

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

*For the Fiscal Year Ended
June 30, 2011*

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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, 2011, 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.

The Town of Cumberland, Rhode Island did not complete a biennial actuarial valuation for its other post employment benefit plan in accordance with Governmental Accounting Standards Board Statement Number 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions". The annual required contribution (ARC) to the plan for the year ended June 30, 2011 that was used to calculate the net other post employment benefit obligation was based on an actuarial valuation as of July 1, 2008. A biennial valuation should be performed, in our opinion, to conform with accounting principles generally accepted in the United States of America. The effects of this departure from generally accepted accounting principles on the liabilities, net assets and expenses of the governmental activities are not reasonably determinable.

In our opinion, except for the effects of not performing a biennial other post-employment benefit plan actuarial valuation as discussed in the preceding paragraph, 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, 2011, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with the accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2011 on our consideration of the Town of Cumberland, Rhode Island's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, budgetary comparison information and supplementary pension and other post employment benefit information on pages 3 through 13 and 58 through 67 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. The Town of Cumberland, Rhode Island has not presented the July 1, 2010 schedule of funding progress information for its other post employment benefit plan that accounting principles generally accepted in the United States of America require to supplement, although not to be part of, the basic financial statements.

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.



Warwick, Rhode Island
December 29, 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, 2011. 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 \$8,530,450 or 13.8% of total 2011 budgeted revenues of \$61,373,447. This is a increase of \$4,230,262 from the prior year total fund balance, as restated.
- The total unassigned fund balance of the General Fund is 3,050,181 or 4.9% of total 2011 budgeted revenues.
- The total assigned and nonspendable fund balance of the General Fund is \$5,480,269. This is an increase of \$162,615 from the prior year, as restated. The total assigned and nonspendable fund balance includes a nonspendable fund balance of \$4,062,065 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 2011 with a budgetary operating surplus of \$3,615,680 and the School Unrestricted Fund ended with a budgetary operating surplus of \$1,521,982.
- The total debt amount of the Town of Cumberland decreased by \$5,452,471.
- 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 \$101,256,975. The Town has chosen conservative fiscal policy whereby it has developed its capital asset base from current operations rather than debt.
- The Town's total net assets increased by \$8,458,143 for the fiscal year ended June 30, 2011.

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

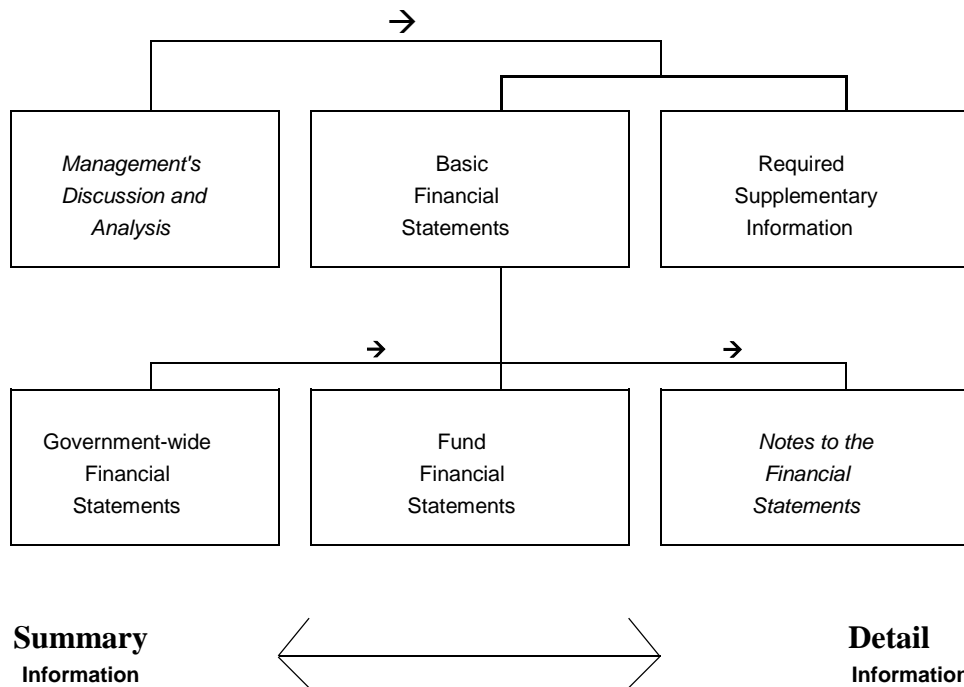


Figure A- 2

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

	Government- Wide Statements	Fund 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 57.

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 reconciling information between the statutory amounts for budgetary purposes and the amounts for the General Fund and School Unrestricted Fund 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 \$101,256,975 as of June 30, 2011.

In regard to the Town's net assets (72%) 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>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current Assets	\$51,163,110	\$46,247,095	\$467,724	\$3,382,840	\$51,630,834	\$49,629,935
Capital Assets and Other Assets	<u>107,311,933</u>	<u>109,556,489</u>	<u>29,168,616</u>	<u>25,854,529</u>	<u>136,480,549</u>	<u>135,411,018</u>
Total Assets	158,475,043	155,803,584	29,636,340	29,237,369	188,111,383	185,040,953
Current Liabilities	9,088,463	15,511,842	1,566,074	1,456,949	10,654,537	16,968,791
Long-term Liabilities	<u>71,152,979</u>	<u>69,795,819</u>	<u>5,046,892</u>	<u>5,477,511</u>	<u>76,199,871</u>	<u>75,273,330</u>
Total Liabilities	80,241,442	85,307,661	6,612,966	6,934,460	86,854,408	92,242,121
Net Assets:						
Invested in Capital Assets Net of Related Debt	48,030,860	45,038,691	24,714,295	24,266,066	72,745,155	69,304,757
Restricted	5,454,475	3,759,607	0	0	5,454,475	3,759,607
Unrestricted	<u>24,748,266</u>	<u>21,697,625</u>	<u>(1,690,921)</u>	<u>(1,963,157)</u>	<u>23,057,345</u>	<u>19,734,468</u>
Total Net Assets	<u>\$78,233,601</u>	<u>\$70,495,923</u>	<u>\$23,023,374</u>	<u>\$22,302,909</u>	<u>\$101,256,975</u>	<u>\$92,798,832</u>

An additional portion of the Town's net assets \$5,454,475 (5%) represents resources that are subject to external restriction on how they may be used. This leaves a remaining balance for unrestricted net assets of \$23,057,345 (23%) which the Town may use to meet ongoing obligations to its citizens and creditors.

Change in Net Assets

The total net assets of the Town of Cumberland increased by \$8,458,143 during fiscal year 2010-2011.

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, 2011.

Governmental activities increased the Town's net assets by \$7,737,678 accounting for 91% of the Town's total increase in net assets, while business type activities increased the Town's net assets by \$720,465 accounting for (9%) of the Town's total increase in net assets.

TOWN OF CUMBERLAND'S CHANGES IN NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues						
Program						
Charges for Services	\$5,490,765	\$5,440,968	\$4,417,892	\$4,429,329	\$9,908,657	\$9,870,297
Operating Grants & Contributions	20,393,270	19,474,227			20,393,270	19,474,227
Capital Grants & Contributions	557,623	345,906	602,639	782,643	1,160,262	1,128,549
General Revenues						
Property Taxes	62,816,354	51,998,372			62,816,354	51,998,372
State Aid	998,721	3,175,396			998,721	3,175,396
Investment Earnings	125,576	158,535	144	85	125,720	158,620
Miscellaneous	646,911	705,159			646,911	705,159
Total Revenues	91,029,220	81,298,563	5,020,675	5,212,057	96,049,895	86,510,620
Program Expenses						
General Government	3,066,459	3,393,965			3,066,459	3,393,965
Community Development	344,883	405,621			344,883	405,621
Public Safety	11,770,458	10,908,288			11,770,458	10,908,288
Public Works	6,563,887	6,266,443			6,563,887	6,266,443
Social Services	2,008,335	2,064,848			2,008,335	2,064,848
Education	56,798,576	56,093,074			56,798,576	56,093,074
Interest on Long-Term Debt	2,738,944	3,205,951			2,738,944	3,205,951
Water Fund			4,300,210	4,594,977	4,300,210	4,594,977
Total Expenses	83,291,542	82,338,190	4,300,210	4,594,977	87,591,752	86,933,167
Increase (decrease) to Net Assets	7,737,678	(1,039,627)	720,465	617,080	8,458,143	(422,547)
Net Assets Beginning of Year	70,495,923	71,535,550	22,302,909	21,685,829	92,798,832	93,221,379
Net Assets End of Year	<u>\$78,233,601</u>	<u>\$70,495,923</u>	<u>\$23,023,374</u>	<u>\$22,302,909</u>	<u>\$101,256,975</u>	<u>\$92,798,832</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 unassigned 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 \$12,299,833. The General Fund reported an unassigned fund balance of \$3,050,181 representing approximately (24.7%) of total fund balance of all governmental funds.

Nonspendable & Assigned General Fund fund balances:

Assigned balances	\$1,418,204
Advances to Other Funds	<u>4,062,065</u>
Total Nonspendable and Assigned Fund Balance	\$ 5,480,269

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 (\$1,690,921).

The Town of Cumberland's General Fund Budgetary Highlights

Nonspendable and assigned fund balance as of June 30, 2011 include:

- Assigned in the amount of \$1,418,204, with \$1,082,202 of the total being assigned to economic and community development, and
- Non spendable for advances to other funds in the amount of \$4,062,065.

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 \$66,040,221. The fund balance amount of \$8,530,450 equals 12.9 % of the total operating revenues.

The Town of Cumberland's Capital Assets

The Town of Cumberland's investment in capital assets for its governmental and business-type activities amounts to \$133,336,474 net of accumulated depreciation at June 30, 2011. Included are land, building and improvements, construction in progress, motor vehicles, furniture and equipment, and infrastructure.

Major capital events during the fiscal year 2010-2011:

The major capital projects in 2010-2011 were the water fund improvements of \$ 3,914,210 and the Tucker Field improvement project which cost approximately \$640,000. The water system improvements are being paid by subsidized low interest loans and the Tucker Field project had a \$300,000 State of Rhode Island grant.

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

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$18,995,057	\$18,995,057	\$196,599	\$196,599	\$19,191,656	\$19,191,656
Land Improvements	1,332,945	851,805			1,332,945	851,805
Building and Improvement	66,122,405	67,755,010	1,741,810	1,782,220	67,864,215	69,537,230
Construction in Progress	0	308,267	4,446,250	861,217	4,446,250	1,169,484
Motor Vehicles	911,775	712,810	63,957	87,456	975,732	800,266
Machinery and Equipment	1,978,951	2,325,404			1,978,951	2,325,404
Infrastructure	14,912,615	15,238,360	22,634,110	22,835,449	37,546,725	38,073,809
Total	<u>\$104,253,748</u>	<u>\$106,186,713</u>	<u>\$29,082,726</u>	<u>\$25,762,941</u>	<u>\$133,336,474</u>	<u>\$131,949,654</u>

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

The Town of Cumberland's Debt Administration

At the end of the current fiscal year, the Town of Cumberland had a total bonded debt of \$28,825,000. Of this amount, \$1,010,000 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 2011</u>	<u>Business-type Activities 2011</u>	<u>Total</u>
General obligation bonds			
Payable	\$27,815,000	\$1,010,000	\$28,825,000
Capital leases payable	560,500	0	560,500
Notes and loans payable	29,534,174	4,415,490	33,949,664
Totals	<u>\$57,909,674</u>	<u>\$5,425,490</u>	<u>\$63,335,164</u>

The Town's general obligation bond rating as reaffirmed by Moody's Investors Service in April of 2008 is A3. By Standard & Poor's, the Town's general obligation bond rating was reaffirmed as A in July of 2011.

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 \$108,476,347 at year-end. The Town's outstanding general obligation debt subject to the limit is \$ 3,767,750 at year-end, which is \$104,708,597 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 2011-2012 Budget and Tax Rates

The Town of Cumberland's total general fund budget for fiscal year 2012 is \$79,146,788; which reflects a increase of \$2,925,789 over the fiscal 2011 budget. In the Town's 2012 budget, \$52,437,579 or 66.2% is allocated for educational purposes and \$26,709,209, or 33.8% is budgeted for other purposes.

