	1,260,599	165,898	151,137
2014	1,494,500	1,201,686	168,970	147,677
2015	1,548,222	1,131,118	172,810	143,478
2016-2020	7,749,474	4,622,482	945,463	631,750
2021-2025	9,272,243	2,815,990	1,126,722	445,290
2026-2030	6,555,000	629,619	1,364,048	202,887
2031	-	-	307,985	6,220
	<u>\$31,174,070</u>	<u>\$14,405,120</u>	<u>\$4,416,258</u>	<u>\$1,980,422</u>

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2010

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 beginning in fiscal year 2009 without interest in equal payments of \$17,850.

NOTE 8 – OPERATING LEASES

As of June 30, 2010, the Town is committed for the lease of office equipment. The lease is considered an operating lease. Rental expenditures for the year ended June 30, 2010 amounted to approximately \$1,014.

Future minimum lease payments are as follows:

<u><i>Fiscal Year Ending June 30,</i></u>	
2011	\$1,014
2012	1,014
2013	929
	<u>\$2,957</u>

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2010

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>Agency Funds</i>	
<i>Due To:</i>							
General Fund	\$ -	\$ 2,828	\$ 1,667,291	\$ 4,689,409	\$ 1,701,094	\$ 96,382	\$ 8,157,004
School Unrestricted	8,508,608	-	967,394	-	-	-	9,476,002
Nonmajor Governmental Funds	1,550,013	5,047	-	-	-	-	1,555,060
Pension Trust Fund	1,195,027	-	-	-	-	-	1,195,027
Agency Funds	-	3,087	-	-	-	-	3,087
Total	\$11,253,648	\$ 10,962	\$2,634,685	\$4,689,409	\$1,701,094	\$ 96,382	\$20,386,180

Included above are loans made to provide financing resources to the following funds: \$1,701,094 Sewer; \$1,963,157 Water; \$103,894 Sewer - Ferncrest & Willow; \$253,580 CHS 2010 Phase III; \$314,029 School Improvements 2004; \$20,305 Library Bond; \$190,496 Open Space; \$25,353 Tucker Field House Phase II; and \$1,195,027 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	\$ -	\$ 912,254	\$ 30,000	\$ 942,254
Unrestricted Fund	36,202,474	-	-	36,202,474
Nonmajor Governmental Funds	83,282	-	-	83,282
Total	\$36,285,756	\$ 912,254	\$ 30,000	\$37,228,010

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 \$36,202,474 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, 2010

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, 2010, reservations and designations of fund balance are described below:

Reserved for encumbrances – to reserve for encumbrances outstanding at June 30, 2010.

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, 2010.

Designated for 2011 budget – to designate the portion of the School Unrestricted Fund fund balance budgeted to be used in fiscal year 2011.

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, except for sewer assessments receivable which are payable over 20 years. 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	\$1,051,897
Water Fund – Water use fees receivable	149,070

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2010

B. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The accounts payable and accrued liabilities at June 30, 2010, were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Other</u>	<u>Total</u>
Governmental Activities:				
General Fund	\$ 822,641	\$ 650,363	\$ -	\$ 1,473,004
School Unrestricted Fund	1,532,466	4,084,498	-	5,616,964
Sewer Fund	750	1,351	-	2,101
Other Governmental Funds	467,122	5,487	17,850	490,459
Reconciliation of balances in fund financial statements to government wide financial statements	-	-	1,796,105	1,796,105
Total Governmental Activities	<u>\$ 2,822,979</u>	<u>\$ 4,741,699</u>	<u>\$ 1,813,955</u>	<u>\$ 9,378,633</u>
Business-Type Activities:				
Water Fund	<u>\$ 1,131,798</u>	<u>\$ 38,004</u>	<u>\$ 10,046</u>	<u>\$ 1,179,848</u>
Total Business-Type Activities	<u>\$ 1,131,798</u>	<u>\$ 38,004</u>	<u>\$ 10,046</u>	<u>\$ 1,179,848</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 18. 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, 2010, 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, 2010, the Town contributed \$1,166,224 to the plan.

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2010

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)	\$3,973,000
Interest on net OPEB obligation	94,207
Adjustment to annual required contribution	<u>(95,883)</u>
Annual OPEB cost	3,971,324
Contributions made	<u>(1,166,224)</u>
Increase in net OPEB obligation	2,805,100
Net OPEB obligation, beginning of year	<u>2,355,169</u>
Net OPEB obligation, end of year	<u><u>\$5,160,269</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2009 and 2010 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	37.08%	\$2,355,169
6/30/10	\$3,971,324	29.37%	\$5,160,269

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)	<u><u>\$46,872,000</u></u>
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, 2010

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 2010 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, 2010

NOTE 14 – SUMMARY DISCLOSURE OF SIGNIFICANT COMMITMENTS AND CONTINGENCIES

A. LITIGATION

The Town has several tax appeal cases that relate to tax years 2005 through 2009 that are pending in Providence Superior Court. The potential liability to the Town, if any, or an evaluation of the outcome of 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 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 \$249,676 of credits in fiscal years 2009 and 2010. The amount of \$124,837 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, 2010 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.

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. "Incurred but not reported claims" as of June 30, 2010 are estimated to be \$383,830. The Town has provided a required deposit in the amount of \$307,000 to Blue Cross.

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2010

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

Changes in the claims liability for the past two fiscal years were:

	<i><u>Beginning Fiscal Year Liability</u></i>	<i><u>Current Year Claims and Changes In Estimate</u></i>	<i><u>Claims Payments</u></i>	<i><u>Balance Fiscal Year End</u></i>
2008-2009	\$400,169	\$8,761,347	\$8,589,368	\$572,148
2009-2010	\$572,148	\$8,152,818	\$8,341,136	\$383,830

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. Settled claims resulting from these risks have not exceeded Trust or commercial coverage in any of the past three fiscal years.

The Town is self-insured for unemployment benefits. There were no “incurred but not reported” claims as of June 30, 2010.

NOTE 16 – SUBSEQUENT EVENTS

- A. On July 27, 2010, the Town issued \$4,000,000 in General Obligation Tax Anticipation Notes, which bear interest of 1.5% and mature on June 15, 2011.

NOTE 17 – PRIOR PERIOD ADJUSTMENTS AND RESTATEMENTS

A prior period adjustment of \$(81,221) was recorded to beginning net assets in the Governmental Activities to correct the prior year compensated absence liability. A prior period adjustment of \$(181,360) was also recorded to beginning net assets in the Governmental Activities to correct the prior year net other postemployment benefit obligation.

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2010

NOTE 18 – 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, 2010 was \$25,270,058.

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. 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.

Retirement Eligibility:

(i) Grandfathered Schedule A members – members with at least 10 years of contributory service at June 30, 2005 and eligible for retirement at September 30, 2009 – are eligible to retire on or after age 60 if they have credit for 10 years of service, or at any age if they have credit for 28 years of service.

(ii) Schedule B members – members with less than 10 years of contributory service as of June 30, 2005 – and members hired on or after that date are eligible for retirement on or after age 65 if they have credit for 10 years of service, or on or after age 62 if they have credit for 29 years of service. In addition, a member who attains age 62 with at least 20 years of service credit may retire with an actuarially reduced retirement benefit. The reduction is based on the difference between 65 and the member's age of retirement.

(iii) Schedule A members who are not grandfathered i.e., members who had at least 10 years of creditable service at June 30, 2005 but who were not eligible to retire on September 30, 2009, will be eligible for retirement at an individually determined age. This age is the result of interpolating between the retirement age under the rules applicable to grandfathered employees in (i) above and the retirement age applicable to members hired after September 30, 2009 in (ii) above. The interpolation is based on service as of September 30, 2009 divided by projected service at the retirement age under (i) above.

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2010

Monthly Benefit:

The retirement benefit is a percentage of the member's monthly final average compensation (FAC). For members eligible to retire as of September 30, 2009, their FAC will be based on the highest three consecutive annual salaries. For members not eligible to retire as of September 30, 2009, their FAC will be based on the highest five consecutive years of salary. Monthly benefits are based on one-twelfth of this amount. The percentage is a function of the member's service as described below.

(i) For grandfathered Schedule A members (members with at least 10 years of contributory service at June 30, 2005 and eligible for retirement as September 30, 2009), benefits are based under this schedule (Schedule A):

<u>For Service In:</u>	<u>Years</u>	<u>Benefit Percentage Earned</u>
The first 10 years of service	1-10	1.7% per year
The next 10 years of service	11-20	1.9% per year
The next 14 years of service	21-34	3.0% per year
The next 1 year of service	35	2.0% per year

The maximum benefit is 80% of FAC.

(ii) For Schedule B members (members with less than 10 years of contributory service as of June 30, 2005) and for all future hires, benefits are based on the following schedule (Schedule B):

<u>For Service In:</u>	<u>Years</u>	<u>Benefit Percentage Earned</u>
The first 10 years of service	1-10	1.6% per year
The next 10 years of service	11-20	1.8% per year
The next 5 years of service	21-25	2.0% per year
The next 5 years of service	26-30	2.25% per year
The next 14 years of service	31-37	2.50% per year
The next 1 year of service	38	2.25% per year

The maximum benefit is 75% of FAC.

(iii) For Schedule A members who are not grandfathered, i.e., members who had at least 10 years of creditable service at June 30, 2005 but who were not eligible to retire on September 30, 2009, benefits are based on Schedule A (under (i) above) for service through September 30, 2009 and on Schedule B (under (ii) above) for service after September 30, 2009. The maximum benefit is 80% of FAC.

