

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

*For the Fiscal Year Ended  
June 30, 2013*

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CERTIFIED PUBLIC ACCOUNTANTS

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**Independent Auditor's Report**

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

***Report on the Financial Statements***

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, 2013, and the related notes to the financial statements, which collectively comprise the Town of Cumberland, Rhode Island's basic financial statements, as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Cumberland, Rhode Island, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, and supplementary pension and other post employment benefit information on pages 4 through 14 and pages 61 through 75 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

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 the 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 the other supplementary information are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements, the combining fiduciary fund financial statements, and the other supplementary information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2014 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 internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Cumberland, Rhode Island's internal control over financial reporting and compliance.

*Bacon & Company, LLC*

Warwick, Rhode Island  
February 27, 2014

## **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, 2013. 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 \$12,356,839 or 19.1% of total 2013 budgeted revenues of \$64,692,813. This is an increase of \$1,470,010 from the prior year total fund balance.
- The total unassigned fund balance of the General Fund is \$8,449,587 or 13.06% of total 2013 budgeted revenues.
- The total assigned and nonspendable fund balance of the General Fund is \$3,907,252. This is a decrease of \$651,781 from the prior year. The total assigned and nonspendable fund balance includes a nonspendable fund balance of \$2,513,476 for advances to other funds, which is down \$622,159 from the prior year. The Town has payment plans in place to repay the General Fund for these advances.
- The Town General Fund ended fiscal year 2013 with a budgetary operating surplus of \$1,374,875 and the School Unrestricted Fund ended with a budgetary operating surplus of \$895,779.
- The total debt amount of the Town of Cumberland decreased by \$4,519,288.
- 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 \$109,724,266. 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 position increased by \$3,676,540 for the fiscal year ended June 30, 2013.

### **Overview of the Financial Statements**

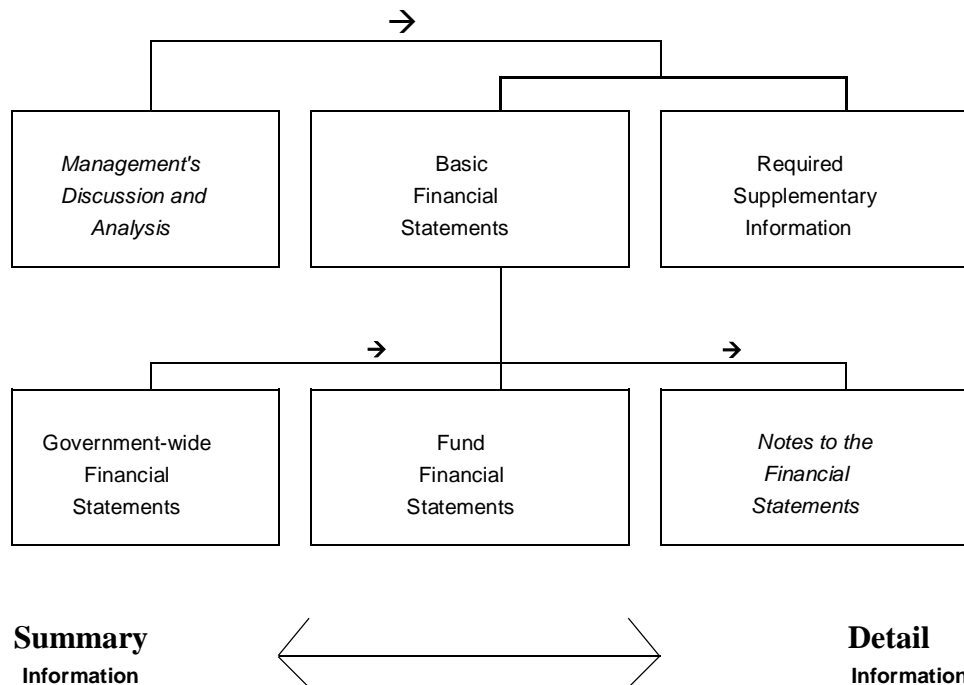
This discussion and analysis is intended to serve as an introduction to the Town's annual audit report. The financial section of this report consists of four parts – management's discussion and analysis (this section), the basic financial statements, required supplementary information, and other supplementary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

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Town's overall status.

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

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

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





**Figure A- 2**

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

	Fund Statements			
	Government- Wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Town government (except fiduciary funds)	The activities of the Town that are not proprietary or fiduciary, such as police, rescue and DPW.	Activities the Town operates similar to private businesses such as the water system.	Instances in which the Town is the trustee or agent for someone else’s resources.
Required Financial Statements	Statement of Net Position Statement of Activities	Balance Sheet, Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, Statement of Cash Flows	Statement of Fiduciary Net Position Statement of Changes in Fiduciary Net Position
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 position 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 position* and how they have changed. Net position – 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 position 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 17 through 20 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 21 through 24.

***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 25 and 26.

***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 27 through 60.

***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 Position

As noted earlier, net position 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 \$109,724,266 as of June 30, 2013, an increase over the prior year of \$3,676,540.

In regard to the Town's net position, 69% (\$76,027,776) 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 POSITION

	Governmental Activities		Business-Type Activities		Total	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current Assets	\$56,291,588	\$55,879,019	\$809,901	\$73,226	\$57,101,489	\$55,952,245
Capital Assets	102,222,005	103,909,177	29,019,256	29,347,835	131,241,261	133,257,012
Other Non-current Assets	2,634,602	2,869,382	74,824	80,522	2,709,426	2,949,904
Total Assets	<u>161,148,195</u>	<u>162,657,578</u>	<u>29,903,981</u>	<u>29,501,583</u>	<u>191,052,176</u>	<u>192,159,161</u>
Current Liabilities	9,672,599	10,608,858	617,254	885,202	10,289,853	11,494,060
Long-term Liabilities	66,692,956	70,007,167	4,345,101	4,610,208	71,038,057	74,617,375
Total Liabilities	<u>76,365,555</u>	<u>80,616,025</u>	<u>4,962,355</u>	<u>5,495,410</u>	<u>81,327,910</u>	<u>86,111,435</u>
Net Position:						
Net Investment in Capital Assets	51,162,152	49,403,348	24,865,624	24,770,348	76,027,776	74,173,696
Restricted	4,234,890	4,605,863	0	0	4,234,890	4,605,863
Unrestricted	29,385,598	28,032,342	76,002	(764,175)	29,461,600	27,268,167
Total Net Position	<u>\$84,782,640</u>	<u>\$82,041,553</u>	<u>\$24,941,626</u>	<u>\$24,006,173</u>	<u>\$109,724,266</u>	<u>\$106,047,726</u>

An additional portion of the Town's net position \$4,234,890 (4%) represents resources that are subject to external restriction on how they may be used. This leaves a remaining balance for unrestricted net position of \$29,461,600 (27%) which the Town may use to meet ongoing obligations to its citizens and creditors.

### Change in Net Position

The total net position of the Town of Cumberland increased by \$3,676,540 during fiscal year 2012-2013.

## 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, 2013.

Governmental activities increased the Town's net position by \$2,741,087 accounting for 75% of the Town's total increase in net position, while business type activities increased the Town's net position by \$935,453 accounting for 25% of the Town's total increase in net position.

### TOWN OF CUMBERLAND'S CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues						
Program						
Charges for Services	\$5,086,882	\$6,088,472	\$4,727,332	\$4,893,326	\$9,814,214	\$10,981,798
Operating Grants & Contributions	22,060,660	21,183,814			22,060,660	21,183,814
Capital Grants & Contributions	208,186	1,271,294	139,590	47,250	347,776	1,318,544
General Revenues						
Property Taxes	60,445,456	59,431,920			60,445,456	59,431,920
State Aid	1,054,401	1,035,779			1,054,401	1,035,779
Investment Earnings	70,186	123,422	16	32	70,202	123,454
Gain on Sale of Capital Assets	278,511		1,975		280,486	
Miscellaneous	56,153	97,024			56,153	97,024
Total Revenues	89,260,435	89,231,725	4,868,913	4,940,608	94,129,348	94,172,333
Program Expenses						
General Government	4,016,635	3,545,559			4,016,635	3,545,559
Community Development	408,181	427,057			408,181	427,057
Public Safety	9,881,200	10,932,453			9,881,200	10,932,453
Public Works	7,503,670	8,505,270			7,503,670	8,505,270
Social Services	2,195,188	2,175,578			2,195,188	2,175,578
Education	60,231,852	58,397,946			60,231,852	58,397,946
Interest on Long-Term Debt	2,282,622	2,545,202			2,282,622	2,545,202
Water Fund			3,933,460	3,957,809	3,933,460	3,957,809
Total Expenses	86,519,348	86,529,065	3,933,460	3,957,809	90,452,808	90,486,874
Increase in Net Position	2,741,087	2,702,660	935,453	982,799	3,676,540	3,685,459
Net Position Beginning of Year	82,041,553	79,338,893	24,006,173	23,023,374	106,047,726	102,362,267
Net Position End of Year	\$84,782,640	\$82,041,553	\$24,941,626	\$24,006,173	\$109,724,266	\$106,047,726

## 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 \$15,213,610. The General Fund reported an unassigned fund balance of \$8,449,587 representing approximately (55.5%) of total fund balance of all governmental funds.

### **Nonspendable & Assigned General Fund fund balances:**

Assigned balances	\$1,389,938
Advances to Other Funds	2,513,476
Prepaid expenditures	<u>3,838</u>
Total Nonspendable and Assigned Fund Balance	\$ 3,907,252

**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 position of the respective proprietary fund is the Cumberland Water Fund \$76,002.

### **The Town of Cumberland's General Fund Budgetary Highlights**

Nonspendable and assigned fund balance as of June 30, 2013 include:

- Assigned in the amount of \$1,389,938, with \$1,024,010 of the total being assigned to economic and community development, and
- Nonspendable for advances to other funds in the amount of \$2,513,476.

Please note that in 2004, the Town adopted by ordinance a fund balance policy, which requires 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 \$66,348,721. The fund balance amount of \$12,356,839 equals 18.6% 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 \$131,241,261 net of accumulated depreciation at June 30, 2013. Included are land, building and improvements, construction in progress, motor vehicles, furniture and equipment, and infrastructure.

### Major capital events during the fiscal year 2012-2013:

The major capital projects in 2012-2013 was the land improvement project at manville landing, followed by infrastructure improvements from road paving projects, equipment additions within both public works and public safety and finally vehicle additions and building improvement additions throughout the town. The water system improvements are being paid by subsidized low interest loans, the land purchases from the Open Space Fund, the road improvements from the Road Improvement Bond or State Roadway Investment Grant and the Manville Landing project has a State of Rhode Island grant.

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

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$19,770,057	\$19,770,057	\$280,974	\$280,974	\$20,051,031	\$20,051,031
Land Improvements	1,787,736	1,243,578			1,787,736	1,243,578
Building and Improvement	63,218,392	64,767,089	1,668,283	1,701,400	64,886,675	66,468,489
Construction in Progress	70,911	639,611	715,372	688,380	786,283	1,327,991
Motor Vehicles	986,545	934,533	40,799	40,458	1,027,344	974,991
Machinery and Equipment	2,186,577	1,720,348			2,186,577	1,720,348
Infrastructure	14,201,787	14,833,961	26,313,828	26,636,623	40,515,615	41,470,584
<b>Total</b>	<b>\$102,222,005</b>	<b>\$103,909,177</b>	<b>\$29,019,256</b>	<b>\$29,347,835</b>	<b>\$131,241,261</b>	<b>\$133,257,012</b>

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 \$25,360,000. Of this amount, \$460,000 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 2013</u>	<u>Business-type Activities 2013</u>	<u>Total</u>
General obligation bonds			
Payable	\$24,900,000	\$460,000	\$25,360,000
Capital leases payable	789,769	0	789,769
Notes and loans payable	26,619,439	4,085,999	30,705,438
Totals	<u>\$52,309,208</u>	<u>\$4,545,999</u>	<u>\$56,855,207</u>

The Town's general obligation bond rating as reaffirmed by Moody's Investors Service in August of 2013 is A1 (Stable). By Standard & Poor's, the Town's general obligation bond rating was reaffirmed as AA- in August of 2013.

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 \$109,877,815 at year-end. The Town's outstanding general obligation debt subject to the limit is \$3,054,750 at year-end, which is \$106,823,065 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 2013-2014 Budget and Tax Rates**

The Town of Cumberland's total general fund budget for fiscal year 2014 is \$86,039,434; which reflects an increase of \$3,156,565 over the fiscal 2013 budget. In the Town's 2014 amended budget, \$57,362,346 or 66.7% is allocated for educational purposes and \$28,677,088, or 33.3% is budgeted for other purposes.

Of the \$57,362,346 budgeted for educational purposes, the State of Rhode Island is budgeted for fiscal year 2014 to contribute \$14,680,955 to the Town's education department and the Town is budgeted to contribute \$38,690,573. The budget also appropriates \$533,940 from school surplus. 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 2013 was \$15.78 per thousand for real estate, \$28.86 per thousand for tangible personal property, \$19.87 per hundred for motor vehicles. Of the total taxes billed, 33.2% was allocated for general government and 66.8% was allocated for education.



## **General Economic Factors**

The June 2012 unemployment rate for Cumberland of 9.6% compares favorably to the unemployment rate of the State of Rhode Island of 10.9% and unfavorably to the national rate of 8.2%. According to the 2010 U.S. Census, the median family income of the Town was \$86,050 compared to \$70,663 for the State. Median family income in the Town increased from \$63,194 in 2000, an increase of 36%. The Town's 2010 median family income ranks twelfth among Rhode Island cities and towns.

The per capita income of the Town of Cumberland was \$33,482 compared to \$28,707 for the State in 2010. Per capita income in the Town increased from \$25,592 in 2000, an increase of 31%. The Town's 2010 per capita income ranks sixteenth 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.

Respectfully,

Brian M. Silvia  
Finance Director

**TOWN OF CUMBERLAND, RHODE ISLAND**  
**Statement of Net Position**  
**June 30, 2013**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets:</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 12,989,206	\$ 1,116,600	\$ 14,105,806
Restricted cash and cash equivalents	-	318,897	318,897
Real estate and personal property tax receivable, net	37,720,717	-	37,720,717
Water and sewer use fees receivable, net	169,927	2,090,792	2,260,719
Sewer assessments receivable	191,703	-	191,703
Due from federal and state government	2,130,666	-	2,130,666
Internal balances	2,721,509	(2,721,509)	-
Prepaid expenses	3,838	-	3,838
Other receivables, net	364,022	5,121	369,143
<b>Total current assets</b>	<b>56,291,588</b>	<b>809,901</b>	<b>57,101,489</b>
<b>Noncurrent assets:</b>			
Sewer assessments receivable	1,700,354	-	1,700,354
Capital assets: (Note 2)			
Land	19,770,057	280,974	20,051,031
Depreciable buildings, property, equipment, infrastructure, net	82,381,037	28,022,910	110,403,947
Construction in progress	70,911	715,372	786,283
Capital assets, net	102,222,005	29,019,256	131,241,261
Other assets, net	934,248	74,824	1,009,072
<b>Total noncurrent assets</b>	<b>104,856,607</b>	<b>29,094,080</b>	<b>133,950,687</b>
<b>Total assets</b>	<b>161,148,195</b>	<b>29,903,981</b>	<b>191,052,176</b>
<b>Liabilities:</b>			
<b>Current liabilities:</b>			
Accounts payable and accrued liabilities	4,318,189	280,787	4,598,976
Accrued interest payable	602,376	57,497	659,873
Deferred salary - due within one year	74,844	-	74,844
Other commitments - due within one year	17,850	-	17,850
Long-term debt - due within one year (Note 7)	4,659,340	278,970	4,938,310
<b>Total current liabilities</b>	<b>9,672,599</b>	<b>617,254</b>	<b>10,289,853</b>
<b>Noncurrent liabilities:</b>			
Unearned revenue	1,839,544	-	1,839,544
Long-term debt - due in more than one year (Note 7)	47,979,077	4,268,383	52,247,460
Accrued compensated absences	2,357,538	76,718	2,434,256
Deferred salary - due within more than one year	923,543	-	923,543
Other commitments - due in more than one year	249,900	-	249,900
Net pension obligation	2,222,648	-	2,222,648
Net other post employment benefit obligation	11,120,706	-	11,120,706
<b>Total noncurrent liabilities</b>	<b>66,692,956</b>	<b>4,345,101</b>	<b>71,038,057</b>
<b>Total liabilities</b>	<b>76,365,555</b>	<b>4,962,355</b>	<b>81,327,910</b>
<b>Net Position:</b>			
Net investment in capital assets	51,162,152	24,865,624	76,027,776
Restricted for:			
Education programs	3,712,315	-	3,712,315
Public safety programs	101,529	-	101,529
Historical records preservation	212,042	-	212,042
Community service programs	201,557	-	201,557
Other programs	7,447	-	7,447
Unrestricted	29,385,598	76,002	29,461,600
<b>Total net position</b>	<b>\$ 84,782,640</b>	<b>\$ 24,941,626</b>	<b>\$ 109,724,266</b>

*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, 2013**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue and Changes in Net Position</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Governmental Activities:</b>							
General government	\$ 4,016,635	\$ 1,277,419	\$ -	\$ 40,280	\$ (2,698,936)	\$ -	\$ (2,698,936)
Community development	408,181	13,259	194,842	-	(200,080)	-	(200,080)
Public safety	9,881,200	768,187	114,560	49,107	(8,949,346)	-	(8,949,346)
Public works	7,503,670	1,107,161	64,838	33,569	(6,298,102)	-	(6,298,102)
Social services	2,195,188	134,868	309,501	85,230	(1,665,589)	-	(1,665,589)
Education	60,231,852	1,519,968	19,256,334	-	(39,455,550)	-	(39,455,550)
Interest on long-term debt	2,282,622	266,020	2,120,585	-	103,983	-	103,983
<b>Total governmental activities</b>	<b>86,519,348</b>	<b>5,086,882</b>	<b>22,060,660</b>	<b>208,186</b>	<b>(59,163,620)</b>	<b>-</b>	<b>(59,163,620)</b>
<b>Business-Type Activities:</b>							
Water	3,933,460	4,727,332	-	139,590	-	933,462	933,462
<b>Total business-type activities</b>	<b>3,933,460</b>	<b>4,727,332</b>	<b>-</b>	<b>139,590</b>	<b>-</b>	<b>933,462</b>	<b>933,462</b>
<b>Total</b>	<b>\$ 90,452,808</b>	<b>\$ 9,814,214</b>	<b>\$ 22,060,660</b>	<b>\$ 347,776</b>	<b>(59,163,620)</b>	<b>933,462</b>	<b>(58,230,158)</b>
<b>General Revenues:</b>							
Taxes:							
					60,445,456	-	60,445,456
					1,054,401	-	1,054,401
					70,186	16	70,202
					278,511	1,975	280,486
					56,153	-	56,153
					<b>61,904,707</b>	<b>1,991</b>	<b>61,906,698</b>
					<b>2,741,087</b>	<b>935,453</b>	<b>3,676,540</b>
					<b>82,041,553</b>	<b>24,006,173</b>	<b>106,047,726</b>
					<b>\$ 84,782,640</b>	<b>\$ 24,941,626</b>	<b>\$ 109,724,266</b>