Of the \$52,437,579 budgeted for educational purposes, the State of Rhode Island is budgeted for fiscal year 2012 to contribute \$16,235,130 to the Town's education department and the Town is budgeted to contribute \$36,202,449. 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 2011 was \$15.34 per thousand for real estate, \$27.50 per thousand for tangible personal property, \$19.87 per hundred for motor vehicles. Of the total taxes collected, 42.5% was allocated for general government and 57.5% 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, 2011

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Current assets:			
Cash and cash equivalents	\$ 8,611,576	\$ 594	\$ 8,612,170
Restricted cash and cash equivalents	-	319,117	319,117
Investments	6,340	-	6,340
Real estate and personal property tax receivable, net	34,079,686	-	34,079,686
Water and sewer user fees receivable, net	212,572	3,845,781	4,058,353
Sewer assessments receivable	250,702	-	250,702
Due from federal and state government	2,374,076	1,306,927	3,681,003
Internal balances	5,006,598	(5,006,598)	-
Other receivables, net	621,560	1,903	623,463
Total current assets	<u>51,163,110</u>	<u>467,724</u>	<u>51,630,834</u>
Noncurrent assets:			
Sewer assessments receivable	2,117,397	-	2,117,397
Capital assets: (Note 2)			
Land	18,995,057	196,599	19,191,656
Depreciable buildings, property, equipment, infrastructure, net	85,258,691	24,439,877	109,698,568
Construction in progress	-	4,446,250	4,446,250
Capital assets, net	<u>104,253,748</u>	<u>29,082,726</u>	<u>133,336,474</u>
Other assets, net	940,788	85,890	1,026,678
Total noncurrent assets	<u>107,311,933</u>	<u>29,168,616</u>	<u>136,480,549</u>
Total assets	<u>158,475,043</u>	<u>29,636,340</u>	<u>188,111,383</u>
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	3,936,854	1,066,321	5,003,175
Accrued interest payable	691,464	66,159	757,623
Deferred salary - due within one year	60,298	-	60,298
Other commitments - due within one year	17,850	-	17,850
Long-term debt - due within one year (Note 7)	4,381,997	433,594	4,815,591
Total current liabilities	<u>9,088,463</u>	<u>1,566,074</u>	<u>10,654,537</u>
Noncurrent liabilities:			
Accrued liabilities - due in more than one year	1,173,868	-	1,173,868
Unearned revenue	2,117,397	-	2,117,397
Long-term debt - due in more than one year (Note 7)	53,885,489	4,993,926	58,879,415
Accrued compensated absences	2,331,588	52,966	2,384,554
Deferred salary - due within more than one year	1,086,014	-	1,086,014
Other commitments - due in more than one year	285,600	-	285,600
Net pension obligation	1,604,013	-	1,604,013
Net other post employment benefit obligation	8,669,010	-	8,669,010
Total noncurrent liabilities	<u>71,152,979</u>	<u>5,046,892</u>	<u>76,199,871</u>
Total liabilities	<u>80,241,442</u>	<u>6,612,966</u>	<u>86,854,408</u>
Net Assets:			
Invested in capital assets, net of related debt	48,030,860	24,714,295	72,745,155
Restricted for:			
Education programs	4,768,359	-	4,768,359
Public safety programs	94,658	-	94,658
Historical records preservation	152,218	-	152,218
Community service programs	109,599	-	109,599
Other programs	329,641	-	329,641
Unrestricted	<u>24,748,266</u>	<u>(1,690,921)</u>	<u>23,057,345</u>
Total net assets	<u>\$ 78,233,601</u>	<u>\$ 23,023,374</u>	<u>\$ 101,256,975</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, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities:							
General government	\$ 3,066,459	\$ 1,065,737	\$ 124,830	\$ -	\$ (1,875,892)	\$ -	\$ (1,875,892)
Community development	344,883	7,615	108,461	-	(228,807)	-	(228,807)
Public safety	11,770,458	1,217,626	120,038	189,898	(10,242,896)	-	(10,242,896)
Public works	6,563,887	1,213,359	206,054	367,725	(4,776,749)	-	(4,776,749)
Social services	2,008,335	131,173	336,271	-	(1,540,891)	-	(1,540,891)
Education	56,798,576	1,499,898	17,343,718	-	(37,954,960)	-	(37,954,960)
Interest on long-term debt	2,738,944	355,357	2,153,898	-	(229,689)	-	(229,689)
Total governmental activities	83,291,542	5,490,765	20,393,270	557,623	(56,849,884)	-	(56,849,884)
Business-Type Activities:							
Water	4,300,210	4,417,892	-	602,639	-	720,321	720,321
Total business-type activities	4,300,210	4,417,892	-	602,639	-	720,321	720,321
Total	\$ 87,591,752	\$ 9,908,657	\$ 20,393,270	\$ 1,160,262	(56,849,884)	720,321	(56,129,563)
General Revenues:							
Taxes:							
Property taxes					62,816,354	-	62,816,354
State aid and in lieu of taxes, unrestricted					998,721	-	998,721
Investment earnings					125,576	144	125,720
Miscellaneous					646,911	-	646,911
					64,587,562	144	64,587,706
					Change in net assets	720,465	8,458,143
					Net assets - beginning of year	22,302,909	92,798,832
					Net assets - end of year	\$ 23,023,374	\$ 101,256,975

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

TOWN OF CUMBERLAND, RHODE ISLAND

*Balance Sheet
Governmental Funds
June 30, 2011*

	<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	\$ 8,130,107	\$ 142,174	\$ -	\$ 1,519,796	\$ 9,792,077
Investments	5,166	-	-	1,174	6,340
Real estate and personal property tax receivable (net)	33,786,939	-	-	-	33,786,939
Sewer use and assessment receivable	-	-	2,207,765	372,906	2,580,671
Due from federal and state governments	456,710	-	-	1,917,366	2,374,076
Due to other funds	4,007,698	6,936,631	-	1,389,814	12,334,143
Advances to other funds	4,062,065	-	-	-	4,062,065
Other receivables	621,871	-	-	-	621,871
Other assets	169,750	132,000	-	-	301,750
Total assets	<u>\$ 51,240,306</u>	<u>\$ 7,210,805</u>	<u>\$ 2,207,765</u>	<u>\$ 5,201,056</u>	<u>\$ 65,859,932</u>
Liabilities and Fund Balances					
Liabilities:					
Cash overdraft	\$ -	\$ 1,180,501	\$ -	\$ -	\$ 1,180,501
Accounts payable and accrued expenditures	500,643	2,462,782	2,508	470,997	3,436,930
Due to federal and state governments	14,182	-	-	-	14,182
Due to other funds	7,150,939	11,435	-	1,770,205	8,932,579
Advances from other funds	-	-	1,888,898	482,246	2,371,144
Advance from pension trust fund	1,173,868	-	-	-	1,173,868
Deferred revenues	33,393,807	-	2,207,765	372,906	35,974,478
Other liabilities	476,417	-	-	-	476,417
Total liabilities	<u>42,709,856</u>	<u>3,654,718</u>	<u>4,099,171</u>	<u>3,096,354</u>	<u>53,560,099</u>
Fund Balances (Deficits):					
Nonspendable:					
Advances to other funds	4,062,065	-	-	-	4,062,065
Restricted for:					
Education programs	-	3,556,087	-	1,212,272	4,768,359
Public safety programs	-	-	-	94,658	94,658
Historical records preservation	-	-	-	152,218	152,218
Community service programs	-	-	-	109,599	109,599
Capital projects	-	-	-	684,010	684,010
Other programs	-	-	-	329,641	329,641
Assigned to:					
Capital projects	-	-	-	30,000	30,000
Education programs and supplies	11,250	-	-	-	11,250
Office of Children, Youth, and Learning	29,443	-	-	-	29,443
Recreation programs	181,019	-	-	-	181,019
Town properties	15,722	-	-	-	15,722
Community and economic development programs	1,082,202	-	-	-	1,082,202
Senior citizens center programs	98,568	-	-	-	98,568
Unassigned	3,050,181	-	(1,891,406)	(507,696)	651,079
Total fund balances (deficits)	<u>8,530,450</u>	<u>3,556,087</u>	<u>(1,891,406)</u>	<u>2,104,702</u>	<u>12,299,833</u>
Total liabilities and fund balances	<u>\$ 51,240,306</u>	<u>\$ 7,210,805</u>	<u>\$ 2,207,765</u>	<u>\$ 5,201,056</u>	<u>\$ 65,859,932</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, 2011

Total Fund Balances - Total Governmental Funds	\$ 12,299,833
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. See note 2 to the financial statements.	104,253,748
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.	292,747
Other long-term receivables are not available to pay for current period expenditures and, therefore, are deferred in Governmental Funds financial statements.	725,495
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.	250,702
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.	32,785,361
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.	(691,464)
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.	(72,321,859)
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>639,038</u>
Net Assets of Governmental Activities	<u><u>\$ 78,233,601</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, 2011

	<u>General Fund</u>	<u>School Unrestricted Fund</u>	<u>Sewer Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
General property taxes and interest	\$ 59,642,994	\$ -	\$ -	\$ -	\$ 59,642,994
Investment and interest income	125,546	-	-	30	125,576
Other local and departmental revenue	2,688,055	-	958,442	863,425	4,509,922
Federal and State aid and grants	3,484,214	12,966,433	-	5,354,791	21,805,438
Other revenues	99,412	771,605	-	70,140	941,157
Total revenues	<u>66,040,221</u>	<u>13,738,038</u>	<u>958,442</u>	<u>6,288,386</u>	<u>87,025,087</u>
Expenditures:					
<i>Current:</i>					
General government	1,698,222	-	-	153,920	1,852,142
Community development	206,823	-	-	94,564	301,387
Public safety	5,806,248	-	-	241,189	6,047,437
Public works	4,956,962	-	189,924	891,303	6,038,189
Social services	1,765,276	-	-	37,867	1,803,143
Other	289,851	-	-	-	289,851
Employee benefits	4,100,556	-	-	-	4,100,556
Education	57,591	48,704,841	-	3,289,910	52,052,342
Cafeteria	-	-	-	1,344,954	1,344,954
Debt service	6,858,122	-	926,729	136,584	7,921,435
Capital outlay	445	-	-	-	445
Total expenditures	<u>25,740,096</u>	<u>48,704,841</u>	<u>1,116,653</u>	<u>6,190,291</u>	<u>81,751,881</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>40,300,125</u>	<u>(34,966,803)</u>	<u>(158,211)</u>	<u>98,095</u>	<u>5,273,206</u>
Other financing sources (uses):					
Premium on TAN	25,424	-	-	-	25,424
Sale of easement	540,000	-	-	-	540,000
Transfers from other funds	30,000	35,840,449	-	824,838	36,695,287
Transfers to other funds	(36,665,287)	-	(30,000)	-	(36,695,287)
Total other financing sources (uses)	<u>(36,069,863)</u>	<u>35,840,449</u>	<u>(30,000)</u>	<u>824,838</u>	<u>565,424</u>
Net change in fund balances	4,230,262	873,646	(188,211)	922,933	5,838,630
Fund balances (deficits) - beginning of year, restated	<u>4,300,188</u>	<u>2,682,441</u>	<u>(1,703,195)</u>	<u>1,181,769</u>	<u>6,461,203</u>
Fund balances (deficits) - end of year	<u>\$ 8,530,450</u>	<u>\$ 3,556,087</u>	<u>\$ (1,891,406)</u>	<u>\$ 2,104,702</u>	<u>\$ 12,299,833</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, 2011

Net Changes in Fund Balances - Total Governmental Funds	\$ 5,838,630
 <i>Amounts reported for Governmental Activities in the Statement of Activities are different because:</i>	
Governmental Funds financial statements report capital outlays as expenditures. However, in the Government-Wide Statement of Activities, the cost of those assets is allocated over their estimated useful life as depreciation expense. This is the amount of capital assets recorded in the current period.	1,121,020
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.	(3,053,985)
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.	(4,902,716)
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.	5,206,303
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 an expenditure in Governmental Funds financial statements. The following amount represents the change in accrued interest from prior year.	93,001
Debt 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. This represents current year amortization of premium and issuance costs.	(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.	124,837
Revenues in the Statement of Activities that are not available in Governmental Funds are not reported as revenue in the Governmental Funds.	3,339,296
Change in Net Assets of Governmental Activities	<u><u>\$ 7,737,678</u></u>

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, 2011

	<u><i>Enterprise Funds</i></u>
	<u><i>Water Fund</i></u>
Assets	
<i>Current assets:</i>	
Cash and cash equivalents	\$ 594
Restricted cash and cash equivalents	319,117
Accounts receivable:	
Water user fees, less allowance for uncollectible accounts of \$149,723	3,845,781
Other	1,903
Due from state government	1,306,927
<i>Total current assets</i>	<u><u>5,474,322</u></u>
<i>Noncurrent assets:</i>	
Capital assets:	
Non-depreciable assets	4,642,849
Depreciable assets - net	24,439,877
Other assets - net	85,890
<i>Total noncurrent assets</i>	<u><u>29,168,616</u></u>
<i>Total assets</i>	<u><u>34,642,938</u></u>
Liabilities	
<i>Current liabilities:</i>	
Accounts payable and accrued expenses	1,066,321
Accrued interest payable	66,159
Due to other funds	3,315,677
Current portion of long term debt	433,594
<i>Total current liabilities</i>	<u><u>4,881,751</u></u>
<i>Noncurrent liabilities:</i>	
Advances from other funds	1,690,921
Accrued compensated absences	52,966
Loan payable	4,251,896
General obligation bonds payable	742,030
<i>Total noncurrent liabilities</i>	<u><u>6,737,813</u></u>
<i>Total liabilities</i>	<u><u>11,619,564</u></u>
<i>Net assets</i>	
Investment in capital assets, net of related debt	24,714,295
Unrestricted	<u><u>(1,690,921)</u></u>
<i>Total net assets</i>	<u><u>\$ 23,023,374</u></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, 2011

	<i>Enterprise Funds</i>
	<i>Water Fund</i>
<i>Operating revenues</i>	
User fees and charges	\$ 4,295,664
Other revenues	122,228
<i>Total operating revenues</i>	4,417,892
 <i>Operating expenses</i>	
Personnel services	1,292,950
Maintenance and servicing	262,124
Operating supplies	289,788
Fixed and general charges	1,701,352
Depreciation and amortization	490,411
<i>Total operating expenses</i>	4,036,625
 <i>Operating income</i>	381,267
 <i>Nonoperating revenues (expenses)</i>	
Interest income	144
Interest expense	(263,585)
<i>Total nonoperating revenues (expenses)</i>	(263,441)
 <i>Income before contributions</i>	117,826
Capital contributions and grants	602,639
 <i>Change in net assets</i>	720,465
 <i>Total net assets - beginning of year</i>	22,302,909
 <i>Total net assets - end of year</i>	\$ 23,023,374