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2010

Post-Retirement Benefit Increase:

(i) For members with at least 10 years of contributory service as of June 30, 2005 who are retired or eligible to retire as of September 30, 2009, and for all members receiving a disability retirement benefit on that date (Schedule A members): a 3.00% compound increase in their retirement benefit each year, beginning in January of the year in which the member reaches the third anniversary of retirement. This increase is not a function of actual increases in the cost of living.

(ii) For other members (Schedule B members) who retired or were eligible to retire as of June 30, 2010: a compound increase in their retirement benefit each year equal to the increase in the CPI, effective on each anniversary date beginning on the third anniversary of retirement. This increase is limited to 3.00%.

(iii) For other members (Schedule B members) who were not retired or were not eligible to retire as of June 30, 2010: a compound increase in their first \$35,000 of annual retirement benefit each year equal to the increase in the CPI, effective on each anniversary date beginning on the later of the member's third anniversary of retirement and the month following their 65th birthday. This increase is limited to 3.00%. Additionally, the \$35,000 annual COLA limit is applicable for benefits paid in 2010 and would be indexed annually to increase in the same manner as COLAs for Schedule B members (CPI for the year, not greater than 3.0%).

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 2009-2010 is 19.01%. 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 11.25% and a contribution requirement for the State of 7.76%.

The State contribution for the cut-off year ended June 30, 2010 was \$1,910,376 which represented 7.56% 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, 2010 was \$5,294,118 which consisted of \$2,893,462 from the School Department, and \$2,400,656 from employees. These contributions represented 11.45% and 9.5% of covered payroll respectively. The annual required contribution was determined as part of the June 30, 2007 actuarial valuation.

The School Department does not have any investments or related party investments with the ERS. The School Department contribution represented 2.42% of total contributions required of all participating entities.

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2010

Three-Year Trend Information

<u>Fiscal Year</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2008	\$3,117,587	100%
2009	3,063,534	100%
2010	2,893,462	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, 2010 was \$9,293,855 (general employees - \$8,327,711 and rescue employees - \$966,144).

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 compensation multiplied by the number years of service up to 37.5 years, with a maximum benefit of 75% of final average compensation. Final average compensation is the member's highest three consecutive annual salaries. 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 compensation 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 compensation per year of service up to 30 years. The maximum benefit is 75% of final average compensation 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 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.

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2010

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 2009-2010 was 9.31% for general employees and 8.82% rescue employees.

Annual Pension Cost

For fiscal year 2009-2010, the Town's annual pension cost of \$859,824 for the MERS was equal to the Town's required and actual contributions.

Three-Year Trend Information

General Municipal Employees

<u>Fiscal Year</u>	<u>Annual Pension Cost</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2008	\$738,933	100%	\$ -
2009	836,196	100%	-
2010	774,610	100%	-

Rescue Employees

<u>Fiscal Year</u>	<u>Annual Pension Cost</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2008	\$116,954	100%	\$ -
2009	76,927	100%	-
2010	85,214	100%	-

The required contribution was determined as part of the June 30, 2007 actuarial valuation. The actuarial method used is the entry age 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, 2007 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

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2010

- 2) Projected compensation 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, 2007 was 22 years.

Funded Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date, the general employees plan was 76.9% funded. The actuarial accrued liability for benefits was \$24,970,902, and the actuarial value of assets was \$19,203,157, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,767,745. The covered payroll (annual payroll of active employees covered by the plan) was \$8,343,966, and the ratio of the UAAL to the covered payroll was 69.1%. As of June 30, 2009, the rescue employees plan was 117.1% funded. The actuarial accrued liability for benefits was \$3,451,531, and the actuarial value of assets was \$4,040,881, resulting in an unfunded actuarial accrued liability (funding excess) of (\$589,350). The covered payroll was \$891,927, and the ratio of the UAAL (funding excess) to the covered payroll was (66.1%). The June 30, 2009 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.

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.

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2010

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

Benefits are established and may be amended by Town Ordinance. 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, 67.5% of the pension benefits are paid to a surviving spouse until death or remarriage or to surviving dependent children under the age of eighteen.

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.

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

Funding Policy

Contribution requirements for the plan are established and may be amended by Town Ordinance. Active plan members are required to contribute 7% of compensation. The Town has an actuarial calculation done to determine the actuarially required contribution.

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2010

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	\$1,315,293
Annual pension cost	1,315,293
Contributions made	(211,425)
Increase in net pension obligation	1,103,868
Net pension obligation, beginning of year	-
Net pension obligation, end of year	\$ 1,103,868

The Town's annual contribution to the plan was determined as part of the July 1, 2008 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 compensation 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>
2008	\$ 923,078	100%	\$ -
2009	1,135,722	100%	-
2010	1,315,293	16%	1,103,868

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"

	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) (2)</u>	<u>Unfunded Liability/ (Funding Excess)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded Liability/ (Funding Excess) as a Percentage of Covered Payroll</u>
Municipal Employees Retirement System (General Employees)							
	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%
	6/30/2009	\$19,203,157	\$24,970,902	\$5,767,745	76.9%	\$8,343,966	69.1%
Municipal Employees Retirement System (Rescue)							
	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%)
	6/30/2009	\$4,040,881	\$3,451,531	(\$589,350)	117.1%	\$891,927	(66.1%)
Town Police Pension Plan							
	7/1/2004	\$7,468,383	\$14,908,835	\$7,440,452	50.1%	\$2,376,349	313.1%
	7/1/2005	\$9,288,610	\$15,617,633	\$6,329,023	59.5%	\$2,321,689	272.6%
	7/1/2006	\$9,548,804	\$17,254,197	\$7,705,393	55.3%	\$2,445,466	315.1%
	7/1/2007	\$9,901,410	\$19,688,480	\$9,787,070	50.3%	\$2,580,899	379.2%
	7/1/2008	\$10,221,370	\$21,462,122	\$11,240,752	47.6%	\$2,586,734	434.6%
	7/1/2009	\$10,122,643	\$22,683,424	\$12,560,781	44.6%	\$2,873,991	437.1%
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>
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%
2010	1,315,293	211,425	16%

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, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
General property taxes and interest	\$ 51,004,409	\$ 51,004,409	\$ 50,793,960	\$ (210,449)
Investment and interest income	160,000	160,000	158,398	(1,602)
Other local and departmental revenue	1,677,050	1,677,050	1,680,894	3,844
Federal and State aid and grants	6,230,542	6,230,542	5,418,891	(811,651)
Other revenues	107,000	107,000	176,323	69,323
Appropriation from surplus	538,099	538,099	538,099	-
Total revenues	<u>59,717,100</u>	<u>59,717,100</u>	<u>58,766,565</u>	<u>(950,535)</u>
Expenditures				
General Government:				
Mayor's office	159,700	159,700	157,528	2,172
Town Clerk	263,813	263,813	250,248	13,565
Town Council	36,900	36,900	29,448	7,452
Town Solicitor	191,977	191,977	166,881	25,096
Municipal Court	41,904	41,904	42,136	(232)
Town officers	5,300	5,300	2,472	2,828
Boards and commissions	4,000	4,000	1,645	2,355
Probate court	8,332	8,332	9,742	(1,410)
Board of canvassers	35,094	35,094	39,727	(4,633)
Finance office	704,878	704,878	882,824	(177,946)
Tax Assessor	180,140	180,140	172,301	7,839
	<u>1,632,038</u>	<u>1,632,038</u>	<u>1,754,952</u>	<u>(122,914)</u>
Community Development:				
Planning	203,646	203,646	161,262	42,384
Zoning	54,144	54,144	38,498	15,646
	<u>257,790</u>	<u>257,790</u>	<u>199,760</u>	<u>58,030</u>
Public Safety:				
Police department	3,673,497	3,673,497	3,641,890	31,607
Telecommunication	294,767	294,767	308,828	(14,061)
Rescue service	1,305,207	1,305,207	1,456,828	(151,621)
Animal control	129,313	129,313	137,238	(7,925)
	<u>5,402,784</u>	<u>5,402,784</u>	<u>5,544,784</u>	<u>(142,000)</u>
Public Works:				
Inspection	154,791	154,791	139,884	14,907
Public works	2,316,362	2,316,362	2,540,609	(224,247)
Highway	1,660,232	1,660,232	1,647,990	12,242
Recreation	246,222	246,222	269,793	(23,571)
Town Hall	144,662	144,662	192,922	(48,260)
	<u>4,522,269</u>	<u>4,522,269</u>	<u>4,791,198</u>	<u>(268,929)</u>
Social Services:				
Library	1,434,075	1,434,075	1,357,475	76,600
Children and learning	69,440	69,440	71,356	(1,916)
Senior services	167,832	167,832	182,537	(14,705)
	<u>1,671,347</u>	<u>1,671,347</u>	<u>1,611,368</u>	<u>59,979</u>
Other Expenditures:				
Outside agencies	67,400	67,400	55,500	11,900
Veteran services	3,000	3,000	-	3,000
Adult literacy	2,500	2,500	-	2,500
Emergency management	10,000	10,000	10,000	-
Franklin Farm match grant	34,000	34,000	-	34,000
Mason building improvements	9,000	9,000	9,000	-
Contingencies	100,000	100,000	4,105	95,895

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

(Continued)