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

**TOWN OF CUMBERLAND, RHODE ISLAND**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2013**

	<u>General Fund</u>	<u>School Unrestricted Fund</u>	<u>Sewer Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Cash and cash equivalents	\$ 11,356,962	\$ -	\$ -	\$ 1,982,892	\$ 13,339,854
Real estate and personal property tax receivable (net)	37,413,253	-	-	-	37,413,253
Sewer use and assessment receivable	-	-	1,733,011	328,973	2,061,984
Due from federal and state governments	601,646	101,331	-	1,427,689	2,130,666
Due from other funds	3,302,090	5,457,969	-	1,325,325	10,085,384
Advances to other funds	2,513,476	-	-	-	2,513,476
Other receivables	249,075	6,515	-	10,417	266,007
Prepaid expenditures	3,838	-	-	-	3,838
Other assets	172,199	139,350	-	-	311,549
<b>Total assets</b>	<u>\$ 55,612,539</u>	<u>\$ 5,705,165</u>	<u>\$ 1,733,011</u>	<u>\$ 5,075,296</u>	<u>\$ 68,126,011</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Cash overdraft	\$ -	\$ 350,648	\$ -	\$ -	\$ 350,648
Accounts payable and accrued expenditures	1,378,699	1,853,026	13,330	675,872	3,920,927
Due to federal and state governments	32,585	-	-	-	32,585
Due to other funds	5,077,495	318,512	-	1,869,853	7,265,860
Advances from other funds	-	-	1,564,755	948,721	2,513,476
Deferred revenues	36,402,244	-	1,733,011	328,973	38,464,228
Other liabilities	364,677	-	-	-	364,677
<b>Total liabilities</b>	<u>43,255,700</u>	<u>2,522,186</u>	<u>3,311,096</u>	<u>3,823,419</u>	<u>52,912,401</u>
<b>Fund Balances (Deficits):</b>					
Nonspendable:					
Advances to other funds	2,513,476	-	-	-	2,513,476
Prepaid expenditures	3,838	-	-	-	3,838
Restricted for:					
Education programs	-	3,182,979	-	529,336	3,712,315
Public safety programs	-	-	-	101,529	101,529
Historical records preservation	-	-	-	212,042	212,042
Community service programs	-	-	-	201,557	201,557
Capital projects	-	-	-	281,061	281,061
Other programs	-	-	-	7,447	7,447
Committed for:					
Public facilities	-	-	-	596,871	596,871
Assigned to:					
Capital projects	-	-	-	270,755	270,755
Education programs and supplies	10,831	-	-	-	10,831
Office of Children, Youth, and Learning	104,337	-	-	-	104,337
Recreation programs	224,814	-	-	-	224,814
Town properties	15,727	-	-	-	15,727
Community and economic development programs	1,024,010	-	-	-	1,024,010
Senior citizens center programs	10,219	-	-	-	10,219
Unassigned	8,449,587	-	(1,578,085)	(948,721)	5,922,781
<b>Total fund balances (deficits)</b>	<u>12,356,839</u>	<u>3,182,979</u>	<u>(1,578,085)</u>	<u>1,251,877</u>	<u>15,213,610</u>
<b>Total liabilities and fund balances</b>	<u>\$ 55,612,539</u>	<u>\$ 5,705,165</u>	<u>\$ 1,733,011</u>	<u>\$ 5,075,296</u>	<u>\$ 68,126,011</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 Position**  
**June 30, 2013**

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<b>Total Fund Balances - Total Governmental Funds</b>	<b>\$ 15,213,610</b>
 <b>Amounts reported for Governmental Activities in the Statement of Net Position are different because:</b>	
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.	102,222,005
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.	307,465
Other long-term receivables are not available to pay for current period expenditures and, therefore, are deferred in Governmental Funds financial statements.	174,591
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.	361,630
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.	36,088,462
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.	(602,376)
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.	(69,605,446)
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>622,699</u>
 <b>Net Position of Governmental Activities</b>	 <b><u><u>\$ 84,782,640</u></u></b>

*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, 2013**

	<u>General Fund</u>	<u>School Unrestricted Fund</u>	<u>Sewer Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
General property taxes and interest	\$ 59,674,116	\$ -	\$ -	\$ -	\$ 59,674,116
Investment and interest income	70,163	-	-	23	70,186
Other local and departmental revenue	3,075,071	-	844,826	928,011	4,847,908
Federal and State aid and grants	3,406,543	15,960,514	-	3,800,425	23,167,482
Other revenues	122,828	753,045	-	47,676	923,549
<b>Total revenues</b>	<u>66,348,721</u>	<u>16,713,559</u>	<u>844,826</u>	<u>4,776,135</u>	<u>88,683,241</u>
<b>Expenditures:</b>					
<i>Current:</i>					
General government	1,368,641	-	-	64,165	1,432,806
Community development	193,171	-	-	87,444	280,615
Public safety	5,768,365	-	-	166,249	5,934,614
Public works	5,099,066	-	212,473	621,178	5,932,717
Social services	1,892,602	-	-	111,036	2,003,638
Other	846,217	-	-	-	846,217
Employee benefits	6,054,083	-	-	-	6,054,083
Education	55,258	54,897,504	-	2,428,891	57,381,653
Cafeteria	-	-	-	1,725,857	1,725,857
Debt service	6,390,235	-	541,398	35,192	6,966,825
Capital outlay	81,596	-	-	-	81,596
<b>Total expenditures</b>	<u>27,749,234</u>	<u>54,897,504</u>	<u>753,871</u>	<u>5,240,012</u>	<u>88,640,621</u>
<b>Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)</b>	<u>38,599,487</u>	<u>(38,183,945)</u>	<u>90,955</u>	<u>(463,877)</u>	<u>42,620</u>
<b>Other financing sources (uses):</b>					
Proceeds from sale of building	278,511	-	-	-	278,511
Capital related debt issued	-	616,500	-	-	616,500
Transfers from other funds	30,000	37,202,474	-	235,514	37,467,988
Transfers to other funds	(37,437,988)	-	(30,000)	-	(37,467,988)
<b>Total other financing sources (uses)</b>	<u>(37,129,477)</u>	<u>37,818,974</u>	<u>(30,000)</u>	<u>235,514</u>	<u>895,011</u>
<b>Net change in fund balances</b>	1,470,010	(364,971)	60,955	(228,363)	937,631
<b>Fund balances (deficits) - beginning of year, restated</b>	<u>10,886,829</u>	<u>3,547,950</u>	<u>(1,639,040)</u>	<u>1,480,240</u>	<u>14,275,979</u>
<b>Fund balances (deficits) - end of year</b>	<u>\$ 12,356,839</u>	<u>\$ 3,182,979</u>	<u>\$ (1,578,085)</u>	<u>\$ 1,251,877</u>	<u>\$ 15,213,610</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, 2013**

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<b>Net Changes in Fund Balances - Total Governmental Funds</b>	<b>\$ 937,631</b>
 <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.	1,488,287
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.	(3,175,459)
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.	(893,606)
Bond and capital lease proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Position This amount represents new capital lease issues during the current period.	(616,500)
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 Position. Repayment of debt principal is an expenditure in Government Funds, but the payments reduce long-term liabilities in the Government-Wide Statement of Net Position.  This amount represents long-term debt payments.	4,689,890
Accrued interest expense on long-term debt is reported in the Government-Wide Statement of Activities and Changes in Net Position, 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.	50,352
Debt issued at a premium provide current financial resources to Governmental Funds, but increase the long-term liabilities in the Statement of Net Position. Bond issuance costs and loss on refunding are expenditures in the Governmental Funds, but are deferred and amortized in the Government-Wide Statement of Net Position. This amount represents current year amortization of premium and issuance costs.	(56,039)
Payments of other commitments are expenditures in the Governmental Funds, but reduce long-term liabilities in the Government-Wide Statement of Net Position.	17,850
Revenues in the Statement of Activities that are not available in Governmental Funds are not reported as revenue in the Governmental Funds.	298,681
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 2,741,087</b>

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

**TOWN OF CUMBERLAND, RHODE ISLAND**  
*Statement of Net Position*  
**Proprietary Funds**  
*June 30, 2013*

	<i>Enterprise Funds</i>
	<i>Water Fund</i>
<b>Assets</b>	
<b>Current assets:</b>	
Cash and cash equivalents	\$ 1,116,600
Restricted cash and cash equivalents	318,897
Accounts receivable:	
Water user fees, less allowance for uncollectible accounts of \$66,504	2,090,792
Other	5,121
<b>Total current assets</b>	<b>3,531,410</b>
<b>Noncurrent assets:</b>	
Capital assets:	
Non-depreciable assets	996,346
Depreciable assets - net	28,022,910
Other assets - net	74,824
<b>Total noncurrent assets</b>	<b>29,094,080</b>
<b>Total assets</b>	<b>32,625,490</b>
<b>Liabilities</b>	
<b>Current liabilities:</b>	
Accounts payable and accrued expenses	280,787
Accrued interest payable	57,497
Due to other funds	2,721,509
Current portion of long term debt	278,970
<b>Total current liabilities</b>	<b>3,338,763</b>
<b>Noncurrent liabilities:</b>	
Accrued compensated absences	76,718
Loan payable	3,917,029
General obligation bonds payable	351,354
<b>Total noncurrent liabilities</b>	<b>4,345,101</b>
<b>Total liabilities</b>	<b>7,683,864</b>
<b>Net position</b>	
Net investment in capital assets	24,865,624
Unrestricted	76,002
<b>Total net position</b>	<b>\$ 24,941,626</b>

*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 Position*  
**Proprietary Funds**  
*For the Fiscal Year Ended June 30, 2013*

	<i>Enterprise Funds</i>
	<i>Water Fund</i>
<b><i>Operating revenues</i></b>	
User fees and charges	\$ 4,500,951
Other revenues	226,381
<b><i>Total operating revenues</i></b>	<b>4,727,332</b>
 <b><i>Operating expenses</i></b>	
Personnel services	1,364,865
Maintenance and servicing	278,113
Operating supplies	401,568
Fixed and general charges	1,006,660
Depreciation and amortization	667,600
<b><i>Total operating expenses</i></b>	<b>3,718,806</b>
 <b><i>Operating income</i></b>	<b>1,008,526</b>
 <b><i>Nonoperating revenues (expenses)</i></b>	
Interest income	16
Gain on disposal of capital assets	1,975
Interest expense	(214,654)
<b><i>Total nonoperating revenues (expenses)</i></b>	<b>(212,663)</b>
 <b><i>Income before contributions</i></b>	<b>795,863</b>
Capital contributions	139,590
 <b><i>Change in net position</i></b>	<b>935,453</b>
 <b><i>Total net position - beginning of year</i></b>	<b>24,006,173</b>
 <b><i>Total net position - end of year</i></b>	<b>\$ 24,941,626</b>

*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, 2013**

	<i>Enterprise Funds</i>
	<i>Water Fund</i>
<b><i>Cash flows from operating activities</i></b>	
Cash received from customers	\$ 4,994,976
Cash payments to suppliers for goods and services	(1,652,047)
Cash payments to employees for services	(1,349,337)
<b><i>Net cash provided by operating activities</i></b>	1,993,592
<b><i>Cash flows from non-capital financing activities</i></b>	
Interfund transactions	(563,789)
Interest paid on interfund balance	(44,753)
<b><i>Net cash used for non-capital financing activities</i></b>	(608,542)
<b><i>Cash flows from capital and related financing activities</i></b>	
Acquisition and construction of capital assets	(416,631)
Insurance proceeds	24,775
Capital contributions	111,590
Principal paid on bonds and loans	(445,898)
Interest paid on bonds and loans	(173,871)
<b><i>Net cash used for capital and related financing activities</i></b>	(900,035)
<b><i>Cash flows from investing activities</i></b>	
Investment income	16
<b><i>Net cash provided by investing activities</i></b>	16
<b><i>Net increase in cash and cash equivalents</i></b>	485,031
<b><i>Cash and cash equivalents, beginning of year</i></b>	950,466
<b><i>Cash and cash equivalents, end of year</i></b>	\$ 1,435,497
<b><i>Noncash capital and related financing activities:</i></b>	
Increase in capital assets	\$ 28,000
Decrease in due from state government	16,429

*(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, 2013*

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	<i>Enterprise Funds</i>
	<i>Water Fund</i>
<b><i>Reconciliation of operating income to net cash provided by operating activities</i></b>	
Operating income	\$ 1,008,526
<b><i>Adjustments to reconcile operating income to net cash provided by operating activities:</i></b>	
Depreciation and amortization	667,600
Change in allowance for uncollectible accounts	(69,122)
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	363,726
(Increase) decrease in other receivables	1,112
Increase (decrease) in accounts payable and accrued expenses	7,549
Increase (decrease) in compensated absences	14,201
<b><i>Net cash provided by operating activities</i></b>	<b>\$ 1,993,592</b>

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

**TOWN OF CUMBERLAND, RHODE ISLAND**  
*Statement of Fiduciary Net Position*  
**Fiduciary Funds**  
**June 30, 2013**

	<u><i>Pension Trust Fund</i></u>	<u><i>Post Employment Benefits Trust Fund</i></u>	<u><i>Private- Purpose Trust Funds</i></u>	<u><i>Agency Funds</i></u>
<b><i>Assets</i></b>				
Cash and cash equivalents	\$ 146,178	\$ -	\$ 288,175	\$ 459,536
Investments at fair value:				
U.S. government obligations	289,235	-	-	-
Municipal obligations	214,983	-	-	-
Corporate bonds	2,649,452	-	-	-
Common stock	5,789,309	-	-	-
Mutual funds - equity	850,226	-	-	-
Mutual funds - balanced	121,050	-	-	-
Mutual funds - fixed income	202,659	-	-	-
Rights and warrants	14,049	-	-	-
Accrued interest receivable	31,728	-	-	-
Contribution receivable	-	100,000	-	-
Other receivables	-	-	-	1,746
	<u>10,308,869</u>	<u>100,000</u>	<u>288,175</u>	<u>461,282</u>
 <b><i>Liabilities</i></b>				
Accounts payable	-	-	-	109
Due to other funds	-	-	-	98,015
Deposits held in custody for others	-	-	-	363,158
	<u>-</u>	<u>-</u>	<u>-</u>	<u>461,282</u>
 <b><i>Net Position</i></b>				
Restricted for pension and other post employment benefits and other purposes	<u>\$10,308,869</u>	<u>\$ 100,000</u>	<u>\$ 288,175</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 Position**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2013**

	<i><b>Pension Trust Funds</b></i>	<i><b>Post Employment Benefits Trust Fund</b></i>	<i><b>Private- Purpose Trust Funds</b></i>
<b><i>Additions</i></b>			
Contributions:			
Employer	\$ 1,650,000	\$ 1,311,166	\$ -
Plan member	189,235	373,339	-
Total contributions	<u>1,839,235</u>	<u>1,684,505</u>	<u>-</u>
Investment income:			
Net appreciation in fair value of investments	760,357	-	-
Interest and dividends	292,684	-	1,391
Less: investment expense	(60,002)	-	-
Net investment income	<u>993,039</u>	<u>-</u>	<u>1,391</u>
Other revenue	<u>-</u>	<u>-</u>	<u>44,560</u>
<b><i>Total additions</i></b>	<u>2,832,274</u>	<u>1,684,505</u>	<u>45,951</u>
<b><i>Deductions</i></b>			
Benefits	1,540,612	1,584,505	-
Administrative expense	38,979	-	-
Scholarships	-	-	43,253
<b><i>Total deductions</i></b>	<u>1,579,591</u>	<u>1,584,505</u>	<u>43,253</u>
<b><i>Change in net position</i></b>	1,252,683	100,000	2,698
<b><i>Net position - beginning of year - restated</i></b>	<u>9,056,186</u>	<u>-</u>	<u>285,477</u>
<b><i>Net position - end of year</i></b>	<u>\$ 10,308,869</u>	<u>\$ 100,000</u>	<u>\$ 288,175</u>

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

**TOWN OF CUMBERLAND, RHODE ISLAND**

***Notes to Financial Statements***

***June 30, 2013***

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" and GASB Statement No. 61 "Financial Reporting Entity-Omnibus." A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable or based on the nature and significance of the organization's relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The Town of Cumberland does not have any component units.

**TOWN OF CUMBERLAND, RHODE ISLAND**

**Notes to Financial Statements**

**June 30, 2013**

**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 Position 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 Position. The Statement of Activities presents changes in net position. 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 Position 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.

**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 position and changes in net position presented in the Government-Wide Financial Statements.

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

# **TOWN OF CUMBERLAND, RHODE ISLAND**

## ***Notes to Financial Statements***

***June 30, 2013***

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 Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, 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 Position. The Statement of Revenues, Expenses and Changes in Fund Net Position present increases (revenues) and decreases (expenses) in total net position. 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.

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 Position and a Statement of Changes in Fiduciary Net Position. The Town’s Fiduciary Funds include a Pension Trust Fund, a Post Employment Benefits Trust Fund, Private Purpose Trust Funds, 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,



**TOWN OF CUMBERLAND, RHODE ISLAND**

**Notes to Financial Statements**

**June 30, 2013**

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.

**Post Employment Benefits Trust Fund** – This fund accounts for resources held in trust to finance other post employment benefits paid by the Town and the payment of these benefits as they come due.

**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 2013 and other delinquent balances are recorded as receivables.

**F. UNBILLED SERVICES RECEIVABLE**

Water Fund revenue is recorded when earned. Residential customers and 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 position but are not reported in the governmental fund financial statements.

**TOWN OF CUMBERLAND, RHODE ISLAND**

**Notes to Financial Statements**

**June 30, 2013**

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, 2013 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, 2013. 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.

**J. PROPERTY TAXES**

The Town is permitted by State Law to levy property taxes. The Town's fiscal 2012-2013 property taxes were levied in April 2013 on assessed valuation as of December 31, 2012. 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.

**TOWN OF CUMBERLAND, RHODE ISLAND**  
*Notes to Financial Statements*  
**June 30, 2013**

***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, 2013.

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, 2013**

**NOTE 2 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June, 30, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Nondepreciable assets:				
Land	\$ 19,770,057	\$ -	\$ -	\$ 19,770,057
Construction in progress	639,611	70,911	639,611	70,911
	<u>20,409,668</u>	<u>70,911</u>	<u>639,611</u>	<u>19,840,968</u>
Depreciable assets:				
Land improvements	2,010,391	639,611	-	2,650,002
Infrastructure	28,843,079	-	-	28,843,079
Buildings and improvements	84,737,558	131,111	-	84,868,669
Machinery and equipment	4,402,558	984,770	-	5,387,328
Vehicles	4,480,204	301,495	-	4,781,699
	<u>124,473,790</u>	<u>2,056,987</u>	<u>-</u>	<u>126,530,777</u>
<b>Total Capital Assets</b>	<u>144,883,458</u>	<u>2,127,898</u>	<u>639,611</u>	<u>146,371,745</u>
Less accumulated depreciation for:				
Land improvements	766,813	95,453	-	862,266
Infrastructure	14,009,118	632,174	-	14,641,292
Buildings and improvements	19,970,469	1,679,808	-	21,650,277
Machinery and equipment	2,682,210	518,541	-	3,200,751
Vehicles	3,545,671	249,483	-	3,795,154
<b>Total Accumulated Depreciation</b>	<u>40,974,281</u>	<u>3,175,459</u>	<u>-</u>	<u>44,149,740</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$103,909,177</u>	<u>\$(1,047,561)</u>	<u>\$ 639,611</u>	<u>\$ 102,222,005</u>
<b>Business-Type Activities</b>				
Nondepreciable assets:				
Land	\$ 280,974	\$ -	\$ -	\$ 280,974
Construction in progress	688,380	26,992	-	715,372
	<u>969,354</u>	<u>26,992</u>	<u>-</u>	<u>996,346</u>
Depreciable assets:				
Buildings	2,444,492	7,442	-	2,451,934
Mains, laterals, standpipes and other	37,857,781	269,089	-	38,126,870
Vehicles	400,315	52,600	76,144	376,771
	<u>40,702,588</u>	<u>329,131</u>	<u>76,144</u>	<u>40,955,575</u>
<b>Total Capital Assets</b>	<u>41,671,942</u>	<u>356,123</u>	<u>76,144</u>	<u>41,951,921</u>
Less accumulated depreciation for:				
Buildings	743,092	40,559	-	783,651
Mains, laterals, standpipes and other	11,221,158	591,884	-	11,813,042
Vehicles	359,857	29,459	53,344	335,972
<b>Total Accumulated Depreciation</b>	<u>12,324,107</u>	<u>661,902</u>	<u>53,344</u>	<u>12,932,665</u>
<b>Business-Type Activities Capital Assets, Net</b>	<u>\$ 29,347,835</u>	<u>\$ (305,779)</u>	<u>\$ 22,800</u>	<u>\$ 29,019,256</u>

**TOWN OF CUMBERLAND, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2013**

Depreciation expense was charged to functions as follows:

General government	\$ 14,332
Public safety	262,971
Public works	802,365
Social services	122,537
Education	1,973,254
<b>Total Depreciation Expense</b>	<u><u>\$ 3,175,459</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 \$109,877,815. As of June 30, 2013, the Town’s debt subject to the debt limit is \$3,054,750 and the Town is under the debt limit by \$106,823,065. 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 fund balance in the fund financial statements at June 30, 2013:

Open Space	\$ (843,042)
Sewer Fund	(1,578,085)
Sewer – Ferncrest & Willow	(105,679)

**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 Position as “Cash and Cash Equivalents” and “Cash Overdraft.”

	<u><i>Carrying Amount</i></u>
Total Deposits	\$14,854,704
Add: Investments classified as cash equivalents	<u>463,888</u>
<b>Total Cash and Cash Equivalents Reported in the Financial Statements</b>	<u><u>\$15,318,592</u></u>

Water Fund cash and cash equivalents of \$318,897 are restricted for a debt service reserve in accordance with a trust indenture.