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, 2011

	<u><i>Enterprise Funds</i></u>
	<u><i>Water Fund</i></u>
<i>Cash flows from operating activities</i>	
Cash received from customers	\$ 3,645,814
Cash payments to suppliers for goods and services	(2,444,162)
Cash payments to employees for services	<u>(1,316,254)</u>
<i>Net cash used for operating activities</i>	<u>(114,602)</u>
<i>Cash flows from non-capital financing activities</i>	
Interfund transactions	<u>317,189</u>
<i>Net cash provided by non-capital financing activities</i>	<u>317,189</u>
<i>Cash flows from capital and related financing activities</i>	
Acquisition and construction of capital assets	(94,947)
Principal paid on bonds and loans	(246,168)
Interest paid on bonds, loans, and interfund balance	<u>(228,698)</u>
<i>Net cash used for capital and related financing activities</i>	<u>(569,813)</u>
<i>Cash flows from investing activities</i>	
Investment income	<u>144</u>
<i>Net cash provided by investing activities</i>	<u>144</u>
<i>Net decrease in cash and cash equivalents</i>	(367,082)
<i>Cash and cash equivalents, beginning of year</i>	<u>686,793</u>
<i>Cash and cash equivalents, end of year</i>	<u><u>\$ 319,711</u></u>
<i>Noncash capital and related financing activities:</i>	
Increase in capital assets	\$ 3,715,147
Decrease in due from state government	(3,078,630)

(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, 2011

	<i>Enterprise Funds</i>
	<i>Water Fund</i>
<i>Reconciliation of operating income to net cash used for operating activities</i>	
Operating income	\$ 381,267
<i>Adjustments to reconcile operating income to net cash used for operating activities:</i>	
Depreciation and amortization	490,411
Bad debt expense	13,678
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(859,638)
(Increase) decrease in other receivables	(1,824)
Increase (decrease) in accounts payable and accrued expenses	(141,810)
Increase (decrease) in compensated absences	3,314
<i>Net cash used for operating activities</i>	\$ (114,602)

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, 2011

	<u>Pension Trust Fund</u>	<u>Private- Purpose Trust Funds</u>	<u>Agency Funds</u>
Assets			
Cash and cash equivalents	\$ 234,826	\$ 275,972	\$ 440,871
Investments at fair value:			
U.S. government obligations	160,910	-	-
Municipal obligations	150,693	-	-
Corporate bonds	2,598,735	-	-
Common stock	4,693,491	-	-
Mutual funds - equity	690,886	-	-
Mutual funds - fixed income	50,706	-	-
Accrued interest receivable	32,043	-	-
Due from other funds	-	-	9,325
Advance to General Fund	1,173,868	-	-
Other receivables	-	-	-
	<u>9,786,158</u>	<u>275,972</u>	<u>450,196</u>
Total assets			
Liabilities			
Due to other funds	-	-	95,212
Deposits held in custody for others	-	-	354,984
	<u>-</u>	<u>-</u>	<u>450,196</u>
Total liabilities			
Net Assets			
Held in trust for pension benefits and other purposes	<u>\$ 9,786,158</u>	<u>\$ 275,972</u>	<u>\$ -</u>

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

TOWN OF CUMBERLAND, RHODE ISLAND
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2011

	<i>Pension Trust Funds</i>	<i>Private- Purpose Trust Funds</i>
<i>Additions</i>		
Contributions:		
Employer	\$ 1,000,000	\$ -
Plan member	200,029	-
Total contributions	<u>1,200,029</u>	<u>-</u>
Investment income:		
Net appreciation in fair value of investments	1,213,227	-
Interest and dividends	228,794	246
Less: investment expense	(52,212)	-
Net investment income	<u>1,389,809</u>	<u>246</u>
Other revenue	<u>-</u>	<u>41,325</u>
<i>Total additions</i>	<u>2,589,838</u>	<u>41,571</u>
 <i>Deductions</i>		
Benefits	1,239,082	-
Administrative expense	25,159	-
Scholarships	-	23,769
<i>Total deductions</i>	<u>1,264,241</u>	<u>23,769</u>
 <i>Change in net assets</i>	 1,325,597	 17,802
 <i>Net assets - beginning of year</i>	 <u>8,460,561</u>	 <u>258,170</u>
 <i>Net assets - end of year</i>	 <u><u>\$ 9,786,158</u></u>	 <u><u>\$ 275,972</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, 2011

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, 2011

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, 2011

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, 2011

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 2011 and other delinquent balances are recorded as receivables.

TOWN OF CUMBERLAND, RHODE ISLAND

Notes to Financial Statements

June 30, 2011

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, 2011 and received sixty days after. In the General Fund, deferred revenue also relates to rescue billings and police detail receivables due as of June 30, 2011. 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.

TOWN OF CUMBERLAND, RHODE ISLAND

Notes to Financial Statements

June 30, 2011

J. PROPERTY TAXES

The Town is permitted by State Law to levy property taxes. The Town's fiscal 2010-2011 property taxes were levied in April 2011 on assessed valuation as of December 31, 2010. Upon levy these taxes are payable quarterly and are due in May, August, November and February. Failure to mail payments by due dates will result in a lien on the taxpayer's property. Assessed values are established by Tax Assessor's Office.

K. COMPENSATED ABSENCES

Under the terms of various contracts and agreements, Town employees are granted vacation and sick leave in varying amounts based on length of service. Vacation benefits are accrued as a liability based on the accumulated benefits earned at June 30. Sick leave benefits are based on the sick leave accumulated at June 30 by those employees who are currently eligible to receive termination payments and those employees for whom it is probable they will become eligible to receive termination benefits in the future. The liability is calculated at the rate of pay in effect at June 30, 2011.

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, 2011

NOTE 2 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June, 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
Nondepreciable assets:				
Land	\$ 18,995,057	\$ -	\$ -	\$ 18,995,057
Construction in progress	308,267	523,507	831,774	-
	<u>19,303,324</u>	<u>523,507</u>	<u>831,774</u>	<u>18,995,057</u>
Depreciable assets:				
Land improvements	1,455,735	548,860	-	2,004,595
Infrastructure	28,024,499	282,915	-	28,307,414
Buildings and improvements	84,330,603	63,557	-	84,394,160
Machinery and equipment	4,012,095	156,605	-	4,168,700
Vehicles	3,872,034	377,350	-	4,249,384
	<u>121,694,966</u>	<u>1,429,287</u>	<u>-</u>	<u>123,124,253</u>
Total Capital Assets	<u>140,998,290</u>	<u>1,952,794</u>	<u>831,774</u>	<u>142,119,310</u>
Less accumulated depreciation for:				
Land improvements	603,930	67,720	-	671,650
Infrastructure	12,786,139	608,660	-	13,394,799
Buildings and improvements	16,575,593	1,696,162	-	18,271,755
Machinery and equipment	1,686,691	503,058	-	2,189,749
Vehicles	3,159,224	178,385	-	3,337,609
Total Accumulated Depreciation	<u>34,811,577</u>	<u>3,053,985</u>	<u>-</u>	<u>37,865,562</u>
Governmental Activities Capital Assets, Net	<u>\$106,186,713</u>	<u>\$(1,101,191)</u>	<u>\$ 831,774</u>	<u>\$ 104,253,748</u>
Business-Type Activities				
Nondepreciable assets:				
Land	\$ 196,599	\$ -	\$ -	\$ 196,599
Construction in progress	861,217	3,694,747	109,714	4,446,250
	<u>1,057,816</u>	<u>3,694,747</u>	<u>109,714</u>	<u>4,642,849</u>
Depreciable assets:				
Buildings	2,444,492	-	-	2,444,492
Mains, laterals, standpipes and other	33,054,121	219,463	-	33,273,584
Vehicles	400,315	-	-	400,315
	<u>35,898,928</u>	<u>219,463</u>	<u>-</u>	<u>36,118,391</u>
Total Capital Assets	<u>36,956,744</u>	<u>3,914,210</u>	<u>109,714</u>	<u>40,761,240</u>
Less accumulated depreciation for:				
Buildings	662,272	40,410	-	702,682
Mains, laterals, standpipes and other	10,218,672	420,802	-	10,639,474
Vehicles	312,859	23,499	-	336,358
Total Accumulated Depreciation	<u>11,193,803</u>	<u>484,711</u>	<u>-</u>	<u>11,678,514</u>
Business-Type Activities Capital Assets, Net	<u>\$ 25,762,941</u>	<u>\$ 3,429,499</u>	<u>\$ 109,714</u>	<u>\$ 29,082,726</u>

TOWN OF CUMBERLAND, RHODE ISLAND

Notes to Financial Statements

June 30, 2011

Depreciation expense was charged to functions as follows:

General government	\$ 18,223
Public safety	194,906
Public works	746,789
Social services	122,537
Education	<u>1,971,530</u>
Total Depreciation Expense	<u><u>\$ 3,053,985</u></u>

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. LEGAL DEBT MARGIN – The Town’s legal debt margin as set forth by State Statute is limited to three percent of the total taxable assessed value which approximates \$108,476,347. As of June 30, 2011, the Town’s debt subject to the debt limit is \$3,767,750 and the Town is under the debt limit by \$104,708,597. 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, 2011:

Open Space	\$(349,580)
Water Fund	(1,690,921)
Sewer Fund	(1,891,406)
Sewer – Ferncrest & Willow	(116,144)
Tucker Field Phase II	(41,972)

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	\$9,168,629
Add: Investments classified as cash equivalents	<u>714,327</u>
Total Cash and Cash Equivalents Reported in the Financial Statements	<u><u>\$9,882,956</u></u>

Water Fund cash and cash equivalents of \$319,117 are restricted for a debt service reserve in accordance with a trust indenture.

TOWN OF CUMBERLAND, RHODE ISLAND

Notes to Financial Statements

June 30, 2011

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, 2011, \$7,357,794 of the Town’s bank balance of \$11,126,499 was exposed to custodial credit risk as follows:

	<u>Bank Balance</u>
Insured (Federal depository insurance funds)	\$3,768,705
Collateralized with securities held by pledging financial institution or its agent in the Town’s name	4,616,646
Uninsured and uncollateralized	<u>2,741,148</u>
Total	<u>\$11,126,499</u>

Under Rhode Island general laws, depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State, shall at a minimum, insure or pledge eligible collateral equal to one hundred percent (100%) of the deposits which are time deposits with maturities greater than sixty (60) days. Any of these institutions which do not meet minimum capital standards prescribed by federal regulators shall insure or pledge eligible collateral equal to one hundred percent (100%) of the deposits, regardless of maturity. At June 30, 2011 the Town's uncollateralized deposits with an institution was \$2,741,148.

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2011

NOTE 5 – INVESTMENTS

As of June 30, 2011, the Town had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Moody's Rating</u>
MBIA RI Investment Pool	N/A	\$ 166,724	Not rated
Prime Obligation Fund	N/A	234,826	Not rated
Fidelity Governmental Fund	N/A	319,117	Not rated
US Government Obligation - FFCB	02/09/2021	50,585	Aaa
US Government Obligation - FNMA	10/02/2013	110,325	Aaa
Municipal Bond	05/01/2024	96,953	Aa3
Municipal Bond	04/01/2023	53,740	Aa3
Corporate Bond	05/15/2021	101,767	A2
Corporate Bond	05/27/2020	71,336	A1
Corporate Bond	09/15/2012	104,218	A2
Corporate Bond	09/15/2014	77,119	A2
Corporate Bond	01/15/2020	104,044	A1
Corporate Bond	04/15/2014	111,220	A2
Corporate Bond	05/15/2017	225,488	A2
Corporate Bond	12/06/2017	221,564	Aa2
Corporate Bond	04/01/2018	244,876	A1
Corporate Bond	05/01/2015	539,785	A1
Corporate Bond	07/15/2018	79,194	Aaa
Corporate Bond	01/15/2016	112,851	A1
Corporate Bond	06/01/2018	332,301	Aa3
Corporate Bond	05/16/2013	107,273	A2
Corporate Bond	12/15/2017	114,110	A2
Corporate Bond	04/01/2021	51,589	A3
Mutual Funds - Fixed Income	Average 7.83 years	50,706	Average B1
Common Stock	N/A	4,693,491	Not rated
Mutual Funds - Equity	N/A	690,886	Not rated
		<u>9,066,088</u>	
Less: Investments classified as cash equivalents		<u>(714,327)</u>	
Total Investments Reported in the Financial Statements		<u><u>\$8,351,761</u></u>	

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

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

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

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2011

<i>Moody's</i>	<i>S&P</i>	<i>Value</i>
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.

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><i>Issuer</i></u>	<u><i>Amount</i></u>	<u><i>% of Total Investments</i></u>
JP Morgan Chase	\$622,484 (\$539,785 bonds and \$82,699 stock)	6.87%

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, municipal bonds, 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.

Short-term debt activity for the year ended June 30, 2011, was as follows:

	<u><i>Beginning Balance</i></u>	<u><i>Issued</i></u>	<u><i>Redeemed</i></u>	<u><i>Ending Balance</i></u>
General obligation tax anticipation notes	\$ -	\$10,800,000	\$10,800,000	\$ -

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2011

NOTE 7 – LONG-TERM LIABILITIES

A. Long-term liability activity for the year ended June 30, 2011 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	\$31,054,600	\$ -	\$ 3,239,600	\$27,815,000	\$2,620,000
Notes and loans payable	31,174,070	-	1,639,896	29,534,174	1,473,025
Capital lease payable	887,307	-	326,807	560,500	288,972
Plus amortized premium bonds and loans	789,989	-	63,666	726,323	-
Less deferred amounts on refunding	(422,996)	-	(54,485)	(368,511)	-
Total bonds, notes, loans, and capital leases payable	63,482,970	-	5,215,484	58,267,486	4,381,997
Other liabilities:					
Legal settlement payable	124,837	-	124,837	-	-
Deferred salary	196,044	974,408	24,140	1,146,312	60,298
Compensated absences	2,388,026	-	56,438	2,331,588	-
Net other post employment benefit obligation	5,160,269	3,508,741	-	8,669,010	-
Net pension obligation	1,098,662	505,351	-	1,604,013	-
Other commitments	321,300	-	17,850	303,450	17,850
Governmental activities Long-term liabilities	\$72,772,108	\$4,988,500	\$5,438,749	\$72,321,859	\$4,460,145
Business-Type Activities:					
Bonds payable	\$ 1,255,400	\$ -	\$ 245,400	\$ 1,010,000	\$ 270,000
Loan payable	4,416,258	-	768	4,415,490	163,594
Plus amortized premium bonds	20,072	-	2,868	17,204	-
Less deferred amounts on refunding	(17,703)	-	(2,529)	(15,174)	-
Total bonds and loans payable	5,674,027	-	246,507	5,427,520	433,594
Compensated absences	49,652	3,314	-	52,966	-
Business-type activities Long-term liabilities	\$ 5,723,679	\$ 3,314	\$ 246,507	\$ 5,480,486	\$ 433,594

TOWN OF CUMBERLAND, RHODE ISLAND

Notes to Financial Statements

June 30, 2011

The payments on the governmental activities capital leases are paid from the General 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, 2011 were as follows:

<u>Fiscal Year Ended June 30,</u>	<i>Governmental Activities Lease Payment Requirements</i>
2012	\$308,089
2013	<u>279,401</u>
Total minimum lease payments	587,490
Less: Amount representing interest cost	<u>(26,990)</u>
Present value of minimum lease payments	<u><u>\$560,500</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, 2011.