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, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Information technology	95,500	95,500	108,951	(13,451)
STRESS	10,000	10,000	176	9,824
Traffic calming plan	10,000	10,000	3,815	6,185
Litter control	10,000	10,000	-	10,000
Revaluation	-	-	41,633	(41,633)
School improvement	50,000	50,000	-	50,000
Municipal dues	13,476	13,476	13,476	-
	<u>414,876</u>	<u>414,876</u>	<u>246,656</u>	<u>168,220</u>
Employee benefits	<u>4,209,704</u>	<u>4,209,704</u>	<u>3,568,765</u>	<u>640,939</u>
Debt service:				
Town debt service	1,519,796	1,519,796	1,744,018	(224,222)
School debt service	4,846,094	4,846,094	4,846,094	-
	<u>6,365,890</u>	<u>6,365,890</u>	<u>6,590,112</u>	<u>(224,222)</u>
Capital outlay and reserves:				
Capital improvements	128,000	128,000	212,060	(84,060)
	<u>128,000</u>	<u>128,000</u>	<u>212,060</u>	<u>(84,060)</u>
Total expenditures	<u>24,604,698</u>	<u>24,604,698</u>	<u>24,519,655</u>	<u>85,043</u>
Excess of revenues over expenditures before other financing sources and uses	<u>35,112,402</u>	<u>35,112,402</u>	<u>34,246,910</u>	<u>(865,492)</u>
Other financing sources and uses:				
Transfers from other funds				
Special revenue funds	740,000	740,000	942,254	202,254
School unrestricted fund	373,383	373,383	-	(373,383)
Transfers to other funds				
School unrestricted fund	(36,202,474)	(36,202,474)	(36,202,474)	-
Library bond	(18,311)	(18,311)	(68,311)	(50,000)
Library capital reserve	(5,000)	(5,000)	(5,000)	-
Special revenue funds	-	-	(9,971)	(9,971)
Total other financing sources and uses	<u>(35,112,402)</u>	<u>(35,112,402)</u>	<u>(35,343,502)</u>	<u>(231,100)</u>
Deficiency of revenues and other financing sources under expenditures and other financing uses, budgetary basis	<u>\$ -</u>	<u>\$ -</u>	<u>(1,096,592)</u>	<u>\$ (1,096,592)</u>
Adjustments of budgetary basis to GAAP basis:				
Use of fund balance			(538,099)	
Deficiency of revenues and other financing sources under expenditures and other financing uses, GAAP basis			(1,634,691)	
Fund balance - beginning of year			<u>5,080,624</u>	
Fund balance - end of year			<u>\$ 3,445,933</u>	

The notes to the 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, 2010

	<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	\$ 11,398,737	\$ 11,398,737	\$ 10,620,905	\$ (777,832)
Other revenues	1,537,556	1,537,556	808,619	(728,937)
Budgeted fund balance	839,425	962,165	920,165	(42,000)
Total revenues	<u>13,775,718</u>	<u>13,898,458</u>	<u>12,349,689</u>	<u>(1,506,769)</u>
Expenditures				
Education	<u>49,978,192</u>	<u>50,100,932</u>	<u>47,367,262</u>	<u>2,733,670</u>
Total expenditures	<u>49,978,192</u>	<u>50,100,932</u>	<u>47,367,262</u>	<u>2,733,670</u>
Deficiency of revenues under expenditures before other financing sources	<u>(36,202,474)</u>	<u>(36,202,474)</u>	<u>(35,017,573)</u>	<u>1,184,901</u>
Other financing sources				
Town appropriation	<u>36,202,474</u>	<u>36,202,474</u>	<u>36,202,474</u>	<u>-</u>
Total other financing sources	<u>36,202,474</u>	<u>36,202,474</u>	<u>36,202,474</u>	<u>-</u>
Excess of revenues and other financing sources over expenditures, budgetary basis	<u>\$ -</u>	<u>\$ -</u>	1,184,901	<u>\$ 1,184,901</u>
Adjustment of budgetary basis to GAAP basis:				
Use of fund balance			(920,165)	
Change in encumbrances			<u>54,700</u>	
Excess of revenues and other financing sources over expenditures, GAAP basis			319,436	
Fund balance - beginning of year			<u>2,363,005</u>	
Fund balance - end of year			<u>\$ 2,682,441</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
Sewer Fund
For the Fiscal Year Ended June 30, 2010

	<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				
Other local and departmental revenue	\$ 1,013,200	\$ 1,013,200	\$ 1,165,970	\$ 152,770
Total revenues	<u>1,013,200</u>	<u>1,013,200</u>	<u>1,165,970</u>	<u>152,770</u>
Expenditures				
Public works	171,260	171,260	265,178	(93,918)
Debt service	906,760	906,760	906,758	2
Total expenditures	<u>1,078,020</u>	<u>1,078,020</u>	<u>1,171,936</u>	<u>(93,916)</u>
Deficiency of revenues under expenditures before other financing sources (uses)	<u>(64,820)</u>	<u>(64,820)</u>	<u>(5,966)</u>	<u>58,854</u>
Other financing sources (uses)				
Transfers from other funds	94,820	94,820	-	(94,820)
Transfers to other funds	(30,000)	(30,000)	(30,000)	-
Total other financing sources (uses)	<u>64,820</u>	<u>64,820</u>	<u>(30,000)</u>	<u>(94,820)</u>
Deficiency of revenues and other financing sources over expenditures and other financing uses, budgetary basis	<u>\$ -</u>	<u>\$ -</u>	<u>(35,966)</u>	<u>\$ (35,966)</u>
Fund balance (deficit), beginning of year			<u>(1,667,229)</u>	
Fund balance (deficit), end of year			<u>\$ (1,703,195)</u>	

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>
	<hr/>	<hr/>
Valuation date	6/30/2009	6/30/2009
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 20 years remaining as of the valuation date	30 years from June 30, 1999 or 20 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 Retirees and beneficiaries	Active employees Retirees and beneficiaries
	256 146 <hr/> 402	18 3 <hr/> 21

(Continued)

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Required Supplementary Information (Continued)
"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		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, from age 57 for retirement on or after 7/1/1992		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, 2010

NOTE 2 - BUDGETARY DATA AND BUDGETARY COMPLIANCE

Annual budgets are adopted for the Town’s General Fund, the School Unrestricted Fund and the Sewer 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 2010 appropriations:

<u>Department</u>	<u>Fund or Fund Type</u>	<u>Expenditures in Excess of Budget</u>
Municipal court	General	\$ 232
Probate court	General	1,410
Board of canvassers	General	4,633
Finance office	General	177,946
Telecommunications	General	14,061
Rescue service	General	151,621
Animal control	General	7,925
Public works	General	224,247
Recreation	General	23,571
Town Hall	General	48,260
Children and learning	General	1,916
Senior services	General	14,705
Information technology	General	13,451
Revaluation	General	41,633
Town debt service	General	224,222
Capital improvements	General	84,060
Public works	Sewer	93,918

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Required Supplementary Information
June 30, 2010

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>	<u>Sewer Fund</u>
Actual amounts (budgetary basis)	\$58,766,565	\$12,349,689	\$1,165,970
Differences – budget to GAAP:			
Prior year budgeted surplus is a budgetary revenue, but is not current year revenue for financial reporting purposes.	(538,099)	(920,165)	-
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.	-	1,910,376	-
<i>Total revenues as reported on the statement of revenues, expenditures and changes in fund balances – governmental funds</i>	<u><u>\$58,228,466</u></u>	<u><u>\$13,339,900</u></u>	<u><u>\$1,165,970</u></u>
 <u>Expenditures</u>			
Actual amounts (budgetary basis)	\$24,519,655	\$47,367,262	\$1,171,936
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.	-	(54,700)	-
Capital assets acquired by a capital lease are not reported as budgetary expenditures, but are current year expenditures for financial reporting purposes.	75,411	-	-
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.	-	1,910,376	-
<i>Total expenditures as reported in the statement of revenues, expenditures and changes in fund balances – governmental funds</i>	<u><u>\$24,595,066</u></u>	<u><u>\$49,222,938</u></u>	<u><u>\$1,171,936</u></u>

TOWN OF CUMBERLAND, RHODE ISLAND

*Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010*

	<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	\$ 67,969	\$ 480,350	\$ 14,441	\$ -	\$ -	\$ -	\$ 11,523
Investments	-	-	-	-	-	-	-
Due from federal and state governments	934,773	112,214	-	-	-	-	-
Due from other funds	465,540	69,417	-	7,275	-	-	-
Sewer assessments receivable	-	-	-	-	-	395,744	-
Other receivables	-	2,317	-	-	-	-	-
Total assets	<u>\$ 1,468,282</u>	<u>\$ 664,298</u>	<u>\$ 14,441</u>	<u>\$ 7,275</u>	<u>\$ -</u>	<u>\$ 395,744</u>	<u>\$ 11,523</u>
LIABILITIES AND FUND BALANCES							
Liabilities							
Cash overdraft	\$ -	\$ -	\$ -	\$ 6,327	\$ -	\$ -	\$ -
Accounts payable and accrued expenditures	158,221	256,510	-	-	-	17,850	-
Due to other funds	803,965	163,429	-	-	-	-	-
Advances from other funds	-	-	-	-	-	103,894	-
Deferred revenue	-	-	-	-	-	395,744	-
Total liabilities	<u>962,186</u>	<u>419,939</u>	<u>-</u>	<u>6,327</u>	<u>-</u>	<u>517,488</u>	<u>-</u>
Fund balances (deficits)							
Unreserved - undesignated	506,096	244,359	14,441	948	-	(121,744)	11,523
Total fund balances (deficits)	<u>506,096</u>	<u>244,359</u>	<u>14,441</u>	<u>948</u>	<u>-</u>	<u>(121,744)</u>	<u>11,523</u>
Total liabilities and fund balances	<u>\$ 1,468,282</u>	<u>\$ 664,298</u>	<u>\$ 14,441</u>	<u>\$ 7,275</u>	<u>\$ -</u>	<u>\$ 395,744</u>	<u>\$ 11,523</u>