**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.

**TOWN OF CUMBERLAND, RHODE ISLAND**  
*Notes to Financial Statements*  
**June 30, 2013**

As of June 30, 2013, \$13,876,762 of the Town's bank balance of \$15,425,113 was exposed to custodial credit risk as follows:

	<b><u>Bank Balance</u></b>
Insured (Federal depository insurance funds)	\$ 1,548,351
Collateralized with securities held by pledging financial institution or its agent in the Town's name	8,705,934
Uninsured and uncollateralized	<u>5,170,828</u>
<b>Total</b>	<b><u>\$15,425,113</u></b>

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, 2013 the Town's uncollateralized deposits with an institution was \$5,170,828.

**TOWN OF CUMBERLAND, RHODE ISLAND**

*Notes to Financial Statements*

**June 30, 2013**

**NOTE 5 – INVESTMENTS**

As of June 30, 2013, the Town had the following investments:

<u><i>Investment</i></u>	<u><i>Maturity</i></u>	<u><i>Fair Value</i></u>	<u><i>Moody's Rating</i></u>
Fidelity Governmental Fund	Average 58 days	\$318,897	Not rated
Prime Obligation Fund	N/A	144,991	Not rated
US Government Obligation - FNMA	10/02/2013	101,292	Aaa
US Government Obligation – FFCB	11/21/2024	93,172	Aaa
US Government Obligation - FHLMC	06/12/2023	94,771	Aaa
Municipal Bond	06/01/2030	55,488	Aa2
Municipal Bond	05/01/2024	102,736	Aa3
Municipal Bond	04/01/2023	56,759	Aa3
Corporate Bond	05/15/2021	107,704	A3
Corporate Bond	05/27/2020	75,927	A1
Corporate Bond	06/01/2020	49,289	A1
Corporate Bond	09/15/2014	73,504	WR
Corporate Bond	01/15/2020	110,680	A1
Corporate Bond	12/15/2022	46,696	A1
Corporate Bond	05/15/2017	225,630	A2
Corporate Bond	12/06/2017	225,830	Aa3
Corporate Bond	04/01/2018	253,539	Baa1
Corporate Bond	05/01/2015	533,555	Baa1
Corporate Bond	07/15/2018	81,007	Aaa
Corporate Bond	01/15/2016	110,594	A1
Corporate Bond	06/01/2018	339,603	A1
Corporate Bond	03/08/2022	101,132	A2
Corporate Bond	12/15/2017	114,702	A2
Corporate Bond	04/01/2021	54,201	Baa1
Corporate Bond	04/15/2020	99,219	A1
Corporate Bond	11/30/2022	46,640	A3
Mutual Funds - Fixed Income	Average 6.7 years	202,659	Average B
Common Stock	N/A	5,789,309	Not rated
Mutual Funds - Balanced	N/A	121,050	Not rated
Mutual Funds - Equity	N/A	850,226	Not rated
Rights and Warrants	N/A	14,049	Not rated
		<u>10,594,851</u>	
Less: Investments classified as cash equivalents		(463,888)	
<b><i>Total Investments Reported in the Financial Statements</i></b>		<u><b>\$10,130,963</b></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%).

**TOWN OF CUMBERLAND, RHODE ISLAND**

**Notes to Financial Statements**

**June 30, 2013**

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

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

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

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

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

<u>Issuer</u>	<u>Amount</u>	<u>% of Total Investments</u>
JP Morgan Chase	\$640,191 (\$533,555 bonds and \$106,636 stock)	6.04%

**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.



**TOWN OF CUMBERLAND, RHODE ISLAND**

**Notes to Financial Statements**

**June 30, 2013**

**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, 2013, was as follows:

	<b><u>Beginning Balance</u></b>	<b><u>Issued</u></b>	<b><u>Redeemed</u></b>	<b><u>Ending Balance</u></b>
General obligation tax anticipation notes	\$ -	\$10,500,000	\$10,500,000	\$ -
Note payable	125,000	-	125,000	-

**TOWN OF CUMBERLAND, RHODE ISLAND**  
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**June 30, 2013**

**NOTE 7 – LONG-TERM LIABILITIES**

A. Long-term liability activity for the year ended June 30, 2013 was as follows:

	<i><b>Beginning Balance</b></i>	<i><b>Additions</b></i>	<i><b>Retirements</b></i>	<i><b>Ending Balance</b></i>	<i><b>Amounts Due Within One Year</b></i>
<i><b>Governmental Activities:</b></i>					
Bonds, notes, loans, and capital leases payable:					
Bonds payable	\$ 27,765,000	\$ -	\$ 2,865,000	\$ 24,900,000	\$ 2,955,000
Notes and loans payable	28,061,150	-	1,441,711	26,619,439	1,494,500
Capital lease payable	556,448	616,500	383,179	789,769	209,840
Plus amortized premium bonds and loans	690,410	-	67,096	623,314	-
Less deferred amounts on refunding	(352,704)	-	(58,599)	(294,105)	-
<i><b>Total bonds, notes, loans, and capital leases payable</b></i>	<b>56,720,304</b>	<b>616,500</b>	<b>4,698,387</b>	<b>52,638,417</b>	<b>4,659,340</b>
Other liabilities:					
Deferred salary	1,075,380	-	76,993	998,387	74,844
Compensated absences	2,286,139	71,399	-	2,357,538	-
Net other post employment benefit obligation	10,571,268	549,438	-	11,120,706	-
Net pension obligation	1,872,886	349,762	-	2,222,648	-
Other commitments	285,600	-	17,850	267,750	17,850
<i><b>Governmental activities Long-term liabilities</b></i>	<b>\$ 72,811,577</b>	<b>\$ 1,587,099</b>	<b>\$ 4,793,230</b>	<b>\$ 69,605,446</b>	<b>\$ 4,752,034</b>
<i><b>Business-Type Activities:</b></i>					
Bonds payable	\$ 740,000	\$ -	\$ 280,000	\$ 460,000	\$ 110,000
Loan payable	4,251,897	-	165,898	4,085,999	168,970
Plus amortized premium bonds	14,337	-	2,867	11,470	-
Less deferred amounts on refunding	(12,645)	-	(2,529)	(10,116)	-
<i><b>Total bonds and loans payable</b></i>	<b>4,993,589</b>	<b>-</b>	<b>446,236</b>	<b>4,547,353</b>	<b>278,970</b>
Compensated absences	62,517	14,201	-	76,718	-
<i><b>Business-type activities Long-term liabilities</b></i>	<b>\$ 5,056,106</b>	<b>\$ 14,201</b>	<b>\$ 446,236</b>	<b>\$ 4,624,071</b>	<b>\$ 278,970</b>

**TOWN OF CUMBERLAND, RHODE ISLAND**

*Notes to Financial Statements*

**June 30, 2013**

The payments on the governmental activities capital leases are paid from the General Fund and School Unrestricted Fund. The governmental activities bonds, notes and loans 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 other commitments are paid from the Sewer – Ferncrest & Willow Fund.

**B. CAPITAL LEASE COMMITMENTS**

Obligations under capital leases at June 30, 2013 were as follows:

<u><i>Fiscal Year Ended June 30,</i></u>	<u><i>Governmental Activities Lease Payment Requirements</i></u>
2014	\$230,057
2015	230,057
2016	230,057
2017	152,062
2018	4,739
Total minimum lease payments	<u>846,972</u>
Less: Amount representing interest cost	<u>(57,203)</u>
Present value of minimum lease payments	<u><u>\$789,769</u></u>

Equipment and vehicles are reported as machinery and equipment or vehicles in the statement of net position at a cost of \$473,735. Amortization of assets acquired under capital leases is included in depreciation expense for the year ended June 30, 2013.

**C. GENERAL OBLIGATION BONDS DEBT SERVICE REQUIREMENTS**

The debt service requirements at June 30, 2013, were as follows:

<u><i>Fiscal Year Ending June 30,</i></u>	<u><i>Governmental Activities General Obligation Bonds</i></u>		<u><i>Business Type Activities General Obligation Bonds</i></u>	
	<u><i>Principal</i></u>	<u><i>Interest</i></u>	<u><i>Principal</i></u>	<u><i>Interest</i></u>
2014	\$2,955,000	\$953,602	\$110,000	\$16,813
2015	3,040,000	849,744	110,000	13,201
2016	2,555,000	742,025	115,000	8,600
2017	2,645,000	634,564	125,000	2,938
2018	2,645,000	528,644	-	-
2019-2023	8,530,000	1,416,450	-	-
2024-2028	2,030,000	273,832	-	-
2029-2032	500,000	46,250	-	-
	<u><u>\$24,900,000</u></u>	<u><u>\$5,445,111</u></u>	<u><u>\$460,000</u></u>	<u><u>\$41,552</u></u>

**TOWN OF CUMBERLAND, RHODE ISLAND**  
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**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, 2012</u>	<u>New Issues</u>	<u>Maturities During Year</u>	<u>Outstanding June 30, 2013</u>
<b>Governmental Activities:</b>								
School Bond (Refunding)	06/10/08	2.00%-3.45%	08/01/14	\$ 3,570,000	\$ 1,650,000	\$ -	\$ 530,000	\$ 1,120,000
Library Bond (Refunding)	06/10/08	2.00%-4.76%	08/01/18	2,850,000	1,985,000	-	255,000	1,730,000
School Bond (Refunding)	06/10/08	2.00%-4.75%	08/01/18	5,740,000	3,985,000	-	505,000	3,480,000
Open Space Bond (Refunding)	11/30/11	3.00%-3.50%	10/01/21	1,000,000	1,000,000	-	85,000	915,000
School Bond (Refunding)	11/30/11	3.00%-3.50%	10/01/21	2,010,000	2,010,000	-	180,000	1,830,000
Judgment Bond (Refunding)	11/30/11	3.00%	10/01/16	205,000	205,000	-	35,000	170,000
Judgment Bond	06/10/08	5.14%	06/01/18	1,130,000	670,000	-	115,000	555,000
School Bond	02/01/03	2.30%-4.50%	02/01/23	5,000,000	2,750,000	-	250,000	2,500,000
High School Improvements	03/15/04	3.50%-5.00%	03/15/24	5,500,000	4,560,000	-	300,000	4,260,000
Road Improvements	03/15/04	3.50%-5.00%	03/15/24	2,000,000	1,650,000	-	105,000	1,545,000
Road Improvements	11/30/11	3.00%-6.25%	11/01/31	2,500,000	2,500,000	-	125,000	2,375,000
Library Bond	03/15/04	3.50%-5.00%	03/15/24	400,000	330,000	-	20,000	310,000
School Bond	03/15/04	3.50%-5.00%	03/15/24	500,000	420,000	-	25,000	395,000
School Bond	05/01/06	4.00%-5.00%	05/01/26	3,000,000	2,470,000	-	130,000	2,340,000
Sewer Bond (Refunding)	06/10/08	2.00%-4.77%	08/01/18	2,015,000	1,400,000	-	175,000	1,225,000
Sewer Bond (Refunding)	06/10/08	2.00%-4.81%	08/01/16	285,000	180,000	-	30,000	150,000
<b>Total Governmental Activities</b>				<u>37,705,000</u>	<u>27,765,000</u>	<u>-</u>	<u>2,865,000</u>	<u>24,900,000</u>
<b>Business Type Activities:</b>								
Water Bond (Refunding)	11/30/11	3.00%	10/01/12	175,000	175,000	-	175,000	-
Water Bond (Refunding)	06/10/08	2.00%-4.74%	08/01/16	915,000	565,000	-	105,000	460,000
<b>Total Business Type Activities</b>				<u>1,090,000</u>	<u>740,000</u>	<u>-</u>	<u>280,000</u>	<u>460,000</u>
<b>Total Bonds Payable</b>				<u>\$ 38,795,000</u>	<u>\$ 28,505,000</u>	<u>\$ -</u>	<u>\$ 3,145,000</u>	<u>\$ 25,360,000</u>

**TOWN OF CUMBERLAND, RHODE ISLAND**

*Notes to Financial Statements*

**June 30, 2013**

**E. NOTES AND LOANS PAYABLE**

The Town of Cumberland has entered into six 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
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, 2013 a loan payable of \$4,085,999 is reflected in the Water Fund. 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 and loans payable at June 30, 2013 were as follows:

<u>Fiscal Year Ending</u> <u>June 30,</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$1,494,500	\$1,201,696	\$168,970	\$147,677
2015	1,548,222	1,131,128	172,810	143,478
2016	1,617,049	1,062,558	177,418	138,535
2017	1,473,679	994,531	182,795	132,949
2018	1,474,465	927,348	188,171	126,835
2019-2023	8,551,524	3,571,023	1,047,613	526,462
2024-2028	10,460,000	1,512,631	1,262,666	306,796
2029-2031	-	-	885,556	54,570
	<u>\$26,619,439</u>	<u>\$10,400,915</u>	<u>\$4,085,999</u>	<u>\$1,577,302</u>

**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.

**TOWN OF CUMBERLAND, RHODE ISLAND**

***Notes to Financial Statements***

***June 30, 2013***

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**

During the fiscal year ended June 30, 2013, the Town was committed for the lease of office equipment. The lease is considered an operating lease. Rental expenditures for the year ended June 30, 2013 amounted to approximately \$929.

**TOWN OF CUMBERLAND, RHODE ISLAND**  
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**June 30, 2013**

**NOTE 9 – INTERFUND BALANCES**

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

	<i>Due From:</i>						<i>Total</i>
	<i>General Fund</i>	<i>Unrestricted Fund</i>	<i>Sewer Fund</i>	<i>Nonmajor Governmental Funds</i>	<i>Water Fund</i>	<i>Agency Funds</i>	
<i>Due To:</i>							
General Fund	\$ -	\$ 10,742	\$ 1,564,755	\$ 1,422,376	\$ 2,721,509	\$ 96,184	\$ 5,815,566
School Unrestricted	4,059,940	-	-	1,396,198	-	1,831	5,457,969
Nonmajor Governmental Funds	1,017,555	307,770	-	-	-	-	1,325,325
<b>Total</b>	<b>\$ 5,077,495</b>	<b>\$ 318,512</b>	<b>\$ 1,564,755</b>	<b>\$ 2,818,574</b>	<b>\$ 2,721,509</b>	<b>\$ 98,015</b>	<b>\$ 12,598,860</b>

Included above are loans made to provide financing resources to the following funds: \$1,564,755 Sewer; \$105,679 Sewer - Ferncrest & Willow; and \$843,042 Open Space. All remaining interfund balances resulted from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

**NOTE 10 – INTERFUND TRANSFERS**

	<i>Transfer From:</i>		
	<i>General Fund</i>	<i>Sewer Fund</i>	<i>Total</i>
<i>Transfer To:</i>			
General Fund	\$ -	\$ 30,000	\$ 30,000
Unrestricted Fund	37,202,474	-	37,202,474
Nonmajor Governmental Funds	235,514	-	235,514
<b>Total</b>	<b>\$ 37,437,988</b>	<b>\$ 30,000</b>	<b>\$ 37,467,988</b>

Transfers are used to 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 \$37,202,474 is the School appropriation that is budgeted in the General Fund as a revenue source to be transferred to the School Unrestricted Fund and expended.

**TOWN OF CUMBERLAND, RHODE ISLAND**  
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**NOTE 11 – NET POSITION/FUND BALANCES**

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

**Net Investment in Capital Assets** – This category groups all capital assets into one component of net position. 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 Position** – This category presents external restrictions imposed by grantors or laws and regulations.

**Unrestricted Net Position** – This category represents net position 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**  
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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. 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><b>Fund/Description</b></u>	<u><b>Allowance For Doubtful Accounts</b></u>
General Fund – Real estate and personal property tax receivable	\$1,423,056
General Fund – Police detail receivable	90,016
General Fund – Rescue Billing	2,345,523
Water Fund – Water use fees receivable	66,504

**TOWN OF CUMBERLAND, RHODE ISLAND**  
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**B. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

The accounts payable and accrued liabilities at June 30, 2013, were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Other</u>	<u>Total</u>
<b>Governmental Activities:</b>				
General Fund	\$ 759,663	\$ 519,036	\$ 100,000	\$ 1,378,699
School Unrestricted Fund	1,493,529	359,497	-	1,853,026
Sewer Fund	12,878	452	-	13,330
Other Governmental Funds	669,215	6,657	-	675,872
Reconciliation of balances in fund financial statements to government- wide financial statements	-	-	397,262	397,262
<b>Total Governmental Activities</b>	<u>\$ 2,935,285</u>	<u>\$ 885,642</u>	<u>\$ 497,262</u>	<u>\$ 4,318,189</u>
<b>Business-Type Activities:</b>				
Water Fund	\$ 261,278	\$ 19,509	\$ -	\$ 280,787
<b>Total Business-Type Activities</b>	<u>\$ 261,278</u>	<u>\$ 19,509</u>	<u>\$ -</u>	<u>\$ 280,787</u>

**NOTE 13 – POST EMPLOYMENT BENEFITS**

**Plan Description**

The Town of Cumberland administers a single-employer, defined benefit post-employment health insurance plan. This plan does not include the pension benefits discussed in Note 18. The plan provides medical and dental insurance for eligible retirees and their dependents through the Town's group health and dental insurance plans, which cover both active and retired members. Benefit provisions are established and amended by the union contracts through negotiations between the Town and the respective unions. The plan is reported as a Trust Fund in the Town's financial statements. 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 – Officers hired prior to July 1, 2013, are eligible for lifetime retiree health insurance (medical and dental) once they attain 20 years of service. Officers hired on/after July 1, 2013 are not eligible for retiree health benefits. Officers with a duty disability pension receive the same benefits as retirees.
- All Other Town Employees – COBRA coverage at retirement.
- Teachers and School Administrators – lifetime health insurance upon retirement to the Employees' Retirement System. Retirees pay 100% of the working rate for health insurance.

**TOWN OF CUMBERLAND, RHODE ISLAND**  
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- All Other School Employees – lifetime health insurance for members retiring who are at least age 58 with 10 years of service or after 30 years of service regardless of age. Retirees pay 100% of the working rate for health insurance.
- For All School Employees – effective July 1, 2013, retirees are no longer allowed to purchase health coverage through the School’s group plan at blended active/retiree rates; instead retirees are required to pay the full cost of coverage based on retiree appropriate working rates. This policy change effectively eliminates the School’s liabilities under GASB 45.

The above benefit provisions reflect changes implemented since the last valuation.

As of July 1, 2013 the plan membership data is as follows:

Active employees	44
Retirees	<u>61</u>
	<u>105</u>

***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, 2013, 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, 2013, the Town contributed \$1,311,166 to the plan.

***Summary of Significant Accounting Policies***

**Basis of Accounting** – The Post Employment Benefits Trust Fund’s financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. 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. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates.

***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

**TOWN OF CUMBERLAND, RHODE ISLAND**  
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table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the Town's net OPEB obligation:

Annual required contribution (ARC)	\$ 1,657,531
Interest on net OPEB obligation	759,254
Adjustment to annual required contribution	(556,181)
Annual OPEB cost	1,860,604
Contributions made	(1,311,166)
Increase in net OPEB obligation	549,438
Net OPEB obligation, beginning of year	10,571,268
Net OPEB obligation, end of year	\$11,120,706

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:

<i>Fiscal Year Ended</i>	<i>Annual OPEB Cost</i>	<i>Percentage of Annual OPEB Cost Contributed</i>	<i>Net OPEB Obligation</i>
6/30/11	\$4,366,134	19.64%	\$8,669,010
6/30/12	\$3,467,580	45.14%	\$10,571,268
6/30/13	\$1,860,604	70.47%	\$11,120,706

***Funded Status and Funding Progress***

The funded status of the Town's plan as of July 1, 2012, the most recent actuarial valuation, is as follows:

Actuarial Accrued Liability (AAL)	\$21,154,653
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	\$21,154,653

The breakout of the AAL by group is as follows: Police employees - \$20,209,901 and School employees - \$944,752.

Funded ratio (Actuarial Value of Plan Assets/AAL)	0%
Annual Covered Payroll (Active Plan Members)	Not available
UAAL as a Percentage of Covered Payroll	Not available

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

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information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

***Actuarial Methods and Assumptions***

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

The annual required contribution for fiscal 2013 was determined as part of the July 1, 2012 actuarial valuation using the projected unit credit actuarial cost method with linear proration to decrement. 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) 7.5% discount rate; b) medical trend rate – initial rate of 9.5% decreasing .5% per year to an ultimate rate of 5% over 10 years; c) Medicare Part B trend rate – initial rate of 3% increasing by 0.5% per year to an ultimate rate of 5%; d) inflation rate – 3% per year; and e) payroll growth – 4.5% per year (used for amortization only). The unfunded actuarial accrued liability as of the July 1, 2012 is being amortized as a level percent of pay based on a closed group. The remaining amortization period as of July 1, 2012 is 30 years. The discount rate assumption has changed since the last valuation.