C. GENERAL OBLIGATION BONDS DEBT SERVICE REQUIREMENTS

The debt service requirements at June 30, 2011, were as follows:

<u>Fiscal Year Ending June 30,</u>	<i>Governmental Activities General Obligation Bonds</i>		<i>Business Type Activities General Obligation Bonds</i>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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	2,415,000	704,323	115,000	8,600
2017-2021	10,335,000	1,974,185	125,000	2,938
2022-2026	4,040,000	368,372	-	-
	<u><u>\$27,815,000</u></u>	<u><u>\$6,905,853</u></u>	<u><u>\$1,010,000</u></u>	<u><u>\$101,565</u></u>

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2011

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, 2010</u>	<u>New Issues</u>	<u>Maturities During Year</u>	<u>Outstanding June 30, 2011</u>
Governmental Activities:								
School Bond (Refunding)	06/10/08	2.00%-3.45%	08/01/14	\$ 3,570,000	\$ 2,670,000	\$ -	\$ 505,000	\$ 2,165,000
Library Bond (Refunding)	06/10/08	2.00%-4.76%	08/01/18	2,850,000	2,460,000	-	235,000	2,225,000
School Bond (Refunding)	06/10/08	2.00%-4.75%	08/01/18	5,740,000	4,955,000	-	475,000	4,480,000
Open Space Bond	03/15/02	4.00%-5.50%	10/01/21	1,500,000	1,130,000	-	70,000	1,060,000
School Bond	03/15/02	4.00%-5.50%	10/01/21	3,000,000	2,240,000	-	140,000	2,100,000
Judgment Bond	03/15/02	4.00%-5.50%	10/01/16	500,000	275,000	-	35,000	240,000
Judgment Bond	06/10/08	5.14%	06/01/18	1,130,000	900,000	-	115,000	785,000
Roads Improvement Bond (Refunding)	03/15/02	4.00%-5.50%	10/01/10	1,392,000	184,000	-	184,000	-
Recreation Bond (Refunding)	03/15/02	4.00%-5.50%	10/01/10	360,000	47,500	-	47,500	-
Open Space Bond (Refunding)	03/15/02	4.00%-5.50%	10/01/10	670,000	88,700	-	88,700	-
School Bond	02/01/03	2.30%-4.50%	02/01/23	5,000,000	3,250,000	-	250,000	3,000,000
High School Improvements	03/15/04	3.50%-5.00%	03/15/24	5,500,000	5,110,000	-	265,000	4,845,000
Road Improvements	03/15/04	3.50%-5.00%	03/15/24	2,000,000	1,850,000	-	100,000	1,750,000
Library Bond	03/15/04	3.50%-5.00%	03/15/24	400,000	370,000	-	20,000	350,000
School Bond	03/15/04	3.50%-5.00%	03/15/24	500,000	470,000	-	25,000	445,000
School Bond	05/01/06	4.00%-5.00%	05/01/26	3,000,000	2,705,000	-	115,000	2,590,000
Sewer Bond (Refunding)	06/10/08	2.00%-4.77%	08/01/18	2,015,000	1,740,000	-	170,000	1,570,000
Sewer Bond (Refunding)	06/10/08	2.00%-4.81%	08/01/16	285,000	245,000	-	35,000	210,000
Sewer Bond (Refunding)	03/15/02	4.00%-5.50%	10/01/10	2,735,000	364,400	-	364,400	-
Total Governmental Activities				<u>42,147,000</u>	<u>31,054,600</u>	<u>-</u>	<u>3,239,600</u>	<u>27,815,000</u>
Business Type Activities:								
Water Bond (Refunding)	03/15/02	4.00%-5.50%	10/01/12	1,512,000	495,400	-	155,400	340,000
Water Bond (Refunding)	06/10/08	2.00%-4.74%	08/01/16	915,000	760,000	-	90,000	670,000
Total Business Type Activities				<u>2,427,000</u>	<u>1,255,400</u>	<u>-</u>	<u>245,400</u>	<u>1,010,000</u>
Total Bonds Payable				<u>\$ 44,574,000</u>	<u>\$ 32,310,000</u>	<u>\$ -</u>	<u>\$ 3,485,000</u>	<u>\$ 28,825,000</u>

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2011

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	05/01/2008	\$30,000,000	4.125-5%	05/15/2010-2028
RI Clean Water Sewer Loan	03/10/1993	3,000,000	3.56%	09/01/1996-2015
RI Clean Water Sewer Loan	12/28/1995	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, 2011 a loan payable of \$4,415,490 is reflected in the Water Fund. A due from the Rhode Island Clean Water Finance Agency of \$1,306,927 is shown for that portion of the \$4,416,258 net loan which has not been advanced as of June 30, 2011. 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, 2011 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>
2012	\$1,473,025	\$1,327,787	\$ 163,594	\$ 153,923
2013	1,441,710	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	1,617,049	1,062,558	177,418	138,535
2017-2021	7,817,246	4,277,497	976,953	598,927
2022-2026	9,672,422	2,407,173	1,169,733	401,399
2027-2031	4,470,000	320,863	1,420,114	147,286
	<u>\$29,534,174</u>	<u>\$12,989,281</u>	<u>\$4,415,490</u>	<u>\$1,882,362</u>

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2011

F. DEFERRED SALARY

In connection with the 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.

In connection with the school certified personnel collective bargaining agreement signed in 2011, a salary deferral arrangement was also negotiated for fiscal year 2011 whereby members deferred 50% of the 2010-2011 raise, step increase and advance lane payments. The deferral will be paid out from 2012 through 2025 based on years of service at September 1, 2010.

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, 2011, 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, 2011 amounted to approximately \$1,014.

Future minimum lease payments are as follows:

<u><i>Fiscal Year Ending June 30,</i></u>	
2012	\$1,014
2013	929
	<hr/>
	\$1,943

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2011

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.

Due From:

	Due From:						Total
	General Fund	Unrestricted Fund	Nonmajor Governmental Funds	Water Fund	Sewer Fund	Agency Funds	
Due To:							
General Fund	\$ -	\$ 11,435	\$ 1,067,620	\$ 5,006,598	\$ 1,888,898	\$ 95,212	\$ 8,069,763
School Unrestricted	6,664,554	-	272,077	-	-	-	6,936,631
Nonmajor Governmental Funds	477,060	-	912,754	-	-	-	1,389,814
Pension Trust Fund	1,173,868	-	-	-	-	-	1,173,868
Agency Funds	9,325	-	-	-	-	-	9,325
Total	\$ 8,324,807	\$ 11,435	\$ 2,252,451	\$ 5,006,598	\$ 1,888,898	\$ 95,212	\$ 17,579,401

Included above are loans made to provide financing resources to the following funds: \$1,888,898 Sewer; \$1,690,921 Water; \$98,294 Sewer - Ferncrest & Willow; \$341,980 Open Space; \$41,972 Tucker Field House Phase II; and \$1,173,868 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

Transfer From:

	Transfer From:		
	General Fund	Sewer Fund	Total
Transfer To:			
General Fund	\$ -	\$ 30,000	\$ 30,000
Unrestricted Fund	35,840,449	-	35,840,449
Nonmajor Governmental Funds	824,838	-	824,838
Total	\$ 36,665,287	\$ 30,000	\$ 36,695,287

Transfers are used to (1) move revenues from the fund that the budget requires to collect them, to the funds that the budget requires to expend them. For example, the \$35,840,449 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, 2011

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, governmental fund equity is classified as fund balance. Fund balance is reported in classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The “not in spendable form” criteria includes items that are not expected to be converted to cash (e.g. inventories and tax title property).

Restricted Fund Balance – This classification includes amounts that have constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town’s highest level of decision-making authority.

Assigned Fund Balance – This classification includes amounts constrained by the Town’s intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned Fund Balance – This classification is the residual fund balance for the General Fund. This classification represents fund balance that has not been assigned to another fund and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2011

Committed fund balances are established, modified or rescinded by an ordinance adopted by the Town Council. Assigned fund balances are authorized by the Finance Director. The Town considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The Town considers unrestricted fund balance classifications to be used in the following order when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used: 1) committed; 2) assigned; and 3) unassigned.

The Town has the following minimum fund balance policies:

- General Fund – total fund balance equal to 10% of annual operating fund revenues shall be established and maintained.

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	\$1,166,904
Water Fund – Water use fees receivable	149,723

B. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The accounts payable and accrued liabilities at June 30, 2011, were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Other</u>	<u>Total</u>
Governmental Activities:				
General Fund	\$ 379,887	\$ 120,756	\$ -	\$ 500,643
School Unrestricted Fund	1,858,768	604,014	-	2,462,782
Sewer Fund	2,508	-	-	2,508
Other Governmental Funds	453,147	-	17,850	470,997
Reconciliation of balances in fund financial statements to government wide financial statements	-	-	499,924	499,924
Total Governmental Activities	<u>\$ 2,694,310</u>	<u>\$ 724,770</u>	<u>\$ 517,774</u>	<u>\$ 3,936,854</u>
Business-Type Activities:				
Water Fund	\$ 955,505	\$ 11,384	\$ 99,432	\$ 1,066,321
Total Business-Type Activities	<u>\$ 955,505</u>	<u>\$ 11,384</u>	<u>\$ 99,432</u>	<u>\$ 1,066,321</u>

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2011

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.

The plan provides the following benefits based on employee group:

- Police – health insurance (single or family) for officers retiring with at least 20 years of service.
- Rescue – single health insurance for permanently disabled members upon retirement.
- Teachers and School Administrators – health and dental insurance (single or family) upon retirement to the Employees' Retirement System. Retirees pay 100% of the working rate for health and dental insurance.
- All Others – health insurance (single or family) for members retiring who are at least age 58 with 10 years of service or after 30 years of service regardless of age.

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, 2011, 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, 2011, the Town contributed \$857,393 to the plan.

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:

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2011

Annual required contribution (ARC)	\$4,393,000
Interest on net OPEB obligation	206,411
Adjustment to annual required contribution	<u>(233,277)</u>
Annual OPEB cost	4,366,134
Contributions made	<u>(857,393)</u>
Increase in net OPEB obligation	3,508,741
Net OPEB obligation, beginning of year	<u>5,160,269</u>
Net OPEB obligation, end of year	<u><u>\$8,669,010</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the past three fiscal years 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
6/30/11	\$4,366,134	19.64%	\$8,669,010

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>

The breakout of the AAL by group is as follows: Police employees - \$38,455,000; Town employees - \$252,000; and School employees - \$8,165,000.

Funded ratio (Actuarial Value of Plan Assets/AAL)	0%
Annual Covered Payroll (Active Plan Members)	N/A
UAAL as a Percentage of Covered Payroll	N/A

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.

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2011

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 2011 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.

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.

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.

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2011

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, 2011 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, 2011 are estimated to be \$373,202. The Town has provided a required deposit in the amount of \$301,000 to Blue Cross.

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>Beginning Fiscal Year Liability</i>	<i>Current Year Claims and Changes In Estimate</i>	<i>Claims Payments</i>	<i>Balance Fiscal Year End</i>
2009-2010	\$572,148	\$8,152,818	\$8,341,136	\$383,830
2010-2011	\$383,830	\$8,078,105	\$8,088,733	\$373,202

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

TOWN OF CUMBERLAND, RHODE ISLAND
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June 30, 2011

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, 2011.

NOTE 16 – SUBSEQUENT EVENTS

On November 17, 2011 the Town issued the following debt:

- \$2,500,000 general obligation bonds which bear interest of 3-4.625% and mature November 1, 2012 – 2031.
- \$3,390,000 general obligation refunding bonds which bear interest of 3-3.5% and mature on October 1, 2012-2021.
- \$10,500,000 general obligation tax anticipation notes which bear interest of 1.75% and mature June 15, 2012.

NOTE 17 – RESTATEMENTS

The following restatements were recorded to beginning fund balances in the Governmental Fund Financial Statements:

	<i>General Fund</i>	<i>Other Governmental Funds</i>
	<u> </u>	<u> </u>
Fund balances - June 30, 2010, as previously reported	\$3,445,933	\$2,036,024
Reclassification of funds due to implementation of GASB Statement No. 54	<u>854,255</u>	<u>(854,255)</u>
Fund balances - June 30, 2010, as restated	<u>\$4,300,188</u>	<u>\$1,181,769</u>

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2011

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, 2011 was \$24,887,290.