(Continued)

TOWN OF CUMBERLAND, RHODE ISLAND
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2010

	Special Revenue Funds					
	<i>DARE</i>	<i>Recreation Program</i>	<i>Police Grants</i>	<i>Emergency Management Performance</i>	<i>Police Forfeiture</i>	<i>Active Shooter 2008</i>
ASSETS						
Cash	\$ 2,088	\$ 120,879	\$ 47,905	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-
Due from federal and state governments	-	-	539	-	-	-
Due from other funds	325	-	3,691	1,294	7,932	-
Sewer assessments receivable	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Total assets	\$ 2,413	\$ 120,879	\$ 52,135	\$ 1,294	\$ 7,932	\$ -
LIABILITIES AND FUND BALANCES						
Liabilities						
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued expenditures	-	9,000	-	-	-	-
Due to other funds	-	42,737	-	-	-	-
Advances from other funds	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Total liabilities	-	51,737	-	-	-	-
Fund balances (deficits)						
Unreserved - undesignated	2,413	69,142	52,135	1,294	7,932	-
Total fund balances (deficits)	2,413	69,142	52,135	1,294	7,932	-
Total liabilities and fund balances	\$ 2,413	\$ 120,879	\$ 52,135	\$ 1,294	\$ 7,932	\$ -

(Continued)

TOWN OF CUMBERLAND, RHODE ISLAND
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2010

	<i>Special Revenue Funds</i>						
	<i>Active Shooter 2009</i>	<i>RI EMA</i>	<i>Senior Center Program</i>	<i>Monastery</i>	<i>Historic Preservation Roof</i>	<i>Revaluation Fund</i>	<i>Revolving Loan</i>
ASSETS							
Cash	\$ -	\$ -	\$ 66,204	\$ -	\$ -	\$ -	\$ 271
Investments	-	-	-	-	-	1,172	-
Due from federal and state governments	-	-	-	-	-	-	-
Due from other funds	-	-	23,449	17,401	-	17,286	49,776
Sewer assessments receivable	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-
Total assets	\$ -	\$ -	\$ 89,653	\$ 17,401	\$ -	\$ 18,458	\$ 50,047
 LIABILITIES AND FUND BALANCES							
Liabilities							
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued expenditures	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-	-
Fund balances (deficits)							
Unreserved - undesignated	-	-	89,653	17,401	-	18,458	50,047
Total fund balances (deficits)	-	-	89,653	17,401	-	18,458	50,047
Total liabilities and fund balances	\$ -	\$ -	\$ 89,653	\$ 17,401	\$ -	\$ 18,458	\$ 50,047

(Continued)

TOWN OF CUMBERLAND, RHODE ISLAND
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2010

	<i>Special Revenue Funds</i>						
	<i>Impact Fees</i>	<i>Community Development Block Grant</i>	<i>Library Legislative Grant</i>	<i>CERT Donation</i>	<i>Rescue Fund</i>	<i>Partington House</i>	<i>Property Acquisition</i>
ASSETS							
Cash	\$ 177,545	\$ -	\$ -	\$ -	\$ 9,551	\$ 13,005	\$ -
Investments	-	-	-	-	-	-	-
Due from federal and state governments	-	29,976	750	-	-	-	-
Due from other funds	14,621	15,861	-	150	-	-	64,765
Sewer assessments receivable	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-
Total assets	\$ 192,166	\$ 45,837	\$ 750	\$ 150	\$ 9,551	\$ 13,005	\$ 64,765
 LIABILITIES AND FUND BALANCES							
Liabilities							
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued expenditures	-	10,168	-	-	-	-	-
Due to other funds	-	-	750	-	-	-	-
Advances from other funds	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-
Total liabilities	-	10,168	750	-	-	-	-
 Fund balances (deficits)							
Unreserved - undesignated	192,166	35,669	-	150	9,551	13,005	64,765
Total fund balances (deficits)	192,166	35,669	-	150	9,551	13,005	64,765
Total liabilities and fund balances	\$ 192,166	\$ 45,837	\$ 750	\$ 150	\$ 9,551	\$ 13,005	\$ 64,765

(Continued)

TOWN OF CUMBERLAND, RHODE ISLAND
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2010

	<i>Special Revenue Funds</i>						
	<i>Substance Abuse Prevention</i>	<i>Town Special</i>	<i>Public</i>	<i>Animal Husbandry</i>	<i>OC & YL</i>	<i>Conservation Commission</i>	<i>Recycling Liaison & Overhead</i>
ASSETS							
Cash	\$ -	\$ 2,922	\$ 363,193	\$ -	\$ -	\$ -	\$ -
Investments	-	-	4,645	-	-	-	-
Due from federal and state governments	8,145	-	-	-	47,179	-	-
Due from other funds	-	-	-	4,483	-	-	11,138
Sewer assessments receivable	-	-	-	-	-	-	-
Other receivables	-	-	234,309	-	-	-	-
Total assets	<u>\$ 8,145</u>	<u>\$ 2,922</u>	<u>\$ 602,147</u>	<u>\$ 4,483</u>	<u>\$ 47,179</u>	<u>\$ -</u>	<u>\$ 11,138</u>
LIABILITIES AND FUND BALANCES							
Liabilities							
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued expenditures	2,666	-	6,565	-	-	-	-
Due to other funds	1,802	-	353,655	-	30,169	-	-
Advances from other funds	-	-	-	-	-	-	-
Deferred revenue	-	-	230,742	-	-	-	-
Total liabilities	<u>4,468</u>	<u>-</u>	<u>590,962</u>	<u>-</u>	<u>30,169</u>	<u>-</u>	<u>-</u>
Fund balances (deficits)							
Unreserved - undesignated	3,677	2,922	11,185	4,483	17,010	-	11,138
Total fund balances (deficits)	<u>3,677</u>	<u>2,922</u>	<u>11,185</u>	<u>4,483</u>	<u>17,010</u>	<u>-</u>	<u>11,138</u>
Total liabilities and fund balances	<u>\$ 8,145</u>	<u>\$ 2,922</u>	<u>\$ 602,147</u>	<u>\$ 4,483</u>	<u>\$ 47,179</u>	<u>\$ -</u>	<u>\$ 11,138</u>

(Continued)

TOWN OF CUMBERLAND, RHODE ISLAND
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2010

	<i>Special Revenue Funds</i>						
	<i>Kennedy Cop Grant</i>	<i>DPH Homeland Security</i>	<i>RIPTIDE DUI</i>	<i>RIPTIDE Speed</i>	<i>Manville Hill Landing</i>	<i>DOJ COPS 2008</i>	<i>2009 JAG ARRA</i>
ASSETS							
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-	-
Due from federal and state governments	24,000	-	-	592	200,057	2,728	4,586
Due from other funds	-	30,045	-	-	-	4,251	-
Sewer assessments receivable	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-
Total assets	\$ 24,000	\$ 30,045	\$ -	\$ 592	\$ 200,057	\$ 6,979	\$ 4,586
LIABILITIES AND FUND BALANCES							
Liabilities							
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued expenditures	-	-	-	-	-	6,979	-
Due to other funds	24,000	-	-	592	200,057	-	4,586
Advances from other funds	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-
Total liabilities	24,000	-	-	592	200,057	6,979	4,586
Fund balances (deficits)							
Unreserved - undesignated	-	30,045	-	-	-	-	-
Total fund balances (deficits)	-	30,045	-	-	-	-	-
Total liabilities and fund balances	\$ 24,000	\$ 30,045	\$ -	\$ 592	\$ 200,057	\$ 6,979	\$ 4,586

(Continued)

TOWN OF CUMBERLAND, RHODE ISLAND
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2010

	<i>Special Revenue Funds</i>						<i>Total Special Revenue Funds</i>
	<i>Child Passenger Safety</i>	<i>Click it or Ticket</i>	<i>Town Clerk Special</i>	<i>Byrne Grant 2009</i>	<i>Community & Economic Development</i>	<i>Historical</i>	
ASSETS							
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,377,846
Investments	-	-	-	-	-	-	5,817
Due from federal and state governments	444	2,664	-	38,370	-	-	1,407,017
Due from other funds	-	-	102,513	-	542,495	26,333	1,480,041
Sewer assessments receivable	-	-	-	-	-	-	395,744
Other receivables	-	-	-	-	-	-	236,626
Total assets	<u>\$ 444</u>	<u>\$ 2,664</u>	<u>\$ 102,513</u>	<u>\$ 38,370</u>	<u>\$ 542,495</u>	<u>\$ 26,333</u>	<u>\$ 4,903,091</u>
LIABILITIES AND FUND BALANCES							
Liabilities							
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,327
Accounts payable and accrued expenditures	-	-	-	-	-	-	467,959
Due to other funds	388	2,664	-	38,370	-	-	1,667,164
Advances from other funds	-	-	-	-	-	-	103,894
Deferred revenue	-	-	-	-	-	-	626,486
Total liabilities	<u>388</u>	<u>2,664</u>	<u>-</u>	<u>38,370</u>	<u>-</u>	<u>-</u>	<u>2,871,830</u>
Fund balances (deficits)							
Unreserved - undesignated	56	-	102,513	-	542,495	26,333	2,031,261
Total fund balances (deficits)	<u>56</u>	<u>-</u>	<u>102,513</u>	<u>-</u>	<u>542,495</u>	<u>26,333</u>	<u>2,031,261</u>
Total liabilities and fund balances	<u>\$ 444</u>	<u>\$ 2,664</u>	<u>\$ 102,513</u>	<u>\$ 38,370</u>	<u>\$ 542,495</u>	<u>\$ 26,333</u>	<u>\$ 4,903,091</u>