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***

During the ordinary course of its operations, the Town is a party to various other claims, legal actions and complaints. The potential liability to the Town, if any or an evaluation of the outcome of these matters cannot be made at the present time.

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**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, 2013 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, 2013 are estimated to be \$481,174. The Town has provided a required deposit in the amount of \$310,800 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><b>Beginning Fiscal Year Liability</b></i>	<i><b>Current Year Claims and Changes In Estimate</b></i>	<i><b>Claims Payments</b></i>	<i><b>Balance Fiscal Year End</b></i>
2012-2013	\$403,926	\$8,118,679	\$8,041,431	\$481,174
2011-2012	\$373,202	\$8,850,378	\$8,819,654	\$403,926

**B. OTHER INSURANCE**

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

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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, 2013.

**NOTE 16 – SUBSEQUENT EVENTS**

- On July 8, 2013 the Town entered into a capital lease agreement totaling \$392,600. The capital lease bears an implicit interest rate of 2.17%. The lease matures on July 8, 2018.
- On December 19, 2013 the Town issued \$9,500,000 of general obligation tax anticipation notes which bear interest of 1.00% and mature June 12, 2014.
- On August 28, 2013 the Town issued \$3,500,000 of general obligation bonds which bear interest of 3% - 5% and mature on February 1, 2014 - 2026.
- On August 28, 2013 the Town issued \$2,370,000 of general obligation refunding bonds which bear interest of 3% - 5% and mature on February 1, 2014 - 2023.

**NOTE 17 – RESTATEMENTS**

The following restatements were recorded to beginning fund balances/net position in the Governmental Activities, Governmental Fund and Fiduciary Fund Financial Statements:

	<u><i>Governmental Activities</i></u>	<u><i>General Fund</i></u>	<u><i>Pension Trust Fund</i></u>
Fund balances/net position - June 30, 2012, as previously reported	\$ 80,916,695	\$ 9,761,971	\$ 10,181,044
Contribution to pension fund recorded in error in prior years	<u>1,124,858</u>	<u>1,124,858</u>	<u>(1,124,858)</u>
Fund balances/net position - June 30, 2012, as restated	<u>\$ 82,041,553</u>	<u>\$ 10,886,829</u>	<u>\$ 9,056,186</u>

**TOWN OF CUMBERLAND, RHODE ISLAND**  
*Notes to Financial Statements*  
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**NOTE 18 – PENSION PLANS**

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

Effective July 1, 2012, the Employees' Retirement System of Rhode Island (ERS) was modified to include both defined benefit and defined contribution plan components.

**Defined Benefit Plan**

***Plan Description***

All full-time teachers, principals, school nurses and certain other school officials (including the superintendent) of the Cumberland School Department must participate in ERS, a cost-sharing multiple employer defined benefit plan administered by the Employees' Retirement System of Rhode Island (the System). The plan provides retirement, death and disability benefits (as well as annual cost of living allowances if certain conditions have been met) as outlined in Chapters 36-10 and 16-16 of the Rhode Island General Laws (RIGL). The plan also provides a survivor benefit to public school teachers in lieu of Social Security as outlined in sections 16-16-25 through 16-16-38 of the Rhode Island General Laws (RIGL). Spouse, parents, family or children's benefits are payable upon death of a member. In lieu of a survivor benefit, members may opt to receive a lump sum return of their contributions plus interest upon retirement. The benefits may be amended by the Rhode Island General Assembly.

***Funding Policy***

The funding policy is outlined in RIGL sections 16-16-22 and 36-10-2 (which can be amended by the Rhode Island General Assembly). Active plan members must contribute 3.75% of his/her compensation. The Cumberland School Department and the State are collectively required to contribute at an actuarially determined rate expressed as a percentage of total compensation paid to the active membership. The employer contribution is split and paid 40% by the State and 60% by the school department, with the exception of teachers who work in federally funded programs where 100% is paid by the school department and reimbursed by the federal government. For fiscal 2013, the total employer rate is 19.29% (7.88% State share and 11.41% local share). The State share of the employer contribution rate includes the total cost of prior contribution deferrals which was .28% for fiscal 2013.

The Cumberland School Department contributed \$3,189,760, \$3,505,366, and \$2,862,929 during the fiscal years 2013, 2012 and 2011, respectively, equal to 100% of the actuarially required contributions for those respective years. For financial reporting purposes, the State's share of contributions totaling \$2,068,966 for fiscal year 2013 are reflected as on behalf-payments and are included as both revenue and expenditures in the accompanying financial statements.



## **TOWN OF CUMBERLAND, RHODE ISLAND**

### ***Notes to Financial Statements***

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The cost of the survivor's benefits provided by the plan are two percent (2%) of the member's annual salary up to but not exceeding an annual salary of \$9,600; one-half (1/2) of the cost is contributed by the member by deductions from his or her salary, and the other half (1/2) is contributed and paid by the school department. These contributions are in addition to the contributions required for regular pension benefits.

The Cumberland School Department contributed \$39,076, \$38,017, and \$35,159 during the fiscal years 2013, 2012 and 2011, respectively, for survivor's benefits equal to 100% of the required contributions for those respective years.

### **Defined Contribution Plan**

#### ***Plan Description***

Employees participating in the defined benefit plan, as described above, also participate in a defined contribution plan of the Employees' Retirement System as authorized by General Law Chapter 36-10.3. The defined contribution plan is established under IRS section 401(a) and is administered by TIAA-CREF and the Employees' Retirement System of Rhode Island (the System). Employees may choose among various investment options available to plan participants.

Employee contributions are immediately vested while employer contributions are vested after three years of contributory service. Contributions required under the plan by both the employee and employer are established by the General Laws, which are subject to amendment by the General Assembly.

Amounts in the defined contribution plan are available to participants in accordance with Internal Revenue Service guidelines for such plans.

#### ***Funding Policy***

The funding policy is outlined in RIGL chapter 36-10.3 (which can be amended by the Rhode Island General Assembly). Active plan members must contribute 7% of his/her compensation and the employer is required to contribute 3%. The employer contribution is split between the State and the school department. For fiscal 2013, the total employer rate of 3% was split as follows: 0.40% State share and 2.60% local share.

The plan members and Cumberland School Department contributed \$1,908,299 and \$817,842, respectively, during the fiscal year ended June 30, 2013. For financial reporting purposes, the State's share of contributions totaling \$105,024 for fiscal year 2013 are reflected as on behalf-payments and are included as both revenue and expenditures in the accompanying financial statements.

The System issues an annual financial report that includes financial statements and required supplementary information for all of the plans it administers. The reports can be obtained at [www.ersri.org](http://www.ersri.org).

**TOWN OF CUMBERLAND, RHODE ISLAND**  
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**June 30, 2013**

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

Effective July 1, 2012, the Municipal Employees' Retirement System (MERS) was modified to include both defined benefit and defined contribution plan components. General employees participate in a hybrid plan that combines both a defined benefit plan and a defined contribution plan. Police and fire employees participate only in the defined benefit plan unless they do not participate in Social Security in which case they also participate in the defined contribution plan.

**Defined Benefit Plan**

***Plan Description***

All full-time Town of Cumberland employees, except for those certified employees who participate in the ERS and those police officers and certain other former employees who participate in the Town Administered Pension Plan, participate in MERS, an agent multiple-employer defined benefit plan administered by the Employees' Retirement System of Rhode Island (the System). The plan provides retirement, death and disability benefits and an optional cost of living adjustment (COLA) as outlined in Chapter 45-21 and Chapter 45-21.2 of the Rhode Island General Laws (RIGL). The benefits may be amended by the Rhode Island General Assembly.

***General Employees Retirement Eligibility and Plan Benefits*** – Service credits accrued at June 30, 2012 are protected under the Rhode Island Retirement Security Act. Beginning July 1, 2012, members receive a benefit accrual of 1.0% per year. Effective July 1, 2012 the retirement age mirrors the Social Security Normal Retirement Age not to exceed age 67. Benefits are based on the five-year average compensation multiplied by the accumulated service credit percentage. Joint and survivor retirement benefit options are available.

***Rescue Retirement Eligibility and Plan Benefits*** – Effective July 1, 2012 the benefit accrual for all plans is 2.0% per year based on the five-year average compensation, exclusive of overtime. Retirement age is 55 years old with 25 years of total service or for members with five years of service but less than 25 years of service the new retirement age will mirror the Social Security Normal Retirement Age not to exceed 67. Rescue employees who were at least 45 years old, had 10 or more years of contributing service and were eligible to retire prior to age 52 under the law in effect on June 30, 2012, may retire at age 52. Rescue employees may retire with a reduced pension benefit if they have 20 years of service and are within five years of their retirement eligibility. The actuarially reduced benefit is calculated based on how close the member is to the eligibility date that is prescribed in the Rhode Island Retirement Security Act. Joint and survivor retirement benefit options are available.

***Cost of Living Adjustments*** – Pursuant to the Rhode Island Retirement Security Act, the Cost of Living Adjustment (COLA) has been suspended for any unit whose funding level is less than 80%. The COLA provision can be reviewed in a five-year interval. When the funding level of a plan exceeds 80%, eligible retirees may receive a COLA annually effective on their date of retirement plus

**TOWN OF CUMBERLAND, RHODE ISLAND**  
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one month. The COLA will be calculated as the five (5) year smoothed investment rate of return less 5.50%, with a 0.00% floor and a 4.00% cap. COLA will be delayed until the later of age 55 or three years after retirement. The COLA will be applied to the first \$25,000 of benefits indexed annually.

**Disability retirement provisions** – The plan also provides nonservice-connected disability benefits after 5 years of service and service-connected disability pensions with no minimum service requirement.

**Funding Policy**

The funding policy is outlined in RIGL sections 45-21-41, 45-21-42, 45-21-52, and 45-21.2-14 (which can be amended by the Rhode Island General Assembly). Active general employees must contribute 1% of his/her compensation. Active rescue members must contribute 8% of his/her compensation. The Town is required to contribute at an actuarially determined rate expressed as a percentage of total compensation paid to the active membership. The rates for fiscal year 2013 were as follows: general employees 13.07% and rescue 5.59%.

**Annual Pension Cost**

The Town’s annual pension cost of \$1,112,548 for MERS was equal to the Town’s required and actual contributions.

**Three-Year Trend Information**

**GENERAL MUNICIPAL EMPLOYEES**

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2011	\$675,004	100%	\$ -
2012	\$775,682	100%	\$ -
2013	\$1,055,097	100%	\$ -

**RESCUE EMPLOYEES**

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2011	\$67,076	100%	\$ -
2012	\$72,932	100%	\$ -
2013	\$57,451	100%	\$ -

The required contribution for fiscal 2013 was determined as part of the actuarial valuation performed as of June 30, 2010. The most recent valuation of the plans within the system was performed as of June 30, 2012. The actuarial methods and assumptions used in those valuations are summarized in the following table.

**TOWN OF CUMBERLAND, RHODE ISLAND**  
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**Summary of Actuarial Assumptions Used in the MERS**  
**June 30, 2010 and June 30, 2012 Valuations**

<b>Actuarial Cost Method</b>	Entry Age Normal - the Individual Entry Age Actuarial Cost methodology is used.	
<b>Amortization Method</b>	Level Percent of Payroll – Closed	
<b>Equivalent Single Remaining Amortization Period</b>	25 years as of June 30, 2010 23 years as of June 30, 2012	
<b>Asset Valuation Method</b>	5 Year Smoothed Market	
<b>Actuarial Assumptions:</b>		
<b>Investment Rate of Return</b>	7.50%	
<b>Projected Salary Increases</b>	<u>General Employees</u>	<u>Rescue Employees</u>
	4.00% to 8.00%	4.25% to 14.25%
<b>Inflation</b>	2.75%	

Cost of Living Adjustments are equal to the average five-year fund asset performance (percent) greater than 5.5% up to a maximum of 4% - the COLA is to be applied to the first \$25,000 of benefits, indexed over time. COLA is delayed until the later of Social Security eligibility age or 3 years after retirement. For MERS Rescue, COLA is delayed until the later of age 55 or 3 years after retirement. A 2% COLA is assumed after July 1, 2012.

***Funded Status and Funding Progress***

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

<i>Actuarial Valuation Date</i>	<i>Actuarial Value of Assets</i>	<i>Actuarial Liability (AAL) – Entry Age</i>	<i>Unfunded AAL (UAAL)</i>	<i>Funded Ratio</i>	<i>Covered Payroll</i>	<i>UAAL as a Percentage of Covered Payroll</i>
<i>June 30, 2012</i>	<i>(a)</i>	<i>(b)</i>	<i>(b-a)</i>	<i>(a/b)</i>	<i>(c)</i>	<i>((b-a)/c)</i>
General Employees	\$20,203,280	\$27,951,593	\$7,748,313	72.3%	\$8,097,688	95.7%
Rescue	\$4,499,034	\$4,593,597	\$94,563	97.9%	\$987,517	9.6%

**TOWN OF CUMBERLAND, RHODE ISLAND**  
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**June 30, 2013**

**Defined Contribution Plan**

***Plan Description***

General employees participating in the defined benefit plan, as described above, also participate in a defined contribution plan of the Employees' Retirement System as authorized by General Law Chapter 36-10.3. The defined contribution plan is established under IRS section 401(a) and is administered by TIAA-CREF and the Employees' Retirement System of Rhode Island (the System). Employees may choose among various investment options available to plan participants.

Employee contributions are immediately vested while employer contributions are vested after three years of contributory service. Contributions required under the plan by both the employee and employer are established by the General Laws, which are subject to amendment by the General Assembly.

Amounts in the defined contribution plan are available to participants in accordance with Internal Revenue Service guidelines for such plans.

***Funding Policy***

The funding policy is outlined in RIGL chapter 36-10.3 (which can be amended by the Rhode Island General Assembly). Active general employees must contribute 5% of his/her compensation and the Town is required to contribute 1%. The plan members and Town contributed \$403,620 and \$80,727, respectively, during the fiscal year ended June 30, 2013.

The System issues an annual financial report that includes financial statements and required supplementary information for all of the plans it administers. The reports can be obtained at [www.ersri.org](http://www.ersri.org).

**C. TOWN ADMINISTERED PENSION PLAN**

***Plan Description***

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

As of July 1, 2012, membership data related to the pension plan was as follows:

Active members	45
Retired and beneficiaries	64
Terminated vested	<u>1</u>
	<u>110</u>

**TOWN OF CUMBERLAND, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2013**

***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.

***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)	\$1,986,232
Interest on NPO	140,466
Adjustment to ARC	(126,936)
Annual pension cost	<u>1,999,762</u>
Contributions made	<u>(1,650,000)</u>
Increase in net pension obligation	349,762
Net pension obligation, beginning of year	<u>1,872,886</u>
Net pension obligation, end of year	<u><u>\$2,222,648</u></u>

**TOWN OF CUMBERLAND, RHODE ISLAND**  
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**June 30, 2013**

The Town's annual contribution to the plan was determined as part of the July 1, 2012 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 20 year amortization of the unfunded actuarial accrued liability, beginning July 1, 2012, as a level percentage of payroll. The actuarial assumptions included a) 7.5% investment rate of return (net of investment expenses), and b) projected compensation increases of 3.5% compounded annually. The cost of living adjustment is 3%, non-compounded, from age 57 for retirement on or after July 1, 1992. No COLA for retirement before July 1, 1992. For valuation purposes a smoothed, actuarial value of assets was used to dampen the effect of market swings by gradually recognizing market gains or losses over a five year period.

**Three-Year Trend Information**

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2011	\$1,505,351	66%	\$1,604,013
2012	\$1,668,873	84%	\$1,872,886
2013	\$1,999,762	83%	\$2,222,648

**Funded Status and Fund Progress**

As of July 1, 2012, the most recent actuarial valuation, the plan was 31.9% funded. The actuarial accrued liability for benefits was \$28,794,861, and the actuarial value of assets was \$9,182,768, resulting in an unfunded actuarial accrued liability (UAAL) of \$19,612,093. The covered payroll (annual payroll of active employees covered by the plan) was \$2,511,260, and the ratio of the UAAL to the covered payroll was 781.0%.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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

	<i>Actuarial Valuation Date</i>	<i>Actuarial Value of Assets</i>	<i>Actuarial Accrued Liability (AAL) (2)</i>	<i>Unfunded Liability/ (Funding Excess)</i>	<i>Funded Ratio</i>	<i>Covered Payroll</i>	<i>Unfunded Liability/ (Funding Excess) as a Percentage of Covered Payroll</i>
<b>Municipal Employees Retirement System (General Employees) (3) (4)</b>							
	6/30/2010	\$19,349,375	\$25,582,577	\$6,233,202	75.6%	\$8,277,596	75.3%
	6/30/2011	\$19,720,856	\$26,884,532	\$7,163,676	73.4%	\$8,190,324	87.5%
	6/30/2012	\$20,203,280	\$27,951,593	\$7,748,313	72.3%	\$8,097,688	95.7%
<b>Municipal Employees Retirement System (Rescue) (3) (4)</b>							
	6/30/2010	\$4,101,879	\$3,579,752	(\$522,127)	114.6%	\$933,687	(55.9%)
	6/30/2011	\$4,266,783	\$4,093,459	(\$173,324)	104.2%	\$926,673	(18.7%)
	6/30/2012	\$4,499,034	\$4,593,597	\$94,563	97.9%	\$987,517	9.6%
<b>Town Police Pension Plan (5)</b>							
	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%
	7/1/2012	\$9,182,768	\$28,794,861	\$19,612,093	31.9%	\$2,511,260	781.0%
<b>Other Post Employment Benefit Plan</b>							
	7/1/2008	\$0	\$46,872,000	\$46,872,000	0.0%	N/A	N/A
	7/1/2011	\$0	\$39,386,221	\$39,386,221	0.0%	\$32,459,010	121.3%
	7/1/2012	\$0	\$21,154,653	\$21,154,653	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.
- (3) The June 30, 2010 and 2011 actuarial valuation amounts reflect the comprehensive pension reform changes as enacted by the Rhode Island General Assembly in November 2011. The original June 30, 2010 actuarial valuation amounts were revised to reflect the pension reform changes.
- (4) The assumptions used in the 6/30/2012 actuarial valuation are consistent with the 2011 valuation, with the exception of certain assumption changes that resulted from the enactment of the RI Retirement Security Act of 2011.
- (5) See note 17 to the financial statements for restatement of net position to the Pension Trust Fund. The actuarial valuations prior to 7/1/10 do not reflect this restatement.