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, 2011

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 7 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, 2011

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 2010-2011 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, 2011 was \$1,868,139 which represented 7.51% 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, 2011 was \$5,227,227 which consisted of \$2,862,929 from the School Department, and \$2,364,298 from employees. These contributions represented 11.5% and 9.5% of covered payroll respectively. The annual required contribution was determined as part of the June 30, 2008 actuarial valuation.

The School Department does not have any investments or related party investments with the ERS. The School Department contribution represented 2.32% of total contributions required of all participating entities.

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2011

Three-Year Trend Information

<u><i>Fiscal Year</i></u>	<u><i>Annual Required Contribution</i></u>	<u><i>Percentage Contributed</i></u>
2009	\$3,063,534	100%
2010	2,893,462	100%
2011	2,862,929	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, 2011 was \$8,794,505 (general employees - \$7,885,614 and rescue employees - \$908,891).

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 and the 20-year retirement plan for its rescue employees.

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Financial Statements
June 30, 2011

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 2010-2011 was 8.56% for general employees and 7.38% rescue employees.

Annual Pension Cost

For fiscal year 2010-2011, the Town's annual pension cost of \$742,080 for the MERS was equal to the Town's required and actual contributions.

Three-Year Trend Information

General Municipal Employees

<u><i>Fiscal Year</i></u>	<u><i>Annual Pension Cost</i></u>	<u><i>Percentage of APC Contributed</i></u>	<u><i>Net Pension Obligation</i></u>
2009	\$836,196	100%	\$ -
2010	774,610	100%	-
2011	675,004	100%	-

Rescue Employees

<u><i>Fiscal Year</i></u>	<u><i>Annual Pension Cost</i></u>	<u><i>Percentage of APC Contributed</i></u>	<u><i>Net Pension Obligation</i></u>
2009	\$76,927	100%	\$ -
2010	85,214	100%	-
2011	67,076	100%	-

The required contribution was determined as part of the June 30, 2008 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, 2008 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, 2011

- 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, 2008 was 21 years.

Funded Status and Funding Progress

As of June 30, 2010, the most recent actuarial valuation date, the general employees plan was 67.4% funded. The actuarial accrued liability for benefits was \$28,711,431, and the actuarial value of assets was \$19,349,375, resulting in an unfunded actuarial accrued liability (UAAL) of \$9,362,056. The covered payroll (annual payroll of active employees covered by the plan) was \$8,277,596, and the ratio of the UAAL to the covered payroll was 113.1%. As of June 30, 2010, the rescue employees plan was 93% funded. The actuarial accrued liability for benefits was \$4,409,422, and the actuarial value of assets was \$4,101,879, resulting in an unfunded actuarial accrued liability (UAAL) of \$307,543. The covered payroll was \$933,687, and the ratio of the UAAL to the covered payroll was 32.9%. The June 30, 2010 actuarial valuation used the same methods and assumptions described above under annual pension cost, except the investment rate of return was lowered to 7.5% per year and projected compensation increases were changed to 4% for general employees and 4.25% for rescue employees plus a service-related component.

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, 2011

As of July 1, 2010, employees' membership data related to the pension plan was as follows:

Active members	45
Retired and beneficiaries	56
Terminated vested	<u>1</u>
	<u>102</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, 2011

Annual Pension Cost and Net Pension Obligation

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

Annual required contribution (ARC)	\$1,507,130
Interest on NPO	87,893
Adjustment to ARC	(89,672)
Annual pension cost	1,505,351
Contributions made	(1,000,000)
Increase in net pension obligation	505,351
Net pension obligation, beginning of year	1,098,662
Net pension obligation, end of year	\$ 1,604,013

The Town's annual contribution to the plan was determined as part of the July 1, 2009 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, constrained to within +/- 20% of market value.

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>
2009	\$1,135,722	100%	\$ -
2010	1,315,293	16%	1,098,662
2011	1,505,351	66%	1,604,013

Funded Status and Fund Progress

As of July 1, 2010, the most recent actuarial valuation, the plan was 38.9% funded. The actuarial accrued liability for benefits was \$25,239,221, and the actuarial value of assets was \$9,807,821, resulting in an unfunded actuarial accrued liability (UAAL) of \$15,431,400. The covered payroll (annual payroll of active employees covered by the plan) was \$2,839,887, and the ratio of the UAAL to the covered payroll was 543.4%. The July 1, 2010 actuarial valuation used the same methods and assumptions described above under annual pension cost and net pension obligation, except the amortization period was changed to 22 years from July 1, 2010.

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)							
	6/30/2008	\$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%
	6/30/2010	\$19,349,375	\$28,711,431	\$9,362,056	67.4%	\$8,277,596	113.1%
Municipal Employees Retirement System (Rescue)							
	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%)
	6/30/2010	\$4,101,879	\$4,409,422	\$307,543	93.0%	\$933,687	32.9%
Town Police Pension Plan							
	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%
	7/1/2010	\$9,807,821	\$25,239,221	\$15,431,400	38.9%	\$2,839,887	543.4%
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>
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%
2011	1,507,130	1,000,000	66%

TOWN OF CUMBERLAND, RHODE ISLAND
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2011

	<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	\$ 55,836,353	\$ 55,836,353	\$ 59,642,994	\$ 3,806,641
Investment and interest income	120,000	120,000	125,527	5,527
Other local and departmental revenue	1,651,800	1,651,800	1,577,976	(73,824)
Federal and State aid and grants	3,085,294	3,085,294	3,435,358	350,064
Rescue service revenue	580,000	580,000	746,345	166,345
Other revenues	100,000	100,000	83,300	(16,700)
Total revenues	<u>61,373,447</u>	<u>61,373,447</u>	<u>65,611,500</u>	<u>4,238,053</u>
Expenditures				
General Government:				
Mayor's office	156,506	156,506	152,425	4,081
Town Clerk	223,733	223,733	213,603	10,130
Town Council	33,222	33,222	25,953	7,269
Town Solicitor	179,121	179,121	151,898	27,223
Municipal Court	41,066	41,066	47,199	(6,133)
Town officers	4,603	4,603	3,509	1,094
Boards and commissions	3,250	3,250	2,524	726
Probate court	7,832	7,832	8,411	(579)
Board of canvassers	77,022	77,022	74,941	2,081
Finance office	754,480	754,480	795,146	(40,666)
Tax Assessor	176,537	176,537	189,399	(12,862)
	<u>1,657,372</u>	<u>1,657,372</u>	<u>1,665,008</u>	<u>(7,636)</u>
Community Development:				
Planning	198,103	198,103	167,936	30,167
Zoning	53,061	53,061	38,887	14,174
	<u>251,164</u>	<u>251,164</u>	<u>206,823</u>	<u>44,341</u>
Public Safety:				
Police department	3,600,027	3,600,027	3,589,218	10,809
Telecommunication	288,873	288,873	319,753	(30,880)
Rescue service	1,279,103	1,279,103	1,728,736	(449,633)
Animal control	126,727	126,727	132,010	(5,283)
	<u>5,294,730</u>	<u>5,294,730</u>	<u>5,769,717</u>	<u>(474,987)</u>
Public Works:				
Inspection	151,695	151,695	128,551	23,144
Public works	2,451,335	2,451,335	2,587,348	(136,013)
Highway	1,627,027	1,627,027	1,801,118	(174,091)
Recreation	241,298	241,298	259,991	(18,693)
Town Hall	141,769	141,769	130,420	11,349
	<u>4,613,124</u>	<u>4,613,124</u>	<u>4,907,428</u>	<u>(294,304)</u>
Social Services:				
Library	1,428,240	1,457,576	1,427,257	30,319
Children and learning	68,051	68,051	58,833	9,218
Senior services	164,475	164,475	166,682	(2,207)
	<u>1,660,766</u>	<u>1,690,102</u>	<u>1,652,772</u>	<u>37,330</u>
Other Expenditures:				
Outside agencies	60,400	60,400	48,500	11,900
Veteran services	500	500	-	500
Adult literacy	2,500	2,500	-	2,500
Emergency management	10,000	10,000	10,088	(88)

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 Balance - Budget and Actual (Continued)
General Fund
For the Fiscal Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Mason building improvements	8,500	8,500	8,500	-
Efficiency contingencies	135,615	106,279	-	106,279
Contingencies	100,000	100,000	40,635	59,365
Information technology	95,500	95,500	86,738	8,762
STRESS	10,000	10,000	-	10,000
Traffic calming plan	10,000	10,000	13,078	(3,078)
Litter control	10,000	10,000	-	10,000
Revaluation	60,000	60,000	22,362	37,638
FEMA	-	-	47,274	(47,274)
Municipal dues	13,476	13,476	12,676	800
	<u>516,491</u>	<u>487,155</u>	<u>289,851</u>	<u>197,304</u>
Employee benefits	<u>4,558,900</u>	<u>4,558,900</u>	<u>4,100,556</u>	<u>458,344</u>
Debt service:				
Town debt service	1,667,605	1,667,605	1,784,851	(117,246)
School debt service	5,008,508	5,008,508	5,008,506	2
	<u>6,676,113</u>	<u>6,676,113</u>	<u>6,793,357</u>	<u>(117,244)</u>
Capital outlay and reserves:				
Capital improvements	128,000	128,000	445	127,555
	<u>128,000</u>	<u>128,000</u>	<u>445</u>	<u>127,555</u>
Total expenditures	<u>25,356,660</u>	<u>25,356,660</u>	<u>25,385,957</u>	<u>(29,297)</u>
Excess of revenues over expenditures before other financing sources and uses	<u>36,016,787</u>	<u>36,016,787</u>	<u>40,225,543</u>	<u>4,208,756</u>
Other financing sources and uses:				
Premium on TAN	-	-	25,424	25,424
Transfers from other funds				
Special revenue funds	30,000	30,000	30,000	-
Transfers to other funds				
School unrestricted fund	(35,840,449)	(35,840,449)	(35,840,449)	-
Special revenue funds	-	-	(586)	(586)
School improvement fund	-	-	(314,029)	(314,029)
CHS 2010 fund	-	-	(283,580)	(283,580)
Library bond fund	-	-	(20,305)	(20,305)
Tucker Field fund	(206,338)	(206,338)	(206,338)	-
Total other financing sources and uses	<u>(36,016,787)</u>	<u>(36,016,787)</u>	<u>(36,609,863)</u>	<u>(593,076)</u>
Excess of revenues and other financing sources over expenditures and other financing uses, budgetary basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,615,680</u>	<u>\$ 3,615,680</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, 2011

	<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				
Federal and state aid and grants	\$ 11,765,231	\$ 11,765,231	\$ 11,098,294	\$ (666,937)
Other revenues	876,915	876,915	771,605	(105,310)
Budgeted fund balance	620,636	620,636	593,636	(27,000)
Total revenues	<u>13,262,782</u>	<u>13,262,782</u>	<u>12,463,535</u>	<u>(772,247)</u>
Expenditures				
Education	49,103,231	49,103,231	46,782,002	2,321,229
Total expenditures	<u>49,103,231</u>	<u>49,103,231</u>	<u>46,782,002</u>	<u>2,321,229</u>
Deficiency of revenues under expenditures before other financing sources	<u>(35,840,449)</u>	<u>(35,840,449)</u>	<u>(34,318,467)</u>	<u>1,521,982</u>
Other financing sources				
Town appropriation	35,840,449	35,840,449	35,840,449	-
Total other financing sources	<u>35,840,449</u>	<u>35,840,449</u>	<u>35,840,449</u>	<u>-</u>
Excess of revenues and other financing sources over expenditures, budgetary basis	<u>\$ -</u>	<u>\$ -</u>	1,521,982	<u>\$ 1,521,982</u>
Adjustment of budgetary basis to GAAP basis:				
Use of fund balance			(593,636)	
Change in encumbrances			<u>(54,700)</u>	
Excess of revenues and other financing sources over expenditures, GAAP basis			873,646	
Fund balance - beginning of year			<u>2,682,441</u>	
Fund balance - end of year			<u>\$ 3,556,087</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, 2011

	<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	\$ 1,154,243	\$ 1,154,243	\$ 958,442	\$ (195,801)
Total revenues	<u>1,154,243</u>	<u>1,154,243</u>	<u>958,442</u>	<u>(195,801)</u>
Expenditures				
Public works	197,514	197,514	189,924	7,590
Debt service	<u>926,729</u>	<u>926,729</u>	<u>926,729</u>	<u>-</u>
Total expenditures	<u>1,124,243</u>	<u>1,124,243</u>	<u>1,116,653</u>	<u>7,590</u>
Deficiency of revenues under expenditures before other financing uses	<u>30,000</u>	<u>30,000</u>	<u>(158,211)</u>	<u>(188,211)</u>
Other financing uses				
Transfers to other funds	<u>(30,000)</u>	<u>(30,000)</u>	<u>(30,000)</u>	<u>-</u>
Total other financing uses	<u>(30,000)</u>	<u>(30,000)</u>	<u>(30,000)</u>	<u>-</u>
Deficiency of revenues under expenditures and other financing uses, budgetary basis	<u>\$ -</u>	<u>\$ -</u>	<u>(188,211)</u>	<u>\$ (188,211)</u>
Fund balance (deficit), beginning of year			<u>(1,703,195)</u>	
Fund balance (deficit), end of year			<u>\$ (1,891,406)</u>	

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

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	7/1/2010		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	22 years from July 1, 2010 - 22 years remaining		25 years	
Asset valuation method	Recognizing market gains or losses over five years, constrained to within +/- 20% of market value		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	45	Active employees	587
	Retirees and beneficiaries	56	Retirees and beneficiaries	<u>275</u>
	Terminated vested	<u>1</u>		<u>862</u>
		<u>102</u>		

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Required Supplementary Information
June 30, 2011

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 2011 appropriations:

<u><i>Department</i></u>	<u><i>Fund or Fund Type</i></u>	<u><i>Expenditures in Excess of Budget</i></u>
Municipal court	General	\$ 6,133
Probate court	General	579
Finance office	General	40,666
Tax Assessor	General	12,862
Telecommunications	General	30,880
Rescue service	General	449,633
Animal control	General	5,283
Public works	General	136,013
Highway	General	174,091
Recreation	General	18,693
Senior services	General	2,207
Emergency Management	General	88
Traffic Calming Plan	General	3,078
FEMA	General	47,274
Town debt service	General	117,246

TOWN OF CUMBERLAND, RHODE ISLAND
Notes to Required Supplementary Information
June 30, 2011

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)	\$65,611,500	\$12,463,535	\$958,442
Differences – budget to GAAP:			
Prior year budgeted surplus is a budgetary revenue, but is not current year revenue for financial reporting purposes.	-	(593,636)	-
Unbudgeted revenues are not reported as budgetary revenues, but are current year revenues for financial reporting purposes.	428,721	-	-
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.	-	1,868,139	-
<i>Total revenues as reported on the statement of revenues, expenditures and changes in fund balances – governmental funds</i>	<u><u>\$66,040,221</u></u>	<u><u>\$13,738,038</u></u>	<u><u>\$958,442</u></u>
<u>Expenditures</u>			
Actual amounts (budgetary basis)	\$25,385,957	\$46,782,002	\$1,116,653
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	-
Unbudgeted expenditures are not reported as budgetary expenditures, but are current year expenditures for financial reporting purposes.	354,139	-	-
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.	-	1,868,139	-
<i>Total expenditures as reported in the statement of revenues, expenditures and changes in fund balances – governmental funds</i>	<u><u>\$25,740,096</u></u>	<u><u>\$48,704,841</u></u>	<u><u>\$1,116,653</u></u>

TOWN OF CUMBERLAND, RHODE ISLAND

*Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011*

	<i>Special Revenue Funds</i>					
	<i>School Restricted Fund</i>	<i>School Lunch Fund</i>	<i>Sewer Ferncrest & Willow</i>	<i>Animal Control</i>	<i>DARE</i>	<i>Police Grants</i>
ASSETS						
Cash	\$ 89,105	\$ 390,239	\$ -	\$ 10,450	\$ 97	\$ 26,643
Investments	-	-	-	-	-	-
Due from federal and state governments	1,063,787	156,867	-	-	-	-
Due from other funds	902,075	18,487	-	-	10	4,242
Sewer assessments receivable	-	-	372,906	-	-	-
Total assets	\$ 2,054,967	\$ 565,593	\$ 372,906	\$ 10,450	\$ 107	\$ 30,885
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable and accrued expenditures	\$ 82,199	\$ 152,695	\$ 17,850	\$ -	\$ -	\$ -
Due to other funds	1,021,429	151,965	-	-	-	-
Advances from other funds	-	-	98,294	-	-	-
Deferred revenue	-	-	372,906	-	-	-
Total liabilities	1,103,628	304,660	489,050	-	-	-
Fund balances (deficits)						
Restricted for:						
Education programs	951,339	260,933	-	-	-	-
Public safety programs	-	-	-	-	-	30,885
Historical records preservation	-	-	-	-	-	-
Community service programs	-	-	-	-	107	-
Capital projects	-	-	-	-	-	-
Other programs	-	-	-	10,450	-	-
Assigned to:						
Capital projects	-	-	-	-	-	-
Unassigned	-	-	(116,144)	-	-	-
Total fund balances (deficits)	951,339	260,933	(116,144)	10,450	107	30,885
Total liabilities and fund balances	\$ 2,054,967	\$ 565,593	\$ 372,906	\$ 10,450	\$ 107	\$ 30,885

(Continued)

TOWN OF CUMBERLAND, RHODE ISLAND

Combining Balance Sheet (Continued)

Nonmajor Governmental Funds

June 30, 2011

	Special Revenue Funds						
	<i>Emergency Management Performance</i>	<i>Police Forfeiture</i>	<i>Active Shooter 2010</i>	<i>DOJ Cops 2008</i>	<i>Byrne/ JAG 2007/2008</i>	<i>Revaluation Fund</i>	<i>Manville Hill Landing</i>
ASSETS							
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	1,174	-
Due from federal and state governments	-	-	-	-	-	-	200,057
Due from other funds	1,294	18,786	-	-	1,868	-	-
Sewer assessments receivable	-	-	-	-	-	-	-
Total assets	\$ 1,294	\$ 18,786	\$ -	\$ -	\$ 1,868	\$ 1,174	\$ 200,057
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable and accrued expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	1,174	200,057
Advances from other funds	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	1,174	200,057
Fund balances (deficits)							
Restricted for:							
Education programs	-	-	-	-	-	-	-
Public safety programs	1,294	18,786	-	-	1,868	-	-
Historical records preservation	-	-	-	-	-	-	-
Community service programs	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-
Other programs	-	-	-	-	-	-	-
Assigned to:							
Capital projects	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
Total fund balances (deficits)	1,294	18,786	-	-	1,868	-	-
Total liabilities and fund balances	\$ 1,294	\$ 18,786	\$ -	\$ -	\$ 1,868	\$ 1,174	\$ 200,057

(Continued)

TOWN OF CUMBERLAND, RHODE ISLAND

Combining Balance Sheet (Continued)

Nonmajor Governmental Funds

June 30, 2011

	Special Revenue Funds					
	<i>Revolving Loan</i>	<i>Impact Fees</i>	<i>Community Development Block Grant</i>	<i>Library Legislative Grant</i>	<i>Rescue Fund</i>	<i>Substance Abuse Prevention</i>
ASSETS						
Cash	\$ 271	\$ 177,545	\$ -	\$ -	\$ 9,575	\$ -
Investments	-	-	-	-	-	-
Due from federal and state governments	-	-	101,953	-	-	-
Due from other funds	49,776	135,960	-	-	-	6,698
Sewer assessments receivable	-	-	-	-	-	-
Total assets	\$ 50,047	\$ 313,505	\$ 101,953	\$ -	\$ 9,575	\$ 6,698
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable and accrued expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,819
Due to other funds	-	-	47,387	-	-	-
Advances from other funds	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Total liabilities	-	-	47,387	-	-	1,819
Fund balances (deficits)						
Restricted for:						
Education programs	-	-	-	-	-	-
Public safety programs	-	-	-	-	9,575	-
Historical records preservation	-	-	-	-	-	-
Community service programs	50,047	-	54,566	-	-	4,879
Capital projects	-	-	-	-	-	-
Other programs	-	313,505	-	-	-	-
Assigned to:						
Capital projects	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balances (deficits)	50,047	313,505	54,566	-	9,575	4,879
Total liabilities and fund balances	\$ 50,047	\$ 313,505	\$ 101,953	\$ -	\$ 9,575	\$ 6,698

(Continued)

TOWN OF CUMBERLAND, RHODE ISLAND

Combining Balance Sheet (Continued)

Nonmajor Governmental Funds

June 30, 2011

	Special Revenue Funds					
	<i>Animal Husbandry</i>	<i>Kennedy Cop Grant</i>	<i>DPH Homeland Security</i>	<i>RIPTIDE DUI</i>	<i>RIPTIDE Speed</i>	<i>EECBG Energy Grant</i>
ASSETS						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-
Due from federal and state governments	-	-	-	7,171	-	67,725
Due from other funds	5,686	-	32,194	-	-	-
Sewer assessments receivable	-	-	-	-	-	-
Total assets	\$ 5,686	\$ -	\$ 32,194	\$ 7,171	\$ -	\$ 67,725
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable and accrued expenditures	\$ -	\$ -	\$ -	\$ 490	\$ -	\$ -
Due to other funds	-	-	-	6,681	-	67,725
Advances from other funds	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Total liabilities	-	-	-	7,171	-	67,725
Fund balances (deficits)						
Restricted for:						
Education programs	-	-	-	-	-	-
Public safety programs	-	-	32,194	-	-	-
Historical records preservation	-	-	-	-	-	-
Community service programs	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-
Other programs	5,686	-	-	-	-	-
Assigned to:						
Capital projects	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balances (deficits)	5,686	-	32,194	-	-	-
Total liabilities and fund balances	\$ 5,686	\$ -	\$ 32,194	\$ 7,171	\$ -	\$ 67,725

(Continued)

TOWN OF CUMBERLAND, RHODE ISLAND

Combining Balance Sheet (Continued)

Nonmajor Governmental Funds

June 30, 2011

	<i>Special Revenue Funds</i>						<i>Total Special Revenue Funds</i>
	<i>2009 JAG ARRA</i>	<i>Child Passenger Safety</i>	<i>Click it or Ticket</i>	<i>Town Clerk Special</i>	<i>Byrne Grant 2009</i>	<i>Historical</i>	
ASSETS							
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 703,925
Investments	-	-	-	-	-	-	1,174
Due from federal and state governments	2,825	327	1,145	-	15,509	-	1,617,366
Due from other funds	-	56	-	121,255	-	30,963	1,329,350
Sewer assessments receivable	-	-	-	-	-	-	372,906
Total assets	\$ 2,825	\$ 383	\$ 1,145	\$ 121,255	\$ 15,509	\$ 30,963	\$ 4,024,721
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable and accrued expenditures	\$ 831	\$ 327	\$ 163	\$ -	\$ -	\$ -	\$ 256,374
Due to other funds	1,994	-	982	-	15,509	-	1,514,903
Advances from other funds	-	-	-	-	-	-	98,294
Deferred revenue	-	-	-	-	-	-	372,906
Total liabilities	2,825	327	1,145	-	15,509	-	2,242,477
Fund balances (deficits)							
Restricted for:							
Education programs	-	-	-	-	-	-	1,212,272
Public safety programs	-	56	-	-	-	-	94,658
Historical records preservation	-	-	-	121,255	-	30,963	152,218
Community service programs	-	-	-	-	-	-	109,599
Capital projects	-	-	-	-	-	-	-
Other programs	-	-	-	-	-	-	329,641
Assigned to:							
Capital projects	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	(116,144)
Total fund balances (deficits)	-	56	-	121,255	-	30,963	1,782,244
Total liabilities and fund balances	\$ 2,825	\$ 383	\$ 1,145	\$ 121,255	\$ 15,509	\$ 30,963	\$ 4,024,721

(Continued)

TOWN OF CUMBERLAND, RHODE ISLAND

Combining Balance Sheet (Continued)

Nonmajor Governmental Funds

June 30, 2011

	Capital Project Funds					
	<i>CHS 2010 Phase III</i>	<i>School Improvements 2004</i>	<i>Playground</i>	<i>Library Bond</i>	<i>Capital Lease Fund</i>	<i>Open Space</i>
ASSETS						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-
Due from federal and state governments	-	-	-	-	-	-
Due from other funds	-	-	-	-	30,464	-
Sewer assessments receivable	-	-	-	-	-	-
Total assets	\$ -	\$ -	\$ -	\$ -	\$ 30,464	\$ -
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable and accrued expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,600
Due to other funds	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	341,980
Deferred revenue	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	349,580
Fund balances (deficits)						
Restricted for:						
Education programs	-	-	-	-	-	-
Public safety programs	-	-	-	-	-	-
Historical records preservation	-	-	-	-	-	-
Community service programs	-	-	-	-	-	-
Capital projects	-	-	-	-	30,464	-
Other programs	-	-	-	-	-	-
Assigned to:						
Capital projects	-	-	-	-	-	-
Unassigned	-	-	-	-	-	(349,580)
Total fund balances (deficits)	-	-	-	-	30,464	(349,580)
Total liabilities and fund balances	\$ -	\$ -	\$ -	\$ -	\$ 30,464	\$ -

(Continued)

TOWN OF CUMBERLAND, RHODE ISLAND

Combining Balance Sheet (Continued)

Nonmajor Governmental Funds

June 30, 2011

	Capital Project Funds			<i>Total Capital Project Funds</i>	<i>Total All Nonmajor Governmental Funds</i>
	<i>Tucker Field Phase II</i>	<i>Capital Reserve Library</i>	<i>Drainage</i>		
ASSETS					
Cash	\$ -	\$ -	\$ 815,871	\$ 815,871	\$ 1,519,796
Investments	-	-	-	-	1,174
Due from federal and state governments	300,000	-	-	300,000	1,917,366
Due from other funds	-	30,000	-	60,464	1,389,814
Sewer assessments receivable	-	-	-	-	372,906
Total assets	\$ 300,000	\$ 30,000	\$ 815,871	\$ 1,176,335	\$ 5,201,056
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable and accrued expenditures	\$ 191,650	\$ -	\$ 15,373	\$ 214,623	\$ 470,997
Due to other funds	108,350	-	146,952	255,302	1,770,205
Advances from other funds	41,972	-	-	383,952	482,246
Deferred revenue	-	-	-	-	372,906
Total liabilities	341,972	-	162,325	853,877	3,096,354
Fund balances (deficits)					
Restricted for:					
Education programs	-	-	-	-	1,212,272
Public safety programs	-	-	-	-	94,658
Historical records preservation	-	-	-	-	152,218
Community service programs	-	-	-	-	109,599
Capital projects	-	-	653,546	684,010	684,010
Other programs	-	-	-	-	329,641
Assigned to:					
Capital projects	-	30,000	-	30,000	30,000
Unassigned	(41,972)	-	-	(391,552)	(507,696)
Total fund balances (deficits)	(41,972)	30,000	653,546	322,458	2,104,702
Total liabilities and fund balances	\$ 300,000	\$ 30,000	\$ 815,871	\$ 1,176,335	\$ 5,201,056