(Continued)

TOWN OF CUMBERLAND, RHODE ISLAND
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2010

	<i>Capital Project Funds</i>					
	<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	-	-	14,555	-	30,464	-
Sewer assessments receivable	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Total assets	\$ -	\$ -	\$ 14,555	\$ -	\$ 30,464	\$ -
LIABILITIES AND FUND BALANCES						
Liabilities						
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued expenditures	-	-	-	-	-	22,500
Due to other funds	-	-	-	-	-	-
Advances from other funds	253,580	314,029	-	20,305	-	190,496
Deferred revenue	-	-	-	-	-	-
Total liabilities	253,580	314,029	-	20,305	-	212,996
Fund balances (deficits)						
Unreserved - undesignated	(253,580)	(314,029)	14,555	(20,305)	30,464	(212,996)
Total fund balances (deficits)	(253,580)	(314,029)	14,555	(20,305)	30,464	(212,996)
Total liabilities and fund balances	\$ -	\$ -	\$ 14,555	\$ -	\$ 30,464	\$ -

(Continued)

TOWN OF CUMBERLAND, RHODE ISLAND

Combining Balance Sheet (Continued)

Nonmajor Governmental Funds

June 30, 2010

	<i>Capital Project Funds</i>			<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	\$ 2,193,717
Investments	-	-	-	-	5,817
Due from federal and state governments	-	-	-	-	1,407,017
Due from other funds	-	30,000	-	75,019	1,555,060
Sewer assessments receivable	-	-	-	-	395,744
Other receivables	-	-	-	-	236,626
Total assets	<u>\$ -</u>	<u>\$ 30,000</u>	<u>\$ 815,871</u>	<u>\$ 890,890</u>	<u>\$ 5,793,981</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ 6,327
Accounts payable and accrued expenditures	-	-	-	22,500	490,459
Due to other funds	-	-	59,864	59,864	1,727,028
Advances from other funds	25,353	-	-	803,763	907,657
Deferred revenue	-	-	-	-	626,486
Total liabilities	<u>25,353</u>	<u>-</u>	<u>59,864</u>	<u>886,127</u>	<u>3,757,957</u>
Fund balances (deficits)					
Unreserved - undesignated	(25,353)	30,000	756,007	4,763	2,036,024
Total fund balances (deficits)	<u>(25,353)</u>	<u>30,000</u>	<u>756,007</u>	<u>4,763</u>	<u>2,036,024</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 30,000</u>	<u>\$ 815,871</u>	<u>\$ 890,890</u>	<u>\$ 5,793,981</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, 2010

	Special Revenue Funds						
	<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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3
Other local and departmental revenue	-	687,296	-	41,025	-	16,214	-
Federal and State aid and grants	3,574,872	585,296	-	-	-	-	-
Other revenue	20,775	-	1,547	-	10,753	-	-
Total revenues	<u>3,595,647</u>	<u>1,272,592</u>	<u>1,547</u>	<u>41,025</u>	<u>10,753</u>	<u>16,214</u>	<u>3</u>
Expenditures							
Current:							
General government	-	-	-	-	29,537	-	-
Community development	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Public works	-	-	-	-	-	67,614	-
Social services	-	-	-	-	-	-	-
Education	3,511,310	-	8,789	39,802	-	-	-
Cafeteria	-	1,189,079	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Total expenditures	<u>3,511,310</u>	<u>1,189,079</u>	<u>8,789</u>	<u>39,802</u>	<u>29,537</u>	<u>67,614</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>84,337</u>	<u>83,513</u>	<u>(7,242)</u>	<u>1,223</u>	<u>(18,784)</u>	<u>(51,400)</u>	<u>3</u>
Other financing sources (uses)							
Transfers from other funds	-	-	-	-	1,000	-	-
Transfers to other funds	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>-</u>	<u>-</u>
Net change in fund balances	84,337	83,513	(7,242)	1,223	(17,784)	(51,400)	3
Fund balances (deficits), beginning 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>
Fund balances (deficits), end of year	<u>\$ 506,096</u>	<u>\$ 244,359</u>	<u>\$ 14,441</u>	<u>\$ 948</u>	<u>\$ -</u>	<u>\$ (121,744)</u>	<u>\$ 11,523</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, 2010

	Special Revenue Funds					
	<i>DARE</i>	<i>Recreation Program</i>	<i>Police Grants</i>	<i>Emergency Management Performance</i>	<i>Police Forfeiture</i>	<i>Active Shooter 2008</i>
Revenues						
Investment and interest income	\$ 1	\$ -	\$ 5	\$ -	\$ -	\$ -
Other local and departmental revenue	-	91,963	-	-	-	-
Federal and State aid and grants	-	-	967	-	1,514	4,000
Other revenue	1,289	-	466	-	2,750	-
Total revenues	<u>1,290</u>	<u>91,963</u>	<u>1,438</u>	<u>-</u>	<u>4,264</u>	<u>4,000</u>
Expenditures						
Current:						
General government	-	-	-	-	-	-
Community development	-	-	-	-	-	-
Public safety	-	-	3,963	-	1,000	4,000
Public works	-	59,843	-	-	-	-
Social services	6,322	-	-	-	-	-
Education	-	-	-	-	-	-
Cafeteria	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Total expenditures	<u>6,322</u>	<u>59,843</u>	<u>3,963</u>	<u>-</u>	<u>1,000</u>	<u>4,000</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>(5,032)</u>	<u>32,120</u>	<u>(2,525)</u>	<u>-</u>	<u>3,264</u>	<u>-</u>
Other financing sources (uses)						
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>
Net change in fund balances	(5,032)	32,120	(2,525)	-	3,264	-
Fund balances (deficits), beginning of year	<u>7,445</u>	<u>37,022</u>	<u>54,660</u>	<u>1,294</u>	<u>4,668</u>	<u>-</u>
Fund balances (deficits), end of year	<u>\$ 2,413</u>	<u>\$ 69,142</u>	<u>\$ 52,135</u>	<u>\$ 1,294</u>	<u>\$ 7,932</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, 2010

	Special Revenue Funds						
	<i>Active Shooter 2009</i>	<i>RI EMA</i>	<i>Senior Center Program</i>	<i>Monastery</i>	<i>Historic Preservation Roof</i>	<i>Revaluation Fund</i>	<i>Revolving Loan</i>
Revenues							
Investment and interest income	\$ -	\$ -	\$ 2	\$ -	\$ -	\$ 4	\$ -
Other local and departmental revenue	-	-	31,164	-	-	-	-
Federal and State aid and grants	5,332	22,866	-	-	69,000	-	-
Other revenue	-	-	-	-	-	-	-
Total revenues	<u>5,332</u>	<u>22,866</u>	<u>31,166</u>	<u>-</u>	<u>69,000</u>	<u>4</u>	<u>-</u>
Expenditures							
Current:							
General government	-	-	-	16,375	69,000	-	-
Community development	-	-	-	-	-	-	-
Public safety	5,332	22,866	-	-	-	-	-
Public works	-	-	-	-	-	-	-
Social services	-	-	3,432	-	-	-	-
Education	-	-	-	-	-	-	-
Cafeteria	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Total expenditures	<u>5,332</u>	<u>22,866</u>	<u>3,432</u>	<u>16,375</u>	<u>69,000</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>-</u>	<u>-</u>	<u>27,734</u>	<u>(16,375)</u>	<u>-</u>	<u>4</u>	<u>-</u>
Other financing sources (uses)							
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	<u>-</u>	<u>-</u>	<u>27,734</u>	<u>(16,375)</u>	<u>-</u>	<u>4</u>	<u>-</u>
Fund balances (deficits), beginning of year	<u>-</u>	<u>-</u>	<u>61,919</u>	<u>33,776</u>	<u>-</u>	<u>18,454</u>	<u>50,047</u>
Fund balances (deficits), end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 89,653</u>	<u>\$ 17,401</u>	<u>\$ -</u>	<u>\$ 18,458</u>	<u>\$ 50,047</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, 2010

	Special Revenue Funds						
	<i>Impact Fees</i>	<i>Community Development Block Grant</i>	<i>Library Legislative Grant</i>	<i>CERT Donation</i>	<i>Rescue Fund</i>	<i>Partington House</i>	<i>Property Acquisition</i>
Revenues							
Investment and interest income	\$ -	\$ -	\$ -	\$ -	\$ 70	\$ 3	\$ -
Other local and departmental revenue	162,067	-	-	-	-	-	-
Federal and State aid and grants	-	172,919	2,250	-	-	-	-
Other revenue	-	-	-	-	-	-	-
Total revenues	<u>162,067</u>	<u>172,919</u>	<u>2,250</u>	<u>-</u>	<u>70</u>	<u>3</u>	<u>-</u>
Expenditures							
Current:							
General government	-	-	-	-	-	-	-
Community development	-	144,125	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-
Social services	-	-	2,250	-	-	-	-
Education	-	-	-	-	-	-	-
Cafeteria	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>144,125</u>	<u>2,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>162,067</u>	<u>28,794</u>	<u>-</u>	<u>-</u>	<u>70</u>	<u>3</u>	<u>-</u>
Other financing sources (uses)							
Transfers from other funds	-	-	-	-	-	-	-
Transfers to other funds	(160,000)	-	-	-	-	-	-
Total other financing sources (uses)	<u>(160,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	2,067	28,794	-	-	70	3	-
Fund balances (deficits), beginning of year	<u>190,099</u>	<u>6,875</u>	<u>-</u>	<u>150</u>	<u>9,481</u>	<u>13,002</u>	<u>64,765</u>
Fund balances (deficits), end of year	<u>\$ 192,166</u>	<u>\$ 35,669</u>	<u>\$ -</u>	<u>\$ 150</u>	<u>\$ 9,551</u>	<u>\$ 13,005</u>	<u>\$ 64,765</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, 2010