**TOWN OF CUMBERLAND, RHODE ISLAND**  
**Required Supplementary Information - Police Pension Plan and Other Post Employment Benefit Plan**  
**Schedule of Employer Contributions**  
**"Unaudited"**

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**Police Pension Plan**

<i><b>Fiscal Year Ending June 30</b></i>	<i><b>Annual Required Contribution</b></i>	<i><b>Actual Contribution</b></i>	<i><b>Percent Funded</b></i>
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%
2012	1,650,489	1,400,000	85%
2013	1,986,232	1,650,000	83%

**Other Post Employment Benefit Plan**

<i><b>Fiscal Year Ending June 30</b></i>	<i><b>Annual Required Contribution</b></i>	<i><b>Actual Contribution</b></i>	<i><b>Percent Funded</b></i>
2013	\$1,657,531	\$1,311,166	79%

**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, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
General property taxes and interest	\$ 58,890,143	\$ 58,890,143	\$ 59,674,116	\$ 783,973
Investment and interest income	70,000	70,000	70,152	152
Other local and departmental revenue	1,305,500	1,305,500	1,548,773	243,273
Federal and State aid and grants	3,185,594	3,185,594	3,395,888	210,294
Rescue service revenue	914,576	914,576	925,000	10,424
Other revenues	327,000	327,000	400,343	73,343
<b>Total revenues</b>	<u>64,692,813</u>	<u>64,692,813</u>	<u>66,014,272</u>	<u>1,321,459</u>
<b>Expenditures</b>				
<b>General Government:</b>				
Mayor's office	165,121	165,121	164,953	168
Town Clerk	202,829	202,829	187,374	15,455
Town Council	35,400	35,400	25,561	9,839
Town Solicitor	202,573	202,573	186,601	15,972
Municipal court	44,812	44,812	43,616	1,196
Town officers	3,901	3,901	3,901	-
Boards and commissions	3,250	3,250	1,866	1,384
Probate court	8,252	8,252	7,798	454
Board of canvassers	79,468	79,468	67,804	11,664
Finance office	482,983	482,983	425,635	57,348
Tax Assessor	205,144	205,144	198,040	7,104
	<u>1,433,733</u>	<u>1,433,733</u>	<u>1,313,149</u>	<u>120,584</u>
<b>Community Development:</b>				
Planning	171,982	171,982	173,527	(1,545)
Zoning	14,800	14,800	19,644	(4,844)
	<u>186,782</u>	<u>186,782</u>	<u>193,171</u>	<u>(6,389)</u>
<b>Public Safety:</b>				
Police department	3,776,548	3,776,548	3,572,072	204,476
Telecommunication	324,757	324,757	307,881	16,876
Rescue service	1,463,230	1,463,230	1,507,275	(44,045)
Animal control	132,234	132,234	142,837	(10,603)
	<u>5,696,769</u>	<u>5,696,769</u>	<u>5,530,065</u>	<u>166,704</u>
<b>Public Works:</b>				
Inspection	181,360	181,360	174,016	7,344
Public works	2,561,875	2,561,875	2,596,875	(35,000)
Highway	2,032,319	2,032,319	1,864,907	167,412
Recreation	172,759	172,759	153,072	19,687
Town Hall	169,710	169,710	174,732	(5,022)
	<u>5,118,023</u>	<u>5,118,023</u>	<u>4,963,602</u>	<u>154,421</u>
<b>Social Services:</b>				
Library	1,491,563	1,491,563	1,473,517	18,046
Children and learning	150,978	150,978	150,978	-
Senior services	128,838	128,838	128,838	-
	<u>1,771,379</u>	<u>1,771,379</u>	<u>1,753,333</u>	<u>18,046</u>

(Continued)

*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 (Continued)*  
**General Fund**  
*For the Fiscal Year Ended June 30, 2013*

	<i>Budgeted Amounts</i>		<i>Actual Amounts (Budgetary Basis)</i>	<i>Variance With Final Budget Positive (Negative)</i>
	<i>Original</i>	<i>Final</i>		
<b><i>Other Expenditures:</i></b>				
Outside agencies	59,900	59,900	57,122	2,778
Veteran services	250	250	-	250
Adult literacy	2,500	2,500	-	2,500
Emergency management	10,000	10,000	4,410	5,590
Mason building improvements	10,000	10,000	10,000	-
Economic development	60,000	60,000	64,625	(4,625)
Contingencies	108,500	108,500	107,045	1,455
Information technology	93,027	93,027	75,663	17,364
US Conference of Mayors	-	3,500	3,489	11
Police negotiations	-	-	53,401	(53,401)
STRESS	5,000	5,000	-	5,000
Litter control	10,000	10,000	-	10,000
Traffic calming plan	10,000	10,000	8,852	1,148
Fire consolidation study	20,000	20,000	12,200	7,800
Franklin Farm	5,000	5,000	-	5,000
Property and liability insurance	402,369	398,869	435,934	(37,065)
Municipal dues	13,476	13,476	13,476	-
	<u>810,022</u>	<u>810,022</u>	<u>846,217</u>	<u>(36,195)</u>
<b><i>Employee Benefits</i></b>	<u>5,933,463</u>	<u>5,933,463</u>	<u>6,054,083</u>	<u>(120,620)</u>
<b><i>Debt Service:</i></b>				
Town debt service	1,319,813	1,319,813	1,143,267	176,546
School debt service	4,583,690	4,583,690	4,991,816	(408,126)
Master lease	255,152	255,152	255,152	-
	<u>6,158,655</u>	<u>6,158,655</u>	<u>6,390,235</u>	<u>(231,580)</u>
<b><i>Capital Outlay and Reserves:</i></b>				
School improvements	1,000,000	-	-	-
Capital improvements	185,000	185,000	187,554	(2,554)
	<u>1,185,000</u>	<u>185,000</u>	<u>187,554</u>	<u>(2,554)</u>
<b><i>Total expenditures</i></b>	<u>28,293,826</u>	<u>27,293,826</u>	<u>27,231,409</u>	<u>62,417</u>
<b><i>Excess of revenues over expenditures before other financing sources and uses</i></b>	<u>36,398,987</u>	<u>37,398,987</u>	<u>38,782,863</u>	<u>1,383,876</u>
<b><i>Other financing sources and uses:</i></b>				
<b><i>Transfers from other funds</i></b>				
Special revenue funds	30,000	30,000	30,000	-
<b><i>Transfers to other funds</i></b>				
School unrestricted fund	(36,202,474)	(37,202,474)	(37,202,474)	-
Special revenue funds	(10,000)	(10,000)	(19,001)	(9,001)
Tucker Field fund	(216,513)	(216,513)	(216,513)	-
<b><i>Total other financing sources and uses</i></b>	<u>(36,398,987)</u>	<u>(37,398,987)</u>	<u>(37,407,988)</u>	<u>(9,001)</u>
<b><i>Net change in fund balance, budgetary basis</i></b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,374,875</u>	<u>\$ 1,374,875</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, 2013**

	<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>
<b>Revenues</b>				
Local Appropriation	\$37,202,474	\$37,202,474	\$37,202,474	\$ -
Lease Proceeds	365,000	365,000	356,412	(8,588)
State Aid	13,834,760	13,834,760	13,786,524	(48,236)
Article 31 Technology	78,442	78,442	-	(78,442)
Medicaid	450,000	450,000	449,187	(813)
Section 125 Co-Pays (1)	1,200,000	1,200,000	-	(1,200,000)
Retiree & COBRA Health, Dental, Life Insurance (2)	100,000	100,000	-	(100,000)
Building/Pool Rentals	100,000	100,000	78,464	(21,536)
Middle School Booster Clubs	30,000	30,000	26,000	(4,000)
Preschool Tuitions/Transportation	105,000	105,000	101,565	(3,435)
Summer School Tuitions	31,000	31,000	35,450	4,450
Miscellaneous	64,351	64,351	40,716	(23,635)
Reimb Food Service Account	30,600	30,600	-	(30,600)
Literacy Reimbursement	125,000	125,000	-	(125,000)
Indirect Cost	-	-	21,663	21,663
Fund Balance Capital	122,300	298,300	-	(298,300)
Fund Balance	1,260,750	1,260,750	1,260,750	-
<b>Total revenues</b>	<u>55,099,677</u>	<u>55,275,677</u>	<u>53,359,205</u>	<u>(1,916,472)</u>
<b>Expenditures</b>				
<b>Ashton</b>				
Salaries Yr Round Employees	208,087	208,087	209,275	(1,188)
Salaries-Certified Teachers	1,483,653	1,483,653	1,492,444	(8,791)
Salaries-Para/Aides	36,397	36,397	26,799	9,598
Services/Postage/Volunteers	7,205	7,205	6,563	642
Maint & Repairs	5,000	5,000	3,308	1,692
Materials & Supplies	43,900	43,900	41,316	2,584
Travel	-	-	1,671	(1,671)
Dues	560	560	575	(15)
Capital	1,215	1,215	4,103	(2,888)
	<u>1,786,017</u>	<u>1,786,017</u>	<u>1,786,054</u>	<u>(37)</u>
<b>Community</b>				
Salaries- Yr Round Employees	273,448	273,448	282,933	(9,485)
Salaries-Certified Teachers	2,981,391	2,981,391	2,978,157	3,234
Salaries-Para/Aides	189,979	189,979	193,345	(3,366)
Services/Postage/Volunteers	9,325	9,325	9,431	(106)
Maint & Repairs	8,000	8,000	5,881	2,119
Materials & Supplies	77,370	77,370	64,729	12,641
Travel	-	-	1,299	(1,299)
Dues	560	560	575	(15)
Capital	17,068	17,068	10,363	6,705
	<u>3,557,141</u>	<u>3,557,141</u>	<u>3,546,713</u>	<u>10,428</u>

(Continued)

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

**TOWN OF CUMBERLAND, RHODE ISLAND**  
*Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)*  
**School Unrestricted Fund**  
*For the Fiscal Year Ended June 30, 2013*

	<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>
<b><u>Cumberland Hill</u></b>				
Salaries- Yr Round Employees	\$ 226,767	\$ 226,767	\$ 221,930	\$ 4,837
Salaries-Certified Teachers	2,122,377	2,122,377	2,079,971	42,406
Salaries-Para/Aides	176,458	176,458	171,960	4,498
Services/Postage/Volunteers	7,134	7,134	7,177	(43)
Maint & Repairs	5,400	5,400	6,442	(1,042)
Materials & Supplies	71,475	71,475	51,709	19,766
Travel	-	-	776	(776)
Dues	560	560	575	(15)
Capital	8,593	8,593	13,909	(5,316)
	<u>2,618,764</u>	<u>2,618,764</u>	<u>2,554,449</u>	<u>64,315</u>
<b><u>Garvin</u></b>				
Salaries- Yr Round Employees	207,087	207,087	216,923	(9,836)
Salaries-Certified Teachers	2,053,589	2,053,589	2,111,458	(57,869)
Salaries-Para/Aides	64,323	64,323	55,555	8,768
Services/Postage/Volunteers	7,078	7,078	7,272	(194)
Maint & Repairs	5,250	5,250	3,401	1,849
Materials & Supplies	59,545	59,545	46,873	12,672
Travel	-	-	1,203	(1,203)
Dues	560	560	575	(15)
Capital	10,886	10,886	10,183	703
	<u>2,408,318</u>	<u>2,408,318</u>	<u>2,453,443</u>	<u>(45,125)</u>
<b><u>BF Norton</u></b>				
Salaries Yr Round Employees	226,642	226,642	220,282	6,360
Salaries-Certified Teachers	2,008,803	2,008,803	2,034,476	(25,673)
Salaries-Para/Aides	215,979	215,979	205,935	10,044
Services/Postage/Volunteers	7,390	7,390	7,584	(194)
Maint & Repairs	4,550	4,550	6,469	(1,919)
Materials & Supplies	62,235	62,235	46,504	15,731
Travel	-	-	928	(928)
Dues	560	560	575	(15)
Capital	7,813	7,813	10,620	(2,807)
	<u>2,533,972</u>	<u>2,533,972</u>	<u>2,533,373</u>	<u>599</u>
<b><u>Pre-School</u></b>				
Salaries- Year Round	62,229	62,229	62,229	-
Salaries-Certified Teachers	331,453	331,453	310,359	21,094
Salaries-Para/Aides	70,303	70,303	71,494	(1,191)
Child Outreach Salaries	18,000	18,000	19,067	(1,067)
Services/Postage	375	375	113	262
Maint & Repairs	500	500	-	500
Materials & Supplies	4,900	4,900	2,134	2,766
Dues	560	560	575	(15)
	<u>488,320</u>	<u>488,320</u>	<u>465,971</u>	<u>22,349</u>

(Continued)

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

**TOWN OF CUMBERLAND, RHODE ISLAND**  
*Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)*  
**School Unrestricted Fund**  
*For the Fiscal Year Ended June 30, 2013*

	<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>
<b><u>McCourt</u></b>				
Salaries- Year Round	\$ 373,050	\$ 373,050	\$ 347,605	\$ 25,445
Salaries-Certified Teachers	2,935,113	2,935,113	2,968,756	(33,643)
Salaries-Para/Aides	173,886	173,886	192,642	(18,756)
Services/Postage	13,496	13,496	8,496	5,000
Maint & Repairs	6,600	6,600	7,574	(974)
Materials & Supplies	56,350	56,350	71,396	(15,046)
Student Travel	3,000	3,000	754	2,246
Dues	1,120	1,120	1,150	(30)
Capital	4,500	4,500	2,933	1,567
	<u>3,567,115</u>	<u>3,567,115</u>	<u>3,601,306</u>	<u>(34,191)</u>
<b><u>NCM School</u></b>				
Salaries- Year Round	380,550	380,550	358,799	21,751
Salaries-Certified Teachers	2,865,025	2,865,025	2,972,684	(107,659)
Salaries-Para/Aides	147,719	147,719	163,619	(15,900)
Services/Postage	11,045	11,045	10,164	881
Maint & Repairs	7,300	7,300	5,265	2,035
Materials & Supplies	56,500	56,500	62,177	(5,677)
Travel	2,800	2,800	600	2,200
Dues	1,120	1,120	1,150	(30)
Capital	4,500	4,500	3,080	1,420
	<u>3,476,559</u>	<u>3,476,559</u>	<u>3,577,538</u>	<u>(100,979)</u>
<b><u>Cumberland High School</u></b>				
Salaries- Yr Round Employees	886,909	886,909	895,046	(8,137)
Salaries-Certified Teachers	7,918,861	7,918,861	7,816,766	102,095
Salaries-Para/Aides	282,957	282,957	387,755	(104,798)
Services/Postage	146,010	146,010	154,094	(8,084)
Maint & Repairs, Rentals	20,900	20,900	34,918	(14,018)
Travel	12,000	12,000	4,213	7,787
Materials & Supplies	108,716	108,716	104,263	4,453
Dues	7,450	7,450	7,249	201
Capital	9,600	9,600	19,593	(9,993)
	<u>9,393,403</u>	<u>9,393,403</u>	<u>9,423,897</u>	<u>(30,494)</u>
<b><u>Summer School (ALL)</u></b>				
Salaries Remedial	31,000	31,000	25,045	5,955
Salaries-Certified ESY	56,000	56,000	50,678	5,322
Salaries-Para ESY	41,000	41,000	37,544	3,456
Services	3,000	3,000	11,389	(8,389)
	<u>131,000</u>	<u>131,000</u>	<u>124,656</u>	<u>6,344</u>
<b><u>Elem Cord/Attrition</u></b>				
Salaries-Certified Cord	158,867	158,867	158,867	-

(Continued)

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

**TOWN OF CUMBERLAND, RHODE ISLAND**  
*Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)*  
**School Unrestricted Fund**  
*For the Fiscal Year Ended June 30, 2013*

	<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>
<b><u>Special Education/Adaptive Phys Ed./Speech, Mercy Mount</u></b>				
Salaries- Year Round	\$ 284,965	\$ 284,965	\$ 292,448	\$ (7,483)
Salaries-Certified Teachers/Tutors	84,621	84,621	104,569	(19,948)
Services & Repairs	690,480	690,480	709,088	(18,608)
Tuitions	1,700,000	1,700,000	1,417,628	282,372
Materials & Supplies	18,500	18,500	13,230	5,270
Travel	18,500	18,500	25,872	(7,372)
Dues	2,200	2,200	1,328	872
Capital	17,000	17,000	15,766	1,234
	<u>2,816,266</u>	<u>2,816,266</u>	<u>2,579,929</u>	<u>236,337</u>
<b><u>Superintendent &amp; School Committee</u></b>				
Salaries	209,275	209,275	211,531	(2,256)
School Committee Stipends	16,200	16,200	16,200	-
Services/Legal	42,250	42,250	166,986	(124,736)
Materials & Supplies	2,500	2,500	1,573	927
Travel	6,000	6,000	9,153	(3,153)
Dues	17,500	17,500	12,579	4,921
Equipment SC	-	-	2,883	(2,883)
	<u>293,725</u>	<u>293,725</u>	<u>420,905</u>	<u>(127,180)</u>
<b><u>Asst Superintendent</u></b>				
Salaries	160,811	160,811	163,561	(2,750)
Services	56,625	56,625	57,203	(578)
Maint & Repairs	500	500	1,612	(1,112)
Travel	2,400	2,400	7,786	(5,386)
Materials & Supplies	34,600	34,600	527	34,073
Dues	1,000	1,000	1,170	(170)
Capital	-	-	1,430	(1,430)
	<u>255,936</u>	<u>255,936</u>	<u>233,289</u>	<u>22,647</u>
<b><u>Human Resources/Legal</u></b>				
Salaries	121,050	121,050	129,931	(8,881)
Services	16,000	16,000	11,993	4,007
Materials & Supplies	925	925	703	222
Travel	100	100	38	62
Dues	200	200	-	200
	<u>138,275</u>	<u>138,275</u>	<u>142,665</u>	<u>(4,390)</u>
<b><u>Technology</u></b>				
Salaries	248,821	248,821	252,240	(3,419)
Services	271,295	271,295	141,585	129,710
Materials & Supplies	9,800	9,800	29,989	(20,189)
Travel	1,500	1,500	6,044	(4,544)
Dues	300	300	250	50
Capital	406,800	406,800	290,107	116,693
	<u>938,516</u>	<u>938,516</u>	<u>720,215</u>	<u>218,301</u>

The notes to 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)*  
**School Unrestricted Fund**  
*For the Fiscal Year Ended June 30, 2013*

	<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>
<b><u>Business Office</u></b>				
Salaries	\$ 301,729	\$ 301,729	\$ 332,714	\$ (30,985)
Services	54,830	54,830	57,395	(2,565)
Lease Payments	69,000	69,000	-	69,000
Postage/Supplies	15,000	15,000	8,753	6,247
Travel	100	100	102	(2)
Dues	450	450	425	25
Capital	-	-	570	(570)
	<u>441,109</u>	<u>441,109</u>	<u>399,959</u>	<u>41,150</u>
<b><u>Facilities</u></b>				
Salaries	241,026	241,026	243,604	(2,578)
Services/Maintenance	967,000	967,000	1,157,046	(190,046)
Utilities	1,080,500	1,080,500	977,300	103,200
Materials & Supplies	35,000	35,000	52,675	(17,675)
Travel	5,000	5,000	2,242	2,758
Dues	750	750	-	750
Capital	301,800	477,800	353,617	124,183
	<u>2,631,076</u>	<u>2,807,076</u>	<u>2,786,484</u>	<u>20,592</u>
<b><u>Athletics &amp; Pool</u></b>				
Salaries Pool	18,648	18,648	4,163	14,485
Salaries - Athletics Director	27,500	27,500	26,480	1,020
Stipends - Coaches	157,200	157,200	165,239	(8,039)
Services /Rentals	52,077	52,077	34,665	17,412
Materials & Supplies	33,300	33,300	25,038	8,262
Transportation	43,080	43,080	74,712	(31,632)
Dues	10,800	10,800	7,636	3,164
	<u>342,605</u>	<u>342,605</u>	<u>337,933</u>	<u>4,672</u>
<b><u>Health Services</u></b>				
Salaries	3,000	3,000	3,000	-
Services	6,200	6,200	6,457	(257)
Materials & Supplies/Travel	1,845	1,845	649	1,196
	<u>11,045</u>	<u>11,045</u>	<u>10,106</u>	<u>939</u>
<b><u>School Safety</u></b>				
Salaries Truant Officer	28,000	28,000	23,368	4,632
Salaries Bus Monitors Thru	175,000	175,000	155,163	19,837
	<u>203,000</u>	<u>203,000</u>	<u>178,531</u>	<u>24,469</u>
<b><u>Transportation/Travel</u></b>				
Services State	525,000	525,000	476,998	48,002
Summer School State & Durham	110,000	110,000	84,973	25,027
Services Durham	1,976,556	1,976,556	2,018,980	(42,424)
	<u>2,611,556</u>	<u>2,611,556</u>	<u>2,580,951</u>	<u>30,605</u>

(Continued)

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



**TOWN OF CUMBERLAND, RHODE ISLAND**  
*Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)*  
**School Unrestricted Fund**  
For the Fiscal Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>Advertising</u></b>				
Services	15,000	15,000	16,637	(1,637)
<b><u>Other Tuitions - Charter Schools</u></b>				
Services	1,543,800	1,543,800	1,669,550	(125,750)
<b><u>Area Voc Tuitions &amp; Met School</u></b>				
Services	400,000	400,000	360,908	39,092
<b><u>Non-Public School Textbooks</u></b>				
Materials & Supplies	20,000	20,000	10,362	9,638
<b><u>Benefits</u></b>				
CTA 3% All Employee Severance	123,047	123,047	-	123,047
Tuitions/Travel	23,000	23,000	7,372	15,628
ICSE Longevity	68,000	68,000	-	68,000
Healthcare Buyback	338,800	338,800	316,501	22,299
Health Insurance Admin & Claims (1)	5,604,073	5,604,073	3,608,010	1,996,063
Dental (2)	565,100	565,100	447,089	118,011
Social Security	339,865	339,865	298,219	41,646
Medicare	447,528	447,528	432,311	15,217
Life Insurance	172,000	172,000	190,079	(18,079)
Workers Compensation	107,500	107,500	100,873	6,627
Unemployment Compensation	125,000	125,000	111,923	13,077
Survivors Benefits	40,000	40,000	37,711	2,289
Certified Retirement	3,814,911	3,814,911	3,729,483	85,428
Non-Certified Retirement	549,468	549,468	509,164	40,304
	<u>12,318,292</u>	<u>12,318,292</u>	<u>9,788,735</u>	<u>2,529,557</u>
<b>Total expenditures</b>	<u>55,099,677</u>	<u>55,275,677</u>	<u>52,463,426</u>	<u>2,812,251</u>
<b>Net change in fund balance, budgetary basis</b>	<u>\$ -</u>	<u>\$ -</u>	895,779	<u>\$ 895,779</u>
<b>Adjustment of budgetary basis to GAAP basis:</b>				
<b>Use of fund balance</b>			<u>(1,260,750)</u>	
<b>Net change in fund balance, GAAP basis</b>			(364,971)	
<b>Fund balance - beginning of year</b>			<u>3,547,950</u>	
<b>Fund balance - end of year</b>			<u>\$ 3,182,979</u>	

**Footnotes 1 & 2**

Employee and Retiree co-payments are offset against Healthcare and Dental costs which result in an apparent positive variance for these two expenditures line items. This results in a revenue shortfall for these two revenue line items on page 65. This presentation is required under generally accepted accounting principles and the UCOA reporting requirements.