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, 2011*

	Special Revenue Funds					
	<i>School Restricted Fund</i>	<i>School Lunch Fund</i>	<i>Sewer Ferncrest & Willow</i>	<i>Animal Control</i>	<i>DARE</i>	<i>Police Grants</i>
Revenues						
Investment and interest income	\$ -	\$ -	\$ -	\$ 2	\$ -	\$ 2
Other local and departmental revenue	-	674,841	23,450	760	-	-
Federal and State aid and grants	3,627,354	686,687	-	-	-	3,979
Other revenue	63,244	-	-	-	252	-
Total revenues	<u>3,690,598</u>	<u>1,361,528</u>	<u>23,450</u>	<u>762</u>	<u>252</u>	<u>3,981</u>
Expenditures						
Current:						
General government	-	-	-	-	-	-
Community development	-	-	-	-	-	-
Public safety	-	-	-	1,835	-	25,231
Public works	-	-	17,850	-	-	-
Social services	-	-	-	-	3,144	-
Education	3,245,355	-	-	-	-	-
Cafeteria	-	1,344,954	-	-	-	-
Debt service	-	-	-	-	-	-
Total expenditures	<u>3,245,355</u>	<u>1,344,954</u>	<u>17,850</u>	<u>1,835</u>	<u>3,144</u>	<u>25,231</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources	<u>445,243</u>	<u>16,574</u>	<u>5,600</u>	<u>(1,073)</u>	<u>(2,892)</u>	<u>(21,250)</u>
Other financing sources						
Transfers from other funds	-	-	-	-	586	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>586</u>	<u>-</u>
Net change in fund balances	445,243	16,574	5,600	(1,073)	(2,306)	(21,250)
Fund balances (deficits) - beginning of year, restated	<u>506,096</u>	<u>244,359</u>	<u>(121,744)</u>	<u>11,523</u>	<u>2,413</u>	<u>52,135</u>
Fund balances (deficits), end of year	<u>\$ 951,339</u>	<u>\$ 260,933</u>	<u>\$ (116,144)</u>	<u>\$ 10,450</u>	<u>\$ 107</u>	<u>\$ 30,885</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, 2011

	Special Revenue Funds						
	<u>Emergency Management Performance</u>	<u>Police Forfeiture</u>	<u>Active Shooter 2010</u>	<u>DOJ Cops 2008</u>	<u>Byrne/ JAG 2007/2008</u>	<u>Revaluation Fund</u>	<u>Manville Hill Landing</u>
Revenues							
Investment and interest income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2	\$ -
Other local and departmental revenue	-	-	-	-	-	-	-
Federal and State aid and grants	-	10,854	7,745	80,865	32,070	117,000	-
Other revenue	-	-	-	-	-	-	-
Total revenues	<u>-</u>	<u>10,854</u>	<u>7,745</u>	<u>80,865</u>	<u>32,070</u>	<u>117,002</u>	<u>-</u>
Expenditures							
Current:							
General government	-	-	-	-	-	135,460	-
Community development	-	-	-	-	-	-	-
Public safety	-	-	7,745	80,865	30,202	-	-
Public works	-	-	-	-	-	-	-
Social services	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-
Cafeteria	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>7,745</u>	<u>80,865</u>	<u>30,202</u>	<u>135,460</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources	<u>-</u>	<u>10,854</u>	<u>-</u>	<u>-</u>	<u>1,868</u>	<u>(18,458)</u>	<u>-</u>
Other financing sources							
Transfers from other funds	-	-	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	10,854	-	-	1,868	(18,458)	-
Fund balances (deficits) - beginning of year, restated	<u>1,294</u>	<u>7,932</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,458</u>	<u>-</u>
Fund balances (deficits), end of year	<u>\$ 1,294</u>	<u>\$ 18,786</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,868</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, 2011

	Special Revenue Funds					
	<i>Revolving Loan</i>	<i>Impact Fees</i>	<i>Community Development Block Grant</i>	<i>Library Legislative Grant</i>	<i>Rescue Fund</i>	<i>Substance Abuse Prevention</i>
Revenues						
Investment and interest income	\$ -	\$ -	\$ -	\$ -	\$ 24	\$ -
Other local and departmental revenue	-	121,339	-	-	-	-
Federal and State aid and grants	-	-	108,461	2,250	-	32,581
Other revenue	-	-	5,000	1,094	-	-
Total revenues	<u>-</u>	<u>121,339</u>	<u>113,461</u>	<u>3,344</u>	<u>24</u>	<u>32,581</u>
Expenditures						
Current:						
General government	-	-	-	-	-	-
Community development	-	-	94,564	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Social services	-	-	-	3,344	-	31,379
Education	-	-	-	-	-	-
Cafeteria	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>94,564</u>	<u>3,344</u>	<u>-</u>	<u>31,379</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources	<u>-</u>	<u>121,339</u>	<u>18,897</u>	<u>-</u>	<u>24</u>	<u>1,202</u>
Other financing sources						
Transfers from other funds	-	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	121,339	18,897	-	24	1,202
Fund balances (deficits) - beginning of year, restated	<u>50,047</u>	<u>192,166</u>	<u>35,669</u>	<u>-</u>	<u>9,551</u>	<u>3,677</u>
Fund balances (deficits), end of year	<u>\$ 50,047</u>	<u>\$ 313,505</u>	<u>\$ 54,566</u>	<u>\$ -</u>	<u>\$ 9,575</u>	<u>\$ 4,879</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, 2011

	Special Revenue Funds					
	<i>Animal Husbandry</i>	<i>Kennedy Cop Grant</i>	<i>DPH Homeland Security</i>	<i>RIPTIDE DUI</i>	<i>RIPTIDE Speed</i>	
Revenues						
Investment and interest income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other local and departmental revenue	1,203	-	-	-	-	-
Federal and State aid and grants	-	46,675	3,000	12,317	3,600	67,725
Other revenue	-	-	-	-	-	-
Total revenues	<u>1,203</u>	<u>46,675</u>	<u>3,000</u>	<u>12,317</u>	<u>3,600</u>	<u>67,725</u>
Expenditures						
Current:						
General government	-	-	-	-	-	-
Community development	-	-	-	-	-	-
Public safety	-	46,675	851	12,317	3,600	-
Public works	-	-	-	-	-	67,725
Social services	-	-	-	-	-	-
Education	-	-	-	-	-	-
Cafeteria	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>46,675</u>	<u>851</u>	<u>12,317</u>	<u>3,600</u>	<u>67,725</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources	<u>1,203</u>	<u>-</u>	<u>2,149</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources						
Transfers from other funds	-	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	1,203	-	2,149	-	-	-
Fund balances (deficits) - beginning of year, restated	<u>4,483</u>	<u>-</u>	<u>30,045</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances (deficits), end of year	<u>\$ 5,686</u>	<u>\$ -</u>	<u>\$ 32,194</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, 2011

	Special Revenue Funds						Total Special Revenue Funds
	2009 JAG ARRA	Child Passenger Safety	Click it or Ticket	Town Clerk Special	Byrne Grant 2009	Historical	
Revenues							
Investment and interest income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30
Other local and departmental revenue	-	-	-	35,781	-	6,051	863,425
Federal and State aid and grants	7,734	3,553	5,072	-	15,509	-	4,875,031
Other revenue	-	-	-	-	-	-	69,590
Total revenues	7,734	3,553	5,072	35,781	15,509	6,051	5,808,076
Expenditures							
Current:							
General government	-	-	-	17,039	-	1,421	153,920
Community development	-	-	-	-	-	-	94,564
Public safety	7,734	3,553	5,072	-	15,509	-	241,189
Public works	-	-	-	-	-	-	85,575
Social services	-	-	-	-	-	-	37,867
Education	-	-	-	-	-	-	3,245,355
Cafeteria	-	-	-	-	-	-	1,344,954
Debt service	-	-	-	-	-	-	-
Total expenditures	7,734	3,553	5,072	17,039	15,509	1,421	5,203,424
Excess (deficiency) of revenues over (under) expenditures before other financing sources	-	-	-	18,742	-	4,630	604,652
Other financing sources							
Transfers from other funds	-	-	-	-	-	-	586
Total other financing sources	-	-	-	-	-	-	586
Net change in fund balances	-	-	-	18,742	-	4,630	605,238
Fund balances (deficits) - beginning of year, restated	-	56	-	102,513	-	26,333	1,177,006
Fund balances (deficits), end of year	\$ -	\$ 56	\$ -	\$ 121,255	\$ -	\$ 30,963	\$ 1,782,244

(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, 2011

	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	30,000	-	14,555	-	-	-
Cafeteria	-	-	-	-	-	-
Debt service	-	-	-	-	-	136,584
Total expenditures	<u>30,000</u>	<u>-</u>	<u>14,555</u>	<u>-</u>	<u>-</u>	<u>136,584</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources	<u>(30,000)</u>	<u>-</u>	<u>(14,555)</u>	<u>-</u>	<u>-</u>	<u>(136,584)</u>
Other financing sources						
Transfers from other funds	283,580	314,029	-	20,305	-	-
Total other financing sources	<u>283,580</u>	<u>314,029</u>	<u>-</u>	<u>20,305</u>	<u>-</u>	<u>-</u>
Net change in fund balances	253,580	314,029	(14,555)	20,305	-	(136,584)
Fund balances (deficits) - beginning of year, restated	<u>(253,580)</u>	<u>(314,029)</u>	<u>14,555</u>	<u>(20,305)</u>	<u>30,464</u>	<u>(212,996)</u>
Fund balances (deficits), end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,464</u>	<u>\$ (349,580)</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, 2011

	Capital Project Funds			<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	\$ -	\$ -	\$ -	\$ -	\$ 30
Other local and departmental revenue	-	-	-	-	863,425
Federal and State aid and grants	300,000	-	179,760	479,760	5,354,791
Other revenue	550	-	-	550	70,140
Total revenues	<u>300,550</u>	<u>-</u>	<u>179,760</u>	<u>480,310</u>	<u>6,288,386</u>
Expenditures					
Current:					
General government	-	-	-	-	153,920
Community development	-	-	-	-	94,564
Public safety	-	-	-	-	241,189
Public works	523,507	-	282,221	805,728	891,303
Social services	-	-	-	-	37,867
Education	-	-	-	44,555	3,289,910
Cafeteria	-	-	-	-	1,344,954
Debt service	-	-	-	136,584	136,584
Total expenditures	<u>523,507</u>	<u>-</u>	<u>282,221</u>	<u>986,867</u>	<u>6,190,291</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources	<u>(222,957)</u>	<u>-</u>	<u>(102,461)</u>	<u>(506,557)</u>	<u>98,095</u>
Other financing sources					
Transfers from other funds	206,338	-	-	824,252	824,838
Total other financing sources	<u>206,338</u>	<u>-</u>	<u>-</u>	<u>824,252</u>	<u>824,838</u>
Net change in fund balances	(16,619)	-	(102,461)	317,695	922,933
Fund balances (deficits) - beginning of year, restated	<u>(25,353)</u>	<u>30,000</u>	<u>756,007</u>	<u>4,763</u>	<u>1,181,769</u>
Fund balances (deficits), end of year	<u>\$ (41,972)</u>	<u>\$ 30,000</u>	<u>\$ 653,546</u>	<u>\$ 322,458</u>	<u>\$ 2,104,702</u>

TOWN OF CUMBERLAND, RHODE ISLAND

Combining Balance Sheet

Special Revenue Funds - School Restricted Fund

June 30, 2011

	<u>Title I</u>	<u>Title I ARRA</u>	<u>Title II Professional Development</u>	<u>Literacy</u>	<u>Professional Development</u>	<u>Technology</u>
ASSETS						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from the federal and state governments	182,491	68,196	82,272	-	-	-
Due from other funds	-	-	-	437,799	130,564	332,932
Total assets	<u>\$ 182,491</u>	<u>\$ 68,196</u>	<u>\$ 82,272</u>	<u>\$ 437,799</u>	<u>\$ 130,564</u>	<u>\$ 332,932</u>
 LIABILITIES AND FUND BALANCES						
Liabilities						
Account payable and accrued expenditures	\$ 2,792	\$ 430	\$ -	\$ -	\$ -	\$ -
Due to other funds	179,699	67,766	82,272	-	-	-
Total liabilities	<u>182,491</u>	<u>68,196</u>	<u>82,272</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Fund balances - restricted	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>437,799</u>	 <u>130,564</u>	 <u>332,932</u>
Total liabilities and fund balances	<u>\$ 182,491</u>	<u>\$ 68,196</u>	<u>\$ 82,272</u>	<u>\$ 437,799</u>	<u>\$ 130,564</u>	<u>\$ 332,932</u>

(Continued)

TOWN OF CUMBERLAND, RHODE ISLAND

Combining Balance Sheet (Continued)

Special Revenue Funds - School Restricted Fund

June 30, 2011

	<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>E2T2 Training</u>
ASSETS							
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from the federal and state governments	155,271	496,047	16,425	12,476	21,356	-	3,424
Due from other funds	-	-	-	-	-	-	-
Total assets	<u>\$ 155,271</u>	<u>\$ 496,047</u>	<u>\$ 16,425</u>	<u>\$ 12,476</u>	<u>\$ 21,356</u>	<u>\$ -</u>	<u>\$ 3,424</u>
 LIABILITIES AND FUND BALANCES							
Liabilities							
Account payable and accrued expenditures	\$ 13,950	\$ 15,080	\$ 3,261	\$ -	\$ 5,260	\$ -	\$ 2,490
Due to other funds	141,321	480,967	13,164	12,476	16,096	-	934
Total liabilities	<u>155,271</u>	<u>496,047</u>	<u>16,425</u>	<u>12,476</u>	<u>21,356</u>	<u>-</u>	<u>3,424</u>
 Fund balances - restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 155,271</u>	<u>\$ 496,047</u>	<u>\$ 16,425</u>	<u>\$ 12,476</u>	<u>\$ 21,356</u>	<u>\$ -</u>	<u>\$ 3,424</u>