	Special Revenue Funds						
	<i>Substance Abuse Prevention</i>	<i>Town Special</i>	<i>Public</i>	<i>Animal Husbandry</i>	<i>OC & YL</i>	<i>Conservation Commission</i>	<i>Recycling Liaison & Overhead</i>
Revenues							
Investment and interest income	\$ -	\$ -	\$ 49	\$ -	\$ -	\$ -	\$ -
Other local and departmental revenue	-	-	653,513	1,160	58,011	-	-
Federal and State aid and grants	33,733	-	-	-	133,614	1,000	-
Other revenue	300	-	-	-	-	-	-
Total revenues	<u>34,033</u>	<u>-</u>	<u>653,562</u>	<u>1,160</u>	<u>191,625</u>	<u>1,000</u>	<u>-</u>
Expenditures							
Current:							
General government	-	-	-	-	-	1,000	-
Community development	-	-	-	-	-	-	-
Public safety	-	-	28,536	-	-	-	-
Public works	-	-	-	-	-	-	-
Social services	34,154	-	-	-	179,253	-	-
Education	-	-	-	-	-	-	-
Cafeteria	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Total expenditures	<u>34,154</u>	<u>-</u>	<u>28,536</u>	<u>-</u>	<u>179,253</u>	<u>1,000</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>(121)</u>	<u>-</u>	<u>625,026</u>	<u>1,160</u>	<u>12,372</u>	<u>-</u>	<u>-</u>
Other financing sources (uses)							
Transfers from other funds	-	-	-	-	-	-	-
Transfers to other funds	-	-	(613,841)	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(613,841)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(121)	-	11,185	1,160	12,372	-	-
Fund balances (deficits), beginning of year	<u>3,798</u>	<u>2,922</u>	<u>-</u>	<u>3,323</u>	<u>4,638</u>	<u>-</u>	<u>11,138</u>
Fund balances (deficits), end of year	<u>\$ 3,677</u>	<u>\$ 2,922</u>	<u>\$ 11,185</u>	<u>\$ 4,483</u>	<u>\$ 17,010</u>	<u>\$ -</u>	<u>\$ 11,138</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, 2010

	Special Revenue Funds						
	<i>Kennedy Cop Grant</i>	<i>DPH Homeland Security</i>	<i>RIPTIDE DUI</i>	<i>RIPTIDE Speed</i>	<i>Manville Hill Landing</i>	<i>DOJ COPS 2008</i>	<i>2009 JAG ARRA</i>
Revenues							
Investment and interest income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other local and departmental revenue	-	-	-	-	-	-	-
Federal and State aid and grants	24,000	46,811	1,800	2,308	200,057	39,573	11,127
Other revenue	-	-	-	-	-	-	-
Total revenues	<u>24,000</u>	<u>46,811</u>	<u>1,800</u>	<u>2,308</u>	<u>200,057</u>	<u>39,573</u>	<u>11,127</u>
Expenditures							
Current:							
General government	-	-	-	-	200,057	-	-
Community development	-	-	-	-	-	-	-
Public safety	24,000	17,674	1,148	2,124	-	39,573	11,127
Public works	-	-	-	-	-	-	-
Social services	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-
Cafeteria	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Total expenditures	<u>24,000</u>	<u>17,674</u>	<u>1,148</u>	<u>2,124</u>	<u>200,057</u>	<u>39,573</u>	<u>11,127</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>-</u>	<u>29,137</u>	<u>652</u>	<u>184</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses)							
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	-	29,137	652	184	-	-	-
Fund balances (deficits), beginning of year	<u>-</u>	<u>908</u>	<u>(652)</u>	<u>(184)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances (deficits), end of year	<u>\$ -</u>	<u>\$ 30,045</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2010

	<u>Special Revenue Funds</u>						<i>Total Special Revenue Funds</i>
	<i>Child Passenger Safety</i>	<i>Click it or Ticket</i>	<i>Town Clerk Special</i>	<i>Byrne Grant 2009</i>	<i>Community & Economic Development</i>	<i>Historical</i>	
Revenues							
Investment and interest income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 137
Other local and departmental revenue	-	-	34,327	-	-	5,789	1,782,529
Federal and State aid and grants	4,394	2,664	-	38,370	-	-	4,978,467
Other revenue	-	-	-	-	542,928	-	580,808
Total revenues	<u>4,394</u>	<u>2,664</u>	<u>34,327</u>	<u>38,370</u>	<u>542,928</u>	<u>5,789</u>	<u>7,341,941</u>
Expenditures							
Current:							
General government	-	-	20,220	-	433	780	337,402
Community development	-	-	-	-	-	-	144,125
Public safety	4,394	2,852	-	38,370	-	-	206,959
Public works	-	-	-	-	-	-	127,457
Social services	-	-	-	-	-	-	225,411
Education	-	-	-	-	-	-	3,559,901
Cafeteria	-	-	-	-	-	-	1,189,079
Debt service	-	-	-	-	-	-	-
Total expenditures	<u>4,394</u>	<u>2,852</u>	<u>20,220</u>	<u>38,370</u>	<u>433</u>	<u>780</u>	<u>5,790,334</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>-</u>	<u>(188)</u>	<u>14,107</u>	<u>-</u>	<u>542,495</u>	<u>5,009</u>	<u>1,551,607</u>
Other financing sources (uses)							
Transfers from other funds	-	-	-	-	-	8,971	9,971
Transfers to other funds	-	-	(138,413)	-	-	-	(912,254)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(138,413)</u>	<u>-</u>	<u>-</u>	<u>8,971</u>	<u>(902,283)</u>
Net change in fund balances	-	(188)	(124,306)	-	542,495	13,980	649,324
Fund balances (deficits), beginning of year	<u>56</u>	<u>188</u>	<u>226,819</u>	<u>-</u>	<u>-</u>	<u>12,353</u>	<u>1,381,937</u>
Fund balances (deficits), end of year	<u>\$ 56</u>	<u>\$ -</u>	<u>\$ 102,513</u>	<u>\$ -</u>	<u>\$ 542,495</u>	<u>\$ 26,333</u>	<u>\$ 2,031,261</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, 2010

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other local and departmental revenue	-	-	-	-	-	-
Federal and State aid and grants	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures						
Current:						
General government	-	-	-	-	-	-
Community development	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Social services	-	-	-	-	-	-
Education	-	-	164	-	-	-
Cafeteria	-	-	-	-	-	-
Debt service	-	-	-	-	-	130,000
Total expenditures	<u>-</u>	<u>-</u>	<u>164</u>	<u>-</u>	<u>-</u>	<u>130,000</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(164)</u>	<u>-</u>	<u>-</u>	<u>(130,000)</u>
Other financing sources (uses)						
Transfers from other funds	-	-	-	68,311	-	-
Transfers to other funds	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>68,311</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	(164)	68,311	-	(130,000)
Fund balances (deficits), beginning 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>
Fund balances (deficits), end of year	<u>\$ (253,580)</u>	<u>\$ (314,029)</u>	<u>\$ 14,555</u>	<u>\$ (20,305)</u>	<u>\$ 30,464</u>	<u>\$ (212,996)</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, 2010

	<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	\$ -	\$ -	\$ -	\$ -	\$ 137
Other local and departmental revenue	-	-	-	-	1,782,529
Federal and State aid and grants	-	-	-	-	4,978,467
Other revenue	-	-	-	-	580,808
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,341,941</u>
Expenditures					
Current:					
General government	-	-	-	-	337,402
Community development	-	-	-	-	144,125
Public safety	-	-	-	-	206,959
Public works	-	-	56,806	56,806	184,263
Social services	-	-	-	-	225,411
Education	-	-	-	164	3,560,065
Cafeteria	-	-	-	-	1,189,079
Debt service	-	-	-	130,000	130,000
Total expenditures	<u>-</u>	<u>-</u>	<u>56,806</u>	<u>186,970</u>	<u>5,977,304</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(56,806)</u>	<u>(186,970)</u>	<u>1,364,637</u>
Other financing sources (uses)					
Transfers from other funds	-	5,000	-	73,311	83,282
Transfers to other funds	-	-	-	-	(912,254)
Total other financing sources (uses)	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>73,311</u>	<u>(828,972)</u>
Net change in fund balances	-	5,000	(56,806)	(113,659)	535,665
Fund balances (deficits), beginning of year	<u>(25,353)</u>	<u>25,000</u>	<u>812,813</u>	<u>118,422</u>	<u>1,500,359</u>
Fund balances (deficits), end of year	<u>\$ (25,353)</u>	<u>\$ 30,000</u>	<u>\$ 756,007</u>	<u>\$ 4,763</u>	<u>\$ 2,036,024</u>