*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, 2013*

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Other local and departmental revenue	\$ 906,433	\$ 906,433	\$ 844,826	\$ (61,607)
<b>Total revenues</b>	<u>906,433</u>	<u>906,433</u>	<u>844,826</u>	<u>(61,607)</u>
<b>Expenditures</b>				
Public works	197,621	197,621	212,473	(14,852)
Debt service	678,812	678,812	541,398	137,414
<b>Total expenditures</b>	<u>876,433</u>	<u>876,433</u>	<u>753,871</u>	<u>122,562</u>
<b>Excess of revenues over expenditures before other financing uses</b>	<u>30,000</u>	<u>30,000</u>	<u>90,955</u>	<u>60,955</u>
<b>Other financing uses</b>				
Transfers to other funds	(30,000)	(30,000)	(30,000)	-
<b>Total other financing uses</b>	<u>(30,000)</u>	<u>(30,000)</u>	<u>(30,000)</u>	<u>-</u>
<b>Net change in fund balance, budgetary basis</b>	<u>\$ -</u>	<u>\$ -</u>	60,955	<u>\$ 60,955</u>
<b>Fund balance (deficit), beginning of year</b>			<u>(1,639,040)</u>	
<b>Fund balance (deficit), end of year</b>			<u><u>\$(1,578,085)</u></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*  
 "Unaudited"

**NOTE 1 - SCHEDULE OF FUNDING PROGRESS**

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

	<u><i>General Municipal Employees Pension Plan</i></u>	<u><i>Municipal Rescue Pension Plan</i></u>
Valuation date	6/30/2012	6/30/2012
Actuarial cost method	Entry Age	Entry Age
Amortization method	Level percent of payroll over a closed period	Level percent of payroll over a closed period
Average amortization period	25 years from June 30, 2010 or 23 years remaining as of the valuation date	25 years from June 30, 2010 or 23 years remaining as of the valuation date
Asset valuation method	Market value of assets with a five year phase in of actual investment return in excess of (less than) expected investment income	Market value of assets with a five year phase in of actual investment return in excess of (less than) expected investment income
Actuarial assumptions:		
Investment rate of return	7.5%, compounded annually, composed of an assumed 2.75% inflation rate and a 4.75% net real rate of return	7.5%, compounded annually, composed of an assumed 2.75% inflation rate and a 4.75% net real rate of return
Projected salary increases	A 4% wage inflation assumption (composed of a 2.75% price inflation assumption and a 1.25% additional general increase) plus a service related component	A 4.25% wage inflation assumption (composed of a 2.75% price inflation assumption and a 1.5% additional general increase) plus a service related component
Cost-of-living adjustments	Assumed to be 2% per annum for all units. The actual COLA will be determined based on the Plan's five-year average investment rate minus 5.5% and will range from zero to 4%.	Assumed to be 2% per annum for all units. The actual COLA will be determined based on the Plan's five-year average investment rate minus 5.5% and will range from zero to 4%.
Participant information	Active employees 237 Retirees and beneficiaries <u>162</u> <u>399</u>	Active employees 18 Retirees and beneficiaries <u>5</u> <u>23</u>

*(Continued)*

**TOWN OF CUMBERLAND, RHODE ISLAND**  
*Notes to Required Supplementary Information (Continued)*  
 "Unaudited"

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

	<u>Town Police Pension</u>		<u>Other Post Employment Benefit Plan</u>	
Valuation date	7/1/2012		7/1/2012	
Actuarial cost method	Entry Age Normal		Projected Unit Credit	
Amortization method	Level percent of payroll over a closed period		Level percent of payroll over an closed period	
Average amortization period	20 years		30 years	
Asset valuation method	Fair market value of assets on the valuation date adjusted for a 5 year phase in of gains and losses on fair market value of assets.		Not applicable - the plan has no assets	
Actuarial assumptions:				
Investment rate of return	7.5%, per annum		Not applicable	
Discount rate	Not applicable		7.5%	
Projected salary increases	3.5% compounded annually		4.5% per year	
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	44
	Retirees and beneficiaries	64	Retirees and beneficiaries	61
	Terminated vested	<u>1</u>		<u>105</u>
		<u>110</u>		

**TOWN OF CUMBERLAND, RHODE ISLAND**  
**Notes to Required Supplementary Information**  
**June 30, 2013**

**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 budgetary basis that differs from generally accepted accounting principles (GAAP). The budget to actual presentations in the financial statements are reflected on the appropriate basis of accounting. A reconciliation between the budgetary basis and GAAP basis of accounting is presented below.

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 2013 appropriations:

<u><i>Department</i></u>	<u><i>Fund or Fund Type</i></u>	<u><i>Expenditures in Excess of Budget</i></u>
Police Negotiations	General	\$53,401
Planning	General	1,545
Zoning	General	4,844
Rescue Service	General	44,045
Property Liability Insurance	General	37,065
Animal Control	General	10,603
Public Works	General	35,000
Town Hall	General	5,022
Economic Development	General	4,625
School Debt Service	General	408,126
Capital Improvements	General	2,554
Employee Benefits	General	120,620
Public Works	Sewer	14,852

**TOWN OF CUMBERLAND, RHODE ISLAND**  
**Notes to Required Supplementary Information**  
**June 30, 2013**

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

	<u>General Fund</u>	<u>School Unrestricted Fund</u>	<u>Sewer Fund</u>
<b><u>Revenues</u></b>			
Actual amounts (budgetary basis)	\$66,014,272	\$15,800,319	\$844,826
Differences – budget to GAAP:			
Prior year budgeted surplus is a budgetary revenue, but is not current year revenue for financial reporting purposes.	-	(1,260,750)	-
Unbudgeted revenues are not reported as budgetary revenues, but are current year revenues for financial reporting purposes.	334,449	-	-
The pension contributions made to the Employees’ Retirement System by the State on behalf of the Town of Cumberland are not reported as a budgetary revenue, but are current year revenues for financial reporting purposes.	-	2,173,990	-
	<u>-\$66,348,721</u>	<u>\$16,713,559</u>	<u>\$844,826</u>
<b><i>Total revenues as reported on the statement of revenues, expenditures and changes in fund balances – governmental funds</i></b>			
<b><u>Expenditures</u></b>			
Actual amounts (budgetary basis)	\$27,231,409	\$52,463,426	\$753,871
Differences – budget to GAAP:			
Unbudgeted expenditures are not reported as budgetary expenditures, but are current year expenditures for financial reporting purposes.	655,804	-	-
The pension contributions made to the Employees’ Retirement System by the State on behalf of the Town of Cumberland are not reported as budgetary expenditures, but are current year expenditures for financial reporting purposes.	-	2,173,990	-
Capital assets acquired by a capital lease are not reported as budgetary expenditures, but are current year expenditures for financial reporting purposes.	-	260,088	-
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 the supplies or equipment are received for financial reporting purposes.	(137,979)	-	-
	<u>\$27,749,234</u>	<u>\$54,897,504</u>	<u>\$753,871</u>
<b><i>Total expenditures as reported in the statement of revenues, expenditures and changes in fund balances – governmental funds</i></b>			

**TOWN OF CUMBERLAND, RHODE ISLAND**

*Combining Balance Sheet*

*Nonmajor Governmental Funds*

*June 30, 2013*

	<i>Special Revenue Funds</i>						
	<i>School Restricted Fund</i>	<i>School Lunch Fund</i>	<i>Sewer Ferncrest &amp; Willow</i>	<i>Animal Control</i>	<i>DARE</i>	<i>Police Grants</i>	<i>Emergency Management Performance</i>
<b>ASSETS</b>							
Cash	\$ 64,784	\$ 883,728	\$ -	\$ 10,154	\$ 3,204	\$ 27,335	\$ -
Due from federal and state governments	846,334	88,407	-	-	-	3,856	-
Due from other funds	307,770	121,584	-	-	195	2,552	1,294
Sewer assessments receivable	-	-	328,973	-	-	-	-
Other receivables	-	10,417	-	-	-	-	-
<b>Total assets</b>	<b>\$ 1,218,888</b>	<b>\$ 1,104,136</b>	<b>\$ 328,973</b>	<b>\$ 10,154</b>	<b>\$ 3,399</b>	<b>\$ 33,743</b>	<b>\$ 1,294</b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities</b>							
Accounts payable and accrued expenditures	\$ 34,240	\$ 363,250	\$ -	\$ -	\$ -	\$ 2,166	\$ -
Due to other funds	843,028	553,170	-	-	-	-	-
Advances from other funds	-	-	105,679	-	-	-	-
Deferred revenue	-	-	328,973	-	-	-	-
<b>Total liabilities</b>	<b>877,268</b>	<b>916,420</b>	<b>434,652</b>	<b>-</b>	<b>-</b>	<b>2,166</b>	<b>-</b>
<b>Fund balances (deficits)</b>							
Restricted for:							
Education programs	341,620	187,716	-	-	-	-	-
Public safety programs	-	-	-	10,154	-	31,577	1,294
Historical records preservation	-	-	-	-	-	-	-
Community service programs	-	-	-	-	3,399	-	-
Capital projects	-	-	-	-	-	-	-
Other programs	-	-	-	-	-	-	-
Committed for:							
Public facilities	-	-	-	-	-	-	-
Assigned to:							
Capital projects	-	-	-	-	-	-	-
Unassigned	-	-	(105,679)	-	-	-	-
<b>Total fund balances (deficits)</b>	<b>341,620</b>	<b>187,716</b>	<b>(105,679)</b>	<b>10,154</b>	<b>3,399</b>	<b>31,577</b>	<b>1,294</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,218,888</b>	<b>\$ 1,104,136</b>	<b>\$ 328,973</b>	<b>\$ 10,154</b>	<b>\$ 3,399</b>	<b>\$ 33,743</b>	<b>\$ 1,294</b>

*(Continued)*

**TOWN OF CUMBERLAND, RHODE ISLAND**  
**Combining Balance Sheet (Continued)**  
**Nonmajor Governmental Funds**  
**June 30, 2013**

	<b>Special Revenue Funds</b>						
	<b>Police Forfeiture</b>	<b>Byrne/ JAG 2007/2008</b>	<b>Revaluation Fund</b>	<b>Heritage Park DEM Grant</b>	<b>Manville Hill Landing</b>	<b>Revolving Loan</b>	<b>Impact Fees</b>
<b>ASSETS</b>							
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 271	\$ 177,545
Due from federal and state governments	-	-	-	18,226	65,470	-	-
Due from other funds	20,566	1,868	-	-	-	49,776	419,326
Sewer assessments receivable	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 20,566</b>	<b>\$ 1,868</b>	<b>\$ -</b>	<b>\$ 18,226</b>	<b>\$ 65,470</b>	<b>\$ 50,047</b>	<b>\$ 596,871</b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities</b>							
Accounts payable and accrued expenditures	\$ -	\$ -	\$ -	\$ -	\$ 65,470	\$ -	\$ -
Due to other funds	-	-	-	18,226	-	-	-
Advances from other funds	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,226</b>	<b>65,470</b>	<b>-</b>	<b>-</b>
<b>Fund balances (deficits)</b>							
Restricted for:							
Education programs	-	-	-	-	-	-	-
Public safety programs	20,566	1,868	-	-	-	-	-
Historical records preservation	-	-	-	-	-	-	-
Community service programs	-	-	-	-	-	50,047	-
Capital projects	-	-	-	-	-	-	-
Other programs	-	-	-	-	-	-	-
Committed for:							
Public facilities	-	-	-	-	-	-	596,871
Assigned to:							
Capital projects	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
<b>Total fund balances (deficits)</b>	<b>20,566</b>	<b>1,868</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50,047</b>	<b>596,871</b>
<b>Total liabilities and fund balances</b>	<b>\$ 20,566</b>	<b>\$ 1,868</b>	<b>\$ -</b>	<b>\$ 18,226</b>	<b>\$ 65,470</b>	<b>\$ 50,047</b>	<b>\$ 596,871</b>

(Continued)



**TOWN OF CUMBERLAND, RHODE ISLAND**

*Combining Balance Sheet (Continued)*

*Nonmajor Governmental Funds*

*June 30, 2013*

	<i>Special Revenue Funds</i>						
	<i>CDBG Wildwood</i>	<i>Community Development Block Grant</i>	<i>Library Legislative Grant</i>	<i>Rescue Fund</i>	<i>Substance Abuse Prevention</i>	<i>Animal Husbandry</i>	<i>Kennedy Cop Grant</i>
<b>ASSETS</b>							
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from federal and state governments	605	60,222	-	-	2,715	-	1,339
Due from other funds	-	81,446	696	48	3,728	7,447	1
Sewer assessments receivable	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 605</b>	<b>\$ 141,668</b>	<b>\$ 696</b>	<b>\$ 48</b>	<b>\$ 6,443</b>	<b>\$ 7,447</b>	<b>\$ 1,340</b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities</b>							
Accounts payable and accrued expenditures	\$ -	\$ -	\$ 696	\$ -	\$ -	\$ -	\$ 1,340
Due to other funds	605	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>605</b>	<b>-</b>	<b>696</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,340</b>
<b>Fund balances (deficits)</b>							
Restricted for:							
Education programs	-	-	-	-	-	-	-
Public safety programs	-	-	-	48	-	-	-
Historical records preservation	-	-	-	-	-	-	-
Community service programs	-	141,668	-	-	6,443	-	-
Capital projects	-	-	-	-	-	-	-
Other programs	-	-	-	-	-	7,447	-
Committed for:							
Public facilities	-	-	-	-	-	-	-
Assigned to:							
Capital projects	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
<b>Total fund balances (deficits)</b>	<b>-</b>	<b>141,668</b>	<b>-</b>	<b>48</b>	<b>6,443</b>	<b>7,447</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ 605</b>	<b>\$ 141,668</b>	<b>\$ 696</b>	<b>\$ 48</b>	<b>\$ 6,443</b>	<b>\$ 7,447</b>	<b>\$ 1,340</b>

*(Continued)*

**TOWN OF CUMBERLAND, RHODE ISLAND**  
**Combining Balance Sheet (Continued)**  
**Nonmajor Governmental Funds**  
**June 30, 2013**

	<i>Special Revenue Funds</i>					<i>EECBG Energy Grant</i>
	<i>DPH Homeland Security</i>	<i>RIPTIDE DUI</i>	<i>RIPTIDE Speed</i>	<i>E-Citation</i>	<i>Active Shooter</i>	
<b>ASSETS</b>						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from federal and state governments	1,500	164	164	-	-	24,843
Due from other funds	34,466	-	-	-	-	-
Sewer assessments receivable	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 35,966</b>	<b>\$ 164</b>	<b>\$ 164</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 24,843</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts payable and accrued expenditures	\$ -	\$ -	\$ 164	\$ -	\$ -	\$ -
Due to other funds	-	164	-	-	-	24,843
Advances from other funds	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>164</b>	<b>164</b>	<b>-</b>	<b>-</b>	<b>24,843</b>
<b>Fund balances (deficits)</b>						
Restricted for:						
Education programs	-	-	-	-	-	-
Public safety programs	35,966	-	-	-	-	-
Historical records preservation	-	-	-	-	-	-
Community service programs	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-
Other programs	-	-	-	-	-	-
Committed for:						
Public facilities	-	-	-	-	-	-
Assigned to:						
Capital projects	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
<b>Total fund balances (deficits)</b>	<b>35,966</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ 35,966</b>	<b>\$ 164</b>	<b>\$ 164</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 24,843</b>

(Continued)

**TOWN OF CUMBERLAND, RHODE ISLAND**  
**Combining Balance Sheet (Continued)**  
**Nonmajor Governmental Funds**  
**June 30, 2013**

	<i>Special Revenue Funds</i>				
	<i>2009 JAG ARRA</i>	<i>2010 JAG</i>	<i>Child Passenger Safety</i>	<i>Click it or Ticket</i>	<i>Town Clerk Special</i>
<b>ASSETS</b>					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Due from federal and state governments	12,272	-	327	-	-
Due from other funds	-	-	56	-	168,318
Sewer assessments receivable	-	-	-	-	-
Other receivables	-	-	-	-	-
<b>Total assets</b>	<b>\$ 12,272</b>	<b>\$ -</b>	<b>\$ 383</b>	<b>\$ -</b>	<b>\$ 168,318</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable and accrued expenditures	\$ -	\$ -	\$ 327	\$ -	\$ -
Due to other funds	12,272	-	-	-	-
Advances from other funds	-	-	-	-	-
Deferred revenue	-	-	-	-	-
<b>Total liabilities</b>	<b>12,272</b>	<b>-</b>	<b>327</b>	<b>-</b>	<b>-</b>
<b>Fund balances (deficits)</b>					
Restricted for:					
Education programs	-	-	-	-	-
Public safety programs	-	-	56	-	-
Historical records preservation	-	-	-	-	168,318
Community service programs	-	-	-	-	-
Capital projects	-	-	-	-	-
Other programs	-	-	-	-	-
Committed for:					
Public facilities	-	-	-	-	-
Assigned to:					
Capital projects	-	-	-	-	-
Unassigned	-	-	-	-	-
<b>Total fund balances (deficits)</b>	<b>-</b>	<b>-</b>	<b>56</b>	<b>-</b>	<b>168,318</b>
<b>Total liabilities and fund balances</b>	<b>\$ 12,272</b>	<b>\$ -</b>	<b>\$ 383</b>	<b>\$ -</b>	<b>\$ 168,318</b>

(Continued)

**TOWN OF CUMBERLAND, RHODE ISLAND**  
**Combining Balance Sheet (Continued)**  
**Nonmajor Governmental Funds**  
**June 30, 2013**

	<u>Special Revenue Funds</u>				<u>Total Special Revenue Funds</u>
	<u>Bullet Proof Vest</u>	<u>Santa Hat Fund</u>	<u>Recreation Small Grant</u>	<u>Historical</u>	
<b>ASSETS</b>					
Cash	\$ -	\$ -	\$ -	\$ -	\$ 1,167,021
Due from federal and state governments	3,237	-	15,343	-	1,145,024
Due from other funds	-	-	-	43,724	1,264,861
Sewer assessments receivable	-	-	-	-	328,973
Other receivables	-	-	-	-	10,417
<b>Total assets</b>	<u>\$ 3,237</u>	<u>\$ -</u>	<u>\$ 15,343</u>	<u>\$ 43,724</u>	<u>\$ 3,916,296</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable and accrued expenditures	\$ 1,856	\$ -	\$ 11,701	\$ -	\$ 481,210
Due to other funds	1,381	-	3,642	-	1,457,331
Advances from other funds	-	-	-	-	105,679
Deferred revenue	-	-	-	-	328,973
<b>Total liabilities</b>	<u>3,237</u>	<u>-</u>	<u>15,343</u>	<u>-</u>	<u>2,373,193</u>
<b>Fund balances (deficits)</b>					
Restricted for:					
Education programs	-	-	-	-	529,336
Public safety programs	-	-	-	-	101,529
Historical records preservation	-	-	-	43,724	212,042
Community service programs	-	-	-	-	201,557
Capital projects	-	-	-	-	-
Other programs	-	-	-	-	7,447
Committed for:					
Public facilities	-	-	-	-	596,871
Assigned to:					
Capital projects	-	-	-	-	-
Unassigned	-	-	-	-	(105,679)
<b>Total fund balances (deficits)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,724</u>	<u>1,543,103</u>
<b>Total liabilities and fund balances</b>	<u>\$ 3,237</u>	<u>\$ -</u>	<u>\$ 15,343</u>	<u>\$ 43,724</u>	<u>\$ 3,916,296</u>