(Continued)

TOWN OF CUMBERLAND, RHODE ISLAND

Combining Balance Sheet (Continued)

Special Revenue Funds - School Restricted Fund

June 30, 2011

	<u>Federal Stabilization</u>	<u>Kitchen Equipment ARRA</u>	<u>Achieve Algebra</u>	<u>State Breakfast</u>	<u>Other Miscellaneous Grants</u>	<u>Total</u>
ASSETS						
Cash	\$ -	\$ -	\$ -	\$ -	\$ 89,105	\$ 89,105
Due from the federal and state governments	-	6,198	19,631	-	-	1,063,787
Due from other funds	-	-	-	380	400	902,075
Total assets	<u>\$ -</u>	<u>\$ 6,198</u>	<u>\$ 19,631</u>	<u>\$ 380</u>	<u>\$ 89,505</u>	<u>\$ 2,054,967</u>
 LIABILITIES AND FUND BALANCES						
Liabilities						
Account payable and accrued expenditures	\$ -	\$ -	\$ -	\$ -	\$ 38,936	\$ 82,199
Due to other funds	-	6,198	19,631	-	905	1,021,429
Total liabilities	<u>-</u>	<u>6,198</u>	<u>19,631</u>	<u>-</u>	<u>39,841</u>	<u>1,103,628</u>
 Fund balances - restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>380</u>	<u>49,664</u>	<u>951,339</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 6,198</u>	<u>\$ 19,631</u>	<u>\$ 380</u>	<u>\$ 89,505</u>	<u>\$ 2,054,967</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, 2011

	<u>Title I</u>	<u>Title I ARRA</u>	<u>Title II Professional Development</u>	<u>Literacy</u>	<u>Professional Development</u>	<u>Technology</u>
Revenues						
Federal and State aid and grants	\$ 424,154	\$ 85,672	\$ 194,384	\$ 334,045	\$ -	\$ 116,373
Other revenue	-	-	-	-	10,765	-
Total revenues	<u>424,154</u>	<u>85,672</u>	<u>194,384</u>	<u>334,045</u>	<u>10,765</u>	<u>116,373</u>
Expenditures						
Education	424,154	85,672	194,384	-	11,430	9,597
Total expenditures	<u>424,154</u>	<u>85,672</u>	<u>194,384</u>	<u>-</u>	<u>11,430</u>	<u>9,597</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>334,045</u>	<u>(665)</u>	<u>106,776</u>
Fund balances - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>103,754</u>	<u>131,229</u>	<u>226,156</u>
Fund balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 437,799</u>	<u>\$ 130,564</u>	<u>\$ 332,932</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, 2011

	<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>E2T2 Training</u>
Revenues							
Federal and State aid and grants	\$ 510,232	\$ 1,243,570	\$ 21,113	\$ 44,365	\$ 21,356	\$ 50,437	\$ 3,424
Other revenue	-	-	-	-	-	-	-
Total revenues	<u>510,232</u>	<u>1,243,570</u>	<u>21,113</u>	<u>44,365</u>	<u>21,356</u>	<u>50,437</u>	<u>3,424</u>
Expenditures							
Education	<u>510,232</u>	<u>1,243,570</u>	<u>21,113</u>	<u>44,365</u>	<u>21,356</u>	<u>50,437</u>	<u>3,424</u>
Total expenditures	<u>510,232</u>	<u>1,243,570</u>	<u>21,113</u>	<u>44,365</u>	<u>21,356</u>	<u>50,437</u>	<u>3,424</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, 2011

	<i>Federal Stabilization</i>	<i>Kitchen Equipment ARRA</i>	<i>Achieve Algebra</i>	<i>State Breakfast</i>	<i>Other Miscellaneous Grants</i>	<i>Total</i>
Revenues						
Federal and State aid and grants	\$ 550,564	\$ 6,198	\$ 19,631	\$ -	\$ 1,836	\$ 3,627,354
Other revenue	-	-	-	-	52,479	63,244
Total revenues	<u>550,564</u>	<u>6,198</u>	<u>19,631</u>	<u>-</u>	<u>54,315</u>	<u>3,690,598</u>
Expenditures						
Education	550,564	6,198	19,631	-	49,228	3,245,355
Total expenditures	<u>550,564</u>	<u>6,198</u>	<u>19,631</u>	<u>-</u>	<u>49,228</u>	<u>3,245,355</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,087</u>	<u>445,243</u>
Fund balances - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>380</u>	<u>44,577</u>	<u>506,096</u>
Fund balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 380</u>	<u>\$ 49,664</u>	<u>\$ 951,339</u>

TOWN OF CUMBERLAND, RHODE ISLAND

Combining Statement of Net Assets

Private-Purpose Trusts

June 30, 2011

	<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	\$ 219,272	\$ 10,000	\$ 46,700	\$ 275,972
<i>Total assets</i>	<u>219,272</u>	<u>10,000</u>	<u>46,700</u>	<u>275,972</u>
<i>Net Assets</i>				
Held in trust for other purposes	<u>\$ 219,272</u>	<u>\$ 10,000</u>	<u>\$ 46,700</u>	<u>\$ 275,972</u>

TOWN OF CUMBERLAND, RHODE ISLAND

Combining Statement of Changes in Net Assets

Private-Purpose Trusts

For the Fiscal Year Ended June 30, 2011

	<u>Burial</u>	<u>High School Scholarship</u>	<u>Scholarship</u>	<u>Total Private- Purpose Trusts</u>
Additions				
Donations	\$ -	\$ -	\$ 41,325	\$ 41,325
Interest	246	-	-	246
Total additions	<u>246</u>	<u>-</u>	<u>41,325</u>	<u>41,571</u>
Deductions				
Scholarships	-	-	23,769	23,769
Total deductions	<u>-</u>	<u>-</u>	<u>23,769</u>	<u>23,769</u>
Change in net assets	246	-	17,556	17,802
Net assets - beginning of year	<u>219,026</u>	<u>10,000</u>	<u>29,144</u>	<u>258,170</u>
Net assets - end of year	<u>\$ 219,272</u>	<u>\$ 10,000</u>	<u>\$ 46,700</u>	<u>\$ 275,972</u>

TOWN OF CUMBERLAND, RHODE ISLAND

Combining Statement of Net Assets

Agency Funds

June 30, 2011

	<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>Probate Deposits Held</u>	<u>Cumberland Fest</u>	<u>Total Agency Funds</u>
Assets									
Cash	\$ 134,545	\$ 68,387	\$ 190,656	\$ 5,846	\$ 37,135	\$ 4,111	\$ -	\$ 191	\$ 440,871
Due from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,325</u>	<u>-</u>	<u>9,325</u>
Total assets	<u>\$ 134,545</u>	<u>\$ 68,387</u>	<u>\$ 190,656</u>	<u>\$ 5,846</u>	<u>\$ 37,135</u>	<u>\$ 4,111</u>	<u>\$ 9,325</u>	<u>\$ 191</u>	<u>\$ 450,196</u>
Liabilities									
Due to other funds	\$ -	\$ -	\$ 86,579	\$ 4,500	\$ -	\$ 4,109	\$ -	\$ 24	\$ 95,212
Deposits held in custody for others	<u>134,545</u>	<u>68,387</u>	<u>104,077</u>	<u>1,346</u>	<u>37,135</u>	<u>2</u>	<u>9,325</u>	<u>167</u>	<u>354,984</u>
Total liabilities	<u>\$ 134,545</u>	<u>\$ 68,387</u>	<u>\$ 190,656</u>	<u>\$ 5,846</u>	<u>\$ 37,135</u>	<u>\$ 4,111</u>	<u>\$ 9,325</u>	<u>\$ 191</u>	<u>\$ 450,196</u>

TOWN OF CUMBERLAND, RHODE ISLAND
Tax Collector's Annual Report
For the Fiscal Year Ending June 30, 2011

Real Estate and Personal Property Taxes

<u>Year</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Levy</u>	<u>Additions</u>	<u>Abatements</u> <u>and</u> <u>Adjustments</u>	<u>Amount</u> <u>to be</u> <u>Collected</u>	<u>Current</u> <u>Year</u> <u>Collections</u>	<u>Balance</u> <u>June 30, 2011</u>
2011	\$ -	\$ 57,891,766	\$ 39,280	\$ (391,665)	\$ 57,539,381	\$ 25,236,544	\$ 32,302,837
2010	29,299,599	5,038,117	87,449	(124,042)	34,301,123	33,186,553	1,114,570
2009	1,292,704	-	3,316	4,601	1,300,621	1,069,264	231,357
2008	226,317	-	805	(2,059)	225,063	86,890	138,173
2007	105,685	-	398	902	106,985	15,039	91,946
2006	87,051	-	182	7,906	95,139	10,275	84,864
2005	77,253	-	-	10,189	87,442	1,983	85,459
2004	77,840	-	-	9,194	87,034	3,841	83,193
2003	(17,657)	-	-	8,303	(9,354)	454	(9,808)
2002	(1,572)	-	-	1,902	330	235	95
2001	36,927	-	-	2,250	39,177	-	39,177
2000 and prior	792,055	-	-	1,883	793,938	1,958	791,980
	<u>\$ 31,976,202</u>	<u>\$ 62,929,883</u>	<u>\$ 131,430</u>	<u>\$ (470,636)</u>	<u>\$ 94,566,879</u>	<u>\$ 59,613,036</u>	<u>34,953,843</u>
						<i>Allowance for Uncollectible Accounts</i>	(1,166,904)
						<i>Net Property Tax Receivable</i>	<u>\$ 33,786,939</u>

Schedule of Most Recent Net Assessed Property Value by Category

<u>Description of Property</u>	<u>Valuation</u>
Real property	\$ 3,390,771,000
Motor vehicles	299,778,935
Tangible personal property	123,208,998
Total	<u>3,813,758,933</u>
Exemptions	197,880,710
Net assessed value	<u>\$ 3,615,878,223</u>

TOWN OF CUMBERLAND, RHODE ISLAND
Schedule of Unrestricted Fund - Fund Balance - Restricted for Education Programs
June 30, 2011

Restricted for Education:

School Committee designation for medical insurance cost contingency	\$ 450,000
School Committee designation for other education programs	312,315
School Committee designation for capital projects	394,000
School Committee designation for use in subsequent year budget	934,751
(1) Undesignated	<u>1,465,021</u>
<i>Total</i>	<u><u>\$ 3,556,087</u></u>

- (1) The School Committee requires an undesignated fund balance of no less than 2 - 4% of the total School Unrestricted Fund budgeted operating expenditures of the current fiscal year. The School Unrestricted Fund undesignated fund balance is 2.85% of the total budgeted operating expenditures for the year-end June 30, 2011 and within the range required by the School Committee policy.

***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, 2011, which collectively comprise the Town of Cumberland, Rhode Island's basic financial statements as listed in the table of contents and have issued our report thereon dated December 29, 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

Management of the Town of Cumberland, Rhode Island is responsible for establishing and maintaining effective 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 11-1 and 11-2 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 December 29, 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
December 29, 2011

TOWN OF CUMBERLAND, RHODE ISLAND
Schedule of Findings and Responses
For the Fiscal Year Ending June, 30, 2011

Financial Reporting

11-1 Finding – Certain internal controls over financial reporting of the Town are not designed or operating effectively to allow for the prevention detection and correction of misstatements of the financial statements. We proposed several 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, 2011. The Town was not performing certain monthly closing and reconciliation procedures that resulted in the misstatements going undetected, which included the following:

- a) 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 resulted in deficit spending in the funds and delays in requests for reimbursements.
- b) 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 the general ledger transactions related to the RICWFA loan and capital assets and depreciation expense. The lack of reconciliation procedures and unrecorded transactions resulted in errors in the financial statements.
- c) The Town is not reconciling on a monthly basis the Sewer Fund general ledger accounts associated with sewer use and sewer assessment billing and collection transactions, and only reconciled the transactions at year-end.
- d) The Town is not reconciling on a monthly basis the General Fund general ledger accounts associated with the property tax billings and collection transactions, and only reconciled the transactions at year-end.

Recommendation – We strongly recommend the following: 1) The department heads need to improve communication with the Finance Department; 2) The Finance Department should have access to Water Fund financial reporting systems at all times; 3) The Town should record all transactions to the Water Fund, including the RICWFA loan activity and capital asset transactions; 4) The Town should perform monthly reconciliations of the sewer use, sewer assessment, and property tax billing and collections transactions.

TOWN OF CUMBERLAND, RHODE ISLAND
Schedule of Findings and Responses
For the Fiscal Year Ending June, 30, 2011

Management's Response – Communication between most department heads and the finance department has increased significantly. Grant agreements are required before finance sets up a new fund in the general ledger. We agree that all departments should send copies of all reimbursement requests at the time of submittal to the Finance Department.

We concur with the recommendation that the Finance Department should have access to the Water Fund financial reporting. The Town is currently undergoing a Water Department management study and will implement recommendations to improve financial reporting as recommended by the study.

Most of the reconciliation between the general ledger and the sewer subsidiary ledger was done after year end. The Town is currently reconciling the Sewer Fund general ledger accounts associated with sewer use and sewer assessment billing and transactions on a monthly basis.

The Town is currently reconciling the General Fund general ledger accounts associated with property tax billings and collection transactions on a monthly basis.

Capital Assets – Governmental Funds and Water Fund

11-2 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, 2011, 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 – Currently the accounts payable clerk has been instructed to make a copy of every fixed asset purchase at the time of payment. Capital assets are recorded by the accounting clerk on the fixed asset excel schedule. The current spreadsheet limits the ability for effective reporting. We would like to explore and evaluate existing fixed asset systems used by other municipalities to ensure proper recording and safeguarding of capital assets. Note that few municipalities are fully satisfied with their fixed asset accounting systems.