TOWN OF CUMBERLAND, RHODE ISLAND

Combining Balance Sheet

Special Revenue Funds - School Restricted Fund

June 30, 2010

	<u><i>Title I</i></u>	<u><i>Title I ARRA</i></u>	<u><i>Title II Professional Development</i></u>	<u><i>Title IV</i></u>	<u><i>Literacy</i></u>	<u><i>Professional Development</i></u>	<u><i>Technology</i></u>
ASSETS							
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from the federal and state governments	133,476	19,796	75,443	7,119	-	-	-
Due from other funds	-	-	-	-	104,303	133,904	226,553
Total assets	<u>\$ 133,476</u>	<u>\$ 19,796</u>	<u>\$ 75,443</u>	<u>\$ 7,119</u>	<u>\$ 104,303</u>	<u>\$ 133,904</u>	<u>\$ 226,553</u>
 LIABILITIES AND FUND BALANCES							
Liabilities							
Account payable and accrued expenditures	\$ 13,441	\$ 2,100	\$ 4,600	\$ -	\$ 549	\$ 2,675	\$ 397
Due to other funds	120,035	17,696	70,843	7,119	-	-	-
Total liabilities	<u>133,476</u>	<u>19,796</u>	<u>75,443</u>	<u>7,119</u>	<u>549</u>	<u>2,675</u>	<u>397</u>
 Fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>103,754</u>	<u>131,229</u>	<u>226,156</u>
Total liabilities and fund balances	<u>\$ 133,476</u>	<u>\$ 19,796</u>	<u>\$ 75,443</u>	<u>\$ 7,119</u>	<u>\$ 104,303</u>	<u>\$ 133,904</u>	<u>\$ 226,553</u>

(Continued)

TOWN OF CUMBERLAND, RHODE ISLAND

*Combining Balance Sheet (Continued)
Special Revenue Funds - School Restricted Fund
June 30, 2010*

	<u>Project IDEA ARRA</u>	<u>Project IDEA</u>	<u>Preschool ARRA Section 619</u>	<u>Preschool Section 619</u>	<u>Title III</u>	<u>E2T2</u>	<u>Federal Stabilization</u>
ASSETS							
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from the federal and state governments	286,386	376,376	2,232	11,953	3,703	-	-
Due from other funds	-	-	-	-	-	-	-
Total assets	<u>\$ 286,386</u>	<u>\$ 376,376</u>	<u>\$ 2,232</u>	<u>\$ 11,953</u>	<u>\$ 3,703</u>	<u>\$ -</u>	<u>\$ -</u>
 LIABILITIES AND FUND BALANCES							
Liabilities							
Account payable and accrued expenditures	\$ 106,340	\$ 23,577	\$ 938	\$ -	\$ -	\$ -	\$ -
Due to other funds	180,046	352,799	1,294	11,953	3,703	-	-
Total liabilities	<u>286,386</u>	<u>376,376</u>	<u>2,232</u>	<u>11,953</u>	<u>3,703</u>	<u>-</u>	<u>-</u>
 Fund balances	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>
Total liabilities and fund balances	<u>\$ 286,386</u>	<u>\$ 376,376</u>	<u>\$ 2,232</u>	<u>\$ 11,953</u>	<u>\$ 3,703</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

TOWN OF CUMBERLAND, RHODE ISLAND

*Combining Balance Sheet (Continued)
Special Revenue Funds - School Restricted Fund
June 30, 2010*

	<i>Kitchen Equipment ARRA</i>	<i>Achieve Algebra</i>	<i>Wallace Foundation</i>	<i>State Breakfast</i>	<i>Other Miscellaneous Grants</i>	<i>Total</i>
ASSETS						
Cash	\$ -	\$ -	\$ -	\$ -	\$ 67,969	\$ 67,969
Due from the federal and state governments	-	18,289	-	-	-	934,773
Due from other funds	-	-	-	380	400	465,540
Total assets	<u>\$ -</u>	<u>\$ 18,289</u>	<u>\$ -</u>	<u>\$ 380</u>	<u>\$ 68,369</u>	<u>\$ 1,468,282</u>
 LIABILITIES AND FUND BALANCES						
Liabilities						
Account payable and accrued expenditures	\$ -	\$ -	\$ -	\$ -	\$ 3,604	\$ 158,221
Due to other funds	-	18,289	-	-	20,188	803,965
Total liabilities	<u>-</u>	<u>18,289</u>	<u>-</u>	<u>-</u>	<u>23,792</u>	<u>962,186</u>
 Fund balances	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>380</u>	 <u>44,577</u>	 <u>506,096</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 18,289</u>	<u>\$ -</u>	<u>\$ 380</u>	<u>\$ 68,369</u>	<u>\$ 1,468,282</u>

TOWN OF CUMBERLAND, RHODE ISLAND
 Combining Statement of Revenues, Expenditure and Changes in Fund Balances
 Special Revenue Funds - School Restricted Fund
 For the Fiscal Year Ended June 30, 2010

	<u>Title I</u>	<u>Title I ARRA</u>	<u>Title II Professional Development</u>	<u>Title IV</u>	<u>Literacy</u>	<u>Professional Development</u>	<u>Technology</u>
Revenues							
Federal and State aid and grants	\$ 334,098	\$ 172,356	\$ 197,128	\$ 19,100	\$ 334,046	\$ -	\$ 116,373
Other revenue	-	-	-	-	-	-	-
Total revenues	<u>334,098</u>	<u>172,356</u>	<u>197,128</u>	<u>19,100</u>	<u>334,046</u>	<u>-</u>	<u>116,373</u>
Expenditures							
Education	<u>334,098</u>	<u>172,356</u>	<u>197,128</u>	<u>19,100</u>	<u>328,807</u>	<u>3,007</u>	<u>31,491</u>
Total expenditures	<u>334,098</u>	<u>172,356</u>	<u>197,128</u>	<u>19,100</u>	<u>328,807</u>	<u>3,007</u>	<u>31,491</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,239</u>	<u>(3,007)</u>	<u>84,882</u>
Fund balances - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>98,515</u>	<u>134,236</u>	<u>141,274</u>
Fund balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 103,754</u>	<u>\$ 131,229</u>	<u>\$ 226,156</u>

(Continued)

TOWN OF CUMBERLAND, RHODE ISLAND

Combining Statement of Revenues, Expenditure and Changes in Fund Balances (Continued)

Special Revenue Funds - School Restricted Fund

For the Fiscal Year Ended June 30, 2010

	<u>Project IDEA ARRA</u>	<u>Project IDEA</u>	<u>Preschool ARRA Section 619</u>	<u>Preschool Section 619</u>	<u>Title III</u>	<u>E2T2</u>	<u>Federal Stabilization</u>
Revenues							
Federal and State aid and grants	\$ 602,530	\$ 1,045,344	\$ 6,305	\$ 42,513	\$ 5,833	\$ 20,545	\$ 656,631
Other revenue	-	-	-	-	-	-	-
Total revenues	<u>602,530</u>	<u>1,045,344</u>	<u>6,305</u>	<u>42,513</u>	<u>5,833</u>	<u>20,545</u>	<u>656,631</u>
Expenditures							
Education	<u>602,530</u>	<u>1,045,344</u>	<u>6,305</u>	<u>42,513</u>	<u>5,833</u>	<u>20,545</u>	<u>656,631</u>
Total expenditures	<u>602,530</u>	<u>1,045,344</u>	<u>6,305</u>	<u>42,513</u>	<u>5,833</u>	<u>20,545</u>	<u>656,631</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

TOWN OF CUMBERLAND, RHODE ISLAND

Combining Statement of Revenues, Expenditure and Changes in Fund Balances (Continued)

Special Revenue Funds - School Restricted Fund

For the Fiscal Year Ended June 30, 2010

	<i>Kitchen Equipment ARRA</i>	<i>Achieve Algebra</i>	<i>Wallace Foundation</i>	<i>State Breakfast</i>	<i>Other Miscellaneous Grants</i>	<i>Total</i>
Revenues						
Federal and State aid and grants	\$ 2,531	\$ 18,289	\$ 1,250	\$ -	\$ -	\$ 3,574,872
Other revenue	-	-	-	-	20,775	20,775
Total revenues	<u>2,531</u>	<u>18,289</u>	<u>1,250</u>	<u>-</u>	<u>20,775</u>	<u>3,595,647</u>
Expenditures						
Education	2,531	18,289	1,250	-	23,552	3,511,310
Total expenditures	<u>2,531</u>	<u>18,289</u>	<u>1,250</u>	<u>-</u>	<u>23,552</u>	<u>3,511,310</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,777)</u>	<u>84,337</u>
Fund balances - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>380</u>	<u>47,354</u>	<u>421,759</u>
Fund balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 380</u>	<u>\$ 44,577</u>	<u>\$ 506,096</u>

TOWN OF CUMBERLAND, RHODE ISLAND

Combining Statement of Net Assets

Private-Purpose Trusts

June 30, 2010

	<u><i>Burial</i></u>	<u><i>High School Scholarship</i></u>	<u><i>Scholarship</i></u>	<u><i>Total Private- Purpose Trusts</i></u>
<i>Assets</i>				
Cash and cash equivalents	<u>\$ 219,026</u>	<u>\$ 10,000</u>	<u>\$ 29,144</u>	<u>\$ 258,170</u>
<i>Total assets</i>	<u>219,026</u>	<u>10,000</u>	<u>29,144</u>	<u>258,170</u>
<i>Net Assets</i>				
Held in trust for other purposes	<u><u>\$ 219,026</u></u>	<u><u>\$ 10,000</u></u>	<u><u>\$ 29,144</u></u>	<u><u>\$ 258,170</u></u>