(Continued)

**TOWN OF CUMBERLAND, RHODE ISLAND**

*Combining Balance Sheet (Continued)*

*Nonmajor Governmental Funds*

*June 30, 2013*

	<i>Capital Project Funds</i>						<i>Total Capital Project Funds</i>	<i>Total All Nonmajor Governmental Funds</i>
	<i>Capital Lease Fund</i>	<i>Open Space</i>	<i>Tucker Field Phase II</i>	<i>Capital Reserve Library</i>	<i>Highway Improvement Bond</i>	<i>Drainage</i>		
<b>ASSETS</b>								
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 815,871	\$ 815,871	\$ 1,982,892
Due from federal and state governments	-	-	282,665	-	-	-	282,665	1,427,689
Due from other funds	30,464	-	-	30,000	-	-	60,464	1,325,325
Sewer assessments receivable	-	-	-	-	-	-	-	328,973
Other receivables	-	-	-	-	-	-	-	10,417
<b>Total assets</b>	<u>\$ 30,464</u>	<u>\$ -</u>	<u>\$ 282,665</u>	<u>\$ 30,000</u>	<u>\$ -</u>	<u>\$ 815,871</u>	<u>\$ 1,159,000</u>	<u>\$ 5,075,296</u>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>Liabilities</b>								
Accounts payable and accrued expenditures	\$ -	\$ -	\$ 40,225	\$ -	\$ -	\$ 154,437	\$ 194,662	\$ 675,872
Due to other funds	-	-	1,685	-	-	410,837	412,522	1,869,853
Advances from other funds	-	843,042	-	-	-	-	843,042	948,721
Deferred revenue	-	-	-	-	-	-	-	328,973
<b>Total liabilities</b>	<u>-</u>	<u>843,042</u>	<u>41,910</u>	<u>-</u>	<u>-</u>	<u>565,274</u>	<u>1,450,226</u>	<u>3,823,419</u>
<b>Fund balances (deficits)</b>								
Restricted for:								
Education programs	-	-	-	-	-	-	-	529,336
Public safety programs	-	-	-	-	-	-	-	101,529
Historical records preservation	-	-	-	-	-	-	-	212,042
Community service programs	-	-	-	-	-	-	-	201,557
Capital projects	30,464	-	-	-	-	250,597	281,061	281,061
Other programs	-	-	-	-	-	-	-	7,447
Committed for:								
Public facilities	-	-	-	-	-	-	-	596,871
Assigned to:								
Capital projects	-	-	240,755	30,000	-	-	270,755	270,755
Unassigned	-	(843,042)	-	-	-	-	(843,042)	(948,721)
<b>Total fund balances (deficits)</b>	<u>30,464</u>	<u>(843,042)</u>	<u>240,755</u>	<u>30,000</u>	<u>-</u>	<u>250,597</u>	<u>(291,226)</u>	<u>1,251,877</u>
<b>Total liabilities and fund balances</b>	<u>\$ 30,464</u>	<u>\$ -</u>	<u>\$ 282,665</u>	<u>\$ 30,000</u>	<u>\$ -</u>	<u>\$ 815,871</u>	<u>\$ 1,159,000</u>	<u>\$ 5,075,296</u>

**TOWN OF CUMBERLAND, RHODE ISLAND**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Fiscal Year Ended June 30, 2013**

	<b>Special Revenue Funds</b>						
	<b>School Restricted Fund</b>	<b>School Lunch Fund</b>	<b>Sewer Ferncrest &amp; Willow</b>	<b>Animal Control</b>	<b>DARE</b>	<b>Police Grants</b>	<b>Emergency Management Performance</b>
<b>Revenues</b>							
Investment and interest income	\$ -	\$ -	\$ -	\$ 2	\$ 1	\$ -	\$ -
Other local and departmental revenue	-	711,157	21,676	-	-	-	-
Federal and State aid and grants	2,255,472	992,784	-	-	-	4,634	-
Other revenue	47,564	-	-	-	25	87	-
<b>Total revenues</b>	<b>2,303,036</b>	<b>1,703,941</b>	<b>21,676</b>	<b>2</b>	<b>26</b>	<b>4,721</b>	<b>-</b>
<b>Expenditures</b>							
Current:							
General government	-	-	-	-	-	-	-
Community development	-	-	-	-	-	-	-
Public safety	-	-	-	300	-	6,331	-
Public works	-	-	17,850	-	-	-	-
Social services	-	-	-	-	2,153	-	-
Education	2,428,891	-	-	-	-	-	-
Cafeteria	-	1,725,857	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>2,428,891</b>	<b>1,725,857</b>	<b>17,850</b>	<b>300</b>	<b>2,153</b>	<b>6,331</b>	<b>-</b>
<b>Excess (deficiency) of revenues over (under) expenditures before other financing sources</b>	<b>(125,855)</b>	<b>(21,916)</b>	<b>3,826</b>	<b>(298)</b>	<b>(2,127)</b>	<b>(1,610)</b>	<b>-</b>
<b>Other financing sources</b>							
Transfers from other funds	-	-	-	-	-	-	-
<b>Total other financing sources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(125,855)</b>	<b>(21,916)</b>	<b>3,826</b>	<b>(298)</b>	<b>(2,127)</b>	<b>(1,610)</b>	<b>-</b>
<b>Fund balances (deficits) - beginning of year</b>	<b>467,475</b>	<b>209,632</b>	<b>(109,505)</b>	<b>10,452</b>	<b>5,526</b>	<b>33,187</b>	<b>1,294</b>
<b>Fund balances (deficits), end of year</b>	<b>\$ 341,620</b>	<b>\$ 187,716</b>	<b>\$ (105,679)</b>	<b>\$ 10,154</b>	<b>\$ 3,399</b>	<b>\$ 31,577</b>	<b>\$ 1,294</b>

(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, 2013*

	<i>Special Revenue Funds</i>						
	<i>Police Forfeiture</i>	<i>Byrne/ JAG 2007/2008</i>	<i>Revaluation Fund</i>	<i>Heritage Park DEM Grant</i>	<i>Manville Hill Landing</i>	<i>Revolving Loan</i>	<i>Impact Fees</i>
<b>Revenues</b>							
Investment and interest income	\$ -	\$ -	\$ 2	\$ -	\$ -	\$ -	\$ -
Other local and departmental revenue	-	-	-	-	-	-	146,899
Federal and State aid and grants	1,780	-	-	18,226	40,280	-	-
Other revenue	-	-	-	-	-	-	-
<b>Total revenues</b>	<u>1,780</u>	<u>-</u>	<u>2</u>	<u>18,226</u>	<u>40,280</u>	<u>-</u>	<u>146,899</u>
<b>Expenditures</b>							
Current:							
General government	-	-	-	-	40,280	-	-
Community development	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Public works	-	-	-	18,226	-	-	-
Social services	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-
Cafeteria	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,226</u>	<u>40,280</u>	<u>-</u>	<u>-</u>
<b>Excess (deficiency) of revenues over (under) expenditures before other financing sources</b>	<u>1,780</u>	<u>-</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>146,899</u>
<b>Other financing sources</b>							
Transfers from other funds	-	-	7	-	-	-	-
<b>Total other financing sources</b>	<u>-</u>	<u>-</u>	<u>7</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	1,780	-	9	-	-	-	146,899
<b>Fund balances (deficits) - beginning of year</b>	<u>18,786</u>	<u>1,868</u>	<u>(9)</u>	<u>-</u>	<u>-</u>	<u>50,047</u>	<u>449,972</u>
<b>Fund balances (deficits), end of year</b>	<u>\$ 20,566</u>	<u>\$ 1,868</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,047</u>	<u>\$ 596,871</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, 2013*

	<i>Special Revenue Funds</i>						
	<i>CDBG Wildwood</i>	<i>Community Development Block Grant</i>	<i>Library Legislative Grant</i>	<i>Rescue Fund</i>	<i>Substance Abuse Prevention</i>	<i>Animal Husbandry</i>	<i>Kennedy Cop Grant</i>
<b>Revenues</b>							
Investment and interest income	\$ -	\$ -	\$ -	\$ 18	\$ -	\$ -	\$ -
Other local and departmental revenue	-	-	-	-	-	641	-
Federal and State aid and grants	605	194,237	2,000	-	32,581	-	47,210
Other revenue	-	-	-	-	-	-	-
<b>Total revenues</b>	<u>605</u>	<u>194,237</u>	<u>2,000</u>	<u>18</u>	<u>32,581</u>	<u>641</u>	<u>47,210</u>
<b>Expenditures</b>							
Current:							
General government	-	-	-	-	-	-	-
Community development	605	86,839	-	-	-	-	-
Public safety	-	-	-	-	-	-	47,210
Public works	-	-	-	-	-	-	-
Social services	-	-	2,000	-	30,721	-	-
Education	-	-	-	-	-	-	-
Cafeteria	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
<b>Total expenditures</b>	<u>605</u>	<u>86,839</u>	<u>2,000</u>	<u>-</u>	<u>30,721</u>	<u>-</u>	<u>47,210</u>
<b>Excess (deficiency) of revenues over (under) expenditures before other financing sources</b>	<u>-</u>	<u>107,398</u>	<u>-</u>	<u>18</u>	<u>1,860</u>	<u>641</u>	<u>-</u>
<b>Other financing sources</b>							
Transfers from other funds	-	-	-	-	-	-	-
<b>Total other financing sources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	<u>-</u>	<u>107,398</u>	<u>-</u>	<u>18</u>	<u>1,860</u>	<u>641</u>	<u>-</u>
<b>Fund balances (deficits) - beginning of year</b>	<u>-</u>	<u>34,270</u>	<u>-</u>	<u>30</u>	<u>4,583</u>	<u>6,806</u>	<u>-</u>
<b>Fund balances (deficits), end of year</b>	<u>\$ -</u>	<u>\$ 141,668</u>	<u>\$ -</u>	<u>\$ 48</u>	<u>\$ 6,443</u>	<u>\$ 7,447</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, 2013**

	<i>Special Revenue Funds</i>					<i>EECBG Energy Grant</i>
	<i>DPH Homeland Security</i>	<i>RIPTIDE DUI</i>	<i>RIPTIDE Speed</i>	<i>E-Citation</i>	<i>Active Shooter</i>	
<b>Revenues</b>						
Investment and interest income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other local and departmental revenue	-	-	-	-	-	-
Federal and State aid and grants	3,500	6,463	4,254	49,107	5,410	85,230
Other revenue	-	-	-	-	-	-
<b>Total revenues</b>	<u>3,500</u>	<u>6,463</u>	<u>4,254</u>	<u>49,107</u>	<u>5,410</u>	<u>85,230</u>
<b>Expenditures</b>						
Current:						
General government	-	-	-	-	-	10,395
Community development	-	-	-	-	-	-
Public safety	2,214	6,463	4,254	49,107	5,410	-
Public works	-	-	-	-	-	-
Social services	-	-	-	-	-	74,835
Education	-	-	-	-	-	-
Cafeteria	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
<b>Total expenditures</b>	<u>2,214</u>	<u>6,463</u>	<u>4,254</u>	<u>49,107</u>	<u>5,410</u>	<u>85,230</u>
<b>Excess (deficiency) of revenues over (under) expenditures before other financing sources</b>	<u>1,286</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other financing sources</b>						
Transfers from other funds	-	-	-	-	-	-
<b>Total other financing sources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	1,286	-	-	-	-	-
<b>Fund balances (deficits) - beginning of year</b>	<u>34,680</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances (deficits), end of year</b>	<u>\$ 35,966</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

**TOWN OF CUMBERLAND, RHODE ISLAND**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)**  
**Nonmajor Governmental Funds**  
**For the Fiscal Year Ended June 30, 2013**

	<b>Special Revenue Funds</b>				
	<b>2009 JAG ARRA</b>	<b>2010 JAG</b>	<b>Child Passenger Safety</b>	<b>Click it or Ticket</b>	<b>Town Clerk Special</b>
<b>Revenues</b>					
Investment and interest income	\$ -	\$ -	\$ -	\$ -	\$ -
Other local and departmental revenue	-	-	-	-	40,709
Federal and State aid and grants	25,209	2,265	3,367	7,036	-
Other revenue	-	-	-	-	-
<b>Total revenues</b>	<b>25,209</b>	<b>2,265</b>	<b>3,367</b>	<b>7,036</b>	<b>40,709</b>
<b>Expenditures</b>					
Current:					
General government	-	-	-	-	13,490
Community development	-	-	-	-	-
Public safety	25,209	2,265	3,367	7,036	-
Public works	-	-	-	-	-
Social services	-	-	-	-	-
Education	-	-	-	-	-
Cafeteria	-	-	-	-	-
Debt service	-	-	-	-	-
<b>Total expenditures</b>	<b>25,209</b>	<b>2,265</b>	<b>3,367</b>	<b>7,036</b>	<b>13,490</b>
<b>Excess (deficiency) of revenues over (under) expenditures before other financing sources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27,219</b>
<b>Other financing sources</b>					
Transfers from other funds	-	-	-	-	-
<b>Total other financing sources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27,219</b>
<b>Fund balances (deficits) - beginning of year</b>	<b>-</b>	<b>-</b>	<b>56</b>	<b>-</b>	<b>141,099</b>
<b>Fund balances (deficits), end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 56</b>	<b>\$ -</b>	<b>\$ 168,318</b>

(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, 2013*

	<i>Special Revenue Funds</i>				<i>Total Special Revenue Funds</i>
	<i>Bullet Proof Vest</i>	<i>Santa Hat Fund</i>	<i>Recreation Small Grant</i>	<i>Historical</i>	
<b>Revenues</b>					
Investment and interest income	\$ -	\$ -	\$ -	\$ -	\$ 23
Other local and departmental revenue	-	-	-	6,929	928,011
Federal and State aid and grants	3,432	-	15,343	-	3,800,425
Other revenue	-	-	-	-	47,676
<b>Total revenues</b>	<u>3,432</u>	<u>-</u>	<u>15,343</u>	<u>6,929</u>	<u>4,776,135</u>
<b>Expenditures</b>					
Current:					
General government	-	-	-	-	64,165
Community development	-	-	-	-	87,444
Public safety	7,083	-	-	-	166,249
Public works	-	-	30,686	-	66,762
Social services	-	1,327	-	-	111,036
Education	-	-	-	-	2,428,891
Cafeteria	-	-	-	-	1,725,857
Debt service	-	-	-	-	-
<b>Total expenditures</b>	<u>7,083</u>	<u>1,327</u>	<u>30,686</u>	<u>-</u>	<u>4,650,404</u>
<b>Excess (deficiency) of revenues over (under) expenditures before other financing sources</b>	<u>(3,651)</u>	<u>(1,327)</u>	<u>(15,343)</u>	<u>6,929</u>	<u>125,731</u>
<b>Other financing sources</b>					
Transfers from other funds	3,651	-	15,343	-	19,001
<b>Total other financing sources</b>	<u>3,651</u>	<u>-</u>	<u>15,343</u>	<u>-</u>	<u>19,001</u>
<b>Net change in fund balances</b>	-	(1,327)	-	6,929	144,732
<b>Fund balances (deficits) - beginning of year</b>	-	1,327	-	36,795	1,398,371
<b>Fund balances (deficits), end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,724</u>	<u>\$ 1,543,103</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, 2013*

	<i>Capital Project Funds</i>						<i>Total Capital Project Funds</i>	<i>Total All Nonmajor Governmental Funds</i>
	<i>Capital Lease Fund</i>	<i>Open Space</i>	<i>Tucker Field Phase II</i>	<i>Capital Reserve Library</i>	<i>Highway Improvement Bond</i>	<i>Drainage</i>		
<b>Revenues</b>								
Investment and interest income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23
Other local and departmental revenue	-	-	-	-	-	-	-	928,011
Federal and State aid and grants	-	-	-	-	-	-	-	3,800,425
Other revenue	-	-	-	-	-	-	-	47,676
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,776,135</u>
<b>Expenditures</b>								
Current:								
General government	-	-	-	-	-	-	-	64,165
Community development	-	-	-	-	-	-	-	87,444
Public safety	-	-	-	-	-	-	-	166,249
Public works	-	-	57,560	-	113,778	383,078	554,416	621,178
Social services	-	-	-	-	-	-	-	111,036
Education	-	-	-	-	-	-	-	2,428,891
Cafeteria	-	-	-	-	-	-	-	1,725,857
Debt service	-	35,192	-	-	-	-	35,192	35,192
<b>Total expenditures</b>	<u>-</u>	<u>35,192</u>	<u>57,560</u>	<u>-</u>	<u>113,778</u>	<u>383,078</u>	<u>589,608</u>	<u>5,240,012</u>
<b>Excess (deficiency) of revenues over (under) expenditures before other financing sources</b>	<u>-</u>	<u>(35,192)</u>	<u>(57,560)</u>	<u>-</u>	<u>(113,778)</u>	<u>(383,078)</u>	<u>(589,608)</u>	<u>(463,877)</u>
<b>Other financing sources</b>								
Transfers from other funds	-	-	216,513	-	-	-	216,513	235,514
<b>Total other financing sources</b>	<u>-</u>	<u>-</u>	<u>216,513</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>216,513</u>	<u>235,514</u>
<b>Net change in fund balances</b>	<u>-</u>	<u>(35,192)</u>	<u>158,953</u>	<u>-</u>	<u>(113,778)</u>	<u>(383,078)</u>	<u>(373,095)</u>	<u>(228,363)</u>
<b>Fund balances (deficits) - beginning of year</b>	<u>30,464</u>	<u>(807,850)</u>	<u>81,802</u>	<u>30,000</u>	<u>113,778</u>	<u>633,675</u>	<u>81,869</u>	<u>1,480,240</u>
<b>Fund balances (deficits), end of year</b>	<u>\$ 30,464</u>	<u>\$ (843,042)</u>	<u>\$ 240,755</u>	<u>\$ 30,000</u>	<u>\$ -</u>	<u>\$ 250,597</u>	<u>\$ (291,226)</u>	<u>\$ 1,251,877</u>

**TOWN OF CUMBERLAND, RHODE ISLAND**  
**Combining Balance Sheet**  
**Special Revenue Funds - School Restricted Fund**  
**June 30, 2013**

	<u><i>Title I</i></u>	<u><i>Title II Professional Development</i></u>	<u><i>Literacy</i></u>	<u><i>Professional Development</i></u>	<u><i>Technology</i></u>
<b>ASSETS</b>					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Due from the federal and state governments	203,582	57,282	-	-	-
Due from other funds	-	-	146,207	22,144	139,039
	<u>-</u>	<u>-</u>	<u>146,207</u>	<u>22,144</u>	<u>139,039</u>
<b>Total assets</b>	<u>\$ 203,582</u>	<u>\$ 57,282</u>	<u>\$ 146,207</u>	<u>\$ 22,144</u>	<u>\$ 139,039</u>
 <b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Account payable and accrued expenditures	\$ 5,223	\$ 793	\$ -	\$ 5,550	\$ -
Due to other funds	198,359	56,489	-	-	-
	<u>198,359</u>	<u>56,489</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total liabilities</b>	<u>203,582</u>	<u>57,282</u>	<u>-</u>	<u>5,550</u>	<u>-</u>
 <b>Fund balances - restricted</b>	 <u>-</u>	 <u>-</u>	 <u>146,207</u>	 <u>16,594</u>	 <u>139,039</u>
<b>Total liabilities and fund balances</b>	<u>\$ 203,582</u>	<u>\$ 57,282</u>	<u>\$ 146,207</u>	<u>\$ 22,144</u>	<u>\$ 139,039</u>

*(Continued)*

**TOWN OF CUMBERLAND, RHODE ISLAND**  
**Combining Balance Sheet (Continued)**  
**Special Revenue Funds - School Restricted Fund**  
**June 30, 2013**

	<u>Project IDEA</u>	<u>Preschool Section 619</u>	<u>Instructional Improvement Systems</u>	<u>RTTT Set Aside Human Capital Development</u>	<u>RTTT Set Aside Educator Effectiveness</u>
<b>ASSETS</b>					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Due from the federal and state governments	501,068	11,717	-	-	-
Due from other funds	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total assets</b>	<u>\$ 501,068</u>	<u>\$ 11,717</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 <b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Account payable and accrued expenditures	\$ 10,315	\$ -	\$ -	\$ -	\$ -
Due to other funds	490,753	11,717	-	-	-
	<u>501,068</u>	<u>11,717</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total liabilities</b>	<u>501,068</u>	<u>11,717</u>	<u>-</u>	<u>-</u>	<u>-</u>
 <b>Fund balances - restricted</b>	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>
<b>Total liabilities and fund balances</b>	<u>\$ 501,068</u>	<u>\$ 11,717</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*(Continued)*

**TOWN OF CUMBERLAND, RHODE ISLAND**  
**Combining Balance Sheet (Continued)**  
**Special Revenue Funds - School Restricted Fund**  
**June 30, 2013**

	<i>USDA Fresh Food &amp; Vegetables</i>	<i>RTTT Set Aside Instructional Improvement Systems</i>	<i>RTTT Educator Effectiveness</i>	<i>RTTT Standards &amp; Curriculum</i>	<i>Title III</i>
<b>ASSETS</b>					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Due from the federal and state governments	14,271	-	21,472	2,059	13,380
Due from other funds	-	-	-	-	-
	-	-	-	-	-
<b>Total assets</b>	<b>\$ 14,271</b>	<b>\$ -</b>	<b>\$ 21,472</b>	<b>\$ 2,059</b>	<b>\$ 13,380</b>
 <b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Account payable and accrued expenditures	\$ 4,613	\$ -	\$ 7,232	\$ -	\$ 180
Due to other funds	9,658	-	14,240	2,059	13,200
	14,271	-	21,472	2,059	13,380
<b>Total liabilities</b>	<b>14,271</b>	<b>-</b>	<b>21,472</b>	<b>2,059</b>	<b>13,380</b>
 <b>Fund balances - restricted</b>	 <b>-</b>	 <b>-</b>	 <b>-</b>	 <b>-</b>	 <b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ 14,271</b>	<b>\$ -</b>	<b>\$ 21,472</b>	<b>\$ 2,059</b>	<b>\$ 13,380</b>

*(Continued)*

**TOWN OF CUMBERLAND, RHODE ISLAND**  
**Combining Balance Sheet (Continued)**  
**Special Revenue Funds - School Restricted Fund**  
**June 30, 2013**

	<i>State Breakfast</i>	<i>Secure Our Schools</i>	<i>Other Miscellaneous Grants</i>	<i>Total</i>
<b>ASSETS</b>				
Cash	\$ -	\$ -	\$ 64,784	\$ 64,784
Due from the federal and state governments	-	21,503	-	846,334
Due from other funds	380	-	-	307,770
<b>Total assets</b>	<b>\$ 380</b>	<b>\$ 21,503</b>	<b>\$ 64,784</b>	<b>\$ 1,218,888</b>
 <b>LIABILITIES AND FUND BALANCES</b>				
<i>Liabilities</i>				
Account payable and accrued expenditures	\$ -	\$ -	\$ 334	\$ 34,240
Due to other funds	-	21,503	25,050	843,028
<b>Total liabilities</b>	<b>-</b>	<b>21,503</b>	<b>25,384</b>	<b>877,268</b>
 <b>Fund balances - restricted</b>	 380	 -	 39,400	 341,620
<b>Total liabilities and fund balances</b>	<b>\$ 380</b>	<b>\$ 21,503</b>	<b>\$ 64,784</b>	<b>\$ 1,218,888</b>



**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, 2013**

	<u>Title I</u>	<u>Title II Professional Development</u>	<u>Literacy</u>	<u>Professional Development</u>	<u>Technology</u>
<b>Revenues</b>					
Federal and State aid and grants	\$ 478,784	\$ 140,570	\$ -	\$ -	\$ -
Other revenue	-	-	-	-	-
<b>Total revenues</b>	<u>478,784</u>	<u>140,570</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenditures</b>					
Education	478,784	140,570	-	38,861	77,994
<b>Total expenditures</b>	<u>478,784</u>	<u>140,570</u>	<u>-</u>	<u>38,861</u>	<u>77,994</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(38,861)</u>	<u>(77,994)</u>
<b>Fund balances - beginning of year</b>	<u>-</u>	<u>-</u>	<u>146,207</u>	<u>55,455</u>	<u>217,033</u>
<b>Fund balances - end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 146,207</u>	<u>\$ 16,594</u>	<u>\$ 139,039</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, 2013**

	<u>Project IDEA</u>	<u>Preschool Section 619</u>	<u>Instructional Improvement Systems</u>	<u>RTTT Set Aside Human Capital Development</u>	<u>RTTT Set Aside Educator Effectiveness</u>
<b>Revenues</b>					
Federal and State aid and grants	\$ 1,222,707	\$ 40,377	\$ 1,570	\$ 81,054	\$ 16,048
Other revenue	-	-	-	-	-
<b>Total revenues</b>	<u>1,222,707</u>	<u>40,377</u>	<u>1,570</u>	<u>81,054</u>	<u>16,048</u>
<b>Expenditures</b>					
Education	1,222,707	40,377	1,570	81,054	16,048
<b>Total expenditures</b>	<u>1,222,707</u>	<u>40,377</u>	<u>1,570</u>	<u>81,054</u>	<u>16,048</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances - beginning of year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances - end of year</b>	<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, 2013**

	<i>USDA Fresh Food &amp; Vegetables</i>	<i>RTTT Set Aside Instructional Improvement Systems</i>	<i>RTTT Educator Effectiveness</i>	<i>RTTT Standards &amp; Curriculum</i>	<i>Title III</i>
<b>Revenues</b>					
Federal and State aid and grants	\$ 44,712	\$ 87,099	\$ 53,192	\$ 38,471	\$ 13,380
Other revenue	-	-	-	-	-
<b>Total revenues</b>	<u>44,712</u>	<u>87,099</u>	<u>53,192</u>	<u>38,471</u>	<u>13,380</u>
<b>Expenditures</b>					
Education	44,712	87,099	53,192	38,471	13,380
<b>Total expenditures</b>	<u>44,712</u>	<u>87,099</u>	<u>53,192</u>	<u>38,471</u>	<u>13,380</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances - beginning of year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances - end of year</b>	<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, 2013**

	<u>State Breakfast</u>	<u>Secure Our Schools</u>	<u>Other Miscellaneous Grants</u>	<u>Total</u>
<b>Revenues</b>				
Federal and State aid and grants	\$ -	\$ 35,818	\$ 1,690	\$ 2,255,472
Other revenue	-	-	47,564	47,564
<b>Total revenues</b>	<u>-</u>	<u>35,818</u>	<u>49,254</u>	<u>2,303,036</u>
<b>Expenditures</b>				
Education	-	35,818	58,254	2,428,891
<b>Total expenditures</b>	<u>-</u>	<u>35,818</u>	<u>58,254</u>	<u>2,428,891</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>-</u>	<u>-</u>	<u>(9,000)</u>	<u>(125,855)</u>
<b>Fund balances - beginning of year</b>	<u>380</u>	<u>-</u>	<u>48,400</u>	<u>467,475</u>
<b>Fund balances - end of year</b>	<u>\$ 380</u>	<u>\$ -</u>	<u>\$ 39,400</u>	<u>\$ 341,620</u>

**TOWN OF CUMBERLAND, RHODE ISLAND**  
**Combining Statement of Net Position**  
**Private-Purpose Trusts**  
**June 30, 2013**

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	<u>Burial</u>	<u>High School Scholarship</u>	<u>Scholarship</u>	<u>Total Private- Purpose Trusts</u>
<i>Assets</i>				
Cash and cash equivalents	\$ 221,017	\$ 10,451	\$ 56,707	\$ 288,175
<b>Total assets</b>	<u>221,017</u>	<u>10,451</u>	<u>56,707</u>	<u>288,175</u>
 <i>Net Position</i>				
Held in trust for other purposes	<u>\$ 221,017</u>	<u>\$ 10,451</u>	<u>\$ 56,707</u>	<u>\$ 288,175</u>

**TOWN OF CUMBERLAND, RHODE ISLAND**  
**Combining Statement of Changes in Net Position**  
**Private-Purpose Trusts**  
**For the Fiscal Year Ended June 30, 2013**

	<u>Burial</u>	<u>High School Scholarship</u>	<u>Scholarship</u>	<u>Total Private- Purpose Trusts</u>
<b>Additions</b>				
Donations	\$ -	\$ -	\$ 44,560	\$ 44,560
Interest	1,365	26	-	1,391
<b>Total additions</b>	<u>1,365</u>	<u>26</u>	<u>44,560</u>	<u>45,951</u>
<b>Deductions</b>				
Scholarships	-	-	43,253	43,253
<b>Total deductions</b>	<u>-</u>	<u>-</u>	<u>43,253</u>	<u>43,253</u>
<b>Change in net position</b>	1,365	26	1,307	2,698
<b>Net position - beginning of year</b>	<u>219,652</u>	<u>10,425</u>	<u>55,400</u>	<u>285,477</u>
<b>Net position - end of year</b>	<u>\$ 221,017</u>	<u>\$ 10,451</u>	<u>\$ 56,707</u>	<u>\$ 288,175</u>

**TOWN OF CUMBERLAND, RHODE ISLAND**  
**Combining Statement of Net Position**  
**Agency Funds**  
**June 30, 2013**

	<u>Student Activities/ Alumni</u>	<u>Curb Cuts</u>	<u>Portuguese Exchange</u>	<u>Substance Abuse Prevention Task Force</u>	<u>Coalition of Communities</u>	<u>School Fundraising</u>	<u>Cumberland Fest</u>	<u>Total Agency Funds</u>
<b>Assets</b>								
Cash	\$ 215,656	\$ 169,928	\$ 1,372	\$ 37,135	\$ 7,363	\$ 27,800	\$ 282	\$ 459,536
Accounts receivable	-	-	-	-	1,746	-	-	1,746
<b>Total assets</b>	<u>\$ 215,656</u>	<u>\$ 169,928</u>	<u>\$ 1,372</u>	<u>\$ 37,135</u>	<u>\$ 9,109</u>	<u>\$ 27,800</u>	<u>\$ 282</u>	<u>\$ 461,282</u>
<b>Liabilities</b>								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 109	\$ -	\$ 109
Due to other funds	-	87,051	-	-	9,109	1,831	24	98,015
Deposits held in custody for others	215,656	82,877	1,372	37,135	-	25,860	258	363,158
<b>Total liabilities</b>	<u>\$ 215,656</u>	<u>\$ 169,928</u>	<u>\$ 1,372</u>	<u>\$ 37,135</u>	<u>\$ 9,109</u>	<u>\$ 27,800</u>	<u>\$ 282</u>	<u>\$ 461,282</u>

**TOWN OF CUMBERLAND, RHODE ISLAND**  
**Tax Collector's Annual Report**  
**For the Fiscal Year Ending June 30, 2013**

**Real Estate and Personal Property Taxes**

<u>Year</u>	<u>Balance</u> <u>June 30, 2012</u>	<u>Levy</u>	<u>Additions</u>	<u>Abatements, Refunds and Adjustments</u>	<u>Amount to be Collected</u>	<u>Current Year Collections</u>	<u>Balance</u> <u>June 30, 2013</u>
2013	\$ -	\$ 60,472,810	\$ 26,705	\$ (346,430)	\$ 60,153,085	\$ 25,554,181	\$ 34,598,904
2012	33,887,293	-	121,259	56,932	34,065,484	32,267,262	1,798,222
2011	1,512,028	-	54,674	(73,827)	1,492,875	832,862	660,013
2010	487,027	-	590	4,494	492,111	135,997	356,114
2009	160,171	-	79	1,048	161,298	30,692	130,606
2008	119,627	-	-	2,367	121,994	7,759	114,235
2007	87,469	-	134	1,105	88,708	6,833	81,875
2006	85,742	-	-	4,829	90,571	5,544	85,027
2005	83,477	-	-	1,738	85,215	918	84,297
2004	81,437	-	-	2,079	83,516	98	83,418
2003	(1,286)	-	-	1,567	281	62	219
2002	5,969	-	-	3,924	9,893	-	9,893
2001	40,378	-	-	1,184	41,562	56	41,506
2000 and prior	791,980	-	-	-	791,980	-	791,980
	<u>\$ 37,341,312</u>	<u>\$ 60,472,810</u>	<u>\$ 203,441</u>	<u>\$ (338,990)</u>	<u>\$ 97,678,573</u>	<u>\$ 58,842,264</u>	<u>38,836,309</u>
						<i>Allowance for Uncollectible Accounts</i>	<u>(1,423,056)</u>
						<i>Net Property Tax Receivable</i>	<u>\$ 37,413,253</u>

**Schedule of Most Recent Net Assessed Property Value by Category**

<u>Description of Property</u>	<u>Valuation</u>
Real property	\$ 3,421,423,400
Motor vehicles	317,806,134
Tangible personal property	130,818,015
<b>Total</b>	<u>3,870,047,549</u>
Exemptions	207,453,704
<b>Net assessed value</b>	<u>\$ 3,662,593,845</u>



**TOWN OF CUMBERLAND, RHODE ISLAND**  
*Schedule of Unrestricted Fund - Fund Balance - Restricted for Education Programs*  
*June 30, 2013*

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***Restricted for Education:***

School Committee designation for medical insurance cost contingency	\$ 450,000
School Committee designation for other education programs	230,204
School Committee designation for capital projects	427,432
School Committee designation for use in subsequent year budget	420,000
(1) Undesignated	<u>1,655,343</u>
<b><i>Total</i></b>	<b><u><u>\$ 3,182,979</u></u></b>

(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 2.99% of the total budgeted operating expenditures for the year-end June 30, 2013 and within the range required by the School Committee policy.



CERTIFIED PUBLIC ACCOUNTANTS

875 Centerville Road, Building 3, Unit 10 • Warwick, RI 02886  
(401) 586-6565 • Fax (401) 826-1710

***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***

***Independent Auditor's Report***

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

We have audited, in accordance with the 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, the 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, 2013, and the related notes to the financial statements, which collectively comprise the Town of Cumberland, Rhode Island's basic financial statements, and have issued our report thereon dated February 27, 2014.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Town of Cumberland, Rhode Island's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Cumberland, Rhode Island's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Cumberland, Rhode Island's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 a 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 2013-001 and 2013-002 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2013-003, 2013-004 and 2013-005 to be significant deficiencies.

### **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*.

### **Town of Cumberland, Rhode Island's Response to Findings**

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. The Town of Cumberland, Rhode Island's responses were not subjected to the audit procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Warwick, Rhode Island  
February 27, 2014

**TOWN OF CUMBERLAND, RHODE ISLAND**  
*Schedule of Findings and Responses*  
*For the Fiscal Year Ended June 30, 2013*

***Water Fund Financial Reporting***

**2013-001 Material Weakness** – Certain internal controls over the Water Fund 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, 2013. The Town was not performing certain monthly closing and reconciliation procedures that resulted in the misstatements going undetected, which included the following:

- a) The Finance Department does not have adequate access to Water Fund financial information, specifically the billing and receivable accounting system. As a result of limited access to financial information, the Town is not reconciling the Water Fund general ledger accounts associated with the water use billing and collection transactions.
- b) The Town did not record the general ledger transactions related to capital assets and depreciation expense. This lack of reconciliation and accounting procedures resulted in misstatements to the financial statements.

**Recommendation** – We strongly recommend the following: 1) The Finance Department should have access to Water Fund financial reporting systems at all times; and 2) The Town should record all transactions to the Water Fund, including capital asset transactions.

**Management's Response** – The Water Department began sending monthly trial balance reports to the Finance Department at the start of fiscal year 2013. The Town does concur with the recommendation that the Finance Department should have access to the Water Fund financial reporting system. Included in the adopted fiscal year 2014 budget were the funds necessary to correct this material weakness moving forward. The Town is moving ahead with these plans with the goal of having this issue corrected by the close of fiscal year 2014.

***Capital Assets – Governmental Funds and Water Fund***

**2013-002 Material Weakness** – 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, 2013, the schedules were prepared after year-end and the 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.

**TOWN OF CUMBERLAND, RHODE ISLAND**  
*Schedule of Findings and Responses*  
*For the Fiscal Year Ended June 30, 2013*

**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 a bi-annual basis. This will ensure proper recording and safeguarding of the Town and School Department’s capital assets.

**Management’s Response** – The Town’s current general ledger software company does offer a fixed asset software program that was considered in fiscal year 2014. Due to both the initial expense as well as the annual maintenance of this software program, other options are now being considered. It should be noted that the Town does have a current procedure in place which calls for the accounts payable clerk to give a copy of all fixed asset purchases to the accounting clerk. Capital assets are then recorded by the accounting clerk on the fixed asset excel schedule.

**CDBG Grant Administration**

**2013-003 Significant Deficiency** – The Town does not have policies and procedures in place to properly administer requests for reimbursement related to the Community Development Block Grant (CDBG Program). The CDBG Program should operate on a reimbursement basis, but the fund has a cumulative fund balance of \$141,668 as of June 30, 2013. It appears that over time funds have not been requested as expenditures were incurred or funds were requested prior to incurring expenditures.

**Recommendation** – We recommend that the Town reconcile prior year requests for reimbursements to the general ledger. The Town should then drawdown funds not requested or return any excess funds requested to the State. We also recommend that policies and procedures be implemented to ensure that requests for reimbursements reconcile to the accounting records and the requests are made in a timely manner.

**Management’s Response** – The Town’s CDBG coordinator is currently in the process of reconciling all open CDBG program years. Finance expects the Planning Department to review and implement the Finance Department’s policy and procedure manual for grant managers.

**TOWN OF CUMBERLAND, RHODE ISLAND**  
*Schedule of Findings and Responses*  
*For the Fiscal Year Ended June 30, 2013*

***Segregation of Duties***

**2013-004 Significant Deficiency** – During the 2013 fiscal year, there was a lack of segregation of duties in the Finance Department resulting in a deficiency in internal controls over financial reporting. The Deputy Finance Director had the responsibility for maintaining the general ledger for all funds, including reconciling all cash and accounts receivable accounts, preparing and posting journal entries, and preparing all the trial balances for the year-end audit. The Deputy Finance Director also assumed additional authorization and approval responsibilities during the fiscal year when the Finance Director’s position was vacant, including initiating wire transfers and approving purchases and disbursements.

**Recommendation** – We recommend that the Town review the Finance Director’s and Deputy Finance Director’s responsibilities, now that the Finance Director’s position has been filled, to ensure proper segregation of duties.

**Management’s Response** – As of February 7, 2013 the position of Finance Director was filled by the Town of Cumberland and hence any issues remaining with the segregation of duties within the Finance Department has been rectified. Moreover, the Finance Director reviews and signs off on all cash reconciliations, journal entries and trial balances prepared by either the Deputy Finance Director or the Finance Director. In advance of the Finance Director position being filled, the Mayor’s Office performed the function of reviewing and signing all cash reconciliations performed by the Deputy Finance Director.

***Financial Reporting and Closing Procedures***

**2013-005 Significant Deficiency** – An entity’s system of internal controls should be designed and operate to allow the entity to prepare accurate financial statements in conformance with generally accepted accounting principles and be designed and operate to prevent, detect, and correct misstatements in the financial statements on a timely basis. The system should also be designed and operate to allow the entity to properly monitor the financial position of the entity.

Although the Town prepares monthly reconciliations and monthly budget to actual revenue and expenditure reports, the Town does not have a procedure in place that requires the monthly review and approval of all fund financial reports, to ensure the reports are accurate and complete. The monthly review procedures should include resolving any issues outstanding within each fund, for example, addressing fund deficits or ensuring reimbursements are requested and received from the Federal and State governments.

**TOWN OF CUMBERLAND, RHODE ISLAND**  
***Schedule of Findings and Responses***  
***For the Fiscal Year Ended June 30, 2013***

***Recommendation*** – We recommend that the Town implement formal procedures for the monthly review and approval by the Finance Director of all fund financial reports.

***Management's Response*** – Included in the Town's Charter under Article IX, Section 905, Item J states the following: Prepare a monthly statement of all revenues and expenditures in sufficient detail to show the financial condition of the Town for submission to the Mayor and the Town Council, it being the duty of the Department of Finance to make sufficient copies for all departments of the Town government and file a copy with the Town Clerk which is made a public record.

The Town prepares and distributes to the Mayor and Town Council on a monthly basis, detailed revenue and expenditure reports for the Town's General Fund, the Sewer Assessment Fund and the Water Fund. These reports, in addition to an Executive Summary report are presented on a monthly basis at a Town Council meeting after which the entire report is posted on the Town's website to make available to the general public. Finally, each department head receives a copy of his or her department's report on a monthly basis.

If the provision within the Town's Charter does not satisfy the requirements for a monthly review and approval of all fund financial reports, the Town will take notice and look into this further moving forward.