TOWN OF CUMBERLAND, RHODE ISLAND

Combining Statement of Changes in Net Assets

Private-Purpose Trusts

For the Fiscal Year Ended June 30, 2010

	<u>Burial</u>	<u>High School Scholarship</u>	<u>Scholarship</u>	<u>Total Private- Purpose Trusts</u>
<i>Additions</i>				
Donations	\$ -	\$ 10,000	\$ 15,916	\$ 25,916
Interest	312	-	-	312
<i>Total additions</i>	<u>312</u>	<u>10,000</u>	<u>15,916</u>	<u>26,228</u>
<i>Deductions</i>				
Scholarships	-	-	22,429	22,429
<i>Total deductions</i>	<u>-</u>	<u>-</u>	<u>22,429</u>	<u>22,429</u>
<i>Change in net assets</i>	312	10,000	(6,513)	3,799
<i>Net assets - beginning of year</i>	<u>218,714</u>	<u>-</u>	<u>35,657</u>	<u>254,371</u>
<i>Net assets - end of year</i>	<u>\$ 219,026</u>	<u>\$ 10,000</u>	<u>\$ 29,144</u>	<u>\$ 258,170</u>

TOWN OF CUMBERLAND, RHODE ISLAND

Combining Statement of Net Assets

Agency Funds

June 30, 2010

	<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	\$ 108,657	\$ 87,643	\$ 188,226	\$ 5,831	\$ 37,135	\$ 4,110	\$ 358	\$ 431,960
Due from other funds	<u>3,087</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,087</u>
Total assets	<u><u>\$ 111,744</u></u>	<u><u>\$ 87,643</u></u>	<u><u>\$ 188,226</u></u>	<u><u>\$ 5,831</u></u>	<u><u>\$ 37,135</u></u>	<u><u>\$ 4,110</u></u>	<u><u>\$ 358</u></u>	<u><u>\$ 435,047</u></u>
Liabilities								
Due to other funds	\$ -	\$ -	\$ 87,749	\$ 4,500	\$ -	\$ 4,109	\$ 24	\$ 96,382
Deposits held in custody for others	<u>111,744</u>	<u>87,643</u>	<u>100,477</u>	<u>1,331</u>	<u>37,135</u>	<u>1</u>	<u>334</u>	<u>338,665</u>
Total liabilities	<u><u>\$ 111,744</u></u>	<u><u>\$ 87,643</u></u>	<u><u>\$ 188,226</u></u>	<u><u>\$ 5,831</u></u>	<u><u>\$ 37,135</u></u>	<u><u>\$ 4,110</u></u>	<u><u>\$ 358</u></u>	<u><u>\$ 435,047</u></u>

TOWN OF CUMBERLAND, RHODE ISLAND

Tax Collector's Annual Report

For the Fiscal Year Ending June 30, 2010

Real Estate and Personal Property Taxes

<u>Year</u>	<u>Balance June 30, 2009</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, 2010</u>
2010	\$ -	\$ 51,694,740	\$ 81,088	\$ (415,426)	\$ 51,360,402	\$ 22,060,803	\$ 29,299,599
2009	28,192,657	-	125,462	71,151	28,389,270	27,096,566	1,292,704
2008	1,197,723	-	9,915	(7,960)	1,199,678	973,361	226,317
2007	174,050	-	5,597	106	179,753	74,068	105,685
2006	105,877	-	3,474	(3,376)	105,975	18,924	87,051
2005	95,023	-	3,374	(4,754)	93,643	16,390	77,253
2004	117,500	-	3,865	(41,936)	79,429	1,589	77,840
2003	(1,173)	-	-	(15,448)	(16,621)	1,036	(17,657)
2002	1,113	-	-	(1,529)	(416)	1,156	(1,572)
2001	37,110	-	-	217	37,327	400	36,927
2000	56,754	-	-	43	56,797	143	56,654
1999	8,617	-	-	713	9,330	183	9,147
1998	29,576	-	-	261	29,837	469	29,368
1997	41,274	-	-	-	41,274	307	40,967
1996	52,558	-	-	1,067	53,625	90	53,535
1995	111,274	-	-	13	111,287	94	111,193
1994	277,873	-	-	69	277,942	-	277,942
1993	67,290	-	-	193	67,483	-	67,483
1992	62,564	-	-	-	62,564	-	62,564
1991	18,616	-	-	-	18,616	-	18,616
1990	26,701	-	-	-	26,701	-	26,701
1989	37,345	-	-	-	37,345	-	37,345
1988	540	-	-	-	540	-	540
	<u>\$ 30,710,862</u>	<u>\$ 51,694,740</u>	<u>\$ 232,775</u>	<u>\$ (416,596)</u>	<u>\$ 82,221,781</u>	<u>\$ 50,245,579</u>	<u>31,976,202</u>

<i>Allowance for Uncollectible Accounts</i>	<u>(1,051,897)</u>
<i>Net Property Tax Receivable</i>	<u>\$ 30,924,305</u>

Schedule of Most Recent Net Assessed Property Value by Category

<u>Description of Property</u>	<u>Valuation</u>
Real property	\$ 3,885,180,300
Motor vehicles	-
Tangible personal property	119,935,814
Total	<u>4,005,116,114</u>
Exemptions	185,143,563
Net assessed value	<u>\$ 3,819,972,551</u>

***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***

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, 2010, 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 January 14, 2011. 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Cumberland, Rhode Island'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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* 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 and correct misstatements on a timely basis.

A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 10-1, 10-2 and 10-3 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Cumberland, Rhode Island'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 January 14, 2011.

The Town of Cumberland, Rhode Island'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, Rhode Island'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.



Warwick, Rhode Island
January 14, 2011

TOWN OF CUMBERLAND, RHODE ISLAND
Schedule of Findings and Responses
For the Fiscal Year Ending June, 30, 2010

Segregation of Duties

10-1 Finding – 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. We also were unable to find adequate backup for several journal entries. 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 – Effective September 2010, all journal entries are approved by the Finance Director. Also all bank account transfers are initiated by the Finance Director, with the Deputy Finance Director overseeing/performing the bank reconciliations. Financial reports are the responsibility of the Finance Director.

Financial Reporting

10-2 Finding – 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, which were noted during the performance of audit procedures for the year ended June 30, 2010. The Town was not performing certain monthly closing and reconciliation procedures that resulted in the misstatements going undetected, which included the following:

TOWN OF CUMBERLAND, RHODE ISLAND
Schedule of Findings and Responses
For the Fiscal Year Ending June, 30, 2010

- 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 not recorded and allocated in a timely manner to the appropriate general ledger 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. There is a lack of communication between the Town department heads and the Finance Department. The Finance Department rarely receives grant agreements and requests for grant reimbursements from the Town department heads. The lack of communication and review procedures resulted in errors within the funds, deficit spending in the funds and delays in requests for reimbursements.
- d) The Finance Department does not have adequate access to Water Fund financial information, specifically the billing and receivable accounting system. As a result of inadequate access to financial information, the Town is not reconciling the Water Fund general ledger accounts associated with the water use billing and collection transactions. The Town also did not record transactions related to the RICWFA loan to the general ledger. The lack of reconciliation procedures and unrecorded transactions resulted in errors in the financial statements.
- e) The Town is not reconciling various cash accounts to the general ledger in a timely manner. Also, the Town processed checks subsequent to year-end and dated the checks June 30. The disbursements were all for expenditures that incurred prior to June 30. The checks were not mailed until sometime in July or August, but were reported as outstanding checks on the bank reconciliation as of June 30. The lack of timely reconciliations and improper cutoff for procedures resulted in errors in the financial statements.
- f) The Town is not reconciling the Sewer Fund general ledger accounts associated with sewer use and sewer assessment billing and collection transactions, which resulted in errors in the financial statements.
- g) The Town is not reconciling the General Fund general ledger accounts associated with the property tax billings and collection transactions, which resulted in errors in the financial statements.

Recommendation – We strongly recommend the following: 1) 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; 2) The department heads need to improve communication with the Finance Department; 3) The Finance Department should have access to Water Fund financial reporting systems at all times; 4) The Town should record all revenue wired from the State of RI to the appropriate account at the time it is received.

TOWN OF CUMBERLAND, RHODE ISLAND
Schedule of Findings and Responses
For the Fiscal Year Ending June, 30, 2010

Management's Response – Fiscal year 2010 was a year of flux and turnover in the Town's finance department. The Finance Director and his top two assistants all left before mid year and the transition was not seamless. The Town and school department are jointly beginning a review of finance, IT and human resource functions. This process was directed by a referendum in the November election. The objective of the study is to analyze the strengths and weaknesses in the operations with a goal of combining resources where possible to increase efficiencies and effectiveness. It is believed that this study will highlight manpower shortages, especially in the human resource function, that creates strain on the Town's finance office and prevents timely reconciliations of many accounts. We agree with the recommendations.

Capital Assets – Governmental Funds and Water Fund

10-3 Finding – The Town and School Department do not have formal policies 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, 2010, the schedules were prepared after year-end and the Town's schedules 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 – The Town agrees and is looking to strengthen the purchase order process and incorporate this into an efficient, timely and accurate fixed asset system. The Town is also looking into sharing the purchasing function with a neighboring municipality so as to utilize their well established purchasing function.